

Public Sector Practice

COVID-19 in the United Kingdom: Assessing jobs at risk and the impact on people and places

Around 7.6 million jobs, or 24 percent of the UK workforce, are at risk because of COVID-19-related lockdowns. People and places with the lowest incomes are the most vulnerable.

by Tera Allas, Marc Canal, and Vivian Hunt



As governments around the world seek to save lives by slowing down the spread of the coronavirus, they are having to take dramatic measures, with big implications for economic activity. The United Kingdom declared a lockdown on March 23, 2020, to control the COVID-19 pandemic. This seems to have helped rein in the public-health crisis but is taking its toll on the economy.

In a typical lockdown week in May 2020, we estimate that economic activity (as measured by GDP) is down roughly 30 percent from February 2020 levels. According to the Office of National Statistics, in the weeks from April 6 to 19, 2020, 23 percent of businesses had temporarily closed or paused trading, with around 60 percent of businesses that continued to trade reporting a fall in revenues.¹ Economic activity will recover as lockdown restrictions are lifted, but the speed and patterns are highly uncertain and will vary by sector. In McKinsey's midpoint scenario, UK GDP in 2020 is expected to shrink by 9 percent, overall.

Such a rapid fall in output has significant implications for employment. We find that during lockdown, around 7.6 million jobs are at risk—a term we use to encompass permanent layoffs, temporary furloughs, and reductions in hours and pay. The risks are highly skewed: people and places with the lowest incomes are the most vulnerable to job loss. Nearly 50 percent of all the jobs at risk are in occupations earning less than £10 per hour. (The median hourly pay in 2019 was £13.30.) The proportion of jobs at risk in the 20 lowest-income subregions—such as Blackpool, Stoke-on-Trent, and Torbay—ranges from 23 to 29 percent, while the range for the 20 highest-income regions is much lower, at 18 to 25 percent.

In the rest of this article, we share our analysis of the jobs at risk in the United Kingdom and how they differ by region, sector, occupation, education level, age, gender, ethnicity, and family status. We also suggest a number of priorities for the government

and business leaders. For a detailed explanation of the methodology used, please refer to the sidebar in “Lives and livelihoods: Assessing the near-term impact of COVID-19 on US workers,” on McKinsey.com.

The lockdown is already having a major impact on jobs

We estimate that in the weeks from April 6 to 19, 2020, around 22 percent of the United Kingdom's working-age population, or nine million people, had been furloughed (Exhibit 1). At that time less than 1 percent of businesses reported ceasing to trade permanently or having laid off people. However, the knock-on consequences of the lockdown are anticipated to result in significant job losses down the road. Businesses' ability to continue to employ and pay workers might be particularly precarious when government support starts to be withdrawn.

In the four weeks from March 16, there were 1.4 million new applications for social assistance through the universal credit system, a sixfold increase on previous levels.² McKinsey's modeling, in partnership with Oxford Economics, suggests that in a midpoint scenario, unemployment could peak at 9 percent, up from 4 percent in February 2020. Some of this is likely to be because of furloughs being converted into job losses, while some will be because of second-order effects felt in the supply chain upstream of the sectors in lockdown, in the United Kingdom and abroad.

The implications for workers go far beyond those furloughed or laid off, however. According to research by the London School of Economics, increased unemployment creates significant anxiety among those who retain their jobs; the negative impact on well-being experienced by the whole community is four times the effect on the individual alone.³ Moreover, for people still at work, much has changed. Around 30 percent of the United

¹ Business Impact of COVID-19 Survey, Office for National Statistics, May 7, 2020, ons.gov.uk.

