

ERF Policy Brief

COVID-19 Shock on Quality of Life: How Do People Cope and What is the Cost?

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In a nutshell

- As a response to the outbreak of the COVID-19 pandemic, governments around the globe have carried on strict lockdown measures affecting millions of jobs, public life, and the well-being of people.
- This policy brief examines the subjective well-being (SWB) of people, such as the perception of the economic situation and mental well-being, who made adjustments to cope with the earning losses.
- We estimate the well-being costs, which is the money required to compensate people because of the reduction in earnings or employment loss and the coping strategy followed, to bring their well-being at the levels of those who have not adopted any coping strategy. We examine two outcomes; the perception of the economic situation and a mental well-being index. We employ data from the ERF COVID-19 MENA Monitor Surveys for Egypt, Jordan, Morocco and Tunisia.
- The results show that coping strategies with the earning losses have a significant detrimental impact on well-being and are associated with significant costs. In most cases, the coping strategies of borrowing from banks or a private lender and selling assets are associated with the highest well-being costs.
- Furthermore, the estimates highlight significant discrepancies across gender and types of workers, such as those employed in the informal sector and temporary contracts.

COVID-19 and Lockdowns

COVID-19 is a global health pandemic that has forced governments around the globe to introduce unprecedented steps and measures to contain the spread of the virus. These steps have included facilitating social distancing measures, national or local lockdowns and other restrictions by shutting down schools/universities, shopping malls, bars-restaurants, and businesses. The consequences have been an unprecedented shut-down of public life, prolonged material deprivation, and deterioration in the mental well-being of the majority of citizens. People have experienced wage cuts, employment losses and a significant drop in their living standards.

The pandemic of COVID-19 has exposed severe flaws and vulnerabilities in society, institutions, and economies around the globe. The Middle East and North Africa (MENA) area, with a population of almost 570 million people, initially kept transmission and mortality rates lower than the global average, but late trends have highlighted causes for concern, especially given fragmented health care and limited primary care in many countries. The pandemic has amplified many long-standing challenges, including violence and conflict, unemployment, poverty, inequalities, insufficient social safety nets, human rights issues, and insufficiently responsive institutions and governance systems.

The pandemic's consequences are anticipated to be severe and long-lasting. The International Monetary Fund has lowered its economic outlook on the Middle East and North Africa to the lowest level in 50 years resulted from the twin shock of the pandemic and low oil prices (OECD, 2020; United Nations, 2020). The COVID-19 pandemic has caused many implications on the population health and poverty outcomes worldwide and has drastically affected vulnerable groups of society. Given the magnitude and scale of the adverse effects caused by the pandemic, it is critical to measure and investigate the inequalities in the MENA region.

Coping strategies

We examine the types of coping strategies people have adopted during the pandemic and the relationship with the respondents' subjective well-being (SWB). In particular, we aim to explore what strategies the individuals and households have taken to cope with the job and income losses and fall in living standards and how these strategies are related to their SWB. Then, we estimate the well-being costs of the coping strategies adopted that denote the amount required for an individual

to reach the same levels of well-being as those who have not adopted any strategy.

The first coping strategy explored is taking money out of savings, while the other two strategies refer to borrowing from friends, family and relatives either in the respondent's country or abroad. The fourth strategy is going back to the village or moving in with the family, and the fifth strategy is selling assets. The last coping strategy explored refers to borrowing from a bank, employer, or private lender, which incorporates the role of debt, which is a source of stress.

Findings

The analysis relies on data from the unique panel ERF COVID-19 MENA Monitor Surveys provided by the ERD NADA micro-data portal for Egypt, Jordan, Tunisia and Morocco. The first part of the empirical results relies on the household income and is interpreted as the well-being costs in percentage. More specifically, we aim to estimate the additional well-being costs of those having adopted a coping strategy compared to those who have not. The first well-being outcome is the economic situation expressed by the question "How worried are you about the economic situation?", and is answered to Not at all worried; A little worried; Rather worried and Very worried.

