The social effects of the COVID-19 Pandemic: Who are the new poor in Georgia?

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Background

- The 2020 COVID-19 crisis has caused unprecedented **reversals in poverty reduction** that are further exacerbated by rising inflation.

- More than 50 million children worldwide predicted to fall into poverty compared to pre-pandemic

- The **Non-Pharmaceutical Interventions (NPI)** to flatten the curve caused concerns of **exacerbated unemployment and people leaving the labour market**.

- Large socio-economic impacts for **a new cluster** of households and **children**…

The 'new poor' project

- Joint collaboration between
  - UNICEF Innocenti – Global Office of Research and Foresight,
  - UNICEF Data & Analytics,
  - UNICEF Policy Division.
- Demand from countries for evidence to rethink, refocus and adapt social protection systems to shocks.
- Advocacy
- Three country case studies:
  - **Georgia** – pilot #1
  - **Uganda** – pilot #2 - focus on humanitarian settings
  - **India** – roll-out #1 - focus on gender

The 'new poor'

- The 'new poor' are defined as those who were expected to be non-poor in 2020, prior to the crisis. The profile of the 'new poor' can be in many ways different from those in chronic poverty, as well as those who experience transient poverty.

- Who are the new poor as a result of COVID-19 crisis?

- Are disruptions in labour markets changing the patterns of poverty?

- Which types of occupations/families are affected the most?

Relevance of the study

- Empirical evidence on the importance of various channel of impact of COVID19 on child poverty at micro level needs to be better understood

- With 2020 data becoming increasingly available, it is necessary to document the scale of (child) poverty transitions and characterize them to learn lessons for similar crises.

- Shape more effective policies to enhance resilience and reduce the adverse implications of future crises. Like the current one.

- Readiness of social protection systems.

Why Georgia?

- **Georgia** is a country very **vulnerable to poverty** given the high proportion of the population living only **slightly above the poverty line**, so the crisis will naturally have a strong impact on the population living in/on the **edge of poverty** (UNICEF, 2020).

- World Bank high frequency phone surveys (HFPS) show that the **percentage of people working before COVID19** (over 18) no longer working at the time of the survey (at 36 % for UMICs, 32 percent for LMICs) than for LICs (at 25 percent), **is higher for MIC's** using a simple average across countries surveyed.

- During 2020, **LMICs** experienced the **greatest losses in working hours**, which stood at 11.3 per cent, well above the global average of 8.8 per cent. (ILO, 2021).

- Meet the criteria of data availability: before, during and after the pandemic

Stringency measures and COVID19 deaths in Georgia, 2020 (Blavatnik School of Government, Uni of Oxford)

