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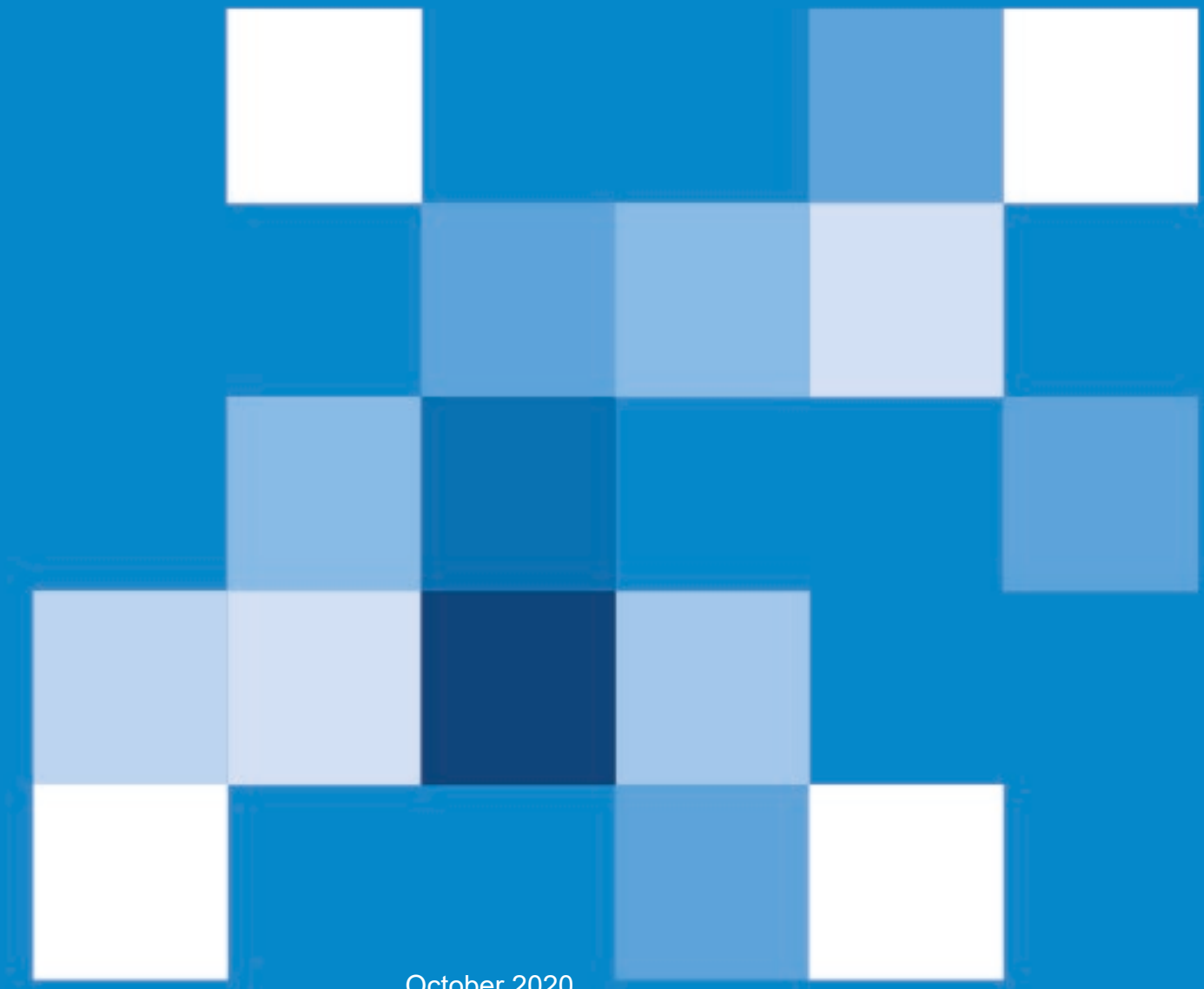

October 2020

How is Covid impacting people living in poverty worldwide?

briefing

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Introduction

As of October 2020, the impact of the Covid-19 outbreak has been severe and direct, with more than one million deaths and tens of millions of confirmed infections, many of which will not be fatal but may have lasting health effects. The burden of cases has largely been concentrated in high- and middle-income countries. Low-income countries have generally seen low prevalence of the disease, likely due − at least in part − to swift and comprehensive public health measures taken in these areas.

