

Standing Together? COVID-19 and worker insecurity in 2020 and beyond

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June 2020

About the Work Foundation

The Work Foundation is the leading think tank for improving work in the UK. We have been an authoritative, independent source of ideas and analysis on the labour market and the wider economy for over a hundred years.

As the pace of economic change continues to disrupt the ways we work and do business, **our mission is to support everyone in the UK to access rewarding and high-quality work and enable businesses to realise the potential of their teams.**

To do this, we engage directly with practitioners, businesses and workers, producing rigorous applied research that allows us to develop practical solutions and policy recommendations to tackle the challenges facing the world of work.

We are part of Lancaster University's Management School, and work with a range of partners and organisations across our research programmes.

"You have not been forgotten...we all stand together"

*Chancellor Rishi Sunak on support for workers during the COVID-19 Pandemic, 26th
March 2020*

Introduction

Following the outbreak of COVID-19, the labour market is characterised by significant uncertainty. Many businesses are unable to plan effectively for how they will trade through the months ahead; a substantial number of workers are unclear how their role might change or whether they will even have a job in the near future; and policymakers are still establishing exactly what kind of support will be needed for employers and employees over the months ahead.

Within this context, many workers are facing acute insecurity. Lay-offs, reductions in pay and changes in working patterns can have a significant impact on financial and personal wellbeing. For some, this insecurity will be a new experience triggered by the crisis and surrounding social distancing measures, while for others it will be exacerbating already precarious working lives.

As businesses work to find a secure footing over the months ahead, it's crucial that we avoid a race to the bottom in working conditions in the UK. This paper marks the launch of a new research programme which aims to understand how the COVID-19 crisis is impacting job security, and what businesses, policymakers and workers can do to protect and enhance job quality during and after the crisis.

Given the pace of change in the global and national economy will continue to challenge traditional models of enterprise, employment and work into the future, our mission at the Work Foundation is to support *everyone* in the UK to access rewarding and high-quality work and enable businesses to realise the potential of their teams. Through this ambitious research programme, we are setting out to develop a new evidence base to shape practical recommendations capable of protecting and improving security in the labour market following COVID-19.

An economy in flux: COVID-19 and the labour market

- Over recent months, economic forecasts have varied widely. While references to a 'v shaped recovery' were widespread at the outset of the crisis, evidence suggests the UK's economy could be one of the hardest hit¹.
- The Bank of England is now forecasting that the UK is entering its deepest recession in 300 years.
- 90% of businesses are estimated to have accessed the Job Retention Scheme
- The number of people claiming Universal Credit has risen sharply. On 1st April, nearly 1 million new UC claims had been made over the previous two weeks².
- But alongside this, vacancies are already falling, leaving a growing pool of people looking for a shrinking number of jobs.

A series of long-term trends have increased insecurity within the UK labour market

Before COVID-19, a series of long-term trends had been driving changes in the way we work. For some, these have driven improvements in their working lives, with increased flexibility and more time to work on the things that interest them most. For others however, these changes have heightened insecurity, having brought about 'one-sided flexibility', often characterised by the following challenges:

- **Stagnating wages and a rising cost of living:** After the steep decline in wages during the last financial crisis, wage levels recovered slowly, with workers earning less on average in 2019 than they had in 2010³. Alongside this, living costs have spiralled, with the poorest families feeling the impact of this increase in costs the most⁴. Households in the lowest quintile of earners have increasingly relied on consumer credit⁵, and lower-earners have a higher rate of problem debt⁶.

¹ OECD Economic Outlook (2020) The World Economy on a Tightrope. June 2020. Available at: <http://www.oecd.org/economic-outlook/june-2020/>

² Commons Library (2020) Coronavirus: Support for household finances. Briefing paper. Available from: <https://commonslibrary.parliament.uk/research-briefings/cbp-8894/>

³ ONS (2019) Employee earnings in the UK: 2019. Measures from the Annual Survey of Hours and Earnings. Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2019>

⁴ ONS (May 2020) Dataset: Consumer Inflation Index time series (MM23). Available from: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>

⁵ Resolution Foundation (2020) An outstanding balance: Inequalities in the use - and burden - of consumer credit in the UK. Available from: <https://www.resolutionfoundation.org/publications/an-outstanding-balance/>

⁶ Joseph Rowntree Foundation (n/a) Household problem debt. Available from: <https://www.jrf.org.uk/data/household-problem-debt>

