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The impacts of the Government's coronavirus income support schemes across the age distribution

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Summary

In response to the coronavirus pandemic, the Government introduced three policies to directly protect household incomes: the coronavirus Job Retention Scheme (JRS), the Self-Employment Income Support Scheme (SEISS), and a significant boost to social security benefits. These are estimated to cost £71.5 billion in the current financial year, more than the government spending on Defence and Public Order and Safety in the previous year. This note looks at how that financial support has been distributed across people from different age groups during the first months of the crisis. This is of interest both to help us understand the distributional impacts of the Government's policy decisions, but also because it gives us an indication to who might be financially at risk when the schemes come to an end.

We find that each of the three programmes has been targeted at different groups. Those in their early 20s are most likely to have been furloughed on the JRS, with a fifth of all employees on the JRS under the age of 25. The beneficiaries of the temporary boost to UC and Working Tax Credits (WTC), along with the permanent increase in the Local Housing Allowance (LHA), are most common among those in their early 30s. And older workers are the most likely to have received support via the SEISS, with recipients most likely to be found among those aged 50 to 55. But our analysis of how the amount spent on these programmes varies by age shows that support was fairly evenly spread across those aged 25 to 55. This is because the profile of spending is dominated by the JRS, by far the most expensive programme. Spending on the JRS is more evenly distributed across different age groups than are its recipients, because younger furloughed workers tend to earn less.

None of the patterns we uncover is driven by an explicit age rule in any of the three programmes. Instead, the pattern of beneficiaries reflect a mixture of ingrained generational differences in the UK's labour market pre-Covid, the nature of the initial shock to economic activity caused by the UK's response to the pandemic, and the historical design of the social security system.

For example, the fact that the JRS has helped so many young people reflects the fact that the initial shock to the labour market was heavily skewed towards the retail, hospitality and leisure sectors, all areas in which young people were disproportionately likely to work pre-Covid. But the fact that earnings tend to rise with age explains why spending per person under the JRS is highest for those aged 47, where the average furloughed employee received £1,400 per month compared to less than £1,000 per month for those aged under 25. Similarly, the slanting of support paid under the SEISS to older self-employed workers reflects the older age profile of the self-employed workforce. And the age profile of the beneficiaries of the increases to social security benefits announced

once the pandemic hit reflects that the UK's social security system is considerably more generous to adults who have dependent children than those who do not, and gives particularly low levels of entitlement to those aged under 25.

This report looks only at how people from different age groups have benefitted from the three main programmes designed to directly support household incomes. It does not attempt to comment on who has missed out on, or who should have been entitled to, such support. The Resolution Foundation will be reviewing broader evidence on incomes and living standards of those of different ages in our forthcoming Intergenerational Audit.

The public health response to the coronavirus pandemic caused an unprecedented decline in economic activity, but also an unprecedented policy response to protect household incomes

The onset of the coronavirus pandemic led to the biggest shock to the UK economy and the labour market for centuries, with GDP falling by 20 per cent in the second quarter of the year,[1] and the total amount of hours worked in the economy falling by 18 per cent.[2] In response, the Government introduced three policies to directly protect household incomes: the coronavirus Job Retention Scheme (JRS), the self-employment income support scheme (SEISS), and a significant boost to social security benefits. These are estimated to cost £71.5 billion in the current financial year, more than the combined government spending on Defence and Public Order and Safety in the previous year.[3] Together, they have acted to protect household incomes: although incomes are forecast to be lower now than they were last year across most of the distribution,[4] the fall in disposable incomes is much less, on average, than the fall in GDP or in the amount of hours worked in the labour market.

This note looks at the three main programmes that have directly supported individuals' incomes, and shows how that support has been felt across different age groups. We begin by showing what has happened in the labour market since the crisis hit, as that provides the backdrop to the various support schemes that the Government has put in place. We then show new estimates of how each of the three programmes helped people of different ages (and an annex gives the details of our calculations). As we clarify below, these estimates pertain only to the first few months of the crisis. As the crisis continues, the shape of the labour market shock will evolve, and the generosity of the JRS and SEISS will also change (or stop altogether, on current government plans), and both of

1 ONS, Gross Domestic Product: Quarter on Quarter growth.
2 Between January and March 2020 and April and June 2020: ONS, Labour Market Statistics.
3 As set out in table 5.1 of: HMT, Public Expenditure Statistical Analyses 2020.
4 See M Brewer, A Corlett, C McCurdy, K Handscomb & D Tomlinson, The Living Standards Audit 2020, Resolution Foundation, July 2020 or HM Treasury, Impact of COVID-19 on working household incomes: distributional analysis as of May 2020, July 2020.

these, as well as how they interact with our social security system, will affect how the programmes are helping people of different ages.

These results are not intended to be a definitive assessment of how the crisis has affected people of different ages: this note looks only at which age groups have benefited from the three main programmes to support household incomes, and the total generosity of the schemes by age. We do not look at, for example, who has missed out on support, or the relative generosity of the schemes compared to pre-Covid incomes. Earlier work by the Resolution Foundation has showed how household disposable incomes had changed during the first months of full lockdown compared to last year for people of different ages[5] and, in October, the Resolution Foundation will present a broader assessment of how the coronavirus crisis has so far affected people of different ages – looking across health, employment, incomes and assets – in our second annual Intergenerational Audit, and will consider how the medium- to longer-run impacts are likely to be felt by those of different generations.

The initial impact of coronavirus on the labour market was a major shock across the whole working-age population, but felt hardest by younger workers, mostly reflecting the sectors in which they work

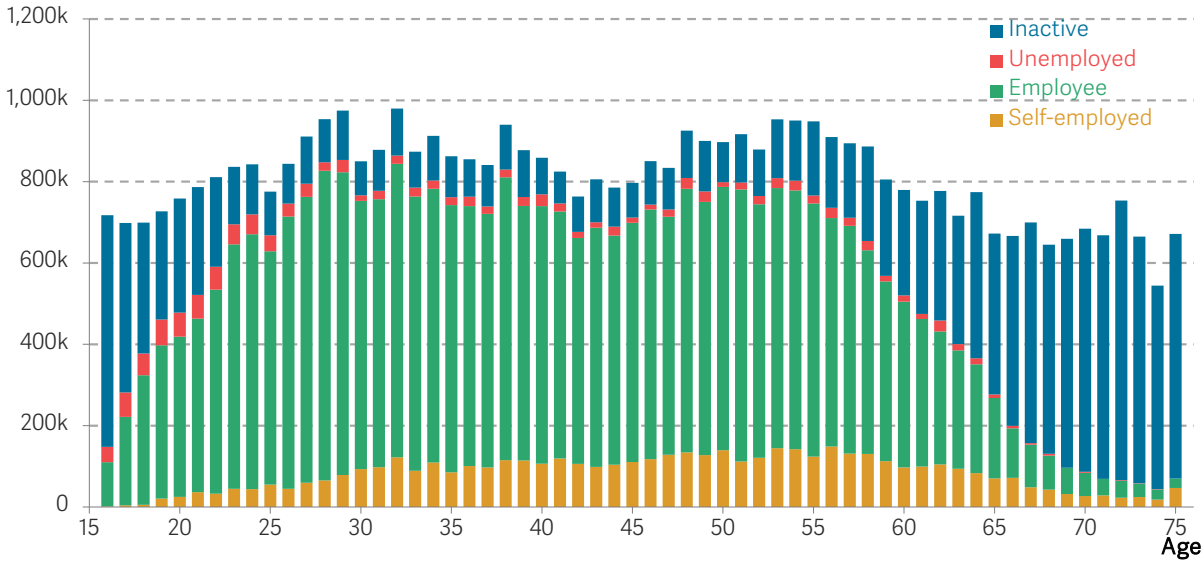
The analysis in this note will look at how many people of different age groups benefitted from the three main support programmes in the first month of the coronavirus crisis. Before doing so, it is important to understand the demographic and economic context. Figure 1 therefore shows the size of the UK population by age, just before the crisis hit, along with a breakdown of their employment status. This shows the familiar bulge of those in their mid-50s (born around 1965) and the subsequent dip in fertility rates that means there is now a dip in the number of people in their early 40s (born just before 1980).

Given that the financial impact of coronavirus has so far come mainly through the labour market, Figure 1 also provides context by giving a broad overview of which ages were relatively more exposed to a labour market shock. Employment rates are, as is well-known, higher for those in the prime working-age years of 25 to 54 than they are for the under-25s and those aged 55 and over. At younger ages, this is primarily because people are in education; for those aged 55 and over, it represents early retirement, whether through choice, ill-health or caring responsibilities. The Figure therefore helps us understand how many individuals at each age were at risk of being affected by a labour market shock.