— stringency index
···· government response index
- - - containment health index
— DEATHS/CASES
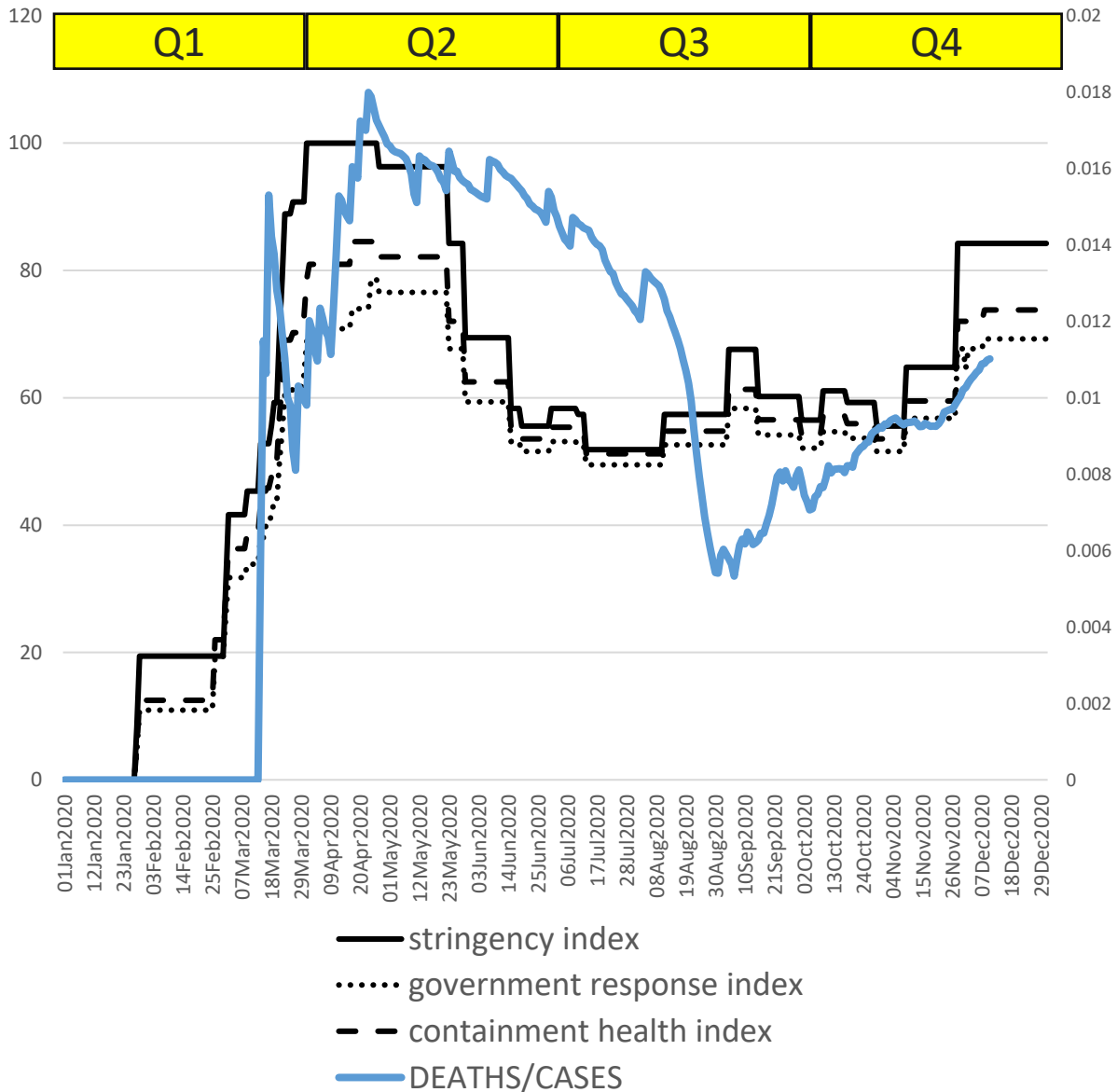
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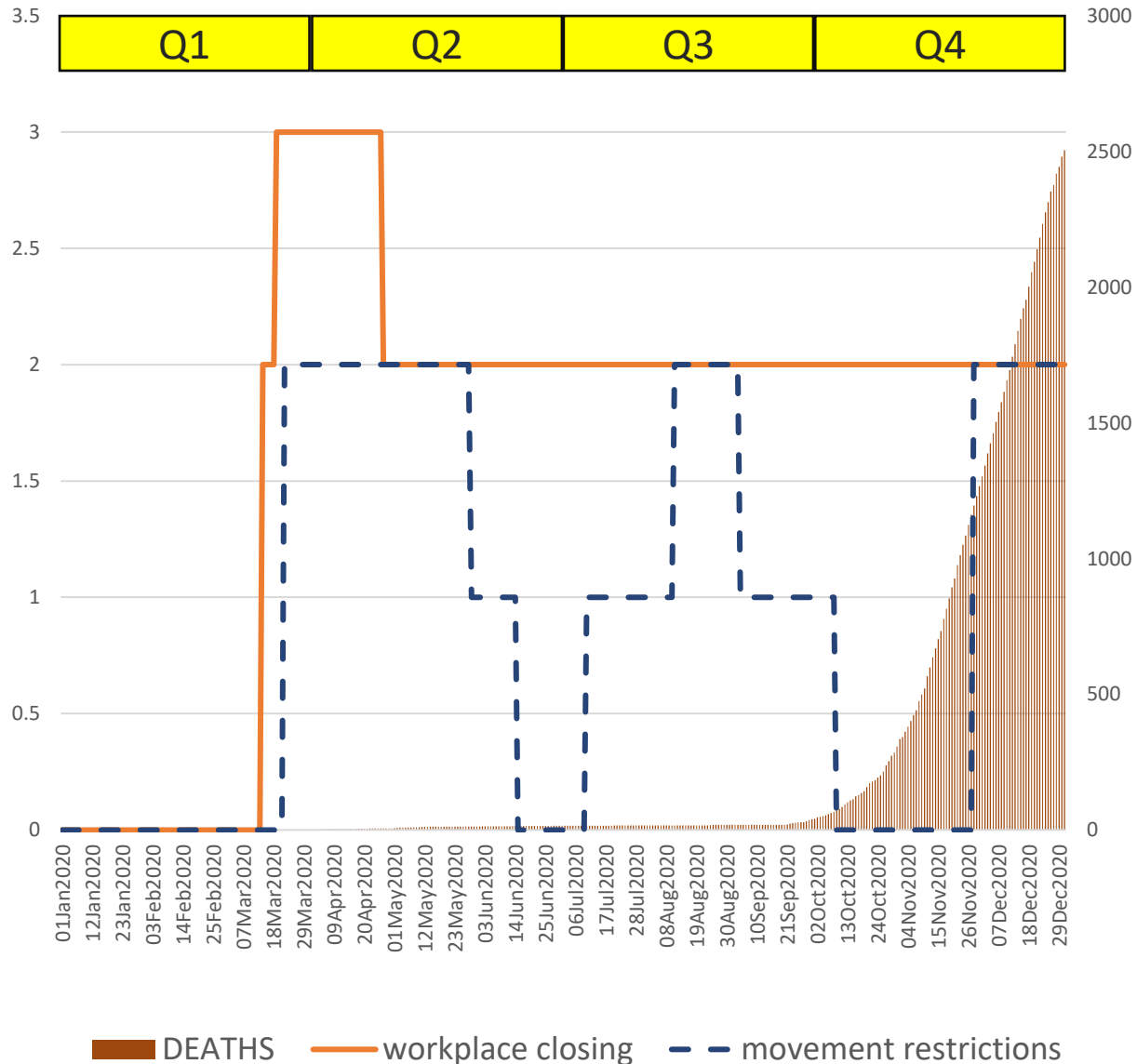
Labour market disruptions

- Infection-risk-induced demand shocks to customers
- COVID-related closures
- Falling export demand
- Supply chain disruptions

Data

- The Household Income and Expenditure Survey is used as the main data source.

