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HOUSEHOLD VULNERABILITY AND RESILIENCE TO ECONOMIC SHOCKS:

# FINDINGS FROM THE SOLOMON ISLANDS AND VANUATU



**OXFAM**  
Australia





## INTRODUCTION

It is well known that the small island developing states of the Pacific, such as the Solomon Islands and Vanuatu, are highly exposed to shocks. These include not only environmental shocks, like cyclones and earthquakes, but increasingly economic shocks as well. Economic shocks include events such as rapid changes in international prices of traded goods and demand for goods and services.

However, there has been surprisingly little research that examines how economic and other shocks are experienced at a household level in the Solomon Islands and Vanuatu (Feeny, 2010).

The lack of deeper understanding surrounding how households are affected by economic shocks means there is also little information on the role that local livelihood practices play in influencing households' vulnerability to economic shocks. Many households in the Solomon Islands and Vanuatu exist on the fringe of the global economy, maintaining traditional lives in small, tight-knit villages, growing their own food and sharing it among family and friends. Some studies have suggested that these traditional systems insulate households from events affecting the global economy (Regenvanu, 2009). Others suggest that while this may have once been the case, it is probably no longer so in urban areas and that as households become increasingly integrated into the world economy, the traditional system is slowly breaking down (Storey, 2006; Connell, 2010).

Following an extended period of relatively calm conditions, the world economy recently experienced three distinct shocks that threatened development around the world — the simultaneous surge in prices of food and fuel that occurred during 2007 and 2008, and the subsequent global financial crisis in mid-2008 that led to the Global Economic Crisis (GEC) and the worst global economic recession since World War II.

Importantly, while the global economy has partially recovered from the effects of the recession, extreme volatility has continued for households. Food and fuel prices have once again risen strongly, and the OECD (2012) suggests that a new major recession cannot be ruled out in the future.

This scenario illustrates why policymakers in the Pacific should be interested in the extent to which households in developing countries are vulnerable to the effects of global macro-economic shocks. Researchers from RMIT University, Deakin University, the University of the South Pacific and Oxfam Australia were involved in a collaborative study with in-country Oxfam partners in the Solomon Islands and Vanuatu. This research was conducted over three years (2010–2013) and was funded by the Australian Agency for International Development (AusAID).

By examining how shocks affect individual households, as well as understanding how households are resilient, the research aims to provide important evidence to help design and target policies that protect households from the effects of future shocks.

## THE RESEARCH PROCESS

In 2011, detailed data from around 1,000 households were captured using a unique survey conducted in 12 locations, spread among urban and rural regions in the Solomon Islands and Vanuatu. Information was also gathered from focus-group discussions and key informant interviews with government officials, development agencies, community leaders and village chiefs.

To gain a sense of how lives in the communities are changing, the researchers returned to six of the original 12 communities, two years after the original fieldwork. During this time a further 660 households were surveyed, including 147 households that were surveyed in the first year. Once again, survey data were complemented by focus group discussions and key informant interviews.

Careful consideration was given to the location of fieldwork. In an attempt to capture the diversity in experiences of vulnerability and resilience, six locations were targeted in each country (see Table 1, below).

**Table 1: Research fieldwork locations and their characteristics**

Community Type	Vanuatu	Solomon Islands	Characteristics
<b>Urban</b>	Port Vila*	Honiara*	Capital city
	Luganville (Santo)*	Auki (Malaita)	Second largest town
<b>Rural</b>	Baravet (Pentecost)	Guadalcanal Plains Palm Oil Limited (GPPOL) Villages (Guadalcanal)	Rural communities heavily involved in commercial agriculture
	Hog Harbour (Santo)*	Malu'u (Malaita)*	Rural communities separated from the respective second city by a direct road
	Mangalilu / Lelepa (Efate)	Marau Sound / Weather Coast (Guadalcanal)*	Communities on the same island as the respective capital city with known links to Oxfam Australia
	Mota Lava (Banks Islands)	Vella Lavella (Western Province)	Remote communities a significant distance from the respective capital cities

