



A briefing from the What Works Centre for Wellbeing

Covid-19 and wellbeing inequalities: EMPLOYMENT & INCOME

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INTRODUCTION

Employment status and income are important drivers for people's wellbeing, affecting how we feel about life overall as well as whether we have the resources to invest in other things that play a part in our wellbeing. Covid-19 and the associated lockdown measures had an enormous impact on the labour market with millions of people experiencing employment and/or income shock. This paper summarises the evidence on impacts to people's employment status and income, particularly focussing on the inequality of these impacts.



What is Covid:WIRED?

It is a wellbeing framework designed by the What Works Centre for Wellbeing in partnership with Centre for Thriving Places to understand the multifaceted impacts of the Covid-19 pandemic on different individuals and groups in the UK, drawing on the [ONS National Wellbeing dashboard](#). Qualitative and quantitative evidence published between March 2020 and May 2021 has been used to populate this framework, identifying the wellbeing inequalities within the UK and where they have been exacerbated or diminished. This summary provides some insights from the data in [Covid:WIRED](#).





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WHO WAS VULNERABLE TO LOSING WORK?

Generally, those who were [already disadvantaged](#) in the labour market and overrepresented in low-paid work were most vulnerable. This includes disabled people, some ethnic minority groups, the youngest and oldest workers and those with the lowest qualifications.

Men

Early on in the pandemic, in May 2020, data showed that [women](#) were being disproportionately impacted by sector shutdowns. However, by February 2021, [longer-term data](#) showed that women have fared better than men. Women were [more likely](#) to be key workers and to be furloughed. Linked to the sectors in which they work, women are [more likely](#) to retain their work and benefit from employment growth as the economy opens, as well as being to return to education. Data also shows that the [economic inactivity rate for men](#) is at the highest level since the same period in 2011, whereas for women it was at a record low, although unemployment for both genders was 1% higher than a year earlier by February 2021. Analysis by sector in May 2020 found that men were more likely to be impacted by shutdowns to construction. For some ethnic groups, for example [Bangladeshi and Pakistani men](#), the closure of hospitality has impacted more than 50%.

Those in precarious and low paid work

An individual's initial income and level of employment precarity matters, both in terms of sectors that were likely to be affected by shutdowns (e.g. hospitality) and the extent to which people felt able to make a choice about staying home. Those with the most precarious employment and less education were [most likely](#) to face the biggest economic shock. Key workers and workers in shut down sectors are [less likely](#) to have savings, therefore reducing the ability to protect their living standards if incomes fall.

Cross-sectional [data](#) collected in 2020 found that those with less stable work relationships (unpaid or temporary) were more likely to lose their work. Within this group, BAME people, particularly young Pakistani adults and Black Africans, were more likely to have precarious working conditions. This directly impacted on some groups' choices with regards to their health and Covid-19: evidence gathered for a [Parliament briefing](#) found that those working with zero-hour contracts felt they had to choose between staying at home or earning enough money to support themselves.

During the first lockdown, the [low-paid](#) were twice as likely to either be on furlough or have had their hours reduced with two thirds of all low-paid employees (nearly 4 million people) seeing their work affected in one of these ways. Nearly two in three (65%) of those employed prior to the Covid-19 crisis who were in deep poverty have experienced some kind of [negative labour change](#) (reduced hours or earnings and/or been furloughed or

lost their job). More than a quarter (26%) of all of those in deep poverty (regardless of their labour market status prior to Covid-19) have experienced a negative change in their employment status or earning. For those who are in work and in the deepest level of poverty, those who live more than 50% below the poverty line have been 15 percentage points more likely to have experienced a [negative labour market outcome](#) (been furloughed, had reduced hours or wages, or lost their job). This was particularly acute for those from Black and Asian ethnicities who already experience high rates of poverty.

Young people

The highest rate of unemployment was amongst [young people aged 18-24](#). There was also the [highest quarterly increase of young people not in education, employment or training \(NEET\)](#) since the same period in 2011, almost entirely driven by economically inactive men. The effects on youth employment changed throughout the last year: whilst employment fell most strongly in industries that were directly affected by social distancing (leisure, bars and restaurants), young people were [more likely to leave work or have it disrupted](#). However, when sectors such as hospitality reopened in summer 2020 they were more likely to return. They were also more likely to [benefit](#) from growth in sales and administration, but not to enough of an extent to outweigh the overall losses.

