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BRIEFING

The 12-month stretch

Where the Government has delivered – and where it has failed – during the Covid-19 crisis

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March 2021

Acknowledgements

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The UK is now a full twelve months through this pandemic, having come through a year in which the unimaginable has repeatedly not only been imagined, but has actually happened. Since the first lockdown was announced on 23 March 2020, we have seen wartime levels of restrictions on our liberties combined with wartime levels of state spending. The overwhelming volume of policy action can make it hard to come to a judgement about the successes or failures of the past year – with so many policy trees to focus on, the state of the forest can be lost.

So, as we reach the anniversary of the UK's first lockdown, it is important to step back to the big picture of what policy makers have done, how well they have done it, and where it has left people, in terms of their health and economic outcomes. This note focuses on that big picture. It covers notable successes, and one repeated catastrophic failure which has had lasting and very even implications for both lives and livelihoods.

A vaccination triumph

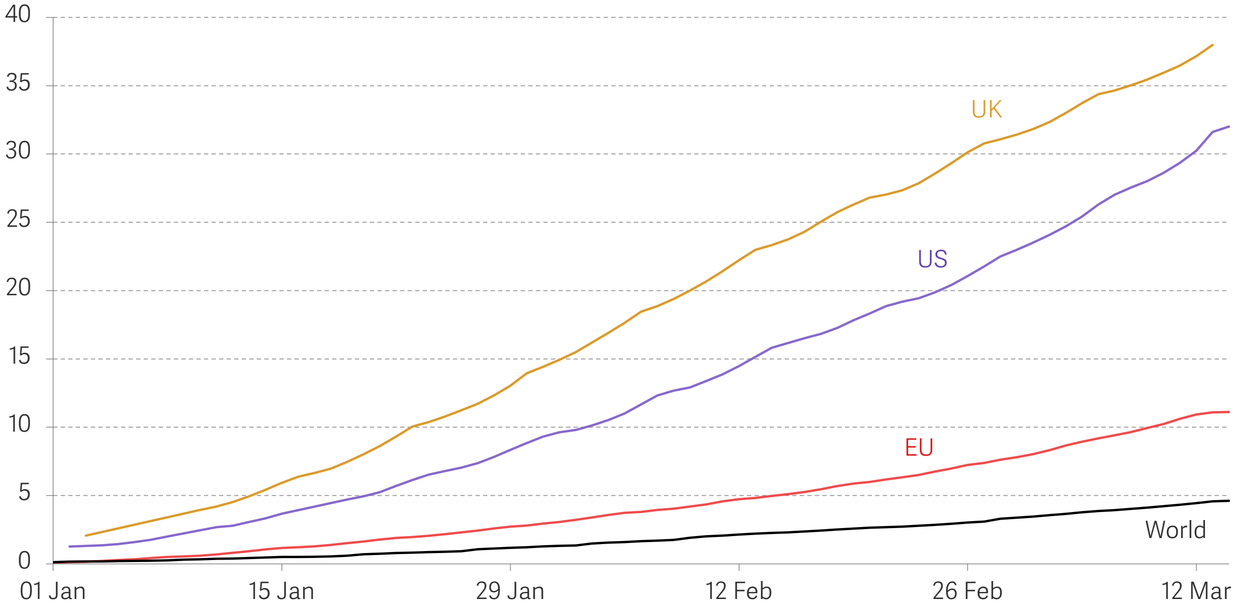
Understandably, attention is currently focused on the triumph of a vaccination drive. On 8th December the UK became first country to start using a fully-trialled vaccine. But the UK programme did not just go first: it has gone fast, too. By the middle of March, 25 million of us have received a first dose, with doses administered at over three times the rate in the EU (see Figure 1). Although the US is now administering more daily doses, UK supply bottlenecks are now easing and should see us surpass our early February peaks of 65 daily doses per 10,000 (roughly equal to recent US rates). The Prime Minister's target for all adults aged over 50 to be offered a first dose by the middle of April should easily be exceeded.

This success is the result of the scale and diversity of the UK Government's vaccine procurement, along with attention to detail on supply chains to help turn vaccine orders into vaccine reality. Not only are lives being saved as a result, but our economic prospects are being upgraded too: both the OECD and Office for Budget Responsibility recently revised up their short-term forecasts for UK economy on the back of the faster-than-expected progress.[1]

1 See: Economic Outlook, Interim Report, OECD, March 2021; Economic and Fiscal Outlook, Office for Budget Responsibility, March 2021.

FIGURE 1: **The UK is vaccinating three-times as fast as the EU**

Cumulative Covid-19 vaccination doses administered per 100 people in 2021: selected countries



Source: Our World in Data, Official vaccination data – Last updated 15 March 2021.

