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Are We Winning the Fight against Poverty? An Assessment of the Poverty Situation in the Philippines

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Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Are We Winning the Fight against Poverty?
An Assessment of the Poverty Situation
in the Philippines

Celia M. Reyes et al.

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DRAFT 2: FOR DISCUSSION PURPOSES ONLY

**Are We Winning the Fight against Poverty?
An assessment of the Poverty Situation in the Philippines**

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December 2010

Abstract

In 2006, poverty incidence in the Philippines went up by 3 percentage points from 2003, marking a reversal against the downward trend in previous poverty estimates. This upward trend went against expectations after the Philippine economy exhibited a relatively robust performance during this period. The reasons as to why this has happened are explored in this paper. Meanwhile, income inequality measures do not show significant change over the years. Natural disasters and economic crises further add to the already difficult work of reducing poverty. The MDG deadline looms ahead and time is running out in the country's battle against poverty. In this report, the poverty situation is again revisited and closely examined. It aims to assess whether the country has made any improvements or not and to answer several key questions such as - What should likely be the focus of poverty reduction efforts? Why is it that poverty rose despite the relatively fast economic growth in recent years? What can we learn from this experience?

¹ Celia M. Reyes is a Senior Research Fellow; Christian D. Mina and Aubrey Tabuga are both Research Associates; while Ronina D. Asis and Maria Blesila G. Datu are Senior Research Specialists at PIDS. The usual disclaimer applies.

Are We Winning the Fight against Poverty? An assessment of the Poverty Situation in the Philippines

1. Introduction

In 2006, poverty incidence in the Philippines went up to 32.9 from 30 in 2003, marking a reversal against the downward trend in previous poverty estimates. This finding has stirred controversy and debate among stakeholders and experts due to expectations brought about by relatively faster economic growth during this period. However, there are evidences that imply that growth may not have reached the poor. Moreover, income inequality has worsened in areas where majority of the poor are located.

In these past few years, various problems have struck the country – from political scandals to the global economic crises, high fuel and food prices, and devastating natural calamities. These have worsened the conditions of those already in dire situation and pulling even more people into poverty. The impacts of several government efforts have been either too weak to even cause a slight improvement or that population still grew in a relatively faster rate, faster than the rate at which we create jobs and opportunities, or maybe both and more.

In the Millennium Declaration, the country targeted a 22.7 poverty incidence by 2015. With only five years left before the deadline, the country has to work faster and more seriously than ever to achieve its goals. This paper provides yet another assessment on the poverty situation of the country. Why the increase in the number of poor people in recent years? Are there new sets of problems that cause or worsens poverty? Have there been improvements so far in the poverty reduction efforts? Where should government focus its attention to? What are the urgent matters to address? These questions are some of the things this paper intends to look into.

The general poverty situation is discussed in Section 2. This section also discusses the disparities across space and factors that are correlated with poverty. In section 3, income inequality is discussed. The poverty situation of vulnerable groups - children and elderly are also discussed in section 4. Meanwhile, section 5 is devoted to assessing non-income-based measures of poverty. Section 6 is on the decomposition of poverty changes. To expound deeply on the results of the decomposition analysis, income inequality and poverty in the rural areas were analyzed in Section 7. Poverty reduction programs and key issues were tackled in Section 8 while Section 9 sums up and concludes the report.

2. Poverty Situation

The Philippines continues to fight a difficult battle against poverty. Official statistics show that the proportion and number of income poor have actually increased in recent years (see Figure 1). This puts the country at an uneasy position as the MDG deadline looms in the

horizon. The increase in poverty rate is not new; in fact it has happened before in 2000 due to the Asian financial crisis and El Niño phenomenon. In 2006, the same rise happened again, for reasons that are expounded in details in the chapters of this report.

As seen from the figure below, poverty incidence went up from 30 percent in 2003 to 32.9 percent in 2006. The subsistence incidence, the proportion of population not able to meet the daily food requirements, also went up from 13.5 to 14.5 percent within the same period. Although the overall trend of poverty rates is going downward, the decline has not been sustained enough to give the country a better chance at achieving the MDGs.

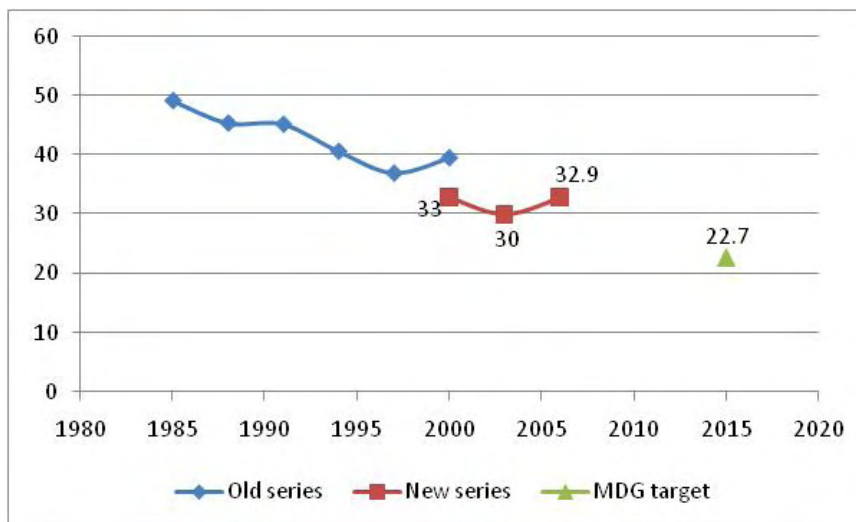


Figure 1. Proportion of poor individuals, 1985-2006, Philippines

Note: 1985 to 2000 series (in blue line) refers to the old poverty data series using the regional thresholds; 2000 to 2006 series (in red line) refers to the estimates based on the current methodology using provincial thresholds

In 2006, about 27.6 million people, or three in ten persons, did not have sufficient income to obtain the basic food and non-food needs. This magnitude is 3.7 million higher than the estimate in 2003. Worse, the number of poor did not decline if compared to the 1985 estimate of already about 26.2 million.² Although the poverty rate, also known as the poverty head count index, has been declining, the population continued to grow and so did the number of poor. With the recent events – the global economic crisis and the natural calamities that have not spared the country, the poverty rate is expected to increase further (Yap, et. al., 2009).

² There were breaks in the series because of changes in the methodology. The poor refers to those whose income falls below some thresholds. These poverty thresholds are set by the National Statistical Coordination Board (NSCB) and are the minimum amount required to meet the daily food and non-food needs of individuals.² This report utilizes the information on family income of Filipinos in the Family Income and Expenditure Survey (FIES) conducted by the National Statistics Office (NSO). The revision work on the methodology of counting the poor is currently underway, hence, the estimates likely to change again with the improvement of the methodology.

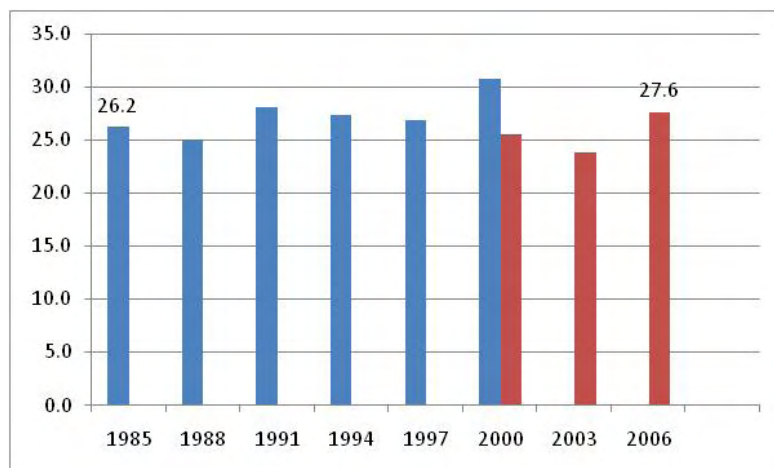


Figure 2. Number of income poor individuals, 1985-2006, Philippines

In addition to the rising poverty head count ratio during the period from 1985 to 2006, the depth and severity of poverty likewise did not improve significantly. In a span of two decades, the poverty gap has been reduced by only 7 points while the severity index dropped by only 3.7 points.³ The poverty gap measures the average shortfall of the population from the poverty threshold. The poverty severity index on the other hand is the squared poverty gap which gives weight to the distribution of income across the population, thus a more accurate measure of severity than the poverty gap index. The lower the values these poverty measures have the better.⁴

³ Data is only up to 2006, at publication time, the new 2009 estimates for other poverty indicators are not yet available.

⁴ The head count index, poverty gap, severity index are the so-called Foster, Greer, and Thorbecke (FGT) measures of poverty. The formula for FGT poverty measures P0, P1 and P2 is:

$$P_{\alpha} = \frac{1}{N} \sum_{i=1}^N \left(\frac{G_i}{z} \right)^{\alpha}, (\alpha \geq 0);$$

where: $G_i = (z - y_i) \cdot I(y_i < z)$ and α is 0 for P0 (poverty incidence), 1 for poverty gap and 2 for severity of poverty.

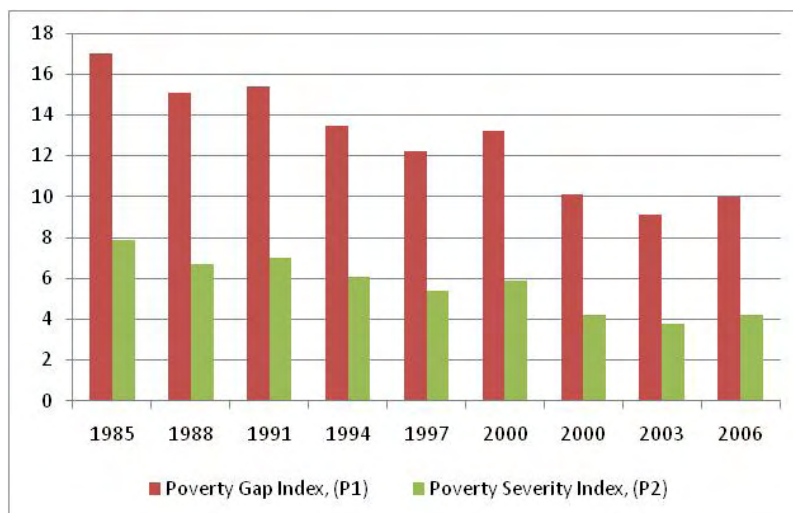
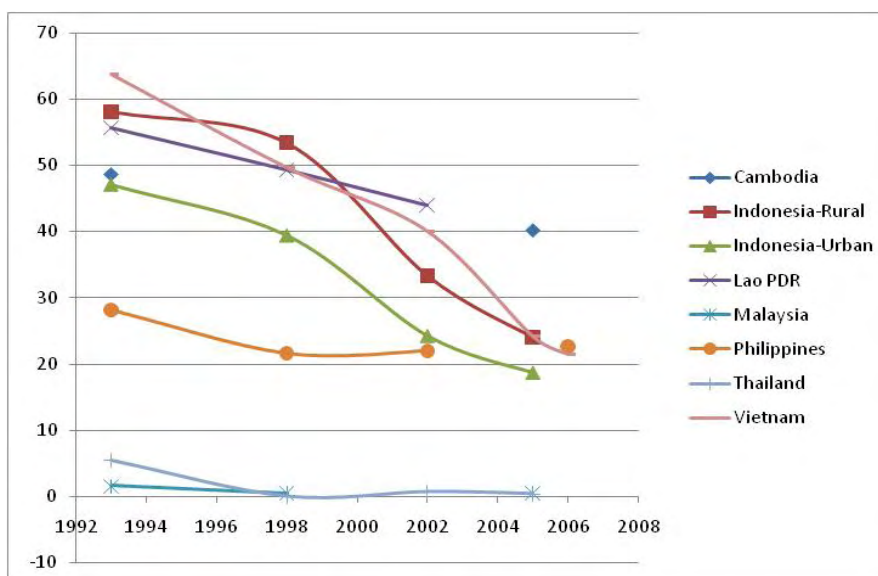


Figure 3. Poverty Gap and Severity Indices, 1985 to 2006, Philippines
Source of basic data: FIES, National Statistics Office (NSO)

The Philippines is shown to have the slowest pace of poverty reduction compared with several member countries in the ASEAN. This can be seen in the PovcalNet's estimates of population living below \$1.25 a day, a measurement of extreme poverty. The Philippines started off with a relatively low poverty rate at 28 percent in the early 1990s. However, the country has since failed to reduce its poverty rate significantly. Both Indonesia and Vietnam are now poised to outperform the country in terms of poverty reduction. These two countries used to have poverty rates that are way higher than that of the Philippines (Figure 4). However, in 2005, their poverty indices have already approximated that of the Philippines'. Indonesia and Vietnam have managed to reduce poverty rates by an average of 2.8 and 3 percentage points annually during the period 1992–2004/2006 whereas the Philippines' figure had only been reduced by an average of 0.46 percentage point per year within the same period.

Figure 4. Headcount poverty rate by country, 1992–2006

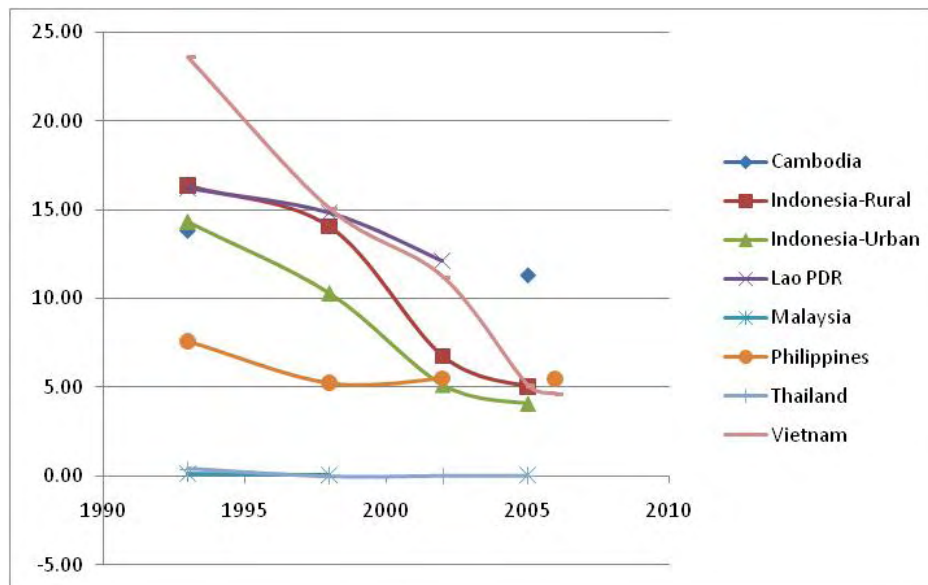


Source: PovcalNet at <http://iresearch.worldbank.org/PovcalNet/povcalNet.html>.
Accessed 10 February 2011

Note: Data refer to estimates nearest to the specified period

The Philippines' performance in terms of reducing the poverty gap and severity gap vis-à-vis its neighbours is also dismal. The rest of the ASEAN countries herein shown were also able to significantly reduce their poverty gap, but the Philippines only managed to reduce its poverty gap by 2 percentage points, from 7.6 in 1994 to 5.48 in 2006. Vietnam, which had a poverty gap index of around 24 in 1992, was able to reduce its poverty gap to 4.62 in 2006; lower than that of the Philippines' 5.48 (Figure 3.5). The rest of the ASEAN countries herein shown were also able to significantly reduce their poverty gap.

