Social protection in Vanuatu and the Solomon Islands

A decade ago the idea that governments and international agencies would support development policies that provided regular and reliable transfers to those in poverty would have been seen as most improbable ... With minimal fanfare social protection has moved onto national and international policy agendas. (Barrientos and Hume, 2008)

Social protection programmes – that is, those which address access to health, education and other basic services, and protect or replace income – are expanding in developing countries. For many, social protection policies have been important in the acceleration of progress towards achieving the millennium development goals (MDGs). Barrientos and Hulme (2008) argue that, along with economic growth and human capital development, social protection is now a third pillar in national development strategies which aim to increase national levels of welfare, raise economic productivity and strengthen social cohesion.

Social protection programmes offer more than improved living standards for the poor. Well-designed social protection programmes can enhance the productivity of the labour force, the resilience of society and the stability of the political process. In middle-income countries, social protection programmes such as Bolsa Familia in Brazil and Oportunidades in Mexico have reduced income inequality and enhanced the lives of the poor, and contributed towards broader development goals such as economic growth.

The importance of formal systems of social protection in even the poorest countries is now being recognised. The International Labour Organization (ILO) report on ‘decent work’ in the United Nations-designated group of 48 least-developed countries noted:

those countries that have already graduated from Least Developed Country (LDC) status, namely Botswana (1994), Cape Verde (2007) and the Maldives (2011), have followed strategies of gradual extension of social security coverage and have invested strongly in social protection. (ILO, 2011a, p.78)

This article discusses social protection prospects in two Pacific countries that are both members of the LDC group, the Solomon Islands and Vanuatu. It draws on studies of social protection...
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Table 1: Population and economic profile of the Solomon Islands and Vanuatu

<table>
<thead>
<tr>
<th></th>
<th>Solomon Islands</th>
<th>Vanuatu</th>
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<tbody>
<tr>
<td>Population estimate (mid-2011)</td>
<td>539,900</td>
<td>251,800</td>
</tr>
<tr>
<td>Population growth rate</td>
<td>2.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Urban population as % of total population</td>
<td>20.5%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Population aged 0–14 years (estimate)</td>
<td>39.5%</td>
<td>37.9%</td>
</tr>
<tr>
<td>Human Development Index (HDI) (incl. life expectancy, education, health status, living standards) rank out of 187 countries.</td>
<td>142</td>
<td>125</td>
</tr>
<tr>
<td>Gross national income (GNI) per capita</td>
<td>$US1110</td>
<td>$US2870</td>
</tr>
<tr>
<td>Debt as % of GNI</td>
<td>61.7%</td>
<td>41.6%</td>
</tr>
<tr>
<td>Tax revenue as % of GDP</td>
<td>36.3%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Government expenditure as % of GDP</td>
<td>40.5%</td>
<td>23.4%</td>
</tr>
</tbody>
</table>

Source: Asian Development Bank (2012)

undertaken for the ILO in 2011–12 (Dwyer and Bangalini, forthcoming; Dwyer and Hebala, forthcoming) which built on earlier ILO studies (ILO, 2006a; ILO, 2006b). It describes the economic and social context of the Solomon Islands and Vanuatu, including existing social protection programmes and their coverage. It then discusses the areas where programmes could be developed and the potential for stepping up social protection in both countries.

Social and economic context

The Solomon Islands’ and Vanuatu’s LDC status reflects their vulnerability (including vulnerability to hazards, such as tropical cyclones, earthquakes, volcanic eruptions, tsunami and climatic events), as well as the challenges of small, widely-dispersed populations, human resource weaknesses, high levels of basic needs poverty, and, in the Solomon Islands, recent ethnic tensions and political unrest.

The populations of both countries are geographically scattered, and culturally and linguistically diverse. Both countries gained independence, and democratic government, relatively recently (Solomon Islands in 1978 and Vanuatu in 1980). Most people in the Solomon Islands and Vanuatu depend on subsistence activities (especially agriculture and fishing) for at least part of their livelihood, and urban populations are small and rapidly growing. Along with Papua New Guinea, they have low levels of out-migration compared to other Pacific Island countries and therefore little in the way of funds remitted from families abroad (Gibson and Nero, 2008).

