Written evidence submitted by the Greater Manchester Combined Authority

KEY MESSAGES

- Greater Manchester has put tackling inequalities at the heart of our recovery from the pandemic. The landmark report by the Greater Manchester Independent Inequalities Commission will form the bedrock of our economic, social and health recovery from COVID-19.
- Inequalities in Greater Manchester, which have been mirrored nationally, have produced deadly consequences none clearer than the significantly higher COVID mortality rate in Greater Manchester highlighted in Sir Michael Marmot's report into health equity in the city region.
- The Commission's recommendations cover mostly what we can do in Greater Manchester to tackle inequalities, but there are a number of important steps central Government must also take, including: fully funding local authorities to cover extra budgetary pressures caused by the pandemic, and giving local and Combined Authorities more devolved powers over budgets.
- Sectorally, businesses in retail and hospitality have been hit hardest by the pandemic and restrictions, with the potential for long-term impacts on retail as a result of changing consumer habits and a faster shift to online retail.
- Regionally, city centres could take longer to recover from the pandemic as we expect the return to city centre office space to be slow over the course of the year. There is also uncertainty about the potential for a further spike in infections in the winter.
- Recognition that the pandemic is likely to exacerbate regional inequalities is essential to ensuring the recovery does not widen them as happened after the 2008 financial crash. Coupled with:
  - Active labour market policies that allow for regional variations
  - A cautious and reactive unwinding of furlough
  - A flexible, place-based approach to recovery with the ability to provide tailored support where necessary
- The intergenerational inequality approach can be unhelpful and risks masking significant inequalities within age groups. We would recommend that the Select Committee and the Government should focus on taking a life course approach and on tackling inequalities within generations rather than treating cohorts as homogeneous groups
- Those living in private rented accommodation pay considerably more for housing than those in social housing or owner-occupiers, currently Greater Manchester's private renters are younger and more economically active but that is likely to change considerably over the next 20 years.

The Greater Manchester Combined Authority is the Greater Manchester-wide local government body made up of the regions 10 councils and the Mayor of Greater Manchester. Inequalities have blighted our communities for decades; they were here long before the pandemic and will likely be here long after the immediate health effects have gone. As this inquiry notes, the pandemic, although not necessarily the direct cause of these inequalities, has exacerbated them and brought many inequalities into the spotlight. Much work is already being done, nationally and locally, to address these inequalities and sharing of best practice between levels of Government is crucial. However much more is needed to be done to

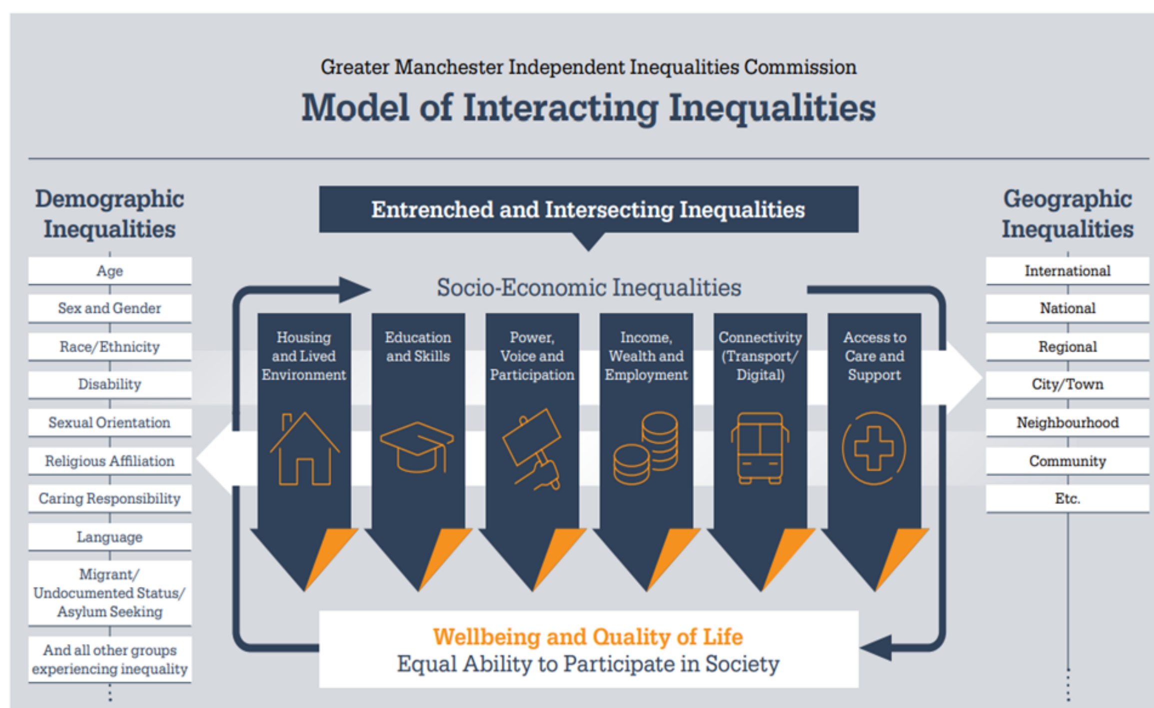
ensure the inequalities exacerbated by the pandemic are not allowed to widen exponentially as has been the case after previous economic crises. We submit to this committee in the hope it will offer Government bold and practical recommendations.