- **Casual work without guaranteed hours:** Many workers are struggling with unpredictable working patterns. 26% of zero-hour contract workers would like to increase their working hours compared with only 7% of non-zero hour workers⁷, and about 40% reported that their working patterns often make them anxious⁸. Because access to sick pay is determined by working hours, 2 million UK workers aren't eligible for pay when they're unwell.
- **Rising self-employment and platform work:** With self-employed workers accounting for a record 15.3% of employed workers in January 2020⁹ and the continual rise of 'gig work', an increasing share of the working population is excluded from important employment protections. They are not entitled to sick pay or parental leave and must rely on family support or savings to manage during periods when they're unable to work. People who recently became self-employed only qualify for the Self-Employed Income Support Scheme if they filed a 2018/2019 tax return before the extended deadline in April, leaving some workers out and others reliant on average earnings calculations from just a few months of activity.
- **Automation:** Automation and increasing use of digital technology at work may lead to job loss and displacement, which is expected to hit hardest those workers in low-skilled and low-paid jobs¹⁰. These workers have limited access to training at work and lack opportunities to re-skill and adapt to changes in the labour market. Additionally, automation may also change the task and skill profile of currently mid- or high skilled jobs¹¹. This may create or maintain jobs in the short- to medium term, but ultimately this process lowers the skills requirements for the job and will likely lead to the phasing out of high-skilled and high-paid labour.

⁷ ONS (February 2020) Dataset - EMP17: People in employment on zero-hours contracts.

⁸ Resolution Foundation (2020) A new settlement for the low paid. Available from: <https://www.resolutionfoundation.org/app/uploads/2020/06/A-new-settlement-for-the-low-paid.pdf>

⁹ ONS (2020) Employment in the UK: March 2020. Bulletin. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/march2020>

¹⁰ OECD (2019) Employment Outlook. Available from: https://read.oecd-ilibrary.org/employment/oecd-employment-outlook-2019_9ee00155-en#page50

¹¹ Cedefop (2019) Machines, robots and the threat of automation to EU jobs. Available from: <https://skills Panorama.cedefop.europa.eu/en/blog/machines-robots-and-threat-automation-eu-jobs>

- **A strained social security system:** At the start of the COVID-19 crisis, it was clear that the social safety net would come under immense pressure, with Universal Credit (UC) the only recourse for many, with more than 1 million people claiming over a two week period. More broadly, reforms in welfare benefits over recent years have created holes in our safety net, with many finding the support they get isn't enough to meet basic living costs:
 - Many struggle to make ends meet during the five-week wait between making an initial claim for UC and their first full payment¹², with some having to take out loans against future payments and use foodbanks to bridge the gap.
 - This has led to an unsustainable debt burden, with a growing proportion of people on very low incomes owing money to the state.
 - Despite increases in spring 2020, at just £409.89 a month for a single person over 25, UC rates still fall far short of what many will need to meet their outgoings. The introduction of a cap on the total benefits a household can receive has severely limited support available to people on low incomes.
 - Despite widespread calls for reform, the Work Capability Assessment remains the route to income replacement benefits for disabled people and those with health conditions, which means many are having to formally challenge decisions in order to get the support they need.
 - Universal Credit was first introduced at a time when the UK was reaching record levels of employment¹³. As we enter a recession, its capability to support a far greater proportion of the workforce through extended periods of financial difficulty will be put to the test.

¹² House of Commons: Work & Pensions Committee (2017) Universal Credit: The six week wait. First report of the session 2017-19. Available from: <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/336/336.pdf>

¹³ ONS (May 2020) UK Labour market overview, statistical bulletin. Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2020#employment>

Workers facing structural inequalities in the labour market

Alongside these long-term trends, the UK labour market is also characterised by deep structural inequalities, which present significant barriers to some workers entering and progressing in work. For example:

- **Employment rates vary widely by ethnic groups in the UK**, with 67% of black people and 54% of Pakistani/Bangladeshi people in work compared with 73% of white people. Black and Minority ethnicity workers face significant pay gaps, particularly among workers born outside the UK,¹⁴ and workers in particular ethnic groups may be more vulnerable to being paid below the living wage¹⁵. BAME workers are significantly under-represented in senior leadership roles. The Parker Review found that just 7.5% of FTSE 350 directors were people of colour, and 150 had not met their own target of having one director of colour on their boards¹⁶.
- **The employment rate among disabled people is 54%, compared with 82% among non-disabled people**¹⁷. Disabled workers also face pay gaps¹⁸, and people who become disabled during their working life are nearly four times more likely to fall out of work than non-disabled people.
- **Despite an increase in employment among women over recent years, the gender pay gap has persisted and stood at 17.3% for employees in 2019**¹⁹. High-level positions in companies are largely held by men, with women over-represented in more junior roles²⁰.

