

COVID 19: “A disease for POOR people?” The Colombian Case Study

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Colombia, a country known for its aromatic coffee, superior quality emeralds and exotic fruits: but coming to its economic structure; it is one of the largest economies of Latin America in the last few decades. It's one of main exporting commodities is Petroleum and has the fastest growing information technology industry in the world, and has the longest fiber optic network in Latin America. Colombia also has one of the largest shipbuilding industries in the world outside Asia.

But this doesn't summarize the actual economic situation of Colombia. The problem of income inequality for long has been the center of concern for the policymakers of Colombia. Many accuse the Colombian government of pursuing a “pro-rich” model when it comes to the economy, according to the Transnational Institute (TNI). Among these policies is an unregulated taxation system in which the wealthiest 20% contribute little in terms of tax revenue, despite receiving 55% of the country's income in 2018. In addition, the government invested in international and private corporations as well as encouraging domestic export and international fair-trade agreements, leaving small-scale farmers vulnerable to price fluctuations and unable to compete with large agricultural operations.

For a detailed view on inequality we have analysed the data of factors like GINI Coefficient; Unemployment; Poverty; GDP Growth; Infant Mortality Rate for the pre-pandemic and post-pandemic era which supposedly affect inequality, although their magnitude varies.

The next section gives you a detailed view on the above mentioned factors:

Trends in income inequality - GINI COEFFICIENT



Source:Self Computed

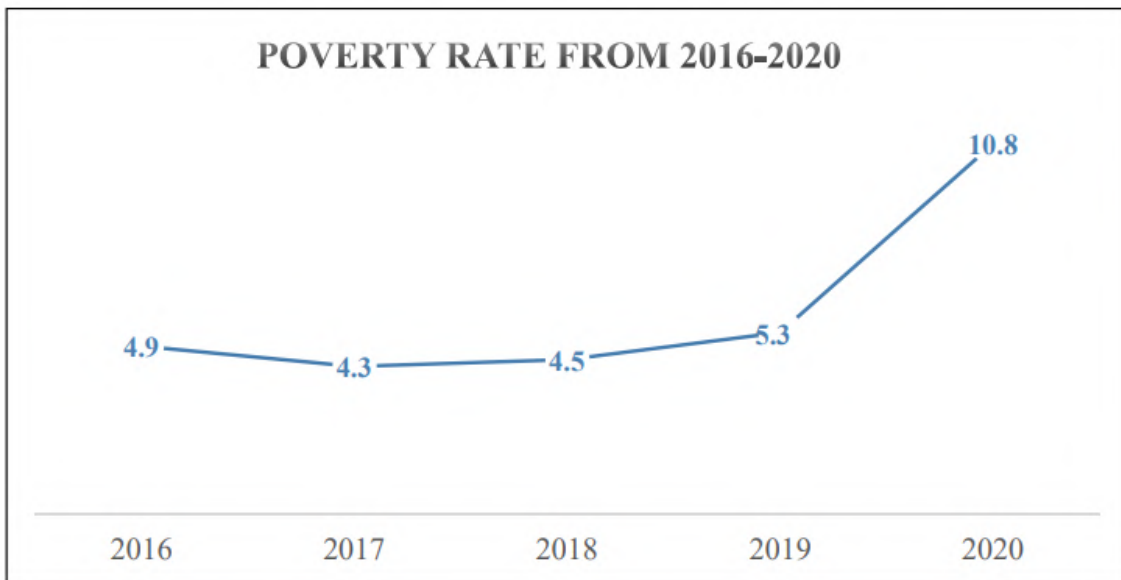
Graph of GINI Index from 2016-2020

Colombia’s high levels of income inequality are a core constraint to economic growth and social progress. The country has one of the highest levels of income inequality in the world, the second highest among 18 countries in Latin America and the Caribbean (LAC), and the highest among all OECD countries. Inequality in access to good jobs further amplifies these gaps, making Colombia among the countries where inequalities are the most persistent across generations. Longstanding inequality across regions overlaps with the large gaps in welfare between Afro-descendants and indigenous Colombians and the rest of the population.

The pre-existing inequalities started to widen from the year 2020 itself as the pandemic wreaked havoc in the country. Just like all many other countries, the Colombian Government also imposed severe restrictions on economic activities. As suggested by

the data, the Gini Index for Colombia took a leap from 51.3% in 2019 to 54.2% in 2020, a leap of almost 3%, and the longest in the past five years. The COVID-19 pandemic and the associated lockdown has thus further amplified the disparities and threatens to have prolonged negative effects in the post COVID era. Current tax and transfer policies at best have only a modest positive impact on these imbalances, so there is clearly ample potential to improve the redistributive role of fiscal policy in Colombia. Policy reforms across many areas could help to chart a more equitable future for the country.

