Poverty, vulnerability and social protection in the Pacific: The role of social transfers

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# 1. Introduction to the research

Pacific Island countries (PICs) have varying social protection systems, informal and traditional. These systems are important in supporting the most vulnerable members of society and those affected by personal and natural disasters. In the Pacific Islands social protection has typically been an area of low government involvement. Knowledge about formal social protection in the region is limited, and there have been no studies on the impact of such schemes on poverty, human development and economic growth.

There is no one agreed definition of social protection, but this body of research—commissioned by AusAID—uses the term to refer to the set of public actions aimed at tackling poverty, vulnerability and social exclusion, as well as providing people with the means to cope with major risks they may face throughout their life.

Social protection’s core instruments include regular and predictable cash or in-kind transfers to individuals and households. More broadly, social protection includes instruments that improve people’s access to education, health care, water, sanitation, and other vital services.

Traditional social protection in the Pacific Islands is stretched by new challenges, most recently the 2008–09 global food, fuel and financial crisis. This has led to greater attention to innovative social protection mechanisms that tackle chronic poverty, mitigate the impact of shocks, improve food security and overcome financial constraints to accessing social services. This attention has been driven by the success of mechanisms in other parts of the world.

In an environment with limited or conflicting information about patterns of poverty and vulnerability, knowing whether social protection represents a sound, or even appropriate, policy choice is difficult. This research looks at poverty, vulnerability and social protection across the dimensions of health and education, gender, social cohesion, economic growth, and traditional protection networks in the Pacific Islands. It aims to improve the evidence base on formal and informal social protection programs and activities in the Pacific region and make recommendations on support for strengthening and expanding social protection coverage so it can contribute to achieving development outcomes.

The research was conducted by social protection experts and is based on case studies in Kiribati, Samoa, Solomon Islands and Vanuatu—representing the three sub-regions of Melanesia, Micronesia and Polynesia—and a review of secondary literature. It also commissioned a set of thematic papers:

* an overview of poverty and vulnerability in the Pacific, and the potential role of social protection
* a briefing on the role of social protection in achieving health and education outcomes
* a life-cycle approach to social protection and gender
* an assessment of the role of social protection in promoting social cohesion and nation-building in the Pacific
* an assessment of the relationship between social protection and economic growth
* a review of the strengths and weaknesses of informal social protection in the Pacific
* a micro-simulation analysis of social protection interventions in Kiribati, Samoa, Solomon Islands and Vanuatu.

# 2. About this research paper

In recent years the available body of evidence on poverty in PICs has grown. This, in turn, has led to debate on the nature of poverty in the region. Many are uncomfortable with the term ‘poverty’, equating it to the extreme hunger and destitution seen in many of the world’s poorest countries.

The 2010 regional Millennium Development Goals report of the Pacific Islands Forum Secretariat (2010:18) concluded that ‘extreme poverty’ in the Pacific is rare. Indeed, many governments and regional institutions have popularised the terms ‘hardship’ and ‘poverty of opportunity’ to describe the type of poverty found in the Pacific, claiming that hunger is rarely an issue (Abbott & Pollard 2004:3). This view contrasts with documented evidence of poverty, including the 80 per cent of squatter households in Fiji that cannot afford three meals a day and child stunting levels that reached 32 per cent in Solomon Islands (Chung 2010a; National Statistics Office et al. 2007).

The debate on poverty in the Pacific is also influenced by some commonly held beliefs. These include that the region is mainly rural, that Pacific Islanders enjoy ‘subsistence affluence’, that cash is of little importance in rural areas, and that traditional support networks—often referred to as informal social protection—ensure no one falls into extreme poverty. As this research paper indicates, these views are increasingly being challenged.

In some PICs poverty has been a concern for many years. Although poverty is a relative and contextual concept, the poor in any country spend time living below a minimally acceptable standard of living. This encompasses more than income and food security. It is also the ability to access basic services (such as health, education, clean water and good sanitation), live in an acceptable physical and social environment, and maintain social and cultural obligations. Nonetheless, if families cannot access sufficient income—whether from producing for subsistence or by engaging in the market—they cannot maintain a minimum living standard.

This research paper—Poverty, vulnerability and social protection in the Pacific: The role of social transfers’—examines the evidence on poverty and vulnerability in the Pacific. It attempts to understand what causes poverty and assesses whether social transfers—understood to be the provision of regular and predictable cash transfers such as pensions, child grants, disability benefits and unemployment benefits—could play a role in tackling poverty.

# 3. Overview of poverty in the Pacific

In recent years a series of household surveys measured poverty rates across PICs[[1]](#footnote-1) indicating that the number of people whose incomes are insufficient to cover their minimum food needs is small, but not insignificant. Those living under the food poverty line reached around 5 to 7 per cent of the population in Kiribati, Samoa, Tonga, Tuvalu and Vanuatu and 10 to 12 per cent in The Federated States of Micronesia, Fiji and Solomon Islands (PIF Secretariat 2010:18). The ability of households to obtain other basic needs is constrained.

