

Right Where You Left Me?

Analysis of the Covid-19 pandemic's impact
on local economies in the UK

Mike Brewer, Jack Leslie & Lalitha Try

June 2022



Acknowledgements

We thank Torsten Bell, Nye Cominetti and Lindsay Judge for comments, and Lindsay Judge for some of analysis of changes in house prices. All errors remain the authors' own. We are very grateful to Jesse Matheson, the Track the Economy project at the University of Nottingham and the Social Investment Business, for sharing data.

ONS crown copyright info

This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.

Citation

If you are using this document in your own writing, our preferred citation is:

M Brewer, J Leslie & L Try, *Right Where You Left Me?:*

Analysis of the Covid-19 pandemic's impact on local economies in the UK, The Resolution Foundation, June 2022

Permission to share

This document is published under the [Creative Commons Attribution Non-Commercial No Derivatives 3.0 England and Wales Licence](#). This allows anyone to download, reuse, reprint, distribute, and/or copy Economy 2030 Inquiry publications without written permission subject to the conditions set out in the Creative Commons Licence.

For commercial use, please contact: info@resolutionfoundation.org

The Economy 2030 Inquiry

The Economy 2030 Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics, funded by the Nuffield Foundation. The Inquiry's subject matter is the nature, scale, and context for the economic change facing the UK during the 2020s. Its goal is not just to describe the change that Covid-19, Brexit, the Net Zero transition and technology will bring, but to help the country and its policy makers better understand and navigate it against a backdrop of low productivity and high inequality. To achieve these aims the Inquiry is leading a two-year national conversation on the future of the UK economy, bridging rigorous research, public involvement and concrete proposals. The work of the Inquiry will be brought together in a final report in 2023 that will set out a renewed economic strategy for the UK to enable the country to successfully navigate the decade ahead, with proposals to drive strong, sustainable and equitable growth, and significant improvements to people's living standards and well-being.

The Nuffield Foundation

The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds research that informs social policy, primarily in Education, Welfare, and Justice. It also funds student programmes that provide opportunities for young people to develop skills in quantitative and scientific methods. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics and the Ada Lovelace Institute. The Foundation has funded this project, but the views expressed are those of the authors and not necessarily the Foundation. Visit www.nuffieldfoundation.org.

Summary

Now that the Covid-19 pandemic is largely behind us, this report, part of the Economy 2030 Inquiry, considers what might be the long-term impacts of Covid-19 on spatial inequalities across the UK in key economic outcomes (we do this at the level of the local authority; note that data limitations mean that not all of our analysis covers all four nations of the UK).

During the pandemic – and particularly during lockdowns – there were clear spatial differences in how the economy was affected. Initially core cities and areas dependent on tourism saw the largest falls in economic activity, but many areas dependent on tourism recovered strongly outside of the full lockdowns (although not London), and areas dependent on nearby airports continued to fare relatively poorly. This remains the situation in early 2022, with indicators of consumer spending up to March doing relatively poorly in core cities, and doing well in local authorities containing mostly small towns and villages. The same pattern of changes can also be seen in local labour markets, with London and areas around airports underperforming as of February 2022. Nine out of ten of the local authorities with the largest increase in the claimant count since the pre-crisis period are in London, principally Outer London, with the other being Luton. Those areas seeing the biggest fall in the number of employee jobs similarly include those close to airports (Hounslow and Crawley), in Outer London (Waltham Forest and Haringey), or in and around Aberdeen. (Across Europe, air travel has rebounded strongly since February 2022, though).

One effect of the persistent hit to London has been to close the gap across a range of metrics between the capital and elsewhere. Outside of London, though, there is little evidence that these changes are reducing the gaps between rich and poor areas. Among English local authorities, the number of people on the claimant count (on benefits and looking for work) and consumer spending have changed in ways that are unrelated to pre-Covid levels of deprivation or advantage, on average (as measured by the Index of Multiple Deprivation, although note that we have not been able to look at how inactivity rates have changed at a local level). London is a clear exception, though, with some local authorities in Outer London, many of which are relatively deprived and have a high proportion of ethnic minorities, emerging from the pandemic in a relatively weak position, with the claimant count rising rapidly in (for example) Newham, Haringey (which also saw a big fall in employee jobs) and Brent.

Another dimension of change has been how people are working. For some workers, an important change brought on by the pandemic is in how they are working, with the pandemic increasing the adoption of working from home (WFH). In early 2022, 22 per cent of workers said they mainly worked from home (this could include self-employed people

who have no other workplace), and 16 per cent said they worked remotely. WFH is also concentrated among those living in London and the South East, with over half of workers in Inner London (51 per cent), 48 per cent of workers in the South East, and 44 per cent of workers in Outer London working at home in some form in early 2022.

This change in how we work is having knock-on effects on the spatial distribution of work and spending, with some areas gaining, and others losing. The fact that the residents of an area can WFH can be a boost to the local economy if it means that those who are WFH spend more money locally. However, on average, areas that are expected to contain the most people WFH also tend to contain the workplaces that are now less busy because people are no longer present in the office; this latter effect will tend to weaken the economies around the now-quieter offices. For example, the local authorities of Tower Hamlets, Westminster, Islington and Camden are estimated to have particularly high rates of home-working in 2022 among their residents, but they have 'lost' far more workers (in the form of fewer workers commuting into the area) than they have 'gained' (in the form of residents who no longer go to work elsewhere). Similarly, although the London local authorities of Tower Hamlets and Lewisham have seen similar large declines in workplace mobility because fewer of the people who used to work there are going to the office, Lewisham is still estimated to have net gained workers from the WFH shift because Lewisham has gained from its residents working from home, whereas so many of those who used to work in Tower Hamlets (which contains Canary Wharf) commuted in from elsewhere.

The likely impact on a local area of the increased ability to work remotely depends, then, on the difference between the number of workers who live in a neighbourhood and can work remotely, and the number of workers who work in that neighbourhood and can work remotely. It turns out that those areas that are expected to do relatively well out of this transition – i.e. they have relatively many workers who can WFH but fairly few empty workplaces – tend to be relatively advantaged. Outside of London, this net WFH boost is likely to particularly benefit the relatively affluent areas of Rochford, Castle Point, East Cambridgeshire and South Staffordshire (for example). Within London, affluent parts of London, including Bromley, Harrow, Merton and Richmond upon Thames look set to be gaining from the WFH changes. On the other hand, areas like Manchester, Newcastle and Norwich, all of which are in the most-deprived quintile of English local authorities, are estimated to have lost out from the new WFH trends.

The ability to work from home could also affect spatial inequalities if it allows workers more flexibility in where they live. There is no robust data on the extent to which remote working is allowing relocations to lower-cost or less-affluent areas of the country. However, house prices have risen more slowly in places where WFH has risen; this is true inside and outside of London, and is consistent with a story that WFH is reducing

demand among previous commuter-belt areas. In fact, the fastest growth in house prices has occurred in areas with the lowest house prices, with particularly strong growth in areas of rural Scotland, the Welsh valleys, and the South West of England, and house prices have risen the least in London boroughs, particularly in places characterised as ‘London cosmopolitan’ (the more central areas of London), but also in Aberdeen, and Slough (which is likely to be a Heathrow effect). This has reduced spatial inequalities in house prices: the 90:10 ratio for local authority average house prices fell from 3.18 to 3.11 between 2020 and 2022. But, unless more houses are built in response to this apparent extra demand, the long-run consequence may just be to reduce housing affordability in what are currently some of the lowest-paid parts of the UK.

What we can see so far is that, differently from non-spatial dimensions of inequality, such as ethnic differences or the wealth gap, changes to the UK since early 2020 have had a minimal impact on spatial inequalities. Given that some feared that Covid could permanently damage our cities (by removing office workers, with the consequent losses in hospitality jobs), this is a welcome outcome. On the other hand, it is not yet clear that remote working is facilitating levelling up to any meaningful extent, and there is a risk that it could worsen housing affordability in some poorly-paid parts of the country, so policy makers seeking to level up deprived parts of Britain should not rely on remote working being a panacea. It is also no cause for celebration that the claimant count has risen most in ethnically diverse parts of Outer London, and so policy makers must also continue to pay attention to inequalities within areas, and in particular consider think how to improve prospects for disadvantaged workers in our core cities.

[By early 2022, a legacy of the pandemic could be seen in relatively weak labour markets in London, and around airports](#)

Now that the pandemic is over, it is clear that the UK’s labour market and economy fared surprisingly well during it, largely due to the furlough scheme paying 80 per cent of the wages of 11.6 million people, which prevented mass unemployment.¹ Indeed, the labour market is now historically tight at the moment, with there being more vacancies than unemployed people for the first time since records began.² During the pandemic, though, and especially during the periods of lockdowns, the economic consequences of Covid-19 varied considerably between different parts of the UK.³ Initially, core cities and areas dependent on tourism saw the largest falls in economic activity. But as we showed in earlier work, these spatial impacts changed as the pandemic went on, with many areas

¹ D Tomlinson, [Job well done: 18 months of the Coronavirus Job Retention Scheme](#), Resolution Foundation, September 2021.

² G Thwaites, [Unemployment hits a record low but pay is still falling in real terms](#), Resolution Foundation, May 2022.

³ In this report, we focus on labour market, consumer spending and house prices, as they are important indicators of the health of the local economy. The ONS also publishes estimates of how GVA has changed through the pandemic, but these are available only at the level of the region (see: ONS, [Model-based early estimates of regional gross value added in England, Wales, Scotland, and Northern Ireland: Quarter 1 \(Jan to Mar\) 2022](#), 7 June 2022). We will discuss spatial inequalities in GVA in a future Economy 2030 Inquiry paper.

dependent on tourism recovering strongly outside of lockdowns (although not London), and areas dependent on nearby airports continuing to fare relatively poorly.⁴

This, broadly speaking, remains the position in early 2022. Figure 1 and Figure 2 look at different aspects of how labour markets have changed. Figure 1 shows the change in the Alternative Claimant Count, which is a measure of the number of people looking for work and receiving benefits (see Box 1 for more discussion). Figure 2 shows the change in the number of employee jobs as a fraction of the working-age population between February 2020 and February 2022 (this data measures only the number of employees, and so it is affected by the reclassification of some self-employed as employed that took place in 2020, as well as not capturing genuine changes in self-employment through the pandemic; we discuss this more in Box 1). The two data sources tell slightly different stories about which areas have done relatively well and poorly, but there is a common theme that areas in London and areas around airports are facing particularly weakened labour markets. (As we also explain in Box 1, none of our analysis is able to examine changes in inactivity, an important omission, given that there are about 500,000 fewer people in the workforce than there were pre-pandemic).⁵

In particular, nine out of ten of the LAs with the largest increase in the Alternative Claimant Count (shown in Figure 1) are in London, and principally Outer London (with the other being Luton). These changes are presumably driven by the impact of the pandemic on international travel (Ealing and Brent are in close proximity to Heathrow airport, and Luton contains an airport), and on London more generally which has been particularly affected by the drop off in hospitality, retail and tourism.⁶ Those areas seeing a fall in the number of employee jobs (shown in Figure 2) are also ones with or in close proximity to airports (such as Hounslow and Crawley), in Outer London (such as Waltham Forest and Haringey), as well as in or around Aberdeen.⁷ The areas where employee jobs have grown most include northern towns and cities (such as Preston, Manchester, Newcastle upon Tyne, and Middlesbrough) and some smaller towns (such as Winchester and Maidstone); those areas seeing the claimant count fall include several local authorities in the north east of England (county Durham, Hartlepool, Redcar and Cleveland), the Welsh valleys, and areas around Glasgow. (This data is from February 2022; we note that air travel across Europe has risen considerably since then, and is broadly at pre-Covid levels at the time of writing).⁸

⁴ Data up to late spring 2021 can be seen in: C McCurdy, [Levelling up and down Britain: How the labour market recovery varies across the country](#), Resolution Foundation, August 2021.

⁵ ONS, [Employment in the UK: May 2022](#), 17 May 2022.

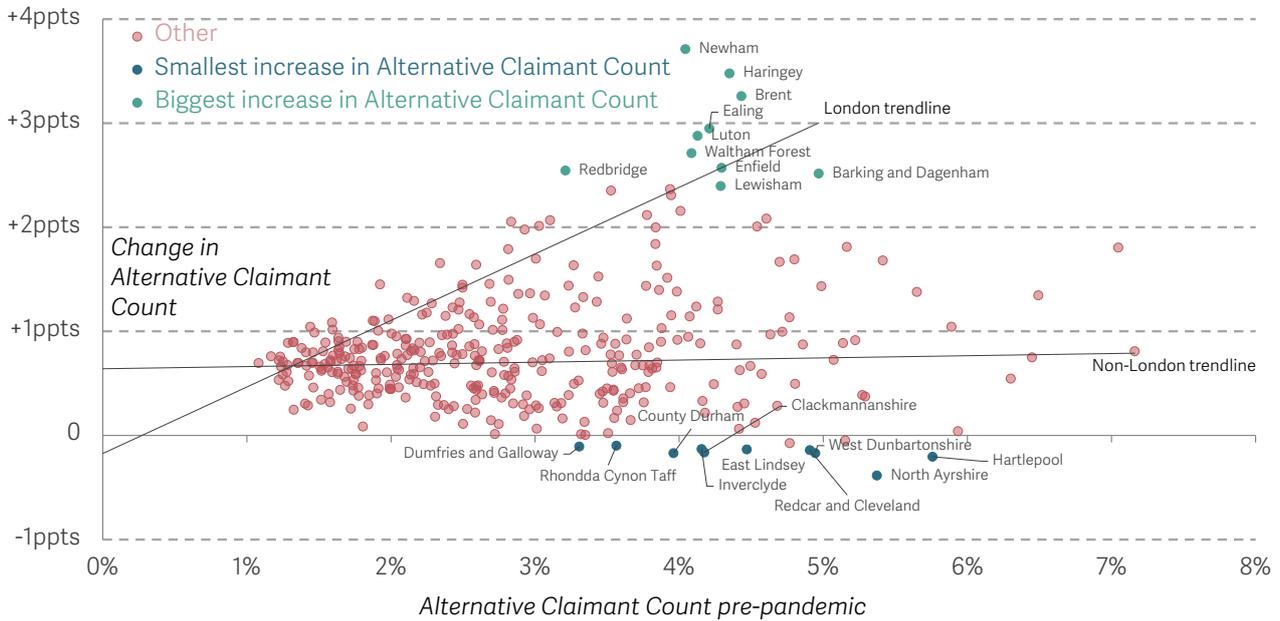
⁶ It is not surprising that places with airports saw particularly high increases in the Alternative Claimant Count, considering the impact that Covid restrictions have had on the travel industry, especially international travel. Indeed, previous Resolution Foundation research has shown that furlough rates were high in passenger air transport, among other tourism-heavy sectors, and remained high for much of the pandemic. See: N Cominetti, [Football went to Rome, holidays came home](#), Resolution Foundation, July 2021.

