

Article

Coronavirus and redundancies in the UK labour market: September to November 2020

How the coronavirus (COVID-19) pandemic impacted on redundancies using the UK labour market statistics for the period September to November 2020.

Contact:
Blessing Chiripanhura
economic.advice@ons.gov.uk
+44 (0)1633 582512

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1 . Main points

- The increase in UK redundancy rates during the coronavirus (COVID-19) pandemic is faster than during the 2008 to 2009 economic downturn.
- The administrative and support services industry had the highest redundancy rate in the period July to November 2020, at 35.8 per thousand employees.
- Disabled employees had higher than average redundancy rates.
- Vacancies in the accommodation and food service activities industry declined the most (negative 64.0%), while redundancies increased the most (400.4%) in the transport and storage industry in the year to November 2020.
- Experimental Business Impact of COVID-19 Survey data show that the proportion of businesses' workforce on furlough leave increased by 10.6 percentage points to 18.3% between October 2020 and January 2021.

2 . About the data

Because of the coronavirus (COVID-19) pandemic, all face-to-face interviewing for the Labour Force Survey (LFS) was suspended and replaced with telephone interviewing. This change in mode for first interviews has changed the non-response bias of the survey, affecting interviews from March 2020 onwards. The rates published from the LFS remain robust and reliable but the levels and changes in levels should be used with caution. For more information on how labour market data sources are affected by the coronavirus pandemic, see the article published on 6 May 2020, which details [some of the challenges that we have faced in producing estimates](#) at this time.

An article published 11 December 2020 [compares our labour market data sources and discusses some of the main differences](#). Our latest data and analysis on the impact of the coronavirus on the UK economy and population are available on our dedicated [coronavirus web page](#). In response to the developing coronavirus pandemic, we are working to ensure that we continue to publish economic statistics.

The coronavirus pandemic is a major economic shock that continues to impact [the UK labour market](#). This article uses the LFS data for the period September to November 2020 to examine how the coronavirus pandemic impacted redundancies, complementing the redundancies analysis in [the ONS's labour market overview for January 2021](#).

Redundancies in the LFS consist of employees who were made redundant or who took voluntary redundancy in the three months prior to the interview date. These are actual rather than planned redundancies. Consequently, the redundancy figures reported in the September to November LFS are for the period July to November 2020. In contrast, [the HR1 Advance Notice of Redundancy forms collect data](#) on planned redundancies and proposed dismissals.

We provide further insight into the trend of redundancies in the UK economy by using ONS's faster indicators. These sources include the [Business Impacts of Coronavirus \(COVID-19\) Survey \(BICS\)](#), the [experimental Adzuna online job adverts](#) and [weekly LFS estimates](#). These data sources help us to gain insights into the latest trends of redundancies in the economy.

3 . Redundancies during the COVID-19 pandemic compared with during the 2008 to 2009 economic downturn

Major shocks to the economy, such as the coronavirus (COVID-19) pandemic in 2020 and the recession between 2008 and 2009 have different causes and policy responses, but they have a common consequence: they cause the economy to contract, and unemployment and redundancies to increase. Verick and Islam (2010) examined [the causes, consequences and policy responses to the 2008 to 2009 economic recession](#). In 2018, the Office for National Statistics (ONS) examined [how the UK economy had changed since the 2008 to 2009 economic downturn](#). The ONS continues to record [the impact of the pandemic on the UK economy and society](#).

Policy measures introduced to contain the spread of the virus, such as public health restrictions and voluntary social distancing, have had pronounced impacts on the UK economy. Measures include national lockdowns and local restrictions by tiers, at different periods since March 2020. More details are available in the ONS recent publication on [Coronavirus and the social impacts on behaviours during different lockdown periods](#). At the same time, the UK government introduced a series of measures to support businesses and employment, including the Coronavirus Job Retention Scheme (CJRS) and the Self-employed Income Support Scheme (SEISS). More information is available on [GOV.UK pages](#).

UK gross domestic product (GDP) shrunk by more than 6.0% between the first quarter of 2008 and the second quarter of 2009, and took [five years to get back to the size it was before the economic downturn](#) (ONS Review, 2018). In contrast, [in 2020, GDP fell by 9.9%](#), marking the largest annual GDP contraction on record. The impacts of the coronavirus pandemic are still manifesting themselves in the economy.

The [ONS's UK labour market overview for January 2021](#) shows that the rate of redundancies recorded since the beginning of the pandemic already exceeds the highest rate reached during the 2008 to 2009 financial crisis. The employment rate decreased by 1.1 percentage points between January to March and September to November 2020 to 75.2%.

