“How has the pandemic impacted the economic role of global cities? Some evidence from London, Paris and Toronto”

Mark Kleinman
Professor of Public Policy, King’s College London

Global cities: agglomeration as asset and vulnerability

Agglomeration as asset and vulnerability

- By the second decade of the 21st Century, more than half of the world's population was living in cities. An elite group of global cities has thrived over the last 30 years as key nodes of the global economy, attractors of talent, ideas and investment in an ever-more-connected system.

- With Covid-19, many of the benefits of large, global cities – crowds, proximity, connectivity, openness – have also become vulnerabilities.

Early takes: end of the city?

- Joel Kotkin: pandemics have always been bad for dense urban areas. “Global” and “vital” have meant “more susceptible” in a pattern that stretches from Rome and Alexandria in antiquity, to London and Paris in the modern age. Home-working and dispersing offers opportunity of creating a locally-based “more humane and sustainable urban culture” as an alternative to ever more density.
- Ed Glaeser, author of The Triumph of the City: in Shakespeare’s London, life expectancy was six years lower than elsewhere in the rest of country. Optimistic about the ability of elective government to tackle public health crises, but nevertheless says “let’s not ignore the fact that the pandemic is an existential threat to high-density living based around face-to-face contact.”

But But But…

- Continuing importance of agglomeration
- Cities and adaptation: cities decline and grow. Success also brings inequalities
- Pandemics have impacted cities but not changed the direction of economic growth
- After WW2, London's manufacturing base dwindled to a fraction of its former self. But London was reborn as a city of services – financial, business, educational, creative, cultural, scientific, technological and more.
- London and other global cities unlikely to disappear. But will become different places than last 30 years? And (even) more unequal?

Attitudes

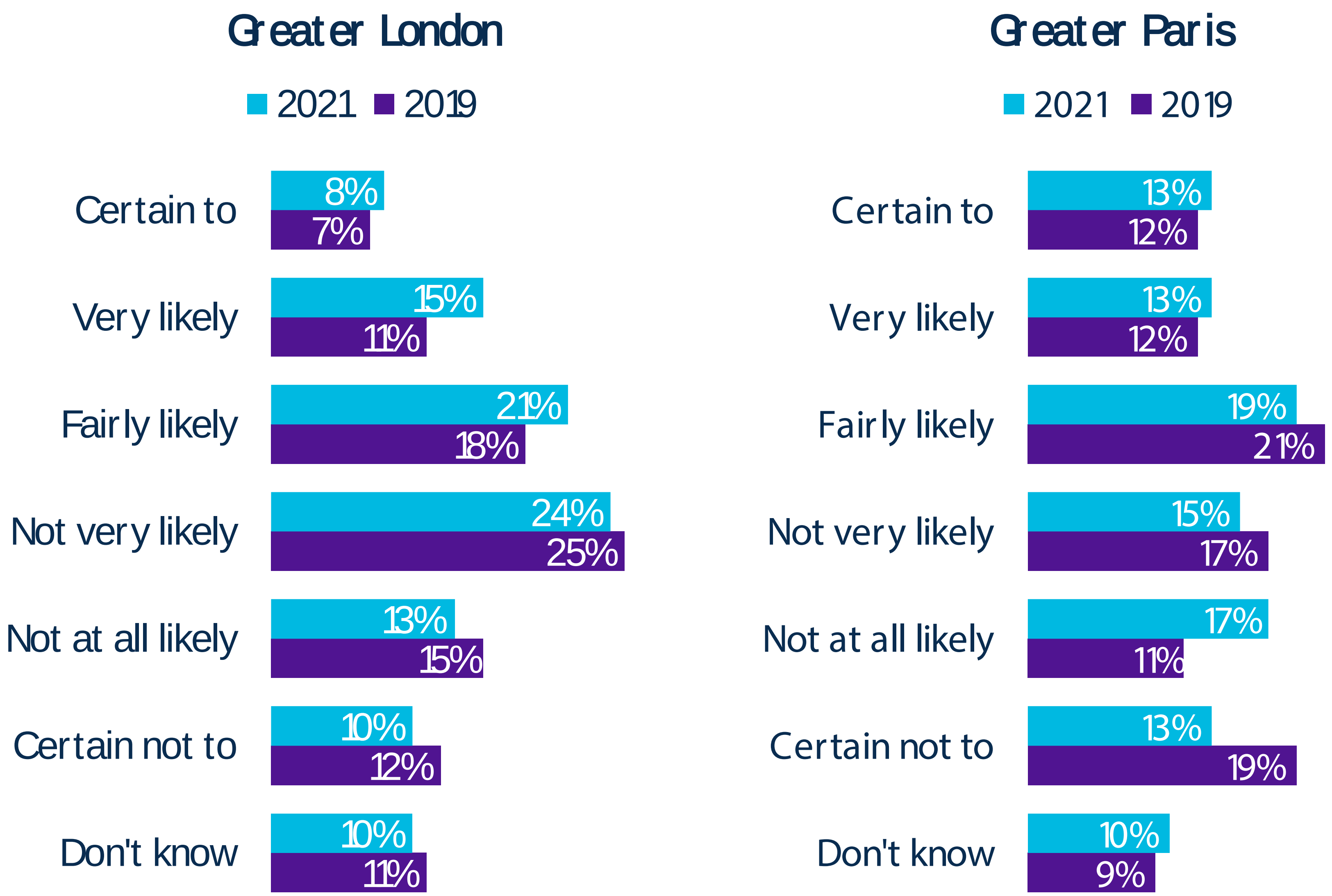
Capitals and Covid study

- Partnership between King's College London, Université de Paris and Ipsos MORI

- Two surveys: Nov/Dec 2019 and May/June 2021

“Death of the city” narrative exaggerated?

How likely, if at all, is it that you will move out of London/Paris in the next five years?



#capitalsandcovid

2021 base: 1,002 adults aged 18+ in Paris and 1,000 in London, interviewed online (23 April–5 May 2021 in London; 26 April–17 May in Paris)
2019 base: 1,010 adults aged 18+ in Paris and 1,000 in London, interviewed online (29 November–4 December 2019)

Satisfaction with local area undented despite lockdowns forcing people to spend much more time closer to home

Overall, how satisfied or dissatisfied are you with your local area as a place to live?

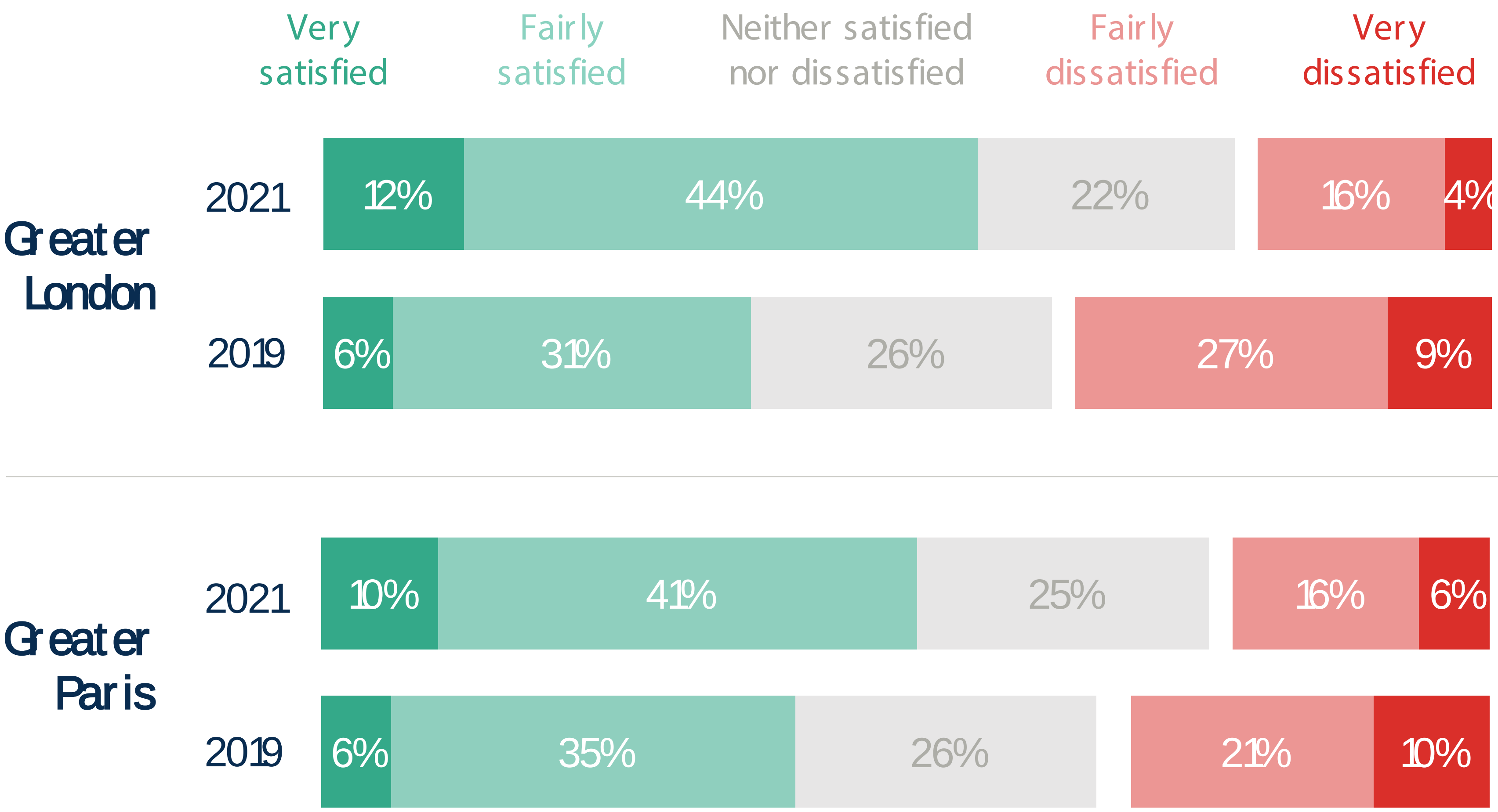
#capitalsandcovid

Ipsos | Université de Paris | King's College London

2021 base: 1,002 adults aged 18+ in Paris and 1,000 in London, interviewed online (23 April–5 May 2021 in London; 26 April–17 May in Paris)
2019 base: 1,010 adults aged 18+ in Paris and 1,000 in London, interviewed online (29 November–4 December 2019)

