The Emergence of the "New Poor"

in Pakistan: Causes, Consequences, and Policy Responses

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Executive Summary

Pakistan's efforts to reduce poverty over the years have been reversed by COVID-19, introducing a new group of impoverished individuals classified as "New Poor, the segment of the population expected to become non-poor before COVID-19". These individuals or households who previously maintained an adequate lifestyle were pushed into poverty on account of COVID-19, floods, high inflation, and economic and political instability. The characteristics of these new poor are different from the traditional definition of poor as they reside in urban areas with better access to infrastructure, are employed in non-agricultural formal and informal sectors and the majority of them are individuals between the ages of 15-35, women and senior citizens. Despite the existing programmes like Ehsaas Kafaalat, BISP Cash Transfer and Pakistan Poverty Alleviation Fund, the new poor are left unaddressed on the account eligibility criteria often excluding these new impoverished households. To examine the characteristics of the new poor, identify the socioeconomic factors contributing to their current economic conditions and changes in their decision-making patterns, and assess the coping strategies adopted by them to overcome their current economic situation, a survey was conducted with a sample size of 398, data was collected from five urban centres. The binary logistic regression analysis was applied to assess the existence of new poor. The results of the model indicate that even after increasing the years of education and increasing the working hours, the individuals cannot save themselves from being new poor. However, by reducing their expenditure and monthly saving the individuals can save them from being classified as new-poor. Additionally, the individuals receiving financial help from family and friends turned out to be successful coping mechanisms. However, even after utilising the social protection nets the respondents were not able to save themselves from being classified as new-poor. This points to the underlying fact of how ineffective these social protection nets are in declining the economic well-being of individuals. To effectively address the needs of these households, the government may develop targeted initiatives like Universal Basic Income and Universal Basic Services in the education and healthcare sectors and revise the eligibility criteria of existing social protection programmes.

Recommendations

To better address the needs of the new poor government may:

- **Increased Employment Opportunities:** Apart from providing cash assistance to the beneficiaries of Benazir Undergrad Scholarships. The government may come up with programmes to ensure employment opportunities for individuals after their degree completion. This may be done through job placement services, bridging the gap between public and private educational institutions, skill development programmes, and collaborating with industries for immediate job acquisition. This might be achieved by ensuring that the skills required at the industrial level are being taught to the graduates. The government may

partner with the industrial units in Special economic zones ultimately addressing the lack of skilled labour force

- **Universal Basic Income (UBI):** The Government may adopt the concept of Universal Basic Income for women and particularly youth who are recent graduates and searching for jobs. In the form of UBI, the government may facilitate these unemployed individuals until they can secure jobs.

- **Revising the Eligibility Criteria of Existing Social Protection Nets:** The government may facilitate the new poor households into the existing social protection nets by revising the eligibility criteria of these programmes. The government may revise the minimum wage criteria from PKR25, 000 to at least PKR 37,000. Moreover, the eligibility criteria may be revised over the changing rate of inflation of the country and may differ in urban and rural areas as the finances required by the urban population to maintain their lifestyle are way higher in urban areas than in rural areas with inflated food and non-food items, soaring educational and health expenses etc. Moreover, an important factor that must be taken into account is the family size of the respondents applying for financial assistance a single person earning PKR 37,000 might be enough but it wouldn't be enough for the sole bread earner of a family.

- **Implementing Gender-Inclusive Policies:** The government may design policies that involve women. A large number of women are part of the informal sector by being employed in platforms like Ghar Pe and the ones that are running their businesses mainly through social media platforms. The government may facilitate them by making the loan provision process easier for them.

- **Universal Basic Services:** These new poor are different from the chronic poor. These individuals out of shyness and their prevalent status in the society might not ask for support and register themselves in targeted social protection programmes. Therefore, to cater to their needs the government may incorporate the concept of Universal Basic services. The Government may start by providing up to 20% to 30% free access to everyone in the education and healthcare sector. This might be done by initiating targeted assistance programmes for urban areas with international financial institutions. Moreover, to provide UBS across the country, the government needs to increase its financial resources which requires a long-term strategy with policies targeted at increasing its revenue including an export-led growth model, industrial growth, broadening of the tax base and reallocation of budget. Moreover, in the short run, the government may launch initiatives like free textbooks and providing free meals across all the schools of any selected city or may establish clinics in cities that might provide a considerable amount of discount on medical bills.

Introduction

The United Nations Sustainable Development Goals (SDGs) aim to reduce poverty in all forms by 2030. Poverty is generally defined as the state in which an individual or society does not have sufficient means to maintain a minimal standard of living. World Bank has set the poverty line at USD 2.15 per person per using 2017 prices implying that an individual living with income less than USD2.15 per day is living in extreme poverty.[1] Amartya Sen believed that poverty is a complicated multifaceted phenomenon and cannot be just measured by applying an international poverty line across all economies. Several biological, social and geographical factors impact the level of income.

Poverty is more than having low income; it's more about fewer opportunities. Poor people generally lack access to education, health, land, family and community support, and opportunity. In 2019 the global poverty rate was expected to decline to 8.2%. However, COVID-19 and the associated economic crisis pushed 97 million people into extreme poverty in 2021[2]. The characteristics of these "New Poor" were quite different from the chronic poor. These new poor belonged to the segment of the population expected to become non-poor before COVID-19 happened. Traditionally, poor people are expected to belong to rural areas, be employed in the agriculture sector, be less educated and have limited access to opportunities. However, after COVID-19, the characteristics of the New Poor have changed. New Poor are projected to [3]

1. Living in urban areas with improved access to infrastructure
2. Paid employees and work in the manufacturing and services sector rather than the agriculture sector
3. Less educated than the non-poor but more educated than the chronic poor and
4. Their rate of employment is lower compared to the non-poor and higher than the chronic poor.

This study delves into the emergence of the new-poor and the socioeconomic factors contributing to its emergence, analysing the coping strategies adopted by individuals in response to the changing economic conditions, and evaluating the response of the government. The paper maintains that the declining socioeconomic conditions in Pakistan over the past years, combined with social protection nets unable to address the vulnerable urban population are the leading causes of the emergence of the new-poor in Pakistan. By analysing these factors through primary survey

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[1] "Measuring Poverty", The World Bank Group, 14 dec,2023,
https://www.worldbank.org/en/topic/measuringpoverty#2 accessed on 15 July 2024

[2] Gerszon Mahler. Daniel, Nishant Yonzan, Christoph Lakner, R. Andres Castaneda Aguilar & Haoyu Wu "Updated estimates of the impact of COVID-19 on global poverty: Turning the corner on the pandemic in 2021?", 24 June 2021https://blogs.worldbank.org/en/opendata/updated-estimates-impact-covid-19-global-poverty-turning-corner-pandemic-2021 accessed on 15 July 2024

[3] "Profiles of the new poor due to the COVID-19 pandemic" 6 August 2020 Profiles of the new poor due to the COVID-19 pandemic (worldbank.org) accessed on 15 July 2024

data, the paper provides policy implications for poverty reduction and enhancing the social protection nets of the country.

New-Poor in Context of Pakistan

Pakistan being one of the first countries to incorporate SDGs in its National Development Agenda made significant efforts to reduce poverty. There was a significant decline in poverty rates between 2001- 2015 with a drop in the population living below the poverty line from 64.3% to 24.3%[4]. This drop in poverty rates was mainly driven by the rise in job opportunities in the non-agriculture sector and the increase in worker remittances. In 2020, the pandemic and strict lockdown affected household welfare badly. The workforce across the country either lost their jobs or faced pay cuts. This resulted in pushing 2 million people below the poverty line[5]. These are the new poor in the case of Pakistan that fell into the category of Poor on account of COVID-19 and related economic conditions. The "New-Poor" in Pakistan can be defined as the Individuals and families that have fallen below the poverty line due to the economic shocks prevalent in the economy for the last 4 years. COVID-19, inflation and political instability leading to unsustainable economic policies attributed to the increase of new poor in the economy. On account of these factors, as of 2023, almost 3 million people became new poor as compared to 2018[6]. In FY2024 weak economic growth, high inflation and growing unemployment rates resulted in 2.5 million more new poor as compared to the last FY2023[7]. These new poor added to the economy became poor after the recent economic shocks resulted in their job losses.

