

21<sup>st</sup> May 2020

## SCR Economic Recovery Plan

### **Purpose of Report**

This report looks at the economic implications of Covid-19 and presents an update on the SCR Economic Recovery Plan.

### **Thematic Priority**

This report relates to all the draft and current Strategic Economic Plan priorities.

### **Freedom of Information**

The paper will be available under the Combined Authority Publication Scheme.

### **Recommendation**

The Board is asked to note the economic implications and the process quickly implemented to react to the crisis and plan for recovery.

## **1. Introduction**

- 1.1** The development of the Sheffield City Region (SCR) Economic Recovery Plan (ERP) is a vitally important move to mitigate the worst effects of the Covid-19 crisis and ensure a strong and timely recovery towards a more resilient economy and society.

The ERP will be aligned with the Economic Plan (SEP). The SEP will still be the SCR's overarching strategy. The Economic Recovery Plan will act as a bridge to the SEP, setting out the more immediate to medium term actions we need to take and should allow us to reset and confirm our priorities and the sequence of interventions needed.

- 1.2** The ERP will set out SCR's primary response to Covid-19. It aims to restore public and business confidence, support people in employment and education, stimulate investment in SCR, create jobs, and help the unemployed back into work in order to improve the lives of our people. The plan is designed to create a basis for rapid agreement between SCR stakeholders to get SCR's economy moving again.

- 1.3** A one-page summary of the ERP is attached at Appendix 1.

## **2. Proposal and Justification**

### **2.1 Economic implications of Covid-19**

The global and national economic outlook is widely predicted to be bleak, albeit it is difficult to quantify just how bad the economic impact will be. Numerous forecasts and publications have made a range of predictions, but it seems certain that a recession is

underway, and it is likely to be worse than 2008-09, and probably the worst since the Great Depression.

**2.2** The potential impact on the City Region could be devastating for our communities, particularly the predicted rise of unemployment. At the time of writing, 7.5m employees have been furloughed across the country, which is approximately a quarter of the private sector workforce. If the Job Retention Scheme (JRS) had not been in place, we would have seen unprecedented unemployment claimants. Nevertheless, the JRS is temporary and is too costly to be implemented for a long period of time. The extension of the JRS until October (it will be modified from August with employers sharing the cost) has avoided a cliff-edge in the short-term and will protect millions of jobs; however, the medium to longer-term employment situation is still precarious.

### **2.3 Short-term impacts**

Sectors such as tourism, non-food retail and leisure sectors have been hit harder in the short term due to social distancing measures. These sectors employ 113,000 people in SCR and consist of 17% of the workforce. Young people, women and the lowest paid are more likely to work in these sectors.

**2.4** Home working has been a short-term impact for many office workers. However, it is estimated that under 20% of workers are estimated to be able to work from home in Doncaster and Barnsley. The transition from 'lockdown' is therefore critical for the City Region's economy. Recent announcements for manufacturing and construction to return to work are welcome but practical questions have arisen (e.g. safety).

**2.5** Positively, estimates on the share of the workforce that is designated as 'key worker' show that South Yorkshire has a higher share (33%) than the national average (29%). Given that activity in these sectors have continued throughout the lockdown and there is likely to be government and public support in the longer term, this could be an economic asset.

**2.6** In terms of health, Covid-19 has disproportionately affected the elderly, BAME people, economic people, and marginally more males than females. There has been a disproportionate amount of excess deaths in poor communities. The ONS found that residents in deprived areas have experienced double the death rates of those in affluent areas. In terms of the economic impacts, Covid-19 has affected more women and younger people. For both health and economic impacts, less well-off and BAME people have been hit twice (see infographic in Appendix 2).

### **2.7 Medium-term impacts**

Despite businesses who cannot work from home returning to work, there is concern in the short to medium-term about reduced demand and supply issues. Manufacturing and construction businesses may have had relatively less initial exposure to this crisis than some sectors; however, supply chains are increasingly being affected and there will likely be months of disruption. The longer-term outlook for these sectors is also a concern. SCR has a greater share of manufacturing compared to the rest of the country with 12.1% of employees working in manufacturing compared to 8.2% nationally.

