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Recovery with Distress

Unpacking COVID-19 Impact on Livelihoods and Poverty in Rural Areas and Urban Low-Income Settlements of Bangladesh*

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1. Impact of COVID-19 and the imperative of 'finding out fast'

COVID-19 created a global economic upheaval and poorer people have taken its brunt, both because of the nature of their jobs and because of their limited ability to cope with the financial shock. While developed countries, with established social security systems and deeper pockets, could better support their vulnerable population, in developing countries like Bangladesh, economically vulnerable people were left with deep uncertainties and largely to fend for themselves. On the question of the livelihood and poverty impact of COVID-19, the pandemic created not only a challenge in terms of effective policy response but also a research challenge of 'finding out fast' (Rahman et al. 2021) in order to inform policy-makers grappling with the multiple fallouts of the pandemic. The situation called for research leadership and innovative methodologies as well as impactful dissemination. The Power and Participation Research Centre (PPRC) and the BRAC Institute of Governance and Development (BIGD) at BRAC University, two Bangladeshi social research centres, formed an emergency partnership to launch the PPRC-BIGD Rapid Response Panel Research initiative (Rahman et al. 2021), which became a flagship national research response to unpacking the livelihood and poverty impact of the unfolding crisis (PPRC-BIGD 2021).

The first phase of our survey, conducted in April 2020, delved into the pandemic-induced economic shock faced by poor and economically vulnerable people and their coping mechanisms in rural areas and urban slums. The second phase, conducted in June 2020, studied the impact of the pandemic on the same demographic groups immediately after the end of the first lockdown. In March

2021, PPRC-BIGD carried out the third phase of the study, trying to identify trends and assess the nature of the recovery. The fourth phase of the study was conducted in August 2021 to examine the extent to which the second lockdown had disrupted the recovery process and to assess the longer-term impact of COVID-19 on the livelihoods of the population in rural areas and urban slums. The fifth phase—the most recent round of this survey, conducted in May 2022—assessed the longer-term impacts of this pandemic on the livelihood, coping, and recovery trends among rural and urban slum households. Here, we focus on trends in income, employment, food security, migration, and poverty to gain a clearer picture of the current state of the poor and economically vulnerable population of Bangladesh.[1]

2. Chapter structure

Section 3 provides a brief description of the methodology, and section 4 provides the basic demographic information of the sample surveyed in Phase V. Section 5 compares the impact of the first (April–May 2020) and second lockdowns (April–May 2021). Section 6 analyses the trends and vulnerabilities over the 18 months of the COVID-19 crisis, section 7 examines the poverty dynamics, and finally, section 8 discusses the key takeaways and policy messages.

3. Methodology

3.1 Survey mode

Speed, reliability, and being up to date were high priorities in this partnership because of the fast-evolving, high-impact nature of the crisis. A telephone survey, in preference to face-to-face interviews, was identified as the most practical way of reaching a large number of people cost-effectively and in a short time, while ensuring the safety of the enumerators by limiting their physical proximity to other people.

3.2 Sampling

The sample was mainly drawn from the following data sets (benchmark surveys):

1. BIGD's census, conducted from October 2016 to January 2017, of 24,283 households (HHs) in 35 slums (randomly chosen from the 150 slums of

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[1] The World Food Programme (WFP) provided support for the execution of the second and third phases of the study. The last phase of the study was also supported by the Foreign, Commonwealth & Development Office (FCDO) of the United Kingdom through the Civic Leadership Education and Research (CLEAR) research initiative managed by the Institute of Development Studies (IDS), Sussex.

BRAC's Urban Development Programme) across 9 districts of 5 divisions: Dhaka, Chattogram, Khulna, Barishal, and Rangpur;

2. BIGD's nationally representative survey of 26,925 rural households across 64 districts of all 8 divisions, conducted from October 2017 to January 2018.

Due to the nature of these existing data sets, the chosen sample was *poor-biased*, with a preponderance of people in informal occupations. The sample was thus not reflective of the national distribution of incomes, but this bias was minimized by assigning a weight to each income group[2] and thus reducing the effect of over-represented income groups on our findings. Weights were similarly used in each of the following phases of the study.

The Phase I survey in April 2020 included a sample of 12,000 HHs, half of which were randomly selected from the urban database and the rest from the rural database. The urban sample was drawn from BIGD's census of 24,283 HHs. The rural sample was drawn from BIGD's nationally representative survey of 26,925 rural HHs. Of the total, 5,471 HHs were successfully interviewed over the phone.

For Phase II of the survey in June 2020, an additional 6,200 HHs were drawn from the same data sets—4,000 from the urban data set, 2,000 from the rural, and 200 from hard-to-reach areas, that is, the Chattogram Hill Tracts (CHT) region. A larger urban sample was selected to facilitate disaggregated analysis of the urban centres. Of the total sample of 11,671 HHS (the previously interviewed 5,471 HHs and the new 6,200 new HHs), 7,638 were successfully interviewed.

Phase III of the survey was conducted between 11 and 31 March 2021 to examine the recovery effects. The 7,638 HHs that were interviewed during Phase II were resurveyed, of which 6,099 HHs (81 per cent) were successfully interviewed. Out of these 6,099 HHs, 3,549 were surveyed in all three phases, while 2,550 were surveyed in Phases II and III only.

Phase IV of the survey was conducted between 21 August and 8 September 2021 to study the aftermath of the second lockdown. The 6,099 HHs interviewed during Phase III were resurveyed, of which 4,872 HHs (80 per cent) were successfully interviewed. Of these, 2,875 HHs were surveyed in all four phases of the study. Each contact number was tried three times via mobile phone to increase the success rate.

The last round, Phase V, was executed between 12 and 23 May 2022 in order to understand the longer-term effect of COVID-19 two years later. In this round, the sample of 6,099 HHs from Phase III was used rather than that of the round immediately before, out of concerns of attrition, and the success rate

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[2] The weights were the ratios between a nationally representative sample of BIGD (mentioned in the section on sampling) and our surveyed samples—rural and urban.
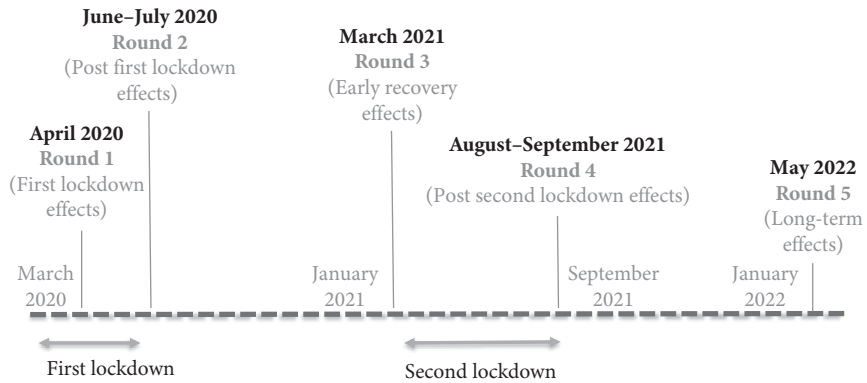
Figure 6.1 Survey overview

Source: authors' construction.

was 64 per cent (3,910 HHs). The higher attrition rate can be largely attributed to the timing of the survey, which was conducted at a time when the economy had fully resumed, unlike previous rounds. In the final successful sample, 2,017 HHs were present in all 5 rounds and 3,380 HHs in four rounds, that is, excluding the first phase. Figure 6.1 provides an overview of the phased panel surveys.

