

COVID-19 and Inequality: a brief overview

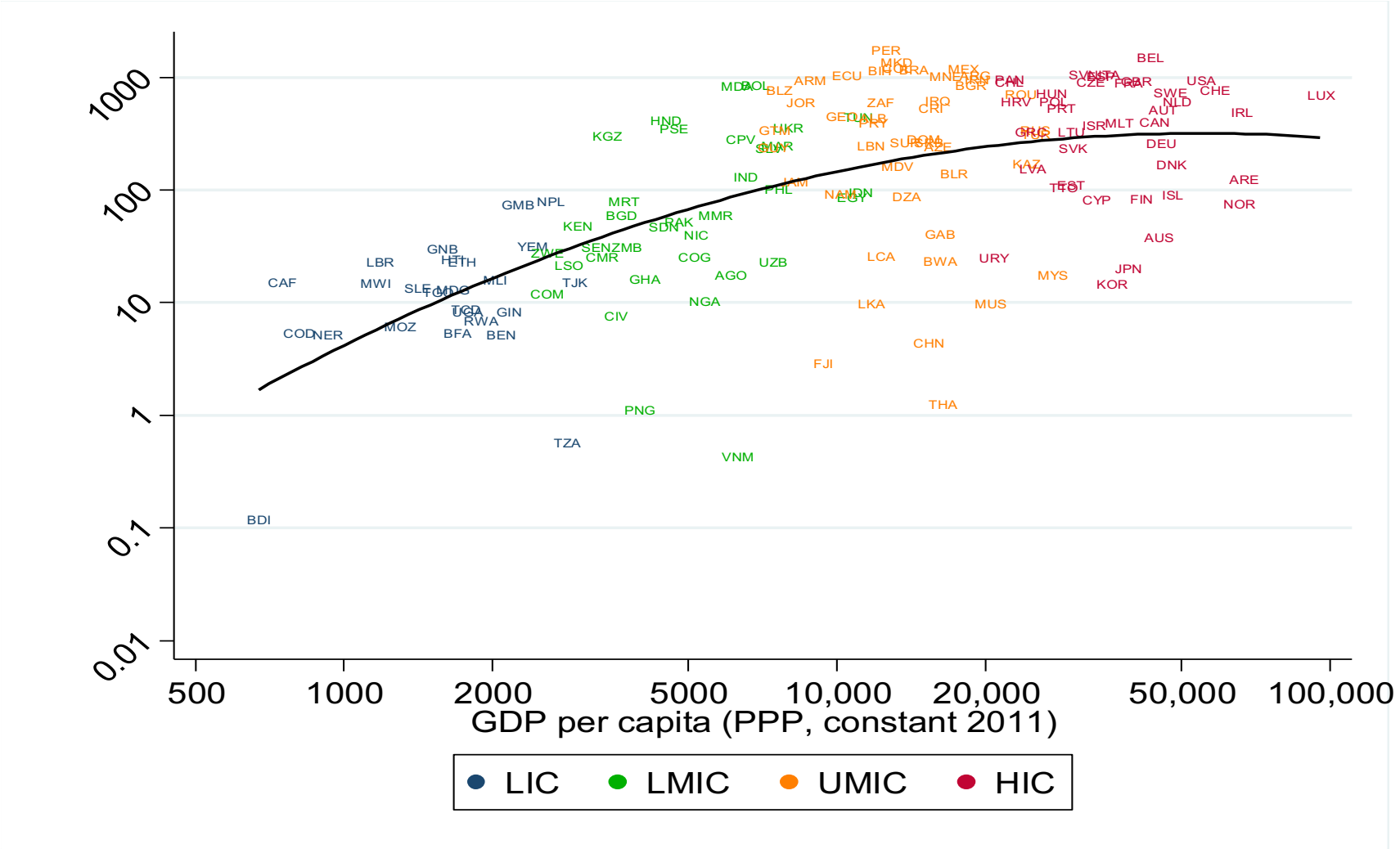
Francisco H. G. Ferreira

London School of Economics and IZA

IMF-AFR High-level Policy Dialogue

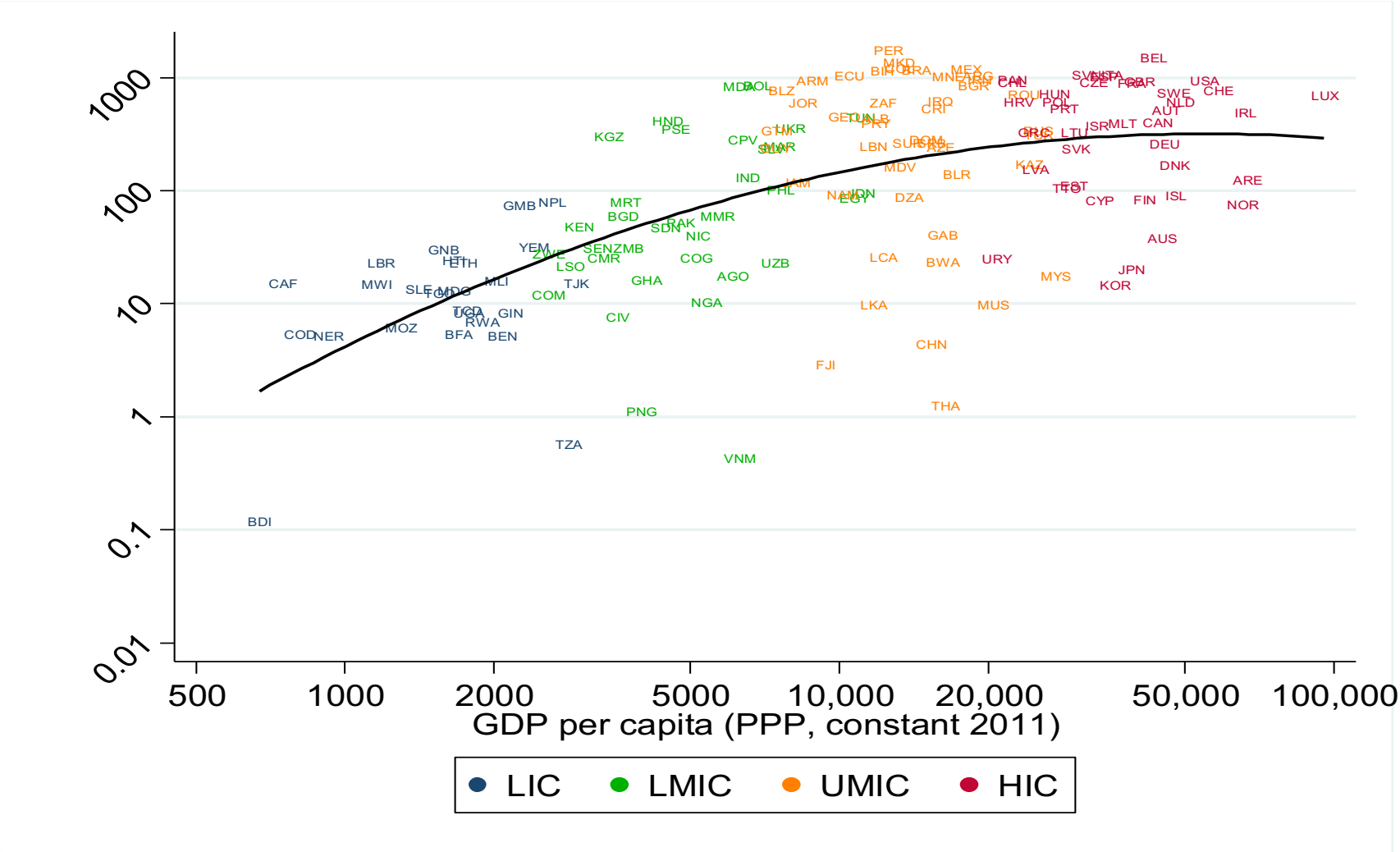
20 September 2022

A massive negative shock on global health and mortality