And satisfaction with local services in the cities has actually *increased*

Thinking about local services in London/Paris such as schools, transport and police, how satisfied or dissatisfied are you, in general, with the level of service provided?



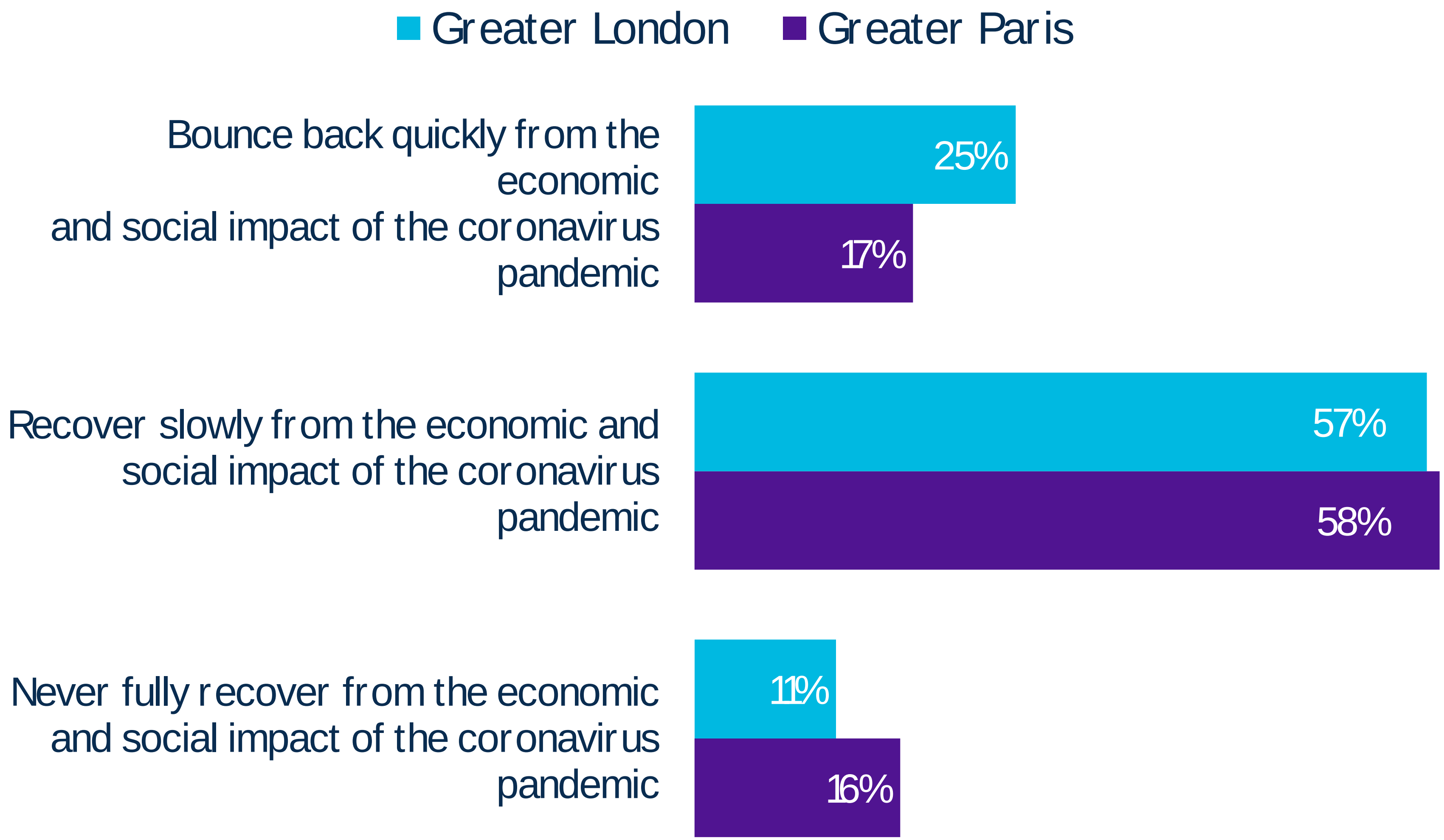
#capitalsandcovid

2021 base: 1,002 adults aged 18+ in Paris and 1,000 in London, interviewed online (23 April–5 May 2021 in London; 26 April–17 May in Paris)
2019 base: 1,010 adults aged 18+ in Paris and 1,000 in London, interviewed online (29 November–4 December 2019)

Majorities in both capitals think their city will recover from Covid – albeit slowly

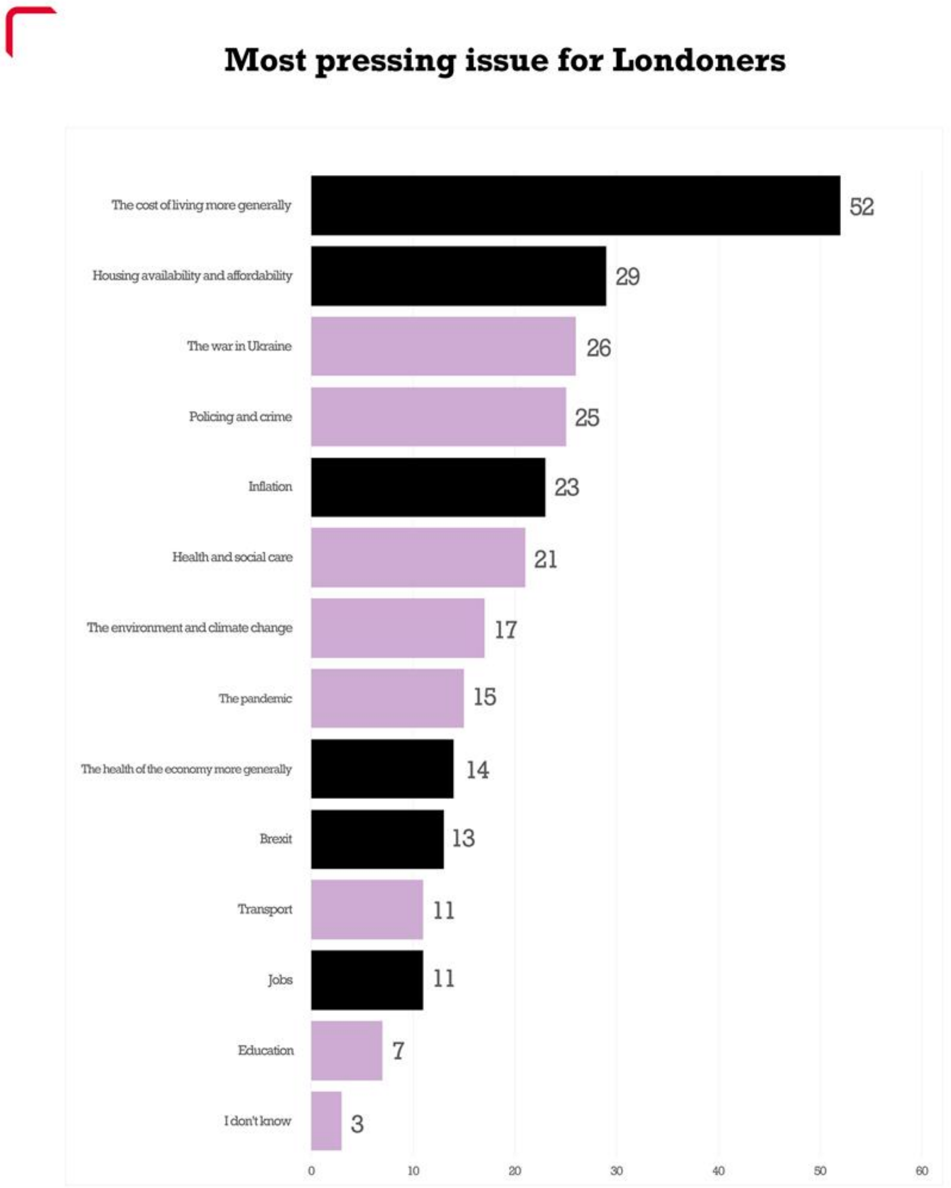
Which of the following statements, if any, is closest to your view?

