

Covid-19 and the low paid: Early analysis of Labour Force Survey

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Introduction

This briefing note sets out early findings on the impacts of the Covid-19 pandemic on low paid employees, drawing on detailed analysis of Labour Force Survey (LFS) responses from February to April 2020. The work has been funded by the Standard Life Foundation, as part of a new project exploring the employment and financial impacts of the pandemic on low-income working households.

The analysis is restricted to employees, and we define as low paid those workers who report earnings below the Real Living Wage, i.e. less than £9.50 per hour (or less than £10.45 per hour for those living in London). This question is only asked in the first and fifth quarter of the LFS. So to impute the missing values for other respondents to the LFS, we used the estimated median wages by occupation (3-digit SOC), region of residence and gender from the Annual Survey of Hours and Earnings, which is the most comprehensive source of information on the structure and distribution of earnings in the UK². Using this information, we imputed wages to employees within those clusters³. 'Higher paid' workers are those employees with reported or imputed wages above these low paid thresholds (i.e. all other employees)⁴. Overall, our approach led to an estimate of 16.5% of employees in low pay or low paying jobs, and 83.5% in higher pay.

¹ This briefing was republished on 14 July to correct Figures 5 and 7 and make minor drafting changes.

² More information on the Annual Survey of Hours and Earnings is available at: <https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/annualsurveyofhoursandearnings>

³ A similar approach was followed by Bell et al. in Bell, B, Blundell, J. and Machin, S. (2018) *The changing geography of intergenerational mobility*. CEP Discussion Paper 1591, London School of Economics and Political Science – available at: <http://eprints.lse.ac.uk/91714/>

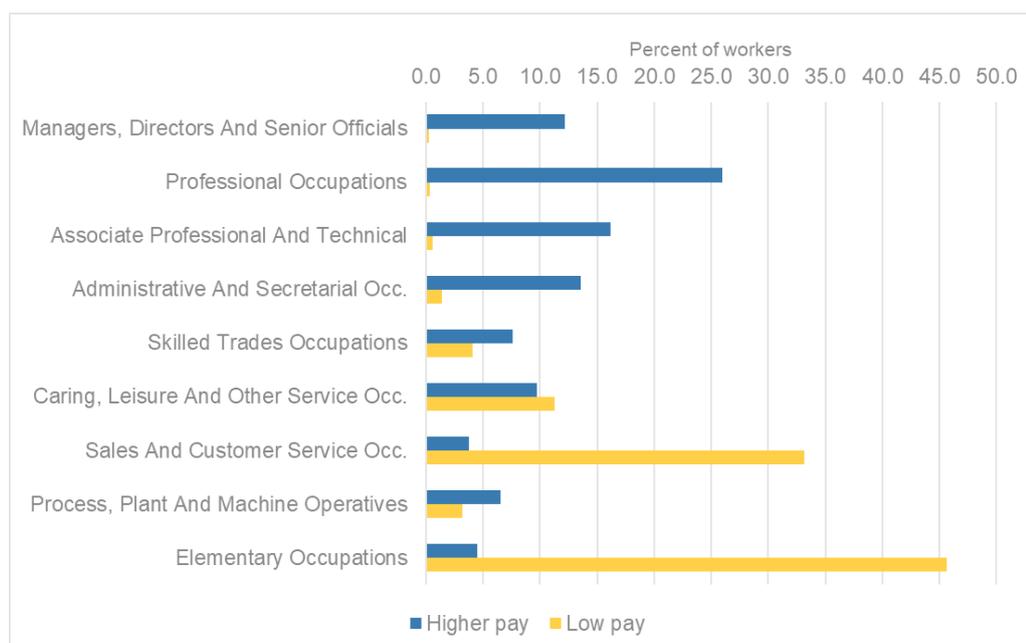
⁴ In order to classify workers in low paid and higher paid groups it was necessary to exclude those who did

The first section of the briefing note describes the characteristics of those in lower and higher paid occupations; while the second section then sets out early findings on the impacts of the crisis on lower paid workers.

Characteristics of those in low and higher paid jobs

Previous research has identified that low paid workers are particularly concentrated in hospitality and retail,⁵ and that low paid workers were therefore more likely to have been furloughed or seen their hours reduced⁶. As Figure 1 below shows, our analysis finds that as would be expected from the imputation approach, low paid workers and those working in low paid jobs⁷ are disproportionately working in lower skilled occupations – with four fifths working in either elementary roles (46 per cent) or in sales and customer services (33 per cent) – while one in nine (11 per cent) work in caring or leisure jobs.

