

COVID-19 POLICY REVIEW SERIES LOCKDOWN AND LAYOFFS: THE POOR HAVE TO PAY THE RENTS



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HIGHLIGHTS

1. Around one fifth of the poor households, i.e. 2.5 million families, live in rented homes. (Exhibit 1)
2. About 80% of these poor work in vulnerable occupations (Exhibit 2)
3. Amid COVID-19 lockdown, they are unemployed and facing lay-offs.
4. These households have to pay on average a minimum of Rs6250 to 6750 rent per month (Exhibit 4). We note that rent may be even higher.
5. The house owners cannot delay the rent receipts as they themselves are under the same situation of no income.
6. Therefore, federal and provincial governments' should include this segment of the society in existing relief packages and social protection schemes.

Exhibit 1. Number of Poor Households (Million) on Rent

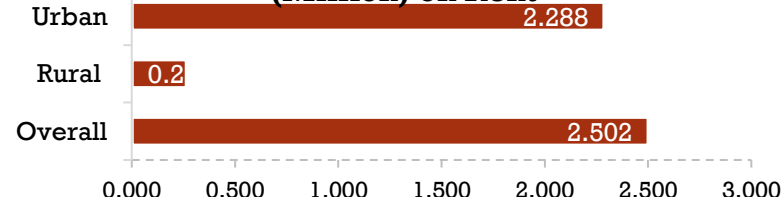


Exhibit 2. Occupational Distribution of Poor and Rented Households (%)

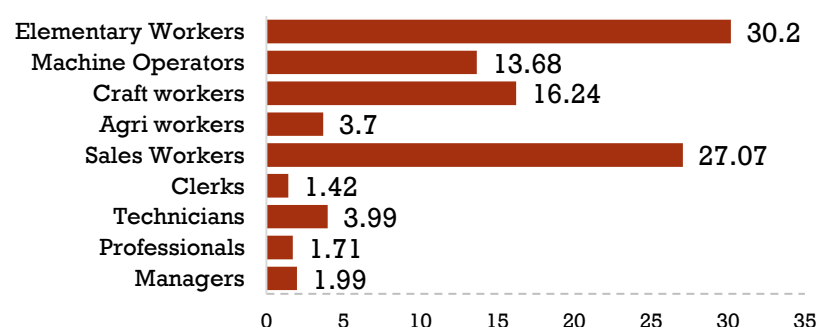


Exhibit 3. Type of Housing (%)

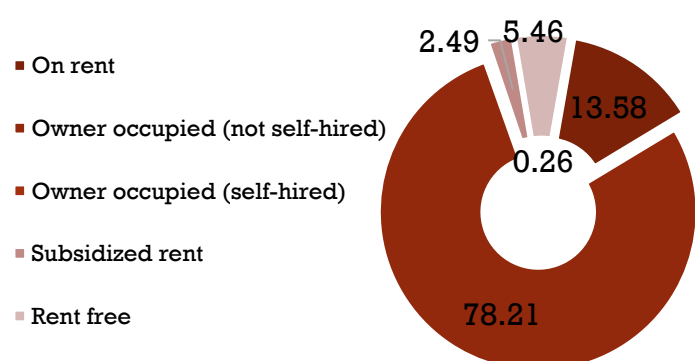
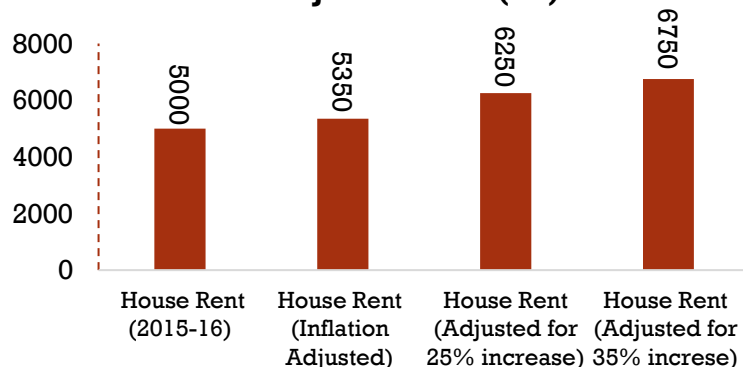
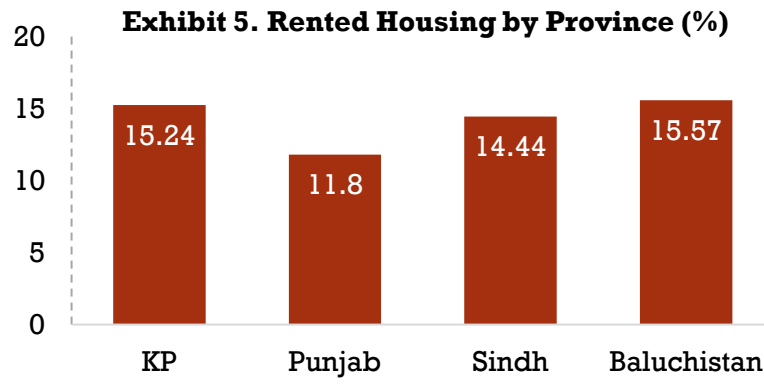


