

HOW MIGHT CORONAVIRUS IMPACT THE WEST LONDON ECONOMY?

A REPORT FOR WEST LONDON ALLIANCE

JUNE 2020

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June 2020

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EXECUTIVE SUMMARY

The UK economy has gone deeply into recession. But if there is a gradual and successful lifting of restrictions starting this month, there should be a strong recovery. Nevertheless, we estimate that UK GDP will be down 8% in 2020, followed by a 7% rebound in 2021. Employment falls 3% this year and unemployment peaks at about 6½%.

And this is just our baseline view: if restrictions persist for longer, or have to be reintroduced, or if confidence remains severely depressed, then this year's GDP fall could easily be 13%.

In the baseline, we estimate that London's economy experiences a slightly smaller fall in GVA in 2020 than other regions of the UK, largely reflecting the structure of its economy and the greater ability of people to work at home. But we project that the West London economy experiences a slightly larger fall in GVA this year, of 9%.

Again, sectoral structure is a big factor: West London accounts for two out of every five jobs in transport and storage within London, a quarter of wholesale & retail jobs, and a third of manufacturing jobs. The area also has more small and micro sized businesses than the London average, and higher levels of self-employment, both of which increase the challenges that it faces.

West London does, however, experience net outward commuting, especially to central London. That offers a degree of resilience, especially since the jobs tend to pay more than local ones. West London has a lot of people working in professional, associate and especially managerial occupations, many of whom may be able to work at home.

But a very big word of caution: Heathrow Airport is a major employer, especially where managerial jobs are concerned, and many of those people may not be able to work from home. Indeed, the near-closure of Heathrow is a huge issue for much of West London. It is the largest employment site in the UK, and the speed at which the airport can recover, and whether or not that recovery is complete or only partial, will have large knock-on effects through supply chains and workers' spending.

Amongst boroughs, **Barnet** has low exposure to the at-risk manufacturing, hospitality and transport sectors, good broadband connectivity, and a workforce that is likely to adapt well to working from home. These are advantages. It also has high levels of self-employment, and a concentration of micro- and small businesses in the professional services, construction and retail sectors. While these are normally strengths, just at the moment they make Barnet more vulnerable to the impacts of coronavirus.

And resident earnings in Barnet are higher than the WLA or UK averages. Workplace earnings are lower, with residents commuting to other parts of London for work tend to be in high-value, well paid roles. So, job losses in other parts of London will impact on Barnet.

Brent is rather different: it is among the most culturally diverse boroughs in the capital, and the issue of how minority group members might be affected differently than others has to be an area of concern. That is especially so since

the borough's sectoral mix is relatively reliant on several which are vulnerable during the pandemic—particularly manufacturing, but also transport & storage and construction. Those Brent residents in work are relatively concentrated in occupations which are most likely to be vulnerable during the current outbreak. And the borough's working age population tends to be older than elsewhere, and less highly qualified. That said, youth unemployment is particularly prevalent in the borough, while students also form a relatively large share of the population.

Ealing is also a borough with high sectoral exposure, notably manufacturing at the Park Royal industrial estate. The borough Ealing has under-representation of workplace jobs in finance, digital and professional services roles. Nevertheless, many Ealing residents do commute to central London for higher-paid office jobs, and may therefore have a degree of protection, because of their scope for homeworking.

Neighbouring **Hammersmith & Fulham** ranks relatively well in terms of our Coronavirus Challenges Index. It has a highly-qualified workforce and the borough's occupational structure is dominated by managerial and professional occupations, with over 70% of residents employed in these groups, and with a higher than average capacity for home-working. It is the West London borough with the highest earnings, consumer spending and house prices, all reinforce the same message.

However, there is deprivation in the borough, and Hammersmith & Fulham is more exposed to the low-wage and very badly affected hospitality sector than any other WLA borough. Entertainment and sport are also important and are being very badly hit by the lockdown, as is the large non-food element of the retail sector.

Harrow is an archetypal suburban borough. Resident earnings are higher than the WLA or UK averages and over half of residents in work commute to elsewhere in London, typically to well-paid and relatively secure roles offering high scope for home working. Over half of residents in work are employed in managerial and professional occupations. The borough does, however, have high rates of self-employment and especially very small businesses, and that rather alters the picture. Normally these are important advantages, but not at present.

Hillingdon and **Hounslow** are hugely affected by Heathrow Airport's difficulties. But that is not the only issue they face. In Hounslow, the development of the Golden Mile is an important project for the borough, which may bring a significant boost to prosperity. So it matters a lot whether current plans survive the pandemic unscathed.

Pulling these separate borough stories together, we think there are several common challenges and likely priorities to be addressed. In no particular order:

Helping to reduce job losses and business failures. In our baseline forecast, unemployment in West London in 2020 is 27,000 higher than in 2019, while in our downside scenario, it is 35,000 higher. Local government may be able to help to rebuild the confidence of local businesses, by active interventions at the very local level. The aim should be to help rebuild the economy to make sure that the baseline does not become the downside.

Responding to the problems of particular groups is clearly vital. But we caution against the view that young people should be the main focus of concern, at the expense of other groups. In particular the coronavirus crisis has raised the importance of housing services relative to other services, and preventing unemployment from spiralling into homelessness should be a high priority.

Supporting small businesses and the self-employed: among the possible responses is for local councils to encourage people to shop or trade locally and to focus on local neighbourhoods, especially high streets and parades of shops—providing resources for local marketing campaigns, and helping local businesses make any adjustments they require to manage social distancing. An obvious example is with respect to on-street eating and drinking outside bars and cafes.

Rethinking high streets: the pandemic is making a pre-existing problem worse. But poorly performing local high streets are likely to be the result of poorly performing local economies. Generally speaking, successful local economies are those with increasing numbers of office jobs, particularly in the high-growth sectors of professional and support services and digital services. And since office workers tend to spend in shops, cafes and restaurants, the best way to boost the retail and hospitality sectors may be to boost office sectors. That could be a powerful approach to tackling the underlying pre-coronavirus issue

Protecting regeneration schemes: It is also possible that the West London economy is facing a large, coronavirus-driven threat to its 11 Opportunity Areas, and the very ambitious regeneration schemes that most of these are host to—schemes that collectively amount to many billions of pounds. Local authorities need to ensure that the business cases for these schemes are not lost. Talking to developers is vital, and to central government, as is remaking the economic case for West London—including, but not confined to, the case for transport infrastructure investment.

Protecting education, culture, sport and the universities: at a more detailed level, West London's cultural and sporting sector also requires support, for many reasons, of which one is that there could be strong benefits associated with holding celebratory or community-building outdoor events in 2021. The cultural and sporting sectors should be integral to this.

Re-opening Heathrow Airport: In absolute and immediate quantitative terms, the most important immediate challenge is the near-closure of Heathrow airport. So cooperating with the airport's management and its major tenants such as British Airways, to provide information and temporary relief to local businesses, is a necessary step, to provide coordinated support for individuals and employers within the seven boroughs.

1. INTRODUCTION

This report was commissioned by the seven boroughs of the West London Alliance to investigate how coronavirus might be impacting the economy of West London. It has been produced over a very short period in late May and early June 2020, and has been a purely desk-based exercise. We make no claims for it being a comprehensive or a definitive account: even at the national level, up-to-date data are sketchy, and at the local level we are reliant on considering what is likely to be happening to local people and employers, as much as what actually is happening.

We have used our econometric models to produce what we believe to be best-practice estimates. We have provided detailed Excel spreadsheets of historical and forecast data, from 1991 to 2025, on the basis of both a baseline and a downside scenario. We explain the thinking behind these in the text. We have also provided the local results for our Coronavirus Challenges Index, which analyses all local authority areas in Great Britain, on a consistent basis.

In the following chapters we begin by considering the UK picture, and then that for West London as a whole, followed by chapters on each of the seven boroughs. We conclude with some thoughts on what some of the key issues are, and our suggestions on some possible responses.

2. CORONAVIRUS & THE UK ECONOMY

KEY FINDINGS

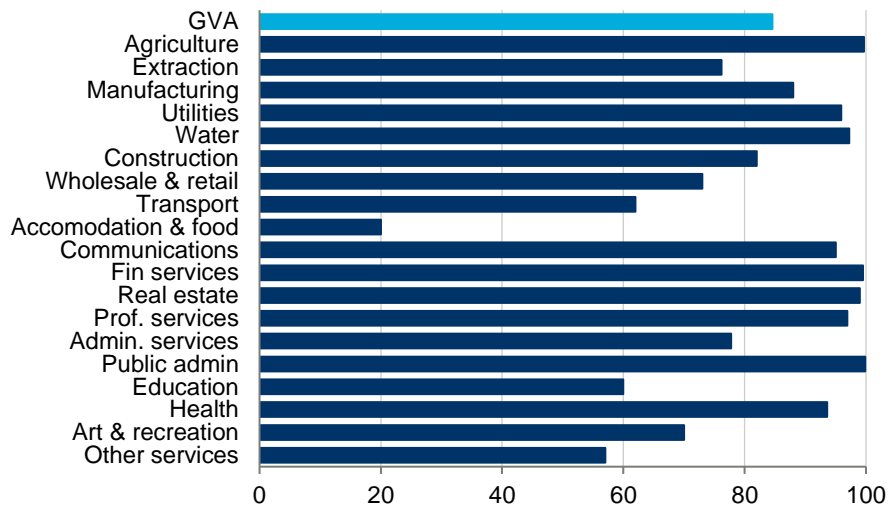
- **The UK economy has gone deeply into recession. But if there is a gradual and successful lifting of restrictions starting this month, there should be a strong recovery.**
- Nevertheless, we estimate that UK GDP will be down 8% in 2020, followed by a 7% rebound in 2021. Employment falls 3% this year and unemployment peaks at about 6½%.
- That is our baseline view: if restrictions persist for longer, or have to be reintroduced, or if confidence remains severely depressed, then this year's GDP fall could easily be 13%.

2.1 RECENT DEVELOPMENTS

The coronavirus pandemic is creating unprecedented challenges for local and national governments across the UK. It will be some time before there is enough hard data to fully evaluate the economic impact of the crisis, but the UK economy is currently in a deep recession, and this year GDP is likely to post its largest annual fall since the early 1920s.

Preliminary estimates from the ONS report that UK GDP fell by 2% in Q1 2020. This was almost entirely due to a near 6% monthly decline in March, caused by the measures implemented towards the end of the month to try to limit the spread of the coronavirus. Indeed, we estimate that during the week of lockdown at the end of March, GDP was about 15% lower than would have been the case absent the lockdown. And the impact was highly variable across sectors, with those most exposed to social distancing measures, such as accommodation & food services, operating at only a fraction of normal levels, but with others, such as agriculture and public administration, seeing little or no hit to activity.

Fig. 1. UK GVA during lockdown as a % of 'normal' level



Source: Oxford Economics

Therefore, the speed with which the lockdown is lifted, and the reaction of businesses and consumers to these relaxations, will strongly influence how deep the recession is, and the speed and nature of the recovery. Our baseline forecast assumes restrictions are gradually relaxed according to the timeline set out by the government in mid-May. This indicated their hopes to begin opening non-essential shops in phases from the start of June, with some children allowed to return to school at the same time, enabling some parents to return to the workplace. But pubs, restaurants and other high-contact sectors are to remain closed until at least the start of July.

2.2 BASELINE SCENARIO

On this basis, we expect economic activity to have reached a trough in April and to have begun to recover in May. But even on that basis we forecast that UK GDP falls by close to 15% in Q2. This is a smaller decline than the 35% and 25% falls estimated respectively by the OBR and Bank of England in illustrative scenarios published in April and May.¹ But both assume the lockdown goes beyond that indicated by the government. They don't reflect the easing in restrictions that have been seen since mid-May, and they also have differing estimates of the impact of the lockdown on activity. They are therefore towards the pessimistic end of the spectrum of forecasts and scenarios produced by organisations across the public and private sectors.

Our baseline expectation is that, as social distancing measures are relaxed further, economic activity will rebound reasonably strongly in the second half of 2020 and into 2021. That recovery will be supported by:

¹ For further details see <https://obr.uk/coronavirus-analysis/> and <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020.pdf>

- **Government income support measures** which have supported employment by introducing schemes that pay the bulk of the wages of furloughed workers and support the income of the self-employed. These will limit the rise in unemployment and support household incomes.
- **Very low inflation** due to the collapse in the oil price and weak economic activity, which will provide an additional sizeable boost to household incomes.
- **Loose monetary policy** to support demand in the economy, with interest rates at historically low levels and additional quantitative easing by the Bank of England.

We estimate that UK GDP will fall by around 8% in 2020 before recovering by a little over 7% in 2021. A rebound of this magnitude implies that the UK economy will return to its Q4 2019 size in early 2022.

A similar but less dramatic picture applies to employment. Although we expect employment to fall by about 3% in 2020, and unemployment to peak at around 6.5% in the summer, the rise in joblessness would have been far higher without the government's furlough scheme. And this means employment is likely to regain pre-coronavirus levels before the end of 2021.

2.3 SECTORAL VARIATIONS

Underlying these headline trends are contrasting fortunes for the different sectors of the economy. Those most exposed to the social distancing measures—including accommodation & food services and arts, entertainment & recreation—are likely to endure falls in economic activity of around 25% in 2020, despite a gradual recovery in the second half of the year. Manufacturing and transport & storage are also expected to contract more than the overall economy. The depth of the recession means few parts of the economy will avoid significant contractions. Resilience is most likely in parts of the public sector as the government tackles the pandemic, and in sectors where workers are most able to work from home, most notably the information & communications sector and parts of business services. Some parts of manufacturing are also resilient and even growing: food and drink production, pharmaceuticals and those parts of the chemical sector involved in the production of cleaning liquids and the like.

2.4 OTHER ISSUES: BREXIT

While the recovery from the coronavirus is the main issue facing the UK economy, the medium-term outlook is also shaped by Brexit. We expect the UK government to seek a deep trade deal to try to protect vulnerable sectors. But this will take time, and it always looked likely that talks would drag on beyond the scheduled end of the transition period. The disruption caused by the coronavirus outbreak and resulting switch of political priorities mean the chances of concluding a trade deal by the end of 2020 are now even lower.

In our baseline scenario we expect the UK and EU to agree an extension of the transition period or, alternatively, a political compromise which would have the same effect, such as an interim deal with an implementation period until the end of 2022.

8% decline

UK baseline GDP contraction in 2020.

Despite a strong rebound the following year, a full recovery to pre-pandemic GVA levels is not expected until 2022.

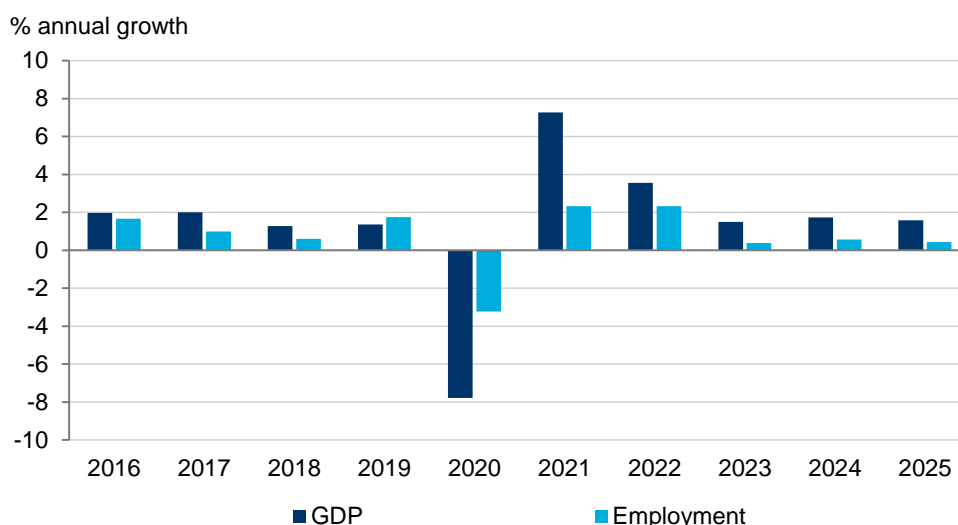


There nevertheless remains a risk that talks break down, leaving the UK and EU to trade under WTO rules from 2021, an outcome that would leave UK GDP around 1.5pp lower at the end-2022 than under our baseline forecast.

2.5 MEDIUM-TERM PROSPECTS TO 2025

In our baseline scenario the medium-term outlook is for UK GDP to grow on average by 1.2% per year during 2020-25, and employment by 0.4%. This compares with pre-coronavirus projections of 1.5% and 0.5% respectively, indicating that the pandemic will have a permanent impact on the UK economy. GDP in 2025 is projected to be 2% lower than compared with our pre-coronavirus forecast, with the shortfall explained mainly by a weaker outlook for productivity rather than lower employment.

Fig. 2. Baseline GDP and employment, UK, 2016-2025, %/y



Source: ONS / Oxford Economics

2.6 ALTERNATIVE SCENARIOS

Inevitably, there is considerable doubt surrounding the baseline forecast. There is much uncertainty around the pace at which lockdown measures are relaxed, the severity of the near-term decline in activity and the degree to which government support schemes limit the increase in unemployment. The epidemiology is also highly uncertain, with the risk of a renewed increase in infections once lockdown measures are relaxed. While our baseline forecast represents our view of the most likely outcome, there is a sizeable risk of a more severe decline in activity.

Our alternative **Downside Scenario** assumes that an extension of lockdowns through Q3 precipitates a much weaker recovery in H2 2020. The most likely impetus for this would be a second wave of the virus re-emerging, which would necessitate harsher containment measures, and therefore a worse hit to economic activity.

In this scenario we also assume that the negative impact of the coronavirus is longer lasting than in the baseline. This is partly due to a financial crisis which limits credit supply to the economy and amplifies de-leveraging in the private

1.2%

UK baseline annual GDP
growth 2020-25

A significant weakening of
our pre-coronavirus
projections.



sector. But it also reflects the government implementing austerity measures in order to reduce overall debt. As public and private investment fall, productivity growth slows, which exacerbates the losses in GDP over time.

As a result, in this scenario UK GDP falls by more than 13% in 2020, and it is not until 2027 that GDP returns to the level recorded in Q4 2019, more than five years later than in the baseline forecast. Employment would also fare worse than in the baseline, falling by more than 4% in 2020 and a little more in 2021.

13%

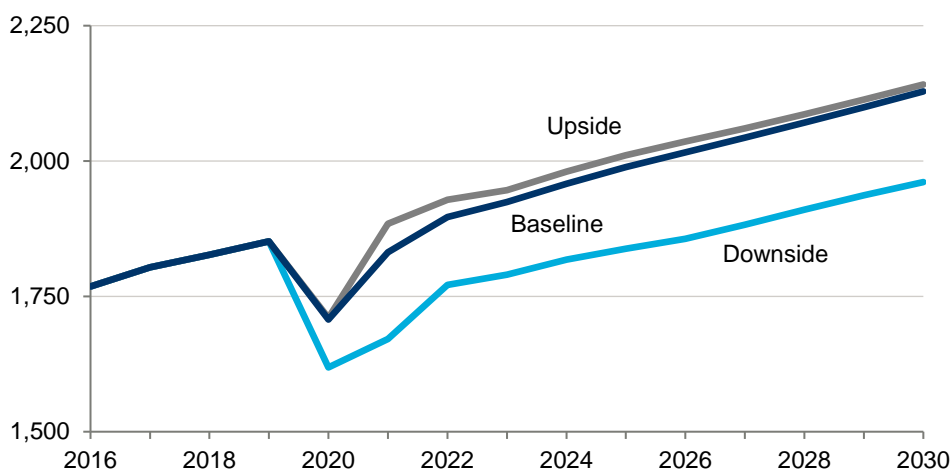
Downside scenario: UK GDP contraction in 2020

Under this scenario, the pre-pandemic GDP level would not be recovered until 2027.



Fig. 3. UK GDP, alternative scenarios

£ billion, constant 2016 prices



Source: ONS / Oxford Economics

In the following chapters covering London, the West London economy, and the seven boroughs, we focus mainly on our baseline scenario, but we also make references to the downside scenario, and compare the two. And in a set of accompanying data tables, we have set out in detail both our baseline forecast or scenario, and also our downside scenario, for all those areas.

It should be noted that while risks to the outlook are mainly on the downside, there is also a possibility that the economy will recover more strongly than we are anticipating. An **Upside Scenario** would be most likely if medical advances, such as increased testing capacity, enhanced therapeutics, or the discovery of a vaccine in H2 2020, were to permit quicker easing of restrictions than we are assuming. A resultant rebound in business and consumer confidence would then help to improve further the outlook for GDP and employment.

It is, however, unlikely that such a scenario would have a marked impact on 2020, given the depth of the contraction in the first half of the year. Instead, it would enable a stronger bounce-back in 2021 than in our baseline forecast.

While this more optimistic story is a possibility, it is of less critical significance in terms of formulating policy responses at the national and local levels, and we have not therefore set out in the following chapters its implications for London as a whole, for West London, or for the seven boroughs. It is nevertheless important to remember that it is a genuine, even if small, possibility.

3. WEST LONDON & GREATER LONDON

KEY FINDINGS

- **London's economy may experience a smaller fall in GVA in 2020 than other regions of the UK, largely reflecting the structure of its economy and the ability of people to work at home. We estimate a 7% decline. Next year's rebound should be of a similar scale.**
- However, we project that the West London economy may experience a 9% fall in GVA this year, even on our baseline, in which the year's second half shows the beginning of a strong recovery. The recovery could well be slightly smaller: about 7%.
- Sectoral structure is a big factor: West London accounts for two out of every five jobs in transport and storage within London, a quarter of wholesale & retail jobs, and a third of manufacturing jobs.
- West London also has more small and micro sized businesses, and higher levels of self-employment, both of which increase the challenges that the area faces.
- The WLA area does, however, experience net outward commuting, especially to central London. That may provide a degree of resilience, especially since the jobs tend to pay more than local ones. West London has a lot of people in professional, associate and especially managerial jobs, many of whom may be able to work at home.
- However, Heathrow Airport is part of the reason, especially where managerial jobs are concerned, and those people may not be able to work from home. The near-closure of Heathrow is a huge issue for much of West London.
- The pandemic is likely to be increasing inequalities and social exclusion within the borough. The challenges facing young people, older people and ethnic minorities all matter, while housing deprivation is very high to start with.
- We calculate that household spending falls 11% this year in real terms. Local shops, cafes, bars, restaurants and service providers will bear a large share of that.

3.1 THE OUTLOOK FOR LONDON AND ITS 33 BOROUGHES

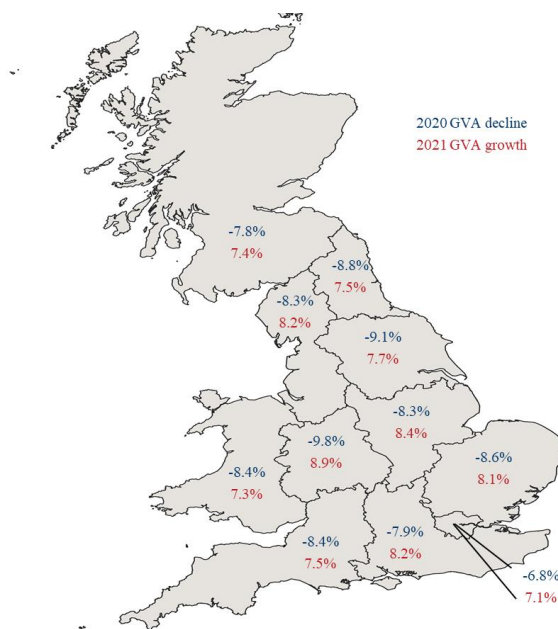
The coronavirus pandemic is affecting all parts of the UK, not least because both the lockdown regulations and the call for social distancing apply across the whole of the UK. 2020 is therefore a year in which divergences in economic performance are smaller than is normally the case. However, that is not to say that they do not exist at all.

In particular, differences in sectoral performance, when taken in combination with variations in sectoral structures, are major drivers of variations in performance between the different regions of the UK—amongst which, London is of course by far the most distinctive. Our estimates suggest that the capital has important advantages, compared with other regions. In particular, the

manufacturing sector is very small by national standards, while sectors which have a high capacity for allowing staff to work from home are very large (financial and business services, information and communication). The fact that London's population is geographically densely packed may be a negative factor, as is reliance on public transport. London is also very ethnically diverse, and some parts of the capital suffer from high rates of deprivation. But against that the capital's population is unusually young. On balance, our assessment is that London is likely to be more resilient from an economic perspective than many other UK region.

In our baseline scenario we forecast that in 2020, London's Gross Value Added (GVA – broadly equivalent to GDP) falls by a little under 7% compared 8-9% in most UK regions.² The corollary is that 2021's rebound is a little weaker than average: about 7% compared with about 8% elsewhere. These differences are not so large as to be noticeable, but in itself is significant. Historically, London has tended to markedly outperform the majority of regions. That is not currently the case.

Fig. 4. Baseline scenario, changes in GVA by region, 2020 and 2021, % y/y

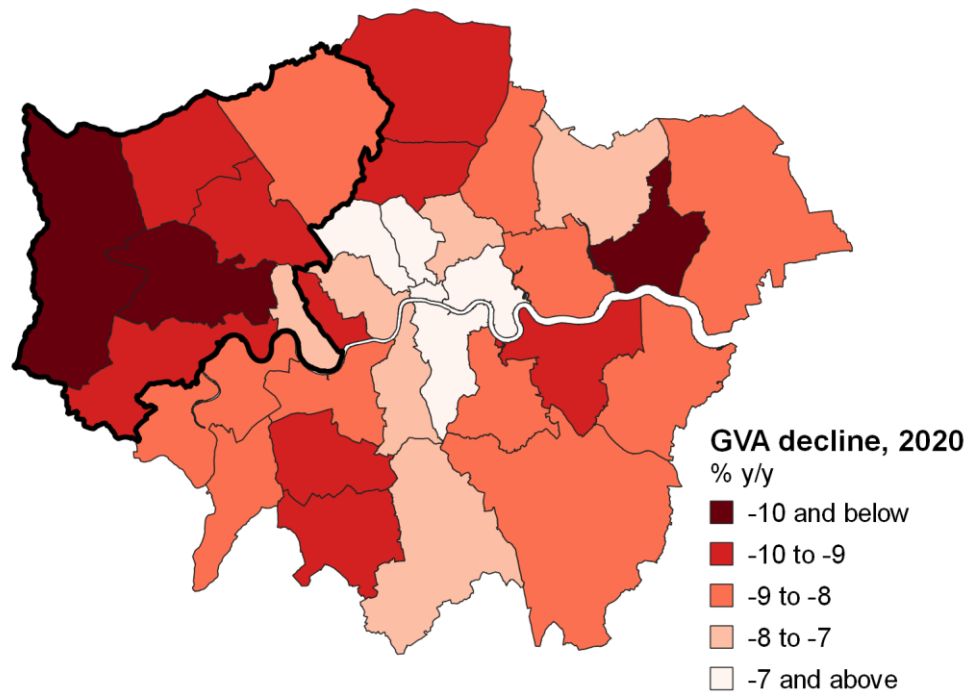


Source: Oxford Economics

The map below shows what that implies for every borough in London, focusing on 2020 for clarity. It conveys a vital message: in our baseline, West London is probably being harder hit in economic terms than other parts of London. We estimate a 9% fall in GVA this year, so comparable with the worst affected of the UK regions, rather than with other parts of the capital.

² GVA is a measure of the contribution an individual producer, industry or sector to national GDP (which is equal to GVA plus taxes, minus subsidies).

Fig. 5. Baseline scenario GVA decline by London boroughs, 2020



Source: Oxford Economics, Contains OS data © Crown copyright and database right 2020

Source: Oxford Economics

3.2 WEST LONDON: SECTORAL STRUCTURE & CORONAVIRUS EXPOSURE

The West London Alliance (WLA) area is clearly a very important part of London as a whole. In 2019 it supported over a million jobs, and accounted for 17% of London's total GVA. While much of WLA is residential, there are significant economic assets, including by London standards a large manufacturing sector, a couple of very large shopping centres, major corporate headquarters, sports and entertainment facilities, and of course Heathrow airport. A striking point is that most of these strategic assets have been heavily affected by the pandemic. In addition, significant numbers of West London residents normally commute to central London, and the higher-than average incomes that they earn there make West London very connected to the city centre—something that also matters a lot in current circumstances.

WLA's economy has a high degree of exposure to a number of sectors that are particularly affected by the pandemic. The most significant of these is transport & storage, which is strongly linked to the presence of Heathrow airport. The sector represented over a tenth of WLA's workplace employment in 2019, so six percentage points higher than the London average, with the result that two out of every five such jobs in London are in the West London area.

9%

GVA contraction across
West London in 2020.

*West London's economy is
estimated to shrink at a
stronger pace than both the
UK and London averages
this year.*

Fig. 6. Workplace employment by sector, West London Alliance, 2019

	Share of WLA total (%)	Level (jobs, 000s)	Share of sector across London (%)
Wholesale and retail trade	14.9	164	24.8
Human health & social work	10.6	117	19.4
Transport & storage	10.5	115	41.8
Administrative & support services	9.2	101	16.9
Professional, scientific & technical	9.0	99	11.7
Education	8.1	89	19.8
Information & communication	7.2	79	16.7
Accommodation & food services	7.2	79	17.2
Construction	6.6	73	21.9
Manufacturing	4.3	48	35.0
Public administration	2.9	32	13.5
Arts, entertainment & recreation	2.7	30	14.7
Other services	2.5	27	14.9
Real estate activities	2.3	26	15.9
Financial & insurance activities	1.2	13	3.4
Total	99.4	1,098	18.1

Source: Oxford Economics

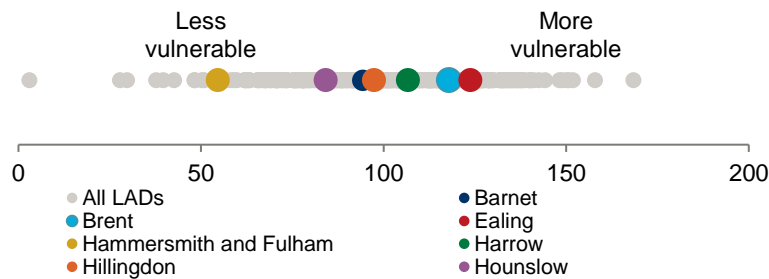
Note: Excludes utilities, mining and agriculture

West London is also relatively exposed to both the wholesale & retail and manufacturing sectors, which account for a quarter and a third of London jobs respectively. Non-food retail has been virtually closed for the last two months, as has much of manufacturing. And although West London's manufacturing does include a large food and drink element, which in aggregate has not seen a fall in output, in West London's case a proportion of its output comprises airline catering, which clearly has declined to almost nothing.

We have created an index to try to assess how challenged local authority areas across Great Britain are, each relative to one another. On that basis the seven West London boroughs appear to have either an average or a better than average degree of exposure. However, as we explain in the following chapters that look at each borough individually, the fact that the index is designed to be applicable across the nation means that it does not pick-up the unique challenges created by Heathrow airport.

Fig. 7. Coronavirus Challenges Index (average = 100)

(average = 100)



Source: Oxford Economics

Our index identifies Hammersmith & Fulham as being the least vulnerable borough in the WLA, and indeed one of the least vulnerable local authorities across GB. The borough benefits from its economic structure which is relatively under-exposed to the sectors most likely to be most impacted during the lockdown and by the subsequent social distancing practices. In addition, the characteristics of its local business stock and digital connectivity are more resilient to the demands made during the outbreak. However, the remaining boroughs are much in line with the national average in terms of the scale of the challenge (Heathrow impacts excluded).

3.3 SIZE OF BUSINESSES

An important consideration where coronavirus challenges are concerned is the extent to which any area is more or less reliant on small and micro businesses. WLA's businesses tend to be smaller than the London average, with micro sized businesses (employing between 0 and 9 employees) representing nearly 93% of the total, a two percentage points larger share compared to London overall. This in itself probably raises the level of challenge, relative to the capital as a whole.

Furthermore, a breakdown of local businesses by sector shows that WLA has a relatively large proportion of its business base operating within the wholesale & retail, construction and transport & storage sectors. A significant number are likely to be small retailers, trades-people and businesses working to supply local demand, and with little capacity for expanding into markets further afield. So their reliance on local recovery is particularly great.

Linked to the above, WLA has relatively less exposure to both larger businesses, which tend to have a higher than average ability to absorb financial distress and access credit, and also a low exposure to businesses which operate in sectors most compatible with home working. For example, finance & insurance and professional services related businesses, accounted for close to a fifth of the WLA total—a five percentage point share lower than the London average.

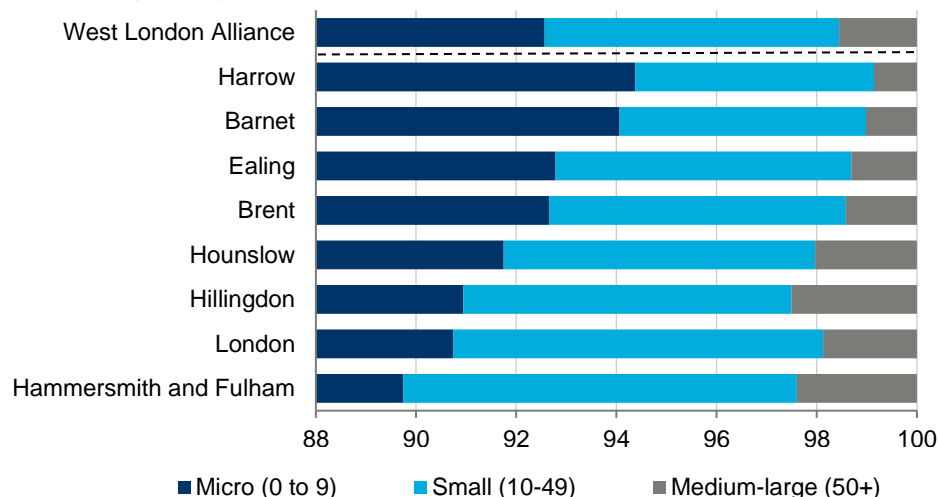
Average coronavirus challenges

Though Hammersmith & Fulham is particularly less exposed.



Fig. 8. Enterprises by size, West London Alliance, 2019, %

Enterprises by employee size band (%)



Source: ONS

93%

Micro-businesses share of the total in 2019.

A larger share than across London and underrepresented in business sectors which are likely to be most resilient.

3.4 IMPACT ON OUTPUT AND WORKPLACE EMPLOYMENT

In our baseline scenario, and as we noted in Section 3, WLA's economy is set to experience a 9% contraction in GVA in 2020, compared to a decline of 7% across London as a whole.

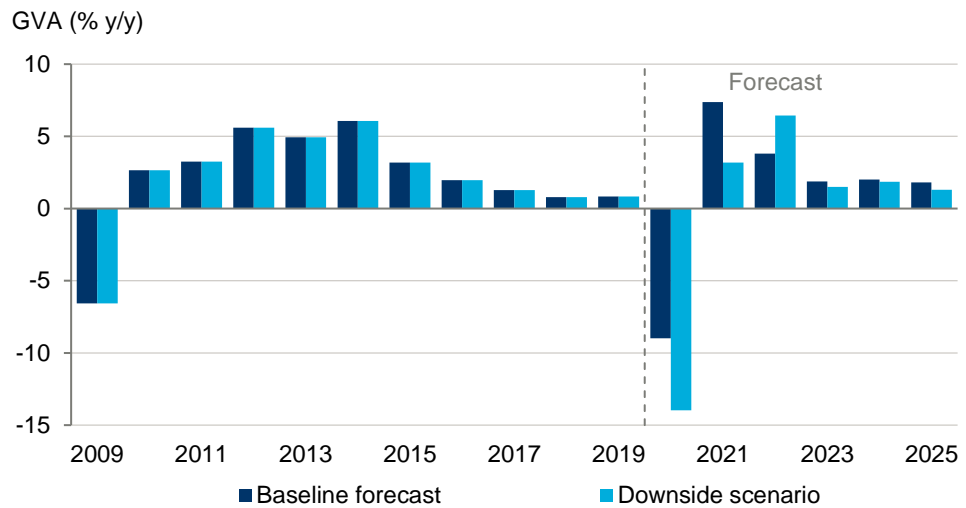
Outside of health, most sectors are experiencing declining output due to the pandemic. The hospitality, arts, entertainment & recreation and education sectors are bearing the brunt of the coronavirus related restrictions, with the strongest rates of decline (19% decline within education and 24% within the others). Although the transport & storage sector is not expecting the same rate of decline (11%), its relative size will mean it contributes more significantly to lost activity (and of course for air transport the figure is very much higher).

Although these sectors are experiencing the worst of the pandemic's **direct** impacts, the affects will be transmitted through the rest of the local economy. The closure of the local hospitality sector will, for example, lead to falling revenues across the local supply chain, impacting local wholesalers, food manufactures and service providers alike, and employees' loss of jobs and incomes will have an impact through their spending forgone.

As the lockdown measures gradually loosen, and the global economy recovers, we expect GVA growth to rebound in 2021 with growth of 7% (7.4%, to give at more precision than is appropriate). Over the medium-term baseline outlook from 2019 to 2025, the WLA economy will grow on average by 1% each year— weaker than the London average (1½%)

Under our downside scenario, we forecast a 14% GVA contraction in 2020. Again, the hospitality, leisure and education sectors would experience the strongest rates of decline because of the extended lockdown assumptions. Therefore, under this downside scenario, we expect a more severe downturn in 2020, with a much weaker recovery in 2021 at 3%.

Fig. 9. Baseline GVA and downside scenario, West London Alliance, 2009-25, % y/y



Source: ONS, Oxford Economics

In terms of jobs, and in our baseline forecast, workplace employment in WLA is projected to contract by 4%, or 41,000 jobs, in 2020. This is stronger than the rate of job losses felt across London (2.8%). The accommodation & food services, wholesale & retail and transport & storage sectors account for the majority of WLA job losses. However, these sectors, like most others, will experience a rebound in 2021 as the lockdown measures continue to ease. This will lead to growth in the local jobs total of 2% in 2021. Between 2019 and 2025, total employment will increase by an annual average of ½%, resulting in an additional 34,000 workplace jobs. The rate of job growth throughout the WLA is therefore expected to be only around half that of the London average (0.9% per year) over the six-year period.

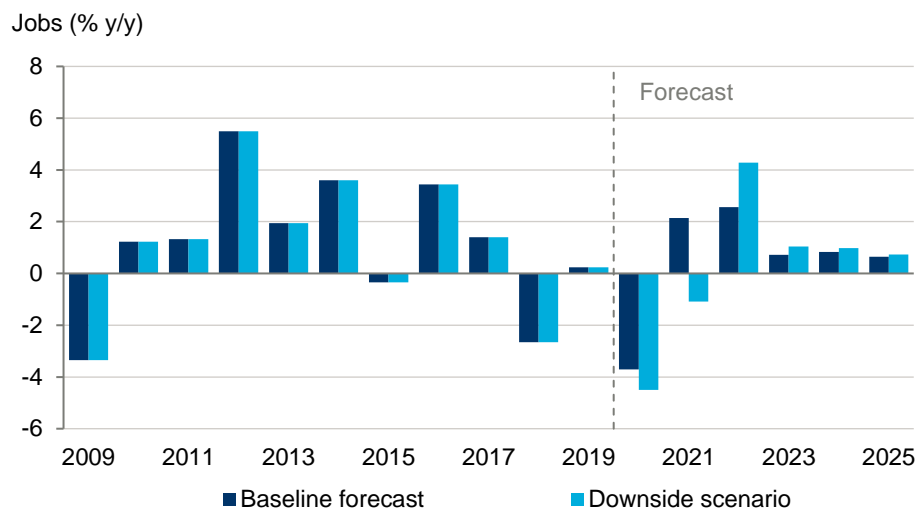
41,000

Decline in WLA jobs total in
2020

Employment is to contract at
a faster pace than that
experienced across both
London and the UK this year.



Fig. 10. Baseline workplace employment and scenario, West London Alliance, 2009-25, % y/y



Source: ONS, Oxford Economics

Over this medium-term outlook to 2025, we forecast that the health, administrative & support and information & communication sectors will account for more than half of the jobs increase. Outside of these, the hospitality and education sectors will also experience growth—adding 5,400 and 4,700 jobs respectively. Contractions in employment will tend to be concentrated in manufacturing and financial services over the forecast period, while growth in the production, utilities and transport & support sectors are likely to remain broadly flat.

Under our downside scenario, we forecast a 4½% contraction in workplace employment in 2020, with no return to growth until 2022. The severity of the contraction combined with a later recovery would mean that the rate of job growth in the local economy would be a third of London as a whole—only adding 13,600 jobs in the six years to 2025.

Fig. 11. Baseline forecast change in workplace employment by sector, West London Alliance, 2009-19 and 2019-25

	2009-2019		2019-2025	
	Change (000s)	10 year %y/y	Change (000s)	6 year %y/y
Agriculture, forestry & fishing	-0.2	-4.3	0.0	-1.5
Mining & quarrying	0.5	5.2	-0.2	-3.3
Manufacturing	5.6	1.3	-5.7	-2.1
Electricity, gas, steam & air	0.9	11.7	0.0	-0.6
Water supply	-0.3	-0.7	-0.1	-0.3
Construction	12.9	2.0	0.7	0.2
Wholesale & retail trade	14.3	0.9	3.6	0.4
Transport & storage	5.9	0.5	-0.6	-0.1
Accommodation & food services	22.6	3.4	5.4	1.1
Information & communication	8.4	1.1	5.6	1.1
Financial & insurance activities	-0.6	-0.4	-0.5	-0.7
Real estate activities	9.6	4.8	0.3	0.2
Professional, scientific & technical	10.4	1.1	2.2	0.4
Administrative & support services	15.4	1.7	5.6	0.9
Public administration	-9.1	-2.5	0.3	0.2
Education	21.1	2.7	4.7	0.9
Human health & social work	28.4	2.8	9.4	1.3
Arts, entertainment & recreation	2.5	0.9	2.6	1.4
Other services	7.7	3.3	0.9	0.5
Total	155.9	1.5	34.2	0.5

Source: ONS, Oxford Economics

COMPANY FINANCES AND POSSIBLE BUSINESS FAILURES

Business birth rates and death rates are often used as measures of local economic performance. Even in normal circumstances these are measures that need to be interpreted with care: people form and dissolve businesses for a variety of reasons, and the data can be misleading.