% who say London/Paris will…



Base: 1,002 adults aged 18+ in Paris and 1,000 in London, interviewed online (23 April–5 May 2021 in London; 26 April–17 May in Paris)

Most pressing issues for Londoners March 2022

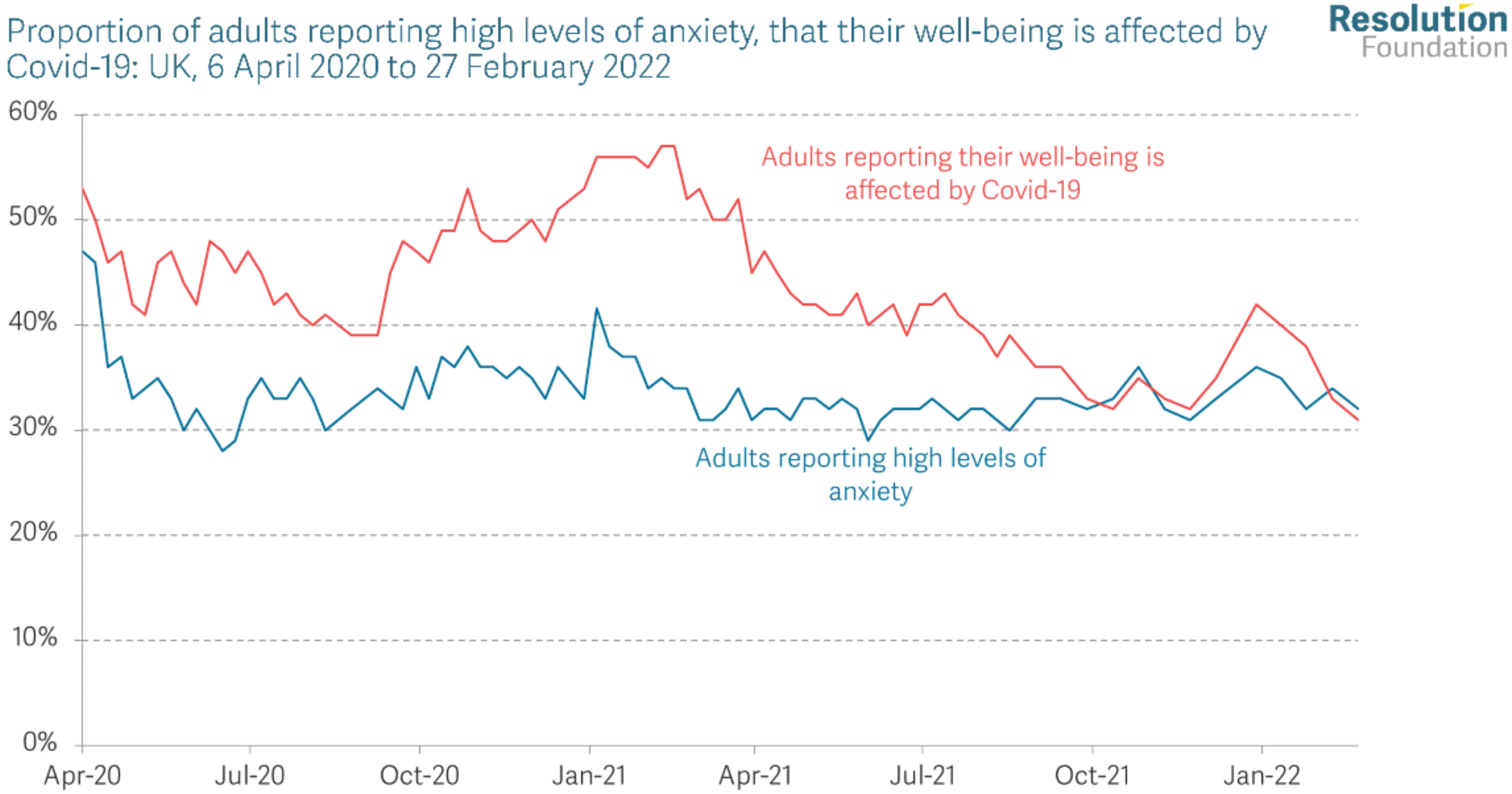


Which two or three of the following issues do you think are most pressing for people like you in London at the present time? (primarily economy-related issues coloured in black, all others in purple) Source: Deltapoll interviewed a representative sample of 1,028 Londoners aged 18+ online, between 3 and 7 March 2022.

London Communications Agency

Anxiety and COVID

Proportion of adults reporting high levels of anxiety, that their well-being is affected by Covid-19: UK, 6 April 2020 to 27 February 2022



Source: RF analysis of ONS, Opinions and Lifestyle Survey (COVID-19 module), 16 to 27 February 2022

Covid-19: economic impact

What is the evidence?

- **Florida and Kotkin (2021):**
  - pandemic possibly the most geographically transformative event in US since the great migration to the suburbs after World War II.
  - Although 'superstar' cities like New York and London will not 'disintegrate', they will be challenged by the rise of remote working and their CBDs in particular will be disrupted.
- **Rodriguez-Pose and Burlina (2021):** 206 regions across 23 European countries in the first half of 2020.
  - Excess deaths were concentrated in a relatively small number of regions: more than 40% of regions experienced no excess mortality, while only 16 regions had excess deaths of 20% or more.
  - Both highly-connected regions (road not air connectivity being more significant), and those colder/dryer geographies, with high air pollution and relatively poor health systems had the highest mortality.
  - Formal and informal institutions also played a role.

What is the evidence?

- **McCann et al. (2021)** multi-level model combining national, regional and local data for March-November 2020:
  - urban density itself not necessarily a facilitator of transmission, although our understanding is still limited.
  - role for institutional and governance factors. No relationship with regional income, in contrast with
- **Antonietti et al. (2021)** sample of 138 countries (not regions) in the early phase of the pandemic (March-April 2020)
  - infection and mortality is higher in countries with higher GDP per capita.
  - GDP per capita effect is much more significant than average air quality (PM2.5 levels) but relationship with air quality might differ at the sub-national level.
- **Nathan (2021)** – England :
  - theories emphasizing broad characteristics such as city size and international connectivity are less effective at explaining differences in transmission,
  - while theories highlighting urban housing, labour markets and deprivation, as well as related differences in behavioural responses, better align with available evidence.
  - Wave 1 spread from London, but Waves 2 and 3 started elsewhere, and there was substantial divergence within big urban areas.

Recovery and change in London

London's Growth

- London declined for much of 20th century
- Public policy accelerated urban depopulation.
- London's population decline accelerated through the 1950s and 1960s, peaking in the 1970s, when the net loss was 740,000 – ten per cent of the city's population.
- This slowed and then reversed in the 1980s. London successfully transitioned from a manufacturing to a services-based economy. It thrived in a new era of globalisation.

