UNIVERSITY OF BIRMINGHAM | WM REDI | CITY-REDI

Supporting inclusive economic growth in the West Midlands and across the UK

City-REDI/WMREDI response to the BEIS inquiry on the impact of coronavirus on businesses and workers

About the institutes:

The City-Regional Economic Development Institute (City-REDI) and West Midlands Regional Economic Development Institute (WMREDI) are two sister institutes at the University of Birmingham. Their aim is to improve prosperity and inclusive economic growth at the sub-national level in the UK and develop practical insight in order to better inform and influence regional and national economic growth policies. They were established in 2015 and 2019 respectively to undertake academic research and policy analysis on the unevenness of economic growth at the UK sub-national level, the complex interrelationships behind socio-economic phenomena and the policies to address inequality at the individual and regional level. During the current pandemic, the institutes are preparing the *West Midlands Economic Impact Monitor* bringing together intelligence from the wider WMREDI partnership to inform the *West Midlands Combined Authority COVID-19 Economic Impact Group*. Our response to the inquiry aims at highlighting the heterogeneous spatial nature of the impact of coronavirus on businesses and workers. This response is based on original research and evidence collection at the institute. The topics covered revolve around the impact of the coronavirus on businesses and labour markets covering a range of topics from the economic impact at the sub-national level with a focus to West Midlands to policy aspects that can enhance local resilience performance such as volunteering, labour market policies and homeworking. We start by providing a summary that highlights the key points of the evidence that follows.

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Summary – Key points:

A) The uneven spatial impact of the COVID19 economic crisis.
   - Whilst this is a national level **economic shock**, **place-specific** characteristics will significantly determine its local impact. The economy will be impacted by both an **external shock** (impact on manufacturing due to supply chain disruption) and an **internal one** (impact on services). Local economic **resilience** to the COVID19 crisis will depend on a range of factors and complex interrelationships.
   - There is **significant spatial variation** in the distribution of unemployment, businesses and shares of employment in sectors that are currently in **lockdown**. 42% of Wellingborough's local businesses and 39% of employment in the Isles of Scilly are in industries affected by the shutdown.
   - Our **economic modelling** shows that a 3-month lockdown in the West Midlands services only could mean a 5% drop in the annual GVA, putting 65,000 jobs at risk.
   - In the short run (Q2 2020) **up to 460,000** jobs could be impacted by the COVID19 crisis in the West Midlands Combined Authority.

- West Midlands' large **manufacturing sector** and local supply chains, business structure and prevalence of the **education sector** suggest the region may be particularly **vulnerable**. Approximately 20% (20,500) of businesses and 15% (188,000) of employment are in sectors directly affected by the lockdown.
- The **ability to work** from home ranges across occupations and industrial sectors. As a result, it varies from one place to the other. This presents opportunities and challenges for local economies.

B) Factors enhancing local resilience

- Our **review of business support** in the UK, Spain and Ireland **and of short-time working** in France and Germany show that **ease of access to support** is paramount. Continuing access to professional/occupational **training** and opportunities for digital skills development for staff on short-time working are also important. Evidence on support measures from **China** highlight an emphasis of business support on **transforming/ optimising business models**, increasing risk resistance capability and online vocational training.
- **Volunteering** can significantly assist during the crisis as well as during the recovery period with evidence suggesting strong **links** between voluntary activity and the ability to gain, maintain and improve **employment**.
- Evidence from previous recessions indicates that while exits to **unemployment** take place rapidly, (re)entries to employment take longer. From a policy perspective key **priorities** to address challenges of heightened unemployment are: (1) investment in **new active labour market** programmes for those out of work; (2) **refocusing skills and training** to support recovery; (3) an integrated and coherent offer to support **young** people; (4) an **orderly** withdrawal from the Job Retention Scheme; (5) use of existing local **partnership** arrangements to ensure policies are joined up at a local level; and (6) **planning** for the future to achieve high quality more productive employment with improved opportunity and security.
- There is a need for improvement on **advice, support and legislation on homeworking** in order to maximise the benefits and minimise the costs of homeworking for local economies.
- **Universities** have a central role to play in the local and national **resilience performance** during the recession and the recovery stage. From research and innovation, to expenditure that supports local demand. Our estimates identify significant variation of multiplier effects from student spending in different UK regions with up to **4.2% of GVA and employment** generated in the West Midlands. These multiplier effects are **under threat** with the expected reduction of student numbers.
- The decision to **end of the lock-down** is extremely complex. A potential sequence based on other countries' experience is **1) Schools and universities** (with specific measures such as different lunch times, enhanced cleaning, smaller classrooms, increased reliance on e-learning, etc.); **2) Commercial activity** (retail) with possible gradation (e.g. maximum number of people allowed, etc.); **3) Social activity** measures (restaurants, cafes, etc.), with possible gradation (restricted opening hours, maximum number of people allowed, etc.); **4) Mass gatherings** (e.g. festivals, concerts, etc.); **5)** The gradual reintroduction of **transport services** / phasing out of travel restrictions (private cars, trains, planes – then buses later etc.).

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Evidence

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Contagion: The Economic and Social Impacts of Coronavirus (Covid-19) on the West Midlands

By Professor Simon Collinson. Blog posted here

In the case of almost all kinds of economic, social, political or health-related systemic shocks, the vulnerable are the most severely impacted.

We know a great deal now about the susceptibility of particular groups in our population to the Covid-19 virus, the elderly and those with pre-existing conditions relating to heart and lung functions. But the economic shocks will be significant and will disproportionally affect low-skilled workers and low-income households, regardless of whether or not they contract the virus. A recent headline stated that there will be more bankruptcies than deaths from the Covid-19 epidemic. This is not to diminish the importance of the personal losses being experienced, but to point to the additional risks faced by those who have the least in our society.

A Harvard Business Review article (Carlsson-Szlezak, Reeves and Swartz; 2020) recently described epidemics as following a V-shaped trajectory in terms of economic decline and growth. A sudden drop in production and consumption severely impacts economies, but only over a short period, followed by a steep bounce-back. OECD global growth forecasts for 2020 have almost halved from 3% to 1.5% and could drop further. The stock markets are faltering and businesses are experiencing huge levels of financial uncertainty and beginning to shut down certain operations as a result. JP Morgan's recent economic analysis of the UK suggests a drop in GDP of -10% in Q1 and -30% Q2 but up to 50% increase, potentially in Q4 resulting in a net fall of 0.8% GDP growth. In the case of Covid-19, these are blunt estimates, with little precedence.

The two major economic contagion or transmission effects come from a fall in net revenues for firms and unemployment. The first results from increased (supply-side) costs and declining (Business to Business and Business to Consumer) consumption. The second from the response of firms to these economic conditions, to reduce costs by laying off workers. In combination, these will stall the dynamism of an economy. But unemployment then transmits these economic effects from vulnerable (in debt) firms to vulnerable (in debt) households. This form of contagion has further knock-on effects on the benefits system, healthcare, housing, crime, mental health and the well-being of communities. For these reasons, it is important to understand which firms are likely to impacted by the evolving Covid-19 crisis and to channel government funding and support as precisely as possible to the right places.

A great deal of the Brexit analysis undertaken to understand the effects of a hard-exit from the EU provides insights into the current disruption. We are one of three UK regions with the highest level of risk exposure to a hard-Brexit because of our trade dependencies with Europe. 12.2% of West Midlands GDP is at risk because of negative trade-related consequences.

We also have a low level of average household income (second-lowest GDHI of the core cities) and over 107,000 households are workless, with dependent children. The Index of Multiple Deprivation shows that 56.4% of Birmingham's population live in the most deprived 20% of areas in England. Not unrelated to our regional exposure to Covid-19, Birmingham's Health Profile Report (2019) reveals that for 2013-15, life expectancy in the most deprived areas in Birmingham was 10 years lower for men and 8 years lower for women than in the least deprived areas.

The key industry sectors impacted in the West Midlands mirror the pattern nationally, but we are particularly exposed for four key reasons:

- **Our large manufacturing sector and local supply chains**

The automotive industry is worth just over £8 billion to our regional economy, directly and the components supply chain adds another £3.2 billion. Already in difficulty from declining sales in China and from Brexit the outlook for these firms does not look good as production is disrupted, costs increase and demand falls. The regional multiplier effect is significant as lots of regional income and consumption is dependent on the industry. Moreover, many small firms in our manufacturing supply chains are so-called 'zombie' firms, surviving on low-interest loans.

- **Vulnerable 'zombie' companies**

Firms that survive by paying off the interest on loans have been described as 'zombie' companies, vulnerable to bankruptcy if costs or interest rates rise or demand falls (11% of UK firms pay the interest on their debts but do not repay any debt; Banerjee and Hofman, 2018). They tend to be smaller, less productive and more reliant on lower-skilled, lower-cost labour than other firms. A KPMG report (May 2019) estimates 1 in 7 firms (between 8% and 14%) are surviving only because interest rates are low with the highest concentrations in energy (23%), automotive (17%) and utilities (15%), all of which are important sectors in our region. Economic shocks lead to redundancies and many of these affect low-income households which can also be close to the tipping point in terms of household debt.

- **Business sectors reliant on communal service delivery and social gatherings**

Except for food and basic needs, consumption is set to drop, globally, nationally and regionally. Entertainment, restaurants and pubs and any services dependent on communal delivery are being severely affected. Air travel has already been impacted and will go through a paradigm shift over the next few months as an industry. Tourism is worth £12.6 billion in the West Midlands region and an estimated 135,725 jobs (about 5% of the current working population). Around 5.5 million UK tourists spend £860 million per year staying in the region. We are already seeing huge drops in revenues and the government is trying to inject liquidity and support into these sectors. This will become a great deal worse through Easter and into the summer period.

- **Education and student spending**

Education is the region's 4th-largest industry. Not only is it a big direct and indirect employer (the University of Birmingham is responsible for over 16,000 jobs and contributes £3.7 billion each year to the economy) but the UK and foreign students (and their parents) spend a significant amount in the region each year. Chinese students and their spending are a particularly important input into our economy. About a third of non-UK students in the UK are Chinese and across our 12 regional universities we host about 12,800 Chinese students (Birmingham is responsible for about 4,220, Warwick and Coventry about a thousand fewer each).

Economic and Social Risk Mitigation?

Many of the action points developed for a hard Brexit scenario are relevant as interventions in the regional economy. Similarly, the experience of the post-2008 credit crunch is that preparing for and riding on the economic bounce-back is critical for longer-term growth.

Liquidity is key, to keep firms operating and/or solvent in the face of increased costs, reduced demand and regulatory interventions on health grounds (e.g. forced closures). Large scale redundancies will not only transfer the problems to households and public services but will damage communities over the longer-term and reduce the region's ability to grow quickly in the up-turn. Reduced incomes for households also cycles straight back into reduced consumption, stalling the economy for longer.

Targeted support for the firms most likely to go bankrupt is a clear and obvious necessity. Initial modelling at WM REDI by Andre Carrascal Incera shows the potential impact of a 3-month partial shut-down of key sectors in the region, with an emphasis on accommodation and food services (hotels, bars, restaurants etc.), arts, entertainment and recreation. Just over 61,000 jobs would be at risk, from full redundancies to reduced employee income. This equates to a 3.5% drop in annual output and slightly more in GVA terms. If falls in other sectors from teleworking measures are included in the scenario, then the negative effect on output increase to -4.4% (4.8% of the GVA and 5.3% of the employment). (Note that this is an annual result which does not take account of any potential rebounding effect in the next quarter).

There will be some compensating increases in healthcare services, although the availability of appropriate skills is a big unknown. A 25% increase in the demand for health services would require around 10,000 extra employees in the sector, assuming the productivity of the workers in that sector remains the same. 8.6% of the GVA of our regional economy is in life sciences and healthcare (2016 data).

Targeted support is critical, however, we currently do not know (1) the timescale of the Covid-19 disruptions, or (2) the degree to which current policies, including financial injections, are reaching particular sectors or firms, large and small. The £7bn national Budget package to help businesses deal with the crisis included business rates relief and a new hardship fund have just been launched. A key issue is whether and when firms can and will get access to the benefits – and what impact these have on redundancies.

Local Resilience and the Coronavirus (COVID-19) Economic Crisis

By Dr Anastasios Kitsos. Blog posted here

Beyond the current health crisis, the economy is bracing for a significant downturn as well. This may be secondary at the moment but it is worth remembering that economic crises, and their management, cost lives as well. Undoubtedly, there is an economic challenge in front of us. At the very basic level, production is the outcome of the combination of capital and labour, and whatever you multiply by zero labour is zero product.

Estimating the crisis impact is difficult and risky. We have a systemic downturn on one of the most complex systems, our interconnected global society. What we can do about this is 1) test alternative scenarios such what André Carrascal-Incera has done here, here and here and 2) consider the particularities of places and the extent of interconnectedness as Simon Collinson is doing in his blog.

What I am focusing on, is a reflection on the magnitude of the 2008 crisis and a consideration of the factors at play for the current one for the West Midlands. From past experience, we know that the economic crisis will not be the same across places (Kitsos and Bishop, 2018). Different characteristics will exacerbate or mitigate the crash making local resilience a key determinant of the degree of the impact across different localities.

Tables 1 & 2 show the 2008 crisis impact on the UK, West Midlands Combined Authority (WMCA), constituent Local Authorities and Local Enterprise Partnerships. These geographies enable us to both see how the combined authority has performed differently compared to the country and how the different areas within the combined authority experienced the 2008 crisis.

The employment rate drops show the difference between the highest pre-recession and the lowest post-recession employment rate. WMCA has lost twice the percentage points (5.4) of the UK drop (2.4). Employment numbers were down by 50,000 jobs or 4.48% of the pre-recession peak. Similar variations are found for unemployment rates and numbers of those unemployed as well as those claiming for Job Seekers Allowance (JSA) and the GVA.

The differences within WMCA are even greater with Solihull losing 13% of its peak employment figure, Dudley seeing an increase of 260% in the number of those unemployed and Wolverhampton losing approximately 17% of its peak real GVA.

Table 1: The 2008 crisis impact

Geography	Peak to trough impact 2004-2017					
	Employment rate drop	Employment decrease (000s)	Employment number % drop	Unemployment rate increase	Unemployment increase (000s)	Unemployment number % increase
United Kingdom	-2.7	489.7	-1.70	3.4	1,108.5	78.8
West Midlands Combined Authority	-5.4	49.9	-4.48	5.6	72.4	88.9
Birmingham local authority	-8.1	17.7	-4.32	7	36.6	95.1

Coventry local authority	-8.5	10.6	-7.54	4.5	6.6	91.7
Dudley local authority	-6.9	15.9	-10.74	7.7	11.4	259.1
Sandwell local authority	-5.6	5.9	-4.93	8.8	12.4	130.5
Solihull local authority	-10.7	12.5	-12.90	5.3	4.5	107.1
Walsall local authority	-7.8	8.9	-7.97	6.2	7.7	108.5
Wolverhampton local authority	-8.2	10.5	-10.05	8.8	9.9	167.8
Black Country LEP	-5.9	29.7	-6.22	7.6	39.7	139.3
Coventry and Warwickshire LEP	-6	26	-6.41	4.9	21	142.9
Greater Birmingham and Solihull LEP	-5.8	32	-3.90	4.3	40	70.5

Source: Author's elaboration of ONS data.

Table 2: The 2008 crisis impact

Geography	Peak to trough impact 2004-2017				
	JSA rate increase	JSA increase (000s)	JSA number % increase	real GVA loss in 2016 £ million	% drop in real GVA
United Kingdom	2.1	900.2	114.6	69,051	-4.28
West Midlands Combined Authority	3.2	59	101.2	4,405	-7.66
Birmingham local authority	3	22.8	76.9	1,628	-6.66
Coventry local authority	3	6.5	124.5	566	-7.40
Dudley local authority	3.3	6.3	128.6	495	-9.83
Sandwell local authority	3.6	7.7	118.5	650	-12.12
Solihull local authority	2.8	3.6	188.2	963	-14.33

Walsall local authority	3.9	6.7	146.0	353	-8.77
Wolverhampton local authority	4.3	7.1	127.1	855	-16.87
Black Country LEP	3.7	27	125.0	1,750	-9.03
Coventry and Warwickshire LEP	2.5	14.3	153.1	2,171	-9.81
Greater Birmingham and Solihull LEP	2.9	37	99.4	3,231	-7.20

Source: Author's elaboration of ONS data.

Current scenario estimates, under what may shortly seem as optimistic assumptions, suggest a loss of 65,000 jobs and 4.75% of GVA for the WMCA. So the region is looking at least at a similar impact to the 2008 crisis albeit within a much shorter timeframe.

There are not many reasons to support that the impact of this crisis will be geographically homogenous. Indeed the shock is different and social distancing and closures are universally applied across the country, but resilience determinants such as local industrial structure characteristics, human capital (Kitsos, 2020) and household incomes remain unevenly distributed across space.

Below we take a look at some of the variables that are likely to influence the economic hit for the region and constituent geographies.

- **Previously identified resilience factors**

WMCA has lower than average share of self-employed than the country (Table 3). The self-employed have been identified as a particularly vulnerable group during the current crisis due to the lockdown. Simultaneously, the region suffers from lower than average level of qualifications and higher than average share of population without any qualifications. These factors have been previously identify as significant determinants of how the 2008 crisis impacted on local authorities (Kitsos and Bishop, 2018, Lee, 2014). Given the over-representation of low qualifications in transport and distribution that continues at the time of writing, it is likely that most of the COVID-19 economic crisis will hit those in the middle of the qualification distribution (NVQ1, NVQ2, NVQ3). It is important to note the significant variations within the WMCA in terms of qualifications.

In terms of Gross Disposable Household Income (GDHI, table 3 and figure 1), WMCA is only at 75% of the UK average. If this is linked to reduced levels of savings, households in the West Midlands are expected to be more dependent on regular employment income and hence, at a precarious position during and after the lockdown. It also can have significant knock on effects on local authority budgets in the case that reducing disposable incomes leads to deferring the payment of council taxes and an increase in requests for support.

Table 3: Performance in resilience critical factors

Geography	Self-Employed %	NVQ4+ %	No NVQ %	GDHI/head £
United Kingdom	10.6	39.2	8	19,514
West Midlands Combined Authority	7.8	30.5	12.9	14,846
Birmingham local authority	7.9	33.2	12	14,128

Coventry local authority	6.5	35.3	10.3	14,455
Dudley local authority	9.2	24.4	14.1	15,698
Sandwell local authority	6.8	21.1	20.3	13,359
Solihull local authority	9	40.2	6.9	21,782
Walsall local authority	7.7	30.2	11.4	14,300
Wolverhampton local authority	7.7	22.8	16.3	14,231
Black Country LEP	7.8	24.5	15.7	14,403
Coventry and Warwickshire LEP	9.2	38.2	9	19,146
Greater Birmingham and Solihull LEP	9.1	33.8	9.3	16,476

Source: Author's elaboration of ONS data

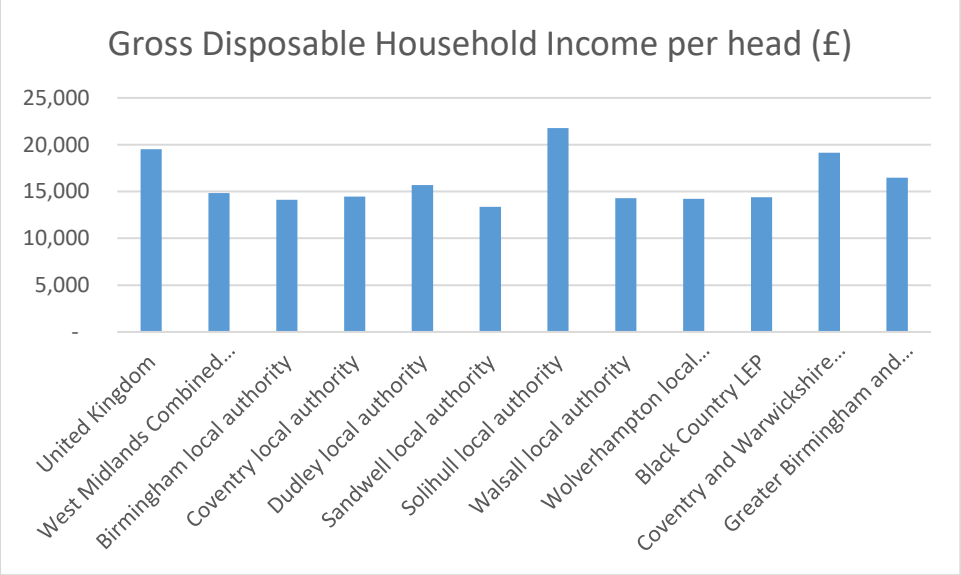

Figure 1: GDHI per head (£)

Together with the self-employed, newly born firms are also expected to be increasingly impacted. The lack of credit history, and possibly experience, may make it harder for entrepreneurs to access financing either through traditional channels or via the government support schemes. The WMCA shows similar entrepreneurship rates to the rest of the country (Table 4), although the lower survival rates and proportion of high growth firms point to increase vulnerability.

Research suggests that places with higher entrepreneurial activity have been hit harder during the recession period but recovered faster during the upturn of the 2008 crisis (Kacher et al., 2018). This makes the case for business support even stronger during downturns.

Table 4: Entrepreneurship statistics

Geography	Business Births per 1000 population	5-year survival rate	high-growth firms per 1000 population
United Kingdom	5.7	42.4	0.21
West Midlands Combined Authority	5.8	40.5	0.16
Birmingham local authority	8.2	39.4	0.15
Coventry local authority	4.4	40.6	0.15
Dudley local authority	3.8	42.7	0.17

Sandwell local authority	4.2	38.9	0.11
Solihull local authority	5.0	45.9	0.26
Walsall local authority	3.9	40.5	0.14
Wolverhampton local authority	4.3	39.4	0.15

Source: Author's elaboration of ONS data. Birth rates for Birmingham and WMCA may be overestimating births due to multiple enterprises registering in the same postcode. For more information see here

- **Industrial structure**

Another important factor is likely to be the relative share of industries in terms of employment and businesses (Tables 5 & 6). As André discussed in his blogs, some sectors will be severely negatively affected (see hospitality related activities) whilst some will see an increase in demand (health services). Equally important are the links of these industries with rest of the economy both in terms of resilience (Kitsos et al., 2019) and in terms of contagion. The high concentrations of manufacturing and wholesale and retail need particular attention in the WMCA. Especially for manufacturing, the presence of dense value and supply chains make contagion a critical matter.

