

A YEAR OF COVID: THE EVOLUTION OF LABOUR MARKET AND FINANCIAL INEQUALITIES

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Introduction

- Reflection on how inequality evolved through COVID
- **Key questions:**
 1. Impact on inequalities in the labour market - initial versus longer term
 2. Who did government protection affect?
 3. Impact of shocks on savings, and so wealth inequality? Financial resilience and duration of resilience.
- Presentation mainly focused on Figures; underlying regression analysis in papers

1 Understanding Society

2 Labour Markets

3 Household Finances

4 Lessons Learnt

Understanding Society: COVID-19 Study

- Data collected UK wide on same households once a year since 2009. ESRC funded.
- 32,000 individuals present in 2017/2018
- From April 2020: short, frequent web interviews: The Understanding Society COVID-19 Web Survey.
 - ▶ April, May, June, July, September, November 2020
 - ▶ January, March, September 2021
- Survey covers changing impact of pandemic on welfare of UK individuals
 - ▶ Core content captures changes as pandemic and policy responses evolve
 - ▶ Variable content responds to changing situation and researcher input

Advantages of building on an existing panel study

- Content:
 - ▶ Main study provides context for COVID (“permanent income”).
 - ▶ Future waves allow study of long-run (eg human capital losses)
- Methodological:
 - ▶ (Initial) probability samples
 - ▶ Past waves: detailed info on web survey non-respondents
 - ▶ Use non-respondent (and respondent) information to weight the sample: estimate population quantities (“representativeness”)
 - ▶ Under-response: Young, renters, limited users of internet, single parents

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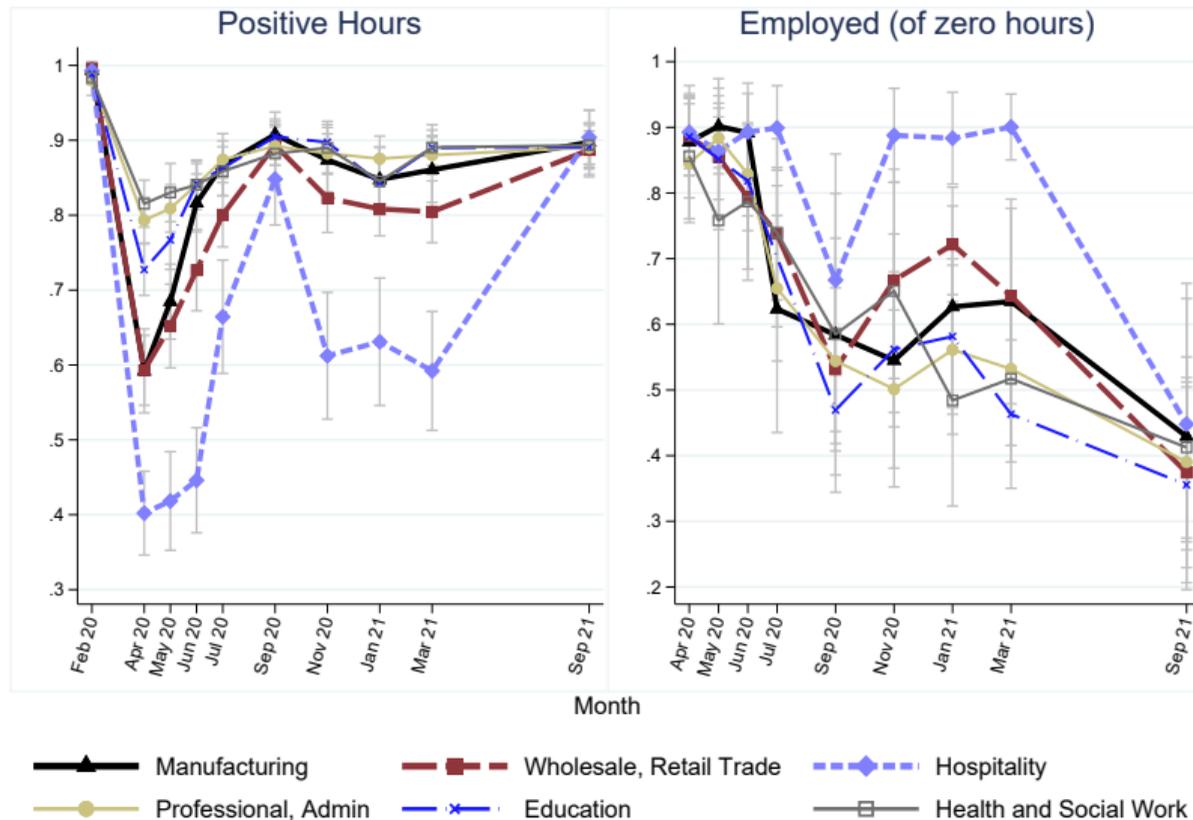
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Labour Market Impacts

- Effect on **employment over time**
- **Fraction working positive hours over time**
Effect of Furlough Scheme: still employed but working zero hours
- By industry
- By individual characteristics
 - ▶ Age
 - ▶ Gender
 - ▶ Ethnicity
- Permanent Income