This [builds on an already high unemployment rate](#) for some minority groups (e.g. only 46% of young people from Black and Asian groups were in employment before Covid). London was affected particularly badly in terms of job losses in 2020: the unemployment claim count rose by 146% compared with 107% across the UK. Of the 272,000 jobs lost in London, deprived areas and [younger people](#) have been hit hardest.

BAME communities

[Time series data](#) gathered in December 2020 found that workers from Asian, Black and other ethnic origins were more likely to lose their jobs in shrinking sectors and occupations and less likely to gain jobs in growing ones, potentially widening inequality. There is a particularly strong impact in terms of age: [time series data](#) from February 2021 shows that young people from Black and Asian groups have reduced employment rates at four times and three times the rate of young white people.

As well as the immediate impact of losing work, those from minority communities were less likely to have protection within workplaces. Evidence gathered for UK Parliament found that it is [particularly](#) the case for young Pakistani adults who are more likely to be working shifts without a permanent contract, or on a zero-hours contract, and Black Africans who are more precarious and more likely to be at risk of unemployment, working in shift work without a permanent contract.

People with a vulnerable economic status are also more likely to have a partner who has relatively insecure work. This can also be seen along [ethnic lines](#): white British, other white and Indian ethnic groups are more likely than the other groups to have a partner in relatively secure employment. Bangladeshi, black African and black Caribbean groups are less likely to be able to rely on savings to tide them through short periods of income loss.

Those unable to work from home

Whilst the pandemic brought change to many sectors, the ways in which adaptations occurred did not fall equally and the [ability to work from home](#) cushioned many job losses. Those with higher wages were [more likely](#) to be able to work from home. This particularly affects men: in the quintile of workers least likely to be able to work from home, 75% are men.



INEQUALITIES IN ACCESS TO AND BENEFITS OF SUPPORT SYSTEMS

The main support systems available in the pandemic were existing welfare support (Universal Credit and the new Jobseekers' Allowance), the Job Retention Scheme (furlough) and the Self-Employment Income Support Scheme. The effects of the Covid-19 specific support systems, however, were not equally distributed:

- Those most likely to be furloughed were women, particularly [working class women, parents](#) (with more [single parents](#) compared to couple parents, possibly reflecting caring responsibilities as well as employment sectors) and those [working for small and micro-sized employers](#).
- **Access to welfare support** was not simple nor sufficient enough to quell the financial strain of the pandemic: a [national survey](#) of claimants in May/June 2020 found that around half of Universal Credit claimants reported experiencing a severe financial strain and new claimants were also more likely to be falling behind on housing costs. Those surveyed reported stress, confusion and financial hardship. Around 25% of those making new claims who live in [Peabody Housing](#) research found out that 25% of people living in their homes had to wait longer than 5 weeks for government welfare support claims to be paid, adding additional financial pressure and resulting in people going without essential items. There was also a significant cohort of people who were eligible for Universal Credit and did not claim it (over 400,000 people) due to perceptions of ineligibility, stigma and hassle. For this group, [surveyed in summer 2020](#), income fell and they used other strategies to make up the shortfall, which were often insufficient.
- **Universal credit** protected [those in the bottom quintile](#) from the impact of economic shocks.
- Those who were self-employed were more likely to report reduced income, even if they received support from the **Self-Employment Income Support Scheme**.
- There were also differences in who accessed in-work support: only one third of BME people in [comparative research](#) were aware of **Statutory Sick Pay** being available from the first day of isolation (compared to over half of white people).

Such inequalities in access have affected the amount of debt for some groups: by December [nearly 9 million people had to borrow money](#). This was particularly felt by families who were 50% more likely to have difficulty meeting their usual expenses.

In addition to the direct effects on income, furlough was [suggested to be a protective factor for mental health](#): those who were on furlough had better mental health than those in employment and those who were unemployed.



POTENTIAL LONG RUN EFFECTS

Greater imbalances in assets and debt

[Time series data](#) from January 2021 shows that over half of people in the top income quintile who were not able to work (due to furlough or otherwise) continued to be paid in full, compared to only 28% of those in the lowest income bracket. Those who were most protected from income reductions were retired people and those out of the labour market. By the end of 2020, over 35% of people [reported](#) they would be unable to save. Those more likely to find it harder were those earning less than £20,000, people living in rented accommodation and self-employed. In June 2020, parents, those who do not feel safe at home and those who are lonely [all reported](#) being impacted financially and being less able to save. High earners were more able to save in lockdown; white people were more likely to report they had not been financially affected.

