

## **The 2000 Poverty Report**

Jessica Reyes-Cantos  
Action for Economic Reforms  
December 2001

Much has already been written and said about poverty. One administration after another uses directly or indirectly poverty alleviation, if not eradication as a campaign platform. Over the years, there has been a steady, albeit quite slow reduction in poverty incidence in the country. Taking the World Bank and the National Statistical Coordination Board's poverty estimates as a continuum, (although not necessarily comparative), annual average reduction in poverty incidence from 1961 to 1997 is at 0.76 percent. One further gets impatient with the even slower average annual reduction in poverty incidence in rural areas at 0.54 percent. As we all know, it is in the rural areas where poverty is more pervasive and if anything, that should be where the most reduction should occur. (See Table 1)

It is well-known among people who monitor its movement that compared to other Asian countries, our efforts to reduce its incidence has been lagging behind. For instance, if we take the more recent years 1988 to 1996, Thailand's average annual poverty incidence reduction is 2.7 percent<sup>1</sup>. On the other hand, our 1988 to 1997 record is a dismal 0.6 percent.

Worries are further confounded with the 2000 Family Income and Expenditures Survey when, after so many years of painfully slow poverty reduction effort, poverty incidence has, for the first time, once more risen to 34.2 percent from 31.8 percent in 1997. This translates into an additional 705,000 families or, at 6 household members per family, 4.23 million additional poor Filipinos from 1997 to 2000. Overall, there are roughly 31.3 million Filipinos who are poor or about 40 percent of a 75 million population. (Table 1)

Table 1.

<b>Year</b>	<b>Poverty Incidence (% Families)</b>			<b>No. Below Poverty Line</b>	
				<b>Families</b>	<b>Population</b>
	<b>Total</b>	<b>Urban</b>	<b>Rural</b>	<b>Total (‘000)</b>	<b>Total (‘000)</b>
<b>1961</b>	59	51	64		
<b>1965</b>	52	43	55		
<b>1971</b>	52	41	57		
<b>1985</b>	44.2	33.6	50.7	4,355	26,231
<b>1988</b>	40.2	30.1	46.3	4,231	25,005
<b>1991</b>	39.9	31.1	48.6	4,781	28,120
<b>1994</b>	35.5	24.0	47.0	4,531	27,274

---

<sup>1</sup> Source of basic data: "Thailand poverty," BusinessWorld, 20 November 2000.

<b>1997</b>	31.8	17.9	44.4	4,511	26,768
<b>2000</b>	34.2	20.4	47.4	5,216	31,298
<b>Average Annual Reduction from '61 to '97</b>	<b>0.76</b>	<b>0.92</b>	<b>0.54</b>		
<b>Ave. Annual Increase From '97 To 2000</b>	<b>2.50</b>	<b>4.65</b>	<b>1.00</b>		

***Sources:***

*1961-1971: World Bank (1996), A Strategy to Fight Poverty: Philippines*

*1985-2000: National Statistical Coordination Board (2000), Philippine Poverty Statistics*

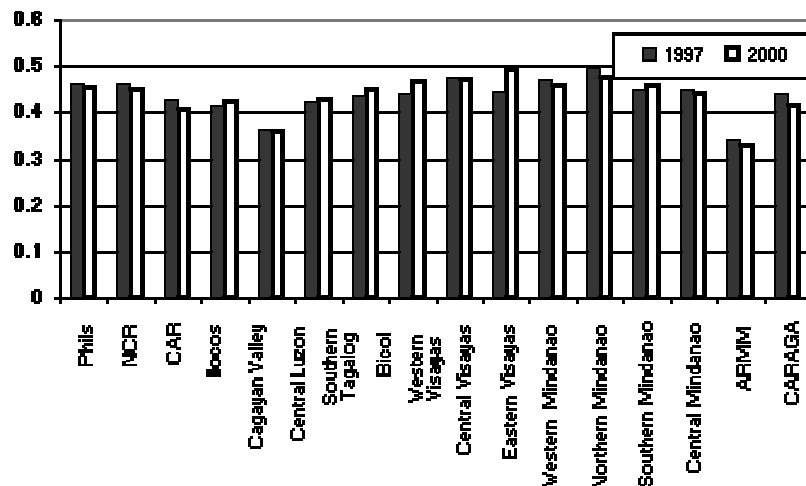
One might try to derive comfort from other countries which similarly experienced an increase in poverty incidence about the same period. Looking at Thailand which experienced a five percentage point rise in poverty incidence from 1996 to 2000 compared to our 2.4 percentage point rise from 1997 to 2000 might comfort our ruffled feathers. But then again, despite this five percentage point rise in poverty incidence, Thailand's level poverty incidence level in year 2000 of 16% of 60 million people, would still be a comfortable position compared to ours.

