The impact of COVID-19 on Londoners' mental health and wellbeing:

Financial Impact

Thrive LDN
towards happier, healthier lives

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Financial impact

Introduction & context

It is not possible to forecast the precise economic impact of COVID-19 with confidence, however, the necessary measures in place since March 2020 have had a major impact on the economy and public finances. The Health Foundation review of trends in income and poverty in recent years[1] has shown that the UK entered the pandemic from a position of stagnant income growth and low levels of financial resilience. Today, as a result of multiple lockdowns and many moths of social restrictions, there have been signs of increasing economic inequality, with more people on lower personal income reporting reduced income in the household.[2] Furthermore, many people have been working fewer hours during the pandemic and have been less able to save for the future as a result, while fewer people with higher incomes have been impacted on a similar scale financially. When stratifying employment loss and furlough by income level, the future economic consequences of COVID-19 are likely to be worse for those on lower incomes, creating an additional burden in the long-run on the mental health and wellbeing of Londoners which belong to this group, many of which are already at a heightened risk of poor mental health. The direct longer term health impacts of coronavirus also have a financial impact, whereby those who have reported symptoms of long-COVID have been nearly twice as likely to report their household finances being affected by the pandemic (22% compared to 13% of the general population), suggesting there is a complex entanglement of social, demographic and financial factors at play in terms of mental health outcomes of those recovering from the virus.[3]

Despite unprecedented government support, the latest available data (September 2021) has shown that although there was a continued drop in the amount of cash UK households have available to spend, this rate quickened slightly on the quarter, with rising living costs offsetting the benefits of increased employment income as work industries bounce back. Meanwhile, household savings declined at the fastest rate since the end of 2020, with only the highest earners reporting a rise in savings over the third quarter of 2021[4].

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[1] Tinson, A (2020) Living in poverty was bad for your health before COVID-19 The Health Foundation: https://www.health.org.uk/sites/default/files/2020-07/Living%20in%20poverty%20was%20bad%20for%20your%20health%20before%20COVID-19.pdf

[2] Office for National Statistics (ONS) (2021) Personal and economic well-being in Great Britain: January 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/january2021

[3] The Office for National Statistics: Coronavirus and the social impacts of 'long COVID' on people's lives in Great Britain: 7 April to 13 June 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronavirusandthesocialimpactsoflongcovidonpeopleslivesingreatbritain/7aprilto13june2021

[4] IHS Markit (2021) The Scottish Widows UK Household Finance Index: https://www.markiteconomics.com/Public/Home/PressRelease/86c7436af44c4373a23babd61d053e42

Research from the Financial Conduct Authority showed that, as of April 2021, one in four adults in the UK had been left financially vulnerable as the fallout from COVID-19 has driven more people into debt. Further research has shown that the recent removal of the £20-a-week increase to Universal Credit and Working Tax Credit that was established in the midst of the economic recession caused by the pandemic is likely to put a further 100,000 Londoners into poverty, this figure includes 30,000 children and would add to the existing 440,000 Londoners who were already experiencing destitution as of 2019.[5]

Overall, COVID-19 has been responsible for reversing the positive trend in financial vulnerability. Between March and October 2020, the number of adults with characteristics of financial vulnerability increased by 3.7 million to 27.7 million.[6] Three in eight adults (38% or 20.0m) have seen their financial situation overall worsen because of Covid-19; 15% (7.7m) have seen it worsen a lot. In addition, the pandemic has exacerbated addictive behaviours such as substance abuse and gambling addictions which has had negative consequences on the financial situation of a limited but still significant portion of the population[7]. Groups that have been particularly hard hit include: the self-employed, adults with a household income less than £15,000 per year, those aged 18-54, and BAME adults.

This briefing examines the intrinsic links between changes to the economy and public finances and Londoner's health and wellbeing following the pandemic, focusing on individuals' finances, employment, job security, sectors disproportionately impacted by the pandemic and assessing wellbeing economics across the capital. Whilst it is necessary to consider these factors which influence mental health and wellbeing at an individual, sector, and city-wide level as part of the response to the pandemic, it is vital to put prevention of poor mental health at the centre of London's economic recovery and ensure that Londoners who need help and support receive it.

