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Long Covid in the labour market

The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery

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Executive summary

This is the third time we have written a report taking stock of the impact of the virus on the labour market.

Nine months on from our first report in June last year, some things are similar. The health effects of the second wave may be starting to recede, and thoughts are again turning to recovery.

But in two important respects, the situation now is different from June 2020. First, the rollout of the vaccine means we can be more confident that this will be a recovery that lasts. This strengthens the case for protecting jobs and firms through to the end of the crisis. Secondly, and crucially, the crisis has been going on for much longer. While, as we show, the groups affected at each stage of this crisis have been similar, the duration of the hit for many workers qualitatively changes its impact.

This paper therefore has two tasks. First, we examine the impact of the third lockdown on the labour market. Official labour market data is published with a lag. To take stock of the January lockdown, we therefore draw on a newly-commissioned, representative survey of UK adults, which was in the field from 22-26 January. This is the third time we have commissioned such a survey, following previous rounds in May and September last year.

Second, we ask what the crisis having dragged on for almost a whole year means for its effects. We also make recommendations for the future path of policy, both to address those effects and to successfully phase out support as the economy reopens.

The January lockdown does not appear to have led to a very significant additional deterioration of conditions in the labour market, but it remains in a fragile position

The labour market was in a fragile position heading into January. The number of employee jobs was down by more than 800,000 on the start of the year, following a sharp reduction during the first lockdown, and unemployment had been rising since the summer. In both cases, the deteriorating trend had stopped at the end of the year, with the general picture one of stability in November and December, suggesting the Job Retention Scheme (JRS) was doing its job in this period and essentially keeping the labour market frozen. The less positive trend as the year ended was redundancies, which rose sharply in the autumn – partly triggered by the Government's late extension of the JRS in October ahead of its planned abolition. Redundancies were no longer rising in November but remained high, with 400,000 people reporting they had been made redundant in the past three months, more than at any point during the financial crisis.

The January lockdown has not had as significant a labour market impact as the first lockdown did in spring 2020. The main effect has been increased use of the JRS, with the number of workers on furlough rising from 4 million in December to 4.5 million in January, with all of this increase coming from a rise in the number of workers on full furlough (i.e. not working any hours). This is of course a significant increase, but is much smaller than the 9 million who were furloughed during the first lockdown. Furthermore, our survey suggests that headline labour market indicators such as the employment and unemployment rates are likely to have changed fairly little over the winter months, including January. This is in stark contrast to the spring lockdown, which in the space of two months saw the number of paid jobs fall by 650,000.

This lockdown has had a smaller impact on the labour market than the first one because activity levels are higher, reflecting looser restrictions but also suggesting businesses have adapted to operating under lockdown conditions. We do not yet have GDP figures for the two periods, but Google's mobility data shows trips to workplaces did not fall as much in January as they did in the spring (relative to a pre-pandemic baseline), and credit and debit card data also shows that spending has held up better. Another reason is that this lockdown comes after the significant labour market shake-out of the spring, although that does not explain a large part of the difference.

The types of job affected in the January lockdown have hardly changed since the spring. The crisis continues to be highly sector-specific in its impacts, with workers in hospitality, leisure, and non-supermarket retail much more likely than workers in other parts of the economy to have found themselves out of work, on furlough, or earning less than they were before the crisis, including over seven-in-ten hospitality workers and more than half of those in non-food retail. These sectoral differences are in turn driving the greater impacts experienced by the youngest (and older) workers, and those in low paid jobs – 18-24-year-olds are twice as likely to have faced an impact as those in middle age, for example. A decomposition of the impacts suggests that sector of work is by far the most important factor in explaining employment effects. Personal characteristics, such as age, sex, and location, matter much less once sector is taken into account.

The difference in the economic impact on men and women has been an important question during this crisis. The latest data shows that the impact on male employment has been greater (down 1.9 per cent since the start of the crisis, compared to a 1.1 per cent fall in female employment), although women have been marginally more likely than men to have been furloughed. Of course, the headline effects do not tell the whole story, and women have borne the brunt of the crisis in other ways – other studies have shown, for example, that the crisis has worsened within-household inequalities in the apportionment of childcare and housework.

The length of the crisis means we should pay attention to the depth of the impact experienced by some individuals

It is the duration, not just the severity, of labour market hits that determines their impact.

Long-term unemployment (those unemployed for 12 months or more) stood at 357,000 in the three months to November 2020, up from 241,000 in the three months to May, and is likely to rise much higher in the coming years. But in addition to long-term unemployment, a new feature of this crisis is the large number of workers who have spent extended periods on full furlough. The number of workers who in January had been on full furlough for at least six months (475,000) is nearly as large as the number of people in January who we estimate had been unemployed for at least six months (689,000). Altogether, 1.9 million people had spent the past six months unemployed or on full furlough (including those who have experienced a combination of unemployment and full furlough, without reaching six months of either individually).

Furlough is very different to unemployment – not only because people are getting paid (even if up to 20 per cent less than normal), but also because the worker still has a link to their employer. But some of the negative impacts of long-term unemployment that have a 'scarring' effect on workers will also be features of long periods of furlough. This includes a loss of skills (either in absolute terms, or relative to increases that would have occurred in the workplace). Some workers on full furlough are likely to lose work when the JRS is withdrawn, at which point they will be in a similar position to the long-term unemployed in terms of the time spent not working. On the other hand, some of the scarring effects felt by the long-term unemployed will be linked to how the unemployed are perceived by potential employers (unemployment carries a negative 'signal'), and that is likely to be less of a problem for the long-term furloughed.

But even those furloughed workers that do return to work are likely to experience slower pay growth as a result, again due to having missed out on the growth in skills and experience that would have happened at work. This will be especially acute for young people, whose development and pay progression is fastest (in 2019, for example, the median annual pay growth among 18-29-year-olds was more than double that of older groups). This is another way in which young people will continue to feel the pandemic's effects long after the immediate crisis ends.

The self-employed have continued to face a big hit, and gaps in support remain

As the crisis has persisted, self-employed workers have continued to face a big income hit. When considering those facing any significant effect, the recent impact is slightly more muted than that seen in the first lockdown: the share facing a significant income hit is somewhat lower than in the spring, although the hit has worsened since the height of economic reopening in September. But the duration of the crisis has led to more of the previously self-employed ceasing to work entirely. In January, 14 per cent of those who were self-employed before the crisis were no longer working, up from 11 per cent in September and 9 per cent in May. The hit to the self-employed has remained much more broad-based across groups and sectors than that for employees.

Policy changes since our last report mean that the Self-Employment Income Support Scheme (SEISS) is now better targeted. With the latest round of grants explicitly conditional on having suffered Covid-related losses, just 3 per cent of self-employed respondents said that their SEISS grants had paid out more than their losses. But support is still missing many of those who need it: three-in-ten (29 per cent) self-employed workers in our survey – equivalent to 1.5 million people – said that while their profits had fallen as a result of Covid-19, they had not been eligible to receive a grant through the scheme. This exclusion could have longer-term consequences, too, as those who were not eligible for the SEISS were two-and-a-half times more likely to say they planned to leave self-employment than those who received a grant.

With job losses on the horizon, one-in-seven workers are already looking for a new job

The impact of the crisis so far has been large, with 7 per cent of those in employment before the crisis having already stopped working. But unfortunately, there are likely to be further job losses to come. One-in-twelve (8 per cent) of those in employment in January either expected to lose their job or had been told they would be made redundant, rising to more than one-in-five (21 per cent) of those who had spent more than six months on furlough.

Those who are worried about losing their job are already looking for work. Overall, one-in-seven (14 per cent) of those in employment are already job-hunting, with a further one-in-ten (10 per cent) set to join them within three months. But among those who expect to lose their job, almost two-thirds (65 per cent) are either already looking or plan to start within three months.

Workers do not feel confident about finding a new job, however. Among job-seekers who are unemployed or furloughed, only one-in-seven (14 per cent) are confident of finding work within the next month, while more than a third (37 per cent) are not confident that they will find a job within the next year. Those who have been unemployed for more than six months are the most discouraged: more than half (53 per cent) of this group do not think they will have a job in a year's time. On the whole, furloughed workers are more optimistic than the unemployed – but still, one-in-seven (14 per cent) of those who have spent more than six months on furlough do not think they will find a new job in the next year. While there is plenty of evidence that workers are willing to adjust to a post-Covid world, many are clearly worried that they may struggle to do so.

One-in-twelve workers plan to move sectors after the crisis

In the longer term, another driver of job search may arise: those who are looking to move sectors. One-in-twelve (8 per cent) respondents plan to move sectors after the pandemic either because they have had put planned moves on hold because of the crisis (6 per cent) or because they have made unplanned sector moves during the crisis and would like to move again (2 per cent). Hospitality workers are most likely to wish to leave their sector, with close to a quarter (23 per cent) planning to do so. This high level is not explained by the fact that hospitality workers are more mobile in normal times, or by the fact that hospitality workers are disproportionately young and working on insecure contracts.

We do not find any evidence that people plan to leave the labour force any more than before the crisis. In fact, older workers (aged 55-65) who have been furloughed during the crisis are more likely to plan to continue working after the crisis has passed than those who have not been furloughed, indicating that people are planning to delay retirement to make up for lost income.

Finally, we think that recent estimates that 1.3 million foreign-born people have left the UK are overstated, with the true number likely closer to 0.5 million – still a huge figure. The number of migrants in the Labour Force Survey appears to have fallen in part because of difficulties contacting them during the pandemic.

Policy must continue to support firms and workers beyond April

As the health effects of the second wave start to recede, and with a Budget approaching, the question is what policy needs to do to secure a strong labour market recovery. As we have argued, an important new consideration for policy makers is the duration of the crisis, which will have deepened its impact on workers and firms. The policy response should take account of this new dimension, phasing out lockdown-linked support gradually and phasing in new measures to strengthen the recovery that reflect the lasting impacts of the crisis.

Before moving onto specific labour market policies, we note that a necessary condition for a return to full employment will be to get overall macroeconomic policy right. Policy makers will need to ensure that demand recovers swiftly across the economy as social distancing measures are eased. The corporate sector must be returned to good health.

Turning to the labour market specifically, the biggest question the Government faces is how and at what pace to withdraw the JRS. Here, there is a balance to be struck. Withdraw too fast and there will be unnecessary job losses (this mistake was made in the autumn). But as the pandemic recedes, policy will also need to avoid slowing the recovery by supporting non-viable jobs. Getting this balance right requires policy to be contingent on the state of the economy and the pandemic rather than on a fixed timescale. This calibration should mean a differentiated approach across sectors and (if necessary) regions. Before extending the JRS in its full form, the job support measures proposed in October last year did allow variation at the regional level according to the different levels of restrictions faced. This principle – of tying job support to restrictions in place at the sector and regional level - should once again underpin the withdrawal of the JRS this year.

Currently, the restrictions on economic activity are so broad that a continuation of the blanket JRS is warranted. And even when restrictions start to be pared back, blanket support should remain in place for at least two more months, given the lags in deploying and reallocating workers, and in consulting on and announcing redundancies. After that point, support levels should be differentiated between sectors. Those which remain shut or whose activities are heavily curtailed as a matter of law (which is likely to include the hospitality and leisure sectors) should maintain the JRS in its current form for longer. For sectors not in this position (the majority of them), the JRS should be withdrawn at a pace consistent with the ability of the labour market to reabsorb the workers these firms will release. This can be achieved with the introduction of, and progressive increase in, a minimum hours requirement for furloughed workers. Employer contributions should not rise in the first instance, and should only be increased when the scheme is in the final stages of winding down. If, and only if, the current plans to substantively lift restrictions on the economy by the end of the summer are delivered, the approach above would see furloughing also coming to an end around that point.

Support for the self-employed should be extended, with improved targeting. It is welcome that the Government has now prevented SEISS grants going to those who have not seen income falls, but it should go further to improve the targeting of support at those who have lost income. The Treasury should extend support to excluded groups, while reforming grants to pay out 80 per cent of losses (rather than pre-crisis profits), up to a cap equivalent to £2,500 a month, bringing the SEISS onto an equal footing with the Job Retention Scheme. The cost of extending support, including back-paying grants to those who have been unfairly excluded, could be partly recouped by clawing back two-thirds of excess SEISS payments from those who received grants they did not need in previous rounds of the scheme.

In addition to ongoing support for employee jobs and the self-employed, the Government must get right its new employment support schemes. The volume of placements and support planned under its Kickstart and Restart programmes (for young people at risk of unemployment and long-term unemployed adults respectively) are very significant. But there are questions about timing and delivery. Because the lockdown has delayed Kickstart's rollout and long-term unemployment is likely to continue rising for the next few years, Kickstart, which is currently set to close in December 2021, must be extended. And the Government should recognise the new issue of those on long-term furlough, whose time spent on full furlough should count towards eligibility for both schemes. The Government must also put in place measures to protect young people from the scarring effects of unemployment more broadly – this should include expanding traineeship and apprenticeship numbers.

Finally, the Government must pursue a range of policies to promote hiring, job creation, and to facilitate career changes where that is appropriate. A targeted wage subsidy in sectors that remain significantly affected by social distancing rules even after they are fully open would be the best way to do this, maximising employment and hours worked in sectors suffering temporarily lower productivity while avoiding the large deadweight costs of the Government's previous attempt to address this issue via the proposed (but never implemented) Job Retention Bonus.

Should the Government wish to prioritise cuts in taxes to incentive hiring, then temporarily raising the National Insurance contributions (NICs) threshold where firms are increasing their headcount would be more effective, in particular at targeting those who are lower paid, than lowering the NICs contribution rate. But the Government should also invest to create jobs directly, in social care and in green sectors like retrofitting, since those jobs would be geographically dispersed and without high skill barriers to entry. For career changes, work coaches should have the flexibility to waive the restriction on adults who already have a Level 3 qualification being able to access newly-announced free Level 3 courses, where the type of their existing qualifications is a barrier to progression.

Overall, a longer illness leaves the patient needing greater care and stronger medicine. The remedies we set out in this report and its companions are prescribed with this in mind.

Section 1

Introduction

The start of 2021 has brought a surging third wave, and a new lockdown. We are experiencing another low point of the crisis just as the vaccine rollout allows us to start looking forward to its end. This paper applies a dual lens to the labour market – looking both at the impact of this intensification of the crisis and also looking forwards to policies which can make a success of the recovery.

Relatively little is currently known about the effects of the latest lockdown, because official labour market statistics, such as those produced by the Office for National Statistics (ONS), are typically published with a lag of two to three months. To provide a more up-to-date picture, we have commissioned our own survey in January, the third time we have done so since the start of the crisis.[1] The survey, funded by the Health Foundation, and undertaken by YouGov from the 22nd to the 26th January, has a sample size of 6,389 adults aged 18 to 65. Results are weighted so as to be representative of the population of that age group.

Lessons from the crisis so far

Of course, we already know lots about the impacts of lockdowns on the labour market from the first two, and we don't need a new survey to tell us that in many respects this one will be similar. Going into lockdown reduces economic activity and hours worked, particularly in sectors forced to shut, and this in turn shapes the types of jobs and workers affected. It has been clear from the early stages of the crisis that the young, those in lower paying jobs, and the self-employed have felt a greater economic impact than other groups.

But while the broad effects of lockdown measures are painfully clear by now, there are still important questions to ask about the current lockdown. These include: how the scale of the impact of this lockdown compares to previous episodes; whether the impacts are as unevenly felt as previously; and where this lockdown leaves the outlook

1 Our May survey was covered 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. Our September survey was covered in: M Brewer et al, Jobs Jobs Jobs: Evaluating the effects of the current crisis on the UK labour market, Resolution Foundation, October 2020.

for the coming months. In addition, the fact that the crisis has now been going on for a year – much longer than any of us hoped – makes it crucial to understand a new dimension to this crisis' labour market impacts: their duration, whether that is via long-term unemployment – a feature shared with previous recessions – or long periods of time spent on furlough, something very new to this crisis.

This paper is organised as follows.

- Section 2 looks at the impact of the January lockdown, and compares it with previous lockdown episodes.
- Section 3 focuses on the cumulative impact of the crisis, and on those individuals who have been unemployed or furloughed for large parts of the crisis.
- Section 4 focuses on the self-employed – both on the impact of the crisis but also on the efficacy of the Government's support scheme.
- Section 5 considers the prospects and challenges for the recovery, including workers' fears of job losses.
- Section 6 turns to policy, and asks, as we approach the Budget, what the Government can do to make a success of the labour market recovery.

The rest of this section sets the scene, and describes the labour market as it stood on the eve of the January lockdown.

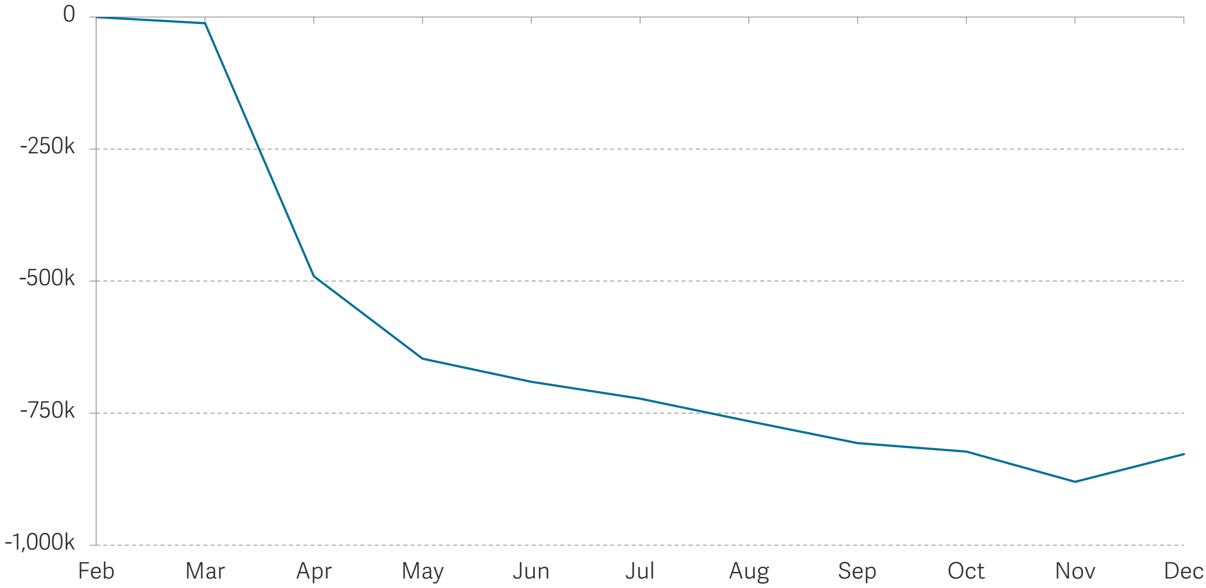
The labour market deteriorated throughout 2020, but on some measures had stabilised by the end of the year

The context for the labour market on the eve of the third lockdown was a year of falling jobs and rising unemployment, with a sharp surge in redundancies over the autumn. The phasing of the effects varies somewhat with different measures (and different data sources), but overall we can describe the effect of the pandemic on the labour market as staggeringly large and swift in its early phase, followed by a steady deterioration for most of the rest of the year. However, the Job Retention Scheme delivered on its purpose of protecting jobs – the exception being the rise in redundancies in the autumn as employers expected the scheme to be withdrawn. At the end of the year, the labour market appeared to have stabilised somewhat. Redundancies were still high, but jobs and employment had stopped falling, in part because of the effective reinstatement of the full Job Retention Scheme.

Starting with jobs, the first lockdown in the spring brought with it a large number of job losses. Around four fifths (77 per cent) of the total fall in paid employee jobs since the start of the crisis came in just two months – April and May – with the number of those jobs in May down 2.2 per cent compared to February (Figure 1). Since then there has not been the same rapid fall in jobs, but the picture has continued to deteriorate. Between May and November, despite the partial reopening of the economy over the summer, the number of paid employee jobs continued to fall, at a rate of about 40,000 per month. The trend stopped in December, when jobs rose by 50,000, the first rise in 2020.

FIGURE 1: **After a large initial loss of jobs in the spring, job losses since then have been smaller but steady**

Change in paid employee jobs in 2020, compared to February 2020: UK



SOURCE: HMRC real-time PAYE employment, via ONS Labour Market Statistics.

As is now well known, there have been problems measuring the labour market in 2020. Due to measurement and definitional challenges with the Labour Force Survey - such as some respondents reporting that they were: away from work, not receiving pay and not on furlough, but also describing themselves as employed – the count of employee jobs from HMRC's PAYE dataset (above) is the best single measure of the impact on the labour market.

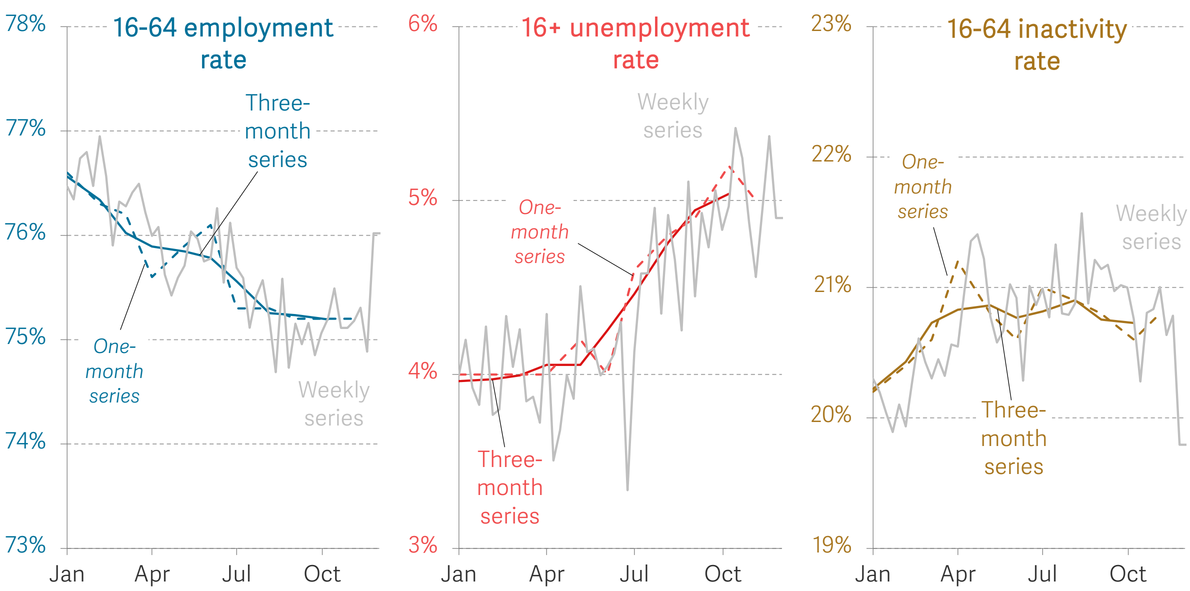
But payroll data doesn't capture the impact on self-employment, and doesn't tell us about changes in unemployment and inactivity, so we also need to pay attention to the ONS's Labour Force Survey (LFS). The LFS unemployment rate didn't start to rise until July, although there was a fall in employment earlier in the crisis, which showed up as a rise in inactivity (see Figure 2, below). The LFS rate has now risen by roughly a percentage point since the start of the crisis. We might interpret the slow and somewhat delayed rise in unemployment as respondents to the LFS taking some time to adjust to the reality of falling employment shown in HMRC's payroll numbers. In particular, the group in the LFS who were describing themselves as employed but who weren't working and weren't being paid has fallen from around 700,000 at the start of the crisis to around 200-300,000 since the summer.

