Employment and Income Impacts of COVID-19 in Solomon Islands

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Results from Round Three (July 2021) of the Solomon Islands High-Frequency Phone Survey

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Introduction and Highlights

This brief focuses on household-level economic impacts of COVID-19 in Solomon Islands during the first half of 2021, based on data from a High Frequency Phone Survey (HFPS).[2] While widespread transmission of COVID-19 did not occur in 2021, COVID-19 preparedness measures such as border closures and precautionary public health measures, as well as weak external demand may have had an impact on the welfare of households. The annex provides information on the survey methodology.

HIGHLIGHTS

- **Employment fell from 66 percent in January 2020 to 61 percent in January 2021 and 57 percent in July 2021. Employment falls were spread across the services, agriculture and industry sectors, urban and rural areas, and wealth quintiles. Women and the poorest households fell further behind, with no evidence of recovery in employment for any group.**
- **For households with income from a non-farm enterprise, 51 percent experienced a fall in that income over the past six months.**
- **For households with agricultural income, compared to the previous growing season, 49 percent had lower agricultural income or no agricultural income, 40 percent had unchanged agricultural income and 11 percent had increased agricultural income.**
- **Reduced income from both non-farm enterprises and agricultural work were most pronounced in female-headed households.**
- **70 percent of households were either "very worried" or "somewhat worried" about their finances, which may reflect a continued deterioration in economic conditions.**

RECCOMENDATIONS FOR POLICYMAKERS

- **A second stimulus package (including labor intensive public investment) and a well-managed reopening of the borders may bring economic recovery and employment growth.**
- **Adaptive social protection programs are needed. Targeting poor and vulnerable households should be a priority given the fiscally constrained environment.**

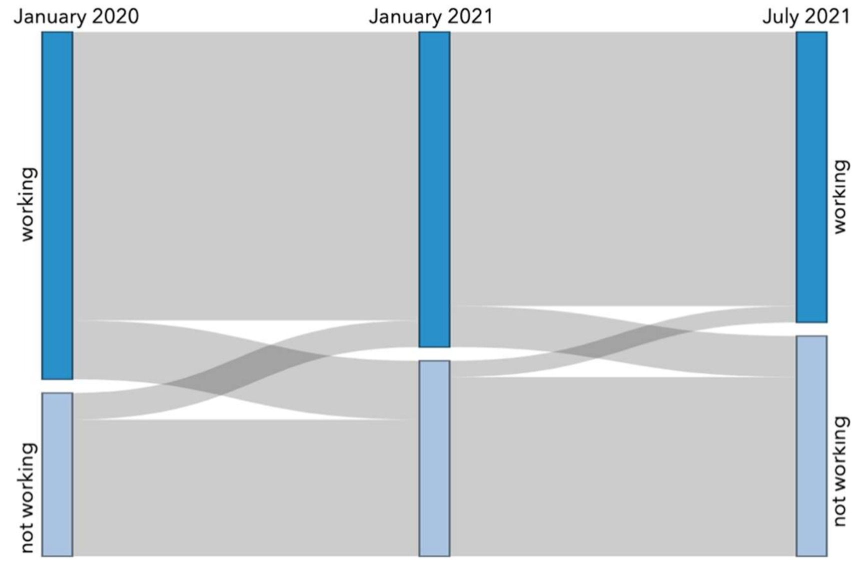
[1] The findings, interpretations, and conclusions expressed in this note are entirely those of the authors. They do not necessarily represent the views of the International Bank for Reconstruction and Development, the World Bank, UNICEF and its affiliated organizations, nor those of the Executive Directors of the World Bank and the governments they represent. The team gratefully acknowledges the Korea Trust Fund for Economic and Peace-Building Transitions for financing the data collection and analysis for the World Bank Survey, and the UNICEF Pacific Multi Country Office for financing the data collection and analysis of the UNICEF SIAS. The authors thank UNICEF colleagues Ronesh Prasad as well as World Bank colleagues Lodewijk Smets, Annette Leith, Shohei Nakamura, Kristen Himelein, Utz Pape, and Dung Doan for their comments on earlier drafts.

[2] Data collection occurred from June 2021 to August 2021, though some statistics from this survey are quoted as representing the month of July, which accounted for over 80 percent of households interviewed.

