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

## Human Resource Development and Poverty in the Philippines

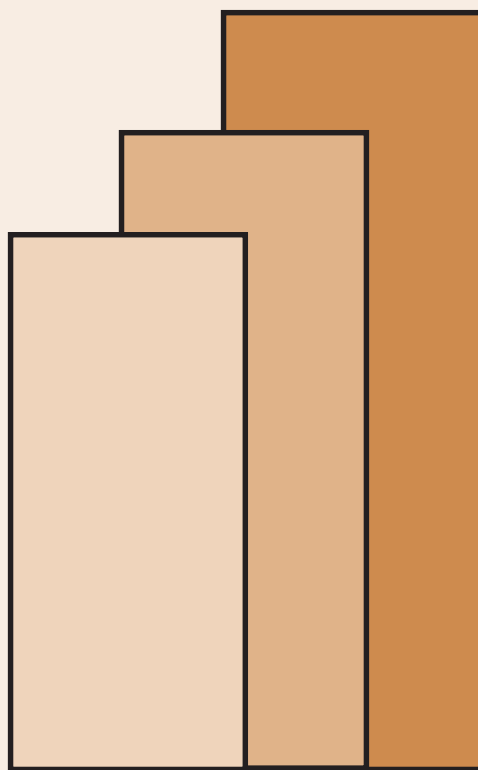
*Le Thi Ai Lam*

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## **Human Resource Development and Poverty in the Philippines**

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### **ABSTRACT**

In the last twenty years, the Philippines has gained a good progress in poverty reduction. However, compared to other countries in the region, the Philippines is still behind. In the early years of the 21<sup>st</sup> century, more than a third of the Philippine population lives below the poverty line. With landless status, the poor depended largely on labor with its embedded educational capital. However, in education, the rich and the poor are separated by two different educational divisions--private and public--and of high quality and low-quality education.

Poor children encounter lack of access to quality education due to a high dropping out rate at an early age and going to public schools that offer low quality education. The lack of access to quality education has affected the poor more severely when there was poor job generation, relative deterioration of unskilled labor situation, and low rate of return on education at basic levels. The poor faced high rate of underemployment and low income.

The government is aware of the educational lack of the poor, but there are a number of factors that prevent the poor having access to quality education. To an extent, government spending policies on education was not geared toward pro-poor. Furthermore, opportunity costs and their unfavorable outcomes in labor markets prevent further improvements of early and high dropout rate of the poor as a result of weaknesses in policy implementation.

Keywords: poverty, education, human resource development, labor, Philippines

## **1. FRAMEWORK FOR HUMAN RESOURCE DEVELOPMENT AND POVERTY IN THE PHILIPPINES**

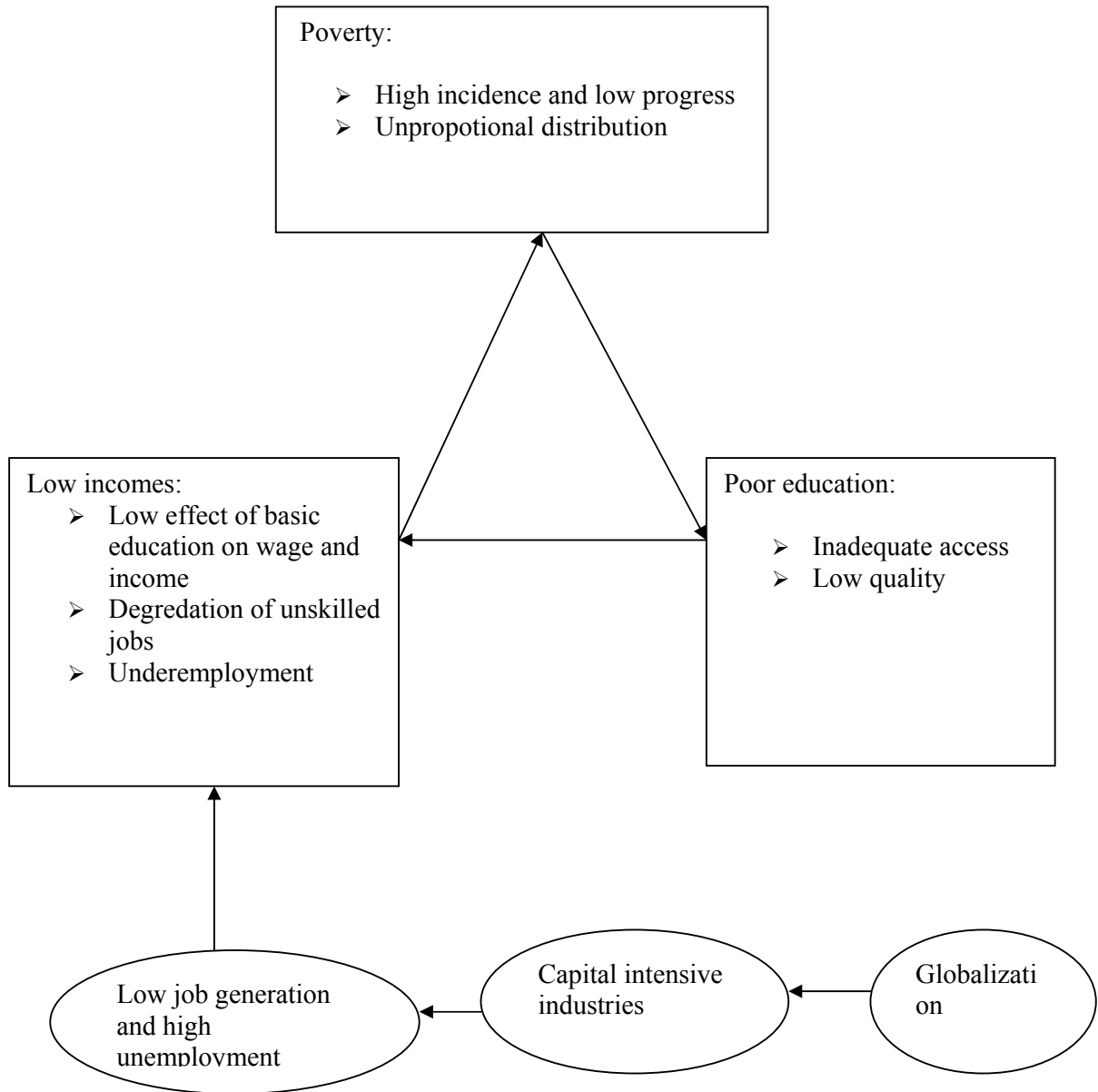
The simple framework of this paper operates within the premise that poverty incidence can be affected in two ways: first by improving educational service to increase the productive potential of marginalized sectors and second by providing employment and income opportunities for the poor to afford quality education in order to compete in the labor markets.

Applying this framework to the Philippine situation, one can see that the failure of providing education and employment with good quality to the poor tend to perpetuate poverty in the country.

Poverty reduction efforts in the Philippines has proven to be of some favorable outcomes in late 80's through the 90's causing the number of the marginalized poor to drop from the rate of 49.2 % in 1985 to 36.9% in 1997. However, after 1997 the rate of poverty has increased from its 1997 rate of 36.9% to 39.5% in 2000. The current Philippine poverty rate, in both rural and urban areas in the Philippines is much higher as compared to that of her neighboring countries. According to the national poverty lines, poverty incidence in Malaysia was 7.5% in 1999, while in Thailand and Indonesia it was 9.8% and 18.2% respectively in 2002. Even as compared to Vietnam, a country with per capita income of about two times lower than the Philippines, Philippine poverty rate is relatively high. Vietnam's poverty rate in 2002 was only 28.9%. The comparison based on the international income poverty threshold of 1USD/ day also gives supports to the above statement. The rate of population having income less than 1 USD per day was 15.5% in the Philippines in 2000, while in Malaysia the rate was 0.2 % in 1999, in Thailand, Indonesia and Vietnam, the rates were 1.9%, 7.5% and 13.1% respectively in 2002<sup>i</sup>.

One distinct feature of the Philippine population is that, the citizens have long years of education. On average, a citizen has more than 8 years of formal schooling in 2000<sup>ii</sup>. For the Philippine poor, however, high dropout rate, especially at grades prior to the last year of schooling has a great effect on the income. The low quality of education of the poor makes education itself less-valued in economic terms. Furthermore, high population growth rate coupled with low employment generation in the country has pushed large part of labor force to agriculture and informal sectors, making these sectors less productive with pervasive underemployment. With this economic and educational situation, even the long years of formal education that Filipino receive do not guarantee secure and stable jobs, thus education does not mean escape from poverty, (Figure 1)

**Figure 1: HUMAN RESOURCE DEVELOPMENT AND POVERTY :**  
**A frame work for the Philippine case**



## **2. PICTURE OF THE PHILIPPINE POVERTY**

This section presents the picture of Philippine poverty: the characteristics of the poor and the trend of poverty from 1985 to 2000.

### **2.1. Status and trends of poverty**

Poverty is a well studied topic in the Philippines. Poverty incidence has been studied from different perspectives - expenditure or consumption, self-rated<sup>iii</sup> and the most conventional measure - income. Due to scope of this paper, which focuses on the issues of income, this section examines the trend and status of poverty using the conventional income-based poverty incidence.

Philippine poverty reduction has some large progress in prior Asian crisis period, dropped more than 12% in between 1985 and 1997. At the same time, during the period 1985-2000, the Philippines poor has got better off thanks to an improvement in the depth and severity of poverty. Poverty gap index which express the depth of poverty, has decreased upon the time, from 14.7% in 1985 to 10.7% in 2000 showing that the poor are getting less poor. In the same manner, poverty severity index has reduced from 6.6% in 1985 to 4.6% in 2000, presenting poverty become less severe.

**Box 1: Poverty depth and poverty severity: concepts and Philippines evidences**

Although the head count ratio (HCR) is both simple and useful, it fails to describe how poor a poor person is. Poverty gap index (PGI) and squared poverty gap index (SPGI) have been designed to solve the conceptual problems. The efforts was given first by Sen (1976), and then followed by Foster, Greer and Thorbecke (1984), which lead to understandings as followed:

The poverty gap index gives a sense of how poor the poor are and reflects the depth of poverty. It is equivalent to the shortfall of consumption bellow the poverty line per head of the total population and it is expressed as a percentage of the poverty line.

The squared poverty gap index adds the dimension of inequality among the poor to poverty gap indexes and is said to reflect the severity of poverty. For a given value of the poverty gap index, population with greater dispersion of incomes or expenditures among the poor will show up with a higher value for the squared poverty gap index.

Both poverty gap index and squared poverty gap index can be computed by the Foster-Gree-Thorbecke (FGT) formula:

$$PGI = 1/n \sum [(Z - Y_i)/Z]$$

$$SPGI = 1/n \sum_{i=1}^m [(Z - Y_i)/Z]^2$$

$Y_i$  is consumption or income of  $i$ -th poor

$Z$  = poverty line,  $n$  = total population,  $m$  = number of poor.

C. Reyes (2002) has computed poverty gap and poverty severity indexes for the Philippines in period 1985-2000, the results are in table A.

Table A: Poverty gap and poverty severity indexes, Philippines , 1985-2000.(In percent)

	Poverty gap indexes	Poverty severity indexes
1985	14.7	6.6
1988	12.8	5.5
1991	13.0	5.8
1994	11.3	5.0
1997	10.0	4.3
2000	10.7	4.6

Sources: Key indicators 2004: poverty in Asia: Measurement, Estimates and prospect p3, 8 & Reyes (2002) p6

However, poverty is still a widespread phenomenon in the Philippines. After the Asian crisis poverty rate in the country increased again to 39.5% in 2000 (Table 1). Compared to other Southeast Asian countries, currently, Philippine has a higher poverty rate both in national and international measures (Table 2).

If the contrasting situation between the rural and urban poverty is to be examined closely, one can see that rural poverty incidence is higher and lower to progress. Between 1985-2000, while urban poverty has reduced 13.4% in headcount ratio and 13.7% in poverty incidence of families, rural poverty has reduced only 2.4% and 3.8% respectively.

Furthermore, poverty incidence and poverty reduction progress are so unequal among regions in the country. The highest poverty incidence found in Muslim Mindanao and then Bicol regions with head count poverty incidence more than 60% in almost the whole period 1985-2003. In 2000, more than two third people who live in Muslim Mindanao are poor and what is worrisome is that while in all other regions poverty reduction has progresses in period 1985-2003, in Muslim Mindanao it is stagnated. Poverty incidence in Muslim Minadao has increased rapidly from 56% in 1991 to 71.3% in 2000 (Table 3). Bicol region is found to be not only the region with second highest poverty incidence but also the regions that have the largest number of the poor in 2000 with 3.6 million. Before 2000, the largest number of the poor is found in Southern Tagalog for all the years of Family Income and Expenditure Survey (FIES) in 1985-1997.

There are several reasons for the slow and unequal progress of poverty reductions in the Philippines, but the most important ones are related to two groups of factors. The first is slow economic growth rates, especially in per capita income perspectives and high economic inequality. Poor growth rate of per capita income is evidenced in

situation where slow economic growth accompanied to high and even increasing population growth rate. As seen in table 4, Philippine GDP growth rate was around 4 % in 90's and 2000, lower than most of her neighbors. It should be noted however, that the Philippine population growth rate was more than 2% higher than most of her neighbors during that years. As a result, income per capita was stagnated. In period 1998 – 2000, per-capita GNP growth rate was as low as 0,8% per year. The country GDP per capita at the turn of 21th century was about the same as that reached in early 1980<sup>iv</sup>.