3.3 Survey instrument

A quantitative, close-ended questionnaire was used in each phase of the survey. Senior and junior researchers from PPRC-BIGD intensively brainstormed and debated the scope of the questionnaire and the wording of each question and of the response options. As it was a telephone survey, researchers paid special attention to ensuring that each question and the associated answer options were essential, clear, and brief. The questionnaire was pretested to confirm the reliability and validity of the survey questions and to estimate the time required to complete a survey.

The main segments of the questionnaire were on the impact of the COVID-19 crisis on an HH's livelihoods, coping mechanisms, food security, food and non-food expenditures, financial capacity, and social protection as well as on their related perceptions. Additionally, in Phase V, the survey had dual objectives: assessing the long-term trends of the economic recovery from COVID and the effects of the ongoing inflation crisis on the HHs. To achieve this, alongside the data for May, recall data was collected for January

2022 across several dimensions, including employment, income, food security, food and non-food expenditure, and market prices of several major food items.

4. Respondents' profile

4.1 Demographics

Of the 3,910 HHs interviewed in Phase V, 54 per cent were from urban slums across city corporations and municipalities in the districts from which the urban sample was drawn, and 45 per cent were from rural Bangladesh, with a small CHT sample of 0.5 per cent.

The average HH size of the sample was 4.87, and the average number of income earners in an HH was 1.37. Twelve per cent of the HHs were female-headed, which is close to the national proportion (13 per cent). The HH head was the primary respondent in the survey. If the HH head was not available, the secondary decision-maker or income-earner of the HH was interviewed.

4.2 Income and occupational categories

The respondents were classified into four income categories on the basis of reported per capita income for February 2020, that is, pre-COVID incomes. The inflation-adjusted divisional urban–rural upper poverty lines presented in the Household Income and Expenditure Survey (HIES) 2016 report were used for the categorization:

1. *Extreme poor*: HHs with per capita monthly income below, or equal to, the lower poverty line were categorized as extreme poor.
2. *Moderate poor*: HHs with per capita monthly income above the lower poverty line and below, or equal to, the upper poverty line were categorized as moderate poor.
3. *Vulnerable non-poor*: since there is no official classification for this category, the parameter for this vulnerability band was fixed as the range between the upper poverty line and the inflation-adjusted median income, established in consultation with the Bangladesh Bureau of Statistics (BBS).
4. *Non-poor*: the households with per capita monthly income above the median income were categorized as non-poor.

Table 6.1 below lists the occupational categories as defined in the study.

Table 6.1 Occupational categories

Broad occupational category	Corresponding occupations
Skilled labourers	Cook/restaurant worker, tailor, hairdresser, singer/musician, deed writer, salon/beauty parlour worker, cleaner/sweeper, electrician, mechanic
Unskilled labourers	Construction worker, day labourer, agricultural labourer, shop/restaurant assistant, hotel boy, *Bhangari* (collection and recycling of scrap items) worker, cobbler
Transport workers	Boatman, transport driver, transport labourer
Factory workers	RMG worker, Other factory worker
Housemaids	Housemaid
Agricultural workers	Farmer, fisherman, livestock rearer, poultry farmer
Salaried workers	Teacher/home tutor, private service holder (other salaried employees working in the private sector), security guard, professional (doctor/lawyer), employee of religious institution, office assistant, UP member/chairman (elected local government officials), pensioner
Micro-entrepreneurs	Small business owner, vendor, handicraft worker
Rickshaw pullers	Rickshaw puller
Not in income-generating activities	Beggar, person living on government or other assistance, person living on savings, person with no income source

Source: authors' construction.

5. Short-term effects: Impact of first and second lockdowns

The income shock of the second lockdown in mid-2021 was less acute than that of the first one in mid-2020.[3] One year down the line, everyone had learned, to various degrees, how to live with the new reality. With more information and experience, fear of the virus reduced significantly between 2021 and 2020. Forty-four per cent of respondents said that they were less afraid than before, while 20 per cent said they were more afraid. The government, too, perhaps used learning from the past year in estimating the future progression of the virus and the economic costs of a lockdown and thus was reportedly more lenient in applying the lockdown measures the second time. Yet, the second lockdown was not inconsequential: though 40 per cent of respondents thought that this lockdown was less stringently enforced than the last one, 46 per cent believed that it was more stringently enforced. The imposition of a second, several-weeks-long lockdown when the citizens were still recovering from the negative impact of the first lockdown seriously hampered recovery.

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[3] We did this comparison using data from phases II and IV.

From February to June 2020, per capita daily income of HHs across all income groups—extreme poor, moderate poor, vulnerable non-poor, and non-poor—fell drastically with the onset of the pandemic and the subsequent lockdown. This was followed by a period of steady recovery until March 2021, when incomes were below, but close to, pre-COVID levels. But due to rising infections, the country went into the second lockdown from 23 July until 10 August 2021, causing a serious disruption in income recovery.

In a period of just a few months, between March and August 2021, across all income groups (extreme poor, moderate poor, vulnerable non-poor, and non-poor), incomes fell, on average, by 19 per cent. Since the second lockdown was lifted in August 2021, average daily HH per capita daily income had been on the rise: it rose by 27 per cent from BDT83 to BDT105 (in constant February 2020 prices) as of January 2022. Between January and May 2022, however, there was a disruption in real income recovery; average income fell by 6 per cent to BDT99.

Compared with rural HHs, urban slum HHs experienced a more drastic 'income shock' due to both lockdowns. Between March and August 2021, income dropped by 21 per cent for urban slum HHs and by 19 per cent for rural HHs (Figure 6.2). In Figure 6.2, we see that the real income fall in urban slums (8 per cent) was much sharper than in rural regions (3 per cent) during the inflationary period. Average real income in rural areas is also now higher than in urban slums, which is a reversal of the pre-COVID scenario.