Addressing Inequalities Post-COVID

As we recover, how do we combat the inequalities that have been exacerbated as a result of the pandemic?

In October 2020 the Greater Manchester Combined Authority (GMCA) launched the Independent Inequalities Commission, chaired by Professor Kate Pickett, to support and influence the city-region's renewal following the Covid-19 pandemic. The Combined Authority has challenged the Commission to be a catalyst for transformation, helping to develop ideas, and providing expert opinion, evidence and guidance to re-shape Greater Manchester's (GM) economy and society over the coming months and years. Setting up the Commission was a key action in the one-year Greater Manchester Living with COVID Resilience Plan and its recommendations will shape the revised Greater Manchester Strategy, due later in 2021. In March 2021 the Commission published its report and recommendations[1] for tackling inequalities in Greater Manchester. We believe this can form the basis of our recovery from the pandemic and would welcome the opportunity to discuss this further with the committee.

Before addressing how best to tackle inequalities, it is important to outline what we mean when we discuss inequalities. There are many kinds of inequalities, such as inequalities between ethnic groups or inequalities in people's education or access to good jobs. Sometimes it can feel as if the need to tackle one kind of inequality might mean placing a lower priority on a different inequality. But this is not a zero-sum game. The Commission viewed inequality through a framework of interacting and intersecting vertical and horizontal inequalities. Horizontal inequalities being those between groups, such as: men and women, between different ethnicities, different ages, sexual orientations or religions. Vertical



[1] https://www.greatermanchester-ca.gov.uk/media/4337/gmca_independent-inequalities-commission_v15.pdf

inequalities are equalities running across society, from top to bottom, and can be thought of through two lenses; inequalities in access to power – not having the agency or control over the things that matter to you, and inequality in access to resources – not having access to assets or wealth such as being able to own your own home or adequate income. The illustration above outlines this Model of Interacting Inequalities[2].

We have seen throughout the pandemic how the inequalities that exist in Greater Manchester, mirrored nationally, have produced deadly consequences. Data collected by the Independent Inequalities Commission shows that more than one-quarter (27.9%) of all deaths within 28 days of a positive covid test were among people living in the most deprived decile of residency area[3]. Sir Michael Marmot's landmark report into health equity in Greater Manchester, "Build Back Fairer in Greater Manchester: Health Equity and Dignified Lives", outlined the "highly unequal" covid mortality rates in the city-region, with mortality rates in the most deprived decile being 2.3 times greater than in the least deprived. Possibly the most shocking statistic being that mortality rates in Greater Manchester are 25% higher than in the rest of England[4]. The IIC data also shows that people with jobs that exposed them to other people had higher infection and death rates, and that black and Asian men were more likely to have these jobs. Economic data shows that workers from "Other White" ethnic groups were more likely to lose take-home pay than those from White British groups. We know that these, and many other inequalities, are nothing new the transition from industrial to modern economy has left a legacy of inequalities in Greater Manchester, and the financial crash, decade of austerity, Brexit and Covid have all added pressure.

