



Jobs, Prices, Income, Poverty: Uncovering the State of the Nation

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In a couple of weeks, Gloria Arroyo will be delivering her State of the Nation Address (SONA), marking another year of tenacity and triumph over a recurring and still-unfolding crisis confronting her delegitimized regime. This upcoming SONA is her key address since the wildfire of political scandals that revived calls for her resignation, including the NBN-ZTE deal, the Malacanang cash gift fiasco and the impeachment farce. The economy, which had been registering steady growth, low inflation and some incremental improvements in employment, has essentially served as her administration's refuge from the political verwirrung that followed. With her legitimacy in question, Arroyo and her spin doctors have craftily appropriated the dictum 'it's the economy, stupid,' as a central strategy to deflect criticism and opposition to her regime. Indications of a healthy economy have in effect served as political tools for undermining and discrediting demands for her to step down and cut her term short. Her spin doctors have worked doubly hard to capitalize on this picture of a soaring economy, presenting an image of Arroyo as a manager and leader bent on getting down to work, with her goal set on ensuring and sustaining economic progress, even in the face of escalating adversity and 'destabilization'.

This propaganda drive gave birth to slogans such as “*Trabaho hindi gulo*” as well as the barrage of TV ads and tarpaulins that brandish the lines “*Ramdam ko ang asenso*” and “*Ramdam ko ang kaunlaran*.” In the recent stage of this propaganda blitz comes a more targeted populist offensive, spawning interim programs such as the *Ahon Pamilyang Pilipino* and the *Katas ng VAT*, which provide a springboard for direct transfers to the poor, including lifeline users of electricity and poor households with young school children. This portrays a responsive, pro-poor president, who has put in place timely programs for the poorest whose conditions are aggravated by rising prices of key commodities, as the dark side of the economy stealthily reared its head.

The robust economy that the Arroyo administration has been gloating about has manifestly bared its key flaws. With the unravelling of key indicators such as prices and jobs, more and more paradoxes are starkly revealed as the SONA approaches. The boost of 2007 turned out to be short-lived, a spurt that could not be sustained. The spin pertaining to a solid economy is dramatically discredited by sharp changes in key indicators that Arroyo supposedly tamed under her watch. After the record-level growth of 7.3%, the “soaring” economy of 2007 “slackens”, with GDP growth down to 5.2% in the first quarter of 2008, to use the words of NSCB Secretary-General Romulo Virola.



GMA can feel ‘progress’. But what about everyone else?

Table I. GDP Growth and Inflation

Data	2008 June	2008 May	2007
GDP growth	5.2% (1st Q 2008)		7.30%
Inflation	11.4	9.6 (9.5 revised)	2.8
CPI (year 2000=100)	157.4	153.8	140.4
Purchasing Power of the Peso (base year 2000)	0.635	0.65	0.71

Source: National Statistics Office, census.gov.ph

The slowdown in national income growth comes with staggering rises in prices, weakening real value of the peso, declining employment and increased joblessness, and high incidence of poverty and hunger. Prices of key commodities, such as rice and oil, are escalating week on week. Inflation rates are sharply rising. From an average of 2.8 percent in 2007, inflation has skyrocketed to 11.4 percent in June 2008.

The real value of the peso fell to 65 centavos, in May 2008, and then to 63.5 centavos in June compared to its value in 2000. Put differently, the

goods and services that could be purchased for a hundred pesos back in 2000, now cost P157.4 (June 2008). For the ordinary Pinoy, this means that we need to shell out more to maintain our standard of living. The cost of living continues to go up, real incomes are dwindling, at a time when Filipinos are struggling, and barely getting by, with poverty-level wages, underemployment or joblessness.