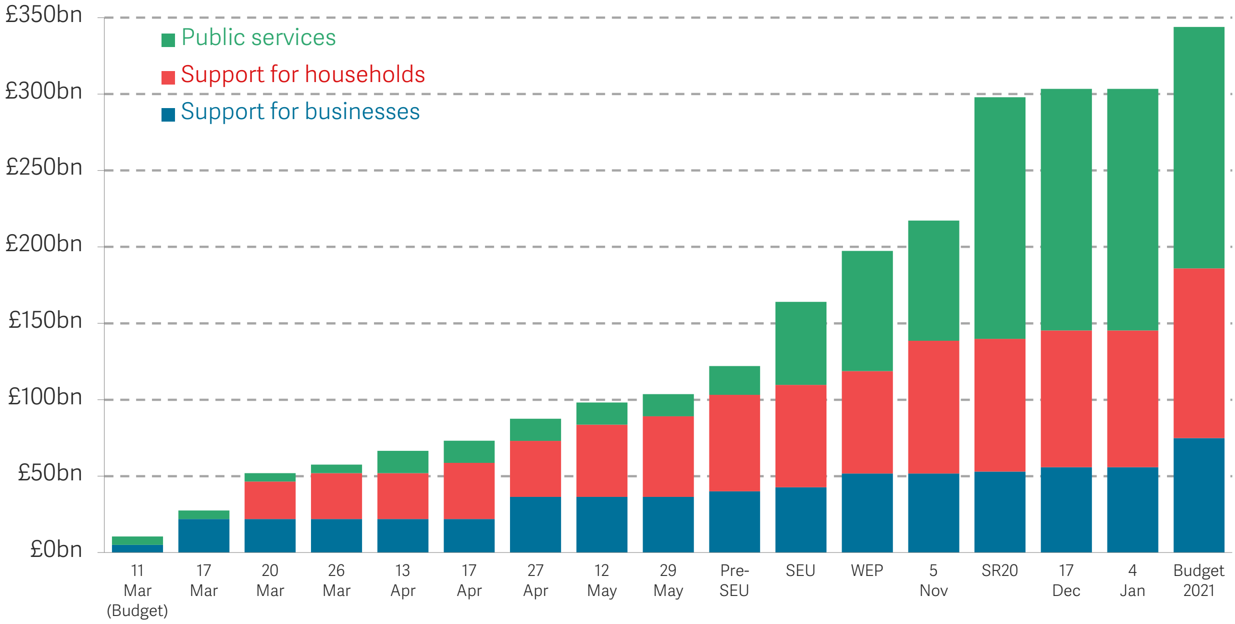
Huge economic support has insured families and firms' incomes

The second big picture success of the past year has been the delivery of the Government's economic policy, particularly by HM Treasury, HMRC and DWP.

The scale of the hard stop to economic activity that lockdowns have delivered has been difficult in all countries, but the threat to family incomes was particularly acute in the UK given the weak social security safety net, volatile incomes and a large self-employed population. In the face of that challenge, economic policy has been unprecedentedly active. As shown in Figure 2, recent extensions of support in Budget 2021 have taken crisis-related spending to £340 billion, of which £186 billion relates specifically to support for households (via furlough, higher benefits or grants for the self-employed) or firms (including grants). That amounts to around £6,700 per household in the UK. The Bank of England has also rightly recognised that fiscal policy is in the macroeconomic driving seat in responding to this crisis, enabling this huge fiscal expansion by announcing an additional £450 billion of quantitative easing.

FIGURE 2: **The Government has devoted £186 billion to supporting households and firms through the pandemic**

Cumulative cost of the Covid-19 pandemic policy response, by economic support category, March 2020 to March 2021: UK



NOTES: 11 March (Budget) figures based on announcements made by Chancellor in Budget 2020. Other costs based on outturn and OBR March 2021 forecast estimates.
SOURCE: RF analysis of OBR, Economic and Fiscal Outlook, March 2021.

Taken as a whole, this scale of action has – inevitably imperfectly – achieved the central economic task of government policy in a pandemic: significantly insuring households and firms against the income shock that would otherwise have followed the huge virus-induced slump in economic activity. The result is that the worst recession for 300 years has seen the smallest rise in unemployment of any recession in living memory. Amazingly, household income has been broadly similar in 2020 to its 2019 level in aggregate despite GDP falling by almost 10 per cent (Figure 3).[2] The same is true in aggregate for corporate Britain: firm insolvencies were lower last year than in 2019, and cash holding actually increased by around £118 billion, having fallen in previous recessions.[3]

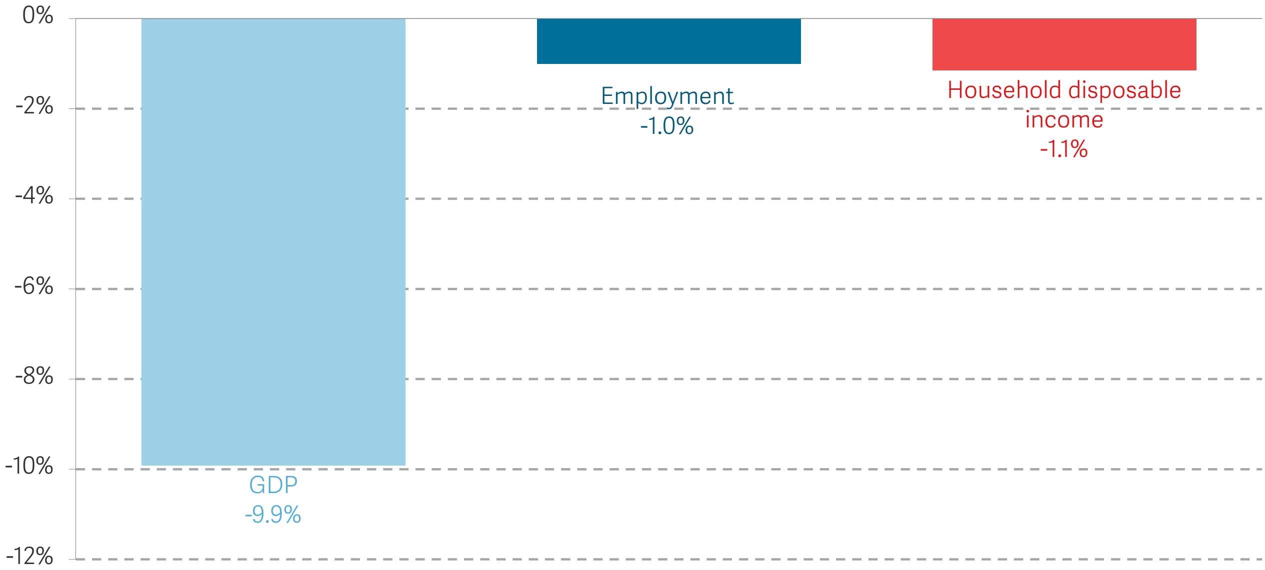
It's not just the scale of support that should be seen as a policy success: its delivery has also generally been impressive. The Coronavirus Job Retention Scheme (JRS) was announced on 20 March 2020 and opened for claims on 20 April, with HMRC reaching that point ten days ahead of schedule. The focus on a simple mechanism operating

2 See Figure 8 of T Bell et al, Spending fast, taxing slow: Resolution Foundation analysis of Budget 2021, The Resolution Foundation, March 2021, which shows the OBR's series for real household disposable income. Our own nowcast can be found in: M Brewer et at, The Living Standards Outlook 2021, Resolution Foundation, January 2021.
3 N Cominetti et al, On firm ground? The impact of Covid-19 on firms and what policy makers should do in response, Resolution Foundation, February 2021.

through the existing PAYE system carried with it fraud risks, but meant that a brand-new policy has been able to support the wages of 11 million workers since then.

