

The Economic Impact of Covid-19 across Different Households

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- COVID-19 affected different households in different ways
 - Impacts on labour markets
 - Spending behaviour
- Policy responses:
 - UK: Furlough Scheme
 - US: increased unemployment benefits and tax rebates
- Aim: show the impact across the UK for different groups throughout the first wave

- ① Understanding Society COVID-19 Data
- ② Labour Market Impacts
- ③ Earnings Losses and Methods of Mitigation
- ④ Spending and Stimulus Payments

- 1 Survey
- 2 Labour Markets
- 3 Earnings Losses and Mitigation
- 4 Spending
- 5 Conclusions

Understanding Society COVID-19 Web Survey

- Data collected UK wide on same households once a year since 2009. ESRC funded.
- 32,000 individuals present in 2017/2018
- Range of economic, family, and attitude questions
- Since start of COVID: additional 20min web questionnaires
- Repeated April, May, June, July, (September, November)
- Present data from start of COVID through to end of the first wave and relaxation of restrictions

Understanding Society COVID-19 Web Survey

Probability Samples

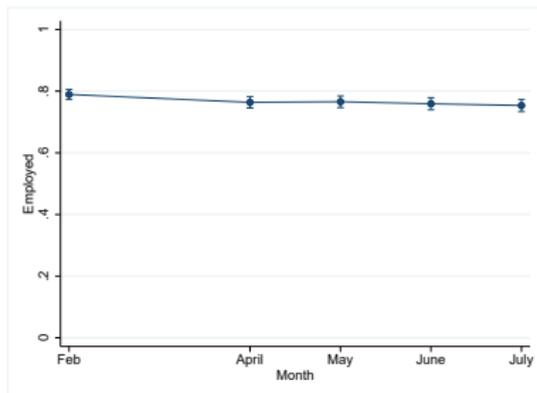
- **Probability Sample:** every unit in the target population has a knowable, nonzero probability of selection
 - Contrast: volunteer, convenience samples
- Know characteristics of non-respondents and those attriting
- Able to weight the sample to estimate population quantities (“representativeness”)

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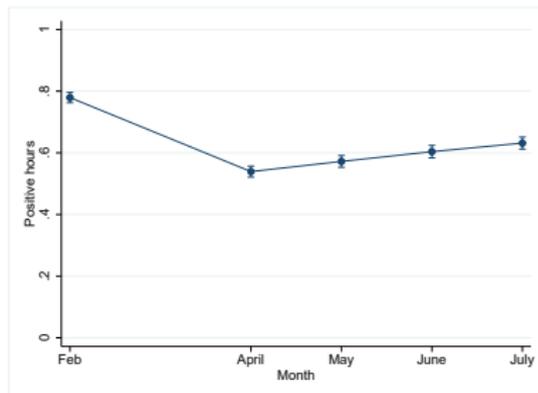
Labour Market Effects

- Effect on **employment over time**
- **Fraction working positive hours over time**
Effect of Furlough Scheme: still employed but working zero hours
- Aggregate effects, then broken down by individual characteristics

Labour Market Effects: Aggregate Effects



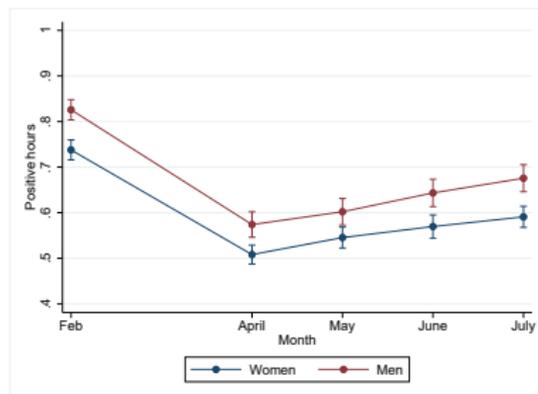
(a) Employment



(b) Working Positive Hours

Differences in Labour Market Effects

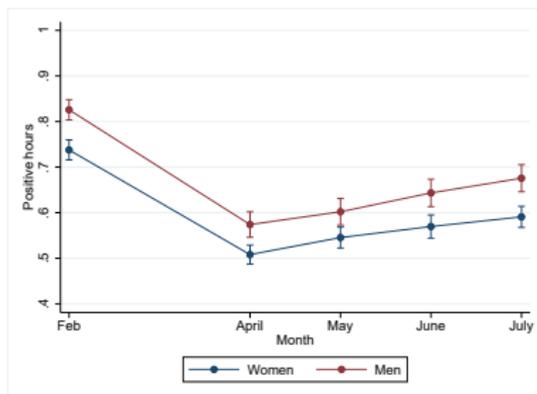
Fraction Working Positive Hours: Individual Characteristics