Clearly these are special circumstances and the likelihood is that a much higher than normal number of businesses may now be failing. There are three main concerns here: the direct human cost, the impact on local neighbourhoods, and the economic consequences when specialist knowledge and skills are lost. But it is also the case that some failures will be bringing forward what would have happened anyway, and that some individuals may simply take the opportunity to withdraw from work or from the market.

3.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

The WLA is in substantial part a residential area of London, with the number of employed residents outnumbering available local workplace-based roles by over 10% in 2019. In the same year, 105,000 more residents commuted out of the WLA than commuted in from elsewhere. Flow data available from the most recent census shows that in 2011 close to two in every five employed residents of the WLA commuted outside the local economy, with Westminster and Camden tending to be the most prominent destinations. Similarly, two thirds of local workplace-based employment were filled by WLA residents.

So clearly the livelihoods of residents are not solely dependent on the fortunes of the WLA economy but are equally tied to how resilient London's labour market performs throughout the pandemic. However, WLA's above average employment contraction in 2020 will disproportionately impact those residents who work locally.

**105,000 net
out-commuting**

Census data show that nearly two in every five employed residents commute out of the WLA.



The tendency for net out-commuting is reflected in earnings data within the WLA. In 2019 the average weekly wage of residents was almost 7% higher than the those working in the local economy, reflecting that those commuting-out tended to have access to better paid employment when compared to those commuting in the opposite direction. These trends indicate that coronavirus-related job losses experienced in other parts of London are likely to affect the WLA economy, in addition to local job losses. Job losses across central London, where many of WLA's residents work will result in both reduced incomes and consumer spending within the local economy.

Given that the local economy has a relatively large wholesale & retail sector, any such shock to consumer spending will have reciprocal impacts on that sector, in addition to the local suppliers it supports.

3.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

Employed residents of the WLA are relatively less exposed to occupations which are most vulnerable during the coronavirus outbreak. Typically, higher value-added office-based roles are more likely to have the capability to carry out their work at home. These roles also tend to reside within sectors which already have stronger underlying growth outlooks, further supporting the tendency for increased job security.

In 2019, 14% of WLA residents were employed as manager, directors & senior officials, almost twice the share experienced across London (7%) and larger than the UK overall (9%). Such is the relative concentration of this occupation among WLA's residents, that over 40% of the London total live within the local area. Equally, residents employed in professional roles accounted for 27% of the total in WLA, compared to just 21% across London. Given these characteristics, employed residents of WLA may expect to be in a relatively stronger position during the pandemic, with an increased likelihood of being able to maintain their incomes during lockdown and return to normal more promptly.

A similar picture emerges when we focus on occupations which are most at risk due to lockdown measures. Those employed in roles which are labour intensify or which cannot easily be performed remotely will inevitably be the most

vulnerable. Typically, these fall with occupations classified as elementary or process, plant and machine operatives. Almost 14% of WLA's residents were employed in these roles, a lower share relative to both London and nationally (15% and 20% respectively).

Fig. 12. Resident employment by occupation, West London Alliance, 2019

	Share of WLA total (%)	Level (000s)	Share of occupation across London (%)
Managers, directors & senior officials	14.3	156	43.4
Professional	26.9	294	28.5
Associate professional & technical	16.5	181	24.0
Administrative & secretarial	8.5	93	16.5
Skilled trades	6.2	67	18.2
Caring, leisure & other services	7.9	87	14.2
Sales & customer services	5.9	64	15.7
Process, plant & machine operatives	5.2	57	22.3
Elementary	8.5	93	18.8
Total	100	1,092	22.5

Source: ONS, Oxford Economics

3.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

The scope for home-working is one of the factors which helps to explain why having a relatively large number of managerial and professional workers might lead to greater income resilience. In 2019, around 22% of WLA residents reported sometimes working from home—four percentage points less than that of the London average share. This finding is relatively surprising given WLA's much larger concentration of occupations which are broadly more compatible with homeworking. Furthermore, over 71% of residents reported never working from home—compared to just 68% across London.

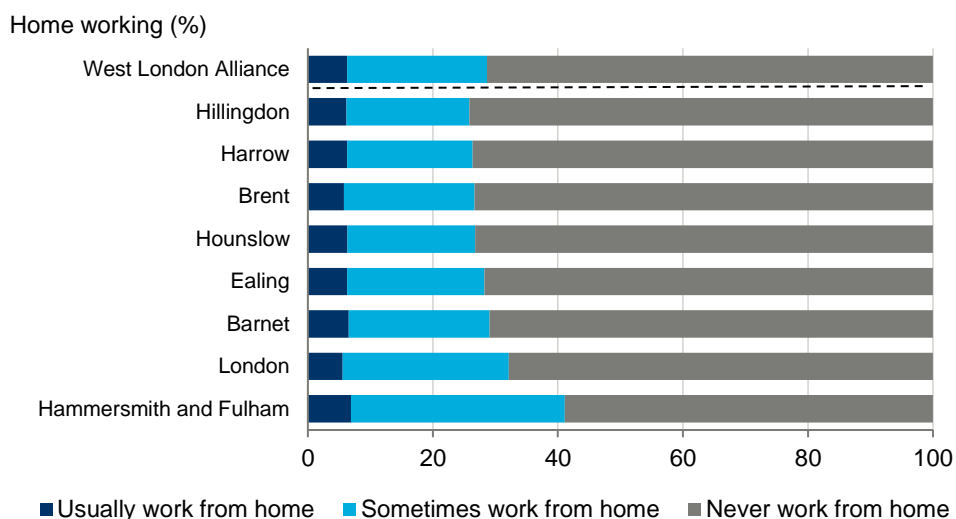
These observations indicate that it is inappropriate to assume that just because residents perform jobs which are typically office-based, that those jobs can all be done at home. Indeed, there are several service-based roles of the type which cannot easily be delivered remotely.

22%

The share of WLA's employed residents who sometimes worked from home in 2019.

Four percentage points below the London average.

Fig. 13. Resident home working, West London Alliance, 2019, %



Source: ONS, Oxford Economics

3.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Consistent with the relatively large pool of smaller businesses, WLA has higher levels of self-employment compared to both the London and UK averages. In 2019, self-employment accounted for 15% of total employment within the local economy, compared to just 13% in London and the UK overall.

WLA's self-employed tend to be concentrated in sectors which are most vulnerable to coronavirus related risks. Self-employment levels are highest in the construction sector, with 43% of workplace employment being self-employed. After this, self-employment was largest within the local transport & storage sector. This sector accounted for 15% of the self-employed total in WLA, almost twice the share typically observed across London (9%).³ Equally, self-employment is (perhaps surprisingly) relatively large within local manufacturing. Almost 5% of WLA's self-employment belonged to manufacturing, compared to just 2.7% across London.

On the other hand, self-employment within professional services could be viewed as more secure throughout the crisis due to an increased ability to operate remotely. However, it accounts for a relatively small share of self-employment within the WLA.

³ However, the difference is attributed to the relative size difference within the separate economies, rather than higher incidences of self-employment within WLA's transport & storage sector.

Fig. 14. Self-employment by sector, West London Alliance, 2019

	Self-employment (000s)	Share of WLA total self-employment (%)	Share of London sector self-employment (%)
Agriculture, forestry & fishing	0.1	0.1	16.5
Mining & quarrying	0.2	0.1	34.6
Manufacturing	7.4	4.5	34.9
Electricity, gas, steam & air	0.0	0.0	7.7
Water supply	0.1	0.1	22.5
Construction	31.4	19.1	23.2
Wholesale & retail trade	10.7	6.5	25.9
Transport & storage	25.4	15.4	36.9
Accommodation & food services	3.2	1.9	19.3
Information & communication	9.4	5.7	19.3
Financial & insurance activities	1.3	0.8	5.5
Real estate activities	2.5	1.5	20.5
Professional, scientific & technical	15.9	9.6	14.8
Administrative & support services	9.0	5.5	18.5
Public administration	1.4	0.9	15.0
Education	13.0	7.9	21.0
Human health & social work	14.0	8.5	20.8
Arts, entertainment & recreation	12.0	7.3	15.7
Other services	7.8	4.7	17.3
Total	164.9	100.0	21.0

Source: ONS, Oxford Economics

3.9 IMPACT ON RESIDENTS: UNEMPLOYMENT AND INACTIVITY

The coronavirus pandemic, and the subsequent measures put in place to combat it, will significantly increase unemployment levels across the UK. Unfortunately, the WLA will be no exception. The effects of the outbreak first started to manifest themselves in March of this year. Job seekers data available for that month suggest the flow of fresh claimants within the WLA has slightly outpaced that of London overall. Some 16 percent of WLA's claimants had been claiming for less than 3 months, a slightly stronger share than across London (14%). We expect the WLA unemployment rate to increase by 2.2 percentage points over the year and average 7% in 2020.⁴ This is a stronger rise than experienced across London—which is to increase by 1.9 percentage points and average 6% in the same year. Relatively weaker job growth will contribute towards unemployment rates remaining above the regional average over the medium-term.

Close to 70% of unemployment claimants have been out of work for a year or longer. Although this represents a large proportion, it remains below the London average (74%). Equally, the share of younger people among the

7%

Annual average unemployment rate in 2020.

WLA's unemployment to rise more strongly compared to London over this year.

⁴ ILO definition

unemployed is not materially different to the London average and long-term unemployment among this cohort is below average. However, the job losses are likely to continue to mount up for this cohort over the rest of the year with retail and hospitality sectors likely to be among the hardest hit.

Some of these industries will be among the last to reopen fully and may have to operate at a reduced capacity for some time. Young people disproportionately work within these sectors and are therefore likely to shoulder a large degree of the job losses. It is important that those who lose their jobs can secure new employment in order to avoid losing skill sets and longer-term disengagement from the labour force.

REGENERATION: OLD OAK COMMON AND PARK ROYAL

In the chapters that follow on individual boroughs we look at a range of regeneration schemes across West London. One stands out, partly because it crosses the boundaries of three boroughs, partly because of its sheer scale, and partly because of its links to major transport proposals of national importance.

Old Oak Common and Park Royal are planned to involve a). a major train station linking a wide range of main railway lines—not least HS2—with existing and possibly new tube, rail and other transit lines, including the Elizabeth line; b). the renewal of the UK's largest industrial estate (Park Royal); c). 65,000 additional jobs and 25,000 homes. The schemes was ambitious, complex and controversial before the pandemic, but also widely supported in principle, including by central government. If the full ambitions are realised, then it will have impacts across all of West London and beyond. Which implies that if the pandemic now delays the scheme, or causes it to be scaled-back, then all parts of West London will be affected.

This might occur if pressure on public finances, and a weak rebound by the airline sector, cause either or both of HS2 and Heathrow's third runway to be abandoned. It could also happen if, as we discuss in Chapter 2 under our downside scenario, a global financial crisis occurs, leading to a major decline in private sector capital spending. More likely is that decisions will be deferred, and progress temporarily slowed. This is not something that we explicitly forecast—indeed we suggest in Chapter 2 reasons not to expect macro-economic difficulties—but it is a factor that may need to be considered by partners across West London.

3.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

Compared to London as whole, the WLA is relatively less deprived at the headline level. Statistics available on relative deprivation in small areas across England show that WLA has a relatively smaller share of its LSOAs ranked among the top 20% most deprived in England compared to London overall.⁵

⁵ <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>

Likewise, in terms of income and employment the WLA's local areas do not suffer from relatively high concentrations of deprivation. However, these economic indicators are likely to worsen significantly over the coming year as the full impact of pandemic restrictions develop.

Encouragingly, the WLA ranks particularly well in terms of both education, skills & training and health deprivation & disability. A relatively large share of WLA's LSOAs fall within the least deprived across England according to these categories. This is particularly important during the current pandemic. The skill sets that residents have at their disposal will become increasingly important as job losses mount and the jobs market becomes more competitive.

Equally, the absence of concentrations of health deprivation will likely alleviate demand on local public services and facilitate an easier path out of lockdown. The coronavirus has been shown to be more of a risk to those with underlying health conditions. Relatively high concentrations of health deprivation would invariably include high risk groups who would be required to thoroughly isolate themselves and would be among the last to return to normal life.

The WLA ranks most poorly in terms of barriers to housing & services. Over a third of WLA's LSOAs are ranked in top 10% most deprived across England. This category not only picks up issues with regards to access to services and quality of housing, but also concerns around housing affordability. Relatively high housing costs will be a particular risk for residents who become financial distressed through either a fall in income or unemployment.

3.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

Our baseline outlook shows that coronavirus related restrictions will have a disproportional impact on specific sectors of the economy. These typically include industries where social distancing is more of a limiting factor, such as hospitality, entertainment and non-essential retail sectors. Workers within these sectors are relatively more likely to be furloughed during the lockdown and there remains uncertainty surrounding how many of these jobs could be lost permanently. Younger people are typically more exposed to these sectors and therefore the same risks.

London's population is relatively young when compared to that of the UK overall and. The same is true of WLA, although to a lesser extent. Younger age cohorts between the ages of 20 and 39 years old are all under-represented in WLA relative to the London average. In 2019, this group accounted for 30% of the WLA population, compared to 33% across London. Therefore, the risk to employability among this group poses less of a vulnerability to WLA when compared to London as a whole. However, there remains the concern that more mature residents will also face challenges in the current crisis, especially those with lower qualifications who lose their employment.

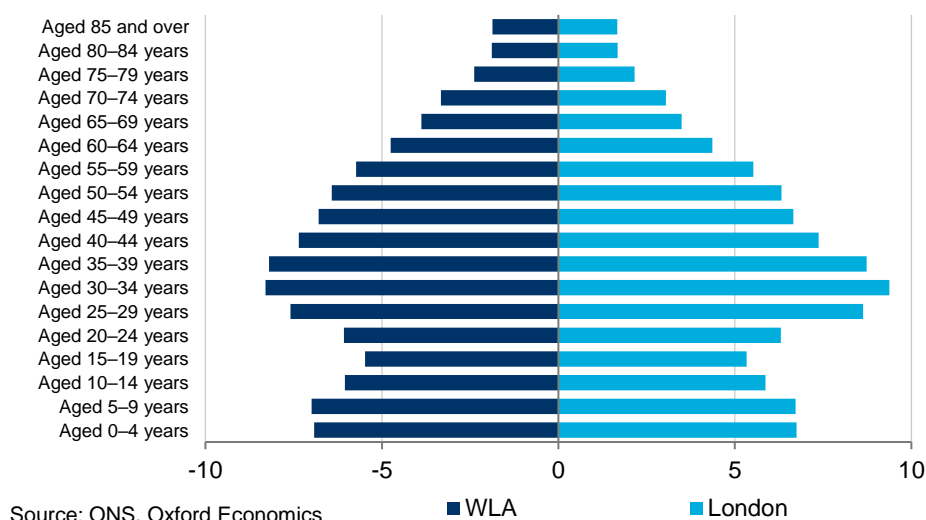


...In terms of barriers to housing & services...over a third of WLA's LSOAs are ranked in top 10% most deprived across England ...



Fig. 15. Population by age band, West London Alliance, 2019

Population by age (%)



3.12 IMPACT ON RESIDENTS: ETHNICITY

Research by Public Health England has confirmed that health risk from coronavirus is not just related to age and those with underlying health conditions, but also varies by ethnicity.⁶ ONS population survey data shows that 46% of the WLA population aged 16 and over belonged to an ethnic minority group in 2019—almost ten percentage points higher than the London average.

Most of this difference is attributed to a relatively large Indian community residing within the WLA, accounting for 17% of the total (7% across London). Public Health England suggests that this grouping had between 10% and 50% higher risk of death when compared to the white British grouping.

However, people from Black ethnic groups were identified as most likely to be diagnosed with COVID-19 and had some of the highest death rates. This group is underrepresented in WLA relative to London as a whole, accounting for 8% of the population aged over 16, compared to 12% across London.⁷

⁶ Public Health England, 'Disparities in the risk and outcomes of COVID-19', June 2020

⁷ Note: Public Health England's analysis does not account for the effect of occupation, comorbidities or obesity—important factors associated with the risk of acquiring COVID-19.

Fig. 16. Population (aged 16+) by ethnicity shares, West London Alliance, 2019

	Ethnic minority (%)	Mixed ethnicity (%)	Indian (%)	Pakistani/Bangladeshi (%)	Black/ black British (%)	Other group (%)
Brent	59.8	3.5	17.5	6.2	13.8	18.8
Harrow	55.6	3.2	28.8	3.5	3.1	17.1
Hillingdon	50.6	1.8	26.8	5.0	7.3	9.7
Hounslow	49.5	2.5	21.6	5.3	9.3	10.8
Ealing	46.5	2.7	15.6	4.5	9.0	14.7
Barnet	32.7	3.2	4.5	1.4	5.8	17.9
Hammersmith and Fulham	28.0	2.3	2.0	1.2	11.0	11.4
West London Alliance	46.4	2.8	16.6	3.9	8.4	14.7
London	37.0	2.6	7.0	5.4	11.5	10.6

Source: ONS

3.13 IMPACT ON RESIDENTS: INCOMES, SPENDING AND HOUSE PRICES

Resident earnings in WLA averaged £668 per week in 2019, higher than the UK average, but 7% lower than the London equivalent. Workplace based earning (£627 per week) fared more poorly, trailing the resident-based average by 6%. The difference in these earnings levels is the result of net outward commuting by residents to better paid jobs outside the WLA economy. Local income levels are therefore dependent not only the performance of the local economy, but on how well or badly the broader London economy performs throughout the pandemic.

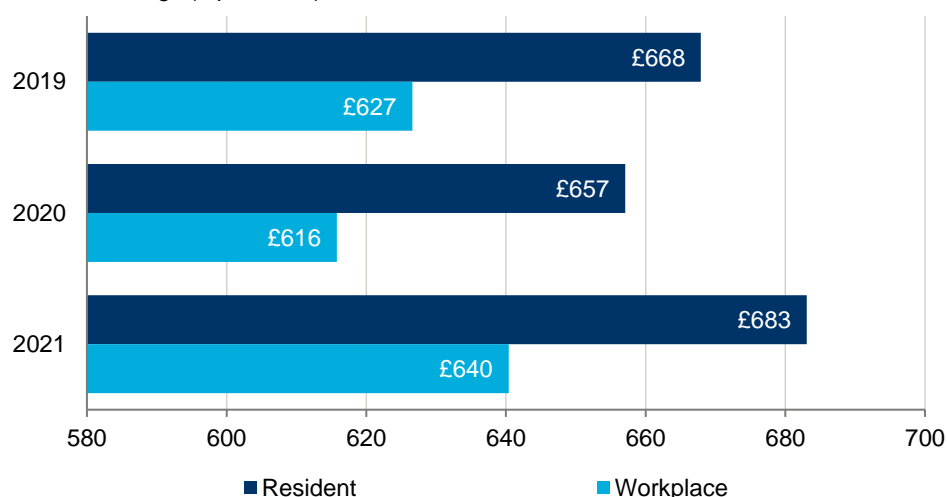
14.1

Average house price to earnings ratio in 2019.

Both average resident earnings and housing affordability in WLA are below the London average.

Fig. 17. Resident and workplace earnings, West London Alliance, 2019-21

Median earnings (£ per week)



Source: Oxford Economics

In our baseline forecast, household consumer spending falls by 11% in real terms in 2020. The imposed lockdown of local hospitality and entertainment establishments is a key driver of the decline. However, falling earnings levels also contribute in the wake of businesses furloughing their staff and job losses.

Going forward, uncertainty will not only influence household spending patterns but also impact business investment decisions, especially among WLA small business enterprises and self-employed. That will therefore influence spending via employment and wages.

HIGH STREETS AND SHOPPING CENTRES

In our baseline forecast, we estimate that the output of the retail & wholesale sector in West London in 2020 will be 8% lower than in 2019 and employment will be 5% lower. For hospitality the figures are much worse: 24% and 14% respectively. Food stores have remained open, and overall retail spending includes online purchases from retailers, which has strengthened. And our figures assume a big rebound in the year's second half: without that the numbers would be dramatically worse.

West London has some very important major shopping centres which have been largely closed but which will probably be able to recover strongly. The same may be true for some high streets serving more affluent communities within West London. However, many high streets stores and individual shops, cafes, bars and restaurants will have seen their underlying businesses fail. Or they may have difficulty securing the credit that they will need to ramp up their businesses when the time comes. It is therefore possible that the rebound will be skewed towards both businesses and locations with the strongest underlying financial conditions and in the strongest local economies. We do not have the information to forecast such details, but it will be an important issue to be addressed by local authorities and partners.

Another consideration will be housing wealth. The outbreak has brought the housing market to an effective standstill. Our baseline forecast shows that local house prices in WLA are on average 2.7% lower in 2020 than in 2019, compared with 1.8% for London as a whole. The average house price to earnings ratio stood at 14.1 in 2019—significantly above the London average of 12.7. Indeed, barriers to housing have already been identified as a significant issue within the WLA. Affordability will remain a key challenge in the wake of worsening job security and falling income levels.

These factors will only help to weaken consumer confidence more generally, which will have a bearing on local businesses who rely on discretionary spending—especially in the large wholesale & retail sector. Finally, and given the nature of local supply chain networks, these pull-backs will likely have knock on impacts throughout the WLA's local economies.

4. BARNET

KEY FINDINGS

- **Barnet has low exposure to the at-risk manufacturing, hospitality and transport sectors, good broadband connectivity, and a workforce that is likely to adapt well to working from home. These are advantages.**
- Barnet also has high levels of self-employment, and a concentration of micro- and small businesses in the professional services, construction and retail sectors. While these are normally strengths, just at the moment they make Barnet more vulnerable to the impacts of coronavirus.
- Resident earnings in Barnet are higher than the WLA or UK averages. Workplace earnings are lower, and residents commuting to other parts of London for work tend to be in high-value, well paid roles. So, job losses in other parts of London will impact on Barnet.
- Barnet is a heavily residential borough, although it is home to Brent Cross shopping centre—an area undergoing regeneration. The plight of small shops and small businesses generally is likely to be a key issue for the borough.

4.1 OVERVIEW & CORONAVIRUS EXPOSURE

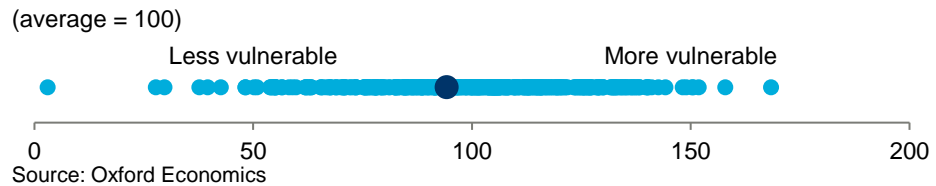
Barnet is a largely residential borough, with higher than average income levels compared with the rest of London. It has a resident population of almost 400,000 people, making it the largest London borough in population terms, yet it is also one of the least densely populated. Much of the borough is within the Metropolitan Green Belt and it has many parks and open spaces, particularly in its western half.

A strategic asset for the borough going forward will be the redevelopment of Brent Cross, to include a significant amount of new housing, plus office developments and transport improvements. A significant extension to the existing Brent Cross Shopping Centre was also originally planned, but the shift towards more online shopping meant that was put on hold, even before the current pandemic took hold. However, the intention remains to transform the existing centre, which dates back to the seventies.

The borough has few major employers, but is the main home to the University of Middlesex.

In terms of exposure to the present pandemic, Barnet scores 94 (where 100 is the average) on our Coronavirus Challenges Index, which makes it similar to London overall, and better than other WLA boroughs except Hammersmith & Fulham and Hounslow. There is, however, some variation within the three components of the Index: economic diversity, business, and connectivity.

Fig. 18. Coronavirus Challenges Index, GB LADs, 2019



Average coronavirus challenges

Helped by economic structure and digital connectivity.



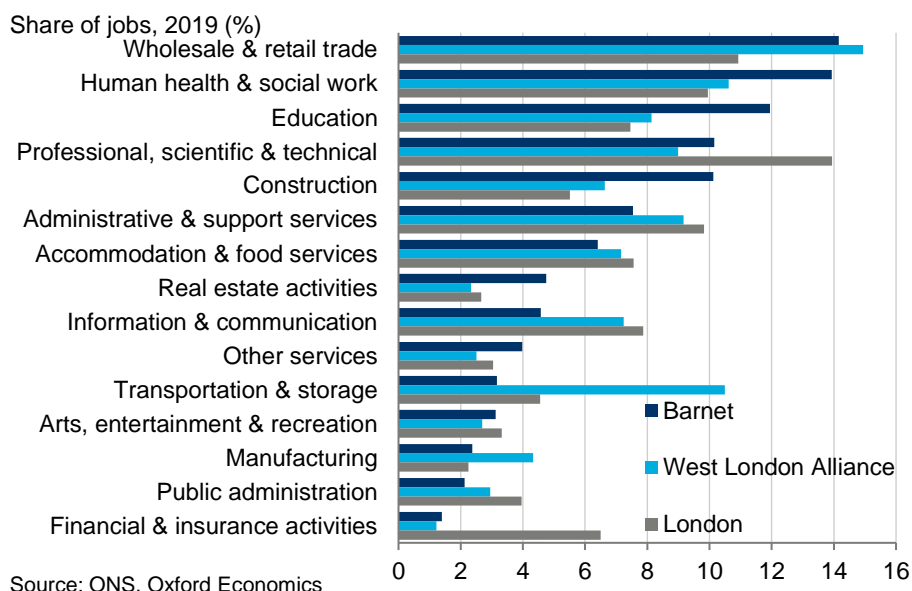
Barnet's relative lack of exposure to the hospitality, manufacturing, and transport sectors means that in terms of **economic structure** it is rated among the least vulnerable of the London boroughs to coronavirus impacts, and second least of the WLA boroughs. In terms of **business**, however, Barnet ranks as one of the most exposed, owing to its high number of self-employed, and the concentration of micro- and small-businesses in the area. Barnet also scores relatively well in terms of **connectivity**, with a relatively high percentage of its residents who sometimes work at home, and who have access to high-speed broadband connections.

4.2 SECTORAL STRUCTURE

As we noted in Chapter 3, some sectors are more vulnerable to the impacts of coronavirus than others, particularly those in which workers have physical proximity to colleagues or members of the public, or which face drastically reduced demand. Fortunately, Barnet's sectoral structure suggests that it has less exposure to these vulnerable sectors than other boroughs in the WLA and wider London areas. Indeed, in terms of its economic diversity, we rank Barnet as one of the UK areas least vulnerable to coronavirus impacts.

Compared to WLA as a whole, Barnet is less exposed to transport & storage, and to a lesser extent, hospitality and also manufacturing. In 2019, transport & storage accounted for 3% of workplace jobs in the borough—seven percentage points below the WLA average and 1.4 percentage points below the London average. The borough is, however, well below the London average in terms of the importance of professional and related services, and also information and communications.

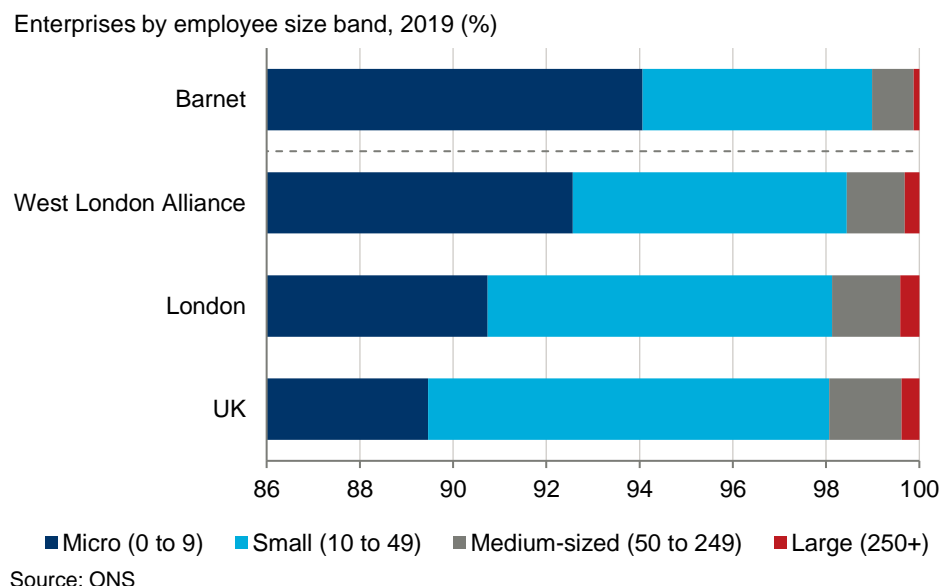
Fig. 19. Share of workplace employment by sector, Barnet, 2019, %



4.3 SIZE OF BUSINESSES

The majority of the 24,000 businesses in Barnet are micro-businesses with fewer than ten employees. At 94% the borough has a higher share than the WLA, London, or UK averages.⁸ Professional services account for more than a fifth of these. Retail, which includes many of the high street business across Barnet's town centres, makes up another 14%.

Fig. 20. Enterprises by size band, Barnet, 2019, %



Small, medium and large businesses all account for low shares relative to the rest of London and the UK. This is unsurprising given that Barnet is primarily a

⁸ Source: ONS Business: Size, Activity & Location (2019)

residential borough, with few large private sector employers. The abundance of micro-businesses are likely to be highly focused on providing services to local residents, and may be particularly vulnerable in the short term to consumers' being unable to buy from them. However, as a relatively high-income borough (see section, 1.13) it is possible that when the rebound comes, Barnet will be in a somewhat stronger position than average.

4.4 IMPACT ON OUTPUT AND WORKPLACE EMPLOYMENT

In our baseline scenario the Barnet economy is projected to contract by 9% in 2020, with some sectors seeing more of a decline than others. The education, construction, retail, and hospitality sectors are likely to be experiencing particularly large falls in GVA. Within that, the education sector will be influenced by the large presence of the University of Middlesex, as well as by local schools and colleges.

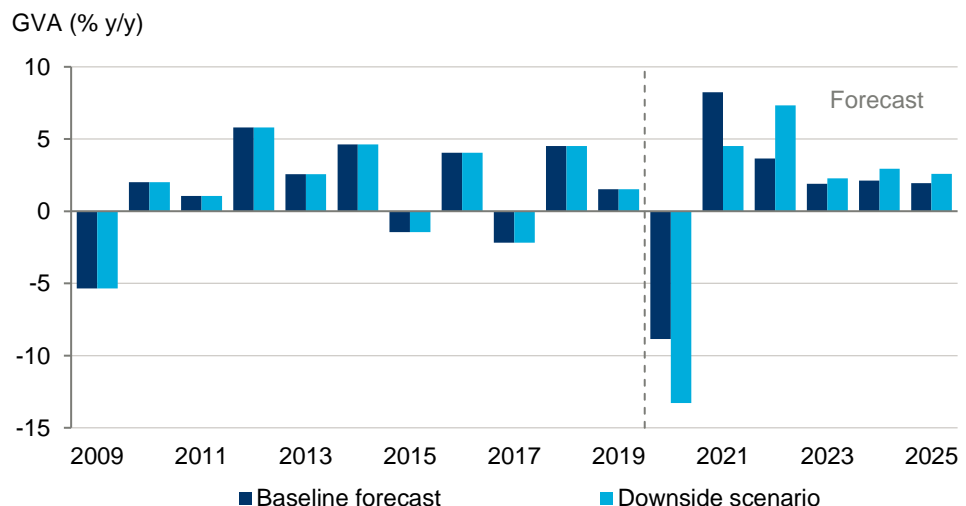
In addition to the direct declines in these sectors, any local businesses in their supply chains will be indirectly affected. For example, closures of bars, cafes and restaurants may lead to falling revenues for food and drink wholesalers (and in a few cases, manufacturers). Similarly, small businesses struggling with cashflow will be less likely to spend on professional or IT services, many of which will be sourced locally. The same is true for spending with local builders.

However, assuming lockdown measures are progressively eased in the coming months, we forecast a strong recovery in 2021, with GVA growth of more than 8%, and over the medium term from 2020 to 2025, annual average growth of 1.4%.

Under our downside scenario, we forecast a 13% contraction in GVA in 2020. The same sectors would be the worst affected but, because of the stricter/longer lockdown assumptions in the downside scenario, we expect a more severe downturn in 2020, with a weaker recovery in 2021 and growth that year of only 5%.



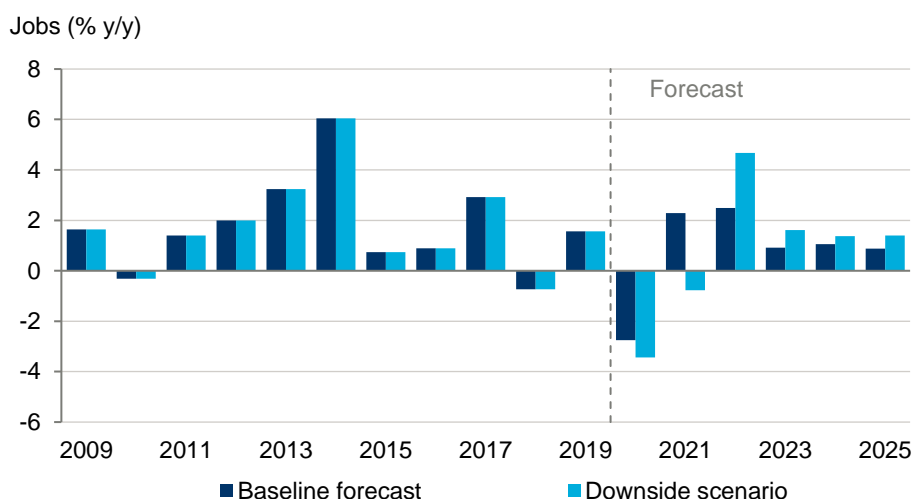
Fig. 21. Baseline GVA and scenario, Barnet, 2009-25, % y/y



Source: ONS, Oxford Economics

In terms of jobs, and in our baseline forecast, workplace employment in Barnet is projected to contract by 3%, or 4,600, in 2020. The accommodation & food services, wholesale & retail, construction, entertainment, and professional services sectors account for the majority of these job losses. However, these sectors, like most others, should see rebounds in 2021.

Fig. 22. Baseline workplace employment and scenario, Barnet, 2009-25, % y/y



Source: ONS, Oxford Economics

Between 2020 and 2025, total workplace employment increases in our baseline forecast by an annual average below 1%, resulting in an additional 8,100 jobs compared with the 2019 total. Job growth in the borough therefore marginally outperforms the WLA over the six-year period. The health, education and administrative services sectors account for more than half of the increase. Construction, and wholesale & retail trade, are expected to add 900 and 500 jobs, respectively. Manufacturing and financial services are both set to contract over the forecast period, while employment growth in the production and utilities sectors is likely to remain flat.

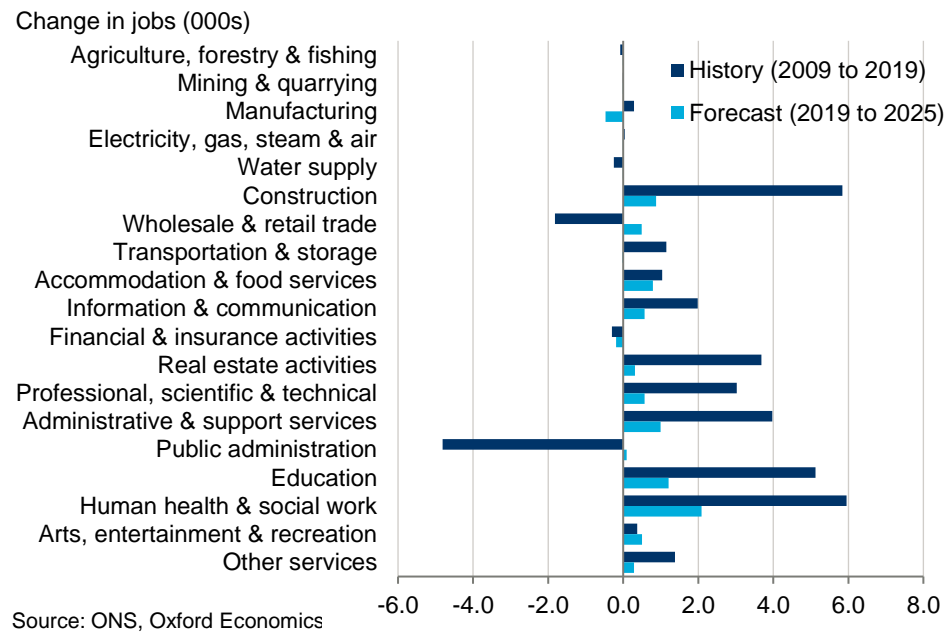
Under our downside scenario we forecast a 3% contraction in workplace employment in 2020, with no return to growth until 2022. Even by 2025, workplace employment will only be 5,600 higher than it was in 2019.

4,600

Decline in jobs total in 2020

Employment is to contract at a similar pace to that experienced across London this year.

Fig. 23. Change in workplace employment by sector, Barnet, 2009-19 and 2019-25 baseline forecast



4.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

A large proportion of Barnet residents normally commute to other parts of London or the South East for work. Census data show that in 2011 over half of the borough's employed residents commuted out, with central London boroughs being the principal destinations. More up-to-date data is not available, but by comparing the number of residents with jobs and the number of jobs in the borough, we are able to conclude that in 2019 44,000 more Barnet residents commuted out of the borough to work than commuted in from elsewhere. That is the second strongest net outflow in the WLA.

This pattern is also reflected in earnings data, which show that in 2019, the average wages of Barnet residents were more than 25% higher than those of people whose jobs were located in the borough. On average, those commuting out of Barnet get paid more than those who commute into Barnet to work.

This high level of out-commuting means that job losses in other parts of London are likely to affect the Barnet economy, as well as local job losses. Census data shows that in 2011 the majority of Barnet residents commuted to Westminster, the City of London, and Camden, a pattern that is unlikely to have changed much since then. So, job losses in central London are particularly likely to result in reduced income and consumer spending in the local economy of Barnet.

4.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

Linked to the net-outward commuting, Barnet has higher shares of residents working in senior office-based roles than the London or UK averages. In 2019, 15% of Barnet residents were employed as managers, directors & senior officials, compared with just 7% in London and 9% in the UK. Similarly,

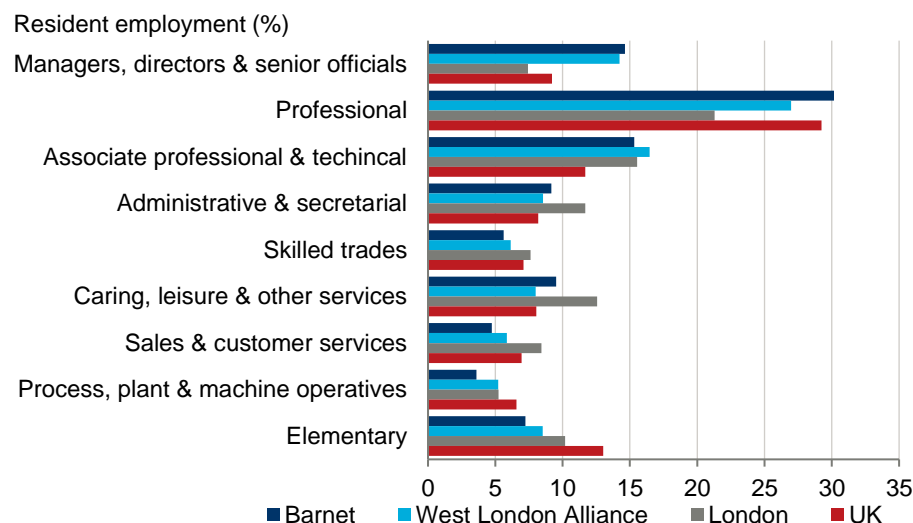
44,000 net out-commuting

In 2019, Barnet had the second largest level of net outward commuting within the WLA.



residents employed in professional occupations accounted for almost a third of the total in Barnet, compared to 21% in London, and 29% in the UK. These roles are in sectors such as professional services which have been experiencing strong underlying growth. In present circumstances those people may be in a stronger position than many other, if their roles are more likely to continue under lockdown, and they may return to normal working conditions sooner.

Fig. 24. Resident employment by occupation, Barnet, 2019, %



Source: ONS, Oxford Economic

At the other end of the spectrum, Barnet has lower shares of residents working in elementary occupations, than elsewhere. Just 4% are employed as process, plant & machine operatives compared with 5% in London and 7% in the UK. Elementary occupations account for 7% in Barnet, but 10% in London and 13% in the UK.