5 See Figure 24 of M Brewer, A Corlett, C McCurdy, K Handscomb & D Tomlinson, The Living Standards Audit 2020, Resolution Foundation, July 2020.

FIGURE 1: **Demographics, education and retirement determined the backdrop to the coronavirus support packages**

Population by employment status, ages 16 to 75: January to March 2020



SOURCE: RF Analysis of Labour Force Survey.

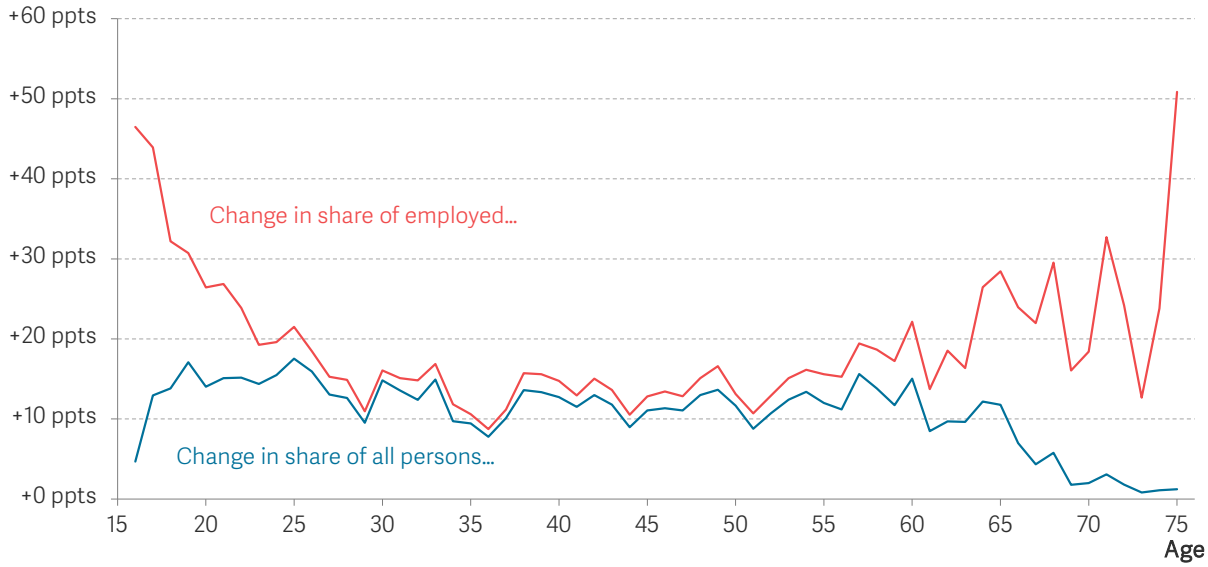
Previous Resolution Foundation research has argued that the UK's labour market statistics at the moment can present a confusing, if not outright misleading, impression of the state of the labour market.[6] In particular, the headline employment rate – which stood at a near record high of 76.4 per cent for the April to June period – is especially unhelpful at this time.[7] In part this is because of the JRS, where being furloughed requires employees not to do any paid work.

Figure 2 shows the fraction of people who are in employment (both employees and the self-employed) but who report that they are not actually doing any work in the reference week. Although there are always some people in employment who, in a given week, do not actually do any work (including those on annual leave, sick leave or parental leave, for example), in April to June 2020 there were 12.4 per cent more of the working-age population reporting that they were employed but not working compared to the same period a year earlier. Among those in work, this fraction rises to 16.2 per cent. Figure 2 also shows that, among those in work, the change in the number reporting that they are not doing any work is much greater among the young and old.

6 See: M Brewer, K Handscomb & L Gardiner, The truth will out: Understanding labour market statistics during the coronavirus crisis, Resolution Foundation, July 2020.
7 ONS, Labour Market Statistics.

FIGURE 2: **Of those in employment, young and old workers are most likely to have stopped working**

Change in adults reporting that they were employed but did no hours of work, as a proportion of all persons and of workers, by age between April-June 2019 and April-June 2020

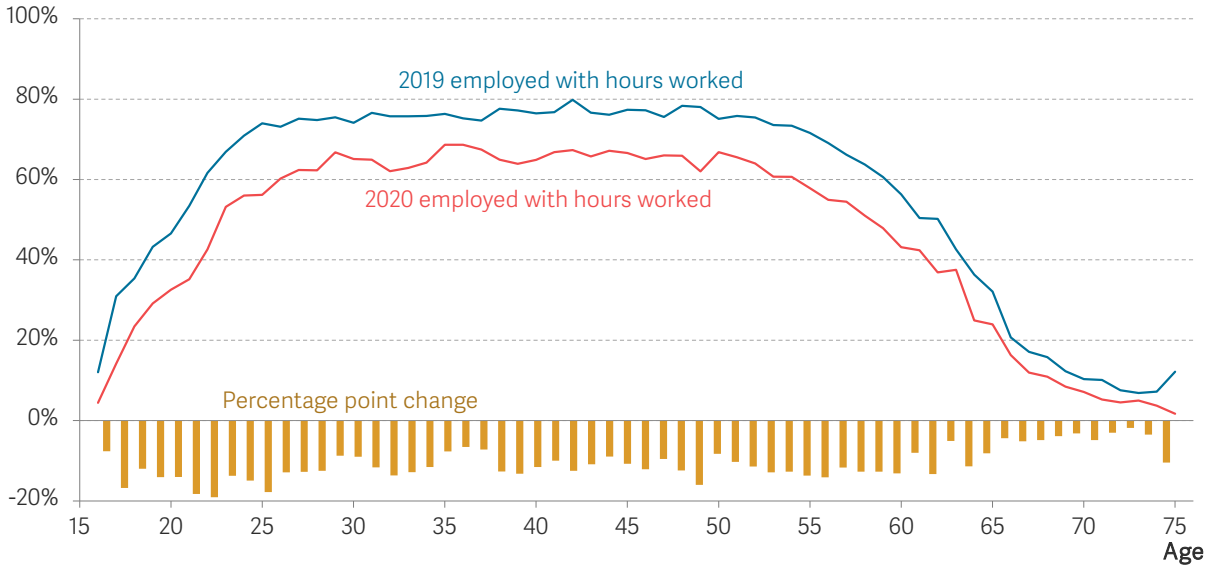


SOURCE: RF Analysis of Labour Force Survey.

Instead of looking at the employment rate, then, we must look at what fraction of the working-age population are in employment and working non-zero hours.

FIGURE 3: **The overall employment rate has remained unchanged, but number of people actually working has fallen dramatically**

Proportion of population in employment and currently working, by age: April to June 2019, 2020



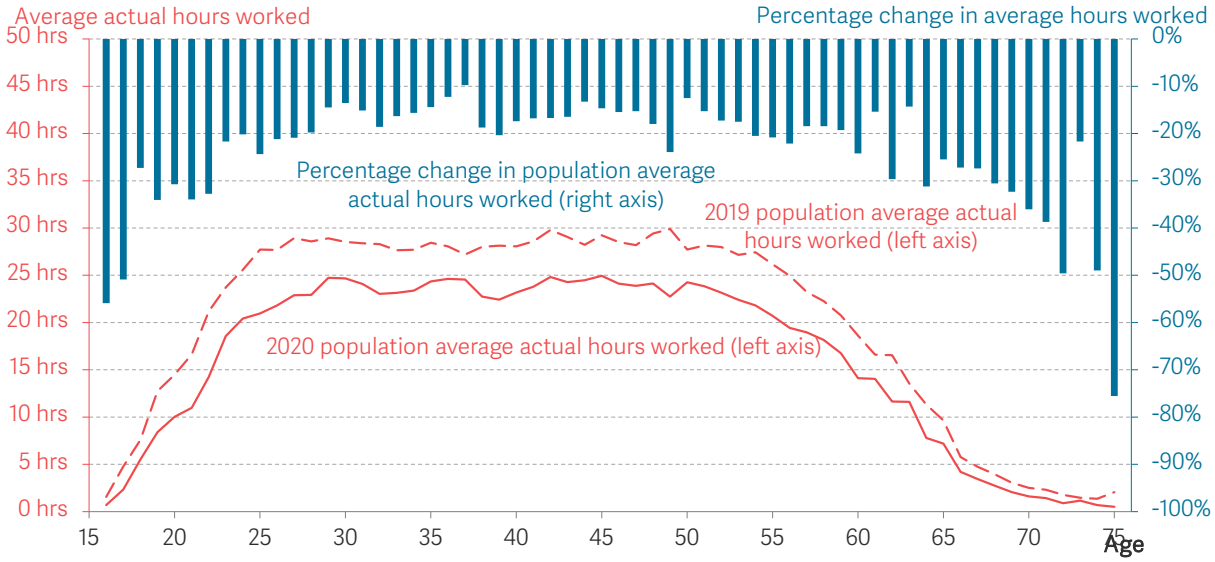
SOURCE: RF Analysis of Labour Force Survey.