⁷ Aberdeen and Aberdeenshire saw their economy shrink by more than the rest of Scotland in the pandemic, with job losses dominated by those in accommodation and food services. See: [Regional Skills Assessment: Aberdeen City and Shire](#), Skills Development Scotland, March 2022.

⁸ See, for example: Eurocontrol, [COVID-19 impact on the European air traffic network](#), accessed 10 June 2022.

FIGURE 1: Outer London boroughs and places near airports had the largest increases in the Alternative Claimant Count

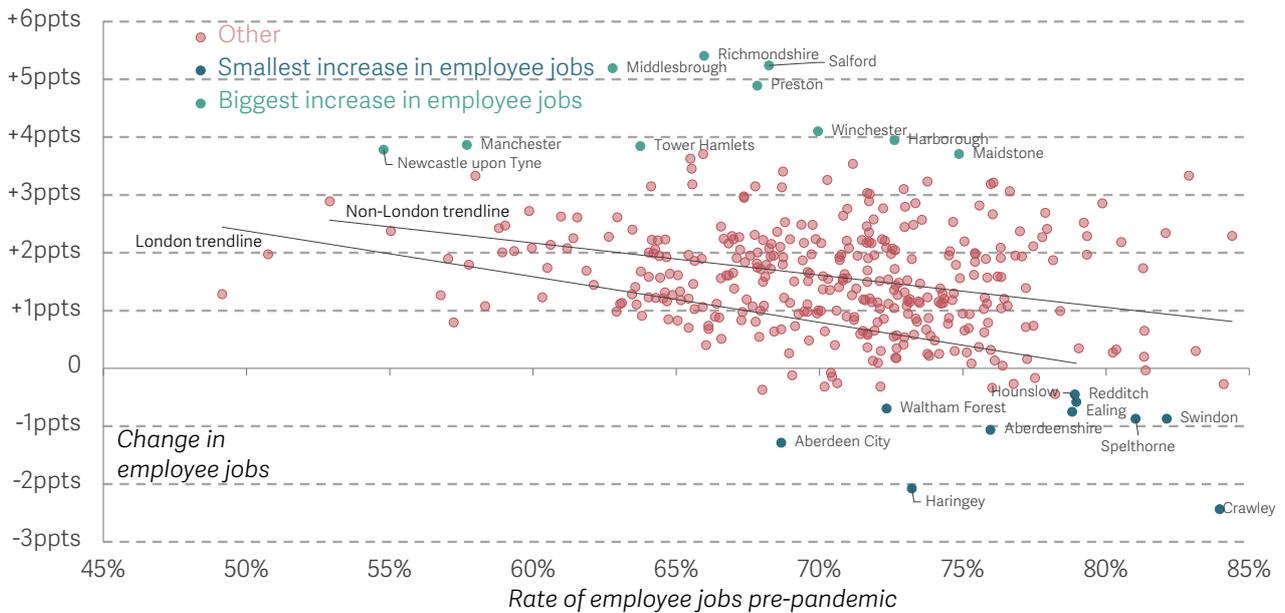
Change in Alternative Claimant Count between February 2020 and February 2022 and pre-Covid Alternative Claimant Count, by local authority: UK



SOURCE: DWP, Stat-Xplore; ONS, Population Estimates.

FIGURE 2: Areas near airports, and around Aberdeen, saw some of the biggest falls in employment

Change in employee jobs between February 2020 and February 2022 and pre-Covid employee jobs, by local authority: UK



SOURCE: ONS, PAYE RTI; ONS, Population Estimates.

BOX 1: Labour market data at a local level

In order to show how labour markets have fared at the local authority level since the pandemic, we have used two different data sources: Real Time Information (RTI) employee data, and the Alternative Claimant Count. Both of these data sources are drawn from administrative data, meaning that they should be accurate and timely (the latest data point is February 2022). We have not used APS (Annual Population Survey) data, which is used to provide estimates of employment and inactivity and unemployment rates at local authority level, because the relatively small sample sizes led to overly large confidence intervals around estimates of employment changes. This means that none of our analysis is able to examine changes in inactivity, an important omission, given that there are about 500,000 fewer people in the workforce than there were pre-pandemic.

The RTI series records the number of employees who are resident in an area, but not the self-employed, so it is not a complete measure of employment. Across the economy, it is possible that over 500,000 of the additional employee jobs represent people who were formerly working as self-employed.⁹ RTI employee numbers also refer to the number of jobs, not the number of

people in employment, meaning that someone with two jobs will show up twice in the numbers.

The Alternative Claimant Count measures the number of people claiming unemployment benefits, these being Universal Credit (UC) and Jobseeker's Allowance (JSA). Additionally, it features a correction to data from before the UC rollout that takes account of the fact that a larger group of claimants are required to look for work under UC than under JSA; without such a correction, the Claimant Count would increase mechanically as UC was introduced in a given area. The Alternative Claimant Count therefore estimates what the Claimant Count would have been if UC and its expanded searching for work requirements had been in place since 2013, and should therefore be a better measure of local labour market changes over time.¹⁰

To turn the Alternative Claimant Count and RTI employee estimates into rates, we used the ONS Population Estimates for each local authority from 2020, meaning we have not accounted for any population changes between 2020 and 2022. Our estimate of the change over the course of the pandemic is the change between February 2020 and February 2022; defining it in this way should remove any seasonality.

⁹ This estimate is based partly on the differential change in employee and self-employment rates recorded in the LFS, and partly on estimates in: IPSE, *Taking stock: Assessing the impact of IR35 reforms in the private sector*, October 2021.

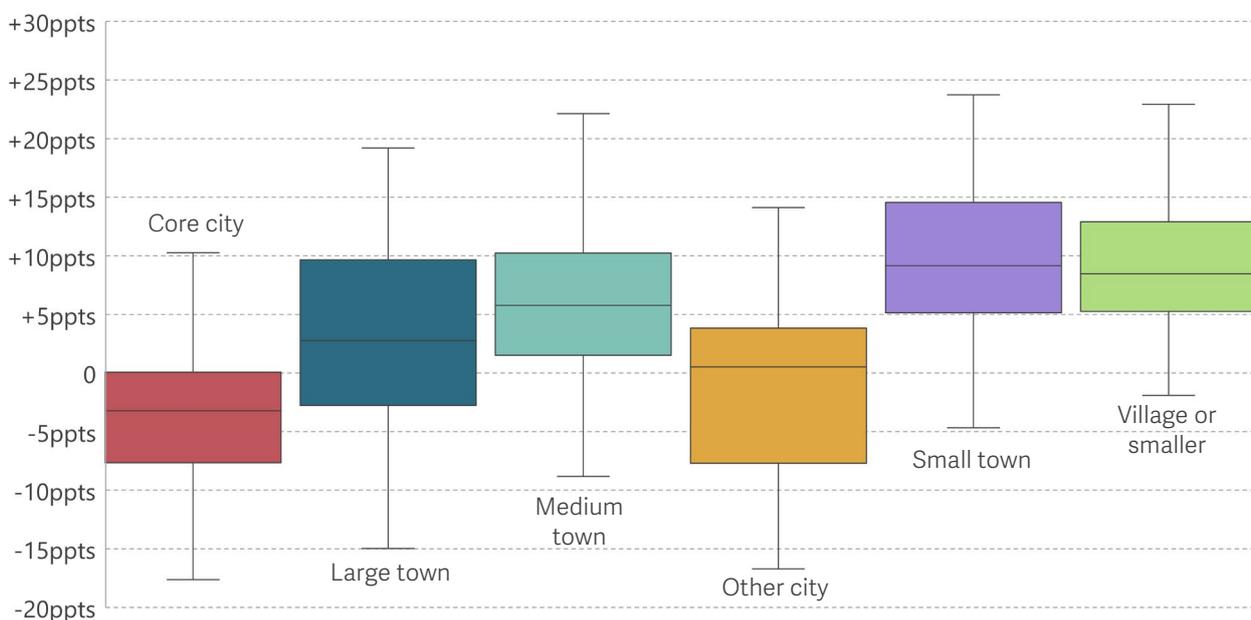
¹⁰ For more information, see: DWP, *Alternative Claimant Count statistics: background information and methodology*, updated 13 October 2020.

Consumer spending has held up the most in areas outside large towns and cities

We can also use indicators of how consumer spending has changed in different areas to track how spatial inequalities have changed. We do this in Figure 3 and Figure 4, both of which summarise data tracking how off-line consumer spending has changed (we discuss this data more in Box 2). Consistently with the labour market data, consumer spending is performing relatively poorly in core cities, with spending being 3 percentage points lower than it was pre-pandemic (Figure 3), and particularly in London relative to pre-pandemic (see also Figure 4, and note that 'London Cosmopolitan' contains local authorities in Inner London, and 'ethnically diverse metropolitan living' is dominated by Outer London local authorities). Spending is performing well in local authorities containing mostly small towns and villages (with spending being 9 and 8 percentage points higher than it was pre-pandemic respectively).

FIGURE 3: Local spending has performed relatively poorly in large towns and cities

Change in consumer spending between March-May 2019 and March 2022 by city and town classification, GB

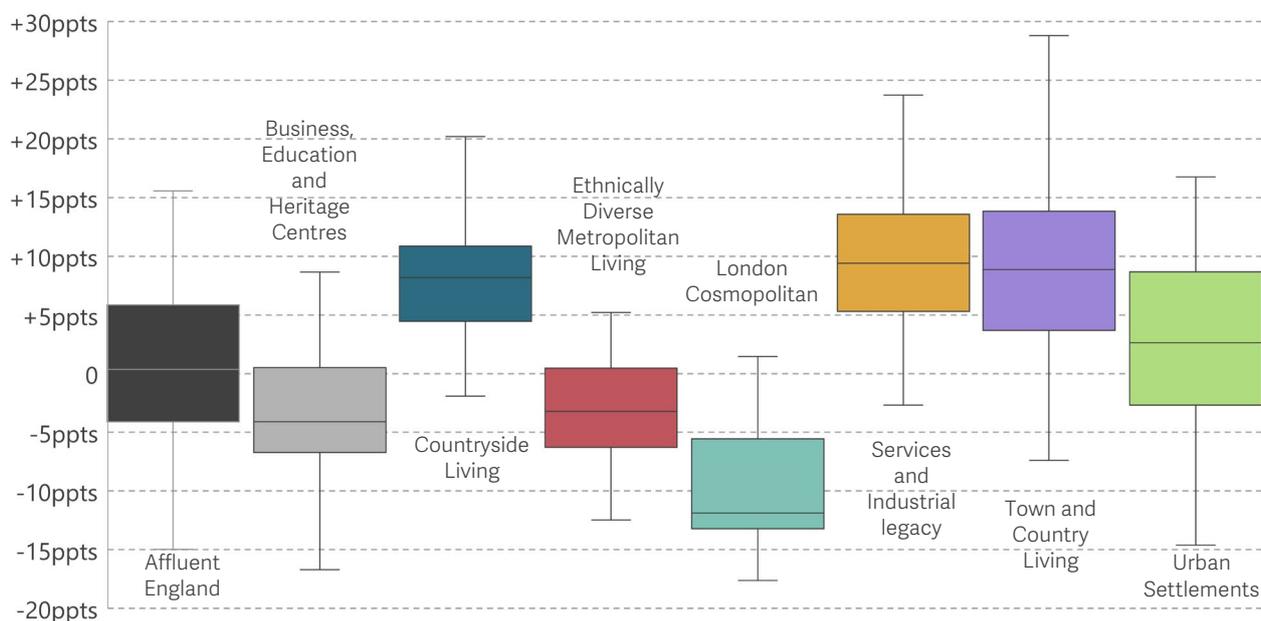


NOTES: The bottom and the top of the boxes show the 25th and 75th percentile, with the line going through them showing the median data point. The lines extended from the boxes extend to the minimum and maximum data points.

SOURCE: SIB; House of Commons Library, City and Town Classifications.

FIGURE 4: **Consumer spending has performed relatively poorly in London**

Change in consumer spending between March-May 2019 and March 2022 by ONS residential-based area classifications, GB



NOTES: The bottom and the top of the boxes show the 25th and 75th percentile, with the line going through them showing the median data point. The lines extended from the boxes extend to the minimum and maximum data points.

SOURCE: SIB; ONS, 2011 residential-based area classifications.

BOX 2: Data on consumer spending

Our analysis here draws on data on consumer spending that has been shared with us by the Social Investment Business.¹¹ The data set is based on debit and credit card spending by a sample of British bank customers. The sample covers consumer sales to a set of cardholders at any merchants whose card payment machines are linked to a fixed geographical location. Depending on the area, it captures between 12 and 27 per cent of bank customers and

details spending flows of £79bn since early 2019.

We constructed a variable measuring the percentage change in spending between March 2022 (the latest complete month available to us) and the average of March-May 2019 (March 2019 was the earliest month available to us, and we took a three-month average to try to reduce unnecessary volatility). By comparing March 2022 to March-May 2019 (as opposed to January 2020), we should have reduced the extent to

¹¹ The same underlying data has been used in: C Cook, *UK high streets bounce back from Covid curbs as London falters*, Financial Times, 27 February 2022; and: Centre for Cities, *High streets recovery tracker: How are cities and large towns recovering from Coronavirus?*, accessed 31 May 2022. Note that these both use different levels of spatial aggregation than shown here.

which differential seasonal patterns across local authorities are distorting the results. The change has not been adjusted for inflation. Some of the reported rise in spending will reflect the

shift away from cash spending (which would not be captured in this data) to credit and debit card spending (which is) that occurred during the pandemic.

Other than the rise in the claimant count in Outer London, there is little evidence that the pandemic has worsened gaps between the poorest and richest areas

There are several ways to think about whether the pandemic has changed spatial inequalities.

