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Evidence from the COVID 19 pandemic

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ABSTRACT

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This document synthesises evidence from 14 research projects funded by the Gender, Growth and Labour Markets in Low-Income Countries (G²LM|LIC), documenting the economic impacts of COVID-19 across eight countries. Together, these projects show that the pandemic's effects on welfare were mediated, amplified, and propagated through three interrelated channels. First, the crisis affected households, altering food consumption, expenditure patterns, care responsibilities, and migration decisions, with important implications for women's labour supply and household welfare. Second, impacts were transmitted through firms and workers, as enterprises adjusted to collapsing demand, workers adopted coping and job search strategies, and labour market frictions slowed reallocation and recovery. Third, government actions—including lockdown measures, social protection programmes, and firm support policies—both compounded and mitigated the economic shock, with uneven reach and effectiveness across contexts.

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INTRODUCTION

The COVID-19 pandemic represented an unprecedented global shock. Beyond its direct health consequences, the crisis generated profound economic disruptions, with particularly severe effects on labour markets. These impacts were especially acute in low- and middle-income countries, where households and firms entered the pandemic with limited financial buffers, high levels of informality, and constrained access to social protection. At the same time, limited state capacity restricted the scope and effectiveness of policy responses aimed at mitigating the economic fallout (Elsayed and Bandiera, 2021).

Empirical evidence shows that the economic consequences of COVID-19 were neither short-lived nor evenly distributed. Employment losses, income declines, and firm closures persisted well beyond the initial lockdowns, and recovery has been uneven across sectors, locations, and groups of workers. Importantly, the pandemic had a marked gendered dimension. Women were disproportionately affected through increased care responsibilities, greater exposure to job losses in contact-intensive sectors, and slower re-entry into employment during the recovery phase (ILO, 2021; Alon et al., 2022).

This document synthesises evidence from fourteen research projects funded by the Gender, Growth and Labour Markets in Low-Income Countries (G²LM|LIC), documenting the economic impacts of COVID-19 across eight countries.¹ Together, these projects show that the pandemic's effects on welfare were mediated, amplified, and propagated through three interrelated channels. First, the crisis affected households, altering food consumption, expenditure patterns, care responsibilities, and migration decisions, with important implications for women's labour supply and household welfare. Second, impacts were transmitted through firms and workers, as enterprises adjusted to collapsing demand, workers adopted coping and job search strategies, and labour market frictions slowed reallocation and recovery. Third, government actions—including lockdown measures, social protection programmes, and firm support policies—both compounded and mitigated the economic shock, with uneven reach and effectiveness across contexts.

Organising evidence across projects with different units of analysis—households, firms, workers, and policies—thus provides a more comprehensive picture of how the crisis unfolded, why its effects persisted, and which groups were most economically vulnerable.

By bringing together evidence across these channels, the report distils lessons on how large aggregate shocks interact with labour markets in low-income countries, why gendered impacts emerge and persist, and what this implies for policies that support resilient, inclusive growth in the face of future crises.

¹ Bangladesh, Egypt, India, Kenya, Pakistan, Philippines, Sudan and Uganda.

1. Households: widespread deterioration in living standards

Across all study settings, the COVID-19 pandemic had immediate and severe impacts on households' economic well-being. Evidence spanning countries in Sub-Saharan Africa, South Asia, and the Middle East shows a consistent pattern: households experienced sharp declines in their ability to meet basic needs, driven by widespread disruptions to labour markets and income-generating activities.

In Sudan, Krafft & Assaad (2021) and Assad et al. (2024) document a substantial deterioration in living standards using a nationally representative phone survey. A large majority of households report being worse off relative to the pre-pandemic period, with many facing difficulties in affording essential goods and services. In Kenya, Miguel and Walker (2021) report evidence from the Kenya Life Panel Survey showing that household incomes had on average halved between February and April 2020. Similarly, in Egypt, Caria et al (2021) and Fadlalmawla et al. (2022) show that a significant share of households experienced income losses in the months following the onset of the pandemic. These income shocks translated directly into reductions in food consumption, with households reporting both lower quantities consumed and changes in the composition of their diets. Comparable patterns are observed in other contexts. Evidence from Nairobi, Kenya (Whillans & Belal, 2020) points to increased economic strain and declines in well-being following mobility restrictions, while evidence from India (Pande et al., 2022) documents substantial disruptions to employment and earnings that translated into pressures on household consumption and food security.

