DOWNTURN IN WORKERS' MENTAL AND FINANCIAL WELLBEING DURING COVID-19:

Hardest hit are those that can least afford it

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Introduction

The COVID-19 crisis has impacted almost all aspects of our lives to an unprecedented extent. For an eight-week period following 23rd March, and a four-week period following 5th November, the public was urged to leave home only to shop for food or medication, or for a once-a-day exercise outing. In both cases various restrictions on social and economic activity remained in place for significant periods after the full lockdown periods ended.

During both lockdowns, most non-essential shops were ordered to close and as a consequence, activity in sectors such as high street retail, hospitality and accommodation came to a near complete halt. This has had far-reaching consequences for employment in those and other sectors.

In May, around 9 million workers were furloughed across the UK economy, and by July 31st, an estimated 4.8 to 5.3 million workers were still on furlough. Although the Coronavirus Job Retention Scheme (CJRS) was instrumental in buffering unemployment during this period, an estimated 700,000 jobs were lost between March 2020 and August, and the 20% pay reduction made it much harder, particularly for those on low pay, to get by. As a result, there were 2 million new Universal Credit claimants by August. However, the UK welfare system only provides a limited buffer to those experiencing steep falls in income, with the OECD estimating that individuals in the UK moving from work to benefits access less than one fifth of their in-work income.

The impact of this crisis on mental health and wellbeing is two-fold. On the one hand, the disruption to working lives and finances may cause concern and distress. On the other hand, restrictions on social gatherings have interrupted our usual ways of coping with the stresses of life, which may compound mental distress. As such, we have seen the number of people with depressive symptoms double from one in ten people before the pandemic (July 2019 to March 2020), to one in five in June 2020. Additionally, early evidence shows the COVID-19 crisis has had a disproportionately negative impact on the mental wellbeing of women, young adults, and people with caring responsibilities (IFS, 2020; Davillas & Jones, 2020; Mind, 2020).

By analysing biennial Understanding Society survey data across 2017/19 along with monthly waves conducted over April to June 2020, we can further explore the relationship between the impact of the pandemic on financial and mental wellbeing.

Our analysis indicates that workers who were already 'finding it very difficult to get by' before the crisis have experienced a greater negative impact on their mental wellbeing. The concern is that the longer this crisis goes on, the more likely it becomes that increasing numbers of workers will experience financial hardship, and therefore even larger impacts on their mental wellbeing too.

Other key findings from our analysis:

- The COVID-19 crisis is having a differential financial impact on workers on low incomes, with those who were just getting by prior to the crisis 7 times more likely to struggle financially now, compared with people who were better off.

- A drop in financial wellbeing for workers was more likely in some low-paid sectors that were impacted by lockdown and restrictions, such as hospitality, and 'other services', which includes in-person services such as hairdressing. Additionally, we see a sharp increase in financial hardship for workers in construction, with the proportion of workers who indicate they are finding it difficult to get by increasing by 12 percentage points to nearly one in three workers.

Our analysis also highlights the mitigating impact that the furloughing policy has had on financial and mental wellbeing for many workers. Taken together, these findings suggest that a continued focus on protecting people affected by the crisis from financial hardship will be vital to supporting wider mental wellbeing in the months ahead.

Data

This long read compares the mental health and wellbeing of individuals pre-COVID with the first three months of the pandemic, using Understanding Society longitudinal survey data from wave 2017/19 and across April, May and June 2020. The survey questions the same individuals on a biennial basis, allowing us to track them over a longer period of time. We use the 12-point General Health Questionnaire (GHQ-12) relating to mental wellbeing, the answers to which can be combined into an overall score from 0 to 36 in which higher scores indicate higher levels of mental distress.

