

# A Year of COVID: Widening Labour Market and Financial Inequalities Through the Crisis

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## Background

- ▶ COVID-19 an unprecedented shock with widespread economic implications
- ▶ GDP fell by over 10% - more than any time since the great depression - in the year following March 2020
- ▶ Also, 29% of the work force stopped working
- ▶ .....and yet the savings rate peaked at over 29%
- ▶ Alongside this, there were substantial fluctuations over the year with three national lockdowns, policy responses and innovations in the labour market

## What we do

- ▶ We document where and to what extent pre-existing labour market and financial inequalities have been exacerbated by the crisis and associated policy responses
- ▶ We track individuals through the pandemic using near-monthly panel data that links to individual's long-run economic situation
  - Understanding Society COVID-19 Study
  - The data supports credible population inferences
- ▶ **Main finding:** the impact of the crisis on some individuals was transitory, whereas for others, the impact persists

# Understanding Society

- ▶ The UK Household Longitudinal Study (UKHLS)
- ▶ Large panel survey, based on probability samples, annual interviews.
- ▶ From 2009, but incorporates earlier BHPS
- ▶ "Sister study" to PSID, SOEP, etc.
- ▶ Mixed mode

## Understanding Society COVID-19 Study

- ▶ From April 2020, participants asked to participate in short, frequent web interviews: The Understanding Society COVID-19 Web Survey
- ▶ This survey covers the changing impact of the pandemic on the welfare of UK individuals and households
- ▶ Core content captures change as pandemic and policy responses evolve
- ▶ Variable content responds to changing situation and researcher input

## Advantages of building on an existing panel study

### ► Content:

- Past waves of the main study provide important context for responses
- Future waves will allow study of long-run impacts

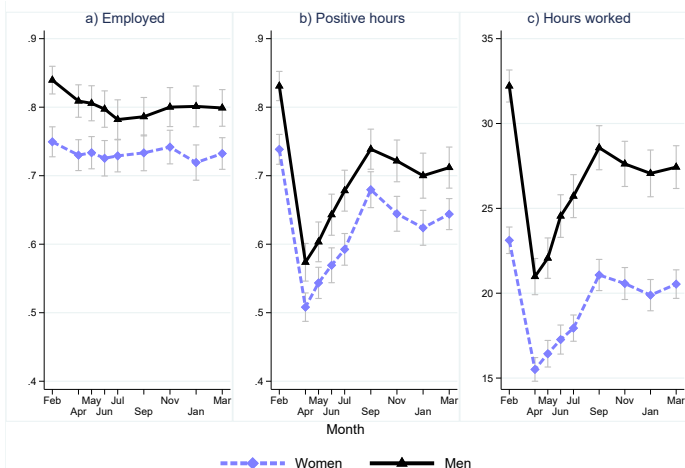
### ► Methodological:

- (Initial) probability samples
- Past waves provide detailed information on web survey non-respondents
- Inverse probability (IP) weights and testing (Crossley, Fisher and Low (2021), Benzeval et al (2021))

## Fieldwork and response

- ▶ Wave one: April 24th-30th 2020
  - Response rate for the full sample was 38.7 %, (41.2 % including partial respondents.)
  - Among wave 9 respondents, the response rate was 46.0%, (48.6% including partials.)
- ▶ Waves in: May, June, July, September, November, January, March
- ▶ Some core content, some changing (including open call)
- ▶ Telephone surveys (not this paper)
  - For adults in households where no-one is a regular internet user
  - May and November 2020
- ▶ Serology: March 21 (not this paper)

