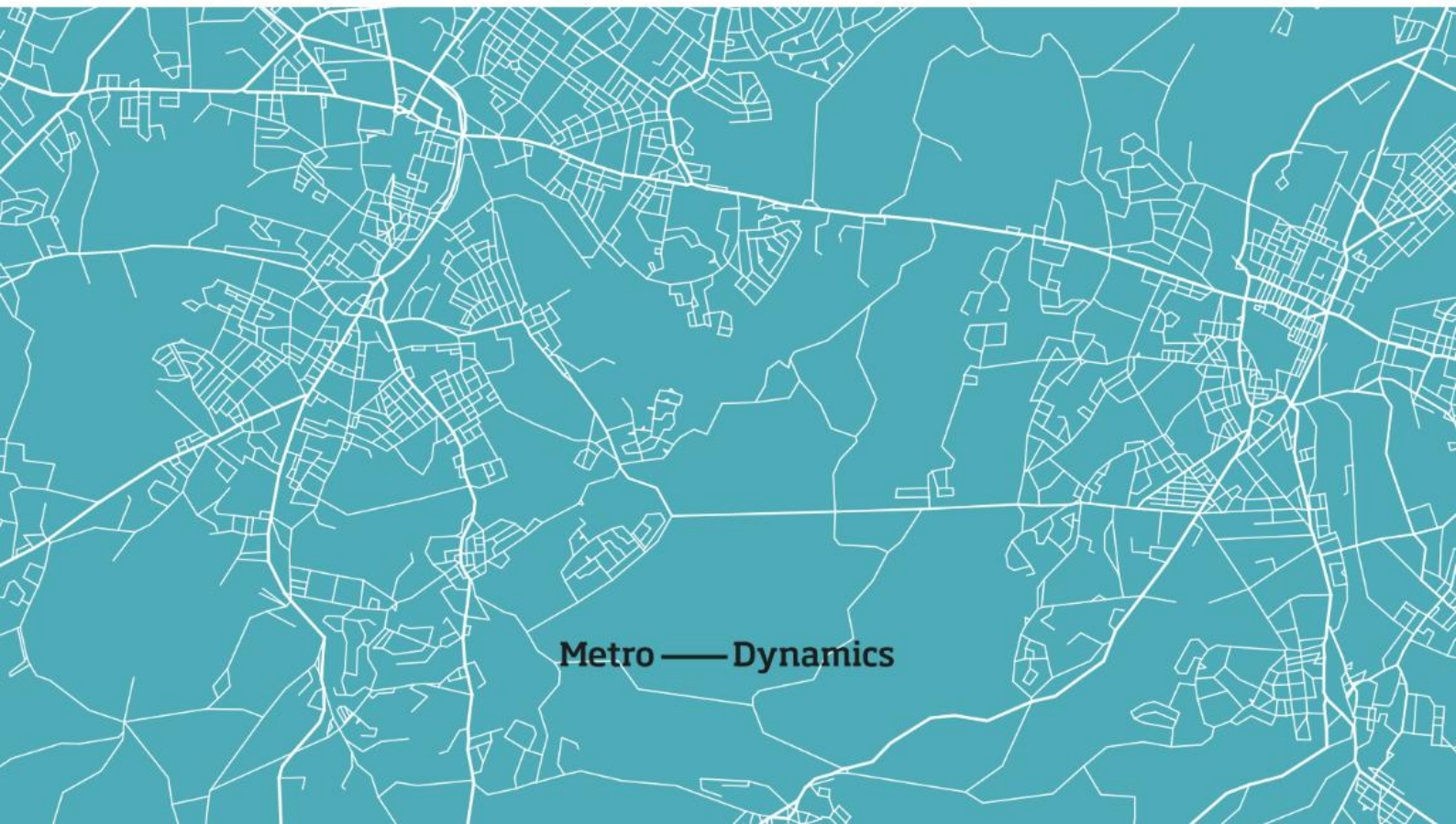




# Assessing the Impact of Covid 19 in Cambridgeshire & Peterborough

*July 2021*



Metro — Dynamics

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## Executive Summary

### Summer 2021 Covid-19 Impact Assessment

It is nearly eighteen months into the Covid-19 pandemic and resulting economic crisis. The long term impacts of the crisis are still uncertain and projections of the future trajectory of our economic response vary enormously, based on the potential for new variant strains, the effectiveness of vaccines at containing them, uncertain Government policy and changing public behaviour among other factors. We can, however, assess the impact on the Cambridgeshire and Peterborough economy over the last 18 months. That is what this report seeks to set out, focusing on the evolving public health context and resulting impacts on businesses and labour markets.

Across Cambridgeshire & Peterborough to 5<sup>th</sup> July 2021 there have been 47,000 cases and 1,661 deaths.<sup>1</sup> Cases reached a new peak in mid-January and steadily declined until May when case numbers began to rise again, following the national pattern. Cases are concentrated in relatively deprived urban areas, particularly in Peterborough, which has seen the highest absolute number of cases at 16,000 and also the highest concentration of confirmed cases, at 8,200 per 100,000 people.

The vaccine rollout is helping to contain the pandemic. In England, by 5<sup>th</sup> July 76% of adults had received their first dose and 57% their second; within Cambridgeshire & Peterborough 74% of adults had received their first dose and 54% their second. Rates of vaccination vary across the region, with the cities of Peterborough and Cambridge reporting significantly lower coverage, largely as a result of their younger populations.

### **Vaccination is helping recovery, but structural impacts will remain.**

Partly as a consequence of the successful vaccine rollout, projections for the UK's economic growth are being revised upwards. The Office of Budget Responsibility (OBR) now expects the UK economy to return to pre-pandemic levels sometime in 2022, with unemployment to peak in late 2021. That said, this faster bounce back in economic activity is not expected to translate into a complete economic recovery. The national economy is still expected to be 3% smaller in 2025 than it would have been without the pandemic.

### **Economic impact varies across the area**

A recovery also appears to be underway in Cambridgeshire & Peterborough, aided by recovery in construction, manufacturing and retail sectors, though at the end of 2020 the economy remained 7.6% smaller than it was before the onset of the pandemic – a near £500m fall in output. The scale of the fall in output varies across local economies, ranging from a 5% reduction in Fenland to 10% in Cambridge, based on the concentration of more-affected sectors in each place.

### **Gradual recovery in hospitality and leisure, with labour shortages**

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<sup>1</sup> Metro Dynamics analysis of UK Covid Dashboard Data (16<sup>th</sup> June 2021)



The most significant effects of the pandemic have been on retail, hospitality and entertainment businesses, which have been particularly hit by lockdown restrictions and having to adapt fast to both those restrictions and changing consumer preferences. We are nevertheless seeing signs of recovery in these businesses. Prior to the pandemic 104,000 people in Cambridgeshire and Peterborough were employed in entertainment, hospitality and retail sectors – around one in four workers.

Although job losses at the start of the pandemic were concentrated in these sectors, many businesses are now reporting difficulties hiring staff. A particular challenge is to fill jobs previously commonly held by workers from the EU and elsewhere who have left the UK over the course of the pandemic. Business are also reporting difficulty in hiring seasonal student labour as potential employees are choosing not to work this summer.

### **Wider trading environment improving, but with rapid adjustments needed**

As consumer confidence has grown the business environment has gradually improved, with more than 90% of businesses now trading an increasing number reporting improved profits. The crisis has required businesses across all sectors to adapt and invest in new processes and practices. There is some indication that this will lead to sustained productivity improvements, though the scale of the impact remains to be seen and may be offset by firms rehiring.

### **Unemployment has increased and the impact has been exacerbated existing inequality.**

Employment support schemes (particularly the Coronavirus Job Retention Scheme, 'furlough') have continued to act as an effective break on increasing unemployment. Across Cambridgeshire and Peterborough nearly 40,000 workers were still furloughed at the beginning of May 2021 and at least 30,000 more people are on Universal Credit now than before the pandemic.

Despite this support flowing to lower-income households, the overall impact of the crisis is a deeply unequal one. There is a clear correlation between areas of pre-existing deprivation and the incidence of Covid-19 cases and deaths, as well as correlated increases in new Universal Credit claims. The pattern is most pronounced in the city of Peterborough and the market town of Wisbech in Fenland, but also in Soham, St Neots and parts of Cambridge, where relatively high levels of deprivation are matched by relatively high levels of Covid-19 cases and deaths and increases in Universal Credit claims. The unequal impacts of the crisis seem likely to spill over into an unequal recovery, with deprived people and places again disproportionately the most affected.

### **Plans will need to continue to evolve**

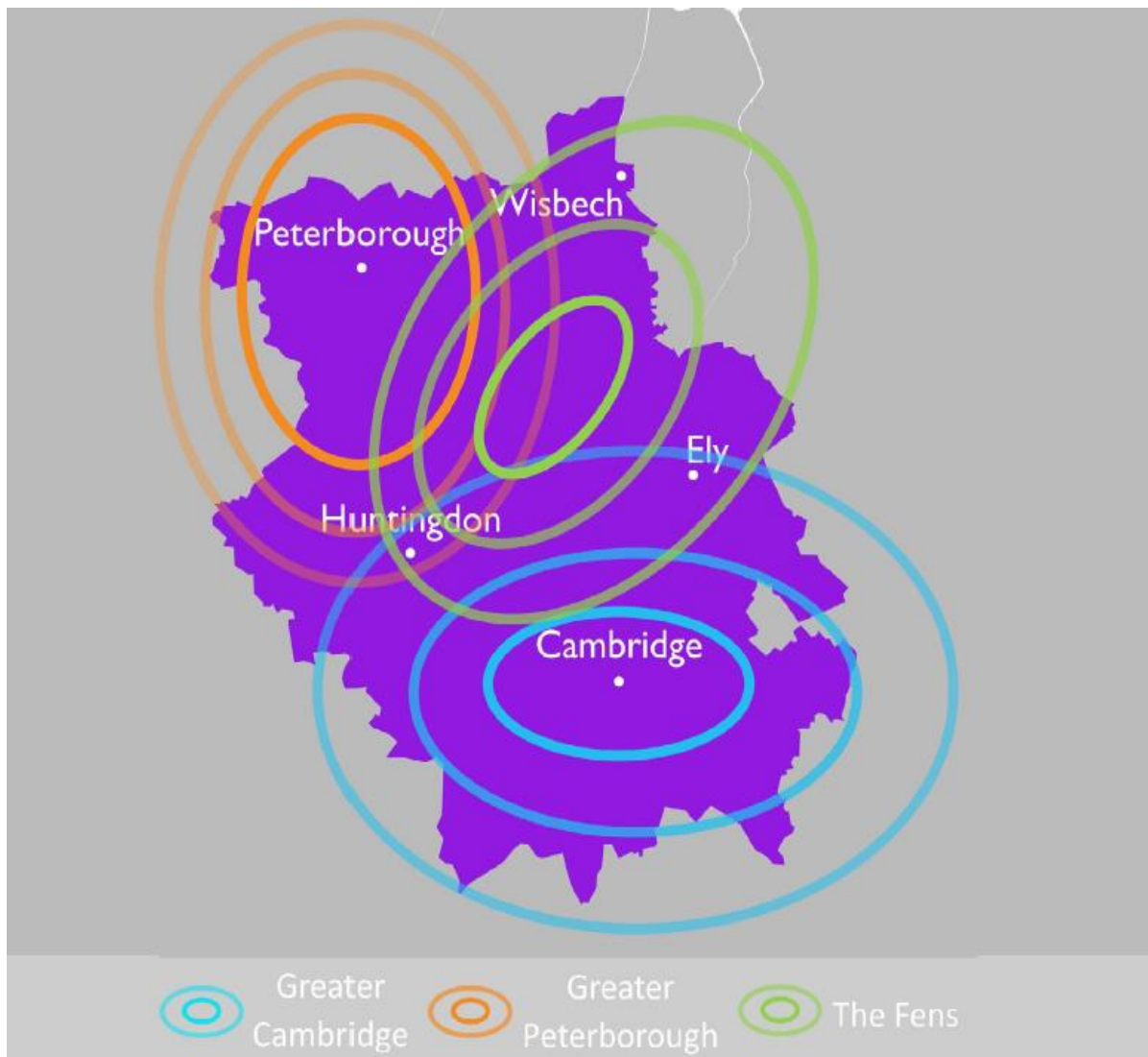
The Cambridgeshire and Peterborough Local Economic Recovery Strategy sets out the partners' current response to the crisis, as a live plan that can respond to emerging issues and impacts. This report provides insight and analysis to support the ongoing implementation and development of the approach laid out in the LERS.

# 1 The crisis: 18 months on

## Uncertain and diverging paths to recovery in Cambridgeshire and Peterborough's sub-economies

- 1.1 This report sets out what can be known about the impacts of the Covid-19 pandemic and resulting economic crisis as of July 2021. Eighteen months into the crisis and the trajectory of the pandemic is still uncertain. But the progression of the virus itself is clearly just one uncertainty. Governments, businesses and the public are still counting the cost from the pandemic and coming to terms with how to adapt, with many difficult decisions ahead. The pandemic has altered the context for those decisions far beyond public health. It has created, accelerated or in some way modified major consumer, business political and economic trends, many of which were priorities before the pandemic and have become more urgent. Perhaps most obviously in the need to generate more productive, inclusive and greener growth to support recovery.
- 1.2 The Cambridgeshire and Peterborough Local Economic Recovery Strategy sets out the partners' current response to the crisis. This report provides insight and analysis to support the ongoing iteration and development of the approach laid out in the LERS. It does not seek to evaluate the effectiveness of the LERS in aiding local recovery and renewal.
- 1.3 A range of social and economic indicators have been volatile subject to large changes since March 2020. This has made many datasets temporarily obsolete. The full scale of the pandemic's economic impact will not be known for some time, particularly at a local (ie district) level. To compensate, our approach is to take stock of a broad range of variables which *are* currently available – on economic output, business conditions, innovation and productivity, unemployment, deprivation and others – to create a clearer understanding of the impacts so far.
- 1.4 The impacts of the crisis have varied greatly across different people and places across the country. The same is also true within Cambridgeshire and Peterborough, which contains local economies that, while overlapping and inter-connected, have different characteristics and serve different purposes (Figure 1). Our analysis seeks to draw out the different impacts on the economies within Cambridgeshire and Peterborough wherever possible.
- 1.5 This chapter of the report offers an overview of the impacts and potential implications of the crisis, beginning with the evolving public health context. Latter chapters of this report delve into the detailed impacts on the Economy and Business, and Labour Markets.

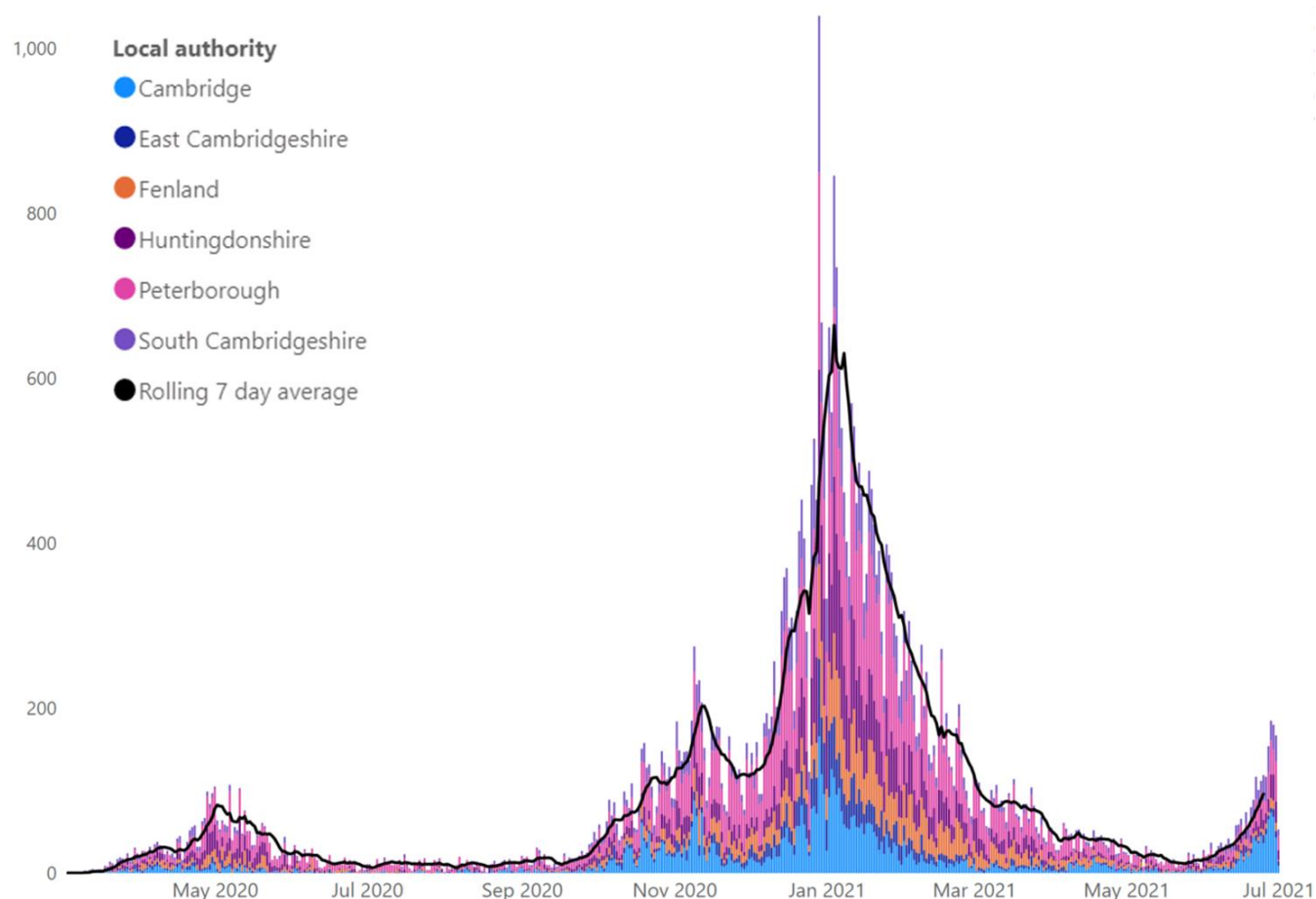
Figure 1: The three sub-economies within the Cambridgeshire and Peterborough Combined Authority



## The evolving public health context

- 1.6 The public health trajectory of the pandemic remains uncertain. Despite the recent success of lockdowns and vaccines in containing the pandemic and weakening the link between cases and hospitalisations, cases are once again on the rise, with acute localised outbreaks and new variants an ongoing concern. However as at 6 July 2021 it appears likely that this pattern of continuing waves of infections, with lower hospitalisation and mortality rates will continue, alongside a growing policy push to reopen the remainder of the economy and to learning to “live with” the virus and future variants.
- 1.7 Across Cambridgeshire & Peterborough there have been 47,000 cases and 1,661 deaths, as of July 5th 2021.<sup>2</sup> Cases reached a new peak in mid-January and steadily declined until May when case numbers began to rise again, following the national pattern.