Labour Market Impacts by Industry

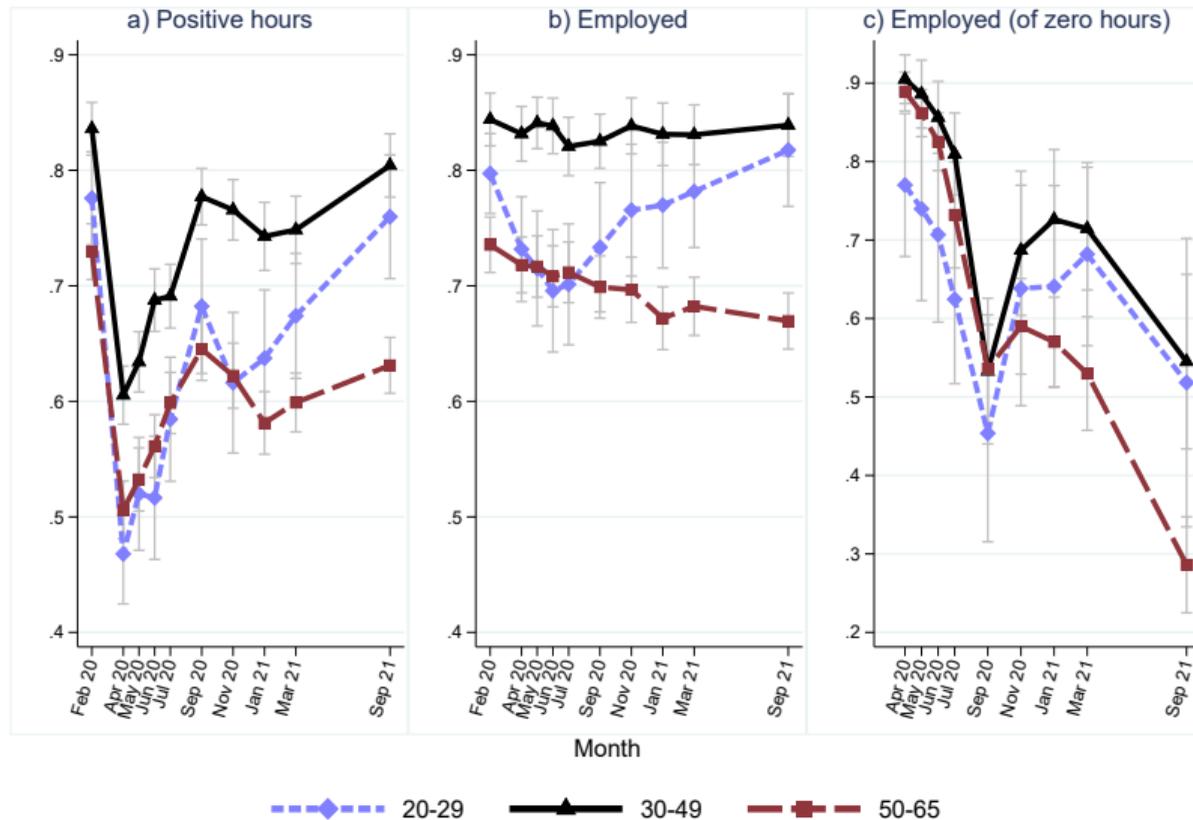


Labour Market Impacts by Industry

Table: Workers changed jobs to find work

	Zero hours in April	Given zero hours in April		
		Working pos. hours again in March 21	New job	New industry
Manufacturing	38	75	12	4
Wholesale/Retail	38	69	35	20
Hospitality	62	42	24	13
Professional	19	82	22	16
Administrative	21	68	25	16
Education	27	79	13	7
Health	18	70	21	6

Labour Market Impacts by Age



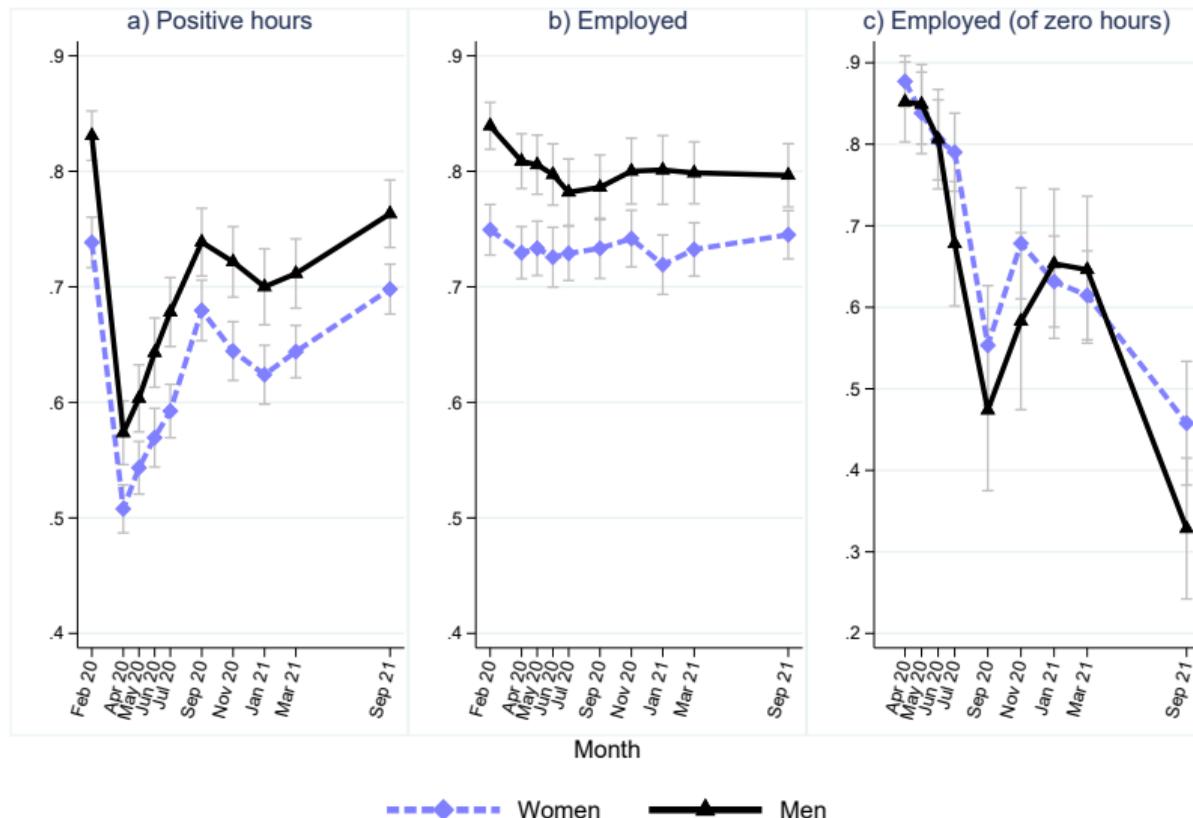
Labour Market Impacts by Age

- Young: initial losses, changed employer and occupation, recovered
- Old: less initial fall, but did not return to work