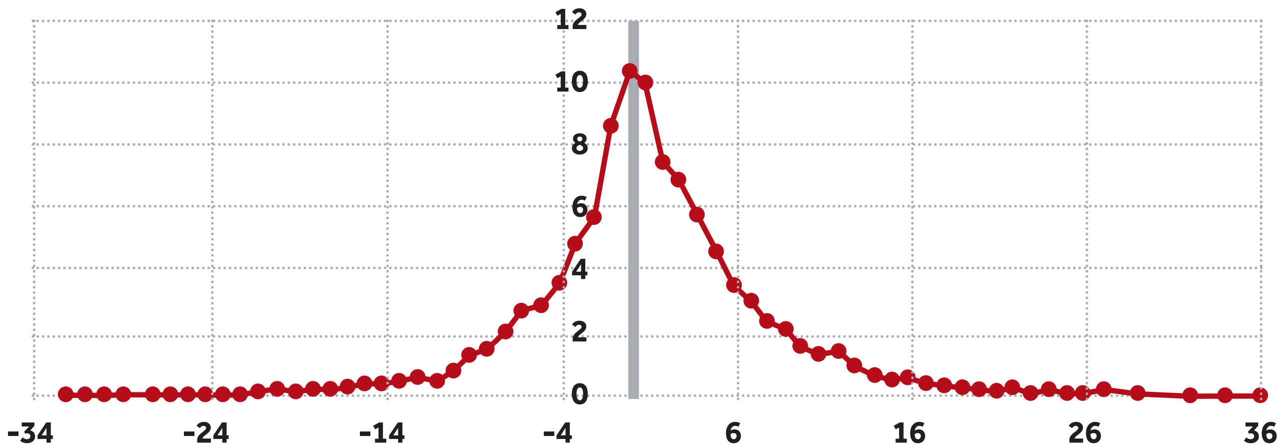
We use a sample of approximately 6,500 working individuals in Understanding Society, for whom we have contextual work-related and mental wellbeing information for the most recent survey wave in 2017/19 and answers for one or more of the 2020 monthly surveys.

General findings

As expected, there is large variety in the extent to which the COVID-19 crisis impacted mental health and wellbeing - some people have even felt better than before. In fact, 29% of our sample saw a decrease in mental distress of more than 1 point in spring 2020. Another 28% reported very little change. However, 43% of workers in our sample saw an increase in distress of 1 point or more on the GHQ-12 scale.

The figure below shows how the individuals in our selected cohort are distributed along the lines of their change in mental wellbeing score. The figure shows that for the majority of people, covering the area under the curve, changes in mental wellbeing in 2020 were relatively small. However, the right arm of the graph shows that for a substantial number of people, the increase in mental distress was large. Furthermore, there are early indications that the effects may be enduring, as the average distress lowers only slightly between April and June and remains well above 2017/19 levels.

Figure 1: Change in mental wellbeing among individuals in work between 2017/19 and April 2020



Gendered impact of COVID-19 crisis on mental wellbeing

Within our sample, we find that the impact of the crisis on mental wellbeing differs strongly depending on gender. About 48% of women experienced an increase in mental distress of 2 points or more, compared with 38% of men. For the group of men and women who experienced an increase in mental distress, women were worse affected, with a mean increase of 6.5 compared with 5.9 for men, and stronger increases for younger women.

Ethnicity

We also looked specifically at the mental health impact of the crisis on individuals from non-white backgrounds. Unfortunately, the sample size for various ethnicities was too low to report, which is why we aggregated non-white individuals as BAME workers, with the understanding that this is imperfect and hides great variation among different ethnic groups.

BAME male workers noted nearly three times the increased intensity of that of white male workers (1.6 vs 0.6), whereas BAME female workers saw a lower increase of mental distress of 1.3 vs 1.7 among white female workers on average.

Caring responsibilities

The closure of many childcare services during the lockdown resulted in many parents struggling to combine work and family life. Our analysis found that having children under the age of four is associated with a significant increase in mental distress over spring/summer 2020 among parents, with a higher average increase for women (2.8) than for men (1.1). The increase is particularly stark for women who worked from home often, or always during this time (between 2.5 and 4.4), which likely relates to increased pressure to juggle caring responsibilities with work. Other research shows that women took on a larger share of household tasks and caring responsibilities than their male partners during the pandemic, and on average, mothers in two-parent heterosexual households did "a third of the uninterrupted paid-work hours of fathers".

Pre-existing mental health conditions

There are early indications that people with pre-existing mental health conditions have been more negatively impacted by the crisis than those without such conditions. For instance, the Money & Mental Health Institute noted in June that people with mental health conditions had on average lower incomes and were more likely to have cut back on essentials, such as food and heating, and struggled to pay bills. While our Understanding Society COVID-survey sample of workers with pre-existing mental health conditions is too small to make reliable estimations, we do find that having a mental health condition was associated with higher levels of mental distress.