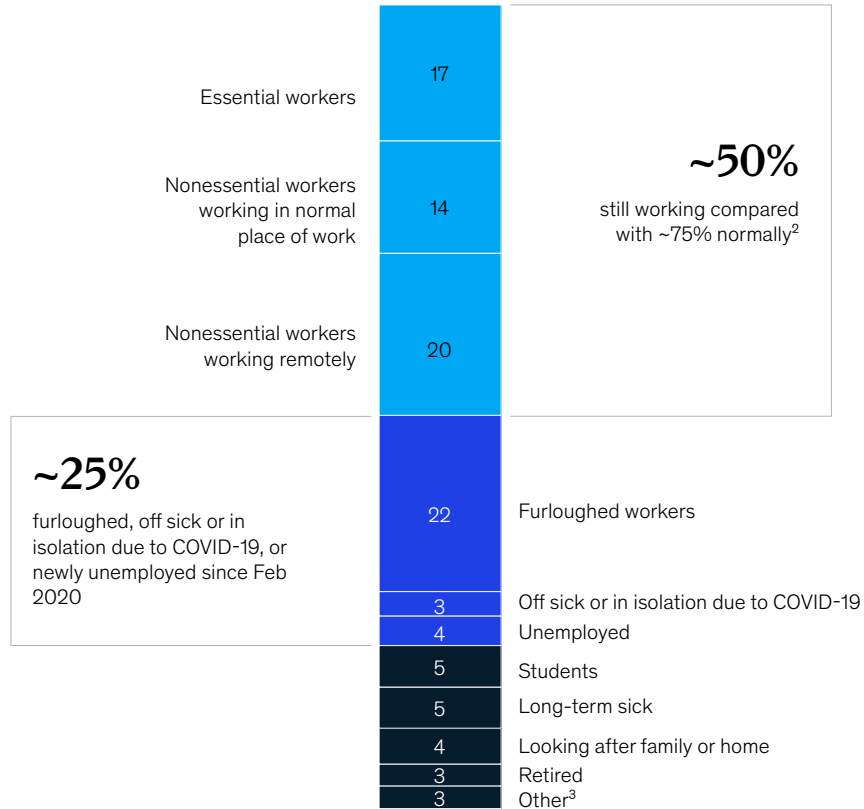
² “Coronavirus: Latest economic data,” House of Library Commons, April 23, 2020, commonslibrary.parliament.uk.

³ “When to release the lockdown: A wellbeing framework for analyzing costs and benefits,” Centre for Economic Performance, April 2020, cep.lse.ac.uk.

Exhibit 1

In the first half of April, around 20 percent of the UK working-age population had been furloughed.

Employment status of UK population aged 16 to 64,¹ % share (Apr 6–19, 2020)



¹Estimates based on data from the Business Impact of COVID-19 Survey, Office for National Statistics, Apr 6–19, 2020.

²Dec 2019 to Feb 2020.

³Discouraged workers and temporarily sick (non-COVID-19-related).

Source: Office for National Statistics; McKinsey analysis

Kingdom’s roughly seven million⁴ key workers⁵ are concerned about health and safety at work. Only a minority of all UK workers, around eight million people, are working from home, but almost 20 percent of them are finding it difficult.⁶ Overall, 40 percent of people say their work has been affected.⁷

The impact across sectors is highly uneven

The current statistics on furloughs already indicate how very differently specific sectors have fared. For example, in the first half of April, 73 percent of workers in accommodation and food services

⁴“Christine Farquharson, Imran Rasul, and Luke Sibieta, “Key workers: key facts and questions,” Institute for Fiscal Studies, March 20, 2020, ifs.org.uk.

⁵The UK government has not released a specific list of key workers but highlights the following areas in its guidance: health and social care, education and childcare, key public services, the justice system, public-service broadcasting, local and national governments, provision of food and other necessary goods, public safety and national security, transportation, utilities, communication, and financial services.

⁶“Coronavirus and the social impacts on Great Britain: 30 April 2020,” Office for National Statistics, April 30, 2020, ons.gov.uk.

⁷“Coronavirus and the social impacts on Great Britain data,” Office for National Statistics, May 7, 2020, ons.gov.uk.

and 46 percent of those in construction had been furloughed. At the same time, 14 percent of those in water utilities and 13 percent of those in information and communication had experienced the same fate (Exhibit 2). Likewise, even though schools, colleges, and universities have been closed, the people employed in the education sector have mostly continued to be employed and paid.

Our forward-looking analysis of jobs at risk arrives at similar patterns. The retail and wholesale sector has the largest number of jobs at risk—1.7 million, or 22 percent of the total 7.6 million. While demand for labor in grocery and online retail and related wholesale activities has gone up, this is outweighed by the significant number of temporary store