These groups face greater risk over the months ahead as new forms of insecurity result from the COVID-19 lockdown and economic recession.

¹⁴ Equality and Human Rights Commission (n/a) Ethnicity: What does the pay gap look like. Interactive webtool available here: <https://www.equalityhumanrights.com/en/pay-gaps/ethnicity-what-does-pay-gap-look>

¹⁵ Byrne *et al.* (2020) Ethnicity, race and inequality in the UK: State of the Nation. Policy Press. Available from: <https://library.oapen.org/handle/20.500.12657/22310>

¹⁶ Parker Review Committee (2020) Ethnic Diversity enriching business leadership: An update report from the Parker Review. Available from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2020/02/ey-parker-review-2020-report-final.pdf

¹⁷ ONS (May 2020) Dataset: Labour market status of disabled people (O8). Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatusofdisabledpeoplea08>

¹⁸ Equality and Human Rights Commission (n/a) Disability: What does the pay gap look like. Interactive webtool available here: <https://www.equalityhumanrights.com/en/pay-gaps/disability-what-does-pay-gap-look>

¹⁹ Francis-Divine, B. and Pyper, D. (2020). The Gender Pay Gap. House of Commons Library. Available from: <http://researchbriefings.files.parliament.uk/documents/SN07068/SN07068.pdf>

²⁰ McKinsey (2020) Confronting the early-career gender gap. McKinsey Quarterly. Available from: <https://www.mckinsey.com/business-functions/organization/our-insights/confronting-the-early-career-gender-gap>

Defining worker insecurity following COVID-19

When taking all of these factors into consideration, together with the sheer scale of economic disruption expected over the months ahead, it seems clear that we are very likely to be moving into a period of significantly increased insecurity for many workers across the labour market.

This shift will place new demands on decision makers, policymakers and businesses to ensure workers have the support they require not only to remain in employment, but to access high quality, secure work as the UK recovers from the immediate crisis.

At a time when resources and capacity across the public and private sector is very likely to be constrained, establishing a clear and precise understanding of the nature of insecurity faced by different kinds of workers in different parts of the economy will be vital.

In order to do this, Table 1 introduces a framework for defining and analysing insecurity at work which will be used through our research programme to understand the shape and scale of labour market insecurity in the UK.

It outlines the key characteristics of insecure work, as well as a series of factors which can heighten job insecurity. Although as we have established these underlying factors have been at play within the UK labour market for several years, but many of them have been exposed through the economic volatility arising from COVID-19.

We have also identified situational characteristics that increase insecurity for workers. Table 2 displays a series of new forms of insecurity that are emerging through this crisis, which we consider to be new situational characteristics. Taken together, the framework represents our early thinking about the nature of insecurity within the labour market post COVID-19 – we will employ it as a flexible tool throughout future research and policy outputs to further understanding of the many dimensions of job insecurity workers may experience, and the kinds of interventions required to alleviate them.

Table 1: A framework to approach and analyse insecurity at work

Characteristics of Insecure Work	Factors Increasing Likelihood of Becoming Insecure in Work	
	Structural inequalities experienced by the following groups of workers	
<ul style="list-style-type: none"> • Unstable hours including zero hour contracts • Part-time work • Short-term contracts • Low wages • Insufficient time off • Limited training opportunities • No union engagement or collective bargaining • High risk of redundancy 	<ul style="list-style-type: none"> • Women • BAME • Disabled and/or have health conditions • Carers, single parents • Low income/or have low socio-economic status • Migrants including asylum seekers, refugees and undocumented immigrants 	
	Labour market factors	Situational Characteristics
	<ul style="list-style-type: none"> • Sectors experiencing contraction • Sectors with high risk of automation • Sectors in which freelance/zero-hour contracts are widely used • Jobs with physical/mental health risks • Seasonal work • Sectors in which platform work is prevalent 	<ul style="list-style-type: none"> • Recently graduating/entering the workforce • Living in areas with limited employment opportunities • Lacking academic & vocational qualifications • High levels of personal debt • Ineligibility for some/all social welfare • Holding multiple jobs • Few/no professional development opportunities • Long term unemployment

