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Covid-19 and inequality



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The pandemic has reinforced the need to deal with the challenges posed by inequality

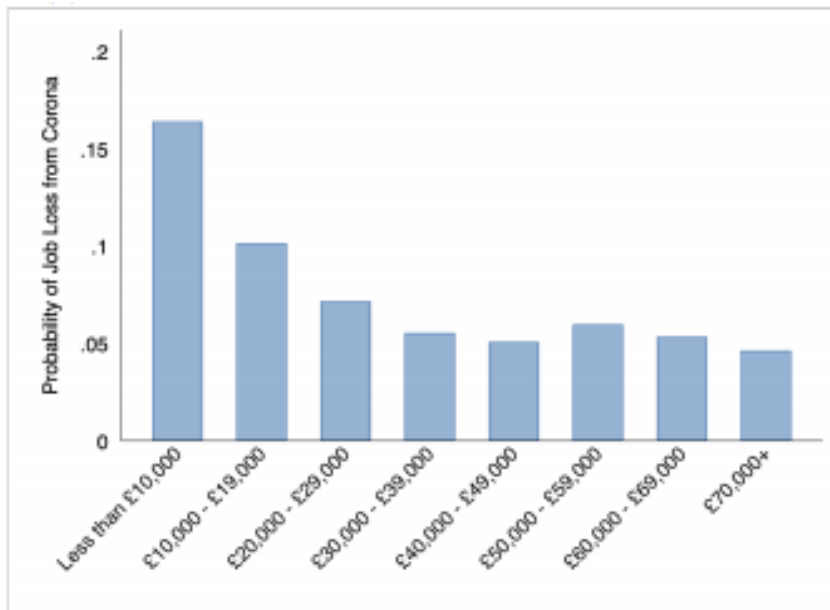
1. Highlighted existing inequalities
 - Savings and debt
 - Housing
 - State of benefit system
2. Exacerbated some inequalities
 - By income
 - Intergenerational
 - Gender
 - Ethnicity
3. Long-term legacy on inequality

A large green curly bracket on the right side of the slide, grouping the second and third items of the list.