The poverty rate for those living under the national average basic needs poverty line (BNPL), which measures food requirements and other essential expenditures, is higher. As Figure 1 indicates the BNPL ranged from 13 per cent in Vanuatu to 35 per cent in Fiji, although recent economic challenges may have led to further increases of up to five percentage points (PIF Secretariat 2010:19f). While those unable to meet this minimum income may not go hungry, they are unlikely to have a sufficiently nutritious diet and probably forgo other essential expenditures.

Figure 1: Poverty rates in five Pacific Island countries using the Basic Needs Poverty Line

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Source: analysis conducted for this study using household income and expenditure survey (HIES) data for Kiribati (2006); Samoa (2008); Solomon Islands (2006); and Vanuatu (2006). Data for Fiji is from Umapathi et al. (2011) using 2009 HIES data.

One challenge with poverty rates provided by household surveys is that they offer a static measure of poverty. Yet, as Jha and Dang (2010) described for Papua New Guinea, poverty in the Pacific—and elsewhere—is dynamic. Household incomes vary, with many moving in and out of poverty. This happens for many reasons. For example, a household may suffer a sudden drop in income as the result of a shock, such as illness to the breadwinner or a flood that destroys their crops. On the other hand, incomes can improve when someone gets a job or a dependent moves out of the house.

Poverty is dynamic and poverty rates are static measures at a single point in time and should not be equated with the number of people who are poor. Using the standard approach to determining the number of poor would require collecting household data repeatedly over several years from a large number of the same households, which would not be feasible. One alternative is to estimate the number by using a higher poverty line. There is no strict rule on this. Experience in Pakistan suggested that doubling the BNPL (Kidd et al. 2010; World Bank 2009), while in Indonesia the World Bank (2011) suggested a 50 per cent increase. In Fiji, Umapathi et al (2011) provided three alternative measures: the BNPL plus 20 per cent, plus 50 per cent, and double.

Using higher poverty lines gives greater numbers of people who are poor or vulnerable to poverty. As Figure 1 indicates, a poverty line 50 per cent higher than the BNPL put the number of poor people at between 27 per cent in Vanuatu and 64 per cent in Fiji. At double the poverty line, the number reached is between 41 per cent in Vanuatu and 79 per cent in Fiji. While such numbers may be controversial, they should not be dismissed out of hand as they offer a perspective on the dynamic reality of poverty for Pacific Islanders.

There are geographic variations to poverty, although these are not consistent across the Pacific.[[2]](#footnote-2) In Solomon Islands and Vanuatu, BNPL rates were around 32 per cent in the urban areas of Honiara and Port Vila but only 18 per cent in rural Solomon Islands and 10 per cent in rural Vanuatu. In Kiribati and Samoa, the differences between urban and rural areas were not great. In Fiji, however, the household survey indicated poverty was concentrated in rural areas, where BNPL rates were 44 per cent compared to 26.2 per cent in towns. However, these results should be treated with caution. As Gibson (2010) argued, there may have been errors in calculating comparable poverty lines between urban and rural areas that could have influenced results. And in the Fiji household survey, squatter settlements in urban areas were significantly under-sampled. Given that—as discussed below—squatter settlements appeared to be the poorest areas in the country, poverty levels in urban areas would have been higher than indicated by the household survey.

These general figures mask important detail. In many countries, the literature notes that residents living in more remote outer islands and rural areas are poorer. For example, in Kiribati, the Southern Gilbert Islands had a BNPL rate of 36 per cent compared to the national rate of 22 per cent[[3]](#footnote-3); in Vanuatu, the islands of Torba Province experienced deeper poverty than did other rural areas (Freeland & Robertson 2011); and, in Fiji, BNPL rates reached 54 per cent in the Northern Division (Umapathi et al. 2011). The poverty of many outer islands is compounded by poorer access to basic services, such as health and education.

The landscape of poverty is more complicated in urban areas. PICs are urbanising rapidly and much growth is in squatter settlements. Not everyone in these settlements is poor. In Honiara, for example, many squatter residents work in the informal sector with average incomes more than double that of those in full-time employment (Maebuta & Maebuta 2009:129).

As Kiddle (2010) noted, there is significant variation between settlements, even within the same country. For example, there have been indications of deep poverty in Fiji’s squatter settlements. Umapathi et al. (2011) indicated that poverty rates in these settlements ranged between 38 per cent in the central region to 55 per cent in the northern region, which compared with rural poverty rates of 30 and 53 per cent respectively. Chung (2007) estimated that 62 per cent of squatter households do not earn enough to satisfy their basic needs.

# 4. Causes of poverty

Multiple factors contribute to poverty in the Pacific. However, any discussion on causes within PICs needs to recognise the economic challenges these countries face due to their distance from global markets, limited and often fragile resource bases, high fertility rates, inability to achieve economies of scale, vulnerability to changes in the global economy, susceptibility to natural shocks, and high levels of expenditure on administration (PIF Secretariat 2010:7ff). Only Vanuatu consistently had per capita gross domestic product (GDP) growth above 1 per cent between 2005 and 2010 (PIF Secretariat 2010: 8ff).

More specific causes of poverty in the Pacific can be highlighted, including: increased demands for cash; inadequate health and education services; limited livelihood opportunities; exposure to shocks; limited access to financial services; challenges presented by vulnerable categories of people; weakened traditional support; poor financial awareness; and inability to break out of poverty.