FIGURE 3: **The worst economic downturn for 300 years has barely affected employment or household incomes**

Annual growth in real GDP, employment and real household disposable income, 2020: UK



SOURCE: RF analysis of OBR, Economic and Fiscal Outlook, March 2021.

Universal Credit (UC) has also had a good crisis. 2.4 million claims were processed in just ten weeks at the start of the crisis, and, despite that volume, the system generally performed well.[4] Over 90 per cent of payments due were paid in full and on time, and 74 per cent of new UC claimants at the start of the crisis were satisfied with the way DWP handled their claim.[5]

Recognising this big-picture success does not mean we should overlook the failings, though. Arguably, the largest economic policy mistake was the delay during the autumn in confirming the extension of furlough, the result of which was that redundancies rose to 400,000 in the three months to November.[6] And the strong performance protecting household incomes on average hides the fact that many families have fallen out of work and onto benefits – with a typical fall in income of 40 per cent – or have fallen through

4 Source: DWP, Stat-xplore, 'Claims made to Universal Credit'
5 M Brewer and K Handscomb, This time is different – Universal Credit's first recession, Resolution Foundation, May 2020.
6 N. Cominetti et al, Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2021.

the gaps in government support.[7] On the latter, the targeting of the Self-Employed Income Support Scheme (SEISS) has been dreadful, and the failure to fix it once it was clear that this crisis would last is inexcusable: as a result, about 1.5 million people (three-in-ten self-employed workers) have seen lower profits as a result of Covid-19 but have not been eligible to receive a grant through the scheme.[8] Similarly, the refusal to revisit the exclusion of legacy benefits such as Jobseeker's Allowance and Employment and Support Allowance from the £20 per week Universal Credit uplift is hard to defend given the duration of the crisis and the evidence, as we discuss later in this note, that costs have risen for low-income families.

Perhaps the most glaring failure of economic policy is on sick pay, where we have somehow got a year through the crisis without addressing the fact that this policy is not fit for purpose, despite deficiencies with our sick pay being well-known before the crisis began. Two million low earners are excluded, and even those who qualify only get £96 a week (a quarter of their earnings, on average).[9] Despite welcome improvements (such as allowing claims whenever someone is isolating whether or not they are sick), this means that the state has not protected the livelihoods of those we ask to stay at home to help protect lives, with the entirely predictable result that many have not felt able to do so. This has materially contributed to the weakness of our test and trace system (which has more generally failed to deliver its central objective of providing an alternative to lockdowns despite a £37 billion price tag[10]), increasing the numbers of Covid-19 cases.[11] But, big as this error has been, it is not the main policy failure that has led to a higher virus caseload.

Lockdowns have repeatedly come too late

One huge mistake will be the centre of the eventual inquiry into the UK Government's handling of this pandemic: the failure to lockdown early enough despite clear evidence of the need to do so. That mistake is all the worse for having been made, not once, but three tragic times. And it is not one that can be justified by claims to be protecting the economy, because not only has it cost tens of thousands of lives, but it is part of

7 See I Delestre et al, Income protection policy during COVID-19: evidence from bank account data, Institute for Fiscal Studies, September 2020 for the fall in incomes for those newly-claiming benefits, and S Collard et al, Who Are 'The Excluded'? Findings from the 4th Coronavirus Financial Impact Tracker Survey, Standard Life Foundation, February 2021.
8 See Figure 15 of N. Cominetti et al, Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2021. See also Figure 29 of M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020.
9 M Brewer and M Gustafsson, Time out: Reforming Statutory Sick Pay to support the Covid-19 recovery phase, Resolution Foundation, December 2020.
10 See COVID-19: Test, track and trace (part 1), House of Commons Public Accounts Committee, March 2021
11 See: L Smith et al, Adherence to the test, trace and isolate system: results from a time series of 21 nationally representative surveys in the UK (the COVID-19 Rapid Survey of Adherence to Interventions and Responses [CORSAIR] study). Giving evidence to MPs at a joint inquiry into the pandemic, Head of Test and Trace Dido Harding admitted in November 2020 that financial difficulty meant that some people refused to self-isolate if they themselves aren't ill, saying: "All the evidence shows that people are not complying with isolation not because they don't want to but because they find it very difficult. The need to keep earning and to be able to feed your family is a fundamental element of it."

the reason we have experienced a deeper economic hit than many similar countries. We focus here on the lockdown decisions affecting England, although the similarity of decision-taking in each nation of the UK was greater than the often-cited differences, particularly in the early phases of the pandemic.

To begin with, despite seeing an Italian national lockdown put in place on 9 March 2020, the Prime Minister held off following suit until two weeks later. At this point, the virus caseload was doubling every few days, so even small delays were crucial. The eventual public inquiry will dig into how much this mistake rested on a swiftly-abandoned strategy of achieving 'herd immunity', or the idea that fatigue would set in if significant social distancing measures started too early, or simply a failure to grasp the enormity of the threat. But whatever the reason, it's impossible not to conclude that we waited too long to act.

The pandemic clearly posed a huge and entirely new challenge to policy makers, so reasonable people will disagree about how much of a delay in March 2020 was understandable. What is far less excusable is repeating that mistake twice in the months that followed, as Figure 4 shows.