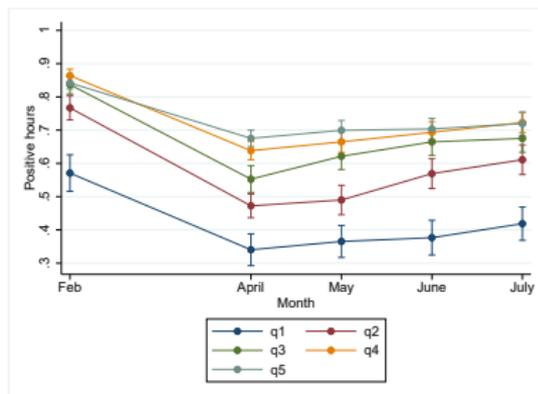
(a) by Gender

Differences in Labour Market Effects

Fraction Working Positive Hours: Individual Characteristics



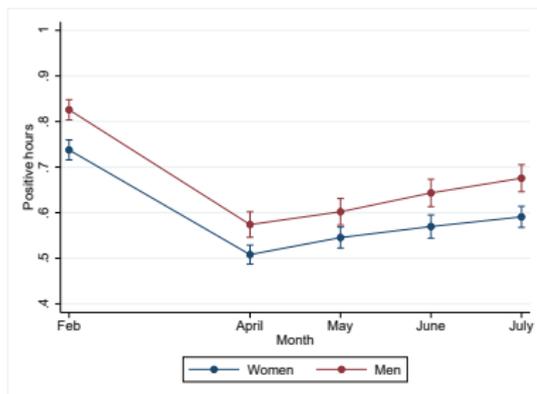
(a) by Gender



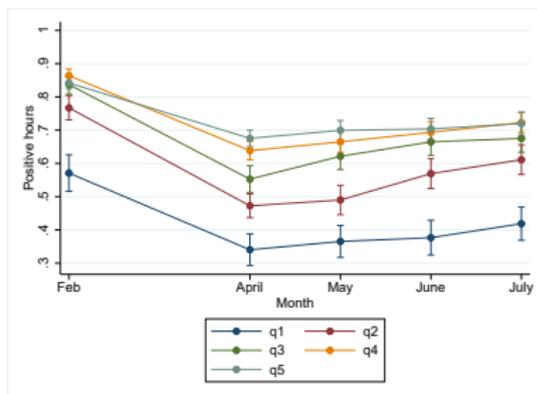
(b) by Income Quintile

Differences in Labour Market Effects

Fraction Working Positive Hours: Individual Characteristics



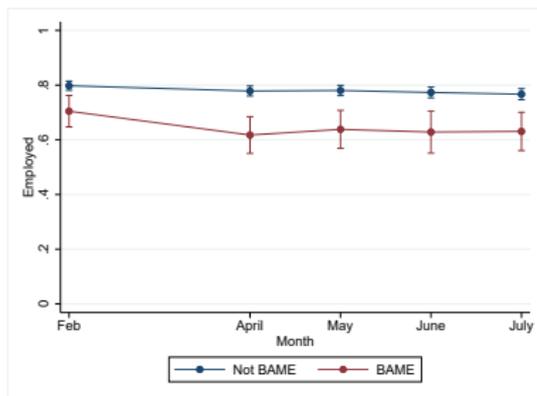
(a) by Gender



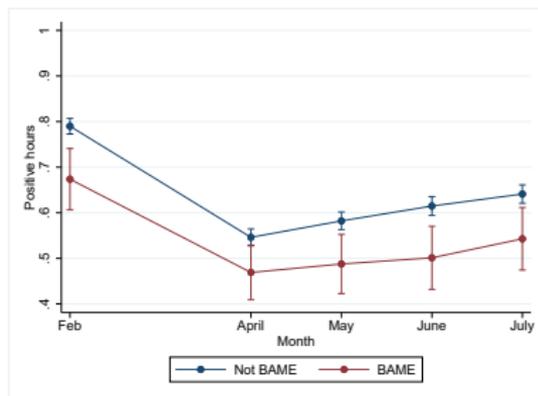
(b) by Income Quintile

- No gender differences
- Larger falls, and uneven signs of recovery at the bottom
- Larger falls for those most in need: families with children