Analysis of the POVERTY situation



Source:Self Computed

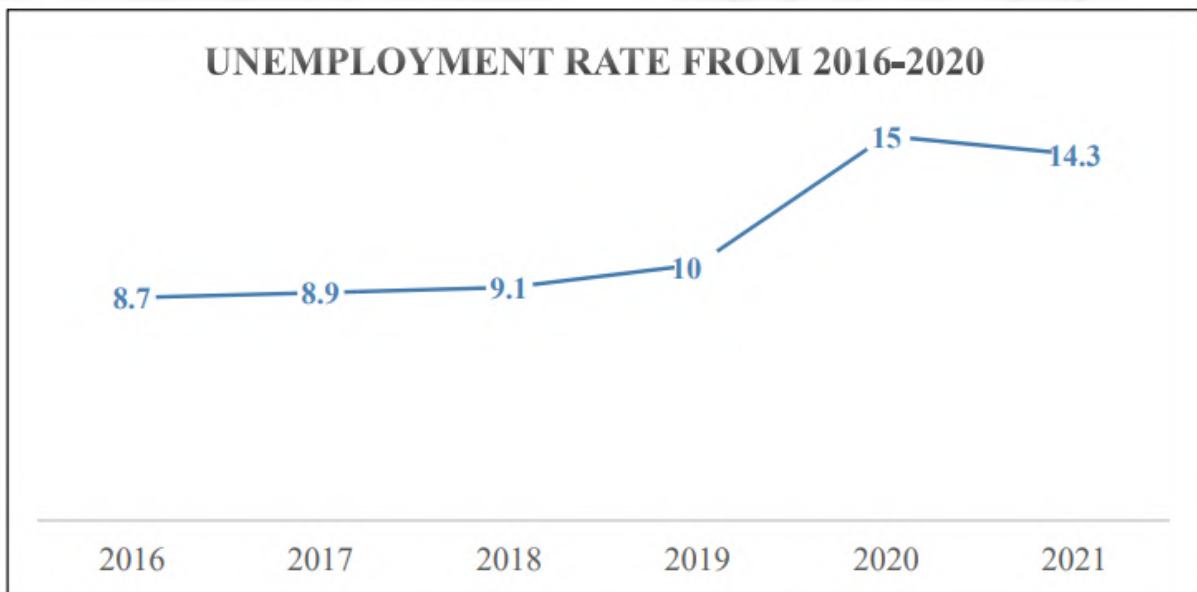
Graph of Poverty Rate from 2016-2020

Despite various factors contributing to poverty, Colombia made significant improvements through other measures in the past two decades. According to the World Bank, Colombia worked on a debt management system, invested in the domestic market and improved policy coordination between various financial institutions in the country. The government also worked on better welfare programs, such as improving education outcomes as well as restoring land rights taken away during the conflict. The result of these efforts is

steady economic growth and a long-term trend of declining inequality and poverty. However the COVID-19 pandemic disrupted this progress. Despite its economic growth, with Colombia being the fourth-largest economy in Latin America as of 2021, the COVID-19 pandemic exacerbated poverty in Colombia where the poverty rate in 2020 was 10.8%. Poverty escalated exponentially during the pandemic with figures almost twice that of the previous years. The rising trend of the poverty rate during the COVID-19 also exemplifies the reasons behind the broadening income inequalities in Colombia. With almost 10.8% of the population living in poverty as of 2020 compared to 5.3% in 2019 it is quite evident that the pandemic took a toll on the low income groups pushing them down the poverty line.

With long-term policies toward declining poverty and improving the standard of living, there is hope for better living conditions in Colombia in the near future.

Synopsis of UNEMPLOYMENT situation



Source:Self Computed

Graph of unemployment rates from 2016-2021

Colombia experienced an upward trend in unemployment from 2016 with unemployment rising steadily from 8.7% to 15% in 2020. This steady increase in the rate of unemployment

can be stated as one of the many reasons for rising inequalities in the country.