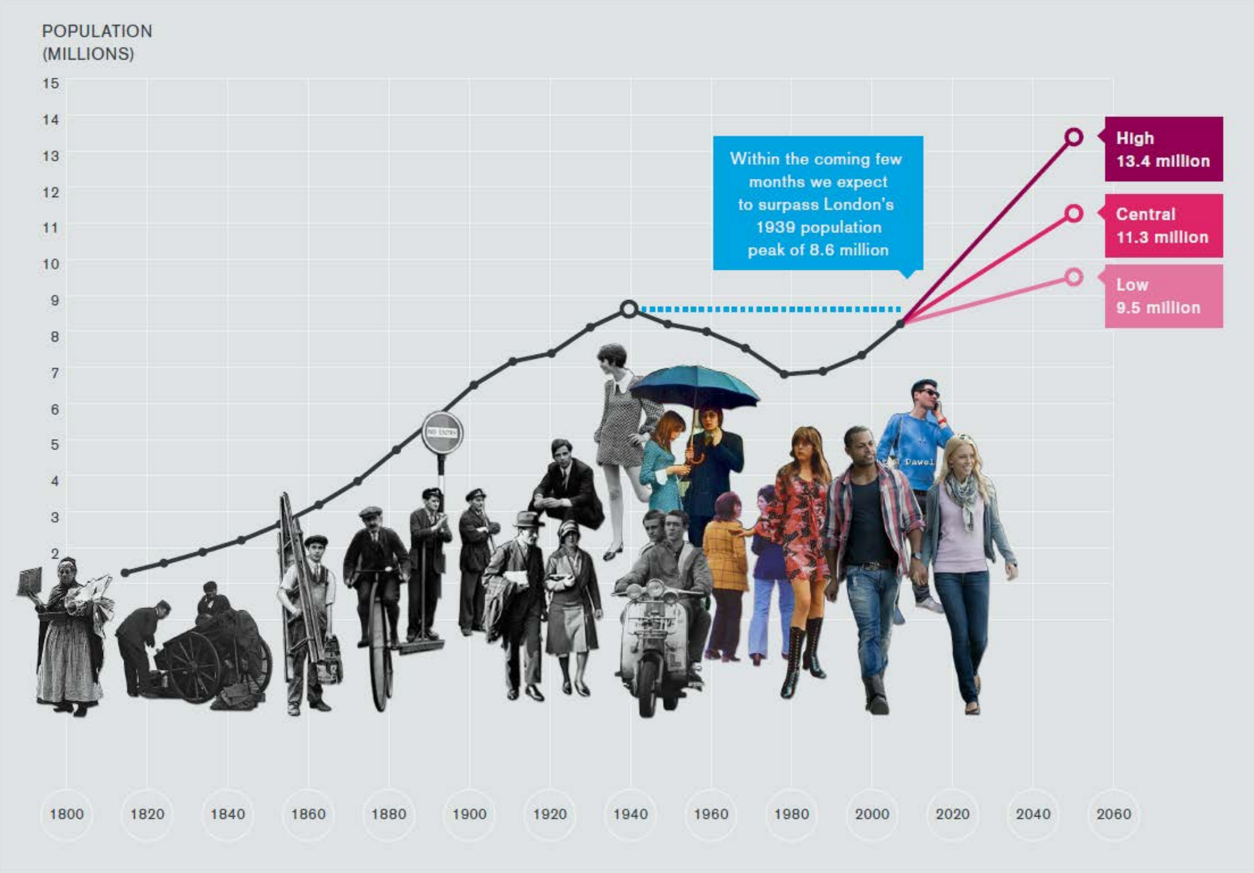
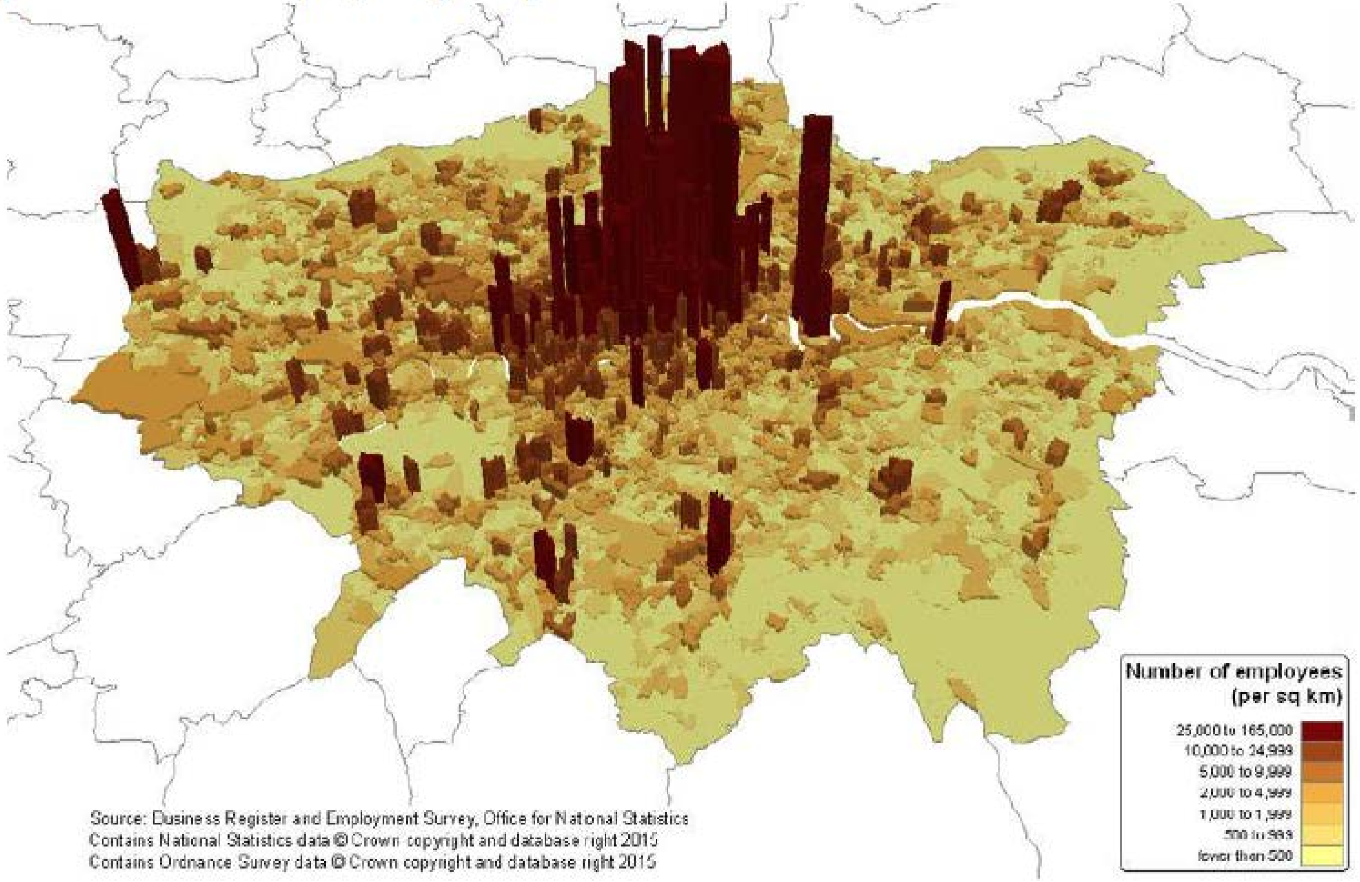


FIGURE 1
LONDON'S HISTORIC AND EXPECTED FUTURE GROWTH
Source: GLA Intelligence Unit

Jobs are concentrated in the Central Activities Zone

Economic Evidence Base for London 2016

Map 2: Number of employees per square kilometre in 2014 in London



Source: Business Register and Employment Survey (BRES)

Greater London Authority (2016)
Economic Evidence Base for
London 2016

Employment

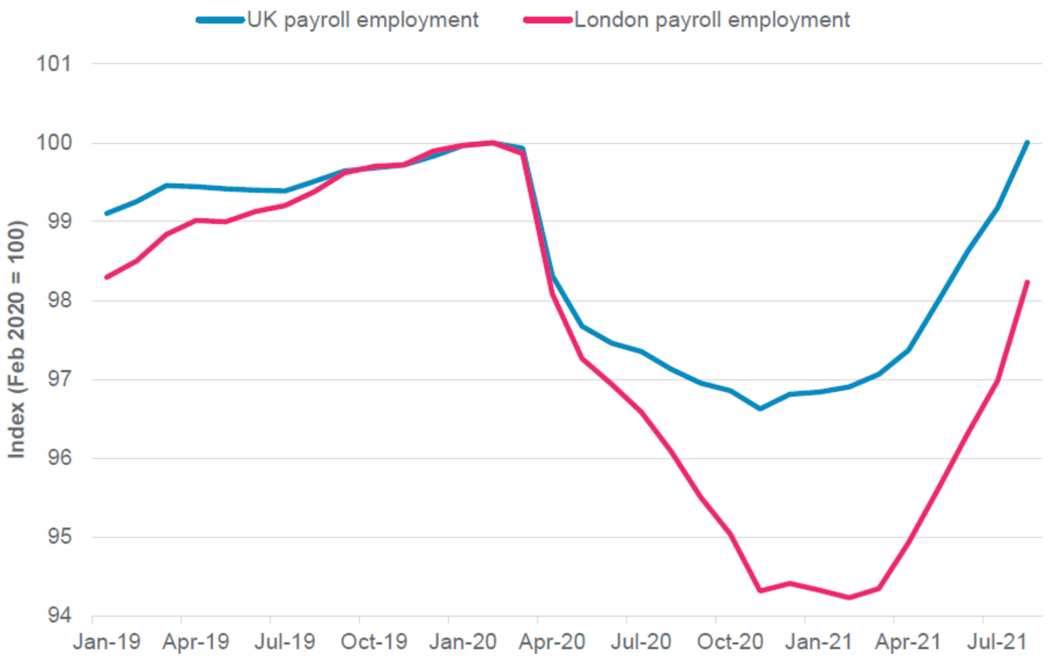
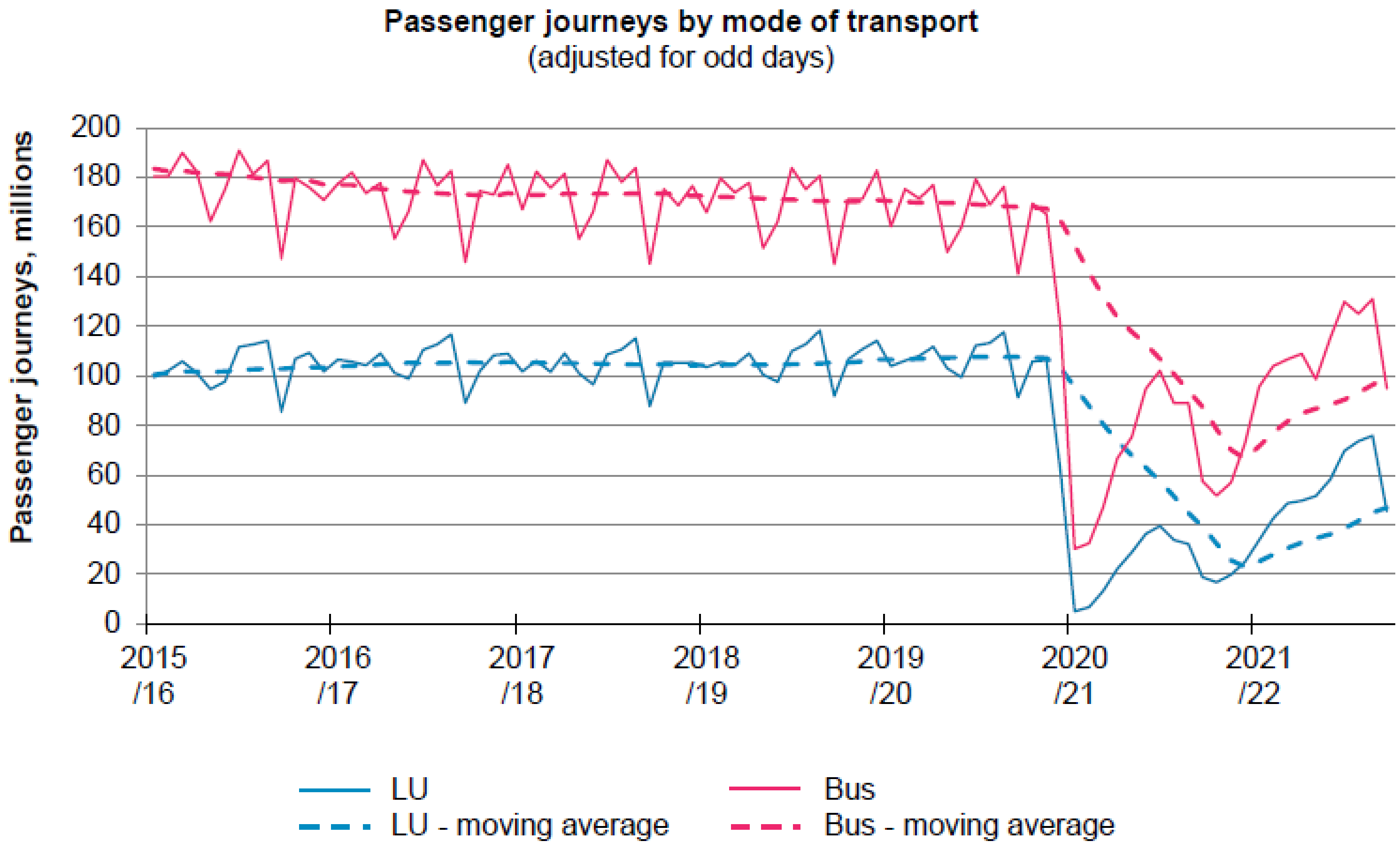


