



COVID-19

UK Political Analysis

By Tim Hames, Senior Adviser | 12th May 2020



Between the lines. What the Government's COVID-19 recovery strategy implies but does not state.

The document Our Plan to Rebuild: The UK Government's COVID-19 recovery strategy is a Tardis of an official publication. It is much larger on the inside than it appears from the outside. In many key respects it signals far more about official assumptions and thinking about the extent and the impact of the coronavirus crisis than is apparent from the actual sentences themselves. Business (and the community at large) should take the legitimate extrapolation from this immensely important paper extremely seriously and start to make preparations on the basis of what is implied within it.

EXECUTIVE SUMMARY.

The following can be discerned from Our Plan to Rebuild even if it is not stated directly.

- There will be no full return to close to the old normal during this calendar year. The levels of infection and (potential) mortality will be of too sizeable a scale to permit such an outcome.

- The reproduction number is different between England on the one hand and Scotland, Wales and Northern Ireland on the other and by a statistically significant margin.
- Scientific understanding of the virus has reached the conclusion that there is a very major difference in infection rate risk between activities conducted inside and those outside.
- Lifting social restrictions is a higher priority than easing economic restrictions.
- There is a degree of perceived trade-off between re-opening schools and returning to past working arrangements and the restoration of education is likely to be deemed more vital.
- The furlough programme (the Coronavirus Jobs Retention Scheme) is certain to last beyond June and in specific sectors could continue for a number of months beyond that point.
- The potential “rebels” against a continuation of a form of lockdown and social distancing have been identified and are not the young or the old but predominantly middle-aged to late middle-aged men. Policy is being partly shaped in order to minimise their resistance.
- There is an awareness of the risk of alienating the “fit elderly” and a more sophisticated distinction will be made between the “vulnerable” and the “extremely vulnerable”.
- The notion of mass anti-body testing akin to pregnancy testing has been all but discarded.
- The resumption of air travel (business and leisure) is a more distant prospect than thought.
- Public spending on the NHS will rise significantly in the aftermath of the pandemic, it will be focused on hospital bed capacity, especially critical care beds, and will represent an addition in the order of 2%-3% of GDP, a substantial sum with knock-on implications for Whitehall.
- The overall short-term and medium-term cost of the crisis to this and future Governments is likely to be higher, possibly far higher, than any past estimate made by any plausible entity.

INTRODUCTION.

Much of the media narrative in advance of the publication of Our Plan to Rebuild has failed to focus on the fundamentals. It has instead involved excessive attention on the switch in the slogan from “Stay at Home” to “Stay Alert”, or been distracted by relatively minor details such as whether and when garden centres might be permitted to re-open or by the merits of forms of face coverings. In relatively few instances has there been a serious and sustained attempt to read between the lines of what ministers, officials and advisers have said or written or effort to think beyond the news cycle. There are plenty of clues as to the assumptions that are now shaping policy and likely to continue to shape policy and, in fairness, many entirely reasonable and respectable reasons why those who are aware of the real timescale to which they are working are reticent to be robustly candid right now. The immediate agenda in Whitehall involves only three dates: Wednesday May 13th, Monday June 1st and Saturday July 4th. There is much about this crisis that will extend well beyond the last date.

There will be no full return to close to the old normal in this calendar year.

The above sentence is not written anywhere in the official recovery strategy document. Yet it runs through it like words through a stick of rock. It is there in the first chart which compares what would have happened and over what length of time between allowing the disease to run throughout the population (bar the shielded) and the actual likely trajectory. It is also there in the reference to the official estimate that about 136,000 people are currently infected with the virus. Even allowing for liberal projections as to the number of people who have had the virus previously, the percentage of people who are asymptomatic and thus do not appreciate that they have had the virus and the tally of individuals who have had the virus but have mistaken it for something else, this must mean that the overall national infection rate is below 10% (possibly half that number) and this means that, even with higher effective social distancing and tracking, tracing and testing, there are a very large number of people who could become infected in the months ahead. We are miles away from “herd immunity”, even if this actually were the objective (which it is not). Furthermore, there are not one but two explicit references in the document to the challenges that the NHS will face late this year

as the winter flu season as much of the public will find it hard to distinguish between flu and COVID-19. Such references only make sense if the government believes that there will still be a large enough cohort of coronavirus cases to make such confusion consequential. It is rational to assume that the Government is operating on the basis that, bar a sudden vaccine, elements of this crisis will persist.

The R number is different in England to that of Scotland, Wales and Northern Ireland.

