

# Overcoming Poverty and Inequality in the Philippines

*Past, Present, and Perspectives  
for the Future*

Manila | November 24, 2022



**THE WORLD BANK**  
IBRD • IDA | WORLD BANK GROUP

# Outline

## 01

**The Past: 30 years progress  
in poverty and inequality  
reduction**

## 03

**Prospects for the  
Future: The path of  
recovery from COVID-19**

## 02

**The Present: Structural  
causes of inequality**

## 04

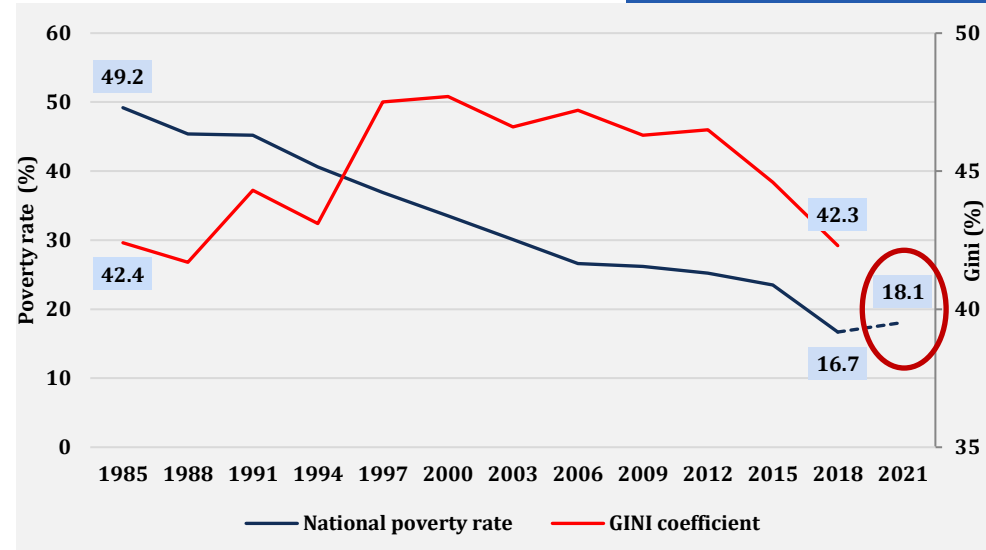
**What policy can do**

**01**

**30 years progress in  
poverty and  
inequality reduction**

# The Philippines achieved three decades of sustained decline in poverty and a decade of reduction in inequality

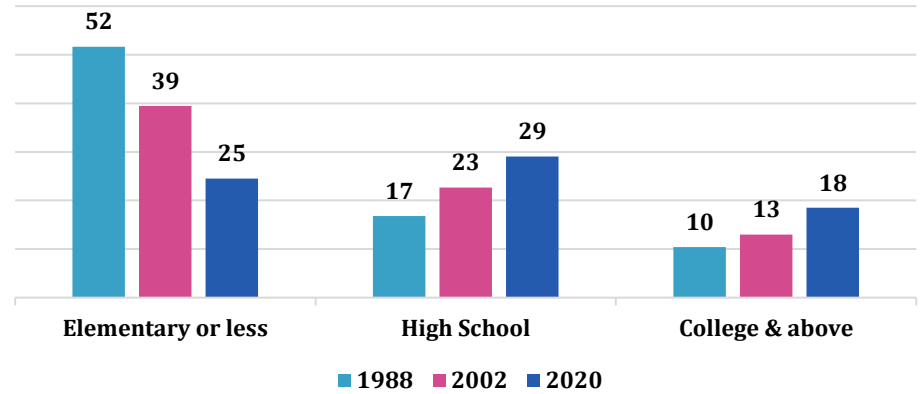
- **Poverty** fell by two-thirds in 1985-2018
- Important progress was made in **living conditions**
- **Inequality** started a fast decline in 2012
- **COVID-19** may reverse part of the gains



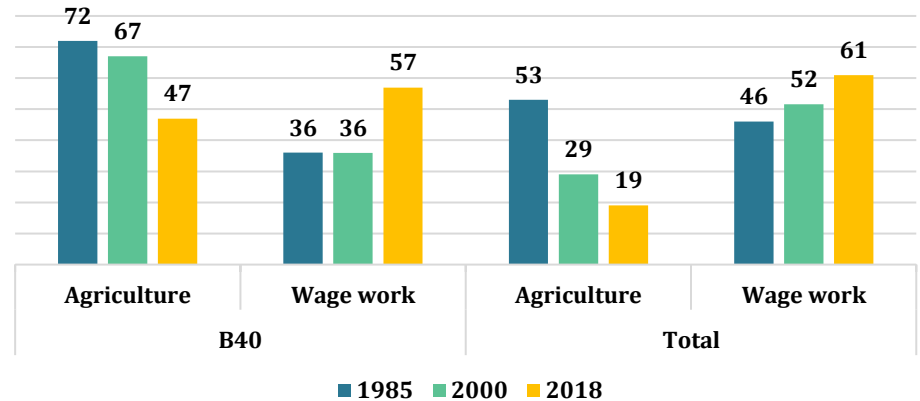
Source: FIES 2018 and PSA statistics.