## 4.1 Increasing demands for cash

The Pacific is no longer a rural idyll, and few people continue to live outside of the cash economy. Although the level of monetisation is less than in developing countries as a whole—52 per cent of GDP compared to 70 per cent—it is still meaningful (Feeney 2010:140). Families face significant demands. Urban residents have to buy most of their food but even rural areas rely more on imported food, with outer islands facing the highest costs. The recent global food and fuel crisis raised prices even further, with food costing between 33 and 50 per cent higher in 2010 than in 2007 (PIF Secretariat 2010:14). Travel costs are also high, particularly between islands. In Fiji’s squatter settlements, for example, people have spent up to 8 per cent of income on travelling to work (Chung 2007).

Although some public services are nominally free, families still incur costs.[[4]](#footnote-4) Although fees are increasingly being removed from primary schools—most recently in Samoa, Solomon Islands and Vanuatu—other costs remain such as for transport, uniforms and school supplies. Most countries have fees for secondary school, which can be particularly high for families sending their children to boarding school. Some countries—such as Fiji, Kiribati and Vanuatu—provide scholarships but these are often based on academic achievement rather than the need to help increase access by poor children. The cost of accessing health services has also increased: Kiribati introduced fees for some services in 2006 with Tonga following suit in 2009 (Kidd & MacKenzie 2012; Chung 2010). Traditional medicine can also attract relatively high fees.

Families also face significant financial burdens with social obligations, including the need to contribute to communities and churches. Fulfilling the demands of the church can be especially challenging. In Fiji, many families automatically removed a tithe of 10 per cent from their income while, in the outer islands of Kiribati, an average of 28 per cent of income was given to the church (Asian Development Bank [ADB] 2008:90). In one I- Kiribati community, the ADB (2007) noted that people had to eat primarily fish and other traditional foods for two to three months so they could afford to contribute to their church.

Many poor families cannot consistently meet these social obligation financial demands. As a result, they make sacrifices. For some, this means forgoing meals or buying less nutritious food. For others it means taking children out of school, with attendance at primary school falling in some countries (Kidd 2012), or forgoing essential health care. Some who could not finance their social obligations withdrew from social circles (cf. Chung 2007).

## 4.2 Inadequate education and health services

Many families have found it difficult to access education and health services, including those of inadequate quality (Kidd 2012). Many poor families were unable to pay school fees and so their children did not finish secondary school and were disadvantaged when entering the job market. In some countries—such as Kidd and MacKenzie (2012) described in Kiribati—education is of poor quality so even many who finish school find it difficult to get decent work or further training. Health services, though often free, are of variable quality and breadwinners who fall ill may find it challenging to return to work. The rise of life-style diseases that are related to increasingly high levels of obesity, such as diabetes and hypertension, are also causing PIC households to fall into poverty, especially when health services cannot respond adequately. Diseases, if not treated in a timely manner, can lead to disability. Better primary health care services would, potentially, reduce disease and, as a result, one pressure point on family incomes.

## 4.3 Limited livelihood opportunities

The idea that Pacific Islanders enjoy subsistence affluence is increasingly in doubt. Many rural households still fall back on subsistence activities but this is not an option for many who do not have access to land or who lack labour capacity. The cost of a fishing license for Indo-Fijians—at $550 (compared to $30 for Indigenous Fijians)—excludes many poor families from securing marine resources (Chung 2007). In some countries with more plentiful natural resources, such as Vanuatu, subsistence agriculture is an option although natural resources are restricted in countries comprising small atolls.

The Pacific is becoming increasingly urbanised. Only in Solomon Islands, Tokelau and Vanuatu are more than 40 per cent of adults still engaged mainly in subsistence agriculture. In most of The Federated States of Micronesia, Fiji and Tonga, the urban population is already above 30 per cent and rising rapidly across the region: even in Vanuatu it is projected to reach 40 per cent by 2016 (Chand & Yala 2008:99; Chung 2007). Much of the increase has been in squatter settlements, commonly established on poor quality land (often swampy or liable to flooding) thereby limiting opportunities for residents to cultivate food.[[5]](#footnote-5) Marine resources were depleted near many urban areas (Chung 2007; Thomas & Tonganibeia 2006:46).

Having a formal sector job is no guarantee of escaping poverty, particularly for families with many dependents. Wages are often low, including in the public sector. In Samoa and Tonga, 27 per cent of heads of households in the lowest wealth quintile were in formal employment, and the figure was almost as high in Kiribati (Abbott & Pollard 2004:53). Many people, particularly those in squatter settlements, who are engaged in informal employment such as selling produce on the streets, earn relatively good incomes (even though uncertain) while many others do not (Storey & Maebuta 2009).

