

THE UNEQUAL BURDEN OF THE PANDEMIC

Why the Fallout of Covid-19
Hits the Poor the Hardest

Nicolás Bottan, Bridget Hoffmann,
and Diego Vera-Cossío



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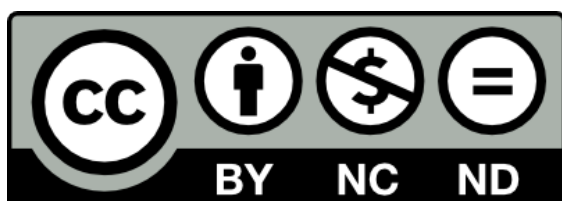
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1. INTRODUCTION

The coronavirus pandemic is causing dual health and economic crises that are unprecedented in scale and speed, and countries across Latin America and the Caribbean have shut down to slow the spread of the coronavirus. These measures help to limit health costs but may cause large economic and social costs.

The IDB and Cornell University undertook a data collection effort to measure the economic and well-being impacts of the coronavirus pandemic on households across Latin America and the Caribbean in near real-time through online surveys. The aim of this document is to report the findings of this survey project and to provide a broad picture of the devastating impacts felt by households in the first few months of the pandemic. This document particularly focuses on two areas of impacts: i) labor markets and income, and ii) well-being as measured by indicators such as nutrition and food security. In addition, this document discusses the importance of formal and informal safety nets during the pandemic, with important implications for recovery policies.

The data used in the analysis presented in this document were collected through online surveys between April 14, 2020 and April 30, 2020 in 17 countries in Latin America and the Caribbean. Participants were recruited through social media, and our sample has broad demographic and geographic coverage, with responses from nearly every sub-national region of the 17 countries in our sample. However, the online survey was not conducted using a representative sampling frame. Instead, participants opted in to responding to the survey. We use two datasets of telephone surveys conducted concurrently in Chile and Barbados and representative household surveys in each country to validate our sample and construct weights to improve representativeness and attenuate issues related to selection on observable characteristics. Without adjustments, the respondents of our survey tend to be more educated than the average respondents of telephone or face-to-face surveys and better resemble the characteristics of people in

urban areas. After weights are applied, our sample approximates a representative sample in many, but not all, dimensions. Although selection in unobservable characteristics may not be fully accounted for, the idea is to provide results that can be used as guidelines to assess the negative impacts of the pandemic in a context that requires prompt action, and in which neither collecting data through in-person interviews nor relying on administrative records is a viable option.

This survey project was not developed solely as a study of the unequal impacts of the coronavirus pandemic, but inequality in impacts and the qualitative effect on economic inequality are clear. We collected data during the second half of April 2020 capturing short-term responses to recent changes in the economic environment during the onset of the pandemic. The early months of the pandemic had very unequal impacts that are expected to exacerbate economic inequality—possibly in the long term.

Our survey results illustrate these impacts in the following ways:

- On average across countries, households with total income below the minimum wage are 59 percentage points more likely to report that a household member lost their job relative to the share of households in the top income category.
- On average across countries, households with income below the minimum wage are 25 percentage points more likely to report that a household member closed their business relative to the share of households in the top income category.
- Households with income below the minimum wage prior to the pandemic are most likely to report that they experienced a reduction in income.
- A large share of middle- and lower-middle-income households in the region expect their incomes to contract and that they will transition to poverty. Over 40 percent of middle-income households in the region expect to transition to the lowest income categories.
- Among families with the lowest incomes before the pandemic, over 40 percent reported going hungry. In contrast, among higher-income households less than 5 percent reported going hungry.
- Loss of livelihood is linked to higher levels of stress and more reports of domestic violence.

This household survey project was undertaken with the objective of providing governments and policy makers with in-depth information on the impact of the pandemic on households in the region at a critical time. With that objective in mind, this document seeks to provide evidence that can be used to improve policymaking as the region looks forward to recovery. ●

The background is a solid blue color. It is decorated with numerous orange circles of varying sizes, some of which are partially cut off by the edges. There are also several thin, light blue diagonal lines scattered across the page. The text '2. DATA COLLECTION' is centered in the upper half of the image.

2. DATA COLLECTION

Online Survey Data Collection

We collected data through online surveys in 17 countries in Latin America and the Caribbean. We launched the survey in the first country on March 27, 2020, and we rolled out the survey to additional countries over the following two weeks. By April 17, 2020, the online survey was available in all 17 countries. For all countries except Costa Rica, data collection continued until April 30, 2020. We collected over 230,000 complete survey responses.

To create a consistent sample, we restrict our sample to data collected between April 14, 2020 and April 30, 2020, as this period includes simultaneous data collection in all surveyed countries. Our sample consists of 140,161 observations. The number of observations by country ranges from 570 in Suriname to 23,604 in Colombia. Columns 2 and 5 of Table 2.1. display the number of observations for each country in our sample. Due to timing and logistical issues we did not collect data from the following countries: Argentina, Belize, Brazil, Haiti, Honduras, Guatemala, Nicaragua, Paraguay, and Venezuela. Although some of the countries that are not included in the study are among the poorest of the region, our sample still captures a large degree of heterogeneity in country size, location, and historical and cultural backgrounds.

TABLE 2.1. Number of Observations and Coverage of Localities by Country

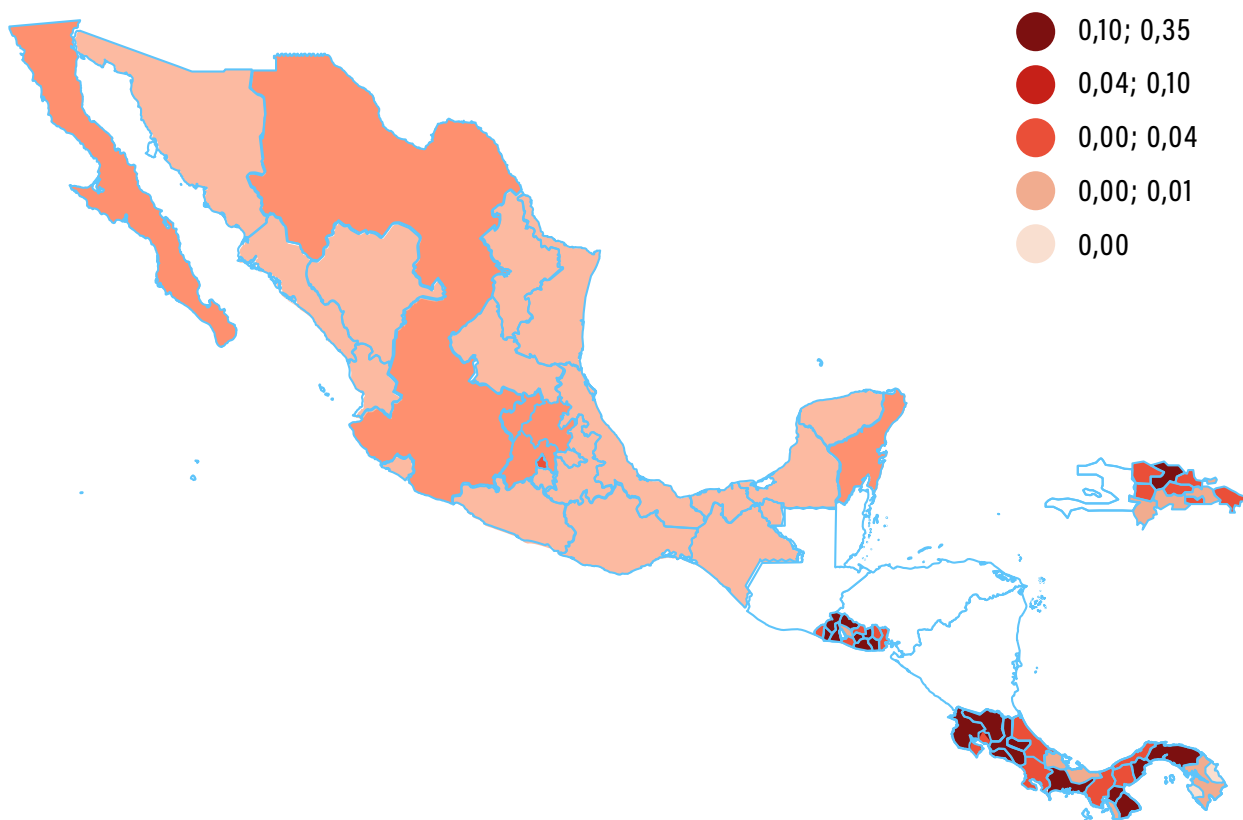
COUNTRY (1)	OBSERVATIONS (2)	LOCALITIES (%) (3)	COUNTRY (4)	OBSERVATIONS (5)	LOCALITIES (%) (6)
Bahamas	910	84%	Guyana	1,691	88%
Barbados	2,131	100%	Jamaica	2,596	93%
Bolivia	5,441	60%	Mexico	19,731	48%
Chile	8,431	90%	Panama	6,714	77%
Colombia	23,604	69%	Peru	6,469	29%
Costa Rica	9,265	90%	Suriname	570	100%
Dominican Republic	8,043	95%	Trinidad and Tobago	4,774	100%
Ecuador	18,815	67%	Uruguay	7,444	46%
El Salvador	13,532	46%			

Source: IDB staff calculations based on IDB/Cornell survey data.

Our sample achieved broad geographic coverage. Figure 2.1 depicts the geographic coverage of our sample at the sub-national level. In the maps, the largest sub-national regions (i.e., departments, regions or states) are shaded according to the number of observations as a share of the population. Our sample also achieved broad coverage at lower levels of geographic disaggregation. Columns 3 and 6 of Table 2.1. show the percentage of localities of each country with observations.¹ The share of localities with observations in our sample ranges from 29 percent in Peru to 100 percent in Barbados, Suriname and Trinidad and Tobago.

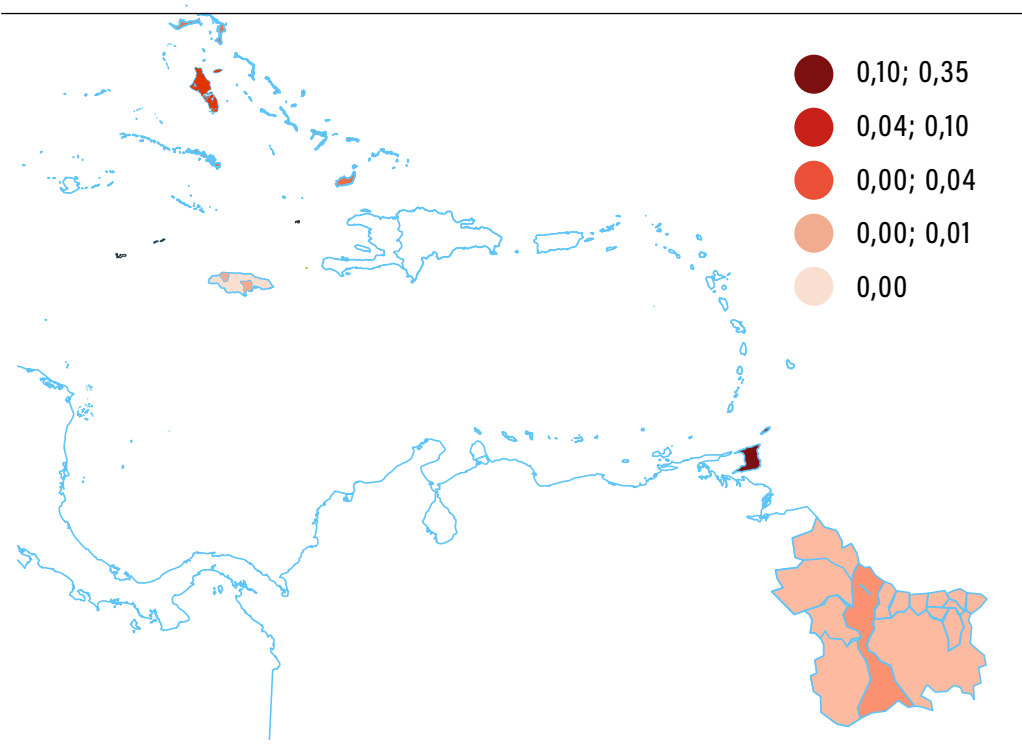
FIGURE 2.1. Regional Coverage of Online Survey