Figure 5. Poverty Gap Index by country, 1993 and 2005



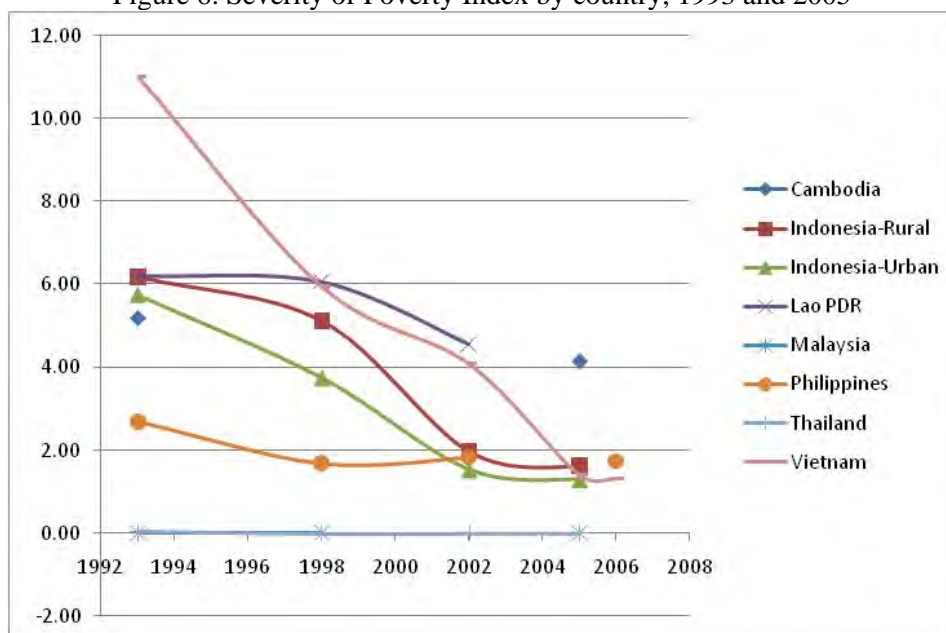
Note: Data refer to estimates nearest to the specified period

Source: PovcalNet at <http://iresearch.worldbank.org/PovcalNet/povcalNet.html>. Accessed 10 February 2011

Meanwhile, in terms of the severity gap, the Philippines' severity index became even higher than that of Vietnam's (Figure 6) in 2006 despite the fact that Vietnam had a severity index way above the estimates for the Philippines in the past. The Philippines, therefore, does not only need to reduce the number of poor; it also needs to work harder to deflect the severity of the situation of those in poverty.

Another main issue that has always been a characteristic of Philippine poverty is the staggering disparities across regions. For example, the Autonomous Region in Muslim Mindanao (ARMM), a region stricken by decades of conflict, has a poverty incidence (61.6%) that is six times the rate of the National Capital Region (NCR)(10.4%). Its poverty rate is way above other Mindanao regions' rates too. Worse, the gaps between ARMM's and neighboring regions' poverty incidences have also widened. Even neighboring regions—Region V (Bicol) and Region IV-A (CALABARZON)—have very wide gaps. Bicol has a 51 percent poverty incidence while CALABARZON only has 22 percent. Fortunately, this disparity has somewhat declined recently. The existence of wide disparities across regions is something that has been highlighted repeatedly in many poverty profiles or reports done in the past. This therefore warrants the need for more equitable economic development strategies.

Figure 6. Severity of Poverty Index by country, 1993 and 2005



Note: Data refer to estimates nearest to the specified period

Source: PovcalNet at <http://iresearch.worldbank.org/PovcalNet/povcalNet.html>. Accessed 10 February 2011

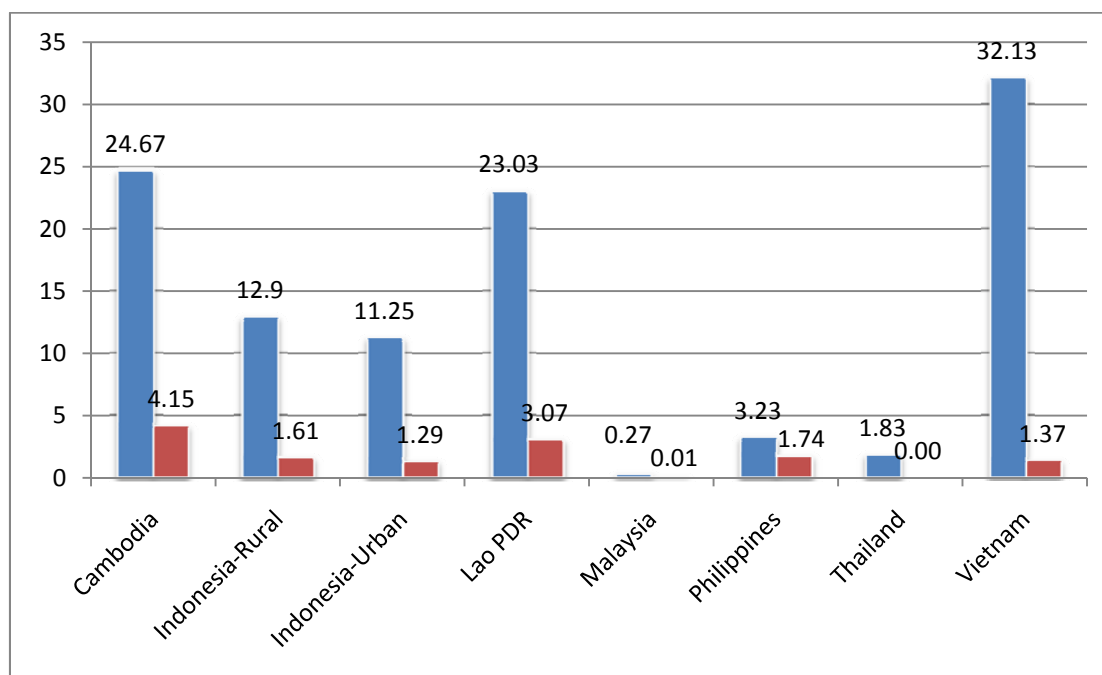


Figure 6. Severity of Poverty Index by country, 1981 and 2005

Another main issue that has always been a characteristic of Philippine poverty is the staggering disparities across regions. For example, the Autonomous Region in Muslim Mindanao (ARMM), a region stricken by decades of conflict, has a poverty incidence (61.6%) that is six times the rate of the National Capital Region (NCR)(10.4%). Its poverty rate is way above other Mindanao regions' rates too. Worse, the gaps between ARMM's and neighboring regions' poverty incidences have also widened. Even neighboring regions—Region V (Bicol) and Region IV-A (CALABARZON)—have very wide gaps. Bicol has a 51 percent poverty incidence while CALABARZON only has 22 percent. Fortunately, this disparity has somewhat declined recently. The existence of wide disparities across regions is something that has been highlighted repeatedly in many poverty profiles or reports done in the past. This therefore warrants the need for more equitable economic development strategies.

The disparities across regions in terms of poverty incidence are visually illustrated in the maps shown in Figure 7. The three maps correspond to estimates in 2000, 2003, and 2006. The green shades depict relatively lower estimates of poverty incidence and therefore better performance relative to other subnational level estimates, while the red shades pertain to those with higher incidences, and are therefore relatively worse performing areas. All estimates better (worse) than the national figure were shaded green (red). The darker the red (green) shade the worse (better) the situation is compared to the rest.

This exercise highlights the fact that poverty in the country is still a geographical matter. Regions with proximity to the economic center, the NCR, perform relatively better than those located in the Visayas and Mindanao. Priority areas can be easily identified because they are the ones in consistent dark red color—these are ARMM, Bicol region, Caraga, Region IV-B (MIMAROPA), and Region IX (Zamboanga Peninsula). Unless concerted efforts are urgently employed in these regions, they will continue to lag behind those regions in Luzon.

While the maps reveal the poverty situation of regions vis-à-vis the proportion to the population, the map shown below presents the concentration of the poor in terms of number. From it, we can easily pinpoint that the bulk of the poor are located in the Visayas and in Bicol. Interestingly, Bicol not only has a very high rate of poverty (51%), it also contributes the highest share in the poor among all regions because of its relatively large population. About 10 percent of the country's poor population comes from the Bicol region.

Meanwhile, other regions which contributed large portions of the poor were Region VI (Western Visayas)(2.4 million), CALABARZON (2.3 million), and Region VII (Central Visayas)(2.2 million). It is to be noted that although CALABARZON, a region near the NCR, has a lower poverty incidence in 2006, it also has a huge number of poor people because of its relatively larger population (Figure 3.8).

