Moved to Tiers

By Dr. Steven McCabe, Associate Professor, Institute of Design and Economic Acceleration (IDEA) and Senior Fellow, Centre for Brexit Studies, Birmingham City University

The title of this blog is a play on the expression ‘Moved to tears’, an event (or series) creating distress causing a person to cry. Following the Prime Minister’s announcement on how the system of three tiers in England would work, whilst being interviewed on ITV’s news, the female employee of a hospitality business in Liverpool that will be forced to shut, fearing her job will be lost, was reduced to tears. In the last week there have been other instances of those affected by impending financial disaster being equally moved to tears.

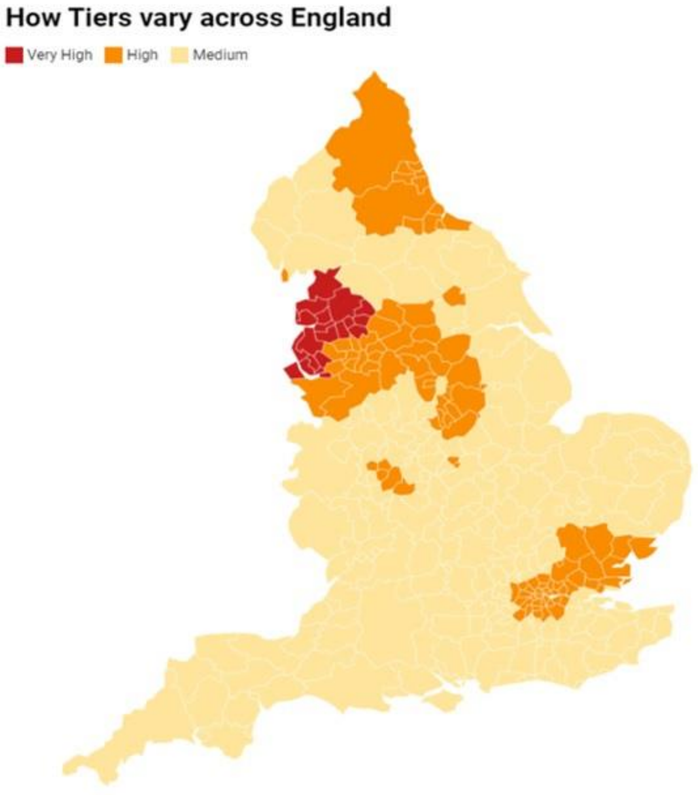
The government’s approach to the pandemic, though inconsistent, has always been stated to be formulated following scientific advice presented to it. In dealing with the virus, SAGE, the Scientific Advisory Group for Emergencies, provides such advice. Therefore, it’s notable according to newly released documents of a meeting of SAGE on 21st September, their advice to government was to implement a two to three week “circuit breaker”. SAGE believed that restrictions “as strict and well-adhered” as those in place in late May”, would “put the epidemic back by approximately 28 days or more”.

Such a short lockdown in England would be a way of halting the rapidly rising infections rate occurring in parts of the country; particularly in cities in the North West, the North East and the Midlands. Though infections are largely among young people, older people, more likely to be hospitalised and potentially die, will also be infected.

SAGE, in recommending the short ‘circuit breaker’ would’ve been cognisant of the economic challenge imposition of such a measure by the government would be. Indeed, and ominously, SAGE in the released document make it clear that, “Multiple circuit-breaks might be necessary to maintain low levels of incidence.”

So, after much wrangling and apparent fury from political leaders of areas affected by the re-emergence of infections due to Covid-19, we’ve ended up with the apparent compromise of the three-tier system that will apply in England from Wednesday. An area’s tier is based on the prevailing rate of infections and the higher the tier, the more stringent the restrictions placed on those who live there.

As the diagram below demonstrates, the majority of England is currently considered to be Tier One (medium risk) with large parts of the North West and North East being Tier Two (high risk).