It also lists a number of important actions needed by central Government to address inequalities exacerbated by the pandemic. Most importantly:

- **Funding Local Authorities fully to compensate for the extra budgetary pressures created by the pandemic and long-term funding for local services, including social care, transport and housing.**
- **Giving local and combined authorities more devolved decision making over budgets to help support people into good employment, and more control over universal credit – specially the housing element.**

In addition to these it recommends Government should also do the following:

- Enact the Socio-economic Duty of the 2010 Equality Act
- End the "hostile environment" and "no recourse to public funds" for migrants
- End no-fault evictions and give local authorities the power to introduce rent controls

Regional and Sectoral Impacts

Are certain regions or sectors likely to recover more slowly or have longer term economic damage and greater scarring?

There is no doubt the impacts of the pandemic have not been evenly distributed, with the impact of restrictions felt harder in some sectors than in others and due to some regions overreliance on certain sectors of the economy this may impact their ability to recover more quickly. Former Chancellor, and now current Health Secretary, Rt Hon Sajid Javid MP has

[2] https://www.greatermanchester-ca.gov.uk/media/4337/gmca_independent-inequalities-commission_v15.pdf
[3] Ibid.
[4] https://www.instituteofhealthequity.org/resources-reports/build-back-fairer-in-greater-manchester-health-equity-and-dignified-lives

written that this crisis "like so many others, will exacerbate this country's already substantial regional inequalities". It is recognition like this from senior Government ministers that will be important to ensuring a fair recovery, but action from Government must back this up.

Analysis of research from Centre for Cities shows that the recovery is slower in larger cities. Customer spending has increased everywhere compared to last summer, it is strongest in smaller cities such as Huddersfield, Basildon and Blackburn which are seeing nearly 120% of pre-pandemic spending. Larger cities on the other hand, despite seeing greater spending than last summer on average, are still lagging behind with Manchester only seeing customer spending at 73% of pre-pandemic levels[5]. This data is echoed in their High Street Recovery Tracker[6] which tracks footfall and spend in the top 10 and bottom 10 cities and towns in the UK. Once again Manchester ranks in the bottom 10 on both metrics, however this data does suggest that the recovery may be stronger in some of the larger towns in Greater Manchester. Wigan ranks in the top 10 of UK cities (and large towns) for footfall and its recovery is much closer to pre-lockdown levels than neighbouring metropolitan centres such as Manchester or Liverpool. Offering some supporting evidence to the suggestion that residents in Greater Manchester and other urban areas have been keeping closer to home for shopping and leisure, rather than travelling into larger city centres. The impacts of the pandemic have hit large cities like Manchester and London hardest and that it is likely they won't see a full recovery to pre-pandemic levels until a fuller return of office workers take place, given how reliant the retail and hospitality sectors are office workers.

Sectorally, there is little doubt it is businesses in retail and hospitality, along with the travel industry, which have been hit hardest by the pandemic and restrictions. However, it is expected that once restrictions are eventually released the hospitality and travel sector, nationally at least, could bounce back reasonably soon. The impact on the retail sector on the other hand risks being much more pronounced and long term if the shift to online retail is maintained once restrictions are lifted and consumer confidence returns. This shift has been happening for a number of years however the pandemic has acted as a catalyst with a survey in July 2020 finding that 17.2 million UK consumers planning on making permanent changes to their shopping habits and a net balance of 34% increasing their online shopping and almost an equal net balance of –35% reducing their shopping in physical stores[7]. This has a significant impact on the need for physical space and jobs in these sectors and the recovery in the retail sector risks being much slower. However, there may be an opportunity for online retail businesses. The sectoral recovery in Greater Manchester, like nationally, is however, likely to be heterogenous due to the variety of trading conditions being experienced by firms, the extent to which they have been able to protect their finances through Covid (and service any resultant debt) and the potential variable impacts of Brexit.