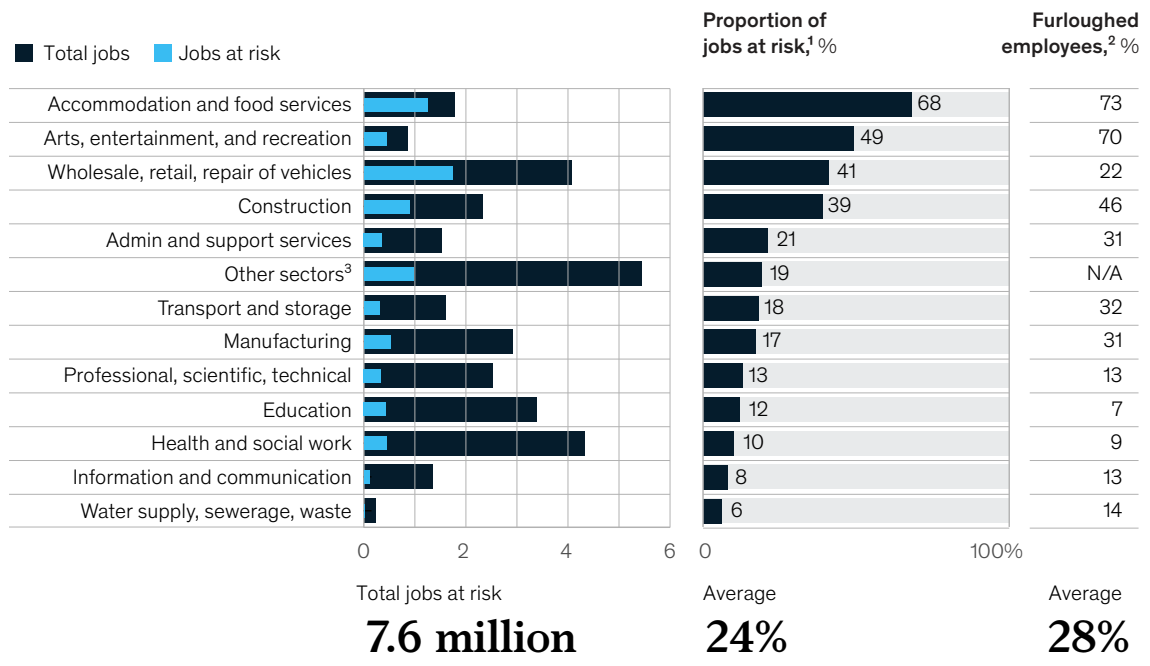
closures in nonfood retail. The second-hardest-hit sector in absolute terms is accommodation and food services—with 1.2 million relatively low-paid workers at risk (see next section). Arts and entertainment and construction are also highly vulnerable, as are subsectors of transportation, such as airlines.

These findings mirror those from McKinsey's previous research on jobs at risk in Europe and in the United States, with one or two differences. Compared with other countries in Europe, a significantly larger share of retail in the United Kingdom—around 20 percent of nonfuel sales—was already conducted online prior to the COVID-19 lockdowns, and the crisis has accelerated this trend.⁸ On balance, therefore, a slightly smaller

Exhibit 2

The impact across sectors is highly uneven, as shown by both furloughed employees and jobs at risk.

Total jobs in 2019 and jobs at risk, million¹



¹ Jobs that are at a high risk of furloughs, layoffs, or reductions in hours or pay during periods of high physical distancing.

² From Apr 6–19, 2020, published on May 7.

³ Data for furloughed employees does not exist for some sectors, so they have been combined into this category. The sectors include agriculture, forestry and fishing, mining and quarrying, electricity, gas, steam, financial and insurance activities, real-estate activities, other service activities, public administration and defense, households as employers, and extraterritorial organizations.

Source: Office for National Statistics; US Bureau of Labor Statistics; McKinsey Global Institute analysis; McKinsey analysis

⁸ "Retail sales, Great Britain: February 2020," Office for National Statistics, March 26, 2020, ons.gov.uk.

The implications for workers go far beyond those furloughed or laid off. Increased unemployment creates significant anxiety among those who retain their jobs.

share of UK workers in retail and wholesale are at risk, despite this being a large sector in absolute terms. A major difference compared with the United States is the position of the healthcare and social-assistance sector, which has the third-largest pool of at-risk jobs in the United States. Our analysis of data for Europe and the United Kingdom suggests a more modest impact on jobs in that sector.

In each geography, the stark differences among specific sectors reflect three factors that combine to make some sectors more prone to furloughs and job losses. Physical proximity to other workers or members of the public in certain jobs—such as bartenders or amusement-park attendants—makes them unsafe to continue. Indeed, these are the sectors that are in lockdown in order to minimize the spread of the virus. In addition, it is not possible, in practice, to work remotely in roughly 60 percent of occupations, because the place of work is fixed (such as for a sales assistant) or requires specialist equipment (such as for a laboratory technician or bus driver). Even for occupations that could be performed remotely in theory, not all employers are able to supply their workers with the required IT tools.⁹ We estimate that only around 20 percent of the working-age population (or 40 percent of those at work and not furloughed) are currently working remotely.

Even where businesses continue to keep their doors open, some have experienced an abrupt decline in customer demand and revenues. For them, continuing to keep people on their payroll may be

untenable. The McKinsey Consumer Sentiment Survey for the United Kingdom suggests that most households are cutting down expenditure in all categories, with the exception of groceries and at-home entertainment. This will affect many manufacturing sectors, such as cars, apparel, furniture, and appliances, as well as service sectors, such as sports, entertainment, and travel. Demand for some B2B services, such as building services and recruitment, is also down.

