Policy in Practice

COVID-19: Can working low-income households afford to self isolate?

Author: Duncan Hatfield, Policy and Data Analyst, Policy in Practice

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Contact: hello@policyinpractice.co.uk or 0330 088 9242

Some households who are asked to self isolate as a result of Test and Trace will struggle to bear the immediate financial costs of relying on Statutory Sick Pay. If their loss of earnings is too great, they may feel they need to return to work, and thereby risk spreading COVID-19.

Introduction

The government is asking anyone contacted by NHS Test and Trace to self isolate for 14 days to ensure they do not pass on the virus. For many households, this will mean they can no longer work for these two weeks, and may instead be reliant on Statutory Sick Pay of just £95 per week. Some households will not even be eligible for Sick Pay.

Figures for February and March suggest there are at least 1.3 million low-income households who receive Housing Benefit or Universal Credit and also rely on earnings from work. These households would be at risk of losing earnings if asked to self isolate. For some households who are already struggling to make ends meet, a request to self isolate for 14 days will mean facing an immediate choice between a loss of their weekly or fortnightly paycheck and the resulting struggle to meet their immediate costs, or returning to work in order to survive, and thereby potentially spreading COVID-19 further through their community.

For many, Universal Credit, new-style ESA or Housing Benefit will make up some lost earnings in the longer-term (up to five weeks), but almost a quarter of the lowest paid workers are paid either weekly or fortnightly, so any loss of earnings could mean in the short-term they are left out of pocket, in which case they may feel they cannot afford to self isolate.

Analysis by Policy in Practice assesses the immediate financial impact a request to self isolate might have on low-income households, based on administrative data (Housing Benefit and Council Tax Reduction extracts) from eight local authorities of varying rurality and deprivation across England and Wales.

Findings

1. The average working low-income household will lose more than half (58%) of their usual fortnightly take home pay if self-isolation prevents them from working, and their employer pays them no more than SSP.

2. Some households could lose more than £1,000 in earnings over two weeks. We identified almost 1,300 households across eight local authorities who could lose over £400 if asked to self isolate. If this was reflected across England and Wales, more than 47,000 low-income households could lose over £400 in earnings. The ability of such households to voluntarily and, crucially, safely self isolate when requested, is questionable. But if they cannot self isolate, insufficient Sick Pay could contribute to a second wave of the virus and COVID-19 may spread further through their community.

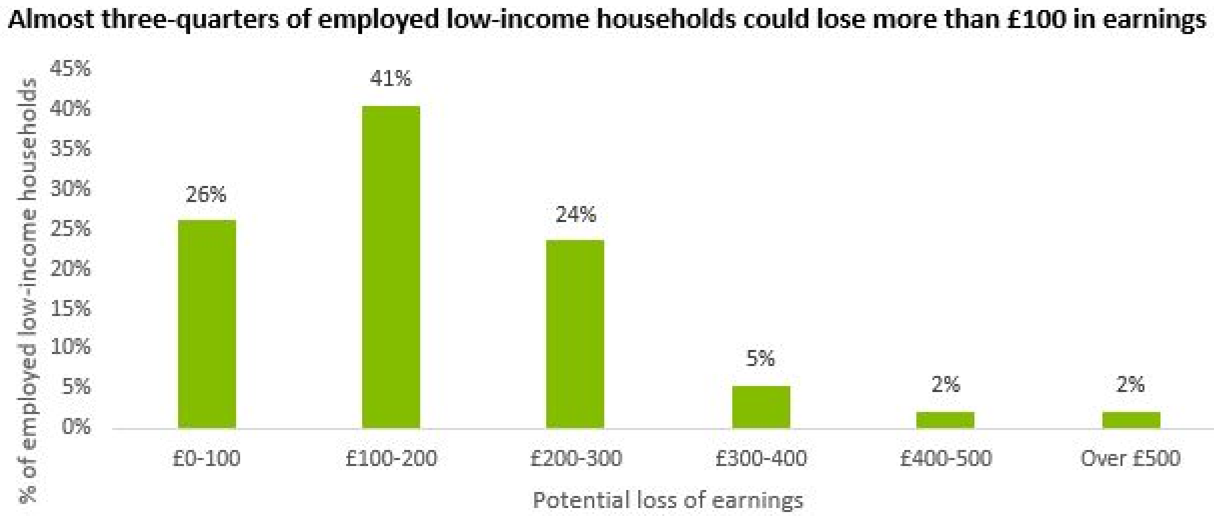
3. On average, a working low-income household who is asked to self isolate stands to lose £176 over the two weeks if they cannot work.