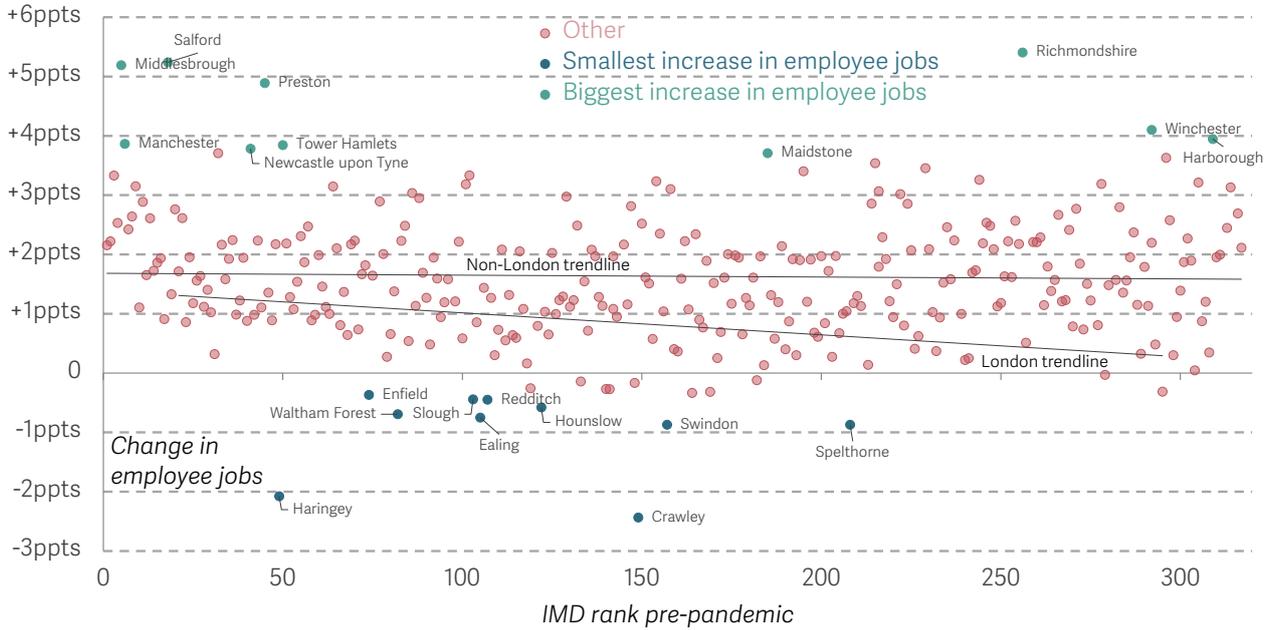
One is to consider whether spatial gaps in outcomes have changed. As can be seen in Figure 1, outside of London, the increases in Alternative Claimant Count are essentially unrelated to their pre-pandemic level (indeed, the more striking finding is how much variation there is in how the Alternative Claimant Count has changed among areas with very similar pre-pandemic levels). Within London, the Alternative Claimant Count has risen by more in areas with higher pre-pandemic levels.¹² Figure 2, though, shows clear evidence of a reduction in spatial gaps in the number of employee jobs: places with the biggest rises in employee jobs since February 2020 tended to have relatively low levels of before the pandemic; this is true both within London and across the rest of the UK, and it reverses the trends seen from 2018 to 2020, where spatial gaps in employee jobs at the local authority level grew. As a result, the inter-quartile range of the rate of employee jobs has fallen from 6.5 percentage points to 6.0 percentage points from 2020 to 2022.

On the other hand, neither the claimant count nor the rate of employee jobs are a perfect guide to the overall level of deprivation, or advantage, in an area. Figure 5 therefore shows the change in employee jobs since 2020 against a pre-Covid measure of deprivation, where local authorities are ranked by their average score on the 2019 IMD, for English local authorities only (similar indices exist for other nations in the UK, but it is not possible to combine them into a single ranking). Although the local authorities with the biggest falls in employee jobs were almost all in the most deprived half (excluding Spelthorne), the places that saw the largest increases in employee jobs were more varied: some were ranked among the most deprived (Middlesbrough and Manchester, for example), and some were ranked among the least deprived (Winchester and Harborough). On average, there is little relationship outside of London between the pre-pandemic levels of deprivation and changes in employee jobs; within London, the more deprived local authorities have been slightly more likely to see rises in employee jobs.

¹² This is the opposite of changes seen at the national level between 2018 and 2020.

FIGURE 5: Some of the most and least deprived areas have seen the biggest rises in employee jobs

Change in RTI employee jobs between February 2020 and February 2022 and pre-Covid Index of Multiple Deprivation, by local authority: England

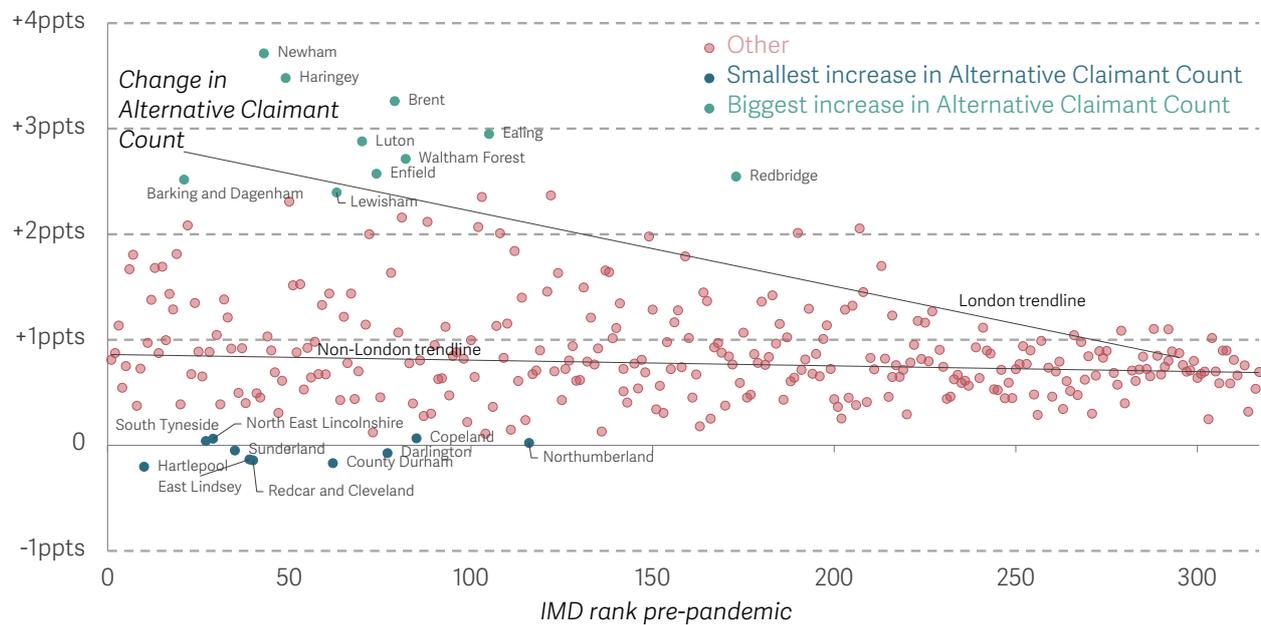


SOURCE: ONS, PAYE RTI; ONS, Population Estimates; ONS, English Indices of Deprivation.

The equivalent analysis for the Alternative Claimant Count is shown in Figure 6. Outside of London there is, again, essentially no relationship between pre-Covid levels of deprivation and changes in the claimant count. Inside London, though, there is a very clear pattern that the largest rises were seen in the most deprived local authorities.

FIGURE 6: The rise in the Alternative Claimant Count has been concentrated in deprived areas in Outer London

Change in Alternative Claimant Count between February 2020 and February 2022 and rank of Index of Multiple Deprivation in 2019, by local authority: England



SOURCE: DWP, Stat-Xplore; ONS, Population Estimates; ONS, English Indices of Deprivation.

The very different behaviour of London local authorities when it comes to the claimant count is confirmed in Figure 7, which shows the percentage point change in the Alternative Claimant Count characterising local authorities using the ONS’ residential-based area classifications.¹³ There is a very clear finding that local authorities classified as ‘ethnically diverse metropolitan living’ and ‘London cosmopolitan’ had the highest ranges of percentage point increase in Alternative Claimant Count. This is, clearly, of concern, as average household incomes are lower for ethnic minority households (especially Pakistani and Bangladeshi households) than they are for white households.¹⁴ Furthermore, ethnic minorities have been hit harder by the health effects of the Covid-19 virus: in the early stages of the pandemic Black and Asian ethnic groups had higher diagnosis rates and higher death rates than White ethnic groups did,¹⁵ and ethnic minority households will also have been much less likely to see the gains in wealth that many saw during the pandemic.¹⁶

¹³ For more information, see: <https://www.ons.gov.uk/methodology/geography/geographicalproducts/areaclassifications/2011areaclassifications>

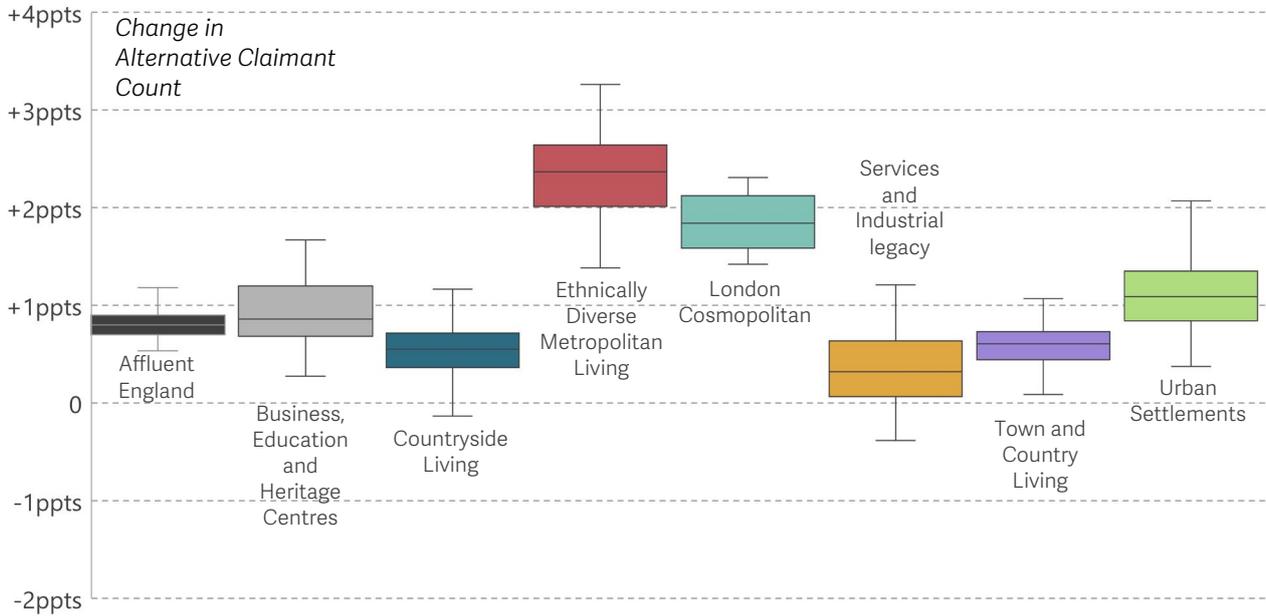
¹⁴ K Handscomb, K Henahan & L Try, *The Living Standards Audit 2021*, Resolution Foundation, July 2021.

¹⁵ Public Health England, *Disparities in the risk and outcomes of Covid-19*, Public Health England, August 2020.

¹⁶ Before the pandemic, there were high and persistent wealth gaps between different ethnic groups, and the most wealth gains went to high-income families during the pandemic. See G Bangham, *A gap that won't close: The distribution of wealth between ethnic groups in Great Britain*, Resolution Foundation, December 2020; and J Leslie & K Shah, *(Wealth) gap year: The impact of the coronavirus crisis on UK household wealth*, Resolution Foundation, July 2021.

FIGURE 7: The Alternative Claimant Count increased the most in ethnically diverse areas

Range of changes in Alternative Claimant Count from February 2020 to February 2022, by ONS residential-based area classifications: UK



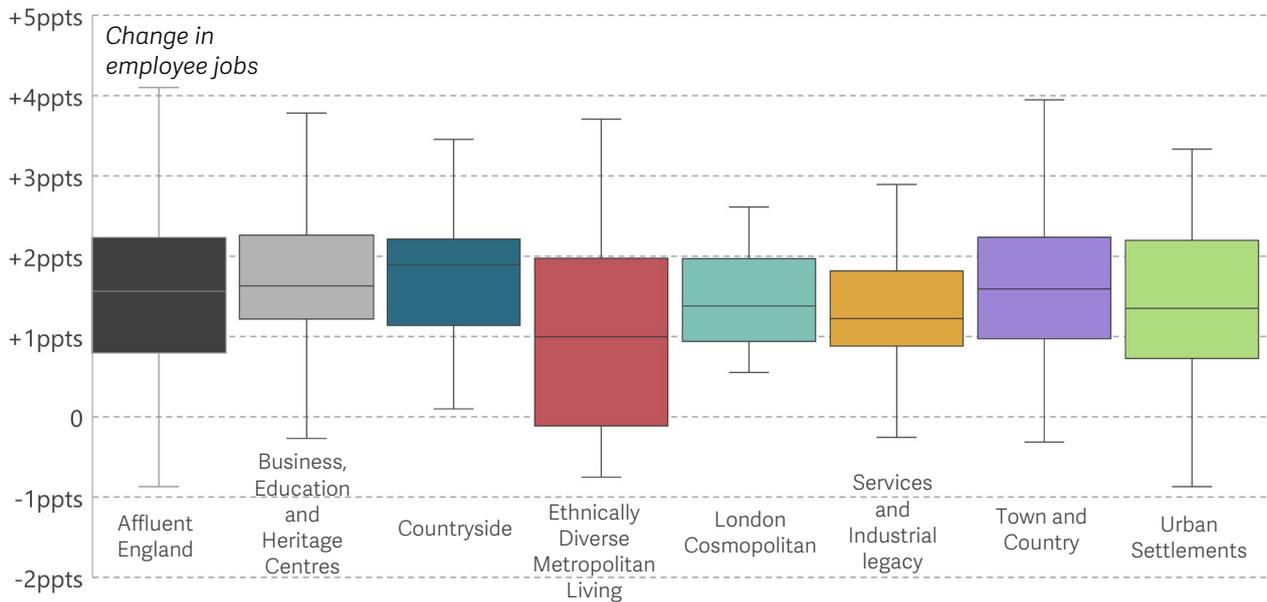
NOTES: The bottom and the top of the boxes show the 25th and 75th percentile, with the line going through them showing the median data point. The lines extended from the boxes extend to the minimum and maximum data points.
 SOURCE: DWP, Stat-Xplore; ONS, Population Estimates; ONS, 2011 residential-based area classifications.

