CURRENT HISTORY

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"The more countries let their citizens live precarious lives . . . the more likely it becomes that any sudden shock, like a pandemic or an earthquake or flooding caused by rising oceans, will plunge a greater share of their populations into poverty."

The Poorest After the Pandemic

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The coronavirus pandemic has cruelly exposed the vulnerability of poorer people facing unforeseen shocks and natural calamities. Images of families with small children walking hundreds of miles to reach the sanctuary of their home villages will be associated forever with the world's experience of the coronavirus.

Everywhere, even in the remotest habitations, the virus has made itself known. For months, while the disease seethed outside, people hunkered down inside their homes. In the beginning, some—especially the wealthy—treated the situation like an unforeseen holiday. People caught up with their families, cooked big meals, played cards, and had fun.

As the days turned into weeks, and the weeks into months, however, a grim reality set in: many of those who were hunkered down at home were not getting paid. Households started feeling the pinch as savings and food stocks ran low. Some fell ill. Many became poor.

As factories and offices were shut down and production ground to a halt, experts predicted a vast growth of global poverty. Before the pandemic, a total of 630 million people were living in what the World Bank terms "extreme poverty," on less than $1.90 a day. (Different poverty lines—$3.20, $5.50, and $11 per day—are appropriate for countries at disparate levels of per capita income.)

My concern here is with the poorest in the world, those in extreme poverty or just above. I confine my discussion to developing countries and $1.90-a-day poverty. But the logic and the issues are similar at different levels: the same forces drive people into poverty in richer countries.

Forecasts of the coming increase in extreme poverty issued during the early days of the pandemic ranged from a low figure of 40 million people to a high of 420 million (representing a 75 percent increase). In the early days, though, few, if any, leading voices were predicting that six or even nine months later we would still be hunkering in place, people would still be getting sick and dying of COVID-19, and the economic dislocation would continue as lockdowns were lifted and then reimposed.

It is difficult to estimate these numbers accurately; so much about the pandemic is still in flux. What we can identify with more certainty are the pathways that lead people into poverty—and the degree to which each pathway is open or closed in different countries. To what extent a country's population is at risk of falling into poverty can be assessed in this manner. Policies can be set accordingly.

Having experienced the twin health and economic shocks of the COVID-19 pandemic, countries would be well advised to introduce or strengthen policies to make their societies more resilient to future shocks. Building decent, accessible health care systems, making work less precarious, and promoting social mobility are some of the most important steps that can be taken.

USEFUL LESSONS

These assessments are supported by prior studies that mapped households' pathways into and out of poverty. I have been associated with this enterprise for 20 years. Together with a group of scholars and practitioners, I have studied the long-term poverty trajectories of more than 40,000

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households in Asia, Africa, and North and South America.

Some findings from our investigations are particularly relevant here. First, these studies made clear that poverty is dynamic: it is regularly both removed and created. Pandemics and other calamities come along once in a while, but people constantly both fall into poverty and rise out of it. This simultaneity is a basic feature: even as one household moves out of poverty, another household, just down the road, becomes poor.

Second, we found that people usually do not fall immediately into poverty. Instead of being sudden and precipitous, the descent more often occurs in stages. People adopt different coping mechanisms to deal with deepening stages of poverty. In the first stage, after expenditures have markedly increased or incomes have dropped off, a household dips into its savings and takes out small interest-free or low-interest loans from friends and family. When poverty persists, the household takes on larger and more expensive loans, often pledging assets as collateral. In the final, most serious, and hardest to reverse stage, the household sells its productive assets: in the case of farming households, the farm animals and machinery are first to go, and then the land itself.

Ill health and high health care expenses often result in descents into poverty.

This progression is related to the distinction scholars make between transient poverty and chronic poverty. Transient poverty, as its name implies, is fleeting: when you fall into it, you remain poor for a short period. To the extent that transient poverty will make up the bulk of the anticipated increase from the pandemic, there is less cause for worry. Chronic poverty, though, is a signally harsher experience. You are poor for a very long time; poverty becomes your usual situation. The foremost task of policy is to ensure that more people do not become chronically poor.

