



PIDE COVID-19 BULLETIN

No. 1

COVID-19 in Pakistan: Caring for the Poor and Vulnerable

The COVID-19 pandemic, which by March 20, 2020, had infected almost 0.24 million people in more than 165 countries, resulting in over 10000 deaths, has the potential to infect 40-70 percent of the world's population¹. By this date, more than 447 people have been confirmed infected in Pakistan, resulting in three deaths². The country is at its initial stage of this epidemic and the number of expected infections is feared to increase manifolds in the coming days.

Anyone can be exposed to the virus, but the poor are most vulnerable because they do not have the means to cope on their own. The recession, which is most probable to follow this outbreak, is expected to affect the economically vulnerable group the most. Poor workers, especially those dependent on a daily wage with no reserves, would not be able to cope with any possible lockdown as a response to the pandemic.

We have to evaluate the economic cost of this pandemic from the vulnerable group's perspective and propose policy options to minimize its impact.

The official statistics show that:

1. The share of vulnerable employment is around 56% (52% among male and 71% among female). Vulnerable employment is measured as the proportion of own-account workers (also including the daily wage earners) and unpaid family workers in total employment.
2. As for sectoral share of vulnerable employment, it is more than 80% in agriculture; about three-fourths in wholesale and retail trade; near to 50% in hotel and restaurants; more than three-fifths in real estate and business; and approximately two-fifths in transport and communication sector³.

In the given scenario, COVID-19 poses huge implications for the poor and vulnerable segments of the society. It will substantially increase the poverty levels across the

¹ Figures for 20 March; Johns Hopkins University Center for Systems Science Engineering Dashboard, <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

² <http://covid.gov.pk>

³ Employment Trend in Pakistan 2018, Pakistan Bureau of Statistics (PBS)

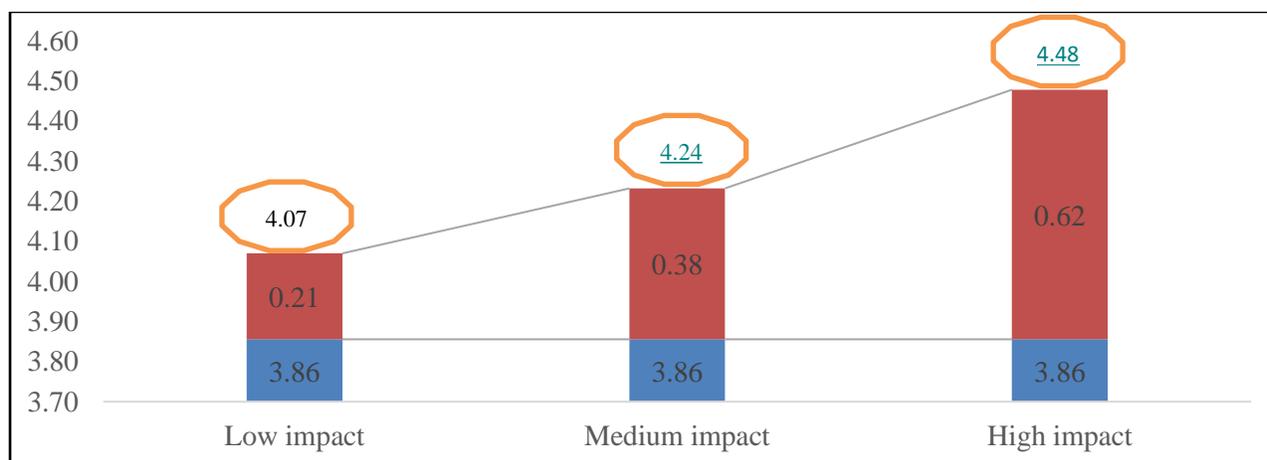
<http://www.pbs.gov.pk/sites/default/files/Pakistan%20Employment%20Trend%20%20Reprt%202018%20Final.pdf>

country. To make things worse, our health system is not designed to deal with such outbreaks and that too at this severity level.

Impact of Economic Recession on Poverty and Unemployment

Due to the likely economic recession and vulnerability of the employed in the country, the COVID-19 may lead to significant increase in poverty and unemployment. We consider three GDP growth scenarios to map poverty and unemployment. These being: 1. High impact [0 to 1.5 % GDP growth – massive economic recession]; 2. Medium impact [from 1.5 to 2.5 % GDP growth – almost half of the projected GDP growth]; 3. Low impact [from 2.5 % to 3.5 GDP growth – mild recession in the economy)⁴. Figure 1 shows that unemployment will increase by 0.21 million (low impact scenario) to 0.62 million (high impact scenario) from a base of 3.86 million in 2019. Total unemployment ranges from 4.07 million (low impact scenario) to 4.48 million (high impact scenario).

Figure 1: Unemployment (in million)



Source: Author’s estimations based on Labor Force Survey (LFS) -2018.

Note: The blue part in figure shows the baseline unemployment in Pakistan while the red part presents the additional unemployment for all categories due to COVID-19. Circle above each bar represents the total numbers unemployed, in millions.

⁴ To calculate the impact of COVID-19 on unemployment for Pakistan, we follow the methodology used by ILO to project impact of COVID-19 on unemployment across different set of countries. Preliminary ILO estimates indicate a rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario) from a base level of 188 million in 2019. The “mid” scenario suggests an increase of 13 million (7.4 million in high-income countries). For further detail https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf . The projected GDP growth rate in Pakistan is around 2.5% to 3.5% (As mentioned by State Bank of Pakistan and also international institutions like ADB, WB and IMF). We use this as a baseline scenario with low impact to quantify its impact on poverty and unemployment. These scenarios are assumed by looking at projection rate of global GDP growth after adjusting recession due to COVID-19.

