

INTERSECT

QUICK FACTS

Has the country's reported economic growth been inclusive?

In his 2013 and 2014 State of the Nation Address, President Benigno S. Aquino III highlighted the principle of "inclusive growth" as that which "drives every initiative, every action, and every decision of your government." To this end, he maintains that the government has invested in providing widespread opportunities to all sectors, especially to the poor and marginalized groups. He noted interventions in employment, poverty, and education, through Technical Education and Skills Development Authority and Department of Labor and Employment (TESDA-DOLE) scholarships, the Pantawid Pamilyang Pilipino Program (4Ps), and the K to 12 curriculum (Aquino 2013).

What is Inclusive Growth?

"It is sustained growth that creates jobs, draws the majority into the economic and social mainstream, and continuously reduces mass poverty" (National Economic and Development Authority [NEDA] 2011:18).

Inclusive growth has three pillars:

- "high, sustainable growth to create and expand economic opportunities;
- broader access to these opportunities to ensure that members of society can participate in and benefit from growth; and
- social safety nets to prevent extreme deprivation"

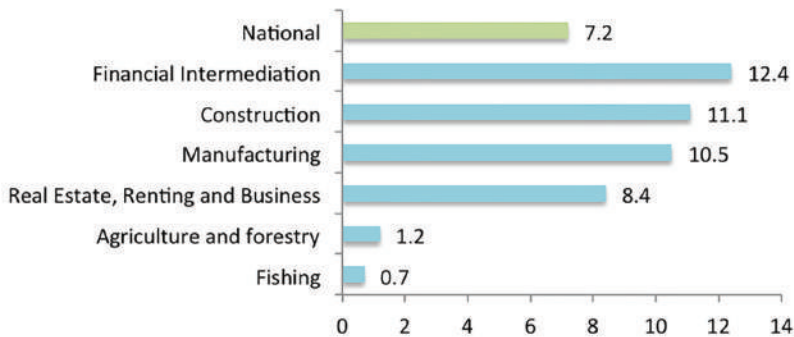
(Asian Development Bank [ADB]).

"Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be *broad-based* across sectors, and *inclusive* of the large part of a country's labor force. This definition of inclusive growth implies a direct link between the macro and micro determinants of growth" (World Bank 2009:1).

Inclusive growth *should* be broad-based.

Growth was concentrated in the industry and services sectors.

**GDP growth rate (%),
national and per industry, 2012-2013**



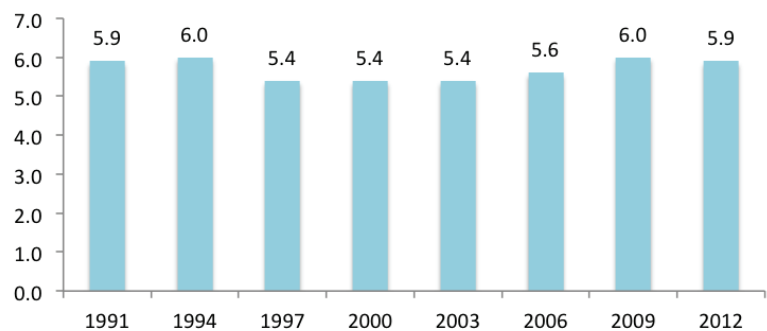
Source: Philippine Statistics Authority (2014)

Over the last ten years, the country's gross domestic product (GDP) had an average annual growth of 5.2%. In 2013, its **GDP growth peaked at 7.2%**, making the Philippines one of the fastest growing economies in Asia. However, **significant disparities can be observed when looking at the GDP growth per sector** in the same year. The industry sector grew by 9.5%, and the services sector by 7.1%, while the agriculture, hunting, forestry, and fishing sector grew by only 1.1%. These last sectors are the ones in which the labor force has the highest poverty levels.

The poorest 20% hold only 5.9% of the income share.

In 2012, 49.7% of the national income went to the richest 20% of the population. However, only 5.9% of the total income went to the poorest 20% of the population, showing that **income equality has not significantly improved since 1991**.

**Income share held by poorest 20%,
1991-2012**



Source: World Development Indicators, World Bank

Inclusive growth *should* create more and better jobs.

The decrease in poverty incidence appears to be driven by non-job income.

