Overcoming Poverty and Inequality in the Philippines

Past, Present, and Perspectives for the Future

Manila | November 24, 2022
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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

Sources: FIES 1985-2018 and LFS 1988-2020
Expanded Social Assistance

- Expanded coverage and progressive distribution of social assistance.

- ...helped to keep poverty incidence 10% lower and depth of poverty 15% lower.

Source: FIES 2009-18
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**.

Source: FIES 1985-2018
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 15th most unequal out of 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

* 63 countries where income Gini coefficients are available
Inequality starts early in life and perpetuates over the life cycle

<table>
<thead>
<tr>
<th>Before Birth</th>
<th>Childhood</th>
<th>In school</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td>• Skilled antenatal care (ANC) and postnatal care (PNC) are lower among poorer families and mothers with less education</td>
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<tr>
<td>• In BARMM, ANC use is 69% vs 94% nationally &amp; newborn PNC is 51% vs 86% nationally</td>
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<tr>
<td>• Rates of <strong>stunting</strong> (42%), <strong>underweight</strong> (27%) and <strong>wasting</strong> (8%) are much higher among poor households than the richest (11%, 7% and 4%, respectively)</td>
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<td>• Age-appropriate vaccinations are <strong>35 points higher</strong> when the mother has a college degree and <strong>17 points higher</strong> in the richest quintile</td>
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<tr>
<td>• Children from households in the lowest income deciles <strong>less likely to be enrolled</strong> and be in an <strong>age-appropriate grade</strong></td>
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<td>• Students from wealthier households invest more in education: <strong>average per capita expenditure</strong> on education is <strong>more than 22x higher</strong> among households in the richest decile than the poorest</td>
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<tr>
<td>• Influences <strong>employment opportunities</strong>, income levels and ability to invest in human capital development of their children</td>
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<td>• Leads to <strong>intergenerational transmission of poverty</strong></td>
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Source: APIS 2020, FIES 2018, NDHS 2017
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

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

Source: FIES 1985-2018
The slow expansion of tertiary education and shortage of skills kept the scarcity value of skills high

Source: LFS 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.

<table>
<thead>
<tr>
<th>Quintiles</th>
<th>Poorest</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Richest</th>
<th>Rural</th>
<th>Urban</th>
<th>Philippines</th>
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<tr>
<td>p.c. income change Q1-Q2, 2020</td>
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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 a 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

Source: LFS 2002-2021
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

Source: PHL HFS Rounds 1 and 4
Social assistance helped buffer the aggravation of poverty and inequality

<table>
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<tr>
<th><strong>Bayanihan Act</strong></th>
<th>COVID-19 emergency transfers largely covered the most vulnerable population</th>
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<tr>
<td><strong>4.1 Million</strong></td>
<td>The transfers helped avoid adding 4.1 million people and 1.44 million children in poverty</td>
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</table>

*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

<table>
<thead>
<tr>
<th>Support reskilling and resilience of workers disproportionately affected by pandemic</th>
<th>Boost skills to transition to a more productive and innovative economy</th>
<th>Close the gender gap in the labor markets</th>
<th>Inclusive strategy for rural development</th>
</tr>
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<tbody>
<tr>
<td>• Support skills development programs to reskill and upskill temporarily displaced workers</td>
<td>• Enhance foundational skills and development of noncognitive skills in basic education</td>
<td>• Support more flexible work arrangements</td>
<td>• Raise agricultural productivity by raising rural investments</td>
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<tr>
<td>• Dynamic mapping of opportunities could help with job recovery and transition</td>
<td>• Increase access and close quality gap in tertiary education</td>
<td>• Help women in poorer groups cope with pandemic impacts on jobs and earnings</td>
<td>• Encourage shift of agricultural production from subsistence farming to cash crops</td>
</tr>
<tr>
<td>• Apprenticeship programs could support youth employment</td>
<td>• Strengthen technical vocational education to meet the demands of high productivity jobs</td>
<td>• Strengthen support for women entrepreneurs</td>
<td>• Investments to mitigate impacts of climate change should be a priority</td>
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</tbody>
</table>
### Reduce Inequality of Opportunity

<table>
<thead>
<tr>
<th>Increase access to quality care</th>
<th>Increase equality of opportunity in education</th>
<th>Improve access to quality housing</th>
<th>Enhance social assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improve the quality of service delivery and increase access to quality care facilities</td>
<td>• Expand education infrastructure and number of teachers to support equalizing opportunities</td>
<td>• Improving access to quality housing can help improve quality of life and opportunity</td>
<td>• The increase in value of 4Ps benefits through Pantawid Act in 2019 a welcome step</td>
</tr>
<tr>
<td>• Ensure that healthcare is affordable</td>
<td>• Increase incentives to enroll children in preschool</td>
<td>• Improvements in quality and resilience of housing materials can bring gains for health and education</td>
<td>• Efforts need to continue to adjust the benefit value to help poor households cope with rising cost of living</td>
</tr>
<tr>
<td>• Use multisectoral approach to address malnutrition</td>
<td>• Collect standardized data on transition from secondary to tertiary to better understand who is left behind</td>
<td>• Adaptation of existing and new housing to climate threats</td>
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- Collect standardized data on transition from secondary to tertiary to better understand who is left behind
- Adaptation of existing and new housing to climate threats
Thank you!