	Zero hours in April	Given zero hours in April		
		Working pos. hours again in March 21	New job	New industry
Age 20-29	39	68	41	30
Age 30-49	28	72	18	8
Age 50-65	31	62	17	7

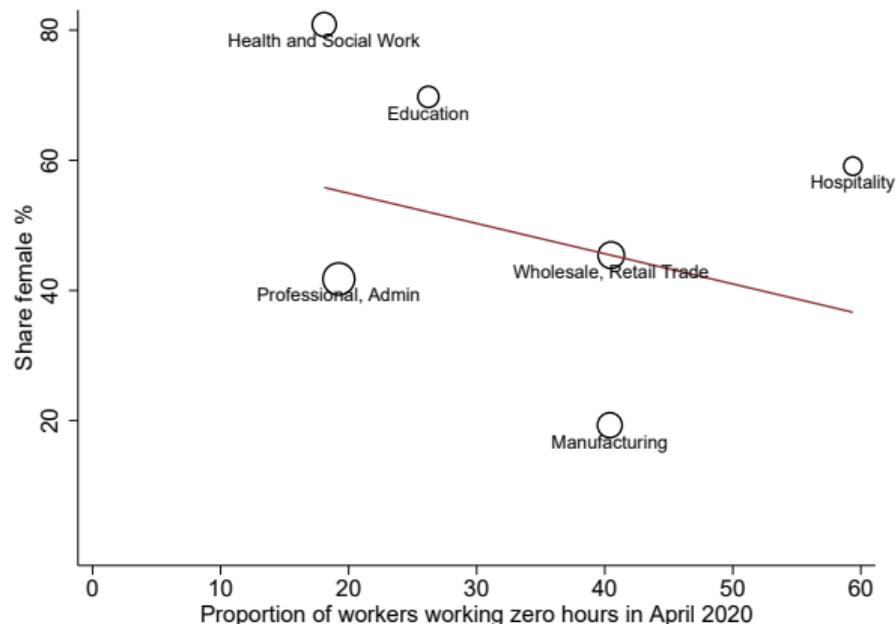
- Younger workers more likely to resume working in new jobs/industries