Financial resilience

UK household financial wellbeing declined faster at the end of 2020 than at any time during the five years prior to the COVID-19 pandemic. This has been felt more by

[5] Greater London Authority (2021) Londoners will be plunged into poverty without Government support: https://www.london.gov.uk/press-releases/mayoral/londoners-will-be-plunged-into-poverty-without-gov

[6] Financial Conduct Authority (2021) Financial Lives 2020 Survey: the impact of coronavirus: https://www.fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus

[7] Håkansson, Anders PhD; Fernández-Aranda, Fernando PhD, FAED; Menchón, Jose M. MD, PhD; Potenza, Marc N. MD, PhD; Jiménez-Murcia, Susana PhD Gambling During the COVID-19 Crisis – A Cause for Concern, Journal of Addiction Medicine: July/August 2020 - Volume 14 - Issue 4 - p e10-e12: https://journals.lww.com/journaladdictionmedicine/fulltext/2020/08000/gambling_during_the_covid_19_crisis___a_cause_for.10.aspx

young people and the lowest paid; people aged under 30 years and those with household incomes under £10,000 were around 35% and 60%, respectively, more likely to be furloughed than the general population. Between 11 and 15 November 2020, when restrictions were tightened in some areas of the country, 17% of people with a household income less than £10,000 reported that they had been furloughed. In comparison, only 2.7% of people with a household income of more than £40,000 reported this.[8]

The most recent available ONS data has shown that social groups disproportionately financially impacted at the start of the COVID-19 pandemic have continued to be worse off than other groups as of mid-April 2021, these include those who are self-employed, who have been three times as likely to report a reduced income and twice as likely to use savings to cover living costs and parents with young children, amongst other groups.[9]

Early on in the pandemic estimates looking across personal and economic wellbeing covering the period from March to December 2020 as part of the Opinions and Lifestyle Survey indicated that parent's household financial situation had been particularly affected, with a greater proportion of employed parents with children in the home also reporting reduced income throughout 2020. At the start of the pandemic, parents in work were more than twice as likely to report reduced income than non-parents in work (31.7% and 15.1% respectively). This decreased over the course of the pandemic, with only 17.1% of parents reporting reduced income in the five days to 20 December 2020, compared with 12% of non-parents reporting this over the same period. Findings from Turn2Us have revealed how families with three or more children have been twice as likely to run out of money as families with only one child.[10]

Across the insights captured as part of Thrive LDN's community engagement activities,[11] control over finances has been identified as having a profound impact on people's wellbeing. For example, just over half of Pandemic Stories interviewees reported that their income had reduced as a result of the pandemic and the same percentage have "gone without" during the crisis. 85% have increased their spending

[8] Office for National Statistics (2021) Personal and economic well-being in Great Britain: January 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/january2021
[9] Office for National Statistics (2021) Personal and economic well-being in Great Britain: May 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/may2021
[10] Turn to Us (2020) How COVID-19 is eroding financial resilience: https://www.turn2us.org.uk/About-Us/News/How-COVID-19-is-eroding-financial-resilience

[11] Thrive LDN (2020) Thrive Together: A summary of recent experiences and ideas to support the wellbeing and resilience of all Londoners: https://thriveldn.co.uk/wp-content/uploads/2020/11/Thrive-Together-report.pdf

on phone and internet bills, and the same percentage have increased their spending on food and groceries. Research from the Samaritans has shown concerns about benefits and finances were higher among people with pre-existing mental health conditions than other callers to their helpline.[12]

Loans and borrowing money

ONS data from January 2021 highlighted that by December 2020, nearly 9 million people had to borrow more money than usual, with the proportion borrowing £1,000 or more increasing since June 2020.[13] As the pandemic progressed, increasing proportions of people reported that they would not be able to save for the year ahead. At the end of March 2020, 31.6% of people said they would be unable to save, increasing to 38.4% in mid-December 2020. Groups that have continually found it harder to save throughout all stages of the pandemic include those on incomes below £20,000, self-employed individuals and people living in rented accommodation.

