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One in four report income loss due to pandemic – self-employed most affected

Loss of income is one of the most common consequences of the pandemic. The decline in income, caused by loss of employment and restrictions on mobility as well as economic activity, may result in lower living conditions, food insecurity, and loss of human capital. Emerging evidence points to devastating levels of income loss in some of the low- and middle-income countries in Asia, Africa, and Latin America.

We analysed data from the second round of the Life with Corona survey to see whether there were differences between high- and middle-income countries in the number of people who experienced a decrease in income since the beginning of the pandemic. The data is collected between October 2020 and mid-March 2021, and includes respondents aged 18-69 from seven high and middle-income economies where we had at least 130 responses: Argentina, Brazil, Indonesia, Germany, Portugal, UK, and the United States.

On average, around 25% of the respondents reported a loss of income. The share of respondents reporting a decline in income is largest in the middle-income countries in our sample – Argentina, Brazil, and Indonesia, where at least every third respondent reported a loss of income. The number of respondents with a decreased income is substantial in some high-income countries also: in Germany and the United Kingdom about a quarter of the respondents (24%) reported at least a moderate decrease in their net income.

Individual characteristics such as gender or age do not seem to be significant factors in explaining the changes. However, the type of employment seems to be a decisive factor. Nearly two-thirds (64%) of those who were self-employed said that since the start of the pandemic their net income had drastically or moderately decreased. Public servants and wage employees were the least affected, with only 6% of the public servants reporting a decline in income.

We looked at the potential macro-level factors behind the loss of income, such as GDP growth, government's support, and stringency of anti-coronavirus measures in the analysed countries. The decline in real GDP is not a strong predictor of the rates of individual income losses. The extent of loss of income seems to be compensated by how much the national governments provided social and financial support to its population and businesses, as well as how stringent the national counter-pandemic restrictions were since March 2020. It appears that the high level of financial support that the high-income countries like Germany and the UK could afford have eased the level of income losses, despite these countries being among the most stringent on counter-pandemic measures. Around 15% of all respondents indicated some form of support from their respective governments, and a third of those who reported a loss of income said they received some form of state support. Every 4th person reporting an increased level of income also reported receiving state support.

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