[The number of HR1 advance notice of redundancy forms](#) show that between March and September 2020, monthly notices of expected large redundancies (20 or more employees at a single establishment) increased from 485 in March 2020 to 1,734 in September 2020.

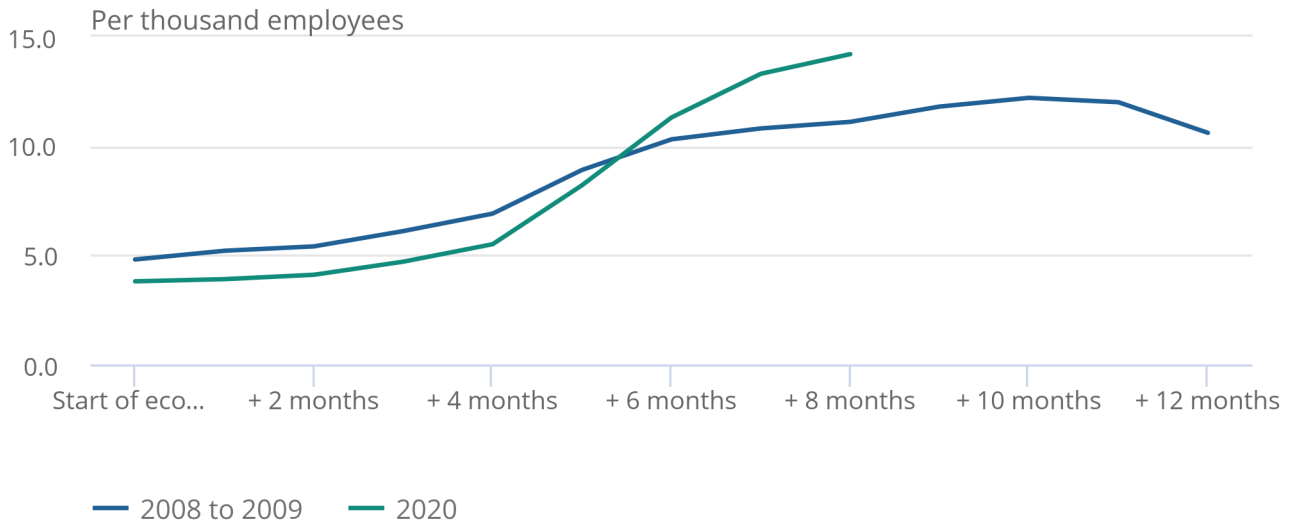
The redundancy rate is measured as the number of people who were made redundant per thousand employees. Based on Labour Force Survey (LFS) data, the redundancy rate increased rapidly from May 2020 onwards. Figure 1 shows the redundancy rates between 2008 and 2009 and in 2020. We superimpose redundancy rates for periods when the economic downturn started in 2008 and 2020. We show the number of months following the start of the downturn for the following year.

Figure 1: Redundancies are increasing faster during the coronavirus pandemic than during the financial crisis of 2008 to 2009

Redundancy rates, UK, seasonally adjusted, 2008 to 2009 and 2020

Figure 1: Redundancies are increasing faster during the coronavirus pandemic than during the financial crisis of 2008 to 2009

Redundancy rates, UK, seasonally adjusted, 2008 to 2009 and 2020



Source: Office for National Statistics - Labour Force Survey

Notes:

1. The start of the economic downturn refers to the point in time where there was a contraction in the UK's gross domestic product (GDP) for two consecutive quarters.
2. The start of the economic downturn is April to June 2008 for the 2008 to 2009 series, and [January to March 2020](#) for the 2020 series.
3. The redundancy rate is the ratio of the redundancy level for the given quarter to the seasonally adjusted number of employees in the previous quarter, multiplied by 1,000.

Figure 1 shows the rapid increase in redundancy rates for employees between March to May and September to November 2020. In addition, the [Chartered Institute of Personnel Development \(CIPD\)'s 2020 Autumn Labour Market Outlook](#) stated that 30.0% of firms interviewed (between 14 and 30 September) had intentions to make staff redundant in the following three months. At the same time, 32% of interviewed firms were undergoing recruitment freezes to mitigate redundancies, along with other measures.

More about coronavirus

- Find the latest on [coronavirus \(COVID-19\) in the UK](#).
- [Explore the latest coronavirus data](#) from the ONS and other sources.
- All ONS analysis, summarised in our [coronavirus roundup](#).
- View [all coronavirus data](#).
- Find out how we are [working safely in our studies and surveys](#).

