

Lifting lockdown

How to approach a coronavirus exit strategy



About this report

The prime minister and his cabinet face difficult decisions – as hard as any cabinet has had to face. In charting an exit from the coronavirus lockdown, they will need to balance competing demands and make unpalatable trade-offs based on imperfect information. This report sets out our view of how they should best do this.

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Summary

The prime minister and his cabinet face difficult decisions – as hard as any cabinet has had to face. In charting an exit from the coronavirus lockdown, they will need to balance competing demands and make unpalatable trade-offs based on imperfect information. We set out below our view of how they should best do this.

In the face of rising fatalities from Covid-19, in late March 2020, the UK government – like many others around the world – shut down normal life in a bid to slow the spread of the virus and reduce the number of deaths it caused. As the threat from coronavirus is brought under control, the government and devolved administrations – who put in place the same measures – need to decide whether, when and how to exit from the current restrictions.

The needs of the economy and public health were not really in conflict with one another, in our view, when the government imposed severe social and economic restrictions in late March to widespread illness and large numbers of deaths. That decision was backed by broad public support for limiting deaths from this disease.

But as the spread of the virus is brought under control, as testing capacity grows and as the NHS's capacity to treat Covid-19 patients increases, there are trade-offs between different outcomes – in particular between minimising deaths from coronavirus, minimising deaths from other causes or improving economic wellbeing. Pressure is inevitably now rising for the government to explain how the country will leave lockdown. In this paper we set out how the government should approach its decision.

The government should make clear that there can be no single grand 'exit plan'. Given how little is known about what impact removing restrictions will have on the transmission of the disease, and how business will react, any move out of lockdown will have to be iterative, edging forward while gathering evidence, at home and from other countries. By phasing in changes, and being willing to adapt its approach over time, the government will be able to respond as new evidence comes to light.

The government has set out five 'tests' for starting to lift the lockdown, which look for: signs that the NHS is able to cope, and that it has sufficient protective personal equipment (PPE); a "sustained and consistent" fall in the daily death rate, and reliable data on decreasing infection rates; and signs that the risk of a second peak that would overwhelm the NHS can be avoided. These focus exclusively on ensuring that it has brought the pandemic under control sufficiently to minimise deaths from this cause. At the time of writing, these tests are the only statement from the government of what will guide its decisions about when to start lifting the restrictions. They might be suitable for the immediate focus of bringing the virus under control, but they are unlikely to provide an appropriate guide to the longer-term exit strategy.

If government is really wedded to these tests to guide its overarching exit strategy, it must make clear to the public the implicit choices that they represent. If those tests do not accurately reflect the government's true and enduring objectives – and it is hard to imagine that they do – then the government must explain how it will balance the wider concerns against each other in deciding when and how to lift the restrictions, and set out new tests.

The government's unprecedented package of economic support cannot prop up all of the economy, cannot last forever and itself could damage the economy. As the lockdown continues, more businesses will run out of cash or take on so much debt that they will be hampered when the crisis is over. Unemployed workers will lose skills and links to the labour market, lost education will have an impact on the long-term prospects of children and young adults.

To be able to start lifting restrictions, the government must have in place measures that can reduce the risk of a resurgence of coronavirus as the lockdown is eased. The government should continue to enhance capacity to test those who might be infected and trace anyone with whom those tested have come into contact. This may need to be complemented with new measures – such as tighter border controls, which may be required if imported infections become a more important source of propagation as domestic transmission declines. To minimise non-Covid health risks, the government should continue to work to restart other areas of NHS treatment paused during the worst of the crisis, and encourage attendance.

In lifting restrictions, the government will need to carefully balance the risk of greater transmission of the virus against any potential economic benefit. That is likely to mean a different approach for different sectors of the economy, since any sector's ability to implement social distancing and its ability to operate in isolation from other parts of the economy will differ. Economic benefits could be maximised – while minimising risks to the spread of coronavirus – by easing restrictions first for those businesses that are best able to implement social distancing in the workplace and for those sectors where the longer-term harms from the shutdown are likely to be most severe. Government will have to continue to work closely with employers and unions (as it has to date in developing the economic package) to make sure that their strategy is feasible.

It should also consider different approaches for different parts of the country. Controlling the spread of the disease by testing and tracing may be more feasible in areas where case numbers are lower – though releasing restrictions in some parts of the country but not others risks confusion in public messaging. The government would also need to address the problem of inter-region travel and understand in detail how business supply chains operate to ascertain whether businesses in different parts of the country could work if other parts of the country were still locked down. The government should gather information to help assess how feasible such a strategy would be and whether the benefits would outweigh the costs.

Whatever objectives the government has, and whatever path it follows to easing the restrictions, it will need to work on the following areas to ensure its exit strategy works well.

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- **Effective implementation is critical:** the government must ensure that its policies can actually be implemented in practice. For example, test and trace procedures will need to be sufficiently robust to contain future outbreaks. The government will also need to work closely with local government, the devolved administrations and business leaders responsible for implementing many of the changes that the government will hope to effect. If decisions to lift restrictions race ahead of what is achievable on the ground, the government could see its strategy fail and risks a potential second peak.
 - **Clear communications and enforcement:** even with the current set of policies that apply largely uniformly across the country, there has been confusion about what activities are allowed, and whether ministerial remarks reflect official guidance, ministers' preference or the law. This confusion could increase as the government starts to change the rules, particularly if restrictions are lifted at different times for different groups or in different areas of the country. The government will need to communicate its approach and rationale clearly. It may also need to expand enforcement if people (unwittingly or intentionally) stop complying with the guidance as it evolves.
 - **Encouragement and incentives may be needed:** changing the rules may not be enough if, for example, people remain too nervous to resume normal life or send children back to school, or if businesses are reluctant to reopen if they think customers may not come. The government will need to monitor this and consider offering encouragement to people to take full advantage of the greater freedoms, where it feels that is justified. If communications are not enough, the government may have to consider measures such as temporary tax incentives to encourage people to start spending or applying stronger sanctions to benefit claimants who do not actively seek work once opportunities open up.
 - **Adjust economic policies to facilitate and support the recovery:** the economic package will need to be amended as the government lifts restrictions. The current package of measures must be phased out eventually, but there are risks to withdrawing support too soon. If the restrictions are eased at different rates for different sectors or parts of the country, the government may need to start differentiating the support it offers along these dimensions as well. Since the main elements of the economic support package are controlled by the UK government in Westminster, this may require co-ordination with the devolved governments of Scotland, Wales and Northern Ireland if – as they have the power to do – they choose to follow different approaches in easing the social and economic restrictions from those dictated by the Westminster government for England.
 - **Public consent:** adherence to and support of the government's lockdown measures has been remarkably high. But that may not continue, if people perceive that they are being treated unfairly, for example if there is major differentiation between groups or if the differentiation is not grounded in solid evidence. The prime minister will need to explain the measures – repeatedly and clearly – as well as the trade-offs and thinking behind them, to help ensure that the government maintains consent. It may need to adapt its strategy as well as its communications if it looks to be losing the public.

Introduction

The government response to coronavirus has changed the daily life of everyone in the country and shut down a third of the economy in order to protect the population. In the face of rising deaths from Covid-19, government took a set of steps to manage a public health crisis unlike any the UK has faced for a century.

For many of the restrictions imposed on daily life such as closing schools or restricting social gatherings, the UK government acted only on behalf of England, with parallel decisions taken by the devolved administrations. The economic shutdown has caused a larger and faster fall in output than the UK has experienced for perhaps three centuries. In response, the government has rolled out an enormous package of financial support.

Both the shutdown and the support were warranted under the circumstances the government found itself in by late March, but the government must now try to map a path forward that minimises the harm to the country in the months and years to come.