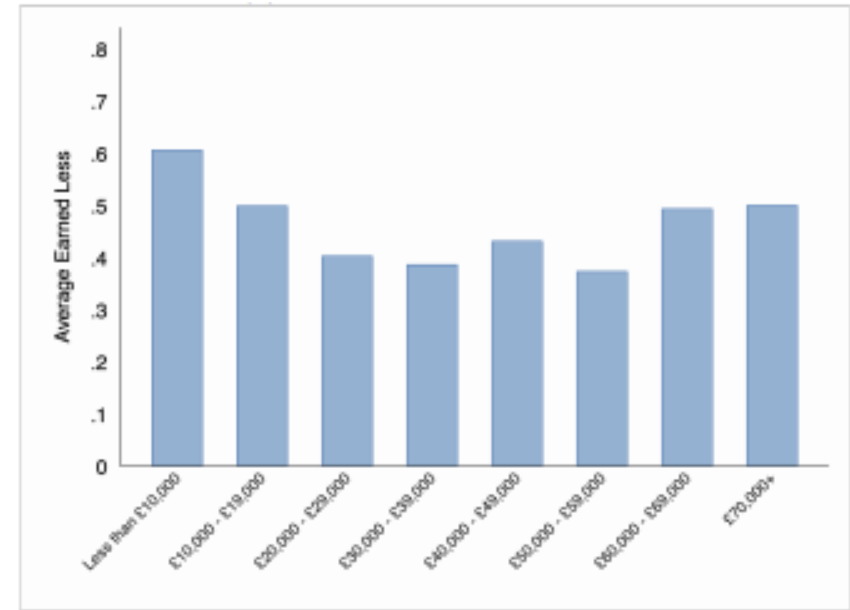
This presentation

Pandemic has hit low-paid workers the hardest

Job loss due to Covid-19

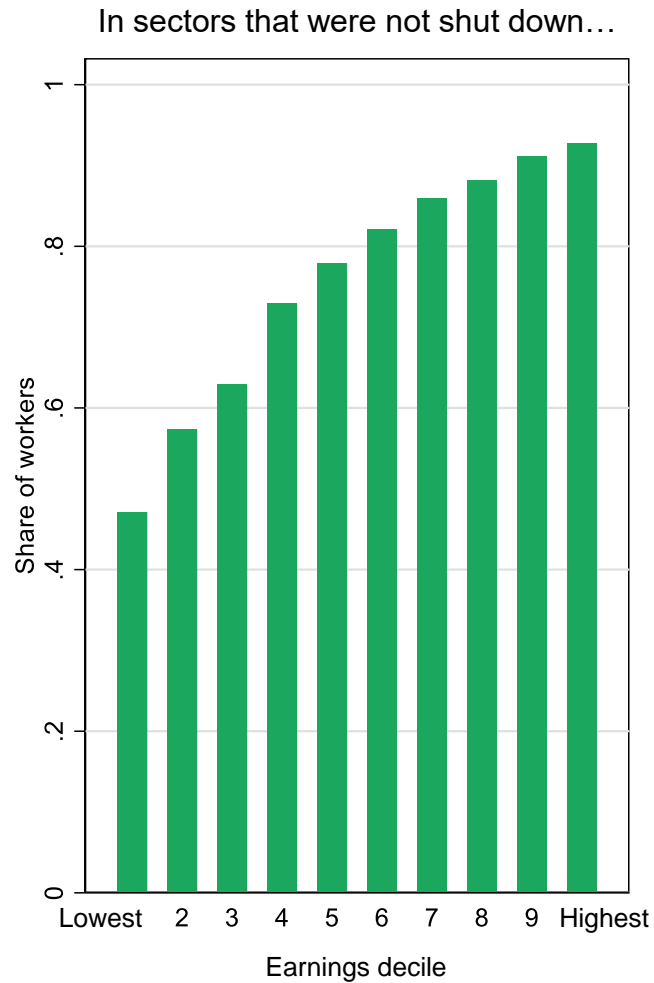


In work but earned less last week



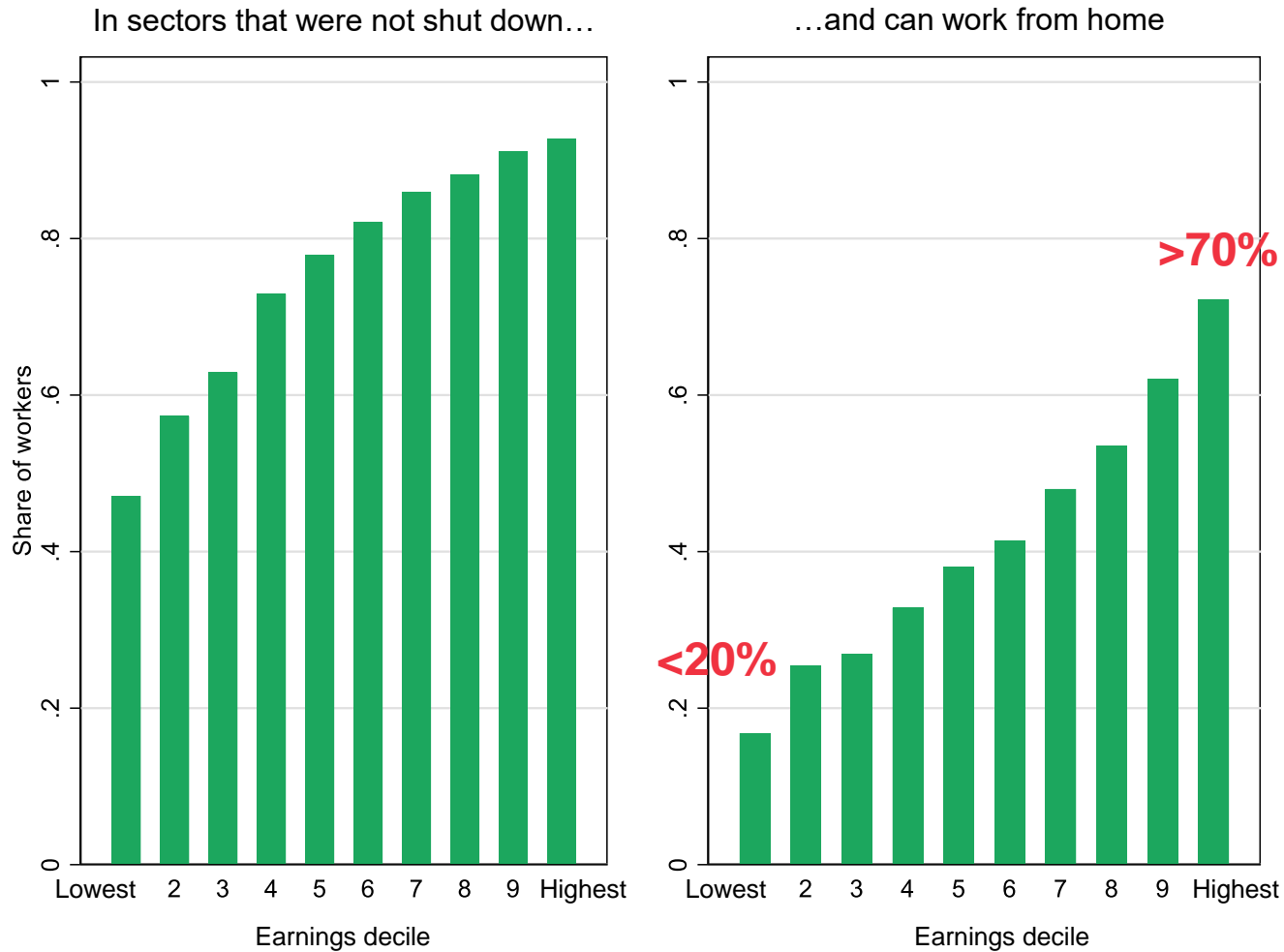
Source: Adams-Prassl et al. (2020) using data collected in March 2020