Jobs crisis: Precarious work and unemployment

A chronic jobs deficit, both in terms of number and quality of work, continue to characterize the employment situation in the country. Job generation has not kept

Table 2. Employment, Unemployment, Underemployment

	2008	2007
Employment (April)	33.5 M 92 %	33.7 M 92.6%
Unemployment	2.914 M 8%	2.692 M 7.4%
Underemployment	6.626 M 19.8%	6.378 M 18.9%

Source: Labor Force Survey April 2008 NSO, census.gov.ph

pace with the economy's growth. Although the economy is growing, the number of jobs is not growing fast enough for the expanding labor force. The working age population has increased from 56.4 Million in April 2007 to 57.7 Million by April 2008. Of the 34.22 Million in the labor force, 2.9 million do not have jobs. Unemployment has worsened from 7.4% last year to 8% this year, indicating that our economy is losing jobs rather than creating them. Between April 2007 and May 2008, nearly 200,000 jobs were lost.

Working Poor, Inadequate Incomes and Poverty Wages

While some workers have lost their jobs, a larger number of workers are engaged in precarious, low paying (if at all) employment. Of those employed, 10.9 Million (32.6%) are laborers and unskilled workers, most likely earning poverty wages. To offset the rising cost

Table 3. Who are the Employed?

	2008	2007
Employment (April)	33.5 M	33.7 M
Laborers and Unskilled Workers	10.9 Million (32.6%)	10.92 Million (32.4%)
Farmers, forest workers and fishermen	5.8 Million (17.3%)	6.03 Million (17.9%)
Unpaid Family Workers	4.2 Million	3.85 Million

Source: Labor Force Survey April 2008 National Statistics Office, census.gov.ph

of living and the shrinking real value of the peso, a 20-peso increase in the minimum wage has been approved, in the National Capital Region (NCR), and P10-P15 pesos elsewhere in the country. Income tax for minimum wage earners has also been scrapped recently. For NCR, the minimum wage is now in the range of P362-P382 a day, but this covers only 43% of the P882 family living wage (FLW), an official estimate set by the National Wages and Productivity Board, comprised of food and non-food expenditures required to nourish and sustain a household of six. The quagmire of laborers is a heady cocktail of falling real wages

and inadequate income: They're not only suffering from diminishing purchasing power, they're also not earning enough to sustain their daily needs. Worse, among those employed, 12.5 percent are actually unpaid family workers or workers not earning anything at all for their labor. The number of unpaid family workers is also on the rise, now at 4.2 Million from 3.85 Million last year.

Precarious Employment, Decline in Formal, Steady Jobs, Underemployment

Similarly, the proportion of wage and salary workers has also dropped: from 53.4% in January 2007 to 51.7% in January 2008, while own account workers are also increasing in number, with 10.88 Million Filipinos being “self-employed”. Small and medium entrepreneurs might come to mind, but then again, think hawkers, vendors, scavengers, and the like. In this respect, regular formal work with steady wage incomes seem to be on a downturn, and more and more Pinoys appear to be resorting to informal employment to make ends meet.

	2008	2007
Wage and Salary	17.42 M 51.7%	17.9 M 53.4%
Own Account 'Self Employed'	10.88 M 32.3%	10.2 M 30.4%

Source: Labor Force Survey January 2008

This is similarly reflected in the growing number of the underemployed. Despite the fact that 60 % of those employed are actually working full-time for more than 40 hours a week, there are 6.62 Million Filipinos who have a job but are still looking for more work. The underemployment rate is up from 18.9% to 19.8% from April 2007 to April 2008 and the number of underemployed has increased by almost 300,000. These figures underscore questions pertaining to the quality of work available to Filipinos.

	2008	2007
Underemployed	6.626 M (19.8%)	6.378 M (18.9%)
Agriculture	3.04 M (46%)	3.08 M (48.3%)
Industry	1.03 M (15.5%)	1.052 M (16.5%)
Services	2.55 M (38.5%)	2.245 M (35.2%)

Source: Labor Force Survey April 2008

The Young and the Jobless

Who are the unemployed? Apparently, majority of the unemployed are young and educated. 2.37 Million or 81.4% of the unemployed are young, aged 15-34 years old. This figure only stood at 2.14 Million or 79.7% last year, indicating an increase in unemployment among the youth. Another unemployment paradox is the apparent rising unemployment among the educated. Among those who are unemployed, 40%, or 1.166 Million, have actually obtained college level education; up from 39% or 1.05 Million last year. Now this is bursting the Filipino dream, our *ahon sa kahirapan* strategy, to send our children to school against all odds, in order for them to secure good jobs and a better quality of life. And then again, with jobs sparse and wanting at the homefront, the recourse is to go abroad.

