

The impact of the coronavirus outbreak on London's low paid workers

Early research findings

July 2020

Learning and Work Institute

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Trust for London

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Summary

This paper presents early findings from research examining the impact of the coronavirus outbreak on low paid workers in London¹. The findings are based on new analysis of labour market data and original polling.

Later this summer, L&W will publish the full findings of the research in a report highlighting the issues low paid workers have faced during the coronavirus outbreak and which will set out recommendations to support this group after coronavirus.

Key findings:

- **Low paid workers in London are more likely to be women, young people, migrants, and those from black ethnic groups.** Eight in ten (83%) low paid workers in London are women, more than two in five (45%) are migrants, one in six are black (16%) or Asian (17%), over half (56%) have lower levels of qualifications, and nine out of ten (88%) are younger workers.
- **One in three (33%) low paid workers are in sectors that were shutdown by the pandemic.** Women and those workers from black or Asian groups are disproportionately represented in these 'shutdown sectors'.
- **Low paid workers are more likely to have seen a reduction in their income and to be worried about their finances.** One in three (33%) low paid workers saw a reduction in their household income, compared to just one in five (19%) of other workers. Two in five (39%) low paid workers said they were worried about their finances.
- **Low paid workers were more likely to access some form of support to help them through lockdown,** with 13% falling back on Universal Credit, and 4% accessing food banks or other charitable support.
- **Low paid workers are more likely to be concerned about keeping their job than others.** Two out of five (42%) low paid workers in London are worried about keeping their job, compared to one in three (32%) other workers in London.
- Low paid workers' priorities for change in the aftermath of lockdown include **more support with job seeking, increases in Universal Credit for job-seekers and a rise in the minimum wage.**

¹ Low paid work is defined as workers whose earnings are below 2/3 of median earnings. In this paper, we present findings that use an hourly and an annual definition based on the available information in the datasets analysed.

Eight out of ten of London's low paid workers are women

This research takes an intersectional lens to low paid work to examine the impact of the coronavirus outbreak on low paid Londoners, building on work by the Resolution Foundation and others on low paid workers in London and the UK.²

It first looks at the profile of low paid workers, before examining the impact that the pandemic has had on them. Figure 1 presents the demographic make-up of low paid workers in London,³ based on analysis of Understanding Society and Labour Force Survey data.

It shows that:

- Eight out of ten (83%) low paid workers in London are **women**,
- Over half (56%) of low paid workers have **lower qualification levels**⁴ compared to just one in four (26%) of other workers,
- More than two in five (45%) low paid workers in London are **migrants**⁵ compared to one in five (26%) of other workers,
- Over half of workers were from a white ethnic group (56%), while one in six workers were from a black (16%) or Asian (17%) ethnic group,
- Workers from a **black ethnic group are disproportionately represented among low paid workers**, with one in six workers (16%) coming from this group,
- Low paid workers are more likely to be **young**; four in ten (42%) low paid workers are aged 25 to 29.

² See for example, Resolution Foundation (2020) *A new settlement for the low paid: Beyond the minimum wage to dignity and respect*. Available at: <https://www.resolutionfoundation.org/publications/a-new-settlement-for-the-low-paid/>

