

Tracking pay and employment for low-income Londoners

July 2020

Low-income Londoners bear brunt of Covid-19 economic fallout

By tracking the economic impact of Covid-19, we've found that Londoners, especially young adults aged 16-34, have been harder hit than those in other areas of the UK. Our findings show that low-income Londoners, including our residents, are experiencing huge challenges due to loss of income following changes in their employment status. Alongside increasing unemployment, job availability has collapsed, leading to an untenable rise in competition for work in the capital. The Job Retention Scheme and other employment support efforts have successfully kept the economy from collapse. However, we are concerned about the long-term impact on the most vulnerable as these schemes are phased out.

Those still in work have faced a storm of pay cuts and reduced hours. The situation is compounded by the increased cost of living for basics such as food and utilities. This means low-income Londoners have increasingly dipped into savings or gotten into debt during lockdown. Many work in essential sectors and are paid below London Living Wage. Despite this, they have still put themselves at risk throughout lockdown. A third of our working residents earn below the London Living Wage of £10.75 per hour.

Even those in work have become more dependent on Universal Credit, the government's digitalised benefit system that is often subject to long waits and miscommunication.

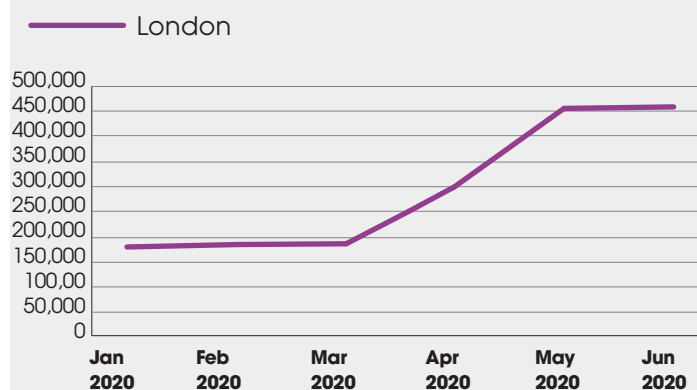
The government's employment support schemes have cushioned the economy during the initial lockdown, but targeted support will be needed longer term. Our analysis reveals trends that have the potential to widen existing inequality in London and the UK.

We're asking the government to join our support for:

- Incentives for job creation for those up to age 34.
- The mayor's call to pay the London Living Wage
- Scrapping the 5-week wait in the Universal Credit system to stop people falling into debt.

Index measures – updated for each bulletin

Figure 1 Trend in the claimant count in London



Source: ONS; SMF analysis

146%

The increase in London's unemployment claim count, compared with 107% across the UK. A total of 272,000 Londoners have been put out of work since lockdown began.

42%

of our working residents have either lost their job, been furloughed or are working fewer hours as a result of the lockdown.

0.7%

Inflation in cost of living for London social housing residents in June, down from 1.3% in January 2020. Despite the decline, in May and June social housing residents faced a higher inflation rate than other households in London for the first time in five years.

20%

of our residents report that they are in a desperate financial situation

13%

of our residents fear someone in their household will lose their job in the coming months.

About the Index

London leads progress in many areas, but its dynamism can make it a challenging place for low-income residents to cope financially. Since 2018, in-depth Peabody Index reports have tracked the employment and pay of low-income Londoners. In response to the unprecedented lockdown gripping the UK economy, we've now adopted measures to more regularly track that change.

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 412 of our social rented households to learn how their employment status and pay have been affected by the pandemic. Our research has helped us identify key themes and practical policy solutions.

Unemployment hits youngest hardest during Covid-19

We've identified that unemployment, especially among young adults aged 16-34, has risen more rapidly in London than elsewhere. Of the 272,000 jobs lost in London, deprived areas and younger people have been worst hit.

Figure 2 Claimant count measure of unemployment, % change between March 2020 and May 2020 by age group (Source: ONS; SMF analysis)



“I have lost the extra work that I did over the weekends that provided valuable income.”

Current re-employment opportunities more than halved

Despite some pick-up as lockdown has eased, job vacancies in London in mid-July were 54% lower than in mid-March, prior to lockdown. This is greater than the 46% decline in vacancies seen in the rest of the country, increasing the number of out-of-work people competing for each available position. There are now about five out-of-work benefit claimants for every vacancy in London. Analysis of job vacancy data shows that the most available jobs are in high-skilled sectors including IT, teaching, accounting and finance and healthcare. Low-income Londoners disproportionately work in other sectors impacted by the lockdown. The government's Job Retention Scheme has kept their heads above water. However, with the scheme tapering in the coming months, we fully anticipate their circumstances to worsen if further measures are not taken.

Policy solution We support a new scheme focusing on employment opportunities for those aged 25-34. The Kickstart Scheme for those age 16-24 will provide valuable opportunities to younger adults. However, more can be done to address the larger share of job losses among those aged 25-34 in London.

Low pay, unstable contracts, and a near doubling of in-work Universal Credit claims

The lockdown has led to many facing pay cuts and reduced hours. In London, Universal Credit applications have more than doubled among people in work, and employee earnings will decline 7.3% this year across the UK, predicts the Office for Budget Responsibility.

Figure 3: Percent change in in-work Universal Credit claims between March and June 2020



Source: ONS; SMF analysis

Almost half of Peabody residents on reduced pay

Low-income Londoners have less money coming in. Among Peabody residents, about 40% of those working have experienced some form of pay cut:

16%

are furloughed with a 20% pay cut

18%

are working fewer hours

5%

lost their job

A third of our residents report earnings below the London Living Wage, and one in five are on zero-hours or minimum-hours work contracts. We're especially concerned about the gloomy financial prospects of those who have been furloughed and may face redundancy as the Job Retention Scheme is lifted.

The pandemic has highlighted just how much we rely on essential services provided by low-income workers. Half of our working residents (49%) report being in essential sectors, 72% of whom continued traveling to work throughout lockdown. We appreciate and applaud them for putting themselves at risk during a critical time, and we call for their pay to give them a decent amount to live off.

Policy solution

We support the mayor's call to pay the London Living Wage of £10.75 per hour. A third of our working residents report earning less than this standard, which is meant to allow for a decent life in the capital.

Rising food, utility costs felt deepest by low earners

While higher-earners have been able to save money during the lockdown, 37% of our residents report spending more than before, citing higher food and utility bills. These increased costs will potentially drive more low-income Londoners into debt. Of those spending more, 42% report not having savings, and more than 10% of our residents say they haven't been able to afford some necessities since lockdown began.

The number of our residents who have applied for Universal Credit increased by 36% since the lockdown took effect, and many have reported problems. Our previous research shows that a spike in extreme debt occurs during the initial five-week wait for UC payment.

“It's hard if you do not have any computer skills. It's also hard because you have to wait five weeks before you know anything”

Policy solution

We continue to call for the scrapping of the minimum five-week waiting period between applying for Universal Credit and the first payment. This will prevent people from falling into debt.

Research by
Amy Norman, Scott Corfe, Greg
Windle & Lucy Worrall

Case studies and copy
consultation by
Dominic Wood

For information about our survey
and analysis methods, please
contact us at
research@peabody.org.uk.

Peabody
45 Westminster Bridge Road
London SE1 7JB
peabody.org.uk