On self-employment, the LFS shows a very significant impact, with the number of people in self-employment down 457,000 (9 per cent) since the start of the crisis. However, again, there are measurement challenges, with the fall in self-employment coming alongside a rise in the number of moves from self-employment to employee status, which is likely to be partly driven by respondents changing how they classify their work rather than actual changes in status. Despite measurement challenges, the significant impact on the self-employed has certainly been one of the major features of the crisis, as we show with our own survey data in Section 4.

Overall, the picture in the LFS is of a labour market deteriorating over the middle two quarters of 2020, but reaching some stability towards the end of the year with the monthly employment and unemployment data unchanged and slightly improved (respectively) in November.

FIGURE 2: **Headline measures of labour market conditions in the Labour Force Survey deteriorated throughout 2020 but stabilised at the end of the year**

The employment rate (age 16-64), unemployment rate (age 16+) and economic inactivity rate (age 16-64) in 2020, as measured on a three-month, monthly and weekly basis in the ONS Labour Force Survey: UK, 2020



SOURCE: ONS, Labour Force Survey.

The other key marker of a worsening labour market was redundancies, with the level and timing of the sharp rise in redundancies in the autumn (to 395,000 in the three months to November,[2] up from a normal level of around 100,000) driven in part by the Government's late extension of the Job Retention Scheme – the extension to the scheme was only announced a few weeks before it had been expected to close.[3] The resulting effect on redundancies should not have been a surprise –employers' intention to make redundancies at the end of the scheme had been clear since at least August.[4] We will turn to the question of how to successfully withdraw the JRS in Section 6, but the lesson from the autumn is that a cliff edge ending to the scheme across the whole economy is unlikely to be right approach.

As with the count of paid employee jobs, and the headline indicators or labour market activity from the LFS, the number of redundancies appeared to have improved somewhat in the latest data, with weekly series showing a lower figure in November than the October peak (see Figure 3, below).[5] However, although redundancies have since stopped rising, they appear to have settled at a higher level – roughly four times their normal level, and higher than at any point during the financial crisis. Although it's worth noting that the LFS redundancies question asks about redundancies that have happened in the last three months, meaning a change in the number of redundancies won't necessarily show up in this measure immediately.

Taken together, the above measures suggest that the labour market was in a fragile position on the eve of the January lockdown. Despite worsening health conditions and a return to lockdown and social distancing measures as the country approached winter, the labour market had reached some degree of stability, although this followed several months of significant job losses and rising unemployment.

2 Technically, the Labour Force Survey measures those who have been made redundant in the past three months, and the headline measure is published on a three-monthly basis. So the figure of 400,000 in the three-month September to November data could include redundancies which happened as early as July. However, the more timely weekly data for the end of November also shows a figure of 400,000, which suggests that this is the right figure for redundancies in the three months to November.

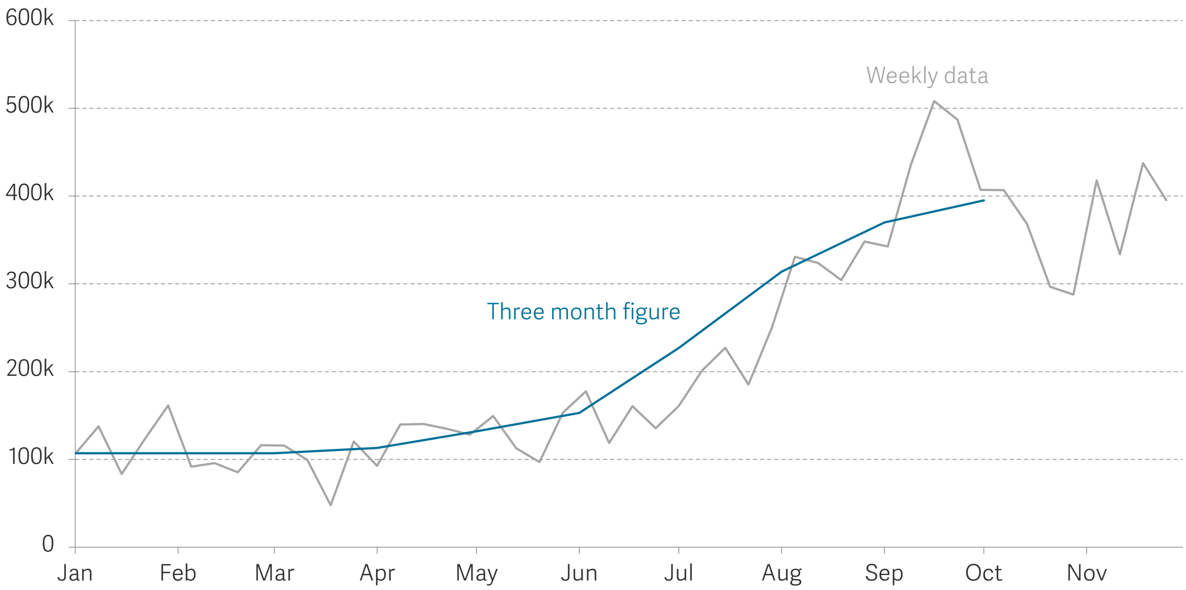
3 Initially, on 24 September, a new 'Job Support Scheme' was announced to replace the Job Retention Scheme from 1 November, but it only applied if the employee was working at least a third of their normal hours, meaning it was not an option for businesses forced to close. See BBC News, Rishi Sunak unveils emergency jobs scheme, 24 September. It wasn't until 22 October, a week before the planned end of the Job Retention Scheme, that modifications to the new 'Job Support Scheme' were announced providing a furlough option for businesses forced to close. See BBC News, New government Covid scheme to pay up to half of wages, 22 October 2020. Finally, on 31 October 2020, the Government announced that the Job Retention Scheme in its full form would be extended by a month, as it announced the November national lockdown. See Guardian, Boris Johnson announces four-week national Covid lockdown in England, 31 October 2020.

4 In early August the BBC published data from the Insolvency Service showing that employers' redundancy notices had risen sharply in June. BBC News, Coronavirus: Redundancy 'stressful and upsetting, 9 Aug 2020.

5 The LFS redundancies data comes from a question asking whether respondents whether they have been made redundant in the past three months. A fall in the 'last three months' figure for November is suggests a sharp fall in the number of redundancies actually made in the month of November.

FIGURE 3: **Redundancies rose sharply in the autumn as employers expected the Job Retention Scheme to end**

Number of people made redundant in the past three months, three-monthly and weekly series: UK, 2020



SOURCE: ONS, Labour Force Survey.

Despite the job losses and rising unemployment that did occur last year, conditions at the end of the year were much stronger (in terms of unemployment and jobs) than was expected earlier in the crisis. For example, in the summer of last year the Office for Budget Responsibility[6] and the Bank of England[7] expected the unemployment rate to rise to 11.9 per cent and 7.5 per cent by the end of 2020, respectively. The reason is that the crisis has gone on longer than expected, and the furlough scheme has been extended through the winter. Those forecasts of sharply rising unemployment were linked to fact that the furlough scheme was expected to end in October, bringing with it a significant labour market shake out. As it turned out, although there was a spike in redundancies, this was not large enough to have a significant impact on aggregate employment figures, and as such the increases in unemployment have been modest. So it's important not to forget the significant role the Job Retention Scheme continued to play through the year, with 4 million workers supported by the scheme in December.

Having described the labour market as it stood at the end of the year, the next section turns to the impact of the January lockdown.

6 Office for Budget Responsibility, Fiscal Sustainability Report, July 2020, July 2020.
7 Bank of England, Monetary Policy Report, August 2020, August 2020.

Section 4

The impact of the latest lockdown on the labour market

The January lockdown has driven an additional but relatively small deterioration of labour market conditions relative to the position in late 2020. The number of furloughed workers rose from 4 million in December to 4.5 million in January, but this is half the number that were furloughed at the peak of the first lockdown in the spring. Our survey data suggests the employment and unemployment rates were relatively stable in December and January. The muted impact compared to the spring is likely down to businesses having adapted to operating under social distancing measures, the lockdown being less severe in general and firms having already let many workers go. While different in scale, this lockdown's labour market impact is similar in nature to the spring lockdown when it comes to the groups most affected (the young, low earners and those in insecure jobs) and the reasons for that (the sectorally unequal nature of this crisis). Sector-level impacts continue to be the main factor shaping whether individuals are experiencing negative employment effects, with 7 in 10 hospitality workers employed at the start of the crisis either no longer working, furloughed, or experiencing lower pay, in January 2021. Contract type and pay level play lesser roles in explaining employment effects, while personal characteristics such as age and gender playing very little role at all, once other factors are controlled for.

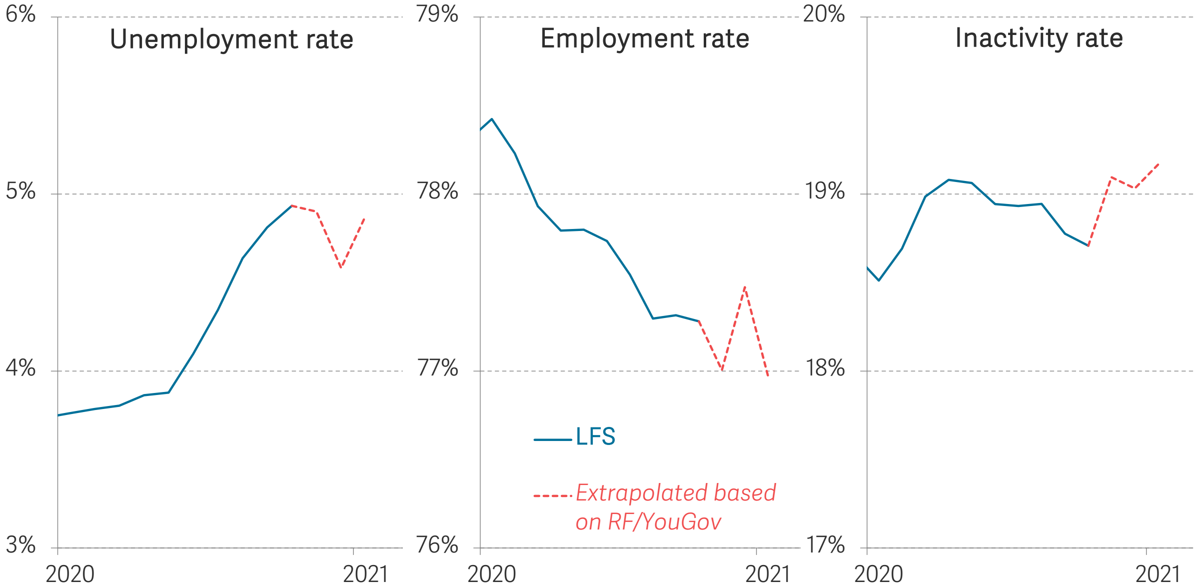
The previous section showed that by the end of last year, the crisis had left the labour market in a fragile position, with stable headline labour market measures resting on significant ongoing support from the Job Retention Scheme. This section turns to the impact of the January lockdown. We will mainly rely on a newly commissioned survey, which was in the field from the 22nd to 26th of January and therefore provides a more up to date picture of the labour market than the official statistics used in the previous section.

The new lockdown has not had as significant an impact on the economy or the labour market as the lockdown in spring 2020

Starting with the headline measures of labour market activity, our January survey suggests that these have been relatively stable in the period from November to January. Our survey included a retrospective month-by-month question about economic status, which in Figure 4 below is used to roll forward the LFS three-monthly measures by three months. We find that the unemployment and employment rates in January were little changed compared to the September to November figure. The inactivity rate is higher, but only back to where it was at the start of 2020. In all three cases the data suggests the change from December to January was negative (i.e. the unemployment rate rose, the employment rate fell) but our survey has a relatively small sample size of 6,000 and so these small movements are best interpreted as a stability in those headline measures.

FIGURE 4: **Our survey suggests headline labour market data remained broadly stable in December and January**

Unemployment, employment, and inactivity rates, published ONS Labour Force Survey extrapolated for December and January using RF/YouGov survey: UK, age 18 to 64

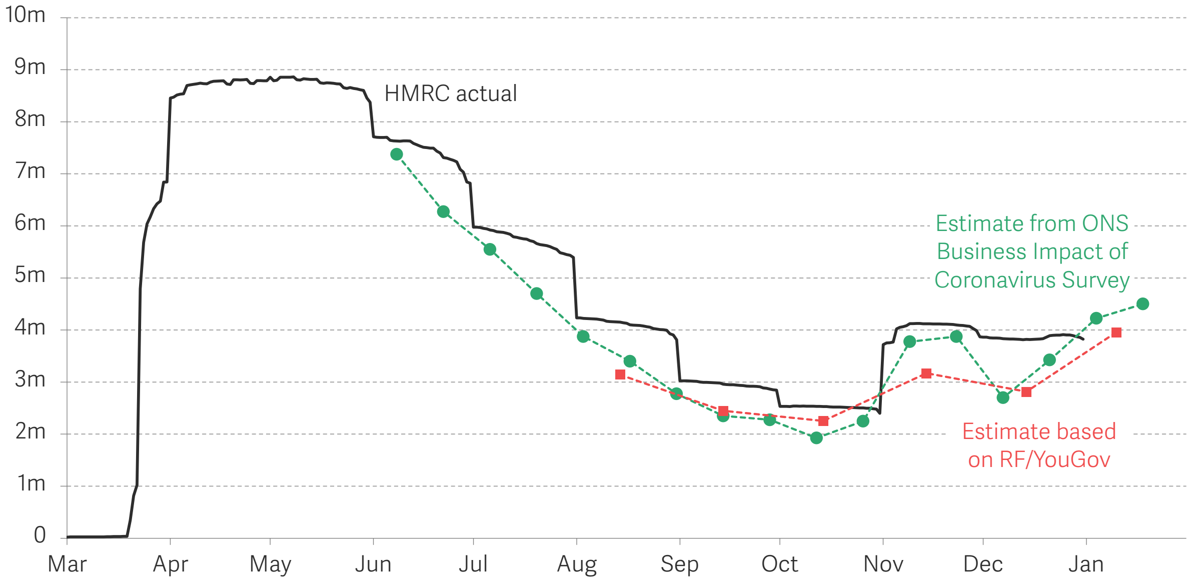


NOTES: Chart covers age 18 to 64 only. The LFS series have been extended by the proportional change in those measures in the YouGov survey, linked to the level in the LFS series for September to November. Economic status in the YouGov survey prior to January is based on retrospective questions. Base is the population age 18-65 (n = 6,389). These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of ONS, Labour Force Survey, and RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

Another key measure of the state of the economy and the labour market is the amount of support being provided by the Job Retention Scheme. We concluded the last section by noting that if employment was stable at the end of 2020, this was largely due to the ongoing support of this scheme, with 4 million workers furloughed in December. HMRC's statistics on furloughing for January aren't yet available, but estimates from the ONS's Business Impact of Coronavirus survey (which has tended to track the actual number fairly closely) suggest that the number of furloughed workers in mid-January was 4.5 million (see Figure 5, below).

FIGURE 5: **About 4.5m people were on furlough in January, about half the number that were furloughed in the spring**

Number of furloughed workers, actual count from HMRC and estimates from surveys: UK

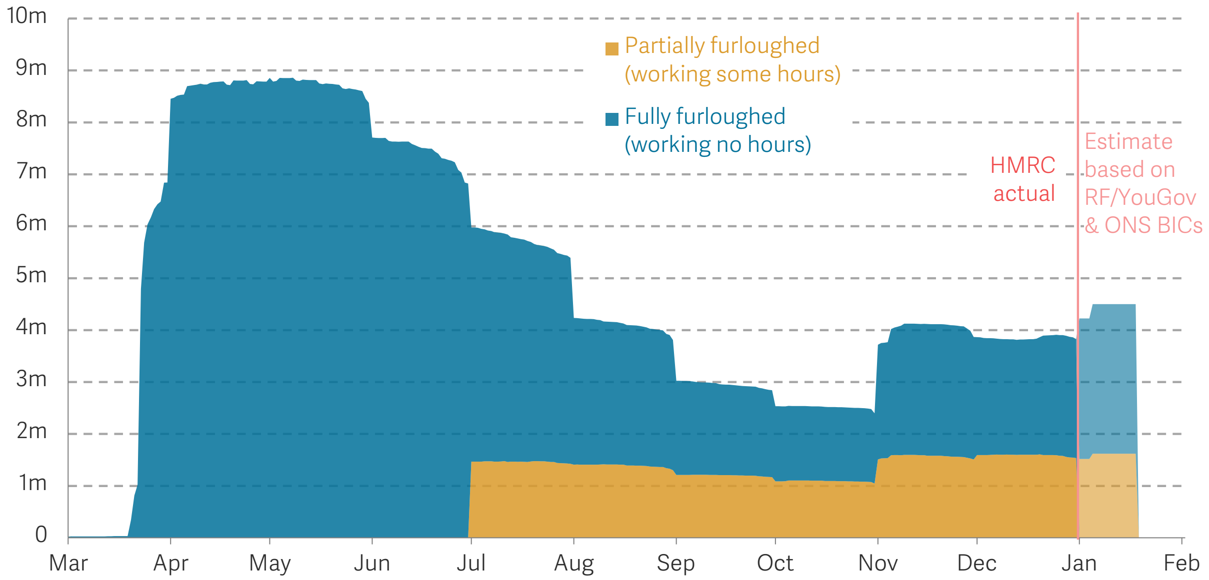


NOTES: For the estimates based on ONS BICs and YouGov surveys, the estimate is based on the proportion of employments furloughed, scaled up to the number of eligible employments reported by HMRC. Base in the YouGov survey is those who were employees at the start of the crisis (n = 4,172). Furlough proportions have been calculated at the sector level, and weighted based on sector proportions from ONS, Workforce Jobs, for May 2020. All figures have been analysed independently by the Resolution Foundation.
SOURCE: HMRC Job Retention Statistics; RF analysis of ONS, Business Impact of Coronavirus Survey; and RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

An increase in furloughing of half a million workers is clearly not an insignificant number, but it only brings the total furloughed to half the number seen in the spring. The smaller number furloughed in the January lockdown is additionally striking given that around a third of furloughed workers are partially furloughed, meaning they are still working some hours. For a given fall in economic activity, we might expect to see more workers in total furloughed where there is a partial furlough option, since some furloughed workers would still be producing output. Figure 6 shows the breakdown of furloughed workers into those partially and fully furloughed. Our estimate is that the entire increase in the number of furloughed workers in January is attributable to an increase in the number of workers on full furlough – unsurprising given lockdown measures involves increasing the number of businesses required to stop operations completely.

FIGURE 6: **The increase in furloughing in January appears to have come from an increase in the numbers on full furlough**

Number of furloughed workers, broken down by full and partial furlough: UK, 2020



NOTES: The estimates derived from the YouGov survey for January are based on the proportion of employments furloughed, scaled up to the estimate of total furloughing from BICS, which in turn takes as its base HMRC's figure of eligible employments. The base in the YouGov survey are those who were furloughed in the January 2021 (n = 513). All figures have been analysed independently by the Resolution Foundation.
SOURCE: HMRC Job Retention Statistics; RF analysis of ONS, Business Impact of Coronavirus Survey; and RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

The fact that furloughing has not increased to anywhere near the level from the spring, and the lack of any sign of rapid deterioration in the headline labour market measures, are both indicators of a smaller impact on the labour market from the latest lockdown compared to the lockdown in the spring. Part of the explanation is that this lockdown has not reduced economic activity as much as the spring lockdown last year. In lieu of GDP data for January, which is not yet available, Google's mobility data is a useful reference point. It shows that trips to workplaces in January 2021 were 64 per cent down on their baseline levels, compared to 70 per cent down at the low point in April, while trips for retail and recreation in January were 65 per cent down on baseline, compared to 78 per cent down in April.[8] Similarly, new ONS spending data from debit and credit card transactions shows that aggregate spending in January 2021 was 38 per cent down on

8 Google mobility data, accessed via: Our World in Data, Covid Mobility Trends.

February 2020, compared to a 50 per cent fall in the spring, and work related spending was 47 per cent down in January, compared to 66 per cent down in the spring.[9]

Higher activity will be partly related to the way the lockdown was put into force, with the Government more explicit in the November and January lockdowns that the Construction and Manufacturing sectors could remain open[10], while parts of the Hospitality sector that shut in the first lockdown have remained open for delivery services.[11] Higher activity is also likely associated with businesses having adapted to operating under lockdown measures. The Bank of England have pointed out that output in construction and manufacturing actually increased in November, when England went into lockdown, and they note that retailers had increased their ability to sell online.[12]

A second reason for lower furloughing is that some jobs have been lost in the interim. But this is only a small part of the explanation. The difference in the number of furloughed workers between May and January (around 4.5 million workers) dwarfs the total fall in jobs in that period (the number of paid employee jobs fell by 180,000 between May and December, according to the HMRC's PAYE-based dataset).