The majority of survey respondents in August 2021 said that they did not get enough or the expected level of work in the preceding month.[4] This dissatisfaction was higher among respondents with lower education, with lower incomes, and in lower-skill occupations. Respondents cited the lockdown and unavailability of
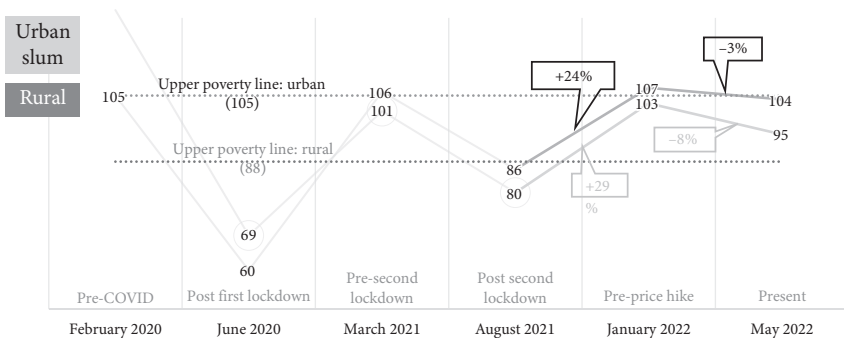

Figure 6.2 Per capita daily income in February 2020, constant BDT, at different points in time

Source: authors' construction.

[4] In the phase IV survey, we collected the information on whether the respondents were getting enough work or expected level of work and if not, what the reasons were.
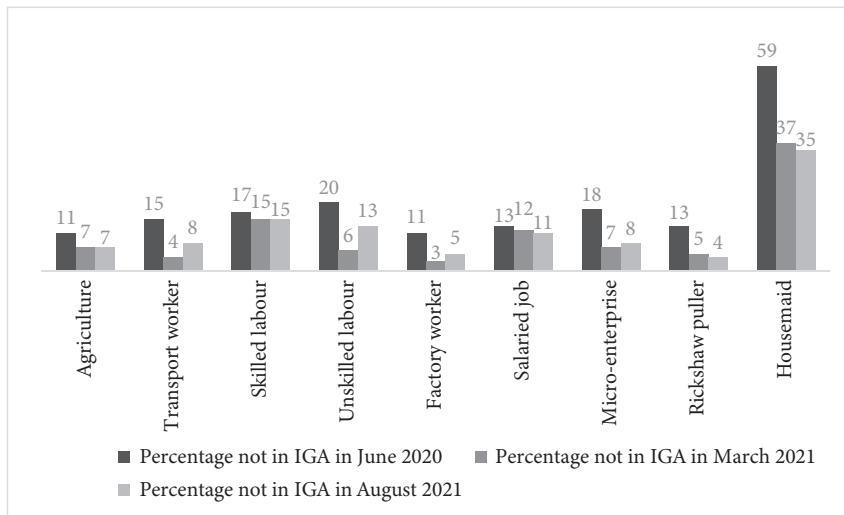
Figure 6.3 Percentage not in IGA in June 2020, March 2021, and August 2021 (of those employed in February 2020; excl. 'Others')

Source: authors' construction.

work as the principal reasons behind not getting enough or the expected amount of work.

Figure 6.3 shows the percentage of those who were engaged in any income-generating activity (IGA) before the pandemic that were also engaged in an IGA at different points in time since the pandemic.[5] This estimate can be used as a proxy for employment. The most volatile change in employment status is observed among unskilled labourers, factory workers, and transport workers—sectors whose demand is sensitive to economic lockdowns, which have an informal dimension to their work, or both. The exception is the figure for housemaids: starting with the highest overall rate of unemployment, the sector has seen a steady rise in employment. This can probably be explained by the decline in the fear factor, as mentioned above, as well as early vaccination drives in urban areas. Yet, the unemployment rate among housemaids remains higher than any other occupational groups by a large margin.

In terms of nutrition, the percentage of HHs skipping at least one meal the day preceding the interview increased significantly between March and August 2021, especially in the urban slums and the CHT.[6] On average, the situation regressed almost to the level of June 2020 right after the first lockdown (Figure 6.4).

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[5] We did this analysis using phases I–IV. Since the attrition was higher in phase V, we did not do occupational disaggregated analysis because of lack of sample power.

[6] We could not compare phase V with the previous surveys in terms of this variable because inflation was a major concern during the survey period of phase V (between August 2021 and May 2022).
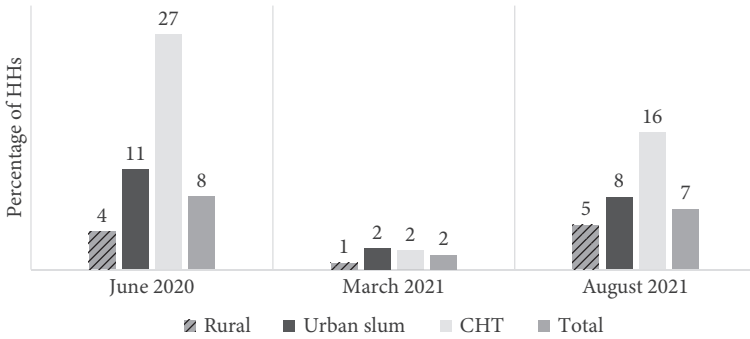
Figure 6.4 Percentage of HHs skipping a meal the day before interview
Source: authors' construction.

When asked about how the HHs were coping with the crisis (i.e. how they were meeting their daily dietary needs), the majority (91 per cent) mentioned their own income. This rate is greater than the situation after the first lockdown in April 2020, when the economic shock was much deeper. A comparison of the aftermath of the first lockdown with that of the second lockdown in mid-2021 shows that use of savings had gone down from 15 per cent to 3 per cent, but at the same time, the use of loans and shopkeepers' credit had gone up, which has implications for longer-term financial capacity, as discussed below. Help from friends and relatives had also gone up from 7 per cent to 17 per cent. These figures also indicate a significant disruption in income recovery caused by the second lockdown.

Yet, the number of HHs that received any kind of support from the government or other sources went down considerably from the first lockdown, particularly in urban slums (Figure 6.5), although the monetary value of the support among HHs that received it increased from an estimated BDT1,282 to BDT1,874, on average.

