

Crisis in the capital

**How to protect low paid workers and
deliver better work in London**

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October 2020

Published by National Learning and Work Institute

4th Floor Arnhem House, 31 Waterloo Way, Leicester LE1 6LP

Company registration no. 2603322 | Charity registration no. 1002775

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About Learning and Work Institute

Learning and Work Institute is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

This report was produced as part of the Better Work Network, a policy and practice-based initiative, hosted by Learning and Work Institute and Trust for London, dedicated to supporting progression from low pay and increasing the quality of work in London.

We would like to thank Trust for London for their support with this project, and Manny Hothi and Austin Taylor Laybourn for their input into this report.

We would also like to thank Alessy Beaver from Thames Reach, and Bethany Birdsall and Valentina Alfano from IRMO for their contribution to this project and continued support for the Better Work Network.



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Executive Summary

This report explores the impact of the coronavirus crisis on London's labour market, and on low-paid Londoners. It sets out what could be done by central government and London local government to mitigate the impact of the crisis, and to build back better.

The capital is the wealthiest region in the UK, but also the most unequal. Despite sustained growth and a significant increase in employment in recent years, **many Londoners were struggling to get by on the eve of the pandemic**. Nearly one million Londoners were earning below the London Living Wage when the crisis hit, and the number in in-work poverty was increasing. Low pay is particularly likely to impact on certain groups of Londoners, including women, young people, those with lower levels of qualifications, and those from black ethnic backgrounds. Londoners faced high levels of insecurity, with one in nine workers being in some form of insecure work.

The prevalence of low pay and insecure work left London's labour market particularly vulnerable to the seismic impact of the coronavirus pandemic. The claimant count in the capital has increased by 161% to 484,000, faster than in any other region or nation of the UK. The increase has been faster still among young people, with the number of Londoners aged under 25 claiming benefits nearly trebling since the start of the crisis.

The pandemic has hit low paid Londoners hardest. Our polling suggests that low paid Londoners are nearly twice as likely to have been furloughed compared to other workers in the capital, and nearly four times as likely to have lost their jobs. Low paid Londoners are more likely to say they are worried about their finances, and they are more likely to have struggled with basic items such as food, and with bills. Low paid workers in the capital are more likely to have had to fall back on a variety of support, including Universal Credit – which has seen claims nearly double – as well as borrowing and food banks. London's low paid workers are also more concerned about the future; they are more worried both about their ability to keep their jobs, and to find new work during the crisis.

The impact of the pandemic would have been far larger still had it not been for the Coronavirus Job Retention Scheme. 1.4 million jobs were furloughed between March and July, and there were still **557,000 jobs furloughed at the end of August**; the highest proportion of furloughed jobs of any region or nation in the UK. Low paid Londoners are much more likely to have been furloughed than other workers in the capital.

The withdrawal of the Coronavirus Job Retention Scheme at the end of this month, and the introduction of the Job Support Scheme had represented cliff-edge in support, which could have triggered a catastrophic second wave of job losses. We estimate that without the recent changes to the scheme, **270,000 potentially viable jobs would have been at risk in the capital** over the winter.

With the recent changes to the Job Support Scheme likely to prevent tens of thousands of job losses over the winter, focus should now turn to **supporting a transition to a post-Covid economy, with better work at its heart**. We set out recommendations for central government, the Mayor of London and London Boroughs across four key areas:

- **Job creation** – we will not see a rapid ‘v-shaped’ jobs recovery in London, and without action, we are likely to see lower employment for years to come. Central government should work with local government **to invest in jobs creation**, with a focus on jobs-rich and socially useful sectors, including social care, childcare, housing and green jobs. London local government should take the lead in **making Kickstart a success**, by driving up the number of placements, focusing on improving quality of placements, and providing support for young people who are not kept on after their placement;
- **Employment support** – we are likely to see a second wave of job losses this winter, and a surge in long-term unemployment in the coming months. Previous employment support programmes have been too centralised, and while they helped many into work, they have not succeeded in helping many people out of poverty. Any post-pandemic employment support programme should be **substantially devolved** to the capital, and focused not just on tackling unemployment, but **supporting entry into good jobs, and supporting progression**;
- **Retraining support** – while jobs will be created as the economy recovers, there is likely to be a permanent change in the jobs available and the skills employers need. Central and local government should **ramp-up retraining support to help Londoners to upskill and re-train for the jobs that will be available**. This should include government extending the lifetime skills guarantee and improving maintenance support. The Mayor of London should ensure there is a clear offer for newly unemployed Londoners, including through new sector-based skills academies;
- **Social security support** – even if we do all of the above, we are likely to see an increase in unemployment in London and across the UK, both in the short and medium term. The Government should extend the £20 increase to Universal Credit to at least April 2022, in order to support the incomes of those who lose their jobs.

Introduction

Prior to the coronavirus outbreak, there was a stark contrast in the opportunities afforded to Londoners.

The capital is the wealthiest region in the UK, but also the most unequal. Despite sustained economic growth, and the employment rate rising to a record high in recent years, many Londoners were still struggling to get by on the eve of the coronavirus pandemic.

That so many were struggling before the crisis is what left London particularly vulnerable to the seismic impact of the coronavirus pandemic, and to the unprecedented economic crisis that it has triggered. It is increasingly clear that the crisis is not hitting all groups equally, and it is the lowest paid and most insecure workers who are most at risk.

In this report, we explore the impact of the coronavirus crisis on London's low paid workers, based on a large scale representative survey of 1,024 Londoners¹, interviews with low paid Londoners, and analysis of the latest labour market data. We go on to set out a series of recommendations – for central and local government – to address these challenges.

¹ The quantitative survey was an online survey of 1,024 adults living in London, run by YouGov between the 16th – 18th June 2020. Data was weighted by age, gender, education level, ethnicity and social grade to representative of all London adults (18+).

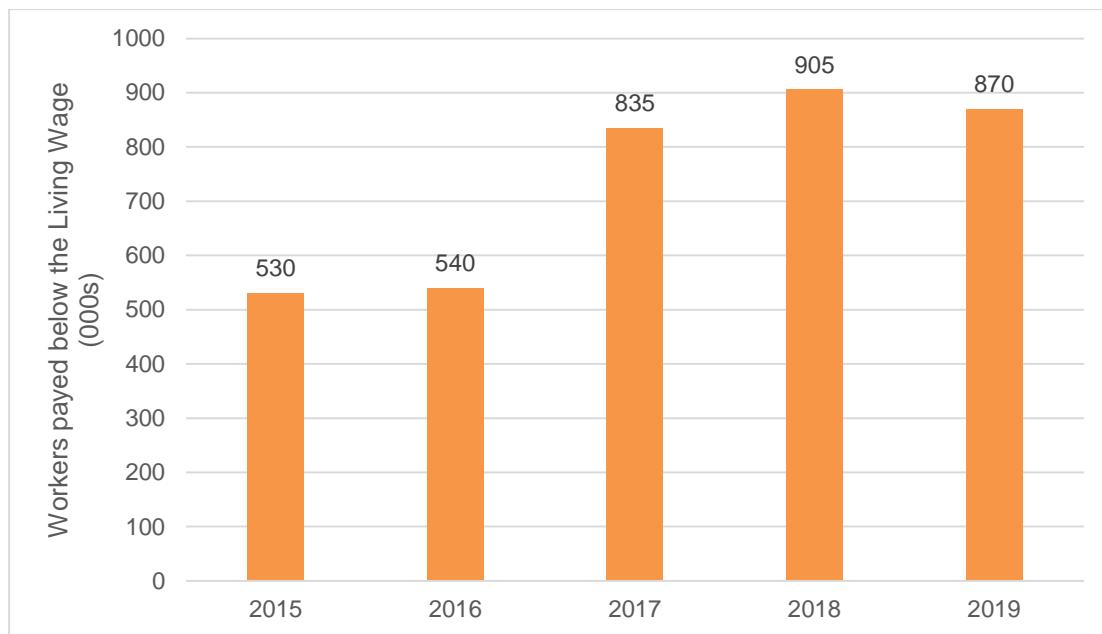
Who are London's low paid workers?