How can the Government address regional imbalances and mitigate the impact of scarring in regions?

There must be a recognition that regions have entered this pandemic from different positions, economically, societally, in terms of public health outcomes, and skills and educational attainment. The Greater Manchester Independent Prosperity Review identified that 'in common with other city regions, the majority of GM jobs are in 'foundational' sectors

[5] How are city centres recovering from the long winter lockdown? | Centre for Cities

[6] https://www.centreforcities.org/data/high-streets-recovery-tracker/

[7] https://www.alvarezandmarsal.com/insights/172-million1-uk-consumers-expected-make-permanent-changes-their-shopping-habits

such as retail, hospitality, tourism, construction and care[8] with 40.7% of the GM workforce employed in foundational economy jobs, rising to 62.5% when including what the Centre for Socio-Cultural Change calls the “overlooked” economy. These sectors are traditionally characterised by low pay, insecure work and were hit significantly harder by the pandemic than most other sectors. Data released by the ONS in December 2020 showed services such as hospitality recorded almost no output at all in April and May 2020[9] (during the first national lockdown) we can assume these figures were similar during the second and third national lockdowns which saw similar restrictions placed on these businesses. These sectors are likely to have seen more staff furloughed as they are unable to work from home which, coupled with the low pay and insecure contracts that we know characterise jobs in this sector, suggests a significant number of people in Greater Manchester have been living on very low pay though much of the pandemic. The ONS data also supports the assertion that the pandemic has acted as a catalyst for online shopping. If the trends in retail behaviour mentioned above do become permanent, as many expect they could do, city-regions like Greater Manchester which have an overreliance on employment in the retail trade sector could face a slower long-term recovery from the pandemic.

There must also be a recognition from central Government that the pandemic and resulting restrictions and Government actions have been uneven and have impacted regions differently. Some regions of the country have spent the vast majority of time, outside of national lockdowns, in the lowest level of restrictions available at the time. Other regions, such as Greater Manchester, due to a number of previous and historical entrenched inequalities and imbalances, has seen persistently high levels of the virus in circulation resulting in stricter yet often ineffective measures to control it being imposed on the region. The impact of these additional restrictions on businesses and livelihoods in Greater Manchester was profound. Greater Manchester, in part or whole, had only 3 weeks in summer 2020 where it was in line with national restrictions before being placed into restrictions equivalent to tier 2 with no additional support. Bolton had its entire hospitality sector closed for weeks with zero financial support. It was only when other areas, largely in London and the South East, were being moved into stricter restrictions that financial support was forthcoming and partially backdated.

For the reasons stated and given the pre-existing imbalances and inequalities that already exist between regions in England, it is vitally important that the Government take a place-based approach to the recovery from the pandemic if it truly wants to address regional imbalances and level up the country. We would recommend the following:

- **Active labour market policies that recognise and allow for regional variation.** The employment and skills need’s in Greater Manchester are very different to other parts of the country, the ability for elements of local control and input into designing skills policy is crucial. This is why Greater Manchester and other Mayoral Combined Authorities (MCA) have serious concerns with the “Skills and Post-16 Education Bill”. The Bill effectively ignores the established roles of Mayoral Combined Authorities and Local Authorities by granting the Secretary of State the powers to designate Employer Representative Bodies, responsible for producing Local Skills Improvement Plans, and enables the Secretary of State to establish a national register of training providers which Mayoral Combined Authorities would be legally required to procure

[8] gmis_bp_evidence.pdf (greatermanchester-ca.gov.uk)

[9] https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09

from. All of this without the Secretary of State being required to consult Mayoral Combined Authorities or Local Authorities.