Impact reflects sector shutdowns and work-from-home orders



Source: Blundell et al. 2020

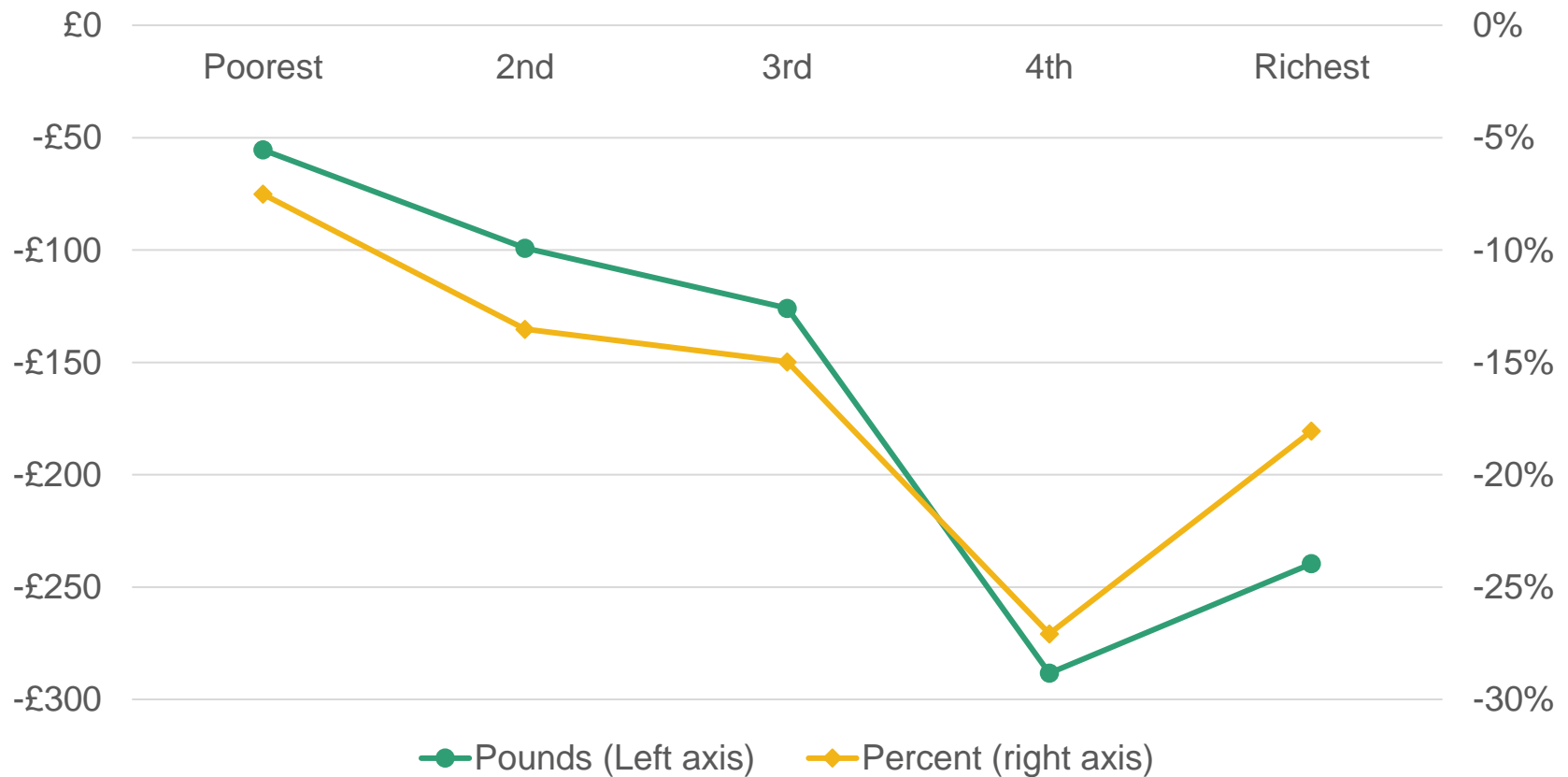
Impact reflects sector shutdowns and work-from-home orders



