

## Written evidence submitted by the LSE COVID and Care Research Group

The COVID and Care Research Group welcomes the opportunity to respond to the Treasury Committee's important ongoing inquiry into the economic impact of coronavirus.

The Group is a collective of anthropologists primarily at the London School of Economics and Political Science (LSE) and works with other disciplines, policy makers, community leaders and community groups across the UK. The group is led by the Principle Investigator, Prof Laura Bear, and Co-Investigators Prof Deborah James and Nikita Simpson.

The Group has conducted a six-month ethnographic study of the economic and social impacts of COVID-19 in the UK – comprising of in-depth interviews, surveys, and case studies across several different communities. This written evidence provides some overarching economic recommendations based on this research and data, and focuses on two questions in the Committee's most recent call for evidence:

- To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?
- How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?

Overall, our research finds that the **UK Government can foster a strong and inclusive economic recovery and reduce the negative impacts of the pandemic on disadvantaged groups, by funding and supporting the role of communities and social care services.**

### Key recommendations:

- **The UK Government must prioritise investment in social infrastructures at the community level as part of its efforts to build an economic recovery.** This can be achieved through the creation of **local renewal centres** – multipurpose locally-embedded organisations where paid community champions and peer supporters, local authorities and public health bodies work together to co-produce locally appropriate solutions. Crucially, these would incorporate localised, expert business support opportunities.
- **Government should put into place a National Mutuality Fund, which will release regular flows of income to mutual aid groups** in a similar way to a National Investment Bank. The Fund would support social infrastructures, which are as important as physical infrastructures, and would maintain and build on the incredible community solidarity that these groups have demonstrated during the lockdowns that played a key part in supporting local economies.
- In responding to the immediate economic impact of coronavirus, the Treasury should **improve support packages offered**, such as introducing part-time furlough. Strengthening the accountability of employers in the furlough scheme and improving employees' access to information and services, will shift the emphasis away from rewarding employers for retaining only some members of staff and instead focus on protecting employees. The Treasury should also increase funding for **debt and employment advice services** to help people navigate the current conditions. Targeted rent pauses and consumer debt forgiveness would also be an effective measure to ease the burdens on small businesses and the poorest households.
- The UK Government can also support the livelihoods of households by **creating more legal protections for informal sector and gig economy** or precarious workers; and providing comprehensive, visionary, adult education and retraining schemes for workers who have lost their jobs.
- The contribution of small businesses within local communities has been increasingly valued across the UK. **The Treasury should continue to provide support for small businesses** and consider new forms of support that tackle the costs of renting premises, which are a heavy burden on businesses:
  - **Extending and expanding measures for rent holidays** such as a rent-free period for a time that a tenant's business is closed and allowing tenants to pay rent as 10% of turnover instead of full rent.

- **Funding local authority grants to support local infrastructures of SMEs** and family businesses in the most deprived neighbourhoods.
- Conditions for tax behaviour should be attached to the receipt of Government subsidies by larger businesses. For instance, businesses using tax havens should not receive significant subsidies from taxpayers.
- Lockdown measures have highlighted the vital role of unpaid carers within families and communities. **The Treasury should better recognise the enormous economic contribution of unpaid carers by introducing a paid care supplement, similar to a Child Benefit** to recompense the huge burdens unpaid care-workers are bearing.
- **Moving forward, the Treasury should apply a social calculus** alongside more standard measures such as productivity and growth. This would examine the impact of economic policy on regional, community and household inequality.

**Q: To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?**

- Our research suggests that the model of the economy on which current Government economic support policies are premised miss some elements of current economic relations.
- **Firstly**, the current economic model eclipses the complexity of current labour arrangements, including the prominence of casual work and in-work poverty.
- It contributes to a two-tier welfare system, where those who are relatively well-off in already stable jobs are given generous support through furlough, while those already in poverty and/or in precarious employment are reliant on Universal Credit or consumer debt.
- The fact that the Self-Employed Income Support Scheme is linked to past tax returns, in turn, left recently self-employed individuals in limbo. There are a significant number of cases where people who had less than 2 years on the job were dismissed suddenly.
- Survey data showed that those who applied for Universal Credit after the outbreak of the pandemic generally found the process relatively accessible but slow; many complained about the length of wait time before financial support arrived (often five weeks) and about unexpectedly low payments.
- **Secondly**, the economic model currently used by the Government focuses on the role of labour in contemporary economic arrangements, eclipsing the significance of rental income and financialisation of company ownership for the strength of businesses and households.
- During the period of lockdown, there was no pause in the rents owed from businesses to landlords, only a pause in evictions. Businesses therefore still bear the burden of rent going forward, risking going into arrears. This is despite many landlords being eligible for mortgage holidays, which in some cases landlords have taken advantage of by using ongoing rents to save for deposits on further properties.
- Key workers, those who are shielding, and those who have had their livelihoods disrupted by coronavirus, are the ones that have already, disproportionately, been pushed into debt. They also risk the further escalation of unpaid bills – and worse.
- In this context, one-size-fits-all policies have distributive consequences that may exacerbate existing inequalities.
- We need policies that recognize that we are not ‘all in it together’ and that despite the Treasury’s unprecedented efforts to support the UK economy it has not yet dealt with issues of rent, debt and precarious work.

**Q: How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?**

- Our research with small business owners shows that many in the small business sector are not well-served by current policies and the support regime could be improved. It suggests that there is a perception that financial support from the UK Government has been designed for big business interests, and that the Government has little understanding of the needs or interests of SMEs.
- The furlough system directly translates to jobs saved; however, policies are too 'broad brush' and some kinds of business fell through the gaps. Many did not qualify for furlough and did not see small business loans as useful unless for replacement of essential equipment, because repayments would be a further drain on diminished income streams.
- The Coronavirus Business Support Grant funding has directly translated to businesses, including one-person businesses, remaining viable; however, after tax it may be consumed by fixed overheads (including rent of premises) and not cover lost income. The initial threshold of rateable value of £51,000 for a business left many without support. Some larger businesses avoid this problem by 'bundling' their assets so each fall below this rateable value.
- The UK Government failed to ask about ownership of businesses, for example if they were offshored or associated with tax havens. Nor was there an attempt to identify bundled assets owned by a single wealthy individual.
- The requirement for personal guarantees (family homes) on some of the bank loans designed for business relief made them inaccessible to some. As with furlough, many have fallen through the cracks and there is anxiety about a sudden end to the scheme in an uncertain economy.
- The loss of business will impact some communities more than others. BAME and migrant groups are more likely to run SMEs or family businesses, meaning the loss of income and employment will unequally impact their families and communities.
- SMEs catering predominantly for any vulnerable group (e.g. gyms with specialist provision for older people; beauticians, hairdressers etc. with older clients) are disproportionately affected. These dynamics are likely to magnify existing regional inequalities.

**This is a snapshot of the LSE Covid and Care Research Group's study into the impact of the COVID-19 pandemic on disadvantaged households in the UK. We would be very happy to elaborate in further written or oral evidence to share more information about the economic impact of COVID-19 and how the UK Government can strengthen its support to local communities.**

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