Figure 1: Low paid and higher paid employees by occupation



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

not state their hourly wage or a current/ previous occupation group. As a result, employment rate estimates are higher than the ONS figures for the whole workforce. However, these figures are useful for comparing groups and examining trends over time.

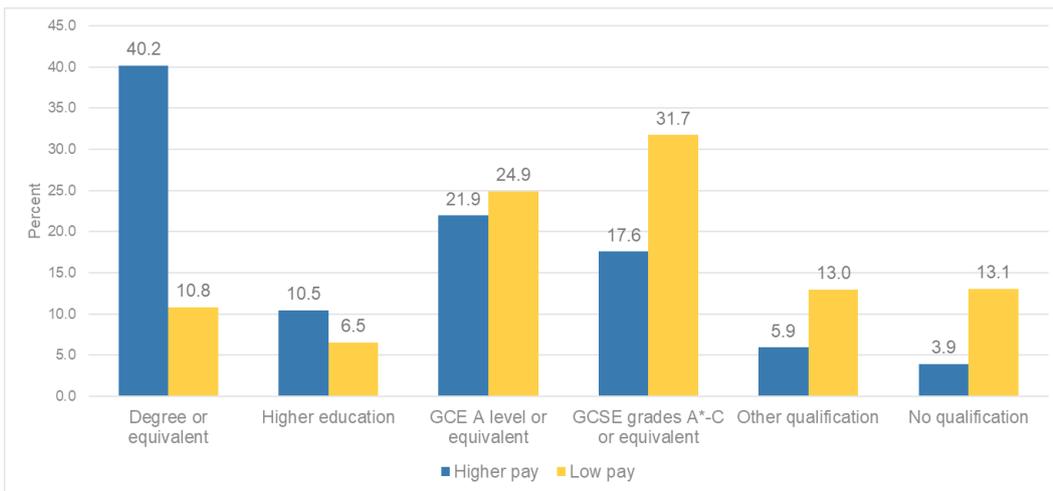
⁵ See for example Innes, D. (2018) *The links between low productivity, low pay and in-work poverty*, Joseph Rowntree Foundation

⁶ Gardiner, L. and Slaughter, H. (2020) *The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey*, Resolution Foundation

⁷ The terms 'low paid workers' and 'those in lower paying jobs' are used interchangeably in the rest of the briefing to refer to this combined group.

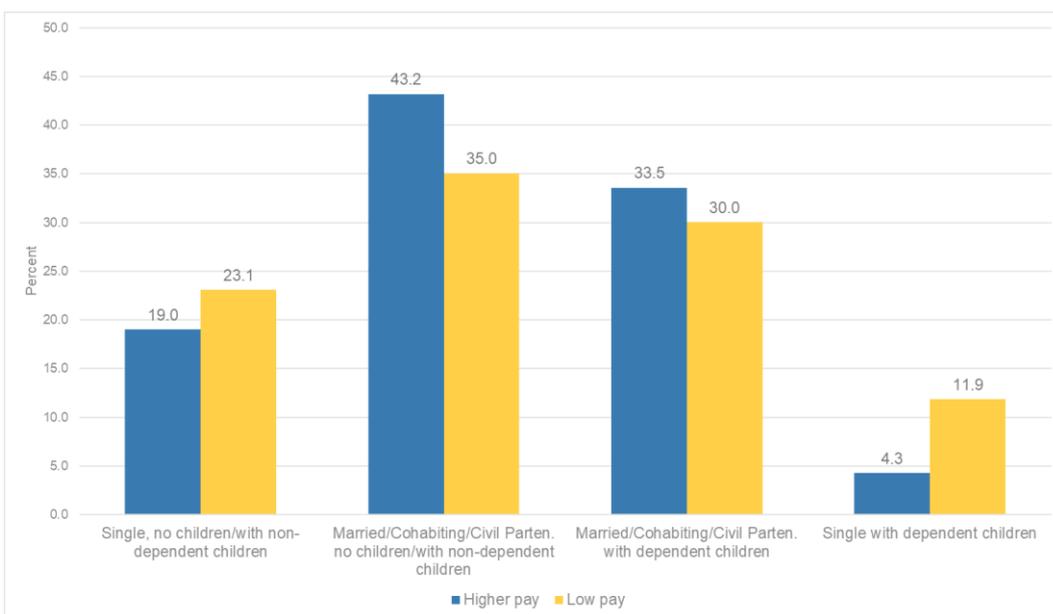
Those in lower paying jobs are more likely to be in part-time work, more likely to be women, to be aged under 25 have generally lower levels of qualifications and to be under-employed (defined in this case as wanting more hours than they currently work). Figure 2 shows the qualification profile of those in low-paying jobs compared with those in higher-paying ones; while Figure 3 shows in more detail their household characteristics – showing that almost one third of people in low-paying jobs are in couple households with dependent children, while almost one in eight are in single parent households.

