

Tracking pay and employment for low-income Londoners

April 2021

Training and skills essential to lead London's jobs recovery

As the UK economy recovers coming out of the third national lockdown, London's labour market continues to recover more slowly than the rest of the country. Between December 2020 and March 2021, the number of people claiming unemployment-related benefits in London has increased by 4.9%, higher than the 3.8% seen for the rest of the UK. This amounts to an increase in unemployment of about 24,000 in the capital.

As of April, job vacancy numbers remain about 14% below pre-pandemic levels in London. This contrasts with the rest of the UK where vacancy numbers have recovered and are now above pre-pandemic levels. While opportunities may be starting to open up, it is clear that many Londoners are still struggling with falling pay and rising debts. Our March 2021 data shows that a higher proportion of our working residents (including those furloughed) earn less than the London Living Wage (currently £10.85 per hour) now than they did in the summer.

We are committed to helping low-income Londoners into decently-paid work. Our latest survey finds that many are open to working from home and self-employment. However, the lack of digital skills to work remotely prevents many from taking advantage of these opportunities. Thirty-four percent of our working residents have faced changes to their jobs that require new skills. Many of them have had on-the-job training, signalling an emerging skills gap between those in and out of work during the pandemic.

We're especially concerned about the welfare of those who rely on Universal Credit (UC) – a number likely to rise significantly as the furlough scheme is wound down. We welcome the six-month extension of the £20 per week uplift, however we call for this to be made permanent, with additional programmes put in place to ensure UC claimants have viable routes into employment.

London continues to be disproportionately affected by the economic fallout of the pandemic. Londoners need central government help to make the most of a post-lockdown recovery. That's why we're calling for:

- A London Recovery Fund to reverse the rising poverty crisis in the capital with funding for skills and retraining, and access to mental health and wellbeing support for people hardest hit.
- A strengthened safety net – to reduce the five-week wait for Universal Credit and make the extra £20 per week for claimants permanent.

Index measures (updated for each bulletin)

38%

of our working residents have either lost their job, been furloughed or are working fewer hours as a result of the lockdown, on par with 38% in October 2020.

28%

of our residents report being in a desperate financial situation, on par with 27% in January 2021.

0.4%

Inflation in cost of living for London social housing residents in March, unchanged from 0.4% in January. Lower inflation may be offset by lower wages, with more than one in three of our working residents now earning below the London Living Wage.

12%

of our residents fear someone in their household will lose their job in the coming months, down from 14% in January 2021.



About the Index

London leads progress in the UK in many areas, but its dynamism can make it a challenging place for low-income residents to cope financially. Since 2018, we've been tracking the employment and pay of low-income Londoners. Now, as the UK eases out of our third national lockdown, our latest bulletin monitors the experiences of working age residents – including those who have been furloughed or lost their job.

This bulletin was produced in partnership with the Social Market Foundation, which provides analysis of public data (see www.smf.co.uk for the broader analysis). To support this analysis, we've now surveyed over 2,500 of our social housing residents of working age to learn how their employment status and pay have been affected by the pandemic. The data presented includes survey responses from our latest survey of 500 working age residents in March 2021, as well as drawing on previous surveys in June, August and October 2020 and January 2021. Our research has helped us identify key themes and practical policy solutions.

High unemployment and low pay despite furlough extension and lockdown easing

Unemployment remains elevated in the capital. In March 2021, the unemployment claimant count in London rose by about 6,000 compared with February and stands 24,000 higher than at the end of last year. According to our survey, young adults aged 18-25 and ethnic minorities are more likely to be furloughed or to have lost their jobs due to the pandemic.

Finances are worsening among those worse off. Our Peabody resident survey finds rising levels of debt. More than one in four of our residents reported being in desperate financial straits in March 2021. Among them, a growing group report utilities and credit card debts being above £1,000 – the 28% of residents reporting a desperate financial situation in March, 74% reported debts above £1,000, a five-point increase from January.

Among those in work, there are high levels of low pay, according to our March 2021 survey. One in three (34%) of our working residents (including those currently furloughed) earn below the London Living Wage. Low pay, job loss and working fewer hours have reduced the incomes of 38% of our working age residents. This fall in income contributes to difficulty paying for essentials – one in five of our residents are either taking out a loan or using credit they are having trouble paying back simply to buy essentials. We welcome the Government's decision to extend the original furlough scheme and £20 per week Universal Credit uplift. However, the latest evidence suggests that further financial and employment support are needed to ensure the post-lockdown economic recovery does not widen existing gaps.