These measures, however, have had significant economic impacts. Our recent roundtable event that considered the response to Covid-19 and the challenges to the Leave No One Behind agenda concluded that Covid-19 was 'a disease of poverty, a disease of inequality'. Lockdowns, school closures, travel restrictions and other interventions have impacted employment, trade and production. All of these factors are expected to influence efforts to ensure that no one is left behind – efforts that were already off track before the disruption of the pandemic.

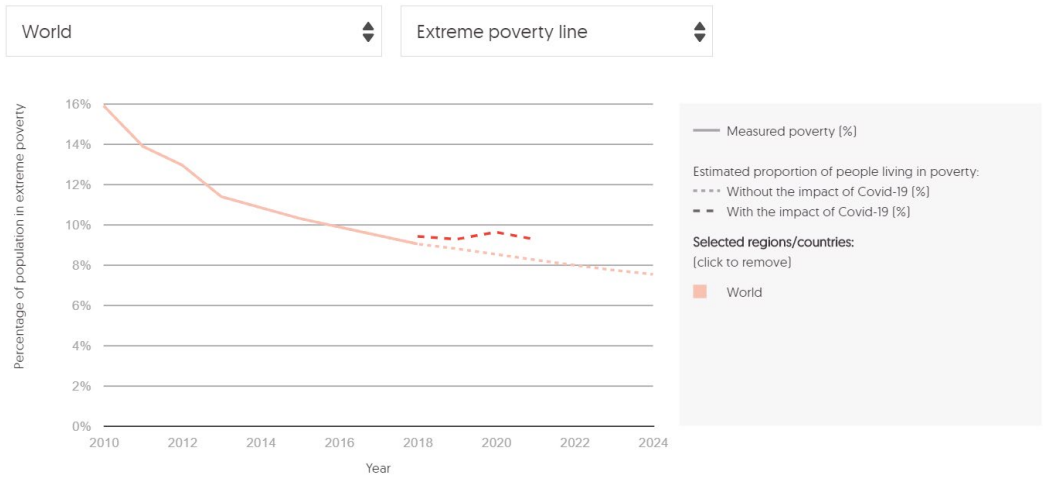
In this factsheet we look at data on how Covid-19 is impacting people in poverty worldwide. Forecasting the economic impact of the pandemic and related public health measures is complicated. In many countries, the pandemic has led to rapid changes in policies and imposed uncertainty about economic and social activity. The International Monetary Fund (IMF) and the World Bank have both forecasted that nearly every country is facing a recession in 2020.[1]

We have chosen not to extrapolate these models beyond 2021 as the continued impact of the disease is likely to shape the severity of the economic contraction, making the shape, timing and scale of any recovery nearly impossible to predict. The severity of the impact on GDP is expected to depend on the structure of the economy with commodity and tourism-dependent economies likely to be especially hard hit. Our recent analysis shows that changes in aid commitments are already happening, in particular with the commitments from key bilateral donors lower in the first seven months of 2020 than they were in 2019.

Forecasts of the impact of the crisis on monetary poverty (measured as income or consumption) generally draw on income or consumption distributions from past household surveys and assume that incomes will shift in line with national accounts from which GDP numbers are derived. In addition to assumptions about national accounts, forecasts also require predictions about how shifts will be distributed. There is little data available about the extent to which people on lower ends of the economic spectrum will be affected by the Covid-19 recession compared with people with higher incomes. It is expected that the wealthiest people will experience far fewer and less significant consequences. The model used here assumes, however, that shocks will be experienced equally across the income distribution.

The proportion of people in poverty will increase with Covid-19

Figure 1: How has Covid-19 affected the percentage of people in poverty?
The projected percentage of people living in extreme poverty before and after Covid-19



Source: Development Initiatives based on the World Bank's PovcalNet and the International Monetary Fund's World Economic Outlook.

