



# YOUNG HIT HARDEST BY LOCKDOWN, WANT TAX CUTS

A survey of the U.K. population

By Matt Kilcoyne and Matthew Lesh

BRIEFING PAPER

## EXECUTIVE SUMMARY

- The Adam Smith Institute commissioned Survation to undertake a nationally representative poll of UK adults to investigate the financial impact of the lockdown, views on developing an economic recovery and lockdown exit plan, and tax policy after the lockdown.
- There is broad, cross sectional public concern about the economic impact of the lockdown.
  - Nine-in-ten (89%) respondents said they were concerned about the economic impact, compared to just one-in-ten (9%) who are not.
- A growing number of people are feeling the financial impact of the lockdown. Younger cohorts are more affected than older ones. Londoners are more impacted than the rest of the country.
  - Two-in-five respondents (41%) expressed concern that the lockdown is having a negative personal impact, compared to just over half (52%) who stated that it is having no negative impact.
  - This reflects an increase over time when compared to other polls, indicating that the economic impact of the crisis is *growing over time*.
  - Seven-in-ten (70%) of those over-65 report that the lockdown is *not* having a negative impact on their finances. In contrast, *half of those under the age of 54* (49%) report that the lockdown is having a negative financial impact on their finances.
- There is broad, cross sectional public support for developing an economic recovery plan and lockdown exit plan once medical authorities deem it safe to do so — and there are concerns the Government is not doing enough to develop this plan.
  - Almost nine-in-ten respondents (86%) expressed support for developing an economic recovery and exit plan, compared to just 2% who did not.
  - Conservative voters were the most likely to “strongly support” an economic recovery and exit plan (61%), compared to under half of Labour and Liberal Democrat voters (47%).
  - More people believe that the Government has not done enough (42%) to develop an economic recovery and exit plan compared to those who think the Government has done enough (34%).
- There is popular support for reducing taxes after the lockdown to help boost the economy and jobs. **Younger cohorts are the most supportive of tax cuts** after the lockdown.

- Almost three-quarters of respondents (72%) think that the Government should reduce taxes after the lockdown to try to increase economic growth and jobs, while fewer than one-in-ten (8%) disagree with reducing taxes.
- Of those aged 18-34, two-in-five (44%) “strongly support” lower taxes after the lockdown, compared to just one-third (33%) of those over the age of 65.
- These results present the need for greater involvement of economic expertise in the Government’s decision making.
- It is recommended that if the Government wants to secure the nation’s economic future they should establish an Economic Advisory Group for Emergencies (EAGE) to advise on the withdrawal of the lockdown and appropriate measures to reboot the economy. This should operate in a similar fashion, with a similar level of regard and in tandem, to the Scientific Advisory Group for Emergencies (SAGE).

## **ABOUT THE AUTHORS**

**Matt Kilcoyne** is the Deputy Director of the Adam Smith Institute.

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## **METHODOLOGY**

### **SURVEYOR**

Prepared by Survation

### **FIELDWORK DATES**

15th - 16th April 2020

### **DATA COLLECTION METHOD**

The survey was conducted via an online panel. Invitations to complete surveys were sent out to members of the panel. Differential response rates from different demographic groups were taken into account.

### **POPULATION SAMPLED**

All residents aged 18+ living in the UK

### **SAMPLE SIZE**

1,001

### **DATA WEIGHTING**

Data were weighted to the profile of all adults in the UK aged 18+. Data were weighted by age, sex, region, highest level of qualification, annual equivalised household income, 2019 General Election Vote, and 2016 EU Referendum Vote.

Targets for the weighted data were derived from Office for National Statistics Data and the results of the 2019 UK General Election and the 2016 EU Referendum.

### **MARGIN OF ERROR**

In the worst case scenario, in which only half gave a particular answer, in a sample of 1,001 it is 95% certain that the 'true' value will fall within the range of  $\pm 3.1\%$  from the sample result.

Subsamples from the cross-breaks will be subject to higher margin of error, conclusions drawn from cross-breaks with very small sub-samples should be treated with caution.

In recent weeks there has been growing discussions about the impact of the COVID-19 lockdown, future plans and rebooting the economy after this crisis.

This paper seeks to contribute to that discussion by presenting the findings of a public opinion poll, independently prepared by Survation and including a random sample of the UK population weighted to the profile of adults.

The paper discusses the three elements to the poll (Financial impact, Economic plan, and Post-lockdown policies). This is followed by a discussion of the need to include economic advice in Government decision making in the same manner as clinical advice.

## FINANCIAL IMPACT

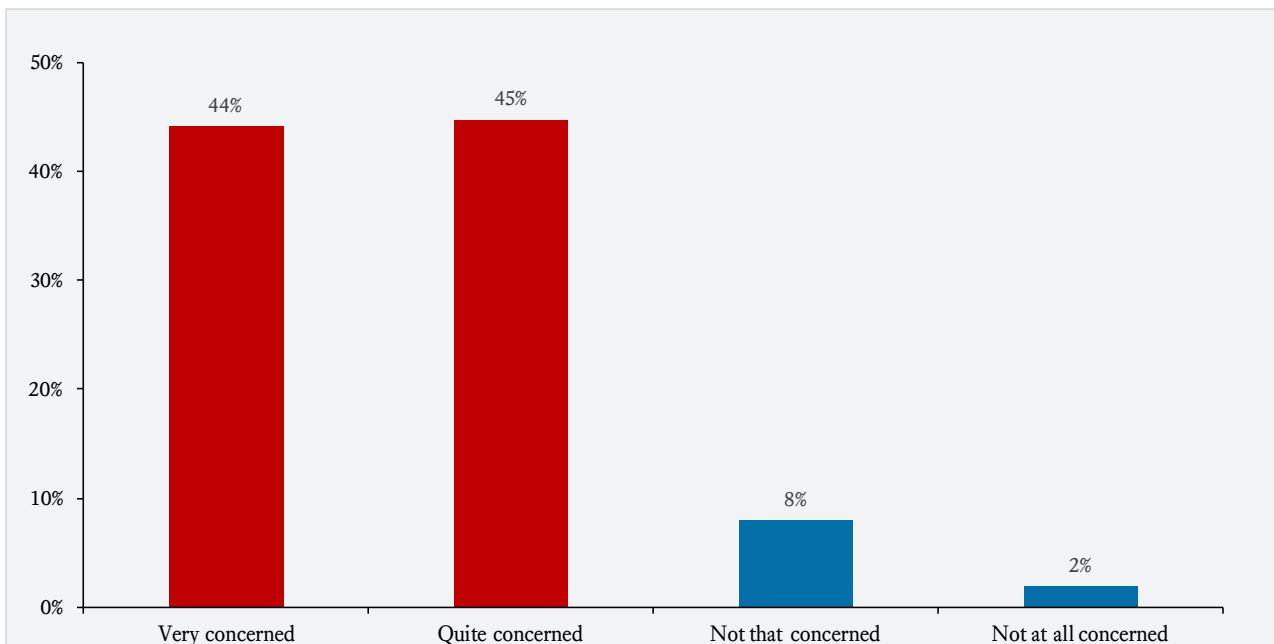
The COVID-19 lockdown is having an extraordinary economic impact. The Office for Budget Responsibility is estimating an immediate decline of 35% in GDP this quarter -- and even this analysis may underestimate the impact.<sup>1</sup>