The most vulnerable workers are most at risk

Unfortunately, in the COVID-19 crisis, there is a strong correlation between the likelihood of a worker being furloughed or laid off and them having previously been on a low income. This is already apparent from the *sector* analysis described earlier. The median gross hourly pay in hospitality and food-service activities in 2019 was around £8.60; in information and communication, it was £19.20. More broadly, the weighted average median pay in the five hardest-hit sectors is around £10.60 per hour; for the five least affected sectors, it is around £14.60—or nearly 40 percent higher.

But there are even sharper differences between *occupations*. The proportion of jobs at risk in elementary occupations—which employed 3.3 million people in 2019 and include jobs such as cleaners, kitchen assistants, waiters, and bar staff—is around 44 percent. In contrast, the same number for professional occupations—such as computer

⁹ Business Impact of COVID-19 Survey, Office for National Statistics, May 7, 2020, ons.gov.uk

programmers, project managers, and accountants—is around 5 percent. The latter category is also much more highly remunerated, attracting average pay around 2.4 times that of elementary occupations. The occupational picture in the United Kingdom is similar to our findings for Europe as a whole, where the largest job families at risk are those in customer service, sales, and food services.

Exhibit 3 illustrates the concentration of at-risk jobs in low-paid occupations. In the lowest wage bracket—where median gross hourly pay is less than £10—around 43 percent of jobs are classified as vulnerable. This is also the largest vulnerable category in absolute terms, with a total of 3.6 million people both vulnerable and in the lowest pay band. Overall, nearly half of the jobs at risk were in occupations that paid less than £10 per hour in 2019, in contrast with the United Kingdom’s median pay of £13.30 per hour in 2019. This, too, is

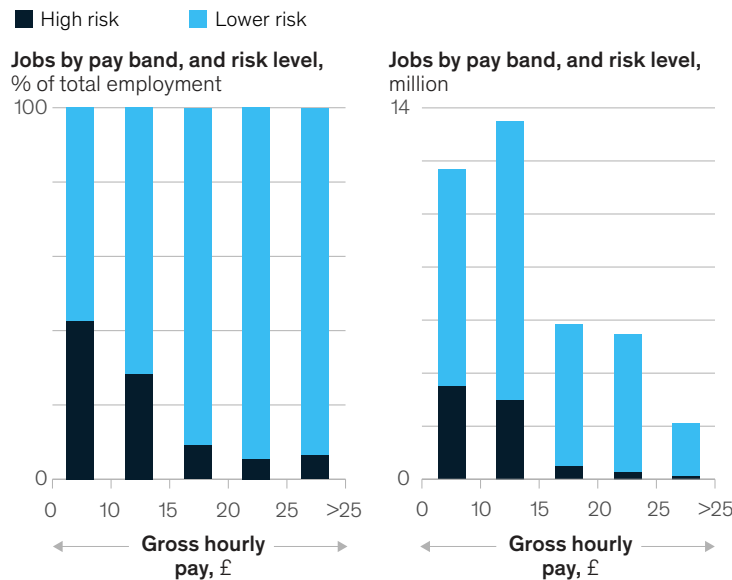
similar to findings in other geographies. For example, in the United States, the largest absolute number of vulnerable jobs is in the lowest pay band.

Not surprisingly, jobs at risk and pay are both correlated with levels of *education*. Only around 24 percent of employees in the hospitality, retail, and construction sectors have a higher-education qualification; more than 50 percent of workers in each of these sectors do not have qualifications beyond General Certificates of Secondary Education (GCSEs).¹⁰ At the other end of the spectrum, between 55 and 70 percent of people working in information and communication, financial services, or professional services have a degree or higher-education qualification. This does not mean all highly educated people are insulated from lockdown risk. For example, in the second-most-affected sector—arts, entertainment, and recreation—45 percent of employees have completed tertiary education (Exhibit 4).

Exhibit 3

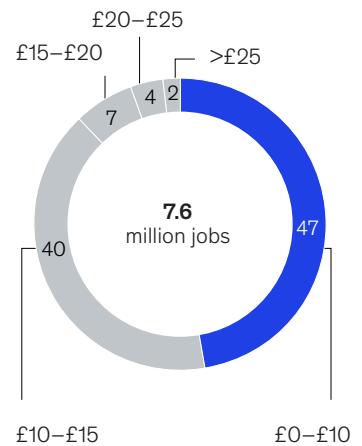
Half of the jobs classified as at risk pay less than £10 per hour.

