

# Trends of inequality and poverty during the pandemic: what lessons for the future?

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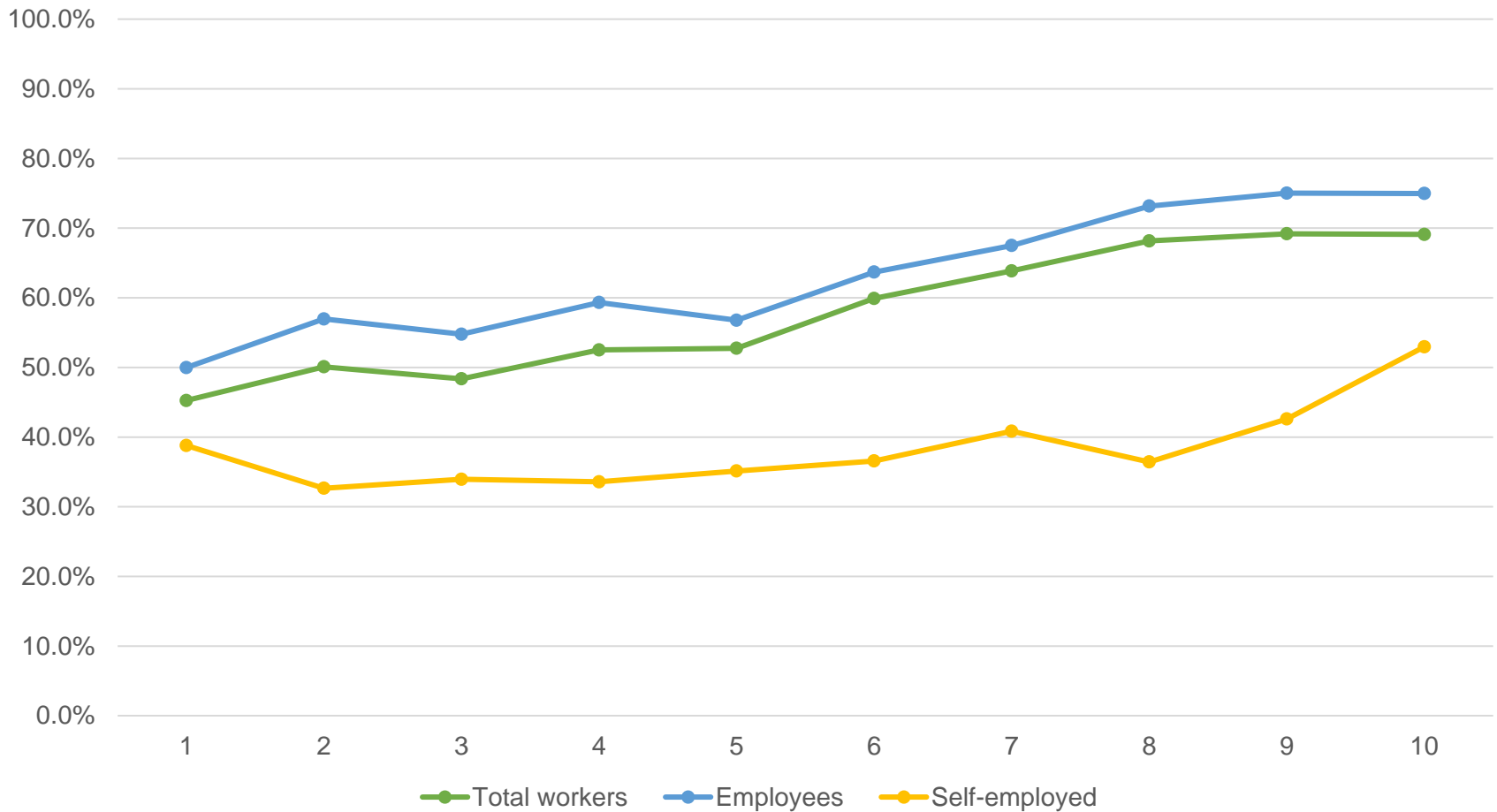
# Past pandemic episodes, inequality and poverty

- In the history pandemic as inequality reducing (shortage of labour supply, dissolution of great fortunes, Scheidel 2018), but different evidence about episodes in the 20<sup>th</sup> century (Furceri et al.).
- Is this time different? What effects in the short- and medium-term?
- Crisis born in LM due to social distance measures (and changes in individual behaviours) => it amplified pre-existing LM issues as low wages (and low savings accumulation), high spread of non-standard contracts, limited welfare coverage, high spread of informal jobs
- Current evidence still scant, e.g. the dramatic rise in absolute poverty in Italy (from 6.4 to 7.7%) might be affected by the used methodology (i.e. using expenditure as a proxy of wellbeing in pandemic time)
- First evidences show that – despite a dramatic rise in market income inequality – welfare transfers have curbed that rise in most EU countries