Labour Market Impacts by Gender

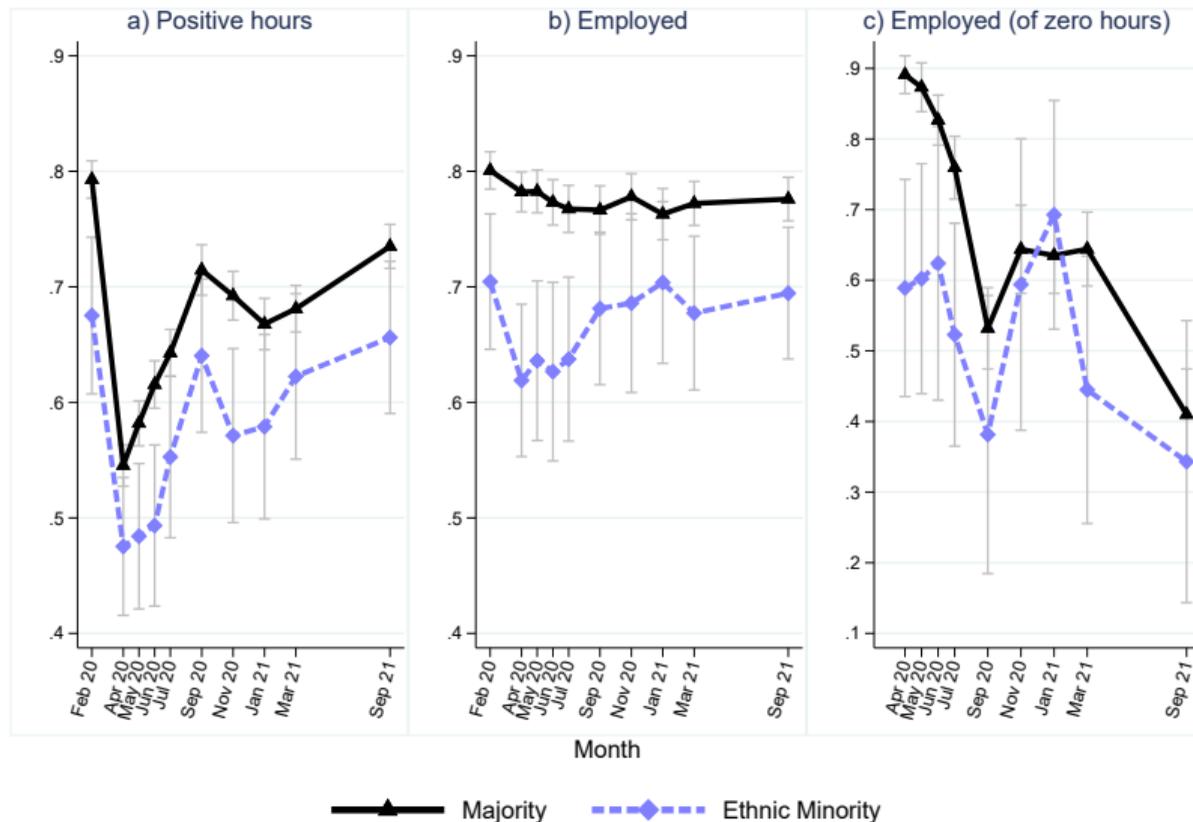


Labour Market Impacts by Gender

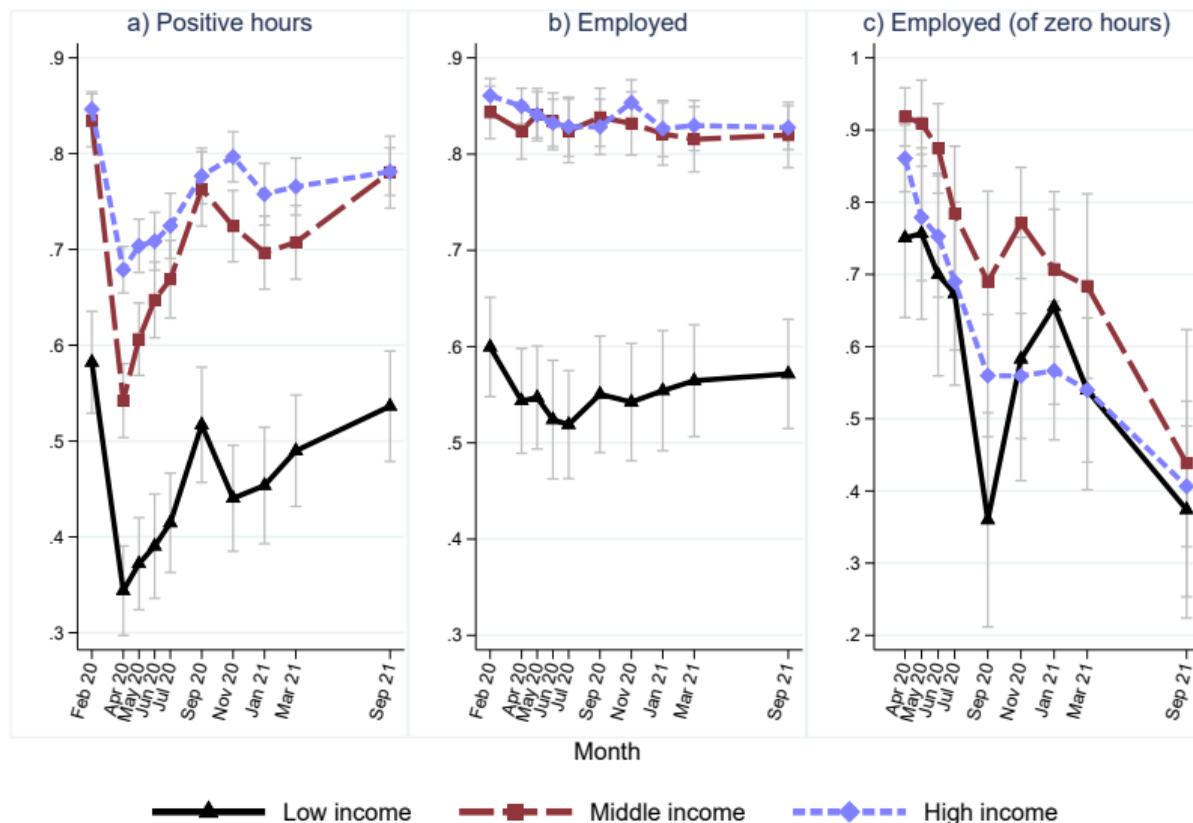
- Industry matters: health, education vs hospitality
- Within industry: women do worse



Labour Market Impacts by Ethnicity



Labour Market Impacts by Permanent Income



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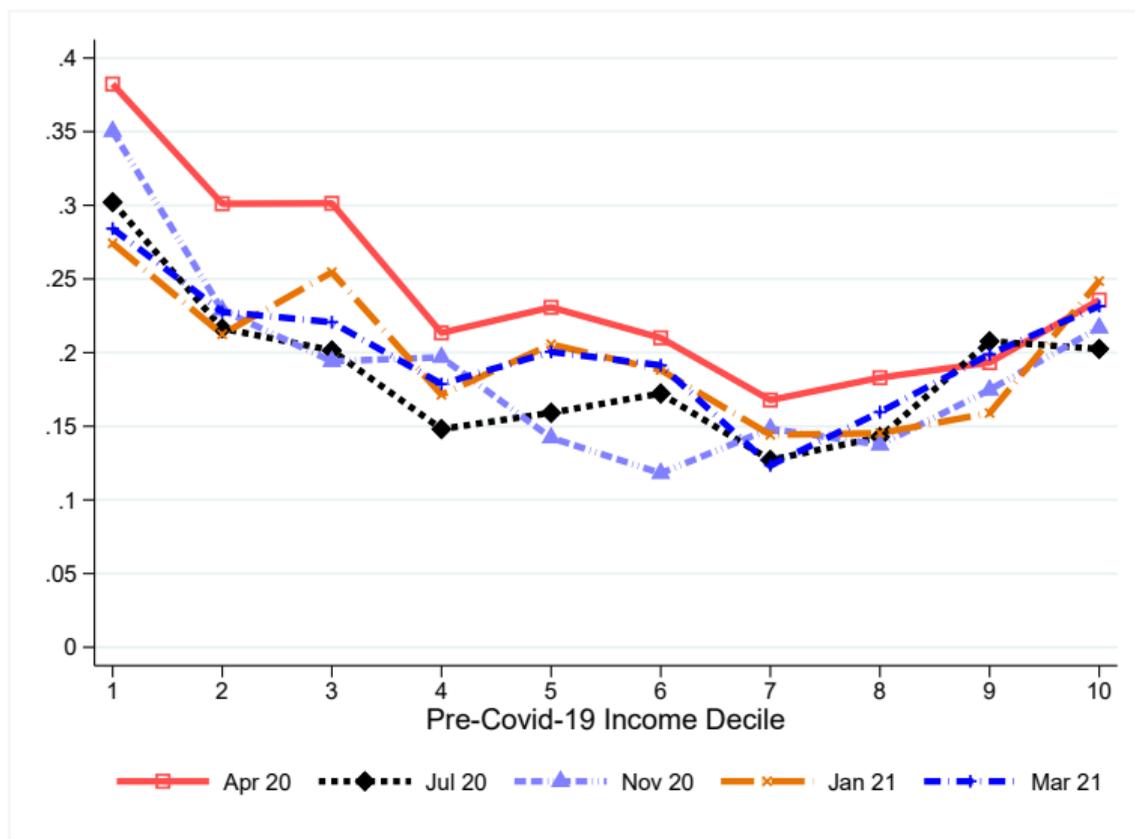
3 Household Finances

