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The Consequences of COVID-19 on Livelihoods in Barbados

Results of a Telephone Survey

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Country Department Caribbean Group

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Abstract

We conducted a telephone-based nationally representative survey of Barbados between May and June 2020. The main objective was to quantify the early consequences of the COVID-19 pandemic. We document significant labor market disruptions with relatively more severe consequences among low income households. In addition, we present for the first time objective financial literacy measures. The findings suggest that increased financial literacy is correlated with more resilience to the detrimental consequences of the pandemic. In terms of policymaking, the results point to the following recommendations. First, job protection and business support will be important to bridge the gap that the country will experience until it can completely reopen, and tourism can safely start again. Existing measures to promote employment should be maintained and further prioritized going forward. Second, means to support financial resilience are important for households to better cope during the period, whether in the form of savings or greater financial literacy. These two issues should be further prioritized in the government's strategy going forward to cushion people from shocks. Finally, the social protection system has been the most vital tool to support the population during these hard times. Despite some leakage, the new programs showed signs of better targeting and are the most important lifeline for many in the country. Maintaining these programs and improving their efficiency and targeting will be of outmost importance in this crisis. Going forward, we recommend generating more evidence on the severity and length of the shock, as well as improving the understanding of how to better target social assistance programs to provide efficient and sustainable support to Barbados' citizens.

JEL Codes: A1, D6, E6, H5, O54, R2
Key Words: Barbados, COVID-19, Unemployment, Financial Literacy.

Contents

Acronyms

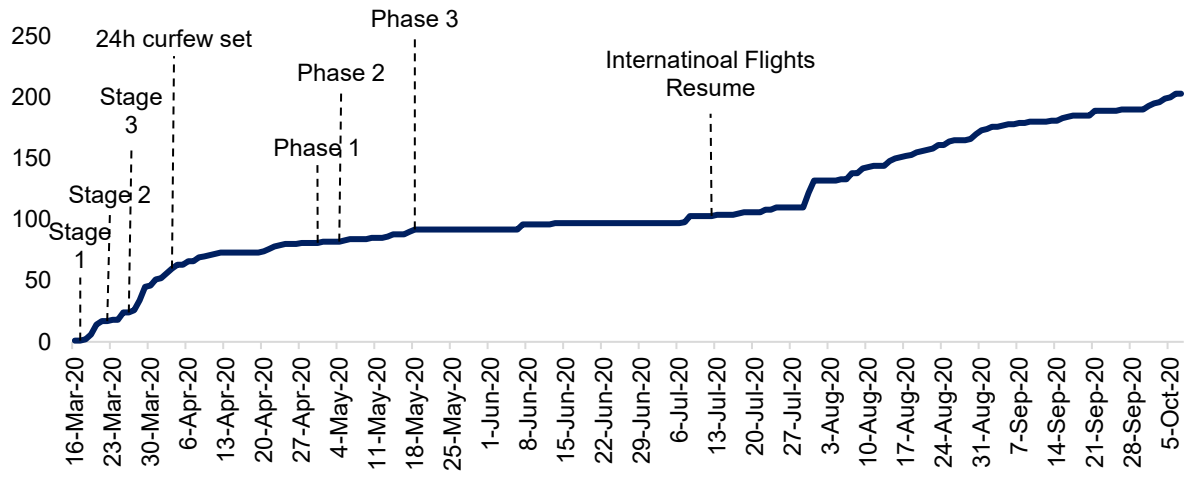
BBD	Barbados Dollars
BGIS	Barbados Government Information Service
BSLC	Barbados Survey of Living Conditions
GDP	Gross Domestic Product
HSP	Household Survival Program
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
NIS	National Insurance Scheme

1. Introduction

COVID-19, the most serious and widespread pandemic of the 21st century thus far, is having severe consequences for the Barbadian economy. Since the declaration of the pandemic by the World Health Organization in March 2020, over a million lives have been lost. The health crisis is wreaking economic and social havoc worldwide. To date, there are 36,583,084 confirmed cases, 1,062,978 deaths and 27,691,051 recoveries.[1] The global outlook for 2020 has been revised downward from the projected 3.3 percent growth at the beginning of 2020 to a revised projection of -4.9 percent in June 2020. The Latin America and Caribbean (LAC) region is being significantly affected, having recorded 9,873,396 cases and 363,782 deaths, and revising its 2020 growth projection downward from 0.1 percent projected in 2019 to –9.4 percent projected in 2020.[2]

Barbados recorded its first case of COVID-19 on March 17, 2020, and after a rise in cases between March and April 2020, has since made substantial progress in flattening the epidemiological curve (Figure 1). The government's closing and reopening strategies were phased. On March 17, 2020, the authorities announced the commencement of the first of a three-stage closing plan, which would roll out social distancing and mobility restriction measures as the number of cases increased. On March 22, 2020, Stage 2 of the closing strategy was declared with further restrictions set. On March 26, 2020, the country entered Stage 3 of the closing strategy. This stage included a series of curfews that would completely restrict mobility in the island during April. As the epidemiological curve showed signs of flattening, the authorities announced a four-phase reopening plan that started with Phase 1 on April 29, 2020, with the gradual reopening of the economy and easing of social distancing measures. Phase 2 was declared on May 4 and Phase 3 commenced on May 18, 2020. Repatriation flights commenced in June 2020, and commercial flights resumed on July 12, 2020. Phase 4 will commence once a vaccine is available.

Figure 1. Recorded COVID-19 Cases and the Reopening and Closing Strategies[3]



[1] https://www.iadb.org/en/coronavirus/current-situation-pandemic - These figures have been updated until October 8, 2020 (Worldwide and the LAC)

[2] https://blogs.imf.org/2020/06/26/outlook-for-latin-america-and-the-caribbean-an-intensifying-pandemic/

[3] Updated figures until October 8, 2020.

The pandemic has triggered the deepest global recession since World War II.[4] COVID-19 has weakened potential output, investment, and productivity in the global economy, exacerbating pre-existing macroeconomic conditions and downside risks. COVID-19 has also altered the economic outlook of Barbados. The economy contracted 14.9 percent in the first semester of 2020 and is now expected to decline by at least 11.6 percent in 2020.[5] Both the trading and non-trading sectors have been negatively affected by the mobility restrictions and reduced demand, contributing to the slump in economic activity, especially for the tourism and tourism-related sectors (including wholesale or retail for example). The tourism sector contracted 16.2 percent in the first semester of 2020, reflecting a 17.9 percent reduction in long-stay arrivals in the first semester of 2020.[6]

Livelihoods are being severely hindered, particularly in tourism-dependent countries. An online survey conducted by the Inter-American Development Bank (IDB) between April and June 2020 found that across all six of the IDB's Caribbean Department member countries, the number of vulnerable households roughly doubled in the first six weeks of the pandemic.[7] Tourism-dependent countries recorded higher job losses than commodity-dependent countries.[8] The former countries approximately doubled the rate of job losses for both the highest and lowest brackets of the income distribution, when compared to the latter counterparts: 77.3 percent in tourism-dependent countries compared to 44.2 percent in commodity-dependent countries among lower-income households and 36.1 percent in tourism-dependent countries compared to 14.2 percent in commodity-dependent countries among higher-income households.[9] Since the completion of the online surveys, various countries in the region have conducted telephone surveys on nationally representative samples to gain further insight on the consequences of COVID-19 on livelihoods.[10]

This brief presents the result of the June 2020 telephone survey for Barbados on the consequences of COVID-19 on livelihoods. The survey was conducted by phone on a nationally representative sample of 2,892 individuals living in 896 households interviewed over a four-week period between May and June 2020. The demographics for this sample are shown in Table 1. The sample was drawn from the 2016/17 Barbados Survey of Living Conditions (BSLC).[11] This paper also makes use of the 2016/17 BSLC data to review socioeconomic trends before and after the COVID-19 shock.

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[4] September 1, 1939 – September 2, 1945.
[5] The decline is largely attributed to the plummeting of tourism arrivals by more than 50 percent in the first half 2020 (long-stay visitor arrivals by 54 percent and cruise passengers by 34 percent), which is having negative effects on growth, employment, and the reserve cover.
[6] Review of Barbados' Economic Performance (January to June 2020).
[7] Full microdata and documentation of the online survey, which includes 17 LAC countries with more than 200,000 observations, can be accessed at: https://publications.iadb.org/en/idbcornell-coronavirus-survey
[8] The member countries of the IDB's Caribbean Department are The Bahamas, Barbados, Jamaica, Guyana, Suriname and Trinidad and Tobago.
[9] https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-the-caribbean-crisis/
[10] Barbados conducted a telephone survey in May and June 2020, focused on the same sample as the 2016/17 Barbados Survey of Living Conditions. Suriname conducted a telephone survey in July 2020, focused on the same sample as the 2016/17 Suriname Survey of Living Conditions.
[11] Specifically, we contacted households who participated in the 2016/17 BSLC and provided consent to be included in future follow-up panel surveys. Then appropriate reweighting of the data was implemented to maintain its national representativeness. Full microdata and documentation of this survey can be accessed at: https://publications.iadb.org/en/barbados-survey-living-conditions-2016

The aim of this brief is to provide real-time evidence of key socioeconomic indicators during the pandemic period in Barbados. By providing insights on who is being affected and through what channels, we aim to shed light on the distributional impacts of this unprecedented shock across the population, which will be important when targeting future interventions and support for the country. The paper is structured as follows: Section 2 provides evidence on the knowledge of COVID-19 by the population. Sections 3, 4, and 5 provide insights on livelihoods through the labor market, businesses, and other sources of income, respectively. Section 6 reviews different coping mechanisms that the population has used to face the financial shock. Section 7 concludes.