4 . Redundancies among different groups of employees and industries

We use the September to November 2020 Labour Force Survey (LFS) to conduct in-depth analysis of redundancies, focusing on redundancy rates by industry, education level, ethnicity and disability. As mentioned earlier, these are actual redundancies that happened between July and November 2020. Although the reporting period is September to November 2020, the redundancies would have occurred between July and November.

Redundancy rates by industry

As a starting point, we examine the series of redundancy rates by industry in 2020. The redundancy rate is expressed as the number of people made redundant per thousand employees. The Office for National Statistics (ONS) publishes redundancies by age, industry and region. [The January 2021 data](#) show that redundancy rates increased across most industries from March to May 2020 onwards. Figure 2 shows the redundancy rates between January and November 2020.

Figure 2: Redundancy rates across most industries increased from March to May 2020 onwards

Redundancy rates by industry, UK, not seasonally adjusted, January to November 2020

[Download the data](#)

Notes

1. Some estimates are based on small sample sizes. This may result in less precise estimates, which should be used with caution. This applies to the following industries: agriculture, fishing, energy and water; construction; transport and storage; financial, insurance and real estate activities; public, admin and defence, social security; education and human health and social work activities.
2. The redundancy rate is the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.
3. The longitudinal perspective of the redundancy rate from January 2020 to November 2020 consists of overlapping periods.

The [ONS's labour market overview for January 2021](#) shows that the aggregate redundancy rate increased to a record high of 14.2 per thousand employees between July and November 2020. The redundancy rate for men (15.5 per thousand) was higher than that for women (12.8 per thousand).

The September to November data (reporting redundancies that occurred between July and November) show that the administrative and support services industry had the highest redundancy rate (35.8 per thousand employees) followed by the "other services" industry group, which includes arts, entertainment and recreation (30.5 per thousand employees). The arts, entertainment and recreation industry contributed the most to the high redundancy rate in that industry grouping. The lowest redundancy rate was in the public administration, defence and social security industry, at 3.3 per thousand employees.

The high redundancy rates in some industries is explained by the way business is conducted in such industries and by the impact of lockdown restrictions. For example, industries such as accommodation and food service activities and arts, entertainment and recreation largely depend on face-to-face contact between people. These industries were significantly impacted by lockdown measures, which contributed to some firms making their employees redundant. Lockdown restrictions meant non-essential retail, bars and restaurants closed, resulting in less trade and demand for employees.

The retail sub-sector of the wholesale, retail and repair of motor vehicles industry was affected by falling footfall on the high street as lockdown measures and movement restrictions meant people could not go shopping. As shopping increasingly moved online, which does not require as much labour as the shop floor, this is likely to have contributed to job losses in this sector. The [Impact of the coronavirus \(COVID-19\) pandemic on retail sales in 2020 article](#) provides more insight into this trend.

The LFS records the reasons why employees are made redundant. In the period July to November 2020, of the employees who were made redundant, 71% of the redundancies resulted from employers cutting staff. The remaining proportion was equally distributed between "employer closing down" and "other reasons".

There are several reasons why employers may want to cut staff numbers. The coronavirus pandemic and EU exit-related uncertainties may have caused some employers to reduce staff. An underlying factor was the reduced level of trade across a number of industries; there was also a level of uncertainty created by the indication that the Coronavirus Job Retention Scheme (CJRS) was to end by 31 October 2020 before being further extended to March 2021 and then [to April 2021](#).

Redundancy rates by highest educational qualification

In Figure 3 we show redundancy rates by highest education level to establish if there was any concentration among employees with certain qualifications. The [LFS's Volume 4 user guide](#) provides more clarification on the different types of qualifications.

