

# Impact of Covid on the Local Economy



# Sources of Intelligence

- This chapter focuses on the impact on businesses and the local economy as it is currently emerging
- Captures national and regional evidence
- Led by the Community Wealth and Economic Resilience Delivery Group
- Drawn on local service provider experience and insights
- Public economic data
- West Midlands Combined Authority intelligence
- Black Country LEP intelligence



# National Context

- Biggest impact of Covid on business were the restrictions on opening and social distancing
- They has been a gradual reopening from June
- UK has officially entered recession – economy declined 20.4% in Q2 – the worst economic crisis on record
- On reopening, the economy expanded 8.7% from its low base
- Labour market statistics lag the reality on the ground but show a stark reduction in the number of employees on payrolls and a significant decrease in the number of hours worked
- UK Federation of small businesses expects 25% of SMEs to close in 2020
- IFS says that young workers under 25, females and low earners are more likely to be impacted
- Concerns about prospects for young people



# West Midlands Context

- Unemployment rate in the West Midlands is 4.4%, above the UK rate of 3.9%
- The number of WMCA young claimants (16-24 yrs) increased 88% from March to June (this figure was 122% nationally)
- KPMG predicts the WM region will feel the biggest impact – forecasting a contraction of 10% - largely due to reliance on automotive industry which experienced a severe downturn
- Levels of furlough are higher in the WM than many other areas
- Since lockdown there have been a raft business closure and redundancy announcements



# West Midlands context continued

- Pandemic has exacerbated the problems on our high streets. Anticipated that the number of shops on the high street could halve in next two years – 2020 online spend up 50% on 2019
- High knowledge/ high skilled workers have been more able to work from home – therefore leaving those working in retail, manufacturing and warehousing more at risk of infection and this could lead to a divergence
- International and domestic trade loss – 57% of firms seen drop in international trade and 48% seen loss in domestic revenue
- Social distancing continues to impact businesses after lockdown has eased. Made some businesses unviable to reopen



# Sandwell's Economic Vulnerabilities

- Sandwell has the lowest gross disposable household income (GDHI) per head in West Midlands at £13,359; at 0.11 per thousand rate is the lowest number of high-growth firms per population in the West Midlands.
- The centre for progressive policy has predicted a productivity drop of 36% of gross value added in Sandwell during quarter 2 of 2020
- Research suggests that places with higher entrepreneurial activity than Sandwell recovered faster after the 2008 crisis. This makes the case for business support in Sandwell even stronger
- The Federation of Small Businesses in the UK expects some 25% of SME businesses to close in 2020.
- 6.8% of people (16-64) in Sandwell are self-employed -around 13,818 people, and the self-employed are particularly vulnerable group within the crisis