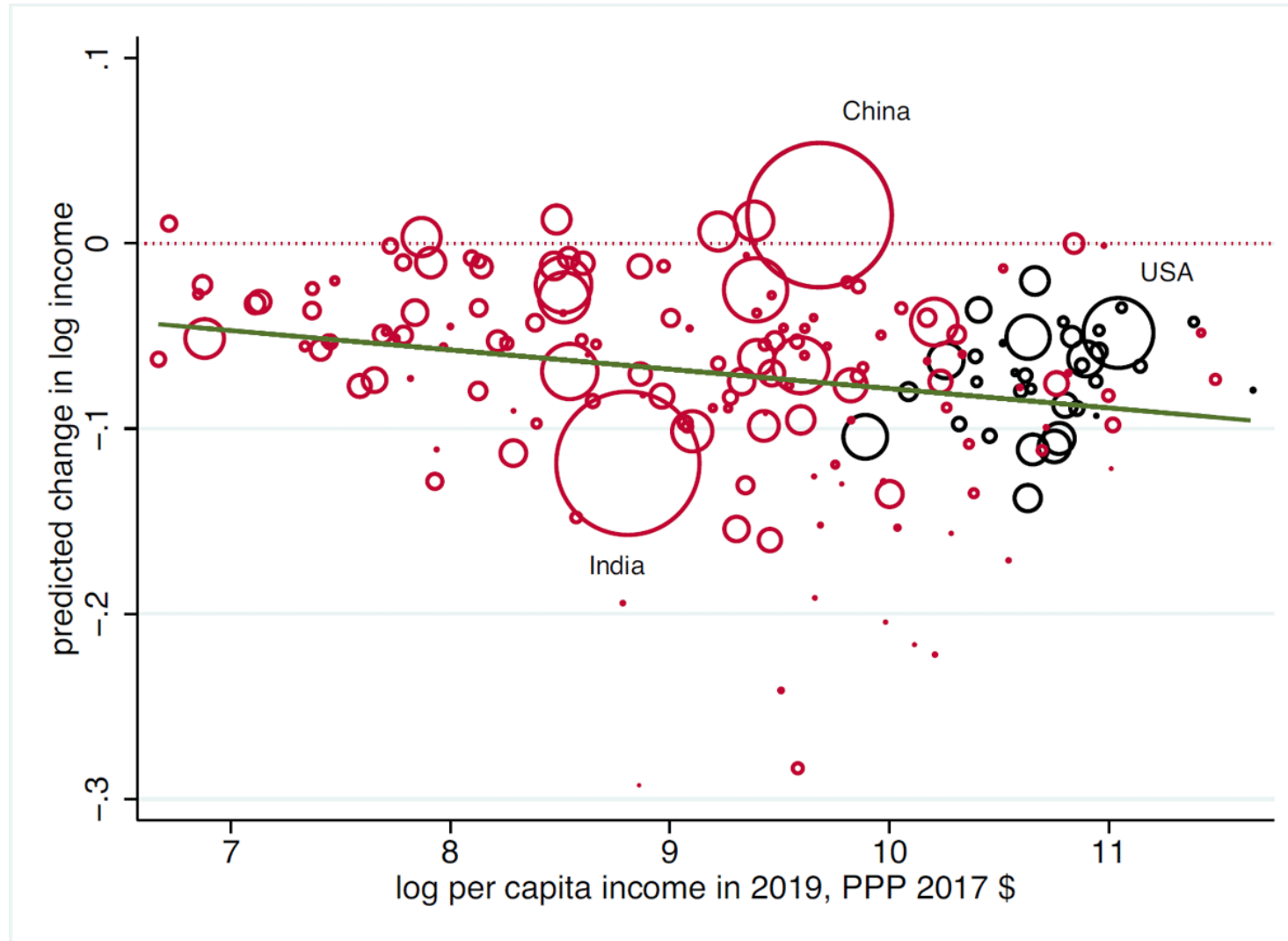
Source: Ferreira et al. (2021): “Death and Destitution”, LSE Public Policy Review, 1 (4): 2

A massive negative shock on global health and mortality – with greater mortality in richer countries (estimates for 2020)