Table 1. Demographics of 2020 Survey Population

Household count		896
Individuals count		2,892
Overall mean age of household members		39
Household respondent education level (18+)	No education	1.2%
	Primary	15.4%
	Secondary	39.0%
	Sixth form / community college	9.7%
	Vocational training/higher education	17.2%
	University degree (first degree)	12.2%
	Postgraduate degree (masters or doctoral)	5.2%
Household members	Women	52%
	Men	48%

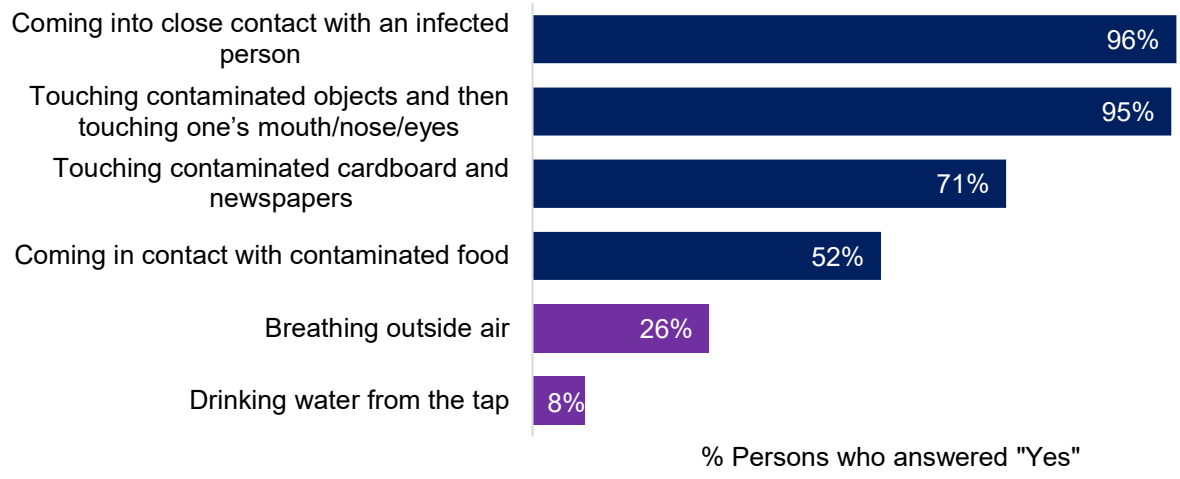
2. Knowledge of COVID-19

The authorities in Barbados implemented strict social distancing measures from the onset of the outbreak and carried out a widespread information campaign on COVID-19 and the response policies. The official communications arm of government, the Barbados Government Information Service (BGIS), was primarily responsible for the dissemination of public information to the various news media and the general public. In June 2020, a COVID-19 Monitoring Unit was also established to monitor and assess public health and social measures with reference to the pandemic. The BGIS provided information to the public of the various health and safety protocols and procedures by releasing recurring announcements on their website, social media, and the radio on a daily basis. Adding to this, daily updates were broadcasted on the number of total cases, total active cases, total confirmed cases, total recoveries, and total deaths by The Ministry of Health and Wellness in Barbados' COVID-19 Situation Report. The Ministry was also responsible for the setup of a COVID-19 hotline to target those persons experiencing symptoms of the virus and to act as a mobile testing service. Results from an online survey conducted by the IDB in April 2020 showed that of all the different communication channels, social media was the most widely used source by the population to obtain information on COVID-19. Almost 60 percent of the population reported using social media always or almost always to obtain information about the coronavirus.[12]

[12] For more results of this online survey, please refer to https://publications.iadb.org/en/covid-19-the-caribbean-crisis-results-from-an-online-socioeconomic-survey

Coming into contact with an infected person and touching contaminated objects were correctly identified by almost 100 percent of the population as ways of getting infected. The telephone survey included questions on people's knowledge of the spread of COVID-19. Respondents were asked to answer if an option for contagion was true or false. Figure 2 below presents the results of these questions: coming into contact with an infected person was the most commonly accepted contagion mechanism (96 percent), followed by touching contaminated objects and then touching one's mouth, nose or eyes (95 percent), touching contaminated cardboard and newspapers (71 percent), and coming in contact with contaminated food (52 percent). A minority of persons incorrectly identified breathing outside air (26 percent) and drinking from tap water (8 percent) as contagion mechanisms. The majority of respondents (35.8 percent) answered five out of six questions correctly, 25.9 percent of respondents answered all six questions correctly, and 29.3 percent of respondents answered four out of six questions correctly. Less than 1.5 percent of the population answered no, one, or two questions correctly.[13] In cumulative terms, 91 percent of the population answered at least four out of the six questions correctly, and 61.7 percent answered at least five out of the six questions correctly. This shows an overall good knowledge of contagion mechanisms.

Figure 2. Percent of Positive Responses to Each Contagion Mechanism



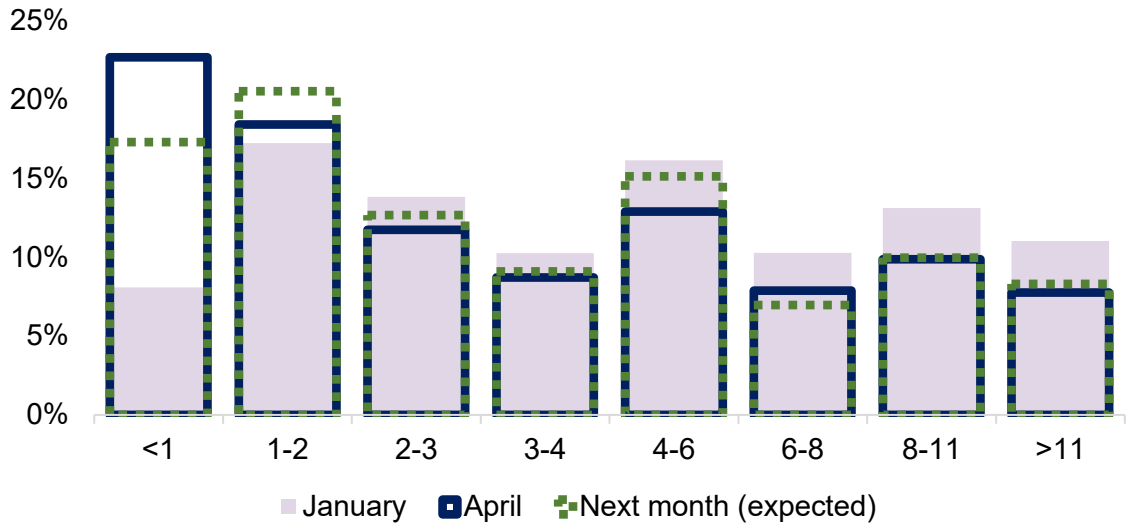
NB: For dark blue lines the correct answer to be "Yes". For purple lines the correct answer to be "No"

[13] For the purposes of this study, the team understands that for 1. Coming into close contact with an infected person, 2. Touching contaminated objects and then touching one's mouth/nose/eyes, 3. Touching contaminated cardboard and newspaper and 4. Coming in contact with contaminated food, the correct answers is "Yes". For: 5. Breathing outside air and 6. Drinking water from the tap, the correct answer is "No". The correct answers were decided based on: https://www.who.int/emergencies/diseases/novel-coronavirus-2019/question-and-answers-hub/q-a-detail/q-a-how-is-covid-19-transmitted?gclid=CjwKCAjw9vn4BRBaEiwAh0muDLYtHSr0vAUDUTxeUyxCEyaSnIFTHwXbX_O2S5Xi8-H1vpCXEsOX5RoCrbwQAvD_BwE

3. Trends on Livelihoods[14]

The economic burden of COVID-19 is severely affecting livelihoods in Barbados. The share of households reporting an income level below the minimum wage increased approximately threefold, from 8 percent in January 2020 to 23 percent in April 2020. COVID-19 also had a general redistributive effect across the population.[15] As seen in Figure 3, between January and April 2020, there was an increase in the share of population reporting an income lower than twice the minimum wage and an overall reduction in the percent of the population reporting earnings above twice the minimum wage. 22.9 percent of households reported losing their main source of income between January and April 2020. Lower-income households were more strongly affected (57 percent), compared to middle-income households (41 percent) and high-income households (32 percent). Three key sources of income loss were included in the survey: (i) job losses, (ii) business closures; and (iii) loss of remittances. Sections 4, 5, and 6 examine each category in more detail.