Planning for post-pandemic London: The future of work in the capital

Among Peabody residents, only a third of those who have lost their job during the pandemic have found a new job. Our latest Peabody Index survey focused this time on how to best prepare for the future economy of a post-pandemic London.

We found that digital skills training for remote working is needed for low-income Londoners to take the most advantage of opportunities presented by a recovering economy. Analysis of job vacancy data shows that

London job openings are still 14% below pre-pandemic levels, despite the rest of the country having fully recovered. There are concentrations of vacancies in high-skilled sectors such as IT, accounting and finance – raising questions of a potential skills mismatch with the sectors with high rates of job loss such as hospitality and retail. Some of the areas where vacancies exist are those that require lengthy training and qualifications, but we found significant interest in retraining and reskilling among our residents.

Having said that, there are signs that the easing of lockdown is translating into more job opportunities in the hospitality sector. While hospitality accounted for 2.6% of all job vacancies in London in February, this has doubled to 5.2% in April.

Signs of recovery, but support still needed for the low paid and unemployed

Our previous Index bulletin in February called for increased attention to the government's safety net, and we've since seen the need grow. In January our Universal Credit report found that among our residents, the number claiming Universal Credit more than doubled, increasing by over 130% in the first six months of the pandemic. Despite encouraging signs of recovery, more help for the most vulnerable is needed to provide support during upcoming economic challenges.

Homeworking

Three out of ten of our social housing residents currently work from home. Many cited broadband capacity and digital skills as key barriers to productive working from home. Social Market Foundation analysis found that Londoners favour working from home more than their counterparts elsewhere in the country, and other research suggests that about one third of them expect to work from home more in the future. Addressing these digital access challenges will therefore be important for supporting residents facing a future that includes flexible working.

Skills development for post-pandemic London

Thirty-four percent of our working residents say the skills or knowledge needed to do their job has changed permanently since the pandemic began. Many said they had acquired new skills in response to changing needs.

"I have acquired new skills from having to work in different departments within the hospital."

"I had to undergo some training ... how to access and use the company's online systems remotely from home."

“Learning to teach online and to use various softwares has changed teaching totally. We had an increased amount of inset training days.”

While we expect the number of job vacancies in London to continue recovering in 2021, we have found a need for new skills geared towards a post-pandemic economy. Many residents reported that they would need retraining to re-enter the job market:

“I am a taxi driver. The council has closed so many streets since March 2020 and it will take me some days to retrain.”

“I will need training in wearing and cleaning of PPE.”

“I have had to learn a lot of technological skills in doing things online. I am looking into training on using IT systems more efficiently.”

About half reported that they would need to undergo a dedicated training period. Reliance on new digital skills represents the single largest category of change that may last long after the pandemic. For the 9% of our residents who have lost their job due to the pandemic, public digital skills programmes would help to bridge a potential digital skills gap.

Self-employment

In a year where full-time employment has been very precarious, we see self-employment on the rise. One in ten of our residents are self-employed, 20% of whom became self-employed since the pandemic began. Peabody employment teams are using our established self-employment enterprise programme as a way for low-income Londoners to thrive. This year we supported Thamesmead businesses that won local business awards.

Many residents reported an interest in becoming self-employed, though they are at different stages of knowledge and opportunity, including those who need to start from scratch:

“I have an idea of what I want to do but don't know how to go about it.”

“I would need to do a course first so not rushing to do it.”

Some need extra funding to get started,

“I first considered starting my own business before the pandemic began but since then, I haven't had the capital to actually do so.”

“I want to be able to do something but I do not have the means..”

Others need to develop digital skills.

“I am a qualified psychotherapist by training. I am thinking about setting up virtual consultations.”

Policy ask

A London Recovery Fund to reverse the rising poverty crisis in the capital. Funding for skills, retraining and access to mental health and wellbeing support for people hardest hit.

Policy ask

Strengthened safety net – reduce the five-week wait for Universal Credit and make the extra £20 per week for claimants permanent.

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