

# Coronavirus: Exacerbating structural inequalities in the labour market and a looming rental crisis

## Summary

New findings from Turn2us highlight the extent to which coronavirus is exacerbating existing inequalities in both the labour market and within our wider society.

Analysis of a recent nationally representative survey of 2,065 adults<sup>1</sup> shows that the financial impact of coronavirus is being felt most strongly by people in atypical forms of employment, such as the self-employed and those on zero-hours and casual contracts. People in atypical forms of employment are far more likely to have seen a drop in income since the lockdown began.

This reflects the fact that these workers do not have the labour protections that exist for more 'typical' employees and highlights the danger inherent in the lack of employment protections for some workers. As this survey shows, although people on zero-hour contracts have been able to access the Coronavirus Job Retention Scheme, the flexibility afforded to their employers also puts them at greater risk of losing employment and income during a life-changing event such as the coronavirus pandemic.

We also see that many groups who have typically been excluded or faced barriers within the employment market are also more likely to work within atypical forms of employment. As a result, during a life-changing event such as coronavirus, they have also seen their income disproportionately impacted by the shock to the national economy.

This survey shows that people with a disability, working mothers and some ethnic minorities have seen a disproportionate drop in income compared to the rest of the country.

---

<sup>1</sup> The survey was conducted between 22-27 April using an online interview administered to members of public by Censuswide. The total sample size 2,065 adults aged 18-65. The figures presented here have been weighted and are representative of all UK adults (aged 18-65) according to age, gender, and region. The data has been analysed independently by Turn2us.

## **Life changing events – the aftershock of coronavirus**

A pandemic like coronavirus, does not just affect stock markets, employment rates and the national GDP – it also affects us, as the individuals who make up those labour markets and who navigate life and work within economic systems far larger than ourselves.

With 13% of working people already in poverty, a sudden life-changing event such as coronavirus is only exacerbating the structural inequalities that exist within our country: between those in stable forms of employment and those who rely on more fluid and casual forms of work; between working fathers and working mothers; and between those who own property and those who rent.

The heaviest economic burden of coronavirus has fallen on members of our society who were already facing the largest barriers to earning a living and making ends meet. The longer the coronavirus pandemic continues, the larger those structural inequalities will become; unless we take stronger action now to prevent it now.

Government and charity should work together to draw on our learnings from the coronavirus pandemic; and create a fairer, more inclusive social security safety net that protects people when they need it the most.

We know that before coronavirus, many working people were already struggling financially, as wages and benefits have not keep up with the cost of living. The financial impact of coronavirus will now mean that even more people find it hard to make ends meet. To minimise the economic fallout of coronavirus, government must ensure that support is increased to meet people's needs during the pandemic. They must also ensure that emergency support is maintained for as long as necessary and not removed too quickly before people are safe to return to work again.

That is why we are making the following recommendations, to protect the livelihoods of disadvantaged people who have been the most financially impacted by coronavirus.

## Recommendations

### **1. Maintain the Coronavirus Job Retention scheme and Self-Employed scheme for as long as necessary:**

- Continue the schemes until it is safe for people to go back to work.
- Provide special protections for people who are particularly vulnerable to the virus, including the shielding group, to ensure they are not forced back to work before it is safe to do so.

### **2. Temporarily level up benefits to help families and individuals facing increased costs:**

- Raise Local Housing Allowance rates to cover median rents, to prevent rent arrears and evictions.
- Temporarily suspend the Benefit Cap and Two-child Limit to ensure that families can access the level of support they need to stay afloat.
- Match the 12-month £1,000 increase to Universal Credit standard allowance and Tax Credits for Employment Support Allowance and Job Seekers Allowance claimants. Currently up to two million disabled people have been left behind because ESA has not been increased like Universal Credit.
- Increase Child Benefit or the child element of Universal Credit and Child Tax Credits by £10 per child per week.
- Suspend No Recourse to Public Funds conditions for people in serious financial hardship or risk of homelessness.

### **3. Provide fast and seamless access to welfare benefits including Universal Credit:**

- Immediately end the five-week wait for Universal Credit by temporarily making advances non-repayable, or at least offering a 12-month repayment holiday.
- Work towards a longer-term solution to the five-week wait.