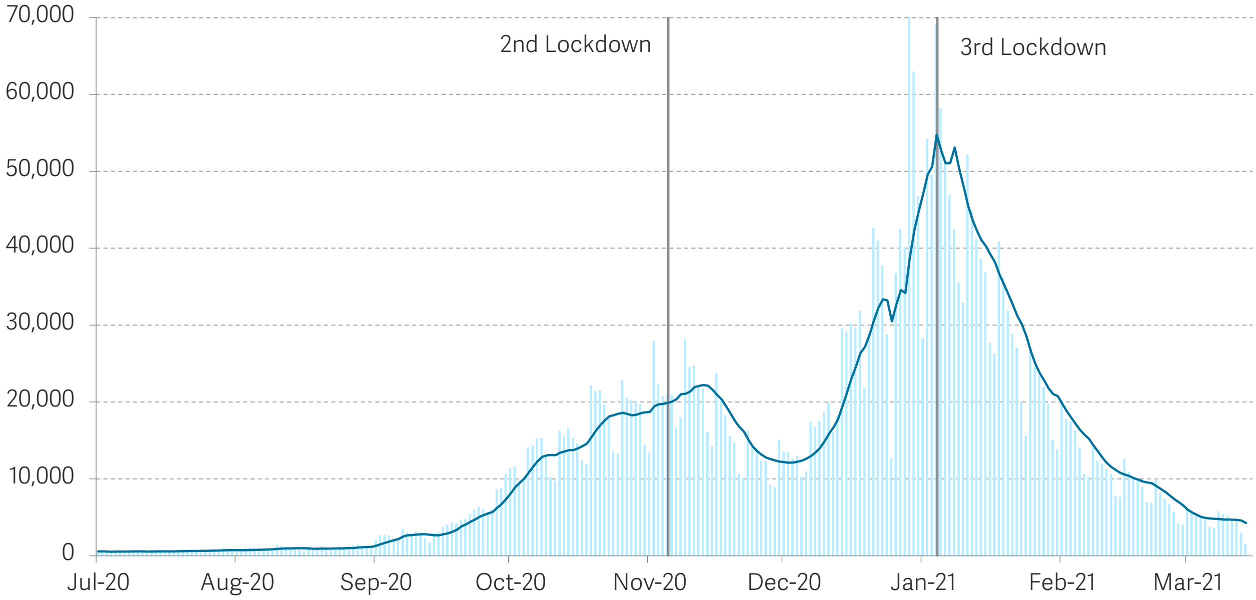
First, after a quiet August, it was clear that cases were rising in early September. On 21 September, SAGE called for a renewed lockdown or 'circuit breaker' to be put in place, warning that "not acting now to reduce cases will result in a very large epidemic with catastrophic consequences in terms of direct COVID related deaths".[12] But a return to a England wide lockdown was not announced until 31 October.[13] The mistake here is not in pursuing a regionally differentiated strategy during the Autumn rather than a national set of restrictions, but that in aggregate restrictions were clearly insufficient to ensure the virus replication rate remained below 1.

Then, almost immediately upon that lockdown being lifted in early December, and despite a ramping up of regional restrictions, the caseload began to rise again. Again, the pattern of letting the caseload surge before acting was repeated: Christmas was 'semi-cancelled', with reduced or no inter-household contact allowed, only on 19 December.[14] And, despite still-surging numbers, a full return to national lockdown was not announced until 4 January, by which point we were seeing over 50,000 cases a day across the UK.[15] Decision-taking in this period was complicated by the emergence of the more transmissible Kent variant of the virus, but the big picture remains that cases were rising fast, and the UK Government again waited before acting. That is despite knowing that tighter restrictions would be required to control the new variant, given the clear evidence that cases had not fallen in Kent during the November lockdown.

12 Taken from: SAGE, Summary of the effectiveness and harms of different non-pharmaceutical interventions, 21 September 2020.
13 Prime Minister announces new national restrictions, 31 October 2020.
14 Prime Minister's statement on coronavirus (COVID-19), 19 December 2020.
15 Prime Minister announces national lockdown, 4 January 2021

FIGURE 4: **Lockdowns in England repeatedly came too late**

Number of individuals who have had at least one positive COVID-19 test result, by date reported: England

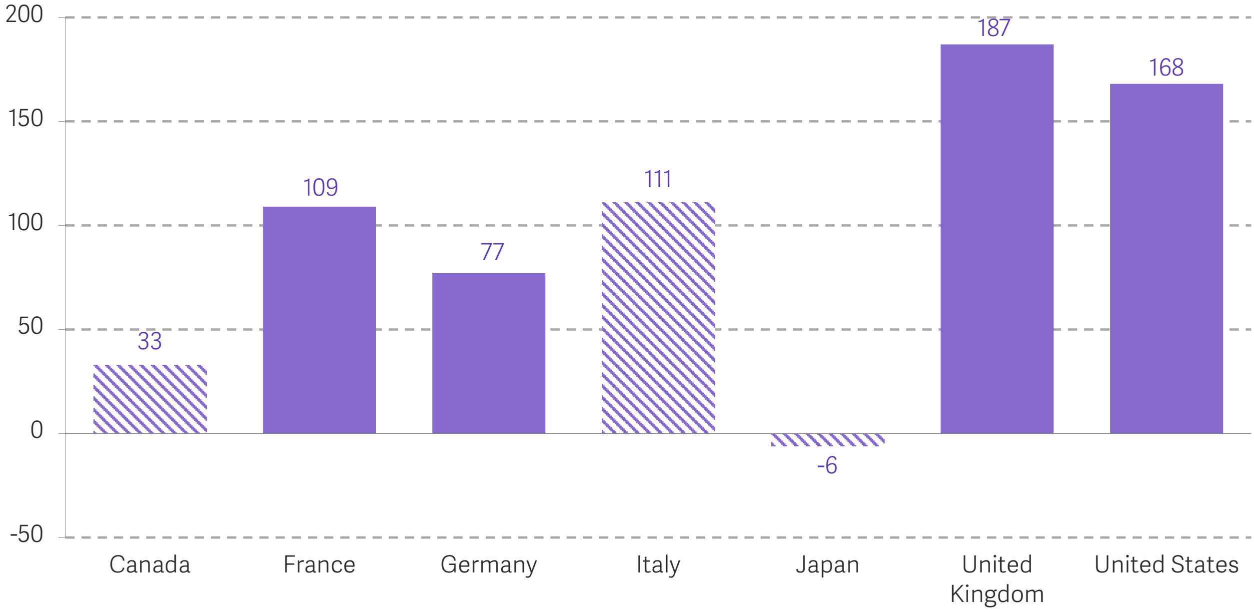


SOURCE: RF analysis of UK Government, data and insights on COVID-19.