Jobs at risk,¹ by hourly pay band



Distribution of jobs at risk by hourly pay band,¹

% of all jobs at risk



¹Jobs that are at a high risk of furloughs, layoffs, or reductions in hours or pay during periods of high physical distancing. Excludes occupations where no pay data were available.

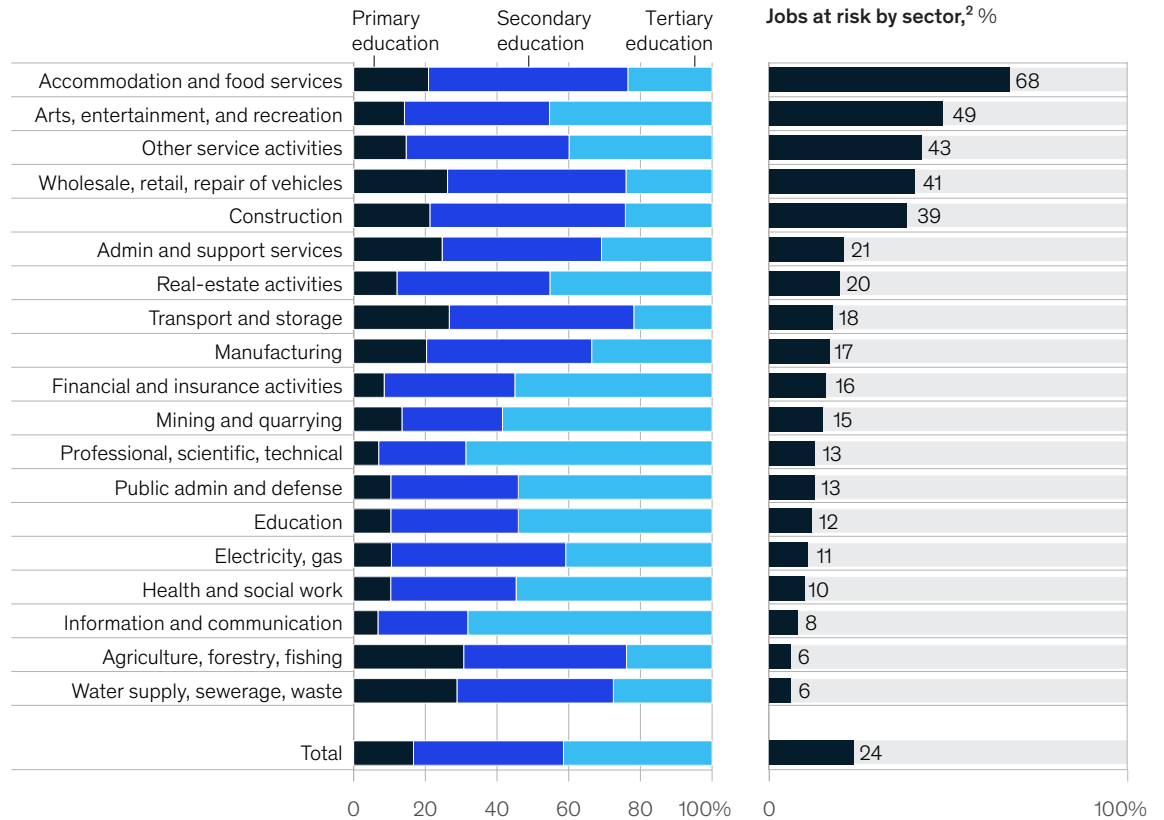
Source: Office for National Statistics; US Bureau of Labor Statistics; McKinsey Global Institute analysis; McKinsey analysis

¹⁰Includes people with no qualifications or with qualifications below or equivalent to General Certificate of Secondary Education grades A*–C.

Exhibit 4

The most affected sectors tend to have a significantly lower share of employees with tertiary education.

Education level¹ by industry, % of total jobs in sector



¹ Primary education is defined as International Standard Classification of Education (ISCED) 2011 education levels 0 through 2, which is equivalent to an educational attainment level lower than GCSEs; secondary education is defined as ISCED level 3, equivalent to the completion of GCSEs or A-Levels; and tertiary education is defined as ISCED levels 5 through 8, equivalent to the completion of qualifications above A-levels, such as an undergraduate degree.

² Jobs that are at a high risk of furloughs, layoffs, or reductions in hours or pay during periods of high physical distancing.

Source: Office for National Statistics; US Bureau of Labor Statistics; McKinsey Global Institute analysis; McKinsey analysis

Not only are people in the worst-affected sectors and occupations already earning less; if they are laid off, they are also likely to face worse employment prospects in the future. It is well known that *unemployment* rates are significantly higher among poorly educated people and that the number of vacancies—that is, available job opportunities—is correspondingly lower. These are not minor differences: for example, elementary construction workers in 2016 faced an unemployment rate

of 10 percent while engineering professionals' unemployment rate was a tenth of that, at 1 percent.¹¹ Moreover, looking beyond COVID-19, our research on the future of work, for women and for different skills and talent categories, suggests that these patterns may become even more divergent in the future.

