

COVID-19 disproportionately affects low-income workers' finances in developing countries

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Results from a large-scale survey of households in Latin America and the Caribbean show that the negative economic impacts of the

COVID-19 pandemic have been concentrated among those who had lower incomes prior to the pandemic, according to a study published October 7 in the open-access journal *PLOS ONE* by Nicolas Bottan of Cornell University, Bridget Hoffmann and Diego Vera-Cossio of the Inter-American Development Bank.

The current coronavirus pandemic is an unprecedented public health challenge that is having a devastating [economic impact](#) on households. To slow the spread of COVID-19, governments have implemented regulations that require social distancing, the closing of non-essential businesses, travel restrictions and, in many cases, stay-at-home orders. Although these measures may be necessary for public health, they have negative economic impacts and can potentially deepen the pre-existing gaps between rich and poor. Prior to the pandemic, Latin America and the Caribbean in particular had the highest income inequality in the world, and many citizens were vulnerable to falling back into poverty due to economic shocks. In the new study, Bottan and his collaborators used an [online survey](#) with 230,540 respondents from 17 countries in Latin America and the Caribbean to examine whether the COVID-19 pandemic has resulted in differential economic impacts for households across the [income distribution](#).

The data revealed large job losses and business closures which most affected the lowest income households. Of households reporting income of less than the national monthly minimum wage for January 2020, 71 percent reported that a household member lost their job and 61 percent reported that a household member closed their business. These findings contrast sharply with the impacts reported by the highest income respondents, just 14 percent of whom reported that a household member lost their job and 54 percent of whom reported that a household member closed their business. Their data suggest that job losses and business closures lead to reductions in health and food security, further contributing to the disproportionate impacts across income levels.

According to the authors, the findings provide evidence that the current [public health](#) crisis will exacerbate economic inequality, and also provide some of the first estimates of the impact of the pandemic on the [labor market](#) and on well-being in developing countries.

The authors add: "Using online surveys from seventeen countries in Latin America and the Caribbean we document that the covid-19 pandemic has large, unequal effects on job loss and business closure. The loss of livelihood leads to reductions in health and nutrition, further exacerbating economic inequality in the region."

More information: Bottan N, Hoffmann B, Vera-Cossio D (2020) The unequal impact of the coronavirus pandemic: Evidence from seventeen developing countries. *PLoS ONE* 15(10): e0239797. doi.org/10.1371/journal.pone.0239797

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