



The levelling up outlook

CPP outlook #4

September 2021



About the outlook

The government's levelling up agenda aims to address the place-based inequalities that have held back the country's economic progress for decades. It is at the heart of the promise made by the Conservative Party to former Red Wall seats in the 2019 General Election but fulfilling it has been made harder by the Covid-19 pandemic.

The purpose of *The levelling up outlook* is to track the country's progress in reducing economic inequalities – particularly as they relate to place – in the context of the ongoing crisis. We use latest official statistics and other reliable data to publish the outlook every quarter.

Key takeaways from the September outlook

Has the pandemic redrawn the map of deprivation?

Covid mortality and population density are more important than pre-existing deprivation in determining the worst-hit local labour markets during the crisis:

- The 14-month covid mortality rate and population density explain over 60% of the changes in the claimant count by local authority seen since the start of the crisis.

Low earners have consistently borne the brunt of economic shutdowns over the course of the pandemic:

- Average wages for those on furlough would have been £484 per week if they had been working, by comparison to £573 for the whole of the UK.

Implications for levelling up: if someone was a low earner living in a highly populated urban area which had high levels of exposure to the virus, they are likely to have been particularly badly impacted during this pandemic. Addressing inequalities within places (as distinct from between places) has become more urgent.

Despite these labour market impacts, the map of deprivation is largely the same as it was before the pandemic.

- The statistical relationship between 2019 deprivation scores for local authorities and the unemployment claimant count has only moderately weakened – from 83% in February 2020 to 73% by July 2021.

Over the longer term, the recovery is likely to be bumpy with different places likely to experience very different paths.

- Analysis of three historic economic crises shows there is a far from perfect statistical relationship between those local areas that were worst hit in the first year of a crisis and their recovery paths four years down the line (measured in terms of gross value added relative to pre-crisis trend). A correlation of 1 means a perfect positive relationship, yet for the 2008 crisis it was just 0.4.

Implications for levelling up: while this is not a repeat of 2008, the pandemic has yet to run its course and so too have the potentially negative economic consequences for the UK's most vulnerable people and places.

Spotlight on adult social care

CPP analysis shows social care is currently not working for the least well-off people and places, undermining the levelling up agenda:

- **Unmet needs:** in the most deprived places, over 40% of older adults who need help to perform key activities of daily living such as using the toilet or getting dressed, received no support. This compares to 19% of older adults needing help in the least deprived places.
- **Reduced employment and earnings:**
 - Among those who had provided care in the last month, 23% of women doing over 10 hours per week left employment altogether, while 14% reduced their hours. Overall, half of women had their employment affected.¹
 - The personal financial costs of unpaid care fall hardest on the poorest women – 23% of women in low-income households faced financial difficulties from providing unpaid care in the last month, compared to 10% in higher income households.²
- **Increased unplanned hospitalisations:** A&E visits for chronic conditions like diabetes and asthma are higher in the most deprived parts of England than the least. But these visits would be preventable with better care in the community, including adult social care.
- **The quality of social care:** based on new CPP analysis of Care Quality Commission data, social care provision is of lower quality in the most deprived areas than in the least deprived areas.

CPP's analysis of the government's reforms demonstrates how the focus is on saving personal assets of those needing to pay for care, rather than on the quality and accessibility of care:

- Of the new £5.4bn raised for adult social care, only £500m is allocated to professionalising the workforce, recruitment and retention. This is equivalent to just 11,000 extra care workers a year, yet 149,000 left the sector in 2019/20.
- The resources for social care are also likely to be reduced by the new national insurance levy for health and social care – costing social care employers over £100m per annum.
- The key announcement focused on the new cost cap and means test. CPP analysis shows that households in the North East spending three years in residential care would risk losing around 50% of their wealth and assets whereas people in the South East would lose about 20%. Even after reaching the cost cap, people will still be liable for day-to-day living costs while in care, so costs are still likely to be prohibitive for many.

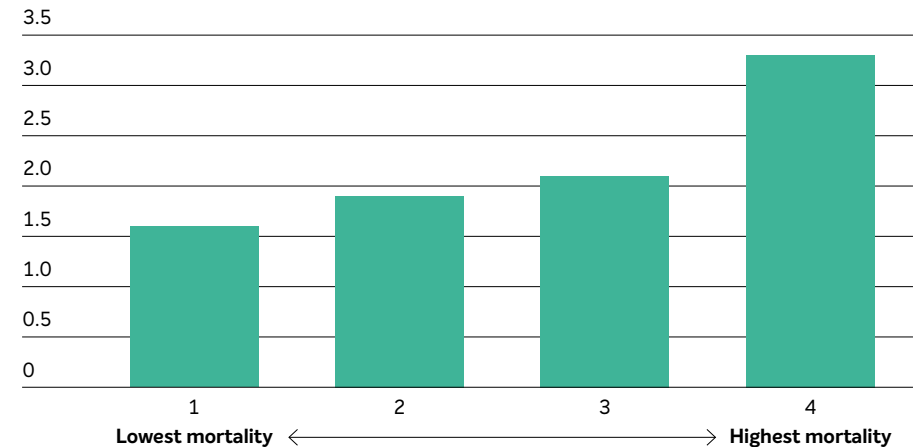
As we approach the Spending Review and beyond, the government will have to look beyond taxing earnings if it is to invest at sufficient scale in order to level up opportunity across the UK.