We have sought to ascertain the concern about the financial impact of the shut down, as well as people’s household financial impact.

### 1. CONCERN ABOUT FINANCIAL IMPACT

*To what extent, if at all, are you concerned about the impact of the lockdown on the economy?*

**FIGURE 1. CONCERN ABOUT IMPACT ON THE ECONOMY**



Source: Adam Smith Institute/Survation

<sup>1</sup> Office for Budget Responsibility, "Coronavirus reference scenario," <https://obr.uk/coronavirus-reference-scenario/>

There is extremely broad public concern about the shut down. **Nine-in-ten (89%) of respondents responded that they were concerned, compared to just one-in-ten (9%) who are not.** Over two-in-five (44%) reported being “very concerned”, and a similar number (45%) are “somewhat concerned”. While there are some small differences, these concerns are felt broadly across the different sexes, ages, regions and voting intentions.

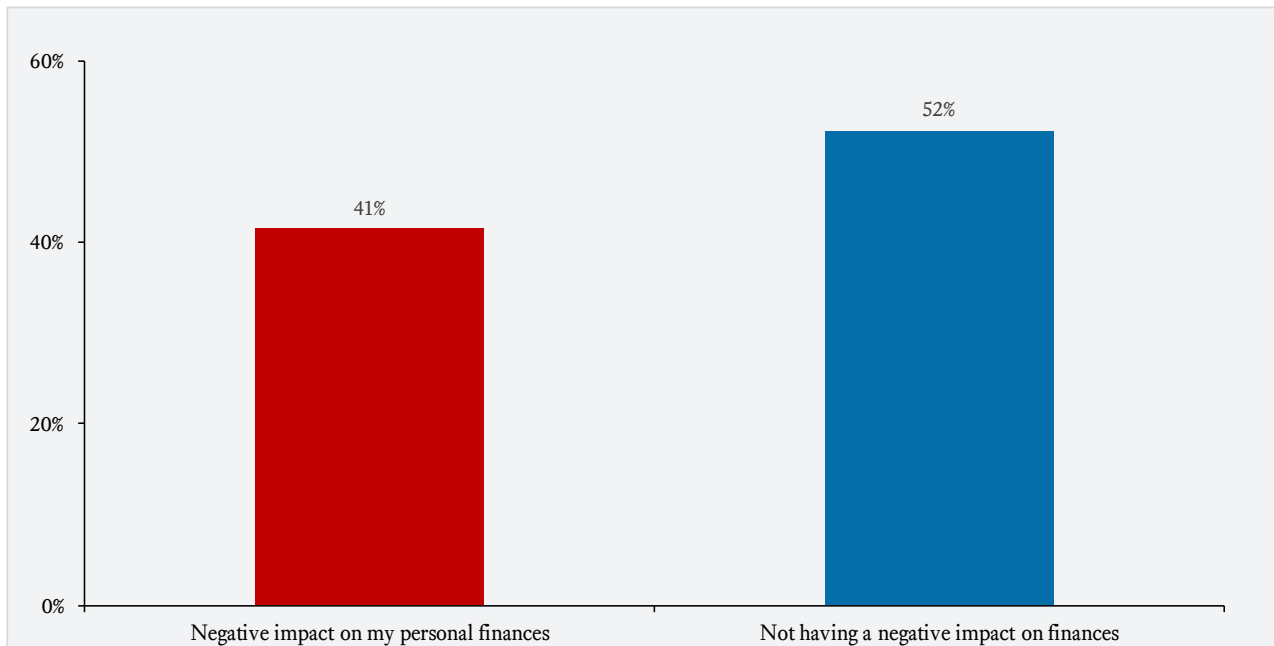
## 2. PERSONAL FINANCIAL IMPACT

*Which of the following statements applies to you?*

*a. The lockdown is having a negative impact on my personal finances*

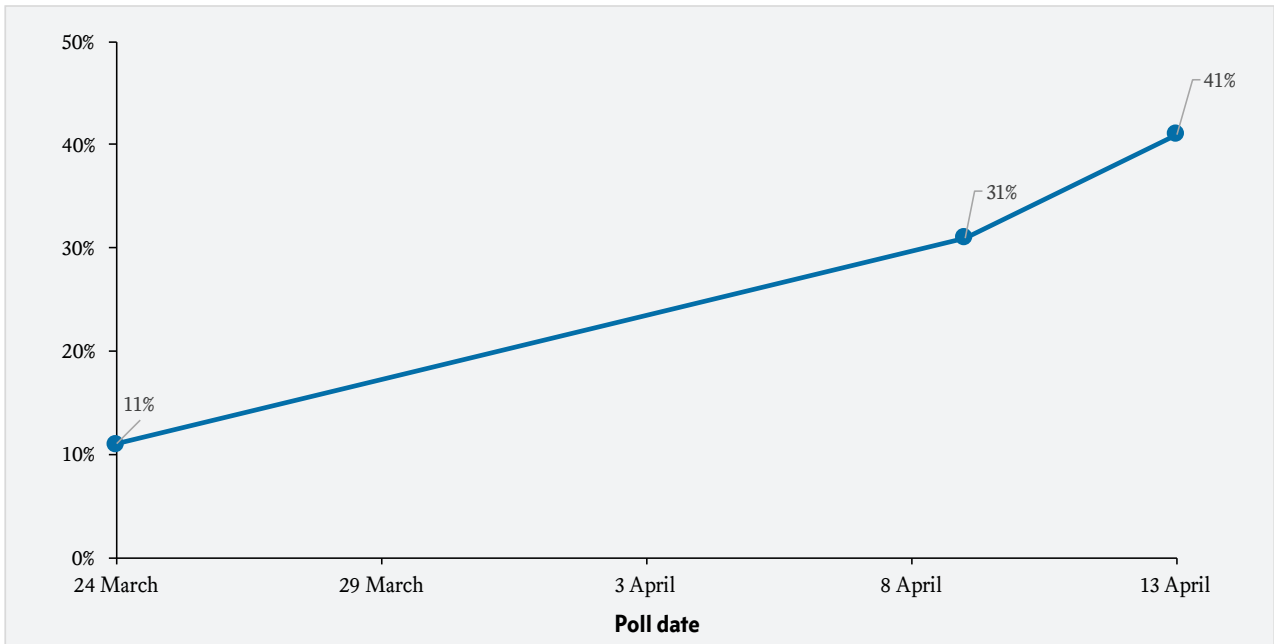
*b. The lockdown is not having a negative impact on my personal finances*