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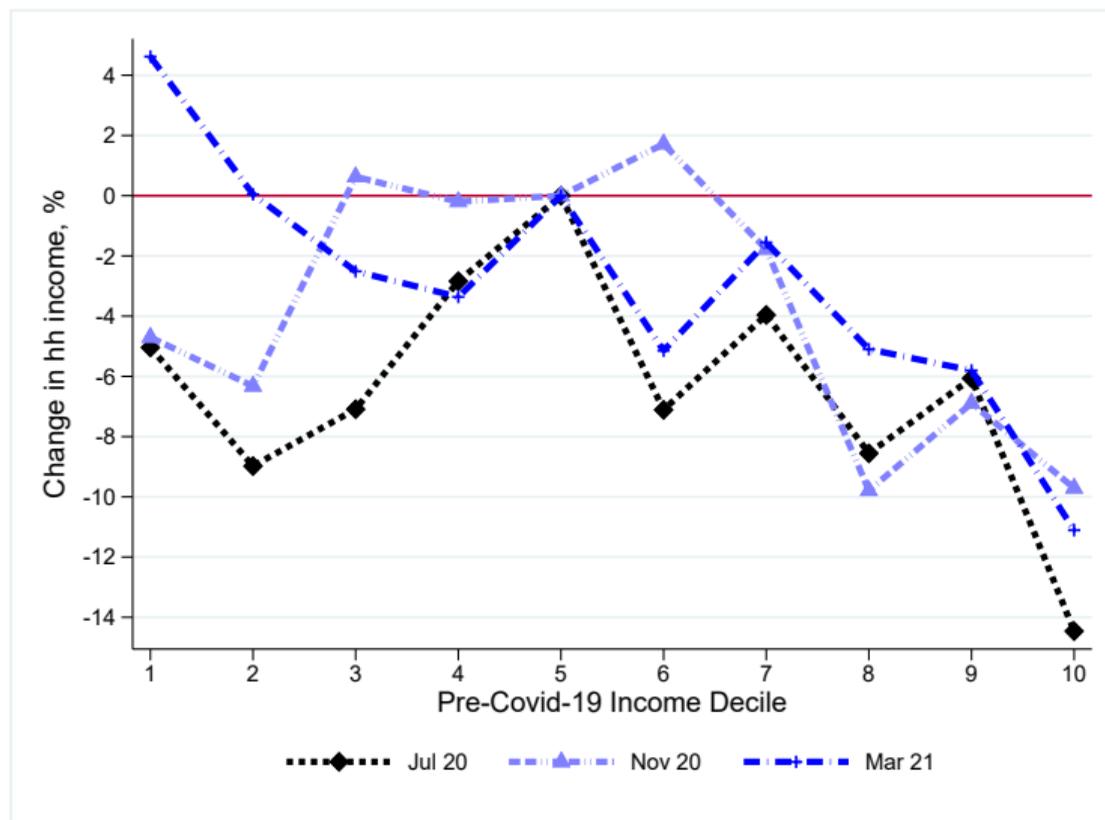
Household finances

- Labour market shocks highlight economic challenges
- Transmission to financial security depends on employment and income support policies
- Overall effect on earnings and income
 - ⇒ saving and debt
 - ⇒ changes in net wealth

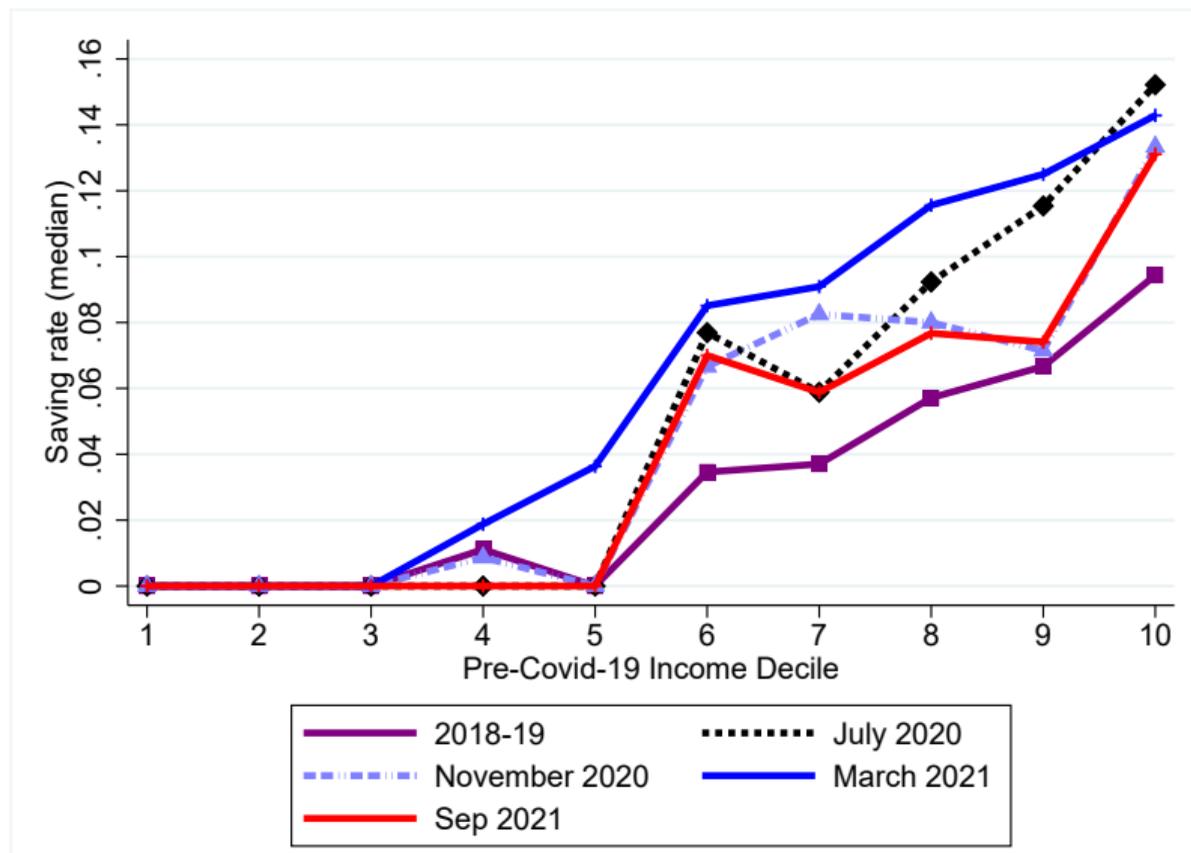
Fall in earnings (at least 20%)



