

Tracking pay and employment for low-income Londoners

February 2021

Spike in furlough and low pay in capital prompts fears of a new wave of job losses and growing hardship and inequality

Whilst every region in the UK faces challenging circumstances, London's labour market continues to fare worse than the rest of the country. The capital has the highest unemployment rate in the UK at 7%. There are twice as many furloughed employees in London and the South East than in Scotland, Wales and Northern Ireland combined.

Job vacancy numbers remain 26% below mid-March levels in London. This contrasts with the rest of the UK where vacancy numbers have recovered and are now slightly above mid-March levels. Low-income Londoners are also experiencing falling pay and higher debts as the economic shutdown continues. Our January data shows that a higher proportion of our working residents (including those furloughed) earn less than the London Living Wage of £10.75 per hour than in the summer.

Londoners' emotional health, life satisfaction and anxiety are also significantly worse than in other areas in the UK. Nowhere in England has experienced a larger decline in life satisfaction than London (9.3%). Lower income Londoners were particularly badly affected during lockdown (17.4% decline in life satisfaction).

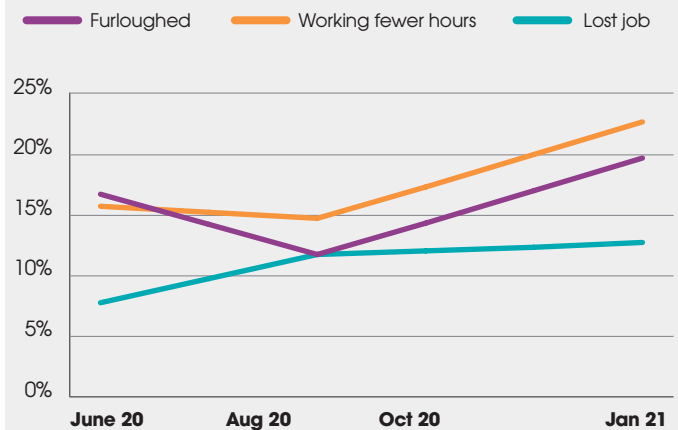
We're especially concerned about the welfare of the increasing number of people out of work who rely on Universal Credit. It is unthinkable that government could cut financial support in this Budget for people in the most precarious financial circumstances. A cut at this time would condemn people to increased and ongoing poverty and hardship.

London continues to be disproportionately affected by the pandemic and the economic shutdown. Londoners need central government help to recover. The Budget on 3rd March should provide for a comprehensive package of support and recovery plan to include:

- 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.
- Continued furlough and other targeted support for businesses until all sectors of London's economy is reopened.
- Strengthened safety net – reduce the five-week wait for Universal Credit and make the extra £20 per week for claimants permanent.

Index measures (updated for each bulletin)

Figure 1 Change in employment trends (Source: Peabody working age resident survey, 2020-2021)



54%

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

27%

of our residents report being in a desperate financial situation, up from 18% in August 2020.

0.4%

Inflation in cost of living for London social housing residents in January, marginally down from 0.5% in September. 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.

14%

of our residents fear someone in their household will lose their job in the coming months, on par with the percentage in August 2020.

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 enters the third month of our third national lockdown, our fourth bulletin monitors the experiences of residents 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 full report). To support this analysis, we've surveyed over 2,000 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 as well as our latest resident survey in January 2021. Our research has helped us identify key themes and practical policy solutions.

Rising rates of furlough and fewer hours worked threaten new wave of job losses

Unemployment remains elevated in the capital. In January 2021, the unemployment claimant count in London stood at 485,180. While this is about 4,000 lower than in December 2020, it is over 300,000 (173%) higher than a year ago.

Figure 1 shows that among Peabody residents, rates of furlough and working fewer hours have spiked during the second and third national lockdowns. In January 2021 we found that for the first time over 50% of our working-age tenants have had negative employment outcomes during the pandemic. We welcomed the government's decision to extend the original furlough scheme at 80% of wages until the end of April 2021. However, the latest evidence suggests that the job retention scheme will need to continue, certainly for some sectors and industries, for a longer period if we are to avoid a new surge in job losses.