We show this in Figure 3, along with the situation a year earlier. Across the population, the incidence of being employed and actually working has fallen by 12 per cent, although the fall is slightly larger among workers aged under 25, and those aged 50 to 54.

Figure 4 additionally shows how average hours worked by people of different ages has changed since 2019. Among the working-age, this also shows that the fall in hours is greatest among younger workers (although there are also large proportionate falls in hours worked by those aged 65 or over).

FIGURE 4: **Average hours worked has also fallen proportionally the most for younger and older workers**

Average hours worked for population, by age: UK, April-June 2019, April-June 2020



SOURCE: RF Analysis of Labour Force Survey.

As previous Resolution Foundation research has shown, the age patterns here mostly result from the sectoral nature of this crisis, which reflects both the initial shutdown of certain areas of the economy, and the fact that operating under conditions of social distancing affects some sectors far more than others.[8] These patterns are important as they are a key determinant of who has benefitted, which is the subject of the rest of this note.

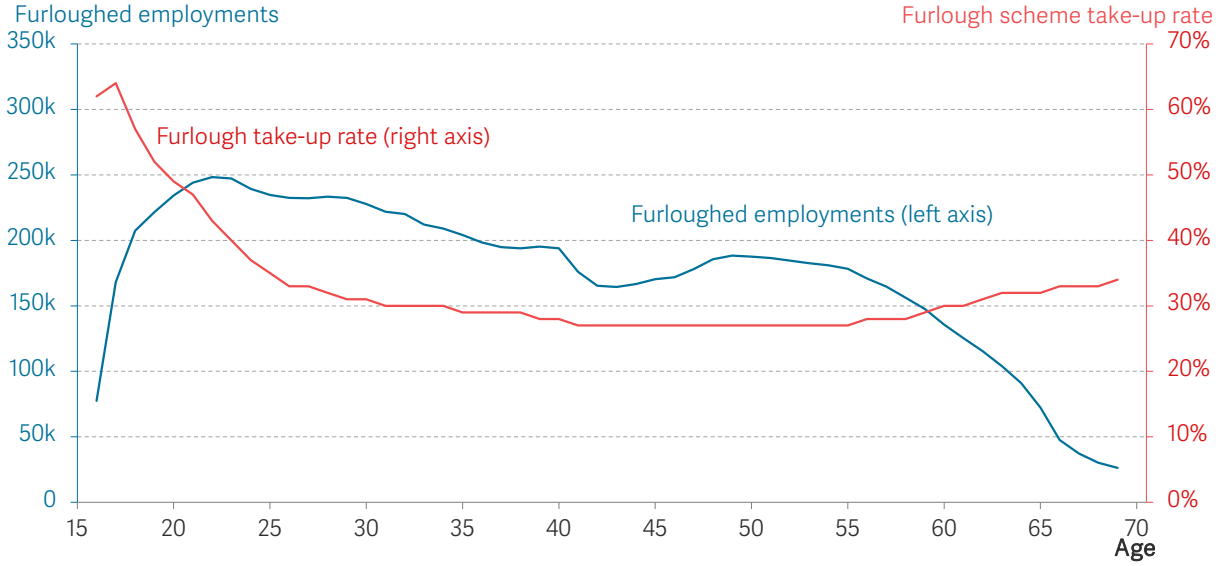
8 See, for example, Figure 13 of N Cominetti, L Gardiner & H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020.

The youngest and oldest workers have been most likely to have been put on the Job Retention Scheme

The JRS has provided over nine million workers with 80 per cent of their salary (up to £2,500 per month) at some point since April 2020. It is by far the largest of the three government programmes, with spending on the JRS in 2020-21 forecast to cost more than all working-age and child welfare benefits put together.

FIGURE 5: **Young workers are more likely to have been furloughed**

Numbers of furloughed employments and furlough take-up rate by single year of age: March to July 2020



SOURCE: HMRC, coronavirus statistics.

Figure 5 shows, the number of people of different ages who, at any point since March 2020, have been placed on furlough and had their earnings partially covered by the JRS.[9] It shows that younger people have been more likely to have been placed onto furlough than older individuals: 20 per cent of furloughed employees have been under the age of 25, and 43 per cent under the age of 35 (the dip among those aged 40 to 44 is in line with the dip in the population density at this age, shown in Figure 1). This pattern is even stronger when we look at take-up of the JRS as a fraction of the number of people of different ages who are employees – what we call a take-up rate. Between those aged 30 and 60, the fraction who have been furloughed is a fairly constant 30 per cent, but this fraction is much higher for those aged under 25, reaching over 50 per cent for employees

9 There is no double-counting in this but, as we set out in the annex, this analysis counts all furloughed employees once regardless of whether they were on the JRS for 3 weeks or several months (information on how long people have been furloughed is not in the HMRC statistics).

aged 20 or under, for example. It is also a little higher for employees aged over 60. Unsurprisingly, this closely matches the age patterns of the shock to the labour market and hours worked shown in Figure 3 and Figure 4.

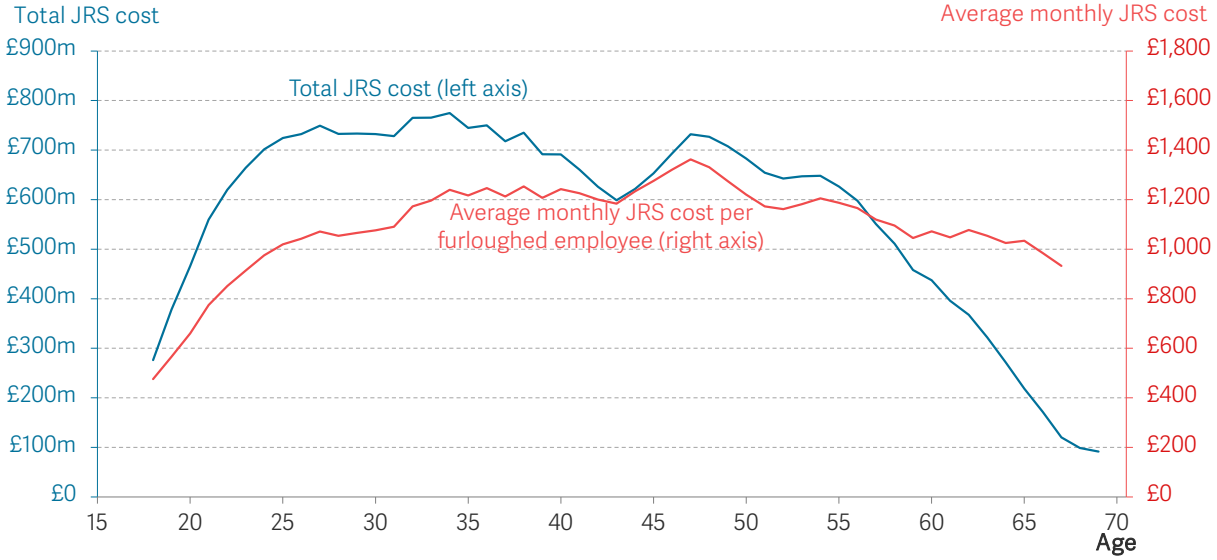
But overall spending on the Job Retention Scheme is more equal by age, because younger furloughed workers tend to earn less than other workers

The official JRS statistics do not include information on the cost of the scheme by age, so we have estimated that by combining HMRC data on who has been placed on the JRS with information from a household panel survey on how earnings of furloughed workers vary by age. The fact that younger workers tend to be paid less than older workers means that we estimate, in Figure 6, that the amount of support provided by the JRS per furloughed worker is highest for those aged 35 to 55 (JRS spend per employee is highest for those aged 47, where the average cost is £1,400 per month).

Figure 6 also shows our estimate of total spending on the JRS by age. Spending is still tilted towards younger adults, with 12 per cent of spending on the JRS going to adults under the age of 35. But the lower earnings of younger workers means that total spending is distributed more equally by age than is the incidence of being furloughed at all.

