

Covid-19 Crisis: Current Impacts on the CWLEP Labour Market

MAY 2020

BRENNAN WILSON LTD

Contents

1. Introduction	2
2. Economic Indicators	2
2.1 Impact on GDP – National Forecasts	2
2.2 Trading – National Data	3
2.3 Financial performance – National Data	3
2.4 Government Schemes – National and CWLEP Data	4
3. Labour Market Indicators	5
3.1 Universal Credit – National Data	5
3.2 Claimant Count – National and CWLEP Data.....	7
3.3 Number of Employees – National Data	10
3.4 Vacancies – National and CWLEP Data	11
3.5 Working from Home – National Trends.....	14
4. CWLEP Education, Skills and Employment Stakeholder Feedback	14
4.1 Job Losses	14
4.2 Employer Feedback	15
4.3 Apprentices.....	16
4.4 Education.....	16
4.5 Other Sector Issues	17

1. Introduction

This short report provides a round-up of key indicators and forecasts resulting from the Covid-19 pandemic published in the last couple of weeks. It focuses on the economic and labour market indicators and brings what we know about the national position alongside information about Cheshire and Warrington. It also summarises key feedback received by the LEP from education and skills stakeholders, including members of the LEP's Data and Labour Market Steering Group and Digital Skills Partnership.

It has three sections

- Economic Indicators
- Labour Market Indicators
- Stakeholder Feedback

The intention is that a report like this will be produced monthly for the next few months. Feedback on the content and scope of this first report would be very welcome.

2. Economic Indicators

2.1 Impact on GDP – National Forecasts

There have been several forecasts made as to what the impact on GDP is likely to be in the UK. It seems to be the case that the later the date of publication, the more pessimistic the forecast is.

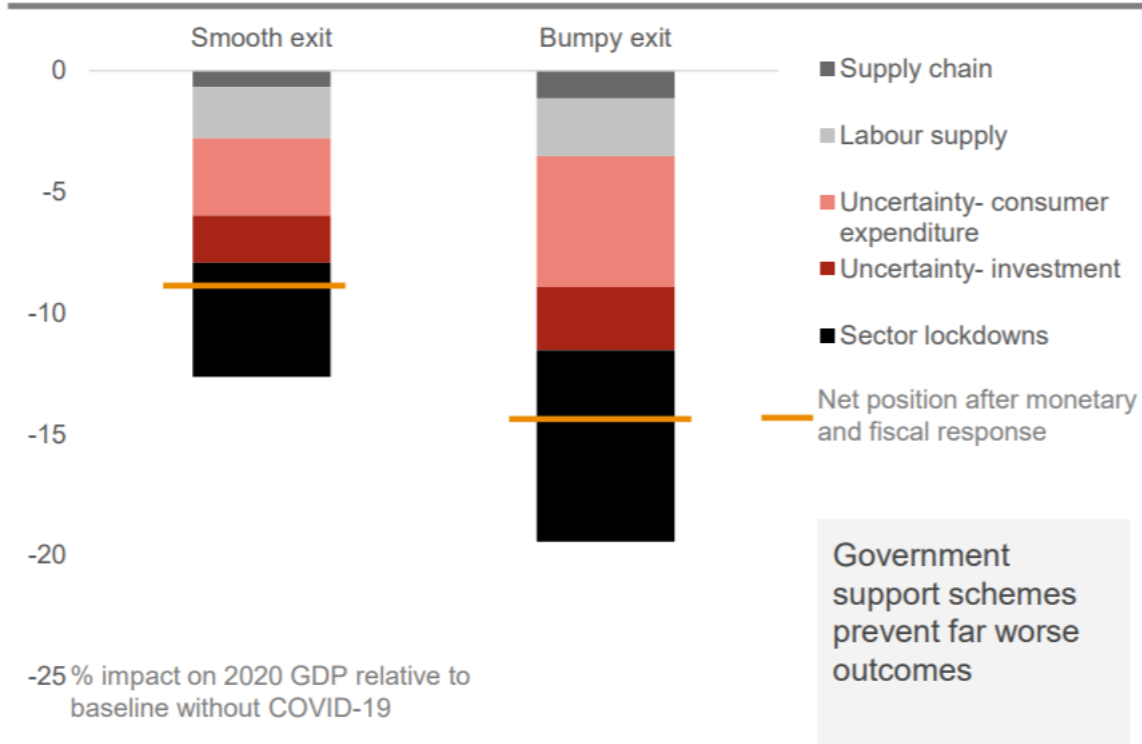
PwC publish a regular UK Economic Update, the most recent of which was published on May 20th¹. In this, they project possible UK 2020 GDP based on two scenarios. The first is what they describe as a 'Smooth Exit' where the gradual lifting of lockdown does not result in a significant further rise of cases. Cases continue to occur, but at a lower level. The second scenario is what they describe as a 'Bumpy Exit' where the gradual lifting of lockdown results in a subsequent rise in cases, requiring lockdown measures to be reintroduced to bring cases back to a lower level. Both scenarios assume the UK moves to a comprehensive free trade agreement with the EU on 1 January 2021.

The projected impact on GDP in 2020 for each scenario is illustrated in the graph below, which is taken from the PwC report. The PwC analysis suggests that UK GDP growth could range between around -7% and -13% in 2020 although they emphasise that the levels of uncertainty mean that these should be treated as quantified scenarios rather than firm forecasts.

In these projections, the Government's current policy response is expected to mitigate the projected fall in GDP by 4 to 5 percentage points. This is illustrated by the orange lines in the diagram.

¹ <https://www.pwc.co.uk/premium/covid-19/uk-economic-update-covid-19.pdf>

First year UK GDP impact across COVID-19 scenarios



20 May 2020

Source: PWC C-19 Scenario Forecast

2.2 Trading – National Data

Initial results to the latest Business Impact of Coronavirus (COVID-19) Survey (BICS)² saw 22% of responding businesses report they had temporarily paused trading for the period 20 April to 3 May 2020, while 77% reported trading during this period. Of those that reported trading, only 6% responded they had started trading again during the reference period. Of those who had paused trading, 99% reported the temporary closure started before 20 April. Less than 1% of responding businesses indicated they had permanently ceased trading during the period 20 April to 3 May 2020, although a business that has permanently ceased trading would seem less likely to respond to a business survey.