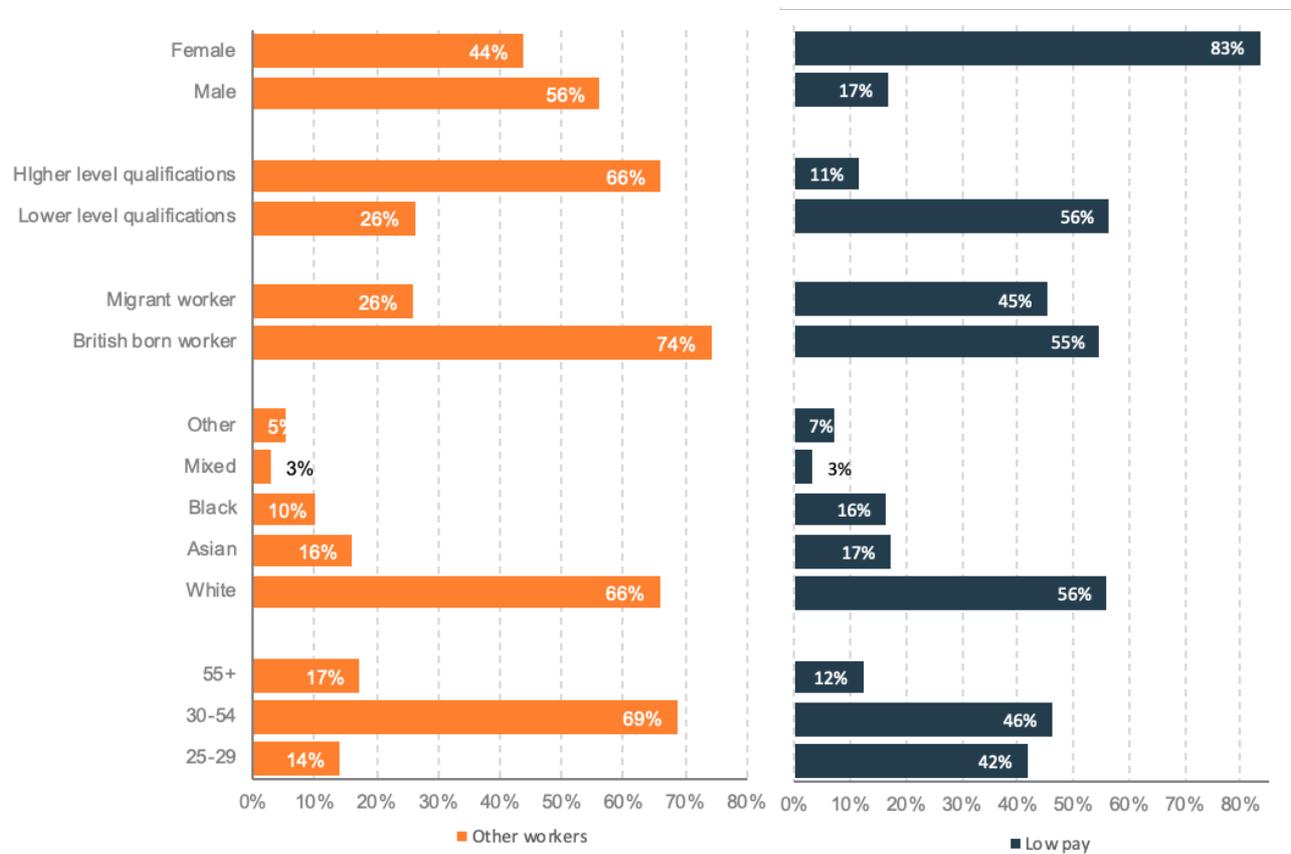
³ Low paid is defined as having hourly earnings below 2/3 of median hourly earnings in the Understanding Society dataset. Other workers as those who earn at or above 2/3 of median hourly earnings in the dataset.

⁴ Higher qualifications are defined as those with qualifications at level 3 or above in the datasets. Lower qualifications are defined as those with qualifications at level 2 or below in the datasets.

⁵ Migrant is defined in the data as those who were not born in the UK.

Figure 1 – Low paid workers in London are disproportionately likely to be female, young, black, and migrant workers

Demographics of workers in London, by pay



Source: L&W analysis of Understanding Society and Labour Force Survey

One in three low paid workers in London work in shutdown sectors

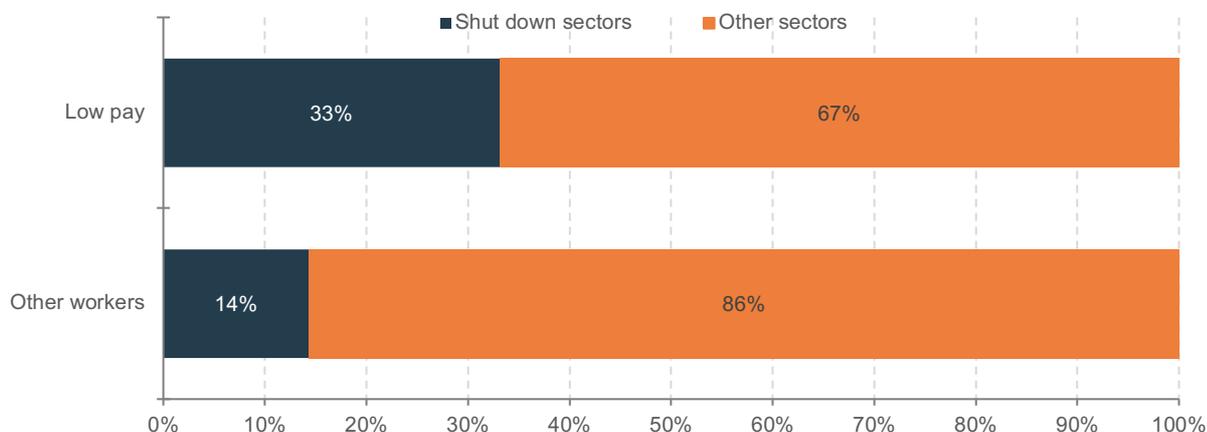
A UK-wide lockdown was introduced on 23rd March in an effort to slow the spread of coronavirus. Under the lockdown, many industries were ordered to shut down. Figure 2 examines the impact of this lockdown on low paid and other workers in London through examining the distribution of workers across the ‘shutdown sectors’.⁶ These were the sectors at risk of being hit hardest by the crisis. It shows that:

