



# The coronavirus crisis in the UK and those at risk of being left behind

QIISP, 27 August 2020

Laura Gardiner, Resolution Foundation



# The initial policy response to support families and incomes

# Part one: The Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme

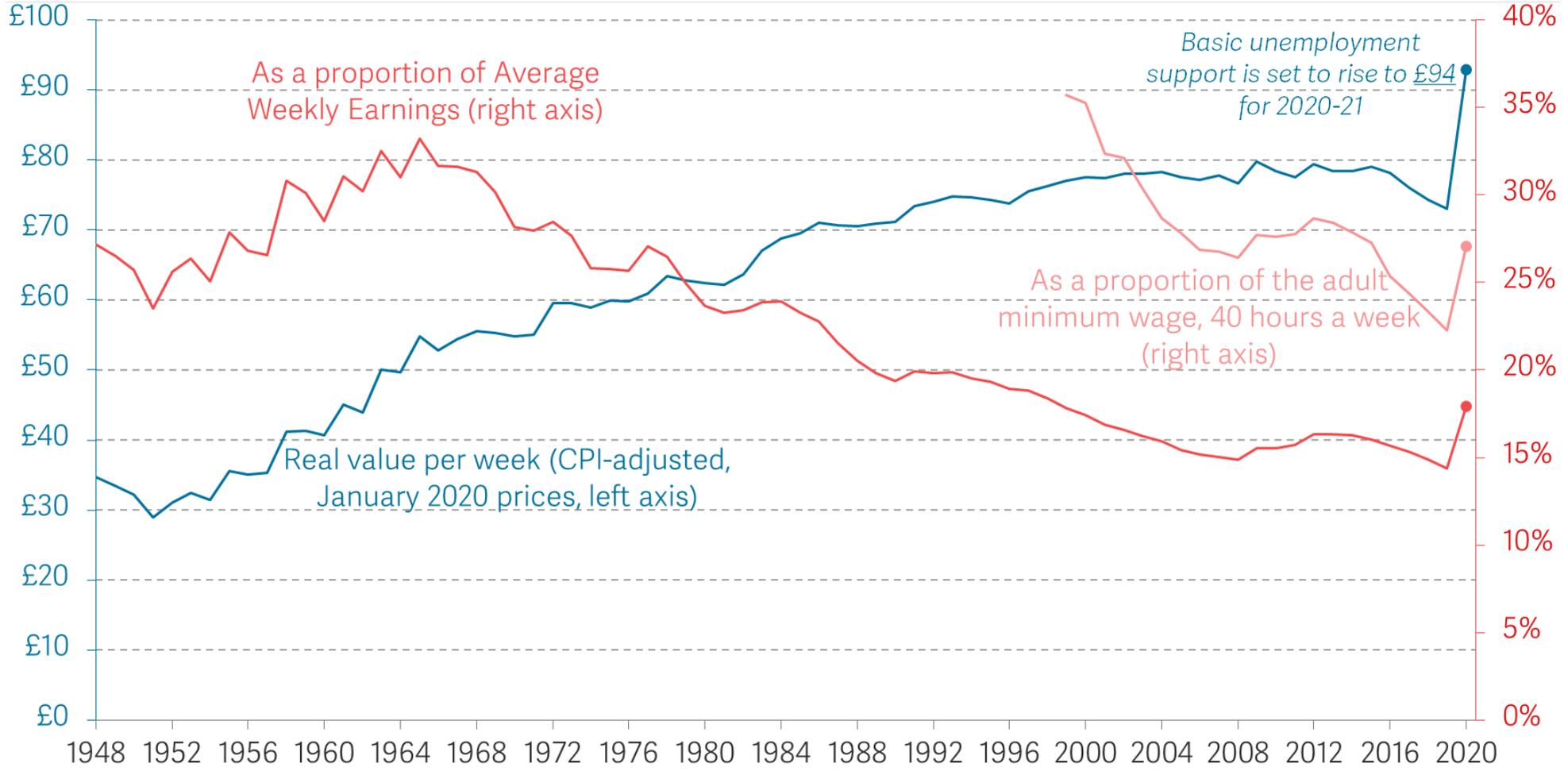


- JRS:
  - From mid-March, Government has paid firms 80 per cent of payroll costs for ‘furloughed’ employees, up to a cap (firms can top up if they wish)
  - ‘Partial furloughing’ (for those with reduced hours) introduced from July
  - Firms began contributing to costs from August, rising through Sep-Oct, scheme terminated end-Oct
  - 9.6m jobs claimed for (c. 1/3 of employee jobs), estimated cost of £60bn (C\$105bn)
- SEISS:
  - Cash grants covering 80 per cent of trading profits, up to cap
  - Exclusions: newly self-employed, higher earners, those incorporated as companies
  - Available to those whose ‘trade has been adversely affected’, but in practice those experiencing little hit to incomes can claim
  - 2.7m claims for first tranche of grants (over 1/2 self-employed), estimated cost of £15bn (C\$25bn)

# Part two: Boost to benefits from April 2020, at an estimated cost of £8bn



The value of the main rate of unemployment-related benefit over time for a single adult: UK



£20 per week increase to main rate of out-of-work benefit feeds through to means-tested in-work support

Additional boosts to support towards housing costs

Announced as temporary measures, to be reversed in April 2021

Notes: Full-time earnings on the minimum wage calculated based on a 40-hour week. Source: RF analysis of IFS, Fiscal Facts; ONS; Bank of England.