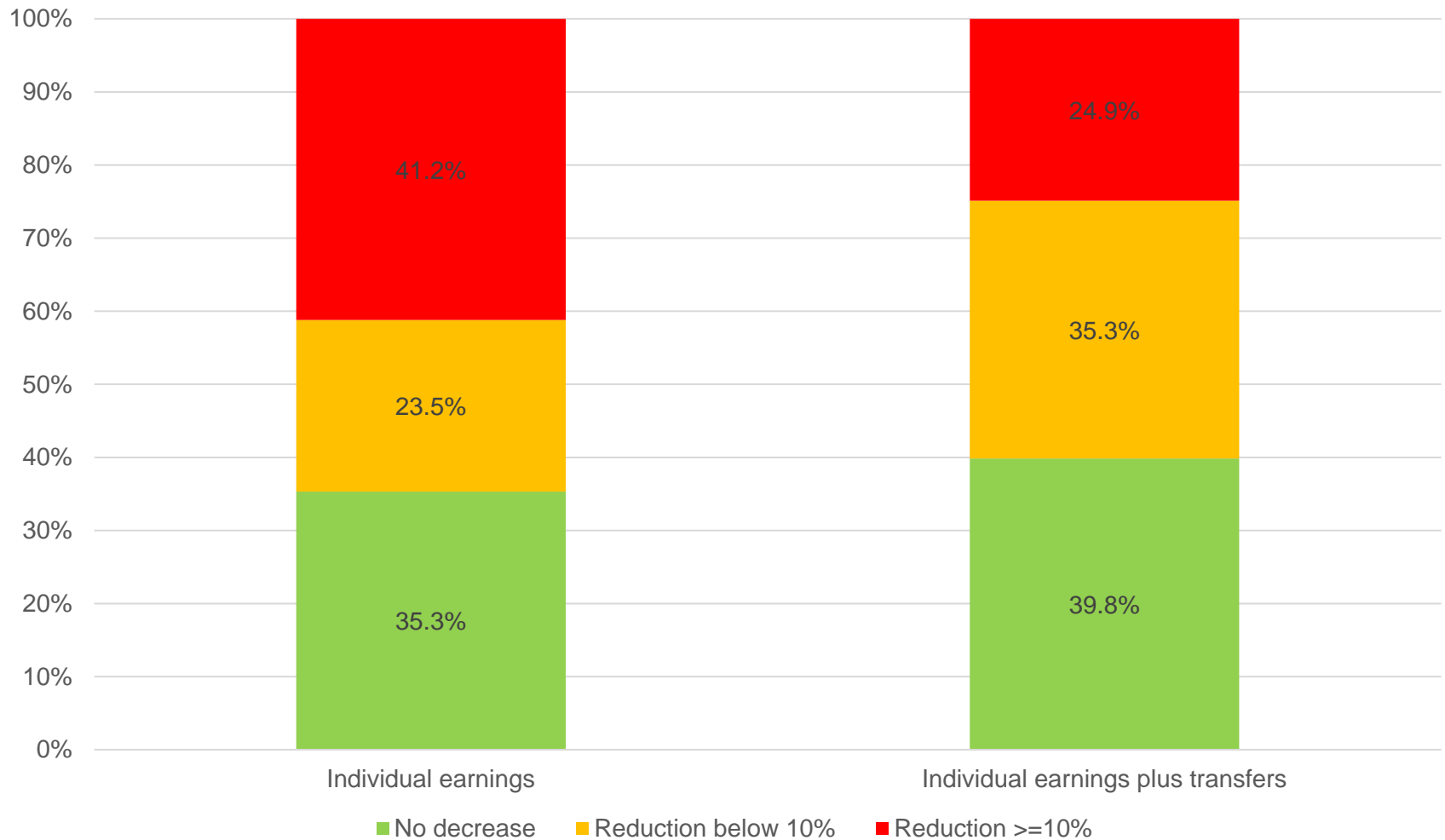
# Summary results about Italy (extendable to all EU countries)

- Microsimulation estimates for Italy on the whole 2020, at worker and household level, before and after emergency transfers
- -12.2% drop in individual gross earnings (-6.4% among the employees) reduced to -8.4% (-4.1% among the employees) when individual transfers are considered
- -4.4% drop in equivalised disposable income (-12.1% without transfers)
- But high heterogeneity of losses among individuals and households => what has created heterogeneity? Least well-off workers were more at risk
- Winners and «non-losers» in the labour market, e.g. the self-employed and those in routinary tasks vs those in tele-workable jobs, but welfare transfers compensate average losses
- Changes in distributive indicators roughly compensated by welfare measures => is everything fine? Were individual rankings stable?