A. Mexico and Central America

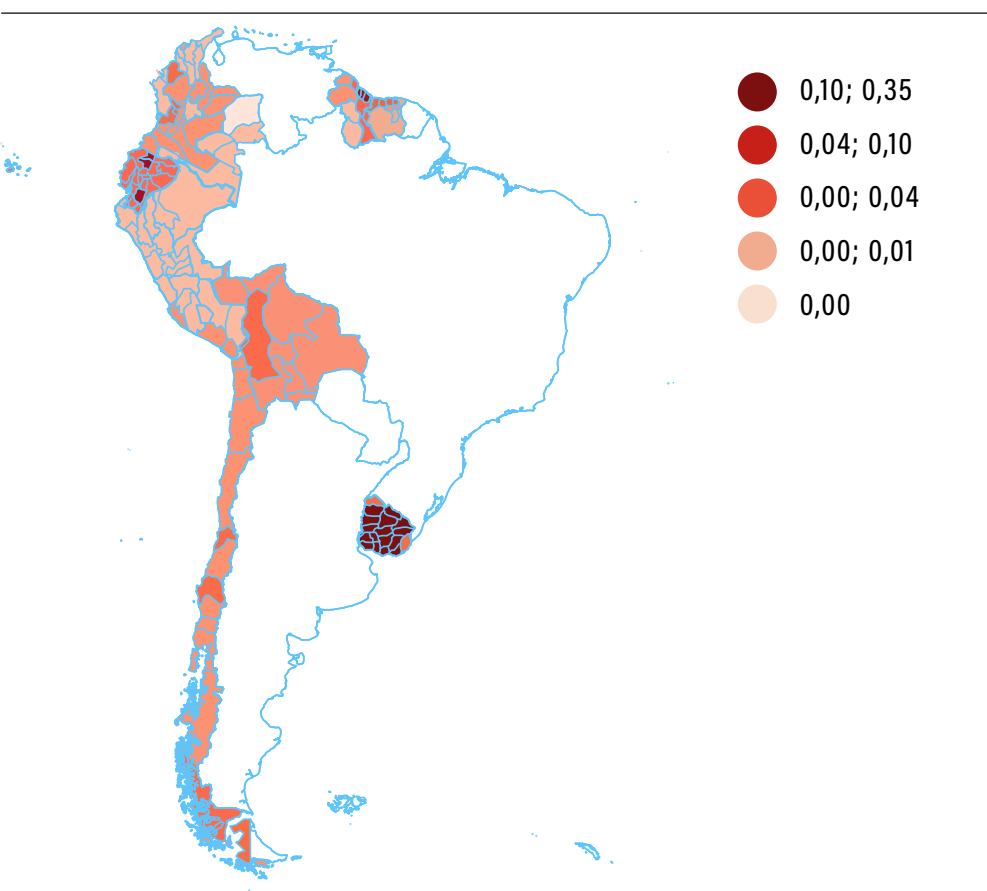


¹ In most countries we focus on municipalities, districts or their equivalent.

B. The Caribbean



C. South America



Source: IDB staff calculations based on IDB/Cornell survey data.

We recruited participants over 18 years old for the survey through advertising on Facebook and Instagram. The social media advertising campaigns used keywords with broad appeal, such as *fútbol* or names of celebrities that were unrelated to the coronavirus to avoid selecting participants who were particularly well-informed or especially impacted by the coronavirus.

Figure 2.2 displays the posts that were used for Uruguay as an example of the social media posts that potential participants viewed.

FIGURE 2.2. Sample Social Media Posts Used to Recruit Participants



Source: Social media posts developed by IDB staff.

The principal modules of the questionnaire were standardized across countries to allow for pooling the data across countries. The primary objective of the questionnaire was to measure the impact of the coronavirus pandemic on households' economic situation and their well-being. Therefore, the questionnaire collected data on a wide range of outcomes including labor market outcomes, financial position, social program enrollment, and food security.²

Telephone Survey Data Collection

In addition to collecting survey data through online surveys, we also collected survey data through telephone surveys in two countries using an abbreviated version of the online questionnaire adapted to telephone surveying. As described in Section 3, we use these datasets to evaluate the representativeness of the data collected through online surveys.

From April 13, 2020 to April 25, 2020 we collected telephone survey data in three regions of Chile: the Metropolitan Region, the Bio Bio Region, and the Valparaíso Region. Overall, the sample consists of 1,006 responses consisting of 710 in the Metropolitan Region, 152 in the Bio Bio Region, and 144 in the Valparaíso Region. We additionally collected 896 responses through telephone surveys in Barbados, which were conducted from May 15 to June 12, 2020. The sample frame corresponded to households that participated in the nationally representative Living Conditions Survey collected in 2016 by the IDB and the Barbados Statistical Service. ●

² The questionnaires used for each country and the dataset can be accessed at: <https://publications.iadb.org/en/idb-cornell-coronavirus-survey>



3. DATA VALIDATION AND LIMITATIONS

One limitation of using data from online surveys relative to data from field surveys—the method used by most governments to collect data—is that online survey participants may systemically differ from those who would have participated in a face-to-face interview. These differences may include both observable and unobservable characteristics. For instance, respondents of online surveys may be more educated or come from more advantaged economic backgrounds than respondents without internet access. Although only a low overall percentage of households in the region have a stable internet connection at home,³ many countries have implemented policies to increase internet access during the pandemic, and most of our surveys were completed by smartphone. Further, respondents who opt in to responding to the survey may also have different motivations and experiences, and thus the results may not necessarily reflect the situation of the overall population.⁴ We discuss below the steps taken to attenuate potential biases.

First, we first leverage the widespread penetration of social media platforms such as Facebook and Instagram in Latin America and the Caribbean. Data from these platforms have been used to estimate population density or income in several developing countries (Matz et al., 2019).⁵ To avoid sample selection issues related to snowball sampling—i.e., when the researcher posts a survey on social media and recruits participants by sharing the post among her contacts and then her contacts’ contacts—we rely on social media ad campaigns targeted to users from all socioeconomic backgrounds. Table 3.1 shows the number of unique individuals in each country who saw the social media ads in their timeline by April 30, 2020. This process allows us to increase the number of people to whom the survey is shown while allowing respondents to share the link through social media (see Section 2 and Bottan et al., 2020a for further details on the data collection process).

3 Data from household surveys of 11 countries in our sample suggests that, on average, 45 percent of households report having access to an internet connection (either at home or through mobile phones). However, there is substantial variation across countries. In wealthier countries such as The Bahamas, Costa Rica and Uruguay, over two-thirds of households have access to internet connections, while in lower-income countries, such as Bolivia, less than 20 percent have internet access. Source: IDB’s Harmonized Household Surveys from Latin America and the Caribbean.

4 See Mercer et al. (2018) for a brief discussion.

5 See, for instance, Facebook’s “Data for Good” at platform <https://dataforgood.fb.com/>

TABLE 3.1. Reach of Social Media Ads by Country

COUNTRY (1)	REACH (2)	COUNTRY (3)	REACH (4)	COUNTRY (5)	REACH (6)
Bahamas	172,784	Dominican Republic	2,075,139	Panama	2,004,861
Barbados	145,752	Ecuador	2,650,628	Peru	7,697,923
Bolivia	8,086,014	El Salvador	1,677,313	Suriname	328,608
Chile	6,508,674	Guyana	322,368	Trinidad and Tobago	562,561
Colombia	3,918,853	Jamaica	655,871	Uruguay	2,114,179
Costa Rica	709,952	Mexico	5,631,997		

Source: IDB staff calculations based on IDB/Cornell survey data.

Table 3.2 compares statistics computed using our raw online data (Column 1) with statistics from representative household surveys in Column 3.⁶ Although the online survey collected information of more-educated respondents than the household surveys, the online survey data better matches the demographic characteristics of the population in urban areas (Column 4) and the population of households with home internet access (Column 5). Thus, without further adjustments, our results are more representative of conditions in urban areas than elsewhere.

Second, we attenuate sampling issues by calibrating sampling weights based on a rich subset of covariates that were available in the most recent household field surveys. We used, when available, data regarding respondents' gender, age, and education. We also used information regarding the respondent's largest subnational region (region, department or state), household income categories, and other household demographic characteristics. Additionally, we applied the iterative raking method (DeVillie et al., 1993), the method used by the leading opinion surveys in several countries. Column 2 of Table 3.2 reports means of demographic characteristics computed using the calibrated survey weights and shows that applying our calibrated weights substantially reduces differences in demographic characteristics with respect to the nationally representative household surveys. Throughout this monograph we present information using survey weights to (partially) correct for sample selection in observable characteristics

⁶ We obtained these surveys from the IDB's household survey repository (Harmonized Household Surveys from Latin America and the Caribbean). See Bottan et al. (2020a) for details.

TABLE 3.2. Comparison between Online Data and Data from Face-to-Face Household Surveys

	ONLINE		FACE-TO-FACE HOUSEHOLD SURVEY		
	UNWEIGHTED (1)	WEIGHTED (2)	TOTAL (3)	URBAN (4)	INTERNET (5)
Household size	4.38	4.22	3.86	3.87	3.96
Elderly in the household (share)	0.35	0.3	0.36	0.35	0.34
Female (share)	0.72	0.54	0.52	0.53	0.53
Education: Primary or less	0.03	0.29	0.42	0.37	0.27
Education: High School	0.23	0.38	0.41	0.4	0.41
Education: University	0.74	0.33	0.16	0.2	0.3
Age (in years)	39	40.47	43.49	42.88	42.09
0-0.5 MW	0.1	0.08	0.07	0.05	0.01
0.5-1 MW	0.16	0.13	0.11	0.09	0.04
1-2 MW	0.21	0.23	0.24	0.23	0.15
2-3 MW	0.14	0.16	0.18	0.19	0.18
3-4 MW	0.11	0.09	0.12	0.13	0.15
4-6 MW	0.1	0.12	0.14	0.16	0.21
6-8 MW	0.06	0.06	0.06	0.07	0.11
8-11 MW	0.05	0.05	0.04	0.05	0.08
11+ MW	0.07	0.06	0.04	0.04	0.07

Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The table presents means of demographic characteristics using online survey data and the most recent household surveys for each country using the IDB's Harmonized Household Surveys from Latin America and the Caribbean. The statistics were first computed on a country-by-country basis and then averaged across countries.

We then test whether our online survey data captures behavior proxied by other data sources. For this, we exploit mobility indicators by metropolitan area based on mobile phone data for a subsample of countries. In particular, we use data from Google's Mobility Tracker, which computes changes in mobility for different regions and countries relative to January 2020. Figure 3.1 shows that regional-level shares of online respondents reporting going out to work are highly correlated with changes in trips to workplace collected based on mobile phone data during our data collection period.⁷

⁷ For this, we use Google's Mobility Tracker data on changes in mobility relative to January 2020 computed at the metropolitan-area level. <https://www.google.com/covid19/mobility/>

FIGURE 3.1. Correlation between Mobility Measures Collected in Online Survey and Mobility Measures Using Google's Mobility Tracker



Source: IDB staff calculations based on data from the IDB/Cornell survey and Google's Mobility tracker.

Note: The figure depicts regional shares of online respondents reporting commuting to work (y axis) as a function of regional changes in trips to workplaces during April 15 to April 30 relative to January 2020, based on Google's mobility-tracking data from metropolitan areas in the six countries with available data at the metropolitan-area level. The figure includes only information from Barbados, Chile, Colombia, Mexico, Peru and Uruguay.