There is no quick 'exit strategy' to lead the UK back to normal life without a successful vaccine or treatment for Covid-19. Some hope that if the prevalence of the virus in the UK greatly reduces, a programme of testing and contact tracing might offer a viable route back towards normality, although that would bring its own questions about intrusion and privacy. But meanwhile, the economy deteriorates. There are only hard choices among unpalatable trade-offs. The government faces difficult questions about when and how to withdraw both its restrictions and its support.

This paper tries to show the course the government should take in forming its view – the objectives that pull in different directions, how those trade-offs might be mitigated, the key decisions that will need to be made, and how the government should approach these decisions. The focus of this paper is the UK government – we do not discuss the decisions for the devolved administrations in detail, nor do we discuss how co-ordination between the four governments, or indeed with other governments around the world, should work.

The first section summarises the range of measures the government has put in place to support the lockdown, including the unprecedented package of economic support – and will need to consider removing or changing as part of its exit strategy. The second section looks at what objectives the government might wish to achieve and how a longer lockdown helps or hinders those objectives. The third section looks at what strategies the government should pursue in easing the restrictions.

The final section sets out what the government must consider and do to ensure that it releases restrictions successfully, including how it communicates any changes, the information it needs and its approach to updating policy as new evidence comes to light.

Exit from what?

Like many around the world, the UK government and devolved administrations have effectively shut down much of the country in a bid to slow the spread of the coronavirus. Closing businesses, confining people to their homes and suspending normal life required the government to grant itself the kinds of legislative powers normally reserved for wartime.

Protecting people and businesses from the economic effect of the lockdown has required an extraordinary and unprecedented level of economic intervention from the government. We assess the principle areas of government action here.

Efforts to increase social distancing measures were initially piecemeal, before a comprehensive lockdown was put in place

The UK's first confirmed case of coronavirus came in late January 2020. The initial measures the government adopted to limit the spread of the disease were based on telling people who had travelled abroad to the then worst-affected regions – such as east and south-east Asia and, shortly after, northern Italy – to self-isolate and get tested if they developed symptoms, while tracing the contacts of confirmed cases. This was accompanied by a more general campaign to emphasise the need for personal hygiene and regular handwashing.

From mid-March the government started to discuss stronger action to increase social distancing across the country, with then a more rapid shift towards a government-mandated lockdown. This reflected the increasing number of confirmed cases and rising hospital admissions, but also public concern that the UK's response appeared to be lagging behind that of other European countries which had imposed tougher restrictions. Daily reports of the way the pandemic was playing out in countries like Italy and Spain, where hospitals were struggling to cope, along with reports of measures being put in place by other governments, led many in the UK to take action voluntarily in advance of warnings from government. Workplaces moved to home working before the government changed its guidance, and many parents withdrew their children from school.

On 16 March, the prime minister first advised against mass gatherings, non-essential travel and going to pubs and restaurants, and encouraged everyone to work from home where possible. Over-70-year-olds and people with underlying health conditions were encouraged to stay, as far as possible, in their homes for at least 12 weeks.¹ But this guidance was quickly overtaken. On 20 March, governments across the UK closed schools and ordered restaurants, pubs and other businesses to shut their doors.

On 23 March, the prime minister announced a full lockdown enforceable by law. The [powers to enforce it](#) were introduced three days later.

Much of the enforced lockdown of the country has come from existing public health legislation, rather than new legislation – at least for England and Wales. Regulations enacted separately by the UK government (for England) and devolved ministers in Northern Ireland, Scotland and Wales closed workplaces, banned gatherings and restricted freedom of movement. Despite the four governments having the ability to diverge on these issues, the powers to restrict freedom of movement and close businesses are similar in all four sets of regulations.

There have been some small differences in policy and communications between the UK and [devolved governments](#). So far, these have tended to be short-lived and mostly a matter of timing, as opposed to reflecting important differences in strategy.

The lockdown measures have evolved since being announced.

The government's guidance and the legal framework for enforcing the lockdown are not entirely the same. The guidance said that people should only leave their home for specific reasons, which it set out, but the accompanying regulations required only a 'reasonable excuse' and set out a non-exhaustive list of what those reasons might be. After reports of over-zealous enforcement by some police forces, police leadership bodies later circulated guidance to set out more clearly how the law should be enforced, for instance clarifying that it can be lawful in England to exercise more than once a day.²

The lockdown measures are supposed to be temporary, with clear expiry or sunset clauses. The government must report to parliament on the measures every three weeks, but they only require re-approval by parliament after six months. On 16 April, the government announced that the lockdown would be extended for at least another three weeks.

The government's economic response, as it started to put in place much more extensive restrictions, was also rapid. The measures that the chancellor, Rishi Sunak, announced in his budget on 11 March appeared bold at the time but less than a week later were already clearly inadequate. On 17 March, he outlined a further package of support including grants and government-backed loans for businesses and wage subsidies for furloughed workers. Support for the self-employed came on 26 March.

Since then those schemes have been amended or added to as gaps in the support were identified. Unlike social distancing measures, the economic support package was comprised of largely UK-wide policies, decided by the UK government – with the exception of the cash grants for small business and sectors such as fishing, as well as the business rates holiday for retail, leisure and hospitality firms.

Table 1 **Coronavirus response: social distancing measures and economic support across the UK**

	Measure	Territorial extent	Date	Current status
Social distancing measures	Guidance on social distancing and avoiding mass gatherings	UK-wide	16 March (guidance on mass gatherings released in Scotland 15 March)	Until further notice
	Schools closed except for children of key workers	Devolved	20 March	Until further notice
			20 March	
			20 March	
			20 March	
	Pubs, restaurants, gyms and other social venues ordered to closed	Devolved	20 March	Reviewed by ministers every three weeks
			20 March	
			20 March	
			20 March	
	People prohibited from leaving their home without a reasonable excuse Gatherings of more than two people banned if not from same household	Devolved – announced jointly by PM and first ministers	23 March	Reviewed by ministers every three weeks
23 March				
23 March				
23 March				
Legislation giving police powers to enforce lockdown	Devolved	26 March in England, Scotland and Wales	Reviewed by ministers every three weeks	
		28 March in Northern Ireland	Legislation expires after six months	
Economic support	Enhance sick pay and employment and support entitlement	UK-wide	11 March	No end date set
	Reimburse SMEs for the cost of staff sick pay			
	Government purchases of short-term debt of major companies	UK-wide	17 March	Schemes extended to cover mid-size firms and 100% guarantees introduced since policy first announced
	Government-guaranteed loans to businesses			
	Job retention scheme – pays 80% of payroll costs for furloughed workers up to £2,500	UK-wide	20 March	Currently set to run for four months, backdated from 1 March
Increase generosity of Universal Credit and housing benefit	UK-wide	20 March	No end date set	

Table 1 **continued**

	Measure	Territorial extent	Date	Current status
Economic support	Defer payment of VAT and self-assessed income tax	UK-wide	20 March	Payments ordinarily due by June/July not due until 2021
	Cash grants to self-employed of 80% of profits up to £2,500 a month	UK-wide	26 March	Runs for at least three months First payments to be made in June for first three months of scheme
	Cash grants for some businesses; retail, leisure and hospitality sector; and, fishing industry	Devolved	11 March – support for small businesses and retail, leisure and hospitality sector	One-off payments Small differences in design of schemes between nations
			11 March – support for small businesses and retail, leisure and hospitality sector	
			11 March – support for small businesses and retail, leisure and hospitality sector	
			11 March – support for small businesses and retail, leisure and hospitality sector	
			20 April – support for fishing sector	
			25 March – support for fishing sector	
			16 April – support for fishing sector	
	3 April – support for fishing sector			
Business rates holidays for retail, leisure and hospitality firms	England, Scotland and Wales	18 March	Applies for 2020/21 tax year	
		18 March	Similar schemes applied in three nations with some variations	
		19 March		
Delay in non-domestic rates charges and rates holiday for all businesses	Northern Ireland	17 March	Rate holiday for three months	

UK-wide
 England
 Scotland
 Wales
 Northern Ireland

Source: Institute for Government analysis.