**FIGURE 2. NEGATIVE IMPACT OF LOCKDOWN ON PERSONAL FINANCES**



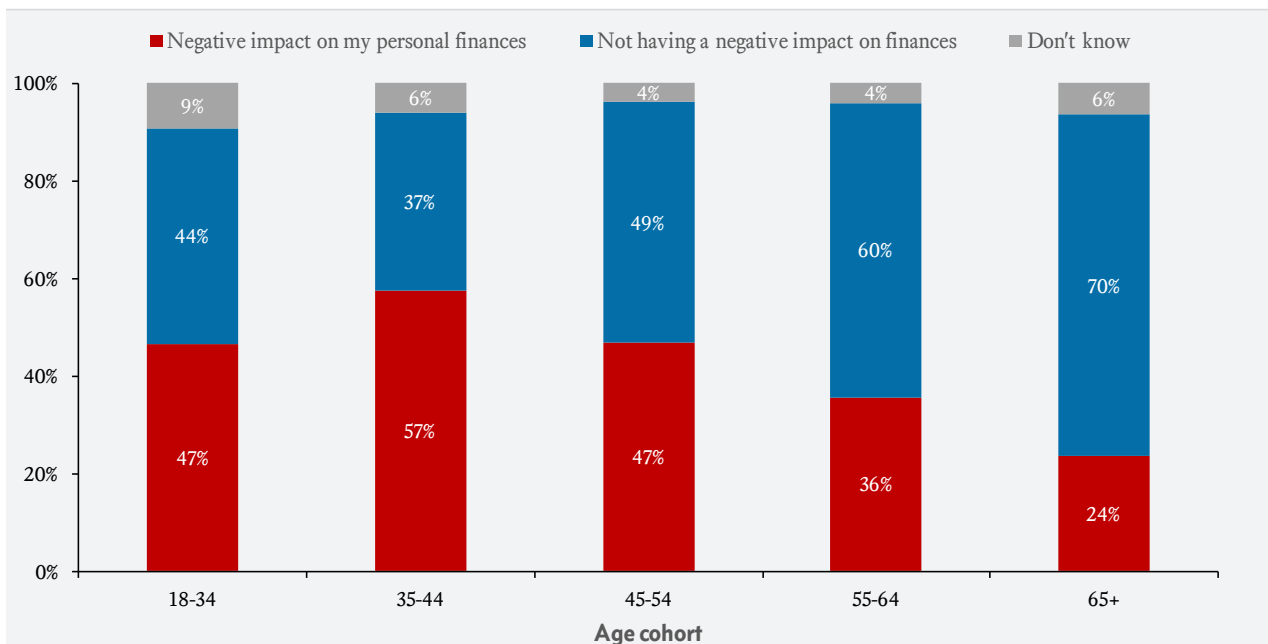
*Source: Adam Smith Institute/Survation*

**Two-in-five respondents (41%) expressed concern that the lockdown is having a negative personal impact, compared to just over half (52%) who stated that it is having no negative impact and a small number (6%) who do not know at this time.** However, these figures are skewed by the differential generational impact of the lockdown.

**FIGURE 3. NEGATIVE IMPACT OF LOCKDOWN ON PERSONAL FINANCES, BY DATE**

Source: Adam Smith Institute/Survation, Opinium & BMG

There is evidence that the financial impact is growing over time. A poll undertaken by Opinium for Compassion in Politics, fieldwork March 20-24, concluded that one-in-ten (11%) of all respondents had lost income.<sup>2</sup> A poll undertaken by BMG for The Independent, fieldwork April 7-9, concluded that fewer than one-third (31%) of households are seeing their finances cut.<sup>3</sup> This latest fieldwork, conducted between April 15-16, concludes four-in-ten (41%) households have been financially impacted. The precise wording of the question varies between polls.