This too is not formally outlined in the Government document but is evident in the fact that England is about to embark on a modestly less restrictive path than the other sectors of the United Kingdom. The official position is that R is below one everywhere with a range of 0.5 to 0.9. That is quite a wide spread for a comparatively compact country. The indications are that England as a whole is probably at 0.6 to 0.7 (perhaps lower still in London) and therefore has some headroom to innovate in terms of adapting the lockdown, while Scotland, Wales and Northern Ireland are all closer to 0.8 to 0.9 so feel compelled to stick more closely to the original lockdown formula. A factor that might be at work here is that which all three of those other components of the UK have a smaller percentage of their populations who are aged 65 and above than in England, in every case the proportion of those older people who are in care homes of various forms is higher than in England. The four countries will in all probability converge by July but before that moment they will be operating somewhat differently and that both complicates policy to a degree but also adds to potential political tensions in the UK.

Scientific understanding of the virus has evolved and led to the conclusion that transmission levels outside of a household or enclosed setting are much lower than inside of such a setting.

This is noted in the recovery strategy document, but its importance is not dwelt on at any length. At the beginning of the outbreak, scientific opinion was that indoors transmission rates would exceed outdoors levels, but the extent of that difference was unclear. The settled view now is that outdoor activity (with social distancing) is vastly safer than inside interaction (perhaps on a 200-fold scale). This explains the relatively dramatic shift from recommending

one hour outdoors and principally for the purpose of essential shopping or exercise to a blanket permission to be outside (if engaging in social distancing), licence to meet a single non-household individual (if and only if this is to be done outside) and authorising the limitless use of motor vehicles to assist that process of liaison.

The implications for those businesses which cannot be remodelled to the outside are considerable. As the document itself acknowledges: "...it is likely that re-opening indoor public spaces and leisure facilities (such as gyms and cinemas), premises whose core purpose is social interaction (such as nightclubs), venues that attract large crowds (such as sports stadia) or personal care establishments where close contact is inherent (like beauty salons) may only be fully possible significantly later depending on the reduction in the number of infections". This means "significantly later" than July.

Lifting social restrictions is a higher priority than easing economic restrictions.

Again, the sentence above is not set out in black and white in the recovery strategy document but it is strongly implicit in it. For the foreseeable future, the Government would manifestly prefer that all those who can work from home do so and that public transport is reserved for those key workers who have no other practical means of reaching their place of employment. The only shift on current economic restrictions is to encourage those who cannot work at home to return to work (with the focus being on manufacturing and construction) if their employers can ensure that they are safe at work through PPE and social distancing measures and, ideally, if they can travel by foot, cycle or car. As manufacturing and construction combined are about a sixth of the economy this would not be a transformative move if it could be done wholesale (which it will not be). Furthermore, the additional easing of economic restrictions envisaged in June and July is similarly limited in its likely impact.

There is a perceived trade-off between re-opening schools and returning to past working norms.

In fairness, the recovery document is fairly open that it believes that the combination of these two initiatives would represent an unacceptable risk of pushing the R number above one. Where it is far more enigmatic is in making the choice between them. Yet the choice is tacitly

made. The document observes that only 2% of children are attending school in person at present which is plainly bad for them, worse still in that there is certain to be a stark chasm in the quality of home schooling along the lines of social class and income levels and that number is far smaller than the percentage of all adults who can work from home to a satisfactory level of efficiency. Ministers will strain every sinew to ensure that at least some primary and secondary schoolchildren experience at least a few weeks of formal education this side of September. The re-opening of large offices is not so urgent to them.

The furlough programme is certain to be extended beyond June and may in part last much longer.

Once more this is a sentence that dare not speak its name but is absolutely obvious. The document cites the Office of Budget Responsibility which asserted that “if the current measures stay in place until June and are then eased over the next three months, unemployment would rise by more than 2 million in the second quarter of 2020.” Ministers are simply not going to sit there and accept a rise in unemployment of that scale. They will continue to bail out employers to avoid that scenario. Added to which if non-essential retail outlets and the hospitality industry is only able to re-open at much lower capacity than previously then in many instances it would make more sense financially for them to choose to stay closed and have the government meet much of their staffing costs than to re-open in a highly constricted manner while covering the whole of their staff costs. The Treasury will have to continue to subsidise such companies partially if it wants them to return to economic life. It is all but certain that either the entire furlough system will be continued to the end of July, or a new system of tapering for it (reducing the government proportion by, say, 10% a month) will be brought in or some aspects of the economy will continue to benefit from the Coronavirus Job Retention Scheme until the economy is much closer to normal conditions than it is today even if it ends elsewhere.