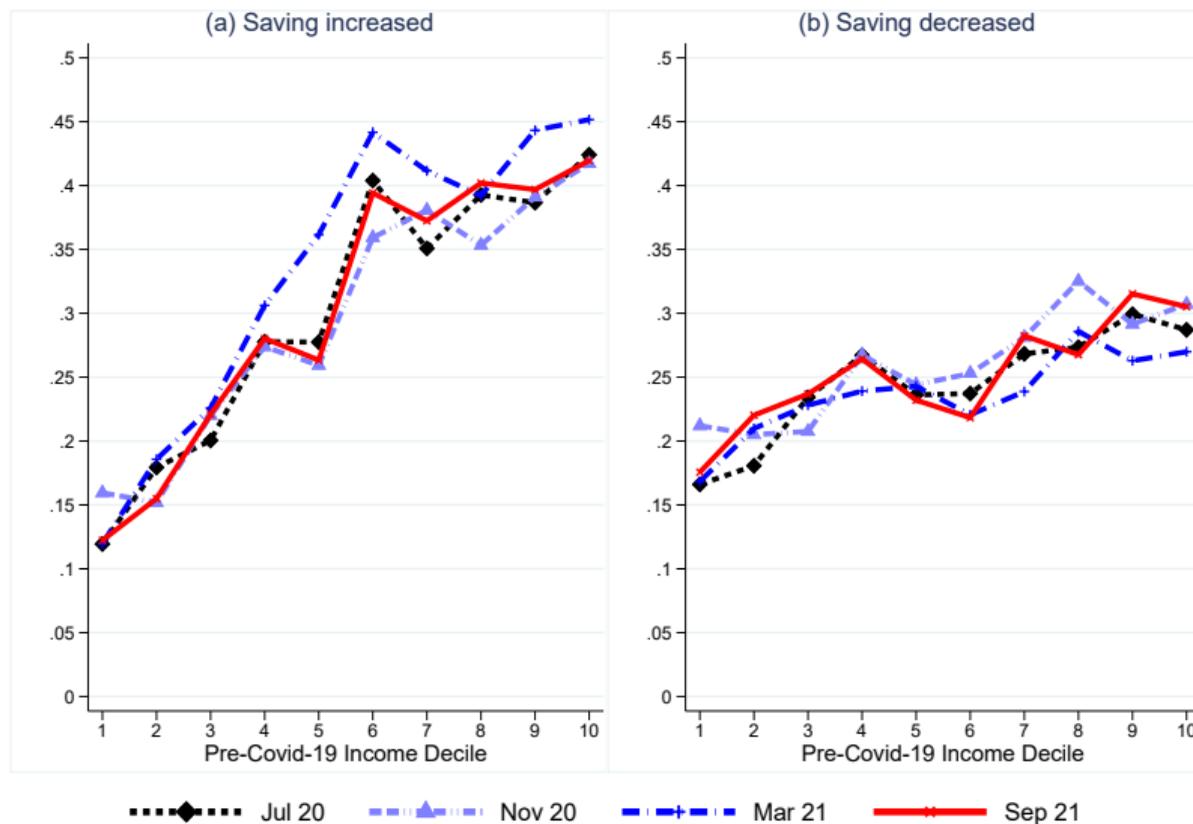
(Relative) Changes in Household Income



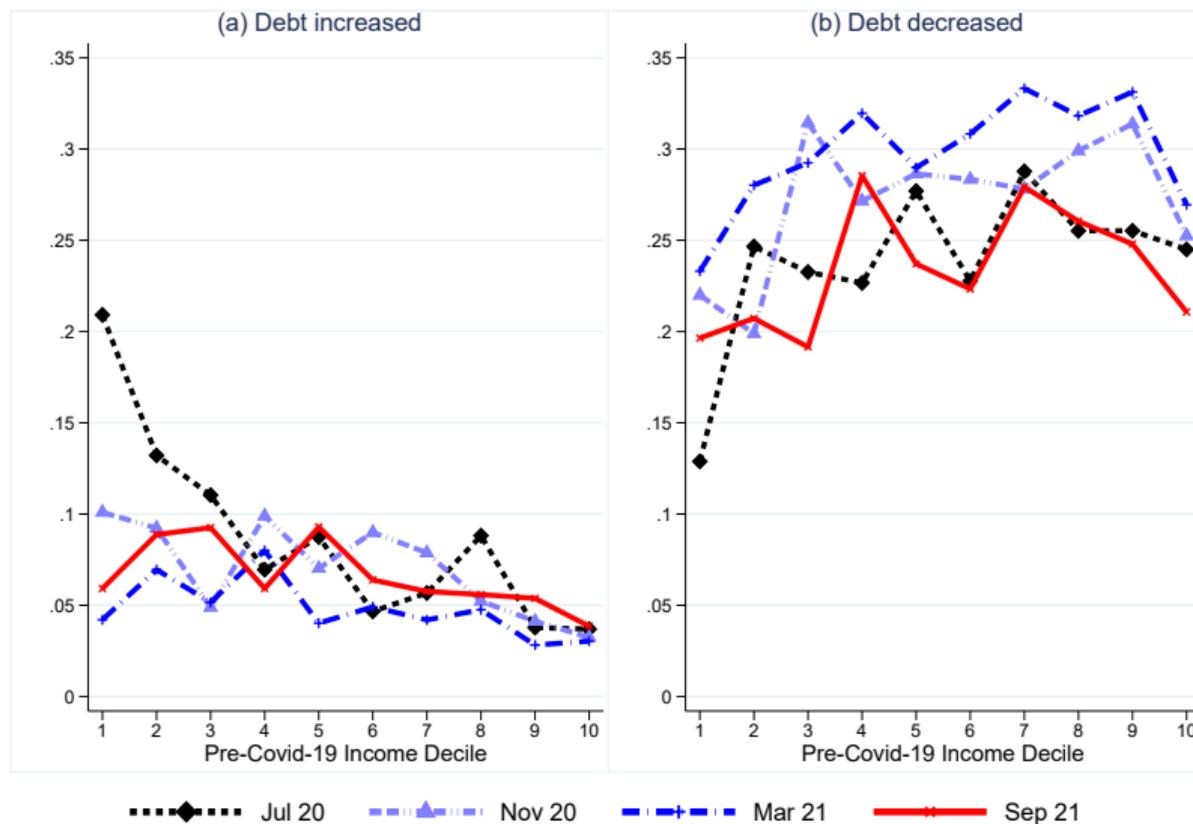
Savings Rates



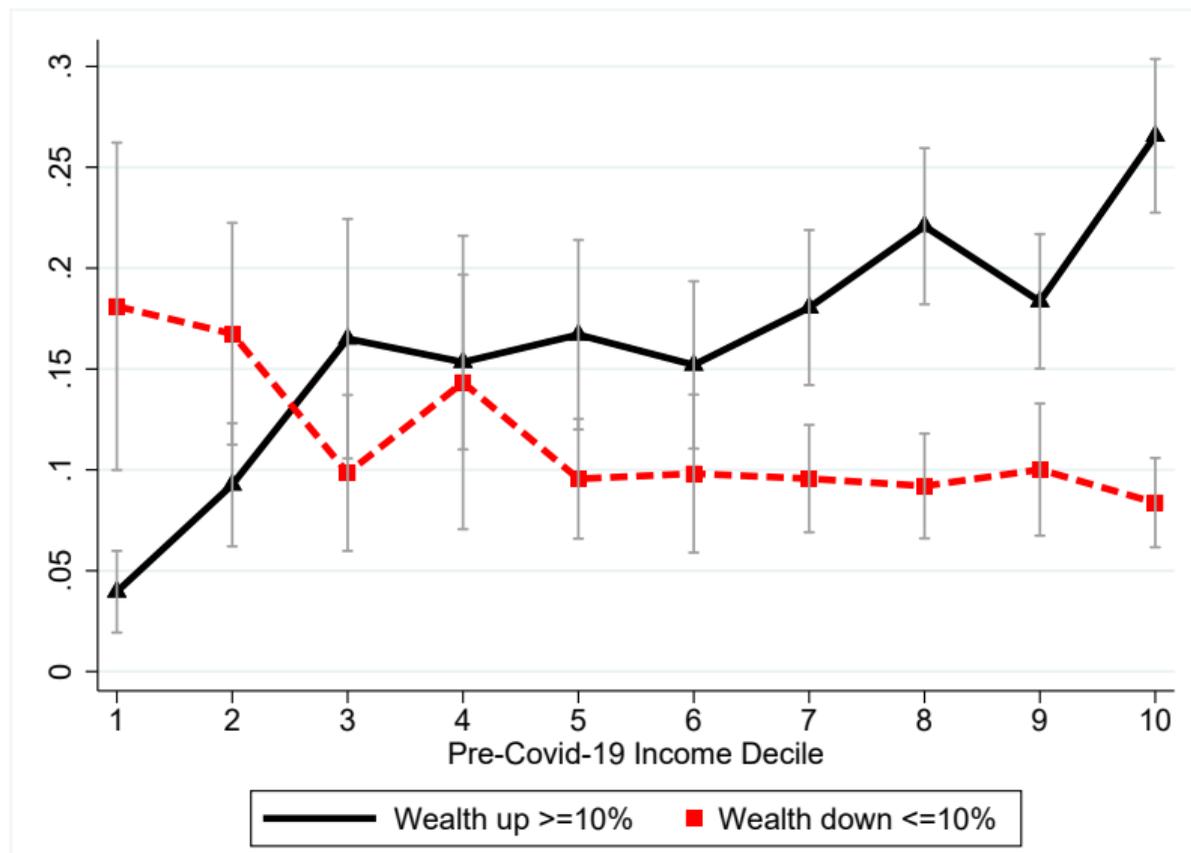
Changes in Saving



Changes in Debt



Changes in Net Wealth



Household Finances

- What has happened to households financial circumstances and resilience?
- Underlying Issue:
 - ▶ **Forced saving:** supply constraints, unable to spend
 - ▶ **Demand falls (precautionary):** uncertainty about income; health risks
 - ▶ **Demand falls (substitution):** ability to defer some consumption (holidays)
- (Alongside falls in earnings)
- Different effects dominate across deciles

