

Tracking pay and employment for low-income Londoners

November 2020

Capital's residents need stronger safety net amid new wave of lost jobs and lower pay

London is hit harder than the rest of the country from the impact of Covid-19, with an accelerating number of Londoners losing their jobs in the second half of 2020. This worrying rise in unemployment coincided with uncertainty among employers as they anticipated the end of the Job Retention Scheme ahead of our second national lockdown. Additional barriers to work are felt by the 26% of our working-age residents who live with a long-term illness or disability as well as working parents who now have no access to breakfast or after-school clubs.

Our findings also show a persisting shortage of jobs in the capital, with 44% fewer vacancies than pre-pandemic levels, compared with only 11% fewer for the rest of the UK. Among our residents, just 15% of those who have lost their job since March have found another job.

As larger numbers of people lose their jobs, more are struggling to get by than before. To buy essential items, one in five of our residents have either had to take out a loan or buy on credit which they then have trouble repaying. For many still in work, pay is low and appears to be reducing. In October, 35% of our working residents reported earning less than the London Living Wage. This represents an 11 point increase from our August survey.

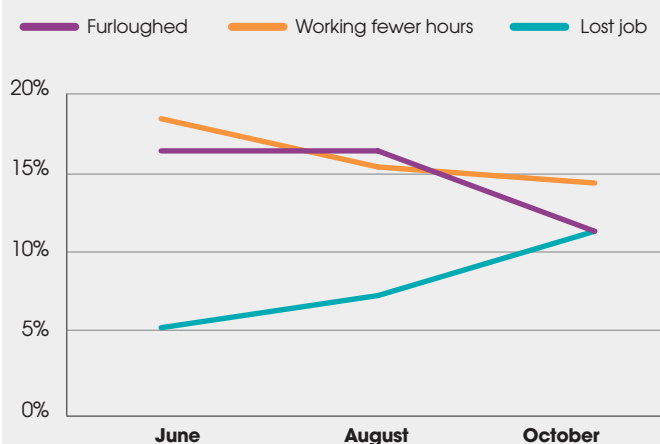
We're especially concerned about the welfare of an increasing number of people out of work who have to rely on Universal Credit. Although employment support schemes saved many from hardship during the initial lockdown, there is a moving need from job retention to adequate support for the unemployed.

To prevent widening inequality, we're asking the government to join our support for:

- A stronger safety net – scrapping the five-week wait for Universal Credit and making permanent the extra £20 per week for claimants.

Index measures – updated for each bulletin

Figure 1 Change in employment trends
(Source: Peabody working age resident survey, 2020)



36%

of our working residents have either lost their job, been furloughed or are working fewer hours as a result of the lockdown. The proportion furloughed has dropped as the original furlough scheme was due to expire. The percentage of our working residents who have lost their job now matches the proportion furloughed.

25%

of our residents report being in a desperate financial situation, up from 18% in August.

0.5%

Inflation in cost of living for London social housing residents in September. A lower cost of living may be offset by lower wages, with more than one in three of our working residents now earning below the London Living Wage.

22%

of our residents fear someone in their household will lose their job in the coming months, up from 14% in August.

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 initial lockdown eases and we are one week into our second national lockdown, this is our third bulletin monitoring the experiences of residents.

This bulletin was produced in partnership with the Social Market Foundation, which provides analysis of public data (see www.smf.co.uk for the full report). To support this analysis, we've surveyed 1,520 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 June, August and October 2020. Our research has helped us identify key themes and practical policy solutions.

A second spike in unemployment

Our most recent bulletin highlighted concerns over the future of the many on furlough. We welcome the government's decision to extend the original furlough scheme at 80% of wages until the end of March 2021. This much-needed extension – replacing the government's previously proposed lower rate of furlough and less generous job support scheme – coincides with a spike in job losses. August to October brought a 1.2% increase in London's claimant count unemployment rate, while the UK saw a decline of -2.8%. This increase equates to 5,550 additional people out of work in London between August and October. Figure 2 shows that September accounted for 25% of all job losses among Peabody social housing residents since March – more than any month since the pandemic first struck. Despite the recent extension of the scheme, job loss figures suggest the government should allow more time for employers to plan for furlough changes.