Notes: We define extreme poverty as measured using the 2011 PPP$1.90 extreme poverty line. Purchasing power parity (PPP) prices are the rate at which a country's currency would have to be converted into that of another country to buy the same amount of goods and services in each country. PPPs are constructed by comparing the cost of a common basket of goods in different countries. Where subsequent figures in the report are in PPP these are denominated as $.

The interactive version of this chart on our website allows you to choose region or country, compare across countries and choose between datasets for those in extreme poverty and the poorest 20% indicators.

Figure 1 shows a forecasting model that takes data about income and consumption distributions from the latest update from the World Bank's PovcalNet. Assuming conservatively that consumption will be affected equally at all points along the income distribution at the same level as the contraction forecasted by the IMF's World Economic Outlook in April 2020, the share of the global population living in extreme poverty will increase for the first time in decades. Estimates suggest that 86 million people have fallen

below the extreme poverty line of $1.90 per person per day (1.1% of the global population). In almost every country the number of people living in extreme poverty is expected to increase.

While it is important to understand the impact that Covid-19 will have on extreme poverty, the Sustainable Development Goals commit to eradicate all forms of poverty for all people everywhere by 2030,[2] and as such focusing on extreme poverty is not enough. The principle to 'leave no one behind'[3] is the central, transformative promise of the 2030 Agenda. It compels us not only to transform the lives of those who are the furthest behind but also to fight discrimination and the root causes of inequality within and among countries. This approach requires looking beyond averages to understand whether and why certain parts of the population are being left behind.

We don't need new measures or complicated statistics to deliver the data needed to drive this transformative change. Instead by using the simple concept of tracking the progress of the poorest 20% of the population against a range of established metrics we can understand who is being left behind. Importantly, the poorest 20% of people includes everyone currently living below the international poverty line plus the people who are most vulnerable to falling into extreme poverty – exactly those people who are at risk in situations such as the current pandemic. The interactive version of Figure 1 also allows you to see how the poorest 20% of people (at the global, regional and national level) may be impacted by Covid-19.

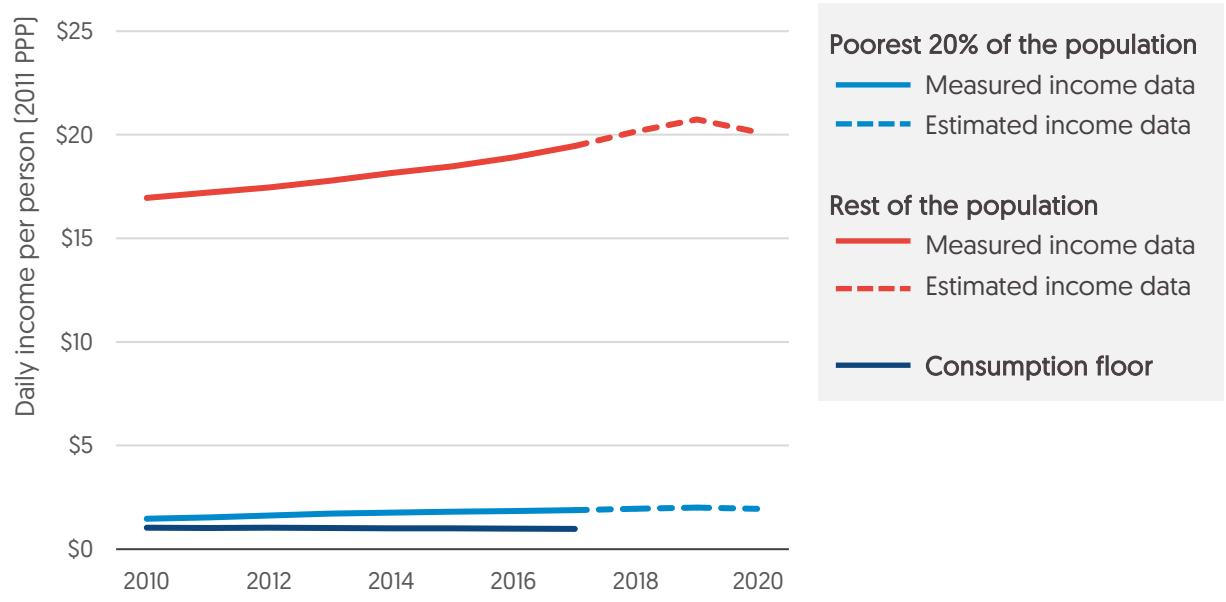
The gap between the global poorest 20% and everyone else remains wide