Despite the success of London's economy in recent years, the number of low paid Londoners has increased.

Figure 1 below shows the number of Londoners earning below the real Living Wage, the rate set by the Living Wage Foundation which is based on the cost of living. It shows that the number of Londoners earning below the Living Wage rose from just over half a million in 2016, to nearly 1 million in 2019. Part of this increase can be accounted for by the increase in the number of Londoners in work over the period. However, the proportion of workers in London earning below the Living Wage has also risen significantly, from 13% in April 2016, to 20% in April 2019.

Figure 1: One in five workers in London – nearly 1 million people – were earning below the Living Wage on the eve of the coronavirus crisis

Workers earning below the voluntary Living Wage in London (000s)



Source: [Resolution Foundation, 2016 - 2020](#)

Analysis of Understanding Society ([University of Essex et al., 2019, 2020](#)) and Labour Force Survey ([ONS, 2020a](#)) data shows that London's low paid workers are a diverse group, with typically disadvantaged cohorts over-represented²:

² Low pay is defined as having hourly earnings below 2/3 of median hourly earnings in the Understanding Society dataset. Other workers as those who earn at or above 2/3 of median hourly earnings in the dataset.

- Eight out of ten (83%) low paid workers in London are **women**;
- Over half (56%) of low paid workers have **lower qualification levels**³ compared to just one in four (26%) of other workers;
- One in six (16%) low paid workers are from a **black ethnic background**, compared to one in ten (10%) of workers from other ethnic backgrounds;
- More than two in five (45%) low paid workers in London are **migrants**⁴ compared to one in five (26%) of non-migrant workers;
- Low paid workers are more likely to be **young**; four in ten (42%) low paid workers are aged 25 to 29.

Given the prevalence of low pay in the capital, and the high cost of living, London also has high levels of in-work poverty. In recent years, while the number of Londoners in work has increased, the number of Londoners in poverty has also increased. Between 1994/95 and 2017/18, the proportion of working Londoners who were in poverty rose from 15% to 24%, the largest increase of any region or nation in the UK ([IFS, 2019](#)). At the outbreak of the crisis, most people in poverty in the capital now live in a working household.

In addition to the challenges around low pay, London also has high levels of insecure work. One-in-nine workers (11.5%) in the capital were in some form of insecure work on the eve of the crisis ([TUC, 2019](#)).

³ Higher qualifications are defined as those with qualifications at level 3 or above in the datasets. Lower qualifications are defined as those with qualifications at level 2 or below in the datasets.

⁴ Migrant is defined in the data as those who were not born in the UK.

How has the crisis impacted low-paid Londoners?

The coronavirus crisis has had a significant impact on Londoners, with a particularly acute impact on lower paid workers in the capital. In this section we use a large scale poll of Londoners, and analysis of labour market data to examine the impact of the crisis on Londoners, and on the capital's low paid workers in particular.

Job loss and unemployment

London has already seen a significant number of job losses, and a rapid increase in the number of people out of work.

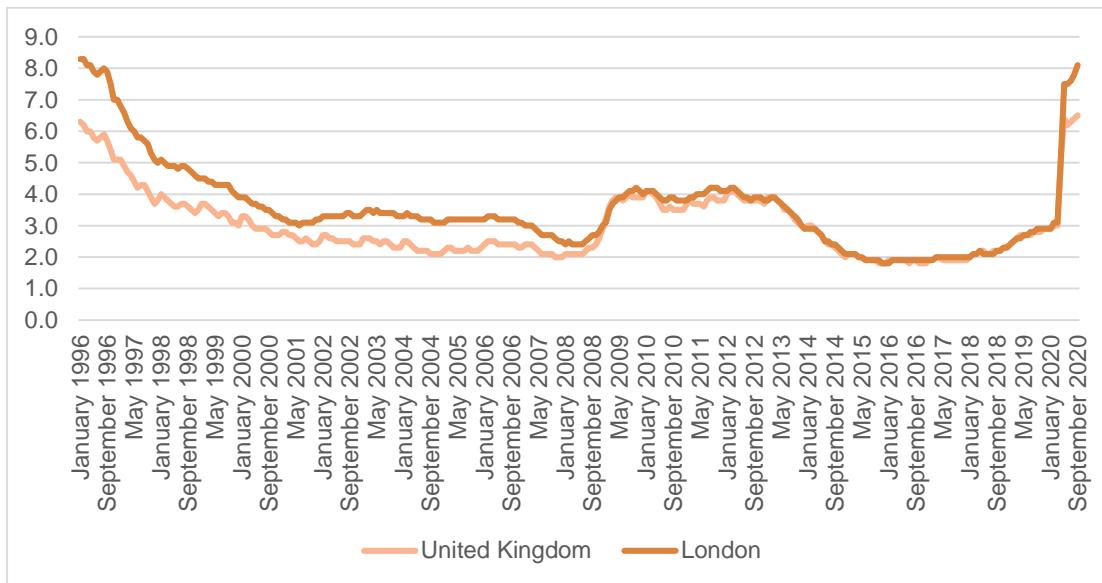
The claimant count is a measure of the number of people claiming unemployment benefits, based on administrative data from the Department of Work and Pensions. The claimant count in London increased from 187,000 in March 2020 – when the national lockdown was introduced to slow the spread of the pandemic – to 488,000 in September 2020 ([ONS, 2020b](#)). This is the highest claimant count since records began in 1986.

The claimant count has increased faster in London than in any other region. The claimant count increased by 161% between March and September 2020, compared to a 114% across the rest of the UK.

The claimant count in London now stands at 8.1% of the working age (16-64) population, the highest level since April 1996, and higher than any other region or nation of the UK.