Potential loss of earnings for households if they are asked to self isolate

Low-income households who would lose ...	In 8 local authorities	If reflected across E&W*
Over £0	29,810	1,363,000
Over £100	22,029	992,000
Over £200	9,933	418,000
Over £300	2,910	116,000
Over £400	1,293	47,000
Over £500	652	22,000

*estimates rounded down to nearest thousand

4. If households are paid weekly or fortnightly and have costs to meet while self-isolating, these losses could push 16% of working low-income households into cash shortfall, potentially forcing them into debt in order to make ends meet. The large majority of these households do not have any savings to fall back on (63%) and just 31% have enough savings to cover their potential shortfall.



5. In the eight local authorities we looked at, this would mean 3,405 households who may not be able to meet their costs while self-isolating without taking on debt.

6. **If this pattern was reflected across England and Wales, this could mean over 155,000 households would be unable to make ends meet if they were asked to self isolate.** They could be faced with a choice over whether to self isolate as requested and struggle to meet their immediate costs, or to continue going out to work and risk spreading COVID-19. Some might feel they have little choice but to return to work to survive.

7. Among those who earn enough to receive SSP, working low-income households will face losing £191 - half of their take home pay over the two weeks of self-isolation. 13% of these households might struggle to meet immediate costs if they were asked to self isolate.

8. Figure 1 shows how, if required to self isolate for two weeks, a single parent who is eligible for SSP could be £164 worse off by the end of the month, even after Universal Credit softens the blow to their earnings.

9. More than 450,000 working low-income households (33%) do not earn enough to be eligible for SSP, so will face losing 100% of their earnings, with the only short-term help available being a Universal Credit advance (if they are not already on Universal Credit). These households are unlikely to be eligible for new-style ESA, so would have to wait for their benefits, which may take up to one month for those already on Universal Credit.

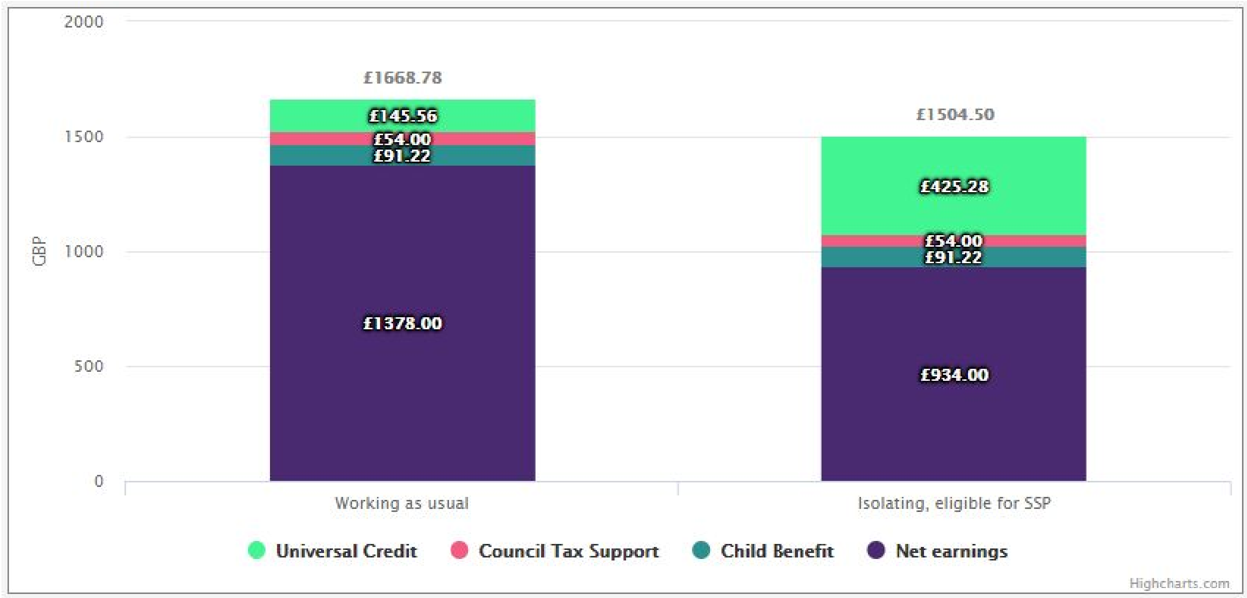


Figure 1. A single parent who is eligible for Statutory Sick Pay could be £164 worse off by the end of the month if they self isolate

10. Figure 2 shows how, if required to self isolate for two weeks, a single parent who is not eligible for SSP could lose more than £140 from their monthly take home income. Because their usual earnings were already less than their work allowance, their Universal Credit award remains the same, even as their earnings decline. Their lost earnings are not replaced by either SSP or Universal Credit.

