

Jobs, jobs, jobs

Evaluating the effects of the current economic crisis on the UK labour market

Mike Brewer, Nye Cominetti, Kathleen Henehan, Charlie McCurdy, Rukmen Sehmi & Hannah Slaughter

October 2020



Acknowledgements

The authors would like to thank the Health Foundation for funding this work, and especially David Finch and Heather Wilson for their comments on an earlier draft. Special thanks also to Torsten Bell, Karl Handscomb and Lindsay Judge for their advice and comments throughout this process.

This research uses data from an online survey conducted by YouGov and funded by the Health Foundation. The figures presented from the online survey have been analysed independently by the Resolution Foundation. The views expressed here are not necessarily those of the Health Foundation or YouGov.

Download

This document is available to download as a free PDF at:

<https://www.resolutionfoundation.org/publications/>

Citation

If you are using this document in your own writing, our preferred citation is:

M Brewer, N Cominetti, K Henehan, C McCurdy, R Sehmi & H Slaughter, *Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market*, Resolution Foundation, October 2020

Permission to share

This document is published under the [Creative Commons Attribution Non Commercial No Derivatives 3.0 England and Wales Licence](#). This allows anyone to download, reuse, reprint, distribute, and/or copy Resolution Foundation publications without written permission subject to the conditions set out in the Creative Commons Licence.

For commercial use, please contact: info@resolutionfoundation.org

Contents

Acknowledgements	2
Executive Summary	4
Section 1	
Introduction	16
Section 2	
Employment	22
Section 3	
Changes in hours and employee pay over the crisis so far	41
Section 4	
Self-employment in the crisis	57
Section 5	
Employment prospects in the near future	67
Section 6	
Next steps for policy	77

Executive Summary

The story of the initial stage of the coronavirus crisis is now well understood. The impact of a huge lockdown-driven economic shock was focused on the labour market, with unprecedented falls in hours worked. But the impact on employment and household incomes was heavily mediated by an unprecedented policy response from the Government. Thanks to support for firms and the Job Retention Scheme (JRS), the number of people in work and getting paid fell by only 2.3 per cent by June, even though GDP had fallen by a quarter and hours worked by a fifth at their lowest point. The labour market shock was highly concentrated in certain sectors badly affected by lockdown or subsequent social distancing restrictions, with job losses or falls in earnings more common among the youngest and oldest workers, the low-paid, and among those on insecure employment contracts.

Over the summer, the economy began to open up, and GDP and total hours worked showed somewhat of a rebound. But it is now very clear that the UK is very far from following the path of a V-shaped recovery, with GDP growth slowing in August and output remaining 9 per cent below its pre-crisis level. With that fall in output remaining much higher than even the peak to trough fall in the financial crisis, and the JRS coming to a close at the end of this month, it is inevitable that unemployment will rise in the months ahead to levels considerably higher than the rate of 4.5 percent recorded for June-August. Official forecasters vary but all point to a considerable rise: the Bank of England

forecast (in August) a rate of 7.5 per cent by the end of 2020, and the Office for Budget Responsibility forecast (in July) a far more pessimistic 11.9 per cent.

The Autumn return of the virus and major restrictions on economic activity to try and contain it are key determinants of labour market outcomes in the months ahead. While the specific nature of revived restrictions varies across the UK, over half the country is now living under tighter restrictions than existed in the summer. These are having a material impact on hospitality and leisure businesses in particular, leading the Chancellor in recent days to increase the generosity to firms of the Job Support Scheme (JSS), which will replace the JRS at the start of November.

But while it is clear that difficult times lie ahead for workers and the labour market, policy makers have to act, despite the uncertainty of how the virus and the economy will develop. And they must do so with big gaps in our understanding, in part because official data is often lagging developments in such a fast-moving crisis.

This report aims to address some of those gaps, and to help policy makers navigate this uncertainty. It analyses how the labour market situation has evolved from when the pandemic first hit through to this Autumn and provides more detail on the nature of the shock than is possible from official statistics. In particular, it brings to the fore changes over time. In doing so, we highlight which groups have struggled the most, who is at risk as the JRS is replaced by the JSS in a few days' time, and what are the prospects for the future. The core of our analysis is based on a survey of 6,061 adults aged 18-65, which took place on 17th – 22nd September.

Unemployment has started to rise in official data, and our survey suggests further rises have already happened

The most recent headline data shows an unemployment rate of 4.5 per cent in the three months to August, up from 4.1 per cent in the three months to May. Although this was the biggest quarterly rise since the financial crisis, it was still relatively low,

given that GDP in August remained 9 per cent below its pre-crisis level. But our survey suggests that the unemployment rate in September may be around 3 percentage points higher than pre-crisis. This would imply 2.5 million unemployed in September, or a rate of just over 7 per cent. For the 18-to-24-year old group, our survey suggests a rise in the unemployment rate of 10 percentage points since February, and this would mean an unemployment rate of 20 per cent in September, or approximately 750,000 people.

Crucially, given that the policy debate to date has focused almost exclusively on the unemployment challenges that come with jobs being lost, our survey suggests that the majority of the rise in unemployment is accounted for by lower-than-normal flows into work, with a minority caused by higher-than-usual job exits. These corroborate patterns seen in official statistics based on PAYE data, which showed that the number of new starts in work was about a third lower than normal in each month from April to July, and statistics on the number of vacancies, which remain a third lower than normal even in September.

The run-down of the Job Retention Scheme has seen most furloughed workers return to work, but almost 1 in 10 are not working

More than half of those furloughed during lockdown had returned to work by September in our survey, while one-third were still furloughed (either fully or partially). But not all of the reduction in furlough rates is welcome news, with 9 per cent of those previously furloughed no longer working by September. This is a higher rate of job exit that we would expect, and higher than the exit rate of those who were not furloughed.

The likelihood that a previously-furloughed worker was not in work in September was particularly high for workers age 18-24 (19 per cent were no longer working in September), those previously in insecure work (22 per cent); BAME workers (22 per cent); and those working in hospitality (15 per cent). This means that young workers were not only much more likely to be furloughed, but are much more likely to have lost their job subsequently if they

were.

The labour market hit remains focused on sectors heavily affected by social distancing restrictions, as well as the young, the low paid, and those on insecure contracts

In September, 17 per cent of those who were in work before the crisis were either no longer working, were furloughed, or had lost hours and pay due to the coronavirus crisis. This is a slightly smaller impact overall than when we measured the same outcomes in May, where 22 per cent of those in work pre-crisis had experienced one of those impacts. The fact that we have not seen a bigger reduction since the peak of the crisis reflects the fact that while the number of people on furlough has reduced significantly since May, this has been partially offset by an increase in those who are not working at all.

The nature of the labour market impact is shifting as we unfreeze the economy, but the most affected sectors so far remain unchanged. Workers in hospitality, leisure and other sectors affected by lockdown are much more likely in September to have stopped working, to have been furloughed, or to have lost hours and pay. Other groups more affected by the crisis include those who were working an 'insecure' job in February; younger and older workers; those working in the lowest-paid jobs; and those working for smaller employers. We find little evidence that the overall employment impact varies by gender, or is worse for BAME workers.

While this crisis has had a big impact in all parts of the country, the employment effects of the crisis so far have borne down particularly hard on London. Over one-in-five workers (21 per cent) in the most deprived quartile of the country were either not working, furloughed, or had lost hours (and pay) in early September because of coronavirus: of this group, more than one-in-four (28 per cent) live in London.

Respondents on insecure contracts were more likely to suffer job losses than other workers: they comprised just 15 per cent of all workers in February but 40 per cent of those who reported losing a job between February and September. However, they

also formed a disproportionately large share of respondents who had moved into a new job between February and September (13 per cent of all working in September and 29 per cent of all who reported having moved into a new job between February and September). Still, we find no evidence of people being fired and subsequently rehired on less secure contracts with our survey showing that the incidence of insecure working has fallen during the crisis overall, but it has risen in the hospitality sector.

The crisis impact via pay reductions has become less concentrated among the young, low earners and those in highly-affected sectors over time

Because the millions of workers who are furloughed are confounding the headline measures of employment, hours worked has become a vital metric of the amount of labour market activity actually taking place in this crisis. In September, 12 per cent of respondents who were still in work reported being on fewer hours than in February. This is a smaller fraction than in May – when the numbers furloughed were much higher, and 35 per cent reported being on fewer hours– but is still very high.

Pay is also a crucial indicator for household incomes and living standards. 12 per cent of all respondents who were still employed in September reported being on lower pay than they were in February (equivalently, 13 per cent of all those who were employed in February, if we also include those with no pay because they are no longer in work). This is also an improvement on the low point in May, when almost one-in-five (19 per cent) of respondents employed in February reported being paid less than they were before the crisis began.

Employees in hard-hit sectors were far more likely to report being paid less in September than they were in February: this applied to 32 per cent of those employed in hospitality in February, compared to 13 per cent overall. The youngest workers are also more likely to have reported falls in pay, but the difference with their older counterparts is smaller: 15 per cent of 18-24-year-olds reported being on lower pay than in February, compared to 11 per cent of 25-34-year-olds and 14 per cent of

those aged 35-44.

As the crisis has evolved, the chance that a worker has experienced a fall in pay has become more evenly distributed. For example, 26 per cent of employees in the bottom pay quintile in May reported being paid less than in February, compared to 16 per cent of those in the top quintile (a 10 percentage point difference). By September, as the numbers on furlough reduced, these gaps had shrunk so that 16 per cent of employees in the bottom pay quintile reported being paid less than in February as compared to 12 per cent of those in the top pay quintile (a 4 percentage point difference). We find a similar story when analysing pay changes by sector: employees in hospitality, leisure and non-food retail were substantially more likely than employees on average to report being paid less in May than in February (a 30 percentage point difference). But by September, that difference had reduced to 13 points.

Overall, average weekly earnings in our survey rose by 1 per cent between February and September. That might seem to contradict many of the downward trends in hours worked and pay presented above. But it is important to note that September was not the worst month for pay in this crisis – that was in May. Since then, workers have been brought back from furlough (which will have increased pay levels), and others have lost their jobs, which will increase typical pay among those who are left in work, given that low-paid workers have been more at risk of job loss. This is a reminder that we should be careful interpreting statistics on pay and earnings among those still in work when the composition of those in work is changing so dramatically.

The crisis has borne down very hard on the self-employed, and government support has been very poorly targeted

Britain's 5 million self-employed workers have taken a big hit from the pandemic. Our survey shows that, in every month since April, more than half of self-employed workers were receiving lower earnings than before the crisis. At its peak, three-in-ten were not receiving any pay at all, compared to just 4 per cent of

employees.

Although there has been a partial recovery since the depths of lockdown, one-in-six formerly self-employed workers (17 per cent) were still not working at all in September, and more than half were still experiencing lower pay than before the crisis (this compares with less than one-in-five employees). Those with lower qualifications and younger self-employed workers were more likely to experience prolonged earnings losses: 24 per cent of formerly self-employed 18-34 year olds were without work in September. Data from the Labour Force Survey shows that 472,000 fewer people were self-employed in the three months to August than at the beginning of the year, and our survey suggests that more than one-in-ten of those self-employed in February (12 per cent) have taken on an employee job since the crisis began, either in place of (9 per cent) or alongside (3 per cent) their self-employed work.

The hit to self-employed workers has been matched by support that, in many ways, is more generous than that for employees: the Government has spent twice as much on the average self-employed worker (£2,518) than on the average furloughed employee (£1,291). But support has been very poorly targeted. Of the 42 per cent of self-employed workers surveyed who have claimed the Self-Employment Income Support Scheme (SEISS), one-in-six (17 per cent, equivalent to 435,000 workers) did so despite having experienced no loss of income throughout the crisis – at a cost of around £1.3 billion. And two-thirds of self-employed workers who hadn't claimed the SEISS have experienced a loss of income during the crisis – and therefore may have been more in need of support. Close to 500,000 self-employed workers who were still without work at all in September had received no SEISS support.

Most people whose job ended during the crisis are still out of work, with the youngest workers and those from hard-hit sectors struggling most

Our finding that inflows to work have been depressed during the crisis is consistent with our analysis of jobseekers' success in

finding new work. Nearly one-in-ten (9 per cent) of respondents who were in work in February report spending some time out of work between March and September. Of this group, fewer than half (43 per cent) report having found a new job by September. As is the case with most aspects of the labour market shock, the youngest workers seem to struggle most, with only 33 per cent of 18-24-year-olds whose job ended being back in work by September, compared to 57 per cent of 35-44-year-olds, a difference that comes on top of younger workers' increased likelihood of losing work in the first place.

Similarly, workers who previously worked in the hardest-hit sectors have so far found it more difficult than their counterparts in other sectors to return to work. 18 per cent of respondents who worked in the hardest-hit sectors in February lost a job at some point between February and September, with slightly more than one-third (36 per cent) of them moving back into a job by September. In other sectors, 8 per cent of workers reported losing work between February and September, and 45 per cent of that group have moved back into work.

These low rates of new job entry for those most affected by the crisis should discourage policy makers from thinking that a major shake-out of labour over this Autumn will be easily or swiftly reabsorbed into other parts of the economy.

Many workers who previously worked in sectors hit hardest by the pandemic are searching in those same sectors

Short-term reductions in the numbers who are unemployed will require those who lose their jobs because of the pandemic to reallocate to less-affected or growing sectors of the economy. However, there are few signs that this is happening so far, possibly because experience, qualifications, geography and preferences will typically limit the sort of industries in which a person feels they can work. Among respondents searching for jobs who in February worked in hospitality, leisure or non-food retail (including those who both still work in these sectors and those who have since lost their jobs), the top four job-search

destinations are hospitality, leisure, non-food retail as well as administrative positions.

Even looking across all those looking for work, there is little sign of an understanding of major sectoral shifts shaping job-search behaviour. One-fifth (21 per cent) of all those looking for work indicated they would look for vacancies in the leisure sector despite the fact that the leisure sector had the fewest listed vacancies of all major industry categories. Strikingly this is more than the 1 in 6 (17 per cent) of those looking for work who said that they were considering jobs in the sector posting the most vacancies in July-September: social care. This should reinforce caution about the pace of labour market adjustment in the face of such a sectorally-uneven shock.

Job worries and redundancy risk are spreading out from younger and lower-paid workers across the labour market

Asking workers about their expectations for the future reveals clear signs of a shift from initial job losses amongst the young and lower paid to a more widespread impact on the labour market. More than a quarter (28 per cent) of respondents in work in September are worried about redundancies occurring, have been told a redundancy process either may or will happen, or have been told they will be made redundant. These worries and fears are, unsurprisingly, greater for those still working in the hardest-hit sectors, affecting over 40 per cent of workers in hospitality, leisure and non-food retail (as well as non-bus and non-rail transport). But there is little variation in these worries by age or by the level of pay. The share of surveyed 18-24-year-olds worried about redundancy (15 per cent) is similar to the share of 35-44-year-olds who are (14 per cent), and the share expecting to be made redundant in these age groups (13 per cent) is the same. Moreover, 14 per cent of respondents in the top pay quintile have been informed of a possible or likely redundancy process occurring, compared to only 8 per cent of those in the bottom pay quintile.

This is in line with our analysis of how the crisis has affected workers' earnings. It shows that, as the crisis has evolved, and

as workers have come off furlough, the stark differences in the labour market experience of workers of different ages, pay bands and sectors has begun to reduce. In other words, while the effects of the crisis so far have borne heaviest upon the youngest and lowest paid, it seems likely that it will become more widely spread over time as more traditional recession impacts from a lack of demand start to impact the economy.

Policy needs to be set to reflect the reality of developments in our labour market

This report sets out the state of the labour market on the eve of a difficult winter more detail on the path that has got us to this point, and offers clues as to what the future may hold by focusing on labour market dynamics.

The levels of labour market activity have seen significant and very welcome increases from the depths of the lockdown, but the big picture is that unemployment is now on the rise. This is likely to accelerate over the winter given that the months ahead are set to see tighter, rather than looser, virus-related restrictions on economic activity. We also find little evidence that huge numbers of workers being shaken out of the hardest-hit sectors are likely to be swiftly reabsorbed into other growing sectors before a vaccine or some other resolution to the crisis gives firms the certainty to invest. Indeed, there is some evidence that job losses may become more widespread across age and earnings groups.

The task of policy against this backdrop is to therefore protect incomes of those most affected, limit the rise in unemployment and to enable people to play their part in suppressing the virus. The Chancellor's decision to amend the JSS on offer to firms that are still open for business, by removing the vast majority of the employer contribution, is a big part of the answer to these challenges: it will ensure the scheme can operate as an effective short hour work scheme. Of course, the failure to adopt that approach a month ago will unavoidably have cost jobs.

The firms that now stand out as not having access to support to hold onto workers are those that are not legally required to close

but which in reality cannot open, such as conference centres. There is a strong case for extending the full furlough version of the JSS to such types of business.

Given that the evidence presented here cautions against assuming large numbers of new jobs are being created, the Government will need to be more proactive if it wishes to see swift outflows from unemployment for more workers. That should involve helping the unemployed find work, and ensure that new jobs are created where it is safe to do so. Schemes such as Kickstart are welcome in this regard, but much more could be done. Better-paid social care jobs would be a good place to start, as would getting on with creating jobs that deliver against our net zero ambitions. Some of these will inevitably take time to get going, but they will still be valuable given that history shows us that, once it has risen, unemployment takes some time to come down.

Ultimately private sector firms need a major reduction in uncertainty and return of demand to invest and support a strong recovery. This underlines the need for clear communications and as much certainty as possible on both Brexit and action to tackle the pandemic. It also requires an ongoing recognition that fiscal policy is the crucial tool in providing macroeconomic support in this crisis.

Even though the reformed, more generous, JSS should help bear down on the sharp rise in unemployment that is now inevitable, many workers will still enter unemployment and have to rely on the social security system in the months ahead. To that end, it is very unwise that current Government policy is still to reverse the £1,000 a year boost to Universal Credit and Working Tax Credits in April 2021. This would lead to a 7 per cent fall in income for the lowest-income households. Cutting this support is a bad idea, both for the health of our economy and the living standards of over 6 million families. To strengthen the ability of the benefit system to act as a safety net, the Government should also extend the grace period for the Benefit Cap, continue the suspension of the Minimum Income Floor for self-employed UC claimants, ease the capital rules in UC.

In order to reduce the risk of virus transmission the Government should also improve the financial incentives to self-isolate. This could be achieved by raising Statutory Sick Pay (SSP) and extending it to the two million low earners who are not eligible. Or the Government could broaden the eligibility for the £500 self-isolation payment, which is only currently available to one worker in eight.

This approach outlined above is far from easy, bringing significant fiscal costs and implementation challenges. But it crucially has the advantage of being based on the world, and labour market, as we find it rather than as we wish it to be.

Section 1

Introduction

Compared to previous recessions, the effects of the coronavirus on the UK economy have been both swift and substantial

The coronavirus crisis had a near-instantaneous effect on the UK economy. As the Government shut down large swathes of the economy in March, economic output fell and millions of employees stopped working. In response, the Government announced a suite of unprecedented support schemes, including the Coronavirus Job Retention Scheme (JRS), the Self-Employed Income Support Scheme (SEISS) and loans and grants for businesses, that undoubtedly protected jobs and livelihoods.

On many indicators, the crisis has hit harder and faster than any other economic shock on record. Figure 1 tells the familiar story that GDP, vacancies, and hours worked took a major hit as Britain entered lockdown in March, and pay fell as millions of workers moved onto the JRS and received 80 per cent of their previous earnings.¹ Despite some recovery in GDP since then, hours worked remain 15 per cent lower than a year ago, and the recovery in vacancies has begun to stall – they remain a third (35 per cent) below their February level in the September monthly data.

Yet the headline unemployment rate – normally a key measure of the state of the labour market – is only just beginning to reflect the crisis. In the most recent data covering the three months to August, the headline unemployment rate has risen to 4.5 per cent, compared to 4.1 per cent in the three months to May.² This is the biggest quarterly rise since the financial crisis, and (along with ONS revisions to previous figures) brings unemployment roughly in line with Bank of England forecasts (Figure 2) – but the change

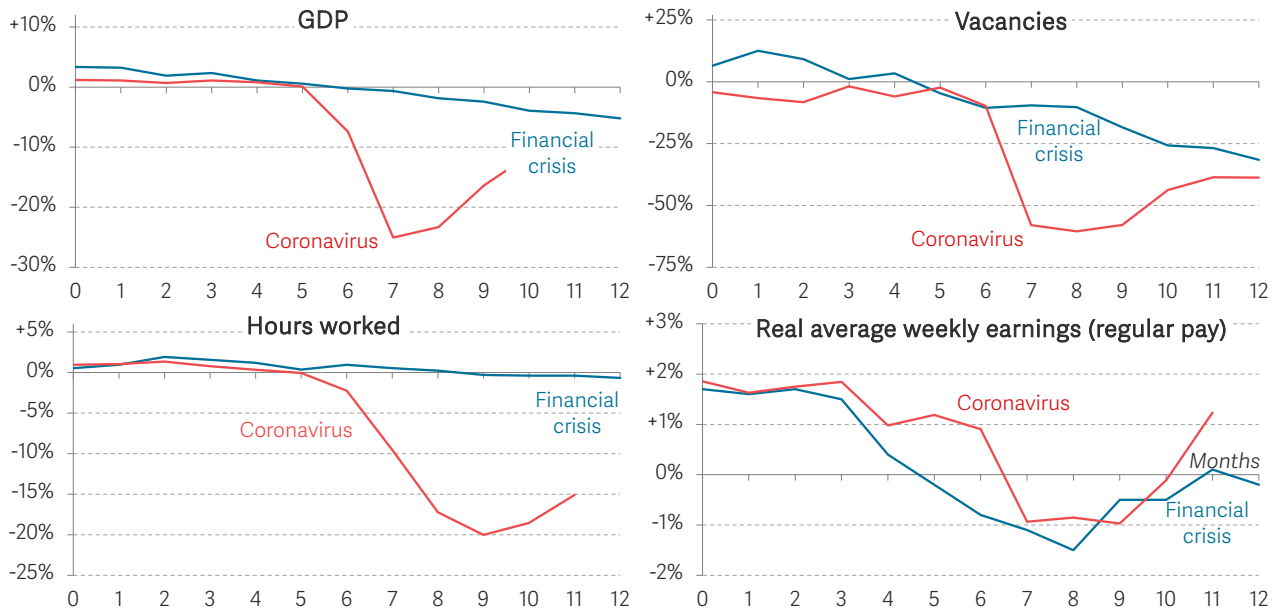
¹ While some of the pay growth in the latest data may reflect workers returning from furlough, it is also likely to reflect compositional changes: if lower-paid workers are more likely to lose their jobs (as evidence suggests is the case), the average worker still in employment will be higher-paid. See: N Cominetti & H Slaughter, [Low Pay Britain 2020](#), Resolution Foundation, September 2020.

² Office for National Statistics, [Labour market overview](#), October 2020.

has relatively muted to date compared to the indicators shown in Figure 1.³ More timely evidence from HM Revenue & Customs (HMRC) suggests that the number of employees on company payrolls has fallen by 685,000 between March and September, but this data source does not tell us much about the groups that have been affected.⁴

FIGURE 1: Key economic indicators fell sharply as the UK went into lockdown

Annual growth in GDP, vacancies, hours worked, and real average weekly earnings (regular pay), financial crisis and coronavirus crisis: GB/UK



NOTES: The horizontal axes show the number of months since January 2008 (financial crisis) and September 2019 (coronavirus). GDP, vacancies and hours worked data cover the UK, while earnings data covers GB. A version of Figure 1 first appeared in: N Cominetti, L Gardiner & H Slaughter, *The Full Monty: Facing up to the challenge of the coronavirus labour market crisis*, Resolution Foundation, June 2020. SOURCE: RF analysis of ONS, Labour Market Statistics.

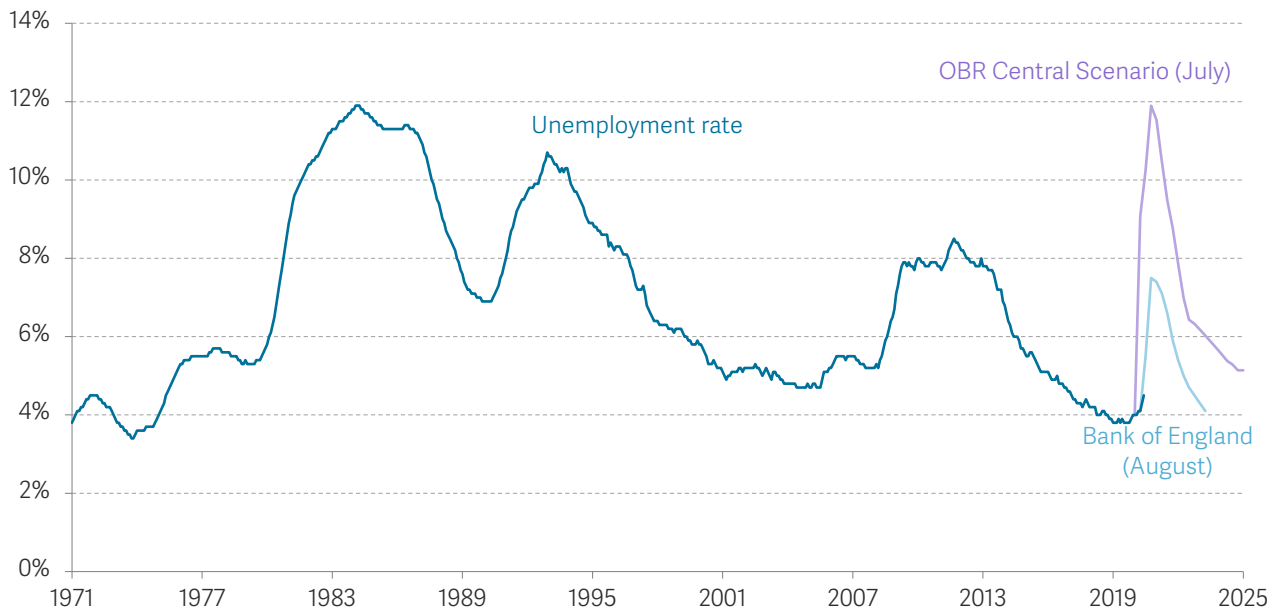
This pandemic induced economic crisis has hit everywhere hard. Unlike more geographically focused crises – like that of the 1980s – all local and regional labour markets have been affected. But some areas have been affected more than others: of all regions and nations, London’s labour market has seen the most significant disruption.