However, growth alone does not give clear explanation for the whole story of poverty situation in the Philippines because the tendency of rising Gini coefficient in the country shows that the poor gets poorer and the rich gets richer. Gini coefficient has increased from 0.47 in 1985 to 0.51 in 2000 and the share of bottom income quintile has reduced from 4,79% in 1985 to 4,67% in 2000<sup>v</sup>.

The other important factors that affect poverty reduction in the Philippines are those strongly associated to human resource development issues. There are poor income opportunities for the poor in labor markets due to inadequate access to quality education and well paid, secured jobs. The problems of human resource development (HRD) are grave for the Philippine poor because, most of them are landless and they have to rely on labor as the only critical source of every day living. There is a high rate of labor among urban poor that engaged in agriculture and those who are landless are common both among the urban and rural poor. Aldaba & Tuano (1997) shows that in 1985, only 30% of agriculture household were owner of landholdings and the size of their land is very small, mainly less than 2 hectares. Also Aldaba & Tuano (1997) as cited from WB (1996) shows that landholdings by poor decreased by one third between 1985 and 1992 and recent evidence has shown a further decrease. In 1998, only 20% of poor households possess agricultural land and this number included 8.6% of poor households acquired agricultural land ownership through CARP. In this kind of situation, the need to attain good education is important for the poor.

## **2.2.Characteristics of the Philippine poor**

Since 1985, in the Philippines there are special national surveys of characteristics of the lowest income households were given under Socio –Economic Profile of a Special group of Families. The coverage of this survey is the lowest 30 percentile income households observed under the FIES. Main characteristics of poor in Philippines may be noted as followed:

*First*, the poor mainly live in rural area. More than 70% of poor lived in rural areas in 1985 and until 2000, still almost 70% of poor live there. In 1985, more than a half or 50.7% of rural families were poor and the rate has not changed much so far, with 46.9% in 2000. In between 1980s and 1990s there was problems of reclassification of urban-rural areas and it is not really comparable for poverty indicators of 1980s and 1990s<sup>vi</sup>. However, from table 5 it is seen that even in 1990s when the poverty indicators are reasonably comparable there was the rise in share of rural poor and the tendency of poor living in rural areas still maintained.

*Second*, most of the poor have inadequate access to housing of adequate quality. Although two or more households are contained in, the housing for the poor is mainly made from non-durable materials. In 1998, among poor households, only 39.5% have housing made from strong material, 60.5% housing made from light material and makeshift compared to that of 77.7% and 22.3% respectively for the non-poor (Table 6). In urban areas, it is common for poor households stay in slum and squatter settlements, which have no legal basis for ownership.



*Third*, poor households derive income from variety of activities but the largest source of income is from entrepreneurial activities (35.3% in 1998), mainly retailed trade, construction and transport sectors. In addition, non-gainful occupation, farming and fishing are important income activities of the poor. The share of wage and salaries come from agricultural activities is much higher compared to non-poor (12.1% compared to 2.1% in 1997). This is may be the income of landless workers in agriculture. The main income activities of the poor can also seen though the poverty incidence among occupations. As shown in table 8, the highest poverty incidence of families was among agricultural, animal husbandry and forestry workers, fishermen and hunters, 55.5% in 2000, in production and related workers, transport and equipment operators, 33.8% in 2000 and in non-gainful occupation, 29.2% in 2000. In city, more often, while male heads primarily works in transport, female members of households derive their incomes from trade and services. In rural areas, poor households have the main source of income from crop farming and fishing. The poorest were farmers and farm workers in the rice, corn sugars and coconut sectors.

*Fourth*, the poor tend to be less educated and more malnutrition than non-poor due to inadequate access to public service, including clean water, electricity, education, health and sanitation services. Compared to non-poor, the poor has lower access to water and sanitary service with adequate quality, 67.5% compared to 83.5% and 67.4% compared to 89.4% respectively in 1998. The poor has poorer education compared to non-poor, with participation rate is lower for all education level but with very large gaps at the secondary and tertiary levels (Table 6). Poverty is widespread among household head with primary education or no schooling. In period 1985-2000, while poverty incidence has reduced for all other household heads, it is increased for the ones with no schooling from 55.9% to 60.5% (Table 8).

*Fifth*, the poor tend to be more economically active than the rest of population with a higher labor participation rate or lower non-labor force, especially among the oldest and youngest age groups but with less access to the formal labor markets. Among non-labor force in 1998, only 19% came from the poor, 81% came from the non-poor. Two third of poor men and three fourth of poor women worked as self-employed or unpaid family workers compared to 45% national average<sup>vii</sup>. If look at the income decile contrast, we can see the share of salary and wage workers increase as one goes up with income ladder, from 31.2% for the poorest income decile to 52.3% for the richest decile.

*Sixth*, the poor come from bigger families than average from the average ones (Table 7). Data from FIESs show since 1985 poverty incidence by headcount is higher than poverty incidence by families. In 2000, the average size of poor families was 6.0 while it was 4.67 for non-poor. Poverty incidence also increased along the size of families, the bigger the family size the higher the poverty incidence among group (Table 8). In period 1985-2000, the poverty reduction progress also reduced along the family size, the bigger the family size the lower the progress on poverty reduction.

Based on the national statistics, male headed households those that have large number of members (more than five) whose heads have had little or no formal schooling are more vulnerable to poverty. Generally, poor households are younger than non-poor households. Most parents of urban poor households generally migrated from the depressed areas in the country. A majority of the urban poor in Metro Manila originate from Biscon, Samar and Leyte.

### **3. EDUCATION FOR THE POOR**

It is a given fact that the poor have few opportunities to get formal schooling and be equipped with some knowledge which they could use to improve their lives. Inadequate and poor quality education negatively affects people everywhere but the most affected are the poor. The poor in Philippines is critically limited by only one income source of their labor due to landless status. In a time of increasing knowledge-driven development in the world and capital and knowledge intensive industrial structure of the Philippine economy, labor without or with poor knowledge can hardly find a job with more or less accepted standards. However, it is likely the common situation of poor in the Philippine labor markets.

Education or knowledge acquisition of poor in the Philippine is namely affected by two factors: inadequate access to education, low quality of education. The rest of this section will concentrate on these factors. It should be stressed that, despite the increasing opportunities for the poor to have access to higher level of education, what they receive is mainly basic education. Therefore, to make the section to be more focused, the paper will give analysis mainly on basic education of the poor in the Philippines.

#### **3.1. Inadequate access to education of the poor**

Education is of high value in the Philippine society. One of distinguished features of the Philippine education system is that it provides a relatively wide access to education to citizens. Filipino access to education has gained large progresses in the 1980s and the 1990s. Currently, the educational participation rate of the Filipino in education at all levels is better than countries with even higher per capita income such as Malaysia (Table 10).

However some more insights on access of Filipino to education according to regions and income class show an inequitable access to education where the poor tend to have inadequate access compared to non-poor.

In the Philippines the regional differences in educational participation rate exist in both elementary and secondary levels. These regional gaps are smaller at elementary education, and larger at secondary level. What is worth noting is that these gaps have considerably been narrowed in the 90's, particularly at primary level. In school year (SY) 1990-1991, the highest rate of elementary education participation rate was in Central Luzon (94%) and the lowest was in Muslim Mindanao (62.2%). In SY 1999-2000, the differences between the highest elementary participation rate and the lowest among regions in countries reduced from its high record of SY 1990-1991, 31.8% to 7.6%. An important progress that should be noted is that Muslim Mindanao has performed well in the secondary level, although large regional disparities in participation rate are still observed despite some improvement for the whole the 90's. In SY 1999-2000, the poorest performance was in Muslim Mindanao (31.1%) while Metro Manila performed well (80.3%) (table 11).

The general observation in basic education participation rate is that Mindanao (regions IX to XIII) have lagged behind, while National Capital Regions and regions I and III have been best. To make a contrast regional picture of basic education participation rate with that of poverty incidence, one can see a considerable coincidence between the two where poverty incidence is inverted to education participation rate which shows the higher the poverty incidence in a region coupled with the lower the education participation rate (figure 2). This situation reveals a degree of correlation between education participation rate and poverty in the Philippines.

The observation and correlation between education access and poverty is strongly supported by evidences on access to education of different income class in the Philippines. From income class perspectives, there is a large gap in access to education at all levels between poorest income deciles and riches income deciles and/or between poor and non-poor

Computing the enrolment rate of different income deciles, research by Balisacan (1994) on the data of 1988 showed that there are pronounced differences in access to education between the rich and the poor. The paper asserts that while there is an almost 100 percent enrolment rate for children at age 7-10, it started to drop after that age, especially for three poorest deciles. It occurred for both rural and urban areas with enrolment rate for the age group of 13-14 falling down to 75% for the three poorest deciles in urban areas and 65% for rural areas in 1988, while it remained as high as 98% for the upper three deciles in urban and 85% in rural.

More recently, work done by Orbeta A. C (2002) asserts that the low-income end has poor access to higher education, referring to Tan, E. et al (2002) that in a low income economy, the inequity in education will even be more intense than the inequality in income. However, computed data in Orbeta A. C (2002) also give rich source of further interpretation on access of children of different income deciles in the Philippine to education at lower levels, which basically support the conclusion of high enrolment rate of poorest income deciles in both urban and rural areas in 1988 by Balisacan and the school attendance rate is higher in urban than rural. In 2000, there was some deterioration in enrolment rates to basic education for poorest deciles. Between 1988 to 2000, while school attendance at primary level has remained the same for all income deciles, it has reduced slightly for the three poorest groups and it affected both rural and urban settings. Moreover, in taking a closer look at the rural/urban contrast, one can see that the situation is even worse in the urban than the rural area. In the urban, the reduction of school attendance in elementary education is occurred more frequently and covered a larger scope affecting the first four deciles affected while in rural areas the reduction has affected three deciles<sup>viii</sup>.

Orbeta (2002) has pointed out that children of lower educational background fathers did not climbed well the educational ladder compared to his father. This is seen in the unchanged distribution of college graduates by educational background of their fathers between 1978-1995 and tendency that children of high-paid profession fathers continue to capture occupation of their fathers, while children of the poor do not show the tendency getting out of low-educated traps of their father.

By classification on poor and non-poor, using data 1998, Manasan (2001) has shown the conclusion that the poor has much lower access to education compared to non-poor and the disparities become wider when education level get higher. However, poor male tend to suffer more inadequacies in access to education than any other income group.

According to table 13, access to elementary, secondary and higher of both sexes is 85.97%, 53.46% and 11.94% for the poor and is 92.46%, 74.15% and 30.54% for non-poor. Sex disaggregated data on the other hand, show that for the poor females, the rates are 86.78%, 62.24% and 15.44%, respectively. While for the non-poor females the rates are 92.4%, 77.56% and 34.21%. In comparing the access of poor males and poor females to education it is evident that the males receive less education. In the three levels of education the rate for the poor males who receive education are 85.21%, 45.85% and 9.8% respectively, while the rates for the non-poor male are 92.43%, 70.95% and 27.19%, respectively. The poor males have the lowest

educational participation rate at all levels, which shows a severe lack of adequate access to education.

Although there are about 9% of total enrollment of elementary education in private schools and 21.14% of total enrollment of secondary education, the poor go to public school. In 1998, 98.01% of students from poor household aged 7-12, 90.93% aged 13-16 and 68.7% aged 17-24 go to public schools. The poor population of students make up 61.1% of public elementary school attendees and 49.1% of public secondary school attendees (Table 14).

Unlike in many other countries, where the reasons for large gaps in access to education between poor and non-poor is that the poor tend not go to school at all, in the Philippines the main reason is low survival rate or high drop out rate of poor children.

This conclusion is supported by works of different authors using data from various years, showing that while the poor and non-poor have almost the same educational participation rate at lower educational level they tend to differentiate after some years in school. Filmer and Pritchett (1998) using data from 1993 National Demographic and Health Survey, as cited from Manasan (2001) shows that Filipinos aged 15-19 in the middle and the riches third of the asset distribution profile tend to attain a Grade 6 education before their participation begins to drop off so that over 70% complete high school. In contrast, those in poorest third of the families start to drop out in the second grade with their participation falling steeply thereafter. Thus while over 70% of children belonging to the former complete high school, only 40% of latter do so.

Manasan (2001), using data 1998 Annual Poverty Indicator Survey also shows that it is mass drop out rate at early school years and at later school years makes the differences in the educational participation rate of poor and non-poor in the Philippines. The educational attainment profile of population 7-24 show that there is almost no differences in proportion of children from poor and non-poor go to grade 1 but for grade 2 some difference has been observed albeit small where 98.2% children from poor household complete grade 2 while 99.7% of children from non-poor household go to grade 2. However, while 82.6% of children from poor household are able to complete grade 6, 95.5% of children from non-poor households do so. Furthermore, close to three-quarter of children from non-poor households are able to obtain a high school diploma compared with only 40% from poor households<sup>ix</sup>.

