

Profiles of the new poor due to the COVID-19 pandemic¹

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I. Poverty projection results

[Mahler et al. \(2020\)](#) projected that COVID-19 is pushing between 71 and 100 million into extreme poverty based on the baseline and downside scenarios published in the latest Global Economic Prospects (GEP). The global poverty rate was projected to go down to 8.2 percent in 2019, but due to COVID19, is now projected to increase to 8.8 percent (baseline) and 9.2 percent (downside) in 2020.

II. Definition of “new poor”

The new poor is defined as **those who were expected to be non-poor in 2020 prior to the COVID-19 outbreak but are now expected to be poor in 2020**. There are two GDP growth scenarios on the COVID-19 pandemic – baseline and downside – in GEP, but this note focuses on the profiling of the new poor based on the baseline scenario.²

Using a simple example, we can explain how the new poor is defined. Suppose a country’s poverty projections for 2019 and 2020 prior to the COVID-19 outbreak were 19 and 17 percent, respectively, while a country’s projections for 2019 and 2020 by GEP June 2020 are 19 and 22 percent, respectively. This example is a typical case where prior to the COVID-19 outbreak, poverty was expected to decline over time while post COVID-19 outbreak, poverty is now expected to increase. In this specific example, only 17 percent of people were expected to be poor in 2020 pre-COVID, but 22 percent of people are expected to be poor in 2020 post COVID. Therefore, for this country, the new poor are defined as the group of population between the 17th and 22nd percentiles of income distribution. We repeated this exercise for all countries and aggregated each country’s new poor up to create the global sum of the new poor.³

Figure 1. Illustration of two definitions of “New Poor” at the country level

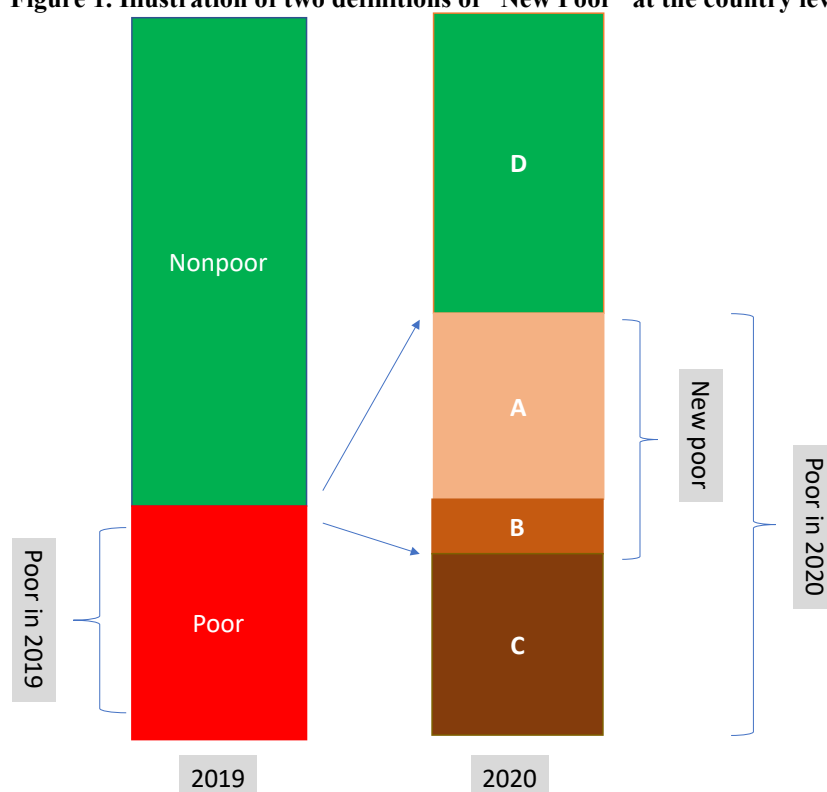


Figure 1 illustrates how the new poor are defined. Following the aforementioned example, the share of the poor is rising between 2019 and 2020, while the share of the poor was expected to decline prior to the COVID-19 outbreak. Note that the area A represents the projected increase in the number of poor from 2019 to

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² We also created profiles of the new poor using the downside scenario of GEP but the results are qualitatively similar.

³ We include only the countries where the poverty rate in 2020 projected prior to the COVID-19 outbreak is lower than that of post-COVID-19. 171 out of 218 countries satisfy this condition. However, not all 171 countries have micro data in the Global Monitoring Database. The profiles of the new poor are estimated using a sample of 110 countries which satisfy the above conditions (existence of the new poor and have microdata in GMD). This 110-country sample represents for 60% of total world population and 84% of total poor population at \$1.9.

2020 (the period affected by COVID-19), based on the growth projections from GEP June 2020. The new poor is a sum of those in A and those who were expected to exit poverty in 2020 according to projections made prior to the pandemic, which corresponds to B. In other words, the area [A+B] represents the number of poor that is the difference between two scenarios in 2020 – a world with COVID-19 and a world without COVID-19.

III. Profiling the new poor using Global Monitoring Database (GMD)

To estimate average profiles of the new poor, Global Monitoring Database (GMD) is used. The World Bank created the GMD that includes globally harmonized variables, which are comparable across countries, from household surveys used for global poverty monitoring. GMD includes household expenditures per capita, household demographics, some key characteristics of household heads and members, housing conditions, and location identifiers. For each country, the new poor are identified and then their profiles are drawn from GMD. The profiles of the new poor shown in the next section are population-weighted estimates from the sample of 110 countries in GMD.