Figure 2: Highest qualification of low paid and higher paid employees



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Figure 3: Family type of low paid and higher paid employees



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Low pay workers are in a more precarious position in the labour market compared to higher pay workers in more ways than just the salary. In terms of job quality, 26 per cent of low pay workers are likely to do shifts at work compared with 14 per cent of higher pay workers. Higher pay workers are almost three times more likely to have a flexible schedule at work. One in eleven (or 9 per cent) of low pay workers have zero-hour contracts, compared with only 2 per cent of high pay workers. Low pay workers are also more likely to be employed part-time which compresses their total earnings even further. Low pay workers are also twice as likely to be searching for a new or additional job while already employed – either additional work for financial reasons, or that they are in search for better employment.

Table 1: Job quality characteristics of low paid and higher paid employees

	Higher pay	Low pay
Shifts at work		
Most of the time	14.0	25.9
Occasionally	3.5	3.7
Never	82.5	70.4
Flexitime		
Yes	14.6	5.6
Zero-hour contract		
Yes	2.1	9.2
Full-time/Part-time		
Full-time	78.6	39.3
Part-time	21.4	60.7
Permanent/non-Permanent		
Not permanent	4.9	7.8
Permanent	95.1	92.3
Looking for additional/different job		
Yes	4.7	9.2
Underemployment		
Not underemployed	93.2	82.9
Underemployed	6.9	17.1

Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Those from black and minority ethnic groups are also more likely to be employed in low paid jobs, with in particular a quarter (24 per cent) of black workers in low paid work, one in five (20 per cent) Pakistani workers, and more than a quarter (28 per cent) of Bangladeshi workers – compared with 15 per cent of white workers.

The impacts of the crisis on low paid workers

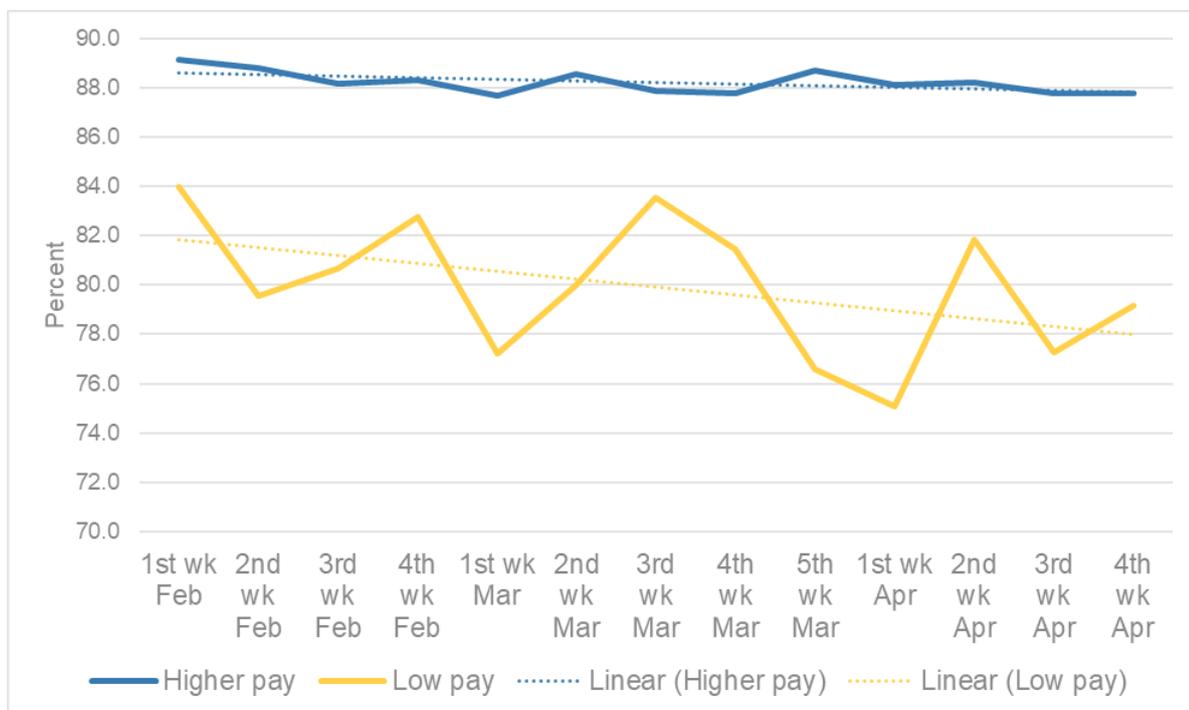
So far, the headline Labour Force Survey measures are showing very little impact of the pandemic on the labour market. The published data covers the period from February to April, and so only one full month of the three is in the crisis period. So far, the Survey data is showing a modest fall in employment (of 300 thousand) which is feeding through into