Latest trends and developments

Has the pandemic changed the geography of deprivation?

Chart 1: Change in unemployment claimant count by quartile of covid mortality for English local authorities³

Source: CPP analysis of ONS datasets



Population density and covid mortality have been key drivers of labour market upheaval

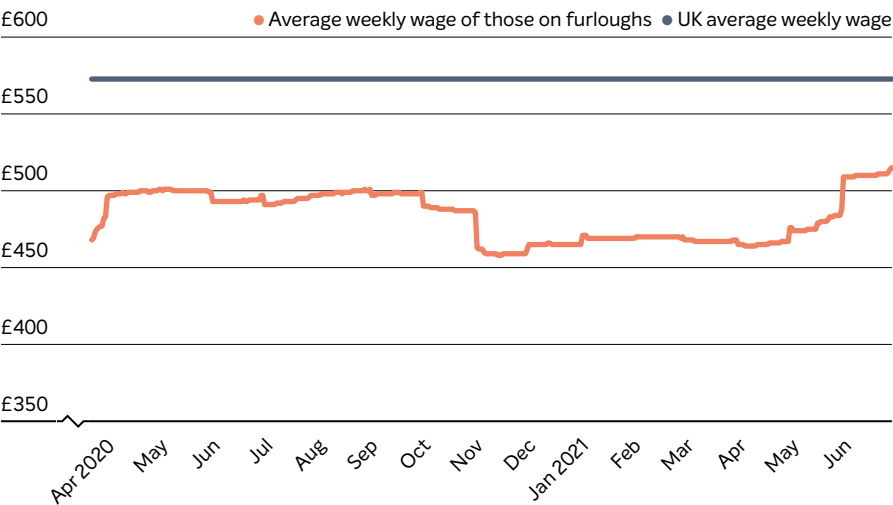
CPP calculations suggest that population density (the number of people per sq km) and the 14-month covid mortality rate account for over 60% of variation in the claimant count.⁴ During the pandemic, an area's level of deprivation has only been weakly related to the change experienced in its claimant count.

When looking at those who are still furloughed, the same pattern emerges with covid mortality and population density seeming to matter more than deprivation in explaining local variation.

Our analysis confirms that urban places and those that experienced larger deaths due to Covid-19 also faced the biggest labour market shocks. This makes sense – bigger health shocks would have led to more stringent local lockdowns and possibly more public reluctance to return to normal economic activity once those lockdowns had ended. Urban areas are also more likely to have sectors that were heavily impacted by lockdowns such as retail, hospitality, and entertainment.

Chart 2: Average weekly wage of those on furlough over time vs UK average 2020⁵

Source: CPP analysis of HMRC and ONS datasets



Low earners have borne the brunt of the economic shutdowns

While the most vulnerable local areas were not always the ones worst hit economically, the individuals who were most impacted were in low earning jobs. CPP’s new analysis calculates the average wage of those who were furloughed (had they still been working during the crisis). They would have had an average wage of £484 per week by comparison to £573 for those still working during 2020. The chart shows furloughed staff to be earning consistently lower than average for the entire history of the scheme.

The picture of those worst affected economically by the crisis is becoming clearer. If you were a low earner living in a highly populated urban area which had high levels of exposure to the virus, you are likely to have been particularly badly impacted during this pandemic.

Chart 3: Deprivation ranking 2019 and claimant count July 2021

Source: CPP analysis of ONS and MHCLG data



But the pandemic has not fundamentally rewritten the geography of deprivation

While the pandemic has undoubtedly impacted the economies of some affluent places more than expected – notably outer London boroughs like Barnet, Hillingdon and Merton – it has not led to a redrawing of the map of deprivation across the country. CPP analysis shows that 2019 deprivation scores for all English local authorities are pretty tightly associated with the most recent claimant count data on overall rates.

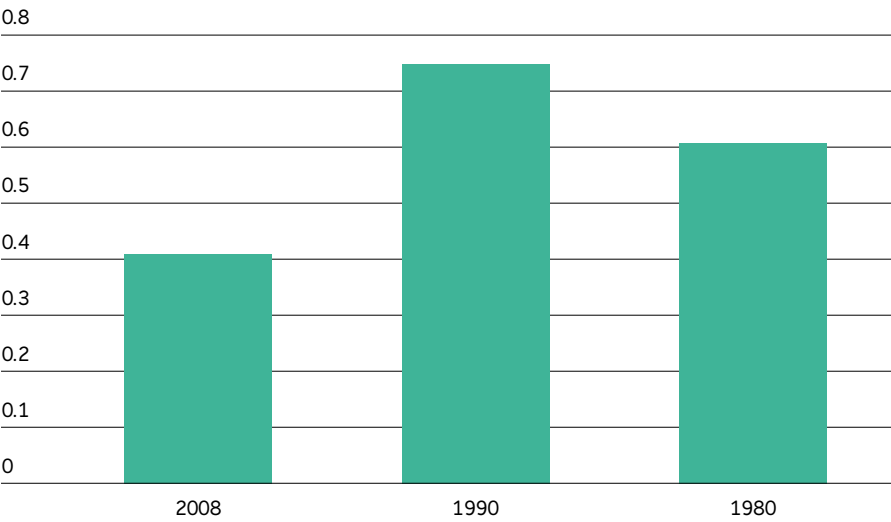
The level of the claimant count is therefore still highly related to pre-pandemic patterns of deprivation (even if the changes to the claimant count are not). The relationship has

only slightly weakened over time – where pre-pandemic deprivation scores explained 83% of the local authority variation in the February 2020 claimant count data, it now explains 73%.