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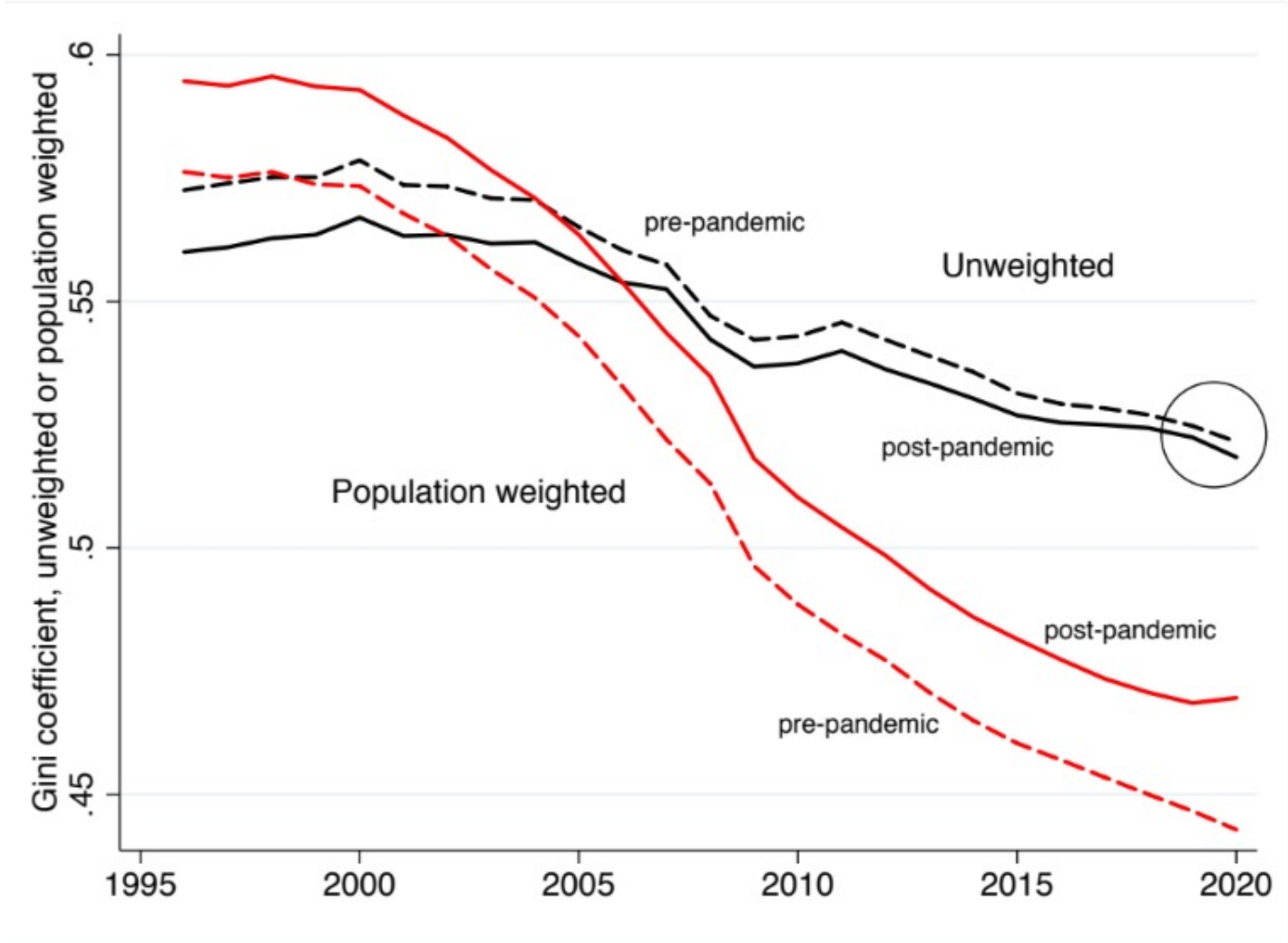
An equally massive negative economic shock: **global recession in 2020**



Source: A. Deaton (2021): "COVID-19 and Global Income Inequality", LSE Public Policy Review, 1 (4): 1

Inequality **between** countries, estimates for 2020

- Population-weighted international income inequality reverses downward trend, largely because of India



