How unequal is likely to be the post pandemic recovery

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We should be rejoicing that the worst of the pandemic seems to be over. Yes, cases are rising again but hospitalizations and deaths have up to a point become de-linked from case numbers as the people now infected tend to be the younger generation with fewer chances of complications developing to this age group. And the economy has bounced back. It is true that the pace of growth seems to be slowing down and consumers appear a bit more concerned about the future but at least the economy has picked up from the depths it had reached in mid 2020 and is now just over 2% below pre pandemic levels.

But what lies ahead? And what society are we going to have inherited as we come out of this. The worry is that as we rebuild, some of the progress made in reducing inequality over recent years may go backwards.

The list of concerns is sobering. It was in general those earning more who were able to undertake more of their tasks at home and who were more likely therefore to have kept their jobs- or be furloughed- and in the process have accumulated big savings which are now beginning to get spent. The younger less established workers were more likely to lose their jobs and often have had to survive with inadequate, though temporarily enhanced Universal Credit support, now being claimed by an estimated 5m people. No extra involuntary savings to show there. It was the self employed who got least assistance with an estimated 2 million not receiving any extra assistance despite severe loss of income.

We also saw that the compulsory gender pay gap reporting requirements for larger organisations for 2019/20 year were suspended at the beginning of the pandemic in March 2020 although a number of firms still published data voluntarily. The obligation was reintroduced for 2020/21 but no enforcement action will be triggered until October 2021.[i] The data is crucial as lack of transparency has been a problem in gender pay equality for a long time. But across the economy it was women who found it hardest to cope with home-schooling and working from home with what looks like the bulk of the extra housework and caring falling on them. It was at the same time though the women who found themselves making up the bulk of frontline jobs such as nursing and caring which exposed them the most to the perils of Covid with little extra pay compensation.

And then it was the old who were most affected by the deadly disease early on, as controlling its spread into care homes was not adequately dealt with and who also lost out, alongside the young in terms of jobs during the pandemic. Interestingly while many young workers are now leaving the furlough scheme or unemployment to move back to new jobs in retail and hospitality, the older workers are having more difficulty in getting back to the workplace. Many are just quitting and retiring, thus withdrawn much needed experience and skills from the economy[ii]. They are of course also the ones who lost out as a result of the big fall in savings rates offered by the banks . Looking ahead, it will be older people who tend to live in older houses by and large who will bear the biggest costs of retrofitting their homes to reduce their energy use under government plans to meet stretching net zero targets[iii].

And though the impact of the slump was spread amongst most sectors, it was generally smaller firms that found it hard to meet the costs of carrying on through the various restrictions despite government support. It is also the smaller firms that are quitting exporting to the EU because of the sheer increase in bureaucracy that has been required post Brexit . And that is about to get worse on the importing side too.

Worryingly also it is many of the lower skilled jobs that have disappeared. As big retail chains have restructured to meet the new realities and cut costs, nearly 200,000 retail jobs have gone over the past year[iv] . AI is taking over. It would have happened anyway but Covid has given it a push. Closures of department stores and of banks, which would have led to huge outcry before, have been speeded along under the guise of Covid , practically unopposed. High streets and city centres are the losers, and with them the livelihoods- and lives – of millions of people. And prices for ordinary goods are rising – energy , transport, food, and other areas like cars where component supply shortages are biting. .

There have been some winners. Wages across many sectors are going up reflecting labour shortages even though unemployment at 4.7 % is nearly a point higher from where it was pre- pandemic , a figure flattered of course by the 1million or so people still on furlough until the scheme stops at end September .The extensive monetary support by the authorities, here and elsewhere, in the form of quantitative Easing (QE) has helped banks, which suffered badly early on in the pandemic to then improve profits substantially. It allowed borrowers helped by lower interest rates and a temporary stamp duty holiday to plunge with abandon into the housing markets with prices rising by over 13 % in the last year alone and defying throughout the pandemic dire predictions of a collapse in house prices. In fact QE, as the House of Lords committee has pointed out, encouraged a sharp rise in asset prices across the advanced world, increased the number of billionaires and exacerbated the inequalities we were trying to deal with.

So what next? The picture might get worse before it gets better. The large accumulated debt will have to be dealt with and the Treasury is already thinking of new ways to raise money and help the NHS and social care sector. In the process the government seems to be prepared to abandon election manifestos and raise National Insurance contributions for employees and employers to plug a £10b or so gap[v]. Commentators from all sides are pointing out that this tax penalises the lower paid disproportionately .And to avoid an extra £6bannual bill in pension payments, it is rumoured that the Chancellor is about to announce the abandonment, for this coming year at least, of the 'triple lock' that would have forced a rise in the basic pension of between 6 and 8% , depending on where various price and earnings indicators end up[vi]. He may instead propose sticking to an increase of just a 2.5 % which is the minimum that the formula, if adhered to, allows.

Those concerned about the intergenerational inequalities may rejoice at the thought of more being redistributed to the young as a result. I will believe this when I see it.

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i. https://www.cipd.co.uk/Images/gender-pay-gap-reporting-supplementary-guide_tcm18-91630.pdf

ii. https://ifs.org.uk/uploads/BN305-The-coronavirus-pandemic-and-older-workers.pdf

iii https://notalotofpeopleknowthat.wordpress.com/2021/04/21/replacing-gas-boilers-to-hit-2035-climate-target-could-cost-households-up-to-25000/

iv

v https://news.sky.com/story/national-insurance-to-increase-in-bid-to-fund-social-care-reports-say-12398015 vi https://www.bloomberg.com/news/articles/2021-09-02/sunak-to-scrap-u-k-pension-pledge-to-help-fix-covid-hit-coffers