- Repeated cross-sections: 2017, 2018, 2019, 2020, (+ 2021).

- Represents quarterly panel data (Q1-Q4). Each month 1/12 of the sample is refreshed.

- Tbilisi and 9 Regions of Georgia.

- 8 sections (demographics, income, expenditure...).

Evolution of relative poverty rate over the last 5 years

Headcount measure (% below Poverty Line) for Georgia—2017 to 2021
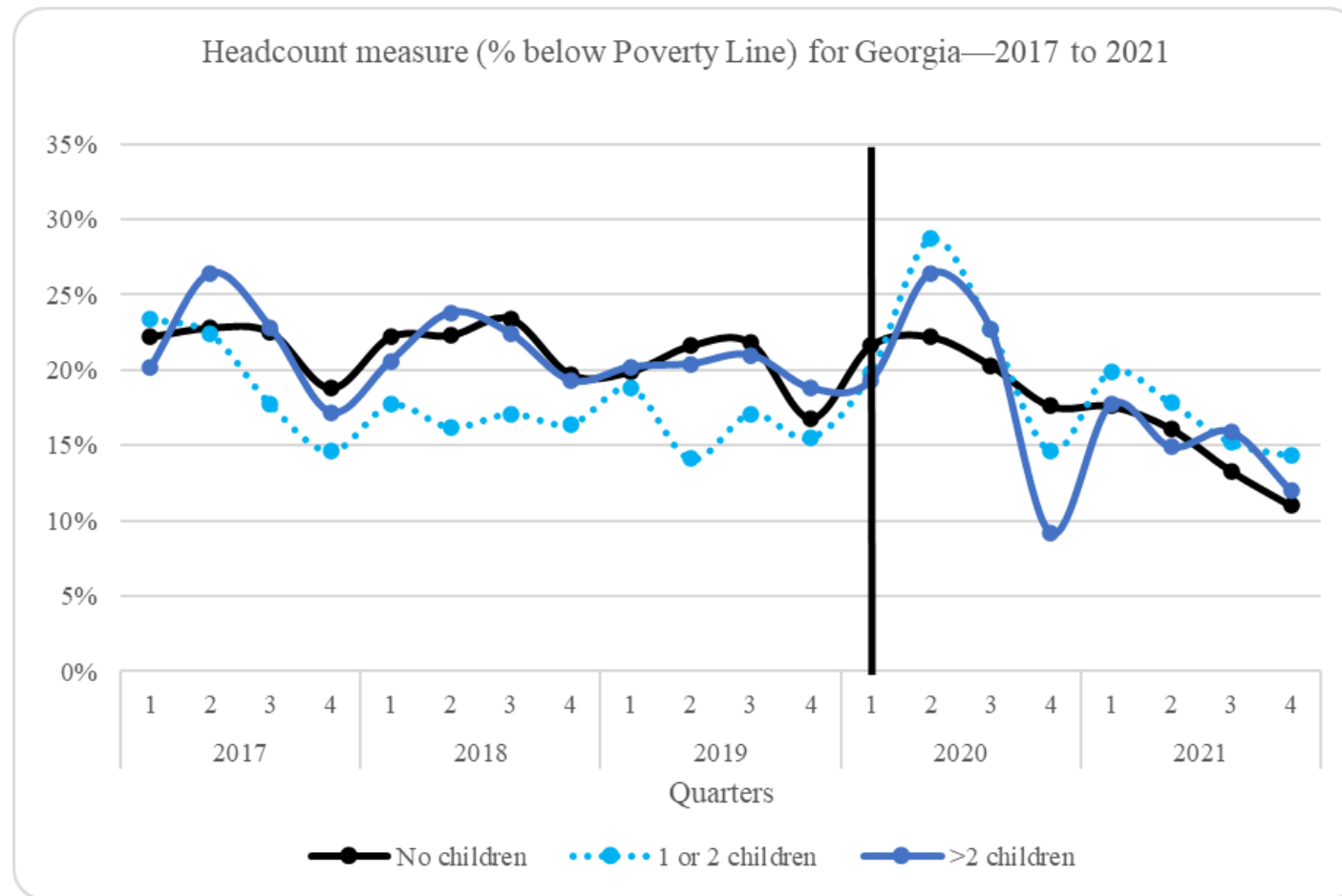
How did families with children fare during the COVID19 outbreak?

