

What the first COVID-19 lockdown meant for people in insecure, poor-quality work

While workers across the country have faced huge financial difficulties over the past year, our analysis shows that people in poor-quality jobs have felt the effects differently. Despite the measures to support incomes and jobs during this period of enforced social distancing, many workers have been cast adrift by gaps in the Government's support. We may be in the same storm, but we are not in the same boat. People struggling to escaping poverty, and people more likely to experience in-work poverty, have been put under even greater pressure during COVID-19 because they are at significantly higher risk of losing their job or having their hours reduced. It is important the Government recognises that financial challenges are heightened for some workers, and makes job quality a priority as we aim to 'build back' with a stronger economy.

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Key findings:

- Workers who have fallen through the cracks in the Government schemes were those most exposed to insecurity and most at risk of poverty. People on zero-hours or temporary contracts were four times more likely to lose their job, and self-employed people were three times more likely to stop working compared to people on permanent contracts. The lowest-paid workers and part-time workers were twice as likely to lose their jobs compared to the highest paid.
- Workers in poor-quality jobs in terms of security, hours and pay were disproportionately at risk of losing their job or having reduced hours, even compared to workers in the same sector and with the same personal and other job characteristics.
- The results highlight one of the dangers of having a large number of insecure jobs during an economic downturn, and the need for a long-term solution where job quality should be a priority in order to deliver a stronger, fairer economy for the future, and better-quality jobs for low-paid workers across the UK.

Introduction

Regardless of their nature, recessions have always had a negative impact on people's living standards. This is usually spread unequally, with rising unemployment and falling earnings more pronounced among lower-income households (Pacitti and Smith, 2019).

The recession generated by the COVID-19 pandemic seems to be even more unequal than the previous ones due to its sectoral nature. Both economic and health risks were concentrated in sectors characterised by a high incidence of low-paid workers and higher risks of in-work poverty. While workers across the country have faced huge financial difficulties over the past year, it's important to recognise some were more exposed than others. Indeed, workers in the most insecure and precarious economic situations have borne the brunt of the crisis and its aftermath.

During the pandemic, the Government's unprecedented response has protected jobs through the Coronavirus Job Retention Scheme, and the Self-employed Income Support Scheme, and supported incomes with the £20 increase to Universal Credit, mediating many of the potential impacts on workers. However, despite the support schemes our analysis shows that some workers still experienced job loss or reduction in hours, and it is those that had the lowest pay and least secure contracts that were hit the hardest.

We already know insecure workers have been at higher risk in this economic storm

Even before the COVID-19 pandemic struck, we were worried about the scale and nature of insecurity experienced by workers in the UK, especially those on low pay. We consider work to be insecure when uncertainty about hours of work prevents workers having a secure income, or when weak employment rights and benefits offer little provision for emergencies or changes in circumstances. Our best estimate is that as COVID-19 hit there were at least 2.4 million workers in insecure working arrangements, and another 2 million low-earning self-employed people also likely to experience insecurity in their work. This adds up to roughly 13% of the workforce (McDonald and Şandor, 2020).

There is a considerable amount of research suggesting that some of these workers have been disproportionately affected by the pandemic. Many pieces have highlighted the concentration of risk amongst low-paid and insecure workers that comes from the sectors they tend to work in.

Recent IES analysis (Wilson and Buzzeo, 2021) finds that low-paid employees have been significantly more likely to have their hours reduced, be furloughed, or lose their jobs than people with higher pay. Drawing on their own polling, Resolution Foundation have clearly established that workers with 'atypical' contracts and the self-employed were among the hardest hit by the economic crisis (Cominetti et al, 2021) while research done by IFS has been drawing attention to a potential increase in inequalities in the aftermath of this crisis (Blundell et al, 2020). The latest JRF UK Poverty 2020/21 report discusses the impact that COVID-19 has had on people in poverty, and shows

that there is a great overlap between the risk factors associated with poverty and the characteristics of the groups of people hardest hit by COVID-19 (JRF, 2021).

