

ECA RESEARCH NOTES

Office of the Chief Economist

EUROPE AND CENTRAL ASIA

COVID-19 and Human Capital
October 2020



Hi Everyone,

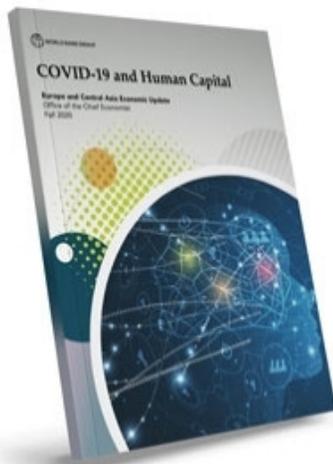
Hope you all had a healthy and productive October. Earlier this month, just in time for the virtual IMF and World Bank Group Annual Meetings, we launched our Fall 2020 Issue of the ECA Economic Update. This time our focus was on Human Capital. Recovery from the COVID-19 pandemic will require strong investments in human capital – both education and health. Pandemic-related school closures may lead to learning losses of more than a full year of schooling, and the disease has already killed thousands of people, and some survivors will suffer long-term damage to their health. In our analysis, we pay special attention to tertiary education and health risk factors of obesity, smoking, and heavy drinking – highlighting the challenges that are particularly important not only for countries in our region, but also for middle income countries in general. You can read more about the ECA Economic Update below along with a collection of research on health and education.

And a reminder for my Bank colleagues: please don't forget to submit your papers to the ECA Academy by the end of October. We are looking forward to identifying and learning from the best research papers.

Happy Reading!

Asli

FEATURE STORY



COVID-19 and Human Capital Europe and Central Asia Economic Update, Fall 2020

The COVID-19 pandemic has sunk the global economy into the deepest recession in eight decades. In the emerging and developing countries of Europe and Central Asia, GDP is expected to contract 4.4 percent in 2020. This update presents the outlook for the region and examines human capital outcomes and the ways in which the pandemic is likely to affect them. A focus on the quality of tertiary education and health risk factors of obesity, smoking, and heavy drinking highlights the challenges that are particularly important for the region. Post-COVID-19 policy initiatives to improve education and health will need to recognize the challenges posed by increased reliance on remote learning and the importance of being prepared for future pandemics, given the vulnerability of the region's aging societies and the large number of people with underlying health risks.

Report

Press Release

Interview

RELATED RESEARCH



[Measuring Human Capital in Europe and Central Asia](#)

Asli Demirgüç-Kunt and Ivan Torre, World Bank Policy Research Working Paper 9458 – October 2020

This research proposes an extension of the Human Capital Index (HCI) that addresses the specific challenges in education and health faced by countries in Europe and Central Asia (ECA). ECA-HCI extends the index by adding a measure of quality-adjusted years of higher education to the original education component and includes the prevalence of three adult health risk factors - obesity, smoking and heavy drinking - as an additional proxy for the latent health status.



[Rising College Access and Completion: How Much Can Free College Help?](#)

Maria Marta Ferreyra, Carlos Garriga, Juan David Martin, Angelica Maria Sanchez Diaz, World Bank Policy Research Working Paper 9428 – October 2020

This paper develops and estimates a dynamic model of college enrollment, performance and graduation to evaluate the potential effects of free college programs that differ in eligibility requirements. Among these, universal free college expands enrollment the most, but it does not affect graduation rates, and performance-based free college, in contrast, delivers a slightly lower enrollment expansion yet a greater graduation rate at a lower per-graduate cost.



[Life Expectancy at Birth and Lifetime Education and Earnings](#)

Mohammad Mainul Hoque, Elizabeth M. King, Claudio E. Montenegro, Peter F. Orazem, World Bank Policy Research Working Paper 9418 – September 2020

Exploiting cross-birth cohort and cross-country variation from a pool of 188 household surveys from 111 countries, the authors measure how life expectancy at birth affects lifetime education and earnings. The estimates imply that rising life expectancy at birth explains 75 percent of the increase in average years of schooling worldwide for birth cohorts between 1922 and 1987 and 38 percent of the increase in average gross domestic product per capita in the 20th century.



[Returns to Education in the Russian Federation: Some New Estimates](#)

Ekaterina Melianova, Suhas Parandekar, Harry Anthony Patrinos, Artem Volgin, World Bank Policy Research Working Paper 9387 – September 2020

This paper presents new estimates of the returns to education in Russia using data from 1994 to 2018. Although the returns to schooling increased for a time, they are now much lower than the global average. Private returns to education are three times greater for higher education compared with vocational education, and the returns to education for females are higher than for males.