Exhibit 4. Average Monthly Actual and Adjusted Rent (Rs)

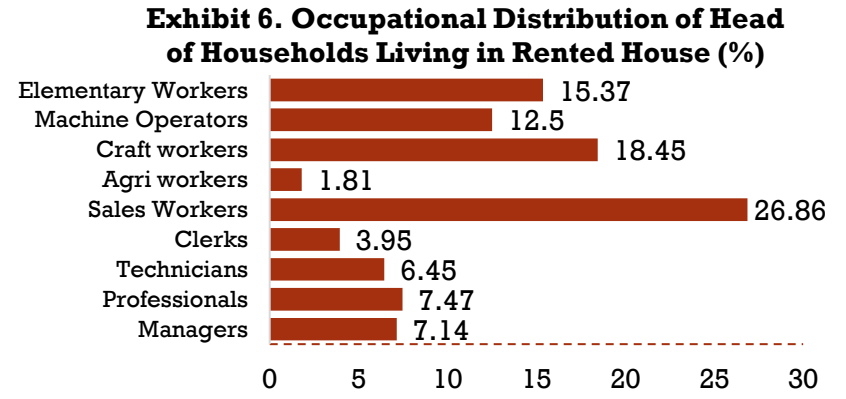


RECOMMENDATIONS

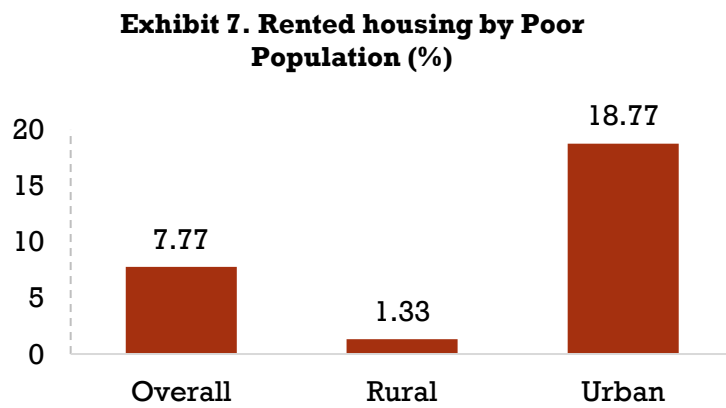
1. Whereas cash transfer of Rs. 4,000 per family to 2.5 million and Rs.12000 to 12 million poor families is already announced under the government relief package and EHSAS programme, the poor living in rented houses need an extra help.
2. Federal and provincial governments must provide an amount equal to covering three months' average rent expenditures, i.e. Rs.18,750 to 20,250, to poor families so that they could pay the rent of March, April and May.
3. The layoffs are expected to push non poor households, who are living below poverty line. These households, at least another 2.5 million, may also require help in paying their house rents.
4. The government must postpone electricity and gas bills of the households living in rented houses for three months. After three months, these bills must be collected in installments of 8 to 12 months, excluding from bills all the govt charges (GST, TV fee, Exise Duty, NJ surcharge, etc.) Secondly, as the bills for the month of March have been sent without getting meter-readings (due to lockdown) that would ultimately result in piling up of extra units in the following months.
5. The government needs to put in place some measures to save electricity and gas consumers across the board. The difference between billed unit and actual units once meter reading is done must be spread over 6 months.



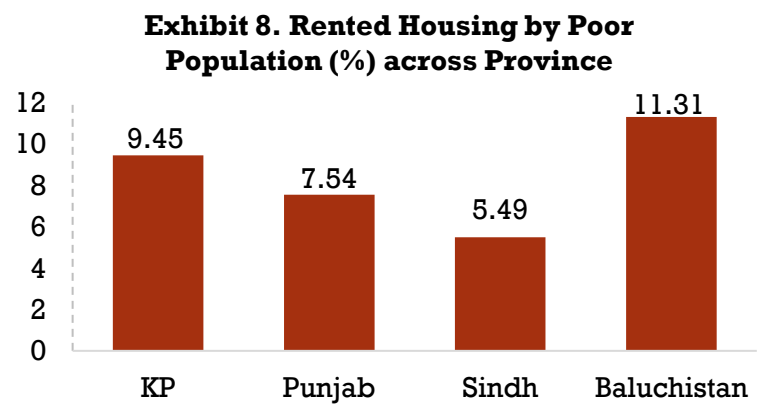
On average, one in 7 families live in a rented household in all provinces except the Punjab where the ratio is one in 10 (Exhibit 5)