The support and benefits implemented to support and protect employees, employers and the economy throughout the COVID-19 pandemic have been subject to limitations in terms of their overall duration. Early evidence of increasing economic inequality and deteriorations in people's financial situations have been noted through measures of financial stress such as the doubling in the number of food parcels distributed by foodbanks and rising food insecurity, the sharp increases in non-payment of bills such as rent and mortgages and 3 million applications for Universal Credit.[14]

The Financial Conduct Authority[15] has also found that between March and October 2020 a fifth (19%) of adults with any credit or loan product (excluding overdrafts) took a credit deferral, rising to half (49%) of those holding high-cost short-term credit such as payday loans or short-term instalment credit. A total of 1.7 million people, nationally accessed debt advice in the same period. Far more may need debt advice: potentially up to the 8.5 million over-indebted in October 2020. This means that 6.8 million people who might have benefitted from debt advice were not receiving it. Over-indebted adults tell us that the biggest barriers to accessing such services are

[12] Samaritans (2020) Coronavirus and people with pre-existing mental health conditions: https://www.samaritans.org/ireland/about-samaritans/research-policy/understanding-our-callers-during-covid-19-pandemic/coronavirus-and-people-pre-existing-mental-health-conditions/

[13] Office for National Statistics (ONS) (2021) Personal and economic well-being in Great Britain: January 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/january2021#savings-borrowing-and-affordability

[14] Tinson, A (2020) Living in poverty was bad for your health before COVID-19The Health Foundation https://www.health.org.uk/sites/default/files/2020-07/Living%20in%20poverty%ol20was%20bad%20for%20your%20health%20before%20COVID-19.pdf

[15] Financial Conduct Authority (2021) Financial Lives 2020 Survey: the impact of coronavirus: https://www.fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus

embarrassment discussing their debts or not wanting to face dealing with the problem (35% gave this reason for not using debt advice) and lack of awareness that free services exist or whom to contact (31%).

Employment and job security

Income and employment are intrinsically linked to health and wellbeing. There is a strong socioeconomic gradient in mental health, with people of lower socioeconomic positions having a higher likelihood of developing and experiencing mental health problems. London's position as a global employment centre, with 6.1 million jobs being based in the capital in 2019 (equating to 20% of all the jobs in England), has a huge role to play in driving Londoners' experiences of mental health and inequality.

For the majority of the pandemic, furlough and other government support schemes have protected those who would have otherwise become unemployed, alongside substantial welfare costs as universal credit claims increase, crucially leaving Londoners with large income reductions, increasing poverty, stress and unhealthy behaviours.[16] The latest available data reporting on 31st August 2021 has shown that as of that date, 263,000 people were furloughed in London, a reduction from the all-time recorded high of 905,800 reached at the beginning of July 2020. London has consistently had the highest proportion of employments furloughed on a full-time basis, and nine of the 10 local authorities in the U.K with the highest take-up rates as of the end of August 2021 were in some of the most deprived boroughs in London, such as Newham, Hounslow, Brent, Barnet and Redbridge (all 9% of total eligible jobs).[17]

The full scope of data from multiple ONS Labour Market Overviews reported large increases in the unemployment rate alongside reductions in the employment rate for the final three quarters of the 2020 financial year, a direct impact of lockdown restrictions and the closure of many industries and sectors. After a period of stabilisation, these rates have now begun to improve and steadily return closer to pre pandemic levels, with the employment rate rising by 0.1% and the unemployment rate falling by 0.2 % between March and May 2021.