FIGURE 6: **The cost of the JRS is concentrated on younger workers, although older furloughed workers tend to receive more than younger furloughed workers**

Government spending on the Job Retention Scheme by age: up to end of June



SOURCE: RF analysis of HMRC, Job Retention Scheme statistics; ISER, Understanding Society.

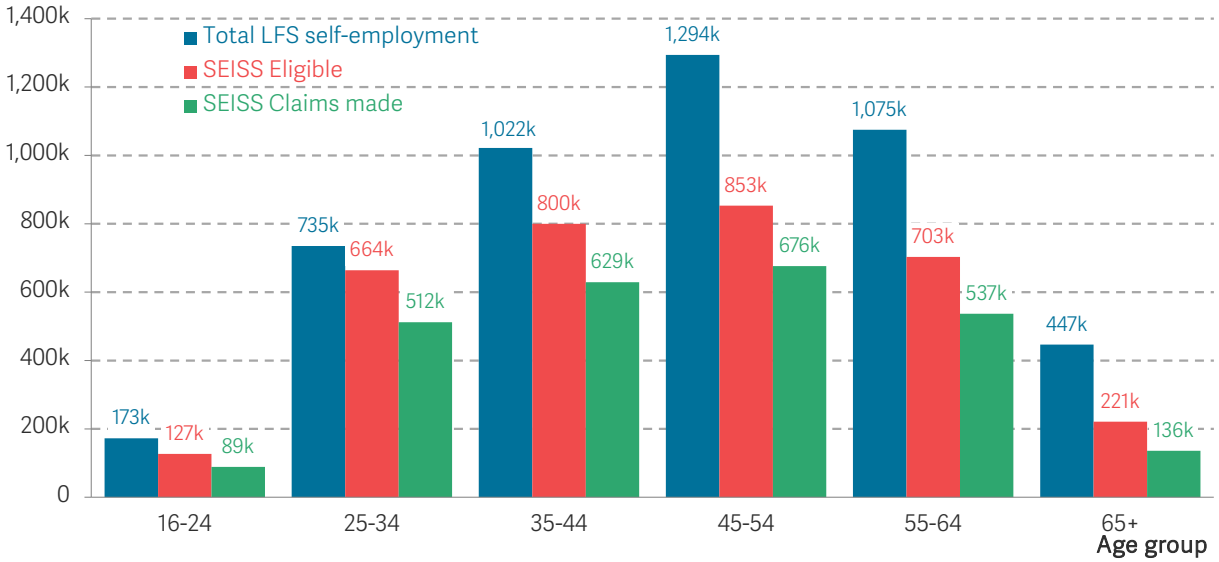
Beneficiaries of the Self-Employed Income Support Scheme broadly reflect the age pattern of self-employment, with younger adults benefitting far less than others

The SEISS allowed eligible self-employed workers whose business has been affected by the crisis to receive grants of 80 percent of their previous years' income, covering the period April to September 2020. There were some important exemptions, though, with those whose income exceeded £50,000, those who paid themselves through dividends, those receiving less than half their total earnings from self-employment, and those who had begun their self-employment business after March 2019 not being eligible. By 31 July, 2.6 million people had claimed the first SEISS grant, covering the period up to mid July, with the value of these claims totalling £7.6 billion.[10]

Figure 7 shows HMRC's analysis of the age of SEISS claimants, alongside estimates from the Labour Force Survey on the number of self-employed individuals, and HMRC's estimates of the number of self-employed workers who were actually eligible for the SEISS. SEISS recipients peak in the 45-54 age bracket, in line with the age profile of self-employed workers generally. Receipt of the SEISS is particularly uncommon among the under 25s.

FIGURE 7: **Take-up for the Self-Employed Income Support Scheme has broadly reflected the age profile of self-employment**

Self-employment, SEISS eligibility and SEISS receipt by age group: up to July 2020



NOTES: Excludes those with no age reported.
SOURCE: RF Analysis of Labour Force Survey (April to June); HMRC, SEISS statistics.

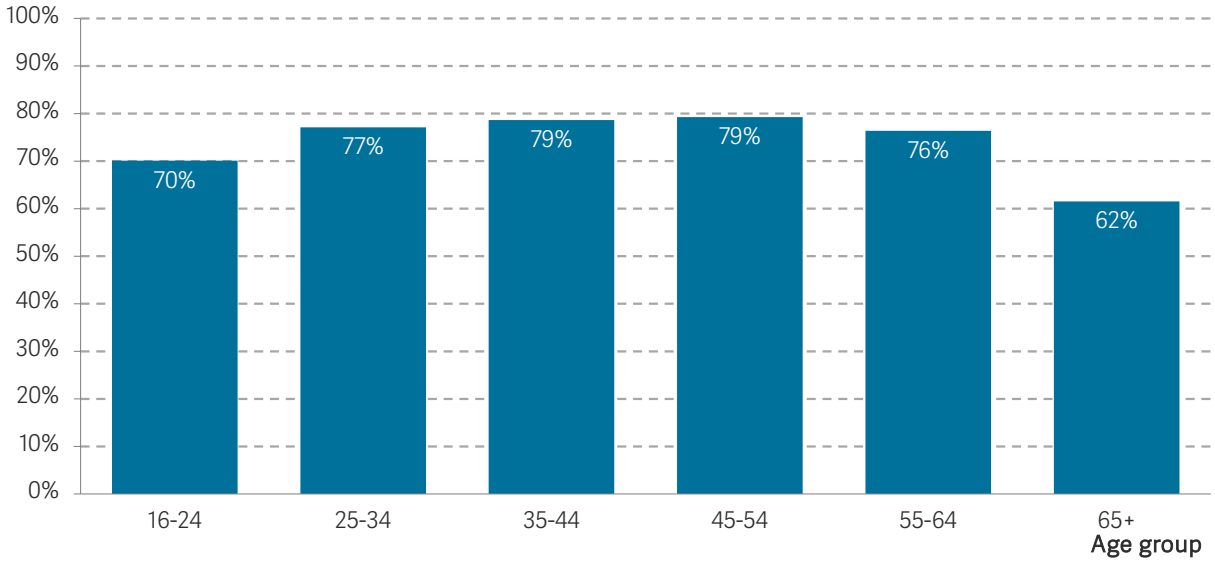
10 HMRC, Self-Employment Income Support Scheme statistics: August 2020, September 2020.

As a fraction of the whole self-employed population (rather than just the eligible population), receipt of the SEISS is lowest among workers aged 45-54 and 55-64, standing at around 50 per cent. The main reason for this low coverage is the lack of eligibility (as shown by the red bars compared with the blue bars in Figure 7). Among younger workers, the lack of eligibility for the SEISS is more likely to reflect that they are new to self-employment; among older self-employed workers, lack of eligibility is more likely to reflect that incomes are over £50,000 or that people receive payments via dividends.

Figure 8 shows that take-up of the SEISS among those estimated to be eligible is very similar among those of different ages (although it is slightly lower for the younger (under-25) and older (65 and over) self-employed workers).

FIGURE 8: **Among those eligible, SEISS take-up rates are slightly lower for the youngest and oldest self-employed workers**

Self-Employment Income Support Scheme claims as a proportion of those eligible, by age: up to July 2020



SOURCE: HMRC, SEISS statistics.