³ The October release of the ONS labour market statistics included an updated methodology to account for sampling bias introduced as data collection moved to fully remote at the outset of the coronavirus pandemic. This meant that estimates of the unemployment rate over the summer were revised upwards by up to 0.15 percentage points. This also means that we do not have single-month figures – which show a more up-to-date (though more volatile) picture of the labour market – in the latest release. See: J Athow, *Measuring the labour market during the pandemic*, National Statistical, October 2020; Office for National Statistics, *Labour market overview*, October 2020.

⁴ Office for National Statistics, *Real Time Information statistics reference table, seasonally adjusted*, October 2020.

FIGURE 2: The unemployment rate is beginning to rise

16+ unemployment rate: data and forecasts: UK



NOTES: A version of Figure 2 first appeared in: J Leslie & J Smith, Macroeconomic Policy Outlook Q3 2020, Resolution Foundation, September 2020.

SOURCE: ONS, Labour market statistics, October 2020; Bank of England, Monetary Policy Report, August 2020; OBR, Fiscal Sustainability Report, July 2020.

This can be seen in Figure 3, which shows HMRC data on the number of claims of the JRS, as well as the estimated change in the number of employees in each region. It can also be seen in data on the claimant count⁵, and in leisure⁶ and retail activity (as proxied by Google mobility data), which in October was down by 39 per cent in London compared to pre-covid levels – a much weaker recovery than the national average.⁷

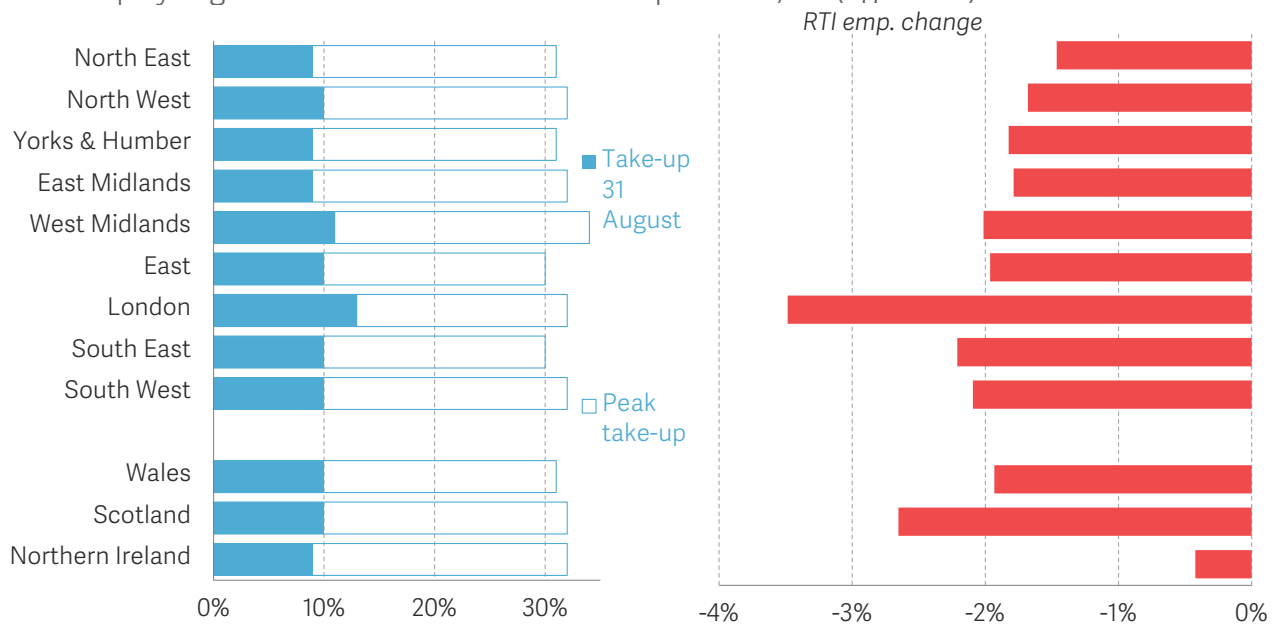
⁵ See, for example, the analysis at <https://www.centreforcities.org/data/uk-unemployment-tracker/>.

⁶ Throughout this report we apply the short-hand label “leisure” to sectors that labelled in our YouGov survey results as “arts, entertainment and recreation.”

⁷ Google, *Covid-19 Community Mobility Report: United Kingdom*, 6 October 2020

FIGURE 3: Everywhere has been hit hard by the current job's crisis, but London's labour market has seen the biggest disruption regions

Furlough claims as a proportion of employments (left-side) and change in regional employee growth on the same month of the previous year (right-side)



NOTES: The estimated fall in employees is assessed based on where employees live rather than the location of their place of work.

SOURCE: RF analysis of ONS & HMRC

So far, policy has helped to bear down on job losses but the coming months will prove challenging

Having been very generous initially, the UK's approach to economic policy during the summer was predicated on the idea that government support could phase out through the autumn alongside a hoped-for easing of restrictions and life returning to normal by Christmas. To that end, the Job Retention Scheme (JRS) required escalating employer contributions from August to October, and is due to end a matter of days after this report is published, while the grant for self-employed workers has been cut back dramatically beyond October 2020. The JRS has been replaced with a different scheme, the Job Support Scheme (JSS), but its original design was intended only to help employers keep staff on in short-time work, and not to allow for full furloughing.

It is now clear that this strategy was based on optimistic assumptions, evident in the two subsequent and much needed changes to the JSS. Reducing employers' wage contributions for hours not worked from 33 to 5 per cent, and reducing the minimum hours worked for staff to be eligible from 33 per cent of usual hours to 20 per cent, will incentivise more firms that are trading at below normal capacity to cut hours rather

than jobs, leading to lower job exits.⁸ In the few weeks before this report was published, several areas of England have been made to close pubs not serving food and various leisure businesses, Scotland temporarily closed indoor hospitality businesses serving alcohol after 6pm (and altogether in the central belt), Northern Ireland has closed most hospitality and leisure businesses, and Wales has gone the furthest, reverted to a situation similar to the one that existed in March, closing all hospitality, leisure and non-food retail (as well as asking households to stay at home).

This report provides a detailed assessment of the state of the labour market in September 2020, and a picture of how workers fared over the course of the crisis to date

In a fast-moving crisis, timely and detailed data is crucial for understanding the scale and nature of the impact on livelihoods and living standards, and for forming an effective policy response. To address the lack of timely data in the early stages of the pandemic, we fielded a survey in May to understand more about the groups that were affected by the initial impacts of the crisis.⁹ But local lockdowns and wider social distancing restrictions have persisted over the summer, and the impact on the labour market has continued to evolve alongside the withdrawal of the Coronavirus Job Retention Scheme and its replacement with the (less generous) Job Support Scheme.¹⁰

In September, therefore, we fielded a second survey of adults aged 18-65 to better understand the impact on workers in the more recent stages of the crisis. As well as providing us with timely data, this survey has three major advantages over official labour market statistics. First, we have been able to build a comprehensive picture of how workers are experiencing the jobs market by combining headline indicators (such as job losses and furloughing) with movements between different forms of employment and contract types, how workers view their future employment prospects, and how people are approaching job searches. Second, we have been able to break down our results by detailed demographic groups, job types, and local areas to better understand who is bearing the brunt of the coronavirus crisis. Finally, we have explored the dynamic aspects of how workers have fared since the start of the crisis.

The rest of this report is set out as follows:

- Section 2 considers how employees have moved between employment, furlough, and unemployment over the course of the crisis;

⁸ D Tomlinson, [Sorting it out: The Chancellor moves to fix the Job Support Scheme](#), Resolution Foundation, October 2020.

⁹ The main results are reported in L Gardiner & H Slaughter, [The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020.

¹⁰ T Bell et al., [The Winter \(Economy Plan\) is coming: Chancellor ramps economic support back up, but avoidable design flaws will limit its success in stemming the Autumn rise in unemployment](#), Resolution Foundation, September 2020.

Evaluating the effects of the current economic crisis on the UK labour market

- Section 3 looks in more detail at the changes in hours and pay that employees have experienced;
- Section 4 sets out how the crisis has impacted self-employed workers;
- Section 5 looks at movements between jobs during the crisis and how workers perceive their future employment prospects;
- Section 6 concludes by discussing next steps for policy.

Section 2: Employment

The UK's official unemployment rate has so far behaved in an unusual way given the size of the shock to the economy: the most recent headline labour market data shows an unemployment rate of 4.5 per cent in the three months to August, having risen by only one-half of a percentage point compared to the pre-crisis rate. In contrast, our new survey data suggests that the unemployment rate in September may be around three percentage points higher than it was before the crisis, implying 2.5 million unemployed, or an unemployment rate of just over 7 per cent¹¹. Our survey indicates that this slower-than-anticipated build up in unemployment is, to some extent, down to much lower-than-normal flows into work rather than job exits – corroborating official statistics on flows into and out of paid employee work.

Our survey also suggests that the increase in unemployment has been particularly sharp for the youngest age groups: we estimate that unemployment was 20 per cent in September among 18-24 year olds. As we found in our May survey, workers on insecure contracts and those in hospitality, leisure and other sectors affected by lockdown are much more likely to be not working any more, to have been furloughed, or to have lost hours and pay. And while the lowest-paid workers are substantially more likely to have experienced these employment changes (with 30 per cent of those in the bottom pay quintile having lost their job, lost hours or pay since February), workers across most groups have experienced these changes, including 11 per cent of those in the top pay quintile.

Our data also shows (for the first time) what has happened to those workers who were furloughed during lockdown. More than half have returned fully to work, and one-third are still furloughed (either fully or partially). But 9 per cent were no longer working by September. This is higher than the normal rate of moves out of work, and higher than the 5 per cent of workers who weren't furloughed in that period who are now not working¹². As has been shown before, rates of furloughing, along with employment impacts in general, vary considerably across groups of workers. But we also find that

¹¹ These calculations were produced independently by the Resolution Foundation based on YouGov survey data. The unemployment rate was calculated according to the ILO definition of the number of unemployed divided by the number of economically active.

¹² This statistic was produced following independent analysis by Resolution Foundation of YouGov survey data.

there are similar patterns in terms of the outcomes of those workers that have been furloughed. For example, furloughed workers who are young and those in insecure work were more likely than other furloughed workers to be not working in September.

The inevitable lag in obtaining high-quality data means that, so far, most detailed analysis of the labour market impact of this crisis has focused on its early phase, when the economy went into lockdown. Our own survey showed the impact on employment, pay and hours in May, revealing how the young and the low paid had been worst affected. But less is known about what has happened since, as the economy has reopened. What state is the labour market in now as we enter a new period of tighter restrictions on activity, and with support for jobs becoming less generous?

Our survey suggests unemployment is rising sharply, particularly for the young

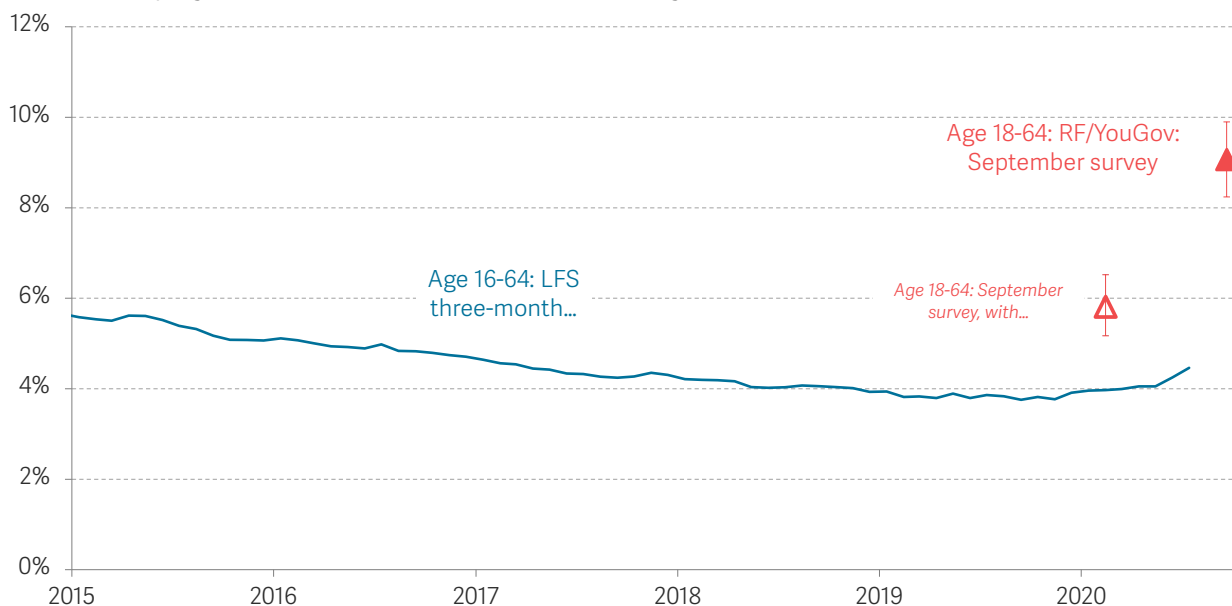
We start with the big picture. Our survey data suggests that unemployment by the end of the Summer was significantly higher, and employment lower, than before the crisis. Specifically, in our survey, the unemployment rate among 18-65 year olds (the age group covered by our sample) was 3.2 percentage points higher in September than February, and the employment rate 3.1 percentage points lower.¹³

Figure 4 shows the estimate of the unemployment rate among 16-64-year-olds from the Labour Force Survey and an estimate of the 18-64-year-old unemployment rate from the RF/YouGov survey (the red triangles). The two series are not directly comparable since they cover different age ranges, cover different time periods (single months rather than three month averages) and have a number of other methodological differences that will be driving the two percentage point difference between the two estimates for February. But there is no reason to think that the change in the level in the RF/YouGov survey is not indicative of the likely change in the LFS measure. A similar rise in the LFS measure would imply a headline 16+ unemployment rate of just over 7 per cent in September, a little less than double the pre-pandemic rate. This would equate to unemployment of around 2.5 million, up from 1.3 million pre-pandemic (in February).

¹³ The calculations in both this and the following paragraph are the result of independent analysis by Resolution Foundation of YouGov survey data.

FIGURE 4: New survey results suggests the unemployment rate had risen significantly by September

Unemployment rate: ONS Labour Force Survey and RF/YouGov: UK



NOTES: The (small) number of respondents reporting they are both furloughed and unemployed in the RF/YouGov have been treated as employed. N=5,923. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave; and ONS, Labour Force Survey.

A rise in unemployment by the end of this year is widely expected to happen – the latest forecasts by the Bank of England¹⁴ and the OBR¹⁵ have the unemployment rate rising to 7.5 per cent and 11.9 per cent by the end of 2020 respectively. An unemployment rate of 7 per cent in September would be somewhere in between those forecasts – it implies a faster rate of increase than the Bank’s forecast (which forecast an unemployment rate of 5.5 per cent by this point in the year) but a lower rate of increase than the OBR’s. It is also consistent with the latest data on redundancies, which suggest a growing labour-market shake out over the Summer, before the end of the JRS, with redundancies in the three months to August rising to more than double their pre-pandemic levels, and employers announcing significant plans for redundancies in June and July.

But we should note that our September data implies a considerably larger impact on employment than has so far been seen in the official labour-market data. The most recent estimate of the unemployment rate from the LFS available, for the three months to August, shows an unemployment rate of just 4.5 per cent. It is on an upward trajectory, rising for two months in a row, but remains only half a percentage point higher than the pre-crisis levels. The LFS estimate is centred on July, and is therefore two months older

¹⁴ Bank of England, *Monetary Policy Report*, August 2020.

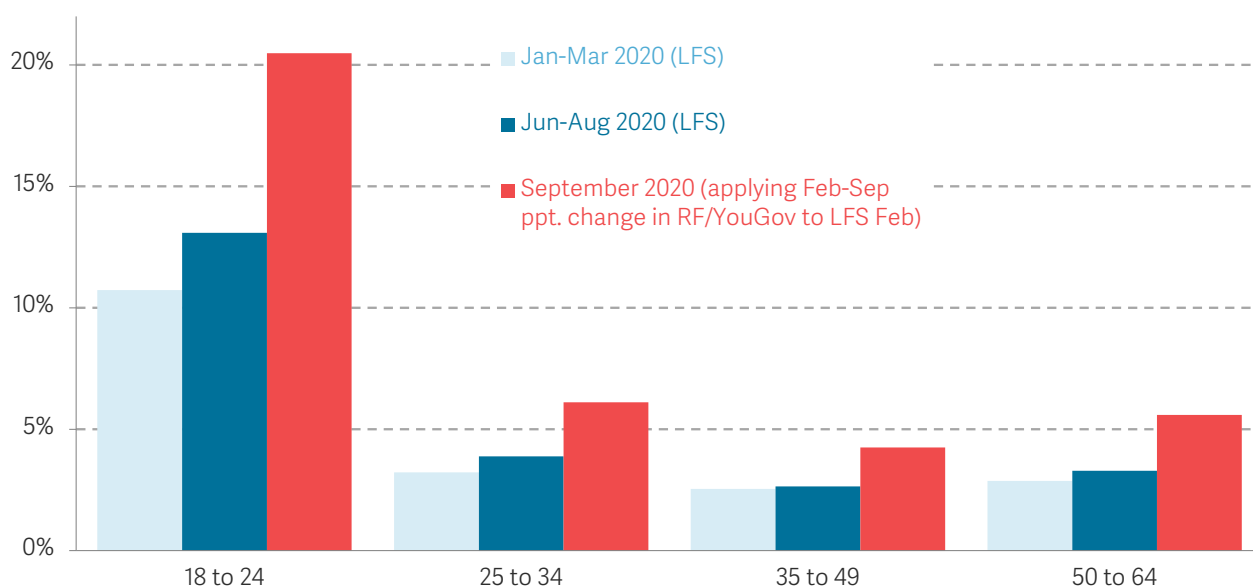
¹⁵ Office for Budget Responsibility, *Fiscal Sustainability Report*, July 2020.

than our data – so the difference might in part be due to timing.¹⁶ The fall in employment suggested by our data is also bigger than that suggested by the more timely HMRC measure of paid employees, which in September was 2.4 per cent down on February (the fall in the employment rate in our survey data among 18 to 65 year olds – from 75 per cent to 72 per cent – suggests a fall employment among of 4 per cent among that age group).

More consistent with existing data the headline result, though, is the finding from our survey that unemployment has risen most for younger people. Our data suggests a very sharp increase in youth unemployment by September – a rise of 10 percentage points for the 18-to-24-year old group from February. Applying this to the LFS data from February suggests an 18-24 unemployment rate of 20 per cent in September (see the red bars in Figure 5), which amounts to approximately 750,000 unemployed 18-24-year-olds in September, up from 420,000 in February.¹⁷ Rising unemployment among the youngest age groups is already evident in the Labour Force Survey and other data from earlier stages in the crisis.

FIGURE 5: Unemployment is rising most among the young

Unemployment rate by age group: ONS Labour Force Survey and RF/YouGov: UK



NOTES: The September estimate is based on the percentage-point increase in the unemployment rate by age group between February and September in the RF/YouGov survey, added to the LFS estimate for February. N = 5,921. These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave, and ONS, Labour Force Survey.

¹⁶ Unlike the LFS measures we quote, our data are not seasonally, but the seasonal factors are generally of the order of 0.1-0.2pp

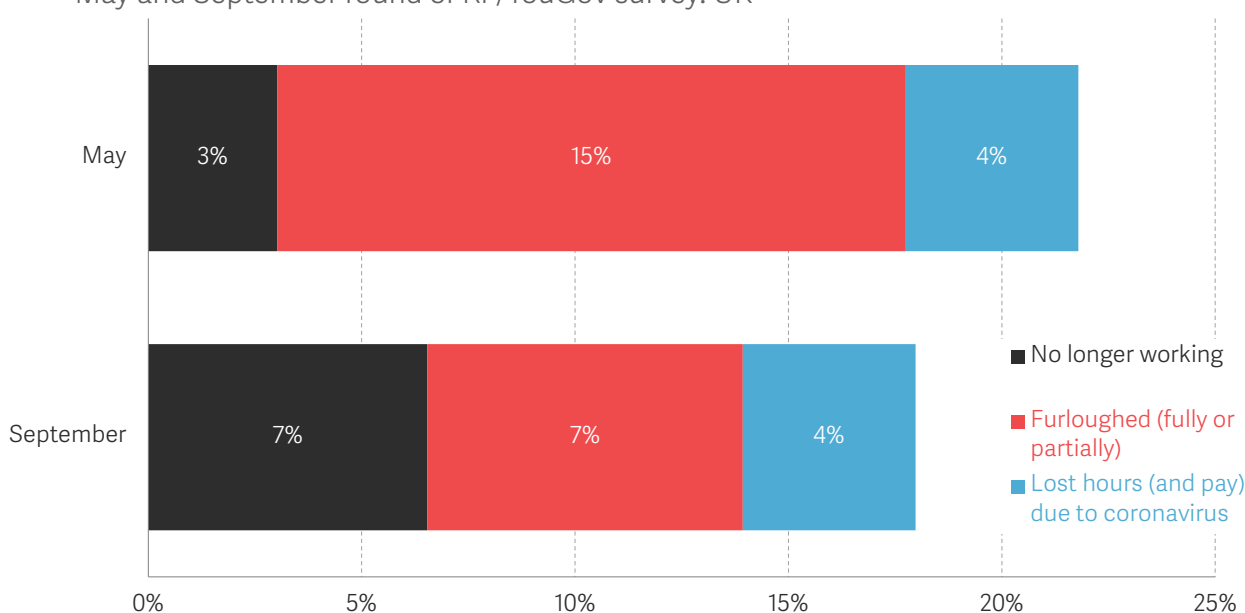
¹⁷ This calculation applies the 20% unemployment rate to the number of economically active 18-24 year olds in the LFS, assuming that the approximate 1 per cent per month fall in the number of economically active 18-24 year olds which occurred between April and July continues in August and September.

Rising unemployment is mainly down to lower flows into work rather than higher job exits

Another way of showing the employment impact of the crisis is to look at the trajectories of those that were employed before the crisis. Figure 6 shows the proportion of those that were employed before the crisis (in February) who have experienced one of three changes in status – they are no longer working, are furloughed, or have lost hours and pay due to the crisis. We asked a similar question in our May survey, so this allows us to compare the impact on that employed group at the peak of the crisis (May) and at a point where economic activity has recovered somewhat (September).

FIGURE 6: Those employed before the pandemic were more likely to be out of work by September compared to May, but less likely to be furloughed

Change in employment status among those who were employed pre-coronavirus, in May and September round of RF/YouGov survey: UK



NOTES: No longer working category includes both unemployed and economically inactive. Based = all in employment in February. N = 4,479 in September survey, and 4,309 in May survey. Both figures compare to February, i.e. the May bar shows changes from February to May, and the September bar changes from February to September. These figures have been analysed independently by the Resolution Foundation. SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) – May and September waves.

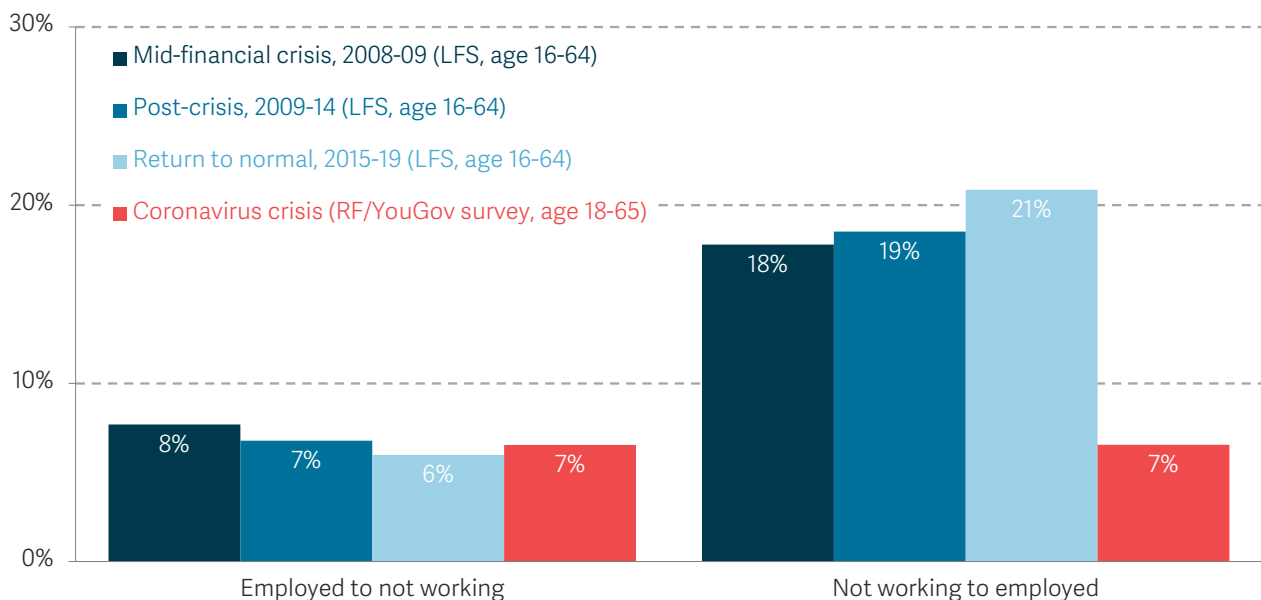
In September, 17 per cent of those in employment in February were either no longer working, were furloughed, or had lost hours and pay due to the coronavirus crisis. This is smaller overall impact than when we measured the same outcomes in May, when 22 per cent of the employed had experienced one of those impacts. The main change is the fall in the proportion of respondents that were furloughed in September; this is fully in line

with the administrative data on the rates of furloughing¹⁸. The proportion of respondents who had experienced a loss of hours and pay due to the crisis was unchanged on May, which is perhaps surprising given the improvement in activity levels since then.

The proportion of those no longer working was higher than in May, up from 3 per cent to 7 per cent. However, even in normal times, after four more months have elapsed we would expect a higher proportion of the group working in February to have left work due to natural job turnover.