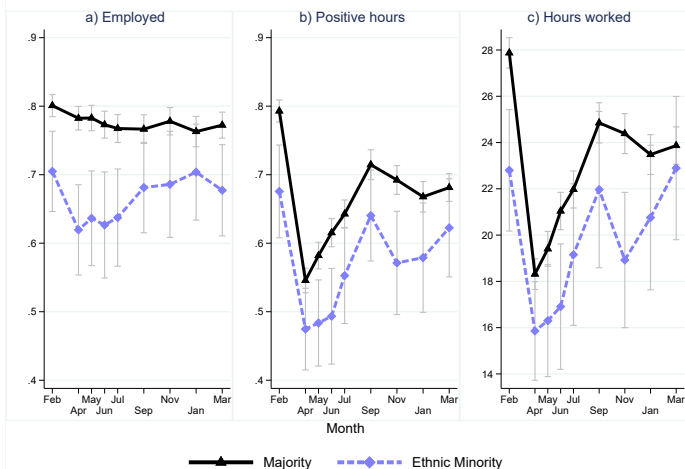
# Labour market impacts by gender



Notes: Unbalanced panel of 10,382 individuals. "Employed" is the fraction employed, where this includes both employees and the self-employed. "Positive hours" is the fraction who report actually working some hours, independent of reported employment status. "Hours worked" is the mean weekly work hours where those not working are assigned zero hours.

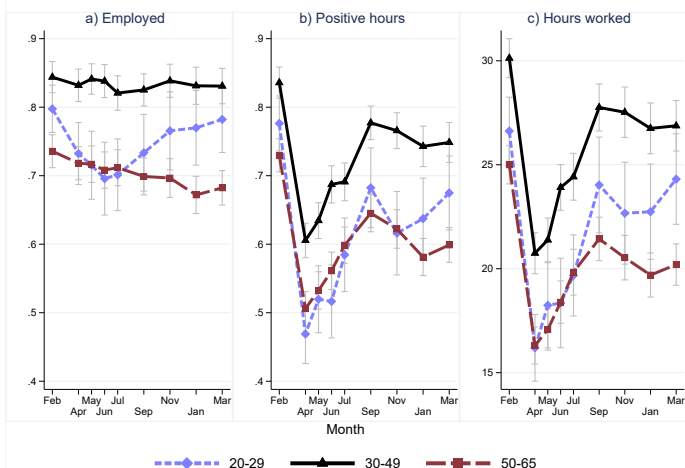


# Labour market impacts by ethnicity



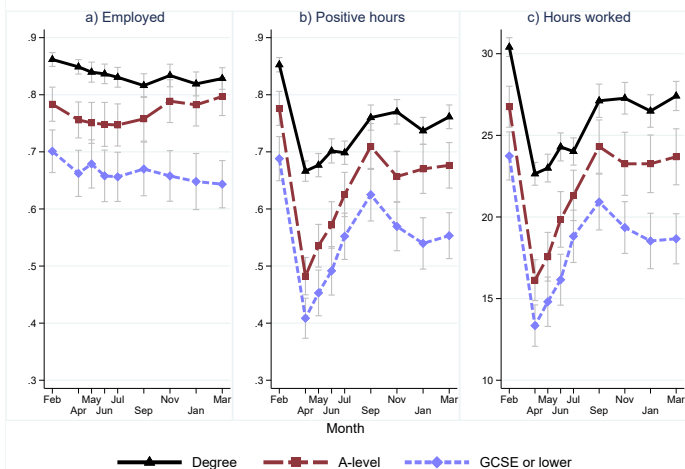
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# Labour market impacts by age



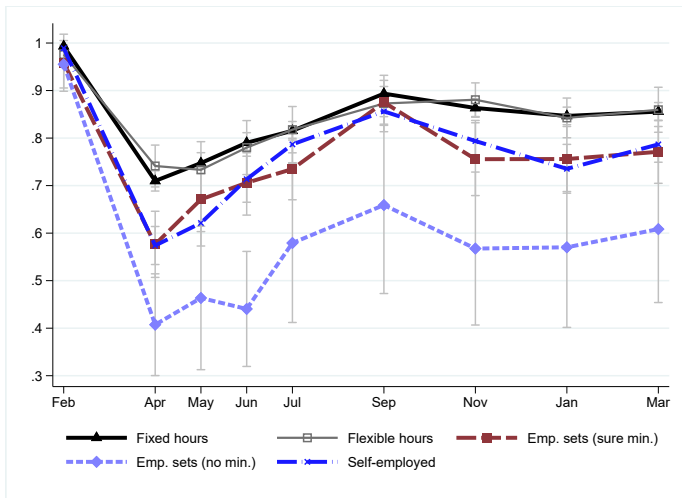
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# Labour market impacts by education