- **A cautious and reactive unwinding of furlough**. We recognise the need to end the furlough scheme at some point but given that some sectors and businesses will open on 19 July for the first time since March 2020, others have been operating at significantly reduced capacity, and across the economy there are significant levels of debt, the irreversible removal of furlough at the current rate risks a spike in redundancies in the hardest hit sectors.
- **A flexible, place-based approach with the ability to provide tailored support where necessary**. Whether through local financial settlements to address needs in their area, or through sector deals recognising the heterogeneous issues businesses across the country will face the ability to be responsive and flexible to different and changing needs during the recovery is important and there are serious questions as to whether DfE or DWP are set up to be agile enough to respond.

Is the UK Infrastructure Bank designed and purposed in a way which will enable it to play an effective role in reducing regional imbalances?

There is currently limited detail about some key aspects of the Infrastructure Banks remit. The initial focus appears to be giving a 0.2% discount on PWLB loans to local authorities – there is no imbalance across the country, but this is not an effective tool for accelerating schemes that are struggling.

The particular area of uncertainty is about what the bank will do in relation to guarantees. If the bank offers guarantees that mitigate the risk from slower rates of development in areas of low value, then this could have a positive impact on addressing regional inequalities. This could support changing behaviours and encourage growth in currently low values areas. However as we still need further clarity on this it is difficult to say what the overall impact of the bank will be on regional imbalances.

Intergenerational Inequality and Housing

What are the trends in intergenerational inequality, and how has the crisis affected them?

The term intergenerational inequality can act as an oversimplification that can conceal significant inequalities *within* generations. The pandemic has seen examples of older generations being pitted against younger ones, acting as a divisive tool, in certain circumstances that can undermine intergenerational cohesion. Direct comparisons between generations often masks the significant inequalities within generations themselves. Age does not equal wealth and these two things are often misconstrued. Research by the Centre for Ageing Better and Pensions Policy Institute[10] has revealed that many over 50's approaching later life were at risk of missing out on an adequate retirement income. Fuelled by the COVID-19 pandemic their findings include:

- One in four people (around 3 million people) are at risk of not reaching the JRF (Joseph Rowntree Foundation) minimum income standard
- Single person households are around four times more likely to be below the JRF minimum income standard
- Low-income households are twice as likely to risk inadequacy under the JRF minimum income standard

[10] https://www.ageing-better.org.uk/sites/default/files/2021-06/Have-we-saved-enough.pdf

- Only around half of people can expect to maintain an acceptable level of income in retirement

The impact on jobs is often portrayed as younger people who are on less secure contracts or work in sectors that have been hit hardest by the pandemic, such as hospitality or the creative sector. In reality the impact on jobs has been u-shaped with younger and then older workers being hit the hardest. As research from Centre for Ageing Better has shown, those over-50 who are out of work are at much greater risk of becoming long-term unemployed[11]. Adults over the age of 50 are commonly stereotyped as asset-rich home owners, but the housing crisis has also affected this cohort, with the number of older private renters increasing by 61% over the course of a decade.

The "intergenerational inequality" lens also masks inequalities between place and between richer and poorer older people, viewing them instead as one homogenous group ignores the differential impact of changes in public across the country. Social care funding formula changes have tended to hit areas with fewer but poorer older people. However, demand for these social care services kick in at an earlier age for people in these areas and has had indirect negative consequence on the older people in these areas. A 2017 report by the Equality and Human Rights Commission outlines how the impact of policy decisions in relation to key parts of tax and welfare system between 2010 and 2017 have been regressive and that the while the biggest average losses by age group will be experienced by the 65-74 age group, those in the poorest half of the income distribution will lose more than those in the top 10 percent. There has also been a lack of action on the entitlements that older people have access to, such as Pension Credit - GM pensioners miss out on around £75m a year for example. "Levelling up" for older people has also been hamstrung by a lack of national strategy on social care and more generally by the lack of strategy on ageing populations more generally, with housing, employment and financial security for poorer older people overlooked. The intergenerational inequalities lens makes this worse. The Select Committee should focus on taking a life course approach and on tackling inequalities within generations rather than treating cohorts as homogeneous groups.