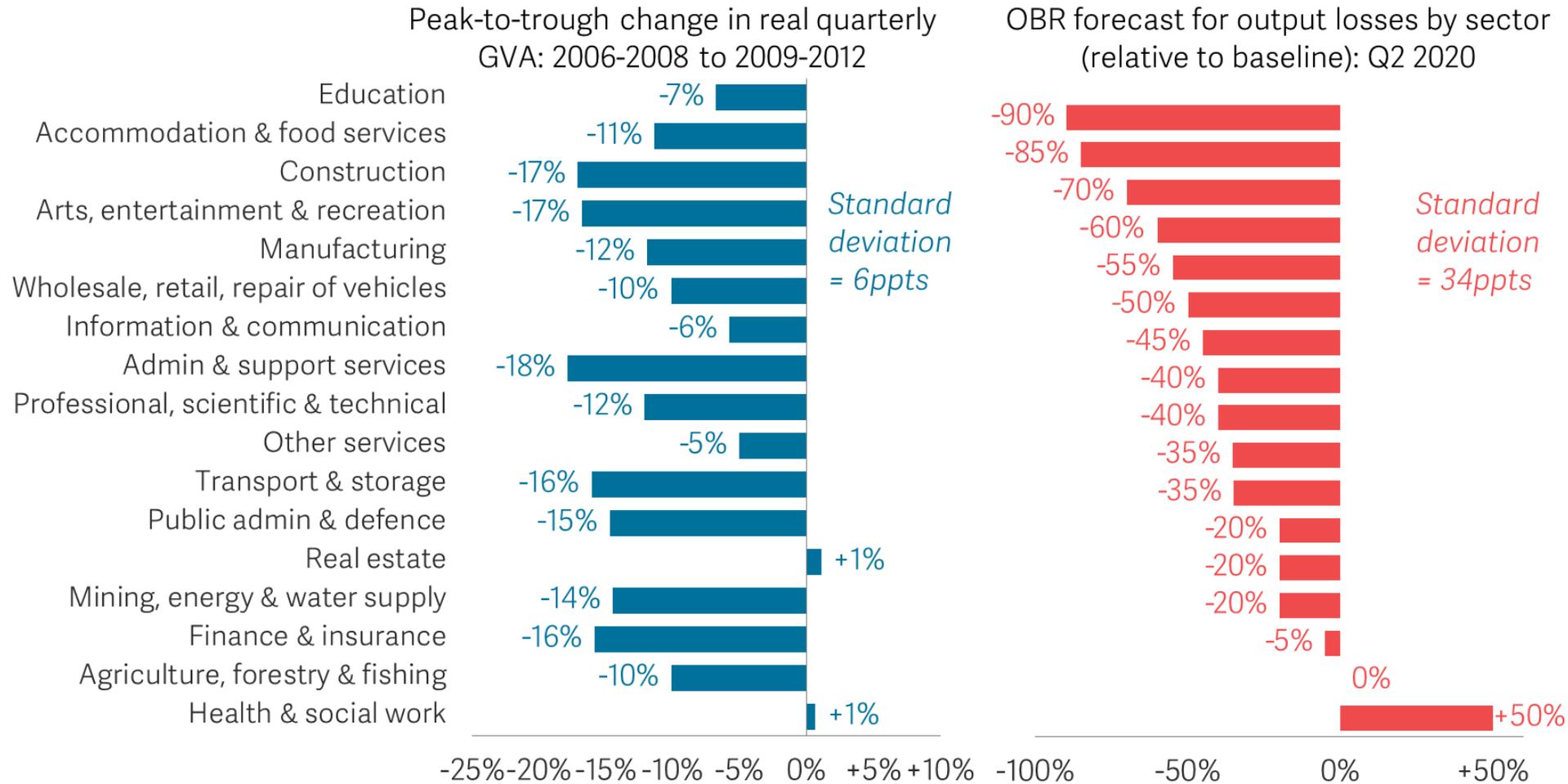


Who has been hardest hit?

