

The Early Labor Market Impacts of COVID-19 in Developing Countries: Evidence from High-Frequency Phone Surveys

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**EARLY LABOR MARKET IMPACTS OF
COVID-19 IN DEVELOPING COUNTRIES**

What Are the Impacts of Covid-19 on Labor Markets in Developing Countries?

- ▶ **Covid-19 has caused severe economic damage**
 - ▶ Direct effects of containment measures—supply and demand shock
 - ▶ Indirect effects—adverse demand amplification
 - ▶ Long-term scarring effects—potential hysteresis
- ▶ **Governments have responded to decrease size of the economic damage**
 - ▶ Protect jobs
 - ▶ Support businesses
 - ▶ Support those falling ill or losing income due to other reasons
- ▶ **Lots of evidence from developed countries**
 - ▶ Chetty et al. (2020) and others
- ▶ **But we know little about developing countries**
 - ▶ Lack of administrative data
 - ▶ Few surveys that allow comparison
 - ▶ High degree of informality

This Paper

- ▶ **Harmonized high-frequency phone survey (HFPS) data to bridge this gap**
 - ▶ Data currently cover 39 countries from 5 regions (mostly Latin America and Sub-Saharan Africa)
 - ▶ Harmonized to facilitate comparison (though many issues remain)
- ▶ **Labor markets were very much disrupted in developing countries too**
 - ▶ 34 percent of the respondents reported stopping work
 - ▶ 20 percent of wage workers reported lack of payment for work performed
 - ▶ 9 percent reported job changes due to the pandemic
 - ▶ 62 percent reported income loss in their household
- ▶ **Correlated with macroeconomic estimates in Latin America, but not in Sub-Saharan Africa**
 - ▶ Due to informality?
 - ▶ Highlights value of surveys in understanding “on-the-ground” economic impacts

High-Frequency Phone Survey Data

- ▶ **Phone surveys carried out since beginning of the pandemic**
 - ▶ Use data for 39 countries for now (12 from Latin America and 12 from Sub-Saharan Africa)
 - ▶ Harmonized ex ante and ex post, but some differences remain
 - ▶ Focus on first wave of surveys (April-July)
- ▶ **Key outcomes: stop working, partial or no payment for work, change jobs, reduced household income (total and by type)**
- ▶ **Macroeconomic data: use IMF World Economic Outlook (WEO)**
 - ▶ Macroeconomic impact of Covid-19 = change between October 2019 and October 2020 projection *for 2020*

COVID-19 High-Frequency Monitoring Dashboard

MAIN

OVERVIEW

CROSTAB

TRENDS

SCATTERPLOT

COVID-19 HIGH-FREQUENCY MONITORING DASHBOARD [BETA]

Learn more about the socioeconomic impacts of COVID-19 on households and individuals in **45** countries across all developing regions.

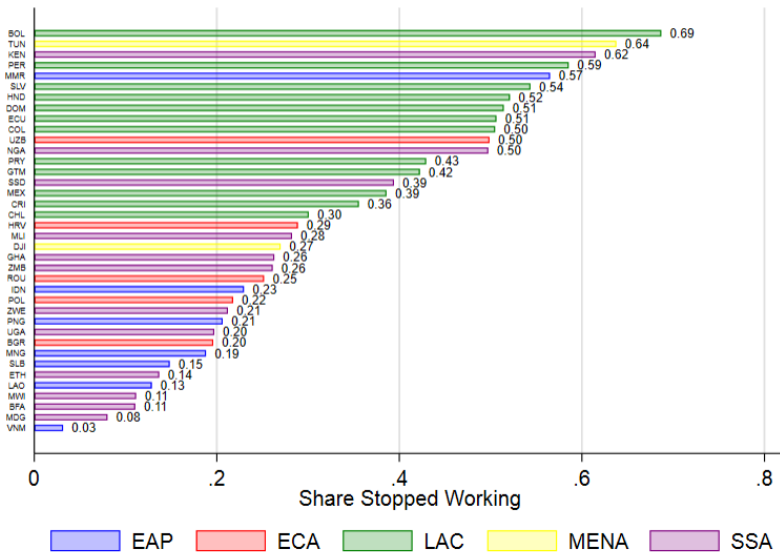
This dashboard provides **93** harmonized indicators on **14** topics, allowing users to compare and analyze how COVID-19 impacts vary across countries, over time and by industry sector and regions. The data can be downloaded for further analysis.