The government was left with no choice but to initiate lockdown

In the face of the rapid and uncontrolled spread of the coronavirus, the government had little choice but to mandate lockdown and its decision carried the broad support of public opinion. There does not seem to have been public support for the less restrictive approach adopted by, in particular, Sweden. Another alternative approach, used by South Korea – of mass testing and tracing any potential contact with infected individuals – would have allowed the government to impose only limited restrictions, but it was no longer an option for the UK once there was significant community transmission. The UK did not have the testing or tracing infrastructure required.

It now seems clear that allowing the virus to sweep through the population would have had major health implications. The resulting rate of infection would have led to a far greater number of hospital admissions and ultimately deaths. The health service and social care sector would have been overwhelmed, with insufficient capacity to meet extraordinary levels of demand.

It also would have had major economic implications. The sheer number of people falling ill would have made it difficult for many businesses to staff their operations, and the fear of infection, no doubt even greater amid larger fatality figures, would have meant the economy would have been unable to function as normal.

Nonetheless, the lockdown itself has had an unprecedented impact on the economy that has required a wide-ranging policy response from the government. This has been designed to cushion the impact on people's living standards and avoid a short-term shutdown turning into permanent economic malaise.

The nature of the government's immediate economic response to the pandemic was unlike anything we have seen before – responding, as it was, to a major (and partly public policy-induced) shock that no business or sector could have been expected to insure itself against. Rarely does a government deliberately put its nation's economy into deep-freeze. The normal rules of government intervention were thrown out of the window; the objective was simply to keep businesses afloat until the economy could be reopened – doing "whatever it takes", in the words of Sunak, to make that happen.³ This policy response was designed to preserve businesses and employment relationships until the economy returns to something like normal. In doing so, the government hoped to limit the long-term economic damage.

That approach was underpinned by two crucial assumptions. First, that the pandemic would be largely a temporary (although very severe) shock to the economy, rather than one that reflected a permanent shift in consumers' preferences or technological capabilities: in other words, any business that was viable in, say, January or February would be viable after the crisis has passed. This assumption may not be entirely right – for example, people's desire to visit crowded bars and shops, or to book flights abroad, may be altered for some time – but it is probably valid as a broad guide for policy.

The second assumption is that there is something special and worth maintaining in the existing groupings of workers and capital that constitute 'businesses'. Otherwise there would be little cost to allowing market forces to push current businesses into insolvency and new ones to form in a few months' time. In that world, the government could simply have focussed on topping up unemployed workers' incomes in the meantime. But there could be value in sustaining current businesses, either because it could take a long time to create new businesses or because existing businesses are, as it were, more than the sum of their parts – with vital firm-specific human and intangible capital that would be lost if firms failed and their employees were thrown back into the labour market.*

The government's policy response will have improved the UK's longer-term economic prospects considerably compared to doing nothing; it was right to step in in this way when the lockdown was imposed. But, as we set out below, even this unprecedented economic package will not be able to avoid all long-term economic harm and the government's ability to support the economy satisfactorily while it is put on ice is likely to diminish as the lockdown extends.

* There is evidence, widely supported by leading economists, that workers possess firm-specific human capital (that is, skills and knowledge that make them more productive working for their current employer than any other) and that firms possess firm-specific intangible capital (such as management expertise or reputation) that would be lost if the company ceased to exist.

What are the government's objectives?

Decisions about when and how to remove the current social and economic restrictions will depend on the government's objectives. There are three broad objectives, some or all of which the government may wish to pursue. The right approach to ending the restrictions will depend on what weight the government places on each of them. This is because while some policies will help with (or at least will not hinder) achieving all three objectives, others will help achieve one but hinder achieving others.

The three broad objectives are as follows:

1. Minimising deaths from Covid-19

The first potential objective is to minimise the number of people dying from Covid-19. Severe economic and social restrictions help to do this by minimising the spread of the disease. The changes that the government has made to the NHS – increasing overall capacity and diverting resources away from treating some other diseases to its coronavirus efforts – also contribute to this goal by increasing the capacity of the health service to treat those who become infected.

2. Minimising deaths from other causes

However, the government may also be aware that while coronavirus has accounted for a sharp uptick in deaths, other diseases are still prevalent, and so it needs also to minimise the risk of these taking lives. Before the pandemic, the NHS in England spent £115 billion a year treating patients to help ensure just that. Diverting NHS resources towards treating Covid-19 is likely to increase non-coronavirus deaths now and in the future compared to what would normally have been expected, as we describe in more detail below.

3. Minimising economic harm and maintaining living standards

The government's economic restrictions have led to a sharper and deeper fall in output than Britain has ever experienced in modern times. The Office for Budget Responsibility (OBR) suggested in a scenario analysis published in mid-April that UK economic output could fall by 35% between the first and second quarters of 2020; this compares to the 6% fall in quarterly economic output, which took place over an 18-month period, during the global financial crisis in 2008/09.

Lower economic output means lower incomes – and thus a lower standard of living – for many. There is a wealth of evidence that shows that economic distress can also lead to worse mental health. As we describe in more detail below, the lockdown may not only reduce economic output in the short term (while the restrictions are in place) but could damage it permanently. This would cause more severe and wide-ranging costs. The package of financial support the government has offered to businesses and individuals is intended to offset some of revenues and income they have lost due to the economic restrictions.

But the government will not be able to mitigate or compensate for all the potential hardship. The longer the lockdown lasts, the greater the risk of permanent harm to the economy, businesses and people – and thus the greater the benefits from trying to get the economy moving again.

The lockdown is also reducing children’s and students’ access to education. If schools and universities are not able to compensate for this, the affected cohorts could be permanently disadvantaged.

It matters who is helped or harmed

However the government prioritises these objectives, it is likely to be focussed not only on average outcomes across the population as a whole but also about how the benefits and costs accrue to different groups. This may affect how it weights these three objectives.

Although much remains unknown about coronavirus, it is clear that – for example – older people are more likely to have severe complications and die from it than younger people. Older people are also more likely to need non-Covid-19 elective health services and so are likely to be worse affected than young people by the decision to cancel non-urgent operations.⁴ Those living in more deprived areas are more likely than the better off to use emergency services and so will be worse affected by disruptions there caused by focusing on coronavirus.

The immediate economic hit from the lockdown has not been evenly spread across the population. Some sectors – such as financial services – appear to have been largely unaffected, with staff remaining employed; others – like non-essential retail and hospitality – have largely ceased to function, with staff furloughed or laid off. Young workers, low earners and women are disproportionately likely to work in one of the sectors that has been hardest hit by the shutdown.

The government’s five tests focus are not suitable to guide the longer-term decisions on exit

In mandating the lockdown, the government wanted to control the spread of the disease, slow the rising number of cases and fatalities and prevent the NHS from being overwhelmed.

But while the continued shutdown of the economy and focus of healthcare resources on tackling coronavirus reduce the chance of people dying of Covid-19, they are likely to increase the risk of other negative outcomes – such as low standards of living,

mental health problems, domestic abuse and deaths from non-coronavirus causes. The government has, therefore, come under pressure to ease the restrictions. On Thursday 16 April, the UK government set out five tests that would guide their decision about when to begin easing the restrictions:

1. Making sure the NHS can cope.
2. A “sustained and consistent” fall in the daily death rate.
3. Reliable data showing the rate of infection is decreasing to “manageable levels”.
4. Ensuring the supply of tests and personal protective equipment (PPE) can meet future demand.
5. Being confident any adjustments will not risk a second peak (since updated to make clear that ministers want to avoid a second peak that would overwhelm the NHS).