The economic impact continues to be felt by those working in the sectors most affected by lockdown measures: the young, the low paid, and those in insecure work

We have shown so far that in terms of aggregate levels, the latest lockdown does not appear to have had a significant additional impact on the labour market. Another way of measuring the labour market impact of the crisis is look at what has happened to those that were working at the onset of the crisis. This essentially takes a longitudinal perspective since it traces individuals' outcomes over time, although our survey does this by asking respondents retrospective questions about their pre-crisis lives, so it is not a longitudinal dataset in this strict sense. Figure 7, below, takes as its sample those that were working in February 2020, and shows the proportion of those who in January 2021 were either no longer working, were furloughed, or whose earnings were 10 per cent (or more) lower than in February. These are mutually exclusive groups – furloughed workers are not included in the 'lost pay' group. Overall, one-in-four (25 per cent) workers

9 ONS, Coronavirus and the latest indicators for the UK economy and society: 4 February 2021, 4 February 2021.
10 For example, the current lockdown guidance (accessed on 15 Feb 2021) states that allowance for leaving home for work purposes where it is unreasonable to work from home explicitly 'includes, but is not limited to, people who work within critical national infrastructure, construction or manufacturing that require in-person attendance'. Whereas during the first lockdown the rules were similar but there was more uncertainty about whether construction and manufacturing should continue. See Guardian, UK lockdown: Gove tries to clarify confusion over coronavirus rules, 24 March 2020.
11 This is true of KFC and McDonalds, for example.
12 Bank of England, Monetary Policy Report February 2021.

employed in February 2020 fell into one of these groups by January 2021, comprised of 7 per cent no longer working, 6 per cent on furlough, and 12 per cent whose pay had fallen by 10 per cent or more.

Not all of these changes will be due to the crisis. In normal times, some workers will leave employment or will experience a reduction in pay over any given period (clearly, such considerations do not apply to furloughing). For example, we showed in our September survey that the proportion of those employed pre-pandemic who were no longer working in September was in fact roughly in line with normal levels of employment outflows.[13] And in previous reports we have shown that pay volatility, even on a month-by-month basis, is commonplace.[14] However, although we cannot confirm this here, it seems unlikely that those measures of change would vary as much across different groups of workers as they do. We can therefore be more confident in linking the variation in the proportion of workers experiencing these outcomes to the current crisis than we can the overall proportion.

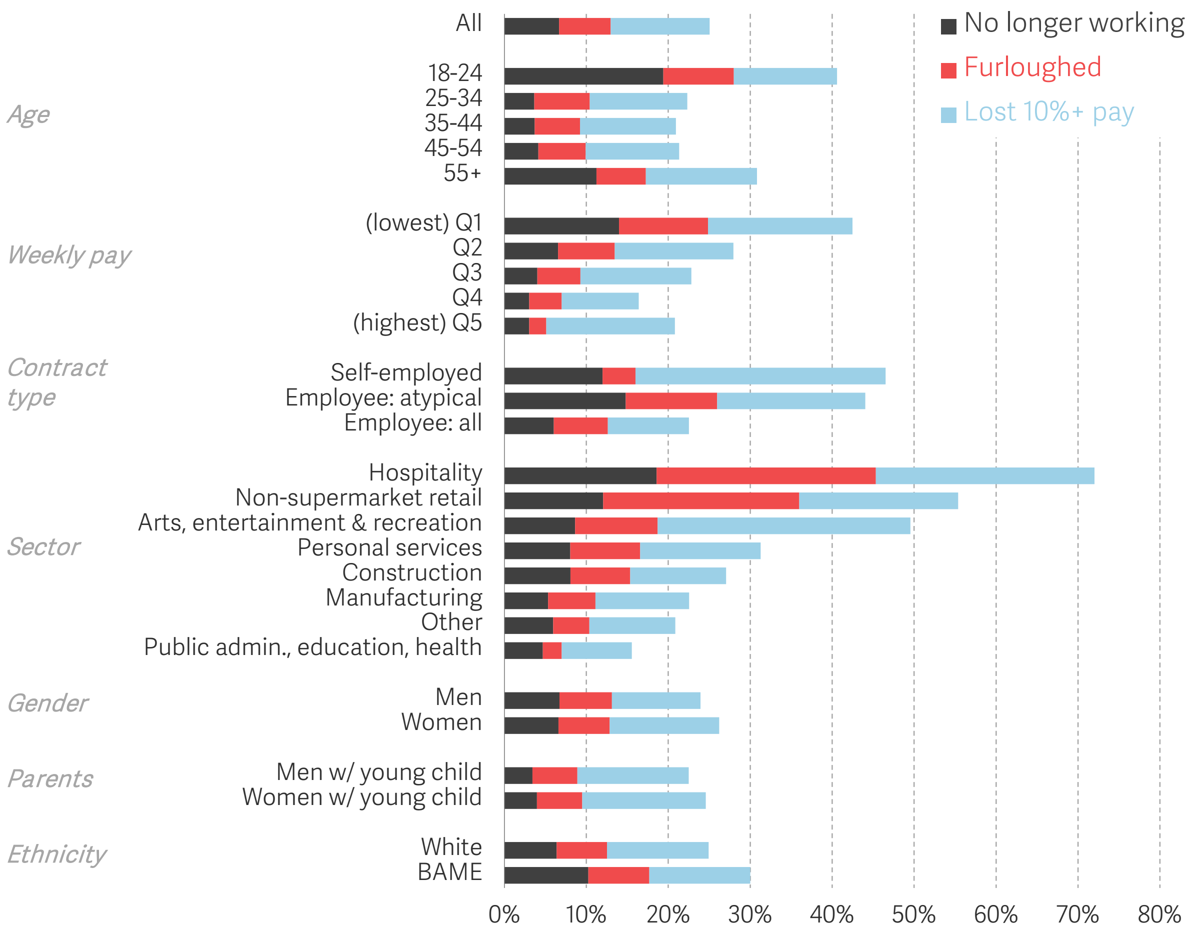
The unevenness in outcomes across groups has been a striking feature of the crisis. As is now well known, the effects of the crisis have varied across different sectors, with 'social consumption' sectors (hospitality and leisure) and parts of retail forced to close, and other sectors involving in-person contact (retail and personal services) either forced to close or heavily constrained by social distancing measures. The proportion of workers employed in February 2020 who have experienced one of the above outcomes is 72 per cent in hospitality, 55 per cent in non-supermarket retail, and 50 per cent in the leisure sector (shorthand for 'arts, entertainment and recreation').

It is those sector-level impacts which are driving the very different outcomes across different groups of workers. As has been well established, the economic effects of the crisis have been most heavily borne by the young (and to some extent older workers as well), those in low paid work, the self-employed or those employees with 'atypical' contracts (which here includes those in a zero-hour contract job, those working through an agency, those working multiple jobs, and those with variable hours).

13 Brewer et al, Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, September 2020.
14 D Tomlinson, Irregular Payments: Assessing the breadth and depth of month to month earnings volatility, Resolution Foundation, October 2018.

FIGURE 7: **The employment effects have been felt most by those working in sectors subject to social distancing measures, and by the young, the low paid, and those on insecure contracts**

Proportion of people employed in February 2020 who in January 2021 were either no longer working, were furloughed, or whose earnings had fallen by 10 per cent (or more) compared to February 2020



NOTES: The overall base is all those in employment at the start of the crisis, age 18 to 64, with non-missing observations for change in employment status, furlough status and pay status (n= 4,848). The base for each sub-group shown in the chart are: AGE: Age 18-24 (n=499), Age 25-34 (n=1,224), Age 35-44 (n=1,136), Age 45-54 (n=1,188), Age 55+ (n=801); WEEKLY PAY: Q1 (n=833), Q2 (n=870), Q3 (n=795), Q4 (n=807), Q5 (n=825); CONTRACT TYPE: Self-employed (n=518), Employee: all (n=4,330), Employee: atypical contract (n=1,125). SECTOR: Hospitality (n=228), Non-supermarket retail (n=240), Arts, entertainment & recreation (n=198), Personal services (n=224), Construction (n=136), Manufacturing (n=244), Other (n=1,806), Public administration, education, health (n=1,680); GENDER: Men (n=2,433), Women (m=2,415); PARENTS: Men with young child (n=523), Women with young child (n=578); ETHNICITY: White (n=4,297), BAME (n=323). 'Young child' is defined as having a child under the age of 11. White' is defined as including the ethnic groups: White British, White Irish, Gypsy and 'Any other White' background, while 'Black and minority ethnic' encompasses all other backgrounds. We would have preferred not to use an aggregated 'BAME' group but are forced to do so due to a small sample size. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

Differences in employment outcomes between other groups of workers are smaller, but still material. This has been a consistent feature throughout the crisis. Workers who were employed at the start of the crisis from a Black or Minority Ethnic background are 5 percentage points more likely than White workers to have either stopped working or been furloughed in January.[15] We find that people with young children (under the age of 11) are no more likely to have experienced negative employment outcomes than other workers, and among those with young children men and women are similarly as likely to have either stopped working or to have been furloughed.

When it comes to overall gender differences, we find in our January survey that men and women are similarly likely to have stopped working or been furloughed, but women are slightly more likely to have experienced a pay reduction since the start of the crisis. We have found similarly balanced employment effects in each of our surveys since the start of the crisis, as well as in the Understanding Society dataset. However, this is different to what some reports have suggested and what was expected at the start of the crisis, as we explain in in Box 1, below.

BOX 1: **The economic impact of the Covid-19 crisis on men and women**

Going into the crisis many, including the Resolution Foundation, expected the impact on women to be greater, because we know that women are more likely to work in the worst affected sectors, and are more likely to work in lower-paid roles (although, pushing in the other direction is the fact that women are more likely to be key workers – more exposed to the health impact of the virus but less likely to feel employment effects).[16] Similarly, early survey work suggested that women were significantly more likely than men to have been furloughed.[17]

We do find in our January survey that women who were working in February 2020 are slightly more likely than men (26 per cent compared to 24 per cent) to have either not be working, be furloughed, or to have lost pay, by January 2021 (see Figure 7 for a full breakdown). But this is a small difference. In our previous survey waves we have not found any difference in the proportion of men and women experiencing those employment effects. There's a similar story in HMRC's furlough data, where women are very slightly more likely than men to have been furloughed in this crisis – data

15 'White' is defined as including the ethnic groups: White British, White Irish, Gypsy and 'Any other White' background, while 'Black and minority ethnic' encompasses all other backgrounds. We would have preferred not to use an aggregated 'BAME' group but are forced to do so due to a small sample size.
16 See, for example: R Joyce & X Xu, Sector shutdowns during the coronavirus crisis: which workers are most exposed?, April 2020.
17 A Adams-Prassl et al, Furloughing, August 2020.

for the end of November finds that take up of the Job Retention Scheme was 12.5 per cent among 'female employments' and 12.0 per cent among 'male employments'.[18] Although it's important to note that experiences on furlough will differ, the recent report by the House of Commons Women and Equalities Committee noted that women on furlough have been less likely than men to have their wages topped up by the employer above the 80 per cent subsidy provided by the Government.[19]

When it comes to aggregate employment, the Labour Force Survey suggests that it is men who have borne the greater impact. Since the start of the crisis (comparing Jan-Mar 2020 with Sep-Nov 2020) male employment has fallen by 1.9 per cent, and female employment by 1.1 per cent. A study by LSE economists has shown that a higher impact on male than female employment is a recurring feature of recent UK recessions.[20]

Of course, headline impacts on employment and furloughing are far from the only measures of who has been affected by the crisis, let alone the only economic measures. A study by the IFS, for example, showed that, in the first lockdown, mothers were bearing much more of the additional childcare and housework demands that have come with living through lockdowns than fathers.[21] This makes clear that, even if the crisis has not borne more heavily on women than men in terms of aggregate measures of employment, it may have significantly worsened some existing within-household inequalities. Additionally, there is some suggestion that the impact on mental health has been particularly acute for women, particularly in the early part of the crisis.[22]

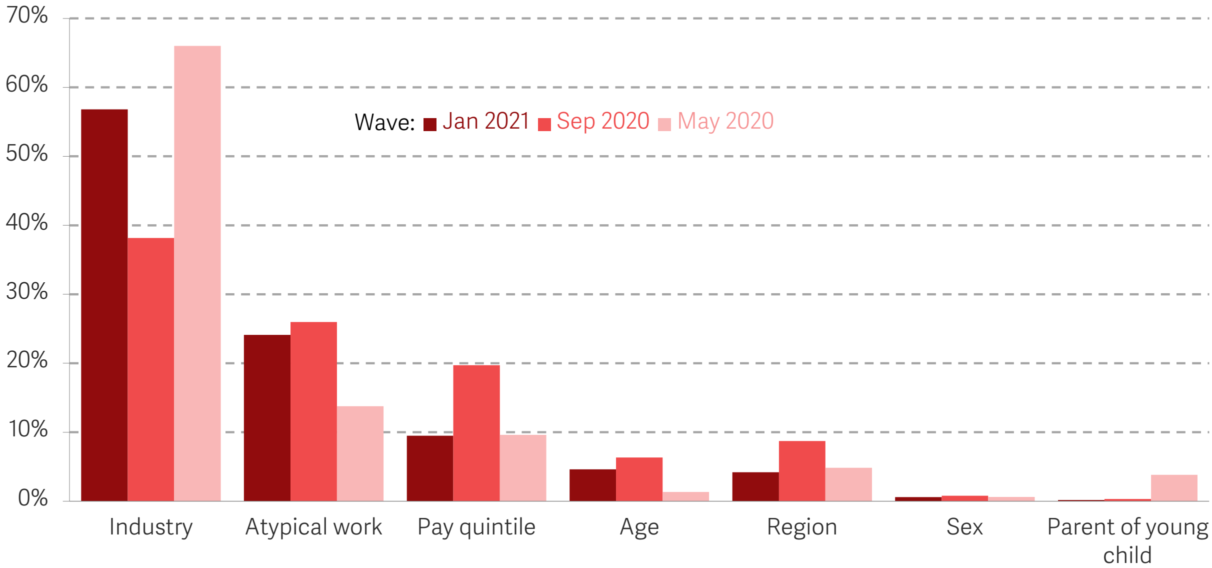
Figure 7, above, provides a strong indication that industrial sector is the main factor explaining the outcomes for different groups. But we can also confirm that is the case with some simple statistical modelling. Figure 8, below, shows what proportion of the variance in employment outcomes (taking a binary variable of having experienced one of the above outcomes – no longer working, furloughed, or loss of pay) can be attributed to different factors, focusing on those who were in employee jobs at the start of the crisis. We have run the same analysis on all three waves of our survey, which were conducted in May and September 2020, and January 2021. We find that industry is the most significant explanatory factor in all three survey waves. In the latest survey, the sector an individual

18 HMRC, CJRS Statistics, January 2021.
19 House of Commons Women and Equalities Select Committee, Unequal impacts: Coronavirus and the gendered economic impact, February 2021.
20 B Bell, M Codreanu & S Machin, What can previous recessions tell us about the Covid-19 Downturn?, August 2020.
21 A Andrew et al, How are mothers and fathers balancing work and family under lockdown?, May 2020.
22 Public Health England, COVID-19 mental health and wellbeing surveillance spotlight, December 2020.

works in explains 57 per cent of the variance in that employment outcome measure. In the September wave, it was the largest factor but explained a smaller 38 per cent of the variance, consistent with this being a period of much reduced lockdown restrictions. But in the May wave it explained fully 66 per cent. The importance of sector as the main factor driving employment outcomes in this crisis is therefore a robust finding, true in different periods of the crisis and in three survey waves.

FIGURE 8: **The sector people work in has been the dominant factor driving employment effects throughout the crisis, with personal characteristics playing a much smaller role**

Proportion of the variance in whether employees in February 2020 experienced a negative employment effect explained by each factor in a regression analysis, in survey waves from May 2020, September 2020, and January 2021: UK



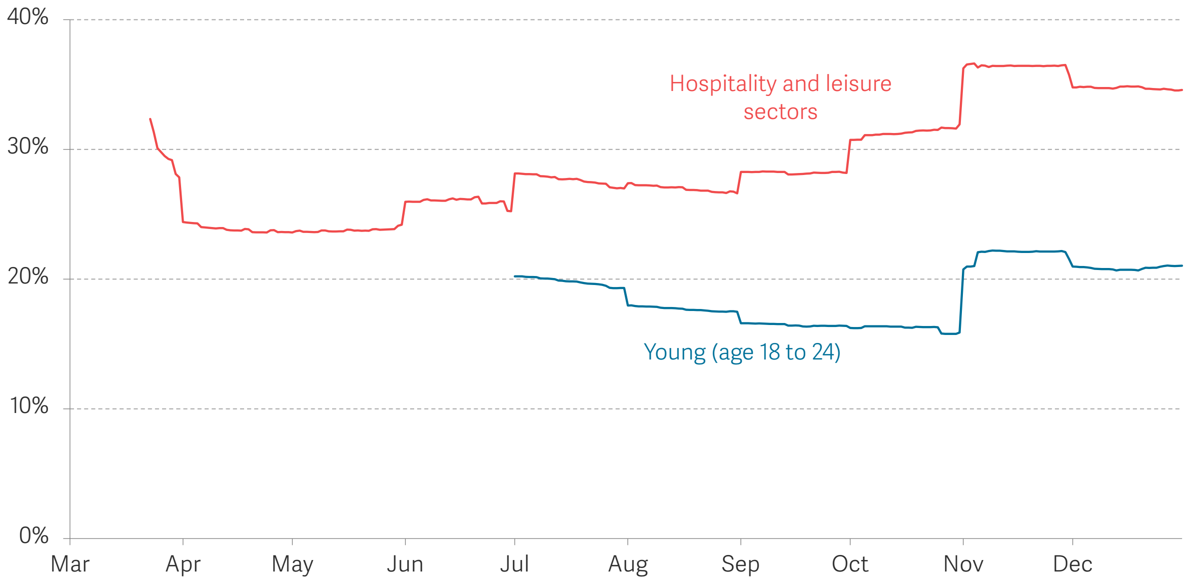
NOTES: This chart uses a decomposition method called 'dominance analysis' from the Stata package 'domin' to assess the explanatory power of each factor. The method runs a regression with each possible combination of the explanatory variables and compares the change in the amount of variance explained. The regression is a probit regression, on the sample of those in employee work in February 2020, with a dependent variable the binary outcome of were / were not by the survey date a) no longer working b) furloughed, or c) earning 10%+ less than February 2020. Because this is a probit regression, the statistic is the pseudo R-squared. The same method (using the same regression, and the same variables) was run on each of the survey waves. However, because we did not have a variable for hours worked in the January 2021 survey, the measure of pay change was somewhat different in January compared to the earlier waves. Base = all UK adults aged 18-65 who were employees prior to the coronavirus outbreak, and who have non-missing values for the explanatory variables (n=3,824 in May, n=4,053 in September, and n=4,172 in January). These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), various.

After sector, the next most important factors are the type of contract an individual has, and specifically whether they have an atypical contract (which is here defined as having an 'atypical' employee contract such as a zero hours contract or working through an agency). In the January survey this explained just below a quarter of the variance in employment effects. The next most important factor, pay, only explained 10 per cent of the variance in the January survey. Workers' age and region explain only a very small part of the variance in employment outcomes, and sex and whether an individual is the parent of a young child plays almost no explanatory role at all.

There is some sign in the furlough statistics that use of the scheme has become more concentrated among the hardest-hit sectors. Figure 9, below, shows that the proportion of total furloughing accounted for by the hospitality and leisure sectors has been rising since May. In the November lockdown, those two sectors accounted for over a third of all furloughed employments, up from a quarter at the end of May. This makes sense, to the extent that restrictions have become more concentrated on those sectors, while firms in non-shutdown parts of the economy have become better at operating with social distancing measures, and so have less need of furlough.

FIGURE 9: **Increasing social distancing restrictions or lockdowns lead to a greater concentration of furloughing among hard-hit sectors and the young**

Proportion of total furloughed workers that are in hospitality and leisure sectors, and among the 18 to 24 age group: UK



SOURCE: RF analysis of HMRC Job Retention Statistics.

Overall then, the broad pattern of which factors are important in driving employment outcomes has been consistent across the crisis. So, while in one respect the January lockdown is different to the spring lockdown (in that it has not made the labour market much worse than it was immediately before), it is very much like previous lockdowns in terms of who has been affected by the crisis, and why.

The fact that the crisis has been hitting the same groups of people, for a year now, is the subject of the next section, where we explore the cumulative impact of the crisis to date.

Section 3

The cumulative impact of a year-long crisis

Experiences of unemployment or furloughing have been common during this crisis, with 1 in 4 of the working age population experiencing at least one month of either full furlough or unemployment over the past year. But as the crisis has persisted, the duration of these states becomes ever more important: in January, there were some 1.9 million workers who had been either furloughed or unemployed for at least the previous six months.

The experience of previous recessions tells us that policy makers should pay particular regard to the damage that long-term unemployment can do, while in this crisis they should also pay attention to a new phenomenon for the UK: long-term furlough. Given the potential for a persistent loss of job skills among those on full furlough, and the opportunity cost for younger workers of the lost period of learning and progression, it is possible that those people will experience a form of the 'scarring' effects on their future labour market outcomes that are so well documented with regard to the long-term unemployed.

The previous section reviewed the current position of the labour market, concluding that the January lockdown has not led to a further major deterioration in the labour market, relative to the position it was in during November and December. But we showed that the economic effects of the crisis continue to be felt by the same groups of workers throughout – those who before the pandemic were employed in the hardest-hit sectors, and those with less secure forms of work, which has disproportionately meant the young and the low paid.

The fact that the crisis has been consistent in who has been affected, coupled with the fact that it has been ongoing for a year now, means we must start to pay more attention to the cumulative impact of the crisis. It doesn't just matter which individuals are unemployed or furloughed now, but also how long they have been unemployed or furloughed for. It matters both for understanding the depth of the economic pain experienced over the past year, but also because those experiences may have lasting impacts. Just as the previous section showed there is unevenness in which groups have suffered any employment impacts, there is also unevenness within that group when it comes to how long individuals have experienced those impacts for.

A significant proportion of the working-age population has experienced either unemployment or furloughing during this crisis

First, before discussing the durations of unemployment and furloughing people have experienced, it's useful to reflect on how many people have experienced those things during the crisis at least once. Because people's circumstances change (there are moves between employment, unemployment and furlough) that number is more than the number who at any given point in the crisis have been unemployed or furloughed.