To further validate our survey, we applied our weight calibration method to two phone surveys with participants drawn from representative samples used in previous household field surveys in Chile and Barbados. In the case of Chile, we contrast the information collected through online and phone surveys during the same period in which the phone survey data were collected (April 20 to April 27, 2020). In the case of Barbados, we collected data between May 19 and May 30, 2020, approximately two to four weeks after online data collection ended. This exercise was undertaken to quantify how much the answers of our online survey differ from those of a more traditional method of data collection that is substantially more expensive but not without flaws of its own.⁸ Panel A of Table 3.3 shows that, although online respondents differ from phone respondents in terms of demographic characteristics, those differences vanish after applying survey weights calibrated based on observable demographic characteristics such as age, household size, gender and income. In the case of Barbados, we also observe a similar pattern: online survey respondents are more educated and come from higher-income households, relative to phone survey respondents.

⁸ Although survey firms use a representative sample to conduct phone interviews, response rates tend to be lower than in the case of face-to-face surveys, which could be related to both observable and unobservable characteristics.

TABLE 3.3. Comparison of Online and Phone Survey Data for Chile and Barbados

	CHILE			BARBADOS		
	ONLINE (RAW) (1)	ONLINE (REWEIGHTED) (2)	TELEPHONE (3)	ONLINE (RAW) (4)	ONLINE (REWEIGHTED) (5)	TELEPHONE (6)
PANEL A: DEMOGRAPHIC CHARACTERISTICS						
Household size	5.09	4.43	4.18	4.11	4.00	4.12
Elderly in household (share)	0.42	0.46	0.45	0.34	0.49	0.55
Respondent is a female (share)	0.80	0.59	0.49	0.79	0.52	0.45
Completed Primary or less (share)	0.05	0.14	0.14	0.00	0.00	0.11
Completed Secondary (share)	0.27	0.37	0.38	0.23	0.51	0.51
University/Vocational Training or Higher (share)	0.67	0.49	0.47	0.77	0.48	0.37
Age of respondent	46.06	46.44	46.00	41.51	42.27	39.52
0-0.5 MW	0.10	0.04	0.03	0.05	0.03	0.03
0.5-1 MW	0.21	0.16	0.12	0.07	0.04	0.04
1-2 MW	0.29	0.32	0.31	0.11	0.13	0.14
2-3 MW	0.15	0.19	0.20	0.10	0.13	0.13
3-4 MW	0.09	0.07	0.10	0.10	0.09	0.10
4-6 MW	0.08	0.09	0.11	0.13	0.16	0.17
6-8 MW	0.04	0.06	0.06	0.12	0.11	0.10
8-11 MW	0.02	0.02	0.04	0.11	0.15	0.17
11+ MW	0.03	0.06	0.02	0.21	0.16	0.13
PANEL B: SOCIAL DISTANCING						
Went out to work	0.45	0.44	0.44	0.31	0.30	N.A.
Went out seeking for medical services	0.13	0.12	0.05	0.06	0.05	N.A.
Went out to markets/grocery stores	0.63	0.61	0.59	0.44	0.46	N.A.
Went out to the bank	0.14	0.15	0.08	0.15	0.14	N.A.
Went out to visit friends	0.03	0.02	0.02	0.04	0.05	N.A.
Went out to visit relatives	0.05	0.05	0.02	0.05	0.06	N.A.
PANEL C: LABOR MARKETS						
Respondent works (past week)	0.43	0.47	0.49	0.40	0.34	0.43
Households reporting business closures (past month)	0.31	0.30	0.22	0.49	0.53	0.22
Households reporting job loss (past month)	0.47	0.40	0.30	0.41	0.43	0.35

Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The table presents means of online and phone-survey data for Chile and Barbados. In the case of Chile, columns 1 and 2 use the subsample of online-survey responses from the three regions in Chile where phone survey data were collected (Metropolitan Region, Bio Bio, and Valparaíso)

during the same data collection period, April 20-27, 2020. In the case of Barbados, columns 4 and 5 use all the available online-survey responses which were collected from April 14 to April 30, 2020. Column 6 reports means from a telephone survey conducted from May 15 to June 12, 2020. The cells corresponding to social-distancing measures are not available in the case of Barbados, as mobility-restriction policies had been lifted before the data collection.

Next, we analyze whether our online responses to questions related to the pandemic substantially differ from those of our phone surveys. Importantly, these measures were not used to calibrate the weights, and thus they allow us to test the representativeness of the data in key dimensions that are usually not observable. In the case of Chile, where we could collect data during a period of stay-at-home policy measures, Panel B of Table 3.3 shows that in, terms of variables related to compliance with physical-distancing measures, the responses from the online survey and the phone survey are very similar, even without reweighting the online responses.

Panel C of Table 3.3 focuses on labor market variables. In the case of Chile, although there are differences in terms of the responses in the online and phone surveys, the differences decline after reweighting the online data. For instance, our online data matches the share of respondents that reported working (either for an employer or in a family business) during the week preceding the data collection (April 20 to April 27). We do find some differences in the share of respondents reporting that someone in their households lost a job during the two weeks preceding the survey. Relative to the phone data (see Column 3), online respondents are more likely to report job losses and business closures. Once we reweight the data, however, the differences are reduced substantially.

The difference in recruitment methods used for the online and phone surveys may explain the disparities. As opposed to field or phone surveys in which households are visited or called at random, the online survey collected data from households that opted in to fill out the survey when it was advertised through their social media feed. For example, workers who were recently laid off may have been more willing to fill out the survey, an idea that seems to be supported by the data. When we restrict the analysis to employed respondents, we find very similar answers in the online and the phone survey. In both cases, the share of respondents reporting that at least someone in their household lost a job is 0.24. Likewise, the shares of employed respondents reporting business closures are 0.19 and 0.21 in the phone and online survey, respectively. However, when we focus on respondents who did not work during the week preceding the survey, we find that 50 percent

of respondents report that their household experienced a job loss during the past two weeks in the case of the online survey, while only 36 percent of respondents report job losses in the phone survey.

In the case of Barbados, the share of online respondents who reported working during the week preceding the survey is similar to that of phone survey respondents. However, our calculations using the online data tend to substantially overestimate, relative to the phone survey, the share of respondents reporting that someone in their household lost a job or closed a business. While issues of selection in unobservable characteristics may explain these differences, as in the case of Chile, it is also possible that the differences are partially explained by different data collection periods. In Barbados, for instance, the phone interviews were conducted after mobility restrictions were lifted.

Overall, the differences suggest that our online surveys are more likely to capture responses of households that have been recently affected by the pandemic. The lower estimates from the phone surveys nonetheless paint a grim picture for the region, which we aim to explore with the online survey data.

Our data collection process, moreover, should be viewed in light of its limitations and advantages. The scope of the limitations depends on the type of empirical exercises conducted with the online data. Although using the online data to estimate country-level job losses would yield upward-biased results, using the online surveys to analyze the situation among recently affected households would provide a reasonable approximation of the impacts among the most vulnerable subpopulations in urban areas. Second, while the external validity of the results based on the online survey may be jeopardized, the results might still be internally valid. The limitations of the data collection process should thus be assessed on a case-by-case basis, depending on the type of analysis.

Finally, it is important to emphasize that the goal of this study is not to provide estimates of impacts that replace official statistics, but to conduct a comprehensive analysis of how the pandemic has disproportionately affected vulnerable subpopulations as well as analyze differences in outcomes across countries and regions. The idea is to provide results to be used as guidelines to assess the damage of the pandemic in a context that requires prompt actions, and in which neither collecting data through in-person interviews nor relying on administrative records represents a viable option.●

The background is a solid blue color. It is decorated with numerous orange circles of varying sizes, some of which are partially cut off by the edges. There are also several thin, light blue diagonal lines scattered across the page. The text is centered in the upper half of the image.

4. THE PANDEMIC AND LABOR MARKET OUTCOMES

Impacts on Employment

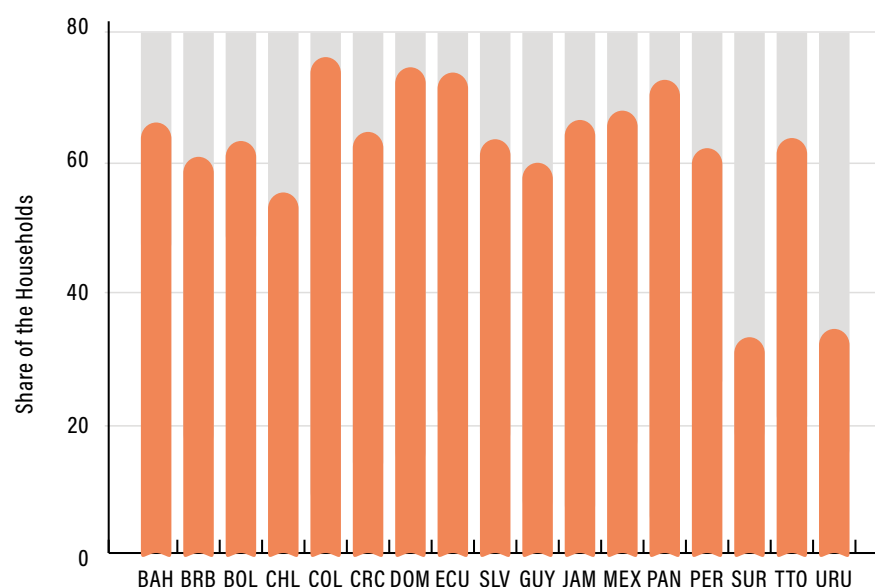
The pandemic has disrupted the economy by restricting mobility and the activities that drive economic activity. To measure the impacts of the pandemic on labor markets, we collected data on job loss and small business closure. Specifically, we asked respondents whether any member of their household had lost their job or closed their business. We randomly varied the reference period for these questions between 1 week, 2 weeks, and 1 month.

Overall, 67 percent of respondents report that a household member lost their job or closed their business. As discussed in Section 3, reported business closures and job losses—particularly the latter—are likely to be overestimated in our data, but the patterns of job loss and business closure across income levels more closely approximate those in a representative sample.

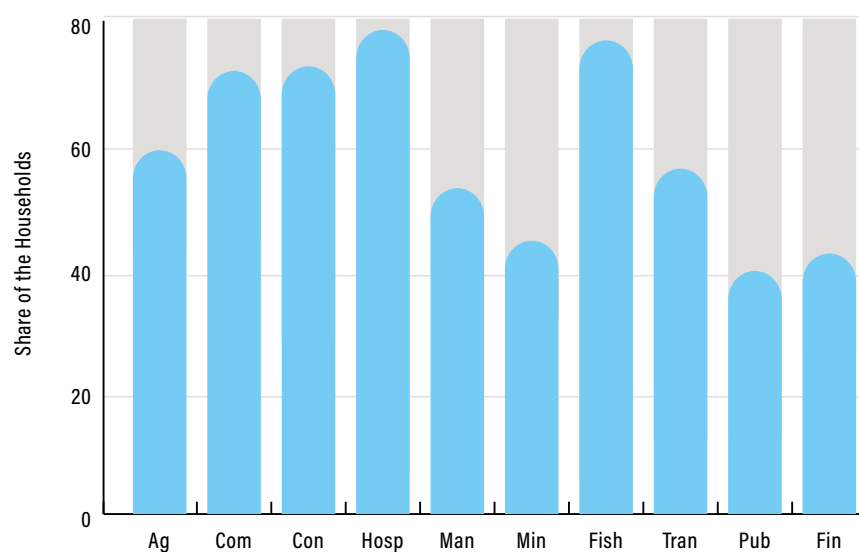
Loss of livelihood was broad, impacting all countries in our sample and all economic sectors. Panel A shows that in most countries approximately 50-70 percent of respondents reported that a household member had lost their job or closed their business, although respondents in Suriname and Uruguay reported much lower levels of loss of livelihood. Similarly, it appears that employment in all sectors was impacted by the pandemic (Panel B). While we do not have information on the economic sector for each job loss or business closure, we use as a proxy information on the economic sector of the primary source of income for the household. For all sectors other than public services, at least 40 percent of associated households report that a household member lost their livelihood. The impacts are greatest for households whose primary income source is from the hotels and restaurants, commercial, construction, and fishing sectors. They are substantially lower for households whose primary income source comes from the public services and financial services sectors.