The poorest 20% of the global population share just 2% of global income. Making progress towards 'leaving no one behind' requires the poorest 20% of people to experience faster growth than the rest of the population both in terms of income growth rates and absolute growth. Since the 1990s, the poorest 20% has generally seen faster growth rates than the rest of the population, but these rates have not been sufficient to keep the gap from growing in absolute terms.

While incomes for the poorest 20% of people have been increasing, they are starting from a very low base; despite increases, the gap between the poorest 20% of people and everyone else has grown (Figure 2). Projections confirm that this gap will remain wide unless the poorest 20% of people secures a greater share of global growth.

Figure 2: Projections confirm that a wide gap will continue unless the poorest 20% of people secures a greater share of global growth

Income for the poorest 20% globally and the rest of the population, and the consumption floor



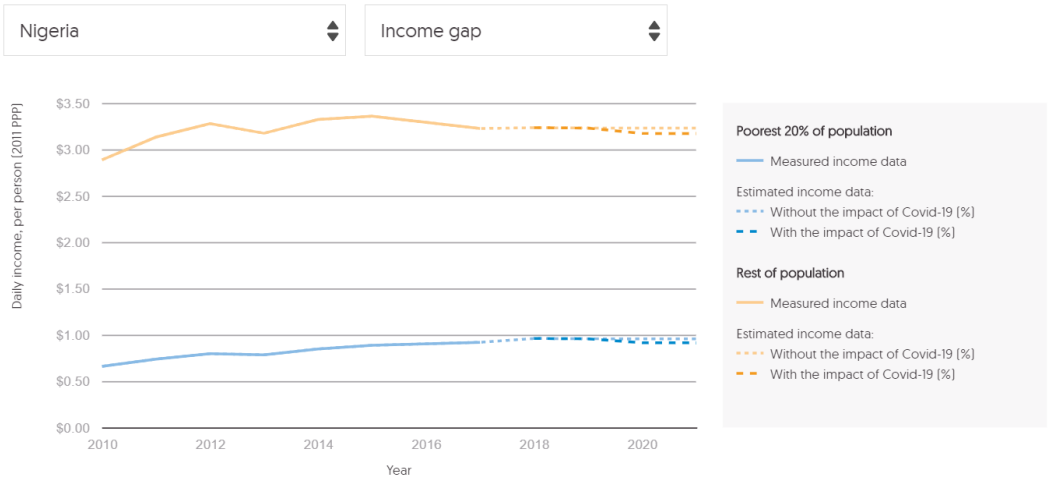
Source: Development Initiatives based on the World Bank's PovcalNet and the International Monetary Fund's World Economic Outlook.

Critically, the consumption floor – the lowest level of consumption at which people are observed to exist – has not changed for more than 20 years. If the consumption floor does not rise, not only will people remain in extreme poverty but also the gap between the poorest 20% of people and the rest of the world will continue to widen. Data is not available to calculate the consumption floor for 2018 or beyond.

The poorest 20% of people live on less than $3.03 a day. The historical trend has seen the poorest 20% of people increasingly concentrated in sub-Saharan Africa. In 2010, 53% of the population of sub-Saharan Africa was among the poorest 20% of people in the world; in 2018 the figure was 61%. This is projected to increase to 64% in 2021, with Covid-19 expected to push an additional 3% of the population of sub-Saharan Africa into the poorest 20%. Visit the interactive version of this briefing to explore the projected impacts of Covid-19 by country and region.

