

Sit back and relax: Normal Service Will Resume! Or will it?

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The Government pronouncement that pubs and bars will re-open tomorrow (July 4th – American Independence Day of all days) was greeted with a mixture of responses. For some, it is welcome after months of lock-down and a chance to meet friends and enjoy the summer.

However, for others it is greeted with alarm, with concerns that a weekend opening in particular (why on a Saturday?) will lead to a proliferation of alcohol-induced irresponsible behaviour; coupled with the Government's relaxing of physical distancing rules from 2 metres down to at least 1 metre if space precluded it (which would be the case for a majority of bars and restaurants).

That the latter group tend to include public health experts, medics and police chiefs would suggest that these concerns are more well-founded and should be given greater priority than the desperate desire of a "feel-good" PM to promote fun in the sun.

Suffice to say, I am not a public health expert and in my day job I focus on economic issues, but I would like to say that I actually "follow the science" and have some basic understanding of factors that could aid the spread of a virus (excessive alcohol consumption in a public space being one of them).

Of course, the virus certainly "hasn't gone away" – with 176 deaths reported in the UK on July 1st relating to the previous day^[1] – the virus is still very much with us and as the experts attest, any relaxing of physical distancing will serve to increase the risk of transmission. Should reported deaths continue at that daily rate over the next 3 months (100 days), then that would be another 17,600 deaths – and that before the onset of winter.

However, the Government appear to have decided that these risks are worth it to "get the economy going again". And therein lies the problem in desiring for normal service to resume – given the importance of tourism and hospitality to the UK economy, any prolonged furloughing or closure of these sectors would end up driving these businesses to the wall.

So it is little wonder that the Government has come under pressure from its backbenchers and industry groups to allow a re-opening. And hospitality is certainly important to the UK economy; employing some 2.3 million people; with food and beverage service comprising 1.85m and a further 0.47m in accommodation (the majority of whom will now be amongst the 9 million furloughed workers).^[2]

It is also only too evident that despite the Government's announcements on relaxing lockdown and permitting a modified reopening of pubs, cafes and restaurants, operators in the sector continue to go out of business, with the SSP Group (owners of the 'Café Ritazza' and 'Upper Crust' outlets found in railway stations and airports) amongst the latest to announce job cuts – up to 5,000 in this case.^[3]

Looking at Universal Credit recipients and joblessness UK-wide, the Claimant Count was 1.26m in Feb '20, 1.27m in Mar '20, 2.11m in Apr '20 and 2.68m in May '20. In that period it increased from 3.7% of the economically active to 7.9% of the economically active.^[4] That suggests an unemployment rate of about 8.3% during May.

And I expect this trend to continue – for the simple reason that many of these outlets depend on workers who commute into city and town centres; and those who travel extensively for work or

otherwise holiday makers. This is as true of the pubs and café outlets that serve city centres as it is those found in transport nexuses.

Covid-19 has radically reshaped the workplace for those like me who are fortunate enough to work from home, and the cost reductions that are realisable for businesses no longer having to service city-centre offices, or pay the utility bills, or rent on expensive prime city centre office space could force a rethink that will entail longer-term consequences.

I must confess that for me, working from home has had its difficulties – with the balancing of child care and home education for my eldest son all pressing against my work commitments (and yes dear reader, my wife being a full-time carer has shouldered the burden here – admirably).

But against that, I have been able to see my children growing up, partake more in family life (the simple pleasures of a walk in the countryside as a stress-reliever); and I no longer spend two hours a day commuting in rush hour traffic. Such has life turned that I cannot see myself going back to that. And there will be many others like me.

And to come back to my starting point, will I be going for a drink in a pub anytime soon? Part of me would like to, but I don't feel the urgency of it, and in any event I think that physical distancing rules will be difficult, if not impossible, to adhere to in venues where excess alcohol consumption becomes an issue.

But enough of my personal circumstances. What of the wider economy going forward? I expect a more permanent shift to working from home for white-collar employees. I also think that despite Government cajoling, there will be continued risk-aversion to entering confined public-facing venues on the part of a large proportion of the population

Hence, I think that retail (high street retail) and hospitality will struggle and I expect job losses by the tens of thousands to occur over the next few months as the Government's furlough scheme is wound down by October. The Bank of England certainly think so, expecting the UK economy to shrink by 14% this year, and for the unemployment rate to double by next spring (reinforcing the claimant count data above), from the onset of the pandemic.[\[5\]](#)

That being said, if consumer spending continues on its current trajectory, many of those people should find jobs again quite quickly (in supermarkets or distribution/ warehousing etc.). But to me this illustrates a wider point;

Would the contraction of employment in retail and hospitality (and other low-grade service sector jobs) necessarily be a bad thing? Many of these jobs are associated with the "gig economy" and are otherwise part-time, low paid and precarious.

If the current pandemic has taught us anything, it's that there is a desperate need for a rebalancing of the UK economy that goes beyond empty vacuous slogans such as the recent utterance of the PM to "build build build" or that of "levelling up".

I would have liked to have seen the furloughing of 9 million workers accompanied by mandatory retraining to cater for emerging (green) sectors of the economy, but we are where we are. Still it's not too late to push for a reorientation of our skills base away from a services-oriented one to an engineering and technology oriented-one.

This may yet happen. Will the UK Government step up to the plate here? I can only hope that "normal service" does not resume.....

[1] <https://www.gov.uk/guidance/coronavirus-covid-19-information-for-the-public>

[2] <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=189>

[3] <https://www.birminghammail.co.uk/news/midlands-news/ssp-cuts-5000-jobs-upper-18518842>

[4] <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=162>

[5] <https://www.theguardian.com/business/2020/may/07/uk-economy-to-shrink-by-25-percent-and-unemployment-to-double-warns-bank-of-england-coronavirus>