2.3 Financial performance – National Data

Of all businesses trading during the period 20 April to 3 May 2020, 61% reported that their turnover had decreased to some extent compared with normal. 25% of trading businesses reported their turnover had decreased by more than 50%, while 32% reported their turnover was within normal range. Of the 2,649 affected businesses that were trading and reported their turnover was outside

²

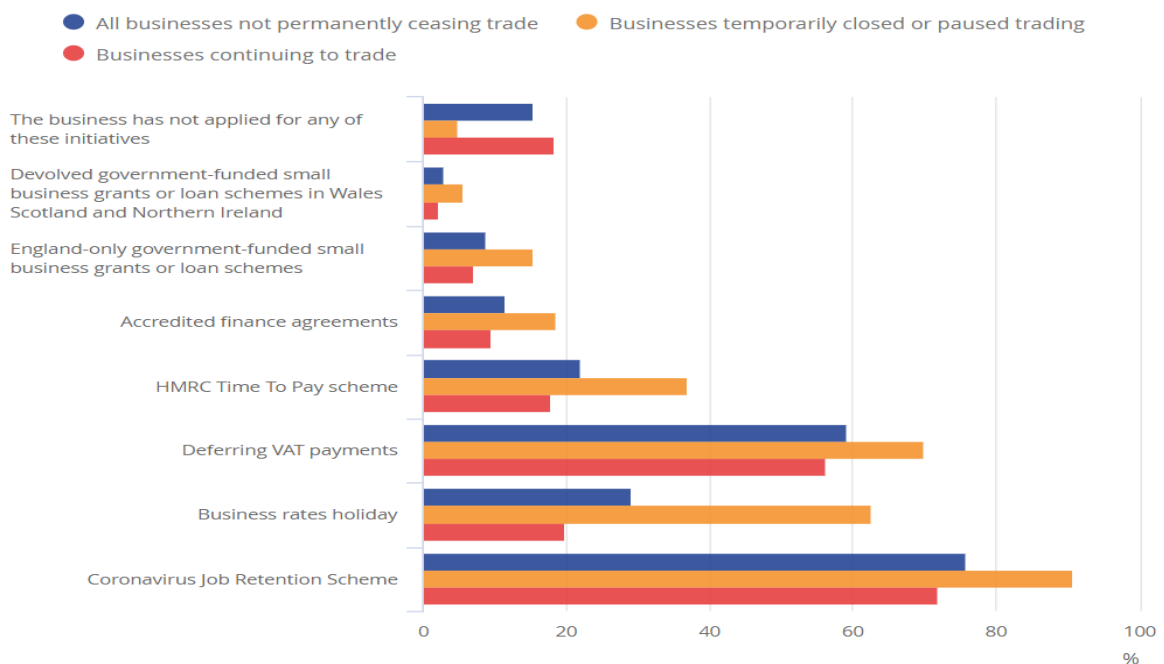
<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukconomyandsocietyfasterindicators/14may2020>

its normal range, 99.8% attributed this to the coronavirus to some extent. Businesses could also specify any other reasons alongside this.

2.4 Government Schemes – National and CWLEP Data

The two most popular government support schemes applied for by businesses who had not permanently ceased trading, were the Coronavirus Job Retention Scheme (CJRS) (76%) and the Deferring VAT Payments Scheme (59%), during the period 20 April to 3 May 2020 (graph below). 91% of businesses who had paused trading applied for the Coronavirus Job Retention Scheme, compared with 72% of businesses who were still trading.

Percentage of all government schemes applied for, businesses continuing to trade and paused trading, UK, 20 April to 3 May 2020



Source: Office for National Statistics – Business Impacts of Coronavirus Survey

The CWLEP Growth Hub has surveyed employers in Cheshire and Warrington during the crisis. One of the questions asked is 'Which of the government schemes below are you aware of?'. The Table below summarises the results. More than 4 in 5 of the respondents are aware of:

- Business Interruption Loan Scheme
- Job Retention Scheme
- Deferral of VAT payments
- The £10,000 Small Business Grant

ANSWER CHOICES	RESPONSES	
Coronavirus Business Interruption Loan Scheme	83.81%	207
Coronavirus Large Business Interruption Loan Scheme	44.53%	110
Coronavirus Job Retention Scheme	80.57%	199
COVID-19 Corporate Finance Facility	23.08%	57
Deferral of VAT payments	81.38%	201
Extension to file your accounts	59.51%	147
Commercial tenancy protection	24.29%	60
£10,000 Small Business Grant	85.02%	210
Retail, Hospitality and Leisure Grant	42.11%	104
Self-Employed Income Support Scheme	57.89%	143
Bounce Back Loan Scheme	0.81%	2
None of the above	2.83%	7
Total Respondents: 247		

Source: CWLEP Growth Hub Employer Survey

Almost half of all respondents to the CWLEP Growth Hub survey had applied to the Job Retention Scheme (46%) and for the £10,000 Small Business Grant (48%). Over a third wanted a further discussion with a Growth Hub broker.

3. Labour Market Indicators

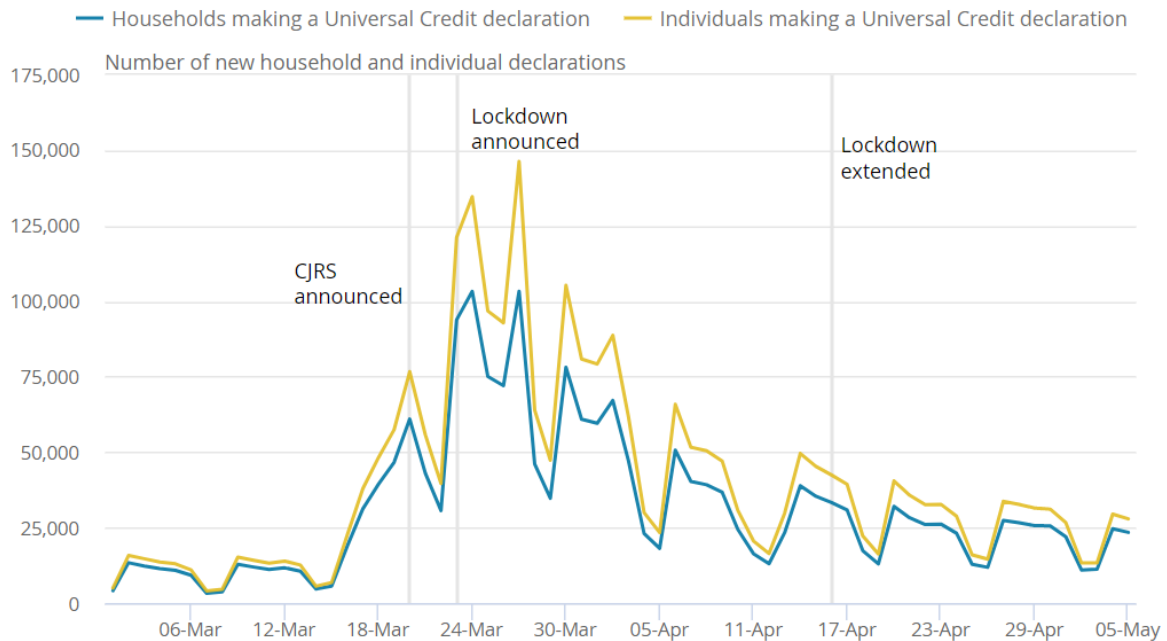
3.1 Universal Credit – National Data

The graph below³, shows the number of new declarations for Universal Credit in Great Britain. A declaration is when an individual or household provides information on their personal circumstances to begin a Universal Credit (UC) claim. Note not all declarations will go on to receive a payment.

