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ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT
THE WORLD BANK**

The Philippines in the 1980s: A Review of National and Urban Level Economic Reforms

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and
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WORKING PAPER

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INTRODUCTION

This paper is one of a number of economic and social policy background papers written as part of the research project on "Urban Poverty and Social Policy in the Context of Adjustment" being undertaken by the Urban Development Division of the World Bank in Ecuador, Hungary, the Philippines and Zambia.

The purpose of this paper is to describe the economic reforms in the Philippines during the period 1980–1991. The review identifies and examines change at the macro level as well as the urban level. The paper intentionally uses both World Bank and other sources, many from the Philippines itself, to present different perspectives on the Philippines' economic reform process during the past decade. It focuses on the important economic changes and their potential impacts on urban low-income communities during the period of reform.

There are three parts to this paper. The first section examines the overall structure of the economy as well as pertinent economic, demographic and social indicators. Section Two carefully examines the origins of the economic crisis in the early eighties and traces the reform path embarked on by the Philippine government since the first structural adjustment loan in 1980. Since the adjustment process is shaped by historical factors, the direction as well as pace of adjustment is linked to the initial conditions described in the first section. The third section provides a detailed description of the national and urban level changes as a result of the macroeconomic reform process undertaken by the Philippine government.

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I. STRUCTURE OF THE ECONOMY AND MACROECONOMIC PERFORMANCE

Resource Endowments

1.1 The Philippines is a country with a land area of approximately 300,000 square kilometers, 92.3 percent of which is located within the eleven largest islands. Much can be said about the country's geographical features: an extensive coastline stretching 34,000 kilometers, the longest in the world; a diverse topography with high mountains and numerous valleys; and major lowland plains provide the arable land that makes the Philippines a basically agricultural country. Local air currents (NE and SE monsoon), the position of the islands, and the usual storm tracks affect the Philippine climate. At certain times of the year small streams swell up to three times their size during rainy months causing damage to human life and crops. Still, the country remains dependent on agriculture as the main source of employment.

1.2 The Philippines has one of the fastest growing populations in the world, averaging 2.75 percent between 1970 and 1980 and slowing down but still at a relatively high average of 2.4 percent between 1980 and 1990 (see Table 1). Total population in 1990 stood at 60.7 million, almost double the 1970 figure of 36.8 million.¹ By sex, the female population was greater than that of the male from 1970 to 1976, but the reverse was true thereafter. The female-male population ratio declined slightly from 1.01 in 1970 to 0.99 in 1980 and is projected to remain the same in the 1990s.

1.3 The rural-urban ratio was estimated to decline from 1.68 in 1980 to 1.34 in 1990. Rural-urban migration continues unabated as the total population in Metro Manila increased from 5 million in 1970 to 7.93 million in 1990, and that of nearby Region IV from 5.2 million to 8.3 million during the same period (see map attached).

1.4 The population of the Philippines is relatively young. The age cohort under 15 years of age comprised nearly 39 percent of the population while the age cohort 15–64 years represented nearly 58 percent of the population in 1990 (see Table 1).

1.5 In both urban and rural areas, the dependency ratio is inversely related to the household income (Hakim, 1991).² The dependency ratio for the bottom decile of the population distribution is 4.2 compared to 2.5 for the top decile (see Table 2). In the rural areas the corresponding ratios are 4.6 and 2.5. According to Hakim 1991, the relatively high dependency ratio of poor households results from the combination of two elements: relatively large household sizes and the smaller number of employed household members.

1. The population count is taken from the *Census of Population and Housing*, May 1990, Manila.

2. Dependency ratio refers to the number of household members per employed individual in the family.

Sectoral Composition of the Economy

1.6 The growth trends in the agricultural, industrial, and service sectors were quite varied during the last two decades. Throughout the 1970s and the early 1980s, there had been a strong expansion of the modern industrial activity with agriculture lagging behind. However, growth rates in the industrial sector began to decline in 1984, falling from 38 percent in 1984 to 34 percent in 1987. This can be attributed to the economic crises of the early 1980s which primarily hit the manufacturing sector. During the period 1983–1985, there was a sharp contraction in the manufacturing sector growth. It declined from 32 percent in 1983 to 10 percent in 1984, and slipped further to 7.9 percent in 1985. This was due to the shortage of imported inputs and lack of access to capital. These factors, combined with the slump in demand brought about a build up in inventories which led to a contraction in production. Since the decline in manufacturing growth was faster than that of the service sector, the latter became the most dominant sector by the mid-eighties due to its largest percent contribution to total production despite output declines in 1984 and 1985.