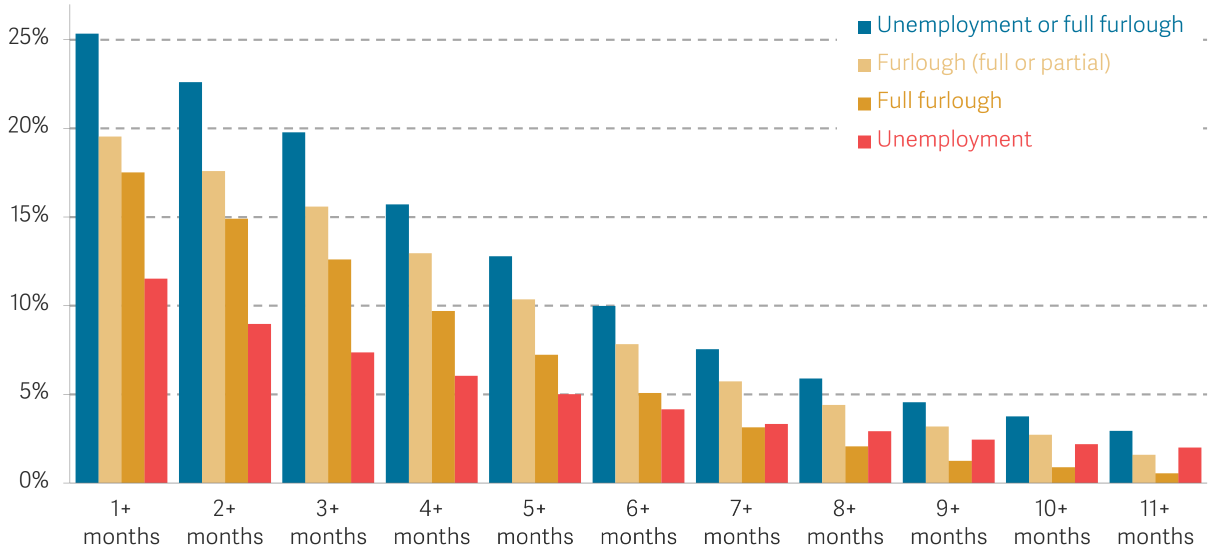
For example, expressed as a proportion of the population (rather than as a proportion of the economically active, as is the norm), the unemployment rate in the Labour Force Survey for September to November 2020 was 4.0 per cent among 18-to-64-year-olds. Our survey suggests that the proportion of the same age group who had experienced at least one month of unemployment at some point between February 2020 and January 2021 was three times that number (12 per cent of the 18-to-64-year-old population).

The new feature of this crisis, of course, has been furloughing. And because so many more individuals have been furloughed than unemployed (9 million at peak, compared to 1.6 million unemployed among the 18 to 64 age group in the three months to November), the experience of furloughing has of course been more broadly felt than unemployment. HMRC data shows that 9.9 million jobs have been furloughed at some point or other since the start of the crisis, comprising 28 per cent of all jobs.[23] These figures are represented by the bars on the left-hand side of Figure 10, below, which shows the proportion of the 18-to-64-year-old population who have experienced at least one month of unemployment or furloughing over the past year.

23 Our survey's estimate of the proportion of the working population on furlough is in line with official data from September onwards, but an undercount before that point, perhaps due to some recall or measurement error. Our estimates of who has been on furlough at any point will therefore also be biased downwards. In our survey data, shown in Figure 1, 18 per cent of the 18-64-year-old population had been placed on full furlough for at least one month within the last year, but HMRC's cumulative count of furloughed jobs of 9.9 million amounts to 24 per cent of the 16-64 population.

FIGURE 10: **Many people have had some experience of unemployment or furloughing over the past year, but the time spent in those states varies considerably**

Proportion of the 18-to-64-year-old population that have experienced unemployment or furloughing, by the number of months between February 2020 and January 2021 that they were in those states: UK



NOTES: Base is all adults age 18 to 65 (n = 6,389). All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

But individuals vary significantly in the duration of the unemployment or furloughing they have experienced

However, while there are many individuals who have had some experience of unemployment or furloughing over the past year, there is significant variation within this group in terms of the duration of these experiences. Figure 10 shows the proportion of the 18-to-64-year-old population who have experienced unemployment or furloughing, by the number of months between February 2020 and January 2021 that they experienced those things. The left-most bars tell us that a significant proportion of the population have experienced those things for at least one month or more. But on the right-hand side of the chart we can see that a non-negligible proportion of individuals have experienced many months of either unemployment or furloughing. Note that this chart shows the total number of months over the past year that individuals have experienced unemployment or furloughing – those months don't have to have been consecutive.

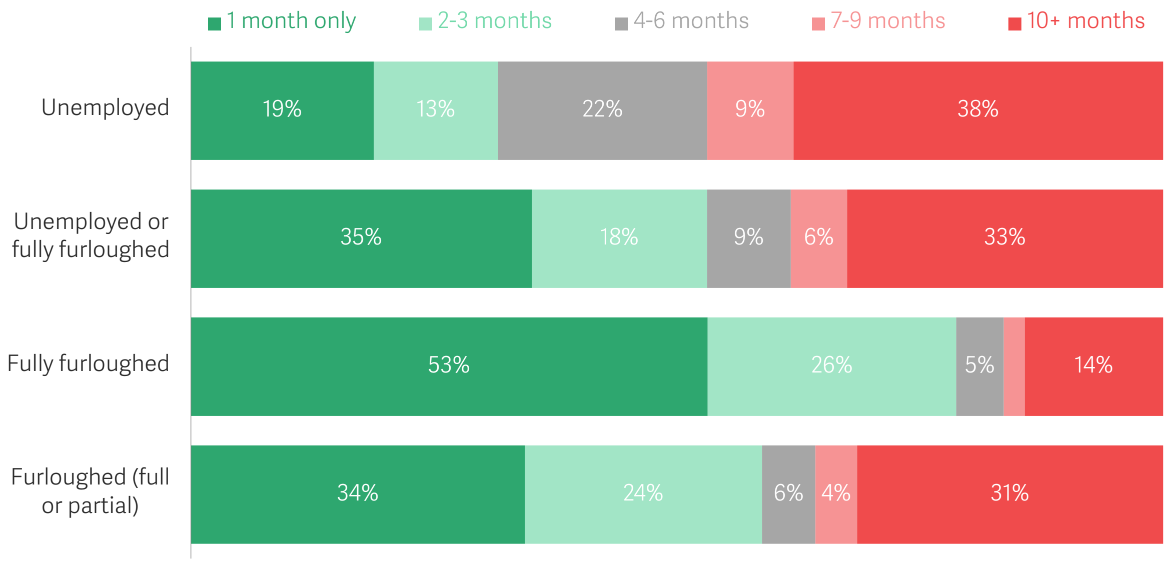
It shows, for example, that 4 per cent of the 18-to-64-year-old population experienced six months or more of unemployment over the past year (amounting to 1.6 million people) and 5 per cent experienced six months or more on full furlough (2 million people). 8 per cent (3.2 million people) experienced six months or more on either full or partial furlough, and 10 per cent (4 million people) spent six months or more either unemployed or on full furlough. A smaller group (3 per cent of the 18-to-64-year-old population, 1.2 million people) has spent almost the whole of the last year either unemployed or on full furlough. Of course, we could expand these categories to show workers that have experienced different combinations of these, and we could also include periods spent not working and not looking for work (economic inactivity). But the point is to show that the depth of the impact of unemployment and full furloughing varies significantly. An individual who experienced a month of full furlough in the first lockdown has had a very different experience of the crisis than those who were placed on full furlough in the spring and have spent little or no time working since.

We can also examine how long individuals that are currently experiencing unemployment or full furlough have been doing so, which is what is shown in Figure 11. This offers a similar story, of some individuals who have been furloughed or unemployed for very little time, and some who have been in those positions for many months in a row. For example, just over half of those on full furlough in January 2021 had not been on full furlough the previous month (of those who were fully furloughed in January and not fully furloughed in December, around a third were partially furloughed in December). 79 per cent had been on full furlough for no more than three months (i.e. their period on full furlough began with the November lockdown). But a small minority have been on full furlough for much longer. One-in-seven (14 per cent) of those fully furloughed in January had, according to our survey, been fully furloughed for at least 10 months in a row (meaning they were placed on full furlough in the spring and remained so throughout the summer reopening and then, less surprisingly, through the ramping up of restrictions in the autumn and winter).

There is a larger proportion of long-term experiences when it comes to those that were unemployed in January 2021, or on any kind of furlough, or unemployed or fully furloughed. A third of the unemployed had been so for 10+ months, and similarly, a third of those on furlough (either full or partial) had been so for 10+ months.

FIGURE 11: **Most of those on full furlough in January had been so for 1-3 months, but a minority have been on full furlough for most of the past year**

Proportion of those unemployed or furloughed in January, by the number of (consecutive) months in that status: UK, 18-64 year olds



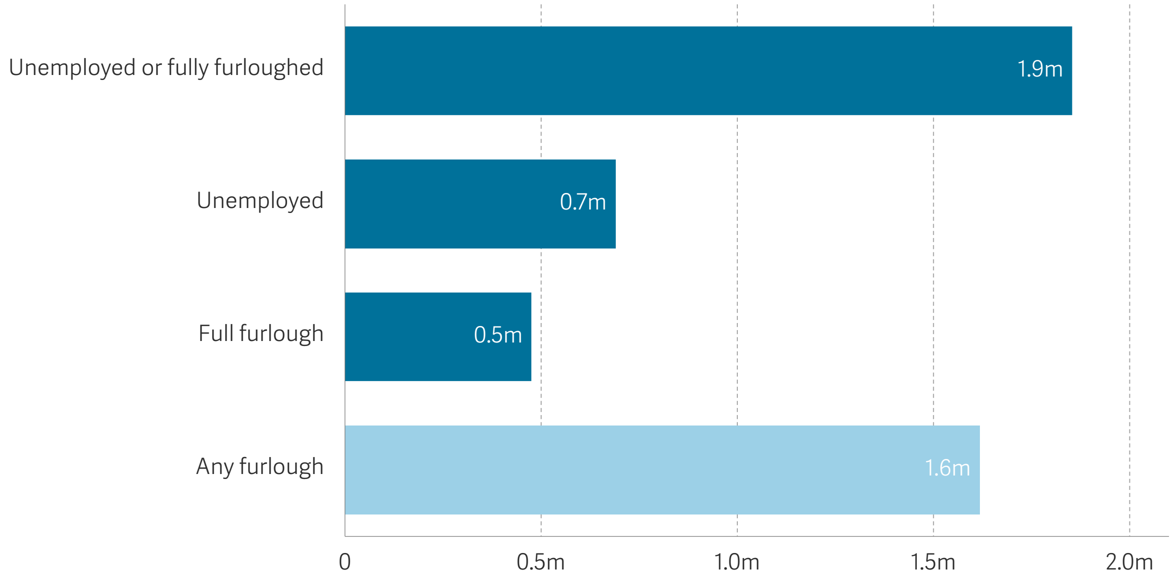
NOTES: Base for each bar is all those who were in that position in January: unemployed (n= 351), unemployed or fully furloughed (n=679), fully furloughed (n=328), furloughed full or partial (n=513). All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

Because so many workers are furloughed at present (we have estimated that 4.5 million workers were on full or partial furlough in January), the above translates into a significant number of individuals who have experienced extended spells on furlough, or unemployment, or a combination of the two. This is set out in Figure 12, below, which provides an estimate of the number of people in January who were in a position of being unemployed or on full furlough (or a combination of the two) and who had been so for six months or more.[24] We estimate that there were 1.9 million workers who in January were either fully furloughed or unemployed, and who had been fully furloughed or unemployed for at least the previous six months. This is around three times the number of unemployed for six months plus (approximately 700,000). We also estimate that half a million (475,000) workers who were on full furlough in January had been on full furlough since at least August, rising to around 900,000 workers if we include those on full furlough in January and those who had been on full or partial furlough since at least August.

24 12 months or more is typically used as the definition for 'long-term' when it comes to unemployment – it is the point at which the Government's support scheme for the long-term unemployed kicks in. We have shown a six months plus figure to be able to compare the furloughed with the unemployed. And of course, anyone unemployed for six months might well argue that six months is a 'long' time.

FIGURE 12: **Almost two million workers had been unemployed or on full furlough for at least six months in January**

Number of people unemployed or furloughed in January 2021 and for at least 6 months consecutively: UK, 18-64 year olds



NOTES: The figure for unemployed at 6 months duration has been extrapolated from the ONS LFS figure for September to November 2020 by the (small) increase in unemployment measured in our survey between October and January. Other figures apply the proportion of those groups that have been so for 6 months+ from YouGov to totals based on estimates using the ONS' Business Impact of Coronavirus Survey (for furlough totals) and YouGov (for the split between full and partial furloughing). In the YouGov survey, the sample sizes are: Unemployed in January (n = 351), Full furlough in January (n = 328), Unemployed or fully furloughed in January (n = 679), furloughed in January, full or partial (n = 513). All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of ONS Labour Force Survey, and of YouGov, Adults Age 18-65 and the Coronavirus (COVID-19), January 2021 wave.

We know that extended periods of unemployment have a scarring effect – might the same be true for (full) furloughing?

The scarring effects of unemployment are well known. A large number of studies have shown that periods spent unemployed, especially longer durations of unemployment, are associated with a higher likelihood of further periods of unemployment, and with reduced earnings in the future. This is likely to be especially true for young people, for whom the effects will compound over a longer period of time. For example, one study of the 1980s recession found that young people who experienced unemployment in that period went on to earn 8 to 10 per cent less at age 42 than similar individuals who did not experience unemployment.[25] The effects were greater for those who suffered repeated bouts of unemployment. The effects on individuals' future prospects are in addition, of course, to

25 P Gregg & E Tominey, The Wage Scar from Youth Unemployment, February 2004.

the pain experienced during unemployment. The impact on incomes is obvious, but there is also now a strong evidence base showing the severe impact of unemployment on individuals' wellbeing.[26]

These facts are well known, and provide the rationale for providing extra support to the long-term unemployed. Long-term unemployment is a normal feature of recessions, and is likely to increase (perhaps with some lag) along with the rise in overall unemployment expected this year. The number of people unemployed for 12 months or more has already risen to 357,000 (in the three months to November 2020), up from 307,000 at the start of 2020 (the three months to February). This of course underlines the importance of the Government's new 'Restart' scheme (which we discuss in more detail in Section 6).[27]

The experience of long-term furloughing, though, is a new phenomenon, at least in the UK. The question is whether we should worry about similar negative impacts on the long-term furloughed as we do about the unemployed. There are reasons to think we should, while noting significant differences with periods of long-term unemployment. The precise mechanism underlying the scarring effects of unemployment isn't easy to pin down, but the two main theories are that the cause is a depreciation in human capital (i.e. skills, motivation, and contacts - either in absolute terms, or relative to the additional human capital that would have been accrued from time spent in work) or to a negative 'signal' that unemployment sends to employers, or in other words the stigma associated with unemployment. The signal theory relies on the assumption that employers cannot observe some of job candidates' characteristics directly (such as effort and potential productivity) and so will prefer non-unemployed candidates (or candidates with shorter spells of unemployment) on the assumption that they will have 'better' characteristics.

To the extent that scarring effects are driven by human capital depreciation, we might expect similar effects to be experienced by individuals who have been fully furloughed. If, however, it is the signalling effect which is important, we might be less worried, since those who have been on full furlough will presumably not feel obliged to mention this to prospective employers. There are not many studies which attempt to disentangle these effects. One does comes down on the side of signalling as the main driver, which would imply less concern for the long-term furloughed.[28] However, this question is far from settled, and the theory that individuals experience human capital depreciation rests on a large body of evidence, so we should be cautious about ignoring potential effects on the fully furloughed.

26 G Bangham, Happy Now? Lessons for economic policy makers from a focus on subjective wellbeing, Resolution Foundation, February 2019.
27 Learning and Work Institute, Time to Act – Tackling the looming rise in long-term unemployment, October 2020.
28 Z Nazarov, N Adilov & H Tierney, Human Capital Depreciation and Stigma Effects in Unemployed Workers' Re-Employment Wages, July 2018.

As well as denting the employment prospects of those that lose work, those fully furloughed that do return to work will also be affected. The time spent not working, and the skills and experiences missed out on, will likely have negative impacts on pay growth and career progression. This is particularly the case for young people, whose progression is fastest, and who are also the most likely to be furloughed. In 2019, the median annual pay growth (in real terms) among those aged 18 to 29 was 5.3 per cent, compared to 2.0 per cent among those aged 30 to 49 and 1.0 per cent among those aged 50 plus. Even on top of the effects of an economic downturn, those young people that have been fully furloughed are likely to have lost ground relative to their peers that were not.[29]

Clearly, however, the key thing that matters most in terms of distinguishing the fully furloughed from the long-term unemployed is whether they resume their job or are made redundant, and policy should aim to ensure as large a number do return to their former jobs as possible. However, some job losses among this group are likely – as we show in section 5, individuals who have been on full furlough for 6 months or more are much more pessimistic about their near-term futures than other workers. Therefore, to help this group, policy must both seek to make a success of the withdrawal of the Job Retention Scheme (so that those among the fully furloughed whose jobs are long-term viable keep those jobs) but must also support those who do lose their jobs to find new work. We discuss all this in more detail in Section 6.

The next section focuses on the impact of the crisis on the self-employed, and on the effectiveness of the Government's support packages for this group.

29 This is calculated from the ONS, Annual Survey of Hours and Earnings, and is available in the 'All Data Spreadsheet Download' at our Earnings Outlook web page: https://www.resolutionfoundation.org/earningsoutlook/.

Section 4

Self-employment in the crisis

The self-employed have continued to face the worst impacts of the coronavirus crisis. The prolonged duration of the crisis has led to 14 per cent stopping working entirely in January, up from 11 per cent in September and 9 per cent in May. Despite some improvement in earnings since the first lockdown, two-fifths of those who were self-employed before the crisis were earning significantly less in January than before the pandemic. The hit has remained broad-based, with impacts on all groups of self-employed workers, although men, those in shutdown sectors, and those without a degree were the most likely to have stopped working entirely.

Despite this big hit to incomes lasting longer, support is still failing to reach all those who need it. Three-in-ten self-employed workers reported that they had lost profits due to the pandemic but had not been eligible for a grant under the Self-Employment Income Support Scheme (SEISS). That said, we found much less evidence that the SEISS had paid out large sums to those who didn't need it than we did in our previous survey – likely reflecting changes in the eligibility criteria in the most recent round of grants.

Self-employed workers continued to face big hits in January

Previous research from the Resolution Foundation and others has consistently found that the self-employed have experienced big falls in income from the coronavirus crisis.[30] Figure 13 compares our January survey results with those of our previous two surveys in May and September, and shows that almost a year into the crisis, this remains the case.[31] In fact, the share of self-employed workers who have stopped working entirely has continued to increase with the duration of the crisis. In May, 9 per cent of self-

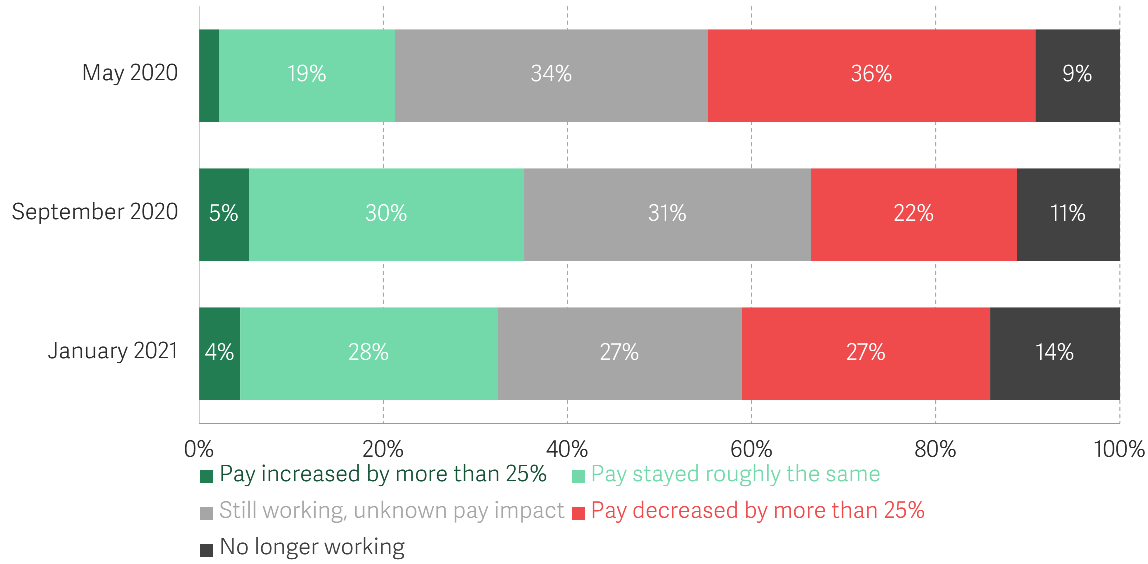
30 For example, see: M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020; J Blundell, S Machin & M Ventura, Covid-19 and the self-employed: six months into the crisis, LSE Centre for Economic Performance, November 2020.

31 Results from our May survey can be found 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. Results from our September survey can be found in: M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020.

employed workers had stopped working. In September, that had increased to 11 per cent; by January, 14 per cent of formerly self-employed workers classed themselves as either unemployed or economically inactive.

FIGURE 13: **The share of the self-employed who have stopped working since the pandemic hit has increased since September 2020**

Reported change in pay and employment status for self-employed workers compared to February 2020, by survey month: UK, data collected 6-11 May 2020, 17-22 September 2020, and 22-26 January 2021



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=472 in May, n=426 in September, and n=441 in January). Pay is 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 18-65 and the Coronavirus (COVID-19), various.