Figure 8 shows the same chart for the change in employee jobs¹⁷ Here, there is more uniformity than for changes in the claimant count, but the ‘ethnically diverse metropolitan living’ category stands out as the one that was particularly likely to see only small increases, or falls in the number of employee jobs.

¹⁷ For more information, see <https://www.ons.gov.uk/methodology/geography/geographicalproducts/areaclassifications/2011areaclassifications>

FIGURE 8: Ethnically diverse local authorities were the most likely to see falls in employee jobs rates

Change in RTI employee jobs between February 2020 and February 2022 by local authority: UK



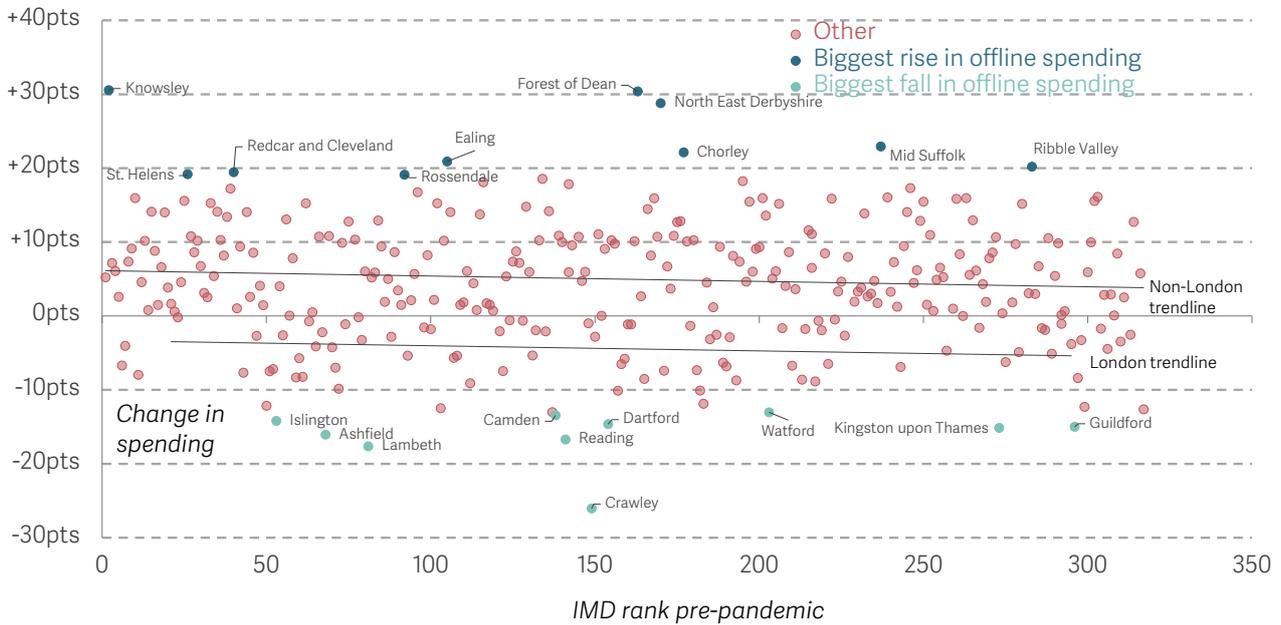
NOTES: The bottom and the top of the boxes show the 25th and 75th percentile, with the line going through them showing the median data point. The lines extended from the boxes extend to the minimum and maximum data points.

SOURCE: ONS, PAYE RTI; ONS, Population Estimates; ONS, 2011 residential-based area classifications.

This lack of ‘levelling up’ shown in Figure 5 and Figure 6 is confirmed by the consumer spending data in Figure 9. The 10 local authorities with the largest falls in spending between March-May 2019 and March 2021 are varied, and include some London areas, Guildford and Reading (which both house commuters and have lots of offices), Crawley (which contains Gatwick Airport), and Dartford (which contains Bluewater, a very large shopping and leisure centre).

FIGURE 9: There is no relationship between pre-Covid levels of deprivation and the rate at which local spending has changed

Change in offline spending from 2019 to 2022 and pre-Covid-19 IMD, by local authority: England



NOTES: A lower IMD rank denotes higher deprivation and a higher IMD rank denotes higher deprivation. SOURCE: ONS, English Indices of Deprivation; SIB.

The pandemic accelerated a trend towards working from home, and hybrid working looks set to stay

So far, we have looked at how local labour markets, and consumer spending, have fared since the pandemic began. But the amount of work is just one dimension of the sort of changes we have seen. For some workers, an important change brought on by the pandemic is in how they are working, with the pandemic increasing the adoption of working from home (we use the phrases ‘working from home’ and ‘remote working’ fairly interchangeably, and both should be understood to include so-called ‘hybrid’ working).¹⁸

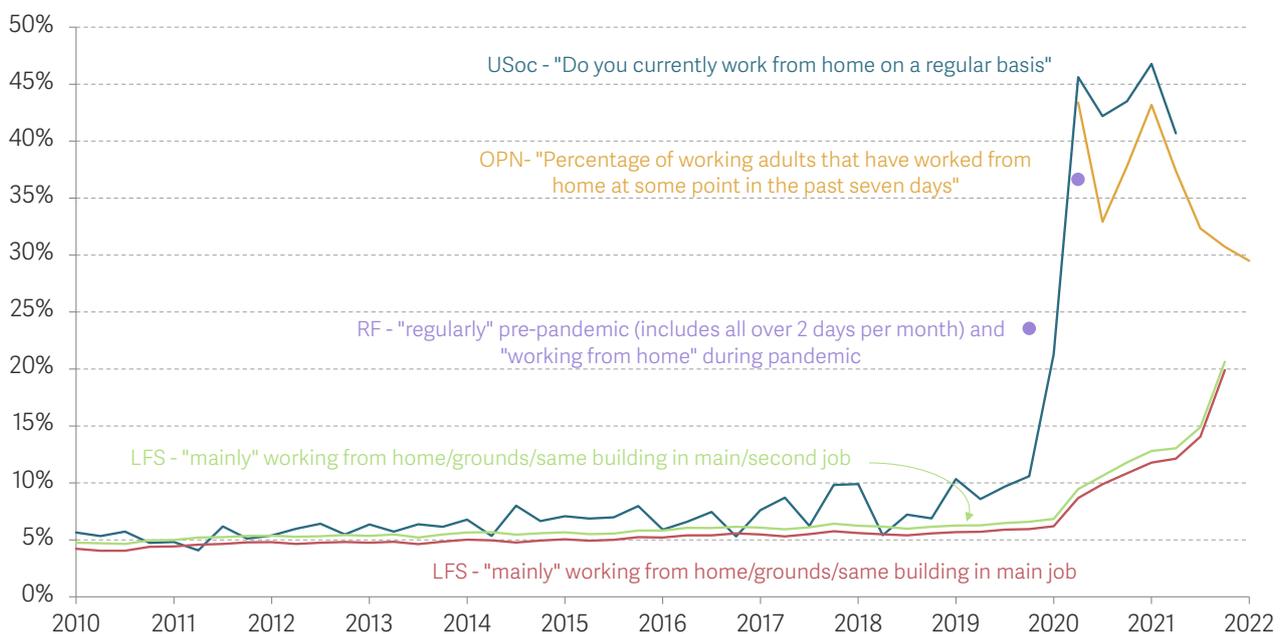
As we discussed in a companion report, there is no perfect way to measure how working from home has changed. There are three difficulties: survey respondents may not interpret questions in a consistent manner; most pre-pandemic data sources did not collect information on home-working in a detailed way (see Box 3 for more discussion of some of the available data sources); and because the WFH changes involve changes both in how many people ever work from home and in the amount of time that someone spends working from home. Figure 10, though, provides a range of estimates of the prevalence of working from home over time. This suggests that the onset of the pandemic boosted a pre-existing upward trend in the number of workers mainly WFH, but

¹⁸ See: J Leslie, Bouncebackability, The Resolution Foundation, June 2022. Much of this sub-section draws on Section 5 of that report.

that WFH remained at significantly elevated levels in early 2022 even after restrictions have ended: about one in five workers were “mainly” WFH in 2022 Q1, and about three in ten had worked from home at all in the previous week. It is, though, important to note that WFH remains an activity for a minority of workers; similarly, our companion report showed that only around 23 per cent of firms have adopted the practice as a permanent part of their business model.¹⁹

FIGURE 10: Working from home has increased substantially compared to pre-pandemic

Survey measures of prevalence of working from home: UK/GB



NOTES: OPN covers Great Britain, all other series are for the UK.
 SOURCE: Analysis of ONS, Labour Force Survey (LFS); ONS, Opinions and Lifestyle Survey (OPN); University of Essex, Understanding Society (USoc); YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2020 wave (RF).

BOX 3: There are few consistent and comprehensive sources of data on who is working from home, and for how much of their time

Figure 10, which is drawn from a companion report, shows a number of estimates of the extent of WFH from large-scale household surveys that

allow us to say something about how this has changed over time.

The Labour Force Survey (LFS) estimate is based on the proportion of workers saying that they “mainly” worked from

¹⁹ For more on the different ways of measuring working from home, see: C Shine, *Working from home: comparing the data*, ONS, May 2021.

home: this rose from 5 per cent pre-pandemic (with a small upward trend over the 2010s) to 20 per cent by the end of 2021.²⁰ The question did not provide an option for workers to say that they split their work between home and the office, so it is unclear precisely how respondents interpret the word “mainly”.²¹

The Understanding Society survey asked respondents if they work from home “on a regular basis”; the incidence of this also rose gradually in the years leading up to the pandemic, and then jumped to around 45 per cent (this level is not inconsistent with the LFS, as someone could “regularly” WFH without doing it “mainly”). A survey commissioned by Resolution Foundation in the field in June 2020 also found an increase in those who worked regularly from home compared to the pre-pandemic situation (the pre-pandemic data was based on a retrospective question).

The Opinion and Lifestyle survey report that the fraction of workers who worked

from home at all in the previous week has fallen from over 40 percent at the height of the pandemic lockdowns to 30 per cent by early 2022. The latest data suggested that around one in seven working adults (14 per cent) worked from home exclusively between 27 April and 8 May 2022, while nearly a quarter (24 per cent) both worked from home and travelled to work.²² This data is not available pre-pandemic however (for this reason, we do not discuss further the many other resources that, since the pandemic began, have collected information of who is working from home).

It is also worth noting that, when the pandemic began, most household surveys switched away from in-person interviews either to an exclusively online model, or online with a telephone option. This switch clearly has the potential to bias the sample of respondents towards those who WFH, although those organisations operating the surveys will have taken steps to reduce any bias by re-weighting.

The impact of WFH on an area depends both on the behaviour of workers living there and on the working patterns of workers who used to commute into the area

Many organisations have pointed to the potential of the increase in WFH shown in Figure 10 to reduce geographical inequalities in the UK, either because workers who are WFH spend more of their money where they live, rather than where their workplace is (or used

²⁰ This is based on the variable HOME which is available in the EUL version of the LFS.

²¹ After the Covid-19 pandemic began, the LFS did start to ask workers whether they worked from home at all in the reference week (HOMED), and whether they considered themselves to work remotely (REMOTE). Neither variable is, though, available in the standard EUL version of the LFS, and neither seemed to be in versions available to us in the Secure Research Service.

²² ONS, [Is hybrid working here to stay?](#), 23 May 2022.

to be), or because it allows workers to live further away from their offices, perhaps in cheaper parts of the country.

So far, it is difficult to find definite evidence that either of these are happening, but conclusions here are hampered by imperfect sources of data. In the remainder of this note, we first discuss what is known about the geographical variation in WFH (i.e. where do the workers who are working from home live) and which areas are seeing fewer commuters (i.e. where are the offices where the WFH workers used to commute to), and then discuss whether these changes seem to have any impact on economic activity. The briefing note ends by looking at what has happened to house prices.

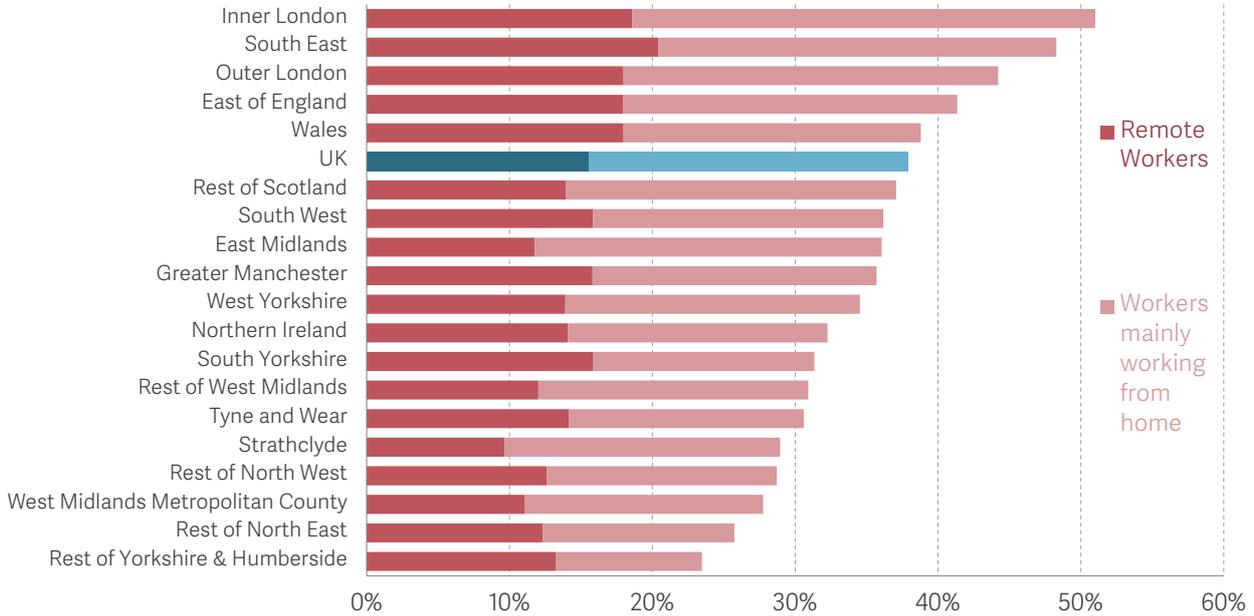
Figure 11 shows estimates of the total number of people who are working from home, split into those who say they “mainly” work from home (which will include those who have no other workplace, like the self-employed), as well as those who said that they were working “remotely”. Workers in London and the South East are the most likely to have been subject to the increase in remote working: over half of workers in Inner London (51.0 per cent), 48.3 per cent of workers in the South East, and 44.2 per cent of workers in Outer London worked away from their workplace in some form in early 2022. This regional pattern is, presumably, a product of many factors, including:

- The pre-pandemic geographical distribution of which jobs can be done from home – and, for context, Figure 12 shows that the largest rise in the fraction of workers who say they “mainly” WFH was in Finance, and the smallest change over the pandemic was seen in Manufacturing and in Hospitality.²³
- Regional variation in workers’ desire to WFH, which could be affected by their home environment and family circumstances, and the cost and time taken to commute.
- The fact that there were different sets of guidance on WFH across the nations of the UK in late 2021 (this may help to explain the high rates in Wales and Scotland in late 2021).