1.7 The pattern of sectoral composition is not reflected in the trends in sectoral employment. The agriculture sector consistently accounted for at least 50 percent of total employment in the 1970s. The second biggest employer was the services sector, whose share in total employment increased over the years especially during the 1980s. This can be attributed to the expansion of government services in the 1970s and informal sector services during the crisis years of 1983–1985. Industrial employment reflected the capital intensive nature of rapid industrialization as the sector only accounted for 14–15 percent of total employment.

1.8 The level and composition of the trade sector also varied during the past two decades. In the 1970s and 1980s, the growth of total exports ranged between -15 and 70 percent (see Table 3). The growth of exports dropped sharply in 1982 and 1984, to 12 percent and 14 percent respectively. However, this subsector recovered by 1988 when the growth rate climbed to 23.7 percent.

1.9 Despite the seemingly inconclusive performance of total exports, its components demonstrate a shift from traditional exports such as sugar, coconuts, and logs in the 1970s to non-traditional exports such as light manufactures in the 1980s (see Table 4 and Figure 2). The annual growth in traditional exports has been consistently lower than that of non-traditional exports during the period 1970–1990.

1.10 The imports sector, which posted declining growth during 1981–1985 is dominated by the raw materials category (see Table 5 and Figure 3). Its share to total imports had been over 33 percent in the past two decades. Imports of capital goods, especially electric and non-electric machinery ranked second. The early 1980s showed the rise in the share of imports of mineral fuels and lubricants. However, by the late 1980s, the share of imports of raw materials slowly began rising again. Consumer goods remained the least important category, having a share not exceeding 14 percent in two decades.

System of Ownership

1.11 The Philippine system of ownership is primarily based on private property rights, although in parts of the rural areas where cultural minorities live as well as in the Muslim South, the communal system still prevails. Property rights, however, remain ill-defined especially in the rural areas where only 50 percent of the private agricultural land has been under cadastral survey. The current distribution of land, moreover, has consistently been highly skewed (see Table 6). Over half of the farms occupy only 16 percent of the land area; two-thirds of the poor farmers are full or partial tenants. In addition, there is a growing number of landless workers (estimated conservatively at 1.5 million families) who lack access to land, particularly in the sugar growing areas. Increased concentration of land has accompanied the growing phenomenon of landlessness, despite the implementation of various land reform programs during the period 1956–1984 to address this problem. As rural poverty continues to worsen, there is heightened pressure for agrarian reform. The Presidential Executive Orders (E.O. 228) which was signed in 1988 outlined a comprehensive agrarian reform program (CARP).³

1.12 The majority of the enterprises in the Philippines operate in the private sector. In the last two decades, with the promotion of foreign investment, there has been increased participation of foreign capital in commercial agriculture as well as in the industrial and financial sectors. The domestic private sector includes tens of thousands of small-factory owners and entrepreneurs and a few dozen large domestic organizations. The former have traditionally served as the backbone of the consumer goods sector, producing textiles, clothing, shoes, processed food, and other items. Operating on small margins, they have been highly vulnerable to the tariff reforms and other trade liberalization measures. The larger conglomerates have their roots in Chinese capital and grew rapidly during the import-substitution period of the 1950s and early 1960s.

1.13 During the last two decades, the operation of transnational enterprises has dramatically grown in significance (Kunio, 1985). Their rise had reduced the role of the domestic private sector, particularly the small enterprises by the early 1980s, either through competition or through acquisition under joint ventureship. They dominate the food processing industries, certain export crops, pharmaceutical, petroleum, banking and investment houses, metals, machinery and equipment.

3. The Republic Act No. 6,657 which was signed in June 1988, defines more fully the scope and priorities of the program including: the distribution of foreclosed and sequestered land, sugar and coconut lands and giving titles to squatters on public lands; the retention limits; exceptions and exclusions; basis for land valuation; the privileges granted to multinationals and commercial firms; and administrative mechanisms. Under this agrarian reform program, rice and corn landowners would be compensated through ten-year bonds with market interest rates. If there are no strong contests by landowners and no major loopholes, a fully implemented CARP could cover 4.4 million hectares of which 3.3 million are coconut and sugar lands.

Economic and Social Indicators

1.14 In the 1970s, GDP grew by at least 5 percent except in 1970 and 1974 when it grew by approximately 4 percent. Real per capita GDP averaged \$680 during this period. The 1980s showed a rather uneven performance of the economy as GDP growth ranged from -7 percent in 1984 and 1985 to 6 percent in 1988. During the first five years of the 1980s there was a chronic deterioration in economic performance as 1984 and 1985 posted negative growth. The second half of the 1980s showed increases in growth until 1990. Per capita GDP for 1980–1982 averaged \$848. From 1983 to 1990, however, per capita GDP tapered off to \$587 mainly due to the combined effects of the deterioration in exchange rate as well as slow growth in output production.

