

# COVID-19: Labour Market Round-Up

A round up of the key developments in the labour market and overview of emerging trends and timely evidence on the impact of COVID-19 on London's Labour market. Please note that whilst this is a general overview of key findings, it may not capture every aspect.

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3<sup>rd</sup> November 2020

*This analysis has been prepared to support stakeholders in developing a view of some key issues arising from the COVID-19 crisis, as they relate to London. Our objectives are to contribute to the emerging body of evidence around COVID-19 impacts and help to avoid local duplication of effort. The analysis had been prepared under challenging circumstances and to short timescales. When using outputs from this analysis you should be aware of the following caveats:*

- The analysis is not intended to be comprehensive or exhaustive. It is a snapshot analysis of key data as it pertains to London.*
- The analysis does not represent the full body of evidence on which Mayoral Policies are or will be based.*

*Given these limitations, we would advise that our outputs are triangulated with other sources of information and analysis to develop a rounded statistical picture of any specific policy issues.*

## The crisis is now having a greater impact on London's labour market:

Furlough numbers falling, but more gradually in London...

...with self-employed more likely to stay on support

Many have returned to work from furlough...

...but unemployment and claimant count are on the rise

...and there are doubts about London's employment strength

Meanwhile, data covering the initial CV-19 restrictions showed a rise in labour market churn.

## There are signs of a worsening outlook

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...and demand remains weak...

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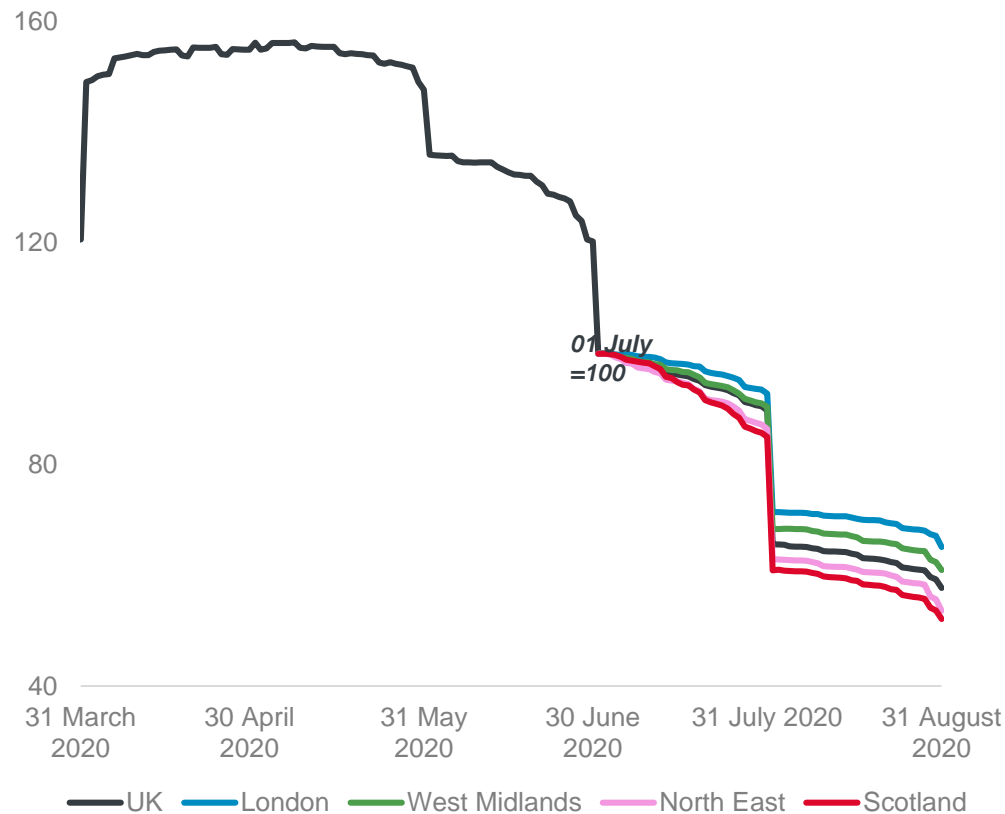
- Women
- Older workers
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Covid-19 is leading to new ways of working

## Policy recommendations to protect jobs, reskill, and create jobs

# Furlough numbers falling, but more gradually in London...

## UK employments furloughed on CJRs (index 1 July = 100)



Source: HMRC CJRS Statistics

In **previous round ups** we saw that high numbers on furlough appeared to preserve high employment. We are now seeing the number of people on **furlough fall** (see chart), along with some economic recovery, but signs of a weaker labour market.

- All regions are seeing fewer people on furlough – for the UK as a whole, there were 3.27 million as at 31 August, corresponding with a take-up rate of 11%, down from a peak of 8.86 million in May.
- The number on furlough in London has fallen by less as a share of its population than any other region since 1 July, reaching 557,000 at 31 August, with a take-up rate of 13%.

Employers had the option to bring workers back part time from 1 July, but London employers are not using this to the extent of other regions, holding the highest share on full furlough. A greater share on partial furlough can be a positive sign of higher labour demand.

- The share of London's partially furloughed grew 7pp from 31st July to 25% at 31 August.
- The share of partially furloughed for the rest of the UK (excluding London) rose 10pp to 33% - widening the gap against London.

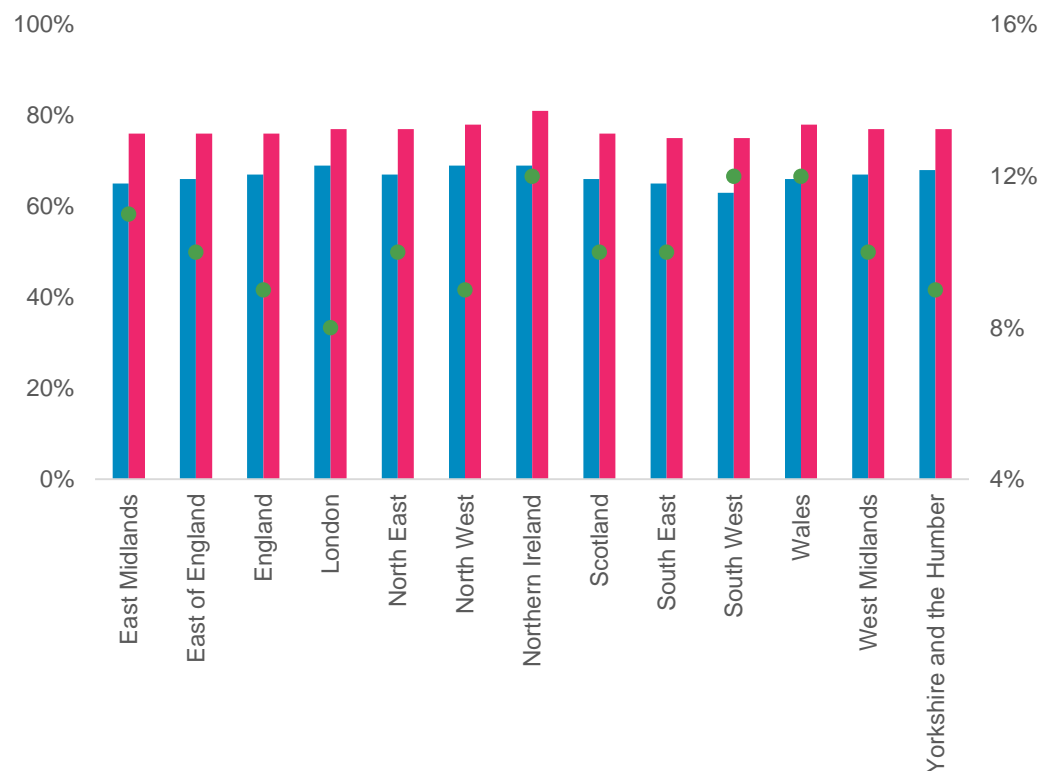
**NEF** estimates from April and June showed people spent slightly less time on furlough in London relative to other regions (205 hours on average – next lowest with 210, and most in East Midlands with 219)

**Oxford analysis** of characteristics of people on furlough and expectations for the future shows:

- Furloughed workers are 15% more likely to fear losing their job.
- Ability to work from home and sick leave provision increase worker willingness to return to work from furlough

# ...with self-employed more likely to stay on support

Take up rates **Grant 1** and **Grant 2** by region and **respective change (RHS, pp)**



Source: HMRC CJRS Statistics

**Self-employment income support scheme (SEISS)** take-up rates were down for all regions between Grant 1 and 2. Grant 1 covered the first months of lockdown until 31 July, Grant 2 covers the current period until end October. Looking at data covering claims to 30 September:

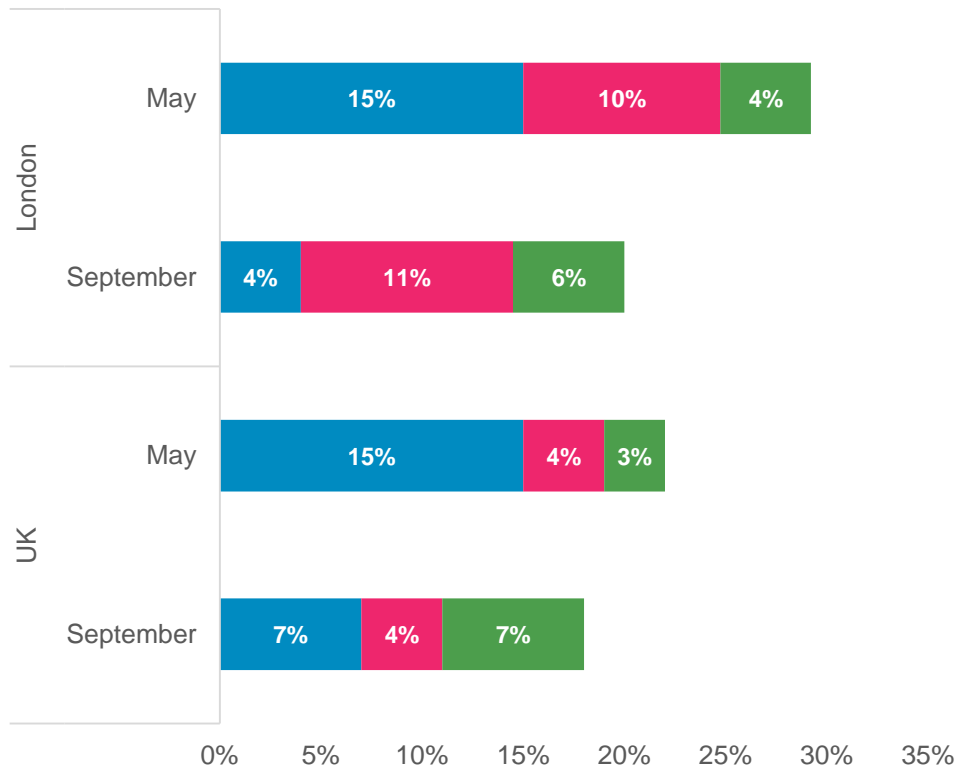
- London had a 447,000 claims for Grant 2, 51,000 lower than Grant 1.
- The number of UK claims fell 342,000 to 2.26 million.
- London's take-up rate fell by the least, down 8pp to 69%. Because London started with a relatively high take up rate for Grant 1 and had the smallest fall, London now has the highest take up rate for Grant 2 (as of 30th September).
- The take up rate for the UK as a whole is down from 77% to 67% (down 10pp).