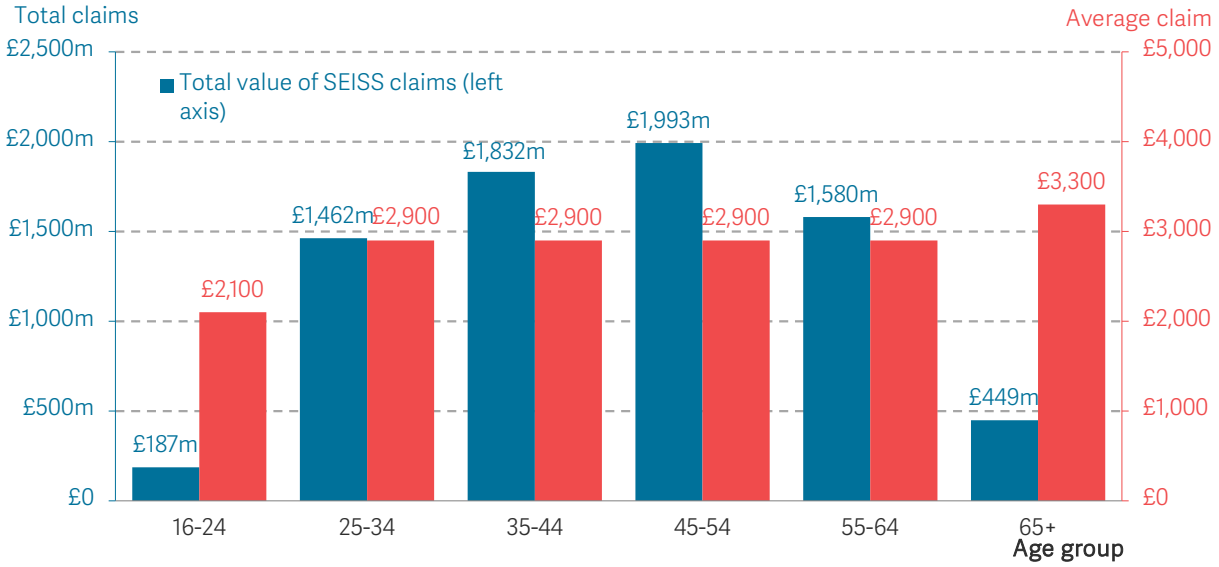
Figure 9 shows how the average award for the first SEISS grant varies by age of recipient,[11] and then combines that with the number of recipients to show how the total spending on the programme is distributed across different ages. The mean award per recipient is identical for recipients aged 25-64, but is lower for the under 25s, and higher for those few recipients aged 65 or over. This pattern plus the data shown in Figure 7 mean that total spending on the SEISS is skewed towards those aged 35-54. Around 680,000 workers aged 45-54 made a claim, with payments totalling almost £2 billion, compared to just over

11 The first SEISS grant was to cover lost earnings up to 13 July 2020, covering a three-month period.

600,000 claims across all workers aged 35 and under totalling just £1.6 billion. Less than five per cent of spending going went to those aged under 25.

FIGURE 9: **Similar average payments by age mean aggregate support has also reflected the wider self-employment age profile**

Self-employment Income Support Scheme average award and total claims value: up to July 2020



NOTES: Excludes those with no age reported.
SOURCE: HMRC, SEISS statistics.

The boost to social security benefits helps both those already receiving these benefits and those who newly claimed in the crisis

Outside of the JRS and the SEISS, support to protect household incomes in this crisis has been provided by the usual system of social security benefits and tax credits. For those who were made redundant – or who were not eligible for the JRS or SEISS – the social security system, and UC in particular, will have been the only source of support, but some people have been able to benefit both from UC and the JRS or SEISS if their income was low enough or they had additional needs.

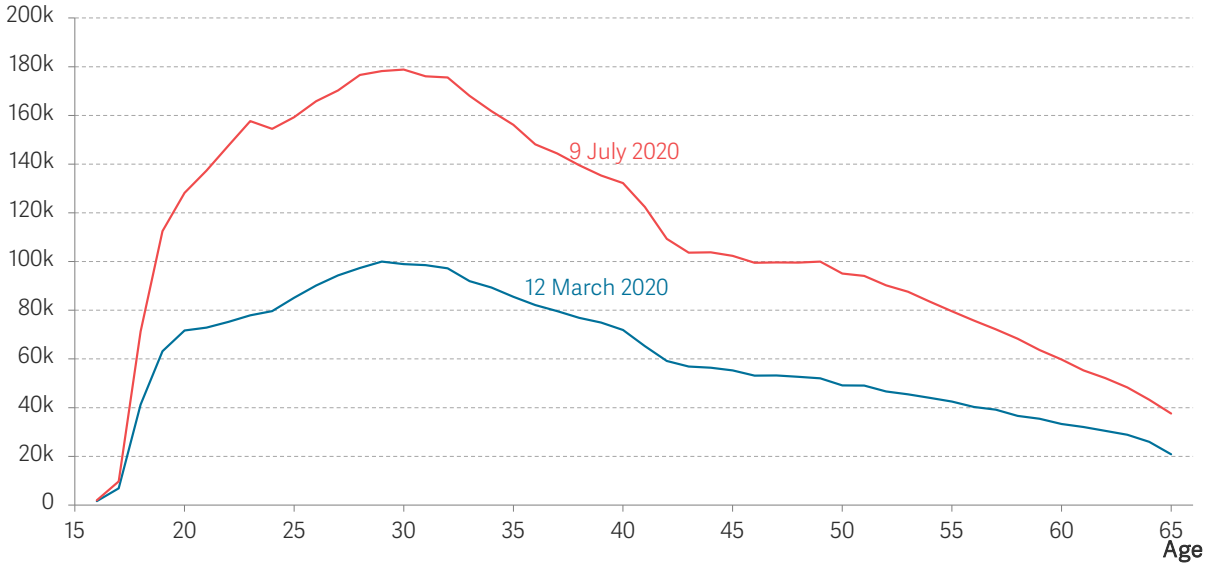
The main changes to social security benefits in response to the pandemic were a £20-a-week rise in the main rates of UC and WTC, and a rise in the generosity of local housing allowance (LHA). The only official analysis of these programmes so far is from the OBR, who estimate the cost of these changes (and some other, very minor, changes to benefits) to be just over £9 billion throughout 2020-21.

The beneficiaries of this change, then, will be anyone in families receiving UC, tax credits or LHA. Unfortunately, there is no single source of administrative data that tells us how

receipt of all of these varies by age. Instead, we show below what is known for certain about specific aspects of the package, and then use microsimulation models to estimate the age distribution of the beneficiaries of the package overall.

FIGURE 10: **The age profile of Universal Credit recipients has remained similar, with young people slightly more likely to have made a new claim**

Individual adults claiming UC by age: 12 March and 9 July 2020



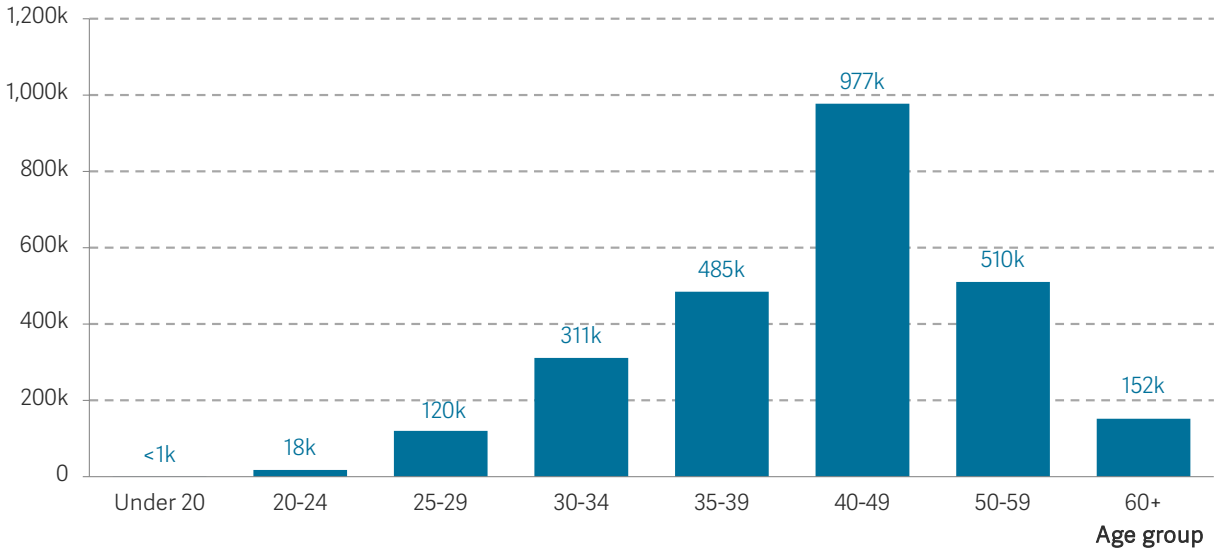
NOTES: Excludes individuals aged over 65.
SOURCE: DWP, Stat-Xplore.

Figure 10 shows the age profile of adults in families who had a live claim for UC in July and in March, just before the imposition of the lockdown.[12] In July, live claims of UC peaked at age 30, with the change from March being a near-doubling of claims at most ages.[13]

12 This data source records the ages of both adults in a couple that is receiving UC.
13 Unlike the administrative data on the JRS, which recorded the ages of adults who had been furloughed at any point since April 2020, the data in Figure 10 shows only those receiving in July, and so the true number of beneficiaries since April 2020 will be slightly higher.

FIGURE 11: **Adults claiming Working Tax Credit tend to be slightly older, with recipients being skewed towards older parents of dependent children**

Number of adults claiming WTC, by age: April 2020



NOTES: We have assumed that for couples, the younger adult is in the same age band as the older adult.
SOURCE: HMRC, Child and Working Tax Credits statistics.