**FIGURE 4. NEGATIVE IMPACT OF LOCKDOWN ON PERSONAL FINANCES, BY AGE**

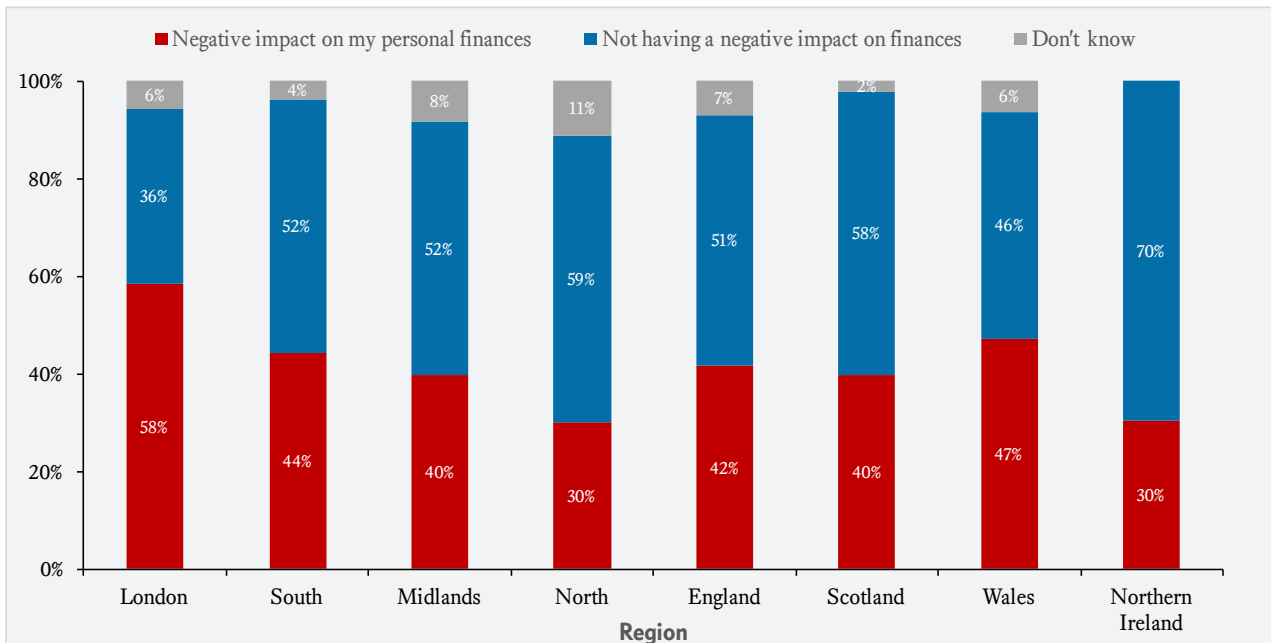
Source: Adam Smith Institute/Survation

<sup>2</sup> Opinium, "Compassion in Politics: Coronavirus and employment," 24 March 2020, <https://www.opinium.co.uk/wp-content/uploads/2020/03/OP14336-Compassion-in-Politics-Coronavirus-and-Employment-Tables-Final.xlsx>

<sup>3</sup> BMG Polling, "BMG Polling results on behalf of The Independent," 14 April 2020, <https://www.bmgresearch.co.uk/bmg-polling-results-on-behalf-of-the-independent-2/>

Younger cohorts are experiencing a more severe financial impact under the current lockdown arrangements than others. **Seven-in-ten (70%) of those over-65 report that the lockdown is *not* having a negative impact on their finances. In contrast though, half (49%) of those under the age of 54 are experiencing a negative financial impact of the lockdown.** The worst impacted age demographic are those aged 35-44, well over half (57%) experiencing a negative financial impact.

**FIGURE 5. NEGATIVE IMPACT OF LOCKDOWN ON PERSONAL FINANCES, BY REGION**



*Source: Adam Smith Institute/Survation*

**It is also notable that respondents in London (58%) are feeling the worst financial impact, with those in the North experiencing the least impact (30%).**

There are also variations by skill level, with those with a lower qualification level feeling less of the brunt at present. It is also notable that Remain (44%) voters are more likely to say they have financially lost out so far than Leave voters (37%) — however, this is most likely to be a proxy for age differences.

## ANALYSIS

These findings provide evidence in support of the thesis that this lockdown is having starkly different impacts on different groups. “The economy is not evenly frozen,” Darcy Allen, Chris Berg, Sinclair Davidson, Aaron Lane and Jason Potts have written.<sup>4</sup> Some parts of the economy, such as retail and hospitality, are completely frozen. This has a disproportionate impact on younger people who are most likely to be employed in this sector. Furthermore, it is largely the private sector that has experienced a downturn in jobs and incomes as revenues have tended towards and been pushed towards zero by state restrictions.

<sup>4</sup> Darcy W. E. Allen, Chris Berg, Sinclair Davidson, Aaron M. Lane and Jason Potts, “Chapter 1: The problem of ‘freezing’ an economy in a pandemic” (April 2020), <http://chrisberg.org/wp-content/uploads/2020/04/SSRN-id3572365.pdf>

On the other hand, the public sector is not frozen. Those who are largely dependent on state benefits that continue to be paid at a set rate will not directly feel the brunt. This is particularly relevant as those who are dependent on a state pension — older cohorts — will not feel the downturn in the same way, at present.

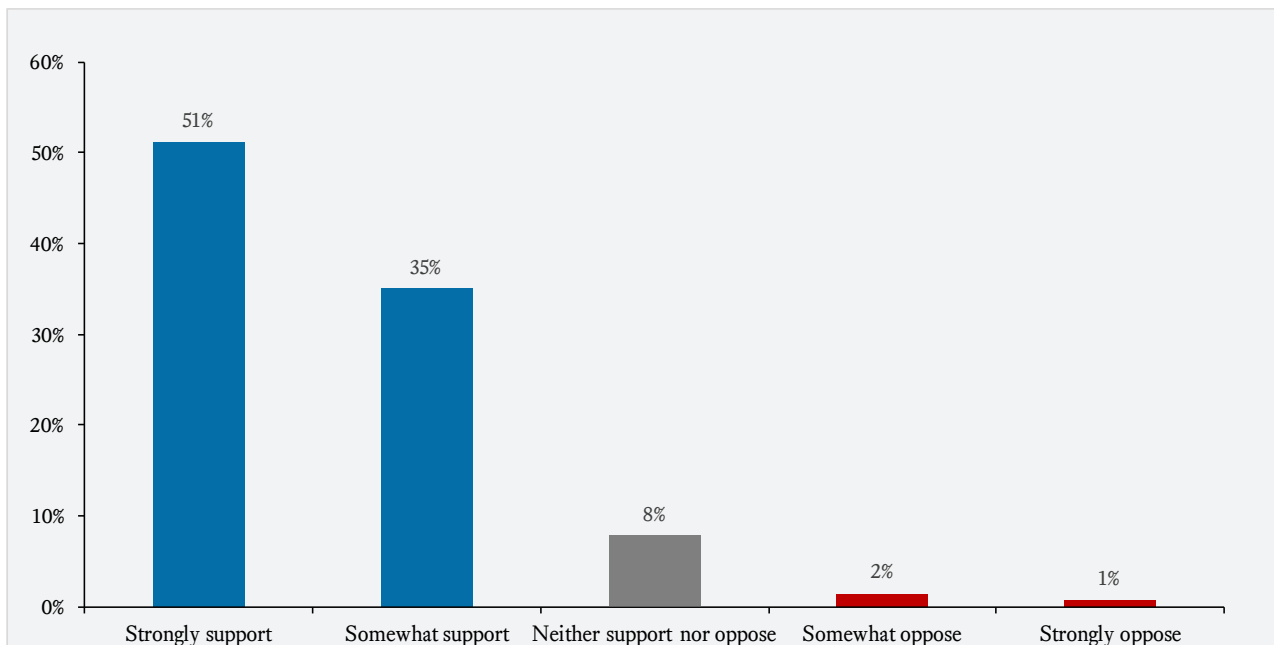
The unfreezing of the economy will also take an uneven path. Different industries are likely to be allowed to reopen at different times over the coming months.<sup>5</sup> There will also be new patterns of consumer preferences after the lockdown, impacting people differently depending on their industry. For example, those in digital communications are likely to be beneficiaries while those in the tourism industry are likely to be losers for some time.