Aside from the number of claims, any change in average claim values can indicate a change in demand but the level of government support changed between grants. Grant 2 provides a maximum of 70% of average trading profits relative to 80% for Grant 1 so some fall was expected.

- Average amount claimed was down between 11% and 16% for all regions. A 12.5% fall would cover the difference in support level.
- London's average claim value was down 14%, from £2,900 for Grant 1 to £2,500 for Grant 2, indicating minimal change in demand beyond the level of support available.

# Many have returned to work from furlough...

Change in employment status for those employed before the pandemic (**furlough**, **reduced pay or hours**, **redundant**)



Source: GLA and Resolution COVID tracker surveys

**Resolution Foundation** (RF) and GLA surveys from May and September show how employment situations have been affected for workers in the UK and London respectively (see chart):

- In both London and the UK, the share of workers on furlough has decreased
- The shares made redundant have increased
- The falls in furlough were greater than the increases in redundancy, indicating a return to work for many

Measures of economic activity show a return to work:

- **UK GDP index** for August now only 9% lower than February, after being down 25% in April
- **UK hours worked** still down 15% for three months to August, relative to February, after being down 20% for three months to June

Experimental monthly estimates using **HMRC PAYE data** show that median wages have recovered in both London and the UK after falling to a low point in April and May. **The Resolution Foundation** cites the CJRS as a key driver for the initial drop, with many on 80% of usual pay. As people leave furlough, many return to higher pay:

- In London, median pay was 3.9% lower in May compared to February, but as of September, it had recovered to be up 2.0% compared to February.
- In the UK, wages followed a similar pattern, but fell by slightly less and they are now up 2.5% relative to February.

**Official data on business deaths and creation** for the September quarter show minimal change in London relative to last year, indicating the relative success of government policy so far. While some businesses may have paused activity or cut staff, widespread closures have not yet started.

*Note, because results for the UK and London are from different surveys comparisons should only be used to indicate general trends.*

# ...but unemployment and claimant count are on the rise

## Claimant count and Unemployed (16+) levels



Source: DWP Claimant count data (monthly) and ONS Labour Force Survey (three months)

## Unemployment

- The 16+ unemployment rate in the **capital** was 5.3, unchanged from the previous quarter, but up 0.6pp from last year.
- The number of people unemployed in London is up 16% in the three months to August since the three months to February (see chart).
- The **UK** unemployment rate rose 0.4pp in the quarter but stayed well below London's rate, at 4.5% (up 0.6pp for the year). Only the North East has a higher unemployment rate than London.

## Claimant count

- The claimant count in London is up 305,000 (165%) on March reaching a total of 489,800 and representing the highest proportional increase of any region.
- In the UK, the claimant count has increased by 120% since March (almost 1.5 million). The capital accounted for around a fifth of this increase.

## Claimant count against unemployed

Before the government introduced the CJRS scheme, the claimant count closely matched unemployment, because to be included in the set of data, one must be available for work and searching for work. Now, the measure has become less reliable because it includes those who could be on furlough, or temporarily detached from their employer. However, to be included, one must still be on low earnings.

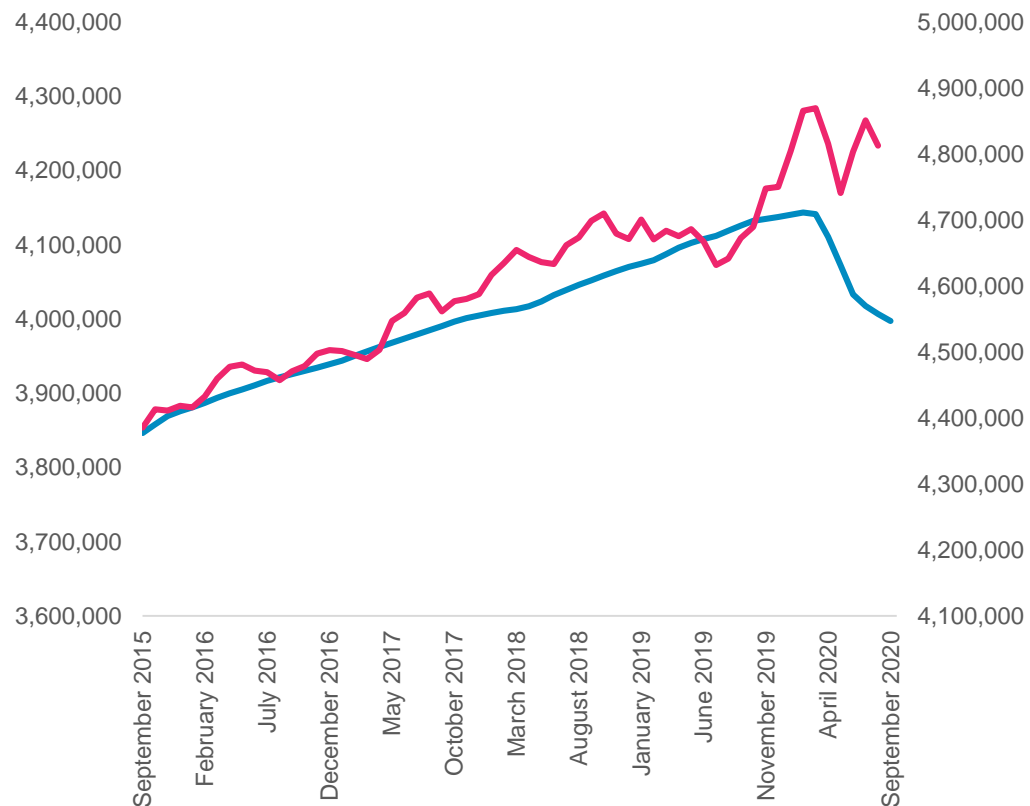
**Resolution Foundation** and the **Economic and Social Research Council** analysis from July estimated that between 56% and 60% of new claims at that time were from people who held a job. Even if this was true, the remaining 40% increase would represent a large increase in unemployment not yet apparent from LFS data.

The gap between LFS unemployed and the claimant count likely represents a combination of two factors:

1. Potential underestimate of unemployed – particularly when considering redundancy notifications, and HMRC payroll employee figures (discussed on following slide)
2. An indication of jobs still on furlough most at risk based on low earnings – although there has been no fall in claims in line with the fall in those on furlough

# ...and there are doubts about London's employment strength

## LFS employment (16+, RHS) and payroll employees (3 month moving average)



Source: HMRC PAYE data and ONS Labour Force Survey

## Employment (LFS)

Headline LFS employment data shows strength in London:

- London's 16-64 employment rate was 76.1, up 0.7pp on the quarter and 1.9pp on the year
- For the UK, the employment rate was 75.6, down 0.3% on the quarter and year.
- Comparing employment rates in August to the three months to February before lockdowns, London's rate was 0.7pp lower, placing it among regions with the smallest falls.

## Employee estimates using experimental HMRC PAYE data

- The seasonally adjusted number of payroll employees in London fell sharply in the April month and has fallen steadily since. The number of employees in September was 3.7% lower than in February and 3.5% lower than September last year.
- London's falls since February and compared against last year were nearly 1pp larger than any other region.

