

# Poverty and inequality surge across Europe in the wake of COVID-19

October 30 2020

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Credit: AI-generated image ([disclaimer](#))

Poverty and inequality will potentially increase across Europe, with poor workers losing as much as 16% of income and social cohesion between countries also being damaged by pandemic lockdown measures, according to economic research from the University of Oxford.

In a report this month, Dr. Juan Palomino, of Oxford's Department of Social Policy and Intervention and the Institute for New Economic Thinking, along with [economic research](#) colleagues from the Universidad Complutense de Madrid, describes how emergency economic measures to tackle the pandemic have resulted in an "uneven impact on workers from different occupations and industries" with poorer workers—who tend to have a lower ability to keep working during the [lockdown](#)- suffering the greater wage loss They maintain, "Our analysis reveals a sizeable potential increase in poverty and [inequality](#) across Europe."

Dr. Palomino said, "The lockdown and partial closure of economic activities were crucial to slow the pandemic and save lives, but there is no doubt that the economic impact of COVID-19 has been dramatic.

"Our findings indicate that the burden of the pandemic will be disproportionately borne by low-wage earners which, in the absence of compensating policies, will significantly increase poverty and inequality across Europe."

The academics simulated the impact of the pandemic across the continent, assuming a conservative scenario—of a two-month lockdown—and a more severe situation of a six month partial closure after a two-month lockdown. In both cases, poverty and inequality were seen to increase significantly across Europe, with the impact differing, depending on the strength of countries' economies.

In the absence of compensating measures by governments, the most conservative scenario anticipates a 10% mean loss for the poor, while wage inequality increases by 3.5% on a continental-basis. Meanwhile, the more severe scenario sees a loss rate of 16.2% of earnings for poor workers and a rise in 9.4% in the headcount poverty index.

According to the report, the research reveals that lockdown measures are also likely to have worsened [social cohesion](#) across Europe, both within and between countries. Between-country inequality increased by as much as 4% in the team's economic simulations, while within-country inequality increased by as much as 12.1%.

And they warned, "These differences across European areas get larger with the severity of the measures necessary to fight and prevent COVID-19 infection."

Southern and Eastern Europe bears the brunt of the economic impact, according to the research, which found 'a greater increase of both poverty and inequality... than in Northern and Central Europe.' The team notes, "Workers tend to have a lower and more unequally distributed ability to work under the shutdown and social distancing in the economies of Eastern and Southern Europe than in the Northern and Central European countries."

Dr. Palomino added, "Our analysis reveals that the lockdown and de-escalation periods will potentially increase [poverty](#) and inequality sizeably in all European countries, even without accounting for second-round effects. Given that early relaxation of containment measures could have devastating effects for the health of citizens, we advocate for public policies that alleviate the distributional consequences that the lockdown may otherwise have."

**More information:** Juan C. Palomino et al. Wage inequality and poverty effects of lockdown and social distancing in Europe, *European Economic Review* (2020). [DOI: 10.1016/j.euroecorev.2020.103564](https://doi.org/10.1016/j.euroecorev.2020.103564)

Provided by University of Oxford

Citation: Poverty and inequality surge across Europe in the wake of COVID-19 (2020, October 30) retrieved 20 March 2024 from <https://phys.org/news/2020-10-poverty-inequality-surge-europe-covid-.html>

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