Table 5: Share of sector by employment

Geography/Sector	C	F	G	H	I	J	K	L	M	N	O	P	Q
Great Britain	7.9	4.8	15.1	4.7	7.5	4.1	3.3	1.9	8.7	8.8	4.1	8.5	12.9
West Midlands Combined Authority	10.6	4.3	16.1	5.4	5.2	2.4	3.3	2.1	7.3	9.4	3.9	10.5	14
Birmingham local authority	7.3	3.8	14.6	4.8	5.4	2.7	4.4	1.9	9.8	9	4.8	11	15.6
Coventry local authority	11	2.7	14.6	3.7	4.9	2.7	3	1.5	7.3	10.4	3.7	14	13.4
Dudley local authority	14.8	7	20.9	2.6	5.2	1.7	1.3	2.6	5.2	5.2	3.5	9.6	15.7
Sandwell local authority	16.4	5.5	19.5	7.8	4.7	1.2	1.2	2	4.7	7.8	2	7.8	12.5
Solihull local authority	10.4	4.8	12	7.2	7.2	4.8	3.2	2.8	8.8	16	3.6	8	8
Walsall local authority	12.6	4.5	18	9	4.1	1.1	2.3	1.8	4.1	11.7	2.3	9.9	11.7
Wolverhampton local authority	12.4	4.3	18.1	5.7	4.8	1.9	3.3	2.4	3.8	5.7	4.3	9.5	17.1
Black Country LEP	14.2	5.5	19.2	6.3	4.6	1.5	2	2.2	4.4	7.6	3.1	9.4	14.2
Coventry and Warwickshire LEP	11.6	4	15.6	6.1	6.1	3.4	2.3	1.5	8.2	8.7	3.2	9.5	11.4
Greater Birmingham and Solihull LEP	9.6	4.7	15.6	5.5	5.9	2.8	3.4	1.8	8.6	10.6	3.8	9.3	13.1

Source: Author's elaboration from ONS data. Sectors - C : Manufacturing; F : Construction; G : Wholesale and retail trade; repair of motor vehicles and motorcycles; H : Transportation and storage; I : Accommodation and food service activities; J : Information and communication; K : Financial and insurance activities; L : Real estate activities; M : Professional, scientific and technical activities; N : Administrative and support service activities; O : Public administration and defence; compulsory social security; P : Education; Q : Human health and social work activities

Table 6: Share of sector by number of businesses

Geography/Sector	C	F	G	H	I	J	K	L	M	N	O	P	Q
United Kingdom	4.7	11.1	16.3	4.0	6.4	7.4	2.4	3.6	15.5	8.5	0.8	2.4	5.1
West Midlands Combined Authority	6.6	9.7	20.3	6.3	6.3	5.7	2.2	3.5	12.6	10.5	0.5	2.5	6.3
Birmingham local authority	5.3	7.7	20.6	4.7	6.5	5.6	2.4	3.8	13.3	13.5	0.5	2.6	7.0
Coventry local authority	6.3	8.7	18.0	7.7	6.4	8.2	2.2	3.0	15.5	8.5	0.5	2.5	5.6
Dudley local authority	9.7	13.5	21.8	5.6	6.1	4.4	2.2	2.7	11.1	7.7	0.4	2.2	5.5
Sandwell local authority	9.6	9.8	23.3	10.7	6.6	3.6	1.7	3.0	7.9	8.6	0.4	2.3	5.8
Solihull local authority	3.1	11.8	14.5	4.0	5.2	9.5	3.0	4.4	18.3	9.3	0.6	2.3	6.4
Walsall local authority	9.4	12.8	21.0	8.2	6.6	3.6	1.5	3.1	9.6	7.9	0.4	2.6	5.8

Wolverhampton local authority	7.1	10.7	22.0	9.1	6.5	4.4	2.2	3.8	9.7	8.1	0.5	2.5	6.5
Black Country LEP	9.0	11.7	22.0	8.3	6.4	4.0	1.9	3.1	9.6	8.1	0.4	2.4	5.9
Coventry and Warwickshire LEP	5.7	9.0	15.7	7.1	6.2	7.0	2.0	3.4	17.4	9.0	0.7	2.4	4.5
Greater Birmingham and Solihull LEP	5.5	10.2	18.5	5.8	6.2	5.8	2.3	3.8	13.8	11.3	0.6	2.5	5.9

Source: Author's elaboration from ONS data. Sectors - C : Manufacturing; F : Construction; G : Wholesale and retail trade; repair of motor vehicles and motorcycles; H : Transportation and storage; I : Accommodation and food service activities; J : Information and communication; K : Financial and insurance activities; L : Real estate activities; M : Professional, scientific and technical activities; N : Administrative and support service activities; O : Public administration and defence; compulsory social security; P : Education; Q : Human health and social work activities

- **Homeworking**

Finally, the ability of homeworking emerges as a significant factor that can shape how places are impacted from the current lockdown. Tables 7-9 show the variation of homeworking across several variables. Table 7 shows that more people work from home in Information and communication (J), Real estate activities (L) and Professional, scientific and technical activities (M). If these shares are an indication of how possible it is to perform tasks from home and hence firms to continue operating, places where these sectors are prevalent are expected to mitigate some of the crisis impact.

Table 7: Homeworking by sector

Sector/Homeworking status	Own Home	Same grounds or buildings, or home as base	Separate from home
C Manufacturing	3.9	6.0	90.0
F Construction	3.8	24.3	71.5
G Wholesale, retail, repair of vehicles	3.2	4.0	92.5
H Transport and storage	1.8	9.5	88.6
I Accommodation and food services	2.1	3.5	94.1
J Information and communication	14.8	12.5	72.5
K Financial and insurance activities	5.2	5.4	89.1
L Real estate activities	12.3	12.4	75.1
M Prof, scientific, technical activ.	12.8	13.5	73.6
N Admin and support services	5.6	16.7	77.6
O Public admin and defence	2.6	3.6	93.5
P Education	2.7	5.9	91.2
Q Health and social work	3.9	4.2	91.7

Source: ONS

Table 8 shows that the propensity to work from home also differs by occupation with managerial jobs being more likely to work from home. The last column also shows the share of each occupational class in the WMCA. Lower than average shares in occupations with high probability of homeworking mean that WMCA could experience worse impact than other places.

Table 8: Homeworking by occupational class

Occupational class/Homeworking status	Own Home	Same grounds or buildings, or home as base	Separate from home	Share of occupational class in UK	Share of occupational class in WMCA
SOC 1	10.0	12.7	77.3	10.8	8.6
SOC 2	5.8	7.6	86.5	20.7	19.1
SOC 3	8.1	11.3	80.4	14.6	13
SOC 4	6.9	2.1	90.8	10.1	10.2
SOC 5	2.4	22.1	75.2	10.1	9.9
SOC 6	4.5	6.0	89.2	9	9.3
SOC 7	1.6	2.1	96.1	7.5	7.6
SOC 8	1.2	10.1	88.5	6.4	9.4

SOC 9	0.5	5.6	93.6	10.4	12.3

Source: Author's elaboration from ONS data. SOC 2010 - 1: managers, directors and senior officials; 2: professional occupations; 3: associate prof & tech occupations; 4: administrative and secretarial occupations; 5: skilled trades occupations; 6: caring, leisure and other service occupations; 7: sales and customer service occupations; 8: process, plant and machine operatives; 9: elementary occupations

Finally, homeworking also differs in space with some regions more probable to have employees working from home (Table 9). West Midlands is lower than average and this echoes the expected impact of homeworking seen so far. At the moment of writing, data by local authority is unavailable without access to microdata but evidence suggests that Sandwell is one of the areas with the smallest shares of homeworkers in the country.

Table 9: Homeworking by region

Government Office Region/Homeworking status	Own Home	Same grounds or buildings, or home as base	Separate from home
North East	3.5	7.0	89.3
North West	4.2	8.1	87.4
Yorkshire and The Humber	4.6	8.9	86.1
East Midlands	4.4	9.6	85.7
West Midlands	4.3	8.6	86.8
East of England	5.5	8.5	85.7
London	5.5	9.4	84.6
South East	6.8	10.8	82.1
South West	6.4	11.9	81.4
Wales	4.4	9.6	85.6
Scotland	4.0	6.2	89.6
Northern Ireland	3.8	5.6	90.0
UK	5.1	9.1	85.5

Source: ONS

Overall, it is too early to estimate the effects of the COVID-19 disruption to the economy with any degree of certainty. What is widely expected, is that despite the global nature of the shock, local responses will likely differ. This will be due to local differences in the presence of previously identified resilience determinants such as stocks of human capital, as well as to differences in factors that are particular to this crisis such as the ability of homeworking, the characterisation of businesses in essential and non-essential and the length of the lockdown. The realisation that this crisis will be mitigated by brave and unprecedented fiscal measures rather than austerity, is reason for cautious optimism. However, it is important for these measures to come strong and come soon and also recognise the spatial variation of the crisis.

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The uneven spatial footprint of the COVID-19 shutdown

By Dr Anastasios Kitsos. Blog posted here

As the COVID-19 pandemic continues to develop, we begin to realise the potential economic impact from the oncoming recession. The Office for National Statistics has moved with unprecedented speed to gather data on the challenges faced in labour markets and businesses. Wave 2 of the Business Impact of Coronavirus Survey finds that 25% of businesses have shut down, 30% have reduced hours and/or jobs and 47% reported lower than normal turnover. Similarly, there is a continuous flow of information on self-employment from the Annual Population Survey as one of the most vulnerable business groups.

Within this flow of information, relatively less attention has been paid on the spatially heterogeneous nature of the expected impacts. From the 2008 and other crises, we know that national level disturbances affect places in varying ways. From regions (Martin, 2012, Kitsos et al., 2019, Sensier et al., 2016, Rocchetta and Mina, 2019) to cities (Martin and Gardiner, 2019) to local authority districts (Kitsos, 2020, Kitsos and Bishop, 2018) and Travel-to-Work Areas (Lee, 2014), the evidence suggests that places have different resilience capacities to avoid or overcome a crisis. We also have a lot of evidence on the factors affecting resilience performance from industrial structure (Kitsos et al., 2019, Martin et al., 2016, Rocchetta and Mina, 2019) to labour market (Kitsos and Bishop, 2018, Lee, 2014), institutional (Bristow and Healy, 2013, Simmie and Martin, 2010) and individual characteristics (Doran and Fingleton, 2016).

The 2020 COVID-19 economic downturn is hardly expected to be different and initial works from City-REDI as well as the Centre for Cities and Centre for Towns among others have informed the limited discussion on the sub-national variation of the crisis. Below, I am building on previous blogs (here and here) to further consider the heterogeneity of the crisis impact and the resilience challenge across different local authority districts.

Starting with the most recent picture of the unemployment related data, we map below the share of working age resident population that is claiming unemployment related benefits (figure 1). The data for February show significant variation (table 1) with the worst performers having more than double the average rate and being 6 to 9 times worse than the best performers. There are several reasons as to why claimant counts may not be an accurate reflection of unemployment (Beatty and Fothergill, 2005) but it is indicative of the range within the country.

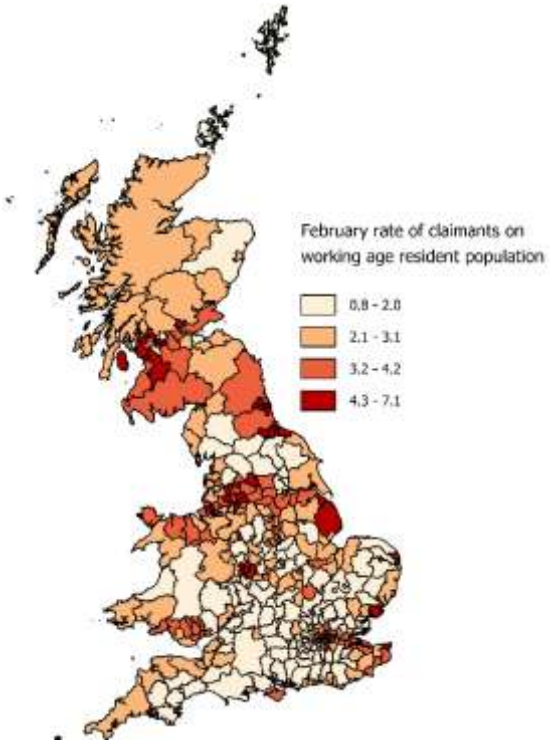

Figure 1: Claimant share on working age population

Table 1: Best and worst performers in terms of claimant counts for February 2020.

	Local Authority District	February 2020 share of claimants to working age resident population
Top-5 performers	Isles of Scilly	0.8
	Hart	0.9
	South Northamptonshire	1
	Waverley	1
	Wokingham	1.1
	GB average	***3.1***
Bottom-5 performers	Wolverhampton	6.2
	Middlesbrough	6.2
	South Tyneside	6.2
	Birmingham	6.7
	Blackpool	7.1

Source: Author's elaboration of Claimant count data from NOMIS

Focussing on the industries affected by the lockdown can also inform our understanding of the variation of crisis impact and resilience performance to be expected. The industries we examine have been identified by the Institute for Fiscal Studies and include

- Non-food, non-pharmaceutical retail (4719, 4730-4772, 4776-4799);
- Passenger transport (4910, 4931-4939, 5010, 5030, 5110)
- Accommodation and food (5510- 5630)
- Travel (7911-7990); childcare (8510, 8891)

- Arts and Leisure (9001-9329 except 'artistic creation' 9003)
- Personal care (9601-9609 except 'funeral and related activities' 9603)
- Domestic services (9700)

Looking at the share of employment in these industries we can identify places with significant concentrations of workers that are currently not working (figure 2).

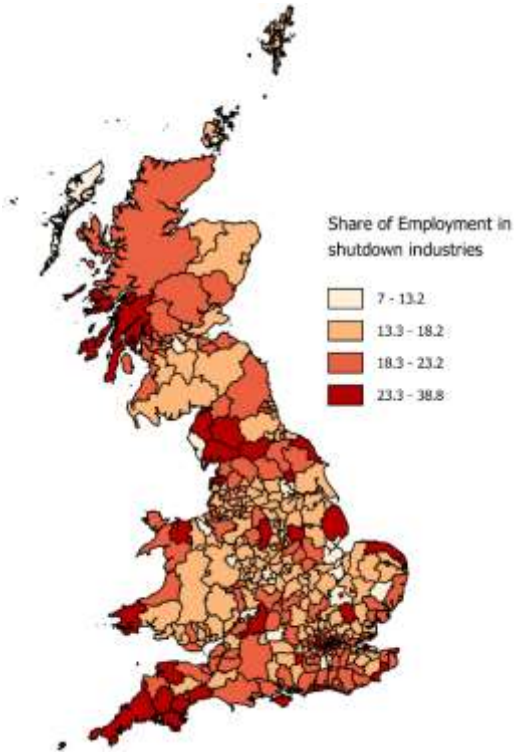

Figure 2: Share of employment in shutdown industries

Tourism and leisure appear to be driving the wide deviations from the mean (table 2) observed with coastal areas having the highest shares together with some London Boroughs. 45 local authorities have shares of over 23.3% in sectors affected by the lockdown.

Table 2: Highest and lowest share of employment in shutdown industries

	Local Authority District	Share of employment in shutdown industries
Top-5	City of London	7
	Tower Hamlets	10.1
	South Cambridgeshire	10.3
	Fenland	10.9
	North Warwickshire	11.3
	GB average	***18.2***
Bottom-5	East Lindsey	30.4
	Hounslow	31.6
	Kensington and Chelsea	33.8

	South Lakeland	34.3
	Isles of Scilly	38.8

Source: Author's elaboration of BRES data from NOMIS

Finally, we look at the share of businesses that operate in the shutdown industries (figure 3). Again, a similarly wide range is found. The majority of local authorities are below the country average of 19.4 which suggests low concentrations of firms in these industries. However, 28 local authorities are found with more than a quarter of their businesses in sectors currently shut down.

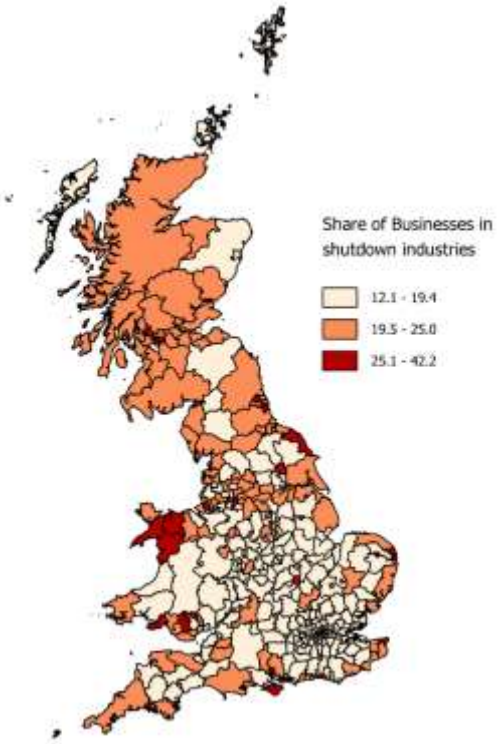

Figure 3: Share of businesses in shutdown industries

Table 3: Highest and lowest share of businesses in shutdown industries

	Local Authority District	Share of employment in shutdown industries
Top-5	City of London	12.1
	South Cambridgeshire	12.2
	Aberdeenshire	12.4
	Wokingham	12.8
	Three Rivers	13.2
	GB average	***19.4***
Bottom-5	Blackpool	30.9
	Isles of Scilly	31.1
	Rhondda Cynon Taff	31.6
	Eastleigh	36.9

Wellingborough	42.2

Source: Author's elaboration of Business counts data from NOMIS

The data above highlight two issues. The first is the main topic of the blog. There is significant spatial heterogeneity of the expected crisis impact within the country. Not all places will be affected the same and we know also that not all places are able to respond in the same capacity. Place resilience becomes once again central and the current support measures should take into consideration the spatially different magnitude of the crisis and the capacity of places to respond.

Secondly, it is important to consider the seasonal nature of business in seaside destinations. The data suggests that seaside locations, together with other tourist hotspots around the country will be severely challenged. The current lockdown is likely to exacerbate the negative economic impacts in these places since a complete relaxation of the current measures is unlikely before the tourist season is well under way.

A limitation of the above discussion is that it focusses only on the current direct impacts of the lockdown in the UK without any consideration of demand slowdown, constraints in manufacturing production and indirect effects in the supply chain (negative and positive, see here for more info). As the recession unravels, the ripple effects will be becoming clearer. On a positive note though, this time (compared to 2008) we know better how to support places and businesses and we have an opportunity to shorten the length of the recession. Before all this though, we need to stay in and stay healthy.

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The economic exposure to COVID-19: The situation of the West Midlands region

By Dr André Carrascal-Incera. Full blogs here, here and here

Using an Input-Output model developed at City-REDI in the University of Birmingham in collaboration with researchers from the University of Illinois and CESAR, we can estimate some of the economic impacts that the COVID-19 will have in our regional economy. We will divide these effects in **external shocks** and **internal shocks**.

External shocks would come from the shutdown in other countries, causing disruptions in global supply chains. Industries in these countries stop importing products from the West Midlands, but also they stop selling products that the West Midlands industries need for producing their own.

A first estimation of the exposure to **foreign trade** reveals that manufacturing industries would be widely affected. Those sectors has seen how fragmentation and outsourcing in the last decades has been the trend in their production processes. That is the case of the industries that produce machinery and equipment, and manufacturing of transport equipment, central in the economy of the region. However, reducing foreign exports from West Midlands for 3 months would indirectly affect also other non-manufacturing sectors such as administrative and support service activities. In terms of the number of jobs, close to 15,000 employees in the distribution, retail and repairs sector depend on 3 months of foreign exports. Similar figures appear for the professional, scientific and technical activities.