Levelling up was coined before the pandemic struck and was focused on those regions and areas deemed left behind based on historic economic disadvantage. The pandemic has shaken this up a bit through its impact on some vibrant urban areas, but the pre-crisis map of deprivation is likely to largely hold.

Chart 4: Correlation between initial economic shock and recovery after four years by local area

Source: CPP analysis of UK regional accounts data and ONS⁶



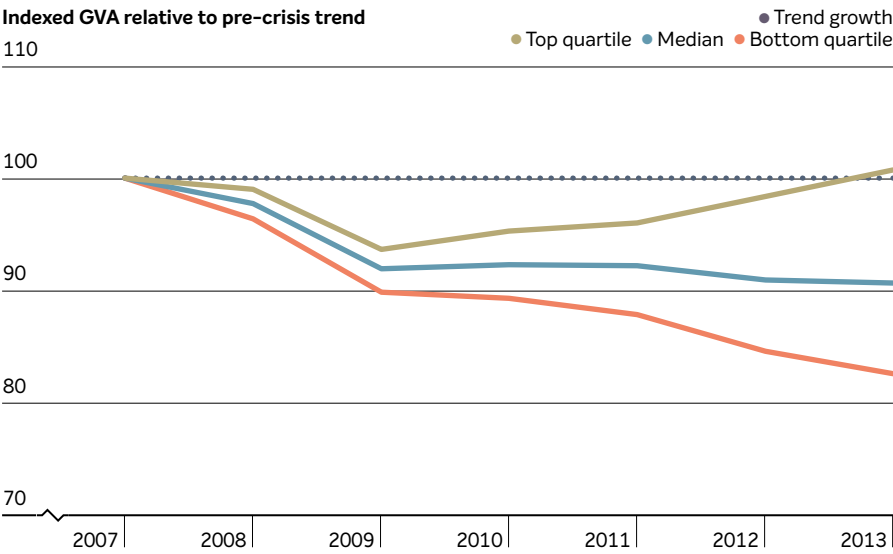
Beware the fallacy of only looking at short-term recovery

Economic crises are dynamic and complex. Just because a place is particularly badly impacted in the first year of a crisis does not mean to say it will come out worst in the long run. CPP analysis of past economic crises shows there is a far from perfect relationship between those areas that were worst hit in the first year of a crisis and their recovery paths four years down the line (measured in terms of gross value added (GVA) relative to pre-crisis trend). A score of 1 on the chart would mean a perfect positive relationship, yet for the 2008 crisis it was just 0.4.

While the covid-induced economic crisis is undoubtedly different from these previous economic crises, this lesson from history should caution us into thinking the recovery is fully locked in and its long-term implications for places are well understood

Chart 5: Recovery paths by local authority grouping⁷

Source: CPP analysis of ONS datasets



The long-run impacts can differ substantially by place

Certain characteristics of a place make it more able to bounce back from economic crises, such as having a diverse local economy and high existing skill levels within the population (and many more besides). By contrast, places that seemingly avoid an initial shock could be badly damaged over the long term if lower overall demand ultimately impacts the industries they rely heavily upon, and the local population is not sufficiently skilled to find work in other sectors.

The 2008 crisis demonstrates these points. GVA in the top quartile of local authorities had fully recovered by 2013, while the bottom quartile was still 17% below trend. London was the

initial epicentre with jobs going at high-profile financial services firms, but the crisis quickly led to much lower demand caused first by tighter bank lending and then reductions to public spending. This resulted in a recession with long-lasting effects, especially for some of the most vulnerable places. A decade after the crisis, Wolverhampton's economy was still 30% smaller than implied by its pre-crisis trend.

While this is not a repeat of 2008, the pandemic has yet to run its course and so have the potentially negative economic consequences for the UK's most vulnerable people and places