We are now also seeing a continuing trend of certain areas of London being hit harder. The unemployment claimant count is now over 10% of working age adults in four boroughs: Haringey, Barking & Dagenham, Brent and Newham.

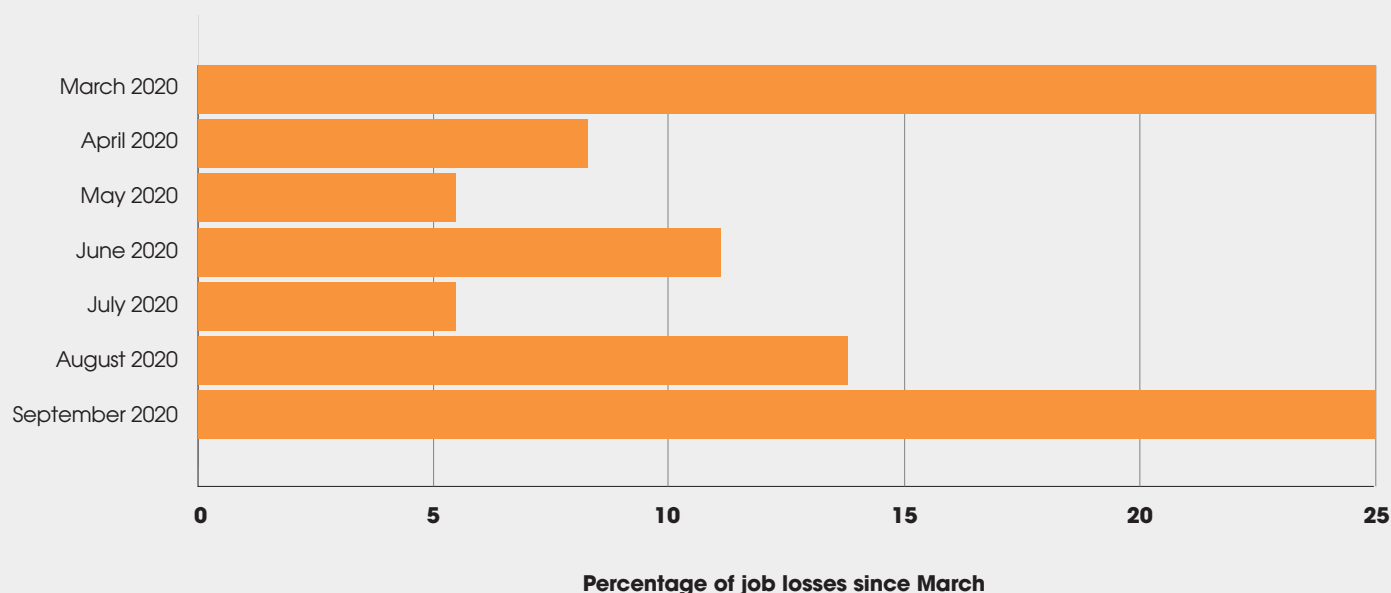
Job losses have come in sectors that have experienced high levels of furlough. Among our residents, more than 10% of those working in leisure/tourism and retail have lost their jobs since March. We're concerned about further job losses in these sectors and others with high rates of furlough including food, education and childcare, communications and transport.

Last summer saw a shift to older workers losing their jobs at higher rates, but recent job losses have again been concentrated in those below the age of 25. Seeking to address this trend is the Government's Kickstart Scheme, which incentivises job creation for those age 16-24.

Our last bulletin found that ethnic minority Peabody residents were more likely to lose their jobs, and new findings show that this holds true across the capital. Analysis of the Labour Force Survey shows that black Londoners account for 16% of the recently unemployed, despite accounting for 10% of the economically active population in the city. Conversely, white workers have been losing jobs at 15% lower than their representation in London.

"I've been struggling to help my daughter while also going back to work, which is why I'm only part time"

Figure 2: Job losses by month
(Source: Peabody Resident Survey)



Londoners face lack of opportunity and barriers to working

The fallout from these job losses is compounded by a severe lack of opportunity as job vacancy recovery in London has trailed the rest of the country. Figure 3 shows that London vacancies are 44% below their pre-March levels, compared with 11% across the rest of the UK. Among Peabody residents, only 15% of those who have lost their job during the pandemic have found a new job.