Demographic Characteristics of New Poor

Following are the demographic characteristics of New-Poor in Pakistan

- **Gender**: The gender disparity gap in Pakistan is 57.5%. However, the recent economic crisis has only widened the gap with women being the most affected. During COVID-19, nearly 25% of Pakistani women either lost their jobs or were temporarily suspended from their jobs especially those employed in home-based jobs[8]. These new poor are mostly women, senior citizens and youth.

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[4] "Poverty and Equity Briefs", World Bank Group. 4 April 2024
  https://www.worldbank.org/en/topic/poverty/publication/poverty-and-equity-briefs accessed on 16 July 2024
[5]"Poverty and Equity Briefs", World Bank Group. 4 April 2024
  https://www.worldbank.org/en/topic/poverty/publication/poverty-and-equity-briefs accessed on 16 July 2024
[6]"Poverty and Equity Briefs", World Bank Group. April 2023
  https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/current/Global_POVEQ_PAK.pdf accessed on 17 July 2024
[7]"Poverty and Equity Briefs", World Bank Group. 4 April 2024
  https://www.worldbank.org/en/topic/poverty/publication/poverty-and-equity-briefs accessed on 16 July 2024
[8] https://blogs.worldbank.org/en/endpovertyinsouthasia/women-and-girls-must-be-center-pakistans-covid-19-recovery

- ▪ **Occupational groups**: COVID-19 and other macroeconomic scenarios had different impacts on major occupational groups. Sectors worst impacted included stock markets, Tourism and travel and manufacturing, wholesale and retail, Real Estate and Hospitality[9][10]. Moreover, Small and Medium Enterprises (SMEs) and home-based workers have been hardly hit in recent years.
- ▪ **Age**: The age group primarily fallen in poverty due to recent economic conditions are mostly youth (15-35) employed in retail, manufacturing tourism and services sectors and middle-aged adults i.e. greater than 35.

Causes Leading to the Emergence of "New Poor"

Over the last 4 years, Pakistan's economy has been facing various events that have set the stage for the emergence of the New Poor. These factors include the COVID-19 pandemic, floods, post-COVID inflationary episodes, large fiscal debts, and political and economic instability, which contribute to poverty and unemployment. The following section discusses the macroeconomic shocks that contributed to the emergence of the new poor.

World Bank estimated that the economic setback caused by COVID-19 will approximately push 119-124 million into poverty. Particularly, developing countries including Pakistan were highly at risk. In Pakistan, COVID-19 infected approximately 0.54 million individuals and resulted in death of 11,683 as of 2021. Strict lockdown resulted in slowed economic growth primarily due to the contraction of the industrial and services sector. Coupled with COVID-19, locust attacks and damages caused by floods further deteriorated the economy. These economic and climatic shocks resulted in double-digit inflation as headline inflation reached 11.5% in FY2021[11]. These macroeconomic shocks pushed millions of people below the poverty line with a significant increase in unemployment. Given these economic conditions, the most vulnerable were the daily wage workers in urban areas with no source of extra income or savings. COVID-19 resulted in the loss of 20.7 million employment opportunities in Pakistan. Out of which vulnerable employment accounted for almost 56%, with 71% females and 52% males.

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[9] Policy Review Economic Impact of Coronavirus and Revival Measures: Way Forward for Pakistan: https://sdpi.org/economic-impact-of-coronavirus-and-revival-measures-way-forward-for-pakistan/publication_detail

[10] Assessing Impact of Macroeconomic Shifts on Micro-Economy of Pakistan's Poor and Ultra-Poor Households. https://www.ppaf.org.pk/doc/Policy%20Brief%201,%20NPGP%20Macroeconomy%20Study.pdf accessed on 19 July, 2024

[11] Monetary Policy Statement available at: https://www.sbp.org.pk/m_policy/2021/MPS-Dec-2021-Eng.pdf
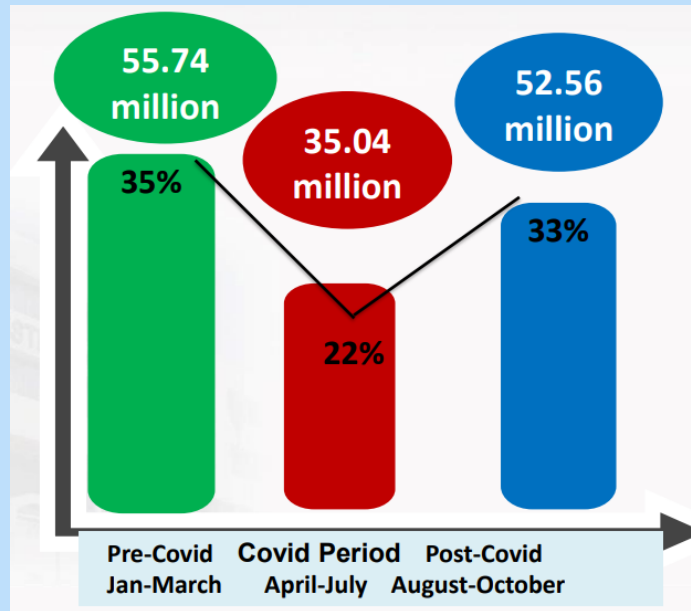
Figure 1: Impact of Lockdown on Working Population of Pakistan

Source: PBS[12]

The Figure 1 depicts how drastically 20.7 million people became unemployed as a result of COVID-19, but post-COVID 17.52 million individuals returned to jobs keeping 3.18 million people unemployed. Employment opportunities for both men and women declined by 56%. The impact of the lockdown on employment varied across sectors mainly impacting manufacturing (26%), construction (20%), transport and storage (17%), wholesale and retail trade (16%), community, social and personal services (11%) and the agriculture, forestry and fishing by 5%[13]. The income of daily wage earners declined by 64%[14]. These wage earners from urban areas are mostly employed in the manufacturing, construction and transportation sectors. Moreover, COVID-19 significantly impacted SMEs by negatively impacting the businesses in terms of reduction in demand, loss of finances and supply chain disruptions[15]. About 8% of women-owned

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[12]Survey to Evaluate Socio-Economic Impact of COVID-19_PBS available at: PowerPoint Presentation (pbs.gov.pk) accessed on 18 July,2024

[13] Survey to Evaluate Socio-Economic Impact of COVID-19_PBS available at: PowerPoint Presentation (pbs.gov.pk) accessed on 18 July,2024

[14]Assessing Impact of Macroeconomic Shifts on Micro-Economy of Pakistan's Poor and Ultra-Poor Households: available at https://www.ppaf.org.pk/doc/Policy%20Brief%201,%20NPGP%20Macroeconomy%20Study.pdf accessed on 19 July,2024

[15]Shafi, Mohsin, Junrong Liu, and Wenju Ren. "Impact of COVID-19 pandemic on micro, small, and medium-sized Enterprises operating in Pakistan." *Research in Globalization* 2 (2020): 100018.

microenterprises lost their revenues amid the pandemic[16]. The household income declined to 53% with rural and urban decline to 49% and 57%, respectively. COVID-19 impacted the livelihood of the individuals who were maintaining an adequate lifestyle for themselves and pushed them into the category of new poor. The post-COVID inflationary episode, supply chain disruption, and the Russia-Ukraine war raised the CPI inflation to a high of 12.2%. High global fuel prices and energy tariffs were reflected in the rise of energy inflation in both the Urban and Rural sectors. On account of weak exchange rates, higher agricultural inputs, and increased global commodity prices, food inflation significantly increased to 13.4% in FY22 as compared to 12.5% in FY21. However, there was a slight decline in rural food inflation to 13.0% in FY2022. High inflation rates declined the purchasing power of the chronically poor and new poor people.