***When greater poverty improves equality***

Yet, there is one "bright" spot for the 2000 family income and expenditures survey (FIES) from which the poverty estimates are generated. Income inequality slightly declined. Income inequality is measured by the so called Gini concentration ratio or Gini coefficient for short. A coefficient approaching zero (0) connotes equality, approaching one (1) means greater inequality.

In 1997, the Gini coefficient was 0.4872. With a Gini coefficient of 0.4507 for 2000, the reduction actually reflects an improvement in income distribution. Yet, even the government is not proud of such an improvement, if we may call it that. Economic planners admit that this decline in inequality indicates that the economic crisis simply eroded the incomes of households living above the poverty line. To put it bluntly, the crisis which ordinarily hits the poor most, this time, spared no one. Almost everyone is now worse off than before.

Figure 1. Gini Concentration Ratios by Regions, 1997 and 2000



Source: 2000 Family Income and Expenditures Survey, National Statistics Office

If we look at specific regions though, out of the 15 including NCR, increases in the coefficient or a movement towards a widening income disparity was observed in five regions - Eastern Visayas, Southern Mindanao, Central Visayas, Western Visayas and Cagayan Valley.

Autonomous Region in Muslim Mindanao recorded the smallest coefficient of 0.3278, implying the least unequal distribution of income among families.

### ***Urbanization of Poverty<sup>2</sup>***

A preliminary analysis done by the National Anti-Poverty Commission on the 2000 FIES revealed that the national capital region witnessed the greatest increase in the magnitude of poor families. This region which is host to the most number of industries was likewise host to poor households which increased by at least 65 percent.

Further, despite the tempering of the inflation rate, it seems that food inflation kicked in as the rise in subsistence threshold more than doubled the number of Metro Manila families who failed to satisfy their minimum nutritional requirements. From 15,234 subsistence households in Metro Manila in 1997, the number rose to 35,137 in 2000.

This, to a large extent is captured in the much higher rise in the average annual poverty incidence from 1997 to 2000 among urban households at 4.65 percent when the rural average hovered at 1 percent and the national average at 2.5%. (Table 1)

<sup>2</sup> "Media hype on the nagging problem of poverty," by Arnold S. Tenorio. A paper delivered in a conference entitled "Poverty in Asia: Media Challenges and Responses." Bangkok, Thailand. October (?) 2001.

### ***Why has the poverty incidence risen?***

Three factors readily come to mind when explaining the reasons for the rise in poverty incidence. One was the Asian financial crisis in October 1997 the impact of which lingers up to now. The magnitude of firms affected with the sudden drop of the exchange rate seem to be rising everyday with continued rise in commercial banks' non-performing loans (NPL). In August this year, the NPL ratio stood at 18.03 percent topping the previous month's high of 17.72 percent. The Bangko Sentral ng Pilipinas also reported that banks' non-performing assets (NPAs) as a percentage of their total loan portfolio as of end-August stood at 32.9 percent.<sup>3</sup>

Second, the El Nino episode which immediately followed the currency turmoil contributed to the decline in the output of the agricultural sector. In particular, the volume of palay and corn production, crops which are water-intensive declined by almost 5 percent and 20 percent in the period covering January to March of 2000. These crops constitute 20 percent of the total share in the value of agricultural production.

Finally, the political uncertainty that started in October 2000 with the blowing of the whistle of former governor Luis "Chavit" Singson on former President Joseph Estrada's jueteng connections. The exchange rate plummeted from P40:\$1 in end 1999 to P50:\$1 by end 2000.

### ***Unemployment Crisis***

All these factors combined to led to a double-digit unemployment rate for the year 2000, the first time since 1987. (Table 2)

Table 2  
October Unemployment and Underemployment Rates  
1981 to 2001

Year	Unemployment Rate	Underemployment Rate
1981	8.7	23.9
1982	9.4	25.5
1983	7.9	29.8
1984	10.6	36.4
1985	11.1	22.2
1986	11.1	28.4
1987	9.1	24.2
1988	8.3	23.3
1989	8.6	23.2
1990	8.1	22.1

<sup>3</sup> "Unified solution to NPAs? Here comes the SPAV." By Josephine A. David, *BusinessWorld*, 13 November 2001

1991	9.0	22.1
1992	8.6	19.9
1993	8.9	21.4
1994	8.4	20.9
1995	8.4	19.8
1996	7.4	19.4
1997	7.9	22.8
1998	9.6	23.7
1999	9.4	22.1
2000	10.1	19.9
2001	9.8	16.6

Source: Philippine National Statistics Office

And although there was an improvement in the unemployment rate in 2001, many are still quite skeptic with regard to its sustainability. For one, even with the lowering of the rate, the absolute number of unemployed still went up by 140,000 compared to the previous quarter.

