

Has the COVID-19 pandemic impacted inequalities?

One's life changed in multiple dimensions when the Covid-19 pandemic struck the world at the beginning of 2020. The pandemic disrupted our social life, our health, and our financial well-being. Through newly emerging patterns, the pandemic also altered inequality trends. A majority of UK residents believe that the pandemic exacerbated inequality.¹

Inequality manifests itself in the social and economic spheres. Due to the prevalent use of the Gini coefficient, which only takes into account income distribution to measure inequality, economic inequality has been the main concern of economists.² However, in order to fully comprehend how the pandemic affects inequality for each individual, a multidimensional assessment is conducted.

Inequality on an individual level is determined by a variety of characteristics. These characteristics are also at the root of inequality. The socio-economic background, race, gender, or age are all factors increasing or decreasing the chance of being affected by inequality.³ Although society does not choose to widen inequality, the way it reacts to Covid-19 contributes to it. Below, I explore inequality's different types and how the pandemic has changed its structures. Moreover, it is imperative to look at whether the pandemic reinforced existing inequalities.

Global Inequality

¹ Social Mobility Commission (2021)

² McKnight, A. et al. (2018) "Multidimensional Inequality Framework", p. 5

³ McKnight, A. et al. (2018) "Multidimensional Inequality Framework", pp. 6-7

The pandemic triggered different reactions in different countries on a global level. While developed countries were able to support businesses and workers through compensation programs, poorer countries either had to allow economic activity at the cost of Covid-19 deaths or had to shut down and suffer economic decline. While developed economies could devote up to 20% of their GDP to stimulus measures, the poorest countries could only mitigate the impact with 2% of their GDP.

Globally, extreme poverty increased by 120 million people, reversing decades of progress.⁴

Therefore the pandemic had a greater impact on extreme poverty than the "Great Recession". Before the pandemic, people living in extreme poverty were undereducated, rural and young. But the pandemic is forcing new demographics, urban dwellers and educated people, into extreme poverty.⁵ In addition to reduced access to education and health care and weak political participation, extreme poverty negatively affects physical and mental health. The World Bank's goal of eradicating extreme poverty, i.e. living on \$1.90 a day, by 2030 is almost unattainable. The persistence of extreme poverty increases the likelihood of poverty traps where change is impossible. Poverty traps have the potential to lead to intergenerational inequality as future conditions look bleak.

The necessary economic recovery is facilitated by the roll-out of vaccination programs.⁶ The issue in hindsight is the disparity in the distribution of vaccines in the world. While developing countries can hardly vaccinate their population, developed countries can already provide a booster vaccination for their population. The wealth of a country is directly tied to its ability to vaccinate its population. This is illustrated by the fact that only 7% of the population in developing countries is vaccinated in comparison to a vaccination rate of 75% in developed

⁴Ferreira, F. (2021) "Inequality in the time of Covid-19"

⁵ Zumbrun, J. (2020) "Coronavirus has thrown around 100 million people into extreme poverty, world bank estimates"

⁶Douglas, J. (2022) "How Covid-19 has widened the gap between poor and rich countries"

countries.⁷ Therefore, developing and emerging countries depend on the support of developed nations. The efforts to achieve an equal distribution through the COVAX initiative are far from adequate for justice to prevail.⁸

Unequal distribution of vaccines is a medical inequality, as at-risk groups cannot be adequately protected, putting the lives of thousands at risk. It also leads to further economic inequality, because vaccination allows the economy to resume safely. While the IMF has increased its GDP projections for 2021 for the US and UK to around 7% growth, emerging and developing countries are projected to grow by around 6.3%.⁹ This discrepancy can be explained by differences in vaccination rates. Whereas some developed countries can expect to regain 2019 GDP levels in 2022 or 2023, some emerging and developing countries, especially in Latin America, won't recover until at least 2023.¹⁰

Examination of wealth and income inequality

Even before the pandemic began, inequality in the distribution of income and wealth were measurable. In industrialised economies, the general trend over the last three decades has been an unequal distribution of society's gains. The higher a person's wealth, the higher the growth rate of his wealth. In the long run, this leads to a great divergence and separation between the wealthy and the unwealthy.¹¹

The pandemic reinforced this trend. According to data from the United Kingdom, the richest decile disproportionately benefited during the pandemic. In comparison to pre-pandemic levels, the richest decile grew their wealth by £51,238 on average due to rising asset prices,

⁷Gopalakrishnan, V. et al. (2021) "2021 Year in Review in 11 Charts: The Inequality Pandemic"

⁸ Usher, A. (2021) "A beautiful idea : how Covax has fallen short"

⁹ Zumbrun, J. (2021) "Vaccination Rates drive global economic growth prospects, IMF says"

¹⁰Pitterle, I. (2021) "World economic situation and prospects: July Briefing, No. 151"

¹¹Chancel, L. et al. (2021) "World Inequality Report 2022" pp. 90-96

especially in the housing market. While the asset markets were booming, the poorest decile added just £99 to their wealth, not benefitting from this boom.¹² In comparison to other recessions, the Covid-19 recession led to an exceptional growth in wealth. Prior recessions limited people's ability to save due to unemployment and economic decline. In this recession, a new phenomenon enhanced the ability to save.¹³ Savings increased as a result of lower consumption. There were new elements at play, such as the fear of infection from Covid-19 or the restrictions imposed, limiting one's capacity to purchase goods and services.

