

# Exploring the relationship between economic security, furlough and mental distress.



## Introduction

In March 2020, the UK government announced its Coronavirus Job Retention Scheme (CJRS) that aimed to protect the jobs of employees across the UK who may have otherwise been made redundant as businesses shut down or cut back operations in the face of the Covid-19 pandemic. Through this scheme, employers could claim financial support to cover up to 80% of an employee's salary (to a maximum of £2,500 per month) when that employee could not work due to the pandemic and lockdown restrictions. In May 2020, it was announced that the CJRS would be extended until the end of October 2020, with additional flexibility introduced from July 2020.<sup>1</sup> When a second lockdown was announced across England on 31 October 2020, the full scheme was reintroduced on the day it was due to expire.

By 31 May 2020, over 1 million employers had made claims under the CJRS and 8.7 million employees had been furloughed using this scheme.<sup>2</sup> The UK Chancellor, Rishi Sunak, hailed the scheme a success, stating that unemployment figures released in September 2020 showed that “the furlough scheme has done what it was designed to do - save jobs and help people back to work”.<sup>3</sup> But while the headline employment rate offered

good news to the UK government, recorded increases in the Universal Credit claimant counts suggest that the UK workforce was not coming through the pandemic unscathed.<sup>4</sup>

The risk of unemployment and financial hardship due to the Covid-19 pandemic is therefore very real for many workers. As we know that job insecurity, financial insecurity and poverty are all linked to mental distress<sup>5</sup>, these risks are likely to compound the negative impact of the pandemic on individuals' mental health that has already been established.<sup>6</sup>

“the furlough scheme has done what it was designed to do – save jobs and help people back to work”

Rishi Sunak – Chancellor of the Exchequer

The CJRS may offer individuals assurances about their job and financial security, which in turn may help to alleviate mental distress. This briefing therefore examines evidence from Understanding Society, a nationally representative sample of adults in the UK, to investigate the relationship between the CJRS, employees' job and financial security and their mental wellbeing in the two months following the national lockdown.

## Key findings

1. Furloughed workers were over twice as likely to feel insecure in their jobs and to report high levels of financial insecurity compared to non-furloughed workers.
2. Higher levels of job insecurity and financial insecurity two months after lockdown were associated with greater increases in mental distress.
3. Furlough moderated the extent to which employment and financial circumstances were associated with increases in mental distress. Furloughed workers in insecure jobs two months after lockdown were less likely to experience mental distress than their counterparts who were not furloughed.
4. Furlough was protective of mental health among people with long term insecure jobs. Furloughed workers who were in long-term insecure jobs, before and during the lockdown, reported no increase in mental distress, unlike their counterparts who had not been furloughed.

## Data

Understanding Society (the UK Household Longitudinal Study) is a large, nationally representative household panel study that interviews all members of randomly selected households. There have been nine different survey waves since 2009. In April 2020, a shorter web-survey was launched as the first wave of a regular study to collect information on participants' lives throughout the Covid-19 pandemic. From the second wave of this Covid study (from May 2020), telephone interviews also collected information from households with no internet access.

All participants from Wave 8 or 9 of the main survey (completed between 2016 and 2019) were invited to take part in the Covid study. This briefing examines responses to questions about respondents' employment situation and their mental health through the pandemic, linked to responses collected from the same individuals in the main Understanding Society survey before the pandemic. It also uses pandemic-specific questions, including a question about whether people had been furloughed under the CJRS. A total of 10,321 respondents from Covid Wave 1 and 8,774 from Covid Wave 2 supplied information about their mental health and employment situation. More details of the study can be found at <https://www.understandingsociety.ac.uk/>

## Methods

### Measuring mental distress

In all pre- and mid-pandemic waves of Understanding Society, respondents were asked a series of questions to assess their mental health. These questions, from the General Health Questionnaire (GHQ-12), are designed to assess common psychiatric conditions. The GHQ-12 consists of 12 items, each assessing the severity of a mental problem over the past few weeks using a 4-point scale (from 0 to 3). The total ranges from 0 to 36, with higher scores indicating worse mental distress. A threshold figure to show significant levels of mental distress can also be generated. This briefing defines pre-pandemic mental health as GHQ-12 scores collected between 2017 and 2019.