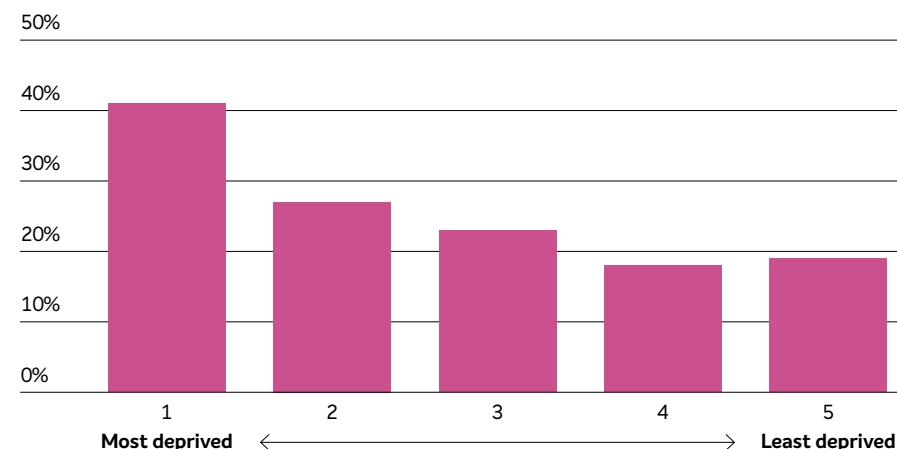
Spotlight: social care funding reforms (September 2021)

The government recently announced new funding for social care as part of a package of measures to support the health and social care systems. This month's spotlight first revisits the case for investing in social care as part of levelling up, before assessing whether the government's proposals will meet the challenge.

Why social care can be important for levelling up

Chart 6: Proportion of people over 65 with unmet care needs by quintile of deprivation⁸

Source: CPP analysis of Health Survey for England



Levelling up care provision

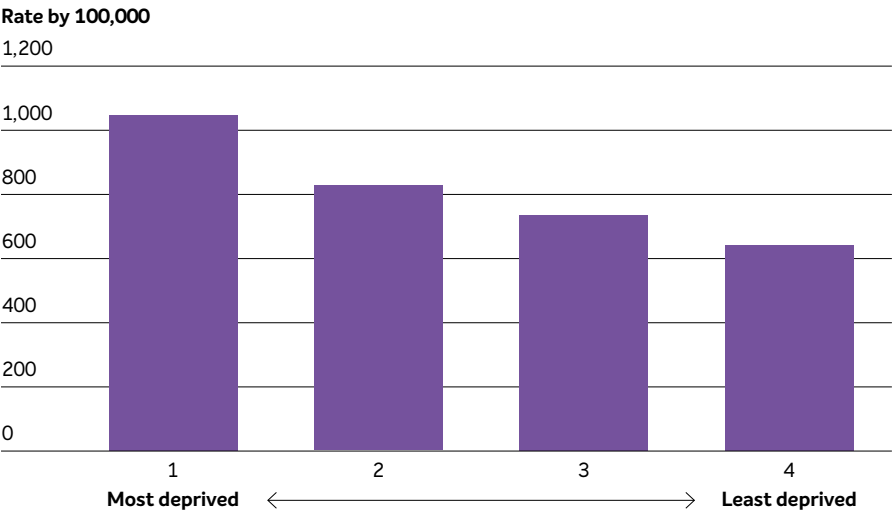
Unmet care needs (i.e. people who need help with key activities of daily living but do not get any) are highest among those living in the most deprived communities. The chart shows that in the most deprived places, over 40% of older adults who need help to perform key activities of daily living such as using the toilet or getting dressed, received no support.

This compares to 19% of older adults in need of support in the least deprived places. This is not only a problem for those needing care but has serious knock-on implications for the health system and wider economy, particularly in those places.

The strain of care unmet care needs is not only a problem for the person needing care but also for the health system when they inevitably require emergency assistance, and for the wider economy when family members are left to pick up the pieces

Chart 7: Unplanned hospitalisations for chronic conditions by quartile of deprivation⁹

Source: CPP analysis of NHS digital and MHCLG datasets



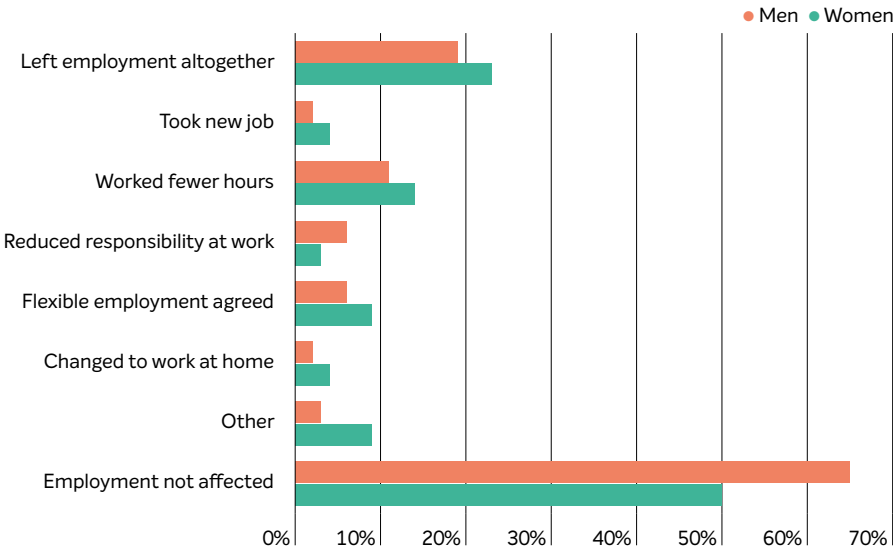
Reducing hospitalisations

Unplanned hospitalisations are one manifestation of the problems with social care. Total costs of emergency admissions are upwards of £17bn per annum.¹⁰ To some extent, this is driven by those with chronic conditions such as diabetes or asthma for whom better care in the community could have prevented hospitalisation.¹¹ Such unplanned hospital visits are particularly prevalent in more deprived places, with those attributable to chronic conditions higher in the most deprived parts of England than the least.