# Progress in Human Development and Structural Transformation

- Share of workers with elementary **education** or less declined by half

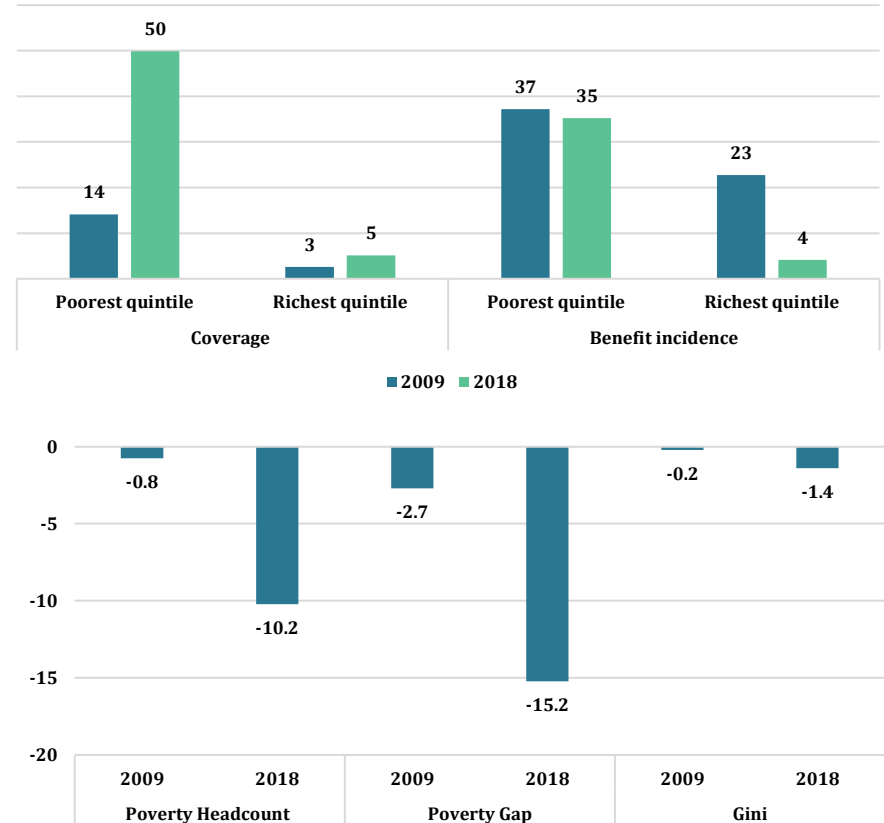


- Transition to **productive jobs** was more pronounced among poorer groups since 2000



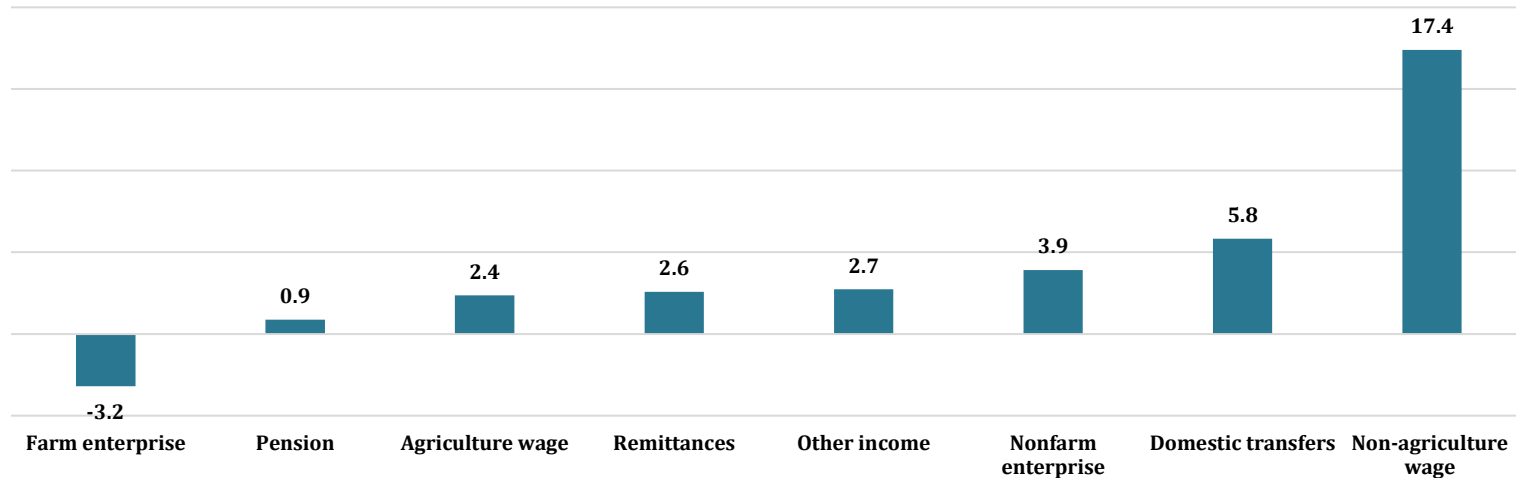
# Expanded Social Assistance

- Expanded coverage and progressive distribution of **social assistance**....
- ...helped to keep poverty **incidence 10%** lower and **depth of poverty 15%** lower



# Sources of Poverty and Inequality Reduction in 1985-2018

- The gradual shift of workers to more productive sectors, with higher reliance on **wage income**, drove most of the reduction in **poverty**
- Increased access to services and assets contributed **80%** to the reduction of **inequality**



# **02** **Structural causes of inequality**



# Income inequality remains high

- Despite this progress, inequality remains high:
  - With an income Gini of 42.3 percent in 2018, the Philippines ranks as the 15<sup>th</sup> most unequal out 63 countries\*, second only to Thailand in East Asia
  - Over half of workers with only elementary education or less are employed in agriculture
  - The average per capita income of households whose head was a college graduate was about 4 times higher than for households whose head had no more than elementary education