Figure 2 – The claimant count rate in London has nearly trebled since March

Claimant count as a proportion of all residents aged 16-64 (%)



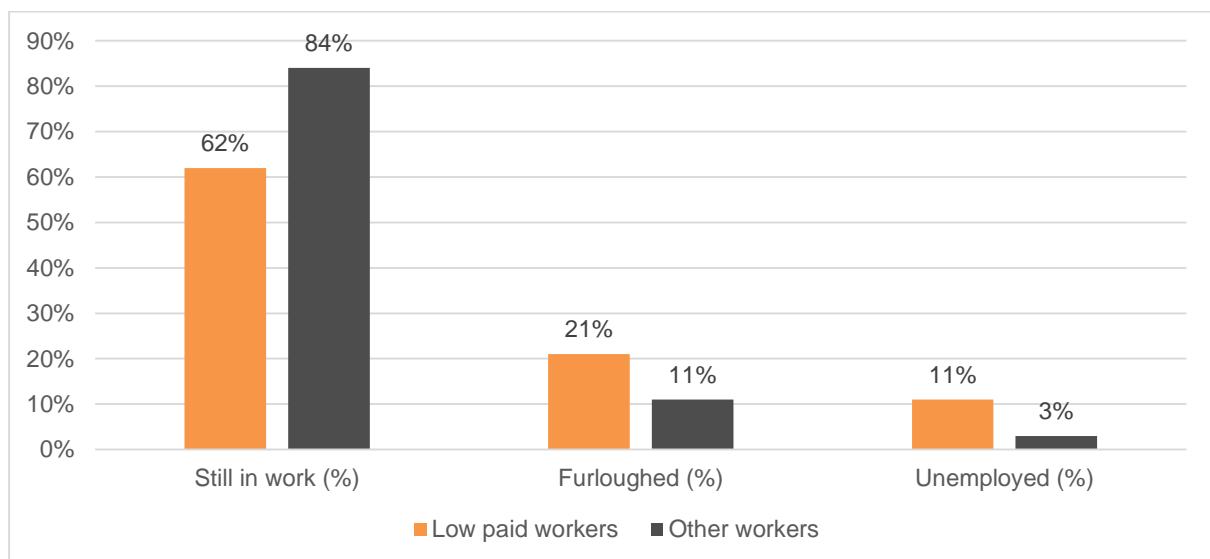
Source: [ONS, 2020b](#)

The claimant count has at least doubled in every London borough, but the scale of the increase varies across the capital. In three boroughs – Redbridge (202%), Newham (206%), and Harrow (229%) – the claimant count has tripled since March.

The claimant count has increased particularly rapidly among young and mid-career Londoners. The claimant count among those aged 16-24 has risen by 183% since March, with the claimant count for those aged 25-50 increasing by 178%. The claimant count among those aged 50 and above has increased by 115%.

Low paid Londoners are more likely to have lost their jobs as a result of the pandemic. Polling of Londoners conducted by Learning and Work Institute in June found that low paid workers were nearly twice as likely to have been furloughed than other workers in the capital (21% compared to 11%), and nearly four times as likely to have lost their jobs (11% compared to 3%).

Figure 3: Low paid workers were twice as likely to have been furloughed and nearly four times as likely to become unemployed – June 2020



Source: Learning and Work Institute representative survey of London – June 2020. Base: all respondents. Weighted base = 1054 . Unweighted base = 1054

There are a number of factors that help to explain this significant differential impact.

First, low paid Londoners are more likely to have been working in the sectors hit hardest by the crisis. Sectors such as non-food retail, hospitality, and arts and leisure were significantly impacted by the lockdown, and by the ongoing social distancing requirements that have remained in place since the lockdown was eased. Prior to the crisis, one-in-three

(33%) low paid Londoners were employed in the sectors which have been most impacted by the lockdown, compared to just one in seven (14%) other workers⁵.

Low paid workers are also significantly less likely to be able to work from home. In our poll of Londoners, fewer than one in five (18%) of low paid workers said they were able to work from home with little or no disruption, compared to nearly half (45%) of other workers in the capital.

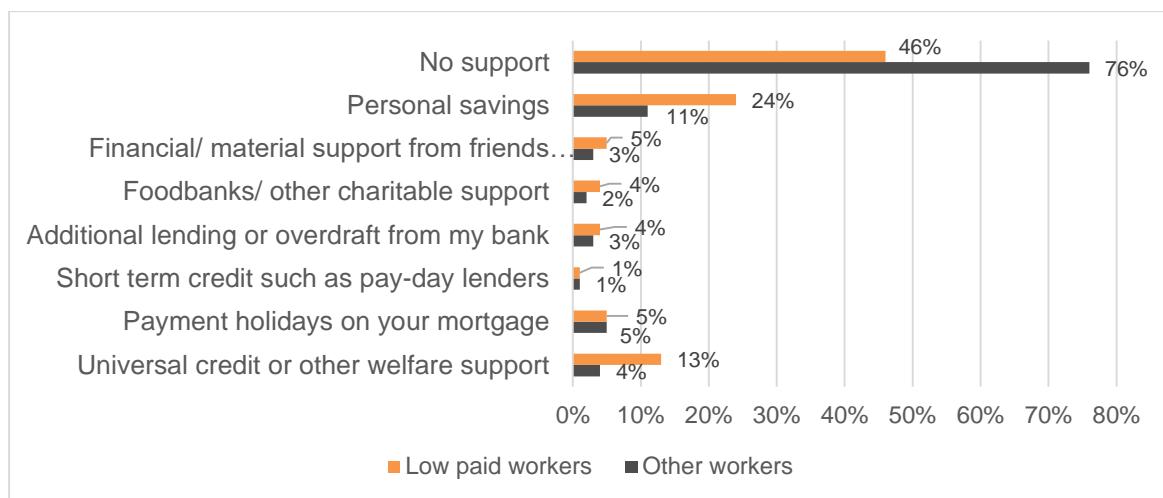
Income, Universal Credit, and financial difficulties

Given the greater impact on their employment, low paid Londoners have also experienced a greater impact on their income and household finances.

In our poll of Londoners conducted in June 2020, nearly two in five (35%) low paid workers said they had experienced a reduction in their personal income, compared to just one in five (21%) other workers. There was a similar difference in terms of those experiencing a reduction in household income (33% compared to 19%).

The poll found that low paid workers were far more likely to have relied on a variety of support to get through the crisis. As figure 4 below shows, low paid workers were over three times as likely to have relied on Universal Credit, compared to other worker, and over twice as likely to have relied on personal savings. Low paid workers were also twice as likely to have relied on food banks, and more likely to have relied on additional lending or an overdraft from their bank, or financial support from friends and family.

Figure 4 – Low paid workers are more likely to have relied on financial support through the crisis – June 2020



⁵ By shutdown sector, we follow the classification set out by Joyce and Xu, 2020, which classifies sectors as directly affected by the lockdown by their 4-digit SIC codes. The sectors affected are: Non-food, nonpharmaceutical retail; passenger; accommodation and food; travel; childcare; arts and leisure (except 'artistic creation'); personal care ('funeral and related activities'); domestic services.

Source: Learning and Work Institute representative survey of London – June 2020. Base: all respondents. Weighted base = 1054 . Unweighted base = 1054

