

Understanding the potential impact of coronavirus in Wales

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April 2020

Learning and Work Institute

Patron: HRH The Princess Royal | Chief Executive: Stephen Evans
A company limited by guarantee, registered in England and Wales
Registration No. 2603322 Registered Charity No. 1002775
Registered office: 4th Floor Arnhem House, 31 Waterloo Way, Leicester LE1 6LP



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Published by National Learning and Work Institute

4th Floor Arnhem House, 31 Waterloo Way, Leicester LE1 6LP

Company registration no. 2603322 | Charity registration no. 1002775

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Introduction

Rightly over the last few weeks the focus of the Welsh Government has been on meeting the urgent health challenge of the coronavirus pandemic. Minimising the spread of the virus and saving lives is the number one priority.

Work at all levels of government has focused too on supporting businesses and individuals with the collective and personal economic effects of the crisis. However, there is evidence that it has already had a significant impact on the economy and on the personal employment prospects of many thousands of individuals in Wales. While at this stage it is difficult to precisely predict the economic impact of coronavirus we can say with some certainty that it will present government and all social partners in Wales with their most serious economic crisis of the devolved period of government in Wales.

To meet this employment challenge in Wales it is essential that the Welsh Government understands the nature of the challenge and the groups most likely to be affected in order to appropriately prioritise investment and support.

We looked at the Labour Force Survey to assess how vulnerable the labour market in Wales is to the challenges posed by the coronavirus outbreak and to understand which groups of workers are most at risk in Wales. We present the findings of this analysis below, focusing first on the overall picture in Wales, before examining gender and age.¹

Our analysis shows that at the outset of the crisis, around one fifth of the workforce worked in ‘shutdown sectors’ which have been hardest hit by coronavirus. This amounts to almost a quarter of a million workers in Wales. The analysis also shows that women, young people and those with the lowest qualifications are more likely to be impacted by the crisis. The crisis risks reversing gains made in employment in Wales in the last decade, and reversing progress made towards closing the employment gap with the rest of the UK.

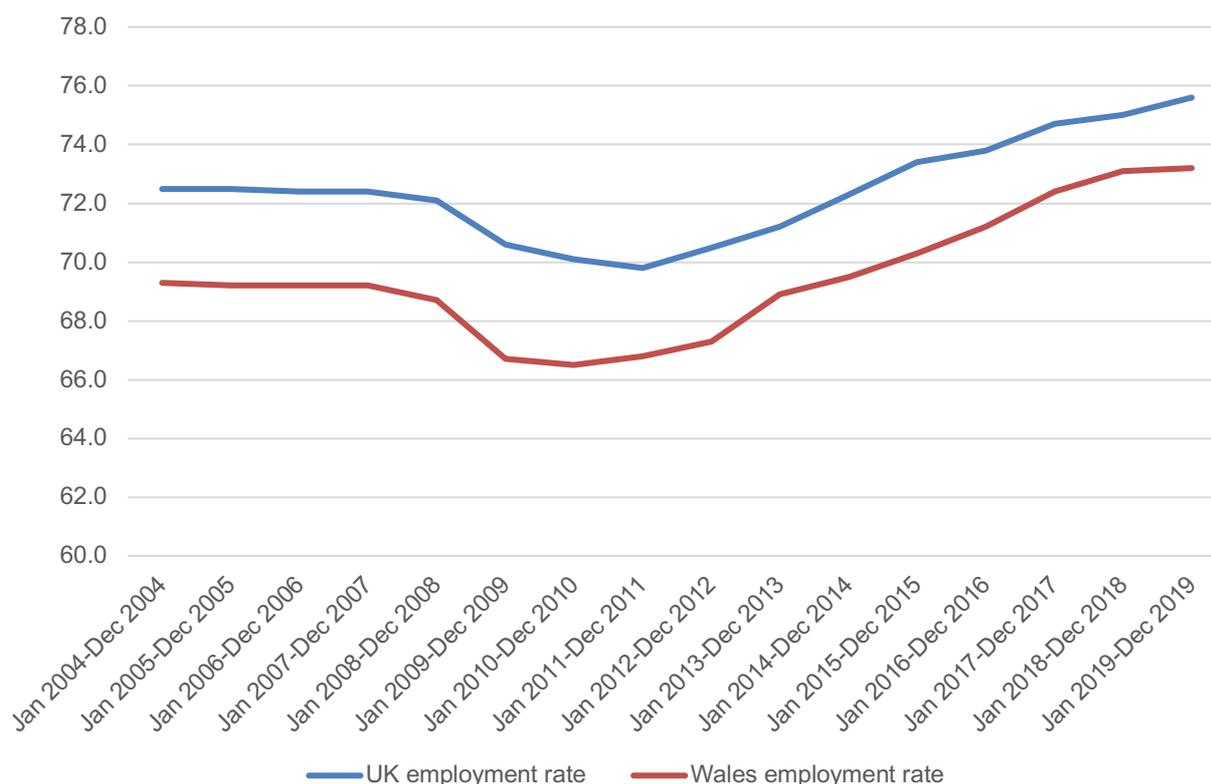
The response from governments in both Cardiff and Westminster, as well as local authorities and regional governance structures such as City Deals, will need to be joined up, scaled up and flexible. With the procurement of a new employment support scheme and the development of a successor to the European Social Fund (ESF) there will be opportunities to develop appropriate approaches. As our analysis shows however the scale of the challenge is unprecedented in the era of devolved government and will require a significant response to continue to protect jobs and to help people back into work.