Changes in poverty headcount rates for households with and without children, by main income source, quarters and years

Year	Qt	Hired employment		Self-employment		Agriculture		Pension/ Scholarship/ Assistance		Remittances	
		with	without	with	without	with	without	with	without	with	without
2019	1	1.7%	-0.4%	4.2%	2.3%	0.6%	-1.6%	0.1%	3.6%	2.0%	-3.5%
	2	-3.5%	-0.4%	-3.3%	2.7%	9.3%	0.9%	-4.2%	-3.1%	6.0%	8.8%
	3	1.7%	0.0%	-1.5%	-5.0%	-6.8%	0.8%	5.6%	1.5%	-5.6%	-6.8%
	4	-1.5%	-1.0%	-7.6%	-4.6%	-5.7%	-4.9%	2.2%	-5.4%	5.9%	1.2%
2020	1	2.2%	1.2%	6.8%	2.8%	2.2%	1.4%	-5.2%	6.7%	-7.4%	1.6%
	2	**3.1%**	**4.3%**	**17.2%**	**7.0%**	**11.4%**	**18.1%**	**6.4%**	**-9.2%**	**16.6%**	**4.0%**
	3	-1.6%	-4.3%	-13.1%	-5.0%	-12.0%	-10.3%	-6.0%	2.5%	-8.6%	-7.0%
	4	-6.0%	0.4%	-13.9%	-2.6%	-3.7%	-6.7%	-20.2%	-6.5%	-4.1%	9.9%
2021	1	2.3%	-1.0%	7.6%	1.5%	11.4%	7.2%	14.0%	-1.2%	-2.0%	-7.9%
	2	0.3%	-0.6%	-4.8%	1.8%	0.1%	-5.6%	-9.8%	-5.9%	-1.3%	0.7%
	3	1.1%	-0.3%	-0.4%	-5.8%	-7.1%	-1.0%	3.9%	-0.2%	-3.8%	-0.4%
	4	-2.6%	-1.9%	-1.6%	0.2%	-3.8%	-5.8%	-5.4%	-3.5%	0.8%	0.9%

What was affecting the likelihood of falling into poverty after the NPIs took place?

Econometric model

- We apply a probit model to households tracked over the first 2 quarters of each year (Q1 to Q2)

- The probability to switch the poverty status is given by the following equation:

$$Prob(Poor_{i,Q2} = 1) = x_h^T \beta + u_h \ if \ Poor_{i,Q1} == 0$$

- We derive marginal effects for each independent variable on the propensity of a household to be poor
  - Main dependent variable: the poverty headcount rate is computed by using the 60% of the median income as relative poverty line,
  - AE: square root of the hh size

Poverty profiles have changed with respect to pre-pandemic years…

	COVID19-shock	Pre-NPI			Post-NPI
	2020	2017	2018	2019	2021
Max education level in HH	-0.022	-0.008	-0.005	-0.009	-0.012
Urban (1=Yes)	0.049	-0.05	-0.012	-0.027	-0.018
1 child (1=Yes)	0.108	-0.011	0.064	0.019	-0.007
2 or more children (1=Yes)	0.11	0.045	0.078	0.034	0.032
Number of working age women (16-59)	0.039	0.005	0.014	0.017	0.024
Number of working age men (16-64)	0.013	0.03	0.005	0.029	0.019
Adult equivalents	-0.079	-0.085	-0.111	-0.082	-0.083
Dependency ratio	-0.013	0.003	-0.002	0.002	-0.002
HH lives in overcrowded dwelling	0.017	-0.018	-0.006	-0.003	-0.003
HH getting SAS assistance or other advantages	0.023	0.023	0.014	0.003	0.009
Dwelling has inside running water	-0.012	-0.011	-0.008	-0.01	0
HH lives in Tbilisi	-0.019	-0.046	-0.088	-0.006	0.029

Repeated cross sections, probit model: additional control variables, regional effects and other regression diagnostics omitted
*In yellow: statistically significant coefficients*

How much the reliance on a certain source of income is affecting
the likelihood of falling into poverty?