Across the regions in the country, mass drop out of school for children from poor household started as early as grade 2 in Eastern Visayas and Western Mindanao, and at grade 3 in Central Visayas, Southern Mindanao, Northern Mindanao, ARMM and CARAGA. Central Luzon and National Capital Region shows the mass drop out rate at later school years, at grade 6.

Analysis of school leavers profile has shown that in 1998, 8.5% or 1 million children at age 6-12, 18.1% or 1.2 million children at age 13-16 and 62.37% or 3.4 million children age 17-24 were out of school, most of which belong to poor. 81.25% of school leavers at aged 6-12, 68.69% of school leavers aged 13-17 belongs to the poor. In all age groups, school leavers who are poor have highest share, accounting for 12.4% in the total age cohort 6-12, 24.8% in the total age cohort 13-16 and 73.98% in the total age cohort 17-24 compared to 3.79%, 11.36% and 55.4% respectively for non-poor. It is worthy noting that the differences are so large for the age group 6-12 as percentage of age cohort, where the rate of school leavers of poor is more than 4 times higher than that of non-poor. Among all school leavers in given age

groups, poor school leavers at age group 6-12 have the highest share, accounting for 81% while the non-poor accounts for only 18.75%. Among school leavers at age groups 13-16 and 17-24 the poor accounts for 68.69% and 44.25% respectively and the non-poor accounts for 31.31 and 55.75% respectively<sup>x</sup>.

More insights on sex perspectives of school leavers show that poor male tend to drop out more than poor female or any other income group at given age cohort. This point again supports the earlier given statement that poor male tend to suffer more severe inadequacies in access to education than any other social group.

Poor male have the highest proportion of school leavers both as percentage of given age cohort and as percentage of total number of school leavers at given age group. The share of male school leavers who are poor accounting for 13.1% of cohort 6-12, for 31.58 % of cohort 13-16 and 78.5% of cohort 17-24, is higher than the share of poor female that are 10.91% of cohort 6-12, 16.96% of age cohort 13-16 and 72.16% of age cohort 17-24 and is much higher than the share of male non-poor and female non-poor which are 4.09%, 13.96% and 65.25% and 3.48%, 8.64% and 60.17% respectively for age cohort 6-12, 13-16 and 17-24 respectively. It is also the male poor has the highest share of total school leavers in given age group which account for 45.41%, 46.88% and 26.27% of age group 6-12, 13-16 and 17-24 respectively compared to 35.84%, 21.80% and 19.01% respectively for female poor, 10.42%, 19.84% and 34.26% respectively for non-poor male and 8.33%, 11.54% and 28.89% respectively for non-poor female<sup>xi</sup>.

Broadly, the analysis on drop out rate at grade levels supports the statements above that poor tend to drop out more than non-poor and poor males tend to drop out more than poor females. It also show that there is some exception. At grade 2, poor females drop out more than poor males, registering the highest of drop out among all income-sex group. At the third year of high school, non-poor dropout more than poor due to non-poor female drop out more than poor female<sup>xii</sup>.

While the direct cause of the poor people's lack of education is the poor survival rate or high drop out rate in the early years of school attendance, it should be noted that the factor behind the high is the high cost of education which is impossible for the poor to afford without sacrificing their basic needs. This point is drawn out by different works using data of different survey years.

WB (1996) using the data from survey 1992 on 30% lowest income population show that high cost of education and working/looking for work are prominent reasons for leaving school and the percentage of respondents for these reasons have increased fast with older age group, particularly for male. Working/looking for work is the reasons for leaving school of 11.4% respondents aged 7-12, 31.1% respondents aged 13-16 and 55.4% respondents aged 17-24. Lack of interest was the first reason of leaving out of school.

Analysis of the causes of school drop outs by Manasan (2001) also show that for poor children economic reason including high cost of education and working/looking for work make important reasons for dropping out of school. High cost of education ranks second among reasons for leaving school after the reason of lack of personal interest for poor children. 14.19% of children aged 6-12, 31.36 % children aged 13-16 and 27% of children aged 17-24 among poor school leavers reported the main reason for dropping out of school is high cost of education compared to 8.94%, 24.56% and 18.42% respectively for non-poor.

In the two surveys, it is the student's lack of interest that stands out as the primary reason why students leave school. And this lack of interest is the results of

several related reasons that affect the students's motivation to study. These factors include inadequate curricular, unqualified teachers, and lack of learning materials and widespread poverty. There are other limiting factors that affect the performance of poor children in school such as their irregular attendance due to the work and other income generation activities.

Furthermore, more disaggregate analysis of the reason of leaving school by grade levels show support that economic reason is really a very strong factor for dropping out, particularly at first year of a given educational level. Of all reasons given it ranks as number one. Among poor children leaving school at grade 2, 40.53% reported due to the reason of high education cost. Among poor children leaving school at first year of high school 63% reported the same reason. The economic reasons also causes large number of poor children leaving school at first year of technical-vocational education or higher education, 65% reported the main reason is high cost of education. This situation that economic cost is the first important reason only for dropping out at first year of given school level but only the second reason for leaving school at later year of given education level reveals that while economic reason is very important ones children can go further after first year in given education level, poor family tend to support children go to school at expenses of other costs. However, this effort may also have very limited economic benefits for family later as shown in next sections due to low quality of education and low economic effects of education in the country.

The above analysis further shows that high cost of education prevents more than 40% of poor children leaving school at grade 2 pursue further education. This is an implication that many poor children especially those who drop out on the second grade are illiterate. They are unable to read, write and numerate. Economic reason also prevents 65% of poor school leavers at first year of technical or higher education. It is likely that there is a number of competent students and yet due to poverty they are unable to develop and discover their capabilities. Sadly, this is such as waste of human resources.

Contrary to common situations happening around the world, where young girls are usually the ones who are out of school, in the Philippines the boys from the poor families are the ones who do not attend school. Many of them stop school even at an early age. Due to the burden of the high cost of education which the poor cannot afford, more male children of very poor families drop out of school during the early years of schooling than female children. 58% of school leavers at grade 2 due to the reason of high education cost compared that of 32% of poor female. 40% of poor male school leavers at grade 3 due to high cost of education compared to that of 36% poor female. 26.15% of poor male school leavers at grade 4 due to high cost of education compared to that of 25.95% of poor female<sup>xiii</sup>.

Two points that education participation rate tend to be lowest in the poorest regions of the country and male children tend to be out of school earlier than other group lead to a conclusion that it is mostly the male children in the poorest regions of the country tend to have poorest access to education.

### **3.2. Low quality of education provided to the poor**

It is seen that enrolment rates are high for all levels of education and a Philippine citizen has more educational stock compared to the citizen of other Asian countries. However, the Philippine educational system is quite problematic with highly segmented sectors, based on the quality of education provided to different social groups, particularly the poor and the rich.

In developing countries, it is quite common that the kind of education that its government provides its citizens is of poor quality. In the Philippines this is not always true. It would be incorrect to say that the Philippines education system provides low quality of education because a large number of Filipinos who were locally educated are working outside of the country. An indication that the education they received is good enough for them to globally compete in the international labor market.

In 2004, overseas Filipino workers accounted for 10% of total country's population, the highest share in the world<sup>xiv</sup>. Although, the largest number work as domestic helpers, many of them work as professionals. Only globally competitive education system produces graduates who can qualify in the overseas labor market. However, in reality when closely examined, only a part of the education system can provide high quality education, which is administered mainly through private education institutions. And this quality education is very expensive even for the middle class Filipinos. Those that are provided through public education institutions maintain high standards thus they are very strict in their admission of students that more often than not only those who have previously received high quality education could qualify. Other schools that do not fall under the category mentioned above offer cheap, low quality education which the poor Filipinos receive. These schools are either privately owned or run by the government. The poor have little choice but to receive this kind of education which is the only one available for them. Indeed, very few from the poor sector are fortunate enough to pass the screening exams of public schools offering high quality education.

The clear segmentation on education between poor and rich can be seen in the ways of household spending for education. Between 1988 to 2000, the differences in household spending for education between the richest and poorest income deciles has been very large and in an increasing trend. In 1988, on the average, a household in poorest quintile spend 181 peso for education, while a household in richest quintile spent pesos 3,412, that was 18.8 times higher. In 2000, on the average, a household in poorest quintile spend pesos 713 for education, while a household in richest quintile spent pesos 19,855, that was 27.8 times higher<sup>xv</sup>.

It seems that the problem of low quality of education has been experienced for more than a decade now. Efforts during the 1990s and 2000s were done to address this problem which is affecting the marginalized poor in the country. Balisacan (1994), cited from World Bank 1988 that the high quality of education in primary and secondary public schools is yet to be attained. He showed that in mid 1990, high-quality primary education was limited to less than 10% of total elementary education, mostly in private schools in Metro Manila. Work by Tan (1999) has supported the same finding on the kind of education that the poor receives by presenting high drop out rate, high segmentation in educational service and poverty in education<sup>xvi</sup>.

Poverty in education is an indication of both consequences and evidences of the fact that the poor in particular suffer from a low quality education. By Philippine conception, the head-count education poor is the working-age population who reached grade 5 and those who complete Grade 6 but failed in the National Elementary Achievement Test (NEAT) which is the product of failing rate in the NEAT and the percentage of working-age population who completed Grade 6. If the passing score is as low as at 57 right out of total 160 answers as given by Department of education, Culture and Sport (DECS) the passing rate of examinees was 69,8% . If the passing score is as high as of 80 right out of 160 answers, the passing rate fell down to 37,4%.

The poor performance have raised the incidence of poverty in education, which was, according to Tan (1999) 27,6% in the case of the lower passing score and 34,4% in the case of higher passing score given above.

As analyzed above, the poor have no choice but to go to public schools offering low quality education, therefore they are eternally trapped in poverty. As shown above, most of poor students go to public schools and a large proportion of public elementary and secondary students come from poorest quintiles. Children of poor household accounts more than 60% of public elementary students. In some regions such as Mindanao, the poor children accounts for even higher rate, at 74.5%<sup>xvii</sup>. At the same time, the analysis on mean percentage score of NEAT and National Secondary Achievement Test (NSAT) by types of institutions show that public schools tend to give lower score compared to private schools for the whole period from SY 1993-94 to SY 2000-2001. The data on NEAT and NSAT show that average score of NEAT by private institution higher than public institutions and there is no sustainable tendency of narrowing. In SY 1993-1994, NEAT by private institution was higher than that by public school 1.28 times and then increased to 1.3 times in SY 1994-1995 and decreased to 1.21 times in SY 1995-1996 then increased again to 1.32 times in SY 1996-1997 and decreased again to 1.24 times in SY 1997-1998 and again increased to 1.27 times in SY 1998-1999. However, from SY 1998-1999 to SY 2000-2001 it started to fall rapidly so that in period of SY 1993-1994 to SY 2000-2001, the gap in NEAT by private and public elementary school has been reduced considerably. For the NSAT the situation is better in the ways that although the private institution have higher average score, the disparities tend to be reduced upon the time, from 1.3 times in 1994-1995 to 1.11 times in SY 2000-2001 (Table 16).

The situation of lower quality education provided by public schools compared to private schools can be also seen in the differences of cohort survival rate of both types of schools. Cohort survival rate is an important indicator of education quality because it shows the internal efficiency of each type of education. Cohort survival rate of private schools is sustainably higher than public schools in both elementary and secondary education for the whole decade of 1990s, ranging from the highest of 1.44 times in 1990-1991 to the lowest of 1.21 times in 199-2000 for elementary education and from the highest of 1.21 times in 1997-98 to the lowest of 1.05 times in 1990-1991 for secondary education<sup>xviii</sup>.

Class size is another weakness of the public sector compared to the private sector. Average class size of 45 and 50 pupil respectively in primary and secondary public school is significantly higher than average student/teacher ratio 36 in both the elementary and the secondary levels in the school year 2000/2001.

The Filipino Report Card on Pro-poor service (WB 2001) also shows that the client rating of public and private elementary schools reports the superior ranking to private schools compared to public schools in terms of the quality of education, particularly class size, facilities and textbooks. However, this does not mean that clients of private schools are fully satisfied with the service provided to them. The main issues for unsatisfaction of clients of private elementary school is tuition fee and school location.

An interesting observation by WB (1996) that across the regions of the country, the poorer the regions the larger the differences in cohort survival rate and test results between public and private basic educational institutions, which reveals regional quality differentials are larger among public than among private schools. In other words, the poor receives a lower quality basic education, not only because he attends



a public school but also because the quality of public school is comparatively lower in the poorest regions.

Regional differences in quality of education is also evidences in differentiated cohort survival rate, mean test scores at NEAT and NSAT as well as the education poverty indicator according to regions where the richer regions tend to get better results and the poorer regions get the lower indicators. Cohort survival rate tend to be low in poorest regions in Mindanao and it was lowest at 29.3% and 32.3% for elementary education in 1996-1997 and 1999-2000 in Muslim Mindanao, while the rate was high in richer regions such as National Capital Regions, Ilocos and Central Luzon.

The average mean percentage scores by regions 1998 show the same tendency where the poorest achievements found in poorest regions to Mindanao. Eastern Mindanao, central Mindanao and Muslim Mindanao took the last ranking of 14, 15 and 16 among 16 regions for both NEAT and NSAT. While the highest achievements found in NCR and Eastern Visayas with the ranking of 1 and 3 for both NEAT and NSAT<sup>xxix</sup>.