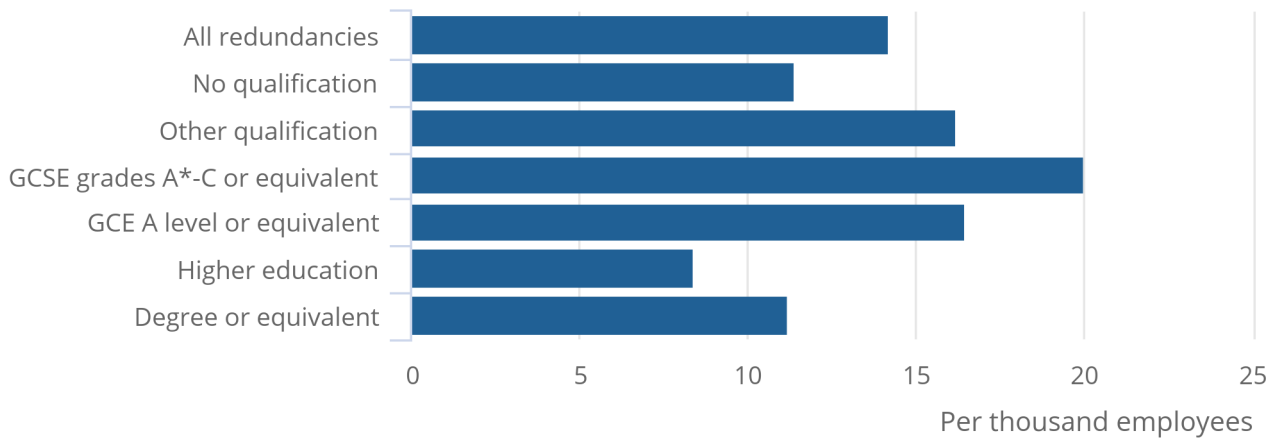
Between July and November 2020, employees whose highest qualifications were GCSE grades A* to C or equivalent had the highest redundancy rate of 20.0 per thousand, followed by those with GCE A level or equivalent qualifications (16.5 per thousand).

Figure 3: Employees whose highest educational qualification was GCSE grades A* to C or equivalent had the highest redundancy rate

Redundancy rates by education level, UK, not seasonally adjusted, September to November 2020

Figure 3: Employees whose highest educational qualification was GCSE grades A* to C or equivalent had the highest redundancy rate

Redundancy rates by education level, UK, not seasonally adjusted, September to November 2020



Source: Office for National Statistics – Labour Force Survey

Employees with "higher education" qualifications had the lowest redundancy rate (8.4 per thousand). Employees with no qualifications, those with degrees or equivalent qualifications and those with higher education qualifications also had redundancy rates below the national average.

Redundancy rates by ethnicity and by disability

In this section, we analyse redundancy rates by two protected characteristics: ethnicity and disability status. The [labour market statistical bulletins](#) for recent months have analysed redundancies by age and by sex.

Of the people who were made redundant between July and November 2020, 88% were White and the remaining 12% were ethnic minorities¹, [which is broadly consistent with the sizes of the two sub-groups in the labour market](#). We cannot disaggregate the ethnic minority group further because some sub-groups had small samples that would make the results unreliable.

The redundancy rates of White employees (14.1 per thousand) and ethnic minority employees (14.5 per thousand) were broadly similar. Given the small sample size for ethnic minorities, we cannot make any firm conclusions about the differences in redundancy rates. The Trades Union Congress's [January 2021 jobs and recovery monitor report](#) on Black and minority-ethnic employees concluded that these employees faced higher unemployment and they tend to work in industries that are hardest hit by the pandemic.

A larger difference in redundancy rates exists when we look at disability. The [Government Statistical Service \(GSS\) Harmonised Standard Definition of Disability UK](#) makes it possible to classify employees into disabled and non-disabled categories. Non-disabled employees are employees who do not meet the harmonised standard definition of disability.

Of all the employees who were recorded as disabled in the period July to November 2020, 21.1 per thousand were made redundant. Considering the employees who were not disabled, 13.0 per thousand were made redundant. Figure 4 shows the redundancy rates by disability status.