In other promising signs of recovery, the number of payrolled employees showed another monthly increase in September 2021, up 207,000 to a record 29.2 million,

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[16] IES (2020) What's going on with the unemployment data? https://www.employment-studies.co.uk/news/what%E2%80%99s-going-unemployment-data

[17] Greater London Authority (2021) Briefing on the latest HMRC Official Statistics on the furlough support scheme: https://data.gov.uk/dataset/76bb4972-b0ec-4c19-bfdc-0859a24aabe4/gla-economics-covid-19-labour-market-analysis

returning to pre-pandemic levels.[19] The number of redundancies reached a record high in September to November 2020, however since this low point, and in particular as social restrictions began to be eased from April 2021 as part of the U.K's roadmap out of lockdown and employment sectors have continued to reopen, this has spurred on a marked increase in hiring activity, with demand for workers both in permanent and temporary appointments growing at the fastest rate seen in 23 years in May 2021.[20]

Early findings from the Institute of Employment indicated that employment losses during the pandemic may have materialised as higher economic inactivity, rather than unemployment.[21] Employees in lower income quintiles have been more likely to have been placed on furlough as part of the Job Retention Scheme: around 28%, compared to 17% in the top quintile.[22] The number of people on the Coronavirus Job Retention Scheme rose from 4 million at the end of 2020 to 4.7 million by the end of January 2021, although this number is now declining rapidly as social restrictions have been lifted and government support for companies and businesses is phased out.[23] The Resolution Foundation have cautioned that furloughed jobs may be more at risk of disappearing as the government schemes have unwound. Official forecasts predict that 405,000 of those currently on furlough will not be taken back on following the end of this scheme and that this will prompt a rise in the unemployment rate, peaking at around 5.4% at the end of 2021.[24]

The IHS Markit Households Finance Index for June observed the most positive public sentiment towards finances seen in several years, with UK households expecting their financial wellbeing to increase over the coming year for the first time since Q1 of 2016, coupled with the fact that the highest index rate seen in the last twelve months. The most recent headline seasonally adjusted index from September 2021 – which measures households' overall perceptions of financial wellbeing – registered 44.0 in Q3, down 0.7 points from the previous quarter but still an improvement from 41.1 in Q4 2020. Although still well below the neutral 50.0 value,

[19] ONS (2021) Labour market overview: October 2021: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/october2021
[20] KPMG and REC, UK report on jobs (2021): https://home.kpmg/uk/en/home/media/press-releases/2021/06/kpmg-and-rec-uk-report-on-jobs.html
[21] The Health Foundation (2020) Analysis of University of Essex: Understanding Data The UK Household Longitudinal Study.
[22] IHS (2020) IHS Markit UK Household Finance Index https://www.markiteconomics.com/Public/Home/PressRelease/83b2b531a2014a548733beb1214442f5
[23] Office for Budget Responsibility: Economic and fiscal outlook – March 2021: https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/
[24] UK Finance, Household Finance Review – Q2 2021: https://www.ukfinance.org.uk/data-and-research/data/household-finance/household-finance-review

this change signalled growing stability in UK household finances since the start of the pandemic[25].

Thrive LDN conducted research into the links between particular types of employment and the corresponding risk of developing mental health problems in light of the devastating impact that the COVID-19 pandemic has had on U.K. employment and how it has succeeded in aggravating these issues, putting people who were already disproportionately at-risk of facing financial difficulties and poor mental health at a heightened risk.[26] Exploring the mental health impacts of unemployment, precarious employment, 'key' and front-line occupations, manual labourers, health care professionals, education professionals, health and social carers, the research identified a close link between employment and mental health, often of a bidirectional nature. Importantly:

> *"A lack of employment, job insecurity or an overly pressurised job atmosphere has the opposite effect, whereby it can lead to feelings of depression, anxiety, isolation and hopelessness, all key risk factors in the development of mental health problems and suicide. In the climate of the COVID-19 pandemic, the employment situation of many people has been affected in a negative sense, with increased unemployment, greater job or income insecurity and an increased burden upon key workers in high pressure work environments all being causes for concern with regards to workplace wellbeing.*
>
> *"It is important to acknowledge that in many cases, those already established as being at a heightened risk of poor mental health and suicide due to their employment situation have been presented with increased challenges over the past 12 months, and with the phasing out of government schemes designed to financially support those in precarious states of employment as early as September, it may well be the case that we see increased incidences of depression, anxiety, trauma and suicide amongst the general population as a result of the economic impact of the pandemic on a longer term basis."*