# Inequality starts early in life and perpetuates over the life cycle



## Before Birth

- Skilled antenatal care (ANC) and postnatal care (PNC) are lower among **poorer families** and **mothers with less education**
- In BARMM, **ANC use is 69%** vs 94% nationally & newborn **PNC is 51%** vs 86% nationally



## Childhood

- Rates of **stunting** (42%), **underweight** (27%) and **wasting** (8%) are much higher among poor households than the richest (**11%**, **7%** and **4%**, respectively)
- Age-appropriate vaccinations are **35 points higher** when the **mother has a college degree** and **17 points higher** in the **richest quintile**



## In school

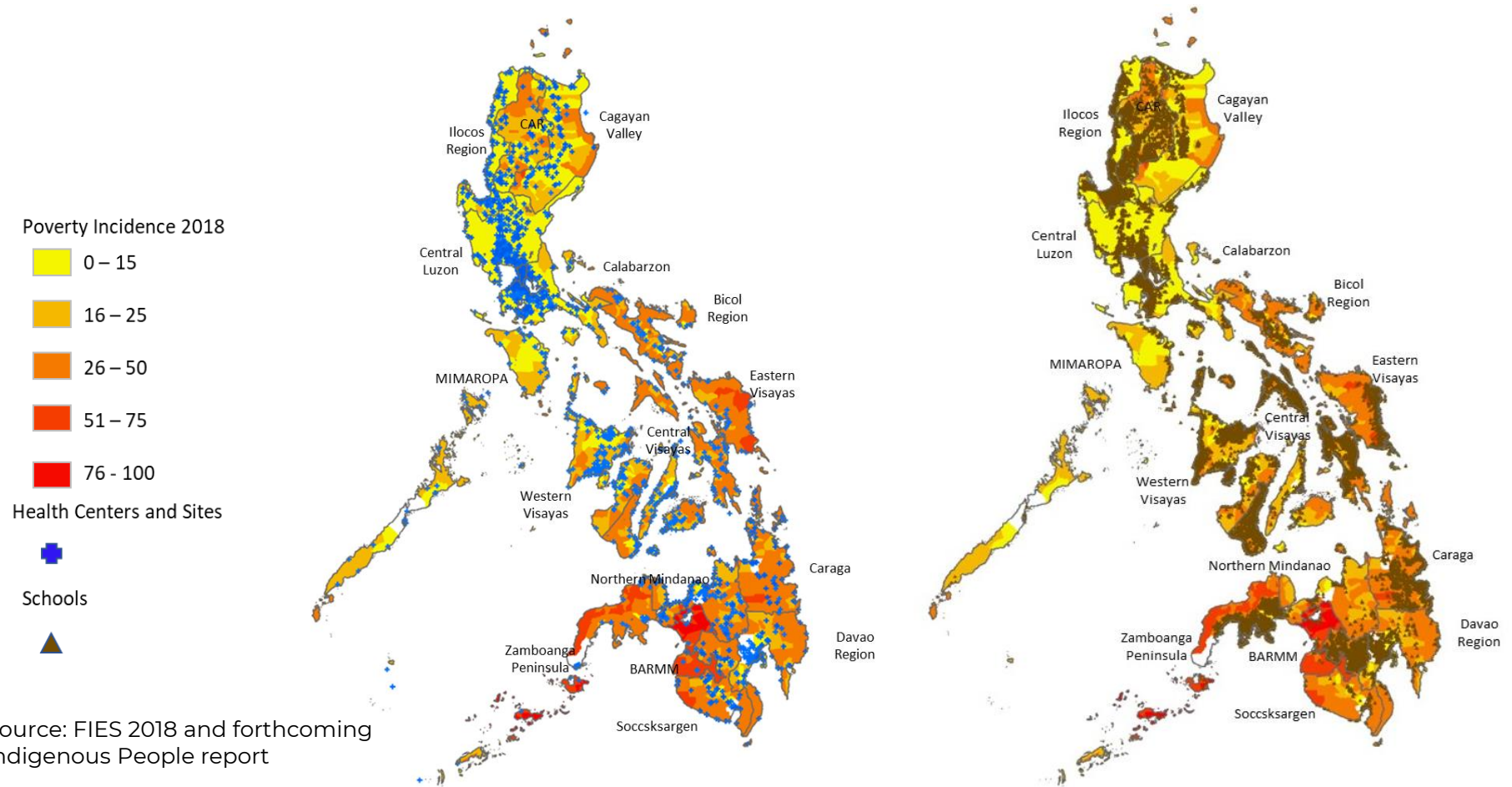
- Children from households in the lowest income deciles **less likely to be enrolled** and be in an **age-appropriate grade**
- Students from wealthier households invest more in education: **average per capita expenditure** on education is **more than 22x higher** among households in the richest decile than the poorest



## Outcomes

- Influences **employment opportunities, income levels** and ability to invest in **human capital development of their children**
- Leads to **intergenerational transmission of poverty**