Unemployment is a significant challenge across the Pacific, particularly among young people. The ability to create jobs cannot keep pace with the number of school leavers each year. In Kiribati, the ADB (2008:73) described how around 2000 school leavers entered the job market each year, but only around 500 found formal sector jobs.[[6]](#footnote-6) Youth unemployment reached more than 40 per cent in countries like Kiribati, Samoa, Solomon Islands and Tonga (International Labour Organization (ILO)2006b:39 ; 2009). This was partly because of the economy but not being able to generate enough jobs also reflected the large number of young people with inadequate skills.[[7]](#footnote-7)

Options for young people to pursue livelihood opportunities vary. Duncan and de Voigt-Graf (2008) described how some returned to the subsistence economy, even though the lifestyle did not meet their aspirations. Others depended on handouts from relatives and occasional part-time work, with the likelihood of engaging in low-level social unrest, misdemeanours and substance abuse.[[8]](#footnote-8) A number of girls entered the sex-trade, at times from as young as 13 years, potentially increasing the spread of HIV/AIDs (Naidu 2009; Connell 2009).

One option for Pacific Islanders is to migrate for work. In countries that have agreements with developed countries—such as the Compact countries of Micronesia, Cook Islands, Fiji, Niue, Samoa and Tonga—the proportion of the population that took this option was relatively high. In other countries opportunities were more limited. In Kiribati and Tuvalu the main opportunity was to serve as seamen on foreign vessels (Borovnik 2006) while other countries accessed temporary work in New Zealand through the Recognised Seasonal Employer Program (Gibson & McKenzie 2010). Opportunities with this program were relatively limited, however, with only 4000 visas used by April 2008.[[9]](#footnote-9)

Without greater employment opportunities paying adequate wages, it is difficult to see how poverty can be tackled in the Pacific. Indeed, it could be argued that subsistence activities and public sector employment are acting as *de facto* unemployment programs.

## 4.4 Exposure to shocks

PICs are highly vulnerable to shocks, natural and economic. The Commonwealth Vulnerability Index ranked Kiribati, Samoa, Tonga and Vanuatu as among the five most vulnerable countries in the world (PIF Secretariat 2010:16). To a large extent, exposure to shocks drives people into poverty. Many recent large-scale shocks have illustrated this, including political instability in Fiji, the collapse of the phosphate industry in Nauru, the 2009 tsunami in Samoa and conflict in Solomon Islands.

The recent global recession impacted negatively on most PICs—with only Vanuatu emerging relatively unscathed—and incomes of many poor people fell by around 10 per cent; indeed, in the Marshall Islands, real incomes in the private sector fell by 40 per cent between 1997 and 2009 (PIF Secretariat 2010:12). The value of remittances was also affected: in Samoa dropping by 17 per cent in the first six months of 2009, and in Kiribati when the number of seamen fell from an average of 1350 in the early 2000s to 800 in 2010.[[10]](#footnote-10) Countries holding trust funds—such as Kiribati, The Federated States of Micronesia, the Marshall Islands, Nauru, Palau, and Tuvalu—made significant losses, with Kiribati’s fund falling from $637 million in 2007 to $389 million in 2008.[[11]](#footnote-11) This loss of income has had an impact on the ability of governments to finance social spending.

The Fiji sugar industry illustrates how multiple shocks can combine to hit vulnerable households. In 2003 the industry employed around 25 per cent of the country’s active workforce directly or indirectly (Narsey Lal 2008). Yet, from the late 1990s a number of shocks hit the industry, including: the refusal of traditional landowners to renew leases, leading many people to move to squatter settlements where they ended up living in poverty; a sharp reduction in sugar prices as a result of losing guaranteed access to the European Union; regular breakdowns in processing factories; and, in 2009, the worst floods in almost 80 years. The reduction in the price of sugar alone was expected to reduce incomes by 30 per cent by 2009, leaving 42 per cent of farms unviable (Narsey Lal 2008: 99ff). However, the floods compounded the situation and almost all farmers in affected areas ended up below the poverty line (Narsey Lal 2010:70).

Shocks not only affect large numbers of households simultaneously, they can subject individual households to factors that affect wellbeing such as illness, disability or the death of a breadwinner. For example, in a survey of squatter settlements in Fiji, in one month 40 per cent of households visited a health clinic (Chung 2007). Poor households do not have stores of wealth to respond to shocks.

## 4.5 Limited financial services

People with have access to financial services, such as savings and loans, can better deal with shocks and invest in their family’s wellbeing. However, a study undertaken by the United Nations Development Programme (UNDP) and United Nations Capital Development Fund estimated that only 20 per cent of the population in five PICs—Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu—had access to financial services (Fleming & Mathison 2007). Commercial banking in PICs has been confined to large population centres. A few institutions specialised in providing financial services to the unbanked population. The ADB (2006:30f) painted a similar picture of limited access to micro-finance across the Pacific, describing it as one of ‘fragmented effort driven by different donor and institutional concerns often with insufficient supervision or clarity of objectives.’

A few organisations have attempted to create a sustainable micro-finance institution, for example the South Pacific Business Development in Samoa and the Vanuatu Women Development Scheme. In many countries—such as Samoa, Solomon Islands and Vanuatu—little remains of once widespread credit unions and even when loans were available from micro-finance institutions, they demanded interest rates of 60 per cent per year or more (Fleming & Mathison 2007).