# The key determinant of outcomes – the hugely sectoral nature of this crisis...



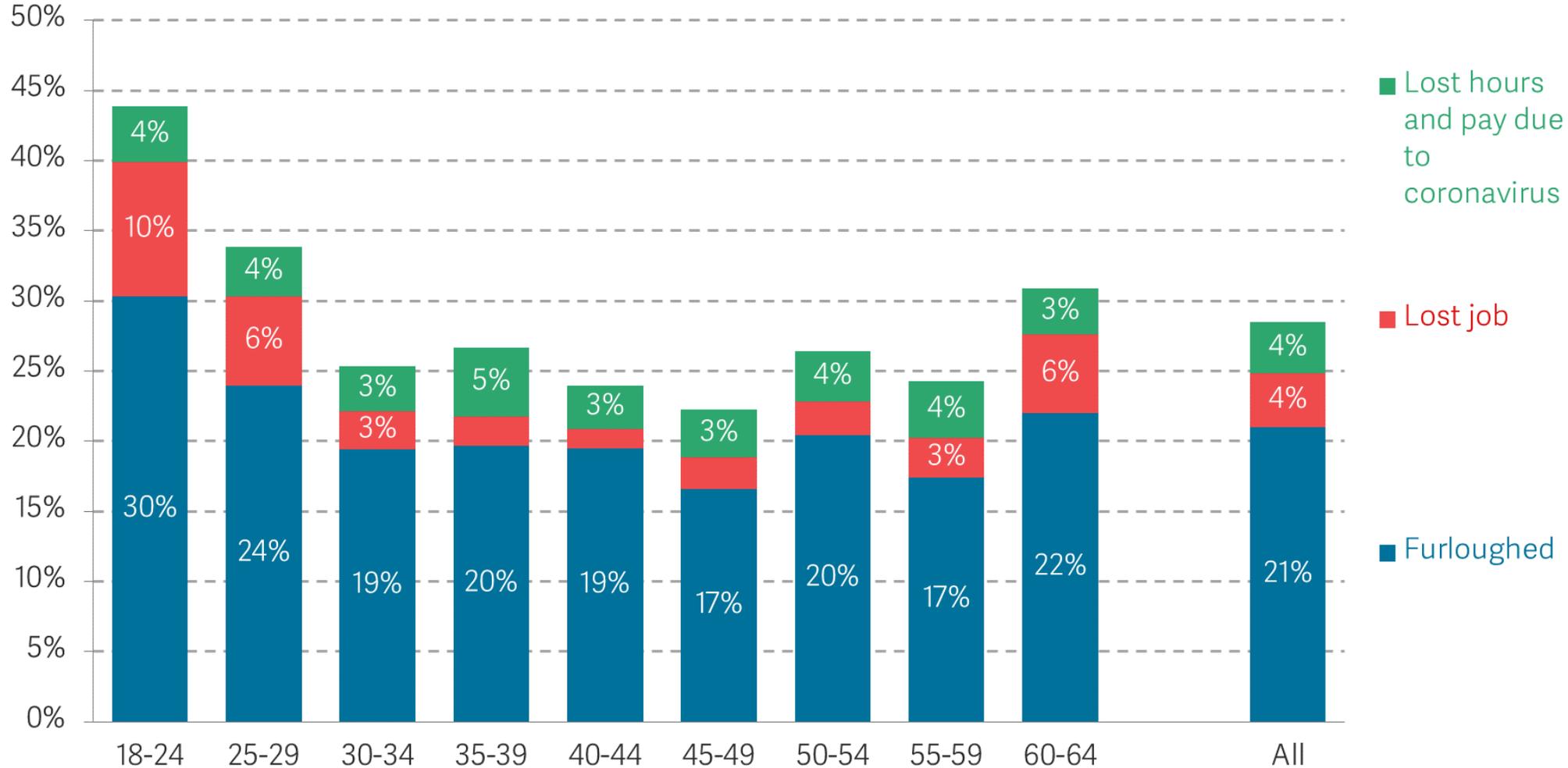
## Actual/forecast change in GVA/output: UK



Source: RF analysis of ONS, GDP output approach – low-level aggregates; OBR, Coronavirus Reference scenario, April 2020.

# ...Meaning a bigger hit to the youngest workers...

Proportion of employees who have experienced job changes since the coronavirus outbreak, by age group: UK, April 2020