Notes

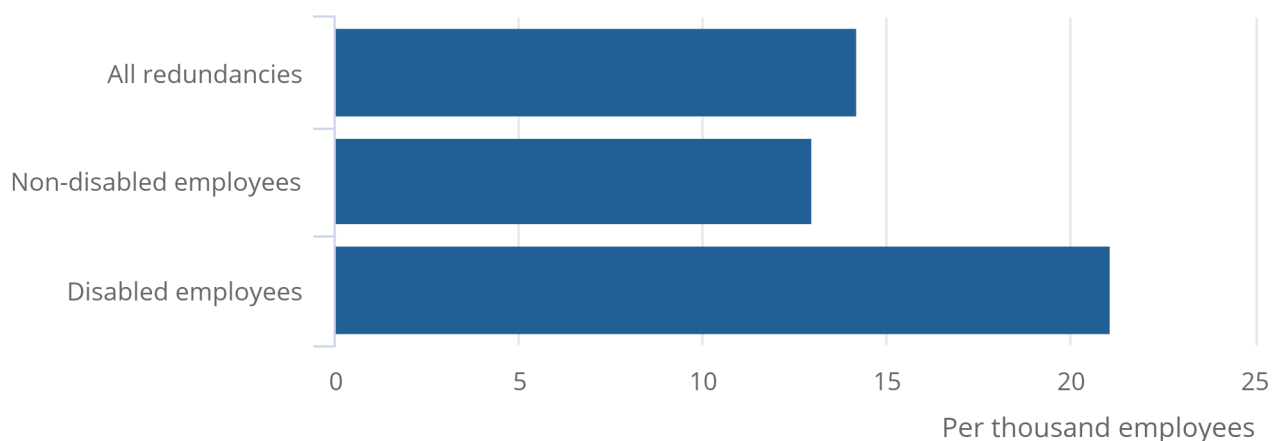
[1] Ethnic minorities consist of people of the following ethnic backgrounds: mixed race, Indian, Pakistani, Bangladeshi, Chinese, Black/African/Caribbean or "Other non-white" ethnicities.

Figure 4: Employees with disabilities had a higher than average redundancy rate

Redundancy rates by disability status, UK, not seasonally adjusted, September to November 2020

Figure 4: Employees with disabilities had a higher than average redundancy rate

Redundancy rates by disability status, UK, not seasonally adjusted, September to November 2020



Source: Office for National Statistics - Labour Force Survey

Notes:

1. The redundancy rate is the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

The redundancy rate for non-disabled employees was slightly lower than average, but that for disabled employees was 6.9 points higher than average. From these estimates, it appears disabled employees were more likely to be made redundant than non-disabled employees. However, we must be cautious when interpreting these figures because of the current challenges associated with data collection. For example, further analysis of disability is limited by sample size, which would make the results of such analysis unreliable.

5 . Vacancies and redundancies in the economy

Vacancies are an indication of the demand for labour. If people who were made redundant become unemployed, as opposed to inactive, they would contribute to the expansion of labour supply. The gap between labour demand and supply indicates labour market mismatch.

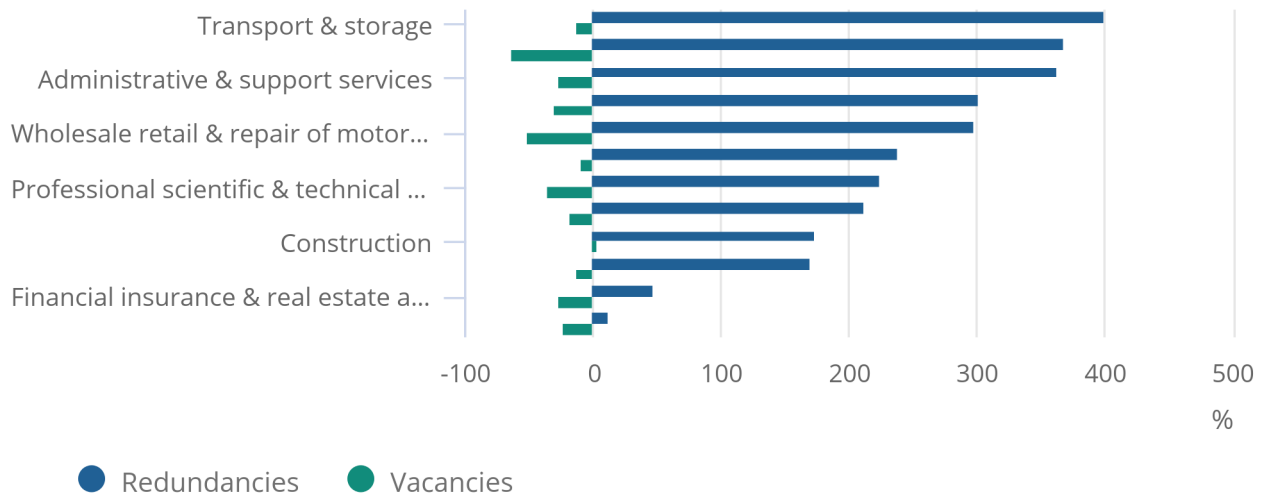
In Figure 5, we plot the annual changes in vacancies and redundancies between September to November 2019 and the same period in 2020. Redundancy rates increased at a faster rate than the fall in vacancies across all industries except in education.