[Comparative research](#) undertaken in summer 2020 found that BAME people are more likely than white people to have found it harder to cover essentials and pay bills and rent, so have had to start using savings for day-to-day spending. Who needed to borrow money was also [unequal across other groups](#); self employed people were more likely to borrow than those employed, and the proportion of disabled individuals increased from 12.8% to 36.2% of all that borrowed since June 2020.



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WHY DO THESE FINDINGS MATTER FOR WELLBEING?

Our financial and employment security directly affect our wellbeing: becoming [unemployed](#) reduces wellbeing and the [quality of work](#), including job security, matters. But the evidence presented above expands the view from only looking at economic status to the wider conditions around work and income.

Between 2010 and 2019 [real median household income growth](#) (that is disposable household income, before housing costs) was greater in the 2nd to 5th income quintiles than in the lowest and highest quintiles. In addition, the UK labour market was performing strongly, with earnings growth strongest amongst lower earners. However, that didn't mean everyone was in a position to weather the challenges of the crisis. Whilst government support was able to support those in the poorest working households, those from the 3rd decile upwards experienced a loss by November 2020. As detailed above, many households are emerging from the crisis in a financially more precarious position, which has a [direct impact](#) on wellbeing.

In addition, the pandemic has added pressures and stresses to many people's lives which has put their mental health at greater risk. By January 2021, 43% of unemployed people reported poor mental health and a [literature review](#) found that workers with existing mental

health conditions are more likely to work in sectors that had to close (hospitality for example) which makes them more vulnerable to losing work. By [April 2021](#), concerns about finances remained for one third of the population, although worries about accessing food had decreased from a peak in the middle of the year to the levels of May 2020.

The policies and support that were introduced to minimise the harmful impacts of the pandemic reduced many of the immediate impacts on employment stability and income for many citizens, but some fell through the cracks. This tended to be those who were already vulnerable in the labour market: those in low paid work, young people, BAME communities, those in precarious employment and those who are self-employed. As society and the economy starts to open, it is a chance to examine such inequalities, reflect on what was [learnt in previous economic crises](#) and ensure that such groups are prepared for future labour market shocks.



Tom MacInnes Chief Analyst at Citizens Advice reflects on the findings from the review

Over the last 16 or so months of the pandemic, our service has never been busier. Our website experienced record traffic in March 2020, with the busiest day, week and month we've ever had. As we moved out of the first lockdown, visits to our site settled down at a higher level than before the pandemic.

In some ways, the pandemic has changed everything for the people who come to Citizens Advice for help. Many of our usual clients were shielding at the start of the pandemic. As it developed, people came to us for help on issues we couldn't have predicted in 2019, such as discrimination in the furlough scheme, Covid-safe workplaces and so on. But some things have been constant. For instance, benefit issues are still the most common type of problem we help with. We still see a lot of disabled people, and a lot of people from more deprived areas.

One of the issues we are grappling with at Citizens Advice is the difference between demand for our service that has been triggered by the pandemic, and demand that may have been deferred. The furlough scheme drove people towards our services. The introduction of debt holidays, and the eviction ban, stopped people from needing our advice. Looking ahead, the way these two factors shift and interact will define our service for some time.

This review is timely for us in the way it shines a light on the distributional aspects of the changes we've seen. We know from our own data how young people have been affected - under 25s and 35s make up a bigger share of our advice clients now than pre pandemic - so matching that to other data around wellbeing helps us understand the needs of this group better. Also, as an advice provider, we know that young people face problems in other areas of life as well, most notably housing, so the findings from that section are useful as well.

Our campaigning and advocacy work since the pandemic began has covered lots of different areas, but one of our early focuses, and one of our continuing concerns, is around incomes. The furlough scheme was well designed to protect incomes and jobs for the time it was in place. We campaigned for the retention of the £20 uplift for universal credit and think it should be made permanent. But our ongoing worry is that, for many people, incomes are simply too low - below the level needed to pay for essentials, below the level needed to cover one off emergencies or rent rises.



About this briefing

This briefing was prepared by Rosie Maguire, Centre for Thriving Places, using the Covid:WIRED dashboard.

Covid:WIRED is a partnership project between the **What Works Centre for Wellbeing** and **Centre for Thriving Places** and was developed by: Deborah Hardoon, Ingrid Abreu-Scherer, Rosie Maguire, Saamah Abdallah, Liz Zeidler, Sam Wren-Lewis, Lisa Muller, Melissa Cairns, Joanne Smithson and Nancy Hey.

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