\*Surveyed in 2011 and 2013

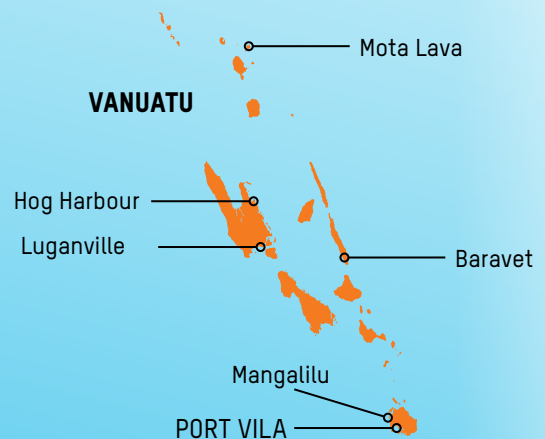




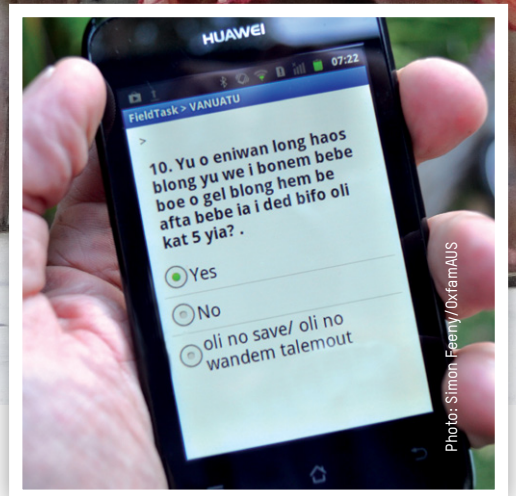


In each country, teams of local researchers were recruited using country-based recruitment agencies and job bulletin boards. Each survey team included one experienced team leader, two focus group facilitators (one man and one woman) and two focus group documenters (one man and one woman). Around 10 local university students from each country were recruited as surveyors. A gender balance was strictly adhered to within the teams.

The household survey captured a wide range of information: details on the people living in the household; ownership of various assets; different ways households make a living; decision-making within the household; respondents' perceptions of their own wellbeing; and indicators of income and expenditure. In addition, the survey explicitly captured information on households' experiences of various shocks (economic and other shocks) as well the way that households responded to these shocks.







The focus groups were held separately with men, women and young people to examine specific impacts of economic shocks on these groups. The focus groups were structured and included a series of tasks, with participants providing a timeline of shocks in the community in recent years, which were then ranked according to their importance. Focus groups then discussed what happened, who was affected, how they were affected and what people did to respond to the circumstances. Participants were also asked for their views on ways that they can strengthen their own resilience to economic shocks. To do so we used a metaphor of fruit on a tree. This provided the focus groups with an intuitive way to think about the type of actions that are required; as with fruit on a tree, the lowest lying fruit were those actions individuals themselves could take, while fruit located progressively higher up the tree required increased assistance from policymakers.

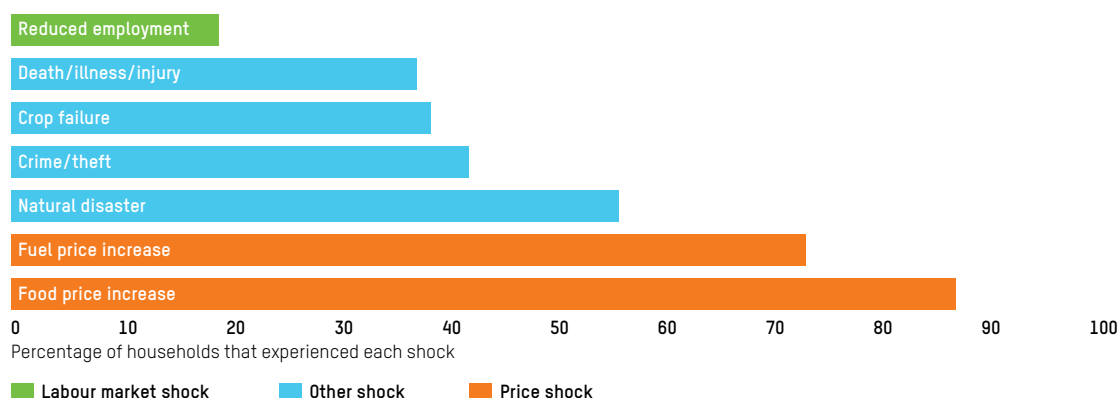
## THE TEN KEY FINDINGS OF THE RESEARCH

### 1. Households in the Solomon Islands and Vanuatu were highly vulnerable to the sharp rises in the price of food and fuel