- **Low paid workers were more likely to be employed in a shutdown sector:** one in three (33%) were employed in a shutdown sector, compared to one in seven (14%) other workers,

⁶ By shutdown sector, we follow the classification set out by Joyce and Xu, 2020, which classifies sectors as directly affected by the lockdown by their 4-digit SIC codes. The sectors affected are: Non-food, non-pharmaceutical; passenger; accommodation and food; travel; childcare; arts and leisure (except ‘artistic creation’); personal care (‘funeral and related activities’); domestic services.

Figure 2 – Low paid workers were over twice as likely to work in the shutdown sectors hit hardest by the lockdown

Proportion of workers employed in sectors in London shutdown by the outbreak, by pay



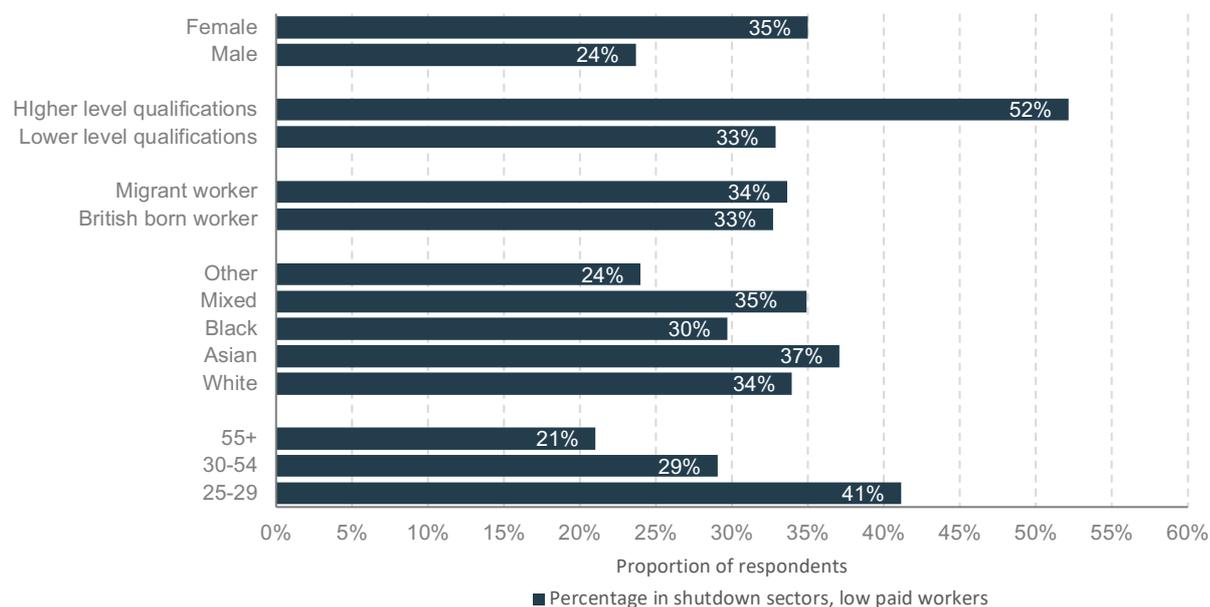
Source: L&W analysis of Understanding Society and Labour Force Survey

