

Labour Market Shocks during the Covid-19 pandemic, Inequalities and Child Outcomes

Claudia Hupkau (CUNEF & CEP, LSE), Ingo Isphording (IZA), Stephen Machin (CEP, LSE), Jenifer Ruiz-Valenzuela (CEP, LSE)

Extended abstract

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The lockdowns enacted in many countries around the world as a response to the health risk posed by the COVID-19 virus have produced an unprecedented shake-up of the labour market. Many firms have experienced negative demand shocks and have responded with layoffs and furloughing of workers. In Britain, a country hit particularly hard by the pandemic by international comparison, around one in four workers have been furloughed, with 8.4 million workers from a million firms claiming £15 billion through the government's Job Retention Scheme. Many others have lost their jobs already, as signalled by rising numbers claiming unemployment benefits through Universal Credit (Elliot Major and Machin, 2020).

Against the background of this unprecedented episode of layoffs and furloughing, we analyse spill-over effects of parental labour market experiences on their offspring's skill formation, non-cognitive skills and well-being. Specifically, we pose the following research questions:

1. What is the impact of parental labour market shocks that cause employment and earnings inequalities to magnify due to the Covid-19 pandemic (i.e. job losses, increased job insecurity, entry into long-term unemployment) on children's cognitive and non-cognitive outcomes?
2. What are the mechanisms driving these effects? We study impacts on parental income, housing conditions, parent's mental and physical health, parental time-use, as well as resources invested in children's education following a deterioration of labour market conditions.

We answer these questions exploiting a uniquely suited data set. The UK Household Longitudinal Study – Understanding Society (USoc) – offers panel information on, among others, employment histories and child and youth cognitive and non-cognitive outcomes. USoc has fielded special Covid-19 questionnaires on how the pandemic has affected employment, parenting and health and mental wellbeing. Moreover, the survey data of USoc can be linked to administrative pupil records of the National Pupil Database which allows to track survey participants throughout their educational career and to observe nationally comparable standardised tests (taken at different key stages).