One consequence of a lack of access to regulated financial services is dependence on loan sharks. It is not known how widespread this is and it has varied between PICs. In Fiji it is estimated that 32 000 households (around 20 per cent) had loans from informal sources (ADB 2004). In Fiji and Solomon Islands, interest rates of 10 to 20 per cent a week were noted, with escalating rates for arrears.[[12]](#footnote-12) In Samoa the loan obligations of many salaried workers consumed their entire pay cheque (Samson & Amosa 2012; UNDP 2007). Nonetheless, it was also likely that many of the poorest families could not access these loans because of limited capacity to repay.[[13]](#footnote-13)

## 4.6 Demographic characteristics of households

Because of demographic transitions and migration, many households are vulnerable to poverty because of an imbalance between the number of dependents and labour capacity. In many PICs, households with children or elderly people tended to be over-represented among the poorest three deciles (Figure 2). Similarly, in Fiji, households with an elderly person aged over 65 years had a poverty rate of 48 per cent while, in households without elderly people, the rate was 33 per cent; and households with children had a poverty rate of 39 per cent compared to 24 per cent with no children (Umapathi et al. 2011). Indeed, in households with three children the poverty rate reached 51 per cent in Fiji. There are exceptions. In Samoa, the elderly were not poorer than the general population, probably because they received remittances, while, in Vanuatu, children were only slightly over-represented. But, across the region, poverty appeared to be concentrated in households with both children and elderly people (Figure 2). Indeed, in Fiji, the poverty rate of households with children and elderly people was 52 per cent.

Figure 2: Percentage of households with over-65s, children 0 to 14 and both elderly people and children in the bottom three deciles in four Pacific Island Countries

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Source: analysis conducted for this study using HIES data for Kiribati (2006); Samoa (2008); Solomon Islands (2006); and Vanuatu (2006).

Although most household surveys do not collect data on people with disability, there is evidence indicating higher levels of poverty among households with this group (Samson & Amosa 2012). In Tonga, more than half of people with disability lived under the BNPL (Chung 2010a).

Households with single women were also more susceptible to poverty (Chung 2010b). In Solomon Islands, this is particularly so in rural areas and in Fiji’s squatter settlements 28 per cent of the poorest 10 per cent of households were female-headed, a higher proportion than their share of the population (Slater 2011). In some countries, household surveys have misleadingly indicated that female-headed households are no poorer than the average household. However, Umapathi et al. (2011) explained that, in Fiji, this was because analysts combined households where the breadwinner was temporarily overseas and sending home remittances with households headed by women who were genuinely single. When the different types of female-headed households were distinguished it could be seen that married women formed slightly less than half the poverty incidence of male-headed households, while in households where the female head was divorced or never married the poverty rate was 71 per cent higher.

Within these more vulnerable households, certain categories of the population, such as the elderly, children, people with disability and single mothers, face specific challenges. This section looks in more detail at some of these challenges.

While many elderly continue to be active or cared for by their families, others receive little support. In the outer islands, migration often left the elderly without kin, with many themselves caring for children (Naidu 2009; Abbott & Pollard 2004). They may have had reduced capacity to engage in subsistence activities with few other options for income, including from remittances. Some elderly people in towns faced similar difficulties. In Fiji, many sugar farmers who had moved to squatter settlements in the early 2000s were already more than 50 years of age, with few employment prospects. As a result, Indo-Fijian elderly were over-represented among squatters (Kidd et al 2010:21).

In most PICs, few elderly people can access pensions and are often obliged to work in old age. In Vanuatu, for example, 66 per cent of over-60s remained active in the labour force (Freeland & Robertson 2011), which Abbott and Pollard (2004:14) argued can cause significant hardship. In 2003, Narsey Lal (2008:6) noted the average age of sugar farmers in Fiji was already 52 and, by 2011, the majority would probably be at an age when they may be expected to retire but without any prospect of income security. Similarly, many women who spent their working lives caring for children or in the informal sector or subsistence agriculture had no pension. Naidu (2009) described how some older men who lost their farms in Fiji committed suicide.

A particular concern among young children in some countries was the high rate of stunted growth and malnutrition.[[14]](#footnote-14) This was partly because of poor dietary practices but also poverty.[[15]](#footnote-15) In Kiribati and Tonga, for example, poor families resorted to cheap food, lacking in nutrition, to feed their children (Chung 2010a). Many women who worked long hours for low pay could not breastfeed their children and had to rely on cheap, and often watered-down, substitutes. In squatter settlements across the region, poor housing led to insanitary conditions and high rates of diarrhoea among children (Storey 2006).

The more children families have, the more likely they are to be poor (cf. Chung 2007; 2010b). Many children left school because of poverty, particularly at secondary school age when fees became too great a burden.[[16]](#footnote-16) Unless secondary school fees are eliminated, children will continue to miss the chance of a good education. In Samoa children were suspended from school until their fees were paid (Feeny 2010:147; Chhibber 2009). One option for getting the fees was for poor households to have their children contribute to household income—in Solomon Islands, in 2000, it was estimated that 24 per cent of children aged 10 to 14 were working (Chung 2010b).

Single women and their children face particular challenges. Often women have been abandoned by their partners; in Tonga, there were reports of husbands working overseas who initially sent back remittances, but stopped once they started new families abroad (Chung 2010a). In many countries, it was difficult for abandoned mothers to claim maintenance from fathers (Kidd & MacKenzie 2012). The high rates of domestic violence across the region—accompanied by limited economic prospects for single mothers—have meant many women were unable to leave abusive situations.[[17]](#footnote-17) In general, women earn less than men, which increases their vulnerability to poverty if they are left on their own to take care of children.