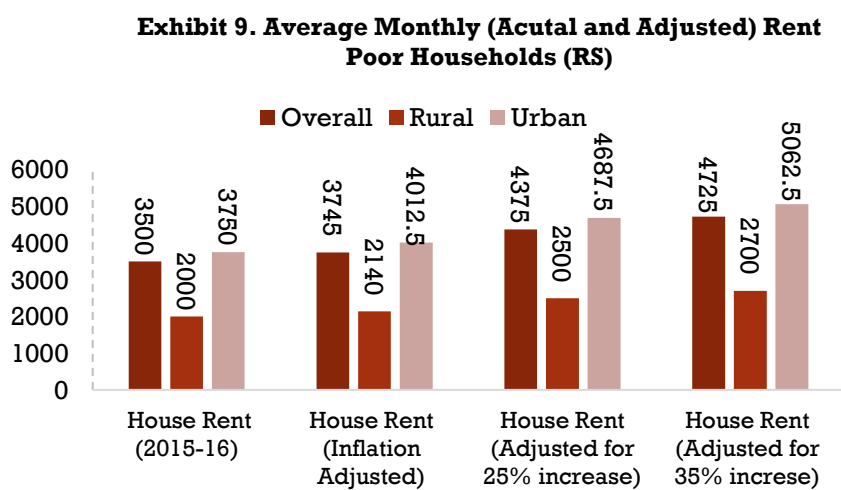
Majority of the households living on rent are working in vulnerable sectors, including elementary workers (15.37%), machine operators (12.5%), craft workers (18.45%) and salesmen (26.38%) (Exhibit 3). These households are vulnerable to lay-offs and complete loss of earnings in lockdown. These households require immediate help as informal sector does not subsidize rents. So, to cover rent expenditures they require finances from the government. (Exhibit 6)



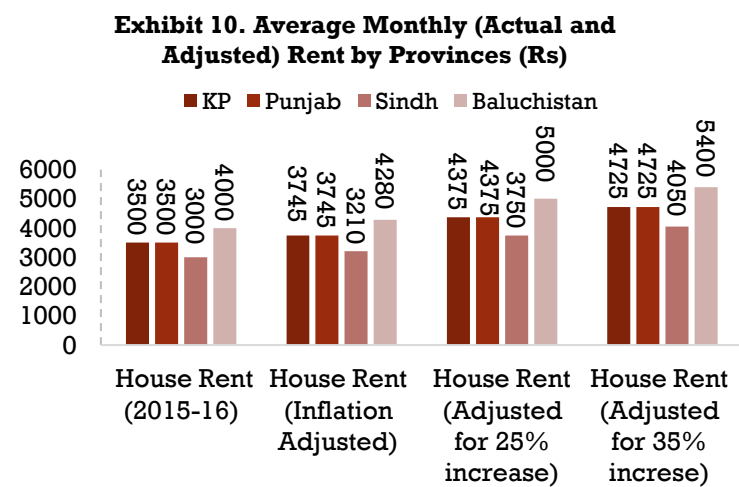
Around one fifth of the poor residing in urban areas are living in rented houses, i.e. almost, 2.288 million. These households, already below poverty line, i.e. below Rs.3250, may face serious constraints and need immediate help (population). (Exhibit 7)



Baluchistan where poverty is high, one out of nine poor household is on rent, followed by KP, Punjab and Sindh (Exhibit 8).

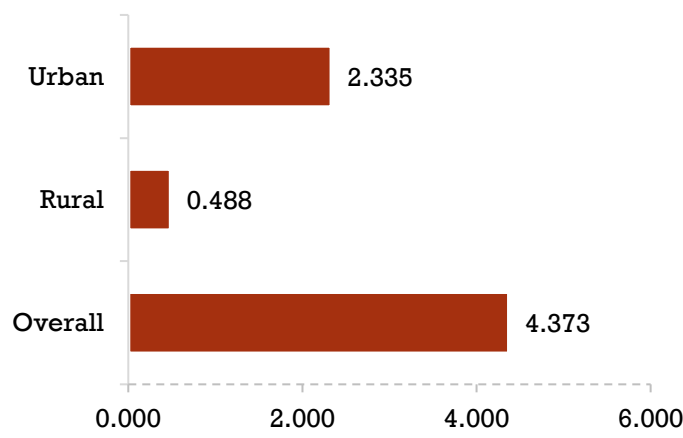


At national level, the average rent ranges between Rs. 3745 to Rs.4012 per month. (Exhibit 9). It is important to note that these estimates are on lower side. At higher side, this range falls between Rs.4725 to Rs.5062.