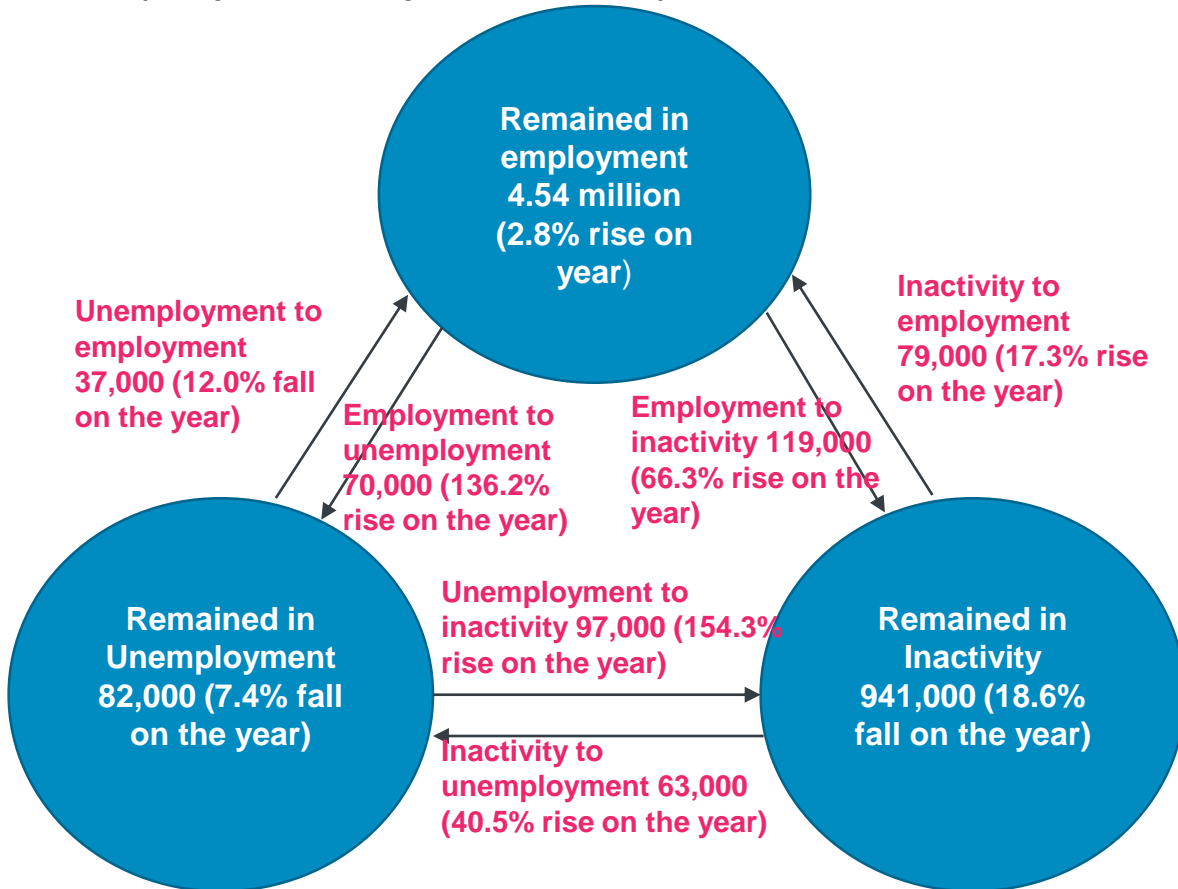
## Comparing Employment to HMRC PAYE employees

- Comparing the three months to August against the three months to February to align with the LFS there was a fall of 3.2% - far larger than the 1.2% fall in LFS employment over the same period.
- HMRC employees aligns better with survey data on redundancies (slide 5), and claims and unemployment data (slide 6). To have continued high employment with increasing unemployment, London now has near record low inactivity of 19.8%, which is not supported by June flows data and low vacancies (slide x), indicating subdued employment in recent months.
- Aside from the method of collecting the data, a key difference between LFS employment and payroll employees is that payroll excludes the self-employed. However, LFS self-employed for the year to June and self-employed jobs show larger falls relative to employees, which would only point to even lower employment.

London PMI data showed a slower rate of decline in employment, up to 42 in September from a low of 23 in April (above 50 indicating growth on previous month).

# Meanwhile, data covering the initial CV-19 restrictions showed a rise in labour market churn.

Summary of flows, April to June 2020 and change on year (compared with April to June 2019)

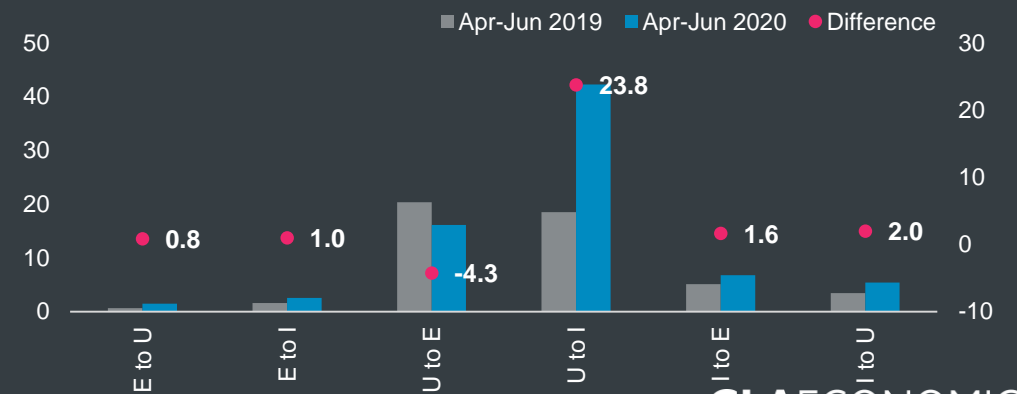


Source: ONS Longitudinal Labour Force Survey

The graphic on the left summarises the interaction of flows between labour market state as **recently published flows data** covering the midst of the COVID crisis for London shows:

- Net outflows from employment turned positive (73,000) in the latest available period (April to June 2020) indicating that more people have left the stock of employment than are entering the stock of employed. This is a notable shift in trend, with net outflow becoming positive for the first time since October to December 2017.
- There was more than double the number of people (136.2% rise) moving from employment to unemployment in the 3 months to June 2020, when compared with a year ago.
- We also observe a notable rise in the number of people moving from unemployment to inactivity (154.3%), which may explain why unemployment remained relatively unchanged during the corresponding period (April to June 2020). However since this period, headline inactivity levels have declined.
- The data on job to job moves which is typically lower in times of economic uncertainty, shows the job moves have fallen by 15% during April to June 2020 compared with the same period a year ago.
- The following chart shows hazard rates, which shows the probability of moving from one labour market state to another.

Flows hazard rates (LHS, %) and **respective change (RHS, pp)** for London





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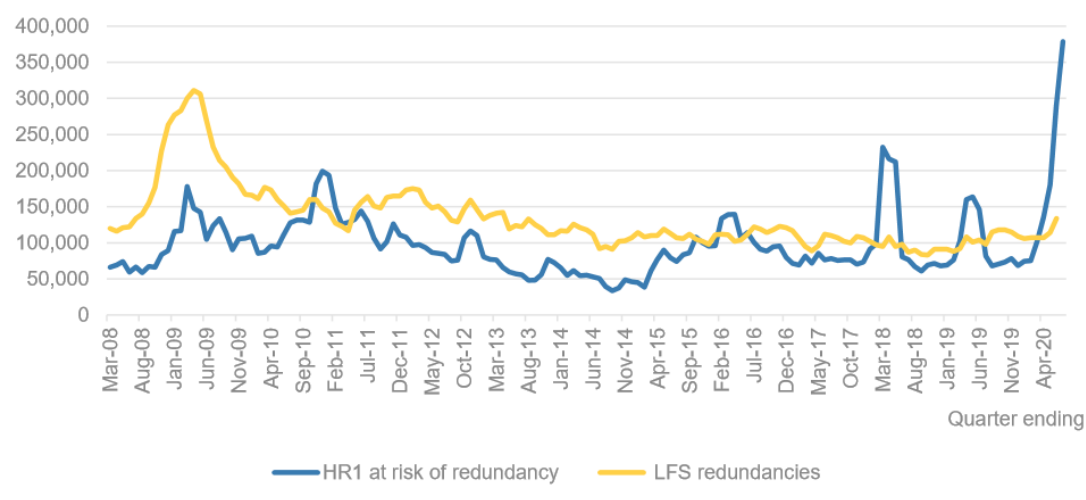
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# Redundancy notifications are more than double the levels seen in the last recession...

Quarterly number of employees notified as at risk of redundancy (HR1 forms) and reporting having been made redundant (Labour Force Survey)



Source: IES analysis of Insolvency Service and Labour Force Survey data

According to ONS UK redundancies

- UK redundancies for June to August were 227,000, up from 107,000 in the period before COVID. Redundancies did not begin to increase until the March-May period.
- The ILO redundancy rate for the UK is now 8.2 per 1,000 employees. This is the highest rate since June to August 2009.

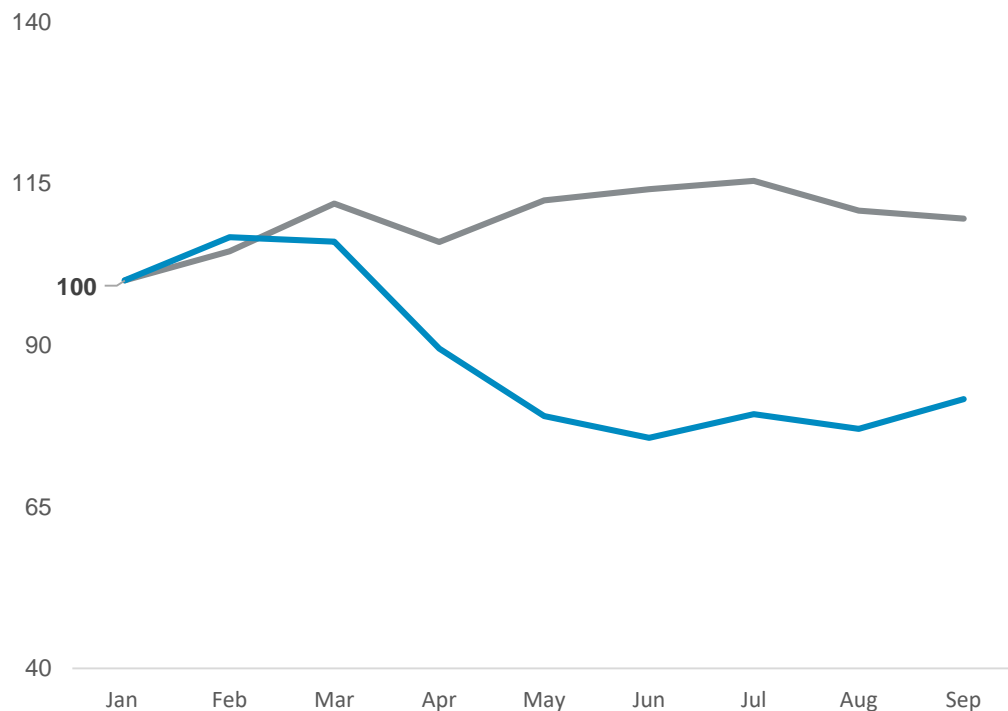
IES analysis of HR1 insolvency data (redundancy notifications) and UK redundancies shows that:

- in June and July 2020 combined, more than 300 thousand employees have been notified in HR1 forms as being at risk of redundancy – with 156 thousand reported in June and 150 thousand in July 2020. By comparison, the highest monthly figure reported in the last recession was 90 thousand (in March 2009).
- As the chart illustrates Redundancy notifications in June and July were five times the monthly average between 2008 and 2020 (of 32 thousand).
- The IES also estimated the potential scale of actual redundancies based on a central scenario given the available HR1 and redundancies data. They estimate that there will be 650,000 redundancies in the second half of 2020: with a further 205 thousand redundancies between October and December.