Table 3.

LABOR AND EMPLOYMENT	Oct 01	Jul 01	Apr 01	Jul 00
Total labor force (million)	33.4	32.6	33.6	30.5
Labor force participation rate	67.5%	66.3%	69.0%	63.8%
No. of unemployed (million)	3.27	3.13	4.47	3.4
Unemployment rate	9.8%	10.1%	13.3%	11.2%
No. of underemployed (million)	5.0	5.53	5.1	5.7
Underemployment rate	16.6%	17.7%	17.5%	21.2%

Source: Labor Force Survey, DOLE, October 2001

### *Quality of the Unemployed*

For another, the quality of those who are unemployed, if we go by several accounts, is a cause for alarm. Before, a college education is almost a guarantee that one would get employed. Of late, we are getting reports that graduates even in the country's premier universities are having difficulties getting jobs.

And everyday accounts on closures and retrenchment do not help. During the first ten months of 2001, 56, 531 workers were rendered jobless following mass layoffs or the permanent shutdown of 2,294 commercial establishments. Aside from these retrenched workers, 54,549 others in 526 firms were temporarily laid off, placed on job rotation or had their working hours reduced during the same period. This means an average of 367 Filipinos become

jobless or are temporarily retrenched everyday from January to October 2001. Nationwide, we are talking about 111,080 workers.<sup>4</sup>

As such, the improvement in the unemployment rate may not be sustainable as companies may freeze hiring or even layoff some employees as prospects for world economic slowdown loom. Already, there were admissions that many firms postponed laying off workers until after the Christmas season is over.

### ***Quality of Employment***

The July 2001 Labor Force Survey is still hardly a source of comfort. While the agriculture sector's share in employment has improved from its decline in 2000, it has not recovered to the level that it was in 1999. And while most of us welcome a decline in the number of those employed in agriculture as it is hoped that they are absorbed in the industrial sector, that is still hardly the case. Still the service sector has been acting as the safety net for the two sectors' employment problem up to now. This is reinforced by the May 2001 elections where most of the jobs created were from the service sector. (Table 4)

Table 4.  
**Employed Persons by Major Industry Group**  
July 1999, 2000 & 2001  
(in thousands and % distribution)

Industry	Jul-99		Jul-00		Jul-01	
	Total	%	Total	%	Total	%
		Share		Share		Share
	30,440	100	30,518	100	32,567	100
Agriculture, fishery and forestry	10,916	36	9,855	32	10,980	34
Mining and quarrying	96	0	106	0	93	0
Manufacturing	2,756	9	2,715	9	2,934	9
Electricity, gas and water	133	0	116	0	118	0
Construction	1,532	5	1,493	5	1,556	5
Wholesale and retail trade	4,308	14	4,412	14	5,278	16
Transportation, storage & communication	1,899	6	2,003	7	2,112	6
Financing, insurance, real estate, and business services	733	2	709	2	825	3
Community, social and personal services	5,463	18	5,672	19	5,385	17

<sup>4</sup> "Gloomy Christmas awaits workforce," *Philippine Star*, 5 December 2001.

Industry not adequately defined or reported	4	0	12	0	--	0
---	---	---	----	---	----	---

Notes:

1. Data were taken from the preliminary results of the July 2001 rounds of the Labor Force Survey (LFS) using past week as reference period.
2. Details may not add up to totals due to rounding.

Source: National Statistics Office (NSO)

### ***Short-term “Doables” that can be carried over the Laung Haul***

It will be sheer folly to rely on exports and foreign investments at this time when the global economy is in a tailspin and peace and order remains an obstacle, not just to foreign but domestic investments as well. In fact, past medium term plans of government have been anchored on these two factors. Yet, rather than strengthen the economy, it has rendered the economy more vulnerable to global shocks as well as international perception of Philippine developments. This is not to say that we should put these in the sidelines though, but the more prudent approach at this time would be to rely on things that can be done internally.

#### ➤ Agriculture as an important safety net

Despite the disturbing findings that Metro Manila has seen the most increase in the number of poor people, rural poverty still remains pervasive. Poor households outside Metro Manila constitute 96 percent of total, with most deriving income from agriculture. It would be safe to say that if the global and local situation improves, Metro Manila would be the first to recover, even without direct intervention. But even prior to the Asian financial crisis, the experience on poverty reduction has been slowest in the agriculture sector and the incidence therein still is the highest.