Employment trends

A large share of those who were working in January 2020 were out of work in January 2021 and July 2021. Nationally, the employment rate at these times was 66 percent, 61 percent, and 57 percent, resepctively.[3] Figure 1 reports employment status for the Round Three sample in January 2020, January 2021 and July 2021.[4] Across 2020, more people fell out of employment than entered employment. Though an economic recovery may have been nascent in 2020, there is no evidence that it continued into 2021,[5] with a continued decline in the labor market in the first half of 2021. However, the vast majority of those who who were working in January 2021 were also working in July 2021. There was no difference in employment rates between households with or without children.

Figure 1: Employment Status, January 2020 - July 2021

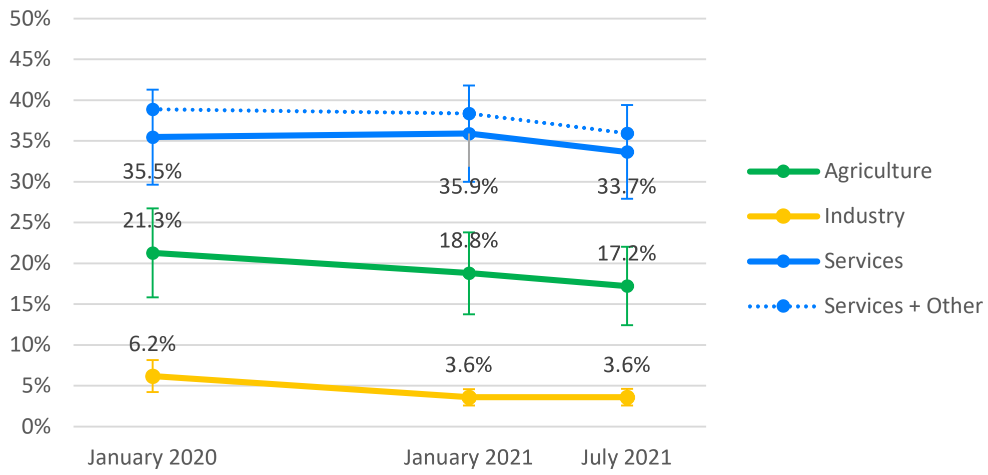


Note: Estimates based on recall data reported in July 2021 for respondents and household heads.

The net reduction in employment for the Round Three sample from January 2020-July 2021 was widespread, affecting the agriculture, services and industry sectors (Figure 2[6]). Employment in agriculture was 17 percent in July 2021 compared 21 percent in January 2020. Despite stabilization in the industry sector between January 2021 and July 2021, employment in industry remains below pre-pandemic levels. The service sector, which is the largest sector, was 36 percent in January 2020 compared and slightly lower in July 2021 at 34 percent. The share of those employed formally (41 percent) has been steady over time, suggesting no recovery in the formal sector.

[3] Given the potential for under-reporting of employment for January 2020 and January 2021 (due to some not working during the Christmas holiday period), the fall in employment in Solomon Islands to July 2021 may be greater than these estimates suggest.
[4] The two work status categories (working/ not working) account for all respondents in Round Three, as for each time period a respondent could have reported either working or not working. Each grey-shaded line traces the group of respondents from one work status in a time period, to either a different or the same work status in the next time period. The thickness of the line represents the proportion of respondents moving from one work status to the other, or staying in the same work status.
[5] Round Three did not collect data on the change in employment from July 2020 to December 2020, so any partial recovery during this period (as reported in the Round Two results report) would be masked by the net fall from January 2020 to January 2021.
[6] The sectors and activities were defined as follows: 1) agriculture and logging activities in the agricultural sector, 2) mining, manufacturing, electricity, water, gas, waste, and construction activities in the industry sector, 3) professional, scientific, technical, transportation, retail, wholesale, trading, finance, insurance, real estate, personal services, education, health, public administration, tourism, restaurants, hospitality, handicrafts, and cultural industries, undefined self-employment, security and defense, community works and service in the service sector. A fifth of responses were “other” and most of these were coded manually to fit into the three broad sector categories. However, some responses were too unclear to categorize. The dotted line tracks included “services” classification.