Figure 3: The recovery in PAYE employment in London and the UK (Index, February 2021 = 100)

Source: HM Revenue and Customs – Pay As You Earn Real Time Information & GLA Economics analysis. Note: estimates are based on where employees live

Even as risks to the recovery grow, real-time employment data has proved more encouraging than the GDP numbers. HMRC payroll figures showed London's economy gained nearly 52,000 jobs in August, representing a gain of 1.3%. This was even faster than the strong growth of 0.8% at the national level. Yet despite these strong gains, London's payroll employment remains 1.8% below pre-pandemic levels (Figure 3), and we still expect the broader workforce jobs measure to take some time to recover fully.

Transport



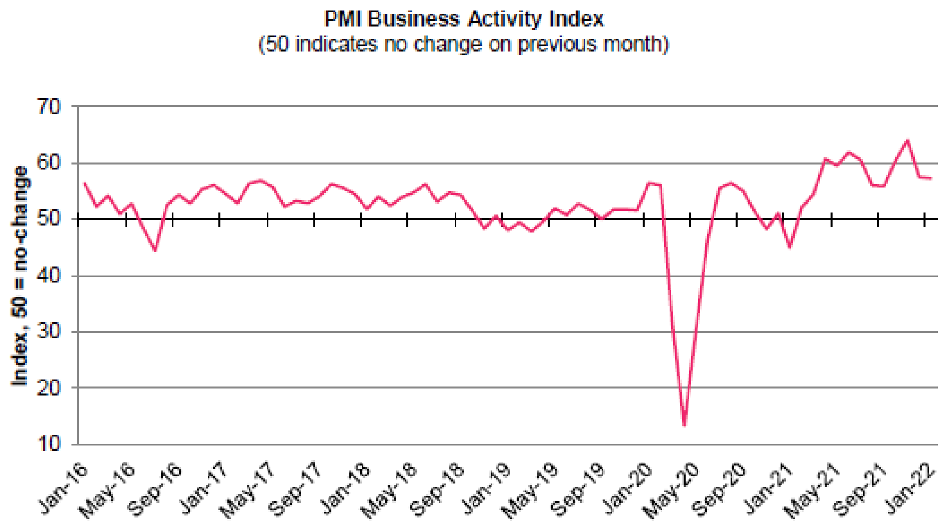
Source: GLA Economics 'London's Economy Today' February 2022

Business Sentiment

In January, the sentiment of London's PMI business activity index remained positive for the twelfth consecutive month

- The business activity PMI index for London private firms decreased slightly from 57.5 in December to 57.3 in January
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

Source: IHS Markit for NatWest
Latest release: February 2022, Next release: March 2022



Economic Projections

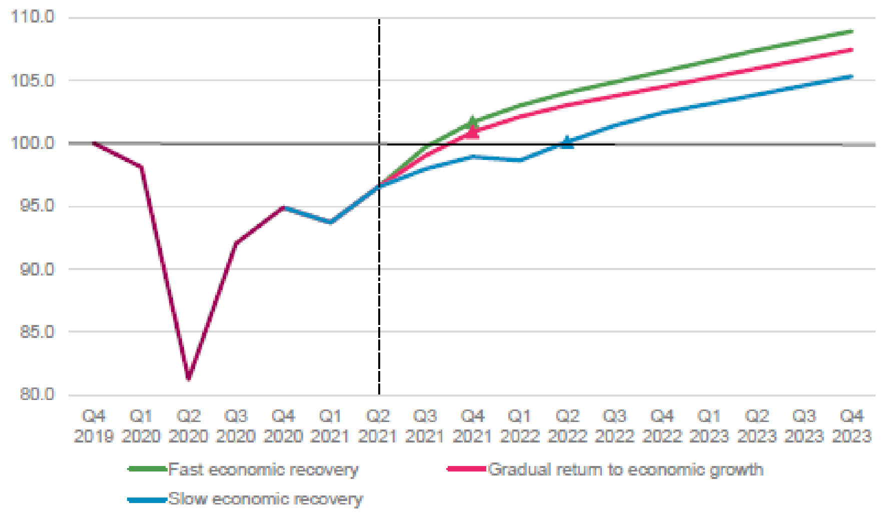


Figure A3: Shape of the output recovery in London (index)

Source: GLA Economics. Index of 100 = pre-crisis level. The 'triangle' indicates the quarter when the corresponding series reaches its pre-crisis level (sometimes the triangle is above 100, meaning that pre-crisis levels were not only reached but also surpassed in the same quarter).

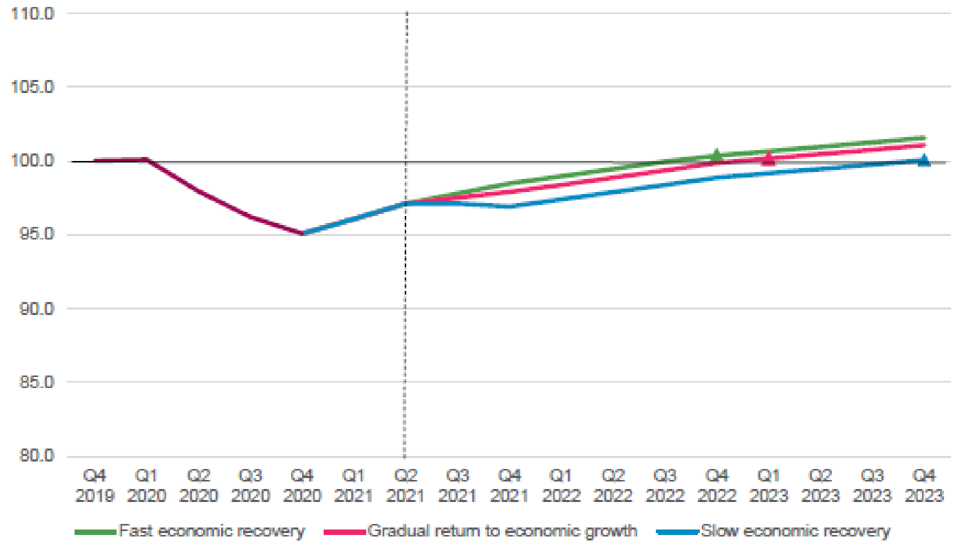


Figure A4: Shape of the jobs recovery in London (index)

Source: GLA Economics. Index of 100 = pre-crisis level. The 'triangle' indicates the quarter when the corresponding series reaches its pre-crisis level (sometimes the triangle is above 100, meaning that pre-crisis levels were not only reached but also surpassed in the same quarter).