Source: Deaton, *LSE Public Policy Review*. 2021

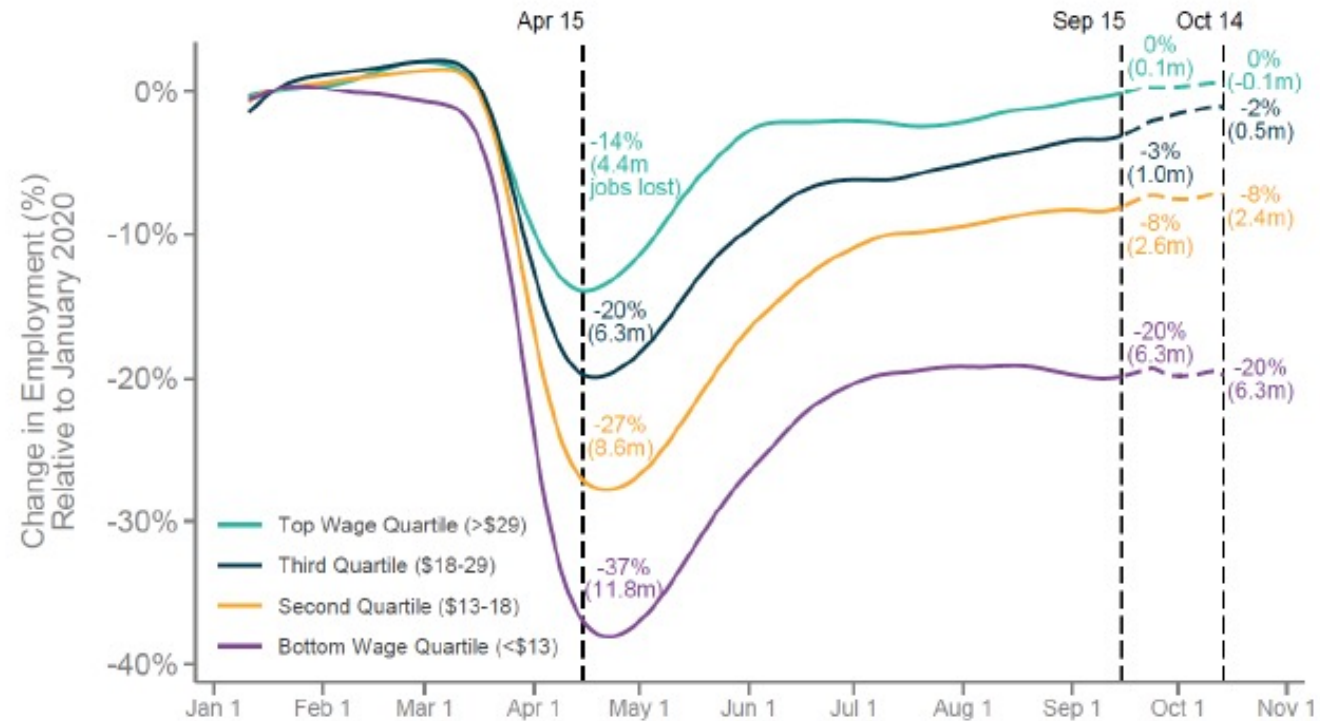
Inequality **within** countries: priors

- Most observers expected increases in income inequality within countries
 - **Infection and death rates** were themselves unequally distributed
 - **Labor market effects:** the ability to work from home was strongly correlated with education and hence with pre-pandemic incomes
 - Unequal labor market effects across **genders** and, in many countries, **races**.
 - Driven (i) by gender differences in occupations and unequal effect of pandemic, e.g., hospitality sector
 - Also driven by school closures and traditional gender roles in child care.