Source: Blundell et al. 2020

Richer households have been forced to save

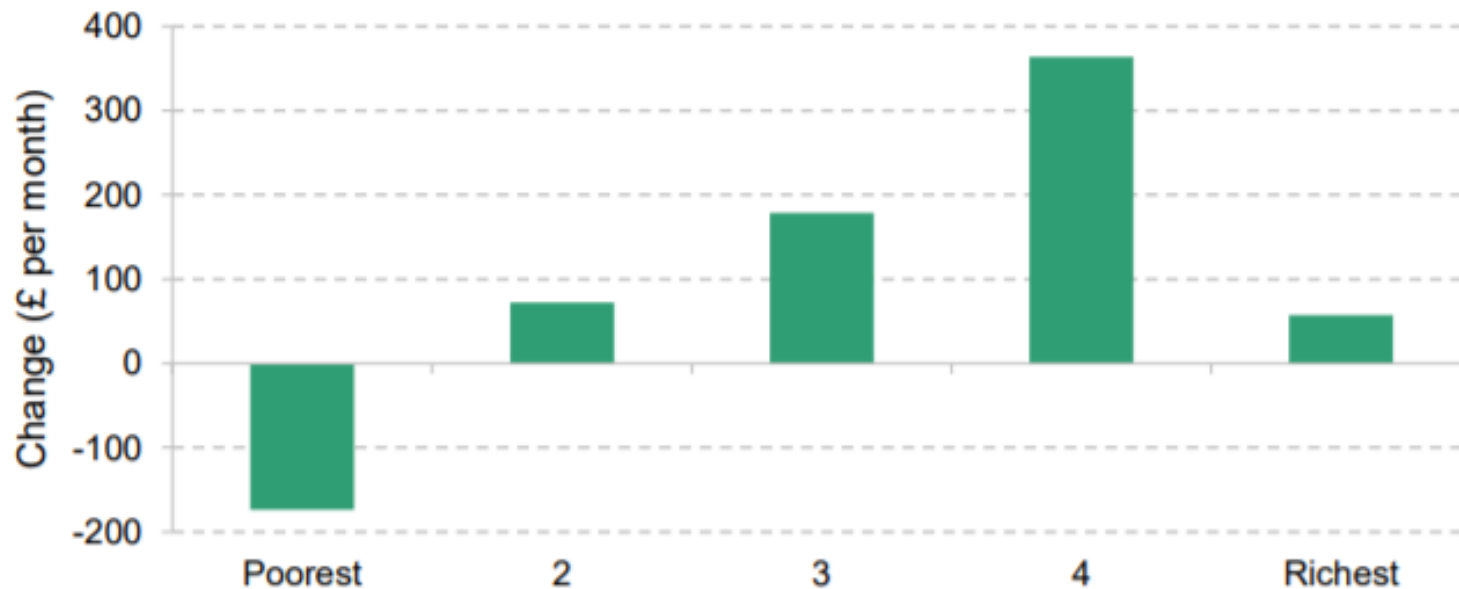
Change in average monthly spending by income quintile, March to September 2019 and 2020