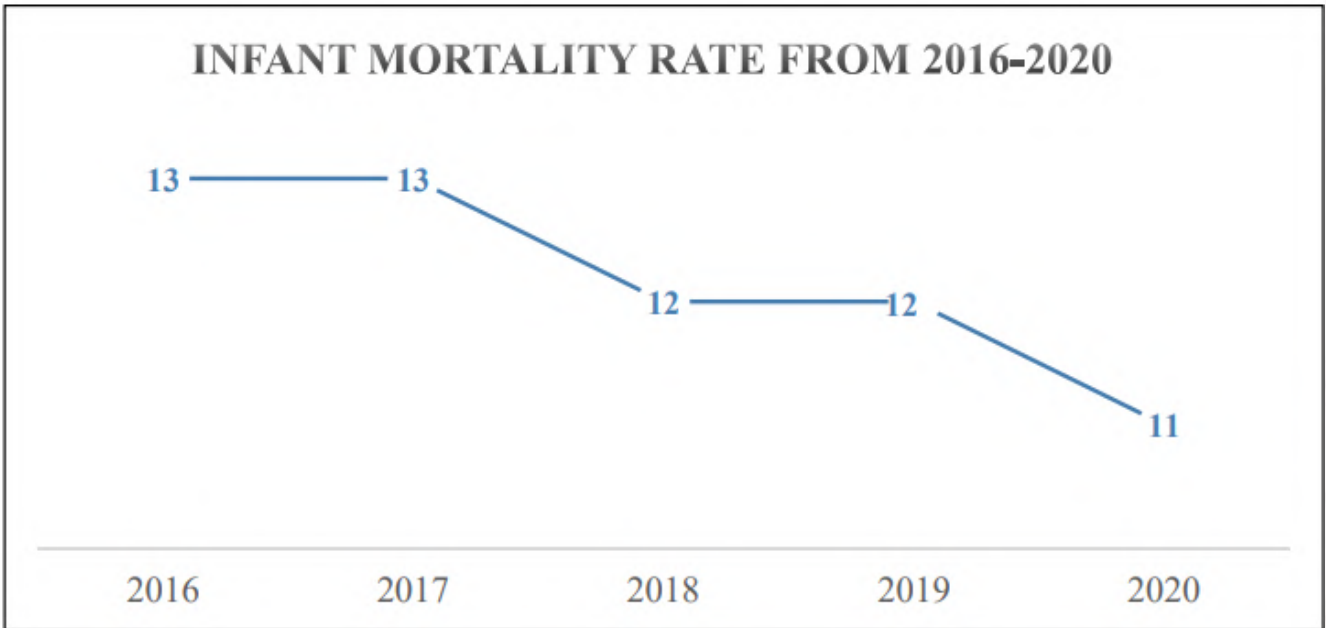
The year 2020, saw the closure of economic activities which led to closure of many budding and infant businesses leading to laying off thousands of workers. This is considered as one of the prime reasons for a drastic jump in unemployment rate in 2020. But in the year 2021 the rate falls down by 0.67% to 14.33% which can be primarily due to two reasons- firstly opening up of industries with the reduction in COVID-19 cases and secondly due to some effective monetary and fiscal policies. The increasing unemployment is one of the many factors that affects the rising inequalities in Colombia. Losing jobs, and increasing poverty caused the poor to become poorer.

Earning quality in Colombia is lower than in any OECD country, reflecting both considerably lower average earnings and significantly higher levels of earnings inequality. Labor market insecurity is twice the OECD average, because of the near-absence of unemployment and social assistance benefits to alleviate financial hurdles during unemployment. Moreover, the high percentage of informal workers has bleak or no access to social security benefits. Given such low levels of social protection, many workers may need to accept very low quality jobs when better jobs are not available. This leads to a loss in standard of living and thus increases inequality at a much faster rate.

Overview of INFANT MORTALITY RATE

Colombia has a stable and attractive healthcare system; as a large percentage of population almost 95% of them are insured under the General Social Security Health System (GSSHS). About 6% of GDP is contributed in healthcare; and public spending in healthcare is about 63%, the remaining 37% by the private sector. The high public expenditure on healthcare justifies the lowering of infant mortality rates over years. Rising inequality, unemployment shows one of the big economic instabilities; but Colombia has shown a steady growth in terms of HDI (0.767) and its capital Bogota DC