 - **Capital market effects:** large injections of liquidity led (first) to asset price inflation, benefitting those who had assets...
- Could the policy responses mitigate the LM effects?: job protection (e.g., furlough) schemes; unemployment insurance extensions; “Economic impact payments”, etc.
- **Big long-term question: large inequality effects of school closures**

Inequality **within** countries: evidence on **employment**

FIGURE A.7: CHANGES IN US EMPLOYMENT BY WAGE QUANTILES FROM JANUARY TO NOVEMBER 2020.

In the US, declines in employment were indeed negatively correlated with pre-pandemic wages



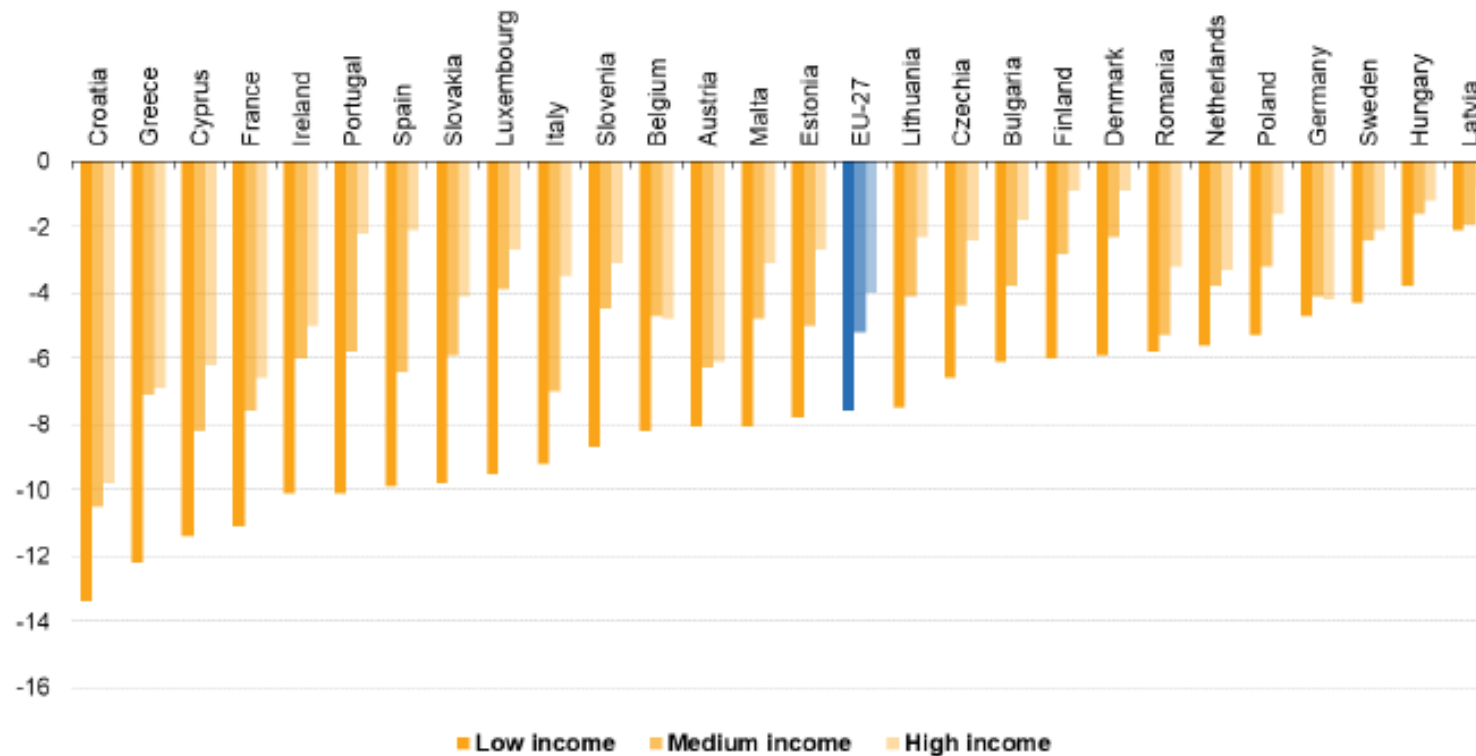
Secondary source: Stantcheva (2022): “Inequalities in the Times of a Pandemic”