³

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukconomyandsocietyfasterindicators/14may2020>

Number of new household and individual declarations for Universal Credit, Great Britain, 1 March 2020 to 5 May 2020

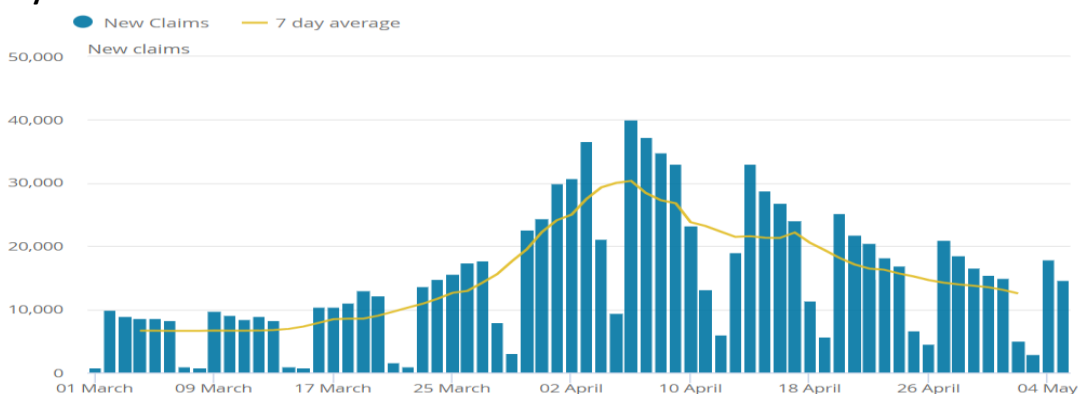


Source: Department for Work and Pensions - Universal Credit declarations (claims) and advances: management information

In the first half of March 2020, new declarations were steady between 10,000 and 16,000 each weekday. New declarations for individuals rose steeply in the third and fourth week to peak on 27 March with 146,290 declarations. The numbers then declined gradually in the subsequent three weeks to 27,810 new individual declarations on 5 May.

The number of new claim advances peaked 10 days later than new declarations, on 6 April 2020. At the beginning of March, claim advances were steady at just under 5,000 per day (graph below). New claim advances peaked on 6 April at 35,280, which was 10 days after the peak of new declarations on 27 March, with another slight increase in the average around two weeks later. After the peak, claim advances have steadily fallen again to 11,520 on 5 May.

Number of new claim advances and rolling seven-day average, Great Britain, 1 March 2020 to 5 May 2020



Source: Department for Work and Pensions - Universal Credit declarations (claims) and advances: management information

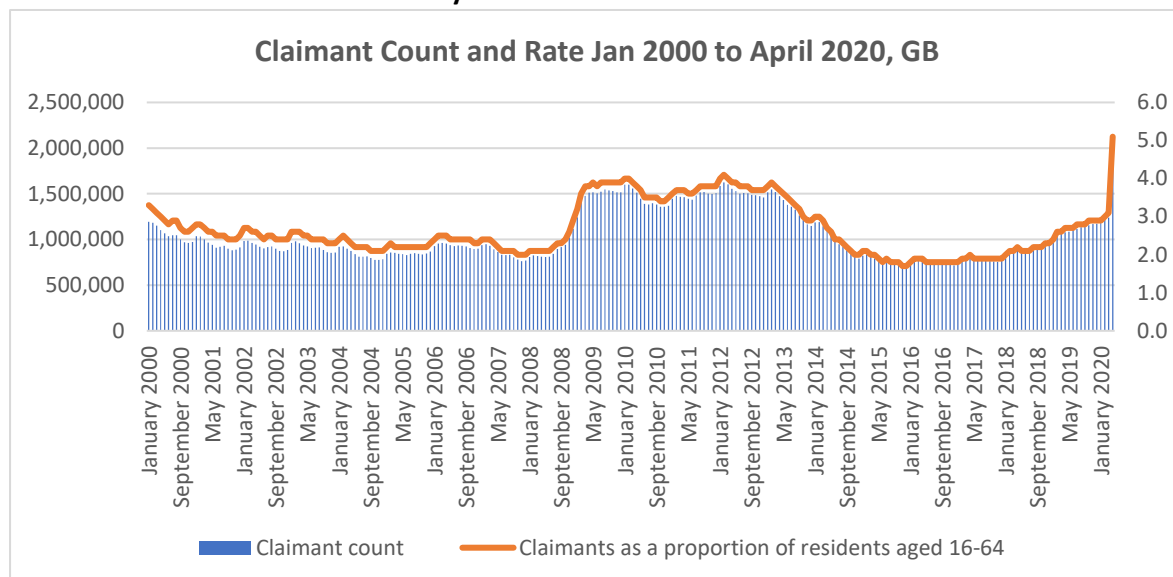
3.2 Claimant Count – National and CWLEP Data

The first official data on unemployment that has been released by Government that relates to any of the period following the lockdown on March 23rd is the unadjusted data for the claimant count in April 2020, which was released on May 19th⁴. It has been reported that the increase from March to April 2020 on this measure is the largest recorded increase since this data series was first published in 1971.

As the graph below illustrates, the rise between March and April 2020 is certainly the sharpest rise this century, and April 2020 has recorded the highest claimant count and rate in at least the last twenty years.

The overwhelming majority of those who have been furloughed will not be counted in this data. It is widely thought that when the furlough scheme begins to unwind, the claimant count will significantly increase as some firms will take some time to recover back to their pre-crisis levels of activity (if they ever do) and will therefore make redundancies when Government support is no longer available or is reduced.

National Claimant Count this Century



Source: Claimant Count, NOMIS

The Table below provides information on the number of Universal Credit (UC) claimants in Great Britain, the North West Region, CWLEP and its three constituent Local Authorities. The numbers of individuals of all ages claiming UC in Cheshire and Warrington increased by 11,710 from 13,285 to 24,995. The number of young people aged 24 claiming UC in the LEP area has increased by 1,985.

⁴ https://www.nomisweb.co.uk/query/construct/analysis_adv.asp?menuopt=25

Claimant Count: March to April Actuals by Age						
	March 2020			April 2020		
	All 16+	18-24	18-21	All 16+	18-24	18-21
Cheshire East	4,655	815	490	8,870	1,515	835
Cheshire West and Chester	5,340	1,075	625	10,130	1,895	1,015
Warrington	3,285	560	325	5,995	1,030	585
Cheshire and Warrington	13,285	2,450	1,440	24,995	4,435	2,440
Great Britain	1,238,420	232,190	135,580	2,061,030	367,185	199,665
North West	169,865	32,540	18,970	281,085	52,370	28,540
Source: NOMIS, Claimant Count (May 19th)						

This means that the all-age claimant rate now stands at 4.4% compared to a national rate of 5.1% and a regional rate of 6.2% (Table below). The rates for males and females in CWLEP are also below the national and regional rates

Claimant count by sex - not seasonally adjusted (April 2020)				
	Cheshire And Warrington (Numbers)	Cheshire And Warrington (%)	North West (%)	Great Britain (%)
All People	24,995	4.4	6.2	5.1
Males	14,740	5.3	7.6	6.1
Females	10,250	3.6	4.8	4.1
Source: NOMIS, ONS Claimant count by sex and age				
Note: % is the number of claimants as a proportion of resident population of area aged 16-64 and gender				

Overall, the percentage increase in the all-age claimant count in the North West (65%) was slightly lower than the increase in Great Britain (66%). By contrast the increase in the count was higher in Cheshire and Warrington LEP (88%), as it was for all three constituent Local Authorities (82%, 90% and 91% increases). The rate of increase for young people (18-24 and 18-21) was also higher for CWLEP and its three local authorities than for GB and the NW region.