FIGURE 7: Rising unemployment is mainly driven by low flows into work rather than job exits

Seven month flows between employment and not working, February to September period from RF/YouGov survey, and estimated in previous periods based on LFS two-quarter flows: UK



NOTES: Base for YouGov/RF flows data is all those (age 18-65) with non-missing employment status for February and September, N = 5,886. Seven-month flows estimates for earlier periods are calculated from two-quarter flows data from the Labour Force Survey as published by the ONS. These are calculated by rolling forward a two-state (employed / not-employed) transition matrix for one and two quarters (i.e. giving destinations after six and nine months) and taking the point a third way between those estimates. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) – September wave; ONS, Labour Force Survey flows estimates.

It’s more useful to compare these flows to what we would expect in normal times or to what happened in the last crisis. Figure 7 shows the transition rates out of and into employment from February to September according to our survey data, and an estimate

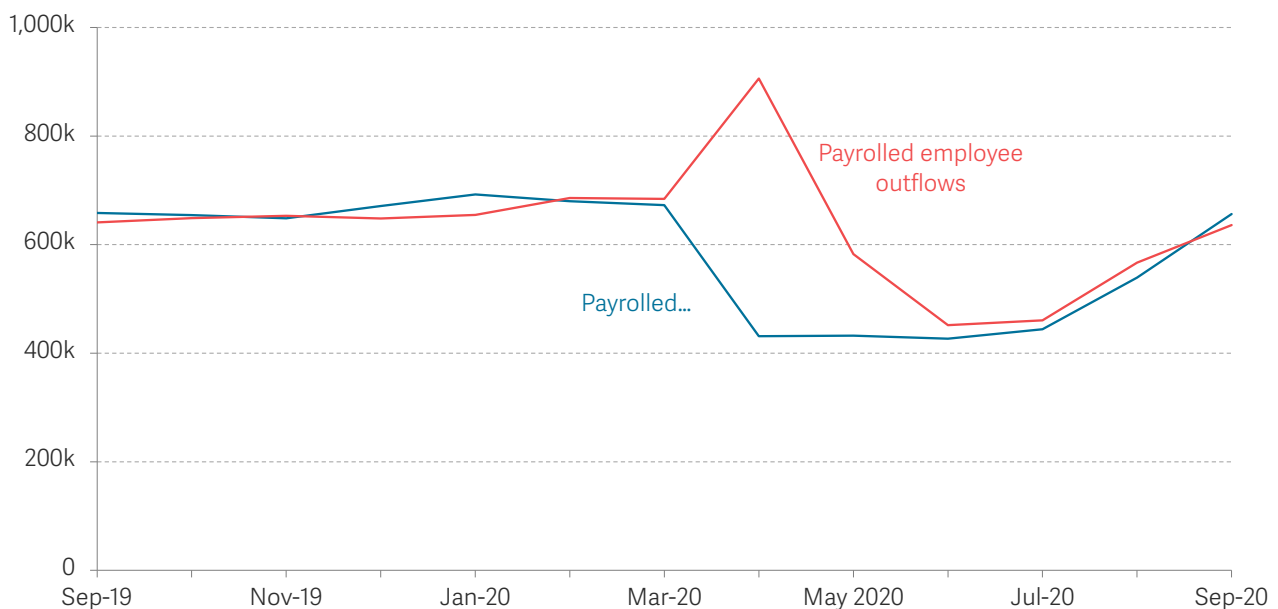
¹⁸ HMRC, [Coronavirus Job Retention Scheme statistics](#), September 2020.

of equivalent seven-month transition rates from earlier periods.¹⁹ It's clear that the outflows from employment in this period are the same as we would expect in normal times: the 7 per cent outflow rate from February to September is slightly higher than the 6 per cent in the 2015-19 period, and slightly lower than the 8 per cent during the financial crisis. Outflows in this period have been limited, of course, by the Job Retention Scheme, which has meant that employers have had little financial incentive to make job cuts.

Instead, our survey suggests that the major difference between this crisis and previous periods (both the financial crisis and 'normal times') is the much lower rates of employment inflows that took place between February and September. In the pre-pandemic period (2015-19), on average, just over 1 in 5 working age people not working at any given time were in employment seven months later. Even during the immediate financial crisis period this fell only slightly to 18 per cent. But our survey suggests that only seven per cent of those not working in February were in employment in September – a much lower rate of employment entry than in normal times.

FIGURE 8: The number of employees flowing into work has improved after falling by 240,000 in April, but it is still beneath pre-crisis levels

Number of payrolled employees flowing into and out of the PAYE system, UK: October 2020



NOTES: The number of payrolled employees refers the number of people receiving paid remuneration included in PAYE RTI for work done in the reference period.

SOURCE: RF analysis of ONS, Earnings and employment from Pay As You Earn Real Time Information, UK: October 2020.

¹⁹ We estimate 7-month transition rates by taking 3-month transition matrices from the LFS and either squaring or cubing them to get 6- and 9-month transition rates, and then take a weighted average of these to get 7-month rates. These estimates are accordingly only indicative.

This is consistent – at least qualitatively – with what we know about employment flows in the crisis from other data. In particular, as shown in Figure 8, data on inflows to and outflows from employee employment shows inflows in April were a third lower than in March, and remained at roughly that level until July (although they were back to pre-crisis levels by September). Outflows, meanwhile, rose initially (in April) but were then lower than normal in the following months.

The employment hit from the crisis remains concentrated on certain sectors and certain types of workers

The overall impact on employment shown in Figure 6 hides a great deal of variation for different groups of workers, and we show this in Figure 9. As we showed in our May survey, workers in hospitality, leisure and other sectors affected by lockdown are much more likely to be not working any more, to have been furloughed, or to have lost hours and pay. Other groups more affected by the crisis include those who were working an ‘insecure’ job in February (defined as those with a temporary or zero hours contract, or those working through an agency), 20 per cent of whom are no longer working; younger and older workers; those working in the lowest-paid jobs; and those working for smaller employers.

In contrast, we find that there are only small differences in employment outcomes according to workers’ gender, ethnicity (our sample size does not allow us to test differences according to detailed ethnicity categories, but the outcomes for an aggregated ‘Black and Minority Ethnic’ group is similar to outcomes for all workers), and parenthood status (we have not shown parenthood status by gender in the chart below, but outcomes are similar for employed mothers and fathers as well). However, we should note that others have found a gender gap between parents, with mothers more likely to be furloughed than fathers, which the authors attribute to inequalities in caring responsibilities.²⁰

We showed in May that the highly-varying sectoral impacts were the main drivers of the differences observed across other groups, although we did find that those working in low-paid jobs were more likely to have experienced employment impacts even after controlling for sectors and other job characteristics.²¹ Age was not a significant factor, apart from weak evidence of a relationship with the likelihood of having left employment. In our September survey, that picture is still broadly true – regression analysis shows that sector is the most important factor (particularly in determining furloughing and loss of pay and hours) and that the low paid were more likely to have been furloughed or to have

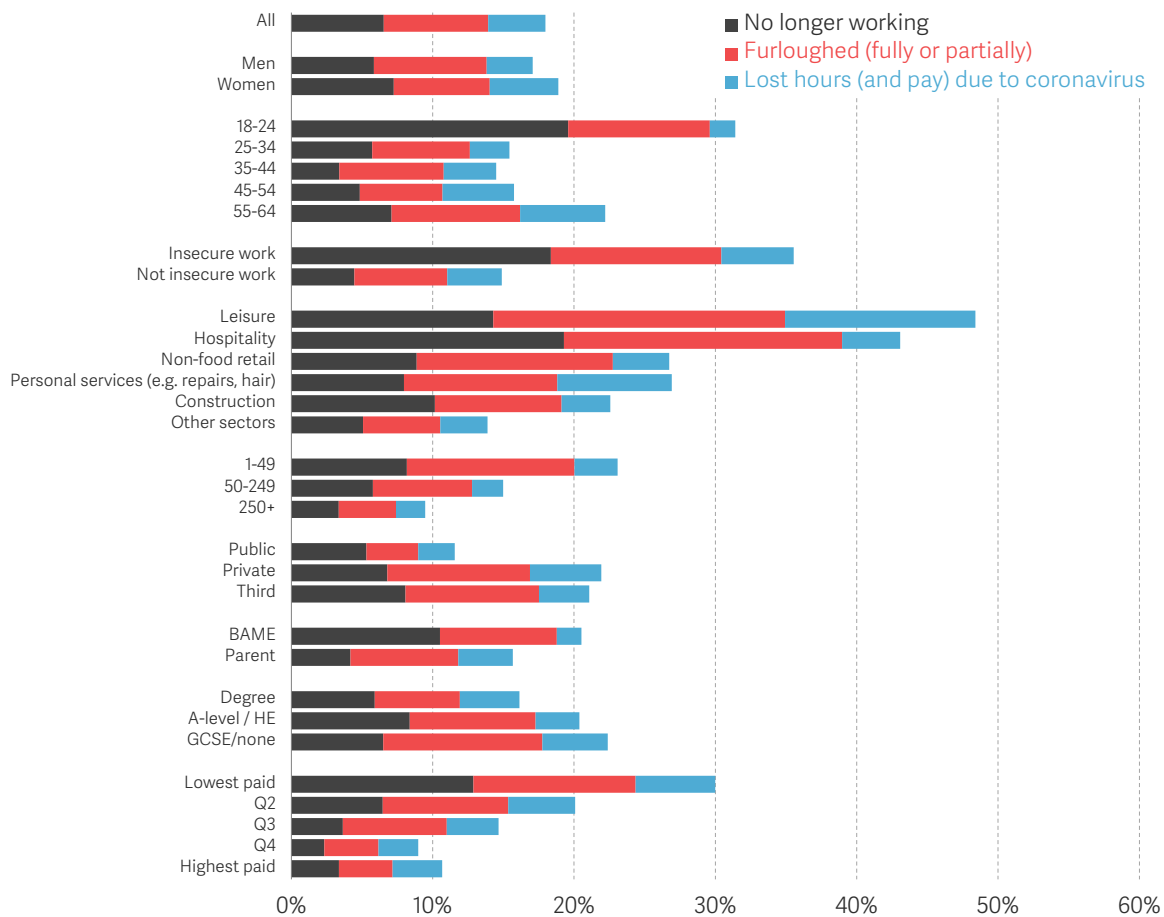
²⁰ A Adams-Prassl et al, *Furloughing*, University of Cambridge, August 2020.

²¹ N Cominetti, L Gardiner & H Slaughter, *The Full Monty: Facing up to the challenge of the coronavirus labour market crisis*, Resolution Foundation, June 2020.

lost hours and pay, even controlling for a range of job and person characteristics. There is, however, clearer evidence in these regressions that age is playing a role independent of other factors in individuals' employment trajectories in the September data, particularly when it comes to the likelihood of having left employment.

FIGURE 9: Employment effects vary widely across groups, with those working in hard-hit sectors, the young, and the low paid, worst affected

Change in employment status in September compared to February among those who were employed pre-coronavirus (in February): UK, data collected 17-22 September 2020



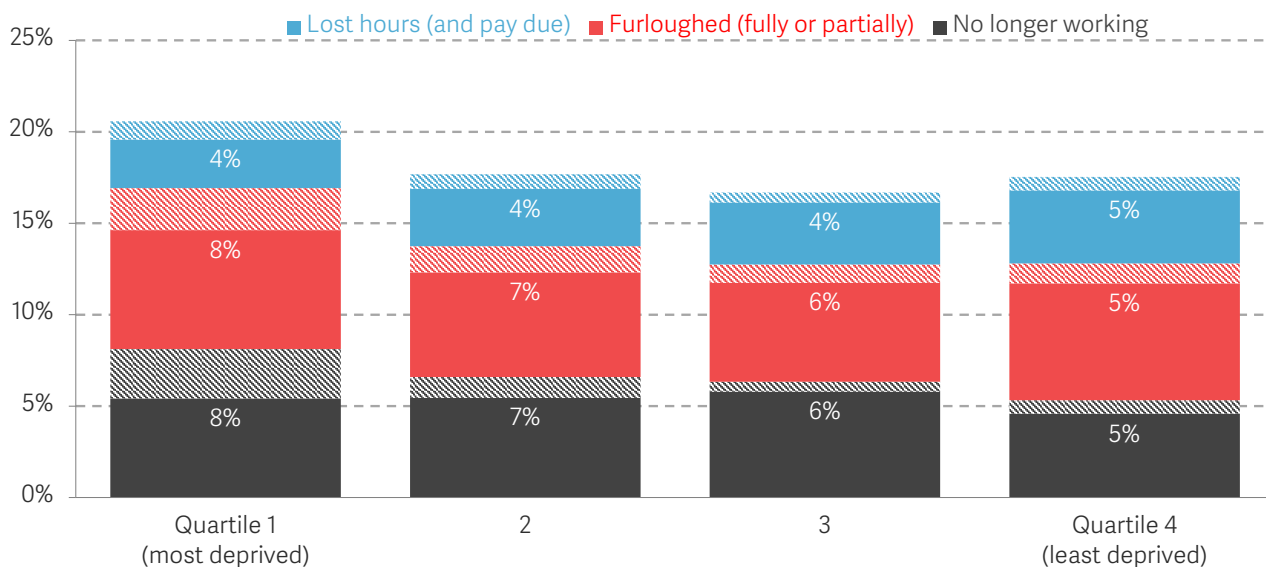
NOTES: Base = all those in employment in February (N=4,479). Sample size for the subgroups are as follows. Men: 2,175, Women: 2,261; age 18-24: 382, age 25-34: 1,133; age 35 to 44: 1,093, age 45-54: 1,128, age 55-64: 647; Insecure work: 648, Not insecure work: 3,788; Leisure: 196, Hospitality: 168, Non-food retail: 194, Personal services: 205, Construction: 120; Other sectors: 3,460; Employer size 1-49: 1,143, 50-249: 954, 250+ 1,404; Public sector: 1,711, private sector: 2,247, third sector: 332; BAME: 274, Parent: 1,494; Highest qualification is degree: 2,874, A-level or equivalent: 851, GCSE or equivalent or lower: 625; Pay quintile 1: 729, quintile 2: 773; quintile 3: 724, quintile 4: 713, quintile 5: 740. Insecure work defined as including zero-hour contract, agency worker, temp worker, or variable hours contract. Pay quintiles are based on weekly net (take-home) usual pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) – September wave.

Although our survey is not large enough to do detailed geographical analysis, Figure 10 shows how employment trajectories since February vary by the level of area deprivation. The clearest difference is between people who live in the most-deprived quartile of output areas, where over one-in-five (21 per cent) workers were either not working, furloughed, or had lost hours (and pay) in early September. The hatched areas on the chart show that impact on the most deprived areas is to a significant effect driven by the impact on London areas specifically: one-in-four (28 per cent) of those in the bottom quartile who lost their jobs, lost hours or were furloughed were living in London - far higher than for each of the other deprivation quartiles.

FIGURE 10: One-in-five workers in the most deprived places were not working or still furloughed at the beginning of September, but more than one-in-four of these workers live in London

Reported change in employment status among those who were employed pre-coronavirus, in the September round of RF/YouGov Survey, by IMD quartile, where hatches refer to the proportion made up by London: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak (Base for quartiles 1 n=1080, 2 n=1111, 3 n=1107, 4 n=1115). We derive IMD estimates using the ONS Postcode Directory (ONSPD) to match the four digits of a respondent's postcode with the IMD by output area (see annex). It is important to note that this is a 'best fit' estimate. These figures have been analysed independently by the Resolution Foundation.

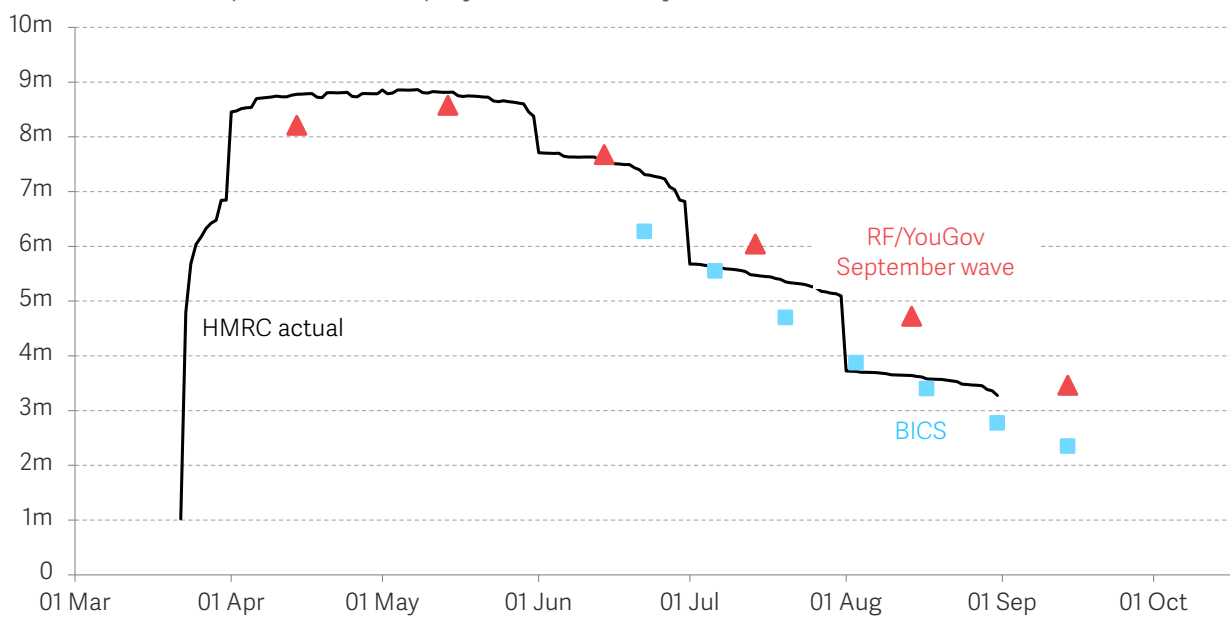
SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) – September wave.

Take up of the furlough scheme continues to fall, and more furloughed workers are partially rather than fully furloughed

An important question for policy makers is what has been happening to furloughed workers. We know that take up of the furlough scheme has been falling since May: data from HMRC shows take up peaked in May at just below 9 million, and has since fallen to 3.3 million in the latest data, for the end of August. Our new survey data also shows this trend, and suggests that the number of furloughed workers continued to fall through September. The estimate of total furlough take up is biased upwards compared to the actual data, and compared to the ONS’s Business Impact of Coronavirus Survey, from which we can infer an estimate of 2.3 million workers on furlough in mid-September.²² All data series show the same trend, however, of furlough take up falling, but remaining significant at the end of the summer.

FIGURE 11: Furlough take up has fallen since May, but there were still 3 million workers on furlough at the end of August

Status in September of employees in February: UK



NOTES: Furlough numbers from RF/YouGov survey derived by applying the proportion reporting furloughed (fully or partially) to 18-65 population (from ONS). N = 4,479. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave; ONS, Business Impact of Coronavirus Survey; and HMRC Job Retention Scheme statistics.

From July onwards, the JRS has allowed partial furloughing, where furloughed workers doing some work for their employer have their non-working hours subsidised. This has

²² Although, it’s worth noting that HMRC expect to revise up the actual data for July and August data by as much as 12 per cent once all returns are received. This would bring the actual series closer to the estimates from our estimates based on analysis of the YouGov survey.

become an increasingly important component of overall furloughing. Official data show that, by the end of August, there were 1 million workers on partial furlough, along with 2.2 million on full furlough – partial furloughing accounted for 30 per cent of the total.²³ In our survey, we find that in September, partial furloughing comprised a similar proportion of overall furloughed employments. But it's worth noting that the trend in the actual data is that, since July, the number of workers on partial furlough has been steady, while the number on full furlough has fallen, meaning partial furloughing accounted for a larger share of furloughed employments in August than in July.

Figure 12 sets out the full/partial furlough breakdown, showing actual data up to August, followed by the estimate from the RF survey for September. It also shows the total estimate from the RF survey for earlier months to make clear the upwards bias in the RF survey estimate for July onwards. This means that our chart should not be interpreted as suggesting that the number of furloughed workers was unchanged in September – based on trends since May, it looks very likely that overall take-up of the furlough scheme will have continued to fall in September. Indeed, estimates from our survey suggest take-up fell by a quarter between August and September.

Another interesting result from our survey is that it suggests a minority of workers on furlough were still asked to work by their employer – distinct from those who identified as partially furloughed (specifically, the wording in the question was: “I was furloughed - receiving full furlough pay – but my employer still asked me to work”). This is the light blue bar in Figure 12. This option was intended to capture the incidence of workers being asked to work while on full furlough, against the rules of the scheme. This group constitutes 5 to 8 per cent of furloughed workers in our sample in each month, and is indicative of some degree of improper use of the JRS. For comparison, HMRC itself has suggested that the scheme may carry a 5-10 per cent error and fraud rate.²⁴ Furthermore, a survey by the National Audit Office suggests that 9 per cent of furloughed workers continued to be asked to work by their employer – slightly higher than our estimates.²⁵

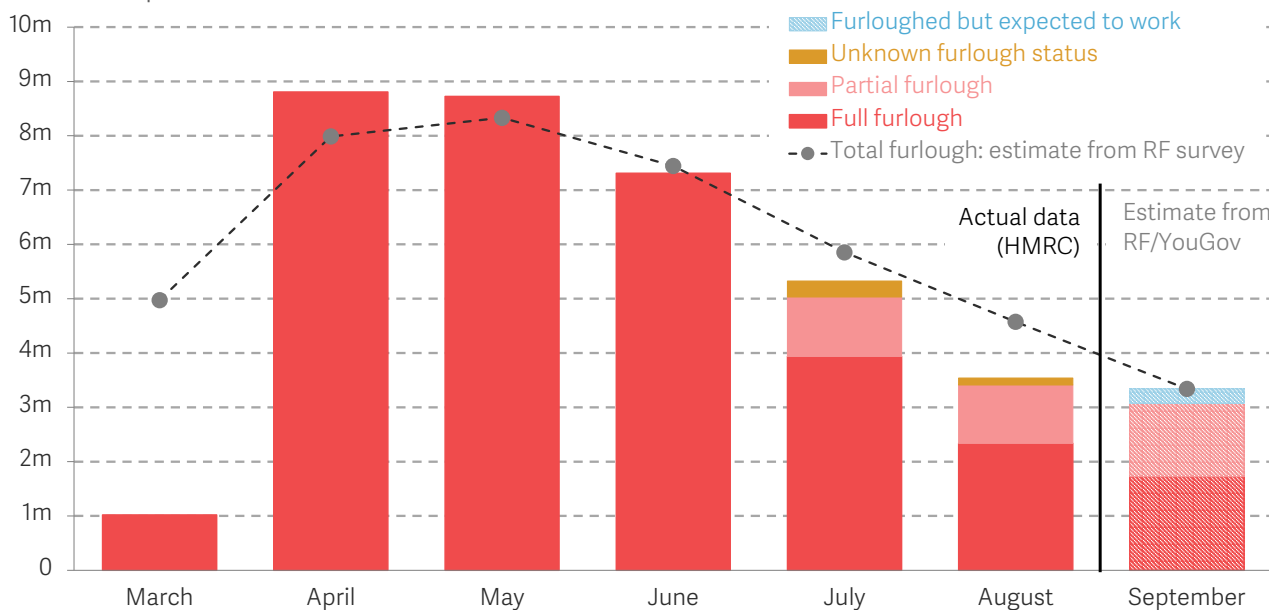
²³ The JRS only allowed partial furloughing from July onwards, and so it's not clear how to interpret respondents that reported they were partially furloughed before that point. The language of that option in the questionnaire (“I was partially furloughed i.e. I received partial furlough pay and still worked some hours”) was intended to mean partial furloughing for one employer, rather than being furloughed and doing some work for a different employer, but it is possible respondents are confusing those categories. Alternatively, it could be that respondents are confusing this response with (“I was furloughed - receiving full furlough pay – but my employer still asked me to work”).

²⁴ BBC, ‘[Coronavirus: Up to £3.5bn furlough claims fraudulent or paid in error – HMRC](#)’, 8 Sep 2020.

²⁵ BBC, ‘[Nearly ‘one in 10’ furloughed staff were asked to work](#)’, 23 Oct 2020.

FIGURE 12: Use of the furlough scheme is falling, and a greater share of furloughed workers are on partial furlough

Number of furloughed workers, by month and furlough category: UK, data collected 17-22 September 2020



NOTES: Furlough numbers from RF/YouGov survey derived by applying the proportion reporting furloughed (fully or partially) to 18-65 population (from ONS Labour Force Survey). The wording in the question is as follows: Which ONE, if any, of the following describes your situation in relation to furlough during each of the following months of 2020? I was not furloughed; I was furloughed and not working (coded as 'fully furloughed'); I was partially furloughed – i.e. received partial furlough pay and still worked some hours (coded as 'partially furloughed'); I was furloughed - receiving full furlough pay - but my employer still asked me to work (coded as 'furloughed but expected to work'). N = 4,479. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave, and ONS, Labour Force Survey.

Workers who were furloughed during lockdown were more likely than other workers to no longer be working by September

An important question for policy makers is what has happened to the workers who were on furlough. In Figure 13 we look at the employment status in September of those workers who were furloughed during the March to June lockdown period, and compare this to workers who were employed but not furloughed in this period.

We find that the majority (55 per cent) of workers who were furloughed during lockdown are now working again, and no longer furloughed (with 1 in 10 of this 'still working and not furloughed' group having changed employers during the crisis). One-third (32 per cent) of workers in our survey who were furloughed during lockdown were still furloughed in September: 18 per cent fully furloughed, and 14 per cent had been moved onto partial furlough. Finally, 9 per cent of workers who were furloughed during lockdown were

no longer working in September (there is a very small residual who moved into self-employment).

HMRC has recently published data on the outcomes of workers who were furloughed during lockdown. It shows that 90 per cent of those who have since left the furlough scheme were still working, in August, for the same employer. This is a higher rate of retention than is suggested in our data – although our data refers to September, and HMRC's to August. In our data, of those who were furloughed during lockdown (March to June) but were not furloughed in September, only 74 per cent were working for the same employer in September (although a further 10 per cent were working but for a new employer).²⁶

As discussed above, a certain amount of movement out of work is a natural feature of the labour market. But it's clear from comparing those workers who were furloughed in lockdown (the higher bar in Figure 13) with those who weren't (the lower bar), that the former are more likely to have ended up out of work in September: 9 per cent compared to 5 per cent among those workers who weren't furloughed during lockdown. But the outcomes of furloughed workers don't appear to vary significantly depending on whether a worker was furloughed only during lockdown or still furloughed at a later point: 8 per cent of those furloughed only during lockdown (March to June) were not working by September, compared to 10 per cent of those furloughed both during lockdown and in a subsequent month.