Notes: Figure from Chetty et al. (2020).

This figure shows the changes in employment by wage quartile relative to January 2020. Each quartile is computed based on pre-COVID-19 wage distribution.

Inequality **within** countries: evidence on **market incomes**

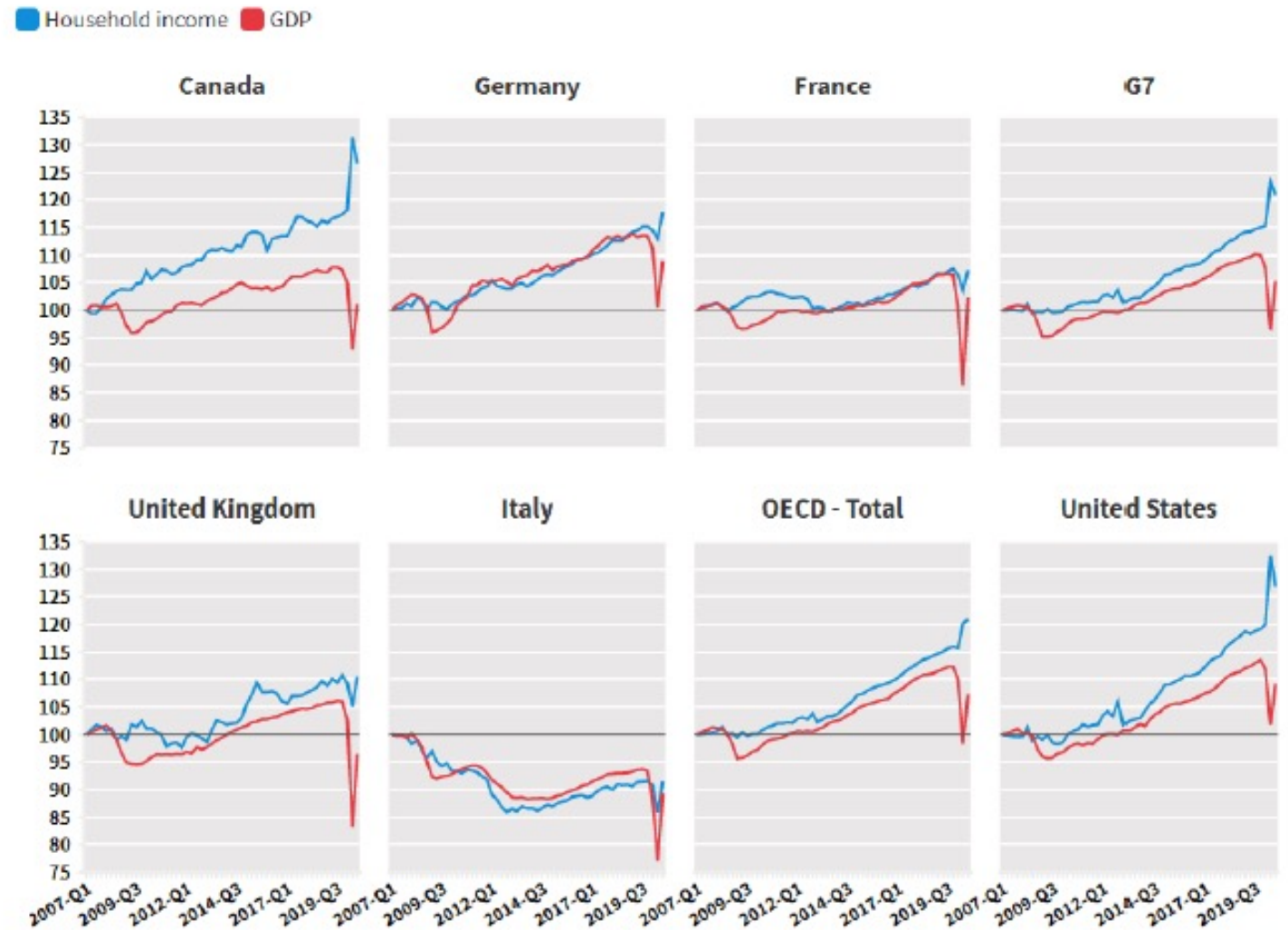
FIGURE 2: LOSS OF INCOME FROM EMPLOYMENT BETWEEN 2019-Q2 AND 2020-Q2 IN THE EU, BEFORE ~~AND AFTER~~ GOVERNMENT COMPENSATION, BY INCOME