Figure 3. Share of Households per Income Bracket, January, April, and in the Month Following the Survey, 2020



Taking into consideration the pandemic shock, households expected a higher income in the upcoming month, compared to April 2020. Surveyed households were asked to present their expected income for the upcoming month. 78 percent expected to receive the same income as in April 2020, 13 percent expected to receive a higher income than in April 2020, and 8 percent expected to receive a lower income. Of the share of households that expected to receive a higher income in the upcoming month, 6 percent of households expected to receive remittances and a quarter of them had started receiving benefits from the government in April 2020. The share of households expecting higher remittances and receiving benefits from the government was higher among households expecting a higher income in the upcoming month, compared to households that expected a lower income (3 percent of these latter households expected higher remittances and 17 percent of which had started receiving government benefits).

[14] All figures presented in this paper that express results in terms of an income category group make use of the January 2020 income category group as a reference.
[15] One minimum wage for the purpose of this study is equivalent to BBD$600.

Falling incomes translated into worsening living standards during the pandemic. Short of half the surveyed households (41.6 percent) reported not being able to meet their basic household needs. Of these, more than half of low-income households (57 percent) reported that they had not been able to meet their basic household needs during the days of the interview. This was higher than the 41 percent of middle-income households and 32 percent of high-income households reporting not being able to meet their basic household needs during the days the survey was conducted (Figure 4). However, the share of households reporting going to bed hungry remained constant between January and April 2020 – around 6 percent on average.[16] As seen in Figure 5, while low- and middle-income households show a relatively higher incidence of food insecurity, it remained constant before and after the pandemic. As will be discussed below, low- and middle-income households benefitted from targeted social programs (such as those managed by the Welfare Department), which could be a factor that prevented worsening food insecurity within these segments.

Figure 4. Share of Households that were not able to Meet Basic Household Needs

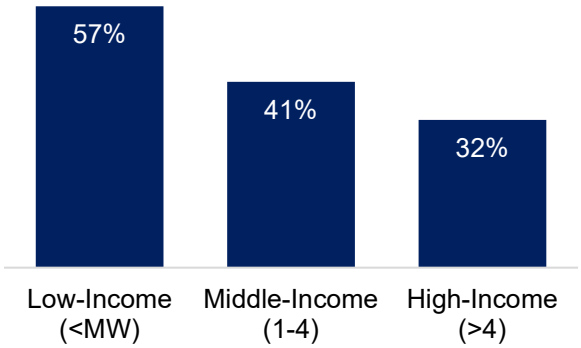
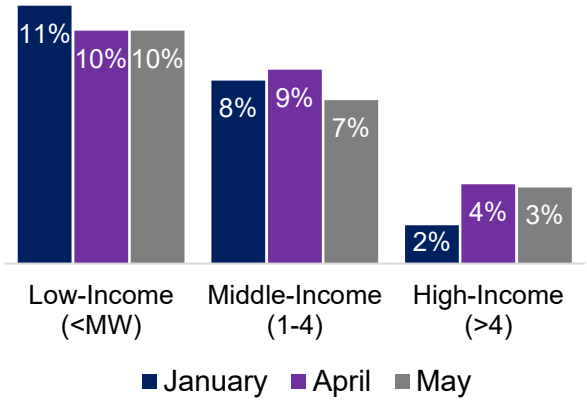


Figure 5. Share of Households that Reported Going to Bed Hungry



Households, particularly middle-income households, found it harder to meet their financial commitments during the pandemic. Half of the households surveyed (51 percent) stated that they were homeowners without a mortgage, 17 percent privately rented or leased a property, 14 percent owned a home and had a mortgage, 12 percent lived rent free, and 2 percent resided in government-rented or leased properties (Figure 6). Loss of income during the pandemic translated into households facing greater challenges to meet financial commitments. Figure 7 presents the share of households, by income bracket, that were unable to pay their rent or their mortgage in January, April, and June 2020.[17] The largest increase in those who could not pay for household expenses were middle-income households—60 percent in April 2020, double the share in January 2020. However, this group also expected their capacity to repay to improve, with a projected reduction in households unable to repay their financial commitments to 37 percent by June 2020. Comparatively, 8 percent of high-income households were unable to meet their financial commitments in January 2020, 28 percent in April, and 19 percent expected to remain unable to pay their financial commitments in June. Low-income households expected their capacity to meet financial commitments to worsen in June 2020—43 percent of low-income households were unable to meet their

[16] On average, 5.9 percent of households reported going to bed hungry in January 2020, 7.1 percent in April, and 6 percent in May 2020. These differences are not statistically significant.
[17] Data for June refers to expected data.

financial commitments in April 2020, compared to 33 percent in January 2020, and 80 percent of these households expected to be unable to meet their financial commitments by June 2020.

Figure 6. Share of Households by Living Arrangement, May/June 2020

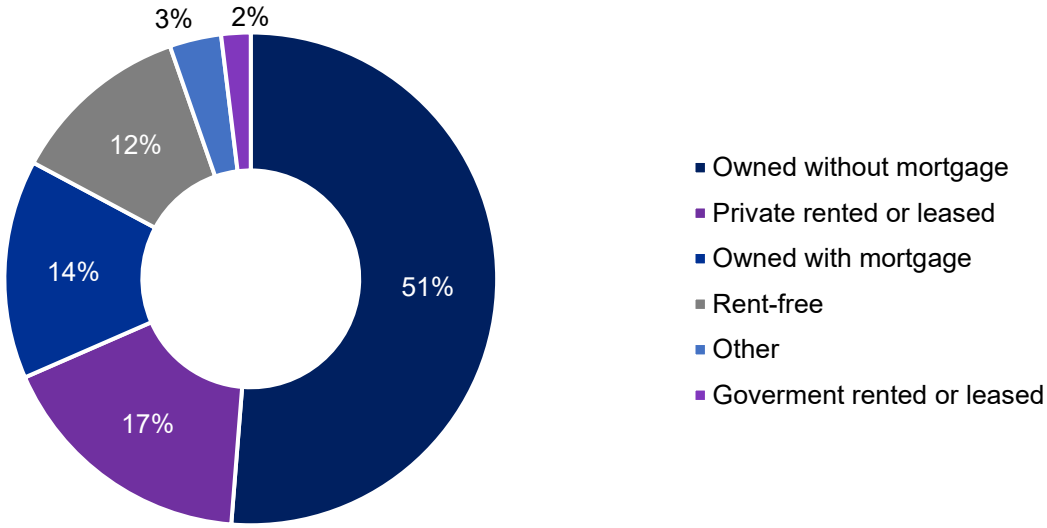
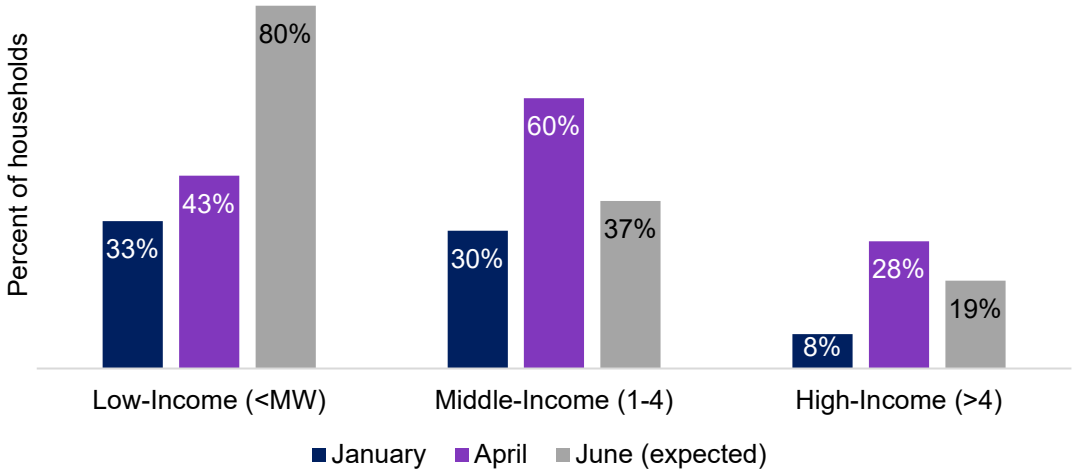


Figure 7. Share of Households Unable to Meet their Financial Commitments (January, April, and June 2020)



Although pre-existing vulnerabilities remained in place during the pandemic, vulnerable households experienced a worse shock than the poor and the extreme poor. The two figures below present the share of households reporting going to bed hungry and not being able to meet housing payment commitments, based on their vulnerability category in the 2016/17 BSLC.[18] As seen in Figure 8, although those categorized as extreme poor in the 2016/17 BSLC

[18] The BSLC2016/17 vulnerability categories are as follows: Households categorized as extreme poor are those that spend below BBD$300 a month. Poor households spend between BBD$300 and BBD$636 a month. Vulnerable households spend between BBD$636 and BBD$3000 a month. Non-vulnerable households spend above BBD$3,000 a month. Both vulnerable and non-vulnerable households are considered non-poor.

reported the highest share of households going to bed hungry in January and April 2020, those households categorized as vulnerable reported an increase in the number of persons going to bed hungry. Likewise, the 2016/17 BSLC extreme poor reported the highest share of households unable to meet their financial commitments in both January and April 2020 (Figure 9). However, vulnerable households recorded the highest percent increase in the share of households unable to meet financial commitments during the pandemic. These results likely reflect the effectiveness of support mechanisms to households that were classified as poor and extreme poor during the pandemic shock, yet they highlight the prevalence of pre-existing vulnerabilities across the population in Barbados.