4.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

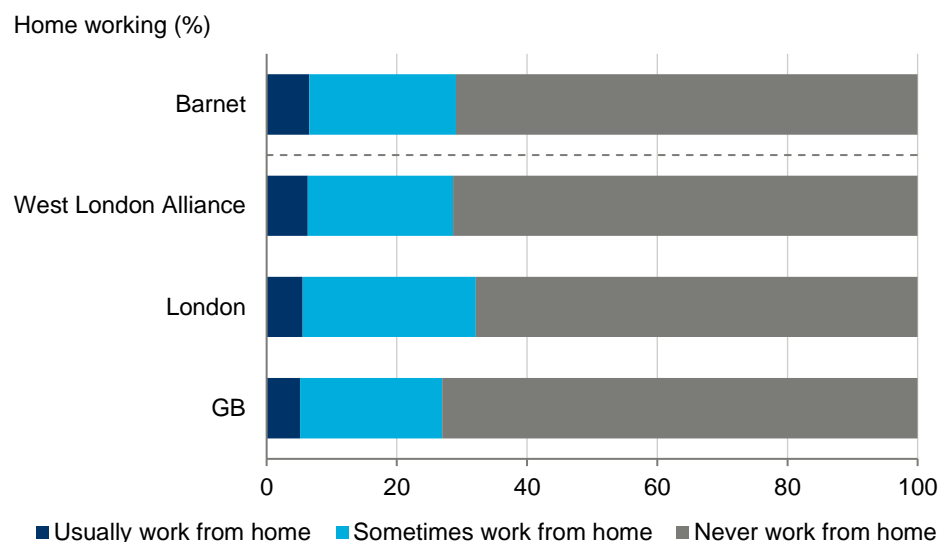
A high representation in higher value-added occupations with strong employment growth outlooks, and a corresponding low representation of lower skilled occupations, may provide Barnet with an element of resilience with respect to the impact of coronavirus, relative to many other local areas in London and the UK. However, Oxford Economics estimates based on survey evidence from 2019 does suggest a need to be cautious in this regard. The share of workers who sometimes work at home may be lower in Barnet than in London as a whole, and the proportion who never do so higher. That may imply a greater than average constraint on Barnet residents' ability to switch from office to home working. This picture is similar for WLA as a whole.

45%

The share of employed residents working in managerial and professional roles in 2019.

16 percentage points larger than the London equivalent share.

Fig. 25. Resident home working, Barnet, 2019, %



Source: ONS, Oxford Economics

23%

Share of employed residents who sometimes worked from home in 2019.

Similar to the WLA as a whole, home working is relatively less common compared to London overall.

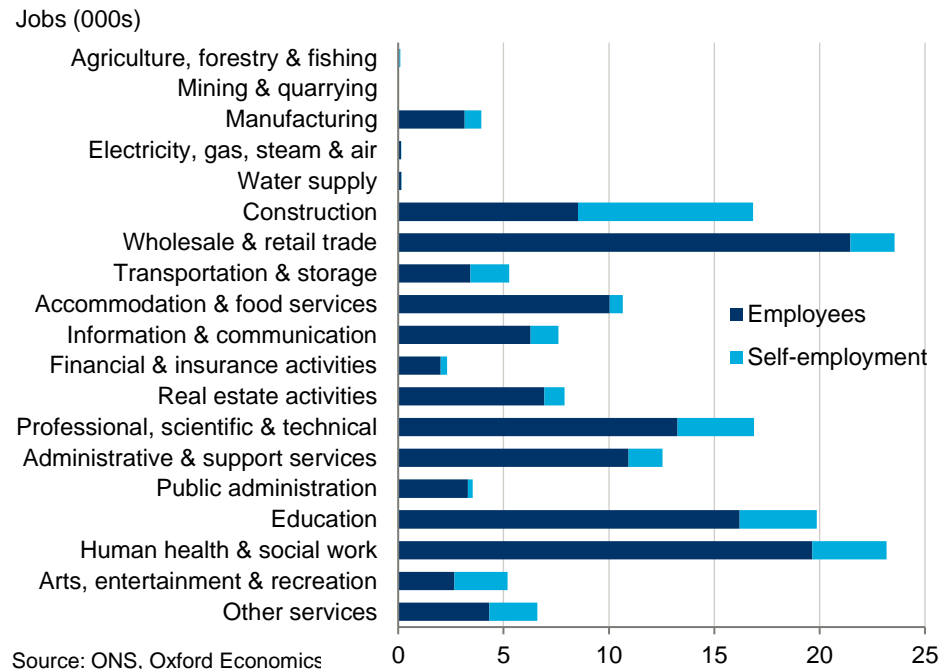
4.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Barnet is an entrepreneurial Borough, with higher levels of self-employment than the averages for West London, London as whole, or the UK overall. Self-employment accounts for more than a fifth of total employment, compared with 15% for the WLA and 13% in London and the UK overall.

This is consistent with the relatively large number of micro-businesses in Barnet, as discussed in section 1.3. The largest number of self-employed are in the construction sector, ranging from those working on very large regeneration and transport schemes to local painters and decorators. Short term, these people are likely to have been hard-hit, especially those working on small projects, where premises have been closed or people are isolating.

There is also a large number of self-employed people in the borough in the health & social care sector and education sectors. These are essentially agency workers. Those in health and care jobs have probably been in increased demand while those in teaching and training may have seen sharp losses in income. Also very vulnerable are those self-employed workers in the arts, entertainment and recreation sector (artists, gym instructors and the like).

Fig. 26. Self-employment, Barnet, 2019



33,800 jobs

Self-employment in 2019.

Consistent with strong concentrations of smaller business types—the self-employed account of a relatively large share of workplace employment.

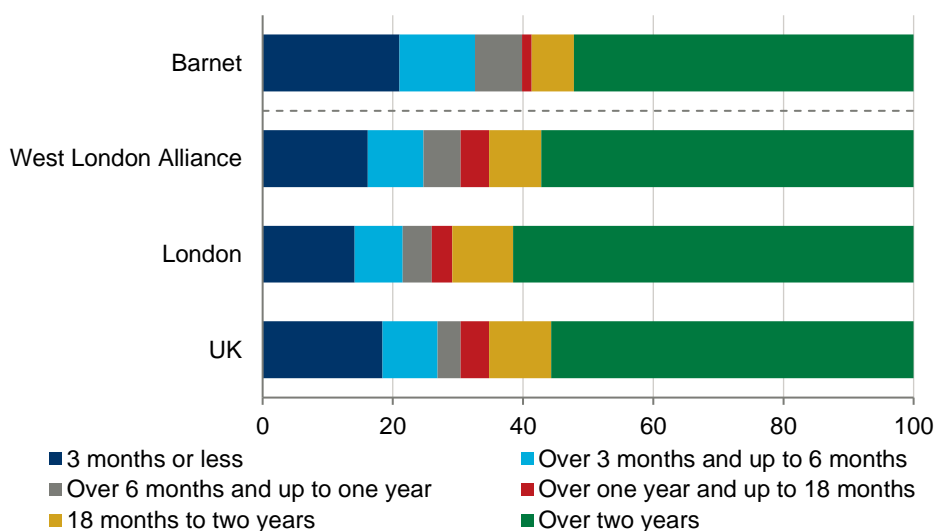
4.9 IMPACT ON RESIDENTS: UNEMPLOYMENT & INACTIVITY

UK unemployment has risen sharply in the wake of the coronavirus outbreak, with Barnet no exception. In March 2020, with the crisis just starting to intensify, more than a fifth of those claiming job seekers allowance in the borough had been claiming for three months or less—more than the averages for the WLA, London, or the UK. Long-term unemployment was less of an issue for Barnet, with only two-thirds of the unemployed having claimed for over a year, whereas in London and the UK on average, the figure was 70% or more. This difference in balance was indicative of a situation in which unemployment tended to be more about transitional problems, and less about deep-rooted personal or economic difficulties, than in some places.

Unemployment is now clearly increasing as a result of coronavirus. When lockdown restrictions are eased it will take time for businesses to return to normal and to begin recruiting at pre-outbreak levels. It is also likely that many furloughs will convert to job losses, some of which will be in the supply chain of the sectors in lockdown, with a possible peak in unemployment to come. It will be important for the borough that those who have lost their jobs are able to secure new ones in combination with those from elsewhere in London.

Fig. 27. Job seekers claimants, Barnet, March 2020, %

Jobseekers claimants by duration (%)



Source: ONS

Almost half of claimants in Barnet in March 2020 were aged 24-49, which is a similar proportion to the rest of the UK. The 18-24 age group made up a smaller proportion of total claimants (4%), but it is likely that youth unemployment will increase in the coming months, given that businesses such as restaurants, bars, and retail stores—which traditionally employ younger staff—have remained closed throughout lockdown, and may be among the last to resume normal service when restrictions are eased.

Another age group which is probably being relatively hard-hit are the more mature workers who have weaker qualifications. They typical will be in less secure employment and have skill sets which do not match those required by the more resilient growth sectors. Without particular attention, these are most likely to fall within the long-term unemployed.

4.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

Barnet as a whole is significantly less deprived than many other boroughs in the WLA or indeed London. The Index of Multiple Deprivation shows that Barnet has a greater share of its LSOAs ranked among the bottom 10% least deprived in England than the WLA or London areas.⁹ Consistent with the patterns for earnings, occupations and commuting, the borough ranks well in the employment, and education, skills & training domains.

Crucially in present circumstances, Barnet scores very well in terms of health deprivation & disability, with half of its LSOAs in the bottom 10% of England's least deprived. This measures the risk of premature death and the impairment of quality of life through poor physical or mental health. With so little of this type of deprivation in Barnet, the borough may have better than average health

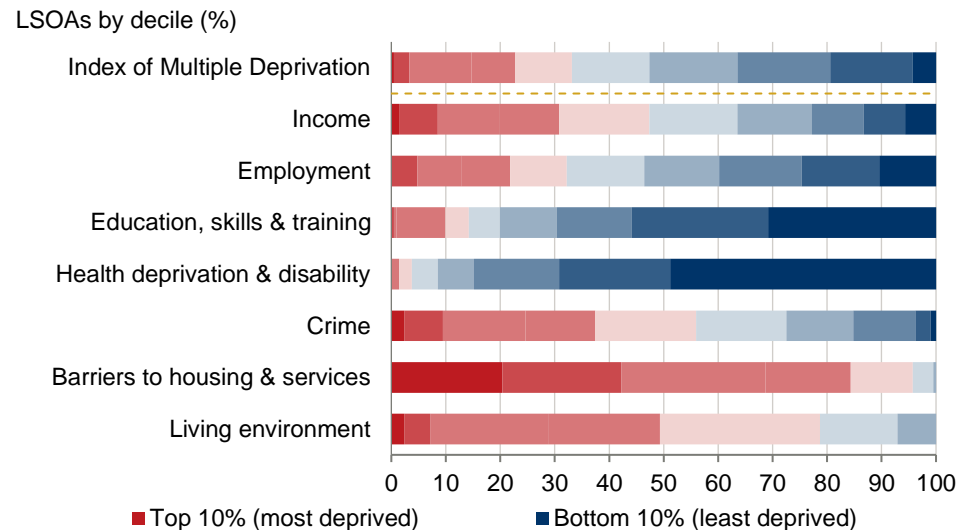
⁹ Lower Layer Super Output area. A statistical unit used in England and Wales to facilitate the reporting of small area statistics. They have a minimum population of 1000 with a mean size of 1,500.

The Index of Multiple Deprivation shows that Barnet has a greater share of its LSOAs ranked among the bottom 10% least deprived in England than the WLA or London areas...

resilience to coronavirus, despite the number of cases per 100,000 people being higher in Barnet than the London or UK averages.¹⁰

The increase in unemployment claims discussed above means that employment deprivation will inevitably increase. However, given that the issue is a UK-wide one, Barnet's ranking relative to other boroughs may not change significantly.

Fig. 28. Index of multiple deprivation, Barnet, 2019



Source: MHCLG

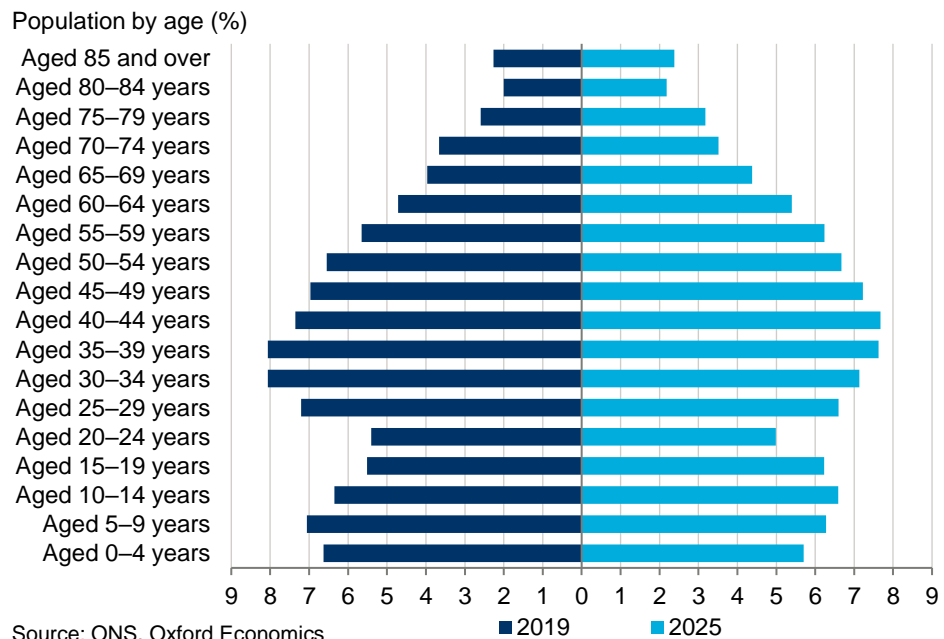
4.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

Many jobs typically occupied by younger workers are currently more likely to be at risk of furlough or job losses, and it is therefore possible that the borough's younger demographic is being worse hit than others at present. In addition, higher-skilled and more mature office-based workers are better able to work from home than younger colleagues—they tend to be further up the career ladder, have higher incomes, greater job security, and are less likely live in shared accommodation with non-family members. The consequence may be that a disproportionate number of people whose jobs are at risk (or already gone) or in younger demographic groups.

That said, like the rest of London, Barnet has a young population, so the likelihood that a large proportion of young people will become unemployed may not be large. A bigger issue may be the challenges that face those mature residents with low qualifications, who lose their jobs. These people may find it particularly difficult to compete in the jobs market, when recovery comes.

¹⁰ <https://coronavirus.data.gov.uk/#category=utlas&map=rate&area=e09000010>

Fig. 29. Population by age band, Barnet, 2019 and 2025, %



4.12 IMPACT ON RESIDENTS: ETHNICITY

Barnet has a less ethnically diverse population than the WLA average. Two thirds of Barnet's population aged 16 and over identify as white, compared with 54% in WLA boroughs on average. Within that, the shares of the 16+ population accounted for by Indian, Pakistani, or black residents are all lower than the average, but 'other ethnic groups', at almost 18%, represent a higher share than most other WLA boroughs and the London average.

It will be important to ensure that the impact of coronavirus on Barnet's residents does not impact any one of these groups particularly hard, relative to others.

4.13 IMPACT ON RESIDENTS: INCOMES, SPENDING & HOUSE PRICES

Resident earnings in Barnet, at £685 per week, are higher than the WLA or UK averages, and just slightly below the London average. This is clearly a positive for the borough. It is, however, associated with net outward commuting, rather than with local employers tending to pay particularly high wages. The gap between residence- and workplace-based earnings suggests that those commuting to other parts of London for work are in relatively high-value, well paid roles. The possibility is that job losses in other London boroughs will therefore have a more noticeable impact on the Barnet economy than in most boroughs.

Regardless of job losses, household expenditure is clearly lower than normal at present at all income levels in the borough, given both the inability to spend in shops, restaurants and the like, and also the prevailing mood of uncertainty about the economy. The large number of self-employed residents is likely to make for even greater caution than in some other boroughs.

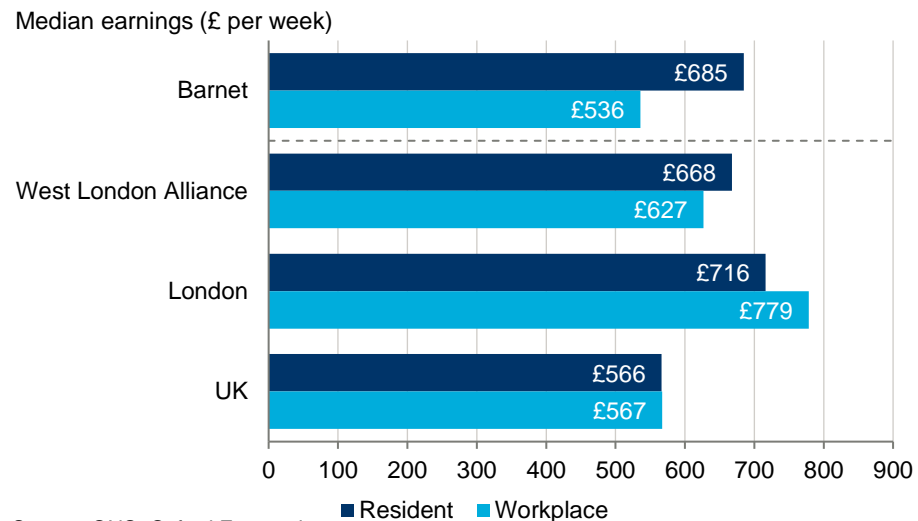
33%

Share of population (16+) which are ethnic minority.

Below average for London and the second lowest across WLA's seven boroughs.

Residents are, however, likely to gradually increase their spending as retail and hospitality sectors are progressively re-opened. They are likely to remain cautious about 'big-ticket' spending on non-essentials, where that involves taking out credit, and that could have some impact on the balance of impact between businesses, with high-end retailers and service companies perhaps experiencing a more sluggish rebound than those selling more affordable items.

Fig. 30. Resident and workplace earnings, Barnet, 2019



Source: ONS, Oxford Economic

£685 per week

Average resident earnings in 2019 were weaker than the London average (£716)—impacted both housing affordability and consumer spending across the local economy.



Another factor that will affect confidence will be house prices. These slowed in Barnet in 2018 and 2019. Currently the housing market is effectively closed down, and even when restrictions are formally lifted, transaction numbers will probably be very low. The expectation must be that prices fall this year and next. However, housing affordability will remain a big issue, with the earnings to house price ratio in Barnet remaining around 15 in 2019, which is higher than the London average, and almost double the UK average.

Indeed, potentially one of the biggest challenges for Barnet, and for other boroughs, will be if people who lose their jobs or experience major pay cuts can no longer pay their housing costs, either mortgage payments or rents. Given that housing affordability is the major cause of social deprivation in the borough, it is clear that a significant minority of local residents could easily face serious difficulties in this regard. Housing problems can lead to other difficulties with respect to, for example, health and the ability to find work; so it is important for the borough that difficulties in this regard do not increase markedly.

5. BRENT

KEY FINDINGS

- **Brent is among the most culturally diverse boroughs in the capital, and the issue of how minority group members might be affected differently than others has to be an area of concern.**
- That is especially so since the borough's sectoral mix is relatively reliant on several which are vulnerable during the pandemic—particularly manufacturing, but also transport & storage and construction.
- Furthermore, those Brent residents in work are relatively concentrated in occupations which are most likely to be vulnerable during the current outbreak. Furthermore, the borough's working age population tends to be older than elsewhere, and less highly qualified.
- Long term unemployment and youth unemployment are particularly prevalent in the borough, while students also form a relatively large share of the inactive. Young people may be particularly exposed in terms of risks of falling behind within the labour market.

5.1 OVERVIEW & CORONAVIRUS EXPOSURE

Brent is one of London's largest boroughs in population terms. It ranks as the third most populous borough in West London and the second most densely populated. It is also one of the most culturally diverse local authorities in the country. It is the 2020 London Borough of Culture—an initiative that has unfortunately been directly affected by the coronavirus crisis and lockdown.

The economy is more reliant than other West London boroughs on lower value-added sectors, such as wholesale & retail and construction, and has correspondingly lower exposure to higher value-added employment sectors. Productivity per worker ranks among the lowest in West London, and a significant share of those working in the borough are employed in elementary occupations. Qualification attainment among the working age population is also lower than the West London average. As a result of these factors, both workplace-based and residence-based earnings are below the averages for both West London and London as a whole.

Wembley, with its iconic stadium and concert arena, has always been seen as a strategic asset for the Brent economy, and the council has long-identified Wembley as a location to help drive the wider economic regeneration of Brent. The 85-acre Wembley Park development is intended to create 7,000 new homes, a new park and 9,000 new jobs, in addition to those involved in the construction phase.

On its own, however, Wembley Park will not transform the borough. Brent is, however, home to part of the very significant Park Royal-Old Oak Common regeneration scheme, discussed in the box in Chapter 3.

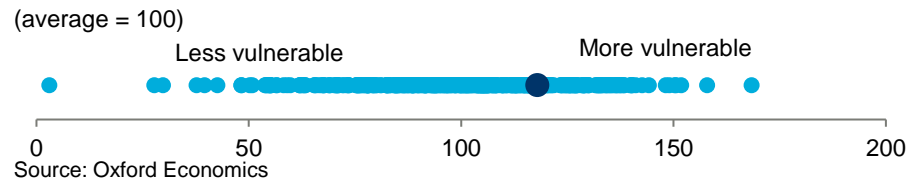
Significant coronavirus challenges

Exposed in terms of economic structure and business characteristics.



Brent faces significant challenges with respect to coronavirus. A breakdown of our Coronavirus Challenges Index indicates that the difficulties tend to relate particularly to economic structure and business characteristics.

Fig. 31. Coronavirus Challenges Index, GB LADs, 2019



The borough has above average exposure to **sectors** which are likely to be particularly impacted during the pandemic. However, it is more vulnerable still from the **business** perspective, with higher shares of small firms and self-employment. More positivity, the borough ranks below average in terms of vulnerability in **digital connectivity**.

13% of jobs

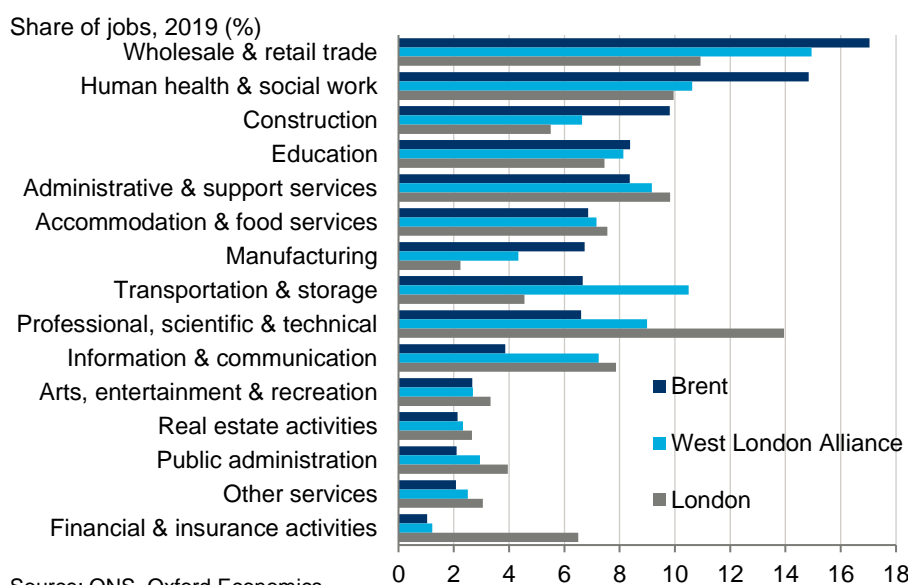
The manufacturing and transport & storage sectors' share of workplace employment in 2019.

Seven percentage points larger than London overall.

5.2 SECTORAL STRUCTURE

Brent's sectoral structure creates particular challenges with regard to COVID-19. Compared to the rest of London, Brent's has less exposure to higher value-added office-based sectors than average, particularly professional, scientific and technical and financial services, and more exposure to the wholesale and retail sector. Other prominent sectors are health and social work, and construction.

Fig. 32. Workplace employment by sector, Brent, 2019, %



Source: ONS, Oxford Economics

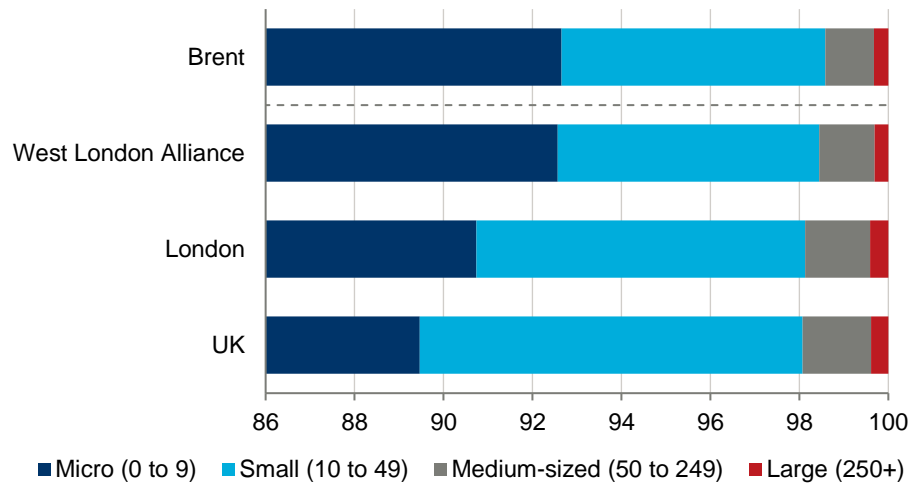
The borough also has above-average exposure to manufacturing and (compared to London as a whole) transport & storage. Combined, these sectors represent 13% of the borough's workplace employment—seven percentage points larger than the London average.

5.3 SIZE OF BUSINESSES

Like west London as a whole, micro-sized enterprises (0-9 employees) are important within Brent, while small firms with 10-49 employees are less common than in London as a whole, and larger firms even more so. The latest business stock data show that micro firms' share of the local business stock was almost two percentage points higher than the London average in 2019. The concern is that these firms may be less resilient than others in the face of the current sharp falling away in demand. Many of them are likely to be retailers and others selling services directly to local consumers, and many may have weaker financial positions than larger companies, or other vulnerabilities such as reliance on one or two key people. In addition, since household income levels in the borough are relatively low (see below), local businesses may be reliant on a slightly weaker customer base than similar companies in more prosperous parts of the capital.

Fig. 33. Businesses by size, Brent, 2019, %

Enterprises by employee size band, 2019 (%)



5.4 IMPACT ON OUTPUT AND WORKPLACE EMPLOYMENT

Under our baseline scenario the Brent economy is projected to contract by 9% in 2020, so more sharply than the London average (7% decline). The accommodation & food sector, and the arts, entertainment & recreation sector, are likely to experience the largest rates of decline in output this year, together with the education sector.

Assuming that the lockdown measures are progressively eased over the coming months, we expect the Brent economy to rebound in 2021, with GVA growth of 8%. We forecast an average annual growth rate over the 2020-2025 period of 1.1%—slower than both the West London and Greater London averages (1.2% and 1.6% each year respectively).

In our downside scenario, we forecast a 13.4% contraction in GVA in 2020. The same sectors remain the worst impacted, but they face a more severe downturn in 2020, followed by a much weaker recovery in 2021, with growth of next year of just 3.7%.

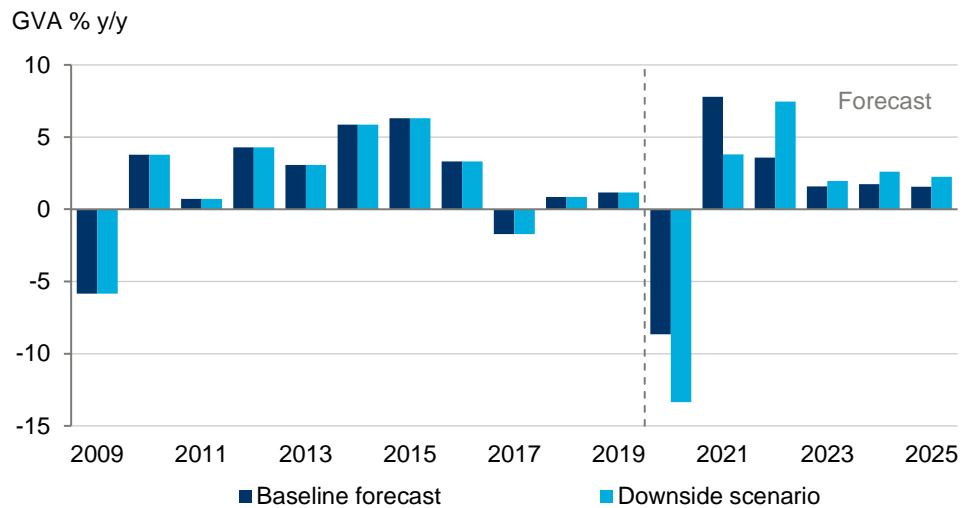
9% decline

GVA contraction in 2020.

A relatively stronger decline than that experienced across London (7%) but weaker than the WLA overall (9%)



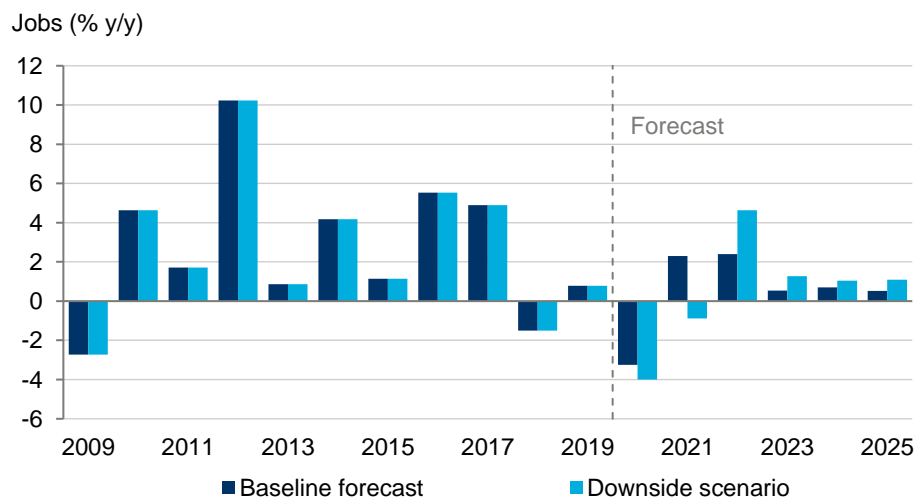
Fig. 34. Baseline GVA and scenario, Brent, 2009-25, % y/y



Source: ONS, Oxford Economics

In terms of jobs, our baseline forecast shows that workplace employment in Brent is projected to contract by 5,000 or 3.2% in 2020, with the pace of job losses felt most acutely in the accommodation & food services and arts, entertainment & recreation sectors (13.1% and 12.5% falls respectively). These losses will be offset only partially by job growth in education and health throughout 2020. However, we expect a rebound in 2021, with the local economy recovering 3,400 jobs. The strongest contributions will come from the accommodation & food services and the wholesale & retail sectors as the lockdown eases.

Fig. 35. Baseline workplace employment and scenario, Brent, 2009-25, % y/y



Source: ONS, Oxford Economics

Our **medium-term baseline forecast** considers both the lockdown measures and the subsequent rebound through to 2025. Over the six-year period (2020-

5,000
Decline in jobs total in 2020

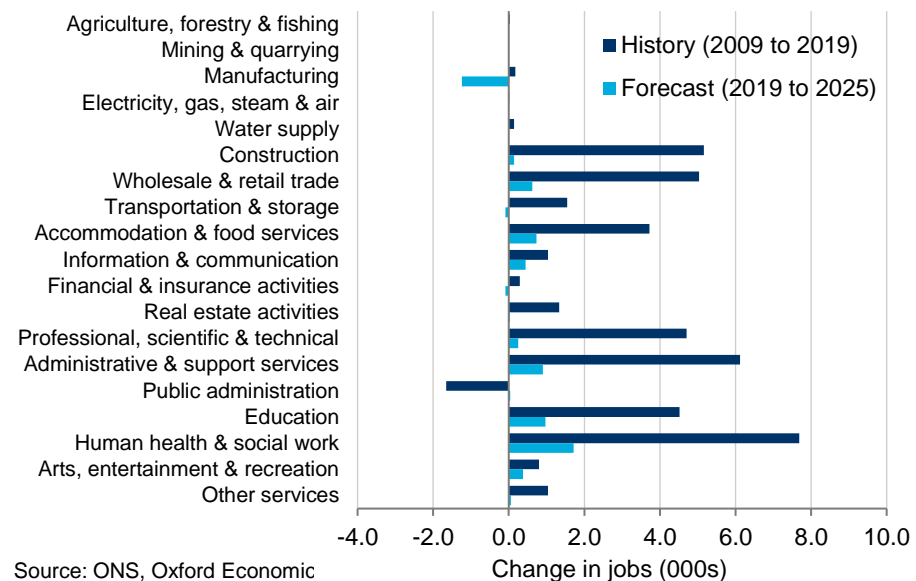
Employment is to contract at a stronger pace than across London this year.

25) we expect Brent's jobs total to grow on average by 0.5% each year—on a par with the West London average but at a rate almost half that of London overall (0.9%). Employment growth will be fastest in the arts, entertainment & recreation sector (1.5% per year). However, the larger health and education sectors will contribute most additional jobs within the borough economy.

Employment in the manufacturing sector will face the strongest headwinds over the forecast, contracting on average by 2.1% each year to 2025.

Under the **downside scenario**, we forecast a 4.0% contraction in workplace employment in 2020, with no return to growth until 2022. Under this scenario, we project employment growth to average 0.3% over each of the six years between 2020 and 2025—half the rate under the baseline.

Fig. 36. Change in workplace employment, Brent, 2009-19 and 2019-25 baseline forecast



29,000 net out-commuting

Census data show that three in every five employed residents commute out of the borough.



5.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

A significant proportion of Brent's population take up employment outside the borough itself. To the extent that they commute to places which are less badly hit in employment terms than Brent itself, employment on a residential basis is less exposed than it would otherwise be.

Up-to-date data on this is scarce. Census data show that in 2011 over half of all employed residents worked outside the borough, and that just under half of all Brent's workplace jobs were filled by people from outside Brent. Since then the size of net outflows (people commuting out minus those commuting in) have been reducing, due to relatively strong workplace employment growth in the borough. We estimate that in 2019, 29,000 more Brent residents commuted out of the borough to work than commuted in from elsewhere.

The above out-commuting patterns are partially reflected in average earnings data across the borough. In 2019, the average wages of Brent residents were

around 4% higher than those of people whose jobs were based in the borough—showing that those who commuted out to work tend to get paid slightly more than those who commute into the borough to work. Boroughs which particularly tend to provide jobs for Brent workers include Westminster and Camden, with other West London boroughs also prominent, including Ealing, Barnet and Harrow.

5.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

Brent's residents are slightly more exposed to coronavirus-related employment risks, due to their occupational profiles, than the West London average. Those in managerial and professional occupations are more likely than others to have the capacity to work from home, and are also more likely to enjoy employment growth over the medium term. However, as a grouping these occupations accounted for 56% of the borough's employed residents in 2019, two percentage points below the West London average (58%).

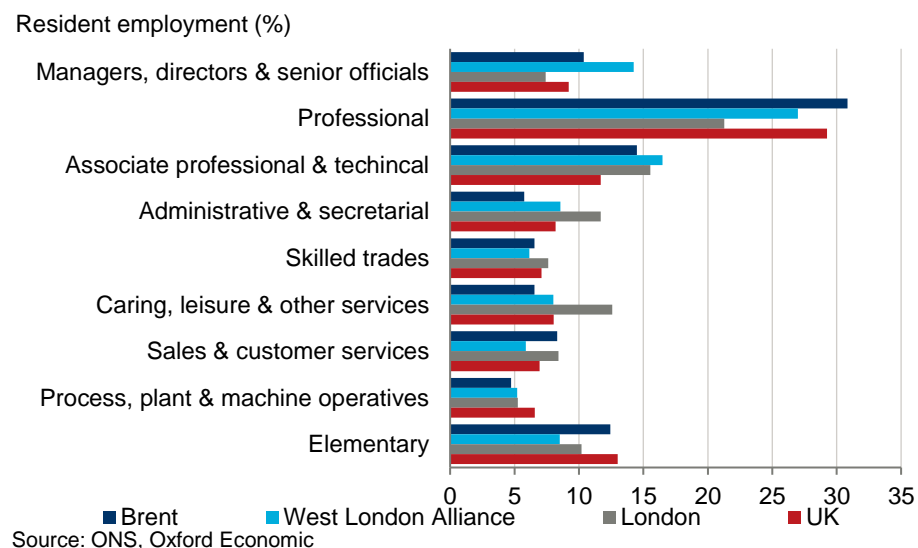
Although Brent has enjoyed some of the strongest workplace employment growth in West London, a relatively large proportion of these new jobs are associated with sectors which cannot easily adopt home working practises (hospitality and construction). Linked to this, the borough has a higher than average representation in lower skilled occupations which are more exposed to Covid-19 related restrictions.¹¹ These more vulnerable occupations represent almost 26% of residents in employment—a higher share than either the West London or greater London averages (21% and 24% respectively) and the highest among the seven boroughs in the WLA.

26%

The share of employed residents working in sales, process operative and elementary roles in 2019.

The highest share among the seven WLA boroughs.

Fig. 37. Resident employment by occupation, Brent, 2019, %



Occupational patterns are the major drivers of the ability of residents to work at home. ONS estimate that 21% of Brent's residents sometimes worked at home in 2019—a comparatively smaller share compared to both West London (22%) and London overall (27%). However, the share of Brent's residents who identify

¹¹ Sales & customer services, Process, plant & machine operatives and Elementary occupations.

48%

Share of the working age
with higher level
qualifications in 2019

*The lowest share across the
WLA boroughs.*



as usually working from home was the smallest of the seven boroughs within the WLA. Many of these work from home but visit a variety of offices or homes to do their work, and are thus especially vulnerable, so having a smaller share of such people is helpful in terms of the scale of challenge that the borough is facing.

One problematic factor is that qualification attainment data show that only 48% of Brent working age residents were educated to degree level or above in 2019—the lowest share across the WLA, and over six percentage points below the London average. This is an unfavourable factor with respect to coronavirus challenges.

5.7 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

The self-employed are generally more exposed to the negative consequences of the pandemic, in terms of both job security and government support. And self-employment accounts for a relatively large share of the jobs total in Brent, measured on a workplace basis, and that makes the borough more vulnerable as a result. The self-employed accounted for close to a fifth of all jobs in the borough in 2019, significantly higher than the equivalent shares in West London and London overall (15% and 13% respectively). This is consistent with the relatively large number of smaller businesses across the borough. A relatively large proportion of these businesses operate within the construction and wholesale & retail sectors.

Linked to this, our baseline forecast shows that self-employment job growth in Brent is set to be much weaker to 2025 than the employee equivalent, with losses likely to be keenly felt in manufacturing and transport & storage.

Fig. 38. Self-employment, Brent, 2009-25, 000s and %y/y

Brent	History (2009 to 2019)				Forecast (2019 to 2025)			
	2009	2019	Change	% y/y	2019	2025	Change	% y/y
Agriculture, forestry & fishing	0.0	0.0	0.0	14.2	0.0	0.0	0.0	-1.7
Mining & quarrying	0.0	0.0	0.0		0.0	0.0	0.0	
Manufacturing	1.6	2.0	0.4	2.4	2.0	1.7	-0.3	-2.9
Electricity, gas, steam & air	0.0	0.0	0.0		0.0	0.0	0.0	-0.7
Water supply	0.0	0.1	0.0	3.5	0.1	0.1	0.0	-0.3
Construction	5.0	7.2	2.2	3.7	7.2	7.3	0.0	0.1
Wholesale & retail trade	2.0	2.2	0.3	1.2	2.2	2.2	0.0	0.2
Transport & storage	2.2	3.5	1.3	4.8	3.5	3.4	-0.1	-0.4
Accommodation & food services	0.4	0.6	0.2	4.0	0.6	0.6	0.0	1.0
Information & communication	0.8	1.0	0.2	1.7	1.0	1.0	0.1	1.0
Financial & insurance activities	0.1	0.2	0.1	3.4	0.2	0.2	0.0	-0.9
Real estate activities	0.2	0.4	0.2	7.2	0.4	0.4	0.0	0.1
Professional, scientific & technical	1.2	2.1	0.8	5.3	2.1	2.1	0.0	0.3
Administrative & support services	0.7	1.6	0.9	8.7	1.6	1.7	0.1	1.0
Public administration	0.2	0.2	0.0	1.1	0.2	0.2	0.0	0.0
Education	1.1	2.3	1.2	7.6	2.3	2.4	0.1	1.0
Human health & social work	1.9	3.3	1.4	5.8	3.3	3.5	0.2	1.0
Arts, entertainment & recreation	1.2	1.9	0.8	5.2	1.9	2.1	0.1	1.2
Other services	0.6	1.1	0.5	6.6	1.1	1.1	0.0	0.1
Total	19.1	29.6	10.4	4.5	29.6	30.0	0.4	0.2

Source: ONS, Oxford Economics

5.8 IMPACT ON RESIDENTS: UNEMPLOYMENT & INACTIVITY

In 2019 Brent's unemployment rate stood at 4.1% and was therefore slightly lower than both the West London and Greater London averages (4.6% and 4.3% respectively).¹² However, a relatively large proportion of the borough's jobseekers claimants fall within the ranks of the long term unemployed. In March 2020 over 80% of job seekers in the borough had been unemployed for a year or more—a larger share than exhibited across West London or the capital overall (70% and 74% respectively). As others enter the stock of unemployed, these long-term jobless will find it all the more difficult to get back into work.