*It is worth bearing in mind that changes in policy are likely to have a direct impact on the trend in redundancies. Please also note that HR1 notifications is an administrative requirement whereby firms need to notify the Insolvency Service in advice of any large-scale redundancies. Firms may have submitted notifications in order to have the flexibility of future redundancies. Therefore, we should caveat HR1 notifications does not necessarily reflect the true risk redundancies.*

# ...and demand remains weak...

London Monthly Job Postings 9 month trend for 2019 and 2020  
(100=Jan)

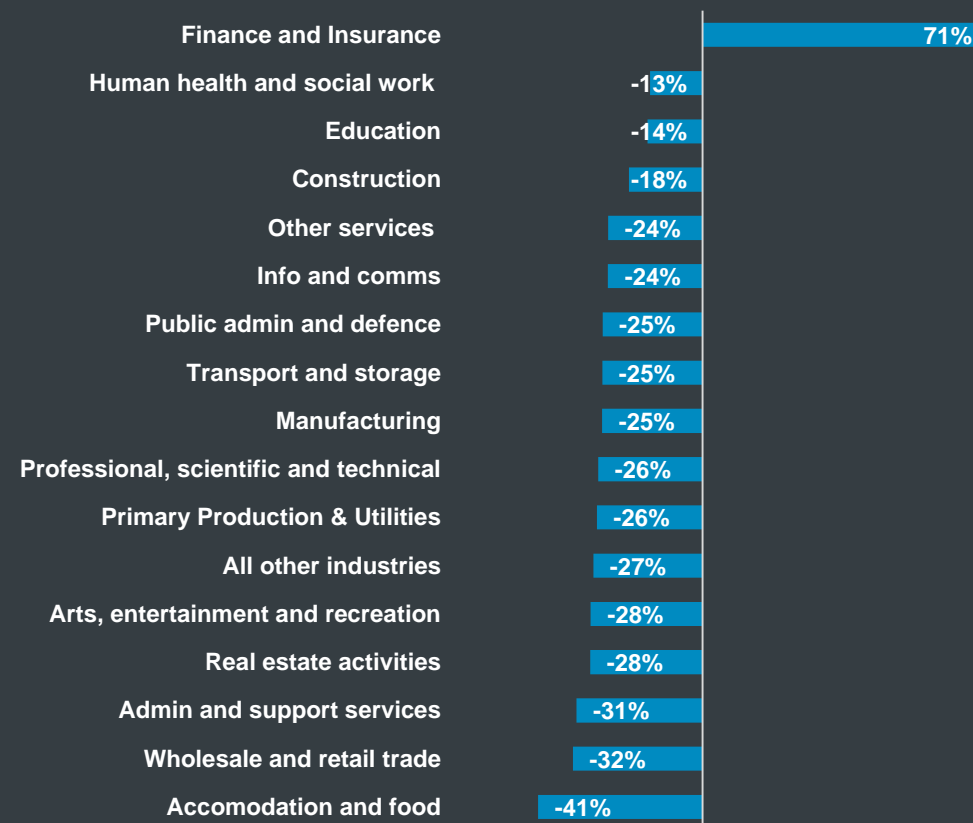


Source: EMSI jobs postings data

EMSI Jobs posting data shows:

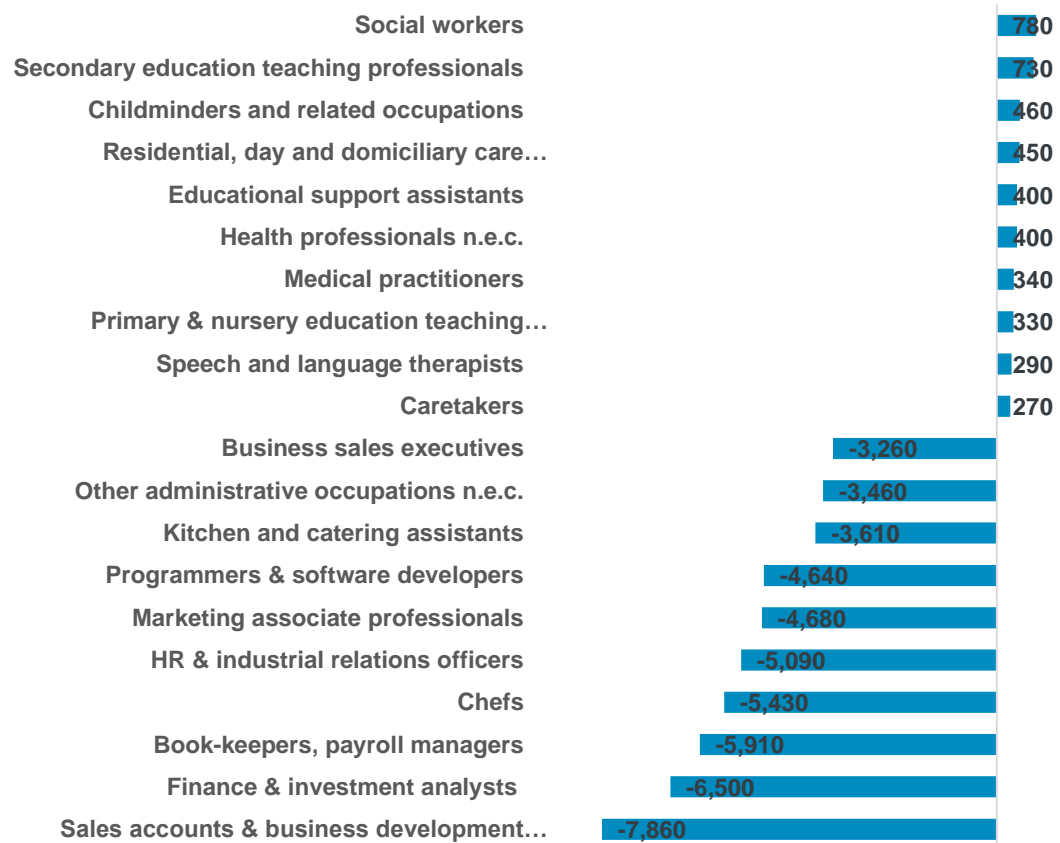
- Online job vacancies in the capital were 24% lower in September 2020 compared with a year earlier in September 2019. This represents roughly 136,000 fewer online job vacancies in London.
- This impact has been felt across almost every sector, with finance and insurance being an exception (see chart below).

Implied sectoral impact for London (% change)



# ...although some occupations have seen demand growth.

## Top 10 growing and declining job posting, (Sept 2020 compared with Sept 2019)



Source: EMSI jobs postings data

Looking at the impact on vacancies in more detail in the [capital](#), the chart illustrates the occupations that have seen the largest growth and declines in absolute terms in the latest available period (September 2020) compared with a year ago (Sept 2019). The biggest declines were significantly more marked than the biggest rises (in absolute terms).

The top 3 growing occupations were according to Online job postings data were:

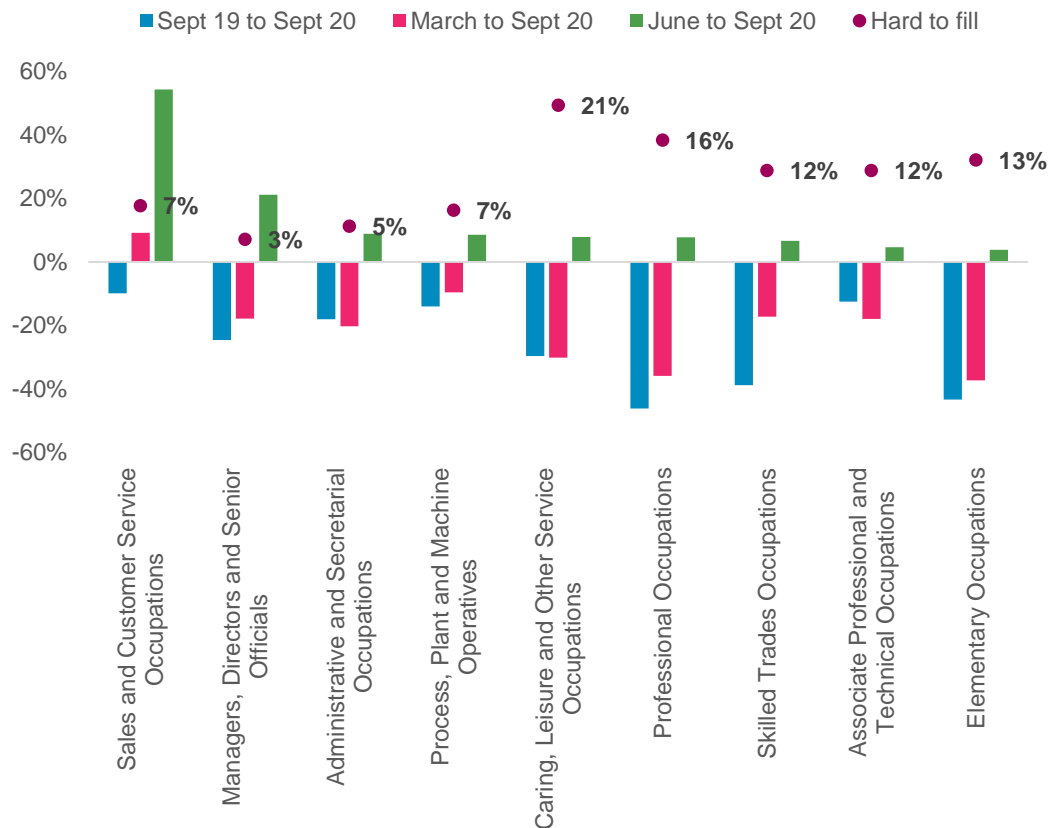
- Social workers (up 780 vacancies on the year)
- Secondary education teaching professionals (up 730 on the year)
- Childminders and related occupations (up 460 on the year)