Socio-Economic Consequences of Poverty

3 million people became new poor on account of COVID-19, high inflation and unsustainable economic policies. These new poor were the individuals or households, who were maintaining an adequate lifestyle and were pushed to the category of poor. The decline in their income impacted their consumption and expenditure patterns with significant changes in per capita income spent on education and health facilities. COVID-19 significantly reduced income, working hours and purchasing power of households. Affected groups minimised the losses by reducing their food and non-food expenses, using their saving and taking loans. Salaried class, informal labourers, senior citizens and women had limited access to a healthy diet.
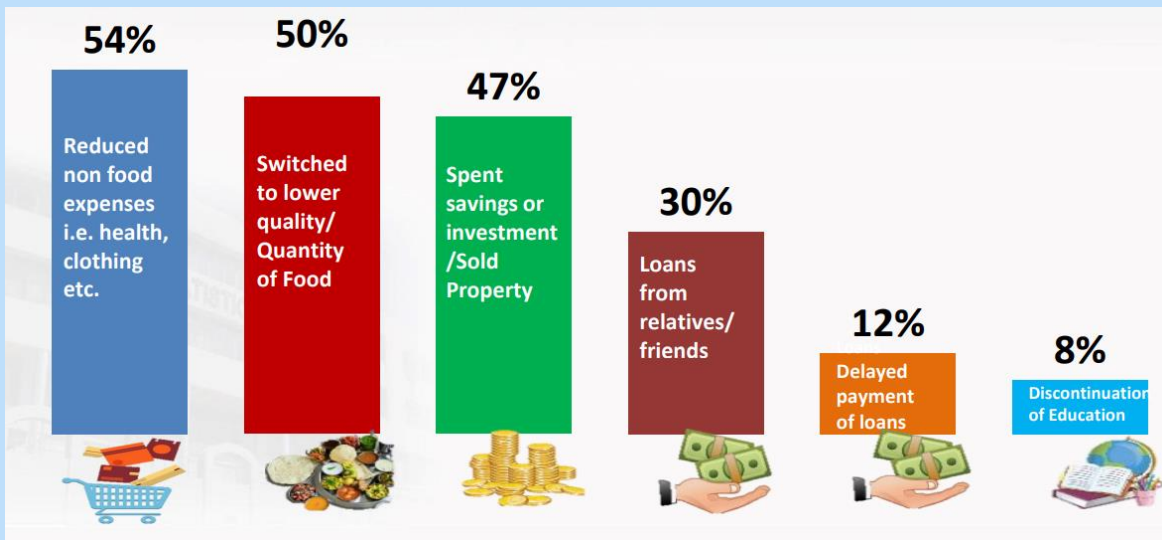

Figure 2: Coping Strategies Adopted during COVID-19

Source: PBS[17]

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[16] https://blogs.worldbank.org/en/endpovertyinsouthasia/women-and-girls-must-be-center-pakistans-covid-19-recovery

[17] Survey to Evaluate Socio-Economic Impact of COVID-19_PBS available at: PowerPoint Presentation (pbs.gov.pk) accessed on 18 July,2024

Figure 2 shows that 54% of households reduced non-food expenditures, 50% reduced food expenditures, 47% used their old savings, and 30% received loans from relatives/friends as coping strategies during COVID-19. Before the Pandemic outbreak, Pakistan's education system was already afflicted by structural flaws and a learning crisis. However, the unprecedented school closure further damaged the country's effort to build productive Human Capital affecting 53.3 million students aged 5 to 16. In addition, 22.8 million are already out of school[18]. This resulted in a significant decline in per capita education expenditure by 71%[19]. Pakistan is facing a dual education crisis with 26 million out-of-school children and 2nd highest learning poverty in the South Asian region.[20]

Government Responses and Social Protection Nets

Macroeconomic shifts over the last 4 years have resulted in higher rates of poverty, education depreciation and unemployment; the effects were severe for women and youth as an early response to the pandemic government proposed a stimulus package of Rs 1.24 trillion. Table 1 below provides the details of social safety nets by the government of Pakistan to address the structural vulnerabilities of the country.

Table 1: Social Safety Nets in recent Economics situation in Pakistan

Programme Name	Initiatives
Economic Support Package by the Prime Minister	▪ Relief package worth Rs.200 billion to daily wage earners ▪ Rs. 150 billion cash transfers to low-income families ▪ Rs 100 billion tax refund to the export sector ▪ Rs 100 billion financial support extended to SMEs ▪ Rs 280 billion for wheat procurement ▪ Rs 50 billion support to utility stores ▪ Rs 15 billion for food and medical assistance
Rozgar Scheme	▪ To prevent layoffs, paid salaries for 6 months except for government organisations, financial institutions and public sector businesses. ▪ Facilitated 184,8945 employees of 3,331 enterprises. 313599 beneficiaries worked for SMEs.
Ehsaas Kafaalat	▪ Cash stipend of Rs 2000 per month for deserving women. ▪ 7 million beneficiaries ▪ People excluded from the program included government employees and their spouses, taxpayers, history of international trips and car owners

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[18]COVID-19 and child education: available at https://pide.org.pk/research/covid-19-and-child-education/ accessed on 17, July 2024

[19]Assessing Impact of Macroeconomic Shifts on Micro-Economy of Pakistan's Poor and Ultra-Poor Households: available at https://www.ppaf.org.pk/doc/Policy%20Brief%201,%20NPGP%20Macroeconomy%20Study.pdf accessed on 19 July, 2024

[20]Nadeem.Umer, Moiz Naeem, Maira Sheikh, Mosharraf Zaid "Towards Learning" Marc 2024Tabadlab-Learning-Nexus-August-2024.pdf accessed on 10 August 2024

BISP's Unconditional Cash Transfer Programme	- Rs 9.4 million beneficiaries enrolled - Cash grants increased from Rs3000 to Rs10500 per quarter. - Rs256.3 billion to 9.4 million Kafaalat beneficiaries. - Rs 20,000 financial assistance to 8000 daily wage workers in Balochistan.
Benazir Taleemi Wazaif (Education Programme)	- To increase the primary enrollment, Co-responsibility Cash Transfer was introduced. 14.8 million Children enrolled with cash disbursement of Rs117 billion so far.
Benazir Undergraduate Scholarship	- Provision of merit and need-based scholarships for 4-5 years of undergraduate education programs. - Scholarship includes fees and stipend to cover living expenses.
Interest-Free Loan Programme under the Pakistan Poverty Alleviation Fund (PPAF)	Under this programme, 274,730 interest-free loans with 35% loans to men and 65% to women in FY24.
Small and Medium Enterprises (SMEs) Development under PPAF	- With the primary focus on production, value addition and services, PPAF has been strengthening the SMEs in Sind and Balochistan. - In FY2024, 169 SMEs were linked with financial institutions (3% women), and 106 SMEs obtained loans (31% women). - Additionally, 449 women, 635 men and 1 transgender received training on business planning and financial literacy.

Source: Pakistan Economic Survey 2023-24[21]

Evaluation of Government of Policy Responses

The government of Pakistan provides social protection initiatives to improve the country's socio-economic conditions and address the needs of vulnerable individuals. However, are these social protection nets covering the "new poor" that emerged in the recent economic crisis? Are they eligible for these social security nets?

Under the BISP, the eligibility criteria for receiving the cash transfer is beneficiary's monthly income should be Rs 25000 i.e., anyone earning less than Rs 25000 is eligible to receive BISP payment. However, the individuals classified as new poor are working in the non-agriculture sector i.e. manufacturing, services or Transportation, with a relatively monthly income greater than the threshold income set under BISP.

An additional condition under the eligibility criteria of BISP is individuals must not own a car. This excludes a large number of affected households from receiving such cash transfers. New poor are individuals or households who owned assets in past and were maintaining a suitable lifestyle. Such conditions increase the chance of eliminating the affected individual from getting the

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[21]"Economic Survey of Pakistan",Minsitry of Finance, Available at:
  https://www.finance.gov.pk/survey/chapter_24/Economic_Survey_2023_24.pdf accessed on 19 July,2024

benefits. The eligibility criteria set for such social protection initiatives are mostly targeting individuals or households that are already poor.

GENDER DISTRIBUTION OF RESPONDENTS
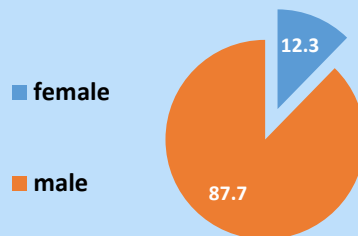
Moreover, individuals employed in informal sectors were largely affected by the COVID-19 and post-COVID economic situations in Pakistan. This informal sector has been increasing in Pakistan every year, with businesses like Indrive, Yango, and Ghar Pe etc. These individuals are not targeted in social protection nets. Also, conditions like car owners and taxpayers make them ineligible for receiving any benefit. These new poor might own a car and earn more than Rs25000 but are they able to fulfil their family needs within their income in today's macroeconomic conditions?