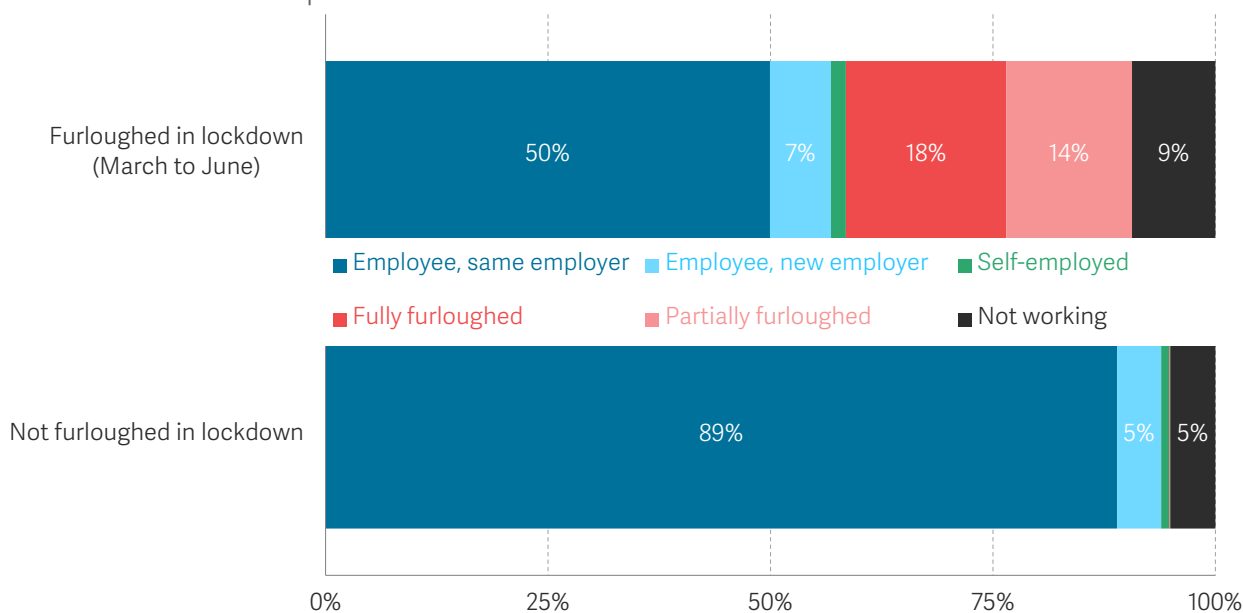
The outcomes for furloughed workers vary considerably for different groups of workers, with the patterns in many cases similar to those shown for overall employment effects shown in Figure 9. Figure 14 shows the status in September of those workers who were furloughed during the March to June lockdown period, as a proportion of total employees in each category. The total bars therefore show the proportion of workers furloughed in each category (revealing, for example, that only a quarter of workers in hospitality were not furloughed at some point). As is now well-known, some sectors, such as hospitality, non-food retail and leisure, were much more likely to make use of the furlough scheme than others, and these sector effects explain most of the differences in furloughing across other groups, including higher rates of furloughing among the young and lower-paid workers.²⁷

²⁶ HMRC, *Coronavirus Job Retention Scheme statistics, secondary analysis of ended furloughs*, October 2020

²⁷ This is based on a regression analysis. See: N Cominetti, L Gardiner & H Slaughter, *The Full Monty: Facing up to the challenge of the coronavirus labour market crisis*, Resolution Foundation, June 2020.

FIGURE 13: Workers furloughed in lockdown were around twice as likely as other workers to no longer be working by September

Change in employment status among those who were employees in February: UK, data collected 17-22 September 2020



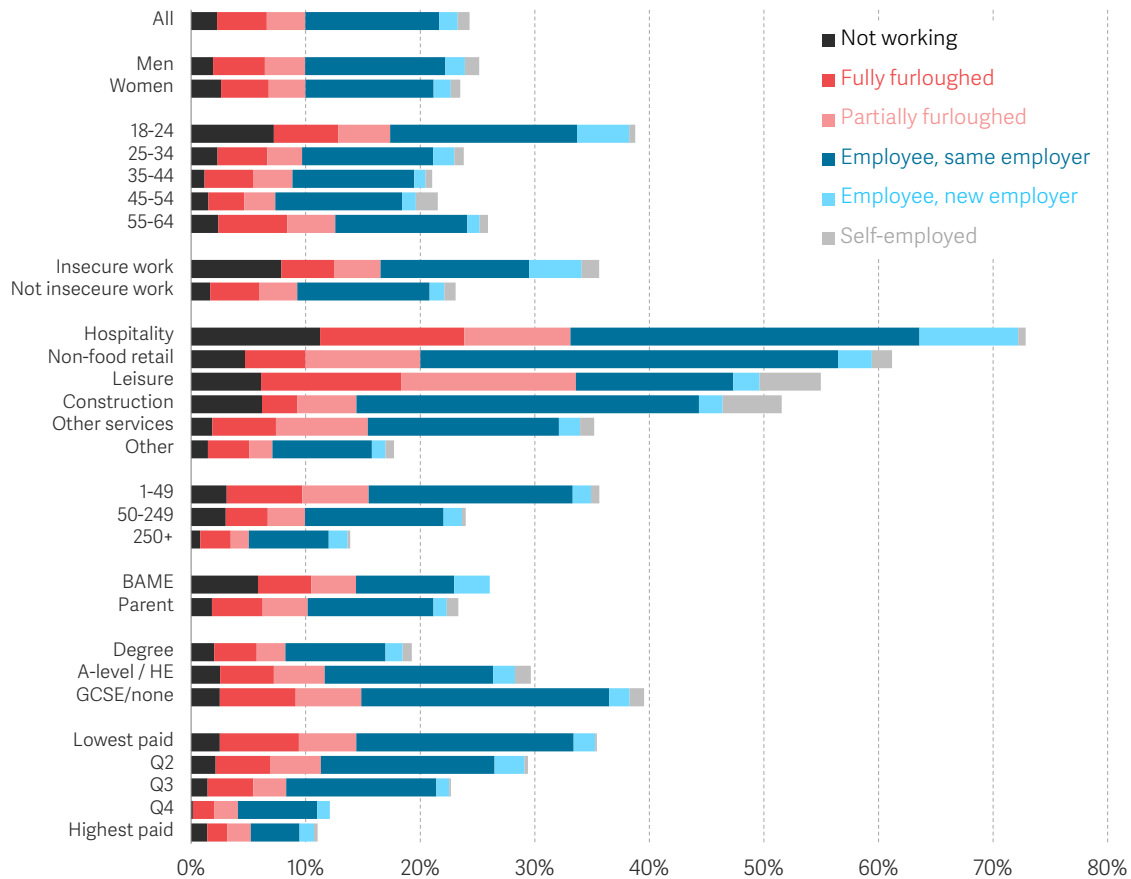
NOTES: Base is all employees in February. Sample sizes are: Furloughed in lockdown period, N=978, Not furloughed in lockdown period: N=3,075. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

However, there are also significant differences in outcomes within the group of workers who were furloughed during lockdown. Workers’ job and personal characteristics didn’t just shape who found themselves furloughed, but also what subsequently happened to those workers that were furloughed. The likelihood of a worker who was furloughed during lockdown not being in work by September was particularly high for the young (19 per cent of workers age 18-24 who were furloughed in lockdown were no longer working in September), for those in insecure work (22 per cent), for BAME workers (22 per cent); and those working in hospitality (15 per cent).

FIGURE 14: The trajectories of furloughed workers vary across different groups, with young furloughed workers more likely to no longer be working by September

Status in September of workers who were furloughed during the lockdown period (March to June), as a proportion of employees in February: UK, data collected 17-22 September 2020



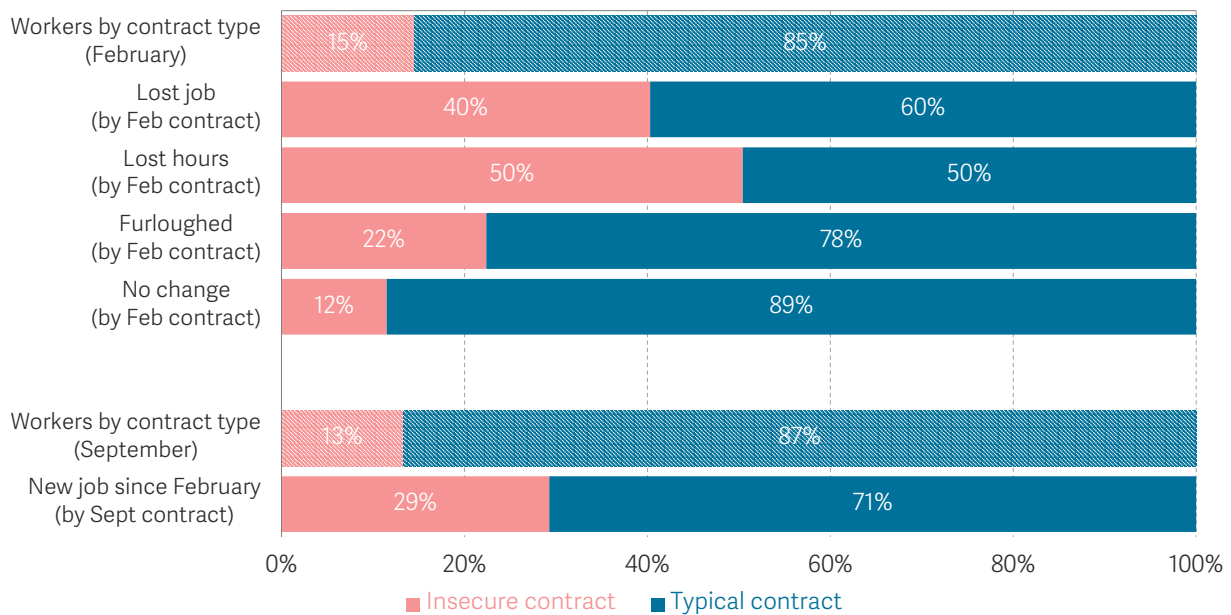
NOTES: Base is all employees in February. Sample sizes are: All 4,053, Men 1,988, Women 2,065; Age 18-24 374, 25-34 1,084, 35-44 1,017, 45-54 994, 55-64 548; In insecure work 393, Not in insecure work 3,660; Hospitality 151, Non-food retail 170, Leisure 131, Construction 97, Other services 162, Other 3,258; Employer size 1-49 1,381, 50-249 926, 250+ 1,390, BAME 257, Parent 1,376; Qualification degree level 2,622, A-level or equivalent 789, GCSE or below 559; Pay quintile 1 638, quintile 2 653, quintile 3 626, quintile 4 636, quintile 5 634. Insecure work defined as including zero-hour contract, agency worker, temp worker, or variable hours contract. Pay quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation. SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

Workers on insecure contracts formed a disproportionately large share of all workers who have either lost their job since February or been furloughed

The number and share of surveyed UK adults working on an insecure contract²⁸ grew rapidly in the aftermath of the financial crisis, in part because of the flexibility in scheduling and firing, and, in some cases, the reduced staff costs that they bring to employers.²⁹ We might also expect that these features of insecure contracts would encourage firms in sectors hard-hit by the pandemic to increase their reliance on them.

FIGURE 15: Respondents who reported losing their job between February and September were disproportionately likely to have been on an insecure contract

Proportion of respondents reporting various forms of change in their employment status between February and September, according to the type of contract they were on: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who reported their contract type in February and employment changes between February and September (N = 3,876). Insecure contracts include: temporary contracts, zero-hours contracts, variable hours contracts and agency working. Contract type for people who have lost their job, lost hours, been furloughed or experienced no change refers to the contract a person was on in September. The contract type reported for people who have gained a new job between February and September refers to the contract a person was on in September. This analysis is focused on point to point changes between February and September and therefore excludes other changes that may have occurred among workers between these two points in time. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

²⁸ In this report, defined as those whose report that they are on a contract with the following terms: temporary contracts, zero-hours contracts, variable hours contracts and agency working.

²⁹ See: S Clarke & N Cominetti, *Setting the record straight: How record employment has changed the UK*, Resolution Foundation, January 2019

Figure 15 shows that, although just 15 per cent of respondents who were in work in February were on insecure contracts, they comprised 40 per cent of respondents who reported losing their job and half of those who reported having lost hours (including those on furlough) between February and September.

Figure 15 also shows that by September, workers on insecure contracts comprised 13 per cent of all working respondents (down from 15 per cent in February), but 29 per cent of working respondents who had moved into a new job since February. In other words, employers still do appear to be hiring staff on insecure contracts, but they are hiring insecure workers at a lower rate than they are firing them.

The incidence of insecure working has fallen overall, though it has risen in the hospitality sector

We can see the overall impact of these two opposing patterns by looking at the incidence of insecure work among working respondents according to various characteristics and the sectors they work in. Figure 16 shows that there was a fall of two percentage points (eight per cent) between February and September in the likelihood that working respondents were working on an insecure contract (from 15 to 13 per cent).

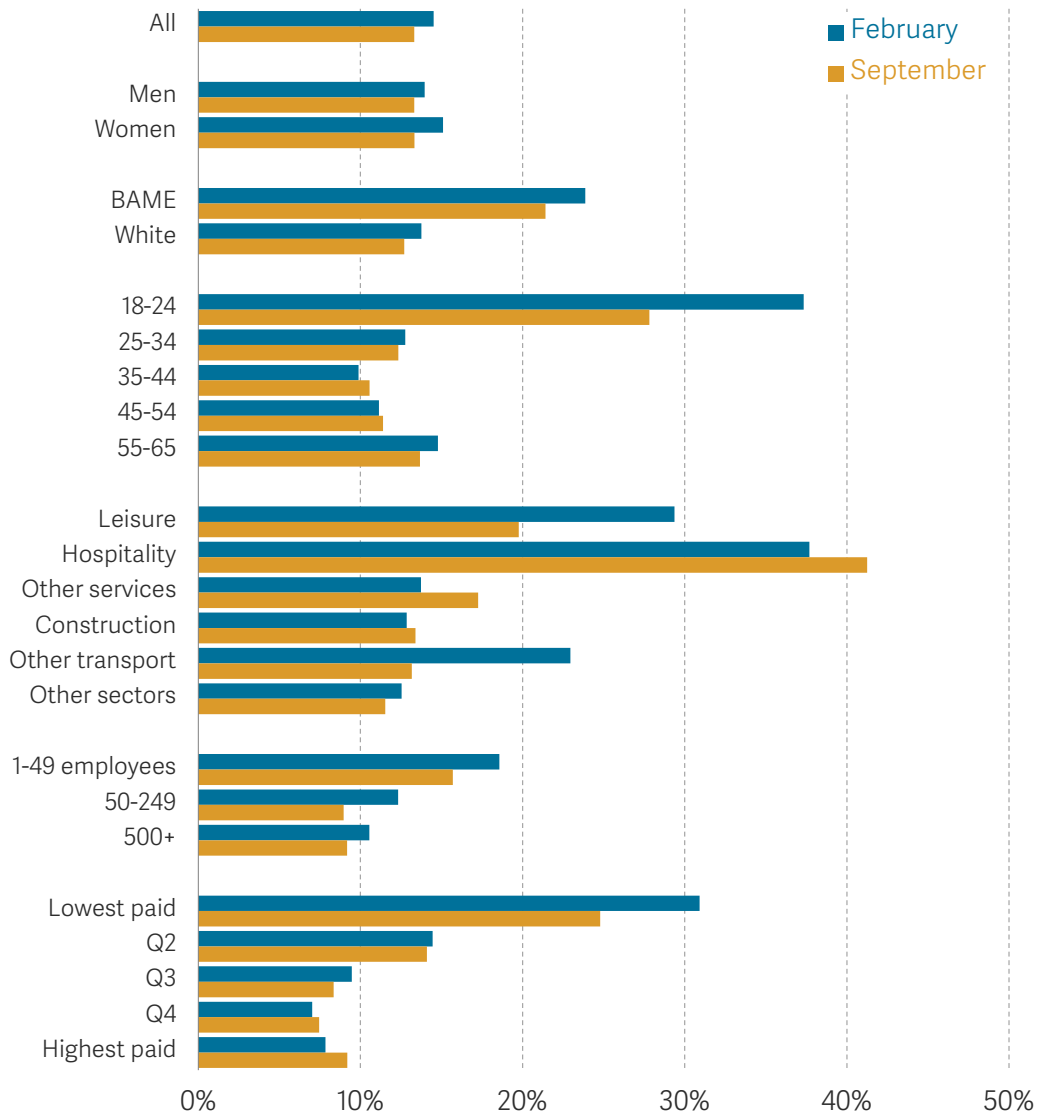
However, the proportion of workers on an insecure contract in some highly-affected sectors – sectors that have long been more reliant on insecure work – dropped far more substantially. For example, the share of respondents in leisure working on an insecure contract fell by 10 percentage points (or by 33 per cent) and the proportion in non-bus and rail transport fell by 10 percentage points (or by 42 per cent). However, there was a small rise in the incidence of insecure working in the hospitality sector, where it rose from 37 to 41 per cent.

Among all respondents in work, the incidence of insecure work declined most among the youngest and the lowest-paid, reflecting the fact that these groups worked on insecure contracts at much higher-than-average rates even before the crisis. For example, the share of working 18-24-year-olds surveyed that were on an insecure contract fell from 37 to 28 per cent. The share of surveyed workers in the lowest pay quintile that were on an insecure contract fell from 31 per cent in February to 25 per cent in September (a 20 per cent fall).

Although this section has outlined the substantial changes to employment and furlough that have occurred among different groups of workers since the crisis began, it has told us less about what these changes mean for workers' pay packets. We turn next to the effects of the crisis on hours worked and employees' pay.

FIGURE 16: Since February, the share of respondents indicating that they work on an insecure contract has fallen in most hard-hit sectors other than hospitality

Proportion of working 18-65 year-old respondents on an insecure contract in February and the proportion reporting they were on an insecure contract in September: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were in work and reported their contract type in February (N = 3,911) and September (N = 4,120). Subgroup sample size for February is as follows. Men: 1,940; Women: 1,971; White: 3,467; BAME: 247; 18-24: 357; 25-34: 1,056; 35-44: 987; 45-54: 962; 55-64: 515; leisure: 128; hospitality: 149; other (non-food) retail: 169; other services: 154; construction: 93; other (non-bus/rail) transport: 62; other sectors: 3,156. 1-49 employees: 1,391; 50-249 employees: 938; 500+ employees: 1,367; lowest paid: 594; quintile 2: 704; quintile 3: 676; quintile 4: 672; highest paid: 655. Subgroup sample size for September is as follows. Men: 2,042; women: 2,078; White: 3,674; BAME: 249; 18-24: 341; 25-34: 1,061; 35-44: 1,032; 45-54: 1,052; 55-64: 588; leisure: 153, hospitality: 124; other (non-food) retail: 174; other services: 191; construction: 111; other (non-bus/rail) transport: 62; other sectors: 3,305. 1-49 employees: 1,270; 50-249 employees: 879; 500+ employees: 1,324; lowest paid: 606; quintile 2: 699; quintile 3: 681; quintile 4: 675; highest paid: 704. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. "Other transport" refers to non-bus and non-rail transport. Insecure contracts include: temporary contracts, zero-hours contracts, variable hours contracts and agency working. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

Section 3

Changes in hours and employee pay over the crisis so far

Beyond changes to employment, the crisis to date has had a significant impact on hours worked and on employees' pay. The proportion of surveyed workers on fewer hours than before the crisis has come down from its peak in May, as workers began to move off furlough. And yet even by September, 12 per cent of working respondents reporting being on fewer hours than in February. We find a similar story on pay: the overall proportion of respondents employed in February who reported being paid less than February peaked in May at 19 per cent; and although it is has since declined, it remained as high as 13 per cent in September.

Our survey suggests that, although employees in highly-affected sectors remain the worst off in terms of pay, some differences between employees in these sectors and employees overall have come down over recent months. For instance, in May nearly half (49 per cent) of hospitality workers employed in February reported having lower pay compared to February (as opposed to 19 per cent of employees overall). By September, 26 per cent of hospitality workers employed in February reported being on lower pay (compared to 13 per cent overall).

In fact, there is some suggestion that, as the crisis continues, both age and pay-related changes are becoming less concentrated among the youngest workers and those at the bottom of the pay distribution. For example, between May and September, the gap between the highest and lowest-paid employees in the proportion who report they were on lower pay than in February has more than halved, from 10 to 4 percentage points. And the share of surveyed 18-24-year-old employees reporting lower pay in September than February (15 per cent) is not substantially higher than the share of 35-44-year-old respondents reporting lower pay (14 per cent).

Despite changes over recent months in the composition of employees who report being on lower pay than before the crisis, there remains a group of employees who have experienced a prolonged period of lower pay. 8 per cent of all respondents who

were employed in February reported that they received lower pay (than they had in February) in each month from March to September. The youngest and lowest-paid, as well as those in highly-affected sectors like leisure and hospitality, have to date fared worst, although employees across the pay distribution have been affected.

The previous section provided a broad assessment of what has happened to employment and unemployment during the crisis, with a particular focus on the 9 million workers who at one stage found themselves furloughed. This section looks at how hours worked and pay have been affected, both being central to our understanding of how the economic crisis has affected the labour market. Change in hours worked has become a crucial indicator of the amount of activity in the economy, because the existence of furloughed workers has complicated the interpretation of changes in the employment rate.³⁰ And change in earnings provides another window on the labour market effects and, alongside employment changes, is the key determinant of household incomes.

As with employment, changes in hours and pay have displayed less of a sharp shock than the falls in GDP seen shortly after large sectors of the UK economy faced restrictions, or were shut down, earlier in the year. Like employment, neither has recovered to pre-crisis levels. But while the crisis's effects on employment – so far – appear more concentrated in sectors that offer in-person services (e.g. hospitality and leisure), and among younger and lower-paid workers, its effects on hours and pay are spread somewhat wider. In most cases, surveyed young people and those on lower pay have experienced the biggest downward shifts in hours worked and pay, but a considerable share of their mid- and higher-paid counterparts experienced this too.

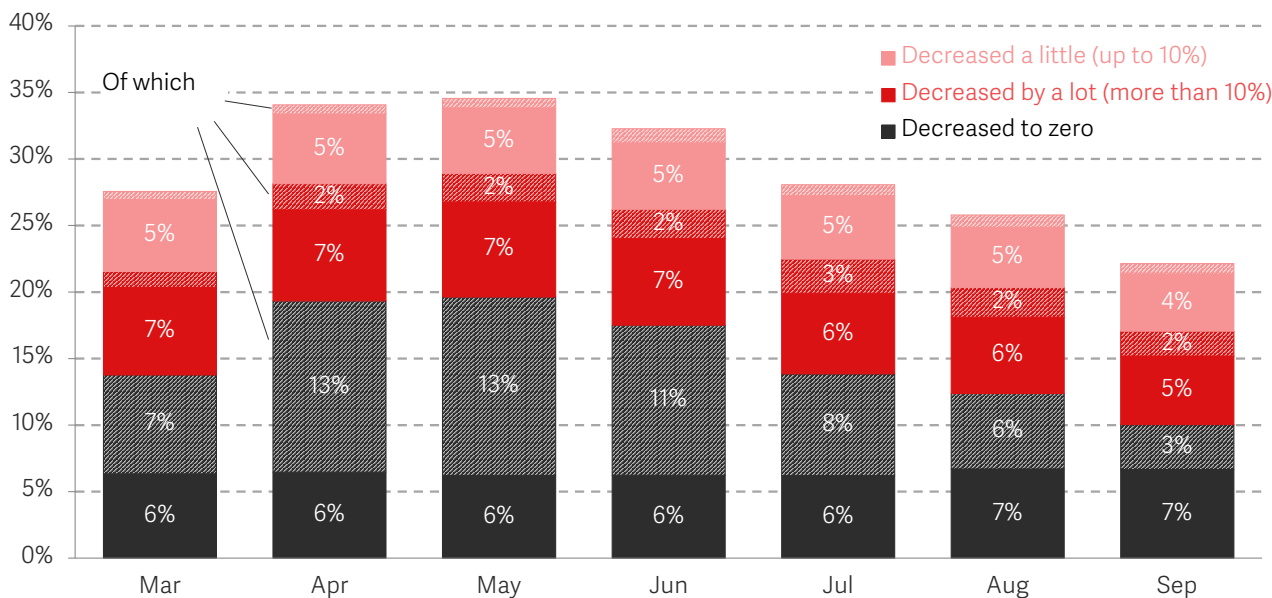
The proportion of workers working fewer hours than before the crisis has fallen since May, but is still high

Figure 17 shows the proportion of those employed in February reporting that they were working fewer hours than February in each subsequent month, where we include those who worked no hours because they no longer had a job (the fraction in this position is fairly stable, at around 6 per cent). This proportion peaked in May, with just over a third (35 per cent) of workers who were employed before the crisis reporting they were working fewer hours. This includes 20 per cent who reported their hours had fallen to zero (i.e. they were doing no work), two-thirds of whom were furloughed.

³⁰ M. Brewer, L. Gardiner and K. Handscomb, *The truth will out: Understanding labour market statistics during the coronavirus crisis*, Resolution Foundation, July 2020.

FIGURE 17: The share of workers on reduced hours has declined since summer but remains elevated

Change in hours worked since February, of those employed in February, by month: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 employed in February and non-missing response to hours change question, N = 4,334. Hatched bars include the part of those hours change categories which are furloughed workers. Note that the 'hours decreased to zero and not furloughed' category (in black non-hatched bars) is not the same as the 'no longer working' category in earlier Figures. The former includes some who are employed but not working any hours, potentially due to being on leave. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

The reduction in hours worked had eased off by September, at which point 22 per cent of those who had been employed in February were reporting they were working fewer hours. Much of this was driven by reductions in the number of workers on furlough. However, although the improvement is clear, the level of impact still seen in September is striking, with 12 per cent still reporting that they were working fewer hours than February.