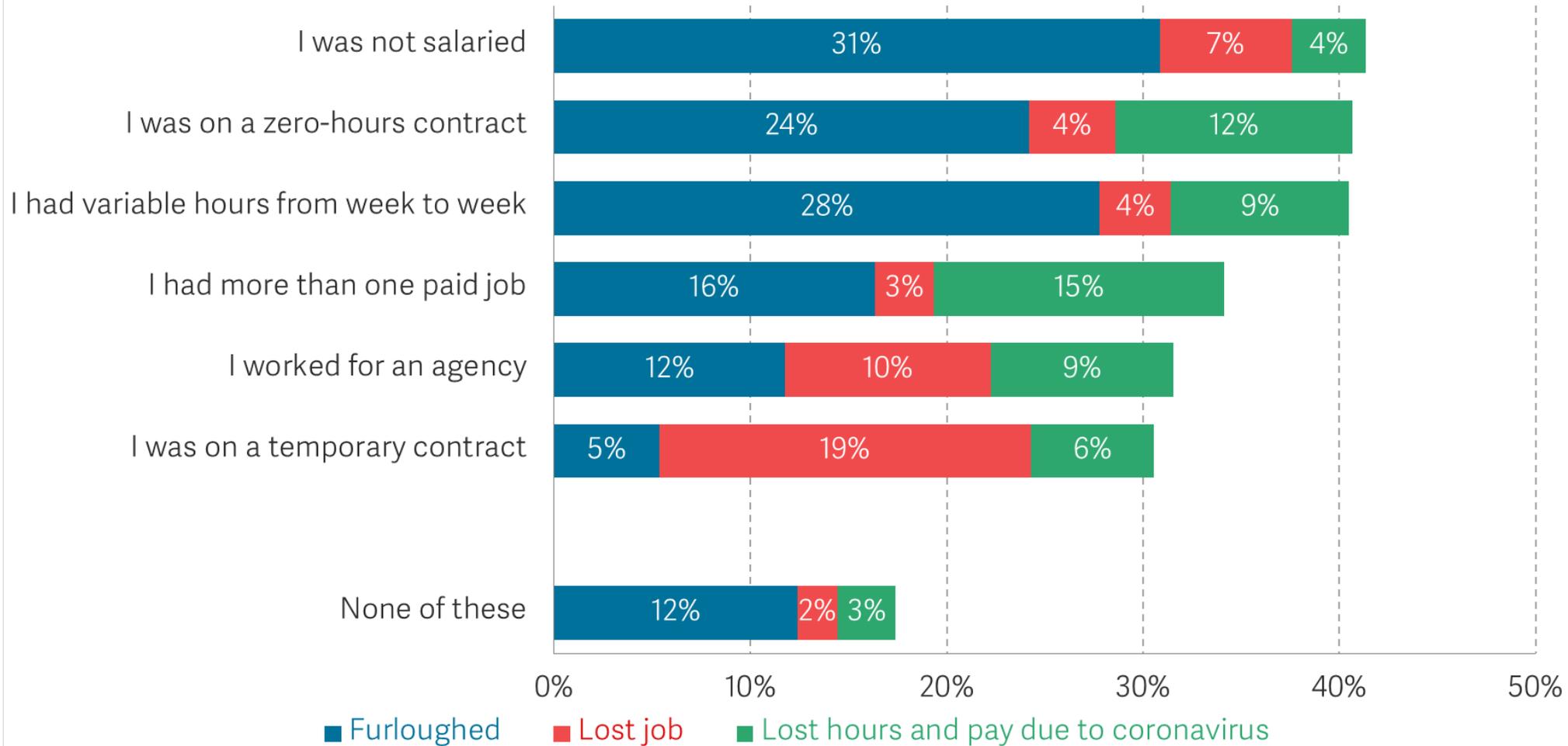


Notes: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and which coincide with decreases in earnings.

Source: RF analysis of ISER, Understanding Society.

# ...Those in atypical jobs...

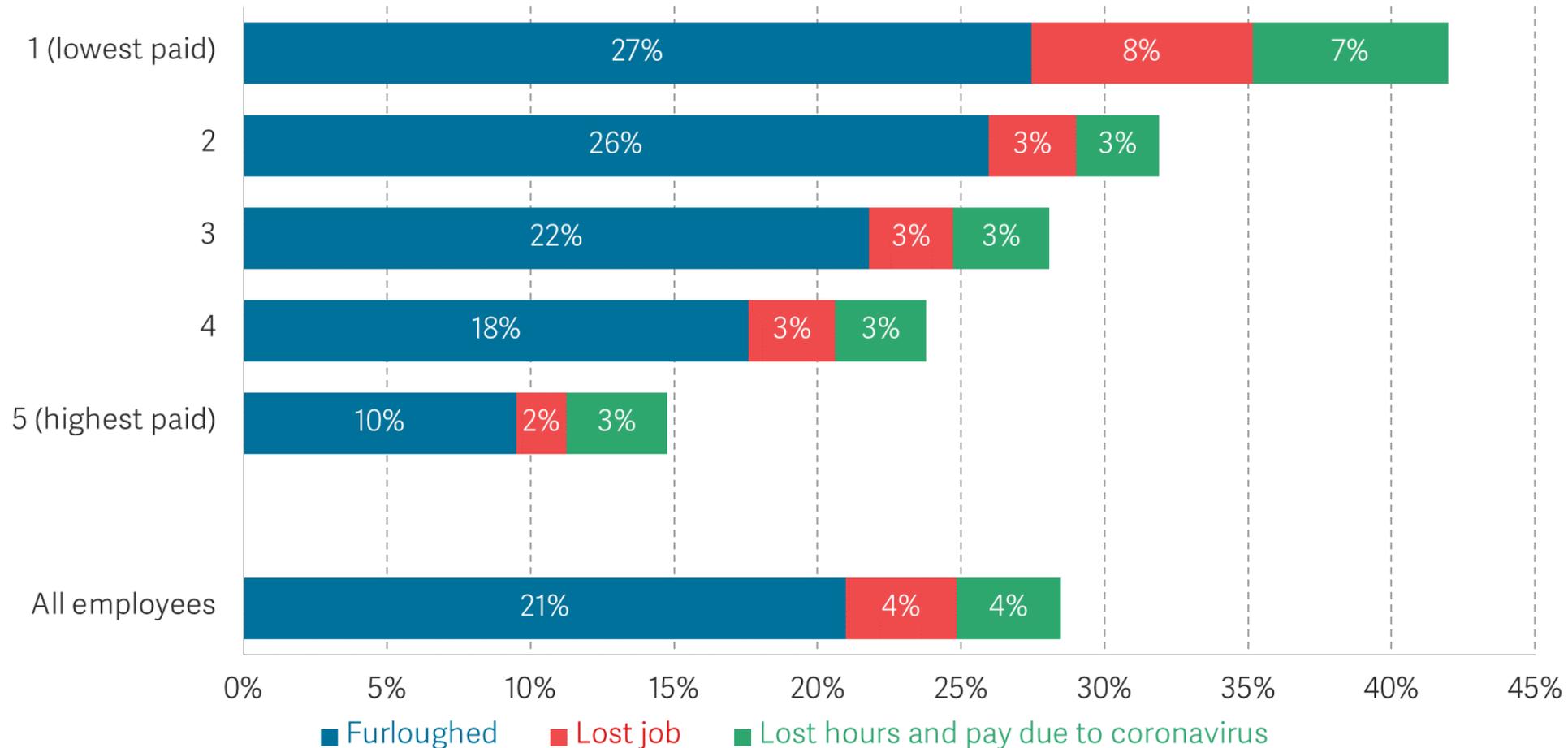
Proportion of employees who have experienced job changes since the coronavirus outbreak, by type of work arrangement prior to coronavirus: UK, 6-11 May 2020