1.1 Economic inequality: pre-existing vulnerability amplified the shock

Evidence from Sudan shows that the impacts of the pandemic were unequally distributed along pre-existing economic and household characteristics. Krafft and Assaad (2021) find that while most households experienced a deterioration in their ability to meet basic needs, the severity of this decline was significantly greater among poorer households. Households in the lowest income quartile were substantially more likely to report that their ability to pay for goods and services had become "much worse" compared to those in the top quartile. The paper also documents that female-headed households experienced particularly severe impacts, highlighting how pre-existing vulnerabilities beyond income shaped the distribution of the shock.

Additional evidence from Uganda reinforces the role of pre-existing resources in shaping vulnerability. Fiala et al. (2021,2022) show that households that had received cash transfers prior to the pandemic experienced higher incomes and lower levels of food insecurity during the crisis, indicating that access to financial resources before the shock improved households' ability to cope with its effects.

This evidence indicates that the pandemic acted as a regressive shock, amplifying pre-existing inequalities in living standards. Households with fewer resources prior to the

pandemic were less able to absorb income losses and more exposed to reductions in essential consumption.

1.2 Gender inequality: care burdens and unequal recovery

The evidence also points to systematic gender differences in how households experienced and responded to the shock. Across multiple studies, women bore a disproportionate share of the increase in unpaid care and household responsibilities triggered by school closures and reduced access to services. In Egypt, Fadlalmawla et al. (2022) show that school and nursery closures were associated with increased childcare responsibilities within households. Given women's primary role in caregiving, these additional demands fell disproportionately on women and further constrained their ability to participate in the labour market. Similarly, time-use data from Nairobi, Kenya (Whillans & Belal, 2020) show that women devoted more time to unpaid work and had less time for rest and leisure.

Additional evidence from rural India highlights the mental health consequences of the pandemic and associated containment measures for women. Bau et al. (2021) find that stricter local containment intensity was associated with substantially higher levels of sadness, depression, hopelessness, and worry among women, with particularly severe effects among female-headed households and women with daughters.

1.3 Migration and remittances: divergent roles during the pandemic

Migration is a key mechanism through which households in low- and middle-income countries adjust to economic shocks. The evidence from these projects highlights two distinct patterns during the COVID-19 crisis: the role of international remittances in supporting household incomes, and the disruption of internal migration as a source of vulnerability.

In the Philippines, Ambler et al. (2022) shows that migrant-sending households continued to receive remittance income during the pandemic. These flows remained an important source of support, helping households sustain consumption in the face of domestic economic disruption.

A different pattern emerges in India. In Pande et al. (2022), the authors document large-scale return migration following the imposition of lockdown measures and the collapse of urban labour demand. This movement disrupted established income arrangements: migrant-sending households lost earnings from urban employment, while return migrants faced constrained labour market opportunities in rural settings.

The paper further shows that these disruptions were persistent. By July 2021, fifteen months since the first lockdown, approximately 40% of migrants had yet to return to urban labour markets, and those who remained in rural areas experienced weaker employment outcomes. These impacts were particularly pronounced for women, who were significantly less likely to remigrate and more likely to remain out of employment.

2. Firms and labour markets

2.1 Firm-level impacts: domestic and global shocks

A defining feature of the COVID-19 crisis was its global nature. Policy responses such as lockdowns and mobility restrictions constrained economic activity within countries, while the collapse in demand in advanced economies reverberated worldwide through global value chains. As a result, firms were exposed to both domestic and external shocks, often simultaneously.