The phenomenon of quality gaps among regions and particularly among public schools according to regions essentially related to the inequitable distribution of essential educational inputs, both qualitatively and quantitatively, among the various regions and between rural and urban areas.

The way of government spending on education create some negative affects on quality of public education and have non-poor bias.

Thus the share of basic education in central government education expenditure slipped from an average of 81.3% in 1990 to an average of 78.4% in 1991-1996 and within the shift to universal access to secondary education, government spending on primary education has decline and not most relevant to the poor. As shown in the section 2, the poor tend to drop out more and early even before completion of grade 6, but government spending declined to elementary education. This practice was very much contradictory with efficiency and equity consideration. Estimates of social returns on investment show that the return on elementary education is nearly double that of secondary or higher education.

Although there was an increase of the total government expenditure on education and regain<sup>xx</sup> of the share of elementary education in total government expenditure on education after the decrease in early 1990-1996, some problems in government spending still have non-poor bias. It is the composition of government education expenditure that related to educational inputs has decreased such as maintenance and other operating expenditure (MOOE) and capital outlay. In period 1990-2001, the share of MOOE in budget of Department of education (DepEd) has dropped from 16.5% to 8.3% and capital outlay has dropped from 9.2% to 1.1%. Furthermore, per student MOOE in the DepEd (P475) in 2001 was just about half of level of 1990 (P876). This squeeze on MOOE has resulted in the short supply of key educational inputs like textbook, teaching/instructional materials, science laboratory equipment and supplies, school deck as well as for teacher training and school building maintenance. Textbook situation is in a very much critical where average per pupil Math textbook ratio has reduced from 0.60 in early 1990s to 0.33 in 1999 or one book for three pupils<sup>xxi</sup>. The decrease in MOOE and capital outlay was due to an excessive increase in the payment for personal services related to increase in salary for teachers in public sectors<sup>xxii</sup>.

Government expenditure on education comprises of two elements: central government expenditure and local government unit (LGU) expenditure. While central government expenditure was pro-personal service at expense of MOOE and capital outlay, LGU expenditure tend to have some supplementary effects with the main responsibility for the construction and maintenance public schools according to Local Government code 1991. In fact, LGU spending on basic education is more evenly personal services, MOOE and capital outlays, which were 28%, 33.8% and 38% on average, respectively, in 1992-1995<sup>xxiii</sup>

However, LGU expenditure depend on Special Education Fund (SEF) which consists of 1% tax on assessed values of real properties and is sensitive to the wealthy status of each local unit. Real property values are typically higher in the more urbanized areas and therefore SEF is higher in cities. Thus although cities account for only 25% of population, they contribute 64% of total LGU spending on education. Income of SEF across regions of the country is also different, where the SEF income per resident pupil appears to be co-variant with average per capita household income, for example, ARMM, Western Mindanao, Bicol, Western Visayas and Cagayan Valey register the lowest SEF income per resident pupil in 2000. Thus the same regions are also among those with lowest average household income in 2000 (Table 17).

All these mean that complimentary effects of LGU spending for central government may be apparent only in municipal settings and richer regions where SEF tend to get higher sources and it may low or ignorant in rural poorest regions. In turn, this point reveals that government spending negatively affect quality of education more severely in rural poorest regions and it support the above saying that the way of government spending has a non-poor bias.

## **4. SITUATION OF THE POOR IN LABOR MARKET**

### **4.1 . State of arts of Philippine labor markets**

The Philippines labor market in 1985 to 2003 period is characterized by an excessive labor supply, inadequate job generation and high unemployment and underemployment.

From supply perspectives, the Philippines labor market has recorded a relatively high growth on both working age population and labor force participation compared to other countries in the regions in period 1985 to 2003. The growth rate of working age population was as high as 2.5%-2.7% in the 90s as a result of high population growth rate. The Philippines has a high annual growth rate of labor force and labor participation rate. Labor force participation rate of the Philippines, is although lower than her neighbors such as Thailand, has increased in period from 1985 to 2003, from 63.9% to 67.1%, respectively. This positive change in the Philippines labor force participation rate is due to the increase of female labor force participation from 1985 to 2003, which is 47.9% in 1985 and 51.1% respectively<sup>xxiv</sup>.

Working age Filipinos are generally well educated. Data from Orbeta (2002) support the finding that among working age population, more than one third have completed high school or higher in 1995 and the average year of schooling have increased fast from 6.4 in 1980 to 7.9 in 1995. At the same time the share of some college education and college graduate has grown considerably in the said period from 16.2% in 1980 to 20.8% in 1995.

However, from the demand side, the situation is less brighter. The overall employment in the country has a slow growth with average annual growth rate of

2.3% in the 90s as compared to that of 3.7% in the 80s. And this is also slow compared to growth rate of labor force. This situation explains for high unemployment rate in the country, which has increased from 7.1% in 1985 to 10.1% in 2003 and is higher than that of most of her neighbors (Table 4).

Furthermore the slight growth of employment just is mainly attributed to low value-added services. In between 1985-2003, the share of industry employment has not changed much while agricultural employment has declined considerably from 49% to 37.1%. It is the service sector that has carried the burden of absorbing recent entrants to the labor force and from the second half of 1990s, the service sector has become the main source of employment for the country, providing 46.7% total employment (Table 18). However, the more disaggregate analysis on employment on service sector has shown that the largest employment composition in service sectors are community, social and personal services and the whole sale and retail trade, which have increased from 17.2% to 20.3% and 13.2% to 16.5% respectively in period 1985-2000. Transport, storage and communication have also increased from 4.7% to 7.3% during the same period. It is worthy noting that all the above three compositions of the service sector are more likely the low values- added service. It is only a high value-added services sector - finance, insurance, real estate and business services have not risen its employment as fast. What it means from the analysis is that, the growth in the service sector employment in the Philippines for the last 15 years is more likely an indication of a growing informal sector induced by growing labor force that is unable to find adequate employment in agriculture and industry sector. It seems that low quality of employment and underemployment are very common in the Philippines service sector.

Even proportion of labor with college education has high share among both unemployment and underemployment. Among the unemployed, the proportion of college educated was as large as 39.5% in 1985. The rate has decreased to 31.55% in 2000, which was still relatively high. Among underemployed, the proportion of high school graduate has been increased from 13.1% in 1985 to 20.9% in 2000 while the proportion of college graduate did not change much, hovered around 5% to 7%<sup>xxv</sup>.

Urban and rural labor markets are in an inverse relation towards unemployment and underemployment. In general for the Philippines, while urban labors are more heavily affected by unemployment phenomenon the rural counterparts are encountered mainly by problems of underemployment. In 2002 at July, the unemployment rate in the urban area was 13.2% compared to 7.3% in rural areas, while underemployment rate in urban areas was 13.4% compared to 20.2 % in rural areas<sup>xxvi</sup>. In 2002, 62.8% of the unemployed were found in rural areas<sup>xxvii</sup>.

Thus, the stagnant demand in the Philippine labor market in period of 1985 to 2003 is very much due to the industrial structure and industrial and labor policies in the country in the said period, which was geared toward escaping from labor-intensive design.

Since 1986, the Philippines economy is within the period of active trade liberalization and globalization<sup>xxviii</sup>. However, it seems that globalization and trade liberalization brought about capital-intensive industrial structure to the country. Within industrial structure, manufacturing, is commonly considered as the main provider of employment with adequate quality has even decreasing importance in the economy, which has reduced its share from total output from 23.9% in period 1986-1989 to 22.2% in 2000 and 23.1% in 2003. The Philippine manufacturing sector contributes to a smaller share of only 21% of GDP compared to that of 25% in

Indonesia, 29% in Thailand and 34% in Malaysia in 1997<sup>xxix</sup>. Furthermore, manufacturing employment is stagnated for the whole period, from around 9.7% in 1985, rising slightly to about 10% in the 1990s and before it dropped again to 9.65% in 2003.

It should be noted that manufacturing structure in the Philippines is changing toward a decline in share of labor intensive industries (food, textile, apparel, wood, papers) from 56% in 1988 to 49% in 1994. Correspondingly, there is a rise in importance of capital intensive industries such as chemicals, metals and machinery industries, the share of which has increased from 43% in 1988 to 50% in 1994<sup>xxx</sup>.

Philippines labor policies are very much pro-employed with an expensive dismissal and wage practices. In difference to practice in other countries, where dismissal is the agreed process between management and employees, in the Philippines, dismissal decision can be made only with the permission of government in face of Department of Labor. As for wage issues, the Philippines practice requires not only minimum wage but also 13-month pay, which was made regular since 1987<sup>xxxi</sup>.

Thus expensive labor practice is one of a considerable reason leading to capital-intensive industrial structure.

In the absence of labor-intensive industrial structure, job generation by industries, particularly manufacturing sector, which is commonly the expected destination for surplus agricultural labor during industrialization, is very limited. This situation is clearly evidenced in employment by sectors in the Philippines economy, where within period 1985-2003, employment in industry has very small growth and that growth is largely due to the reduction of employment in 1985 rather than due to increase in later period. Employment by industry in 2000 stood at the level of 1980 (Table 18).

#### **4.2.Situation of poor in labor markets: low income**

It is obvious that the low income situation makes people poor economically. And it is sad to note that the poor have worse income situation, which can not help them to afford better quality of education and other needs. In the Philippines, there is a large gap in income between the poor and non-poor. The following analysis on average income and share of income deciles in the Philippines may provide some insights in the income situation of the poor. Average in income of a family in lowest income decile was P. 6,273 in 1985 and increased to P. 24,309 in 2000. However, if one is to make a comparison to the highest income decile, the gap has widened. As table 19 shows, the ratio between the average income of the highest decile to the lowest decile was 18.037 times in 1985. It has decreased to 17.745 time in 1988 before it increased to 20.638 times in 1991. In 1994 it decreased to 18.9 times and decreased much further down to 16.697 times in 1997. However, an increase was recorded in 2000 to a rate of 22.757 times. Although in 1997, the gap in average income between the poorest and richest income deciles has been narrowed, the share of the poorest income deciles was so low as 1.7% compared to 2% in 1985. At the same time the average per capita income of the poor and non-poor also support the same tendency of large gaps in income between poor and non-poor. In 1998, average income per capital of poor was approximately 5.5 times lower than that of the non-poor (Table 6).

The relative worse off income situation of the Philippine poor is due to three main factors. *First*, while the poor have mainly access to basic education, the labor market outcome show a low effect of basic education on income and wages. *Second*,

while the poor have low access to higher and vocational education and tend to be unskilled labor, the labor market was gearing toward a degradation of situation of unskilled. *Third*, low quality of employment and underemployment is closely associated to the poor.

### **Low effect of basic education on income and wages**

Effects of education on income and wage are usually seen through rate of return on education. Since the 1960s a large number of efforts have been done on calculating social and private rate of return on education of various countries in the world<sup>xxxii</sup>. As for basic education, a general pattern of estimates in the world is that rate of return are higher for primary education compared to secondary and higher education especially for low income countries and rates of return tend to decrease according to the level of development considering the diminishing return to human capital formation by level of development.

As for the poor, they tend to benefit largely from higher private rate of return on basic education, particularly elementary education and from higher social rate of return on education in overall, considering higher positive flowing effects. This must be also true for the Philippines case considering that the poor's access to education is mainly associated to basic education, particularly elementary education.

However, the rate of return on education in the Philippines has exhibited an uncommon behavior, inducing relative worse off situation for the Philippines poor to one of other countries by having a comparable pattern to that of high income countries although being classified as a middle income nation. What worthy noting here is that rate of return on education of the Philippines, particularly that of basic education tend to be lower than other country of the same development stage. As can be seen in table 20, Philippines have the social rates of return on education comparable to that of high income country, which is very much lower than one of middle income countries. As for private rate of return on education, the Philippines even demonstrate lower rates compared to high income countries, its picture look more similar to that of top high income countries of OECD, which is lowest among all countries in the world. In talking about rate of return on education, one may feel sensitive with problems of capturing "full" effects of education because it is a bottleneck of works on human capital calculating, for example externalities effects in computing social rate of return on education. However, this kind of capturing is more meaningful for considering the rate of return itself, for comparison among countries, or even among education levels, it has little meaning because if there an underestimate, it is for all cases.

From the perspectives of rates of return on different levels of education, the situation is also seems not towards pro-poor bias. Evidences from the Philippines have shown that return to each year of education in the country is lowest for elementary schooling and highest for higher education. The wage and income gaps between labor with different education level have increased along to education ladder. This situation is evidenced for both wage sectors and entrepreneurship sector. For the wage sector, rate of return to each year was 2.3% for elementary schooling, 3.5% for the secondary level and 6.4% at college level. The differences in wage between employees who is elementary graduate and who has no schooling is 13.8%, between who is high school graduate and elementary graduate is 14% and between who is college graduate and high school graduate is 25.4% compared to one without schooling. The wage differences become very large when compared the employee

with no schooling and with college graduation, that is as large as 53.4% (13.8% + 14% + 25.4%)<sup>xxxiii</sup>.

Work of Schady (2001), computing rate of return on education for men in wage sector based on data from 1998 Annual Poverty Indicators Survey has also brought the similar results that show the wage premium is smallest for primary education, slightly larger for secondary education, and much larger for tertiary education.