Figure 1. Direct and indirect economic exposure to 3 months of foreign trade (top 10 sectors)

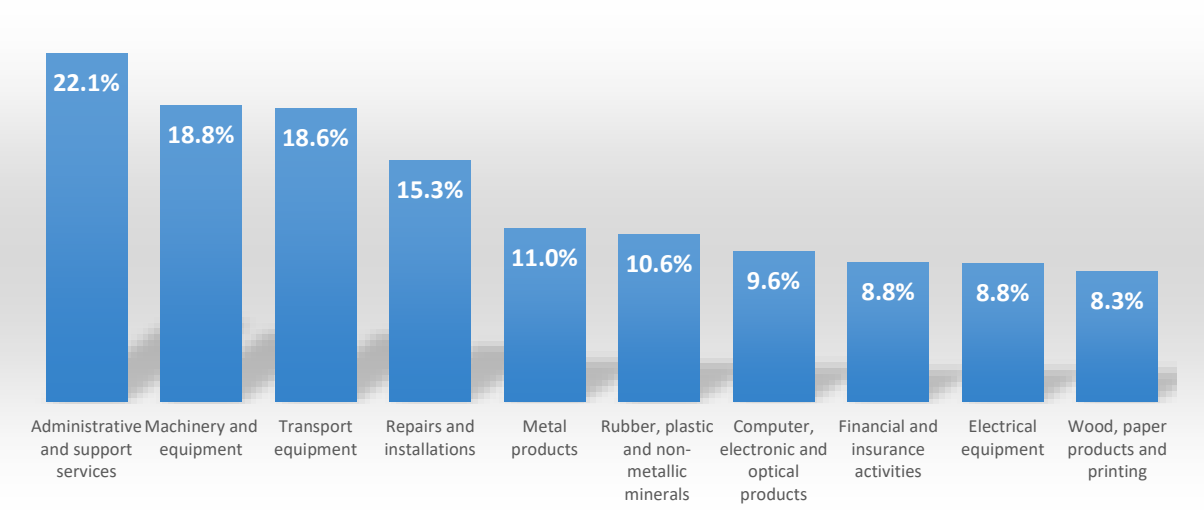
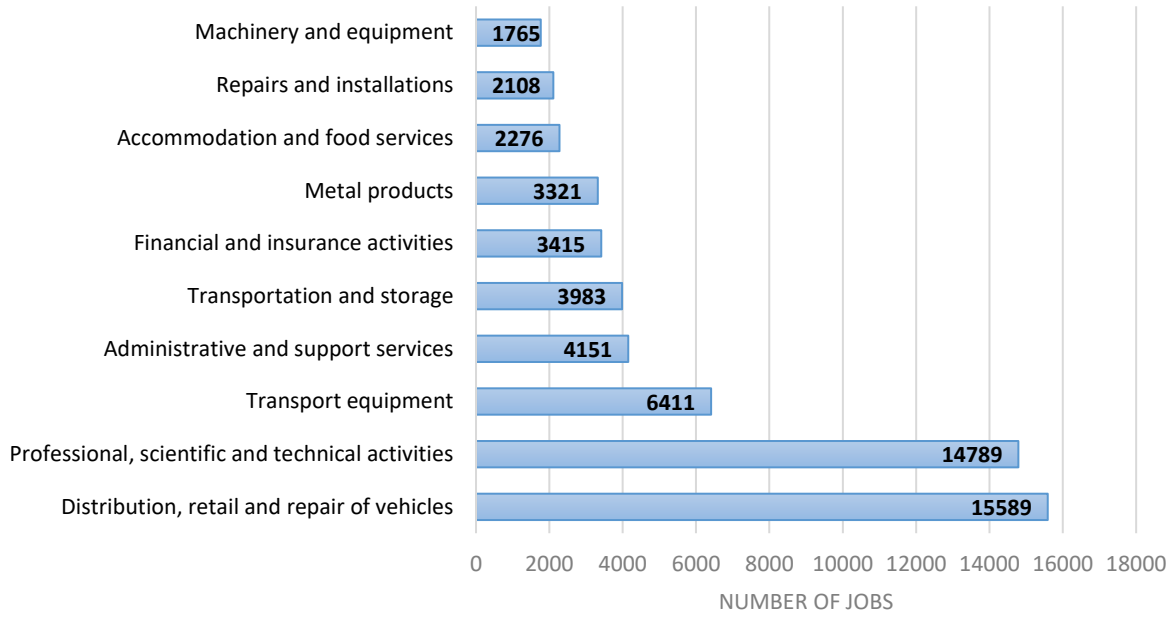


Figure 2. Number of jobs directly and indirectly dependent on 3 months of foreign trade (top 10 sectors)

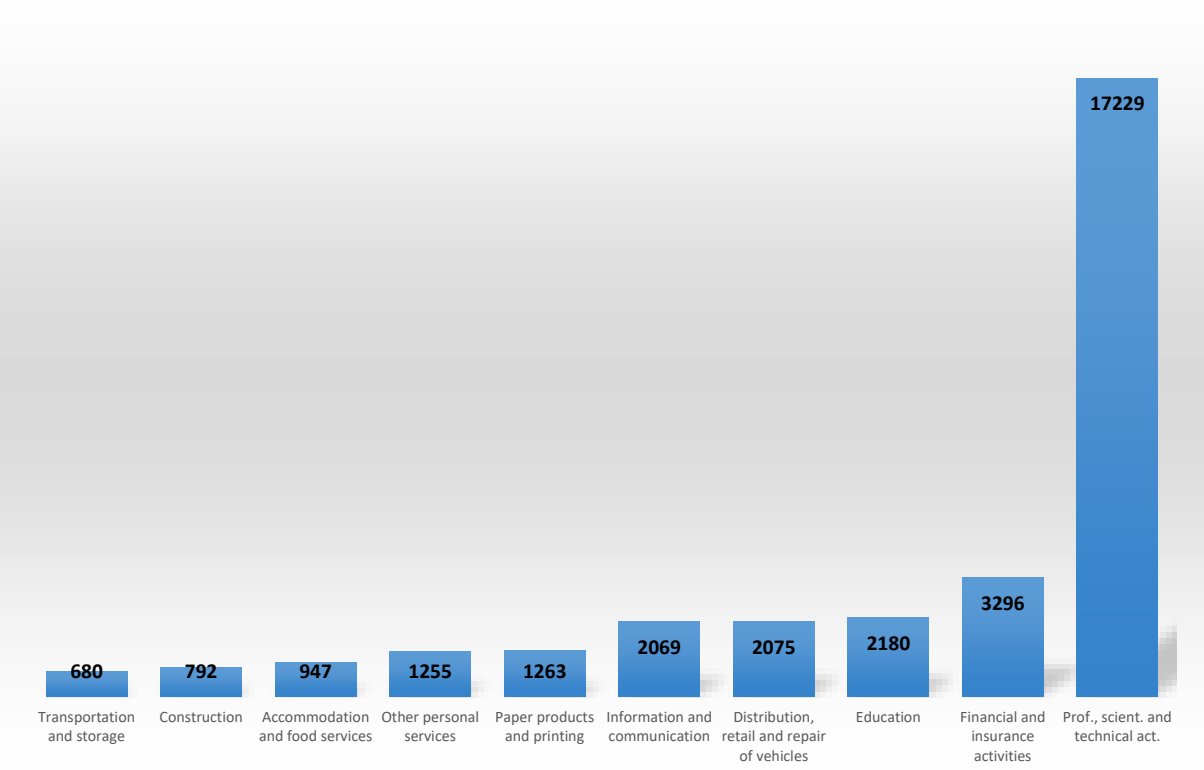


Internally, The West Midlands region would see his economy shocked by two factors an increase in the demand for health services, and the effects of the lockdown, with some people working from home and some closures of particular sectors to avoid gatherings and social interaction.

Human health and social work activities are one of the most important activities for the West Midlands economy. In terms of the number of employees, it is the third one right after the wholesale, retail trade and repair of motor vehicles; and professional, scientific and technical activities; representing around 14.7% of the total employment (179,500 direct employees). In terms of domestic production, it ranks fourth after the wholesale, retail trade and repair of motor vehicles; manufacture of transport equipment; and real estate activities. It means 7.6% of the regional domestic output.

However, an increasing demand for **health services** would indirectly mean an increase in the demand for other sectors that supply inputs to them. The direct number of jobs related to this sector is already large, but if we take into account the "invisible" ones that make possible these activities, the number of jobs related would be close to 216,000. When we see 10 workers providing health care, behind them there are another 2 in the West Midlands region supplying them the inputs they need. We can call this the **employment footprint** of Human health and social work activities in the region.

Figure 3. Number of jobs indirectly dependent on health services (top 10 sectors).

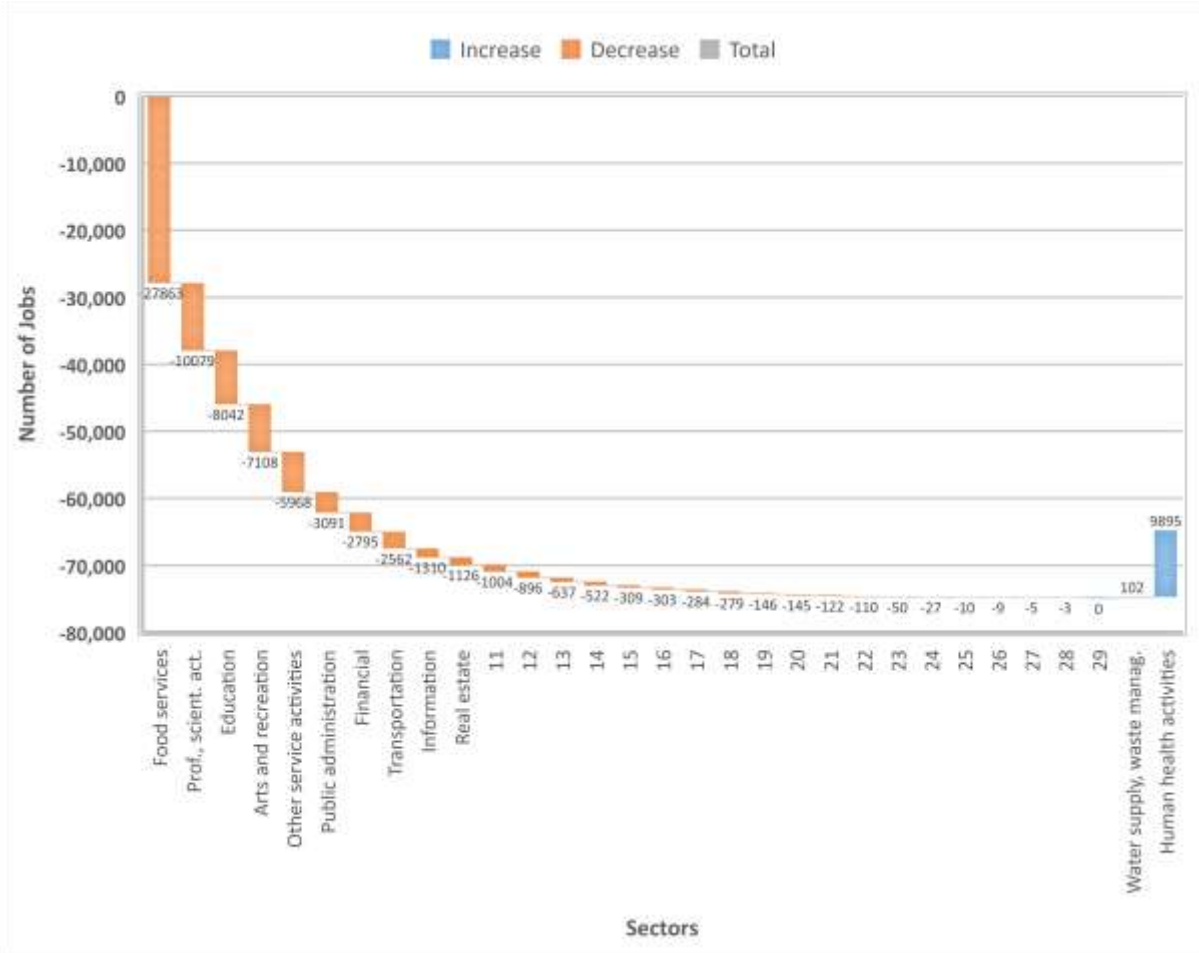


Taking into account the indirect effects over other sectors, Human Health services represents for the regional economy a 10.5% of the total domestic output, 11.5% of the Gross Value Added (GVA) and 17.7% of the employment.

Finally, a **lockdown** has also clear economic effects. Some particular sectors will be forced to close such as accommodation and food services (restaurants, bars, hotels, etc.), and arts, entertainment and recreational activities (museums, sporting events, etc.). Additionally, some sectors are going to see their demand reduced due to the number of people working from home: rail transport and transport services, personal services and business activities that in general. On the other hand, basic sectors like energy and water supply; distribution and retail trade; information and communication; and of course, human health services, will see their demand increased for some months.

A scenario like this would be translated in a reduction of our regional economy in a -4.7% loss in the GVA for the year 2020, setting the number of jobs at risk in the West Midlands economy at around 65,000. Accommodation and food services being the one most affected one, however, also other sectors linked indirectly would see their number of employees being at risk: professional and technical activities, education, other personal services or transportation, for example. Mainly services. The sector that would need more workers in this situation is, obviously, the Health Service sector, which would need close to 10,000 workers more to meet a 25% increase in its demand in the following 3 months (assuming the productivity of the health workers remain the same).

Figure 4. 3-month Lockdown economic impact by sectors in terms of employment.



As can be seen from this analysis, manufacturing sectors would be affected by the external shocks of global supply disruptions and services sectors by the lockdown and changes in behavioural patterns of households. The economy works as a system of interconnected agents and when some part is negatively shocked, the effects spread to other parts of the economy indirectly, increasing the number of losers and jobs at risk. The effects of both external and internal negative shocks described here would have a large systemic impact on the whole economy that will change the way we were used to produce and consume.

Estimates of the local impact in the West Midlands of the OBR scenario of a 35% reduction in real GDP in Q2 2020

By Professor Anne Green. Full blog here

The Office of Budget Responsibility's (OBR) COVID-19 analysis published on 14th April 2020 makes clear that on the basis of evidence from past pandemics the economic impact of the crisis will arise less from illness and death than from the reduction in demand for goods and services stemming from public health restrictions and social distancing in the transition to 'normality'. An OBR scenario based on an assumption of a three-month lockdown (restricting people's movements and economic activity) followed by three months of partial restrictions in the transition to normality yields a 35% reduction in GDP in Q2 2020 (April to June), following growth of 0.2% in Q1 2020. Under these assumptions the yearly contraction of the UK economy of 12.8%.

The sectors showing the largest relative output reductions in this scenario are Accommodation & food services and Education, followed by Construction, and then Other services, Manufacturing and Wholesale & retail (see Table 1). Only the human health & social work activities sector – which is taking the brunt of the human impact of the COVID-19 pandemic – emerges economically unscathed, with an increase in output under this scenario.

Table 1: OBR scenario output losses by sector in Q2 2020

Sector	Per cent	
	Weight in whole economy value added	Effect on output relative to baseline
Agriculture	0.7	0
Mining, energy and water supply	3.4	-20
Manufacturing	10.2	-55
Construction	6.1	-70
Wholesale, retail and motor trades	10.5	-50
Transport and storage	4.2	-35
Accommodation and food services	2.8	-85
Information and communication	6.6	-45
Financial and insurance services	7.2	-5
Real estate	14.0	-20
Professional, scientific and technical activities	7.6	-40
Administrative and support activities	5.1	-40
Public administration and defence	4.9	-20
Education	5.8	-90
Human health and social activities	7.5	50
Other services	3.5	-60
Whole economy	**100.0**	**-35**

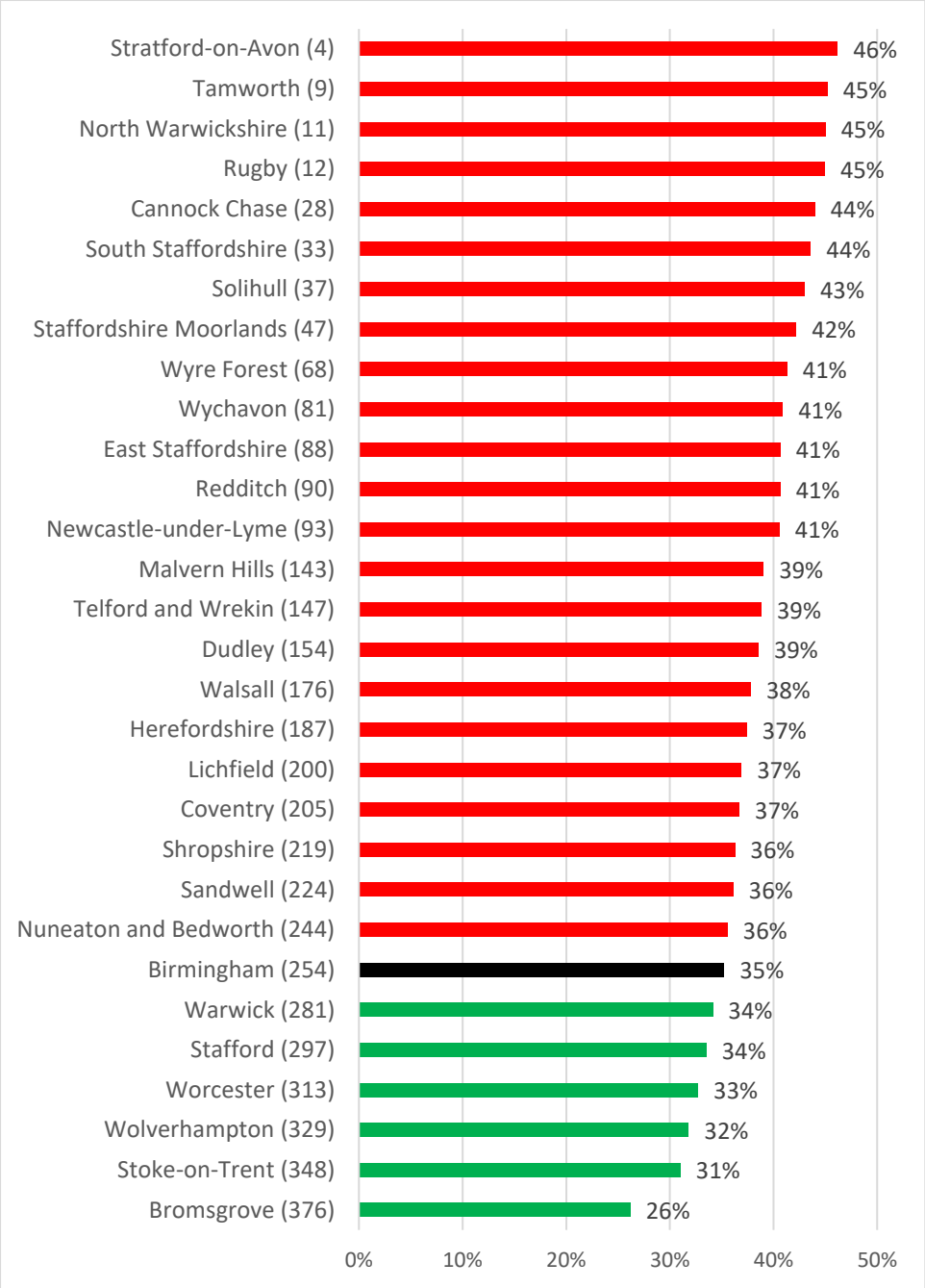
Source: reproduction of Table 1.2 in OBR COVID-19 analysis

The Centre for Progressive Policy (CPP) has undertaken analyses of the variations in impacts at local authority level. The analyses are based on the assumption that the sectoral impacts are the same locally as they are nationally (although in reality this need not necessarily be the case). Hence the local impacts of the OBR scenario represent are a function of the distribution of each local authority's GVA by sector.

Across local authorities in the West Midlands (NUTS 1) region the estimated decline in GVA in Q2 2020 is shown in Figure 2. Local authorities with a greater estimated reduction in GVA than the national average are shown in red, while those with a smaller than national average estimated

reduction are shaded green. Birmingham's estimated reduction in GVA is the same as the national average (35%). The local authorities with the largest estimated declines in GVA in the West Midlands and Stratford-upon-Avon, Tamworth, North Warwickshire and Rugby. With some exceptions, several of the larger local authorities tend to have amongst the smaller estimated reductions in GVA. A key factor here in stronger performance is the size of the health sector, which drives stronger performance.

Figure 2: Estimated percentage decline in GVA Q2 2020, local authorities in the West Midlands



Source: Centre for Progressive Policy.
Note: Great Britain rankings are shown in brackets after the local authority name (with '1' being the local authority with the greatest estimated decline and '382' being the local authority with the smallest estimated decline)

Further analyses by Tasos Kitsos at WM REDI has replicated the CPP results for GVA and translated them into employment impacts for in Q2 2020. The results for the seven metropolitan authorities at the heart of the West Midlands are shown in Table 1. Of these local authorities Solihull displays the largest estimated percentage decline in employment (42.2%), with Sandwell, Walsall and Coventry all recording estimated declines of between 39.4% and 40.0%. Wolverhampton displays the smallest relative reduction in employment at 33.8% followed by Birmingham with a reduction of 35%.

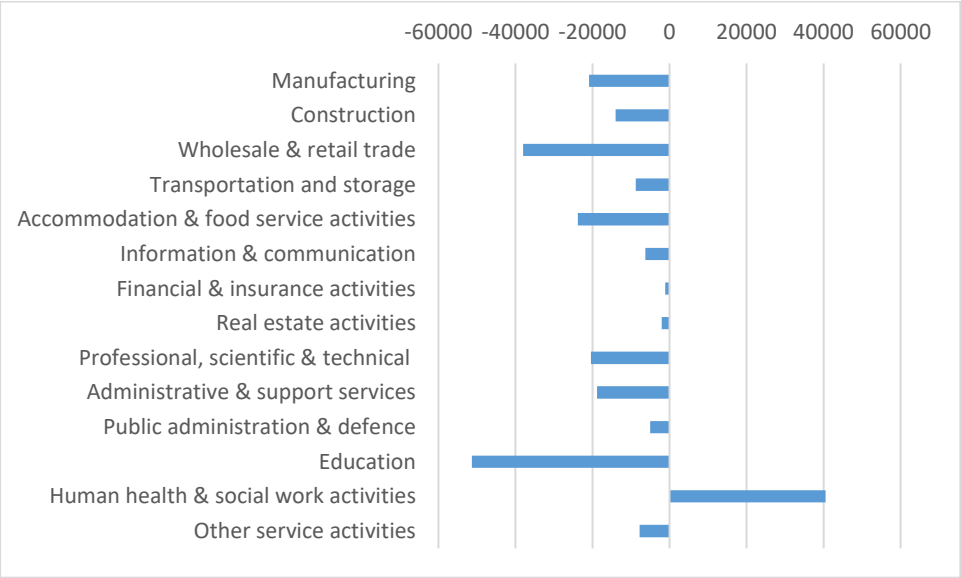
Table 1: Estimated employment impacts in Q2 2020 associated with output decline, West Midlands metropolitan local authorities

Local authority	*Employment before output reduction*	*Estimated employment after output reduction*	*% decline in employment in Q2 2020*	*Absolute decline in employment in Q2 2020*
Birmingham	508,000	330,300	-35.0	-177,700
Solihull	124,000	71,650	-42.2	-52,350
Coventry	156,500	94,875	-39.4	-61,625
Dudley	112,000	69,325	-38.1	-42,675
Sandwell	123,500	74,100	-40.0	-49,400
Walsall	106,250	63,938	-39.8	-42,313
Wolverhampton	100,000	66,175	-33.8	-33,825

Source: based on calculations by Dr Tasos Kitsos

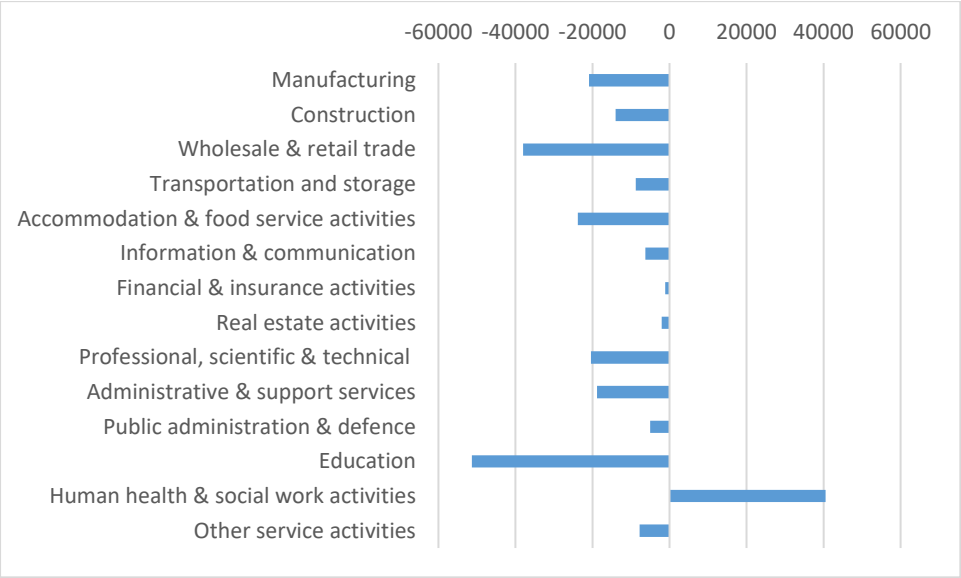
It is worth reiterating here that these estimates are based on assumptions here that output and employment reductions by the sector are the same locally as nationally and that productivity within a sector is uniform across local authorities. Based on these assumptions, the sectoral profiles of estimated employment reductions in Birmingham and Solihull are shown in Figures 3 and 4. Given that the national sectoral reductions are translated to the local scale it is unsurprising that the sectoral patterns are similar across these two local areas.