Third, our studies found that movements into and out of poverty are asymmetric in terms of the underlying reasons. Different events are associated with escaping poverty and with becoming poor, respectively.

Two kinds of adverse events are especially relevant for falling into poverty: health events and livelihood events. Ill health and high health care expenses are associated with a large number of descents into poverty. A husband or a mother or a son falls ill; a chain of expenditures results; the household takes on debts and sells assets, which reduces its future earning potential, generating a downward spiral.

Livelihood events, especially job losses, also propel households' movements into poverty. An equally large or larger number of households will fall into poverty because of the job losses, temporary or permanent, brought about by the economic disruption that followed governments' responses to the pandemic. Many households originally overcame poverty when one of their members found a job outside the traditional household economy. The cash wages such individuals earned, coming on top of their households' traditional earnings from farming or a trade, represented their way out of poverty. Take away these wages, and many households will fall back into poverty.

The pandemic will push people down both of these pathways into poverty. Health events are obviously associated with the pandemic. Even before it struck, millions of households in dozens of countries, both richer and poorer, were living one illness away from poverty. The pandemic has increased these numbers vastly, not only among those who are infected by the virus, but also among those facing difficulties in getting regular care for other health problems. The second pathway into poverty, the livelihoods route, is also in play. Everyone who cannot bank on a protected paycheck is vulnerable to a descent into poverty. This includes the majority of workers in many countries.

Households that experience both kinds of adverse event—a job loss and a health event—are hit by a double whammy. Many are at risk of this fate during the pandemic. They are the ones most likely to fall into chronic poverty.

Government actions will make a critical difference. Aware that slides into poverty were imminent, governments across the world stepped up flows of cash and other forms of stopgap assistance, especially in the early days of the pandemic. In the short term, these measures can help keep people solvent.

What happens in the medium to long term, and the extent to which chronic poverty increases, will depend on the nature of each country's policy mix. Disparities in resources, expressed in countries' gross domestic product levels, do not make the major difference. The choices countries

have made, the policies and institutions they have in place, largely determine how poverty will be affected.

Looking at countries with populations of over 10 million, we can identify one group of countries that is especially vulnerable to large increases in extreme poverty due to shortfalls in health care policies and a second that will suffer mainly due to an inability to deal effectively with livelihood events. A third group, of greatest concern, will be vulnerable to both factors. This last group includes populous countries in sub-Saharan Africa and South Asia.

The Health Route to Poverty

Costs of different kinds are incurred when someone in a household falls seriously ill. Most directly, there is the cost of treatment—doctors' fees, hospital charges, pharmacy bills, and so on. In addition, the person who falls ill loses wages when she or he is unable to go to work. When that person is the principal income earner, the rest of the household shares in the suffering. And if that person were to die, the cost of the funeral is large enough in some societies to be a cause for financial ruin in itself.

In most cases, the cost of treatment is the largest part of the expenditure associated with a health event. Here is where national policies make a critical difference.

In situations where treatment is expensive, and where all or most of these costs are borne by the patient and paid out of pocket, the chances are greater that a household experiencing ill health will suffer a descent into poverty. Thus, the foremost indicator for assessing the effect on poverty is the share of treatment costs that comes from out-of-pocket payments (OOP). This share is very high in many developing countries: 77 percent in Nigeria, 74 percent in Bangladesh, 72 percent in Sudan, and 62 percent in Pakistan and India. In comparison, OOP is only 5 percent in Botswana, 6 percent in Rwanda, and 11 percent in Thailand.

Policies that make health care affordable, reducing the burden on patients and families, narrow the pathway that leads from health to poverty. Twenty years ago, the situations in Rwanda and Nigeria were fairly similar. Because of different policy choices, their situations are very different today. A Nigerian pays many times more out of pocket than a Rwandan does for the same medical treatment. Unlike people in Nigeria, Sudan, and Bangladesh, citizens of Rwanda, Botswana, and Thailand do not lose their shirts each time they need to get a loved one treated.