People with disability tend to face widespread discrimination and their chances of a good education are limited. In Samoa, 53 per cent of people with disability had no education and most children with disability had minimal, if any, schooling (Samson & Amosa 2012). Their chances of working were also limited: in Samoa, only 1 per cent of people with disability earned an income (Lene 2004).[[18]](#footnote-18) The rise in non-communicable diseases also increased the numbers with disability which further increased the chances of falling into poverty (cf. Chung 2010a; 2007). In Kiribati people with disability recounted how they were cared for when their parents were alive but, once they died, kin were often unwilling to look after them or, alternatively, abused them (Kidd & MacKenzie 2012). As a result, some established an independent settlement in South Tarawa.

## 4.7. Weakening forms of traditional support for the vulnerable

While many continue to benefit from traditional support mechanisms, increasingly the most vulnerable are missing out. In an accompanying paper, ‘Informal social protection in the Pacific: strengths and weaknesses,’ Ellis (2012) discussed the stresses placed on traditional systems of support in the Pacific and this research paper(Section 3.6) indicates some population categories were losing out.[[19]](#footnote-19) This is not a new concern. Chung (2007) described reports of how traditional systems were breaking down in Fiji even in the 1970s, while the 1996 Fiji Poverty Report described isolated households abandoned by kin and community.

One concern with traditional support is it tends to be unequally distributed. People with wealthier close kin more likely benefited while those without received less (Gibson 2006). In Kiribati, for example, only around 17 per cent of the population benefited from remittances (Borovnik 2007:157). Indeed, the poverty experienced by many families with children suggests a growing inability to provide for vulnerable elderly parents or relatives with disability.

## 4.8. Poverty traps in the Pacific

The challenges faced by the poorest families mean many are stuck in a poverty cycle, unable to invest properly in their children whose cognitive development can suffer due to poor nutrition and who cannot access good quality education. Once the children grow up, their chances of obtaining decent employment—or even of migrating—are significantly reduced. They become part of the mass of unemployed youth, with the likelihood that they will remain in poverty and transmit this to their own children. As these poorest families grow older—with individual members gradually losing their ability to work—their poverty may well intensify.

# 5. Social transfers: an option to break the cycle of poverty?

Breaking the poverty cycle in the Pacific requires a broad set of policy interventions, including generating economic growth, improving livelihood options and investing more in better quality public services. This is a massive challenge given the squeeze on finances felt by many PIC governments, with revenues falling across the board (Feeney 2010:139ff). In recent years, governments cut expenditures, such as by 10 per cent in Palau in 2009 and a similar reduction in Kiribati between 2008 and 2010 (Kidd & MacKenzie 2012). As Feeney (2010:141) argued, essential spending on health, education and infrastructure is under threat.[[20]](#footnote-20)

Nonetheless, if countries are interested in tackling poverty, social transfers should be considered as a policy option. In many developed countries, social transfers have been the main area of government spending and have had significant positive impacts on poverty (Townsend 2007). Increasingly social transfers are recognised as a viable and beneficial option in many developing countries.

In the Pacific region, many believe traditional support mechanisms are adequate. Yet evidence suggests this is no longer the case; indeed, it may never have been fully true. Similarly, many believe there are no formal social transfer schemes in the Pacific. This is also not correct.

A range of formal social transfer schemes financed by government operate across PICs. The most common are non-contributory universal pensions providing regular cash to everyone over a certain age. These operate in the Cook Islands, Kiribati, Nauru, Niue, Samoa and Tuvalu, while Fiji recently introduced food vouchers of $30 for everyone aged over 70 years.[[21]](#footnote-21) In Kiribati everyone 67 years of age and over receives a monthly payment of $40—with those 70 years and over receiving $50. In Samoa everyone over the age of 65 receives around $55 a month. Disability benefits operate in Nauru and the Cook Islands, which also has a grant for children up to 12 years of age. The oldest and largest program in the region—dating back to the 1920s—is Fiji’s Family Assistance Programme (FAP) which provides grants of an average $52 per month to poor people with disability, the elderly, the chronically ill and single parents.[[22]](#footnote-22)

There are indications that these programs are having a positive impact on poverty. Pensions in Kiribati and Samoa reduce the poverty gap in beneficiary households by 19 and 21 per cent respectively, and the national poverty gap by 5 per cent in Kiribati and 9 per cent in Samoa. In Fiji, recent qualitative research by Sibley (2011) among beneficiaries of the FAP indicated it makes a major contribution to the lives of some of the most vulnerable families. Family members not only ate more, they accessed a wider variety of food and consumed more meat and vegetables. They also used the cash to buy medicines and keep their children in school.