Representativeness and Weighting

- ▶ **Some sample selection issues: not everyone has phones or electricity, willingness to participate**
 - ▶ These are adjusted for using conventional survey weights
- ▶ **More serious issue: sampling differences across countries**
 - ▶ Household head vs anyone
 - ▶ Pre-existing survey (Sub-Saharan Africa) vs random digit dialing (Latin America)
 - ▶ Do some additional adjustment using benchmark survey database (GMD), but limits *cross-regional* comparability (but *within-region* comparisons still valuable)

Share Stopped Working

Average: 34%

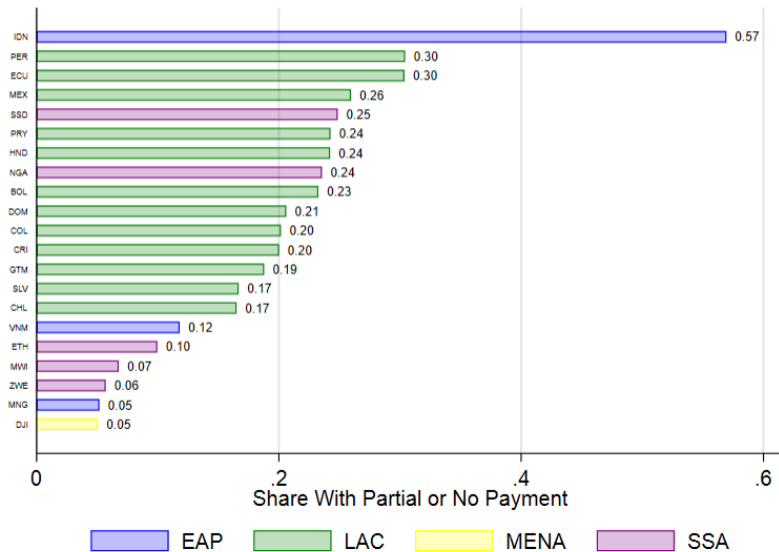


Share Stopped Working



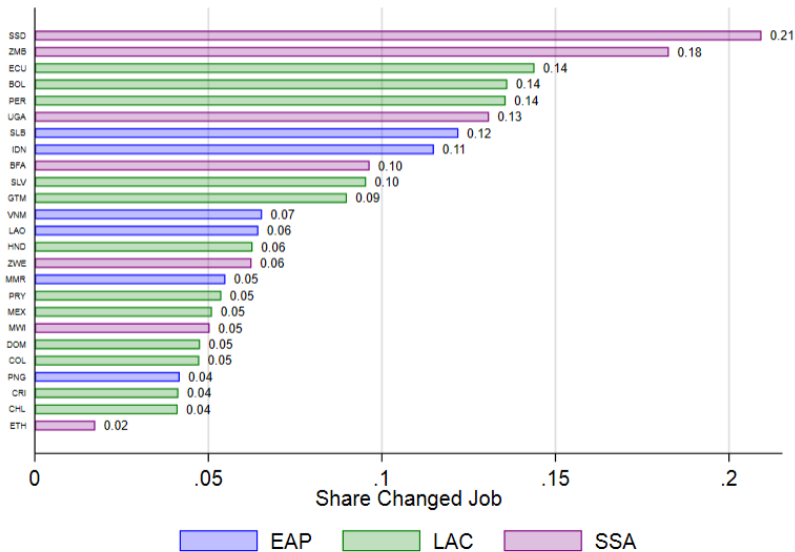
Share Wage Workers With Partial or No Payments