Source: Davenport et al. 2020

As result, bank balances have diverged by income level

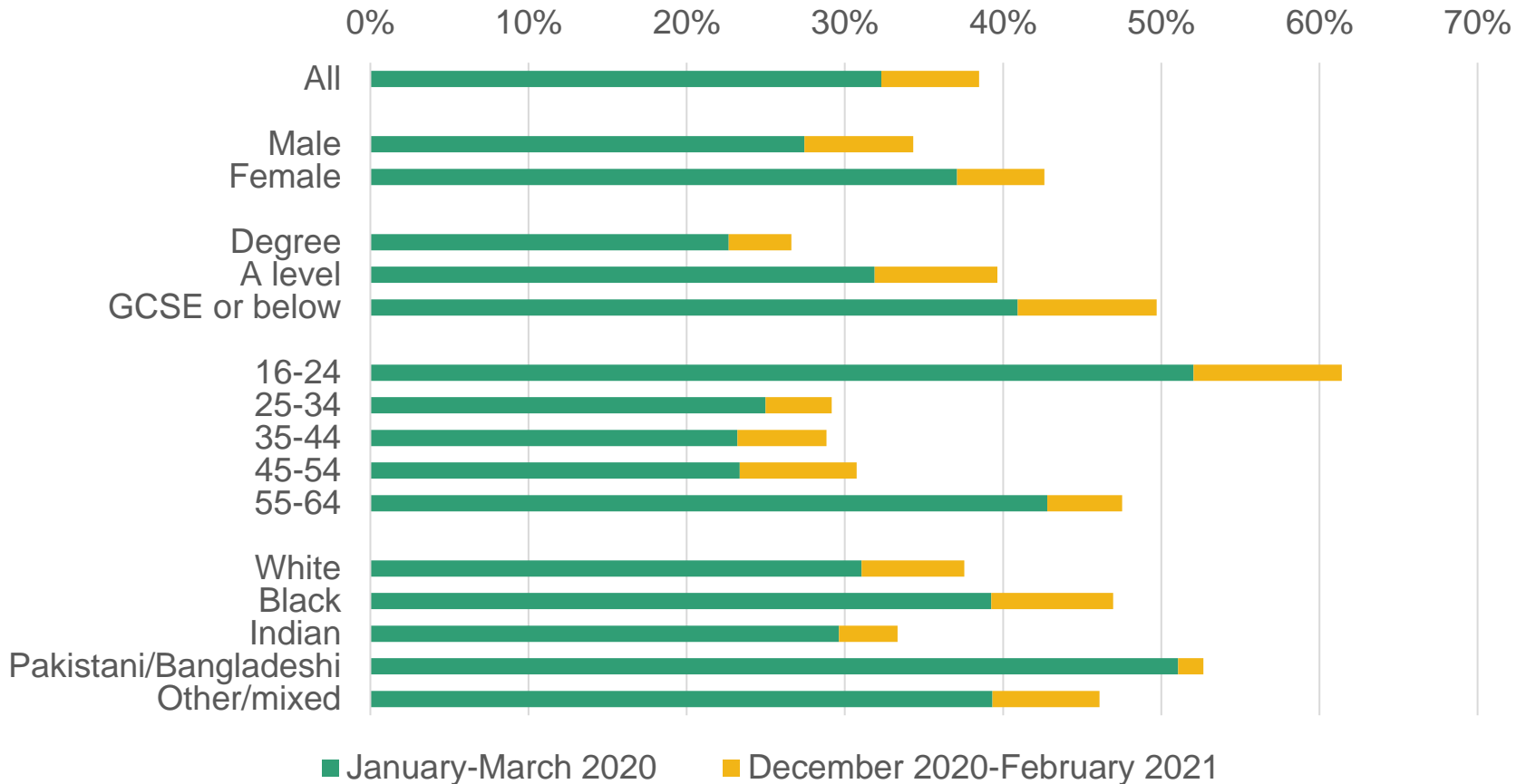
Change in average monthly saving by income quintile, March to September 2019 and 2020