¹ Further details of our methodology and full data tables presented in the appendix.

Findings

Before the coronavirus outbreak, the employment rate in Wales, as shown in Figure 1, had risen from 66.5% in 2010 to 73.2 in 2019. The increase has been faster in Wales than in the rest of UK, meaning that the historic gap in employment rates between Wales and the rest of the UK has narrowed in the last decade.

Figure 1 Employment Wales and the UK, 2004 to 2019



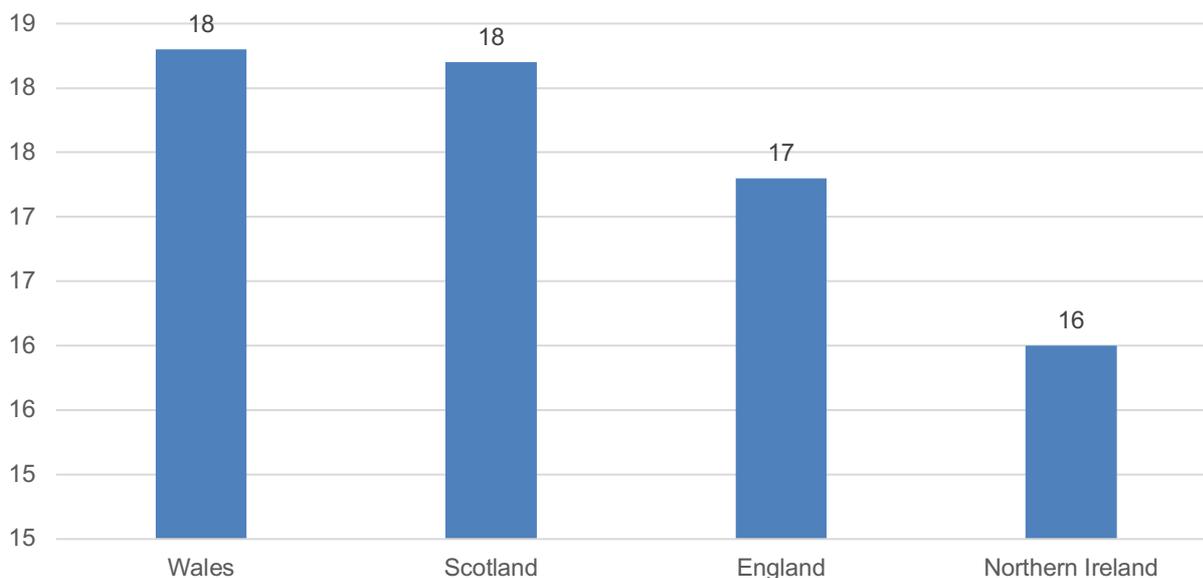
Source: L&W analysis of the Annual Population Survey.

