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
Pandemic has hit low-paid workers the hardest

Source: Adams-Prassl et al. (2020) using data collected in March 2020
Impact reflects sector shutdowns and work-from-home orders

In sectors that were not shut down…

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

![Bar chart showing the likelihood of careers being disrupted among mothers and fathers by educational level and employment status.](chart.png)

**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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