Figure 8. Share of Households that Went to Bed Hungry in 2020 by 2016 Vulnerability Group

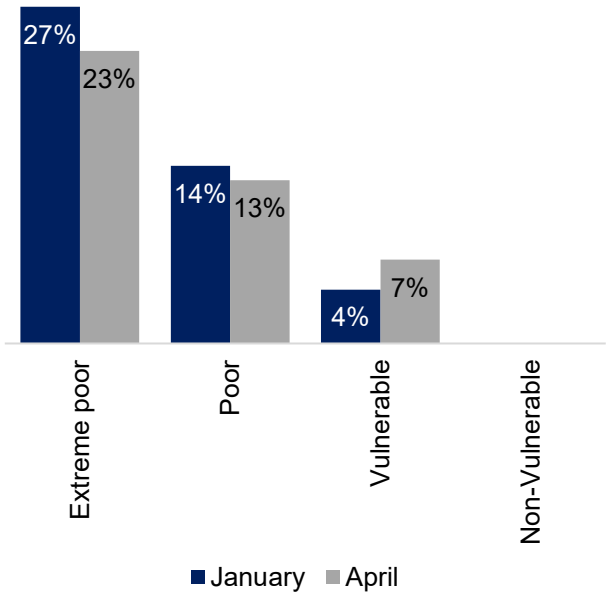
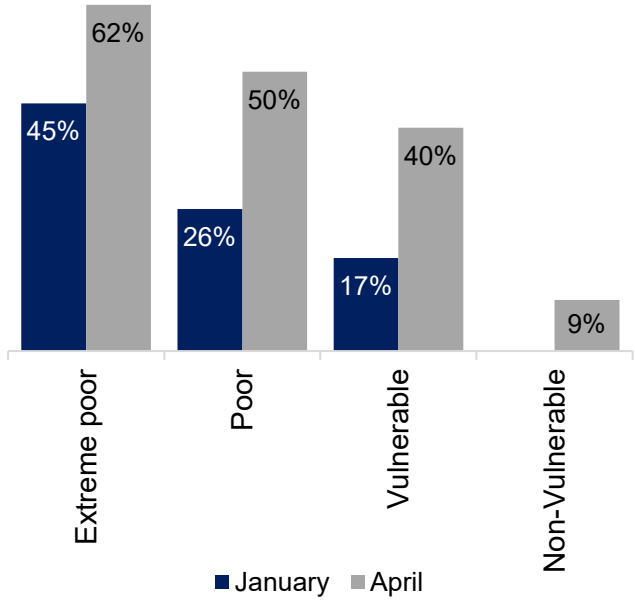


Figure 9. Share of Households Unable to Meet Financial Commitments in 2020 by 2016 Vulnerability Group



NB: Financial commitments are interpreted as being unable to pay the mortgage or rent.

Greater resilience to shocks was found to be correlated with higher financial literacy. A positive link is identified between financial literacy and financial resilience for those respondents who did not face an income loss. Moreover, respondents who were still in a position to meet their basic needs despite their job loss presented an average score of 1.80 on the financial literacy index, contrasted with 1.32 for those who were unable to meet their basic needs.[19] The survey further posed a hypothetical question on the ability to survive financially for a minimum of one month. The positive respondents had an average score of 1.91 on the financial literacy index, compared to an average score of 1.46 by the respondents who did not have the resources to cope with the income shock.

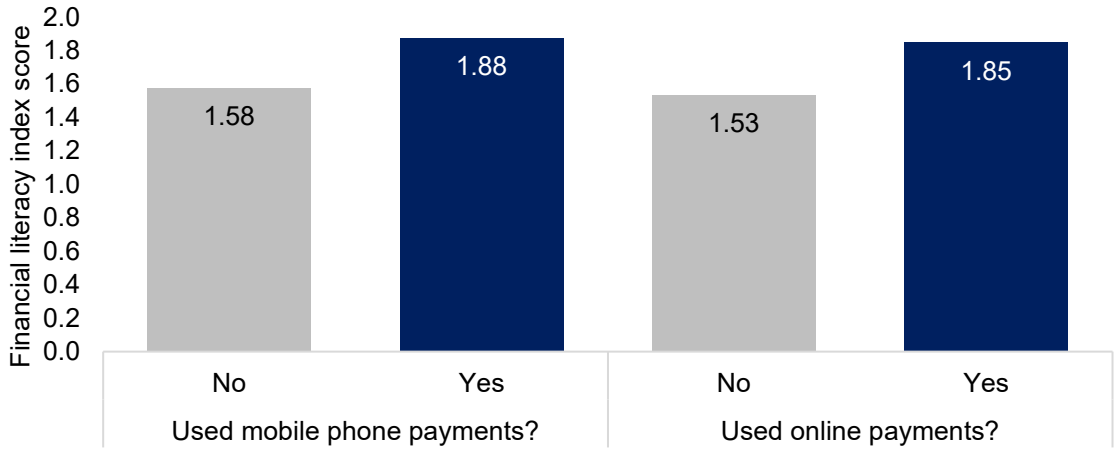
[19] The telephone survey relied on the "big three" financial literacy questions. The three questions, used in over 20 countries, cover four fundamental concepts in financial decision making: interest rates, interest compounding, inflation, and risk diversification. Each correctly answered question represents 1 point, and the individual score is the total number of points obtained (which ranges between 0 and 3). The financial literacy index is the country average of the individual level scores.

Table 2. Average Financial Literacy Score by Response

	Average Financial Literature Index Score	
	Yes	**No**
Can meet basic needs after losing income?	1.80	1.32
Could survive a month if income was lost?	1.91	1.46

The data collected on financial literacy reveals a positive relationship between financial literacy and the use of more complex payment systems. Individuals with greater financial literacy were more likely to use complex payment mechanisms, such as mobile or online payments. Those who reported utilizing mobile payment systems and online payment mechanisms obtained higher scores on the financial literacy index: (1.88) and (1.85), respectively, compared to those that did not (1.58) and (1.53) respectively (Figure 10). The relationship between these two variables, however, is complex and likely presents a feedback effect. On the one hand, people who are more financially literate may be more willing to try new payment mechanisms and financial products. On the other hand, exposure to a more varied range of payment mechanisms likely improves financial literacy in the medium and long term.

Figure 10. Financial Literacy and Payment Mechanism



4. Trends on Livelihoods: The Labor Market

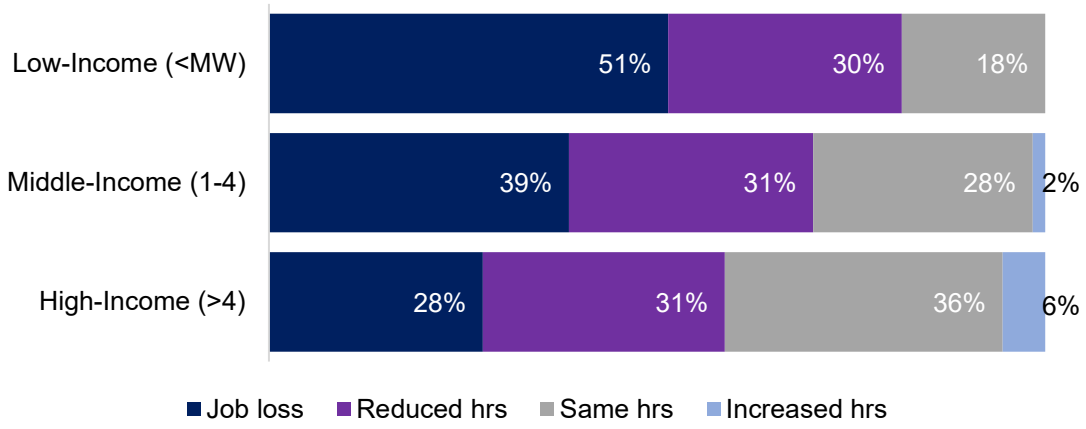
One of the most severe consequences of COVID-19 in Barbados has been job losses. As a consequence of both the cessation of key economic activities (including tourism and construction) and the rollout of curfews and lockdowns between March and September 2020, unemployment rose quickly. Based on official statistics, the National Insurance Scheme (NIS) paid $108.6 million to 31,055 unemployment benefit claimants (approximately one-fifth).

Based on the telephone survey results, 46.3 percent of workers reported losing their job between January and April 2020.[20] As seen in Figure 11, job losses were more prevalent in low-income households (51 percent) than in middle- and high-income households (39 and 28 percent, respectively). Job losses were also more prevalent among women (36 percent reported losing their jobs vs 32 percent of men. See Figure 12). Low-income women were the most affected. Sixty-two percent of them reported job losses compared to 38 percent of men.

[20] Workers in this section refer to all adults between 25 and 67 years of age.