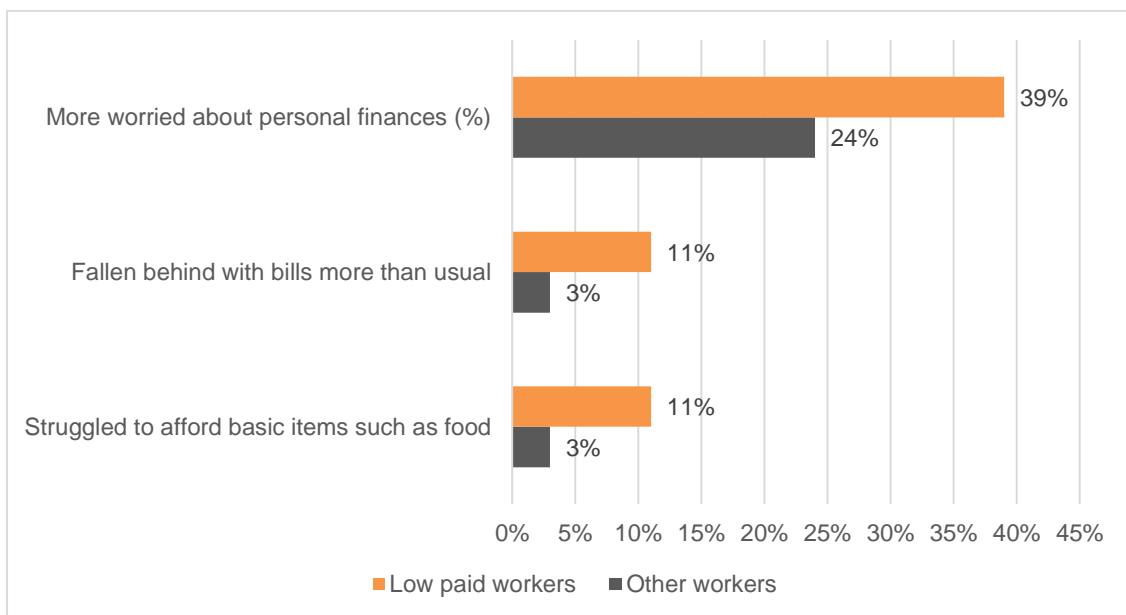
The rapid increase in claimant unemployment in the capital has led to a significant increase in the number of Londoners on Universal Credit. The number of households on Universal Credit in the capital leapt from 371,000 in February 2020 to 674,000 in May ([Department for Work and Pensions, 2020a](#)). The increase of 82% in the capital compares to an increase of 62% across the rest of the UK (L&W analysis of [Department for Work and Pensions, 2020b](#)).

With a greater impact on their employment and on their incomes, low paid Londoners have also experienced higher levels of stress, and are more concerned about their employment and financial futures.

Two in five (39%) low paid workers in London say they have been more worried about their finances, compared to just one in four (24%) of other workers in the capital.

Low paid workers are also much more likely to say that they have struggled to afford the basics during the crisis. Over one in ten (11%) low paid workers in London say they have struggled to afford basic items more than usual, compared to just 3% of other workers. Similarly, over one in ten (11%) low paid workers say they have fallen behind with bill payments more than usual compared to 3% of other workers.

Figure 5 – Low paid Londoners are more likely to be worried about their personal finances – June 2020



Source: Learning and Work Institute representative survey of London – June 2020. Base: all respondents. Weighted base = 1054 . Unweighted base = 1054

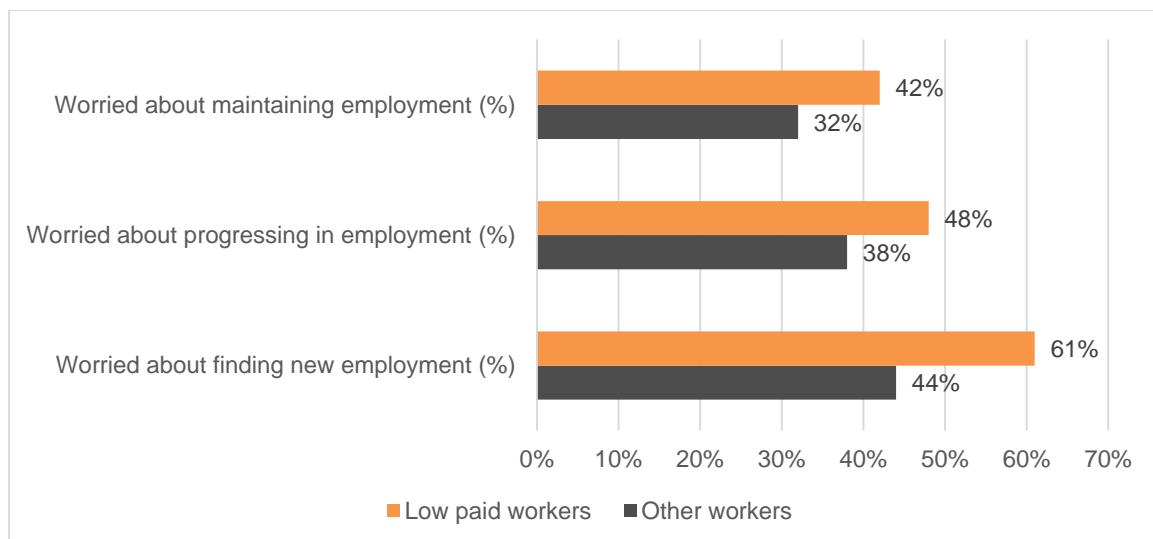
Future job prospects

With low paid workers having been hit hardest by the crisis so far, they are also more pessimistic about their immediate and future employment prospects.

Four in ten (42%) low paid workers in London say they are worried about maintaining their employment prospects, compared to three in ten (32%) other workers. There is a similar gap when it comes to progressing in work, with half (48%) of low paid workers being worried about future opportunities to progress, compared to two in five (38%) other workers.

There is a bigger gap when it comes to concerns about future employment. Three in five (61%) low paid workers are concerned about finding new employment, compared to just 44% other workers.

Figure 6 – Low paid Londoners are more worried both about keeping their jobs and finding new work



Source: Learning and Work Institute representative survey of London – June 2020. Base: all respondents. Weighted base = 786 . Unweighted base = 790

The Coronavirus Job Retention Scheme and the Job Retention Scheme in London

The Coronavirus Job Retention Scheme

The number of jobs lost, the increase in claimant unemployment, and the impact on incomes would all have been far larger still in both London and across the country, had it not been for the Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme (CJRS) was announced in March 2020 as part of a raft of emergency action to protect jobs from the impact of the pandemic and the lockdown measures introduced to control the spread of the virus.

The CJRS was originally intended to run for just three months but was extended to the end of October to protect workers from the ongoing impact of the pandemic, and the social distancing measures that have significantly impacted on many industries. The scheme originally provided grants to employers to pay 80% of the wages of staff that had been furloughed, up to a total of £2,500 per employee per month, with the option for employers to voluntarily top-up the remaining 20%. The scheme also initially covered the cost of employer national insurance and pension contributions. From August, the level of grant provided to employers began to taper, with employers required to contribute some of the costs, initially covering national insurance and pension contributions, and more recently a proportion of wage costs. Since July, employees have been able to return to work part-time, with employers paying wages for any hours worked, and the CJRS topping up income for hours unworked.