Taking a broader view of significant damage from the crisis that includes those experiencing big pay hits, we see a big deterioration since September but some improvement from the first lockdown. In January, just over two-in-five self-employed workers (41 per cent) had stopped working, or reported that their earnings had fallen by more than a quarter – a slightly smaller impact than in May, when 45 per cent experienced such impacts. This reflects the fact that businesses have had more time to adapt to restrictions and social distancing measures and, in contrast to last spring's lockdown, sectors like manufacturing and construction have largely continued operating.[32]

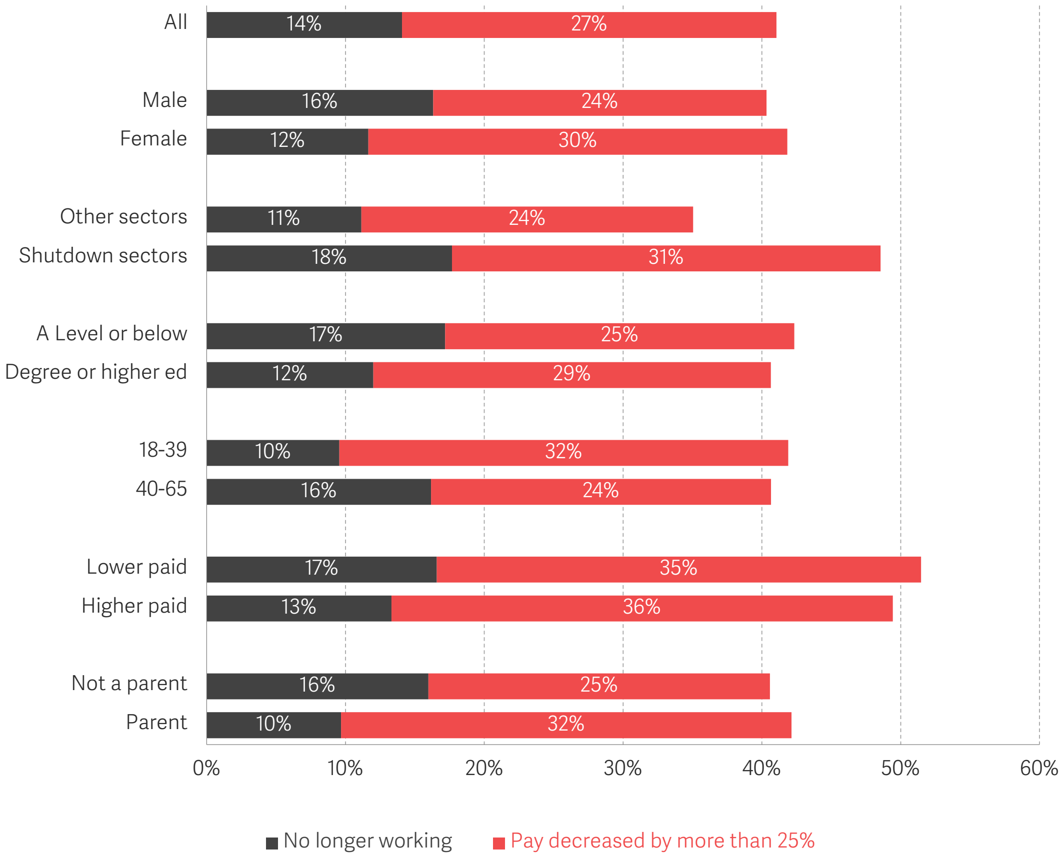
32 This result remains robust to choosing different thresholds for the earnings fall, but we present the share experiencing a 25 per cent earnings hit here to account for the fact that the self-employed normally experience relatively high volatility in their earnings. See, for example: B Dellot & H Reed, Boosting the living standards of the self-employed, RSA, March 2015.

The hit to the self-employed remains broad-based

The previous sections show that in the third lockdown, the impact on employees still varied significantly between groups, with the young and low paid in shutdown sectors or insecure work most likely to be furloughed, lose their jobs, or face pay cuts. In contrast, Figure 14 shows that the hit to the self-employed remains broader-based: while there are some differences between groups, these are much smaller than for employees.[33]

FIGURE 14: **The self-employed in shutdown sectors, those with lower qualifications, and older workers have been most impacted**

Reported change in pay and employment status for self-employed workers compared to February 2020, by personal and job characteristics: UK, data collected 22-26 January 2021



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=441). Base by categories: male n=226; female n=215; other sectors n=216; shutdown sectors n=215; A Level or below n=151; degree or higher ed n=276; 18-39 n=136; 40-65 n=305; lower paid n=169; higher paid n=166; not a parent n=308; parent n=133. Pay is weekly net (take-home) usual pay prior to the coronavirus outbreak. 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 include non-food retail, transport excluding bus and rail, hospitality, leisure, construction, and other services. 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) - January wave.

33 As sample sizes are much smaller for the self-employed, we have had to aggregate up into broader categories (e.g. age, pay) than was the case for employees, and have had to leave out some breakdowns entirely (e.g. ethnicity) where sample sizes were particularly small.

That said, Figure 14 does highlight that some groups have been more affected than others. Those in shutdown sectors were 60 per cent more likely than other workers to have stopped working entirely (18 per cent vs 11 per cent), and almost half (49 per cent) had faced a significant pay fall. Men were more likely than women to have stopped working – 16 per cent and 12 per cent respectively – and, in contrast to our findings in September, older self-employed workers now appear to be more affected.[34]

Targeting of self-employment support has improved – but support is still failing to reach many of those who need it

Some self-employed workers who lose income will have been able to claim under the Self-Employment Income Support Scheme (SEISS) – which, as we have previously noted, is very generous (more so than employee support in most cases) for those who get it.[35] That generosity, combined with tight constraints on eligibility, has led to the scheme being poorly targeted. Previous Resolution Foundation research has shown large numbers of people did not receive support despite their earnings having fallen, in some cases to zero, while others claimed large grants that exceeded any fall in income.[36]

Figure 15 shows the recent experiences of self-employed workers in relation to the SEISS. On the one hand, targeting has improved, with little evidence compared to our previous survey that lots of people are receiving support despite facing no loss in income – just 3 per cent of self-employed respondents (equivalent to 150,000 people[37]) said that their SEISS grant had more than covered their losses. This is likely to reflect the fact that unlike the first two rounds, the third round of SEISS grants was explicitly conditional on having suffered reduced activity, capacity or demand, although it may also partly reflect different questions compared to our previous survey.[38]

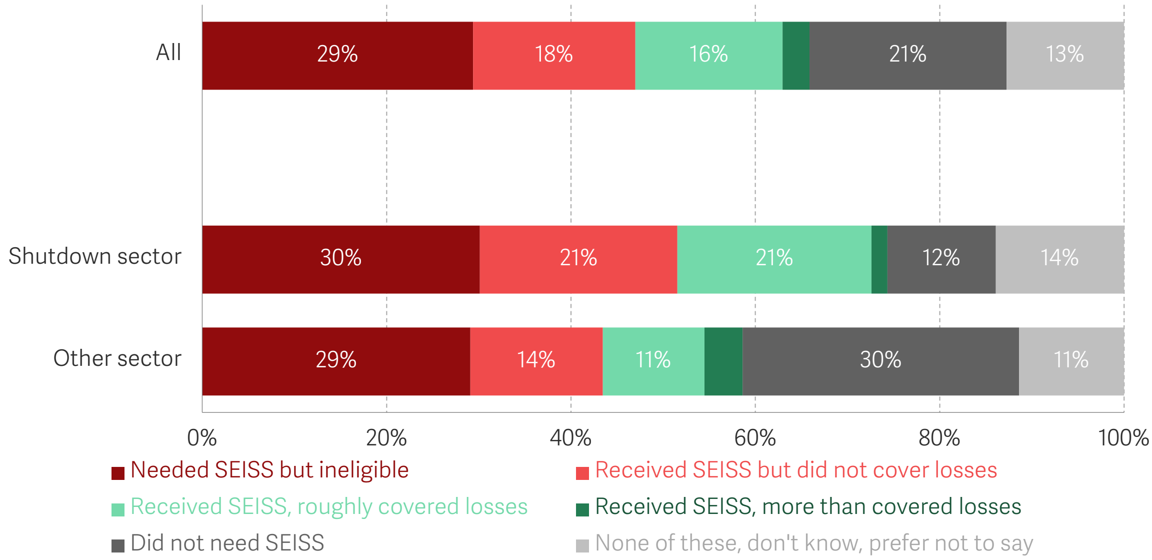
On the other hand, targeting of support has not improved when it comes to those excluded from necessary help. Three-in-ten (29 per cent) self-employed workers in our survey – equivalent to 1.5 million people[39] – said that while their profits had fallen as a result of Covid-19, they had not been eligible to receive a grant through the scheme. One-in-five (20 per cent) said that they had not needed a grant as their profits had not

34 M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020. Note, however, that our age cut-off is different here to ensure adequate sample sizes.
35 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.
36 M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020. Note, however, that our age cut-off is different here to ensure adequate sample sizes.
37 Grossed up using ONS statistics on self-employment on the eve of the crisis, which was 5.0 million in Dec-Feb 2020. See: Office for National Statistics, EMP01 SA: Full-time, part-time and temporary workers (seasonally adjusted), January 2021.
38 Low Incomes Tax Reform Group, Have you correctly claimed the third Self-Employment Income Support Scheme (SEISS) grant?, December 2020.
39 Grossed up using ONS statistics on self-employment on the eve of the crisis, which was 5.0 million in Dec-Feb 2020. See: Office for National Statistics, EMP01 SA: Full-time, part-time and temporary workers (seasonally adjusted), January 2021. This estimate is lower than the often-quoted figure of 3 million people excluded from Government support because that refers to a wider group including, for example, employees who could not access furlough. See: Excluded UK, Who is excluded?, accessed February 2021.

been affected by Covid-19 – including just 12 per cent of the self-employed in shutdown sectors, compared to 30 per cent of those in other sectors.

FIGURE 15: **Three-in-ten self-employed workers were denied support, despite their profits taking a coronavirus-related hit**

Experience of the Self-Employment Income Support Scheme, by sector prior to the crisis: UK, data collected 22-26 January 2021



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=483). Base by categories: shutdown sector n=229; other sector n=244. Shutdown sectors include non-food retail, transport excluding bus and rail, hospitality, leisure, construction, and other services. 'Needed SEISS but ineligible' refers to those who said that their profits had decreased due to Covid-19 but that they were ineligible for support. 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) - January wave.

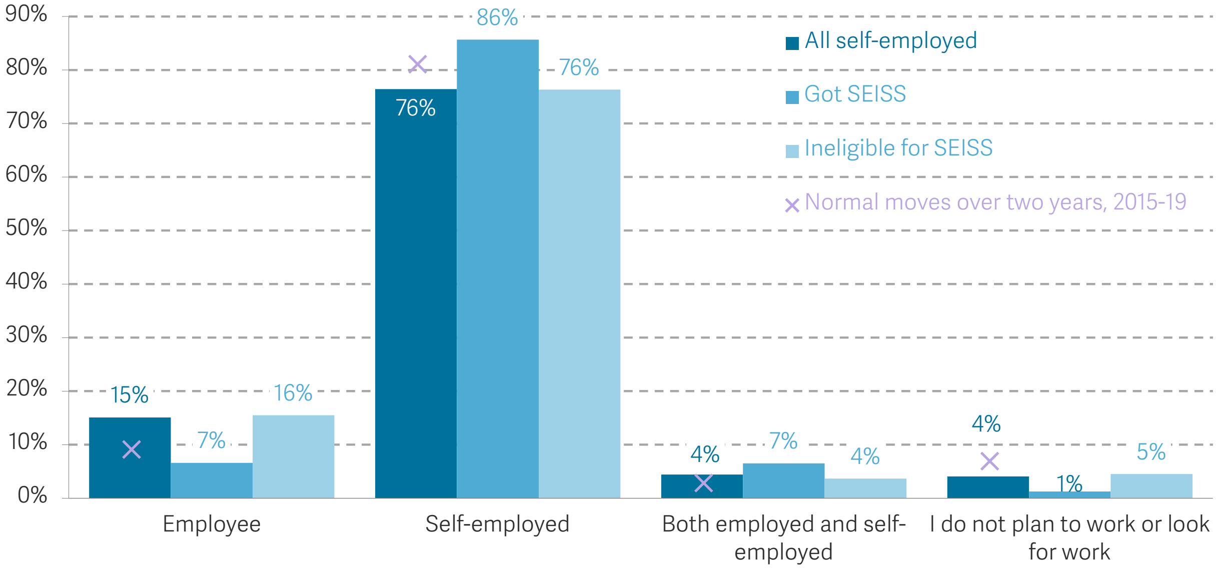
The self-employed who were excluded from support are more likely to plan to leave self-employment

Self-employed workers, then, have suffered disproportionately from the economic impacts of this crisis, with many stopping self-employed work entirely. But what does this mean for the future of self-employment? Figure 16 looks at what self-employed workers plan to do once the pandemic has ended and employment opportunities have returned to normal. Among all self-employed workers who responded to the question about future plans, four-fifths plan to remain self-employed post-crisis: 76 per cent exclusively self-employed, and 4 per cent alongside an employee job.[40] A further 15 per cent plan to switch to being employees, with 4 per cent planning to leave the labour force entirely.[41]

40 These figures are similar to results from September's LSE-CEP survey of UK self-employment, which found that one-fifth of self-employed respondents considered it likely they would leave self-employment. See: J Blundell, S Machin & M Ventura, Covid-19 and the self-employed: six months into the crisis, LSE Centre for Economic Performance, November 2020.
41 Percentages do not sum exactly to 100 due to rounding.

FIGURE 16: **Planned outflows from self-employment are slightly higher than 'normal' outflows**

Future employment plans, by whether received a grant under the Self-Employment Income Support Scheme: UK, data collected 22-26 January 2021



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 and those who didn't know what their future plans were (n=412). Base by categories: got SEISS n=154; ineligible for SEISS n=110. "Ineligible for SEISS" refers to those who said that their profits had decreased for coronavirus-related reasons, but were ineligible for support. Those who did not need SEISS, or who responded "don't know", "prefer not to say", or "none of these" to the SEISS question are not shown separately but are included in the "all self-employed" category. Normal moves over two years summarises the status two years on of those who started out as self-employed (excluding those who also had an employee job), using waves 7-10 of Understanding Society (covering 2015-16 to 2018-19), where not working is used as a comparator for those who do not plan to work or look for work in the YouGov data. 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) - January wave; ISER, Understanding Society.

This outflow of 19 per cent might seem high – but we should also consider how often people move out of self-employment in 'normal' times. An exact comparison is difficult to come by, as respondents were reporting their plans for after the pandemic, once the labour market and job opportunities returned to normal, rather than focusing on a specific time frame. In Figure 16, we take a comparison period of two years (encompassing the year since the pre-crisis reference point, plus another year for a return to some form of normality). Over an average two-year spell between 2015 and 2019, we would expect 16 per cent to leave self-employment – slightly lower but broadly comparable to the planned outflows of today's self-employed workers. Of course, plans are not the same as actual moves and many without such plans will in practice leave self-employment. What we can conclude is that there is little evidence of large numbers of the self-employed exiting the labour market all together in response to the negative experiences of the past year, but some signs that plans to move into an employee job are higher than the moves we would normally see.[42]

The clearest finding on future intentions of the self-employed is the impact of whether people received support. Figure 16 shows that those who were not eligible for support that they needed are more likely to plan to leave self-employment in the longer term. Among those who were not eligible for support, 19 per cent say that they intend to leave self-employment after the crisis, compared to just 8 per cent of those who received a Government grant[43] – and regression analysis indicates that this relationship holds even after controlling for age, sex, qualification level, earnings, and sector.[44] This finding may reflect that their businesses are already struggling or that their appetite for risk has reduced (which in turn could reflect a preference change or a weakening of their household's financial position).

The ongoing crisis has continued to hit the living standards of self-employed workers, with more and more stopping work entirely. And although support is now better targeted, those who have lost out on support are more likely to plan to leave self-employment in the longer term. The next section will focus on the wider prospects for jobs and the challenges for the recovery.

42 Focusing on the stock of self-employed workers does, however, ignore inflows into self-employment. These could be lower than before the pandemic if, for example, people are put off entering self-employment because of the risk it entails (which has been thrown into sharp relief by the crisis), or if the Chancellor follows through with his plans to equalise the tax treatment of employees and the self-employed. See: T Bell & H Slaughter, Crystal balls vs rear-view mirrors: The UK labour market after coronavirus, Resolution Foundation, April 2020.

43 The share planning to stay exclusively self-employed in the 'all self-employed' category is lower than both these groups because 'all self-employed' also includes those who did not need SEISS and who responded, 'don't know', 'prefer not to say', or 'none of these' to the SEISS question.

44 Significant at the 10 per cent level (p = 0.065) in a logit regression of whether left self-employment on age (and age-squared), sex, gross weekly pay pre-crisis (and pay squared), whether has a degree, and whether was ineligible for SEISS. Source: RF analysis of YouGov, Adults Age 18 to 65 and The Coronavirus (COVID-19) - January wave.

Section 5

Prospects and challenges for the recovery

The previous sections have shown that as the crisis has persisted, many workers have seen negative impacts, from job losses to earnings falls. But despite positive news on vaccinations and prospects for a return to GDP growth from the second quarter of this year, there is more to come: official forecasts have the unemployment rate surpassing 7 per cent later this year, and one-in-thirteen of those still in employment fear for their jobs. The share who expect to lose their job is 1.5 times higher, at one-in-six, amongst furloughed workers. As a result, one-in-seven workers are already searching for a new job in the midst of a renewed lockdown, and a further one-in-ten expect to do so within three months. Workers do not feel optimistic about their long-term prospects for job moves, however: more than a third of furloughed employees and the unemployed say that they are not confident of finding a new job in the next year.

These planned moves have not yet translated into large labour market flows: moves between jobs fall in all recessions, but the labour market over the past year has been particularly frozen. The existence of the Job Retention Scheme has prevented outflows from work and ongoing restrictions on economic activity combined with high uncertainty have suppressed inflows to new roles. Both of the drivers of a frozen labour market will change as restrictions are lifted, the Job Retention Scheme is wound down, and vacancies begin to recover. This will include moves between sectors: 8 per cent of workers, or around 2.6 million people, plan to move sectors once the pandemic is over, and this is most common in sectors like hospitality that have been hardest hit by the crisis.

Britain looks set for more job losses to come

With the pandemic having now lasted for nearly a year, the impact on the labour market has continued to build. And while unemployment has stayed much lower than many feared,[45] the road ahead may be challenging. Section 2 showed that 7 per cent of workers have already stopped working since the start of the pandemic, but unfortunately, this will not be the limit of job losses: both the Office for Budget Responsibility and the Bank of England expect unemployment of more than 7 per cent when the Job Retention Scheme ends.[46]

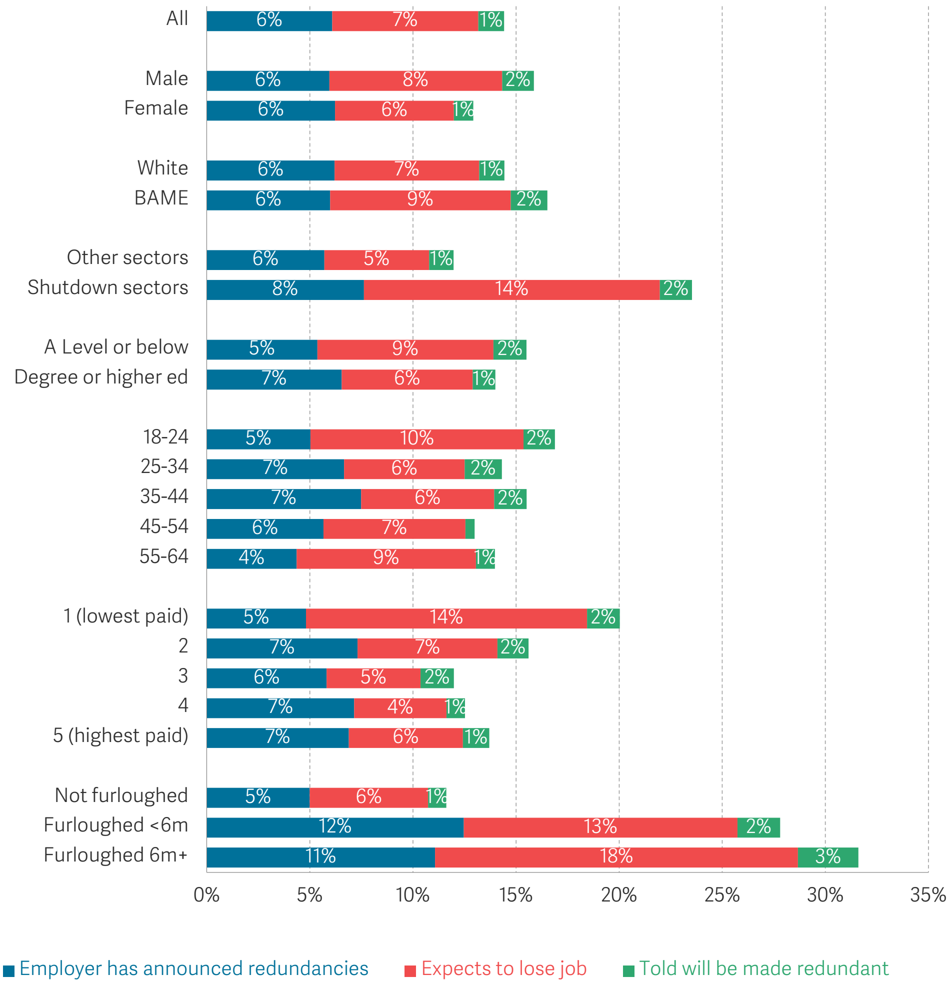
Some early warning signs are shown in Figure 17: workers, as well as forecasters, expect significant job losses. Overall, 7 per cent of respondents reported that they expected to lose their job within the next three months, and a further 1 per cent had been told that they would be made redundant – a total of 2.6 million workers.[47]

Figure 17 also reveals stark differences between different groups of workers. Perhaps unsurprisingly, workers in the shutdown sectors are much more likely than those in other sectors to say they expect to lose their job. The lowest earners are also more likely to be concerned, in line with the greater impact they have faced in the crisis, while one-in-ten (10 per cent) 18-34-year-olds expect to lose work. Most strikingly, however, workers who have been furloughed are the most likely to have concerns – among those who have been furloughed for more than six months of the past year, one-in-six (18 per cent) say they expect to lose their job, and 3 per cent had been told they were going to be made redundant.

45 For example, see: Office for Budget Responsibility, Fiscal sustainability report, July 2020.
46 T Bell et al., Here today, gone tomorrow: Putting Spending Review 2020 into context, Resolution Foundation, November 2020.
47 Grossed up using total 16-64 employment according to the Labour Force Survey, which was 31.2 million in November 2020. See: Office for National Statistics, X01: Labour Force Survey single-month estimates, January 2021.