As a result of the pandemic, 6.3 million people in the United Kingdom temporarily lost their jobs.¹⁴ Low-wage workers, in particular, have been laid off, as they are unable to work from home. Programs like the "Job Retention Scheme" in the UK and "Kurzarbeitergeld" in Germany ensured that workers who were possibly losing their job due to the pandemic remain employed. Long-term structural unemployment, which has a high economic, social, and psychological cost, is avoided. This strong fiscal response in Europe and the United States helped to prevent income losses and to preserve employment.¹⁵

Nevertheless the pandemic reinforced the divergence trend of the recent decades. The measures taken by governments have proven to be insufficient to limit rising wealth and income inequality.

Gender Inequality

Historically, men and women have been viewed differently in society. The pandemic led to a setback in the distribution of responsibilities. The term "shecession" was coined to highlight the disproportionate burden placed on women by the pandemic-induced recession.¹⁶ The

¹²Elliott, L. (2021) "UK wealth gap widens as richest get £50,000 windfall"

¹³Hagger, A. (2020) "Your savings in the time of pandemic"

¹⁴Reuters (2020) "Britain says 6.3 million workers furloughed as of Sunday"

¹⁵Haroutunian, S. (2021) "The initial fiscal policy responses of euro area countries to the Covid-19 crisis"

¹⁶ Holpuch, A. (2021) "How the shecession will cause long-term for women in the US"

closure of schools and day-care centres meant a huge responsibility for women. As a result of the pandemic, women's traditional duties came to the fore again. The woman is once again responsible for the household work and child care, because it is not shared equally between partners.

In addition, the service and hospitality sector, where many women are employed, had to furlough more than other sectors. As a result of the pandemic, more women than men are forced to seek unemployment benefits. Similarly, women's labour participation rates have decreased, highlighting the economic difficulties they face.¹⁷

Unemployment, financial insecurity, and the necessity to care for children, together with social distancing measures, all contributed to an increase in domestic violence. Women were trapped with their abusers as a result of the confinement measure, which led to increased domestic violence and sexual abuse. Women's isolation grew as a result of the pandemic, and a lack of social contact prevented them from receiving support from friends and family.¹⁸

The tentative progress in gender equality and women's emancipation was partially undone by the pandemic.

Youth and Inequality

Young people were particularly affected by the pandemic. The closure of schools and universities put students at a disadvantage as they were unable to learn adequately. Significant learning losses occurred, and it will be difficult for students to catch up. It also widened the gap between social classes in terms of educational access, as students in low-income households had more difficulties to learn due to a lack of the necessary

¹⁷ Zarrilli, S. (2021) "Gender and unemployment: Lessons from the Covid-10 pandemic"

¹⁸ Piquero, A. et al. (2021) "Domestic Violence during the Covid-19 pandemic", p. 7

infrastructure for homeschooling (e.g. internet connection, remote learning tools, parental support). This exacerbates the already existing inequality, limiting social mobility. The prospects of social mobility are especially limited for people aged under 25 as they could not develop their economic potential.¹⁹

Racial Inequality

Throughout the past few decades, race has played a crucial role in determining a person's socio-economic environment. People of colour experienced a lot of inequality being part of a marginalised group. For example educational opportunities differ according to the colour of one's skin. Covid-19, however, poses a new threat.

Determined by the socio-economic background ethnic minorities were disproportionately infected with Covid-19, resulting in higher death rates. This is explained through the lacking access to healthcare, the living in densely populated neighbourhoods and the occupation as essential workers.²⁰

Because people of colour frequently work jobs that cannot be done from home, the pandemic disproportionately impacted them financially.²¹

New forms of inequality arose as a result of the pandemic, which were fueled by existing structural inequalities.

Conclusion

All in all, the pandemic caused economic and social dislocations which led to inequalities in various forms. In addition, the pandemic brought new challenges that resulted in new inequalities. Women's emancipation, the eradication of extreme poverty, and racial equality

¹⁹ Major, L. E. (2020) "Covid-19 and social mobility"

²⁰Office of the High Commissioner (2020) "Racial Discrimination in the Context of the Covid-19 Crisis" pp.1-2

²¹Gould, E. (2020) "Not everybody can work from home"

all suffered setbacks as a result of the pandemic. Therefore the pandemic affected disproportionately already marginalised members of society. The wealth and income disparities widened even more, with the wealthiest benefiting the most during the pandemic. Moreover the gap between developed and emerging countries widened as developing countries did not have the same capacity to respond to the pandemic. The UN's goal of reducing inequality within and between countries by 2030 will require stronger policy interventions, as current efforts will fail.

Word Count: 1539 (excluding references and footnotes)

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