Table 2: New situational characteristics of insecurity arising from COVID-19

New situational characteristics of insecurity	
<ul style="list-style-type: none"> Moving from education to the labour market at the onset of a recession 	<ul style="list-style-type: none"> Owning/working for a business that has closed permanently
<ul style="list-style-type: none"> Being ineligible for welfare benefits, or being ineligible for the CJRS or SEISS 	<ul style="list-style-type: none"> Being required to work on site during periods of high risk of infection
<ul style="list-style-type: none"> Facing additional caring responsibilities due to COVID-19 	<ul style="list-style-type: none"> Needing to stay at home due to health or vulnerability to COVID-19

Applying the insecurity framework: profiles of workers experiencing new kinds of insecurity due to COVID-19

To illustrate how the framework can be used to explore labour market insecurity, we have developed three worker profiles which combine pre-existing characteristics contributing to insecurity and new situational characteristics related to COVID-19. Further work will be undertaken to explore the intersectionality of the different elements of the framework in future publications.

1. Young workers and graduates

For students in their final years of school or university, not only has the pandemic disrupted their final months of study, but the recession that follows will create real difficulties for those looking for work. Young workers already face greater risks of low pay, and in the crisis they are experiencing higher levels of job loss. One survey found that 10% of workers under 30 who were in employment in March had ‘definitely’ or ‘probably’ lost their job by April (compared to 6% for those 40-55), and they were more likely to experience decreased hours and lower earnings than usual²¹. Young workers are also more likely to work in sectors shut down through COVID-19²².

Not only will these workers have more competition for jobs, those graduating into recessions experience ‘scarring effects’ on their wages, unemployment levels and the types of jobs they can get, and workers without degree-level qualifications face the deepest scars²³. This years’ graduates will be looking for work alongside millions of other unemployed workers – many with more work experience. Even with data only covering February to April 2020, there was a 33% decrease in the number of vacancies compared to the previous year²⁴. In the coming months, unemployment is

²¹ Adams-Prassl *et al.* (2020) Inequalities in the impact of the coronavirus shock: New evidence for the UK. Available from: https://abiadams.com/wp-content/uploads/2020/04/UK_Inequality_Briefing.pdf

²² Institute for Fiscal Studies (April 2020) Sector shutdowns during the coronavirus crisis: Which workers are most exposed. Briefing note available from: <https://www.ifs.org.uk/publications/14791>

²³ Resolution Foundation (2020) Class of 2020. Available from: <https://www.resolutionfoundation.org/app/uploads/2020/05/Class-of-2020.pdf>

²⁴ ONS (May 2020) UK labour market overview - Section 9 - vacancies. Statistical bulletin. Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2020#vacancies>

likely to rise as government support dissipates. Overall, young people may be more reliant on the social safety net, creating concerns of long-term unemployment, as this years' graduates and school leavers will soon be competing with next years' cohort. Applying the framework, we can see how young workers in this scenario could face new forms of insecurity:

- Someone who finishes school or university this year and who lives in an area with limited job opportunities may be unable to afford to move to find work. The types of temporary or part-time work that can typically absorb younger workers, such as hospitality and retail, will likely not be able to accommodate these workers because these sectors are facing particularly challenging times ahead.
- A full-time student who cannot rely on family financial support will not be able to access benefits to top up income, as they are not eligible for schemes like Universal Credit or Job Seeker's Allowance. Because of this, some students unable to find jobs may find they are struggling to pay their bills and need to turn to credit cards and overdrafts.
- The social safety net may need to accommodate a large portion of unemployed graduates for some time. Graduates will be competing for fewer jobs against potentially better qualified candidates and may take longer to find work, unless other forms of support like job guarantees can help them move into jobs or young workers turn to further study to shelter from the worst of the recession.

2. Retail workers

The economic impacts of COVID-19 have exacerbated challenges that some sectors were already facing. For a long time, high street shops have been struggling for a long to compete with online retail with increasing costs through a rising minimum wage and growing tax bills. The lock down measures introduced this spring had a sharp impact on this sector. Sales fell by 18.1% in April 2020²⁵, driven by a sharp fall in non-food shopping, and some well-established high street brands ceased trading permanently. 90% of firms surveyed by the ONS during spring 2020 had used the Coronavirus Job Retention Scheme, and 39.2% were implementing staff layoffs over the short term to manage the impact of coronavirus. Retail is the UK's largest private sector employer, with more than three million workers, and more than 60% of retail workers earn less than £9 per hour²⁶.

