



SOCIOECONOMIC IMPACT ASSESSMENT OF THE COVID-19 PANDEMIC IN FIVE POVERTY COUNTIES IN CHINA



China International Center for Economic and Technical Exchanges
United Nations Development Programme
United Nations Children's Fund
United Nations Population Fund
United Nations Resident Coordinator Office

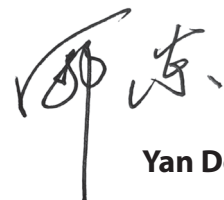
Foreword

The year 2020 is the year of decisive victory for China's elimination of poverty and the building of a moderately prosperous society in all respects. The sudden outbreak of COVID-19 pandemic has had a huge impact on all walks of life. It has tested China's economic and social resilience, emergency response and self-rescue capabilities of the Chinese Government, businesses, families and even individuals, and has challenged China's competence in winning the battle against poverty and accomplishing the task of poverty alleviation as scheduled.

To understand the socioeconomic impact of COVID-19 on China's poverty-stricken areas and the challenges of further development there so as to assist local governments to effectively recover and decisively combat poverty in the post-pandemic era, CICETE and UNDP took the initiative to conduct "COVID-19 Economic and Social Impact Assessment" in five selected counties(or district), including Chengbu of Hunan Province, Neixiang of Henan Province, Yilong of Sichuan Province, Zhouqu of Gansu Province, and Zhangwan, Shiyan City of Hubei Province in June 2020.

Through the assessment, we are pleased to see that due to its relatively sound structure in health, education, employment training and social security and assistance, China has quickly and effectively brought the pandemic under control, minimized its impact and resumed economic development in an active and prudent manner. However, the economic and social development of poor areas is still under certain impact and some deficiencies have been exposed there. UNDP and CICETE thus have designed and carried out small and targeted supporting activities, short ones with quick results based on the findings of the assessment.

UNDP has been playing a vital role as a co-partner of this assessment with the active involvement of RCO, UNICEF, UNFPA, as well as great support from local governments and departments at different levels. Experts' hard work and local respondents' cooperation are also crucial to the success of the assessment and relevant activities. Here, on behalf of CICETE, I'd like to express my heartfelt thanks to them all.



Yan Dong

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Foreword

The COVID-19 pandemic has put societies all around the world under enormous pressures posing a threat to the core SDG principle of leaving no one behind, both globally and in China. Without effective socio-economic responses, global suffering will escalate, endangering lives and livelihoods for years to come.

In responding to the pandemic, we must not only beat the virus but also address its profound consequences. This research is a collaboration between the United Nations and the Government of China. It follows the UN Secretary General's launch of the UN Framework for the Immediate Socio-Economic Response to COVID-19, an integrated support package designed to support countries to tailor responses to the pandemic in each country, to protect the needs of the most vulnerable. The research collaboration in China aims to better understand the impact of COVID-19 and support China's socio-economic recovery. It is expected to inform policy that tackles the social and economic dimensions of this crisis, with a focus on the most vulnerable.

This study investigates the impact of the pandemic at the household level. While we have seen many other impact assessments, most of which focused at the macro level on business or the economy as a whole, micro-level research is limited. This analysis is based on a survey of 1,183 households in five poverty counties in China. It complements other research, presenting additional data and evidence to better understand the impact of the crisis on each individual and household with a view to better designing future interventions that are tailored to their needs.

It looks beyond the economic impact. While one important theme of the assessment is the impact on household income and employment, a multidimensional perspective is adopted. The report also investigates the impact on the access of households to medical services, their psychological health and other aspects such as children's access to education and women's reproductive health, which are usually less well covered. This report also has a specific focus on vulnerable groups, such as older people, women, children along with persons with disabilities, and migrant workers. These are the groups most at risks of being left behind, given greater vulnerability due to their pre-COVID-19 disadvantageous socioeconomic position that is further exacerbated by the pandemic.

This report would not have been possible without the strong support and coordination of our Chinese partners. Our sincere appreciation goes to the China International Center for Economic and Technical Exchanges (CICETE) for facilitating this report. We also wish to recognize the two lead authors, Professor Sun Tongquan and Professor Long Wenjin, as well as the field research team for their commitment to provide comprehensive statistics and sound analysis. We further wish to thank our UN colleagues, in particular from UNDP, UNFPA, UNICEF and the Resident Coordinator's Office, for their contributions and inputs throughout the process. We would also like to acknowledge other UN agencies: FAO, IFAD, ILO, UN Women and UNAIDS for providing their comments on the report methodology and draft report.

Leaving no one behind was always going to be the key challenge of our time, but COVID-19 made it more pressing and urgent. In this respect, learning from the first-hand data and evidence presented in this research is of great importance. It is relevant not only for local governments, but for UN agencies as well as other institutions, as we seek to repurpose and re-programme to effectively reach the people most in need. We hope that this report can serve to inform different actors in China to better protect the needs of people living under the stress of the pandemic in the recovery phase, and to build the foundations for a more inclusive society.



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Executive Summary

According to the Sustainable Development Report 2020, by late 2019, the world was not on track to achieve the Sustainable Development Goals (SDGs) and COVID-19 has brought even more challenges in SDGs attainment. While China has lifted 750 million out of poverty over the last four decades and it is set to eliminate absolute rural poverty by 2020, more efforts are still needed in preventing those people sliding back to poverty. As of the end of 2019, about 5.51 million rural people in the country remained in poverty, while many others were no longer classified as poor, but are still close to the poverty line. These two groups are especially vulnerable during times of crisis, such as COVID-19, economically, socially and in terms of health.