Increasing hospital capacity is only one side of coping with the demands placed on the health service, which are particularly severe in poorer places. Preventing people from requiring emergency admissions in the first place, through better management of long-term conditions in the community and through social care, is the other critical side of the coin.

Chart 8: Impact on employment of providing 10+ hours of care a week¹²

Source: CPP analysis of Health Survey for England



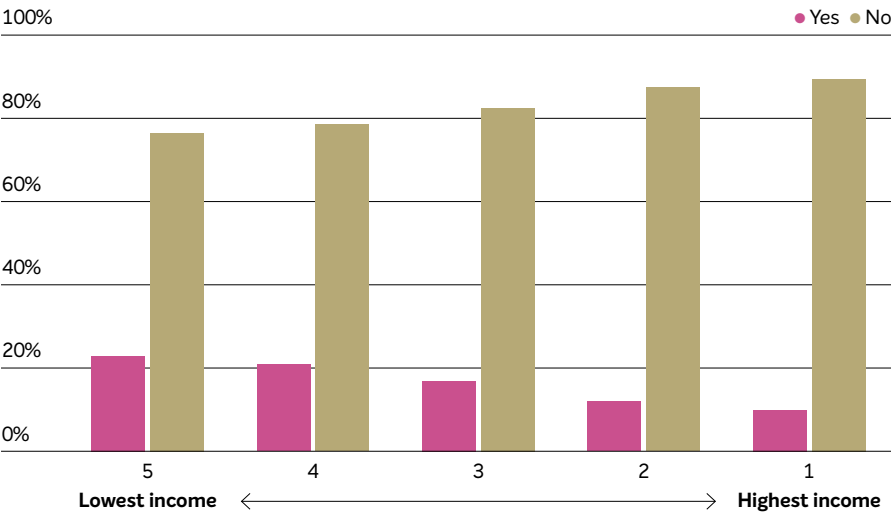
Preventing early exits from the labour force

Lack of social care provision also puts a strain on those members of the family who provide informal care, and this has direct impacts on their employment prospects. Such care is often provided by women aged over 50, and it can lead to early exits from the labour force resulting in many years of foregone earnings and pension contributions.

Among those who had provided care in the last month, 23% of women doing over 10 hours per week left employment altogether while 14% reduced their hours. Overall, half of women had their employment affected and that was just based on providing care in the last month before the survey was conducted.

Chart 9: Whether women faced financial difficulties from providing unpaid care in the last month by level of household income

Source: CPP analysis of Health Survey for England



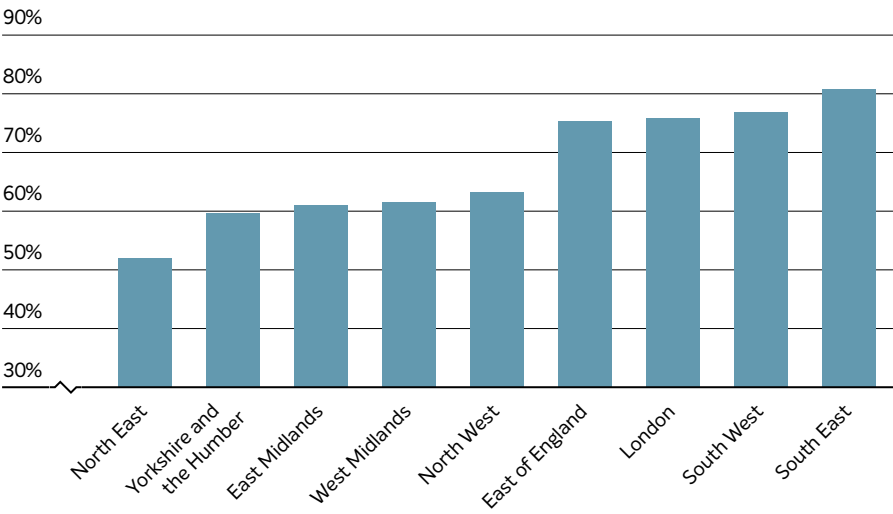
The personal financial costs of unpaid care fall hardest on the poorest women – 23% of women in low-income households faced financial difficulties from providing unpaid care in the last month by comparison to 10% in higher income households.

Lack of social care provision can take a substantial personal financial toll on those family members providing informal care as well as having a wider economic cost through reduced employment. These economic costs fall heaviest on those least able to bear them – poorer people and communities where the prevalence of unmet social care needs is higher and where the ability to absorb income shocks is lower.

Do the social care reforms rise to the challenge?

Chart 10: Percentage of assets remaining after three years in residential care by region¹³

Source: CPP analysis of Wealth and Assets Survey (2016–18) and NHS Digital



Reforms put substantial resource into protecting property wealth

The government has promised £5.4bn extra to social care over the next three years. Most of this will go to funding a new means test for state support and a cap on care costs. The justification is that care costs were prohibitive for many and several years in a care home could easily erode almost all savings and assets of those with average wealth.