IV. Results and Caveats

Profiles of the new poor in 2020 are likely to differ from profiles of the poor in both 2019 and 2020 (or chronic poor), and significantly differ from those of the non-poor in 2020 (Tables 1 and 2). In terms of most of their characteristics, the new poor fall somewhere between that of the chronic poor and the non-poor, and much closer to the former group than the latter. This is expected since most of the new poor are essentially those who would have been just above the poverty line in every country in 2019.

For instance, the new poor are projected to be more likely to live in urban areas, live in dwellings with better access to infrastructure, own slightly more basic assets than those who are poor in both 2019 and 2020. The new poor who are 15 years and older of age are more likely to be paid employees and work more in non-agriculture (manufacturing, service, commerce sectors) than the chronic poor. The new poor tend to be more educated than the chronic poor, and significantly less educated than the non-poor (of age 15+ years). Interestingly, the share of employed and unemployment rate among the new poor are lower and higher, respectively, than *both* the chronic poor and non-poor.

There is an important caveat to these profiles, linked to a key underlying assumption of this exercise – that the relationship between GDP growth and (change in) poverty is distribution neutral in all countries, which implies that a loss in GDP affects all parts of the distribution proportionately. This assumption translates to the profile of the new poor being essentially determined by the profile of those who would have been just above the poverty line in every country in 2019, and the size of the population that is affected.⁴ The assumption of distribution-neutral impact of growth on poverty is a reasonable one to make under the current circumstances, which is a total absence of actual consumption or income data on impacts in developing countries. But there are good reasons to expect that the actual impacts are going to be highly skewed against certain groups. Simulations from several countries as well as research based on actual data on consumer spending, employment and other welfare indicators, suggest that the impacts are likely to be larger for those employed in the urban service sector, informal sector in both manufacturing and services, women, and specific regions within countries. The uneven impacts are driven by a range of factors, including differences in characteristics of jobs and occupations, including the nature of employment contracts and the ability to do tasks from home.⁵

Given the above, the profiles of new poor drawn here should be treated with caution and seen as projections that can serve as a useful benchmark of what the global new poor (those who are poor due to COVID-19) would look like if the growth impact were distribution neutral. Using these benchmarks, it is possible to speculate what the profiles could look like if the impacts were uneven. As more real-time data becomes available for developing countries, including information from the Bank-supported High Frequency Monitoring surveys ongoing in more than 100 countries, updated

⁴ The size of the population that is affected in turn depends on the shape of the initial distribution of consumption and the difference in GDP growth rates on account of COVID-19.

⁵ See, for example, Adams et al (2020) on employment impacts using real-time surveys in Germany, UK and US; Alon et al (2020) on gender impacts; and Chetty et al (2020) on real-time economic impacts in the US. Those predicted to be employed in low work-from-home jobs are expected to experience greater declines in employment (Mongey et al 2020). Using skill surveys from 53 countries, Hatayama et al (2020) find that workers in hotels and restaurants, construction, agriculture and commerce have jobs less amenable to working from home than the average.

global profiles of the new poor can be generated with updated assumptions on the incidence of growth impacts, such as larger effects for those in urban areas, employed in service sector, and so on.

Table 1: Profile of new and existing poor (all individuals)

	Averages or shares by poverty status in 2020		
	“Chronic poor” Poor pre-COVID19 (C)	“New poor” (A+B)	“Non-poor” post-Covid19 (D)
Average household size	7.64	6.87	4.52
Urban (%)	19	28	54
Age (average # years)	20.98	23.07	33.74
Male (%)	49	49	50
Land-phone in household (%)	2	4	13
Cellphone in household (%)	54	67	82
Computer in household (%)	1	3	18
Access to electricity (%)	32	51	84
Access to improved water (%)	60	74	90
Access to improved sanitation (%)	32	45	75

Table 2: Profile of new and existing poor (individuals 15+ years old)

	Characteristics by poverty status in 2020		
	“Chronic Poor” Poor pre-COVID19	“New poor”	“Non-poor” post-Covid19
Labor Force Status (%)			
Employed	63.41	58.59	59.12
Unemployed	4.90	5.80	3.98
Out of Labor Force	31.69	35.60	36.90
Type of Employment (%)			
Paid Employee	17.05	30.76	64.77
Non-Paid Employee/Family Worker	27.45	20.27	7.59
Employer	5.77	4.49	4.64
Self-Employed	45.57	39.73	21.51
Other Not Classifiable	4.17	4.76	1.48
Sector/Industry of Employment (%)			
Agriculture, Hunting, Fishing	68.25	56.68	23.44
Mining	0.82	0.64	1.17
Manufacturing	4.73	7.30	13.73
Public Utility Services	0.24	0.34	1.18
Construction	2.85	6.07	8.37
Commerce	10.49	11.54	16.84
Transport and Communications	2.39	3.81	5.80
Financial and Business Services	0.50	1.36	5.87
Public Administration	2.18	2.86	15.44
Other Services, Unspecified	7.55	9.41	8.16
Broader Sector/Industry of Employment (%)			
Agriculture	68.47	56.98	26.82
Industry	8.38	13.04	19.66
Services	18.69	22.13	39.60
Others	4.46	7.84	13.91
Level of Education (%)			
No Education	30.11	25.94	10.38

Primary (Complete or Incomplete)	37.41	37.93	38.33
Secondary (Complete or Incomplete)	29.38	32.01	31.19
Tertiary (Complete or Incomplete)	3.10	4.12	20.11
Agriculture or non-agriculture (%)			
Non-Agriculture	32.33	44.29	78.30
Agriculture	67.67	55.71	21.70

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