

# Economic hardship in households in the EU during the COVID-19 pandemic<sup>‡</sup>

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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. The results point to directions for the development of social and economic policies to enhance economic resilience for individuals, particularly for those of working age.

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

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<sup>‡</sup> 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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