Due to COVID-19, it is projected that poverty rate will increase from 23.4% (baseline poverty) to 33.7% (in case of low impact scenario) followed by 44.2% (in case of medium impact scenario) and 58.6% (in case of high impact scenario) (Figure 2). Apart from poor, a bulk of population share (around 19%) fall in the category of vulnerable groups – income just above the poverty line (Figure 2). Longer economic recession would push these people into the poverty.

Figure 2: Band-wise Poverty Rates (% share)



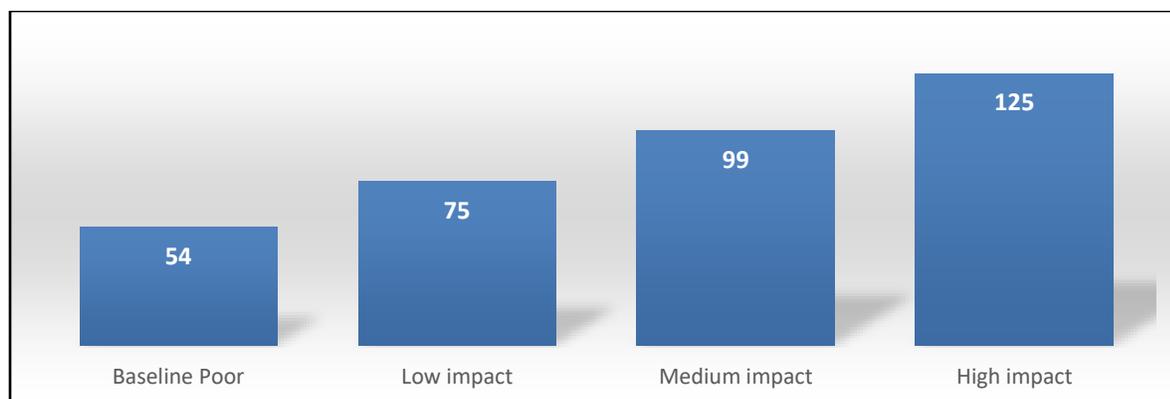
Source: Author's own projections based on HICS 2015-16 data

Note: Poverty band are defined using per capita household income as defined by Planning Commission in National Poverty Report 2015-16. Ultra-poor (<75% of Poverty Line) Poor (> 75% and < 100% of Poverty Line); Vulnerable (> 100% and < 125% of Poverty Line); Quasi Non-Poor (> 125% and < 200% of Poverty Line) and Non-Poor (> 200% of Poverty Line).

Based on these poverty rates, it is projected that poverty will increase by 20 million people (low impact scenario) to 70 million people (high impact scenario) from a base of 54 million people (Figure 2)⁵. The number of poor could, thus, increase from 75 million people to 125 million people, depending on the depth of the economic recession due to COVID-19 (Figure 3).

⁵ We assume that income decline by 10% due to low economic recession (low impact), 20% decline due to medium recession (medium impact) and 30% decline due to high recession (high impact). For baseline poverty see [https://www.pc.gov.pk/uploads/report/National_Poverty_Report_2015-16_12-07-18\(Formatted_by_JACC\)1.pdf](https://www.pc.gov.pk/uploads/report/National_Poverty_Report_2015-16_12-07-18(Formatted_by_JACC)1.pdf).

Figure 3: Poverty (in millions)



Source: Author's own projections based on HICS 2015-16 data

Suggested Response:

Strengthen the safety net. Vulnerable workers are most likely to lose their jobs if they miss work. In the current scenario, their nature of job makes them least able to work remotely to avoid contracting the virus. They are also least likely to have savings to survive an economic downturn. Under such circumstances, safety nets, especially cash transfers, paid leaves, and health insurance, can provide quick financial support to overcome basic needs of vulnerable and poor segments of the society.

Scale up the BISP. Double the cash transfer rate for the next three months with increased enrollment by raising the cutoff score from 16.17 to 25. There are already Rs. 180 billion rupees parked in BISP for this year with low utilization. So, the additional burden will be adjusted there. Some specific recommendations:

- i. Increase the cash assistance to 8000 (half of the basic income) for next three quarters for the already enrolled BISP beneficiaries.
- ii. Include an additional 5.5 million families along with existing 4.5 million families. Additional beneficiaries could be included using National Socio-Economic Registry (NSER 2011-12), the census data used by BISP for targeting purpose, by increasing the PMT up to 25 score. Apart from these families, BISP with the help of NADRA using mobile contacts may also allow poor families to get cash assistance even if they are not included in the NSER. Global think-tanks also propose similar approaches to provide urgent support to the vulnerable and poor segments of the society. With the help of mobile companies and NADRA, BISP can target these families very

quickly and disburse mobile money. BISP can use BISP Beneficiary Committees (BBCs) to spread information about new enrollment and precautionary measures to minimize the spread of COVID-19.

Cost implications: We calculated the expected cost using two scenarios for adding 10 million families to the safety net, that is, cover an additional 65 million people approximately (taking an average family size of 6.5 persons):

- i. **Scenario 1:** An additional enrollment of 5.5 million families with the ongoing stipend amount of Rs. 5500 per quarter.
The additional cost for one quarter under this scenario would be Rs. 30.25 billion.
- ii. **Scenario 2:** Increase the cash assistance to 8000 with an additional enrollment of 5.5 million families:
The additional cost for one quarter under this scenario would be Rs. 55.25 billion

We believe that the additional cost of Rs. 55.25 billion could be managed from the existing BISP budget. BISP has excluded around one million families from the existing net which provides enough space for BISP to expand its coverage.

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PIDE COVID-19 Bulletin is an initiative by the Institute in response to the current pandemic, which is bound to have serious consequences for the country, specifically for its economy. The Bulletin would carry research that would aid in an informed policymaking to tackle the issue.

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