The research found that almost all households in the Solomon Islands and Vanuatu were vulnerable to the large price rises for food and fuel. Urban households, in particular, were highly exposed to food and fuel price hikes since they purchase a large proportion of their food from markets and local stores, and are heavily reliant on buses for transport. Yet even in rural areas where a lot of food is grown in local gardens, households purchase at least some of their food, such as rice, noodles and canned meat, and they are reliant on boats and trucks for transport.

In addition, most households surveyed nominated that they experienced more than one shock. This suggests that households' experiences of international economic shocks compounded a range of other shocks, including natural disasters and household-specific events.

**Figure 1: Most common shocks experienced by households**



Source: Authors

### 2. Households in the Solomon Islands and Vanuatu were largely insulated from the impacts of the Global Economic Crisis (GEC)

The majority of the population in Vanuatu and the Solomon Islands have no formal employment and limited links with the world economy, beyond their purchases of imported food and fuel. Instead they tend to work for themselves in their garden and sell items at local markets. Consequently, relatively few people experienced unemployment as a result of the GEC compared to other developing countries. Where unemployment did result from the GEC, experiences were concentrated in urban households. In addition, because the Solomon Islands and Vanuatu have few nationals working abroad, there was no sharp-fall in money being sent home, as was the case in other Pacific island countries such as Tonga and Samoa.

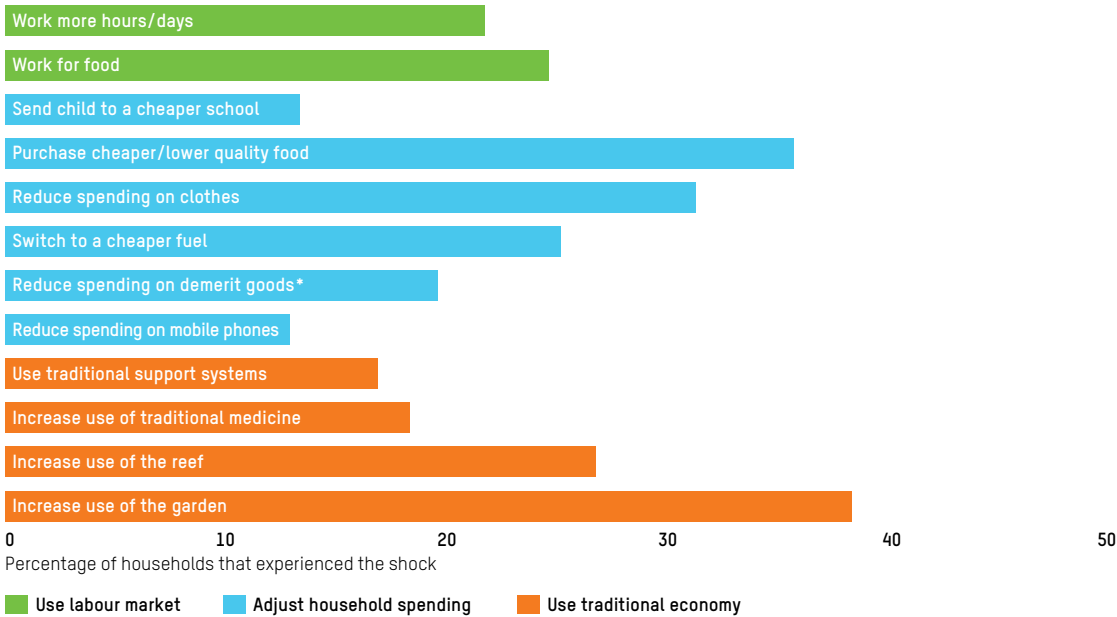
### 3. The garden and reef are fundamental in providing households with resilience from the effects of economic shocks