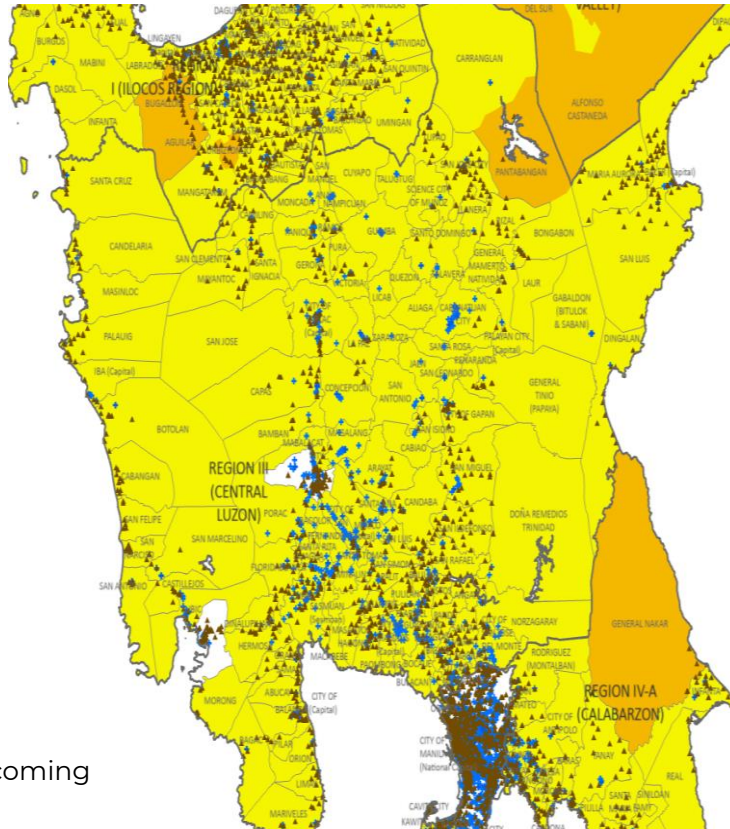
# Spatial inequalities contributed 13% to income inequality in 2018



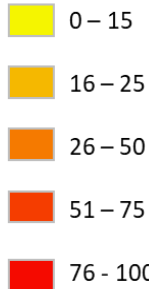
Source: FIES 2018 and forthcoming Indigenous People report