FIGURE 17: **One-in-six workers who have spent more than six months on furlough expect to lose their job**

Proportion of respondents in current employment in an 'at risk' job, by characteristic: UK, data collected 22-26 January 2021



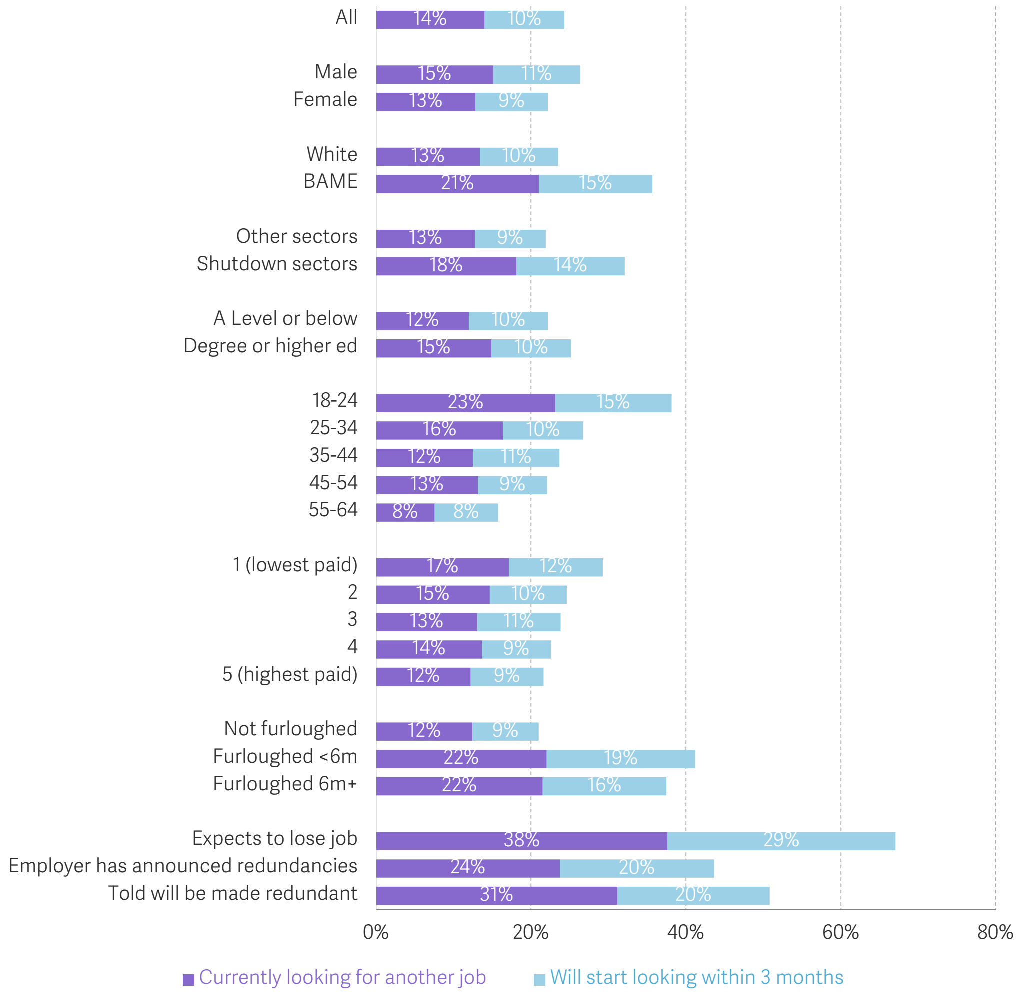
NOTES: Base = all UK adults aged 18-65 who were in employment prior to the coronavirus outbreak (n=4480). Base by categories: male n=2244; female n=2236; white n=3988; BAME n=286; other sectors n=3421; shutdown sectors n=975; A Level or below n=1343; degree or higher ed n=3033; 18-24 n=399; 25-34 n=1169; 35-44 n=1085; 45-54 n=1124; 55-64 n=665; pay quintile 1 n=708; pay quintile 2 n=806; pay quintile 3 n=758; pay quintile 4 n=776; pay quintile 5 n=796; not furloughed n=3474; furloughed <6m n=297; furloughed 6m+ n=170. 'Expects to lose job' includes those who expect that they will lose their job or self-employed work over the next 3 months, whose fixed term contract ends in the next 3 months and don't expect it to be extended, and who expect their employer to go out of business in the next three months. 'Employer has announced redundancies' includes those whose employer has either announced that they are considering making redundancies or formally announced that a redundancy consultation is happening. Respondents could choose multiple options. To account for overlap, people are classified according to the most serious result applicable to them: those whose employer has announced redundancies and who expect to lose their job have been classified as 'expects to lose job', while those who have been told they will be made redundant are classified as 'told will be made redundant' even if they also work for an employer who has announced redundancies or expect to lose their job. Pay quintiles are based on weekly net (take-home) usual pay prior to the coronavirus outbreak. BAME = Black, Asian and minority ethnic. While we acknowledge that there are problems with this term, data limitations restrict our ability to break out our analysis beyond this group. Shutdown sectors include non-food retail, transport excluding bus and rail, hospitality, leisure, construction, and other services. 'Furloughed <6m' includes those who have been furloughed for fewer than 6 months of the past year; 'furloughed 6m+' includes those who have been furloughed for at least 6 months of the past year (not necessarily consecutive). 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) - January wave.

One-in-seven workers are already looking for a new job

Fears about job loss are already translating into job-hunting, as Figure 18 shows. Overall, close to one-in-four (24 per cent) workers are looking for work or planning to do so – 14 per cent are looking now, and a further 10 per cent will start in the next three months.

FIGURE 18: **One-in-five furloughed workers are already looking for work**

Proportion of respondents in employment who are looking for work or will start looking within three months, by characteristic: UK, data collected 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 who were in employment prior to the coronavirus outbreak (n=4603). Base by categories: male n=2305; female n=2298; white n=4095; BAME n=295; other sectors n=3421; shutdown sectors n=975; A Level or below n=1371; degree or higher ed n=3125; 18-24 n=461; 25-34 n=1196; 35-44 n=1094; 45-54 n=1141; 55-64 n=673; pay quintile 1 n=708; pay quintile 2 n=806; pay quintile 3 n=758; pay quintile 4 n=776; pay quintile 5 n=796; not furloughed n=3576; furloughed <6m n=304; furloughed 6m+ n=177; Pay quintiles are based on weekly net (take-home) usual pay prior to the coronavirus outbreak. BAME = Black, Asian and minority ethnic. While we acknowledge that there are problems with this term, data limitations restrict our ability to break out our analysis beyond this group. Shutdown sectors include non-food retail, transport excluding bus and rail, hospitality, leisure, construction, and other services. 'Furloughed <6m' includes those who have been furloughed for fewer than 6 months of the past year; 'furloughed 6m+' includes those who have been furloughed for at least 6 months of the past year (not necessarily consecutive). 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) - January wave.

Unsurprisingly, that figure is much higher among those with concerns about their employment status – in fact, almost two-thirds (65 per cent) of those who expect to lose their jobs are either currently looking for a job or will start looking within three months.

In line with their higher risk of job loss, workers who have been furloughed are twice as likely to be seeking new roles compared to those who have not. More than one-in-five (22 per cent) of workers who have been furloughed are already searching for a new job – rising to around 40 per cent when we include those intending to start looking within the next three months.[48] Rather than the Job Retention Scheme keeping workers stuck in 'zombie jobs' as many have claimed, those who worry their job will not be there when the scheme ends are proactively looking for work.

Jobseekers are pessimistic about their prospects of finding work

Those in employment who are looking for work will be joined in their job searches by unemployed workers, including those who have already lost their job in the crisis. But given that vacancies in December were still 30 per cent down on their pre-crisis peak, how optimistic do those workers feel about their chances of finding a job?[49]

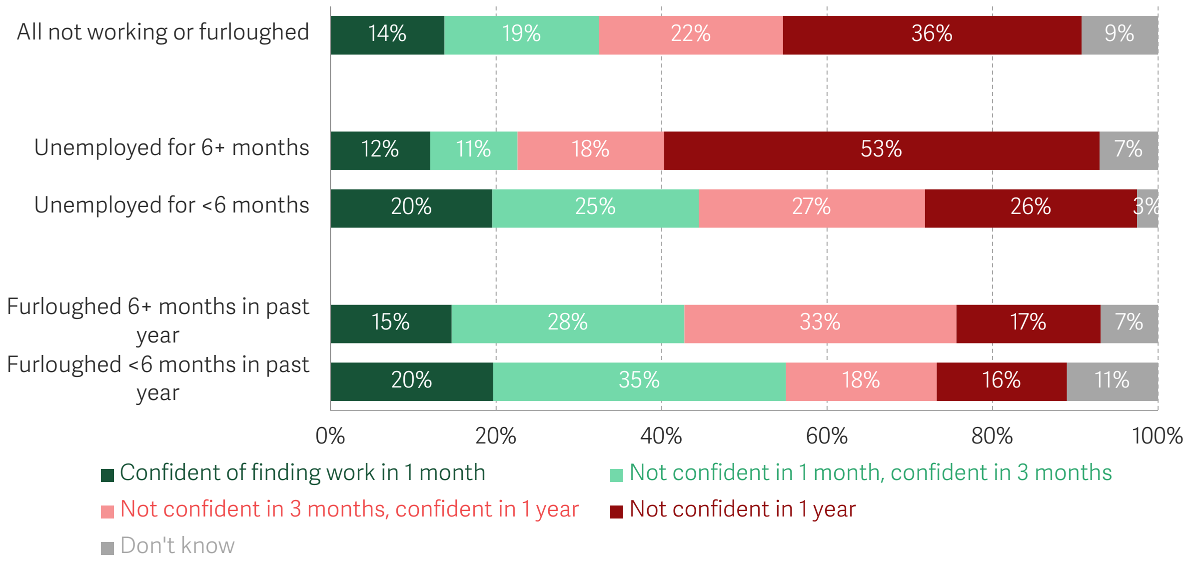
As Figure 19 shows, those who are most in need of finding a new job are decidedly pessimistic. Among all those who are not working or furloughed and are looking for a job, just 14 per cent said they were confident of finding one within a month – and more than one-in-three (37 per cent) were not confident that they would find a job within a year. This is most striking among those who have been unemployed for more than six months, more than half (53 per cent) of whom do not expect to find work within a year.

Furloughed workers are more optimistic than the unemployed, by and large, but here too we can see concern for the future.[50] Again, the duration of time someone has not been working for matters: just 43 per cent of people who have been furloughed for six or more months of the past year think that they will find work within three months, compared to more than half (55 per cent) of those who have spent fewer than six months on furlough. This suggests that the long-term furloughed may need more support in finding work, especially if they go on to lose their job, than those who have been furloughed for a shorter amount of time.

48 These figures are broken down by whether workers have ever been furloughed, but the results are almost identical when we look only at those who are currently furloughed.
49 Office for National Statistics, VACS01: Vacancies and unemployment, January 2021.
50 It is also possible that furloughed workers are putting less effort into job search than those who are out of work, which could affect their assessment of how likely they are to find a new job.

FIGURE 19: **One-third of those who are not working or furloughed are not confident of finding a job in the next year**

Confidence of finding a new job in the next month, three months, and year, by employment status: UK, data collected 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 who were not working or furloughed in January and said they were looking for a new job (n=858). Base by categories: unemployed for 6+ months n=142; unemployed for <6 months n=158; furloughed 6+ months in past year n=173; furloughed <6 months in past year n=82. 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) - January wave.

One-in-twelve workers plan to move sectors after the crisis

Many jobseekers are motivated by fear that they might lose their job: 19 per cent of those looking for work say that expecting their current job to end is in their top three reasons for doing so. But three-in-ten (29 per cent) of those seeking work are doing so because they want to move sectors. Section 2 showed that sector was the biggest driver of who had faced an economic impact in the crisis – and a crisis that has impacted some sectors so much more than others might have driven workers to seek jobs in less-affected areas of the economy.

In the longer term, there could be further drivers for workers to move sector. Some may have had plans to move that have been put on hold by the pandemic, while others may have had to take a sub-optimal job during the crisis that they plan to leave once it has passed.

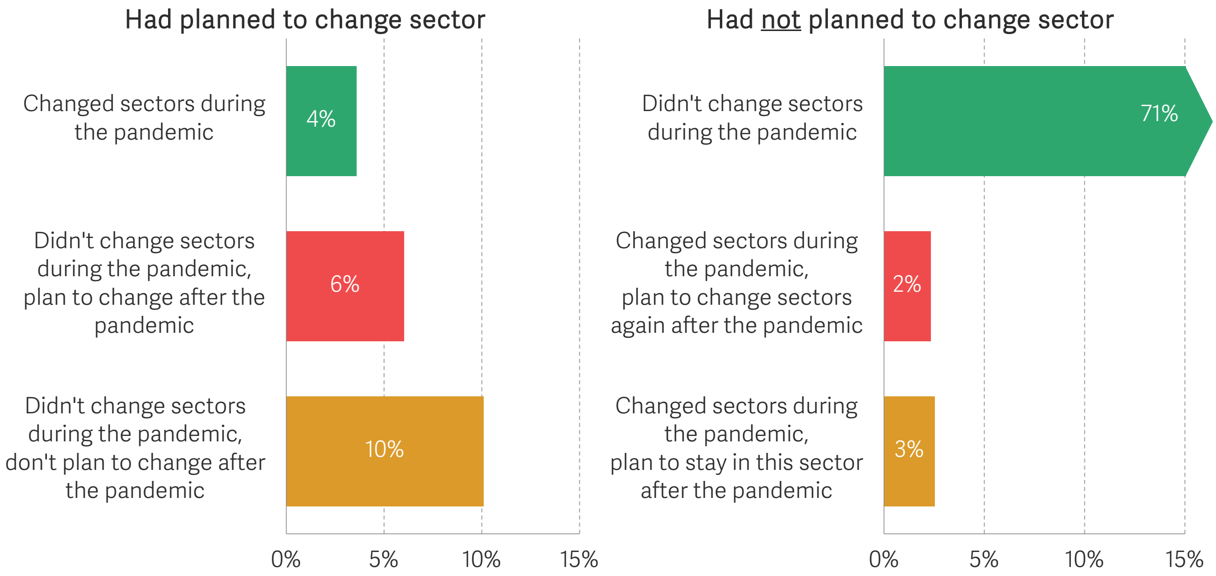
Figure 20 looks at people's plans after the pandemic.[51] The left-hand panel focuses on those who had planned to move sector before the crisis took hold and shows that less

51 The survey question did not specify a time frame. The wording was: *Thinking about the industry sector that you mainly work in... Have you changed sector since the pandemic began (i.e. since the end of February 2020), and do you think you will change sector when the pandemic is over?*

than a fifth (18 per cent) of this group (accounting for 4 per cent of the total workforce) managed to do so. While some still plan to change sectors once the crisis has passed, half of those who originally planned to change sector – accounting for 10 per cent of the workforce as a whole, or over 3 million people[52] – have now given up their plans to do so. Many of these workers may be stuck in bad matches, doing jobs they would prefer to leave in a better labour market.[53]

FIGURE 20: **One-in-twelve workers plan to change sectors after the pandemic**

Share of all in employment in January, by whether had planned to change sector prior to the pandemic, whether changed sectors during the pandemic, and whether plan to change sectors after the pandemic: UK, data collected 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 who were in employment in January 2021 (n=4603). Percentages denote the share of all in employment in January 2021. The groups not included in this chart are those who responded 'don't know' or 'other' to the sector change question (5 per cent in total). 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) - January wave.

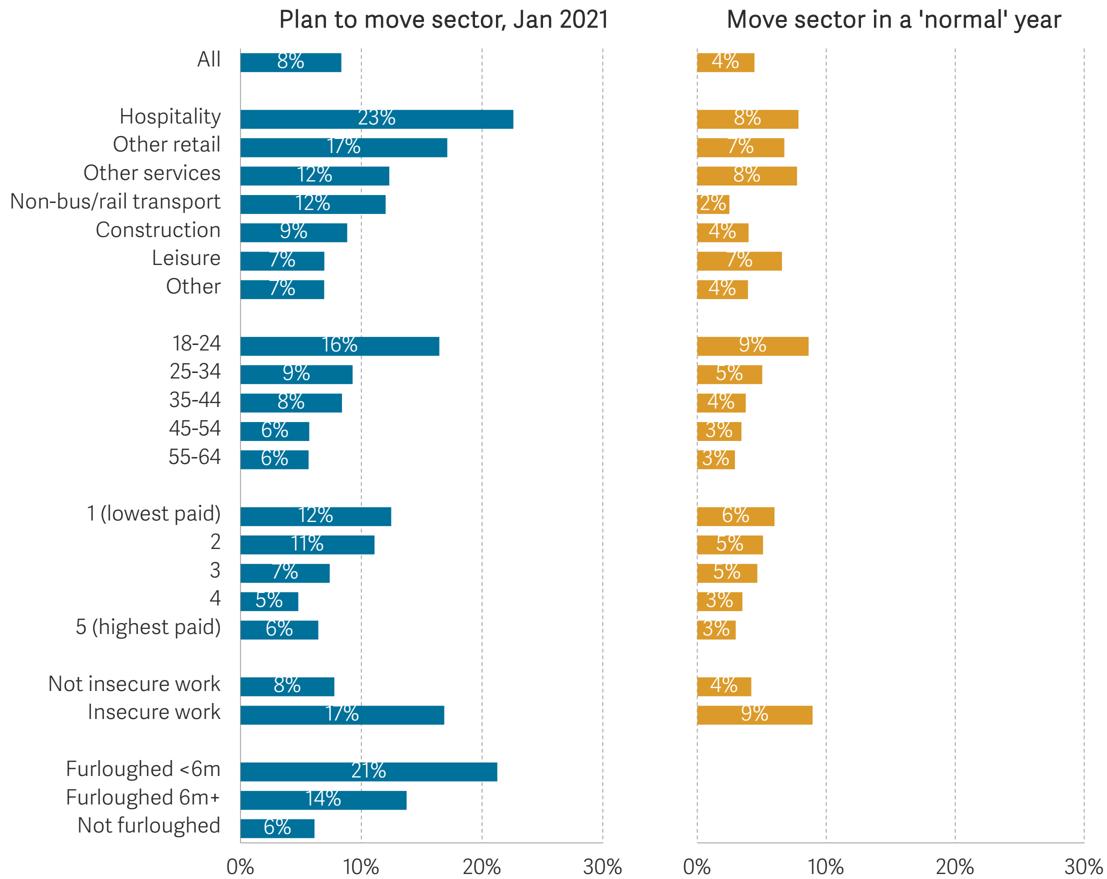
In addition to those who have put planned moves on hold (6 per cent of all workers), Figure 20 shows that a further 2 per cent of all workers plan to change sectors post-crisis because they had made an unplanned sector change during the crisis and now want to move again. Taken together, this means that 8 per cent of workers are already planning to move after the crisis, equivalent to 2.6 million workers,[54] and somewhat higher than

52 Grossed up using total 16-64 employment according to the Labour Force Survey, which was 31.2 million in November 2020. See: Office for National Statistics, X01: Labour Force Survey single-month estimates, January 2021.
53 This is consistent with the fall in job-to-job moves we normally see during economic downturns. See: Resolution Foundation, The Resolution Foundation Earnings Outlook: Job-to-job moves, accessed February 2021.
54 Grossed up using total 16-64 employment according to the Labour Force Survey, which was 31.2 million in November 2020. See: Office for National Statistics, X01: Labour Force Survey single-month estimates, January 2021.

moves in a normal year.[55] However, since we do not know exactly when these workers plan to move (or even if their plans will come to fruition) or, conversely, how many unplanned moves will take place, it is too early to say for sure whether more workers than usual will move sectors after the pandemic.

FIGURE 21: **Nearly a quarter of hospitality workers plan to move to a different sector**

Proportion of workers who say they plan to move sector, and proportion of workers who normally move sector within a given year: UK, data collected 22-26 January 2021 / 2015-2019



NOTES: Base = all UK adults aged 18-65 who were in employment in January 2021 (n=4603). Base by categories: hospitality n=175; other retail n=206; other services n=195; non-bus/rail transport n=75; construction n=137; leisure n=158; other n=3657; 18-24 n=461; 25-34 n=1196; 35-44 n=1094; 45-54 n=1141; 55-64 n=673; pay quintile 1 n=708; pay quintile 2 n=806; pay quintile 3 n=758; pay quintile 4 n=776; pay quintile 5 n=796; male n=2305; female n=2298; white n=4095; BAME n=295; not insecure work n=4310; insecure work n=293; furloughed <6m n=304; furloughed 6m+ n=177; not furloughed n=3576. Pay quintiles are based on weekly net (take-home) usual pay prior to the coronavirus outbreak. BAME = Black, Asian and minority ethnic. While we acknowledge that there are problems with this term, data limitations restrict our ability to break out our analysis beyond this group. Shutdown sectors include non-food retail, transport excluding bus and rail, hospitality, leisure, construction, and other services. 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) - January wave; ONS, Labour Force Survey Five-Quarter Longitudinal Datasets.

55 Around 4 per cent of workers moved sectors in an average year between 2015 and 2019, or around 1.6 million people. Source: RF analysis of ONS, Labour Force Survey Five-Quarter Longitudinal Datasets.

Figure 21 provides some insight into the groups who intend to move sectors. The left-hand panel shows the characteristics of those who planned to move sector in January, while the right-hand panel shows the share who move sectors in a 'normal' year to provide some context.[56] We can see, for example, that while low-paid and younger workers are more likely to be planning to move sectors, those groups of workers normally move sectors more often in a 'normal' year. On the other hand, while hospitality workers normally move sectors at around twice the average rate, in January, hospitality workers were more than three times as likely to plan to move sectors than those outside the shutdown sectors (23 per cent vs 7 per cent).[57] Again, far from the Job Retention Scheme disincentivising employees from looking for new jobs, there are signs that those working in at-risk industries are looking to move to safer sectors.