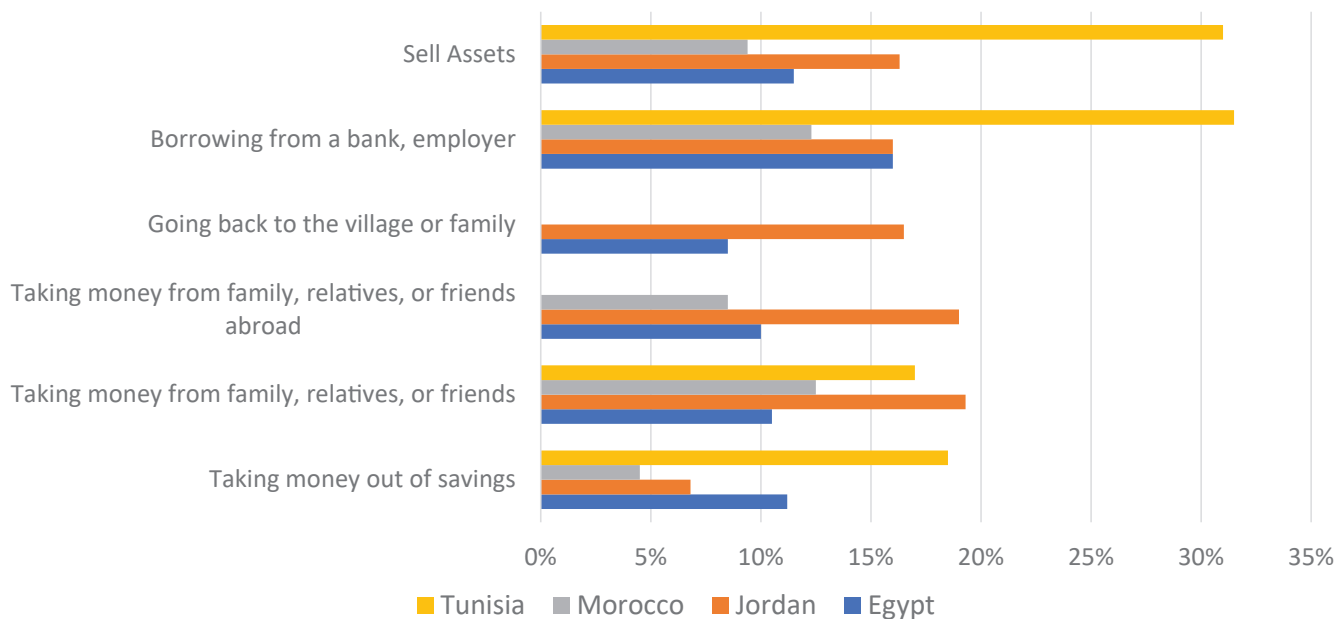
The second well-being outcome explored is a mental well-being index that consists of the following questions: I have felt cheerful and in good spirits; I have felt calm and relaxed; I have felt active and vigorous; I woke up feeling fresh and rested; My daily life has been filled with things that interest me. The possible answers are All of the Time; Most of the time; More than half the time; Less than half the time; Some of the Time and at no time.

In Figure 1, we illustrate the well-being costs ratios (WBCR) for the economic situation perception. In Egypt, these ratios reach 8.5 percent for the coping strategy of going back to the village or family, 10 and 10.5 percent for the coping strategies of taking money from family and friends from Egypt or abroad. The coping strategies of taking money out of savings and selling assets reach 11.2 and 11.5 percent, respectively, while the highest cost is reported for the coping strategy of borrowing from a bank or the employer, at 16 percent. The monetary values range between 200 Egyptian Pounds (EGP) to 370 EGP per month.

Similarly, in Jordan, the cost ratios vary between 6.8 percent and 19.3 percent, which translate into 28