[Invitations, Incentives, and Conditions: A Randomized Evaluation of Demand-Side Interventions for Health Screenings in Armenia](#)

Damien de Walque, Adanna Chukwuma, Nono Ayivi-Guedehoussou, Marianna Koshkaryana, World Bank Policy Research Working Paper 9346 – July 2020

The study investigates the impact of four demand-side interventions on health screening for diabetes and hypertension among Armenian adults ages 35-68. Compared with the control group in which only 3.5 percent of participants went for both screenings during the study period, the highest intervention impact was measured among recipients in the last intervention with a conditional cash transfer in the form of a pharmacy voucher, whose uptake of screening on both tests increased by 31.2 percentage points.



[Distributional Effects of Tobacco Taxation : A Comparative Analysis](#)

Alan Fuchs Tarlovsky, Maria Fernanda Gonzalez Icaza, Daniela Paula Paz, Poverty and Equity Global Practice Working Paper 196 – April 2019

This study compares the simulated distributional effects of tobacco tax increases in eight low- and middle-income countries. The net effect of raising taxes on cigarettes encompasses the direct negative price shock to household budgets and the long-term benefits of improved health outcomes. In several countries, increasing the price of cigarettes is pro-poor and welfare improving for a large share of the population.

BLOGS



[Smart investments in health and education are key to resilient recovery in emerging Europe and Central Asia](#)

Anna Bjerde & Asli Demirgüç-Kunt, October 7, 2020

In Europe and Central Asia, the novel coronavirus has killed thousands of people, with countless survivors facing potential long-term damage to their health. And the rate of infection is increasing in many countries. Compounding the

health challenges facing countries are major disruptions to education – with school and university closures leading to significant learning losses. In some countries, these losses are equivalent to as much as one full year of schooling.

[Read the blog »](#)

e **Forced displacement and human capital: evidence from post-WWII Poland**

Ekaterina Zhuravskaya, October 13, 2020

The trauma of forced displacement resonates through several generations and leaves diverse and unexpected footprints across the lives of the refugees and their families. Economists have long hypothesized that being forcibly uprooted increases the subjective value of investing in portable assets, particularly education. However, this “uprootedness hypothesis” has been difficult to test.

[Read the blog »](#)

e **The Educated Russian’s Curse? Returns to Education in the Russian Federation since the 1990s**

Harry A. Patrinos & Suhas Parandekar, October 1, 2020

Higher education levels usually translate into higher productivity and higher earnings. However, Sofia Cheidvasser and Hugo Benítez-Silva found [very low returns to education in Russia in the 1990s](#), only about 5 percent (compared to the global average of 9 percent), even at a time when the market in Russia was opening up. If an education added such little value in terms of wages at that time, they posited that this might have given educated Russians a reason to emigrate.

[Read the blog »](#)

e **Taxes on tobacco, alcohol, and sugar-sweetened beverages reduce health risks and expand fiscal space for Universal Health Coverage post-COVID 19**

Patricio V. Marquez & Sheila Dutta, August 11, 2020

Several months after the first cases of a new coronavirus were reported in China, the pandemic’s toll continues to increase, despite global containment and mitigation efforts. People of any age with certain underlying medical conditions, such as cardiovascular diseases, cancer, obstructive pulmonary diseases, and obesity and diabetes, are at increased risk for severe illness and death from COVID-19. Tobacco use, alcohol abuse, and consumption of unhealthy foods are three leading risk factors for the development of these chronic health conditions.

[Read the blog »](#)

e **How to invest in remote learning while building the education system of the future?**

Harry A. Patrinos, July 30, 2020

It is crucial to find ways to protect learning outcomes during the current crisis and going forward, build a system that is resilient to future shocks. Over the past few months, governments around the world have put emergency remote learning efforts in place, but they have been plagued by limited capacity, weak student connectivity, constrained interactions between students and teachers, and poor attendance.

[Read the blog »](#)

CALENDAR OF EVENTS

- **October 30, 2020:** Deadline for submissions to **2020 ECA Academy** on relevant research for the region.
- **November 18, 2020 at 10AM:** ECA Talk featuring Viral V. Acharya, C.V. Starr Professor of Economics at the NYU Stern School of Business, on "*Zombie Lending, Fiscal Dominance and Financial Stability - Some Implications for the Post-Pandemic World*"

Check [ECA Lectures](#) and [ECA Talks](#) to learn more about our past and future events.

The ECA Research Notes newsletter is produced by the Europe and Central Asia (ECA) Chief Economist’s Office. Please send comments, suggestions, and feedback to ECACEoffice@worldbank.org.

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