The new means test is substantially more generous providing some support to people with assets between £20,000 to £100,000 and ensuring no one has to pay more than £86,000 in care costs.

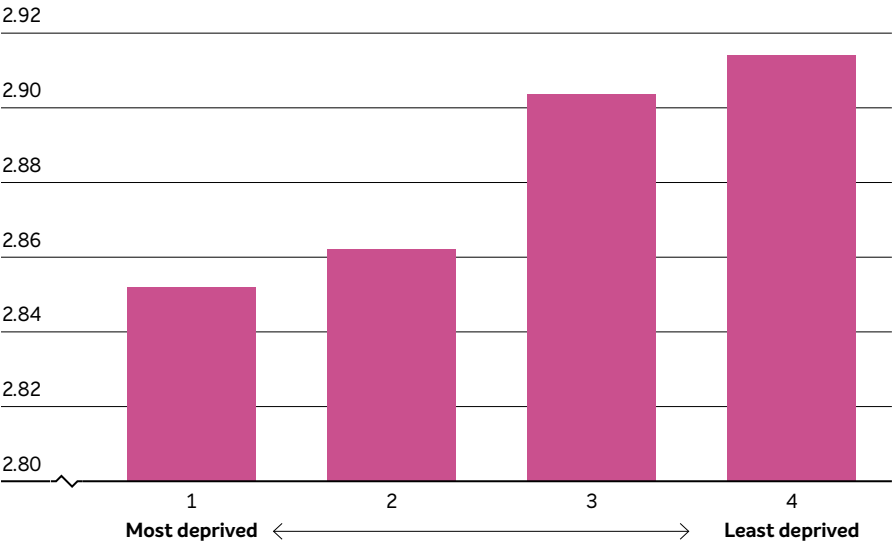
Because of the nominal cap, these reforms will do more to support the

assets of those with higher levels of wealth than those with moderate wealth who may have been deterred from using care in the past due to high costs. Based on median household wealth values by region (which includes housing), CPP analysis shows that three years in a residential care home would cost proportionately more to people living in regions with moderate wealth.

This means that people in the North East spending three years in care would lose around 50% of their wealth, whereas people in the South East would lose about 20%. Even after reaching the cost cap, people will still be liable for day-to-day living costs while in care.

Chart 11: Average adult social care provider scores by level of deprivation¹⁴

Source: CPP analysis of CQC data and MHCLG



Barriers to care go beyond the means test

Access to good quality care across all settings (whether residential, nursing home or in the community) will be critical to ensuring more people use social care services. As the chart shows, people living in more deprived areas currently experience slightly lower quality adult social care (based on the overall rankings provided by the Care Quality Commission (CQC)).

Overall, just £500m of the £5.4bn will go towards professionalising the workforce, mental wellbeing and recruitment and support. Spread over three years that works out at £108 per care worker per year.¹⁵ Put another way, if the money was just focused on recruitment, this would

pay for another 11,000 care workers a year; yet this is tiny compared to the number who left the sector in 2019/20 – 149,000.¹⁶ Staff turnover was very high, particularly in residential and domiciliary care (above 30% of the workforce left their roles).¹⁷

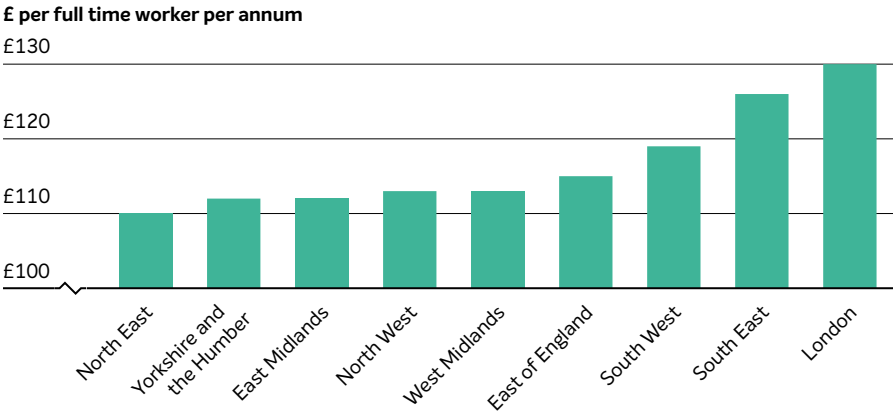
Having a cap on care costs will not help solve the care crisis of unmet need if there are not enough trained staff to look after those who need support



Pensioner incomes and wealth must be included to fund social care and wider levelling up objectives

Chart 12: Social care employer’s tax increase per full-time worker

Source: CPP analysis of Skills for Care data and proposed reforms



The government has increased taxes, but these measures are not the most conducive to levelling up