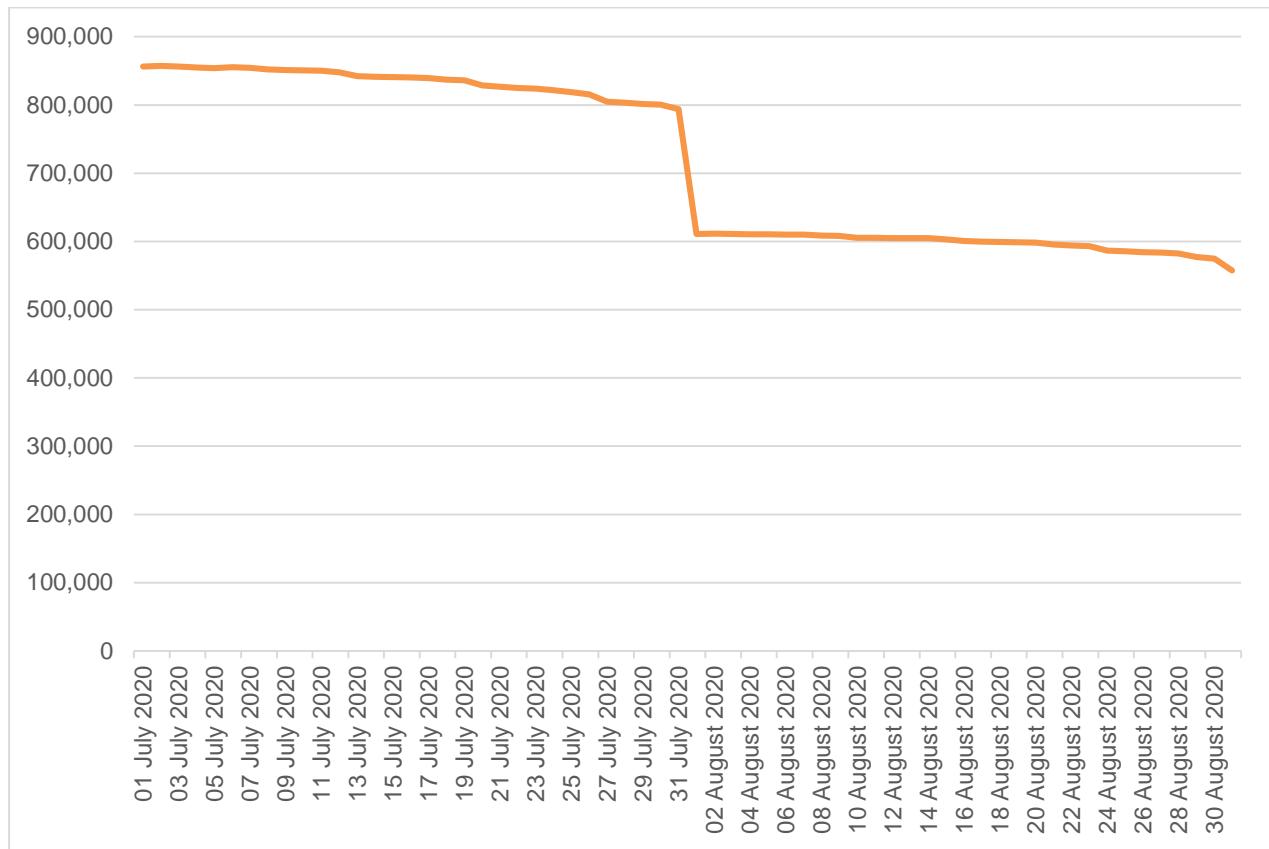
Employers who keep on a worker who has been furloughed until the start of February 2021 are eligible for the Jobs Retention Bonus, worth £1,000 per employee.

The Coronavirus Job Retention Scheme in London

A total of **1,385,500 jobs in London had been furloughed at some point** between the introduction of the Coronavirus Job Protection Scheme and the end of July 2020. This represents 32% of eligible jobs, the third highest proportion of any region or nation of the UK ([HMRC, 2020a](#))

By the end of August, two in five (40%) of these jobs remained in furlough, with some **557,400 jobs still on the Coronavirus Job Retention Scheme**. This represented 12.9% of all eligible jobs, the highest proportion of any region or nation in the UK ([HMRC, 2020b](#)).

Figure 7: Over half a million jobs were still furloughed in London at the end of August



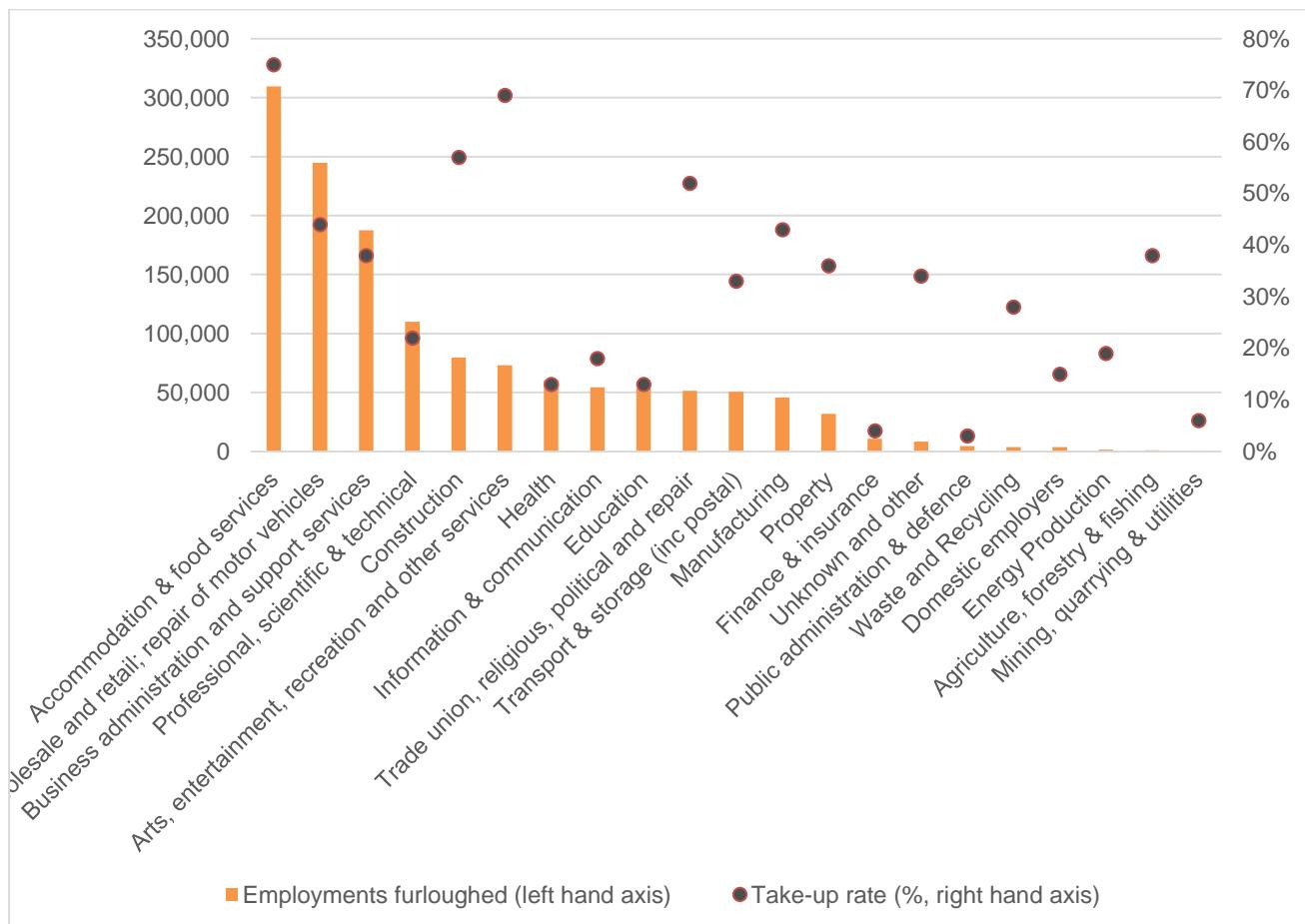
Source: [HMRC, 2020b](#)

Of these jobs, 417,100 jobs (75%) were fully furloughed, with the employee working none of their hours, and just 140,200 were partially furloughed, with the employee working at least some of their hours ([HMRC, 2020c](#)). Take-up of the partial furlough scheme in London has been lower – relative to the total number of jobs furloughed – than any other region or nation of the UK. Just one in four (25%) of furloughed workers in London at the end of August were partially furloughed and working at least some of their hours, compared to over one in three (35%) furloughed workers across the rest of the UK. This suggests that the Job Support Scheme – which requires workers to work at least 20% of their hours – may be less attractive to employers in London.