FIGURE 4.1. Loss of Livelihood by Country and by Sector

A. Loss of livelihood by country



B. Loss of livelihood by sector



Source: IDB staff calculations based on IDB/Cornell survey data.

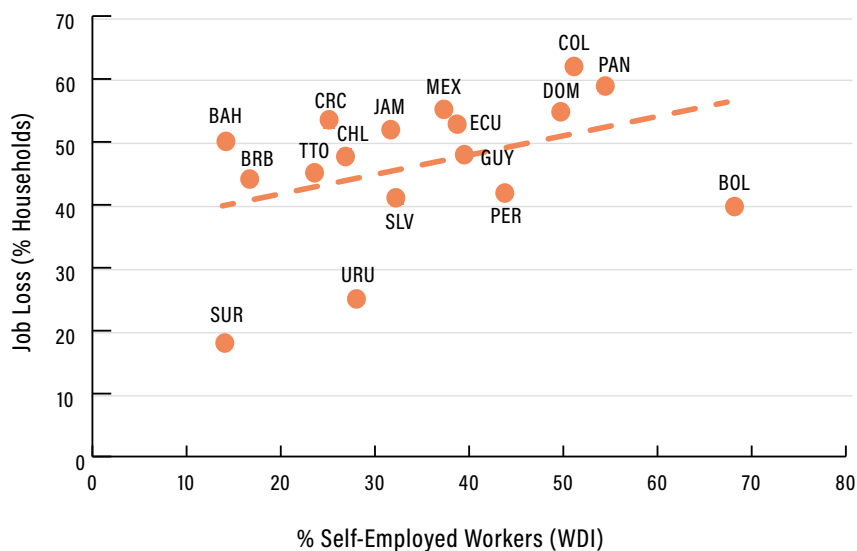
Note: Ag denotes agriculture, livestock and hunting; Com denotes commerce; Con denotes construction; Hosp denotes hotels and restaurants; Man denotes manufacturing industry; Min denotes mining, gas, oil and energy; Fish denotes fishing; Tran denotes transportation, storage and communications; Pub denotes public services; Fin denotes financial services.

Differential labor market impacts across countries could exacerbate inequality across countries in Latin America and the Caribbean, and those differences may in part be explained by informality. Proxied as the

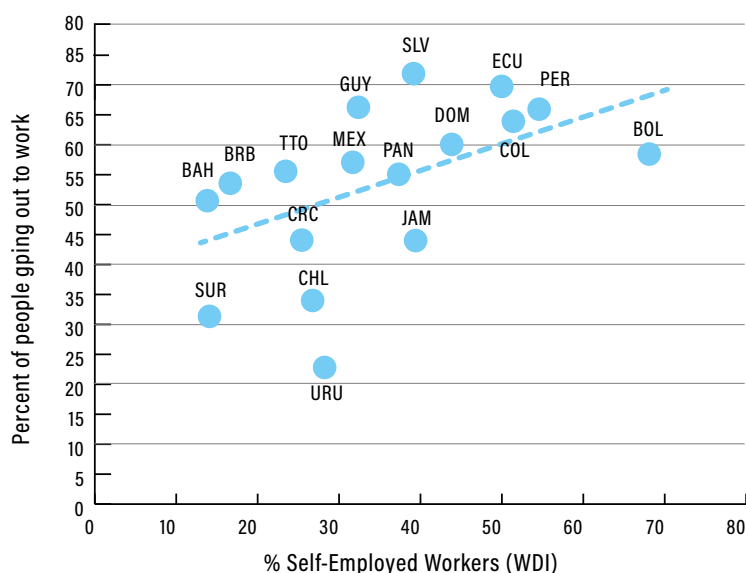
share of self-employed workers in each country, informality is associated with greater rates of job loss and business closure (see Figure 4.2).

FIGURE 4.2. Informality and Loss of Livelihood

A. Job loss and self-employment



B. Business closure and self-employment

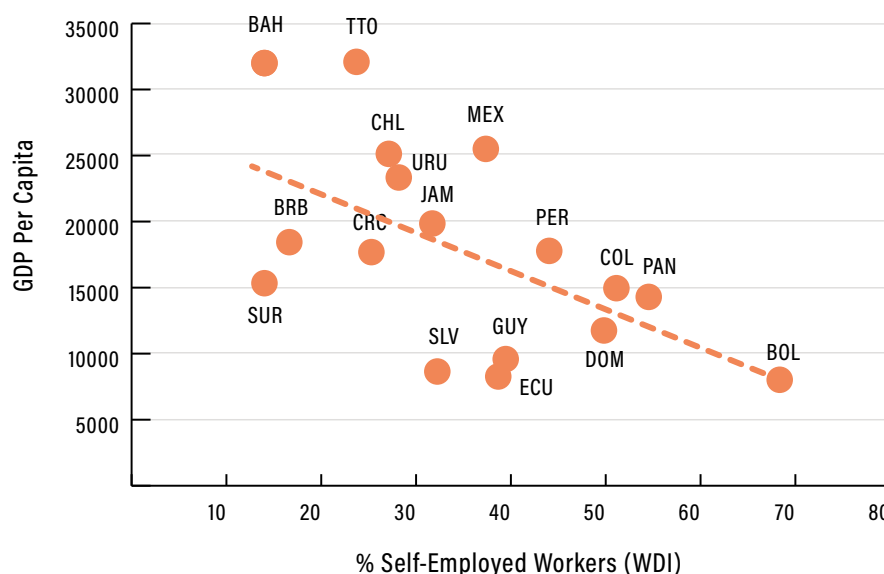


Source: IDB staff calculations based on IDB/Cornell survey data and World Development Indicators (WDI).

Informal workers may be concentrated in economic sectors that are particularly vulnerable during the pandemic since these sectors, such as retail and construction, require workers' physical presence or

interaction. Exacerbating the impact of job loss or business closure, informal workers have limited worker protections and typically lack the ability to claim unemployment benefits that help formal workers smooth earning shocks when their employment is terminated. Because informality tends to be higher in countries with lower GDP per capita, these results imply that the labor market impacts during the pandemic may exacerbate inequality across countries in Latin America and the Caribbean (see Figure 4.3).

FIGURE 4.3. Informality and GDP

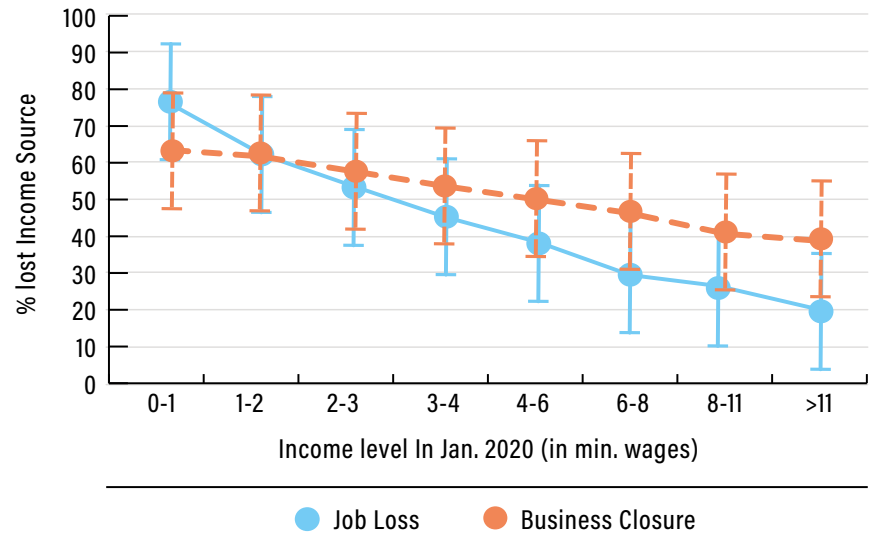


Source: IDB staff calculations based on IDB/Cornell survey data.

Although labor market impacts of the pandemic were experienced broadly across countries and sectors, the impacts were very unequal across households with different income levels prior to the pandemic. Households with lower incomes prior to the pandemic were more likely to report that a household member lost their job or closed their business, as shown in Figure 4.4, which utilizes country fixed effects to make comparisons within a country. For example, households with income below the minimum wage are, on average, 59 percentage points more likely to report that a household member lost their job relative to households in the top income category. Inequality in business closure follows a similar pattern but is much less dramatic. On average, households with income below the minimum wage are 25 percentage points more likely to report that a household member closed their business relative to households in the top income category. Despite declines in

inequality and poverty over the past decade, the region still had the highest income inequality in the world, and unequal labor market impacts are expected to exacerbate inequality within countries.⁹

FIGURE 4.4. Loss of Income Source per Income Level

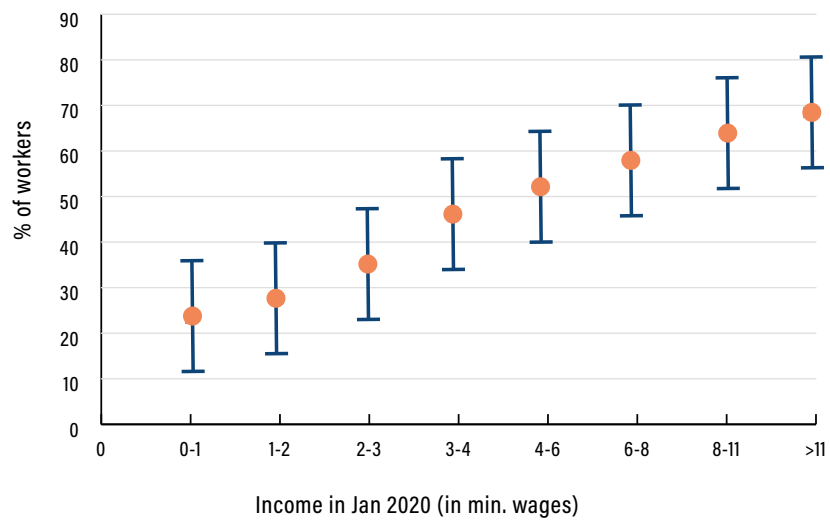


Source: IDB staff calculations based on IDB/Cornell survey data.

The ability to telework may help to explain unequal labor market impacts across income levels (see Figure 4.5). Not only are lower-income households more likely to lose their livelihoods, but, when they are able to keep them, they are also less likely to work from home. Among respondents who report working in the prior week, respondents with lower household income are much less likely to report that they worked from home. This could be because lower-income workers tend to work in different economic sectors and/or because the tasks performed by lower-income workers must be done in-person rather than remotely.

⁹ See Messina and Silva (2018), Levy and Schady (2013), and Amarante et al. (2016).