Figure 3 shows that there is some further nuance to these figures. It combines the analysis in Figure 2 with the profile of low paid workers in figure 3 to examine the risk of working in a shutdown sector for different groups of low paid workers, showing:

- **Low paid women were more likely to work in shutdown sectors:** one in three working in these sectors (35%) compared to one in four men (24%),
- **Low paid workers with higher qualifications were more likely to work in shutdown sectors:** Half of low paid workers (52%) with higher level qualifications were working in these sectors, compared to a third (33%) with low qualifications,
- **Low paid migrant workers were as likely to be working in a shutdown sector as workers born in the UK:** One in three migrant workers and one in three of low paid workers born in the work were employed in sectors shutdown (34% and 33%),
- **Asian, white and other low paid workers were most likely to work in a shutdown sector:** one in three low paid workers in London from mixed (35%), black (30%), white (34%) and two out of five Asian (37%) low paid workers were employed in shutdown sectors in London,
- **The youngest low paid workers were most likely to work in a shutdown sector:** Two-fifths (41%) of those aged 25 to 29 were working in shut down sectors, compared with 29% of those aged 30 to 54 and 21% of those aged 55+.

Figure 3 – Some groups of low-paid Londoners were more likely to work in a shutdown sector than others

Proportion of low paid workers in shut down sectors, by group



Source: L&W analysis of Understanding Society and Labour Force Survey

These figures reflect the fact that different groups of low paid workers are more likely to work in some sectors than others, while others were more likely to be key workers.

The final report will explore this in more detail, examining the different experiences of low paid workers during the lockdown and how this impacted them.

One in three low paid workers are worried about their finances

In addition to the new analysis of quantitative data, we carried out a poll of over 1,000 Londoners to help understand workers' experiences of the lockdown and the impact that it had on their lives.⁷ Figure 4 presents respondents' experiences of the impact of the outbreak, by whether or not they were low paid. It shows that:

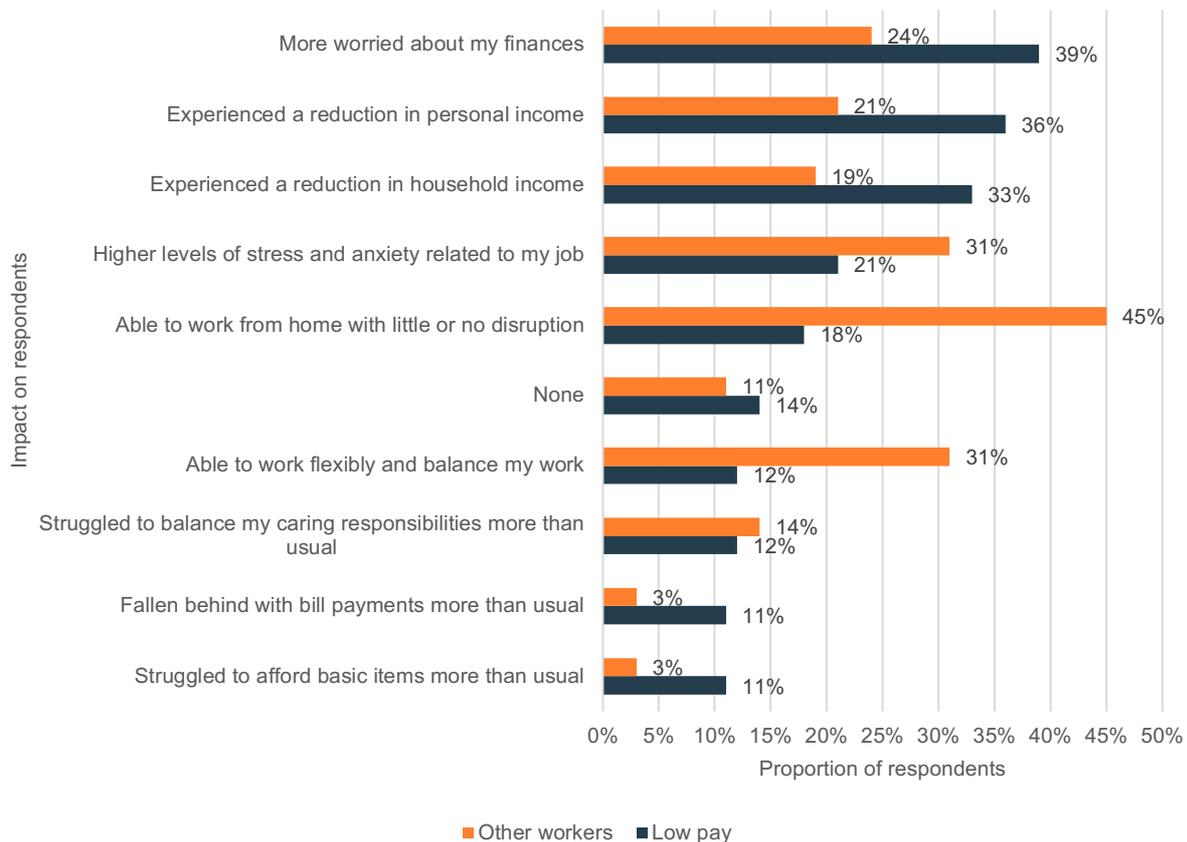
- **Low paid Londoners were far less likely to be able to work flexibly and to work from home.** Fewer than one in five (18%) low paid workers in London said they were able to work from home with little or no disruption, compared to nearly half (45%) of other workers. Other workers in London were nearly three times as likely as low paid workers to say they could work flexibly and balance my work (31% compared to 12%),