Secondary source: Stantcheva (2022): “Inequalities in the Times of a Pandemic”. Primary credited source: Eurostat (December 2020): Bars represent the percentage of employment income lost between Q2 2019 and Q2 2020. Low income: 3rd lowest decile, High income: third highest decile. Medium income: four middle deciles.

But governments transferred a lot of income to households...

FIGURE 1: EVOLUTION OF HOUSEHOLD INCOME PER CAPITA AND REAL GDP FROM 2007-Q1 TO 2020-Q3 IN OECD COUNTRIES



Secondary source: Stantcheva (2022): “Inequalities in the Times of a Pandemic”

Notes: Figure from OECD (2020), Household dashboard database.

This figure shows the evolution of real household income per capita and real GDP per capita until the third quarter of 2020. The first quarter of 2007 is normalized to 100.

So inequality in **disposable income** often fell even as **market income** inequality was rising – in 2020.

TABLE 1: EVOLUTION OF GINI COEFFICIENTS DURING THE PANDEMIC

Citation Countries	Method	Without policy response	With policy response (Overall effect)
Almeida et al. (2020) EU (27)	Simulating effect of policies	+3.6%	-0.7%
Aspachs et al. (2020) Spain	Evolution over time	+24.4% (0.560)	-23.21% (0.430)
Brunori et al. (2020) Italy	Simulating effect of policies	+0.67% (0.3396)	-0.67% (0.3396)
Clark et al. (2020) DE, ES, FR, IT, SE	Evolution over time	+2.17% (0.322)	-2.48% (0.322)
Li et al. (2020) Australia	Comparison market and post-tax and transfers income	+3.33% (0.539)	-7.57% (0.330)
O'Donoghue et al. (2020) Ireland	Comparison market and post-tax and transfers income	+20.64% (0.499)	-6.62% (0.317)
Palomino et al. (2020) EU (29)	Simulating effect of policies	+3.5% to +7.3%	NA

Source: Stantcheva (2022):
“Inequalities in the Times of
a Pandemic”

Notes: Figures in parentheses refer to initial level of Gini coefficient, when available.

So inequality in **disposable income** often fell even as **market income** inequality was rising – in 2020.