Notes: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. Employees can fall into multiple atypical work categories. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings. Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

## ...And the lowest paid

Proportion of employees who have experienced job changes since the coronavirus outbreak, by employee earnings quintile prior to the outbreak: UK, April 2020

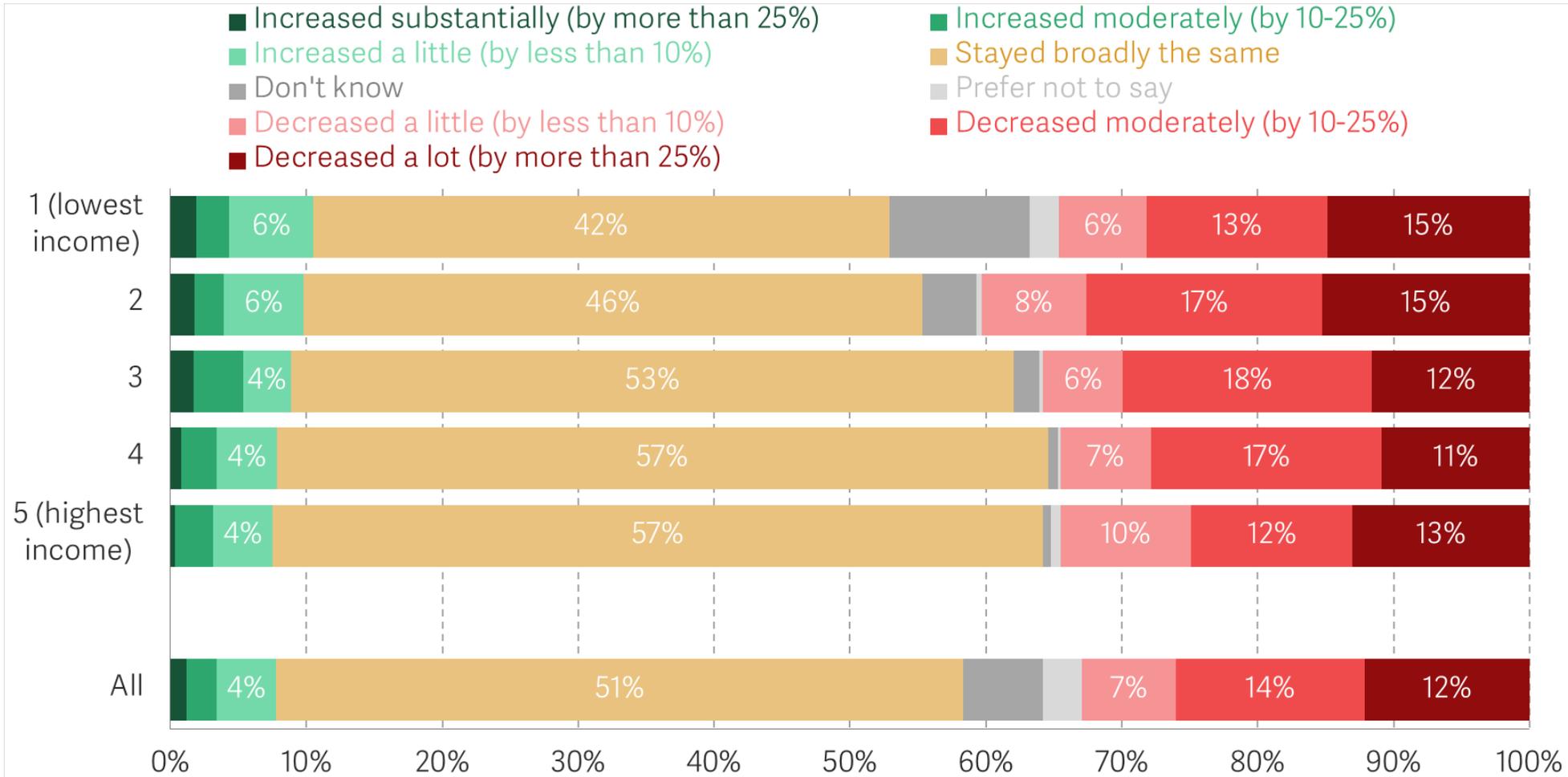


Notes: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak and provided information on their usual earnings prior to the coronavirus outbreak (apart from for the 'all employees' category). Earnings quintiles are based on net (take-home) usual employee pay prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings.