Source: ITV News Website

At the time of writing, Liverpool City Region and Lancashire are the only areas that are Tier Three. Given the rates of infection in some areas, especially in Nottingham and Greater Manchester, some commentators expressed initial surprise that Tier Three was limited. ‘Negotiations’ conducted between the leader of Greater Manchester, Andy Burnham, and the government have descended to a somewhat unseemly ‘war of words’ over funding to support those whose livelihoods will be affected.

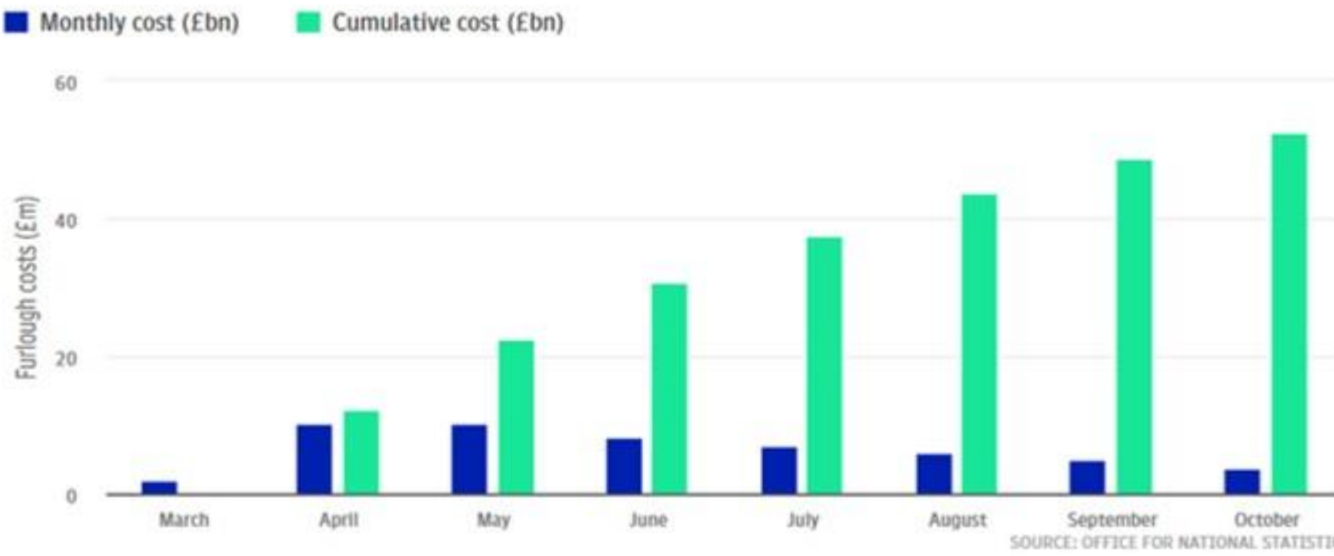
This map will undoubtedly alter in coming weeks and months. The key question that must be asked is whether using the three tiers system will produce the desired result? Or is it, as cynics assert, a compromise that will be insufficient in arresting infections and, unfortunately, inevitable deaths as well as the long-term consequences of what's known as 'long covid', making eventual use of another lockdown unavoidable.

The tears of the woman from Liverpool fearing unemployment are understandable. There is a careful balance to be made between protecting health and protecting the economy. This crisis, far from over, is entering a new phase that will increase the total cost incurred by the exchequer to a level that even higher than it is already is.

In early September the NAO (National Audit Office) estimated that the cost to the treasury of dealing with the pandemic for the first six months would be of the order of £210 billion. The following graphic reproduced from *The Guardian* provides an overview of how this sum was arrived at:

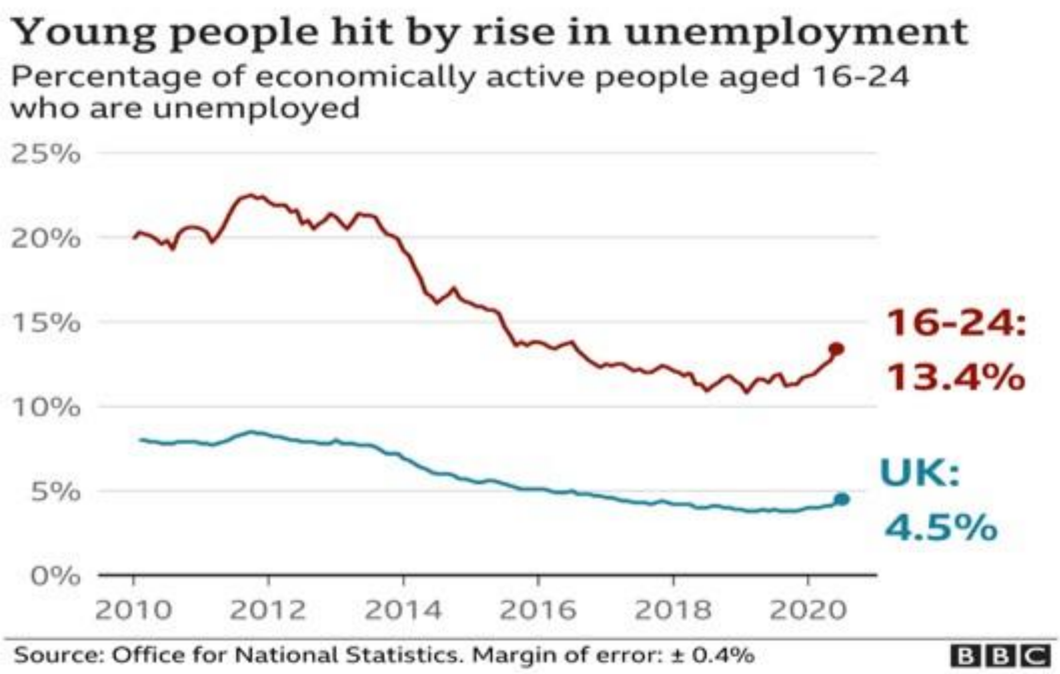
Source: The Guardian

Furlough, the most critical intervention by the Treasury, and due to end on 31st October, which at its peak supported 9.6 million jobs in over one million businesses, is estimated to eventually cost over £52 billion.



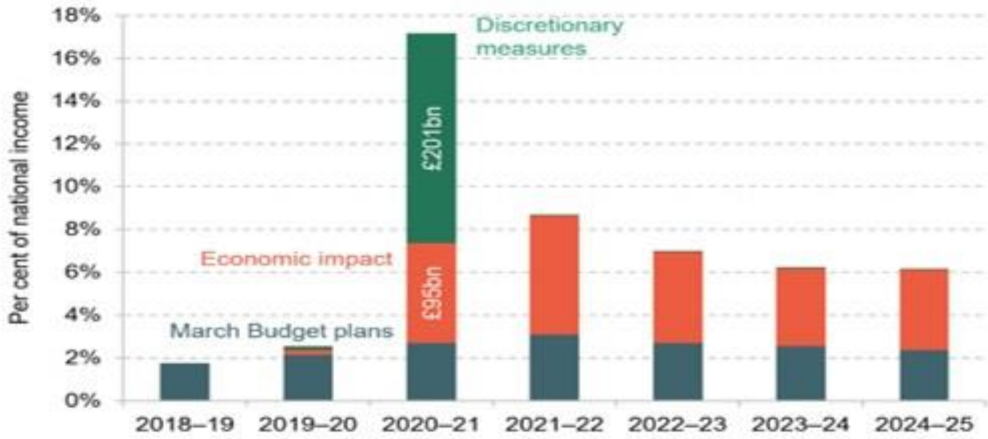
Source: ***The Telegraph***

As the latest unemployment figures demonstrate the number of people losing employment due to Covid-19 is rising. Young people, those most likely to be employed in sectors especially closed due to additional restrictions, hospitality, are disproportionately affected. This must be a concern to the government.



Of longer-term concern is how interventions and their cost will be paid off? The IFS (Institute for Fiscal Studies) has just published Chapter Four of *IFS Green Budget 2020*, ‘Outlook for the public finances’. Written by Carl Emmerson and Isabel Stockton, it’s estimated the UK deficit for 2020-21 will be £350 billion. This is 17% of GDP and six times what the IFS predicted following March’s budget. Much of the additional spending is consistent with the figures contained in the *Guardian* graphic based on NAO data above.