How does housing, and housing finance, impact on intergenerational inequality and regional imbalances?

Intergenerational impacts of differential housing costs are substantial and hard to overcome. This is largely driven by the tenures which different age cohorts find themselves in. This is an area where there is danger in oversimplifying the challenges we face and can lead to inadequate policy responses. Direct comparisons between generations often mask significant inequalities within them, and a life course approach to tackling inequalities within generations rather than treating them as homogenous groups is likely to be more productive. Once again, an intergenerational framing implies that older people are "landlord" class, whereas in reality many older people do not own their own home and many live in inadequate homes which pose risks to their health and independence. There are 1 million non-decent homes in the North of England, approximately 500,000 of these have someone over 60 living in them. The biggest increase in demand for housing over the next 25 years will be among older adults as the number of households where the oldest person is 85 or over grows exponentially and as the number of households headed by someone 65+ will increase by nearly one-quarter. Of particular concern is the increasing number of middle aged and older people renting privately, which seems likely to continue on an upward curve.

[11] https://www.ageing-better.org.uk/blogs/why-older-workers-are-future

The same research by Centre for Ageing Better and Pension Policy Institute [12] highlights how private renters are at even greater risk of missing the Joseph Rowntree Foundation minimum income standard with 70% of private renters at risk of missing the standard, becoming even higher in areas with high rental costs such as London.

In general, renters use a much greater share of income to cover housing costs compared to homeowners. The Resolution Foundation[13] report regularly on housing costs. Their latest national (GB) figures from 2018-19 show private renters spending an average of 31.9% of household incomes on housing, compared to 18.1% for social renters, 11.3% for people paying off a mortgage and just 5.5% for those who own their homes outright. At the most basic level then, it is clear that private renters as a group face much greater risk of failing to meet their housing costs and thus face eviction than those in other tenures.

We know that private renters are proportionately younger than social renters and owner occupiers. Census 2011 (the last reliable source of comprehensive data about private renting) shows that over 60% of GM households headed by someone under 24, and almost 40% of those between 25 and 34, were in the private rented sector (PRS). For all age groups, only 18% of households were in the PRS. All of these figures will certainly have increased since 2011, but the patterns will have persisted. The higher costs of living in the PRS are to an extent balanced against higher economic activity rates. Social renters are more likely to rely on benefits, and are also more likely to be in poor health or to have a long-term limiting illness or disability. Census 2011 showed 7.7% of GM's owner occupiers reported that they had a long-term health problem or disability which limited their daily activities 'a lot', compared with 18.3% of social renters and only 6.1% of private renters.

Putting these elements together, we can see that GM's private renters have higher housing costs relative to their income, are younger and are more economically active – they are also roughly twice as likely to be from a minority ethnic group. The Covid-19 pandemic has arrived in this context, and the inequalities already in the system are being concentrated and escalated. With government support through the initial 12-15 months of the crisis now unwinding, there is a danger of an even deeper crisis as growing household debt, rent arrears and reducing incomes combine.

The Resolution Foundation[14] have looked at the national situation:

> *In January 2021, we estimate that 9 per cent of families in the social rented sector were behind with their housing payments, alongside 6 per cent of those renting privately and 2 per cent of mortgaged home owners. Such rates stand considerably higher than the pre-Covid-19 'norm': across all three tenure groups, our January 2021 figures are at least twice the level of arrears observed going into the crisis. These percentages translate into significant numbers: we estimate that over 750,000 families were behind with their housing payments in January 2021, 300,000 of which contained dependent children…*
>
> *Close to one-quarter (24 per cent) of private renters have seen their earnings fall during the last ten months, compared to one-in-six (16 per cent) working-age adults with a mortgage. But even when they have had the same negative experience over the Covid-19 period, renters have a higher risk of arrears than home owners. For example, 8 per*