### **4. Utilise and bolster Local Welfare Assistance, which can play an important role in delivering fast and immediate support to people facing financial crisis:**

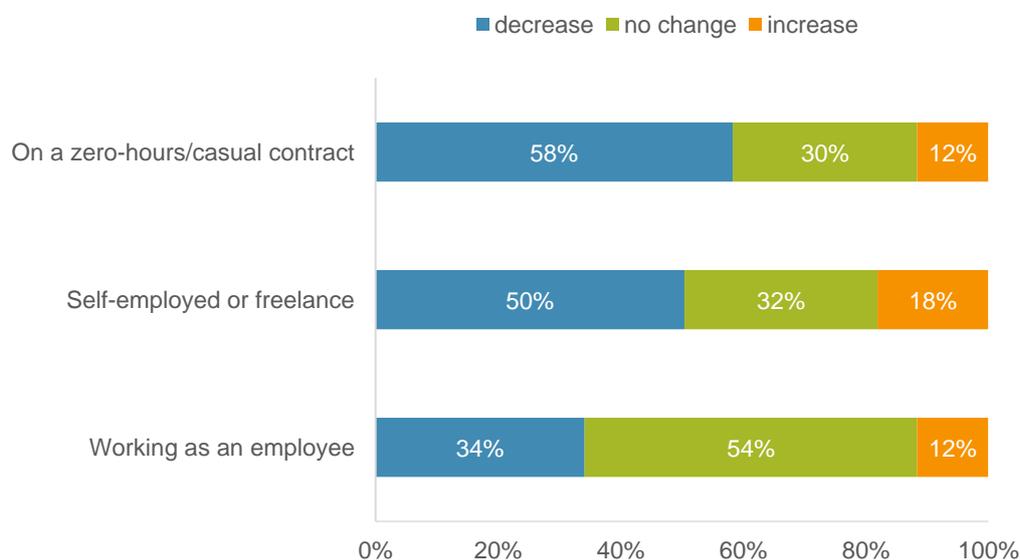
- Increase Local Welfare Assistance scheme funding to £242 million for local authorities in England on a one-year basis to improve their capacity to deliver local welfare assistance. This would bring the response in line with that of the devolved nations and enable local authorities to better meet increased need.
- Provide councils with detailed guidance to support the effective use of the funds, so local authorities can quickly provide crisis grants to vulnerable households.

## People working in atypical forms of employment have been most financially impacted by coronavirus

As was the case after the economic crash of 2008, people in more insecure forms of employment, such as zero hours contracts are more likely to have seen a drop in pay since coronavirus, compared to employees. More than half of people on zero-hour contracts (58%) have seen a drop in their income since coronavirus, compared to just over a third of employees (34%).

**Figure 1: More than half of people on zero-hour contracts (58%) have seen their income decrease since coronavirus**

Proportion of working adults who have seen a change to their income between February and April, by employment type



Workers in insecure employment are not only more likely to have seen their income drop since coronavirus, but they also earn less on average, exacerbating the existing income gaps between different forms of employment. On average, workers on zero-hours contracts are anticipating a £278 drop in income per month since coronavirus, compared to just £153 per month for people who work as employees.

This is compounded by the fact that casual workers already took home almost £605 less in income each month than employees, before lockdown started. Since coronavirus, the income gap between employees and casual workers has increased from £605 to £730 per month.

## Figure 2: Workers on zero-hour contracts are losing £125 more per month than employees

Average net income in February and April, for working adults, by employment type



This highlights the fact that crises and unforeseeable life-changing events, such as coronavirus, disproportionately impact the members of society who are already struggling to make ends meet. Although millions across the UK have seen their income drop, the gap between employees and workers on casual contracts has increased by £125 per month. Consequently, the levels of income inequality in the UK and the quality of life for the richest and the poorest in our country have dramatically diverged, due to the pandemic.

## Young people, people with disabilities and people from ethnic minorities are particularly likely to work in atypical forms of employment

Inequalities within our labour market are not restricted to differences between employees and people in atypical forms of employment. Particular groups of people are also more likely to work in atypical forms of employment and have therefore seen a disproportionate drop in their income.