	2008	2007
Unemployed	8 % 2.914 M	7.4% 2.692 M
By Age		
15-34	81.4% 2.37 M	79.7% 2.14 M
By Education		
College Level	40% 1.166 M	39% 1.05 M
College Graduate	18.90%	18.70%

Source: Labor Force Survey April 2008

Agriculture, Employment, Productivity, Income



Photo: Carlos Paredes

The agricultural sector continues to lag behind services and industry in terms of

GDP share. In 2007, it accounted for only 14.1% of gross domestic production (current), contributing 936 Billion to national income. In contrast, the share of services and industry comprised 54.2% and 31.7% respectively. In terms of employment, however, agriculture provided as much as 35.2% of jobs. Industry, on the other hand, employed only 15.6% of workers. Agriculture did not demonstrate the same positive correspondence between employment share and share in domestic production. A simple way of illustrating this contradiction is by computing the ratio of GDP and Employment share. Industry has the highest ratio at 2.03,

followed by services at 1.09, with agriculture trailing behind at 0.4.

Malalauan (2006) describes the agricultural sector as being “trapped in low productivity” in a previous Development Roundtable Series (DRTS) publication, showing a similar trend with respect to GDP per input of labor. Agricultural output per unit of labor in 2005 was a meager **P63,828**, compared to Industrial output per unit of labor and service output per unit of labor valued at **P357,651.55** and **P183,018.7** respectively. He further points out, “from such low productivity, and considering costs of inputs, we can only expect very low incomes in the agriculture sector. In addition, frequent calamities, poor infrastructure, unstable prices, and seasonality of employment render agricultural incomes vulnerable.” Precarious production and unsteady incomes are still reflected in the latest data. Almost half of the underemployed (48.3%) are found in the agricultural sector. It also accounts for majority of unpaid family workers.

GDP share and Employment Share by Industry (In Percent)

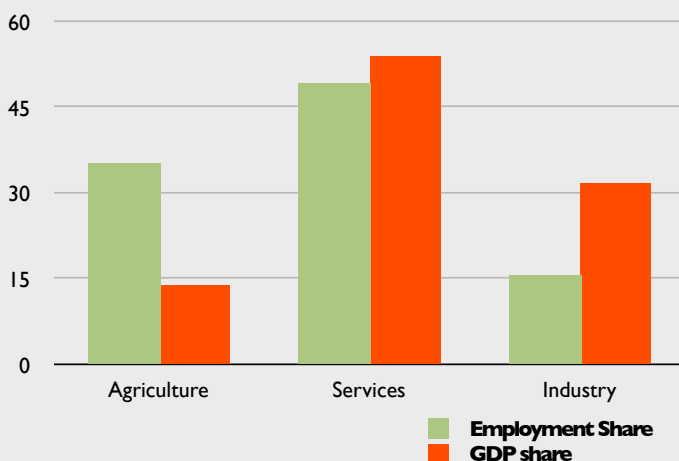
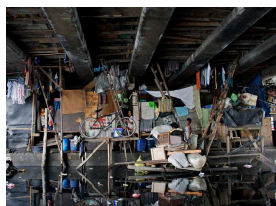


Table 6. GDP share and Employment Share by Industry

Sector/Data	GDP share	Employment Share	GDP share to Employment Share Ratio
Agriculture	14.10%	35.20%	0.4
Services	54.20%	49.30%	1.09
Industry	31.70%	15.60%	2.03