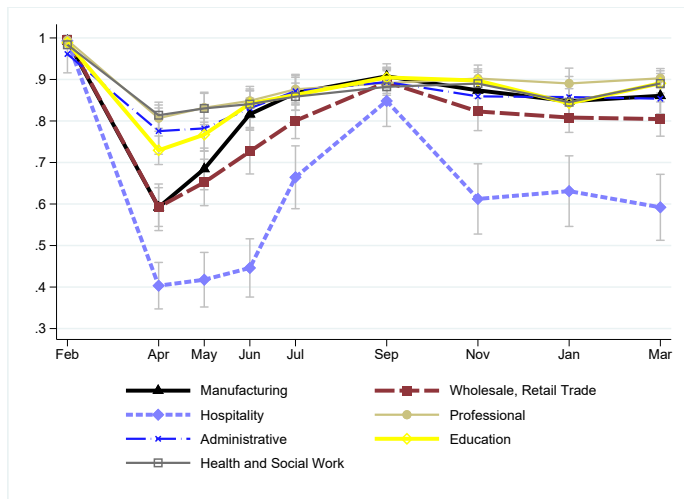
Notes: Unbalanced panel of 10,382 individuals. "Employed" is the fraction employed, where this includes both employees and the self-employed. "Positive hours" is the fraction who report actually working some hours, independent of reported employment status. "Hours worked" is the mean weekly work hours where those not working are assigned zero hours. Education is recorded at wave 9 (2017-18) of the main survey.

## Labour market impacts by contract type



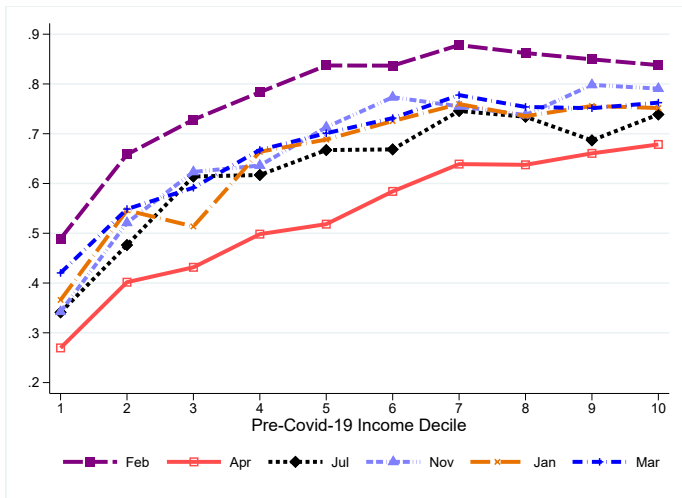
Notes: Unbalanced panels of 8364 individuals. "Positive hours" is the fraction who report actually working some hours, independent of reported employment status.

## Labour market impacts by industry



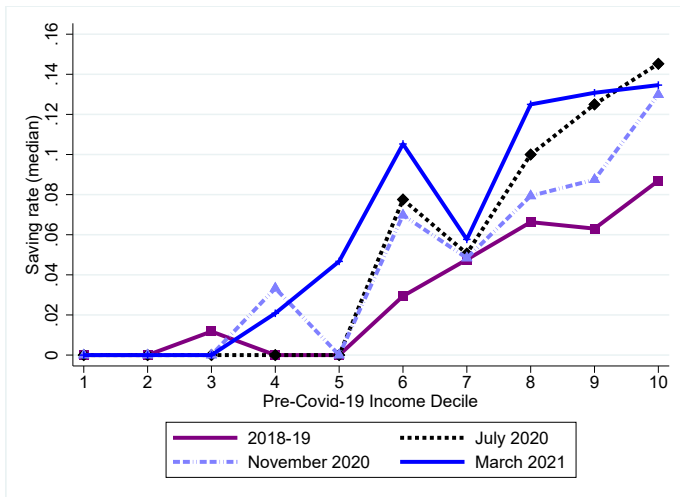
Notes: Unbalanced panels of 8364 individuals. "Positive hours" is the fraction who report actually working some hours, independent of reported employment status.