However, the fall in borrowing indicated above does not necessarily reflect the demand for credit. In order to gauge it, as well as link it with creditworthiness, we posed a question to our respondents whether they needed any new loan in addition to their existing ones if they had any (see Figure 6.6). When asked, overall, 38 per cent said they needed another loan but could not take it or did not get it. When asked why, they gave one or more of the following reasons: they already had too much loan (34 per cent), were already falling behind on existing loan payments (49 per cent), or were uncertain about their ability to make a payment (47 per cent). This is extremely important for designing financial interventions and innovations in microfinance. To rejuvenate the underlying economic structure and support the vulnerable population, a combination of grant and loan may be needed. There seems to be an ongoing erosion in creditworthiness which may limit the access to credit for many who genuinely need it.
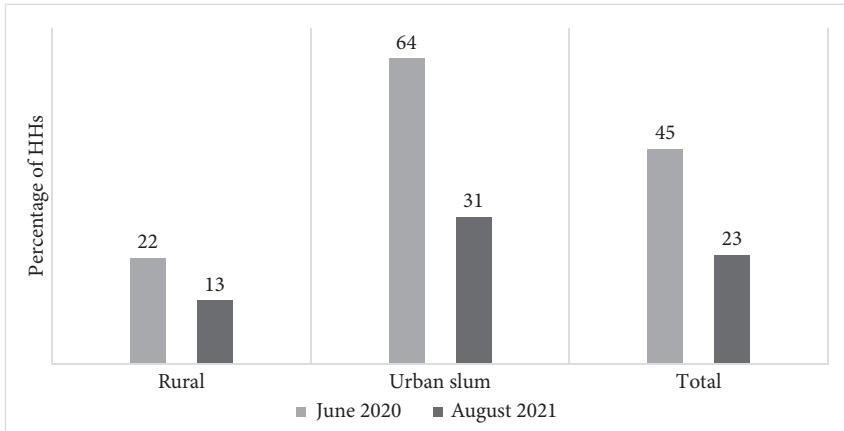
Figure 6.5   Percentage of HHs that received any kind of support
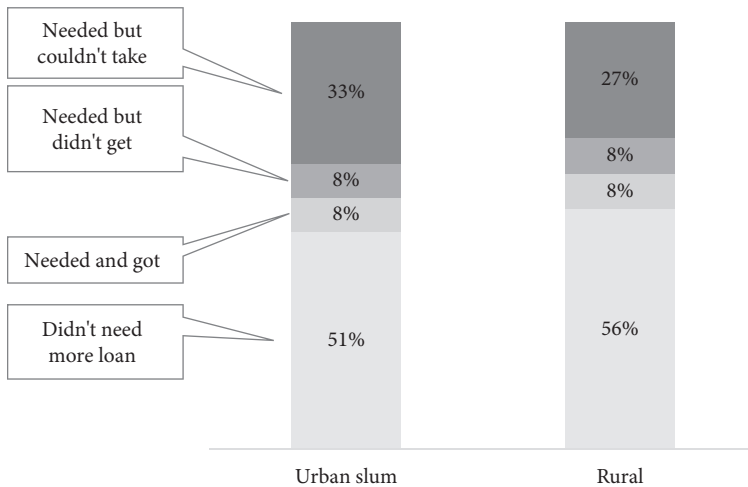*Source*: authors' construction.

Figure 6.6   Demand for credit
Source: authors' construction.

6. Longer-term effects: Recovery with distress

The PPRC-BIGD panel surveys over 18 months of the COVID-19 crisis provide an
overview of both the economic shocks induced by the pandemic and the recovery
process.

6.1 Income dynamics

After the first lockdown, income for HHs in urban slums and rural areas and across income groups declined drastically, but thereafter it improved steadily and almost reached pre-COVID levels by June 2021, on average. But because of the second lockdown, income took another hit. Though the impact of the second lockdown was not as sharp as that of the first, it was still substantial. Consequently, 18 months after the start of the pandemic, per capita daily income among the surveyed HHs remained 23 per cent lower than its pre-COVID level. In constant prices of February 2020, this is BDT88 (US$1.04) per capita per day, which also happens to be the rural upper poverty line. Overall, it was found that income is still much below the pre-COVID level, even after two years of the pandemic-induced initial and most intense economic shock. Average household per capita daily income for the entire sample stood at BDT99 (in constant February 2020 prices) as of May 2022, which was still 15 per cent below pre-COVID levels. The recovery process was first disrupted by the second lockdown and again by inflation.

When disaggregated by income groups based on pre-COVID incomes, it is noticeable that those below the upper poverty line (i.e. the extreme poor and moderate poor) appear to be faring somewhat well, with either having almost reached pre-COVID level or having already reached it (see Figure 6.7). They may have opted for more labour-intensive jobs or taken on multiple jobs with lower pay to compensate for the COVID-induced setback. The ones above the poverty line (the non-poor and the vulnerable non-poor), however, have borne the larger brunt of the pandemic and have been less successful in recovering the lost earnings. This could be because, unlike those below the poverty line, non-poor who were financially struggling due to COVID were less adaptive to labour-intensive jobs, which are often deemed undignified by the society. They might be looking for workplaces with relatively higher pay or better working conditions—the opportunities for which might still be limited. Non-poor HHs took the greatest hit. Their per capita daily income before COVID was BDT216 (US$2.46). Eighteen months into the crisis, in August 2021, their per capita daily income stood at BDT135 (US$1.47); 37.5 per cent lower than the pre-COVID level. For the vulnerable non-poor and moderate poor HHs, incomes were 10.5 per cent per cent and 11.7 per cent lower than pre-COVID levels, respectively. Only among the extreme poor HHs were incomes higher (by 16 per cent) than their pre-COVID level. However, further research is needed to understand the underlying mechanisms leading to this undesirable convergence—not because the poor are getting richer but because the non-poor are getting poorer.