# Sandwell COVID-19 Vulnerability Index

Overall Vulnerability Index for MSOA's with Wards by Quintile

## Overall Vulnerability Index for MSOA's with Wards by Quintile

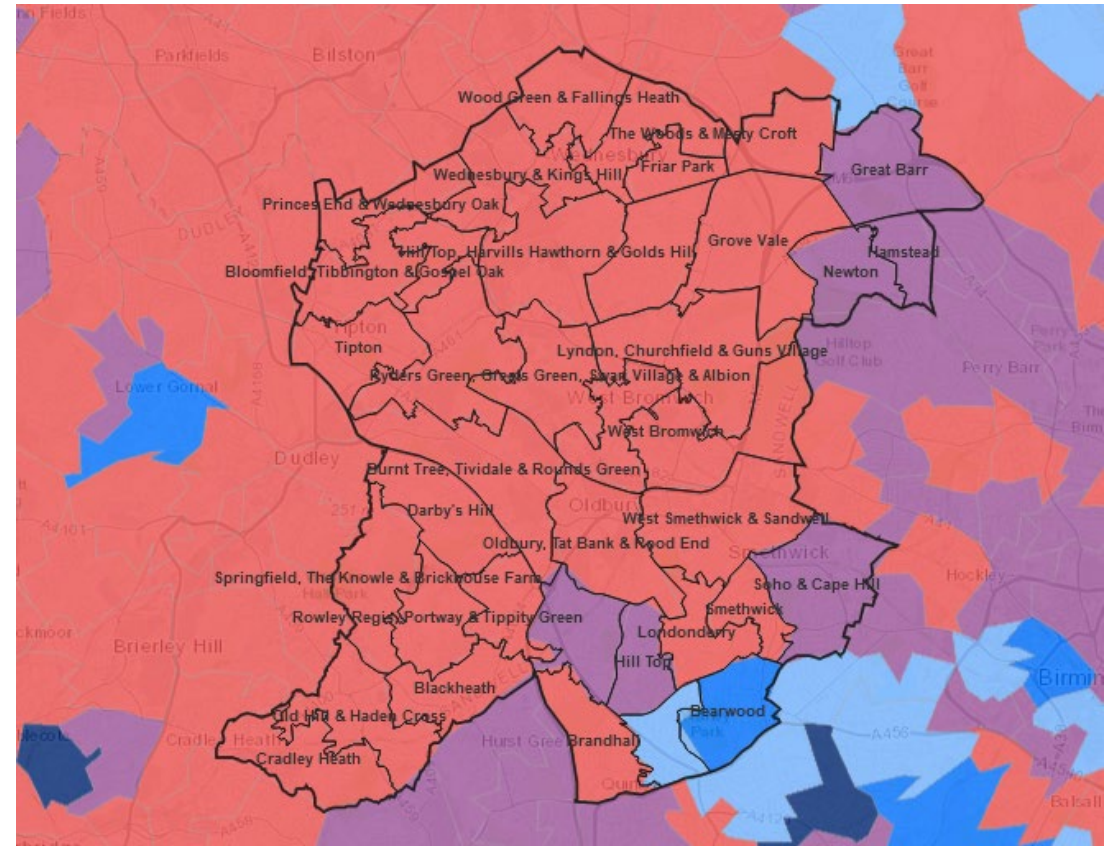
The British Red Cross has developed a COVID-19 Vulnerability index at MSOA and Local Authority level. The index combines multiple sources of (mostly) open data to identify vulnerable areas and groups within Local Authorities and neighbourhoods (MSOA's).

The Index consists of the following indicators :

- **Clinical vulnerability** (underlying health conditions)
- **Health & wellbeing including mental health** (loneliness, healthy life expectancy at 65)
- **Economic vulnerability** (recipients of social care benefits, employment & support allowance, disability benefits, Universal Credit)
- **Social and geographical vulnerability** (barriers to housing and services, poor living environment, digital exclusion)

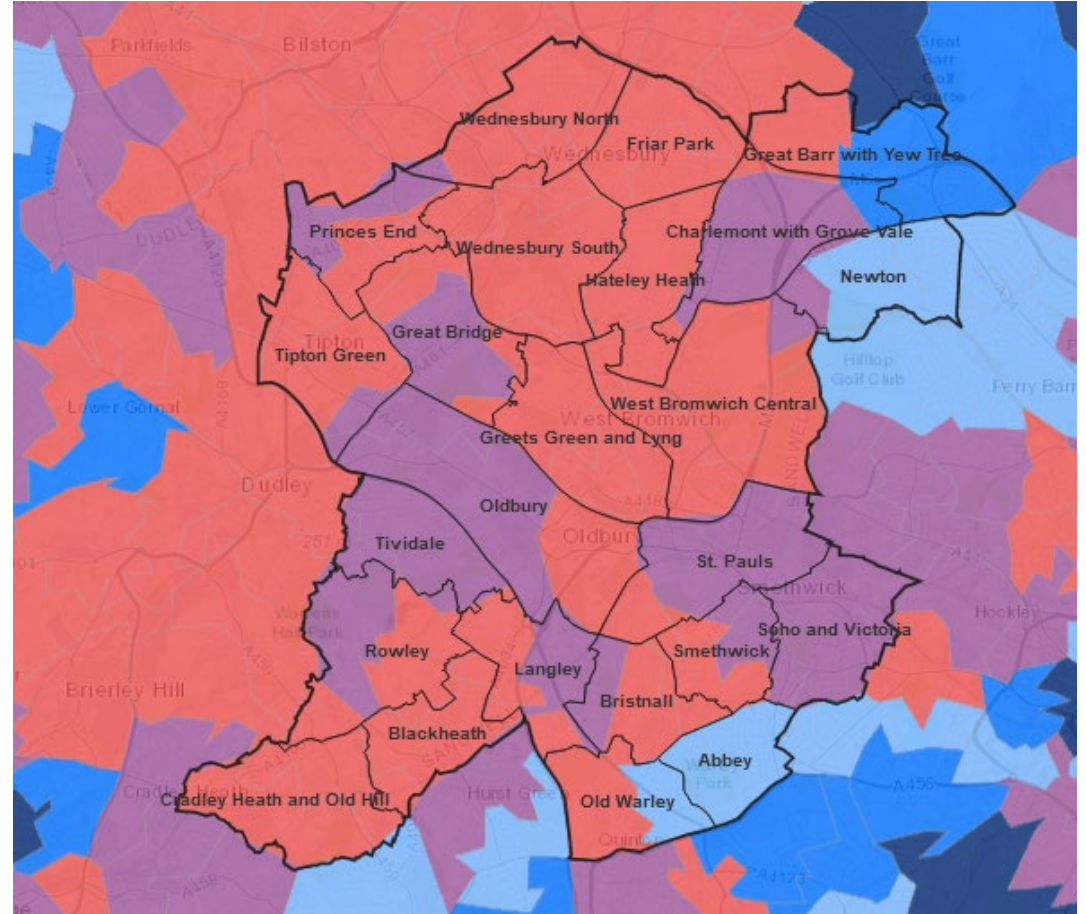
Across Sandwell, 36 MSOA's (95%) were categorised in the top 2 more vulnerable quintiles with 30 MSOA's in the most vulnerable quintile (79%).