Most households in the Solomon Islands and Vanuatu live in rural areas and grow most of the food they eat. Even urban households rely, to some extent, on food produced in gardens although overcrowding and limited access to land in urban areas mean that households must purchase more food from stores. In both rural and urban areas, however, most households indicated that they turned to the natural environment during difficult times, such as when food prices increased. This highlights that gardens and the reef remain central to the way households cope with the effects of shocks.



In addition, households also looked to adjust the way they spent their money during the recent economic shocks. Most often this involved switching toward lower-cost imported food from stores, though households tried to pull back their spending on clothes and mobile phone credit. Positively, very few households indicated that they reduced the amount of money that they spent on health and almost no households said they withdrew their children from school.

Figure 2: Most common household responses to a food/fuel price shock



\*Demerit goods include kava, betelnut, alcohol and cigarettes

Source: Authors

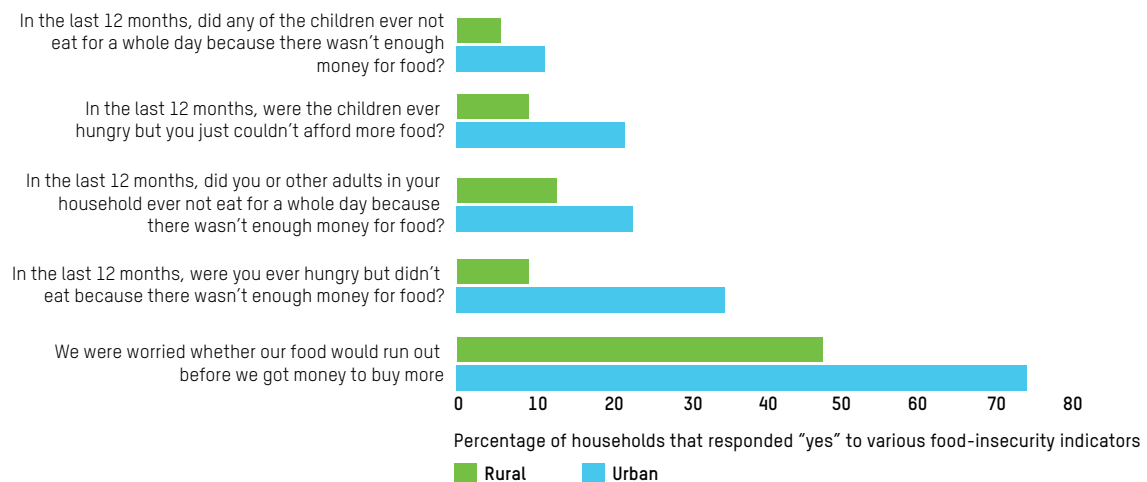




#### 4. Many households in the Solomon Islands and Vanuatu experienced food insecurity during recent economic shocks

Despite the majority of households having access to a food garden and marine resources, a number of households still reported facing food insecurity. This was particularly true for households in crowded urban squatter settlements where there is relatively little land available for gardens and households tend to be reliant on cash incomes to purchase food from stores and local markets. As food prices increased, a substantial share of households worried that their food would run out before they got enough money to buy more. While a smaller, yet still significant, share of households indicated that they were severely food insecure, with an adult going without food for a whole day because there wasn't enough money to purchase more.

**Figure 3: Food insecurity**



Source: Authors, based on US Food Security module

#### 5. Women bore most of the burden in adjusting to the effects of the recent economic shocks

Women often act as shock absorbers for households during difficult times. Women were often the ones taking on additional work during difficult times to provide more income for their household. This included growing more food in the garden, selling goods at the local market and finding more formal employment (where available). This extra work done by women was in addition to the traditional responsibilities that women have around the home — cooking, housework and caring for children and the elderly. Also, when a household indicated that they cut back on the amount of food they ate because it had become too expensive, it was often women who were the first to reduce their share. Women were also more inclined than men to walk to and around town to save money on public transport.