Additionally, the number of those experiencing financial hardship appears to be growing as the lockdown lengthens. This is consistent with a recent report from the ASI that argued “The impact of the lockdown grows deeper and faster over time. Each business that closes causes problems for its staff, suppliers and customers, and their problems in turn knock on to others and on and on.”<sup>6</sup> A plan

### 3. AN ECONOMIC RECOVERY AND LOCKDOWN EXIT PLAN

*To what extent would you support or oppose the UK government developing a plan to reboot the economy and exit the lockdown once medical authorities deem it safe to do so?*

**FIGURE 6. AN ECONOMIC RECOVERY AND LOCKDOWN EXIT PLAN**



Source: Adam Smith Institute/Surveyation

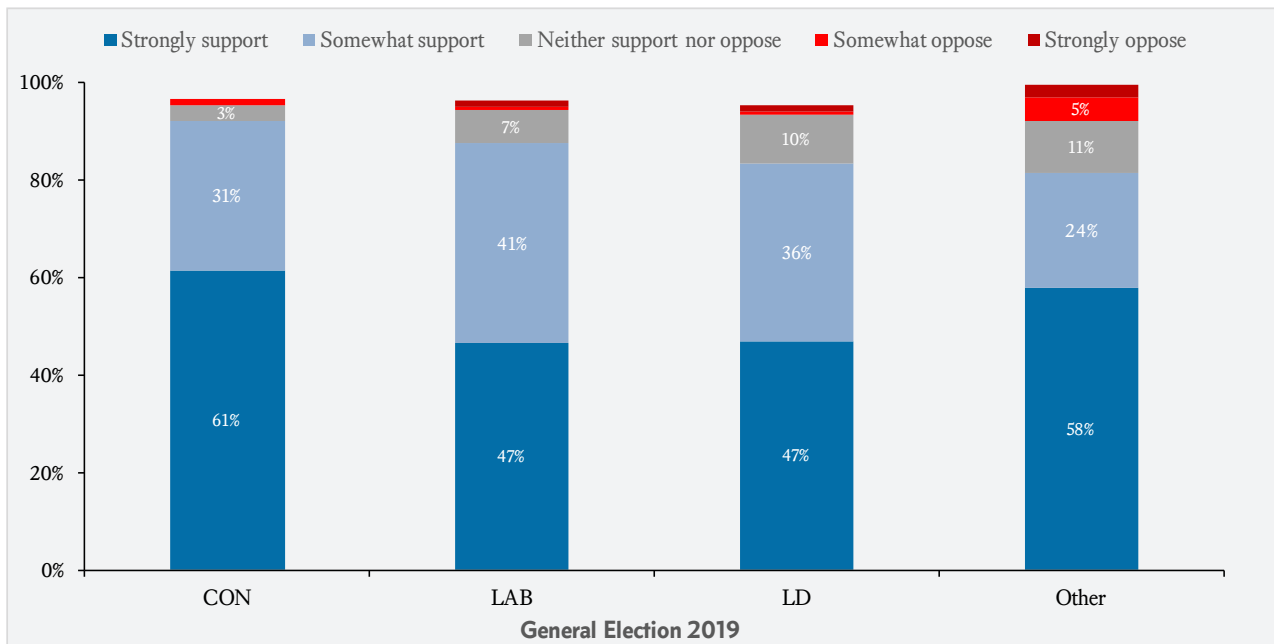
<sup>5</sup> Caroline Wheeler, Tim Shipman, Sian Griffiths & Eleni Courea, “Ministers plan for schools to reopen in three weeks,” *The Times*, April 19, <http://thetimes.co.uk/article/ministers-plan-for-schools-to-reopen-in-three-weeks-wr7wnskjQ>

<sup>6</sup> Matthew Lesh and Eamonn Butler, “Reopening Britain: The economic urgency,” *Adam Smith Institute* (April 2020), <https://www.adamsmith.org/research/reopening-britain-the-economic-urgency>



There is very strong support (86%) for the government developing an economic recovery and lockdown exit plan once medical authorities deem it safe to do so. Over half (51%) of respondents strongly support such a plan. There is strong support from across demographics.