Finally, our analysis sheds light on the vulnerability of different *demographic groups* in the workforce. We find that, with the exception of black, Asian,

¹¹ Figures are percentages of total employment in each occupation. More up-to-date, detailed occupation-level unemployment figures are not available. We are grateful to Arthur Turrell of the Bank of England for sharing his research on vacancies and unemployment.

and minority ethnic (BAME) workers, jobs at risk are disproportionately concentrated in groups that might already be at a disadvantage (Exhibit 5). This is a marked difference to the United States, where nonwhite workers have a significantly higher probability of being furloughed or laid off because of COVID-19 physical-distancing measures.

Another vulnerable group is part-time workers, who only make up 24 percent of the United Kingdom's workforce but account for 35 percent of jobs at risk. In terms of age, around 45 percent of the more vulnerable jobs are held by younger people aged 35 years or less. Young women in particular score the highest on jobs at risk of all age and gender groups, partly because of their high representation in jobs such as sales and retail assistants, receptionists, cleaners, and waiters. Women are also six times as likely as men to be lone parents, another

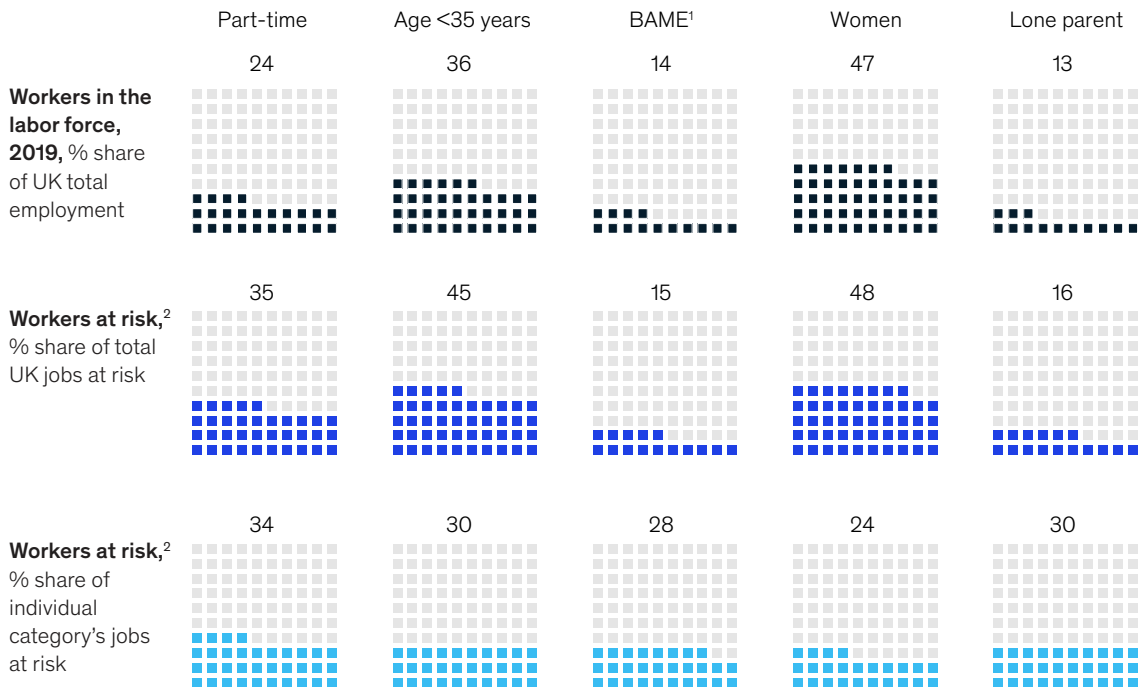
demographic category that holds a disproportionate share of jobs at risk.¹² Women overall are no more vulnerable than men, but the patterns by sector and occupation are highly varied. Interestingly, this is in line with previous research—in the context of automation and the future of work—which found that the high-level averages hide a gendered and polarized labor market.

Finally, employees of a nonwhite ethnicity are somewhat more likely to work in jobs that are at risk from COVID-19-related furloughs and layoffs in the short term. The overall share of nonwhite workers is around 14 percent of the UK workforce, but they currently fill around 15 percent of the jobs at risk. In the COVID-19 crisis, there are factors operating both in favor and against BAME employees. On one hand, 16 percent of key workers are nonwhite—a larger proportion than their share in the overall workforce.