Figure 5: Vacancies in the accommodation and food service activities industry declined the most in the year to November 2020, while redundancies increased the most in the transport and storage industry

Annual percentage changes in vacancies (seasonally adjusted) and redundancies (not seasonally adjusted), UK, September to November 2019 and September to November 2020

Figure 5: Vacancies in the accommodation and food service activities industry declined the most in the year to November 2020, while redundancies increased the most in the transport and storage industry

Annual percentage changes in vacancies (seasonally adjusted) and redundancies (not seasonally adjusted), UK, September to November 2019 and September to November 2020



Source: Office for National Statistics - Labour Force Survey and Vacancies Survey

Notes:

1. Excludes "Agriculture, fishing, energy and water".
2. "Other service activities" estimates have been suppressed on disclosure grounds.

In Figure 5, accommodation and food service activities experienced the largest annual decline in vacancies (negative 64.0%), followed by wholesale, retail and repair of motor vehicles (negative 50.4%). The lowest annual decline in vacancies was recorded in human health and social work activities (negative 11.5%). It was only in the construction industry where vacancies increased by a small percentage (4.0%).

The Bank of England in its [August Monetary Policy Report \(MPR\)](#) indicated that the differential impact of the pandemic and coronavirus restrictions in various sectors of the economy is likely to cause a temporary mismatch between skills and vacancies in the labour market. This is expected to last well into 2021, depending on the persistence of the differential impact of the coronavirus across sectors, and supply issues such as the ability of the workforce to build new skills.

Although [vacancies are showing signs of recovery](#) from earlier in 2020, they, like most other macro-economic statistics, have not recovered to pre-pandemic levels. The [ONS's publication on vacancies and jobs in the UK for January 2021](#) shows the recovery of vacancies in the period October to December 2020 slowed compared with the period July to September. Alongside an increase in redundancies, this may indicate that uncertainty remains heightened in the economy.

6 . Faster indicators data and experimental statistics

The Office for National Statistics produces faster indicators and experimental statistics to give timely insights into various economic variables. We use these data to gain insights into how redundancy trends evolved in most recent periods, complementing the Labour Force Survey (LFS), which captures these changes with a lag. The [Business Impact of COVID-19 Survey \(BICS\)](#)² offers a "snapshot" in time of the way firms are affected by the coronavirus (COVID-19) pandemic, policies and the end of the EU transition period.

The BICS data allow for the analysis of employees who were furloughed. The furlough scheme was first announced in March 2020 and was extended in June, October and December 2020. In December, [the scheme was extended to the end of April 2021](#). There is evidence that the extensions of the scheme allowed employers to continue to put employees on furlough to avoid additional redundancies. For example, the autumn [CIPD's Labour Market Outlook](#) showed that 41.0% of the surveyed firms placed employees on furlough or temporary lay-offs to minimise redundancies in the three months to December 2020. The outlook shows the other strategies used by employers to date to minimise redundancies as redeployment (37.0%), recruitment freezes (32.0%), freezing or delaying wage increases (29.0%), cutting bonuses (29.0%) and terminating contracts for temporary or agency employees (27.0%).

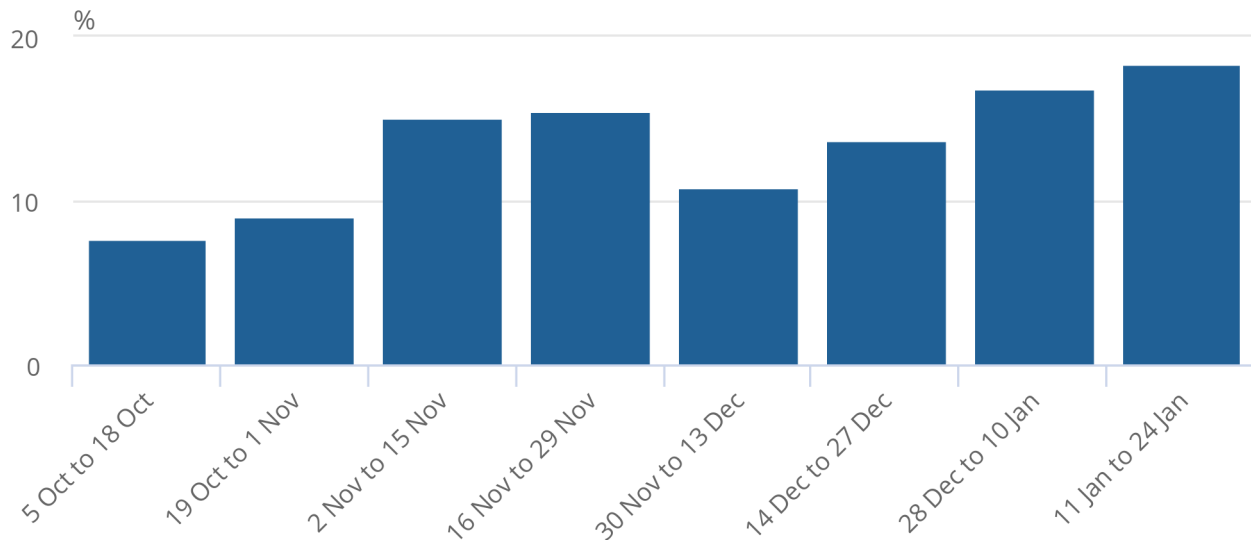
Figure 6, based on the BICS data, shows that between 5 October 2020 and 24 January 2021, the proportion of the workforce on furlough leave trended upwards. However, there was a decline between the end of November and early December 2020.