**2.8** The sector analysis of the Office of Budget Responsibility's long lockdown scenario showed that the worst affected areas would be construction, accommodation and food, and education. In terms of national ranks, Rotherham fared the worst in SCR and is 95th out of 382 local authorities; Barnsley is 203rd, Doncaster is 225th and Sheffield is 295th.

**2.9** Covid-19 has impacted groups of people and sectors in SCR differently. Those working in manual occupations, service sector roles or in the gig economy, have seen their hours reduced, placed on furlough or lost their jobs. Contrastingly, people who can work from home have seen their disposable income increase as costs have fallen. This could exacerbate existing inequalities, and it will also have an impact on the economic recovery

in terms of spending power and the issue of reduced demand for some businesses that reopen after lockdown.

## **2.10 Long-term impacts**

Experience from the 2008-09 recession, SCR's Brexit analysis and independent analysis from think tanks and consultants shows that the SCR economy lacks resilience due to its current composition and is therefore vulnerable to any national economic shock. Analysis of sectors more vulnerable during a recession shows that Metal Products, Engineering and Transport & Storage sectors have a high level of exposure. These sectors employ almost 89,000 people and over 7,500 businesses in SCR.

- 2.11** If the effects are like the previous 2008-09 recession then the unemployment rate could double, which could mean an extra 40,000 people being unemployed in the region, but the increase could be higher than this.

## **2.12 Mitigating the economic impacts**

Government has asked the Mayor to lead economic recovery in SCR with LEP support. The Mayor has convened a Covid-19 Response Group to oversee the development of the work. This has brought together anchor institutions from across the region to develop the ERP. The group has been effective in being the voice for business in terms of short-term lobbying on issues such as the Government's emergency loan scheme and considering long-term recovery.

- 2.13** The work to develop the ERP is anticipated to last eight weeks. The ERP will address issues highlighted in 2.1-2.11 and will draw upon two scenarios which identify different potential outcomes from the current situation. The plan will focus upon:

- The current landscape and impact upon Barnsley, Doncaster, Rotherham, and Sheffield.
- Gaps in interventions for different populations and business groups.
- Outlining an implementation plan and how to deal with uncertainty.

- 2.14** The plan will draw upon evidence including social, environmental and technological drivers of change which SCR will need to react, adapt and plan for. The ERP will need to consider how different interventions could play out, noting that the economy is a complex system. The plan will also consider how public sector can drive change and move towards the shared ambitions of economic growth, greater inclusion and a net zero future

- 2.15** To date, world leading academics have been engaged and a range of central government, public sector and private stakeholders have also been interviewed. The engagement stage builds upon a growing social and economic evidence and together these have provided insight into key challenges and measures will likely be required to recover from this crisis.

- 2.16** The ERP will provide a bridge to the SEP. It will identify short-term actions to mitigate the economic implications outlined and help ensure the longer-term structural reforms identified in the economic plan to help raise potential growth can be progressed. It will also highlight themes in the SEP which require being elevated in the new economic context created by Covid-19.

## **3. Consideration of alternative approaches**

- 3.1** We could have delayed the development of the ERP or instead amended the SEP. However, the SEP is a long-term strategy and retrofitting it could compromise the still desperate need to address our entrenched structural and foundational economic challenges. Not producing the ERP would ignore the huge economic and social change from dealing with Covid-19 and its subsequent impacts.

## **4. Implications**

### **4.1 Financial**

This work is supported by consultants who have been commissioned by the SCR to assist with the ERP.

### **4.2 Legal**

There are no legal issues for this paper.

### **4.3 Risk Management**

Risk assessment has been undertaken for the project and is continually monitored.

### **4.4 Equality, Diversity and Social Inclusion**

The emerging ERP will help to address poverty and the health and wellbeing of the local populations and therefore will contribute to improving social inclusion. Covid-19 has disproportionately affected vulnerable groups – from a health and economic perspective – so it is vital that the ERP addresses this.

## **5. Communication**

- 5.1** Proactive communications will be delivered across a range of channels, including digital, social and traditional media, once the plan is in a position to be published.

## **6. Appendices/Annexes**

Appendix 1 – Summary

Appendix 2 – Distributional impacts infographic

Further thematic briefings are available on request.

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ. Other sources and references: N/A.