Taken at face value, these tests – in particular, the fifth one – imply the government’s top priority is minimising deaths from Covid-19, to the extent it far outweighs the other possible objectives. Without a vaccination or effective treatment, it looks impossible to have complete assurance that there will be no risk of a second peak that would overwhelm the NHS if restrictions are eased. These tests are likely to reflect the government’s immediate focus of bringing the virus under control, rather than a guide to their long term thinking on how to ease restrictions.

In normal circumstances, governments never focus solely on minimising deaths, let alone minimising deaths from one specific disease (potentially at the cost of deaths from other causes). For example, a government intent solely on minimising deaths would probably ban the use of cars and would certainly allocate far more money to health care. The National Institute for Health and Care Excellence (NICE) routinely applies a QALY (quality adjusted life year) test to decide which treatments should be available on the NHS, implicitly valuing an extra year of ‘high-quality’ life as worth no more than £30,000.

The government’s decisions about easing the restrictions should be guided not only by a desire to minimise deaths from Covid-19 but also by a desire to minimise all avoidable deaths and to maximise living standards. Exactly how much weight is placed on each of these objectives is a political judgment and will depend not only on the average costs and benefits of interventions that might be incurred or accrue across the population but also on how those are distributed.

Decisions by past governments (which have been given a democratic mandate from the electorate) suggest that some weight should be placed on each of the objectives outlined above and that the government should factor in who is advantaged and disadvantaged by any decisions. For example, decades of tax and welfare policy in the UK suggests that the UK electorate prefer the state to support those on low incomes at the expense of those on higher incomes than vice versa.

There is too much uncertainty to quantify the trade-offs meaningfully

Because easing the economic and social restrictions may generate benefits (such as higher incomes) but risks increasing the number of deaths from Covid-19, many commentators have suggested that the government should seek to put a value on each life saved from coronavirus and use that to help them choose when and how to lift the restrictions. This would be akin to NICE's QALY approach and that used – for example – by the Department for Transport to decide whether to invest in road safety improvements.

A recent paper by a group of eminent economists – including the former cabinet secretary, Lord (Gus) O'Donnell – went a step further by totting up the net value of easing the lockdown, taking account of the potential impact on (Covid- and non-Covid) deaths, incomes, unemployment, mental health and numerous other factors that the government may want to weigh in its decision making. They did this by expressing all these factors in terms of how they contribute to people's 'wellbeing'. For example, they estimate that releasing the lockdown on 1 May would increase annual income across the economy by 3.7% compared to releasing it in June, and that this in turn (based on thousands of previous studies on the relationship between wellbeing and income) would equate to a gain equal to a total of 48 extra years of averagely happy life across the whole UK population.

These approaches neatly sum up the decisions facing the government. For example: what impact will maintaining or lifting the lockdown have on economic output and unemployment? How will it affect people's mental health? How many more people will die from coronavirus if the restrictions are lifted? How will people respond to changes in official guidance? Would members of the public prefer to struggle to survive on a low income or face a higher risk of contracting coronavirus?

But in practice, ministers will not be able to use such a simplistic approach to decision making. This is because there is considerable uncertainty in the answers to all the questions that underpin such a calculation, as we outline further below. Likewise, these questions rely on a set of necessarily subjective assumptions, which government may not share. Ministers will need to take some view on the answers to these questions to help determine the right course of action. But the uncertainty should be kept at the forefront of their minds as they do so, rather than being subsumed into a single neat answer.

The rate of transmission is key

The most important source of uncertainty, and the factor that will determine how coronavirus infections evolve as policy changes and vice versa, is the 'R-value', the average number of people someone with Covid-19 goes on to infect. So long as this is below 1, the number of infections will not grow; any higher than this and the virus will return to an exponential growth path.

Ministers agree that a reduction in the transmission rate to well below 1 – evidenced by sustained falls in both new infections and deaths – is a prerequisite for any relaxation of measures. Chris Whitty, the chief medical officer for England, said

on 27 April 2020 that “we’ve got this room for manoeuvre between where the R is now and 1”, suggesting that any government strategy would need to keep R below 1 as the essential way of avoiding a renewed surge.

This poses two dilemmas for the government. First, R is not easily calculated in real time, and needs to be inferred from other data such as positive tests, hospital admissions and deaths. The latter two are lagging indicators, emerging weeks after infection. This means that testing will be especially important in order to provide a real-time view of levels of infection in the population.

Second, as Whitty also said, “there are going to have to be some very difficult choices between different things, all of which ideally all of us would like to open up, but we can’t do them all.” In effect, keeping R below 1 will not be consistent with life going back to normal, so the government will not be able to lift all restrictions at once.

As scientists learn more about the disease and how it spreads, they will have a better handle on what combination of restrictions can be lifted while keeping R below 1.

But it is ministers who will have to decide how confident they need to be that R is below 1 and how far below 1 they want it to be before they start lifting restrictions. Any decision on easing restrictions will need to weigh the implications it may have for the transmission rate of the virus – and as a result public health – against any potential economic and wellbeing benefit as well as public consent.

What approaches should the government follow in lifting the restrictions?

As outlined in the previous section, there is no magic combination of tests or actions that will return the UK to normality quickly. The decisions on how the effects are weighted against, or used in support of, each other are political, and will be decided by ministers in the coming weeks. However, in informing these decisions, there are a number of approaches the government could follow, which we outline here.

Extending the lockdown reduces the risk of Covid-19 deaths – but could make it harder to meet other objectives

The initial decision to implement the lockdown, and any decision to extend it, primarily serves the objective of limiting the number of deaths from Covid-19 – and avoiding the risk of a 'second wave' of cases. Conversely, lifting the restrictions could increase the risk of the disease spreading more rapidly, and killing more people.

The government does not, will not – and, indeed, cannot – have perfect information about this trade-off. Scientists are still learning about the disease – for example, how long immunity (if any) lasts, whether the disease is killed off more quickly in hot weather, how transmission rates vary in different settings, and why some people develop more severe symptoms than others.⁵ Even if all these answers were known, without widespread testing the government does not know how many people have had the disease or how rapidly it is still spreading – it can observe only imperfect indicators, such as the number of deaths or confirmed cases, and even those figures are believed to miss large numbers of undiagnosed cases.

But despite these unknowns about the disease and its transmission, there is evidence that extending the lockdown may make it harder to achieve other objectives. At the start of the crisis there was little tension between the objectives of minimising the impact of the disease and preventing other health, economic and wellbeing harms. But as the disease becomes better understood and more under control, tensions are likely to emerge.

Over time, the government will also increasingly have to manage some of the harms inherent in its lockdown policy.

Extending the lockdown could increase the number of non-Covid deaths

The NHS is providing substantially less treatment and care for non-covid conditions than it was before the crisis.⁶ The NHS has cancelled many elective and other treatments – such as cancer screening – to focus resources on the coronavirus response. Patients who would be treated appear to be reluctant to go to hospital for treatments and check-ups.⁷ This is likely to increase deaths from non-Covid diseases.

A&E admissions are down by half, and GP appointments have also fallen. This may reflect people choosing not to go to A&E or the GP when they do not need to. But it is also likely to mean serious illnesses are not being diagnosed or treated. For example, putting on hold cancer screening services means more cases of cancer will be left undetected for longer, bringing a higher chance that people will die from it. As the lockdown extends, these impacts will grow as treatments and diagnoses are delayed further.

Such additional 'medical' non-Covid deaths are likely to outweigh, by some margin, the reduction in other non-Covid deaths that may also result directly from the lockdown – for example, fewer people on the roads leading to fewer deaths in road traffic accidents.

The bailout package cannot offset all economic damage

The economic impact of extending the lockdown is more complicated. There is a large short-term cost to maintaining the existing support packages, but these packages are themselves designed to limit long-term economic harm – to 'put the economy on ice'.