The inflation-adjusted upper poverty line is BDT88 (US$1.04) for rural areas and BDT105 (US$1.24) for urban areas. There is a persistent difference in the
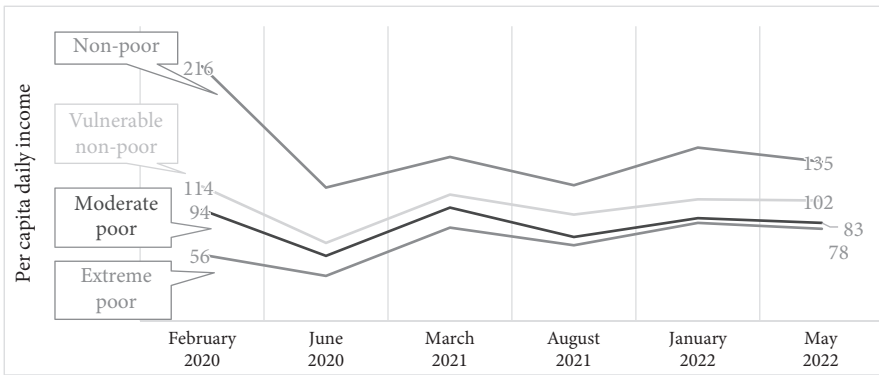
Figure 6.7 Per capita daily income in February 2020, constant BDT, across income groups

Source: authors' construction.

recovery rate between the urban slum and rural HHs. Urban slum HHs are in a disproportionately harder time in terms of long-term income recovery, and the urban disadvantage prevails beyond the inflation period. Before COVID-19, urban slum HHs had higher per capita income than the rural HHs. But as of May 2022, rural real-income recovery almost reached its pre-pandemic levels (only 1 per cent below) after two years and urban slum income was still 25 per cent below pre-COVID levels. Moreover, since March 2021, the average income in the urban slum has consistently been less than the rural average, which is a complete reversal of the status quo before the pandemic hit. Thus, in line with previous rounds, the urban distress is a constant area of concern.

The gaps in per capita daily incomes among the surveyed urban slum and rural HHs shrank considerably between February 2020 and August 2021. But while rural incomes had rebounded to just above the rural upper poverty line in August 2021, incomes in urban slums were still languishing well below the urban upper poverty line.

Urban slum dwellers experienced a much deeper livelihood impact from the first lockdown. Though their rate of recovery, until March 2020, was slightly better than their rural counterparts, the second lockdown again caused a sharper decline in their income (Figure 6.2). As a result, per capita daily income in August 2021 in urban slums was lower than that in rural areas, although the opposite was true before COVID. Given the higher cost of living in cities compared with the cost in villages, these figures indicate a persistent decline in the quality of life and erosion of financial capabilities in urban slums.

When we consider the income effects on the different occupation groups, we observe that formal salaried workers, including factory workers, have shown a
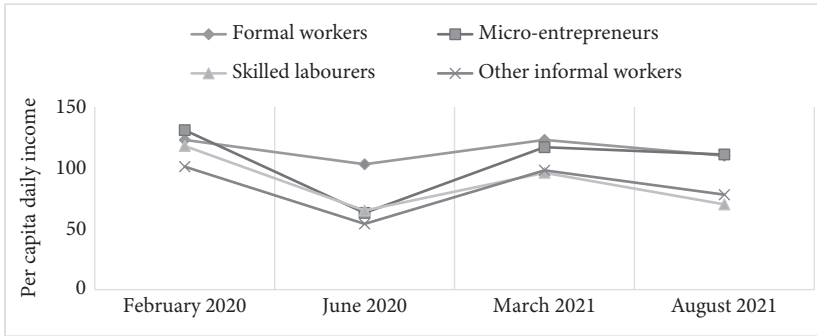
Figure 6.8 Per capita daily income in February 2020, constant BDT, across aggregate pre-COVID occupational groups

Note: 'Others' and 'Not in IGA' are excluded. 'Formal workers' comprise salaried workers and factory workers and 'Other informal workers' consist of the remaining occupation groups except for micro-entrepreneurs and skilled labourers.
Source: authors' construction.

more stable pattern. Informal workers, including skilled labourers, are far worse off than pre-COVID (Figure 6.8). While self-employed micro-entrepreneurs took a large hit after the first lockdown in 2020, they recovered fast, and the second lockdown had a minimal effect on them. A more disaggregated chart is available in Appendix Figure 6.A1.

6.2 Labour market dynamics and vulnerable shifts

In both rural areas and urban slums, many people who were involved in IGAs before COVID were yet to find work as of August 2021. Unemployment soared after the first lockdown, everywhere. In the case of rural areas, the rate came down to pre-COVID levels by March 2021 before increasing again after the second lockdown. But in the case of urban slums, unemployment remained persistently high. Although it declined from 24 per cent in June 2020 to 13 per cent in March 2021, it was still almost twice as high as pre-COVID and had increased further by August 2021 (Figure 6.9).

When we look at the shifts in employment pattern among those who were involved in IGAs before COVID, two insights emerge. Many occupational groups who are vulnerable in general have been affected disproportionately. For example, 35 per cent of housemaids and 13 per cent of unskilled labourers (e.g. day labourers) remained out of work in August 2020. On the other hand, we can also find an indication of vulnerable shifts for relatively skilled and secure occupations: many previously skilled workers now worked as unskilled labours (17 per cent) or were out of work (15 per cent), and only 54 per cent of salaried employees had held on
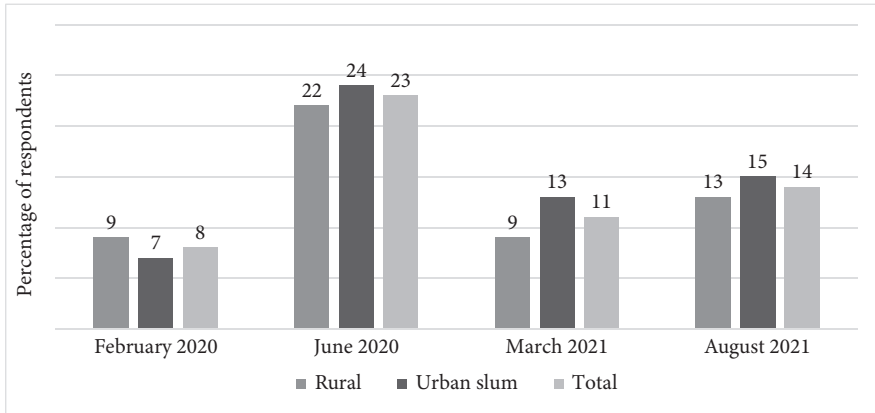
Figure 6.9 Percentage of respondents not in IGAs

Source: authors' construction.

to their jobs, the rest moving to less secure, more vulnerable occupations, including unskilled labouring (8 per cent) and rickshaw pulling (4 per cent), and 11 per cent of them remaining out of work as of August 2021.

6.3 Expenditure dynamics

In both urban slum and rural HHs, food and nutrition expenditure had been slowly recovering since the sharp drop observed in June 2020, but the recovery has slowed and flattened since March 2021. Consequently, food and nutrition expenditure in August 2021 was 16 per cent lower in urban slums and 12 per cent lower in rural areas than pre-COVID levels. As caloric demands are often prioritized over the nutritional demands of the body in times of economic crisis (Laran and Salerno 2013), many HHs are likely to reduce their consumption of nutritious food and increase consumption of cheaper, high-calorie food like rice and potatoes. Indeed, we find that the majority of the surveyed HHs did not have any meat or milk throughout the pandemic, and fruit intake has declined consistently since June 2020 (Figure 6.10).