At a local authority level Sandwell overall ranked in the most vulnerable quintile alongside the other 3 Black Country local authorities.



## Economic Vulnerability Index for MSOA's by Quintile

Focusing on economic vulnerability (recipients of social care benefits, employment & support allowance, disability benefits, Universal Credit) across Sandwell, 33 MSOA's (87%) were categorised in the top 2 more vulnerable quintiles with 18 MSOA's (47%) in the most vulnerable.





# Sandwell Impacts

- IFS study suggests 15,700 jobs affected in Sandwell– jobs affected (12.7%). Only looked at specific sectors, therefore figures could be higher
- Young workers, female and low earners impacted
- 12% drop in unique vacancies and a mismatch in redundancies and what's available to apply for
- Concern that when furloughing ends in October, there will be further spike in redundancies
- University opportunities locally may be more limited
- Concern that there may not be enough college places if education is becoming more appealing than work
- Digital exclusion – 10% of young people we worked with had no access to IT
- Higher skilled applying for lower skilled jobs, causing knock on effect to lower skilled
- Job Centre Plus says that mental health is a big issue

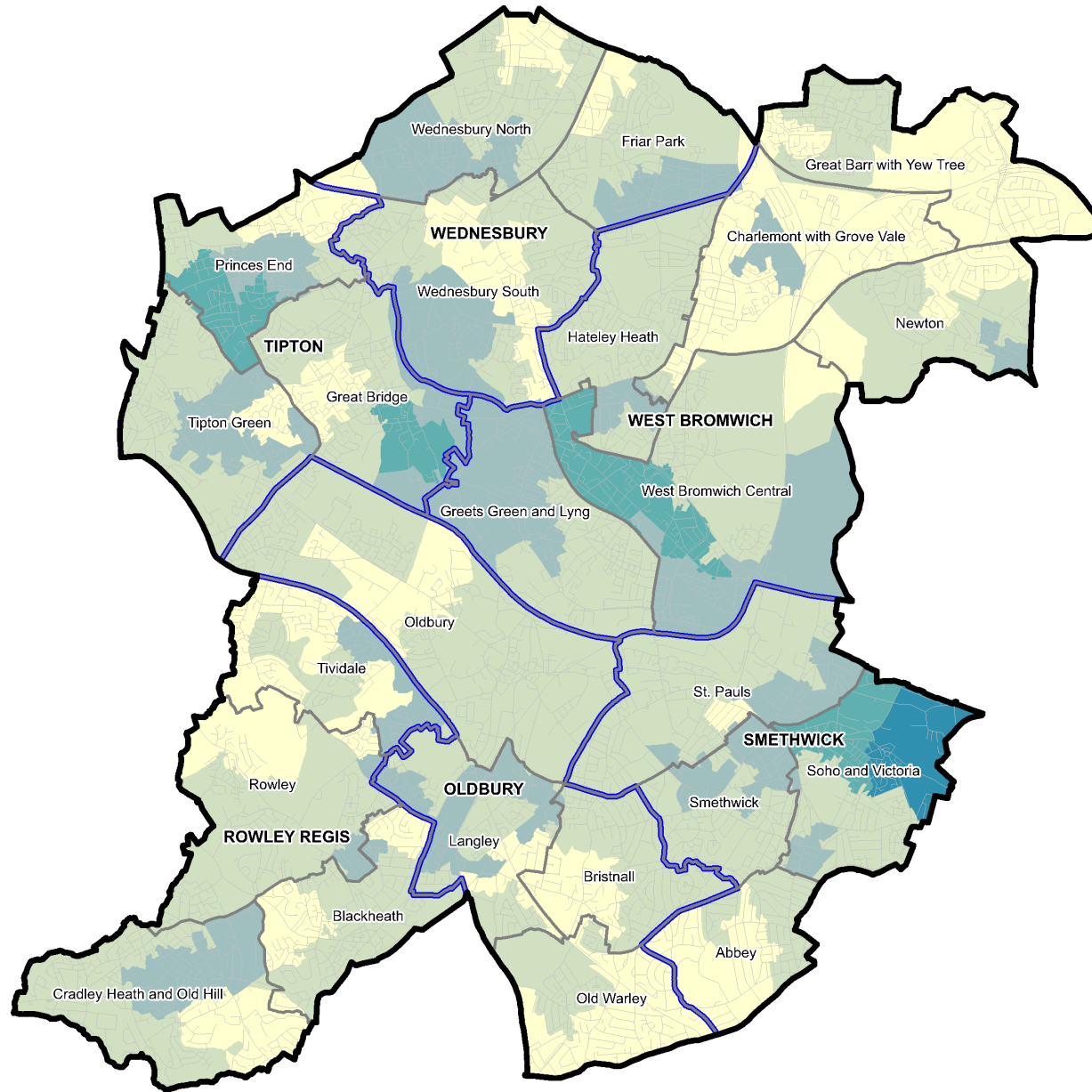


# Unemployment and Universal Credit

- So far, unemployment has more than doubled during the year to reach 18,995
- By July, 9.3% of working age people were unemployed – above the regional level but lower than Birmingham or Wolverhampton
- Concern is that once furloughing ends in October, unemployment will rise significantly more
- Universal Credit claims doubled from February to July to 35,285 people
- The following maps show how unemployment and universal credit claimants have increased across our neighbourhoods – February to June/July



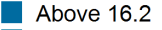
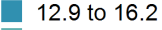
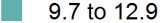
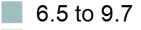
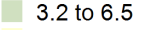
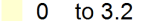
# Unemployment February 2020



Comparison with February here and July overleaf for the claimant unemployment rate show an alarming, widespread deterioration with the largest increases in hitherto more buoyant areas.

-  Local authority area
-  Local authority ward
-  Sandwell town

Claimant unemployment rate February 2020  
% of population 2018 aged 16-64 by LSOA

-  Above 16.2
-  12.9 to 16.2
-  9.7 to 12.9
-  6.5 to 9.7
-  3.2 to 6.5
-  0 to 3.2