Work related mental health impacts of the COVID crisis

Changes to working patterns and hours

During and following the March and April lockdown, working patterns and hours underwent huge changes. In the Understanding Society April survey, around a quarter of in-work respondents noted they had been furloughed, and an additional quarter had seen hours reduced in other ways.

By examining the effect of the different types of working time reductions on mental wellbeing we see that changes in working patterns and hours which are significantly and substantively associated with an increase in mental distress include: being laid off, being on sick leave or self-isolating, or reducing hours due to having caring responsibilities

Figure 2: Impact of different reasons for changes in hours on mental distress

Note: this graph shows the statistically significant impacts on mental wellbeing of reasons for changes in hours, where the numbers on the horizontal line can be equated to changes in mental distress on the GHQ-12 Likert scale. The dot represents the coefficient and the line the confidence interval. Statistically non-significant impacts on mental distress were excluded from the graph. Also excluded from the graph for reasons of visual clarity were controls for gender, age, ethnicity, previous mental wellbeing and current levels of subjective financial wellbeing

It is worth discussing the effects of being laid off in more detail, as the impact of this on mental wellbeing is particularly stark.

Being made redundant

Our sample included over 100 people who were made redundant in either April, May or June, and when other factors are controlled for, the level of mental distress among this group was 3.7 points higher than that of people who weren't laid off. This supports other research findings that job loss has strong effects on life satisfaction, self-esteem and mental wellbeing. Job loss can have enduring impact, when considering that workers who become unemployed during a financial crisis suffer scarring effects in terms of future wages, progression, likelihood of further spells of unemployment and life chances (Anders & MacMillan, 2020; Bell et al, 2020; Huckfeldt, 2017; Rothstein, 2020).

Furlough

Being furloughed, on the other hand, is associated with a slight (around 1 point) lowering of mental distress.

This finding on furlough corroborates findings from an independent survey by the Resolution Foundation in May, which noted that over half of furloughed workers reported they were "happy" about being furloughed, and this rose to 70% among the lowest-paid workers. This data reflects a relatively early point in the crisis, so perhaps at this stage reflects relief at not being laid off. Now that the scheme is extended to March 2021, it is key we keep monitoring the impact that this has on the mental wellbeing of those furloughed.

The impact of COVID on financial wellbeing

About 21% of workers in our sample had seen a fall in their subjective financial wellbeing between 2017/19 and April 2020, the latter of which represents the onset of the crisis. At this early stage, the proportion of workers experiencing a drop is only slightly higher than we would expect to see based on a comparison of survey waves 2015/16 and 2017/19, however, the COVID period registers an increase in steeper falls. Furthermore, there is early evidence that the proportion of workers experiencing a drop in financial wellbeing increases rapidly with duration of the crisis, as we find that 11% of workers in our sample reported a fall in financial wellbeing between April and May.

Most worrying, the crisis appears to have hit those that were previously less well off the hardest. The likelihood of finding it 'quite', or 'very difficult' to get by during the COVID-19 crisis is greater for those that were less well-off prior to the crisis than those that were better off. This reflects the fact that people who were living comfortably/doing alright before the crisis are more likely to have a financial buffer to manage a period of reduced income than those who had been finding it difficult to get by.