*Figure 2: Confirmed Covid-19 cases by district in Cambridgeshire & Peterborough, March 2020 - 1 July 2021*



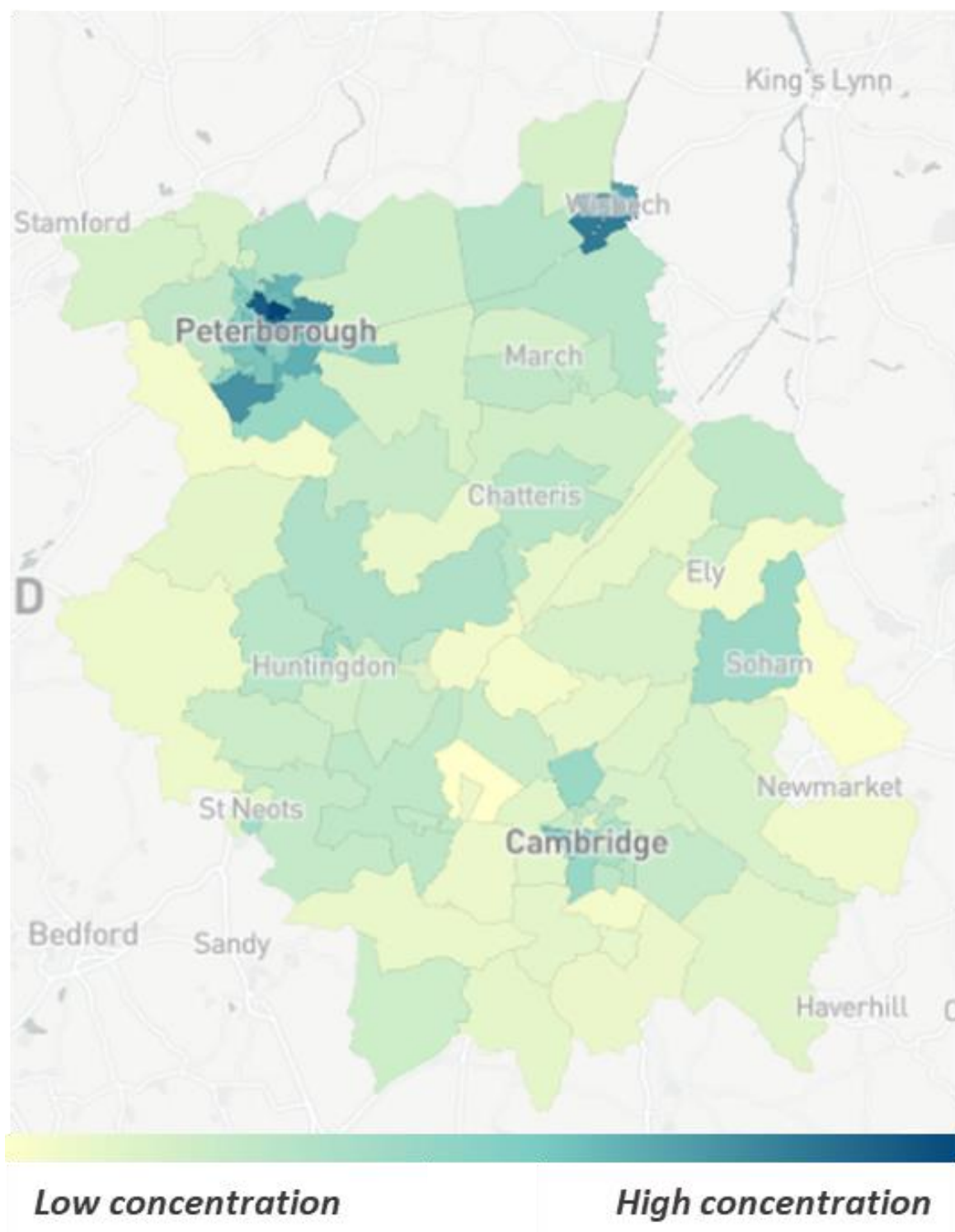
- 1.8 The map below plots cumulative Covid-19 cases by MSOA area.<sup>3</sup> Cases are concentrated in relatively deprived urban areas, particularly in Peterborough, which

<sup>2</sup> Metro Dynamics analysis of UK Covid Dashboard Data (16<sup>th</sup> June 2021)

<sup>3</sup> A Middle Layer Super Output Area (MSOA) is a statistical geographic area containing approximately 8,000 people, so each shaded area on the map contains roughly the same number of people.

has seen the highest absolute number of cases at 16,375 and also the highest concentration of confirmed cases, at 7,900 per 100,000 people as of July 1<sup>st</sup> 2021.

*Figure 3: Total Covid-19 cases in Cambridgeshire & Peterborough by MSOA, March 2020 - June 2021*



- 1.9 Higher numbers of Covid-19 cases and deaths are correlated with pre-existing areas of deprivation – particularly deprived areas in densely populated cities and towns where the virus spreads most easily. Residents on low incomes in cities and towns - including Peterborough, Wisbech, Soham, St Neots and parts of Cambridge - often

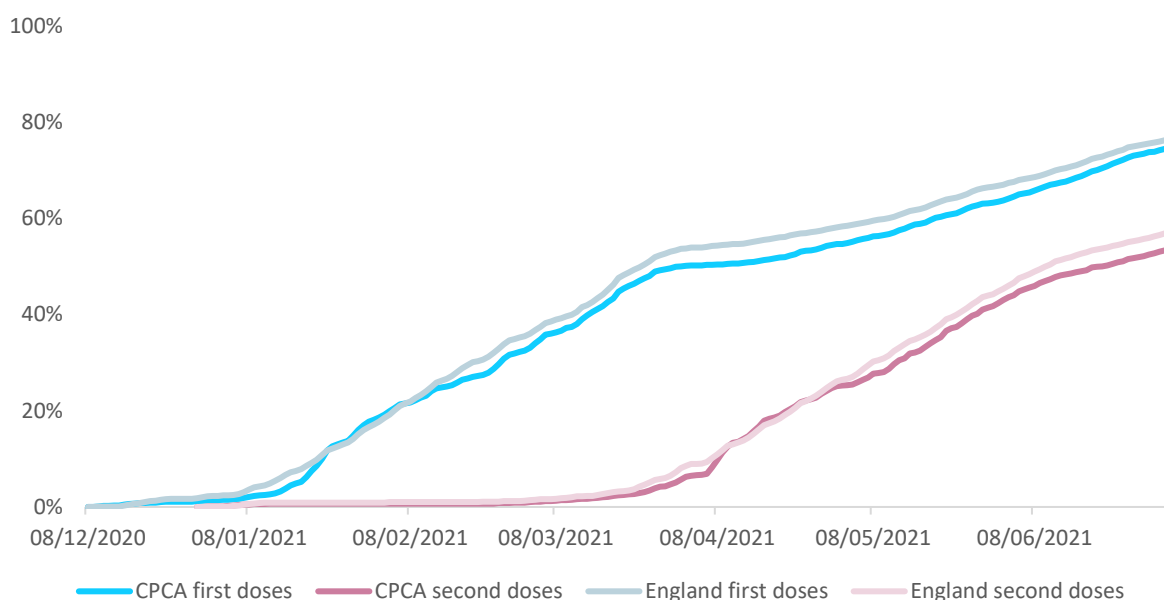


work in occupations more exposed to the virus (such as workers in health care and hospitality) and are less able to afford to take leave from work to self-isolate.

District	Rate (per 100,000 people), since March 2020 to 5 <sup>th</sup> July 2021	Cumulative cases to 5 <sup>th</sup> July 2021
Peterborough	8,160	16,375
Fenland	5,751	5,820
Cambridge	5,408	6,565
Huntingdonshire	4,734	8,303
South Cambridgeshire	4,033	6,296
East Cambridgeshire	3,584	3,181

1.10 The vaccine rollout is helping to contain the pandemic. In England, by 5<sup>th</sup> July 76% of adults had received their first dose and 57% their second; within Cambridgeshire & Peterborough 74% of adults had received their first dose and 54% their second.

Figure 4: Percentage of population on vaccine register receiving a vaccination to 5<sup>th</sup> July 2021

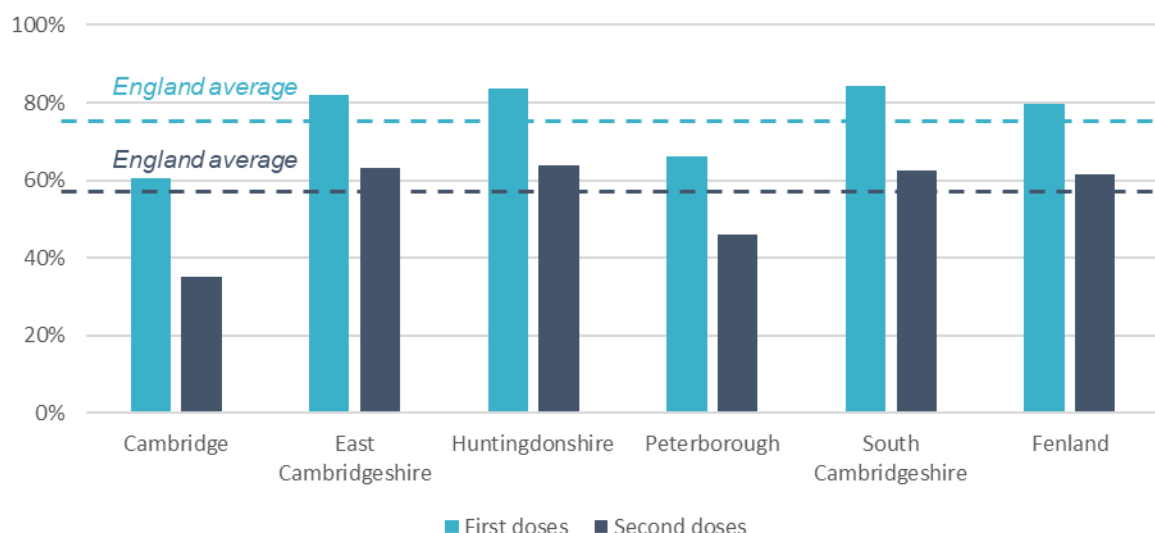


1.11 The proportion of vaccinated residents varies considerably across districts in Cambridgeshire and Peterborough, as the chart below shows.

1.12 Rates of vaccination are significantly lower in Cambridge and to a lesser extent in Peterborough than in other districts, where residents are being vaccinated at faster rates than the England average. Although potentially a cause for concern for Cambridge and Peterborough as the economy reopens and restrictions loosen, most of

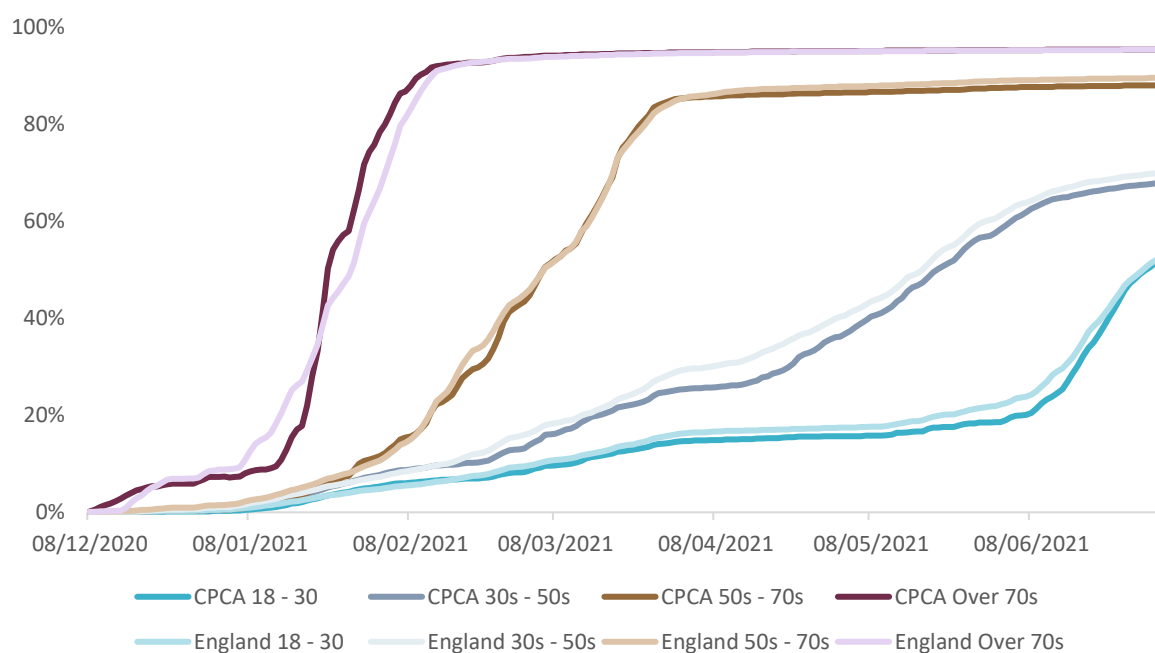
this gap is a consequence of how the vaccine rollout has occurred, with eligibility determined by age. Peterborough and Cambridge have lower median ages than other districts in the combined authority, and so more of their residents have waited to receive their vaccine. As the vaccine is now available to all adults, we should expect to see vaccination coverage increase in each place and catch up to the England average.

Figure 5: Vaccination rates by district, Cambridgeshire and Peterborough, 5th July 2021



1.13 The chart below shows how vaccines have been taken up by the population according to age groups (based on first doses administered), comparing the rollout across Cambridgeshire & Peterborough to England. It shows that when taking age into account the vaccine's rollout across Cambridgeshire & Peterborough is proceeding at a similar pace to across England.

Figure 6: Percentage of population receiving first vaccine dose by age group, CPCA and England, 5th July 2021

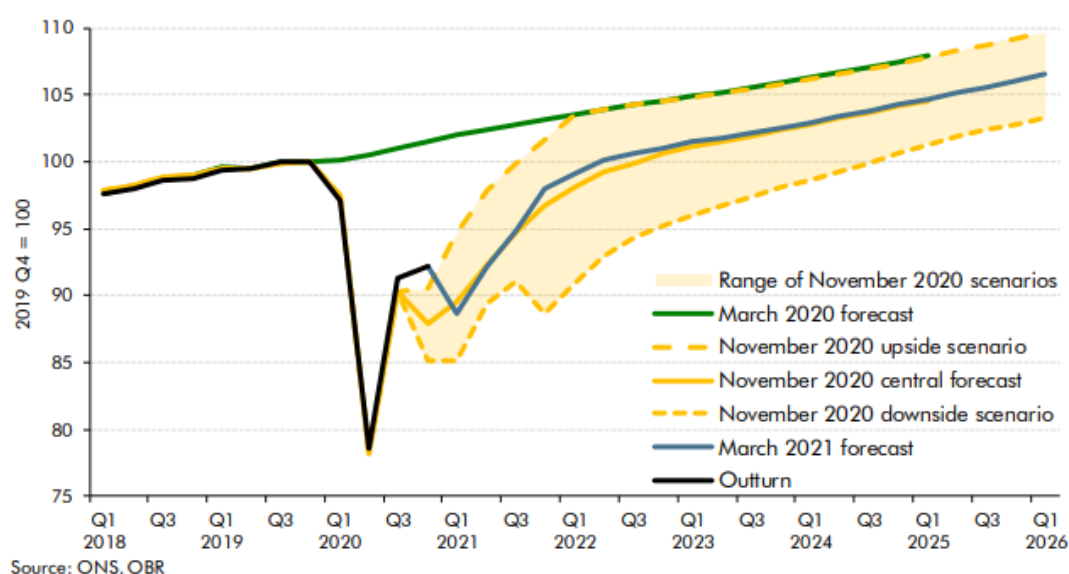


## Looking ahead to the economic recovery

### The economy is rebounding faster than expected but will carry long-term scars

- 1.14 Partly as a consequence of the successful vaccine rollout, projections for the UK's economic growth are being revised upwards.
- 1.15 The Office of Budget Responsibility (OBR) has cautiously increased its forecast for UK GDP growth, and now expects the UK economy to return to pre-pandemic levels sometime in 2022.<sup>4</sup> That said, this faster bounce back in economic activity is not expected to translate into a fuller economic recovery. The OBR still expects the economy will be 3% smaller in 2025 than it would have been without the pandemic.