The analysis we present in the following section shows the risks that the coronavirus outbreak presents in reversing this progress. It shows that **one in five workers in Wales are employed in sectors that have been shutdown during the outbreak.**

Figure 1 presents the overall picture in Wales compared to the situation in the other nations. It shows that:

- **A fifth (18%), or a quarter of a million, workers in Wales are employed in sectors that have been shut down during the outbreak,**
- This is broadly in line with the other nations in the UK, but, if just one in four of these workers lost their job, it would mean that **unemployment in Wales could increase to a level higher than seen under the last recession.**

Figure 1 Proportion of workers in shutdown sectors by nation²



Source: L&W analysis of the Labour Force Survey.

These figures demonstrate the gravity of the situation in Wales and across the UK. But we know that the crisis will vary for different groups, which is why our analysis also breaks down these figures further by gender and age, which we look at in the next section.

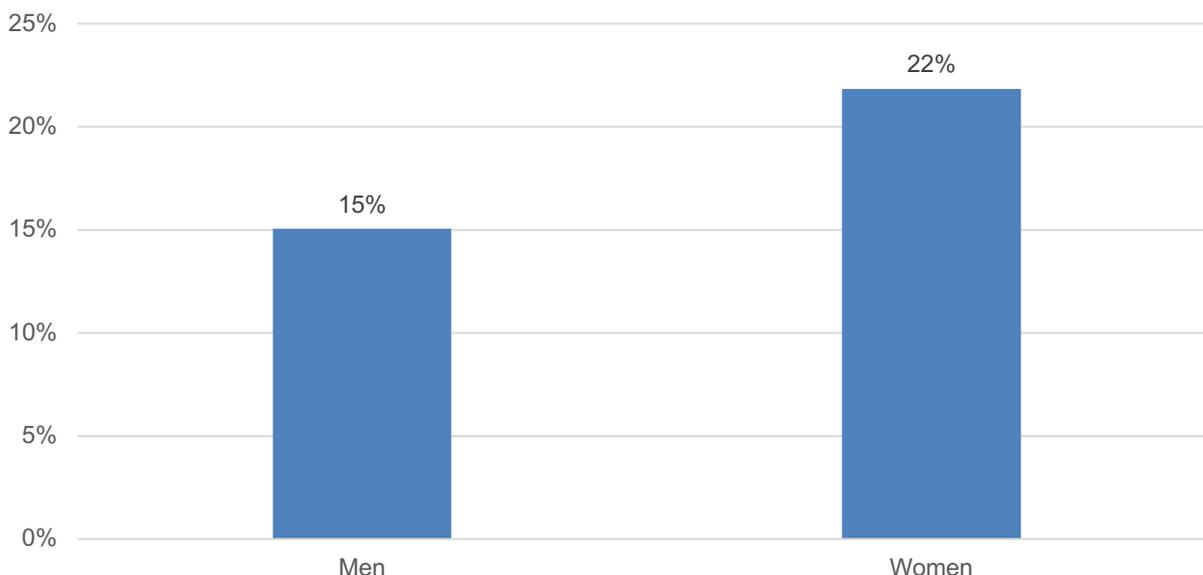
Women face a disproportionate risk at the outbreak of the crisis

Figure 2 looks at the national picture by gender, showing the proportion of men and women in shutdown sectors. It shows that:

- One in seven (15%) men are employed in sectors that have been shutdown, while **one in five (22%) women are employed in sectors that have been shut down.**

² Shutdown sectors are those most directly impacted by the lockdown to prevent the spread of coronavirus. Building on the work of Joyce and Xu (2020), we used the following 4-digit SIC codes: Non-food, non-pharmaceutical retail; passenger transport; accommodation and food; travel; childcare; arts and leisure except 'artistic creation'; personal care except 'funeral and related activities'; domestic services. We pooled eight waves of the Labour Force Survey to identify the proportion of people employed prior to the coronavirus crisis who worked in these sectors.