an increase in the number of people not available nor looking for work (i.e. economically inactive) rather than those reporting that they are unemployed. These muted impacts are a consequence of the support measures that have been put in place to keep people employed or in business even if they are unable to work – i.e. the Job Retention Scheme and the Self Employment Income Support Scheme. As a consequence, the number of people reporting as being ‘away’ from work (but still counted as employed) rose by six million between March and April.

However, by looking in more detail at the data for April specifically, and again comparing outcomes for those in low-paid and higher-paid jobs, we can see that the impacts of the crisis are so far being felt more significantly by those in lower paid work. This confirms and builds on the findings of earlier, ‘flash’ survey findings on the impacts of the crisis on the low paid.

First, the headline fall in employment that has so far been recorded has been driven by those in low paying jobs. The employment rate for this group has fallen from 82 per cent in February to 78 per cent in April. This is a statistically significant change, and would be equivalent to a fall in low paid dependent employment of approximately 140 thousand. For those in higher-paying jobs, there has been no statistically significant change in the likelihood of being in work. So far, this has not fed through into any statistically significant increase in unemployment, but it does appear to have led to a gradual increase in economic inactivity, with inactivity rates for those in higher paying roles unchanged.

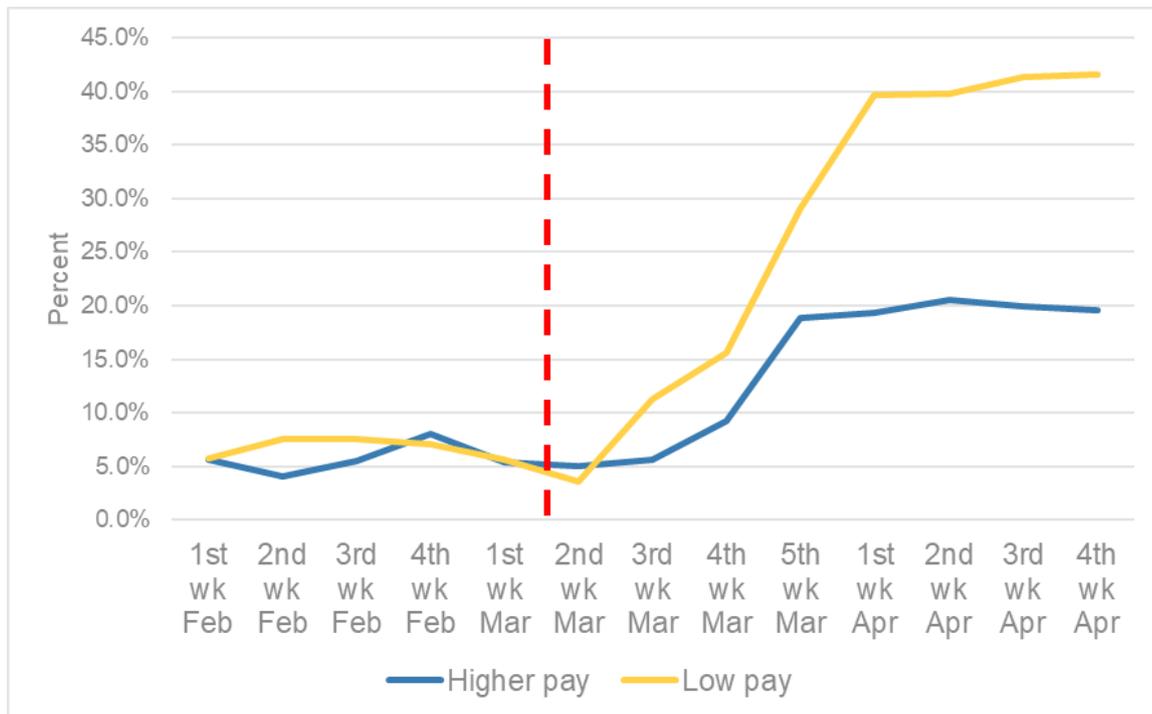
Figure 4: Employment rate by week for low paid and higher paid employees



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data
 Note: The denominator for the employment rate calculation is workers in each group (higher pay/lower pay) plus those not in work but whose previous occupation was high paying/low paying. Because the denominator excludes non-workers who did not have a previous occupation in the LFS data (see Footnote 4), the employment rates presented are higher than official estimates for the whole workforce.

