Beyond the Aggregates: The Diverse Effects of COVID-19 on Employment, Income & Savings
Deputy Governor Sharon Donnery
The Whitaker Institute, NUI Galway 30th March 2021
GDP and household consumption growth 2020 versus 2019

Source: Eurostat
Take-up of COVID supports concentrated in certain sectors

Sector share of PUP and Wage subsidy supports

- Accommodation and food service activities (I)
- Wholesale and retail trade; repair vehicles (G)
- Administrative and support service activities (N)
- Arts, entertainment, recreation and other service activities (R,S)
- Construction (F)
- Industry (B to E)
- Education (P)
- Professional, scientific and technical activities (M)
- Human health and social work activities (Q)
- Financial, insurance and real estate activities (K,L)
- Transportation and storage (H)
- Information and communication (J)
- Agriculture, forestry and fishing (A)

Source: CSO, Table LRW05. PUP and wage subsidy sector data from the CSO Live Register tables, weeks 18-48 and 18-34 respectively.
Some groups more likely to be away from work because of COVID (as percentage of 2019 employment)

By gender...

- Male
- Female

By age...

- Aged under-25
- 25-34
- 35-54
- 55+

By education...

- Primary/upper-secondary
- Secondary
- Third-level

Source: Labour Force Survey. Individuals “absent from work due to COVID-19 measures.” Note, this could include PUP/Wage Subsidy recipients and/or Live Register individuals.
Pandemic income supports underpin incomes in 2020

Source: Cahill & Lydon (2021)
Income supports taken up by lower-earners – but households benefit right across the income distribution (Q2 2020)

Source: Cahill & Lydon (2021)
Income supports more important for some groups

Household gross income growth in Q2 2020

-4.6 5.7 5.7 0.0 -1.7
-24.5 -19.4 -29.3 -25.3 -36.2 -19.6

Secondary education Single parents 20th percentile of income Renters Aged under-30 All households

With supports Without supports

Source: Cahill & Lydon (2021)
Debt-service on owner-occupier mortgage debt

Gross mortgage debt service ratio (owner-occupiers, Q2 2020)

Source: Cahill & Lydon (2021)
With restricted opportunities to spend, but incomes supported, savings increased during the pandemic

**Source:** Lydon & McIndoe-Calder (2021)
Higher income households spend more in ‘restricted’ sectors

Weekly spending in ‘restricted’ sectors, by income

... which suggests more of savings concentrated in higher income households

Share of aggregate spending in restricted sectors in each income decile

Source: Lydon & McIndoe-Calder (2021)
### Restricted opportunities to spend in 2020/21

#### Table 1 | Share of spending in 'restricted' sectors, by income decile (% of total spending)

<table>
<thead>
<tr>
<th>Spending category</th>
<th>Bottom five income deciles</th>
<th>Average across all households</th>
<th>Top three income deciles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal care services (hairdressing, etc)</td>
<td>2.0</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Domestic holidays</td>
<td>2.2</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Drinks outside the home</td>
<td>3.9</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Recreation/culture/sport</td>
<td>3.6</td>
<td>4.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Restaurants</td>
<td>9.9</td>
<td>10.3</td>
<td>10.7</td>
</tr>
<tr>
<td>Foreign Holidays (including air travel)</td>
<td>8.9</td>
<td>11.0</td>
<td>12.1</td>
</tr>
<tr>
<td>Household furnishings</td>
<td>12.7</td>
<td>10.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Clothing, footwear &amp; other personal goods</td>
<td>15.5</td>
<td>15.0</td>
<td>14.5</td>
</tr>
<tr>
<td>Vehicles (purchasing)</td>
<td>17.6</td>
<td>18.4</td>
<td>19.3</td>
</tr>
<tr>
<td>Transport services (fuel, servicing, fares, etc)</td>
<td>23.7</td>
<td>21.1</td>
<td>19.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: HBS 2015/16.

Source: Lydon & McIndoe-Calder (2021)
Labour market implications

- Unfortunately there will likely be job losses and firm closures from the pandemic.
- A broad range of labour market policies, that help provide a pathway to viable and rewarding employment will be important considerations as the economy recovers.
- Also need to be alert to:
  - The degree of *inactivity* as a result of the pandemic and long term distributional consequences.
  - Possibility / capacity of workers switching across sectors.
  - Effects of COVID-19 on gender gaps in employment and wages.
Looking ahead

- As we emerge from the current crisis we must consider the long term implications of the pandemic and our policy actions.

- We must look beyond the aggregates, to consider the effects of the pandemic across different sectors and groups in our society so together we can work to minimise potential costly and damaging scarring effects.