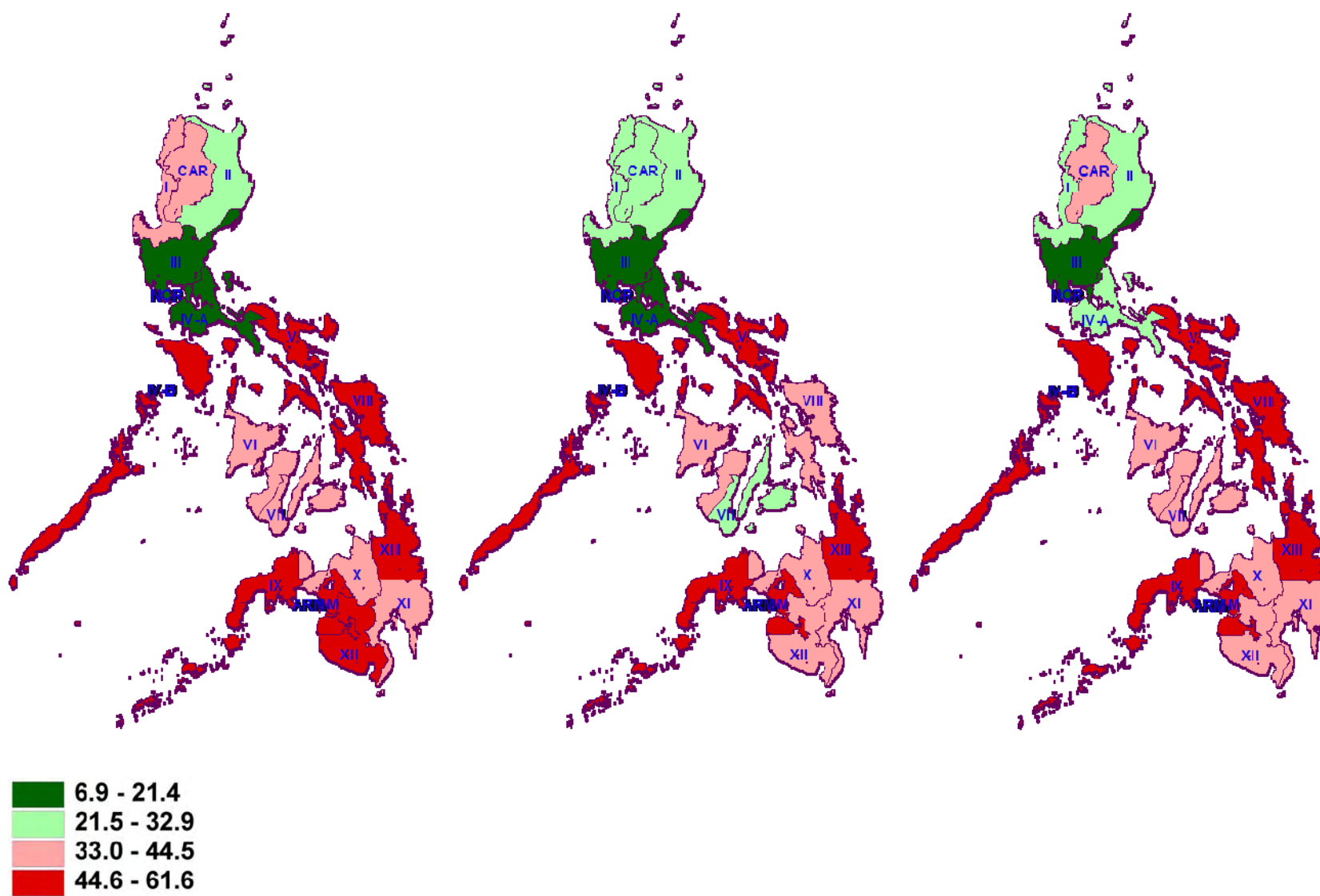


Figure 7. Poverty Incidence by Region, 2000, 2003, & 2006, Philippines

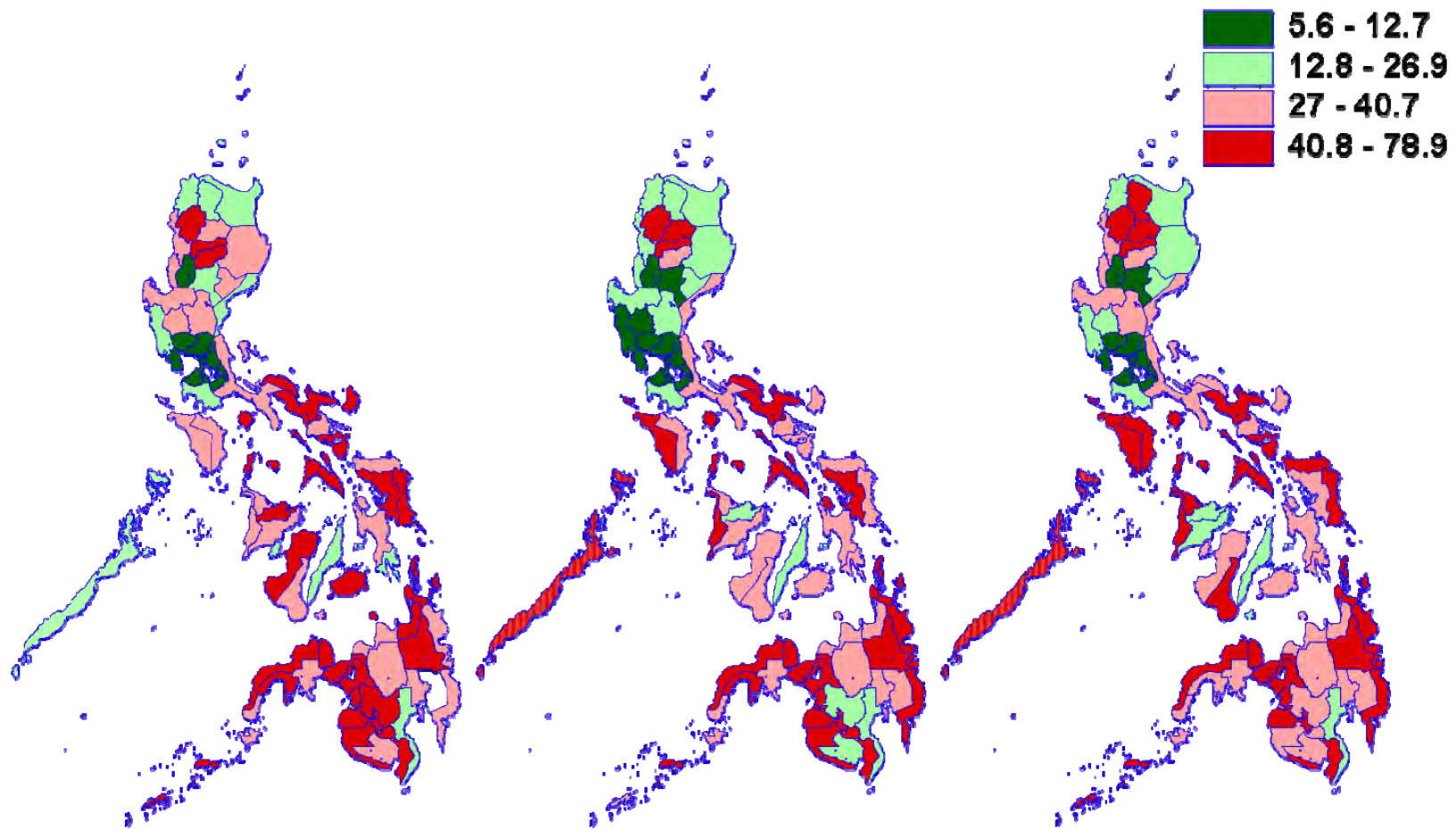


Figure 8. Poverty Incidence by Province, 2000, 2003, & 2006, Philippines

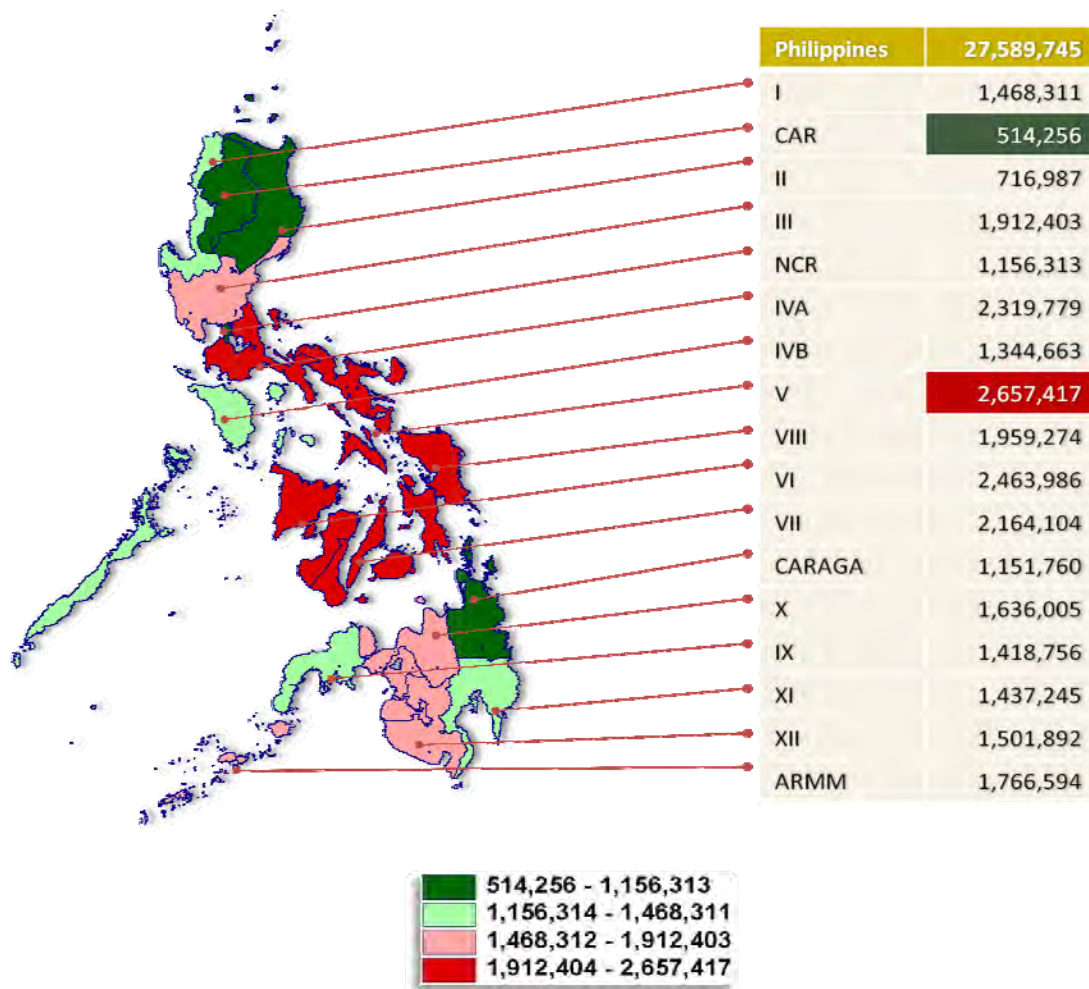


Figure 9. Number of poor by Region, 2006, Philippines

Significant correlates of poverty

What have been seen about the nature of poverty in the country in the past stay true to this day. Education and demography play vital roles. Poverty rate significantly declines as the household head (HH) becomes more educated. The poverty rate of families with heads not having been able to complete any grade is about five-folds those whose heads reached college. Therefore, as many studies in the literature show, education is the key to break the cycle of poverty. In addition, data also show that poverty rates rise as families become larger (Table 3.1).

Characteristic/Area	Poverty incidence	Share to total poor (%)
Urban	19.1	28.3
Rural	45.8	71.7
Educational attainment of HH		
No grade completed	64.8	4.9
Elementary undergraduate	52.5	34.8
Elementary graduate	43.9	26.1
High school undergraduate	37.3	14.5
High school graduate	22.9	15.3
College undergraduate	10.8	3.8
At least college graduate	2.3	0.7
Family size		
< than 3 members	11.2	4.3
4 to 6 members	28	44.7
> than 7 members	48	50.9

Source of basic data: FIES 2006, NSO

The relationship between poverty and family size can be seen more clearly in Table 3.2. The table shows that poverty rate rises as family size becomes bigger. Notably, the poverty incidence among larger households has been rising from 2000 to 2006. For instance, the poverty rate of families consisting of 9 members has increased from 51.2 percent in 2000 to 54.4 percent in 2006, indicating that more large families are falling into poverty. Moreover, the difference in the poverty incidence between the large and the small families is widening. This shows how important it is to address population management issues.

Family Size	Poverty Incidence		
	2000	2003	2006
All families	27.5	24.4	26.9
1	7.1	5.3	4.5
2	10.6	9	10.7
3	13.4	12.7	14.1
4	18.1	18.1	19.8
5	24.7	25.4	29.5
6	33.4	34.4	38
7	41.2	42.2	45.8
8	48.4	47	50.2
9	51.2	52.9	54.4
10 or more	50.5	52.1	51

Note: 2006 results PIDS estimates; Sources of basic data: 2000-2006 Family Income and Expenditure Survey, NSO

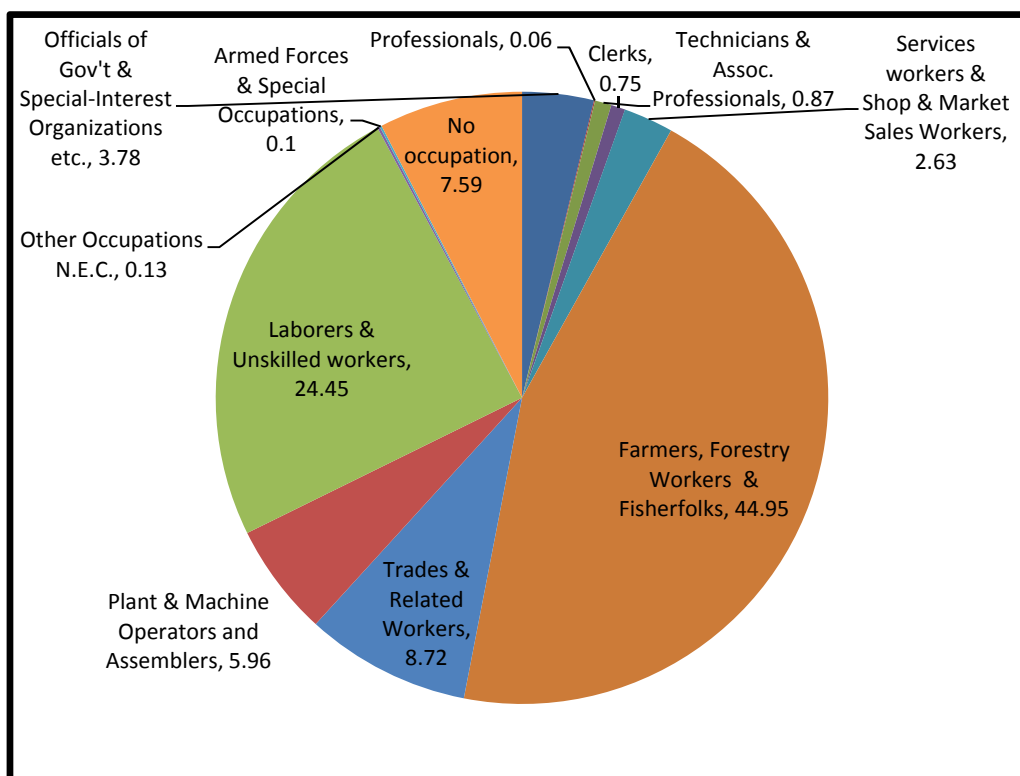
Poverty in the Philippines is likewise still a rural and agricultural issue. The 2006 data show that 7 out of 10 poor people were from the rural areas. Agricultural workers had the highest incidence of poverty. Based on primary occupation, the groups that had the highest poverty rates were the farmers, forestry workers, and fisherfolks (54%), and laborers and unskilled workers (48%). The professionals, as expected, had the lowest poverty rate, with only 1 percent (Table 3.3).

Figure 3.9 shows the distribution of the poor across individuals depending on the type of occupation of the HH. It shows that 45 percent of all poor households are headed by farmers, forestry workers, and fisherfolks (45%).

Occupation	Head Count Index
Officials of Gov't. and Special-interest Orgn., Corporate Exec., Managers, Managing Proprietors & Supervisors	11.55
Professionals	1.04
Technicians & associate professionals	14.05
Clerks	12.25
Services workers & shop and market sales workers	18.09
Farmers, forestry workers & fishermen	53.86
Trades & related workers	29.97
Plant & machine operators and assemblers	21.19
Laborers & unskilled workers	47.98
Other occupations N.E.C.	37.02
Armed forces & special occupations	7.78
No occupation	16.86

Source of basic data: 2006 FIES, NSO

Figure 9. Distribution of the poor by type of primary occupation of the HH, 2006, Philippines



Source of basic data: FIES 2006

Agricultural workers were disaggregated according to the kind of business they engaged in their primary occupation. Among them, those who were farming animals had the lowest headcount index while those engaged in forestry and logging were the poorest (Table 3.4).

In terms of the class of workers, in the primary occupation of HH, the poverty rate was highest among the unpaid workers of family-owned businesses and the self-employed. The households whose head was self-employed also had the largest share to total poor (Table 3.5).

Kind of Business	Headcount (%)	Share to total Poor (%)
Forestry, Logging and Related Services	71.21	1.32
Hunting, Trapping and Game Propagation	63.89	0.02
Recycling	59.34	0.04
Growing of Crops	53.39	47.51

Fishing	52.26	7.63
Non-Metallic Mining and Quarrying	51.65	0.35
Agricultural and Animal Husbandry Services	51.22	4.21
Manufacture of Wood, Wood Products	48.97	1.65
Metallic Ore Mining	41.08	0.33
Farming Animals	34.55	2.99

Source of basic data: 2006 FIES, NSO

Class of Worker	Headcount	Share to total Poor
Private household	23.29	4.52
Private establishment	24.89	34.36
Government/government corporation	8.73	2.39
Self-employed	33.91	36.45
Employer	20.56	3.37
With pay (family-owned business)	18.03	0.3
Without pay (family-owned business)	45.37	18.6
Total	28.46	100

Basis of Payment	Headcount	Share to total Poor
In-kind	49.23	1.15
Per piece	34.57	5.08
Per hour	13.59	0.44
Per day	31.01	52.99
Monthly	8.89	16.78
<i>Pakyawan</i>	44.2	5.97
Other wages	41.78	2.21
Commission	30.78	15.4
Total	22.29	100

In terms of the basis of payment in the HH's primary occupation, poverty incidence was highest among those who received in-kind compensation. Those who received their pay or salary on a monthly basis had the lowest poverty rate. The bulk (53%) of the poor came from families whose HH were paid on a daily basis (Table 3.6).

3. Income inequality

Aside from worsening poverty condition, income inequality is also a huge concern not only in terms of poverty reduction efforts but also because it is itself a welfare indicator. This study shows that while there have been slight improvements in several indicators of inequality for the country in general, income inequality remains a vital concern in many key areas.

The share of the poorest 20 percent of households shows that through the years, their share in the pie has not increased that much. In 2006, only 4.81 percent of the total income was owned by this group. This was almost similar to its share back in 1985 of 4.79. On a positive note, there has been a gradual rise in the share from 2000 to 2006. The share of the bottom 20 percent of the population to total income is one measure of inequality. The higher the share, the more equal the distribution. In a situation of perfect equality, the bottom 20 percent of the population should own 20 percent of the aggregate income.

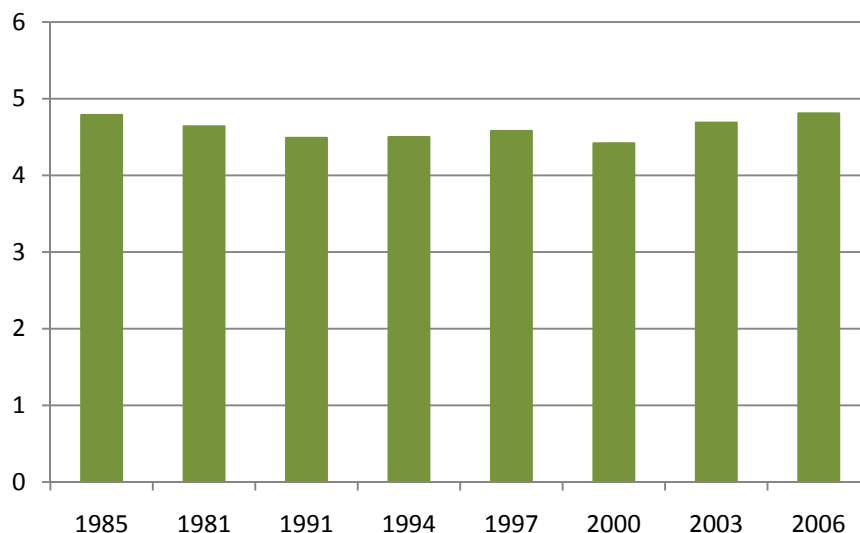


Figure 11. Share of Income of Bottom 20% to Household Income, 1985-2006

Among the regions, ARMM had the highest share of the bottom 20 percent at 9.12. In fact, the income distribution of ARMM has improved significantly from 2003. That of SOCCSKSARGEN also improved a lot during the period 2003 to 2006. CAR on the other hand had the most unequal distribution among the regions in terms of this measure.

Table 6. Share of Income of Bottom 20% to Household Income by Region, 2000-2006

Region	Share of Bottom 20%		
	2000	2003	2006
1 - Ilocos Region	6.13	6.34	6.51
2 - Cagayan Valley	6.05	6.01	6.17
3 - Central Luzon	6.83	6.99	5.99
4A - CALABARZON	5.64	5.87	5.55

4B - MIMAROPA	6.46	6.08	6.28
5 - Bicol	5.75	5.57	5.92
6 - Western Visayas	5.4	5.84	5.96
7 - Central Visayas	4.53	4.45	4.43
8 - Eastern Visayas	5.16	5.5	5.13
9 - Zamboanga Peninsula	4.75	3.98	4.33
10 - Northern Mindanao	4.82	4.92	4.91
11 - Davao	5.47	5.12	5.59
12 - SOCCKSARGEN	5.52	5.24	6.52
13 - NCR	5.77	6.67	6.42
14 - CAR	4.58	5.23	4.36
15 - ARMM	8.66	8.07	9.12
16 - CARAGA	6.26	6.18	5.69

Sources of Basic Data: 2000-2003 Family Income and Expenditure Survey, NSO

Another measure of inequality is ratio of average income of the richest decile to that of the poorest decile called the decile dispersion ratio. The larger the number the less equal the income distribution is. The numbers indicate multiples of the average income of the poorest decile. In 2006 for instance, the decile dispersion ratio was 19.3 which means that the richest decile is 19 times richer than the poorest decile. In Figure 12, this measure has been declining since 2000 from 22.7 to 20.1 in 2003, then to 19.3 in 2006, denoting a gradual movement to equality.

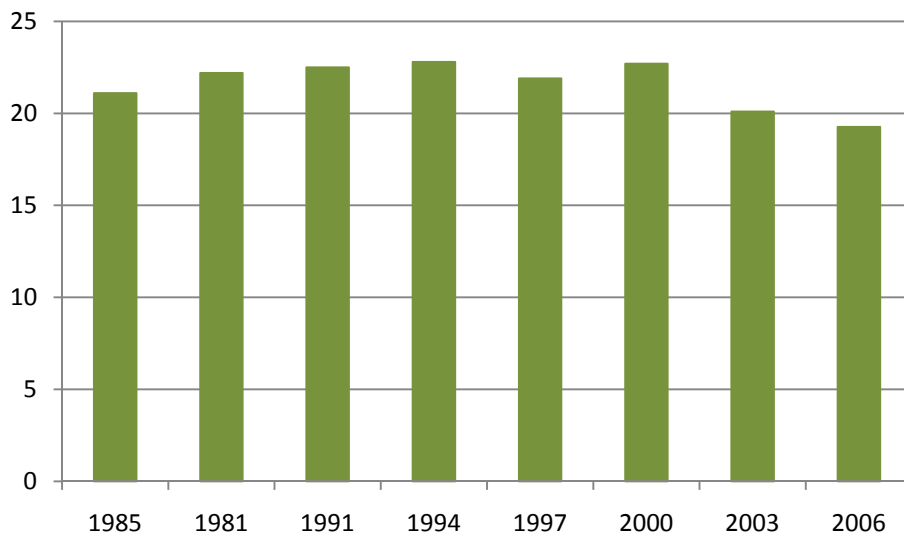


Figure 12. Decile Dispersion Ratio, 1985-2006, Philippines

Among the regions, ARMM had the lowest decile dispersion ratio denoting a relatively more equal distribution of income. Zamboanga on the other hand had the highest ratio at 24.5.