The government of Pakistan has been spending a suitable amount on social protection initiatives to improve the country's socio-economic conditions. However, the eligibility criteria of these programmes in the first place eliminate a large portion of the population that became new poor. The policymakers need to make targeted programs that cater to the new poor's needs.

New-Poor Phenomena in Pakistan

The study was conducted to analyse the emergence of the new-poor in Pakistan. The study aimed to examine the characteristics of this group, identify the socioeconomic factors contributing to their current economic conditions and changes in their decision-making patterns, and assess the coping strategies adopted by them to overcome their current economic situation. To achieve the following objectives a survey was carried out in 5 urban centres of Pakistan with a sample size of 398. The results of this study provide detailed insights into the changing dimensions of poverty, and contributing factors and evaluate the government response. Following are the results of the demographics analysis of the respondents of the study.
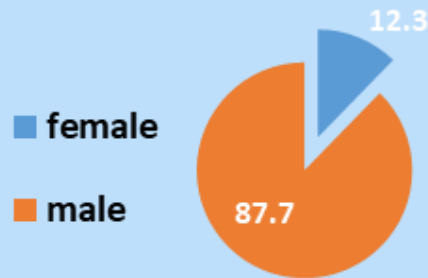
GENDER DISTRIBUTION OF RESPONDENTS

12.3

■ female

87.7

■ male

Figure 3: Gender Distribution of Respondents

Source: Author's Construct

Figure 3 shows the gender distribution of respondents in the survey. Out of a total of 398 responses, 49 respondents were female and 349 were male who participated in the study.

Respondents Distribution Across Cities

Peshawar
10%

Lahore
11%

Karachi
6%

Islamabad
44%

Rawalpindi
29%

Figure 4: Respondents Distribution across Cities
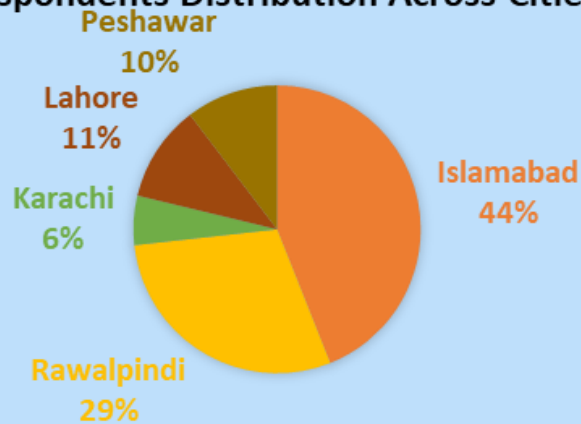
Source: Author's Construct

Figure 4 contains the distribution of respondents across cities. The new poor are individuals living in urban areas with good infrastructure and better facilities, the data is collected from the top 5 urban cities of Pakistan. The representation of these cities is as follows: Islamabad 44%, Rawalpindi 29%, Karachi 6%, Lahore 11% and Peshawar 10%.
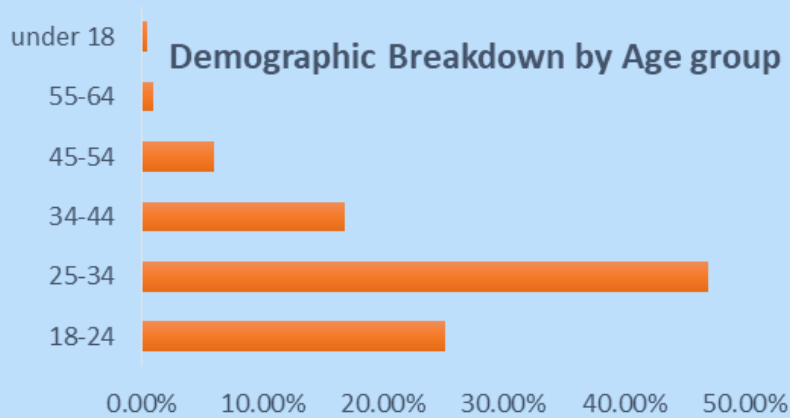
Figure 5: Demographic Breakdown by Age Group

Source: Author's Construct

Figure 5 shows the demographic breakdown by age group. Since the individuals most affected by the current economic conditions range from 15years-35years and older than 35. In the study, the representation of different age groups are: under 18(0.50%), 18-25 (25.10%), 25-34 (46.90%), 34-44 (16.8%), 45-54 (6%), and 55-64 (1%).
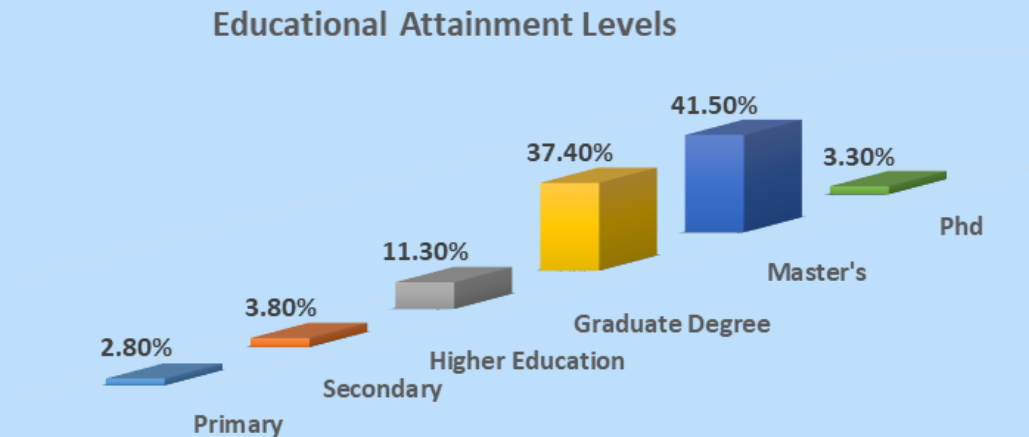
Figure 6: Educational Attainment Levels

Source: Author's Construct

Figure 6 shows the educational attainment levels of the respondents. The level of education is identified as an important characteristic of individuals classified as new poor. Therefore, to examine how years of education impact the individuals, data is obtained from respondents with

varying education levels. The distribution of different educational attainment levels is as follows: Ph.D. 3.30%, master's 41.50%, graduation degree 37.40%, higher education 11.30%, secondary 3.80%, and primary 2.80%.
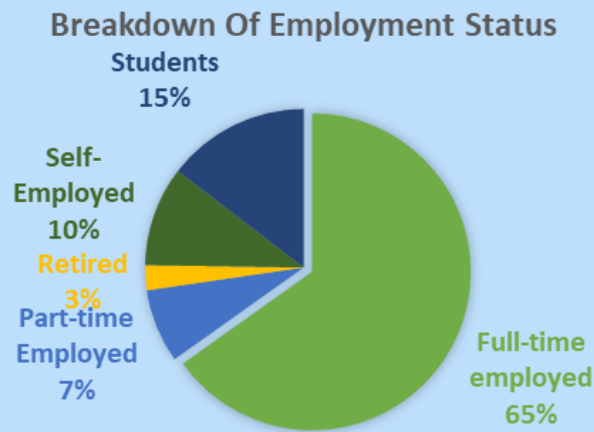
Figure 7: Breakdown of Employment Status

Source: Author's Construct

Figure 7 shows the breakdown of the employment status of the respondents. To examine how different occupational statuses influence the individual being categorised as new poor or not, the following are the results: full-time employed (65%), part-time employed (7%), self-employed (10%), retired (3%) and students (15%).

Figure 8: Sectoral Employment Distribution

Source: Author's Construct

Figure 8 shows the distribution of sectoral employment. The characteristics of the new poor indicate that they mostly belong to the non-agricultural sectors, so the survey included different sectors of the economy. The results are as follows: wholesales & retail 3.80%, transportation 1.30%, services 65%, manufacturing 5.20%, informal sector 18.30%, construction 2.30%, and agriculture 3.50%.