Source: GLA Economics 'London's Economy Today' September 2021

CBD and suburbs

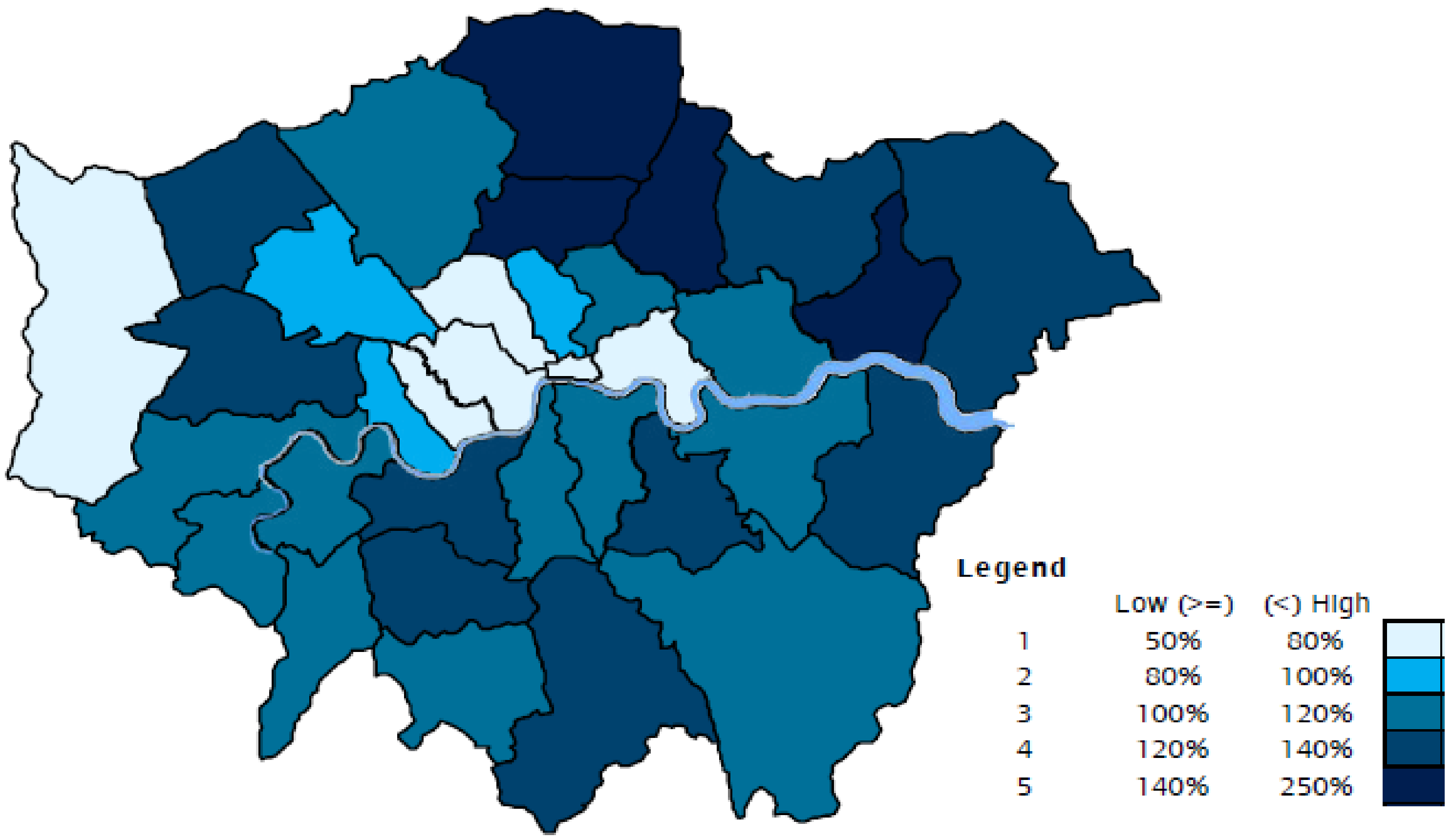


Figure 2: Card spending in retail as a share of 2019 levels by borough in July 2021

Source: Anonymised and Aggregated data by Mastercard and City Intelligence Unit analysis

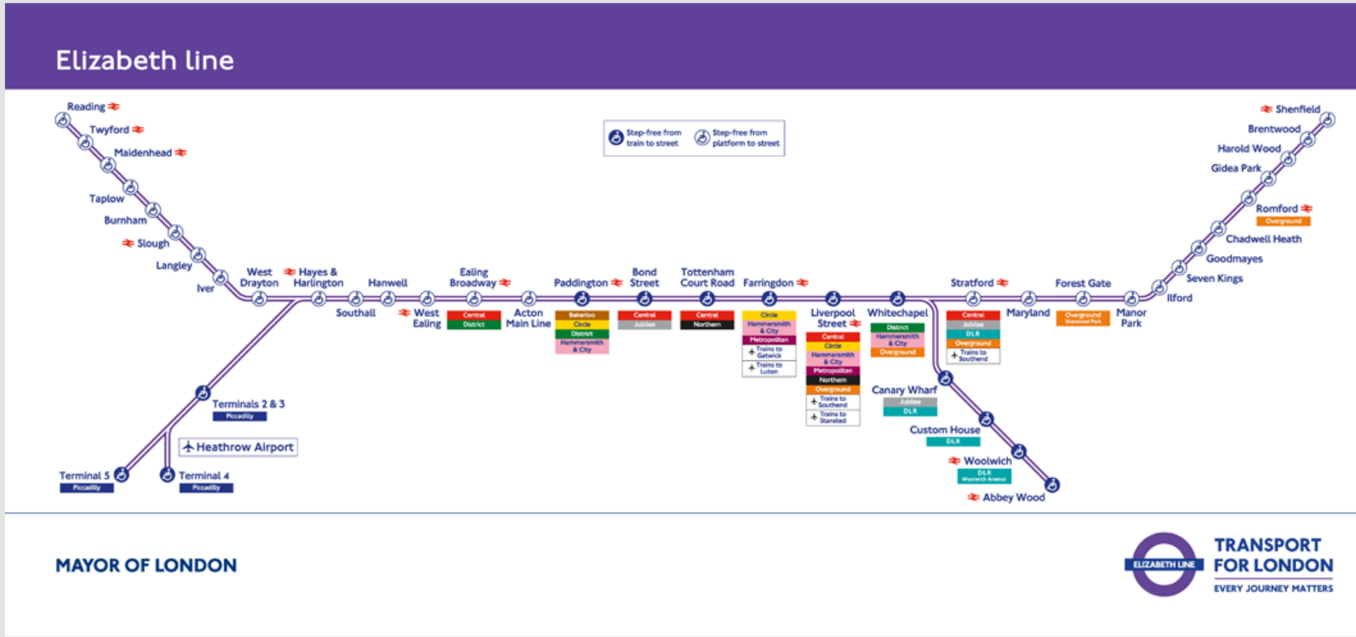
Source: GLA Economics 'London's Economy Today' September 2021

Peak London?

- Pre-COVID, some signs of slowing down: in the year to mid-2017, London's population experienced the slowest rate of growth in over a decade, at only 0.6%. International migration to London declined to a net gain of only 83,000 individuals in 2016-17, though still the largest contributor to growth in the capital.
- Brexit and COVID complicate the picture. Data and interpretation issues.
- GLA City Intelligence update (February 2022):
  - Deaths (mainly over-75) have increased due to COVID-19, births continue long-term downward trend, no change in fertility rates. Overall, natural change lowest since 2000s
  - Many young adults left London during/following first lockdown, many returned Spring/Summer 2021
  - International migration fell due to COVID plus Brexit. Non-visitor flows at least partially recovered in months to September 2021.
  - In year 1of pandemic, London's population likely to have fallen for first time in three decades. But since Spring 2021, likely that London's population has resumed growing, but at a slower rate than pre-pandemic.

Crossrail – end of investment era, or temporary pause?