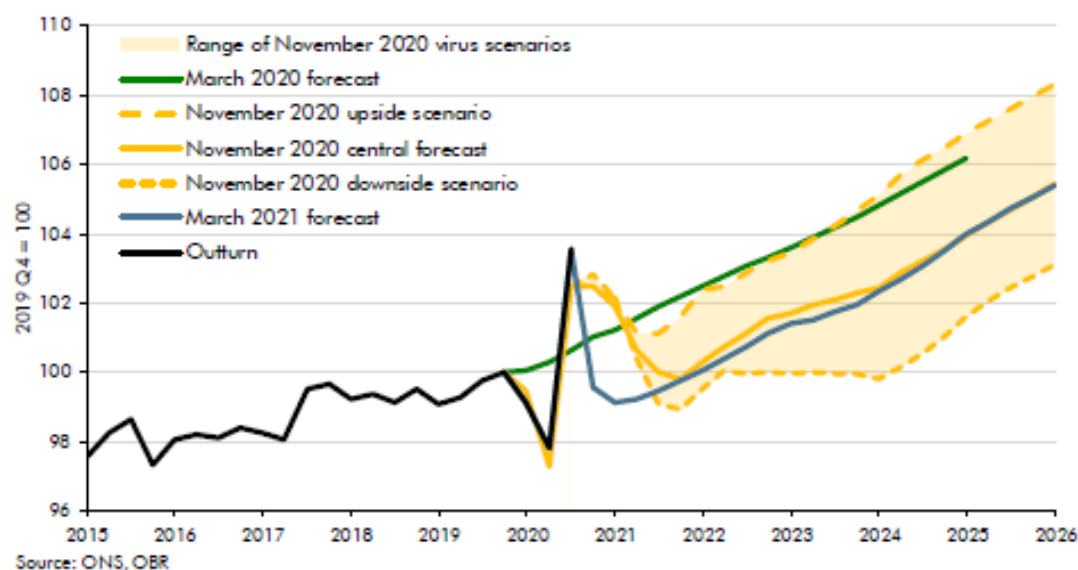
Figure 7: OBR forecast - Real GDP: central forecast and scenarios



- 1.16 Output per hour worked – a measure of productivity – has been volatile throughout the pandemic. It fell during the first national lockdown before rebounding strongly in Q3 2020, settling eventually at the end of the year broadly in line with pre-pandemic levels. This volatility has two competing causes: reduced business efficiency due to changes in work practices which reduced productivity; and the concentration of restrictions on low-productivity sectors, particularly in hospitality and entertainment, which increased productivity while reducing output.

<sup>4</sup> OBR, Economic and fiscal outlook, March 2021

Figure 8: OBR forecasts of output per hour for UK economy

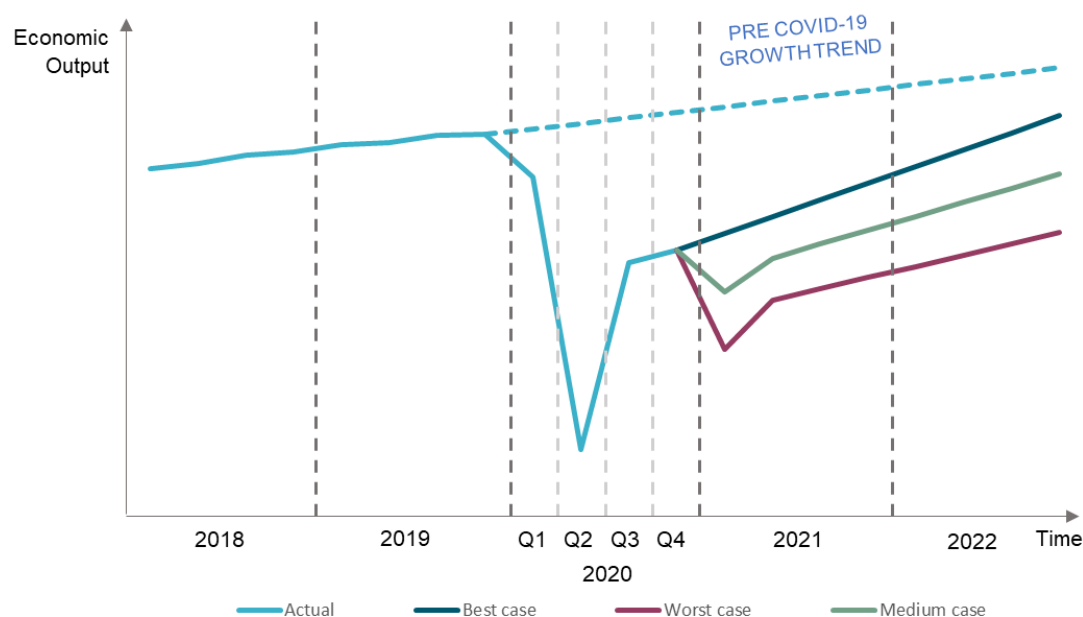


- 1.17 The OBR expects productivity to gradually recover as restrictions are eased and business investment rises. However, the OBR does not project productivity will increase at rates faster than before the pandemic, and in the medium term, productivity remains 2% below pre-pandemic forecasts.<sup>5</sup>
- 1.18 The Cambridgeshire and Peterborough Local Economic Recovery Strategy (LERS) sets out the rolling plan for accelerating the recovery, rebound and renewal of the economy, helping people affected and achieving the region's ambition to double GVA by 2042. The LERS is designed as a living document and was last refreshed in March 2021. It considers a range of scenarios for how economic output may recover across the region, as shown in the chart below. Early indications, based on national economic figures including the OBR forecasts, are that the economic recovery is proceeding broadly according to the 'medium case' scenario.

<sup>5</sup> OBR, Economic and fiscal outlook, March 2021



Figure 9: Scenarios for economic output across Cambridgeshire and Peterborough in the LERS



### Public interventions have so far prevented worst-case scenarios but there are many challenges still to come

- 1.19 The second quarter of 2020 saw the UK economy contract by the most it has in 300 years. Enormous public expenditure – at a quantity presumed unworkable before the pandemic – has been required to limit the damage to the economy and labour markets, and to substitute for massive reductions in household consumption and business investment. In total, the OBR estimates that UK Government spending on support measures associated with the pandemic, including support to workers and businesses, will cost £344 billion over 2020/21 and 2021/22.<sup>6</sup>
- 1.20 This support has protected millions of households from the worst economic impacts of the pandemic, principally through the Coronavirus Job Retention Scheme (CJRS, ‘furlough’) and Self Employment Income Support Scheme and increases to the rates for Universal Credit and Working Tax Credits. Across Cambridgeshire and Peterborough nearly 40,000 workers were still furloughed at the beginning of May 2021 and at least 30,000 more people are on Universal Credit now than before the pandemic.<sup>7</sup> The furlough scheme is expected to come to an end by October, with support tapering off before then, and the £20 a week increase to Universal Credit is expected to end in October also.
- 1.21 Despite this support, the overall impact of the crisis is a deeply unequal one, and while people have been less severely affected than would have been the case without intervention, the effects have fallen disproportionately on the poorest in society.
- 1.22 Looking at the spatial distribution of impacts within Cambridgeshire and Peterborough (see maps, Figure 11) we see a clear correlation between areas of pre-existing deprivation and the incidence of Covid-19 cases and deaths, as well as

<sup>6</sup> <https://obr.uk/box/the-rising-cost-of-the-coronavirus-policy-response-2/>

<sup>7</sup> Meto Dynamics analysis of DWP data

correlated increases in new Universal Credit claims. The pattern is most pronounced in the city of Peterborough and the market town of Wisbech in Fenland, where relatively high levels of deprivation are matched by relatively high levels of Covid-19 cases and deaths and increases in Universal Credit claims.

- 1.23 The withdrawal of Covid-19 public support could coincide with reductions in public services elsewhere as Government seeks to reduce overall expenditure. Meanwhile, in the private sector the focus will be on productivity gains and capitalising on innovation which the pandemic has facilitated - such as remote management of employees and a shift to online retail, with the potential for some lower-skilled workers to be displaced from the labour market as a result. The unequal impacts of the crisis seem likely to spill over into an unequal recovery, with deprived people and places again disproportionately the most affected.

**The unequal impacts of the crisis are likely to result in an unequal recovery, too**

- 1.24 Population health is strongly influenced by the amount and distribution of wealth across that population. For example, higher Gross Domestic Product (GDP) positively influences life expectancy across the population, while income inequality is associated with reduced life expectancy. UK income inequality is high by international standards and has been since the 1990s. The effects of this can be seen even within Cambridgeshire and Peterborough, where male life expectancy in Peterborough (a relatively deprived city) is more than four years lower than in South Cambridgeshire, and 1.5 years lower than the average across England. We also know that in some particularly deprived areas within the city average life expectancy is below retirement age.<sup>8</sup>
- 1.25 In this light, the crisis is of particular concern because it will widen economic inequalities across Cambridgeshire and Peterborough in the long-term, including along gender, ethnicity, age, and geographic lines (see maps, Figure 11). Groups likely to be particularly impacted are single parents, households where children are in receipt of free school meals, people from some ethnic minority backgrounds, and those living in economically deprived areas.<sup>9</sup> The pandemic has also had unequal impacts across generations, with young people disproportionately likely to have become unemployed or underemployed as a result of the crisis.<sup>10</sup>
- 1.26 Research by the Institute for Fiscal Studies suggests that workers whose livelihoods look most at-risk already tended to have relatively low incomes, and were relatively likely to be in poverty, prior to the onset of the pandemic. On the whole, lower income households have responded to the crisis by spending the savings they had on necessities such as housing and food, while higher income households saw their

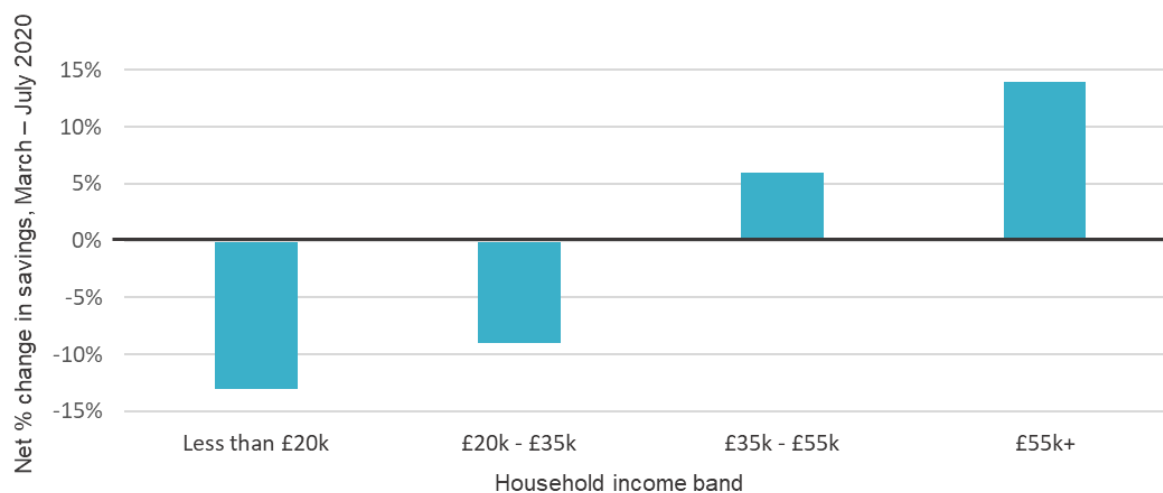
<sup>8</sup> Cambridgeshire Insights: Health and Wellbeing

<sup>9</sup> UK Parliament – Horizon Scanning – Economic inequality and recovery, April 2021

<sup>10</sup> House of Commons Library, Youth Unemployment Statistics, June 2021

savings grow, partly as a result of limited opportunities for discretionary spending on hospitality, entertainment and travel.<sup>11</sup>

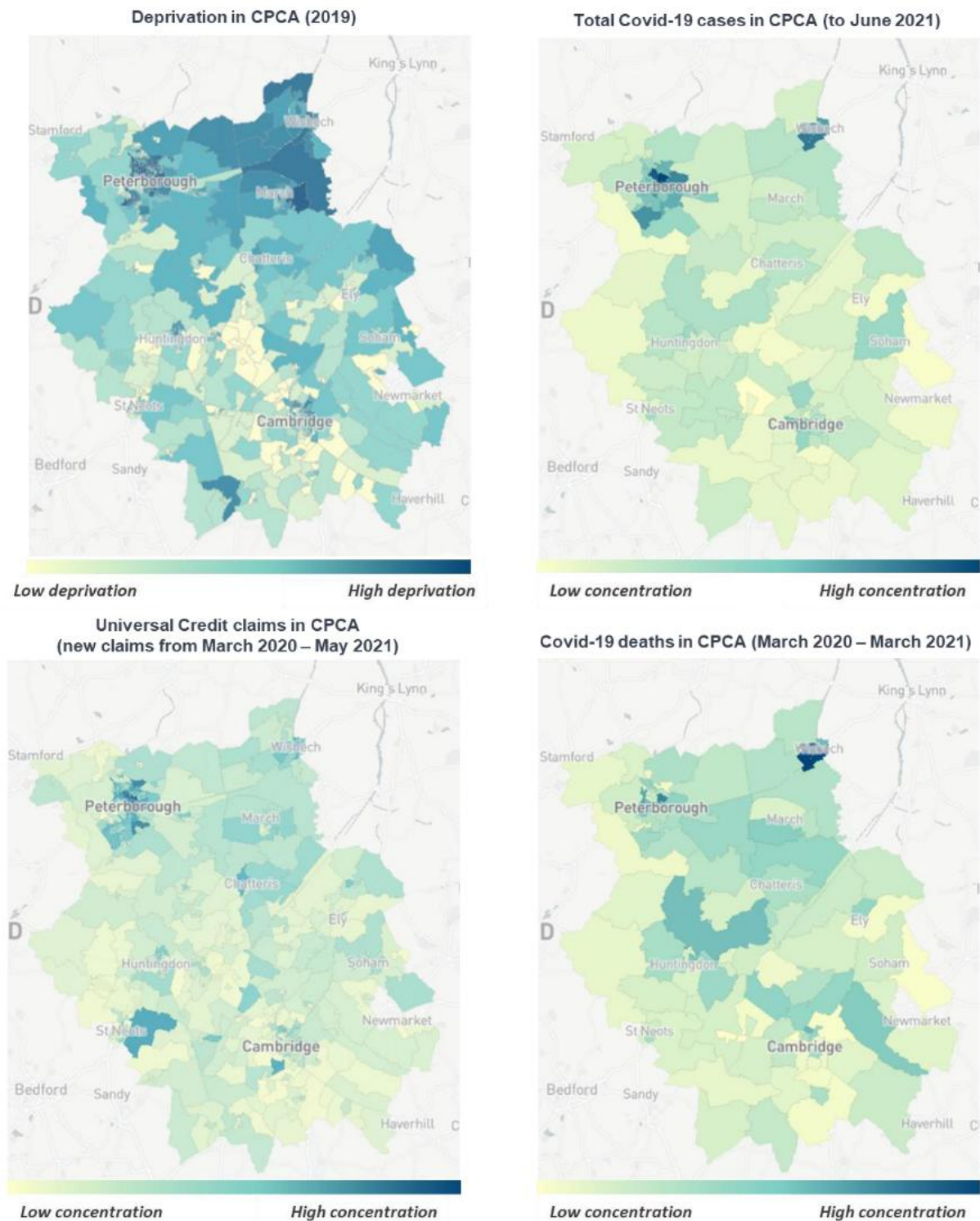
*Figure 10: Net balance of UK households reporting changes in savings due to Covid-19, March - July 2020*



1.27 Projected increases in income inequality are likely to compound demand pressures on public services caused. This may be particularly an issue for Peterborough, which already sees higher levels of deprivation and pressure on services.

