

Conclusion

This report has discussed the impact of the COVID-19 pandemic on major features of the economy. The findings show that in many areas where significant upheaval may have been expected – such as the labour market, the finance sector and housing – the UK has been resilient to large-scale disruption from the coronavirus crisis. Given the relatively nuanced effects found, this suggests that policies to tackle the changes may also need to be nuanced, rather than attempting a major ‘new settlement’. At the same time it suggests significant challenges lie in the way of implementing a policy of ‘levelling up’.

A ‘new settlement’ post-COVID may not be the way forward

There seems to be a relentless desire for making transformative changes in the face of big events; however, arguably there is not enough recognition of how current settings and history can hold back these efforts. As Nick Crafts argued in Chapter 1, this even applies to the famous 1945 settlement, which did not necessarily have the impact on inequality and growth that is popularly assumed.

‘Levelling up’ is likely to fail unless policymakers think carefully about the strength of the UK’s urban and regional divide

There are strong signs that many structural features of the UK’s society and economy have been robust to the pandemic. Most notably this includes the UK’s pronounced urban and regional divide, as demonstrated by economic conditions in the housing market. The source of this robustness lies in agglomeration economies and the significant productivity and amenity value benefits from geographical concentration. If COVID-19 has not been able to dent the strength of these agglomeration economies, then the government interventions proposed as part of the ‘levelling up’ agenda will also struggle. This is not to ignore the hardships currently being faced by many people, but rather to suggest that tackling those hardships cannot necessarily be covered by a limited policy of levelling up.

Policies such as the relocation of government departments and the construction of new transport infrastructure need to be put in the context of agglomeration economies if they are to be successful. This will involve asking questions that are difficult from a political economy perspective. For example, would it be better to concentrate ‘levelling up’ initiatives into a more targeted set of areas? And what are realistic targets for the revival of areas that have been in long-term decline? The answers to these questions depend on the answer to a basic economic question that should be at the centre of policy development, namely: what triggers agglomeration economies and have they grown in importance?

Policymakers need to be agile in response to small but significant changes to the labour market

The structure of the labour market has been resilient to the pandemic. Remote work will increase but will still be far from dominant overall. However, the rise of remote work also introduces the potential for increased ‘restructuring risk’ among office and administrative workers. A key priority for post-pandemic policy is therefore the close monitoring of both mass and more gradual job displacements in the labour market. This applies both to jobs threatened by remote work as well as occupations that could be affected by technologies such as artificial intelligence. The history of employment in manufacturing and mining – which have suffered clear episodic declines since the 1980s – cannot be repeated. Declines in areas of the economy such as office support work, driving and call centres can all be anticipated, tracked and planned for.

The long-term negative effects of the pandemic are likely to fall predominantly on the shoulders of the young

Finally, COVID-19 is set to bring in some big, negative changes for wellbeing among young people. The clearest message from this work is that there is a serious prospect of there being a ‘lost generation’ who have their life chances severely affected by the disruption brought about by the pandemic. Again, this is something that can be tracked and where strong, early interventions can have decisive effects.

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