29,600 jobs

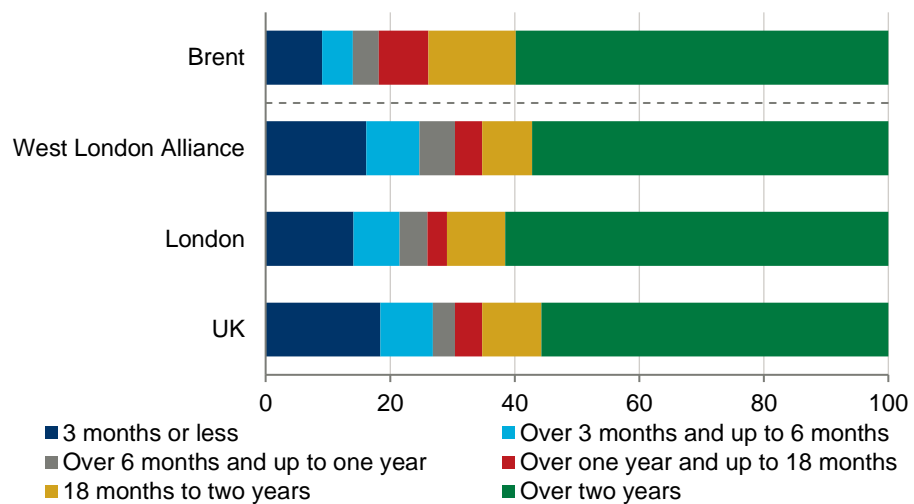
Self-employment in 2019.

Workplace based self-employment jobs represent a relatively large share of the borough's total.

¹² Labour Force Survey definition, not claimant count.

Fig. 39. Job seekers claimants, Brent, March 2020, %

Jobseekers claimants by duration (%)



Source: ONS

Equally, younger people aged between 18 to 24 also are over-represented within the borough's jobseekers—they account for 4.9% of the total, compared with just 3.8% across West London. It is true that the proportion of the Brent working age population who are economically inactive stood at 23% in 2019, only marginally higher than London average (22%). However, students represented almost two-fifths of the total—a share almost a third larger than the West London average.

Businesses which traditionally employ younger people have been hit hardest by the lockdown and may be among the last to return to normal service. The coronavirus related restrictions will therefore significantly weaken employment opportunities in those sectors and occupations which are typically more accessible to the young and those with lower skills. As a result, it is likely that youth unemployment will increase particularly markedly.

5.9 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

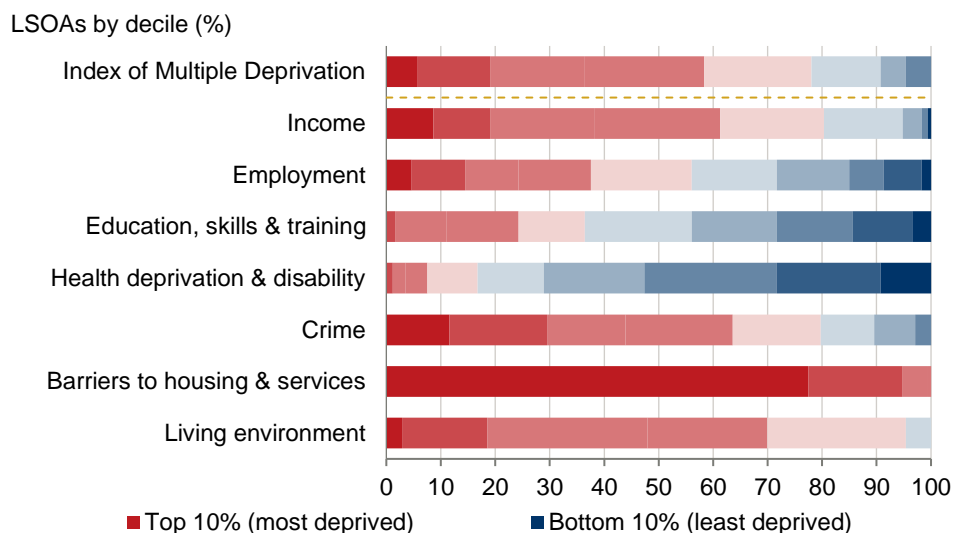
In terms of overall deprivation, Brent contains a higher than average concentration of some of the England's most deprived neighbourhoods. The most significant categories of concentrated deprivation in the borough relate to two domains: barriers to housing & services, and crime. Over three quarters of Brent's LSOAs rank among the top 10% most deprived in England in terms of physical proximity of local services, and wider barriers which include issues relating to access to housing such as affordability.



...over 80% of job seekers in the borough had been unemployed for a year or more—a larger share than exhibited across West London or the capital overall ...



Fig. 40. Index of multiple deprivation, Brent, 2019



Source: MHCLG

Housing affordability is among the weakest in West London, with the average house costing over 15 times the average salary in 2019. Continued furloughing and job losses may weaken household incomes further and lead to accommodation costs accounting for an even larger share of household spending across the borough.

5.10 IMPACT ON RESIDENTS: DEMOGRAPHICS

Brent's demographic characteristics are broadly helpful in terms of exposure to coronavirus-related risks. Those aged over 45 represented 36% of the borough's population in 2019—one percentage point higher than the London average. Equally, Brent's younger working-age cohort (aged 25-44) accounted for 32% of the borough's population, close to three percentage points below the London average. However, the oldest people in society are generally recognised as being a high-risk group and the borough has a relatively large share of this cohort. Residents aged between 55 and 70 years of age represented 15% of the total in 2019—slightly larger than the share across London (13%).

5.11 IMPACT ON RESIDENTS: ETHNICITY

Brent is one of the most culturally diverse boroughs in the capital with close to two thirds of the local population identifying as members of ethnic minority groups—significantly higher than both the West London and Greater London averages (46% and 37% respectively). That may imply greater vulnerability for the borough. This could be worsened by relatively high population density and the concentrations of deprivation throughout the borough, mentioned above.

5.12 IMPACT ON RESIDENTS: INCOMES, SPENDING & HOUSE PRICES

Brent's average resident earnings are among the lowest in West London and were 16% below the London average in 2019. As well as creating challenges in terms of housing affordability, Brent households are less likely than those elsewhere to have adequate savings to help them get through periods of

60%

Ethnic minority share of population (16+) in 2019.

Significantly larger than the London average and the highest share found across the WLA.

£603 per week

Average resident earnings in
2019

*Among the weakest in the
WLA—impacting both
housing affordability and
consumer spending.*



unemployment or reduced income through furloughing or reduced working hours. All of these factors can impact other areas, such as of health outcomes, ability to find work, and deprivation more generally.

In 2019 Brent's consumer spending per household ranked among the lowest in the WLA and is likely to grow relatively weakly over the medium-term outlook. This will feed-through to the speed of recovery in the borough's economy, particularly in the retail and other consumer-facing sectors.

6. EALING

KEY FINDINGS

- **Ealing has high exposure to at-risk sectors such as manufacturing, wholesale & retail and transport, as well as a high proportion of micro firms and self-employed residents. The Park Royal industrial estate is particularly important: it contains a lot of food manufacturers, a sub-sector generally not much affected by the lockdown, but many of which serve Heathrow, which is massively affected.**
- Ealing has a corresponding under-representation of workplace jobs in finance, digital and professional services roles. Nevertheless, many Ealing residents do commute to central London for higher-paid office jobs, and may have a degree of protection, because of their scope for homeworking.
- Because of its industrial heritage Ealing has high levels of long-term unemployment, and notable rates of economic inactivity, particularly among certain ethnic minority groups. Economic regeneration is important to the borough: not just at Park Royal and neighbouring Old Oak Common, but elsewhere including at Southall.

6.1 OVERVIEW & CORONAVIRUS EXPOSURE

Ealing is home to close to 350,000 people, making it the fourth most populous London borough. Like many other London boroughs it is a very diverse place, with many different local communities, of which the South Asian community in Southall is the most famous. Ealing is at the centre of the WLA area and hence is on the boundaries between inner and outer London, characteristics of both. It also has an important manufacturing sector. So, even more so than other boroughs, Ealing does not lend itself to blanket, once-size-fits-all, policy prescriptions.

We discuss the important industrial estate of Park Royal and the neighbouring Old Oak Common development in Chapter 3. The Park Royal estate is nowadays primarily a location for small and medium sized businesses, especially in the food sector, and that creates strong ties with London as a whole, and also a particular reliance on Heathrow airport. This creates a degree of security going forward, but also for some businesses an extremely challenging short-term situation.

There is also some specialism within Park Royal and other parts of Ealing in film & TV production, a sector that is part of Ealing's heritage, and which offers long-term growth prospects, but a distinctly mixed experience in current circumstances.

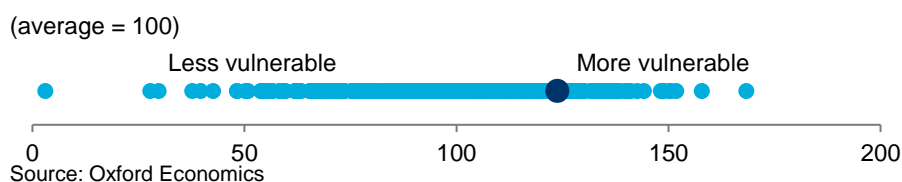
Ealing is also home to the University of West London. While universities are normally advantageous to local economies, the need for social distancing creates potentially large problems. Students studying remotely, or who do not enrol at all, cannot make the contributions to local spending that many

businesses depend on. There is also concern at the national level about the financial viability of some universities in the 2020/21 academic year.

A major source of change and opportunity for Ealing going forward will be the opening of five new Elizabeth Line stations within the borough. That should significantly improve connectivity for the neighbourhoods surrounding those stations. Southall is one of those, and is currently one of 11 Opportunity Areas in West London, with an ambition of building 11,000 homes and creating 3,000 jobs. As part of that, the Shaping Southall project is currently focusing on street-level improvements; it is the kind of scheme that has the potential to help the local community address some of the challenges that are being created by the pandemic, the need for social distancing, and the inability of people to meet one another safely. Adapting and maintaining this and other such schemes, in the face of what is likely to be huge pressure on resources, will be a challenge for the borough council and for its partners.

On the basis of our GB-wide Coronavirus Challenges Index, Ealing faces a high degree of exposure to the economic fallout from the coronavirus pandemic. It scores 124 in our Coronavirus Challenge Index, placing it in the top quartile of the 368 GB local authority areas studied.

Fig. 41. Coronavirus Challenges Index, GB LADs, 2019



The primary reason for this lies with the characteristics of Ealing **businesses**. Ealing contains a sizable number of self-employed people in badly affected sectors such as construction, manufacturing, and transport. It is also home to a higher-than-average proportion of micro and small businesses, especially in the wholesale & retail sector, where the effects of lockdown have been particularly pronounced—Ealing Broadway has for example remained largely closed over the lockdown period, with only a handful of essential stores remaining open.

The industrial composition of Ealing is varied, so our finding for the impact of **economic structure** needs some unravelling. With a legacy of post-war industrialisation and the presence of Park Royal, the borough still has a lot of manufacturing—a sector that has felt the pinch from weakened demand, a halt to many frontline production lines, and much supply chain disruption. Furthermore, while Ealing should be sheltered somewhat by its under-exposure to the hospitality sector (compared with the WLA, London, and UK averages), it is much more reliant than most local authorities on transport, a sector experiencing notable losses to jobs and activity.

However, as we discuss below, many Ealing residents commute to central London to work for finance, digital, and professional service firms—sectors that are better able than most to embrace home-working. Ealing scores relatively well by UK standards in terms of **digital connectivity**: a relatively high percentage of residents have worked at home before, aided by good access to high-speed broadband connections.

Significant coronavirus challenges

Particularly with respect to
local businesses.



10% of jobs

Manufacturing share of workplace jobs in 2019.

Ealing has the largest concentration of manufacturing employment in the WLA.

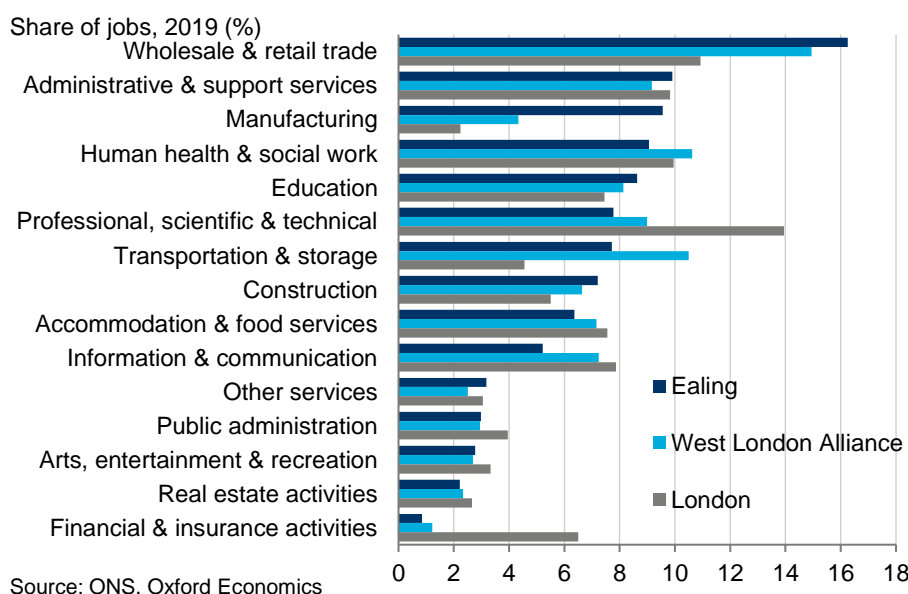
6.2 SECTORAL STRUCTURE

Ealing's sectoral structure is skewed towards industries that are among the more exposed to the immediate economic fallout from the coronavirus, underlining why it is one of the more vulnerable boroughs in our Index's **economic diversity theme**. Wholesale & retail trade provide the largest share of Ealing's total workplace jobs at 16%—more than the WLA, London, and UK averages by some margin.

Manufacturing accounts for one in 10 of the borough's workplace jobs; more than twice the WLA share, and over four times greater than the London average. However, more than half of Ealing's manufacturing is involved in making food products, a sub-sector that has been little affected by the lockdown.

Ealing has smaller hospitality, arts, entertainment & sport sectors than other WLA boroughs, which in the immediate short-term is an advantage, but it is under-represented in those sectors that we expect to prove most resilient. Information & communications (5% of total workplace employment), finance (1%), and professional services (8%) all account for lower percentages of workplace jobs in Ealing than both the WLA and rest of London.

Fig. 42. Workplace employment by sector, Ealing, 2019, %

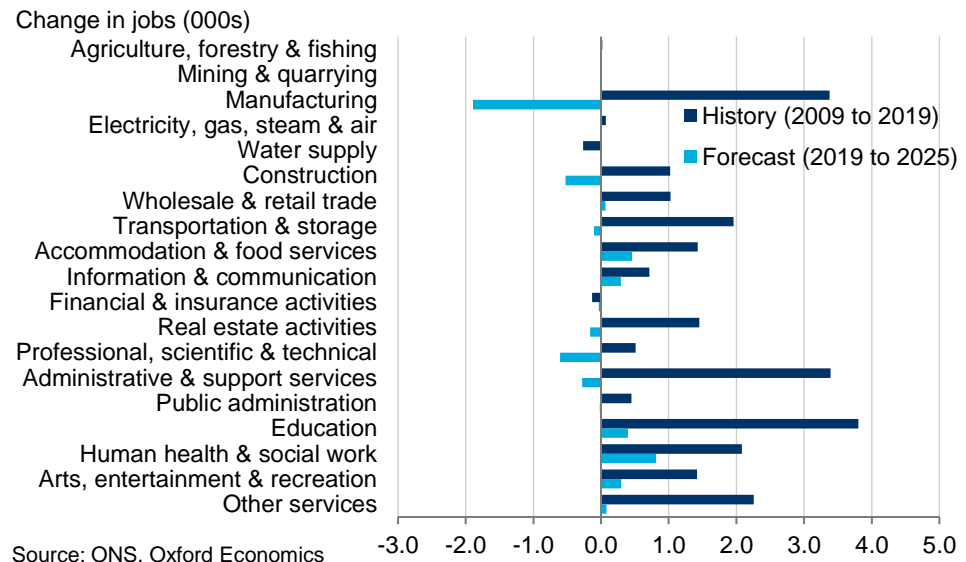
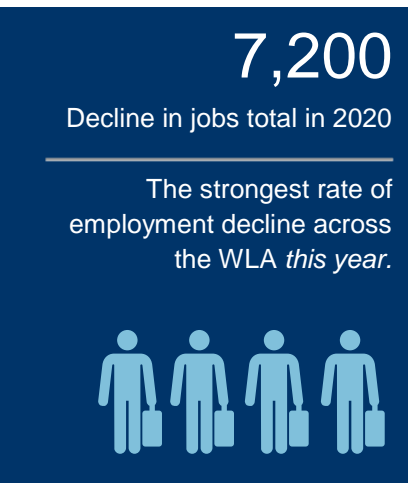


We forecast that Ealing will face around 7,200 workforce job losses in 2020—a decline of 5%, compared with just under 3% for London as a whole. Only public services are likely to see muted workplace jobs growth this year, while more than half of the total job cuts will come in three sectors: accommodation & food services, wholesale & retail trade, and manufacturing.

The first two of these sectors should experience some bounce-back later this year, and should recover their previous job levels in around two years. However, the medium-term outlook for manufacturing is more fraught: we expect this sector to shed close to 2,000 jobs between 2020 and 2025. When combining this with net job losses expected across finance, real estate, and

business services (and despite some growth in education and health), we envisage Ealing's total workplace jobs level will fall slightly, by an annual average of 0.1%, over the next six years.

Fig. 43. Change in workplace employment by sector, Ealing, 2009-19 and 2019-25 baseline forecast

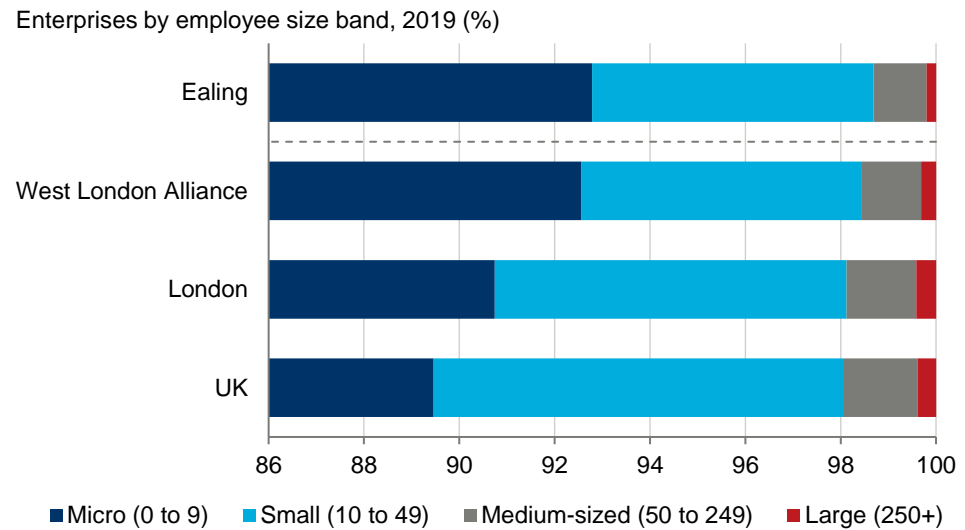


6.3 SIZE OF BUSINESSES

Ealing is an entrepreneurial borough, with a large proportion of micro-sized businesses. Of its total of just under 18,000 businesses in 2019, 93% employed fewer than 10 people—a greater proportion than in the WLA, London, and the UK. Indeed, other than Barnet and Harrow, Ealing possesses the most micro firms of any WLA borough. By comparison, just 0.2% of the borough's businesses are classified as large (containing more than 250 employees). This is a key reason behind Ealing's poor performance in the **business theme** of our Coronavirus Challenges Index.

Nearly two-thirds of micro firms are confined to four sectors: construction, wholesale & retail, information & communications, and professional services. While many firms in the latter two sectors are likely to have remain open, thanks to remote working, many micro-firms in the construction and retail sectors are likely to be particularly exposed—and indeed in some cases may have failed.

Fig. 44. Enterprises by size, Ealing, 2019, %



6.4 OUTPUT AND WORKPLACE EMPLOYMENT

In our baseline forecast we project that Ealing's economy will contract by 10% in 2020, the largest fall of any WLA borough. We expect that every sector in Ealing other than health will experience a fall in GVA this year, with accommodation & food services and arts & recreation seeing the largest drops in activity. The education sector is forecast to shed around 20% of GVA, with schools and universities closed for much of the year. Output is forecast to fall by some 11% in both construction and manufacturing.

However, Ealing's economic recovery should be strong once lockdown ends and consumers begin to regain confidence. In our baseline forecast, we expect the borough's total GVA to grow by around 7% next year, and by an average of 0.4% a year to 2025.

In our downside scenario, GVA contracts by just over 15% in 2020, with the same sectors as the baseline being most at risk. In this scenario the recovery is pushed back will into 2021 (only 2.8% growth, versus 6.9% in the baseline) and 2022 (5.6% growth, versus 3.1% in the baseline). That means that over the medium term, the economy would contract in this scenario, averaging a fall of 0.9% year-on-year from 2020 to 2025.

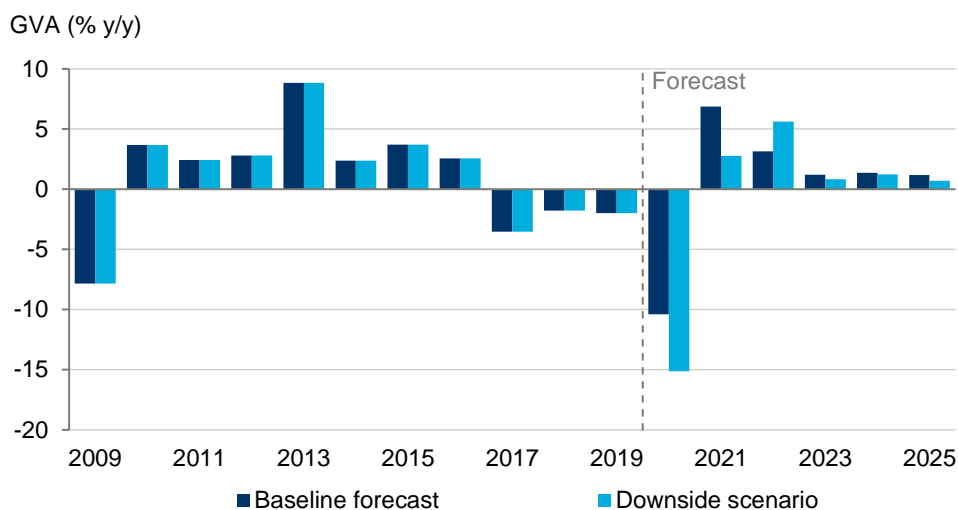
10% decline

GVA contraction in 2020.

The contraction in the local economy will be the strongest across the WLA boroughs this year.



Fig. 45. Baseline GVA and scenario, Ealing, 2009-25, % y/y

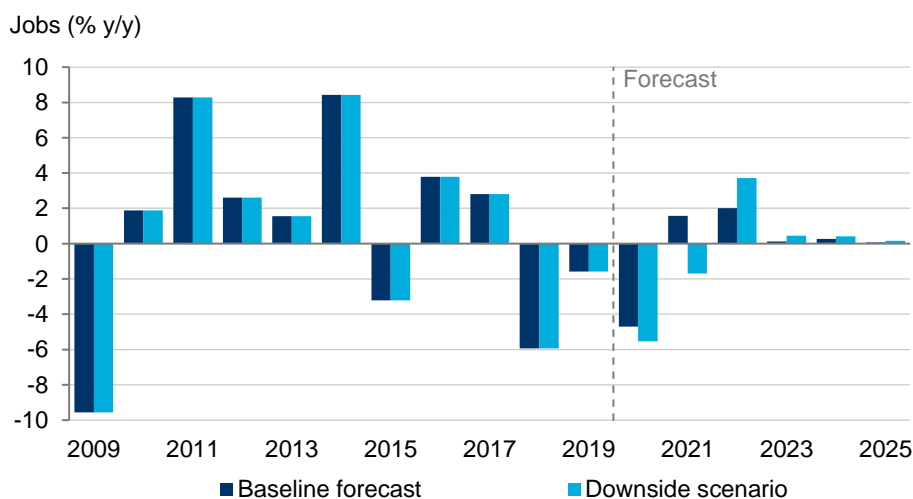


Source: ONS, Oxford Economics

In our baseline forecast, workplace employment contracts by 4.7% in Ealing in 2020, or 7,200 jobs. As discussed above, three sectors are largely at risk: accommodation & food services, wholesale & retail, and manufacturing. The last of these, while likely to see some recovery in 2021, is set to face more medium-term pressures, and is a key reason why Ealing's total employment in 2025 is projected to be lower than in 2019 under our baseline.

Under the downside scenario we forecast a 5.5% contraction in workplace employment in 2020, a further 1.7% fall in 2021, and an average annual decline of about 0.5% from 2020 through to 2025.

Fig. 46. Baseline workplace employment and scenario, Ealing, 2009-25, % y/y)



Source: ONS, Oxford Economics

37,000 net out-commuting

Census data show that nearly three in every five employed residents commute out of the borough.



6.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

By our estimates, in 2019 there were 37,000 more Ealing residents working outside the borough than the number of commuting into Ealing for work—a net outflow of more than a fifth of all employed residents. While the level of out-commuting has fallen slightly in the last decade, we believe that the trend is likely to change, and that Ealing’s subdued outlook for workplace employment means that net out-commuting will become larger over the next five years.

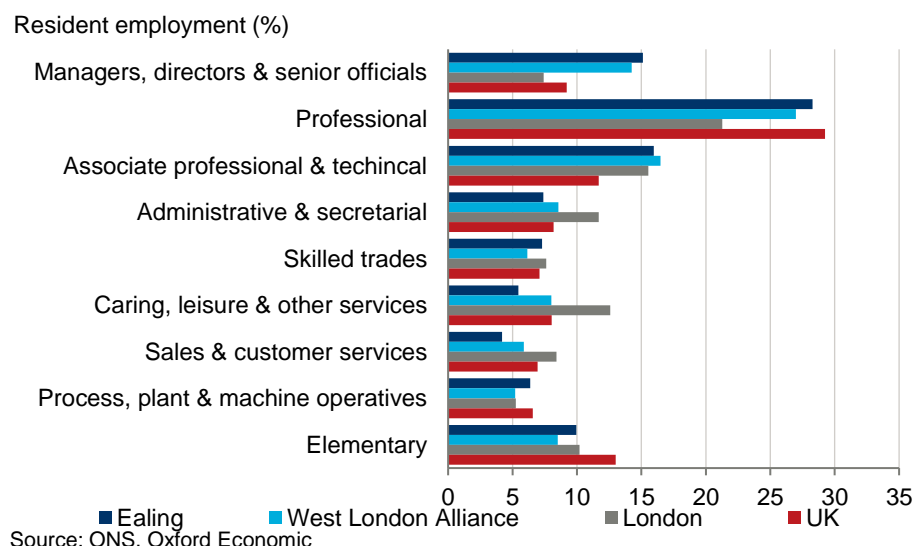
In 2019 resident-based median earnings in Ealing (£649 per week) had a 10% premium on workplace-based median earnings (£593 per week)—in essence, those commuting out were obtaining higher-paid jobs, relative to the jobs on offer within the borough. Back in 2011, when the Census was conducted, the top outflows were to Westminster and the City of London, closely followed by Hillingdon, Hounslow, Hammersmith & Fulham, and Brent.

Net out-commuting means Ealing is not only affected by local job losses, but also by jobs lost in other London boroughs. In particular, job losses in finance, professional services, and retail in central London or at Heathrow Airport, where many Ealing residents work, will have consequences for incomes and spending in the Borough.

6.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

The variegated nature of Ealing’s economy is also apparent in terms of residents’ occupations. Ealing has a greater proportion of residents employed as managers, directors & senior officials and in professional occupations than the WLA or London as a whole, with many of these people doing those jobs in in central London. However, Ealing also has a higher share of residents working in process, plant & machine operative roles than either the WLA or London averages. Moreover, one in 10 of the borough’s residents are employed in elementary occupations. In terms of susceptibility to job losses, reduced working hours, or furloughs, there is therefore likely to have been a wide variety of experiences within the borough. Looking ahead, the same will be at least partially true.

Fig. 47. Resident employment by occupation, Ealing, 2019, %



72%

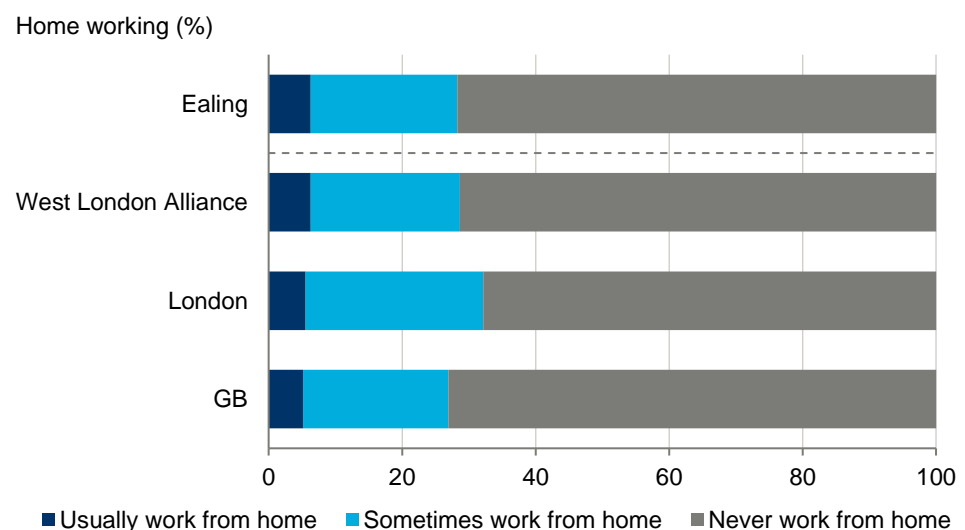
The share of residents who never work from home.

The relatively high proportion when compared against the London average (68%).

6.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

The scope for home working is one reason why possessing above-average numbers of managerial and professional workers a source of resilience for Ealing, and West London as a whole. However, our estimates, based on 2019 data regarding patterns of home-working, suggest that Ealing is pretty much in the middle compared with other WLA boroughs and has rather more people who, in 2019, never worked at home, compared with the London average. On our estimates, approximately 6% of Ealing residents usually worked from home, 22% sometimes worked from home, and 72% never did so. So the capacity for home working in the borough is probably slightly below the London average but slightly above the national average.

Fig. 48. Resident home working, Ealing, 2019, %



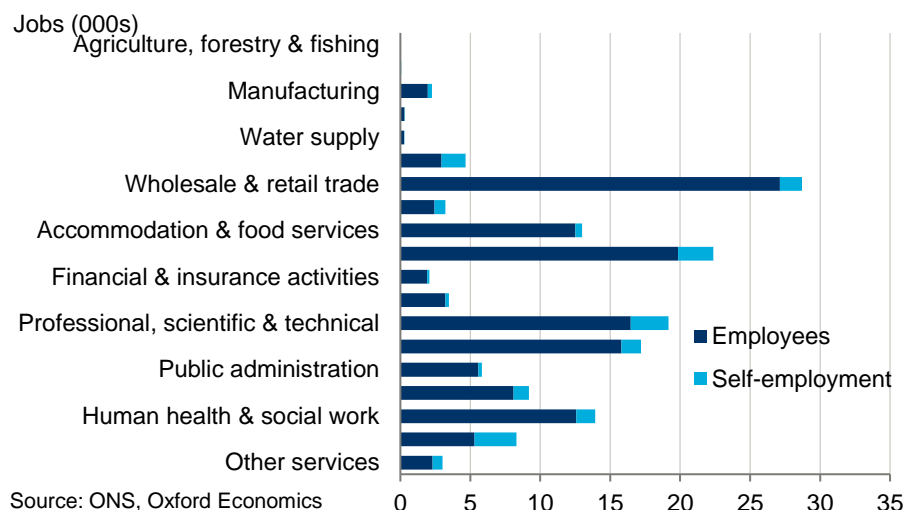
Source: ONS, Oxford Economics

6.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Ealing is an entrepreneurial borough, in the sense that, at 18%, it had a larger share of self-employed workers in 2019 as a share of total workplace employment than WLA as a whole (15%), London or the UK (both 13%). Moreover, at 3.0%, the annual growth in self-employment between 2010 and 2019 was twice that of workplace employee growth.

This high reliance on self-employment raises Ealing's overall exposure to the economic impact of coronavirus, especially since self-employment tends to be concentrated in sectors (construction, manufacturing, and transport) particularly vulnerable to job losses from the coronavirus outbreak. We forecast that the level of self-employment in Ealing may fall by 0.5% a year between 2020 and 2025, compared with an average annual decline of 0.1% for total workplace employee jobs over the same period.

Fig. 49. Self-employment, Ealing, 2019, 000s



6.9 IMPACT ON RESIDENTS: UNEMPLOYMENT AND INACTIVITY

Unemployment in the UK has escalated in the wake of the coronavirus outbreak, with Ealing feeling the impact more than most. The borough is projected to experience the largest increase in unemployment within West London, rising by three percentage points from 6% in 2019 to 9% this year.¹³

Given that many job losses are in shops, bars and restaurants, which typically employ younger staff and students, it is likely that youth unemployment has not only increased but will continue to do so in coming months. This will be a departure for the borough: those aged 18-24 made up just 3% of total claimants in March; only Hammersmith & Fulham had a lower rate.

In contrast, long-term unemployment is a well-established issue in Ealing. ONS data as of March this year show that close to three-quarters of claimants have been unemployed for more than two years, the most of any WLA borough by some margin. This figure will clearly not rise immediately, but the ability of such people to find new work will be reduced by there being an increased number of short-term unemployed, seeking work and likely to be looked on more favourably by employers than the long-term unemployed.

Even once lockdown measures are eased it will take time for normality to return, and for businesses to recruit to the levels experienced pre-outbreak. Those with lower skills or limited employment records within elementary occupations will probably find it hardest to return to work.

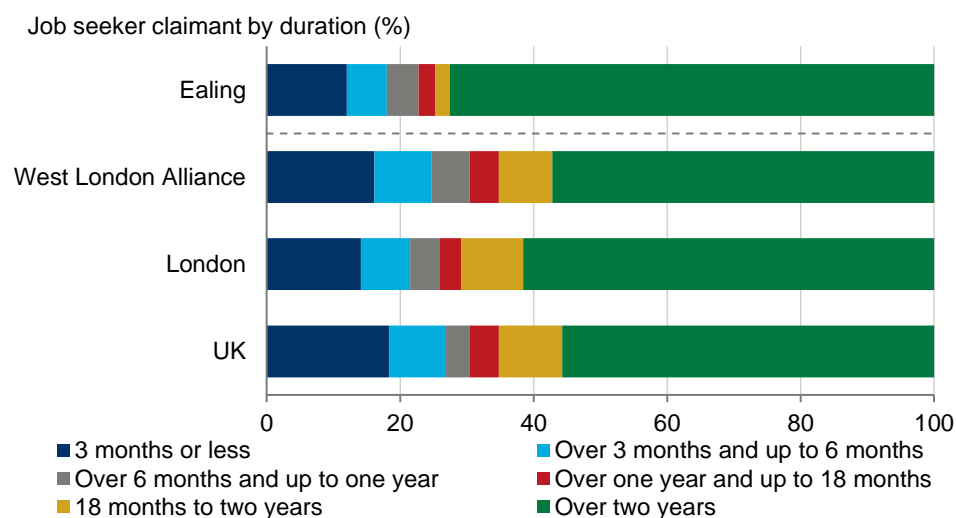
9%

Unemployment rate in 2020.

The borough will experience a significant jump in unemployment this year. Compounding challenges for the long-term unemployed.

¹³ ILO definition.

Fig. 50. Job seeker claimants, Ealing, March 2020, %



6.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

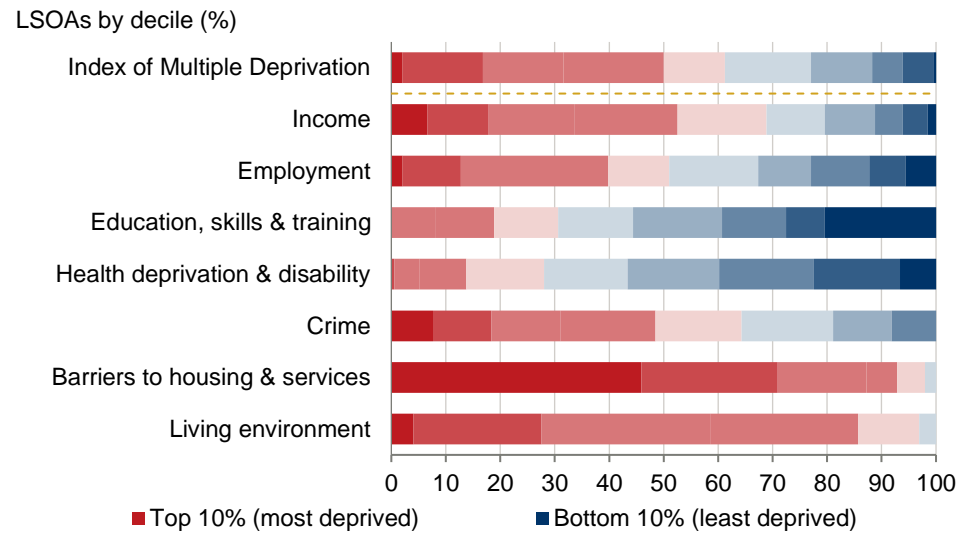
Ealing has more widespread deprivation than most other WLA boroughs. Indeed, only Brent has a larger proportion of LSOAs in the most deprived decile of the Index of Multiple Deprivation in England.¹⁴ Moreover, Ealing contains a lower percentage of LSOAs in the three least deprived deciles than either the WLA or London as a whole.

Ealing performs less well in terms of income deprivation and crime, and ranks among the weakest of all London boroughs in terms of housing conditions. Almost half of the LSOAs in Ealing are in the most deprived decile for barriers to housing & services, reflecting low affordability. And 97% of the borough's LSOAs are in the bottom half for living environment, suggesting that poor housing conditions are a common problem.

Encouragingly, however, Ealing scores well in terms of health deprivation & disability, with more than 70% of its LSOAs in the bottom half of the English local authority deprivation index. This is likely to be a source of strength in terms of the borough's ability to survive the current pandemic without excessive problems, relative to other parts of London, despite a high infection rate.

¹⁴Lower Layer Super Output area. A statistical unit used in England and Wales to facilitate the reporting of small area statistics. They have a minimum population of 1000 with a mean size of 1,500.

Fig. 51. Index of Multiple Deprivation, Ealing, 2019



Source: MHCLG

6.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

Jobs typically occupied by younger workers are currently more at risk of furlough or loss, so the borough's younger demographic may be worse-hit than others. Furthermore, higher-skilled and somewhat more mature office-based workers are better able to work from home than their younger colleagues—as they tend to be further up the career ladder, have higher incomes, greater job security, and are less likely to live in shared accommodation with non-family members. The consequence may be that a disproportionate number of people whose jobs are at risk (or already gone) or in younger demographic groups.

Nevertheless Ealing, like the rest of the capital, has a relatively young population, so the likelihood of a large proportion of its young people becoming unemployed may not be high.

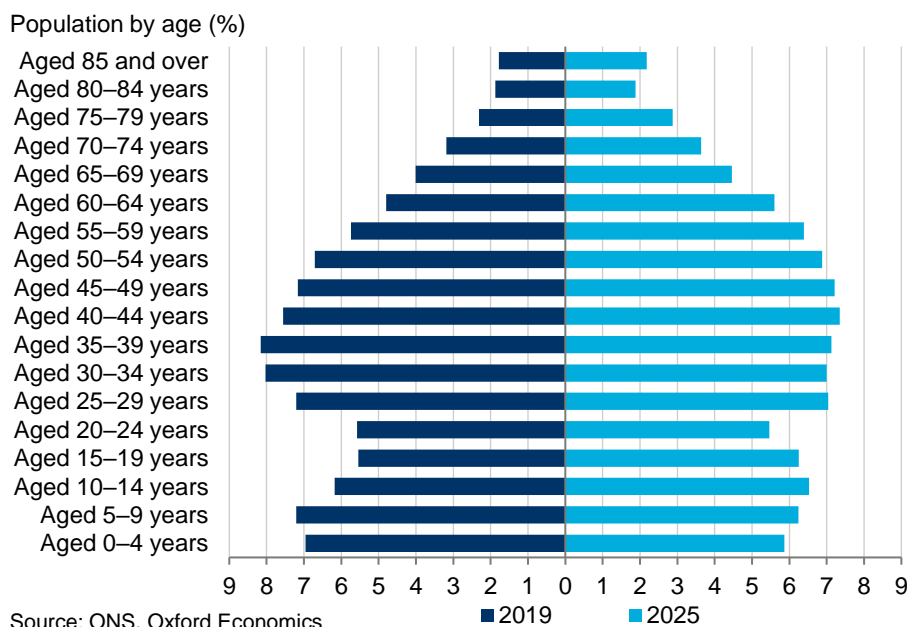
A bigger issue may be the challenges that face those mature residents with low qualifications who lose their jobs. They may find it particularly difficult to compete in the jobs market when recovery comes. Ealing's share of residents aged over 55 is expected to rise from 24% to 27% between 2019 and 2025. Across London, we expect this equivalent age group to only account for 24% of the total by 2025.

24%

Over 55s share of population in 2020.

Older people will account for a relatively large and increasing share of the local population compared to WLA and London.

Fig. 52. Population by age band, Ealing, 2019 and 2025, %



6.12 IMPACT ON RESIDENTS: ETHNICITY

Ealing is a very ethnically diverse borough, with more than 100 languages spoken and the largest Sikh population outside India (Southall is a major centre of South Asian culture).¹⁵ Ethnic minorities accounted for 47% of the borough's population in 2019, a slightly larger share than across WLA and ten percentage points larger than the London average. A breakdown by grouping shows that representation broadly mirrors West London overall, with Indians as the largest minority group.