11. The average loss in fortnightly earnings for those not eligible for SSP is £145, with dual earner households potentially losing almost £480 in earnings over the two weeks of isolation, if both were requested to self isolate. Among those not eligible for SSP, 23% might struggle to meet their immediate fortnightly costs if they were asked to self isolate.

12. This analysis only focuses on low-income households in England and Wales. If we looked at those with higher earnings, the loss of earnings may be even more difficult to manage. Those with lower earnings currently are least likely to receive SSP and are likely to be less well-equipped to cope with a financial shock, so may be of most concern, but equally, those who have more to lose may have bigger costs which they may then struggle to deal with on reduced earnings, and without an existing Universal Credit claim to fall back on. If any households, low or high income, feel that they cannot self isolate given the loss of earnings required, Test and Trace may be undermined.

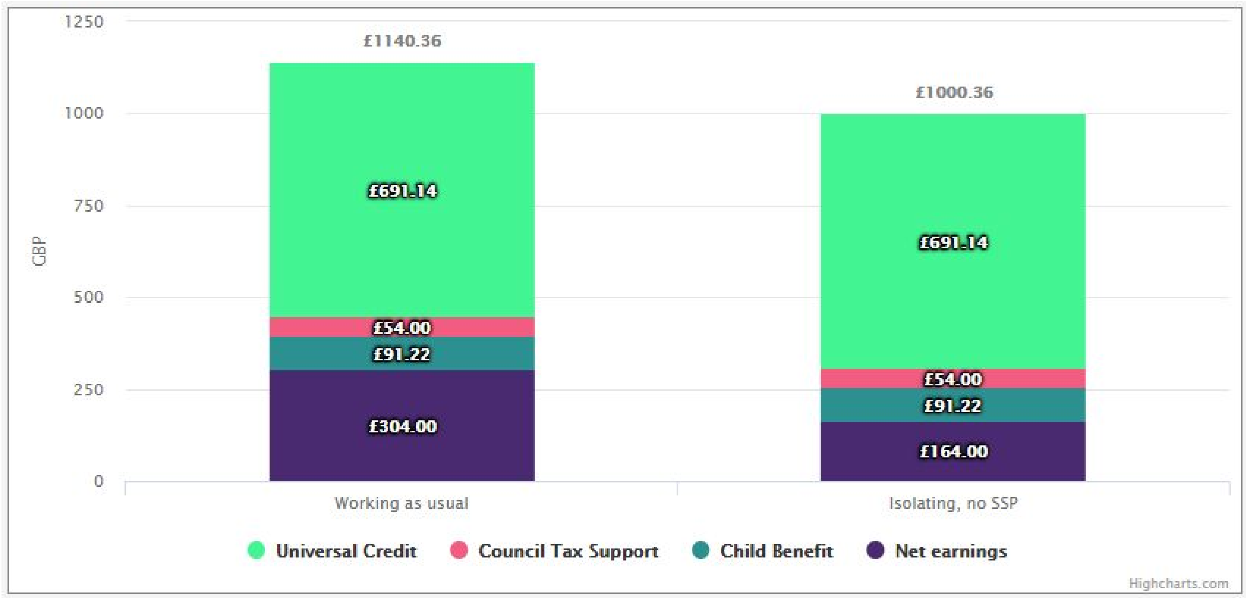


Figure 2. A single parent who is not eligible for Statutory Sick Pay could lose 2 weeks worth of earnings from their monthly take home income if they self isolate

Conclusions

- There may be 155,000 low-income households who would find it difficult to meet their immediate costs if requested to self isolate. The average working low-income household stands to lose £176 in earnings over two weeks if they cannot work. Though Universal Credit may boost their take home income when their monthly payment comes through, they will still face a financial penalty for self-isolating, which could mean these 155,000 households feel they are unable to self isolate without entering debt.

- The UK has one of the lowest levels of Sick Pay in Europe, so there is scope to increase it and prevent these households facing such difficulty. The TUC have argued for Sick Pay to be increased to the real living wage - £260 per week - and made available to all employees regardless of how much they usually earn. That proposal would ensure the 450,000 working households we identified as ineligible for SSP would no longer lose all of their usual earnings while self-isolating.