Disproportionately impacted sectors

Since March 2020, Thrive LDN has been coordinating the public mental health response to COVID-19 in London on behalf of Public Health England London, the Strategic Coordination Group and wider partners. Within the remit of this role, Thrive LDN has generated dialogue with and supported individuals and groups from disproportionately impacted sectors in order to mitigate the risks to Londoners' mental health now and in the immediate future. These sectors include:

Night-time Economy Workers

- The Night Time Industries Association (NTIA) has observed an increase in financial pressures on employees and business-owners within the night-time

[25] IHS Markit (2021) The Scottish Widows UK Household Finance Index: https://www.scottishwidows.co.uk/about_us/media_centre/reports/household-finance-index/

[26] Thrive LDN (2021) Employment, mental health, and suicide in the COVID-19 pandemic: The link between financial situation, employment, and mental health problems.

economy; rising levels of debt is seen as a key contributor to the emotional strain of the pandemic.
- Increasing suicide rates within the sector have also been noted anecdotally, with unique causal factors including the dissolution of an inherently social sector, a high concentration of extroverted personality types hesitant to talk about mental health and wellbeing, and a lack of pre-existing fallback networks.

Small Businesses / Entrepreneurs

- The Federation of Small Businesses noted that members have reported increased financial and psychological challenges as a result of the pandemic.
- Social isolation and a lack of support networks, along with increasing personal and corporate debt burdens, and government aid exclusions have created uniquely strenuous circumstances for small business owners.

Unionised Labour

- Various sectors (incl. hospitality, healthcare and retail) have operated throughout the pandemic with the support of 49 different unions.
- Across these disparate bodies, a broad variance in difficulties faced has been acknowledged. Among key causes of mental health and wellbeing strain have been workplace conditions, the continuation of and nuance around zero hours contracts, staff abuse and mistreatment (by customers and employers), increased workloads and the general return to workplaces.
- Trade Union representatives have reported that up to 75% of women who have requested furlough due to childcare commitments during the pandemic have been refused.
- Middle management employees have reported feeling forgotten and as having fallen outside the mandate of support schemes.
- Rising presentations of burnout are universal, but are especially prevalent / severe in sectors which encapsulate a high proportion of manual labour roles.

Wellbeing economics

Latest figures estimate U.K GDP to have grown by 0.4% in August 2021, as government restrictions affecting economic activity continue to be minimal. August's GDP is just 0.8% below the levels seen in February 2020, promising signs include the fact that this is indicative of a steady yet consistent rise in GDP, albeit slower than the increases seen in March (2.4%) and April (2.0%) 2021. Latest estimates show that January's GDP fell by 2.2%, an upward revision from negative 2.9%[27].

Following this significant impact to the UK's economic stock, the Bank of England in early November forecast UK GDP growth of +7.25% in 2021, with the OBR presenting forecasts of +4.0% in 2021 as a base case[28]. Of course, the reaction of consumers and businesses to the easing of restrictions as well as of possible new lockdowns, are important factors in determining the economy's outlook; even when the economic shock of the pandemic does eventually dissipate, the crisis may result in lasting damage to, and/or structural shifts in, the economy.

The Health Foundation has reported that people living in the UK in 2020 could have expected to spend more of their lives in poor health than they could have expected to in 2010. Furthermore, life expectancy improvements, which had been steadily climbing, have slowed for the population as a whole and declined for the poorest 10% of women. Health inequalities linked to income level have increased over the same period.[29]

These observations are corroborated by Carnegie UK's Gross Domestic Wellbeing tool[30] which uses data collected and published by the ONS for the Measures of National Wellbeing Dashboard. GDWe in England is declining and was doing so even before the COVID-19 pandemic began. Whilst GDP during the period 2013-2019 appears to have steadily increased, Gross Domestic Wellbeing has slowed and has begun to move in the opposite direction. Whilst it is too early to see the impact of the COVID-19 pandemic on the GDWe score, the most recent data suggests that bereavement, isolation and loss of income are triggering new mental health conditions or exacerbating existing ones.