# Share of “essential workers” along the earnings distribution



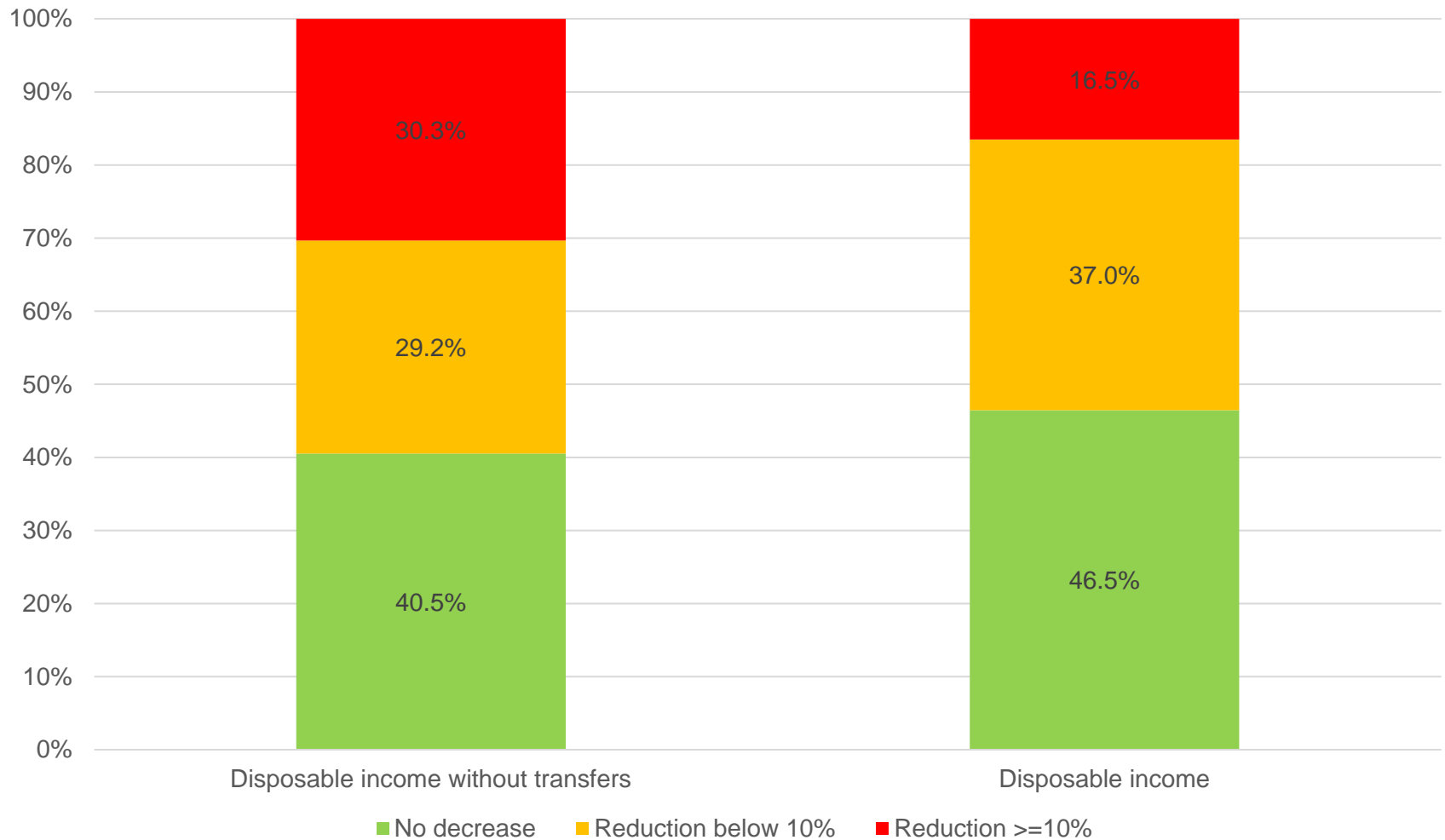
# Distribution of earnings losses



# Low income risk and earnings inequality

	Share of low paid workers (pre-Covid threshold)	Gini of annual earnings
Pre-Covid	24,8%	0,384
Post-Covid, without transfers	33,3%	0,403
Post-Covid, with transfers	28,6%	0,384