Claimant Count: March to April Percentage Change by Age			
Area	% Change All	% Change 18-24	% Change 18-21
Cheshire East	91%	86%	70%
Cheshire West and Chester	90%	76%	62%
Warrington	82%	84%	80%
Cheshire and Warrington	88%	81%	69%
Great Britain	66%	58%	47%
North West	65%	61%	50%
Source: Claimant Count (May 19th)			

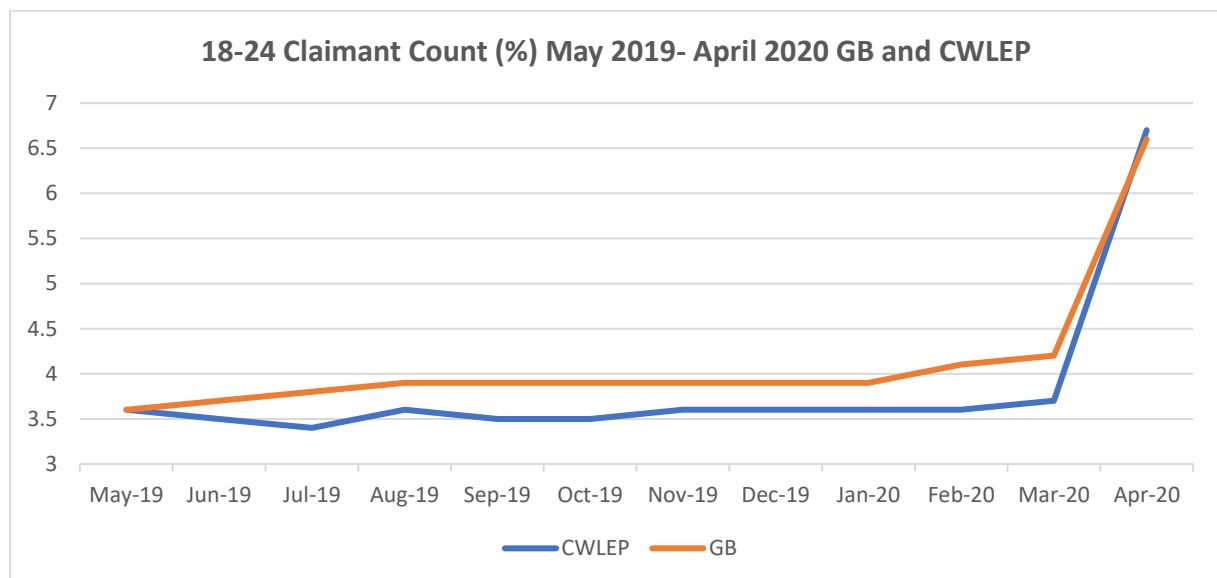
This larger rate of increase for young people means that the claimant rate for young people (both 18-24 and 18-21) is now slightly higher in Cheshire and Warrington than the national rate for these age groups.

Claimant count by age - not seasonally adjusted (April 2020)				
	Cheshire And Warrington (Level)	Cheshire And Warrington (%)	North West (%)	Great Britain (%)
Aged 16+	24,995	4.4	6.2	5.1
Aged 16 To 17	55	0.3	0.4	0.4
Aged 18 To 24	4,435	6.7	8.2	6.6
Aged 18 To 21	2,440	6.7	8.1	6.5
Aged 25 To 49	14,365	5.1	7.1	5.7
Aged 50+	6,140	3.1	4.3	3.9

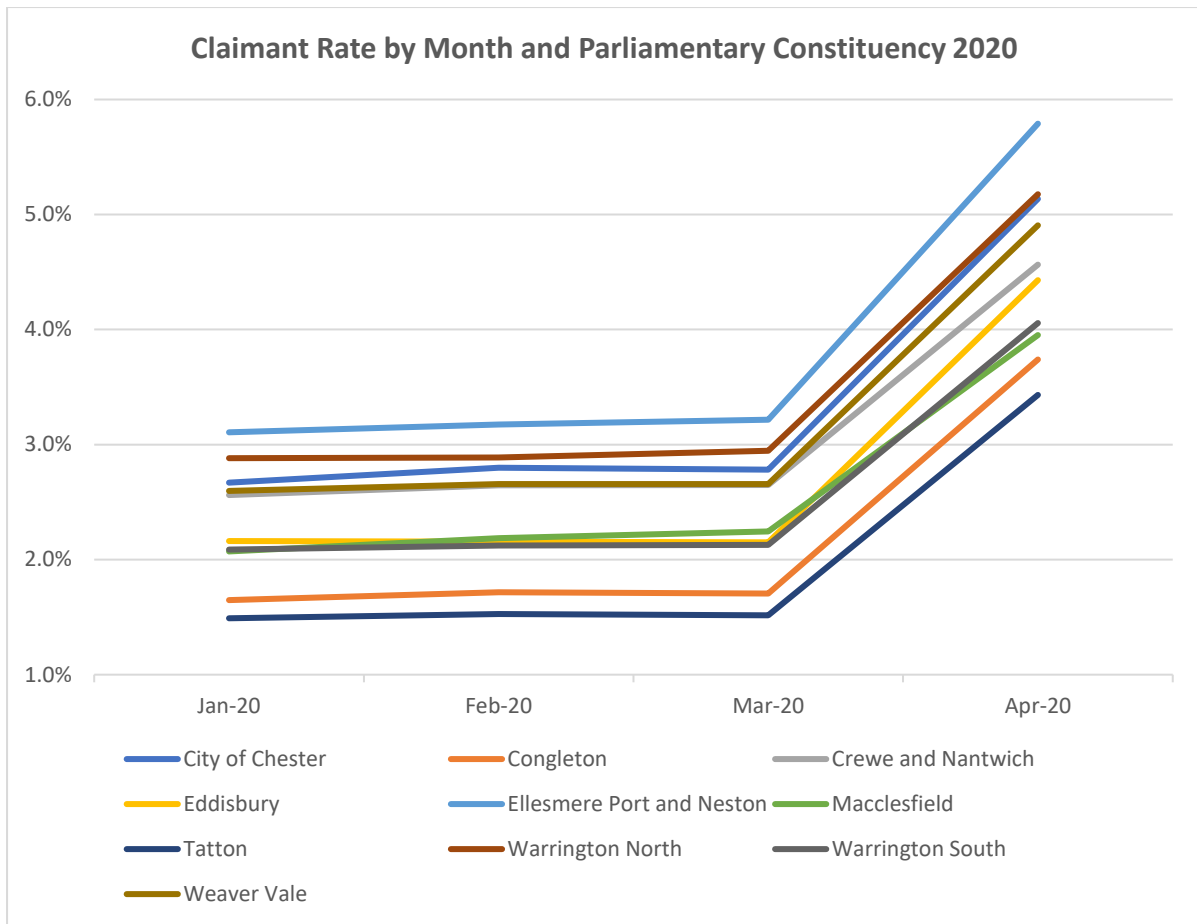
Source: ONS Claimant count by sex and age

Note: % is number of claimants as a proportion of resident population of the same age

As the graph below illustrates, this reverses the position that has obtained for the past year where the Cheshire and Warrington 18-24 claimant rate has been at, or below, the national rate.