We look at the degree of specialization of each household in a certain occupation correlates with the probability of being «new poor».
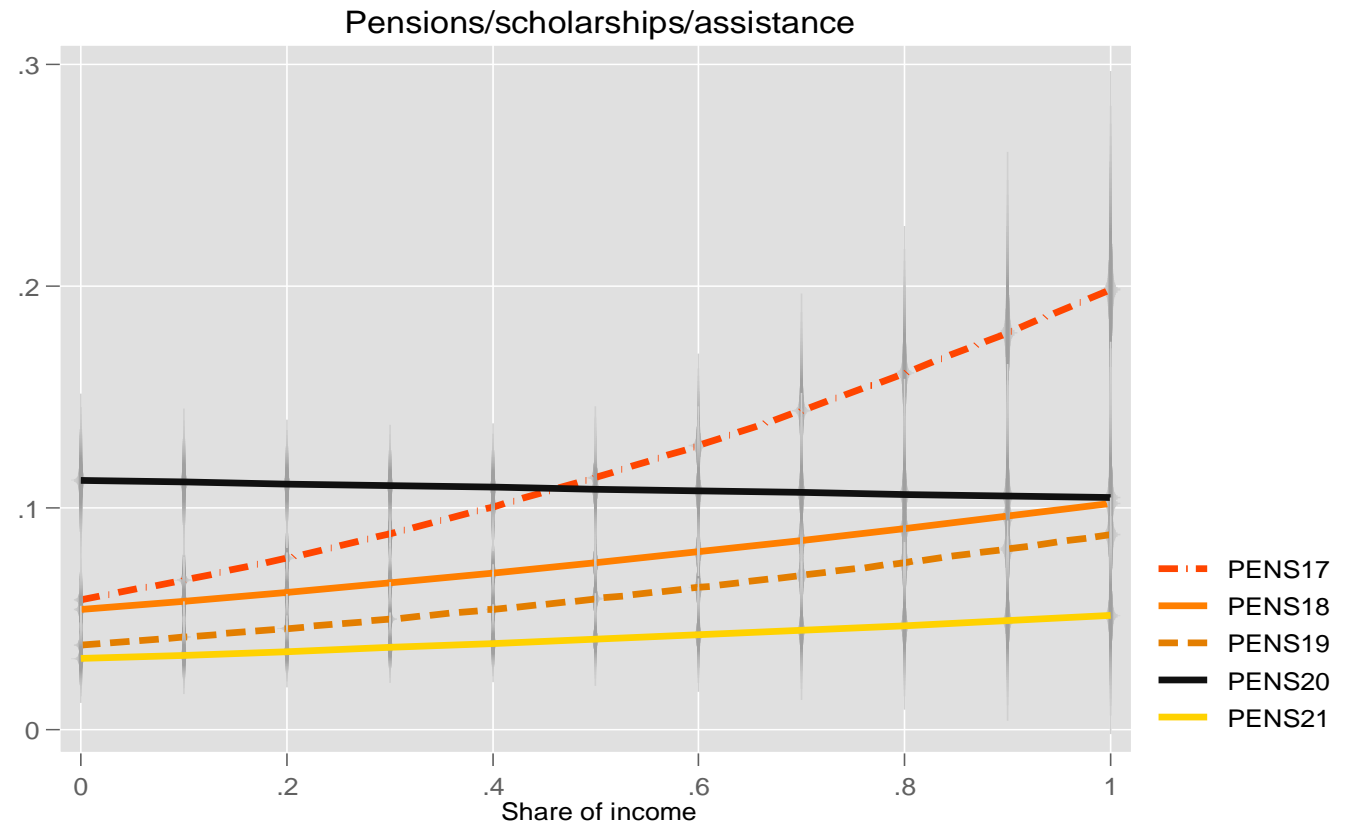*We compare Q1Q2 – 2020 with 2017, 2018, 2019, 2021*

Probability of falling into poverty at different degrees of specialization

- A unique pattern for 2020:
  - Systematically above the other years (all)
  - Protective occupations -> Inverted slope (Pensions, Agri Production)
  - Increased gap at full specialization (SE)

Self employment

Probability of falling into poverty at different degrees of specialization

- A unique pattern for 2020:
  - Systematically above the other years (all)
  - Protective occupations -> Inverted slope (Pensions, Agri Production)
  - Increased gap at full specialization (SE)