The poorest people in almost every country are expected to see their incomes drop

Figure 3: How has Covid-19 affected the gap between the richest and the poorest?
Absolute income gap between the poorest 20% and everyone else in Nigeria



Source: Development Initiatives based on World Bank PovcalNet, the International Monetary Fund World Economic Outlook and household survey data.

The interactive version of this chart on our website allows you to explore the absolute and relative income gaps between the poorest 20% and the rest of the population in different countries, including post-Covid estimates.

Leaving no one behind means we need to go beyond tracking progress globally to considering whether people within countries are included in progress. The concept of focusing on the poorest 20% of the population can also be applied within countries – it refers to the most excluded 20% in any circumstance. What matters is not exactly how it is measured, but that it allows us to focus on the people most likely to be left out.

Our estimates suggest that in virtually every country, the poorest people nationally (in the bottom quintile of the national data) are expected to see their incomes drop. While optimistic models suggest they may recover to pre-pandemic levels by the end of 2021,

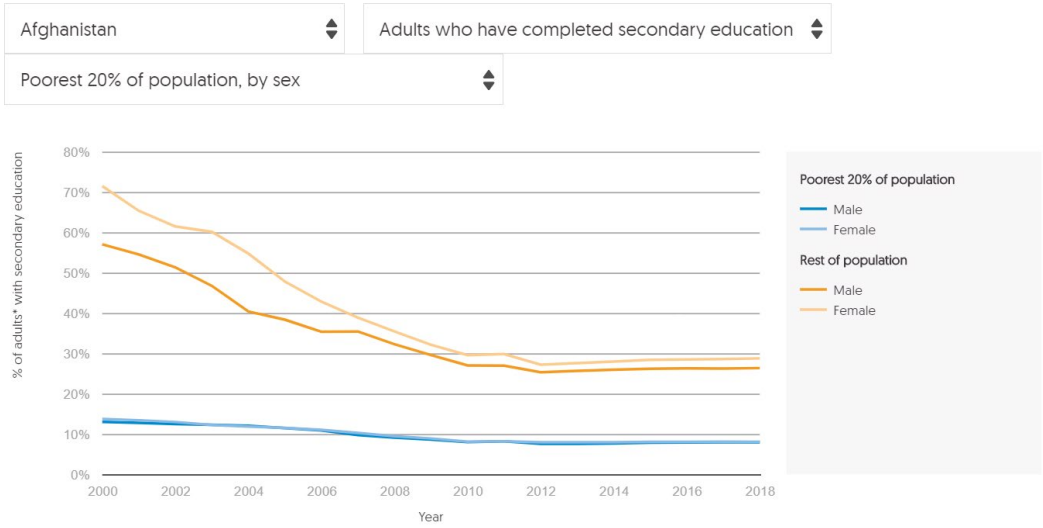
this is difficult to predict as the current situation is dynamic and very dependent on individual country government responses. For example, our estimates show that in Nigeria, the poorest 20% of the population has generally seen their consumption increase while the rest of the population saw more volatility (see Figure 3). However, the gap is not expected to significantly decrease.

In absolute terms and in terms of growth, the gap may close in most countries. However, the reduction in the gaps would be modest. Where more than 40% of the population was in extreme poverty as of 2018, the pandemic is expected to increase poverty by 2.6%, compared to a 0.6% increase among countries with lower poverty rates. In short, the countries that are already experiencing high poverty rates are expected generally to suffer worse than countries where poverty was already relatively low.

Early evidence suggests that the pandemic is likely to increase inequality,[4] particularly as people in lower-income settings are less likely to be able to work from home. School closures are likely to disrupt most children but are especially harmful in settings where significant barriers exist to a child receiving high-quality regular schooling.[5] Wealthier households are more likely to be able to provide education at home, so the pandemic could exacerbate educational inequalities. The UN Statistical Division reports that the pandemic has generally significantly disrupted the functions of official statistical systems and is likely to have disrupted birth registration.[6]

Indicators from developing country surveys that tell us that people in poverty are likely to be vulnerable to Covid or left behind

Figure 4: Completed secondary education as an indicator of progress for the poorest 20% and the rest of the population in Afghanistan, by sex



Source: Development Initiatives based on World Bank data, USAID Demographic and Health Surveys and UNICEF Multiple Indicator Cluster Surveys.