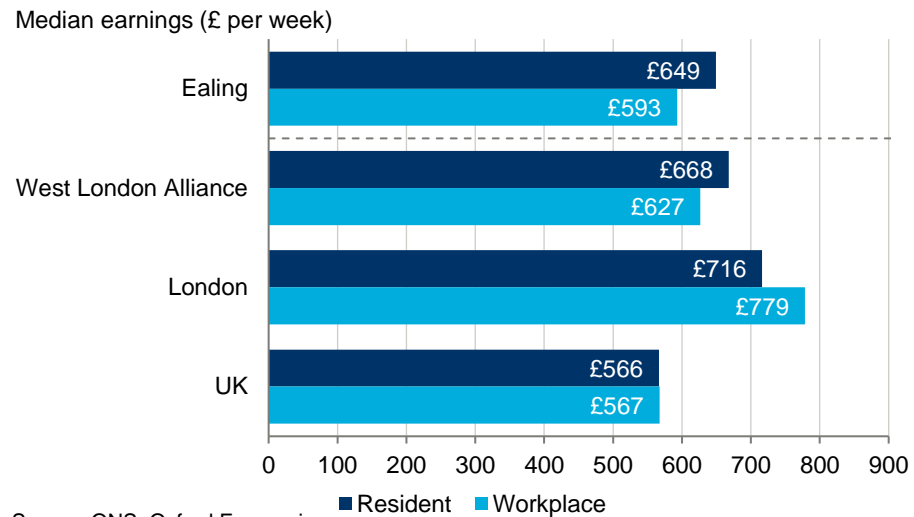
6.13 IMPACT ON RESIDENTS: INCOMES, SPENDING, AND HOUSE PRICES

Ealing falls right in the middle of WLA boroughs in terms of median resident and workplace earnings per week (at £649 and £593 respectively). However, this is less than London in both cases.

Household expenditure is almost certainly falling across all income levels in the borough, thanks to people's inability to spend in shops, bars, restaurants and venues, job losses and pay cuts, and a slump in consumer confidence. Ealing's relatively large number of self-employed residents may make for even greater caution than in some other boroughs. We forecast that average spend per head in Ealing will fall from £24,500 in 2019 to £21,600 this year—a marginal stronger decline than that experienced across both WLA and London overall. In 2021 we forecast a rebound of 8.6% in our baseline scenario and a softer 5% increase in our downside scenario.

¹⁵ Ealing Arts and Cultural Strategy, 2013-2018

Fig. 53. Resident and workplace earnings, Ealing, 2019



£649 per week

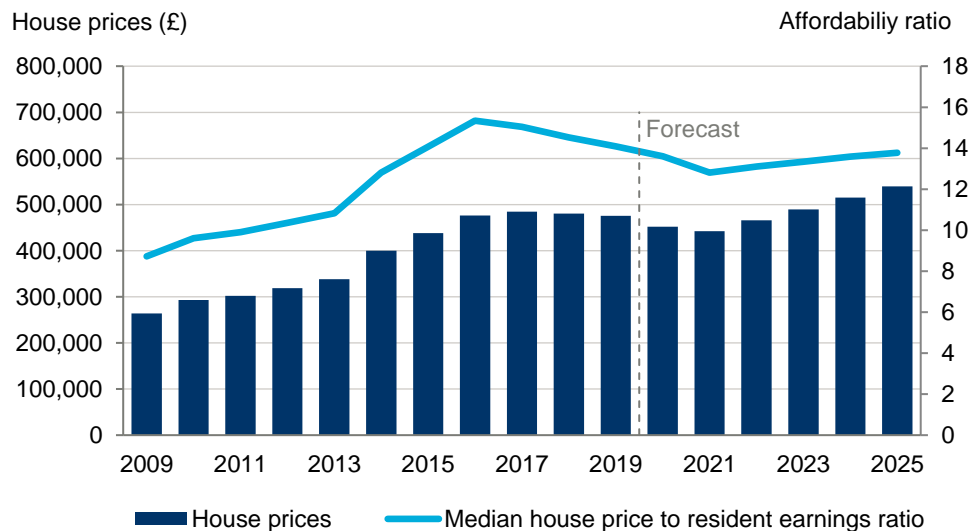
Average resident earnings in 2019

Below average wages and falling house prices will both likely weaken local consumer confidence.



Another factor affecting confidence will be house prices. Even before the coronavirus crisis, Ealing house prices have changed little since 2016. Now, job losses in the local economy and huge uncertainty imply that house prices will fall by 5% this year and bottom out in 2021. Affordability will therefore improve somewhat, before worsening again once prices resume rising in 2022. It will be consistently about 10% worse than the London average.

Fig. 54. House prices and affordability, Ealing, 2009-2025



One of the biggest challenges for Ealing, and other London boroughs, may arise if residents who lose their jobs or experience major pay cuts can no longer pay their housing costs—either mortgage payments or rents. Given that barriers to housing & services and the living environment are the major causes of social deprivation in Ealing, it is clear that a significant minority of local residents could easily face serious difficulties in this regard. Housing problems

can, of course, also lead to other difficulties such as residents' health and their ability to find work.

7. HAMMERSMITH & FULHAM

KEY FINDINGS

- Hammersmith & Fulham ranks relatively well in terms of our Coronavirus Challenges Index. It has a highly-qualified workforce and the borough's occupational structure is dominated by managerial and professional occupations, with over 70% of residents employed in these groups, and with a higher than average capacity for home-working.
- Hammersmith & Fulham's status as the West London borough with the highest earnings, consumer spending and house prices, all reinforce the same message.
- However, there is deprivation in the borough, and Hammersmith & Fulham is more exposed to the low-wage and very badly affected hospitality sector than any other WLA borough. Entertainment and sport are also important and are being very badly hit by the lockdown, as is the large non-food element of the retail sector.
- Important redevelopment sites within the borough include White City, home to Imperial College London's second campus. The plight of universities across West London is a real source of concern, although Imperial is clearly very robust compared with most.

7.1 OVERVIEW & CORONAVIRUS EXPOSURE

Hammersmith & Fulham is the most central borough in the West London Alliance, and indeed forms part of Inner London. It is one of only two WLA boroughs with a positive net inward commuting value, reflecting its central location and its employment opportunities, both of which attract in-commuting. The borough provides the London home to a wide range of high-profile brands, such as Disney, Virgin Media and fashion companies such as for example Ralph & Russo. Some of these companies are being very badly squeezed by the current crisis, but for others the shift towards more digital ways of living and working is probably providing a boost to sales. That could be only temporary, but it might represent a permanent market-shift.

Hammersmith & Fulham has some areas of deprivation, but overall it is by most standards a high-income borough. It ranks first among WLA boroughs for both workplace-based wages and residence-based wages. It is also home to the important White City regeneration scheme, which includes housing and employment, with an important focus on the creative industries sector (building on the BBC heritage). Adjacent to White City is the new campus for Imperial College London. This is a source of short-term concern, since all universities are being hit by social distancing and consequent threats to their 2020/21 fee incomes. But Imperial is among the most highly respected universities in the world, and will be an undoubted survivor. Its investment in Hammersmith & Fulham is a huge strategic asset for the borough, and will be a magnet for private sector businesses and talent, who will be drawn to the immediate area, and perhaps more widely.

Below average coronavirus challenges

Particularly with respect to connectivity.



Earls Court is another development opportunity, but one that has proved controversial, and that has been much-delayed. Even before the crisis, the site of the demolished Earls Court Exhibition Centre lost more than half its value in just over four years. If, as is possible, private sector developers are now entering a period of uncertainty and hence caution, there may be a tendency for funds to flow most strongly towards those sites that seem to be the safest bets.

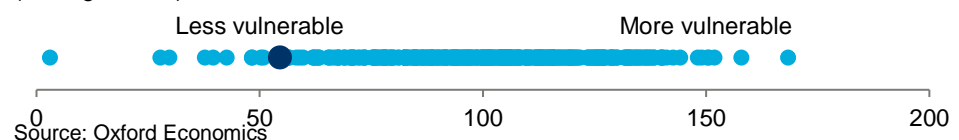
Hammersmith & Fulham is also one of the three boroughs with a stake in the Old Oak Common and Park Royal development, discussed in Chapter 3, above.

Hammersmith & Fulham is uniquely home to three top-tier professional football clubs: Chelsea, Fulham and Queens Park Rangers. These have clearly been very badly affected by the pandemic. While the local multipliers from sports venues are not huge, relative to their sizes, they nevertheless do make economic as well as community contributions to the borough. Uncertainty over when fans will again be allowed to attend matches means that it is not clear when their economic activity will return to the borough.

Overall, the borough's exposure to the challenges created by coronavirus, though undeniably considerable and highly distressing, are probably smaller in scale than those facing some other local authority areas. Indeed, in our Oxford Economics Coronavirus Challenges Index, Hammersmith & Fulham is ranked 14th least vulnerable of the local authority areas included.

Fig. 55. Coronavirus Challenges Index, GB LADs, 2019

(average = 100)



The borough ranks particularly well regarding **connectivity**, due to good broadband speeds in the area and a likely high incidence of home working. Low exposure to the manufacturing and transport **sectors**, and the presence of a lot of **high growth businesses** also mean Hammersmith & Fulham is relatively well set to weather the crisis. Factors which leave Hammersmith & Fulham more vulnerable include the relative importance of the **hospitality** sector, and the large share of **small businesses** in the area.

7.2 SECTORAL STRUCTURE

Wholesale and retail trade is the largest sector in Hammersmith & Fulham by workplace employment and the third largest by GVA, reflecting the presence of the Westfield shopping centre in the borough. The sector accounted for 18% of borough employment in 2019, compared with 11% and 15% for both London and West London respectively. But it has of course been one of the worst-hit sectors nationally, in terms of the immediate impact of the coronavirus pandemic, and that therefore feeds through to a particularly large impact on Hammersmith & Fulham's economy. Wholesale and retail trade was the largest contributor to workplace employment growth over the last decade, and is

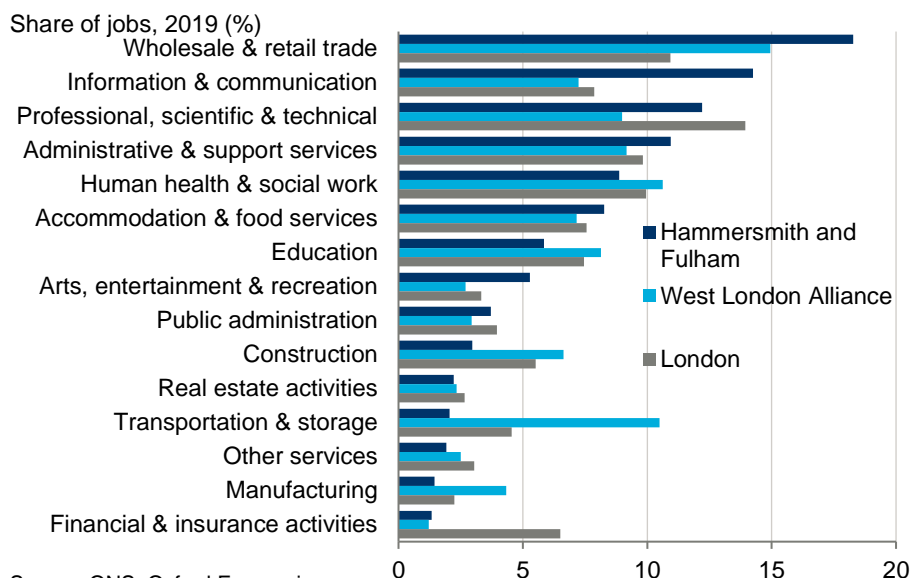
forecast to be the biggest contributor over the period to 2025 as well, but with a sharp dislocation in 2020.

14% of jobs

Information & comms share of workplace jobs in 2019.

The sector's share of local workplace jobs is over six percentage points larger than the London average.

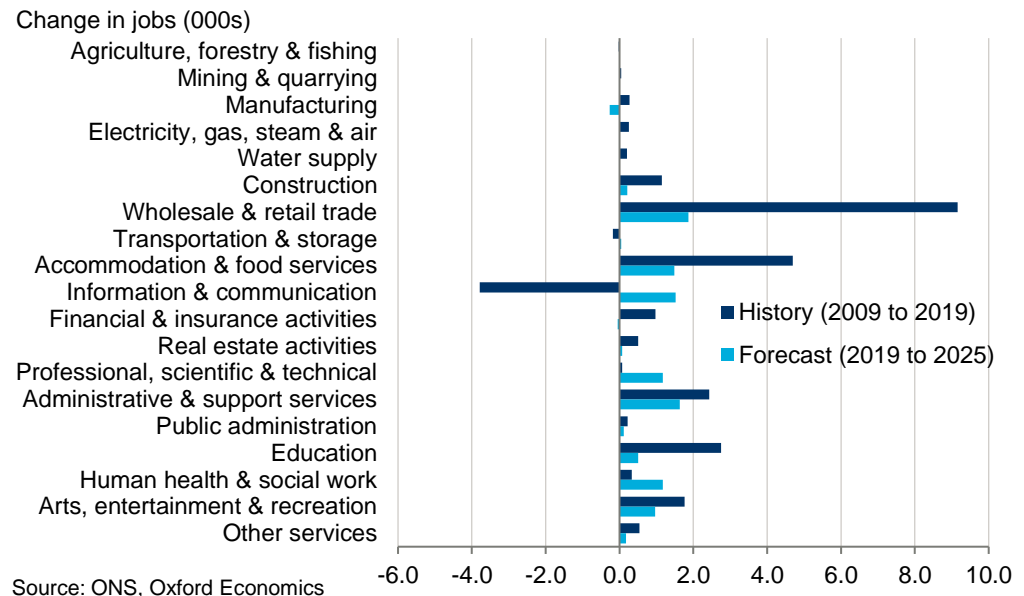
Fig. 56. Workplace employment by sector, Hammersmith & Fulham, 2019, %



Arts, entertainment and recreation is another sector that has been badly damaged by the crisis and which is over-represented in Hammersmith & Fulham, reflecting a range of nationally important sporting and cultural venues. Hospitality has also been badly hit, and although it is not a sector that the borough particularly specialises in, it did grow markedly in employment terms in the decade to 2019. That growth will return, but not at anything like historic rates. Meanwhile the manufacturing sector is small in the borough, even by London standards, so that its problems have not hit Hammersmith & Fulham particularly hard, compared with many places, especially where employment is concerned.

On the positive side information & communications sector is a sector in which Hammersmith & Fulham clearly does have a specialism, and is experiencing less of a hit to output and employment than most. Indeed, some parts of it are experiencing a boost to growth, as both home life and working life become more digital. It is possible that recent experience will provoke a permanent change in the use of digital technology, and an acceleration in future growth, although it is too early to be sure of that: a return to real experiences is also a possibility, both in the workplace and in people's personal lives.

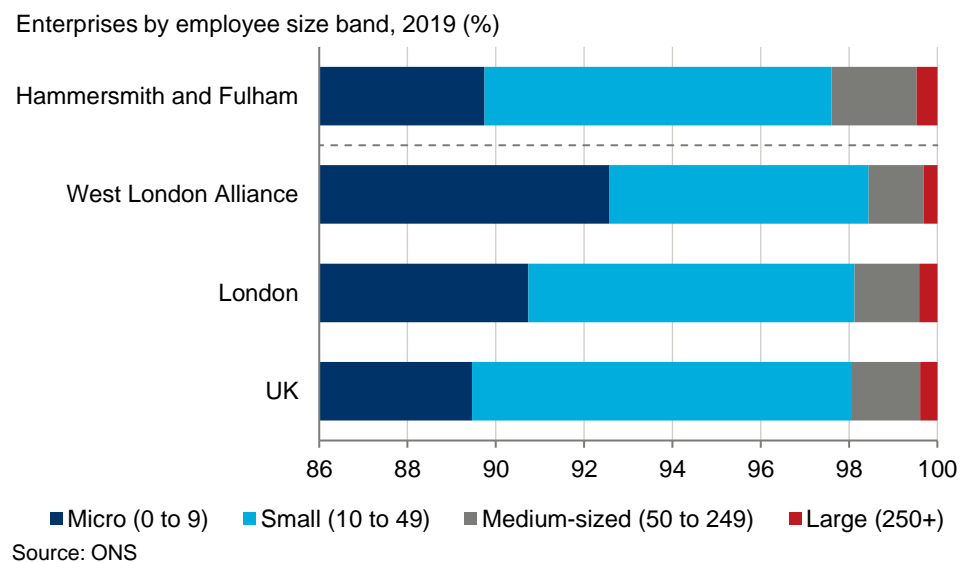
Fig. 57. Change in workplace employment by sector, Hammersmith & Fulham, 2009-19 and 2019-25 baseline forecast



7.3 SIZE OF BUSINESSES

Hammersmith & Fulham's share of micro businesses (90%) is marginally lower than in any other WLA borough. Many such businesses are likely to be particularly vulnerable to the effects of the crisis, and so a smaller share provides a source of resilience for the borough. Furthermore, over 40% of Hammersmith & Fulham's micro businesses are in the professional, scientific & technical and information & communication sectors, while 6.2% of all businesses are identified by the ONS as high growth enterprises. This is the highest of any of the West London boroughs, and the 40th highest of the 368 LADs in Great Britain.

Fig. 58. Enterprises by size, Hammersmith & Fulham, 2019, %



28%

Professional services
sector's share of micro
businesses in 2019.

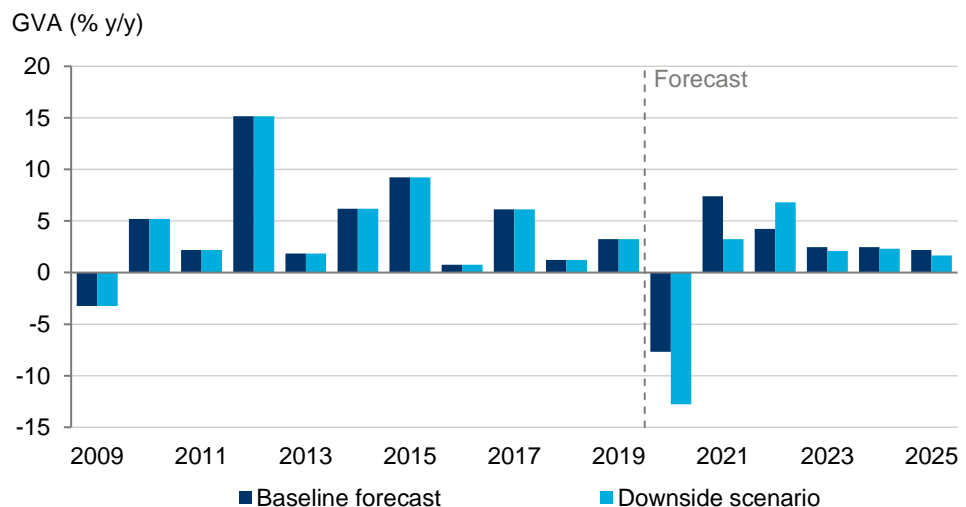
*The largest share across the
West London boroughs and
higher than the Greater
London average (24%).*

7.4 OUTPUT AND WORKPLACE EMPLOYMENT

In our baseline scenario we estimate that the Hammersmith & Fulham economy contracts by a little over 7% in 2020. This is followed by a strong return to growth in 2021, with expansion at about the same rate. In the period from 2020 to 2025, growth is forecast to average under 2% per year. The worst hit sectors in 2020 are accommodation and food services, arts entertainment and recreation, and education. We estimate that all of these contract by around 20% in 2020, but rebound strongly in 2021.

Our downside scenario sees a larger contraction in 2020 of nearly 13%. Just as importantly, growth is subdued to just over 3% in 2021. In the period from 2020 to 2025, growth is just 0.4% per year. The sectors that are worse affected in our baseline view are also the worst affected in this scenario, with contractions of over 20% in 2020, while their recoveries in 2021 are much reduced compared with the baseline.

Fig. 59. Baseline GVA and scenario, Hammersmith & Fulham, 2009-25, % y/y



Source: ONS, Oxford Economics

Workplace employment contracts by over 3%, or 5,000 jobs, in 2020 in our baseline, with 2021 seeing growth of under 3%. In the period to 2025, growth averages over 1% per annum, partly because jobs are lost in the finance and manufacturing sectors. In our downside scenario workplace employment falls by 4% in 2020, with growth not returning until 2022.

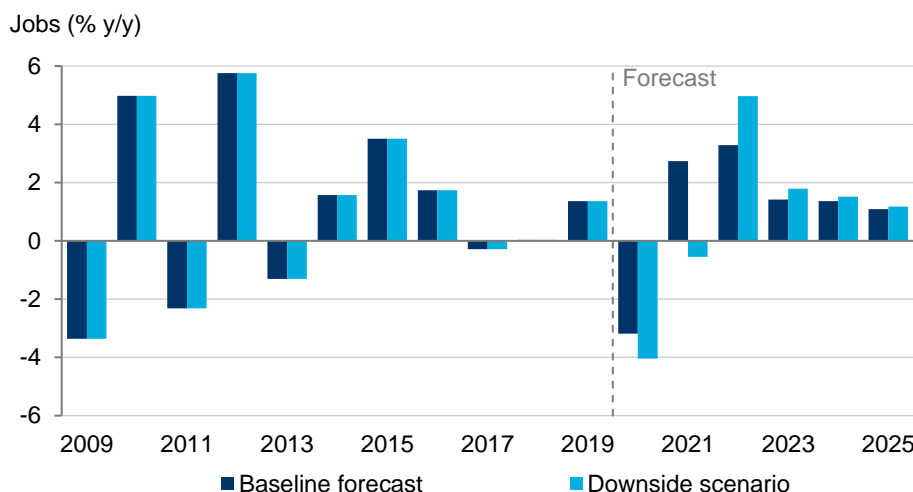
7% decline

GVA contraction in 2020.

The contraction in the local economy will be the weakest across the WLA boroughs this year.



Fig. 60. Baseline workplace employment and scenario, Hammersmith & Fulham, 2009-25, %y/y



Source: ONS, Oxford Economics

7.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

Census data shows that, back in 2011, almost two thirds of people who lived in Hammersmith & Fulham and who were in work, commuted to jobs outside the borough, while more than 70% of people who worked in the borough commuted in from elsewhere. Overall, however, inward commuting easily exceeded outward. This is still true: we estimate that in 2019, Hammersmith & Fulham had 24,000 more people working in the borough than there were residents in employment, indicating the scale of the net difference between inward and outward commuting. Hammersmith & Fulham is one of only two WLA boroughs with net inward commuting, along with Hillingdon.

Despite being a borough with net in-commuting, earnings data shows that in 2019 the average wages of residents were more than 20% higher than those of people whose jobs were located in the borough. So, Hammersmith & Fulham residents commuting to work elsewhere typically earn higher wages than workers commuting into the borough from elsewhere. It seems likely that a lot of those who commute into the borough are working in retailing and other sectors that offer lower than average wages and/or job security and/or ability to work from home. It also seems likely that for outward commuters, the reverse is true. That pattern means that from the point of view of residents, the borough's exposure to the coronavirus downturn is likely to be less than would appear to be the case, based purely on the jobs that are done within Hammersmith & Fulham.

7.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

Reinforcing that, a large proportion of Hammersmith & Fulham residents work in managerial, professional and associate professional occupations. Over 70% of resident employment is in these three occupational groups, which is the WLA's highest share. Within that, over 23% of resident employment is in managerial occupations, the largest proportion among WLA boroughs and well above the London and national averages. This high representation in higher

5,000
Decline in jobs total in 2020

However, the medium-term employment outlook is the strongest across the West London boroughs.

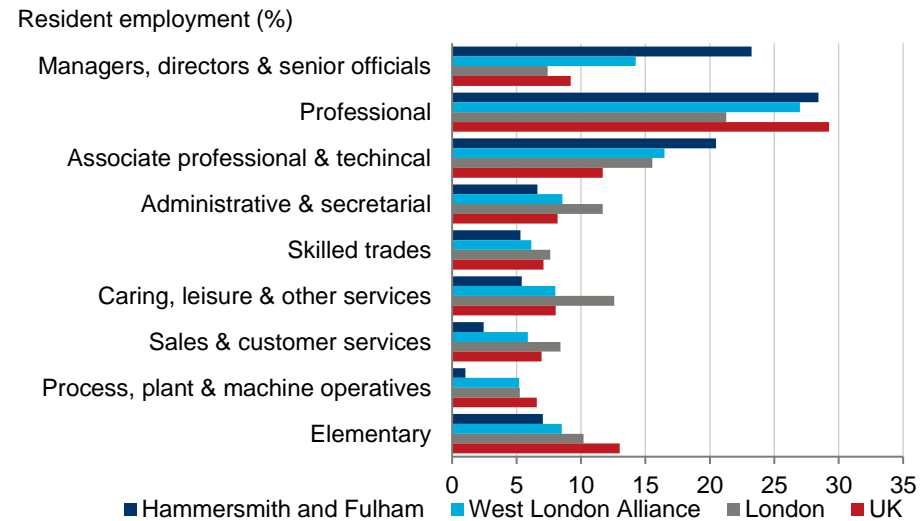
24,000 net in-commuting

Despite this, census data show that nearly two in every three employed residents commute out of the borough.



value-added occupations with strong employment growth outlooks, and a corresponding low representation of lower skilled occupations, provides Hammersmith & Fulham with an element of resilience with respect to the impact of coronavirus, relative to many other local areas in London and the UK.

Fig. 61. Resident employment by occupation, Hammersmith & Fulham, 2019, %



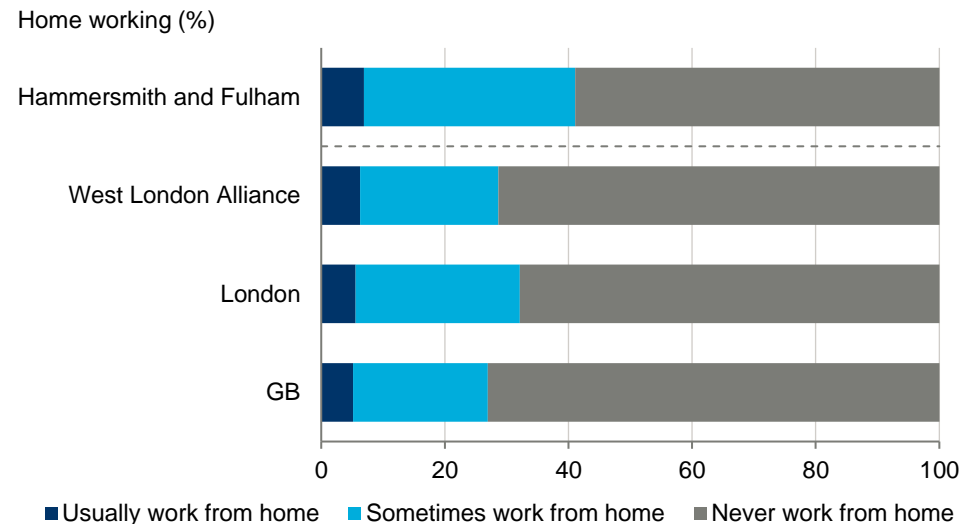
Source: ONS, Oxford Economic

7.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

With those in managerial or professional occupations more likely to be able to work from home, Hammersmith & Fulham's occupational mix means it is relatively well adapted for home working. And indeed, on our estimates Hammersmith & Fulham has a larger incidence of residents who sometimes work from home than any other borough in the WLA, while the share of those

who never work from home is the fourth smallest of all of the 33 London boroughs.

Fig. 62. Resident home working, Hammersmith & Fulham, 2019, %

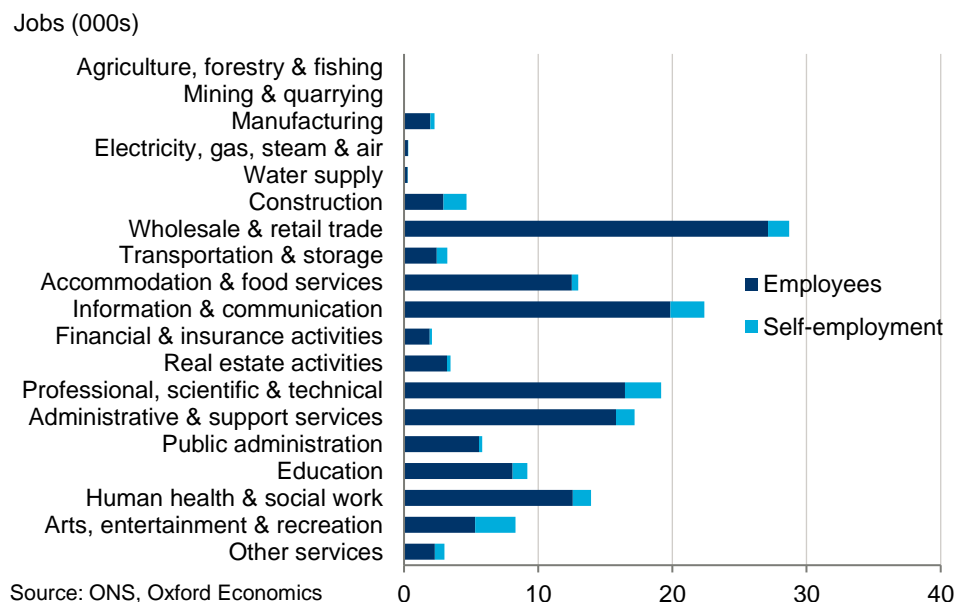


Source: ONS, Oxford Economics

7.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Another possible source of resilience is the fact that a low share of workplace based employment in Hammersmith & Fulham is accounted for by people who are self-employed. At 12% in 2019, the share is the third lowest in the WLA area and lower than the proportions for both London and the UK. However, the largest number of self-employed people at work in the borough are in the arts, entertainment & recreation sector (ranging widely from musicians to gym instructors), and these are being very badly hit by the lockdown. Those self-employed in professional services and information & communication should on average be much more secure.

Fig. 63. Self-employment, Hammersmith & Fulham, 2019, 000s



7.9 IMPACT ON RESIDENTS: UNEMPLOYMENT & INACTIVITY

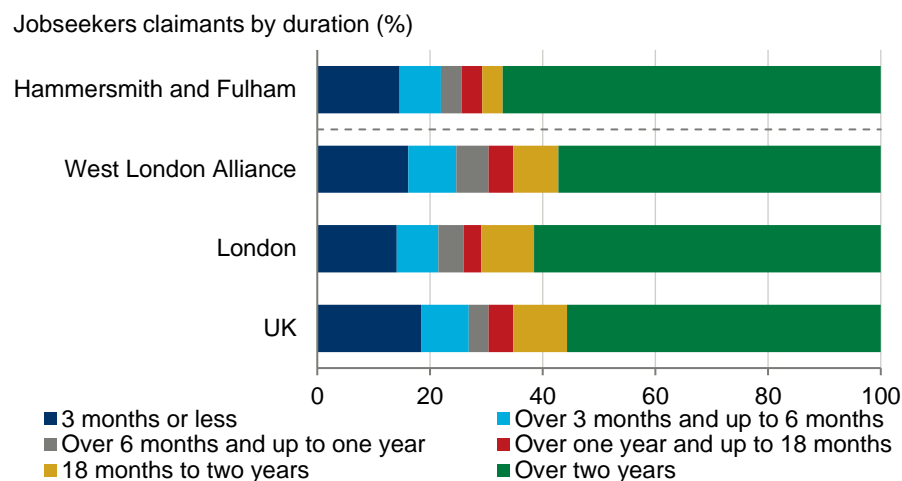
UK unemployment has risen sharply following the coronavirus outbreak, with Hammersmith & Fulham no exception. In our baseline, we see the borough's unemployment rate increase by nearly half—to 6.1% in 2020.¹⁶

Quite a large proportion of unemployment in Hammersmith & Fulham is long term, with 67% of those unemployed in March having been so for over two years, the second largest such share among WLA boroughs. The current increase in unemployment caused by the coronavirus crisis will clearly not boost this figure immediately, but it does mean that a large cohort of people recently in work are now entering the pool of unemployed people. That implies a sharp intensification in the competition for work, with the long-term unemployed likely to find themselves even more disadvantaged than before.

Looking ahead, when lockdown restrictions are eased, it will take time for businesses to return to normal and to begin recruiting at pre-outbreak levels. It is also likely that many furloughs will convert to job losses, with a possible peak in unemployment to come. In our baseline scenario we forecast the unemployment rate of fall to 5.3% in 2021 as job losses soften but remain significantly above the 2019 rate of 4.2%.

¹⁶ ILO definition.

Fig. 64. Job seekers claimants, Hammersmith & Fulham, March 2020, %



Source: ONS

Hammersmith & Fulham entered the current crisis with the lowest prevalence of unemployment among 18 to 24 year-olds of all seven WLA boroughs. However, it is likely that youth unemployment will increase in the coming months, given that businesses such as restaurants, bars, and retail stores frequently employ younger staff and are being particularly badly hit. The hope is that these sectors will be among the first to resume normal service when restrictions are eased, and will recruit quickly to meet demand.

From a broader perspective, Hammersmith & Fulham has the lowest incidence of economic inactivity among WLA boroughs, with only 21% of 16 to 64 year-olds inactive. Being a student is the most common cause of inactivity in the borough, accounting for 44% of inactivity. This is a larger proportion than anywhere else in West London. Hammersmith & Fulham also leads the WLA in its share of inactive people who want a job (20%). These indicators suggest a borough where inactivity is less of a concern than in some others.

7.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

Although in normal circumstances Hammersmith & Fulham is in many respects a very prosperous borough, it does have some genuine problems of deprivation. Indeed, the borough has a larger share of Lower Super Output Areas (LSOAs) in the two most deprived deciles of the Index of Multiple Deprivation than either the WLA area as a whole, or London overall. In this regard, the borough's share (18%) is second only to Brent's (19%) among WLA boroughs.

The most significant form of deprivation in Hammersmith & Fulham relates to the living environment, which largely relates to housing conditions. Of the 113 LSOAs in the borough, 94 are among England's 30% most deprived on this theme. This has become a much more immediate issue in the context of people being required to remain at home under lockdown.

Equally, deprivation is also relatively concentrated within the borough in terms of barriers to housing & services. This theme typically touches on issues relating to access to housing generally, such as affordability. Nearly two thirds

18%

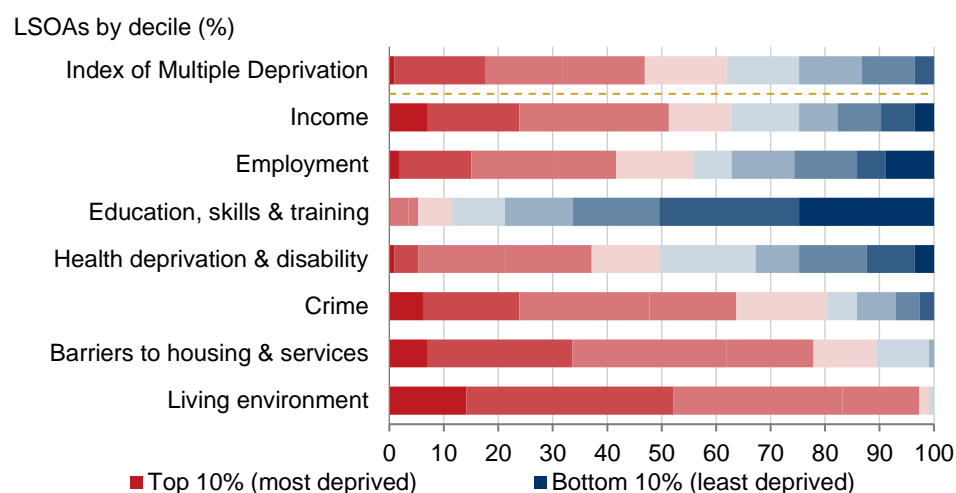
Share of LSOAs which rank among the top 20% most deprived in England.

Above the London average and the second largest concentration within the WLA.

of the borough's LSOAs were ranked among England's top 30% most deprived according to this characteristic.

In contrast, deprivation relating to education, skills and training is less marked in Hammersmith & Fulham than in many London boroughs. None of Hammersmith & Fulham's LSOAs are in the 20% most deprived, and 89 of the 113 are in the 40% least deprived. It is, however, true that disruption to schools and higher education providers caused by the crisis may be adding to educational deprivation in the borough.

Fig. 65. Index of multiple deprivation, Hammersmith & Fulham, 2019



Source: MHCLG

7.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

As we have already noted, many jobs typically occupied by younger workers are currently more likely to be subject to furlough or job losses, and it is therefore possible that the borough's younger demographic is being worse hit than others at present, at least initially and temporarily. In normal circumstances more mature office-based workers are more likely to work from home than younger colleagues—they tend to be further up the career ladder, have higher incomes, greater job security, and are less likely to be living in shared accommodation with non-family members.

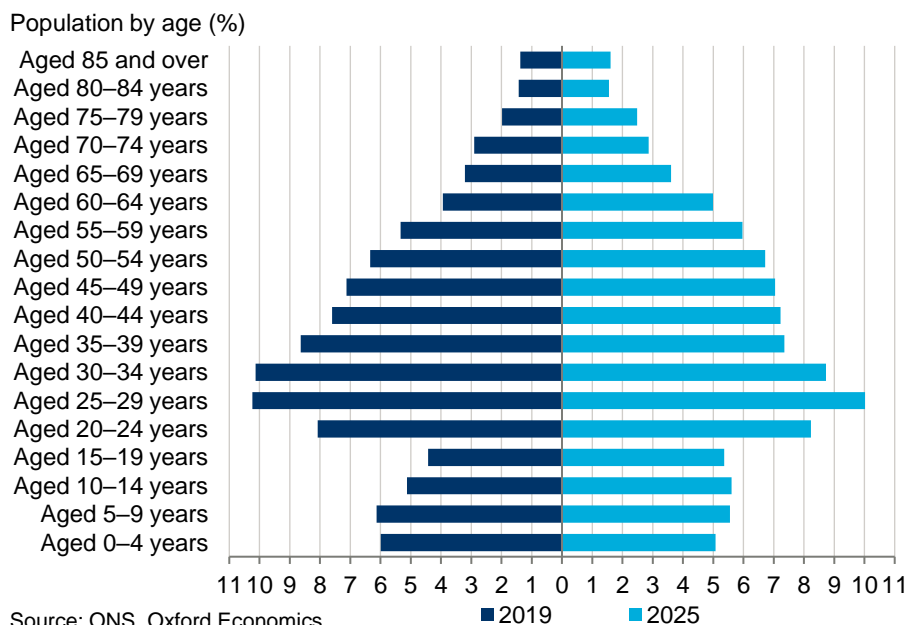
That said, like the rest of London, Hammersmith & Fulham has a young population, so the likelihood that a large proportion of young people will become unemployed may not be large. Indeed, a bigger issue may be the challenges that face mature residents with low qualifications in occupations that are not suited to home working, and who lose their jobs. These people may find it particularly difficult to compete in the jobs market, when recovery comes. Fortunately, qualification attainment is relatively high across the borough. In 2019, over two thirds of the working age population were educated to degree level or above, the highest share across West London and 15 percentage points larger than the London average. Equally, those with no qualifications represented a relatively small share of working age residents (4.7% compared to 6.7% across London).

70%

The share of working age residents educated to degree level or above in 2019—significantly stronger than both the WLA and London equivalent shares.



Fig. 66. Fig 12. Population by age band, Hammersmith & Fulham, 2019 and 2025, %



7.12 IMPACT ON RESIDENTS: ETHNICITY

Hammersmith & Fulham has a less ethnically diverse population than the WLA average. Close to three quarters of the borough's population aged 16 and over identify as white, compared with 54% in WLA boroughs on average. The shares of the 16+ population accounted for by Indian, Pakistani, or 'other ethnic group' residents are all lower than the average, although there is a larger share of black residents than the WLA average.

It will be important to seek to ensure that the impact of coronavirus on Hammersmith & Fulham's residents does not impact any one of these groups particularly hard, relative to others.

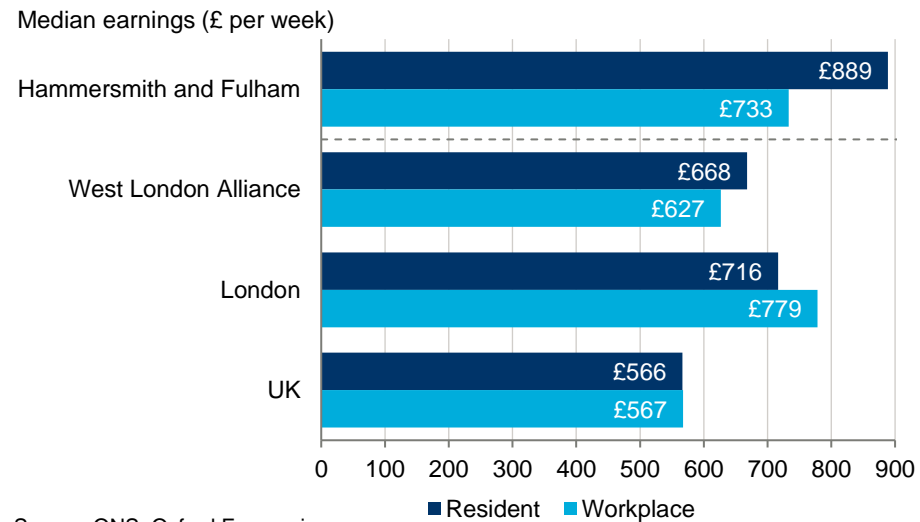
7.13 IMPACT ON RESIDENTS: INCOMES, SPENDING & HOUSE PRICES

Hammersmith & Fulham is a high-wage borough. Those commuting to other parts of London for work are typically in more highly paid roles than those work within the borough. But both Hammersmith & Fulham's resident earnings and its workplace-based earnings, at £889 and £733 per week respectively, place it first among West London boroughs and well above the London and UK averages.