²³ See also, for example: ONS, [Is hybrid working here to stay?](#), 23 May 2022.

FIGURE 11: London and the South East have the highest proportion of workers working from home

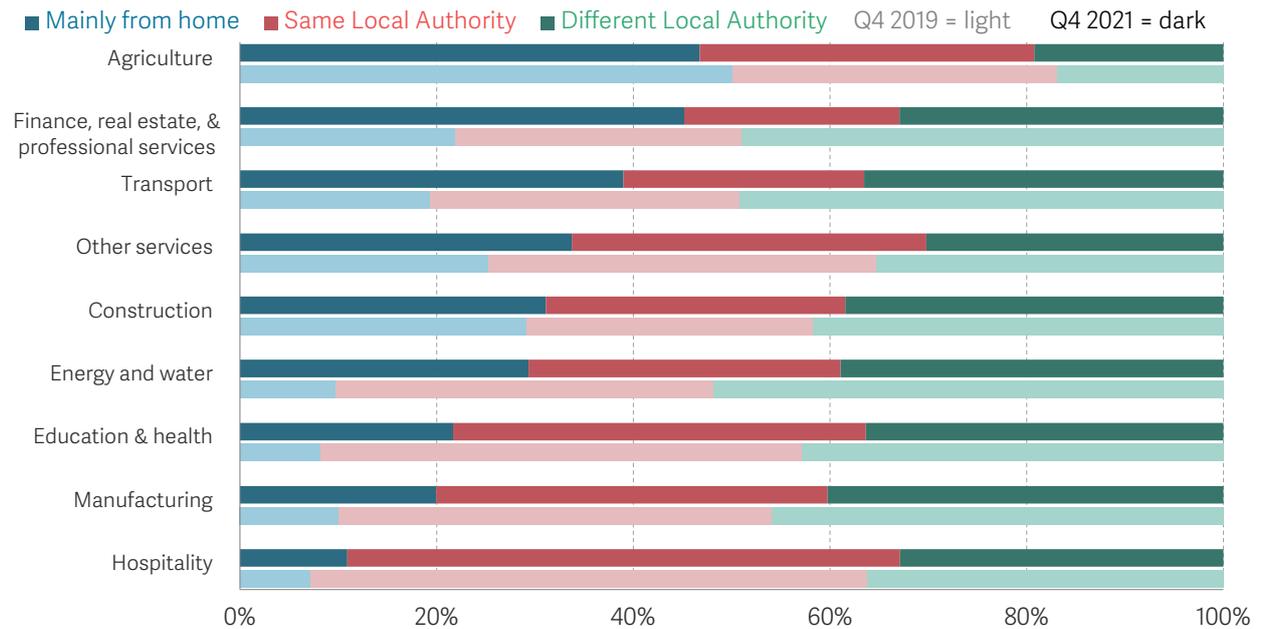
Proportion of workers mainly working from home or working remotely, by region and country: UK, 2022



NOTES: Data is from Wave 1 of the first quarter of 2022.
SOURCE: RF analysis of ONS, Labour Force Survey.

FIGURE 12: Finance has seen the largest increases in workers who mainly work from home

Proportion of workers mainly working from home or commuting to the same or a different local authority, by sector: UK, Q4 2019 and Q4 2021



SOURCE: Analysis of ONS, Labour Force Survey.

Unfortunately, sample sizes are not large enough in the LFS to do this analysis at the level of the local authority, and so we use two novel data sources (that give us three measures) to investigate sub-regional patterns in WFH. However, as we explain in Box 3, there are drawbacks to all three, either because they are simulated in some way (rather than being based on observed outcomes), or are measuring something that is an imperfect proxy for WFH. These are:

- Google’s workplace Community Mobility Reports;
- Simulated estimates of the extent of WFH in each local authority, produced by researchers at the University of Nottingham and Sheffield; and,
- Simulated estimates of how WFH patterns during the pandemic have changed the location of where workers undertake their work, also produced by researchers at the University of Nottingham and Sheffield (the researchers call this the ‘Zoomshock’).

These three measures will capture different aspects of the changes caused by WFH. The WFH estimates show which local authorities are likely to see more workers remain in their local authority of residence as a result of the opportunities created by remote working. The Google mobility estimates in effect show which areas are seeing fewer people commuting to workplaces in a given area (i.e. measured from the point of view of the location of the office). The estimate of the Zoomshock in each local authority attempts to capture the combined impact of both of these effects, because it measures whether the number of workers in a local authority doing any work (whether at home or in an office) has changed.

BOX 4: Measuring the spatial distribution of WFH

We use three measures, deriving from two underlying sources, to investigate the sub-regional implications of the changes caused by WFH.

One is Google’s Community Mobility Reports. This data includes an estimate of the level of ‘mobility’ to various types of location, including a specific measure for workplaces. This workplace mobility index measures time spent in locations categorised as workplaces, measured using devices (e.g. mobile

phones) which have Google’s location history setting enabled. The baseline for this index is the median value of the total time spent in given locations across the five weeks from 3 January 2020 to 6 February 2020, and calculated separately for each individual day of the week to account for workday patterns. The index then measures the change in the total time that people spend in workplaces (in a given area) relative to that baseline. This measure will capture not just changes in whether people

are commuting or working from home but also changes in the overall level of employment in an area. However, the biggest change in working patterns has been the shift to working from home, and this shows up in the Google index as a fall in workplace mobility (people's homes are not classified as workplaces by Google). This measure has a number of advantages. In particular, it is based on 'hard' data: it measures actual time spent in workplaces rather than a survey-based estimate (albeit from the sub-sample of people using Google products with the correct privacy settings). It also captures both the extensive margin of the number of people working from home increasing and the intensive margin of people working from home spending more time doing so.²⁴ But it is important to realise that it does not measure how many workers in a given area are WFH, but it can be interpreted as the change in the number of workers (who might live in the same or different areas) going to the workplaces in a given area.

The other data source referred to in this report are the 'Zoomshock' estimates. These have been estimated by researchers at the University of Nottingham and Sheffield.²⁵ The researchers fielded a large survey in late 2021 asking workers what they expected their work patterns to be in 2022, along with their sector of work, and their location of their home. The researchers

used this in two ways. First, they used the broad geographic patterns revealed by this data, combined with detailed information on the sectoral make-up of the residents of small areas in England and Wales, to estimate what fraction of workers in a given area would be WFH in 2022 (under the assumption that no workers moved house; this assumption will be important when we consider how house prices have changed, in Figure 20). Second, they used information on the commuting patterns of residents of small areas in England and Wales to estimate the number of additional or fewer workers who would be working in each small area because of the first-round impact of WFH. The paper describes this second measure as the difference between a) the number of workers who live in a neighbourhood, and can work remotely, and b) the number of workers who work in a neighbourhood, and can work remotely. For example, if new WFH patterns meant that two workers stopped commuting from Haringey to Westminster, and one worker stopped commuting from Newham to Haringey, then Haringey and Newham would both show up as having gained one worker from WFH patterns, while Westminster would have lost two. The original paper uses data at the level of the MSOA; in this report, we have analysed the same data at the level of local authority. The data is only for England and Wales.

²⁴ Another example of its use is in: T Allas, [Taking the temperature of the economy two years into the pandemic \[2\]: Are people in the UK returning to traditional workplaces?](#), 24 March 2022.

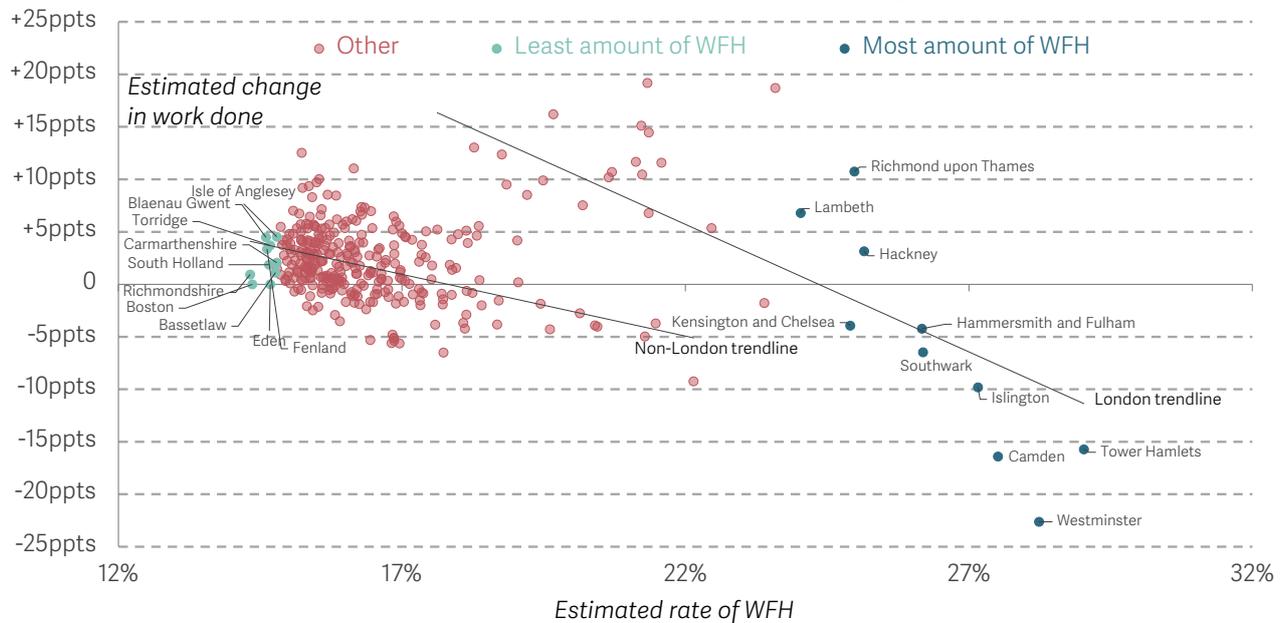
²⁵ De Fraja et al., [Covid reallocation of spending: The effect of remote working on the retail and hospitality sector](#), SERPS no. 2021006; December 2021.

To see the significance of these differences, consider Figure 13, which shows the estimated rate of WFH in each local authority in 2022 against the estimated change in the number of workers in each local authority. The correlation is, in fact, negative, meaning that local authorities that are expected to have more home workers are also more likely to be seeing a reduction in the number of workers overall in their local authority, due to the reduction in the number of commuters coming in to these areas (note that this correlation is seen both inside and outside of London). For this to be true, it must be the case that local authorities containing those who can WFH also contain a lot of now-less-busy workplaces.

To give an example, Figure 13 shows that, based on residence patterns in 2021, workers who live in Tower Hamlets are estimated to be particularly likely to work from home, but Tower Hamlets (which contains Canary Wharf) is estimated to be a net ‘loser’ of workers overall because it has ‘lost’ far more office workers (who are now working from their homes, which are in different local authorities) than it has ‘gained’ residents who no longer commute out of the area (our analysis of the LFS confirms that the rise of those “mainly” WFH in Inner and Outer London is particularly likely to have come at the expense of commutes that used to cross a local authority boundary).²⁶

FIGURE 13: Some local authorities, especially in London, are estimated to have lots of new home workers but have also lost lots of office workers

Estimated change in work done in local authority from pre-Covid to 2022 and estimated fraction of workforce that is WFH in 2022, by local authority: England and Wales



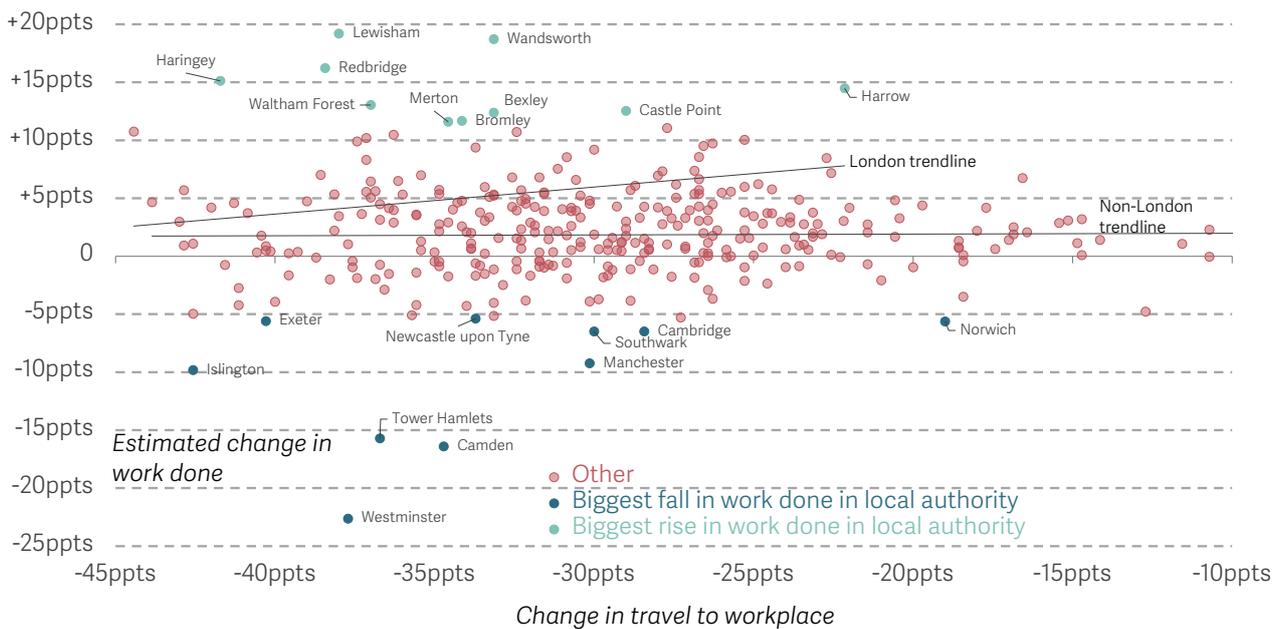
SOURCE: De Fraja et al., Covid reallocation of spending: The effect of remote working on the retail and hospitality sector, SERPS no. 2021006; December 2021.

