

Written evidence submitted by *Understanding Society*, the UK Household Longitudinal Study, University of Essex

Key points

- *Understanding Society*, the UK Household Longitudinal Study, is a world-leading longitudinal survey of continuity and change in UK life. In April, we began a regular new survey to look at the impact of coronavirus on the UK population.
- The economic shocks caused by the pandemic have affected people unevenly across the UK.
- The fall in the average number of hours worked was particularly large for people without degrees, people on zero hours contracts, and the self-employed.
- Employment levels changed little between February 2020 and the end of May, but the fraction who are working a positive number of hours declined by 25 percentage points by the end of April.
- The young and those without any guaranteed hours of work experienced substantial falls in hours worked, and mitigated earnings losses through savings, finding new work, and moving onto universal credit.
- Minority ethnic groups experienced different labour market shocks: employment fell, and the fraction working positive hours fell, and mitigated earnings losses in different ways: more borrowing, and more of it from family and friends.
- The crisis has been regressive: those in the lowest income quintiles have experienced the largest declines in hours worked, and in household earnings.
- The effect of COVID-19 has been particularly dramatic for self-employed workers – especially in personal service, arts and entertainment, and production.
- The self-employed were more affected than employees across the UK, highlighting the need for bespoke regional strategies for recovery.
- Black, Asian and minority ethnic (BAME) migrants in the UK are more likely to experience job loss than UK-born white British people. BAME natives are less likely to enjoy employment protection such as furloughing.
- The pandemic is exacerbating entrenched socio-economic inequalities, and racial justice needs to be at the centre of policy developments in response.
- Short working hours and job retention schemes protect against worsening mental health, emphasising the need to avoid a further leap in unemployment.
- Introducing a shorter working week for all could share work around more equitably, minimising the risk to mental health and wellbeing as furlough ends.
- The number of people working from home rose from 5.7% in January/February to 43.1% in April.
- This has not yet had a significant effect on productivity, and almost nine in ten (88.2%) people who worked at home said they would like it to continue.
- Women, and particularly single mothers, are severely affected in the economic downturn. Policymakers must consider the gendered impacts and their repercussions when implementing measures to tackle the epidemic.
- Single mothers are more at risk of losing their jobs because they are less likely to be in occupations that allow employees to work from home.
- Secured employment with resources available to support women in need is crucial to minimise the disproportionately negative impact of COVID-19 on wellbeing.
- Working class women have borne the brunt of the cuts to working hours, with 43% of working class women doing no hours of work in April compared to 20% of women in professional or managerial roles. By June fewer than half of all women in work (48 per cent) were still working full-time hours.
- Working class women who are still working are far less likely to be working from the relative safety of home than women in managerial or professional roles.

1. Introduction

1.1. *Understanding Society*, the UK Household Longitudinal Study, is a world-leading longitudinal survey of continuity and change in UK life. From an initial sample of around 40,000 households, the same people are invited to participate in annual surveys. Together with its predecessor, the British Household Panel Survey (BHPS), the data now span more than 25 years. *Understanding Society* is based at the Institute for Social and Economic Research at the University of Essex.

1.2. *Understanding Society* is primarily funded by the Economic and Social Research Council (ESRC), part of UK Research and Innovation, and has received funding from a number of Government departments, devolved administrations and agencies. Anonymised data from the surveys are made available to registered researchers to use in their own research projects.

1.3 In April, *Understanding Society* began a regular new survey to look at the impact of coronavirus on the UK population. 42,000 adult participants across the UK were invited to take part, and 17,450 participants completed the survey in the first Wave. As well as questions about health, home schooling, caring responsibilities and loneliness, the survey featured several questions on each household's employment and financial situation. The economic findings are based on answers from over 10,800 respondents aged between 20 and 65.

1.4 The Covid-19 survey established a pre-crisis baseline by asking about employment, hours worked and earning in January and February of 2020, as well as at the time of the interview. Also, because the data is longitudinal, it has been possible to compare the answers people gave in April with the answers they gave to questions about household earnings and debt in previous waves of *Understanding Society*.