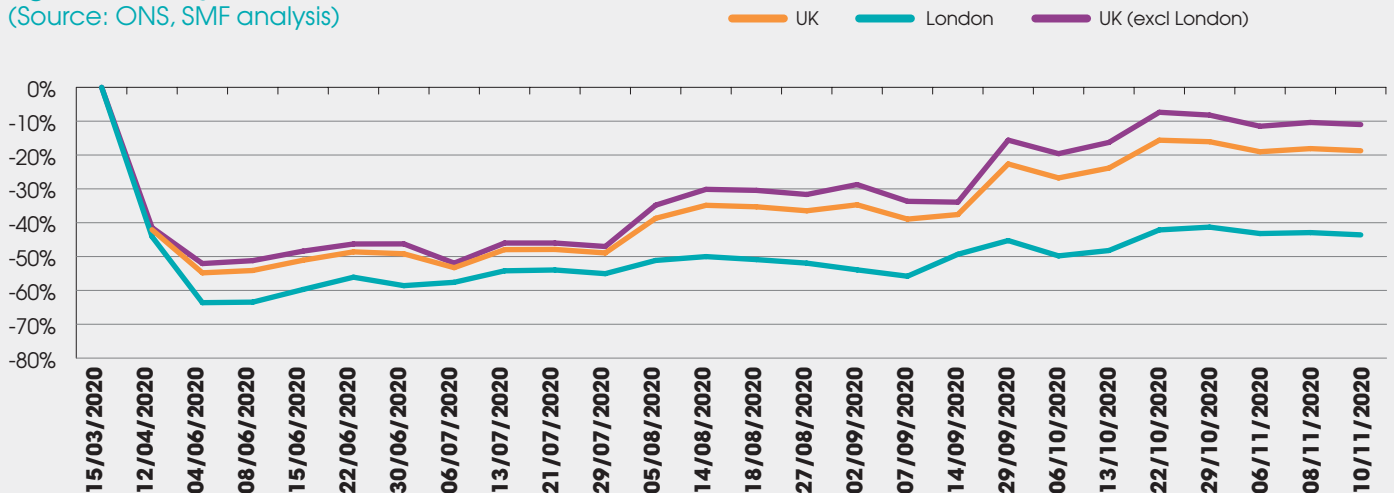
We also find the pandemic worsening barriers to work among certain social housing residents, including 26% of working-age residents who report a long-term health issue that makes it difficult to find or hold down a job. Working parents are also experiencing continuing challenges that extend from the first lockdown, citing the unpredictability of responding to school-based outbreaks and the lack of breakfast and after-school clubs. Although schools are remaining open during lockdown, these issues are likely to be exacerbated by the closures of more businesses and expected continuation of job losses.

Support needed for the low paid and newly unemployed

Among those still working, pay is low. More than one in three of our working residents report earning below London Living Wage, up from 24% in August. Low pay, job loss and working fewer hours contribute to difficulty paying for essentials – one in five of our residents report either taking out a loan or using credit they are having trouble paying back simply to buy essentials. Even worse, one in four of our residents reported being in desperate financial straits in October. Among them, most had utilities and credit card debts above £1,000.

The concerning trends of job losses and barriers to work call for increased attention to the government's safety net. Among our residents, the number claiming Universal Credit (UC) has more than doubled, increasing by 130% since March. Our 2019 report *The Impact of Universal Credit* showed that the 5-week wait for the first UC payment led to unrecoverable high arrears and debts. While the wait remains the primary concern, we recognise that the extra £20 per week given during the pandemic has been a lifeline for UC claimants. A forthcoming report will explore these trends during the pandemic.

Figure 3: Change in job vacancies
(Source: ONS, SMF analysis)



“I have health issues that meant I had to self-isolate during lockdown. I cannot do my job from home so should the issue come up again I would be dependent on either my company or the government to support me.”

Policy ask

Universal Credit should remove the five-week wait for the first payment, especially during a time when thousands of Londoners are losing their jobs each month during the pandemic. We also join the growing calls for the additional £20 per week to be made permanent.

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