### Job and financial security

In Wave 8 of the pre-pandemic study (2016-18), respondents were asked how likely they were to lose their job in the next 12 months. Responses were measured on a four-point scale from "Very likely" to "Very unlikely". To compare pre- and mid-pandemic data on job security, binary indicators were created to identify people with low job security before the pandemic (who said it was

likely or very likely that they would lose their job in the next 12 months compared to those who said it was unlikely or very unlikely) and in May 2020 during the pandemic (who said there was a 50% chance or higher that they would lose their job or shut their business in the next three months compared to those who said there was less than 50% chance).

In May 2020 respondents were also asked to estimate, as a percentage, the likelihood of having difficulty paying their usual bills and expenses. Those who said there was a 50% chance or higher that they would struggle to pay the bills in the next three months were recorded as having low financial security. Those who said there was lower than a 50% chance were recorded as being financially secure. No such information was collected on individuals' financial security before the pandemic started.

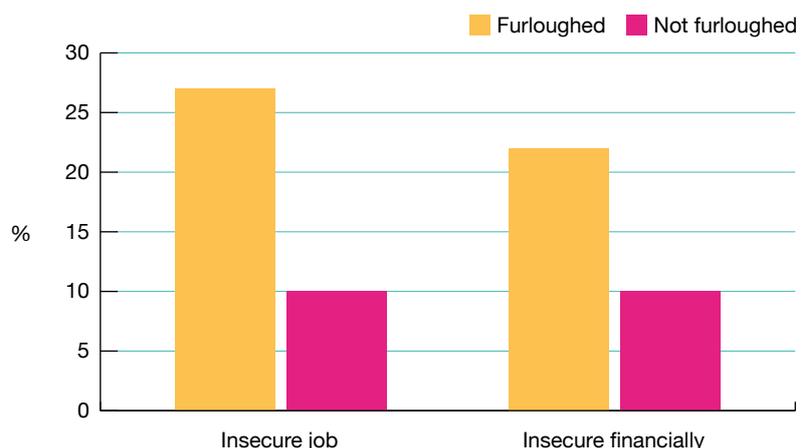
This briefing uses these variables to investigate how changes in mental distress have varied between workers in the UK depending on their employment situation, and how this relates to their current level of financial security and their job security before and during the pandemic.

## Main results

### Did furlough change perceptions of economic security?

Feelings of economic insecurity in May 2020 were considerably greater among people who were furloughed. Job insecurity was almost three times more common among furloughed workers (27%) than those who remained at work (10%). Similarly, financial insecurity was twice as common for those who were furloughed (22%) compared to those who were not (11%). [Fig 1]

Fig 1. Differences in job security and financial security by furlough status (May 2020).



This does not, however, appear to be a result of long-term job insecurity. Pre-pandemic levels of job insecurity were similar between those who went on to become furloughed (5.2%) and those who remained in work (5.5%). By May 2020, furloughed workers were five times more likely and non-furloughed workers twice as likely to say they were in an insecure job as they had been before the pandemic.



### What impact did furlough have on people's mental health?

Prior to the pandemic there were no differences in levels of mental distress between people who would go on to be furloughed by their employer and those who would remain at work. Mental distress increased significantly during the first month of the pandemic, but it increased equally for those who were furloughed and those who were not. Although the overall prevalence of mental distress fell slightly by May 2020, it fell equally among both types of workers. It appears that changes to working arrangements, by being furloughed or otherwise, were not directly associated with changes in mental distress. [Fig 2]