International aid provides an estimated 18% of gross national income (GNI) in Vanuatu (AusAid, 2012c). In the Solomon Islands the Regional Assistance Mission doubles this figure to around 40% of GNI (Solomon Islands Government and UNDP, 2010). GNI per capita (see Table 1) is relatively low, especially in the Solomon Islands, compared to other Pacific Island countries (Gibson and Nero, 2008). Compared with other LDCs, however, both the Solomon Islands and Vanuatu are high-income, low-growth economies (ILO, 2011a, Figure 1.1, p.12).

Existing social protection arrangements

Social protection regimes in Vanuatu and the Solomon Islands do not fit easily into the welfare typologies of developed countries. Both have features that align with Esping-Andersen’s conservative model (Esping-Andersen, 1990), which emphasises the role of family and self-provision, with a minimal role of the state in redistribution. There is a strong emphasis on the kastom or traditional forms of collectivity that provide social protection, within families and by wantok (clan members). These traditions involve obligations and are linked to communal land tenure. Beyond health and education, the state has not played a strong role in social protection.

Social protection programmes

Vanuatu and the Solomon Islands have similar government-provided or -legislated programmes. Education and health services are largely government-provided (alongside church-based and NGO services) via current revenues (including donor support). For those in the formal workforce there are compulsory retirement savings regimes via national provident funds (NPFs) and employers cover the costs of other work-based provisions.

The formal workforces, however, are small. In Vanuatu, of the 99,000 labour force members (2009 census), over 16,000 were employers or self-employed, over 52,000 engaged in subsistence or unpaid work and 25,000 were employees. However, in 2009 there were only 16,642 active members (60% of them male) in the Vanuatu NPF retirement savings scheme (Vanuatu Government, 2011a). This suggests that the NPF, and possibly most other employment-based social protection laws, reach fewer than 20% of the labour force. Similarly, in the Solomon Islands there were 41,096 active members of the Solomon Islands NPF in 2010 (around 60% male), which is just under 20% of the 2009 labour force of 214,716 (Solomon Islands National Statistics Office, 2012).

Education

Primary education has become ‘fee free’ in recent years, in large part through donor support related to the MDG-focus on primary education. Secondary and tertiary education incurs fees. At primary schools, fee-free policies are considered an important element in the increase in enrolments and achievement of gender parity in both countries, as well as in increased literacy rates (Pacific Islands Forum Secretariat, 2012). Secondary school completion is low in both countries, and particularly so for girls in the Solomon Islands. Supply constraints (teachers, equipment and facilities, including girls’ boarding facilities) affect the quality and availability of secondary education in both countries.

Health

Basic health services (primary and secondary) are provided free or, in the case of Vanuatu, with low charges for some hospital services. Both countries are seeking to improve the quality and breadth of the services available and face some challenges in terms of achieving
improvements across key health goals (as measured by the MDGs) (Pacific Islands Forum Secretariat, 2012).

More finance is needed to improve and expand the health systems in both countries. Investigations by the World Bank (2010) into the implications of different funding options in the Solomon Islands concluded that a contributory social health insurance was not viable due to the administrative costs of collecting from the high proportion of people outside the formal labour force, as well as the lack of appropriate administrative and technical capacity to collect and manage such a programme. User fees were also not considered viable, as revenue raised was likely to be outweighed by the costs of administering those fees, and the poor would also be less likely to use services. Overall, it assessed the current publicly-provided and free public health service as being efficient and pro-poor.

**Social protection associated with employment**

Employment law in both countries includes minimum wage provisions and obligations on employers to provide pay for sick leave and maternity leave, severance pay (in the case of Vanuatu) and contributions towards an annual paid passage home (100% of costs for all employees in the case of the Solomon Islands, and to cover 75% of travel costs for civil servants in Vanuatu). Legislation also provides for lump-sum worker compensation in the case of injury or death at work.

These provisions are dependent on employers being both willing and able to meet their obligations, as there are few resources for enforcement and many anecdotal cases of employers not meeting their obligations. ‘Under the table’ agreements are common. Apart from the case of worker compensation, where employers are obligated to take out private insurance (not all do so, and private insurers manage risk via exclusions), there is no risk-sharing around the costs of social protection. Individual employers, no matter how small, are liable to provide paid maternity leave from their own resources. This is likely to contribute to the low levels of formal female employment in both countries. Where employers go out of business, there is no fund to pick up their responsibilities for redundancy. Payments, for example in the case of serious injury, tend to be lump sums rather than periodic.