Another set of health care policies helps reduce morbidity and protect people from diseases. Countries with higher-quality health care systems can better protect their citizens against COVID-19 infections and deaths.

The general condition of a country's health care system is reflected in several quality-of-life indicators, including life expectancy, an easily available figure. Except for countries whose health care systems are highly unequal, life expectancy is a good proxy for the quality of care experienced by the average citizen.

Countries whose policies have resulted in simultaneously producing both high OOP and low life expectancy (the latter indicating a poorer-quality health care system, with higher infection rates and death rates expected) are the ones that will see the largest flows of people into extreme poverty due to health events. The subgroup of countries especially vulnerable to poverty on this account includes a number in Africa—Nigeria, Chad, Cameroon, Guinea, Ivory Coast, Sudan, Niger, Benin, Democratic Republic of Congo, Mali, Angola, and Uganda—and three across Asia: Afghanistan, Myanmar, and Yemen.

In some other countries that have high OOP and dualistic health care systems—where the rich and the poor live in disparate health environments (palaces and slums) and make use of different treatment facilities—health events can push a segment of the population into extreme poverty. Because poorer people are relegated to poorer health care and unhealthy living conditions, more of them are likely to suffer extended illnesses. And because out-of-pocket costs are high, a greater percentage will incur debts and be forced to sell assets, sliding into chronic poverty in order to get treatment for their loved ones.

The subgroup of countries with these features includes Guatemala, Honduras, Senegal, India, Bangladesh, Pakistan, and the Philippines. Compared with the first subgroup, however, the increase in extreme poverty on account of health events in this subgroup could be less severe. The existence of a higher-quality health care system within the same country, even if it restricts access in ordinary times, suggests that better remedies are at hand and better standards of care can be extended. Especially if governments help poorer people gain access to quality treatment at low or no cost, if only for the duration of a public

health emergency, calamitous descents can be averted. Bangladesh, for instance, has made provisions to underwrite the costs of all COVID-19 treatment.

In contrast to the situations prevailing in these two subgroups are the conditions in six other countries that were included in the list of 15 "safe-travel destinations" announced by the European Union at the end of June 2020: Algeria, Rwanda, South Korea, Thailand, Tunisia, and Uruguay. The health care situation is much better in these countries. Commonly, they have fewer COVID-19 infections and lower out-of-pocket costs. In other respects, these countries are very different; for instance, South Korea's per-capita GDP is four times that of Thailand and 30 times that of Rwanda. Getting the right policy mix for public health doesn't necessarily require that a country be rich.

The Livelihood Route

As the COVID-19 pandemic spread in the spring of 2020, governments imitated one another in announcing lockdowns—often, as in India, with hardly any prior notice—giving rise to widespread economic and social dislocation. When I spoke on the telephone with a man I know in a slum of Bengaluru, he told me that for the entire month of April he had been unable to go to the little store where he runs a tiny business, servicing and repairing mobile phones. His wife, who sells vegetables from a pushcart, had also been unable to earn any income. The police prevented them from leaving their home, except to buy groceries and other essentials.

Many workers will not have jobs waiting for them at the other end of the tunnel.

But where was the money to come from for buying essentials? The modest savings they had and the small amounts they could borrow from neighbors and relatives ran out in the first month of lockdown. Limited government assistance kept them afloat in the second month. By then, most people living in slums of different Indian cities who were interviewed by a team I lead said they had taken out loans and were mortgaging or selling assets, especially jewelry.

Remote working is not an option for those who make their livings as day laborers or security guards, mobile phone repairmen or street peddlers. If they are not at their places of employment, they have lost their jobs to all practical intents and purposes. People who lose their jobs and remain unemployed for a long period deplete their savings, run down their assets, and become increasingly unemployable. Livelihood events like the pandemic can cause a huge increase in chronic poverty.

Some countries are more vulnerable than others to increases in poverty on account of livelihood events. Countries whose policies have led to a large share of informal employment are especially vulnerable. People in informal jobs tend to lack contracts, social security, and legal protections. They are most often paid from day to day, with no paid time off and no fixed tenure.