Figure 2: Levels of Employment by Industrial Sector

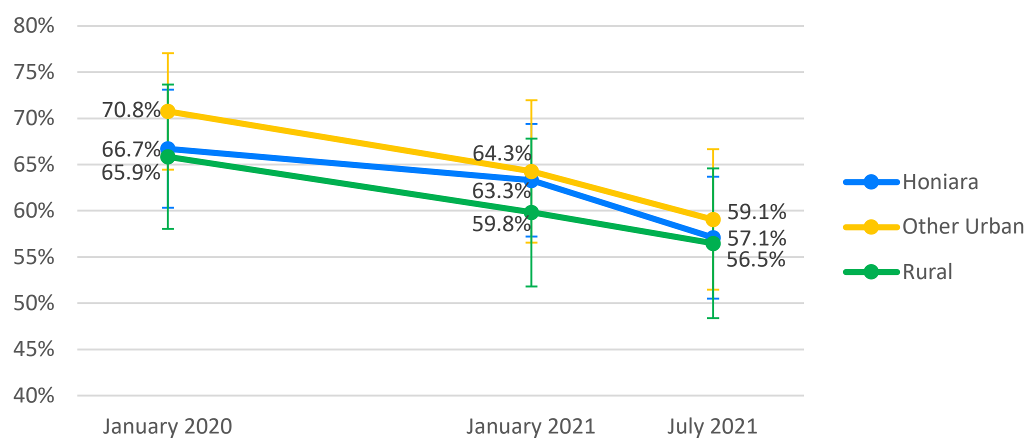


Source: July 2021 HFPS individual level data.

Note: Vertical bars represent 95 percent confidence intervals.

Employment falls were geographically widespread from January 2021 to July 2021, with employment dropping below 60 percent in Honiara, Other Urban areas and Rural areas in July 2021 (Figure 3). While employment rates reported in the HFPS Round Two report suggested a period of stability or early recovery for the second half of 2020, there was no evidence of economic recovery in 2021 based on these employment estimates. In both rural and urban areas, employment was higher at the pre-pandemic baseline of January 2020 than in July 2021.

Figure 3: Levels of Employment by Location

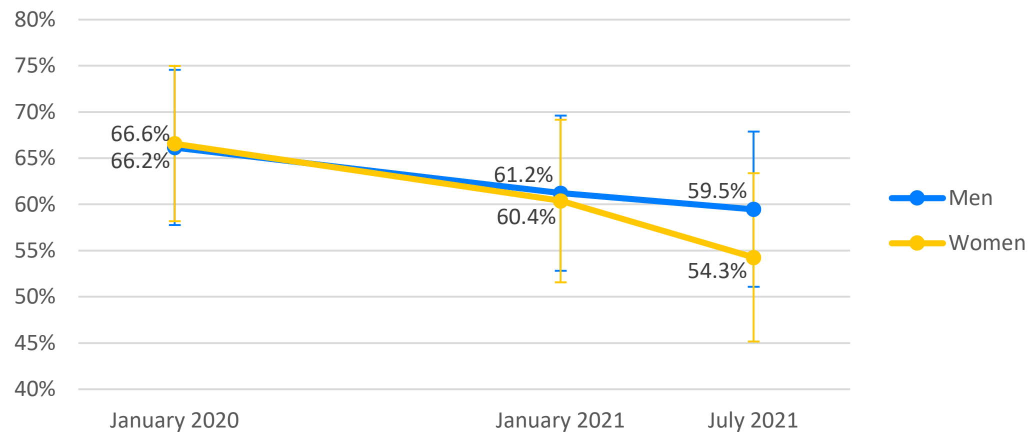


Source: July 2021 HFPS individual level data.

Note: Vertical bars represent 95 percent confidence intervals.

Both men and women experienced falls in employment between January 2021 and July 2021, (Figure 4). Employment fell to 60 percent for men in July 2021 and to 54 percent for women in July 2021. While employment was estimated to be 66 percent for both men and women in January 2020, this estimate is not consistent with the HFPS Round Two report estimates for employment by sex, which found men to have higher employment rates than women at the January 2020 baseline. A greater recall error is possible in the Round Three data for January 2020, given that that data was collected eighteen months prior to the timing of the Round Three interviews.