For the entrepreneurship sector, the differences in income according to education ladder are even larger and the low educated labors who are more likely to be poor suffer worst experiences. Compared to household heads with 0 to 5 year of elementary schooling, income of family with household heads having elementary graduation is 8% higher, income of family with household heads having uncompleted high school education is 13% higher income of family with household heads having high school graduation is 23% higher, income of family with household heads having uncompleted higher education is 42% higher and income of family with household heads having college graduation is 81% higher<sup>xxxiv</sup>.

Another point negatively affecting the Philippines poor from the point of view of rate of return on education is that while Philippines poor tend to drop out of school before completing the last school year of each education level, while evidences from the country show that the private rate of return on the years leading to completion of school tend to be much higher compared to years in uncompleted cycles.

Schady (2001) has shown that the completion year of school gives higher wage premium to wage male labor compared to years before completion by arguing sheepskin effects. Although, within three levels of education, sheepskin effect is lowest for primary education and largest for tertiary education, in overall, sheepskin effects are significant for all educational level. The significance of sheepskin effects may imply the signaling hypothesis in hiring practice in labor markets where the employer tend to employ and pay labor according to factors that give the signals of being productive rather than to his or her real productivity. Although the author of this work has acknowledged that the data used for analysis is of 1998, the year of East Asian crisis and El Nino and might not be a representative year to study the relationship between wage and education, it seems that the results are representative, considering that other work using other data sources brought to similar conclusions.

Similar conclusions on higher return on education of large year of given educational level is produced in Gerochi (2002), using data of 1988, 1990 and 1995. For primary education, private returns of each of two last years leading to graduation are much higher than each year in incomplete school cycles (4 years), which are 10.75%, 11.3% and 12.7% respectively compared to 5.42%, 7.5% and 4.3% respectively. For secondary education, private rate of returns of each of two years leading to graduation were 10.3%, 15.1% and 12.55% respectively, significantly higher than private rate of return to each of two years in incomplete cycles that were 6.7%, 3.6% and 4.6%. For college educations the indicators are 8.6%, 10.25% and 12.25% compared to 6.3%, 5.4% and 5.3%<sup>xxxv</sup>.

### **Deterioration of income situation of unskilled labor**

As mentioned in section 3, the poor have inadequate access to basic education due to early drop out and high dropout rate. However, the lack of access of the poor to tertiary education is even more severe. There is a big gap in the participation rate in tertiary education between poor and non-poor. In 1998, while the participation rate of

non poor was 30.54%, that of the poor was only 11.94%, just slightly more than one third of the rate of the non-poor. The low participation rate of the poor is evident in both components of tertiary education, such as vocational training and higher education (Table 6). This situation according to income deciles even become worse in time, when the participation rate gap between the richest and poorest deciles increased from 17.4% in 1988 to 21.4% in 2000. While the urban - rural gaps in participation rate to tertiary education has always existed where the urban areas are more in the more advantage position, the gap between poorest deciles in urban and rural areas on the other hands has narrowed from 1988 to 2000. Moreover, it is worthy noting that the urban- rural gap has narrowed not because of the faster increase in the rural participation rate, but much more due to the considerable decrease in participation rate of the poorest urban decile<sup>xxxvi</sup>.

There are several reason of the lack of the poor access to higher education. First it is an obvious outcome of inadequate access to basic education. Second, higher education in the Philippines is dominantly provided by private sector, which largely depends on high tuition fees for financial resource. As a result tuition fees are some time even unaffordable for non-poor not say about the poor. Third, although education is highly valued by Filipino, rich and poor alike, there is a widespread and growing perception that education no longer guarantees a job with decent wage. This perception of the reality in labor markets may create adjustment of the poor depart from the thinking that education is a means to get a good job and just escape poverty.

With the poor access to skill and professional trainings, the outcomes of the poor in labor markets seem not very bright. Much of the poor belong to unskilled labor class in the labor markets.

The Philippine economy in late 1980's and 1990s has been opened to globalization. This has also opened some employment opportunities to some Filipinos. However, the gain is far from being fair considering the gains that resource owners got and that of the labor force they hired. It seems that the unskilled labor force who came mostly from the poor sector benefited the least in the process.

Various studies have pointed out that the Philippine economy was doing well in second half of 1980s and 1990s before the Asian crisis hits. It is that there was a slight real wage increase and labor market become more tight with labor supply<sup>xxxvii</sup>. However, it seems that the positive trend of real wage rise has resulted no or little trickened down benefits to poor, rather it produces cost for the economy by losing national competitiveness in the international markets in case of rising real wage coupled with stagnant productivities.

Another study shows that with the improved situation of the Philippine economy in late 1980's and 1990's, every resource owner including owners of labor resources have gained but the gains are with great differences. Within labor resource owners, the differences are found according to education stock of wage earners. The analysis by Leonardo A. Lazona, Jr. (2002), using industry panel data taken for period 1989-1995 in the Philippines show that globalization has caused an increase in the incomes of all resource owners, but the increase in the return to unskilled labor had been lower than the other factors. From the study it is also shown that there are significant wage differences between the highly educated and the poorly educated families, suggesting that education is a crucial factors in the determining the rate of wages. The improvement from 1991 to 1995 when globalization was operative, was greater for the highly educated families than their the poor ones. Those poor groups that are

lucky enough to have a job in the formal sector can get their share of benefits but just relatively low compared to better educated laborers.

Nevertheless, the analysis on the product of sub industry level in Leonardo (2002) shows the severe degradation for urban unskilled laborers compared to other groups. They really fall down of the working ladders. The research shows that unskilled labor in the few agriculture-base industries obtained higher incomes than the other resource owners because of increased TFP, particularly since 1993. For manufacturing- based industries, however, capital and skills labor share have increased steadily while valued added of unskilled labor has decreased.

### **Underemployment and low quality of employment**

In contrast to common picture of developed countries where the poor may associated to unemployment, the situation in the Philippines is that the poor do not have high representation among non labor force and unemployed, rather the poor has associated strongly to low quality of employment and underemployment. Of almost 16 million working-age people who were not in the labor force in 1998, 81 percent came from the non-poor, while only 19 percent were poor. And of the 2.5 million unemployed in the same year, only 17 percent came from poor household; the rest were not poor<sup>xxxviii</sup>. College students are an important example; they are not in the labor force and also less likely to come from poor households. Upon graduation, they actively seek work and make up a large portion of the openly unemployed. Besides coming from mostly non-poor households, part of the reason those with higher education attainment tend to be unemployed. One point can be noted that the poor and non-poor classification used in PHDR 2002 is one by Balisacan (1999), based on consumption poverty threshold. Although this classification may produce some differences in statistics compared to the classification based on income, but the gap may not as large such can change the picture of non-poor dominance among unemployed and non labor force.

Broadly for the whole country of Philippines, the quality of employment opportunities seem to be low, as indicated by the share of manufacturing employment to the total, which is lower than other ASEAN countries (Table 22). In 1985, the share of manufacturing employment of the Philippines was almost the same level with Indonesia and higher than Thailand, 9.7% compared to 9.2% and 7.9% respectively. In 2003, the share of manufacturing employment of the Philippines stood at the same level to 1985, at 9.65%, while that of Indonesia was 12.0% and of Thailand was 14.6%. The share of manufacturing employment can be used as a proxy for the formal labor market where wage and salary employment is norm. Income of owned-account workers and self-employed who are mostly in agriculture and service are lower than their wage counterparts largely because the farmers and street vendors who are rural and urban poor have very little physical and financial resources. Marginalized people coming from fishing, farming or any other poor house-holds lack of educational opportunities and often enter the labor force at early age do not have adequate time, resource and human capital accumulation to compete with non-poor better educated people for a limited number of well-paid jobs in the formal sector.

The relative worse off situation of the poor can be seen in situations where the poor have higher presentation among low paid class of workers and higher presentation in underemployment due to low educational stock.



The non-poor tend to be associated with regular job with salary and wage while the poor tend to associate with self-employed and unpaid family workers. A larger proportion of the non-poor (51 percent versus 40 percent for the poor) is involved in regular jobs with wages and salaries. On the other hand, the poor are more likely to be employed as unpaid family workers (19 percent versus 12 percent for the non-poor) or to become self-employed (41 percent versus 37 percent)<sup>xxxix</sup>. One hardly needs to note, that the meaning of “self-employed” varies greatly, as between a subsistence farmer or itinerant vendor, on the one hand, and a plantation owner or a *taipan*, on the other.

While the poor have inadequate access to education as can be seen from previous sections, and therefore have limited education stock, the education capital is important indicators of being underemployed in the Philippines labor markets.

Table 23 shows the average underemployment rate (the share of people want more works) in 2002 was 17.0%, all elementary undergraduate and graduate and high school undergraduate have the higher than average underemployment rate, which were 21.3%, 19.7% and 19% respectively. Just only who have better educational stock of high school graduation and college education have the lower than average underemployment rate. However, it is also interesting to note that underemployment rate is not as high among no grade as elementary education. It is more probably that people with no schooling tend to be poor and have no choice than work full or even more full time for meeting two ends

Contrasting poor and non-poor status, it is shown that among visibly underemployed (people who work less than 40 hour a week wanted additional hours of works) was 17% of the poor and 11% for the non-poor<sup>xl</sup>

As shown in figure 3, there is a degree of correlation between poverty incidence and underemployment when the two lines on poverty incidence and on underemployment go up and down hand in hand with each other. In regions with lower poverty incidence, for example NCR – 11%, the underemployment rate tend to be lower – 4%. In regions with higher poverty incidence, for instance region V- Bicol – 61.9%, the underemployment rate is also higher – 21.6%

Esguerra and Canlas (2001) as cited from De Dios (1999) show that the rise in underemployment in recent years came from the services sector where many wage and salary workers as well as own-account workers expressed the desire to work more hours. Underemployment was also found to be quite significant among in agriculture. These findings tend to support the view that the increased shares of the services sector leave much to be desired in terms of quality. What worthy noting is that the poor tend to associate with this low value-added sectors which is sometime defined as informal sector.

The informal sector, which is analogous to ease of entry, low capital to labor ratio, limited access to credit, dominance of self-employment and production of low-quality goods. One of very common feature of informal sector is underemployment including both visible (work less than 40 hours a week and want additional hours to works) and invisible underemployment (work 40 or more hours a week and want more works). More importantly underemployment tend to closely related to the poor, particularly invisible underemployment.

With the sustained growth of the informal sector, there is however, little evidence that movement between the informal to the formal sector exists. This type of labor market segmentation may be due to the institutional factors such as the presence of minimum wages and labor unions, but more so of economic factors associated with

the “efficiency wage” thesis, such as greater efficiency from higher-skilled workers, internal labor markets and stability of labor supply.

Lack of employment opportunity accompanying of high growth rate of labor supply is the main factor to create a large informal sector with low productivity. Slow growth of GDP accompanied to high population growth have created high pressure for employment problems. There was high unemployment and underemployment and widespread underutilization of labor resources of the country.

It is shown that the agriculture, service and transport sector, which provide majority of occupation for the poor in informal sector, provide lower wages than the mean for all industries<sup>xli</sup>.

Analyzing the situation in the labor market during the so-called boom period 1985- 1997, Khan (1995), as cited from Erlinda. M. Medalla (2002), attempted to give an explanation to a slight increase of real wage trend and stagnant labor productivity in period 1987-1994, by dividing the economy into urban formal and informal sector and rural formal and informal sector. After analysis he went to the saying that the rise in urban formal sector could have spill over effects into rural formal sector in a generally favorable political environment while wage/income in the vast informal parts of urban and rural sector stagnated.

Labor productivity is highly differentiated among sectors, while industry has very high productivity, agriculture and service, despite being main providers of employment have lower than national average productivity. In 2001 and 2002, while national average productivity (as GDP per employed person) were P 33,900 and P 34,400, that of agriculture was only P18,200 and P 18,400, just slightly more than a half of national average, that of services was although higher than agriculture but still lower than national average with P 33,500 and P 33,600 respectively. At the same time, we can see that industry has very high productivity that is more than twice higher than national average with 71,400 and 74,600 respectively in 2001 and 2002. Underemployment rate 20.7% 2003 and 17.6% 2004<sup>xlii</sup>

The justification for the high correlation between poverty and low quality of employment and underemployment in the Philippines is that in the circumstance of lacking an unemployment insurance scheme, the poor can not afford to be unemployed, they should take any job they can find and provide themselves despite low quality

Thus the poor are commonly unskilled labor and in labor markets, the poor mainly have income opportunities related to unskilled jobs in the formal sector that tend to be relatively deteriorated with the time and low income entrepreneurship works or underemployment in informal sector and low productivities in the farming sector.

## **5 GOVERNMENT POLICIES TOWARD POVERTY ALLEVIATION WITH REGARDS TO EDUCATIONAL AND LABOR MARKET ISSUES**

Efforts by different administrations ruling Philippines in period 1985 onwards to poverty alleviation were given in Reyes (2002), which can be shortly summarized as followed:

Although all administrations have made efforts toward poverty alleviation in the country, the focus was different. It is the Aquino administration in the first time has set a target for poverty reduction and made efforts towards implementation of an employment-oriented and rural-based development strategies. In addition,

Community Employment and Development Program (CEDP) has been launched to generate one million jobs during the 18 months period beginning July 1986, focusing on construction of small scale and labor intensive infrastructure in rural areas. The Ramos administration's focus was on people empowerment, while the Estrada administration give priority to improve community-based interventions for the poor and the Arroyo promoted equitable growth through modernizing country.