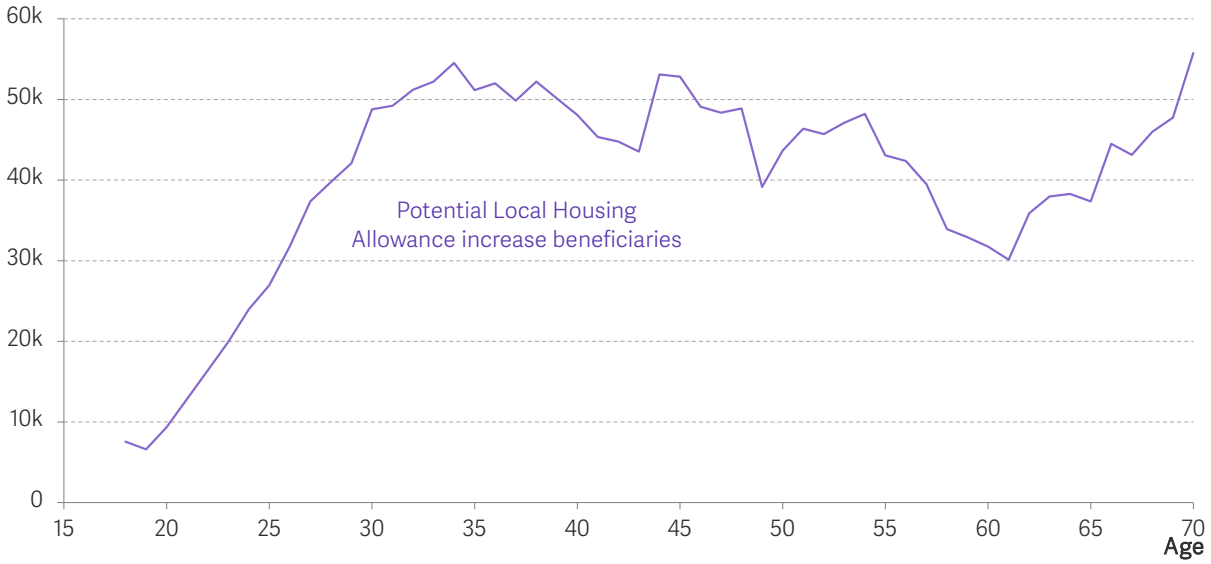
The drop-off in receipt of UC among older adults (those aged 40 or over) is partially explained by the drop-off in the population of that age (shown in Figure 1), but also by the way that UC is gradually replacing tax credits, which means that older adults are more likely to be receiving tax credits. Figure 11 gives an estimate of the age distribution of adults receiving WTC in April 2020: it reflects that, although some people without children are entitled to WTC, the overwhelming majority of tax credit recipients have dependent children.[14]

Figure 12 shows our estimate of the age distribution of beneficiaries of the increased spending on LHA (there are no helpful official statistics in this area, so, as the annex explains, this is an estimate based on a tax and benefit microsimulation model), revealing that the number of beneficiaries peaks in the 30-35 age group. There are relatively few beneficiaries aged under 30, perhaps reflecting that single adults aged under 35 have particularly low entitlements to LHA compared with other adults, as they are entitled only to an amount that covers living in a room in a shared house. The number of beneficiaries also falls slightly beyond the age of 35, reflecting the fact that older adults are more likely to be renting from social, rather than private sector, landlords.

14 Because HMRC statistics report only the age of the older adult in the couples, we have assumed that both adults in a couple are in the same age band.

FIGURE 12: **Persons aged between 30 and 50 are more likely to have benefited from the increase in Local Housing Allowances**

Estimated beneficiaries of increase in Local Housing Allowance rates to 30th percentile



NOTES: Housing Benefit claimants (or UC claimants with housing element) living in private rented accommodation who face a rent shortfall are assumed to benefit from the LHA increase.
SOURCE: RF modelling using IPPR tax benefit model; DWP, Family Resources Survey.

Overall, the age profile of the additional welfare spending reflects that social security benefits and tax credits are more generous to families with children

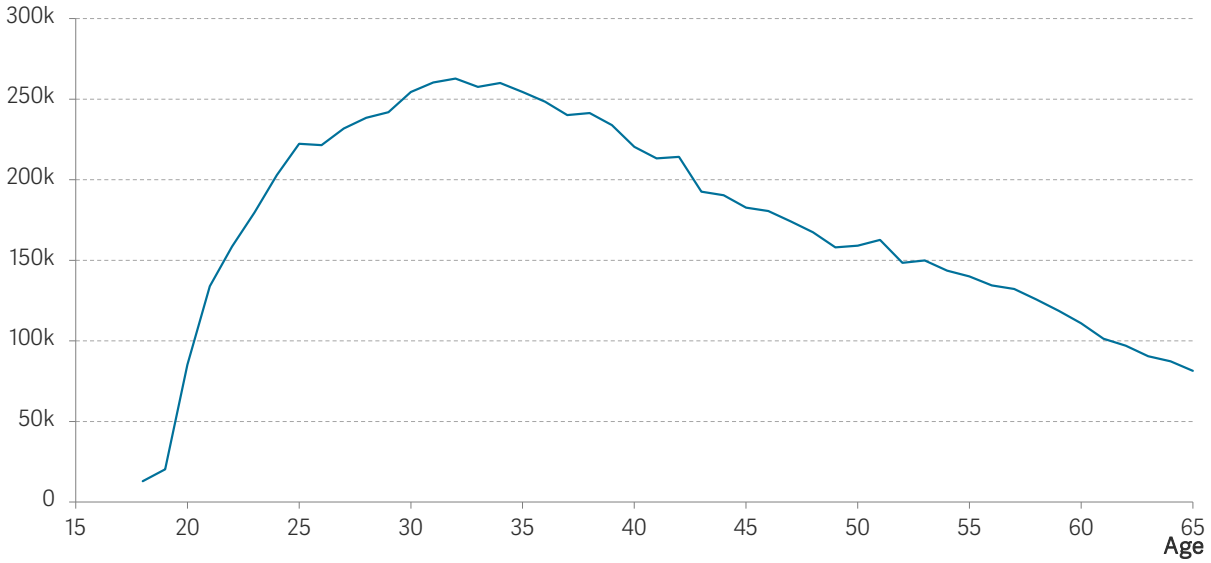
Figure 13 brings together these three estimates to show an assessment of the age profile of those who have benefited from any of the increases to social security benefits. We estimate that 8.7 million adults live in families who have gained from these increases; the number of recipients rises steadily with age to peak among those aged 30-35, and then declines steadily with age.[15] Our estimate of the age profile of the £9 billion additional spending on social security benefits, shown in Figure 14, is very similar: peaking among those age 30-35, and then declining steadily with age.[16]

15 Note that these estimates of the number of beneficiaries effectively count both adults in couples who are receiving UC, WTC or LHA.

16 The similarity reflects that most of the beneficiaries of the rise in UC and WTC will have gained by the same amount: £20 a week. What mostly explains the differences between Figure 12 and Figure 13 is that the gains from the LHA rise vary considerably across the beneficiaries, and that couples gain less per adult than single people from the UC and WTC rises.

FIGURE 13: **Those in their 30s are most likely to have received additional welfare support**

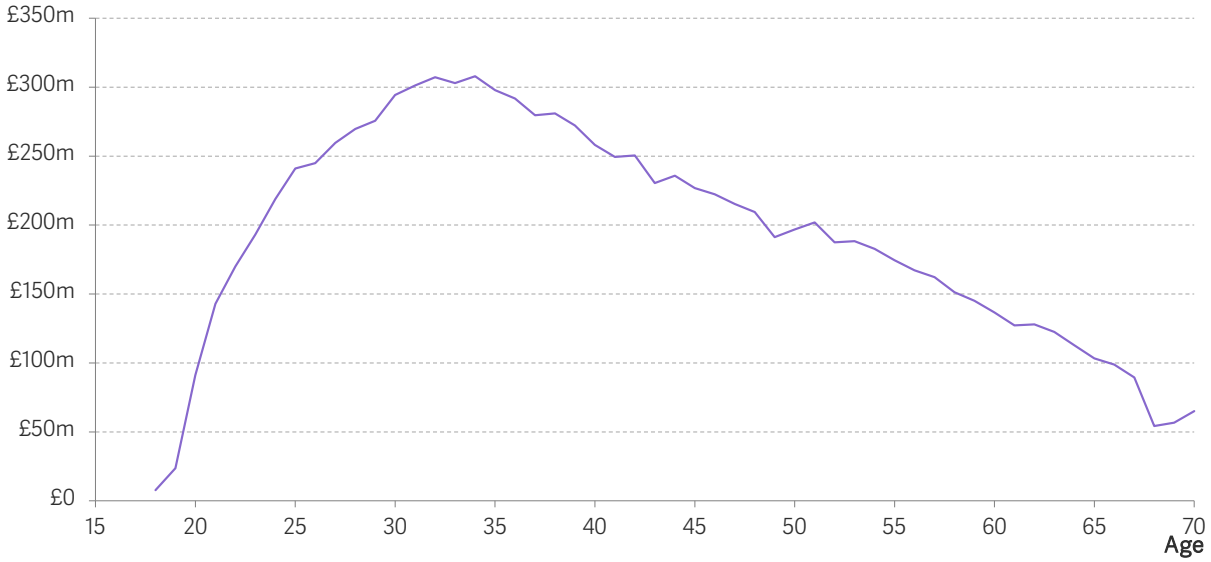
Estimated number of people in receipt of any additional welfare coronavirus support, by age: July 2020



SOURCE: RF modelling using IPPR tax benefit model; HMRC tax benefit statistics; DWP, Stat-Xplore.

