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Addressing the Needs of Highly Vulnerable Households in Luzon during the Covid-19 Lockdown

Geoffrey Ducanesⁱ, Sarah Lynne Daway-Ducanesⁱⁱ, and Edita Tanⁱⁱⁱ

Abstract

In this brief article, we attempt to quantify the number of highly vulnerable (to hunger and poverty) households in Luzon, resulting from the Covid-19 lockdown, and to estimate the amount of money that will be needed to address their vulnerability. Highly vulnerable households are defined as those unlikely to receive income during the lockdown period and which likely have little or no savings to tide them over. Using nationally-representative household data, we estimate the number of highly vulnerable households in Luzon at 2.4 million and the amount needed to support their food and non-food needs at Php17.7 billion per month, with the amount per month likely to rise if the lockdown is extended. We also propose a way for the government to operationalize the process of identifying and helping highly vulnerable households.

Key words: social protection, vulnerable households, poverty, targeting, Covid-19, lockdown

JEL Codes: I32, I38; H53

The enhanced community quarantine in Luzon, although likely necessary to slow down the spread of Covid-19 in the country, has also highlighted the grave vulnerability of individuals and households reliant on so-called non-standard forms of employment and with little or no access to social protection.

This article is an attempt to (1) quantify the number of highly vulnerable households in Luzon, who are likely to need financial assistance, whether from the government (national or local), the private sector, or civic organizations, and to (2) estimate the amount of money that will be needed to address this vulnerability.

To summarize the findings before going ahead: in Luzon, there are an estimated 2.4 million highly vulnerable households who likely have no source of income during the lockdown period and likely do not have savings to tide them over. Initially, Php17.7 billion for every month of lockdown is needed to address their most basic food and non-food needs. Of these, Php13.9b billion is for their food needs. But if the lockdown is extended, a much higher amount per month maybe needed, as more households become highly vulnerable as well.

Defining the highly vulnerable

The vulnerability that we are considering is the vulnerability of certain households to hunger and poverty, stemming from their inability to earn income due to restrictions on activity from the quarantine and the characteristics of their members' jobs.

Although all households share in the difficulties that come with the quarantine, some households are much more vulnerable than others. Here we define a highly vulnerable household in a very specific way. A vulnerable household is one which (1) belongs to the poorest 30% of all households in terms of per capita income, and (2) does not have even one member who has a quality regular job. We define a quality regular job as any of the following: being an employee in government; being a permanent employee in a private establishment paid on a daily or monthly basis; an overseas job; and being an employer.

The reason for considering only those in the poorest 30% of households in terms of per capita income is that, based on historical data, these households are likely to have little if any savings. Government work is considered as quality regular job in this exercise because government pay is guaranteed during the quarantine period. This is true for both regular employees and those under a contract of service or even a job order contract. For the latter two categories, this is covered by the Department of Budget and Management and the Commission on Audit Joint Circular No. 1 Series of 2020. Permanent employees in private establishments paid on a monthly or daily basis are also likely to continue receiving pay in the short term or at least be able to avail of leave benefits. Overseas work is counted as quality job because they typically pay well and overseas workers are covered by insurance from the Overseas Workers Welfare Administration. Employers, defined in the labor force survey (LFS) as persons who employ one or more paid employees in the operation of a trade or business, are included because they are more likely to have the resources to tide them over the quarantine period, assuming it does not extend too long.

A highly vulnerable household is thus one that likely has no source of income during the lockdown period and likely no savings to tide it over.

Not counted among quality regular jobs are self-employment among those in the poorest 30% of households, as well as employment in private establishments where the employer changes on a daily or weekly basis or where the pay is on a per-day, or per piece, or ‘pakyaw’, or commission basis.

In Metro Manila, typical examples of these occupations are car, taxi, van, and motorcycle drivers, building construction laborers, shop sellers, helpers and cleaners, market and sidewalk stall and street ambulant vendors, carpenters and related workers, and waiters and bartenders, among others. Outside Metro Manila, farm workers would also be included.

Estimate of budget needed to help highly vulnerable households

Applying these definitions to relatively recent nationally-representative data from the Philippine Statistics Authority (PSA), we estimate the number of highly vulnerable households to total about 2.4 million for the whole of Luzon. These 2.4 million highly vulnerable households are estimated to have about 8.2 million members. After converting PSA’s 2018 annual regional poverty lines to their monthly equivalents and adjusting these for inflation, we get an estimate of how much each individual in these households will need to address their basic food and non-food needs for each month of the lockdown.^{iv} The poverty line is defined as the minimum level of

income necessary to address the most basic food and nonfood needs. The poverty lines differ by location because of differences in prices and available basket of goods.

We use all of these to compute for the total budget needed to address the needs of highly vulnerable households for each month of the lockdown. Our estimate is that for the entire Luzon about Php17.7 billion per month is needed to address the most basic food and non-food needs of the highly vulnerable, of which Php13.9 billion is for their food needs alone. For NCR, the estimated monthly amount needed for both food and non-food needs is Php2.2 billion and even higher for CALABARZON, Bicol, and Southern Tagalog, at Php4.1 billion, Php3.5 billion, and Php3.1 billion, respectively. The computations are in Table 1. These amounts are modest and very much affordable and the total (for one month) represents only about four-tenths of one percent of the national budget for 2020, which is at Php4.1 trillion.