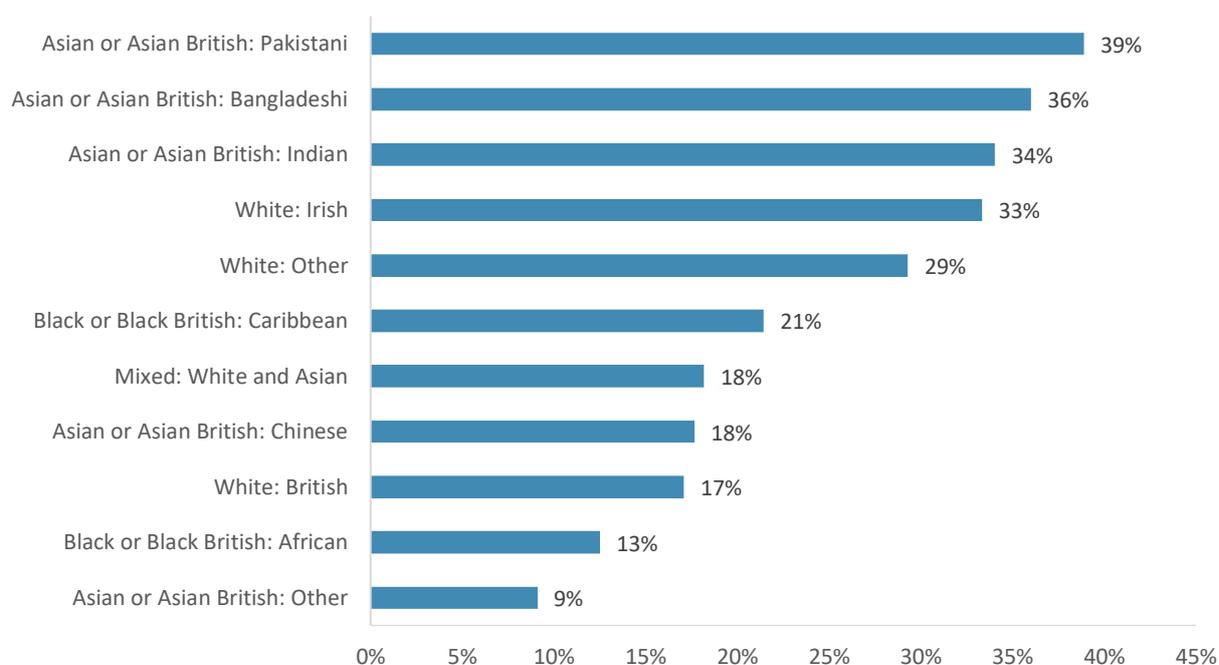
Consequently, we see that many groups who have typically been excluded or disadvantaged within the employment market are also more likely to work within atypical forms of employment. As a result, during a life-changing event such as coronavirus, they have also seen their income disproportionately impacted by the shock to the national economy.

*People from ethnic minorities have been more financially impacted by coronavirus than White British people*

People from certain ethnic minorities are particularly likely to work in atypical forms of employment. As a result, there is a strong correlation between decreases in income since coronavirus, and ethnicity, because people from ethnic minorities are more likely to work in insecure and casual forms of employment. Workers of Pakistani, Bangladeshi and Indian descent are particularly likely to work in atypical forms of employment and hence to have seen their income reduce since coronavirus.

**Figure 3: Over one third of workers from Pakistani, Bangladeshi, and Indian backgrounds work in atypical forms of employment**

Proportion of workers who work in atypical forms of employment, by ethnicity



*People with disabilities have been more financially impacted by coronavirus*

Similarly, people with disabilities have also been more financially impacted since coronavirus. Again, this is because people with disabilities are disproportionately likely to work in atypical forms of employment, which are particularly affected by life-changing events such as coronavirus.