FIGURE 4.5. Share of Workers Working from Home by Income Level



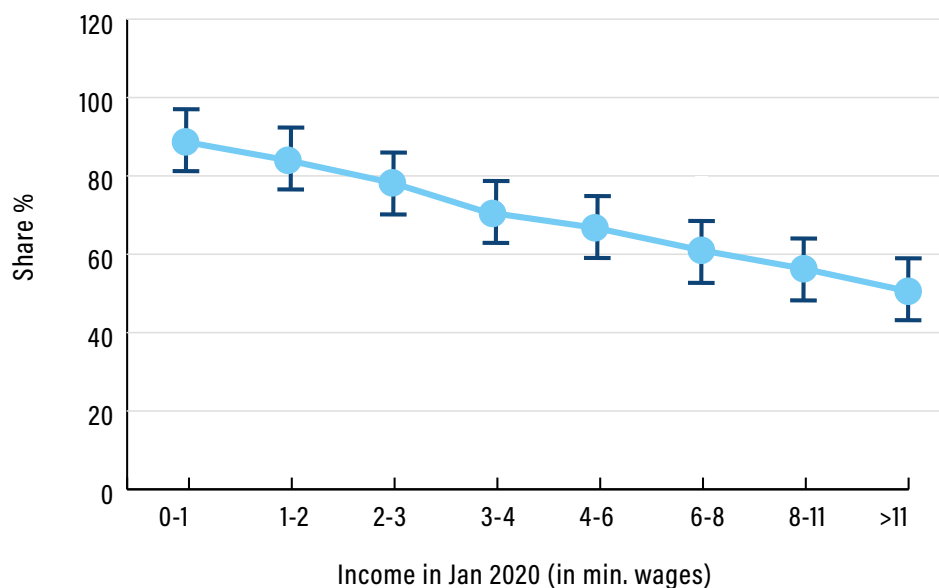
Source: IDB staff calculations based on IDB/Cornell survey data.

Impacts on Household Income

Labor market impacts have immediate consequences for household income. Overall, 79 percent of households report that their total household income in April 2020 will be reduced, and many households are falling into poverty.

Unequal labor market impacts translate into unequal impacts on household income, which in turn exacerbate existing income inequality. Households with lower incomes prior to the pandemic are more likely to report that their household will experience a reduction in income in April 2020. Figure 4.6, which shows the share of households who report that their total household income in April 2020 will be reduced relative to their household income in January 2020, illustrates the devastating impacts of the pandemic on household income. On average, over 70 percent of respondents reported decreases in income. Over 50 percent of the richest households reported declines in incomes, but the impacts are more dramatic for lower-income households: over 90 percent of households with income below the minimum wage in January 2020 report that they will experience a reduction in income by the end of April. This implies that lower-income households—who are least able to absorb income shocks by trimming non-essentials from their budgets—are those most likely to experience negative income shocks during the pandemic.

FIGURE 4.6. Share of Households with Income Reduction by Income Level



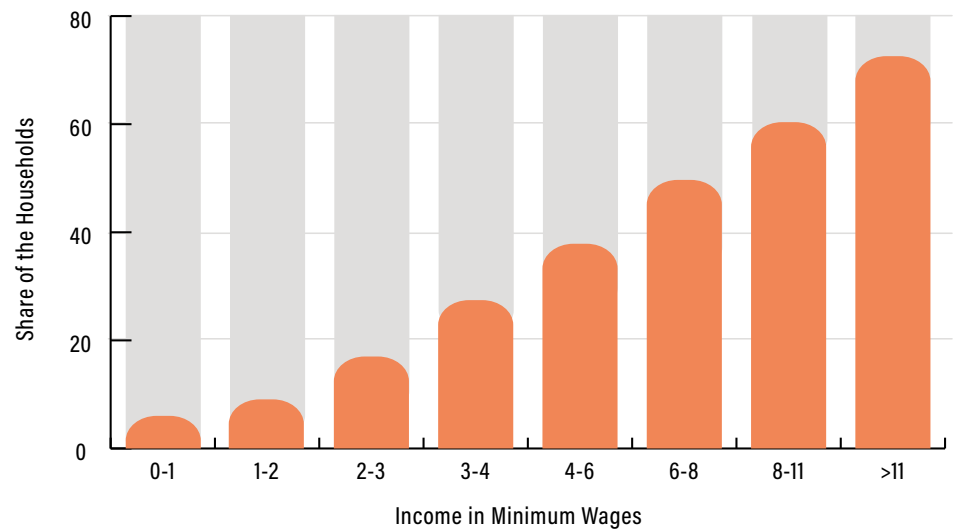
Source: IDB staff calculations based on IDB/Cornell survey data.

Not only are lower-income households more likely to experience a reduction in income, but they are also less financially resilient. We asked respondents whether their household would be able to cover an unexpected financial shock,¹⁰ and households with lower incomes are less likely to be prepared for a financial shock, as illustrated in Figure 4.7. In particular, as distressingly shown in Figure 4.8, eight out of ten survey respondents from the lower-income categories respond that their households did not have enough food and resources on hand to cover a week of necessities. Even during the early stages of stay-at-home policies amid the pandemic, the results suggest that people in LAC were ill-prepared to face the challenges awaiting them.

Middle-income households are not insulated from financial shocks either. Less than one-third of households with incomes between 1 and 4 minimum wages, for instance, would be able to come up with funds to finance emergency expenses. The results suggest that, on top of the direct impacts on labor markets, the pandemic may be increasing the vulnerability of middle-income households.

¹⁰ We randomized the size of the financial shock between 0.5 minimum wage, 1 minimum wage, and 1.5 times the minimum wage.

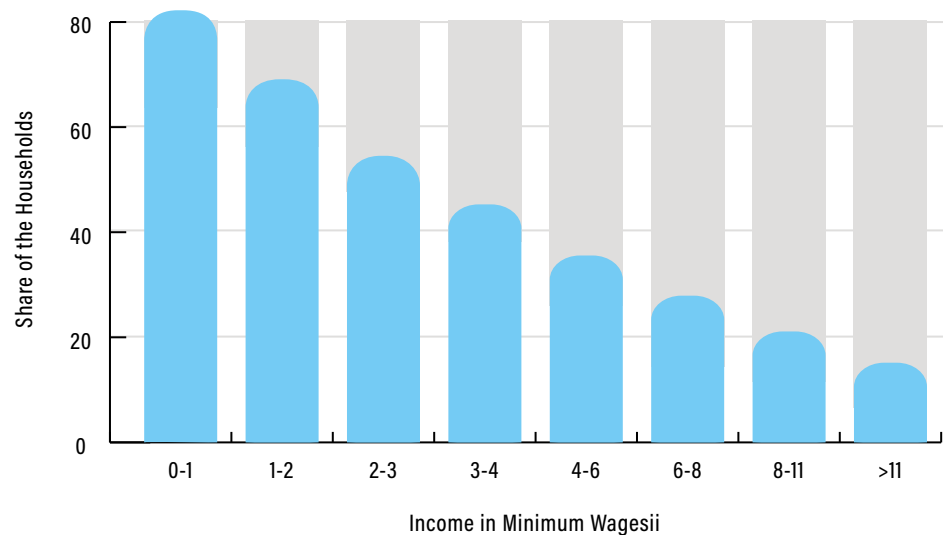
FIGURE 4.7. Share of Households Able to Cover an Unexpected Financial Shock by Income Level



Source: IDB staff calculations based on IDB/Cornell survey data.

FIGURE 4.8. Share of Households with Food or Resources on Hand for Less than One Week by Income

A. Resources on hand to cover less than one week



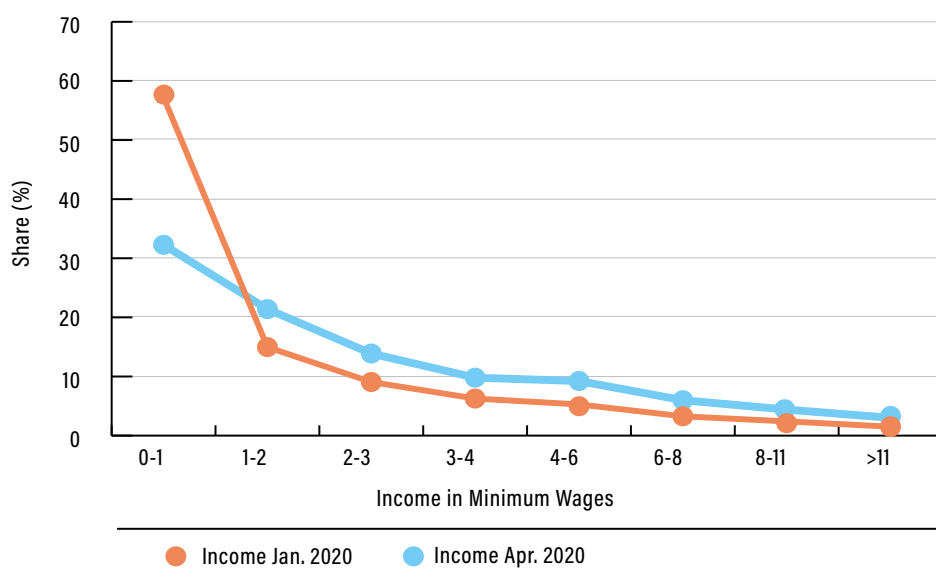
B. Food on hand for less than one week



Source: IDB staff calculations based on IDB/Cornell survey data.

Falling incomes, moreover, are pushing households into poverty. Figure 4.9 displays the distribution of income in January 2020 and in April 2020. Over 30 percent of respondents report that their total household income was below the national minimum wage in January 2020. However, approximately 55 percent of respondents report that their total household income will be below the national minimum wage in April 2020.

FIGURE 4.9. Distribution of Income in January 2020 and April 2020



Source: IDB staff calculations based on IDB/Cornell survey data.

Within this larger development there are large transitions from middle income categories to the lowest income category. Approximately 80 percent of households with income between 1 and 2 times the minimum wage in January 2020 expected their income to be below the minimum wage by the end of April 2020 (see Figure 4.10). In addition, approximately 40 percent of households with income between 2 and 4 times the minimum wage expected their income to be below the minimum wage in April 2020.

FIGURE 4.10. Percentage of Households Expecting to Be in the Bottom Income Category, April 2020



Although it is uncertain whether these income transitions will be permanent or transitory, unequal income reductions have already led to inequality in other important dimensions that could have a lasting impact. In addition, some lower-middle income households transitioned into the lowest income categories. Whether this transition is transitory will depend on the ability of labor markets to rapidly re-absorb workers from these households.

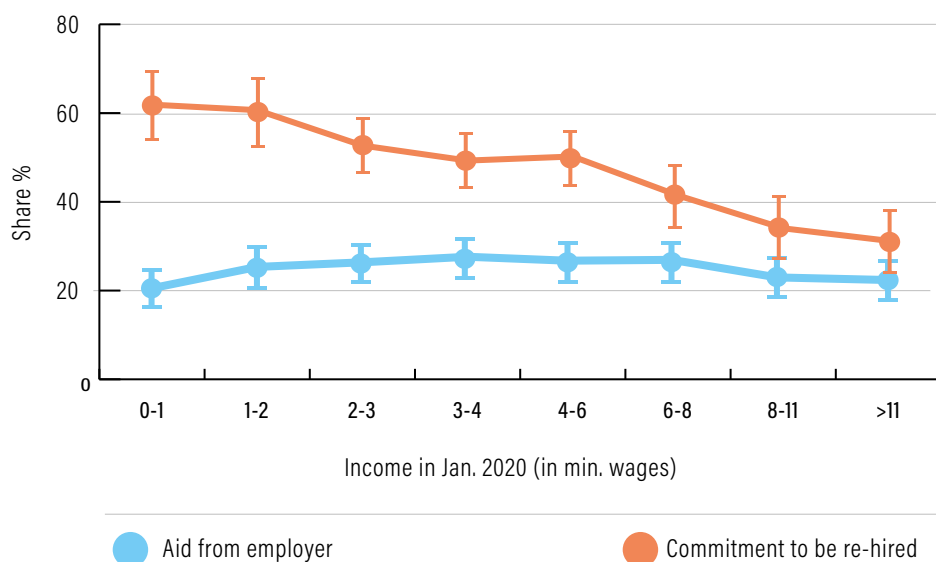
To assess whether these labor market impacts are transitory, we asked respondents to report whether, during the month preceding the interview,¹¹ any family member reported a commitment from her/his employer to rehire her/him after the pandemic. Over 40 percent of respondents expect that somebody in their household would benefit from these commitments. Figure 4.11 shows that lower-income respondents are more likely to report future employment commitments from their employers. This suggests that, although job losses and business closures were higher among poorer households, the loss of

¹¹ In the survey, we randomized the reference period between the past week, past two weeks and past month. All the information was collected in the second half of April.

livelihood may be to some extent transitory. One interpretation is that, due to labor market frictions, employers would like to keep their workers and avoid incurring search costs after the pandemic.