Many women reported that the stress of coping with shocks left them feeling unwell. Some women also reported cases of domestic violence, thereby worsening one of the most prominent social problems in the region.





**6. Despite continued strong urbanisation, internal remittances and migration are circular with flows from and to rural areas**

For several decades a key feature of the Solomon Islands and Vanuatu has been the large flow of people moving away from rural areas, where economic opportunities are limited, to urban areas to look for work and to send money back home (known as “remittances”). Focus-group participants identified the importance of these remittances. Among the least-vulnerable households during shocks were those with working members elsewhere that can remit money home.

However, urban migrants are often forced to live in cramped settlements and have limited access to gardening land. Additionally, employment opportunities are limited. Consequently, with food and fuel prices increasing, many households have found that living in urban areas is proving too costly. Consequently some have looked for ways to migrate back to their home islands. Others, who have remained in urban squatter settlements, have now become increasingly dependent on flows of money, food and other goods from family in rural areas — reversing the flow of remittances that was originally intended.

**7. The Increased use of money is having important impacts on the behaviour of households in the Solomon Islands and Vanuatu**

In addition to the rapid rates of urbanisation, economic activity in both the Solomon Islands and Vanuatu is also becoming increasingly “monetised”. Even in rural areas, where food production and services have traditionally taken place without cash being exchanged, money is needed in increasing amounts to purchase important consumer items, such as soap, fuel and sugar, as well as to pay for services, such as education.

The greater use of cash is increasing households’ exposure to price changes. Consequently, as prices of food and fuel spiked prior to the GEC, households were faced with the need to earn additional income. However, in both countries, only a limited amount of new jobs are created each year. Households were therefore forced to look for alternative sources of money. While some have looked to sell things in marketplaces, such as betelnut, cigarettes, food and trinkets, as well as working as day labourers, others also sought cash from extended family members. Focus groups also indicated that crime and sex work were also on the rise, particularly in urban areas, as households looked for ways to deal with the increasing need for cash.