If the government's package of policy measures were completely effective in this, the only cost in extending the lockdown would be the extra government borrowing needed to sustain it. The Office for Budget Responsibility (OBR) has estimated that three months' lockdown will cost around £130bn in reduced tax revenues, and £88bn in higher spending, with each additional month of lockdown reducing revenues by a further £25bn and increasing spending by £10–20bn.⁸ Some have questioned the UK government's ability to keep borrowing indefinitely in this way⁹ but the weight of evidence and opinion¹⁰ suggests that this is feasible since the UK government has ready access to finance at low interest rates.*

Therefore, the important questions for the government – the answers to which will allow ministers to weigh in the balance the economic costs of sustaining the lockdown – are about what economic harms the bailout package is not able to offset. We consider below the four main types of costs, why they might occur, why they might become increasingly large as time goes on, and what information the government will need in order to understand how significant they are and how they are likely to change over time.

1. Lockdown means businesses could go under or face damaging levels of indebtedness

The government's support package does not – and cannot – replace all the revenue that all companies would have expected to receive had the economy not been shut down. The cost of doing so would be enormous, the risk of moral hazard – that is, companies claiming for sums they would never have received or which they will receive later – would be prohibitively large, and there would also be undesirable disincentive effects – removing, for example, the incentive for businesses to innovate through the crisis (such as restaurants and pubs offering takeaways and home deliveries). The government has decided largely to cover the costs of employing workers who are not currently needed through the Coronavirus Job Retention Scheme.

* Others have raised a related question about how the burden of this extra borrowing is shared and whether that ought to factor into decisions about how long the shutdown should last. We set that question aside here on the grounds that a carefully designed set of policies after coronavirus should be able to ensure that the burden is placed wherever is deemed appropriate – for example, placing it on those who are thought to have benefitted from the Covid-19 response the most, if that is what public opinion dictates.

But it is mainly relying on making low-interest, government-guaranteed loans available to businesses to keep them going and help pay non-wage fixed costs, such as rent.

But some businesses still face the prospect of going under, with some having already done so.¹¹ For some, their cash may run out before they manage to get a loan. Others may not want to take on the burden of a loan – preferring instead to liquidate. Both these could lead to the failure of otherwise viable businesses – and the numbers affected will increase the longer the lockdown goes on, as companies’ cash reserves start to run out and debt burdens mount. Recent newspaper reports, for example, have suggested that internal Treasury analysis indicates that three fifths of firms will run out of cash after three months.¹²

Many of those that survive will emerge with permanently higher levels of debt, which could hold back future investment and drag on business and economic growth for some time as those companies prioritise paying down their debt over investment.¹³

To judge whether these sorts of long-term harms are starting to emerge, the government will need to gather evidence on companies’ cash-flow positions, monitor and understand the time taken for banks to issue loans (including under the new schemes), monitor levels of company indebtedness and understand how that is likely to affect owners’ and managers’ decisions during the recovery phase, and keep track of data on insolvencies.

This is all data that should be available to the government in close to real time. For example, it should look at surveys of business sentiment to see how many expect to cease trading, compared to in more normal times. Where the information is not available, it should work with the Office of National Statistics (ONS) and others to collect timely survey evidence and work with, for example, the Bank of England’s network of agents around the country to understand what businesses are facing and how they are reacting.

2. *People unemployed due to the coronavirus may be harmed in the long term*

There is a wealth of evidence from previous recessions that workers who are made unemployed start to lose skills the longer they are unemployed and thus receive permanently lower wages in future. This effect increases the longer the spell of unemployment.¹⁴ The government’s furlough scheme is intended to reduce the need for businesses to lay workers off. But the government can do little to mitigate the fact that school- and university-leavers over the next few months will enter a labour market with few job vacancies and that their career prospects could be permanently harmed.¹⁵ Those who are currently at school or university are also missing out on education, which they may never make up and could harm their future productivity and earnings prospects.

There is also evidence that prolonged periods of unemployment impose long-term costs in terms of worse physical and mental health, with larger effects the longer is the spell of unemployment.¹⁶ This will be a risk for new entrants into the workforce and for those who were already unemployed when the crisis struck.

To try to understand how and where these costs are accumulating as the shutdown continues, the government will need to monitor how many people are becoming unemployed, track how many job vacancies there are and look for signs that businesses are getting to the point where they might lay workers off, rather than keep them furloughed.

3. *The government support package itself could harm the economy*

The government is attempting to keep the economy on ice, preventing businesses from going under and maintaining employer–employee relationships. This is largely an appropriate response under the circumstances; otherwise many viable firms would go bust causing permanent economic damage. But it does mean that the ‘normal’ operation of market forces – which would ordinarily drive the economy to become more efficient – are also on hold. These forces normally lead to the destruction and creation of firms and to workers moving jobs as competitive forces allocate workers and capital efficiently across the economy.

Leaving the current set of measures in place for a prolonged period will prevent those forces from operating – this is a deliberate feature of the measures, not a design flaw. But it will potentially harm the UK’s productive potential or require a more disruptive period of upheaval once the measures are lifted.

4. *Lockdown also has costs that go beyond direct economic harm*

We have focussed primarily in this section on the economic costs, but the costs of lockdown cannot be measured solely in economic terms. There are costs to wellbeing from lack of access to outside space, breakdown in relationships and loss of educational opportunity. Many people will be under huge strain, notwithstanding the economic support packages, from lower or uncertain incomes, rising indebtedness and concern about their longer-term job prospects. That said, there could be benefits too: a recent report by London School of Economics highlighted the potential positive effects on wellbeing of lower pollution in cities and eliminating commuting.

Options for mitigating the trade-offs

The three objectives laid out could be in tension with one another when it comes to decisions over how and when to release lockdown. However, there are some steps the government could – and is already starting to – take to lessen the trade-off, allowing some restrictions to be lifted that provide greatest economic and non-Covid health benefits without much increasing the risk of a spike in Covid-related deaths.

Test and trace: facilitating a return to the ‘contain’ phase

The government appears to be planning to mitigate the risk that case numbers will rise to uncontrollable levels when restrictions are eased by employing a ‘test and trace’ strategy. This was central to the ‘contain strategy’ in place in when the first cases were identified in the UK, but which was abandoned in mid-March.

This is an approach that has already been adopted – so far successfully – in South Korea, among other countries, where it has been combined with guidance on public social distancing. This seems to be part of the UK government’s thinking about the

future. The UK could only effectively introduce such a 'test and trace' strategy once the number of cases has fallen below the number that are likely to exist currently, otherwise tracing all contacts of all infected people would be infeasible. The government would also need far greater testing capacity than it has at the moment so that new outbreaks can be identified and isolated. The further transmission has been suppressed, the easier this is to implement as there would be far fewer cases to deal with.

Expanding coronavirus-related health capacity

Thus far, a clear priority of government policy has been equipping the NHS to ensure that it has sufficient capacity to provide treatment to all Covid-19 patients who require it. This ensures that people do not die with coronavirus when treatment would have saved them, and thus reduces the link between Covid-19 infections and deaths.

The government has now realised that NHS capacity to tackle the coronavirus goes beyond simply ensuring it has enough beds and ventilators. It needs adequate supplies of drugs and adequate personal protective equipment (PPE) to protect staff. It also needs access to testing to ensure that staff do not have to unnecessarily stay away from work (if they or their family have symptoms that turn out not to be linked to coronavirus).

To increase hospitals' capacity to treat Covid-19 cases, the government has increased the number of intensive care beds, moved non-Covid patients who could be cared for in the community out of hospitals and cancelled many types of non-emergency treatment, rapidly set up the Nightingale/Louisa Jordan hospitals (large, temporary hospitals in London, Birmingham and Manchester, as well as other UK cities) and increased ventilator purchases. There is now more capacity than when ministers first took the decision to impose widespread economic and social restrictions in late March.

The continued expansion of NHS capacity would allow the health service to stay on top of higher numbers of cases and so could give the government greater confidence to begin easing restrictions – even if this led to higher transmission and infection rates than before. However, there would still be people who would die even with treatment and there would remain the risk of a case surge that could overwhelm NHS capacity.