**FIGURE 7. AN ECONOMIC RECOVERY AND LOCKDOWN EXIT PLAN, GENERAL ELECTION 2019**



*Source: Adam Smith Institute/Survation*

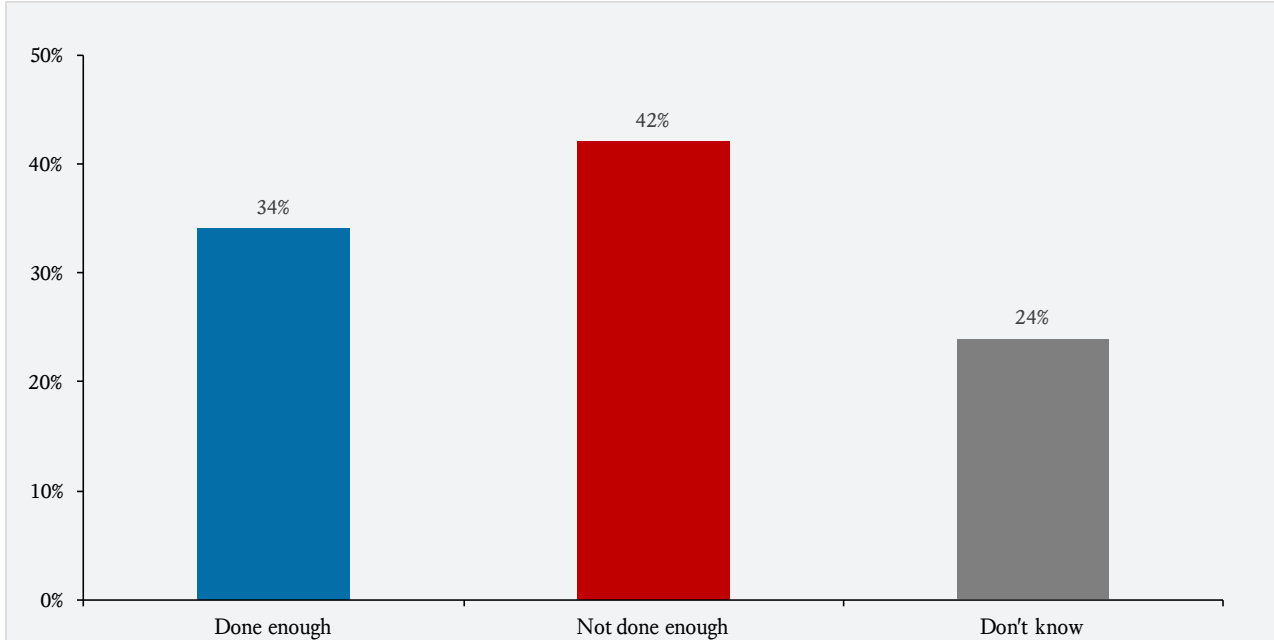
The strongest support for developing an economic recovery and lockdown exit plan comes from Conservative voters, three-in-five (61%) of whom expressed strong support. Fewer Labour voters (47%) and Liberal Democrats (47%) strongly believe that an economic recovery and lockdown exit plan is needed.

Which of the following statements reflects your view?

a. The UK Government has done enough to develop a recovery strategy to reboot the economy after the COVID-19 crisis

b. The UK Government has not done enough to develop a recovery strategy to reboot the economy after the COVID-19 crisis

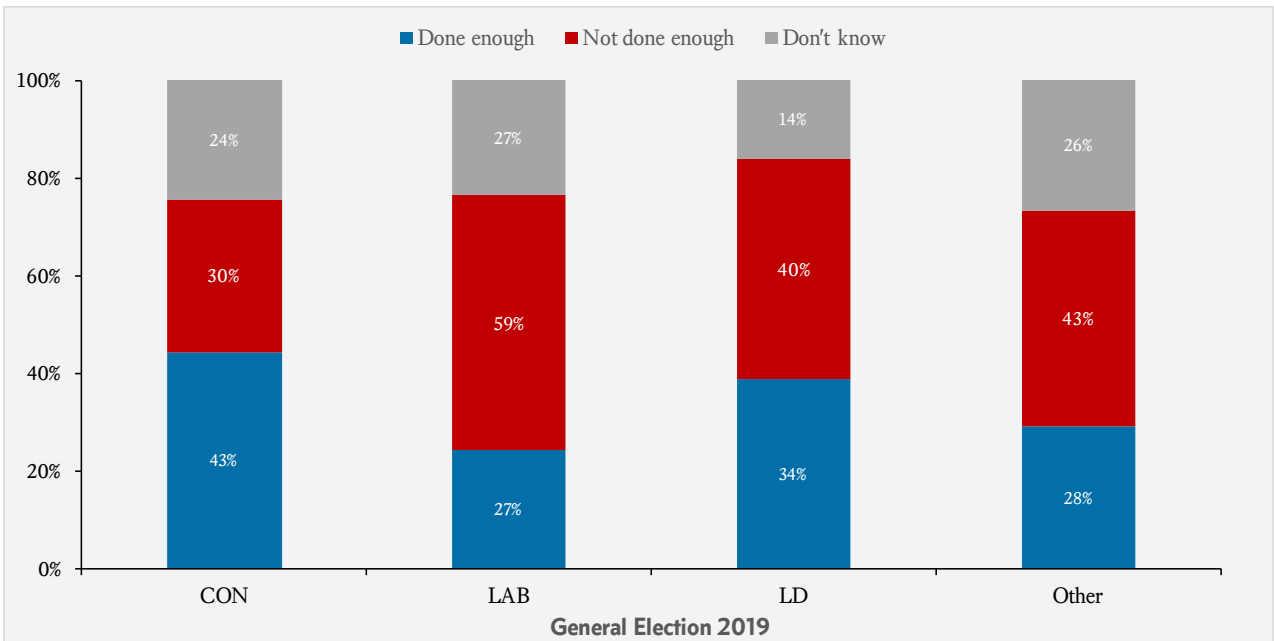
FIGURE 8. ENOUGH BEING DONE TO DEVELOP RECOVERY STRATEGY



Source: Adam Smith Institute/Survation

More people believe that the Government has not done enough (42%) to develop a recovery strategy compared to those who think the Government has done enough (34%).

FIGURE 9. ENOUGH BEING DONE TO DEVELOP RECOVERY STRATEGY, GENERAL ELECTION 2019



Source: Adam Smith Institute/Survation

This question is more heavily split down party political lines, with a clear majority (58%) of Labour voters saying the Government hasn't done enough to develop a recovery strategy; this is compared to less than one-third (30%) of Conservative.

## ANALYSIS

While previous polls have shown that the public is very supportive of the lockdown, this support appears, to some extent, to be conditional on a broad belief that there needs to be an exit plan to the lockdown.<sup>7</sup> This is consistent with the view, expressed in a previous ASI report, that “While the Government’s policies are logical and necessary, escalating economic hardship is inevitable. It is necessary to stem the damage as quickly as possible to prevent massive economic collapse.”<sup>8</sup>

Over recent days there have been growing pressure, both domestically from the Labour opposition and internationally from the actions of other countries, to begin to plan an exit from the lockdown. It is notable that a wide array of other countries, including Austria, Czech Republic, Denmark, France, Germany, Italy, Norway, Spain, and the United States, are releasing plans and beginning to execute efforts to lift their respective lockdowns. This will provide further impetus for a published plan from the UK Government.