Household Income Range

- PKR36,000 – PKR45,999
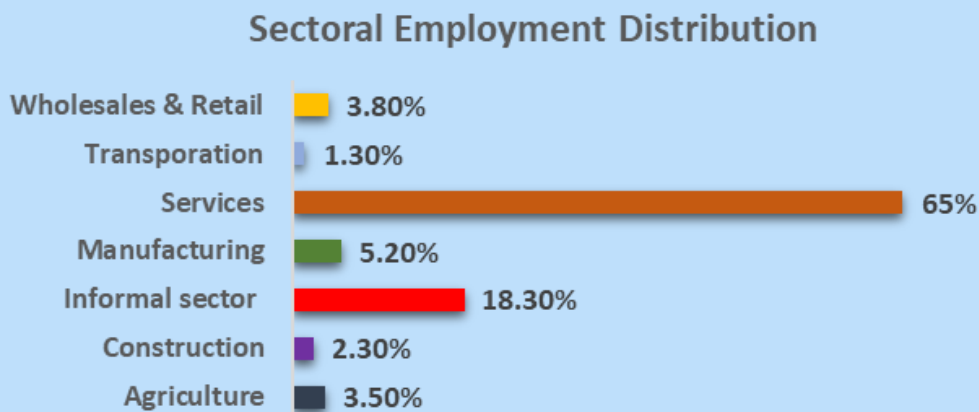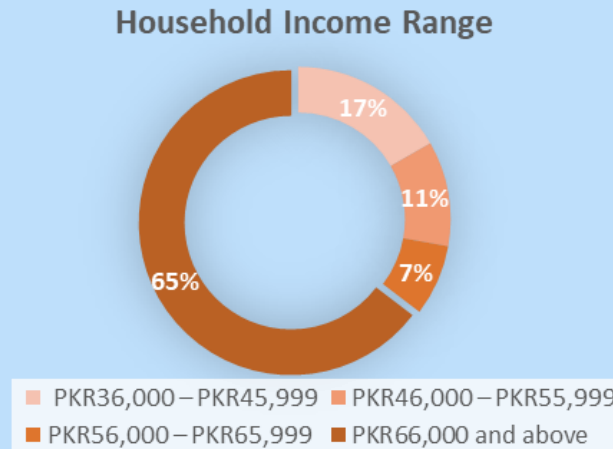- PKR46,000 – PKR55,999
- PKR56,000 – PKR65,999
- PKR66,000 and above

Figure 9: Household Income Range

Source: Author's Construct

Figure 9 shows the breakdown of the household income range of survey respondents. Income is an important variable in determining the economic well-being of individuals. As the minimum monthly wage set by the government of Pakistan is PKR37, 000, therefore lowest income range is set at this amount. The household income of the respondents is as follows: PKR36,000 – PKR45,999 (16.60%), PKR46,000 – PKR55,999 (11.10%), PKR56, 000 – PKR65,999(7.50%) and PKR66,000 and above (643%).

Methodology

In an attempt to examine the factors contributing to individuals classified as new poor or not, based on different socio-economic variables, the study has applied Binary Logistic Regression analysis. This type of estimation technique is applied in the study, as it can incorporate multiple independent categorical variables to explain the likelihood of occurrence of the binary type dependent variable.[22] Therefore, to model the likelihood of being new-poor or not based on the different socio-economic behaviours and to examine the strength and direction of these variables, binary

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[22] Asteriou, Dimitrios, and Stephen G. Hall. Applied econometrics. Bloomsbury Publishing, 2021.

logistic regression analysis is the most appropriate estimation technique. Based on Dimitrios Asteriou (2021) the equation of the model and the coefficients are here:

$$Li \ = \ \beta_1 X_{1i} + \cdots + \ \beta_k X_{ki} \ + \ u_i \quad (1)$$

Where,

$$Li \ | \ \begin{matrix} 1 \text{ if the ith individual is a new}-\text{poor} \\ 0 \text{ if the ith individual is not a new}-\text{poor} \end{matrix}$$

β = refers to the coefficients of the regression model.

X = refers to the variables of the study

The subscript i ranges from 1 to 13

Details of the variables are as follows:

X_1 =the gender of respondents described as gen1, where female=1 and male =0

X_2 = employment status described as emp

X_3= educational attainment level described as edu shows whether the 1-year increase in education can save an individual from being new poor

X_4= expenditure- patterns by households described as exp used as a proxy for income level and describes the relationship between the increase in expenditure and being new poor. This variable accounts for the changes in the spending of respondents on food and non-food items, health and educational expenses and spending for personal care and entertainment purposes.

X_5= monthly savings by respondents described as sav and develops the relationship between the increase in household savings and being new-poor.

X_6= job loss or reduced income contributing to the economic situation described as es_jb explains how job loss or reduced income will impact the status of being new poor.

X_7= health expenses contributing to the economic situation of the respondents described as es_he1explaining how an increase in health expense is associated with being new-poor.

X_8= expenditure on transportation described as exp_hm, explains how increased spending on transportation is associated with being new-poor.

X_9= expenditure on education described as exp_edu, describing how increasing the expenditure on income pushes the individual to be new-poor.

X_{10}= expenditure on entertainment described as exp_ent describes how an increase in expenditure for entertainment is associated with being new poor.

X_{11}= reduced expenditure as a coping strategy adopted by respondents described as cs_re, examining whether it can save the individual from becoming new-poor.

X_{12}= financial support received from friends and family adopted as coping strategies adopted by respondents described as cs_fs, examining whether it can save the individual from becoming being-poor.

X_{13} = utilising the government assistance program adopted as a coping strategy by respondents described as cs_ap, examining whether it can save the individual from becoming the new poor.

Limitations of Binary Logistics Regression

To examine the likelihood of Pakistan's urban population falling into the category of new poor, the binary logistic regression is an effective technique as it is suitable for the dataset with dichotomous independent variables and is used for predicting the outcome based on a set of independent categorical variables or interval variables. However, certain limitations of the model should be discussed.

- **Endogeneity**: The model does not account for endogeneity that may occur when the independent variables are correlated with unexplained variables and may affect the results. For example, the impact of the variable "education attainment level" on the likelihood of being new-poor may be influenced by factors like public or private institutions or a foreign degree that are not included in our model. Moreover, the variable "employment status" might be influenced by the respondents' health conditions.
- **Unobserved Heterogeneity**: Although the model includes all the significant explanatory variables influencing the likelihood of individuals being classified as new poor, some relevant unobserved variables might exist, including respondents' health status, the type of educational institution, sources of income, etc.

Despite the above-mentioned limitations of the model, binary logistic regression analysis is the most appropriate method for examining the existence of the new poor in Pakistan and determining its contributing factors. However, further studies might examine the influence of unexplained variables using advanced statistical methods.

Results of Estimated Model

The results based on binary logistics regression analysis are as follows:

Table 2: Results of Binary Logistics Regression Analysis

Dependent Variable: New Poor (1=yes, 0=no)					
Variable	Coefficients	Std. Error	z-value	Pr(>|z|)	Signif.
gen1	-0.58	0.39	-1.46	0.14	
emp	0.24	0.06	3.54	0.00	***
edu	0.16	0.10	1.48	0.14	
exp	-0.36	0.10	-3.44	0.00	***
sav	-0.82	0.14	-5.82	0.00	***
es_jb	0.22	0.10	2.20	0.03	*
es_he1	-0.17	0.10	-1.59	0.11	
exp_hm	0.19	0.11	1.67	0.09	.
exp_edu	0.24	0.11	2.08	0.04	*
exp_ent	-0.21	0.10	-2.07	0.04	*
cs_re	-0.15	0.10	-1.41	0.15	
cs_fs	-0.26	0.11	-2.24	0.03	*
cs_ap	0.24	0.11	2.10	0.04	*
Pseudo R Squared: 0.5					
Signif. codes: 0 '*' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1**					

Table 2 contains the coefficient values and p-values of all the variables of the model. The coefficient of gender is -0.58 with a p-value of 0.14. The results indicate that the log-likelihood of males being new-poor is 0.58 less than females, implying that females are more likely to become new-poor and get affected by the changes in economic conditions. The coefficient of educational attainment level is 0.16 with a p-value of 0.14, indicating that even with a year increase in education, the likelihood of being new-poor is 0.16. The existence of new poor is strongly associated with the employment status of individuals, as it is highly significant with a coefficient of 0.24 and p-value of 0.00. The variable related to full-time employed individuals with 8 working hours and part-time employed working for 6 hours. The results indicate that with a 0.24 increase in working hours, the likelihood of being new-poor increases.