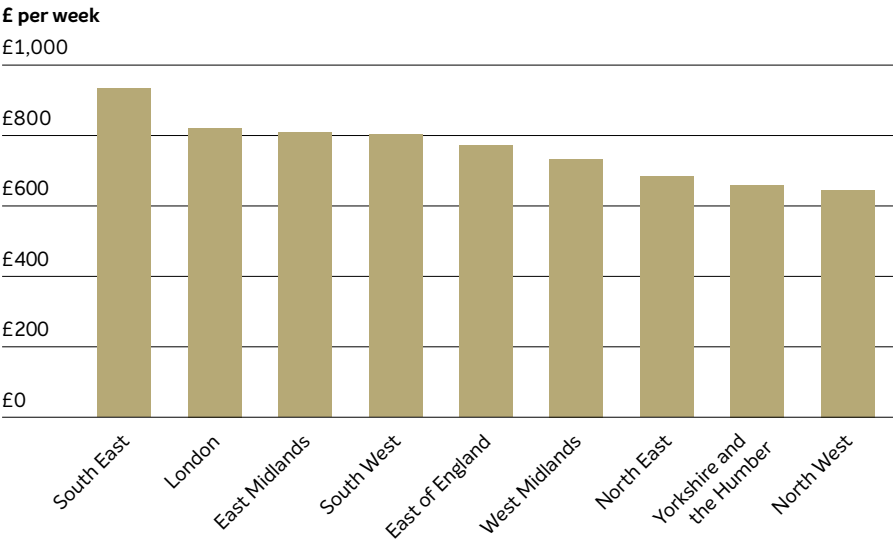
There was much discontent about the new health and social care levy using national insurance – a tax on earnings from employment – rather than income. The government also announced a tax increase on dividends, but of the total additional £12bn a year raised for health and social care, the dividend will account for only £0.6bn, with national insurance picking up the majority of the tab.¹⁸

Rather perversely, the national insurance hike will also hit the adult social care sector. CPP estimates that the 1.25 percentage point increase will cost the sector upwards of £100m per

annum. So that is even less resource for the sector to professionalise and meet its recruitment and retention needs. Costs for providers will be higher in London and the South East because wages are higher in these regions.

Chart 13: Gross pensioner incomes (couples) by region

Sources: CPP analysis of DWP Pensioner Income Series



Arguably, there are other sources of raising tax aside from national insurance which would be more conducive to levelling up – helping to share the tax burden both across the income and wealth distribution and between generations.

For pensioners under the age of 75, around only a quarter of their incomes is accounted for by earnings (falling to 7% among the over 75s), while the incomes of pensioners are much higher in the South East and London than the North of England.¹⁹ An earnings tax therefore falls almost entirely on those working who are below pensionable age, and misses out on possible revenue from wealthier pensioners in London and the South East.

As we approach the Spending Review and beyond, the government will have to look beyond earnings if it is to invest at sufficient scale in order to level up opportunity across the UK while avoiding damaging the incomes and earnings potential of those its flagship policy agenda seeks to support

Sources for charts

Chart 1: Covid mortality and claimant count

Covid mortality: ONS (2021) Number of deaths and age-standardised rates from all causes, Covid-19, and other causes, People, Local Authorities in England and Wales, deaths registered between March 2020 and April 2021

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/datasets/deathsduetocovid19bylocalareaanddeprivation>

Claimant count: ONS (2021) CC01 Regional labour market: Claimant Count by unitary and local authority (experimental)

<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental>

Chart 2: Furlough and earnings by industry

Furlough: HMRC (2021) Coronavirus Job Retention Scheme statistics, 29 July 2021

<https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-29-july-2021>

Chart 3: Deprivation 2019 and claimant count

Deprivation: MHCLG (2019) English indices of deprivation 2019, Local authority district summaries

<https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>

Claimant count

As above.

Chart 4: UK regional accounts and ONS GVA data

For 1980s and 1990s recessions: Regional Accounts Data, 1971-1999

<https://beta.ukdataservice.ac.uk/datacatalogue/studies/study?id=4010#!/access-data>

For 2008 recession: ONS (2019) Regional gross value added (balanced) by industry: local authorities by NUTS1 region

<https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedbalancebylocalauthoritiesbynuts1region>

Chart 5: GVA by local authority for 2008 recession

As above.

Chart 6: Unmet care needs

Health Survey for England 2018. Table 6: Summary of need for and receipt of help with Activities of Daily Living (ADLs/IADLs) in the last month, by Index of Multiple Deprivation (IMD) and sex
<https://digital.nhs.uk/data-and-information/publications/statistical/health-survey-for-england/2018>

Chart 7: Unplanned hospitalisations and deprivation

Unplanned hospitalisations by local authority: NHS Digital (2020) Unplanned hospitalisation for chronic ambulatory care sensitive conditions

<https://digital.nhs.uk/data-and-information/publications/clinical-indicators/nhs-outcomes-framework>

Chart 8: Impact on employment of 10+ hours per week unpaid caring

Health Survey for England (2019) Impact of caring responsibilities on work, by hours spent caring in the past week and sex

<https://digital.nhs.uk/data-and-information/publications/statistical/health-survey-for-england/2019/health-survey-for-england-2019-data-tables>

Chart 9: Unpaid care and financial difficulties by income

Health Survey for England (2019), Table 18: Whether experienced financial difficulties as a result of caring responsibilities, by equivalised household income and sex

<https://digital.nhs.uk/data-and-information/publications/statistical/health-survey-for-england/2019/health-survey-for-england-2019-data-tables>