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<sup>7</sup> YouGov has found that 91% support the lockdown, and 92% are following the guidance even if they disagree with it, see YouGov, “Daily Question” April 9, 2020, <https://yougov.co.uk/topics/health/survey-results/daily/2020/04/09/632bd/1>

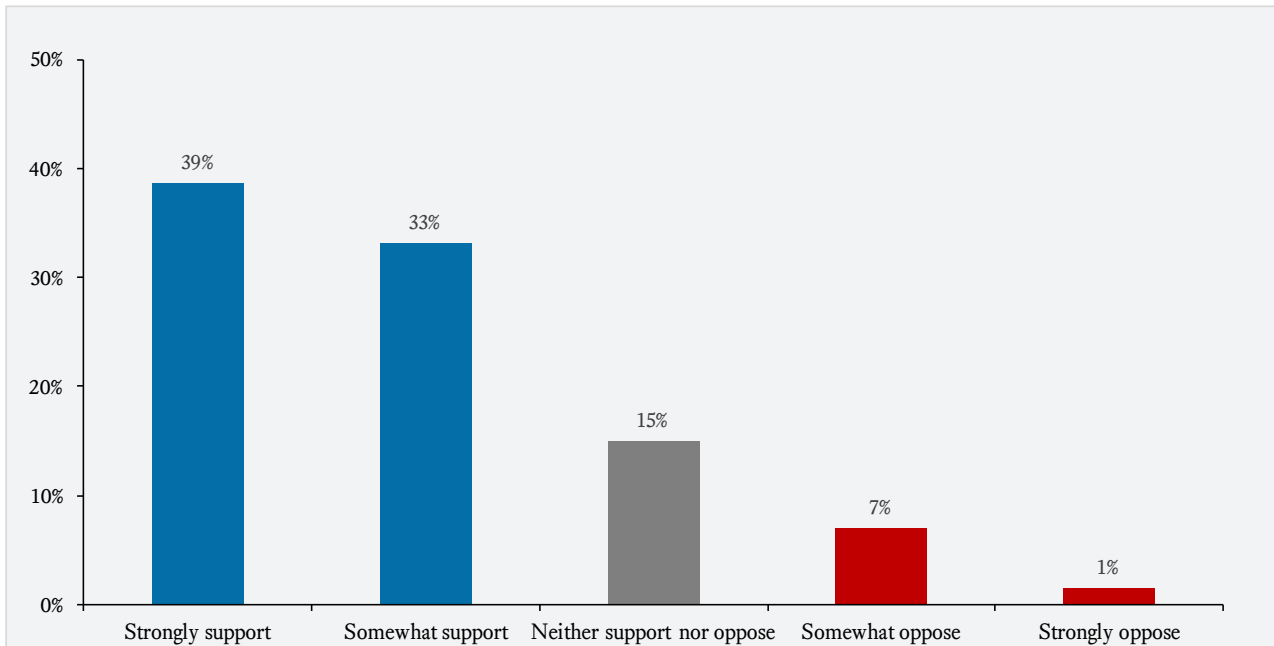
<sup>8</sup> Matthew Lesh and Eamonn Butler, “Reopening Britain: The economic urgency,” *Adam Smith Institute* (April 2020), <https://www.adamsmith.org/research/reopening-britain-the-economic-urgency>

There are substantial questions to be answered about policy settings for after the crisis. There are some who are using this as an opportunity to call for a larger role of the state.<sup>9</sup>

**5. REDUCING TAXES AFTER LOCKDOWN**

*To what extent would you support or oppose the UK government reducing taxes after lockdown ends to try and increase economic growth and jobs?*

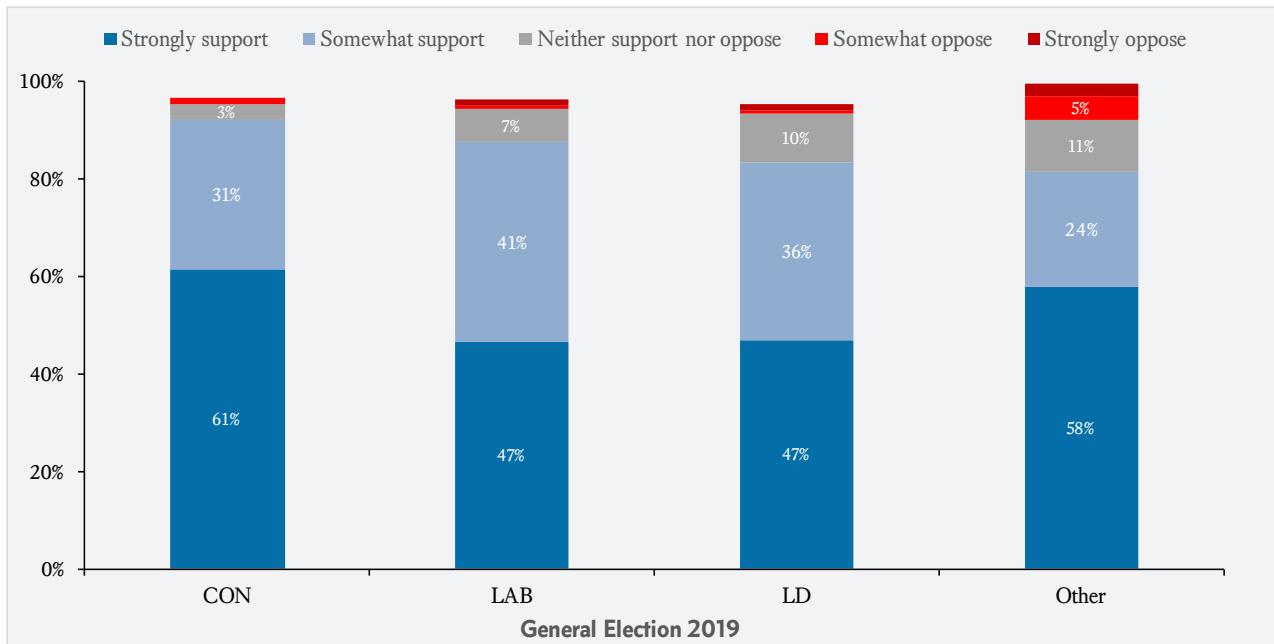
**FIGURE 10. REDUCE TAXES AFTER LOCKDOWN**



*Source: Adam Smith Institute/Surveyation*

Almost three-quarters of respondents (72%) think that the Government should reduce taxes after the lockdown to try to increase economic growth and jobs, while less than one-in-ten (8%) disagree with reducing taxes.

