

Box C. The regional distribution of destitution from the Covid-19 crisis

by Arnab Bhattacharjee and Elena Lisauskaite

There is a growing awareness that big shocks such as Covid-19 and Brexit amplify existing inequalities. A plea for engaged research-driven policy debate directed at the 'levelling-up' agenda was the focus of the previous Review (Bhattacharjee, Nguyen and Venables, 2020) together with impacts of the Covid-19 shock upon UK population in destitution (Bhattacharjee and Lisauskaite, 2020).

Following Bhattacharjee and Lisauskaite (2020), we use NIESR's microsimulation model LINDA (NIESR, 2016), together with the quarter's updated projections from NIESR's global macroeconomic model NiGEM (NIESR, 2018), to obtain destitution projections at the national and regional level to the year 2022. Our model incorporates the impact of the UK government's job support scheme in all its current varieties and the impact of an FTA Brexit. Here, destitution is defined as extreme poverty, that is, income so low that a household is likely to lack the provision of essentials such as shelter, food, heating, lighting, clothing/footwear and basic toiletries in the immediate future. Specifically, we use the income component of the Joseph Rowntree Foundation's definition and consider a single person household as being destitute when their income falls below £70 per week, with any additional adult requiring another £30 per week and an additional child needing £20 per week. The impacts from Covid-19 and Brexit on destitution are modelled as arising from three sources: (a) persons losing their livelihood (unemployment), where this impact is moderated by the government's job support schemes; (b) persons employed in jobs suffering reduced income and thereby pushed into destitution; and (c) self-employed persons moved to extreme poverty either because of income loss or because their businesses are not being sufficiently supported by the government's small business schemes.

Table CI. Projections of the increase in destitution levels in the UK (18+ population)

	Non-Covid projections	Covid-19 + Brexit: Channels of impact upon destitution			Covid-19+ Brexit (FTA):
		Unemployed	Lower income in jobs	Self-employed	Total
2020	2,048,395	792,976	95,180	210,243	3,146,795
2021	1,789,588	2,495,928	90,839	20,316	4,396,671
2022	1,519,607	1,630,494	93,477	5,541	3,249,120

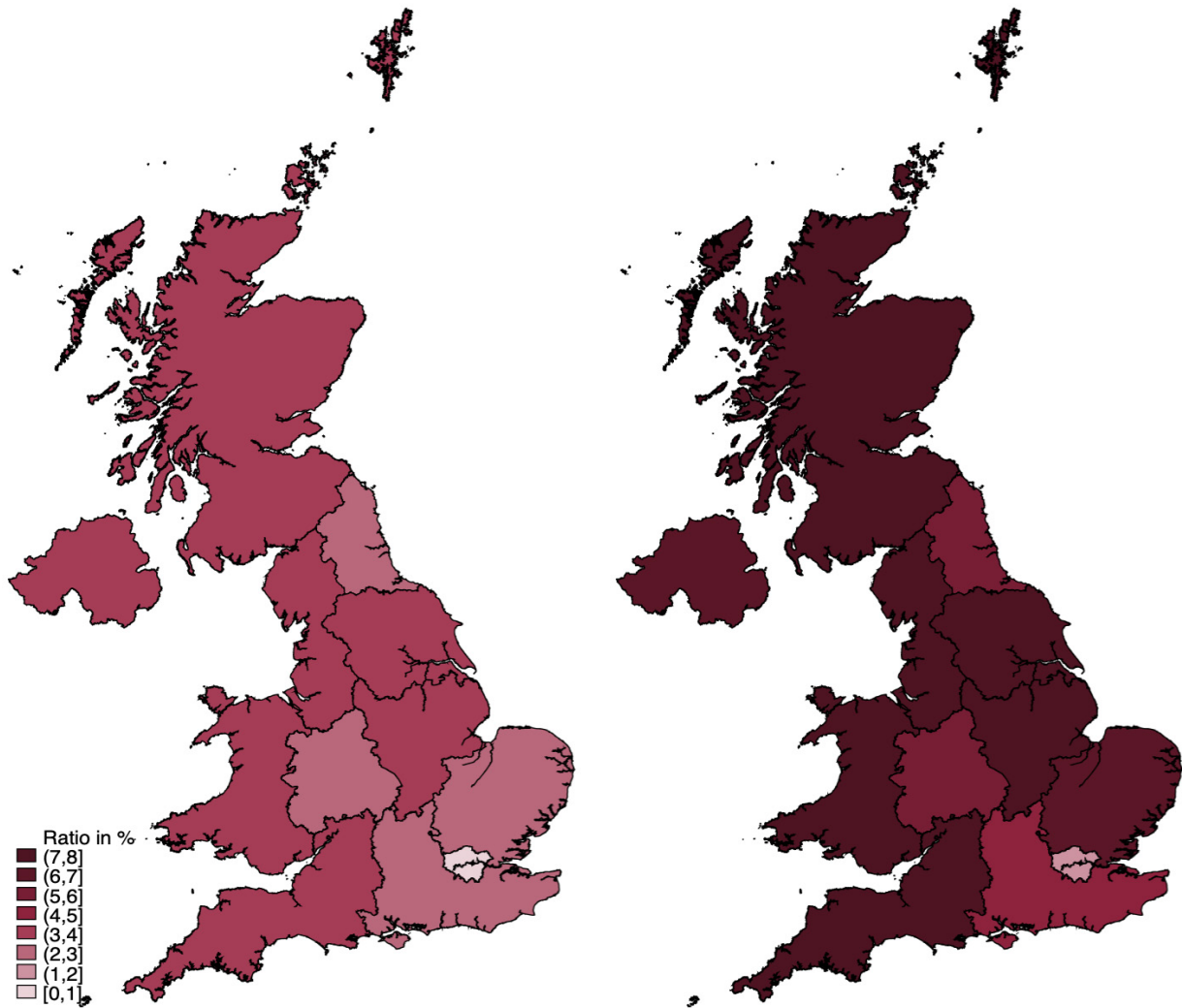
Source: Authors' calculations based on (a) NiGEM output from November 2020, and (b) our Covid-19+Brexit model based on LINDA.