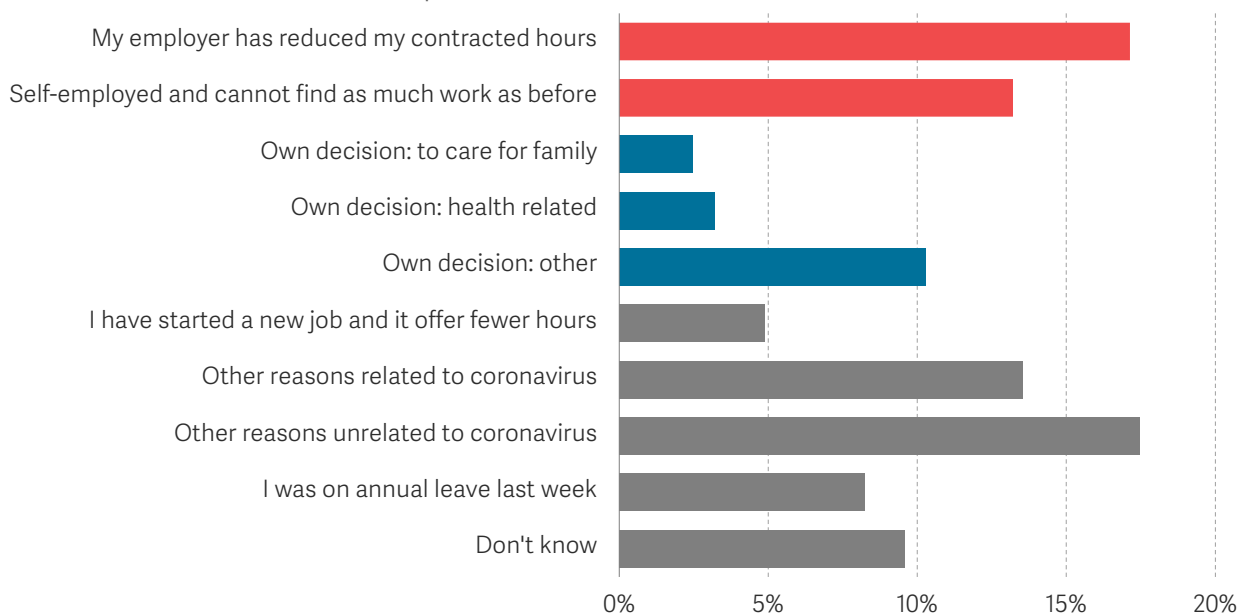
It's interesting to dig into the reasons why people were still working fewer hours in September. Figure 18 shows the reasons people gave for working fewer hours than before the crisis. demand. Of those workers who reported fewer hours, 17 per cent were doing so because their employer had reduced their hours. A further 13 per cent were self-employed people who couldn't find as much work as before. This suggests a little less than one-third of those working fewer hours are doing so because they are not finding or being given as many hours as previously (these are the red bars in the figure below).

Other reasons given show how this crisis is affecting labour supply decisions, as well as labour demand: 16 per cent reported that they had reduced their hours themselves, either for health reasons, to care for family, or for other reasons (the blue bars in the

figure below). This is around half the level of those reporting fewer hours for demand-related reasons. Reasons given that are not obviously related to demand for or supply of labour are shown with grey bars; this includes people who have started a new job which has shorter hours.

FIGURE 18: Employers reducing workers’ hours is the the most commonly cited reason for hours falls

Reasons for working fewer hours (of those working fewer hours than pre-pandemic): UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 working fewer hours in mid-September than usual (N = 807). Red bars indicate reasons which could be associated with low demand; blue bars with reasons associated with low supply, and grey bars other reasons. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

The share of surveyed employees who report being paid less than in February has fallen over recent months, but remains elevated

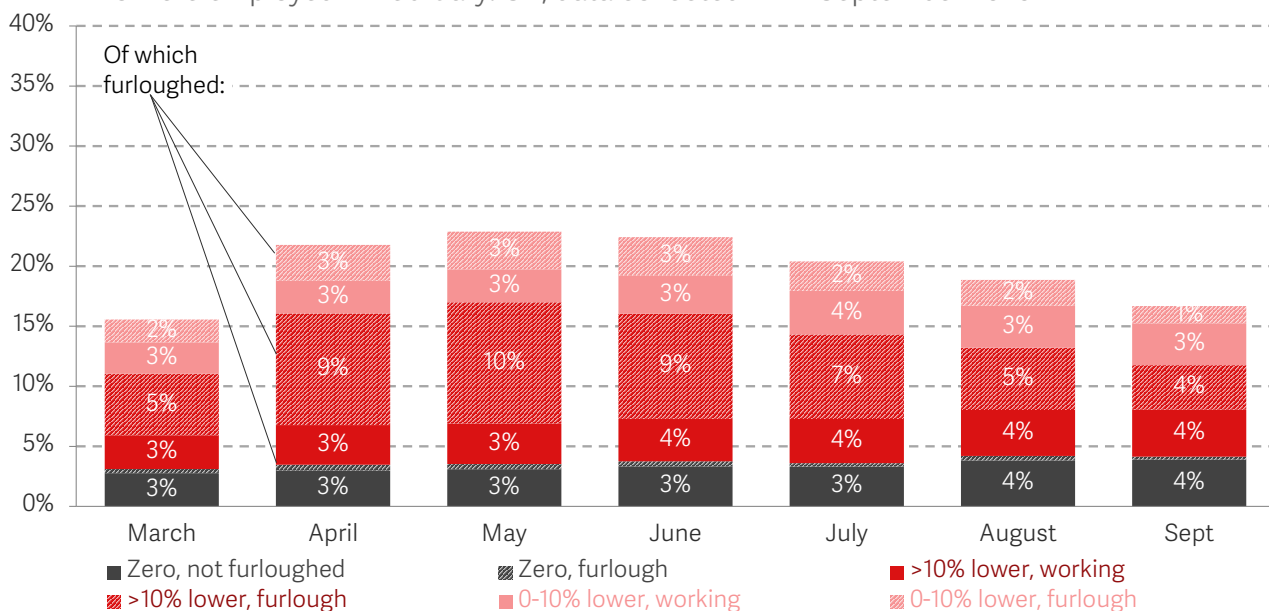
In a similar way that Figure 17 did for hours worked, Figure 19 shows surveyed employees’ reported change in pay (relative to their February pay) for each month from March to June.³¹ The share of employees reporting that their pay was lower than it had been before the economic effects of coronavirus began to take hold in the UK (in February) peaked in May, at which point 19 per cent reported being on lower pay than before (on top of 4 per cent reporting that their pay had fallen to zero because they were not working). Much of this was driven by respondents who were on furlough: of that 19 per cent receiving lower (but not zero) pay in May, 12 per cent were either on full or partial furlough.

³¹ The previous section focused on employment and pay changes among self-employed workers, but this section is focused on employees. It includes three categories of respondents: those who in February (and in some cases, September) reported that they were employed full-time or part-time, that they were both employed and self-employed and students with paid work.

But, as with hours, the share reporting lower pay has reduced since early summer, as retail, hospitality and leisure began to reopen and employees came off furlough. By September, only five per cent of those who were employees in February reported being on furlough and being paid less than the pre-crisis level. However, the share of surveyed employees on lower pay (than February) but not on furlough rose to 7 per cent in June and has had held firm since.

FIGURE 19: The share of surveyed employees outside the furlough scheme who report being on lower pay than they received in February has not come down since June

Reported change in pay for respondents between February and September of those who were employed in February: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who, in February, reported being an employee, “both employed and self employed” or “students with paid work” and who reported both changes in their pay and their furlough status in each of the above months. Hatched bars include the part of those hours change categories which are furloughed workers. The question asked: “Did your weekly/monthly pay increase or decrease compared to your usual pay before the Coronavirus (COVID-19) started, or was it the same?” Sample size for each month is as follows: March: 3,936; April: 3,935; May: 3,931; June: 3,923; July: 3,917; August: 3,904; September: 3,899. ‘Furlough’ includes both full and partial furlough. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

The gap between the proportion of lower and higher-paid employees reporting lower pay than in pre-crisis times has narrowed

The winding-down of furlough over the summer has led to changes in the types of workers who are receiving lower pay than before the crisis. In May, 26 per cent of surveyed employees in the bottom pay quintile reported being on lower pay, compared to 16 per cent in the top pay quintile (a 10 percentage point difference). The JRS drove much

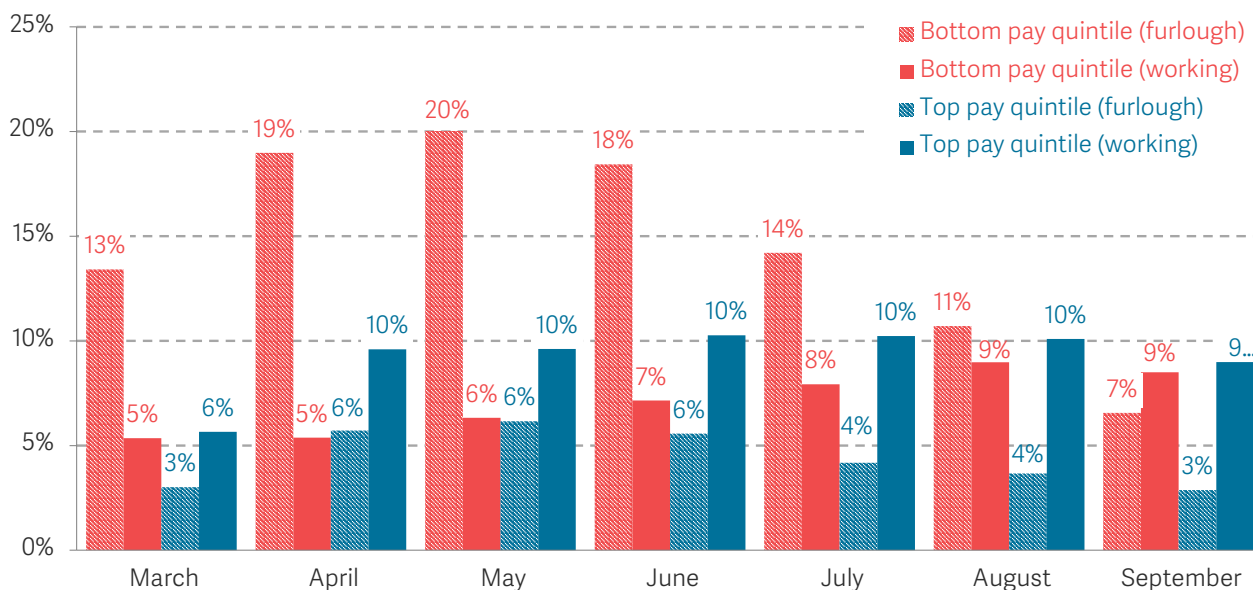
of this difference (see Figure 20): 20 of the 26 per cent of employees on lower pay in the bottom pay quintile were on furlough in September, compared with 6 of the 16 per cent of employees in the top pay quintile.

As employees came off furlough over the summer, the share of employees in the bottom pay quintile that reported lower pay fell: from 26 per cent in May to 16 per cent in September. By contrast, the proportion of surveyed employees in the top pay quintile who reported lower pay has changed less, falling from 16 per cent to 12 per cent (3 percentage points of whom are on furlough).

In other words, although the share of the lowest-paid employees who in September reported lower pay than February (16 per cent) is higher than the share of the highest-paid employees doing so (12 per cent), the gap between them has more than halved since lockdown, from 10 to 4 percentage points.

FIGURE 20: The gap in the share of the lowest and highest-paid employees reporting being on lower pay than before the crisis has reduced

Proportion of respondents reporting lower pay than February, by furlough status: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who in February, reported being an employee, “both employed and self employed” or “students with paid work” and who reported changes in their pay in each of the above months and whether or not they were fully/partially furloughed and whether they were in the top or bottom pay quintiles. Sample size is as follows. Bottom employee pay quintile: March = 622; April = 616; May = 614; June = 614; July = 613; August = 614; September = 617. Top employee pay quintile: March = 632; April = 630; May = 640; June = 629; July = 629; August = 626; ; September = 627. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave

We find a similar story when we compare the share of employees in highly-affected sectors reporting lower pay. In May, 19 per cent of all employed in February reported being on lower pay than in February, compared against 49 per cent of hospitality employees and 41 per cent leisure employees (a difference of 30 and 22 percentage points, respectively). By September, 13 per cent of all employed in February reported being on lower pay than in February, compared against 26 per cent of those in hospitality and 32 per cent of those in leisure, respectively (a difference of 13 and 19 percentage points, respectively). Similarly, the share of 18-24-year-old employees who reported being on lower pay than February was, in May, higher than the share of 35-44-year-olds reporting this (23 per cent and 19 per cent, respectively). But by September this difference had reduced to just one point, with 15 per cent of 18-24-year-olds and 14 per cent of 35-44-year-olds reporting that they were on lower pay compared to February (saying nothing of the 12 per cent of 18-24-year-olds who had moved out of work altogether by that point – see Figure 22).

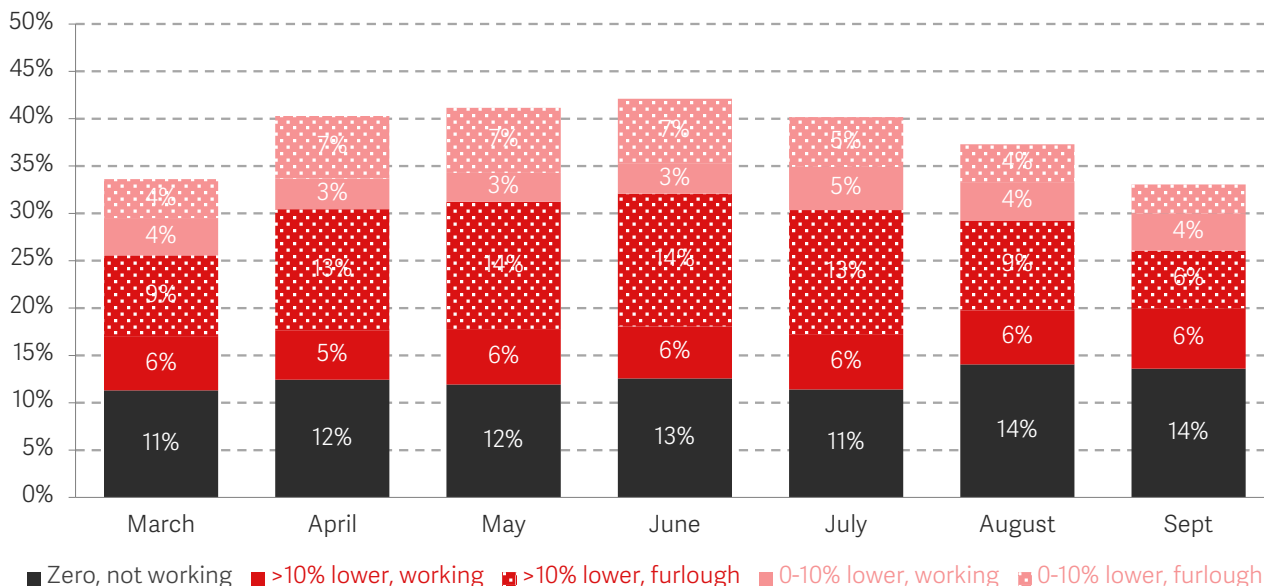
The effect of the crisis on pay have been even larger for those on insecure contracts

Although Figure 19 shows that the crisis has so far affected a considerable proportion of employees' pay packets, Figure 21 shows that these effects have been even larger among those workers who were on an insecure contract in February. Close to one-in-five (19 per cent) of those surveyed who were on an insecure contract in February report being on lower pay in September than they were in February (as compared to 13 per cent of employees overall, shown in Figure 19). This includes 12 per cent who say they the size of the pay decrease is "substantial" (at least 10 per cent lower than their February pay).

The share of furloughed workers on insecure contracts reporting large (10 per cent or more) decreases in pay has fallen over the summer. However, the share of respondents outside the furlough scheme reporting pay decreases in the range of 0-10 per cent (4 per cent) and more substantial pay decreases (of at least 10 per cent) has held firm at 6 per cent each between July and September, indicating a considerable hit to the pay packets of many insecure workers who have been able to keep at least some of their work – saying nothing of the 14 per cent who report no longer working altogether.

FIGURE 21: 13 per cent of workers who were on an insecure contract in February report that they are no longer working; a further 22 per cent report being on lower pay than before the crisis

Reported changes in pay among respondents who were on insecure contracts in February, by size of pay change and furlough status: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were on an insecure contract and reported pay changes relative to pay in February. Sample size for each month is as follows. March: 541; April: 542; May: 541; June: 534; July: 536; August: 530; September: 530. 'Furlough' includes both full and partial furlough. This respondent base is comprised of individuals who, in February, reported being self-employed. Some of this group will have changed their employment over the course of February to September but still reported changes in pay. Given we cannot tell which month this occurred in, their pay changes will be reflected above. We interpret those who report that their pay had dropped to zero because they were not working as being out of work (but not necessarily unemployed). These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

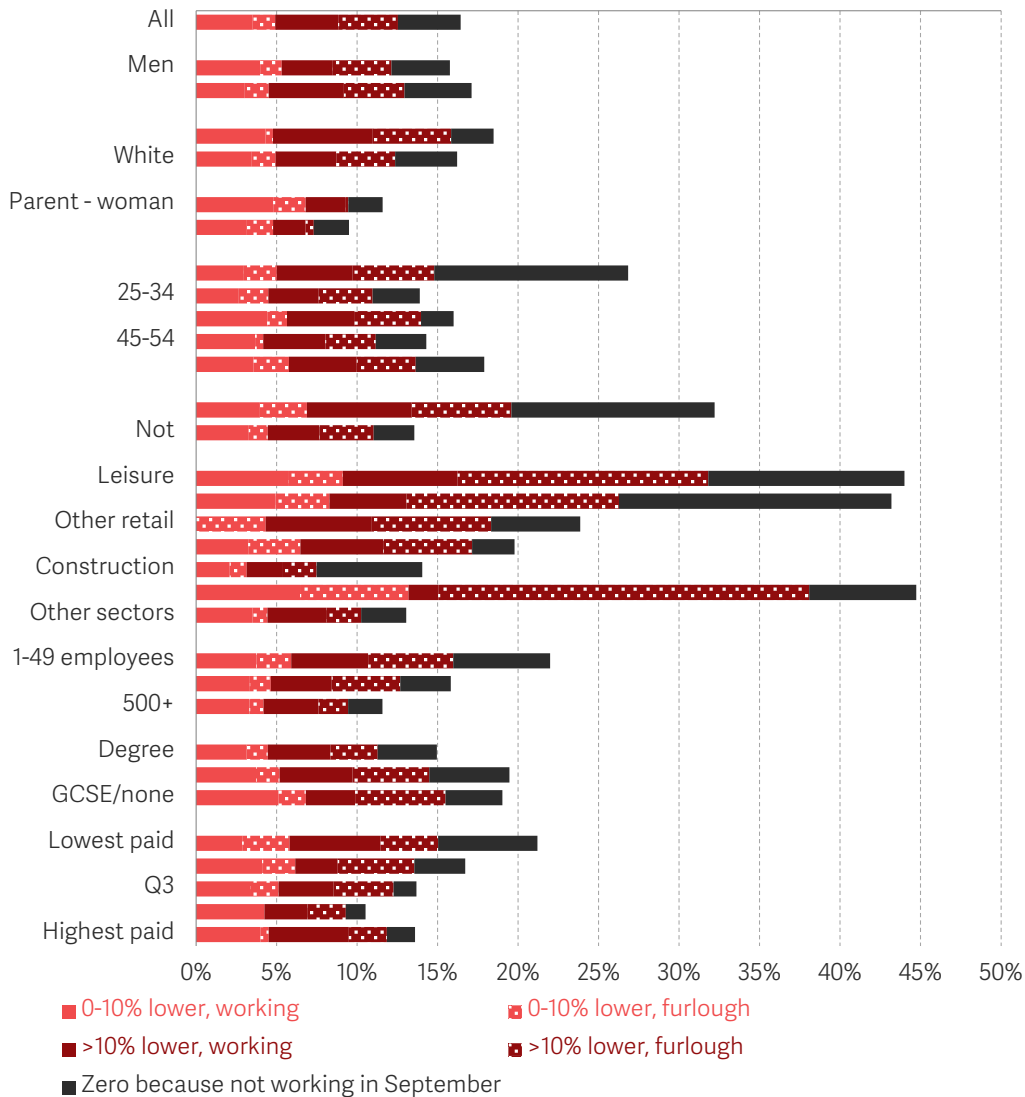
By September, 13 per cent of all employed respondents were still receiving lower pay than before the crisis, although pay-related differences between groups of employees are smaller than the employment-related differences set out in Section 2

As discussed above, at the time of our survey reference week (7-13th September), more than 13 per cent of respondents employed in February reported being on lower pay than before the coronavirus, more than half of whom (8 per cent) said their pay was substantially (10 per cent or more) below February levels. A further four per cent reported being paid less because they were not working.³² Figure 22 shows how this varies across workers' characteristics, including whether or not they were furloughed in September.

³² For comparison, 12 per cent of all those employed in September were on lower pay compared to February.

FIGURE 22: Though the effects of the crisis on pay have spread across most groups of surveyed employees,

Reported change in pay between February and September 2020, among respondents employed in February: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who, in February, reported being “employed (full-time or part-time), “both employed and self-employed” or “students with paid work,” and also answered for each month from March to September whether were they were furloughed (we combine respondents on both full and partial furlough here) and whether, relative to February, “increased a lot (by more than 10%),” “increased a little (by up to 10%),” “stayed the same,” “decreased a little (by up to 10%),” “decreased a lot (by more than 10%),” “decreased to zero (because I was not working),” or “don’t know” (n=3,899). Sample size for subgroups is as follows: men: 1,932; women, 1,967; 18-24: 339; 25-34: 1,021; 35-44: 980; 45-54: 983; 55-64: 541; insecure work (denoting an insecure employment contract): 844; typical contract: 2,920; leisure sector: 126; hospitality: 142; other retail: 163; other services: 156; construction: 94; non-bus/rail transport: 60; other sectors: 3,158; respondents working in firms with 1-49 employees: 1,452; 50-249: 961; 250+: 1,416; BAME: 228; White: 3,482; parent: 1,299; Degree: 2,544; A level/Some HE: 753; GCSE/None: 533; Lowest paid: 620; Q2: 636 Q3: 617; Q4: 635; Highest paid: 630. “Other transport” refers to non-bus and non-trail transport. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

The figure shows that, although the young and those in the bottom half of the pay distribution were more likely to have moved out of work (as also reflected in Section 2), the proportion of those who were still in work but on lower pay than in February is more evenly distributed. For example, the share of surveyed 18-24-year-olds employees reporting lower pay (15 per cent) is not substantially higher than the share of 35-44-year-old respondents reporting on lower pay (14 per cent). 15 per cent of those in the bottom pay quintile were still working but on lower pay, but so too were 12 per cent of those in the highest.

The acute effects that this crisis is having upon leisure, hospitality, and non-bus and rail transport are very clear: nearly one-in-three (32 per cent) of respondents working in leisure report being on lower pay (but still in work), on top of the 12 per cent who were no longer in work. Although the majority of these report being furloughed, 13 per cent report still being employed but paid less than in February, which is a higher share than in any other sector.

For some, the experience of receiving lower pay than normal has been particularly prolonged, with 8 per cent of surveyed employees who worked in February reporting lower in every month between March and September

Figure 23 illustrates the pay change patterns experienced by surveyed individuals over the course of the crisis so far by setting out:

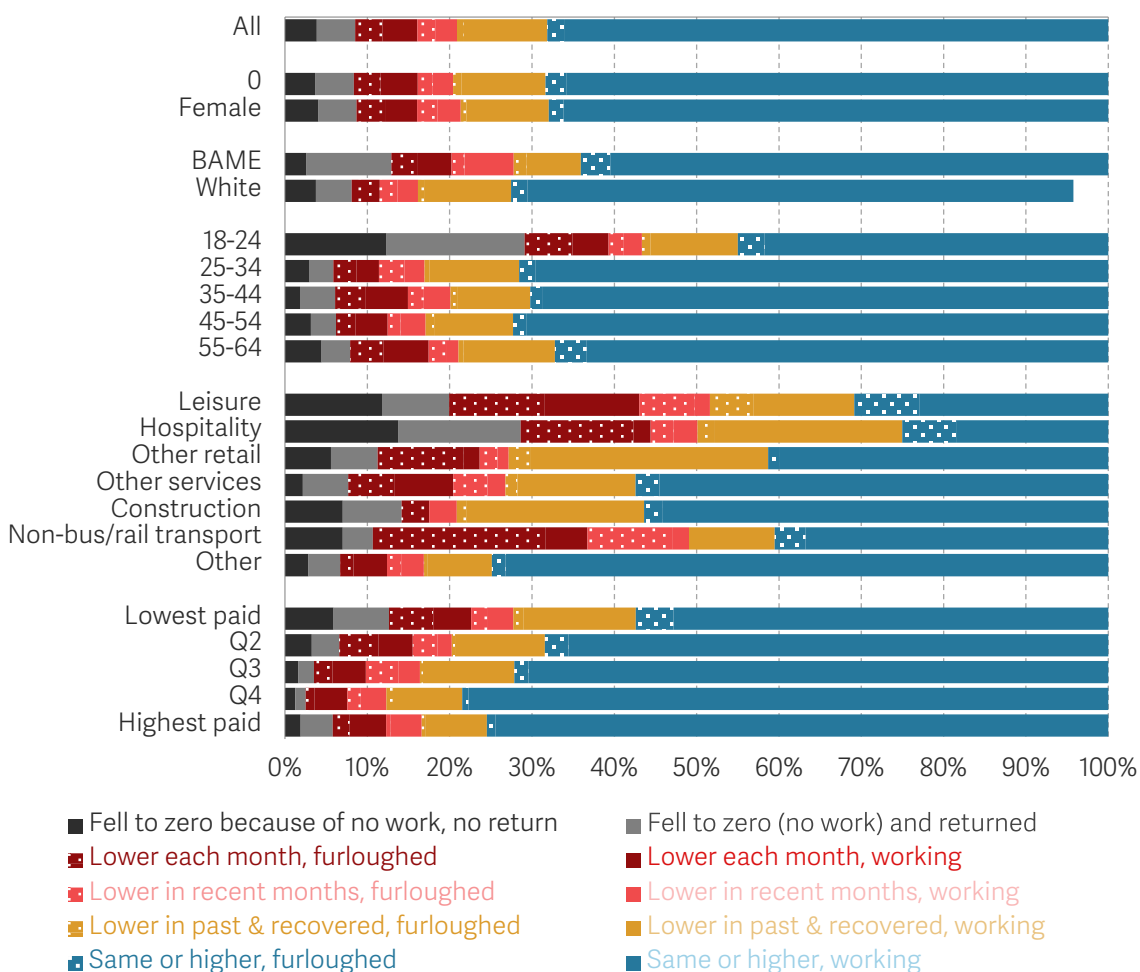
- The proportion of respondents who reported their pay had been the same, or higher, than it was in February in every month from March to September (labelled as “same or higher”);
- The share who reported having lower pay in at least one month between March and August but whose pay returned to February levels by September (labelled as “lower in the past and recovered”);
- The share who reported having lower pay in September than in February, but did not report lower pay in each and every month between March and September (labelled “lower in recent months”); and,
- The share who reported in each month between March and September that that their pay was lower than it had been in February (labelled as “lower each month”).