Figure 6: The proportion of businesses' workforce on furlough leave increased from 7.7% in October 2020 to 18.3% in January 2021

Proportion of businesses' workforce on furlough leave, UK, 5 October 2020 to 24 January 2021

Figure 6: The proportion of businesses' workforce on furlough leave increased from 7.7% in October 2020 to 18.3% in January 2021

Proportion of businesses' workforce on furlough leave, UK, 5 October 2020 to 24 January 2021



Source: Office for National Statistics - Business Impact of COVID-19 Survey (BICS)

Notes:

1. Businesses estimated the proportion of workforce on furlough in the two weeks prior to completion of the questionnaire. This included those on full or partial furlough leave.
2. The question was asked to businesses who had not permanently stopped trading.

Figure 6 shows the proportion of businesses' workforce that was on furlough increased between October and November and again from the second half of December onwards. The increases coincided with the lockdown restrictions and the announced extensions of the furlough scheme.

The BICS data also show the percentage of businesses expected to make redundancies in the three months following their response to the survey. For example, the BICS Wave 23 (11 to 24 January 2021), shows that the industries with the largest share of businesses expecting to make redundancies were accommodation and food service activities (9.0%), "other service" activities (7.0%) and administrative and support services (5.0%).

Experimental weekly LFS data and Adzuna job adverts

[Experimental weekly LFS](#) data and [Adzuna on-line job adverts](#) give us insight into more recent trends in redundancies (LFS weekly data) and labour demand. Increasing online job adverts indicate growing confidence among employers, which could mean that firms will be less likely to make redundancies. Where redundancies occur, the chances of redundant employees getting re-employed could be higher.

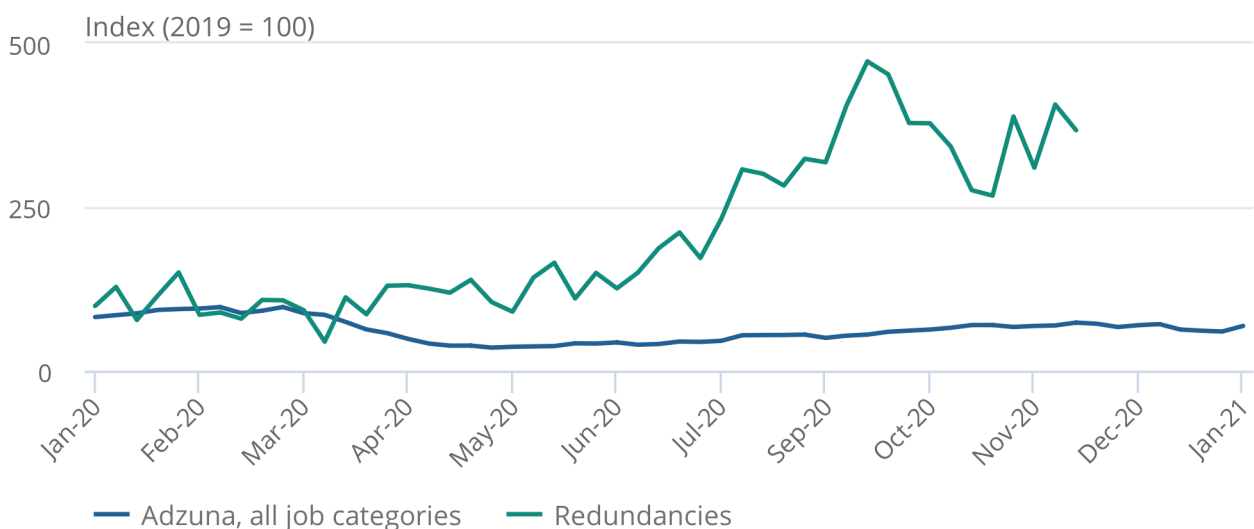
In Figure 7, we plot weekly experimental LFS redundancy data together with Adzuna online job adverts for 2020 to 2021. Both series are indexed to the 2019 average (that is, 2019 equals 100). Values above 100 show increases and values below 100 show decreases compared with the 2019 average.