Table CI presents the projections as arising from the above three sources. A large proportion of the Covid-19 impacts in 2020 arise from unemployment, but lack of adequate support for the self-employed is also a major cause for rise in destitution. However, the impact on the unemployed is partly mitigated by the UK government's job retention schemes. As these schemes are withdrawn, unemployment becomes a much greater issue in 2021, reducing somewhat but still quite prominent in 2022. On average over 2020–22 we expect Covid-19 to double the numbers, from 1.8 million to 3.6 million, of those facing destitution, in the absence of further policy interventions.

The impacts are unevenly distributed across the regions. Figure CI presents the regional distribution of destitution prior to accounting for the Covid-19 and Brexit impact (left hand panel) and then accounting for it (right hand panel). It shows the ratio between destitution in a particular region and the total adult population in that region. For the country as a whole, the rate of destitution rises from 3.6% to 7.6%, with seven of the twelve regions facing destitution rates of over 7%. It is also clear that the population in destitution was almost twice as high or more in all regions, stressing the hardship that the poorest population is experiencing. London has the lowest proportion in destitution in both cases: (a) without Covid-19; and (b) Covid-19 together with Brexit. The highest impact is upon the South West and the North West, reaching 8% of the population. However, the regions with the highest increase in the number of destitute are: South East (150%), Wales (129%), West Midlands (127%) and Scotland (124%). Overall, the impacts are highly asymmetric and sustained mitigation policy is required.

Box C. (continued)

Figure C1. Regional distribution of Covid-19 and Brexit impacts on destitution in 2022



Notes: Shaded areas represent the ratio between the destitute population in the region (at NUTS1 level) and the total adult population (18+) in that region. Source: Microsimulation (LINDA) modelling based on 2017 nationally representative UK Wealth and Assets Survey data, and our microsimulation mode of Covid-19 impacts.

REFERENCES

- Bhattacharjee, A. and Lisauskaite, E. (2020), 'COVID-19 Impacts on Destitution in the UK', *National Institute Economic Review*, 253, R77–85.
- Bhattacharjee, A., Nguyen, D. and Venables, T. (2020), 'The prospects for regional disparities in the UK in times of Brexit and Covid-19', *National Institute Economic Review*, 253, R1–3.
- NIESR (2016), 'LINDA: A dynamic microsimulation model for analysing policy effects on the evolving population cross-section', National Institute of Economic and Social Research. <https://www.niesr.ac.uk/publications/linda-dynamic-microsimulation-model-analysing-policy-effects-evolving-population-cross>
- (2018), 'NiGEM: National Institute Global Econometric Model. Global macroeconomic model for economic forecasting, scenario and simulation', National Institute of Economic and Social Research. <https://nimodel.niesr.ac.uk/>