[12] https://www.ageing-better.org.uk/sites/default/files/2021-06/Have-we-saved-enough.pdf
[13] Housing living standards • Resolution Foundation
[14] Getting-ahead-on-falling-behind.pdf (resolutionfoundation.org)

cent of those with a mortgage that have lost their job since February 2020 report being in rent arrears, but that figure is half as high again for private renters (12 per cent).

There are a number of reasons that could explain this. To begin, our survey shows that twice as many privately-renting families entered the pandemic with no savings compared to mortgaged home owners (22 per cent and 11 per cent respectively). In addition, despite widespread calls for forbearance in the face of the Covid-19 shock, just 3 per cent of private renting families have been able to negotiate a lower rent over the last ten months (a further 5 per cent have been refused), compared to one-in-ten (10 per cent) families with a mortgage who have received a mortgage holiday.

Given the longer lockdowns impacting Greater Manchester, we can reasonably assume that many of these figures will be worse in the city region – for example, we know that 30,000 extra households in GM's PRS were relying on Universal Credit or Housing Benefit to help meet their rent six months into the pandemic.

What have been the trends in, and drivers of, house prices, and to what extent can they be attributed to matters related to the Treasury's remit, in terms of the economy, taxes and housing finance?

In considering the affordability of housing, we should not overestimate the importance of house prices as an indicator. Using Census 2011 figures, 66% of GM's households were either already outright owners of their home (27%), or were in social (21%) or private renting (18%). While some renters seeking to buy their next home clearly have a very direct interest in house prices, for most of these households they arguably have little bearing on their day to day housing costs. If reducing the pressure placed on household budgets by housing costs is an issue of concern to Treasury, the focus of recent governments' interventions on easing the path for a relatively small number of households into owner occupation would seem to be misplaced at best and counter-productive at worst. A sustained period of low mortgage borrowing costs does not appear to have aided the financial accessibility of housing for households on lower or even middling incomes in the context of flat or negative real earnings after the 2008 global financial crisis. We would suggest Treasury should consider the long term benefits of investment in building more new affordable housing compared against continued spending on targeted subsidies to individual households which do little to deal with market failure of insufficient housing supply. This would also, if tackled at scale, begin to reduce the number of households using the PRS as the only alternative to social renting, in turn driving down the revenue burden of Universal Credit and Housing Benefit to help meet the excess costs of PRS which has been building since the 1980s.

What problems does the UK housing market have, in particular in relation to housing finance, and how have the housing market been impacted by the coronavirus crisis?

There are currently 4.3 million properties classified as falling short of the Decent Homes standard, the government's benchmark for a suitable home. The massive increase in home-working and home-schooling in response to the COVID-19 pandemic has highlighted the need for more and better usable spaces in our homes. Decades of underinvestment, both in the private and public sector, have led to a deterioration of our housing stock which has left many homeowners with hidden maintenance debts and tenants enduring poor quality, cold and draughty homes.

To bring these homes up to that minimum standard requires an investment of £32 billion. Investment to improve these homes must be a mix of private and public money, with a variety of innovative financing models combining loans, grants and third-party funding. Part of the challenge will be to redress the uneven distribution of costs (to homeowners) and benefits (to UK plc), while government must provide long-term strategic leadership in policy and regulation to allow the industry to invest in innovation.

These initiatives must be scalable so that the work taken to improve individual homes can be aggregated, making them attractive to larger investors. Performance contracting (e.g. guaranteed in-use home energy, water and air quality measures) and precision engineering with off-site manufacturing may be methods of achieving this.

Targeted finance could be provided through a reimagined 'Green Investment Bank', modelled on Germany's KfW[3]. This could significantly accelerate investment in home improvements, with subsidy linked to performance.

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