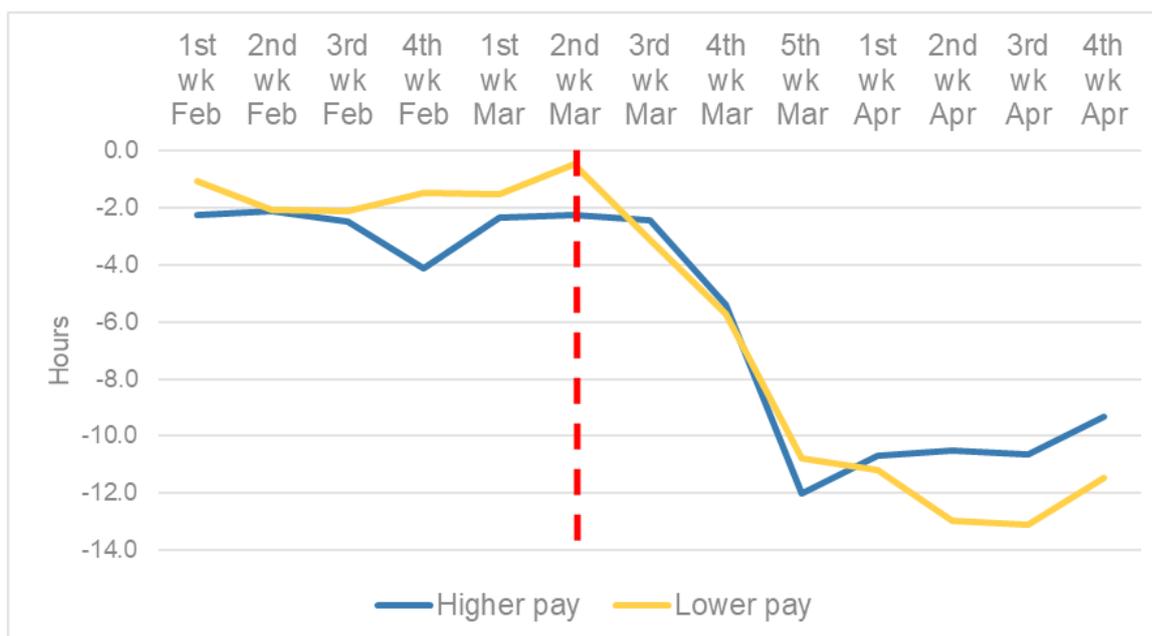
Similarly, those in lower paying jobs are twice as likely to report that they are ‘away’ from work (but still employed) as Figure 5 shows, and report a greater reduction in usual hours of work than those in higher paying jobs (Figure 6).

Figure 5 Percentage of workers reporting as being away from work



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

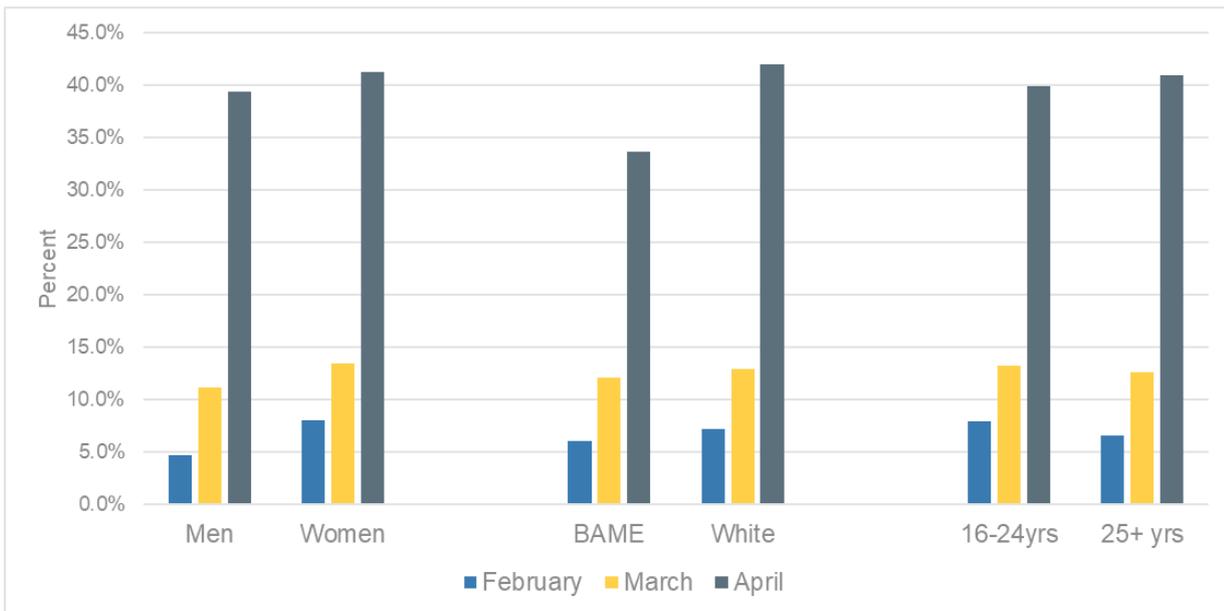
Figure 6 Difference between usual hours and total hours of work