Figure 1. Well-being costs ratio for the economic situation perception

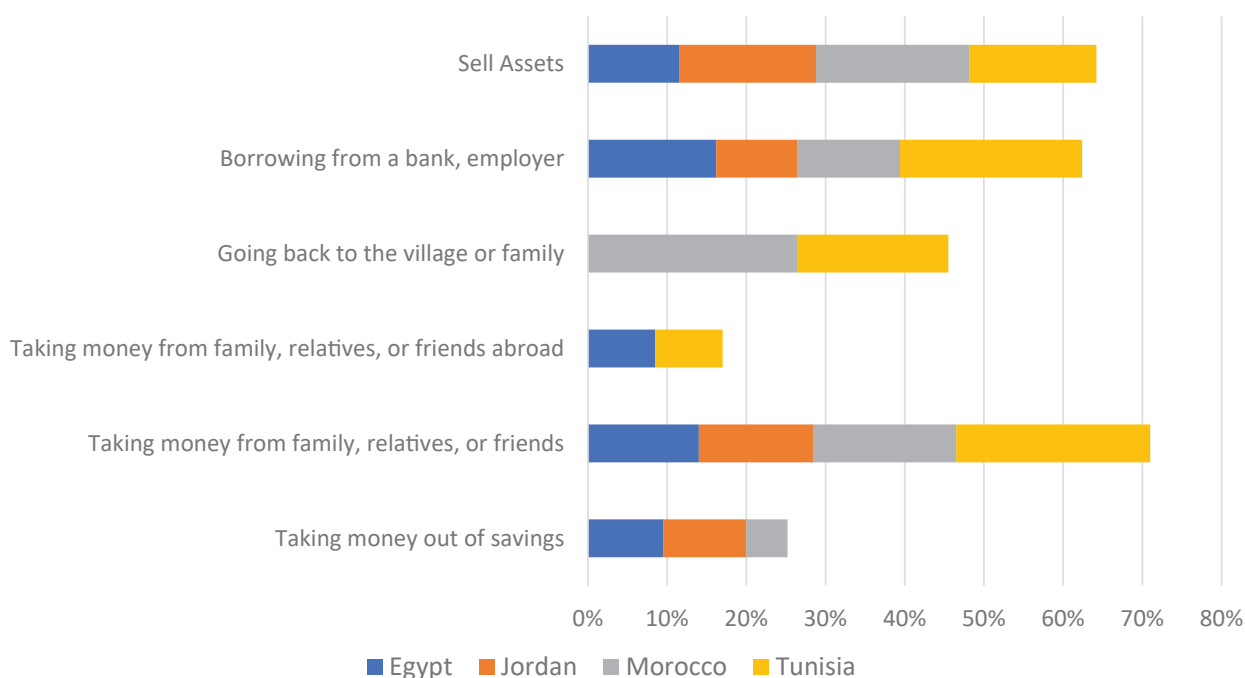


Jordanian Dinars (JOD) and 80 JOD per month. In Morocco, we find the lowest well-being cost ratio in the coping strategy of taking money out of savings at 4.5 percent corresponding to 170 Moroccan Dirhams (MAD). The maximum ratio is reported for the coping strategy of taking money from family and friends at 12.5 percent and 475 MAD. In Tunisia, we observe that the coping strategies of taking money out of savings and from family and friends are associated with WBCR equal at 18.5 and 17 percent, corresponding at 178 and 165 Tunisian Dinars (TD) per month. The WBCR for

the coping strategies of borrowing from a bank or the employer, and selling assets, are 31.5 and 31 percent, which translate to 300 and 298 TND (Giovannis and Ozdamar, 2021).

In Figure 2, we present the WBCR for mental well-being. In Egypt, the costs range between 8.5 percent for the coping strategy of *taking money from family and friends abroad*, to 16.2 percent for the coping strategy of *borrowing from a bank or the employer*. The respective monetary values range between 200 and 372 EGP. In

Figure 2. Well-being costs ratio for the mental well-being



Jordan, we show that the lowest WBCR is reported in the coping strategies of *borrowing from a bank or the employer and taking money out of savings* at 10.2 and 10.5 percent corresponding to 42-43 JOD. The highest WBCR is noted in the coping strategy of *selling assets* at 17.3 percent, corresponding to 71 JOD per month.