This overall performance has not only left us with much higher death rates than many other countries, but also contributed to the UK's much weaker economic performance during 2020.

FIGURE 5: **The UK has one of the worse levels of excess deaths in G7 countries**

Excess deaths per 100,000 population, 2020-2021: G7 countries (shaded = not current data)

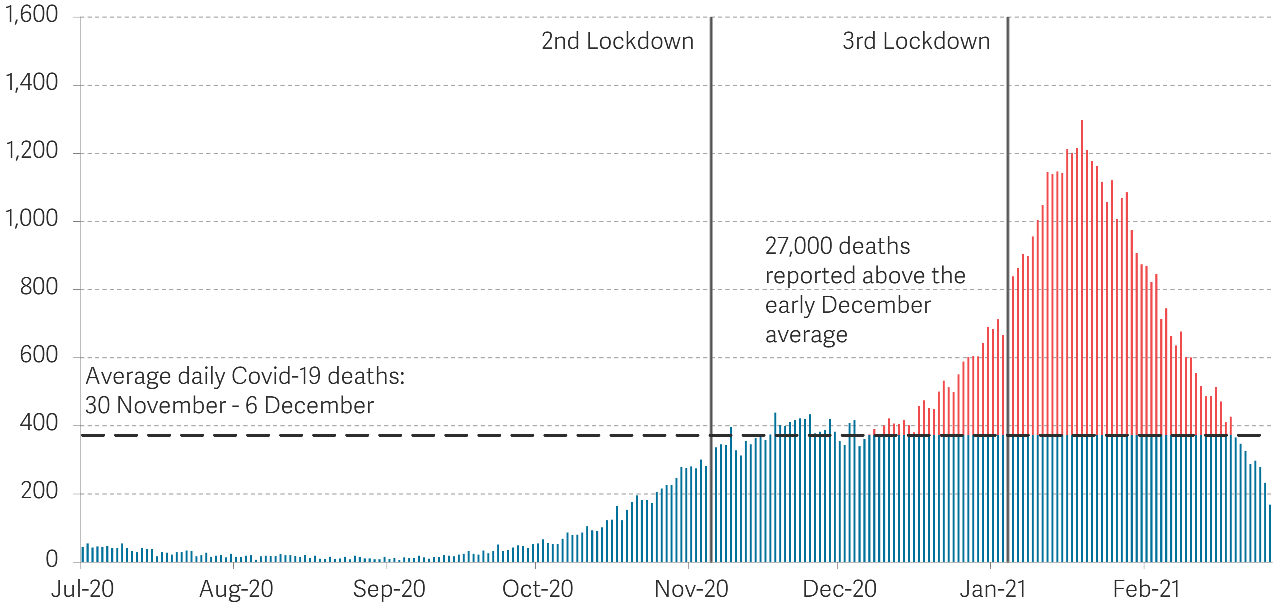


NOTES: Not all reporting periods are the same, for example Italy data is only until 31 October 2020, Canada is until 7 November 2020, Japan until 31 December 2020, with all other countries up to 5 February 2021.
SOURCE: Economist, Excess deaths. Last updated 15 March 2021.

On deaths, this is best examined by comparing deaths in excess of normal levels over the pandemic as a whole, as in Figure 5. The UK has seen the highest excess deaths on this measure using available data, although data on deaths in Italy, Canada and Japan are lagging those in other countries and will likely be higher today. Alongside delayed lockdowns, our failure to protect care homes – including by actively sending hospital patients at risk of having Covid-19 back into care homes earlier in the crisis – contributed to this horrendous death toll, with the deaths of almost 20,000 people in English care homes in 2020 involved Covid-19.[16] These deaths have also been highly concentrated in more deprived areas, with the mortality rates due to Covid-19 in January 2021 in the most deprived areas running at almost twice that in the least deprived areas.[17]

FIGURE 6: **If the death rate had not risen in December 2020, up to 27,000 fewer lives would have been lost in the winter wave**

Daily number of deaths by date of death, where Covid-19 is recorded on the death certificate: England



SOURCE: RF analysis of UK Government, daily deaths with Covid-19 on the death certificate.

If we just focus on the failure to act earlier on the fast-rising caseload in December, excess deaths do not provide an accurate measure, given the wider impacts of a suppressed flu season and high death rates earlier in the year. A rough upper estimate of the impact of failing to act in early December can, however, by derived if we assume that we had put in place restrictions quickly enough to prevent the death rate rising from early December. As Figure 6 shows, had death rates not risen further, then that would have meant 27,000 fewer deaths in England: this is a reasonable upper estimate of the cost in