Average: 20%



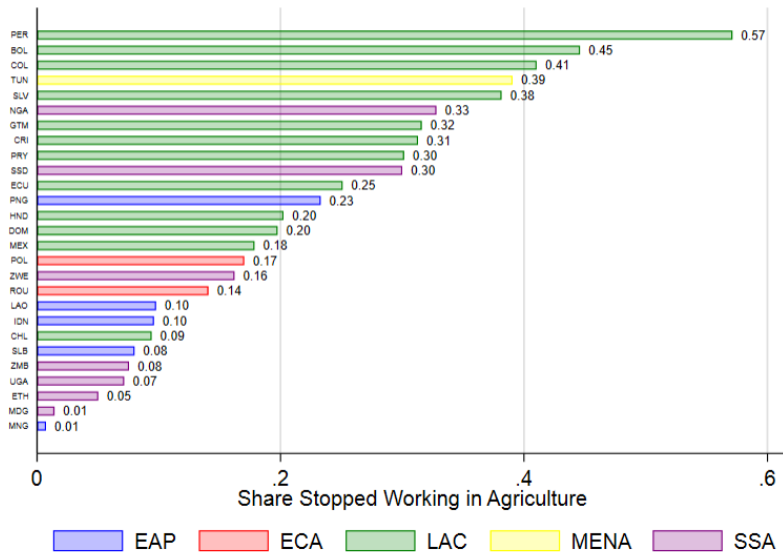
Share Changed Job During the Pandemic

Average: 9%



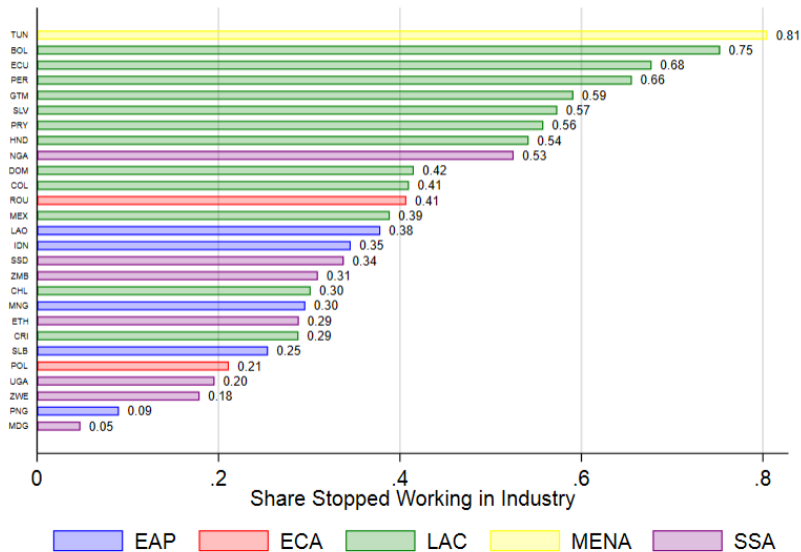
Share Stopped Working—Agriculture

Average: 22%



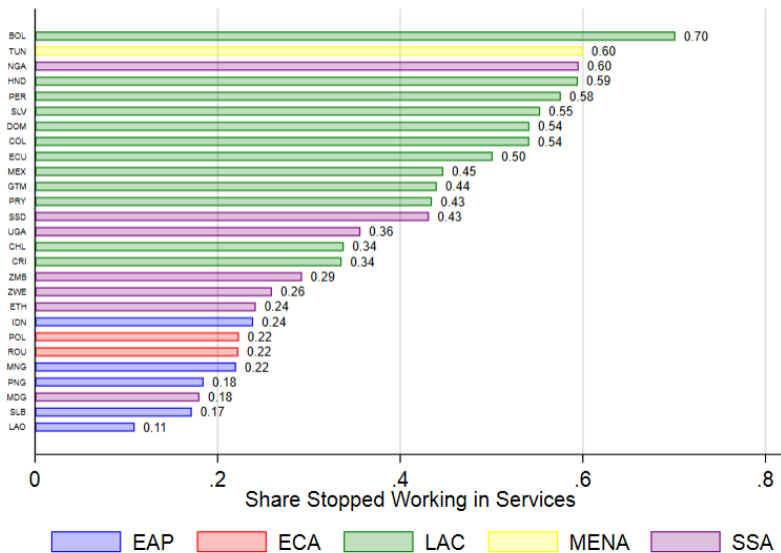
Share Stopped Working—Industry

Average: 40%



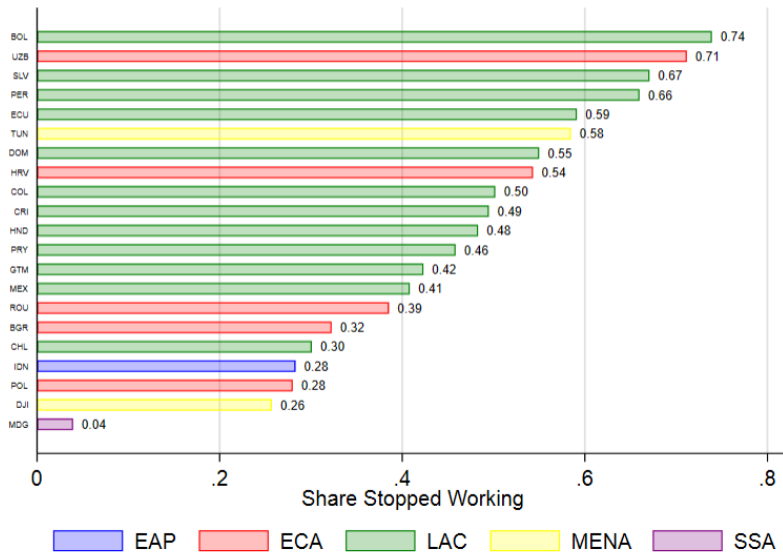
Share Stopped Working—Services

Average: 38%



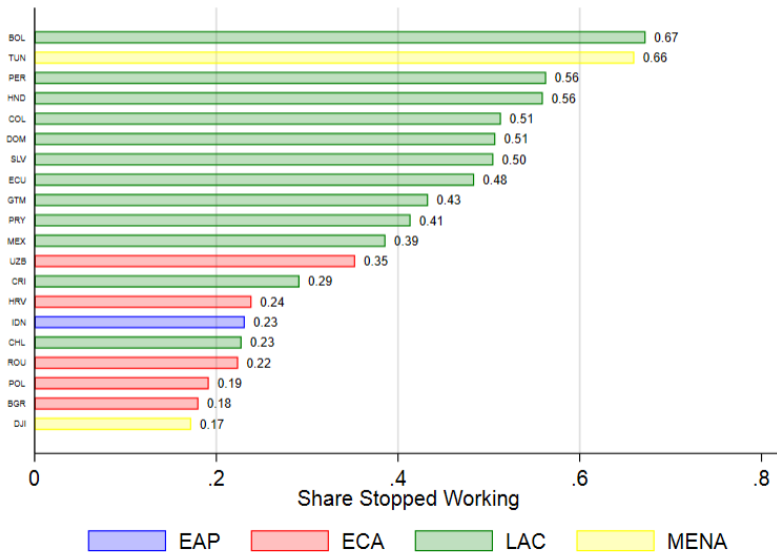
Share Stopped Working—Self-Employed

Average: 46%

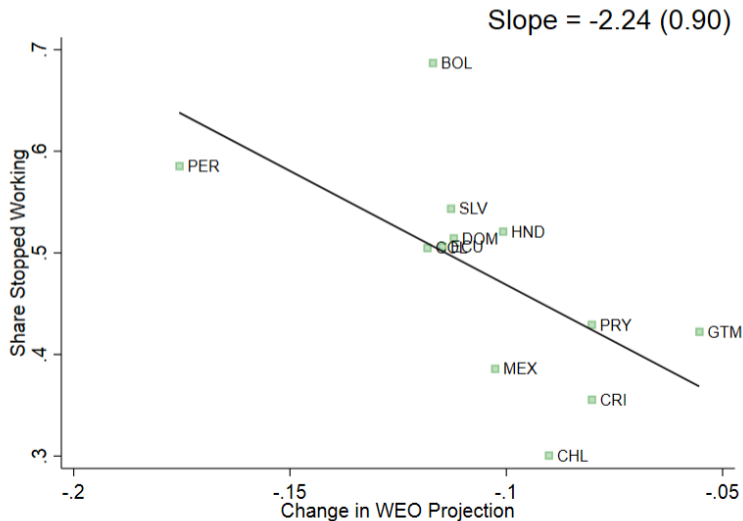


Share Stopped Working—Employee

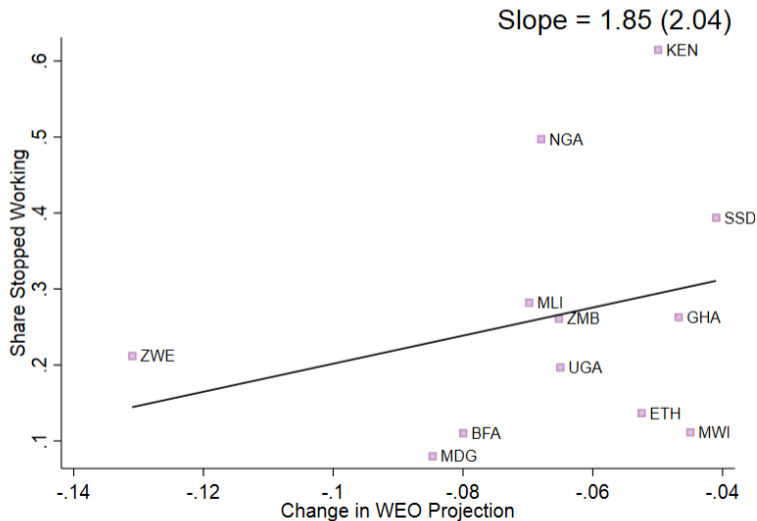
Average: 39%



HFPS Measure of Share Stopped Working vs Macroeconomic Projections—Latin America



HFPS Measure of Share Stopped Working vs Macroeconomic Projections—Sub-Saharan Africa



Discussion

- ▶ **Covid-19 had a severe negative impact on labor markets in the developing world**
 - ▶ Stopping work, reduced working hours
 - ▶ Partial/no payment for work, job changes common
- ▶ **Labor market disruptions resulted in severe income losses**
 - ▶ Lack of social insurance
- ▶ **Consistent with macroeconomic estimates in Latin America but not in Sub-Saharan Africa**
 - ▶ Importance of informal sector?
 - ▶ Highlights the value of high-frequency surveys in uncovering “on-the-ground” impacts
 - ▶ Also see recent work by Angrist, Goldberg, and Jolliffe in JEP on GDP measurement difficulties in developing countries even in normal times



THE EVOLVING LABOR MARKET IMPACTS OF COVID-19 IN DEVELOPING COUNTRIES

- ▶ **New brief analyzes evolving labor market impacts**
 - ▶ Evidence of substantial recovery
 - ▶ Some sectoral reallocation as economies reopened
 - ▶ But many labor markets and households remain hurt by the Covid economic crisis