Drivers of the increase in borrowing in the central scenario



Source: IFS, Figure 4.5 in Chapter 4 *IFS Green Budget 2020*

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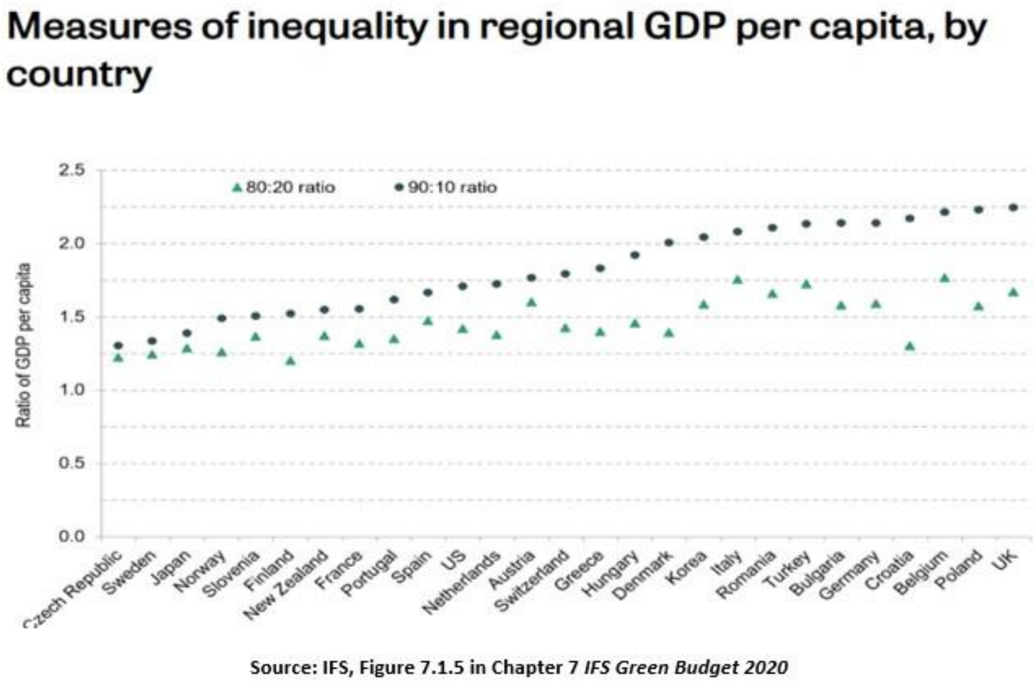
But as the IFS point out, “underlying economic weakness” will mean the UK loses almost £100 billion in economic activity this year. Emmerson and Stockton believe that even if all the temporary spending necessitated by Covid-19 were to cease, “borrowing in 2024–25 is forecast to be over £150 billion as a result of lower tax revenues and higher spending through the welfare system.”

This is extremely worrying and necessitates the questions of whether the deficit will be paid off by dramatically increasing taxes or through more austerity that caused so much damage during the coalition government is reimplemented? It is worth remembering that as well as a multitude of promises, including tax not to rise and protection of the ‘triple lock’ on state pensions, the government promised to ‘level up’ areas of the country suffering from endemic inequality.

In Chapter Seven of [*IFS Green Budget 2020*]() ‘Levelling up: where and how?’, Alex Davenport and Ben Zaranko explain the UK is “one of the most geographically unequal countries in the developed world” when measured on regional economic inequality:



Source: IFS, Figure 7.1.5 in Chapter 7 *IFS Green Budget 2020*

In stressing the reasons for UK regional inequality are “deep-rooted and complex”, Davenport and Zaranko believe it’s going to be extremely difficult, costly and time-consuming to address the causes. There are no guarantees of success. ‘Left behind places’ and ‘levelling up’ are notoriously ill-defined concepts. Though many communities regarded as suffering inequality, and which depend on tourism and hospitality, have been badly affected by Covid-19. However, this tendency is not consistent.