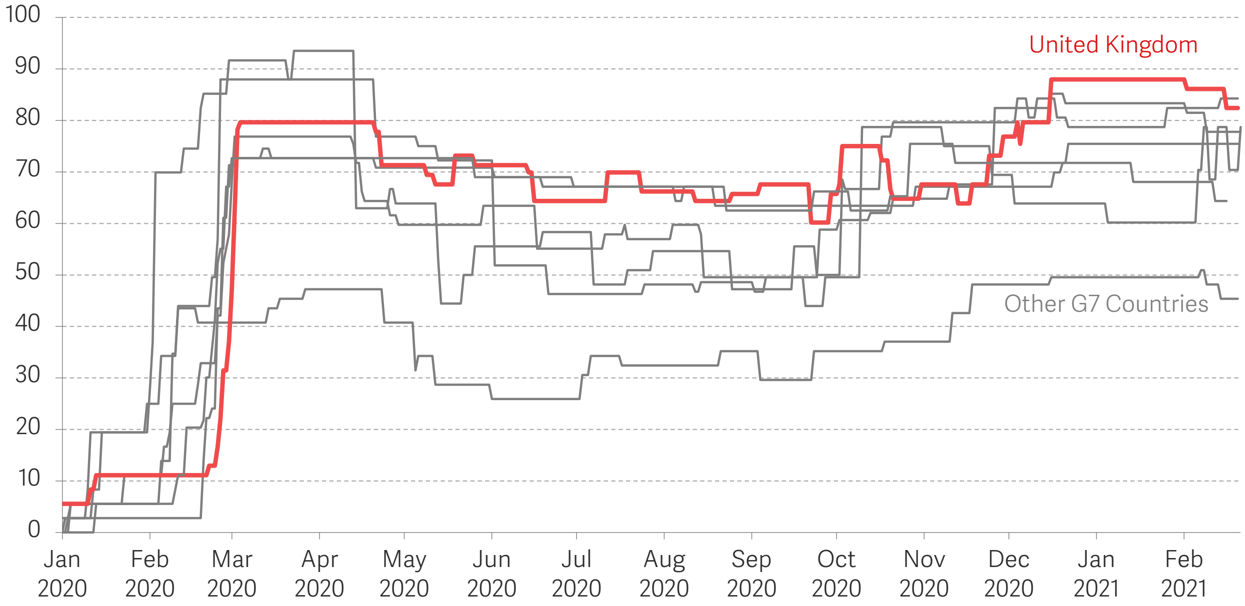
16 ONS, Number of deaths in care homes notified to the Care Quality Commission, England.
17 ONS, Monthly mortality analysis, England and Wales: January 2021.

lives lost from allowing the winter wave of the virus to get out of control in the face of the very real challenges posed by the Kent variant.

These high death rates did not reduce the economic damage from Covid-19 because the mistakes that led to them also meant that the UK ended up experiencing among the tightest overall social distancing restrictions over the year as a whole within G7 countries (see Figure 7). Because cases were repeatedly allowed to escalate, restrictions that were belatedly introduced had to be tighter and last longer to bring the overall case load back down. This is particularly noticeable at the start of 2021, when we had already had the experience of two previous lockdowns. It is however worth noting that restrictions are now also rising in some other countries as they face the challenge of the faster spreading Kent variant

FIGURE 7: **Across the 12 months of the crisis, the UK has had one of the tightest set of restrictions**

Covid-19 restrictions stringency index: G7 countries



SOURCE: Our World in Data, Stringency Index – last updated 15 March 2021.

And these tighter restrictions – along with the UK's economy being more weighted than other major economies towards social consumption sectors like hospitality that have been most affected by the pandemic – in turn have led to the UK experiencing the biggest GDP fall in the G7.[18] This matters not just for aggregates, but also for the lasting impact of this crisis on households. Although household incomes have been broadly

18 This is the conclusion reached by the OBR, see: Economic and Fiscal Outlook, Office for Budget Responsibility, March 2021. For a comprehensive discussion of measurement issues in the context of cross-country comparisons, see: S Dey-Chowdhury, N McAuley & A Walton, International comparisons of GDP during the coronavirus (COVID-19) pandemic, ONS, 1 February 2021.

protected on average, that does not mean that this pandemic won't have a lasting living standards impact on many households. And that lasting impact will be a very unequal one.

The impact of Covid-19 on the income distribution so far is broadly flat, but this hides the true nature of the change to family finances

The workers who have been most affected by the crisis are low earners and younger workers, who are disproportionately likely to have worked in sectors fully or partly shut down. Those with the least power in the labour market – such as those on atypical and insecure contracts or from certain ethnic minority groups – have also been more likely to have experienced job loss or a fall in earnings.[19]

The affected workers were more likely to be found towards the bottom of the family income distribution (but not at the very bottom, as the majority of adults in the bottom income quintile were not in paid work before the crisis began). However, the overall impact on families' incomes, shown in Figure 8, is broadly flat across the (working-age) distribution, with low-to-middle income households more likely to have seen income falls cushioned by the welfare system.[20]

But the particular nature of the Covid-19 crisis means that income alone gives us a misleading impression of the true, and lasting, impact on household finances. This is because, unlike previous economic downturns, the pandemic has had dramatic consequences for household spending. Such spending in the period July to September 2020 down 10 per cent in real-terms on the previous year. This was driven in a large part by government restrictions on economic activity or by households avoiding social expenditures to reduce their virus risk.[21] Because-higher income households spend a greater share of their income on the likes of holidays and hospitality, it is these households whose spending has fallen most.