Monitoring and restricting entry to the UK

Once the spread of the disease is under control within the UK, the government may choose to increase border restrictions, as imported infection will become an increasingly major transmission route again. The government now requires travellers to isolate for two weeks upon arrival. Some countries have restricted entry only to their own citizens and visa nationals, others – such as Japan – have restricted travel from certain countries. Italy requires pre-notification before travel alongside the need to self-isolate on arrival.

Even with the lower volumes of people travelling internationally due to concerns over coronavirus, further restrictions in the UK would still have some economic consequences – limiting those able to travel for business and potentially slowing any recovery of the tourism industry. It would also be impossible on the Irish border.

Re-starting other areas of NHS treatment and encouraging attendance

In order to mitigate the impact of lockdown on non-Covid deaths, the government could attempt to resume as close to 'normal service' as is possible. In mid-April, the health secretary, Matt Hancock, announced that the NHS would re-open for 'business as usual' – indicating that the NHS had the capacity to treat people as they normally would; at the end of April, the NHS resumed some cancer screening services and mental health support.

However, simply making services available may not be sufficient if people are reluctant to leave their homes and attend hospitals or other health services. The government could therefore prioritise communications to encourage attendance, especially for those who require critical care or those being tested for potentially fatal diseases like cancer. Hospitals have already segregated areas or wards that are dealing with Covid-19 cases from those focussing on regular care. Communicating and demonstrating the effectiveness of this approach – that it is possible to walk into a hospital without risking infection – could help manage prospective patients' concerns.

Releasing restrictions on some people and businesses before others

The lifting of restrictions is unlikely to be as swift or as uniform as their imposition. To help maximise the economic and wellbeing benefits of easing restrictions while minimising the risk of a second peak of infections, the government could change or lift restrictions at different times and in different ways for different groups. In particular, there may be value in easing restrictions earlier for groups that face a lower risk of catching, being seriously affected by, or passing on coronavirus – although some forms of differentiation may be legally problematic.

There is already some differentiation in the government's coronavirus response. Those considered "clinically extremely vulnerable" have been advised to stay at home at all times and avoid any face-to-face contact, as part of the government's "shielding" strategy. "Critical workers" can continue to send their children to school, allowing their own working patterns to be uninterrupted. For businesses, some have been ordered to close as part of the government's response, while others have been encouraged to stay open: for example the government has said "all retail" businesses should close but with "notable exceptions" including supermarkets and food shops, pharmacies and petrol stations; pubs and restaurants are closed to sit-in customers.

Three broad axes of differentiation have been suggested: age, sector and geographic area. We consider how differentiation in each of these ways could work in practice.

Younger people appear to be less badly affected by Covid-19 so could have restrictions lifted more quickly – but that is unlikely to allow a major reopening of the economy

Children and young people seem to be less badly affected by Covid-19 than older people, with lower rates of hospitalisation and mortality. Therefore, permitting activities which lead to their infection may provide some worthwhile societal and economic benefits without widespread too-negative health consequences – although this would depend on how those children and young people then transmit the disease to other groups who are more at risk.

Reopening schools and childcare may be an important pre-condition for other businesses reopening, given the difficulty of parents returning to work if their children are at home. The government could, therefore, choose to reopen schools (the UK Government could decide for England only), as many other countries are doing, before other workplaces. Children are proportionately much lower risk – under-19s make up only 2.4% of cases against over 20% of the population as a whole, and as far as it is possible to tell at this point tend to develop less severe symptoms. Allowing schools to reopen could be particularly beneficial for disadvantaged pupils.

However, school closures have helped to slow transmission of the virus, so a decision to reopen would not be risk free. Furthermore, some teachers, particularly those who perceive themselves at risk or at risk of passing the virus on to vulnerable people they live with, may be unwilling to return to work.

Young adults are one of the groups most at risk of suffering the sort of long-term economic harms that outlined above. This is because they are disproportionately likely to work in sectors (such as retail) that have been most heavily affected by the shut down – almost a third of employees under the age of 25 were working in sectors that have almost entirely shut down, compared to just 13% of those aged 25 and over. Young adults are also more likely to suffer through missing out on education and entering a labour market with few job opportunities.

However, meaningfully lifting the restrictions on young adults' economic participation would require opening the sectors in which they tend to be employed. But the reason why so many young adults' workplaces have been shut down is that they are places most at risk of transmission – for example, restaurants.

It is unlikely to be financially viable or practical to open restaurants but allow only young people to visit them. This suggests that opening sectors on the basis of their workforce's age profile is unlikely to work.

Restrictions could be eased first in areas of the UK with fewer cases

Some parts of the country have fewer cases of coronavirus than others. In those areas, it should be easier to track and trace infections, potentially allowing the government to lift the lockdown sooner without risking a spike in cases. The UK Government could look to lift measures in different parts of England based on the levels of risk associated. Such an approach was suggested by Jeremy Hunt, the chair of the Health and Social Care Committee and former health secretary, who suggested that contact tracing could be trialled in areas like Yorkshire and Cornwall, which have lower infection levels. Similar suggestions have been made for geographically isolated areas such as the Isle of Wight, Orkney and the Western Isles (which would be a decision for the Scottish Government).

In a similar vein, restrictions could be lifted in less densely populated rural areas before they are lifted in towns and cities. However, such geographical variation would pose difficult questions about how travel between areas could or should be restricted to make the differentiation effective.

Infection and death rates naturally vary across the four nations of the UK. Decisions about lifting restrictions in England will be made by the government in Westminster but it will be for the devolved administrations in Edinburgh, Cardiff and Belfast to decide when and how to lift economic and social restrictions in Scotland, Wales and Northern Ireland. However, Westminster has control over most aspects of the economic support package, which ease the impact of those restrictions on businesses and households. The exceptions are additional spending on devolved public services and support for businesses offered through the business rates system – in these cases the money available to the devolved administrations is dictated (through the Barnett formula) by decisions made in Westminster about how much to spend in England, but the allocation of that money is determined by the devolved governments.

Thus far the administrations of the four nations of the UK have adopted near-identical approaches. The close co-ordination to date may create an expectation that the unprecedented state interventions in people's lives will likewise be brought to an end at the same time across the country. But, given that the four nations face different rates of infection, different geographic and demographic profiles, and potentially the four governments will have different objectives, they may decide not to continue to march in lockstep.

There are potentially good reasons for different parts of the country to move at different speeds, and doing so could provide opportunities to evaluate impacts before easing restrictions more widely, enabling the four governments to refine their own strategies in real time. Other countries such as Japan and Korea have responded to the pandemic in a territorially-differentiated way, and in Italy lockdown restrictions are now being eased more quickly in certain regions.

There is a risk, however, that restrictions being lifted differently in different parts of the UK could create confusion in public communications about what is happening and why. The governments will also need to think carefully about how the various sub-national economies are integrated with – and reliant upon – each other to ensure that it is feasible to release restrictions differently in different regions or nations.

Any decisions made about lifting restrictions in Northern Ireland, for example, will also need to take account of the policies in place in the Republic of Ireland, given the close links between the communities and economies north and south of the border. There has already been significant north–south co-operation to provide for elements of an all-island response that recognises the idea of Ireland as a single epidemiological unit. For instance, the health departments of the Northern Ireland executive and Irish government signed a Memorandum of Understanding on how to “promote cooperation and collaboration in response to the COVID-19 pandemic”.¹⁷ There have also been discussions on travel restrictions across the two parts of Ireland, and an attempt at joint procurement of PPE.

The government could reopen the economy sector by sector

Given the markedly different working practices and work environments that exist in different sectors, there are some businesses which could be allowed to reopen at less risk and with greater economic and wellbeing benefits than others. Some countries have followed this approach, although it is not clear this has always been driven by consideration of which sectors pose lowest health risks. Construction has restarted in Spain and timber production in Italy (both pose lower risk as workers are predominantly outside) but the rationale behind other examples of special dispensation such as allowing smaller non-essential shops to reopen, seen in several countries, is less clear. These may be driven more by a desire to ease the impact of lockdown on wellbeing than because these businesses are objectively judged to pose lowest risk of increasing transmission of Covid-19.

