

# Estimated £515 monthly loss to UK households due to COVID-19 the tip of the iceberg

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UK households are expected to lose £515 in post-tax income each month, April to June, as a result of attacks on their living standards during the coronavirus pandemic.

Consultancy firm, the Centre for Economics and Business Research (CEBR), found that households will suffer an overall £43 billion loss—equating to a 17 percent reduction in monthly household disposable income (income adjusted for taxes and benefits.)

The CEBR bases its estimate on several factors: increased unemployment, cuts to income and reductions in working hours. The reality is that the impact on millions of workers goes much further and deeper than the study outlines.

The report cites Department for Work and Pensions (DWP) data showing there were 950,000 applications for universal credit (UC) between March 16-31—almost 10 times the number in a “typical” two-week period. The universal credit helpline was flooded by newly unemployed workers during March, with 5.8 million calls in seven days, and 2.2 million calls in a single day on March 30. Panicked callers reported on Twitter waiting hours on the phone over many days.

The CEBR report is premised on the “Office for Budget Responsibility estimates that job losses could reach up to 2.1 million in the second quarter.” According to data issued last week, the number of UC claims had already hit 1.8 million by April 12. The report notes, “Benefits claims will replace some of the lost disposable income, but not all of it, leaving UK households £1.5 billion out of pocket per month.”

For payrolled employees, the government—in a bailout worth hundreds of billions for corporations—has agreed to pay 80 percent of wages through its furlough scheme. The CEBR states that “one in three private sector workers” could be furloughed and the “impact of the furlough

scheme on incomes varies depending on what is agreed between employers and employees, but in the majority of cases workers will see at least a 20% fall in their gross earning.”

The report notes that “even though the scheme will save many from redundancy, there will still be a sizeable hit to disposable incomes, which we estimate to stand at £3.9 billion per month.”

The CEBR states, “Without the government’s furlough scheme, the cost to households of coronavirus would easily be double what we have estimated.” However, the scheme will only last until the end of June, after which the future of many furloughed workers, under conditions of a deep recession, is perilous.

According to *Guardian* economics editor Larry Elliott, the furlough scheme could simply delay a massive rise in unemployment. “Furloughed workers are really an army of the hidden unemployed,” he says, who will “become more visible” once state subsidies end.

As the world economy attempts to recover from what the International Monetary Fund says is its biggest hit since the Great Depression, many of these jobs may no longer exist, with a greater burden placed on the remaining workforce.

Millions of self-employed people will receive no support at all until June, when it will be judged if they are eligible for a grant of 80 percent of their average earnings. This means sole traders such as drivers, childminders, beauticians and cleaners, whose income suddenly stopped with the lock-down, must attempt to find a way to survive on savings, loans or benefits for at least three months. The CEBR points out that this dire situation will significantly affect household finances, adding “a further hit of £3.5 billion to disposable incomes per month.”

Devastating for many, the government is exploiting a

technicality in the structure of umbrella company contracts. Those freelancers, contractors and agency workers who are employed through umbrella companies will be not be eligible for 80 percent of their average earnings but only for 80 percent of the minimum wage.

Many workers in some of the most precarious financial situation, on flexible or zero hours contracts, face destitution. The CEBR's report says, "The nearly 4 million workers in the UK on flexible hours or zero-hours contracts have also inevitably been hit by this crisis, as it is easy for companies to reduce costs by scaling back their hours. Analysis has shown that people with variable hours expect to earn only 59% of their usual income as a result of the coronavirus shutdown."

Even this is a gross underestimate of the real situation. A new survey by AppJobs, an online platform that compares app-based jobs around the world, reports that almost 70 percent of "gig economy" workers have no earnings at all now. Only 23 percent have any savings and as a result 89 percent are looking for a new source of income.

Mehring Books, the publishing arm of the Socialist Equality Party (US), is proud to announce the publication of Volume 1 of *COVID, Capitalism, and Class War: A Social and Political Chronology of the Pandemic*, a compilation of the *World Socialist Web Site's* coverage of this global crisis.

Many workers in the "grey economy", from cash-in-hand builders to home hairdressers, risk contracting and spreading the virus as they attempt to keep working in order to survive. This "hidden" workforce is mostly made up of young, low-income households earning less than £10,000 a year. John Philpott, of the Jobs Economist consultancy, said, "They are going to be very tempted to keep going. They are people who are living from hand to mouth constantly, who are going to have to scrimp for whatever they can get... They are going to be pretty desperate."

Facing an impossible situation, many employees are being told they must "choose" between taking further pay cuts or losing their job altogether.

The CEBR report highlights the losses suffered by employees of corporations such as Heathrow Airport and the Grant Thornton accounting firm, which have been "asked" to accept wage cuts of up to 40 percent while the coronavirus impacts their business. The CEBR reports that these examples are part of total "wage reductions and scaling back of working hours for people with variable hours contracts" that "are estimated to result in a further

£5.3 billion monthly hit to households' disposable incomes."

Trade unions, such as Unite and GMB, acted well ahead of the corporations' latest cuts in assisting the slashing of workers' incomes. In February, the unions sanctioned a 10 percent cut in salary and allowances for their members at Heathrow, under the cynical guise of fighting to "ringfence as many jobs in the future and play our part in protecting as many colleagues as possible." Workers livelihoods are not being protected but are being handed over by the unions to ensure the continued profitability of billion-pound corporations.

All this is only a hint of the major restructuring that is taking place, of both the labour market and the social position of the working class. Conservative Chancellor Rishi Sunak warned that money given to corporations as part of the £350 billion due to the pandemic will "need to be paid back at some point" as part of "chipping in together to right the ship."

The reality is that the corporations and super-rich are getting a massive bailout and the working class are being forced to pay whatever is required to reimburse any losses incurred by the ruling elite. They are paying with deep cuts to their income and working conditions, further destruction of their public services and social protections, and if necessary—their lives—as the drum beat for a return to work and production for profit grows ever louder, while the pandemic continues to rage.

The reported £515 monthly loss per household represents the tip of the iceberg. The colossal collapse in workers' income in Britain is being experienced by workers across the world. This is the situation just a few weeks into a crisis that has transformed daily life for almost everyone, with no end in sight. As banks, corporations and their shareholders are gifted with trillions, struggling workers everywhere are confronted—suddenly and starkly—with the reality of who is going to pay.



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