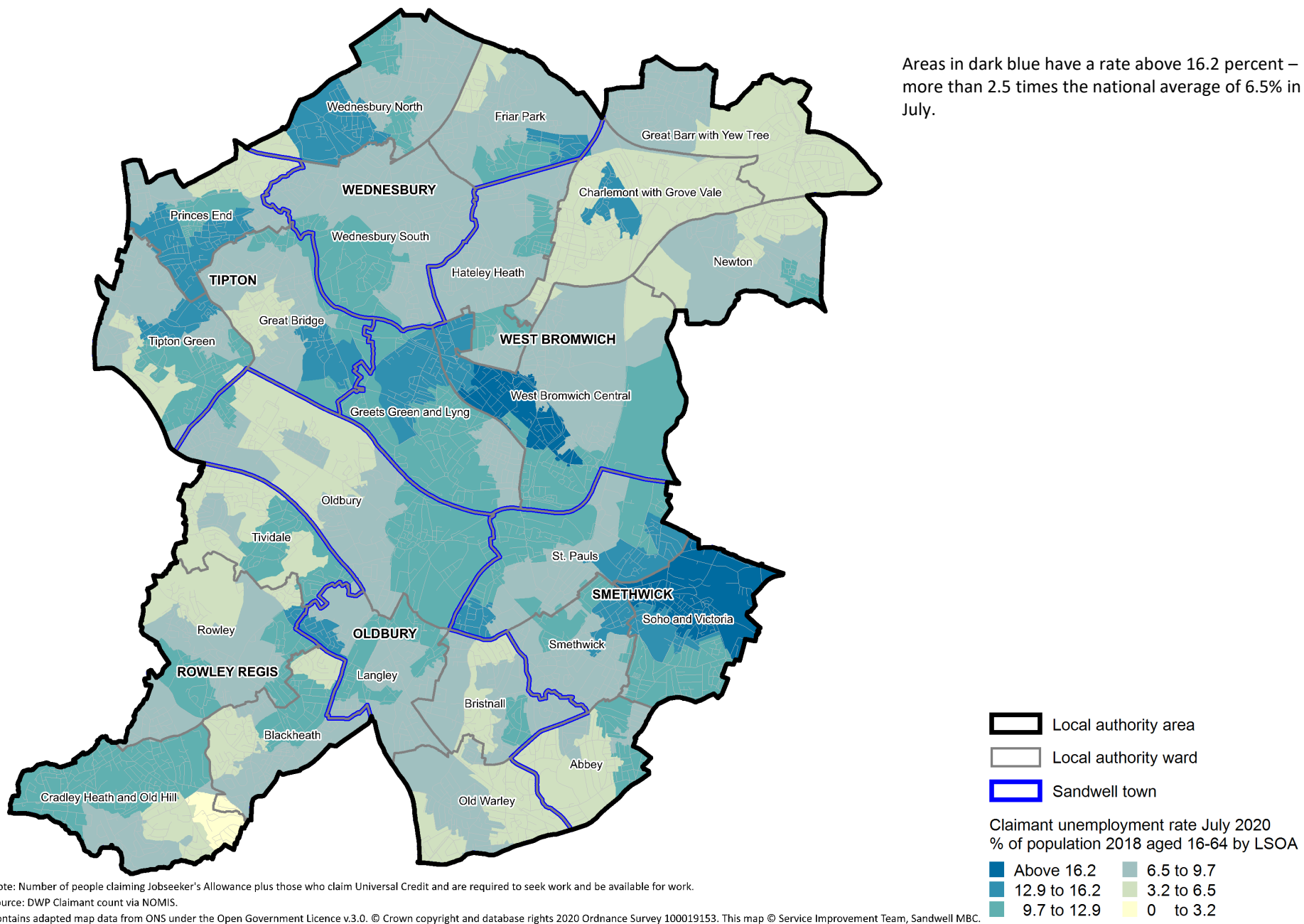
Note: Number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work.

Source: DWP Claimant count via NOMIS.