One concern expressed by critics of social transfers is they may reduce the support provided by families to beneficiaries. However, this concern needs to be interpreted carefully. Many people, even as they age, do not want to entirely depend on others because of self-respect. They prefer a more mutual relationship in which both sides give and receive. In Fiji there are indications that the FAP cash benefit helps beneficiaries achieve greater self-respect by reducing dependency on others and improving relations with extended families. In Kiribati, the apparent trend for Elderly Fund beneficiaries to move to South Tarawa and Kiritimati may indicate that families were more willing for elderly relatives to live with them, perhaps because they were no longer such a drain on resources (Kidd & MacKenzie 2012).

Simulations undertaken by Samson (2012) indicated that social transfers could have significant impacts on poverty in other countries.[[23]](#footnote-23) In Vanuatu and Solomon Islands, universal pensions of $53 and $50 per month for everyone over the age of 65 would bring about poverty gap reductions in beneficiary households of 48 and 38 per cent and reduce the national poverty gaps by 8 and 9 per cent respectively. Figure 3 illustrates the potential impacts on poverty gaps of grants for all children aged 0 to 4 years. In Kiribati, for example, a child grant of $24 per month would reduce the poverty gap in beneficiary households by 21 per cent and the national poverty gap by 10 per cent.

Figure 3: Impacts of grants equivalent to 30 per cent of the national poverty line for all children aged 0 to 4 in selected Pacific Island countries[[24]](#footnote-24)

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Source: Samson 2012.

Pensions and child grants are not the only social transfer options open to governments. Disability benefits and unemployment programs are other options and there are calls for countries to implement conditional cash transfer programs. These make the receipt of cash benefits conditional on families complying with certain behaviours, such as sending their children to school. However, there is very little international evidence of and significant debate on whether longer-term behavioural changes and their resulting impacts are due to the conditions imposed or the cash the families receive. Conditions also introduce administrative complexities and place heavy burdens on countries.[[25]](#footnote-25)

Social transfer programs not only affect poverty directly. They can help children attend and perform better at school, enable families to invest in productive activities and provide an economic stimulus by increasing consumption and demand. This could be particularly significant in outer islands where many economies need a boost.

Of course, a challenge for PICs is the cost of social transfer programs. Universal pensions cost 1 per cent of GDP in Samoa and 0.93 per cent in Kiribati, while the Fiji FAP costs around 0.4 per cent. The pensions mentioned earlier for all people aged over 65 years in Vanuatu and Solomon Islands would cost 0.5 per cent and 1 per cent of GDP respectively, while the child grant options set out in Figure 3 would require between 0.7 and 1.8 per cent of GDP.

Nonetheless, the costs of current and potential schemes are not unreasonable when compared to the costs of similar programs outside of the Pacific.

Figure 4 compares the costs, as a percentage of GDP, of the Kiribati and Samoa pension schemes with other universal pensions in developing countries indicating that many invest similar amounts. Universal programs have tended to generate higher benefits than those targeted at the poor, as they have tended to be more popular politically.[[26]](#footnote-26) By including the middle-class these schemes attract political support. The FAP in Fiji is targeted at the poor and so generates, in relative terms, a lower budget; yet, it was similar in cost to other programs targeted at the poor in developing countries, such as Brazil’s *Bolsa Familia* and Oportunidades in Mexico, both of which cost around 0.4 per cent of GDP (Fiszbein & Schady 2009).

Figure 4: Costs of universal pension programs in Kiribati and Samoa, compared to similar programs in other developing countries

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Sources: HelpAge International Pensions Watch <http://www.pension-watch.net>; author’s calculations based on administrative data from Ministry of Local Development, Nepal; Kidd and McKenzie 2012; Samson and Amosa 2012.

Introducing social transfers to PICs involves administrative challenges. These are not insurmountable, as indicated by the relatively well-functioning schemes operating in the region. While Solomon Islands and Vanuatu may face particular challenges, the island of New Ireland in Papua New Guinea, has introduced a universal old age pension and disability grant in 2009, showing it is possible to implement social transfer programs in Melanesia. By keeping programs simple and not introducing administratively complex mechanisms, such as poverty targeting and conditions, governments enhance their chances of success. Furthermore, in some developing countries new technologies enable the use of sophisticated electronic management information systems and cash payment mechanisms, at times in challenging environments. Indeed, Fiji has recently introduced electronic cash payments into the FAP.

# 6. Conclusions and recommendations

This research paper’s role is not to recommend—or otherwise—that PICs introduce social transfer programs. Governments need to make hard choices between competing priorities in a difficult fiscal environment, while involving citizens in decision making through the electoral process. However, governments interested in tackling poverty and promoting economic growth should seriously consider social transfer programs as a broader policy option. Indeed, in Vanuatu, in the absence of formal support from government, some communities in Ifira have instituted their own pension scheme for around 200 older people (Freeland & Robertson 2011).

The debate on poverty and social protection in the Pacific needs to move on from simplistic assertions on the efficacy of traditional support systems or notions of subsistence affluence. Such beliefs could lead to complacency in policymaking. Poverty is very real for many families in the Pacific and sits within a context—despite strong egalitarian values—of highly unequal countries. Gini coefficients hovered around 0.4 in many PICs and this may have had negative impacts on growth and poverty reduction.[[27]](#footnote-27) Inequality may also have contributed to the social unrest and political turbulence that has marred some countries in recent years, such as in Fiji, Solomon Islands and Tonga, and even touched on Vanuatu as recently as 2007.