Figure 4: Employment by Gender, Over Time

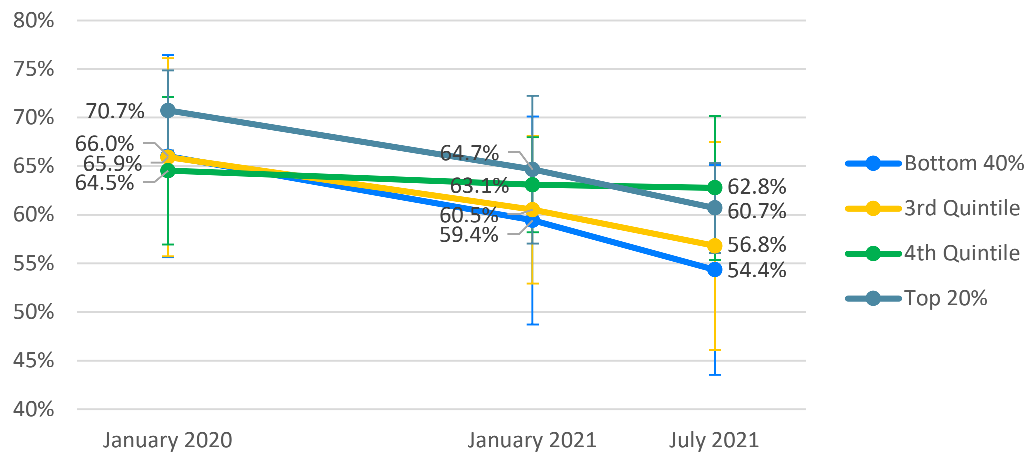


Source: July 2021 HFPS individual level data.

Note: Vertical bars represent 95 percent confidence intervals.

Households across the wealth status distribution experienced large falls in employment between January 2020 and July 2021 (of close to ten percentage points), with the exception of the fourth quintile (Figure 5). Employment was higher at baseline (January 2020) than in July 2021 for all groups. Consistent with the national level results, there is no evidence of economic recovery and even increasing indications that the poorest group were being impacted the most.

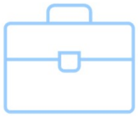
Figure 5: Employment by Wealth Status, Over Time



Source: July 2021 HFPS individual level data.

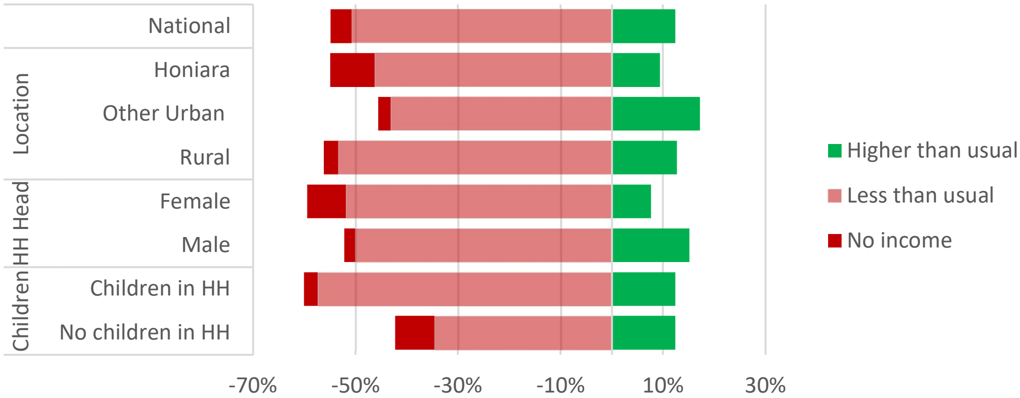
Note: Vertical bars represent 95 percent confidence intervals.

Non-farm enterprise Income



Over half of respondents reported that their income from non-farm enterprises had fallen in the past six months (Figure 6). This deterioration was more pronounced in rural households than in Honiara and Other Urban areas, with 56 percent of these households reporting that income from non-farm enterprises was less than usual or that they had received no income at all. Lower incomes from non-farm enterprises were also particularly common in households with children relative to households without children. Overall, only 13 percent of respondents indicated that their income from non-farm enterprises was higher than it was at the beginning of the year.

Figure 6: Non-farm Enterprise Income in July 2021, by Location and Gender of Head of Household



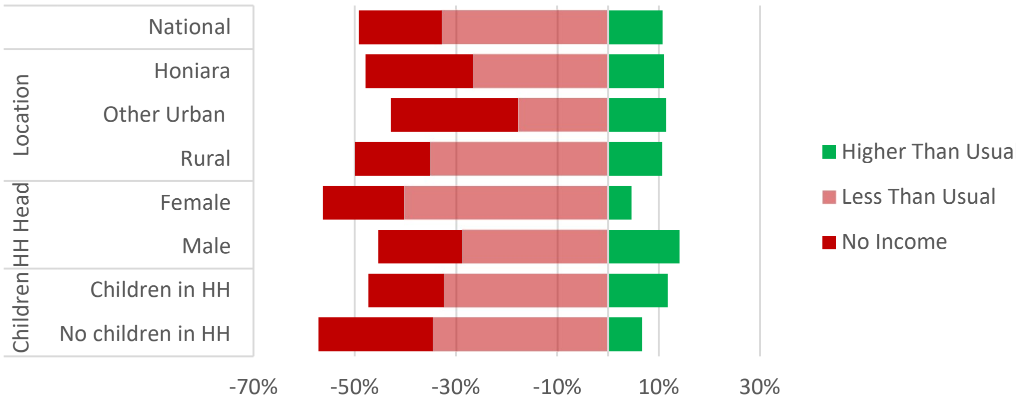
Source: July 2021 HFPS household level data.

