

VoxEU: Millions of Europeans can't endure two-month income shock without government policies

Nearly 100 million people in 21 EU countries do not have enough savings for two months of food, utilities, and rent or mortgage [writes Catarina Midões for VoxEU.](#)



How useful are government policies to protect the most vulnerable?

The economic downturn stemming from the Covid-19 shock forced many individuals to stop working or to substantially reduce their working hours.

Many households are witnessing substantial decreases in their earnings that may last for a long time. In the UK and the US, most people surveyed saw their income reduced, with the self-employed particularly affected (more than 70% experienced a decrease). Moreover, individuals expect such reductions will be sustained for the near future (Adams-Prassi et al. 2020).

Even as strict containment policies are loosened, the economic consequences of Covid-19 will endure and be exacerbated in the absence of a bold, continuous macroeconomic stimulus (Cerra

et al. 2020). An array of policies has been enacted throughout the EU in an attempt to ‘get ahead of the curve’ and minimise negative economic effects (Baldwin and di Mauro 2020).

But how useful are these policies to protect the most vulnerable?

A key quote from the article:

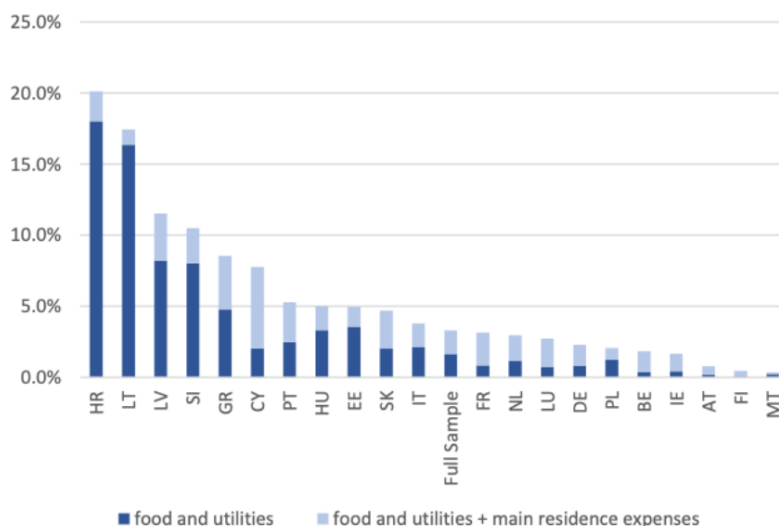
We consider the burden of rents and mortgages on the main residence for individuals without other residential properties.

After two months without privately earned income, 57.5 million individuals would not be able to pay for food, utilities, and housing expenses; 41.1 million individuals are already in this situation after one month without income. If 50% of the gross privately earned income is guaranteed, the numbers decrease considerably: 8.4 million people cannot meet one month of basic expenses; 11.3 million for a period of two months. Both rent and mortgage expenses substantially increase the number of vulnerable individuals, but tenants are more vulnerable than mortgage holders.

When we considered only utilities and food, we found that 5.5 million individuals could not afford two months of expenses with 50% of their privately earned income. Once we add rents on main residences, the number of vulnerable individuals reaches 9.8 million. These 4.3 million individuals aided by rent suspension are substantially greater in number than the 220,000 landlords unable to cover their expenses for two months without rental income and with a 50% reduction of their remaining sources of income.

Figure 2 - Percentage of individuals who can't cover for two months of food and utilities with and without main residence expenses

Figure 2 Percentage of individuals who cannot cover for two months of food and utilities with and without main residence expenses (rent or mortgage)



Note: Based on bank deposits, pensions, public transfers, and 50% of their gross privately earned income. Only individuals living in households with bank accounts were considered. See Midões (2020) for methodological details.

Source: Midões (2020). Note: Based on bank deposits, pensions, public transfers, and 50% of their gross privately earned income. Only individuals living in households with bank accounts were considered.

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