⁷ The telephone poll of 1,024 Londoners was conducted by YouGov between June 16th and June 18th. Low pay in the polling is defined as annual earnings below 2/3 of median annual earnings in the polling dataset, which we use throughout this part of the analysis. They are compared to other workers who are those who at or above 2/3 of median annual earnings in the sample.

- **Low paid Londoners are more likely to have seen a drop in personal and household income.** One in three low paid workers said they have experienced a drop in their personal income (36%) and household income (33%). Among other workers, one in five had seen a drop in personal (21%) or household (19%) income,
- **Low paid Londoners are more likely to have struggled to afford basics and to have fallen behind on bills.** Low paid workers in London were nearly three times as likely to have struggled to afford basic items during the pandemic (11% compared to 3%), and to have fallen behind with bills (11% compared to 3%),
- **Low paid Londoners are more worried about their household finances.** Two in five (39%) low paid workers said this, compared to one in four (24%) other workers.

Figure 4 – Low paid workers in London are far more likely to have seen an impact on their income and personal finances

Impact of the outbreak, by pay



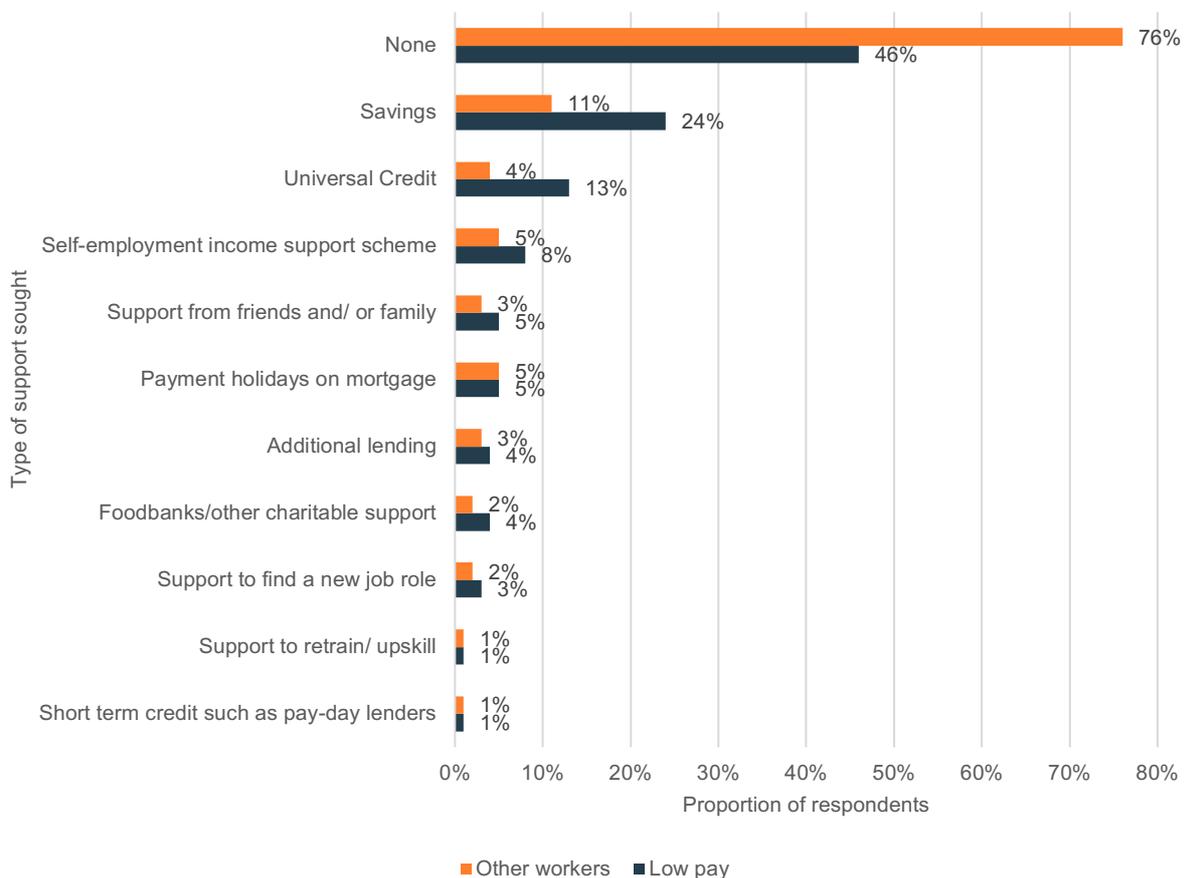
Source: L&W analysis of polling of workers in London