Source: Labor Force Survey April 2008 National Statistics Office, census.gov.ph

Half of Pinoy families say they are poor



The crisis in prices, jobs and incomes has grave implications on poverty and hunger. Official statistics show that (as of 2006 Family Income and Expenditure Survey) the number of poor families rose to 4.67 Million in 2006 from 4.022 Million in 2003. At least 32.9% of the population live below the poverty line. Self-rated poverty is even higher. An estimated 9 million families, or 50 percent of households consider themselves poor according to the March 2008 survey of the Social Weather Stations. Moreover, the most recent SWS survey shows that 2.8 Million families (15.7%) have experienced involuntary hunger. In the wake of surging food prices, a rise in the incidence of hunger cannot be far behind. While real incomes have been

falling, the price of food has been continuously rising, at a fast pace. Food inflation rate has already reached double digits at 16.5% (June 2008), and even higher outside NCR at 17.3%. The price of rice has increased at an even faster pace, at 43% across the country, and a staggering 60.5% in NCR. Food is becoming more and more inaccessible, with inflation getting a larger cut from already inadequate incomes and as of the first quarter, approximately 7.1 Million households, or 2 out of 5 Filipino families, already consider themselves 'food-poor,' according to SWS. Over 400,000 families, 5.8% of the self-rated food poor, experienced severe hunger in the first quarter, at a time when inflation was still 4.9 to 6.4 %.

Poverty Data		
NSO poverty (2006)	32.9% of population	4.67 Million Households
Self-rated poverty (SWS, March 2008)	50% of households	9 million families
Self-rated hunger (SWS, March 2008)	15.7% of households	2.8 million families

Wages, Expenses, Inflation

	2008	2007
Minimum Wage	P 382-345	P 325- 362
Family Living Wage	P 882 - 730 (family of 6)	P 792 (family of 5)

Source: National Wage and Productivity Commission

	Inflation	Food	Rice
Philippines	11.40%	16.50%	43%
NCR	9.20%	14.10%	60.50%
AONCR	12.30%	17.30%	40.60%

Source of Basic Data: June 2008 Inflation Rates, National Statistics Office, census.gov.ph

High incidence of hunger and poverty is set against a backdrop of stark disparities in incomes and resource access. According to the 2006 FIES, the average annual income of the poorest 10% is pegged at P32,000. This is clearly inadequate to nourish and sustain an average Filipino household, even when set against a low per capita poverty threshold of P15,057, or 42 pesos per person, per day. Comparing between income groups, note that the average income of the richest households is 19.4 times more than the average income of the poorest households. The poorest decile earned only P32,000 and the richest decile had an average income of P617,000 in 2006. The sharp contrast in incomes reflects skewed access to opportunities to earn and to gain from economic growth.



Photo: Carlos Paredes

The striking disparities can be demonstrated in various ways. For instance, in 2006, the poorest decile registered a total annual family income of P56 Billion (current prices), from P44 Billion in 2003, generating an increase of P12 Billion. In contrast, the richest decile garnered a total annual family income of P1.074 Trillion, from P884 Billion in 2003. With a P190 Billion increase (current prices), the richest families got a share of 34.23% of total annual family income growth (P555 Billion increase from 2003 to 2006). The poorest families, on the other hand, received 2.16% of the total growth in annual income of families. The contrast between the growth of the two income groups is 15.83 to 1-- the total income of the richest families grew 16 times more than the poorest families. That the poor are getting a smaller share of growth should not come as a surprise in an economy where distribution of resource endowments and access to other opportunities to earn are skewed and limited, confined mostly to precarious work, with low, unsteady incomes. What's worse is that these families are also the ones most likely to feel the harshest blows of the crunch. They do not only earn a lot less, but also devote a lot more of their expenditures on food and other commodities that have shown highest increases in prices. In this respect, it's not only the distribution of gains that are unequal, but also the distribution of risks, with the poorest most vulnerable and intensely affected by swings and shocks.