The NPFs’ compulsory savings schemes are funded by employee and employer contributions. Lump sums are paid on death, disablement or retirement. While some retired people set up businesses with their lump sums, and thereby generate their own income stream, it is thought that most lump sums are depleted soon after retirement. There are no products to convert savings into annuities.

There are no statutory social protection programmes to cover long-term illness, disability, old age or unemployment (apart from severance pay in Vanuatu), and none provide for the income protection needs of the 80% of the labour force who are self-employed or in the subsistence economy. In both countries there are small-scale credit unions and union-based funds which provide savings and credit arrangements and, in some cases, benefits (for example, to cover the costs of travel for medical purposes). Schemes that provide benefits through pooled contributions operate on a pay-as-you-go basis and typically manage overruns by suspending or cutting entitlements.

Parliamentarians also have funds to provide support for their constituents; these are discretionary and are reported to reinforce clan-based patronage and obligations.

**Traditional forms of social protection**

Ratuva (2005) identified key features of traditional social protection common to all Pacific Island countries as:

- access to land for all who require it;
- labour exchange or cooperative labour groups for tasks such as clearing land or house-building;
- gift-giving both in relation to special feast days and to mark lifecycle events such as births, weddings and deaths;
- inbuilt norms of social obligation that should make it almost impossible for an individual or family literally to starve;
- an understanding that gifts typically will be repaid, or reciprocal assistance will be forthcoming in the future from those who draw down on it today.

Thus, traditional support is provided within arrangements which reinforce cultural mores and obligations in relation to land and other resources (including money). Obligations are limited by the resources available as well as the strength of ties.

In Vanuatu, the Ifira community (of about 2000 people) has developed categorical grants using revenue received from annual leases on Iririki island, properties in the capital, Port Vila, and a stevedoring arrangement with government until 2050. It provides pensions for those over 50 (8,000 vatu ($NZ100) per month), scholarships for secondary students and Christmas and New Year payments, and has developed rules in relation to entitlements for those marrying outside the community.

Apart from studies of migrant remittances, there is limited information about the reach and impact of traditional support in the Pacific. It is household surveys, and the recent focus on the millennium development goals, particularly MDG 1, to eradicate
social protection in Vanuatu and the Solomon Islands

Initiatives around jobs and tackling unemployment are largely funded by donors, and donor funding is likely to be needed to continue any substantial employment initiatives.

Countries now have more evidence about poverty and hardship, and the groups most affected by poverty. Grappling with how to achieve the MDGs has led to a deeper understanding of the linkages between social and economic well-being, including the importance of non-formal economic activity. Three areas where social protection programmes could be strengthened are discussed below. These are: tackling jobs and unemployment; improved social protection for the formally employed, and cash transfers.

Tackling jobs and unemployment
As elsewhere in the Pacific, neither Vanuatu nor the Solomon Islands are generating enough new jobs for labour force entrants. The lack of paid work for youth has been identified as a priority challenge in both countries and, particularly in the Solomon Islands, is seen as a risk for future stability. Female paid employment is also low.

Within their development strategies, both countries pay considerable attention to ‘employment rich’ development. Two relatively new approaches that are strengthening social protection in relation to employment are:

• programmes which enhance security within the informal sector through business training covering accounts and added value, micro-finance, and improving health and safety for some key areas of informal activity (e.g. the UN women marketplace project: http://www.unwomen.org/2012/08/safer-spaces-and-better-markets-in-the-pacific-islands/).

• the distribution of ‘work’ via minimum wage work programmes. ‘Cash for work’ is now a common approach taken in disaster relief. On a much larger scale is the World Bank-led Rapid Employment Project (REP) in Honiara, which aims to increase the income of the urban poor by providing short-term employment to its target groups of low-skilled women and youth. By March 2012, less than two years into its five-year programme (which is now being extended), REP had provided work for over 10,000 people who were employed for an average of 15 days each. Projects include building walkways and cleaning streets and waterways. While this programme is short-term, there is potential to build towards an ‘employment guarantee’ public works programme, such as those in India which offer a guarantee of a minimum number of days paid work per year to target groups and therefore constitute a guaranteed supplement to subsistence activities. In both countries there is likely to be potential to develop employment programmes within climate change adaptation work.