On the other hand, the top 3 declining sectors were:

- Sales account and business development (down 7,860 on the year)
- Finance & investment analysts (down by 6,500 vacancies on the year)
- Book-keepers & payroll managers (down 5,910 vacancies on the year)

# Weakened demand adds to labour market challenges which were evident before the crisis

Change in vacancies (LHS, %) and incidence of hard to fill vacancies (%) by occupational group



Source: Employer Skills Survey 2019, EMSI Jobs postings data

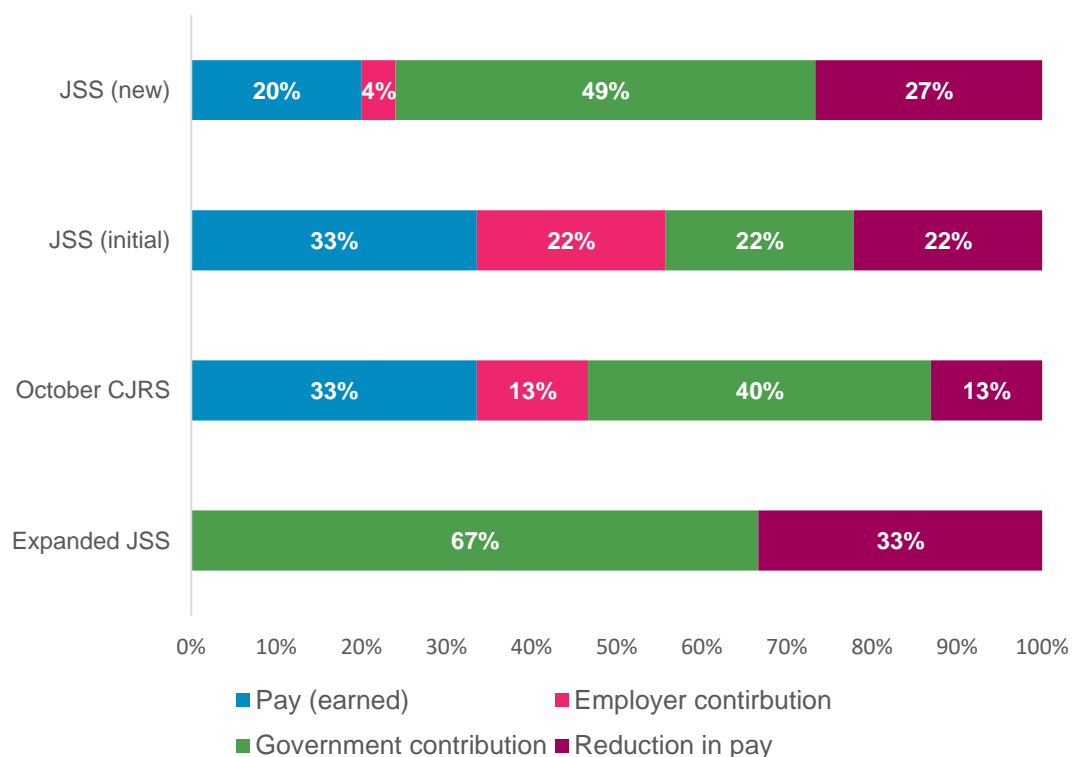
The latest **Employer Skills Survey (2019)** indicated the scale of labour market challenges that were evident prior to the COVID crisis. Thus, the latest trends and patterns are in the of context of:

- 28% of vacancies in **London** were reported as hard to fill vacancies by employers, although this is 8 percentage points lower than the corresponding figure for the UK.
- Of the 28% reported as hard to fill, 21% were due to skills shortages, while the remaining 7% were for other reasons.
- 56% of employers reported the main the cause of 'hard to fill vacancies to do with the quality of applicants.
- This could represent an opportunity for those seeking employment, providing there are is the skills provision in place to facilitate moving across sectors.
- The charts shows that Caring, Leisure and other service occupations had the highest share of hard to fill vacancies by type of occupation. This was followed by Professional occupations and elementary occupations.
- Vacancies have picked up since June, mostly in Sales and customer services (54%) and Managerial occupations (21%).
- The decline in vacancies could indicate a slower recovery as demand is generally weak regardless of occupation. The fall in overall demand for labour may also lead to a decline in the incidence of hard to fill vacancies.

*Note this is 2019 data but it's useful to consider in the wider context of London's labour market challenges.*

# Government planned new support before extending furlough...

## Wage contributions under different government policies



Source: UK government

England will return to lockdown on 5 November for four weeks. The government extended the CJRS for this period and will then replace it with the Job Support Scheme (JSS).

The Job Retention Bonus (JRB) complements the JSS, which pays employers a one-off 1000 for every employee continuously employed until 31 January.

- **IFS** and **OECD** others identified that the CJRS is unsustainable in the long-term, and that facilitating entry and exit of firms is important to channel demand where most needed

**The Resolution Foundation** and the **IPPR** criticized the initial JSS proposal for weak incentives on employers and a complicated and expensive interaction with the JRB.

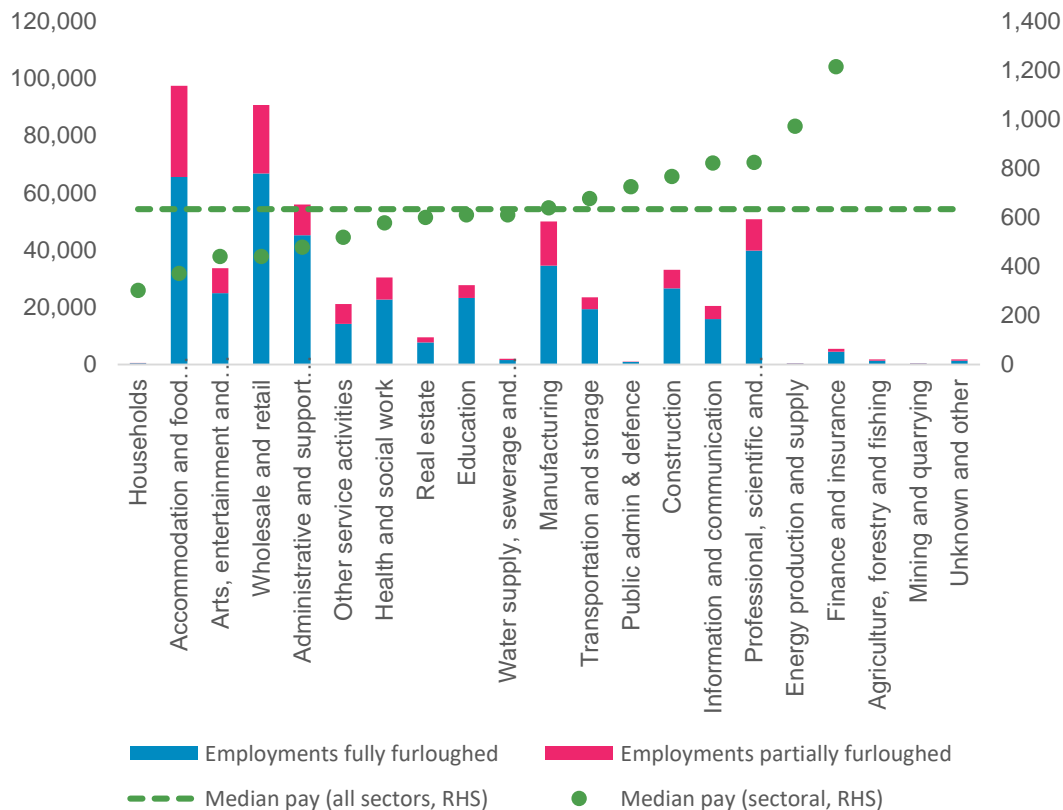
- The RF expected the JSS would only be effective where employers had high costs of firing and hiring – applying to highly skilled workers with specialist knowledge and experience.
- The **IPPR** estimated that policy would only save one out of ten of what it deemed 'viable' jobs – or 230,000 out of 2 million. **IPPR** analysis of government support against OBR unemployment scenarios demonstrated that protection would be withdrawn before labour demand had stabilised. This would lead to a central scenario of 2.7 million job losses across the UK and a 12pp increase in unemployment.
- **The IPPR** and **Economics Observatory** called for clear criteria for regional lockdowns and support for different levels of restrictions

In response to more regional lockdowns and criticism of the initial JSS, the government:

- Introduced the expanded JSS for businesses forced to close in Tier 3, paying two thirds of usual pay and not requiring contributions from employers beyond NI and pensions; and,
- Modified the JSS (new JSS in chart) to rebalance support towards government contributions over employer contributions for hours not worked, with a 20% minimum work requirement. **There was further criticism** for the delay and cost to businesses unable to plan.

# ...but return to lockdown poses greater risk to jobs...

**Furloughed CJRS employments by flexible furlough (LHS) and median pay (RHS)**



As England returns to full lockdown on 5 November, we expect:

- Increased take up of CJRS, potentially up to around 1.3 million based on estimates at the peak of the last lockdown in May (although schools remaining open should enable more to continue work)
- Increased unemployment, with prolonged disruption to businesses and delayed communication around restrictions potentially leading to more permanent closures or scaling back.