Informal workers are those least likely to get their old jobs back at the end of the pandemic. For many of them, there simply is no record of employment. More than 90 percent of all workers in Benin, Bangladesh, and Senegal have informal jobs; more than 70 percent hold informal jobs in Nigeria, India, Guatemala, Honduras, Uganda, Kenya, Ethiopia, Mali, Ivory Coast, Ghana, and Haiti. In contrast, only 31 percent of workers in Mongolia, 38 percent in Brazil, and 40 percent in Mexico are in informal positions.

Not all informal workers are equally vulnerable to extreme poverty. Particularly exposed are the large numbers who inhabit a twilight zone between two poverty lines. These are the near-poor, who live on between $1.90 and $3.20 per day. Even as the number of people in extreme poverty fell to less than 10 percent of the global population by 2015, the share of the near-poor remained larger, at 16 percent.

The near-poor are more numerous in some countries. They make up 40 percent of the population in India, Bangladesh, and Ethiopia; between 30 and 40 percent in Nepal, Yemen, Nigeria, Sudan, and Pakistan; and between 20 and 30 percent in Kenya, Uganda, Tanzania, Mali, Haiti, Ivory Coast, and Senegal. The share of people in near-poverty is much smaller, less than 5 percent of the population, in Brazil, Mexico, and Vietnam, because of those countries' more effective poverty-reduction policies in the past.

People who are both informally employed and near-poor are at great risk of falling into extreme poverty. The biggest increases in extreme poverty on account of livelihood events are likely to occur in countries that have both a large informal sector

and many near-poor people. This group of countries includes Bangladesh, Benin, Ivory Coast, Ethiopia, Haiti, India, Kenya, Mali, Niger, Nigeria, Pakistan, Senegal, Sudan, Tanzania, and Yemen. Developing countries least likely to see increases in extreme poverty on account of livelihood events include Brazil and Mexico.

In other words, the pandemic may rage more fiercely in Brazil, but workers in Nigeria and India are more likely to fall into extreme poverty. That's because Brazil had previously enacted policies that more effectively protect its low-income workers. These policies included raising the minimum wage considerably; Bolsa Família, a conditional cash transfer program with positive impacts on health care and education; and a unified system of social assistance.

Doubly Vulnerable

The group of countries likely to experience the greatest increases in poverty numbers overall in the wake of the pandemic are those that are highly vulnerable on account of both health events and livelihood events. People in this small group of countries are more likely to be hit by the double whammy of falling into poverty and becoming chronically poor. These countries most at risk for large increases in extreme poverty include Benin, Ivory Coast, Mali, Niger, Nigeria, Senegal, Sudan, and Yemen.

Some other countries that give cause for worry are those with both high OOP and dualistic health care systems. Among them are Bangladesh, India, and Pakistan, which also display policy weaknesses related to livelihood events. The shares of informal workers and of the near-poor are both large in these countries, and there is little by way of unemployment compensation or job retraining. But by acting effectively and urgently, policymakers can reduce people's vulnerability to future poverty.

Building Resilience

As fear of the pandemic quickly spread across the globe, governments in the developing world began looking desperately for the right responses. Apart from the few with high-quality health care systems that had rehearsed responses to other epidemics in recent years—SARS in Thailand and South Korea, and Ebola in Rwanda—most countries were caught flat-footed. Following the herd, most governments imposed lockdowns, closed borders, and started distributing emergency food and cash assistance.

These stopgap measures will come to an end when the lockdowns finally end or when the aid budgets run out, but many workers will not have jobs waiting for them at the other end of the tunnel. Employers have been using this period to introduce the automation they had previously deferred or resisted. The growth of telemedicine, for instance, will reduce the roles of receptionists and check-in nurses. In many domains, there will be no going back to the pre-COVID era.