Davenport and Zaranko point out that dealing with inequality, much touted during last December’s general election, is now even more complicated by the impact of Covid-19 which has impacted on parts of the country previously not considered suffering inequality. Though much depends on the outcome of the negotiations concerning a free trade agreement, Brexit, according to them will make ‘levelling up’ even more difficult. This is shown by the two figures from Chapter Seven:

Figure 7.2. Quintiles of illustrative left-behind index

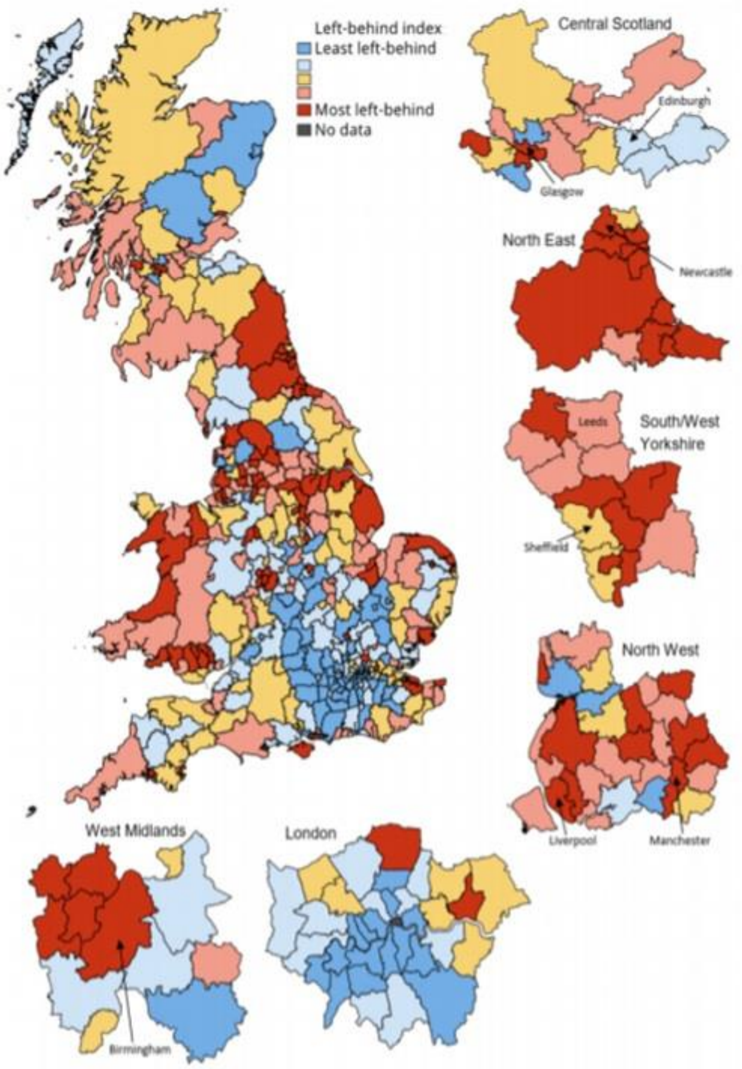
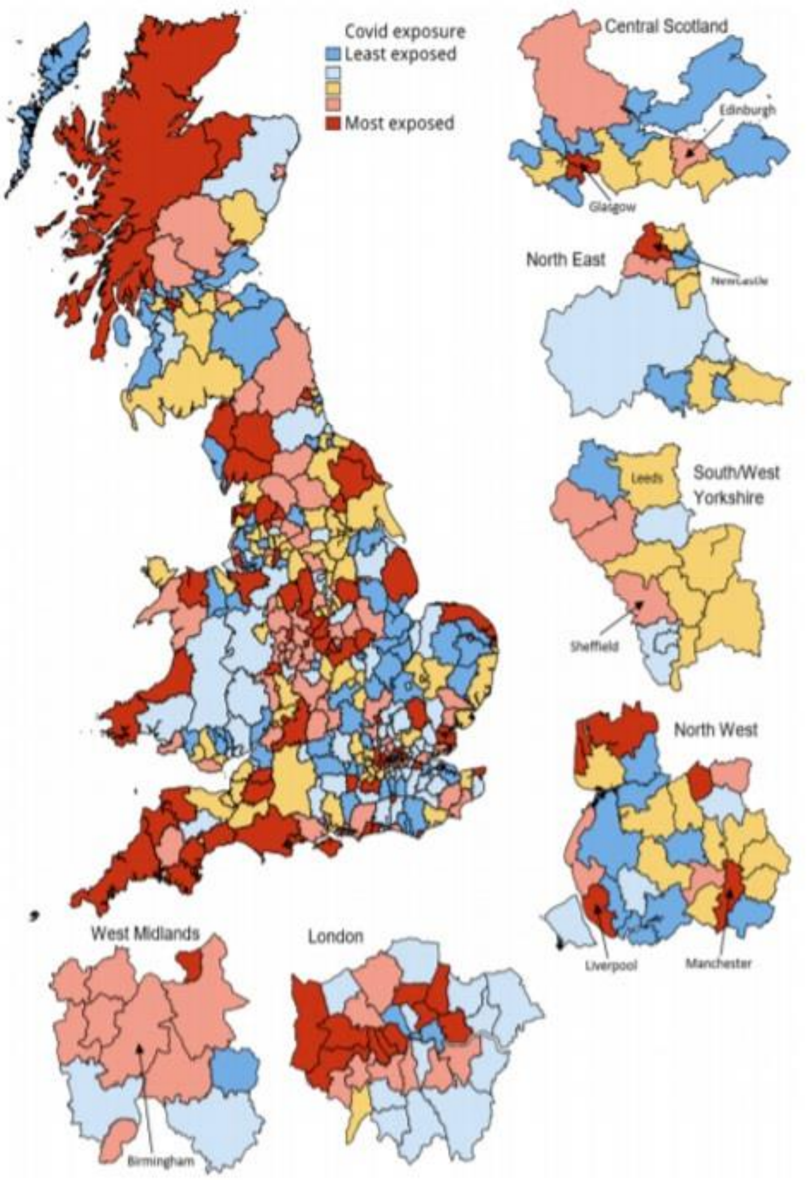