With regards to education issues, main focus towards the poor in this period was on improving access of the poor to education and improving quality of public education. With a large education reform programs have been promoted, Government is conscious about the equity issues facing the public education system. These issues have been addressed though the President Task Force for the Fight against poverty with the participation of Department of education, culture and Sport (DECS), which targeting 20 poorest province<sup>xliii</sup>.

The efforts toward improving education of the poor have been done though main following policies plan:

- The full implementation of the new curriculum in elementary and secondary education as parts of the Program for Decentralized Educational Development and the Secondary Educational Development Program
- Introduction of free public secondary education in 1988
- Adoption of the Education for All Philippines Plan of Action.
- Reducing the number of rural barangay without elementary school, the number of incomplete elementary school and the number of municipalities without any secondary school.
- Introduction of quality improvement measures by increasing numbers of school days from 185 to 220. Increasing hours for English, maths, science subjects.
- Increasing salary for teachers in public school to make sure the public schools can compete with private school in employing qualified teachers
- Review the adequacy, structure and responsiveness of the whole stretch of the basic education program to meet certain legal requirements of entrepreneurship and paid employment and ensuring better preparation of graduate for higher levels of learning

The implementation of the above policies in fact have large impacts on raising human capital of the country in overall, particularly improving access to education of the poor throughout the period. As can be seen in table 11, participation rate in both elementary and especially secondary education have been improved significantly with 12.4% increase for elementary and 10.7% increase for secondary in period from SY 1990-91 to SY 1999-2000. With regards to free secondary education policy, the poor even could benefit more than the rich. As we can see from table 12, the improvement in secondary school attendance in period from 1988 to 2000 was 5% for the lowest income decile while it was 0.7% for the richest decile.

However, as we can see from the section 3, problems still exist with wide spread of inequalities in access to good quality education. Even the programs promoted by government towards the interest of the poor have been evaluated with inefficient implementation.

Bagangay school construction in the effort to provide free basic education in nationwide is a case. According to WB (1996) not every barangay need or can

accommodate a school and there is little evidence that lack of immediate access is constraining actual school attendance. In practice, a large part of school construction investment program is not really necessary and hence diverting scarce resource from urgent priorities.

With regards to labor market issues, the main efforts gearing towards the poor is creation more off-farm jobs through overseas employment and microenterprise development. Overseas employment is assessed to be a great factor helping the poor. In 2000, remittances from abroad to Philippine economy was \$6.05 billions, accounted for 7.7% GDP. However, overseas employment has a high social cost and a fear of breaking down families. There is now an increasing challenge related to the reduction of hiring foreign labors in Mideast.

Microenterprise development promotion has been done through different schemes including microfinance. One of priority in recent Kapit-Bisig Laban sa Kahirapan (KALAHARI) is increase employment opportunities and capacities of marginalized groups to engage in productive enterprises with the target to create 10 million additional jobs, develop 2 million of agribusiness and support for 3 million entrepreneur through microfinance. Due to a lack of data, however, no assessment of the implementation process of these programs can be given.

## **6 SUMMARY AND CONCLUSION**

The Philippine case on the relations of between HRD and poverty has shown that the failure of providing education and employment with good quality to the poor tend to perpetuate poverty in the country.

Philippine poverty situation has progressed during 1985-2000 period with a fall in poverty incidence, an improvement in poverty severity and poverty depth indicators. However, the country currently encounters a more severe poverty problems compared to her neighbour with higher poverty incidence in both national and international measures, lower poverty reduction pace.

Poverty in the Philippines is unequal according to regions, National capital region has a comparatively low poverty incidence while Bicol and Mindanao have high rates of poverty. The region of Muslim Mindanao is encountering not only the highest poverty rate in the country but also increasing poverty incidence.

The poor in the Philippines mainly live in rural areas with big-size family. The poor lack access to adequate quality housing and public service. The poor is more economically active than non-poor and their main income activities of the poor are ones of entrepreneurial such as retail trade, construction and transport.

The main reasons of a high poverty rate and low poverty progress in the Philippines are related to number of factors. One of important factor is related to inadequate human resource development conditions.

Compared to non-poor, the poor suffer inadequate access to basic education due to lower participation rate, higher drop out rate, drop out at early ages and drop out before getting completion with certificates. The poorer the region the worse the situation. Furthermore, the poor also suffer from low quality of education compared to non-poor as the poor tend to go to public schools that have worse achievements in national tests compared to private. The low quality education provided to the poor is also seen in quality gaps between public schools themselves where public school in richer regions have better funding opportunities.

With a lack of access to education with good quality, the poor seems to have disadvantages in competition with non-poor in labor markets. Within wage employed, they tend to be unskilled workers whose wage has relative deterioration compared to all other resource owners. Although, the quality of employment in the country is low and deteriorated with stagnated manufacturing employment and full-time employment and high growth rate of part-time employment, low quality of employment tend to be the problems of the poor. The poor with low stock of education has higher representation among underemployed, unpaid family workers and self-employed. The worse outcomes in labor markets of the poor compared to non-poor can be seen in the lower domestic rate of return on each year of education in elementary compared to secondary and in secondary compared to higher education. Furthermore, the poor tend to leave schools earlier than completion year that leads to higher rate of return in the Philippines labor markets. The pattern of rate of return on education in the Philippines has shown that the Philippines poor is not only in worse situation compared to non-poor but also compared to the poor in other developing countries, where the rate of return on each year of primary education is higher than that of secondary education and higher education.

The governments are aware of lack of access and low quality of education provided to the poor. There were large government efforts to improve situation of the poor in education which created some positive effects on increase the access of the poor to education. However, it seems that opportunity costs and unfavorable outcome of the poor in labor markets prevents further improvements of early and high drop out rate of the poor.

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<sup>i</sup> ADB (2004), p26

<sup>ii</sup> Orbeta A. C (2002)

<sup>iii</sup> Consumption based measure of poverty is given in Balisacan (1999) and Self-rated poverty is defined through surveys made by Social Weather Station, Philippines

<sup>iv</sup> Balisacan (2001) P5

<sup>v</sup> Reyes C. (2002), p13

<sup>vi</sup> For more look at WB (2001), p32, which cited Balisacan (1993) that the failure to take into account of the “shifting of Physical areas” arising from reclassification would distort the overall picture on the actual performance of rural areas from late 1980s and early 1990s.

<sup>vii</sup> Monsod 1999, p59.

<sup>viii</sup> For more, Look at Orbeta A.(2002), table 24

<sup>ix</sup> 10, 11, 12, 13, Manasan (2001),p.12, 14, 16

<sup>xiv</sup> Philippine Star newspaper, 20 september 2004

<sup>xv</sup> For more look Orbeta A. (2002), table 5

<sup>xvi</sup> Tan (1999) b

<sup>xvii</sup> Manasan (2001) p19

<sup>xviii</sup> Manasan (2001) 5

<sup>xix</sup> Philippine Human Development report, p 13

<sup>xx</sup> With adoption of free secondary education from 1988, the budget share of elementary education in the total education budget has reduced from 60.2% in 1988 to 50.6% in 1990, but was able to regain and increase to 61.3% in 1998 before slipping to 56.0% in 2000 and 56.9% in 2001.

<sup>xxi</sup> Philippine Human Development report, p21

<sup>xxii</sup> Manasan (2002)

<sup>xxiii</sup> Manasan 2002, 38.

<sup>xxiv</sup> ADB (2004)

<sup>xxv</sup> Orbeta (2002) table 17

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- <sup>xxvi</sup> Labor statistics 2003.
- <sup>xxvii</sup> Unemployment in the Philippines: Is it structural problems (2004) p
- <sup>xxviii</sup> Gwendoline Tecson 2000, 137.
- <sup>xxix</sup> For data of Philippines 1986- 1989 look Cororaton and Abdula 2002, 288, 2000, 2003 look at ADB 2004, data for other countries look at Gwendoline Tecson 2000, 145
- <sup>xxx</sup> Gwendoline Tecson 2000, 150
- <sup>xxxi</sup> Sicat 2004, 5.
- <sup>xxxii</sup> Psacharopolous 1981, 1994, Rate of return on education: A global update
- <sup>xxxiii</sup> Philippine Human Development Report 2002
- <sup>xxxiv</sup> PHDR 2002,
- <sup>xxxv</sup> Geochi (2002) calculate rate of return on education for 1988, 1990 and 1995 with two versions of cost estimates, which produces different results on rate of return on education. With the purpose of emphasizing time series rather than cost estimate technics, this paper interprets only the results based on direct education cost from Maglen and Manasan (1999).
- <sup>xxxvi</sup> Orbeta A. (2002), table 24
- <sup>xxxvii</sup> Erlinda. M. Medalla, 2002
- <sup>xxxviii</sup> Philippine Human Development Report 2002, p.5
- <sup>xxxix</sup> Calculation by Monsod and Ducanes (2001) from merged LFS and FIES, cited from PHDR 2002.
- <sup>xl</sup> PHDR 2002, 7
- <sup>xli</sup> Alba 1997,16
- <sup>xlii</sup> Bles key labor statistics
- <sup>xliii</sup> WB(1996) 4

**Table 1. Poverty incidence and threshold in the Philippine**

	Head count (%)			Family (%)			Poverty threshold (P)	
	Total	Urban	Rural	Total	Urban	Rural	Urban	Rural
1985	49.2	37.8	56.4	44.2	33.6	50.7	4365.0	2417.0
1988	45.4	34.2	52.3	40.0	30.1	46.3	5893.0	2830.0
1991	45.2	25.4	55.0	39.9	31.1	48.6	8327.0	4402.0
1994	40.6	28.0	53.1	35.5	24.0	47.0	9831.0	5569.0
1997	36.9	21.6	50.7	31.8	17.9	44.4	12577.0	7172.0
2000	39.5	24.4	54.0	33.7	19.9	46.9	15524.0	8448.0
2003								

Source: PIDS poverty statistics

**Table 2. Poverty estimates, based on national and international poverty lines, urban- rural, Philippines and other countries, various years**

Country	National poverty rates				International poverty measures				
					Year	\$1 per day		\$ 2 per day	
	Year	National	Urban	Rural		HCR (%)	Magnitude (000)	HCR (%)	Magnitude (000)
<b>Philippines</b>	<b>2000</b>	<b>34.0</b>	<b>20.4</b>	<b>47.4</b>	<b>2000</b>	<b>15.5</b>	<b>12,136.3</b>	<b>47.5</b>	<b>37,224.3</b>
Indonesia	2002	18.2	14.5	21.1	2002	7.5	15,902.0	52.4	110,985.4
Thailand	2002	9.8	4.0	12.6	2000	1.9	1,204.5	32.5	20,264.5
Malaysia	1999	7.5	3.4	12.4	1997	0.2	36.8	9.3	2,004.5
Vietnam	2002	28.9	6.6	35.6	2002	13.1	10,509.4	58.5	47,058.1

Source: Key indicators 2004: Poverty in Asia: Measurement, estimates and Prospects

**Table 3. Poverty incidence by regions**

	1985	1988	1991	1994	1997	2000	2003
Philippines	49.2	45.4	45.2	40.6	36.9	39.5	
NCR	27.1	25.1	16.6	10.4	8.5	11.5	
CAR Cordilera		50.5	55.5	56.5	50.1	43.8	
I- Ilocos region	43.4	51.7	55.1	53.5	44.2	43.6	
II- Cagayan Valley	42.7	44.7	48.9	41.9	38	35	
III- Central Luzon	32	33.7	35.5	29.2	18.6	23	
IV- Southern Tagalog	45.7	46.6	43.1	35	30	31	
V-Bicol Region	67.5	61.3	61.2	60.8	57	61.9	
VI- Western Visayas	66.4	56.5	52.8	49.8	45.9	51.1	
VII- Central Visayas	61.9	52.1	46.7	37.4	39	43.8	
VIII- Eastern Visayas	65.1	54.7	47.1	44.6	48.5	51.1	
IX- Western Mindanao	59.9	43.8	54.2	50.5	45.5	53	
X- Northern Mindanao	56.6	50.1	57.4	54.2	52.7	52.2	
XI- Southern Mindanao	49.6	48.8	51.5	45.4	44.3	45.1	
XII- Central Mindanao	56.3	40.9	63	58.5	55.8	58.1	
XIII- ARMM- Muslim Mindanao			56	65.5	62.5	71.3	