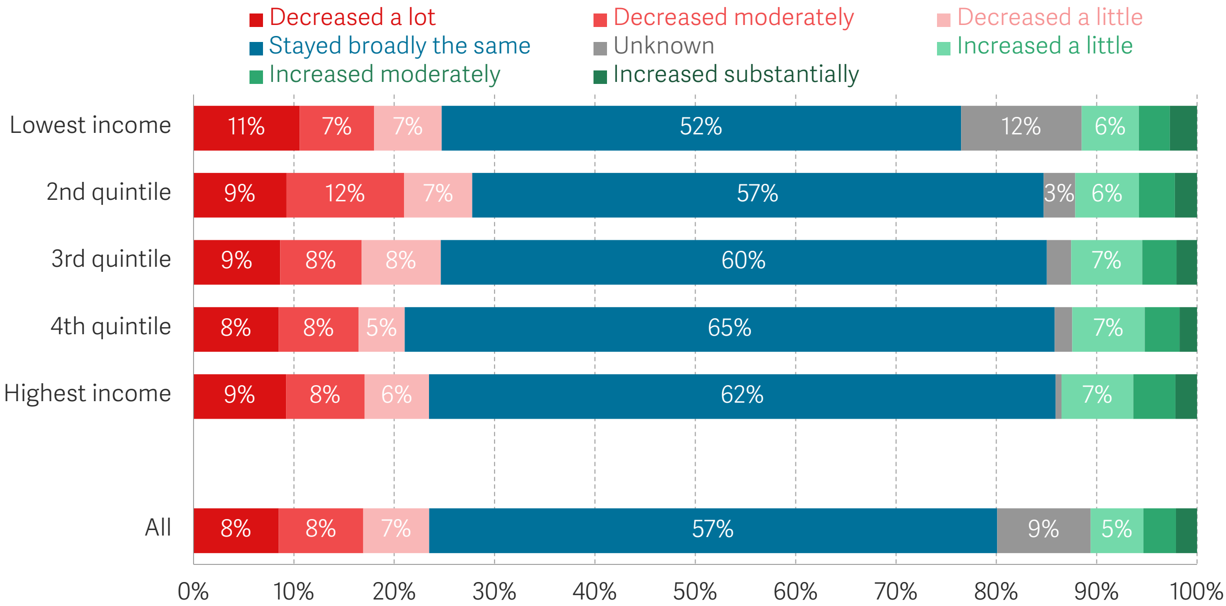
Meanwhile, at the other end of the distribution, a range of factors – such as the various stay-at-home lockdowns, having children at home more of the time, the closure of in-person support services, and changes to major supermarkets' pricing strategies – have acted to make it more expensive to live on a low-income through the pandemic. This is why we found that, in September 2020, over one-in-three (36 per cent) low-income households with children had increased their spending during the pandemic,

19 N. Cominetti et al, Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2021.
20 Taken from K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020.
21 See: Consumer Trends, ONS, December 2020, shown in Figure 1 of M Brewer and R Patrick, Pandemic Pressures: Why families on a low income are spending more during Covid-19, Resolution Foundation, January 2021. That report also contains a discussion of other studies in this area.

compared to around one-in-six (18 per cent) who reduced spending. Among high-income households without children, 13 per cent had increased their spending, compared to 40 per cent who have reduced it.[22] The combined effect is that many higher-income households have seen spending fall through a lack of commuting costs, or reduced spending on leisure and hospitality, but some low-income households have been forced to spend more just to get by.

FIGURE 8: **The Covid-19 hit to household incomes has been felt relatively even across the distribution**

Change to household income during re-opening (July-September) compared to February 2020, by current working status: UK, 17-22 September 2020



NOTES: Base = all adults aged 18-65 with valid income data (n=3,128), apart from the 'all' category where the base is all UK adults aged 18-65 (n=6,061). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or nonworking adult students. These figures have been analysed independently by the Resolution Foundation, including the calculation of income quintiles.

SOURCE: RF analysis of YouGov, UK Adults Age 18 to 65 and The Coronavirus (Covid-19) – September wave.

Putting income changes and these two type of spending changes together reveals that low-income families were much more likely to have seen their household finances squeezed during this crisis – with either their income falling by more than their spending, or their spending rising on an unchanged income – than better-off families.[23] And the duration and scale of these very uneven impacts has then fed through into very uneven changes to household balance sheets. It is these that represent the lasting inequality-enhancing impact of the pandemic.

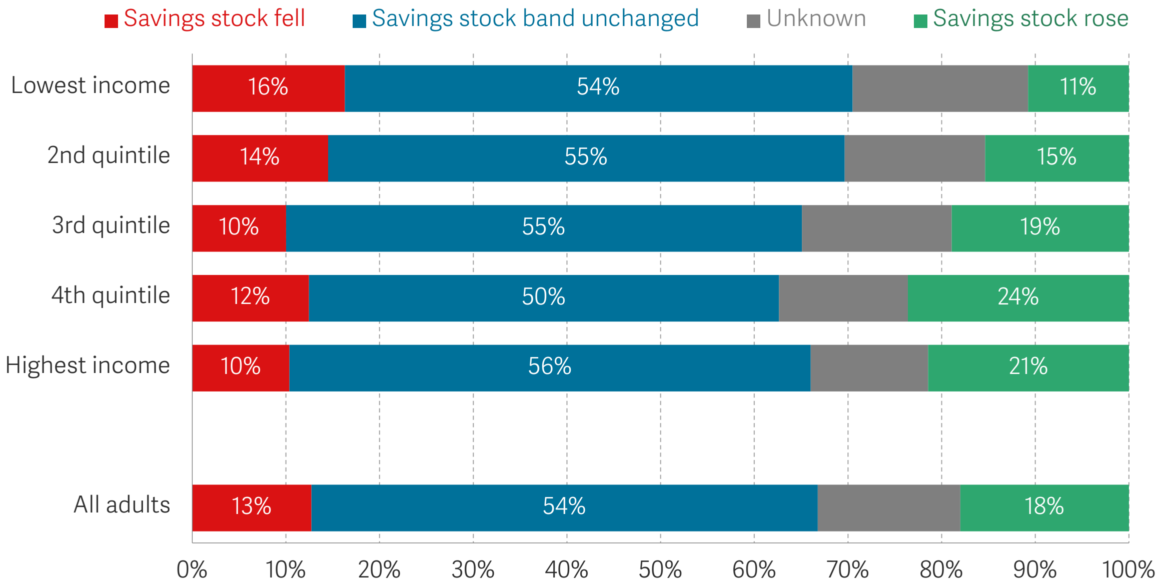
22 M Brewer and R Patrick, Pandemic Pressures: Why families on a low income are spending more during Covid-19, Resolution Foundation, January 2021.
23 Taken from K Handscomb & L Judge, Caught in a (Covid) trap: incomes, savings and spending through the coronavirus crisis, Resolution Foundation, November 2020.

The lasting financial impact of the pandemic is very uneven changes to savings and debt

Aggregate data shows huge increases in household savings (with £125 billion in extra savings built up by November) and reductions in debt (the stock of consumer credit was down 7.5 per cent down on the year in December 2020) during the pandemic.[24] But the findings above should caution against an overly-simplistic reading of that data. Under the aggregate headlines, the impact of the pandemic on households' balance sheets has been far from even.