One in four low paid workers relied on savings during the outbreak

Figure 5 presents the types of support that workers accessed during the lockdown, showing that:

- **Low paid Londoners were more likely to access support than other workers.** One in two (54%) low paid workers in London accessed some form of support during the crisis, compared to one in four (24%) other workers,
- **Low paid Londoners were twice as likely to dip into savings,** with one in four (24%) doing so, compared to one in ten (11%) other workers,
- **Low paid Londoners were three times as likely to access Universal Credit;** 13% of low paid workers claimed the benefit compared to 4% of other workers,
- **Low paid Londoners were more likely to access a food bank or other support.** 4% of low paid Londoners had done so, compared to 2% of others.

Figure 5 – One in four low paid workers relied on savings during the outbreak
Types of support accessed during the outbreak, by pay



Source: L&W analysis of polling of workers in London

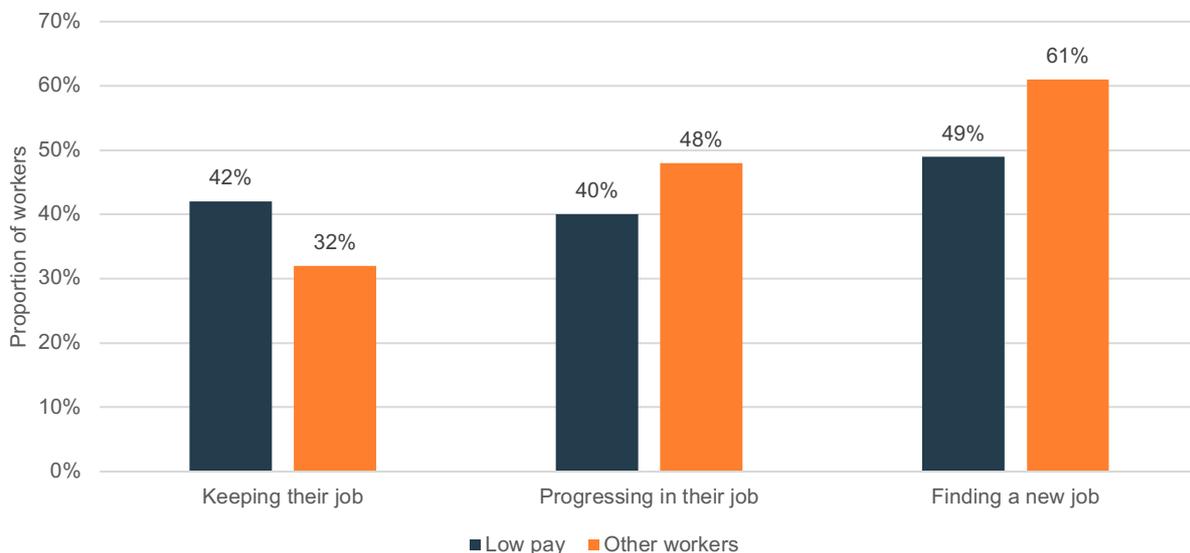
Two in five low paid workers are concerned about keeping their jobs after the lockdown