Lower concentration of health centers and schools in high poverty areas

### Parts of Luzon



Poverty Incidence 2018



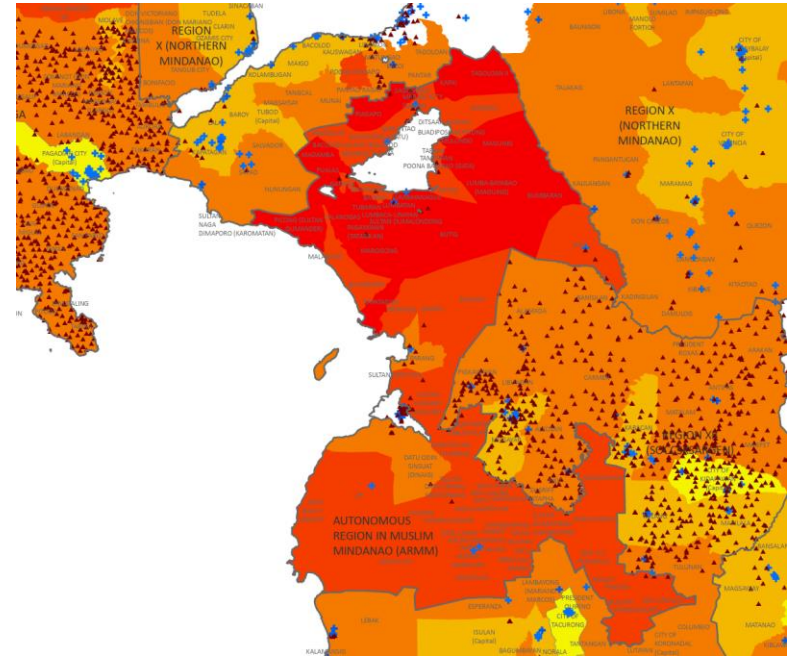
Health Centers and Sites



Schools



### Parts of BARMM

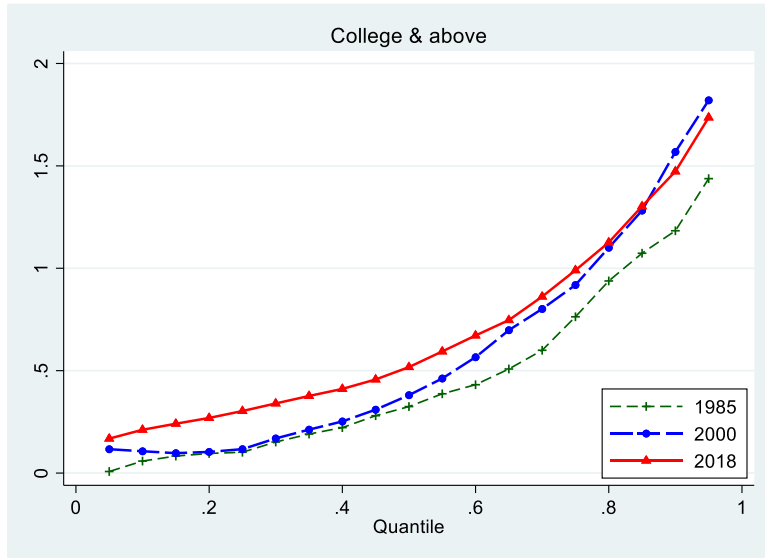


Source: FIES 2018 and forthcoming Indigenous People report

# Drivers of Structural Inequality

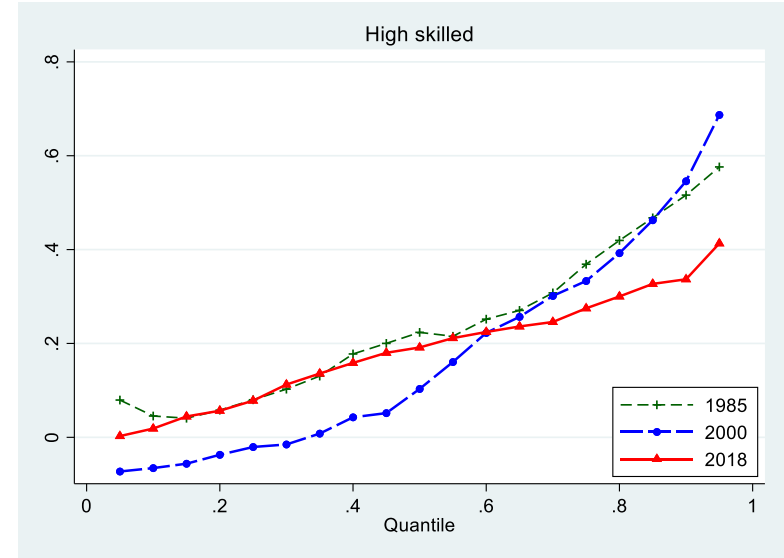
## Education: **Over 30%**

- Returns to college education are much larger among richer quantiles



## Occupation: **Around 20%**

- Returns to employment in high-skilled occupations are much larger among top quantiles

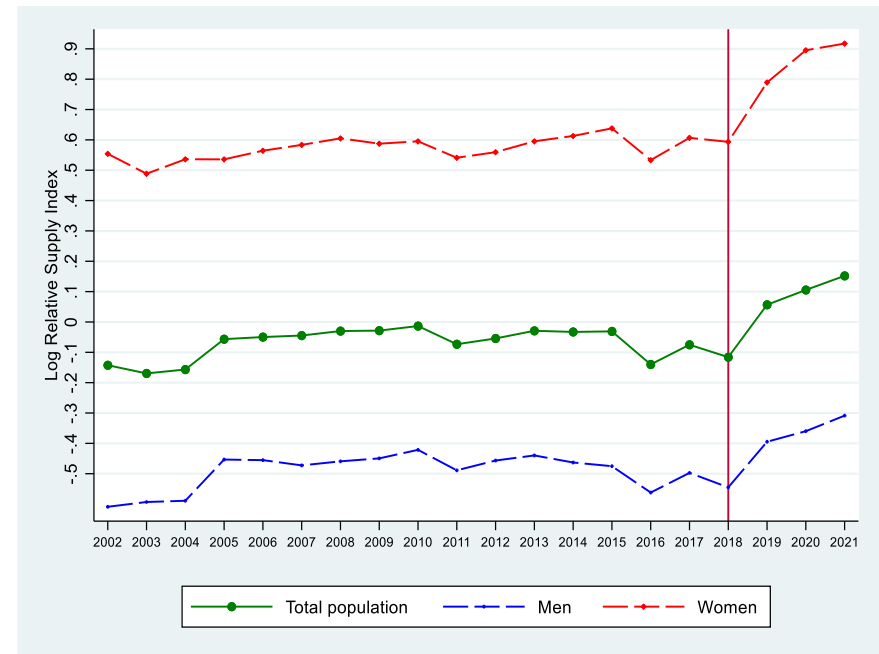


# The slow expansion of tertiary education and shortage of skills kept the scarcity value of skills high

## College/HS Log Weekly Wage Ratio, 2002-2021



## College/High-School Log Relative Supply, 2002-2021



# Gender Gaps in the Labor Market

- The Philippines ranks **1st** in gender equality among Asian countries and **17th** globally; women have higher education levels than men
- Despite this, women's labor force participation has remained persistently low over the past three decades :
  - At the **25-29 age group**, only **42%** of **married women** are in the labor force
  - When they work, women tend to cluster either in low-profile/low-pay occupations or high-profile/high-paying occupations
  - At the bottom of the pay distribution, the daily wage of men is **50%** higher than women's
  - At the top of the distribution, the daily wage is about **20%** higher for women than for men due to higher education levels

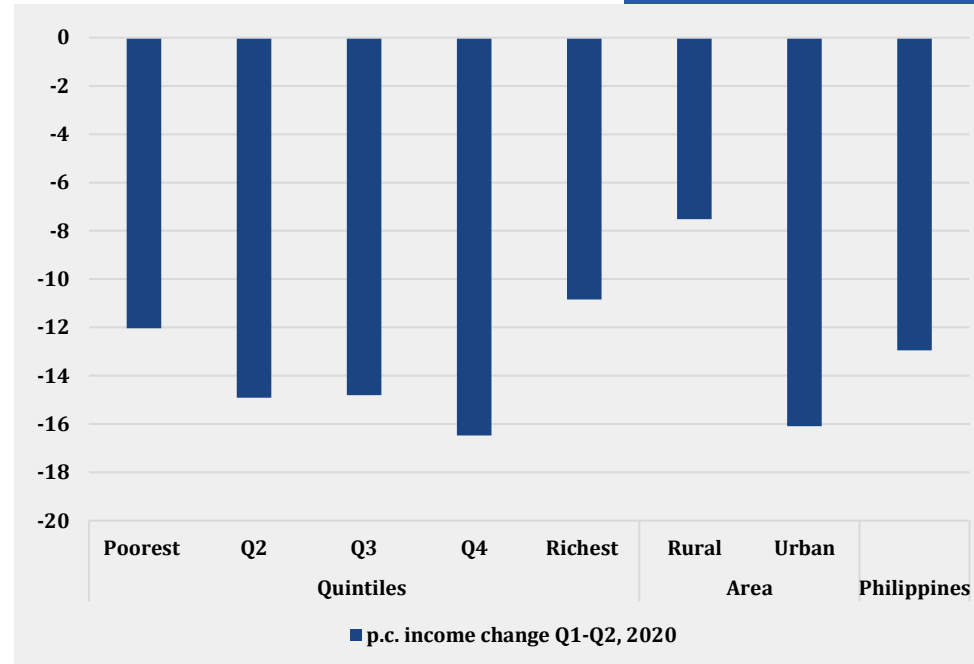
**03**

**The path of  
recovery from  
COVID-19**



# Middle income groups suffered the most from income declines

- Construction, accommodation and transport were the sectors most affected by job losses at the onset of pandemic
- Households who tend to concentrate in these sectors experienced the largest decline in income between Q1 and Q2 of 2020
- Poorest households suffered important reductions in food expenditures