Pensions/scholarships/assistance

PENS17
PENS18
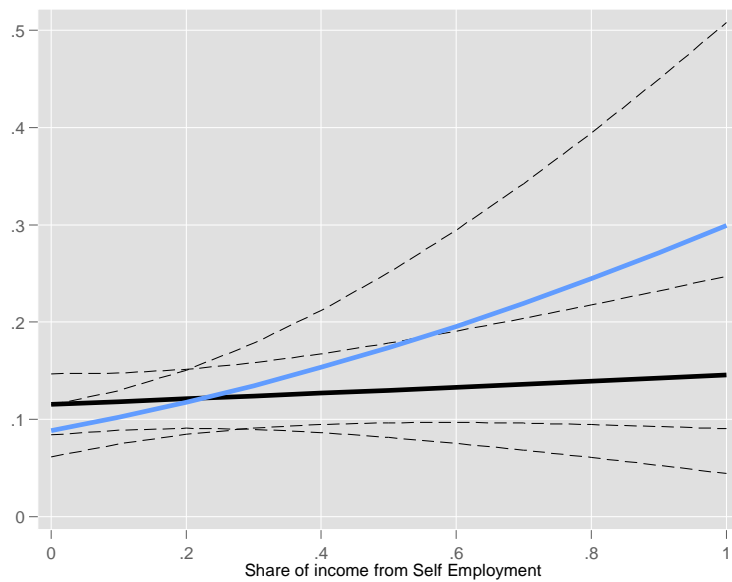PENS19
PENS20
PENS21
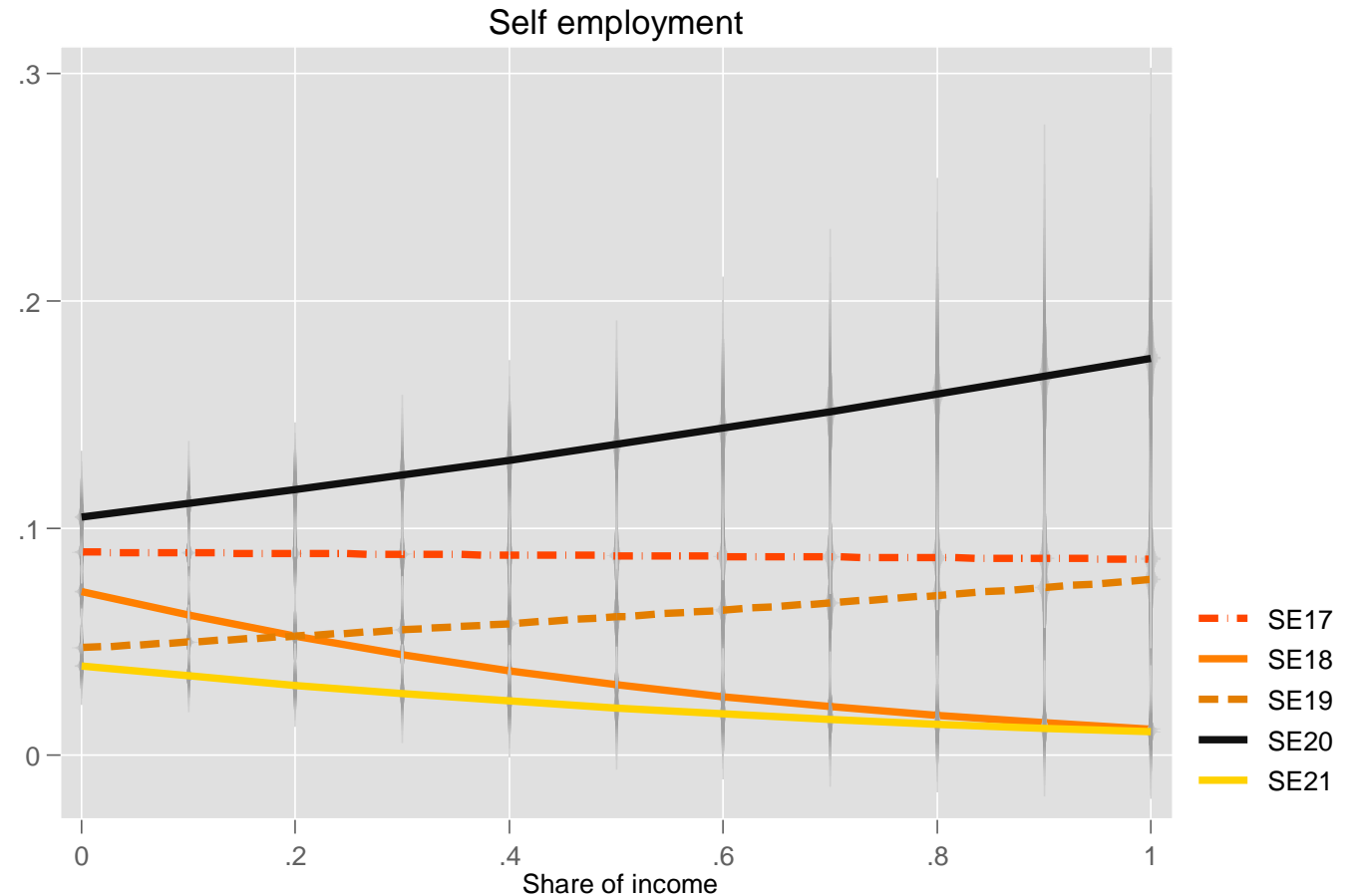
Share of income