Labour Market Effects: Differences by Ethnicity



(a) Employment

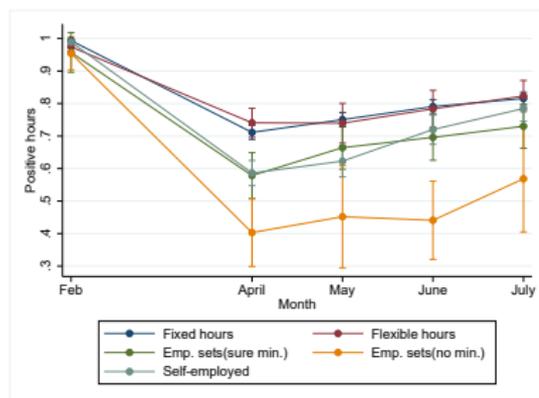


(b) Working Positive Hours

- BAME: unemployed rather than on furlough

Labour Market Effects

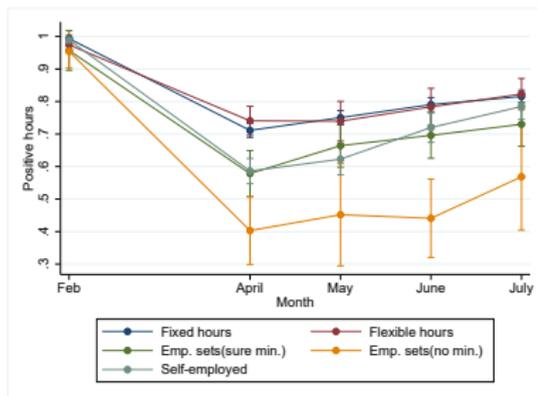
Fraction Working Positive Hours: Characteristics of the Job



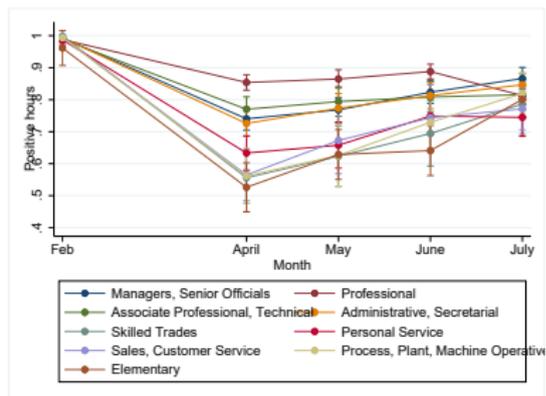
(a) Contract Type

Labour Market Effects

Fraction Working Positive Hours: Characteristics of the Job



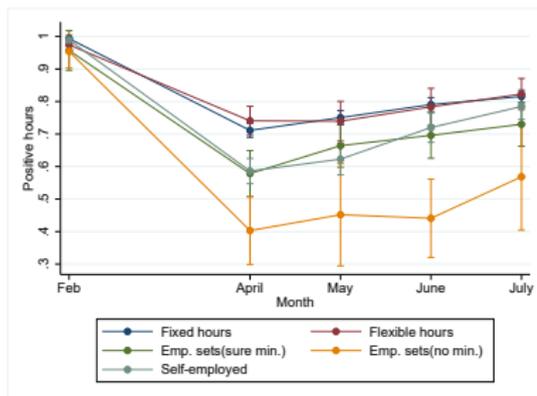
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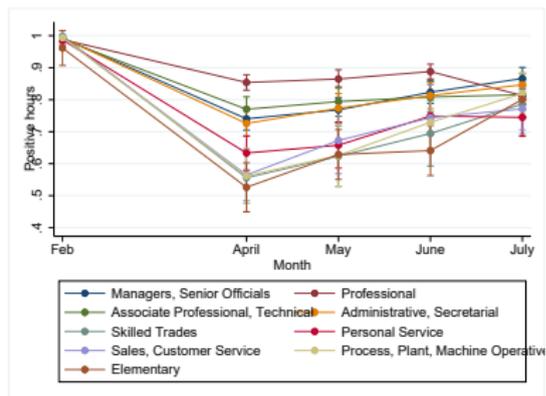
(b) Occupation