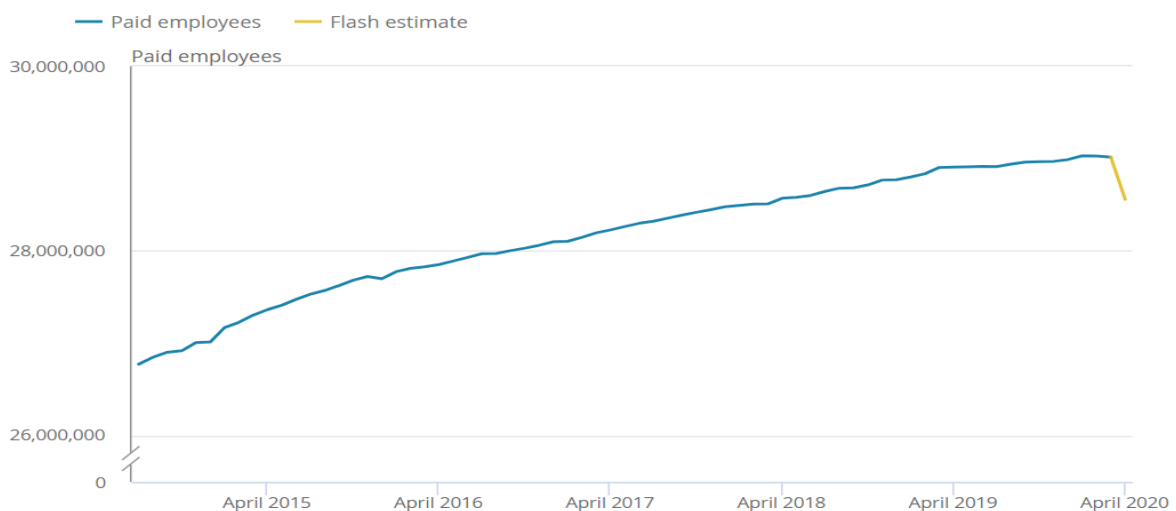
As can be seen below, every parliamentary constituency in CWLEP has experienced similar sharp increases in the all-age claimant rates between March and April.



3.3 Number of Employees – National Data

HMRC's PAYE data includes all employees being paid through PAYE, which will include furloughed workers. Even so, it shows that early estimates for April 2020 indicate that there were 28.6 million paid employees, a fall of 1.2% on the same time in the previous year, a decline of 348,000 people. Compared with the previous month, the number of paid employees fell by 1.6% in April 2020.

Paid employees, UK, July 2014 to April 2020, seasonally adjusted

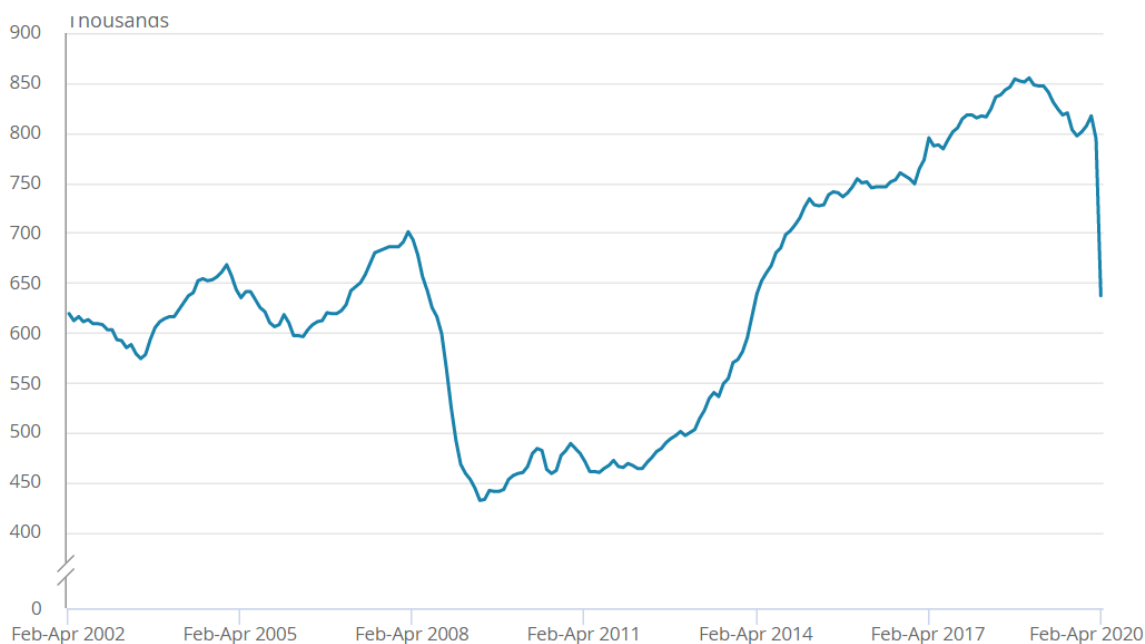


Source: HM Revenue and Customs Pay As You Earn Real Time Information

3.4 Vacancies – National and CWLEP Data

February to April 2020 saw the largest quarterly decrease to the vacancies total since the current time series started in 2001⁵. The estimated number of vacancies in the UK fell sharply during the recession of 2008 to 2009. Since 2012, it has generally increased, reaching a record high of 855,000 in November 2018 to January 2019. For February to April 2020, there were an estimated 637,000 vacancies in the UK; this is 170,000 fewer than in the previous quarter (November 2019 to January 2020) and 210,000 fewer than a year earlier, both of which are statistically significant changes.

Number of vacancies in the UK, seasonally adjusted, between February to April 2002 and February to April 2020.



Source: Office for National Statistics – Vacancy Survey

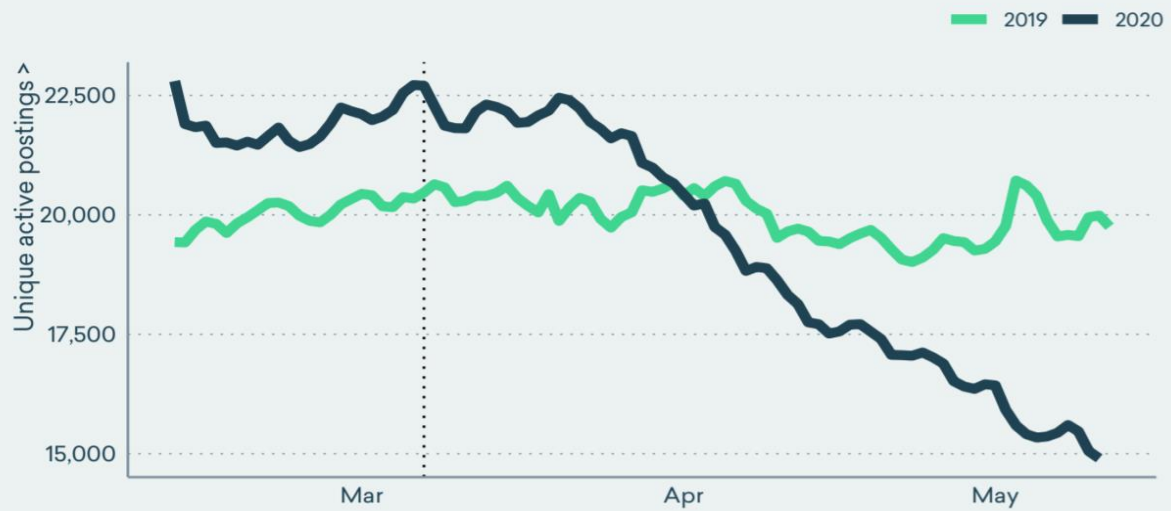
The chart below maps daily online job vacancy posting activity in the last 90 days in Cheshire and Warrington, comparing 2020 with the same period in 2019. Since 7th March, around the time that social distancing measures came into active discussion, but two weeks before the lockdown, unique active postings have fallen by 7,797, or 34.3 per cent. This mirrors the decline in national vacancies reported above.