Source: PIDS poverty statistics

**Table 4. GDP and population growth 1985-2003, selected Southeast Asian countries**

	1985	1990	1995	2000	2003
<b>Philippines</b>					
<i>GDP growth</i>	<i>-7.3</i>	<i>3.0</i>	<i>4.7</i>	<i>4.4</i>	<i>4.5</i>
<i>Population growth</i>	<i>1.9</i>	<i>2.3</i>	<i>2.3</i>	<i>2.1</i>	<i>2.0</i>
<i>Labor force annual change</i>	<i>1.7</i>	<i>2.8</i>	<i>2.0</i>	<i>7.9*</i>	<i>4.3</i>
<i>Labor force participation rate</i>	<i>63.9</i>	<i>64.5</i>	<i>65.6</i>	<i>64.3</i>	<i>67.1</i>
<i>Unemployment rate</i>	<i>7.1</i>	<i>8.1</i>	<i>8.4</i>	<i>10.1</i>	<i>10.1</i>
<b>Thailand</b>					
GDP growth	4.6	11.2	9.2	4.8	6.7
Population growth	1.9	1.1	1.2	1.0	0.8
Labor force annual change	1.4	1.7	1.3	2.3	1.0
Labor force participation rate	72.7	79.2	73.0	69.7	73.0
Unemployment rate	3.7	2.2	1.1	2.4	1.3
<b>Vietnam</b>					
GDP growth	-	5.1	9.5	6.8	7.3
Population growth	2.1	1.9	1.7	1.4	1.5
Labor force annual change	-	-	-	1.9	1.7
Labor force participation rate	-	-	-	-	51.8
Unemployment rate				4.4	1.7
<b>Malaysia</b>					
GDP growth	-1.1	9.0	9.8	8.5	5.2
Population growth	2.8	2.5	2.7	2.6	2.1
Labor force annual change	2.2	2.8	0.8	4.4	3.6
Labor force participation rate	65.7	66.5	64.7	65.4	65.2
Unemployment rate	6.9	5.1	3.1	3.0	3.6
<b>Indonesia</b>					
GDP growth	2.5	9.0	8.2	4.9	4.1
Population growth	0.7	2.0	1.7	1.1	1.4
Labor force annual change	4.0	3.0	0.7	0.8	-0.5
Labor force participation rate	-	-	-	67.8	65.7
Unemployment rate	2.1	2.5	7.2	6.1	9.5

Source: Key indicators 2004: Poverty in Asia: Measurement, estimates and Prospects; \*2001

**Table 5. Magnitude and share of urban and rural poverty, Philippines**

	1985	1988	1991	1994	1997	2000	2003
Philippines	26,674,645	25,388,315	28,554,247	27,372,971	26,768,596	30,850,262	
Urban	7,936,254 (29.75)	7,266,816 (28.62)	11,207,797 (39.25)	9,384,483 (34.28)	7,455,274 (27.85)	9,342,549 (30.28)	
Rural	18,738,391 (70.75)	18,121,499 (71.38)	17,346,450 (60.75)	17,988,488 (65.72)	19,313,322 (72.15)	21,507,713 (69.72)	

Source: PIDS poverty statistics



**Table 6: Access to education, water, sanitary toilets, strong housing by poor and non-poor, 1998**

	All	Poor	Non-poor
<b>Education participation rate</b>			
Elementary	88.71	85.97	92.46
Secondary	63.78	53.46	74.15
Tertiary	23.60	11.94	30.54
TVET	0.95	0.57	1.18
Higher education	22.65	11.37	29.36
<b>Water use</b>			
Portable	-	67.5	85.3
Non-portable	-	32.7	14.7
<b>Sanitary toilet</b>			
Sanitary	-	67.4	89.4
Unsanitary	-	32.6	10.7
<b>Electricity</b>			
With	72.3	50.2	87.4
Without	27.7	49.8	12.6
<b>Housing types</b>			
Strong	62.2	39.5	77.7
Light	36.6	58.2	21.1
Makeshift	1.7	2.3	1.2
<b>Average per capita income</b>			
Nominal	-	7,420	40,577
Real	-	5,420	29,640
<b>Average per capita expenditure</b>			
Nominal	-	8,105	30,566
Real	-	5,920	22,327

Source: Education from Manasan (2001), table 4; Water and sanitary Reyes (2001)

**Table 7: Average size of poor and all families**

	1985	1988	1991	1994	1997	2000
Poor population	26,674,645	25,388,315	28,554,247	27,372,971	26,768,596	30,850,262
Poor families	4,355,052	4,230,484	4,780,865	4,531,170	4,511,151	5,139,565
<b>Average size of poor families</b>	<b>6.12</b>	<b>6.00</b>	<b>5.97</b>	<b>6.04</b>	<b>5.93</b>	<b>6.00</b>
Total population *	54,216,758.1	55,921,398.7	63,173,112.8	67,421,110.8	72,543,621.0	78,101,929.1
Total families**	9,853,058.82	10,523,592.0	11,982,117.8	12,763,859.2	14,186,009.0	15,250,934.7
Average size of all families	5.50	5.31	5.27	5.28	5.11	5.12

\*Magnitude of poor population divide to poverty incidence by headcount

\*\* Magnitude of poor families decile to incidence of poor families

**Table 8. Poverty incidence among families by the household head's occupation, education and family sizes, 1985, 2000**

<b>Major occupation group</b>	1985	2000	<b>Highest educational attainment of the household heads</b>	1985	2000	<b>Family size</b>	1985	2000
Total poor families	44.2	33.7	Poverty Incidence	44.2	33.7	Poverty incidence	44.2	33.7
Not specified	50.3	-	No grade	55.9	60.5	1	19.0	9.8
Professional, technical and related workers	9.6	5.9	Elementary undergraduate	57.2	45.2	2	20.0	15.7
Administrative, Executive and managerial workers	6.0	10.8	Elementary graduate	51.6	26.0	3	26.6	18.6
Clerical & related workers	18.4	9.4	1 <sup>st</sup> - 3 <sup>rd</sup> high school	46.5	11.9	4	36.4	23.8
Sale workers	31.4	17.0	High school graduate	31.6	18.2	5	42.9	31.1
Service workers	40.1	18.2	College Undergraduate	17.0	10.3	6	48.8	40.5
Agricultural, Animal husbandry & forestry workers, fishmen and hunters	57.0	55.5	At least College Graduate	6.5	2.5	7	55.3	48.7
Production & related workers, transport and equipment operators	42.1	33.3				8	59.8	54.9
Other occupation not clasifiable	59.7	26.5				9 or more	59.9	57.3
Armed forces	16.0	10.7						
Non-gainful occupation	-	29.2						
Unemployed	28.0	19.4						

Source: Reyes (2002), 10

**Table 9. Percentage distribution of total family expenditure-by-expenditure group and income source and by poor and non-poor families: 1998**

Expenditure	Poor	Non-poor	Income	Poor	Non-poor
Total family expenditure	258,465,374	1,071,642,865	Wage and salaries Agriculture Non-agriculture	41.2 - -	48.4 - -
Percent	100	100	Income from entrepreneurial activities	35.3	22.7
Food	62.6	43.3	Other source of Income	23.5	28.7
Fuel, light and water	6.2	6.0	Net share of crop	0.8	0.6
Transportation and communication	3.0	5.4	Rental values of dwelling units for income	8.3	10.8
Education	3.0	5.4	Cash receipts, assistance from domestic sources	4.5	2.3
Medicare	2.2	3.2	Pension, retirement	0.9	2.8
Clothing, footwear and other wear	2.3	2.4	Interest from bank deposit and loan to other household	0.0	0.4
Housing expenditure Rent/rental of occupied dwelling unit House maintenance	9.2 8.4 0.8	17.1 15.7 1.5	Rental from Non-agriculture land, building and other properties	0.2	1.2
Tax paid	0.2	1.6	Devidends and investment	0.0	0.2
Other expenditure	11.3	15.2	Cash receipts, assistance from abroad	1.7	8.4
			Income from family sustenance activities	5.0	0.6
			Receipt as gifts	1.7	0.9
			Other income	0.4	0.5

Other expenditure include expenditure in alcohol, beverage, tobacco, household operation, recreation, purchase of durable and non-durable equipment, miscellaneous, personal effects and other expenses not included elsewhere

Source: Reyes 2001, table 2c.4

**Table 10: Gross enrolment rates by sex, levels**

Country	Primary			Secondary			Tertiary		
	Year	Female	Male	Year	Female	Male	Year	Female	Male
<b>Philippines</b>	<b>2001</b>	<b>111</b>	<b>113</b>	<b>2001</b>	<b>86</b>	<b>78</b>	<b>2001</b>	<b>35</b>	<b>27</b>
Indonesia	2001	110	112	2001	58	58	2001	14	16
Thailand	2001	96	100	2000	81	85	2001	38	35
Malaysia	2001	95	95	2001	73	66	2000	28	26
Vietnam	2001	100	107	2001	67	72	2001	9	11

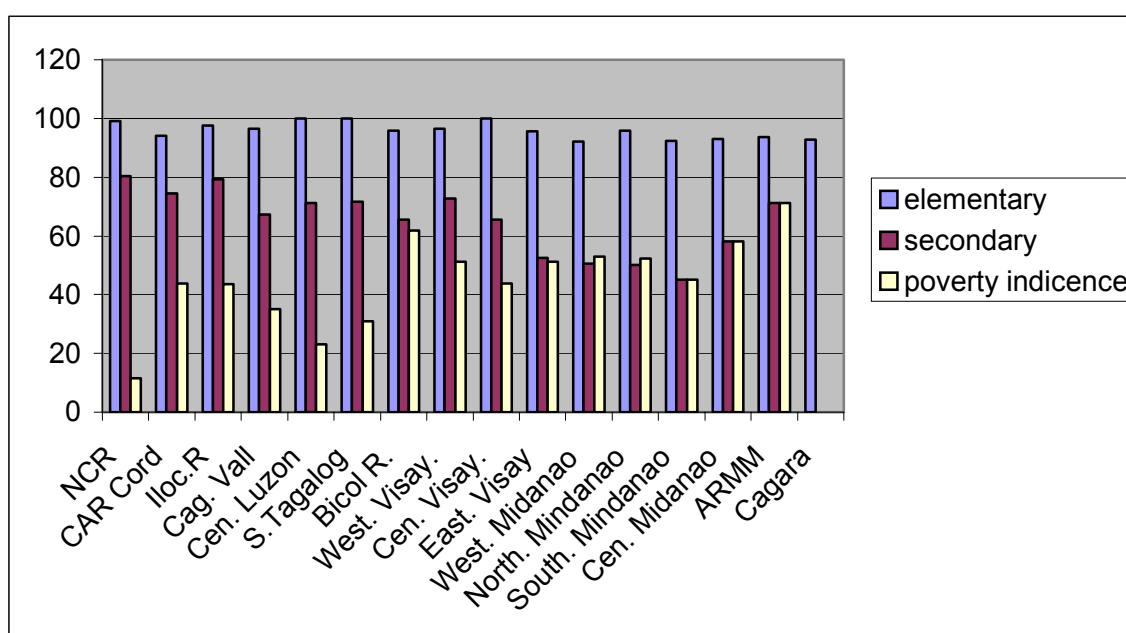
**Source:** Source: Key indicators 2004: Poverty in Asia: Measurement, estimates and Prospects, pp 54-55

**Table 11: Participation rate in elementary and secondary by regions**

	Elementary			Secondary		
	1990-91	1996-97	1999-2000	1990-91	1996-97	1999-2000
Philippines	84.6	94.3	97.0	54.7	63.4	65.4
NCR	90.2	98.5	99.1	74.6	80.8	80.3
CAR Cordilera	85.3	91.3	94.1	60.3	76.9	74.5
I- Ilocos region	92.6	99.6	97.5	64.5	72.2	79.2
II- Cagayan Valley	84.3	98.6	96.5	49.5	65.0	67.3
III- Central Luzon	94.0	100.8	99.9	57.4	69.0	71.2
IV- Southern Tagalog	89.2	100.2	99.9	59.6	66.5	71.7
V-Bicol Region	85.8	97.5	95.8	46.3	61.3	65.5
VI- Western Visayas	84.3	92.5	96.5	58.9	67.6	72.7
VII- Central Visayas	80.1	93.8	100.0	48.3	60.6	65.6
VIII- Eastern Visayas	78.3	91.1	95.6	40.7	53.7	52.4
IX- Western Mindanao	77.4	85.8	92.1	38.4	50.7	50.5
X- Northern Mindanao	80.0	91.2	95.8	50.5	56.4	50.0
XI- Southern Mindanao	79.5	88.4	92.4	52.4	55.4	50.9
XII- Central Mindanao	79.0	80.3	93.1	46.1	58.1	58.8
XIII- ARMM-Muslim Mindanao	62.2	81.3	93.6		22.3	31.9
Cagaya		85.3	92.7		50.4	49.5