### How is job and financial security related to people's mental health?

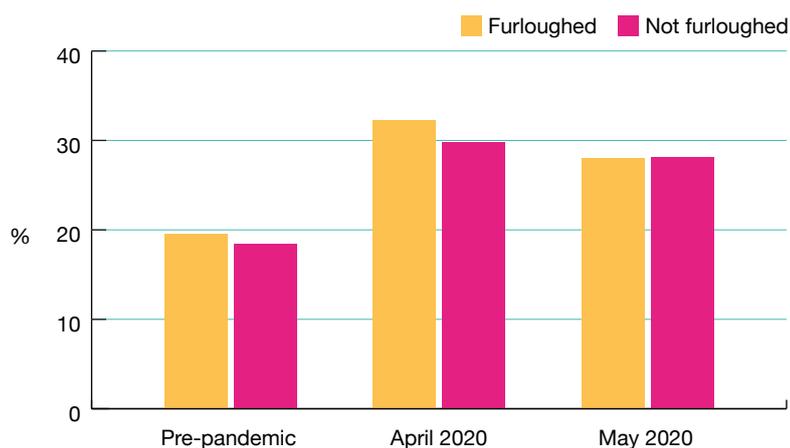
There are important differences in the economic circumstances of people affected by the CJRS which could influence whether the scheme was beneficial or harmful to mental health. We looked at how peoples' perceptions of their financial and job security were related to changes in mental health and explored whether this relationship was affected by whether a worker became furloughed or not.

Figure 3 shows that job security and financial security in May 2020 was closely related to whether mental health had worsened following lockdown in March 2020. Workers who reported low job and financial security two months into the pandemic experienced the largest increases in mental distress, with their financially and job secure counterparts experiencing the smallest increases. [Fig 3]

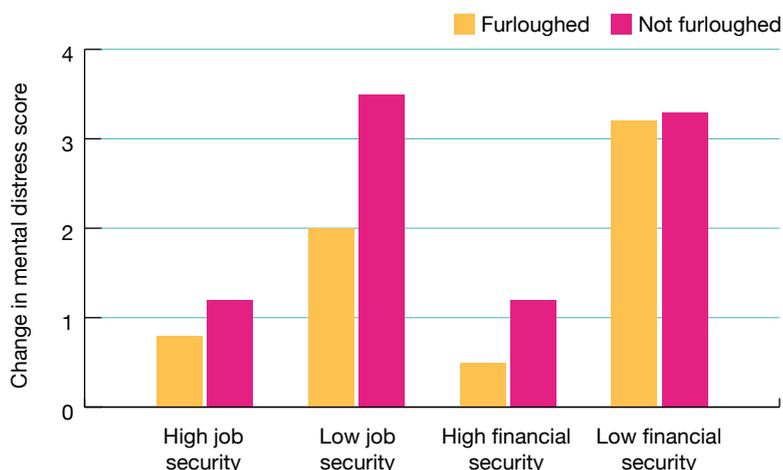
These findings are not unexpected given that financial and job insecurity are well-established risk factors for mental distress, but it is important to note that furlough appeared to moderate these risks to some extent and provided a level of relative protection. Being furloughed was associated with considerably smaller increases in mental distress for people in insecure jobs. It is possible that the CJRS conferred a degree of job security and diminished levels of stress usually associated with insecurity. Furlough's apparent benefits extended to people with higher levels of job security, as these groups also experienced smaller increases in mental distress than those who were not furloughed.

The benefits of furlough did not, however, extend to those who felt financially insecure in May 2020. Mental distress increased among the financially insecure, regardless of whether they had been furloughed or not – furloughed workers experienced a 3.2 point

**Fig 2. Proportion of people with significant levels of mental distress before and during the pandemic.**



**Fig 3. Increases in mental distress score pre-pandemic to May 2020 by job and financial security.**



increase compared to a similar 3.3 point increase experienced by those not furloughed.

These findings suggest that perceptions of economic insecurity two months after lockdown were associated with increased mental distress. It is possible that perceptions of security after two months were different prior to the lockdown and changed following the introduction of the CJRS. The following analysis tracks individuals' long-term perception of job security to examine how this was related to changes in mental distress among furloughed and non-furloughed workers.