Use of the CJRS has varied significantly across different sectors, with far greater use in those sectors that have been hit hardest by the lockdown and the ongoing social distancing requirements. 310,000 workers in accommodation and food services had been furloughed by the end of July, with a further 245,000 workers in wholesale, retail and repair of motor vehicles having been furloughed. These two sectors alone account for over a third of all furloughed workers in the capital. The proportion of workers furloughed is highest in accommodation and food services (75%) and arts, entertainment, recreation and other services (69%).

Figure 8: Over half a million jobs in hospitality and retail have been furloughed in the capital

Number and proportion of jobs furloughed in London by industry



Source: [HMRC, 2020a](#)

Low paid workers in the capital are disproportionately likely to have been furloughed. As we highlighted above, in our survey of Londoners, low paid workers were nearly twice as likely to say that they had been furloughed than other workers (21% compared to 11%). The difference is also visible in the Labour Force Survey, which measures the number of workers who are temporarily away from paid work, which they expect to return to (L&W analysis of [ONS, 2020a](#)). Nearly three in ten (29%) low paid workers in London said that were temporarily away from paid work in between April and June 2020, compared to just over one in ten (11%) of workers who were not low paid.

There is some evidence to suggest that previously furloughed workers in London are more likely to have lost their jobs than those in the rest of the UK. HMRC has produced experimental statistics, based on furlough data and PAYE real term information data to show the proportion of workers who were furloughed through the CJRS between April and July, who were still on the company's payroll in August. The data shows that 12.9% of previously furloughed workers in London were no longer on payroll at the end of August,

compared to just 9.8% of workers across the rest of the UK ([HMRC, 2020b](#)). The figure in London is the highest of any region or nation of the UK.

The end of the Coronavirus Job Retention Scheme and the introduction of the Job Support Scheme

The Coronavirus Job Retention Scheme is due to end at the end of October 2020.

It will be replaced by the Job Support Scheme (JSS). Announced as the centrepiece of the Chancellor's 'winter economy plan', the JSS aims to 'protect viable jobs in businesses who are facing lower demand over the winter months due to coronavirus' ([HMT, 2020a](#)). It is due to last for six months.

The initial design of the JSS would require employees to work at least a third (33%) of their hours, and employers to cover the cost of a third (33%) of pay for unworked hours. This would require employers to contribute at least 55% of usual pay for an employee.

With the requirement for employees to work a third of their hours, and for employers to make a significant contribution toward the cost of unworked hours, there were significant concerns that the original scheme would have led to significant job losses. These concerns were particularly acute given the rise in coronavirus cases towards the end of the summer, and the increase in social distancing requirements.

Analysis by IPPR has suggested that 3 million currently furloughed jobs across the UK may still need support beyond the end of October, when the CJRS comes to an end. Of these jobs, an estimated two million would be viable in the medium term if wage subsidies were extended into the new year. However due to the design of the JSS and the JRB, just over one in ten of these potentially viable jobs would be protected, with the remaining jobs being at risk ([IPPR, 2020](#)).

Applying these figures to London, there would be around **300,000 viable jobs that are currently furloughed, but which would require ongoing support beyond October**. Of these jobs, the JSS and the JRB would have protected just 34,000 jobs, with nearly **270,000 viable jobs being at risk**.⁶

Following the increase in coronavirus infections, and the introduction of stricter social distancing rules across much of the UK, the scheme has been made more generous:

- Employers required to close in 'tier 3' areas can claim 67% of pay for employees unable to work any hours;
- Employers in other areas can now claim for employees who are able to work at least a fifth (20%) of their hours. The employer contribution to unworked hours was

⁶ We have assumed that a) the proportion of currently furloughed jobs that are 'viable' in London is equivalent to the proportion across the UK, and b) that the proportion of currently furloughed viable jobs that will be protected by the JSS and the JRB in London is the same as the proportion across the UK.

reduced to 5%, and the government contributing to unworked hours increased to 62% ([HMT, 2020b](#)).

The recent changes to the JSS have significantly improved the design of the scheme, and will help prevent the loss of tens of thousands of jobs in London as the CJRS comes to an end.

Recommendations – Supporting a transition to a post-Covid economy

The re-designed Job Support Scheme will help prevent tens of thousands of job losses over the winter. Central government, the Mayor of London and local government in London must now turn their attention to supporting a transition to a post-Covid economy.

Job creation

First, if we are to support a transition to a new normal post-Covid economy, we must ensure there are sufficient job opportunities available.

We have already seen the number of employees on payrolls across the UK drop by 673,000 ([ONS, 2020c](#)), and – as we set out above – we are likely to see a significant number of additional job losses as the CJRS scheme comes to an end later this month, with hundreds of thousands of jobs at risk in London. Early predictions of a ‘v-shaped’ recovery, and a rapid bounceback in employment appear optimistic given the emergence of a second wave of infections, and the reintroduction of tighter social distancing rules. Even if the pandemic is brought under control in the coming months, we are unlikely to see employment return to previous levels quickly. Previous recessions show that it has taken between three and seven years for employment to recover ([L&W, 2020a](#)).

The Kickstart scheme has been introduced to prevent a significant rise in long-term youth unemployment. The scheme aims to create hundreds of thousands of temporary job opportunities, which will be ring-fenced for young people on Universal Credit, who are at risk of long term unemployment. Employers will be offered a wage subsidy, covering 25 hours a week at the relevant minimum wage, plus a small grant to cover other costs.

London local government should take a lead in promoting opportunities for young people through the Kickstart Scheme. This could involve London Boroughs acting as intermediaries, and working with local employers in their area to promote the scheme and drive up the number of opportunities. In addition to focusing on the quantity of opportunities, the Mayor and London Boroughs should work with employers to ensure high quality opportunities. This should include encouraging employers to provide training, and to top up pay to the London Living Wage. While many young people may be kept on by their employers after the Kickstart placement, many more will not. The Mayor of London and London Boroughs should develop a focused employment support programme which works with young people coming towards the end of their Kickstart placement, to help them move into an apprenticeship, a job, or training, minimising the number who return to unemployment. National government should also extend eligibility to the Kickstart scheme to young people who are at risk of long-term unemployment, but who are not on Universal Credit ([L&W, 2020b](#)).

Beyond the Kickstart scheme, government should work with the Mayor of London and with local government to **invest in jobs creation**. Job creation should focus on jobs-rich, socially useful, and future-oriented sectors ([L&W, 2020a](#)). In the capital, this could include social care, childcare, housing, digital, and green jobs.

In addition to focusing on the quantity of jobs, central and London government should also **focus on job quality** in any job-creation schemes. This should involve promoting jobs that align with the Mayor's Good Work Standard, including paying at least the Living Wage, ensuring flexibility and security for the employee, and providing training and development opportunities ([GLA, 2020](#)).