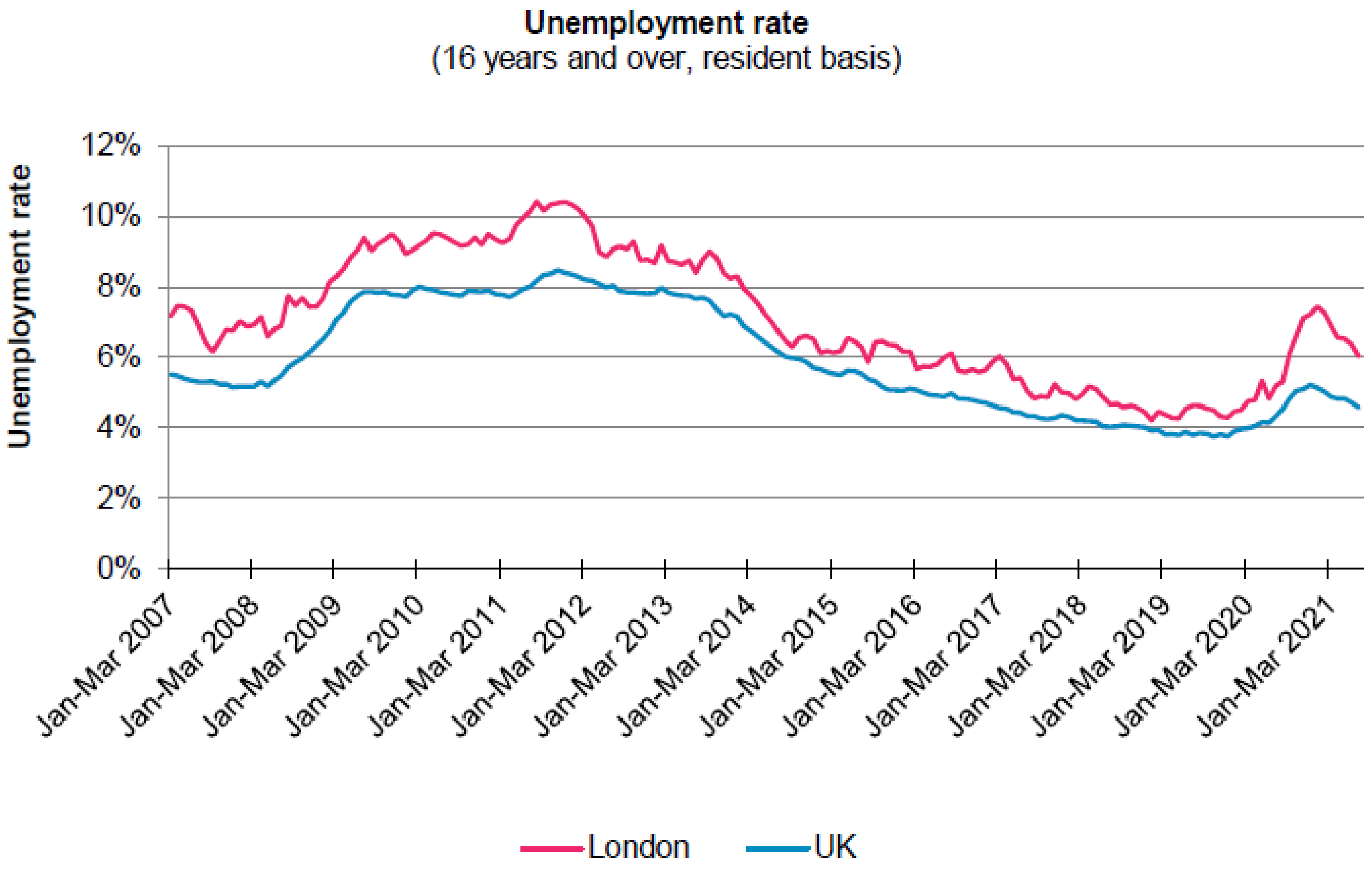
- Major strategic investment – but what next? Bakerloo Line Extension, Crossrail 2, other major projects paused.



Inequalities

Unemployment

Unemployment in London is now falling but is above the UK average.



Source: GLA Economics 'London's Economy Today' September 2021

Sectoral change?

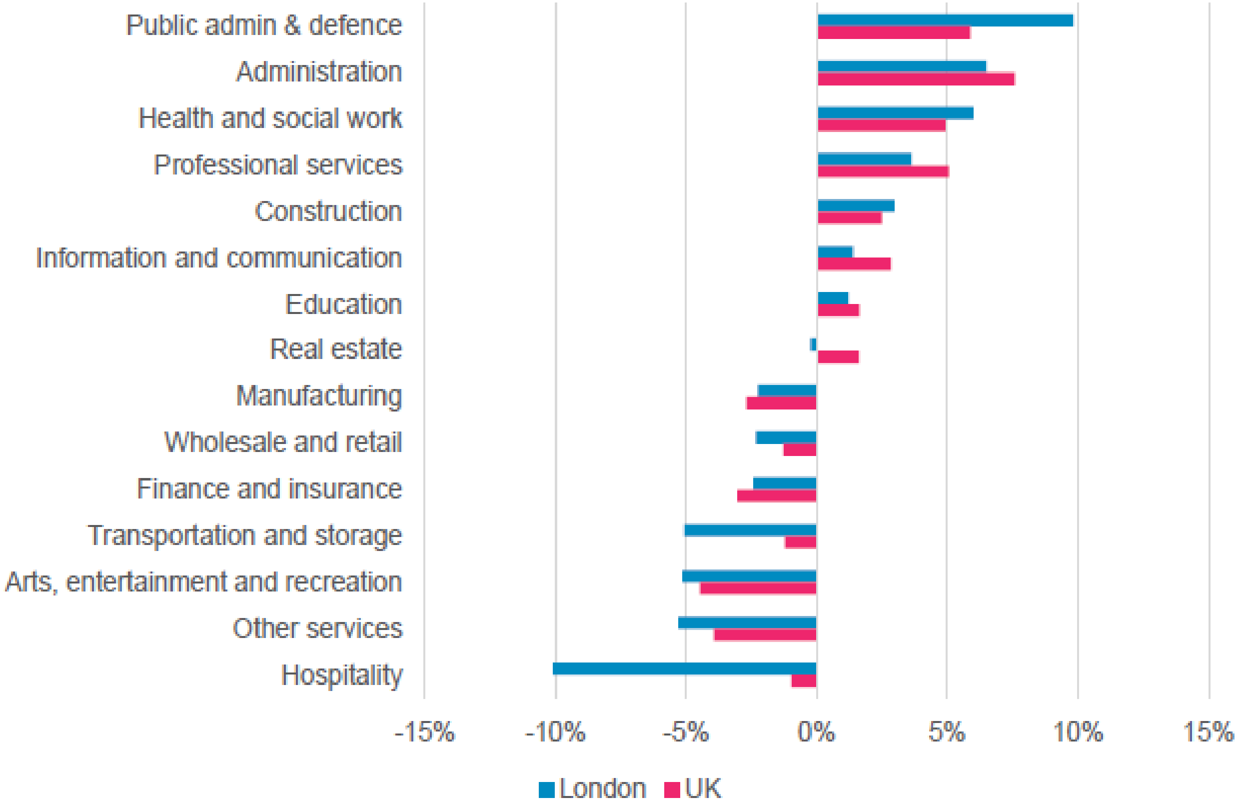


Figure 3: Change in payrolled employees by sector in London & UK between February 2020 and January 2022

Source: HM Revenue and Customs – Pay As You Earn Real Time Information
Note: Estimates are based on where employees live. Excludes sectors with fewer than 25,000 payrolled employees in London

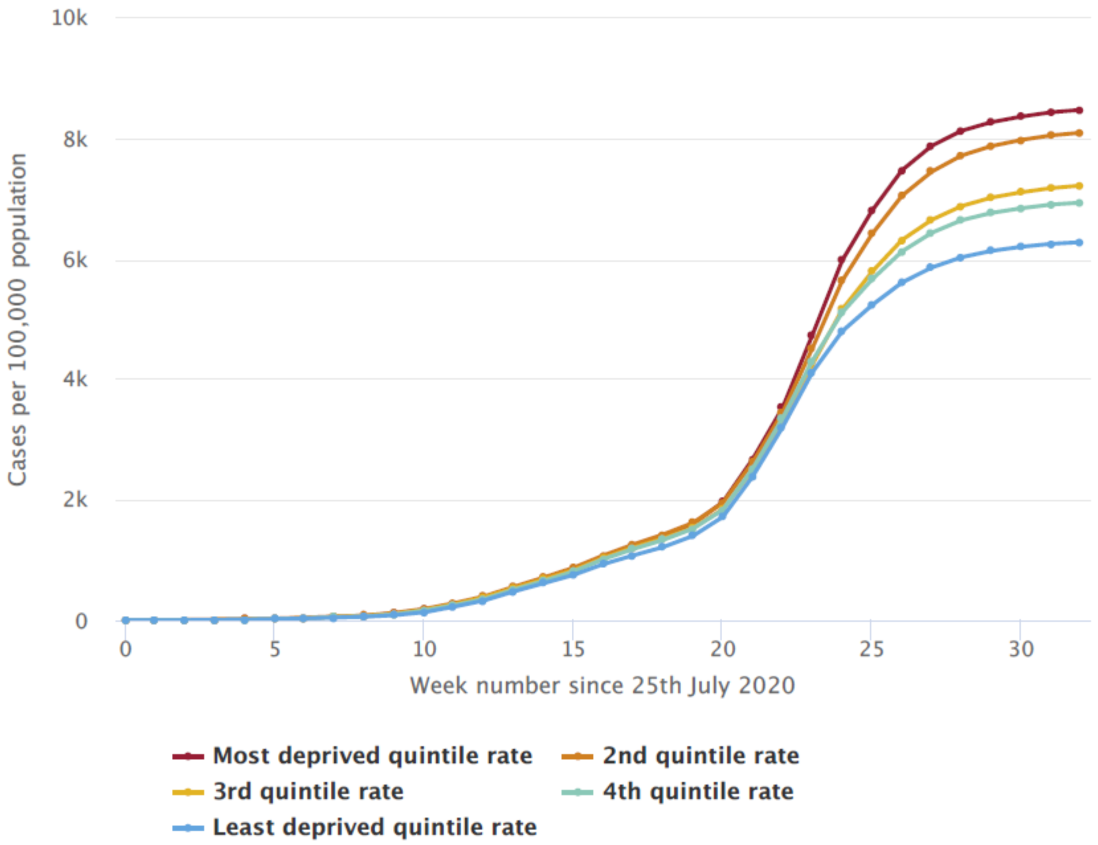
Source: GLA Economics 'London's Economy Today' February 2022

Unequal COVID-19 impacts

COVID-19 infections have not been evenly spread across London's population. The rate of positive tests between July 2020 and March 2021 was a third (35%) higher in the most deprived 20% of London neighbourhoods, compared with the least deprived 20% of neighbourhoods.