Ratios in CAR, Central and Eastern Visayas, and Northern Mindanao were also very high with above 20.

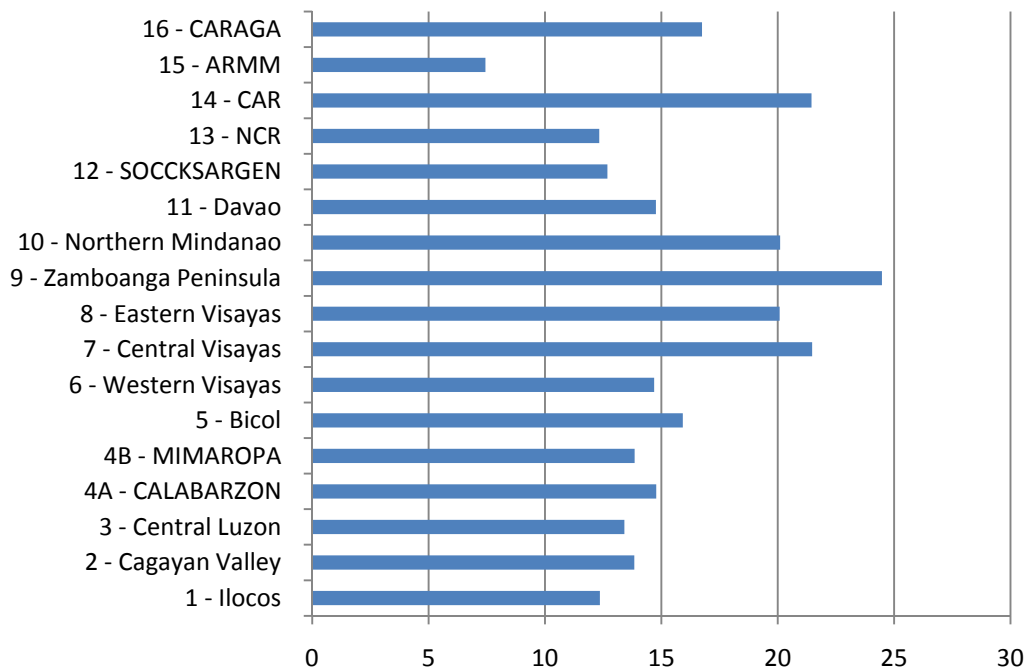
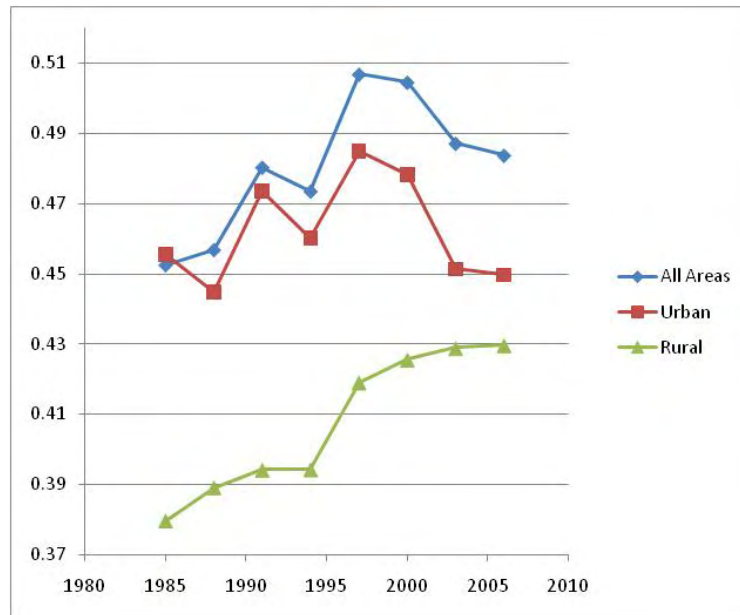


Figure 13. Decile Dispersion Ratio by region, 1985-2006, Philippines

Another index for income inequality is the Gini coefficient which takes a number between 0 and 1, with 0 indicating perfect equality and 1 indicating perfect inequality. Figure 3.13 shows the trend of the Gini indices for the Philippines, rural and urban areas. The overall Gini index for the country has been declining continuously since 1997, from 0.5068 to 0.5045 in 2000 then to 0.4837 in 2006. However, compared to the previous years, the Gini in 2006 was even higher than that in 1985 (0.4525) suggesting that income distribution has in fact become more inequitable over the span of 25 years.

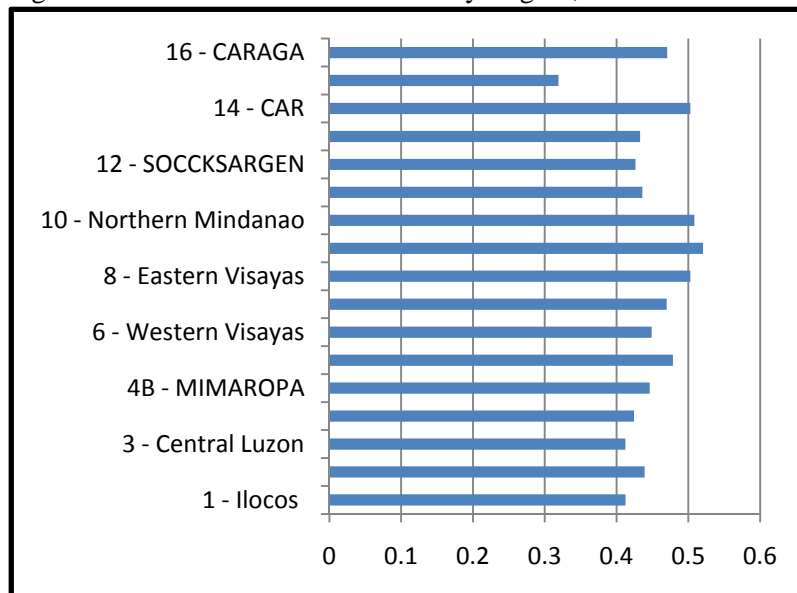
Meanwhile, the rural areas' Gini has been more visibly on the upward trend rather than downward indicating that income became more unequally distributed. This is a rising concern considering the fact that the bulk of the poor is concentrated in the rural areas.

Figure 14. Gini Concentration Ratios by Area, Philippines



The Gini concentration ratios of various regions of the country are shown in Figure 15. Among the regions, ARMM had the lowest inequality measure at 0.32. Zamboanga Peninsula on the other hand had the highest at 0.52. Other regions that have high inequality were CAR, Northern Mindanao, and Eastern Visayas.

Figure 15. Gini Concentration Ratios by Region, 2006



Source of basic data: FIES 2006

GINI Concentration Ratios, by Region 1985-2006								
Region	1985	1988	1991	1994	1997	2000	2003	2006
Philippines	0.4525	0.4568	0.4803	0.4735	0.5068	0.5115	0.5045	0.4837
Urban	0.4555	0.4447	0.4736	0.4602	0.4850	0.4857	0.4782	0.4496
Rural	0.3796	0.3891	0.3941	0.3942	0.4190	0.4346	0.4255	0.4296
1 - Ilocos	0.3806	0.3805	0.4208	0.3950	0.4446	0.4274	0.4205	0.4125
2 - Cagayan Valley	0.3947	0.3996	0.4273	0.4242	0.4313	0.4547	0.4353	0.4390
3 - Central Luzon	0.4017	0.3923	0.4070	0.3812	0.3722	0.3841	0.3754	0.4123
4A - CALABARZON	0.4069	0.4036	0.4115	0.4153	0.4233	0.4410	0.4324	0.4244
4B - MIMAROPA	0.4351	0.4396	0.4702	0.4368	0.4176	0.4736	0.4500	0.4461
5 - Bicol	0.3985	0.4031	0.3954	0.4346	0.4535	0.4835	0.4644	0.4786
6 - Western Visayas	0.4668	0.4250	0.4132	0.4259	0.4484	0.4971	0.4857	0.4488
7 - Central Visayas	0.4426	0.4560	0.4587	0.4312	0.4865	0.4746	0.4710	0.4699
8 - Eastern Visayas	0.3861	0.3989	0.4313	0.4165	0.4568	0.4921	0.4930	0.5027
9 - Zamboanga Peninsula	0.4438	0.4574	0.4207	0.4020	0.4905	0.4931	0.4903	0.5205
10 - Northern Mindanao	0.4839	0.4755	0.4501	0.4434	0.5142	0.5124	0.5001	0.5084
11 - Davao	0.4125	0.4152	0.4569	0.4533	0.4713	0.4489	0.4456	0.4360
12 - SOCCKSARGEN	0.3938	0.4031	0.4303	0.4035	0.4581	0.4819	0.4902	0.4264
13 - NCR	0.4360	0.4425	0.4545	0.4311	0.4899	0.4819	0.4740	0.4328
14 - CAR	0.4242	0.3936	0.4552	0.4375	0.4924	0.4630	0.4631	0.5028
15 - ARMM	0.3373	0.3184	0.3252	0.3298	0.3630	0.3474	0.3360	0.3190
16 - CARAGA	0.3658	0.3760	0.4072	0.4224	0.4571	0.4492	0.4336	0.4705

Sources of basic data: 2000-2006 Family Income and Expenditure Survey, NSO

GINI Concentration Ratios, by Area, 2000-2006						
Region	Urban Areas			Rural Areas		
	2000	2003	2006	2000	2003	2006
1 - Ilocos	0.415495	0.414444	0.426368	0.403485	0.404856	0.391304
2 - Cagayan Valley	0.447495	0.506638	0.46178	0.407868	0.4121	0.405026
3 - Central Luzon	0.368442	0.375125	0.413589	0.361257	0.338391	0.378265
4A - CALABARZON	0.421913	0.399807	0.396136	0.396138	0.412217	0.391327
4B - MIMAROPA	0.492129	0.524323	0.4744	0.412761	0.41351	0.416275
5 - Bicol	0.461331	0.504	0.504836	0.426991	0.430336	0.421562
6 - Western Visayas	0.508856	0.462909	0.430535	0.38675	0.421086	0.419838
7 - Central Visayas	0.446027	0.445845	0.438609	0.435261	0.417856	0.416743
8 - Eastern Visayas	0.494631	0.514586	0.494661	0.428868	0.441909	0.481843
9 - Zamboanga Peninsula	0.438774	0.49712	0.467182	0.458318	0.490018	0.489369
10 - Northern Mindanao	0.490422	0.480678	0.468358	0.452468	0.448633	0.502692
11 - Davao	0.429996	0.476831	0.426716	0.403251	0.421376	0.405542
12 - SOCCKSARGEN	0.497179	0.584437	0.451872	0.405705	0.40255	0.384642
13 - NCR	0.473992	0.429293	0.432761			
14 - CAR	0.386184	0.397321	0.429482	0.422181	0.407523	0.436222
15 - ARMM	0.363677	0.341919	0.346698	0.311885	0.372244	0.307755
16 - CARAGA	0.438292	0.44386	0.48627	0.382983	0.424477	0.440434

Sources of basic data: 2000-2006 Family Income and Expenditure Survey, NSO

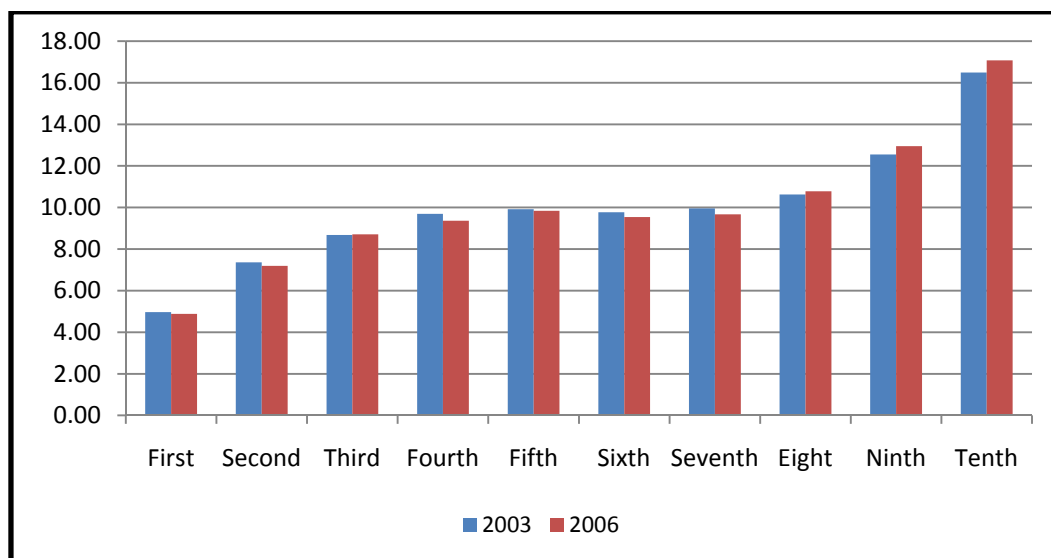
The worsened inequality in the rural areas is also evidenced by the slight increase in the decile dispersion ratio shown below. While that of the national ratio went down from 20.1 to 19.3, the ratio for the rural areas went up albeit slightly from 17.55 to 17.89.

Decile Dispersion Ratio by Area, 1985-2006

Year	Ratio of Average Income of Richest Decile to Poorest Decile		
	All Areas	Urban	Rural
1985	18.04	18.75	15.39
1988	17.75	18.32	15.41
1991	20.64	21.75	17.28
1994	18.92	19.35	15.83
1997	23.38	24.34	18.40
2000	22.70	23.33	18.10
2003	20.10	20.11	17.55
2006	19.27	19.25	17.89

Sources of Basic data: FIES, NSO

The worsened inequality in the rural areas is visually illustrated in the chart below. If one looks into the poorest deciles, their share to total income has declined and the rate at which the sum of their incomes grow has been relatively lower than those in the richest deciles. Meanwhile, the share of the richest deciles has inched up during the period.



Figure__Share to total income and growth of total income by decile in rural areas, 2003 and 2006

For comparison, the chart for urban households is shown below. Households in the poorest deciles experienced slight increase in share to total income while those in the richest ones had negligible changes. Moreover, the growth rate of the total income of the lower deciles had been significantly higher than that of the richest ones.