Figure 3: Estimated employment reductions in Birmingham in Q2



Source: based on calculations by Dr Tasos Kitsos

Figure 3: Estimated employment reductions in Solihull in Q2



Source: based on calculations by Dr Tasos Kitsos

Given that the national sectoral reductions are translated to the local scale it is unsurprising that the sectoral patterns are similar across these two local areas. However, the greater relative sizes of the education sector and wholesale & retail sector in Birmingham relative to Solihull is apparent, while administrative & support services and manufacturing account for a relatively greater share of the absolute losses in Solihull relative to Birmingham.

Identifying exposure: What do the IFS estimates mean for West Midlands?

By Dr Anastasios Kitsos. Full blog here

On April 6th 2020 the Institute for Fiscal Studies has published a briefing note on which workers are most exposed from the COVID-19 lockdown. In this blog, Tasos Kitsos looks at the relevant figures for a range of sub-national areas focussing on West Midlands Combined Authority and constituent LEPs and Local Authorities.

The sectors directly affected by the lockdown are: Non-food, non-pharmaceutical retail (4719, 4730-4772, 4776-4799); passenger transport (4910, 4931-4939, 5010, 5030, 5110); accommodation and food (5510- 5630); travel (7911-7990); childcare (8510, 8891); arts and leisure (9001-9329 except 'artistic creation' 9003); personal care (9601-9609 except 'funeral and related activities' 9603); domestic services (9700).

The IFS briefing suggests that, overall, younger aged workers, low earners and females will be the most affected. I use a range of datasets to understand what these figures mean for the West Midlands Combined Authority and constituent areas. The rest of the combined authorities are added to the tables for comparison.

Table 1 shows the size of employment in the sectors directly affected by the COVID-19 lockdown. Nearly 190,000 jobs (14.8%) are in the affected sectors with the highest relative proportion in Solihull where 16.2% of the employment is in industries directly affected by the lockdown. These figures are below the 18.2% of employment affected in the whole of GB. The reason for this is the focus on hospitality and associated services and the exclusion of manufacturing where the West Midlands has high shares of employment.

Part-time working will be hit harder by the lockdown with almost 25% of part-time employment in WMCA being in the lockdown sectors compared to 10.1% of full-time employment. This is because the sectors affected (e.g. hospitality) are industries with high prevalence of part-time working conditions. Again, compared to the national average, the WMCA has lower employment shares in the industries directly affected.

The higher shares of WMCA in population under 25 and in particular females may be cause for concern since the IFS briefing findings suggest that younger aged workers and females are over-represented in the affected sectors. Publicly available data do not allow us to measure the size of female and younger aged workers in the affected industries so our best guess is based on the relative size of these populations.

Going beyond the IFS briefing and looking at the number of businesses, approximately a fifth of businesses in WMCA are directly affected by the COVID-19 lockdown. This is equivalent to the national average. Considering the share of employment affected (less than average) in conjunction with the share of businesses (same as average for GB), suggests that WMCA firms in the sector could be relatively smaller and hence more vulnerable. The lack of detail in the publicly available statistics makes it impossible to confirm this hypothesis.

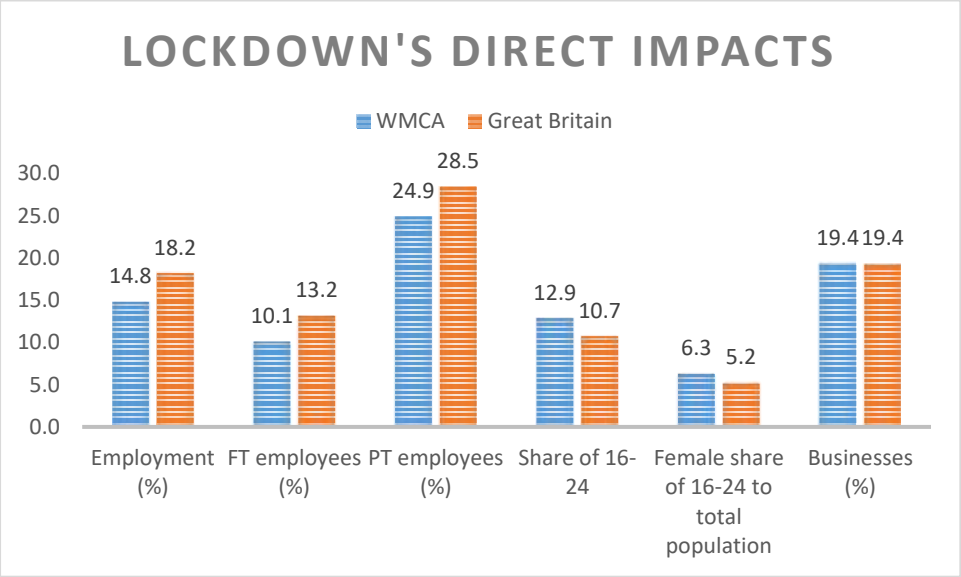


Figure 1: Comparison of the impact of the COVID-19 lockdown.

Source: Author's elaboration of data from the Business Register and Employment Survey, Population Estimates and Inter-Departmental Business Register. *Employment (%)* – Share of total employment in sectors directly affected by the lockdown. *FT employees (%)* – Share of total full-time employees in sectors directly affected by the lockdown. *PT employees (%)* – Share of total part-time employees in sectors directly affected by the lockdown. *Share of 16-24* – percentage share of the population, aged 16-24. *Female share of 16-24* – percentage share of the female population, aged 16-24. *Businesses (%)* – share of total businesses employees in sectors directly affected by the lockdown.

Table 1: Direct employment effects of COVID-19 lockdown

Type of local area	Name	Employment (number)	Employment (%)	FT employees (number)	FT employees (%)	PT employees (number)	PT employees (%)
Combined Authority	WMCA	187,590	14.8	87,500	10.1	95,175	24.9
Local Authority	Birmingham	80,970	15.5	40,525	11.4	39,180	25.3
Local Authority	Coventry	19,590	11.9	8,095	7.2	10,970	21.6
Local Authority	Dudley	17,680	15.5	7,095	9.7	10,025	25.3
Local Authority	Sandwell	16,440	12.8	8,355	9.4	7,780	21.3
Local Authority	Solihull	20,735	16.3	9,830	11.4	10,460	29.0
Local Authority	Walsall	15,350	13.9	7,235	9.7	7,535	22.7
Local Authority	Wolverhampton	16,755	16.1	7,580	10.8	8,935	27.6
LEP	Black Country	67,045	14.6	30,515	9.9	34,105	23.8
LEP	Coventry and Warwickshire	67,825	14.3	27,475	8.6	36,260	25.4
LEP	Greater Birmingham and Solihull	151,175	15.8	70,125	10.8	76,440	26.8
Combined Authority	Cambridgeshire and Peterborough	67,825	14.7	31,320	10.2	34,470	24.9
Combined Authority	Greater Manchester	246,165	18.0	119,135	12.9	119,650	29.3
Combined Authority	Liverpool City Region	127,500	19.6	55,540	13.5	66,685	30.3
Combined Authority	North East	70,755	16.2	31,725	11.0	37,330	27.3
Combined Authority	North of Tyne	77,950	20.3	37,390	15.2	38,810	30.8
Combined Authority	Sheffield City Region	95,830	16.5	38,130	10.1	54,600	29.4
Combined Authority	Tees Valley	44,685	17.0	19,040	11.3	24,160	27.4

Combined Authority	West Yorkshire	174,200	15.9	76,675	10.5	90,710	26.8
Combined Authority	West of England	87,085	16.7	38,885	11.5	45,005	26.4
Country	Great Britain	5,610,650	18.2	2,662,400	13.2	2,741,100	28.5

Source: Author's elaboration of data from the Business Register and Employment Survey. *Employment (number and %)* – Number and share of total employment in sectors directly affected by the lockdown. *FT employees (number and %)* – Number and share of total full-time employees in sectors directly affected by the lockdown. *PT employees (number and %)* – Number and share of total part-time employees in sectors directly affected by the lockdown.

Table 2: Number of firms and share of population most affected by COVID-19 lockdown

Type of local area	Name	Share of 16-24	Female share of 16-24	Number of businesses	Businesses (%)
Combined Authority	West Midlands	12.9	6.3	20,530	19.4
Local Authority	Birmingham	14.9	7.4	8,790	20.0
Local Authority	Coventry	16.6	7.8	2,160	18.0
Local Authority	Dudley	9.8	4.8	2,190	19.3
Local Authority	Sandwell	10.6	5.0	2,015	19.0
Local Authority	Solihull	9.5	4.6	1,800	18.1
Local Authority	Walsall	10.6	5.2	1,730	19.2
Local Authority	Wolverhampton	10.7	5.1	1,780	19.9
LEP	Black Country			7,780	19.5
LEP	Coventry and Warwickshire			7,650	17.3
LEP	Greater Birmingham and Solihull			16,480	19.0
Combined Authority	Cambridgeshire and Peterborough	10.9	5.2	7,125	16.7
Combined Authority	Greater Manchester	11.5	5.6	27,090	22.1
Combined Authority	Liverpool City Region	11.5	5.7	12,115	23.2
Combined Authority	North East	10.8	5.2	8,300	23.3
Combined Authority	North of Tyne	12.4	6.0	7,385	23.8
Combined Authority	Sheffield City Region	12.2	5.9	9,865	20.9

Combined Authority	Tees Valley	10.5	5.0	4,750	21.2
Combined Authority	West Yorkshire	12.0	6.0	18,695	20.3
Combined Authority	West of England	14.5	7.2	8,195	18.3
Country	Great Britain	10.7	5.2	598,090	19.4

Source: Author's elaboration of data from the ONS Population Estimates and Inter-Departmental Business Register. *Share of 16-24* – percentage share of the population, aged 16-24. *Female share of 16-24* – percentage share of the female population, aged 16-24. *Businesses (number and %)* – number and share of total businesses employees in sectors directly affected by the lockdown.

COVID-19 Business Support Measures: Insights from the UK, Spain and Ireland

By Professor Raquel Ortega-Argilés. Full blog here

The International Labour Organisation (ILO) estimates that COVID-19 will have far-reaching impacts on world labour market outcomes. The virus and the subsequent economic shocks will impact the world of work across three key dimensions:

1) The number of jobs (both unemployment and underemployment)
2) The quality of work (e.g. wages and access to social protection)
3) Effects on specific groups who are more vulnerable to adverse labour markets.

In these difficult circumstances, many countries in the world are finding ways to support their workers and companies with the aim of reducing unemployment and improving business resilience in response to the COVID-19 outbreak.

Many British companies have been forced to stop working and have had to lay off or temporarily suspend their employees. It is estimated that thousands of British companies will not be able to cope with this pandemic and will have to close for good. The impact of the lockdown is uneven across sectors and worker sub-groups – as discussed in an IFS report published this week and discussed elsewhere in this report.

Many countries in the world are creating measures to support their economies. Table 1 shows 2020 fiscal measures adopted in response to Coronavirus by 26 March 2020 as a percentage of 2019 GDP.

Table 1. Coronavirus Stimulus Overview. Discretionary 2020 fiscal measures adopted in response to coronavirus by March 26 2020, as a percentage of 2019 as GDP

Country	Spending, tax cuts Immediate fiscal impulse	Postponing taxes, other payments	Loans, guarantees
UK	1.4%	1.4%	15.1%
Belgium	0.7%	1.2%	0.0%
Denmark	2.1%	7.2%	2.9%
France	1.2%	9.4%	12.5%
Germany	4.4%	14.6%	32.2%
Greece	1.1%	2.0%	0.5%
Hungary	0.4%	8.3%	0.0%
Italy	0.9%	13.0%	7.3%
Netherlands	1.6%	3.2%	0.4%
Spain	0.7%	2.0%	9.1%
US	5.5%	2.6%	4.1%

Source: Bruegel

In the UK, in order to support these workers from being laid off, several measures have put in place by the government. These measures are aimed at supporting the effect that COVID-19 may have had in companies and workers due to the lockdown, the interruption of the value chain and the reduction of personnel affected by the virus.

To support all UK employers, the Coronavirus Job Retention Scheme will continue paying part of the employees' salary for those employees that would otherwise have been laid off during the crisis. These payments will be backdated to 1 March and initially will be open for three months, to be extended if necessary. The UK government will pay the associated Employer National Insurance contribution and minimum automatic pension contributions of a subsidised wage up to 80% of a worker's wage, up to a total of £2,500 per worker each month.

Other measures that apply to all firms are to reclaim up to two weeks of Statutory Sick Pay (SSP) per eligible employee who has been off work as a result of COVID-19.

Firms with outstanding tax liabilities and financial distress may seek some support with their tax affairs through HMRC's Time to Pay service. Businesses will have their VAT payments automatically deferred for three months and the ones affected by COVID-19 will have more flexibility in submitting their accounts to Companies House.

To support larger firms, the HM Treasury and the Bank of England will operate a new lending COVID Corporate Financing Facility (CCFF) to provide a quick and cost-effective way to raise working capital via the purchase of short-term debt. It will be a credit easing scheme unlimited in size targeted at addressing the disruption to cash flows of companies resulting from COVID-19. Eligibility is based on the firms' credit ratings prior to the COVID-19 shock. Long-term viable large firms with an annual turnover between £45m and £500m, excluding a series of sectors such as banks and building societies, insurers, public sector organisations or trade unions, can benefit from the Coronavirus Large Business Interruption Loan Scheme which provides a government guarantee of 80% to enable banks to make loans of up to £25m.

To support small businesses, the UK government will provide additional funding for local authorities. A one-off grant of £10,000 to businesses currently eligible for small business rate relief (SBBR) or rural rate relief. Small and Medium Enterprises will be able to benefit from a Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million in value for SMEs through the British Business Bank. Finally, the Bank of England has created the Term Funding Scheme with additional incentives for SMEs (TFSME) will offer four-year funding of at least 10% of participants' stock of real economy lending at interest rates at or very close to Bank Rate.

To support the most affected sectors, all large and small businesses in the retail, hospitality and leisure sectors will pay no business rates in England for the tax year 2020/2021. This will apply to the next council tax bills issued in April 2020. Additionally, to support small businesses in these sectors the UK government will provide additional funding for local authorities to support small businesses that pay little or no business rates. A £25,000 grant for businesses operating from smaller premises with a rateable value between £15,000 and £51,000 or between £18,001 and £50,999 for Scottish businesses.

The self-employed or a member of a partnership that has lost trading profits due to COVID-19 will be able to benefit from the self-employed income support scheme, a cash grant scheme worth 80% of their average monthly trading profit over the last three years.

Other business support measures covering Mortgage Holidays or Insurance can also be of benefit for different types of businesses and workers in the UK.

In Europe, several measures have been put in place at different governmental levels: European, member states, regional and local. These measures have the aim to generate short-term support on the liquidity of the COVID-19 outbreak and long-term support to increase the resilience of places.

At the European scale, the European Commission has set up an EU Temporary Framework under the EU State aid rules. The Temporary Framework of business support measures covers direct grants, selective tax advantages and advance payments, state guarantees for loans taken by companies from banks, subsidised public loans to companies, safeguards for banks that channel State aid to the real economy and short-term export credit insurance. These measures aim to cover all the fabric of businesses in Europe covering entrepreneurs, micro, SMEs and large companies.

Also at the European scale as well, the European finance and economy ministers plan to approve a new package of measures to alleviate the economic impact of the coronavirus, which, at the moment, excludes the option of issuing the "corona bonds" that nine EU countries have demanded. The Eurogroup has created a three pillars plan: the opening of a credit line from the European Stability Mechanism – the eurozone rescue fund – specific to the pandemic, the mobilization of 200 billion euros in investments by the European Investment Bank and the creation of a European fund against unemployment with 100 billion available for loans.

Insights from Spain and Ireland

The Spanish government has set up two State guarantee schemes for companies affected by the Coronavirus outbreak on new loans and refinancing operations taken by companies from banks. These measures are in line with the conditions set out in the EU Temporary Framework under the EU State aid rules. The schemes have a total budget of approximately €20 billion. They limit the risk taken by the State to a maximum of 80% for self-employed workers and SMEs and 70% for larger companies. The guarantee measures aimed at limiting the risks associated with issuing operating loans to companies that are severely affected by the economic impact of the coronavirus outbreak. The objective is to ensure that these companies have the liquidity to help them safeguard jobs and continue their activities faced with the difficult situation caused by the coronavirus outbreak.

As in the UK, Spain has also implemented a tax moratorium for VAT, SME corporation tax and social security payments. The Spanish government has also put in place a series of measures for the most affected sectors. Businesses belonging to the tourism sector including transport, hotels or travel agencies, will be granted with an increase in the line of financing. All companies with workers with temporary contracts within the tourism, commerce and hospitality sectors will have a 50% discount for five consecutive months on Social Security contributions for common contingencies, joint collection of monies related to unemployment and vocational training. Other additional measures have been implemented by the private sector and the regional and local municipalities.

Enterprise Ireland has published a checklist guide to assist affected Irish businesses in transitioning through the immediate and critical challenges that COVID-19 pandemic presents and to outline the latest support available from the Irish government due to COVID-19 pandemic. Among the measures adopted by the Irish government, a €200m package for eligible businesses impacted by COVID-19 – The Strategic Banking Corporation of Ireland SBCI working capital scheme with loans at a maximum interest rate of 4% from 1 year to 3 years between €25,000 to €1.5m per eligible enterprise or the Microfinance Ireland loan scheme for microenterprises currently trading.

An income support payment for employees who have been temporarily placed on a shorter working week will be covered by the Short-Time Work Support or the Temporary Wage Subsidy schemes intended to support employers during periods of temporary difficulty. Other examples of COVID-19 support by the Irish Government are the non-financial schemes – e.g. the COVID-19 Act on Support that helps companies to decide on specific actions over a short period to address some of the risk and opportunities of COVID-19 focusing on three areas of capability: financial management, strategic sourcing and transport and logistics.

COVID-19 UK business support mechanisms (as 4th April 2020)

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
CCFF COVID-19 Corporate Financing Facility	To support larger firms, the Bank of England will operate a new lending facility to provide a quick and cost- effective way to raise working capital via the purchase of short-term debt. The CCFF will be a credit easing scheme targeted at addressing the disruption to cash flows of companies resulting from Covid-19. The scheme will focus on purchasing newly issued Commercial Paper from eligible companies. The CCFF is unlimited in size. The scheme went live on Monday 23 March.	UK-wide	Eligibility for the facility will be based on firms' credit ratings prior to the Covid-19 shock. Businesses will also be judged, in part, on whether or not they: • make a material contribution to economic activity in the United Kingdom • have significant employment in the UK or with their headquarters in the UK • generate significant revenues, serves a large number of customers or has a number of operating sites in the UK • are UK incorporated companies including those with foreign-incorporated parents and with a genuine business in the UK	Applications can now be made through the Bank of England's website.	Further details of the scheme can be found at the Bank of England More information on the eligibility criteria can be found at the Bank of England Further details of the scheme can be found at the Treasury
Business Rates	All businesses in the retail, hospitality and leisure sectors will pay no business rates in England for the 2020/2021 tax year.	UK-wide	Full criteria for businesses in England	This will apply to the next council tax bills issued in April 2020.	Further details of the scheme can be found at the Ministry of Housing, Communities and Local Government and at the Department of Business,

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
	There will be no rateable value threshold on this relief – businesses large and small will benefit.			Businesses are advice to direct enquiries on eligibility for, or provision of, the reliefs to the relevant local authority.	Energy and Industrial Strategy Corresponding commitments have been made by the Scottish government

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
Support for Small Businesses	The UK government will provide additional funding for local authorities to support small businesses that pay little or no business rates. Key provisions include: • A one-off grant of £10,000 to businesses currently eligible for small business rate relief (SBBR) or rural rate relief • A £25,000 grant to retail, hospitality and leisure businesses operating from smaller premises, with a rateable value between £15,000 and £51,000 or between £18,001 and £50,999 for Scottish businesses.	UK-wide	Businesses eligible for SBRR or rural rate relief will receive this support.	Businesses will be contacted by the relevant local authority.	Further details of the scheme can be found at the Department of Business, Energy and Industrial Strategy Corresponding commitments from the Scottish government
Coronavirus Business Interruption Loan Scheme	A scheme aimed at supporting small and medium sized businesses to access bank lending and overdrafts, which will be delivered through the British Business Bank. Key provisions include: • The government will provide lenders with a guarantee of 80% on each loan to give lenders confidence in continuing to provide finance to SMEs	UK- wide	Applicants must: • Apply for business related purposes only • Use the scheme to support primarily trading in the UK • Be a UK-based SME with annual turnover of up to £45m • Be seeking to borrow up to a maximum of £5m • Generate more than 50% of its turnover from trading	Any small business interested in applying should approach their lender in the first instance or one of the 40+ accredited lenders with their borrowing proposal. The British Business Bank states that	Further details of the scheme can be found at the British Business Bank

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
	• The government will not charge businesses or banks for this guarantee • The provision of support loans of up to £5 million in value. The government will cover the first 12 months of interest payments for businesses.		• Have a borrowing proposal which would be considered viable by the lender Further criteria can be found here.	applications should take no longer than a standard application. The scheme is now open.	
Statutory Sick Pay	The government has introduced legislation to allow small and medium-sized businesses and employers to reclaim Statutory Sick Pay (SSP) paid for sickness absence due to COVID-19. Employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19. Employers should maintain records of staff absences and payments of SSP, but employees will not need to provide a GP fit note.	UK-wide	This refund will cover up to two weeks' SSP per eligible employee who has been off work because of COVID-19. Employers with fewer than 250 employees will be eligible - the size of an employer will be determined by the number of people they employed as of 28 February 2020. Eligible period for the scheme will commence the day after the regulations on the extension of Statutory Sick Pay to those staying at home comes into force.	Further detail is expected but the government has committed to working with employers over the coming months to set up the repayment mechanism for employers as soon as possible.	Further details of the scheme can be found at the Department of Business, Energy and Industrial Strategy
General Taxation – Time to Pay	All businesses and self-employed people in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax affairs through HMRC's Time To Pay service.	UK-wide	All businesses and self-employed people with outstanding tax liabilities.	To access the scheme, businesses should contact HMRC.	Further details of the scheme can be found at the Department of Business, Energy and Industrial Strategy
Insurance	The government has said that businesses that have cover for pandemics and government-ordered closure should be	UK-wide			Further details of the scheme can be found at the Association of British Insurers

