

Economic hardship in households in the EU during the COVID-19 pandemic[‡]

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Abstract

Despite the unprecedented support measures implemented across EU countries to mitigate the economic effects of the COVID-19 crisis, evidence from microdata suggests that households suffered heightened economic hardship during the pandemic. This paper investigates the factors associated with economic hardship in households in the EU during the COVID-19 crisis, using data from the European Union Statistics on Income and Living Conditions (EU-SILC). Different indicators of economic hardship based on households' subjective opinions are considered. Variables that directly capture economic difficulties, namely a decrease in household net income during the period 2020 – 2021, and income loss in 2020 specifically attributed to the COVID-19 crisis by the household are examined. Other indicators that reflect economic distress in households such as arrears with mortgage or rental payments are also considered. The effects of a wide range of personal and household characteristics on the probability of economic hardship in households are estimated. The analysis shows that the employment profile of household members is a key factor influencing the probability of economic hardship. Households were more likely to face economic distress during the COVID-19 crisis if some of their members exhibited any of the following characteristics: unemployed, self-employed, employed in the hospitality sector, or employed as service or sales workers. Furthermore, working-age households were more exposed to the adverse economic effects of the COVID-19 crisis than old-age ones. Households with a migratory background, larger households, and those with health problems experienced increased likelihood of economic distress. Across EU countries, Cyprus and, to a lesser extent Greece, Romania, Bulgaria and Malta emerged as the most vulnerable to the pandemic crisis.

Keywords: Household income, economic hardship, financial distress, EU-SILC data, COVID-19.

[‡] This paper is based on data from Eurostat, European Union Statistics on Income and Living Conditions (EU-SILC), 2021 operation (Version 7). The responsibility for all conclusions drawn from the data lies entirely with the authors.

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