Source: RF analysis of ISEER, Understanding Society.

# The income hit has been more evenly felt...

Change in household income compared to before the coronavirus outbreak began, by 18-65-year-old family income quintile before coronavirus (exc. retired and students): UK, 6-11 May 2020

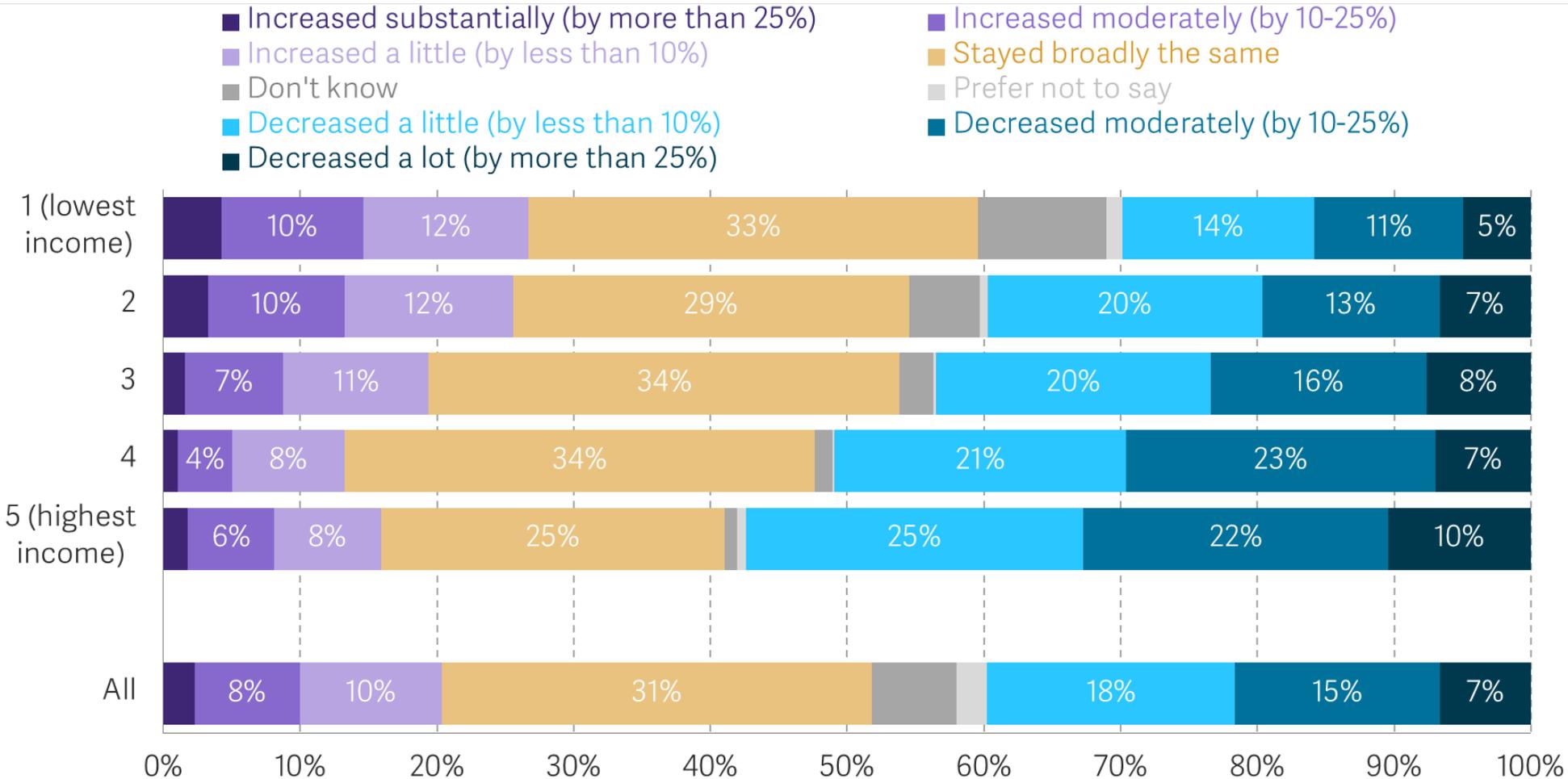


Notes: Base = all adults aged 18-65 with valid income data (apart from the 'all' category). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or non-working adult students.  
 Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

# ...But don't forget there are two halves of family budgets...



Change in household spending compared to before the coronavirus outbreak began, by 18-65-year-old family income quintile before coronavirus (exc. retired and students): UK, 6-11 May 2020