The expenditure level of respondents is used as the proxy for the level of income. The variable is highly significant with a coefficient value of -0.36 and a p-value of 0.00. The results indicate that with a 0.36 increase in expenditure level, the likelihood of being new-poor decreases as the individuals increasing their expenditure are the only ones that have enough financial resources. The level of monthly savings by the individuals is highly significant in changing their status of

being new-poor or not. With the coefficient value -0.82 and p-value of 0.00, the results indicate that 0.82 increase in savings by individuals, the likelihood of them being new-poor decreases.

The variable of job loss or reduced income with a coefficient value of 0.22 and p-value of 0.03, indicates that with a unit increase of 0.22 in job loss or reduction in income, the likelihood of being new-poor increases. The variable es_he1 describes increased health expenses with a coefficient value of -0.17 and p-value of 0.11. The results suggest that with a 0.17 increase in health expenses the likelihood of being new poor increases.

The variable exp_hm associates the transportation expenses with the status of being new-poor with the coefficient value of 0.19 and p-value of 0.09, the results indicate that with a unit increase of 0.19, the likelihood of the respondent being new-poor increases. The variable exp_edu associates the expenditure on education with the status of being a new poor. The coefficient variable is 0.24 with a p-value of 0.04, the results indicate that even by increasing the expenditure on education by 0.24, the likelihood of being new poor increases. The variable exp_ent associates the expenditure on entertainment and the classification of new-poor or not. With a coefficient value of -0.21 and p-value of 0.04, the model explains that with a 0.21 increase in expenditure on entertainment, the likelihood of new-poor decreases.

The variable cs_re examines if reducing expenditure can save the individuals from being new-poor. With a coefficient of -0.15 and p-value of 0.15, the results indicate that with a 0.15 reduction in expenditure, the likelihood of being new poor decreases. The variable cs_fs examines if financial help from friends and family can save the individuals from being new-poor. The results indicate that 0.26 increase in financial support from friends and family, the likelihood of the individual being new-poor decreases. The variable cs_ap identifies whether utilising government assistance programs can save the individual from being new poor. With a coefficient of 0.24 and p-value of 0.04, the results indicate that 0.24 increase in utilising government assistance programs, the likelihood of being a new poor increases.

Discussions

The results of the model discussed above explain how the likelihood of the occurrence of new poor is determined by socioeconomic factors. The model also delves into some demographic characteristics of these individuals classified as new-poor. It suggests that women are more likely to become new-poor as compared to men. Women in Pakistan are mostly financially dependent on men, making them more vulnerable to the changing financial position of men. Moreover, the level of education of individuals is important for determining their financial status. However, the models suggest that even by pursuing higher education, the respondents are not able to save themselves from being classified as new-poor. The results of the educational attainment level variable are similar to the socio-economic realities in Pakistan. Although, the representation of graduate degrees and master's degrees are 37.40% and 41.50% respectively in our analysis, still even being highly qualified can't save the respondents from being classified as new poor. Even after attaining

a high education, the unemployment level is very high owing to the gap in the skills required in industries and skills being taught in universities and, the gap in public and private education standards. The graduate unemployment level is 16% higher than the overall level of unemployment in Pakistan.[23] As the working classes are heavily burdened by increasing taxes, expensive electricity and gas bills, and high inflation rates, it is very difficult to sustain the current salaries even after taking part-time jobs or increasing working hours. The model also explains that even after increasing the working hours the respondents were not able to save themselves from being new-poor.

■ My economic situation has changed positively in the past year
■ Are you able to cover your monthly expenses within your current income?

STRONLY DISAGREE	23.40%	22.40%
STRONGLY AGREE	9.80%	4.30%
NEUTRAL	19.80%	18.59%
DISAGREE	24.90%	31.20%
AGREE	21.60%	23.10%
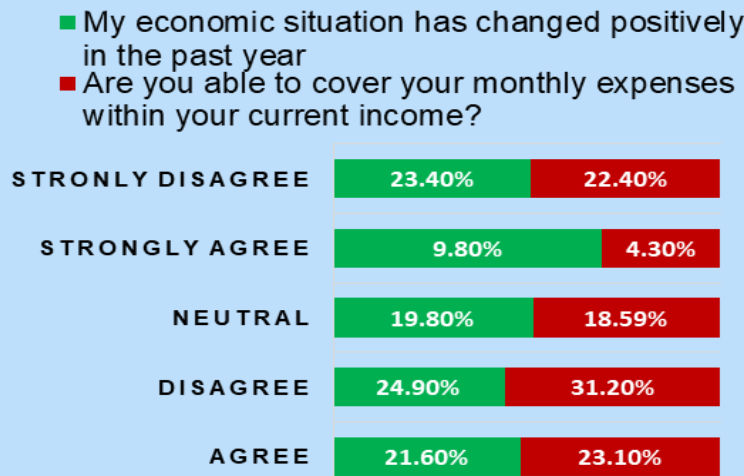
Figure 10: Economic situation and expenditure pattern of respondents

Source: Author's Construct

Are you able to save money after meeting your daily expenses?

Figure 11: Saving patterns of respondents

Source: Author's Construct

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[23] Ahsan. Henna, Muhammad Jehangir Khan, "Disaggregating the Graduate Unemployment in Pakistan", Pakistan Institute of Development Economy, March 2023. https://pide.org.pk/research/disaggregating-the-graduate-unemployment-in-pakistan/

Figures 10 and 11 show the economic situation, level of expenditure and saving patterns of respondents. Figure 10, indicate that individuals with better economic position are the ones able to over their e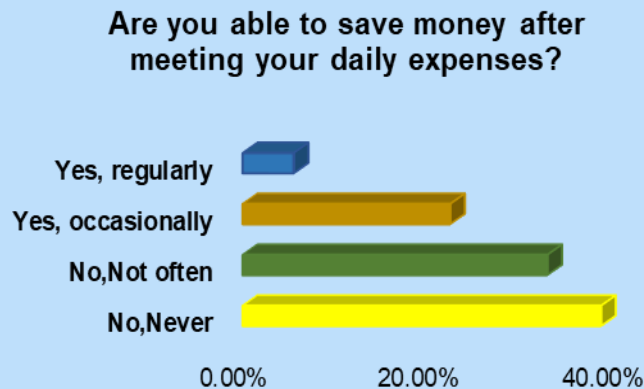xpenditures within the monthly income. Figure 11 show the contrasting difference in number of individuals able to save money regularly (5.50%) and those who are not able to save any money (38.70%). The results of the study also conclude that only individuals that are not poor are able to cover their expenses in current income and increase their level of expenditures and savings.

The model, further examines how specific socioeconomic factors have contributed to classifying individuals as being new-poor or not. Figure 12 shows the major factors contributing to the current economic situation of the respondents. It shows that for the majority of respondents increased educational expenses, housing expenses, increased living expenditures and health expenses are the cause of their deteriorating economic conditions.
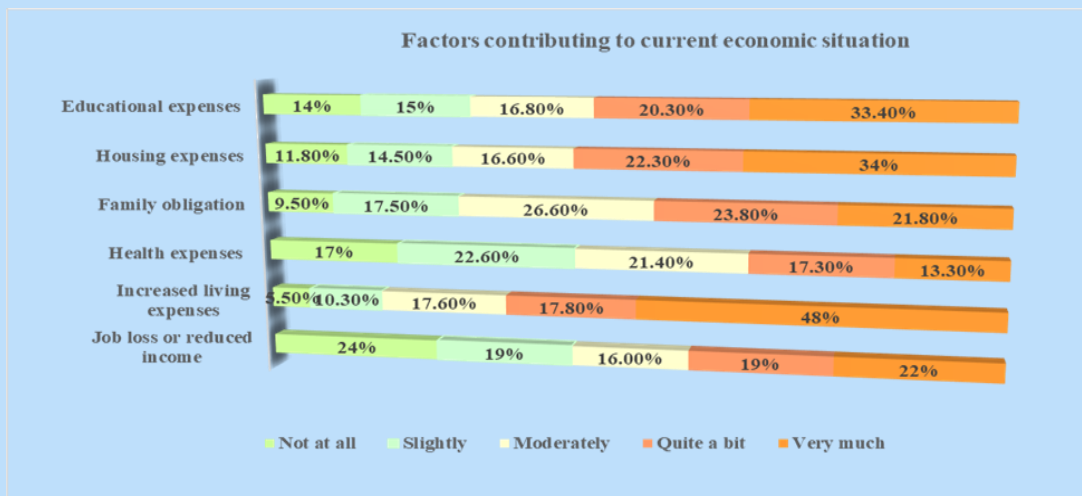

Figure 12: Factors contributing to the current economic situation

Source: Author's Construct

The model states that the factors significantly pushing the respondents to be classified as new poor were reduced income and increased health expenses. As with expensive health facilities in cities, only elites any easily increase their health expense without affecting their finances.