Note: Category of "no change in income" was recorded but is not reported in Figure 6.

Income from Agriculture

Almost half of households with agricultural income reported that income from agriculture was less than usual or zero compared to the previous growing season, with a small share (12 percent) reporting that their income was higher (Figure 7). Agriculture was a source of income for both urban and rural households. In Honiara, Other Urban areas, and Rural areas, over 70 percent of households reported less than usual or no income. This reduction in income was consistent with the downward trend in employment in the agriculture sector (Figure 2). As with non-farm enterprises, lower incomes were most pronounced in female-headed households.

Figure 7: Agricultural Income in July 2021, by Location and Gender of Head of Household



Source: July 2021 "HFPS Household Level Data".

Note: Category of "no change in income" was recorded but is not reported in Figure 7.

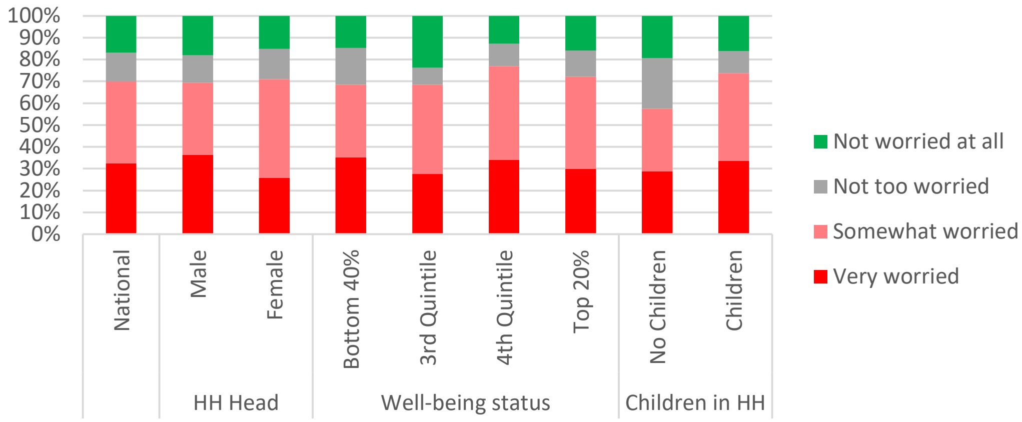
Remittances

Of households that received international remittances, the majority (53 percent) indicated that remittances had decreased in the past month. Only 7 percent of these households cited an increase in remittance income over the past month. Of households who received remittances from within Solomon Islands, 26 percent reported that remittances had decreased, while 9 percent reported that remittances had increased, with the rest reporting no change. While remittances can help to cushion the effects of stagnant or reduced incomes, this is unlikely to be the case if both remittances and other sources of income are reducing at the same time.

Financial anxiety

The majority of households were 'very worried' or 'somewhat worried' about their financial situation (32 percent and 38 percent respectively). Considering that there was a perception of falling business income, agricultural income and remittances for large proportions of households, as well as a widespread employment loss, it would seem unlikely for most households to be confident about their financial situation. A lack of confidence in the current and future capacity of households to earn income may manifest as financial anxiety. Negative sentiment regarding households' financial situations was widespread (Figure 8). Both male-headed households and female-headed households were equally negative, as were households across the welath distribution. Nationally, Only 17 percent of households were not at all worried about their financial situation.