To understand and respond to the effects of COVID-19 on these and other groups at risk, the United Nations Development Program and the China International Center for Economic and Technical Exchanges, jointly assessed the socioeconomic impact of COVID-19 on five officially designated poverty-stricken counties in China, with the support of Office of the Resident Coordinator, the United Nations Children's Fund and the United Nations Population Fund.

The aim was to gather information on how the pandemic has affected impoverished regions and, in particular, vulnerable groups in those areas. The first-hand data and information collected through this assessment are being used to inform the design of UN programmes in the immediate future and provide evidence for local governments in how best to address the socioeconomic effects of the pandemic on their populations. The impact assessment was undertaken in June 2020, after COVID-19 was contained in China, making fieldwork possible. The regions selected to carry out the assessment in were five national and provincial-level poverty-affected counties: Chengbu County in Hunan Province, Zhouqu County in Gansu Province, Neixiang County in Henan Province, Yilong County in Sichuan Province, and Zhangwan District, Shiyan City, Hubei Province.

Using household survey data and findings from discussions with local governments at different administrative levels, this joint study investigated the impact of COVID-19 on these populations and the challenges as they seek to recover, with a focus on children, women and older people. This assessment also provides evidence on policymaking, pandemic response and post-pandemic livelihood recovery, tailored to these and other groups.

Based on focus group discussions with county-level government authorities, we gained the following key findings regarding the pandemic's impact on those counties at the macro level:

- COVID-19 and the government's strong containment measures severely affected the economies of these counties, as they have throughout China and most of the world. However, economic and social activities in these areas now show signs of gradual recovery, supported by policy measures to stimulate the economy and promote resumption of work in an orderly manner.
- As these are five poverty-affected counties, discussions with local officials indicated that there were strong poverty alleviation systems and community-level organizations in place when the pandemic hit. Populations recognized as poor received special attention and care, in many cases mitigating the pandemic's effects on their wellbeing.

However, businesses encountered many difficulties, leaving a generation of employment under severe stress:

- Firstly, the impact varies among different industries, with the tertiary sector worst-hit and the primary industry least affected. Economic growth of these counties has declined.
- Secondly, most of the small and micro-sized enterprises (SMEs) and self-employed businesses, the main sources of employment in these areas, have ceased production, resulting in more unemployed and underemployed people. There are also people who do not seek outside employment due to the pandemic and prefer to stay in their hometowns to find jobs. These factors add substantial employment pressure in poor counties.
- Thirdly, various tax reduction and exemption policies – which aim to help companies resume work and overcome difficulties – have significantly reduced local fiscal revenues. Meanwhile, the costs of fighting the pandemic and protecting livelihoods have risen. As such, local officials reported a widening gap between fiscal revenue and spending.

The impact of COVID-19 on household level is also analysed. Despite methodological limits, the household survey yielded a number of useful findings concerning vulnerability of different groups to shocks regarding employment and household income :

- The working time and incomes of informal sector employees fell far more sharply than those of formal sector employees. Already disadvantaged by a lack of access to social protection, these workers suffered greater financial losses.
- Female employees lost less income than male. However, this was because they were underrepresented in the relatively lucrative construction sector and other wage-paying migrant work which was hit hardest.
- Rural smallholder farmers in these areas were not as affected as those relying on off-farm incomes. This is partly because the main lockdown occurred before the spring agricultural season in some areas, and because only 34% of farming families surveyed sell their products to markets. The majority of product was for their own consumption, and thus less impacted by reduced access to markets during lockdown.
- Another strong finding is that households who were eligible for social assistance transfers were, in general, shielded from the worst economic shocks of COVID-19; it was those who were not eligible, but still relatively low-income, who were worst-affected.

Educational challenges of school-age children in poor areas were also exacerbated by the pandemic, with the following findings:

- Although online learning was established in all the surveyed areas, local authorities reported difficulties in maintaining quality standards, due to unfamiliarity of teachers with this form of pedagogy.
- While children benefited from more time with their parents during lockdown, 26.5% of children under eight years of age who normally attend school were left unattended for an hour or longer every day during school closures, mainly in rural and poor households.

The vulnerability of older people in these areas was also notable, in particular:

- About one fifth of those surveyed reported difficulty in obtaining necessary daily care, financial assistance and emotional companionship, particularly those living in urban communities, older females, those from Han families and the oldest old.
- The share of older women with unmet needs for assistance in daily activities at home was markedly higher than for older men.

About one third of pregnant and lactating women did not receive timely medical services during the lockdown period, and one half of pregnancies that occurred during this period were unintended, suggesting unmet needs for contraceptives. Households with members with disabilities were more negatively affected in terms of access to medication and health services, reflecting their greater vulnerability to shocks.

Successful containment of the pandemic's spread was found in all five survey sites, reflecting strictly implemented prevention and control measures by local governments in these areas. Once travel restrictions were lifted, programs were launched to help migrant workers resume work. Assistance from local governments and communities for the elderly, children, women and persons with disabilities have helped mitigate some of these challenges, even as gaps remain from which lessons can be learned. While this report highlights problems and gaps revealed through this investigation, these should not detract from the impressive achievements made in managing the pandemic itself and the socioeconomic impact of non-pharmaceutical measures undertaken to contain its spread.

However, the five surveyed areas still face numerous economic challenges in their post-COVID recovery:

- Firstly, most enterprises that have resumed work have not yet returned to their pre-pandemic production and business levels, with limited ability to create employment. Given that the future of the pandemic is unclear, entrepreneurs and those self-employed have gloomy expectations for the future.
- Secondly, outside employment is the main source of income for residents in poor areas. However, due to the pandemic's impact and changing international context, job opportunities for migrant workers may shrink further and wages may decline, negatively affecting migrant workers and the growth of family incomes in poverty-affected regions.

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