This research paper is designed to stimulate further debate on how best to tackle poverty in the Pacific.[[28]](#footnote-28) There would be value in investigating, in more depth, issues about which knowledge is still patchy. These include: gaining a better understanding of the dynamic nature of poverty in the Pacific; further assessing the impacts and challenges of existing social transfer programs; gaining a more informed analysis of the causes of child malnutrition; and, assessing the extent to which informal social protection mechanisms are breaking down. Certainly, Pacific Islanders—many of who are struggling—need to know that all options are being considered to complement the efforts they themselves are making to achieve better lives for their families.

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1. As can be seen in Gibson (2010), questions are increasingly being asked about the accuracy of household surveys in the Pacific, including the quality of data collection. In the absence of alternatives, they remain the best source of information available on household expenditures and income. [↑](#footnote-ref-1)
2. The analysis presented in this chapter was undertaken as part of this research and research conducted in Fiji by Umapathi et al. (2011). [↑](#footnote-ref-2)
3. Analysis conducted for this research. [↑](#footnote-ref-3)
4. See Kidd (2011) for a more in-depth discussion on the costs of accessing public services. [↑](#footnote-ref-4)
5. Storey (2006) & Chung (2007). [↑](#footnote-ref-5)
6. Cf. ILO (2006a:44); Kidd (2011a); Freeland & Robertson (2011); Amosa & Samson (2011). [↑](#footnote-ref-6)
7. ADB 2006. See also Kidd (2011) for a discussion on the low levels of educational attainment in the Pacific. [↑](#footnote-ref-7)
8. Kidd (2011a); United Nations Children’s Fund (2005) [↑](#footnote-ref-8)
9. By 2008 around one-third of all employment on the program had been accessed by Vanuatu citizens (Maclellan 2008). [↑](#footnote-ref-9)
10. Feeny (2010) and Kidd and MacKenzie (2012). [↑](#footnote-ref-10)
11. International Monetary Fund ( 2009). Palau’s Trust Fund fell by 28 per cent in 2008 (ADB 2009, in Feeny 2010). [↑](#footnote-ref-11)
12. Jonathan Sibley, personal communication, 27 November 2010. [↑](#footnote-ref-12)
13. Ibid. [↑](#footnote-ref-13)
14. See Kidd (2011) for a more in-depth discussion of child malnutrition. [↑](#footnote-ref-14)
15. Cf. Abbott & Pollard (2004:42); Freeland & Robertson (2011); Kidd (2011); Kidd & MacKenzie (2012). [↑](#footnote-ref-15)
16. See Kidd (2011) for a more in-depth analysis on why children do not access secondary school. [↑](#footnote-ref-16)
17. A briefing paper by Holmes & Slater (2011) examines the challenges faced by women with gender-based violence. See also Kidd & MacKenzie (2012); Slater (2011); and Freeland & Robertson (2011) for more information on Vanuatu, Kiribati and Solomon Islands respectively. [↑](#footnote-ref-17)
18. Cf. Chung (2007); Naidu (2009); Kidd et al (2010); Amosa & Samson (2011); Freeland & Robertson (2011); Kidd & MacKenzie (2011) for descriptions of the challenges faced by people with disability in Fiji, Kiribati, Samoa, Vanuatu, and the Pacific more broadly. [↑](#footnote-ref-18)
19. Traditional support mechanisms in the Pacific are also discussed in Chung (2010a; 2010b); Amosa & Samson (2011); Freeland & Robertson (2011); Kidd & MacKenzie (2012); Slater (2011). [↑](#footnote-ref-19)
20. Feeny (2010:141). [↑](#footnote-ref-20)
21. For more information on these schemes see Kidd et al. (2010); Chung (2010b; 2010c); Amosa & Samson (2011); Kidd & MacKenzie (2012). [↑](#footnote-ref-21)
22. FAP grants vary in size. On average they provide $63 a month in cash and $30 a month in a food voucher. Fiji is transferring single parents from the FAP to the Care and Protection Program. [↑](#footnote-ref-22)
23. These simulations are undertaken under a set of assumptions regarding human behaviour on receipt of the cash. In particular, it is assumed that other income does not change and that grants are not shared with other households. [↑](#footnote-ref-23)
24. Values in AUD for each monthly child benefit are: Kiribati $24.32; Samoa $36.00; Solomon Islands $15.08; Vanuatu $16.04 (exchange rates from <http://www.ozforex.com.au/forex-tools/historical-rate-tools/yearly-average-rates>) (Samson 2012). [↑](#footnote-ref-24)
25. See Fiszbein & Schady (2009); Kidd & Calder (2011) for more in-depth discussions on the evidence surrounding conditional cash transfer programs. [↑](#footnote-ref-25)
26. See Kidd et al. (2011); Pritchett (2005) for more information on the political economy of social transfers. [↑](#footnote-ref-26)
27. See Abbott & Pollard (2004); Kidd et al. (2010) for more information on inequality in the Pacific region. [↑](#footnote-ref-27)
28. A number of authors have called for governments to invest in social transfer programs. See, for example, World Bank (2006); Parks et al. (2009); Feeny (2010). [↑](#footnote-ref-28)