Initiatives around jobs and tackling unemployment are largely funded by donors, and donor funding is likely to be needed to continue any substantial employment initiatives. In both countries many employment programmes are both small scale and short-term. There is scope to rationalise programmes and develop more comprehensive and longer-term approaches.

development (Barrientos and Hulme, 2008).

For many in Vanuatu and the Solomon Islands, ‘social protection’ is strongly linked to addressing the needs of the most vulnerable only, including protection from violence. For others it relates to contributory social insurance programmes for the formally employed. Some development partners and NGOs are also very attached to the idea of providing services, rather than transfers where people then choose how to spend their money. There is also some caution about government expanding into areas of welfare which have been the domain of traditional support.

On the other hand, the MDG focus over recent years means that both urban and peri-urban populations to share land and income, the difficulties in providing housing and services to squatter settlements on land belonging to traditional owners, the poor quality of employment and earning opportunities available to new urban populations, and the loosening of traditional ties.

Strengthening social protection
Within both the Solomon Islands and Vanuatu, improving and expanding education and health services is a top priority in the social protection area, and there is still a way to go to lift the quality and reach of these services. Other basic services (water and sanitation) also fall short. Beyond this, social protection is a relatively new concept for both governments and many of the development partners they work with. Moreover, social protection lacks an agreed definition, and the focus varies from addressing social risk that constrains development to ensuring basic needs are met, to a rights-based approach to human rights.

extreme poverty and hunger, that have shown the extent to which traditional supports fall short of preventing poverty and vulnerability. The 2005/06 household survey in the Solomon Islands found that 23% of population (32% in the capital, Honiara, and 19% in rural areas) faced difficulty meeting food and essential non-food items (basic needs poverty). In Vanuatu, the 2006 household survey found basic needs poverty affected 16% of the population, but 33% in the capital, Port Vila, and 11% in rural areas.

Kidd et al. (2010) identified weak economies as contributing to stresses on traditional support. They also identified particular pressures from urbanisation, including pressure on

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**Improved social protection for the formal sector workforce**

While the formal employment sector is very small (less than 20% of the labour force in both countries), the current arrangements for sick pay, injury compensation and maternity pay are not enforced and do not cover risks effectively. The ILO’s labour law reform programme, under way in both Vanuatu and the Solomons via partnership with governments, employers and unions, is working towards improvements in social protection laws covering employees, such as maternity pay within a social insurance arrangement.

Currently the social protection available to employees in the formal sector is funded directly by employers in real time (in effect, work-based benefits that are part of total remuneration), apart from savings for retirement where balances are available to employees at retirement or if disabled or to families in the case of death. Therefore, even though improvements in this area are not the highest priority from a needs perspective, they would not require government funding. Improvements here have the potential to smooth costs and reduce risks (as in the case of maternity pay) for individual employers and are likely to make it more attractive to employ women and to create new jobs. Periodic rather than lump sum payments to employees who are disabled at work and retired would help them maintain their welfare over time.

However, the skills required to determine levies, forecast costs and manage risk are not present in either country: no government or quasi-government bodies have a social security function, and private insurance is small scale and largely overseas-owned and managed. The NPFs gather contributions, maintain individual accounts, make investments, pay dividends and pay out lump sums. Even within this narrow range of activity, both have had past financial problems. In the face of massive opposition, the Fiji NPF recently reduced the level of pensions for retired members. Moreover, sharing risks across a population (as opposed to within a family or broader kin or tribal network) is an alien concept to many. These barriers are major, and any moves towards social insurance, whether run by NPFs or directly by government (funded by tagged contributions), will require considerable stakeholder engagement and human resource development.

**Cash payments**

Internationally, there has been considerable growth in low-level transfers to older people, and, in the case of children, particularly cash transfers that are conditional (for example, on attendance at school or health checks). In Vanuatu and the Solomon Islands, household surveys have shown that, on average, older people (particularly widows) and children are more likely to be in poor households. Children in female-headed households are more likely than other children to be in poverty.