Overall, 11 per cent of surveyed employees who had been in employed in February have experienced a fall in pay but have since seen their pay recover, and 5 per cent are currently on lower pay but had not been so in every month since the crisis began.

However, nearly one-in-ten (8 per cent) (the dark red portions of the bars) report that they are currently on lower pay than their pre-crisis level, and have been so in every month from March to September.

FIGURE 23: Eight per cent surveyed employees report having received lower pay than normal in every month from March to September, including more than one-in-ten of the oldest, youngest and lowest-paid employed respondents

Summary of reported month-to-month pay changes between February and September among respondents who were employees in February, by furlough status: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who, in February, reported being “employed (full-time or part-time), “both employed and self-employed” or “students with paid work,” and also answered for each month from March to September whether were they were furloughed (we combine respondents on both full and partial furlough here) and whether, relative to February, their pay had “increased a lot (by more than 10%)”, “increased a little (by up to 10%)”, “stayed the same,” “decreased a little (by up to 10%)”, “decreased a lot (by more than 10%)”, “decreased to zero (because I was not working),” or “don’t know” in every month from March to September (n=3,425). Sample size for subgroups is as follows: men: 1,692; women, 1,733; 18-24: 275; 24-34: 868; 35-44: 869; 45-54: 888; 55-64: 493; leisure sector: 114; hospitality: 136; other retail: 145; other services: 140; construction: 88; non-bus/rail transport: 57; other sectors: 2,745; lowest paid: 546; Q2: 559; Q3: 534; Q4: 551; Highest paid: 578. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

Employees in the bottom two pay quintiles comprise half of those who have reported experiencing a prolonged period of lower pay (compared to their pay in February)

Among the 8 per cent who have experienced prolonged lower pay, half (4 per cent) were in the bottom two pay quintiles and just under half (3.4 per cent) were on furlough. Turning to the proportion of respondents who have experienced prolonged lower pay, we find it is slightly higher for the youngest and lowest-paid groups on average, and particularly high among those in hard-hit sectors like hospitality and leisure.

The experience of prolonged lower pay will have affected respondents' ability to save or to cover their living costs, especially among those who have a lower household income. A forthcoming Resolution Foundation report will look in more detail at how household income and balance sheets have been affected by the labour market shock.

Most employed respondents' pay decreases have come as a result of being furloughed, but a substantial share have been linked to reductions in hours worked, and a small proportion are on lower pay for the same (or more) hours per week

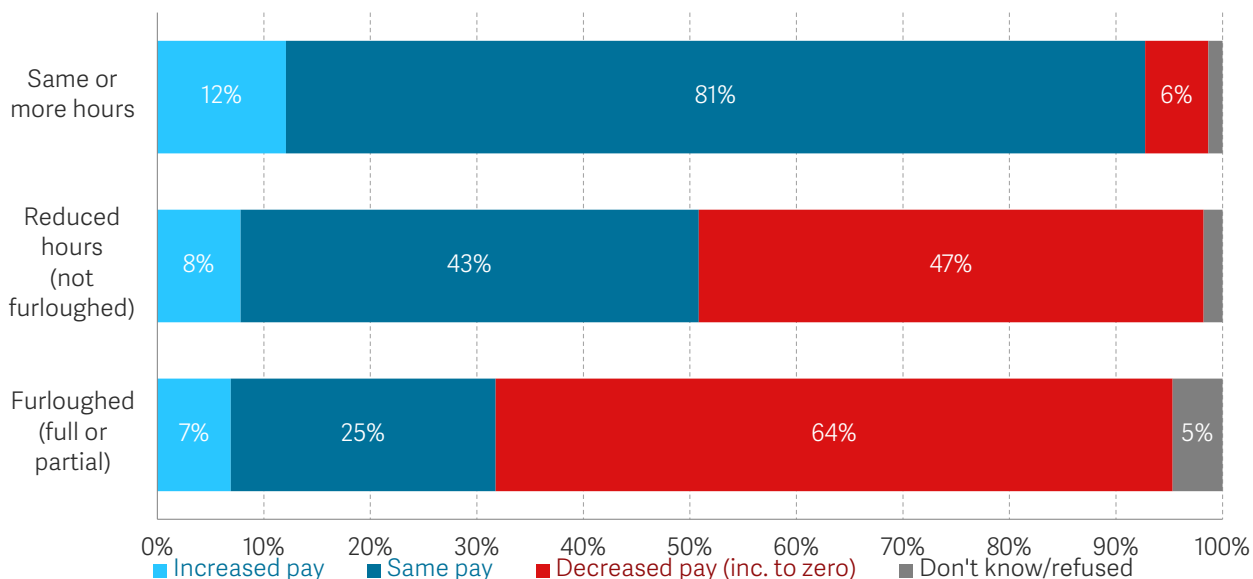
Surveyed employees moving onto furlough and moving out of work have driven a large proportion of the pay changes discussed in the section. However, there is evidence that employees outside the furlough scheme have been, and continue to be, paid less than they were before the crisis. For some, this is a result of working fewer hours than they were in February, but a small proportion (6 per cent) appear to be receiving less pay while working the same number of hours (or more).

Figure 24 shows the incidence of increases or decreases in pay according to whether or not employees are working more or fewer hours than they were in February, and whether they are furloughed. (Roughly 8 per cent of surveyed employees were either fully or partially furloughed in September, a further 8 per cent reported working fewer hours – while not furloughed – and the remaining 84 per cent were not furloughed and working the same – or more – hours than in February).

Among those working reduced hours in August or September, more than four-in-ten (43 per cent) reported being on lower pay compared to February. 64 per cent of those on furlough reported the same. The figure shows that employed respondents working the same or more hours have, unsurprisingly, been the least affected in terms of pay – and yet six per cent still report having received lower pay in August and September than they had before the crisis hit.

FIGURE 24: In addition to those on furlough, nearly half of employed respondents on reduced hours, and 6 per cent of those on normal hours, have recently experienced lower pay

Reported pay changes in August and September (relative to February) among respondents who were employed in both February and September, by furlough status and changes in hours worked: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who in February, reported being "employed (full-time or part-time), "both employed and self-employed" or "students with paid work," and also answered for the months of both August and September whether they were furloughed (we combine respondents on both full and partial furlough here) and whether, relative to February, their pay had "increased a lot (by more than 10%)", "increased a little (by up to 10%)", "stayed the same," "decreased a little (by up to 10%)", "decreased a lot (by more than 10%)", "decreased to zero (because I was not working)," Sample size is as follows: same or more hours: 2,962; reduced hours (but not furloughed): 298; on furlough: 295. Hours changes are indicated by the proportion of February employees who reported that their hours were lower in the survey reference week (7-13th September) than they were in February and also reported that they were not furloughed in the reference week. These figures have been analysed independently by the Resolution Foundation. SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September 2020.

Employer changes do not seem to account for why this group receives lower pay despite working the same or more hours. Even when we limit our analysis to those who have remained with same employer since February we find 6 per cent reporting lower pay despite working the same hours. We are unable to tell whether, or indeed what proportion, of this group has experienced a nominal cut to their pay, what proportion have experienced a reduction in non-salary compensation (e.g. bonuses, equity shares or sales commission) and what proportion have moved to a lower-paying role with the same employer.³³

³³ We limited our analysis to those who reported they were working with the same employer. However, there is chance that respondents may be working for the same employer albeit in a different, and potentially lower-paid, role. Question wording is as follows: "Thinking about your MAIN job now (i.e. the job where you usually got most of your earnings from) and your employment status for this job last week (i.e. 7th to 13th September)... Are you working for the same employer that you had been working for before the Coronavirus (COVID-19) outbreak started in the UK (i.e. the end of February 2020)?" Response options were: "Yes, I am working for the same employer I worked for before the coronavirus outbreak in the UK; Yes, I am working for the same employer I worked for before the coronavirus outbreak in the UK but was on furlough/partially furloughed last week; No, I am no longer working for the employer that I worked for before the coronavirus outbreak in the UK; Don't know/ can't recall."

But although surveyed furloughed workers have experienced lower-than-usual pay at the highest rate, they comprise only 8 per cent of all employee respondents in our survey – and as such they do not form the majority of workers experiencing lower-than-usual pay. In fact, among all those who reported lower pay in August and September than in February, 37 per cent had been on furlough in that month, 28 per cent had worked reduced hours (compared to February), and the remaining 35 per cent reported lower pay while working the same or more hours.

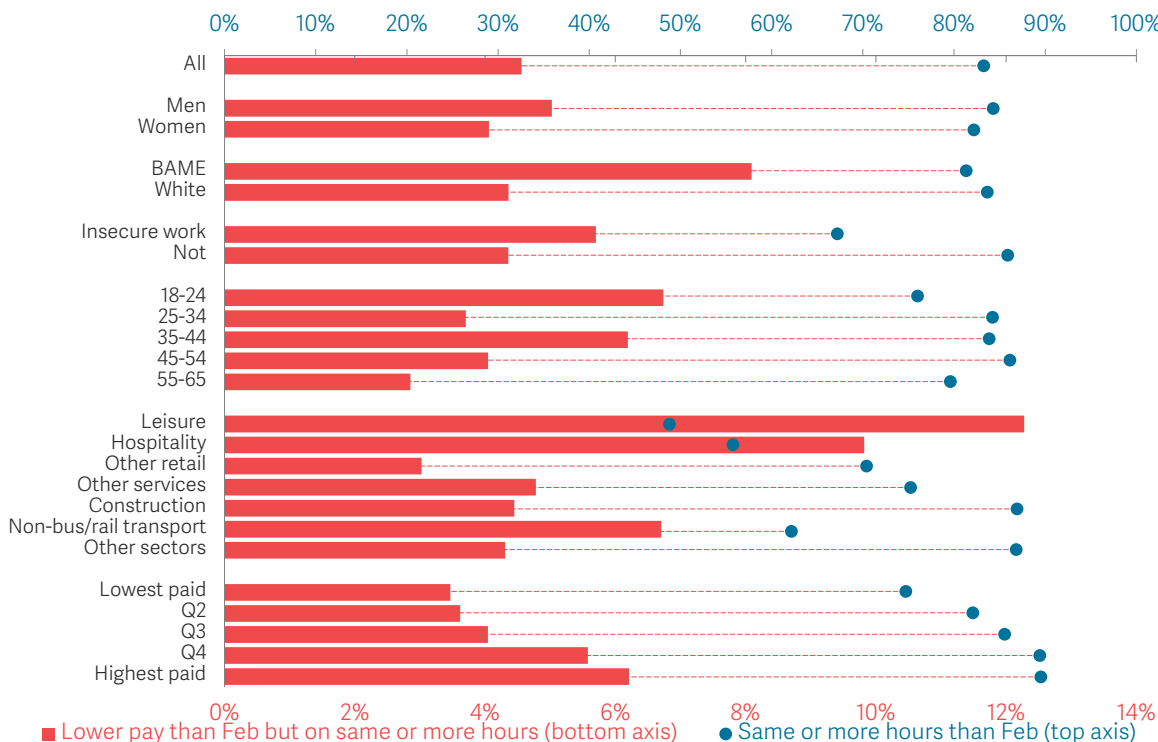
Figure 25 sets out the share of surveyed employees (who were employed in February) who report working the same or more hours but receiving less pay (both compared to February). As of September, the majority of those outside the leisure and hospitality sectors reported working the same (or more) hours than in February, as shown by the blue dots. (The exceptions are the hard-hit sectors, and those on insecure contracts). Overall, only four per cent of those reporting working the same or more hours also report less pay, but this rises to 7 per cent among workers aged 18-24. Among those working in leisure before the crisis hit, only a half have not seen a cut in hours worked; among the group of workers that report working the same or more hours, 12 per cent have seen a cut in pay.

When we look across the pay distribution, a substantially larger share of employed respondents in the top pay quintile are working the same or more hours (83 per cent) than those at the bottom (71 per cent). But those in the top quintile whose hours have not fallen are more likely than other quintiles to have experienced reductions in pay. In other words, higher-paid surveyed employees who were in work both in February and in September remain less likely to have been affected by falls in hours, but there is a small proportion that are reporting a nominal reduction in pay.

Finally, it does not appear that job changes alone have driven pay reductions among those working the same hours compared to February: among those working similar hours but being paid less, 85 per cent report being working for the same employer that they were before the crisis, including those in the top two pay quintiles.

FIGURE 25: One-in-twenty surveyed employees working their normal hours have experienced a reduction in pay, with higher-paid and employees in hard-hit sectors worse off than average

Proportion of respondents who were employed in in February that reported reduced pay in September despite working the same or more hours (bottom axis); proportion of employed respondents in February working the same or more hours in September (top axis): UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who, in February, reported being “employed (full-time or part-time), “both employed and self-employed” or “students with paid work,” and also answered for the month of September whether they were furloughed and whether working more, the same or fewer hours than in February (we combine those who say they are working a little – up to 10% more and a lot more than 10%), and whether, relative to February, their pay “decreased a little (by up to 10%), “decreased a lot (by more than 10%)” (n=3,491) Sample size for each group is as follows: men: 1,752; women: 1,739; BAME: 193; White: 2,641; insecure work (denoting an insecure employment contract): 653; typical contract: 2,720; 18-24: 250; 25-34: 778; 35-44: 766; 45-54: 772; 55-54: 385; leisure sector: 96; hospitality: 108; other retail: 143; other services: 105; construction: 80; other sectors: 2,875; lowest paid: 484; Q2: 513; Q3: 536; Q4: 569; highest paid: 560. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19) – September 2020.

Overall, the mean weekly earnings in our survey rose by 1 per cent between February and September.³⁴ Although that might seem to contradict many of the downward trends in hours worked and pay that we have set out in this report it is important to note that September was not the worst month for pay in this crisis. Since May (when the share on lower peaked), workers have been brought back from furlough (which will have increased

³⁴ This analysis was calculated using means provided and analysed by Resolution Foundation and not YouGov plc.

pay levels), and others have lost their jobs, which will increase typical pay among those who are left in work, given that low-paid workers have been more at risk of job loss.

This section has set out the scale of changes in hours and pay for different types of workers over the course of this crisis so far. It highlights that the proportion of workers on fewer hours and lower pay remains elevated compared to February, although it has come down since summer. Moreover, there is some suggestion that the pay-related effects of the crisis have become more evenly spread across the pay distribution as staff moved off of furlough and back into work. But while this section has focused on employees, it tells us little about those on different forms of work have fared over the course of the crisis so far. To explore how that group has fared, we turn to self-employed workers in the following section.

Section 4

Self-employment in the crisis

Much of the policy focus during this crisis has been on employees, but our survey shows that in any given month, more than half of self-employed workers were receiving lower earnings than before the crisis – and at its peak in April, three-in-ten were not receiving any pay at all, compared to just 4 per cent of employees. Even as many self-employed workers experienced some recovery into September, those with lower qualifications and younger self-employed workers were much more likely to experience prolonged earnings losses.

The hit to self-employed workers has been matched by support that, in many ways, is more generous than that for employees: up to the end of August, the Government has spent twice as much on the average self-employed worker (£2,518) than on the average furloughed employee (£1,291). Support appears to have been poorly targeted, however. One-in-six respondents who had received a SEISS grant did not experience a single pay hit between March and September, while three-fifths of those whose earnings fell to zero received no support.

Those workers who were self-employed in February are more likely than average to have reported that their employment status had changed by September. They are more than twice as likely as employees to class themselves as out of work in September, and nearly one-in-six workers (16 per cent) who were combining self-employment with an employee job have now stopped working entirely. 12 per cent have taken on an employee job since February, either in place of (9 per cent) or alongside (3 per cent) their self-employed work.

The previous section looked at changes in hours worked among all workers, and changes in pay among employees only. Research from the lockdown period showed that Britain's 5 million self-employed workers have faced a big hit too from this crisis.³⁵ Here, we update

³⁵ For example, see: J Blundell & S Machin, *Self-employment in the Covid-19 crisis*, LSE Centre for Economic Performance, May 2020; N Cominetti, L Gardiner & H Slaughter, *The Full Monty: Facing up to the challenge of the coronavirus labour market crisis*, Resolution Foundation, June 2020.

that assessment to look at how self-employed workers were faring in September, and how their earnings have evolved throughout the crisis. We also assess the performance of the main support for the self-employed: the Self-Employed Income Support Scheme (SEISS).³⁶

In September, more than half of self-employed workers were receiving less than their pre-crisis level of pay, including one-in-six who are not working at all

In a similar way to what Figure 19 in the previous section did for employees, Figure 26 shows, for each month of the crisis, the proportion of self-employed workers who reported receiving lower pay than in February. It reinforces previous findings that self-employed workers have been much harder hit in terms of pay than employees, and shows that the impact has persisted throughout the crisis to date. Between April and June, more than three-in-five workers were experiencing some reduction in pay, and at the height of the crisis in April, three-in-ten self-employed workers were not working at all.³⁷ By contrast, Figure 19 in the previous section showed that the share of workers whose pay was lower than before the crisis peaked at 23 per cent in May (including 4 per cent whose pay decreased to zero because they were not working), at which point self-employed workers were 2.8 times as likely as employees to have experienced a pay cut, and 7.7 times as likely to have lost all their earnings.

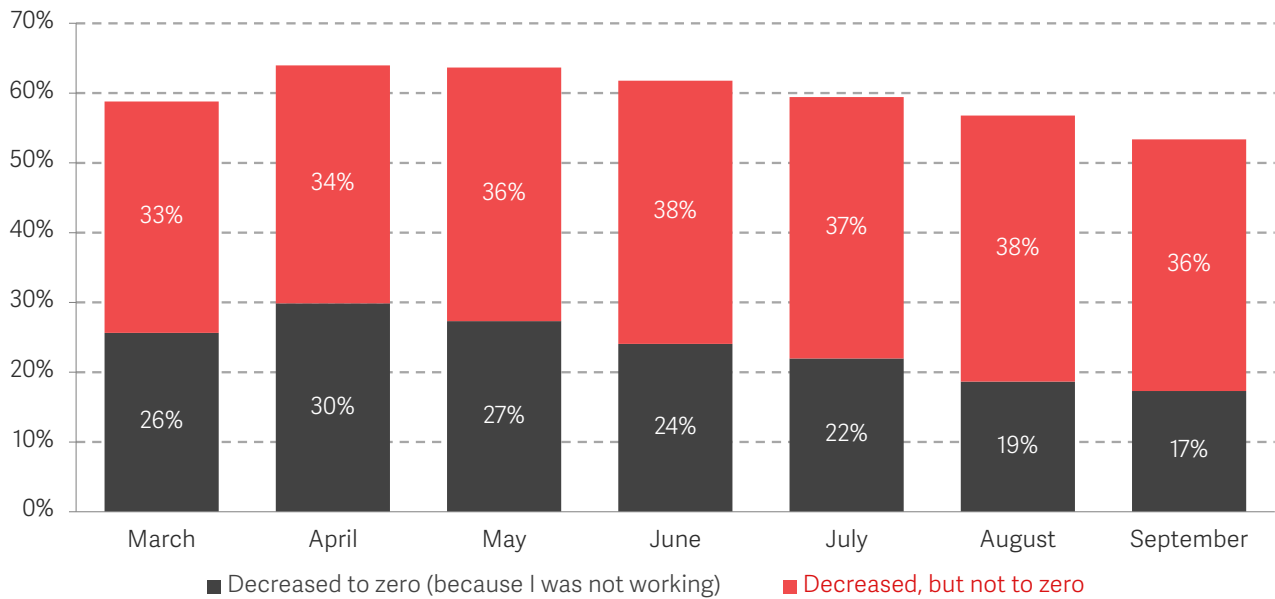
Figure 26 does show some recovery over the summer: between April and September, the share of workers whose pay had fallen to zero because they were not working almost halved, falling from 30 per cent in April to 17 per cent in September. But even by September, one-in-six self-employed workers (17 per cent) were still not working at all, and more than half were still experiencing lower pay than before the crisis. The self-employed have experienced a slower recovery than employees, as well as being hit harder. As Figure 19 showed, the share of employees experiencing a pay cut had declined to less than one-in-five (17 per cent) by September as workers returned from furlough.

³⁶ All analysis in this section has been conducted independently by the Resolution Foundation.

³⁷ The pattern is very similar when we look at hours worked, but we show pay changes here in order to capture wider economic impacts on the self-employed beyond having less work available, such as workers who have had to reduce their prices or incur increased costs. Using hours worked, however, has the benefit of being more easily comparable with Understanding Society (USoc): on this measure, our figures are almost identical to the June wave of USoc.

FIGURE 26: At the height of the lockdown in April, three-in-ten self-employed workers had stopped working

Reported change in pay for self-employed workers compared to February 2020, by month: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak, excluding those who also had an employee job (n=426 in each month). Question wording: 'Thinking about the months after the Coronavirus (COVID-19) outbreak started in the UK... Did your weekly/monthly pay increase or decrease compared to your usual pay before the Coronavirus (COVID-19) started, or was it the same?'. These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

All demographic groups have been impacted, but younger and lower-educated self-employed workers have been most likely to see their pay fall to zero

Figure 27 shows how the impact of the crisis on the self-employed varies by key personal and job characteristics.³⁸ There has been relatively little difference in the distribution of pay cuts, though the self-employed in shutdown sectors, 35-44-year-olds, and higher earners have been somewhat more likely than average to face a decrease in earnings.

There are much greater differences in the likelihood that self-employed workers have stopped working entirely. One-in-four self-employed workers (24 per cent) with only A Levels or below have stopped working, compared to 14 per cent of those with a degree. A quarter (25 per cent) of formerly self-employed 18-34-year-olds were still receiving no self-employment earnings in September, consistent with previous findings that younger employees have been hardest hit by the economic impacts of the crisis.³⁹ And, perhaps

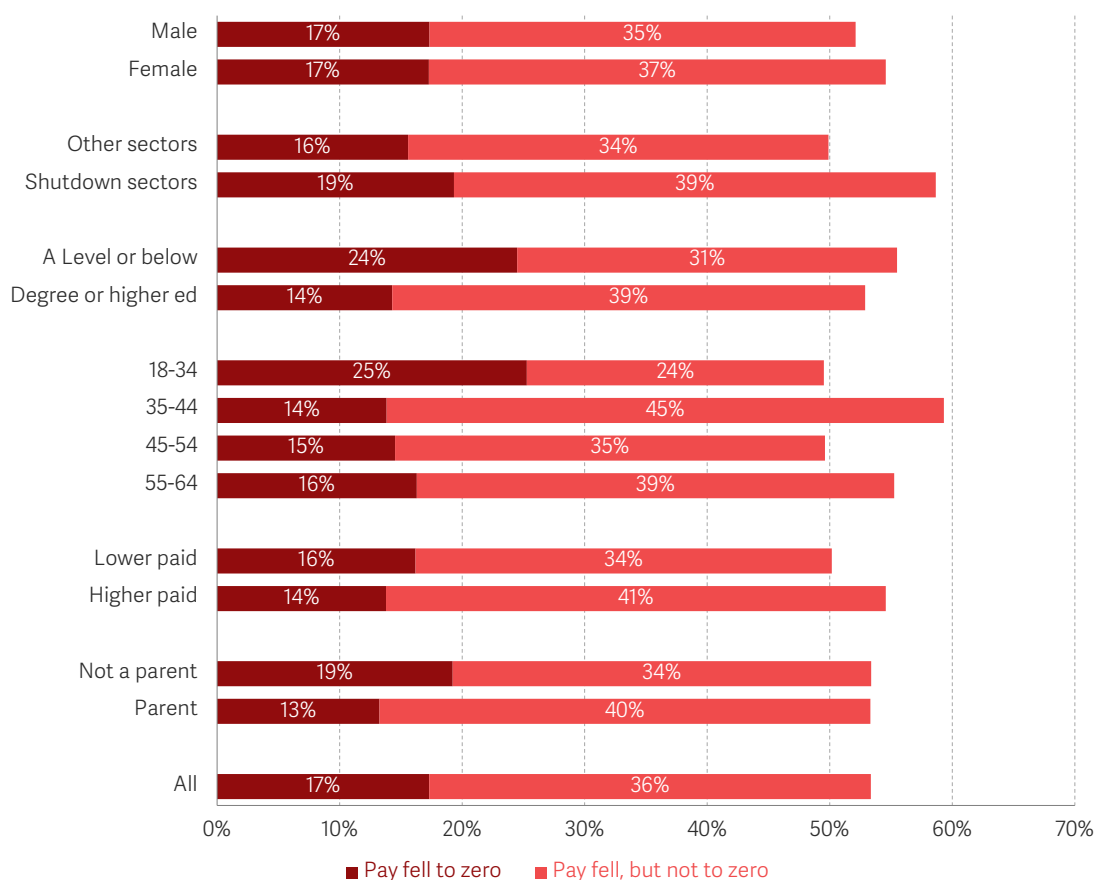
³⁸ Sample size constraints meant we were not able to look at other breakdowns of interest, such as ethnicity, more detailed pay breakdowns, or single and couple parents.

³⁹ For example, see: M Gustafsson, *Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey*, Resolution Foundation, May 2020; L Gardiner et al., *An intergenerational audit for the UK: 2020*, Resolution Foundation, October 2020.

counterintuitively given that we know parents have faced additional challenges around balancing work and childcare,⁴⁰ one-in-five non-parents (19 per cent) have stopped working. This can be compared to 13 per cent of parents who worked in February but not in September (though this link is statistically insignificant after controlling for other characteristics).