Sources: Import from Manasan 2002, 4

**Figure 2: Educational participation rate and poverty incidence, 2000**



**Sources:** Data from PIDS website, poverty statistics

**Table 12: School attendance of school-age population\* by income decile and by level, urban/rural, 1988, 2000.**

Income decile		1988				2000			
		Total	Elementary	Secondary	Tertiary	Total	Elementary	Secondary	Tertiary
<b>Total</b>									
	Lowest	60.6	90.7	65.9	23.4	64.5	90.1	70.8	24.4
	2	60.0	93.1	67.0	23.5	65.0	92.9	76.4	26.4
	3	58.5	95.9	72.3	21.2	63.3	94.8	80.1	26.5
	4	57.7	94.1	74.8	23.6	66.2	96.5	83.8	32.6
	5	60.9	95.9	79.7	27.4	64.2	97.5	84.5	32.8
	6	58.2	95.7	83.0	28.1	66.3	95.4	91.2	34.9
	7	58.1	98.5	85.4	30.2	66.3	97.2	89.5	39.7
	8	59.4	97.9	83.7	34.9	64.3	97.5	93.4	38.2
	9	63.6	97.2	85.1	41.4	68.5	97.9	93.0	47.6
	Highest	60.4	97.9	84.7	40.8	63.1	98.5	86.8	45.8
	Total	59.6	94.9	76.7	29.8	65.0	94.9	83.6	35.5
<b>Urban</b>									
Lowest	1	65.4	90.8	70.5	37.0	67.9	89.0	76.5	29.5
	2	66.4	93.8	75.6	34.9	69.9	93.7	79.2	36.2
	3	62.9	97.7	81.0	25.5	64.0	95.3	80.5	25.8
	4	63.2	98.3	83.7	28.0	67.7	96.2	88.3	31.4
	5	66.2	96.6	87.5	33.1	66.6	97.8	86.4	32.2
	6	63.0	98.2	90.2	30.4	66.2	95.3	91.8	34.2
	7	61.8	99.4	87.3	37.4	66.0	97.9	91.1	38.3
	8	61.2	99.5	84.3	36.5	64.8	98.1	92.9	39.5
	9	63.4	97.2	86.2	41.5	66.9	98.3	86.6	45.6
	Highest	59.6	98.4	83.3	41.4	62.8	98.2	88.2	45.6
<b>Rural</b>									
	Lowest	60.1	90.7	65.5	22.0	64.0	90.3	70.0	23.5
	2	58.9	93.0	65.6	21.4	63.6	92.6	75.7	23.8
	3	57.1	95.3	69.8	19.8	62.8	94.6	80.0	26.8
	4	55.7	92.6	71.1	22.0	65.3	96.7	81.1	33.3
	5	58.3	95.5	76.3	24.6	62.0	97.2	82.5	33.2
	6	55.3	94.0	78.6	26.8	66.5	95.5	90.2	36.0
	7	55.0	97.8	83.9	24.0	66.9	96.0	87.0	42.2
	8	57.3	95.8	82.9	33.1	63.0	95.8	94.5	34.8
	9	64.0	97.3	83.5	41.4	73.5	96.7	93.5	54.2
	Highest	62.5	96.8	88.0	39.2	64.5	100.0	87.5	46.7

Source: Cited from Orbeta (2002), table 24

**Table 13. Participation rate of education by sex and income,1998**

	Male			Female			Both sexes		
	Poor	Non poor	All	Poor	Non poor	All	Poor	Non poor	All
Elementary	85.21	92.43	88.7	86.78	92.49	89.19	85.97	92.46	88.71
Secondary	45.86	70.95	58.13	62.24	77.56	70.05	53.46	74.15	63.78
Tertiary	9.18	27.19	20.18	15.44	34.21	27.56	11.94	30.54	23.60
- TVET	0.58	1.18	0.95	0.55	1.18	0.96	0.57	1.18	0.95
- Higher education	8.6	26.01	19.23	14.89	33.03	26.60	11.37	29.36	22.65

*Source:* Manasan (2001), table 4. P9

**Table 14. Enrolment in public school by level, poverty status and income quintile (in percent)**

	poor	Nonpoor	1 <sup>st</sup> quintile	2 <sup>st</sup> quintile	3 <sup>st</sup> quintile	4 <sup>st</sup> quintile	5 <sup>st</sup> quintile
Elementary	61.14	38.86	34.45	25.44	19.67	13.79	6.64
Secondary	49.07	50.93	23.20	25.04	23.92	18.16	9.69
Tertiary	28.61	71.39	11.03	17.93	21.16	27.13	22.74
- TVET	41.92	58.08	16.51	25.53	22.67	17.13	16.16
- Higher education	27.64	72.36	10.49	17.38	21.05	27.95	23.22

*Source :* Manasan (2001), table 11, 12

**Table 15: Distribution of school leavers, by sex and income**

	Male			Female			Both sexes			Total absolute number (million)
	Poor	Non poor	All	Poor	Non poor	All	Poor	Non poor	All	
Age 6-12	45.41	10.42	55.83	35.84	8.33	44.17	81.25	18.75	100.00	1.00 (8.55%)
Age 13-16	46.88	19.84	66.72	21.80	11.54	33.34	68.69	31.31	100.00	1.20 (18.09%)
Age 17-24	26.27	34.26	60.53	19.01	28.89	47.90	44.25	55.75	100.00	3.40 (62.37)

*Source :*Manasan (2001) table 5 and 6, P 14-15

**Table 16: Mean percentage score in NEAT and NSAT**

	NEAT			NSAT			Private - Public Ratio	
	Gov't	Private	All	Gov't	Private	All	NEAT	NSAT
1993-94	40.27	51.44	41.76				1.28	
1994-95	40.09	52.09	43.54	36.63	46.28	38.94	1.30	1.30
1995-96	44.28	53.74	46.44	41.96	50.64	44.94	1.21	1.21
1996-97	44.56	59.03	46.16	42.68	51.48	45.62	1.32	1.21
1997-98	49.71	61.62	50.78	45.72	55.24	48.66	1.24	1.21
1998-99	48.96	62.09	50.58	43.36	52.10	46.12	1.27	1.20
1999-2000	48.29	59.15	49.19	52.17	59.97	54.34	1.22	1.15
2000-2001	51.39	55.40	51.73	51.91	57.52	53.39	1.08	1.11

*Source:* National education Testing and Research Center, DECS, cited from Manasan (2002)

**Table 17: Per student SEF income, all LGU 2000**

Regions	Per student SEF income*, All LGU, 2000 (in pesos)	Per capita household income (in pesos)
NCR Metro Manila	2,308	66,173
CAR Cordillera	284	28,130
I- Ilocos region	217	23,242
II- Cagayan Valley	131	21,842
III- Central Luzon	444	28,609
IV- Southern Tagalog	742	31,238
V-Bicol Region	106	20,936
VI- Western Visayas	269	21,390
VII- Central Visayas	310	19,291
VIII- Eastern Visayas	129	18,678
IX- Western Mindanao	94	16,823
X- Northern Mindanao	250	21,513
XI- Southern Mindanao	302	22,337
XII- Central Mindanao	190	17,973
XIII- ARMM-Muslim Mindanao	10	13,009
CARAGA	146	15,904

\* per capita excludes those with incomplete data

**Source:** Manasan (2002) Appendix table 15

**Table 18. Employment share by sectors**

Sector	1985	1990	1995	2000	2003
Agriculture	49.0	44.9	44.1	37.1	
Industry	14.2	15.4	15.6	16.2	
Service	36.8	39.6	40.2	46.7	
Transportation, storage& comm	4.7	5.0	5.8	7.3	
Whole sale & retail trade	13.2	14.0	14.6	16.5	
Finance, ins, real estate & bus service	1.7	2.0	2.1	2.4	
Community social and personal service	17.2	18.7	17.7	20.3	

**Source:** Statistical yearbook 2004, Orbeta (2002) and Esguerra & Canlas (2001)



**Table 19. Family income-by-income deciles**

Income decile	1985		1988		1991		1994		1997		2000	
	Average *(P)	Share of total (%)	Average *(P)	Share of total (%)	Average *(P)	Share of total (%)	Average *(P)	Share of total (%)	Average *(P)	Share of total (%)	Average *(P)	Share of total (%)
1	6,273	2.0	8,160	2.0	11,937	1.8	15,622	1.9	20,702	1.7	24,309	2.4
2	9,96	3.2	12,866	3.2	19,179	2.9	25,262	3.0	33,090	2.7	39,182	3.4
3	12,718	4.1	16,398	4.1	24,702	3.8	32,719	3.9	42,633	3.5	50,650	4.2
4	15,494	5.0	20,179	5.0	30,450	4.7	40,631	4.9	53,134	4.3	63,482	5.0
5	18,682	6.0	24,329	6.0	37,211	5.7	49,800	6.0	66,335	5.4	79,284	6.0
6	22,548	7.3	29,460	7.3	45,764	7.0	61,161	7.4	83,253	6.8	99,533	7.0
7	27,761	8.9	36,482	9.0	57,084	8.7	75,898	9.1	106,977	8.7	127,026	8.5
8	35,312	11.4	46,774	11.6	74,225	11.4	98,234	11.8	140,784	11.5	168,082	10.6
9	48,612	15.7	64,607	16.0	104,942	16.1	136,715	16.4	196,886	16.2	235,632	14.4
10	113,152	36.4	144,805	35.8	246,363	37.9	295,542	35.5	345,680	39.3	553,220	38.6
Tenth/ First	18.0		17.7		20.6		18.9		16.6		22.7	

Source: Family Income and expenditure surveys 1985-2000

**Table 20. Comparative return to investment on education by level, full method (in %)**

Country/region	Social returns			Private returns		
	Primary	Secondary	Higher	Primary	Secondary	Higher
Philippines (1988)	13.3	8.9	10.5	8.3	10.5	11.6
Asia	16.2	11.1	11.0	20.0	15.8	18.2
Sub-Saharan Africa	25.4	18.4	11.3	37.6	24.6	27.8
Europe/M. East/N. Africa	15.6	9.7	9.9	13.8	13.6	18.8
Low Income	21.3	15.7	11.2	25.8	19.9	26.0
High Income	18.8	12.9	11.3	27.4	18.0	19.3
Middle Income	13.4	10.3	9.5	25.6	12.2	12.4

Source: Geochi (2002)

**Table 21. Effects of education on wages and income (in percent, 1994)**

	Wage*	Family income#
No schooling	Base	
Each year of elementary school	2.3	
Incomplete elementary school		Base
<b>Elementary school graduate</b>	<b>13.8</b>	<b>8.0</b>
Each year of high school	3.5	
Incomplete high school		13.0
<b>High school graduate</b>	<b>27.8</b>	<b>23.0</b>
Each year of college	6.4	
Incomplete college		42.0
<b>College graduate</b>	<b>53.4</b>	<b>82.0</b>

\*: Relative to wage of a person with no schooling, #: relative to a person with incomplete (0-5 years) elementary education.

Source: Alba (2002) for wage differential; Dacuycuy (2002) for family income differentials, cited from PHDR 2002

**Table 22. Share of Manufacturing in total employment and GDP, in selected countries, Southeast Asia**

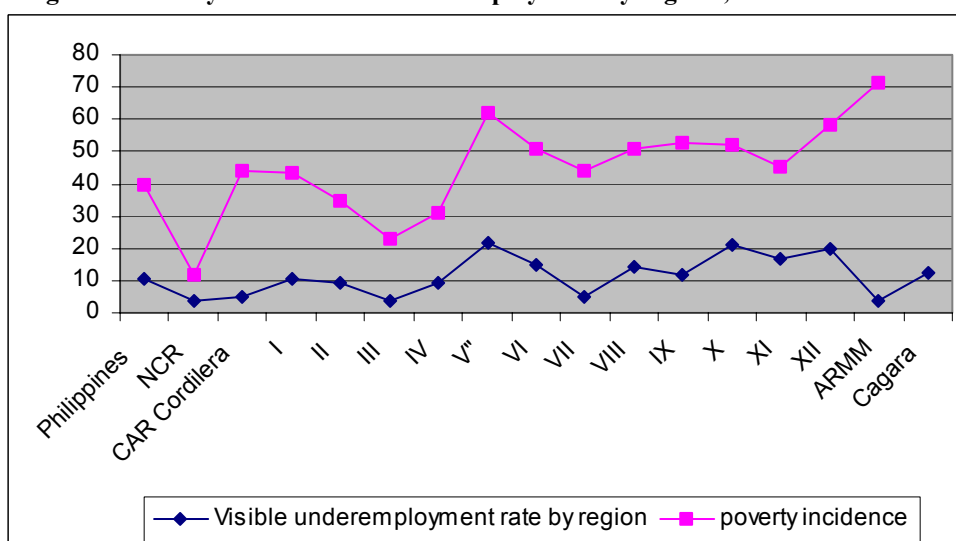
	Share of Manufacturing employment					Share of Manufacturing production
	1985	1990	1995	2000	2003	1997
<b>Philippines</b>	<b>9.70</b>	<b>9.71</b>	<b>10.00</b>	<b>10.05</b>	<b>9.65</b>	<b>21</b>
Indonesia	9.28	10.14	12.64	12.95	12.03	25
Thailand	7.99	10.15	13.43	14.49	14.66	29
Malaysia	15.20	19.93	23.28	23.45	21.59	34

Source: Basic data from Key indicators 2003, Gwendolyn R. Tecson (2000)

**Table 23. Underemployment rate by highest grade completed, 2002 average, in percent**

Highest grade completed	Both areas	Urban	Rural
Average	17.0	13.4	20.2
No grade completed	15.8	14.7	16.0
Elementary	20.5	16.2	22.4
Undergraduate	21.3	17.4	22.6
Graduate	19.7	15.3	22.1
High school	17.1	14.4	20.0
Undergraduate	19.0	16.3	21.1
Graduate	15.9	13.5	19.0
College	11.7	10.4	14.8
Undergraduate	14.6	13.0	17.4
Graduate	9.3	8.3	11.9

Source: Labor statistics yearbook, 2003,

**Figure 3. Poverty incidence and underemployment by regions, 2000**

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