Table 3 shows that the sectors that had the largest share of laid-off workers were in the tourism, accommodation, and food services sector, wholesale and retail trade, and construction. Prior to the pandemic, these sectors employed 23 percent, 19 percent, and 12 percent of workers, respectively. More than a third of laid-off workers (38 percent) were employed in the tourism, accommodation, and food services industry, 14 percent were employed in the wholesale and retail trade sector, and 13 percent were employed in construction. Business and office closures were the most commonly reported reasons for job loss, followed by inability to physically get to work, whereas 10.9 percent of the population reported being laid off while business continued. Of those workers that were not employed, 16.8 looked for a job and could not find one**.** This issue was more prevalent among middle-income (22 percent) and high-income households (19 percent) than among low-income households (12 percent).

Figure 11. Share of the Population by Income Group and Job Status, May/June 2020



The onset of COVID-19 also triggered widespread reductions in working hours and boosted the incidence of unpaid leave. The uncertainty over how long the cessation of economic activity would last and how deep the recession would be led many employers to resort to reduced hours and unpaid leave instead of or before laying off workers. About 30 percent of workers reported working fewer hours during the pandemic, and this is equivalent across all income groups. However, 6 percent and 2 percent of high- and middle-income workers, respectively, also reported working more hours. Many employers also promised to rehire their employees once the crisis was over. 63.4 percent of workers that were laid off had a promise to return to employment, particularly low-income workers (72 percent of the sample). Fifty-five percent of middle-income workers and 66 percent of high-income workers also received a promise to be rehired after the pandemic. 14.2 percent of households took unpaid leave. This was more prevalent among middle-income households (15 percent) than between low- and high-income households (6 and 13 percent respectively).

Figure 12. Share of the Population by Gender and Job Status, May/June 2020

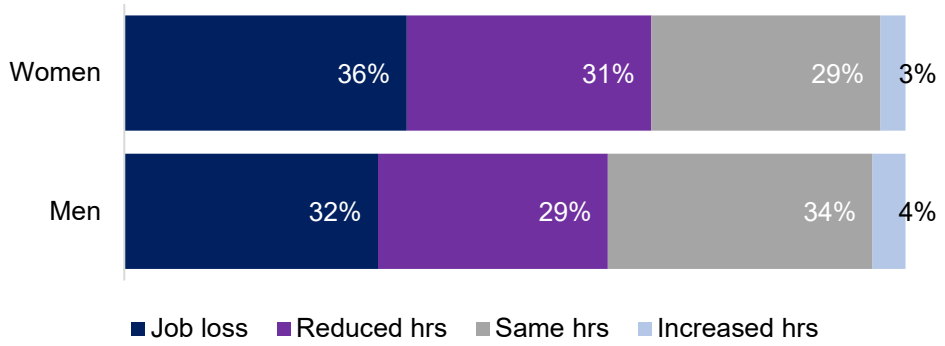


Table 3. Employment Loss by Sector, June 2020 (percent of laid-off workers)

Sector	Share of employment	Percent of laid-off workers
Tourism, accomodation, and food services	23%	38%
Wholesale and retail trade	19%	14%
Construction	12%	13%
Transport, storage, and communications	7%	6%
Finance and insurance	8%	5%
Manufacturing industry	4%	4%
Agriculture, livestock, hunting, and fishing	3%	2%

Loss of employment may also be related to pre-existing vulnerabilities. Job losses were more prevalent among households who were categorized as poor or extreme poor in the 2016/17 BSLC. As seen in Figure 13, job losses were reported by 35 percent of households who were categorized as extreme poor in 2016/17, 39 percent of households categorized as poor in 2016/17, 32 percent of households categorized as vulnerable, and 14 percent of households categorized considered non-vulnerable. In addition, households categorized as poor in 2016/17 reported a relatively lower incidence of reduced work hours, and households categorized as non-vulnerable reported a higher likelihood of working the same number of hours. As Figure 14 shows, women categorized as poor in 2016 were the most affected by job losses. Indeed, 66 percent of poor women recorded job losses, compared to 42 percent of men categorized as poor. By contrast, only 14 percent of non-vulnerable women lost their jobs compared to 28 percent of non-vulnerable men.

Figure 13. Variation in 2020 Employment by 2016 Expenditure Distribution

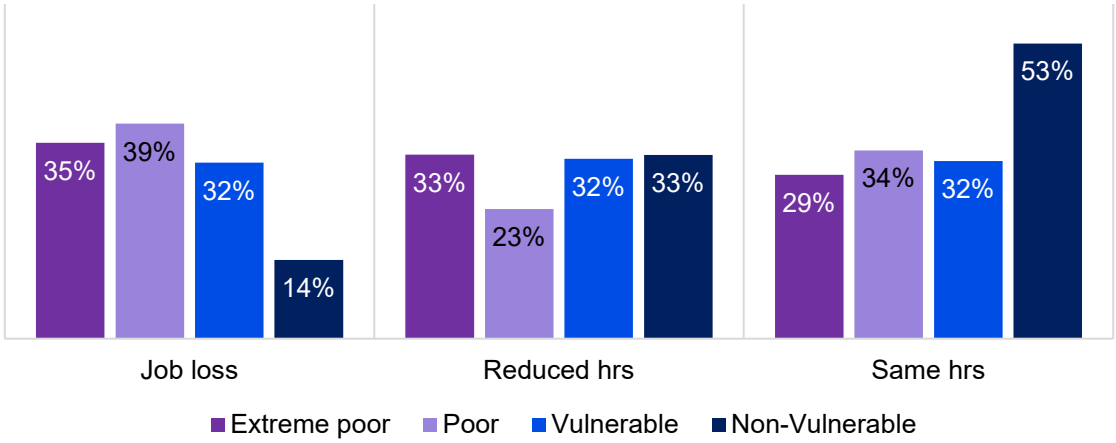
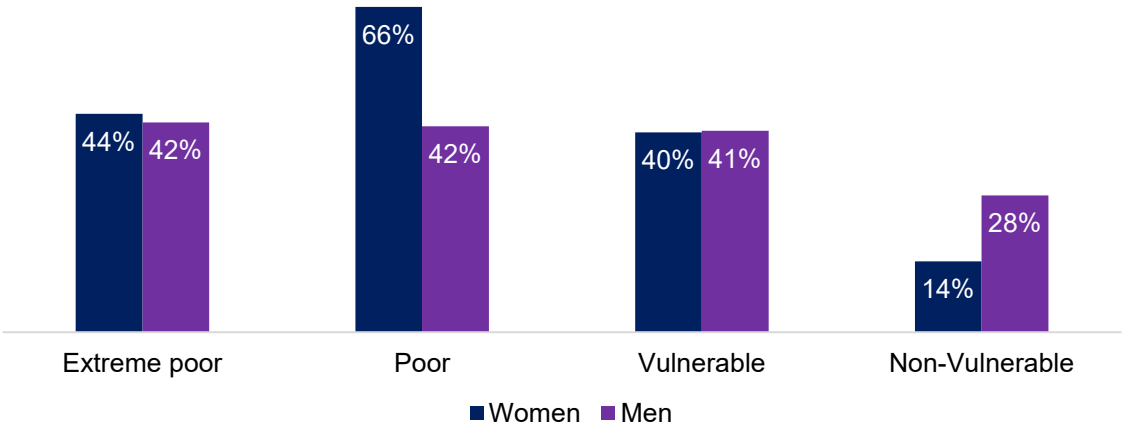


Figure 14. 2020 Employment Loss by 2016 Expenditure Distribution[21]



5. Trends on Livelihoods: Businesses

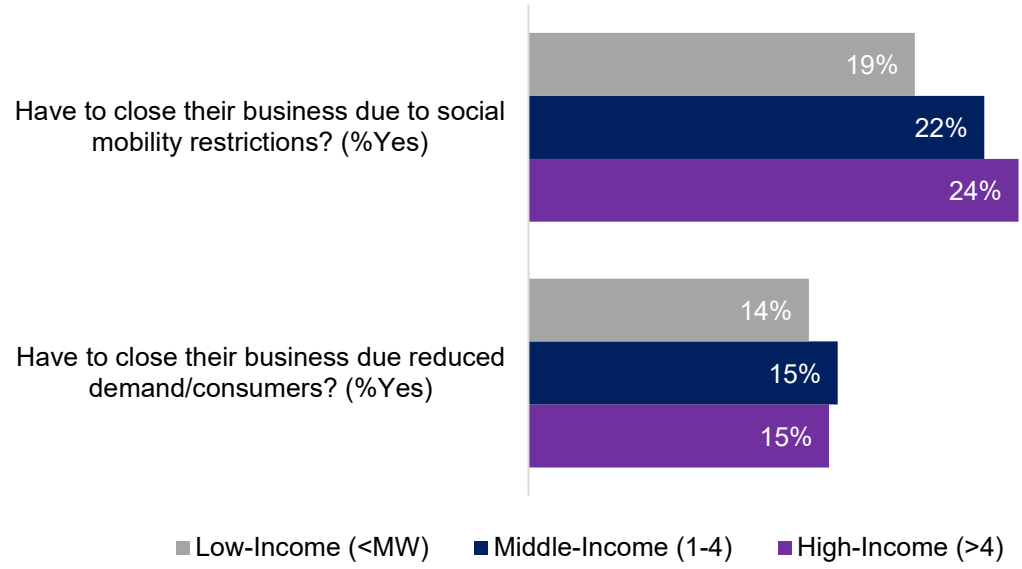
Business closures contributed to falling incomes during the pandemic. Households were asked to report if they had a business, how many persons were employed in the business, and if their operations were affected during the pandemic. Among the surveyed population that owned businesses, 69 percent reported to be sole proprietorships or self-employed, 27 percent had 1-9 employees, and 4 percent had 10 or more employees. Sole proprietorships were more prevalent among middle-income and low-income households (76 percent and 75 percent of all businesses in that income category, respectively). Small businesses (1-9 employees) were more prevalent among high-income households (34 percent of all businesses in that income category), compared to 23 percent and 25 percent owned by middle-income and low-income households, respectively. Finally, businesses with 10 or more