During the current crisis household expenditure is of course falling for people at all income levels in the borough, given both their inability to spend in shops, restaurants and the like, and also the prevailing mood of uncertainty about the economy. At more than £46,000 per head, residents' spending levels were very high in 2019, much higher than in any other West London borough and more than double the UK average. We forecast that this falls by more than 10% in 2020, but that it returns to 2019 levels sooner in Hammersmith & Fulham than either West London or London as a whole, reflecting the fact that on average, local residents start with stronger household finances, and that many of them

have more secure jobs than on average. Residents are particularly likely to increase their spending in shops, bars and restaurants.

Fig. 67. Resident and workplace earnings, Hammersmith & Fulham, 2019



On a less bullish note, house prices in Hammersmith & Fulham are the highest in West London, and are the least affordable, with the earnings to house price ratio over 15, so double the UK average. Potentially one of the biggest challenges will be if people who lose their jobs or experience major pay cuts can no longer pay their housing costs, either mortgage payments or rents. Given that the Living Environment and Barriers to Housing & Services are the major causes of social deprivation in the borough, it is clear that a significant minority of local residents could easily face serious difficulties in this regard. Housing problems can lead to other difficulties with respect to, for example, health and the ability to find work; so it is important for the borough that difficulties in this regard do not increase markedly.

8. HARROW

KEY FINDINGS

- **Harrow is an archetypal suburban borough. Resident earnings are higher than the WLA or UK averages and over half of residents in work commute to elsewhere in London, typically to well-paid and relatively secure roles offering high scope for home working. Over half of residents in work are employed in managerial and professional occupations.**
- Harrow also has low exposure to the more vulnerable sectors. Overall, therefore, it may seem to face fewer challenges than other parts of West London.
- The borough does, however, have high rates of self-employment and especially very small businesses, and that rather alters the picture.

8.1 OVERVIEW & CORONAVIRUS EXPOSURE

Harrow is primarily a residential borough, with very strong commuting links to central London, as well as to other boroughs and indeed Hertfordshire and other parts of the greater south east. By West London standards the wages received by residents are high; indeed, the third highest of the seven boroughs. But the same is not true for wages paid to people who work within the borough, which are the second lowest. The reason is that the borough has few large employers but a great many small businesses, with the latter mainly providing services locally. Indeed, micro sized enterprises account for a relatively large share of the local business stock. There are also relatively high levels of self-employment within the borough.

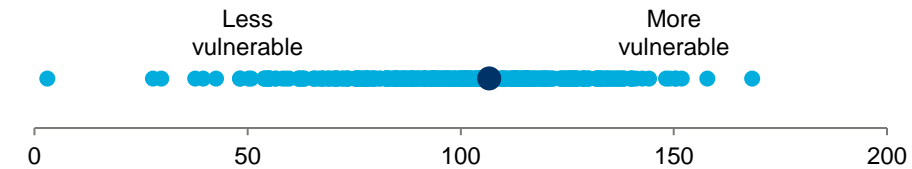
However, Harrow has in the past struggled to replace jobs that disappear from the borough, and as a business location it suffers in competition with other parts of West London and beyond, which provide greater scale and a wider range of property than Harrow can offer. The town centre has also suffered from high vacancy rates in commercial and retail properties. The Harrow & Wealdstone or 'Heart of Harrow' district has therefore been identified by the Mayor as one of London's Opportunity Areas, with the expectation of attracting 3,000 new jobs and around 5,500 new homes, in addition to two new schools and a range of upgraded infrastructure.

Work is well underway, with significant new residential and retail investment already in place in the town centre. But in the face of unprecedented economic uncertainty, and market conditions that may be difficult for some time to come, there is a need going forward to provide reassurance to developers, investors and buyers.

In our Coronavirus Challenges Index, Harrow sits in the middle of the pack, ranking 146th most exposed out of the 368 local areas across the GB. An important factor is its reliance on small and especially micro sized **businesses**, as well as its high share of workers who are self-employed.

Fig. 68. Coronavirus Challenges Index, GB LADs, 2019

(average = 100)



Source: Oxford Economics

**Above average
coronavirus
challenges**

Particularly with respect to
local businesses.



Fortunately, the business theme is partially offset by the **economic structure** theme in which Harrow ranks in the top 53 least vulnerable boroughs. This is, in part, for ranking as the 22nd least vulnerable borough in terms of exposure to manufacturing. Furthermore, Harrow ranks the lowest out of all WLA boroughs for exposure to hospitality.

Our final theme, **digital connectivity**, is less extreme but equally as important. Harrow performs relatively well as it ranks in the top 80 least vulnerable boroughs due to strong broadband speeds and a relatively high proportion of people who are able to work from home.

8.2 SECTORAL STRUCTURE

As we noted in Chapter 3, some sectors are more directly affected by coronavirus than others, particularly those in which workers have physical proximity to colleagues or members of the public, or which face drastically reduced demand.

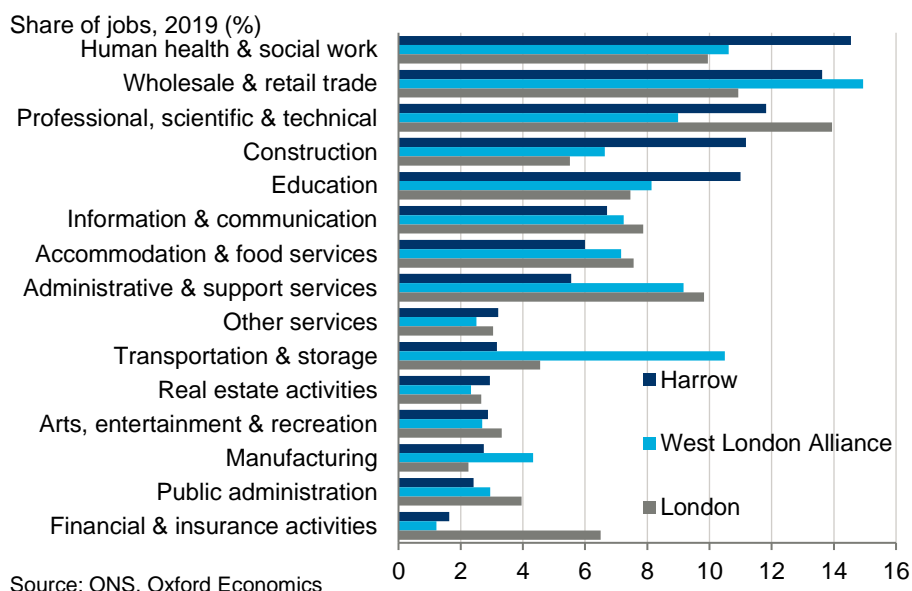
Fortunately, and as we noted above, Harrow's sectoral structure suggests that it has less exposure to these vulnerable sectors than other boroughs in the WLA and wider London areas. Indeed, in terms of its sectoral structure, we rank Harrow as one of the UK's least vulnerable areas with respect to coronavirus impacts.

Human health & social work activities is the sector which makes the largest contribution to workplace employment in Harrow. In 2019 it provided 13,000 jobs, equivalent to 14.5% of the total. This rate is significantly higher than for the rest of the WLA as well as for London and the UK (5.1%, 9.9% and 12.5% respectively), and the sector is forecast to grow through to 2025.

Harrow also has higher shares of jobs in the construction sector, despite a contraction in the last decade, and in the education sector, in comparison with both the rest of the WLA and the UK.

In contrast, a number of sectors are smaller in relative terms in Harrow than in the rest of the WLA or London. Transport & storage represents just 3.2% of total employment in the borough, a rate lower than the WLA equivalent, and also lower than London as a whole (5.1%). Harrow also has a relatively small share of jobs in the administrative & supports services sector.

Fig. 69. Workplace employment by sector, Harrow, 2019, %



8.3 SIZE OF BUSINESSES

The vast majority of the 15,000 companies in Harrow are micro-businesses with less than ten employees, which is the highest share of all WLA boroughs, and is also higher than the London and UK averages. Professional services account for more than a fifth of these. The Information & communication and construction sectors make up another 15% each.

Small, medium and large businesses all account for low shares relative to the rest of London and the UK. This is unsurprising given that Harrow is primarily a residential borough, with few large private sector employers. A large number of micro-businesses are likely to be focused on providing services to local residents, and may therefore be particularly vulnerable in the short term to consumers being unable to buy from them. However, since Harrow is a relatively high income borough (see below) it is also possible that when the rebound comes, it will be somewhat stronger than average.

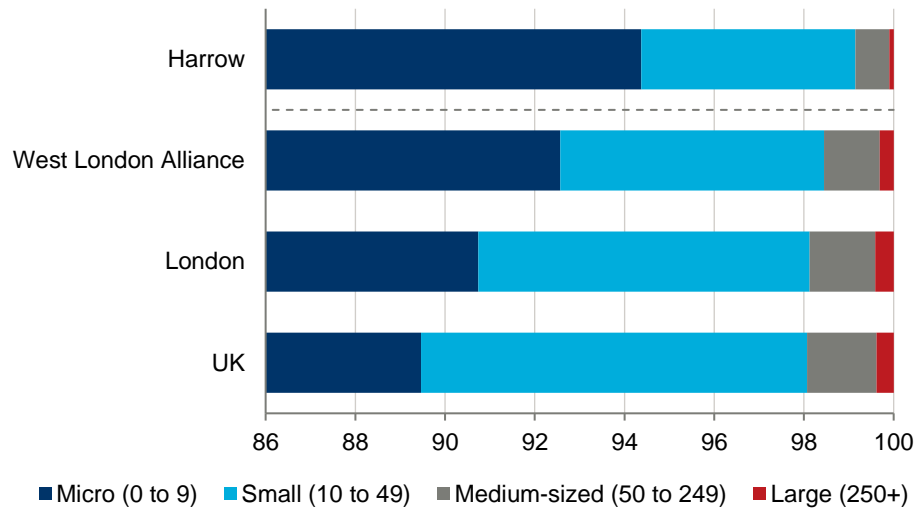
94%

Micro businesses share of the total in 2019.

Businesses with less than 10 employees are more common in harrow than any other borough in WLA..

Fig. 70. Enterprises by size, Harrow, 2019, %

Enterprises by employee size band, 2019 (%)



8.4 OUTPUT AND WORKPLACE EMPLOYMENT

In our baseline scenario the Harrow economy is projected to contract by 9% in 2020, with some sectors seeing more of a decline than others. Real estate activities, education and construction are all likely to be experiencing particularly large falls in GVA.

However, assuming lockdown measures are eased in the coming months, we forecast a strong recovery in 2021, with GVA growth of more than 7%. And over the medium term from 2020 to 2025, we project annual average growth of 1%.

Under our downside scenario, we forecast a 14% contraction in GVA in 2020. The pattern across sectors is much the same as in the baseline, but the extent of decline is greater. Because of the stricter/longer lockdown assumptions in the downside scenario, we expect a longer-lasting downturn in 2020, and a weaker recovery in 2021, with growth below 4%.

In terms of jobs, and in our baseline forecast, workplace employment in Harrow is projected to contract by 3%, or 2,800 people, in 2020. The accommodation & food services, wholesale & retail, construction and professional services sectors account for the majority of job losses.

However, these sectors, like most others, are expected to see strong rebounds in 2021.

Over the period from 2020 to 2025, we forecast in our baseline an additional 3,100 workplace jobs in Harrow, with health, accommodation & food, wholesale & retail and professional services accounting for more than half of the increase. Manufacturing is, however, set to contract over the forecast period.

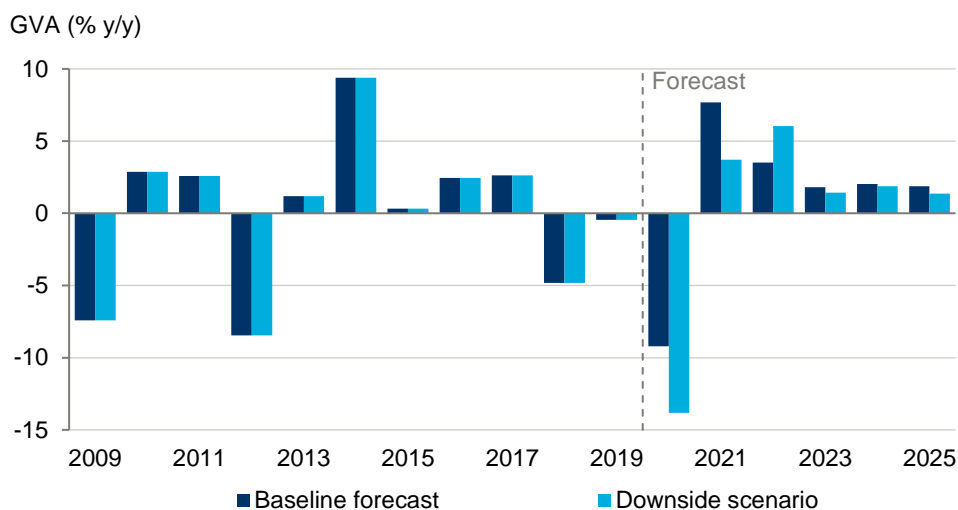
9% decline

GVA contraction in 2020.

The contraction in the local economy will be on par with the WLA average this year, but stronger than the London overall.



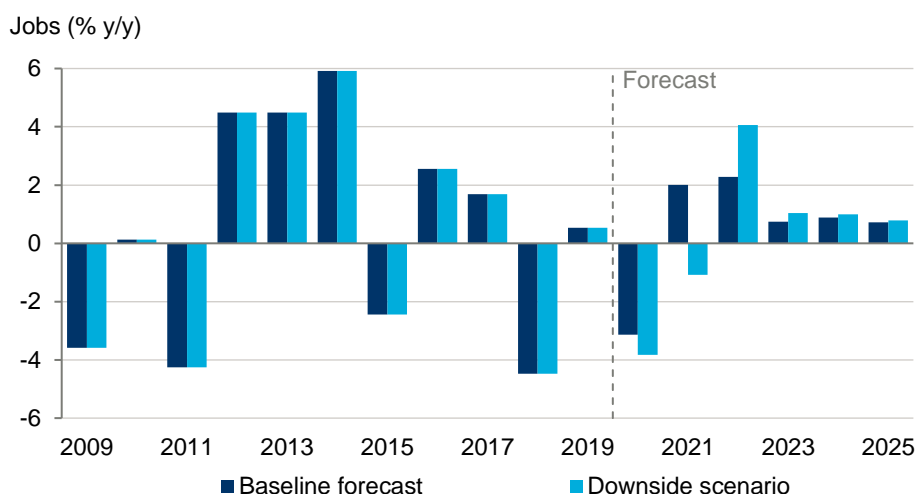
Fig. 71. Baseline GVA and scenario, Harrow, 2009-25, % y/y



Source: ONS, Oxford Economics

Under our downside scenario, we forecast a 4% contraction in workplace employment in 2020, with no return to growth until 2022. By 2025, workplace employment is only 2,900 higher in this scenario than it was in 2019.

Fig. 72. Baseline workplace employment and scenario, Harrow, 2009-25, % y/y



Source: ONS, Oxford Economics

8.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

Harrow is a commuter borough. We calculate that in 2019, 44,000 more Harrow residents commuted out of the borough to work than commuted in from elsewhere. And that large figure almost certainly conceals rather larger flows in each direction. At the time of the Census, in 2011, more than 50% of Harrow's employed residents normally commuted to other parts of London, or beyond, for work. The only other borough where that was true was Hammersmith and Fulham.

2,800

Decline in jobs total in 2020

The rate of employment decline is below the WLA average *this year*.

44,100 net out-commuting

Net outward commuting was the largest of any WLA borough in 2020.

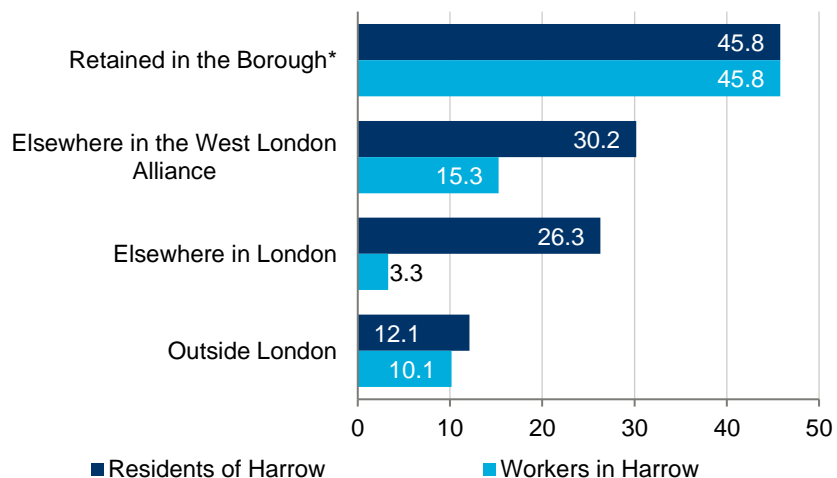


This pattern is also reflected in earnings data, which show that in 2019 the average wages of Harrow residents were more than 18% higher than those of people whose jobs were located in the borough, showing that those commuting out of Harrow to work tend to get paid more than those who work in the borough.

The high level of out-commuting means that job losses in other parts of London are likely to affect the Harrow economy, as well as local job losses. In particular, labour market developments in central London are especially important, and job cuts or pay cuts in boroughs such as Westminster and Camden, or in the City of London, are likely to result in some reduction in income and consumer spending in the local economy of Harrow.

Fig. 73. Commuting flows, Harrow, 2019, 000s

Gross commuting flows (000s)



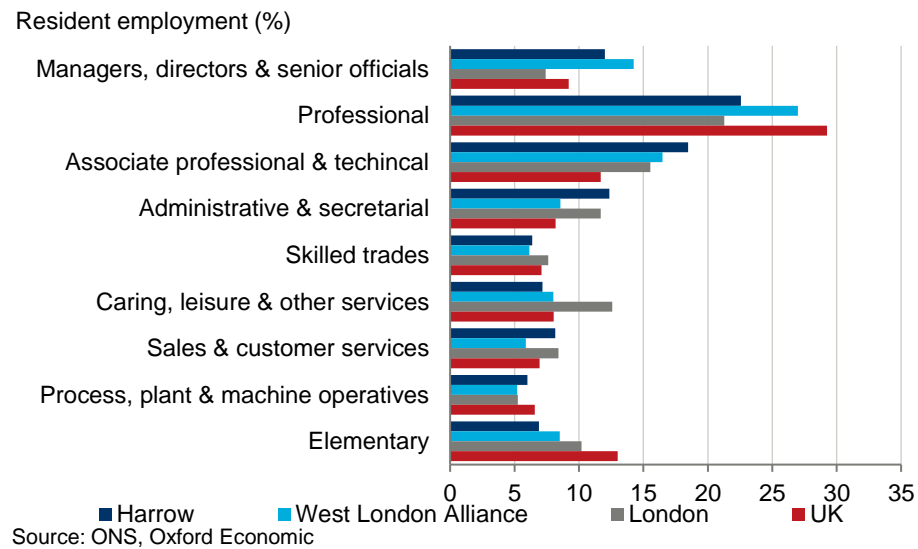
Source: ONS, Oxford Economics

* includes home workers and no fixed place

8.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

Net outward commuting is associated with a higher share of Harrow residents employed in senior roles than the average across London boroughs. In 2019, 12% of Harrow residents were employed as managers, directors & senior officials, compared with just 7% in London and 9% in the UK. Residents employed in professional occupations accounted for over a fifth of the total in Harrow, slightly higher than London at 21%, although behind the UK at 29%. These roles offer more scope for home-working than average, and tend to be concentrated in sectors enjoying higher than average employment growth. For both of these reasons, Harrow's residents may be in a stronger position than many others, with more of the borough's people able to continue working under lockdown.

Fig. 74. Resident employment by occupation, Harrow, 2019, %



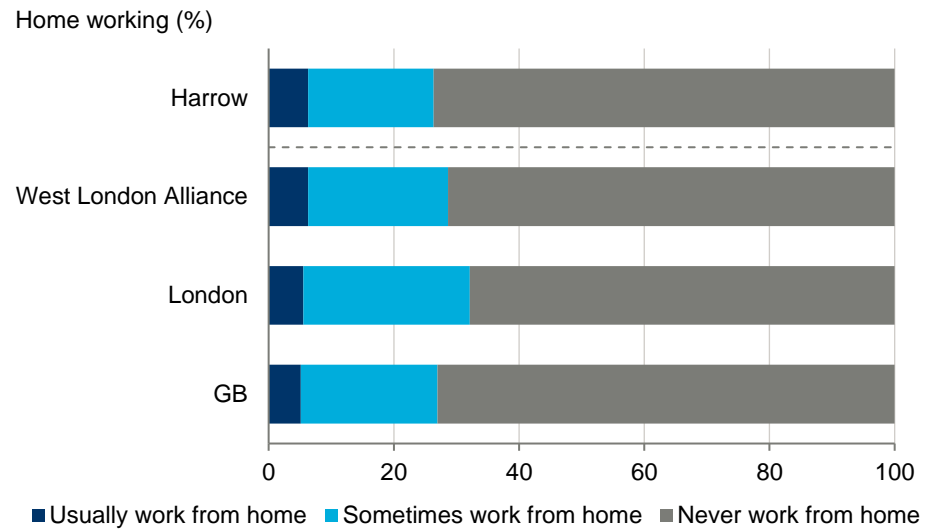
At the other end of the spectrum, Harrow also has lower shares of residents working in elementary occupations. These account for 7% in Harrow, but 10% in London and 13% in the UK.

This relatively high representation in higher value-added occupations with strong employment growth outlooks, and a corresponding low representation of lower skilled occupations provides Harrow with an element of resilience with respect to the impacts of the coronavirus relative to many other local areas in London and the UK.

8.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

That said, based on 2019 evidence, the proportion of residents in employment who sometimes worked from home prior to the pandemic may have been slightly lower in Harrow than in West London as a whole, which seems to have been slightly lower in turn than the London average. Since then it is likely that working at home has become the norm for a large proportion of Harrow residents.

Fig. 75. Resident home working, Harrow, 2019, %



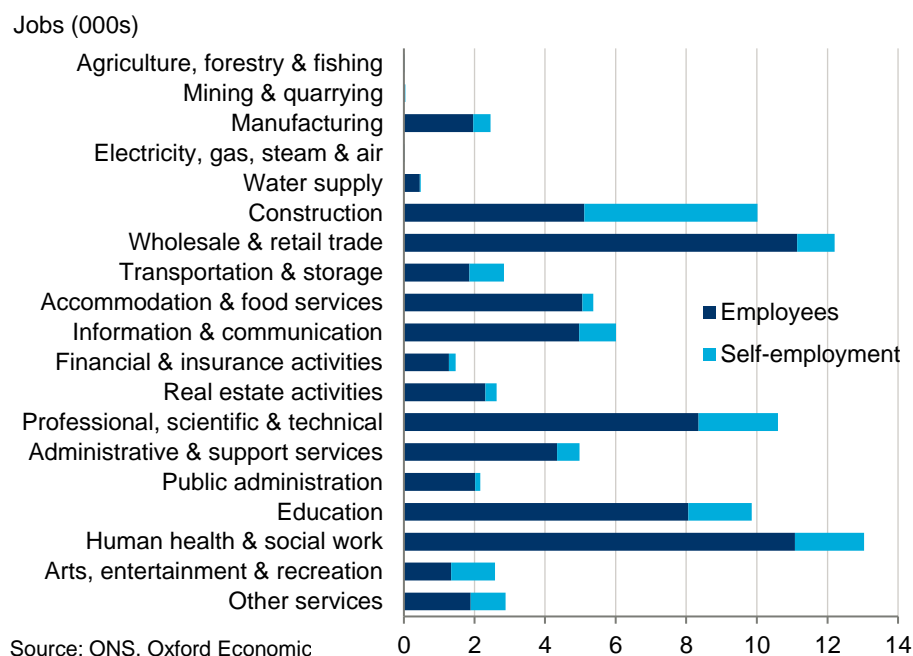
Source: ONS, Oxford Economic

8.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Harrow has higher levels of self-employment than the averages for West London, London as a whole, and the UK. Self-employment accounts for more than a fifth of total employment in the borough, measured on a workplace base, compared to 15% for the WLA, and 13% in London and the UK overall.

This is consistent with the relatively large number of micro businesses in Harrow, as discussed above, and with the fact that Harrow is a primarily residential borough. A large proportion of the self-employed in Harrow work in retail, or provide services to individuals or to small businesses. In addition, however, there were in 2019 over 1,100 self-employed people in the borough in the health & social care sector, and another 800 working in the education sector. Care workers in particular will have seen very high demand for their services in the present pandemic; the same will have been much less true for teachers and lecturers. These are primarily agency workers, and in the short term the former are likely to be very secure and many of the latter perhaps the opposite. Most vulnerable are those in the arts, entertainment and recreation sector, although this is a small sector overall.

Fig. 76. Self-employment, Harrow, 2019, 000s

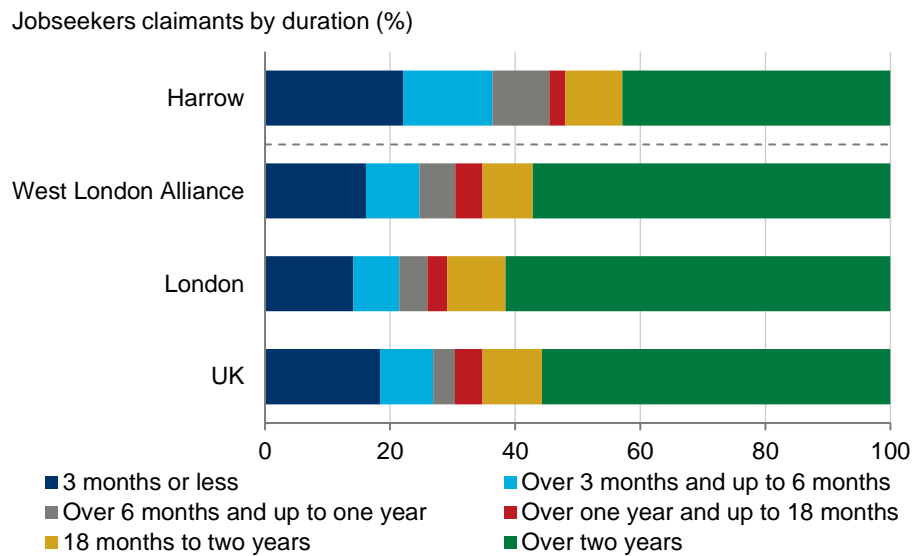


8.9 IMPACT ON RESIDENTS: UNEMPLOYMENT AND INACTIVITY

UK unemployment has risen sharply in the wake of the coronavirus outbreak, with Harrow no exception. In March 2020, with the crisis just starting to intensify, more than a fifth of those claiming job seekers allowance in the borough had been claiming for three months or less – more than the averages for the WLA, London, or the UK. Long-term unemployment was therefore less of an issue for Harrow, with just 55% of the unemployed having claimed for over a year, whereas in London and the UK the figures were 70% or more. This difference is indicative of a situation in which unemployment tends to be slightly more about transitional problems, with people moving between jobs, and less about deep-rooted personal or economic difficulties, than in some other places.

But unemployment is clearly increasing as a result of coronavirus, in Harrow as across the UK. When lockdown restrictions are eased, it will take time for businesses to return to normal and to begin recruiting at pre-outbreak levels. It is also likely that many furloughs will convert to job losses, some of which will be in the supply chain of the sectors in lockdown, with a possible peak in unemployment to come. It will therefore be important for the borough that those who have lost their jobs are able to secure new ones in combination with those elsewhere in London.

Fig. 77. Job seeker claimants, Harrow, March 2020, %



Source: ONS

More than half of claimants in Harrow in March 2020 were aged 24-49, which is a similar proportion to the rest of the UK. The 18-24 age group made up a smaller proportion of total claimants (4%), but it is likely that youth unemployment will increase in the coming months, given that businesses such as restaurants, bars, and non-food retail stores—which have a high propensity to employ younger staff—have been in the frontline of the lockdown, and will be among the last to return to normal.

8.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

In comparison with the rest of the WLA and London as a whole, Harrow performs relatively well in terms of deprivation. The Index of Multiple Deprivation shows that Harrow has the greatest share of its LSOAs in the bottom 10% least deprived in England of any WLA borough. And, consistent with the patterns for earnings, occupations and commuting, the borough ranks well in terms of the employment and education, skills & training domains of the deprivation index. In contrast, housing affordability is the major cause of social deprivation in the borough with nearly 30% of LSOAs ranked among England top 10% most deprived according to the barriers to housing & services theme. In 2019, housing affordability in the borough, as a ratio of average house prices to earnings, was above the London average, but below that of the WLA average.

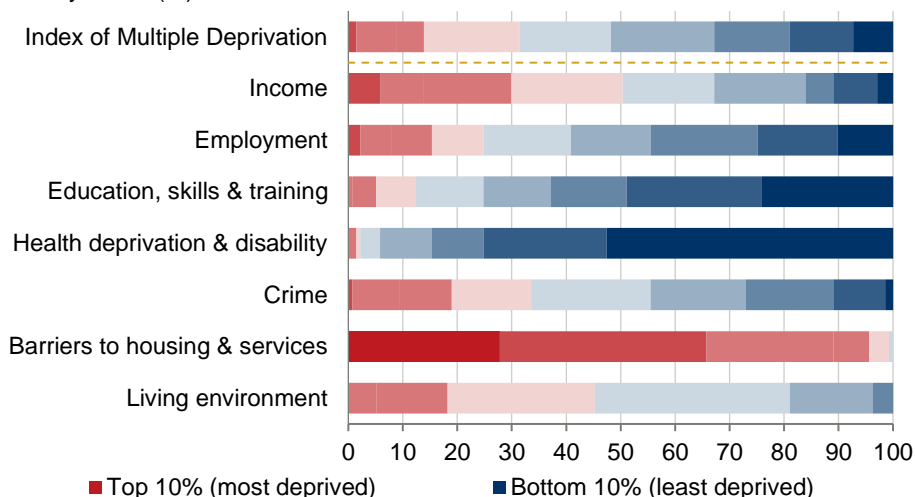
Crucially perhaps, Harrow also scores very well in terms of the health deprivation & disability domain, with more than half of its LSOAs in the bottom 10% of England's least deprived. This domain measures the risk of premature death and the impairment of quality of life through poor physical or mental health. With relatively little of this type of deprivation in Harrow, the borough may have a higher than average degree of health resilience with respect to coronavirus. Nevertheless, the number of cases per 100,000 people has tended to be higher in Harrow than either the London or UK averages.

... Harrow has the greatest share of its LSOAs in the bottom 10% least deprived in England of any WLA borough ...

With unemployment claims rising, employment deprivation in Harrow will inevitably have increased and will continue doing so until the labour market picks up. However, given that the issue is a UK-wide one, Harrow's ranking relative to other boroughs will probably not change significantly.

Fig. 78. Index of Multiple Deprivation, Harrow, 2019

LSOAs by decile (%)

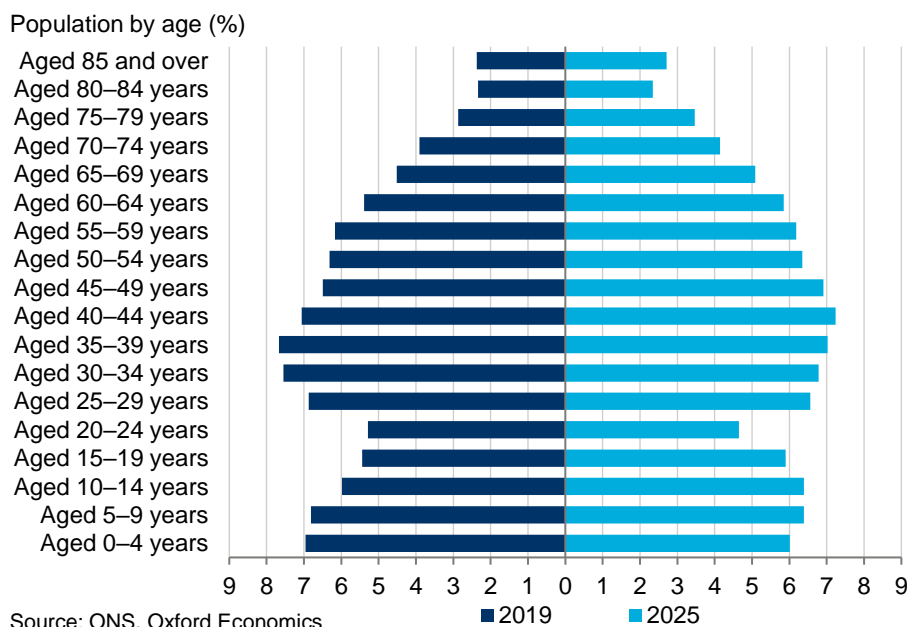


Source: MHCLG

8.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

Like the rest of London, Harrow has a young population. So although younger people are currently more exposed to the risk of unemployment, the rate of unemployment for young people will probably not become especially high by national standards. Indeed, a bigger issue going forward may be the challenges that face any mature residents with low qualifications, who lose their jobs. These people may find it particularly difficult to compete in the jobs market, when recovery comes. In 2019, just over half of working age residents were educated to degree level or above—slightly below both the London and WLA average shares.

Fig. 79. Population by age band, Harrow, 2019 and 2025, %



8.12 IMPACT ON RESIDENTS: ETHNICITY

Harrow has a more ethnically diverse population than the WLA average. Only 45% of Harrow's population aged 16 and over identify as white, compared with 54% in WLA boroughs on average. Within that, the share of the 16+ population accounted for by Indian and 'other ethnic groups' residents are higher than the average, whereas Pakistani/ Bangladeshi and black residents, both around 3%, represent lower shares than in West London as a whole.

It will be important to ensure that the impact of coronavirus on Harrow's residents does not impact any one of these groups particularly hard, relative to others.

8.13 IMPACT ON RESIDENTS: INCOMES, SPENDING, AND HOUSE PRICES

Resident earnings in Harrow, at £677 per week, are higher than the WLA or UK averages, and just slightly below the London average. This is clearly a positive for the borough. It is, however, associated with net outward commuting, rather than local employers tending to pay particularly high wages. As we noted above, the gap between residence- and workplace-based earning suggests that those commuting to other parts of London for work are in high-value, well paid jobs. As a result, the possibility is that job losses in other London boroughs will have a larger impact on the Harrow economy than in many boroughs.

Regardless of job losses, household expenditure is likely to fall at all income levels in the borough, given both the inability to spend in shops, restaurants and the like, and also the prevailing mood of uncertainty about the economy. The large number of self-employed residents is likely to make for even greater caution than in some other boroughs.

Residents are likely to gradually increase their spending as retail and hospitality sectors are progressively re-opened. They are, however, likely to be

£677 per week

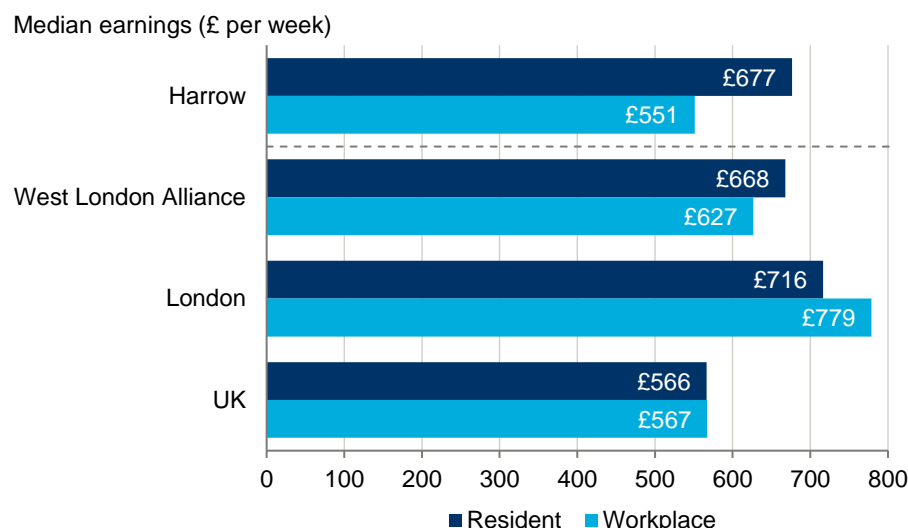
Average resident earnings in
2019

*Above the average for WLA
boroughs but still below that
of London overall.*



cautious about 'big-ticket' spending on non-essentials, especially if that involves taking out credit. This may be helpful for local shops and consumer service providers, if they can secure larger shares of residents' spending than previously.

Fig. 80. Resident and workplace earnings, Harrow, 2019



A factor affecting consumer confidence and hence spending will be house prices. These slowed in 2018 and 2019. Currently the market is effectively closed, and even when restrictions are fully lifted, transaction numbers may remain low for some time. That makes price comparisons through time potentially misleading. Nevertheless, our expectation is that prices will fall in 2021 as well as in 2020.

Potentially one of the biggest challenges for Harrow, and for other boroughs, will be if people who lose their jobs, or who experience major pay cuts, find that they can no longer pay their housing costs (either mortgage payments or rents). Given that housing affordability is the major cause of social deprivation in the borough, it is clear that a significant minority of local residents could easily face serious difficulties in this regard. This matters since housing problems lead to other difficulties with respect to, for example, health and the ability to find work; so it is important for the borough that difficulties in this domain do not increase markedly.

9. HILLINGDON

KEY FINDINGS

- **Hillingdon faces notable economic challenges due to coronavirus pandemic. It has high exposure to the most vulnerable sectors, transport and hospitality, and relies on a heavily impacted Heathrow Airport as a source of employment.**
- Heathrow Airport is Hillingdon's key asset, employing 1 in 15 residents and many more both directly and indirectly. But it faces unique challenges as the UK's largest passenger and cargo hub. Passenger numbers have nosedived, and macro-economic impacts leave a question mark over long-term investment projects.
- Self-employment is less common in Hillingdon than across the WLA, and the share of businesses that are micro or small is one of the lowest.
- Unemployment will rise in Hillingdon, as elsewhere, as a result of the coronavirus pandemic. Youth unemployment, and that among black residents, are particular challenges that may require specific policy responses. On a positive note, long-term unemployment is less prevalent in Hillingdon than in other boroughs.

9.1 OVERVIEW & CORONAVIRUS EXPOSURE

Hillingdon forms the western-most boundary of Greater London and is the largest borough by area in the West London Alliance. In many respects, it is a borough of two halves. The north is very suburban, even semi-rural, with large green spaces surrounding Ruislip. The southern half is more urban in nature, dominated by Heathrow Airport on the southern boundary and by the town centres of Hayes and Uxbridge.

Heathrow is clearly hugely important, and never more so than at present. Normally, there is a net commuting inflow of approximately 30,000 people into Hillingdon, and a gross inflow rather greater than that, largely to meet the airport's needs. But at present the vast majority of commercial flights are suspended, and large numbers of people have lost their jobs, or been furloughed or had their hours of work or wage rates cut. These problems will not disappear quickly: the likelihood is that international travel will be one of the slower sectors to rebound, and there is a possibility that some of the business lost will never be regained. The planned third-runway, which was already subject to considerable uncertainty on environmental and cost grounds, now looks likely to be further delayed or abandoned.

A wide range of global businesses have located in Hillingdon because of the presence of Heathrow, including several in the tech sector. These companies are well-established and their presence is highly secure: indeed many of them form part of a tech-corridor stretching all the way along the M3 as far as Bristol. But there are other smaller companies that are service-providers to the airport, and their survival will depend on the timing and strength of its recovery. They in turn support other local businesses, as do their employees and those working at the airport itself. Over 97% of local businesses are micro or small

enterprises, employing fewer than 50 workers. These will mostly be in an insecure situation at present.

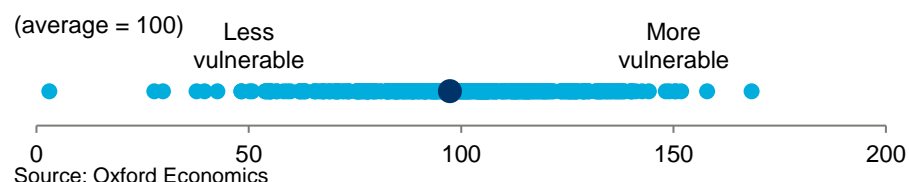
Heathrow does mean that at least some of Hillingdon has excellent surface transport connectivity, both road and rail. East-west road links include the A40 and M4, and the M25 is nearby. These support high commuting rates, but they also generate high levels of congestion and air pollution, both of which have economic consequences. Piccadilly line stations at Uxbridge and Heathrow provide good links into central London, while the Elizabeth line is set to call at five stations across Hillingdon. There is also the possibility of a direct rail connection into the HS2 railway line—although this was uncertain before the coronavirus crisis and is now probably more so.

Furthermore, Hillingdon is not defined solely by Heathrow. Among its town centres, Hayes is an Opportunity Area, reflecting local problems of deprivation, the need to reuse former industrial space, and also the need to revive the town centre. Like other parts of West London, Hayes expanded rapidly in the interwar period as an industrial location, notably for food manufacturing and the recording sector, but is now left with a legacy of under-used assets and a town centre in need of uplifting. The arrival of the Elizabeth Line is seen as an important factor here, although as with all transport facilities, there is the possibility that economic activity will leak away from the area as well as being drawn to it, if the necessary improvements in local assets are not in place. Presenting an appealing and exciting image for Hayes, and for other towns including Uxbridge, is therefore an important challenge facing local partners—and one that has been made all the greater by the current period of profound economic uncertainty and caution.

Uxbridge itself is home to Brunel University. All UK universities have faced a period without the physical presence of students, and that has impacted on the local economy via spending foregone. That may continue into the 2020/21 academic year, and there is also the possibility of a sharp fall in enrolments, with consequent loss of fees, and of payments for accommodation and the like. Similar challenges are faced by several other boroughs, and a collaborative approach to thinking through possible responses is something that partners may wish to consider.