Figure 2 Proportion of workers in shutdown sectors by gender



Source: L&W analysis of the Labour Force Survey.

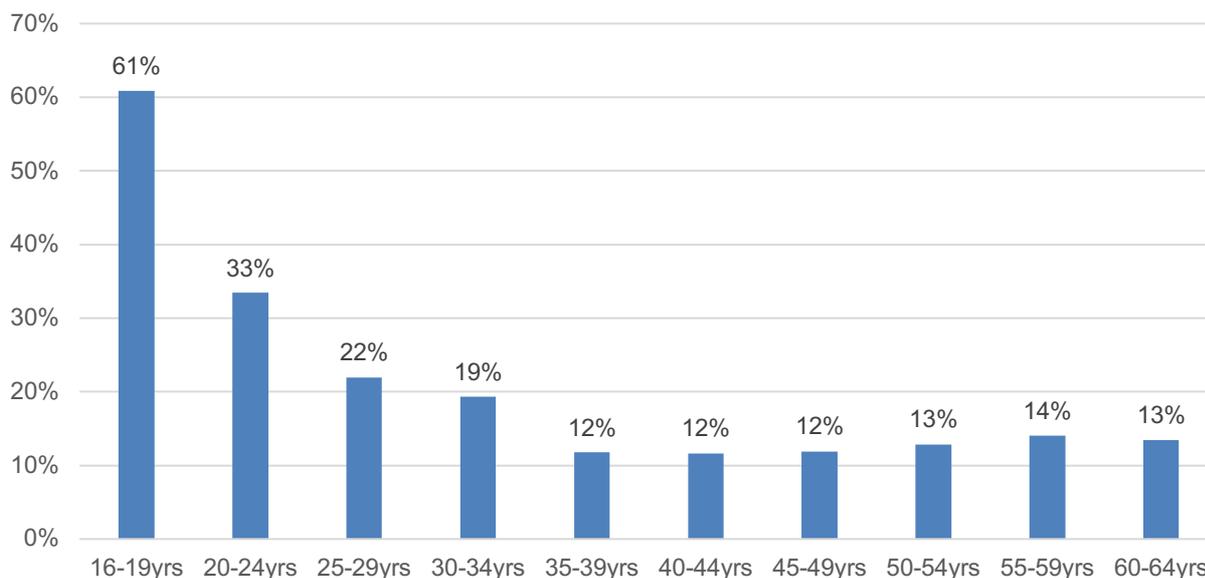
The risk that women face at the onset of the crisis could have a significant knock-on effect on the gender employment gap. The gap in employment rates between men and women has narrowed by a third since 2004. With women being more likely to work in the shutdown sectors most impacted by the crisis, there is a risk that this progress will be reversed.

The youngest workers are facing significant challenges at the outset of their careers

Our analysis also shows that age is playing a crucial factor in the risk workers face. Figure 3 breaks down the national figure in the same way as figure 2, but by age, showing that:

- **Almost two in three of those aged between 16 and 19 (61%) and one in three (33%) of those aged 20 and 24** are at risk, higher than other age groups,
- While risk declines with age, around one in five of those aged between 25 and 29 (22%) and 30 and 34 (19%) are still at risk.

Figure 3 Proportion of workers in shutdown sectors by age



Source: L&W analysis of the Labour Force Survey.

This raises serious concerns that the coronavirus outbreak will lead to a youth unemployment crisis in Wales. Young people are more at risk from unemployment during recessions. Following the last recession, unemployment for young people aged 16 – 24 peaked at 23.5% in 2012, over four times higher than the unemployment rate for those aged 25 and over (5.7%). Given the disproportionate impact of coronavirus outbreak on sectors where young people tend to work, we could see an even more stark pattern by age this time.