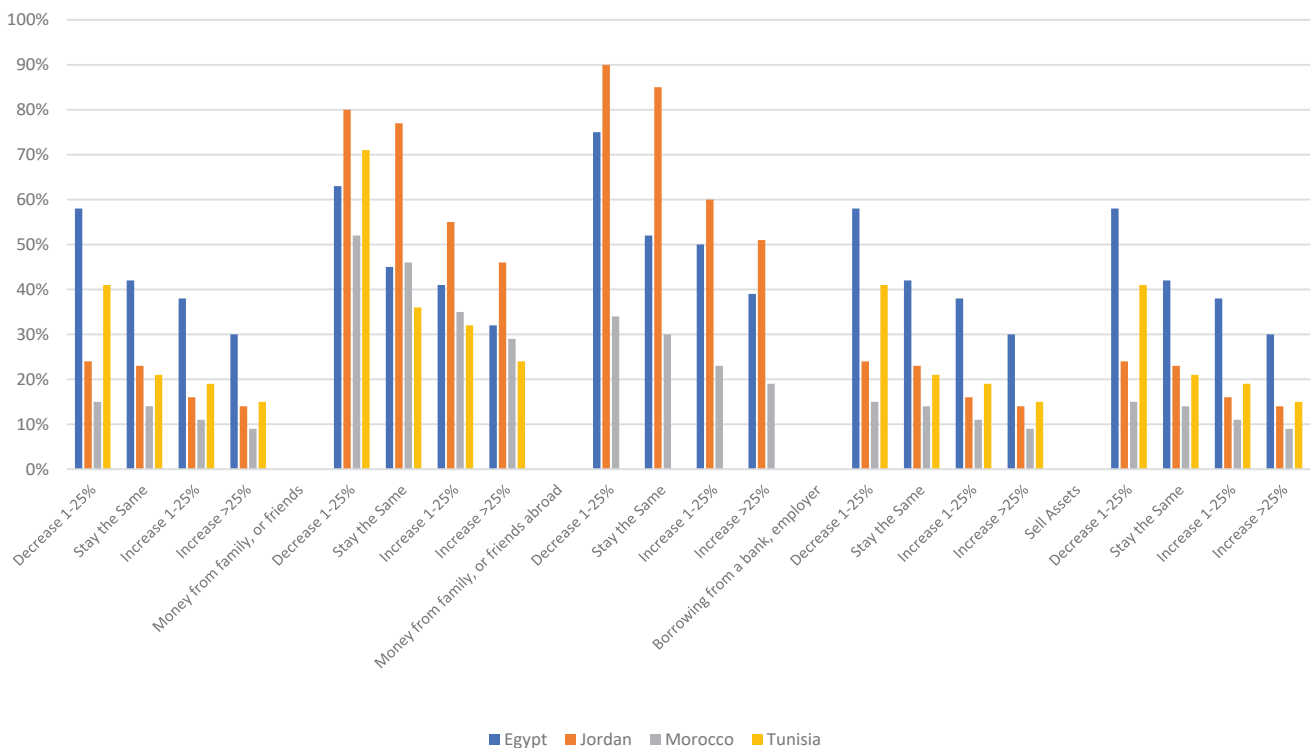
The WBCR in Morocco range between 5.2 percent or 198 MAD per month for the *coping strategy of taking money out of savings*, to 26.5 percent, corresponding to 1,007 MAD per month, for the coping strategy of *going back to the village or the family*. In Tunisia, the coping strategy of *taking money from family and friends abroad* is associated with WBCR equal at 8.5 percent or 82 TND per month and reaches the 23 and 24.5 percent for *borrowing from a bank or the employer, and taking money from family and friends abroad*. The respective monetary values are 220 and 235 TND. We should highlight that the empty parts denote insignificant costs, implying that there is no difference in the economic and mental well-being between those adopting a coping strategy and those who have not.

Findings by Changes in Household Income

The second part of the analysis considers changes in household income. The first interpretation in Figure 3 shows how much the household belonging to a specific income change requires to compensate for the reduction in well-being as a result of adopting a particular coping strategy compared to those who have not adopted one. For instance, in Figure 3, for the coping strategy of taking money out of savings in Egypt, we observe a WBCR equal to 58 percent for the category of decrease in income between 1 and 25 percent. This percentage shows that households who have experienced this change in income require 58 percent additional income to equivilise their well-being, which is the perception about the economic situation, with those who have not adopted any strategy.

Similarly, the households who had to take money out of savings and show no changes in their income need an additional 42 percent of their income to reach the well-being levels of those who have not employed any coping strategy. Households that have experienced an increase of income between 1-25 percent require 38 percent additional

Figure 3. Well-being Costs for the Economic Perception and changes in income



income, and those who have seen an increase of more than 25 percent require a 30 percent increase in their income to bring their well-being to the same levels as those who have not adopted any strategy. We should notice that we do not illustrate the coping strategy of going back to the village since it is significant only for Egypt.

The second interpretation accounts for the reference category, which is an income reduction of more than 25 percent. In this case, considering the previous example, the households in the reference category—those having experienced a reduction of more than 25 percent of their income—require an additional 42 percent (100-58) to reach the same levels of economic well-being or the perceived economic situation because of a reduction in income. Similarly, they need an additional 58 percent to reach the same levels of well-being as the households in the third category (income stayed the same). Then they require 62 and 70 percent to reach the same well-being levels with the households in the fourth (increase in income between 1-25%) and fifth (increase in income of more than 25%) category respectively to equilibrate their well-being (Giovanis and Ozdamar, 2021).

Findings by Types of Workers and Gender

The findings show that in some domains of coping strategies adopted, men experience worse levels of mental well-being and, thus, higher well-being costs. For instance, in Egypt and the coping strategy of taking money out of savings, we observe men report a 12 percent of well-being costs compared to 8.5 percent for women, and a ratio of 6 percent in Morocco for the same coping strategy compared to 3 percent for women. On the contrary, the costs for women in Jordan reaches 12 percent compared to 7.2 percent for men, while we find no cost for both sexes in Tunisia.

