COVID-19 and its impact on socio-economic inequality
The adverse impact of the COVID-19 pandemic on peoples’ incomes is expected to lead to a deterioration in income distribution in most countries. The loss of labour income as businesses have closed their doors is one major factor. An analysis of the pandemic’s initial impact on employment indicates that women, informal workers, young people, less educated people, persons of African descent and migrants have been hit the hardest. The decline in the labour incomes of people who have kept their jobs during the pandemic is another. The sharp downturn in demand and in opportunities for people to engage in their usual lines of work appears to have caused an 11% drop in employed persons’ labour incomes, on average. For persons in the first quintile, the decrease is estimated at 40%, whereas the projected reduction for persons in the fifth quintile averages around 5%. As a result, total per capita income inequality is expected to have risen in 2020, pushing up the average Gini coefficient by 5% over its 2019 level.

If estimated transfers in the form government relief packages primarily targeting middle- and lower-income groups are factored in, then the upswing in the Gini coefficient for the region is estimated at about 3%.

These estimates do not incorporate some other factors that have a strong influence on income distribution, however. For example, trends in remittances from abroad were not as expected. Information for the early months of 2020 shows that remittances to Mexico were higher than they were in 2019, which suggests that the level of remittances for the Central American countries may be similar to their 2019 level.

Another factor that influences income distribution is income from the ownership of physical and financial assets. The region’s stock markets witnessed steep downturns in the second quarter of 2020 but then bounced back, with the result that there may have been a net increase in this type of income, if so, that increase will have been concentrated in wealthier households.

The most common types of measures used by the countries to soften the socioeconomic impact of the pandemic, especially for poor and vulnerable sectors of the population, include cash transfers, in-kind transfers (food, medicine, cleaning supplies), wage subsidies, unemployment insurance, pension advances, support for the health-care sector, tax exemptions, and subsidies and grace periods for micro-, small and medium-sized enterprises.a


a For further information on the measures being taken by the countries of the region, see the COVID-19 Observatory in Latin America and the Caribbean [online] https://www.cepal.org/en/topics/covid-19.