Chart 10: Proportion of assets remaining by region

Wealth and Assets Survey: ONS (2019) Total Wealth: Wealth in Great Britain

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthwealthingreatbritain>

Costs of providing residential care: NHS Digital (2020), Adult Social Care Activity and Finance Report, England - 2019-20. Table 52: Unit costs for clients accessing long term support, by support setting and age band, year on year comparison, 2018-19 and 2019-20

<https://digital.nhs.uk/data-and-information/publications/statistical/adult-social-care-activity-and-finance-report/2019-20>

Chart 11: Adult social care provider scores and deprivation

Social care provider rankings: Care Quality Commission (2021), Care Directory with Ratings
https://www.cqc.org.uk/sites/default/files/01_September_2021_Latest_ratings.ods

Deprivation
As above.

Chart 12: Social care employer's tax increase

Skills for Care 2019/20, My local area and summary reports
<https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/local-information/My-local-authority-area.aspx>

National insurance rates and categories
<https://www.gov.uk/national-insurance-rates-letters>

Chart 13: Pensioner incomes

Gross pensioner incomes by region: DWP Pensioner Income Series 2019/20
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972330/pensioners-incomes-series-2019-20.ods



Endnotes

- 1 The question refers to whether people had provided unpaid care in the last month when questioned as part of the Health Survey for England 2019. This is the latest available data.
- 2 Ibid.
- 3 Calculations are based on the change in the claimant count between February 2020 and July 2021, and the covid mortality rate for each local authority over the period March 2020 to April 2021.
- 4 We ran two regression models. The first included 2019 levels of deprivation and the claimant count just prior to the pandemic. This only explained 23% of the change in claimant count experienced during the pandemic. The second included population density and covid mortality which explained 63%. When all variables were included in the same model, its explanatory power only rose to 64%.
- 5 UK average wage is the average for 2020 while furlough is the average at each data point hence the fluctuation. Calculated by taking the weekly earnings per industry from ASHE and applying those to the sector breakdowns of those on furlough using HMRC data for each month.
- 6 For the 1980s and 1990s recessions we only have data for 60 counties, so we would statistically expect smaller differences (and a correlation closer to 1).
- 7 For method on calculations see: https://www.progressive-policy.net/downloads/files/BackFromTheBrink_TechnicalAppendix.pdf
- 8 Unmet need is defined as needing help with an activity of daily living but failing to receive any in the last month.
- 9 These are indicative numbers using indirectly standardised data on unplanned hospitalisations per 100,000 people. While the rate is higher in the least deprived than the most deprived, the true scale of this difference may vary from that depicted here.
- 10 On total cost see: Health Foundation (2018) *Briefing: Emergency hospital admissions in England: which may be avoidable and how*. Available at: https://www.health.org.uk/sites/default/files/Briefing_Emergency%20admissions_web_final.pdf
- 11 From 2010/11 to 2019/20 the proportion of A&E patients aged 65 and over increased the most from 19% to 22%. Available at: <https://digital.nhs.uk/data-and-information/publications/statistical/hospital-accident--emergency-activity/2019-20/summary-reports>
- 12 Aged 16 to 64, provided unpaid care in the last month.
- 13 We use data on total median household wealth by region from WAS and combine this with the regional cost of residential care taken from NHS Digital's Adult Social Care Activity and Finance Report. We model the monthly cost of residential care based on the new means test and cap on
- 14 To create this chart, care providers are given a score of 1 to 4 based on the rankings provided by CQC: inadequate (which we score 1), requires improvement (2), good (3) and outstanding (4). We then calculate the average score for all social care providers in a local area.
- 15 Skills for Care estimate 1.5 million people work in the adult social care sector. Available at: <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/The-size-and-structure-of-the-adult-social-care-sector-and-workforce-in-England.aspx>
- 16 Skills for Care estimate the average care worker is paid £8.50 per hour. So we assume they do a 35 hour week and are paid for 52 weeks of the year. Available at: <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/Topics/Pay-rates.aspx>
- 17 For staff turnover data see: Skills for Care (2020) *The state of the adult social care sector and workforce in England*. Available at: <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-state-of-the-adult-social-care-sector-and-workforce-2020.pdf>
- 18 See page 28: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015737/Build_Back_Better-Our_Plan_for_Health_and_Social_Care_web_accessible.pdf
- 19 CPP analysis of DWP Pensioner Income Series.

Researched and written by Ben Franklin with additional analysis from Dean Hochlaf. Grateful for comments from Charlotte Alldritt and Zoë Billingham.

Designed by williamjoseph.co.uk

About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national and local partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK.

Inclusive growth is one of the most urgent questions facing advanced economies where stagnant real wages are squeezing living standards and wealth is increasingly concentrated. CPP believes that a new approach to growth is needed, harnessing the best of central and local government to shape the national economic environment and build on the assets and opportunities of place. The Centre for Progressive Policy is funded by Lord Sainsbury and host of the Inclusive Growth Network.

Centre for Progressive Policy

27 Great Peter Street
London SW1P 3LN

+44 (0)20 7070 3360

www.progressive-policy.net