Our analysis provides new insights on how workers in poor-quality jobs were worse affected by COVID-19, even once we account for the sector and characteristics of work

We wanted to know, for people working in the same sector and with the same personal characteristics, did the contract they were on (and other features of their job) affect how likely they were to be furloughed, lose hours, or lose their job?

Our methodology allows us to separate out the impacts of each of these factors and tell the story of the risks workers in poor-quality jobs faced during the first lockdown compared with better-off workers. We've focused our attention on job characteristics available in our data that are often considered good predictors for job quality, like type of contract, hours worked and pay (Irvine, White and Diffley, 2018).

Having job characteristics linked to in-work poverty increased the risk of losing work in the first lockdown

This analysis explores the relative risk of being furloughed, losing hours, or losing work, associated with the type of contract someone was on and other characteristics of their job, specifically for the first lockdown of the COVID-19 pandemic (April to June 2020).

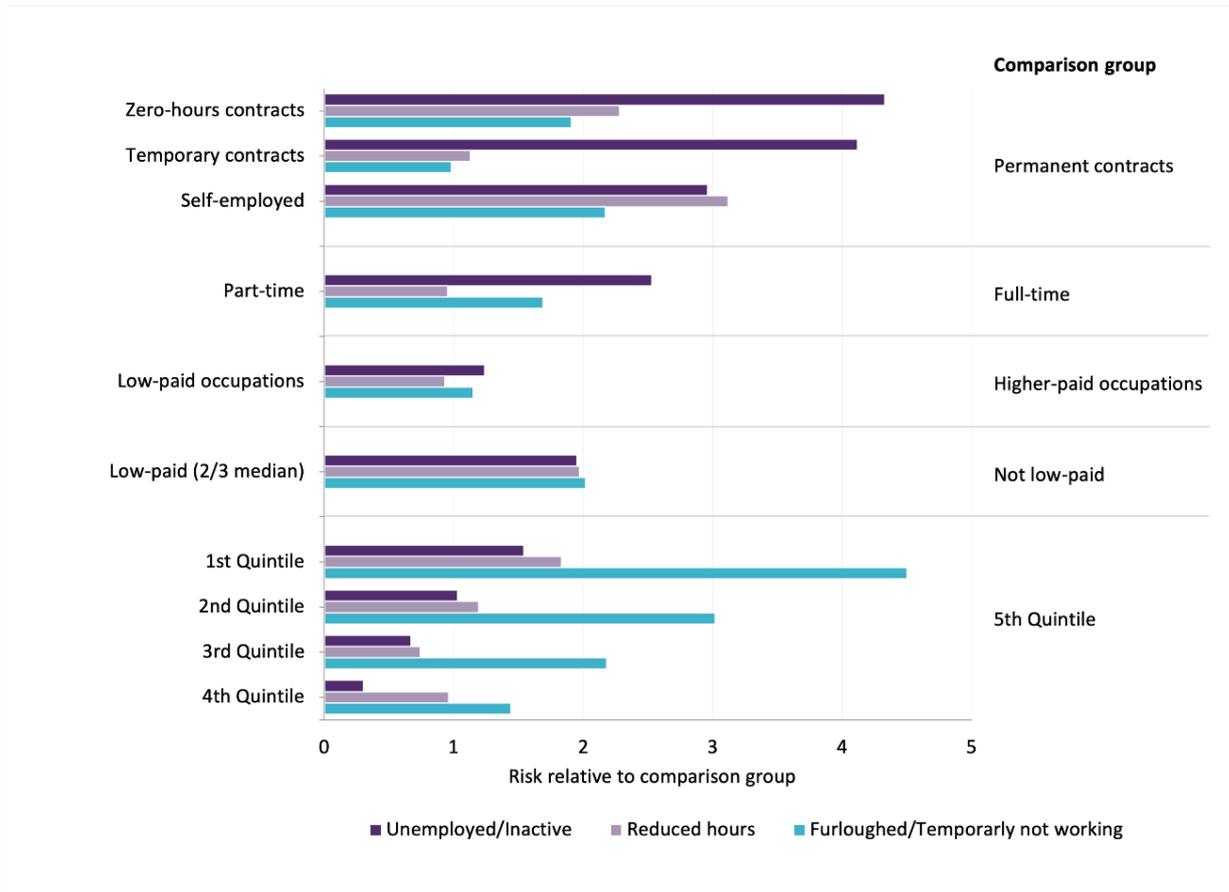
For example, by comparing two people working in the same sector and with the same demographic characteristics (such as age, gender, ethnicity, education) we can tell how much being on a zero-hours contract increases a person's chance of losing their job, relative to someone on a permanent contract.