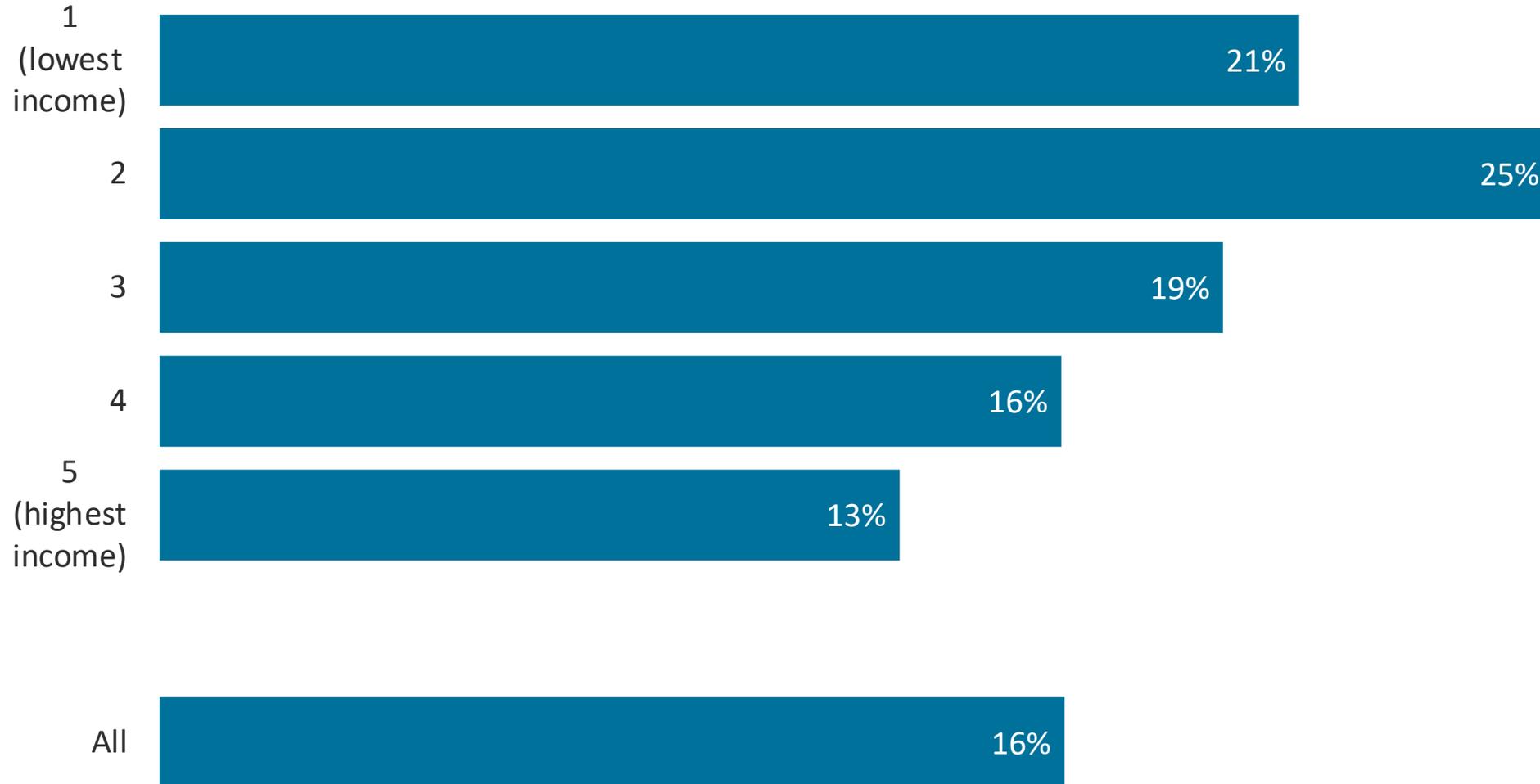
‘Enforced saving’ from reduced opportunities to spend during the lockdown has strengthened the overall balance sheets of higher-income households

Notes: Base = all adults aged 18-65 with valid income data (apart from the ‘all’ category). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or non-working adult students.  
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

# ...Meaning lower-income families have reduced saving and increased borrowing



Proportion of respondents increasing use of consumer debt products compared to before coronavirus, by family income quintile (exc. retired and students): UK, 6-11 May 2020



Notes: Base = all adults aged 18-65 with valid income data (apart from the 'all' category). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or non-working adult students.  
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

## Two dogs that haven't barked (much): gender and geography

- While predictive modelling suggested women's jobs were more at risk, results to date show even effects across the sexes (big difference between mothers and fathers, however)
- The geographically spread nature of the hardest-hit sectors means effects have been felt across the country – very different to the 1980s
- Not clear these patterns will endure, however:
  - Construction (typically male) initially hard hit but has bounced back quickly. And if the move towards online shopping endures, retail jobs lost more likely to be shop floor (typically female) than distribution (typically male)
  - History suggests economically weaker areas will take longer to recover