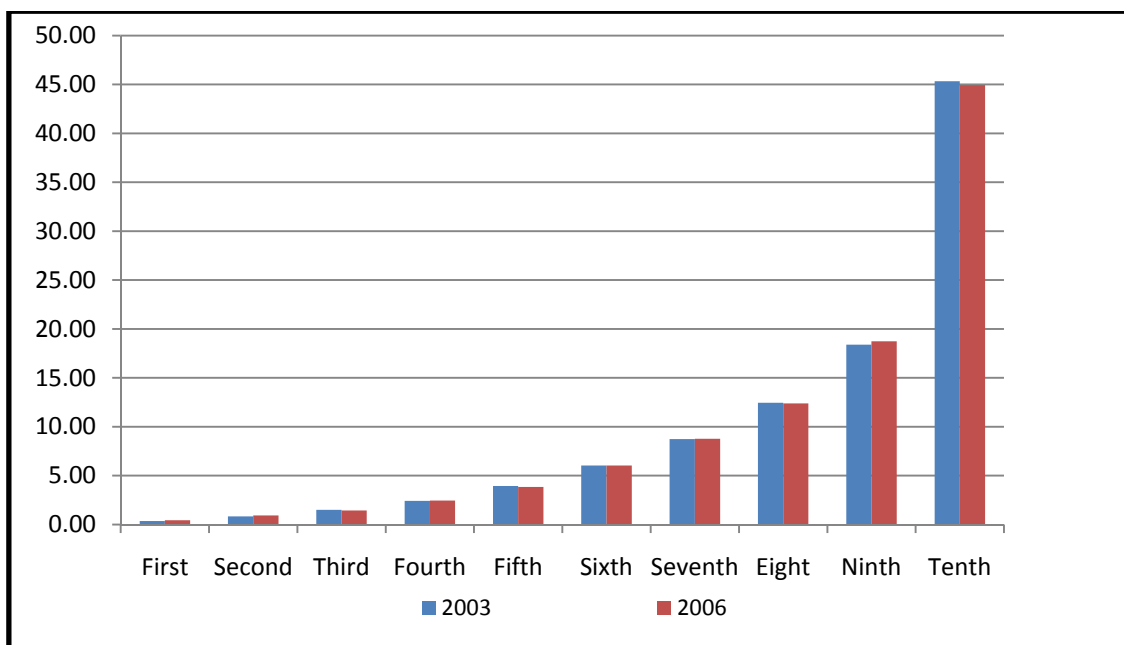


Figure __Share to total income and growth of total income by decile in urban areas, 2003 and 2006

4. Poverty among children and elderly

About 15 million children in families could not meet the basic food and non-food needs because their per capita income falls below the poverty threshold. The poverty incidence is higher for children aged 12 or less. In fact, 44 percent of all children aged below 12 are poor. Children aged 13 to 17 have a slightly lower poverty rate at about 38 percent. There is not much difference in poverty incidence between male and female. The staggering difference is for those living in rural areas (about 56 percent) compared to those in urban areas (27 percent). There are wide disparities across regions. About 7 out of 10 children in ARMM are income poor while there are only 2 out of ten in NCR (see Table 7.). The other regions that have at least 60 percent poverty rate are the Mimaropa, Bicol Region, and CARAGA.

The demographic picture of children shows that the base is a bit broader than the top. This clearly shows the importance of devoting relatively more resources at the bottom age cohort. The table below shows that two-thirds of all children are under the age of 12. There are slightly more male children than female ones. Most of the children lived in the rural areas.

Table 7. Demographic characteristics and poverty status of Filipino children, 2006			
Indicators		Percent of children population	Poverty rate
Children (population aged below 18)		34,875,674	42.72
Age			
	Below 7	35.2	44.1
	7 to 12	35.4	43.8
	13 to 17	29.4	37.8
Gender			
	Male	51.0	42.9
	Female	49.0	42.5
Areas			
	Urban	44.9	26.8
	Rural	55.1	55.7
Region			
	Region I - Ilocos Region	5.4	41.9
	Region II - Cagayan Valley	3.6	33.0
	Region III - Central Luzon	10.1	27.4
	Region V - Bicol	7.1	61.0
	Region VI - Western Visayas	8.3	49.5
	Region VII - Central Visayas	7.5	44.0
	Region VIII - Eastern Visayas	5.2	58.9
	Region IX - Zamboanga Peninsula	4.0	56.2
	Region X - Northern Mindanao	4.8	51.3
	Region XI - Davao	4.6	46.0
	Region XII - SOCCSKSARGEN	4.4	49.4
	National Capital Region	11.2	15.2
	Cordillera Administration	1.8	44.7
	Autonomous Region in Muslim		
	Mindanao	4.2	66.8
	Region XIII - Caraga	3.0	60.5
	Region IVA - CALABARZON	11.3	30.0
	Region IVB - MIMAROPA	3.6	61.6
Source: Author's calculations using the 2006 Family Income and Expenditure Survey and 2007 Labor Force Survey			

The poverty rates show the magnitude of poor children relative to its children population. But the absolute numbers also matter. Among the regions, Bicol Region and Western Visayas have the largest number of poor children with 1.5 (10.1 percent of total) and 1.4 million (9.6 percent) poor children respectively.

To show that the poverty rates of Bicol Region and Western Visayas among others are beyond mere demographics, the population share and share to total poor children are compared in the chart below. For instance, although Bicol Region contributes 7.1 percent of

the children population, it contributes 10 percent in the total number of income poor children. The regions that have the same higher share of poor children than their population share are all regions in Visayas and Mindanao, and Mimaropa.

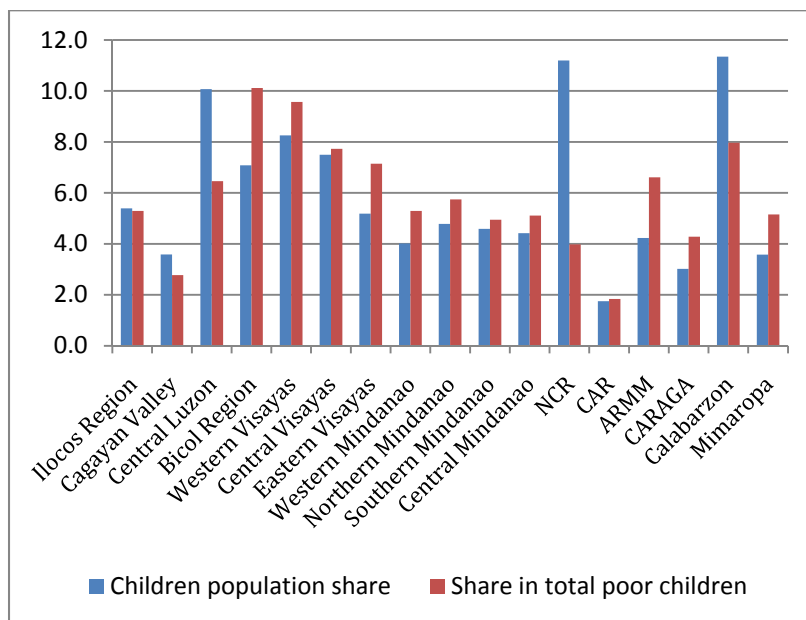


Figure 16. Share in the total children and poor children by region, 2006

Children are affected by various types of deprivation. About 2 percent of all children, or around 700,000, live in dwellings that are made of salvaged materials. These children are considered deprived of basic shelter needs. Also, about one-fifth of all children, or 6.7 million, do not have access to sanitary toilet facilities. This means that they had no toilet facility or used the open pit type of toilet, which is considered unsanitary. Moreover, about 7.7 million children, 22 percent of total, do not have safe water source. In all three aspects, a higher proportion of male children were deprived compared to the female (see Table 8).

If these three aspects are combined, we can identify how many children suffer multiple deprivations. In the country, there are 107,000 children living in this dire situation that is - having no access to decent shelter, sanitation and safe water. The regions with the highest number of children in this condition were the NCR, CALABARZON, ARMM and Central Visayas. In terms of proportion, ARMM had the highest at 0.65 percent of its children population.

Table 8. Child Deprivation Estimates, 2006			
Basic need/Sex/Region	Number ('000)	Percent to total	
Shelter	695	1.99	
Male	378	2.13	
Female	317	1.86	
Sanitation	6,739	19.32	
Male	3,462	19.46	
Female	3,277	19.18	
Safe water	7,691	22.05	
Male	3,933	22.11	
Female	3,757	21.99	
Shelter, sanitation, and water	107	0.31	
Male	56	0.32	
Female	51	0.30	
Region I - Ilocos Region	2	0.11	
Region II - Cagayan Valley	-	0.00	
Region III - Central Luzon	7	0.20	
Region V- Bicol	9	0.37	
Region VI - Western Visayas	8	0.27	
Region VII - Central Visayas	12	0.46	
Region VIII - Eastern Visayas	1	0.06	
Region IX - Zamboanga Peninsula	6	0.41	
Region X - Northern Mindanao	2	0.15	
Region XI - Davao	3	0.21	
Region XII - SOCCSKSARGEN	5	0.32	
National Capital Region	18	0.47	
Cordillera Administration	2	0.40	
Autonomous Region in Muslim Mindanao	10	0.65	
Region XIII - Caraga	1	0.10	
Region IVA - CALABARZON	17	0.44	
Region IVB - MIMAROPA	3	0.21	

The maps below show the deprivation situation in the different regions in the country. The color green signifies a relatively better condition, gauged in terms of numbers of children – the less number of children deprived the better and greener the shade. The red color, on the other hand, illustrates the worst-off regions. The regions that have consistent red shades in all aspects, like the Central Visayas and Bicol Region, indeed need urgent attention in the allocation of government resources.

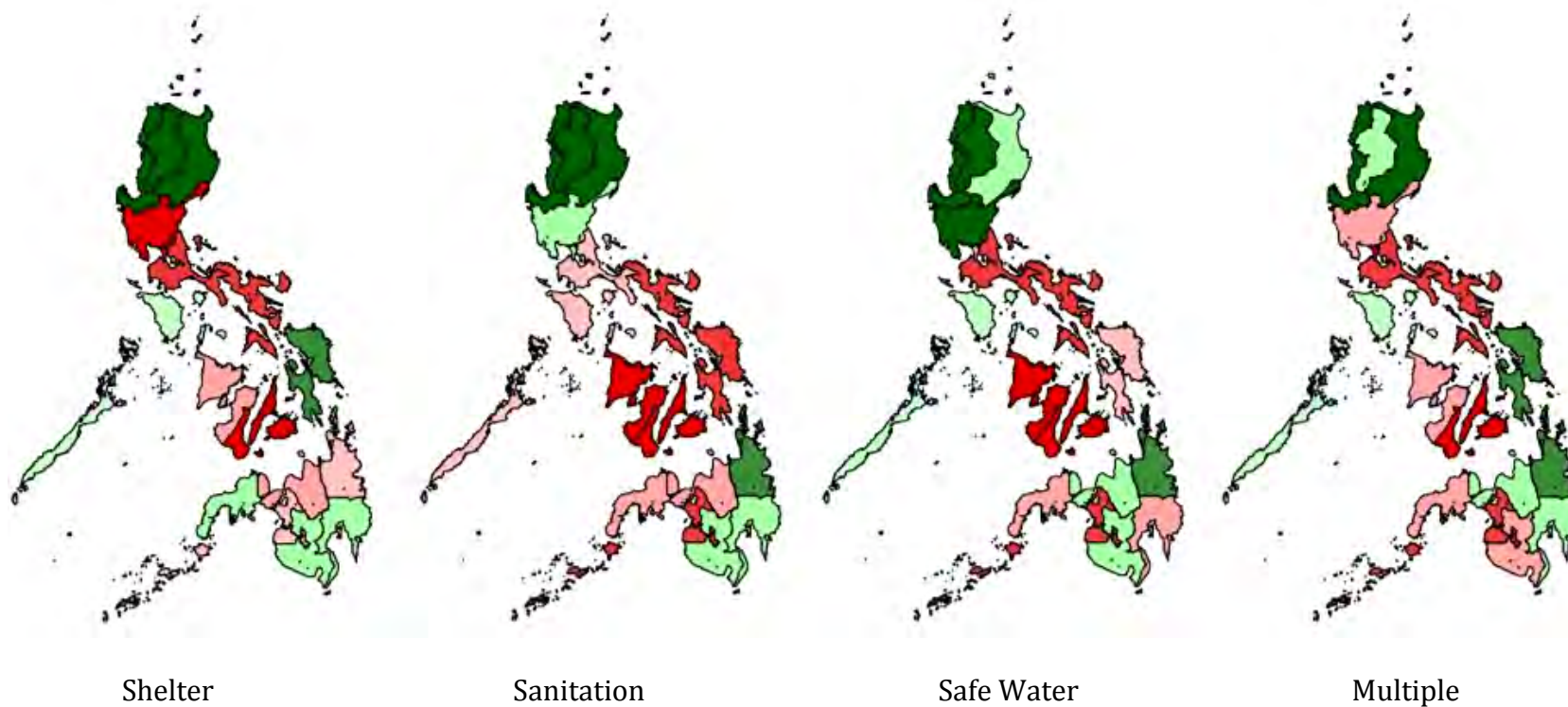


Figure 17. Child Deprivation by Region, 2006

In 2006, 22 percent of all children, or 7.5 million, did not have the comforts brought by electricity in their homes. Also, around 1.4 million lived as informal settlers and therefore did not have secure tenure. Specifically, these informal settlers were those living in dwellings, without the consent of the owner of the house or the lot. There were no significant differences in the estimates for boys and girls.

In terms of deprivation to information, the access of children to several media – radio, television, telephone and computer, has been analyzed. It is interesting to see that 41 percent of children did not have access to radio at home while 34 percent did not have television sets. Moreover, more than half did not have telephone and 94 percent did not have microcomputer in their homes. It would be interesting however to know whether these children have other means of accessing these types of media outside of their homes.

Table 9. Other Indicators of Child Deprivation, 2006		
Need/Amenity	Number ('000)	Percent to total
Electricity	7,542	21.6
Male	3,861	21.7
Female	3,681	21.5
Secure tenure	1,433	4.1
Male	740	4.2
Female	693	4.1
Information (among 7 to 17 years old)		
Radio	9,232	40.8
Male	4,717	41.0
Female	4,514	40.6
TV	7,570	33.5
Male	3,911	34.0
Female	3,659	32.9
Telephone	11,406	50.5
Male	5,960	51.9
Female	5,447	49.0
Microcomputer	21,297	94.2
Male	10,858	94.5
Female	10,440	93.9

Education is among the non-income dimensions of poverty with serious implications on long-term welfare. In terms of access to basic education, the country is still far from achieving the 2015 MDG target. The net enrolment rate in elementary education had been rising during the 1990s (from 85% in 1991 to 97% in 1999) but it had consistently declined from 2000 to 2006 (97% to 83%). The figure went up again in 2007 (84.8%) and 2008 (85.1%) but these had not been enough to achieve the universal primary education.

Similarly, there had not been much improvement in terms of elementary cohort survival and completion rate. Although cohort survival rate increased from 63.5 percent in 1999 to 75.4 percent in 2008, this is still 10 percent below the 2015 target.

Elementary education completion rate, however, increased by roughly 5 percent from 1990 (68%) to 2008 (73%). Again, this is still below the 81.0 percent target.

School Year	Participation Rate	Cohort Survival Rate	Completion Rate
SY 1999-2000	96.95	63.46	68.38
SY 2000-2001	96.77	63.45	66.13
SY 2001-2002	94.31	69.05	66.33
SY 2002-2003	90.29	72.44	71.55
SY 2003-2004	88.74	71.84	70.24
SY 2004-2005	87.11	71.32	69.06
SY 2005-2006	84.44	70.02	68.11
SY 2006-2007	83.22	73.43	71.72
SY 2007-2008	84.83	75.26	73.06
SY 2008-2009	85.12	75.39	73.28

Source: Basic Education Statistics, DEP-ED Note: The official school-age bracket used in estimating the participation rate for SY 97-98 to SY 01-02 is 7-12 while that for SY 02-03 to SY 07-08 is 6-11.

Generally, regions in Luzon performed relatively better than Visayas and Mindanao regions, in terms of these three education indicators. Based on the data provided by the Department of Education, ARMM recorded 99.9 percent in net enrolment rate while it registered below 40 percent both in cohort survival and completion rates. Except for Ilocos, Cagayan Valley and CAR, other regions in Luzon performed well in terms of participation rate. In contrast, Visayas and the rest of the Mindanao regions had participation rates below the national average. In terms of cohort survival and completion rates, all regions in Luzon, except for MIMAROPA, had rates above the national average. Regions in Visayas and Mindanao in general posted rates that are lower than the national average.