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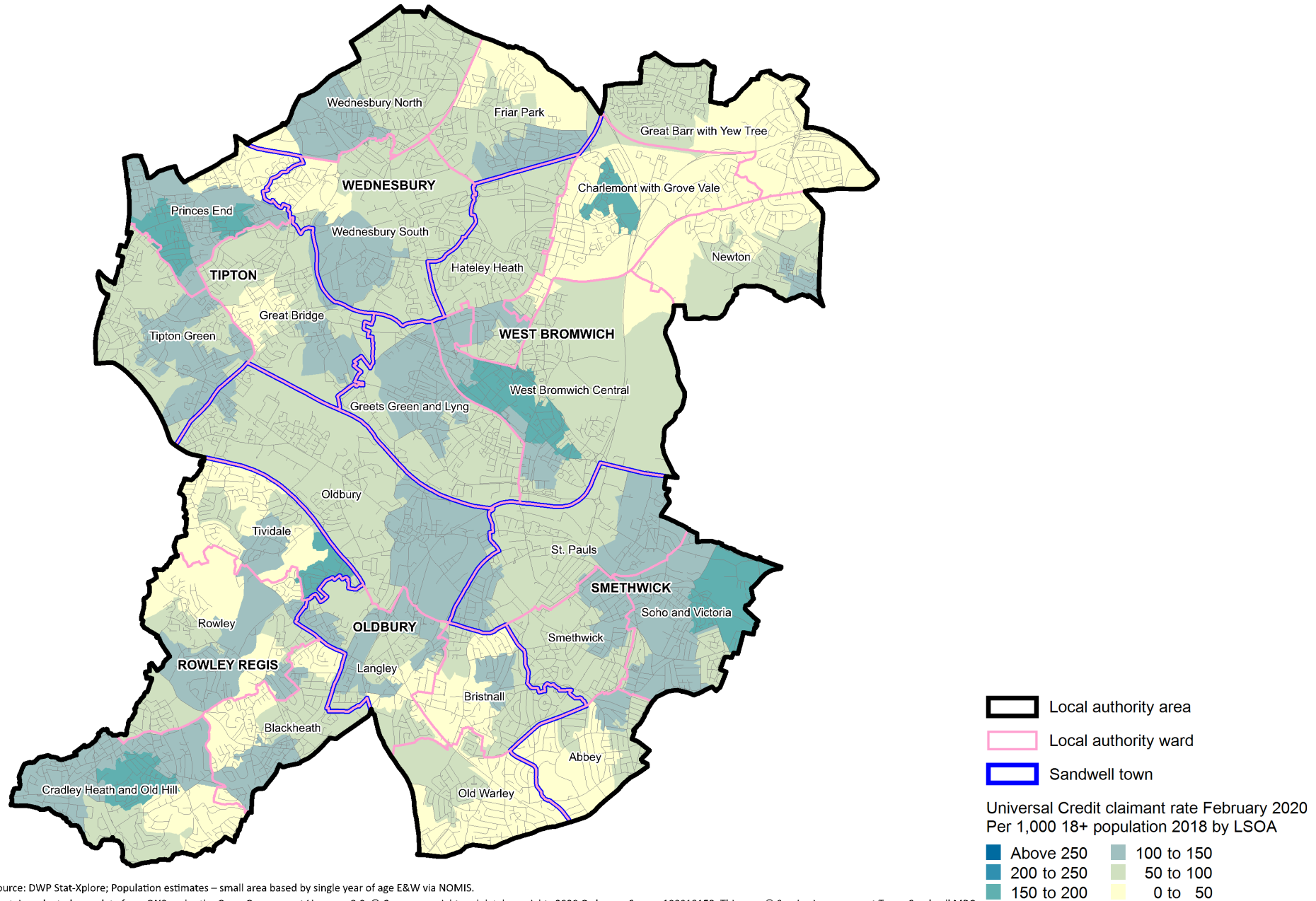
# Unemployment July 2020

Areas in dark blue have a rate above 16.2 percent – more than 2.5 times the national average of 6.5% in July.