[21] The differences in numbers in Figures 13 and 14 stem from the fact that Figure 13 shows household-level data and Figure 14 shows individual-level data.

employees were more prevalent among high-income households (6 percent of all businesses in that income category). [22]

Approximately 30 percent of households surveyed reported business closures. Of these, 5 percent were low-income households, 38 percent middle-income households, and 57 percent high-income households. As seen in Figure 15, the most cited reason for business closures were the containment measures to stop the spreading. Almost a quarter of businesses that closed and were owned by high-income households (24 percent) reported closing due to the social mobility restrictions to contain the pandemic, compared to 22 percent of middle-income owned businesses and 19 percent of low-income owned businesses. Lack of demand was the next most cited reason for business closure: 15 percent of high-income and middle-income households and 14 percent of low-income households reported closing their business due to lack of demand.

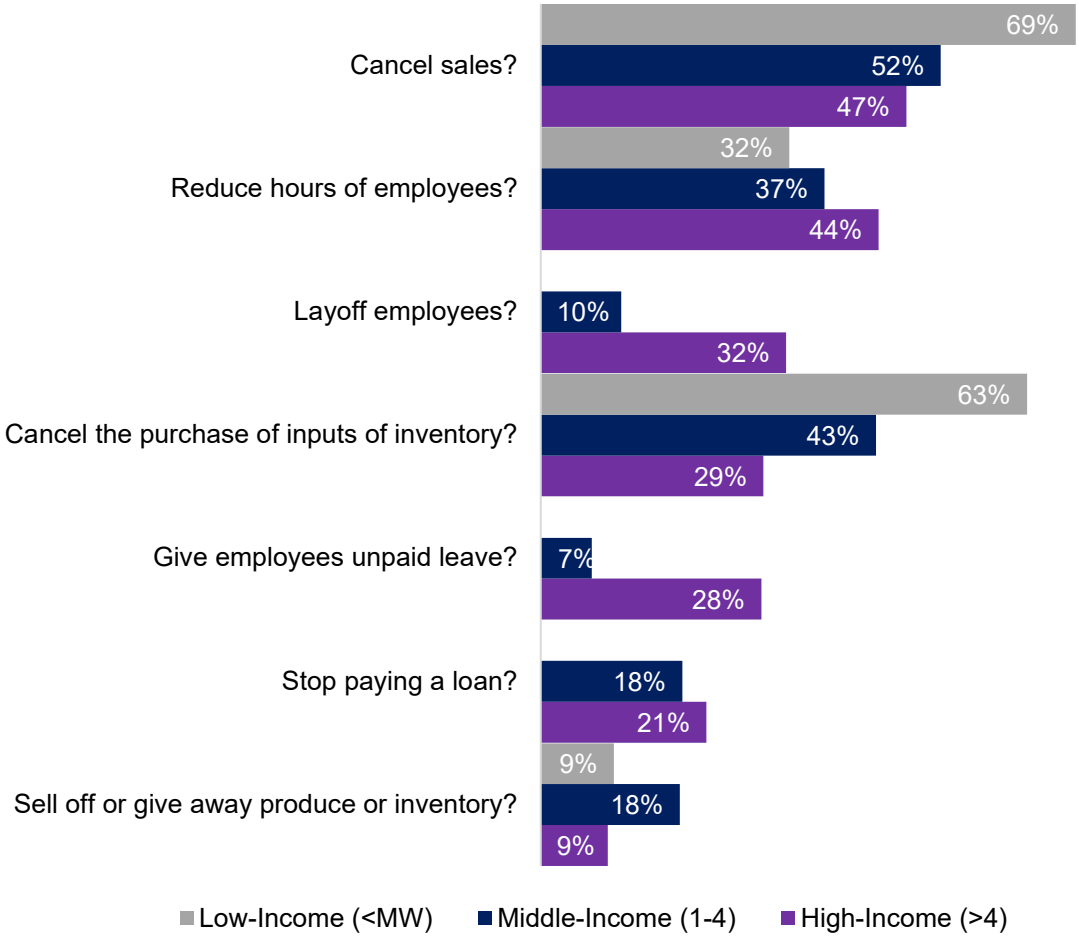
Figure 15. The Burden of the Pandemic on Businesses, Percent of Households that Closed their Business, June 2020



Beyond business closures, cancelling sales, reducing employees' working hours, and cancelling the purchase of inputs for inventory were also observed. COVID-19 affected businesses in more ways than the closing of the business, and these trends varied substantially by business size. As shown in Figure 16, among low-income-owned businesses, the most frequently cited types burden due to the pandemic were cancellation of sales and cancellation of inventory input purchases. Among middle-income-owned businesses, the most common reports included cancellation of sales, cancellation of the purchase of inventory inputs and reducing employees' hours. High-income-owned businesses reported cancelling sales, reducing employees' working hours, and laying off employees as the most prevalent burdens of COVID-19.

[22] Many larger firms are likely not captured in our survey, as many are foreign owned. For more information on the private sector landscape in Barbados, see the work of the Compete Caribbean Partnership Facility (https://www.competecaribbean.org/) and the PROTeQIN survey (https://www.competecaribbean.org/proteqin/).

Figure 16. The Burden of COVID-19 on Businesses by Business Type, June 2020 (percent of total businesses)



6. Trends on Livelihoods: Other Sources of Income

10.6 percent of households received remittances between January and March 2020, mostly from the United States. The results revealed that between January and March 2020, 10.6 percent of households received remittances from abroad, compared to 9.4 percent in 2016. Of the households receiving remittances, 60 percent received them from the United States, while the United Kingdom and Canada accounted for 16 percent and 13 percent, respectively (Figure 17). The distribution was similar to that recorded in the 2016/17 BSLC. Figure 18 represents the share of the source of remittances from the United States by state. The states that sourced the highest share of remittances to Barbados were New York (54.4 percent), Florida (13.6 percent), Massachusetts (13.4 percent), and New Jersey (7 percent). Remittances are not a major source of income for Barbados (which have been steady at 2.5 percent of GDP for the past few years) compared to other Caribbean counterparts such as Jamaica (15.3 percent of GDP)[23] and Guyana (7.8 percent of GDP).[24] However, Barbadian households who depend on this extra source of income will have experienced a contraction through this channel.

[23] Source: Bank of Jamaica, Remittance Report, January 2020.
[24] Source: https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=GY