FIGURE 27: More than a quarter of 18-34-year-olds in self-employment have stopped working

Reported change in pay for self-employed workers, by characteristics: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak, excluding those who also had an employee job (n = 426). Base by categories: male n=207; female n=219; other sectors n=215; shutdown sectors n=198; A Level or below n=112; degree or higher ed n=303; 18-34 n=73; 34-44 n=88; 45-54 n=143; 55-64 n=105; lower paid n=146; higher paid n=145; not a parent n=289; parent n=137. 'Lower paid' refers to the bottom half of the February self-employed weekly pay distribution and 'higher paid' refers to the top half. 'Shutdown sectors' includes non-food retail, transport excluding bus and rail, hospitality, leisure, construction, and 'other services'. Question wording: 'Thinking about the months after the Coronavirus (COVID-19) outbreak started in the UK... Did your weekly/monthly pay increase or decrease compared to your usual pay before the Coronavirus (COVID-19) started, or was it the same?'. These figures have been analysed independently by the Resolution Foundation. SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

⁴⁰ For example, see: G Bangham, [Time with the kids: How parents' time use has changed during the pandemic](#), Resolution Foundation, July 2020.

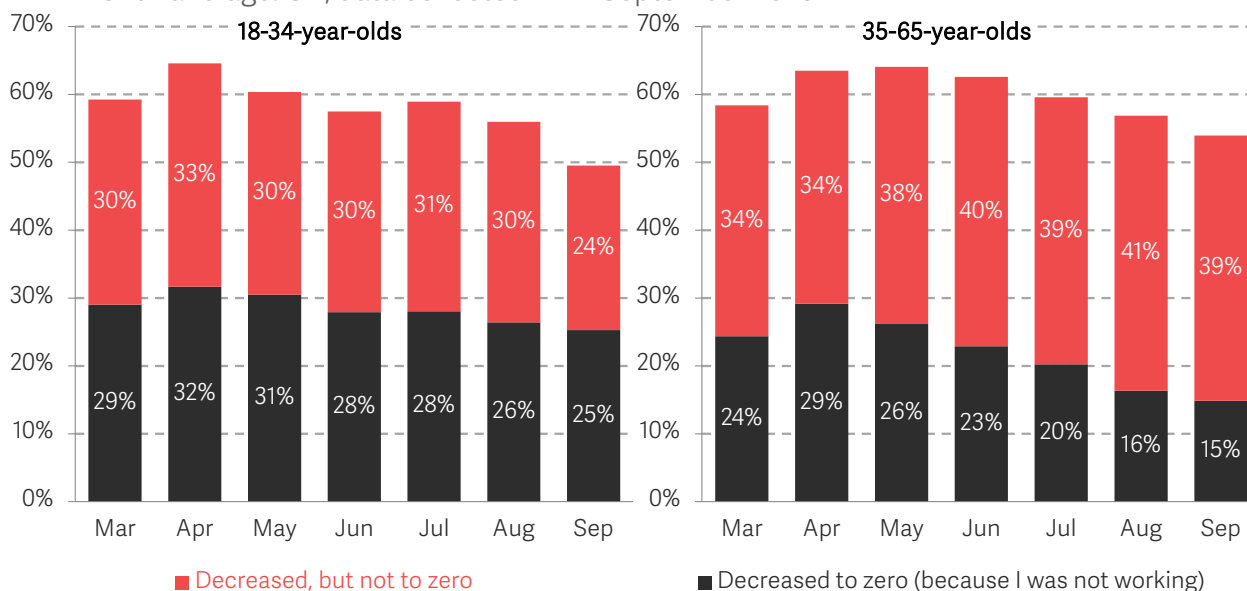
This analysis illustrates that while the initial severe impact on the self-employed was felt relatively broadly across most demographic groups, the lasting impact has been much more unequal as some groups of self-employed workers have been able to bounce back much more quickly than others. Here, as well as among employees, the young and those with fewer formal qualifications have faced a lasting disadvantage.

Younger self-employed workers are seeing a much slower recovery

Some groups of self-employed workers, then, have been hit much harder by the economic effects of the pandemic. But how have the fortunes of these different groups evolved over the lockdown and reopening phases? Figure 28 compares the trajectory of 18-34-year-old self-employed workers, who Figure 27 showed have been the most likely to stop working entirely, to that of older workers. Worryingly, the youngest self-employed workers have seen very little improvement in the share whose pay fell to zero: despite roughly equal numbers having stopped working in April (32 per cent of 18-34-year-olds, compared to 29 per cent of 35-65-year-olds), by September one-in-four 18-34-year-olds (25 per cent) still had no earnings, compared to just three-in-twenty 35-65-year-olds (15 per cent). The worst economic effects of the pandemic are still a reality for many younger self-employed workers.

FIGURE 28: Younger workers have seen little recovery in their earnings

Reported change in pay for self-employed workers compared to February 2020, by month and age: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak, excluding those who also had an employee job (n=426). Base by categories (consistent across all months): 18-34 n=66; 35-65 n=336. Question wording: 'Thinking about the months after the Coronavirus (COVID-19) outbreak started in the UK... Did your weekly/monthly pay increase or decrease compared to your usual pay before the Coronavirus (COVID-19) started, or was it the same?'. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

Government support has been poorly targeted towards those who experienced the biggest pay falls

The hit to the self-employed has been matched by government support that, in some ways, has been more generous than that for employees: although there are eligibility criteria based on factors such as pre-crisis earnings, self-employed workers have not needed to certify that their business has been hit by the crisis to qualify for support.

⁴¹ This has led to the average self-employed worker receiving more support than the average employee. Up to the end of August, the Government had spent £1,291 on the JRS for every UK employee, compared to £2,518 spent on the SEISS per self-employed worker.⁴²

However, a previous Resolution Foundation survey fielded in May (before the SEISS opened for applications) suggested that many self-employed workers were not eligible for the SEISS.⁴³ Higher earners were more likely to believe they were ineligible as their profits were too high, while mid and lower earners were more likely to say they were ineligible as they had not completed the required tax returns (for example, because they were newly self-employed).

We are now able to look at which self-employed workers did indeed receive the SEISS, and Figure 29 compares the 42 per cent of self-employed workers that received support (left-hand panel) with those who did not. Self-employed workers who claimed SEISS were more likely to have experienced an income shock than those who did not – as we would expect – but the gap between the two groups is very small: 68 per cent of those that claimed SEISS had lost pay in April, compared to 60 per cent of those who did not receive support.

Overall, those who did not claim SEISS experienced a faster recovery. Between April and September, the share of workers who did not claim SEISS receiving lower earnings than before the crisis fell from three-in-five (60 per cent) to less than half (46 per cent); among SEISS claimants, that share fell more slowly from a high of 70 per cent in June to 61 per cent in September. SEISS claimants whose pay fell to zero, however, have recovered somewhat faster than their non-SEISS-claiming counterparts: the share of SEISS

⁴¹ Self-employed workers with a trading profit of up to £50,000, who earned the majority of their income through self-employment, were eligible for a grant under the Self-Employed Income Support Scheme (SEISS) based on the average of their trading profit over the last three tax years. See: HM Revenue & Customs, [Check if you can claim a grant through the Self-Employment Income Support Scheme](#), March 2020; T Bell et al., [Unprecedented support for employees' wages last week has been followed up by equally significant, and even more generous, support for the self-employed. But gaps remain](#), Resolution Foundation, March 2020.

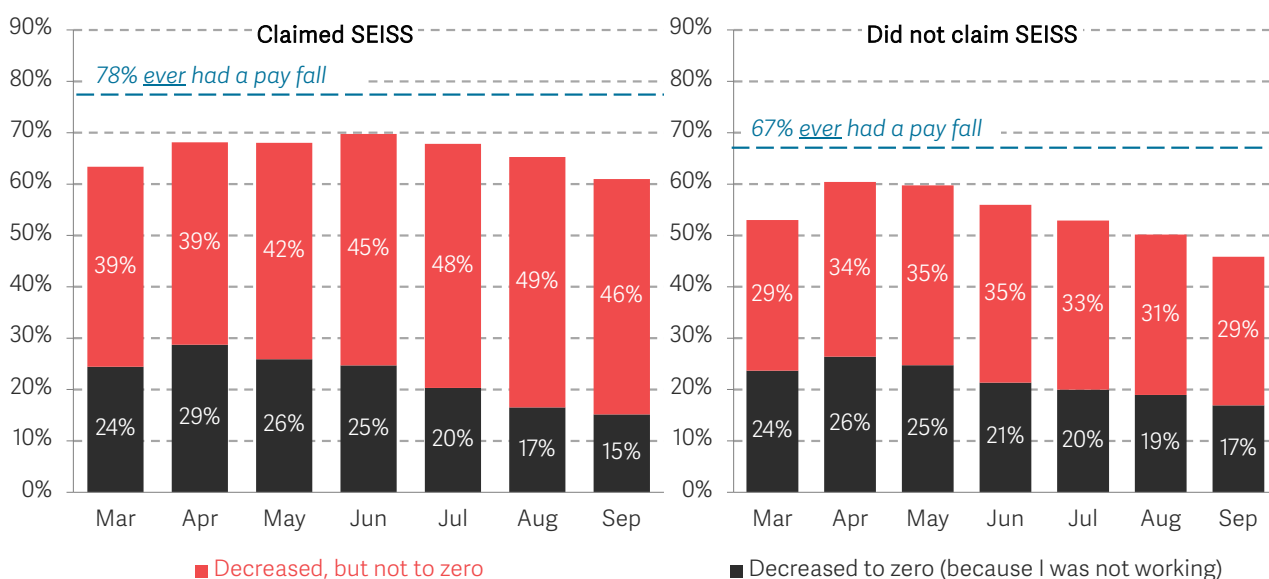
⁴² SEISS figure combines both first and second grants. Denominators are eligible employees (JRS) and self-employed workers assessed for eligibility (SEISS). Source: RF analysis of HMRC, Coronavirus Job Retention Scheme statistics; HMRC, Self-Employment Income Support Scheme statistics.

⁴³ L Gardiner & H Slaughter, [The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020.

claimants who were not working almost halved from 29 per cent in April to 15 per cent in September, while the decline among non-claimants was slower, from 26 per cent to 17 per cent over the same period.

FIGURE 29: One-in-five self-employed workers who claimed a SEISS grant experienced no pay falls

Reported change in pay for self-employed workers compared to February 2020, by month and whether claimed a grant under the Self-Employed Income Support Scheme at any point between March and September: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak, including those who also had an employee job (n=504). Base by categories (consistent across all months): claimed SEISS n=209; did not claim SEISS n=295. Question wording: 'Thinking about the months after the Coronavirus (COVID-19) outbreak started in the UK... Did your weekly/monthly pay increase or decrease compared to your usual pay before the Coronavirus (COVID-19) started, or was it the same?' These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

A well-targeted support scheme should support those who have faced the biggest income shocks, and there is little evidence that this has been the case with the SEISS. The blue lines in Figure 29 show the share of workers who reported lower earnings at any point between March and September. Strikingly, not all SEISS claimants had lost earnings: 78 per cent reported a pay fall at least once, and a further 5 per cent did not respond to any of the pay questions, leaving one-in-six (17 per cent) SEISS claimants who did not experience a single pay fall between March and September.

This implies that SEISS grants were claimed by 435,000 people who did not face any fall in their earnings,⁴⁴ at an estimated cost of £1.3 billion.⁴⁵

On the other hand, many affected workers missed out on support. Two-thirds (67 per cent) of those who did not claim SEISS had experienced at lower earnings at some point between March and September – and yet received no support. Almost half (46 per cent) were still receiving lower pay in September than in March, including close to one-in-five (17 per cent) who were still not working at all. In fact, three-in-five (61 per cent) of the self-employed who were not working in September had not received any support through the SEISS⁴⁶ – close to 500,000 people.⁴⁷

It is likely that most of the respondents who experienced falls in earnings but did not claim support were ineligible. In our survey, those who didn't claim were more likely to have an employee job alongside being self-employed, which may make them ineligible if self-employment does not make up the majority of their income. Non-claimants are also more likely to be in the highest pay quintile (whose higher profits may render them ineligible) or the lowest pay quintile (who may be newer to self-employment and so not have completed the required tax returns).⁴⁸ Likewise, non-claimants tend to fall within the oldest age group (55-65-year-olds) whose ineligibility more often comes from higher profits.⁴⁹

One-in-ten previously self-employed workers now class themselves as out of work

Section 2 showed the stark rise in unemployment implied by our survey, and set out that one key route into unemployment during the crisis has been furloughed workers losing their jobs. Another route, however, is self-employed workers losing their jobs. Data from the Labour Force Survey shows that 472,000 fewer people were self-employed in the

⁴⁴ There were 2.6 million claims made up to 31 July 2020, i.e. in the first round of SEISS grants. We focus only on first grants to avoid double-counting grants that were claimed by the same person. Source: HM Revenue & Customs, [Self-Employment Income Support Scheme statistics: August 2020](#), August 2020.

⁴⁵ We assume that the average grant paid to these workers was equal to the average value of all claims made in the first round of SEISS grants, which was £2,900. Source: HM Revenue & Customs, [Self-Employment Income Support Scheme statistics: August 2020](#), August 2020.

⁴⁶ Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak, including those who also had an employee job, who had made a claim under the Self-Employed Income Support Scheme (SEISS) (n=209). These figures have been analysed independently by the Resolution Foundation. Source: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

⁴⁷ The self-employed who were not working in September, and who had not received a SEISS grant, represent 9.9 per cent of self-employed workers. Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak, including those who also had an employee job (n=504). These figures have been analysed independently by the Resolution Foundation. According to HMRC figures, 5.0 million self-employed workers have been assessed for SEISS eligibility. Source: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave; HMRC, [Self-Employment Income Support Scheme statistics](#).

⁴⁸ L Gardiner & H Slaughter, [The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020.

⁴⁹ M Brewer & K Handscomb, [All together now? The impacts of the Government's coronavirus income support schemes across the age distribution](#), Resolution Foundation, September 2020.

three months to August than at the beginning of the year,⁵⁰ while falling self-employment has been the biggest driver of unemployment among men.⁵¹ The previous charts in this section have covered self-employed workers who have stopped working during the pandemic. But it is instructive to look at how many self-employed workers now consider themselves to be unemployed or economically inactive, rather than temporarily riding out the storm.

Figure 30 shows the current employment status of those who were in employment before the crisis, broken out by whether they were employees, self-employed, or both. One of the biggest differences between the groups is in the share of workers who have stopped working altogether, becoming unemployed or inactive. Those who were self-employed before the crisis have been more than twice as likely as employees (10 per cent vs 4 per cent) to class themselves as out of work. And close to one-in-six workers (16 per cent) who were combining self-employment with an employee job have now stopped working entirely.⁵²

Figure 30 also shows that more than one-in-ten self-employed (12 per cent) have taken on an employee job since the crisis began, either in place of (9 per cent) or alongside (3 per cent) their self-employed work.⁵³ This could reflect those who looked for new opportunities when self-employed work dried up, or a desire to pass the risk inherent in self-employment, thrown into sharp relief by the pandemic, onto an employer.⁵⁴ On the other hand, only a very small minority of employees have taken on self-employed work, either as their only form of employment or alongside an employee job (1 per cent in each case). Finally, among those who were both an employee and self-employed before the crisis, one-in-four (24 per cent) have stopped working for themselves and become solely employees, while one-in-ten (12 per cent) have left, or lost, their employee job.

⁵⁰ From the three months to February 2020 to the three months to August 2020. Source: RF analysis of ONS, Labour market statistics, October 2020.

⁵¹ Resolution Foundation, [Largest rise in unemployment in over decade as men lose their jobs and women fall out of the jobs market altogether](#), October 2020.

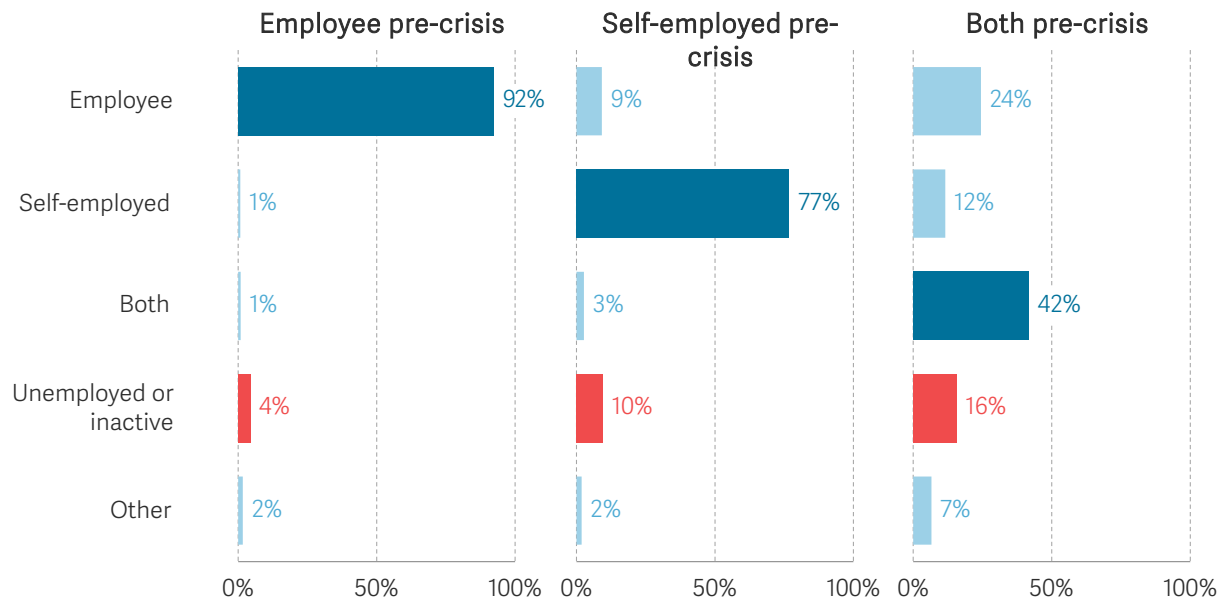
⁵² This group were much more likely to be in an insecure form of work before the pandemic: 30 per cent of those who were both employed and self-employed in February were either in a temporary job, an agency work, or on a zero-hours contract at the time, compared to 8 per cent of those who only had an employee job. Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak (n=3,831). Base by categories: employee n=3,753; both employed and self-employed n=78. These figures have been analysed independently by the Resolution Foundation. Source: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

⁵³ This reflects more change than we would expect in normal times: of those who were (solely) self-employed in the first quarter of 2019, for example, 6 per cent had taken on an employee job in the third quarter. Source: RF analysis of ONS, Labour Force Survey Five-Quarter Longitudinal Datasets.

⁵⁴ For further discussion of the reasons why the pandemic may drive a longer-term decline in self-employment, see: T Bell & H Slaughter, [Crystal balls vs rear-view mirrors: The UK labour market after coronavirus](#), Resolution Foundation, April 2020.

FIGURE 30: One-in-ten of those who were self-employed before the crisis are now unemployed or inactive

Current employment status, by employment status in February: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 who were in employment prior to the coronavirus outbreak, excluding full-time students and those who were on maternity, paternity, or long-term sick leave (n=4,257). Base by categories: employee pre-crisis n=3,753, self-employed pre-crisis n=426; both pre-crisis n=78. The 'other' category includes working alongside studying, being on maternity/paternity leave or long-term sick leave while still in employment, or those who responded 'other' to the question. These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

In summary, self-employed workers have struggled so far during the crisis, and have been more likely to face an economic impact than employees. But many of those workers who have struggled the most have not been able to access government support, while some who have not lost earnings received a (very generous) grant nonetheless.

Section 5

Employment prospects in the near future

This report has so far set out the scale of employment change that has occurred since the crisis began; this section explores what we can expect in the near future. We find that around two-in-five (43 per cent)⁵⁵ of surveyed respondents who fell out of work over the course of this crisis have so far managed to find a new job by September. Young workers (33 per cent of 18-24-year-olds and 26 per cent of 25-34-year-olds) and those who previously worked in a highly-affected sector (36 per cent) are among the least likely to have returned to work after having lost a job.

The fact that these groups have struggled to return to work isn't for lack of trying: 85 per cent of all respondents who moved out of work since February report looking for a new job. And yet, there is some suggestion that respondents are continuing to look for work in the hardest-hit sectors, over one-fifth (21 per cent) of all those looking for work (including those still working) indicated that would look in some of the hardest-hit sectors, such as leisure. This is despite the fact that, according to the ONS, the leisure sector had the fewest listed vacancies over July-September of all major industry categories. Among those respondents who are searching for work, 26 per cent say that they have made more than three job applications but have not received any offers.

Although this report has shown that the young and lower-paid have been more likely to experience unemployment so far, job worries and redundancy risk seem to be spreading across the labour market. In fact, 14 per cent of respondents in the top pay quintile report have been informed of a possible or likely redundancy process occurring at their firm, compared against 8 per cent of those in the bottom pay quintile.

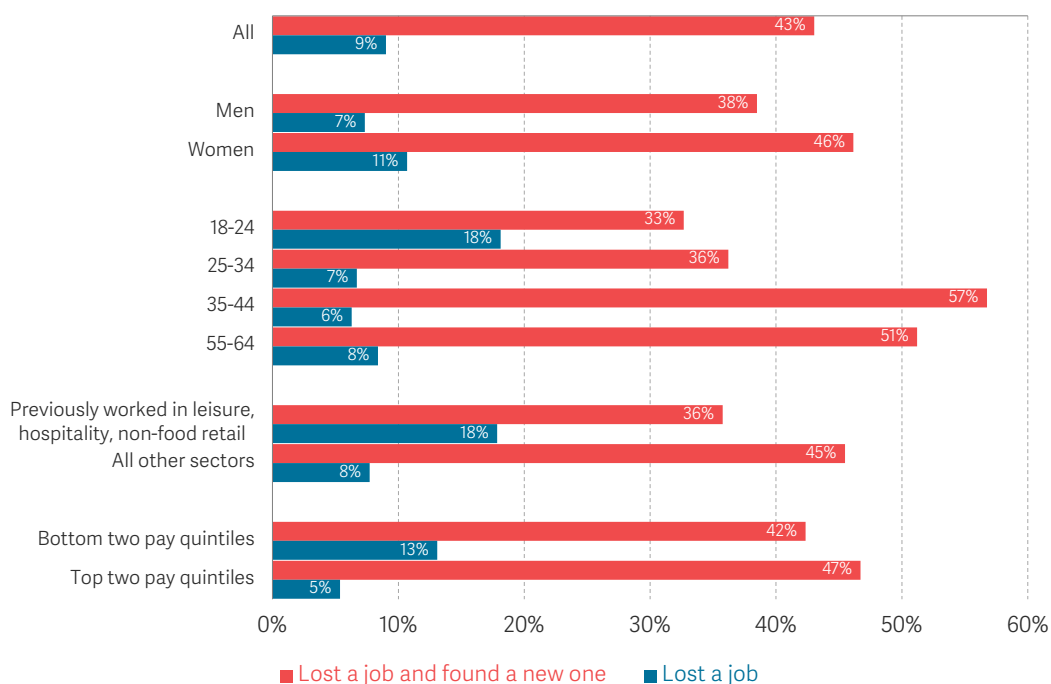
55

Most people whose job ended during the crisis are still out of work, with the youngest workers and those from hard-hit sectors struggling most

Nearly one-in-ten (9 per cent) of respondents who were in work in February report that, at some point between March and September, they moved out of work. Of this group, around two-in-five (43 per cent) report having found a new job by September. However, behind these headline figures are substantial differences between groups of workers (see Figure 31). For instance, over the March-September period the youngest and lowest-paid respondents were more likely to lose a job (18 and 17 per cent of those who lost jobs, respectively) and also least likely to have moved back into work by September.

FIGURE 31: Around two-in-five respondents whose job has ended since February have found a new job

Proportion of respondents whose job had ended during the crisis who have since found a new job, by various characteristics: UK, data collected 17-22 September 2020



NOTES: Base for returned to work = all UK adults aged 18-65 years who have lost their job since February 2020 (n=400). Subgroup sample size as follows. Men: 159; women: 241; 18-24: 70; 25-34: 77; 45-54: 96; 55-64: 79; previously worked in leisure, hospitality, retail: 99; previously worked in all other sectors: 301; bottom two pay quintiles: 79; top two pay quintiles: 196. Base for moved out of work between February and September = all respondents who reported working in February (n=4,079). Subgroup sample size is as follows. Men: 2,195; women: 2,284; 18-24: 384; 25-34: 1,147; 35-44: 1,105; 45-54: 1,137; 55-64: 653. Respondents classed as moving out of work are those who reported that in February they were in work (employed, self employed, both employed and self-employed or students with paid work) but whose hours worked reduced to zero while not on furlough. The share of respondents who moved out of work but subsequently returned are those whose hours increased from zero and were not furloughed. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

While 43 per cent of respondents who had a job that ended were back in work by September, that figure was only 33 per cent of 18-24-year-olds and 41 per cent for those in the bottom income quintile. As a point of reference, the share of surveyed 35-44-year-old workers who lost a job and then moved back into work was 58 per cent.⁵⁶ The share of surveyed workers in the top pay quintile who lost a job and moved back into work was 45 per cent. In short, younger and lower-paid workers were both most likely to move out of work and also least likely to move back into it.

Turning to sectors, there are clear indications that workers who previously worked in the hardest-hit sectors, like leisure and hospitality have – so far – found it even more difficult than their counterparts in other sectors to return to work. While 19 and 25 per cent of workers in hospitality and leisure respectively lost work at some point, just one-third (32 per cent) of those who lost work in leisure, and nearly two-in-five (38 per cent) of those who lost work in hospitality were able to move back into a job by September.

These sectors stand in contrast to others, like ‘other services’ (which includes hair and beauty, and repairs) that faced significant supply constraints in the spring, but which have since been able to resume more normal operations. Although 13 per cent of those who had previously worked in other services reported losing work between March and September, 58 per cent of that group have moved back into work.

Figures from the ONS Real Time Information (RTI) data series underscore the difficulty that many of our survey’s respondents may have experienced when attempting to move back into work over spring and summer (see Figure 8 in Section 2). The monthly number of people⁵⁷ flowing into employment fell by 241,000 between March and April and appeared to bottom out at roughly 400,000 per month between April and July. Despite a rise in the numbers flowing into work over August and September, it remained – by the end of September – below where it was immediately in March. And below where it was in September 2019. In other words, there are fewer people moving into work overall than either at the start of the crisis or a year ago.