Labour Market Effects

Fraction Working Positive Hours: Characteristics of the Job



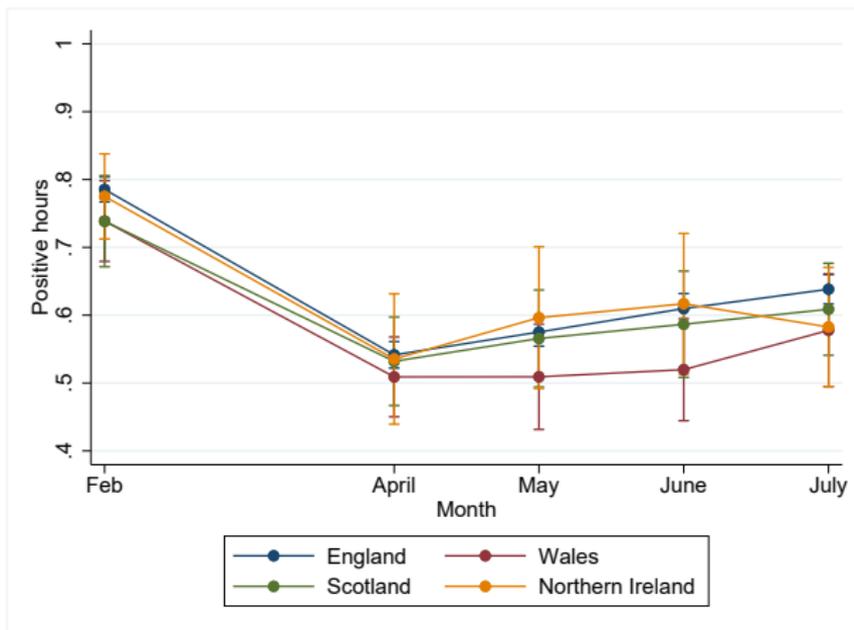
(a) Contract Type



(b) Occupation

- Larger falls for flexible work and for lower skilled
- Signs of Recovery

Labour Market Effects: Differences by Country



- Slower recovery in Scotland

Reasons for Decline in Hours by May

	% with hours fall	Emp. cuts	Furlough	Unemp.	Loss of self-emp. business	Health	Caring
Report an hours fall	63	10	36	8	10	6	7
Gender:							
Men	63	10	35	9	12	6	5
Women	63	10	36	8	9	6	8
Ethnicity:							
Not BAME	63	10	37	7	10	6	6
BAME	64	12	22	20	13	10	13
Long-run income quintile:							
1	69	13	35	12	14	9	8
2	69	10	44	8	9	6	8
3	62	9	44	5	8	5	6
4	59	9	32	9	7	5	6
5	58	9	22	9	13	6	7
Worker type:							
Fixed hours	56	11	43	8	0	5	5
Flexible hours	67	8	29	8	0	2	11
Emp. sets (sure min.)	72	19	49	6	0	6	4
Emp. sets (no min.)	89	11	49	35	0	4	3
Self-employed	86	2	6	6	53	11	14

- Hours falls are due to economic reasons not due to health directly

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Household Earnings Pre and Post Covid

	Feb	April Mean	May	% change since Feb					
				April			May		
				p25	p50	p75	p25	p50	p75
All	549	501	478	-18	0	0	-41	-6	6
Gender:									
Men	573	519	490	-17	0	0	-44	-7	5
Women	526	484	467	-18	0	0	-38	-5	6
Ethnicity:									
Not BAME	564	515	490	-17	0	0	-40	-6	5
BAME	411	370	368	-22	0	0	-42	-4	8
Long-run income quintile:									
1	287	245	228	-31	0	0	-60	-13	4
2	395	356	365	-20	0	0	-36	-6	7
3	487	444	428	-15	0	0	-34	-3	4
4	664	593	559	-14	0	0	-43	-8	4
5	860	817	765	-12	0	0	-39	-2	8
Worker type:									
Fixed hours	624	598	556	-10	0	0	-30	-2	5
Flexible hours	704	660	616	-9	0	0	-36	-2	6
Emp. sets (sure min.)	479	455	433	-21	0	0	-42	-14	6
Emp. sets (no min.)	605	369	512	-44	-20	0	-35	0	59
Self-employed	551	390	466	-64	-25	0	-57	-24	6

Earnings Losses

Summary

- 45% of individuals have experienced declines in household earnings of at least 10%
- But declines are most severe in the bottom income quintiles

Sources of Mitigation

What mechanisms have mitigated earnings losses for individuals?