We do not find evidence of a fall in labour force participation in the medium term

Another potential long-term consequence of the pandemic could be a persistent fall in labour supply. Section 2 showed that older workers are more impacted than those of middle age (though less so than the youngest workers), meaning that, as we have noted before, there could be a risk of those older workers who lose their jobs retiring early and leaving the labour force completely.[58] Similarly, workers of any age who are discouraged by a lack of opportunities and long-term unemployment could become economically inactive. Working in the opposite direction, however, the hit to household finances of job losses and furlough (at least for those who do not get their earnings topped up) could lead to people wanting more work to compensate – be that via longer hours, more adults in the household working or retiring later. These effects were net positive for labour supply after the financial crisis.[59]

One early indicator of future labour supply lies in workers' plans. Figure 22 shows that 17 per cent of 18-65-year-olds say they plan to neither work nor look for work once the pandemic has ended.[60] This is slightly lower than the economic inactivity rates implied by our survey in February 2020 and January 2021, of 20 per cent and 22 per cent respectively. While future plans are not perfectly comparable to observed inactivity rates – plans can change or not work out, and we did not put a time frame on this question, so as to avoid

56 Note that the levels are not directly comparable – we did not ask those who planned to move sectors about the time frame of their planned moves, and not all of these planned moves will go ahead. However, the differentials between groups in normal times are useful to understand whether the patterns we see in our survey data are notably different from usual.

57 Regression analysis shows that this conclusion still stands even after controlling for the fact that workers in shutdown sectors tend to be, for example, younger.

58 Resolution Foundation, Britain experiencing a U-shaped living standards crisis, with young and older workers most likely to have lost work or had their earnings reduced, May 2020.

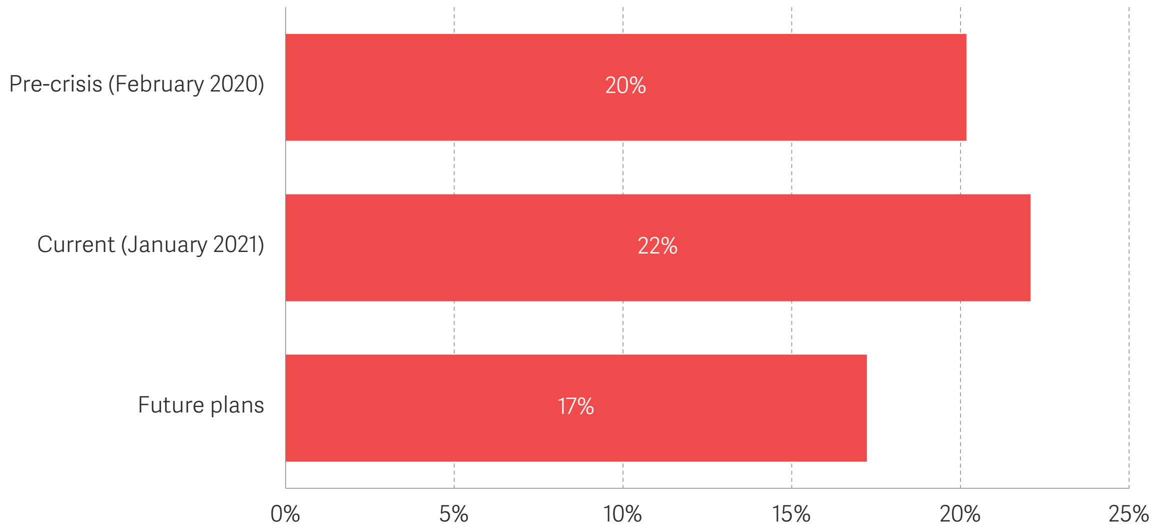
59 T Bell & L Gardiner, Feel poor, work more: Explaining the UK's record employment, Resolution Foundation, November 2019.

60 The survey question did not specify a time frame. The wording was: For the following question, please imagine a time in the future when the Coronavirus (COVID-19) pandemic has ended, and employment opportunities have returned to 'normal' (i.e. a state similar to how they were before the pandemic). Which, if any, of the following describe your employment plans when employment opportunities return to 'normal'? (Please select all that apply).

confusion around how long different people expect the pandemic to last – we do not see any warning signs at this stage of a long-term decline in labour force participation.

FIGURE 22: **We find no evidence of a planned rise in economic inactivity**

Economic inactivity rate in February 2020 and January 2021, and rate of planned economic inactivity after the pandemic: UK, data collected 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 (n=6389). Future economic inactivity refers to respondents who said they did not plan to work or look for work post-crisis. 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) - January wave.

Looking specifically at older workers, our survey finds evidence that among 55-65-year-olds, those who have been furloughed during the crisis (and have therefore faced a greater economic impact) are less likely to say they plan to leave the labour force after the pandemic.[61] This is in contrast to the 1980s recession, when job losses pushed many older workers into early retirement;[62] instead, it backs up findings from a Fidelity survey on retirement plans, which suggests that two-in-five workers are now planning to delay or phase into their retirement.[63]

Another factor influencing labour supply, which has received significant attention, concerns changing migration patterns. It is far from straightforward to estimate how migration has changed over the course the crisis, and our survey clearly cannot capture

61 1.4 per cent of 55-65-year-olds with an employee job who have been furloughed at some point during the crisis say they do not plan to work or look for work after the pandemic, compared to 7.9 per cent of those who have never been furloughed. Base = all 55-65-year-olds with an employee job in January 2021 (n=516). Base by categories: never furloughed n=446, furloughed at some point during the crisis n=70. 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) - January wave.
62 L Gardiner, Stagnation Generation: The case for renewing the intergenerational contract, Resolution Foundation, June 2016.
63 See: https://twitter.com/JosephineCumbo/status/1351116430775898114, 18 January 2021.

such shifts. There is broad agreement that a significant change has taken place, but huge uncertainty about its scale. Our assessment on this issue is summarised in Box 2.

BOX 2: **Migration in the crisis**

The Labour Force Survey (LFS) implies that the number of people of people living in the UK but born overseas fell by approximately 1 million between the first and third quarters of 2020, while the number of UK-born residents rose by 1.3 million over the same period. These big estimated changes result from a reduction in the fraction of survey respondents who are foreign-born and the ONS' estimates of the current population not having been updated during the pandemic. A recent paper has cast doubt on the idea of a significant growth in the UK-born population, however, suggesting instead that the UK migrant population might have fallen by as much as 1.3 million, with no offsetting rise in the UK-born population.[64]

To come to a view on the likely scale of any fall in the migrant population it is crucial to distinguish between causes of the reduction in the fraction of survey respondents who are foreign born – in particular whether that reduction entirely relates to fewer migrants being in the country or also reflects a reduction in survey response rates amongst migrants not seen amongst the UK-born population.

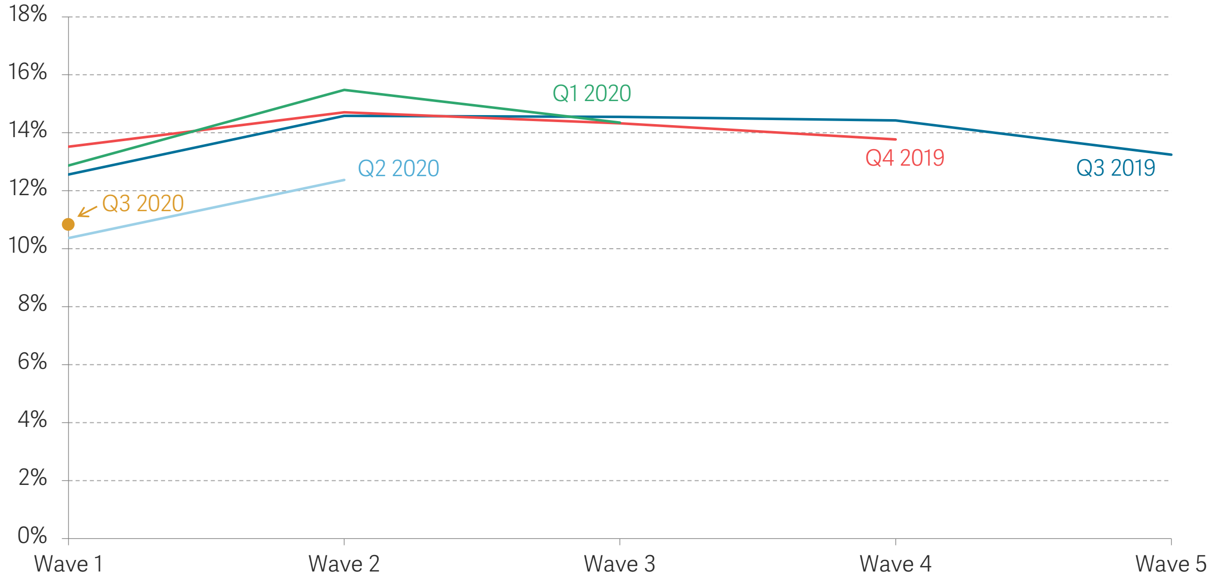
In March 2020, the ONS began making initial contact with households via telephone-based rather than face-to-face interviews. The survey response rate has fallen sharply since then, roughly halving from a year earlier to 27 per cent in Q3 2020 for first-time contacts, with especially large falls among renters that has already prompted a corrective reweighting of the survey. If the response rate of migrants has fallen by more than the UK-born (of the same age, region and tenure), this would incorrectly contribute to the fall in the measured migrant population.

To test whether or not this is the case, we examine whether the fall in the share of respondents who are migrants is particularly pronounced among those first contacted from Q2 2020 onwards, with shares among those first contacted earlier remaining stable. This is indeed what we see in the data. Figure 23 shows that the migrant share in later waves is much lower than in previous ones, which have been relatively stable over time. This is consistent with a large part of the fall in the migrant share being down to lower response rates among migrants.

64 M O'Connor & J Portes, Estimating the UK population during the pandemic, Economic Statistics Centre of Excellence, January 2021.

FIGURE 23: **The share of migrants in the LFS has fallen only among new contacts**

Share of respondents born outside the UK, by quarter first contacted: UK, Q3 2019-Q3 2020



SOURCE: RF analysis of ONS, Labour Force Survey.

As an illustrative estimate, if the UK-born population had remained constant over the first three-quarters of 2020 and if the waves recruited pre-Covid are a more reliable guide to the change in the migrant share of the population, the overseas-born population would have fallen by around half a million. While the migrant population is likely to have fallen materially over the course of this crisis, illustrative estimates that up to 1.3 million people born abroad have left the UK are likely to be overstating the scale of change.

These issues are complex and will not be fully resolved until the 2021 Census data are available. The ONS has stressed that the LFS is not designed to measure migration, and is looking to employ other administrative data to shed further light on this issue.[65]

Almost a year into the crisis, even those still in work feel significant concern for the future – and those who are most in need of a new job feel pessimistic about their chances of finding work. The following section will consider how policy can best respond to reflect the ongoing nature of the crisis.

65 B Briggs, D Freeman & R Pereira, Understanding the impact of Covid-19 on UK population, National Statistical, January 2021.

Section 6

Getting labour market policy right in the recovery

When the health situation allows social distancing measures to be sustainably eased an economic recovery can begin. But the speed and nature of that recovery will also be shaped by policy choices in the months ahead – choices not just about what new policies to introduce, but how existing crisis support should be phased out. In both cases the reality of this crisis' duration should inform decisions.

With the economic impact of restrictions extending into the summer, the ending of the Job Retention Scheme should be gradual, conditional and differentiated. In place of the planned end of April cliff-edge, we propose maintaining the current JRS economy-wide for two months after the end of the current lockdown. Thereafter, full furlough should be maintained in sectors that remain heavily affected by restrictions, but replaced with a partial furlough scheme elsewhere. Partial furloughing should be phased out via gradual increases in minimum hours requirement. Employer contributions should remain low and the pace of scheme phase out should remain conditional on the reopening of the economy and consistent with avoiding a swift rise in the unemployment rate. Eligibility for support for the self-employed should be extended to some of the previously omitted groups while calculating grants on the basis of losses.

To reduce the rise in youth unemployment and reflect the reality that ongoing lockdowns mean limited progress has been made, the Government should push back the closure date for Kickstart and ramp up work placements and apprenticeships. To reflect the swift rise in long-term unemployment we are seeing, Restart will need to scale quickly and access to it should include those who have been long-term furloughed. As well as supporting job search, in certain cases, eligibility for retraining should be broadened to adults who already have A-level equivalents. The Government should encourage hiring through a temporary raise in the threshold above which employers make National Insurance Contributions (NICs) for new hires. For any of these labour-market policies to be successful, a healthy corporate sector and the right macroeconomic policy will be crucial.

The preceding chapters have shown that Covid-19 and associated containment measures have left the labour market in a fragile situation and imposed high costs on many workers, but also that the support measures for business and jobs have prevented much more serious developments on both counts. Whilst the labour market has not deteriorated as swiftly as many expected, the cumulative impacts have become more serious as time has passed. As the country begins to look forward to a gradual reopening and economic recovery, support for jobs and workers will need to adapt to these changing circumstances and reflect the difficult months we have already been through.

Although this report is concerned with the labour market policies required for a strong recovery it is of course crucial that the Government maintain focus on improving the UK's health outlook, including by providing certainty that strong safeguards will keep the virus supressed in future. But policy makers will also need to ensure a sufficient level of demand in the economy overall, and enough liquidity in the private sector to create jobs. These issues are covered in companion reports from the Resolution Foundation.[66]

Withdrawing the Job Retention Scheme

Throughout the crisis, the JRS has protected millions of UK workers from experiencing large falls in income or losing their jobs entirely, whether as a direct result of the pandemic or the social distancing requirements put in place to contain it. These measures have also played an important, but secondary, role in keeping workers matched to their employers. Hours worked will accordingly be able to recover faster without the need for protracted and costly recruitment, induction and employee training processes. While some jobs will have been protected that are not long term viable, a loose labour market has meant that the benefits above have come with minimal cost in terms of lost economic activity: few vacancies will have remained unfilled because of the furlough.

Job support must however continue to balance the objectives of protecting incomes and sustaining worker-firm matches, without sustaining non-viable jobs. The balance will shift, but only as the pandemic sustainably recedes.

As of February 2021, the restrictions on economic and social life in the UK are so broad that a continuation of the blanket JRS remains warranted, allowing partial or full furlough for any employee in the UK and with the employer only paying National Insurance and pension contributions. While the government currently plans for the JRS to expire at the

66 A recent Resolution Foundation report called on the Government to ease firms' access to finance by expanding and extending the Enterprise Finance Guarantee scheme while also delaying the start date for VAT deferral payments and helping non-viable firms navigate the insolvency process by to transferring part of the liability for the Bounce Back Loans scheme to the banks See: N Cominetti, J Leslie & J Smith, On firm ground? The impact of Covid-19 on firms and what policy makers should do in response, Resolution Foundation, February 2021. A forthcoming Resolution Foundation publication will set out the fiscal stimulus required to boost demand.

end of April, the current wave of the virus and the lessons from previous attempts to phase out furlough should inform an approach that is:

- Gradual: with significant economic restrictions set to last until the summer and firms needing time to see demand return and to respond to it by bringing back workers, the current end of April timeline for phasing out the JRS is too early.
- Conditional: the insistence on claiming that the job retention scheme would be wound down at the end of October, even once it was clear that the virus caseload was rising during September, contributed to the peak of redundancies in the Autumn. This time the Chancellor should be clear that plans for the scheme's withdrawal are contingent on our success in reopening the economy while keeping the virus under control.
- Differentiated: with restrictions on several sectors likely to last far longer than the national lockdown there is no justification for a one size fits all pace to furlough withdrawal, with slower phase outs for the likes of hospitality necessary to avoid unnecessary rises in unemployment. If the government has to revert to regionally differentiated restrictions then geographic as well as sectoral variation in furlough availability will be necessary.

In practice this approach would mean maintaining the full JRS for at least two months after the current widespread national restrictions (limiting transport use and leaving the house for non-essential purposes) come to an end, given the lags involved in deploying and reallocating workers. Depending on reopening timelines this could mean the end of May or June.

Job support should then begin to distinguish between those sectors which remain shut or severely restricted as a matter of law and those which are not directly affected by social distancing measures. For the latter, the JRS should then be converted into a purely partial furloughing scheme, of the form announced but never implemented in the autumn. Unnecessarily renamed the Job Support Scheme, this would have required workers to work a minimum of 20 per cent of their previous hours with only minimal contributions from employers towards the furlough costs for hours not worked.

The scheme could then be progressively phased out by increasing the minimum percentage of previous hours that partially furloughed workers would need to work. Employer contributions should not rise, to ensure the scheme can operate as an effective incentive to firms to bring back more workers for some hours rather than making some redundant and bring others back full time. The pace of those increases should be consistent with signs that the labour market is sufficiently open so that workers released by their firms have a realistic prospect of being reabsorbed by another employer. This would be evidenced by rising vacancy and job inflow rates.

For those sectors still substantially prevented from opening, for instance while the hospitality sector is not allowed to return to operating indoors, the existing JRS should remain open. When those restrictions are reduced to the level seen in tier 1 areas during the autumn then furlough should also be phased out in these sectors via a move to partial furloughing and progressive increases in the minimum hours requirements.

During this period it is likely that significant social distancing restrictions will continue to reduce productivity in some sectors, for instance if restaurants can serve fewer customers for a given amount of space. In order to maximise employment and hours worked in these sectors there is a strong case for a targeted wage subsidy scheme that offsets the temporary productivity shock they will still face as a result of ongoing social distancing restrictions, something we return to below. This would be preferable to providing lump-sum payments to firms bringing back furloughed workers (as proposed and then scrapped by the Chancellor in the form of the Job Retention Bonus) given the large deadweight costs, poor value for money involved and danger of focusing employment boosting measures tightly on those who happened to be furloughed. Given that workers do not have control over firms' decisions to bring them back to work we also do not see a case for reducing the 80 per cent of wages paid when on furlough.

If the government is able to reopen the economy successfully over the course of the coming months the approach above might see furlough support lasting until the end of the summer. Throughout all of the above, it is key to signpost well in advance the events that will trigger reductions in support, and for these triggers to be based on the progress of the pandemic and the restrictions that flow from it, not on arbitrary timescales. This is consistent with the Chancellor providing an indicative timeline for changes, in so far as the government publishes forward plans for the lifting of restrictions. But that timeline, and indeed those plans, must remain conditional on their consistency with maintaining control of the virus.

Further (and better targeted) support for the self-employed

Section 4 showed that the self-employed are facing a big income hit that is, on average, worse than for employees. And yet support is still poorly targeted: while it is welcome that the Government has made SEISS grants explicitly contingent on having lost earnings, far too many people are still excluded who need support.[67]

67 We previously recommended that the SEISS should be better targeted in: M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020.

Changes to the requirements for the third round of SEISS grants have succeeded in reducing excessive payments to those who have not needed support. But the Government should go further in targeting support at those who have suffered genuine losses during the crisis. The SEISS should take a similar approach to the Job Retention Scheme and pay self-employed workers 80 per cent of losses (rather than pre-crisis profits), capped at £2,500 a month.[68]

This should be paired with addressing the fact that three-in-ten self-employed workers were not eligible for support even though their profits have been impacted by the crisis. First, the Government should extend eligibility to those who earn less than 50 per cent of their income from self-employment, as well as those whose pre-crisis profits were more than £50,000 a year.[69] Capping the amount received at £2,500 per month would prevent excessive payments being made to high earners, while avoiding an arbitrary hard cut-off in eligibility based on pre-crisis profits.

Another group who are ineligible are those who have only recently become self-employed. It was technically difficult to extend support to this group in the early stages of the crisis: without tax returns, the Government had no reliable source of information about the newly self-employed. But as the crisis continues, better targeting has become both more feasible and more necessary. The formal deadline for submitting 2019/20 tax returns was 31 January, with a grace period until 28 February with no late payment fines.[70] At the Budget on 3 March, the Chancellor should announce that any newly self-employed people who submitted their tax return before the February deadline will now be eligible for support, contingent on having experienced losses in the crisis.

The final group, company owner-managers, are more difficult to cover: many pay themselves through a mix of dividends and wages. But the fact that assessing the losses of this group would be less straightforward is not an overriding reason to deny them support. This group should have access to the SEISS provided that they can demonstrate from their company accounts that dividends in previous years came from the same company that employed them and that those companies were not in a position to pay them dividends. Payments should only be made to those who faced a fall in their overall income (i.e. that any salary they took as wages, including for those who furloughed themselves for the wage portion of their income, did not make up for the dividend shortfall).

68 The current cap is £3,333 per month, i.e. 80 per cent of pre-crisis profits for those who previously earned £50,000 per year. Universal Credit should be included as income for the calculation of losses.

69 The IFS has similarly recommended extending the SEISS to these groups; however, they propose tapering off support based on pre-crisis profits between £50,000 and £100,000. See: J Cribb, I Delestre & P Johnson, Who is excluded from the government's Self Employment Income Support Scheme and what could the government do about it?, Institute for Fiscal Studies, January 2021.

70 HM Revenue & Customs, Self-Assessment tax returns, accessed February 2021.

Providing support to these excluded groups and reforming the SEISS based on losses rather than pre-crisis profits would address the design flaws in the scheme as it enters its fourth round of grants. The Treasury should also backdate support for those who are found to be eligible under the new, loss-based criteria in recognition of the fact that they were unfairly excluded in the first three rounds of support. Finally, as we have previously recommended, the Government should reclaim two-thirds of overpaid SEISS grants after the pandemic for those whose income in 2020-21 ended up higher than in previous years because of the grants they received.[71]

Initiatives to tackle youth unemployment are welcome, and should be updated as the crisis changes

In a bid to tackle rising levels of youth unemployment during, the Government has opened the 'Kickstart' scheme: a £2bn fund to create roughly 250,000 six-month long work placements for 16-24-year-olds who are at risk of long-term unemployment[72] and claiming Universal Credit.[73] Launched in September 2020, employers will be able to start young people on placements up until December 2021, with the final cohort of 'Kickstarters' finishing their roles in June 2022.[74] Treasury expect the scheme to create 250,000 six-month long jobs over the course of the programme.

The scheme does not include specific criteria defining what it means to be at risk of long-term unemployment, but it is expected that Jobcentre Plus work coaches would prioritise those who have been unemployed for a prolonged period. In which case, 250,000 jobs would under most scenarios cover a large share of 16-24-year-olds who would have otherwise been unemployed for six months or more. We estimate that the number of 16-24-year-olds that have been unemployed for six months or longer would peak during mid-2021, at somewhere between 244,000 and 378,000. On past experience, these numbers would fall only slowly, and might not return their pre-crisis levels until at least the start of 2024 (see Figure 24.).[75]

71 G Bangham et al., Unhealthy finances: How to support the economy today and repair the public finances tomorrow, Resolution Foundation, November 2020.