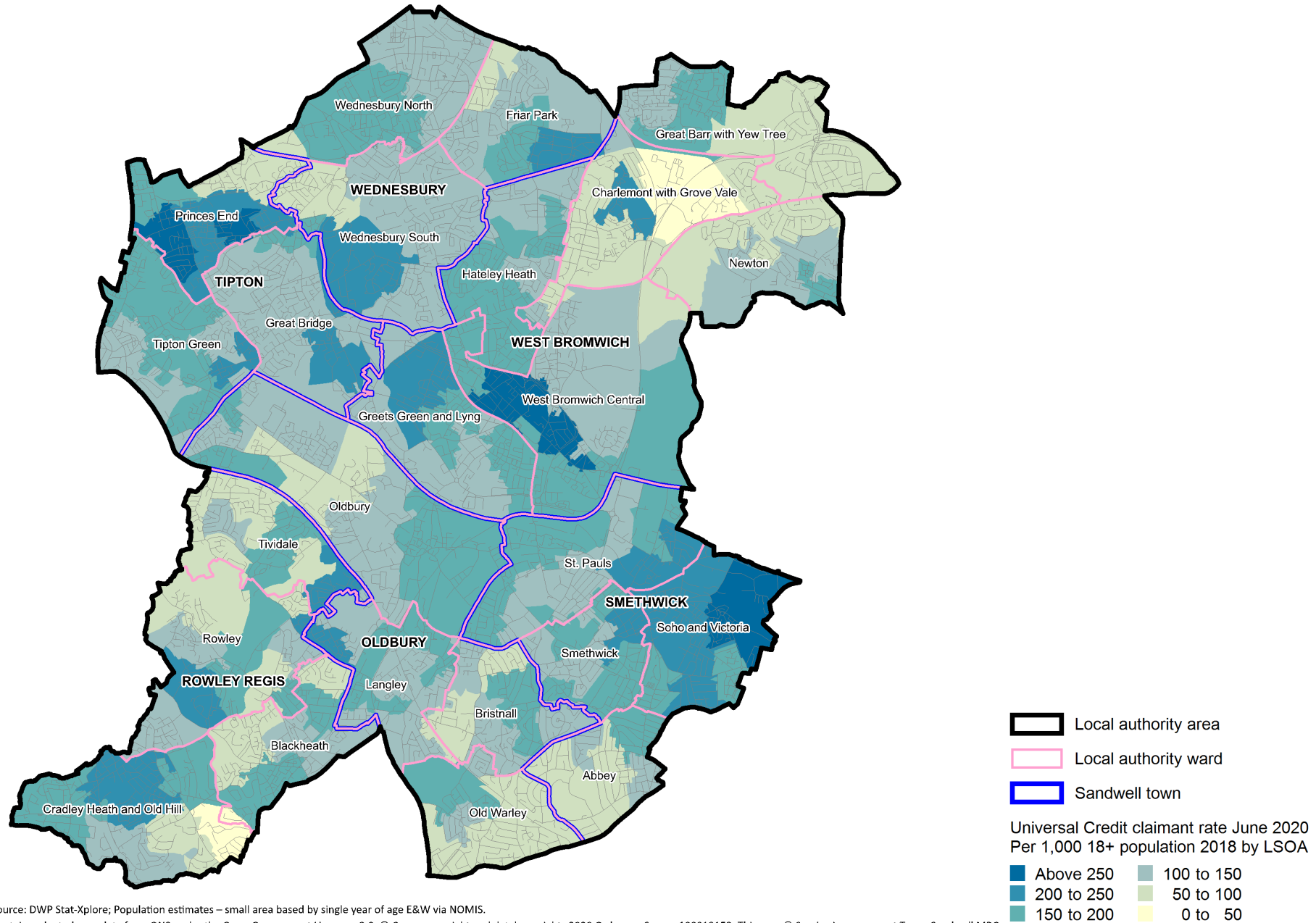
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# Universal Credit claimants February 2020



Source: DWP Stat-Xplore; Population estimates – small area based by single year of age E&W via NOMIS.  