The interactive version of this chart on our website allows you to explore four key indicators: crowded living conditions, adults who have completed secondary education, children whose birth is registered and access to soap and water. You can view differences between these indicators between the poorest 20% of the population and the rest; between rural and urban dwellers; and between the sexes.

In many high-income countries, infection rates of Covid-19 have had a disproportionate effect on the poorest and more vulnerable populations, exposing the existing inequalities experienced by persons with disabilities,[7] older people[8] and racial and ethnic minorities.[9] As the pandemic has developed, many of the initial concerns about the direct health consequences that might be felt in the countries with the highest shares of the population

in poverty have not been realised. In short, it seems fairly likely that the poorest 20% of people globally will be less likely to contract Covid-19 than the rest of the population. While there are vigorous debates about what can explain this trend,[10] governments in sub-Saharan Africa, in particular, have generally implemented strict restrictions on movement and travel, even before infections of Covid-19 were on the rise, to protect their public health systems.

In countries where significant proportions of the population are living in poverty and people are often experiencing multiple dimensions of deprivation, strict restrictions on movement and travel could be the only line of defence against the spread of Covid-19. The World Health Organization has developed a number of recommendations on how people can protect themselves against infection, including on the need for social distancing and regular handwashing, and ensures they have access to the latest information. The interactive version of this briefing highlights indicators of basic living conditions, alongside broader measures of population progress, that show the disproportionate burden on the poorest 20% of people.

One basic indicator is access to an adequate handwashing station with soap. Data suggests that progress on this indicator has been modest over the past two decades, particularly among those in the poorest 20% of the global population. The indicator does not suggest a behavioural shortcoming on the part of those living in poverty but highlights the extent to which the system has not addressed their needs. It shows the extent to which the right to sanitary living conditions has not been extended to the full population. Another significant issue that has received additional attention in 2020 is overcrowded living conditions. Again, the data suggests that there has been little progress in improving overcrowded living conditions both for the poorest 20% of people and the rest of the population. This may be linked to broader trends towards urbanisation, with urban residences more likely to be overcrowded.

In our consideration of broader measures of progress for the poorest 20% we have included two indicators that are vital measures of a population's health more generally, birth registration and completion of secondary level education. Data on these indicators are available on the interactive version of this briefing. Comprehensive civil registration systems (that record every birth, death and marriage) have been shown to improve population health outcomes overall.[11] Governments cannot begin to ensure that everyone is included in progress if they do not know they exist in the first place, which is why birth registration systems that capture and count everyone are essential. Our data shows there are persistent gaps in birth registration in many countries between those living in poverty and the rest of the population.

Education is one of the factors that affects people's ability to escape poverty and deprivation. However, among the countries in our dataset only 9% of the poorest 20% of people currently have access to and complete secondary education compared with 37% among the rest of the global population. This is a clear indication that those living in the poorest 20% if the population are not only being left behind now but are also likely to be held back from opportunities and restricted in the future. Figure 4 shows completed secondary education as an indicator of progress for the poorest 20% and the rest of the population in Afghanistan.

Conclusion

The impacts of Covid-19 are likely to increase the share of the global population living in extreme poverty for the first time in decades. The rapidly changing circumstances make it difficult to provide estimates with a high amount of certainty but it is likely that tens of millions of people will experience poverty due to Covid-19's disruption to the economy.

Many of those likely to be pushed back into poverty are populations already at risk of being left behind. The poorest 20% of people globally will continue to be increasingly concentrated in certain areas of the world, with Covid-19 expected to push an additional 3% of the population of sub-Saharan Africa into the poorest 20% of the world's population.