The potential “rebels” against the lockdown have been identified and are not those once thought.

At the start of this crisis, when lockdown was initially contemplated, the behavioural scientists who advise ministers and officials were most concerned about resistance to the lockdown amongst the youngest adult cohorts (whose social lives would be disrupted the most) and the

oldest cohorts (who faced the longest potential period of confinement). As matters have emerged, this has not happened. The young have deployed technology to soften the blow. Many of the oldest in the UK lived semi-isolated lives beforehand. The problem constituency for the Government is centred on men between the ages of 50 and 64, especially those educated to below degree level and who live outside of London. Many of the small tweaks in the liberalisation measures which have been set out (limitless driving, the return of televised sports without spectators, the availability of a round of golf) have been framed with the aim of minimising discontent within this potentially dissenting segment. Needless to note, this is not acknowledged in the strategy document, but believe me it is part of it.

There is, nonetheless, an official aspiration to avoid alienating the “fit but older” in society.

Ministers do not fear an uprising among pensioners but are sensitive to the charge of treating the “fit but older” in society harshly and stoking resentment if not rebellion unnecessarily. Hence there is a much sharper line drawn in this strategy between the “clinically vulnerable” (all those over 70, those with pre-existing medical conditions of a less dangerous kind and pregnant women), who are discouraged from venturing outside but not barred from doing so if they engage in social distancing under the new arrangements and the “clinically extremely vulnerable” (the very eldest and those with the most exposed pre-existing conditions) who will be told to continue shielding indefinitely. There is a substantial difference in the numbers here. Around 10 million people fall in the first camp (and will obtain additional liberty as a result). Only 2.5 million people are in the second group.

The notion of mass antibody testing done at home as a solution has been virtually abandoned.

This has turned out to be the cavalry that never arrived. It was once flagged as a “game-changer” and in late March ministers and officials were sincerely confident that pregnancy test styles of antibody testing would be available of a mass scale and could be done by citizens in their homes. This has not turned out to be the case and it has rendered the forthcoming NHS App the Plan B. The only way of reaching the accuracy required of such tests for them to be a valuable component of the official strategy (which is a minimum of 98%) appears to be to have them conducted in a formal setting by experienced professionals and analysed in

laboratories. There is, hence, just one fleeting reference in this document to antibody testing of any kind and no mention of mass testing at home. The approach has had to pivot to finding drugs for treating the virus and the race to get a vaccine.

The prospect of imminent external travel by air for business or leisure purposes is minimal.

This is a classic example of information by omission. The only references to airline travel in this document at all are those which relate to the proposed fourteen day quarantine on anyone arriving by air from outside of the British Isles (and, somewhat strangely, it would seem France) to come in from the end of this month, a move that will kill what was left of such air travel stone dead. There is not one single word as to when flights from the UK to the outside world might resume, in large part because this depends on what other countries and governments decide to do in terms of conditions they would impose on businesspeople, owners of properties abroad and tourists to allow them in. It would be best to presume that nothing close to a conventional summer holiday season will be seen this year and “business travel” will be by Zoom and Teams, not British Airways or Virgin Atlantic. The restoration of the airline industry is arguably the single most challenging aspect of this entire crisis.

There will be a significant rise in NHS spending in the course of this Parliament.

That sentence was not in the official document explicitly either. There is instead a more Delphic line about how important it is that “the government learns the lessons from this outbreak and ensures that the NHS is resilient to any future outbreaks”. The only means by which the NHS could truly be “resilient” is by a very large increase in the number of overall hospital beds and particularly critical care beds in the system (both are extremely low by the standards of developed nations) and on a permanent basis, not the “pop-up hospitals” introduced this time. Bolting this on to the existing NHS model will be expensive (a 2% to 3% of GDP figure would be about right) over the next four years. This will obviously have an impact on overall government spending and other areas of expenditure.

The overall cost to the Government of the virus will be higher than any prediction made so far.

Finally, the sentence above is the unavoidable result of many of the sentences written previously. There is not a hint of the overall bill for dealing with the virus now and in the future contained in Our Plan to Rebuild but it can be deduced as stratospheric, much higher than the existing forecasts from the Bank of England, the OBR and independent commentators. The economy will take far longer to open again in its entirety than enthusiasts for a V-shaped recovery have suggested (with a seismic effect on tax revenues and state spending this year), the incredibly expensive furlough scheme will not shut up shop on June 30. NHS spending will rise by significant margins across this Parliament. Whatever number for the cost that any expert offers you, I would suggest that you might double it. A vaccine would end the public health aspect of the situation. It will not reverse the public policy hit

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