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
	covered by the announcements that the government has made on the subject of social distancing. However, it advised that insurance policies differ significantly, so businesses are encouraged to check the terms and conditions of their specific policy and contact their providers.				
Companies House	Companies House has issued guidance that allows businesses to apply for an extension to the deadline for submitting their accounts, should a company be affected by COVID-19.	UK-wide	Appeals are treated on a case-by-case basis. Appeals based upon COVID-19 will be considered under these policies and will be considered under policies already in place to deal with appeals based upon unforeseen poor health.	To apply, businesses need to provide: company number; email address; any relevant supporting documents	Further details of the scheme can be found at Companies House
Mortgage Holidays	The chancellor has announced an agreement with mortgage lenders that they will offer a three-month mortgage holiday for borrowers in financial difficulty due to coronavirus.	UK-wide	A payment holiday will be available to all customers who are up to date on their mortgage payments. A payment holiday will also be available to all Buy-to-Let landlords whose tenants have lost income because of the impact of COVID-19. Landlords are expected to pass on this relief to their tenants to ensure that they are supported during this time. Customers will still owe the money where a payment holiday has been granted and interest will still accrue.	Customers should contact their mortgage lender for more information.	Further details of the scheme can be found at the Treasury Further details of the scheme can also be found at UK Finance
Coronavirus Job Retention Scheme	Under this scheme all UK employers will be able to access support to continue paying part of their employees' salary for those employees that would	UK-wide	All UK businesses.	Business must designate affected employees as 'furloughed workers,' and	Further details of the scheme can be found at the Department of Business, Energy and Industrial Strategy and at the Business Support website

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
	otherwise have been laid off during the crisis. The government will pay up to 80% of a worker's wages, up to a total of £2,500 per worker each month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that subsidised wage. These payments will be backdated to 1 March and will be initially open for three months, to be extended if necessary. HMRC are working to set up a system for reimbursement as existing systems are not set up to facilitate payments to employers.			notify its employees of this change. Business should be aware that changing the status of employees' remains subject to existing employment law. Businesses should submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal.	
Deferred VAT payments	Businesses will have their VAT payments deferred for three months, and self-employed Income Tax payments will be deferred from July 2020 to January 2021.	UK-wide	All UK businesses.	No application necessary, this is an automatic scheme.	Further details of the scheme can be found at the Department for Business, Energy and Industrial Strategy
Term Funding Scheme with additional incentives	The TFSME will offer four-year funding of at least 10% of participants' stock of real economy lending at interest rates at, or very close to, Bank Rate. The Scheme is intended to:	UK-wide	Banks and building societies that are participants in the Bank of England's Sterling Monetary Framework (SMF) and that are signed up to access the Discount Window Facility (DWF).	Applications can be made from mid-March 2020 when further documentation	Further details of the scheme can be found at the Bank of England

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
for SMEs (TFSME)	• help ensure that businesses and households benefit from the MPC's actions • provide participants with a cost-effective source of funding to support additional lending to the real economy • incentivise banks to provide credit to businesses and households to bridge through a period of economic disruption • provide additional incentives for banks to support lending to SMEs.		SMF participants that are not already signed up to the DWF can apply for access alongside applying to use the TFSME. Institutions that are not currently SMF participants can apply to join, subject to the Bank of England's usual eligibility criteria.	will be made available.	
Coronavirus Large Business Interruption Loan Scheme	The scheme will provide a government guarantee of 80% to enable banks to make loans of up to £25m to firms with an annual turnover of between £45m and £500m. It will be delivered through commercial lenders, backed by the British Business Bank with the Government providing lenders with an 80% guarantee on individual loans for businesses. It is due to launch later this month.	UK-wide	Businesses must: • Be UK-based in its activity • Have an annual turnover between £45m and £500m • Be unable to secure regular commercial financing • Have a borrowing proposal which the lender: a) would consider viable, were it not for the COVID-19 pandemic / b) believes will enable you to trade out of any short-term to medium-term difficulty Excluded sectors include: Banks and building societies / Insurers and reinsurers / Public-sector organisations, including state-funded primary and secondary schools / Trade unions	Further information to be published in April	Further details of the scheme can be found at the Treasury and the Business Support website

Mechanism	Policy	Jurisdiction	Eligibility criteria	How to apply	Further information
Reform of Insolvency Law	The government has announced its intention to amend insolvency law to give companies breathing space and keep trading while they explore options for rescue. This change follows a government consultation on introducing new insolvency restructuring procedures in August 2018.	Generally, UK-wide with Scotland, with some exceptions.	Awaiting further information	Awaiting further information	Further details of the scheme can be found at the Department for Business, Energy and Industrial Strategy
Self Employed Income Support Scheme	The scheme provides those eligible with a cash grant worth 80% of their average monthly trading profit over the last three years. The income support scheme is being designed by HMRC from scratch, will cover the three months to May. Grants will be paid in a single lump sum instalment covering all 3 months and will start to be paid at the beginning of June. To qualify, more than half of their income in these periods must come from self-employment.	UK-wide	To qualify workers must: Be self-employed or a member of partnership; • Have lost trading profits due to COVID-19; • File a tax return for 2018-19 as self-employed and those who have not yet filed for 2018-19 will have an additional 4 weeks from this announcement to do so: • Have traded in 2019-20; be currently trading at the point of application (or would be except for COVID 19) and intend to continue to trade in the tax year 2020 to 2021	HMRC will identify eligible taxpayers and contact them directly with guidance on how to apply. This will include eligible workers with: • A trading profit of less than £50,000 in 2018-19 • An average trading profit of less than £50,000 from 2016-17, 2017-18 and 2018-19.	Further details of the scheme can be found at HMRC and at the Business Support website

Sources: Pinsent Masons (2020) https://www.pinsentmasons.com/out-law/guides/covid-19-uk-business-support-mechanisms

BEIS Department (2020) https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses

UK Government (2020)***Business rates: expanded retail discount – guidance*** https://www.gov.uk/government/publications/business-rates-retail-discount-guidance

Scottish Government (2020) *Business Support Fund Opens* https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/

COVID-19 Ireland Business Support Mechanisms (as 12th March 2020)

Enterprise Ireland is working with Local Enterprise Offices and all government stakeholders to ensure that businesses are prepared and informed on the most up-to-date advice and supports available.

Enterprise Ireland has published a checklist guide to assist affected Irish businesses in transitioning through the immediate and critical challenges that COVID-19 pandemic presents and to outline the latest support available from the Irish government due to COVID-19 pandemic. Enterprise Ireland will update this document to reflect new developments as they arise and current information is also available on the website www.enterprise-ireland.com.

Mechanism	Policy	Eligibility criteria	Further information
Business Rescue and Restructuring Scheme	A €200m package for enterprise supports for viable but vulnerable firms.		Enterprise Ireland
SBCI Working capital scheme	A €200m package for eligible businesses impacted by Covid-19 The scheme is offered in partnership with the Department of Business Enterprise and Innovation, the Department of Agriculture Food and the Marine and is supported by the InnovFin SME Guarantee Facility, with the financial backing of the European Union under Horizon 2020 Financial Instruments. The loans will be available through AIB, Bank of Ireland and Ulster Bank. Approval of loans are subject to the banks own credit policies and procedures. It should be noted that businesses cannot complete a loan application until they have received their eligibility letter from the SBCI. Loan features • Loan amounts of between €25,000 to €1.5m per eligible enterprise (see the	Viable micro, small and medium sized enterprises (SMEs) and Small MidCap enterprises that meet the eligibility criteria. SMEs are defined by the Standard EU definition [Commission Regulation 2003/361/EC] as enterprises that: • Have fewer than 250 employees • Have a turnover of €50 million or less (or €43 million or less on their balance sheet) • Are independent and autonomous i.e. not part of a wider group of enterprises • Have less than 25% of their capital held by public bodies	Strategic Banking Corporation of Ireland (SBCI)

Mechanism	Policy	Eligibility criteria	Further information
	State Aid section below for further details). • Maximum interest rate of 4%. • Loan terms ranging from 1 year to 3 years. • Loans unsecured up to €500,000. • Optional interest-only repayments may be available at the start of the loans. • The loan amount and term is dependent on the loan purpose. Loans can be used for • Future working capital requirements. • To fund innovation, change or adaptation of the business to mitigate the impact of Covid-19. Loans cannot be used for • Refinance of undertakings in financial difficulties. • Refinance of existing debt (e.g. Terms Loans/Leases/Hire Purchase etc.).	• Is established and operating in the Republic of Ireland A Small Mid-Cap is an enterprise that is not an SME but has fewer than 500 employees	
Short Time Work Support	Income support payment for employees who have been temporarily placed on a shorter working week and is intended to help employers during periods of temporary difficulty Short Time Work Support is a form of Jobseeker's Benefit and is an income support payment if you have been temporarily placed on a shorter working week. The payment is made in respect of your regular salary for the days that you are no longer working. For example, if your working week has been reduced from a 5-day work	To qualify for Short Time Work Support, you must be: • temporarily working a standard reduced weekly work pattern • working 3 days or less per week having previously worked full-time • be under 66 years of age • be capable of work and be available for full-time work • have enough paid or credited social insurance (PRSI)	Department of Employment Affairs and Social Protection

Mechanism	Policy	Eligibility criteria	Further information
	pattern to a 3-day work pattern, you can receive support for the other 2 days. Short Time Work Support is paid for a maximum of 234 days. Your entitlement will depend on the number of social insurance contributions you have. To qualify for Short Time Work Support, you must satisfy the two main PRSI Conditions for Jobseeker's Benefit. Employees must work 3 days per week or less to qualify, having previously been employed on a full-time basis.	contributions at class A, H, S or P	
Temporary wage subsidy scheme	A temporary wage subsidy of 70% of take home pay up to a maximum weekly tax-free amount of €410 per week is available to help affected companies keep paying their employees. This is the equivalent of €500 per week before tax.	Eligibility criteria can be found here It is available to employers across all sectors excluding the Public Service and Non-Commercial Semi-State Sector. To qualify for the scheme a business must be experiencing a significant negative economic disruption due to the Covid-19. Key indicators are that the employer's turnover is likely to decrease by 25% for quarter 2, 2020; that the business is unable to meet normal wages or normal outputs and any other indicators set out in our guidelines.	More information can be found here
Covid-19 Business Financial Planning Grant	The grant is designed to help companies to develop a robust financial plan, including the preparation of documentation required to support applications for external finance from banks and/or other finance providers (including Enterprise Ireland). The Covid-19 Business Financial Planning Grant, worth up to €5,000, will enable companies to access external support from approved financial	New support for all Enterprise Ireland clients. It is also targeted at those manufacturing or internationally traded services companies that employ 10 or more full time employees.	For more information contact your Development Advisor or contact the Covid-19 Business Response Unit at businessresponse@enterprise-ireland.com

Mechanism	Policy	Eligibility criteria	Further information
	consultants to prepare a financial plan to secure the company in the short to medium terms		
Lean Business Continuity Voucher	The new Lean Business Continuity Voucher will support enterprises in identifying and implementing measures needed to ensure they can continue to operate safely to provide critical goods and services.		For more information, contact your Development Advisor
Strategic Consultancy Grant for SMEs	The grant supports the hiring of a strategic consultant typically over a longer period to assist the company in the development and/or the implementation of strategic initiatives. It is designed to facilitate business growth as the consultants can act as coach, mentor, facilitator, analyst for the company.	Eligible projects must be new assignments of strategic significance to the company such as a specific strategic review of one or more business functions e.g. review of the company's treasury policy and/or implementation of a new strategic initiative e.g. preparation and implementation of new multi-currency forecasting tools and procedures.	
Covid-19 Act on Support	The Covid-19 Act on Support has been developed to focus on three main areas of capability (1) Financial Management (2) Strategic Sourcing and (3) Transport and Logistics. The initiative helps companies decide on specific actions over a short period to address some of the risks and opportunities from Covid-19. This initiative for Enterprise Ireland clients is delivered at no cost to the company.		
Enterprise Ireland Key Manager / Part	The aim of this initiative is to provide partial funding towards the cost of recruiting a Full Time or Part Time Key Manager with skills that are critical to the future growth of the		

Mechanism	Policy	Eligibility criteria	Further information
Time Key Manager Support	client. This individual must contribute to significant and measurable improvements in company productivity and/ or changes in its output to meet defined market requirements. The Part Time Key Manager grant has been introduced in order to support companies to attract senior leadership talent by offering more flexible working arrangements		
Agile Innovation Fund	The Agile Innovation Fund has been developed to support product, service and process innovation to build competitive advantage. The new Agile Innovation Fund allows companies to access up to 50% in support towards innovation projects with a total cost of up to €300,000, and can also be availed of by Local Enterprise Office clients		
Business Process Improvement Grant	The Business Process Improvement Grant is used to support short to medium term company projects that improve efficiencies and business process improvements. Specific E-marketing support is available through this grant to develop and enhance your company's capability to use the internet as an effective channel for business development. Further information can be found here or by contacting ebusiness@enterprise-ireland.com		
Operational Excellence Offer	The new Operational Excellence Offer enables Irish companies trading internationally to develop or transform their		

Mechanism	Policy	Eligibility criteria	Further information
	wider business in order to compete more effectively.		
Revenue Cashflow Supports for SMEs	Revenue have outlined key advice and actions taken to assist small and medium enterprise businesses experiencing cashflow and trading difficulties arising from the impacts of Covid-19 including information on tax returns, application of interest, debt enforcement and tax clearance. Further details can be found at www.revenue.ie The offer allows eligible companies to access financial support for business or operational change projects. The goal is to incentivise and support the key elements of a larger transformation project leading to significantly increased competitiveness		
Local Enterprise Support	Business Continuity Voucher - The new Business Continuity Voucher, available through Local Enterprise Offices, is designed for businesses across every sector that employ up to 50 people. The voucher is worth up to €2,500 in third party consultancy costs and can be used by companies and sole traders to develop short-term and long-term strategies to respond to the Covid-19 pandemic. Find out more here		Additional financial supports are available locally through the 31 Local Enterprise Offices (www.localenterprise.ie) and Microfinance Ireland (www.microfinanceireland.ie)
Credit Guarantee Scheme	The Credit Guarantee Scheme is a government supported product from the banks for small and medium businesses who have difficulty borrowing from their bank. Businesses can apply for loans of up to €1		

Mechanism	Policy	Eligibility criteria	Further information
	million at AIB, Bank of Ireland or Ulster Bank. Loans can be for terms of up to seven years. The scheme provides an 80% guarantee to participating banks which are AIB, Bank of Ireland and Ulster Bank		
Rapid Response Research and Innovation Funding	A Rapid Response Research & Innovation programme to help mitigate the Covid-19 pandemic has been developed by the Government's Research & Innovation agencies including Enterprise Ireland, Science Foundation Ireland, IDA, the Health Research Board and the Irish Research Council. Find out more here		
Market Research Centre	Enterprise Ireland Market Research Centre offers client companies access to market intelligence in the form of company, sector, market and country information. The Market Research Centre can also offer assistance in scoping out information needs and highlighting resources and many resources can be sent to clients under legal agreements with providers.		You can access the resources available at the Market Research Centre here and identify report titles online here Clients are invited to contact the Enterprise Ireland Market Research Centre via the dedicated MRC email: market.research@enterprise-ireland.com
eiLearn Online Learning Platform	Enterprise Ireland have designed this online learning platform, eiLearn, to help you overcome some of the key challenges facing you in growing a business and making it ready to tackle international markets and grow your business globally.eiLearn is an online learning resource where you can access over 400 pieces of customised content designed for Irish SMEs. Find out more here		

Mechanism	Policy	Eligibility criteria	Further information
EI Virtual Mentoring Support	Enterprise Ireland's Mentor Network has a panel of more than 400 highly experienced business people. These are entrepreneurs, founders and senior executives with international commercial business development experience. They can offer practical advice, guidance and support at this time. For further information email Mentor.Network@ Enterprise-Ireland.com or find our more here		
Information, advice and webinars	Enterprise Ireland will engage directly with businesses to provide information and practical support. Over the coming weeks, Enterprise Ireland will be developing an online portal of relevant advice, articles and webinars which will be accessible here		

Source: Enterprise Ireland (2020) COVID-19 (Coronavirus) Business Response Plan. Enterprise Ireland supports for business

COVID-19 Spain business support mechanisms (as 4th April 2020)

Mechanism	Policy	Eligibility criteria	Further information
Two State guarantee schemes on new loans and refinement operations taken by companies from banks	The guarantee schemes on new loans and refinancing operations for companies affected by the coronavirus outbreak. The schemes have a total budget of approximately €20 billion. The cover guarantee on operating loans with a limited maturity and size.The guarantee measures aim at limiting the risks associated with issuing operating loans to companies that are severely affected by the economic impact of the coronavirus outbreak. The objective of the measures is to ensure that these companies have liquidity to help them safeguard jobs and continue their activities faced with the difficult situation caused by the coronavirus outbreak. These state guarantees can cover loans to help businesses cover immediate working capital and investment needs.	These warranties limit the risk taken by the State to a maximum of 80% for self-employed workers and SMEs; and 70% for larger companies. This ensures that support is swiftly available at favourable conditions and limited to those who need it in this situation.	These measures are set up in line with the European Commission, EU Temporary Framework under the EU State aid rules
Tax moratorium	Value added and SMEs corporation tax. With this measure, all companies will enjoy a 6-month delay in the payment of taxes for declarations and settlements with a filing period until May 30, 2020. These are the highlights of this government measure: The application date runs from Friday, March 13 to May 30, 2020. The maximum postponement period will be 6 months. No default interest will be accrued during the first 3 months of deferment. In the following 3 months, yes, but they will be those normally stipulated in each case.	It will be able to host all SMEs with up to 6 million euros in trading volume and all the self-employed.	More information **here**

Mechanism	Policy	Eligibility criteria	Further information
	Debts of up to 30,000 euros maximum. Only companies with a volume of operations not exceeding 6,010,121.04 euros in 2019 can be accepted. This postponement and fractionation of the payment of taxes will contribute some 14,000 million euros of liquidity to the businesses.		
Postponement of loan repayments from the General Secretariat for Industry		This measure applies to all companies that owe money, but as long as these three conditions that the Government has decreed are met: The return period is less than 6 months from the approval of Royal Decree-Law 7/2020. That it is justified that the Covid-19 has an impact on the company. The moratorium is an adaptation in the payment schedule and must always be carried out within the voluntary payment period.	
Moratorium on Social Security payments	This measure is one of the ones that can help companies the most, since they can postpone payments to Social Security for 6 months of quotas.	The period of revenge in the case of companies that ran between April and June 2020 and companies that do not have deferrals of debts with Social Security may request until June 30, 2020 an extension of these.	Moratorium requests require communication to the TGSS within the first 10 calendar days of the statutory entry deadlines.
Aid for the tourism sector due to the Coronavirus through ICO credits	In this month of March the hotels have registered an occupation of only 15%, compared to 75% last year. This, if we take into account that tourism is the sector that contributes the most to Spanish GDP with about 15%, it is foreseeable that special aid will be decreed. For this, the government has approved, on the one hand, increasing the line of financing for those affected by the bankruptcy of the Thomas Cook	For this reason, companies that are directly related to this sector, such as transport, hotels or travel agencies, among others, will be able to take advantage of this measure.	This measure has its peculiarities: Companies may not appear in default. The maximum amount per customer and year is 500,000 euros. The financing will be formalized under the loan modality with the accredited entities (BBVA, Santader and Cajamar).

Mechanism	Policy	Eligibility criteria	Further information
	group by 200 million euros more, raising it to 400 million.		Repayment term of 4 years with a maximum grace period of 1 year. A maximum annual fixed rate of 1.50% APR These measures will inject money so that many of the companies can withstand periods of inactivity or meet financial obligations.
Aid to discontinued fixed due to Coronavirus	This measure is specially designed for workers in the discontinuous fixed modality within the tourism, commerce and hospitality sector. Companies will have a 50% discount on Social Security contributions for common contingencies, joint collection of unemployment, FOGASA and Vocational Training.	It only applies to companies that maintain contracts with workers in this modality or start them, during the months of February, March, April, May and June.	
ERE due to force majeure due to Coronavirus	Approved by Royal Decree-Law 8/2020, of March 17, with the government will subsidize the part of the fee that the company has to pay to Social Security for the affected workers, so that will limit the cost of wages as much as possible. To complete this measure, it has been decreed that when the situation returns to normal, companies will not be able to dismiss their workers who have been under an ERTE in the next 6 months. With this measure, the Government wants to avoid massive layoffs by companies that cannot bear the burden.	All companies can benefit from this measure. In the case of companies with less than 50 workers, the Government assumed the full contribution quota and in those with more than 50 75% of the quota.	To opt for this measure, companies must communicate the measure they are going to adopt and justify it to the Labor Authority. This will have a maximum period of 7 days to respond. Employees employed by others affected by the reduction in hours of work or suspension from work will receive unemployment benefits, including those who have not accumulated the sufficient time required by law. The legal base that will be used will be the contribution base of the last 180 days. Unemployment benefits collected during the time that the State of Alarm is decreed will not subtract for later

Mechanism	Policy	Eligibility criteria	Further information
			unemployment. In this way, once this situation is over, the same time will be counted as before this situation. Finally, workers will have the right to change their working hours without prior notice and maintaining their salary conditions. This measure will help people with children in charge of school closings or dependent people.
Guarantees worth 100,000 million euros to request credits	With this measure, the government wants to help companies to request with credit and support the loans they need from private banks. A 2,000 million credit line is also created for exporting companies.	For SMEs: For freelancers and micro-companies (up to 10 employees) For companies with up to 250 employees and sales of less than 50 million euros or with a total asset of less than 43 million euros. For larger firms: For companies with more than 250 employees and sales of more than 50 million euros or with a total asset of more than 43 million euros. For any sector of activity For liquidity needs such as: payment of wages, rentals or other fixed expenses. payment to suppliers. payment of financing maturities and tax obligations. For SMEs, the amount that can be lent will be up to 1.5 million euros or up to 25% of annual income or 24 months of personnel expenses. Repayment term of the loan of up to 5 years with 1 grace period for SMEs.	This aid is different from that of the ICO credits approved in the first package of measures to stop the expansion of SARS-CoV-2. Banks: Santander, BBVA, Caixabank and Bankia. More information can be found here

Mechanism	Policy	Eligibility criteria	Further information
		The government guarantees 80% of the loan amount for SMEs For larger companies: The amount that can be lent will be up to 25% of annual income or 24 months of personnel expenses. Return term of up to 5 years with a grace period of 1. Guarantee of 70% for new operations and 60% for renovations in larger firms	
State Aid from the Catalan Institute of Finances (ICF)	The Autonomous Community of Catalonia has approved an extraordinary line of credit aimed at providing financial liquidity to companies, granted through banks and guaranteed by the Catalan Institute of Finance (ICF) and Avalis. Its main objective is to provide financial liquidity to companies. This credit line will have a budget of 1,000 million euros. The Catalan government will assume more than 75% of the risk. It includes a number of restrictions related to reducing employment and repaying other loans that the company already has. Quantity Avalis: 75% from 100,000 euros to 1 million euros. ICF: 75% from € 1 million and up to € 2.5 million Duration of assistance: Up to 4 years with a grace period of up to 1 year. Interest: On the part of financial institutions, the price limitation to the EURIBOR rate for 12 months plus a maximum difference of 2.5%. Commissions: Administration and Risk Commission (CAiR) of 1% on the guarantee. No opening or study fees		

Mechanism	Policy	Eligibility criteria	Further information
	In addition to the financing lines mentioned above, there are other conventional, alternative and / or more specific lines for companies with positive EBITDA.		
Aid for science and innovation against the Coronavirus	On March 18, 2020 the Ministry of Science and Innovation through the CDTI launches urgent measures for innovation in companies. These measures are aimed at the most innovative sectors throughout the Spanish territory. Companies will be exempt from providing guarantees as long as they meet the requirements and show a degree of economic solvency required by the CDTI. In which the research lines are related to COVID-19, the reduction in guarantees will be greater. On March 24, 2020, the Government, through the CDOT's NEOTEC program, supports 25 million euros for innovative technology-based companies where each grant may reach up to a maximum of 250,000 euros per beneficiary. Within this area, it is foreseen that the mobilized aid could reach 500 million euros where the main objective is to avoid the slowdown within the companies with activity in R + D + I. The CDTI will implement a fast track management system for all the projects submitted and thus streamline the approval and granting of aid processes.		
Moratorium on rental payments for commercial premises	This is another measure that has been decreed since it is a way of reducing the economic burden on companies. It will be for 3 months and also all the rental contracts that expire during the Alarm State will be extended while this situation lasts.		
Private aid to companies	Private aid from Coronavirus to companies		

Mechanism	Policy	Eligibility criteria	Further information
	Among the aid when facing the coronavirus crisis, a large number of companies and private entities have provided ways of lower economic burden for companies. Here are some of the companies that provide help to their clients: CaixaBank: Launches a credit line of 25,000 million for SMEs due to the Coronavirus. BBVA: Another 25,000 million euros in financing lines for SMEs. Banco Santander: Launches pre-granted loans for 20,000 million for SMEs. Movistar: Offers an additional 30GB per month for line clients in the Fusion package and mobile clients as a means to encourage teleworking or work with data in less popular areas. Also more children's and sports content, such as entertainment for minors, that must be kept at home. Vodafone: For professional, self-employed and small and medium-sized business clients, unlimited free data until the end of March, as well as more content for children in their television packages. Pepephone: Offers an additional 5GB to all its clients while the crisis lasts Orange: Offers 30GB free for customers who have a landline and mobile phone or only a mobile phone for a month. Also more content for children on television for free. In the case of companies, the gigabyte package is expanded to 50. MásMóvil: For television clients, three months free from Sky TV O2: 30GB of data to be released in two months. You have to request them through the APP Lowi: Extra 10GB until April 30 Threat: Give away 10GB with automatic activation.		