	2012		2013	
	Jan	Apr	Jan	Apr
Poverty incidence (first semester)	27.9		24.9	
Unemployment	7.2	6.9	7.1	7.6
Underemployment	18.8	19.3	20.7	19.2
Job creation (thousands)	1,005	1,001	519	-37

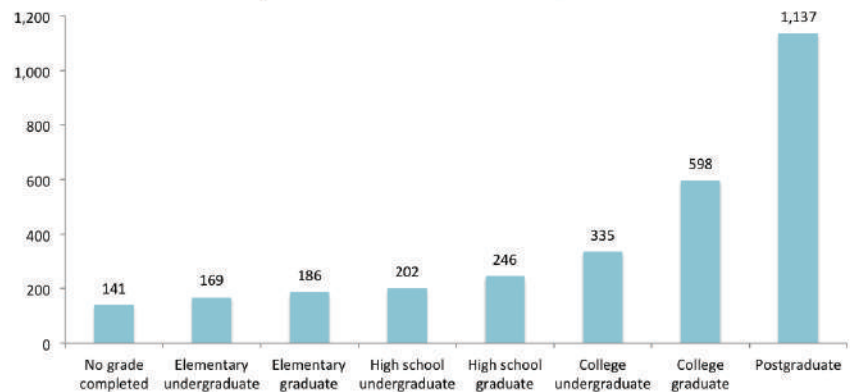
Source: World Bank Philippine Economic Update (August 2014)

In the first semester of 2013, poverty incidence fell by 3 points from 27.9% to 24.9%. However, slower job creation was observed during the same time period. **Moderate job creation was observed in January 2013, while job destruction was observed in April 2013.** Thus, in its Philippine Economic Update, the World Bank (2014:4) suggests that poverty reduction had been driven by non-job income. Possible sources of income include foreign and domestic remittances, subsidies such as Conditional Cash Transfers, and election-related transfers.

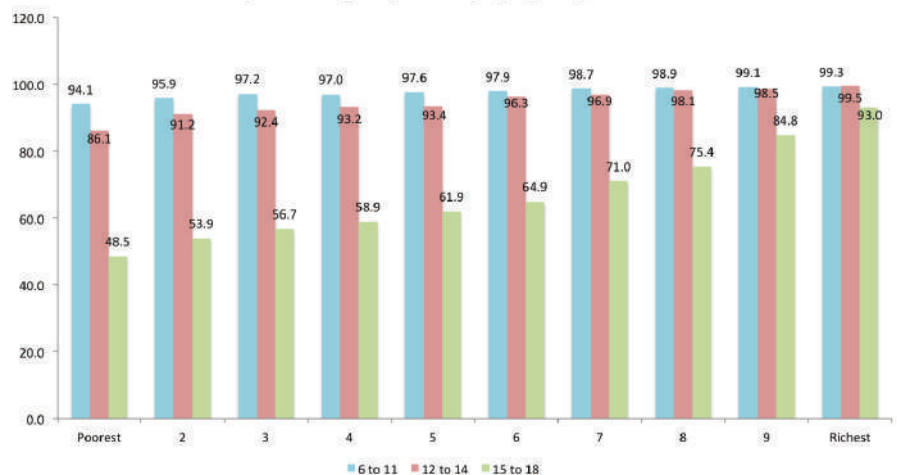
Among the working population, 21.9% remain poor.

In 2012, 21.9% of the working population remained poor. The Labor Force Survey reports that while an elementary graduate earns an average daily wage of PhP186, a high school graduate earns PhP246, suggesting that **higher educational attainment increases the chances of breaking intergenerational poverty.** However, a report by the Philippine Institute for Development Studies shows that **school attendance among the lower income groups significantly decreases as children grow older.** For the richest decile, the proportion of children attending school is at 99.3% for ages 6-11, 99.5% for ages 12-14, and 93.0% for ages 15-18. However, for the poorest decile, the proportion of children attending school is at 94.1% for ages 6-11, 86.1% for ages 12-14, and much lower at 48.5% for ages 15-18 (Reyes et al. 2013:12-13).

Average daily wage of wage/salary workers, by educational attainment, 2011



Proportion of children attending school, by income group and by age group, 2011



Source: Reyes et al. (2013)

Inclusive growth *should* reduce poverty.