2. The economic impact of coronavirus – evidence from *Understanding Society*

2.1 Employment held up well, but there was a significant fall in the fraction working positive hours. This was particularly large for men and women educated to less than degree level. The fall in hours worked was particularly large for people on zero hours contracts and the self-employed.

2.2 Of those reporting a decline in hours worked:

- 43% were furloughed
- 14% reported a loss of self-employment business
- only 7% reported health as a reason for the decline in hours
- 7% reported caring for others as a reason, but this fraction doubled for those aged 30-49.

3. Different effects on different groups – evidence from *Understanding Society*

3.1 There were substantial impacts on labour markets, but these impacts do not show up in employment levels which changed very little between February 2020 and the end of May 2020.

3.2 However, the fraction who are working a positive number of hours declined by 25 percentage points by the end of April, followed by a slight bounce back. The difference between the fraction employed and the fraction working positive hours highlights the effect of the Job Retention Scheme.

3.3 The young and those without any guaranteed hours of work experienced substantial falls in hours worked at the onset of COVID, and corresponding large falls in household earnings.

But by the end of May, the decline in hours worked for these groups had been partly reversed, and household earnings showed less cumulative decline than for other groups.

3.4 The young and precariously employed mitigated earnings losses through savings, finding new work, and moving onto universal credit.

3.5 Minority ethnic groups experienced different labour market shocks: employment fell, and the fraction working positive hours fell. Among those whose hours fell, there were 15 percentage points fewer from minority ethnic groups put on the Job Retention Scheme, and 13 percentage points more made unemployed.

3.6 Minority ethnic groups mitigated earnings losses in different ways: the incidence of borrowing was higher, as was the incidence of transfers from family and friends.

3.7 The crisis has been regressive: those in the lowest long-run income quintiles have had the worst experiences. They have experienced the largest declines in the fraction working positive hours, and the largest declines in household earnings. For those in these lowest quintiles, these losses were mitigated by borrowing and by transfers from family and friends.

4. The significant effect on the self-employed – research using *Understanding Society*

4.1 The effect of COVID-19 has been particularly dramatic for self-employed workers. More than 40% of those who were self-employed in January/February 2020 experienced a 100% drop in demand for their services and products in the first month of the lockdown. Some of these may have left self-employment as a result.

4.2 Self-employed women were most likely to have experienced a drop in working hours and earnings of at least 50% by the end of April 2020. However, differences between self-employed men and women in drops in earnings and hours worked in the first month of lockdown were small. One reason for this is the rapid adverse impact on the largely male self-employed in the production sector (manufacturing; electricity, gas, water; construction; and transport and storage).

4.3 Self-employed workers have been particularly badly hit in three sectors: personal service (including repair of household and personal goods), arts and entertainment, and production. The self-employed were least affected in advanced services (information and communication; financial, insurance and real estate services; professional, scientific and technical services; administrative and support services).

4.4 The self-employed were more affected by the crisis relative to workers in the paid employment sector in almost all regions/countries in the UK, but there has been significant regional variation. Self-employment in Scotland and in Yorkshire and the Humber appears most affected compared to paid employment. In London the impact on the self-employed was less severe in absolute terms, but the gap in experience with paid employees is still wide. This highlights the importance of considering bespoke regional strategies for recovery in self-employment.

5. Different effects by ethnicity – research using *Understanding Society*

5.1 Black, Asian and minority ethnic (BAME) migrants in the UK are more likely to experience job loss during the COVID-19 lockdown than UK-born white British people. BAME natives are less likely to enjoy employment protection such as furloughing.

5.2 UK-born white British people are more likely to reduce their work hours during the COVID-19 pandemic than BAME migrants, but less likely to experience income loss and face increased financial hardship during the pandemic than BAME migrants.

5.3 The pandemic thus exacerbates entrenched socio-economic inequalities along intersecting ethnic and native-migrant lines. Governments and policy makers will need to put racial justice at the centre of policy developments in response to the pandemic.