<sup>11</sup> Bank of England Monetary Policy Report, August 2020

Figure 11: Unequal health impacts and outcomes: Correlation between deprivation, Covid-19 cases, UC claims and Covid-19 deaths, Cambridgeshire & Peterborough





## 2 Detailed impacts: Economy and Business

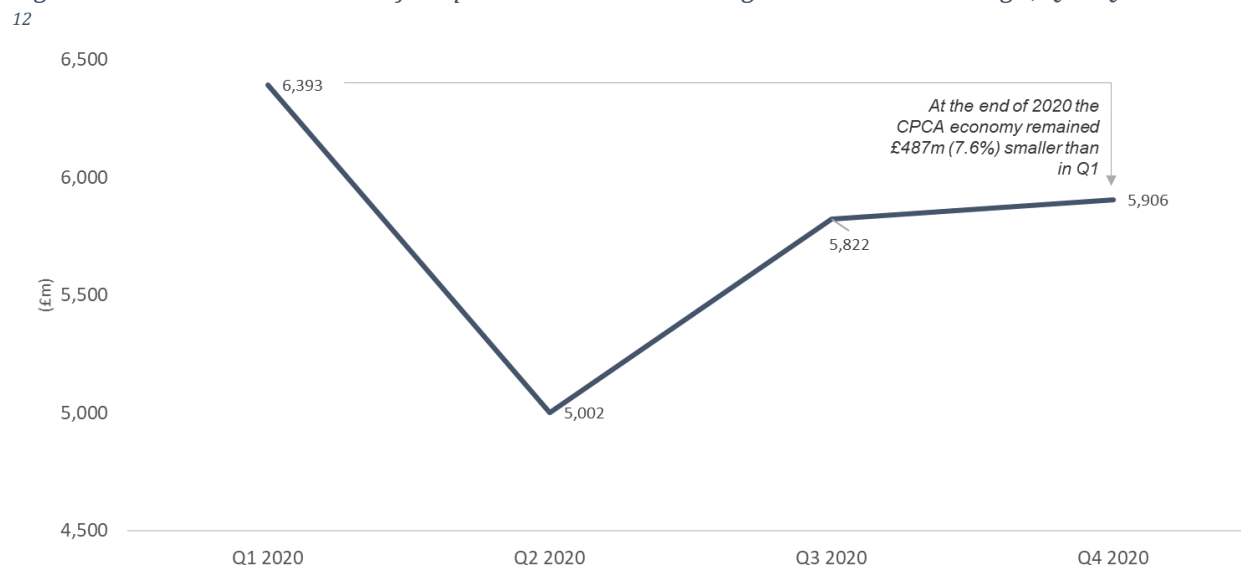
- 2.1 Before the pandemic, the Cambridgeshire & Peterborough economy had been growing faster than the UK since the 2009 recession. Cambridge in particular recovered the economic value lost during the 2008/09 recession much faster than other areas, with further strong growth in South Cambridgeshire & Peterborough from 2015/16 onwards. The circumstances of the post Covid-19, post-Brexit era are different to the aftermath of 2008/09, with new opportunities for growth.
- 2.2 This chapter provides detail on the crisis' impacts on the economy and businesses, covering the topics listed in the table below.

Topic	Impacts Assessed
<b>Impact on economic output</b>	<ul style="list-style-type: none"> <li>• Output loss over 2020 for Cambridgeshire &amp; Peterborough</li> <li>• Impacts across the sub-economies</li> <li>• Sector impacts</li> </ul>
<b>Business conditions</b>	<ul style="list-style-type: none"> <li>• Business profitability, cash reserves and trading status</li> <li>• New business creations and entrepreneurial activity</li> </ul>
<b>Innovation and productivity</b>	<ul style="list-style-type: none"> <li>• Business process and product innovation</li> <li>• Rising productivity</li> </ul>
<b>Emerging impacts of changing trade relations</b>	<ul style="list-style-type: none"> <li>• Latest trade figures</li> </ul>

### Economic output

- 2.3 Despite resurgences of the virus and ongoing lockdowns economic activity gradually increased over the course of 2020 from lows recorded in April, as businesses, workers and consumers adapted.
- 2.4 A sustained economic recovery is now also underway within Cambridgeshire & Peterborough, though at the end of 2020 the economy remained 7.6% smaller than it was before the onset of the pandemic – a near £500m fall in output.

Figure 12: Modelled estimates of output loss across Cambridgeshire & Peterborough, Q1 - Q4 2020

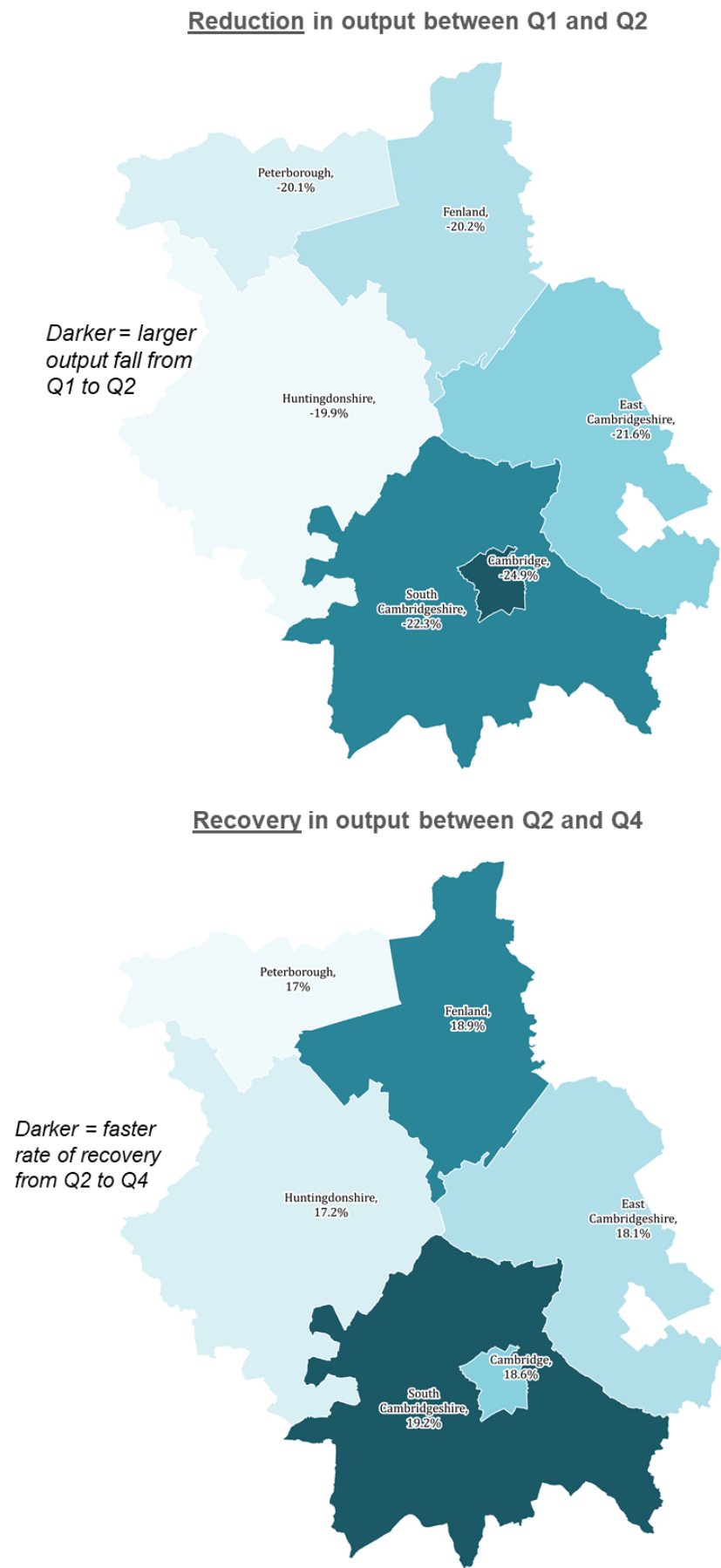


- 2.5 At the onset of the crisis output fell fastest in Cambridge, followed by South Cambridgeshire, based on modelled estimates of the crisis' economic impact and driven by falls in output across the professional, scientific and technical sector, education, and hospitality and entertainment. Based on these modelled estimates Cambridge has also been the slowest of the districts to recover.
- 2.6 Meanwhile, Fenland, Peterborough and Huntingdonshire were relatively less affected, partly due to the insulating effects of larger agricultural, construction and manufacturing industries, where more businesses were able to continue operating at close-to-normal levels of output.

<sup>12</sup> These modelled estimates of economic output loss in Cambridgeshire & Peterborough are based on ONS GDP quarterly estimates for sectors, which are national figures. To model the impact on the Cambridgeshire & Peterborough economy we have applied the ONS figures for national quarterly sector output change to the sectoral make-up of the Cambridgeshire & Peterborough economy. This approach, which is taken in order to estimate the local (rather than national) economic impact of Covid-19, assumes that sectors are homogenous, and that there is nothing distinct about sectors in Cambridgeshire & Peterborough which means the impacts of the pandemic on them would be different from the impacts nationally. Of course, in practice this is not the case and Cambridgeshire & Peterborough is a distinct economy home to uniquely strong and innovative businesses, particularly in the Greater Cambridge sub-economy. Therefore to the extent there is difference between the national and local paths of economic recovery, they are driven by differences in the sector mix in Cambridgeshire & Peterborough compared to nationally. The same methodology can be applied to districts within Cambridgeshire & Peterborough to model the impact on economic output in each.

District	Q1 output (£m)	Q4 output (£m)	% change
Cambridge	1,492	1,330	-10.9%
South Cambridgeshire	1,335	1,236	-7.4%
East Cambridgeshire	459	425	-7.4%
Peterborough	1,588	1,485	-6.5%
Huntingdonshire	1,074	1,008	-6.1%
Fenland	445	422	-5.2%

Figure 13: Modelled estimates of output loss / recovery by district in 2020

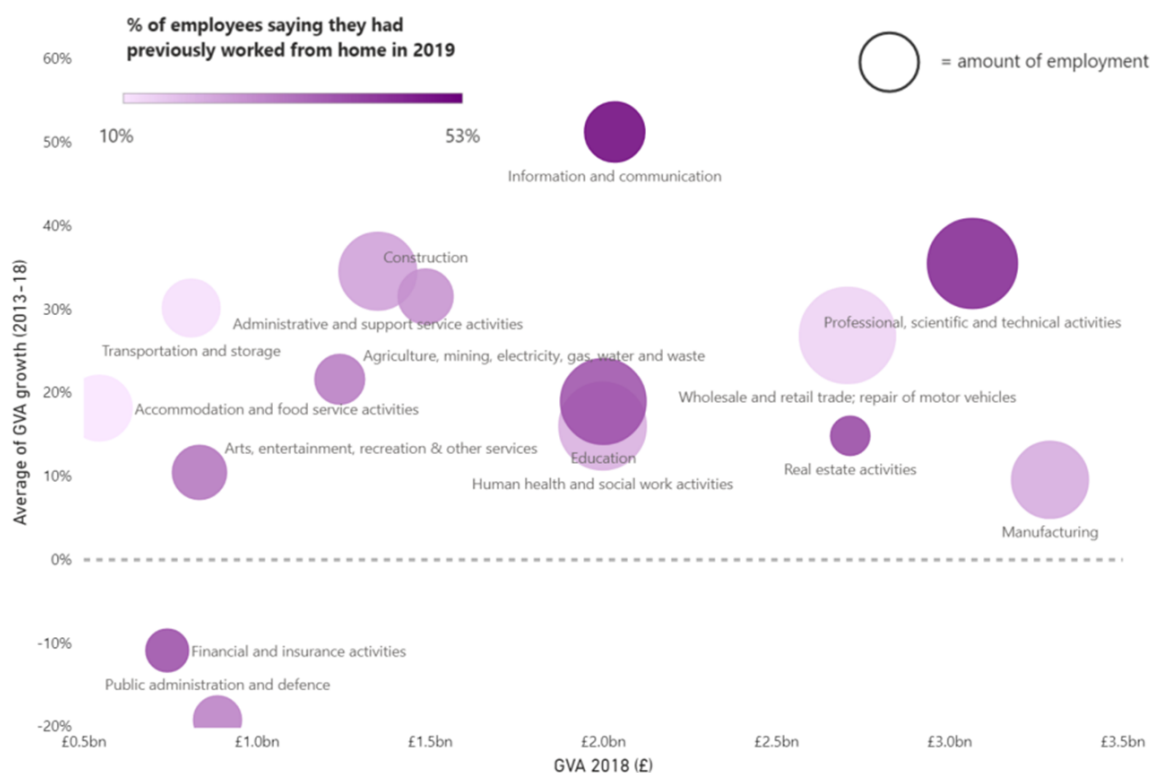




## Sector recovery pathways

- 2.7 Growth across Cambridgeshire and Peterborough prior to the pandemic was led by the four priority sectors identified in the Cambridgeshire & Peterborough Local Industrial Strategy (LIS): Life Sciences, Digital and AI, Advanced Manufacturing and Materials, and Agri-Tech. These sectors are central to the UK's strategy of building back a better, greener economy post Covid-19, and all forecast strong future growth globally and within Cambridgeshire and Peterborough.
- 2.8 Businesses in these knowledge-intensive sectors have largely been able to adapt and continue operating over the past 18 months by shifting their workforces to remote working practices. Higher-skilled workers in these industries have been largely insulated from the economic effects of the crisis, even as work practices have changed significantly to accommodate remote working. Across Cambridgeshire and Peterborough 38% of workers are able to work from home, from 28% in Fenland to 46% in Cambridge.<sup>13</sup> Rates of homeworking across districts are influenced by the relative concentration of knowledge-intensive industries there. One trend to watch closely in the coming months as restrictions are eased is the extent to which workers return to offices, and the proportion of workers who can that adopt a 'hybrid' approach to work, splitting their time between the office for collaboration and home for focus.

Figure 14: Working from home in UK sectors, by Cambridgeshire & Peterborough GVA, GVA growth and employment



<sup>13</sup> Metro Dynamics analysis of De Fraja, Matheson, and Rockey (2021). Labour market and population data from ONS.

- 2.9 The OBR Economic and Fiscal Outlook March 2021 shows OBR short-term output growth assumptions up to June 2021 when only a baseline level of public health restrictions remain of some voluntary distancing and residual office restrictions.

Figure 15: OBR forecasts for sector output, March 2021 Economic and Fiscal Outlook

Sector	Per cent				Weight in whole economy
	Change in GDP relative to January 2020				
	April 2020	November 2020	January 2021	June 2021	
Accommodation and food services	-90	-64	-71	-20	2.9
Other services	-47	-35	-45	-22	3.7
Construction	-43	-1	-6	-4	6.4
Transportation	-37	-15	-23	-18	4.0
Wholesale and retail	-36	-4	-10	-2	10.4
Administrative and support	-35	-19	-19	-19	5.3
Education	-35	-7	-19	-6	5.7
Manufacturing	-30	-3	-4	-5	10.1
Human health	-26	-2	-8	2	7.5
Agriculture	-17	-11	-11	-11	0.6
Professional, scientific and technical	-17	-5	-5	-5	7.7
Information and communication	-10	-6	-8	-6	6.6
Energy, water and mining	-9	-7	-7	-4	3.8
Finance and insurance	-5	-3	-3	-2	6.8
Real estate	-2	-2	-2	-2	13.5
Public admin and defence	1	2	2	2	4.9
Total	-24	-8	-11	-6	100

- 2.10 The OBR's analysis indicates a moderate recovery has occurred in knowledge-intensive sectors such as the Professional, Scientific and Technical sector (58,000 workers in Cambridgeshire & Peterborough), which includes Life Sciences, and Information and Communication (23,000 workers), which includes Digital & IT. These sectors experienced relatively small falls in output in the early stages of the pandemic as fewer businesses had to shut completely and experienced a strong recovery in the final quarter of 2020. However, at a national level the sectors did not carry that momentum into the new year, with output in the first six months of 2021 hovering around levels 5% lower than before the pandemic, subdued by ongoing lockdowns and disruptions to trade.
- 2.11 The most significant effects of the pandemic have been on retail, hospitality and entertainment businesses. Particularly impacted by lockdown restrictions and having to adapt fast to trends in consumer habits, market structure and technology, we are nevertheless seeing signs of recovery in these sectors. Innovation, adaptation and investment have helped businesses in the sector reopen safely, from revamped websites and QR codes in cafes for ordering, to investment in outdoor dining spaces and the pedestrianisation of whole streets.
- 2.12 These pandemic-induced new features in retail and hospitality businesses may become lasting fixtures, in response to how the pandemic has amplified trends that were already influencing these businesses. For example, across the UK online retail as

a proportion of total retail steadily increased from 10% in 2011 to 20% in January 2020. By January 2021 online retail represented 36% of all retail.<sup>14</sup>

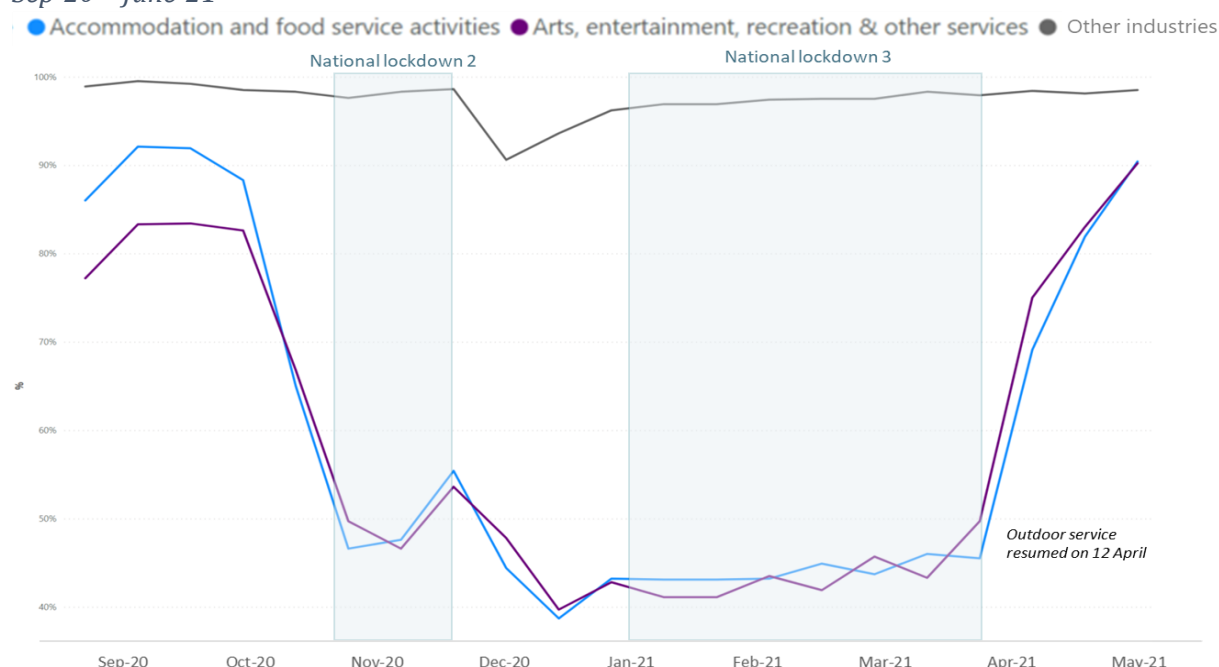
- 2.13 Prior to the pandemic 104,00 people in Cambridgeshire and Peterborough were employed in entertainment, hospitality and retail sectors – around one in four workers. Job losses in early stages of the pandemic were concentrated in these sectors, though many businesses are now reporting difficulties hiring staff, with a particular challenge in filling jobs previously commonly held by workers from the EU and elsewhere.<sup>15</sup>

## Business conditions

### Trading status and profitability

- 2.14 As business and consumer confidence has grown trading conditions have gradually improved, and more than 90% of businesses are now trading, based on the June 2021 ONS BICS survey of national businesses. Businesses outside of the hospitality and entertainment sectors have largely found ways to continue trading during lockdowns, and as restrictions have eased hospitality and entertainment businesses have been able to resume trading also.
- 2.15 Despite recent improvements in the proportion of businesses trading, many companies were trading below their usual capacity, with 31% of businesses reporting turnover lower than normal.