Table 1. Estimate of number of highly vulnerable population and amount of money needed to tide them over the lockdown period

Region	# of highly vulnerable HHs ('000)	Total members of highly vulnerable HHs ('000)	Estimated food poverty line for 2020 (Php)	Total budget needed to address food poverty of highly vulnerable (Php Million)	Estimated monthly poverty line for 2020 (Php)	Total budget needed to address food and non-food vulnerability (Php Million)
NCR	326	996	1,778	1,770	2,235	2,226
CAR	105	367	1,542	567	2,041	750
Region 1	232	750	1,692	1,269	2,015	1,511
Region 2	103	322	1,551	499	2,004	645
Region 3	440	1,515	1,680	2,545	2,022	3,063
Region 4A	550	1,831	1,673	3,064	2,266	4,149
Region 4B	268	1,026	1,430	1,468	1,804	1,851
Region 5	419	1,773	1,514	2,685	1,989	3,527
Total	2,375	8,197		13,865		17,721

Notes: Authors' computations based on PSA's Labor Force Survey (LFS) April 2018, merged LFS-Family Income and Expenditures Survey 2015, PSA's poverty lines for 2018, and inflation data for 2019 and 2020

Note that the estimated Php17.7 billion per month needed to address the needs of the highly vulnerable can be expected to rise the longer the lockdown period remains, especially if it extends beyond two months, as more households become highly vulnerable due to depleted

savings or the loss of jobs from an expected economic downturn, both local and global, or even a spike in the cost of goods, which will raise the poverty line. To date it is already being projected that Philippine GDP growth will slow down to 4.5% for the year, from an initial government target of 6.5%-7.5%, and this might even be too optimistic.^v The world economy is already believed to be in recession.^{vi}

The joint effort of the national government, the local governments, the private sector, and civic organizations is needed to address the need of the highly vulnerable. In fact, to date, many such efforts are already being undertaken^{vii}. But there is a need to coordinate these efforts to better ensure, first, that enough resources are mobilized and, second, that the needs of the highly vulnerable are addressed, meaning there is better targeting of interventions to those who need them the most.

Operationalization

The data we used here are the Labor Force Survey and Family Income and Expenditures Survey of the PSA, which are anonymized, apart from being just sample-based, and so cannot be used to identify which actual households are highly vulnerable.

Instead, what can be used is the *Listahanan* or the National Household Targeting System for Poverty Reduction (NHTS-PR) of the Department of Social Welfare and Development (DSWD), which has collected information on 15.1 million households on variables similar to those in the LFS and the FIES. The *Listahanan* is the basis for identifying the households who qualify for the 4Ps (Pantawid Pamilyang Pilipino Program) and is likely to cover most of the poor households in the country. This database should suffice to identify the highly vulnerable households as defined above or even using a modified or refined definition. The effort can be spearheaded by the DSWD, working with other members of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases, but with the involvement of LGUs, and representatives from the private sector and civic organizations.

As a first step, DSWD can identify who among the current 4Ps beneficiaries, already known to be poor, are also part of the highly vulnerable population as defined above and supplement their regular benefits with the amount needed to allow them to cross the poverty threshold.^{viii} Doing so will reduce the possibility of ‘leakage’ or ‘inclusion error’, or of identifying those not (or not yet) highly vulnerable as among the highly vulnerable, which can happen if there is too much leeway in identifying the beneficiaries.

For beneficiaries not yet among the 4Ps beneficiaries, the DSWD could consider drawing from the responses and experiences of governments in other countries. In more developed economies like Australia, France, Hong Kong, Ireland, Singapore, South Korea and the UK and the US, government assistance to households took the form of cash injections into small enterprises to help them keep daily paid workers employed, moratoriums on rental fees, mortgage payments and payments on utilities and other loans, and a ban on evictions from rented homes and business spaces.^{ix} Direct financial assistance is also given to the affected self-employed daily wage earners, particularly to taxi and other public utility vehicle drivers.^x In Malaysia and Thailand, monthly cash grants are earmarked for low-income households, including farmers.^{xi} In Thailand,

these grants will be made via e-payment platforms, emphasizing the importance of financial inclusivity as a means of easing the massive logistical requirements of such a relief program. A voucher program also provides another option just like in Seattle, USA, where grocery vouchers will be allotted to families enrolled in the supported child care and food assistance programs, and are also affected by the COVID-19 closures. The vouchers exclude particular items like tobacco, alcohol, lottery tickets and fuel and may be used in designated grocery stores.

Addressing the needs of the highly vulnerable is a very urgent matter; not only is it the humane thing to do, it may help stem social unrest that is sure to follow a prolonged period of hunger and distress.

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^{iv} The poverty line is defined as the minimum level of income necessary to address the most basic food and nonfood needs. The poverty lines differ by location because of differences in prices and also the available basket of goods.

^v <https://www.philstar.com/business/2020/03/14/2000600/growth-outlook-further-slashed-45>

^{vi} <https://www.reuters.com/article/us-health-coronavirus-global-economy/global-economy-already-in-recession-on-coronavirus-devastation-reuters-poll-idUSKBN21702Y>

^{vii} <https://www.pna.gov.ph/articles/1097082> (LGUs); <https://www.pna.gov.ph/articles/1097335> (private sector); <https://www.rappler.com/move-ph/254945-volunteer-skills-donation-drive-coronavirus> (civic organizations); <https://www.pna.gov.ph/articles/1097307> and <https://www.cnnphilippines.com/news/2020/3/16/Government-rolls-out-spending-plan-COVID-19-.html> (national government).

^{viii} We thank Dr. Joseph Capuno of the UP School of Economics for this suggestion.

^{ix} See, for instance, www.gov.sg; nlihc.org; www.gov.ie; theprovince.com; and nwasianweekly.com

^x See, for instance, www.gov.sg; nlihc.org; www.gov.ie; theprovince.com; and nwasianweekly.com

^{xi} See bangkokpost.com and asianbriefing.com