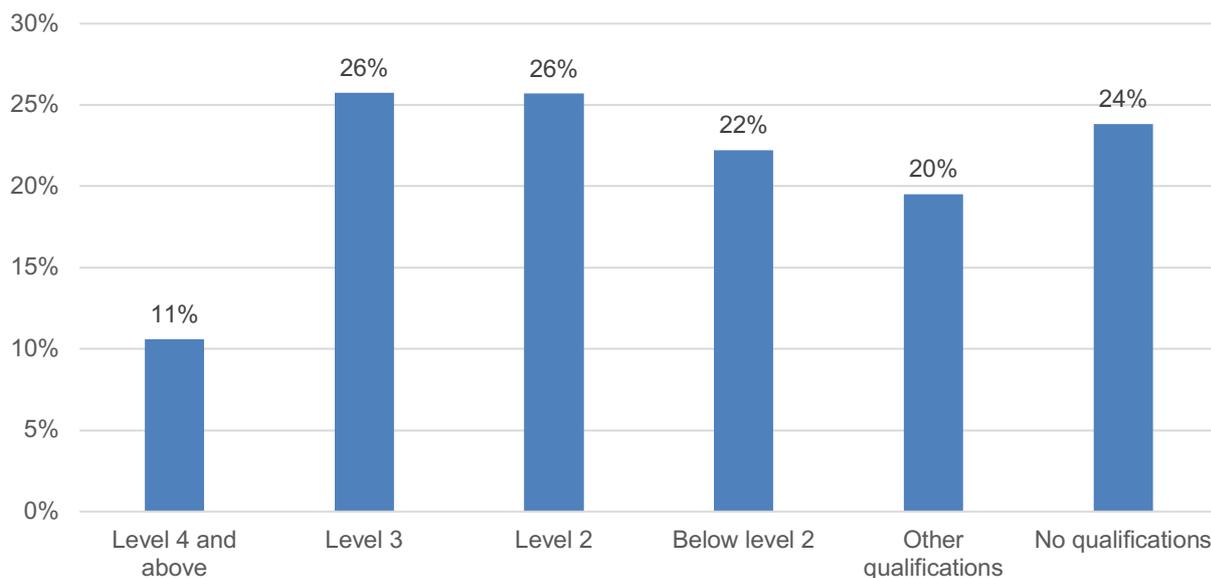
We know that the first few years of a person’s working life can be critical for their opportunities in the long term, and that a period of sustained unemployment can have a long-term scarring impact on a young person’s employment and earnings prospects. The crisis is putting a huge barrier up to the prospects of thousands of young people at a time when they should be getting their feet on the ladder, and starting to develop their experience. This could have a profound impact on their lives

Higher qualifications are shielding some workers from risk

Finally, figure 4 looks at these same patterns by educational qualification, showing that:

- Only **one in ten** (11%) of those with a qualification at level 4 and above are at risk as a result of the crisis, compared to one in four of those with level 3 (26%) or level 2 (26%) qualifications, and one in four of those with qualifications below level 2 (22%).

Figure 4 Proportion of workers in shutdown sectors by qualification



Source: L&W analysis of the Labour Force Survey.