FIGURE 14: **Additional welfare spending is most focused on recipients in their 30s**

Estimated costs of welfare coronavirus support measures, by age: 2020-21



SOURCE: RF modelling using IPPR tax benefit model; HMRC tax benefit statistics; DWP, Stat-Xplore.

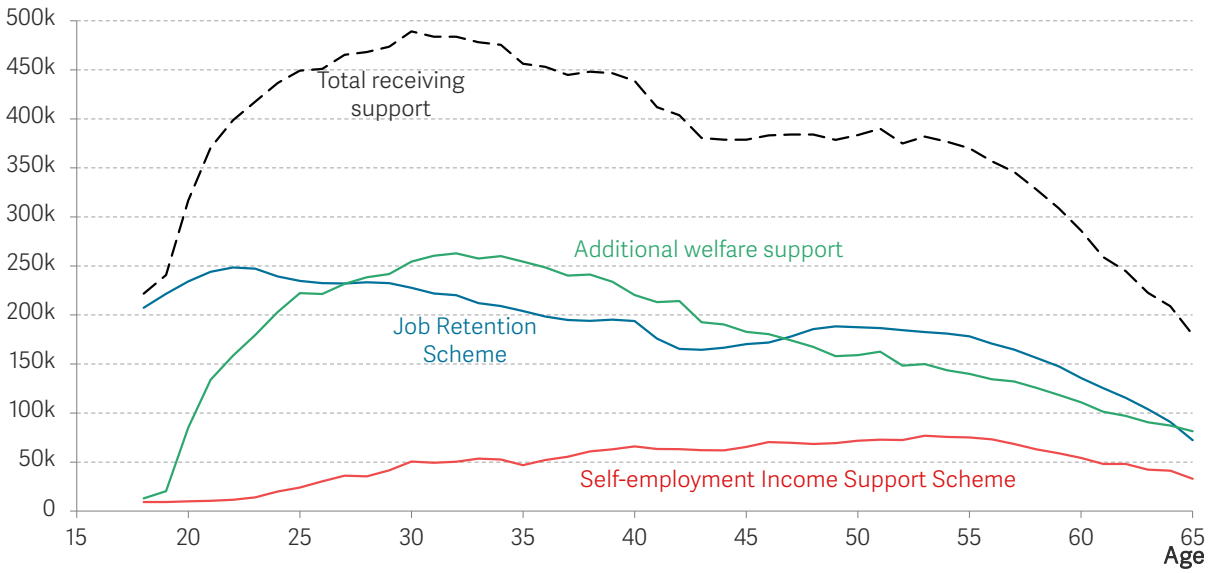
This profile reflects in part that a great deal of social security support for working-age adults is tied to those who are parents on a low income, and so it goes to those in the key child-raising years. It also reflects that some social security benefits have lower rates for those aged under 25.

Bringing this all together, we find the profile of government income support during coronavirus is fairly equal among people aged 25-55, with less support for the young and old

Figure 15 repeats our earlier estimates of the number of beneficiaries of these programmes by age, and also provides our own estimate of the number who receive support from any of these programmes (this is lower than the sum of the beneficiaries of each of the three programmes, as someone could be on the JRS or receiving the SEISS but also living in family that receives social security benefits; we estimate that this affects no more than 50,000 people at every age).

FIGURE 15: **Each support package favours certain age groups, but combined they provide support across most working-age adults**

Estimated number of people in receipt of each government coronavirus support element, by single year of age: up to July 2020



NOTES: Job Retention Scheme figures are actual. Remaining figures are modelled using IPPR tax benefit model, with totals scaled to published data. All modelled figures are smoothed over five years.
SOURCE: RF modelling using IPPR tax benefit model; HMRC coronavirus support scheme statistics; HMRC tax benefit statistics; DWP, Stat-Xplore.

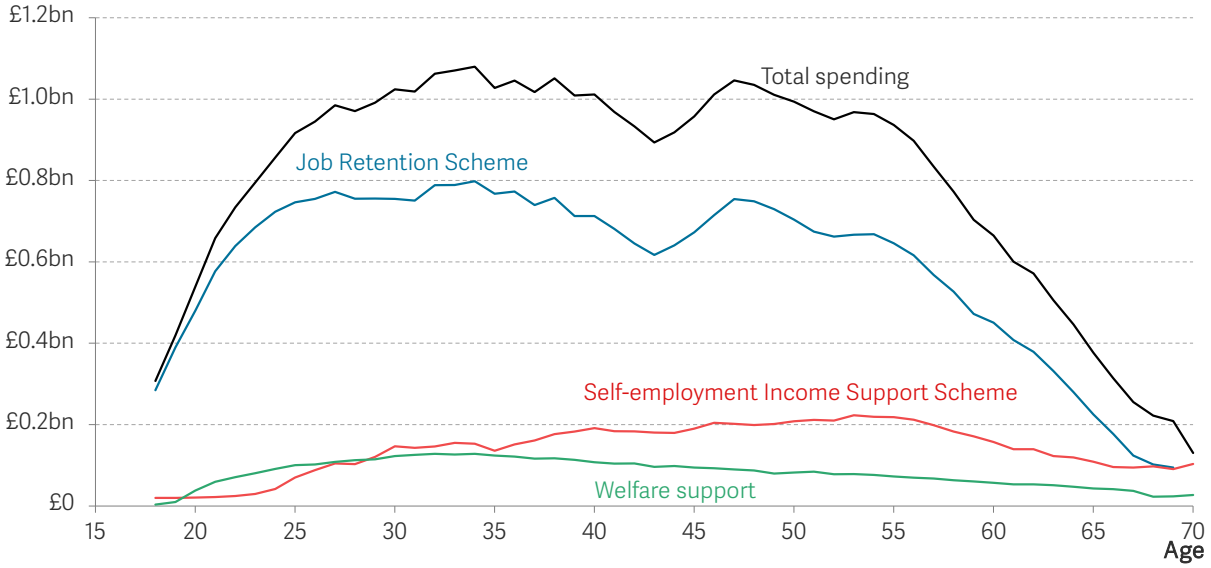
It shows that each programme has – whether by accident or design – been targeted at different groups. Beneficiaries of the JRS are most likely to be found among the under-

25s; the beneficiaries of the additional welfare support are most common among those in their early 30s; and SEISS recipients are most likely to be found among those aged 50-55. Overall, these programmes together have the most beneficiaries among those aged 30-35 than among other five-year age bands. The number of beneficiaries of any of the programmes falls quite sharply after age 55 – reflecting that, among all of that age, relatively few people in this age group were furloughed – and is also low for those younger than 25 – reflecting the fact that relatively few people in this group benefited from the additional welfare support.

Figure 16 shows how total spending on the three programmes is split across people of different ages. The overall pattern is driven by the JRS, as it is considerably more expensive than the other two programmes. And, as we discussed earlier, the fact that younger furloughed workers have lower-than-average earnings means that spending on the JRS is not tilted towards younger adults in the same way as its beneficiaries are. This is why we see that total spending on all three programmes peaks among adults aged 30-35 and among those aged 45-50. Figure 16 also confirms that younger workers – particularly those under 21 – receive very little support from these programmes outside of the JRS, but those of older ages also benefit considerably from the SEISS, and from additional welfare spending.