- Workers on zero-hours and other temporary contracts were four times more likely to lose their job than workers on permanent contracts. The risk of a significant drop in working hours (more than 25%) was more than two times higher for workers on zero-hours contracts compared to workers with permanent contracts.

A possible explanation for these workers (agency workers in particular) having an increased risk of losing their job rather than being furloughed could be their employers' uncertainty about using the scheme for people with a complicated 'employment status', additional administrative costs, or in some cases the eligibility criteria of these schemes (Labour and European Law Review, 2020).

- Self-employed people were three times more likely to either become unemployed/inactive or to experience a significant reduction in their working hours compared with workers on permanent contracts. These findings confirm previous research suggesting that the support scheme has failed to reach many self-employed people due to tight eligibility criteria.

Higher risks in the first lockdown associated with insecure work or job characteristics linked to in-work poverty



Source: JRF analysis of Longitudinal LFS Q1-Q2 2020. (Analysis is restricted to people in employment/self-employment in Q1. Relative risks are estimated from a multinomial logistic regression on four mutually exclusive categories: remained in employment (base category), being furloughed/temporarily not working, working reduced hours or unemployed/inactive. We define as 'furloughed/temporarily not working' people employed in Q2 working positive hours in Q1 but zero hours in Q2. We define as 'reduced hours' if working hours in Q2 were at least 25% less than hours worked in Q1. We control for the age, gender, ethnicity, education level, presence of children under five years old, marital status, disability status, region, industry. Temporary contracts include working for an employment agency, casual type of work, seasonal work, done under contract for a fixed period/fixed task. We define zero-hours contract as all workers declaring this contract, independent of them being self-employed or a permanent or temporary employee).

- Part-time workers were two-and-a-half times more likely to lose their jobs, and 70% more likely to be furloughed, compared with full-time workers. Given the fact that we control for gender, age and parenthood these results may pick up involuntary part-time workers. This is a worrying result as it suggests part-time workers are less attached to the labour market as they were among the first to be made redundant.
- Our analysis shows that even after accounting for sector, workers in low-paying occupations (as defined in Low Pay Commission, 2017) were 24% more likely to lose their jobs and 15% more likely to be furloughed. For example, this result would suggest that within retail a shop assistant would have been more likely to lose their job than a store manager. These higher risks of low-paid occupations might be associated with the ingrained characteristics of the jobs that go beyond pay, and are about the ability to do that particular job from home. It might also be the case that when businesses are faced with the decision of laying off workers, they choose the workers with less firm-specific skills or knowledge. This could

represent a new dimension of inequality that the COVID-19 pandemic has brought to other well-established inequalities like gender, ethnicity, and disability.

- Looking at various risks across the earnings distribution (not including the self-employed) we can see that workers in the lowest fifth of earners were almost two times more likely to lose their job or experience a reduction in working hours than the highest fifth of earners. Overall, workers paid less than two-thirds of the median were around two times more likely to lose their job and have their working hours reduced. The higher risks faced by the lowest earners, even after considering other job characteristics like sector, occupation, and contract type, highlight the severity of the earnings gap in the UK labour market.