The Philippines has made slow progress in eradicating extreme poverty and hunger compared to other countries in the region.



Millennium Development Goal 1

Proportion of people whose income is less than \$1.25 a day (%)

1991	30.7
2009	18.4

Prevalence of underweight children under 5 years of age (%)

1990	29.9
2011	20.2

Source: Key Indicators for Asia and the Pacific (2014)

In *Key Indicators for Asia and the Pacific*, ADB (2014:61-62) stated that 18 of 23 reporting countries, including Thailand, Indonesia, Vietnam, and China, had already achieved the target of halving extreme poverty, measured by the proportion of the population living on less than \$1.25 a day. The Philippines, however, has made slow progress toward this aim, with 18.4% of its population still living in extreme poverty. It is expected that **the Philippines will meet its target of 15.4% after the 2015 deadline**, but before 2020. Other countries that have made slow progress are Bangladesh and India, while Georgia has regressed.

ADB (2014:66-67) also noted that only 12 out of 29 reporting countries, including Thailand, Vietnam, and China, had achieved or are expected to achieve by 2015 the goal of halving the percentage of underweight children under 5 years of age. With a 20.2% prevalence of underweight children under 5 years of age, **the Philippines is expected to meet its target of 15.0% prevalence between 2021 and 2030**, along with Myanmar and Nepal. Indonesia is expected to miss the 2015 deadline, but meet its target between 2016 and 2020.

Sources

- Aquino, Benigno S. Aquino III. 2013. "State of the Nation Address of His Excellency Benigno S. Aquino III President of the Philippines To the Congress of the Philippines." Retrieved November 24, 2014 (<http://www.gov.ph/2013/07/22/english-benigno-s-aquino-iii-fourth-state-of-the-nation-address-july-22-2013/>).
- Asian Development Bank (ADB). 2014. *Key Indicators for Asia and The Pacific 2014*. Mandaluyong City: ADB.
- _____. "Inclusive Growth." Retrieved September 30, 2014 (<http://www.adb.org/themes/poverty/topics/inclusive-growth>).
- National Economic and Development Authority (NEDA). 2011. *Philippine Development Plan 2011-2016*. Pasig City: NEDA.
- Philippine Statistics Authority. 2014. "National Accounts of the Philippines." Retrieved November 24, 2014 (<http://www.nscb.gov.ph/sna/2013/4th2013/2013gnpi4.asp>).
- _____. 2014. "Poverty Statistics." Retrieved November 24, 2014 (<http://www.nscb.gov.ph/poverty/>).
- Reyes, Celia M., Aubrey D. Tabuga, Christian D. Mina, and Ronina D. Asis. 2013. *Promoting Inclusive Growth Through the 4Ps*. Makati City: Philippine Institute for Development Studies.
- World Bank. 2014. "Philippine Economic Update: August 2014." Retrieved November 24, 2014 (<http://www.worldbank.org/content/dam/Worldbank/document/EAP/Philippines/Philippine%20Economic%20Update%20August%202014.pdf>).
- _____. 2009. "What is Inclusive Growth?" Retrieved November 24, 2014 (<http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1218567884549/WhatIsInclusiveGrowth20081230.pdf>).
- _____. "World Development Indicators: Income share held by highest 20%." Retrieved November 24, 2014 (<http://data.worldbank.org/indicator/SI.DST.05TH.20>).
- _____. "World Development Indicators: Income share held by lowest 20%." Retrieved November 24, 2014 (<http://data.worldbank.org/indicator/SI.DST.FRST.20>).



JOHN J. CARROLL INSTITUTE ON CHURCH AND SOCIAL ISSUES

THE PRESENT MOMENT IS CRUCIAL. THE WORK TO BE DONE IS URGENT.

Editor
Researcher

Eleanor R. Dionisio
Danna Patricia S. Aduna

2/F Benigno Mayo Hall
Social Development Complex
Ateneo de Manila University
Loyola Heights, Quezon City

P.O. Box 250, U.P. Post Office
1144 Diliman, Quezon City
Philippines

Tel (632) 426.6001 loc. 4655 to 4668
Fax (632) 426.6070
Email jjcicsi@gmail.com
Web www.jjcicsi.org.ph