Source: Davenport et al. 2020

Pandemic has exacerbated other labour market inequalities

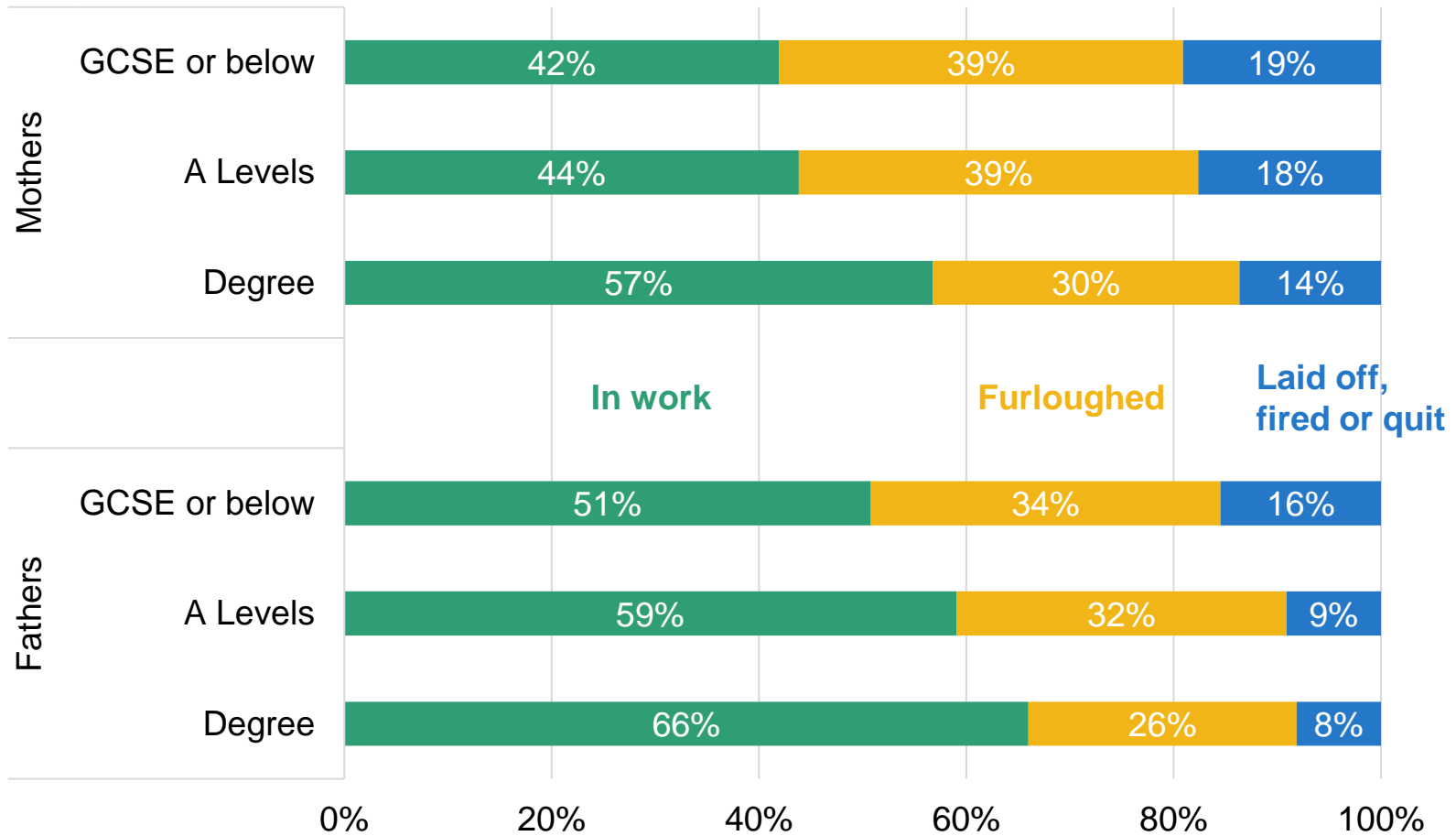
Share not working (unemployed, inactive or working zero hours)