Considering the dimensions of insecurity outlined within the framework allows for a more in-depth understanding of how workers within this sector could be particularly affected. For example:

- Individuals working in stores will now be exposed to the risk of infection and may need protective clothing to wear at work. The potential for further localised lockdowns after the Coronavirus Job Retention Scheme ends could mean that workers in this group face further reductions to already low incomes, which could put pressure on meeting living costs.

²⁵ ONS (2020) Retail Sales, Great Britain, April 2020. Statistical bulletin. Available from: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/april2020>

²⁶ Note, the 2020 minimum wage rates are £8.72 for those aged 25 and over, and £8.20 for those aged 21-24. British Retail Consortium (2018) Employment. Available from: <https://brc.org.uk/media/673737/employment.pdf>

- Someone working in the head office of a brand considering permanent closure in an area with limited other employment opportunities may find they aren't able to find alternative work. In that case, an application for Universal Credit may be the only suitable route to manage the gap in their income. If they have been working with their firm for less than two years, they won't be eligible for a redundancy payment and unless they can secure an advance, their first Universal Credit payment will be made five weeks after they claim.
- Those working in a distribution centre for an online retailer will likely continue to be required to work on-site during any further lockdowns related to COVID-19. There have been widespread reports of health and safety concerns in these settings, including people working at close proximity to one another and insufficient protective clothing.

3. Women working in the Professional Cleaning Sector

Many offices and public buildings closed during the pandemic, putting pressure on contracting businesses and leaving many workers in financial difficulties. Alongside this, infection control procedures may lead to new hygiene requirements, which could increase costs to businesses and risks to workers through both on-site work and travel.

The UK cleaning sector consists of a few major contractors and many small businesses performing services for clients. The sector has long been characterised by low wages and poor working practices²⁷, including low pay, failing to provide contracts and payslips, and inadequate health and safety provisions²⁸. Across the UK, approximately 35% of cleaning personnel are from a migrant background. This is over 80% in London²⁹. Three in four workers in the sector are women.

Considering the characteristics of insecure work as outlined by the framework, we can build a sense of how situational and structural factors can intersect and compound existing inequalities.

- Someone who regularly cleans a household may have been asked not to attend work for the duration of the lockdown, limiting their earning potential.
- A cleaner may find there is no financial support if they, or family members, contract the virus or are required to self-isolate. If they earn less than £118 a week on average, they won't be entitled to Statutory Sick Pay.
- Workers with a migrant background may find that in the absence of payslips and a formal contract, they are unable to prove their employment history and therefore fail to qualify for welfare benefits.

²⁷ Barnard, C. & Costello, F. (21 April 2020), Migrant women unable to access Covid-19 support. In *The UK in a Changing Europe*. Available from: <https://ukandeu.ac.uk/migrant-women-unable-to-access-covid-19-support/#>

²⁸ Ibid

²⁹ ONS (2015-2017), Dataset: Industries and occupations with 14% or more of jobs held by EEA or non-EEA workers, broken down by region and nation of the UK. Available from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/009584industriesandoccupationswith14ormoreofjobsheldbyeaeuropeanecareaworkersbrokendownbyregionnationoftheuk2015to2017combined>

Our new research programme: labour market insecurity in 2020 and beyond

This analysis and these examples raise a number of significant questions regarding how the COVID-19 crisis and recession stand to accelerate and deepen worker insecurity across different sections of the economy. In particular:

- As Government support measures come to an end, to what extent will existing forms of job insecurity be worsened by the economic impacts of COVID-19?
- In what ways might Universal Credit and employment support services need to adapt to best support people experiencing heightened insecurity over the months ahead?
- How will those who work in particularly vulnerable industries and sectors like retail, hospitality or the arts be impacted?

Each of these questions will in turn present major challenges for public policy and business practice, with significant implications for the social safety net and the welfare system, as well as business and sector support programmes, the upcoming Employment Bill and ongoing implementation of the Industrial Strategy.

The Work Foundation's forthcoming research programme will explore each of these issues in further detail, working with partners in industry, academia and the policy world to establish a clear understanding of the challenges facing different workers and businesses, and the changes that will be required to policy and practice to overcome them.

For more information about the Work Foundation and our Insecurity research programme, go to [our website](#).