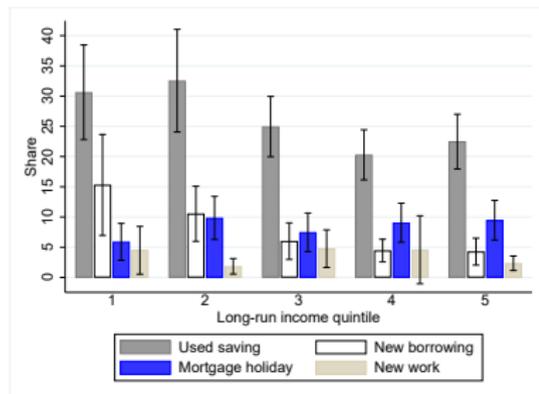
- Self-insurance
 - saving
 - borrowing
 - new work
 - mortgage holiday

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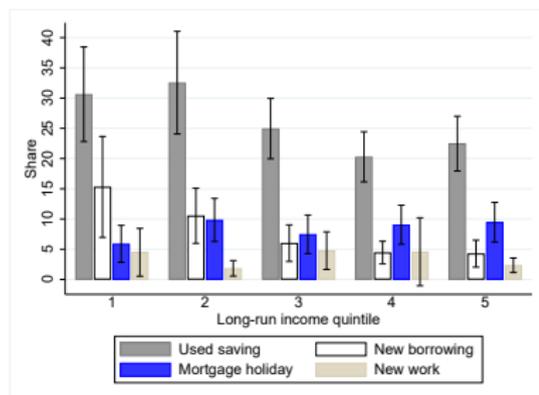
- Self-insurance
 - saving
 - borrowing
 - new work
 - mortgage holiday
- External help
 - Universal Credit
 - Furlough
 - SEISS
 - Support from family and friends
 - Food bank use
- Different access across the income distribution

Sources of Mitigation

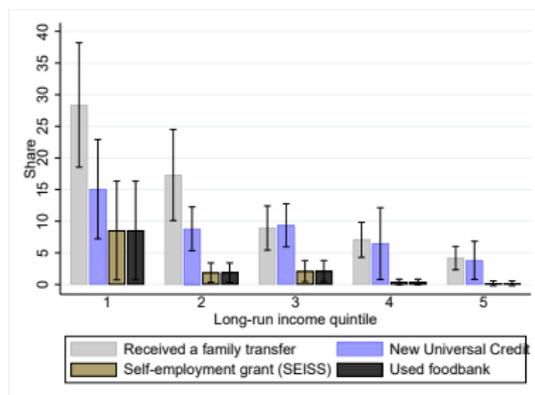


(a) Self-Insurance

Sources of Mitigation



(a) Self-Insurance

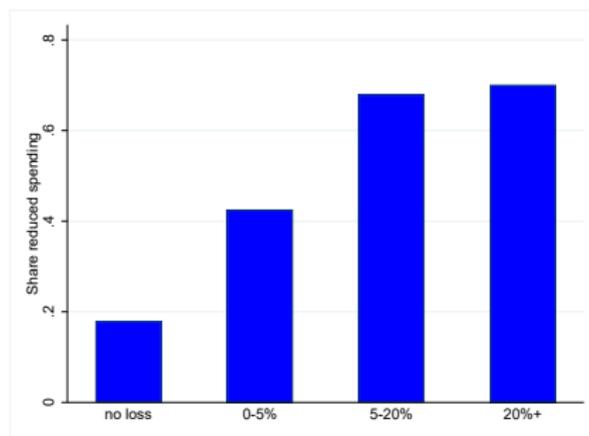


(b) External Support

- Importance of transfers from family and friends, of savings
- Raises question of sustainability

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Spending and Stimulus Packages



- Spending cuts even among those with no earnings loss
- Supply restrictions?
- Or uncertainty and changes in demand?

Options to stimulate demand

- Asked individuals what would they do if one-off payment of £500
- Will this induce an increase in spending
- Asked in July when restrictions had been lifted (shows importance of demand issues)

Spending and Stimulus Packages

- Calculate fraction of £1 that would be spent
- Average amount: 11p for each £1
- Some variation:
 - those most in need spend most (dependent children, insecure housing, lowest incomes)
 - very little would be spent
- Some: increase transfers to friends and family
- Others: expect reduction in transfers received

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Conclusions

- Little effect on employment;
large falls in fraction working positive hours (25 ppt fall)
- Biggest labour market shocks for:
 - lowest income quintiles
 - from minority ethnic groups
 - those with precarious employment
- 45% experienced earnings declines of at least 10%, worse in the bottom income quintiles
- Methods of mitigation : **Borrowing** and **transfers from family and friends** most prevalent among those most in need. Not sustainable.
- Reluctance to spend even when lockdown was lifted

References

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