- Our analysis focuses on the immediate impact of loss of earnings. In the longer term, households who are in receipt of Universal Credit could have up to two-thirds of their earnings replaced in their next monthly award, while those who are eligible for ESA might be able to get a similar amount within two weeks. Those on Housing Benefit may also see boosts to their benefits if they report their changes of circumstances to their local council.

- These potential replacements of earnings are welcome, but the short-term loss of earnings is still likely to be a significant disincentive to self-isolating for many. Furthermore, though benefits such as Universal Credit will make up some of the shortfall, households will nonetheless still be made significantly poorer as a result of their decision to do the right thing and protect their community from the virus's impact by self-isolating. The two examples above show that a working single parent might lose more than £100 from their monthly take home income as a result of two weeks of self-isolation. Though any increase in Universal Credit award will be welcome, it will not be enough to cover their loss of earnings, even when those earnings are also supplemented by Sick Pay. The boost from Universal Credit softens the blow of declining earnings, but the overall decline in take home income still means many households may feel unable to self isolate. Moreover, the wait for Universal Credit to respond to changed earnings means it cannot entirely mitigate the immediate impact of lost earnings - only increased Sick Pay, paid directly by an employer, can do that.

Recommendations

- Policy in Practice therefore believes Sick Pay needs to be increased and made available to all employees during this pandemic to help ensure those who are requested to self isolate feel able to and are better protected from income pressures which might otherwise risk the government's Test and Trace strategy. If Sick Pay is not raised, the 155,000 low-income households who may not be able to meet their immediate costs if requested to self isolate may feel they have little option but to choose between entering debt or potentially spreading the virus at work.

- While such low pay Sick Pay needs to be reviewed, in the short-term people also need help to navigate the system to ensure they are best equipped to cope with any loss in earnings. The government must ensure those who are asked to self isolate are aware of the extra help they can get in the form of other benefits. Likewise, support agencies and local authorities should signpost to resources which may help these households cope with their loss of income.

- Local authorities concerned about the ability of such households to self isolate safely can be proactive and target those most at risk to ensure they get all the assistance they are likely to need when self-isolating. Reaching out to these households could be the difference between them entering a spiral of debt and them safely self-isolating then returning to work. Some local authorities are already using our Low-Income Family Tracker to do just this. Other local authorities who are interested in using their administrative data to avert both financial and health crises should contact hello@policyinpractice.co.uk

Contact

Duncan Hatfield

Policy and Data Analyst

Policy in Practice

hello@policyinpractice.co.uk

0330 088 9242

@policy_practice

Notes

- Policy in Practice carried out aggregate analysis using anonymised local authority administrative datasets (Single Housing Benefit (SHBE) and Council Tax Reduction extracts from across eight councils. Policy changes were modelled using our Benefit and Budgeting Calculator's policy engine. The data chosen for this analysis is from councils covering a mix of urban and rural areas, across differing levels of deprivation and regions throughout England and Wales, so is intended to give a broad picture of low-income households across England and Wales. However, the sample size and selection criteria for the councils involved means the data is not necessarily nationally representative.

- Because households will face an immediate decision over whether they can afford to self isolate, we have primarily looked at the short-term loss of earnings they might face. Earnings from non-dependents, and their potential losses, have not been considered. The cash shortfall figures used above are based on Policy In Pactice's measures of financial resilience, which assess household income against the costs each family is expected to face, adjusted for household size and location. For the purposes of this report, rather than focusing on monthly cash shortfall, we looked at cash shortfall over a fortnight - the period for which households might need to self isolate, and during which they might struggle to meet costs if they see a decline in their weekly or fortnightly paycheck.

- If the earner reports symptoms before they are contacted by Test and Trace they may only need to self isolate for 7 days, though the rest of their household would need to isolate for 14 days. The analysis above focuses just on those who might be asked to self isolate for 14 days by Test and Trace.

- England and Wales have separate approaches to Test and Trace, but crucially both will be requesting individuals self isolate for 14 days, during which time an employer may only pay SSP. It is possible only one member of a household will be asked to self isolate, if only one of them has come into contact with someone who has tested positive for COVID-19, while the others continue to work, however if the first develops symptoms, other members of the household will then also be asked to self isolate. The analysis above assumes that in dual earner households both of the main earners will be asked to self isolate, though non-dependents will not. More can be read about Test and Trace in England and Wales by following these links.

- The number of people in employment on Universal Credit and Housing Benefit is based on caseloads from March 2020 and February 2020 respectively. With the Universal Credit caseload rapidly rising since then, the aggregate numbers here are likely to underestimate the true picture.