Islam et al. (2021) study a panel of approximately 2,300 micro and small enterprises in Bangladesh, the majority of which operate in light engineering, alongside smaller samples in services and other activities. These firms were directly affected by the domestic policy response to the pandemic. Bangladesh imposed a nationwide lockdown (“general holiday”) from late March 2020, which included the closure of most workplaces and restrictions on transport. Within this context, firms experienced sharp declines in sales and business activity, alongside reductions in wages and hours worked.

A complementary perspective is provided by Boudreau et al. (2021), who study workers in Bangladesh’s ready-made garments sector. This sector is formal and export-oriented, and the shock it faced was driven primarily by the collapse in international demand. The pandemic led to widespread order cancellations from foreign buyers and a sharp contraction in exports, severely affecting production. Workers in the sector experienced job losses and significant income reductions, illustrating how disruptions in global markets translated into local labour market outcomes.

2.2 Uneven and incomplete recovery

As restrictions eased, many firms resumed operations, but the recovery in economic activity was neither immediate nor complete. Evidence from Bangladesh highlights a gap between reopening and the restoration of pre-pandemic levels of output and employment, as well as differences in who was able to benefit from the recovery.

Among micro and small enterprises, most firms had resumed operations by early 2021 (Islam et al., 2021). However, key indicators of business activity remained below pre-pandemic levels. Sales had not fully recovered, and firms continued to operate with reduced hours and lower wage bills. The pace of recovery also varied across sectors, with firms in more affected activities experiencing more persistent disruptions.

In the export-oriented garments sector, a sharp contraction in earnings during the peak of the crisis, followed by a recovery for workers who remained employed in the sector (Boudreau et al., 2021). At the same time, workers who exited garment employment experienced more persistent income losses.

2.3 Workers: labour market disruption and unequal recovery

Evidence from Uganda highlights the persistence and unequal nature of labour market disruptions during the pandemic. Alfonsi and co-authors (Alfonsi et al., 2022) follow a cohort of vocational training graduates through Uganda's lockdowns and subsequent recovery period using high-frequency panel data collected before and after the onset of COVID-19. Their findings show that employment losses were substantially larger for women than for men (69% vs 45%) generating gender gaps in employment that had not existed before the pandemic. While labour market outcomes gradually improved as restrictions eased, recovery remained uneven. Women were more likely to transition into lower-skilled activities and sectors unrelated to their original vocational training, suggesting that the effects of the shock extended beyond temporary employment interruptions and altered longer-term labour market trajectories.

More broadly, G²LM|LIC supported a number of projects that used innovative digital data sources to generate real-time evidence on labour market conditions and worker behaviour during the pandemic. These projects are particularly valuable in contexts where conventional labour market statistics are infrequent or unavailable, and where rapidly evolving economic conditions make timely evidence especially important.

Using online vacancy data from India, Bloesch et al. (2022) examine how labour demand evolved during COVID-19. The study documents a sharp decline in vacancies during lockdown periods, accompanied by a fall in applications. However, labour demand contracted more sharply than job search activity, leading to a substantial increase in the number of applicants per vacancy and a deterioration in labour market tightness. The project also highlights substantial variation across occupations and sectors in the pace of recovery.

Similar patterns emerge from evidence collected through the Job Talash platform in Lahore, Pakistan (Vyborny et al., 2022). The platform connects firms and jobseekers through phone- and SMS-based applications, allowing researchers to track vacancies, applications, and employment outcomes throughout the pandemic. Vacancy postings and applications both fell sharply following the onset of COVID-19, despite the fact that online matching technology allowed workers to search remotely. This suggests that the slowdown in labour market activity extended beyond the direct effects of mobility restrictions and disrupted in-person job search. The project also documents unequal recovery patterns across genders. While male jobseekers became increasingly likely to report working as the pandemic progressed, employment among female jobseekers continued to decline.