²⁶ This conclusion would not necessarily hold if we had analysed the data at a lower level of geography. For example, the newly-WFH workers in Tower Hamlets probably live in a different part of Tower Hamlets from the now-slightly-emptier offices. The original academic paper explores this aspect of geographical inequalities by using data at a smaller level of geography, as well as looking in detail at the possible impacts in particular cities.

Figure 14 confirms the importance of considering these measures as a whole by plotting the Google workplace mobility data against the estimates of which local authorities have gained workers from WFH. The most striking point is the lack of correlation overall. London local authorities, in particular, show a very weak relationship between the two variables, with London local authorities that are seeing large falls in workplace mobility on the Google index being accompanied both by (estimated) large gains in the number of workers (in. e.g., Lewisham, Wandsworth, Redbridge and Haringey) and also large falls (in e.g. Camden, Westminster, Tower Hamlets and Islington). This underlines that the workplace mobility index, by highlighting those areas that are seeing fewer commuters, only captures part of the overall changes in commuting and working patterns brought about by remote working possibilities.

FIGURE 14: There is little relationship between estimates of workplace mobility and estimates of which areas have gained workers from WFH

Estimated change in work done in local authority from pre-Covid to 2022 and change in travel to workplace from Jan-Feb 2020 to April 2022, by local authority: England and Wales



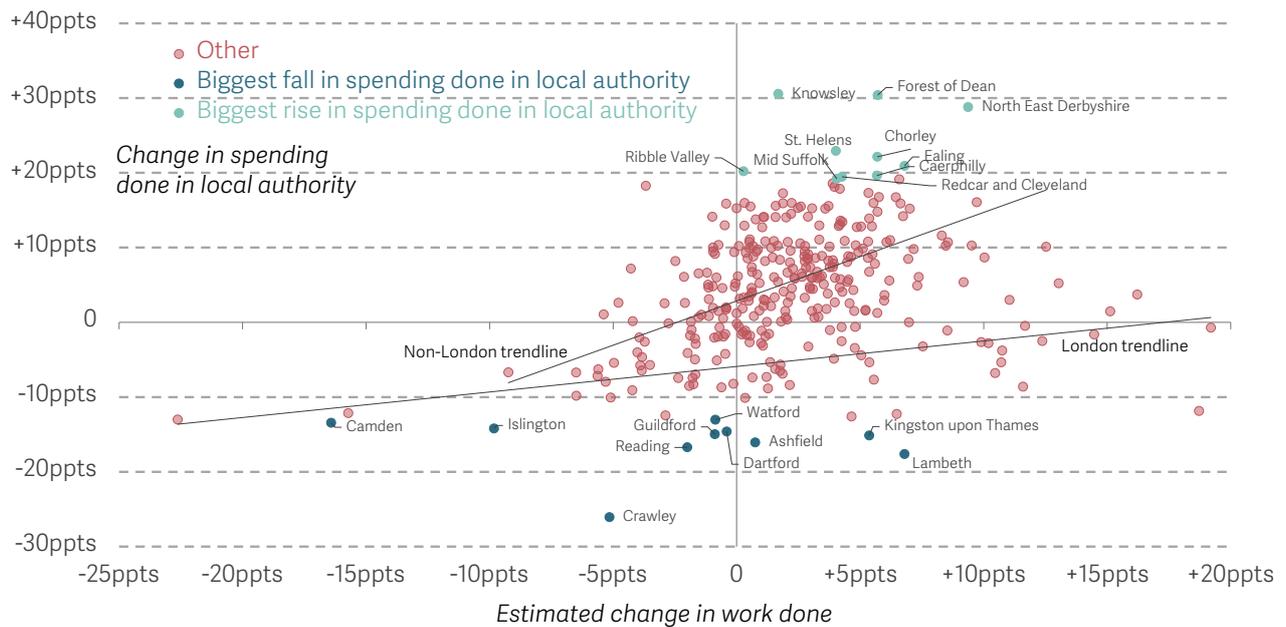
SOURCE: Google mobility data; De Fraja et al., Covid reallocation of spending: The effect of remote working on the retail and hospitality sector, SERPS no. 2021006; December 2021.

For assessing the overall impact of WFH on the local economy, the combined estimate of the change in the amount of work done in a local authority (i.e. the difference between a) the number of workers who live in a neighbourhood, and can work remotely, and b) the number of workers who work in a neighbourhood, and can work remotely) is likely to be the most relevant. Figure 15 shows how well this is correlated with local measures

of consumer spending (this data was discussed in Box 2).²⁷ Those local authorities estimated to have lost the most workers from WFH trends have also seen larger falls in consumer spending.²⁸

FIGURE 15: Spending is rising fastest in areas that are gaining workers from remote working

Change in spending done in local authority from March-May 2019 to March 2022 and estimated change in work done in local authority from pre-Covid to 2022, by local authority: England and Wales



SOURCE: De Fraja et al., Covid reallocation of spending: The effect of remote working on the retail and hospitality sector, SERPS no. 2021006; December 2021; SIB spending data.

We take from this that the overall impact on an area of the increased ability to work remotely will depend both on how it affects the workers who live in that area, and how it affects the workers who used to commute in to that area. Looking at just one of these in isolation – either estimates of which workers are now working from home, or an estimate of in which areas offices are quiet – will give only a partial impression.

²⁷ The original paper constructed the estimates of which areas have gained or lost workers from WFH that we are using in this note in order to estimate by how much the demand for hospitality might change in different areas (on the grounds that formerly commuting home-workers would spend more on hospitality near their home, rather than near their former office). Because they assumed that hospitality spending would change in ways that are directly proportional to the changing commuting and WFH patterns, that paper finds that the areas set to lose the most in hospitality spending are those predicted to lose the most workers (i.e. Westminster, Camden and Tower Hamlets, followed by Manchester, Cambridge, Exeter and Newcastle outside of London). The analysis in Figure 15 goes beyond that by using actual data on consumer spending, not simulated data.

²⁸ Regression analysis confirms that the relationship between the local change in spending and the estimated net change in the number of workers is about 50 per cent larger than its relationship with the change in workplace mobility.

The initial impact of WFH is to give a boost to relatively affluent areas of England

What, then, might the initial impact of WFH do to spatial inequalities? As before, we use the Index of Multiple Deprivation to define pre-Covid levels of deprivation, and look at England only because of difficulties in making the indices comparable across different countries in the UK.

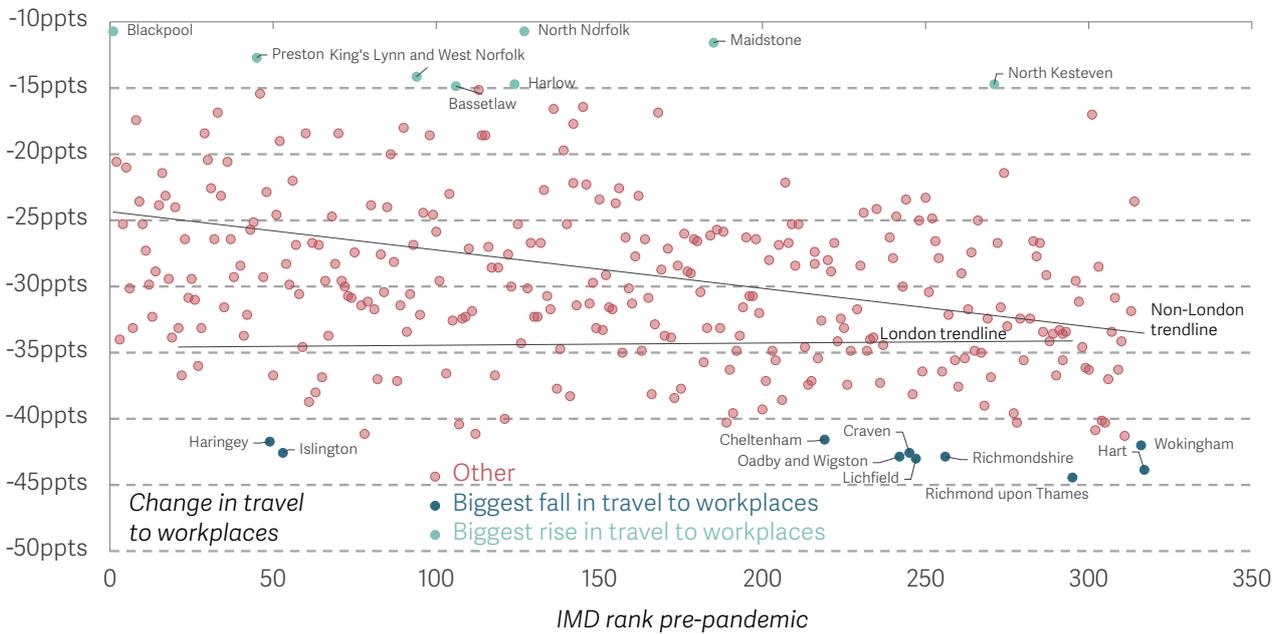
Figure 16 shows that, in general, English local authorities that are the most deprived – such as Blackpool and Preston – have seen the smallest reductions in office-place mobility whereas the local authorities with some of the biggest falls in workplace mobility were previously some of England’s least deprived (including Wokingham, Hart, Richmond on Thames, and Richmondshire).²⁹

But, as we argued above, the full impact of WFH on an area depends not only on whether it sees a change in the number of office workers commuting into it, but also on how WFH patterns affect its residents. Figure 17 shows that, in general, there is no evidence that the first-round impacts of WFH are helping equalise English local authorities: in fact, there is a very slight tendency for affluent areas to have gained workers from the change in WFH patterns (in other words, they have seen more residents now working from home than they have seen former commuters no longer travelling to the workplaces in that local authority). For example, Manchester, Newcastle and Norwich, all of which are in the most-deprived quintile of English local authorities, are estimated to have lost workers to the new WFH trends, whereas Rochford, Castle Point, East Cambridgeshire and South Staffordshire are all relatively advantaged commuter-belt areas that are expected to have gained workers. This trend is stronger within London LAs than it is across the rest of England, with the affluent areas of Bromley, Harrow, Merton and Richmond upon Thames estimated to be gainers from WFH (however, there is also considerable variation between London local authorities with similar levels of pre-Covid levels of deprivation: for example, Lewisham, Haringey and Waltham Forest are estimated to be gaining workers overall from WFH trends, while Southwark, Islington and Tower Hamlets are estimated to be losing workers, and all six areas have similar IMD scores.

²⁹ As ever, London local authorities provide an exception to this, with the Google workplace mobility data suggesting large falls in workplace mobility in Haringey and Islington, which are both in the bottom quintile of English local authorities ranked by the IMD.

FIGURE 16: Workplace mobility has fallen most in the least deprived areas

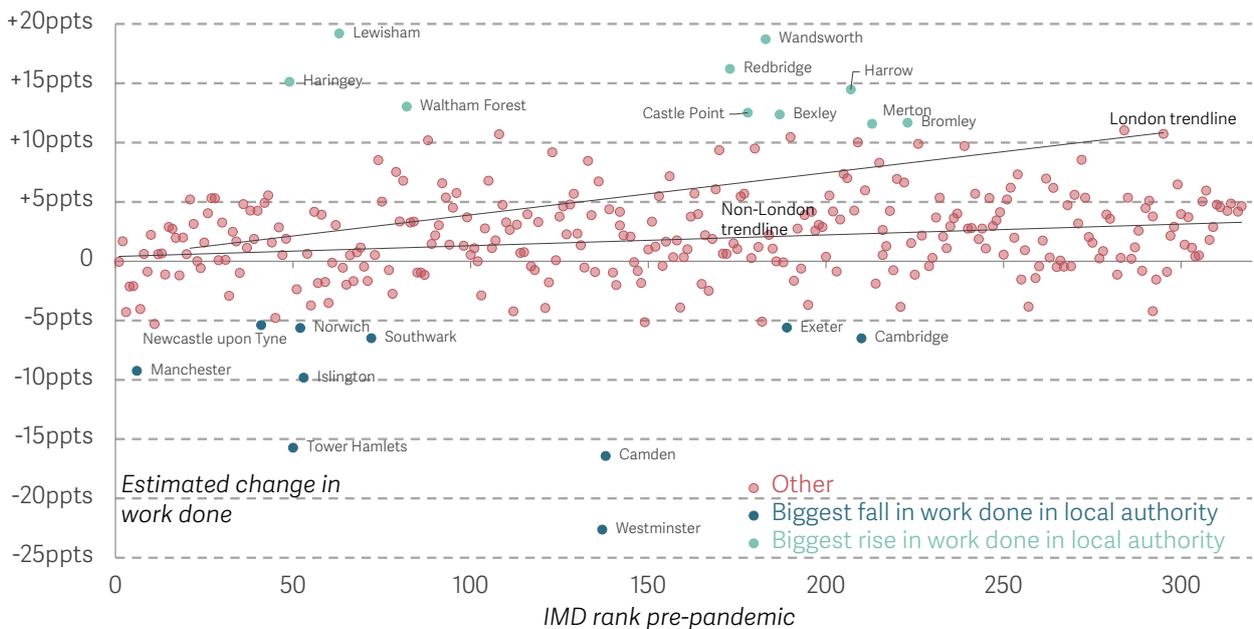
Change in travel to workplace from January 2020 to April 2022 and pre-Covid-19 IMD, by local authority: England



SOURCE: ONS, English Indices of Deprivation; Google Mobility Data.

FIGURE 17: But less deprived areas are more likely to have seen the number who work from home exceeding the missing office workers

Estimated change in work done in local authority from pre-Covid to 2022 and pre-Covid-19 IMD, by local authority: England



SOURCE: ONS, English Indices of Deprivation; De Fraja et al., Covid reallocation of spending: The effect of remote working on the retail and hospitality sector, SERPS no. 2021006; December 2021.