Those currently on furlough are likely to be at greatest risk of losing their job and within those, the risk is greatest for those on lower pay, with lower skills, or those on full furlough (rather than flexible). GLAE estimates jobs most at risk as all who work in sectors paying below the median wage, such as entertainment or retail (see chart). Furlough status applied to July and August data provides a range of estimates for jobs at risk:

- Using August 31 furlough data, applying the above approach to only those on full furlough (excluding partial), there are 274,000 jobs at risk, which would raise the unemployment rate to 9.4% if all left employment to unemployment.
- Using 31 July data applied to all on furlough (including partial), there are 544,000 jobs at risk, which could raise unemployment rate to 13.6%

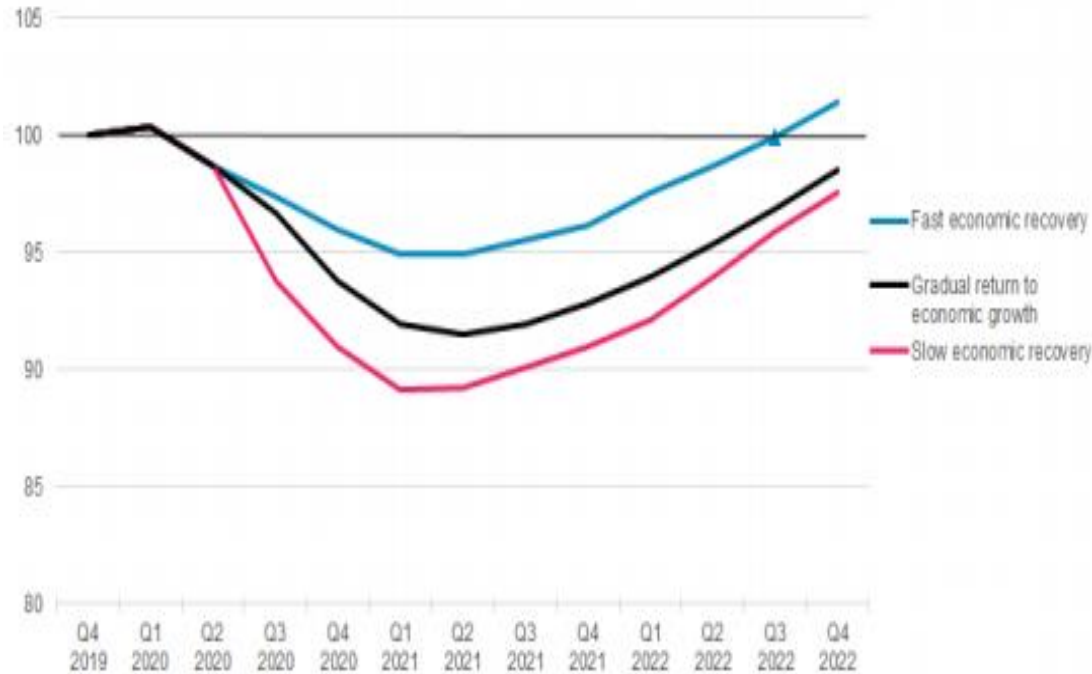
GLAE also considered jobs at risk based on skill level by industry for those on furlough, with similar estimates to the median pay approach.

	All furloughed	Fully furloughed only
<b>August estimates</b>		
Jobs at risk	375,946	273,615
Employment rate (%)	71.4%	72.7%
Unemployment rate (%)	11.0%	9.4%
<b>July estimates</b>		
Jobs at risk	544,226	433,228
Employment rate (%)	69.3%	70.7%
Unemployment rate (%)	13.6%	11.9%

Source: HMRC CJRS Statistics and ASHE Pay data 2019

# ...with macroeconomic scenarios suggesting rising unemployment.

Shape of employment recovery (index 2019Q4 = 100)



Source: GLAE September macro scenarios

GLAE has produced two updates to its medium-term economic outlook since publishing the [June London's Economic Outlook \(LEO\)](#) report:

- The September scenarios show falls of over 5% in workforce jobs in 2021 in the gradual and slow scenario. Jobs recover to their pre-covid levels in Q3 2022 for the fast recovery scenario, but not until 2023 for the gradual and slow scenarios. Given the return to lockdown, GLAE expects we are likely to sit between the gradual and slow scenarios.
- The September scenarios assume that falls in jobs occur predominantly in 2021 compared to 2020, as expected in estimates from June and July, given the success of the CJRS at protecting jobs in the short term. The overall fall in jobs is similar between estimates.

[Bank of England](#) August Monetary Policy Report:

- BoE expects the UK unemployment rate to peak at 7.5% in Q4 of this year and to decline thereafter. The BoE has had a more optimistic outlook than the [OBR](#), discussed in our previous roundup.
- Investment intentions are low, but improved in July relative to May. They show the worst impact this year (expecting a reduction of over 20%), improving to a reduction of around 10% in 2021Q1.
- Employment intentions fell steeply in April to below levels during the financial crisis, and are still well below averages since 2000.
- Uncertainty is the key concern and challenge of making environments covid-secure for both workers and customers. 15% of businesses expect uncertainty about coronavirus business impacts to persist into 2020 (BoE analysis of DWP survey).
- Credit is not a significant barrier to growth, supported by low interest rates and government lending schemes.



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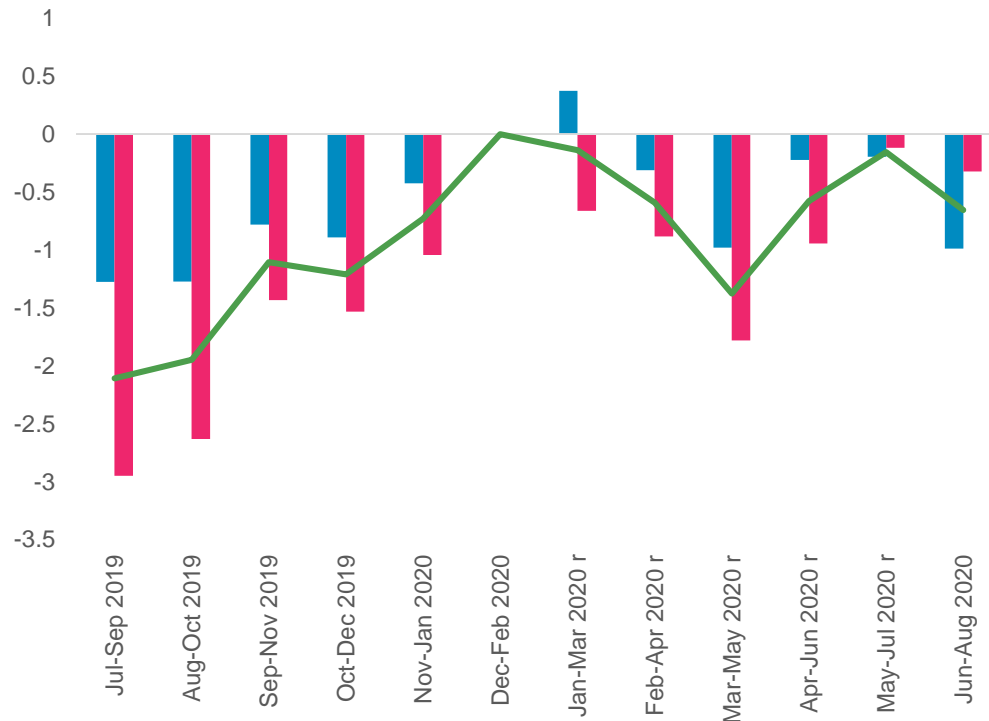
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# Women

Employment for **men**, **women**, and **total**, differences (pp) against February (pre-covid)



Source: ONS Labour Force Survey

## Headline data shows women faring no worse than men in employment since COVID.

Comparing changes of headline employment stats (16-64) against a baseline of February before lockdown shows:

- Initially, employment dropped while both unemployment and inactivity rose more quickly for women than men.
- By Jun-Aug, this had reversed, with a bigger fall in employment and rise in unemployment for men, with inactivity little changed.
- Overall, by August, employment was not far off pre-covid peak and comparable to quarters in 2019. Unemployment was higher, but not at the March/May peak, and inactivity was unchanged.

London Claims data shows total Claims for women were slightly higher than men, but the rise since March was 93.1% relative to 143.8% for men.

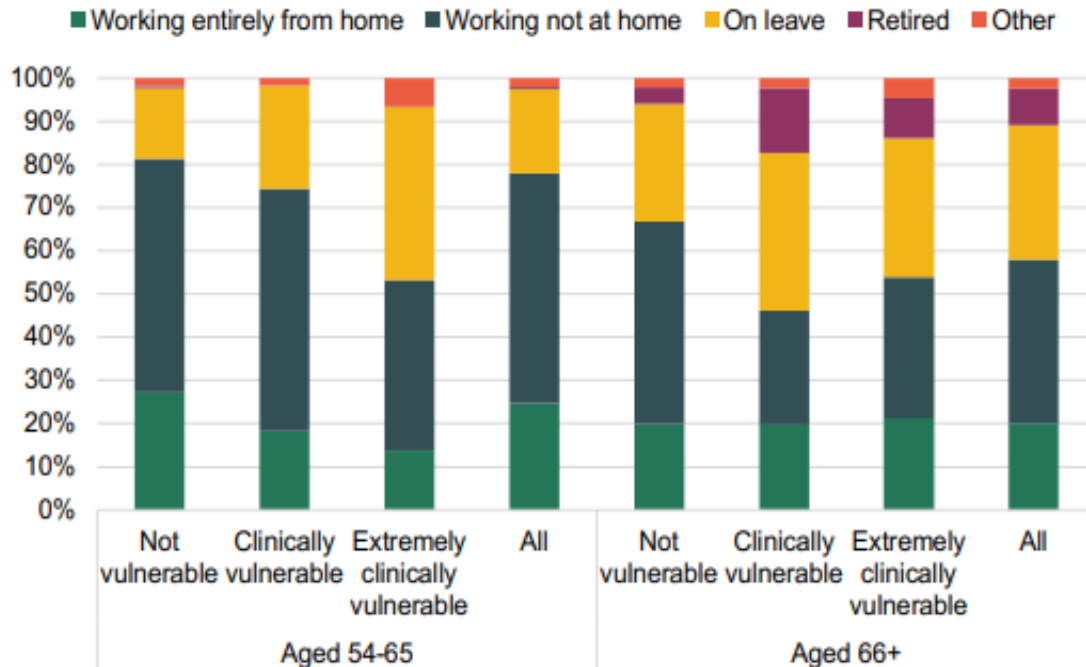
London take up rate for furloughed workers was the same for men and women at 31 August – 13%.

## Women face additional challenges

- 83% of low paid workers in London are women and low paid workers were more likely to work in shut down sectors, although there is no gender difference in London furlough statistics. Additional challenges faced by low-paid workers discussed further on slide x)
- 84% of care workers and home carers were women, and 49 per cent worked weekends and 61 per cent regularly worked evenings or nights
- Women have reported larger average declines in productivity relative to men from working at home, potentially due to assuming a greater share of childcare responsibilities (CEPR).