AusAID’s review of research on informal social protection concluded that poverty-targeted cash transfers may not be appropriate for traditional societies in the Pacific because they would be seen as divisive by selecting some families, or even different ethnic groups, for special support not offered to other citizens. They might also accelerate migration from rural to urban areas (AusAID, 2012d). Administrative costs associated with targeting in a society dominated by subsistence and informal activity are likely to be very high.

Moreover, universal pensions are an established idea in the Pacific. The Ilifa people in Vanuatu make universal payments to older people, and Samoa, the Cook Islands, Kiribati, Nauru, Niue and Tuvalu pay older people small non-contributory pensions on a universal basis. However, there has been no analysis of the impact of these old age pensions on poverty in Pacific countries.

Finally, technological advances make it possible to administer payments simply, even in the most remote areas. Around the world, pensions are now delivered to cell phones, to debit cards, and in cash via mobile banks and biometric smart cards. The rapid spread of mobile phones and internet in both countries indicates readiness to use this technology.

If a cash payment programme is going to endure, it needs to be prioritised within government budgets. Preliminary costings of low-level universal payments to older people and for children suggest costs in the range of 0.4%–0.8% of GDP for both countries, depending on the assumed level of payment (UNESCAP, 2010; AusAID, 2012b). People with disabilities are another group suggested for universal transfers (AusAID, 2012d).

The Solomon Islands is arguably more ready to consider cash payments than is Vanuatu. The country’s National Development Strategy 2011–2020 has signalled an intention to develop a policy on social security to support the vulnerable in the Solomon Islands (Solomon Islands Government, 2011). It has a wider revenue base than Vanuatu, with around 18% of government revenue coming from income tax and a growing proportion of revenue from taxes on mining. There is, however, some caution about the future sustainability of an old age pension as longevity increases.

The Vanuatu government’s Priorities and Action Agenda 2006–2015 focuses on primary sector development and getting the conditions right for private sector-led economic growth and development.
as well as better provision of education and health. The more recent National Population Policy 2011–2020 provides a framework for many social protection policies, albeit with somewhat of a safety net focus. In particular, it has a goal to reduce hardship and poverty among the elderly, widowers, people with disability and other vulnerable people. There is no discussion about cash payments as a means to achieve this goal. In Vanuatu, taxation is largely from sales tax and import duties. Sales tax is regressive in impact and increasing taxes of this nature to fund universal cash transfer programmes is likely to shift hardship to other parts of the population.

Conclusions
Political will and fiscal space, as well as institutional capacity, are needed to successfully expand social protection. Within Vanuatu and the Solomon Islands, there is increased understanding of the limits of traditional supports in the face of urbanisation, rapid change and slow growth.

An important area of focus is how to provide greater protection for people working outside the formal workforce. Attention to employment opportunities and, if possible, guarantees is likely to benefit some of the most vulnerable workers, including women in rural areas. In the light of mixed millennium development goal progress, governments are recognising that policies need to support people to achieve a decent standard of living from a mix of informal work, subsistence activities and some formal employment (including short-term migration for agricultural work in countries like New Zealand), because it is not realistic to expect the formal sector to provide jobs for everyone in the near future.

In Vanuatu there is interest in supporting cooperatives to replicate and scale up activities that encourage the growth of self-reliance and social protection at the community level. A major plank of the Solomon Islands National Development Strategy is to improve livelihoods for those with subsistence lifestyles. These are important issues, but not ones that wear the ‘social protection’ label. The ‘pump priming’ impacts of transfers would support employment and rural development (the Namibia old age pension illustrates this).1

Expansion of social protection programmes to incorporate regular cash transfers and employment guarantees requires funding, and fiscal space is easier to find when the economy is growing. It is no accident that social protection expansion over the last decade has largely occurred in rapidly-growing developing and middle-income countries. Income transfers are a new concept to most, although a major element of the social security provided by the Ifira community in Vanuatu. Universal categorical payments are likely to be both feasible administratively and acceptable. The key issue for both countries will be finding fiscal space in government budgets.

Even though governments do not need to find new funding to develop better work-related protections for employees and annuities from retirement savings, the insurance elements involved are likely to be more challenging for Vanuatu and the Solomon Islands due to the lack of capacity around actuarial work and managing risk. However, pooling risk more effectively across employers – particularly for maternity pay and worker compensation – is likely to better enable employers to create jobs.

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1 See http://www.youtube.com/watch?v=RGS3muWQxAo.
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