Our GB-wide Coronavirus Challenges Index is not calibrated to pay specific attention to the collapse in the **air-transport sector**, and therefore does not fully pick-up the acute short-term crisis that Hillingdon currently faces. The index does, however, reflect the rather broader transport and storage sector, which provided more than one in six workplace jobs in 2019, and also the hospitality sector, which is also prominent in Hillingdon because of the airport.

Fig. 81. Coronavirus Challenges Index, GB LADs, 2019



Average coronavirus challenges

However, more exposed in
terms of economic diversity.



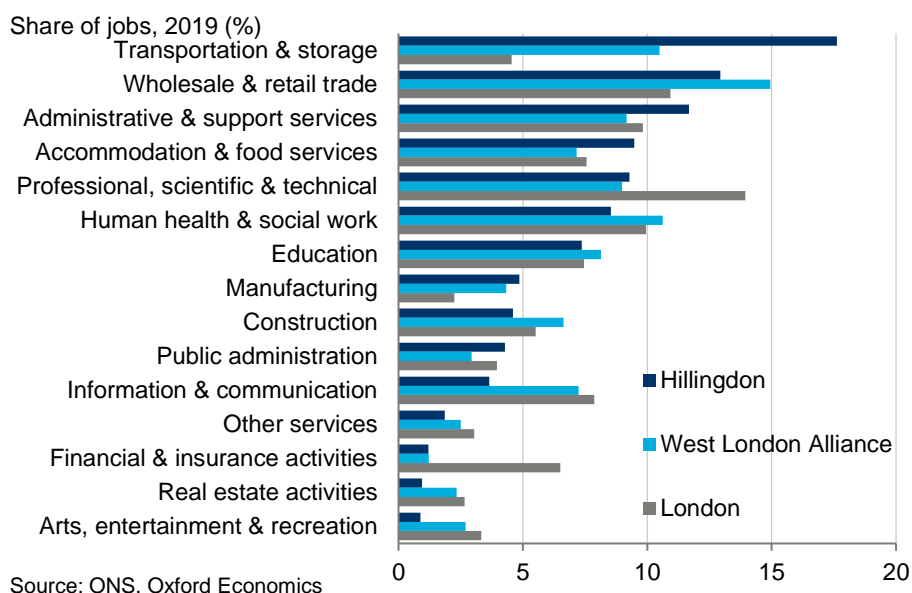
On the positive side, Hillingdon has a modest **self-employment** rate, and is less exposed to **micro and small sized enterprises** within its business stock than most other boroughs in West London or indeed London as a whole. Against that, the scope for exploiting **digital connectivity** is the lowest in the WLA, reflecting lower working from home rates and below average high-speed broadband capacity.

Overall, therefore, our index ranks Hillingdon near the middle of all of Great Britain's local authorities, but this is a generous assessment, given the challenges posed by Heathrow's problems. How soon and how completely the airport reopens is therefore of great importance.

9.2 IMPACT ON BUSINESSES: SECTORAL STRUCTURE

It is hard to overstate the importance of Heathrow Airport to Hillingdon. The airport is the UK's largest single employment site, directly employing 76,500 people in 2010 but has seen passenger numbers fall by over 90% since the start of the pandemic.^{17 18} Over one in six workplace jobs in Hillingdon are in transport and logistics, three times higher than the London and national averages. There is also employment in Hillingdon via the airport's supply chain, and local businesses that are located in the borough because of the convenience of being near the airport. And since Heathrow and the many companies located on the site are the major employers of the local population, the reliance of local shops, restaurants and service businesses on Heathrow is enormous.

Fig. 82. Workplace employment by sector, Hillingdon, 2019, %



Several other sectors are under-represented in Hillingdon, partly just because the transport sector takes up such a large share. Professional and financial

¹⁷ Hillingdon, A Vision for 2026. 2010.

¹⁸ <https://www.reuters.com/article/us-health-coronavirus-heathrow-fin/uks-heathrow-airport-sees-passenger-demand-down-by-90-in-april-idUSKCN21W0KO>

services are below the London average but are similar to the West London average as a share of the local economy, but information and communications is small even by West London standards. This is an important sector in terms of long-term growth prospects, and it is also likely to be withstanding the coronavirus crisis better than most, reflecting the widespread shift towards digital work and leisure that has taken place.

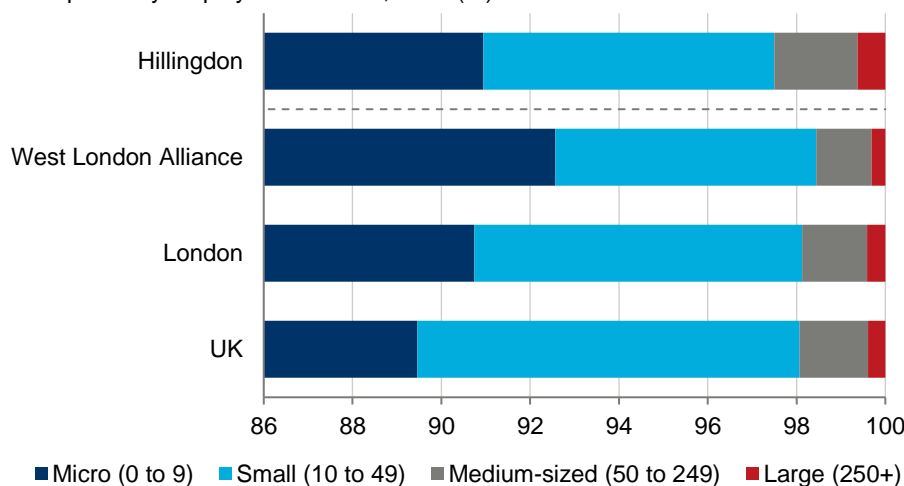
9.3 SIZE OF BUSINESSES

There were over 13,500 businesses operating in Hillingdon in 2019, representing 12% of all business enterprises across the WLA. Of these, 97% were classed as micro or small, the lowest combined share in the WLA. The corollary being that medium and large businesses represent a relatively large share of Hillingdon's business stock. These trends are reflected in business density across the borough, with 44 businesses per 1,000 residents, much lower than the WLA average.

Ordinarily this would be a positive for the borough because larger employers are generally better positioned to be able to weather downturns over the short-to-medium term. However, in Hillingdon's case the reason is almost certainly that companies operating on the airport, or supplying it directly, are less likely than average to be small or micro sized. In this case, therefore, larger than average business size is unlikely to be a source of resilience for the borough.

Fig. 83. Enterprises by size, Hillingdon, 2019, %

Enterprises by employee size band, 2019 (%)



3%

Local businesses employing
50+ people in 2019.

*Larger employers account
for a relatively large share of
the total compared to the
WLA and London averages.*

Close to a third of Hillingdon's micro-sized business are in the construction and wholesale & retail sectors. Many of these will be very vulnerable and under pressure, including self-employed trades people and small local retailers.

9.4 IMPACT ON OUTPUT AND WORKPLACE EMPLOYMENT

Our baseline view is that the Hillingdon economy is contracting by just over 10% in 2020, even after allowing for the hoped-for strong rebound in the year's second half. The accommodation & food services and arts, entertainment & recreation sectors are heavily impacted, as of course is the transport sector.

10% decline

GVA contraction in 2020.

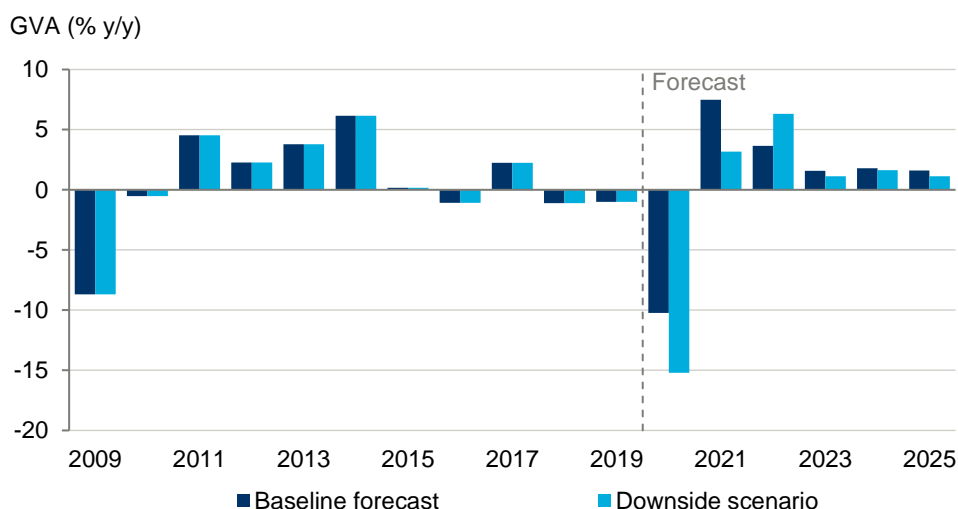
The second strongest shrinkage across the WLA borough economies this year.



However, as lockdown measures are eased, we forecast a rebound in 2021 with GVA growth of over 7%, so making up roughly two-thirds of this year's losses. Over the medium term from 2020 to 2025 the local economy grows on average by 0.8% each year, significantly weaker than the WLA and London growth rates (1.2% and 1.6% respectively), reflecting the 2020 fall being so sharp.

Under our downside scenario we forecast that Hillingdon's output contracts this year by an additional 5 percentage points over our baseline—so a contraction of 15% in 2020. This scenario assumes a longer lockdown period and a weaker recovery. Under this scenario, the growth in 2021 is just 3%. That is likely to imply significant numbers of business failures within the borough.

Fig. 84. Baseline GVA and scenario, Hillingdon, 2009-25, %y/y



Source: ONS, Oxford Economics

Our baseline jobs forecast projects workplace employment in Hillingdon to contract by 4%, or 8,700 jobs, in 2020. The largest fall occurs within the accommodation & food services sector, with a fall of 2,700 jobs over the year. After this, transport & storage accounts for the largest number of job losses (1,700 net fall), although losses in wholesale & retail are also significant (a 1,300 fall). These sectors, along with others, are likely to rebound as restrictions are eased, leading to an expansion in the jobs total of about 2% in 2021 in our baseline forecast.

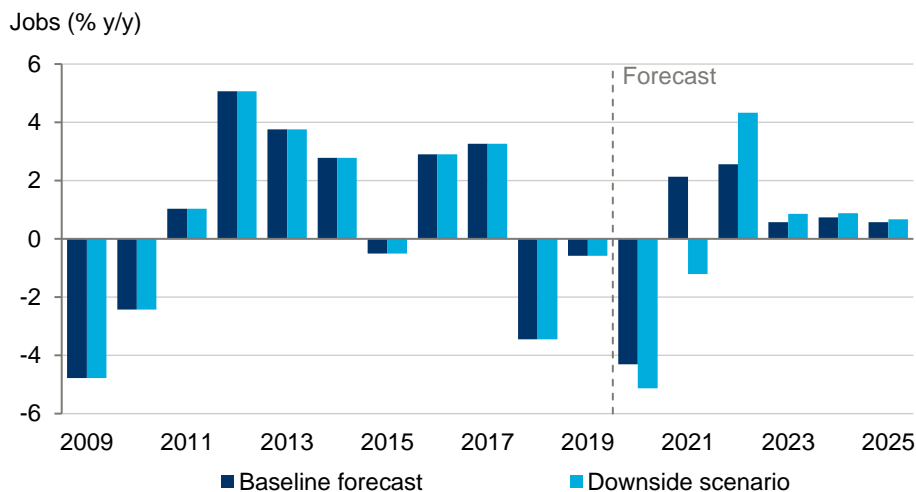
8,700

Decline in jobs total in 2020

A stronger rate of job losses than that experienced across WLA and London overall.



Fig. 85. Baseline workplace employment and scenario, Hillingdon, 2009-25 % y/y

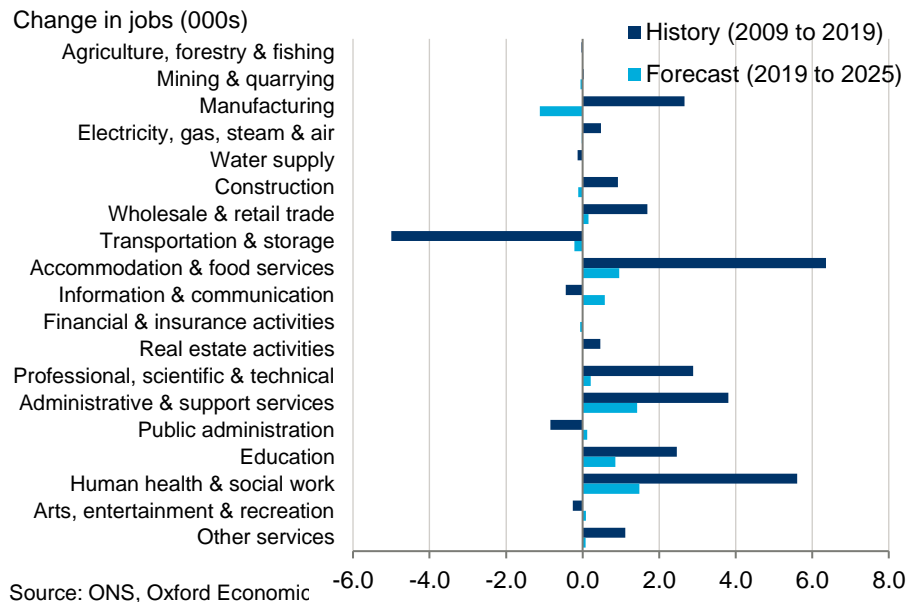


Source: ONS, Oxford Economics

Over the medium-term (2020-2025) our baseline forecast suggests that the borough's jobs total increase by 4,300, or on average by 0.4% each year. That is weaker than the WLA average and just half the increase expected for London as a whole. Health, administrative & support services and accommodation & food look set to be the strongest sectoral contributors to jobs growth over this period. In contrast the manufacturing sector will experience the largest number of job losses, with 1,100 fewer jobs in 2025 than in 2019.

Under our downside scenario we forecast that workplace employment falls more strongly in 2020 (-5%), with full-year recovery postponed until 2022. The prolonged lockdown restrictions that are assumed in this scenario lead to employment in 2025 being no higher than in 2019.

Fig. 86. Change in workplace employment by sector, Hillingdon, 2009-19 and 2019-25 baseline forecast



9.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

Although Hillingdon is dominated by Heathrow in numerical terms, a large part of the borough is suburban residential, and there are significant commuter flows out of the borough as well as into it. Census data reveal that in 2011, although people from outside the borough filled close to 60% of local workplace jobs, close to half of all Hillingdon residents in work commuted to jobs outside the borough.

We estimate that in 2019 there were over 30,000 more people commuting into the borough than Hillingdon residents commuting out. Unusually, the average earnings of Hillingdon's employed residents in 2019 was 7% lower than those working in the borough. This suggests that on average, those residents commuting out of the borough are not necessarily acquiring better paid employment than that which is available in the borough itself. Many of these are commuting, not into central London, but to other boroughs and indeed to work outside of London. By London standards they are unusually likely to commute by car. Whether the net effect is to make Hillingdon more or less resilient than elsewhere is unclear: although in any case the dominance of the airport remains the central issue.

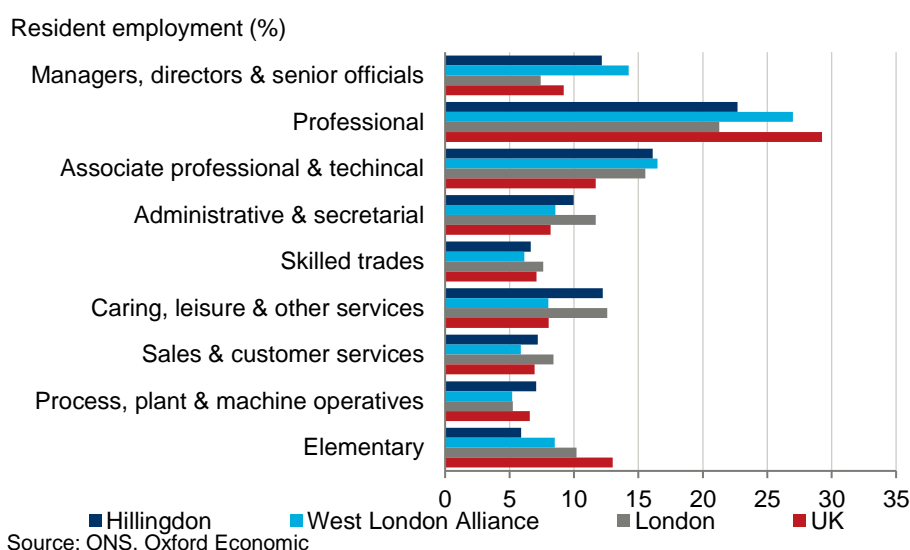
9.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

In terms of the share of residents working in both managerial and professional roles, Hillingdon outperforms the London average but lags the WLA overall. In 2019, 12% of Hillingdon's residents were employed as managers, directors & senior officials, compared to 14% in WLA and 7% across London. Similarly, 23% of employed residents were employed in professional occupations: 4 percentage points lower than the WLA average but a slightly stronger share than that observed across London. This is important because professional roles are typically more able to be carried out at home. They also tend to be

based in sectors where underlying growth is likely to be more resilient, such as within the professional, scientific & technical services sector.

Equally, the borough has a relatively low share of residents working within roles which are most vulnerable during the pandemic. In 2019, 13% of the borough's residents were employed in either elementary roles or process, plant & machine operatives—lower than that experienced across WLA and London (14% and 15% respectively). That would suggest that the borough's employed residents might be relatively resilient to coronavirus shocks, compared to residents elsewhere. Clearly, however, the fact that many of these people will be working at Heathrow, or will have jobs that are indirectly dependent on the airport, alters the picture radically.

Fig. 87. Resident employment by occupation, Hillingdon, 2019, %



20%

Share of residents who sometimes work from home.

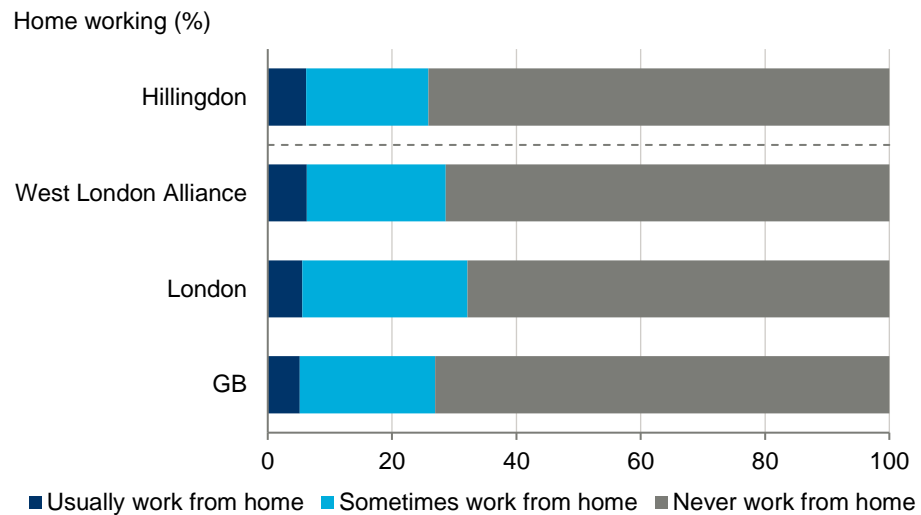
Below average when compared to both the WLA and London averages.

9.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

Relative to London as a whole, Hillingdon has a lower share of residents employed in roles that are generally less compatible with home working and a larger share of residents employed in roles that tend to favour it. Even so, ONS data plus Oxford Economics estimates suggest that the tendency for home working is relatively weak among the borough's employed. In 2019, the share of Hillingdon residents who sometimes worked from home stood at 20%, so weaker than the WLA and London averages (22% and 27% respectively). And a relatively large proportion of the borough's residents are likely to have never worked from home (74%).

It is therefore important to realise that although the borough may have a high proportion of residents employed in roles which are typically office-based, this does not necessarily mean that all of those will be able to easily do so. That is likely to be particularly true for those engaged in airport management and associated services such as retail and hospitality at the airport.

Fig. 88. Resident home working, Hillingdon, 2019, %



Source: ONS, Oxford Economic

9.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Hillingdon has the lowest concentration of self-employed people across the WLA boroughs. In 2019 self-employment accounted for just 9% of workplace-based jobs across the borough, compared to 15% for the WLA and 13% across London. This is consistent with the lower share of micro and small businesses in the borough. The self-employed are particularly vulnerable to the effects of coronavirus because they suffer from increased financial/cash flow risk, and because support available to them tends to be more patchy.

Furthermore, examination of the sectoral breakdown of those who are self-employed shows that one third of self-employed workers in Hillingdon work in the transport and storage sector, and will therefore be directly affected by the loss of flights at Heathrow Airport (even allowing for the fact that the cargo side is slightly less reduced in operation than the passenger side).

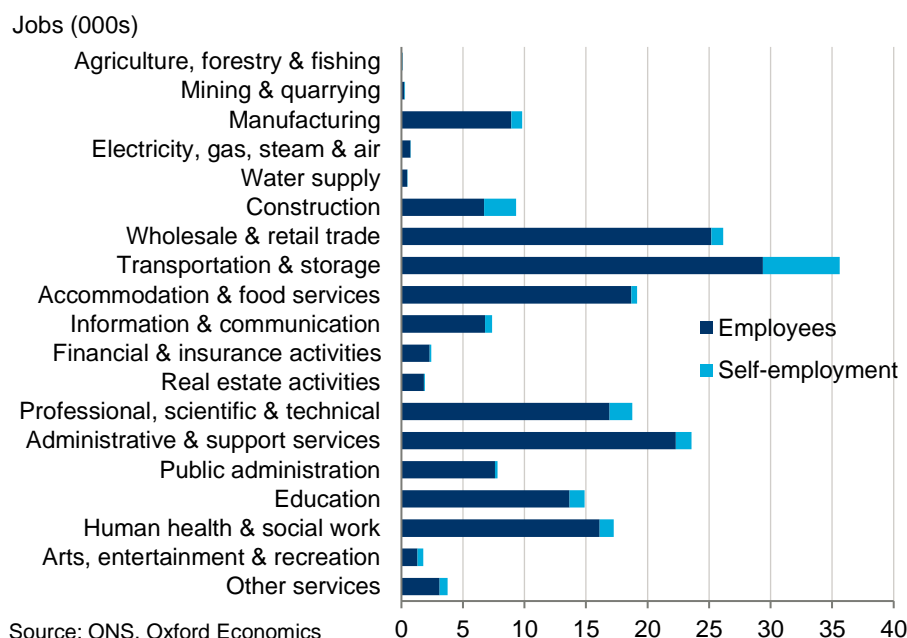
The next largest concentration of self-employed (2,600 jobs) in the borough work within construction. This sector has been hit by shutdowns during the pandemic, and is vulnerable to potential reduced investment in large construction projects as a result of the economic downturn. A likely consequence of the current crisis is that the construction of Heathrow's proposed third runway has become less likely than it was before, and that may have implications for such workers over the medium term.

9%

Self-employed share of
workplace employment in
2019.

*The lowest share across the
WLA boroughs.*

Fig. 89. Self-employment, Hillingdon, 2019, 000s



9.9 IMPACT ON RESIDENTS: UNEMPLOYMENT & INACTIVITY

Unemployment has increased in Hillingdon this year. We estimate that the borough's unemployment rate across 2020 as a whole will be two percentage points higher, on average, than in 2019, at 6.2%.¹⁹ In 2021 it averages 5.5% in our baseline forecast.

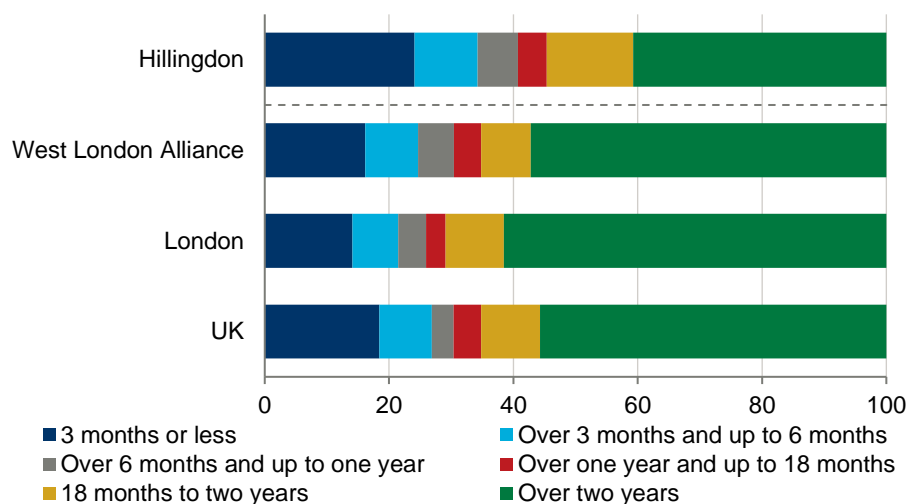
A relatively high share of job seekers in the borough belong to the 18 to 24 age grouping. Almost 6% of all locally unemployed belonged to this age cohort, compared to 4% across both the WLA and London. This age group tends to have weaker career experience, and works disproportionately in sectors which are currently the most vulnerable, notably retail and hospitality. A large number of these jobs are directly or indirectly connected to the fortunes of Heathrow, which adds to the present difficulties. And even when lockdown restrictions are eased, it may take time some for businesses to return to normal and to begin recruiting at pre-outbreak levels.

More positively, long-term unemployment is relatively low in Hillingdon compared to London and the WLA; only Hounslow has a lower proportion of jobseekers claiming for over two years. March claimant data shows that 24% of jobseeker's recipients had been claiming for less than three months: a higher figure than for either the WLA or London averages.

¹⁹ ILO definition.

Fig. 90. Job seekers claimants, Hillingdon, March 2020, %

Jobseekers claimants by duration (%)



Source: ONS

9.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

As we noted above, Hillingdon is a borough with marked local variations within it. While parts are quite affluent, other local areas such as parts of West Drayton, Yeading and Townfield show rather higher levels of deprivation.²⁰ In these areas qualification levels are typically lower than elsewhere in the borough, limiting job mobility and almost certainly heightening people's exposure to coronavirus related job losses.²¹

Overall, however, the levels of deprivation in Hillingdon compare well against other boroughs within the WLA. The Index of Multiple Deprivation shows none of Hillingdon's LSOA areas appears in the top 10% most deprived areas in England, while it has 6% in the bottom decile, higher than both the WLA and London averages. Hillingdon is also best positioned in terms of employment deprivation, with 12% of LSOAs ranking among the 10% least deprived nationally, and just 1% of LSOAs ranked among the top 20% most deprived across England. This reflects the strong employment base within the borough. However, the extreme problems of Heathrow mean that at least in the short-term, the borough's ranking is likely to suffer sharply.

Hillingdon also performs strongly on the health, deprivation and disability score, with 75% of LSOAs in the bottom 50% of least deprived areas. This metric rates the risk of premature death, and impairment of quality of life through poor physical or mental health. A low level of deprivation in this area indicates that on a like-for-like basis, the adverse health impacts of coronavirus would probably have less of an impact in Hillingdon than would be expected elsewhere.

From a medium-term perspective, education, skills and training are key areas in tackling the adverse consequences of coronavirus, especially for young

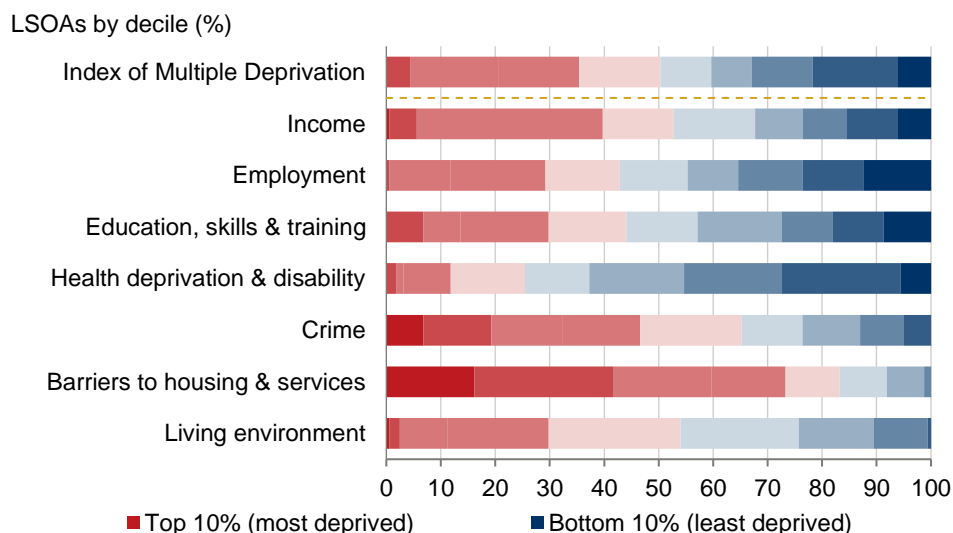
²⁰ Hillingdon, A Vision for 2026. 2010.

²¹ Sustain, Renew and Prosper. 2011.

... none of Hillingdon's LSOA areas appears in the top 10% most deprived areas in England, while it has 6% in the bottom decile ...

people first entering the labour force. Although overall Hillingdon scores modestly for educational deprivation, it is a concern that nearly 40% of 19-year olds in Hillingdon do not have any level 3 qualifications (A Level or equivalent), which is a higher proportion than the UK average.²² That means they are likely to find it harder to secure new work, if they find themselves unemployed.

Fig. 91. Index of multiple deprivation, Hillingdon, 2019



Source: MHCLG

Localised deprivation within the borough is more prevalent within the theme of barriers to housing & services, with over 40% of LSOAs in the borough ranking in the top 20% most deprived nationally. The upshot of this is that if job losses put people's homes at risk, then that is a problem that it is harder for them to overcome than in local areas where housing tends to be more affordable. Providing safeguards may be an appropriate part of any plan to help the most vulnerable people back into employment.

9.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

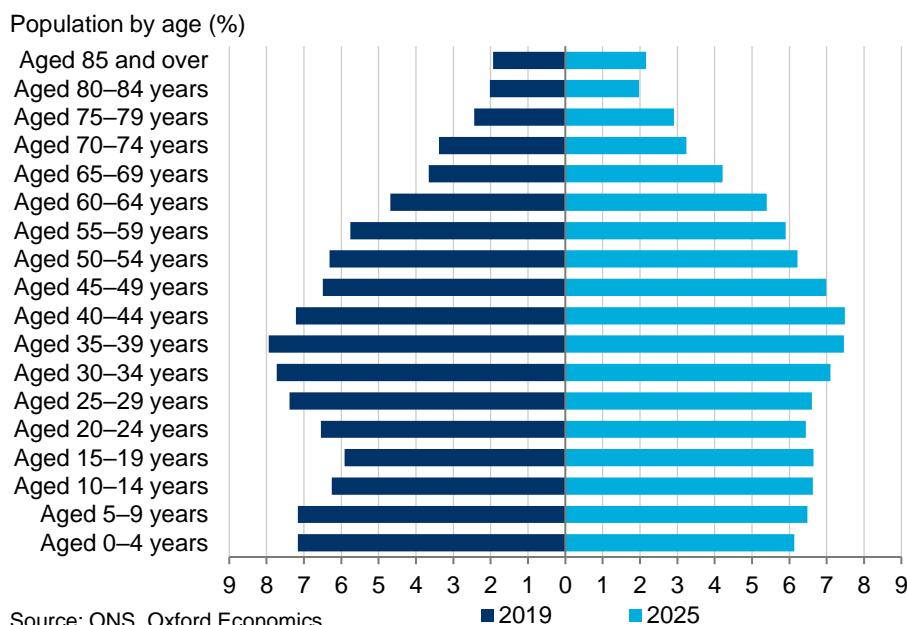
In 2019, younger people (aged 20-39) represented just under 30% of the local population, a relatively low share when compared against the London average (33%). Young people are more likely than most to lose their jobs or have their income cut during the pandemic, and so this group might see a marked increase in problems of worklessness or low incomes.

More mature and higher skilled office-based workers are typically at a more advanced stage in their careers and are arguably better placed to work from home, and also tend to have stronger job security and higher incomes. However, there is evidence that those aged 55 and above also have a higher than average likelihood of losing their jobs, having their hours or pay cut, or

²² Trust for London. 2020. <https://www.trustforlondon.org.uk/data/boroughs/hillingdon-poverty-and-inequality-indicators/>.

being furloughed, during the current crisis.²³ Accordingly, this is another group that may need special attention.

Fig. 92. Population by age band, Hillingdon, 2019 and 2025, %



9.12 IMPACT ON RESIDENTS: ETHNICITY

Like much of London, Hillingdon has a diverse population. In 2019 over half (51%) of the population aged 16+ came from black and minority ethnic backgrounds (BAME), behind only Brent and Harrow in the WLA. This is important to note as rates of economic activity differ somewhat by ethnicity, and so do rates of coronavirus infection.

The total employment rate for all ethnic minorities in Hillingdon is 68%, compared to 78% for white residents. However, this represents the second highest BAME employment rate in the WLA, below only Hounslow. Likewise, Hillingdon had the second lowest BAME unemployment rate in 2019 at 4.4%, lower than the equivalent for white residents in Hillingdon and significantly lower than the ethnic minority unemployment rates in both London (6.7%) and the WLA (7.5%). This suggests a local strength in Hillingdon, tempering some of the vulnerability seen elsewhere in London.

However, one area of potential concern is the high unemployment rate among black residents, which was 12.8% in 2019, over 4 percentage points higher than the London equivalent. With this cohort representing over 7% of Hillingdon's population aged 16+, this group could be particularly vulnerable to coronavirus employment shocks.

51%

Ethnic minority share of population aged 16+ in 2019.

Above the London average and the third highest share across the WLA boroughs.

²³ In 2019, A third of over 50s who were made redundant found re-employment within three months: the lowest re-employment rate of any age group. <https://www.employment-studies.co.uk/news/what-next-older-workers-losing-their-jobs-coronavirus-0>

9.13 IMPACT ON RESIDENTS: INCOMES, SPENDING & HOUSE PRICES

Average resident earnings in the borough were around £600 per week in 2019—the lowest in the WLA and over 15% below the London average. This is clearly a negative for the borough if, as is likely, residents become increasingly financial insecure, the longer lockdown measures remain in place.

Workplace based earnings within Hillingdon are £48 per week higher than for residents, reflecting the fact that jobs within Hillingdon pay on average more than those taken by Hillingdon residents. It seems likely that a significant number of higher-paid roles in the borough, not least at Heathrow, are taken by people who live outside the borough.

One of the risk for Hillingdon is that job losses elsewhere could have a negative impact on spending in Hillingdon itself. This is especially the case for the more deprived areas in the south of the borough, where household incomes are typically lower than the wealthier villages to the north.²⁴

More positively, house prices in the borough are lower than both the WLA and London averages. Therefore, housing affordability and the stress that can place on household spending is relatively less pertinent.

Regardless of job losses, spending has clearly fallen at all income levels in the borough. We expect consumer spending per head of the population in Hillingdon to fall 12% this year, the equivalent of a £2,600 cut for every Hillingdon resident and a total reduction of £767m in consumer expenditure from 2019 levels. In the short term the capacity for spending has been reduced as many retail and leisure establishments have been closed, while furloughed workers have seen their incomes become increasingly uncertain, and others have lost their jobs or are threatened with it. Combined with a two percentage point increase in Hillingdon's unemployment rate, the reasons for expecting spending to remain weak are clear, even though some bounce in 2021 is still likely.

£600 per week

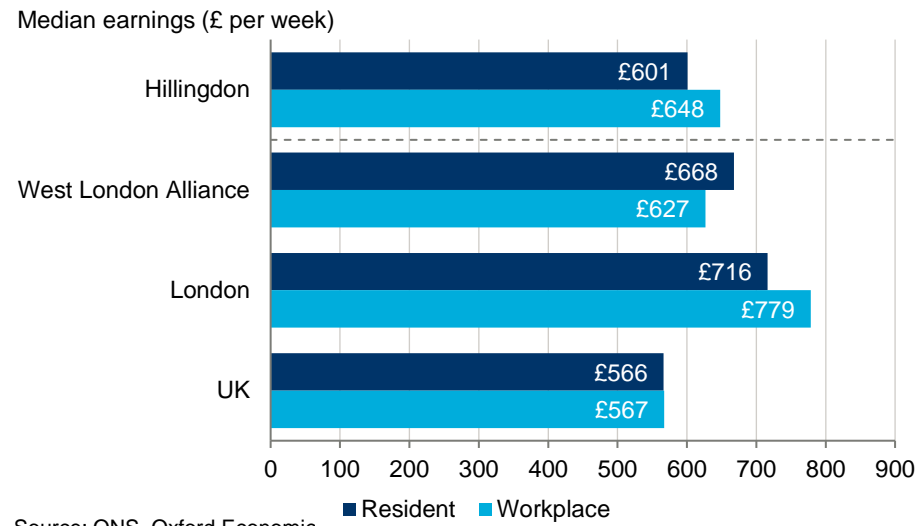
Average resident earnings in
2019

Both earnings and consumer
spending per household are
the weakest across WLA.



²⁴ Hillingdon, Joint Strategic Needs Assessment. 2017.

Fig. 93. Resident and workplace earnings, Hillingdon, 2019



10. HOUNSLOW

KEY FINDINGS

- Hounslow is hugely dependent on Heathrow Airport. Resident earnings are lower than across the average for the WLA area, and notably below the London average. But workplace earnings are among the highest of all boroughs in the WLA.
- This suggests that residents commute to other parts of London for work in lower-paid roles, while the best paid local jobs (at or around the airport) are taken by people from elsewhere.
- The development of the Golden Mile is an important project for Hounslow, and a lot will depend on whether plans survive the pandemic unscathed. The scheme is very reliant on public transport investment, and hence on the need to make the necessary investment case.

10.1 OVERVIEW & CORONAVIRUS EXPOSURE

Hounslow stretches from Chiswick to the boundaries of Heathrow Airport, covering more than 20 square miles. It is home to a little over 270,000 residents, making it one of the smaller boroughs in the WLA area in population terms. Nonetheless its population is very diverse, including one of the largest South Asian communities across London.

Hounslow has several town centres, and some parts are very suburbanised, with high rates of commuting into the city centre, albeit with ever-increasing problems of over-crowding (ever-increasing, that is, until the present crisis—the ability to home-work will be a source of resilience for a significant share of the borough's population). Road and rail links out of London also make it possible for people to travel in the opposite direction, although in normal circumstances road congestion can be a barrier.

More than 90% of businesses in the borough are micro businesses, with up to nine employees. This is a lower share than the WLA, but slightly higher than the London average. Of these, a fifth are within the information & communications sector, followed by almost 20% in professional, scientific & technical activities. Those figures suggest a borough with a good representation in the high-growth, high-value added sectors that tend to drive urban economies around the world, and that are probably more robust than average, during the current crisis.

The picture is greatly strengthened by the presence of important multinational companies such as Sky, Cisco, SAP and Dell, plus importantly the headquarters of GlaxoSmithKline. Indeed, building on that commercial base, the Great West Corridor Opportunity Area is the location for a hugely ambitious programme to grow Hounslow's economy, particularly in the digital and creative sectors.

This plan centres on the Golden Mile, a 2½ mile stretch of art deco current and former factories along the A4 Great West Road, stretching from the Sky

Campus at Osterley in the west to the very successful Chiswick Business Park in the east. Much of the area is currently in use for industrial and commercial purposes, but it also includes Brentford town centre and some heritage locations. There is significant scope for more intensive use, and while that includes new homes, there is an estimated capacity for approximately 29,000 jobs, of which about two thirds would be new.

Crucially the plans include, and are dependent on, the provision of new public transport—currently a significant weakness of the area. The scheme will therefore be reliant upon considerable investment by both public and private sectors, at a time when the coronavirus pandemic may have severely adverse impact on the capacity and willingness of both of those to make commitments on the scale needed. There will be a corresponding requirement to demonstrate that the scheme meets what are likely to be tougher-than-before investment criteria. One of the most important impacts of coronavirus may indeed be the need for all of those engaged in regeneration, in Hounslow as elsewhere, to re-examine and improve their business cases.

The other major issue facing Hounslow is very immediate and very obvious. Heathrow Airport sits just beyond the borough's northern boundary and directly and indirectly, it is by far Hounslow's most important employer. At present the vast majority of commercial flights are suspended, and large numbers of Hounslow residents are likely to have lost their jobs, or been furloughed, or had their hours of work or wage rates cut. Most of those who work at the airport are likely to have little or no scope for home-working, in stark contrast to a lot of the residents who commute into central London, or who are employed in its major office workplaces.

Our baseline forecast assumes that the situation does change, and that Heathrow rebounds strongly, but not quite as quickly or completely as happens to employers in most other sectors. Indeed, there is a risk that behavioural changes by tourists and perhaps even more so by business travellers will mean that Heathrow's growth rate is permanently weakened. The likelihood of investment in the third runway has probably been reduced sharply.

This means that Hounslow is probably one of the most challenged boroughs across the UK, where coronavirus is concerned, at least temporarily, and along with Hillingdon. Our GB-wide Coronavirus Challenges Index takes account of dependence on the broad **transport and storage sector**, rather than the specific air-transport sector, so it is not able to pick up the full extent of this problem. It ranks Hounslow in the centre of local authorities across Great Britain in terms of the scale of challenges, which may be a realistic assessment from a medium-term perspective, but is probably rather optimistic where the challenges of the next few months are concerned.

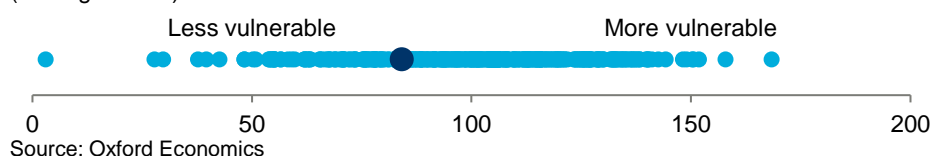
Below average coronavirus challenges

Particularly with respect to connectivity.