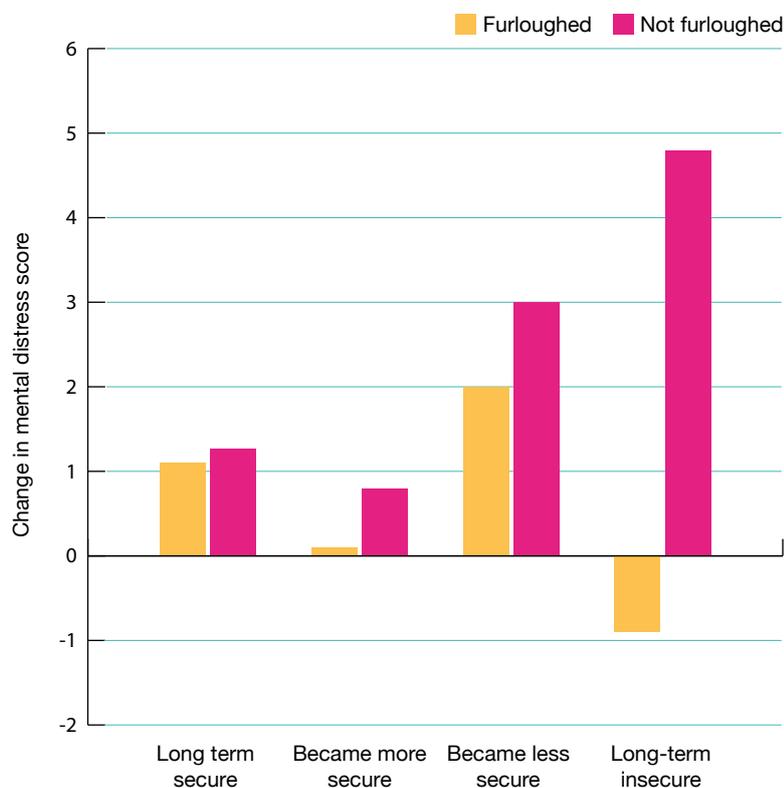
## Long term job security and mental health

Figure 4 shows changes in mental distress among people who were in consistently secure or insecure jobs before and after lockdown, as well as those people whose job moved from insecure to secure and vice versa. Information on financial security prior to the pandemic was not available. [Fig 4]

Furloughed workers who were in long-term insecure jobs before and during the pandemic experienced little change to their mental health –

although they reported lower levels of mental distress in May 2020 compared to the pre-pandemic period, this was not statistically significant. This was in sharp contrast to non-furloughed workers in long-term insecure jobs whose mental distress scores rose significantly by nearly five points on average. One possible reason for the relatively protective effect of the CJRS may be that it represented a form of security and reduced the stress associated with job insecurity during a period of heightened anxiety. For all other types of workers, mental distress increased but was not significantly different according to whether they were furloughed or not.

Fig 4. Changes in mental distress by long term job security and furlough status.



## Conclusions

While furlough may have offered short term respite from the immediate economic shocks associated with the pandemic, mental distress appears to have increased for most people regardless of this help, potentially working through psychosocial pathways as workers cope with the stress and uncertainty of

possible longer-term job and financial insecurity.

Job and financial insecurity were associated with increases in mental distress. People in insecure jobs who were furloughed experienced a lesser increase in mental distress than those not furloughed. This implies that furlough moderated the

harmful effects of job insecurity on mental health with the CJRS likely providing a degree of reassurance during highly uncertain times. As England enters into a second national lockdown, the furlough scheme may once again offer some degree of respite to the most insecure workers. However, becoming furloughed cannot

overcome the pressures of a precarious financial position – low pay on furlough is still low pay and carries the same stresses and consequent risks to mental health as when in work.

It is encouraging that being placed on furlough disproportionately benefited the mental health of people in insecure jobs at the start and during the pandemic. The lack of change in the mental health of people in long term insecure jobs suggests that future financial support packages ought to recognise the health consequences of their implementation, alongside their economic impacts, and maintain

awareness that such interventions can affect members of society in greatest need.



## Implications

The Covid-19 pandemic has highlighted the impact that low financial and job security can have on people's mental health. Employers and policymakers

should consider the impact that insecure employment and low pay can have on the wellbeing of the workforce during this pandemic.

The benefits of the furlough scheme were greatest for those most vulnerable to economic uncertainty at the onset of the pandemic. This provides further evidence that economic wellbeing is closely related to mental wellbeing. Initiatives to promote saving, such as the Money and Pensions Advice Service goal to achieve 2 million more savers from among the struggling or squeezed people<sup>7</sup> could support the health as well as financial wellbeing of the population.

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