# Distribution of equivalised income loss

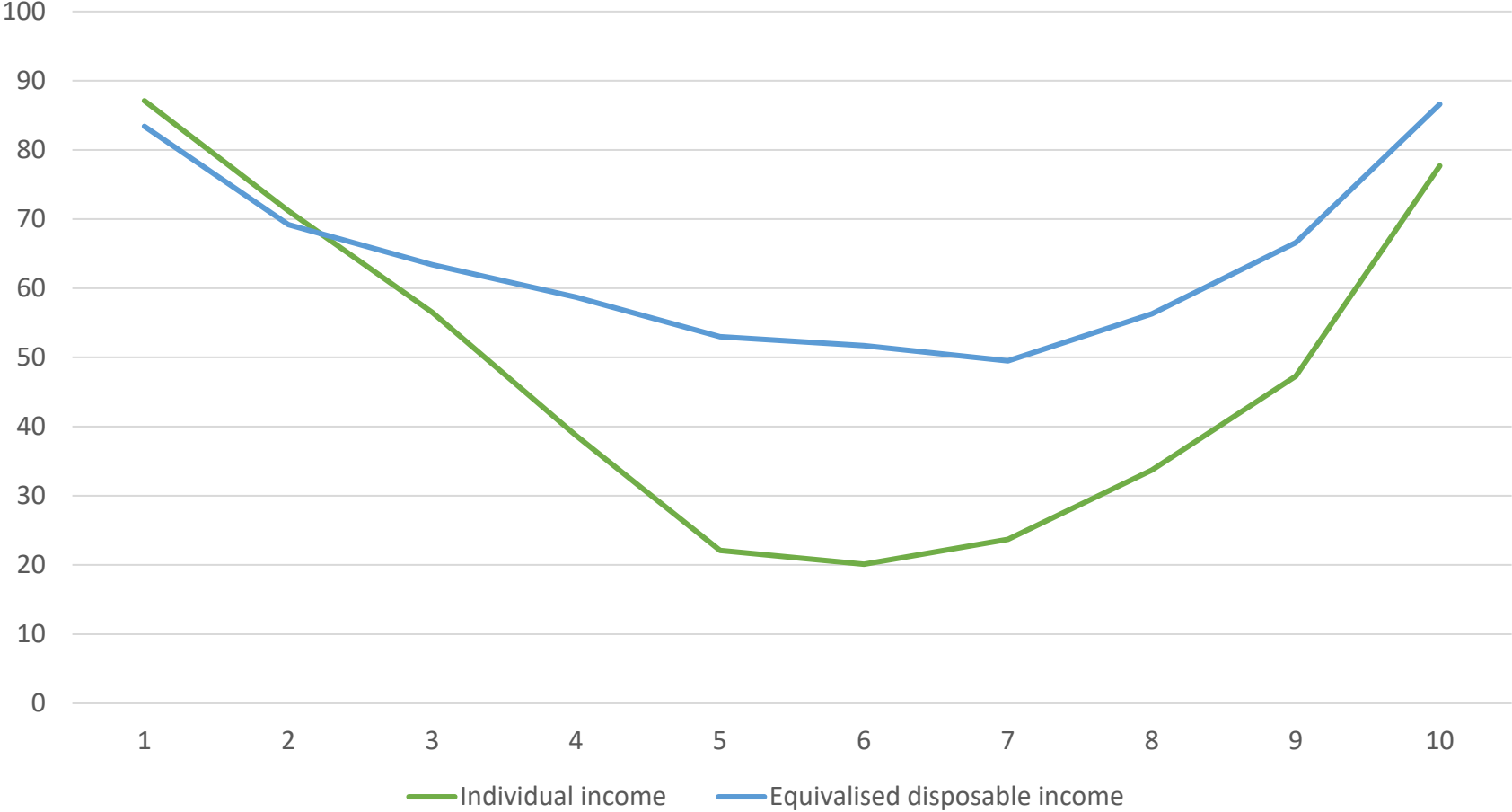


# Incidence of AROP and Gini

	<b>AROP (pre-Covid line)</b>	<b>Gini of disposable income</b>
<b>Pre-Covid</b>	20,9%	0,337
<b>Post-Covid, without transfers</b>	25,4%	0,340
<b>Post-Covid, with transfers</b>	22,5%	0,330



# Did nothing change? Share of individuals in the same decile of the Pre-Covid distribution



# Optimism or pessimism towards the future?

## What lessons for EU countries?

- Income support measures crucial to avoid more dramatic effects on income distribution and inequality => clear implications about their crucial role
- Caveat: possible adverse and disequalising effects of national measures not observed in microsimulation (overestimates of welfare transfers and unobservable heterogeneity in the use of short-time work or in firms' outcomes)
- Predistributive and redistributive measures to deal with structural drawbacks of LM (i.e. too many low-paid and atypical workers) and welfare coverage (also against "uncertain" events)
- Caveat: further risks might emerge from sectorial (and job) heterogeneous recovery in the medium-run => which implications for the job polarisation hypothesis? A new clusterisation of winners and losers? => Need for innovative welfare, LM and industrial policies.