## Fraction Working Positive Hours by Income Decile



Notes: Unbalanced panel of 10,040 individuals. "Positive hours" is the fraction who report actually working some hours, independent of reported employment status. Income deciles are assigned on the basis of net household income

# Savings rate across the income distribution



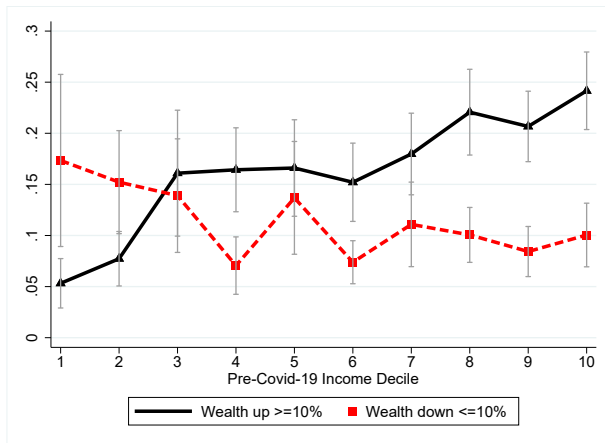
# Changes in Debt across the Income Distribution



Notes: Unbalanced panel of 8054 individuals. Debt categories are constructed from a question asking about changes to non-mortgage debt in the last 4 weeks (three possible response options: 'gone up', 'stayed the same', 'decreased')

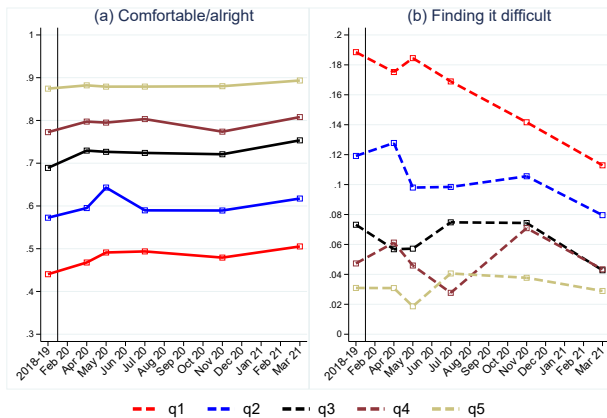


## Change in total net wealth (Jan/Feb 2020 to March 2021)



*Notes: 6583 individuals interviewed in March 2021. Respondents were asked whether their household total net wealth had gone up or down by 10 percent or stayed about the same, since Jan/Feb 2020. Income deciles are assigned on the basis of net household income averaged across up to 3 previous waves of the main study. Income includes earned and unearned income, net of tax and*

# Subjective finances



Notes: Unbalanced panel of 10,212 individuals. Categories of subjective finances are in response to the question 'How well would you say you yourself are managing financially these days?'. Income quintiles are assigned on the basis of net household income averaged across up to 3 previous waves of the main study. Income includes earned and unearned income, net of tax and

## Emerging story

- ▶ COVID increased inequalities in some dimensions, but not in others
- ▶ With respect to the labour market, some of the initial increases reversed as the pandemic progressed
  - The first wave of the pandemic had a particular effect on ethnic minorities and the young, but reversed by the end of 2020
  - No divergence by gender
  - By contrast, the education gap widened at the start of the pandemic, and worsened over time.
  - Hospitality workers and those on insecure contracts were badly hit and had not recovered a year on
- ▶ This story of some inequalities worsening, others reversing and some not changing is a more nuanced story than has been reported