Figure 16: Trading status of hospitality / entertainment sectors, and all other sectors combined, Sep-20 – June-21



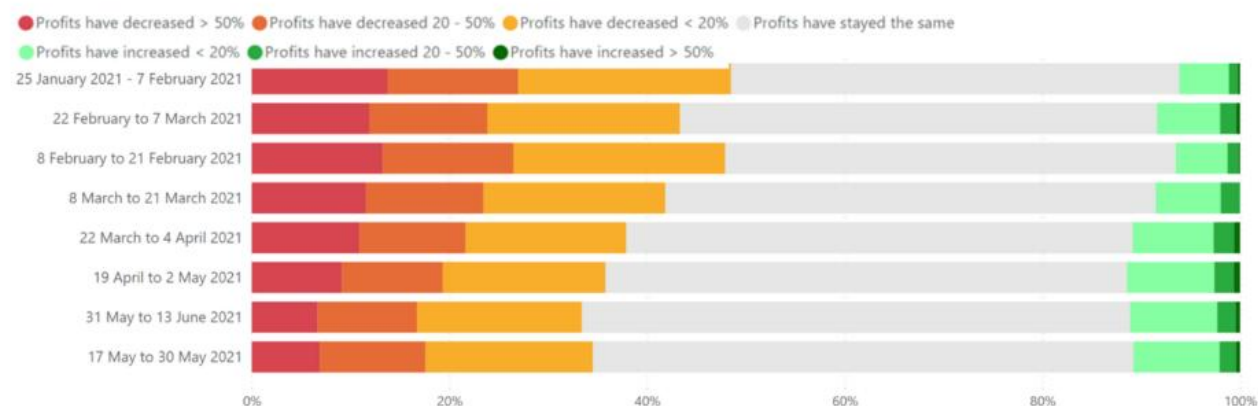
- 2.16 Business profitability has been slowly improving over 2021. The number of businesses reporting reduced profits relative to before the pandemic has decreased

<sup>14</sup> CACI (2019); ONS Retail Sales data (February 2021)

<sup>15</sup> CBI, June 2021: <https://www.cbi.org.uk/articles/we-face-a-perfect-storm-of-staff-shortages/>

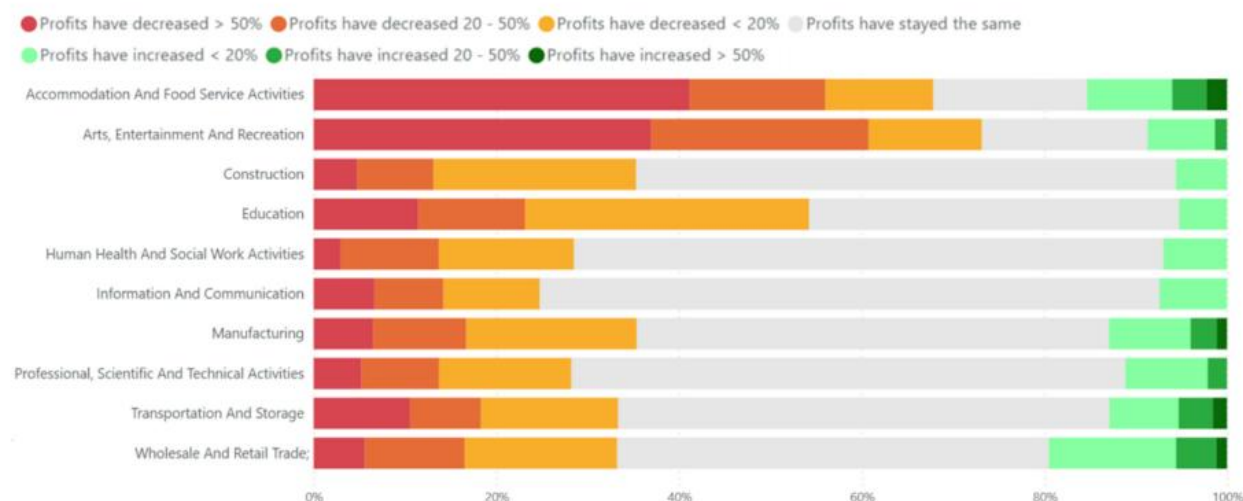
from more than 50% in January of this year to 35% in May. At the same time, there has been a small increase in the number of businesses reporting increased profitability compared to pre-pandemic levels, increasing from 5% of businesses in January to 15% in May.<sup>16</sup>

Figure 17: Business profitability, January – May 2021, ONS BICS. Excludes 'unsure' responses.



2.17 This whole-of-economy view doesn't capture the significant variance between sectors, however. Most businesses across most sectors report reduced profitability, but particularly so for the hospitality and entertainment sectors, where businesses are also much more likely to report profits decreasing by more than 50%.<sup>17</sup>

Figure 18: Business profitability by sector, 19 April - 2 May 2021. ONS BICS. Excludes 'unsure' responses.



2.18 Businesses will look to recoup losses over the course of 2021 as patrons return, but much revenue which has been lost cannot be recovered and many businesses now find themselves with more debt and reduced turnover at a time when Government support is tapering off.

<sup>16</sup> Metro Dynamics analysis of ONS BICS, June 2021

<sup>17</sup> Metro Dynamics analysis of ONS BICS, June 2021

## New business creation

- 2.19 The Centre for Entrepreneurs (CFE) Business Startup Index<sup>18</sup> uses Companies House data to track business formations in the UK by postcode and can be used to gauge the state of entrepreneurial activity in places.
- 2.20 This index does not include business closures, and so the figures it presents are for gross business creation, rather than net business growth. In this sense it is possible that what looks like rapid growth in business formations in some places may be a sign of churn in the business base as business owners close one business and start another, rather than an indicator of net business growth. It may also be affected by workers who have been made redundant during the pandemic opting to start their own enterprise.
- 2.21 The index shows that nationally business formations reached a new record of 772,002 in 2020, growing 13.25% since 2019. Cambridgeshire and Peterborough saw 7,600 new business formations in 2020, an 11.3% increase on the 2019 rate.
- 2.22 Analysis of month-on-month changes throughout 2020 in business formations illustrates the path of the UK economy over the course of the year. January saw 0.6% fewer businesses launched than in 2019. By April as lockdown took hold, formations had fallen 29% year-on-year. But in June as the first national lockdown was lifted business formations soared, and continue to grow strongly throughout 2020, averaging 47% across the UK. Business formations in the East of England broadly followed the UK trend.

*Figure 19: Month on month change in business formations, 2020, East of England and UK, CFE Business Startup Index*



- 2.23 The CFE notes evidence of a new 'Covid economy':

- The pandemic has led to major increases in manufacturing and retail of medical equipment, pharmaceutical goods, specialist clothing and PPE, and cleaning

<sup>18</sup> <https://centreforentrepreneurs.org/cfe-research/business-startup-index/>

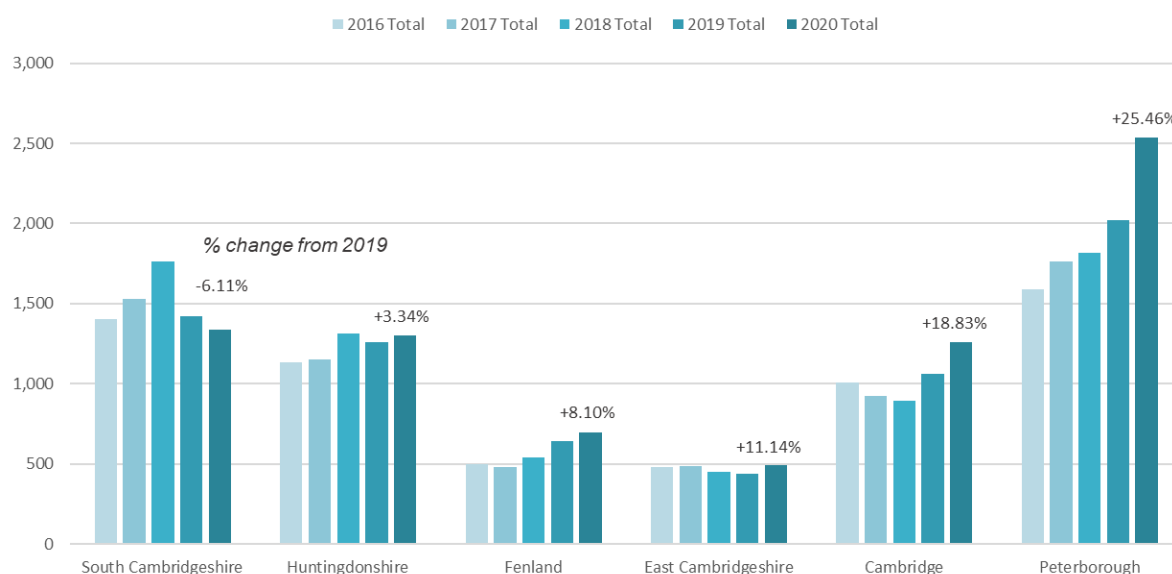
supplies. 222 company names established throughout the UK featured the word 'Covid', 185 'PPE', and 32 'Coronavirus'.

- Consumer businesses increased significantly, with business start-ups in the wholesale and retail industry 60% higher than in 2019. Online retail start-ups more than doubled to 43,000 businesses nationally.
- Restrictions dampened activity in the hospitality and entertainment sectors. Rates of new business formation for clubs, pubs, hotels, and restaurants all fell in 2020, as did conference organisers and tour operators. However, takeaway food shops and mobile food stands grew significantly, as diners moved outside and into parks. And with international travel restricted, many new camp sites, chalets, guest houses and B&Bs launched to cater for UK holidays.

2.24 Looking specifically at districts in Cambridgeshire & Peterborough we see varying patterns of entrepreneurial activity, with business formations concentrated in Peterborough (+25% on 2019) and also in Cambridge (+19%). Although caution should be taken in interpreting these figures without also knowing the number of business closures, in Peterborough we do see a pattern of sustained business growth over time which the pandemic appears not to have interrupted.

2.25 In South Cambridgeshire, however, after a peak of new business formations in 2018 there has been a slight decline since, continuing into 2020 with a 6% fall in business creations.

Figure 20: five year rates of business formations by Cambridgeshire & Peterborough district





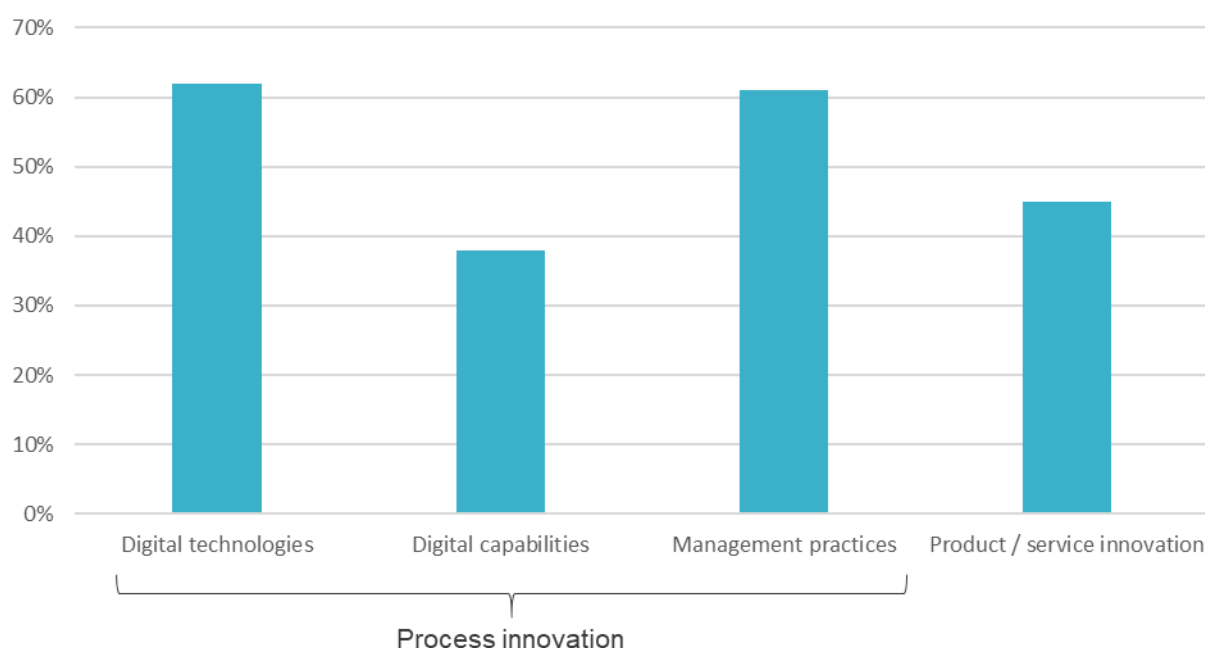
## Business adaptation – impacts on innovation and productivity

### Innovation

- 2.26 There is limited information currently available at a sub-regional level about the crisis' impact on innovation. More information is available at a national level from which inferences can be drawn about what may be happening on the ground in Cambridgeshire & Peterborough – a region containing some of the UK's most innovative and productive businesses.
- 2.27 Businesses based in Cambridgeshire & Peterborough, such as AstraZeneca, have been at the forefront of the national and international fight against the disease, through uncovering new medical treatments and equipment to developing and testing vaccines. Across the wider business population many more adopted new technology and approaches to maintain and improve productivity and resilience. Data from the State of Small Business Britain 2020 (ERC) suggests that most SMEs now see introducing new processes and digital technologies as higher priority because of the pandemic.
- 2.28 The Government has made it clear that research and innovation will be expected to form a significant part of economic recovery as the nation seeks to find answers not just to the urgent health challenges but also recovery from significant economic disruption. Decisions made by business leaders in the months and years ahead will have a profound impact on the speed and shape of the UK's recovery.
- 2.29 During the 2008 crisis, a sharp fall in innovative activities occurred in almost every sector and region of the UK. However, the early signs are that the recovery from the Covid-19 crisis will be driven by greater innovation – particularly in process innovation. Longer term investments in innovation – such as research and development activities – have been disrupted due to Covid-19 and financing constraints are likely to harm these into the future. But the unique nature of the crisis has forced many firms to overhaul their ways of working, and adopt new digital technologies or management practices considered to be productivity enhancing in normal times. If such innovation persists, it could induce lasting impacts on business performance and productivity.
- 2.30 An LSE study<sup>19</sup> finds that a majority of firms have adopted productivity-enhancing technologies and practices, or introduced new products/services in response to the pandemic. More than 60% of businesses report process innovations in digital technologies and management practices, and almost 40% also report accompanying innovations in digital capabilities. Product / service innovation has increased too as businesses have sought increased market penetration.