Figure 17. Remittances by Country of Origin

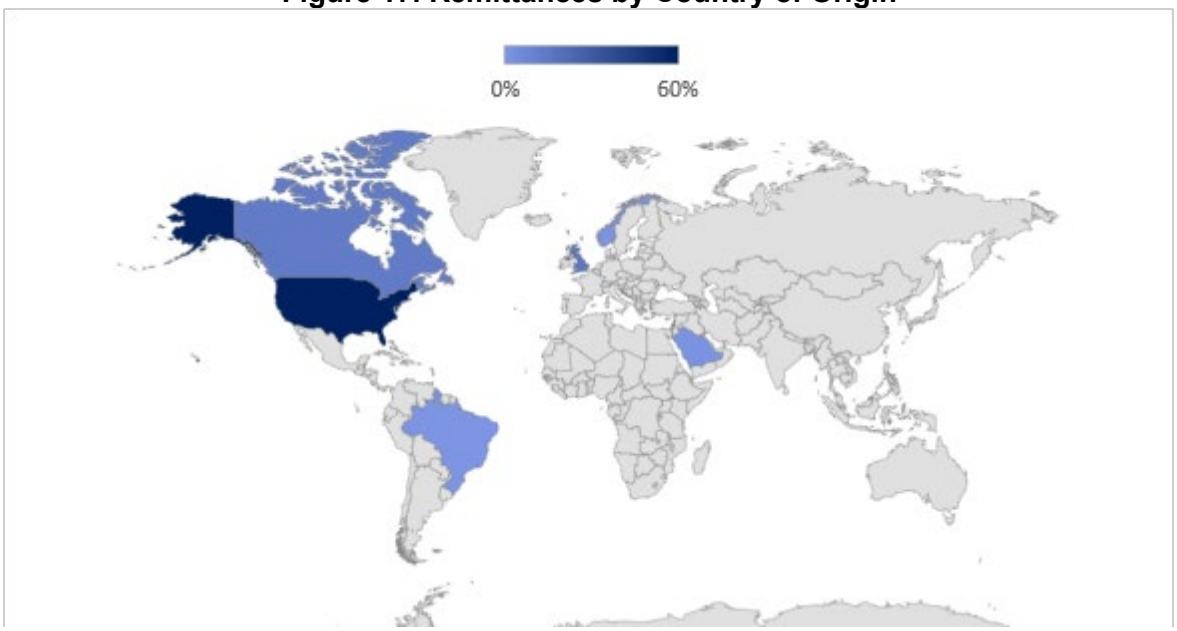
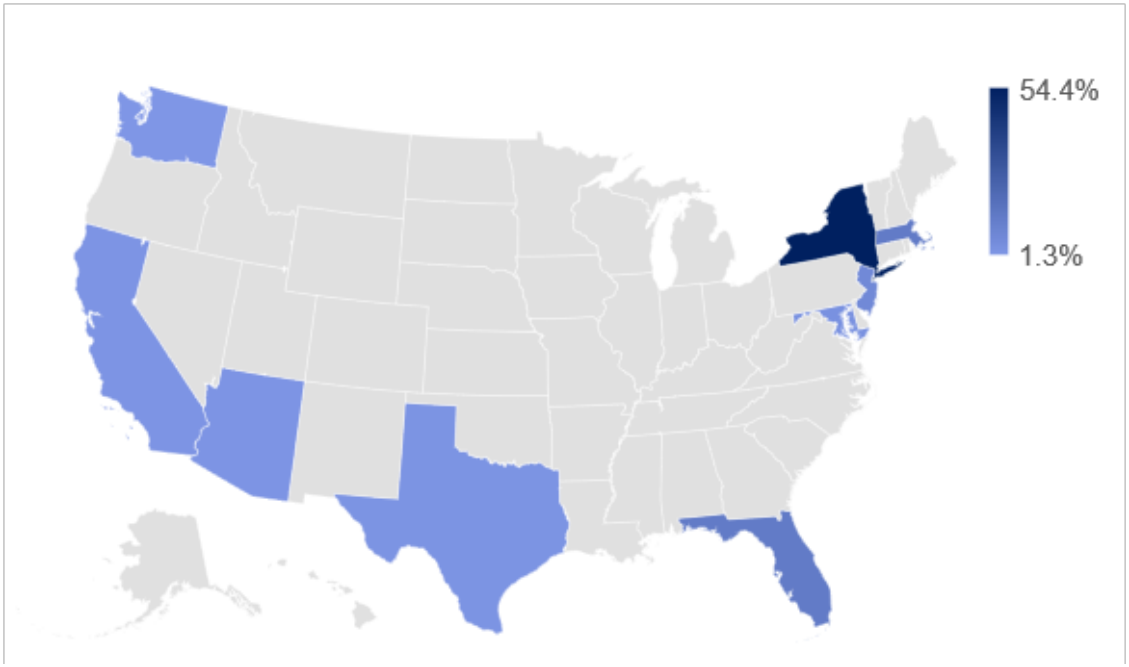


Figure 18. Remittances by U. S. State of Origin



The pandemic affected the volume of remittances being sent to Barbados. The global scale of COVID-19 meant that the pandemic also affected people sending remittances to Barbados. Figure 19 shows the percentage of remittance senders who were affected by the pandemic, based on the income category of the recipient household. Low-income households were the most affected by COVID-19: 62 percent of recipient households reported that the sender had been affected by the pandemic, compared to 33 percent of high-income and 38 percent of middle-income households. As seen in Figure 20, the main channels through which COVID-19-affected remittances senders were business closures that employed them (37 percent of senders), layoffs (19 percent of senders), reduced working hours (18 percent of senders), and own business closures (6 percent of senders).

Figure 19. Remittance Senders Affected by Pandemic

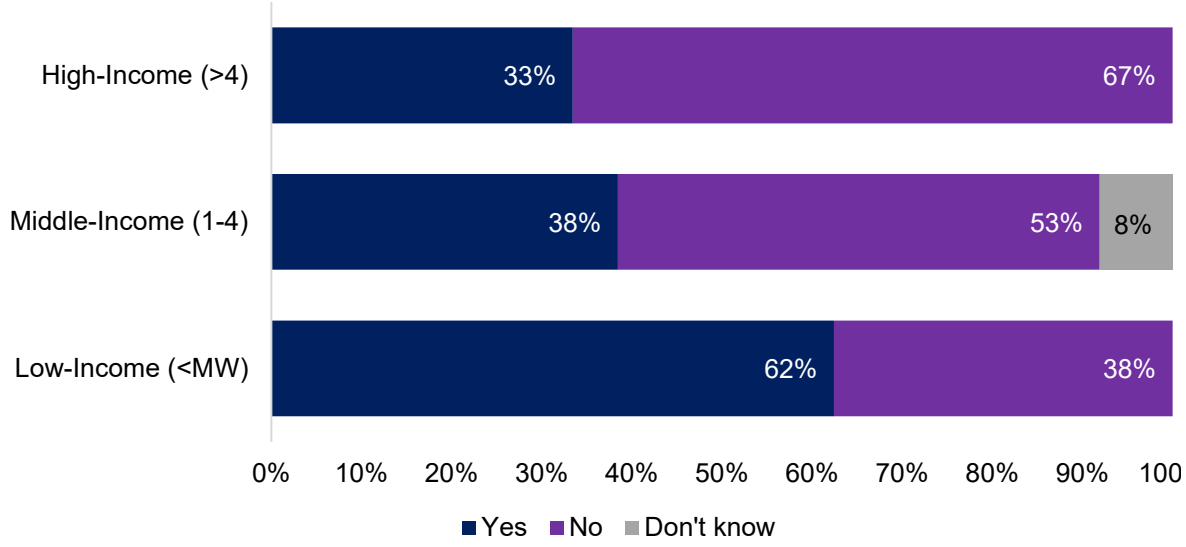
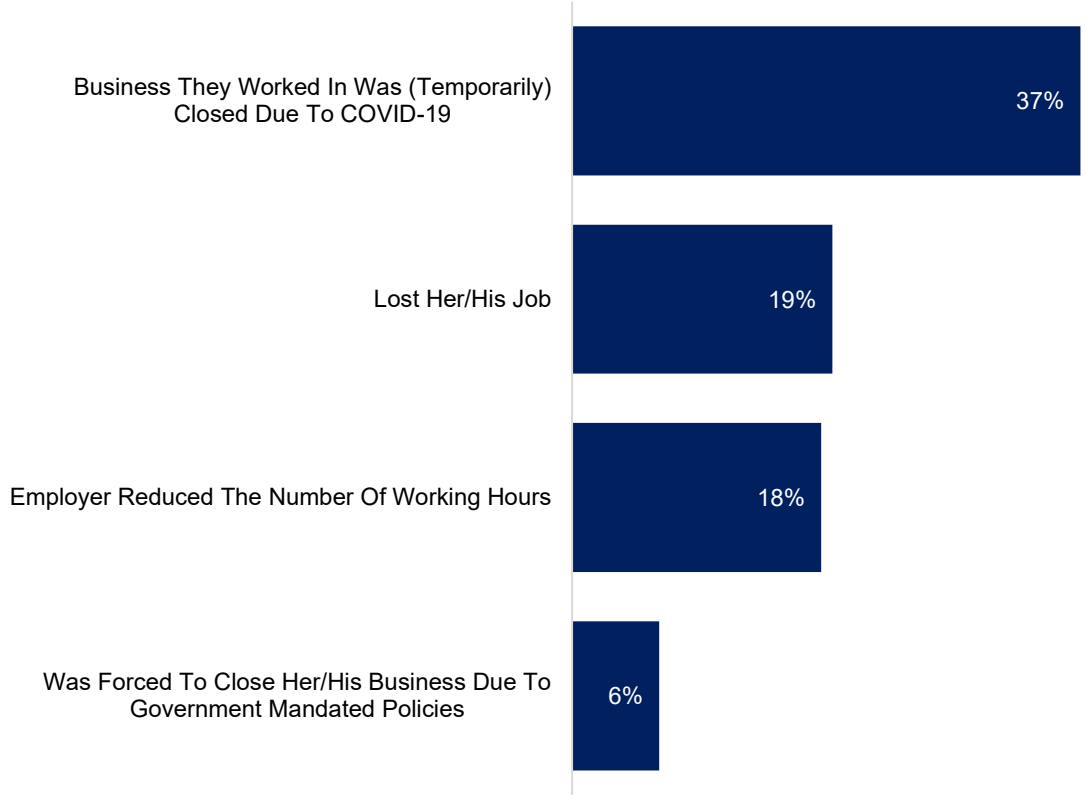


Figure 20. Pandemic Burden on Remittance Senders



7. Social Protection

Barbados has a broad social protection system in place. Two entities in Barbados provide social benefits. The first is the National Insurance Scheme (NIS), a partially funded pay-as-you go defined benefit system that provides benefits for retirement (contributory and non-contributory), unemployment, invalidity, maternity, severance, sickness, and funeral grants.[25]

[25] The overall coverage of the unemployment benefit scheme is 60 percent of an individual's overall salary provided the individual has contributed for 12 consecutive months.