## Emerging story

- ▶ Balance sheets improved through debt repayments and increased saving
  - greater improvement for the better-off, worsening wealth inequality
- ▶ Leftward shift of the savings rate by decile over time
  - By March 2021, savings rates up for 70%
- ▶ Substantial fraction repaid debt (about 25%), except the poorest
  - Fraction Increasing debt was much smaller, except in the first wave and at the bottom
- ▶ People are more likely to say they are comfortable and less likely to say they are finding it difficult, across the distribution
  - Gaps between quintiles are narrowing, not widening

## Understanding Society COVID-19 data are public

- ▶ More than **150** known papers/reports to date, many on inequalities in different dimensions
  
- ▶ Links back (and forward) to main Understanding Society study
  
- ▶ Understanding Society team currently preparing wave 11 (2019-2020) data for public release
  - Fieldwork (online) continued throughout the pandemic
  - New questions were added to capture key policy changes
  - Challenges for production of income variables: new policy setting eg. furloughing, imputation of missing data
  - Document fieldwork practises, response rates and weighting procedures through the pandemic
  - (Plus: serology, family matrix datafile, pregnancy and early childhood file, polygenetic scores and more)
  - Data will be released in November

## References

- ▶ Benzeval, M., J. Burton, T.F. Crossley, P. Fisher, C. Gardiner, An. Jäckle and J. Moore (2020), **High frequency online data collection in an annual household panel study: some evidence on bias prevention and bias adjustment**. Understanding Society Working paper 2021-03.
- ▶ Crossley, T.F., P. Fisher and H. Low, **The Heterogeneous and Regressive Consequences of COVID-19: Evidence from High Quality Panel Data**. *Journal of Public Economics*, 193 (January 2021).
- ▶ Crossley, T.F., P. Fisher, P. Levell and H. Low, (2021). **MPCs through COVID: spending, saving and private transfers**, IFS Working Paper W21/03.
- ▶ And the work of the *Understanding Society* Team.

Thank you!

# UK Timeline

## ▶ 2020

- Jan: first confirmed cases
- 23 Mar: first "Stay at home" order
- 1 June: partial school reopening
- Summer: restrictions eased
- Sept/Oct: local restrictions
- 5 Nov: 2nd full lockdown begins
- 2 Dec: Christmas reopening
- 8 Dec: vaccination begins

## ▶ 2021

- 4 Jan: first AZ vaccination
- 5 Jan: 3rd lockdown begins
- Jan: vaccination program begins
- 8 Mar: schools reopen (England)
- 12 Apr: outdoor dining, restrictions easing



## Main UK economic support policies

- ▶ Coronavirus Job Retention Scheme
  - "Furlough": 80% of pay up to 2500/month covered by government subsidy to firms, provided worker not providing any hours of work
  - From March 20; More flexible from July; Extended October '20
- ▶ Self-Employment Support Scheme
  - 80% of profits up to 2500/month
  - 5th round announced for summer '21
- ▶ Universal Credit increased by 20/week
  - Working age, asset tested
  - Now extended until Sept '21

# Wave 1

- ▶ Fieldwork April 24-30.
- ▶ Content: health, economic impacts, home schooling.
- ▶ 42,330 sample members were sent the pre-notification letter inviting them to the study.
  - 32,596 had completed the wave 9 annual interview.
- ▶ The response rate for the full sample was 38.7 %, (41.2 % including partial respondents.)
- ▶ Among wave 9 respondents, the response rate was 46.0%, (48.6% including partials.)
- ▶ Released (SN 8644) by the UK Data Service on [29 May](#).
  - Data, including beta weights and a child file user guide and fieldwork documents (letters, questionnaire, etc).

## Telephone surveys (not the present paper)

- ▶ For adults in households where no-one is a regular internet user.
- ▶ 1st fielded end of May with version of the April web questionnaire.
- ▶ Capturing older respondents.
- ▶ Interview time almost double.
- ▶ Repeated in November.