6. Employment and mental health – research using *Understanding Society*

6.1 Leaving paid work is significantly related to poorer mental health, even after controlling for the household income and other factors. In contrast having some paid work and/or some continued connection to a job is better for mental health than not having any work at all.

6.2 Those who remain part-time employed before and during the COVID-19, those who are involved in furlough job retention scheme or transition from full-time to part-time employment are all found to have similar levels of mental health as those who continued to work full-time. The patterns are similar for men and women.

6.3 Short working hours and furlough job retention schemes can therefore be seen as effective protective factors against worsening mental health. The need to avoid a further leap in unemployment is thus also vital for mental health.

6.4 These findings point to the need to move towards sharing work around more equitably, including introducing a shorter working week for all (except in those sectors under extreme pressure) in order to minimise the risk to mental health and wellbeing if those on furlough are now pushed into unemployment.

6.5 However, it is important to recognise that the lowest paid will likely want to maintain or increase their working time if they are already on short-term or zero-hours contracts.

7. An explosion in working from home – research using *Understanding Society*

7.1 Homeworking had been slowly increasing before lockdown – in 1981, 1.5% of employed people said they worked mainly at home, and this had trebled to 4.7% in 2019. In January/February 2020, 5.7% of workers said they worked exclusively at home. In lockdown, this rose dramatically and suddenly to 43.1% in April 2020.

7.2 The surge in homeworking was experienced most strongly by the highest paid, the better qualified, the higher skilled and those living in London and the South East. Initially, it took its toll on mental health, but this recovered as people got used to working at home, or moved back to the office when restrictions eased.

7.3 The enormous shift to homeworking did not appear to have a significant effect on productivity, and almost nine in ten (88.2%) of people who worked at home said they would like it to continue to some extent.

7.4 Since this research was published, the Welsh Government has announced a long-term ambition to see around 30% of Welsh workers working from or near home, even after the threat of Covid-19 has diminished. It is exploring the possibility of a network of remote working hubs based in communities, within walking and cycling distance of people's homes. (In addition, the German labour minister has announced plans to give employees the legal right to work from home.)

8. Women and single mothers severely affected in economic downturn

8.1 Women, and particularly single mothers, are severely affected in the economic downturn. Policymakers must consider the gendered impacts and their repercussions when implementing measures to tackle the epidemic.

8.2 The vulnerability is amplified when no childcare support is available for non-key worker mothers who need to work (at home).

8.3 Single parents may be particularly vulnerable because, in addition to the closure of nurseries and schools, they can no longer rely on their social networks and grandparents.

8.4 Single mothers are more at risk of losing their jobs because they are less likely to be in those occupations that allow employees to work from home. Moreover, even if allowed to, they are less likely to be able to because they are the only ones to take care of children at home.

8.5 To prevent the long-term decline in women's economic power, spikes in poverty among single-parent households and child poverty, and to protect health and wellbeing, more childcare resources are needed, and single-parent families should be prioritised.

8.6 Secured employment with resources available to support women in need is crucial to minimise the disproportionately negative impact of COVID-19 on wellbeing, especially for women who are more likely to be front-line keyworkers, with limited economic resources, and become victims of domestic and sexual abuse during lockdowns.

9. Working class women and employment

9.1 Working class women have borne the brunt of the cuts to working hours as employers struggle to ride out the pandemic.

9.2 Almost half of working class women (43 per cent) did no hours of work in April compared to just 20 per cent of women in professional or managerial roles. By June fewer than half of all women in work (48 per cent) were still working full-time hours.

9.3 Many more working class women than men or women in middle class jobs saw their hours cut to zero in the first months of lockdown, with potentially severe financial consequences.

9.4 Those working class women still at work are far less likely to be working from the relative safety of home than women in managerial or professional roles – 80 per cent of working class women said they were “never” working from home in June.

9.5 Working class women are also the most likely to be keyworkers in roles with close contact with customers, clients and patients - such as undertaking personal care in care homes and looking after children – with greater potential to be exposed to the virus.

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