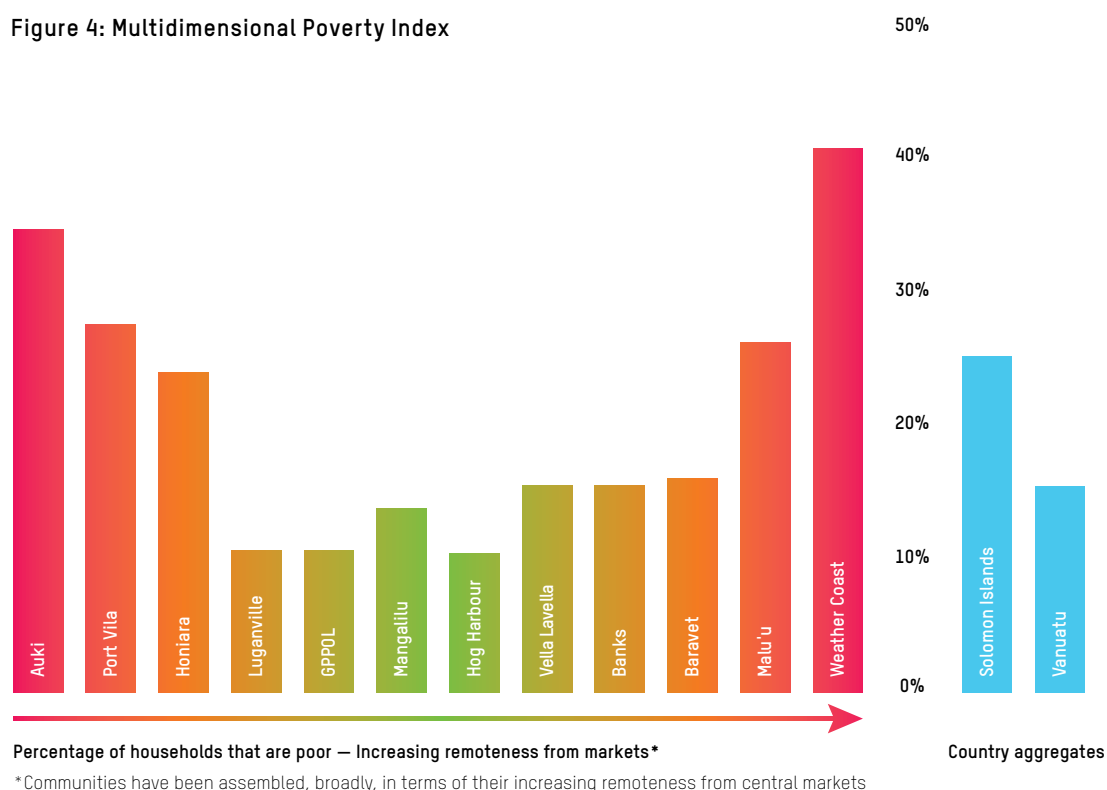


## 8. The incidence of poverty varies greatly within the Solomon Islands and Vanuatu

In both Vanuatu and the Solomon Islands poverty is present when it is viewed in terms of whether household members are educated and healthy, whether children attend school, and if the household has access to electricity as well as clean water and good quality toilets.<sup>1</sup>

When communities were arranged in terms of how remote they are from main markets, poverty in the Solomon Islands formed a distinctive 'U-shaped' pattern.

**Figure 4: Multidimensional Poverty Index**



Source: Authors

The highest rates of poverty were observed in the urban squatter settlements, where land is limited, few jobs are available and social networks may be breaking down.

Very remote communities also had relatively high rates of poverty because of their limited access to services and markets.



*Contrasting road quality between the village and town: a high-quality road between Hog Harbour and Luganville in Vanuatu (left) and a poor-quality road between Malu'u and Auki in the Solomon Islands (right).*

In contrast, rural households with good access to transport and roads recorded the lowest rates of poverty. This may be due to their unique combination of environmental resources, traditional social networks and access to markets.

1. Formally, this is referred to as the Multidimensional Poverty Index (MPI) which is reported for more than 100 countries each year in the United National Development Program Human Development Report (UNDP, 2012).

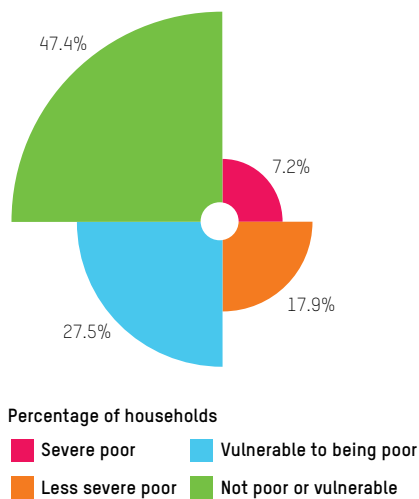
### 9. Severe poverty is limited but large proportions of the population are vulnerable to poverty

Strong social support networks — families, friends, neighbours and clans — in the Solomon Islands and Vanuatu usually mean that extreme poverty, hunger and destitution seen in some other developing countries do not exist.

Poverty in the Solomon Islands and Vanuatu is more about lacking the opportunity to earn money as well as lacking access to essential services such as education, health and electricity (Abbott and Pollard, 2004). According to our multidimensional poverty index, few households are severely poor.

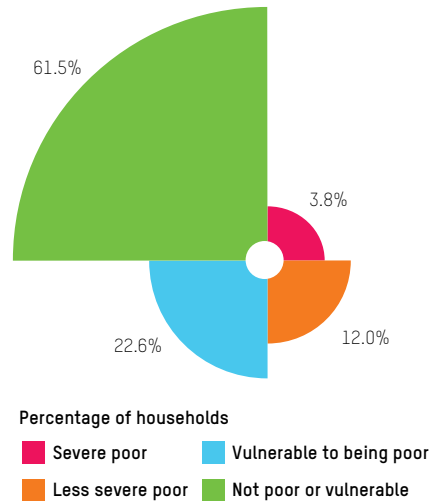
However, a large proportion of households are vulnerable to falling into poverty. They are currently close to the poverty line and could easily become so following another shock.