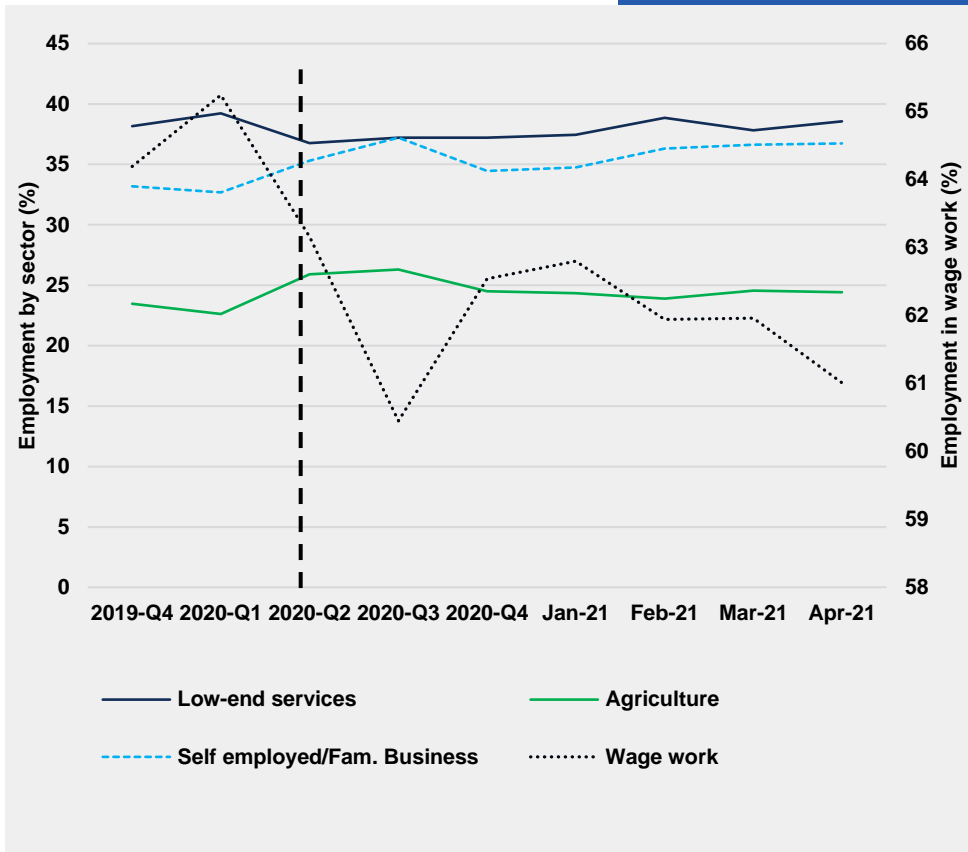


Source: APIS 2020

# The COVID-19 crisis may aggravate gaps in employment

## The labor market shifted to less productive sectors and jobs:

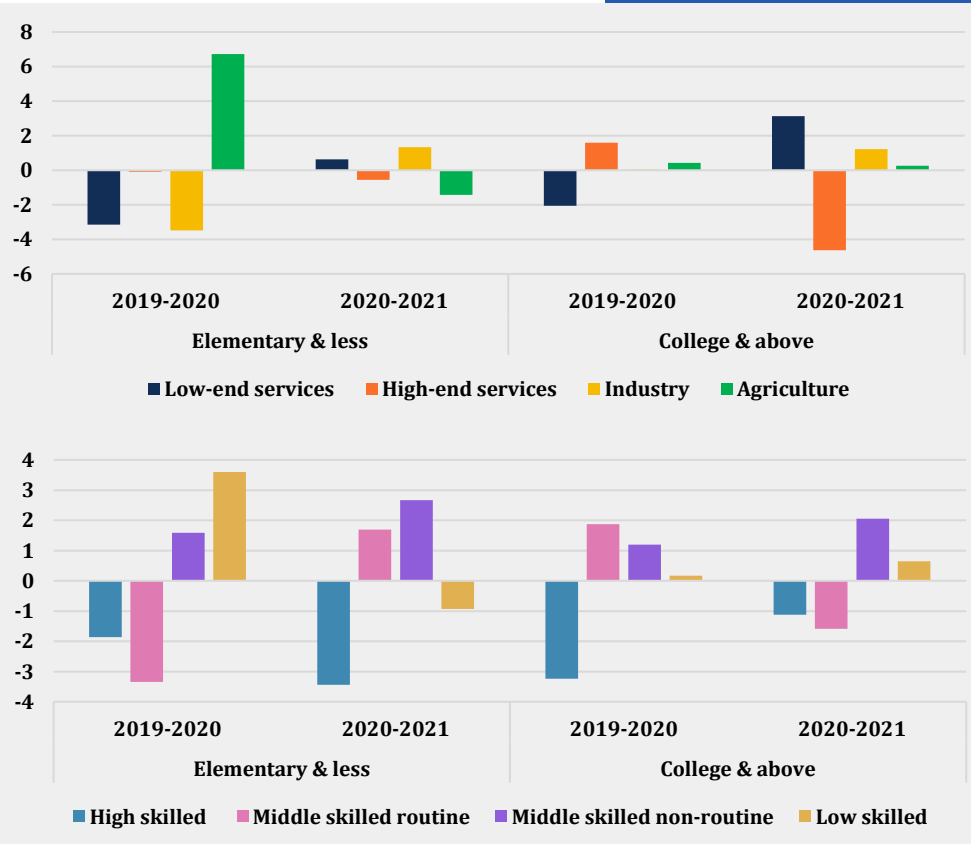
- Employment in **agriculture increased** while employment in **low-end services declined**
- **Self-employment rose** while the share employed in **wage work declined**