Figure 6 explores respondents’ concerns about their employment prospects after the lockdown. It presents figures for whether respondents were concerned about their current employment, opportunities to progress and find new employment. It shows:

- **Low paid Londoners were more likely to be worried about keeping their current job:** Two out of five (42%) low paid workers in London were worried about keeping their current job, compared to one in three (32%) other workers,
- **Low paid Londoners were less likely to be worried about progressing in their current job:** two out of five (40%) low paid workers in London were worried about progressing in their current role, compared to one in two (48%) other workers,
- **Low paid Londoners were less likely to be worried about finding a new job:** one in two (49%) low paid Londoners were worried about finding a new job, compared to two out of three (61%) other workers.

Figure 6 – Low paid Londoners are more worried about keeping their job, but less likely to worry about progressing or finding a new job

Concerns about their future employment, by pay



Source: L&W analysis of polling of workers in London

Low paid workers want to see increased support for job-seekers and an increase in Universal Credit

Figure 7 presents early findings from an analysis of the support that workers would like to see in the wake of the lockdown and coronavirus. It shows:

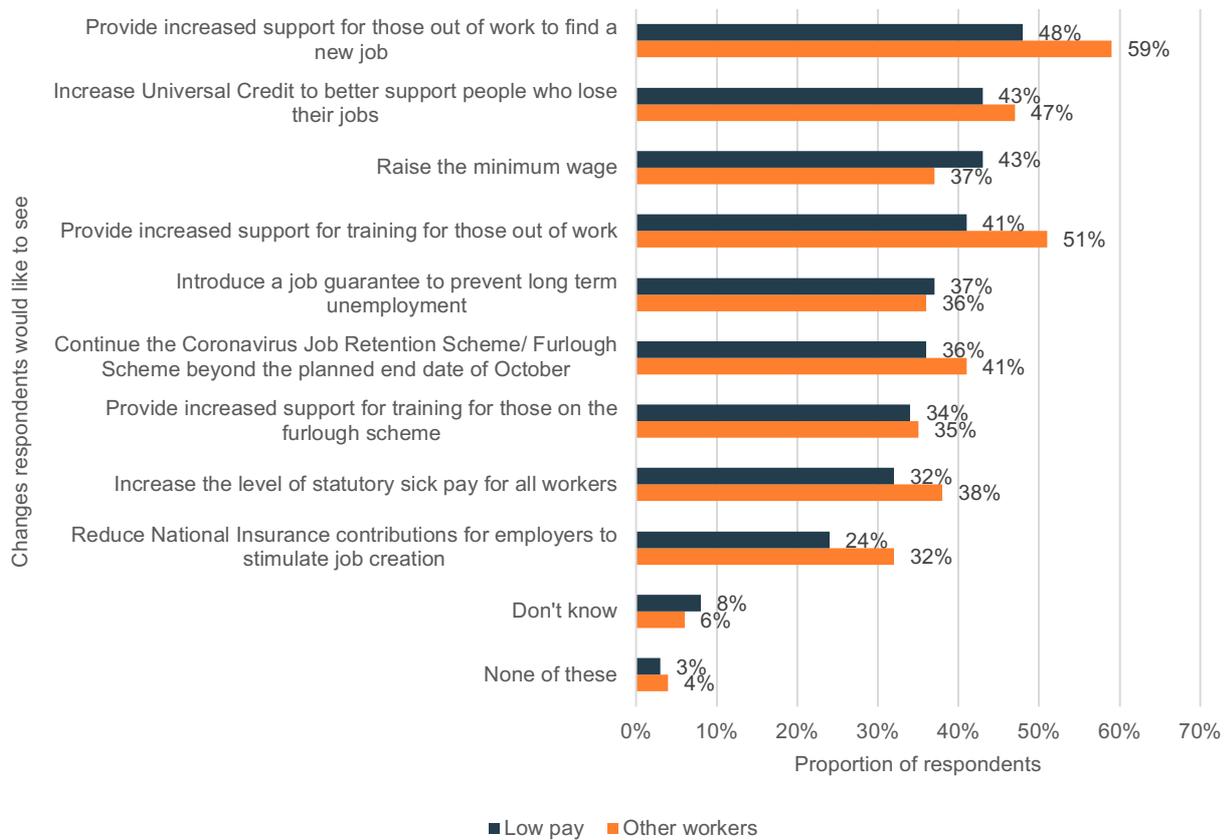
- The most popular response among low paid workers was **increased support for people who are out of work to find a job**. One half (48%) of low paid workers said they wanted to see this. Other workers in London were even more likely to want to see this happen (59%),
- This was followed by **support for an increase in Universal Credit (43%) for jobseekers and an increase in the minimum wage (43%)**. Other workers in