# Older workers

## Work status for those working before the crisis, by clinical vulnerability



Source: IFS of the English Longitudinal Study of Ageing

Older workers face greater risks during recessions. Although they may not be at greater risk of redundancy, research shows that if made redundant they are less likely to return or return more slowly or upskill:

- Only one in three older workers returned after redundancy in 2019 ([CAB](#))
- Adult education participation is 39% for 55-64 compared to 60% for 25-34 ([nesta](#))

So far, labour market indicators for older workers are only slightly worse than the general population (with younger workers faring worst – discussed on next slide)

- Claimant count increased less for London's older workers – up 92% for 55+ between March and September, compared to 108% for those 30-55.
- Furlough take-up rates have been slightly higher for older workers in the UK, although latest figures for 31 August show a higher take-up rate only for those 65+. RF analysis shows that in the UK, older workers hours worked fewer hours even if they remained employed (typically on furlough).
- Although not seasonally adjusted, employment and unemployment show minimal change, in line with rates for the general population.

An economic crisis triggered by a health crisis creates particular risks:

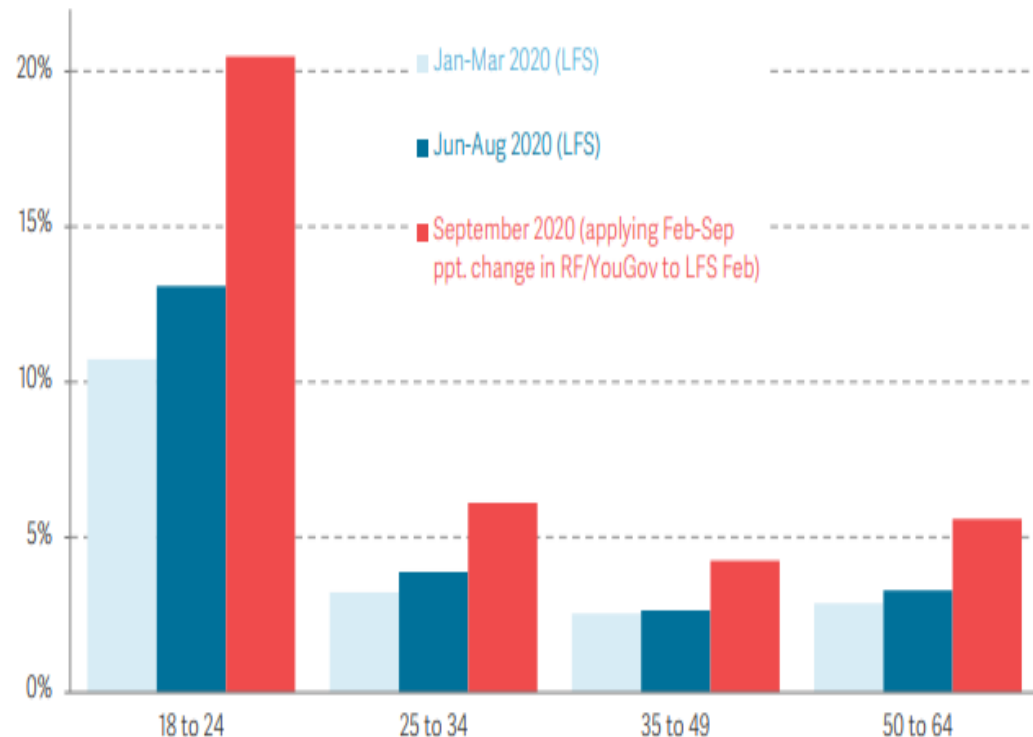
- Around a fifth of workers of workers in occupations with the highest potential exposure to Covid-19 are aged 55 and over ([ONS](#)). Probability of death increases steeply with age – 9 times for those 50-59, and increasing as you get older ([Public Health England](#))
- IFS analysis of ELSA showed that half of all over 54 clinically vulnerable who worked before the crisis continued working (rather than shielding). Reasons were unknown, but could include a sense of duty and economic necessity.

13% of older workers have changed their plans for the future ([IFS](#)):

- 8% of older workers plan to retire later and 5% earlier
- Those currently on leave or furlough are more likely to plan early retirement, a potential indicator that they see prospects diminishing.

# Younger workers

## Unemployment rate estimates by age



Source: ONS labour force and Resolution Foundation COVID survey

Younger people, whether current workers or those intending to enter the workforce during an economic downturn, face longer-term risks of scarring – poorer outcomes in pay and employment across their careers. The Economics observatory and What works centre for economic growth summarise UK and international evidence.

- The estimated the long-term UK resource cost (lost economic output) of young people not being in education and employment in 2009 was between £22 billion and £77 billion.

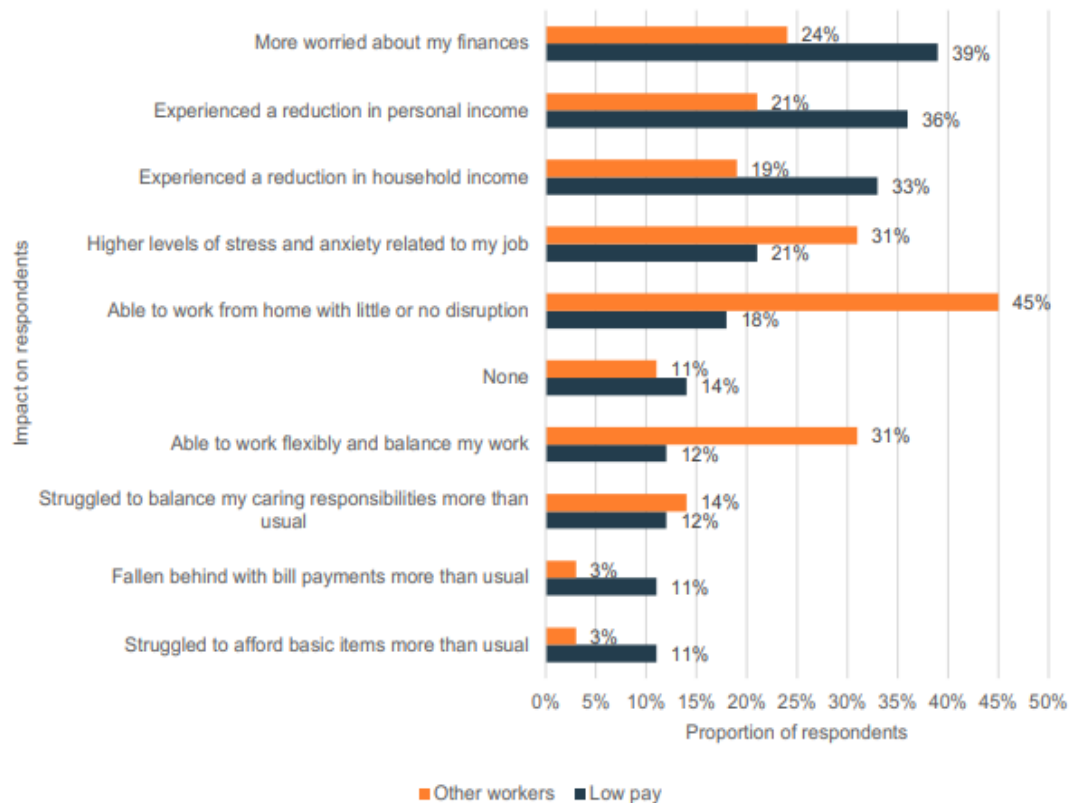
The share of young people not in education, training, or employment (NEET) had been decreasing (from 17% in 2011 to 11% now), and has not yet shown an increase. EO and WWCEW identify the importance of training to minimise scarring impacts.

Younger people are already faring worse than other workers:

- Headline unemployment increased most for 18-24 in UK, RF analysis suggests a 10pp rise from February to 20%.
- Younger people are employed in high furlough sectors – at 31 August, the UK CJRS take-up rate for those aged 18-24 was 13% compared to 10% for those 25-64.
- In the UK, 41% of those 25-29 were working in shut down sectors, compared with 29% of those aged 30 to 54 and 21% of those 55+.
- The London claimant count increased 150% for those 20-29 relative to 108% for those 30-54 between March and September.
- Younger people are over-represented on zero hour contracts in the UK: 16-24 from 7.2% to 10%, compared to 25-34 at 2.5% and 35-49 1.8%. Weaker attachment to their employer can increase risk of redundancy as furlough policy becomes less supportive.

# Low-paid

## Impact of outbreak on low paid and other workers' jobs and finances



Source: L&W analysis of polling workers in London

**IPPR** and **RF** reported that wealth and income inequalities were pressing issues already and that covid could exacerbate things further. Lower paid have seen greater disruption in their work:

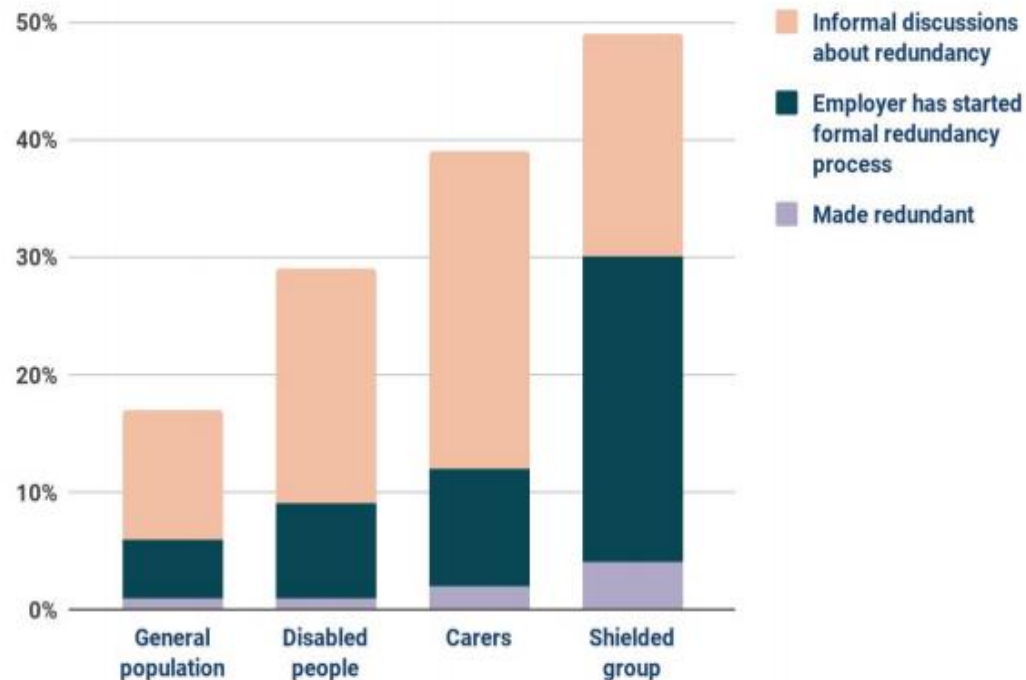
- **Learning & Work** (L&W) polling of Londoners shows low paid workers are less likely to work from home (18% relative to 45%) or work flexibly and balance work (12% relative to 31%) (see chart)
- **RF** analysis of UK ISER, Understanding Society data shows those on the minimum wage relative to those earning above the real Living Wage were more likely to be furloughed (30% relative to 12%); to have lost their job (11% relative to 3%); and to have lost hours (8% relative to 6%).
- **RF** shows that in September, one-in-five of most deprived were not working or still furloughed, and one-in-four of those were in London.
- **What Works Wellbeing** found that there are some lower paid key workers such as bus drivers and care workers, and cleaners who also experience multiple negative working conditions.
- The lowest decile of earners have seen the greatest relative reduction in pay (**RF**). An **IES** qualitative study of low paid workers found that nearly all those surveyed had experienced a reduction in household income – but that those on furlough were managing.

Lower paid workers are concerned about future prospects:

- Low paid Londoners are more worried about keeping job 42% relative to 33% - but other workers are more worried about finding a new job (**L&W**)
- **IES** found that those who had lost hours or made redundant felt 'unable to look ahead' or make plans given current uncertainty.
- Although not restricted to low pay workers, the **Financial Conduct Authority** reported that 12 million people in Britain are likely to struggle with bills and loans, with 2 million becoming financially vulnerably since February.

# The vulnerable or disabled

Percentage of disabled people, carers, and shielded group facing redundancy against working population



Source: Citizens Advice

**Citizens advice** reports on the characteristics of its clients and the support they require. Partly as a result of the the relationship between health and work during this crisis, its impacts have fallen disproportionately on the vulnerable or in need of flexible working arrangements.

Those facing redundancy more likely to be:

- Disabled (25%, rising to 37% for those whose disability has a substantial impact on their activities – see chart)
- Clinically vulnerable (48%)
- With caring responsibilities (29%) – either for children or vulnerable adults
- With children (31%) - compared to 7% for those without

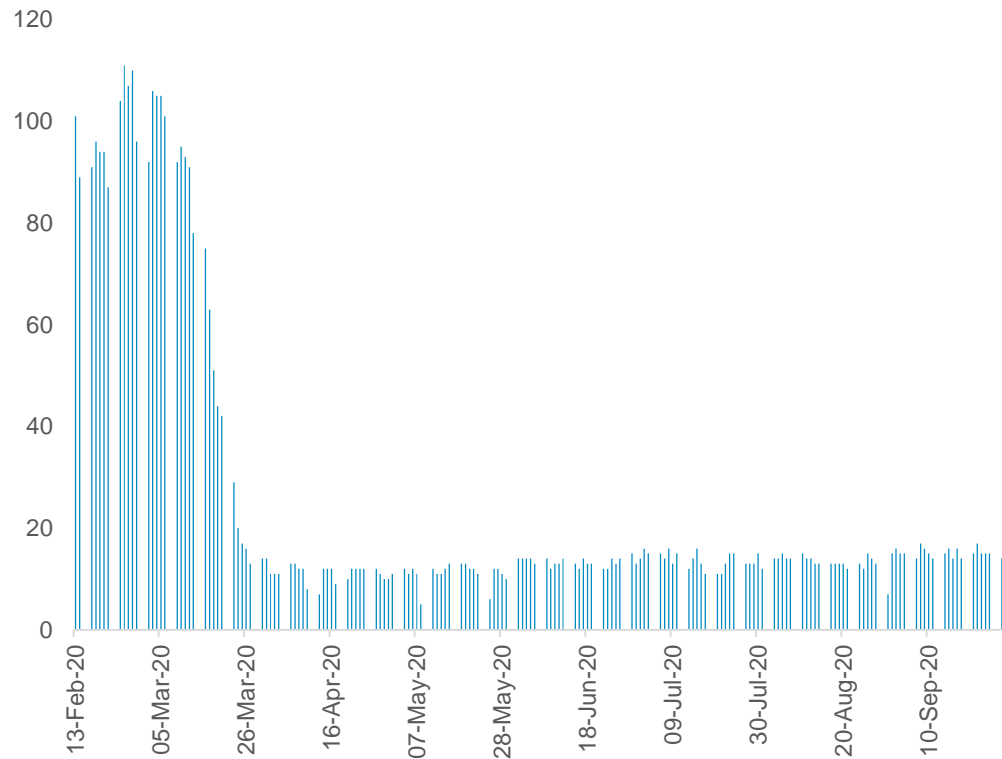
Citizens advice reports large increases in clients seeking support and advocates better enforcement of employment rights during this period of greater demand and risk of abuse. Clients seeking advice has risen for the following reasons:

- On redundancy and fair redundancy process (more than tripled)
- On discrimination (over four times in early July)

The number of clients whistleblowing increased 96% to 330.

# New ways of working

## Workers index for London



Source: Centre for Cities

There has been a rise in working from home since the lockdown, although that trend has started to reverse across the UK with the easing of restrictions.

- In London, footfall and worker activity in the city centre has recovered more slowly than other parts of the UK. **The Centre for Cities** workers index estimates a level of city centre workers of around 15, relatively unchanged since the start of lockdown (indexed against a baseline of 100 pre-lockdown).

There is minimal evidence on the productivity implications from working at home because of relatively low prevalence preceding lockdowns:

- The Business Impacts of Coronavirus (BICS) Survey shows that across the UK for business that have more staff working from home because of the pandemic, 23.9% thought productivity had decreased, while 11.9% thought it had increased, with 52.9% saying it had stayed the same.
- An CEPR study on self-reported productivity from working at home showed that on average workers reported being as productive before the pandemic but with were large difference across sectors and by worker characteristics:
  - Those with higher earnings and who began working from home since lockdown reported higher productivity on average.
  - Those suffering worst declines included women and those in low paying jobs and declines were associated with mental well being. The GLA tracker reported a rise in those reporting high anxiety to 16% in October from 11% in July.

BICs reported that 18.8% of businesses across the UK with increased homeworking intend to permanently use it more in the future, driven most by increased staff wellbeing (59.8% of firms), reduced overheads such as renting office space (55.2%), then increased productivity (33.7%).

The Economics Observatory expects some decline in big cities, depending on the length of restriction and expectations of future pandemics. Firms are likely to experiment with a new balance of working from home and office. This could have serious implications for property markets across London and future population growth if people can have improved opportunities based elsewhere.

## The crisis is now having a greater impact on London's labour market:

Furlough numbers falling, but more gradually in London...

...with self-employed more likely to stay on support

Many have returned to work from furlough...

...but unemployment and claimant count are on the rise

...and there are doubts about London's employment strength

Meanwhile, data covering the initial CV-19 restrictions showed a rise in labour market churn.

## There are signs of a worsening outlook

Redundancy notifications are more than double the levels seen in the last recession...

...and demand remains weak...

...but some occupations have seen demand growth.

Weakened demand adds to labour market challenges which were evident before the crisis

Government planned new support before extending furlough...

...but return to lockdown poses greater risk to jobs...

...with macroeconomic scenarios suggesting rising unemployment.

## Evidence continues to show disproportionate impacts on some groups:

- Women
- Older workers
- Younger workers
- Low-paid
- The vulnerable or disabled

Covid-19 is leading to new ways of working

## Policy recommendations to protect jobs, reskill, and create jobs



# Policy recommendations

Learning & Work (L&W) and the New Economics Foundation (NEF) frame their recommendations around three similar pillars, and we group recommendations from other organisations within this framing:

1. Protect – supporting businesses to retain staff viable jobs
2. Re-skill – to ensure those displaced from the labour market can re-enter it to the greatest benefit to themselves and the wider economy.
3. Create – through investment or stimulus

## Protect jobs:

- NEF suggests a policy similar to the existing CJRS before the transition to the new JSS (70% for hours not worked).
- L&W proposes covering 20% of lost wages for strategically important industries – similar in generosity to the current JSS policy.
- The Resolution Foundation advocates a full furlough version for all businesses effectively closed not just those required to close.
- The IPPR proposes a specific reform to achieve the RF's aims. This includes subsidizing non-working hours at 60%, with employer paying 20%, and to encourage staff retention, a 10% subsidy for all hours spent working. The IPPR estimates this to cost roughly the same as the current proposal with the JRB

## Re-skill:

- What works growth recommends focusing support on those leaving education now and on tackling youth unemployment. This includes providing a suite of ALMPs and better information for young people.
- OECD promotes enabling training while on reduced hours and increased support for job search.
- IPPR recommends expanding adult education and retraining.
- The Institute for Employment Studies Youth Employment Group recommends a comprehensive plan to support young NEET. In particular, further training provision and flexibility of training, pastoral care, and support for employers to encourage further employment.

## Create jobs:

- OECD and the Resolution Foundation support stronger benefits. In particular, the retention of the thousand a year boost to UC. Not just to preserve living standards, but to stimulate economic recovery given that those on welfare have the highest propensity to consume.
- TUC outlines an ambitious plan to create 1.2 million jobs in the next two years, mostly through direct public sector in employment areas such as health and education.
- NEF, RF and L&W specifically advocate more green jobs. NEF proposes investing £28 billion to create at least 400,000 green infrastructure jobs.