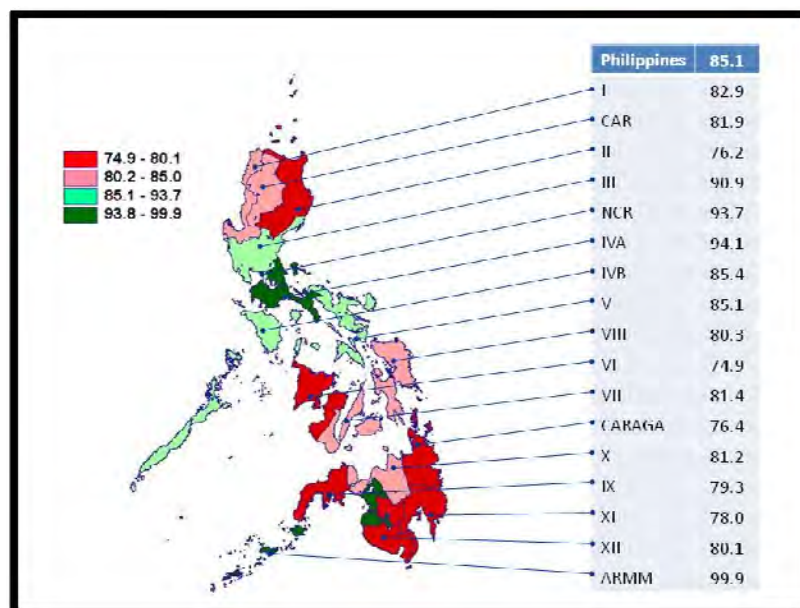


Figure 21. Elementary education net enrolment rate (%), by region, SY 2008-2009 (Source of basic data: Department of Education)

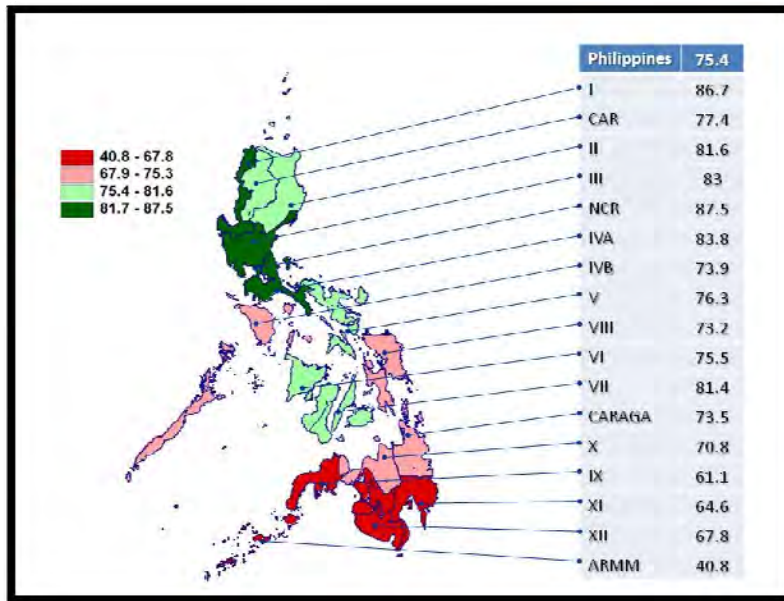


Figure 22_. Elementary education cohort survival rate (%), by region, SY 2008-2009
(Source of basic data: Department of Education)

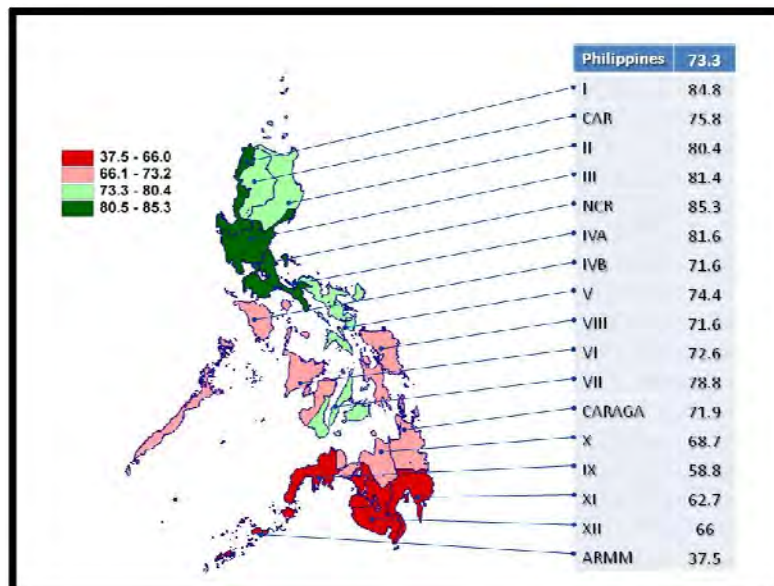


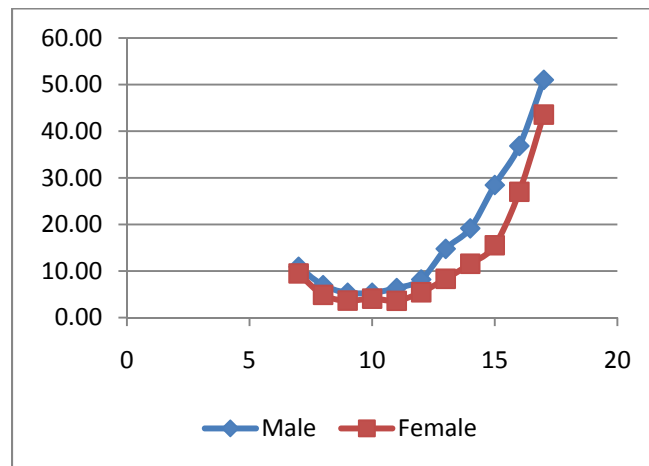
Figure 23. Elementary education completion rate (%), by region, SY 2008-2009
(Source of basic data: Department of Education)

Urgent interventions are necessary to get children into school since a lot of children do not go to school. About 6.2 percent of all children aged 7 to 12 were not in school in 2006. There are more male children than female ones who are out of school. Meanwhile, a quarter of high school-aged children were not attending school. Again, the percentage for male is higher than for female. Low participation rate especially in early ages has obvious adverse effects in children's access to opportunities in the long run.

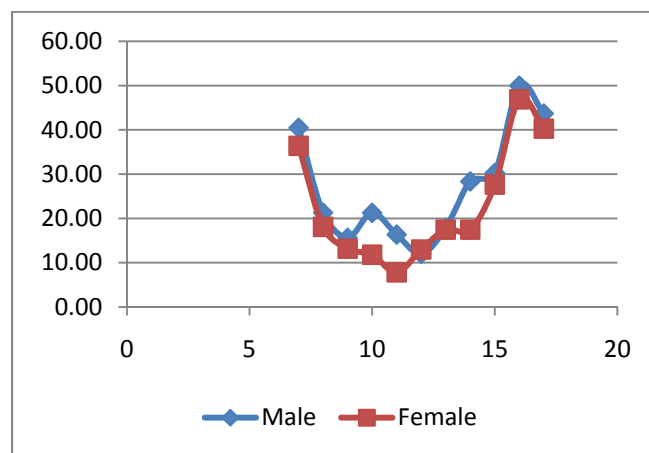
Table 10. Children currently not attending school by group and region, 2006*		
Group/Region	Number (in thousands)	Percent to total
Aged 7 to 12	764	6.2
Male	451	7.2
Female	313	5.2
Aged 13 to 17	2,581	25.2
Male	1,536	29.5
Female	1,045	20.6
Region I - Ilocos Region	141	11.8
Region II - Cagayan Valley	113	13.6
Region III - Central Luzon	325	14.2
Region V- Bicol	233	14.9
Region VI - Western Visayas	259	13.4
Region VII - Central Visayas	296	17.2
Region VIII - Eastern Visayas	214	18.1
Region IX - Zamboanga Peninsula	173	19.4
Region X - Northern Mindanao	192	17.4
Region XI – Davao	185	18.5
Region XII – SOCCSKSARGEN	174	17.1
National Capital Region	240	9.9
Cordillera Administration	38	9.8
Autonomous Region in Muslim Mindanao	235	24.6
Region XIII – CARAGA	103	14.7
Region IVA – CALABARZON	310	12.1
Region IVB – MIMAROPA	111	13.6
All	3,345	14.8

*Authors' estimates

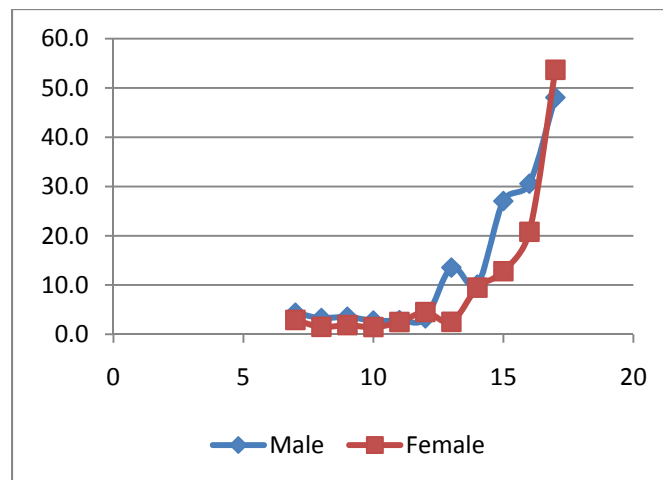
The set of charts below shows the proportion of children 7 to 17 years old not in school by sex for the country and selected regions. As we can see, in the Philippines graph, male and female children have almost the same trend – that is a lower absence rate for younger ones and a higher rate for older children, maybe due to child labor. However, more male children tend to not attend school at an earlier age than do the females. For instance, 30 percent of 15 year old males did not go to school while only about 15 percent of female children of the same age did. The illustrations for two regions, ARMM and Ilocos Region, also show interesting and glaring differences. For ARMM, 40 percent of 7-year old children were currently not in school. This is a very different situation if compared to the Ilocos Region, whose performance is comparable to the overall country picture where the low participation rate is at the higher end of the age ladder. This shows how dire the situation is in ARMM.



A. Philippines



B. ARMM



C. Ilocos Region

Figure 18. Proportion of Children aged 7 to 17 not in school by sex, age, and area, 2006

About a third of male children aged 13 to 17, supposedly in high school, were in fact not in school. Among the regions, ARMM had the highest rates of not attending school.

Other indicators of long-term welfare are child survival indicators – infant and under-five mortality rates. Both infant and under-five mortality declined from 1990 to 2008. Infant mortality rate in the Philippines has declined through the years. From 57 per 1,000 live births in 1990, the number of infants dying before they reach the age of 1 has declined to 25 in 2008. The under-five mortality rate, which refers to children who died before they reach their fifth birthday as a proportion of every 1,000 children born alive, has gone down as well. From 1990 to 2008, the under-five mortality rate declined from 80 to 34.

Table 11. Child Mortality Rates (per 1000 live births)

Survey Year	Reference Period	Infant Mortality Rate	Under-Five Mortality Rate
1993	1988-1992	33.6	54.2
1998	1993-1997	35.1	48.4
2003	1998-2002	28.7	39.9
2008	2003-2007	24.9	33.5

Sources: 1993 National Demographic Survey, 1998, 2003 & 2008 National Demographic and Health Survey, National Statistics Office

Though the national estimates seem to show some improvements, there are regions which in fact are still areas of concern for these indicators. In 2008, ARMM registered the highest infant mortality at 56 per 1,000 live births while Zamboanga Peninsula ranked the lowest, with only a fourth of that of ARMM (14 per 1,000 live births). Disparity is even wider in terms of under-five mortality rate. ARMM again registered the highest rate (94 per 1,000 live births) while some regions registered rates that were below the national average, or roughly one-third of that of ARMM. NCR and Ilocos, for instance, had 24 and 26, respectively.

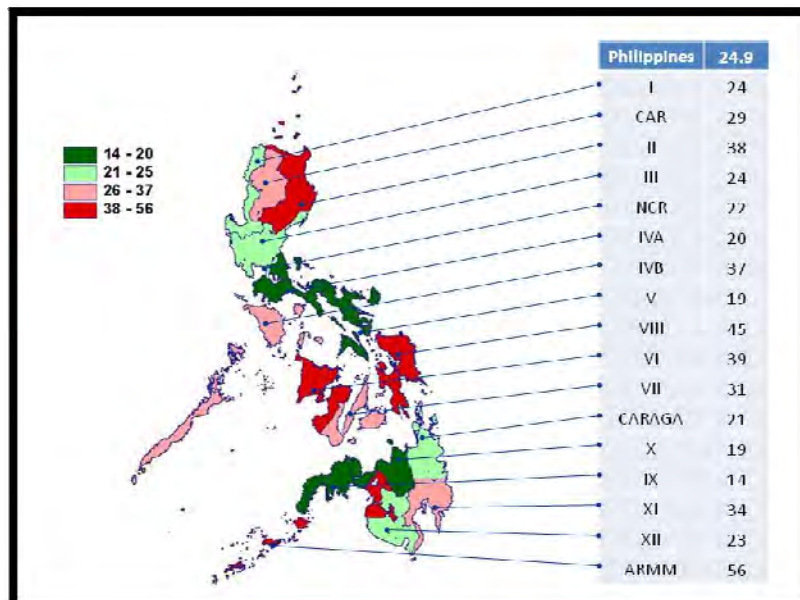


Figure 25. Infant mortality rate (deaths per 1,000 live births), by region, 2008 (Source of basic data: NDHS, NSO)

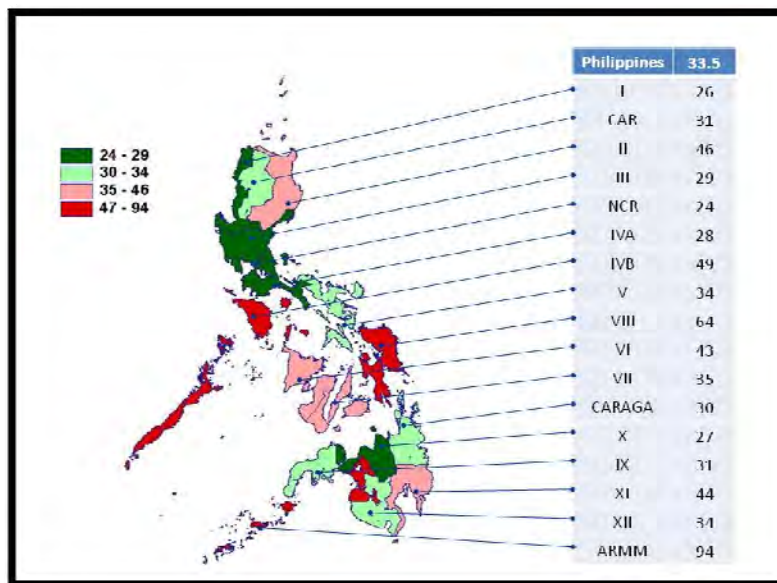


Figure 26. Under-five mortality rate (deaths per 1,000 live births), by region, 2008
(Source of basic data: NDHS, NSO)

Another non-income dimension of poverty is malnutrition. The prevalence of malnutrition among Filipino children aged 0–5 has been continuously declining from 34.5 percent in 1990 to 24.6 percent in 2005. However, the rate inched up in 2008 to 26.2 percent. Likewise, the proportion of underweight and thin children went up in 2008. Meanwhile, although the percentage of overweight is at a very low level (2%), the estimate has shown an upward trend. The proportion of underweight children aged 6 to 10 also went up.

Table 12. Prevalence of Underweight of Children 0 to 5 years old

Year	Prevalence
1989	34.5
1992	34
1993	29.9
1996	30.8
1998	32
2001	30.6
2003	26.9
2005	24.6
2008	26.2

Source: Facts & Figures 2005, Food and Nutrition Research Institute (FNRI).

Regional disparity in terms of malnutrition prevalence is also notable, with NCR posting 16.2 percent while ARMM had 38 percent. Aside from the wide gap, malnutrition rate in ARMM has been continuously increasing at quite a significant rate. Similar to poverty incidence, malnutrition prevalence is relatively high in the southern part of the country. In 2008, among the regions with high incidence of malnutrition were Bicol, Zamboanga Peninsula, MIMAROPA, Eastern Visayas, and Western Visayas. On the other hand, Central Luzon, NCR and CALABARZON were the three regions with the lowest malnutrition incidence.