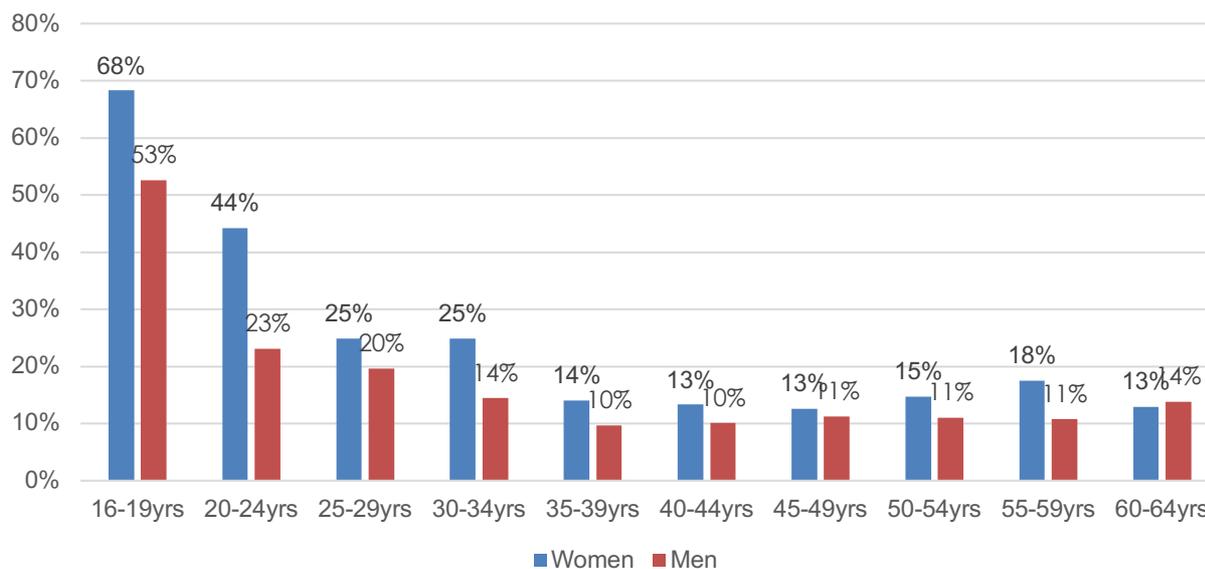
Age, gender and qualifications intersect to increase the risk for some groups

However, if we just look at one group in isolation, we risk missing how different factors intersect to increase the risk people across Wales are facing.

One way of accounting for this is by looking at how age and gender intersect. Figure 5 does this by examining the figures for men and women by age, showing that:

- Women are at greater risk regardless of age, with over two thirds (68%) of women aged 16 to 19 and two fifths (44%) of women aged 20 to 24 at risk,
- This is compared to half of men (53%) between 16 and 19 and a fifth (23%) of men aged 20 to 24.

Figure 5 Proportion of workers in shutdown sectors by gender and age



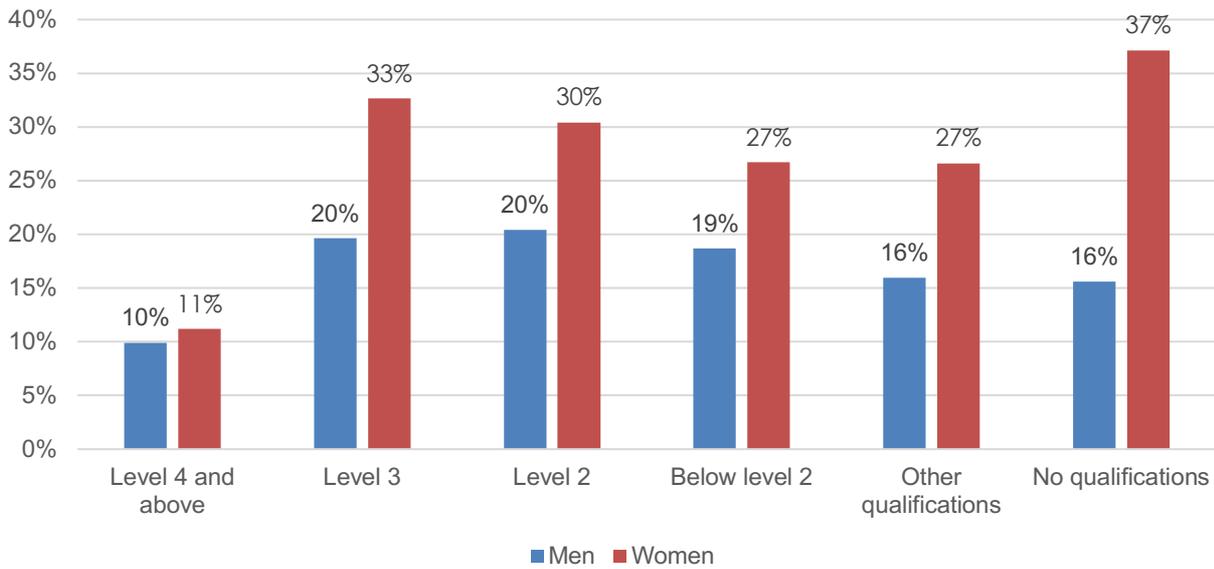
Source: L&W analysis of the Labour Force Survey.