Hard-hit sectors

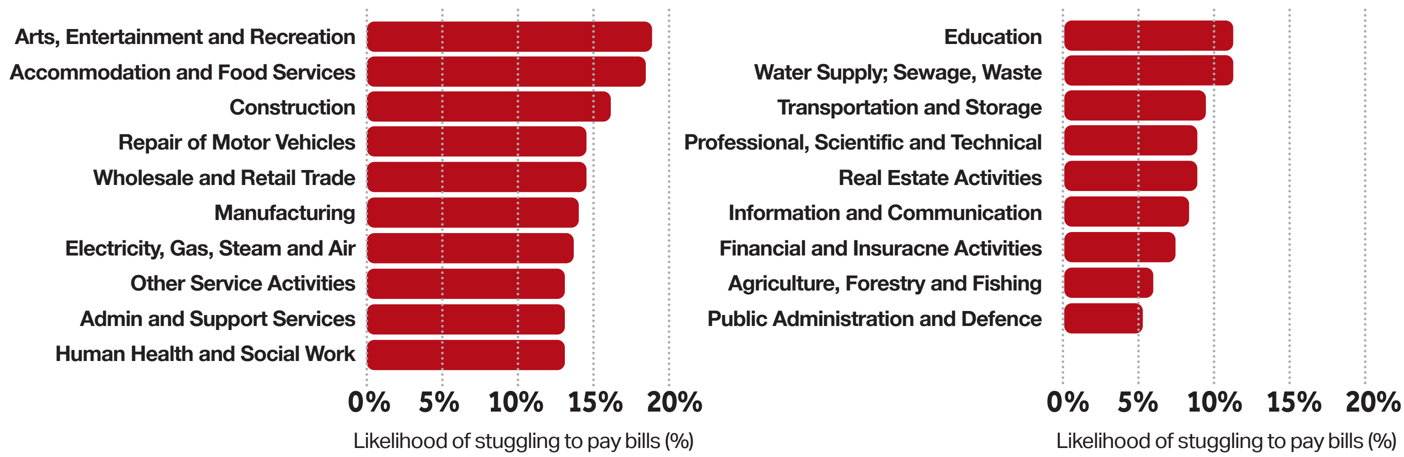
We see evidence of drops in financial wellbeing in the hardest-hit sectors, particularly where in-person contact usually plays a big part and which were more likely to be closed during lockdown, and sectors where there was less access to working from home.

For those sectors in particular, we note an increase of the number of workers who find it 'quite' or 'very difficult' to get by. The hard-hit sectors include many low-paid workers and were where job loss and furloughing was highest. Although furlough ensured workers retained 80% of their usual wage, this still means that very low paid workers would have had to endure a cut of a fifth of their usual pay.

Accommodation and food services saw a 15% increase in the proportion of people who in spring 2020 found it 'quite' or 'very difficult to get by'. Similarly, this proportion increased by 16% in 'other service activities' which includes hairdressing, dry-cleaning and repair of household goods. We also see a relatively strong increase (12.2%) in workers experiencing low financial wellbeing in the construction sector, which has gradually reopened over the summer, but in which GDP in August was still 10.8% below February levels.

Finding it difficult to get by can mean people may struggle to deal with unforeseen expenditures, and pay bills. The Understanding Society May 2020 survey asks respondents to indicate on a scale of 0 to 100% how likely it is they will struggle to pay bills or expenses over the next 3 months. The figure below reflects the average expectation that workers across different sectors have that this will happen. This shows particularly high rates in arts and recreation, of which large swathes will remain closed probably until a vaccine is ready, as well as accommodation and food services, and construction.

Figure 3: Likelihood that it will be a struggle to pay bills or expenses over the next three months (sector averages).



Financial and mental wellbeing resilience

Falls in financial wellbeing can negatively affect our mental health. Perhaps unsurprisingly, when people consider themselves comfortably off, mental wellbeing is higher than when people experience financial hardship. This is shown in the table below, where the average GHQ-12 Likert score in 2017/19 was 9.9 for workers who assessed their own financial situation as 'living comfortably', and notes an increase in mental distress for each consecutive category. Pre-pandemic, average distress levels were more than twice as high among those who found it very difficult to get by compared with those who were living comfortably.

Figure 4: Mean GHQ-12 score

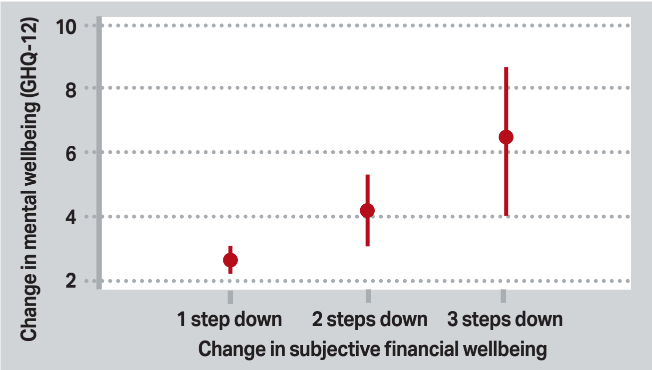
Categories of subjective financial wellbeing	2017/ 2019	April/ May	Increased distress
Living comfortably	9.9	10.8	0.9
Doing alright	10.9	12.3	1.4
Just getting by	12.6	13.9	1.3
Finding it quite difficult	15.5	16.7	1.2
Finding it very difficult	20.3	22.6	2.3

The third column of the table is particularly instructive. Here we show that workers who were struggling to get by prior to the crisis showed on average higher levels of increased mental distress during the crisis than those who were comfortably off. This link between financial and mental wellbeing has broad implications, as we also find that workers who were only just getting by previously are more likely to have seen their financial situation worsen between 2019 and the summer of 2020.