Source: LFS 2019- 2021

# Low educated workers increasingly transitioned to low productivity jobs

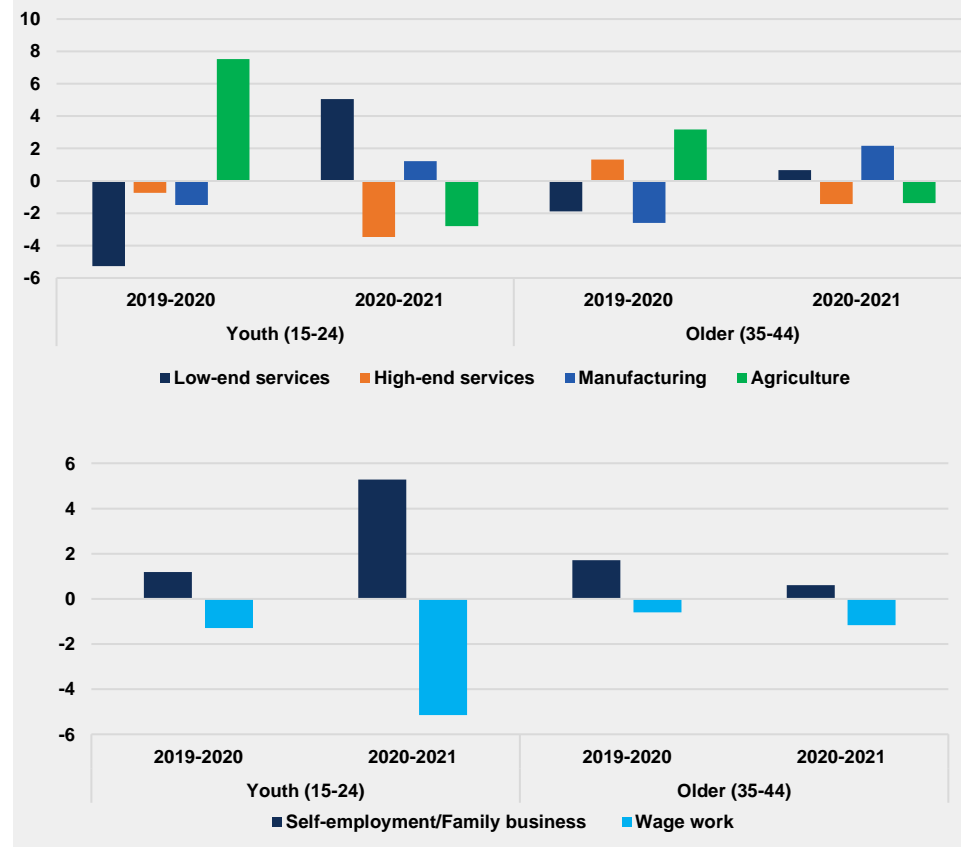
- Employment of low low-educated workers in agriculture increased 7 points in 2020 and declined only 1 point in 2021
- Employment of low low-educated workers in low-skilled occupations increased 7 points in 2020 and declined only 1 point in 2021