Share of Richest and Poorest Households in Total Annual Income and Growth in Total Household Incomes (2006 and 2003 FIES)



Total Annual Family Incomes Richest, Growth in Family Incomes and Share in Total Income Growth, Richest and Poorest Decile (In Billion Pesos)

Year	GDP Growth	Total Annual Income of Families	Total Annual Income of Richest Decile	Total Annual Income of Poorest Decile	Share of Richest Decile in Total Annual Income/ Growth	Share of Poorest Decile in Total Annual Income/ Growth	Ratio of Incomes/ Growth Richest to Poorest Decile
2006	5.4	2992	1074	56	35.89%	1.87%	19.17 to 1
2003		2437	884	44	36.27%	1.80%	20.09 to 1
Growth		555	190	12	34.23%	2.16%	15.83 to 1

Source of Basic Data: National Statistics Office, 2006 Family Income and Expenditure Survey <http://www.census.gov.ph/data/sectordata/2006/ie0603.htm>

Average Annual Family Incomes Growth in Family Incomes and Share in Total Income Growth, Richest and Poorest Decile

Year	Average Annual Income of Families	Average Annual Income of Richest Decile	Average Annual Income of Poorest Decile	Ratio of Incomes of Richest to Poorest Decile
2006	P 173,000	P 617,000	P 32,000	19.4 to 1
2003	P 148,000	P 537,000	P 27,000	19.8 to 1
Growth	P 25,000	P 80,000	P 5,000	16 to 1

Source of Basic Data: National Statistics Office, 2006 Family Income and Expenditure Survey <http://www.census.gov.ph/data/sectordata/2006/ie0603.htm>

Percent Distribution of Family Expenditure by Item for Poorest 30% and Richest 70% Households (In Billion Pesos)

Year	Total Expenditure (in billion pesos)	Food expenditure	Fuel , light and water	Transportation and Communication
All Income Groups	P 2561	41.40%	7.60%	8.20%
Bottom 30%	P 266	59.10%	7.30%	3.80%
Upper 70%	P 2,295	39.30%	7.70%	8.70%

Source of Basic Data: National Statistics Office, 2006 Family Income and Expenditure Survey <http://www.census.gov.ph/data/sectordata/2006/ie0603.htm>



This is a snapshot of how the economy is faring in terms of jobs, prices, incomes and poverty. Clearly, the state of this tenuous economy is best gleaned from the state of the Filipino working people. As we contend with this heady cocktail of skyrocketing prices, escalating cost of living, precarious employment or joblessness and falling real value of incomes, more Filipinos will find themselves thrust in a condition of worsening poverty, insecurity and hunger. The cruel contradiction that underlies our economic trajectory is the fact that the majority of Filipinos who have not accrued benefits from economic upturns, are the ones who are most affected and devastated by its downswings. While our economic managers are busy cooking up a cacophony of short-term populist projects, they have not addressed the inherent contradictions that characterize our economy or even effectively insulated the most vulnerable from the shocks that take place. Although the government has insistently pinned the blame on global developments, they will have to come up with more than just sophisticated spins or one-shot programs to appease the rising numbers who are feeling, and reeling from, the crunch. As more and more Filipinos are slaughtered by this economic tempest, what would be worth noting is how this latest swing in the economy will determine the unravelling of the political crisis.

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Endnotes:

¹ Data available at <http://www.nscb.gov.ph/sna/2008/1stQ2008/2008qpr1.asp>

² Data available at <http://www.census.gov.ph/data/pressrelease/2008/cp0806tx.html>

³ <http://www.census.gov.ph/data/sectordata/2008/cp080601r.htm>

⁴ <http://www.sws.org.ph/pr080519.htm>

⁵ http://www.nscb.gov.ph/secstat/d_price.asp

⁶ <http://www.census.gov.ph/data/sectordata/2006/table2b.pdf>

⁷ Philidhra's ASSET REFORM SCORE CARD (2008) reports poor implementation of asset redistribution programs and notes that in fact income disparities since 1988 has worsened. From 10 to 1 in 1988, the ratio of incomes of the richest 20 % to the poorest 20% has risen to 12.6 to 1, and then to 11 to 1 in 2006.

⁸ The poor spend a larger proportion on food than the rich. The poorest 30% of families allot 59.1% of their expenses on food. In contrast, the richest 70%, spent 39.3%.

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