Mechanism	Policy	Eligibility criteria	Further information
	Iberdrola: allows invoices to be divided up to 12 months at no cost to SMEs and households. Naturgy: allows SMEs and the self-employed to split the payment of electricity and gas bills. Endesa: Suspends power outages due to non-payment for the duration of the crisis. Renfe: From March 16 to April 30, tours can be canceled free of charge.		
Other measures	Ydray: Data sending service that goes from 5Gb to 10 Gb while the crisis lasts. Cisco Webex: Online communication tool offered for free with connection to up to 100 people at a time. ValidatedID: Offer free remote signatures while crisis lasts for COVID-19 ABAEnglish: Premium courses to learn English. SeedRocket: Offers webinars to learn with benchmarks from the business sector. Audible: Amazon Audiobooks with one month free Free online courses in Cousera, Edx, Udemy, Miriadax and Udacity Codecademy Pro: Offers 10,000 free scholarships Glovo: Free shipping in medicine Microsoft Teams: Free for 6 months Kaptivo: Give away a white board for the purchase of some of their products.		

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The role of short-time working schemes in mitigating the impact of financial crises: learning from France and Germany

By Dr Abigail Taylor

Current approaches

France and Germany have introduced large financial rescue packages to seek to lessen the impact of the COVID-19 pandemic on their economies. Bruno Le Maire, the French Finance Minister, has announced an aid package to help businesses and employees worth over 300 billion Euros. The German Federal and state governments have announced measures totalling over 800 billion Euros for companies and households.

Policies recently announced in both countries include *tax breaks and loans to support firms affected by the crisis* as well as the *expansion of short-time working/partial employment schemes*.

The French scheme (*chômage partiel)* provides companies with the means to sustain either a reduction of the employees' working time below the legal weekly working time, or a temporary closure of all or part of the establishment. Companies receiving the allowance will pay employees 70% of their previous gross remuneration (100% for those on the minimum wage). The firm will be fully reimbursed by the state for salaries up to 6,927 Euros gross per month (4.5 times the minimum wage).

The German scheme, known as *Kurzarbeit*, enables employers whose work is negatively impacted by the Coronavirus (for example, if they must reduce their working hours to respond to supply chain issues or close their premises in line with governmental safeguards) to request short-time working benefits for their employees. The allowance, which operates through existing social insurance channels, is calculated based on the net loss of earnings. Legislators are seeking to introduce special short-term rules for accessing the scheme but currently employees generally receive 60% of their flat-rate net wage. This rises to 67% for households with at least one child. The maximum statutory subscription period is 12 months.

The experience of the 2008 Financial Crisis

France and Germany also offered short-time working during the 2008-2009 Financial Crisis. Approaches in both countries, whilst similar, produced varying results.

The French scheme is one of the oldest in Europe, dating from 1919. However, it was considered less strong and reactive during the crisis than schemes in other countries. Between 2007 and 2009, less than 0.85% of the working population in France benefited from the scheme compared to over 3% in Italy and Germany. The Institute for the Study of Labor argues that "*Without the extensive use of short-time work, unemployment would have risen by approximately twice as much as it actually did*" during the financial crisis. It contends that using the allowance *"certainly contributed to the mild response of the German labor market to the crisis"*. Eurofound estimates short-time working arrangements in Germany accounted for about 300,000 to 350,000 saved jobs during the crisis.

Learning points

The recent expansion of short-time working schemes in response to the COVID-19 pandemic reignites debate over *how best to implement such schemes and the economic conditions required for them to be successful*.

Ease of access:

Several reports suggest firms in France preferred other sources of support to the Partial Activity scheme because of the complexity of the scheme. The value of the allowance differed according to the size of the firm and the mechanism opted for (conventional or extended short-time working). As such, a report for the French Government pointed out difficulties employers faced understanding the amount to be paid to them.

By contrast, the German system is easier for employers to follow, as it is consistent with conventional unemployment benefit rules. This emphasises the importance of ensuring the direct benefits of allowances to firms are communicated clearly. It is important that in 2009, France revised its scheme increasing the duration of support to up to one year, reducing the amount of employers were required to pay towards the scheme, increasing the hourly value of the allowance and increasing support for training for employees on the scheme.

Economic context:

Analysis suggests a key reason for the greater recourse to short-time working in Germany was the structure of industrial employment and the sectors affected by the crisis. External demand fell more sharply in the crisis in Germany than France. Pre-crisis corporate finances were also stronger in Germany than France and skilled labour was in shorter supply, increasing the incentive for employers to want to retain employees through short-time working for future projects.

Training:

Neither the German, nor French schemes operating in 2008-2009 placed much emphasis on using the time employees received the benefit to promote engagement among workers in training. This was perhaps because of the difficulty of coordinating unpredictable periods of short-time working with training activities. Nonetheless, reforms were introduced in Germany (in 2009) and France (in 2012) to attempt to overcome these difficulties. Government guidance in France now emphasises that whilst receiving the Partial Activity Allowance, employees have the right to access continuing professional/occupational training, support towards acquiring new qualification, conversion or block release training. In relation to the UK, this highlights the opportunity available to use the time when employees are furloughed to promote engagement with online training courses. Given the UK's low level of basic digital skills, expanding provision of online platforms focusing on digital skills would appear particularly important.

Business Recovery Measures in China (COVID-19)

By Dr Fengjie Pan

The COVID-19 pandemic has made a profound impact on many enterprises, completely disrupting the normal work rhythm and plans of the enterprises. Production and operation of enterprises is blocked, yet enterprises have to bear huge expenses such as personnel and rent. In order to solve the problems caused by the COVID-19 pandemic, the central government and local governments in China have successively issued a series of support policies to alleviate the pressure on enterprises and to help them overcome the difficulties they face. These policies involve trade, financial support, agriculture, tax support, labour security, support for corporate relief, etc.

Financial Support

Many micro enterprises and SMEs face disruption to turnover. In order to help them recover from the COVID-19 crisis, central government and local governments have successively issued a number of financial support policies to help enterprises resume work and production:

- *Special Funds*: Firms facing difficulties can apply for special funds from the government in a timely manner according to the support policies issued by various regions.
- *Financial Support*: The main purpose of financial support is to provide working capital to help manufacturing enterprises and production service enterprises to actively resume normal production, actively provide credit support, and expand financing channels. Enterprises severely affected by the pandemic and facing difficulty in making repayments upon maturity may have their financial support extended or renewed. For example, in Shanghai, the local government has strengthened its support for financing guarantees to key epidemic prevention enterprises and SMEs and microenterprises, ensuring that the new policy financing guarantee loans in 2020 increased by more than 3 billion yuan over the previous year.
- *Tax support*: Fiscal and taxation policies play an important role in supporting enterprises under the current COVID-19 situation. In China, many local governments have issued policies that enterprises can apply for tax deferral in accordance with the law. The relevant enterprises and individuals are given preferential tax treatment, and local government may eliminate the regular fixed amount of tax burden for individual industrial and commercial households.
- *Support for enterprises to alleviate difficulties*: Governments in various regions have introduced preferential measures such as reduction of water and electricity charges and rent for enterprises that cannot temporarily start or resume work during the epidemic prevention and control period. There are also some special preferential policies – these vary according to the nature of the industry / the difficulties enterprises face. If enterprises meet the requirements for assistance, they can communicate with relevant government departments in real time. For example, the construction project fund policy issued by one of the provinces in China is helping ensure that construction companies resume work as soon as possible and stabilise their production.

The onus is on enterprises to take advantage of the relevant insurance fees and tax deferral and exemption policies issued by the local government in real time and apply for the relevant fee reduction or deferred payment in time. Moreover, they can also apply for special loans and financing guarantees from banks or relevant government departments. In terms of the bank loans taken out

before the epidemic, firms can apply to extend repayment deadlines to help them alleviate the pressure on their cash flow.

Employment

The COVID-19 support policy issued by the national government requires enterprises to strengthen organisational leadership, work towards epidemic prevention and control, and periodically reduce enterprise basic pension insurance, unemployment insurance, and try to reduce layoffs.

Employment policy in relation to COVID-19 favours online work modes, encourages the expansion of online training, and supports the development of online vocational skills training in various places. Taking Shanghai as an example, for employers that do not lay off employees, reduce staff reductions, and meet the requirements, local government will return the enterprises' and their employees' 50% of the total unemployment insurance premiums actually paid in the previous year, and postpone the adjustment of the social security payment base, extend the social security payment period. Also, in Shanghai, firms organising employees to conduct online vocational training during the suspension of work the Shangai government pays a 95% subsidy according to the actual training cost.

Innovation capability

In order to support enterprises to effectively respond to the epidemic, many local governments have issued policies and measures to promote technological innovation. It is not difficult to see that the high-tech industry will have stronger competitiveness and vitality in the future. Taking Chengdu (the capital of south-western China's Sichuan province, with a population of 16.33 million) as an example, the local government supports enterprises to set up independent projects and advance investment around new needs arising from the outbreak of Covid-19. It encourages enterprises to focus on emerging technologies such as big data, the Internet of Things, and 5G, and carry out research and development in areas such as social governance, outbreak prevention and control, and remote office working, etc.

Local governments are encouraging the application of new technologies and new products. For example, in Chengdu firms that increase the R&D investment or form a competitive technology product during the epidemic period can get a maximum of 2 million yuan in R&D subsidies. Local government policy recognises the importance of helping enterprises build innovative product supply and demand matching activities and supporting these firms commercialise their products. At the same time, local governments are alleviating the pressure of funds for technology start-ups from the aspect of reducing the rent of technology start-ups, increasing the support of science and technology finance, and expanding the support range of technology innovation vouchers, etc.

Business model transformation

Although Covid-19 is causing problems to enterprises, there is an emphasis on enterprises taking the opportunity to transform or optimise their business models to increase their risk resistance capability. The emphasis is on enterprises thinking about how to apply high-tech to the production and operation of their own industry. For example, in agriculture many local governments in China are issuing policies to effectively deal with the impact of the Covid-19 pandemic on agricultural production and rural economic development. Policies include subsidies for agricultural machinery allocation, arrangement of farmers' education and training funds, promotion of 'agricultural big data + finance' financing models, etc. The idea is to seize the opportunity to achieve technological

upgrading to improve the efficiency of agricultural production and the quality of agricultural products.

Learning for the West Midlands

Although the above measures are applied in China with a different political and institutional system, some of the policies may provide learning for the West Midlands.

In China the national government issues guidance on how local government should help enterprises and then local government issues specific policies in accordance with their local economic situation. A particularly interesting policy from the Shanghai government is the measure providing firms which organise employees to conduct online vocational training during the suspension of work with a 95% subsidy of the actual training cost. This results in improvement in work skills to prepare for the company's future development. It also enables companies to improve the speed and quality of digital transformation and accelerate the formation of new business development models combining “offline + online” working.

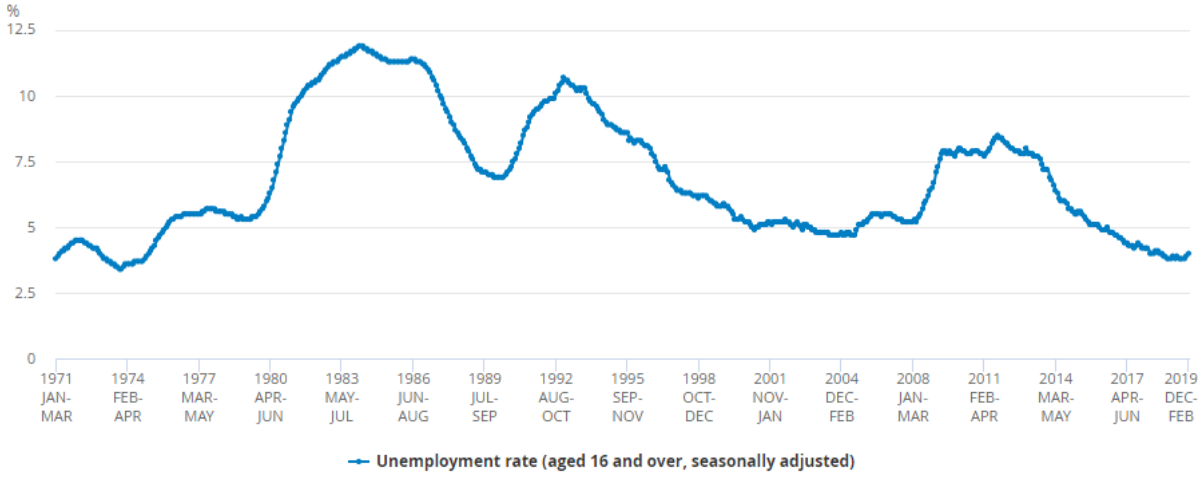
Unemployment and labour market policy priorities

By Professor Anne Green. Full blog here

On 14th April 2020 the Office for Budget Responsibility (OBR) published a scenario in which the UK would see a real GDP fall of 35% in Q2 2020, followed by a quick bounce back. Under this same scenario unemployment rises by more than 2 million to a total of 3.4 million (10%) in Q2 2020, but then declines more slowly than GDP recovers (OBR, 2020).

Previous recessions have seen marked increases in unemployment (as shown in Figure 1). During the Great Recession the rise in unemployment was less dramatic than many commentators expected; but there was an unprecedented weakness in productivity and a stagnation in real incomes (Hughes et al., 2020). In the 1980s the annual unemployment rate averaged 11.2% between 1982 and 1987, while from 2008 to 2013 it averaged 7.5% (Bell and Blanchflower, 2020). In the West Midlands the unemployment rate remains higher than the national average, and in the Great Recession regional unemployment peaked before the UK (see Figure 2).

Figure 1: Unemployment rate in the UK, 1971-2019



Source: ONS

Figure 2: Unemployment rate in the UK and the West Midlands, 1992-2020

Source: Labour Force Survey

The data in Figures 1 and 2 suggest that the COVID-19 pandemic has hit the UK at a time when the labour market is tight. Clearly at the end of 2019 unemployment rates were well below those recorded in the Great Recession - but the trend of declining unemployment had begun to reverse. Indeed, Bell and Blanchflower (2020) dispute that the UK had a tight labour market at the onset of the pandemic, highlighting that the underemployment rate (measured as the number of part-time workers who say they want fulltime jobs) was still above pre-recession levels in 2019.

Although there is some delay in data becoming available, to date the level of claims and the speed of their increase is unprecedented, with almost one million new claims for Universal Credit (UC) in the last fortnight of March 2020. Analyses by the Learning and Work Institute on the labour market impacts and challenges of the coronavirus show that this was 7.3 times higher than the same period a year earlier. During the peak of the last recession, claims for Jobseeker's Allowance the peak in new claims was just 1.8 times higher than the previous year (Evans and Dromey, 2020).

Policies such as the Coronavirus Job Retention Scheme should both limit the scale of unemployment increases and the extent to which joblessness persists (Hughes et al., 2020). Nevertheless it is clear that labour market policy will need to address higher levels of unemployment over a longer period than has been the case in recent years. Moreover, as in previous recessions young people are expected to find themselves particularly hard hit, with analysis by the Institute for Fiscal Studies showing that employees aged under 25 years were about two and a half times as likely to work in a sector that is now shut down as other employees (Joyce and Xu, 2020).

So what does this increase in unemployment associated with the COVID-19 pandemic mean for labour market policy? In their analyses of the labour market impacts of COVID-19 the Institute for Employment Studies (Wilson et al., 2020) and the Learning and Work Institute (Evans and Dromey, 2020) each identified five priorities for action, while analyses by the Resolution Foundation (Hughes et al., 2020) point in a similar direction. Combined they make six priorities (in no particular order of importance) – as presented in Box 1:

Box 1: Labour market policy priorities

1. Investment in new active labour market programmes for those out of work – including:
- rapid employment of the newly unemployed
- preventing long-term unemployment – through investment in employment support
- specialist support for the long-term unemployed / disadvantaged

2. Refocusing skills and training to support recovery – including through:
- pre-employment training
- advice and guidance
- matching those out of work to short- and long-term jobs growth areas
- local partnership working

3. An integrated coherent offer to support young people – by bringing together youth employment, training, skills and welfare support in order to avoid a 'pandemic generation' of young people scarred with poorer education, earnings and skills prospects resulting from sustained periods of unemployment (as has been evident in previous recessions [Clarke, 2019]), especially given that evidence suggests that in the light of changes in the youth labour market and at times of uncertainty, employers take fewer risks on young people with less experience than their older peers.

4. Preparation for an ***orderly withdrawal from the Job Retention Scheme***

5. A ***partnership-based 'Back to Work' campaign*** – using existing local partnership arrangements and reflecting the fact that local government and LEPs need to play an important role in recovery, including in ensuring that policies are joined up at local level.

6. Planning for the future – to achieve high quality more productive employment with improved opportunity and security (as highlighted in the Taylor Review of Modern Working Practices).

Source: based on Wilson et al. (2020) and Evans and Dromey (2020)

Already ***young people*** have been designated a top priority in the West Midlands given the higher than average share of young people in the population. There are key questions for policy makers regarding:

- How can work-based learning help minimise the impact of the crisis on the labour market outcomes of young people?
- How well equipped is the skills and learning system to respond to the crisis?
- What could be done to ensure the crisis does not exacerbate inequalities in opportunity?

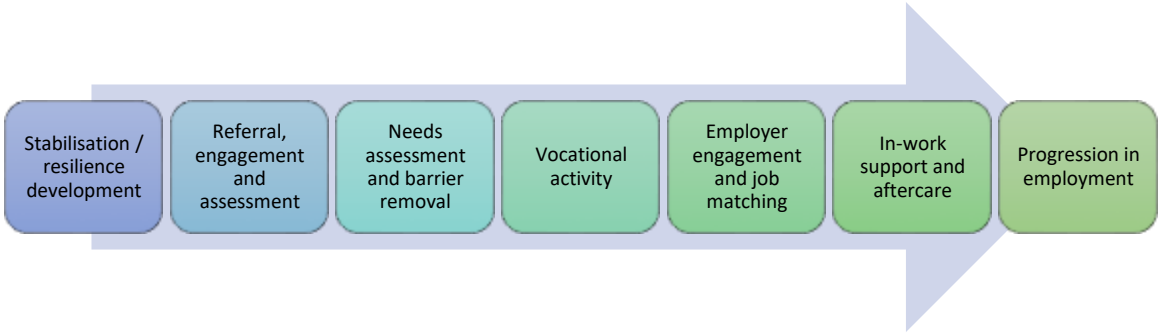
Work on an evidence review to support the development of the *Employment Support Framework within the West Midlands Combined Authority* can inform future policies to help people enter and progress in work. Examples of relevant learning with regard to young people include:

- The importance of young person led outreach and engagement to reach those individuals who are 'hidden' and of holistic and long-term support to de-risk transitions into employment – as shown by Talent Match.
- Close collaboration between providers of employability support and other types of support matters – as shown by the experience of the effectiveness of the integrated employment and skills MyGo service for young people in Ipswich shows (Bennett et al., 2018).

- A role for job guarantees delivered via wage subsidies – building on learning from the Future Jobs Fund, which facilitated funded, six-month paid jobs for young adults in the aftermath of the financial crisis, with sizable positive effects (Fishwick et al, 2011; Department for Work and Pensions, 2012).

The evidence review is organised around seven stages on a continuum from those who are disadvantaged and some way from employment through to progression in employment (Figure 2).

Figure 2: Journey into and within employment



Source: based on Green and Taylor (2019)

Cross-cutting themes and principles identified in the Evidence Review are pertinent for guiding employment support policy interventions in the context of building resilience and recovery in the context of the COVID-19 pandemic (see Box 2). So there is an evidence base to draw upon – albeit there are significant challenges in getting the different elements aligned.