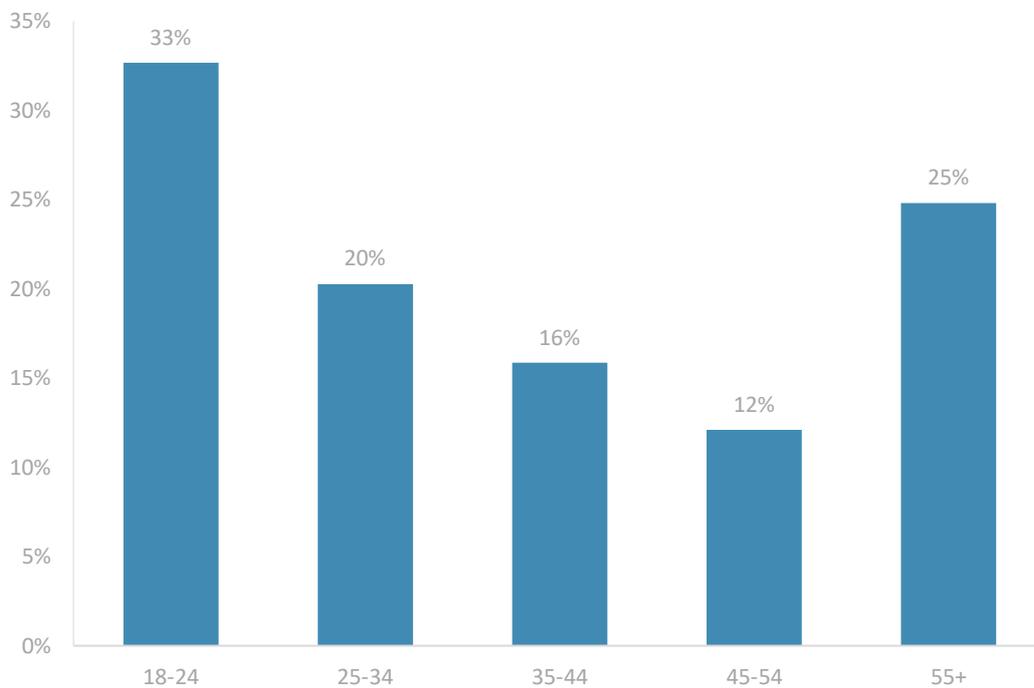
Over one-quarter of workers with disabilities (28%) currently work in atypical forms of employment, compared to just 18% of workers without a disability.

### *Younger people are most likely to work in insecure forms of employment*

Finally, younger and older people are also more likely to work in atypical forms of employment and younger people especially are facing a large drop in income due to coronavirus. This corroborates the latest findings from Resolution Foundation<sup>2</sup>. Given the damaging effects that unemployment can have on future earnings, this is particularly concerning for the younger age group.

**Figure 4: there is a 'U-shaped' curve to atypical work, with younger and older workers more likely to be in atypical employment**

Proportion of workers who work in atypical forms of employment, by age



### **Coronavirus is widening gender income inequality between working parents**

The exacerbating of existing inequalities is also evidenced in a growing income gap between parents who work, since coronavirus. It is important to note that this increase in income between genders is not attributable to working in atypical work, but to working in sectors most affected by coronavirus and to raising children.

---

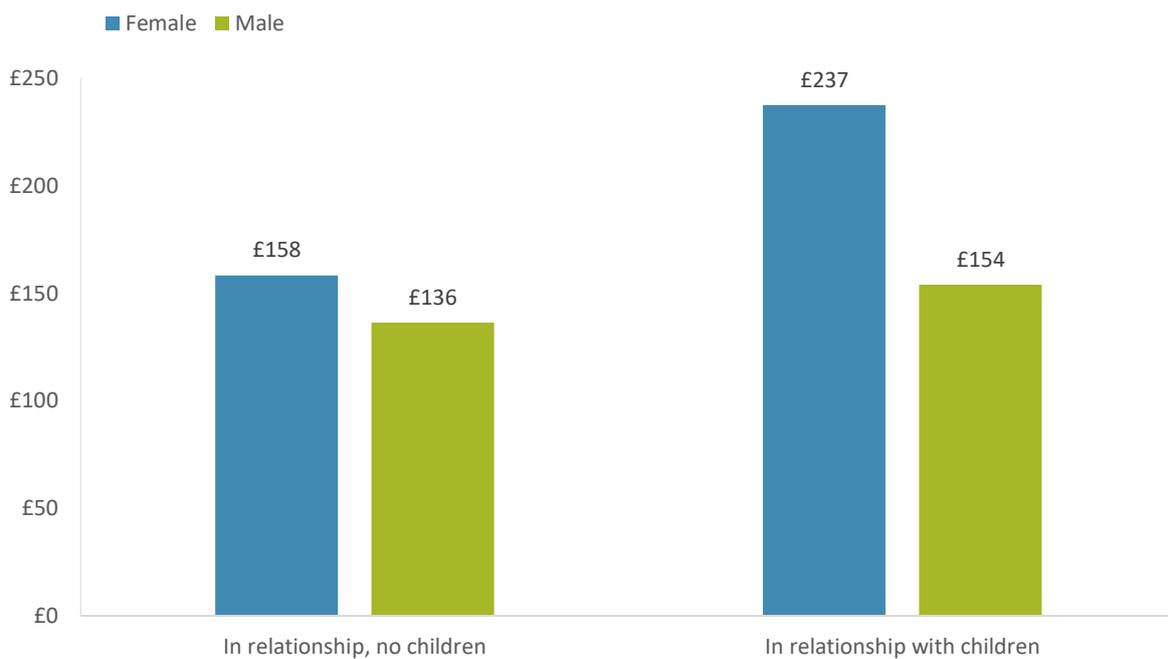
<sup>2</sup> [Resolution Foundation \(2020\) Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey](#)