72 There is no specific public guidance that sets out the definition of 'at risk of long-term unemployment' and Job Centre Plus work coaches will have discretion here. However, to be eligible young people must be claiming Universal Credit. See: R Sunak, I want the next generation to be remembered as the Kickstart generation, FE News, February 2021.

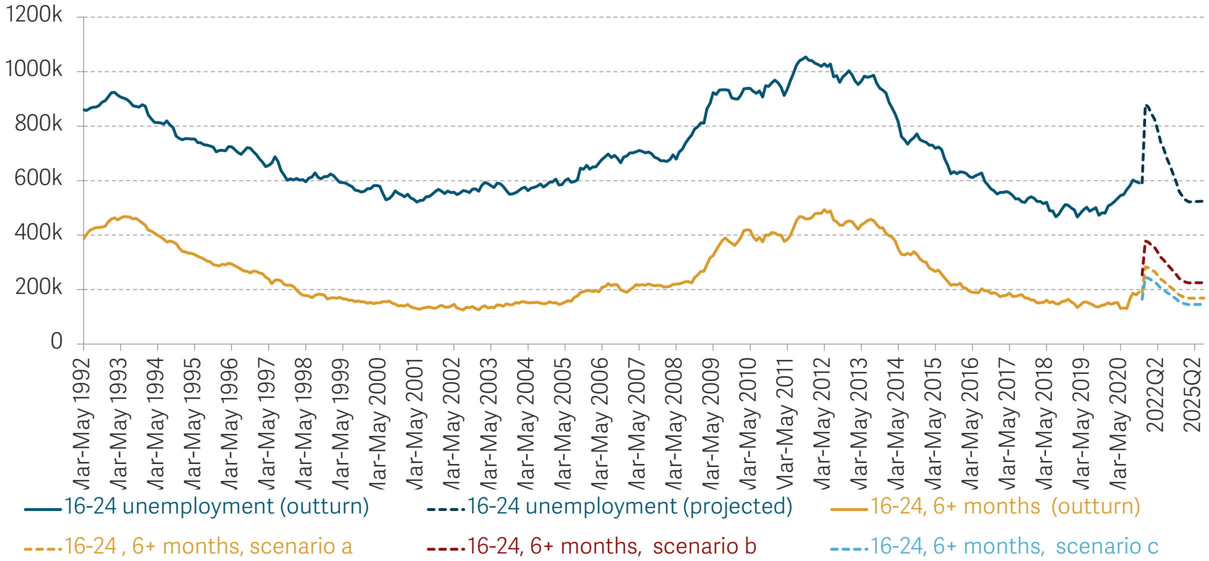
73 Under the scheme, government will fund 100 per cent of each placement's wages at the age-relevant National Minimum Wage for 25 hours a week. Government will also cover associated national insurance contributions, and minimum employer automatic enrolment pension contributions. Employers applying for approval to host Kickstart roles will need to prove that they are additional and do not replace any other pre-existing roles that would have been taken up by a person outside of the scheme. See: Department for Work and Pensions, Kickstart Scheme, January 2021.

74 See: Department for Work and Pensions, Kickstart Scheme, January 2021.

75 We assume that youth unemployment rises at the same rate of 16+ unemployment according to the OBR's November 2020 projections. We then apply three methods for predicting the level of 6 months+ youth unemployment. 1) Assuming the level of overall 16-24-year-old unemployment rises in line with the level of 6 months+ 16-24-year-old unemployment. 2) Applying the ratio of overall 16-24-year-old to 6+ months 16-24-year-old unemployment that held on average over 2009-13. 3) Applying that overall unemployed to 6+ month unemployment ratio that has prevailed over 2020. Source: ONS, Unemployment by age and duration (seasonally adjusted), 26 January 2021; OBR, Economic and Fiscal Outlook, November 2020.

FIGURE 24: **Youth unemployment is likely to peak during the middle of 2021**

Number of 16-24-year-olds unemployed and unemployed for 6+ months, outturn and projection



NOTES: Analysis assumes that 16-24-year-old unemployment will increase at the same rate as OBR projections for 16+ unemployment. For further details on each scenario for 16-24-year-old 6+ months unemployment, see footnote 75.
SOURCE: RF analysis of ONS, Unemployment by age and duration (seasonally adjusted), 26 January 2021 and OBR Economic and Fiscal Outlook, November 2020.

However, the duration of the pandemic has slowed the scheme's rollout. Despite the fact that 120,000 Kickstart jobs were created between September 2020 and January of this year, fewer than 2,000 young people had begun their Kickstart role by mid-January, with lockdowns and social distancing restrictions proving a difficult barrier.[76]

So the big question for Kickstart is less about scale and more about timing: closing the scheme in December won't allow firms the time to create enough jobs.[77] Moreover, the scheme would draw to a close when long-term youth unemployment levels would be at their crisis-era high. The Government should consider extending the scheme at least until the close of 2022.

In addition to getting the timing right, it's important that Kickstart jobs go to those they will benefit most. This implies that a more central role for local authorities in driving the creation of placements would be valuable – especially in weaker local labour markets. Experience of previous such schemes shows that they deliver best results when targeted at those at risk of long term unemployment, rather than all young people out of work.

76 K Austin, Kickstart: Most job roles for youths not yet filled, BBC News, January 2021.
77 This lockdown will also have disrupted plans among many employers who planned to space out their Kickstart roles into multiple cohorts of six-month placements between September 2020 and December 2021. See, for example: Youth Employment Group, Five reasons to extend Kickstart, Children and Young People Now, January 2021.

For example young people with lower-level qualifications are not only more likely to be unemployed in the first place[78] but once unemployed, are three times as likely remain unemployed for six months or longer than their higher-qualified counterparts.[79] That prior experience also highlights the importance of the quality of the roles, so the Department for Work and Pensions (DWP) should ensure that employers applying to offer Kickstart jobs have built genuine skills and development elements into their programmes.[80]

Moving beyond Kickstart, the Government will also want to enact measures to protect young people from the scarring effects of unemployment more broadly.[81] Although a small rise in full-time education participation[82] has helped to limit the increase in youth unemployment that we otherwise would have seen over the past year,[83] there has been a sharp rise in worklessness outside of education, particularly among 18-24-year-old men.[84] To that end, we welcome measures published in the Government's 'Plan for Jobs,' to treble the number of young people going into traineeships and offer an 'apprenticeships bonus' of £2,000 where employers take on a new 16-24-year-old apprentice and £1,500 bonus where they take on a new apprentice age 25 and older.[85] However, progress has been slow in part because the additional funds for traineeships, announced in July, have yet to reach providers.[86]

And despite the apprenticeship bonus, apprenticeship starts are down on previous years, with programmes for young people having taken a disproportionately large hit just as the number of apprenticeships taken up by older workers at higher levels of study actually

78 Figures from the ONS Labour Force Survey show that over 2015-20, the unemployment rate among 16-24-year-olds with averaged 7 per cent among graduates and 10 per cent among those with GCSE-equivalent qualifications.

79 Figures from the ONS Labour Force Survey show that over the five years to 2020, the share of lower-qualified, unemployed young people who had been unemployed for six months or longer was, at 19 per cent, more than three times the share of young unemployed graduates who had been out of work for a minimum of six months (6 per cent).

80 In January, the DWP changed the programme's rule regarding employers' applications to host Kickstart jobs. Before, employers offering fewer than 30 roles were required to apply through a Kickstart 'gateway' (a body such as a local authority, chamber of commerce or an employment support organisation that helps employers apply to the scheme and provide guidance on employability support for young people (if not directly provide some of that support). After the January rule change, employers offering fewer than 30 jobs were able to apply to directly to the DWP but could still partner with a gateway organisation if they wished. See: DWP, Kickstart moves up a gear with over 120,000 jobs created so far and government making it even simpler for employers to join, January 2021.

81 Recent Resolution Foundation research has shown that leaving education during an economic crisis will have longstanding employment and pay effects for young people across all qualification levels. For example, during their first three years in the labour market, both graduates and non-graduates from the 2009 cohort experienced higher rates of unemployment than their 2003 and 2013 counterparts did at the same point in their careers. See: K Henehan, Class of 2020: Education leavers in the current crisis, Resolution Foundation, May 2020.

82 A half a percentage point increase in the full-time education participation rate between September – November 2019 and the same period in 2020 among 18-24-year-olds; figure for 16-17. See: ONS, Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted), January 2021.

83 A one percentage point increase in the share of 18-24-year-olds enrolled in full-time education between September – November 2019 and September – November 2020. See: ONS, Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted), January 2021.

84 Between September – November 2019 and the same period in 2020, the share of 18-24-year-old women who were outside of full-time education and either unemployed or economically inactive fell by 2 percentage points (to 13.1 per cent) but rose 3 points, to more than one-in-five (21.8 per cent) among 18-24-year-old men. See: ONS, Educational status and labour market status for people aged from 16 to 24 (seasonally adjusted), January 2021.

85 Under a new apprenticeship bonus announced in the Plan for Jobs, firms that take on a new 16-24-year-old apprentice would receive a £2,000 bonus for each new apprentice they start in that each group, on top of a pre-existing £1,000 offered to firms who take on a 16-18-year-old apprentice, or a 19-24-year old apprentice with an Education, Health and Care plan. Firms would receive a £1,500 bonus for new apprentices age 25 and older. Source: R Sunak, Plan for Jobs speech, HM Treasury, July 2020.

86 B Camden, Rishi Sunak said to be 'annoyed' with DfE delays to traineeship expansion, FE Week, January 2021.

grew.[87] As the latest lockdown eases, government will want to consider further measures to boost traineeship opportunities for young people, as well as additional measures to prioritise apprenticeships for younger workers and new starters.[88] More broadly, the Government should draw a clear link between the youth employment and education policies that exist across the DWP and the Department for Education (DfE) so that work coaches and young people are able to clearly navigate and access them, in line with the Prime Minister's promise for an "opportunity guarantee" for young people.[89]

Long-term unemployment programmes should be open to those on long-term furlough and be alive to the changing state of the health crisis

Turning to long-term unemployed adults more generally, the Government have also announced plans for 'Restart', an employment support programme aimed at those continuously out of work for 12 months or more, which is due to go live in June of this year. The programme would last for three years, offering between 1 and 1.5 million adults one year of employment support to include personal advice and guidance on jobs, careers and skills, and in some cases education and training. The scheme is designed to prevent employment support providers from only focusing on clients who will find it easier to land a job at the expense of those who are farther from the labour market.[90]

In a weak labour market it is right to provide extra support for the longer term unemployed. But in this recovery we also face a new challenge: the aftermath of long-term furloughing. With 475,000 UK adults in January having already been fully furloughed for 6 or more months, some of these long-furloughed workers will have experienced some, but far from all, of the experiences that hold back the long-term unemployed. This could include skills depreciation or a loss of confidence, and in so far as potential future employers are aware of a long period of furloughing it may also have a signalling effects – where employers are wont to put their applications at the bottom of the pile. Encouragingly, the Chancellor has recently announced that the DWP has discretion to place previously-furloughed workers onto Restart, even if they have not been claiming unemployment benefits over the entirety of the previous 12 months.[91] It's therefore

87 The number of starts taken up by 16-24-year-olds during August-October 2020 was down 36 per cent on the same period in 2019, while the number taken up by apprentices age 25 and older fell by 14 per cent. The number of starts at Levels 4 and higher taken up by apprentices age 25 and older during August – October 2021 was 12 per cent higher (+2,100) than the same period in 2020. See: Department for Education, Apprenticeships and Traineeships, February 2021.

88 For example, previous Resolution Foundation research called for government to require apprenticeship levy payers in England to dedicate at least half of their levy expenditure to the under-30s and an overlapping half to new starters to the firm. See: K Henehan, Trading up or trading off? Understanding recent changes to England's apprenticeships system, Resolution Foundation, August 2019.

89 K Parker, Johnson: Young people to get 'opportunity guarantee', TES, June 2020.

90 The scheme's design aims to prevent employment support providers from only focusing on clients who will find it easier to land a job at the expense of those who are farther from the labour market. For example, minimum service standards include fortnightly contact between clients and employment support providers, personalised action plans and monthly face-to-face meetings. See: T Wilson, Restart your engines: it's going to be a busy few months..., ERSA, December 2020.

91 R Sunak, I want the next generation to be remembered as the Kickstart generation, FE News, February 2021.

important that Job Centres do initiate a conversation about Restart with jobseekers who had been long-term furloughed and that the DWP ensure there are enough Restart spaces to accommodate them.

Although Restart's overall capacity does, under most scenarios, appear up to the scale of the long-term unemployment challenge, timing will prove difficult: jobseeker claims rose sharply as the country went into its first lockdown last spring. Those who remain unemployed through the duration of the year will soon become eligible for Restart, and the number of eligible claimants will no doubt exceed providers' capacity to support them – especially since the programme is still out to tender, with plans for Restart to go live only in June. Therefore, it's important that policy makers work towards a smooth and speedy rollout of Restart while also being mindful that job search will be difficult where labour intensive, lower-barrier-to-entry sectors continue to struggle.[92]

Policy can do even more to facilitate career change, hiring, and job creation

Even in the aftermath of the financial crisis, the long-term unemployed only accounted for just over a third (36 per cent) of total unemployment. With the OBR projecting unemployment to reach 2.6 million by mid-2021, the Government are right to implement broader measures to facilitate job re-entry. For example, the Plan for Jobs includes additional policies to help those who have been out of work for a shorter period of time, such as enhanced job search assistance[93] and industry-specific training and work placements. To the extent that these prove successful, the Government should consider scaling up provision.

The Department for Education have also announced a provision to allow adults free access to a select series of Level 3 (A level-equivalent) further education courses. However, by restricting eligibility to only those adults who do not already have a Level 3 qualification, the policy excludes the more than one-in-four leisure and hospitality workers whose highest qualification is a Level 3. Job Centre Plus work coaches should have the flexibility to waive the restriction on adults who already have a Level 3 qualification where nature of existing qualifications is a barrier to progression.[94]

92 For example, recent research shows that vacancies during the crisis period have skewed towards requiring higher-level qualifications. See: R McDonald & A Wenham, Low-paid workers who lose their jobs likely to face intense competition for new roles, Joseph Rowntree Foundation, February 2021.

93 For example, they have allocated £238m towards the 'Job Entry Targeted Support' (JETS) programme will provide tailored job search assistance to adults who have been unemployed for at least 13 weeks. See: DWP, Nation's job hunt JETS off, October 2020.

94 Figures from the ONS Labour Force Survey show that in 2019, 50 per cent of food and beverage workers age 16-64 were qualified at GCSE-equivalent or lower levels, with 27 per cent qualified to Level 3 (A level-equivalent) and further 23 per cent at Levels 4 and higher. 43 per cent of accommodation workers were had GCSE-equivalent or lower qualifications, 24 per cent were qualified to Level 3 and a further 33 per cent were qualified to Level 4 or higher.

Beyond helping workers to change career, policy makers will also need to consider measures that actively encourage firms to take on workers. To that end, debates have focused on the role of wage subsidies or payroll tax cuts to support job creation.

As noted above, there is a case for targeted wage subsidies to maximise employment in sectors whose ability to operate is materially affected by social distancing even after they are allowed to fully open. Measures to control the virus such as limiting customer numbers or raising the costs of doing business will represent an ongoing supply shock to those sectors, temporarily reducing the productivity of workers in them. All else equal this will lead to lower employment levels, both in terms of the number of workers brought back from furlough and new hires. The right response to a temporary supply shock of this nature (in the context of a slack labour market) is to push against it with a wage subsidy in materially affected sectors. This would reduce affected firms' labour costs during reopening phase and maximise the number of workers they can keep on or the hours those workers are employed for, despite lower levels of output and higher costs. We recommend the government introduce such a Jobs Protection Scheme, using the same mechanism for implementation as the JRS but subsiding workers for the hours they are able to work rather than those they are not.[95]

We estimated that a subsidy equivalent to 10 per cent of overall wage costs[96] per employee (capped at £2,500 per year) and open to firms in hospitality, arts and recreation, and non-supermarket retail would cost approximately £425 million a month, at 2019 employment levels.

Such an approach will encourage employment overall and the return to work of furloughed employees, while avoiding the pitfalls and very high costs of the Job Retention Bonus. By focusing the policy on those sectors facing ongoing productivity damage it avoids much (but not all) of the deadweight associated with the latter policy. A generalised wage subsidy also increases the incentive to have more employees in general in sectors where policy is causing a supply hit, whatever the history of that firm or worker in terms of furlough use. Lastly, by avoiding a one-off lump sum payment it incentivises firms to increase the total hours worked for an ongoing period rather than only impacting the binary decision about whether to bring back furloughed workers for a particular point in time.

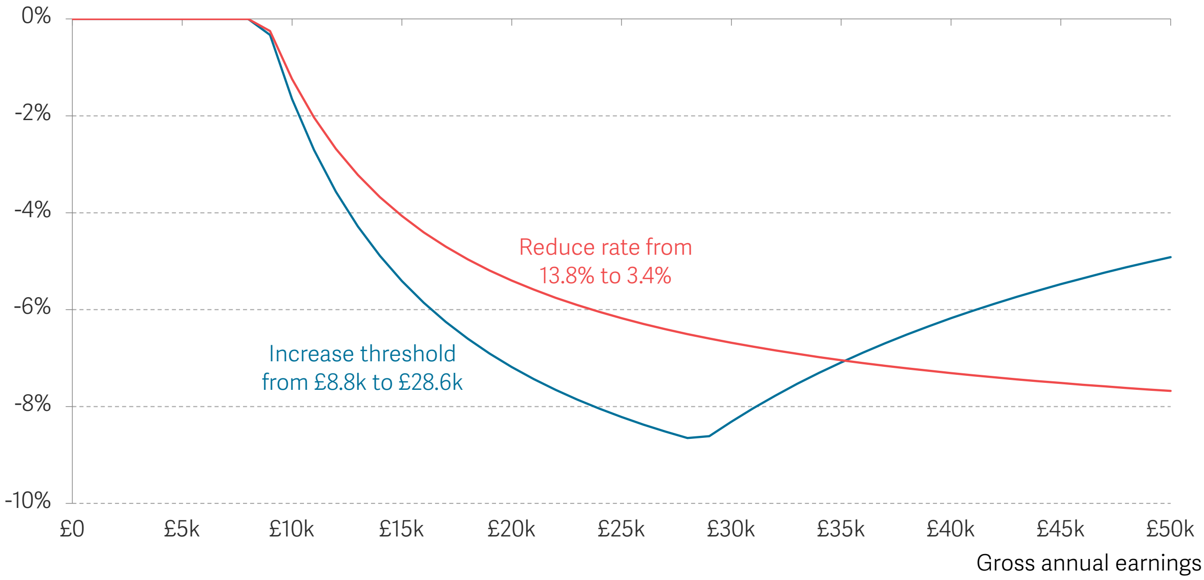
If the government wishes to use employment tax incentives for hiring (which have the advantage of operating through existing systems), the best route to achieving this would be through a temporary increase in the threshold above which employers make National

95 A more detailed discussion of the case for a temporary wage subsidy of this form can be found in N Cominetti, L Gardiner and H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020.
96 Including salary, employer NICs, and employer auto-enrolment contributions at the minimum level (3 per cent of salary between £6,240 and £50,000).

Insurance Contributions (NICs) where firms increase their headcount via new hires.[97] Figure 25 shows the impact on wage costs from raising the NICs threshold, as opposed to lowering the contribution rate.

FIGURE 25: **NICs threshold increases provide a more targeted adjustment than changing the rate**

Effective real wage adjustment (reduction in total wage costs) from changes to employer NICs with equal cost implications



SOURCES: Total wage costs include salary costs and employer NICs.
NOTES: RF calculations.

As it makes clear, raising the NICs threshold would have a bigger impact on low earners than lowering the contribution rate. However, even this better-targeted route to using national insurance changes to encourage job creation runs into the challenge that it will be far less effective in hard-hit but lower earnings sectors like hospitality, leisure and non-supermarket retail. So if the Government is minded to take this approach it should be combined with a wider suite of policies, including the wage subsidy approach set out above.

Finally, policy will need to turn to job creation measures. We have previously identified two labour-intensive candidates for investment: social care and green jobs like retrofitting. Both sectors support longer-term policy goals around care and energy

97 This report proposed raising the employer NICs threshold finding that doing so would have a bigger impact on low earners than lowering the contribution rate. At a cost of £5.1 billion per year (when limited to the hardest-hit sectors), the threshold could be raised the current £8,800 to £28,600, reducing real wage costs for workers on median salaries by more than 8 per cent. Keeping the threshold where it is but lowering the contribution rate from 13.8 per cent to 3.4 per cent (which would lead to the same loss of revenue to the Exchequer) would only achieve something approaching that level of wage cost reduction for higher earners. See: N Cominetti, L Gardiner and H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020.

efficiency, they are regionally dispersed and in most cases have lower qualification-based barriers to entry than do larger infrastructure projects like power stations or railways.

Ultimately, a wide policy mix will be required to protect viable jobs, prevent long-term unemployment, facilitate job re-entry and encourage growth in new, desirable sectors. Government will need to take a phased approach that reflects the state of the pandemic and that of the economy: avoiding arbitrary deadlines and signposting changes well in advance.

Section 7

Conclusion

In this report we have set out the state of the labour market in January of this year during the latest lockdown. Although the labour market effects of this lockdown are less pronounced than those of the lockdown that came into force last spring, the same groups have been worst affected. The young (and to some extent older workers), those in low paid work, the self-employed and those employees with 'atypical' contracts continue to bear the brunt of job loss and furlough – with most of these effects being driven by the fact that these groups are more likely to work in sectors that are shut down or under social distancing restrictions, like leisure and hospitality.

The difference this time around comes down to the amount of the time that's passed since the health crisis, and its economic effects, first hit: one-in-four 18-65-year-olds have had a spell of furlough or unemployment over the past year and nearly 2 million have been unemployed or furloughed for at least six months. With three-in-ten of respondents on longer-term furlough concerned about eventually losing their job, and job vacancies down by 30 per cent on last year, the recovery period will require the Government to balance gradually phasing out crucial support mechanisms, like the Job Retention Scheme, while phasing in support for the long-term unemployed.

Despite optimism over projections showing GDP rising sharply in 2021, growth will either not return or will not reach everyone without the right set of policies to support the labour market. Getting labour market policy right, and ensuring it's alive to the state of the pandemic, will be central to avoiding an unemployment crisis with deeply damaging effects for living standards and long-run productivity. Now is the time to get those policies in order.

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.

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