Exhibit 5

More-vulnerable demographic groups in the United Kingdom are more likely to be at risk.

Workers in the labor force and jobs at risk, by demographic group



¹Black, Asian, and minority ethnic.

²Jobs that are at a high risk of furloughs, layoffs, or reductions in hours or pay during periods of high physical distancing.

Source: Office for National Statistics; US Bureau of Labor Statistics; McKinsey Global Institute analysis; McKinsey analysis

¹²Families and households in the UK: 2019, Office for National Statistics, November 15, 2019, ons.gov.uk.

On the other hand, certain at-risk occupations tend to be disproportionately filled by BAME workers. Examples include taxi drivers and chauffeurs, where black, Asian and minority ethnic groups make up 13 percent, 5 percent, and 4 percent of employment, respectively. People of Asian ethnicity, who account for 7 percent of the United Kingdom's total workforce, make up 13 percent of cooks, chefs, catering, and bar managers and driving instructors. Black workers, whose share of employment overall is 3 percent, make up 6 percent of such vulnerable jobs as dental nurses, workers in the apparel trade, and cleaning occupations. Jobs at risk among mixed and other ethnicities include housekeepers and actors, entertainers, and presenters.

Lowest-income regions face the biggest challenges

The UK has long suffered from significant regional income disparities, and these might be made worse by COVID-19-related furloughs and layoffs. Much will depend on how quickly organizations can return to full operation once lockdown restrictions are lifted and the degree to which any fiscal stimulus during and after the crisis can be effectively targeted to support the most deprived people and places. In the short term, however, lower-income areas of the United Kingdom appear most at risk.

This is because the same phenomena observed prior in this article also operate at the geographic level. As outlined in the Industrial Strategy Council's report *UK regional productivity differences: An evidence review*, socioeconomic factors across different regions of the United Kingdom are highly correlated.¹³ This means that areas that have more highly educated people also tend to have more productive firms, higher salaries and incomes, and higher employment rates. They also tend to have a greater predominance of high-value-added sectors and a larger share of well-paid occupations within those sectors.

As Exhibit 6 illustrates, this results in differences in the share of jobs that are at risk in each region. While the proportions of key workers are broadly similar in each area, there are other marked sectoral and occupational differences. The share of jobs at risk in the 20 lowest-income subregions—such as Blackpool, Bridgend, and Stoke-on-Trent—ranges from 23 to 29 percent, while the range for the 20 highest-income regions is 18 to 25 percent. (As mentioned previously, the national average is 24 percent for the United Kingdom as a whole.) While the high-level sector mix across regions is fairly similar, occupational differences are significant.¹⁴

In areas at higher risk of job losses, there is a greater proportion of elementary and skilled trades occupations, and a smaller proportion of professional occupations. For example, around 26 percent of the total workforce in the 20 most at-risk subregions is accounted for by elementary and skilled trades occupations, while the same figure in the 20 least at-risk subregions is 16 percent. In contrast, professional occupations make up 26 percent of the workforce in the least vulnerable subregions but only 15 percent in the most vulnerable. As a further illustration, the three largest occupations in Oxfordshire—a high-income region—are teaching and educational professionals, functional managers and directors, and sales and marketing associate professionals; in Blackpool, they are sales assistants and retail cashiers, caring personal services, and other elementary service occupations.

Government and businesses need to prioritize helping the vulnerable

The dual imperative of our time, for both government and businesses, is safeguarding lives *and* livelihoods. For government, the short-term actions have rightly been focused on avoiding permanent job losses and minimizing failures among otherwise viable businesses. These cash injections will help reduce the amount of structural damage in the

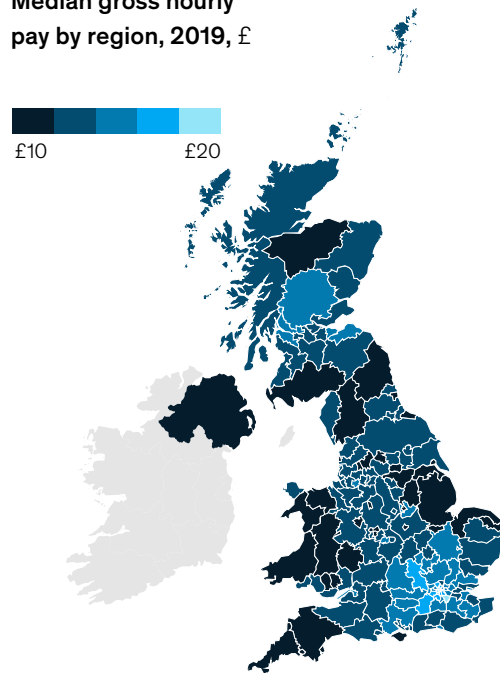
¹³ *UK regional productivity differences: An evidence review*, Industry Strategy Council, February 4, 2020, [industrialstrategy.org.uk](https://www.industrialstrategy.org.uk/reports/uk-regional-productivity-differences-an-evidence-review).