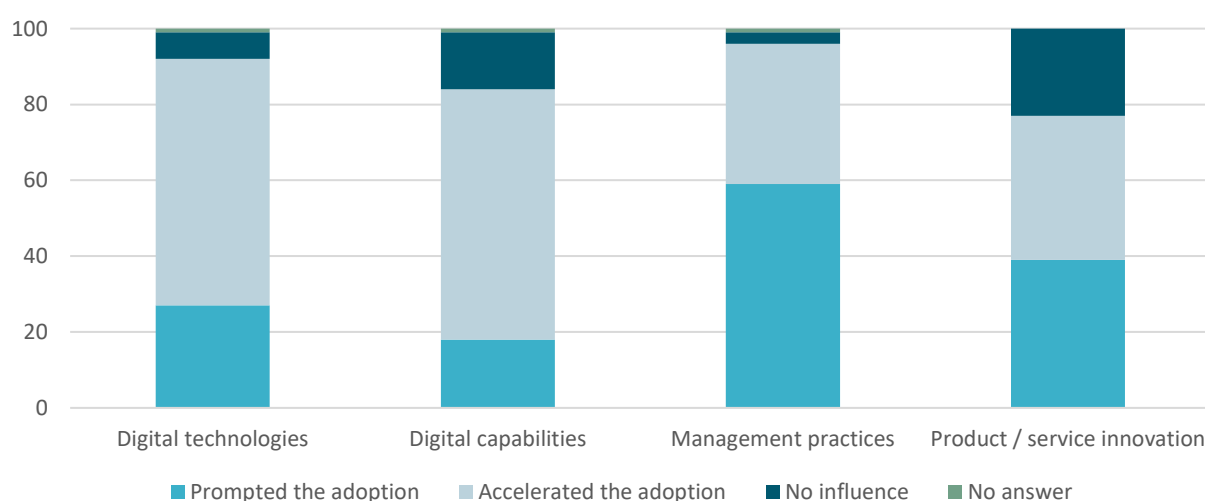
<sup>19</sup> Riom, Capucine, and Anna Valero. October 2020. <https://blogs.lse.ac.uk/businessreview/2020/10/07/covid-has-forced-many-firms-to-innovate-with-possible-lasting-impacts/>

Figure 21: Innovation response of UK businesses, March - July 2020 (n = 375)



2.31 Process innovation appears to be happening at a faster rate than would be expected in absence of the crisis, with the most recent UK Innovation Survey finding that around 13% of businesses were process innovators and 18% were product innovators over the 3 years to December 2018. Moreover, the LSE study notes that more innovation appears to be occurring in the wake of Covid-19 than was the case in the years after the financial crisis. Of the innovating firms in the survey, the majority state that Covid-19 accelerated or prompted these activities.

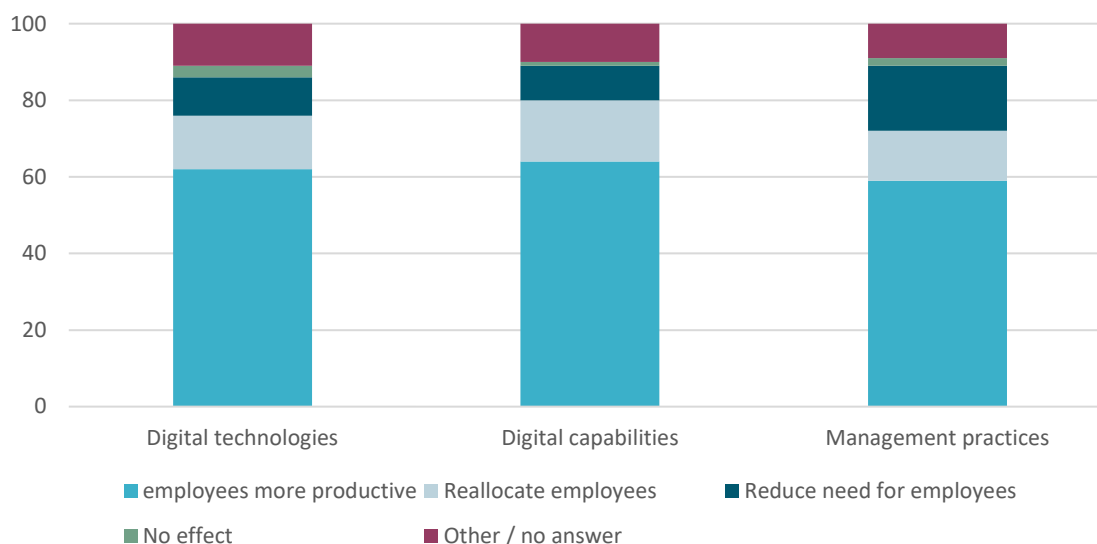
Figure 22: Percentage of businesses identifying the influence of Covid-19 on innovation (n = 375)



2.32 In terms of what this uptick in innovation means for employment and the potential for innovations to result in job losses, most firms expect that continuing with the process innovations that arose out of the pandemic will increase the productivity of employees in their current tasks or allow employees to be allocated to more productive tasks. Only a minority (10-15%) consider that such process innovation

will imply a reduced need for employees over time. This suggests that the types of technologies or practices in question are not, for the most part, considered by firms to be labour replacing.

Figure 23: Expected workforce impacts of continuing process innovation



## Productivity

- 2.33 Innovations in business processes and products should result in raised productivity, though it is still too early to say with any certainty the scale of any impact on the Cambridgeshire and Peterborough economy.
- 2.34 The shift to homeworking and online consumption has increased investment in new technologies that could deliver an unexpected lift to the long-term productivity slump which has afflicted the UK economy since the 2009 recession. According to ONS data for Q1 2021, UK investment in machinery and in information and communication technology rose 3.2% compared with the last quarter of 2019. By way of comparison, overall investment for the same period fell 4.8%.<sup>20</sup>
- 2.35 As the economy returned to lockdown in Q1 2021, the restrictions temporarily closed down large parts of less productive industries in the economy, particularly in hospitality and entertainment industries, as we have seen. Partly because of this, output per hour<sup>21</sup> worked in the economy as a whole grew by 1.0% quarter-on-year in the first three months of 2021.<sup>22</sup>
- 2.36 During the same period, output per worker fell by 4.6% reflecting the ongoing impact of furlough schemes. Furloughed workers are still included as ‘workers’ in output per worker calculations, but are not contributing to output, meaning the overall rate of

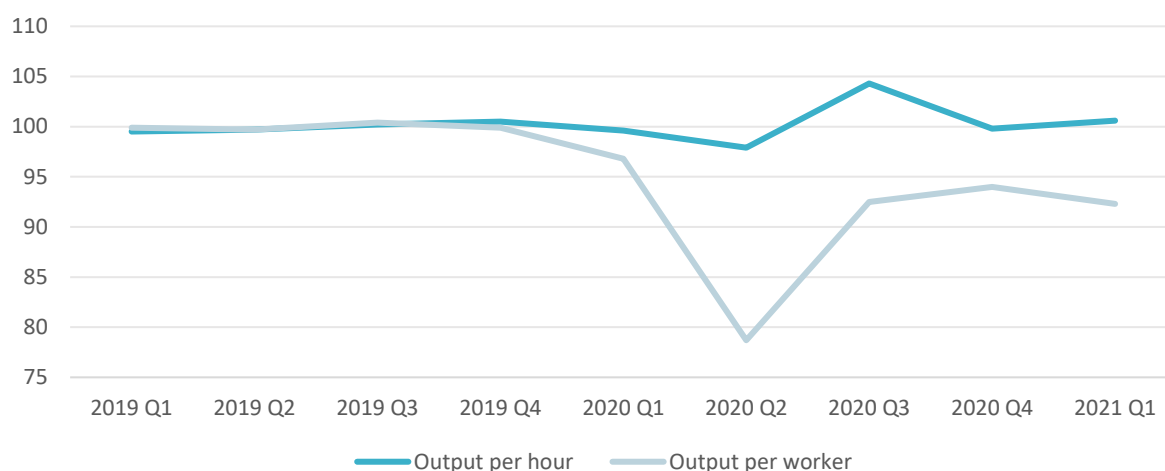
<sup>20</sup> ONS, UK productivity flash estimates, January to March 2021

<sup>21</sup> Output per hour is the ONS’ preferred measure of labour market productivity, rather than output per worker.

<sup>22</sup> ONS, UK productivity flash estimates, January to March 2021

output per worker falls. As the figure below shows, output per hour was above pre-pandemic levels in Quarter 1 2021, but output per worker remained below.

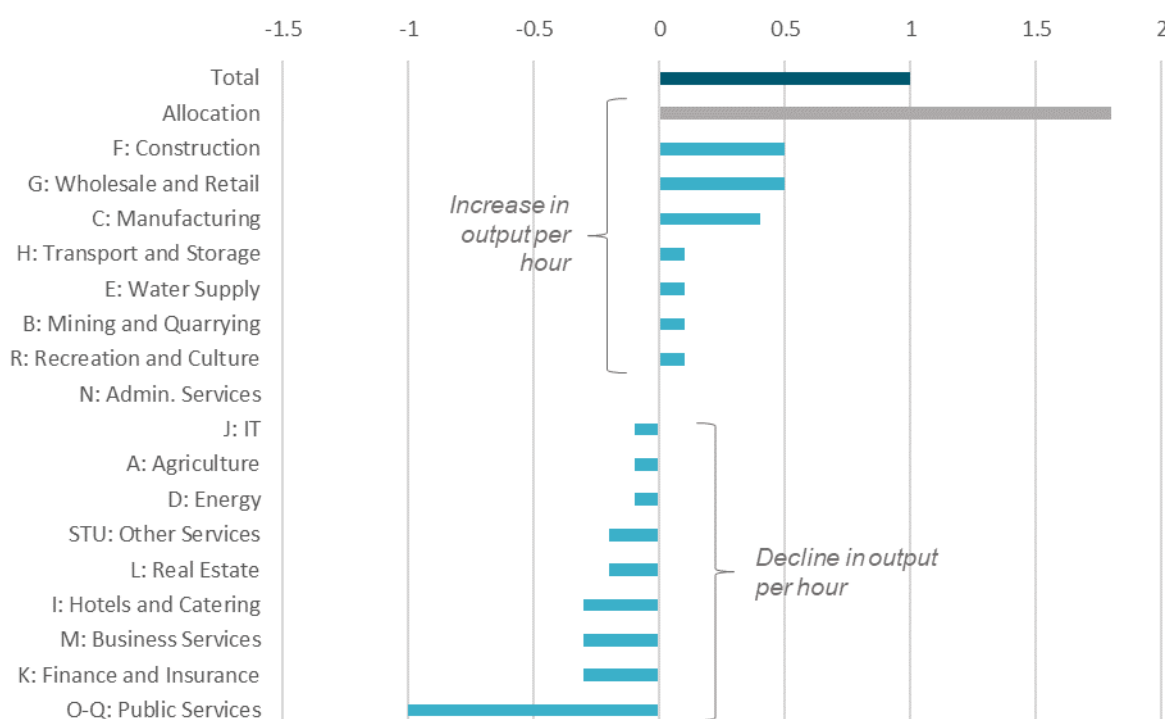
Figure 24: Output per worker and per hour, UK, Index 2019 = 100



2.37 The chart below captures industry-level contributions to growth in whole economy output per hour, comparing Q1 2021 to Q1 2020. It also shows the allocation effect, which results from changes in the distribution of economic activity among industries, which has been a strong positive contributor to productivity growth throughout the pandemic.<sup>23</sup>

<sup>23</sup> The ONS notes that: the allocation effect accounts for changes in productivity because of changes in the size of industries in the economy. The coronavirus (COVID-19) pandemic has led to some less-productive industries shrinking. Meanwhile, more-productive industries now make up a proportionately larger share of the economy. This increases aggregate productivity in the economy.

Figure 25: Industry contributions to output per hour growth, seasonally adjusted, UK, Q1 2021 compared to Q1 2020<sup>24</sup>



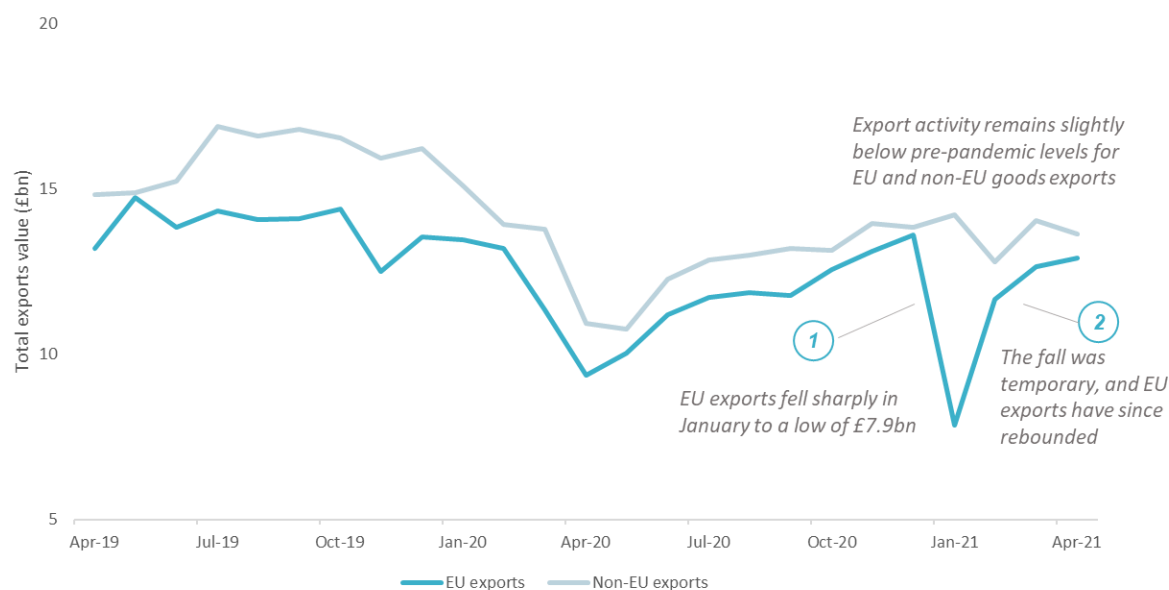
## Trade and exports

- 2.38 The UK's departure from the European Union in January 2021 had an immediate but temporary impact on trade as businesses adjusted to new trading conditions.
- 2.39 Nationally, monthly EU goods exports increased to £12.9bn in April from a low of £7.9bn in January, coinciding with a gradual easing of lockdowns over that time.<sup>25</sup>
- 2.40 Despite the recent rebound in exports to EU countries, total national export activity remains below pre-pandemic levels: from £28bn in April 2019, to a low of £20.3bn in April 2020 and now to £26.5bn in April 2021.
- 2.41 The ONS reports that proportions of businesses experiencing challenges in importing and exporting are broadly unchanged since January, with additional paperwork remaining as the top challenge faced by businesses for importing and exporting.<sup>26</sup>
- 2.42 Imports increased from both EU and non-EU countries in April.

<sup>24</sup> ONS, UK productivity flash estimates, January to March 2021

<sup>25</sup> ONS trade time series, June 2021

<sup>26</sup> ONS BICS 17 June 2021

Figure 26: Total value of UK goods exports to EU vs non-EU, April 2019 - 2021<sup>27</sup>

2.43 Public datasets do not yet capture recent exports from Cambridgeshire & Peterborough, and they will not for some time (with the next release date unknown). The most recent datasets on [goods](#) and [services](#) exports showing information for Cambridgeshire & Peterborough were published in November 2020 and are current to 2019 for goods, and 2018 for services. From these datasets we know:

- Cambridgeshire & Peterborough businesses exported £5.5bn of goods in 2019, 40% (£2.2bn) to EU destinations.
- Cambridgeshire & Peterborough businesses exported £5.1bn of services in 2018, 33% (£1.7bn) to EU destinations.

<sup>27</sup> ONS trade time series, June 2021



## 3 Detailed impacts: Labour Markets

- 3.1 In Cambridgeshire & Peterborough's labour markets the extension of employment support schemes (particularly the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS)) have continued to act as an effective break on increasing unemployment. One important indicator to watch will be the extent to which the Universal Credit claimant count increases once employment support schemes are eventually wound down.
- 3.2 This chapter provides detail on the crisis' impacts on labour markets, covering the topics listed in the table below.