FIGURE 16: **Because of its generosity and scope the Job Retention Scheme dominates total support spending**

Estimated costs of Government coronavirus support measures, by age to date



NOTES: All modelled figures are smoothed over five years. To make the welfare spend comparable, we include only five months' worth of additional spend in this chart, from April to August.
SOURCE: RF modelling using IPPR tax benefit model; HMRC coronavirus support scheme statistics; HMRC tax benefit statistics; DWP, Stat Xplore.

In Table 1 we also set out our total cost estimate to date by five-year age bands, directly comparing the level of support. As with Figure 16, the time periods we are looking at are determined by the data available for each of the schemes.

TABLE 1: **Those in their early 30s receive the most spending of any age group**

Total estimated costs of Government coronavirus support measures, by age bands

	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64
Job Retention Scheme spending to 30 June	£3,124m	£3,808m	£3,906m	£3,774m	£3,317m	£3,644m	£3,397m	£2,846m	£1,861m
Self-employment Income Support Scheme grants up to 19 July	£139m	£486m	£744m	£807m	£919m	£997m	£1,072m	£983m	£679m
Additional welfare spending to 31 August	£340m	£538m	£631m	£593m	£510m	£444m	£399m	£333m	£261m

NOTES: All modelled figures are smoothed over five years.
SOURCE: RF modelling using IPPR tax benefit model; HMRC coronavirus support scheme statistics; HMRC tax benefit statistics; DWP, Stat Xplore.

Conclusion

This note looks at how the considerable financial support introduced by the Government since the pandemic hit – in the form of the JRS, the SEISS and the increases to certain social security benefits – has been felt across different generations during the first months of the crisis.

With activity across parts of the economy heavily restricted, the JRS and the SEISS, underpinned by the social security system, no doubt saved millions of jobs and firms and played a crucial role in supporting household incomes. But as the country moves from lockdown into a new, reopening phase of this crisis, the challenge for policy makers is set to get harder. Economic activity will continue to be affected by the virus until there is a vaccine or effective treatment. Without further support for the hardest-hit sectors as the JRS is withdrawn, there is a risk of significant redundancies in the autumn, adding to already-high unemployment.

Of course, a great deal depends on developments in the economy and the labour market, which are in turn mostly driven by the public health response to coronavirus. But the estimates in this report give a clear indication of who might be at risk when the JRS and SEISS schemes end in October, and when the temporary rise in UC and WTC is removed in April 2021, if the Government proceeds with its current plan. It does seem unlikely that, without further policy intervention, the private sector will immediately create the jobs required to keep unemployment down. This is why previous Resolution Foundation

reports have called for a Job Protection Scheme to replace the Job Retention Scheme, cuts to employer National Insurance for firms that are able to expand, and government investment in direct job creation in areas such as social care and home retrofitting.[17] And, as the crisis shows no sign of being over by March 2021, we have also called for the £20 a week increase in UC and WTC to be made permanent, to strengthen the working-age safety net and sustain – rather than stall – a living standards recovery.[18]

Technical annex: our assumptions and calculations

Here, we summarise the methods used to estimate the age distribution of the number of individuals in receipt of support from, and total spending on, the various government programmes. Availability of data means that in some cases we have used cumulative figures, and in others relied on point-in-time statistics. We have, where possible, used official statistics based on administrative data; where this has not been possible, we have drawn from our tax and benefit model data used in our nowcast for income in May 2020,[19] Understanding Society data, and forecasts made by the Office for Budget Responsibility.

- Our estimate of the age distribution of the beneficiaries of the JRS comes from HMRC statistics, but does not take any account of how long workers have been on the JRS; it is a cumulative distribution of all those who have received support. The statistics cover the period until 30 June. Although there is management information for further claims to the scheme (an extra 300,000 recipients), there is no age distribution data for this latest information.

- Our estimate of the age distribution of spending on the JRS combines the HMRC statistics on the age distribution of the JRS beneficiaries (again, not taking any account of how long workers have been on the JRS), combined with estimates from Understanding Society (over the April, May and June waves) of the pre-coronavirus earnings of workers who are furloughed (from which we apply the rules of the JRS to work out the cost of the scheme). The series "average monthly JRS cost" in Figure 6 shows the gross salary costs of the JRS, ignoring the fact that some of the cost of the JRS is offset by payments of tax or reduced spending on welfare benefits, but also ignoring employer pension contributions covered by the JRS; but the series "Total JRS cost" is calibrated to match total JRS spending to the total reported in

17 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; L Gardiner, J Leslie, C Pacitti & J Smith, Easing does it: Economic policy beyond the lockdown, Resolution Foundation, July 2020.
18 See: G Kelly, The UK should not weaken safety nets mid-storm, August 2020, which drew on analysis in M Brewer, A Corlett, C McCurdy, K Handscomb & D Tomlinson, The Living Standards Audit 2020, Resolution Foundation, July 2020.
19 For full details, see Annex 2 in: M Brewer, A Corlett, C McCurdy, K Handscomb & D Tomlinson, The Living Standards Audit 2020, Resolution Foundation, July 2020.

the official statistics as at the end of June.[20] The series shown in Figure 6 might not be an accurate estimate of the age distribution of spending on the JRS if: a) workers of different ages spent very different lengths of time on the JRS; or b) the age distribution of earnings of furloughed workers from the survey data across April to June was a poor guide to the distribution in other months of the JRS's operation.

- Our estimate of the age distribution (by single year of age) of the beneficiaries of the SEISS uses our estimate of recipients in our nowcast, constrained to match the total number of recipients reported by HMRC. This age distribution estimate closely matches the five-year age bands in the HMRC statistics. As in the latest SEISS statistics, it only considers the first tranche of SEISS grants that were available until 19 July and intended to cover lost income until that date.
- Our estimate of the age distribution of SEISS spending comes from our estimate of recipients in our nowcast as above, for which we assign the values of average SEISS receipt by age bands that are directly from the HMRC statistics. Using age bands could lead to inaccuracies at the age boundaries, but the average award is very consistent across groups and so this approach is preferable to relying on survey data. Again, this only considers the first tranche of SEISS grants.
- Our estimate of the age distribution of UC recipients is drawn directly from the latest DWP statistics for August 2020. It should also be noted that a significant minority of UC households (over half a million out of 4.2 million) had no payment awarded in July. However, the DWP does not publish payments amounts by age, so we do not know if this affects the age profile of UC recipients in aggregate. There is no published data on the age of the children in families receiving UC. A small number of people aged over 65 claim UC if their partner is under 65, but we omit these cases for simplicity.
- Our estimate of the single year of age distribution of WTC recipients uses the distribution in our nowcast modelling, which closely matches the distribution shown in WTC statistics (in age band groups) published by HMRC for April 2020. Although there will have been no new claims to WTC since then, but it is possible that some people receiving WTC in April have since ended their WTC claim and begun a claim of UC, which in turn could mean we over-estimate the number of recipients, or that our age distribution is not accurate.
- Our estimate of the age distribution of those benefitting from the rise in LHA comes from our microsimulation model operating on the Family Resources Survey.

20 Although there has been an additional £10 billion of spending since then, it covers the period of partial furloughing, and there is no way to know if this additional spending is complete (firms can make ongoing claims for this period) or accurately determine what the age distribution is.

Because there is no way to easily identify individuals (or households) that have an LHA shortfall, we estimate the number of individuals living in privately rented accommodation who do not have their entire housing costs covered by their Housing Benefit or UC housing element. This is likely to be an overcount as this apparent shortfall may also be due to earnings or living in accommodation with rent above the 30th percentile. Nonetheless, it does provide a likely age distribution of recipients.

- Our estimate of the age distribution of those benefitting from any of the social security changes has come from our nowcast modelling, with some of the results calibrated to match official statistics on UC and WTC as set out above. The modelling accounts for the overlap of benefit recipients. Estimates are smoothed over five-year age bands.
- Our estimate of the age distribution of the additional spending on the social security uses our nowcast results to estimate the total difference in benefit income by age for individual adults with and without the benefit increases. We then constrain the total cost estimate to five-twelfths of the OBR forecast of the cost of these policies (to cover the period to the end of August).[21]
- Our estimate of the age distribution of total beneficiaries of any of the JRS, SEISS or benefit increases is equal to the sum of the beneficiaries of individual elements as set out above, minus an estimate of the number the individuals who receive support from more than one scheme. We estimate this overlapping factor using our nowcast data.
- Our estimate of the age distribution of the total spending of all the support packages is equal to the sum of each of the elements.

21 See: Office for Budget Responsibility, Fiscal Sustainability Report, July 2020.

Resolution Foundation

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