¹⁴ See, for example, "Unlocking regional growth," CBI, December 1, 2016, [cbi.org.uk](https://www.cbi.org.uk).

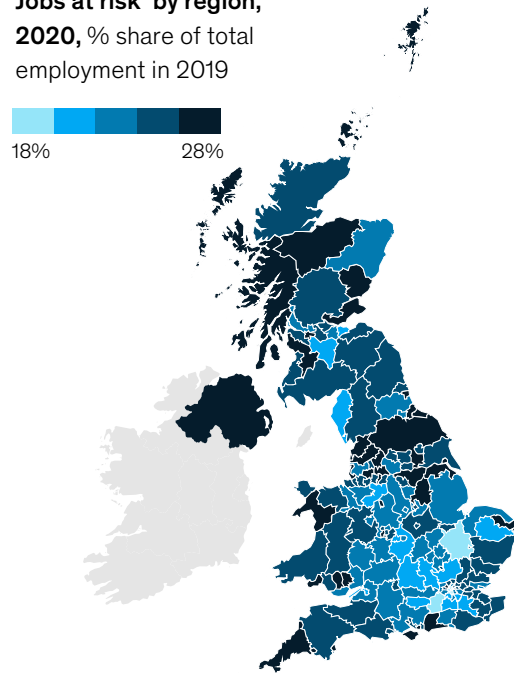
Exhibit 6

Regions of the United Kingdom with lower incomes have a larger proportion of jobs at risk.

Median gross hourly pay by region, 2019, £



Jobs at risk¹ by region, 2020, % share of total employment in 2019



¹Jobs that are at a high risk of furloughs, layoffs, or reductions in hours or pay during periods of high physical distancing.
Source: Office for National Statistics; US Bureau of Labor Statistics; McKinsey Global Institute analysis; McKinsey analysis

economy during the lockdowns, which have been necessary for now to control the spread of the virus. Businesses' main effort has been to keep both employees and customers safe while, of course, doing their best to ensure the continuity of customer relationships and operations.

As we move into the next phase of the crisis, it is important that both public- and private-sector leaders pay heed to the potentially rapid divergence in the fortunes of different groups of people. For the software engineer living in Edinburgh and enjoying increased customer demand as businesses and households shift to digital channels, the situation could be net positive: working from their comfortable home, with high-speed broadband, they might be seeing more of their immediate family and spending less time commuting. At the same time, large numbers of people are unable to earn a living, either at their normal places of

work or remotely, and are likely to be experiencing heightened anxiety about their incomes and jobs.

For the UK government, three priorities—beyond managing the health emergency—stand out. First, as it gains more information about furloughs and job losses across the nation, the government needs to ensure that the mechanisms in place channel support to the most vulnerable segments of the population. Second, it needs to reprioritize and significantly bolster its “leveling up” agenda and consider all the levers available—perhaps as part of future fiscal stimulus—to build economic dynamism in left-behind areas.

Third, to get people back to productive work as soon as possible, retraining and reskilling of unemployed people needs to be scaled up. Adult training has historically been a weakness, which the COVID-19 crisis will throw into sharp relief. Even if employment

were to return to previous levels in the next year or two, the shape of the economy and labor market would have shifted significantly. Investing now to upskill workers and to prepare them for the broader trends driven by automation and digitization will produce high returns on investment in both the short and longer terms.

For businesses in Britain, there are a number of strategic implications, but they vary by company. All will need to plan ahead to anticipate the shape of the recovery and to prepare for the next normal. Those whose sales and operations span the entire country or several customer segments will need to reimagine their product and sales offerings and channels to market to match the large-scale shifts in consumer incomes, attitudes, and behaviors. The

highly differential impacts on local labor markets and specific occupational categories may create opportunities for companies to reconfigure their talent acquisition—for example, by identifying latent skills among the newly unemployed. Many may see this as the time to reinforce their belief in purpose-led and socially responsible business.

Historically, rapid economic and social disruptions and increases in inequality have tended to result in rising distrust and discontent.¹⁵ Government, business, and third-sector leaders will need to redouble their efforts to mitigate this trend as the COVID-19 crisis evolves.

¹⁵See, for example, George Ward, "Is happiness a predictor of election results?," CEP, April 2015.

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