"There's not any jobs available with the shops shut. I can only work certain hours due to child-care as well."

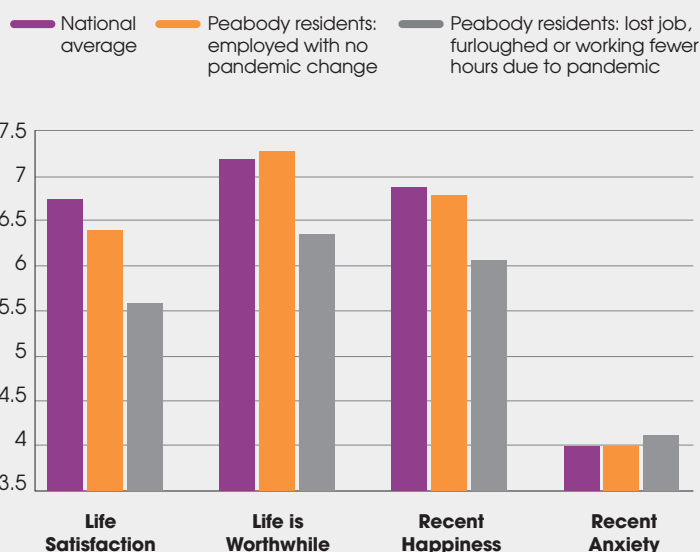
Negative employment change linked with poor wellbeing

Unsurprisingly, the spike in furlough, job losses and working fewer hours is linked with poorer wellbeing. London, which has consistently faced a bigger rise in unemployment during the pandemic compared with the UK as a whole, has shown the largest decline in life satisfaction during lockdown. The decline was particularly strong for lower-income Londoners.

Analysis of our resident survey mirrors these findings. Our survey in January 2021 included the ONS4 personal wellbeing measure, which has been used to track wellbeing across the UK through the pandemic¹. Figure 2 shows that among Peabody residents who have remained in work during the pandemic, wellbeing levels are on par with the national average. In contrast, those who have either lost their job, been furloughed or are working fewer hours report worse wellbeing outcomes. This link remains regardless of gender, ethnicity, pay level or Universal Credit claimant status. This suggests steady employment is key to protecting wellbeing. Amid the ongoing employment crisis, it will be critical to have more investment in clinical and community-based mental health support.

Our January data shows 38% of our working residents (including those furloughed) earn below London Living Wage of £10.75 per hour, up from 24% in August 2020. 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 more starkly, more than one in four of our residents reported being in desperate financial straits in January 2021. Among them, most had utilities and credit card debts above £1,000.

Figure 2: Wellbeing in the UK, January 2021
(Source: ONS; Peabody working-age resident survey)



¹ <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/january2021>

“Just before lockdown I applied for a loan and am struggling to pay it back now that I’m out of work.”

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

Analysis of job vacancy data shows that London job openings are recovering more slowly than the rest of the country despite the highest number of vacancies since April 2020. 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. Among Peabody residents, only one third of those who have lost their job during the pandemic have found a new job. Future research will explore how to best prepare for the post-pandemic economy. However our current evidence calls for urgent action to help those who have lost work and those who are likely to lose work.

Our previous Index bulletin in November 2020 called for increased attention to the government’s safety net, and we’ve since seen the need grow. In January 2021 we published [Credit where it’s due? Claiming Universal Credit during the Covid-19 pandemic](#). It found that among our residents, the number claiming Universal Credit has more than doubled, increasing by over 130% in the first six months of the pandemic. While the wait for the first payment remains the primary concern, we recognise that the extra £20 per week given during the pandemic has been a lifeline for claimants. Losing that uplift during persisting low pay and furlough would be devastating for many.

“Losing that extra £20 a week would have quite a significant impact, as that extra bit of money helps out with paying the bills which have gone up as we’re spending more time at home.”

“When I get my benefits I straight away pay bills and whatever I have left is for food, I’m just about coping. I had to go into my overdraft over Christmas.”

Policy ask

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

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

Continued furlough and other targeted support for businesses until all sectors of London’s economy is reopened. This will be needed to prevent a fresh wave of job losses in the spring.

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