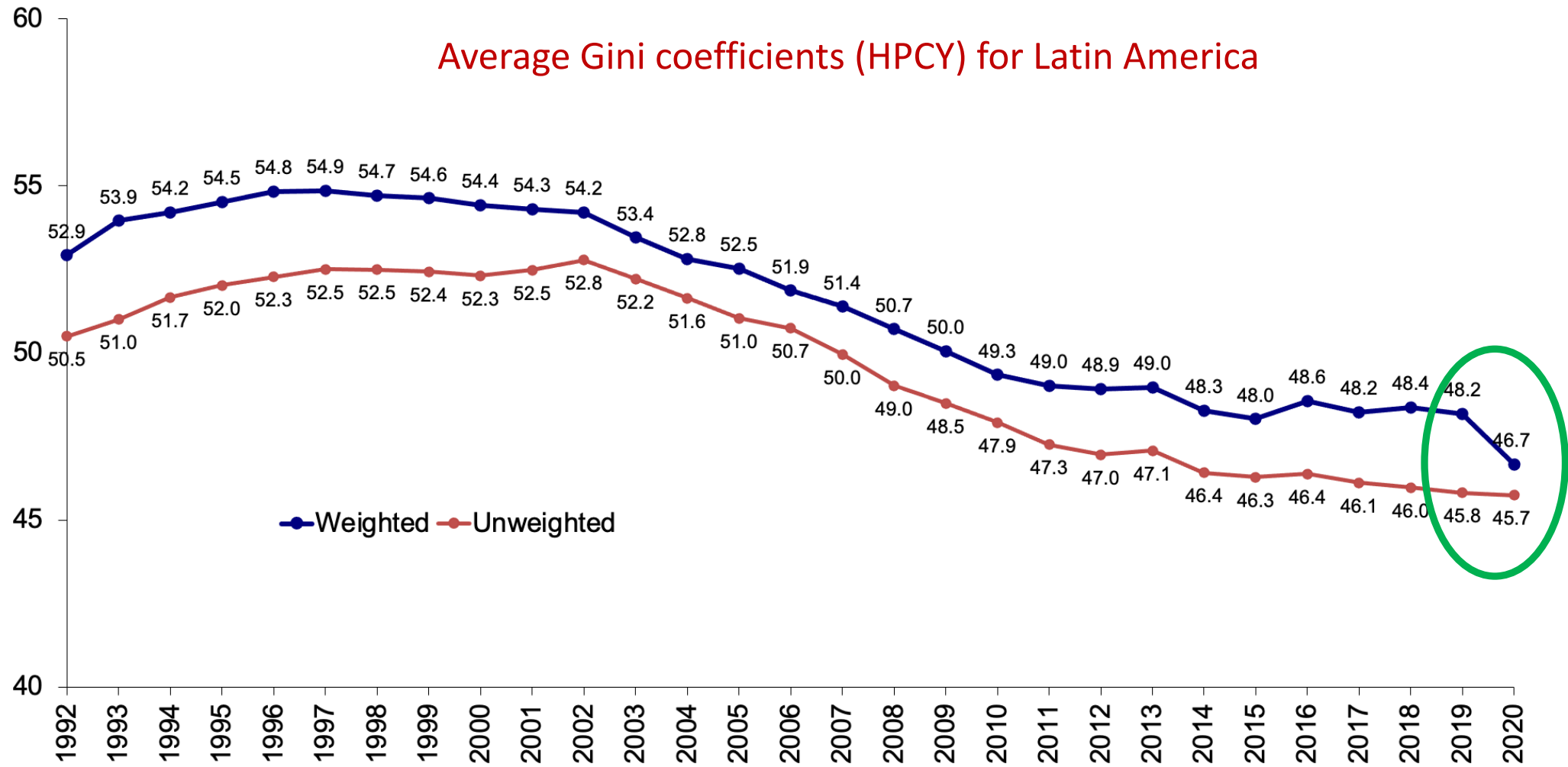
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This appears to have been more frequent in rich countries, but not exclusively: e.g., the Auxílio Emergencial (and other measures) in Brazil



Source: update on Gasparini and Cruces (2021), based on SEDLAC data

Countries: Argentina, Brazil, Chile, Paraguay, Uruguay, Bolivia, Colombia, Ecuador, Peru, Venezuela, Costa Rica, Honduras, Nicaragua, Panama, Mexico, Dominican Republic.

Conclusions and questions for the future

1. The pandemic caused massive recessions and increases in **poverty** in 2020 – temporarily reversing a long-time declining trend.
2. Simple **inequality between countries** continued to decline in 2020.
3. But **weighted inequality** between countries **rose**, largely because of India.
4. Within countries, the pandemic tended to exacerbate **inequalities in employment and wage incomes**, both overall and between genders.
5. But in many rich and some middle-income countries, the policy response was so large that **inequality in disposable incomes fell**.
6. How did these dynamics play out in Africa?
7. The impact of school closures on learning is now known to have been both large and unequal. The long-term effects of this remain to be seen
8. What has happened to the distributions of both market and disposable incomes in 2021 and 2022?

Thank you.