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Looking at variations by gender, ethnicity and age *within* the low paid group, we find only very small differences between low paid men and women or for younger compared with older workers in the likelihood of being away from work, but do find that low paid white people were more likely than those from Black, Asian and minority ethnic groups to be away from a job in April.

Figure 7: Percent of low paid employees away from work in the reference week, by gender, ethnic background, and age

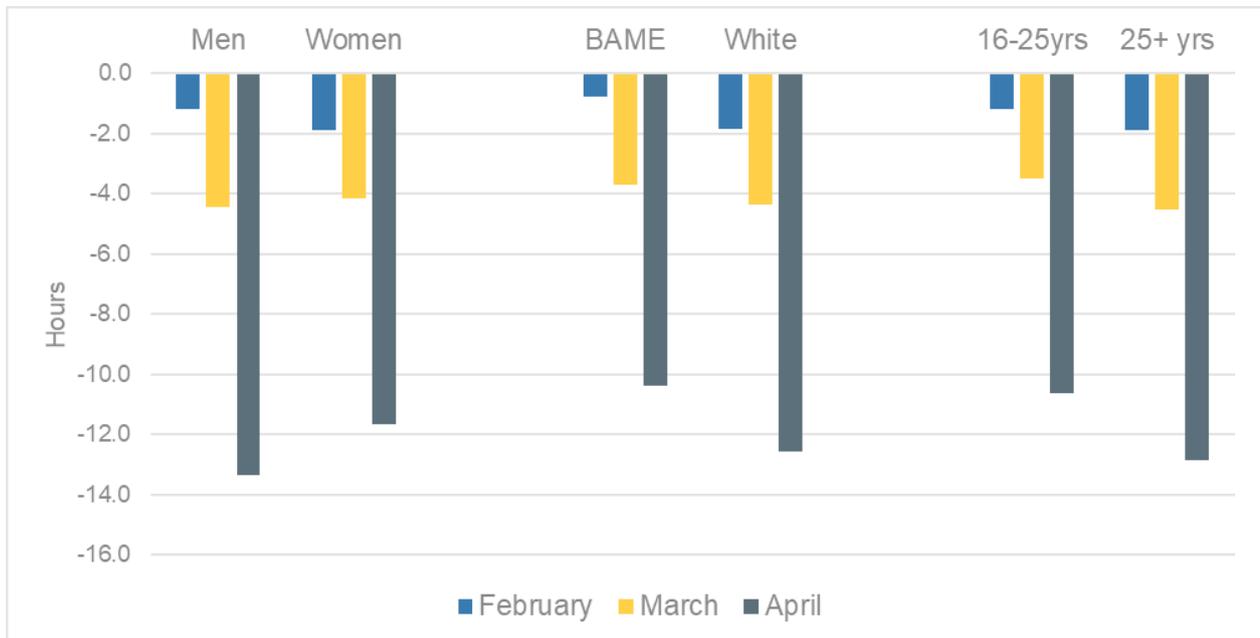


Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Figure 8 below illustrates changes in hours worked within the low paid group, again by gender, age and ethnicity. This shows that the fall in hours worked was somewhat greater for low paid men than women, for older workers than younger workers, and for white workers than for those from ethnic minority groups.

The reasons for these variations will likely reflect differences between groups in the occupations that they work in, and the impact that the Covid-19 pandemic has had on those jobs (i.e. with some being full ‘shut down’ and others disrupted). It should also be noted that as set out on pages 2-4, the absolute numbers of low paid women are higher than low paid men, and some ethnic minority groups are also over-represented in low pay.