Figure 8: Financial Anxiety by Gender of Head of Household and by Household Wealth Status

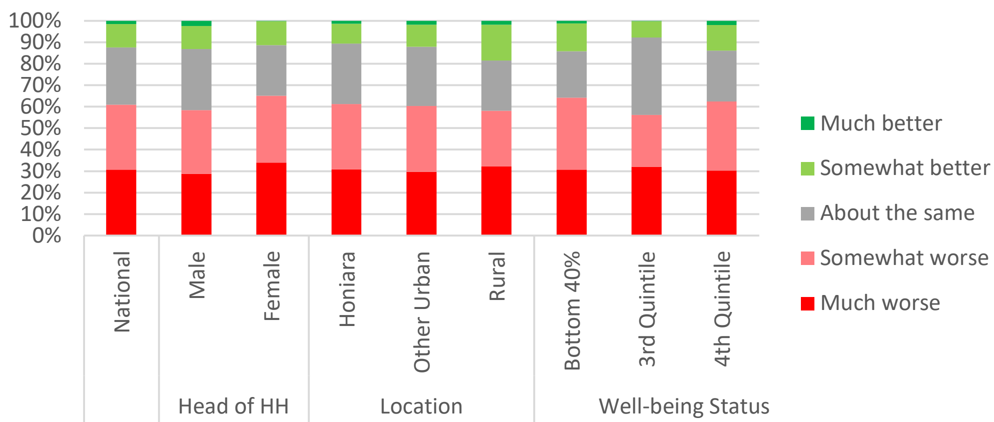


Source: July 2021 HFPS household level data.

Economic Outlook

When asked about their expectations for the economy in July 2022 – one year after the survey – less than one fifth of households reported that there would be any improvement. More than 60 percent of households thought that the economy would be in a worse position than at the time of the survey (Figure 9). Consistent with the widespread negative economic impacts of employment loss and income loss, wealthier households were as pessimistic as less wealthy households and male-headed household were as pessimistic as female-headed households.

Figure 9: Economic outlook for the coming year, nationally, and by household wealth



Source: July 2021 HFPS household level data

ANNEX: SURVEY METHODOLOGY

Round Three of the World Bank HFPS interviewed 2,503 households, on topics including employment and income, coping strategies, public services, and public trust and security. It follows rounds of the HFPS in June 2020 and in Dec 2020-January 2021. The dates of implementation for HFPS Round Three were between June 29, 2021 and August 11, 2021. Telephone interviews were conducted through a Solomon Islands call center run by Tebbutt Research.

As the objective of the HFPS was to measure changes as the pandemic progresses, Round Three data collection sought to re-contact the 2,882 households in Round Two. Of the Round Two households, 1182 were successfully re-contacted and completed interviews. In addition, 693 households from Round One were recontacted and completed interviews. To reach the target sample size of at least 2500 households 980 new replacement households were added to the World Bank survey. The total final sample of completed interviews was 2503. The employment questions were asked for both the respondent and the household head by proxy (if different from the respondent), yielding a total sample size for the individual-level employment analysis of 3188.

The third round of the HFPS was complemented by the second UNICEF Social-Economic Impact Assessment Survey (SIAS) This survey was designed to provide more detailed information of a subsample of households from the HFPS. The SIAS collected data on children, access to health care, family arrangements, education, and water and sanitation. For the SIAS survey, recontact was attempted with all 2503 households from the HFPS Round Three sample, between August 16, 2021 and September 5, 2021. In total, 1770 households were successfully recontacted and completed interviews.

Table A

	UNICEF	World Bank	2019 Census
Province	% of sample	% of sample	% of population
Choiseul	3.2	3.0	4.2
Western	14.6	14.8	13.1
Isabel	3.2	3.2	4.2
Central	2.8	2.7	4.2
Rennell-Bell	0.2	0.2	0.6
Guadalcanal	20.2	20.9	21.4
Malaita	12.8	13.2	24.0
Makira-Ulawa	3.3	3.4	7.2
Temotu	1.9	1.7	3.1
Honiara	37.6	36.9	18.0

Despite geographic quota targets, re-weighting was necessary to compensate for areas where targets were not reached. Honiara was over presented in the sample (see table A). Compensating factors for these differences were developed and included in the re-weighting calculations. Further information regarding weighting can be found in the HFPS Round One and HFPS Round Two reports, which followed the same weighting methodology. Because of considerable attrition between rounds, most statistics showing changes through time reflect data from repeated cross sections rather than panels. Exceptions to this are detailed in notes under each chart.

References:

World Bank. 2020. Solomon Islands High Frequency Phone Survey on COVID-19: Results from Round 1. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/34908 License: CC BY 3.0 IGO.

World Bank. 2020. Solomon Islands High Frequency Phone Survey on COVID-19: Results from Round Two. World Bank, Washington, DC.