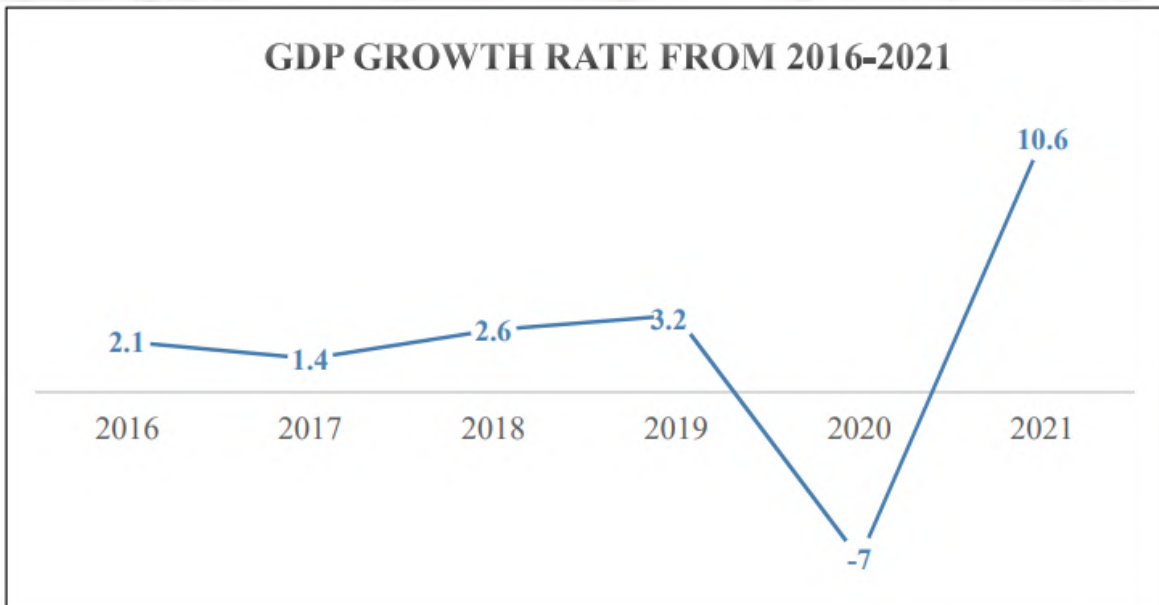
has attained highest HDI as recorded to be 0.813.



Source:Self Computed

Graph of infant mortality rates from 2016-2020

The pace of GDP GROWTH



Source:Self Computed

Graph of GDP growth rates from 2016-2021

Colombia's economy has recovered astoundingly well from the COVID-19 crisis at least from the growth point of view. Strong fiscal and monetary policy support have staved off a stronger contraction of incomes. Solid macroeconomic policy frameworks are braced for a continuous recovery of domestic demand, although the sustainability of fiscal accounts will require further action. From a far eyed view, however, both growth and social inclusion are trapped by bleak structural policy settings that preclude more than half of income earners from formal jobs and social protection, while preventing firms from growing and becoming more productive. Solving this vicious circle through ambitious reforms would allow a significant leap forward for material well-being in Colombia.

Growth has taken a significant leap from the year 2020 to 2021, the post COVID-19 period but we could hardly see any changes in the inequality indices in the post pandemic era. The reasons are high levels of inflation with the maximum share of the GDP growth accruing to the richer section of the society. Thus Colombia's GDP growth cannot be considered as a true reflection of the disease which is eating up the country.

Conclusion

Colombia was reeling with all sorts of problems when the COVID-19 crisis plunged Colombia into recession in 2020 and exacerbated existing labor market weaknesses. Around 2.5 million jobs were lost in that year. The unemployment rate increased by 50 percent in 2020, reaching 15 percent, with large increases in urban areas and among women, the youth, the self-employed, and workers in small firms. Inactivity increased, as 2.5 million jobs were lost over the year.

The post COVID study of the Colombian economy shows the dire situation of the people. Ever since 2021 the poverty rates and the rates of unemployment accelerated dramatically. High poverty and unemployment in the year 2020 further increased the

pre-existing income inequalities prevailing in the country. Although Colombia attained an exponential growth rate in GDP post COVID, the rising Gini Coefficient suggests that it is only the richer section who benefits from this growth. However the declining Infant Mortality Rate shows the efforts of the Government in reviving the economy. Again due to recent global economic trends and the Russia-Ukraine war, Colombia joins a host of Latin American countries grappling with rising inflation. The country experienced the highest rate of inflation in 21 years in April and food prices. The Russia-Ukraine war has disrupted the trade of wheat and fertilizer, which has contributed to food prices rising by 26%.

In June 2022, Colombia elected President Gustavo Petro, its first leftist leader, who promised to tackle inequality and poverty in the country. His plans include the improvement of social programs, such as increasing access to higher education, revamping the health care system and more. Petro's focus on Colombia's socioeconomic inequalities has the potential for a path toward poverty reduction. However, with long-term agendas of reducing inequalities and better economic policies, there is hope for better living conditions in Colombia in the near future.

Reference

All information and data used in this article has been sourced from the following websites

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Effect of COVID-19 on Indian Economy

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This article is on the economic impact of the Covid-19 pandemic in India. The Indian Economy was marketed by a slowdown of economic growth and record increases in unemployment and poverty.

When in March-2020 pandemic hit India for the first time India didn't have the capacity of dealing a new crisis.

Covid-19 pandemic was a huge deal for everyone. It took literally a lot of time to understand what is going through the whole world. It was totally a new circumstance for everyone. We were scared just about our regular life. The lower middle class and labour class were tensed about their regular their regular ration supply. Financially a huge amount of Indian locality is below poverty line. Apparently many people of India just earns the expenses only for the present day. So, an instant declaration of 3 months long pandemic made people think about their economic position.