Long-term lack of critical food items like milk, fruits, and meat may be particularly damaging to the physical and mental growth of children, which may have long-term welfare consequences for them.

Because of the drastic reduction in income during the first lockdown, rent and utility payments were deferred, particularly for many urban HHs. And because all educational institutions were closed, educational expenses were also deferred. To cope with the financial crunch, non-emergency medical costs were also likely to
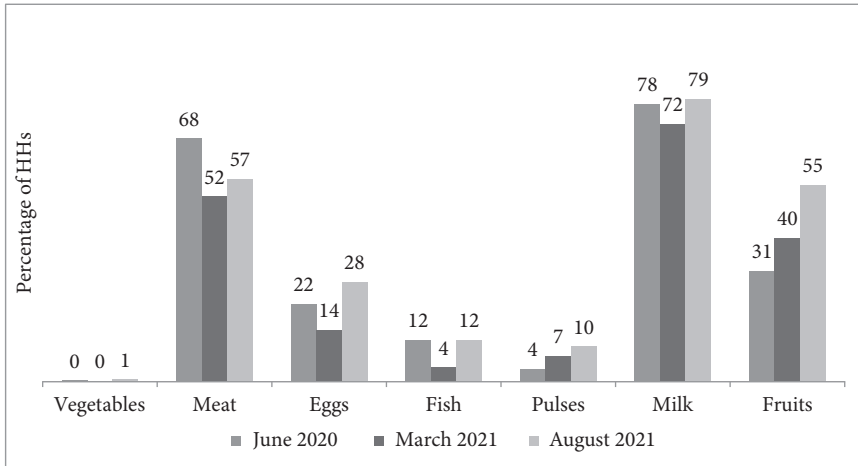
Figure 6.10 Percentage of HHs that did not have certain types of food in the past seven days

Source: authors' construction.

be put off. So non-food expenditure was found to be low in the June 2020 survey. But these expenditures can be deferred only for so long. Unpaid bills pile up and untreated medical conditions often become more expensive to treat over time. As a result, households' total monthly per capita non-food expenditure burden continued to increase after the initial shock.

In urban slums, per capital expenditure was almost twice as high as that of June 2020, the increase being driven by the rise in rent, utility, and medical expenditure. In rural areas, monthly per capita non-food expenditure almost tripled between June 2020 and August 2021, mainly driven by increases in medical and educational expenditure. But non-food expenditure in urban slums (BDT964 per month per capita) remained much higher than that of rural areas (BDT777 per month per capita). Combined with lower income, as discussed earlier, high non-food expenditure in urban areas caused greater hardship among urban slum residents.

6.4 Financial capacity dynamics

Savings were depleted considerably during the first lockdown across all the income groups. Since then, savings, as a percentage of annual HH income in 2020, based on monthly income in February 2020, have been increasing gradually for all but the vulnerable non-poor. Even for the other income groups, savings are yet to reach pre-COVID levels.
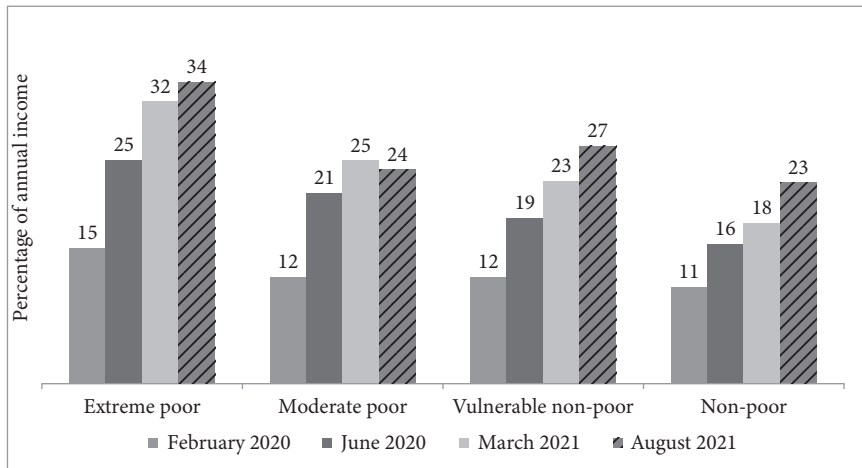
Figure 6.11 Outstanding loan as a percentage of annual income

Source: authors' construction.

On the other hand, we observed a consistent rise in outstanding loans in each phase of the survey. Between February 2020 and August 2021, outstanding loans as a percentage of annual income (2020), based on monthly income in February 2020, more than doubled for each income group—extreme poor, moderate poor, vulnerable non-poor, and non-poor (Figure 6.11).

The gradual erosion of financial capacity was also ubiquitous among urban slums and rural HHs, though, as a percentage of annual income, outstanding loans were 10 percentage points higher in rural areas (33 per cent) than in urban areas (23 per cent) as of August 2021.

We observed that the majority of HHs borrowed from shopkeepers (61 per cent), non-governmental organizations (NGOs) (49 per cent), and neighbours or relatives (38 per cent). Another 11 per cent borrowed from moneylenders. The majority of the HHs were borrowing to cover either daily consumption expenses or medical bills. Around one-fifth were borrowing to invest in business, and a similar proportion were repaying loans.

6.5 Migration

Over one-quarter (28 per cent) of respondents and their families migrated from urban slum areas at some point during the course of the pandemic. Eighteen per cent had returned by the time of the fourth-round survey in August 2021. The remaining 10 per cent have remained, which is the present rate of net reverse migration nationally. However, many of those who stayed migrated later during

the pandemic. Whether their migration is longer term cannot be said with the present data.

This is the first time in the history of Bangladesh that we have observed such a large-scale urban-to-rural migration. Since the 1960s, people have moved from villages to urban centres in large numbers in search of better economic opportunities. Now, COVID-induced income shock, combined with higher expenditures in cities, is pushing many people back to rural or less urban areas. Many have subsequently returned to urban areas, but many others may not. Migration is expensive and involves uncertainties. Thus, people—particularly those who are economically vulnerable—may not migrate, even when it offers clear economic advantages. Personal preferences, aspirations, employment, and income opportunities will influence the decision of return migrants to migrate again or stay in their rural communities (ILO 2021). Whether most of the slum dwellers who migrated to other places will return and how the economic lives of those who do not return will evolve are important policy questions.

