

Urban Growth and Recovery

Purpose of report

For direction.

Summary

This paper provides an update on the “Vision for Urban Growth and Recovery” work which was agreed at the meeting of the City Regions Board on 30 September. It sets out the progress of the project to date, and there will be a presentation from Cambridge Econometrics, with the opportunity to ask questions. The meeting presents a key opportunity to consider the emerging findings and provide direction on the next phase of research.

Recommendation/s

That Members:

1. Note the update in the report.
2. Provide any additional direction on the next phase of the research

Action/s

1. Officers to continue to work with Cambridge Econometrics to deliver a final report in March.

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Urban Growth and Recovery

Background

1. At the City Regions Board on 30 September, the board considered the impact of the COVID-19 pandemic on urban areas and agreed to commission external support to develop a vision for urban growth and recovery.
2. Following that meeting, Cambridge Econometrics were commissioned to carry out the project, and presented their initial thoughts and proposals to the City Regions Board on 18 November.
3. Since that meeting, Cambridge Econometrics have carried out literature review, data analysis, and arranged interviews with stakeholders to progress the project. This meeting presents a key opportunity to consider the emerging findings and provide direction on the next phase of research. Glenn Athey, the Project Director, will attend the Board, give a short presentation and answer any questions.

Issues

Project progress overview

4. The project is proceeding well. To date, Cambridge Econometrics have:
 - 4.1 completed the literature review
 - 4.2 are about 75 per cent through the data analysis
 - 4.3 have a draft report structure, into which they are beginning to write up findings
 - 4.4 have contacted 14 local authorities for consultation, with 4 interviews arranged
5. The project is on schedule to be completed by mid-March, as planned, and will be presented to the next meeting for Board for review and sign off.

Key findings from literature and reports:

6. Cambridge Econometrics have reviewed 30 sources and publications so far. The main findings are that:
7. The true impact of Covid-19 is yet to be revealed. Overall impacts of Covid-19 have been masked by furlough and support schemes. These have helped to support jobs and businesses, but once the vaccine helps restore the economy and the nature of recovery is understood, there will be restructuring.
8. Covid lockdown has hit sectors such as retail, hospitality and leisure hard, with a particular impact on city centres, and urban authorities with economies reliant on the

visitor economy. The future of high street is uncertain due to impacts on retail and leisure.

9. There is an emerging digital divide: Covid-19 has accelerated adoption of digital technologies and remote working. Those firms most effectively adopting these already have a track record in quickly adopting and adapting to new technology. People in the top skilled occupations are far more likely to be able to work from home than lower skilled occupational groups. Some studies and business surveys suggest that home/remote working will be more popular and persistent once the Covid-19 crisis ends than it was before the pandemic.
10. Unemployment: Constrained labour demand is fuelling unemployment. There is a rise in unemployment due to lack of vacancies and job opportunities. The 'in-flow' of those entering unemployment is not as big as in past recessions. Normally those becoming unemployed would 'off-flow' back into jobs, but in the current crisis there are less job openings. Youngest and oldest workers are more likely to have been furloughed and/or lost their job during the pandemic.
11. The self-employed have been hard hit: 58 per cent of self-employed reported having less work than usual in September 2020. One-fifth of self-employed workers are considering leaving self-employment.
12. Lessons from previous pandemics: Perhaps the key takeaway message is the enduring impact of the 1918 flu pandemic, where surviving flu victims often faced debilitating illness and elevated mortality risk, and the impacts on young or unborn children were significant, due to economic impact on family (e.g. loss of earners, loss of earnings, destitution). Another feature was loss of trust in politicians and leaders in areas where the pandemic hit hardest.