Demand for housing outside of London and other big cities has increased significantly, in a race for more space

The other way in which WFH could affect geographical inequalities is that it might allow workers to live further away from their offices, perhaps in cheaper parts of the country.³⁰

As we discuss in Box 5, it is difficult to use existing data sources to say definitely whether UK workers are relocating in this way. But we can use changes in house prices as a proxy for changing demand (and we discuss the more limited data on rental prices in Box 6).³¹

BOX 5: Measuring whether WFH has allowed workers to relocate

As shown earlier in Figure 9, the pandemic caused a four-fold increase in the fraction of workers who say they “mainly” WFH. At a national level, we know (see Figure 18) that the rise in those who “mainly” WFH has come among those whose workplace is in a different local authority (LA) from their home rather than those who live and

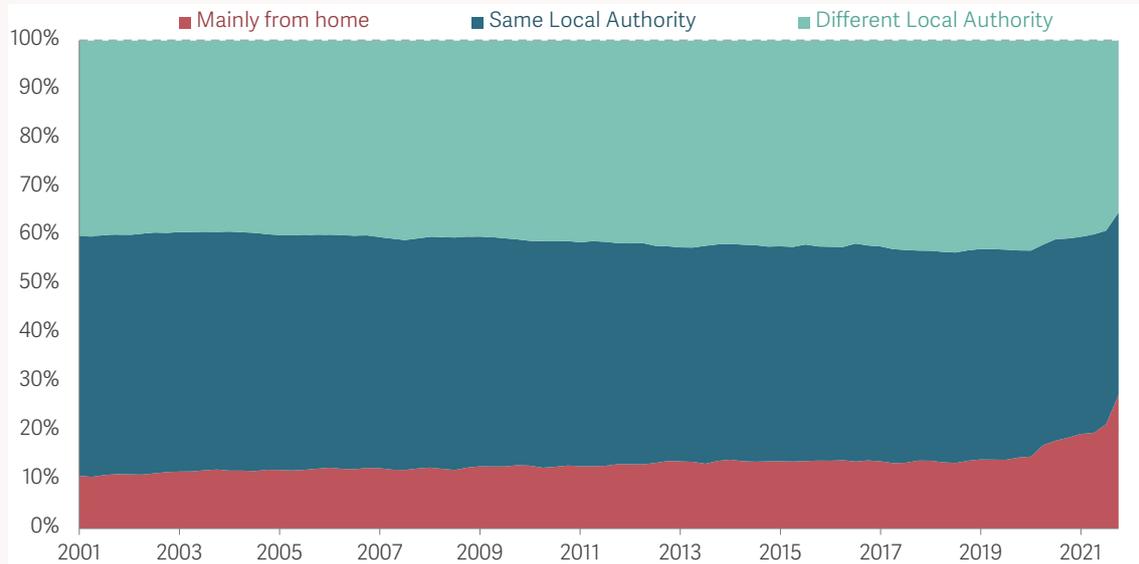
work in the same LA. This could reflect that people working in jobs that can be done mainly from home used to have longer commutes than those working in jobs that cannot, or it could reflect that, within those in jobs that can be done from home, it is those with longer commutes who have been more keen to switch to WFH.

³⁰ This freedom to relocate would be stronger where jobs can be performed entirely remotely, but it is clear now that the lasting trend is the rise of hybrid work, rather than fully remote work, which offers fewer opportunities to live far from the office place.

³¹ The Government temporarily cut Stamp Duty when the pandemic struck, and this has been widely linked to the surge in house prices. However, a detailed analysis of exactly how prices changed in the first year of the pandemic suggests that stronger forces were at play, including the enforced savings that many better-off households were able to accumulate during lockdowns. See: L Judge, F Odamtten & K Shah, [Housing Outlook Q3 2021: The effect of transaction tax holidays on house prices](#), Resolution Foundation, August 2021.

FIGURE 18: Working 'mainly' from home ticked up in the pandemic at the expense of commutes that crossed local authority boundaries

Proportion of workers mainly working from home or commuting to same or different local authority: UK/GB



SOURCE: Analysis of ONS, Labour Force Survey.

Unfortunately, though, it is not possible to use the LFS to investigate how many of those who mainly WFH are working fully remotely, or where their regular office is or was based. The LFS contains variables recording where workers live and the location of their workplace, and in principle these could be used to track whether the pandemic has, for example, allowed workers to live further away from, or in different places from, their workplace. But workers who report in the LFS that they “mainly” WFH have their workplace location automatically set to their home location, so these variables do not let us see whether (for example) fully remote office workers have relocated to the Shetland Islands.

Other data sources could, in principle, shed some light on this issue. For example:

- The ASHE dataset contains the location of the employee and of their employer, and in principle this could be used to track any change over time in how far people are living from their employers. Data from April 2022, however, is not yet available, and data from April 2021 is too early in the pandemic to shed light on any permanent change in workers’ commuting or location decisions.
- Data from the next full wave of Understanding Society could in principle be used to track

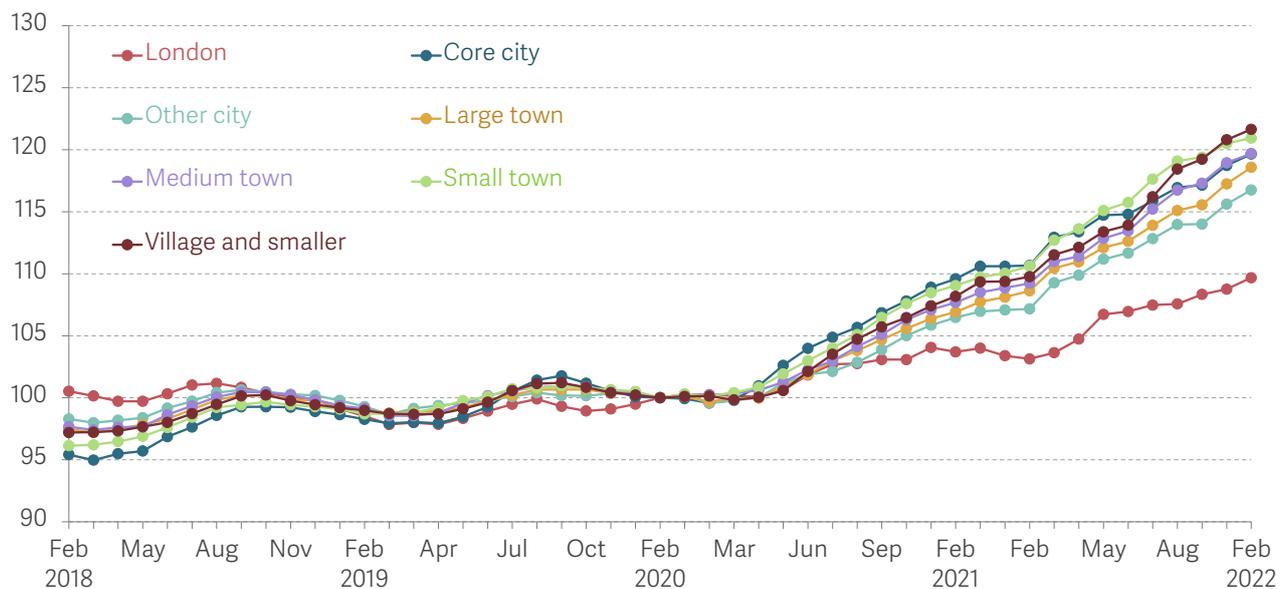
whether the availability of remote working has allowed working households to move, but the small sample sizes, and the fact that households that move house

are also more likely to drop out of the survey, could mean that it provides only inconclusive evidence.

Changes in average house prices since early 2020 have continued to be suggestive of what was named a ‘race for space’. As Figure 19 shows, places where house prices rose the most following the pandemic were small towns and villages, whereas the places where house prices rose the least were in London.³² Although house prices in London have been growing relatively slowly since at least 2018, the surge for small towns and villages is a new trend.

FIGURE 19: Demand has increased the most in small towns and villages, and the least in core cities

Index of average house prices, by city and town classification of local authorities (Feb 2020=100): UK



NOTES: House price index is based on an unweighted average across areas within each area-type.
SOURCE: Analysis of HM Land Registry, UK House Price Index; House of Commons Library, City and Town classification.

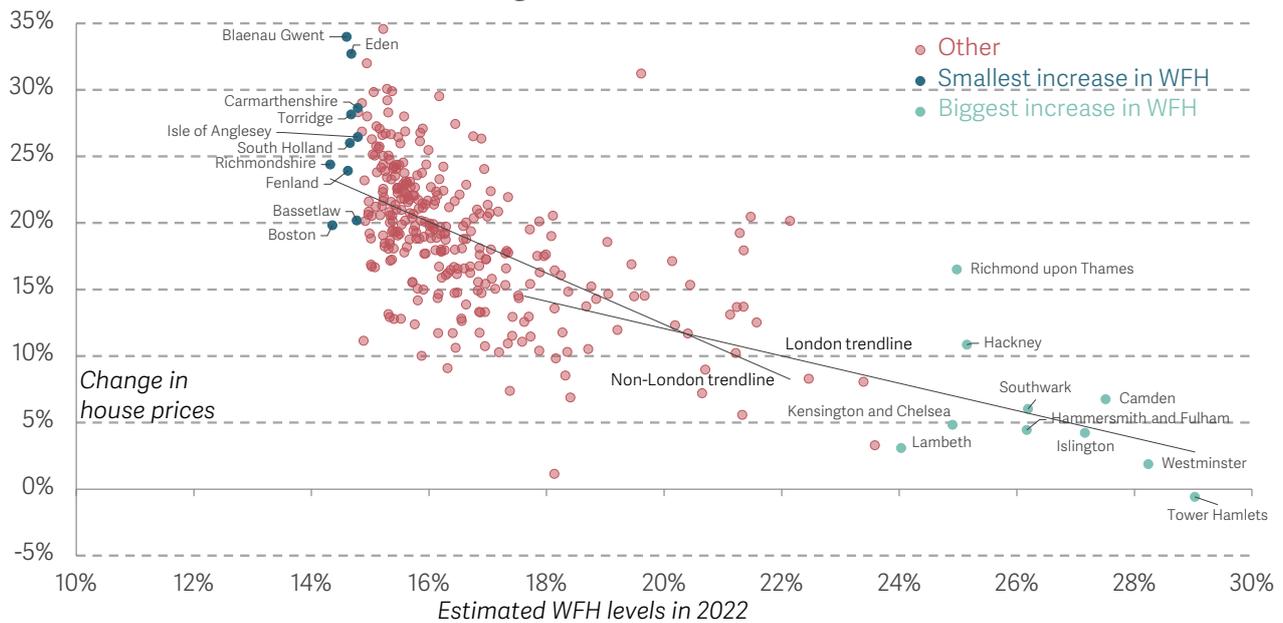
Additional evidence that this is related to the ability of some workers to move is provided in Figure 20: this shows how growth in house prices since 2020 is related to the estimated number of workers who can WFH (based on pre-pandemic residence patterns). It shows a very clear relationship that house prices have risen more slowly in

³² This updates: L Judge & C Pacitti, *Housing Outlook Q2 2021: The impact of Covid-19 on housing demand across the UK*, Resolution Foundation, May 2021.

places where there thought to be large numbers of people who can now WFH (based on pre-pandemic residential patterns); this is true inside and outside of London. This is consistent with a story that WFH is reducing demand among previous commuter-belt LAs.

FIGURE 20: House prices rose the least in areas where more people are working from home

Change in house prices from February 2020 to February 2022 and estimated fraction of workforce that is WFH in 2022: England and Wales

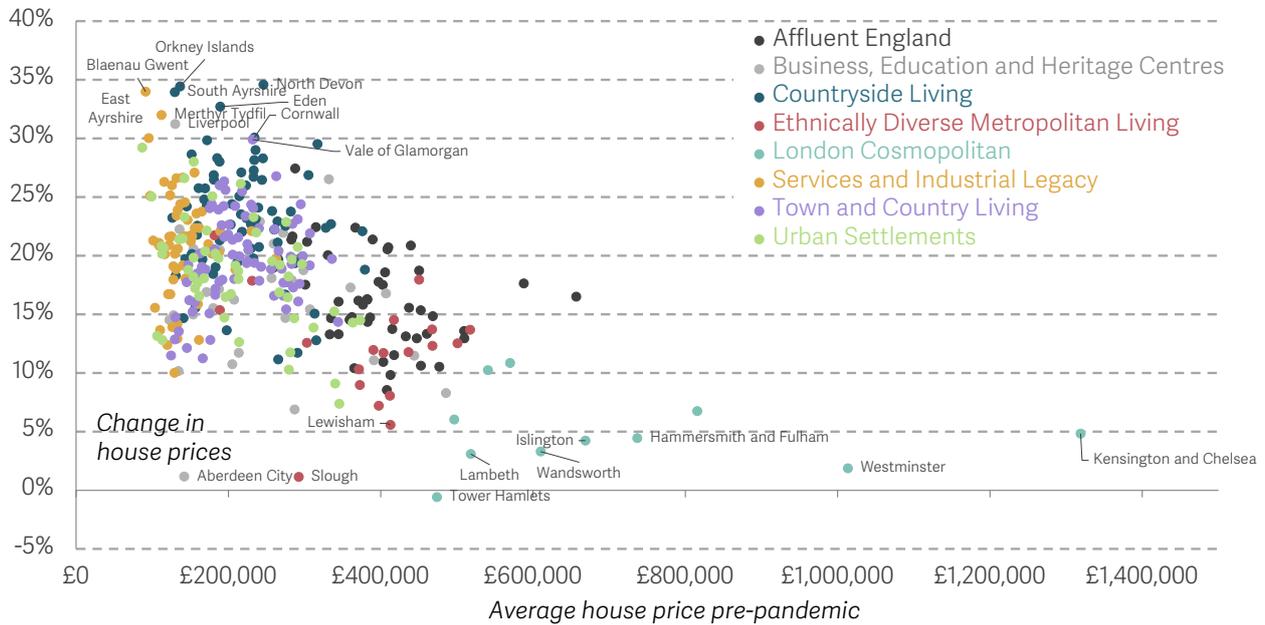


SOURCE: HM Land Registry, UK House Price Index; De Fraja et al., Covid reallocation of spending: The effect of remote working on the retail and hospitality sector, SERPS no. 2021006; December 2021.

But what is this doing to spatial inequalities? Figure 21 shows very clearly that the fastest growth (in percentage terms) in house prices has occurred in areas with the lowest house prices (with particularly strong growth in areas of rural Scotland, the Welsh valleys, and the South West of England). House prices have risen the least in London boroughs, particularly in places characterised as ‘London cosmopolitan’ (the more central areas of London), but also in Aberdeen, and Slough (which is likely to be another airport effect). This has reduced spatial inequalities: the 90:10 ratio for local authority average house prices has fallen from 3.18 to 3.11 from 2020 to 2022.