Employment support

The Coronavirus crisis is likely to trigger a surge in long-term unemployment. While many people who lose their jobs may be able to return to work relatively easily as the economy recovers and vacancies increase, many may struggle to return to work. We estimate that in 2020/21 alone, **136,000 Londoners will become long term unemployed**, having been out of work for 12 months. This will be a larger inflow into long-term unemployment than seen at any point during the previous recession.⁷ Low paid Londoners are particularly vulnerable to falling into unemployment, and to becoming long-term unemployed.

The Department for Work and Pensions (DWP) is expanding Jobcentre Plus resourcing, including doubling the number of work coaches, as well as planning a large-scale welfare to work programme and other support.

Following the last recession, the Work Programme was introduced to reverse the rise in long-term unemployment. The Work Programme was designed and commissioned nationally, with very little role for local areas in shaping provision locally. While the programme performed relatively well with Jobseeker's Allowance claimants – particularly younger claimants – performance was much poorer with Employment and Support Allowance claimants who had disabilities or health/mental health related barriers to work. Finally, while the Work Programme was designed to help people to sustain work, it had little focus on job quality, or on progression. This meant that many of those who did find a job, did not see much of an increase in their income, and simply moved from out of work poverty into in-work poverty. Along with other factors such as the rising cost of living, this helps explain why, as the number of people in work increased significantly in London in the years following the last recession, the number of people in poverty in the capital did not fall.

The Work and Health Programme, which succeeded the Work Programme as the main DWP commissioned employment support programme, was less centralised in London. The programme was devolved to the capital, and commissioned by sub-regions made up of London boroughs.

Any post-Coronavirus welfare to work programme should be **substantially devolved, and should focus not just on supporting employment, but tackling poverty too**. DWP should work with the Mayor of London and London Boroughs to co-commission any future welfare to work support in the capital.

In designing such welfare to work support, the focus should be not just on job entry, but on **supporting claimants into decent quality jobs and out of poverty**. This should involve ongoing support for in-work progression for claimants who are supported into work.

⁷ See appendix 3 for methodology

Retraining support

While new jobs will be created as the economy recovers from coronavirus, there is likely to be a shift in the sectoral composition of the capital's economy. This will lead to a lasting change in the jobs available, and the skills that employers need. Even if we do see a rapid rebound in job opportunities, many people who lose their jobs may struggle to access the jobs that are available. This is particularly likely to be an issue for low paid Londoners, who are both more likely to lose their jobs as a result of the crisis, and who are more likely to have lower levels of qualifications.

The Government recently announced a Lifetime Skills Guarantee which aims to support people to train and retrain at any stage in their lives. This includes re-introducing the entitlement for adults without a level 3 (A-Level equivalent) qualification to a fully funded level 3 course ([Prime Minister's Office, 2020](#)). However, the offer will only be available from April, at which point many people who lost their jobs due to the crisis will have been out of work for a year.

Central and local government should work together to **ramp up re-training support** so that those who lose their jobs are able to access jobs available in the post-Covid labour market.

The Government should use the upcoming FE white paper to **extend the lifetime skills guarantee, so that it supports more adults in London and across the country to re-train and upskill**. This should include a lifelong learning entitlement, which provides funding for training both up to Level 3, and for subsequent Level 2 and 3 study where it is in an economic priority area or where adults have significant National Insurance contribution records. The Government should introduce a £5,000 learning account to help support the cost of other forms of retraining. It should also promote a more flexible offer, with both short and longer courses, offering face to face, online and blended learning that fits with adults' daily lives. Finally, the Government should introduce some form of maintenance support, either through a means tested Career Changer Grant, or through a Career Change Premium in Universal Credit ([L&W, 2020c](#)).

The Mayor of London should ensure there is a **clear offer for newly unemployed Londoners, including through the Adult Education Budget**, helping them to access short and work-focused training that can help them move into work.

The Mayor should also explore the potential to **develop sector-based skills programmes**, in line with the Mayor's Construction Hub model, to support Londoners to re-train for the work that is available, and to help employers in growth sectors to access the skills they need.

The Government should **bring forward the introduction of the UK Shared Prosperity Fund**, which is being introduced to replace the European Social Fund post Brexit, ensuring that it can be used by local areas to support investment in work-focused training schemes.

Social security support

Finally, if the government is seeking to support a transition to a post-Covid economy, we need to ensure the social security safety net provides the support that people need to see them through this difficult transition.

The number of Londoners on Universal Credit has nearly doubled since the start of the crisis, and low paid workers are more likely to have had to rely on the benefit.

At the outset of the crisis in March, the Chancellor announced a temporary increase to Universal Credit of £20 a week. The measure was intended to ‘strengthen the safety net’, in recognition of the fact that even with the measures he was putting in place, many people faced losing income, or losing their jobs altogether ([HMT, 2020c](#)).

Even despite this increase, the level of support provided through the benefits system in the UK remains relatively low. The increase followed a four year benefit freeze, which led to a significant decline in the cash value of Universal Credit and other benefits.

With the withdrawal of the CJRS, we are likely to see a further increase in unemployment in both the short term and the long term. These levels of unemployment likely to remain significantly higher for years to come.

In this context, Government should introduce a **further increase to Universal Credit**. The increase should last from April 2021 until at least April 2022.

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Appendix

1. Low paid worker cohort analysis

Our analysis aims to show how the initial stages of the Coronavirus crisis have impacted on low paid workers and low-income working households in London.

The principal data source we have used is the first wave dataset of the special COVID surveys undertaken as part of the Understanding Society programme.

The data was collected from existing Understanding Society panel members, and the survey was undertaken in April 2020.

We have linked this survey to the immediately prior full wave of Understanding Society, covering 2017-2018, to provide additional information.

While the COVID survey has a good response rate (over 14,000 responses), the survey covers all those over 16, including many over 66, and also the whole range of pay.

Therefore, the number of actual respondents who are both low paid and in London are relatively small. As a result, we have used the Understanding Society dataset to define a series of regression models examining factors that are known to be related to low pay, and then applied these regression models to a Labour Force Survey dataset comprising all respondents over the last two years. In this Labour Force Survey dataset, we have defined each of the outcome measures as having a predicted probability of greater than 50 per cent of the outcome, using the models derived from Understanding Society.

We have defined low paid as having hourly earnings below 2/3 of median hourly earnings in the latest full Understanding Society data (which has earnings that can be converted to hourly earnings). This low pay definition (applied nationally) approximates to the non-London Living Wage in 2017-2018 when that Understanding Society dataset was collected (over a full two year period).

We have defined low income using the Understanding Society COVID module, which asks for household earnings at the baseline (before COVID) and in the latest period (given the survey was taken in April). The definition we have used for low income is 60 per cent of median household earnings at baseline. We have defined people who have become low income as people whose current income was below the baseline threshold, but their baseline household earnings were above.

However, there are caveats to the approach we have taken. The Understanding Society dataset (including the COVID module) has relatively few respondents in a number of categories that are known from other analyses to be low paid. This includes young workers and workers of Bangladeshi ethnicity. Therefore the models derived from this data source do not predict low pay for people in these categories. We expect that as more data becomes available, including subsequent monthly waves from the Understanding Society programme, Labour Force Survey datasets and additional data from the ONS and other organisations, these gaps may be able to be filled.

For the definition of low pay, we have compared the results of our modelled dataset with data published by the ONS prior to the Coronavirus crisis on the numbers of people paid below the Living Wage in April 2019, by local authority, using the London Living Wage as the definition of low pay.