The government could allow sectors or businesses to reopen if they are able to adopt rules on social distancing. Doing this effectively would require a granular understanding of how businesses operate and what workplace modifications are feasible.

To support this, the government might want to incentivise businesses to invest in the technology and workplace adaptations that make social distancing possible. The government could do this by, for example, offering tax credits to employers. This would have a clear economic justification because otherwise the full cost of making those changes would have to be borne by the employer, even though much of the benefit of them would be to wider society.

Alternatively, the government could mandate – through regulations – that all employers must put these measures in place.

However, even if the government lifted restrictions and provided incentives to invest in new technology and adaptations, some businesses may still choose not to reopen if they are worried that there may be limited demand for their products or services, or if other businesses on which they rely are not functioning.

How can the government ease the restrictions most effectively?

How the public respond to any changes to the social and economic restrictions will be crucial in determining how those changes ultimately affect the spread of coronavirus, economic performance and wider wellbeing.

Just because the government tells people they can return to work or send their children back to school does not mean they will. Similarly, those that remain confined may not continue to follow the rules. The government will need to think carefully about how it changes the rules and how it communicates those changes, particularly if it seeks to phase changes in at different rates for different groups or parts of the country.

Government must ensure capacity is in place before pursuing a course of action – a focus on implementation is critical

Whatever strategy the government pursues to limit the spread of coronavirus – such as testing and tracing – to reopen the economy it needs to ensure that it has the necessary information and capacity to pursue it in practice. It must also know when the time is right to do so if those strategies are to bear fruit.

Ministers need to know that the surveillance regimes that are in place can spot any resurgence in the virus quickly enough to allow them to tweak restrictions before the infection takes hold again. Government will need to be confident that its data is reliable, and comprehensive – for example, there appears to be substantial under-reporting of deaths from Covid-19 outside hospitals, while information on deaths in care homes and in the community are reported much later than those in hospitals, confusing the daily figures (these deaths also, in the absence of testing, depend on a GP's assessment). If monitoring the spread of, and deaths from, coronavirus relies on self-reporting, there is a question as to whether it can that be trusted, as people may have incentives to both over and under-report.

Even if a system is in place in theory, the government must ensure those systems would work in practice. There has been a significant gap and time lag throughout the crisis between ministerial promises and delivery. If ministers want to rely on, for example, a new trace and isolate scheme to contain the virus, they need to know both that their contact tracing is sufficiently robust, that people identified can and do access tests – without gaming them – and that people who are required to isolate do so.

This also applies to ensuring that the necessary capacity or supplies are available in the right place at the right time – whether it is critical care beds, key staff or PPE (for NHS staff or the general public). Over time, both health and social care may suffer from workforce shortages as people are exhausted from running at full tilt or decide to leave the profession. Some care homes may also face financial collapse, and closure, which could transfer the burden back onto hospitals.

Similarly, if central government wishes to reopen parts of the economy, it is vital that it co-ordinates with other groups – including local and sub-national governments and public service leaders – to make sure the plans can work in practice. Local government in many cases will be responsible for ensuring that greater numbers of people can get to work safely – there have already been heated rows, for example, between ministers and the mayor of London, Sadiq Khan, over the number of services being run on the Underground. Schools may need to co-ordinate their schedules to make life easier for parents if or when they reopen, avoiding major differences in when different schools in similar areas return. Business groups will need to be consulted to ensure that social distancing measures can be put in place.

Communication will be essential to avoid confusion over any new guidance

The relaxing of rules for some might spread confusion and result in non-compliance, with some leaving lockdown despite not being part of any designated group. The last thing the government wants to do is reignite community transmission having invested so heavily in suppressing it. Even with the current set of policies that apply largely uniformly across the country, there has been confusion about what activities are allowed, and which ministerial remarks reflect guidance or preference but not the law. This confusion is likely to increase as the government starts to change the rules – particularly if restrictions are lifted at different times for different groups or in different areas of the country. The government will, therefore, need to communicate its approach and rationale clearly.

Appropriate and measured enforcement will be needed

The government may also need to expand enforcement if people unwittingly or intentionally stop complying with the guidance as it evolves. To date, there have been examples of overzealous enforcement of both rules and guidance by the authorities, as well as ignorance of these by the public, which demonstrates that some confusion already exists around the rules. By adding in new layers of complexity through differentiation, the government risks increasing the potential for rules to be enforced incorrectly.

Changing the rules may not be enough – the government may also need to offer encouragement

Even if the government does start to relax the current rules, it cannot be sure that doing so will change businesses' or people's behaviour.

People may be reluctant to expose themselves to greater risk, even if the government feels that risk is manageable, and as a result decide not to return to work or send their child to school even once they are able to. Just as large numbers went into self-imposed lockdown before it was mandated by the government, many may feel they want to stay in lockdown for longer than the government advises.

The government could encourage or incentivise people to return to more normal patterns of behaviour. For example, its public messaging could start to emphasise the lower risk of catching the disease, or it could reduce the generosity of financial

support measures, like the Coronavirus Job Retention Scheme, or increase sanctions on unemployed people who do not actively seek work (to incentivise people to return to work). But, while there remains some non-negligible chance of people contracting coronavirus, the government may be cautious of being seen to encourage or force people back to work.

Similarly, businesses may be reluctant to open their doors if they do not think customers will return or if the remaining social distancing measures make their business unviable. As we describe in more detail below, there are ways that the government could adapt its package of financial support to help (and encourage) businesses to navigate the transition from lockdown to normal functioning.

The package of economic support should be tailored to support a return to normal

The package of economic support has already played an important role in mitigating the trade-off between minimising Covid-19 deaths and minimising economic damage by keeping the economy on ice. As the government begins to unlock the economy, it will need to continue to tailor its economic package to support the economy while some restrictions remain in place. Getting this aspect of policy right is important to ensure that the lifting of lockdown is accompanied by a strong economic recovery, minimising the long-term damage from the lockdown.

The government may need to support sectors with deficient demand or withdraw support quickly if demand is 'pent up'

As the government begins to lift social distancing measures in some areas, it is possible that – in at least some sectors – households will still be hesitant to return to normal (either for economic or health reasons) and therefore demand from customers footfall may be low. This could be the case if people are cautious about going to crowded places or remain uncertain about their earnings prospects, or because some export markets continue to be inaccessible or heavily indebted companies try to reduce their debt rather than invest.

In this case, there would be role for fiscal policy (tax cuts and public spending increases) to stimulate demand and boost the economy. The appropriate measures would depend on the specific case: temporary VAT cuts may encourage more consumer spending (particularly on white goods, electronics, cars and other durable goods), while higher government investment spending and tax deductions for private investment could boost investment quickly. Germany, for example, has pre-emptively announced a temporary VAT cut for restaurants beginning in July.

If the specific problem relates to firms attempting to reduce their debt levels, having taken on new (albeit low-interest, government-guaranteed) loans during the coronavirus crisis, there may be a case for converting at least part of those emergency loans into grants or equity so that immediate repayments are not required.² The government could also consider whether other policies should be adapted during the recovery phase to help employers if demand is deficient – for example, now may not be a good time to increase the national living wage further.

The best policy response would be very different again if demand were 'pent up' – for example because people who have built up excess savings during the coronavirus crisis are about to spend them. In that case, and in those sectors, the government should look to withdraw existing support. Leaving the policies in place would impose an unnecessary cost on the public purse and would risk higher inflation – potentially prompting the Bank of England to raise interest rates.