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# Universal Credit claimants June 2020



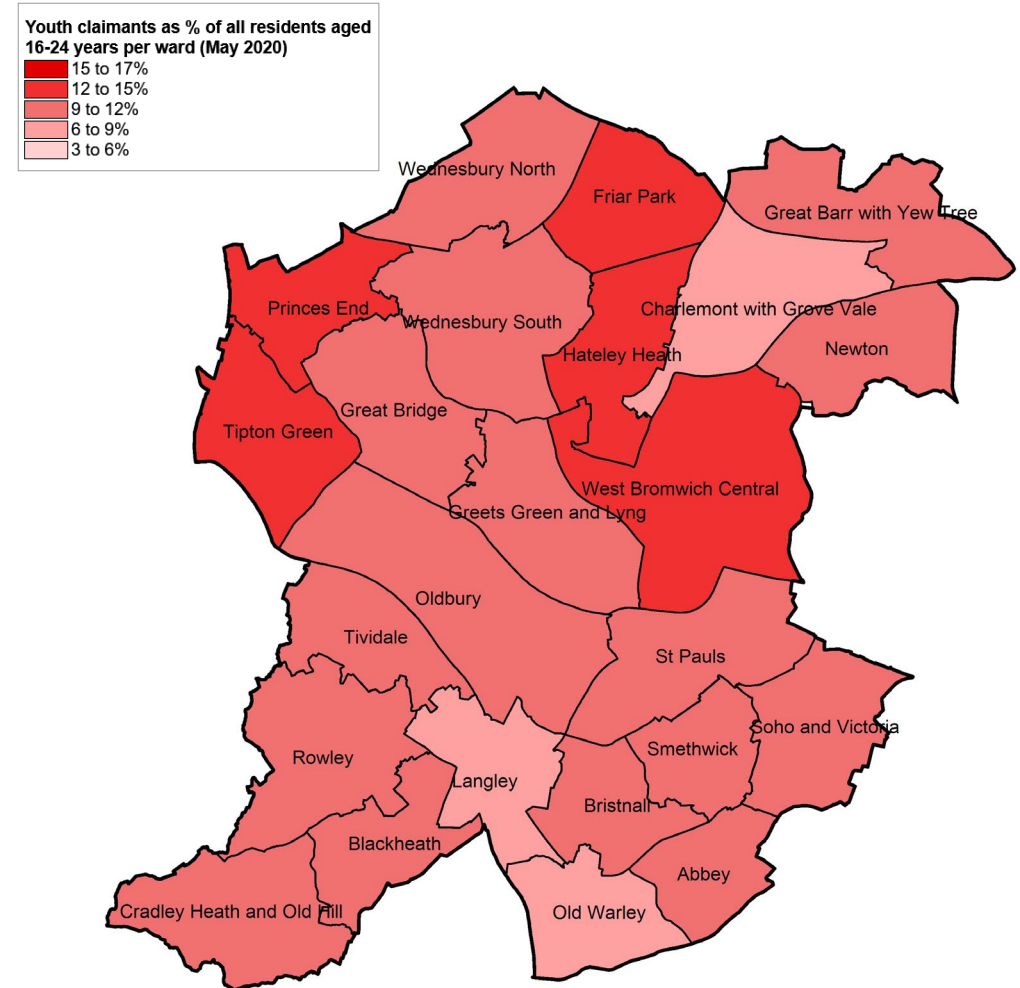
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# Sandwell Youth Claimants (Aged 16-24):