Box 2: Cross-cutting themes and principles for guiding employment support policy

For individuals	Programme design/ operation	Key role of employers
Value of personalised support	Co-design can yield better policy while improving the well-being and employability of those involved	*Links with employers* are fundamental – need to understand their requirements and practices
A role for *peer support and mentoring*	The quality of *key worker support* matters	*Employer engagement* can take the form of an 'agency' approach or an 'individual approach'
Holistic intensive support is needed for the most disadvantaged	Benefits from *co-ordination of local provision* and from *local partnership working*	*Brokerage* between employers, HR managers, education and training providers and job seekers is important
Long-term support is beneficial – especially for the most disadvantaged	Benefits of a '*dual customer approach*' support the objectives of employers and (prospective) employees	*Employers* (and beneficiaries) can benefit from *active involvement and engagement with employability programmes*
Training and skills acquisition facilitates employment entry and in-work progression		
Work placements can be helpful		

Source: based on Green and Taylor (2019)

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Volunteering as a response to COVID-19

By George Bramley

There has been significant media coverage on the number of NHS Volunteer respondents recruited in response to COVID-19 before recruitment was suspended at 750,000 volunteers nationally so that applications could be processed. The police are supporting potential volunteers who would like to help in the response to COVID 19 by providing an email address they can send their details and be matched with opportunities [1]. Birmingham City Council with Birmingham Voluntary Service Council (BVSC) have formed the C19 Support Brum partnership [2], which is working within existing local neighbourhood structures and with voluntary groups and local elected members across the city to provide access to support, advice, and practical help.

While we currently do not have any robust numbers at the time of writing on the number of individuals who have volunteered, previous research has shown the West Midlands [3] has a culture of volunteering having been reported as having the highest level of formal volunteering in the country in the *Helping Out* survey commissioned by the Cabinet Office in 2007 [4]. The regions voluntary organisations are undercapitalised compared to those based in London: while region has nine percent of voluntary organisations in the country they only hold three percent of assets held by the sector [5].

Potential impact of volunteering on future employment prospects

It is generally accepted that volunteering can support employability and help individuals to find work. City REDI has been working with the National Centre for Rural Health and Care [6] to explore the role of volunteering as a potential route to recruiting individuals to work in the health care sector in response to labour shortages. Therefore, it can be hypothesised that increased interest in and participation in volunteering in response to COVID-19 may help some individuals to enter or return to employment.

Does the research support this hypothesis? There has been some research studies commissioned to support policy development on the role of volunteering in supporting employability. Two of particular interest and now quite old but still provide important insights into how policy might be framed.

Andy Hirst's report [7] on whether voluntary activity can improve an individual's ability to gain, maintain or improve their employment for Department of Education and Skills based on survey of 1,708 respondents found:

- 70 percent of those who had specifically volunteered to improve their employment prospects reported it had done so compared to 40 percent of those who had done so for charitable reasons.
- The provision of training as part of the volunteering activity is associated with improved employment outcomes as was the opportunity to review and discuss their contribution.
- Public facing activities improved employability.
- Hearing about work opportunities through networks provided by volunteering helped employability.

The Third Sector Research Centre based here at the University of Birmingham has analysed the British Household Panel survey (BHPS) data on volunteering. This study [8] found that controlling for

education, volunteering has a statistically significant weak effect on entry to employment. The report's authors concluded that:

The frequency of volunteering, however, makes a difference to its effects on employment outcomes. The effects also vary according to demographics. The evidence on job retention is weaker, and volunteering appears to have zero or even negative effects on wage progression.

While the BHPS has limitations for this kind of analysis, we suggest that too much has been made of the link between volunteering and employability, and indeed that intention is infrequent among volunteers.

Volunteering as means of meeting skills needs in health service and improving employability

There are essentially three main groups of volunteers, ignoring volunteering schemes aimed at young people such as NHS Cadets.

The first group is NHS Volunteer respondents who are expected to deliver non-clinical simple but vital tasks including acting as drivers, delivering food and prescriptions to individuals who are self-isolating and making phone calls to check on elderly and others in high risk categories. These can all be consider public facing activities that have been associated with improving employability of individuals seeking work. Those attracted are likely to be individuals who are not motivated by or not aware of how such activities can be presented to employers as providing transferable work skills. For those who want to move into employment following volunteering, it is important that employment coaches/ advisors working with them identify from their NHS Volunteer experience specific examples that demonstrate skills potential employers are seeking.

The second group is clinicians considering a return to the NHS [9]. This is relatively straightforward for those that have maintained their registration to practice with their relevant professional body. For those for whom registration has lapsed, the government is having to explore with colleges relaxing their regulations for individuals who wish to take on a similar role to that they had previously. However, those whose registration has lapsed are well placed to provide coordination and management roles, freeing up other clinicians including potentially the management and support of non-clinical volunteers.

The third group, which is potentially of greatest interest, comprises existing NHS volunteers and volunteers in allied volunteer organisations working in the health and care sector who could in theory transfer across to the NHS if needed. There is currently little movement between organisations by volunteers working with vulnerable people because each organisation has to undertake their own DBS [10] checks even though there have been developments such as the volunteer learning passport in Lancashire [11] to enable movement between public sector and voluntary organisations.

In response to COVID-19, NHS England has issued new guidance around the recruitment and management of volunteers [12]. This guidance is aimed NHS staff responsible for managing volunteers and covers managing risks and redeploying staff in new roles which reduce their potential exposure to COVID-19. It also covers how to respond to new requests and on-boarding of new volunteers – here our research has found that it take up to six months with necessary security checks, inductions and training and finding the right placement. The guidance recommends that NHS employers take a more holistic approach to assessing risks, including acceptance of checks undertaken by voluntary sector organisations such as St Johns Ambulance Brigade. There are two recommendation is of particular relevance in terms of entry into work and employability. The first

that is NHS employers consider offering existing volunteers who are familiar with the NHS temporary paid positions being created in response to COVID-19. The second is that managers make sure that volunteers are aware they can use the NHS e-learning platform to develop their skills contributing to future employability.

Potential policy implications

While there is commonly held belief and evidence that volunteering can improve employability and entry into work, any response post COVID-19 to assisting people into work will need to be nuanced in its approach. It will need to take into account:

- People are motivated to volunteer for different reasons which both directly and indirectly affect employability and entry into employment.
- While those motivated by improving their employability are more likely to enter into employment they may still need support to do so from employment coaches/advisors. Some will rapidly progress into employment with little assistance whilst others will need help in identifying and describing the skills and experience they have developed to potential employers
- NHS volunteer responders are required to undertake public facing roles that increase the likelihood of improved employment outcomes as a result of volunteering.
- The support individuals received whilst volunteering. Those that have received training and feedback on their contributions tend to have better employment outcomes. The commitment of the NHS and voluntary sector organisations to provide access to their online training resources is helpful.
- While the research has previously shown that those choose to volunteer for more altruistic reasons are less likely to enter employment this does not take account of recent changes in recruitment practices by employers. The health and care sector places greater importance on values in recruiting staff and students on training programmes, volunteers will be in better position to demonstrate these values.
- In the context of continuing labour shortages in health and care there is scope to capitalise on volunteers exposure to these services and also to highlight the importance of these sectors – for both employment and careers and for local well-being.

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The Long-Term Impact of Homeworking Arising From the Coronavirus (COVID-19) Crisis

By Dr Chloe Billing. Full blog here

Following the COVID-19 restrictions, there has also been the large-scale switch to home working. This has largely been in the knowledge-based sectors (e.g. public admin, professional services, information and communication sector). For other industrial sectors, it would be very difficult, if not impossible for employees to work from home. For example, in both the transportation and storage sector and accommodation and food services sector, only around 10% of people report ever being able to work from home (ONS, 2020). These two sectors include rail, road, air transport, shipping, warehousing, postal activities, hotels, bars and restaurants.

However, a recent ONS (2020) analysis of the 2019 Annual Population Survey (APS) found that even in the 'information and communication sector and professional and scientific sector only 50% of employees reported that they have worked from home. The propensity for homeworking also differs by occupation with managerial jobs being more likely to work from home (Kitsos, 2020 – a full analysis of homeworking practices (by occupation) in the West Midlands). Furthermore, just because people can and do work from home on some occasions, this does not necessarily mean that this is done on an ongoing or regular basis. Therefore, the COVID-19 restrictions are expected to create significant disruption to the working practices of businesses that remain open, both in positive and negative ways.

Positive Impacts of Homeworking

The potential positive impacts of homeworking include:

- Giving employees the flexibility to work hours that suit them could make them more productive, especially if their family commitments change.
- There is a saving on commuting time, as employees do not have to travel to and from work, which can lead to an apparent reduction of stress. Since, the COVID-19 restrictions, public transport has fallen by as much as 70% in the region, as homeworking has led to public transport operators running reduced frequency services. Similarly, UK road travel has fallen to 1955 levels. Transport makes up 23% of global carbon emissions. These emissions have fallen in the short term, as well as, there being big drops in air pollution, noise pollution, traffic deaths and injuries (The Guardian, 2020).
- Conferences (in the form of online webinars), meetings and informal chats with colleagues have continued, using software such as Zoom, Microsoft Teams, Skype, Google Hangouts, TeamViewer and more. COVID-19 has meant that Zoom's daily active user base grew by 67 per cent in the first three months of this year and in recent weeks has been downloaded more than 50 million times from the Google store alone. These video-conferencing facilities, enables users to read facial cues and body language, which adds an additional layer of connection, which can't be achieved over the phone.
- In 2019, there were seven major transactions for office space in Birmingham city centre over 20,000 sq ft in 2019, totalling 499,110 sq ft (KWB, 2020). The largest transaction of the year was the pre-let of 110,780 sq ft at Platform 21 to the Secretary of State. The rents for the highest quality new-build office space cost on average £35 per sq ft (as of 2019). If employees learn to work effectively from home during the COVID-19 crisis, it may lead to a reduced need for large, expensive office spaces in the future.

Negative Impacts of Homeworking

The negative impacts of homeworking include:

- Many commentators believe that the switch to long-term homeworking could stall the UK's productivity. A survey of more than 2,000 UK adults by Theta Financial Reporting found 26% feel they have not received the required training to do their job efficiently.
- Sending/receiving emails, database updates, replying to online messages, writing reports, filling in forms and answering calls are all common office tasks that would be possible on even some of the slowest home broadband links. However, video conferencing calls and multiple users in one household could strain existing broadband links, further impacting on productivity.
- One of the common issues with widespread remote working is the negative emotional impact, as staff feel isolated, there is a lack of technical and emotional support and loss of richness of communicated material (Mann, Varey and Button, 2000). Can video conferences, phone calls and remote access really make you feel like you are part of the office when you are not physically present? There is also the impact on home and family life. A recent email from the Dean of the Business School at the University of Birmingham observed that many colleagues are working – or indeed finding it difficult to work – in many different situations.
- As more businesses encourage staff to work from home amid the COVID-19 outbreak, a computer science lecturer at Loughborough University has urged workers to check their security settings. Dr Asma Adnane said remotely accessing sensitive business data causes additional cybersecurity risks, and she encouraged anyone planning on working from home to speak to their IT department first.

When can we expect the mini Lego-figures to return to our City-Centre streets?

On Sunday the 30th March, Deputy Chief Medical Officer Dr Jenny Harries said that the UK's lockdown measures could last up to six months, possibly longer; and even when restrictions are lifted, it may be a considerable amount of time before the country returns to 'normal'. Furthermore, if employees are able to productively work from home during this period, permanent homeworking may become a future employment policy for businesses and organisations. Therefore, it is crucial that the region introduces policies to support homeworking practices, both for the short and long-term. Suggested policies include:

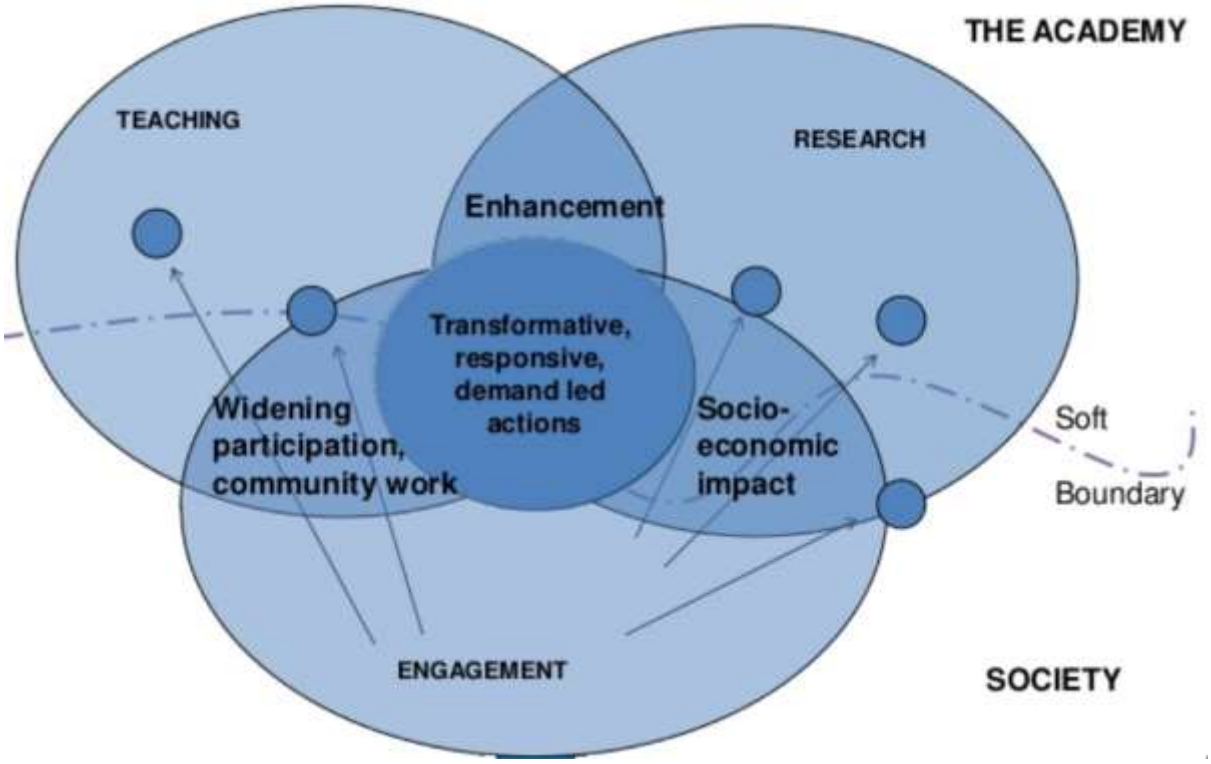
- Advice and support on suitable homeworking equipment and software to maximise productivity and ensure there is access to video-conferencing facilities.
- Advice and support on employment law, immigration, health and safety and data protection law for UK employers, as employers are responsible for the health and safety of all employees, including those working from home (ACAS, 2020).
- Advice and support made available on the negative emotional impacts of homeworking.
- Cybersecurity threats are generally higher for homeworking as individuals not connected via secured workplace networks. Encouragement and support for the use of secure connections such as a Virtual Private Network (VPN), which effectively encrypts data travelling between a user's computer and the work network is needed.
- In the longer term, flexibility will be key to future office negotiations and occupancy decisions, with serviced and managed offices forming a major part of that (KWB, 2020). This should account for economic uncertainty and the likely increased appetite for hot-desking and BYOD (Bring Your Own Device). For example, WeWork operates on a license model that can offer office space for any period – by the month or even by the hour.

The Role of Civic Universities in the Coronavirus Crisis and Beyond

By Professor John Goddard. Full blog here

I joined City-REDI / WM REDI in a very different world to the one in which universities are now operating and which is having and will have a profound effect on how we work with our cities and regions. It is therefore important that groups like City-REDI / WM REDI contribute their analytical capacity to guide universities and their partners in their immediate response and in planning how to work together after the crisis in rebuilding local economies and communities. In many respects, the civic university movement in which Birmingham is a key player is now more relevant than ever.

Everyone will be aware of the contributions individual universities experts and laboratories have been making to the tackling the crisis. But the institutional responses has been more muted as universities, like most organisations, have been focussing on the immediate impact on their core business of teaching – like the cancellation of university exams and A-levels on recruitment. Universities with medical schools have been supporting students they have graduated earlier to start working immediately in the NHS. Going forward many already facing the loss of overseas student fees are now beginning to worry about what could happen to their finances if they cannot open up in September – there could be major failures in places where a university is a key anchor institution. Not surprisingly, some leading institutions are opposing a cap on student recruitment designed in part to stave off the financial failure of those that normally struggle to fill places as the more successful hoover up students.



A Civic University

This focus on the biomedical science and teaching overlooks the role that the social sciences and humanities can play in advising universities and their local communities on rebuilding after the crisis. The West Midlands is fortunate in having just that research and intelligence capacity available in City-REDI / WM REDI. Big questions that we need to address include:

- How to mobilise the global knowledge of the academy around economic and community development to the needs of potentially a very different world?
- How to reconfigure established practises of university/business collaboration for a world in which global business logics and value systems may change?
- How to reinvent university business models including metrics that are grounded in global competition to one based on collaboration and trust across the whole education system locally, nationally and globally?
- How to embed the civic role of a local anchor institution into the policy and practises of the institution and its partners including supporting the reconstruction work of community and voluntary organisations?

How these questions are addressed needs to be set in the context of the phasing of the response. This is because immediate actions will influence how partners may wish to work with universities going forward. Civic Universities as a group will be judged by:

- How they are helping co-ordinate activity across key 'anchor' institutions and contributing their expertise and evidence to inform understanding by civic partners of the economic and social consequences of the coronavirus event;
- At both local and national level how they contribute to the scoping out and monitoring of policies in a complex setting where health and resilience considerations take precedence and economic and social policies geared towards immediate mitigation and supporting targeted groups; and
- How lessons are shared from one institution and from one place to another, without placing any additional (data gathering) burden on HEIs or civic partners in the emergency context when both universities and civic partners have their own pressing responsibilities to take care of.

The recently established The Civic University Hub at Sheffield Hallam University Hub to support the UK's network of Civic Universities has City-REDI /WM REDI as one of its partners with the capacity to advise on these matters. More specifically we will focus on how universities can help regional/local economies bounce back from the shock but in a more resilient, more inclusive and more productive way of working.

As the President of the Regional Studies Association, Professor Ron Martin has said in a message to members:

"It is very unlikely when the pandemic is over that social and economic life will simply return to its pre-pandemic state – nor should it: how we organise our lives and our social and economic systems will need to be rethought. The importance of properly funding health and social services, of reducing social and spatial inequalities in incomes and welfare, of reorganising supply chains and productions systems to make them less geographically fragmented and less fragile, of making future economic growth both more inclusive and sustainable, these all, it is to be hoped, will become key imperatives of policy innovation. What is certainly clear is that the impacts and consequences of the current crises will vary not only between countries but also within them, between regions, cities and

localities, thereby elevating the need for policies that incorporate explicit initiatives that are sensitive and specific to individual places".

But this is just not a matter of economic development. All over the country Local Authorities, the third sector and communities are setting up community assistance hubs, co-ordinating and signposting to offers of help, providing support to individuals and recruiting and training volunteers. The coronavirus crisis is creating new found social connections and networks of care to get us through this initial crisis and it is important that we recognise and find ways to hold onto an build on these connections.

For their part, Civic Universities are well placed to support the community organisations that are in the front line in the crisis and who can support civil society in the longer term. How they do that will vary from place to place, but the key principles outlined in the A Call to Action for a Better Way, can guide Civic Universities develop their plans for local collaboration. Those principles are: sharing power with communities, changing practises to help people thrive and just not cope, changing organisations to focus on communities and solutions and developing collaborative leadership to achieve systemic change.

This is not just a challenge for the UK. The University of Birmingham is a leading member of a new network that unites 7 diverse universities and 102 associate partners drawn from 7 distinct regions of Europe that focus on well-being. EUniWell is an action-oriented response to well-being, grounded in research expertise, educational leadership and civic engagement. It will take an integrated systems-thinking approach to deliver a meaningful and sustainable step-change to the well-being of institutions, staff, students, and societies. In partnership with societal stakeholders, and working across the knowledge-education-innovation axis, the network will play a critical, intermediary role in shaping research-based policy and pedagogy to inform decision-making, underpin skills development, and realize a measurable impact on European citizens' quality of life. This will be even more important in the recovery phase from the crisis.

In summary, Civic Universities are well placed to contribute to long-term global, national and local responses to the crisis.

Universities and regional economies: a peek into the wild side

By Diana Gutiérrez- Posada, Anastasios Kitsos and André Carrascal-Incera. Full blog here

There is a great divide among academics and the public as to the awareness of the potential impact of universities in their local areas. Naturally, academics have examined the role of universities through a variety of impact channels. However, it is only recently that a concentrated effort is being made to share this evidence with the rest of the society.

The increase of interest from both policy-makers and academics in providing evidence on the university-local economy relationship, has fuelled further research in the channels through which Higher Education Institutions (HEIs) influence their regional environments, how large is their contribution and how can we make the most of it.

Our project aims to contribute to the discussion on HEIs' impact on regional economies by measuring some of the benefits and potential costs in the university-local economy relationship. There is a variety of impact channels to consider so this is jigsaw we, and others in City-REDI, aim to complete one step at a time.

So far, four impact pathways have been identified:

- **Human capital channel:** HEIs play a key role in the local knowledge and skills landscape, which in turn has an effect on wages, technological potential and productivity. The results of this can be seen not only on individual performance but also on the wider socio-economic prospects of a region.

- **Innovation channel:** besides the generation of new knowledge and products, HEIs are active stakeholders of the innovation diffusion system at the local, national and international level. The implications of this are especially relevant in terms of knowledge spillovers and the capacity of the region to transform these flows into local benefits.

- **Entrepreneurship channel:** related to the previous channel, HEIs can generate knowledge that may be of use for local innovators. Alternatively, universities may have their own commercialisation initiatives (see City-REDI's commercialisation project). In addition to this, Universities are fostering entrepreneurship skills and are linked with the entrepreneurial culture of a region, fostering the exploitation of opportunities.

- **Spending channel:** HEIs are also local anchor institutions which generate significant spending through consumption of products from other sectors. This expenditure can create significant multiplier effects that stay in the local production system and labour market or it can turn into a spillover that benefits a different locality.

We start our jigsaw with the spending channel. We examine how university students' expenditure generates multiplier effects for the host region and the country, as well as how it travels across the UK economy via industrial input-output relationships. Using regional, national and international datasets, we build an input-output model for all of UK's regions and combine it with microdata from expenditure surveys to measure the impact of student expenditure by region. This also reveals the ability of regions to retain the gains from their student's consumption, and to capture spending from students in other regions.

In this way, we bring forward the symbiosis that exists between universities, regions and students, adding a multi-regional perspective to the recipe. This allows us to examine the capacity of regions to generate, keep and receive spillovers from HEIs students, depending on their sectoral structure and their trade relationships with the rest of the regions in the country.

Looking at the data and the outputs, a "wild" landscape of heterogeneous effects emerges. Some regions have significantly higher benefits than others from the same student spending. This is due to their capacity to generate multipliers that also stay local. Similar differences are observed when considering the generation and receipt of spillover effects (figure 1) with some places being net contributors (spillover balance>0) whilst others are net beneficiaries (spillover balance<0) (figure 2). The West Midlands is the perfect example of a region generating more benefits than it receives. In particular, we find that £1 of student consumption generates 21 pence for other regions, while it receives 10 pence, making for a net spillover effect of 11 pence.