We also wanted to know how gender and educational qualifications intersect, given the links shown above in increased risk for those with lower qualifications.

Figure 6 does this by looking at what proportion of men and women are in shut down sectors by educational qualification. It shows that:

- Women are at greater risk of working in a shutdown sector across the board, except where they hold a level 4 educational qualification,
- Where they don't, one in three women with a level 3 (33%) or level 2 (30%), and one in four (27%) of those with below level 2 are at risk,
- Women without any qualifications are most at risk, with over a third (37%) in this group at risk,
- This is compared to around one in four men with a level 3 (20%), level 2 (20%), or below 2 (19%) qualification, and one in seven without (16%).

Figure 6 Proportion of workers in sectors shutdown by gender and qualification



Source: L&W analysis of the Labour Force Survey.

These figures emphasise the need of investigating the risk facing different groups, as well as the overall challenges facing the labour market in Wales. It also shows how critical it will be in responding effectively to the crisis not just to focus on the overall challenge in Wales, but also how to support those who are most at risk.

Appendix

Shutdown sectors are those most directly impacted by the lockdown to prevent the spread of coronavirus. Building on the work of Joyce and Xu (2020), we used the following 4-digit SIC codes: Non-food, non-pharmaceutical retail; passenger transport; accommodation and food; travel; childcare; arts and leisure except 'artistic creation'; personal care except 'funeral and related activities'; domestic services. We pooled eight waves of the Labour Force Survey to identify the proportion of people employed prior to the coronavirus crisis who worked in these sectors.

The table below present the full underlying statistics from the analysis presented in the charts above, including the upper and lower confidence levels.

Group	Gender	% working in shut down sectors	% working in shut down sectors (lower confidence)	% working in shut down sectors (upper confidence)	% of workers in shut down sectors	% of workers in shut down sectors (lower confidence)	% of workers in shut down sectors (upper confidence)
Gender							
Women		15.0%	14.6%	15.5%	42.8%	42.6%	43.0%
Men		21.8%	21.3%	22.3%	57.2%	57.4%	57.0%
Age							
16-19yrs		60.8%	61.6%	60.2%	12.7%	12.9%	12.6%
20-24yrs		33.4%	32.5%	34.2%	18.0%	18.1%	17.9%
25-29yrs		22.0%	21.0%	22.8%	14.0%	14.2%	13.9%
30-34yrs		19.3%	18.3%	20.1%	11.7%	11.9%	11.6%
35-39yrs		11.7%	10.8%	12.6%	7.1%	7.0%	7.2%
40-44yrs		11.6%	10.6%	12.5%	6.5%	6.4%	6.6%
45-49yrs		11.9%	10.9%	12.7%	7.6%	7.5%	7.7%
50-54yrs		12.9%	12.0%	13.7%	9.0%	9.0%	9.0%
55-59yrs		14.0%	13.0%	14.8%	8.5%	8.4%	8.5%