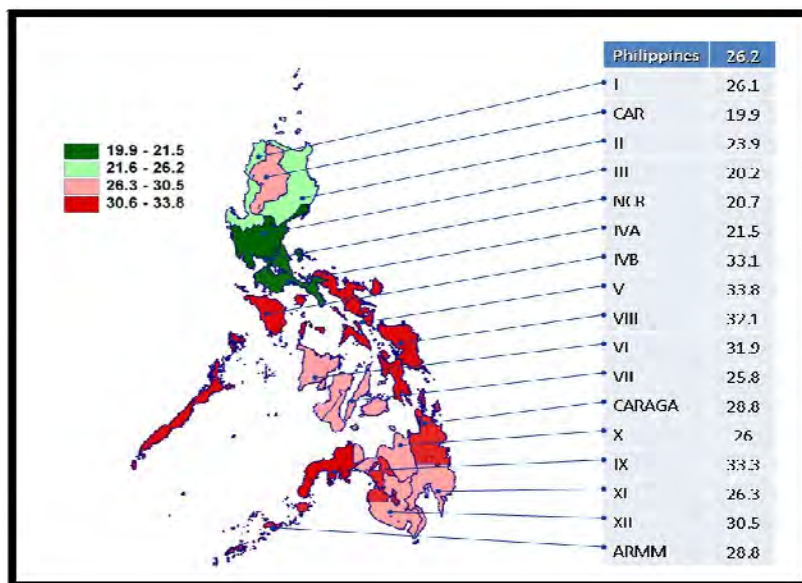


Figure 24. Proportion of underweight children 0-5 years old (%), by region, 2008
(Source of basic data: NNS, FNRI)

A serious issue that affects children directly is violence. Data on violence against children show that reported cases are on the rise. In 2009, there were 9,748 reported cases of violence against children. This number has been continuously on the rise since 2006. During the three-year period, reported crimes against children went up by 63 percent, or about 3,800 cases. These crimes consist of various types – rape, physical injuries/maltreatment, and other forms of child abuse such as trafficking, prostitution, seduction, murder, abduction, and homicide.

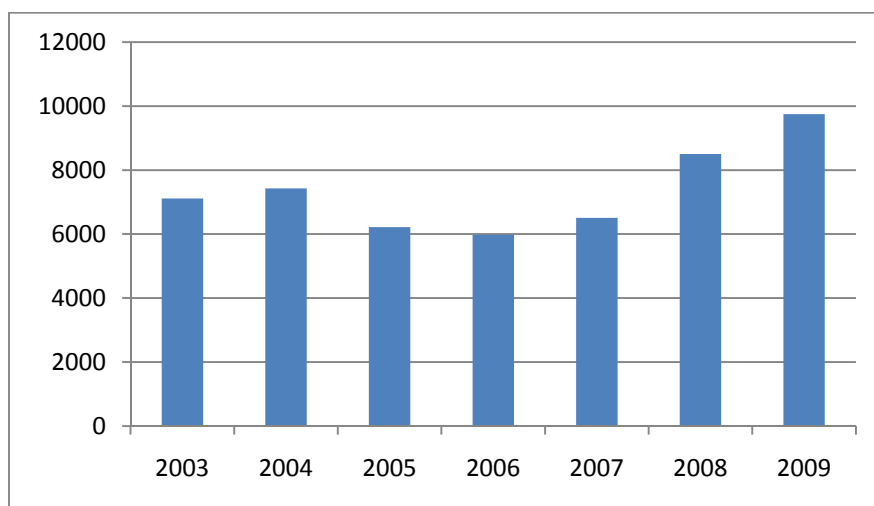


Figure 20. Violence against children, number of reported cases, Philippines

Among the types of violence, rape was the most common, followed by physical injuries/maltreatment and violations of RA 7610 – the Anti-Child Abuse Act (e.g. child trafficking, child labor, and prostitution.)

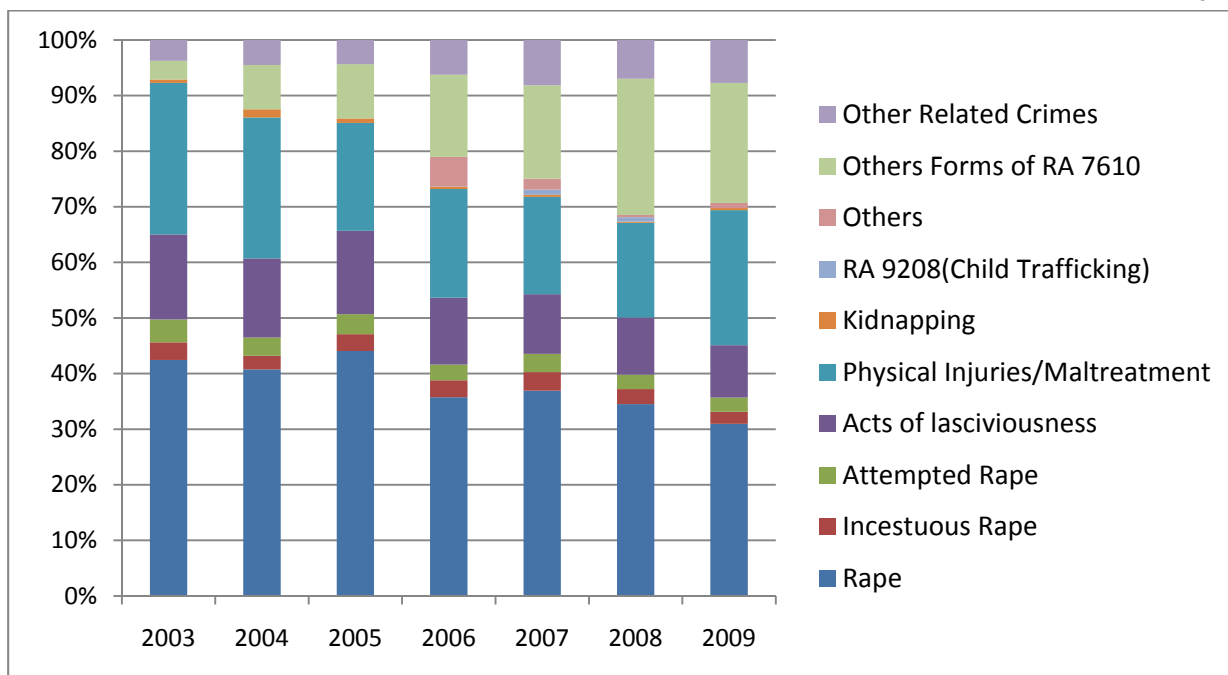


Figure 21. Composition of violence against children by type, 2003-2009

The regional distribution of violence against children is shown in the chart below. In the past years, NCR had the bulk of such crimes. In 2009 however, Region XI contributed the largest share in violence against children at 16 percent or 1,563 of the total 9,748 cases. The main reason for this was the huge increase of about 260 percent in the number of physical injuries/maltreatment cases in Region XI during 2008 to 2009. Other crimes like rape, acts of lasciviousness, incestuous rape, and violations of RA 7610 also went up.

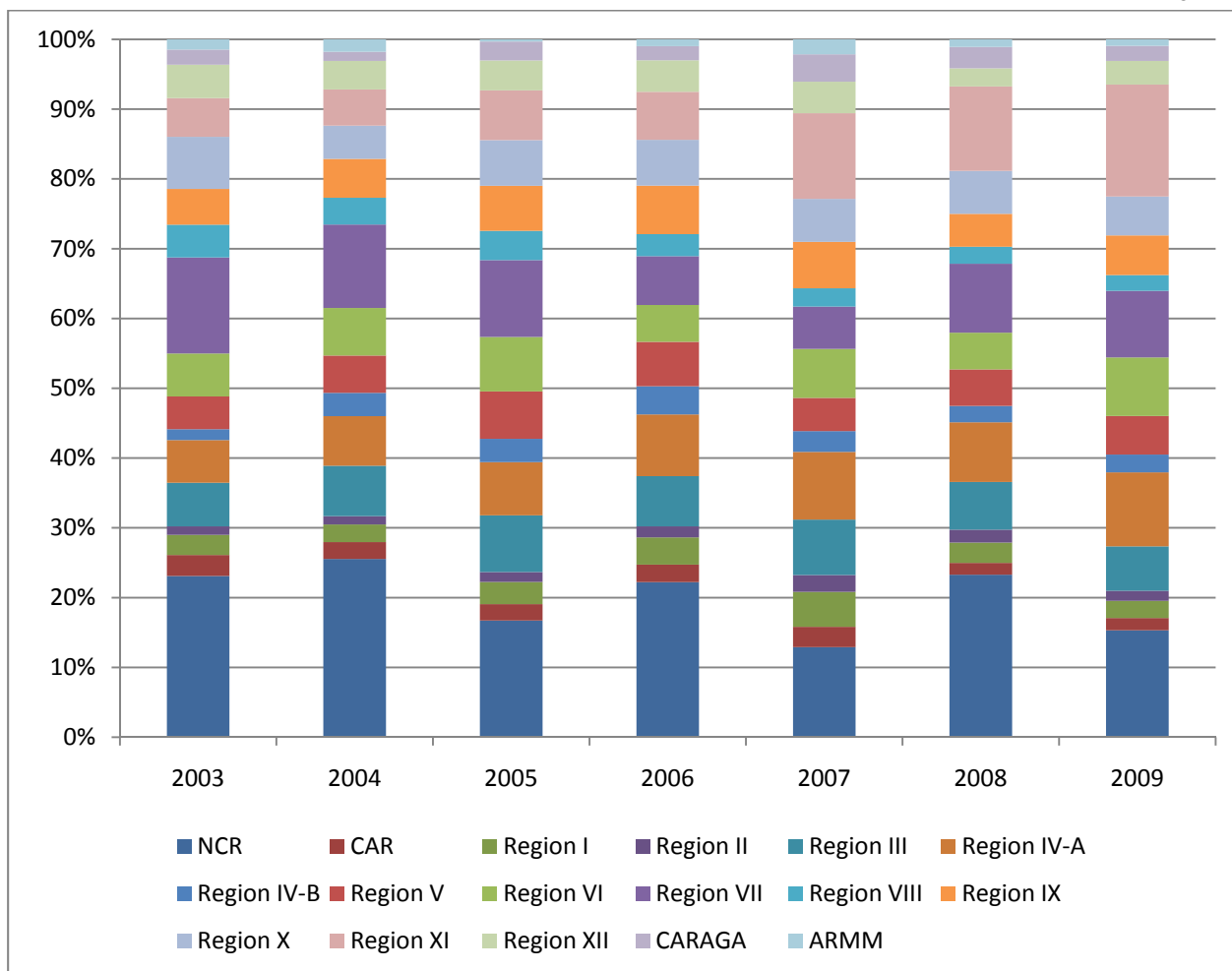


Figure 22. Regional distribution of violence against children, 2003-2009

Aside from children, the elderly is another segment of the population that is vulnerable to poverty. In 2006, one-fifth of the Filipino elderly population are living in poverty. This means that one in every five elderly people do not have the minimum income required for them to meet basic food and non-food needs.

The poverty rates vary across areas. The rate among elderly in the rural areas is worse compared to that of the urban areas. In the rural areas, estimates show that about a third of the elderly population is considered poor. The proportion for the urban areas is much less at a rate of only 12 percent. The gaps across space are even more distinct when one looks at the regional poverty rates. For instance, the rate for ARMM (48 percent) is more than 10 times that of the Metro Manila (4 percent). Also, although CALABARZON and Bicol Region are not very far from each other geographically, the poverty incidence in Bicol is still twice that of CALABARZON.

Majority (59%) of the elderly belong to the first group or those in the range 60 to 69 years old, about a third of them are aged 70 to 79, while the rest belong to the oldest age cohort of 80 years old and above. There are slightly more female elderly than male ones. Also, majority (61%) of the elderly are married. In terms of education, only 14 percent have had college education. Most of them, or 59 percent of the total, have achieved at least a few years of elementary education.

A greater proportion of the elderly come from the rural areas.

Table 13. Demographic characteristics and poverty status of Filipino elderly, 2006		
Indicators	Percent of elderly population	Poverty rate
Elderly people		21.3
Age		
60-69	58.6	21.1
70-79	30.2	21.9
80 and above	11.2	21.2
Gender		
Male	44.1	22.3
Female	55.9	20.5
Marital status		
Married	61.1	22.4
Non-married	38.9	19.7
Areas		
Urban	47.1	11.5
Rural	52.9	30.1
Region		
Region I - Ilocos Region	7.0	19.8
Region II - Cagayan Valley	3.3	13.7
Region III - Central Luzon	11.2	11.1
Region V - Bicol	6.7	30.4
Region VI - Western Visayas	9.4	21.5
Region VII - Central Visayas	9.0	26.1
Region VIII - Eastern Visayas	6.0	33.3
Region IX - Zamboanga Peninsula	3.5	35.9
Region X - Northern Mindanao	4.4	28.7
Region XI - Davao	4.2	24.9
Region XII - SOCCSKSARGEN	3.3	27.9
National Capital Region	11.5	4.3
Cordillera Administration	1.8	24.5
Autonomous Region in Muslim Mindanao	1.7	48.1
Region XIII - Caraga	2.5	37.6
Region IVA - CALABARZON	11.5	15.6
Region IVB - MIMAROPA	2.9	28.2
Educational attainment		
No Grade Completed	7.6	45.0
Elementary Undergraduate	36.0	30.6
Elementary Graduate	23.4	19.7
High School Undergraduate	7.8	14.1
High School Graduate	11.2	7.5
College Undergraduate	5.1	3.5
At least college graduate	8.9	1.4

Source: Author's calculations using the 2006 Family Income and Expenditure Survey and 2007 Labor Force Survey

5. Access to basic amenities

Access to basic amenities and housing characteristics are also some of the non-income dimensions of poverty. From 1991 to 2006, access to electricity, safe water and sanitation facilities had shown remarkable improvements. From roughly two-thirds of the population having access to electricity in 1991, the proportion increased to 82 percent in 2006. Access to safe water slightly increased from 73.8 percent in 1991 to 80.5 percent in 2006. Meanwhile, the proportion of population having access to sanitary toilet facilities increased from 71.8 percent in 1991 to 84.1 percent in 2006.

On the other hand, the proportion of population living in makeshift housing had been going down from early 1990s (at around 3%) to 1.66 percent in 2003, but slightly rose to 1.75 percent in 2006. More saddening than this is the increase in the proportion of population living as informal settlers over the past decade. From 2.4 percent in 1991, the proportion almost doubled (to 4.0%) in 2006.

Year	With Access to Electricity	With Access to Safe Water	With Access to Sanitary Toilet Facilities	Living in Makeshift Housing	Informal Settlers
1991	62.36	73.84	71.80	2.81	2.41
1994	66.44	77.50	74.90	3.00	2.81
1997	70.69	76.69	77.26	2.15	3.34
2000	75.87	78.73	82.94	2.00	3.31
2003	77.04	79.14	81.73	1.66	3.69
2006	81.95	80.55	84.17	1.75	4.01

Source of basic data: Family Income and Expenditure Survey, NSO

6. Decomposition of Poverty

To understand the nature of the poverty rise in 2006, a decomposition analysis of the 2003 and 2006 rounds of the FIES was employed. The results show that the recent rise in the poverty rate was due to lack of growth of real income and worsening income distribution. The rise happened even at the presence of a relatively fast growth. This study points out that although overall output growth has been significant, this growth was more in the non-agricultural sectors and not in agriculture where most of the poor can be found. Therefore the benefits of economic growth may not have reached the poor.

The decomposition technique provides a very important piece of information in terms of policy implications. It allows one to see where the changes in poverty rate have come from – growth or redistribution or both. The growth component refers to the change in poverty due to a change in the mean income, an expansion in the economy, while holding the distribution

constant at the reference level (see Figure 23). The redistribution component, shown on Figure 24, on the other hand pertains to the change in the poverty rate due to a change in the distribution, or the Lorenz curve, while keeping the mean income constant.