Figure 7: Experimental data show that redundancies peaked in September and remained high in November 2020

Indexes of experimental redundancies and Adzuna all industries (2019 = 100), UK, January 2020 to January 2021

Figure 7: Experimental data show that redundancies peaked in September and remained high in November 2020

Indexes of experimental redundancies and Adzuna all industries (2019 = 100), UK, January 2020 to January 2021



Source: Office for National Statistics –Weekly Experimental Labour Market Survey and Adzuna online job adverts

Figure 7 shows that redundancies peaked in September. They declined in October but bounced back upwards in November. Lockdowns in the UK's different nations between October and December are likely to have contributed to an upward trend in redundancies.

The Adzuna online job adverts for the period January 2020 to January 2021 show that adverts remain below their 2019 average.

Disaggregating the online job adverts data by job category shows the varied impacts of the pandemic on jobs. [The July 2020 Economic Review](#) discussed the changes in job adverts by job category. [Analysis of more recent Adzuna job adverts trends](#) shows that overall, job adverts across all categories increased by 20.4% between August 2020 and January 2021.

However, job adverts in catering and hospitality decreased by 33.1%, and by 15.3% in transport, logistics and warehousing over the same period. The decrease may be indication of the lack of employment confidence by the sectors because of the lockdown restrictions introduced in the period October to December 2020.

The impacts of the coronavirus pandemic continue to manifest themselves as the virus continues to disrupt economic activity. Lockdown measures to control the spread of the virus persist, also reducing economic activity. Redundancies continue to increase as employment falls. However, the rollout of COVID-19 vaccines provides hope for improved economic and labour market performance.

Notes

[?] This article focuses on final weighted results from Wave 16 to 23 of the Office for National Statistics's (ONS's) Business Impact of Coronavirus (COVID-19) Survey (BICS). Final results from Wave 7 to 23 are available in the Business insights and impact on the UK economy dataset page. Estimates prior to Wave 7 are also available but are unweighted and based on a smaller sample size.

7 . Labour market data

[Business insights and impact on the UK economy](#)

Dataset | Released 11 February 2021

Weighted estimates from the voluntary fortnightly business survey (BICS) about financial performance, workforce, prices, trade, and business resilience.

[Labour Force Survey weekly estimates](#)

Dataset X07 | Released 26 January 2021

LFS weekly estimates of employment, unemployment, economic inactivity and hours in the UK. All estimates are calculated from highly experimental weekly LFS datasets.

[Online job advert estimates](#)

Adzuna | Released 4 February 2021

Experimental job advert indices covering the UK job market.

[Redundancies](#)

Dataset RED02 | Released 26 January 2021

Redundancies by age, industry and region, not seasonally adjusted. These estimates are sourced from the Labour Force Survey, a survey of households.

8 . Glossary

Redundancies

The redundancies estimates measure the number of people who were made redundant or who took voluntary redundancy in the three months before the [Labour Force Survey](#) interviews. The estimates do not take into consideration planned redundancies.

9 . Data sources and quality

Most data in this article come from surveys of households and businesses. It is not possible to survey every household and business each month, so these statistics are estimates based on samples.

10 . Future developments

This is a quarterly labour market economic analysis article. Future quarterly analyses will focus on new developments in the labour market.

11 . Related links

[Labour market overview in the UK: August 2020 and January 2021](#)

Bulletin | Released 11 August 2020 and 26 January 2021

Estimates of employment, unemployment, economic inactivity and other employment-related statistics for the UK.

[Vacancies and redundancies in the UK: 26 January 2021](#)

Article | Released 26 January 2021

Estimates of the number of vacancies in the UK.

[Coronavirus Job Market Retention Scheme](#)

Bulletin | Released 24 December 2020

This release provides analysis of claims for periods up to 31 October 2020. The data used includes claims submitted to HM Revenue and Customs by 30 November 2020.