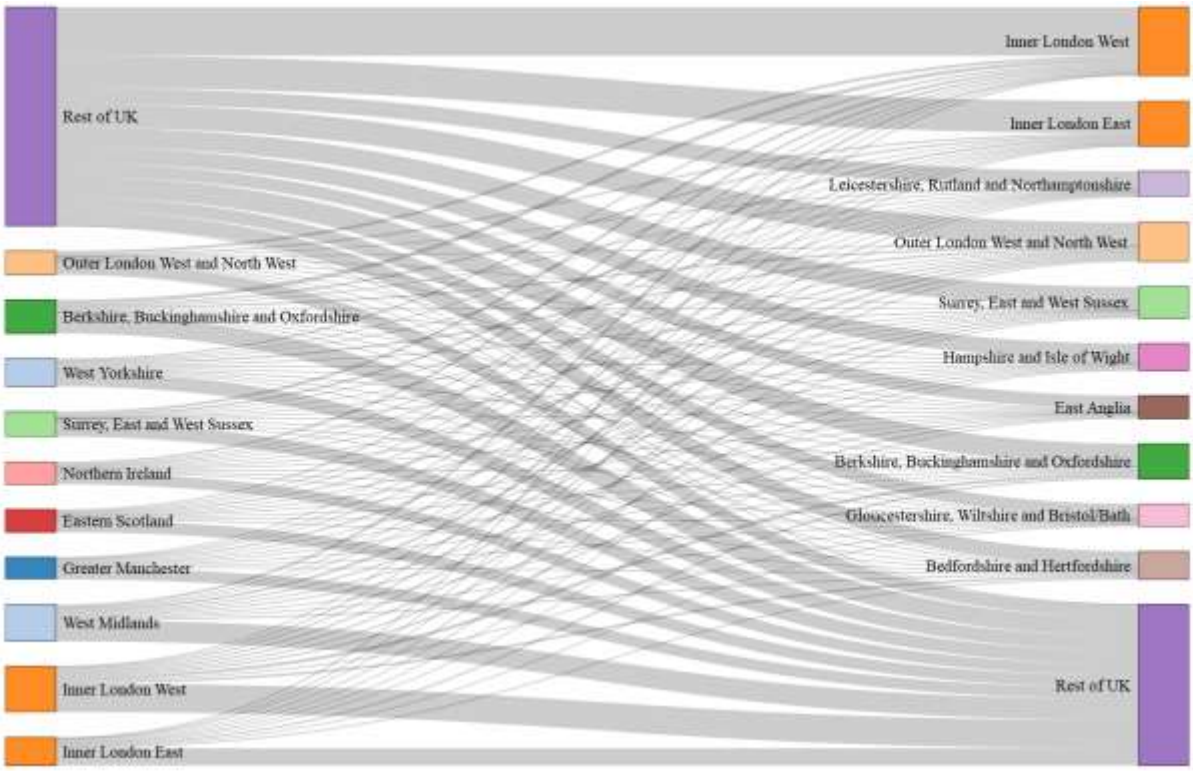


Figure 1: The origin (left) and destination (right) of spillover effects

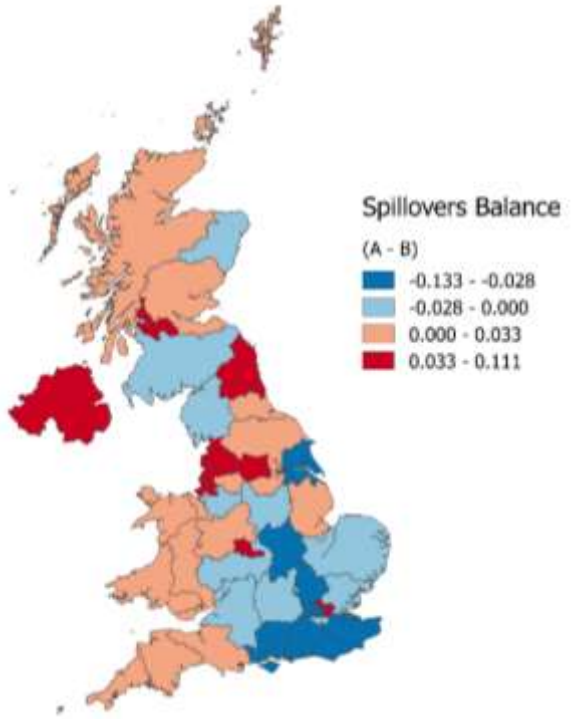


Figure 2: Balance of the regional spillover effects

The differences found are a testimony of how different productive structures translate into different regional absorptive capacities. It is yet another reminder of the "wild" interconnections between economies and the need to understand the systemic processes taking place before tackling unbalances.

Universities and regional economies: multiplier effects and the impact of COVID-19

By Dr Anastasios Kitsos, Dr André Carrascal-Incera and Dr Diana Gutiérrez- Posada. Full blog here.

The COVID-19 economic crisis is expected to significantly affect the UK and global economies. Education is one of the sectors where there is growing concern and discussion in the public domain. UK universities, seeing that a drop of international students to zero would mean £6.9bn in lost income, requested support but the government as of April 27th is denying special treatment to the sector.

Adding evidence to this discussion, it is worth considering the wider impacts of student spending, and what its reduction means for different regional economies. In a previous blog, we highlighted the multiverse of university contributions to regional economies and looked at the benefits of student spending from one region to the rest of the UK ones.

Here, we look at the impact of students in terms of output, Gross Value Added (GVA) and jobs. To calculate the impacts below we use City-REDI's Socio-Economic Impact Model for the UK (SEIM-UK) and data from the Higher Education Statistics Agency (HESA) and Living Costs and Food Survey (LCFS). We also assume that the average student spends somewhere between £16,000 and £20,000 per year including their course fees. Based on these calculations, the 2.2 million students in the UK generate approximately £50-62bn of output, £30-38bn of GVA and support between 520,000-650,000 jobs (Table 1).

As was discussed in our previous blog, we find important variations by region in the benefits generated by student spending. For example, in the West Midlands (NUTS2), the region that generates the largest multiplier for the UK economy, student spending generates between 4 and 5 billion pounds of output, 2 to 3 billion of GVA and supports between 44 and 55 thousand jobs.

These figures suggest that student spending, as one of the multitude of university contributions to regional development, generates between 1.6% and 2% to the national GVA and up to 4.2% of the West Midlands GVA. In employment terms, Student expenditure directly supports up to 2% of national employment and up to 4.2% of employment in the West Midlands. This means that for each 3 to 5 students not starting in September 2020, a job is at risk.

Table 1: the impact of student spending on the UK and West Midlands Economy

	Number of students	Output (£ billion)	GVA (£ billion)	Employment (thousands)
UK	2,198,720	50 - 62	30 - 38	520 - 652
WM	161,270	4 - 5	2 - 3	44 - 55

Universities are crucial for the development of their local areas for many reasons. Here we just look at student expenditure and highlight how regional performance and resilience to the oncoming crisis is interconnected to the continuous development of the education sector. Student expenditure generates a range of multiplier effects that go far and beyond their University's balance sheet. Less students does not just mean less income for universities, it means less income for regional economies and less jobs across all different sectors. The next steps in our research will try to uncover what these relationships look like at the sectoral level as well as the job impacts by qualification level.

Acknowledgments

This work includes analysis based on data from the Living Costs and Food Survey, produced by the Office for National Statistics (ONS) and supplied by the Secure Data Service at the UK Data Archive (UKDA). The data is Crown copyright and reproduced with the permission of the controller of HMSO and Queen's Printer for Scotland. The use of the ONS statistical data in this work does not imply the endorsement of the ONS or the Secure Data Service at the UK Data Archive in relation to the interpretation or analysis of the data. This work uses research datasets that may not exactly reproduce National Statistics aggregates. All the outputs have been granted final clearance by the staff of the SDS-UKDA.

Promoting a Strong Economic Rebound for the West Midlands

By Professor Simon Collinson

Recent analyses of regional economic resilience following various kinds of shocks have moved from the language of 'bouncing-back' to a need to 'bounce-forward'. A revised growth path is necessary because the world has changed, but also because firms, anchor institutions and public sector organisations will have used the shock to initiate (often fundamental) changes to their business models. Policies guiding market interventions and investments must similarly use this opportunity to adapt and to establish a better, more inclusive and sustainable growth trajectory for the region.

We are in the process of integrating and interpreting analysis of:

- Past shocks to this region and the UK generally, recovery processes and timelines.
- Policies which appeared to have been effective, here and elsewhere, drawing from international case studies.
- Current data trends mapping the evolving business impacts and the effectiveness of current policy interventions, and other studies that report on these.
- The distinctive characteristics of the West Midlands region in terms of firm and population demographics and the spatial distribution of economic activity, assets and infrastructure, relative to other regions.
- Business sectors and initiatives targeted in the WM local industrial strategy.

This analysis should be applied to our best-estimate of the timelines and sequence of actions which will comprise the opening up of the UK economy. How will the end of lock-down across the UK be sequenced and coordinated? Possibly phased according to a recent EU roadmap:

1) Schools and universities (with specific measures such as different lunch times, enhanced cleaning, smaller classrooms, increased reliance on e-learning, etc.);
2) Commercial activity (retail) with possible gradation (e.g. maximum number of people allowed, etc.);
3) Social activity measures (restaurants, cafes, etc.), with possible gradation (restricted opening hours, maximum number of people allowed, etc.);
4) Mass gatherings (e.g. festivals, concerts, etc.).
5) The gradual reintroduction of transport services / phasing out of travel restrictions (private cars, trains, planes – then buses later etc.)

This will enable us to support a number of essential steps to recovery:

1. **Continue to mitigate against risks for key sectors** and take account of both lessons from other shocks and regions, and WM regional characteristics which necessitate either different or customized interventions relative to national level initiatives.

Current priorities are:

- Bridge the gap between funding programmes and firms in need of liquidity and track progress.
- Aim for better precision; target firms employing low-income workers from vulnerable households (or in lower socio-economic sub-regions) and/or firms with more promising future growth opportunities.

- Continue to provide business support locally and relay key risk areas to national government.
- Track furlough actions, redundancies, temporary and permanent closures, to provide indicators on short and longer-term impacts.
- Prepare support for a return-to-work, including duty-of-care for health and safety.
- Debt servicing arrangements may need support.
- Prepare support package for automotive manufacturing and supply chains (some lessons from WMTF and the Automotive Response Programme)
- Etc.

2. **Recapture and build on the region's previous growth momentum**, identifying actions to protect and build on key investments, projects and events which maybe under threat or present even better growth opportunities in the current environment.

Potential priorities:

- Ensure HS2 and related investments that were planned Pre-Covid-19 will still go ahead.
- Confirm timing and arrangements for Commonwealth Games and other major events. Re-establish key projects around these events (FDI promotion, conferences, showcasing etc.)
- Confirm strategic projects list and Treasury intentions for regional funding priorities going forward
- Reassure investors and firms; the region is 'back in business'. Recapture positive PR around regional growth momentum.
- Track threats and opportunities. Gather better intelligence on the changing business models of key firms and investment intentions (see US regional growth policy lessons).
- Facilitate skills transfer / transition, through targeted investment as early as possible. Short-term mismatch between labour demand and supply is huge, but much of this is temporary. Identify longer-term re-deployment patterns and re-skill accordingly.

3. **Target investment and support in new growth areas**, from selected business sectors to international export opportunities, technology or infrastructure opportunities with the maximum regional impact on productivity, inclusivity and sustainability.

Revise / extend LIS priorities:

- Lifesciences and healthcare, and related data analytics have taken on a new significance which will be long-term. The region has strong university R&D and should focus investment on both commercialisation and translation for reducing health and welfare costs in the region.
- Mobility remains a critical future industry proposition, aligned with the sustainability agenda. Momentum in this area is highly-dependent on the fortunes of a small number of firms. JLR's current position presents a major risk.
- We should identify a set of investments which would catalyse new growth in these sectors as a priority. These should be presented as both a response to the economic slow-down and initiatives to create new avenues for growth. They should also be developed and presented with the skills and resource implications, threats, opportunities and tipping points identified.
- Growth interventions should focus on firms that are embedded; with a larger proportion of procurement, sales and employees within the region.
- A specific focus on large-scale R&D-intensive clusters, where we have, or could develop a critical mass of economic activity around a specific set of technologies or innovation-related capabilities to attract new investment and skills. A target list of assets which involve

university collaborations with local businesses in future growth areas should be developed, linked to the LIS.

- Are there investments that could be made in skills, technology development or infrastructure which would boost productivity or the export-readiness of a large number of local SMEs collectively?
- Etc.

4. **Aim to maintain a balance between competitiveness and inclusivity**. Focusing efforts on the most competitive, high-potential firms, while leaving less competitive firms to collapse, releasing skills and resources to be reallocated, but without exacerbating local inequalities through further unemployment or reduced incomes.
5. **Dynamically monitor and adjust**: assess how risks are changing and feed intelligence into the recovery process; assess whether and how national and local interventions are having local impacts and adapt policies appropriately, and; deepen our understanding of the relevant threats and opportunities.

Summary of Analyses to Date

Past shocks to this region and the UK generally, recovery processes and timelines.

- The West Midlands was one of the UK regions most severely impacted by the 2008 recession, but also experienced one of the fastest economic rebounds. There are lessons from the steps taken in this period to guide the current approach.
- Contractions were particularly significant in manufacturing and specifically car manufacturing, and travel with impacts on local supply chains
- Projections for economic recovery across global economies range from 18 months to 3 years.

Policies which appeared to have been effective, here and elsewhere, drawing from international case studies.

- The West Midlands Taskforce (WMTF) had a similar responsibility post-2008. But the WM region was in relative decline 2003-2008, employment growth was 1% compared to national average of 4% and 2008-2010 saw a longer period of decline and increased unemployment (over 90k jobs).
- The WM 'bounce back' was quicker than most other UK regions, some reasons include a range of WMTF interventions:
    - Advantage Transition Bridge Fund (ATBF, the WM version of the national Transition Loan Fund or TLF), Enterprise Finance Guarantee Scheme; Prompt Payment Code
    - Business Link: Credit Crunch Hotline, Workshops and Health-Checks; Local Employment Partnerships; Rapid Response Service
    - Redundancy advice: Citizens Advice Bureau and Job Centre Plus
    - Supportwm.co.uk. Gateway to Global Growth
    - Construction Action Plan;
    - Automotive Response Programme (estimated safeguarded or created 5900 jobs with the ATBF and Manufacturing Advisory Service)
    - Professionals and Business Services Action Plan
    - Learning and Skills Council: Train to Gain, Pre-redundancy Activity, West Midlands Graduate Internship Programme

- BEIS worked with RDAs to develop more precise data on firms including Experience Credit risk rating. This supported more agile and focused local responses to support liquidity and match firms with particular support packages. Particularly as applied to the ATBF selection process (detailed break downs of number of interventions and approx. cost per job saved are available).
- Over half of the value of ATBF loans made was allocated to strategically important sectors in the region such as automotive (32%), business services (15%) and construction (6%).

Policy lessons (from Bailey, 2010 and other studies):

1. Data and intelligence collection and analysis improved markedly through the taskforce, facilitating a more informed understanding of the key economic issues affecting the region.
2. This informed strategic thinking and direction and enabled AWM to target key locations (market towns), sectors (automotive, construction) and firms (SMEs). In so doing, a degree of consensus was developed around the need to focus resources.
3. The selection of policies and priorities became more evidence based and acceptable to a range of parties, and triggered a move to more sophisticated way of developing targets for intervention and policies to get there.
4. Central government agencies created a bottleneck or other constraints to agility and local responsiveness. With some level of experience and local understanding the WMTF is widely seen to have side-stepped some of these to effect a more successful restructuring process.
5. The WMTF proved to be a relatively successful platform for lobbying central government.
6. Partly building on the Rover Taskforce experience, WMTF significantly enhanced cooperation and partnership working in the region, such as through intelligence sharing, effective signposting and joint initiatives.

Lessons from international (mainly US) case studies, including the relative success of Seattle and Charlotte in managing transitions to new sectors

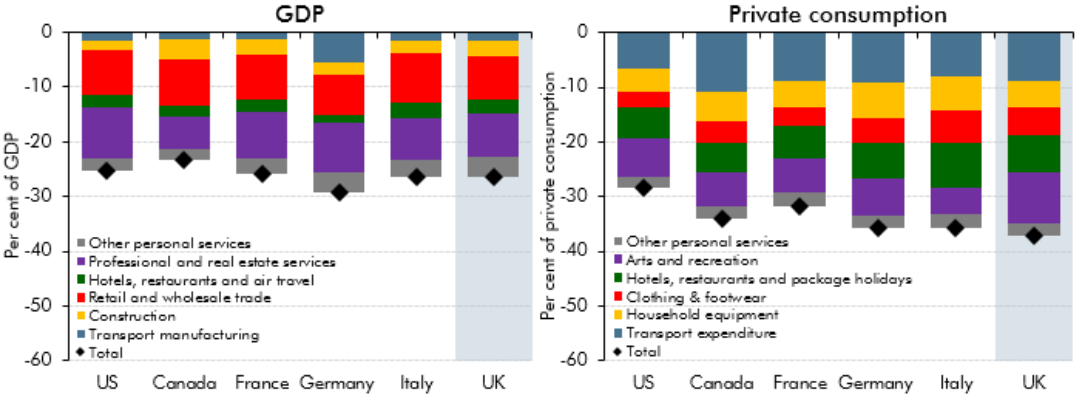
- Coordinated action, leverage economies of scale in resources and expertise - alongside focused action driven by data and future-focus rather than defending legacies works best.
- The greater the income disparities in a region, the more likely it is to experience a downturn and the longer it takes to return to its prior growth rate after the downturn.
- Labour market flexibility is also directly related to resilience.
- Success is often mainly due to the actions of major private sector firms, either moving into a region or investing to expand existing operations. These attract skills and more firms.
- Key finding is that facilitating private sector rather than attempting to replace it is better. This means working out what investors are going to do anyway and align with these plans and shape them to maximise positive local impacts
- Examine the main strategic intentions, investment plans of major firms and anchor institutions which are firmly embedded, or could be more embedded into local supply chains.

Current data trends mapping the evolving business impacts and the effectiveness of current policy interventions, and other studies that report on these.

See WMREDI Weekly Covid-19 Economic Monitors.

Also.

OECD estimates of initial GDP and private consumption losses



Source: OECD

Output losses by sector in the second quarter of 2020

Sector	Per cent	
	Weight in whole economy value added	Effect on output relative to baseline
Agriculture	0.7	0
Mining, energy and water supply	3.4	-20
Manufacturing	10.2	-55
Construction	6.1	-70
Wholesale, retail and motor trades	10.5	-50
Transport and storage	4.2	-35
Accommodation and food services	2.8	-85
Information and communication	6.6	-45
Financial and insurance services	7.2	-5
Real estate	14.0	-20
Professional, scientific and technical activities	7.6	-40
Administrative and support activities	5.1	-40
Public administration and defence	4.9	-20
Education	5.8	-90
Human health and social activities	7.5	50
Other services	3.5	-60
Whole economy	100.0	-35

Key economic variables: reference scenario versus Budget forecast

	Percentage change on a year earlier, unless otherwise stated					
		Scenario horizon				
	2019	2020	2021	2022	2023	2024
Gross domestic product (GDP)	1.4	-12.8	17.9	1.5	1.3	1.4
GDP levels (2019=100)	100.0	87.2	102.8	104.3	105.7	107.1
CPI inflation	1.8	1.2	2.3	2.4	2.3	2.2
RPI inflation	2.6	1.8	2.9	3.4	3.2	3.0
Employment (millions)	32.8	31.8	32.3	33.0	33.3	33.4
Average earnings	2.8	-7.3	18.3	1.6	2.5	3.1
Unemployment (millions)	1.3	2.5	2.1	1.6	1.4	1.4
Unemployment rate (per cent)	3.8	7.3	6.0	4.5	4.0	4.1
	Differences from Budget 2020 forecast					
Gross domestic product (GDP)		-13.8	16.1	0.0	0.0	0.0
GDP levels (2019=100)		-13.8	0.0	0.0	0.0	0.0
CPI inflation		-0.2	0.5	0.4	0.2	0.1
RPI inflation		-0.4	0.1	0.3	0.2	0.1
Employment (millions)		-1.2	-0.8	-0.2	0.0	0.0
Average earnings		-10.6	14.7	-1.8	-0.7	0.0
Unemployment (millions)		1.2	0.8	0.2	0.0	0.0
Unemployment rate (per cent)		3.5	2.2	0.6	0.0	0.0

SMEs

Warwick University, Enterprise Research Centre Report. Examines March 2019-20 to show:

- The UK economy is losing existing firms at a faster pace than in recent years as well as seeing a big drop-off in new starts deterred by the uncertain outlook.
- London saw the biggest absolute rise in numbers of company dissolutions in March, up by 6,431 compared to a year earlier, followed by the West Midlands (2,685), the North West (2,440) and the South East (2,357). The largest percentage rise was in Wales (up 140%).
- Newer companies have borne the brunt of the collapse in economic activity, with 46% of dissolving firms being less than three years old.

We should focus effort on selective support for SMEs, such as through the new central government fund for new firms (£1.3 bill).

Large anchor firms.

Annual car sales at Jaguar Land Rover (JLR) dropped by 12% as the coronavirus pandemic hit the car maker hard in its fourth quarter, with sales for the quarter down 31%. It has furloughed 20,000 staff, half its UK workforce.

The distinctive characteristics of the West Midlands region in terms of firm and population demographics and the spatial distribution of economic activity, assets and infrastructure, relative to other regions.

This is already captured in a wide range of data and analysis which the wider WMREDI network is working with.

Key questions, gaps in the current analysis

- How many firms have lost <25% - >50% - >75% of their revenues

- How many have made <25% - >50% - >75% of employees redundant?
- How many have temporarily closed?
- How many have permanently closed?
- There is a need for a neutral, indicator-driven ranking system for the credit-worthiness of regional firms to guide loans and other interventions.
- What are the investment intentions of businesses in the current environment / under certain scenarios? This should focus on the most 'embedded' firms in the region, with high proportions of local clients and suppliers, which contribute most to local multiplier effects.
- Which kinds new business models, with new combinations of labour, capital, skills, automation and technology usage are likely to emerge, with what impacts on regional growth patterns, threats and opportunities?

Selected Resources

https://blog.bham.ac.uk/cityredi/contagion-the-economic-and-social-impacts-of-coronavirus-covid-19-on-the-west-midlands/

https://blog.bham.ac.uk/cityredi/west-midlands-weekly-economic-impact-monitor-24-april-2020/

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