However, help from employers seems to be mostly related to promises of future jobs rather than efforts to help employees cope with the impacts of the pandemic. The figure also shows that less than 20 percent of respondents across all income categories reported that either they or members of their households received financial assistance from their employers. One implication of these results is that the ability of employers to help employees is rather limited.●

FIGURE 4.11. Offers, Rehiring Commitments and Financial Aid from Employers by Household Income



Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The figure reports shares of respondents who report receiving financial aid from employers and commitments to be rehired after the pandemic by income category, after adjusting for unobserved country differences. The bars denote 95% confidence intervals based on standard errors clustered at the country-level.

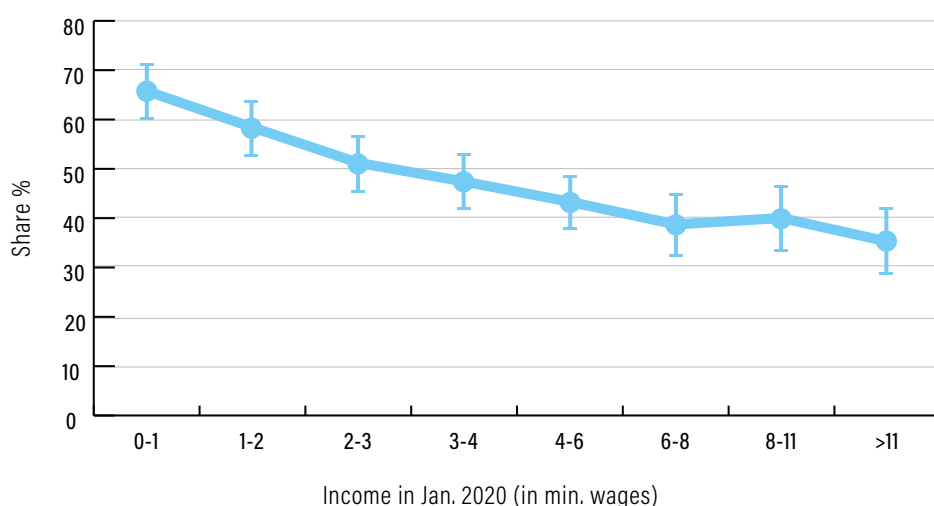
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5. THE PANDEMIC AND HEALTH INEQUALITIES

The unequal impacts of the pandemic on labor markets are likely to affect other dimensions of well-being. With reduced budgets, households may need to adjust their finances to satisfy their more immediate needs, and our results suggest that one important margin of adjustment is quality of diet. We collected information on whether respondents think they have changed their diet relative to January 2020. We asked whether they think they are eating in a less healthy way than before the pandemic. Overall, 50 percent of respondents reported eating less-healthy diets.

Changes in dietary habits are substantially more dramatic among lower income households (see Figure 5.1). As the quality of the diet in developing countries may be correlated to income levels, the pandemic is likely exacerbating this pre-existing inequality.

FIGURE 5.1. Share of Respondents Reporting Decline in Quality of Diet by Household Income



Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The figure reports the share of respondents who reported eating in a less healthy way than normal during the pandemic, after adjusting for country-specific factors.

Unfortunately, not only did lower-income households change the quality of their diet, but many lower income households also had to go hungry. We asked respondents to report if they or any member of their household had to go hungry due to lack of food during the week preceding the data collection. We found that, among families with the lowest incomes, over 40 percent reported going hungry. In contrast, less than 5 percent of higher-income households reported that a member had gone hungry.

To explore whether these differences are driven by pre-existing problems affecting lower-income people—or are instead resulting from the pandemic’s economic impacts—we compare the responses within each income category of households that lost their livelihoods during the pandemic to the responses of those that did not. Panel A of Figure 5.2 shows that, within each income group, the households that lost their livelihoods during the pandemic are substantially more likely to report going hungry, with particularly high percentages among lower-income households. One explanation for this result is that, as discussed in Section 4 above, poorer households were less likely to stockpile food during the pandemic. Panel B of Figure 5.2 shows that losing income sources is linked to a decline in the ability of households to stockpile food to cover one week or more of their necessities.

Similar patterns are observed when we analyze other dimensions of health and well-being within households. For instance, across all households, the poorest households that lost their livelihoods during the pandemic are more likely to struggle to buy medicines (see Panel C of Figure 5.2). Given the evidence related to pre-existing chronic conditions among lower-income patients (Berlinski et al., forthcoming), the COVID-19 pandemic might have substantially increased these disparities.

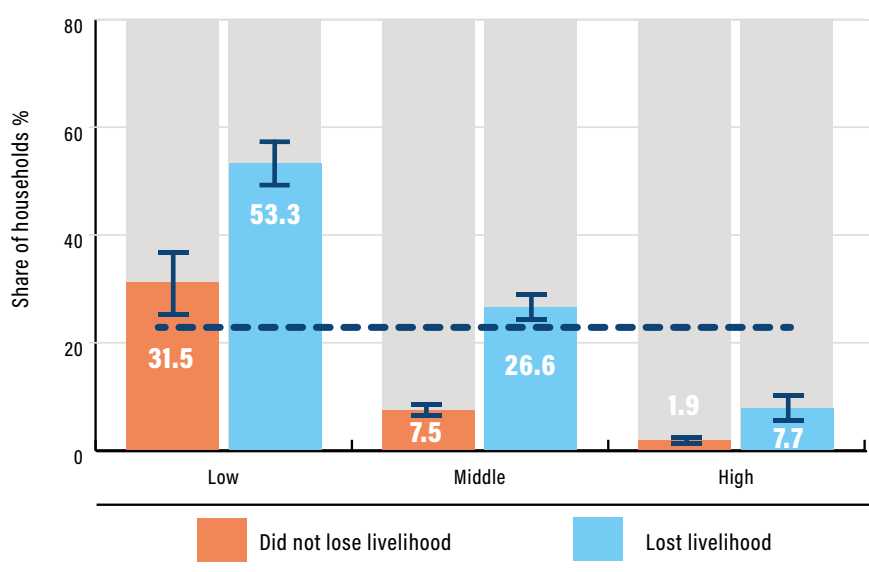
Previous evidence has linked changes in the budget constraint of poor households to changes in mental health (Lund et al., 2011). With some lower-income households struggling to cover basic health necessities, the pandemic may also have taken a toll on mental health and relationships within the household. Over 80 percent of respondents reported being stressed about the situation during the confinement period. Panel D of Figure 5.2 shows that, across income levels, the share of respondents who report feeling stressed about the pandemic is larger among households who lost their livelihoods. In addition, increases in alcohol consumption during the pandemic are higher in the case of lower-income households (see Panel E of Figure 5.2).

Higher levels of stress triggered by the loss of livelihoods during the pandemic may have further translated into an increase in perceived domestic violence. We asked respondents to report if they think that the shelter-in-place policies implemented amid the pandemic increased domestic violence. Panel F of Figure 5.2 shows that this subjective measure of domestic violence is higher among households that experienced the loss of livelihoods during the pandemic.

The results from our survey additionally suggest that the pandemic is deepening inequalities in nutrition and mental health, which in turn are likely exacerbating problems within households. Changes in income are expected to (partially) recover over time, but it may take more than time to offset negative impacts on health. For instance, declines in food security can translate into declines in productivity among workers (Hoddinott et al., 2008), as well as declines in learning abilities among children (Maluccio et al., 2009). Likewise, the increase in stress can have an impact on decision-making, and the increase in domestic violence may translate into gender inequalities that could undo the progress made before the pandemic. Unless policymakers address these issues during the recovery, the unequal effects of the pandemic are likely to be long-lasting.

FIGURE 5.2. Impacts of the Pandemic on Health by Income and Changes in Livelihoods

A. Lack of food last week



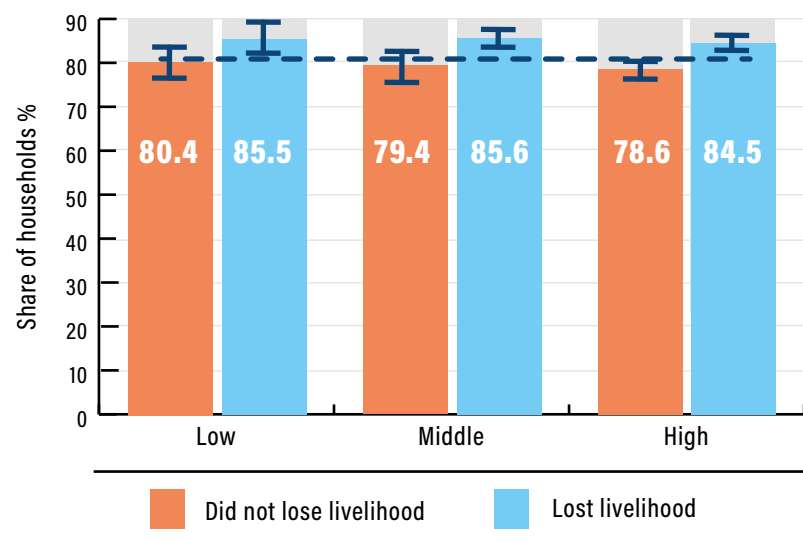
B. Enough food supplies for one week



C. Could not buy medicines



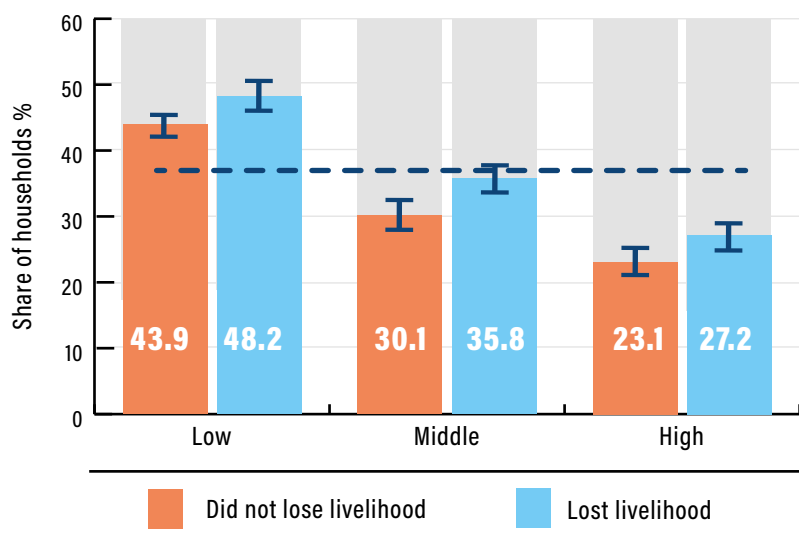
D. Feeling stressed



E. Drinking more



F. More domestic violence



Source: IDB staff calculations based on IDB/Cornell survey data.

Note: Each panel reports means by income category and by loss of livelihood.

LOST LIVELIHOOD: respondents who reported that any member of their households lost a job or closed her/his business during the month of April.

LOW INCOME: Household income in January 2020 below the national minimum wage.

MEDIUM INCOME: Household income in January 2020 between 2 and 4 minimum wages.