On average, working fathers are more likely to work in atypical forms of employment, with 18% in atypical employment, compared to 16% of working mothers. However, as other research by the Women’s Budget Group has shown, women are more likely to work in sectors that have been particularly affected by the shutdown.<sup>3</sup>

When we look at couples alone, we can see this most clearly. For couples without children, women are seeing an average drop in income of £158 per month, compared to £136 for men, increasing the income gap by £22 per month. However, for couples who have children, women are expecting their income to decrease by £237 per month, compared to £154 per month – an increase in income inequality of £84 per month.

**Figure 4: gender divides remain within households, with working mothers seeing largest financial impact from coronavirus**

Average decrease in income, between February and April for people in couples, by number of children



For couples who have children, the brunt of the economic impact of coronavirus is being felt by mothers, rather than fathers. This may be due to continuing divisions of childcare and primary employment between men and women.

<sup>3</sup> [Women’s Budget Group \(2020\) Crises Collide: Women and Covid-19](#)

### *Single parents started out with little and now have even less*

The group who are seeing the most dramatic impact on their finances are single parents. Given the many barriers that single parents face in working full-time, they were already the group with the lowest average income in February, before lockdown began. On average, the single parents surveyed were taking home £1,102 in February, compared to £1,242 for single people without children and compared to over £1,500 for couples with or without children.

Since coronavirus, single parents have seen an average decrease in their income of £90 per month. Although less than other household types, it also means that average income for single parents has dropped to just over £1,000 per month. This is compared to an average of £1,335 income per month for a parent in a couple.

## **Rental crisis on the near horizon**

Finally, apart from pointing to the need for employment protections across the board, the differential impact of coronavirus also means that particular groups are finding it especially hard to meet their housing costs.

When asked about whether people could afford their rent or mortgage payments, people in privately rented accommodation have, on average, lost the most income due to coronavirus, and have also been given the least financial support from government.

People in private rental accommodation have, on average seen their incomes drop by over £200 per month, compared to people with mortgages, who have seen income drop by £164 per month, and may also access mortgage holidays through their provider after governmental intervention.

Consequently, private renters were 1.8 times more likely to be currently unable to afford their housing costs than mortgage holders (18% compared to 10%). This is in the context of a furlough scheme that is generally seen as being successful.

As New Economics Foundation has shown, as many 1.2 million private renters are at high risk of losing their jobs due to coronavirus.<sup>4</sup> There is therefore a significant risk of a private rental crisis occurring, as the furlough scheme is rolled back in the autumn. Again, this will widen structural and wealth inequalities that already exist in the UK between homeowners and renters.

---

<sup>4</sup> [New Economics Foundation \(2020\) Suspending Rents: How to protect renters from eviction during Covid-19](#)

## Conclusion

Coronavirus has shown us first-hand the impact that a life changing event can have on people when they are not afforded adequate employment protections. We need to ensure that everyone has the right to support when the unexpected occurs, both from employers and from government.

The people who were already faced the most barriers withing the labour market have also been disproportionately impacted by coronavirus, widening existing structural inequalities in the country. This is compounded by the likely rental crisis that we see coming in autumn, as the furlough scheme ends, and redundancies increase. This will increase homelessness and exacerbate generational inequalities of wealth and income between mortgage holders and renters, preventing younger people, and those already disadvantaged in the labour market, from thriving.

That is why we are making the following recommendations, to protect the livelihoods of disadvantaged people who have been the most financially impacted by coronavirus.

- 1. Maintain the Coronavirus Job Retention scheme and Self-Employed scheme for as long as necessary.**
- 2. Temporarily level up benefits to help families and individuals facing increased costs.**
- 3. Provide fast and seamless access to welfare benefits including Universal Credit.**
- 4. Utilise and bolster Local Welfare Assistance, which can play an important role in delivering fast and immediate support to people facing financial crisis.**