Figure 7.3. Quintiles of illustrative index of short-term economic impact of COVID-19



In a trend likely to be reflected among the UK's uber-wealthy, Swiss bank UBS report that the global value of [billionaires increased by 27.5%] from April to July. This was the period when almost ten million were on furlough and, sadly, those unlucky not to able to avail of financial assistance from the government, struggling to make ends meet.

Whilst the wealth of the rich will continue to grow, for millions of others, the immediate future will look bleak.

In a pandemic protecting the NHS and people's health is paramount. Maintaining as much of the economy as possible as well as protecting jobs is critical. These are essential in enabling eventual recovery. However, as Emmerson and Stockton stress there should be a "general recognition that, once the economy has been restored to health, a fiscal tightening will follow."

This may produce tears from some, but we'll all be in a better state to deal with the pain.

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and *English Regions After Brexit: Examining Potential Change through Devolved Power* (published by Bite-Sized Books, ISBN-13: 979-8666953099). He has contributed chapters to a number of texts in the last year (in 2020 unless otherwise stated): *Brexit Negotiations after Article 50: Assessing Process, Progress and Impact* (published in 2019 by Emerald Publishing, ISBN: 978-1787697683); *The Wolves in the Forest: Tackling Inequality in the 21st Century* edited by Hindley and Hishman (published in 2019 by Social Liberal Forum); *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644); *The Virus and the Media: How British Journalists Covered the Pandemic,* edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8643725824); *The Pandemic, Where Did We Go Wrong?* edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8665858326); *BBC, A Winter of Discontent?* edited by Mair (published by Bite-Sized Books ISBN-13: 979-8694863117). His latest chapter, 'Did 'Eat Out to Help Out' Result in the Country 'Getting Stuffed'?' will be included in *The Pandemic, Where are We Still Going Wrong?* which is due to be published in November.