Nearly half of respondents worried about losing their job are already looking for work

The as-until-recently relatively low number of people flowing into employment (as shown in Figure 8), and the comparatively low share of younger respondents and those from hard-hit sectors (such as leisure, hospitality and retail) moving back into work (Figure 31), comes despite our survey showing that the large majority of respondents who recently moved out of work are indeed looking for a job. In fact, 85 per cent of respondents who

⁵⁶ RF analysis uses weighted data to calculate percentages.

⁵⁷ Excluding those who are self-employed.

became unemployed after the current crisis took hold (i.e. since February) report that they were looking for work during our survey's reference week (see Figure 32).⁵⁸

Perhaps unsurprisingly, respondents' likelihood of looking for work varies less by personal characteristics and much more by their current circumstances. In Figure 32 we have grouped respondents into four categories: those who were out of work before the crisis began (i.e. in February), those who moved out of work between March and September (recently unemployed), those who are worried about redundancies (they said they were anxious about losing their job over the next three months) and those expecting to be made redundant (i.e. who said their employer was either considering making redundancies or a formal redundancy consultation was happening).⁵⁹ The chart shows that, while 85 per cent of those who recently moved out of work are looking, 67 per cent of those who were already unemployed in February were. This compares to 45 per cent of those who are worried about redundancies and 42 per cent of those who are likely to/will face redundancy.

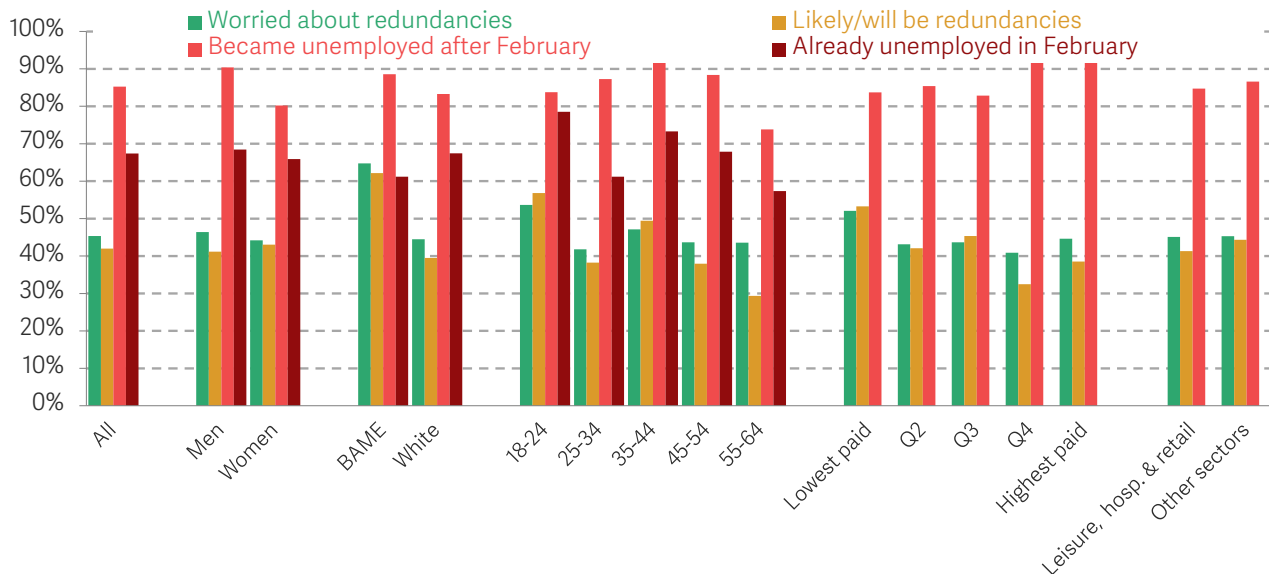
There is evidence that respondents from BAME backgrounds who are worried about, or likely to face, redundancies are looking for work in greater proportion than on average. While 45 per cent of all who are worried about redundancies report looking for work, 65 per cent of BAME respondents in these categories report doing so – indicating efforts to respond pre-emptively to the risk of unemployment. It also appears that among those respondents who have been unemployed for a longer period (i.e. at least since February), 18-24-year-olds are the most likely to report looking for work – 79 per cent report doing so, as compared to 67 per cent of their all-age counterparts.

⁵⁸ Our survey allows for respondents to select that they are unemployed without also indicating that they are in fact looking for work. Respondents actively looking for a job were identified as those who had taken some action to look for work in the last month, i.e. those who said 'No' to the item 'Not applicable – I've not done anything to find work in the last month'. Options (in addition to 'Not applicable - I've not done anything to find work in the last month') were: 'Visited a Jobcentre/Job-market or Jobs and Benefits Centres'; 'Visited a Careers Office'; 'Visited a Jobclub'; 'Had my name on the books of a private employment agency'; 'Advertised for jobs in newspapers, journals or on the internet'; 'Answered job advertisements in newspapers, journals or on the internet'; 'Studied "situations vacant" columns in newspapers journals, or on the internet'; 'Applied directly to employers'; 'Asked friends, relatives, colleagues or trade unions about jobs'; 'Waited for the result of an application for a job'; 'Something else to find work'. Respondents who selected 'Don't Know' (n=102) were excluded from analysis.

⁵⁹ Question wording is as follows: "Which, if any, of the following apply to you? (Please select all that apply): I am anxious that I will lose my job over the next 3 months; I am anxious that I will lose self-employed work over the next 3 months; My employer has announced that they are considering making redundancies; My employer has formally announced a redundancy consultation is happening; I have been told I will be made redundant; None of these; Don't know."

FIGURE 32: The large majority of respondents who have moved into unemployment since the start of crisis are currently looking for work

Proportion looking for a job if worried about redundancy, facing redundancies, recently unemployed or longer-term unemployed, by various characteristics: UK, data collected 17-22 September 2020



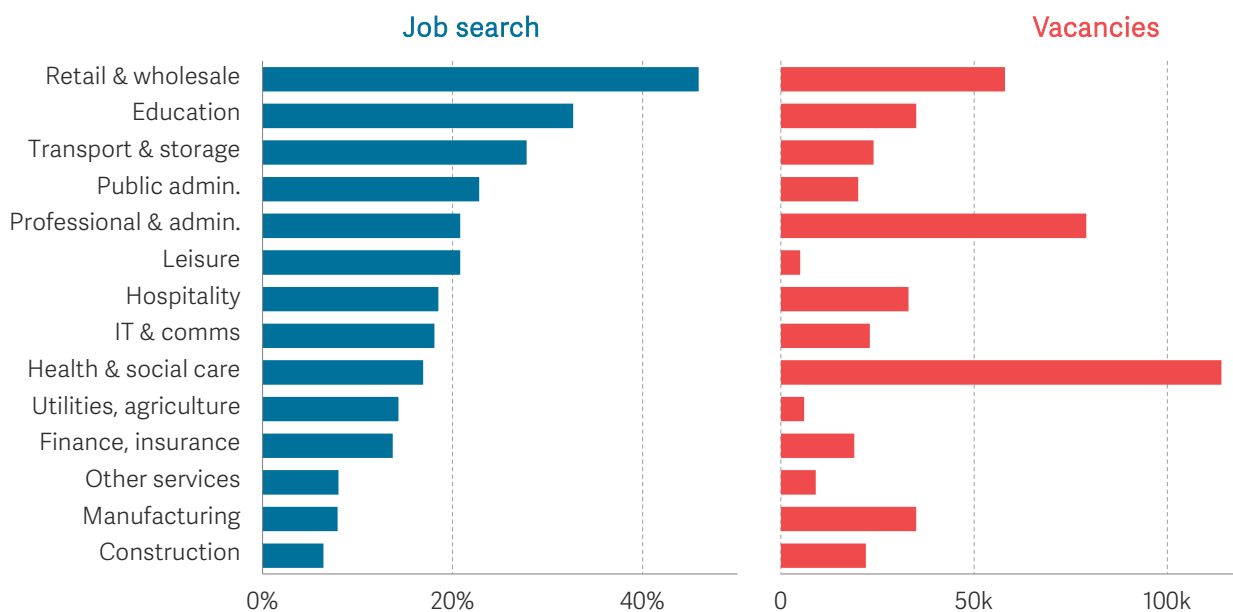
NOTES: Base for worried about redundancies and likely/will be redundancies = all UK adults aged 18-65 who reported 1) whether they were worried or had been told about redundancies and 2) whether they were looking for a job (n=919). Subgroup sample size is as follows. Men: 441; women: 478; White: 772; BAME: 93; 18-24: 120; 25-34: 245; 35-44: 255; 45-54: 206; 55-64: 88; lowest paid: 167; quintile 2: 167; quintile 3: 137; quintile 4: 115; quintile 5: 133; currently work in leisure, hospitality and retail: 157; currently work in all other sectors: 726. Base for "became unemployed after February" and "Already unemployed in February" are those who provided their employment status for 1) February and 2) September, and 3) whether they were looking for a job (n=5,644). Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation. SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

Respondents are searching for jobs in the hardest hit sectors

Respondents who are looking for jobs were asked to select in which sectors they would look for work. Surprisingly, just over a fifth (21 per cent) of those looking for work indicated that would look in the hardest-hit sectors, such as leisure (see Figure 33). This comes despite the fact that, according to the ONS, the leisure sector had the fewest listed vacancies between July and September of all major industry categories. Although these are large sectors of the economy where, in normal times, it can be relatively straightforward to find work, this could be a worrying sign if it indicates that those looking for work are limiting job search to struggling sectors.

FIGURE 33: Respondents are looking for jobs in hardest hit sectors

Proportion of respondents looking for a job in the following sectors and number of vacancies in each sector: UK, September 2020 (job search) and July-September 2020 (vacancies)



NOTES: Base = all UK adults aged 18-65 years looking for a job who answered which sectors they would/would not look in (N= 1,374). 'Other transport' refers to those not in bus or rail industries; 'Other retail' refers to non-food retail, including wholesale trade. We have assumed that respondents who said yes to one of several job search methods is looking for a job. These figures have been analysed independently by the Resolution Foundation.
 SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave and ONS, Vacancies by Industry, October 2020.

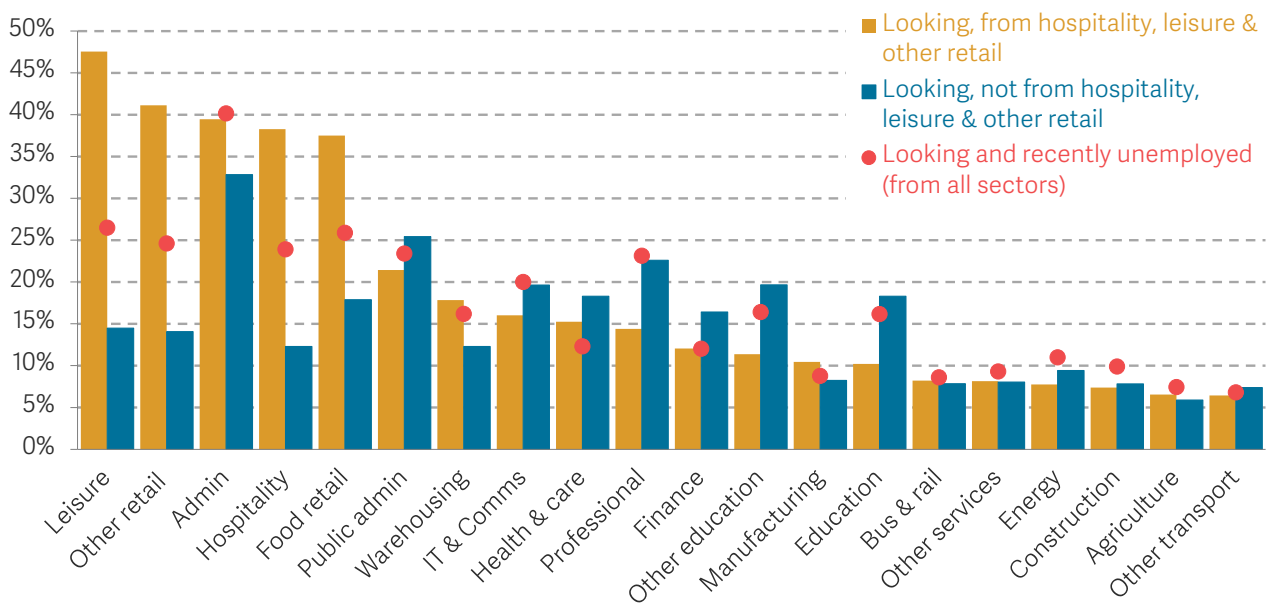
Given that the sectors which tend to trade on in-person services, like hospitality, leisure and non-food retail have been so badly affected by the crisis to date, employment policy has, over recent months, grappled with questions about whether and how to help workers from these sectors move into roles in growing, or at least less-affected, industries.

In that context, it is striking that many respondents report that they are looking for positions in struggling sectors. Figure 34 shows the industries that respondents who are looking for work indicated they would look in, split out according to whether or not in February they worked in hospitality, leisure and other retail, and with another split to set out the job-search destinations for all workers who became unemployed between February and September. Experience, qualifications and preference will typically limit the number of industries in which a person feels they can work, and as Figure 34 shows, It shows that the top four job-search destinations for respondents for this group were: leisure, other retail, administrative (e.g. security, cleaning, travel agencies) and hospitality. And although less affected industries like administration are the top destination for

surveyed jobseekers from both affected and less-affected sectors alike, it's clear that workers from the most struggling sectors are still focused to a large extent on finding work in these hard-hit areas.

FIGURE 34: Respondents from coronavirus-affected sectors are still looking for work in struggling industries like leisure and retail in large proportion

Proportion of respondents who are looking for work, by whether they work in hospitality, leisure or retail or are out of work but worked in these sectors before the coronavirus: UK, data collected 17-22 September 2020



NOTES: Respondents were instructed to select all industries that they would look for work in. Base = respondents who are looking for work according to whether in February they worked in a coronavirus-affected sector (leisure, hospitality, other retail, other services, construction, non-bus/rail transport; (n=321) or from a less-affected sector (n=766); or who were working in February (employed, self-employed, both employed and self-employed or a student with paid work) but who reported that they were unemployed in September and looking for work (n=144). These figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

It is discouraging to find that although care workers are in short supply, the health, care and social work sector is only the ninth (out of 20) most popular destination for those coming from hospitality, leisure and other retail. In fact, the share of job-seeking respondents from these highly affected sectors who report that they would look for work in health and care is lower (at 15 per cent) than the share of job-seeking respondents from less-affected sectors doing so.

While the young and lower-paid have been more likely to experience unemployment so far, job worries and redundancy risk are spreading across the labour market

Section 2 showed that 9 per cent of respondents reported being unemployed in September. Yet a considerably greater proportion feel insecure in their current job. Figure 35 shows that a further 28 per cent of respondents are either worried about redundancies occurring, have been told a redundancy process either may or will happen, or have been told they will be made redundant.⁶⁰ This is a strikingly large figure. It also suggests that the initial employment impact of the crisis, which were centred largely on younger workers and those in businesses reliant on in-person services, are spreading.

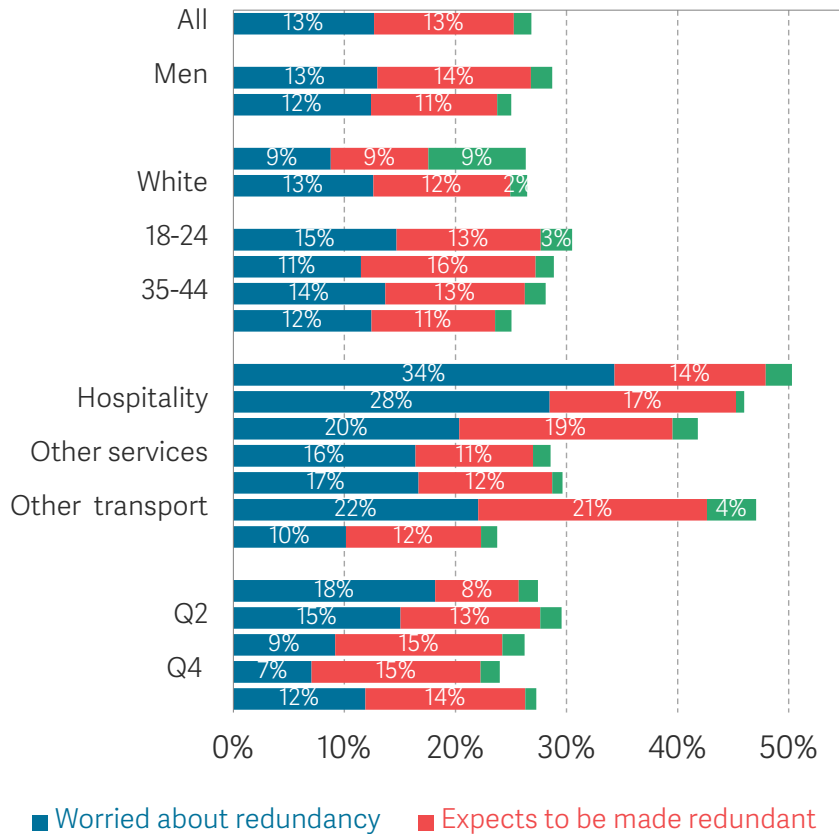
Although worries about job prospects are, understandably, more common among those respondents still working in highly affected sectors, like leisure, hospitality and non-bus/rail transport, the differences across age are less marked than the age-related differences in employment change, set out in Section 2. For instance, the share of surveyed 18-24-year-olds worried about redundancy (15 per cent) is similar to the share of 35-44-year-olds who are (14 per cent). The share expecting to be made redundant in these age groups (13 per cent) is the same.

Moreover, differences in whether respondents may or will face redundancies in their workplace suggest that the impact of the crisis has spread. For example, 14 per cent of respondents in the top pay quintile have been informed of a possible or likely redundancy process occurring, compared to only 8 per cent of those in the bottom pay quintile. This contrast points to a shift from early job losses amongst the young and lower paid, to a wider impact on the labour market.

⁶⁰ Question wording is as follows: "Which, if any, of the following apply to you? (Please select all that apply): I am anxious that I will lose my job over the next 3 months; I am anxious that I will lose self-employed work over the next 3 months; My employer has announced that they are considering making redundancies; My employer has formally announced a redundancy consultation is happening; I have been told I will be made redundant; None of these; Don't know."

FIGURE 35: More than one-in-four workers are either worried or expect to be made redundant

Proportion of respondents in current employment in an 'at risk' job, by characteristic: UK, data collected 17-22 September 2020



NOTES: Base = all UK adults aged 18-65 years who are currently in employment and reported whether or not they were worried or had been told about redundancies (n=4252). Subgroup sample size is as follows. Men: 2,057; women: 2,155; White 3,784; BAME, 262; 18-24: 354; 25-34: 1,088; 35-44: 1,067; 45-54: 1,086; 55-64: 609; currently works in leisure: 154; hospitality: 125; other (non-food) retail: 178; other services: 192; construction: 114; other (non-bus/rail) transport: 64; all other sectors: 3,425. Earnings quintiles are based on weekly net (take-home) usual employee pay prior to the coronavirus outbreak. These figures have been analysed independently by the Resolution Foundation. SOURCE: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - September wave.

More than a quarter of respondents looking for work have made more than three job applications, but have not received any offers

Among those who report looking for jobs and who answered questions about any barriers to finding them, the most commonly cited barrier is simply having put in multiple (more than three) applications without a single offer.⁶¹ Indeed, 26 per cent of those

⁶¹ Base = all UK adults aged 18-65 years who have responded to 'job difficulties' and who are looking for a job (n=495). Question wording: "Your previous answers suggest you might be looking for a new job within the next 3 months...Which, if any, of the following currently apply to you? (Please select all that apply) I am concerned that my skills and experience do not fit other roles; I cannot find any vacancies that pay as much as my previous role; I cannot find any vacancies that match my skills and experience; I have found vacancies that would be suitable, but they are located too far away from my home; I would like to take a training course in order to help me change jobs/ find a new role; I have applied for multiple (i.e. more than three) vacancies but have not had any successful applications; None of these; Don't know."

looking for jobs and reporting barriers noted this, with skills concerns (feeling that they did not have the required skills or experience, or that their skills and experience didn't match the jobs available) coming next at 24 per cent.

There is less difference in perceived barriers to finding work across our categories than might have been expected, although it does appear that surveyed jobseekers in the bottom half of the (February) pay distribution are more likely than their better-paid counterparts to think they require training (18 and 10 per cent, respectively) and that available opportunities are either too far away or pay less than their current role (18 and 21 per cent, respectively).

While the effects of the crisis, so far, on job mobility and people's ability to return to work after having lost a job are still to be seen, this section so far has set out some worrying findings. First, those groups that have lost work in the greatest proportion have also found it the most difficult to bounce back in work. Second, those looking for work having worked in hard-hit sectors appear to be searching in those same sectors – perhaps because their qualifications and experience hinder mobility. More worrying still is that, when jobseekers were asked to cite barriers in front of them, it wasn't skills or location, but simply a lack of offers that they cited most. And finally, the risk of redundancies appears to be rising up the pay distribution and affecting the labour market more generally. In the next section we turn to a discussion of how policy can address some of these challenges.

Section 6

Next steps for policy

The impact that this crisis has had so far on the UK labour market are substantial, with unemployment rising alongside declines in both hours and pay. Those working in sectors that offer in-person services, like hospitality and leisure have fared particularly poorly. Not only have these sectors experienced some of the highest levels of job loss, and reductions in hours and pay, they also have the largest shares of workers that were still on furlough at the time of survey reference week in early September. Among those surveyed who were employed in hospitality in February, 20 per cent were either partially or fully furloughed in early September; 21 per cent of those who were employed in leisure in February were also either partially or fully furloughed in September.

These challenges are only likely to worsen over the coming months, as social distancing restrictions increase across different parts of the country in response to the coronavirus spreading. To that end, the Chancellor's changes to the Job Support Scheme – announced on 22nd October – are particularly welcome. According to the Chancellor, the JSS was designed to give “businesses who face depressed demand the option of keeping employees in a job on shorter hours rather than making them redundant.” There were concerns that, under the original scheme, the share of wages for non-worked hours that employers remained liable for (33 per cent) was so high that it would incentivise firms to proceed with further layoffs. But, following changes to the scheme announced on 22nd October, employer contributions from hours not worked have been reduced from 33 to 5 per cent. In addition, the minimum hours requirement for workers to be eligible was also reduced from 33 per cent of usual hours to 20 per cent.

Importantly, however, the timing of this announcement has come too late. With the Job Support Scheme due to come into place on 1st November, there are concerns that employers have already made decisions about the number of workers they plan to let go. Nevertheless, Resolution Foundation analysis suggests that the amended scheme should prove effective in limiting the rise in unemployment we expect to see once the Job Retention Scheme comes to a close at the end of October.⁶²

⁶² See: D Tomlinson, [Sorting it out: The Chancellor moves to fix the Job Support Scheme](#), Resolution Foundation, October 2020.

Gap in coverage remain, however. The improved JSS won't, for example, cover those businesses – like conference centres or music venues – that have effectively been forced (but not ordered) to shut and won't be in a position to provide their staff with minimum hours required for JSS eligibility. The Government should consider mechanisms for allowing firms that been effectively forced into closure by social distancing requirements to access the 'full furlough' element of the JSS, currently available only for firms legally required to close. (Although they will want to ensure these mechanisms do not incentivise firms to close.) They should also consider financial incentives to reduce the risk of virus transmission, specifically for those who need to self-isolate. This could be achieved by raising Statutory Sick Pay (SSP) and extending it to the two million low earners who are not eligible. Or by broadening the eligibility for the £500 self-isolation payment, which is only currently available to one worker in eight.⁶³

And of course, the JSS is unlikely to prevent all redundancies that are coming down the pipeline: many workers who are soon to lose their jobs, or who have already lost them, will be reliant on the social security system. Despite this, the Government still seems to be intent on reversing the £1,000 a year boost to Universal Credit and Working Tax Credits in April – a reversal that will cut incomes for over 6 million families and drive a 7 per cent fall in income among the UK's lowest-income households.⁶⁴

Proceeding with these cuts brings large risks both for living standards and to the wider economy. Instead, the Government should protect the living standards of those at risk of a period of unemployment by abolishing plans to cut Universal Credit and the Working Tax Credit in April, extending the grace period for the Benefit Cap, continuing to suspend the Minimum Income Floor for self-employed Universal Credit claimants, easing capital rules in Universal Credit (so that more people are eligible, despite having savings) and increase the level of contributory Jobseeker' Allowance.

Alongside this, the Government will need to double down on policies to help the unemployed find work. This includes, for instance: pushing forward with job-search support and youth employment programmes, like Kickstart, that were announced over the summer.⁶⁵ As this report has shown, there's comparatively low jobseeker interest in social care despite a large number of vacancies: paying these workers a fair wage would be a good step forward. The Government should also consider creating jobs that deliver against our net zero carbon ambitions. These initiatives inevitably take time but will prove valuable in the long run.

⁶³ D Tomlinson, *Sorting it out: The Chancellor moves to fix the Job Support Scheme*, Resolution Foundation, October 2020.

⁶⁴ T Bell, A Corlett, K Handscomb, *Death by £1000 cuts? The history, economics and politics of cutting benefits for millions of households next April*, Resolution Foundation, October 2020.

⁶⁵ See: *Summer Economic Update: Resolution Foundation overnight analysis*, Resolution Foundation, July 2020.

Taking a step back, it is clear that economic and policy uncertainty is continuing to hinder private sector investment and job creation. This underscores the need for clear communications and as much certainty as possible on both actions to manage the pandemic and on other sources of uncertainty such as Brexit. And particularly in the context of constraints on the ability of the Bank of England to support the economy through lower interest rates, it also emphasises that fiscal policy makers have a crucial role to play in doing whatever it takes to provide macroeconomic support in this crisis and generate a rapid recovery.

The approach outlined above is far from easy, bringing significant fiscal costs and implementation challenges. But, crucially, such an approach has the advantage of confronting conditions in the labour market, and indeed the wider economy, as we find them, rather than as we would wish them to be.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 6,061 adults. Fieldwork was undertaken between 17th - 22nd September 2020. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+) according to age, gender, region.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

For more information on this report, contact:

Kathleen Henehan

Senior Research and Policy Analyst

kathleen.henehan@resolutionfoundation.org



Resolution Foundation

2 Queen Anne's Gate

London SW1H 9AA

Charity Number: 1114839