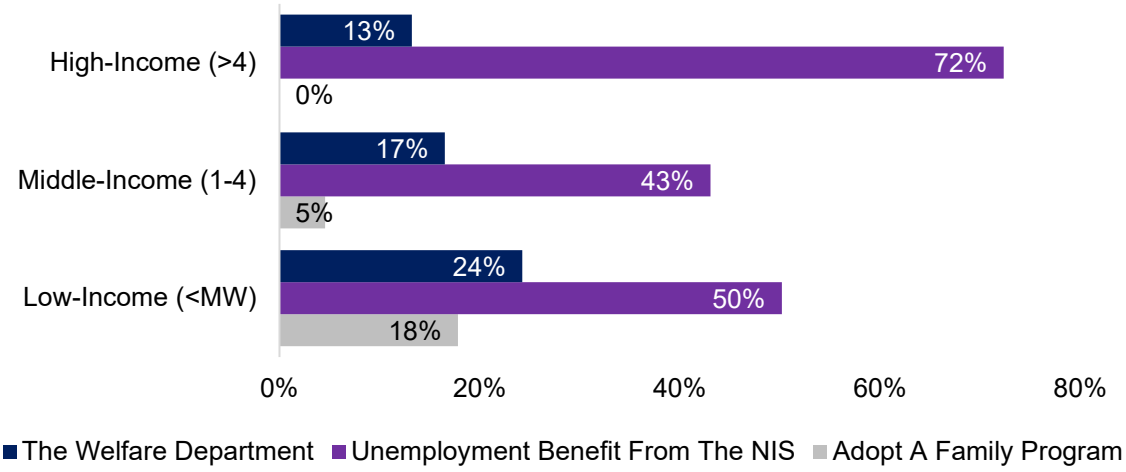
Prior to the pandemic, the NIS had the broadest coverage of the social protection programs included in the survey, reaching 62.6 percent of households. The second source of social benefits is the government, which directly pays public service pensions, some non-contributory pensions, and a broad range of social assistance programs. These are primarily managed through the Welfare Department and the National Assistance Board. [26] [27] As seen throughout this report, the lower-income and poorer households seem to have benefited from social assistance programs during the COVID-19, which has frequently shielded them more from pandemic-related shocks than other types of households.

In order to respond to the pandemic, the government quickly channeled support to the population through its social protection programs and expanded the range of benefits available. The new benefits were outlined under a five-part economic plan to provide welfare support, creative industry stimulus and household survival programs. The telephone survey specifically highlighted the benefits received from the Unemployment Benefit Fund, the Household Survival Program, and the Business Cessation Benefit. The objective of the Unemployment Benefit Fund is to support those who are laid off or on short weeks. The beneficiaries are supported under this fund for six months or can receive 60 percent of their salary for the days not working if on short weeks. The Household Survival Program (HSP) encompasses both the Adopt-A-Family Program and welfare support of up to BBD$10 million each. The Adopt-A-Family Program seeks to raise funds by combining contributions by the public and the allocated amount of BBD$10 million in an effort to assist 1,500 vulnerable families. Adding to this, welfare support is being provided to households that do not benefit from the NIS scheme or the HSP, if as a result of COVID-19, a household is left with no employed individuals. The final benefit is the Business Cessation Benefit of BBD$20 million which offers a one-time benefit for the months of April and May of only BBD$1,500 per month. The benefit is available to self-employed people who are registered and compliant with the NIS and have been negatively impacted by the pandemic.

The number of social benefit recipients increased substantially during the pandemic and targeting appeared to improve. Particularly since the beginning of the 24-hour curfew, the unemployment benefit scheme provided the lion's share of benefits. At the time of the telephone survey, 72 percent of high-income households who lost jobs received unemployment benefits. These figures accounted for 43 percent of middle-income and 50 percent low-income households, as seen in Figure 21. The number of beneficiaries increased substantially, particularly among lower-income households. At the time of the telephone survey, 13 percent of high-income households, 17 percent of middle-income households, and 24 percent of low-income households were new beneficiaries, respectively. Regarding the Adopt-A-Family program, the bulk of new recipient households were in the lower-income category (18 percent of households among this income bracket), compared to 5 percent among middle-income and no high-income households. The overall coverage of this program was 2.9 percent and was targeted toward the low-income group, which means that despite some leakage, targeting seems to have been fairly accurate. Moreover, compared to the 2016/17 vulnerability categorization of households, 100 percent of the Adopt-A-Family beneficiaries were categorized as poor in 2016, and these households also saw the biggest increase in Welfare Department program coverage.

[26] The Welfare Department provides a monetary assistance grant, food, rental and education assistance, family services, and welfare-to-work assistance.
[27] The National Assistance Board includes programs related to bereavement support, assistance to the elderly, people living with disability, homeless shelters, and fire recovery.

Figure 21. New Social Program Beneficiaries since the Start of the 24-hour Curfew



8. Conclusions

COVID-19, the most serious and widespread pandemic of the 21st century thus far, is having severe externalities on Barbadian livelihoods. Although Barbados has managed to flatten the epidemiological curve, the economic consequences of the pandemic on the island are severe. The economy contracted 14.9 percent in the first semester of 2020 and is now expected to decline 11.6 percent in 2020.[28] This is having negative implications on living standards and livelihoods across the population. The results of the IDB June 2020 telephone survey for Barbados are presented in this summary of the distributional consequences of this unprecedented shock across the population. We quantify the implications of the pandemic on the population through various channels, including jobs losses, business closures, loss of remittances, and declining living standards. This brief also reviewed questions related to people's knowledge of the pandemic, financial literacy, and coverage of social programs.

The income shock has been severe and has translated into worsening living standards. Almost a quarter of Barbadian households reported having lost their main source of income between January and April 2020, and the share of households reporting an income level below the minimum wage increased approximately threefold during this period of time. This income loss translated into worsening living standards. 41.6 percent of households reported not being able to meet their basic housing needs at the time of the survey. Overall, we find that lower-income households are the most severely affected by income losses and lower living standards. Moreover, pre-existing vulnerability made a difference in the magnitude of the shock households received. When analyzing livelihoods across different population groups by 2016/17 vulnerability status, we find that poor and extreme poor households still reported lower living standards in 2020, although social benefit programs seem to have been shielding this sector of the population during the COVID-19 pandemic.

Job losses, business closures, and declining remittances are important channels of income loss. 46.3 percent of workers reported having lost their job between January and

[28] The decline is largely attributed to the decline in tourism arrivals by more than 50 percent in the first half of 2020, (long-stay visitor arrivals by 54 percent and cruise passengers by 34 percent), which is having negative effects on growth, employment, and the reserve cover.

April 2020**,** 30 percent of workers reported that they are working fewer hours during the pandemic, and 14.2 percent of households took unpaid leave. Pre-existing vulnerabilities also affected job losses. Poor and extreme poor households in 2016/17 reported higher job losses than vulnerable and non-vulnerable households. Low and middle-income sectors of the population were the most severely affected. 30.3 percent of households also reported business closures, coupled with a combination of cancelled sales, reduced employees' working hours, and cancellation of purchases of inputs for inventory to withstand the period of subdued activity. Finally, although remittances are not as important to household income in Barbados than in other countries in the region, remittance senders were also affected by business closures, layoffs, and reduced working hours in the senders' countries.

Social programs have been a key lifeline for many households in 2020. The authorities swiftly increased the number and scope of social protection schemes to support the population during the COVID-19 crisis. This translated into a significant increase in the number of beneficiaries. Targeting appeared to improve in some key social protection programs such as those managed by the Welfare Department and the newly established Adopt-A-Family program. At the time of the telephone survey, 24 percent of low-income households were benefiting from the new social programs, while 13 percent and 17 percent of high and middle-income households, respectively, did so. The broad social protection system and support mechanisms in place in Barbados also likely shielded the most vulnerable during the pandemic. Being adequately informed of the transmission mechanisms for COVID-19 has also been important to protect the population during the pandemic. Overall, the IDB survey found that 91 percent of the population answered at least four out of the six questions correctly and 61.7 percent answered at least five out of the six questions correctly. Social media was the most used platform to obtain information about the coronavirus.

Important considerations for policymaking stem from this survey. First, job protection and business support will be important to bridge the gap that the country will experience until it can completely reopen and tourism can safely start again. Existing measures to promote employment should be maintained and further prioritized going forward. Second, means to support financial resilience are important for households to better cope during the period, whether in the form of savings or greater financial literacy. These two issues should be further prioritized in the government's strategy going forward to cushion people from shocks. Finally, the social protection system has been the most vital tool to support the population during these hard times. Despite some leakage, the new programs showed signs of better targeting and are the most important lifeline for many in the country. Maintaining these programs and improving their efficiency and targeting will be of outmost importance in this crisis. Going forward, we recommend generating more evidence on the severity and length of the shock, as well as improving the understanding of how to better target social assistance programs in order to provide efficient and sustainable support to Barbados' citizens.