Review of evidence on urban performance leading up to and during Covid-19 crisis

13. Cambridge Econometrics have started by briefly looking at the recent economic performance of urban areas, and provide an overview of inequality and inclusion and its general trend prior to the pandemic:
14. General economic performance: cities are vital for our economic welfare; between 2010-19, urban areas accounted for almost 80 per cent of economic growth, 3 out of 4 newly created jobs, and three quarters of productivity improvements. As of 2019, 64 per cent of the population resides in urban areas.
15. State of inequalities: despite these positive attributes, accompanying benefits have not always accrued evenly, whilst some members of society have been left behind:

- 15.1 *Worklessness*: urban labour markets have improved markedly, with worklessness declining as a record number of people are in work, yet a persistent performance gap remains. This is driven by the exclusion of certain groups including women, the young, black and minority ethnic persons, the disabled, and the unskilled.
- 15.2 *Earnings*: earnings are typically higher and growing faster in cities. The distribution between the highest and lowest earners is larger though, with an above average share of workers earning below the national living wage, particularly those on part-time and flexible contracts, who are often young and lower-skilled.
- 15.3 *Poverty*: positive progress in reducing poverty has stalled over recent years. This has implications for urban areas, with almost two-thirds of city neighbourhoods experiencing above-average levels of poverty. This has been a particular problem for child poverty, which is highly concentrated in cities.
- 15.4 *Skills and education*: people living in urban areas are often highly skilled (4 in 10 residents are educated to degree level), driven by skilled inward migration and good-performing schools. Yet an above average number of residents are unskilled, and the gap between the best and worst schools and students is largest in urban areas.
- 15.5 *Health*: ill health and poor healthy lifestyles are most prevalent in urban areas and play a vital role in wider inequality challenges. After decades of progress, life expectancy improvements have stalled, which has been most keenly felt by those in the poorest urban neighbourhoods.
- 15.6 *Housing*: buying a home is costly and less affordable in urban areas, and has deteriorated further over recent years, particularly at the lower-quartile range. Rough sleeping is twice as likely in urban areas, with the number of rough sleepers in cities tripling over the past decade.
16. *Incidence of Covid*: the pandemic has been most keenly felt in urban areas with current caseloads around 40 per cent higher than non-urban areas. 64 per cent of excess deaths have been recorded in urban areas. There are a number of causes, including urban density (particularly the incidence of multi-unit and multi-generational housing), occupational structure, public transport usage and ethnic profile.
17. *Economic impact*: urban areas have potential to show greater resilience to the relative economic headwinds, with a lower share of jobs in sectors that are vulnerable and high remote working potential. Forecasts show the output and employment hit will be lower in urban areas over 2020. Yet urban unemployment has already increased at an above average rate, as reduced footfall and spending impact city centre retail and leisure hardest.
18. *Implications for inequalities*: looking at the economic implications for certain age groups, genders, ethnic minorities and neighbourhoods, building on the existing state of inequalities analysis:

- 18.1 *Young people:* 1 in 5 of those unemployed because of Covid in urban areas are young (16-24), twice their population share, with young people overrepresented in vulnerable industries and occupations.
- 18.2 *Skills and education:* urban schools have seen persistently lower attendance than non-urban ones over the past year. The challenge of remote studying and home learning will be greatest for disadvantaged students.
- 18.3 *Ethnic minorities:* black and ethnic minority persons in urban areas are not only at a greater health risk to Covid, but also at greater economic risk, with the majority working in vulnerable industries and occupations. Those that remain in work are largely in lower-paying, higher Covid risk occupations.
- 18.4 *Areas:* no city will be immune to the effects of the pandemic-related recession. The uneven distribution of the impacts will be greatest within - rather than between - urban areas, with richer, suburban neighbourhoods potentially emerging better off.

Issues for members to consider

19. Members might wish to consider whether these initial findings are in line with what they would expect from the experiences that they have gained from their local areas, and whether there are any topics missing from the above lists identified by Cambridge Econometrics. It would also be helpful to understand if members feel any of the areas warrant a greater focus or more investigation in the next stages of the work.

Next steps

20. Cambridge Econometrics will continue to arrange and carry out interviews with key stakeholders, and develop five case study areas to look at in greater detail. Work will continue on data analysis, and this, combined with the findings of the interviews and the existing work to date will be used to identify and discuss the key future challenges and opportunities for urban areas. The main risks, challenges and opportunities will be turned into priorities and constructive statements and shape the vision for urban growth and recovery that is the focus of this work. This will be tested through a focus group of urban authorities and the City Regions Board, and the final report will be published in March.

Implications for Wales

21. The LGA has worked closely with the Welsh Local Government Association and the associations of the other devolved administrations throughout the coronavirus pandemic and will continue to do so through the process of recovery.

Financial Implications

22. The costs of commissioning Cambridge Econometrics and any further costs will be met from the board's policy budget.