Source: LFS 2019 - 2021

## Increased engagement of youth in low productivity sectors may have long lasting implications on the economy

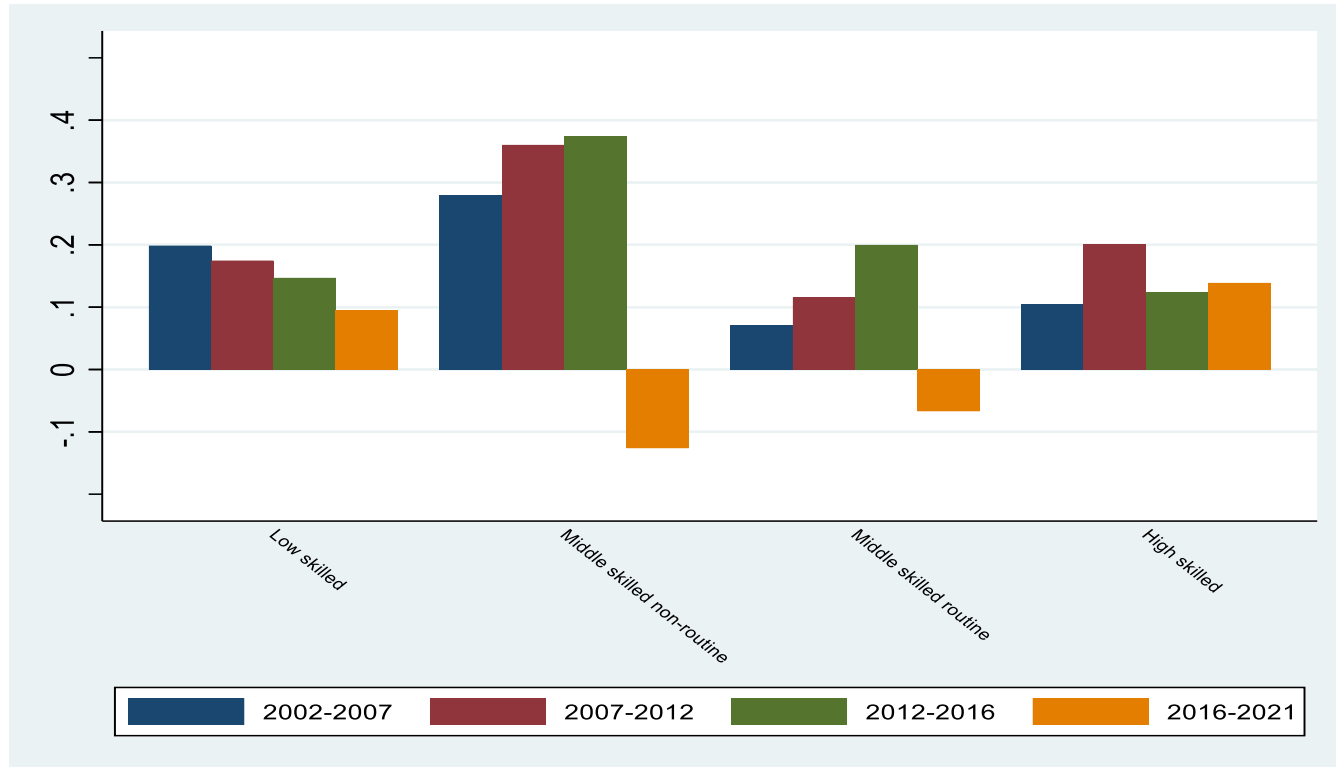
- Unemployment & underemployment increased disproportionately among youth and remained higher than national levels in 2021
- Engagement in **agriculture, self-employment, and low-skilled occupations** increased at higher pace than older groups
- Employment in wage work also declined at a higher pace among youth



Source: LFS 2019 -2021

# Signs of polarization are appearing in wage employment

And may aggravate with digital transformation



# Some signs of recovery, though uneven



## Flexible work arrangements helped women work

- LFP rebounded quickly for women beginning Q4 2020, reaching levels higher than pandemic
- *However*, unemployment rates persisted at a higher level than men
- **17% of women** who recovered jobs in January 2021 used **HBW** but women continue to be affected by care duties



## The poor continue to lag in income recovery

- In May 2022, **40%** of households in the poorest quintile reported income loss compared to **19%** in the highest quintile



## Full immunization is lower among the poor

- While **51%** of the richest quintile report being **fully immunized** (with booster), this drops to **12%** among the poorest quintile

## Social assistance helped buffer the aggravation of poverty and inequality

### *Bayanihan Act*

COVID-19 emergency transfers largely covered the most vulnerable population

**4.1  
Million**

The transfers helped avoid adding 4.1 million people and 1.44 million children in poverty

*However, transfers remain low to fully compensate for the income lost during the pandemic*

# The prolonged suspension of face-to-face classes could have long-term effects on education and human capital



## Remote vs face-to-face

About **half** of households consider that their children learned less than **50%** of what they would have learned from face-to-face schooling

This proportion reaches **68%** among poor households



## Learning Loss

Extended distance learning estimated to have reduced learning-adjusted years of schooling by **over a full year**



## Economic Potential & Productivity

Estimates show that learning loss could lower the average annual earnings of each student by **\$893-1,137** (in 2017 PPP\$)



# 04 What policy can do

# Heal the Pandemic's Scars and Build Resilience

Promote uptake of booster vaccination

Support schools in assessing student learning and providing learning recovery programs

Strengthen social protection programs and provide well-targeted assistance

Leverage technologies to improve targeting and make assistance more efficient

Develop fiscally viable unemployment insurance program to reduce vulnerability of informal workers

Closely monitor inflation to minimize impact on poor households

Contain debt without compromising economic recovery

# Set the Stage for a Vibrant and Inclusive Recovery

## Support reskilling and resilience of workers disproportionately affected by pandemic

- Support skills development programs to reskill and upskill temporarily displaced workers
- Dynamic mapping of opportunities could help with job recovery and transition
- Apprenticeship programs could support youth employment

## Boost skills to transition to a more productive and innovative economy

- Enhance foundational skills and development of noncognitive skills in basic education
- Increase access and close quality gap in tertiary education
- Strengthen technical vocational education to meet the demands of high productivity jobs

## Close the gender gap in the labor markets

- Support more flexible work arrangements
- Help women in poorer groups cope with pandemic impacts on jobs and earnings
- Strengthen support for women entrepreneurs

## Inclusive strategy for rural development

- Raise agricultural productivity by raising rural investments
- Encourage shift of agricultural production from subsistence farming to cash crops
- Investments to mitigate impacts of climate change should be a priority

# Reduce Inequality of Opportunity

## Increase access to quality care

- Improve the quality of service delivery and increase access to quality care facilities
- Ensure that healthcare is affordable
- Use multisectoral approach to address malnutrition

## Increase equality of opportunity in education

- Expand education infrastructure and number of teachers to support equalizing opportunities
- Increase incentives to enroll children in preschool
- Collect standardized data on transition from secondary to tertiary to better understand who is left behind

## Improve access to quality housing

- Improving access to quality housing can help improve quality of life and opportunity
- Improvements in quality and resilience of housing materials can bring gains for health and education
- Adaptation of existing and new housing to climate threats

## Enhance social assistance

- The increase in value of 4Ps benefits through *Pantawid* Act in 2019 a welcome step
- Efforts need to continue to adjust the benefit value to help poor households cope with rising cost of living

# Thank you !