5

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2020#vacancies>

#covid19: Daily posting trend in Cheshire and Warrington

Online job postings to 12/05 Data: Emsi Job Posting Analytics

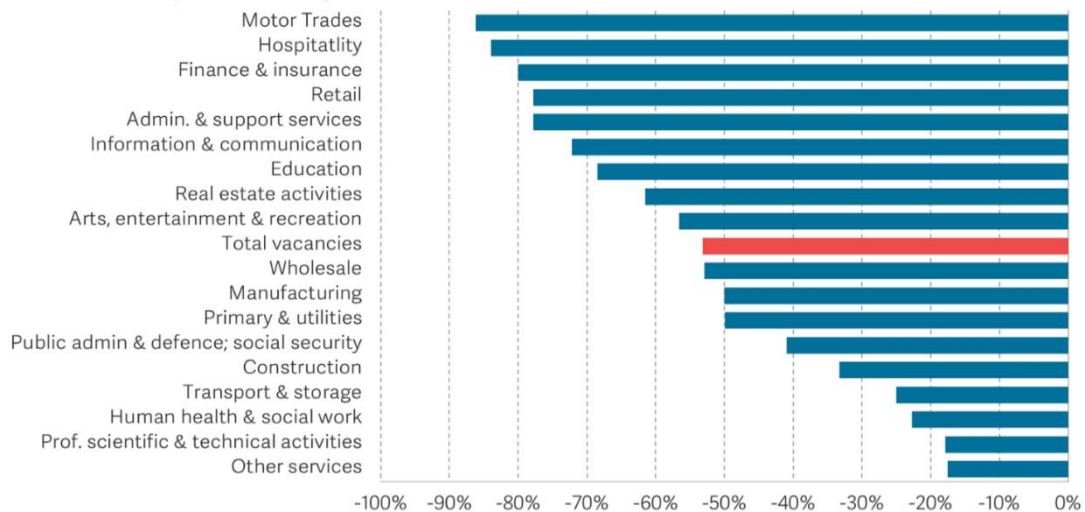


Source: EMSI

The Resolution Foundation has undertaken a sectoral analysis of the national vacancies data⁶ and has found that the effects are, unsurprisingly, much bigger in some sectors than others. Looking at the March to April change shows huge (+70 per cent) drops offs in Motor Trades, Hospitality and Retail and other sectors.

Vacancies by Sector, April 2020 compared to March 2020

Vacancies in April 2020 compared to March 2020: UK

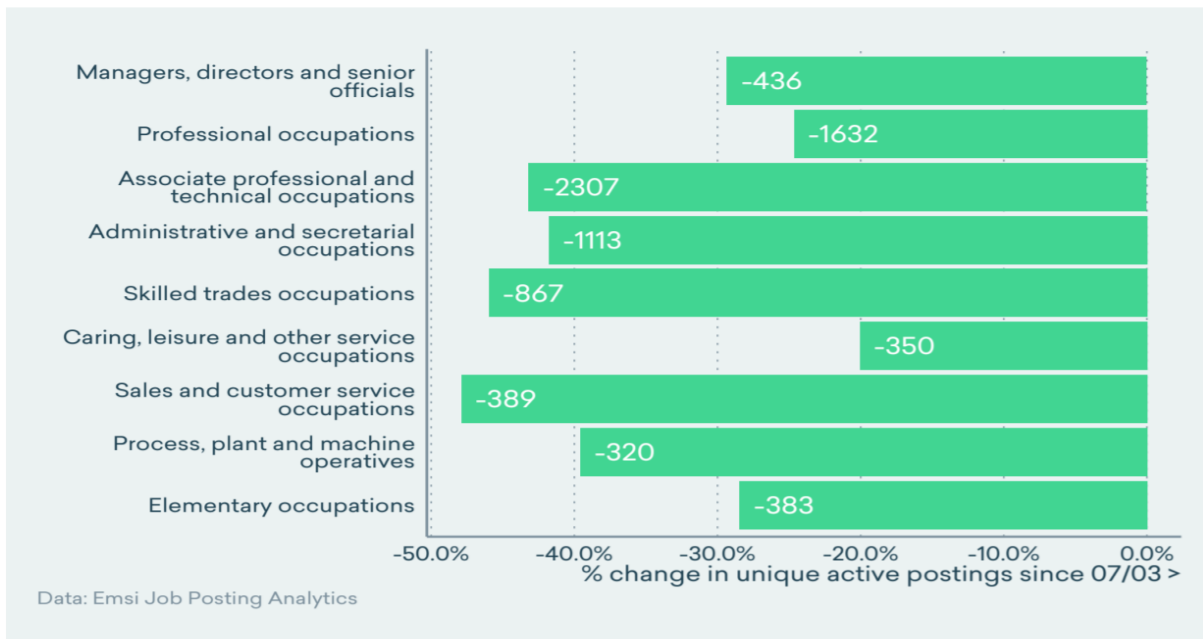


Notes: April data was collected on 3rd April.
Source: RF analysis of ONS, Vacancy Survey.

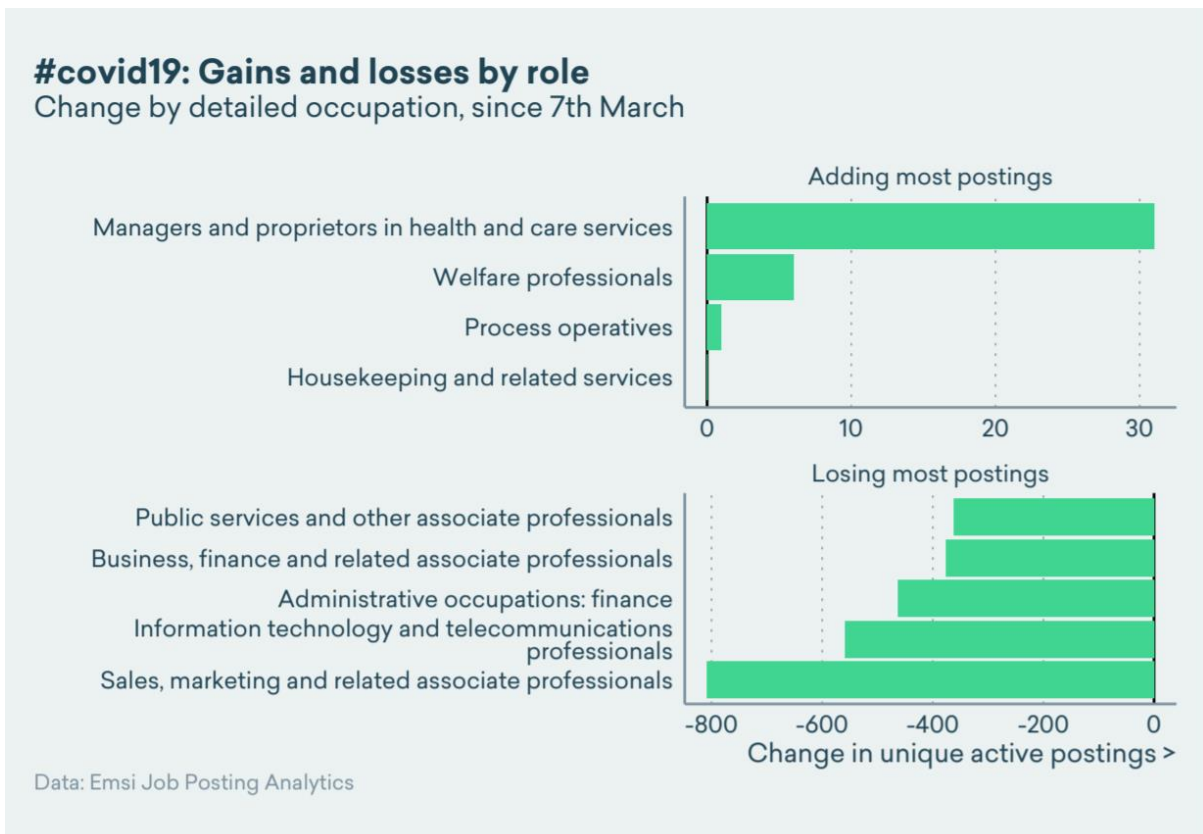
© Resolution Foundation 2020
resolutionfoundation.org