## Ward Analysis (aged 16-24)

Out of the 24 wards within Sandwell, all 20 are above the national average of 7.1% for the number of claimants as a percentage of residents aged 16 – 24 years old in May 2020.

The top three wards in Sandwell that have the highest number of claimants as a percentage of residents aged 16 – 24 years old are in Princes End at 15.0%, West Bromwich Central at 13.6% and Tipton Green at 13.0%.



# Financial Support for Businesses

- SBRR and Retail Leisure and Hospitality Covid Grants
  - Ended August
  - £54.9m awarded through Revs and Bens Team, totalling 4857 grants
  - Support for applicants
  - 1154 businesses contacted through outreach to offer financial support
- AIM for Gold (ERDF) adapted to Covid – to meet operational delivery and staff skills needs
- Discretionary Grants to businesses
  - Closed August
  - 241 grants given to the value of £1.9m
  - Average value of grant £7,988
  - 19% were given to manufacturing firms, 15% wholesale/retail, 10% arts, entertainment and recreation





# Actions already being taken

- WMCA initiative to kickstart the WM economy presented to government
- WM Recovery Coordination Group formed to develop priorities to inform regional recovery
- Outreach and communication with businesses e.g PPE, Think Sandwell Business Support, Reopening the High Street Safely Fund
- Development of Community Wealth and Inclusive economy programme
- Redundancy support
- Apprenticeship support
- Training provision
- School leaver support



# Sandwell's Challenges

- **Disproportionate impact on young people** – lack of apprenticeship vacancies, University options, unstable employment
- **Low skills base** – Sandwell's starting point is lower, residents who become unemployed and are less skilled are usually less resilient financially and in finding new employment.
- **Impact on those 50 plus** – as with other Economic crisis it is forecast people aged 50 plus will be disproportionately impacted
- **Skills and employment support demand will be different** – higher skilled cohort, more disadvantaged move further away from the labour market
- **Digital exclusion/poverty** – still a major barrier for residents to complete training/upskill
- **Mental health** – anxiety for those returning to work or accessing the labour market



# Themes emerging for Sandwell Skills Strategy

- Support for young people
- Digital poverty and poor digital skills
- Support for Businesses – in terms of skills for growth and/or redundancy support
- Promoting Careers for the Future - such as healthcare, teaching, social care, etc.
- Support for Retraining for Adult Learners
- Support for over 50s
- Mental Health and resilience support



# Other Key messages/recommendations

- Digital exclusion needs to be addressed in everything we do
- Need to understand more about detailed economic impact on BAME community in order to tackle the issues as an organisation