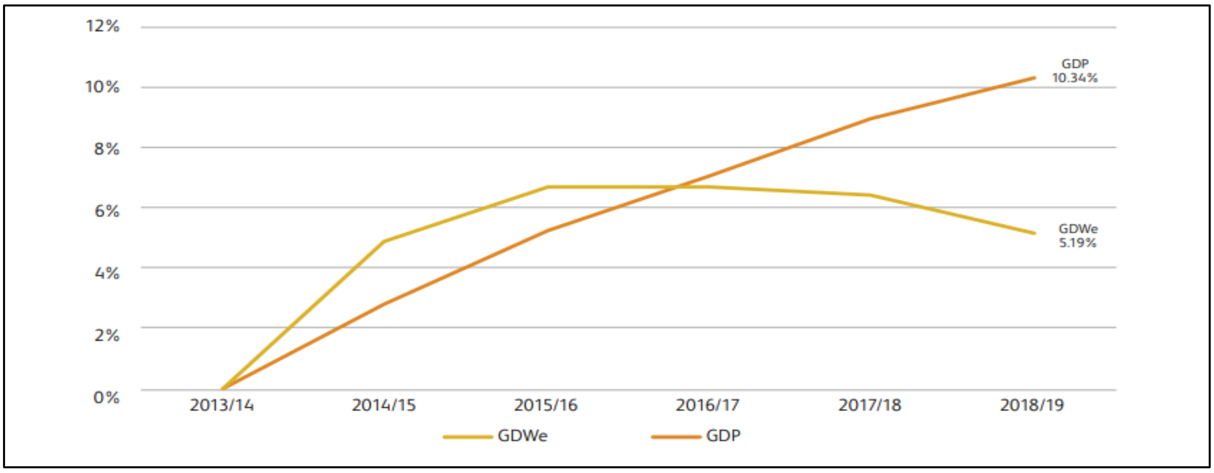
[27] ONS (2021) Home Economy Gross Domestic Product (GDP) GDP monthly estimate, UK GDP monthly estimate, UK: August 2021: https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/august2021

[28] Office for Budget Responsibility: Economic and fiscal outlook – March 2021: https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/

[29] The Health Foundation (2020) Using economic development to improve health and reduce health inequalities: https://www.health.org.uk/publications/reports/using-economic-development-to-improve-health-and-reduce-health-inequalities

[30] Carnegie UK Trust (2020) Gross Domestic Wellbeing (GDWe): an alternative measure of social progress: https://www.carnegieuktrust.org.uk/publications/gross-domestic-wellbeing-gdwe-an-alternative-measure-of-social-progress/

Growth of GDWe and GDP as a percentage from baseline in 2013/14



Carnegie UK (2020)

Additionally, the Centre for Thriving Places has created the Thriving Places Index[31] to identify the local conditions for wellbeing, it measures whether those conditions are being delivered fairly and sustainably; 'thriving places' support individual and societal wellbeing (i.e. when where we live thrives, the conditions are there for us to find good work, feel supported, live healthily, and meet everyone's needs fairly, both now and in the future). The index is predicated on analysis of indicator data, presenting a compelling and clear picture of how different local authority areas support people's wellbeing. It looks at a much broader picture of what supports the wellbeing of communities, the TPI's asset-based approach shows what's already going well and highlights the reality that different areas experience different challenges; it provides additional insight into post-pandemic determinants of wellbeing on a per borough basis.

[31] Centre for Thriving Places (2021) Welcome to the Thriving Places Index: https://www.thrivingplacesindex.org/

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