



# drishti

## Covid Increased Poverty: Pew Report

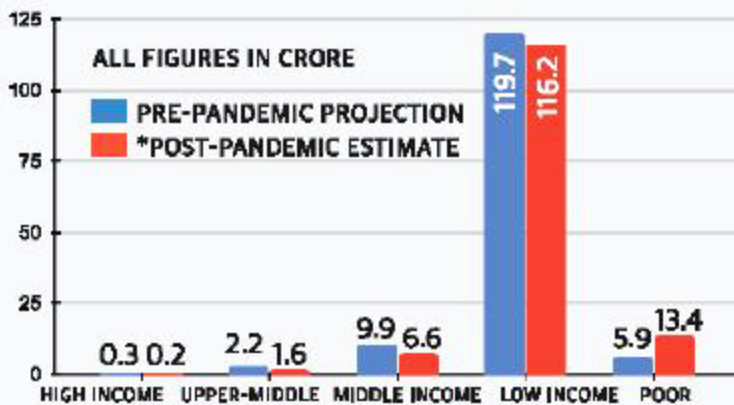
 [drishtiias.com/printpdf/covid-increased-poverty-pew-report](https://drishtiias.com/printpdf/covid-increased-poverty-pew-report)

### Why in News

Recently, a new research conducted by **Pew Research Center** has found that the **coronavirus pandemic** has pushed about 32 million Indians out of the middle class and increased poverty in the country.

- The report is based on an analysis of **World Bank** data.
- **Pew Research Center** is a **nonpartisan fact tank** that informs the public about the issues, attitudes and trends shaping the world.

**Slipping into poverty** | The number of poor in India (with income of \$2 or less a day) is estimated to have increased from almost 6 crore to 13.4 crore due to the COVID-19 induced recession. The chart shows the estimated number of people in each income tier in 2020 before and after the COVID-19 induced global recession



#### Income tiers:

Earning \$2 or less a day: poor;  
\$2.01-10: low income;  
\$10.01-20: middle income;  
\$20.01-50: upper-middle income;  
>\$50: high income

\*The term post-pandemic refers to the period since the onset of the pandemic in January 2020

### Key Points

- **Indian Scenario:**

- **Poverty Rate:**

- The poverty rate in India likely **rose to 9.7% in 2020**, up sharply from the January 2020 forecast of 4.3%.

- **Increased Poverty:**

- From **2011 to 2019**, the number of poor in India was estimated to have **reduced to 78 million from 340 million**.
    - In **2020**, the number **increased by 75 million**.
      - **Poor:** People with incomes of **USD 2 or less** a day.
      - Increase in India accounts for nearly **60% of the global increase in poverty**.
    - Record increase in **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)** participants as proof that the poor were struggling to find work.

- **Reduced Middle Class:**

- The middle class in India is estimated to have **shrunk by 3.2 crore in 2020**.
      - Middle Class:** Includes people with incomes of approximately Rs. 700-1,500 or USD 10-20 per day.
    - The middle income group is likely to have decreased from almost **10 crore to just 6.6 crore**.

- **Shrunk Low Income Group:**

- The vast majority of India's population fall into the low income group.
    - This group **shrank from 119.7 crore to 116.2 crore per day**, with about **3.5 crore dropping below the poverty line**.
      - Low Income Group:** Includes people earning about Rs.150 to 700 per day.

- **Rich Population:**

- The richer population also **fell almost 30% to 1.8 crore people**.
      - Rich:** Includes the people who earn more than Rs.1,500 a day.

- **Comparison with China:**

- Like India, China has a large population of around 1.4 billion people. But the **pandemic's effect on poverty was much smaller in China**.
  - It was the **only major economy to grow in 2020** and that has helped poverty levels to remain "virtually unchanged".

- In January 2021, the **International Monetary Fund** in its **World Economic Outlook Report**, estimated **India's economy to contract 8% in the Financial Year (FY) 2020** while **China's economy was expected to expand by 2.3% in 2020**.

- China's **middle class is likely to see a miniscule dip** of just one crore, while the number of **poor people may have gone up by 10 lakh**.

- **Global Scenario:**
  - **Poverty Rate:**
    - The global poverty rate also **increased to 10.4%** last year after witnessing a steady decline over the years.
    - It was previously expected that the poverty rate would decrease to 8.7% in 2020.
  - **Poor Class:**

The number of ‘**global poor**’ are **estimated to have increased to 803 million in 2020**, which is a significant increase from 672 million, the pre-pandemic prediction.
  - **Middle Class:**

From 2011 to 2019, the **middle class population globally had increased** to 1.34 billion from 899 million. Further, it was expected to increase by 54 million annually on average.
  - **South Asia:**

South Asia saw the **greatest reduction in the number of middle class and the largest ‘expansion’ in poverty in 2020**.

This could be attributed to **South Asia experiencing sharp decrease in economic growth** during the pandemic.
- **Reason:**
  - The **lockdown triggered by the pandemic** resulted in **shut businesses, lost jobs and falling incomes**, plunging the Indian economy into a deep **recession**.
  - Sharp rise in global poverty was owing to the fact that **many under the low income tier prior to the pandemic were living on the margin of poverty**.
- **Effect:**
  - **India and China also account for more than a third of the global population**, with about 1.4 billion people each, the course of the pandemic in these two countries and **how each recovers will have a substantial effect on changes in the distribution of income at the global level**.
  - It claws back **several years of progress** on the economic front.
    - At least **271 million people were lifted out of multi-dimensional poverty between 2005-06 and 2016-17**, claimed India’s Voluntary National Review (VNR) of Sustainable Development Goals (SDG).
- **Indian Initiatives to Mitigate the Effects of Covid:**
  - **Pradhan Mantri Garib Kalyan Yojana**.
  - **Reserve Bank of India’s Covid-19 Economic Relief Package**.
  - **Atmanirbhar Bharat Abhiyan (self-reliant India)**.

**Source:TH**