Figure 8: Difference between usual hours and total hours of work, by gender, ethnic background, and age

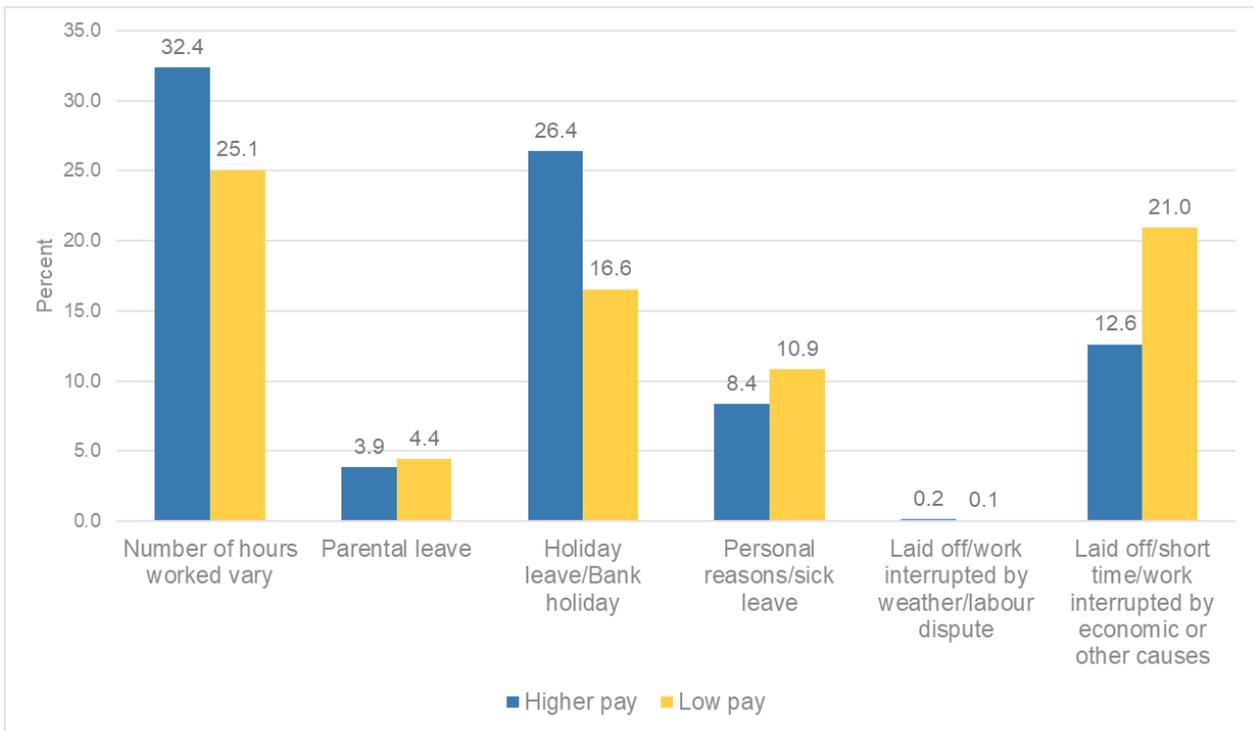


Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Figure 9 explores in more detail the reasons why workers worked fewer hours in the reference week, comparing higher and lower paid workers across the full quarter of the Labour Force Survey (February-April). Unsurprisingly, those in lower paid work were almost twice as likely to have worked fewer hours due to being laid off or put on short-time working (one in five of those working fewer hours). However it is striking too that a significant proportion of both low and high paid workers reported working fewer hours due to having non-standard patterns of work – accounting for one third of higher paid and a quarter of lower paid workers reporting fewer hours.