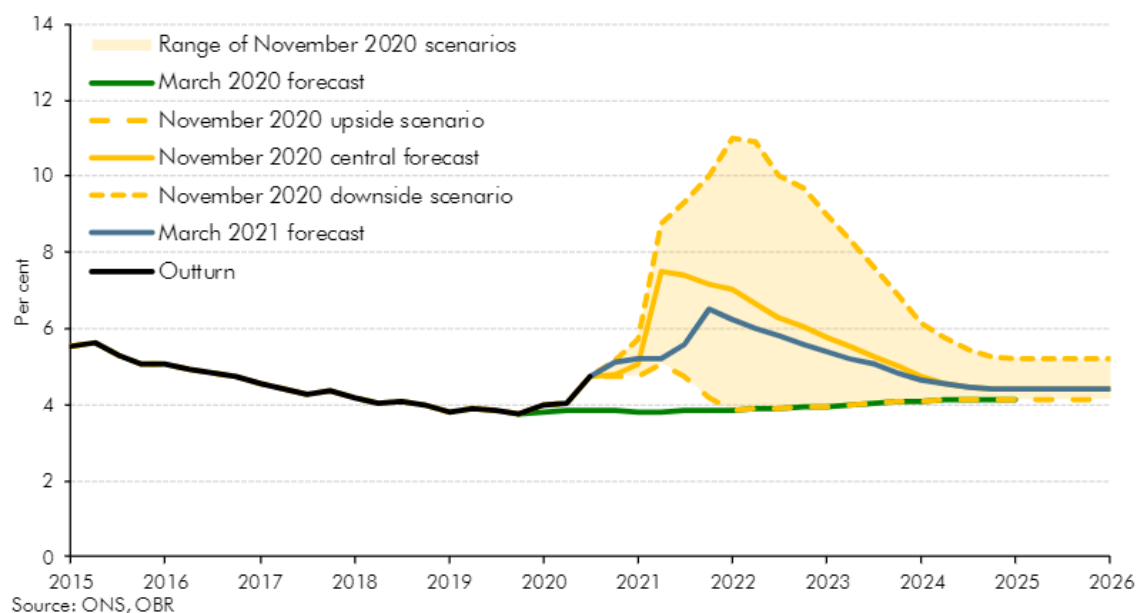
Topic	Impacts assessed
<b>Unemployment and financial hardship</b>	<ul style="list-style-type: none"> <li>Financial hardship and unemployment across Cambridgeshire &amp; Peterborough</li> <li>Impacts across the sub-economies</li> <li>Impacts across age groups</li> </ul>
<b>Furlough scheme</b>	<ul style="list-style-type: none"> <li>Rates of furlough by district</li> <li>Employees resuming employment after furlough</li> </ul>
<b>Labour demand</b>	<ul style="list-style-type: none"> <li>Nationally compared to Cambridgeshire &amp; Peterborough</li> <li>Across Cambridgeshire &amp; Peterborough districts</li> <li>By sector</li> </ul>

### Unemployment

- 3.3 The Government's extensive employment support schemes have protected jobs and the OBR is now forecasting a smaller than previously expected rise over 2021 and 2022 peaking at 6.5% late in 2021, down from 7.5% forecast in November 2020.<sup>28</sup>

<sup>28</sup> OBR, Economic and fiscal outlook, March 2021

Figure 27: OBR forecasts for national unemployment, March 2021

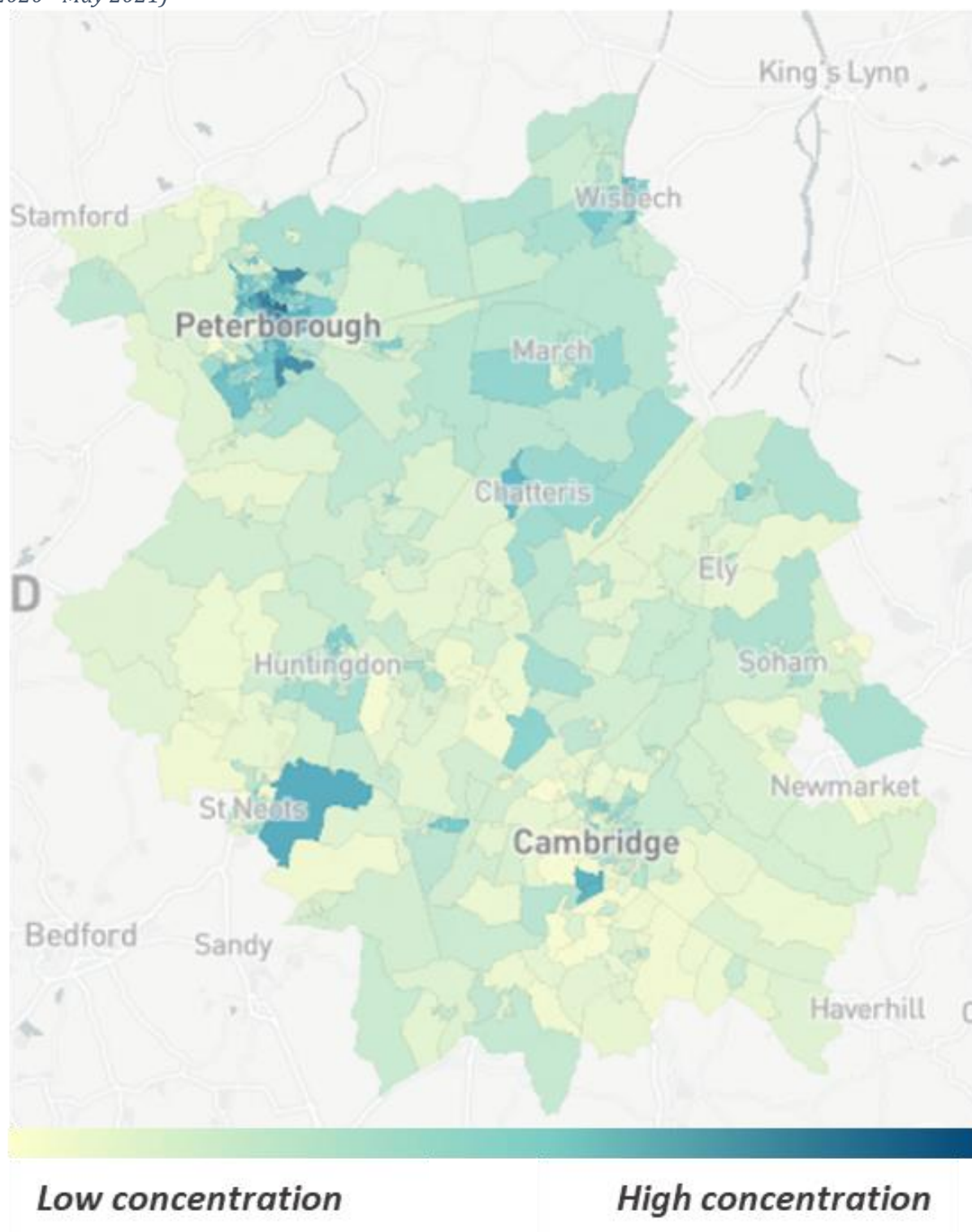


- 3.4 Despite the forecast improving, there have still been extraordinary impacts on labour markets, including in Cambridgeshire & Peterborough. The Universal Credit claimant count – which is more a measure of financial hardship than unemployment<sup>29</sup> – increased across Cambridgeshire & Peterborough by 122% from March 2020 to April 2021, compared to 100% across the UK over the same time period.<sup>30</sup>
- 3.5 This increase in structural unemployment has not been felt evenly across Cambridgeshire & Peterborough. The map below shows that Peterborough has seen particularly high counts of Universal Credit claims, with almost 30,000 new claimants between March 2020 and April 2021 (a 101% increase), while more rural areas have seen lower rates of increase.

<sup>29</sup> The Universal Credit claimants count overstates the true level of unemployment in a place, as it is possible to be in work while also in receipt of Universal Credit, and some workers may also be furloughed and receiving Universal Credit.

<sup>30</sup> Metro Dynamics analysis of DWP data

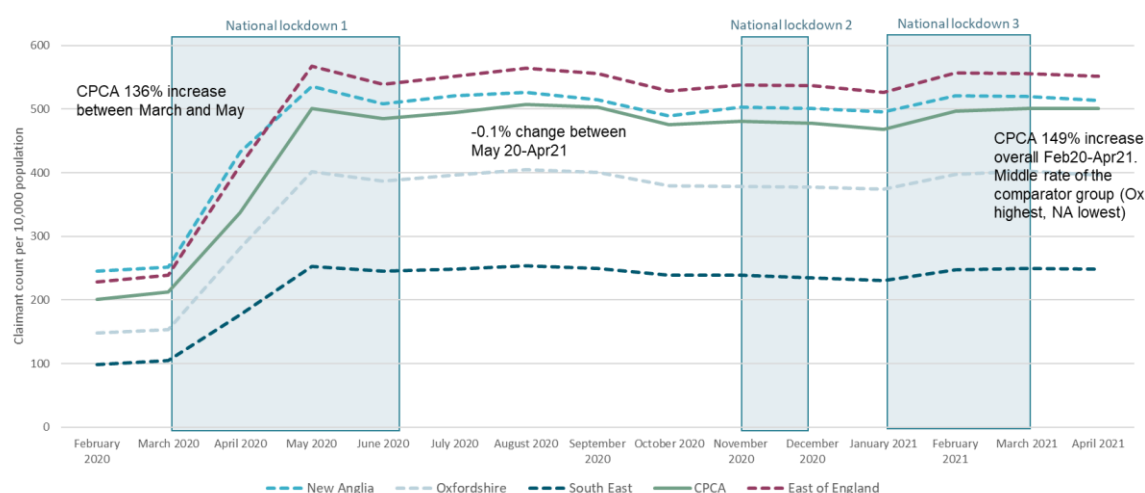
Figure 28 Universal Credit claims in Cambridgeshire & Peterborough (new claims from March 2020 - May 2021)



## Claimant count across Cambridgeshire & Peterborough and comparators

- 3.6 The claimant rate<sup>31</sup>, a measure of unemployment, remains at 5% of working age adults across Cambridgeshire & Peterborough. This rate of unemployment has remained fairly consistent over the last year following an initial increase of 136% between March and May 2020 as the UK entered its first national lockdown.<sup>32</sup>
- 3.7 The chart below illustrates the claimant rate in Cambridgeshire & Peterborough relative to comparator geographies, highlighting the similarities with New Anglia LEP and lower claimant rate than the wider East of England region.

Figure 29 Claimant count across Cambridgeshire & Peterborough relative to comparator geographies



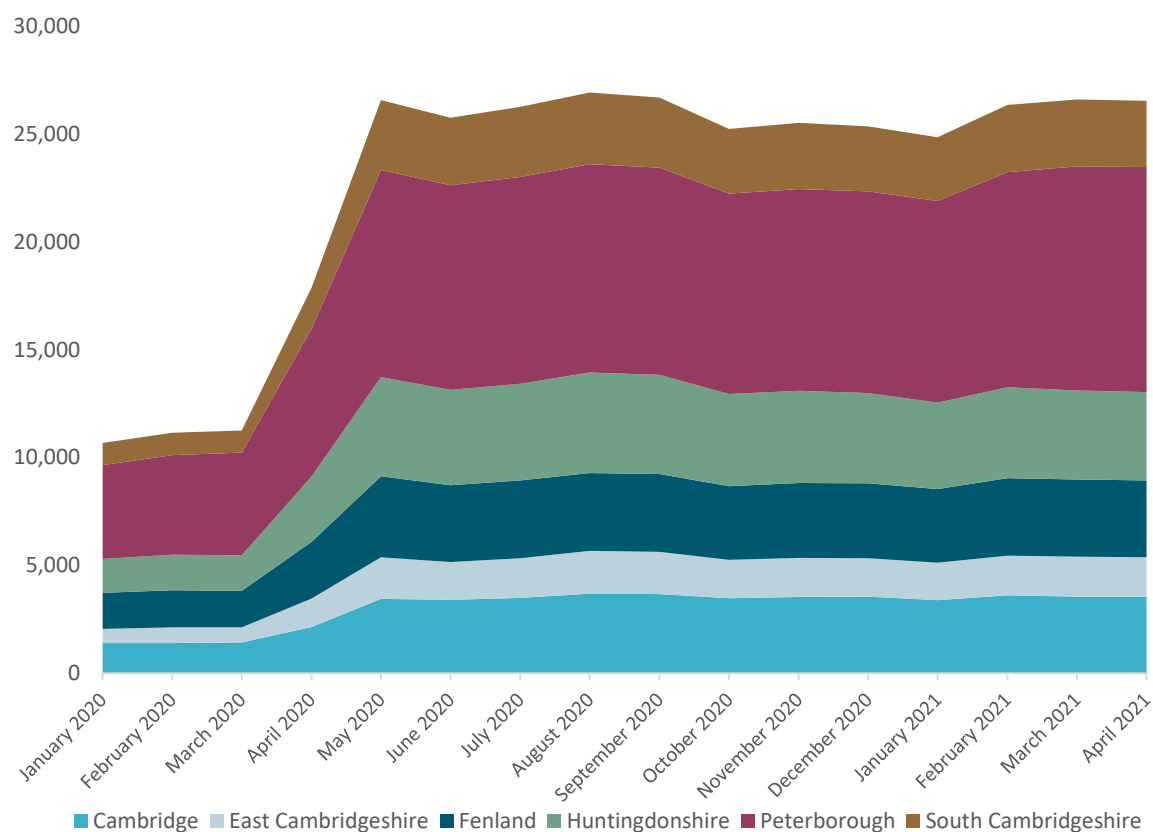
## Impacts within Cambridgeshire & Peterborough's sub-economies

- 3.8 The claimant count is highest in Peterborough and Huntingdonshire, with 55% of all claimants in April 2021 coming from these two districts. The claimant count has increased in all places, however, including in South Cambridgeshire and Cambridge, where the claimant count increased by 201% and 154% respectively from January 2020 to April 2021.

<sup>31</sup> The claimant count is one measure of unemployment in places, which we use here because it provides up to date information on impacts across Cambridgeshire & Peterborough. The claimant count is likely to underestimate unemployment because it does not capture those who are not eligible for benefits including JSA or UC, or those who have chosen not to apply. Those who are ineligible include people who have savings over £50,000, or who live with a partner who earns over a particular threshold.

<sup>32</sup> Metro Dynamics analysis of DWP data

Figure 30 Claimant count within Cambridgeshire &amp; Peterborough by district



3.9 The varied impact of restrictions on different localities and sectors has led to each district with Cambridgeshire & Peterborough seeing peaks in claimant counts at different times. The figure below shows the Claimant count for each district between January 2020 and April 2021, with red and orange colours highlighting higher counts of claimants within each district.

Figure 31: Comparison of district claimant counts within Cambridgeshire &amp; Peterborough

	Cambridge	East Cambridgeshire	Fenland	Huntingdonshire	Peterborough	South Cambridgeshire
January 2020	1,400	660	1,670	1,575	4,350	1,020
February 2020	1,400	725	1,720	1,655	4,615	1,045
March 2020	1,425	710	1,690	1,640	4,765	1,035
April 2020	2,145	1,325	2,625	3,025	6,840	1,915
May 2020	3,450	1,925	3,755	4,610	9,605	3,235
June 2020	3,410	1,750	3,565	4,420	9,490	3,125
July 2020	3,500	1,835	3,600	4,495	9,590	3,240
August 2020	3,695	1,980	3,610	4,655	9,665	3,325
September 2020	3,675	1,955	3,615	4,590	9,605	3,255
October 2020	3,480	1,780	3,420	4,270	9,295	2,990
November 2020	3,540	1,805	3,475	4,285	9,350	3,065
December 2020	3,550	1,785	3,470	4,190	9,345	3,025
January 2021	3,395	1,735	3,415	4,000	9,350	2,965
February 2021	3,620	1,835	3,595	4,205	9,985	3,110
March 2021	3,560	1,845	3,580	4,125	10,400	3,090
April 2021	3,560	1,820	3,555	4,100	10,440	3,075
% change	154%	176%	113%	160%	140%	201%

- 3.10 Fenland and Huntingdonshire were the first districts to see peaks in their claimant counts in May 2020. While Fenland saw partial recovery immediately following this peak, the claimant count in Huntingdonshire remained relatively high until October 2020.
- 3.11 Cambridge, East Cambridgeshire, and South Cambridgeshire saw their highest claimant counts towards the end of summer, in August and September 2020. While East Cambridgeshire and South Cambridgeshire then saw a decline in claimants, Cambridge saw a more varied pattern of recovery with smaller peaks and troughs over the next six months.
- 3.12 Peterborough has seen a later peak than all other districts, reaching its highest claimant count in March and April 2021. This is likely to be reflecting the compound effects of Covid-19 and Brexit on the local labour market and businesses.

### Impacts across age groups

- 3.13 When broken down by age groups, the claimant count across Cambridgeshire & Peterborough highlights that young people have been most affected throughout the pandemic, with the claimant count rising by more than 115% for 18-29 year olds between January 2020 and January 2021.
- 3.14 Analysis from the IFS suggests that employees aged under 25 are about 2.5 times more likely to work in a sector subject to lockdowns.<sup>33</sup> Meanwhile, the ONS reports that those under 25 account for up to two thirds of all job losses since the start of the pandemic.<sup>34</sup> Graduates entering the job market during a deep recession can expect to see a permanent loss of lifetime earnings due to labour market scarring, and may also carry mental burdens of lost confidence and lowered aspirations.<sup>35</sup>
- 3.15 Women and older people are also more at risk, particularly given the combination of short term pressures in retail and leisure firms, and longer term loss of roles in the service sector due to further automation and retail decline.
- 3.16 Those aged over 65 now account for 1.4% of claimants, having previously made up only 0.8% of the claimant population in early 2020. This may be in part due to business practices changing and creating a labour market that even more senior or experienced workers find challenging and harder to compete in prior to reaching pension age.