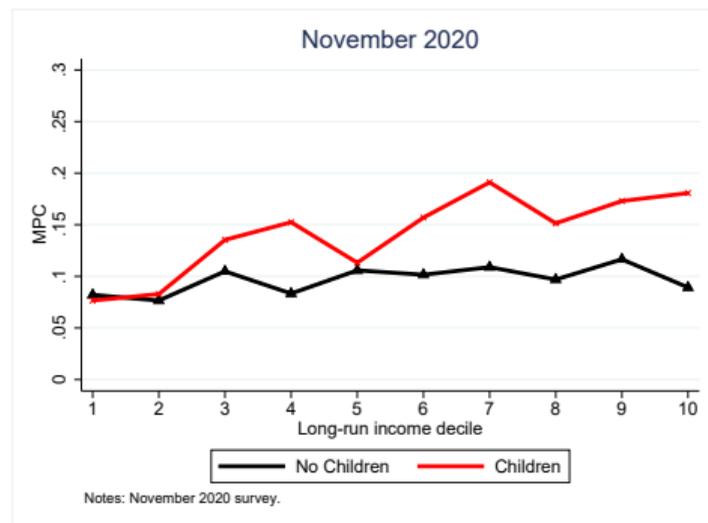
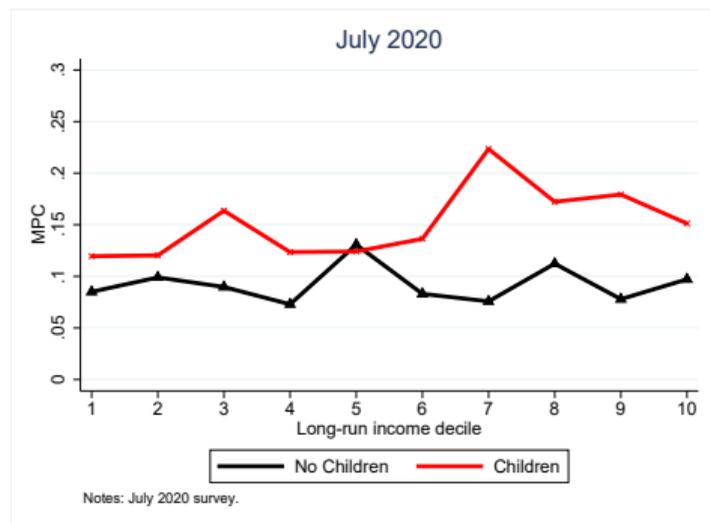
Spending and Underlying Demand

Spending intentions

- Asked individuals (hypothetical) what would they do if one-off payment of £500
- Will this induce an increase in spending?
- Asked in **July 2020** when restrictions had been lifted and again in **November 2020** and **March 2021**

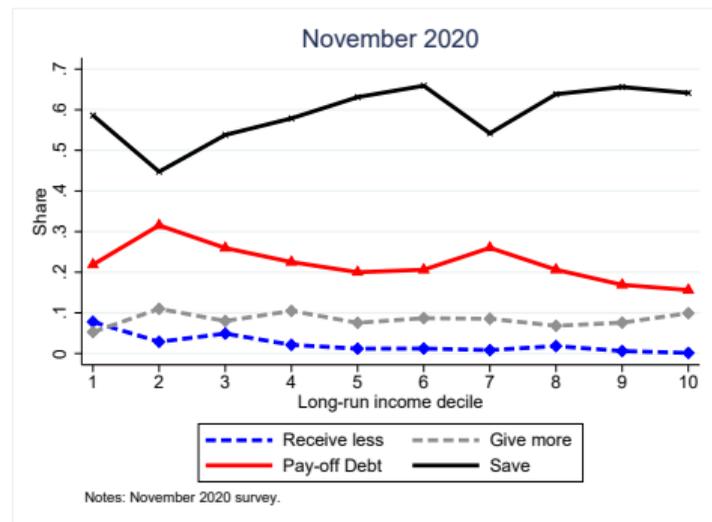
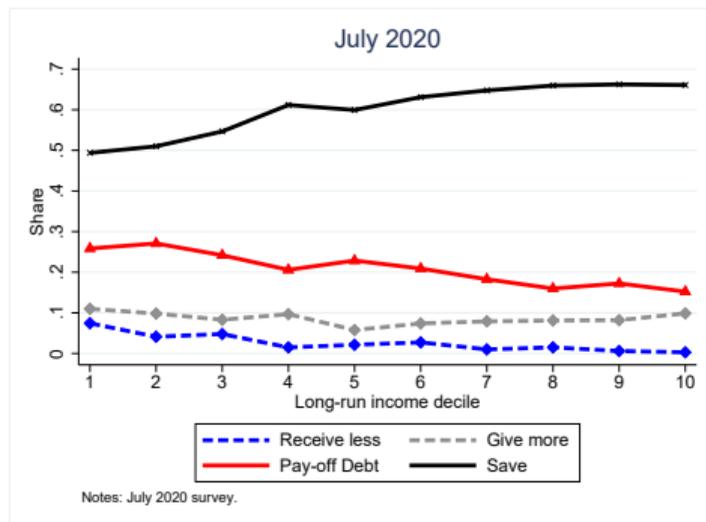
Income Boost: Marginal Propensity to Consume

- Calculate fraction of £1 that would be spent



- Spending desires muted
- Spending higher for those in greater need

Income Boost: Other Uses



- Importance of paying down debt
- Crowding out of private transfers

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Conclusions and Lessons Learnt

- **Quality of data matters**: info on non-respondents; and on long-run
- **Difference between initial impacts and long-run outcomes** (eg age)
Recovery by moving sectors, changing employer
- Income inequality: not exacerbated
- **Wealth inequality**: widened; but wealth increased far down the distribution
- Key questions remain:
 - ▶ Human capital losses: long inactivity vs need to switch industry
 - ▶ Sustainability of early exits from labour market (eg impact on pensions)

References

- Crossley, Thomas F, Paul Fisher, Peter Levell, and Hamish Low. 2022. “A year of COVID: the evolution of labour market and financial inequalities through the crisis.”
- Crossley, Thomas F., Paul Fisher, Peter Levell, and Hamish Low. 2021. “MPCs in an economic crisis: Spending, saving and private transfers.” *Journal of Public Economics Plus*
- Crossley, Thomas F., Paul Fisher, and Hamish Low. 2021. “The heterogeneous and regressive consequences of COVID-19: Evidence from high quality panel data.” *Journal of Public Economics* 193