**Figure 5: Poverty intensity in the Solomon Islands**



Source: Authors

**Figure 6: Poverty intensity in Vanuatu**



Source: Authors

### 10. Traditional safety nets, important for providing households with resilience, may be at risk

Traditional social support networks prevent many households from sliding into poverty. During difficult times, almost two-thirds of households indicated they sought support from their friends, neighbours, family and extended family.

However, there is a risk that the traditional support systems are weakening. It has been known for some time that such systems do not cover everyone, while very rapid rates of urbanisation and monetisation have meant people are living increasingly modern lives. Crime and poverty are rising, particularly in the cities. In this research around one-third of households indicated that following a shock they reduced the amount of support they provided to their social networks, as they found that contributing to help was too difficult.





## EVIDENCE-BASED POLICY RECOMMENDATIONS

The following policy recommendations draw almost exclusively on the findings from the extensive fieldwork research and the analysis of the household survey and focus-group discussion data. The policy recommendations focus on providing specific support to women given the research found that they play such a central role in the way households adjust to shocks. Importantly, the poorest and most vulnerable must be targeted by any policy interventions.

The recommendations should not be viewed as an exhaustive list but as a summary of the main actions for governments, aid donors and NGOs to assist in reducing vulnerability and to build the resilience of households in the Solomon Islands and Vanuatu.

### 1. Experiment with formal social protection schemes

The findings from the research provide a strong case for the implementation of formal social protection schemes in the Solomon Islands and Vanuatu. Households are found to experience a number of different shocks and a large proportion of households can be classified as vulnerable. Traditional social safety nets clearly do not cover everyone, and some households are living in severe poverty. The research findings also indicate that while traditional social support networks are very important in providing households with resilience, they are also breaking down, particularly in urban squatter settlement communities. In addition, households are increasingly requiring cash in order to meet their basic needs.

Child-support payments, pensions and disability payments should all be trialled. Cash transfers, conditional on school attendance or health checks, should be experimented with for the poorest households, although basic services must also be available to such households if these payments are to be effective. Examples of formal social protection schemes that favour women's economic participation might include public work schemes with facilities that specifically support women, such as childcare.

### 2. Strengthen access to land and gardens

The research has demonstrated that the garden is a fundamental source of resilience for households in the Solomon Islands and Vanuatu. The vast majority of households source more food from the garden following a shock, and it is clear that households with good access to gardens have greater levels of food security. Urban households with restricted access to gardens have become more dependent on purchasing imported food and are therefore more vulnerable to price hikes.

Given the importance of having access to a garden during hard times, policymakers should seek ways to strengthen access to land. In urban areas this might involve support for urban gardens and land-segregation schemes, as well as programs that encourage food cultivation in the available space around homes in urban areas, for example, potted and hanging gardens. Increasing agricultural productivity — through the provision of tools, seed banks, rural development loans and education — would increase the amount of food able to be produced from the available farming land. When combined with better market access, this would increase the financial rewards from agricultural-based livelihoods and reduce the motivation to migrate to urban areas. The collection of food for the household is usually the role of women, so improving access to locally produced food will create better food security and free up more time for other important activities.







### 3. Improve access to markets

A number of findings from the research indicate that improved access to markets would assist with reducing households' vulnerability to future shocks. Firstly, the incidence of both poverty and vulnerability is found to be high in rural communities located a long way from markets, especially when compared to rural communities with good transport infrastructure. Secondly, the burden falls on women to find additional income during difficult times and this often involves women having to produce and sell more items at market. Thirdly, focus-group participants emphasised the need for better access to markets since the financial (and time) costs of getting goods and travelling to markets are a great burden on many households. They also reported that selling garden produce at the market was the best way to manage rising household costs.

Focus-group participants identified that establishing community markets would assist them in generating additional income as well as reducing the cost of transport. Improving their access to markets will free up more time for gardening, household duties and care work. Governments and international donors can assist in improving access to markets by building additional markets closer to population centres and by providing better transport infrastructure, which can reduce the financial and time costs of getting to a central market place. Any transport infrastructure will also need to be appropriately maintained.