FIGURE 21: House prices have risen the most in places where they were lower pre-pandemic

Change in house price between February 2020 and February 2022 and house price in February 2020: UK

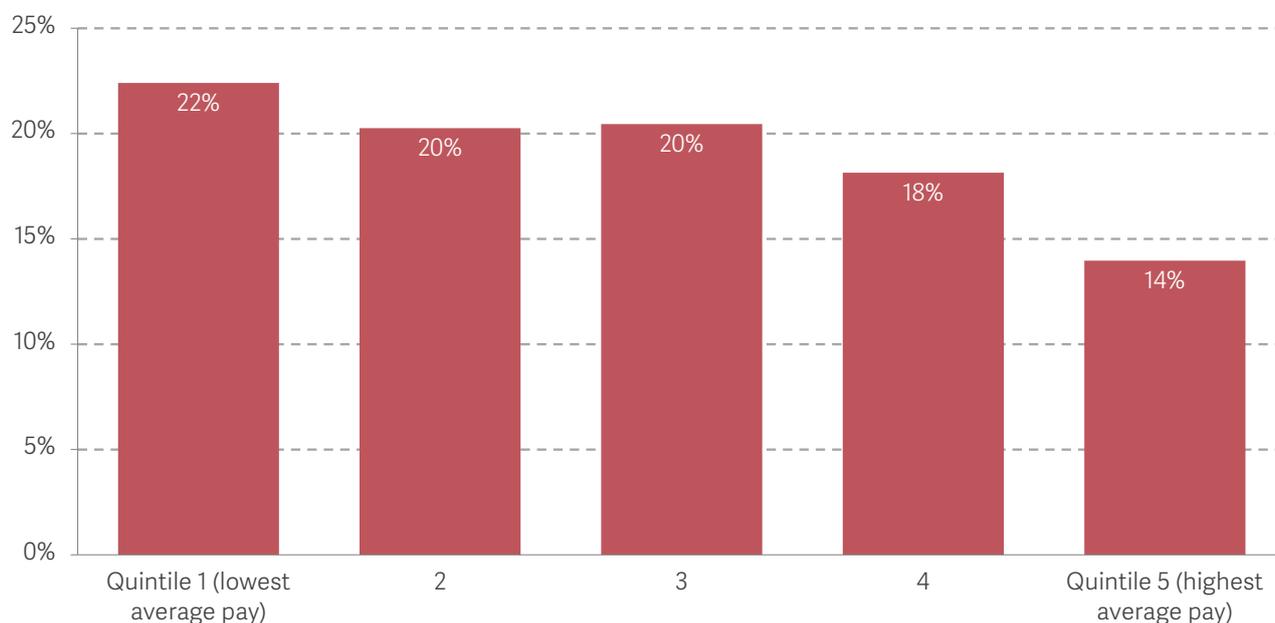


SOURCE: HM Land Registry, UK House Price Index; ONS, 2011 residential-based area classifications.

However, although a reduction in spatial inequalities in house prices is to be welcomed, unless this apparent pick-up in demand leads to increase in housing supply in these rural areas, then increases in house prices on the scale shown in Figure 21 will put pressure on housing costs. And what is particularly noteworthy about the changes since 2020 is how house prices have risen most in some of the least-well-paid areas of the UK (see Figure 22), with an eight percentage point difference between local authorities in the poorest-paid quintile and highest-paid quintile. This suggests a potential worrying consequence of WFH, in this case working through house price and housing costs changes, where low-paid households are priced out of areas that had previously been over-looked by commuters because of their poor connections to core cities.

FIGURE 22: House prices have risen more in places with lower earnings

Change in average local authority house price between February 2020 and February 2022, by hourly pay quintile in April 2020: GB



NOTES: Pay quintiles are calculated using the unweighted distribution of the median full-time hourly pay in each area.

SOURCE: HM Land Registry, UK House Price Index; ONS, ASHE.

BOX 6: Growth in average rents remains low in London, although the rents of new tenancies are starting to rise much more quickly

Data on rental prices is not available at the level of the local authority: Figure 23 shows that rents in the East Midlands and the South West have risen the most since February 2020, whereas rents in the North East, South East and London have risen the least, with rent growth in London in particular being especially weak.

Some research has suggested that this trend is reversing: Zoopla reported that rents increased sharply in the last quarter of 2021, rising at 8.3 per

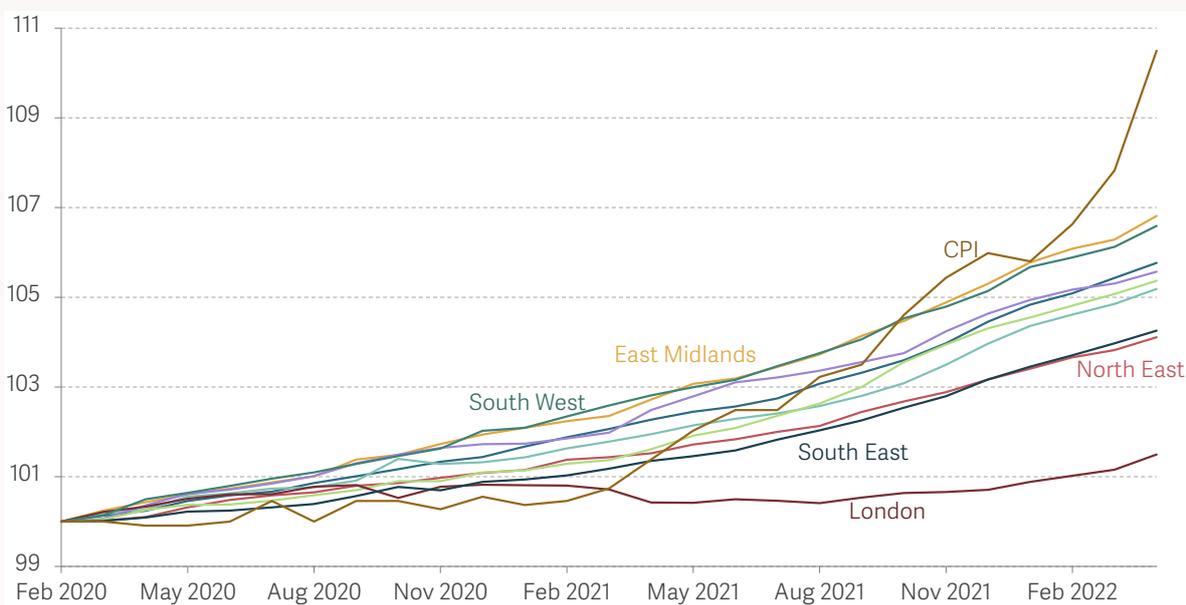
cent annually, and at 11 per cent in Inner London.³³ However, the Zoopla data refers to new tenancies, and any change here is not yet borne out in the ONS data: the annual rise in rents in London in April was a much lower 1.1 per cent (although this is itself higher than the March rate of 0.4 per cent, and falls in much of 2021).³⁴ Therefore, whether this trend is reversing, and will reverse in the coming months, is yet to be determined.

³³ J Pickford, *Residential rents rise at fastest pace in 13 years*, Financial Times, February 2022.

³⁴ ONS, *Experimental Index of Private Housing Rental Prices*.

FIGURE 23: Rents in London have risen much less in 2021 and 2022 than they have in other parts of the country, compared to their level in February 2020

Rental price index by region and the Consumer Price Index (February 2020 = 100): England



SOURCE: ONS, CPI; ONS, Experimental Index of Private Housing Rental Prices.

Conclusion

This note has considered what might be the long-term impacts of Covid-19 on spatial inequalities in economic outcomes across the UK. It has drawn on a number of relatively under-used data sources to try to provide as timely a picture as possible, but the downside is that this has not allowed for a comprehensive assessment (we have not been able to consider the geographical trends in labour market inactivity, for example).

What we can see so far is that, differently from other dimensions of inequality, such as in ethnic differences, or the gap between those on high and low wealth, changes to the UK since early 2020 have had small impacts on spatial inequalities, although some disadvantaged areas of Outer London continue to struggle. Given that some feared that Covid-19 could permanently damage many of our cities, this is a welcome outcome. On the other hand, it is not yet clear that remote working is facilitating levelling up to any meaningful extent. And, even if labour markets seem to have equalised slightly, it is no cause for celebration that the claimant count has risen most in ethnically diverse parts of Outer London. This means that policy makers seeking to level up deprived parts of Britain should not rely on remote working being a panacea. They must also continue to pay attention to inequalities within areas, and in particular consider how to improve prospects for disadvantaged workers in our core cities.

Annex: Creating consistent local authority-level data

This report uses many data sources at the local authority level, with dates that vary from 2011 to 2022. However, local authority boundaries and names change over time. (For example, Buckinghamshire Council was created in April 2020, made up of the districts of Aylesbury Vale, Chiltern, South Bucks and Wycombe. In some of our datasets, data is provided for Buckinghamshire, but in others it is provided for Aylesbury Vale, Chiltern, South Bucks and Wycombe). In order to use a consistent set of local authorities, we have had to impute data for some local authorities in some years. This has affected the following:

- Buckinghamshire (formerly Aylesbury Vale, Chiltern, South Bucks and Wycombe)
- North Northamptonshire (formerly Corby, East Northamptonshire, Kettering and Wellingborough)
- West Northamptonshire (formerly Daventry, Northampton and South Northamptonshire)
- Argyll and Bute (formerly Helensburgh and Lomond, Argyll and Bute Islands and Argyll and Bute Mainland)
- Highland (formerly Ross and Cromarty, Caithness and Sutherland, Inverness and Nairn, Badenoch and Strathspey, Lochaber and Skye and Lochalsh)
- Moray (formerly West Moray and North East Moray)
- North Ayrshire (formerly Arran and Cumbrae and North Ayrshire mainland)
- East Suffolk (formerly Suffolk Coastal and Waveney)
- West Suffolk (formerly Forest Heath and St Edmundsbury)
- Bournemouth, Christchurch and Poole (formerly three separate local authorities)
- Dorset (formerly Weymouth and Portland, West Dorset, North Dorset, East Dorset and Purbeck)
- Somerset West and Taunton (formerly Taunton Deane and West Somerset)

We have also excluded the City of London and the Isles of Scilly throughout, as they are very small local authorities, and are not consistently available in all of the data sources.

The local authority level measure of the Index of Multiple Deprivation that we have used is the rank of the average score, which ranks all local authorities in England, with 1 being the most deprived and 317 being the least deprived.³⁵ As mentioned above, for local authorities that have changed since 2019, we have averaged their IMD rank. For example, for Buckinghamshire, we have averaged the existing IMD ranks for Aylesbury Vale, Chiltern, South Bucks and Wycombe.

³⁵ For more information, see: MHLCG, [English indices of deprivation 2019](#), 26 September 2019.

We use the ONS' 2011 residential-based area classifications in this report. This data splits each local authority into one of eight categories, these being Affluent England; Business, Education and Heritage Centres; Countryside Living; Ethnically Diverse Metropolitan Living; London Cosmopolitan; Services and Industrial Legacy; Town and Country Living; and Urban Settlements.³⁶ This gives us a rough estimation of the density of each local authority, and what sort of people live there. However, we acknowledge that these classifications are based on 2011 Census data.

Some of our charts use the data series 'City & town classification of constituencies & local authorities', from the House of Commons Library, which labels local authorities according to the type of settlement in which the largest share of its population lives. "Core city" relates to twelve major 'population and economic centres' (London, Birmingham, Glasgow, Liverpool, Bristol, Manchester, Sheffield, Leeds, Edinburgh, Cardiff, Nottingham and Newcastle). "Other city" refers to other settlements with more than 175,000 inhabitants. "Large town" refers to settlements with a population in excess of 60,000, and "Medium town" a population of over 7,500, with "village or similar" covering all other settlements.³⁷

³⁶ For more information, see: ONS, [2011 residential-based area classifications](#), accessed on 10 June 2022.

³⁷ House of Commons Library, [City & town classification of constituencies & local authorities](#), 21 June 2018.

Reports published as part of The Economy 2030 Inquiry to date

All publications are available on the [Inquiry's website](#).

1. The UK's decisive decade: The launch report of The Economy 2030 Inquiry
2. Levelling up and down Britain: How the labour market recovery varies across the country
3. Work experiences: Changes in the subjective experience of work
4. The Carbon Crunch: Turning targets into delivery
5. Trading places: Brexit and the path to longer-term improvements in living standards
6. Home is where the heat (pump) is: The Government's Heat and Buildings Strategy is a welcome step forward but lower-income households will need more support
7. Business time: How ready are UK firms for the decisive decade?
8. Begin again?: Assessing the permanent implications of Covid-19 for the UK's labour market
9. More trade from a land down under: The significance of trade agreements with Australia and New Zealand
10. Social mobility in the time of Covid: Assessing the social mobility implications of Covid-19
11. Changing jobs? Change in the UK labour market and the role of worker mobility
12. Social Insecurity: Assessing trends in social security to prepare for the decade of change ahead
13. A presage to India: Assessing the UK's new Indo-Pacific trade focus
14. Under pressure: Managing fiscal pressures in the 2020s
15. Under new management: How immigration policy will, and won't, affect the UK's path to becoming a high-wage, high-productivity economy

16. Shrinking footprints: The impacts of the net zero transition on households and consumption
17. Enduring strengths: Analysing the UK's current and potential economic strengths, and what they mean for its economic strategy, at the start of the decisive decade
18. Listen up: Individual experiences of work, consumption and society
19. Growing clean: Identifying and investing in sustainable growth opportunities across the UK
20. Low Pay Britain 2022: Low pay and insecurity in the UK labour market
21. Bouncebackability: The UK corporate sector's recovery from Covid-19
22. All over the place: Perspectives on local economic prosperity

THE ECONOMY 2030 INQUIRY

SHAPING A DECADE OF CHANGE

The UK is on the brink of a decade of huge economic change – from the Covid-19 recovery, to exiting the EU and transitioning towards a Net Zero future. The Economy 2030 Inquiry will examine this decisive decade for Britain, and set out a plan for how we can successfully navigate it.

The Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics. It is funded by the Nuffield Foundation.

For more information on The Economy 2030 Inquiry, visit
economy2030.resolutionfoundation.org.

For more information on this report, contact:

Lalitha Try

Researcher

lalitha.try@resolutionfoundation.org