A related project from India further demonstrates the value of innovative data sources for understanding labour market dynamics during periods of economic disruption. Rather than relying on self-reported survey responses, Miller et al. (2022) use digital browsing data to observe actual online job-search behaviour. The paper documents substantial gender gaps in

observed search activity and shows that self-reported measures may overstate actual job search effort. Beyond its substantive findings, the project illustrates how digital trace data can complement traditional labour market surveys and quickly provide evidence on worker behaviour during crises.

3. Government responses, state capacity, and resilience during COVID-19

The evidence discussed in the previous sections shows that households across developing countries experienced substantial economic hardship during the pandemic. Part of this deterioration reflected the direct economic consequences of containment policies adopted to limit the spread of the virus. Using variation in local containment intensity across rural northern India, Bau et al. (2022) provide direct evidence on these trade-offs. The paper finds that stricter containment measures were associated with significantly higher food insecurity and worse mental health outcomes among women. Average levels of containment are associated with large increases in reported sadness, depression, hopelessness, and worry, with particularly severe effects among female-headed households and women with daughters. These findings highlight the difficult trade-offs faced by governments attempting to contain the spread of COVID-19 while limiting the associated economic and social costs.

At the same time, several G²LM|LIC projects highlight the importance — and limitations — of government support in mitigating these effects. Evidence from India shows that access to social protection during the crisis depended heavily on pre-existing administrative capacity. Using survey data on return migrants following India's lockdowns, Pande et al. (2021) document substantial variation in households' ability to access programmes such as the Public Distribution System (PDS) and the rural employment guarantee scheme (MGNREGA). Many returning migrants lacked the documentation or programme access needed to benefit fully from these schemes. The paper also shows substantial variation across states in access to support programmes, suggesting that differences in administrative capacity and welfare infrastructure shaped households' ability to cope during the crisis.

Related challenges emerge from evidence on small firms in Bangladesh. Islam et al. (2021) study the experiences of approximately 2,300 microenterprises during the pandemic and document severe and persistent declines in sales and business activity. Although Bangladesh introduced stimulus measures aimed at supporting firms during the crisis, the paper reports extremely limited uptake among surveyed enterprises even months after the announcement of the programmes. These findings suggest that government support often struggled to reach smaller firms during the pandemic, potentially limiting the effectiveness of policy efforts to stabilise employment and business activity.

Finally, evidence from Uganda suggests that effective government interventions implemented before the pandemic may also improve resilience to future shocks. Fiala et al. (2021) study beneficiaries of Uganda's Youth Opportunities Program, a government cash grant programme introduced more than a decade before the onset of COVID-19. The paper

finds that programme beneficiaries experienced smaller income declines during the pandemic, particularly among men, suggesting that earlier investments in skills, productive assets, and employment opportunities increased households' ability to weather subsequent economic shocks. At the same time, the paper finds limited evidence that these gains translated into improved food security outcomes during the crisis, highlighting both the potential and the limits of earlier policy interventions in protecting vulnerable households.

Taken together, the evidence reviewed in this paper highlights both the scale of the COVID-19 shock in developing countries and the unequal way in which its consequences were distributed across households, workers, and firms. Across a wide range of settings, the pandemic and associated containment measures generated substantial declines in income, employment, and economic activity, while exacerbating existing vulnerabilities linked to poverty and informality. A central finding emerging across projects is that women were often disproportionately affected. The evidence reviewed here points to persistent gender differences in labour market recovery, heavier care burdens and reallocations of time within households, and stronger negative effects on women's mental health and well-being during periods of lockdown and economic disruption.

The projects reviewed also underscore the central role of institutions and state capacity in shaping resilience to large shocks. While governments introduced a range of containment and support measures during the pandemic, the effectiveness of these interventions depended heavily on administrative capacity and the ability to reach vulnerable households and firms. At the same time, several projects suggest that earlier investments in skills, productive assets, and social protection helped some households better withstand the economic consequences of the crisis. More broadly, the evidence reviewed here also illustrates the value of research and innovative data collection efforts — including high-frequency phone surveys, online labour market platforms, and digital trace data — in generating timely evidence during rapidly evolving crises and improving our understanding of labour market adjustment and household resilience in developing countries.

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