In order to explore this further we have tracked changes in subjective financial wellbeing over time, by comparing answers for each individual between 2017/19 and spring 2020, to the question "How well would you say you are managing financially these days?" The following analysis looks specifically at workers who selected a lower response to the question in 2020 than they did previously. Workers whose financial wellbeing declined by one step, saw mental distress increase on average by 2.5 points. Two steps down were associated with an increase in mental distress of 4 points, and three steps with 6.4 points. Four steps down, covering workers whose financial wellbeing had changed from 'living comfortably' to finding it 'very difficult' to get by, had a very small sample size and is not reported here.

This analysis demonstrates the scale of impact that reductions in financial wellbeing can have for workers' mental wellbeing. Furthermore, those who are finding it very difficult to get by now, may be at particular risk

Figure 5: Increase in mental distress associated with falls in financial wellbeing



95% confidence intervals

if there are further pressures on household income over the months ahead. This is particularly problematic for vulnerable people, such as those living with mental health conditions, of whom we know that financial concerns can exacerbate financial problems such as debt, as well as their mental health.

As we expect the economic effects of the crisis to be felt for years to come, it may take a very long time for people to rebuild their financial resources. Furthermore, there are longer-lasting physical and mental health implications of periods of deprivation. Therefore, it is imperative to ensure there are provisions in place to halt, or significantly slow, people's financial wellbeing dropping when the organisation they work for cannot sustain their full employment, or when they lose their jobs.

Going forward: Developing policies that support financial and mental wellbeing

Even as we emerge from a second national lockdown, restrictions that limit social and economic activity are likely to remain to differing levels for many months to come. In this context, more work is required to identify not only people most at risk of being negatively impacted by the COVID-19 crisis, but particularly, the factors that are successful in supporting mental wellbeing during such challenging times. Some such factors are personal, but others may fall within the purview of policy makers.

Furlough led to reductions in hours and income, which, particularly for those who were not well off prior to the crisis, related to increased distress. However, in aggregate, furlough contributed to a lowering of distress over spring and summer 2020. Notably, as a policy it has been successful in buffering potentially large-scale unemployment, and has thereby prevented many workers from experiencing the steep increase in mental distress that is associated with being laid off, with all of the personal and wider societal damage that would entail. As such, we might say that the Government's broad and 'maximalist' approach has to some extent mitigated some of the worse mental health impacts of the crisis.

Nevertheless, for the millions of workers who have been making do with one fifth less income for six months already, a further extended period of substantively reduced pay may be difficult to bear. Already we see evidence of increased take up of short-term loans, indicating that people have drawn on and depleted what savings they had. Ultimately, the longer the crisis continues, the more workers will be impacted, with low paid workers likely to be hit disproportionately hard.

In addition, due to its cost and the potential for wider economic impacts of holding so many jobs in stasis for a long period of time, policies underpinned by the furloughing of workers are unlikely to be deemed sustainable over the medium to long term. In this context, recent announcements to boost job creation and support those who lose their jobs to re-enter the labour market are welcome. However, the reality is that the underlying welfare system is likely to have a key role to play here in providing temporary financial support to those out of work and those who find themselves trapped in low paid, insecure work.

The number of households receiving Universal Credit increased from 2.6 million in February to 4.6 million in August 2020, yet as things stand, the welfare system does little to buffer the impact of sharp falls in income. Individuals maintain approximately 18% of their previous in-work income after 2 months of unemployment, according to the OECD. This is much lower than in other Western European countries, and can have dire consequences for households. This is no doubt in part reflected in the staggering rise of middle-income working families' use of foodbanks over summer.

Considering the likely difficult winter months ahead under the pandemic, and the additional impacts of Brexit at the end of this year, it is essential that we re-think the role of the welfare system in providing support to those who need it during this exceptional time. As a starting point, the £20 per week uplift for Universal Credit recipients should be maintained beyond April 2020. Not only would this provide additional financial certainty for those currently benefitting from it, it may well help prevent further falls in mental wellbeing for those most affected by the crisis in the months to come.

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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.

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