

The Impact of Coping Strategies on Subjective Well-Being due to Earning Losses and the COVID-19 Pandemic: Implications of the Job Retention Scheme in the UK

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Abstract:

As a response to the outbreak of the COVID-19 pandemic, the UK government announced on 23rd of March 2020 strict lockdown measures affecting millions of jobs and the well-being of people. The first aim of this study is to examine the subjective well-being (SWB) of people, such as happiness and psychological well-being, who made adjustments to cope with the earning losses. We estimate the well-being costs, which is the money required to compensate people, because of a loss in earnings and the coping strategy followed, to revert their well-being at the levels were before the COVID-19 period. Furthermore, we apply a triple-differences (DDD) framework to investigate the role of the furlough job retention scheme implemented to protect the jobs of millions of people. The results show that coping strategies with the earning losses have a significant detrimental impact on well-being and the related costs are ranging between £2,780-£4,250 when we consider the General Health Questionnaire (GHQ) as a measure for the SWB, and around £1,000 when we examine happiness. However, those who have been furloughed and had to cope with earning losses present no differences in the well-being, except for those who had to borrow from banks. Nevertheless, the estimates highlight large discrepancies across ethnic groups, where Asians, Arabs, Blacks and of another ethnic origin, have experienced a larger deterioration in their mental well-being and happiness.

Keywords: Covid-19; Coping Strategies; Difference-in-Differences; Earning Losses; Furlough Scheme; Happiness; Subjective Mental Well-being

JEL Codes: I14, I31, J15