Source: Cribb et al. 2021, forthcoming

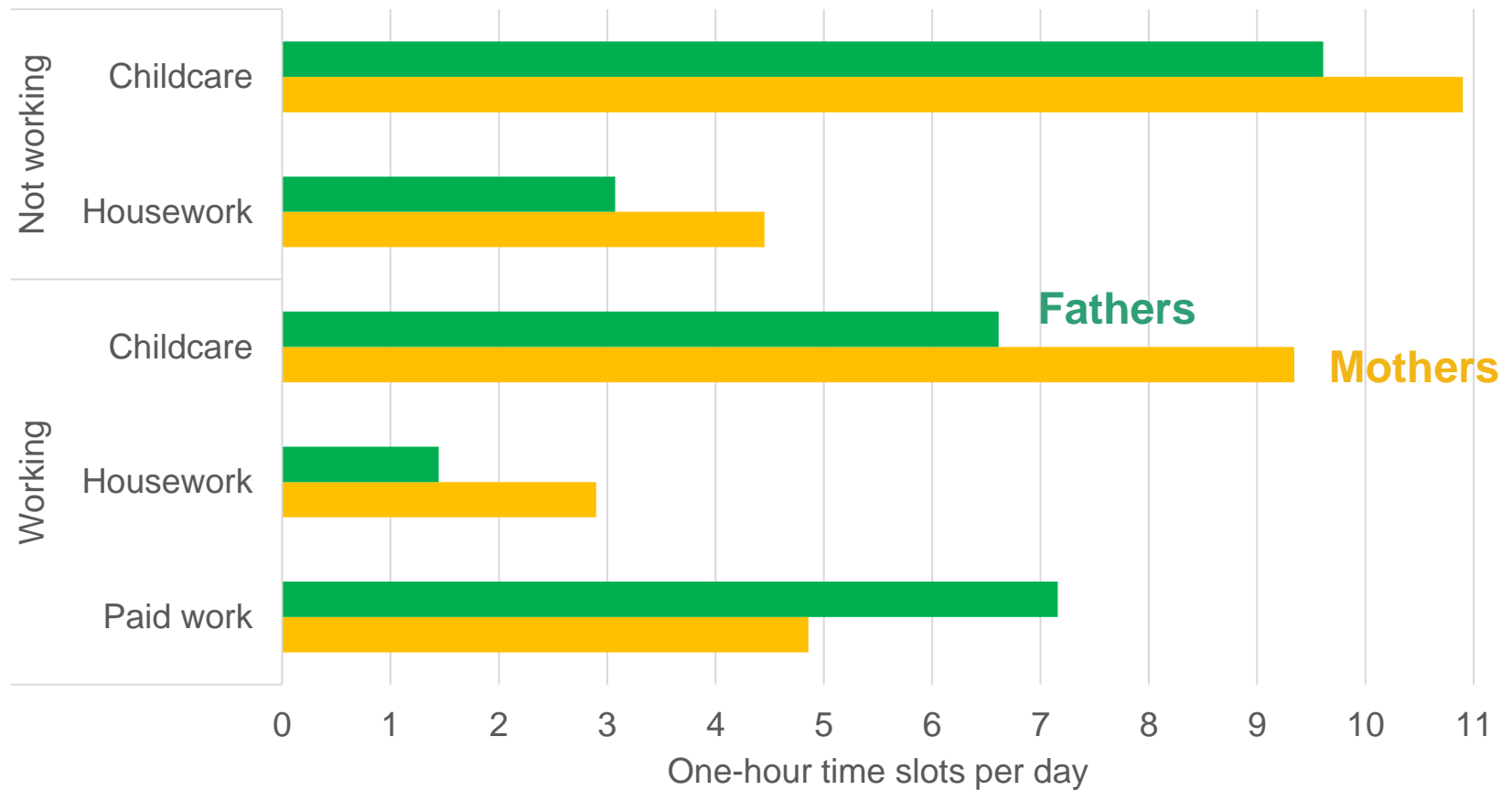
Notes: 16-64 year olds only

Mothers are more likely to have had their careers disrupted



Source: Andrew et al. 2020

And bear most of the additional childcare



Source: Andrew et al. 2020

Where did we start?

- Decade of earnings stagnation
- Rising earnings inequality since the 1990s
 - But offset by increased generosity of in-work benefits and rising employment among poorer households
- Erosion of social insurance
 - Decade of cuts to working-age benefits
 - Value of out-of-work benefits has fallen relative to earnings since 1970s
 - One of lowest replacement rates among developed countries
- Large fraction of households have low savings and high debt
 - Especially among, but not limited to, poorer households

Where will we go from here?

- Pandemic has exacerbated existing inequalities
 - Economic disparities may grow further as support schemes unwind
- Persistent changes may further widen inequalities
 - Remote working benefits professionals
 - New jobs (e.g. warehousing) may be less desirable than jobs that are lost
- But does it present opportunities?
 - More people experiencing welfare state – will this change attitudes towards welfare?
 - Status of key workers
 - Remote working and gender inequality
- Long-run effect on inequality will depend on policy choices

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