The model further examines changes in the expenditure patterns of the respondents and whether these changes have saved them from being new-poor. Figure 13 shows the changes in the expenditure patterns of respondents. As the results of the study state Individuals with declining incomes cannot afford to increase their expenditure on transportation and have reduced their expenditure of transportation by 15.80%. These individuals would rather shift to public transport to save the income spent on fuel. This is evident from the fact that in the past few years, the number

of people resorting to Metro Bus services for daily commutes has increased in Rawalpindi/Islamabad.
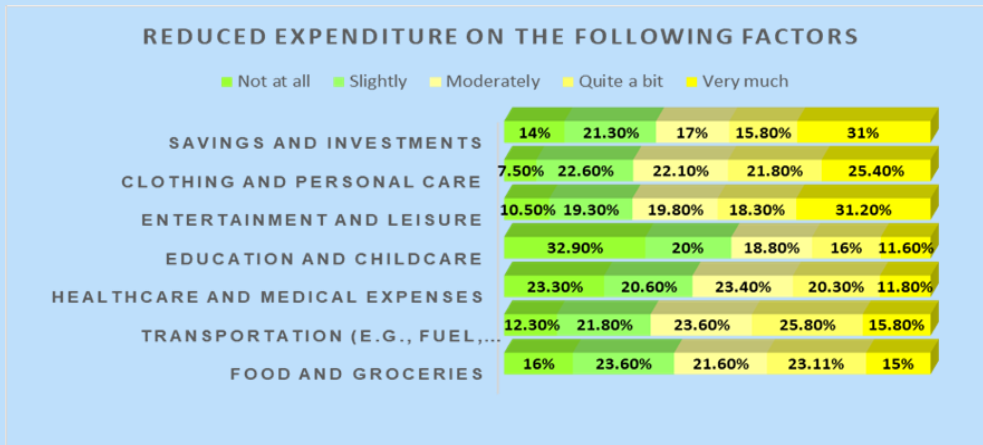

REDUCED EXPENDITURE ON THE FOLLOWING FACTORS

■ Not at all ■ Slightly ■ Moderately ■ Quite a bit ■ Very much

	Not at all	Slightly	Moderately	Quite a bit	Very much
SAVINGS AND INVESTMENTS	14%	21.30%	17%	15.80%	31%
CLOTHING AND PERSONAL CARE	7.50%	22.60%	22.10%	21.80%	25.40%
ENTERTAINMENT AND LEISURE	10.50%	19.30%	19.80%	18.30%	31.20%
EDUCATION AND CHILDCARE	32.90%	20%	18.80%	16%	11.60%
HEALTHCARE AND MEDICAL EXPENSES	23.30%	20.60%	23.40%	20.30%	11.80%
TRANSPORTATION (E.G., FUEL,...	12.30%	21.80%	23.60%	25.80%	15.80%
FOOD AND GROCERIES	16%	23.60%	21.60%	23.11%	15%

Figure 13: Expenditure reduced on the following factors
Source: Author's Construct

The model has developed that even after attaining a high level of education the individuals are not able to save themselves from being new-poor, therefore, increasing educational expenses only resulted in respondents becoming new-poor owing to the increasing educational expenses. However, 32.09% of respondents have not reduced their expenditure on education. Further, the model explains that in the current economic situation, only people with a high-income range can afford to spend money for personal entertainment purposes. This can be explained in Figure 13 that 31.20% of respondents have drastically reduced their expenditure on entertainment.
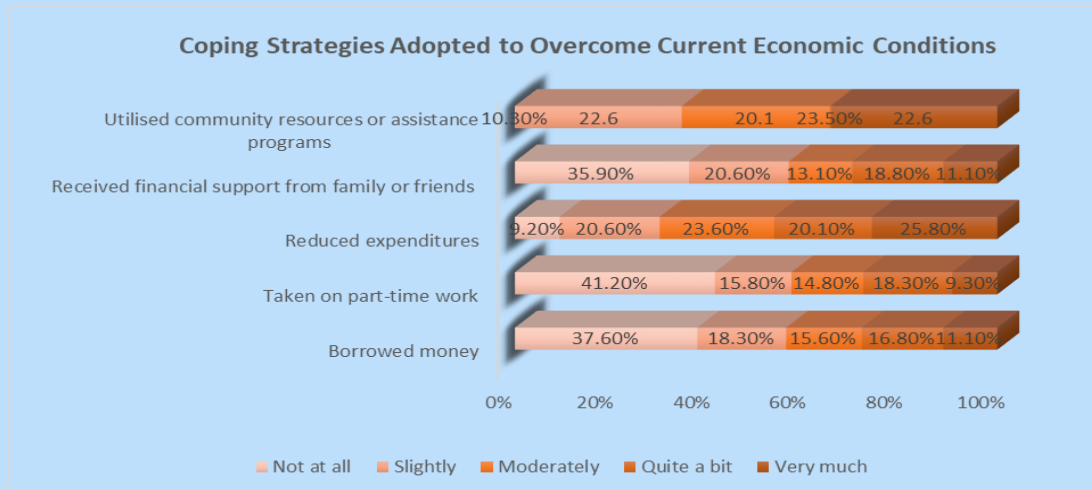

Coping Strategies Adopted to Overcome Current Economic Conditions

	Not at all	Slightly	Moderately	Quite a bit	Very much
Utilised community resources or assistance programs	10.80%	22.6	20.1	23.50%	22.6
Received financial support from family or friends	35.90%	20.60%	13.10%	18.80%	11.10%
Reduced expenditures	9.20%	20.60%	23.60%	20.10%	25.80%
Taken on part-time work	41.20%	15.80%	14.80%	18.30%	9.30%
Borrowed money	37.60%	18.30%	15.60%	16.80%	11.10%

■ Not at all ■ Slightly ■ Moderately ■ Quite a bit ■ Very much

Figure 14: Coping strategies adopted to overcome economic conditions
Source: Author's Construct

Figure 14 shows the coping strategies adopted by the current economic conditions of respondents of the study. The maximum number of respondents reduced expenditure (25.80%) which has helped them from being new-poor. Moreover, the respondents who received financial support from friends and family accounted for 11.0% saved themselves from being poor. However, the respondents that have utilised assistance programmes as coping strategies but have not been able to save from being new-poor reason being the social protection nets of Pakistan are not designed for individuals with the demographic characteristics of the new poor. These programmes are targeted at the chronically poor of the country. The last portion of the study attempts to examine the perceived performance of government social protection nets.
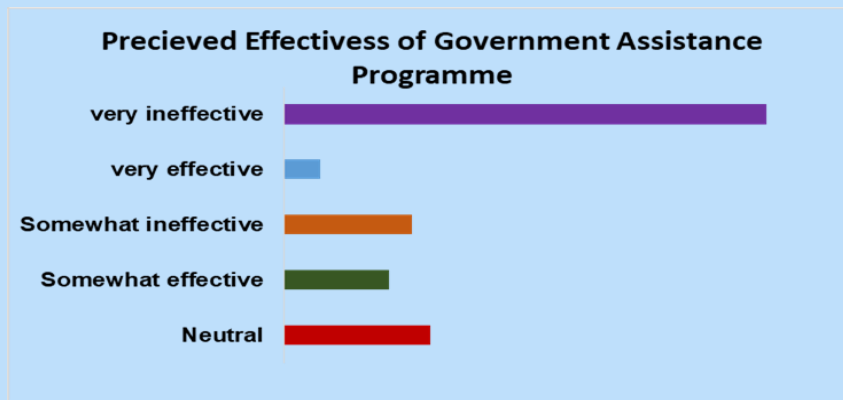