How can we ensure that the growth in transient poverty to be expected as the pandemic winds down, and as people deal with the turmoil associated with returning to work, does not get converted into chronic poverty? Over a longer term, what policies and institutions can be introduced to more reliably protect people against poverty while even giving them a boost upward?

Building back better after COVID-19 will require taking a longer-term perspective. The coronavirus has shown us what a twenty-first-century pandemic looks like, but there is no reason to believe it will be the last pandemic or widely experienced calamity. Climate change waits in the wings.

It is also worth noting that the new stresses on households during the pandemic have come on top of longer-term trends that were squeezing people in the lower half of the income distribution. Automation has been hollowing out employment in the middle for many years. Working-class people worldwide have seen their jobs become more precarious—with increased informality, more gig work, more short-term contracts. There is a need for policies that enable poorer people to deal more effectively with this emergent situation.

Policies are the prism between the pandemic and poverty. As the pandemic strikes them with equal intensity, countries have experienced different rates of poverty creation.

The pandemic has demonstrated that governments matter critically. The more countries let their citizens live precarious lives—lacking viable health care and assured unemployment coverage—the more likely it becomes that any sudden shock, like a pandemic or an earthquake or flooding caused by rising oceans, will plunge a greater share of their populations into poverty. This is true as much for richer countries as it is for poorer countries.

What policies can help make people more resilient? What can we learn from the examples of better-performing countries?

Three types of policies are required over different time horizons. Immediately, better health care

is necessary. Consider the six developing countries that were deemed safe travel destinations by the EU during the pandemic. Notably, what they have in common are not similar levels of GDP per capita, but affordable and accessible high-quality health care systems. In general, countries in which poverty is at the lowest level (in relation to different poverty lines) are not those with higher wealth or average income; rather, the key to their success is universal health care.

Since illness and high health care expenses are a principal reason for falling into poverty, it stands to reason that preventing poverty will require investing in effective, affordable, and universally accessible health care systems. System specifics differ. In countries such as Algeria and Thailand, the federal government pays mostly or entirely for health care. Other countries have different arrangements, including community-based health insurance in Rwanda, hospital-based *mutualista* programs in Uruguay, and employment-based contributions in South Korea.

The pandemic has demonstrated that governments matter critically.

A menu of options is available that other countries can adapt to their own conditions. Most importantly, when thinking about how to rebuild after the pandemic, countries should recognize the benefits of investing in publicly accessible health care systems that deliver adequate standards of hygiene, sanitation, health information, public safety, and vaccinations.

Second, the precariousness that informality brings into people's lives must be diminished progressively in scope and influence. Providing cash assistance and food support will help families cope better with the immediate crisis. Building resilience to future shocks will require policies that improve working conditions and reduce risks.

Formalizing the conditions of informal work little by little—by insisting on written contracts, making health care and retirement benefits available, and providing workplace protection—will help make livelihoods more stable and predictable. Poverty will beat a retreat when risk and uncertainty are better contained. Decent working conditions are an essential requirement for a good society. Better unemployment coverage and worker retraining policies are also necessary to build resilience. Civil society actions can motivate employers to sign pledges of good citizenship, backed by government support and legislation.

Third, opportunities for upward mobility need to be expanded. Low and falling rates of social mobility in many developing countries are responsible for keeping the children of poorer people trapped in poverty. Workers, and workers' children, need to be able not just to go back to their old jobs, but also move on to better positions. The higher people can climb, the less likely they will be to fall into chronic poverty, even when an event like a pandemic strikes.

Building back better after COVID-19 thus calls for a range of mobility-promoting policies, including higher-quality education for all, career guidance and jobs information, and measures to build cultural and social capital. This will take strong commitment from governments at a time when public finances will be strained by the economic effects of the pandemic—but having witnessed those effects, policymakers should realize that there is no time to lose in rebuilding on a more sustainable basis.

How much a country achieves in these key areas will be a result of where it sets its priorities. Some countries might prefer to keep lowering the tax burden. But it will be people in countries that invest in these three kinds of policies who are most resilient to future shocks, like another pandemic, that could otherwise plunge millions into poverty. ■