Using this comparison, the modelled estimates for low pay are substantially smaller than the observed ONS data from the Annual Survey of Hours and Earnings. Some of this may be due to using a definition of low pay that is lower than the London Living Wage, so we are dividing the pay profile into two parts at different points, and some to the issues identified above concerning difficulties in identifying young and Bangladeshi low paid people. In other respects, the modelled profile looks robust.

2. Identifying proportions at risk of furlough for London low-paid workers

The Labour Force Survey, a regular survey conducted on a large scale by the Office for National Statistics, provided a method to identify how the risk of being furloughed differed between London low-paid workers and higher-paid workers.

The Labour Force Survey for April-June 2020 provided the dataset we used.

However, the earnings questions are only asked of 40% of those interviewed (on a schedule, each person is asked at annual intervals), so if we only used people who identified as London low-paid workers, we would have had too few to report.

Therefore, we used the earnings questions to identify occupations at the highest risk of being low-paid. We did this by ranking those occupations (at 3-digit level) by their proportions paid below the Living Wage (London Living Wage and, nationally, the real Living Wage).

We classed those occupations with 49% or more of their workers (in April-June 2020) with hourly pay below the Living Wage as having a 'Very high risk of low pay'. We chose 49% rather than 50% as this included Caring Personal Services. We tested using a wider definition, but are reporting on this narrow definition, which includes those occupations at highest risk.

The occupations in question, with London sample response numbers, are:

543 'Food Preparation and Hospitality Trades'	48
612 'Childcare and Related Personal Services'	70
614 'Caring Personal Services'	94
621 'Leisure and Travel Services'	37
622 'Hairdressers and Related Services'	3
711 'Sales Assistants and Retail Cashiers'	97
814 'Construction Operatives'	4
912 'Elementary Construction Occupations'	3
913 'Elementary Process Plant Occupations'	2

923 'Elementary Cleaning Occupations'	38
924 'Elementary Security Occupations'	47
925 'Elementary Sales Occupations'	8
926 'Elementary Storage Occupations'	21
927 'Other Elementary Services Occupations'	63

Total **535**

We did not use a definition of low-paying sectors as our experience has shown in earlier analyses that London employers include headquarters functions for low-paying sectors disproportionately compared with other areas, so distorts the experience of actually low-paid workers, who are more clearly identified by occupation level.

We have defined the relevant population for analysis as people working in London, regardless of whether they live in London.

In the Labour Force Survey, the Office for National Statistics have tested asking people directly about furlough status, but have not released this to external researchers. Therefore, we, as well as other research organisations⁸, have identified people being furloughed as those who:

- 1) Were employed, with stated 'Usual hours'
- 2) Reported working no hours at all in the survey week
- 3) Gave a reason for working zero hours that was not a 'normal reason'

We counted 'normal reasons' for working zero hours as:

- Bank Holiday
- Maternity Leave
- Other leave/holiday
- Sick or injured
- Attending a training course
- Other personal/family reasons
- Number of hours worked varies

The other choices were 'laid off/short time/work interrupted by economic and other causes' and 'Other reasons'. We counted these as being furloughed. There are very large numbers in these groups, and small in each of the 'normal reasons' group.

⁸Similar methods have been used by the Resolution Foundation and the Institute for Employment Studies and a range of other commentators, once the April to June Labour Force Survey, which spans the lockdown period, was released to researchers at the end of August.

The Labour Force Survey contains survey weights to gross up the sample numbers to population levels. We have used these weights in reporting, as is recommended. We have also calculated confidence intervals for the estimates we are reporting, and are only reporting estimates with narrow confidence intervals.

The final analysis shows large differences between London workers at very high risk of being low paid and other London workers in their likelihood of meeting the furlough definition used.

3. London long-term unemployment projections

The forecasts for unemployment from official and reputable private forecasters vary substantially.

Learning and Work have used methods that were used over the last recession to forecast referrals into employment programmes that depended on people reaching specific milestones in relevant benefit claims.

Because we are uncertain about specifically when people who have been furloughed and then lose their jobs do become unemployed, we are presenting here the annual totals of people becoming long-term unemployed. The total number of long-term unemployed will be those who both become and continue to be long-term unemployed.

We define long-term unemployed as unemployed for twelve months or more, so nobody affected by the COVID impacts could possibly become long-term unemployed before March 2021.

The official Office for Budget Responsibility (OBR) scenarios for the unemployment rate are based on:

1. the numbers of new claims for Universal Credit and Jobseeker's Allowance from March 2020 onwards (the 'count date' for March was before the Prime Minister's first advisory announcement on the 16th March).
2. Three scenarios for different proportions of people who had been furloughed who would become unemployed at the scheduled end of the Coronavirus Job Retention Scheme (CJRS). These were:
 3. The Upside (best) scenario – 10% of furloughed becoming unemployed
 4. The Central scenario – 15% of furloughed becoming unemployed
 5. The Downside (worst) scenario – 20% of furloughed becoming unemployed.

On examination of OBR documentation, it does not appear as though further job loss is included in the forecasts – and independent economic forecasters are (in September) still making similar assumptions.

We have followed this pattern by assuming that inflows to unemployment return to the previous pattern once the furloughed move into unemployment.

We have projected the numbers who become long-term unemployed by using prior data from the last two recessions for Jobseeker's Allowance claimants.

In the year centred on April 2008, 10% of new JSA claimants in London became 12-months unemployed (our measure of long-term unemployment). In January 1990, before both Jobcentre Plus and Jobseeker's Allowance had been implemented, the equivalent figure was 16%.

In the 2008 recession, there were two peaks of the rate of new claimants becoming long-term unemployed, firstly in November 2009 (averaging the year centred there) at 13.3%, and a second peak at 17.2% reached in May 2012.

In the 1990s recession, there was a single peak, at 20 months after the initial rise, the same pattern as in the first peak in 2008. The proportion of new claimants in London becoming long-term unemployed reached 29%.

Our 'reasonable worst-case scenario' or Downside, is thus:

29% (1991 pattern of flows through to long-term unemployment) applied to:

Benefit claims to July + 20% of London furloughed.

The best-case scenario is the first peak in 2009, so:

13.3% (2009) applied to:

Known benefit claims to July + 10% of furloughed.

The Central scenario uses the second (2012) peak of the last recession and the OBR Central (15%) of furloughed people becoming unemployed.

We have assumed that the furloughed who become unemployed do so over the months between August 2020 and March 2021. This means that those who become long-term unemployed do not all do so in one month.

Table 1: Projections for people entering long-term unemployment in London

Financial Year	Upside	Central	Downside
2021-22	101,000	136,000	240,000
2022-23	50,000	68,000	120,000
2023-24	46,000	60,000	100,000
2024-25	46,000	60,000	100,000

By comparison, in the last recession, total unemployment in London (ILO measure) peaked at just under 450,000 and in 1993, 493,000. London unemployment on the same

measure was 229,000 in December 2019-February 2020. The Upside scenario returns close to pre-COVID patterns after two years.

We apply the same rates for flows into long-term unemployment to all the entrants we count, so the numbers becoming long-term unemployed in the downside scenario remain elevated. This pattern is similar to that shown in the OBR's chart for the unemployment rate, though the modelling is likely to be more complex.

There are many caveats, and these are mostly on the downside. There is no effect assumed from a second wave of the virus, nor of Brexit, nor any other events with economic impact. This follows OBR practice.