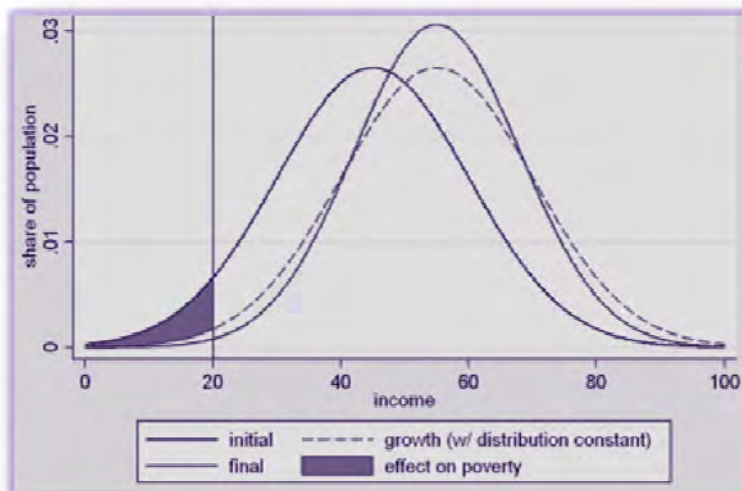


Figure 23. Growth component of a change in poverty
(Source: World Bank)

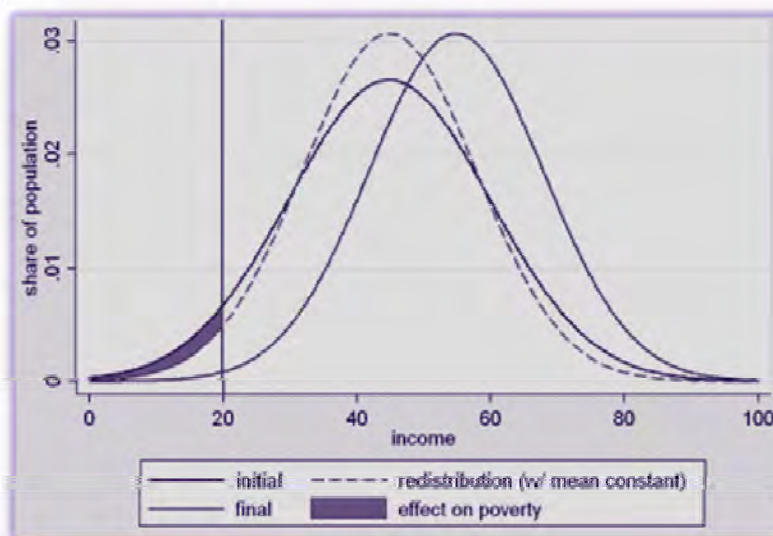


Figure 24. Redistribution component of a change in poverty (Source: World Bank)

With increased income across different groups coupled with an improved distribution of income, poverty incidence is expected to decline significantly. In such cases, we could see that growth and redistribution effects would turn in both negative numbers, hence poverty-reducing effects, in the decomposition estimates. In other cases, one factor's effect would offset that of the other's, hence, turning in estimates that differ in signs (negative and

positive). The net effect to poverty depends on which factor is more dominant. The worst case scenario is when both growth and redistribution components would give out poverty-worsening outcomes or in times when real income declines and there are no effective redistributive efforts implemented. In the decomposition analysis results, this is when both growth and redistribution provide positive (poverty-increasing) figures. The estimations done for this report used per capita income levels based on 2000 prices. The poverty line used for 2000, 2003, and 2006 analyses was that of 2000 to eliminate the effects of inflation in the analysis.⁵

The results of the decomposition analysis are shown in Table 1. In 2003 to 2006, the results indicate that growth and redistribution factors both affected poverty adversely. As shown in Table 1, the poverty increase of 2.849 during this period was due to a sum of a growth effect of 2.388, redistribution effect of 0.343, and interaction component of 0.118 percentage points. The interaction component measures the part that is not exclusively attributed to growth or redistribution. This shows that real income did not grow but instead shrank while income distribution changed in a way that left the poor even worse off. Indeed, the real income of the households declined from 2003 to 2006.⁶ At the same time, income distribution particularly in the rural areas where 71 percent of the poor live became unequal. The effect of growth component was larger than that of the redistribution component.

Area/Period	Change in Poverty Incidence	Growth component	Redistribution component	Interaction component
2000-2003	-3.052	-0.573	-2.575	0.096
2003-2006	2.849	2.388	0.343	0.118
2000-2006	-0.203	1.719	-2.057	0.135

a/ Real income data are based in 2000 prices
Source of basic data: Family Income and Expenditure Survey (FIES), NSO

In contrast, the decline in poverty rate of 3.052 points in 2000 to 2003 was due to poverty reducing effects of both growth and redistribution (-0.573 and -2.575 percentage points, respectively). This was a period where both real income and income distribution improved. When we look into the computations for 2000 to 2006, the effects vary such that growth worsened poverty rate while redistribution reduced it. The net effect was reduction because the magnitude of the impact of a change in income distribution was larger than that of growth.

⁵ The deflators were obtained from price changes reflected in the poverty thresholds and not the consumer price index (CPI).

⁶ Using 2000 prices, average real income reported in the FIES declined from 2003 to 2006.

The results reiterate the importance of having a sustainable level of economic growth to reduce poverty. At the same time, effective redistributive efforts are critical because the lack of it tends to further worsen poverty in the extreme case where there is no increase in real income as what happened in 2003 to 2006. Therefore, policies that aim to effectively reduce poverty must complement economic growth with effective and targeted redistributive efforts.

Decile	2003	2006
1	1.76	-0.50
2	5.84	-3.68
3	6.94	-4.77
4	6.24	-5.16
5	6.23	-5.99
6	5.94	-5.68
7	5.32	-5.55
8	3.49	-4.19
9	2.10	-2.64
10	-3.93	-4.93
Total	1.07	-4.53

7. Income inequality in the rural areas and lack of growth in agricultural areas

The bulk (71%) of the poor is located in the rural areas. For several years now, inequality in the rural areas has been increasing based on the Gini coefficient estimates. Figure 1 below shows the slight yet continuous upward trend of the Gini coefficient for the rural areas. Another measure of inequality- the Theil index indicates that inequality in the rural parts have worsened during 2003 to 2006.

The rising income inequality proves the need to implement effective redistributive policies. Improving income distribution is important not only in terms of poverty reduction- as we have seen previously, but also because it is one essential welfare measure.

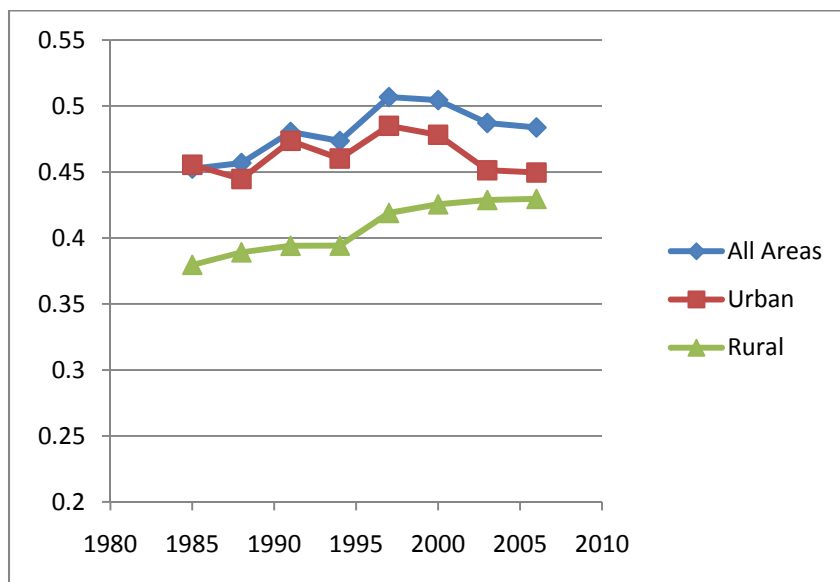


Figure 1. Gini Concentration Ratios by Area, Philippines

The rise in inequality in the rural areas can be attributed to the agriculture's sector inability to grow and increase productivity. The agricultural sector is where most poor people are engaged into. In fact, in 2006, 45 percent of the poor are in households headed by farmers, forestry workers and fisherfolk. As we can see in Figure 2, the agriculture sector grew at a much slower pace than industry and service sectors during the years 2003 to 2006.

From 2000 to 2003, agriculture sector was growing by an average of roughly 3.8% per year, while industry and services grew at an average rate of 1.8 and 5.2%, respectively. However, by 2003 to 2006, the growth rates of industry and services have surged into 4.5 and 7.1% per year, respectively, while that of the agriculture went down to an average of 3.7% per year. Notably, the slowest growth rate of the agriculture sector within 2000 to 2006 was that for 2005, at only 2 percent.

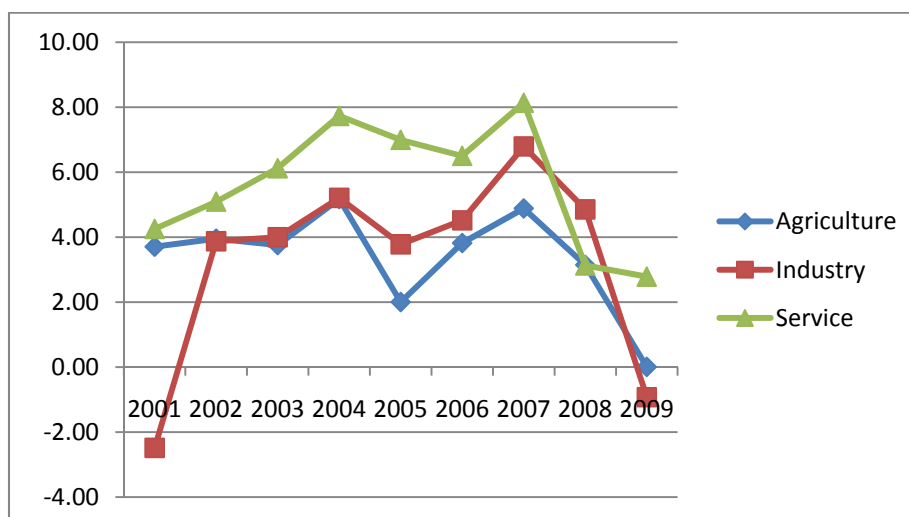


Figure 2. Output growth by sector, Philippines

The difference can be more clearly seen when we look at labor productivity by sector. The agriculture sector had a labor productivity that almost stagnated at below P20,000. Those of the two other sectors on the other hand have been consistently way higher than that of the

agriculture sector and are growing at a much faster rate. For instance, agriculture labor productivity has grown by only 6.9% from 2003 to 2006, while industry and services have grown at 15% and 14%, respectively. The slower growth rate in the agriculture sector resulted to lower per capita income among crop growers, animal farmers, foresters and loggers, and fishermen.

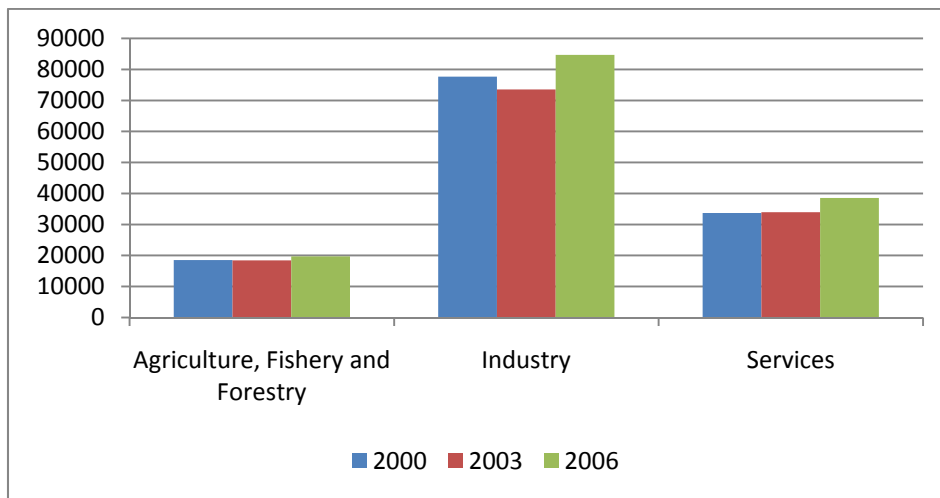


Figure 3. Labor Productivity (in pesos, constant) by sector
Source: National Income Accounts, NSCB

Poverty incidence among households whose heads work in agriculture, hunting and forestry rose from 2003 to 2006 (from 45.1 to 47.2 percent). Worse, the poverty situation among these groups had also become more severe in 2006 as both poverty gap and severity indices went up. Compared to 2003, the total shortfall of this group from the poverty line went up to 14.95 from 14.27. The severity index likewise slightly went up from 6.16 to 6.4.

Also, households whose heads are fisherfolks have experienced significant rise in poverty rate. From 43 percent, the rate went up to 50.7 in 2006. These households' poverty condition worsened because their poverty gap went up from 11.98 to 14.5 while the severity index rose to 5.6 from 4.7.

These two groups of households contribute the largest share in the number of poor. In 2006, they consisted 60.3 percent of the poor.

8. Poverty reduction programs and other issues

The more fundamental issue of high population growth rate has always been another dimension left unsolved in the fight against poverty. At a rate of 2.04 percent, an estimated 1.7 million mouths to feed are added to the population every year. As long as population continues to grow at this high rate, efforts in reducing poverty will be overshadowed and improving well-being of the poor will continue to be just another goal in the government's development plans.

The rise in the poverty rate despite the fast economic growth indicates that indeed poverty reduction programs have a long way to go. As population continues to grow and more challenging events (economic crisis, natural disasters) unfold, poverty reduction strategies have to work double time in bringing the poor out of poverty and at the same time in preventing people from falling into poverty in times of economic shocks, life-cycle shocks and natural disasters. Unfortunately, no such program or strategy has been implemented yet, not in a considerable scale and in a sustained manner that can bring significant results.

There has not been a large-scale poverty reduction program implemented during the period 2003 to 2006, so to speak. The Kalahi Prototype Projects, which focused on asset reform, improvement of basic amenities, resettlement, helping conflict areas, are mostly relevant only to the chronic poor. The poor at any point in time are not a homogenous group; they consist of chronic poor (those who are consistently poor) and the transient poor (those who were previously non-poor). There are significant movements in and out of poverty, suggesting the vulnerability of certain segments of the population to shocks. In fact, 14.5 percent of those who were classified as non-poor in 2003 became poor in 2006. This means that one third of those who were classified as poor in 2006 were previously non-poor, but fell into poverty. This highlights the importance of safety nets to help vulnerable populations from falling into poverty. This suggests that different strategies should be implemented towards helping the chronic poor and the transient poor.

9. Concluding Remarks

In this general assessment, we have seen that the country is more on the losing rather than winning end in the fight against poverty. The evidences indicate that clearly, there is still a long way to go as far as poverty alleviation, or even reduction, is concerned. Poverty rate and magnitude have been recently on the rise and the severity of the situation has not gotten better either over time.

The poverty situation continues to vary widely across regions. The regions that have not been doing well relative to the others are ARMM, Bicol, MIMAROPA, and the Visayas regions. The key characteristic of poverty in the country remains to be predominantly rural. In fact, seven out of ten poor people were from the rural areas. And agricultural workers have the highest incidence of poverty. Interestingly, animal growers are better off than crop growers in terms of poverty situation.

Measures in inequality indicate a more equal distribution of income. The decile dispersion ratio shows a gradual movement towards equality and the Gini coefficient has been declining, indicating a less unequal distribution. However, the share of the bottom 20 percent has not improved in a sustained manner since 1985. And the Gini coefficient at the rural areas, where most of the poor are located, has been increasing.

Owing to demographics, about half of the country's child population was income poor in 2006. In addition, poverty comes in different dimensions. Children suffer from deprivation in basic amenities like sanitary facilities, shelter, and water. A large percentage of children also suffer from deprivation in other needs like electricity, information, and secure tenure. Worse, a lot of children do not go to school. This problem is more for the male children rather than female ones. And in general, school participation for both elementary and secondary levels has not been improving. Although survival indicators (that is mortality rates among children) indicate a positive trend, violence against children is on the rise. Aside from children, a significant proportion of the country's elderly population (one-fifth) are also living in poverty.

A sustained growth of real income coupled with effective redistributive efforts is necessary to reduce poverty. In 2006, poverty incidence rose because real incomes declined and income distribution in the rural areas where majority of the poor are located worsened.

In summary, what matters in poverty reduction is not just economic growth per se but the nature of expansion that takes place. The analysis points out that to reduce poverty, an inclusive growth coupled with effective redistributive efforts is necessary. Ensuring income security of families for them to weather effects of economic shocks is one important policy option. Increasing rural incomes by improving non-farm income opportunities is a key to reducing poverty in the rural areas. And provision of safety nets like health and crop insurance will help the poor from falling deeper into the poverty trap and the non-poor into becoming poor in times of crises.