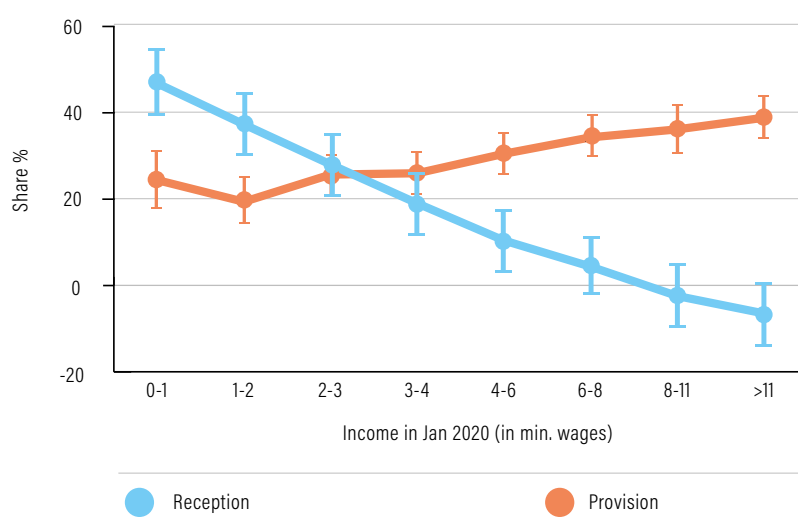
HIGH INCOME: Household income in January 2020 above 4 minimum wages.



6. COPING WITH THE IMPACTS OF THE PANDEMIC: PRIVATE AND PUBLIC SOCIAL SAFETY NETWORKS

Our survey results show that during the early stages of the pandemic the role of informal social-safety networks has been crucial. We asked respondents whether any household member received a loan or monetary aid from either friends or relatives during the past week, and 49 percent of households reported benefiting from this type of transfers. Interestingly, the reception of private monetary aid is higher among lower-income households, which have been hardest hit by the crisis, as shown in Figure 6.1 We also asked respondents to report whether any household member provided either loans or monetary aid to other households during the week preceding the survey and found that 33 percent of households had helped friends or relatives. Figure 6.1 additionally shows that the provision of aid to other households is more frequent among households of higher income categories. One implication is that, although the effects of the pandemic are regressive, the transfers provided by social safety networks are quite progressive and target those households located at the bottom of the pre-pandemic income distribution.

FIGURE 6.1. Reception and Provision of Transfers from Friends or Relatives by Household Income Level



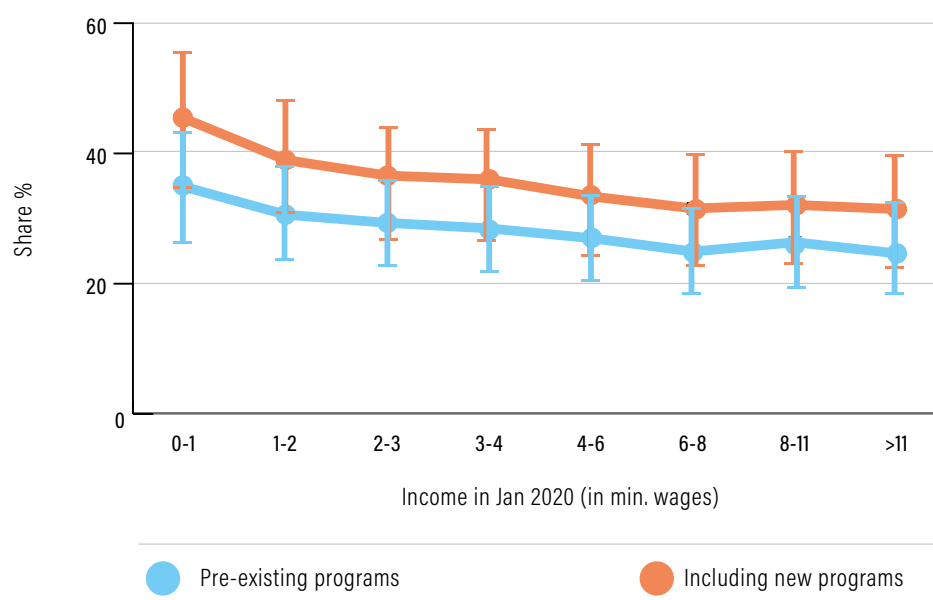
Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The figure reports shares of respondents that report receiving or providing financial aid (either loans or transfers) from friends or relatives by income category, after adjusting for unobserved country differences. Bars denote 95% confidence intervals based on standard errors clustered at the country level.

In addition, the data show that the overall reception of remittances was constant relative to January 2020 (8 percent), but within that larger trend reception differed between regular and occasional recipients before the pandemic. Five percent of households that did not receive remittances during January 2020 received remittances from abroad during April 2020. This increase is offset by a decline in the reception of remittances among regular recipients, i.e., those that received remittances during January 2020. Among regular recipients, which account for 8 percent of the survey respondents, we observe that only 37 percent of them report receiving transfers during April. The results suggest that, although some households may be receiving help from relatives abroad to cope with the economic impacts of the pandemic, those whose livelihoods normally rely on remittances are particularly hard-hit by the pandemic.

The previous results suggest that although informal social protection networks have an important role in providing resources to lower-income households, there are important limitations to private arrangements. Thus, public social assistance programs are likely to make a difference, as illustrated in Figure 6.2.

FIGURE 6.2. Coverage of New and Preexisting Social Programs by Household Income Levels



Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The figure reports shares of respondents that report receiving benefits from preexisting social programs and new social program created during the pandemic by income category, after adjusting for unobserved country

differences. Bars denote 95% confidence intervals based on standard errors clustered at the country level. Social programs include cash transfers to households with children of school age and non-contributory pensions.

Cash transfer programs and non-contributory pension systems were already in place before the pandemic in Latin America and the Caribbean. These programs, on average, jointly account for 0.72 percent of GDP,¹² and they reach 26 percent and 32 percent of the population, respectively. Although most of these programs are means tested and focus on lower-income households, there are important differences across countries. After controlling for country-specific characteristics, our survey data show that households from the lower income category are more likely to report being beneficiaries of cash transfer and non-contributory pension programs. This pattern suggests that households already in lower-income groups prior to the pandemic may rely on pre-existing programs to attenuate its effects of the pandemic (see Figure 6.3). At the same time, the results suggest that those middle-income households that transitioned to lower-income categories during the pandemic are less likely to have access to preexisting social programs and would benefit from new government assistance programs.

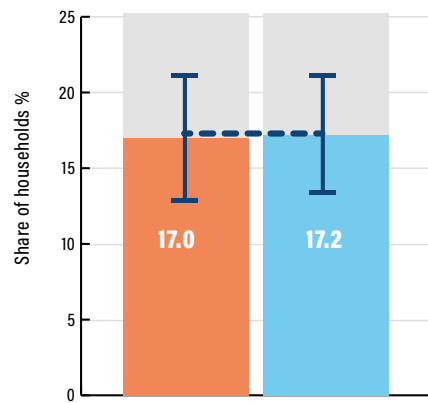
Amid the pandemic, several governments in the region have implemented transitory cash assistance programs, leading to a substantial increase in coverage of the population, as shown in Figure 6.3. These efforts, however, may suffer from some limitations. For instance, several countries used means tests to expand new programs to those who were on the margin of eligibility for pre-existing programs. While that criterion would determine eligibility based on the permanent component of income, it is prone to missing households that transition into poverty, and as mentioned in a previous section, these households are a sizeable share of the population. We illustrate this point by analyzing whether coverage of social programs, both new and old, differs based on whether the respondent's household lost their livelihoods.

The figure shows that, across income categories, the reception of benefits is rather unrelated to the loss of livelihoods. In contrast, transfers from friends or relatives are more likely to be received by households who lost their livelihoods during the pandemic. One explanation is that the type of information that governments use to target beneficiaries may not be precise enough to target households that experienced layoffs or business closures. Our results suggest that incorporating alternative sources of information into the targeting of social programs can improve coverage of households in greater need of assistance.

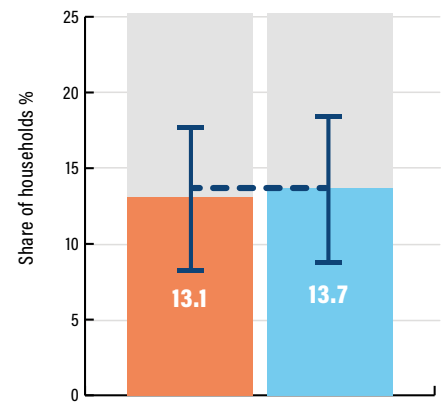
¹² See Chapter 2 of Duryea and Robles (2016). The average corresponds to 17 countries in the region, but not all are included in the IDB/Cornell survey. Cash transfer programs for school-age children account for 0.34 percent of GDP, while noncontributory pensions account for 0.38 percent of GDP.

FIGURE 6.3. Coverage of Households by Government Programs and Transfers from Friends or Relatives by Loss/Non-Loss of Livelihood

A. Preexisting programs



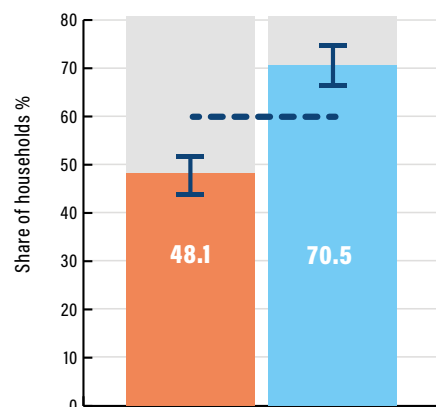
B. New programs



Did not lose livelihood

Lost livelihood

C. Transfers from friends or relatives



Did not lose livelihood

Lost livelihood

Source: IDB staff calculations based on IDB/Cornell survey data.

Note: The figure reports simple means by loss of livelihood.

The results from the survey show that the pandemic will present major challenges for the design of social programs in Latin America and the Caribbean. The results show that the region has been relatively effective in providing assistance to chronically poor households, but current tools for targeting households that experience shocks in the labor market leave many vulnerable households without assistance. Even if labor market impacts are transitory, some households have depleted their savings and are left vulnerable to economic shocks. Different approaches to providing cash assistance to non-poor but vulnerable households could be essential during the recovery. ●

The background is a solid blue color. It is decorated with numerous orange circles of varying sizes, some of which are partially cut off by the edges. There are also several thin, light blue diagonal lines scattered across the page. The text is centered in the upper half of the image.

7. THE IMPORTANCE OF INFORMATION

Over time, the world has learned about the symptoms of COVID-19 and how the virus spreads. Policymakers across the region have been trying to keep the population informed and updated while battling sources of misinformation and reassuring the public.

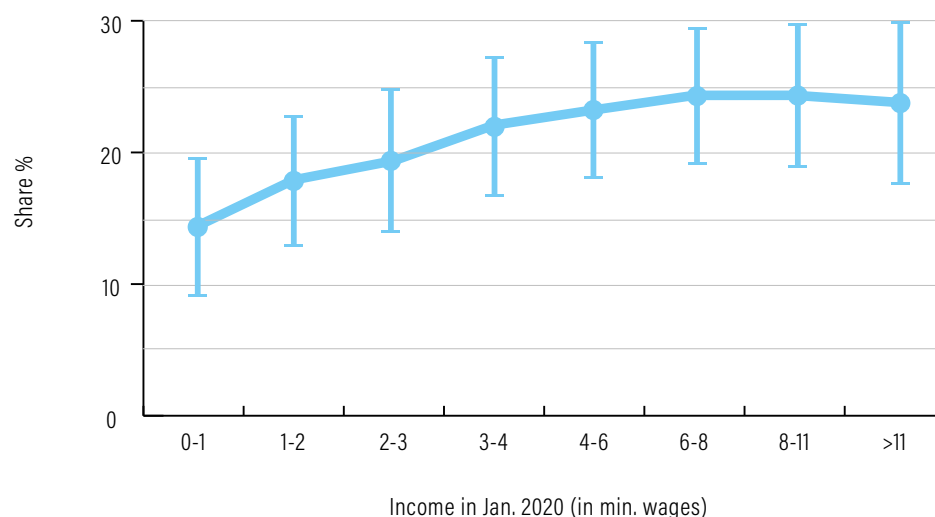
The data collected during the early stages of the pandemic illustrate that the public's knowledge of symptoms and spread of the virus is low and unequal across income levels. We asked survey respondents five questions about the symptoms associated with cases of COVID-19, and five questions related to the spread of the virus. We then compare their answers with official information from the World Health Organization (WHO)¹³ and identify respondents who answered correctly.