<sup>9</sup> Mariana Mazzucato, "Capitalism's Triple Crisis," *Project Syndicate*, March 30, 2020, <https://www.project-syndicate.org/commentary/covid19-crises-of-capitalism-new-state-role-by-mariana-mazzucato-2020-03>.

**FIGURE 11. REDUCE TAXES AFTER LOCKDOWN, BY AGE**

Source: Adam Smith Institute/Survation

It is notable that the strongest support for reducing taxes comes from younger cohorts. Of those aged 18-34, two-in-five (44%) strongly support lower taxes after the lockdown, compared to one-third (33%) of those over the age of 65.

There is also slightly stronger support for lower taxes among those with less income. Of those who earn less than £20,000 per annum, two-in-five (42%) strongly support lower taxes after the lockdown; compared to 37% of those who earn over £40,000 per annum. There is also slightly stronger support among Conservative voters (74%), compared to Labour voters (70%) and Liberal Democrat voters (62%). Leave voters are more likely to strongly support tax cuts (39%) than Remain voters (34%).

## ANALYSIS

The TaxPayers' Alliance last year showed that the tax burden was at its highest in fifty years, with taxes now taking up 34.6% of value of UK GDP.<sup>10</sup> Furthermore, the impact of taxes is uneven. The lowest income households are hit the hardest, with the bottom 10 percent of households losing almost half (48%) of their gross income to taxes. The ASI annually calculates the UK's Tax Freedom Day, the number of days the 'average' person would have to work just to pay off their taxes. This analysis has concluded people are taking longer and longer to reach 'Tax Freedom Day,' the day we begin to work for ourselves. Last year it was May 30.<sup>11</sup>

It is notable that the cohort most interested in tax cuts are those who are feeling the financial brunt of the lockdown. While older cohorts are insulated from the impact

<sup>10</sup> Taxpayers' Alliance, "The tax burden on households 2019, May 30, 2019, [https://www.taxpayersalliance.com/the\\_tax\\_burden\\_on\\_households\\_2019](https://www.taxpayersalliance.com/the_tax_burden_on_households_2019)

<sup>11</sup> Adam Smith Institute, "Tax Freedom Day," <https://www.adamsmith.org/taxfreedomday>.

by generous state transfers, younger generations are not and are likely to struggle the most over the coming years in a weaker jobs market. The ASI will be undertaking further analysis, and releasing further reports, on the post-lockdown policy priorities, including the most effective way to cut taxes.

## **RECOMMENDATION: THE URGENT NEED FOR ECONOMIC EXPERTISE**

This polling has presented evidence that the public are worried about the financial impact of the lockdown. It has found that different groups are being impacted in a different manner, which has substantial impacts for policymakers. Further, while the public are extremely supportive of an economic recovery and exit strategy to the lockdown, many are concerned about a lack of planning on this front.

The Government should take action to ensure economic expertise is at the forefront of analysis in the same way as scientific analysis as the next steps are planned. According to reports, the Government is planning an exit strategy in consultation with the Scientific Advisory Group for Emergencies (SAGE).<sup>12</sup> This is completely appropriate. The exit must follow the clinical evidence.

However, there is no similar highly regarded panel of economists who can provide external expertise at this time of crisis. It is notable that the announcements of economic support came days after the announcement of clinical measures, for example.

The importance of economic advice will grow as the lockdown continues to cause greater damage to the economic fabric, and therefore complexity of undoing existing economic initiatives — such as the Coronavirus Job Retention Scheme — grows.<sup>13</sup> The clinical will need to be supplemented by the economic, considering the increasing realisation of the interrelationship between the two.

Accordingly the Government should consider bringing in outside expertise on economics to supplement the advice of SAGE. This could take the form of an EAGE, an Economic Advisory Group for Emergencies. EAGE could include the likes of former Bank of England Governor Mervyn King, economists like Paul Ormerod whose work has focused on systemic failure in the economy, or regulatory policy experts like Oxford professor George Yarrow.

The expertise of these individuals could help join up government departments further, engage other key economic stakeholders rather than just a public sector focused approach, and ensure that officials understand the pressures facing key

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<sup>12</sup> Rowena Mason, "No 10 faces calls to lift secrecy around Covid-19 advisory group," *The Guardian*, <https://www.theguardian.com/uk-news/2020/apr/14/no-10-secrecy-around-sage-coronavirus-advisory-group>

<sup>13</sup> It is unclear how many currently furloughed employees will no longer be required when this scheme ends. This will likely depend on the state of businesses at the time of the end of the lockdown and the scheme. It is likely many will lose their jobs.

industries. Including multiple perspectives is a standard process in usual decision making. For example, different expertise feeds into deciding the speed limits that minimise road accidents yet allow traffic to flow. So in this case we need those that understand the medical implications of various policy actions as well as the economic impact of decisions being made by Ministers. Livelihoods and lives are a false dichotomy.

## **CONCLUSION**

For many years we have been told that we are living in ‘unprecedented times,’ to the point of cliché. It now appears no word better describes our predicament than ‘unprecedented’. We are facing the most extraordinary and dangerous public health crisis in more than a century, while our economies are brought to a standstill, economic growth dives and millions are signing onto the dole.

The UK has never entered a public health crisis such as this with the resources it has currently available, it has never mobilised the full power of the private and public sectors in tackling such a crisis before. We’ve never had the resources as a general and group populace to provide one another with the ability to ride out a pandemic storm in the way we’re attempting to do so right now.

These results show that the public, which has broadly supported the lockdown for clinical reasons, nevertheless is concerned about the economic impact, has growing concerns about their personal financial impact, would love to see a plan developed to reboot the economy and exit the lockdown as when is clinically possible, and would also be supportive of tax cuts at the conclusion of the lockdown.