60-64yrs		13.4%	12.2%	14.5%	4.9%	4.7%	5.1%
Qualifications							
Below NQF Level 2		22.2%	21.2%	23.1%	11.3%	11.1%	11.5%
NQF Level 2		25.7%	24.9%	26.4%	23.0%	23.4%	22.7%
NQF Level 3		25.7%	25.0%	26.4%	26.2%	26.8%	25.8%
NQF Level 4 and above		10.6%	10.0%	11.1%	23.7%	24.0%	23.3%
No qualifications		23.8%	22.6%	24.8%	6.8%	6.5%	7.1%
Other qualifications		19.5%	18.2%	20.6%	6.4%	6.0%	6.7%
Trade apprenticeships		13.4%	11.6%	14.8%	2.5%	2.2%	2.8%
Age and gender							
16-19yrs	Male	52.6%	53.0%	52.3%	5.2%	5.2%	5.2%
16-19yrs	Female	68.3%	70.1%	67.0%	7.5%	7.7%	7.3%
20-24yrs	Male	23.1%	21.7%	24.2%	6.4%	6.3%	6.4%
20-24yrs	Female	44.2%	43.3%	45.0%	11.6%	11.9%	11.4%
25-29yrs	Male	19.6%	18.2%	20.8%	6.9%	7.0%	6.8%
25-29yrs	Female	24.8%	23.5%	25.9%	7.1%	7.3%	7.0%
30-34yrs	Male	14.4%	13.0%	15.6%	4.7%	4.6%	4.7%
30-34yrs	Female	24.8%	23.5%	25.9%	7.0%	7.3%	6.9%
35-39yrs	Male	9.7%	8.3%	10.8%	3.0%	2.9%	3.2%
35-39yrs	Female	14.0%	12.7%	15.1%	4.0%	4.1%	4.0%
40-44yrs	Male	10.1%	8.6%	11.3%	2.9%	2.8%	3.1%
40-44yrs	Female	13.3%	11.9%	14.5%	3.6%	3.5%	3.6%

45-49yrs	Male	11.2%	9.8%	12.4%	3.6%	3.5%	3.7%
45-49yrs	Female	12.5%	11.2%	13.7%	4.0%	3.9%	4.0%
50-54yrs	Male	11.0%	9.7%	12.1%	3.8%	3.7%	3.9%
50-54yrs	Female	14.7%	13.5%	15.8%	5.2%	5.2%	5.1%
55-59yrs	Male	10.8%	9.4%	12.0%	3.4%	3.3%	3.5%
55-59yrs	Female	17.5%	16.2%	18.7%	5.1%	5.1%	5.0%
60-64yrs	Male	13.8%	12.0%	15.3%	2.8%	2.6%	2.9%
60-64yrs	Female	13.0%	11.1%	14.4%	2.1%	1.9%	2.2%
Qualifications and gender							
NQF Level 4 and above	Male	9.9%	9.1%	10.6%	10.2%	10.3%	10.1%
NQF Level 4 and above	Female	11.2%	10.4%	11.9%	13.5%	13.9%	13.1%
NQF Level 3	Male	19.6%	18.6%	20.5%	10.6%	10.8%	10.4%
NQF Level 3	Female	32.7%	31.7%	33.5%	15.6%	16.2%	15.2%
Trade apprenticeships	Male	10.2%	8.2%	11.7%	1.7%	1.4%	1.9%
Trade apprenticeships	Female	35.8%	32.9%	37.2%	0.9%	0.6%	1.0%
NQF Level 2	Male	20.4%	19.2%	21.5%	8.7%	8.8%	8.7%
NQF Level 2	Female	30.4%	29.4%	31.3%	14.3%	14.8%	13.9%
Below NQF Level 2	Male	18.7%	17.1%	20.0%	5.3%	5.1%	5.5%
Below NQF Level 2	Female	26.7%	25.3%	27.8%	6.0%	5.9%	6.0%
Other qualifications	Male	16.0%	14.2%	17.4%	3.5%	3.2%	3.7%

Other qualifications	Female	26.6%	24.5%	28.2%	2.9%	2.6%	3.1%
No qualifications	Male	15.6%	13.8%	17.1%	2.8%	2.5%	3.0%
No qualifications	Female	37.1%	35.9%	38.0%	4.1%	3.9%	4.2%