Figure 7.1 shows means, adjusted by unobserved country-specific factors, of the share of respondents with correct responses by income category. It shows that less than 25 percent of respondents provided correct answers on all symptoms related to the virus. This low mean level of knowledge nonetheless obscures important inequalities across income levels. Compared to higher-income respondents, the share of lower-income respondents who identified all the symptoms was 10 percentage points lower, as shown in Panel A of the figure. A similar pattern characterizes knowledge of how the virus spreads. Although around 60 percent of respondents seem to be familiar with the ways the virus spreads, the share of lower-income respondents who know about the spread of the virus is 20 percentage points lower than that of higher-income households (see Panel B of the figure).

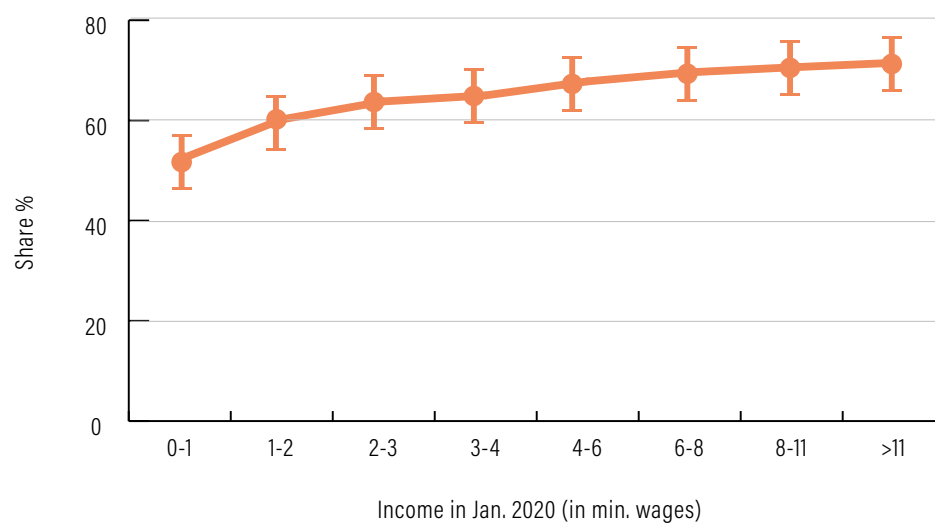
13 For this exercise, we used information on the WHO's website posted in April 2020. Given that additional knowledge has been accumulated since that date, this may not reflect the full body of current knowledge.

FIGURE 7.1. Knowledge about COVID-19 Symptoms and Spread

A. Knowledge about symptoms



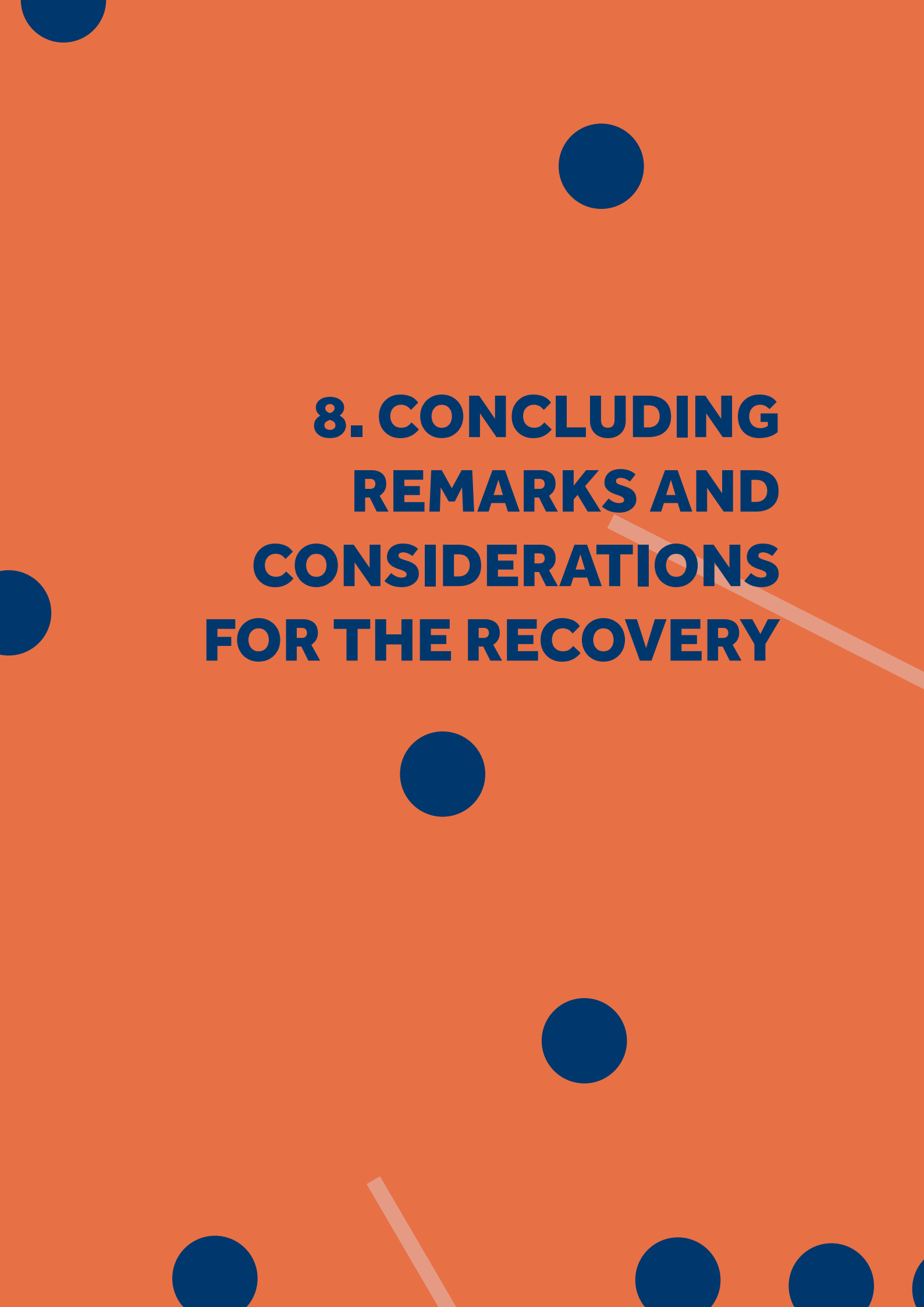
B. Knowledge about Spread



Source: IDB staff calculations based on IDB/Cornell survey data.

The unequal distribution of knowledge is a matter of particular concern, as lower-income households are also those that are hardest hit by the pandemic and least likely to work from home. Improving the dissemination of information, especially among lower-income households, may increase the impact of policies aiming at stopping the spread of the virus and safely reopening areas under lockdown. ●





8. CONCLUDING REMARKS AND CONSIDERATIONS FOR THE RECOVERY

We conducted online surveys in 17 countries in Latin America and the Caribbean during April 2020 to document the impacts of the pandemic on households. The dataset allowed us to characterize the COVID-19 pandemic's unequal economic impacts in most countries in the region. Those impacts, found in a variety of dimensions, point to important areas for policy to work toward a strong and equitable recovery. The importance of that recovery can hardly be overstated, as a large share of households in the region report that they lost their job or closed their business during the pandemic. Although job losses and business closures were expected, the unequal distribution of these impacts is surprising and suggests that, depending on how governments tackle the dual challenge of stopping the spread of the virus and protecting the livelihoods of millions of citizens, current disparities could prove long-lasting.

Across the 17 countries covered in the study, households with lower income were more likely to lose their livelihoods. This pattern may be partially explained by high levels of informality in the region, which translates into less resilient businesses and workers. There are also differences across economic sectors: we observe lower rates of job losses among households whose main source of income is related to the public sector and higher rates of job losses in the retail, service, and construction sectors. These sectors tend to be vulnerable to fluctuations in internal demand and may require further support as countries gradually reopen. Targeted interventions focused on providing aid to workers in these sectors are important. In addition, we found that country-level rates of business closures are larger in countries with higher rates of self-employment and in which most families make a living by operating small and often informal businesses. Policies and innovations that allow financial institutions to expand access to credit to family-operated businesses in countries with high rates of self-employment could help millions of families and their businesses stay afloat.

The unequal distribution of impacts goes beyond sectors and countries. Within each country, lower-income households were disproportionately affected by the pandemic. Not only did they lose their livelihoods at higher rates than higher-income households, but, when they were able to keep their jobs, they were also less likely to have the privilege of working from home. The latter result reflects pre-existing disparities in labor markets and suggests that lower-income households are more likely to be exposed to the virus. This could result in a reversal of the decline in income inequality that Latin America and the Caribbean experienced during the past decade. Countries in the region have championed social assistance programs targeted to the poorest households, but they must take further steps to ensure that the poorest households receive the assistance they require to cover their necessities.

While the poorest households have clearly suffered the pandemic's greatest economic and social effects, policymakers in the region additionally face a new challenge: supporting vulnerable middle-income households. Comparing income distributions before and during the pandemic, we found that a large share of middle-income households transitioned into lower income categories. At the same time, a high share of households reported that their employers committed to re-hire them after the mobility restrictions are eased. Policies to make sure that businesses survive the pandemic may help to prevent income loss from becoming permanent.

Our results suggest that the pandemic has increased the need for policies to support middle-income households, who are less likely to be covered by means-tested social assistance programs. As expected, low-income households are more likely to be recipients of cash transfer programs than middle- and high-income households. However, social programs that existed prior to the pandemic do not particularly target households with lost livelihoods. These results suggest that a large share of non-poor households that are vulnerable to income shocks during the pandemic may not have access to social assistance, and they must therefore fully rely on their savings or interhousehold transfers. As the economic crisis continues and households' savings deplete, the need increases for social programs that focus on households experiencing shocks. Even after the spread of the virus is controlled, households may need time to replenish their precautionary savings, and they may remain vulnerable to other shocks. Social programs considering income fluctuations as opposed to income levels alone are long due in a region prone to suffering multiple external shocks.

Some of the pandemic's impacts may have long-lasting effects. Many lower-income households report going hungry during the pandemic and adjusting their diets towards the consumption of less healthy food at much higher rates than higher-income households. In addition, the dramatic situation may well have taken a toll on mental health and increased domestic violence. Policies to bring jobs back will alleviate households' budgetary needs, but policies to prevent the pandemic from deepening other dimensions of inequality beyond income are also crucial.

Finally, recovery policies require coordination with society and solid communication strategies. Our results show that in the midst of the pandemic there were important knowledge and information gaps, particularly among lower-income households. As lower-income households experience higher pressure to go back to work and are less likely to be able to work from home, policies that prevent the spread of misinformation and disseminate appropriate public safety guidelines are important.

To conclude, we invite policymakers to use the data collected in this study and the results presented in this document to better understand the local context and design evidence-based policies to improve the eventual recovery from the pandemic. ●

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The coronavirus pandemic is causing dual health and economic crises at an unprecedented speed. This document reports the results of a large-scale survey which was launched during April 2020 in 17 countries in Latin America and the Caribbean in collaboration with Cornell University. This household survey project was undertaken in order to provide governments and policymakers with in-depth information on the impact of the pandemic on households in the region at a critical time. The results suggest devastating impacts of the pandemic that disproportionately affect lower-income households and point to several key challenges related to recovery policies.