7. Poverty dynamics and the new poor

Fifty-five per cent of the sample HHs, both in urban slums and in rural areas, lived below the inflation-adjusted upper poverty line just before COVID. The rate skyrocketed right after the first lockdown and then gradually went down to close to the pre-COVID level by March 2021 before shooting up again to 72 per cent by August 2021. The rate remained at 64 per cent as of May 2022. And the impact is not equally distributed across different groups.

The impact has been most severe in urban areas. Poverty, as of May 2022, in the rural sample remains the same as pre-COVID levels, whereas in urban slums, it increased by 17 percentage points. People whose income falls around the poverty line often oscillate above and below the line. But it is safe to assume that the increase in the poverty rates observed in this survey cannot be explained by the regular phenomenon of transitional poverty. The point will be clearer if we look at the change in poverty status among the vulnerable non-poor and poor HHs in our study. Among the HHs that were vulnerable non-poor before COVID-19, with income above the income-adjusted upper poverty line and below median income, 35 per cent were found to be below the poverty line in all three survey rounds between June 2020 and August 2021, and 34 per cent were found to be under the poverty line any two out of the three survey rounds.[7]

After the first round of the survey, we found that most of the HHs that were vulnerable non-poor as of February 2020 fell below the poverty line by April; these we identified as the 'new poor'—vulnerable non-poor people made poor by the

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[7] The transition analysis was not done for phase V because of higher attrition rate.
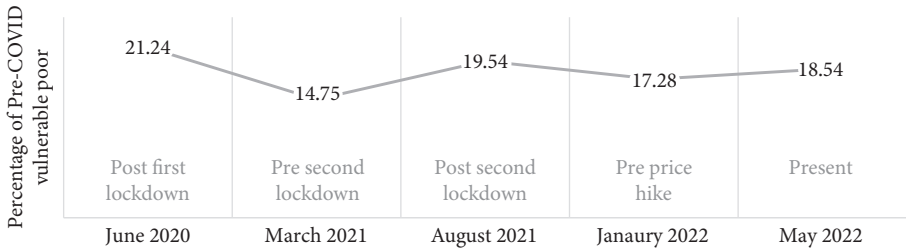
Figure 6.12 Percentage of pre-COVID vulnerable non-poor below the poverty line
Source: authors' construction.

pandemic. Though a large number of sample non-poor HHs—those above the median income—also fell below the poverty line in April 2020, considering their possible better coping capabilities, we concentrated only on the vulnerable non-poor to estimate the percentage of 'new poor' in the national population. We found the percentage of the national population that were vulnerable non-poor before the pandemic and multiplied the rate by the weight-adjusted percentage of the same group in our sample that fell below the poverty line.

According to this estimate, 21 per cent of the national population fell into the 'new poor' category, which went down over time but jumped back to 20 per cent after the second lockdown. Even in March 2021, when the recovery situation was at its best, 15 per cent of the national population was estimated to be 'new poor' (Figure 6.12). After two years, it has fallen by only 2.7 percentage points.

Additionally, when we look at the near-term scenario, we also see a reversal during the inflation period: the proportion of new poor has risen from January 2022 to May 2022 by 1.26 percentage points. The overall recovery trends do not demonstrate the perils of the large segment of vulnerable non-poor people.

Vulnerable non-poor, by definition, are vulnerable; they are less likely to have the solid financial buffers—properties, savings, strong social networks—necessary to weather the income shock for such a long time and spring back out of poverty. Many of the new poor, particularly those who could not get out of poverty throughout the pandemic, may be stuck in poverty without external support.

8. Key takeaways and policy messages

Two lockdowns and 18 months into a global pandemic, key takeaways from the panel study findings are:

Disrupted recovery: not only has recovery been fragile but also the second lockdown in April 2021 underscored the continuing threat and reality of disruptions in the recovery process due to new waves of COVID-19 infection and how they are managed. Income recovery reversed, and after 18 months, average income among the surveyed HHs in August 2021 was 23 per cent below pre-COVID levels. Employment recovery, too, was disrupted; unemployment rose by three percentage points between March and August 2021. The percentage of HHs that had skipped a meal the previous day went up from 2 per cent in March 2021 to 7 per cent in August 2021.

Transient poverty versus emerging poverty traps: the onset of recovery after the initial shock of the COVID-19 crisis led some to view the phenomenon of the 'new poor' as a transient problem. Eighteen months into the crisis, the reversal of recovery after the second lockdown has, however, only deepened the problem. In June 2020, the national estimate of the new poor was 21.24 per cent. This declined to 14.75 per cent in March 2021, but the latest estimate, in August 2021, is 19.54 per cent—or a total of 32.4 million people when extrapolated to the entire population of the country.

Persistently high number of the new poor: despite substantial increase in overall income over the past two years, the proportion of vulnerable non-poor remaining below the poverty line remains stubbornly high, further worsened by the inflation. The estimated proportion of 'new poor' in the national population stands at 18.54 per cent as of May 2022, which translates to a staggering 30.9 million. The trend has grave implications for national poverty reduction.

Distress resilience: resilience has been, and continues to be, a defining characteristic of people's response to adversity. But the pandemic has brought to the fore a different facet of resilience as an unfair bargain in a vicious cycle—higher deployment of family labour put into vulnerable and lower-income occupations, rising expenditure burdens, eroding financial capacity, and token social support or protection, if any. Between June 2020 and March 2021, recovery among the surveyed extreme poor HHs took place on the back of an increase in the average number of earners per HH from 1.25 to 1.46. From the education module of the same survey, we find that about 8 per cent of school-going boys were engaged in IGAs, both in March and in August 2021. Food expenditures have had to be kept in check, forgoing nutrition, while the non-food expenditure burden doubled, and debt climbed to nearly one-third of average annual incomes.

Depleted coping capacity: another important finding was the depleted coping capacity of the households, which is a worrying sign for the future. The most important statistic supporting this is the stated inability to borrow despite need: 38 per cent of the HHs needing the loan either did not apply for it—to

avoid further indebtedness or fear of not being able to pay—or they did not get it due to loss of creditworthiness. The government has adopted many credit-based stimulus packages during COVID-19, and the finding goes on to partially explain why the take-up among the poor and vulnerable has been low—they cannot advance towards those with eroding creditworthiness and financial capacity.

Additionally, social support from family, neighbour and friends, as well as institutional support from the government and NGOs in the form of aid or grants, has decreased from about a year ago. There has, instead, been a move towards market-based, subsidized social support such as Trading Corporation of Bangladesh (TCB) now. Hence, creating opportunities is not enough if the poor and vulnerable lack the capacity to take them on; we might possibly have to move towards mixed support schemes, such as a credit plus grant-based approach, for these segments of the population.