Complementary policies should also be designed to ensure that increased market access supports rather than conflicts with women's traditional roles, for example, the provision of financial services and childcare facilities close to markets. Improving the safety of women at markets, access to sanitation and reducing market fees should also be considered as women sometimes need to travel from outer islands and sleep in market places.

### 4. Improving access to clean water and sanitation

Many focus groups (including all female focus groups) wanted water, sanitation and hygiene (WASH) projects prioritised over all other development projects, recognising the importance of WASH for health and as a contributor to the productive capacity of household members.

Improving access to clean water and sanitation will help raise school attendance and will be of particular benefit to women since it is usually their role to collect water, which often involves a great deal of time and effort. By improving access to clean water, WASH projects can also improve the physical safety of women simply by reducing the distance they need to travel from their homes and villages. WASH programs should be community-led and run, and include women on their water-management committees.

### 5. Improve access to a quality education

Households with well-educated members are perceived to be less vulnerable since they stand a better chance of finding employment. However, difficulty in paying school fees was a recurring theme in focus-group discussions. While primary schooling is notionally free in the Solomon Islands and Vanuatu, schools charge their own fees and households still face costs associated with transport and school lunches.

Although withdrawing children from schools was viewed as a last resort in most communities, there are a number of policies which can reduce the burden on households when it comes to sending their children to school. Government and donors should work to ensure that education is effectively fee-free at primary school and especially at secondary school where enrolment rates are far lower. While gender ratios are close to being balanced at lower levels of education, there is great disparity at tertiary level. Governments and international donors should therefore target university scholarships and fee-free university education towards women, enhancing their prospects of future leadership roles.

Policymakers should also ensure that school curriculums are relevant and equip students with the skills they need to find suitable employment. Life skills relating to money management and financial literacy were seen as being very important by focus-group participants. Finally, governments should seek to strengthen agricultural education in schools, particularly in rural areas, as a way to increase agricultural productivity and strengthen resilience to shocks.



## 6. Improve access to financial services

Despite the increasing use of cash, the household survey found that less than 45% of rural households had access to financial services. Having access to banking facilities savings can allow households to save in good times as well as put away money to help them pay for things in the future — such as school fees and weddings. Banking facilities can also help households borrow to start up a business. Access to savings facilities can also assist women in maintaining control over their assets and give them control over expenditures. In addition to protecting households against future shocks, financial services can contribute to broader economic empowerment.

Policymakers should therefore take steps to improve access to savings as well as affordable credit facilities. Mobile banking schemes should be expanded to rural areas where accessibility is limited. However, an increase in access to financial services needs to be complemented with financial literacy training to improve the ability of households to budget and manage their money. Information from focus groups indicated that households wanted to know more about how to better manage their money, in particular how to budget and save, as well as information on how to access loans for investments.

## 7. International donors should provide greater access to their labour markets

The increasing need to earn an income in the face of limited domestic employment opportunities is placing a great deal of stress on households. Men currently dominate formal sector employment. Focus-group participants identified the least vulnerable households to shocks as those with working members elsewhere that can send money home.

International donors should provide greater access to their labour markets. However, care needs to be exercised when designing schemes as existing seasonal worker schemes in Australia and New Zealand have tended to favour men and might cause financial hardship for the families they leave behind. There is also a danger of children not coping without their father and an increase in the likelihood of extramarital affairs. In expanding access to these seasonal worker schemes, policymakers could possibly target single people and entire families. Reducing the transactions costs associated with remitting funds would also benefit households. Donors should also look beyond seasonal worker programs in developed countries, towards increasing permanent migration from the Solomon Islands, Vanuatu and other Pacific countries.

## CONCLUSION

The ripples of global economic shocks will continue to stretch outwards. People in the Solomon Islands and Vanuatu live unique lives in distinctive environments. The combination of environmental resources and strong community ties sets them apart from people in other countries. Therefore, in order to best protect households from the impacts of future shocks, policies must build upon, rather than weaken, these unique assets.

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