FIGURE 9: **High-income families have been much more likely to see savings rise during the crisis**

Change in stock of savings since February 2020, by household income quintile: UK, 22-26 January 2021



NOTES: Base = 3,384: all adults aged 18-65 with valid income data (apart from the 'all adults' category where the base is 6,389). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or nonworking adult students. These figures have been analysed independently by the Resolution Foundation, including the calculation of income quintiles.
SOURCE: RF analysis of YouGov, UK Adults Age 18 to 65 and The Coronavirus (Covid-19) – January 2021 wave.

We can see this directly in what families tell us about changes to their stocks of savings and debts.[25] In January 2021, about 11 per cent of those in the bottom income quintile reported that they had more savings now than pre-crisis, considerably less than the fraction (16 per cent) reporting they had less savings (our survey asked people to report

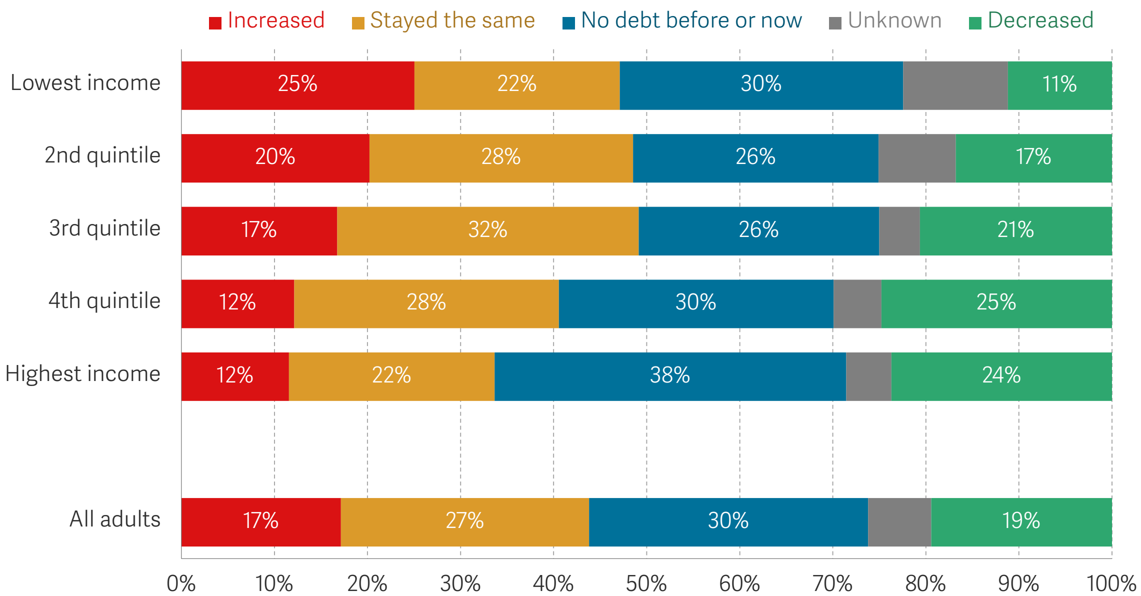
24 See: Monetary Policy Report, February 2021, Bank of England, February 2021.
25 The survey was undertaken between 22 and 26 January 2021, and the total sample size was 6,389 working-age adults. All figures have been analysed independently by the Resolution Foundation, including the construction of income quintiles. Results are weighted to be representative of UK adults aged 18 to 65.

in which band their level of savings lay, so all these figures underestimate the true extent of changes). In the top income quintile, over a fifth (21 per cent) reported that they had more savings now, double the proportion (10 per cent) that had seen their savings fall since the crisis began (see Figure 9).

There is a very similar pattern to the changes to personal debt and non-housing arrears. In January 2021, almost a quarter (24 per cent) in the top income quintile reported that they had less debt now, with 12 per cent reporting more debt than since the crisis began (see Figure 10). Among the bottom income quintile almost exactly the opposite has happened with one-in-four families (25 per cent) having seen debt or arrears rise, and only 11 per cent have seen debt fall.[26]

FIGURE 10: **Lower-income families have been much more likely to see debts rise during the crisis**

Change in personal debt and arrears since February 2020, by household income quintile: UK, 22-26 January 2021



NOTES: Base = 3,384: all adults aged 18-65 with valid income data (apart from the 'all adults' category where the base is 6,389). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or nonworking adult students. These figures have been analysed independently by the Resolution Foundation, including the calculation of income quintiles.
SOURCE: RF analysis of YouGov, UK Adults Age 18 to 65 and The Coronavirus (Covid-19) – January 2021 wave.

26 These figures are in line with those published by the ONS, which estimated that 9 million people had borrowed more money than usual during 2020. See: Personal and economic well-being in Great Britain: January 2021, ONS, January 2021.

The past year has seen significant successes, but a disastrous, and repeated, failure

The past year has been one of staggering changes to all our lives. As a much hoped-for recovery gets under way, and hopefully lasts, it is important to take stock of what has happened over a tumultuous 12 months. We should celebrate the success of our vaccination programme that is not only saving lives but offering us the prospect of a faster recovery in the months ahead. We should also recognise the broad success of unprecedented economic policy measures taken to insure households and firms against much of the economic damage caused by the virus.

But the central, and repeated, failure to act swiftly to prevent the spread of the virus has not only cost tens of thousands of lives, it has also deepened the economic damage done to our livelihoods. Because it ultimately led to deeper and longer-lasting restrictions on economic activity, this failure has also led to greater inequality in household resources, with reduced wealth and higher debts for lower-income households, and improved balance sheets for the better-off. More broadly the crisis has shone a light on the state of 21st Century Britain: from employment conditions for low earners, the neglect of health and safety at work, the way in which inequalities experienced by different groups translate into bad health outcomes, and growing intergenerational gaps.

So while the Covid-19 pandemic has touched everyone, lower-income families have borne the brunt of the crisis in terms of their lives and livelihoods. This should not be forgotten as we look to rebuild post-pandemic Britain.

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