Borrowing from friends, families and relatives in the respondents' country has a large impact and well-being cost for the women in Egypt and Jordan, for men in Tunisia, and a similar impact for both sexes in Morocco. Women report worse well-being levels and higher costs if they borrow from banks, an employer or a private lender in Egypt, Jordan and Tunisia, while men report higher costs in Morocco at 20 percent compared to 11.5 percent for women. Women experience worse mental well-being levels in Tunisia who had to sell their assets at 38 percent, roughly doubled, compared to 19.5 percent for men. On the other hand, men in Egypt report higher well-being costs for the same coping strategy, while both sexes experience similar well-being costs in Jordan and Morocco (Giovanis and Ozdamar, 2021).

Findings by Job Formality and Security

Those employed in the informal sector present lower levels of the perceived economic situation and are less optimistic. This is especially the case of the coping strategy selling assets, where the well-being costs for the informal workers reach 83 percent in Egypt, while it is insignificant for the formal workers. The cost ratios in Jordan and Tunisia are respectively 68 and 49 percent for the informal workers compared to 60 and 15 percent for the respondents employed in the formal sector. In Morocco the cost ratio for the informal workers even reaches 152 percent of their monthly wage, compared to formal workers, implying that the former group has experienced significantly higher levels of material deprivation almost doubled as the cost ratio for those employed in the informal sector is 70 percent.

We obtain the same concluding remarks when we explore the coping strategies and economic perception well-being costs across job security. The well-being costs ratio reaches 156 percent of the temporary workers in Morocco who had to sell their assets, compared to 68 percent of the permanent workers. Similar results across formal employment and job security are explained by the fact that most of the informal workers are employed in temporary jobs. For instance, almost 83 percent of the informal workers in Egypt have a temporary contract, 80 percent in Jordan, 67 percent in Morocco, and 64 percent in Tunisia. Similar concluding remarks are derived when we consider the mental well-being index (Giovanis and Ozdamar, 2021).

Challenges and Future Studies

Overall, the estimates of the coping strategies and well-being costs vary not only between countries but also between the coping strategies adopted by the respondents within each country. The study may offer insights into the design of policies and safety nets, including unemployment benefits, health insurance and furlough job retention schemes aiming to support people during the pandemic and other types of economic recessions. The findings also reveal a need for further studies and intervention for the population, especially those who have a higher risk of stress, such as women, informal and temporary workers and those implementing certain coping strategies.

Moreover, we have shown a method that can be used to measure inequalities in subjective well-being, which can be extended and applied in future studies using panel data across various demographic and socio-economic groups. However, the surveys should record the exact amount of household income that will allow for more precise



estimates of inequalities. Another interesting point for future studies is the well-being estimation using objective measures, such as material deprivation, exploring not only the inter-household but also intra-household inequalities.

The findings emphasize the need of protecting people against pandemic-related adversities, which have been shown to damage mental health and degrade economic well-being. To prevent people from losing their livelihoods or economic possibilities, as well as widening inequities, social and financial protective measures are required.

The economic and social turmoil created by the coronavirus outbreak has merely exacerbated these disparities for those who were already at risk and in a weaker economic situation before the crisis, while also exposing more people to personal and communal trauma, loss, and uncertainty. It is therefore vital to provide prompt financial increases to health care professionals, low-income households, and in-need communities, as well as increased funds for peer support and community-based services.

The inequalities across gender, job security and formality were already present in the pre-pandemic crisis, and the pandemic exposed and further exacerbated the economic hardships of those socio-economic and demographic groups. Thus, actions addressing the social determinants of economic and mental health inequality should be taken, as well as committing to finance these policies permanently. Policymakers should focus and provide support on community actions that encourage and increase solidarity and social cohesion, and promotes psychosocial well-being. Pre-existing and emerging community and volunteer support mechanisms targeting vulnerable people need to be strengthened.

Further Reading

Giovanis, E. and Ozdamar, O. (2021) “Coping Strategies, Well-Being and Inequalities during the COVID-19 Pandemic Period”, Economic Research Forum, Working Paper.

OECD (2020) COVID-19 crisis response in MENA countries. OECD Policy Responses to Coronavirus (COVID-19), OECD Publishing, Paris, <https://doi.org/10.1787/4b366396-en>.

United Nations (2020). The impact of COVID-19 on the Arab region an opportunity to build back better, Policy Brief, July 2020. https://unsdg.un.org/sites/default/files/2020-07/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf





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