Figure 2: Cumulative COVID-19 infection rates in London by neighbourhood deprivation quintile (25th July 2020 - 3rd March 2021)

Data source: Coronavirus cases, Public Health England; Population estimates for MSOAs, ONS; IMD 2019, MHCLG



London's Poverty Profile 2021

Source: Trust for London, London's Poverty Profile 2021: COVID-19 and poverty in London

Unequal COVID-19 impacts

Living Standards

The combined health, economic and social impacts of the pandemic have taken a significant toll on the living standards of Londoners. Tracking these impacts will take time, as data is released with a significant lag, but all the indicators point to these impacts being greatest for Londoners with the lowest incomes.

What we already know is that **overall, more than 1.54 million working-age Londoners were claiming benefits in August 2020,** a rise of 44% compared to August 2019.

In August 2019, 19,395 people were subject to a cap on their benefits, growing to 53,048 people a year later.

The pandemic has increased pressures on Londoners: **overall, Londoners with children spent 15.6 hours a week on homeschooling and childcare in April 2020.**

Women spent more time than men on homeschooling and childcare, spending an average of 19.1 hours a week on these activities.

In the six months to September 2020, **London food banks distributed 210,000 food packages,** a 128% increase compared to the same period in 2019.

Levels of happiness, feeling worthwhile and life satisfaction have fallen across the capital.

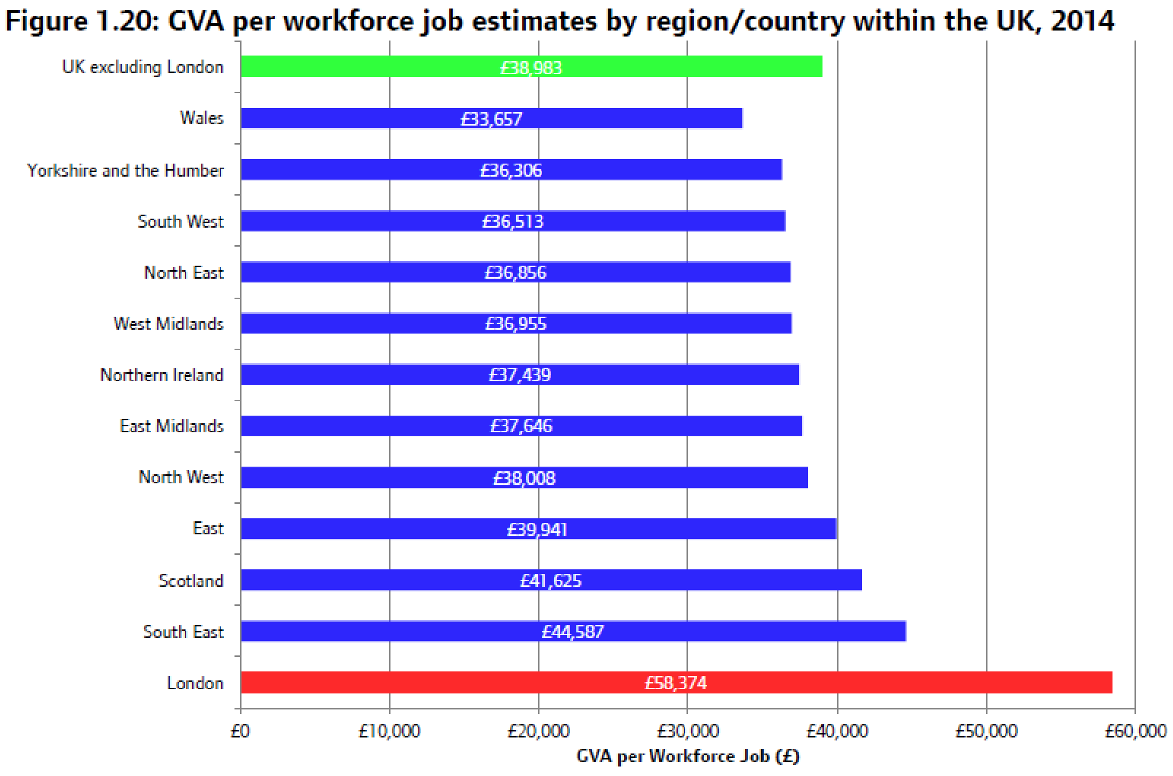
In winter 2020/21, anxiety scores were 44% higher than pre-pandemic levels.

Government policy has protected many people. In 2019, 1,136 people were seen sleeping rough on a single night in London.

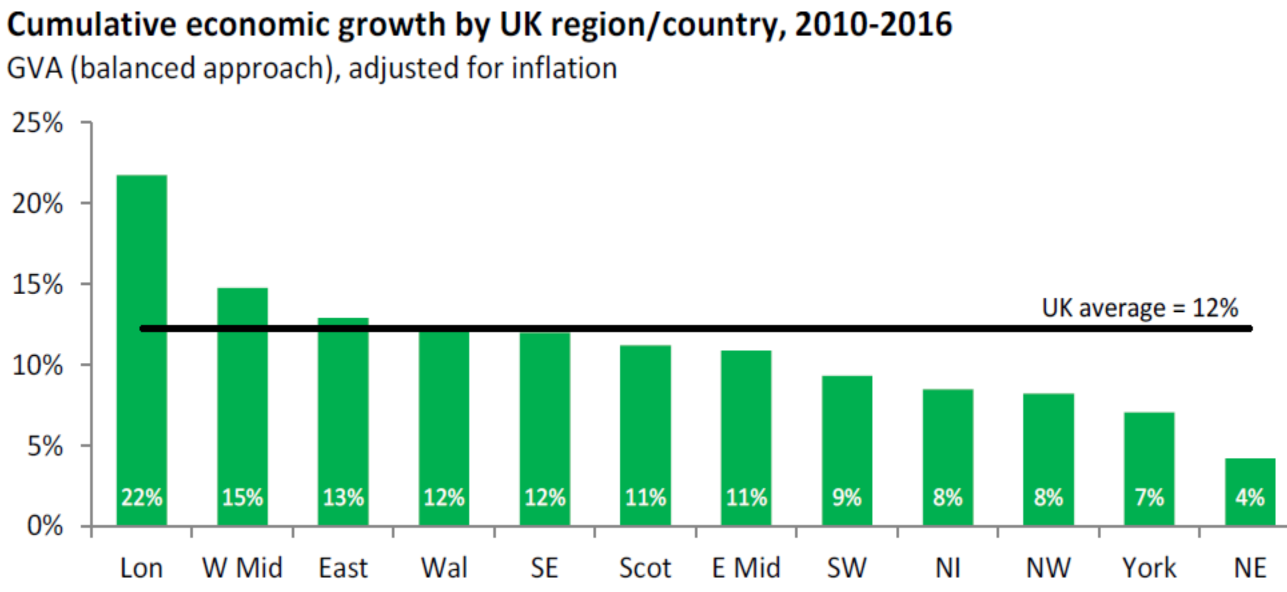
By autumn 2020, as a result of the government's action, that had fallen by 59% to 714.

Source: Trust for London, London's Poverty Profile 2021: COVID-19 and poverty in London

But national rhetoric focuses on inter-region differences: 'Levelling Up'



Source: GLA Economics calculations. Rest of UK equals UK excluding extra-regio minus London.



Sources: House of Commons Library, Briefing Paper 05795 (5 September 2018) 'Regional and Local Economics Growth Statistics';
GLA Economics, Economic Evidence Base for London 2016

Covid-19: economic impact and economic recovery in Toronto

Brail and Kleinman research on Toronto (1)

- Not clear when true economic recovery will be underway.
- No evidence yet of permanent, large-scale decline in economic activity or population. Likely that Toronto's economic success as a second-tier global city will continue.
- The pandemic exposed, and exacerbated, inequality issues including affordability, economic inequality and geographic and socioeconomic disadvantage.
- Pandemic preparedness and resilience in general will figure more strongly in assessments of global cities' competitive position.
- Pandemic resilience one of a number of factors that influence the success of second-tier global cities, rather than a 'game-changer'.

Brail and Kleinman research on Toronto (2)

- Strategic positioning or lack of ambition? Competitive opportunities, such as election of Trump in USA, Amazon HQ competition, Sidewalk investment, have only partly been exploited.
- Some redistribution possible of economic activity across the wider city-region. Connected and flexible mega-city regions may combine continuing benefits of centrality and agglomeration with greater demand for space from both firms and households.
- If so, this will pose specific challenges as well as opportunities for Toronto and its region, given the existing fragmented governance arrangements.

Policy issues

Seven Policy issues for cities

- Health and Economy, or health vs economy?
- Future of mobility, public transport, the car, public space
- Economic transition – sectoral change
- Hybrid working – how significant and what impacts?
- The future of CBDs and downtowns – less monocentricity?
- Tackling inequalities – existing and new
- Devolution, powers, funding and governance

THE POLICY INSTITUTE

Thank You!

Connect with us

@policyatkings www.kcl.ac.uk/sspp/policy-institute