As the optimal policy response differs so much, the government will need to get a handle on the economic situation quickly and keep monitoring developments. It should look at business and consumer sentiment surveys for an early signal of whether and where demand is buoyant or deficient. As inflation is likely to increase in the pent-up scenario, the government should monitor prices in real time along with the Bank of England. Changes in the use of the government's schemes – such as the Coronavirus Job Retention Scheme – will also show how quickly the economy is recovering, although these signals may be imperfect.

Many elements of the government's emergency economic package will need to be withdrawn eventually otherwise they will hamper the recovery

The government's fiscal response to coronavirus has been large and unprecedented. As we set out above, most economists agree it is an appropriate response to an enforced lockdown. Some of the measures – such as increases to the generosity of Universal Credit and the Local Housing Allowance – can be maintained as the economy returns to normal without much concern about the adverse incentives they will provide (for example, encouraging people not to seek work). But most other measures cannot persist indefinitely. The government therefore faces a crucial decision about how and when to unwind these schemes.

Unwinding them too soon risks undoing much of their purpose – for example, if previously furloughed workers are laid off anyway or if companies reliant on loans go out of business, the hard- and expensively-won benefit of keeping the economy on ice will have been squandered. However, delaying for too long is also costly – not only in terms of the fiscal cost but, more importantly, because it could hamper the recovery.

Once economic activity starts picking up, many of the emergency schemes will start to create undesirable incentives. The Coronavirus Job Retention Scheme may encourage some firms to leave workers on furlough – or make it hard for them to encourage employees back to work – even if there is demand for the firm's goods and services. Continuing to top up the incomes of the self-employed will also reduce the incentive they face to seek out more work.

The schemes may also delay necessary restructuring. For example, other firms may keep workers on furlough rather than laying them off – that will delay the normal churn in the workforce that characterises a well-functioning economy.

Continued government intervention also risks undermining the normal efficient functioning of markets. For example, there is a good reason that the government does not normally guarantee loans to businesses – because well-capitalised banks

are normally well able to assess the viability of a business and choose to loan or not as appropriate. The current Coronavirus Business Interruption Loan schemes prevent these market mechanisms from operating fully (because banks only bear a small share of the risk of a business failing) and so risk propping up businesses that would be better left to go under so their staff and capital could be employed more productively elsewhere.

Given there are risks both of moving too quickly and of not moving fast enough, the government will need to gather what evidence it can on how these risks are manifesting and decide what its appetite is for incurring these different risks. This will rely in part on continuing to work closely working with business groups and trade unions (who regularly survey their members, formally and informally), as the government did when designing the schemes in the first instance.

For most of these schemes, there are ways of gradually phasing them out, rather than turning them off overnight, which will help the government to balance these trade-offs. The Coronavirus Job Retention Scheme could be gradually adjusted so that the government covered a declining share of furloughed workers' wages (while allowing them to have a partial return to work) or the scheme could be removed from specific sectors of the economy that are believed to be operating under more normal economic conditions. Similarly, the government could reduce the fraction of business loans that it guarantees or reinstate the requirement that banks must first assess whether the business would qualify for a loan on normal commercial terms.

If the restrictions are eased at different rates for different sectors or parts of the country, the government may need to start differentiating the support it offers along these dimensions as well. Since the main elements of the economic support package are controlled by the UK government in Westminster, this may require co-ordination with the devolved governments of Scotland, Wales and Northern Ireland if – as they have the power to do – they choose to follow different approaches in easing the social and economic restrictions from that dictated by the Westminster government for England.

Any differentiation will require public consent and must be within the law

Public consent for the current measures has largely been high. Any dissent has mainly been among those who think the measures should be toughened, rather than eased. The public have generally been supportive of a blanket crackdown and older people have accepted "shielding".

However, greater differentiation may reduce public consent, even if it is rational and evidence based: people may feel it is unfair that they cannot return to something more like normality once others are allowed to. For example, Andy Burnham, mayor of Greater Manchester combined authority, has said it would be "unfair and untenable" for restrictions to be eased in some regions before others.

The advice to self-isolate as standard (as opposed to once symptoms are felt) applies mainly to people beyond retirement age. Differentiating rules between younger age

groups may be more difficult, as people in work may balk at different treatment of people they regard as co-workers. Regional relaxation would also provide new incentives for movement between regions, requiring the government to decide whether and how to restrict this.

Governments in Westminster, Edinburgh, Cardiff and Belfast need to think through the knock-on effects of any selective relaxation on both public attitudes and public behaviour, and make sure that they communicate effectively and can cope with any unintended consequences.

There is a key issue of equity and politics in approaching differentiation. Women account for fewer Covid-19 fatalities than men, while black and minority ethnic (BAME) people have been hit disproportionately hard, but it seems implausible that the government would enforce a lockdown based on sex or ethnicity.

Any differentiation must also contend with a legal issue: if the exit strategy amounts to discrimination under the Human Rights Act 1998, it would increase the risk of legal challenges. Ultimately, any differentiation will entail key political decisions that must be guided and underpinned by evidence – but also public consent and what is legally permissible.

The prime minister will need to explain – repeatedly and coherently – what trade-offs he has made in deciding on his strategy for easing the lockdown and the thinking behind them. Ministers say they will be guided by the science – and while this reliance on evidence will be essential and valuable, ultimately many of the most difficult and most important trade-offs will be political judgements. Carrying the public with them will be critical for ministers. If public support for restrictions begins to crumble, the government will almost certainly have to adapt its objectives, taking account of the public's preferences.

The government must gather evidence and iterate

It will be difficult for the government to know for sure how effective its systems will be or how the public will respond to measures easing lockdown.

It should, therefore, not set out one rigid plan and stick to it no matter what. It should instead gather evidence on the effect of easing (or retaining) restrictions and changing other policies and iterate on its approach to make it more effective.

Phasing changes in – removing some restrictions, perhaps for some sectors or people first before others – will not only allow the government to resume economic activity while limiting the health risks but also allow it to learn more about how lifting restrictions affects the spread of the disease and how businesses and people respond as restrictions are eased. That will allow the government to make better-informed decisions about when other restrictions should be lifted and what other interventions are required to meet its objectives.

The government will need to provide the public with some steer about when, how and under what circumstances restrictions will be lifted and how other policies are likely to change at the same time. Businesses and public services will need guidance of this sort to help plan when and how they will start to return to normal. People's mental health and wellbeing may also benefit from having a clearer understanding of what lies ahead of them.

As some think tanks and academics have recommended, the government could lay out in advance a sort of 'traffic-light system'. This would set out clear trigger conditions under which different waves of restrictions would be lifted for different groups or settings – and similarly the conditions under which greater restrictions would be re-imposed. This could include external factors (such as the number of coronavirus cases), as well as conditions for behaviour (such as only allowing workplaces to open if they can ensure social distancing of staff and customers).

However, such systems may be too simplistic given the degree of uncertainty that surrounds this issue – such as about how easing restrictions will affect behaviour, how different patterns of behaviour will affect the spread of the disease, and about how effective new policies (such as test and trace) might be.

The government is likely to need to adjust its plans as more evidence comes in.

Conclusion

When and how to start lifting lockdown will present the prime minister and his cabinet with some of the toughest choices they will ever have to make. They will have to continue to take account of the best evidence but these will be political choices, balancing immediate health risks against the long-term damage to the economy and the population's wider wellbeing.

At the start of the crisis, what was good for public health was also probably in the economy's long-term interests. As we move into the next phase there is a balance ministers will need to manage – they will be walking a tightrope between the risks of another surge of infections and lasting harm to the economy, people's lives, livelihoods and prospects.

On his return to Downing Street, the prime minister promised a new transparency about decision making, showing the government's workings and reaching out across political parties and the four governments in the UK. As we have said, maintaining public confidence and consent as we move into the more difficult phase of the coronavirus crisis is critical to success.

Transparency and a readiness to explain the choices being made will help: the prime minister needs to make good his promises as he charts the way forward in the difficult months ahead.

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