Fig. 94. Coronavirus Challenges Index, GB LADs, 2019

(average = 100)



1 in every 4

Workplace jobs within the transport & storage sector in 2019.

Heathrow has a relatively large influence on the local economy.

10.2 SECTORAL STRUCTURE

Picking up the point just made, transport & storage is the largest source of employment in Hounslow, accounting for more than a quarter of total workplace employment, or 46,200 jobs in 2019. A large proportion of these are jobs related to Heathrow, and hence heavily affected by the radical decline in aircraft movements at the airport. This is followed by the wholesale & retail trade and information & communication sectors, with each sustaining 22,200 jobs in the borough. The former is not particularly high for a borough of Hounslow's size, but the latter is larger, relatively speaking, than at either the West London or all-London levels. This sector is almost certainly performing better than most during the current crisis and may also experience a stronger than average rebound, thanks to the shift towards digital working and leisure that the lockdown has provoked.

In contrast, a sector that is noticeably smaller than average is professional, scientific and technical services.

Fig. 95. Workplace employment by sector, Hounslow, 2019, %

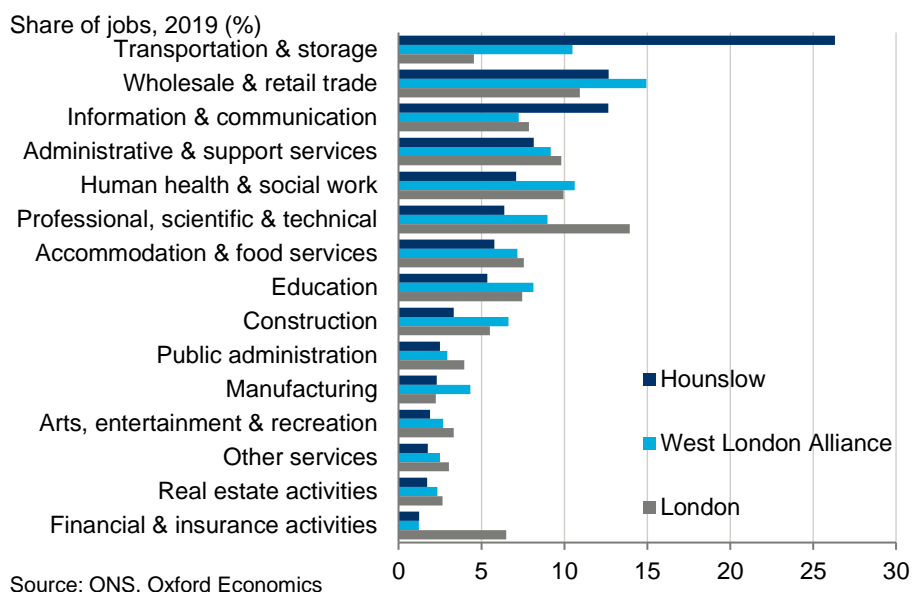


Fig. 96.

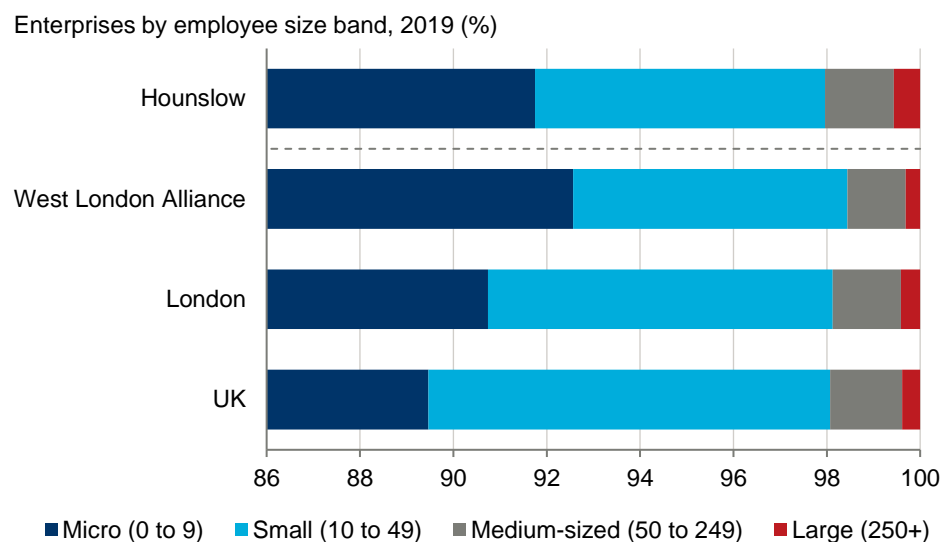
10.3 SIZE OF BUSINESSES

Of the 13,300 companies in Hounslow, 92% are micro businesses with fewer than ten employees—almost the same as the 93% for the WLA area, and the 91% for London as a whole. A fifth of these firms are in the information & communication sector, followed closely by professional, scientific & technical activities (19%). This suggests a reasonably strong entrepreneurial base in Hounslow, which may be helpful in terms of the borough's ability to recover from the present crisis.

Small businesses, with 10 to 49 employees, form 6% of all businesses within Hounslow—with almost 20% in wholesale & retail trade. This includes many businesses across the borough's several town centres and high streets. A further 13% are within accommodation & food services.

Like most areas across the UK, the share of medium and large businesses is relatively low. Nonetheless, Hounslow has among highest share of large businesses across the West London boroughs. Examples include GlaxoSmithKline, Sky (UK), SAP and Cisco Systems. Proximity to Heathrow is clearly part of the reason for the location of many such firms—although this part of London also has a legacy of large firm location, stretching back to the 1930s.

Fig. 97. Enterprises by size, Hounslow, 2019, %



8% decline

GVA contraction in 2020.

A weaker contraction than that felt across the WLA but above the London average.



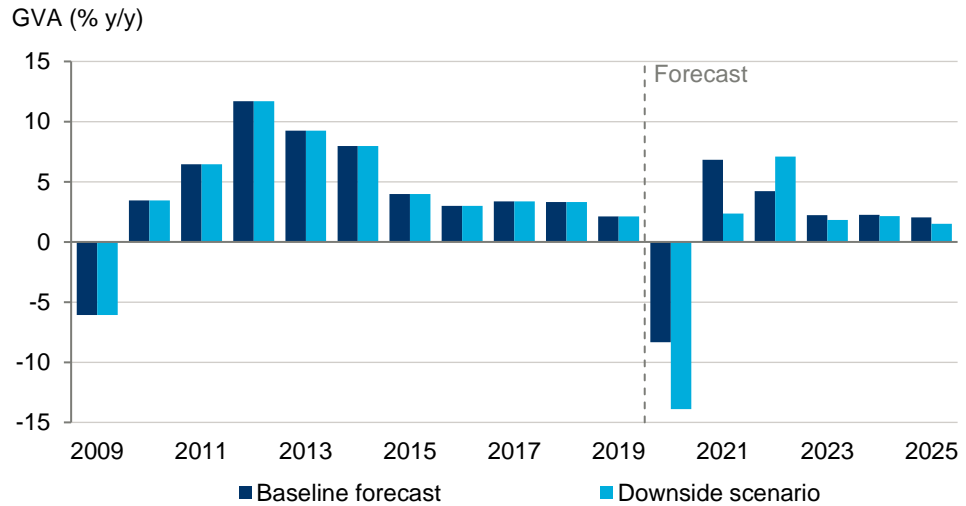
10.4 IMPACT ON OUTPUT AND WORKPLACE EMPLOYMENT

In our baseline scenario, we project that output in the borough will contract by 8% in 2020. In absolute terms, information & communication and transportation & storage are the hardest hit sectors, while accommodation & food services and arts, entertainment & recreation also see marked declines.

Under our downside scenario, we forecast a 14% contraction in GVA in 2020, with the same sectors being the worst affected. The downside scenario involves the lockdown being extended well into the second half of the year, and

the recovery being much shallower and more tentative than in our baseline scenario.

Fig. 98. Baseline GVA and scenario, Hounslow, 2009-25, %y/y



Source: ONS, Oxford Economics

In terms of jobs, in our baseline forecast, workplace employment in the borough is projected to contract by 4%, or 7,400, in 2020. A vast number of losses are of course occurring in the transport & storage sector; we estimate 2,600 fewer jobs in 2020 than in 2019. Accommodation & food services and wholesale & retail trade see similar levels of job shedding this year—combined, these sectors account for 37% of total job losses in the borough. We expect these sectors to recover in 2021. But over the medium term, between 2020 and 2025, job growth will average just 0.4% per year—equivalent to 4,400 additional workplace jobs compared with 2019. Administrative & support services, information & communication and professional services account for more than half of the increase. In contrast, workplace employment in transport & storage is expected to remain below the 2019 level, even by 2025, and manufacturing employment also contracts.

Under our downside scenario, we forecast a 5% contraction in workplace employment in 2020, with no return to growth until 2022. By 2025, workplace employment is only 500 jobs higher than it was in 2019.

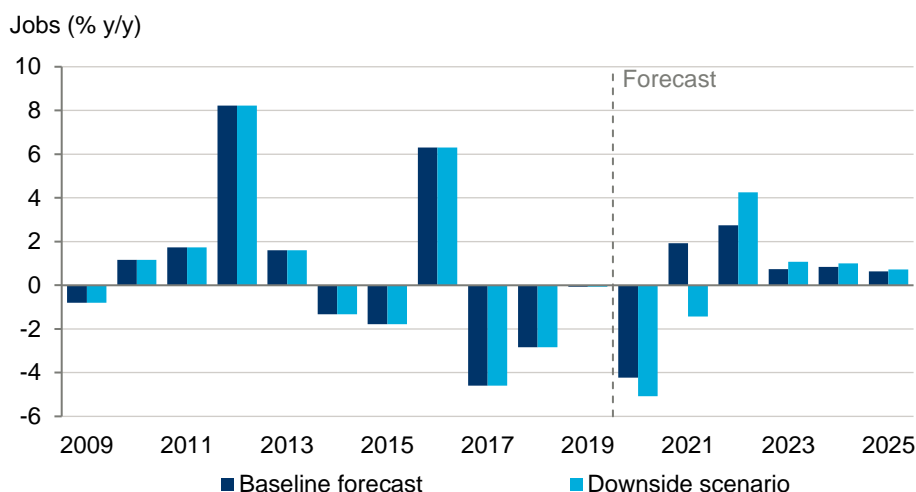
7,400

Decline in jobs total in 2020

The contraction in workplace employment will be among the strongest in the WLA *this year*.



Fig. 99. Baseline workplace employment and scenario, 2009-25, % y/y



Source: ONS, Oxford Economics

6,000 net in-commuting

Census data show that over half of employed residents commute out of the borough.



10.5 IMPACT ON RESIDENTS: WORKING LOCALLY VERSUS COMMUTING

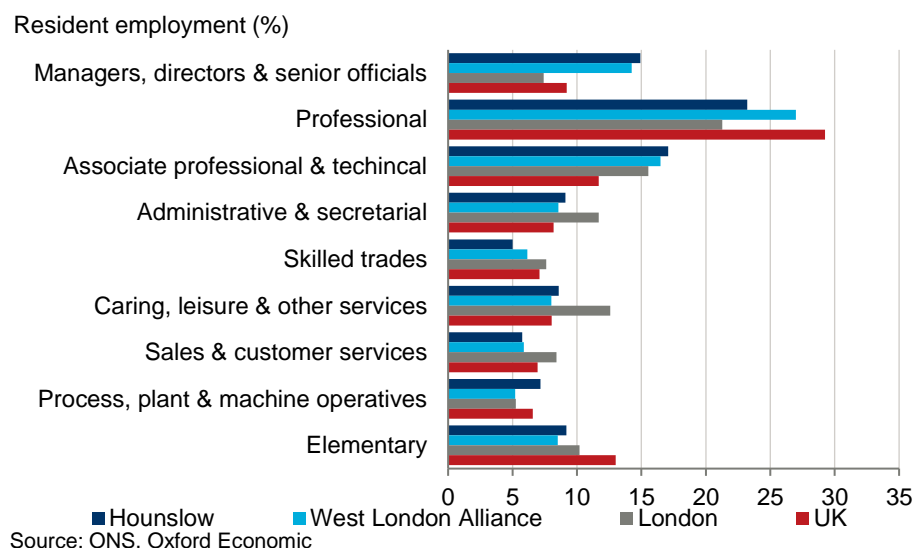
To assess the impact of the crisis on Hounslow residents we also need to take into consideration commuting patterns. We estimate that in 2019, 6,000 more Hounslow residents (equivalent to 4.3% of resident employment) commuted out of the borough for work than those who commuted in from elsewhere. Historical evidence from the 2011 Census suggests, that the largest outflow of the borough's commuters travel to Hillingdon, mainly to work at the airport, or into central London.

Earnings data shows that for Hounslow, residence-based wages are notably lower than workplace-based wages, suggesting that many of the better-paid jobs in the borough are taken by people who live elsewhere, and that quite a lot of residents commute to jobs that are not particularly well paid. It is also possible—indeed likely—that the former jobs are more secure than the latter.

10.6 IMPACT ON RESIDENTS: THE OCCUPATIONS OF LOCAL RESIDENTS

The London borough of Hounslow has a higher share of residents working as managers, directors & senior officials than is the case for either London or the UK as a whole: 15% compared to 7% and 9% respectively. In many sectors, managers are relatively well able to work from home, but that is probably not so much the case for a large proportion of management jobs associated with Heathrow airport. In addition, with passenger operations largely closed down, the management work that needs to be done will have been dramatically reduced.

Fig. 100. Resident employment by occupation, Hounslow, 2019, %

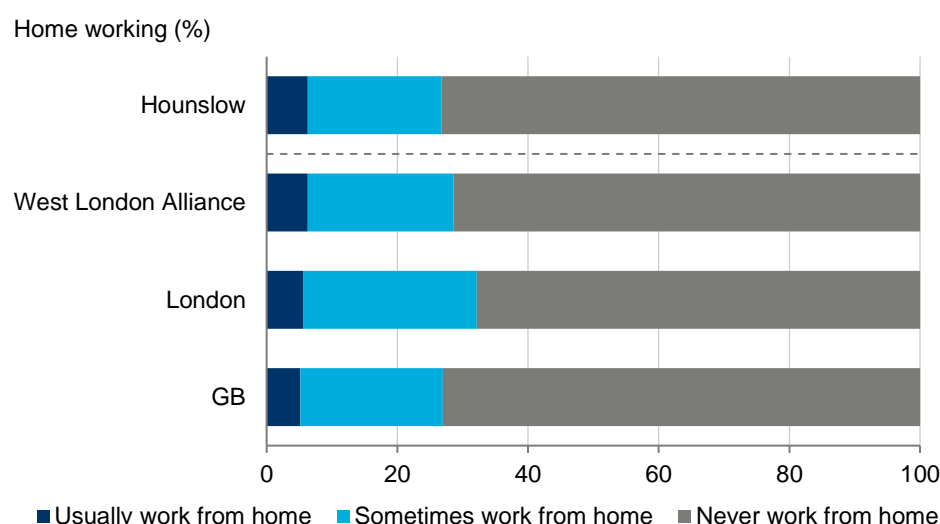


A rather larger share of residents are employed in professional occupations. In this case the share is similar to that of London but a little behind West London. At the other end of the scale, Hounslow has the strongest presence of residents occupied as process, plant & machine operatives out of all WLA boroughs, at 7%. Again, the airport and the firms located there doubtless explains this.

10.7 IMPACT ON RESIDENTS: HOME WORKING PATTERNS

Our estimates, based on 2019 evidence relating to the proportion of residents who sometimes, always or never work from home, suggests that the scope for home-working in Hounslow is at best no higher than in other boroughs, and probably behind the London average.

Fig. 101. Resident home working, Hounslow, 2019, %



20%

Share of employed residents who 'sometimes' work from home in 2019.

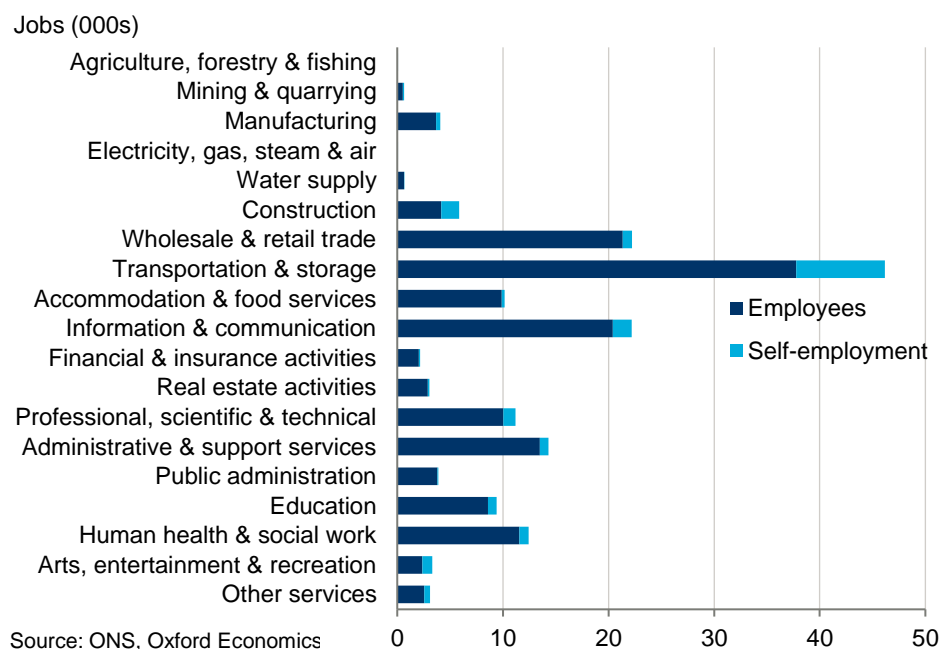
Below the WLA and London average and broadly reflective of the local occupational makeup.

The point here is one that we have already made: the impact of the near-complete cessation of passenger flights at Heathrow is compounded by the fact that a large proportion of airport jobs cannot be done remotely. This probably implies that in the short-term, and for as long as flights are significantly curtailed, Hounslow is probably being affected particularly badly by the coronavirus pandemic.

10.8 IMPACT ON RESIDENTS: SELF-EMPLOYMENT

Relative to the wider WLA area and London as a whole, the self-employed are under-represented in the borough. In 2019, just over 10% of workplace jobs were accounted for by the self-employed—approximately 4 percentage points lower than the WLA average, and 3 percentage points lower than London as a whole. However, more than 40% of all self-employed jobs are in the transport & storage sector. This may reflect taxi-drivers and hire-car drivers, amongst other detailed employment categories.

Fig. 102. Self-employment, Hounslow, 2019, 000s



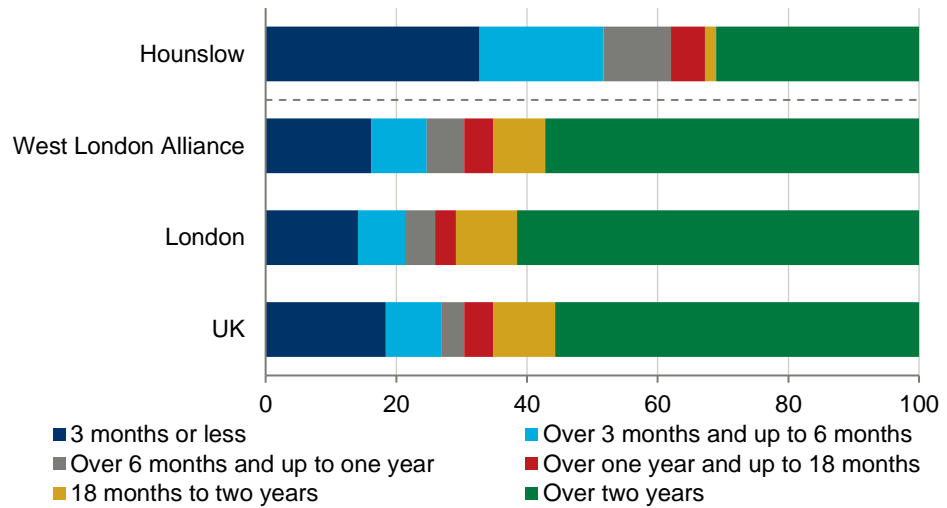
10.9 IMPACT ON RESIDENTS: UNEMPLOYMENT & INACTIVITY

UK unemployment has risen sharply in the wake of the coronavirus outbreak, with Hounslow no exception. Our baseline shows Hounslow's unemployment rate averaging at 8.9% in 2020 (ILO definition)—a near three percentage point increase on the 2019 rate.

In March 2020, a third of those claiming job seekers allowance in the borough had claimed for three months or less—more than twice the WLA and London averages. Linked to that, long-term unemployment is less of a concern in the borough than elsewhere. In March 2020 fewer than two-fifths of the unemployed had claimed for more than a year—the lowest across all boroughs in the WLA area. Indeed, the equivalent rate for the WLA stood at almost 70%, while the London average stood at 74%.

Fig. 103. Job seekers claimants, Hounslow, March 2020, %

Jobseekers claimants by duration (%)



Source: ONS

As elsewhere, unemployment is most prevalent among the young. Over half of claimants in Hounslow in March 2020 were aged 24-29, a similar proportion to the rest of the UK. The 18-24 age group made up quite a smaller proportion of total claimants (4%), but it is likely that youth unemployment will increase in the coming months, given that businesses such as restaurants, bars, and retail stores, which typically employ younger staff, have remained closed throughout lockdown, and may in many cases struggle to reopen.

10.10 IMPACT ON RESIDENTS: DEPRIVATION IN THE BOROUGH

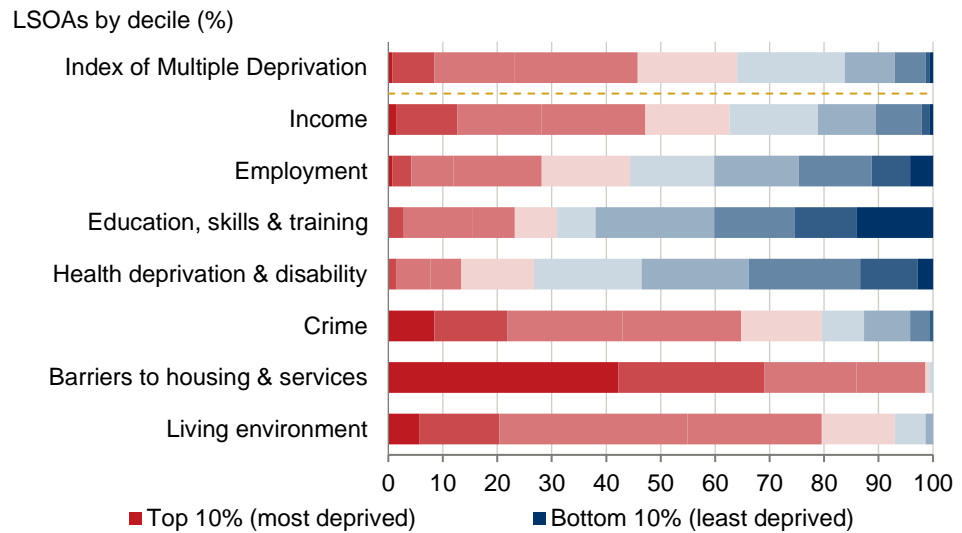
According to the Index of Multiple Deprivation (IMD), a relatively small proportion of LSOAs in Hounslow are ranked among England's most deprived areas. Approximately 9% of LSOAs in Hounslow are in the 20% most deprived in England, a smaller share than experienced across the WLA (11%) and London (16%).

Fortunately, given present circumstances, Hounslow also scores well in terms of health deprivation & disability, with nearly three quarters of its LSOAs ranked among the 50% of England's least deprived according to this theme. This measures the risk of premature death and the impairment of quality of life through poor physical or mental health. With relatively little of this type of deprivation in Hounslow, the borough may have better than average health resilience to coronavirus.

The current increase in unemployment claims means that employment deprivation is clearly increasing. The same may be true for housing deprivation. Barriers to housing & services is the major cause of social deprivation in the borough. Indeed, over two fifths of the borough's LSOAs are ranked among England's top 10% most deprived according to this theme.

“Barriers to housing & services ... over two fifths of the borough's LSOAs are ranked among England's top 10% most deprived ...”

Fig. 104. Index of multiple deprivation, Hounslow, 2019

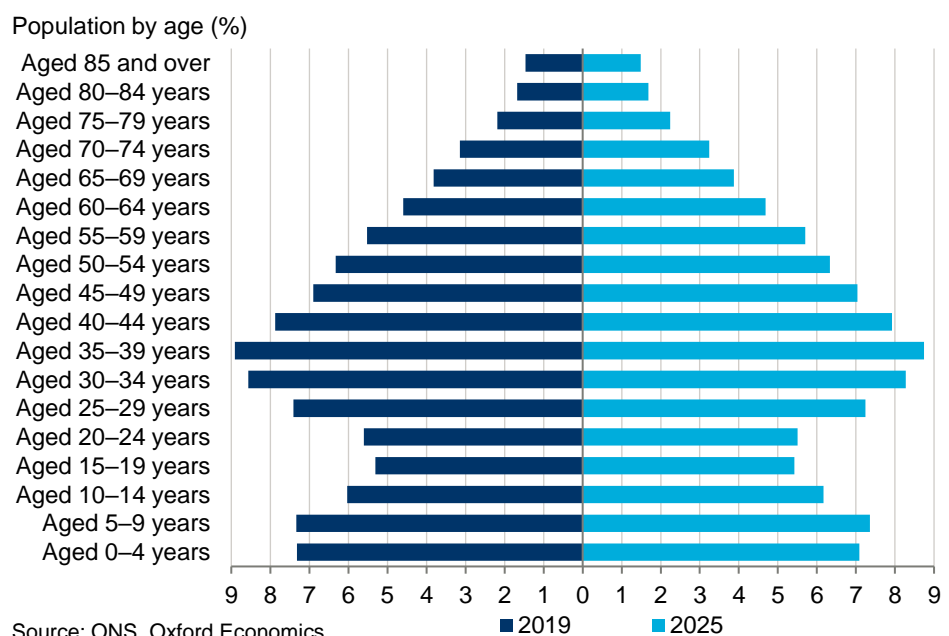


Source: MHCLG

10.11 IMPACT ON RESIDENTS: DEMOGRAPHICS

Many jobs typically occupied by younger workers are currently more likely to be at risk of furlough or job losses, and it is therefore possible that the borough's younger demographic is being worse hit than others at present. That said, like the rest of London, Hounslow has a young population, so the likelihood that a large proportion of young people will become unemployed is not large. Indeed, a bigger issue may be the challenges that face those mature residents with low qualifications, who lose their jobs. These people may find it particularly difficult to compete in the jobs market, when recovery comes. The issue of retaining may therefore become more acute than it has been in the recent past.

Fig. 105. Population by age band, Hounslow, 2019 and 2025, %



Source: ONS, Oxford Economics

10.12 IMPACT ON RESIDENTS: ETHNICITY

Just under 50% of Hounslow's population aged 16 and over are white, compared with 54% in WLA boroughs on average, so that Hounslow has a slightly more ethnically diverse population than the WLA average. Within that, the shares accounted for by Indian, Pakistani and black residents are all higher than the WLA average, but 'other ethnic groups', at 10%, represent a lower share.

It will be important to ensure that the impact of coronavirus on Hounslow's residents does not impact any one of these groups particularly hard, relative to others.

10.13 IMPACT ON RESIDENTS: INCOMES, SPENDING & HOUSE PRICES

From the perspective of residents, Hounslow is not a high-income borough. It has among the lowest median resident-based earnings per week (at £635) in the WLA area, and is notably below the London average.

However, at £727 a week, Hounslow has the second highest workplace-based earnings within West London, only just behind Hammersmith & Fulham at £733. The message is clear: that the borough's best jobs tend not to be taken by residents, many of whom commute to other parts of London (and the South East) to work in lower-paid roles.

Many of the borough's residents, will be experiencing falls in income levels, even if they have not lost their jobs entirely. Combined with great uncertainty about the timing and strength of the recovery, and hence depressed confidence even amongst those not directly affected, it is inevitable that spending levels are depressed. We estimate that the average spend per head of the population in the borough will fall from £25,900 in 2019 to £22,900 this year (slightly lower than the WLA on average). And while residents are likely to increase spending when lockdown restrictions are eased, many will be disinclined to make the same amount of purchases as they did before the lockdown.

Another factor affecting confidence will be house prices. These slowed in Hounslow in 2018 before making a very small gain in 2019. Currently the market is effectively closed down and even when restrictions are formally lifted, transaction numbers will probably be very low. The expectation must be that in underlying terms, prices fall this year and next.

Potentially one of the biggest challenges for Hounslow, and for other boroughs, will be if people who lose their jobs or experience major pay cuts can no longer pay their housing costs. Given that housing affordability is the major cause of social deprivation in the borough, it would be particularly problematic if rising health or employment difficulties were to feed through to housing insecurity. It is important for the borough that housing difficulties do not increase markedly.

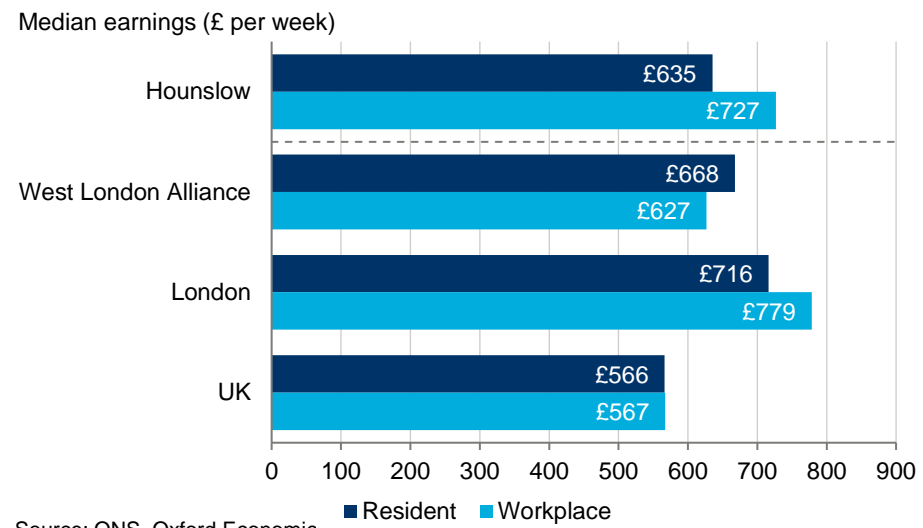
£635 per week

Average resident earnings in
2019

*Employed residents typically
don't have the same access
to better paid local
employment.*



Fig. 106. Resident and workplace earnings, Hounslow, 2019



11. KEY ISSUES, POSSIBLE RESPONSES

Our analysis suggests that while the coronavirus pandemic is generating some new and unfamiliar issues for the seven boroughs of West London, in economic terms it is tending to change the intensity or immediacy of existing issues, rather than creating wholly new ones.

This implies that, while the existing strategic goals that partners have set themselves probably remain appropriate, a shift in emphasis is needed in places, especially with respect to short-term considerations. Over the rest of this concluding chapter, we discuss seven key areas that could be addressed in this way.

11.1 HELPING TO REDUCE JOB LOSSES AND BUSINESS FAILURES

In our baseline forecast, unemployment in West London in 2020 is 27,000 higher than in 2019, while in our downside scenario, it is 35,000 higher. In the former case, most of the job losses are then reversed in 2021, whereas in the downside scenario, the situation gets slightly worse. The position with regard to business failures will mimic this—data on these are subject to distortion and we do not seek to forecast company closures, but both are driven by essentially the same factors.

The main difference between our two scenarios is down to epidemiology. This implies local partners can influence which of the two scenarios occurs via the work they do to encourage social distancing, and through their service delivery in areas such as education and social care.

But another factor influencing which of the scenarios comes about is confidence. This is a matter of economics, which local governments in West London have some ability to influence. Methods include:

- conveying a message that a recovery is indeed likely if social distancing is adhered to;
- communicating what local authorities and partners are doing in terms of (for example) rent and rate collection, applying for central government support, and so on; and
- active campaigns to encourage local consumers and businesses to support one another by buying locally.

The notion that “we are all powerless” is not helpful, and local authorities and their partners can demonstrate it is not correct by seeking to improve the rebound in their local areas.

11.2 RESPONDING TO THE PROBLEMS OF PARTICULAR GROUPS

This report has repeatedly stressed that young people are largely in the frontline when it comes to job losses and pay cuts. This applies in all seven boroughs to a similar degree (even if the extent to which there is a pre-existing problem of young people’s unemployment differs). It is important to address this issue. Further Education colleges, and other training providers, are the first

responders here, and local authorities need to connect with them to see what assistance can be provided.

However, we caution against the view that young people should be the main focus of concern, at the expense of other groups. It is possible, indeed likely, that many young people will be quickly reabsorbed into work when the recovery happens. In contrast, those at the older end of the working-age spectrum may find returning to work more challenging, while those in the intermediate age bracket typically have the largest liabilities and responsibilities, not least housing costs—so the consequences of their losing income or jobs, while less likely, are probably more severe.

Since social deprivation in West London (as elsewhere in London) is more likely to reflect housing costs/quality of housing than other factors, it is particularly important to avoid a situation in which unemployment translates into homelessness, since this is a harder challenge for individuals to address in West London than in most of the country. Therefore, we suggest the coronavirus crisis has raised the importance of housing services relative to other services, and that preventing unemployment from spiralling into homelessness and then other problems (health, anti-social behaviour) should be a higher priority than prior to the outbreak.

The impact of coronavirus on particular ethnic communities is also important. We have emphasised that all West London boroughs are ethnically diverse, and that infection rates vary by community—even if the reasons for that remain unclear. While keen to avoid broad generalisations, we think it useful to draw attention to two factors that are essentially economic:

- where people work and what their working conditions are; and
- where people shop.

Local authorities have responsibilities in these areas, and ensuring that (for example) street markets are well managed with respect to social distancing, or that mini-cab drivers are well protected, may be particularly helpful to some communities. This same remark also applies to people on low incomes, who are another group with a strong case for receiving special attention.

11.3 SUPPORT FOR SELF-EMPLOYED AND SMALL BUSINESSES

Those who work for themselves or for very small employers are likely to be less resilient than those who work for medium-sized and large employers. Many of these small firms will either be (i) retailers; (ii) restaurants, bars and cafes; or (iii) people selling personal services to local consumers, and they may only have limited capacity to respond to lockdowns or personal problems with work availability. Their employees may also have unfavourable employment terms and low personal savings.

Among the possible responses is for local councils to encourage people to shop or trade locally, as mentioned above. A step beyond this would be to focus on local neighbourhoods, especially high streets and parades of shops—providing resources for local marketing campaigns, and helping local businesses make any adjustments they require to manage social distancing. An obvious example is with respect to on-street eating and drinking outside bars and cafes.

This principle is especially important for boroughs with a large proportion of out-commuters—people who bring income into the local economy, but who also have a tendency to spend outside it both during and at the end of their working days. Encouraging them to spend more locally would be a positive step.

11.4 RETHINKING HIGH STREETS

It should be noted that many retailers were already struggling prior to the pandemic because of the growth of online shopping. Similarly, a number of restaurant chains were already failing in part because of problems with their business models, and partly because of a growing tendency for people to stay at home and enjoy online media. This behaviour has been temporarily—but hugely—boosted by the lockdown, and the concern must be that consumers will only partially return to their previous patterns. This would have further adverse consequences for local high streets and for individual neighbourhood shops, restaurants and pubs, intensifying a process of decline that was already in place.

Local authorities cannot expect to prevent a fundamental shift in consumer preferences. So, while they may understandably wish to provide temporary support to high streets and individual establishments, they should also recognise that over the long run, a shift towards fewer shops should be reflected both in planning policies and decisions, and in local business support schemes.

The bigger issue, however, is that poorly performing local high streets are much more likely to be the result of poorly performing local economies than changing consumer behaviour. Generally speaking, successful local economies are those with increasing numbers of office jobs, particularly in the high-growth sectors of professional and support services and digital services. And since office workers tend to spend in shops, cafes and restaurants, the best way to boost the retail and hospitality sectors may be to boost the office sector.

In part, this may entail allowing (or, indeed, encouraging) a change in use for some shops from retail to office use, precisely so that other retail establishments can become more prosperous. Indeed, if the pandemic creates a rise in retail vacancies, this may prove a one-off opportunity for refocusing some local economies within West London. The boroughs may therefore wish to prioritise finding ways to improve their office-based economies, in order to strengthen their retail economies.

11.5 REGENERATION SCHEMES

It is also possible that the West London economy is facing a much larger, coronavirus-driven threat to its 11 Opportunity Areas, and the very ambitious regeneration schemes that most of these are host to—schemes that collectively amount to many billions of pounds.

There are two (parallel) reasons why this might happen. Firstly, all of these schemes rely, to some degree, on public funds, and the surge in government borrowing provoked by the pandemic may be followed by a severe cut back in spending. Secondly, private sector investors may also have to retrench

radically if bond markets turn down, and if bank credit becomes much harder or more expensive to obtain.

At the macroeconomic level, we rate both of these risks as small. While there has been a huge expansion in the state's involvement in the UK economy (the government's deficit is likely to expand to around £290bn this year, or 14% of GDP—by far the biggest deficit in post-war history), in funding this deficit, the government faces very favourable financing conditions. Far from having been driven up, the interest rate on UK Government debt is close to record lows, and with borrowing costs likely to stay low as the economy recovers, there should be no urgency to cut the deficit quickly. Instead, economic growth can deliver a gradual decline in the UK's debt-to-GDP ratio.

It is a similar story for private investors. Investment in West London real estate must be high up the list of globally safe assets—providing the delivery of such investment schemes is well managed, and the investment cases are well presented. This suggests a role for local economic development teams in ensuring that these conditions prevail.

A first step would be to make sure lines of communication with developers are open, and that investors share any anxieties they may be feeling with regard to post-coronavirus investments. Beyond that, the need to convince central government on schemes from Old Oak Common/Park Royal downwards has increased—because while more government spending may be here to stay, the competition between spending categories has become tougher. More strategically, the economic case for West London as a whole needs to be made more strongly—including, but not confined to, the case for transport infrastructure investment, particularly with respect to both Old Oak Common and the Golden Mile.

11.6 CULTURE, SPORT AND THE UNIVERSITIES

While not on anything like the same scale as the Opportunity Areas, West London's cultural and sporting sector also requires mention. Along with hospitality, it is one of the most heavily affected sectors in the economy—and although the scale of the sector is slight, the psychological importance of Wembley Stadium, the Hammersmith Apollo, the Lyric Theatre (widely commended for its community engagement) and a very large number of other venues and groups, is large.

In addition, the creative and cultural industries sector features prominently in West London's overall strategic ambition, and there are clear synergies between a strong digital sector and a strong real experience sector—not least because they typically share talent and audiences in common. As a third reason, the need to increase economic activity by first boosting consumer and business confidence makes a case for celebratory or community-building outdoor events in 2021. The cultural and sporting sectors should be integral to this, so a taskforce to address the role of the sector in the recovery might be a good idea.

The other heavily affected sector is education: we have mentioned several times the plight of universities, which are significant net contributors to their local economies but which face potentially severe declines in their incomes. While this may not be an issue where local government can make a major

contribution, there is a case for working with universities and HE colleges to establish what help might be provided.

11.7 RE-OPENING HEATHROW

In absolute and immediate quantitative terms, the final issue to which we draw attention may be the most important: the near-closure of Heathrow airport in terms of passenger flights. The airport is not only the largest employer in West London but the UK as a whole. Its importance extends well beyond Hillingdon and Hounslow into the economies of the other five West London boroughs, with food production at Park Royal the most obvious example.

While the economics of the air travel sector is not something these boroughs can significantly affect, cooperating with the airport's management and its major tenants such as British Airways, to provide information and temporary relief to local businesses, is a reasonable step. Even if there are some large differences of view about long-term strategic goals, they do not reduce the need for immediate collaboration on supporting individuals and employers within the seven boroughs.

APPENDIX 1: CORONAVIRUS CHALLENGES INDEX

Our Coronavirus Challenges Index is designed to help identify the ability of an area to withstand and respond to the economic shock resulting from the coronavirus pandemic. It is based on three key themes; Economic Structure, Business Characteristics, and Digital Connectivity. We have developed this in order to compare local authorities across Great Britain on a comparable basis, rather than tailoring it to West London specifically.

The variables included under each theme and the rationale for inclusion are summarised below:

Theme	Variables	Rationale
Economic structure	Share of GVA in arts, entertainment, & recreation, and accommodation & food services	Tourism and hospitality services will take a significant hit as people suspend their travel plans and social activities.
	Share of GVA in manufacturing	Manufacturing will be the most hit by supply-chain disruptions
	Share of GVA in transportation & storage	Transport & storage activity will fall as a result of reduced economic activity during lockdown.
Business characteristics	Share of small firms: share of businesses with 0-9 persons employed of the total number of businesses	Small firms are at a higher risk of bankruptcy due to lower cash buffers and more restricted access to credit.
	Share of employment who are self-employed	The self-employed are generally more exposed to the negative consequences of the pandemic both in terms of job security and support.
	Share of high-growth businesses as a proportion of all firms over 10 persons employed	Areas with small proportions of high-growth firms are potentially more vulnerable as these firms play an important role in contributing to economic growth in an area.
Digital connectivity	Share of properties that are unable to receive a 10Mbps broadband connection.	As lockdown is imposed, many people (especially in services) will work from home and connectivity of at least 8Mbps is recommended for reliable video conferencing.
	Share of workers that never work from home.	As lockdown is imposed, many people (especially in services) will work from home and connectivity of at least 8Mbps is recommended for reliable video conferencing.

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