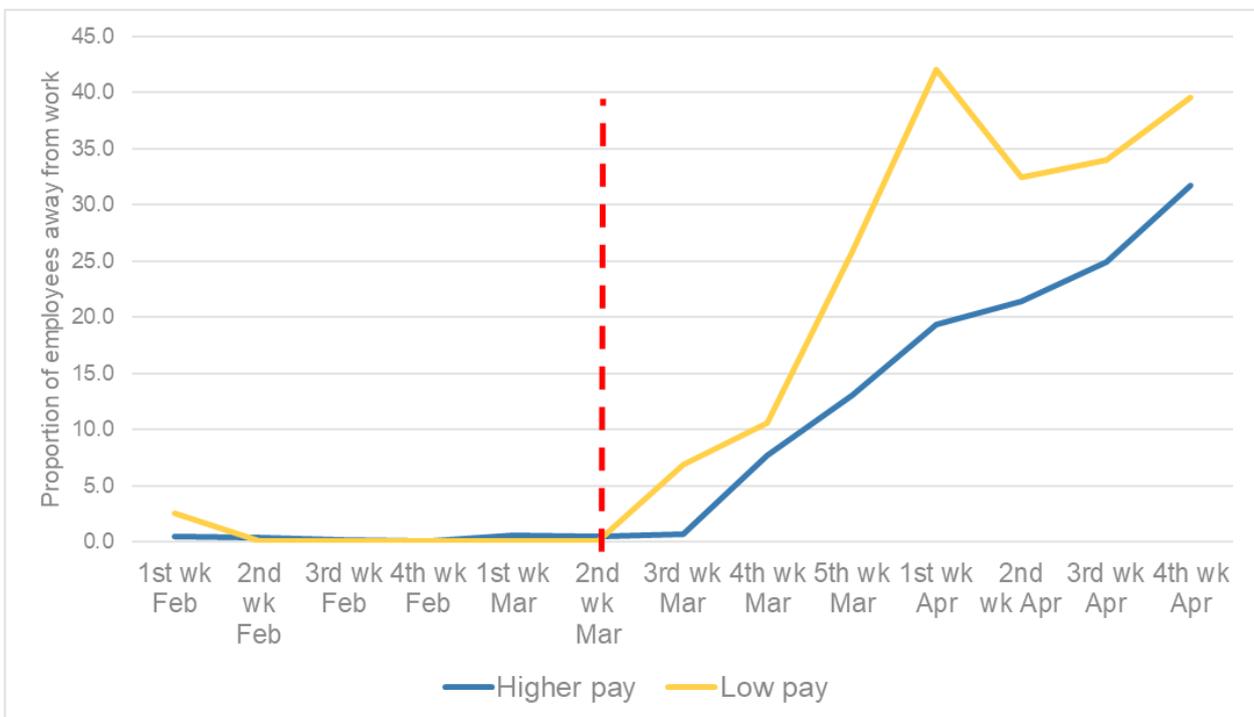
Figure 10 shows the proportion of those in low and high paid work reporting that they were working fewer hours due to being laid off due to economic or other causes in each week of the quarterly data. This illustrates clearly the impacts of the crisis, with economic causes explaining the reduced hours for 40 per cent of low pay workers and 32 percent of higher pay workers by the end of the three month period.

Figure 9: Reason for working fewer hours than usual in the reference week



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Figure 10: Laid off/short time/work interrupted by economic or other causes



Source: Institute for Employment Studies analysis of QLFS Feb-Apr 2020 and ASHE 2019 data

Conclusions and implications

Previous research has suggested that low paid workers have been disproportionately affected by the pandemic. This briefing note seeks to explore whether these impacts are also being reflected in the official Labour Force Survey data for February to April.

It finds that the official data is also showing far greater impacts for low paid than higher paid workers:

- Those in low paid jobs are more likely to be women, to be young, to be black or from a minority ethnic group, to be under-employed and/ or to have lower qualifications. So those in low paid work are already disadvantaged in the labour market compared to higher paid workers.
- Employment has fallen significantly already for those in low paid jobs – down by four percentage points between February and April, from 82 to 78% – equivalent to a fall of 140 thousand. Meanwhile employment is unchanged for those in higher paying jobs. This suggests that there is a sizable group of people, in previously low paying work, who have not been protected by the Job Retention Scheme or Self-Employment Income Support and are now out of work.
- This likely reflects both the occupations that low paid workers are in, but also their often more precarious employment conditions – with low paid workers two thirds more likely to be in temporary work, three times more likely to be part-time, and nearly five times more likely to be on zero hours contracts than higher paid workers.
- Those in lower paying jobs are twice as likely to report that they are ‘away’ from work (but still employed) and report a greater reduction in usual hours of work than those in higher paying jobs.
- One in eleven low paid workers are looking for a new or additional job – double the rate for those in higher paid jobs, and equivalent to 400 thousand low paid workers seeking other work.

Looking ahead, these findings reiterate the importance of focusing on how we support those in lower paid work during the crisis and in the recovery, and in particular to address the quality and security of low paid work, support in work, and help to find new work where this is sought.

The next stages of this project will interview workers in low paying occupations, so as to explore in more depth the impacts of the crisis and how public policy and employers can respond.

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