Probability of falling into poverty btw Q1Q2 at different degrees of specialization
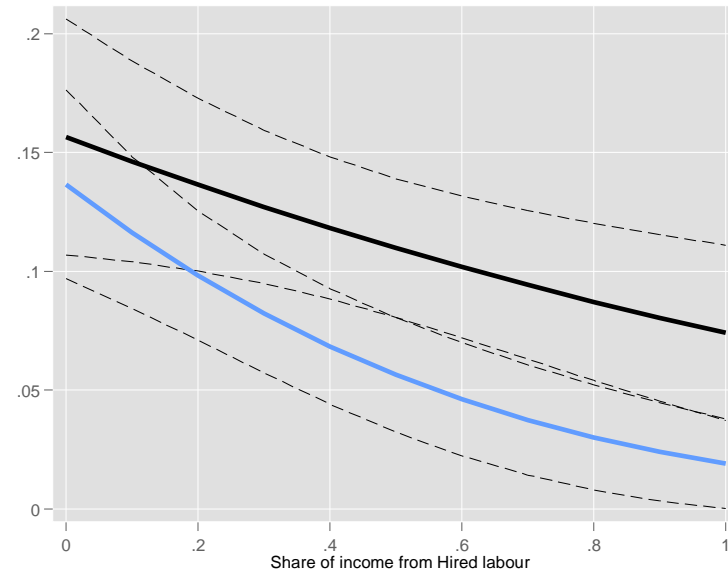
- A unique pattern for 2020:
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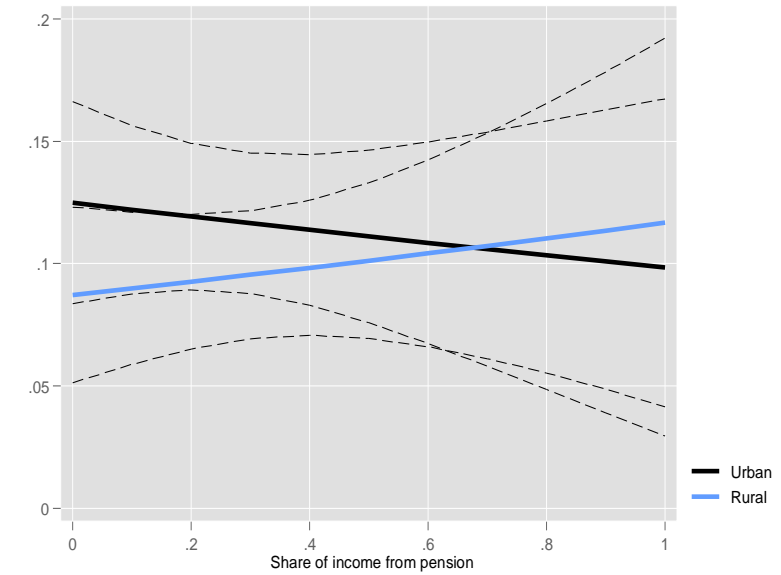 - Increased gap at full specialization (SE)
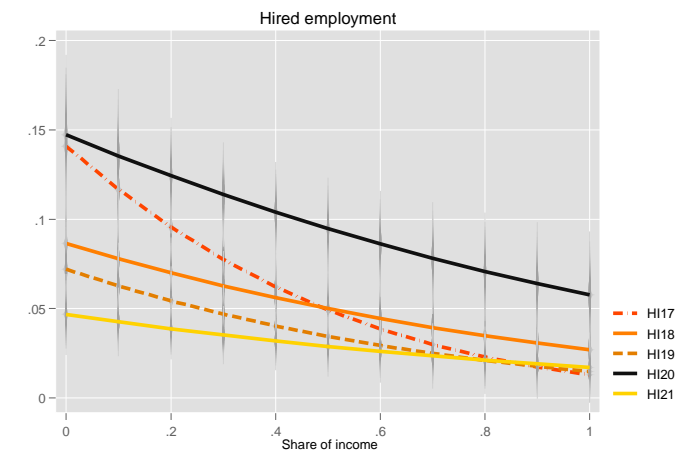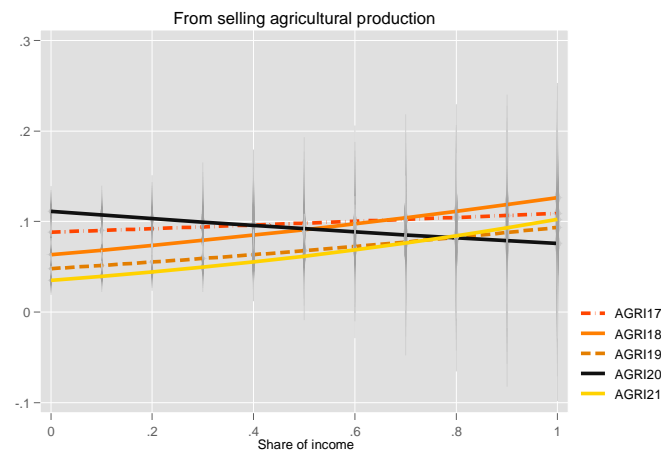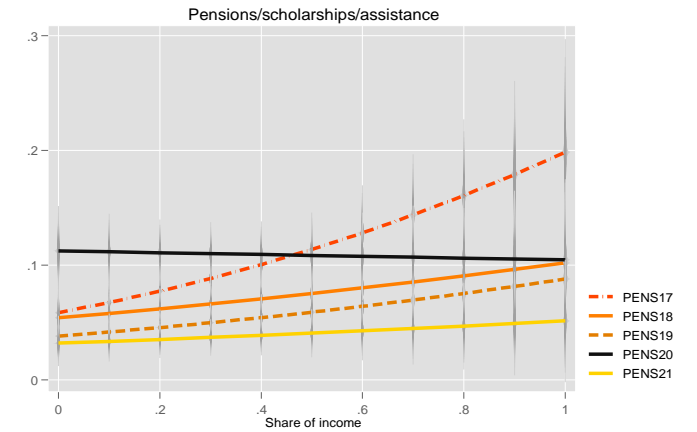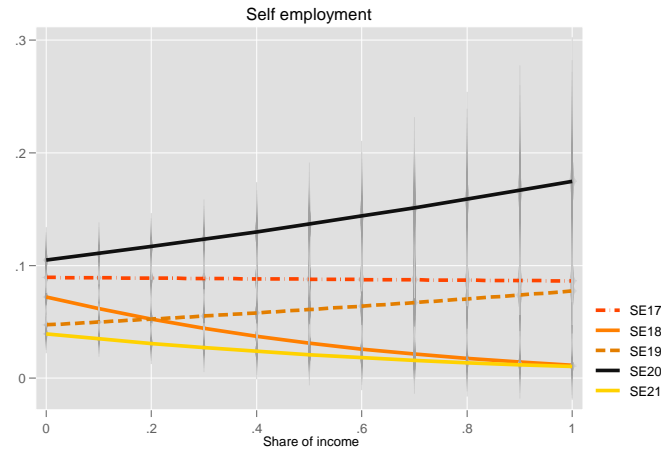
Milieu differentiated impact (urban vs rural)

Urban
Rural

Self employment

Hired Labour

Pension/Scholarship/Assistance

With/without children (Self-employment) (urban vs rural)

———— (blue)	With ch
———— (black)	Without ch

- In both rural and urban areas the impact is larger for households with children than for those without.