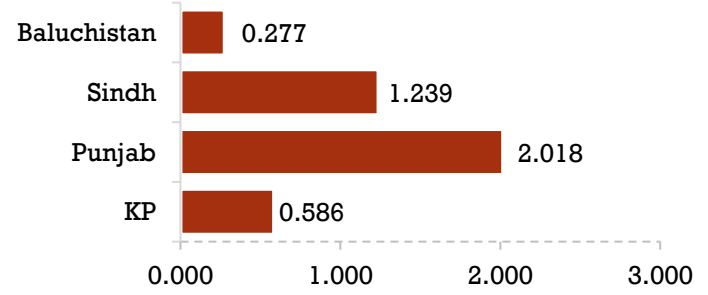
Average rent paid for accommodation by the poor is highest in Baluchistan followed by KP, Punjab and Sindh (Exhibit 10)

Exhibit 11. Number of Households (Million) on Rent



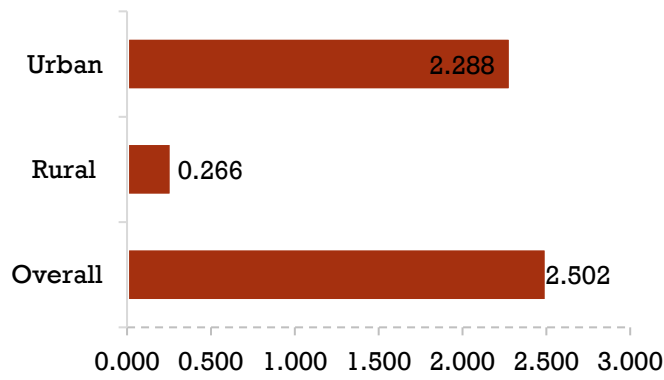
In urban areas, the number of households living on rent are 5 times higher than rural households (Exhibit 11)

Exhibit 12. Number of Households (Million) on Rent across Province



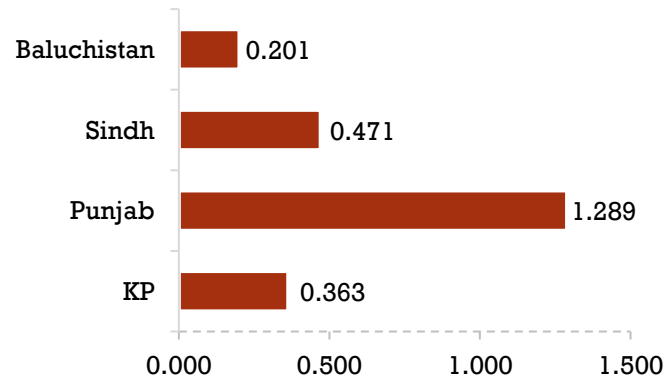
The Punjab has the highest number of households living on rented houses. (Exhibit 12)

Exhibit 13. Number of Poor Households (Million) on Rent



Over all 2.5 million poor households live in rented houses. (Exhibit 13).

Exhibit 14. Number of Poor Households(million) on Rent by Province



The number of poor households living in rented houses is highest in the Punjab whereas it is lowest in Baluchistan (Exhibit 14)

DATA SOURCES:

1. Government of Pakistan; Pakistan Bureau of Statistics; HOUSEHOLD INTEGRATED INCOME & CONSUMPTION SURVEY (HIICS) 2015-16.
2. Government of Pakistan; Pakistan Bureau of Statistics; Census Division, Pakistan Housing Census 2017.
3. Pakistan Economic Survey (2018-19); Ministry of Finance (GoP).

NOTES:

- As subsidized housing is already financed by the government/employer, so we are focusing only on the households living on rent.
- A household is said to be poor if per adult equivalent expenditures of household falls below Rs.3250 (National Poverty Report 2015-16 by Ministry of Planning, Development and Reform)
- We, on conservative scale, assume that rent is increased by 25 or 35 per cent since 2016. So, Rent in 2020= expenditures on house rent (2015-16) + 0.25 *expenditures on house rent (2015-16). These minimum ranges are taken after discussion with property agents.
- Census 2017 data, by Pakistan Bureau of Statistics is used for calculating the number of households on rent. For this total number of households, 32.205 million, are multiplied by the ratio of households on rented houses. Same applies to rural (20.012 million) and urban (12.192 million) households. http://www.pbs.gov.pk/sites/default/files/DISTRICT_WISE_CENSUS_RESULTS_CENSUS_2017.pdf

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