Workers with insecure contracts, working part-time or on low pay, were more likely to slip through the gaps in the job support schemes in the first lockdown

The role of the Government job support schemes was to protect as many jobs as possible in the sectors hardest hit by lockdown requirements. These sectors have higher proportions of low-paid workers and insecure contracts than sectors less affected by lockdown, so the finding that workers in poor-quality jobs were as likely or even more likely to be furloughed is not surprising. It shows the scheme was doing its job.

Instead, what is worrying is that the risks of the other two potential – and much worse - outcomes (reduced hours and job loss) are so much higher than the risk of being furloughed when compared with people on more secure, permanent contracts. This shows that, for workers who were no longer required to work during the first lockdown, their employers were more likely to lay them off rather than furlough them if they were on insecure contracts relative to people on permanent contracts.

As this was the first lockdown and the furlough scheme didn't yet allow partial furlough, workers losing more than 20% of their hours would have been worse off than if they were furloughed.

The job support schemes were never going to save every job, but this analysis shows it's the workers most exposed to insecurity and most at risk of poverty that fell through the gaps, leaving many people with significant losses in terms of working hours and earnings.

These findings highlight some the dangers of having a large number of insecure jobs during an economic downturn

We know this economic crisis has been heavily shaped by the sectoral nature of the COVID-19 lockdowns and restrictions, but the fact that our analysis finds a strong effect that goes above and beyond sector points towards a structural problem in the labour market.

The flexibility provided by some forms of contract plays an important role in the labour market but places the risk burden of shocks on the individual, and not the employer. In

the design of the schemes, the Government failed to sufficiently ‘put their arms around’ workers on insecure contracts, with many of them being cut adrift to deal with the consequences of the crisis from a worse off position.

The higher risk of losing their work for people with less secure contracts, and the low-paid, has long-term consequences for people who are already on the brink of being pulled further and deeper into poverty. A recent JRF blog (McDonald and Wenham, 2021) shows that people in lower-paid roles who lose their job during the COVID-19 pandemic may find it harder to move back into work than people in higher-paid roles. They are likely to face higher competition in the labour market after the lockdown restrictions ease, leaving them with a higher risk of long-term unemployment and the scarring effects associated with this.

What do these findings mean for poverty?

Before the COVID-19 pandemic more than one in five people in the UK were caught up in poverty, adding to an unacceptable 14.5 million people. In-work poverty (defined as the proportion of workers who are in poverty) has risen in recent years and stood at almost 13% in 2018/19. We also know that people in poor-quality work in terms of hours and security have a higher risk of poverty than people in more standard forms of employment (Horemans, 2018).

While the Government schemes to protect jobs have been vital for keeping many workers in employment, there have been workers that were not reached by these schemes. Our analysis shows that workers who have been cast adrift by gaps in Government schemes were the same people more likely to experience in-work poverty and struggle to escape poverty: part-time and low-paid workers, and people working with insecure contracts.

The issue of poor-quality jobs needs a long-term fix. Better jobs in the long run will help workers build financial resilience through accumulation of savings, and have the potential of decreasing the Government’s emergency response spending in times of economic downturns. More people having good quality, secure jobs would have increased the effectiveness of the job retention scheme and blunted some of the pandemic’s effects.

The Government needs to respond to the differential impacts of job loss and furlough as we recover from the pandemic. The specific nature of this economic recession has highlighted and increased many old inequalities in the labour markets. During the recovery there will be a greater need for policies that help narrow these inequalities and address disadvantage in the labour market. While this recession is affecting everyone in different ways, it is important the Government recognises the financial challenges are heightened for some workers - and focusses the support it provides in the recovery phase to acknowledge how the pandemic has impacted on workers in less secure work.

Job quality should be a priority as we aim to ‘build back’ with a stronger economy. The Government should embed job quality as a priority in its Build Back Better strategy,

and as part of its levelling up and broader recovery agenda, to deliver a stronger, fairer economy for the future, and better-quality jobs for low-paid workers across the UK.

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About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

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