- [Urban] The curve for families with children is flat, showing similar levels of poverty risks as specialization in self-employment increases

- [Rural] The gap between households with and without children tends to increase with increased dependency on self employment

Urban — Share of income from Self Employment in urban areas

Rural — Share of income from Self Employment in rural areas
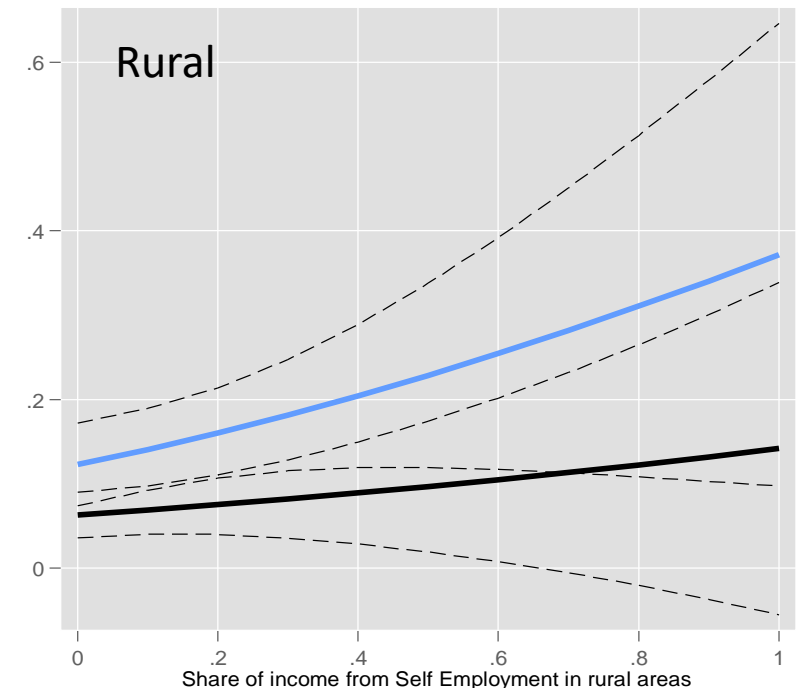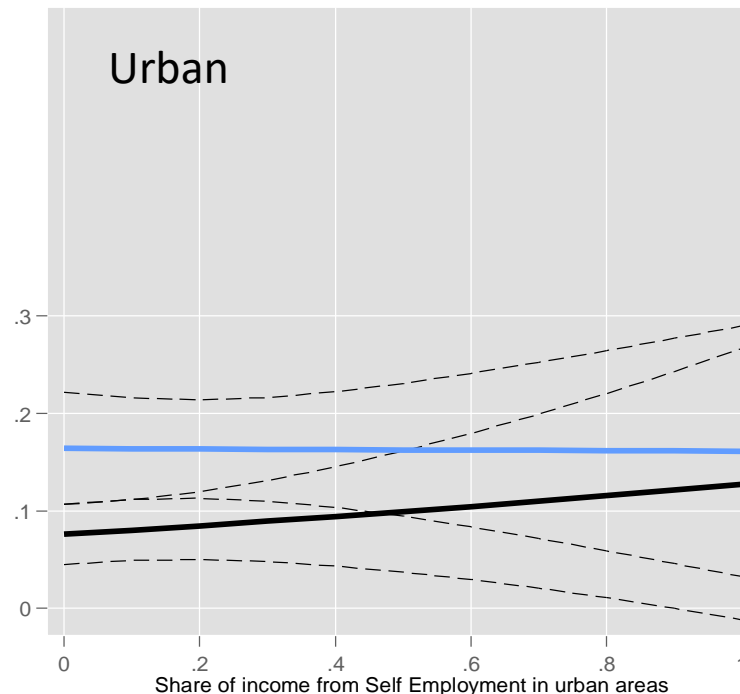
Were elderly people an informal safety net?

Not easy to test but..

Gender, and elderly effects

	COVID19-shock	Pre-NPI			Post-NPI
	2020	2017	2018	2019	2021
Number of working age men (16-64)	0.02	0.005	0.001	0.024	-0.01
Number of working age women (16-59)	0.046	-0.021	0.012	0.016	0.003
Number of pension age men (65+)	-0.037	-0.073	-0.042	-0.054	-0.078
Number of pension age women (60+)	-0.054	-0.028	-0.004	0.018	-0.033

The negative sign can be due to the combined effect of:
- the stability generated by a steady income inflow (ie. a pension)
- the child care support from grandparents, not directly testable, but often gender specific.

Repeated cross sections, probit model: additional control variables, regional effects and other regression diagnostics omitted
In yellow: statistically significant coefficients

Conclusions

- <u>Households with children</u> experiencing persistent and systematically higher levels of poverty than those without, with differential trends based on income specialization and area of residence

- The new poor after the pandemic are mostly <u>households with children</u>, living in <u>urban areas</u>, in <u>poorly educated households</u> and with a <u>large number of women in working age</u> (16-59).

- Larger shares of specialization into <u>hired labour</u> are mostly associated with more protection against poverty risk in both urban and rural areas; <u>self employed</u> are more at risk (rural!)

- The presence of <u>people in retirement age at home</u> seems to affect the likelihood of falling into poverty, especially when gender is accounted for.

- Need to rethink the national child-sensitive social protection system the «new poor» households with children at the center.

Thank you!