⁶ <https://www.resolutionfoundation.org/press-releases/britains-jobs-crisis-bites-as-employee-jobs-fall-by-450000-and-vacancies-dry-up-at-record-rates/>

Analysis of trends in vacancy posting by occupation in Cheshire and Warrington has been undertaken by EMSI. The chart below looks at the change in job posting levels for each of the 9 major occupational groups in the ONS' Standard Occupation Classification.



EMSI has also undertaken more detailed analysis of trends since March. The graph below shows the biggest changes at a more detailed level of the Standard Occupation Classification, with the largest increases and largest decreases in postings since 7th March.



3.5 Working from Home – National Data

The Government undertakes a regular survey called the Opinions and Lifestyle (OPN) Survey which has recently asked questions to understand the impacts of the C-19 pandemic on people, households and communities in Great Britain. The latest survey covers the period 24 April to 3 May 2020.

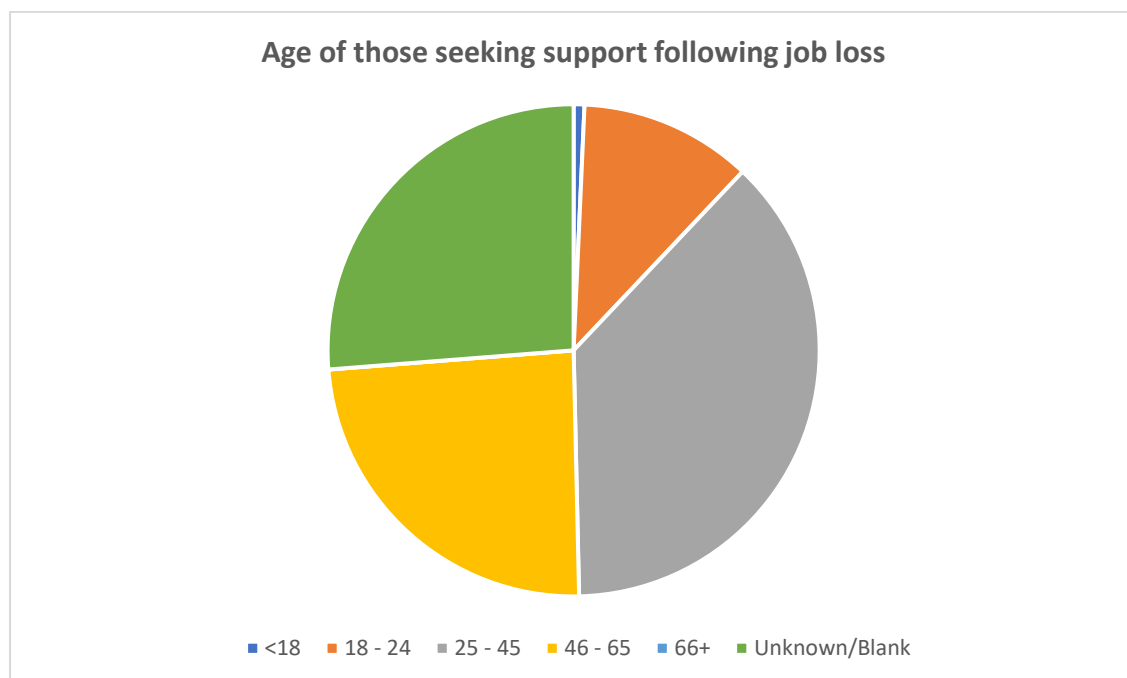
Responses to this indicate that the same proportion of adults in employment said they had worked from home at some point this week compared with the previous week (44%). This consisted of 36% of adults who had only worked from home and 9% who had both worked from home and travelled to work (both key workers and non-key workers). A further 1 in 4 adults in employment (26%) said they had travelled to work in the last seven days and had not worked from home. The remaining 31% of adults in employment had neither worked from home nor travelled to work; the reason for this is not known but could be that the person was on leave, on sick leave, furloughed or off-shift during the reference seven days.

4. CWLEP Education, Skills and Employment Stakeholder Feedback

The partners involved in the Data and Labour Market Steering Group convened by CWLEP have agreed that it would be helpful to share intelligence about how the local labour market and skills system is being impacted by the C-19 pandemic. To this end, individual partners have agreed to provide periodic feedback to the LEP on issues and intelligence. The first set of feedback is summarised in this section. Also included is employer feedback collected by the Digital Skills Partnership.

4.1 Job Losses

The pie chart below summarises the age profile of individuals who have sought support from Cheshire West and Chester Council in the last month following job loss.



Source: CWAC Council

4.2 Employer Feedback

The Board of the Digital Skills Partnership has collected examples of employers' responses to the pandemic. These are summarised below:

- A local software business has easily moved to home working, with 100% of the 2,500 strong workforce being still employed. However, some workers have been asked to take a pay cut with the promise of a bonus later.
- A team of a small charity which supports families with childhood cancer is now working remotely and using Zoom for workshops and one to one counselling.
- A research centre has moved 194 staff to home learning and provided computers to those that need them. It has also developed weekly webinars to promote their industry to new and existing customers. These include sessions on artificial intelligence, machine learning, graphics and digital. Online meetings using Zoom are now the norm. The centre is developing its understanding of the need for a balance between professional and personal time and has introduced flexible ways of working, with an extended day if needed to allow for home schooling. Staff development during this time has provided a real focus on personal development.
- Another software business had already stress tested the homeworking model prior to the crisis and is now operating on that basis. During the crisis it has held an online global conference with 180 delegates from all over the world attending. The event was moved online with broadcasts and Slack channels to enable delegates to interact and feedback following presentations.
- A large employer has reported that no employees have been furloughed and performance has remained stable. The business has enabled 3,500 staff (60% of the workforce) to work from home. This has demonstrated strengths, including contact centres being able to work remotely, but also challenges in providing equipment to staff, technical issue in getting video conferencing working and for those staff with children. The organisation is now rolling out Microsoft Teams. There is lots of self-learning especially related to digital capability. There is a focus on ensuring staff have the correct equipment setup at home including chairs and their environment. New weekly leadership webinars to cascade information are working well. The coronavirus crisis has created a shift in the mindset for remote working that would have taken 3 years. On the negative side, colleagues are having to adapt to the shift in workload, staff are being productive but need to be given some space during the day, especially if they are home schooling. People are managing many meetings each day with no time to think between meetings.
- A large pharmaceuticals company have around 15% of the workforce onsite working on production. The company has developed online learning activities for the children of their employees, this is to assist with getting staff, particularly manufacturing and science, back onsite when there are parents who both work for the company in the same household. The coronavirus crisis has accelerated the use of digital. Apprentice recruitment has been undertaken virtually using Microsoft Teams.
- A large public sector employer reports that the coronavirus crisis has been a game changer in terms of office practice, job roles can be undertaken remotely using virtual meetings, physical paperwork has reduced significantly. They are already discussing a new model of mostly working from home and only going into the office on a rota basis.

