

Impact of private and public initiatives on individuals' employment and income during the COVID-19 Pandemic: Evidence from Peru

Abstract

Purpose: To determine the impact of private and public initiatives (financial literacy, entrepreneurship, remote work, and government aid) on individuals job loss and decrease in income during the COVID-19 Pandemic in Peru.

Design/Methodology/Approach: The authors used an unbalanced panel data analysis with the National Household Survey (ENAHO) for 2019-2020. The hypotheses are tested with a probit panel data model since the dependent variables are binary. The independent variables are created using the survey questionnaires.

Findings: Our findings indicate that financial preparedness reduced the probability of having a decrease in income, but only to informal workers in Metropolitan Lima. Furthermore, entrepreneurship helped mainly female informal workers to reduce their probability of losing a job in Metropolitan Lima. Besides, the implementation of remote work as a substitute of face-to-face work was not enough to avoid the decrease in income in the case of informal workers and it was only effective to avoid job losses in the case of formal workers in Metropolitan Lima. Finally, public aid proved to be instrumental in mitigating the decrease in income, but only with informal workers in Metropolitan Lima.

Practical implications: Policymakers should focus on increasing the financial literacy and financial inclusion of informal workers especially in provinces, on expanding unemployment benefits for informal workers, and on designing target public aid programs for informal workers in provinces.

Originality/value: This is the first study that analyzes the impact of private and public initiatives on the decrease in income and unemployment situation of Peruvian individuals during the COVID-19 pandemic.

Keywords: Personal income, pandemic, public policy, unemployment

JEL Codes: D31, I12, I38, J64

This work was supported by The National Program for Scientific Research and Advanced Studies (PROCIENCIA) from Peru (<https://prociencia.gob.pe/2022/03/proyectos-de-investigacion-aplicada-en-ciencias-sociales-2022>), grant number No 501078274. The funders had no role in study design, data collection and analysis, decision to publish, or preparation of the manuscript.