Covid-19 is also likely to exacerbate inequality. Prior to the pandemic, progress on birth registration, schooling, access to adequate handwashing stations and other indicators generally meant slower progress among people in the poorest 20%, women and girls, and other populations that are at risk of being left behind. In absolute terms, the gap in incomes between the poorest 20% of the population and the rest of the population has been widening even when the extreme poverty rate was dropping. The dynamics of Covid-19 and shutdowns are proven to leave a higher unemployment rate among populations most likely to be left behind.

Methodology

To estimate the effects of the pandemic, a simple assumption was made that differences between the World Economic Outlook forecasts for 2020 published in October 2019 and those published in April 2020 were due to the pandemic. Extreme poverty is defined as $1.90 per person per day in 2011 purchasing power parity. Using this as a threshold for understanding who is most likely to be left behind has obvious limitations.

The graphics in this briefing are produced using a model that draws principally from the World Bank's September 2020 PovcalNet update, the World Economic Outlook for April 2020 and our own estimations based on survey data for countries not listed in PovcalNet. This model assumes that changes in GDP will be felt in equal proportions across the income distribution. In reality, this model is highly likely to provide a conservative estimate of how inequality has grown due to the pandemic. The unequal effects of the pandemic can be seen as most stock markets are seeing record highs, benefiting the top quintile of the global population at the same time that many countries have reported record high unemployment numbers.

Disaggregating data into trends for the poorest 20% compared with the rest of the population can highlight the challenges and deprivations of people at risk of being left behind, but it is not meant to challenge existing definitions of poverty or to replace other definitions of deprivations. In this case, the calculation of the poorest 20% of people is taken from The World Bank's PovcalNet data. Different thresholds were selected until a poverty line was identified that included 20% of the global population. For the forecasts, a line was identified based on projecting all incomes to grow or contract based on the IMF's April 2020 World Economic Outlook growth rates.

To generate estimates and disaggregations for other indicators of poverty, we estimated the number of people in each country that live below the poverty line that would include 20% of the global population as described in PovcalNet. Then, based on household surveys (USAID Demographic and Health Surveys and UNICEF Multiple Indicator Cluster Surveys), a roughly equivalent share of the population based on wealth indexes included in these surveys were identified.

Notes

[1] As this factsheet was being finalised, the IMF updated their World Economic Outlook, which showed the recession would be smaller than expected in most high-income countries but generally suggested similar contractions as expected in most low- and middle-income countries.

[2] Sustainable Development Goals. Goal 1: End poverty in all its forms everywhere, www.un.org/sustainabledevelopment/poverty/

[3] United Nations Sustainable Development Group. Leave No One Behind, https://unsdg.un.org/2030-agenda/universal-values/leave-no-one-behind

[4] World Bank, 2020. Reversals of Fortune. Available at: https://www.worldbank.org/en/publication/poverty-and-shared-prosperity

[5] Unicef, 2020. Impact of COVID-19 on multidimensional child poverty. Available at: https://data.unicef.org/resources/impact-of-covid-19-on-multidimensional-child-poverty/

[6] UN Statistics Division, 2020. COVID-19 widens gulf of global data inequality, while national statistical offices step up to meet new data demands. Available at: https://covid-19-response.unstatshub.org/statistical-programmes/covid19-nso-survey/

[7] NHS. Who's at risk of coronavirus?, https://www.nhs.uk/conditions/coronavirus-covid-19/people-at-higher-risk/whos-at-higher-risk-from-coronavirus/

[8] International Long-term Care Policy Network. International reports on COVID-19 and Long-Term Care, https://ltccovid.org/international-reports-on-covid-19-and-long-term-care/

[9] Mayo Clinic. Coronavirus infection by race: What's behind the health disparities?, https://www.mayoclinic.org/diseases-conditions/coronavirus/expert-answers/coronavirus-infection-by-race/faq-20488802

[10] Nordling L, 2020. The pandemic appears to have spared Africa so far. Scientists are struggling to explain why https://www.sciencemag.org/news/2020/08/pandemic-appears-have-spared-africa-so-far-scientists-are-struggling-explain-why

[11] Phillips, D.E., et al. Are well functioning civil registration and vital statistics systems associated with better health outcomes? Lancet, 386(10001), 2015, 1386–1394.

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