As such, the effort to pour in funds and attention to this sector should translate into increased productivity and incomes for the farmers. This should come not just in the form of rural infrastructures such as irrigation, which by the way is critical, farm to market roads and post harvest facilities but critical intervention at the farm level by providing appropriate technology that will increase yields without endangering the ecological integrity of the environment. The Agriculture and Fisheries Modernization Act (AFMA) must be implemented and given adequate funding

#### ➤ Coco levy recovery and resolution

Funds for the agriculture sector, and in particular, the coconut farmers who are among those who are poor, should be made available. The fifteen-year feud as to the ownership of the P110 billion coconut levy funds has left the sector and the industry which was supposed to benefit from it at near survival levels. While the Supreme Court has recently ruled in favor of the coconut farmers by declaring that the funds used to acquire the United Coconut Planters Bank as public, the Sandiganbayan still has the ball as far as determining the funds' ownership. An immediate interim agreement must be done, using the Supreme Court's decision as premise, such that access, even in the

interest earnings of this fund can be used by the industry. The P11 billion a year of interest earnings, can do a lot in terms of pushing coconut farmers to diversify and replace their aging coconut trees.

➤ A clear-cut rice policy

Targetted palay and rice price subsidy must be done and continued to ensure that poor farmers and consumers are the ones who will benefit from the very limited NFA funds available for these activities. Rice consumption accounts for about 22 percent of total consumption of the poorest two deciles. While over the short term, it is expedient to import cheaper and still high quality rice from Thailand and Vietnam, a long term view on how to handle our staple must be put forward.

The agriculture program under the previous administration aims for a 100 percent self-sufficiency for rice by 2004. How this can be done with massive investment requirement in irrigation and the declining sources of water remains to be seen. The Arroyo administration has yet to spell out its long-term policy on rice. In laying down this long-term rice policy, it would be prudent to consider that even after the supposed liberalization in trade in agriculture which supposedly happened after the GATT-WTO, less than five percent of the total global production of grains can be seen is traded in the global market.

➤ Asset Reform

No less than the World Bank recognizes that productivity increases with the increased security on tenure on farmers' land. This has to be done with decisive speed though as even agrarian reform experts are now claiming that we might have missed the opportunity to do it.

There is an element of geographical concentration in both poverty and landlessness. To maximize net poverty and equity gain, primary focus should be given to regions and provinces where land tenure problems and impoverishment are high. Bicol and Western Visayas regions should be top on the list.<sup>5</sup>

➤ In education

· Develop nonformal education as a basic and regular component of the educational system that caters especially to children in poor and remote communities and the country's indigenous population. This is a critical intervention measure considering that nonformal education may be the only form of learning that is accessible to majority of children from ultra-poor families.

· Along with this, the budget for nonformal education must be increased after years of neglect and marginal funding support- usually a fraction of 1%. Such allocation scheme does not serve equity and hurts most especially the poor.

---

<sup>5</sup> "The Challenge of Poverty Reduction in the Philippines," by Jenija Joy Chavez-Malaluan. Action for Economic Reforms. August (?) 2000.



We must enlist the participation of civil society organizations in implementing nonformal education particularly for the unserved remote areas of the country.

Reorient technical-vocational education to focus primarily on the agricultural sector and rural development. A larger budget is desirable and needed, particularly considering that majority of the youth (13-24 years old) are actually out of the formal school system. Current programs offered are heavily oriented to serve the needs of the industrial, commercial and the service sectors and for labor export.

Develop programs to increase survival rates in both primary and secondary education. Studies have shown that it is mostly the poor that account for the third of pupils that are not able to finish elementary education.

➤ In the health sector

Resources and programs should prioritize on primary health care, including water, sanitation, reproductive rights, family planning, child nutrition and health education. Health spendings have consistently fallen below the desirable level of 5% of GDP as recommended by WHO. Much of the resources for health (up to 50%) are taken up by urban-based hospital services that cater mostly to non-poor patients. Reforms that are underway are hurting the poor even more as a result of cost-recovery schemes that fail to discriminate between the poor and non-poor patients.

➤ Harnessing the funds of OFW remittances

Their remittances are estimated to run up to US\$7 billion annually and yet they normally go to consumption spending or to low value-added economic activities such as setting up sari-sari stores or the acquisition of public transportation services such as tricycles, jeepneys or taxis. One concrete proposal that can draw these funds into the capital market and translated into long term finance is a proposal from Congress to legislate a savings plan for people's retirement years. Dubbed as the PERA (Personal Equity Retirement Account) bill, it aims to achieve a comfortable and financially-secure retirement fund through a sound investment and planning scheme. A major come-on in this proposal is its exemption of the income derived therein from taxes.

### ***Sustained Growth***

Trite as it may sound, sustained growth that zeroes into meaningful job creation is a necessary condition to address poverty. The importance of ensuring macro-economic stability by raising our revenue effort, maintaining low inflation and interest rates, creating a business climate that will release the bank's sitting funds into the economy cannot be overemphasized. And a more resolute effort to go after the plunderers of the country's coffers should provide the stability this one-year old administration so badly needs.