Figure 15: No. Respondents utilised the government protection net
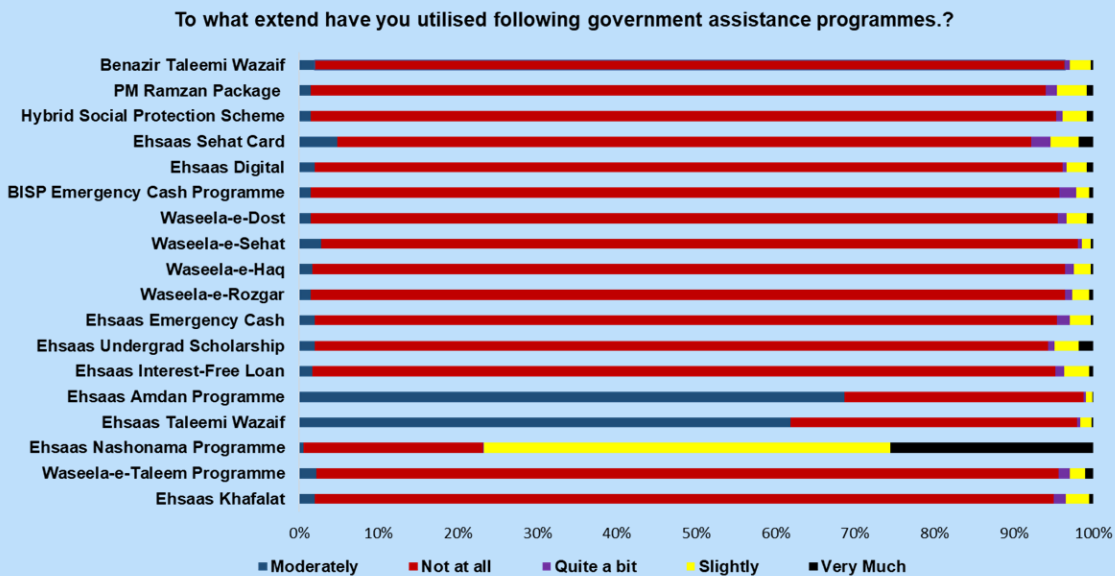
Source: Author's Construct

Figure 16: Perceived effectiveness of government assistance programmes

Source: Author's Construct

Figure 15 and 16 show the utilisation of different social protection programs of the government and the perceived effectiveness of these programs. It is evident from the figures that a large number of respondents have not utilised these programs and are not eligible for it.

The study concludes that females are more effected by the changing economic conditions and targeted programs should be designed to facilitate them. Moreover, even with increasing the education level and improved employed status, the individuals cannot save them from being new-poor. Similarly, by reducing the overall expenditure and savings, the individuals can be saved from being new-poor. Moreover receiving financial support from friends and family can save individual from being new-poor. However, even after utilising government social protection nets the individuals are not able to save themselves from being new-poor pointing towards the need for social protection nets towards the affected population from the recent economic situation.

Conclusion & Policy Recommendations

The "New Poor" in Pakistan serves as a reminder that the multifaceted nature of poverty needs to be addressed similarly. Millions of people have been pushed into poverty on account of COVID-19, Floods, inflation and macroeconomic conditions in Pakistan. However, the characteristics of these new poor are different from the traditional definition of poor individuals or households. The current social protection programmes are not useful in addressing the new poor individuals or households of the society. The eligibility criteria set for attaining these programmes often make them inaccessible to the newly improvised people. The study conducted to evaluate the existence of new poor and its contributing factors concluded that females are more affected by the changing economic conditions. The respondents even after increasing their education level and improving employment status, couldn't save them from being new-poor. Moreover, by reducing the overall expenditure and savings, the individuals can be saved from being new-poor. Additionally, receiving financial support from friends and family saved individual from being new-poor. However, even after utilising government social protection nets the individuals are not able to save themselves from being new-poor pointing towards the need for social protection nets towards the affected population from the recent economic situation The policymakers need to implement tailored programmes that primarily benefit the new poor. Also, to include them in the existing programmes, the eligibility criteria need to be refined and ensure that assistance is being served to the most vulnerable sector of society. Moreover, an integrated strategy that incorporates economic, social and political solutions is required to address the needs of the new poor.

To better address the needs of the new poor government may:

- **Increased Employment Opportunities:** Apart from providing cash assistance to the beneficiaries of Benazir Undergrad Scholarships. The government may come up with programmes to ensure employment opportunities for individuals after their degree completion. This may be done through job placement services, bridging the gap between public and private educational institutions, skill development programmes, and

collaborating with industries for immediate job acquisition. This might be achieved by ensuring that the skills required at the industrial level are being taught to the graduates. The government may partner with the industrial units in Special economic zones ultimately addressing the lack of skilled labour force.

- **Universal Basic Income (UBI):** The Government may adopt the concept of Universal Basic Income for women and particularly youth who are recent graduates and searching for jobs. In the form of UBI, the government may facilitate these unemployed individuals until they can secure jobs.

- **Revising the Eligibility Criteria of Existing Social Protection Nets:** The government may facilitate the new poor households into the existing social protection nets by revising the eligibility criteria of these programs. The government may revise the minimum wage criteria from PKR25, 000 to at least PKR 37,000. Moreover, the eligibility criteria may be revised over the changing rate of inflation of the country and may differ in urban and rural areas as the finances required by the urban population to maintain their lifestyle are way higher in urban areas than in rural areas with inflated food and non-food items, soaring educational and health expenses etc. Moreover, an important factor that must be taken into account is the family size of the respondents applying for financial assistance a single person earning PKR 37,000 might be enough but it wouldn't be enough for the sole bread earner of a family.

- **Implementing Gender-Inclusive Policies:** The government may design policies that target women. A large number of women are part of the informal sector by being employed in platforms like Ghar Pe and the ones that are running their businesses mainly through social media platforms. The government may facilitate by making the loan provision process easier for them.

- **Universal Basic Services (UBS):** These new poor are different from the chronic poor. These individuals out of shyness and their prevalent status in the society might not ask for support and register themselves in targeted social protection programs. Therefore, to cater to their needs the government may incorporate the concept of Universal Basic services. The Government may start by providing up to 20% to 30% free access to everyone in the education and healthcare sector. This might be done by initiating targeted assistance programs for urban areas with international financial institutions. Moreover, to provide UBS across the country, the government needs to increase its financial resources which requires a long-term strategy with policies targeted at increasing its revenue including an export-led growth model, industrial growth, broadening of the tax base and reallocation of budget. Moreover, in the short run, the government may launch initiatives like free textbooks and providing free meals across all the schools of any selected city or may establish clinics in cities that might provide a considerable amount of discount on medical bills.

ACTION MATRIX

Problem/Issue	Pathways to Solution	How to Implement Each Solution	Actors Responsible	Implementation Timelines
Financial Assistance for unemployed graduates	Provision of financial assistance to women particularly youth	Government may adopt the concept of universal basic income for women particularly youth who are searching for jobs.	Government	3 years
Restricted eligibility criteria	Revising the eligibility criteria of government social security programs.	The government may revise the eligibility criteria for the urban poor by revising the minimum wage requirement of rural and urban areas, providing financial assistance based on family size, and revising the conditions like owning assets.	Government	10-12 months
Including the women employed in the informal sector	The government may introduce gender-inclusive policies.	The government may facilitate women in the informal sector by making loan provisions easier for them.	Government	2 years
Lack of targeted programs for new poor	The government may facilitate the urban poor by facilitating them in education and healthcare services.	The government may introduce the concept of universal basic services by providing 20% to 30% free expenditure access to everyone in education and healthcare services. Initiating pilot programs like free textbooks and meal provision in schools, setting up	Government	5 years

		dispensaries in with discounted health facilities by the government.		

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