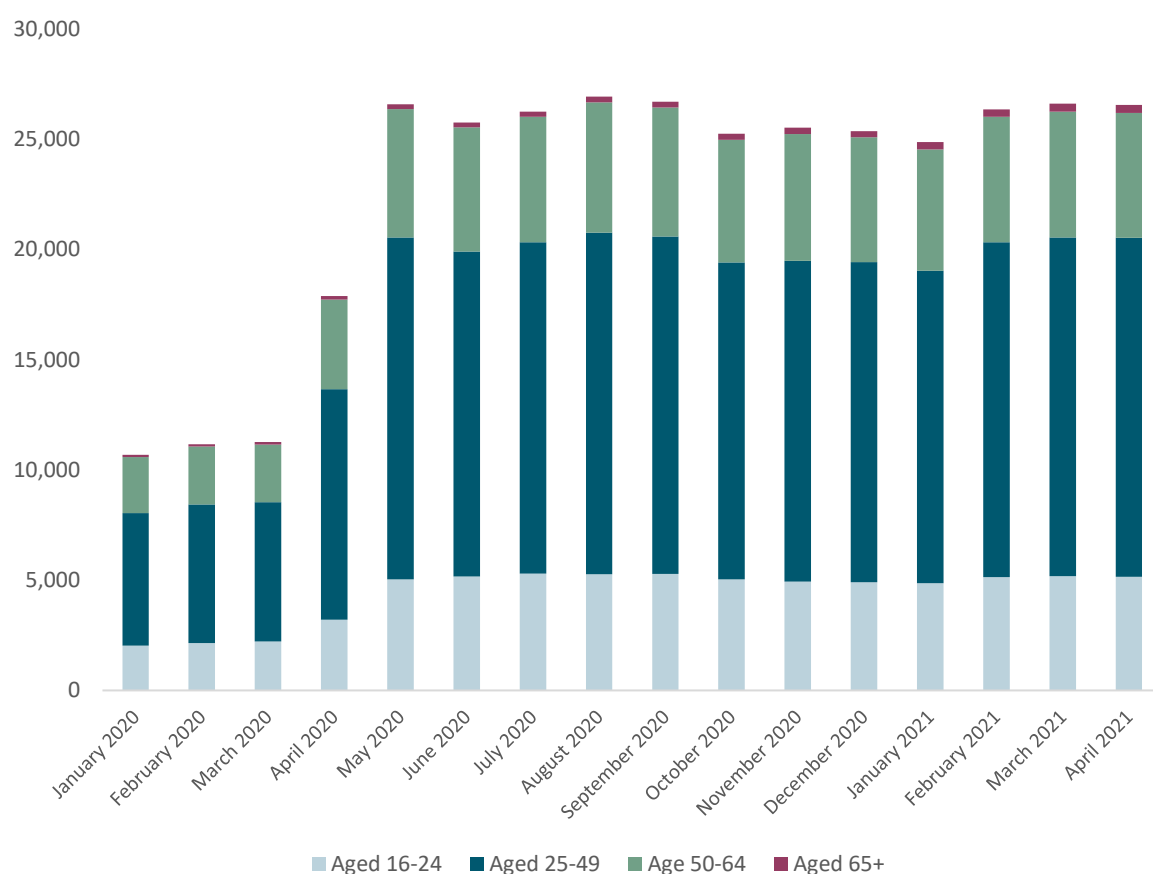
<sup>33</sup> IFS, Sector shutdowns during the coronavirus crisis, April 2020

<sup>34</sup> ONS, Labour market overview, UK: March 2021

<sup>35</sup> House of Commons analysis.



Figure 32 Claimant count by age across Cambridgeshire & Peterborough



3.17 Each age group across Cambridgeshire & Peterborough has seen different stages of impacts and recovery through the pandemic. The Figure below compares when each age group saw its peak in claimant counts between January 2020 and April 2021.

Figure 33 Comparison of claimant count by age group

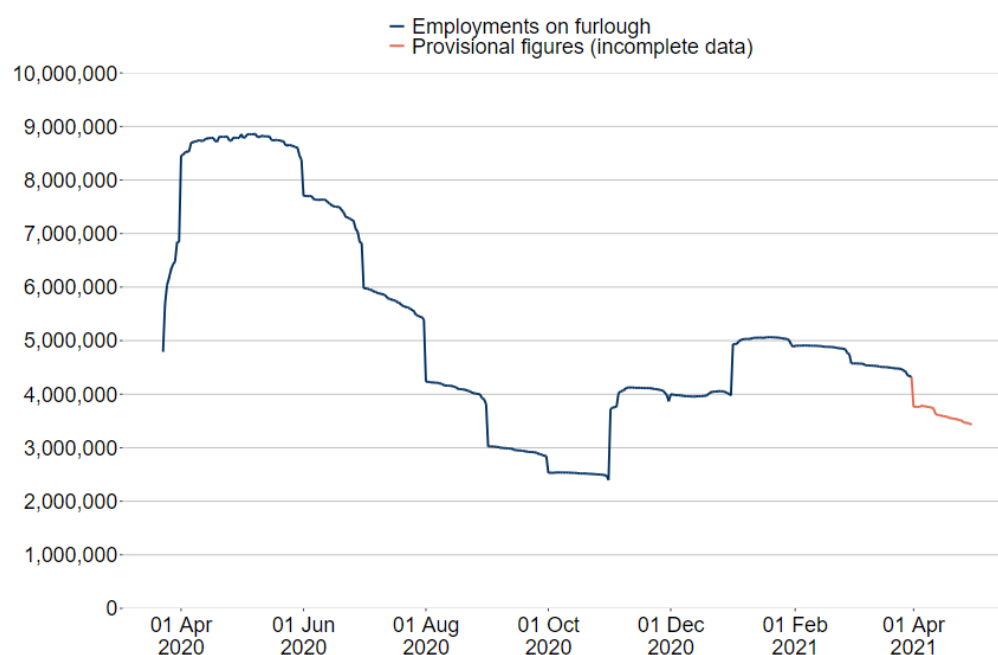
Date	Aged 16-24	Aged 25-49	Age 50-64	Aged 65+
January 2020	2,035	6,005	2,550	90
February 2020	2,155	6,285	2,625	100
March 2020	2,215	6,325	2,615	110
April 2020	3,210	10,455	4,055	160
May 2020	5,040	15,500	5,820	220
June 2020	5,175	14,730	5,625	230
July 2020	5,295	15,030	5,690	240
August 2020	5,275	15,480	5,910	270
September 2020	5,285	15,295	5,850	270
October 2020	5,040	14,375	5,555	270
November 2020	4,940	14,550	5,745	285
December 2020	4,900	14,520	5,670	280
January 2021	4,870	14,160	5,505	335
February 2021	5,135	15,195	5,685	340
March 2021	5,185	15,365	5,700	355
April 2021	5,160	15,375	5,655	365
% change	154%	156%	122%	306%

- 3.18 Residents aged 16-24 who may have anticipated finding employment in August or September 2020, instead found themselves facing a difficult labour market and with limited entry-level opportunities towards the end of summer. This may also have been the case in early 2021 when residents in this age group hoped for better employment opportunities with the new year but instead have needed to claim. Meanwhile, those aged 65+, while accounting for a very small proportion of total claimants, are only starting to see higher numbers of claimants as of January 2021.

## Rates of return from Furlough

- 3.19 In Cambridgeshire & Peterborough's labour markets the extension of employment support schemes (particularly the Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS)) have continued to act as an effective break on increasing unemployment.
- 3.20 However, as furlough continues to wind down the impact and recovery appears unequal. While fewer people have been affected by unemployment as a result of the schemes, those who have been severely impacted are the poorest.

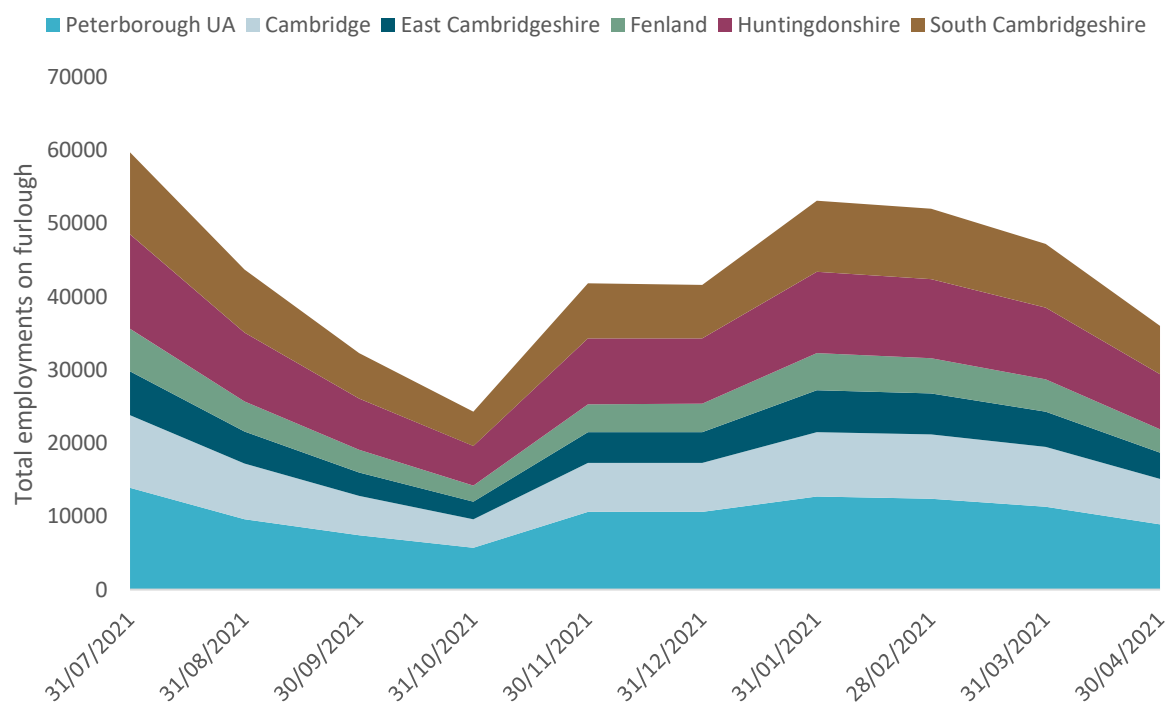
Figure 34 UK Furlough counts April 2020 – April 2021<sup>36</sup>



Source: HMRC CJRS data

3.21 Within Cambridgeshire & Peterborough, the rates of take-up of the furlough scheme have mirrored the national pattern seen in Figure 34. Cambridge has seen the largest proportion of eligible employments making use of the scheme (10.0%), while Fenland has seen the lowest (7.3%).

Figure 35 Furlough counts across Cambridgeshire & Peterborough by district<sup>37</sup>



<sup>36</sup> HMRC CJRS data, June 2021

<sup>37</sup> Metro Dynamics analysis of DWP data

- 3.22 The rates of return from furlough are relatively consistent across all districts within Cambridgeshire & Peterborough, despite differences in the absolute counts of furloughed employments.
- 3.23 The Figure below shows the number of furloughed employments by district within Cambridgeshire & Peterborough, with red highlighting higher counts of furlough for each area.

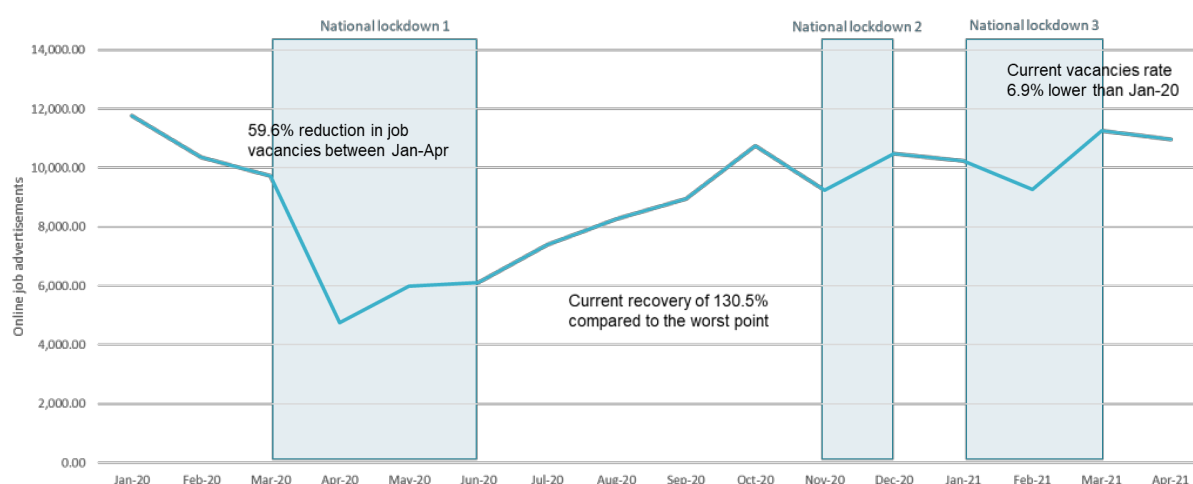
Figure 36: Comparison of furloughed employments by district

	Peterborough	Cambridge	East Cambridgeshire	Fenland	Huntingdonshire	South Cambridgeshire
July 2020	13,900	9,900	6,000	5,800	12,900	11,200
August 2020	9,600	7,600	4,400	4,100	9,400	8,600
September 2020	7,400	5,400	3,200	3,100	7,000	6,200
October 2020	5,700	3,900	2,400	2,200	5,400	4,700
November 2020	10,600	6,700	4,200	3,800	9,000	7,500
December 2020	10,600	6,700	4,200	3,900	8,900	7,300
January 2021	12,700	8,800	5,700	5,100	11,100	9,700
February 2021	12,400	8,800	5,600	4,800	10,800	9,600
March 2021	11,300	8,200	4,800	4,400	9,800	8,700
April 2021	8,900	6,200	3,600	3,200	7,500	6,600
% change	-36.0%	-37.4%	-40.0%	-44.8%	-41.9%	-41.1%

## Labour demand

- 3.24 As the pandemic slowed economic activity in March 2020, labour demand declined when the first national lockdown threw companies' hiring plans into uncertainty and individual sectors felt the initial shock to the economy. At this time, across Cambridgeshire & Peterborough online job vacancies reduced by approximately 60%.
- 3.25 Since the lowest point in April 2020, job vacancies have seen a recovery of 131% over the course of the year, as businesses replace jobs that have been lost during the pandemic and start to plan for their recovery and growth.

Figure 37 Online job vacancies across Cambridgeshire & Peterborough



## Impacts within Cambridgeshire & Peterborough's sub-economies

- 3.26 The heat chart in Figure 38 compares the job vacancies activity within Cambridgeshire & Peterborough for each district. The varied impact and recovery for each area, driven by the sectoral mix, is apparent from the varied patterns of peaks and troughs for each area.
- 3.27 All districts apart from East Cambridgeshire saw their fewest online job advertisements in April 2020. By October 2020, many districts were seeing more job vacancies, suggesting that businesses were eager to replace staff that had been lost. Across all sub-economies, this arguably speedy recovery of labour demand after the first lockdown preceded a second downturn in early 2021.
- 3.28 Since the worst point, Cambridge has seen the highest overall rate of recovery in terms of vacancies, while East Cambridgeshire has seen the worst. East Cambridgeshire and South Cambridgeshire are the only districts whose current vacancies are lower than pre-pandemic, while Huntingdonshire's current vacancies are 30% higher than Jan-20.

Figure 38 Comparison of online job advertisements by district

	Cambridge	East Cambridgeshire	Fenland	Huntingdonshire	Peterborough	South Cambridgeshire
Jan-20	2329	105	160	380	816	158
Feb-20	2191	114	138	368	777	120
Mar-20	2004	91	157	309	668	122
Apr-20	813	53	88	185	333	58
May-20	1268	46	110	225	445	100
Jun-20	1243	52	121	223	501	74
Jul-20	1539	53	130	314	549	101
Aug-20	1864	76	157	370	709	104
Sep-20	1912	66	136	380	878	124
Oct-20	2413	104	221	489	927	153
Nov-20	2126	92	179	423	789	157
Dec-20	2547	104	215	460	886	208
Jan-21	2115	83	241	347	837	319
Feb-21	2234	59	172	377	846	125
Mar-21	2539	90	253	419	922	145
Apr-21	2620	84	199	493	1030	141
Recovery since worst point	222.3%	82.6%	126.1%	166.5%	209.3%	143.1%

## Impacts across sectors

- 3.29 The table below shows large variation in the labour market demand recovery of different sectors. All industries saw their lowest number of online job vacancies in April 2020, apart from Public administration which saw a minimum number of online advertisements in June 2020.
- 3.30 While some industries saw a faster increase in vacancies to October 2020 including Transport and Storage, Construction, and Education), others are only now hitting


their maximum points, for example Information & Communication, Retail and Hospitality, Arts & entertainment

- 3.31 For some of these sectors, such as retail, the vacancy numbers exceeding their pre-pandemic levels is likely reflective of vacant jobs now being filled rather than a sign of more growth to come.

Figure 39: Comparison of online job vacancies by sector

Industry	Feb-20	Apr-21	% Change	Minimum vacancies	Month of minimum vacancies	Maximum vacancies	Month of maximum vacancies
Transportation and storage	55	96	74.5%	13	Apr-20	99	Oct-20
Information and communication	155	247	59.4%	73	Apr-20	247	Apr-21
Retail and hospitality	386	541	40.2%	129	Apr-20	541	Apr-21
Human health and social work activities	876	1174	34.0%	805	Apr-20	1375	Dec-20
Finance, business and professional services	655	838	27.9%	291	Apr-20	840	Mar-21
Construction	104	130	25.0%	17	Apr-20	134	Oct-20
Real estate activities	43	53	23.3%	16	Apr-20	60	Jan-21
Manufacturing	491	549	11.8%	155	Apr-20	577	Mar-21
Public administration and defence; compulsory social security	129	131	1.6%	62	Jun-20	199	Nov-20
Education	660	646	-2.1%	216	Apr-20	795	Oct-20
Arts, entertainment, recreation and other services	139	130	-6.5%	51	Apr-20	130	Apr-21
Primary industries	41	32	-22.0%	10	Apr-20	57	Feb-21





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