Continuing disproportionate impact on the urban poor: compared with rural HHs, unemployment was 2 percentage points lower in urban slums in the pre-COVID period. But by August 2021, the scenario had reversed, with unemployment in urban slums now 2 percentage points higher than in rural areas. Moreover, income drop due to the second lockdown was 18 per cent in urban slums compared with 15 per cent in rural areas.

A new sociology of new poor and reverse migration: 28 per cent of the urban HHs surveyed had involuntarily migrated during the 18 months of the ongoing pandemic. Eighteen per cent have returned, while the remaining 10 per cent have not—and might not—return. These reverse migrants, who are mostly part of the 'new poor', represent a novel socio-economic group not only for Bangladeshi society as a whole but also for the poverty alleviation paradigms of governments and NGOs alike. Though these reverse migrants are likely to be in distress, their motivations and aspirations do not necessarily conform to those of the pre-existing rural poor. Effective policy responses to the needs of this group will depend on overcoming a critical knowledge gap.

8.1 Policy messages

Living-with-COVID approach

Eighteen months into the COVID-19 crisis, the rapid and widespread disruptions to recovery caused by the second lockdown have underscored the urgency of a shift in mindset. Health-care response to the infection, administrative response to lockdown-like measures to contain new outbreaks, and economic policy response to support recovery: these three essential pillars of a holistic pandemic management policy cannot produce the desired results if pursued as isolated policy streams. Bangladesh has rightly refrained from embracing a zero-COVID policy

built on prolonged lockdowns. But a clear and effective approach to the alternative that is 'living with COVID' has also been missing. A credible integration of the three essential policy strands—health, administrative, and economic—is imperative if disrupted recovery is to be avoided.

A question of social justice

The COVID-19 response is also fundamentally a question of social justice. While the pandemic has affected all social and economic classes, the PPRC-BIGD research findings underscore an unfair burden of distress resilience that the poorer sections of society, including the new poor, appear to have been left to deal with. The following policy imperatives demand immediate attention:

- jump-starting a scaled-up and fit-for-purpose urban social protection programme portfolio to address both the new poor and the old poor;
- preparing a budgetary action plan for a comprehensive recovery and development strategy for cottage, micro, small, and medium enterprises (CMSME) encompassing both rural and urban sectors;
- preparing a priority lesson-learning report through a national consultative process on previous lockdown experiences for the purpose of minimizing recovery disruptions due to possible future infection waves;
- continuing and strengthening vaccination drives and community awareness programmes for mask-wearing and handwashing.

Addressing cost drivers and expenditure burdens of the poor

The four cost drivers that have contributed to the expenditure burdens of the poor and lower-income groups are all related to macroeconomic policy: health care, education, transportation, and utilities. The COVID-19 crisis has created a compelling policy window to review reform measures that can address these critical cost drivers for the poor. If the entrenched roadblocks to governance reforms can be confronted, leading to rationalization of such expenditure burdens, the impact on the well-being of the poor and middle-income classes alike will be as great as—if not greater than—the welfare from social protection measures alone.

Scaling up the policy focus on urban social protection

The PPRC-BIGD panel surveys have brought out the continuing disproportionate vulnerability of the urban poor. Over the years, poverty has been indelibly associated with the 'rural' in the policy mindset. However, this reality is rapidly being overtaken by growing urbanization and burgeoning urban slums. The economic impact of COVID has underscored the urgency of addressing the predicaments of the urban poor. Social protection programming for the rural poor may not often be the right response in the case of the urban poor. The challenge is a twofold one:

a shift in policy mindset towards acceptance of the urban poor as a priority focus for social protection and innovations in programming that can address the specific needs of the urban poor.

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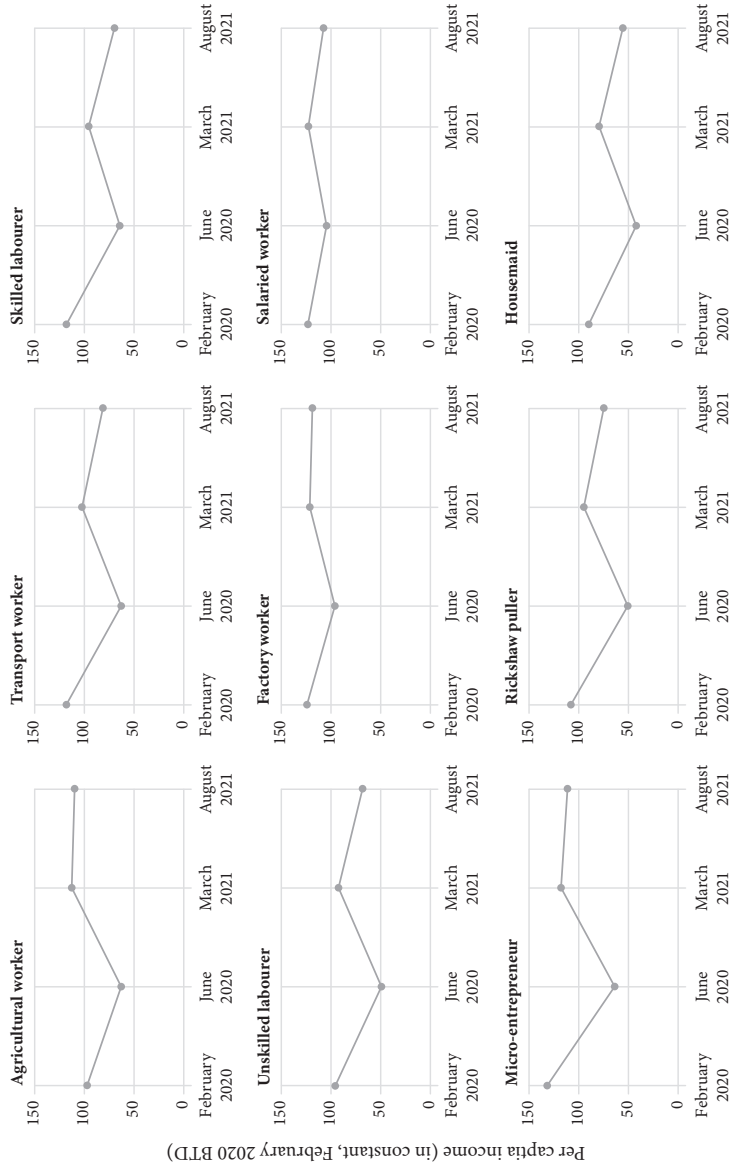
Appendix

Figure 6A.1 Per capita daily income in February 2020, constant BDT, across broad pre-COVID occupational groups

Source: authors' construction.