London were marginally more likely to support an increase in Universal Credit (47%), but less likely to support an increase in the minimum wage (37%),

- The fourth most popular measure among low paid Londoners was **increased training for those who are out of work**. This was supported by two out of five (41%) low paid workers. This was the second most popular among other workers Londoners, with one out two (51%) supporting it.

Figure 7 – Low paid workers want to see increased support for job-seekers and an increase in Universal Credit

Views on changes respondents would like to see after the outbreak, by pay



Source: L&W analysis of polling of workers in London

Next steps for the research

These early findings into the impact of coronavirus show that London’s low paid workers were disproportionately impacted by the outbreak during the lockdown, with some groups, such as women, at even greater risk. The final report will be published later in the summer. It will extend the analysis presented here, drawing further on the impact and experiences of low paid workers, a series of recommendations for policy makers.

Appendix – Research approach

Our analysis aims to show how the initial stages of the Coronavirus crisis have impacted on low paid workers and low-income working households in London.

The principal data source we have used is the first wave dataset of the special COVID surveys undertaken as part of the Understanding Society programme.

The data was collected from existing Understanding Society panel members, and the survey was undertaken in April 2020.

We have linked this survey to the immediately prior full wave of Understanding Society, covering 2017-2018, to provide additional information.

While the COVID survey has a good response rate (over 14,000 responses), the survey covers all those over 16, including many over 66, and also the whole range of pay. Therefore, the number of actual respondents who are both low paid and in London are relatively small. As a result, we have used the Understanding Society dataset to define a series of regression models examining factors that are known to be related to low pay, and then applied these regression models to a Labour Force Survey dataset comprising all respondents over the last two years. In this Labour Force Survey dataset, we have defined each of the outcome measures as having a predicted probability of greater than 50 per cent of the outcome, using the models derived from Understanding Society.

We have defined low paid as having hourly earnings below 2/3 of median hourly earnings in the latest full Understanding Society data (which has earnings that can be converted to hourly earnings). This low pay definition (applied nationally) approximates to the non-London Living Wage in 2017-2018 when that Understanding Society dataset was collected (over a full two year period).

We have defined low income using the Understanding Society COVID module, which asks for household earnings at the baseline (before COVID) and in the latest period (given the survey was taken in April). The definition we have used for low income is 60 per cent of median household earnings at baseline. We have defined people who have become low income as people whose current income was below the baseline threshold, but their baseline household earnings were above.

The outcome measures we have examined are whether people have been furloughed, whether people are key workers, whether they have been working at home, and whether the household earnings has fallen into the 'low income' group.

However, there are caveats to the approach we have taken. The Understanding Society dataset (including the COVID module) has relatively few respondents in a number of categories that are known from other analyses to be low paid. This includes young workers and workers of Bangladeshi ethnicity. Therefore the models derived from this data source do not predict low pay for people in these categories. We expect that as more data

becomes available, including subsequent monthly waves from the Understanding Society programme, Labour Force Survey datasets and additional data from the ONS and other organisations, these gaps may be able to be filled.

For the definition of low pay, we have compared the results of our modelled dataset with data published by the ONS prior to the Coronavirus crisis on the numbers of people paid below the Living Wage in April 2019, by local authority, using the London Living Wage as the definition of low pay.

Using this comparison, the modelled estimates for low pay are substantially smaller than the observed ONS data from the Annual Survey of Hours and Earnings. Some of this may be due to using a definition of low pay that is lower than the London Living Wage, so we are dividing the pay profile into two parts at different points, and some to the issues identified above concerning difficulties in identifying young and Bangladeshi low paid people. In other respects, the modelled profile looks robust