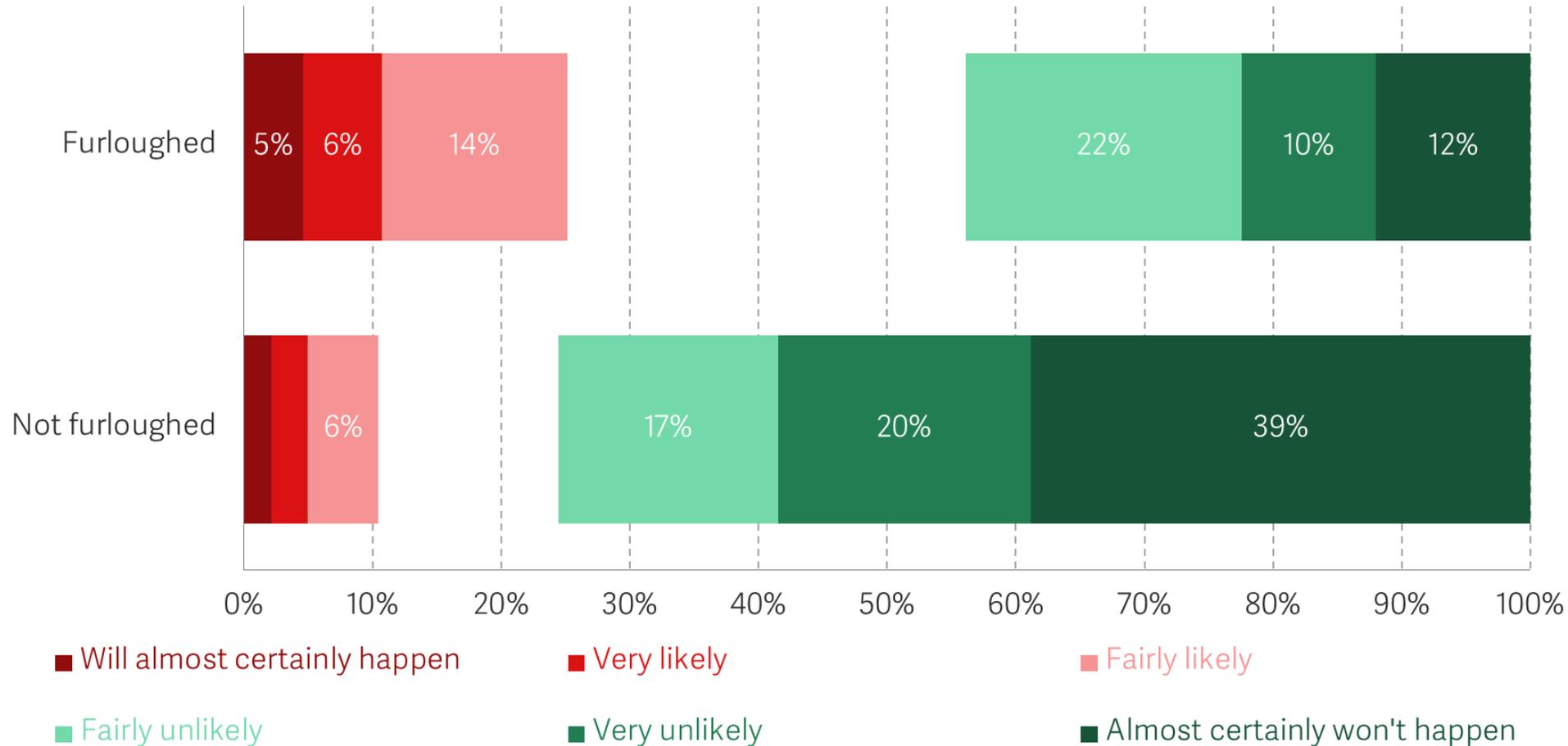


What next, and where next for policy?

# Unemployment hasn't risen yet, but is expected to materialise in the autumn



Employees' perceived likelihood of being laid off / made redundant or their firm going bust, by whether furloughed: UK, 6-11 May 2020



Success of furlough scheme and rise in inactivity have protected unemployment so far

But fiscal forecasts suggest unemployment rate could peak at 12 per cent later this year

Notes: Base = all UK adults aged 18-65 who were employees prior to the coronavirus outbreak and who have not already lost their job. The gaps in the middle of each set of bars includes people who responded 'neither likely nor unlikely' or 'don't know'.  
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

# Without more support for jobs and incomes, existing inequalities risk being exacerbated



- Lower-paid workers in hardest-hit sectors face greatest redundancy risks and will find it hard to find new jobs (low-qualified, low willingness to travel for jobs)
- Young people and those who have recently left education likely to experience unemployment 'scarring'
- Lower-income households' balance sheets have worsened, reducing resilience

## **So more policy support needed:**

- Extend furlough scheme in hardest-hit sectors, followed up by wage subsidies while social distancing remains a constraint
- Directly support job reallocation via public investment in socially useful sectors like social care and home retrofitting
- Reflecting the fact that effects of this crisis will endure for longer than a year, don't reverse benefit boosts in April



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