4.3 Apprentices

Education and Skills stakeholders have flagged several issues in relation to apprenticeships:

- There has been a significant drop off in apprenticeship starts. For example, local employers have now revoked over 40 apprenticeship vacancies that had been previously agreed and advertised with a local college during February and March.
- Despite many apprentices being currently furloughed, learners are continuing with their studies via distance learning. In general, ‘breaks in learning’ are being minimised. Distance learning tends to be well supported and encouraged by employers. However, many apprentices are reported to be disadvantaged, as they have no, or limited, access to computers or laptops with only phones to access resources for their continued learning.
- Hospitality and hairdressing both have many learners furloughed with employers and learners advising that they are worried about future survival and the impact on jobs and apprenticeships. A ‘Chef Academy’ at a local college was due to move 10 learners into apprenticeship positions with various employers in April 2020. Due to the current situation, most of the employers have advised that they will no longer be able to honour this agreement. The remaining employers are suggesting moving the start date to September at the earliest.
- In light of the very challenging conditions in the sector, a number of Hospitality apprentices have advised providers that they are concerned that if the furlough scheme is not extended then they would need to consider leaving their apprenticeship to seek alternative employment / skills
- Almost all Health and Social Care apprentices have requested a break in learning from their studies due to the pressures they are under at work.

4.4 Education

There is concern that some school students are falling behind because they cannot access on-line learning. This is supported by the results of a survey that was sent to all secondary school heads in Cheshire and Warrington. There were 26 responses to the survey as well as additional information from four schools in Crewe and Nantwich. The schools identified about 2,400 children without access to a computer in the home and about 1,000 without access to the internet (see Table below). It is not known how many of these students are eligible for free school meals, but it will be a significant proportion.

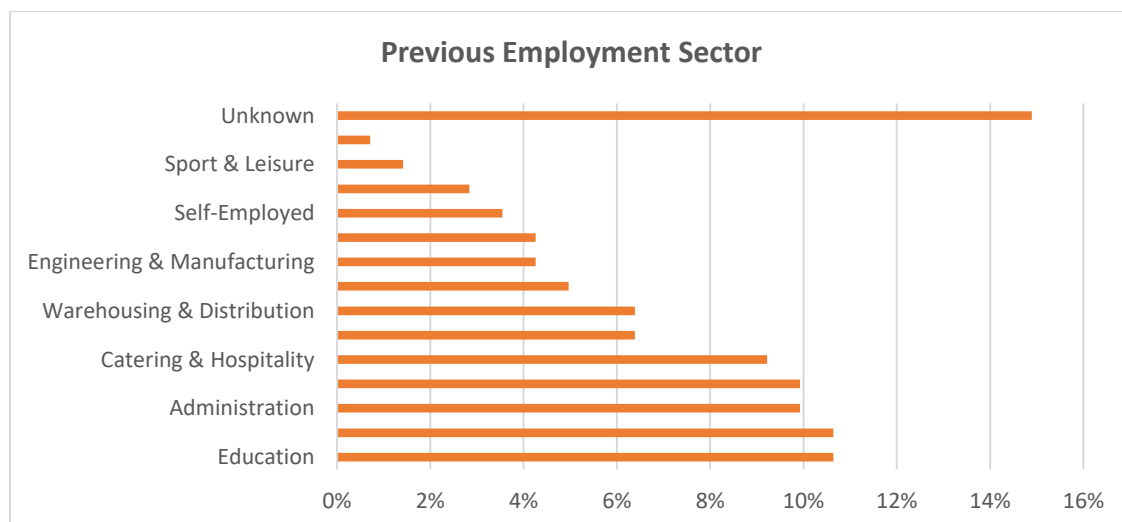
	Number of students in School / College	Number of students who do not have access to a PC / laptop	Number of students who do not have access to suitable Wi-Fi
Number of students in Cheshire and Warrington for providers who have answered the survey	19,646	2,398	1,030
% of students in Cheshire and Warrington for providers who have answered the survey		12.21%	5.24%

Other key points from stakeholders regarding education issues include:

- The Association of Colleges is predicting that nationally half of the new labour market entrants (approximately 100,000 16 to 25 year olds) will struggle to find meaningful employment as a direct impact of Covid-19. This prediction is consistent with the many forecasts for high levels of youth unemployment. Local stakeholders expect that the position within the LEP will mirror this. Concern has been expressed about areas and wards with high levels of deprivation. In response to this, Cheshire College South and West will be launching a “September Promise” campaign to raise awareness and provide support to young people in the area.
- Local Schools are reporting that in some cases Year 11 learners have disengaged from learning. Education providers are now reporting that they are reviewing induction programmes to ensure that learner needs, and transition, can be supported. Extensive virtual IAG provision is being delivered by both The Pledge and individual providers. It is reported that engagement levels with virtual activity are showing very positive figures, although the impact of this will not be clear for some time.
- Providers report that teaching, learning, and assessment is now being delivered through virtual environments, with most qualifications moving to calculated grades. Some qualifications, those that provide a license to practise at the end of the provision, have been identified as delayed assessments rather than calculated grades. Information on grade assessment is being released at a national level, however the full picture is not yet clear and consultation periods are still active.
- The latest guidelines around reopening of post-16 education facilities is still very much in the infancy and it is possible that this picture will become clearer over the coming weeks.
- There is concern that disruption to the Year 11/Year 12 transition may lead to high volumes of NEETs in particular areas/cohorts, but it is currently unclear where might be worst affected by this.

4.5 Other Sector Issues

The prior employment sector of those seeking support from Cheshire West and Chester Council is set out in the bar chart below.



Source: CWAC Council

Other sector issues that have been flagged by learning and skills stakeholders include:

- There is concern amongst stakeholders about the long-term prospects for the hospitality sector
- Some children's nurseries have closed due to children no longer attending, not being able to work in a safe manner (lack of social distancing available, lack of PPE) and families no longer able to afford to pay nursery fees. Whilst many staff have been furloughed it is unclear what will happen when furlough payments stop. Clarity on the exit strategy for early years settings is still awaited.
- Anecdotally, some taxi companies are now refusing to accept jobs which involve taking customers to any location other than from the customers home address to work / shopping, or from shopping / work to home. Many taxi drivers are self-employed so cannot be furloughed but appear to have little respite from having to pay their overheads. It is reported that many can't apply for and/or afford the business loans the government promised to assist those self-employed or small businesses.