1.15 The availability and easy access of relatively low-interest external credit during the 1970s and the country's heavy reliance on foreign funds for financing its growth strategies before 1983 resulted in a sharp rise in the overall level of external debt. The Philippines today ranks as one of the world's most heavily indebted countries. Total debt rose from \$13 billion at the end of 1979 to \$29 billion at the end of 1989. After reaching a peak of 42 percent of exports of goods and services in 1982, debt service was 30 percent in 1989 (see Table 7). This was largely the result of a series of official and private rescheduling reached over the past three years.⁴

1.16 Table 8 presents selected social indicators for the period 1965–1990. According to the World Bank estimates, more than two-thirds of the population have access to health care which is slightly higher than the average for lower middle income countries. The infant mortality rate has been drastically reduced from 60 percent in 1970 to 45.1 percent in 1980 and it was estimated to be 30.1 percent in 1988. It is believed that this is largely a result of improved health practices. As Table 8 also indicates, female life expectancy at birth continues to increase and is above the overall rate. Average-daily calorie intake per person in the Philippines is approximately 2,200.

1.17 In terms of educational attainment, the Philippines has one of the highest literacy rates among developing countries. More than 85 percent of the population are literate and this is true for both males and females. This makes the Philippines not only well-endowed in natural resources but in human capital resources as well.

1.18 Despite the relative abundance of resource endowments, nearly half of the Philippine population live below the poverty line.⁵ Based on Table 9, the official estimates of the incidence

4. The Philippines obtained rescheduling in 1984 and 1986 from the Paris Club, totalling about \$1.2 billion in relief. A third rescheduling agreement in 1989 amounted to approximately \$2 billion over 1989–92.

5. There are several calculations of poverty lines in the Philippines. This suggests that to some extent, their estimation method is chosen somewhat arbitrarily and that great caution must be exerted in their application. The official poverty line calculated by the Technical Working Group on Poverty, which includes functionaries from three institutions namely: National Economic Development Authority (NEDA), National Statistics Office (NSO), and the

of poverty rose from 49 percent to 58 percent between 1971 and 1985.⁶ Using the 1985 and 1988 family income and expenditure surveys (FIES) survey data, Hakim (1991) estimated that the poverty incidence in terms of the number of households fell during the period 1985–88. For rural households, it dropped from 63 percent to 55 percent and for urban households, from 51.2 percent to 38.7 percent (see Table 10). The figures suggest that poverty was still concentrated in the rural areas. In terms of the number of people, poverty incidence has fallen from 64 percent to 54 percent for the population as a whole during the same period. The fact that poverty incidence is higher in terms of individuals than households indicates that poor households tend to be larger than the average Filipino household.

1.19 Comparing the age structure of households in various income categories in both rural and urban areas, Hakim (1991) found that poorer families tend to be younger and more likely to have all of their children within the same household.⁷ The more wealthy families are relatively older with some of their children having formed their own nuclear families. In the urban areas, the number of family members less than 15 years old decreases when income per capita increases. The same pattern is repeated in the rural areas, where households in the lowest income group have on average two household members aged less than 15 years old, representing 30 percent of the household size, compared to 0.68 persons or 16 percent of household size in the top tenth decile.

1.20 The poverty profile by geographical region shows that the highest poverty incidence, among urban families, occurs in Eastern Samar, followed by the Visayas, Bicol and Western Mindanao (see Table 10). In terms of the absolute number of poor households, the National Capital Region (Metro Manila) accounts for the highest proportion with over 20 percent of the urban poor. But in terms of the rate of decline in the number of poor households, the national capital region (Metro Manila) shows the largest rate of decline, almost twice the national average.

1.21 The households with incomes below the poverty line do not constitute a homogeneous group. Table 11 presents some characteristics for each per capita quartile group. First, the poverty level is related to household size and dependency ratios (number of persons in the family per employed member). The larger the family, and the higher its dependency ratio, the poorer it is. Second, wage income is inversely related to poverty level, the poorer the family, the smaller its share of wage income, and the larger its share of self-employed income. This is true as well for

Food and Nutrition Research Institute (FNRI) has been adopted here as the threshold defining who is poor and who is not. Income is used as the relevant variable to determine whether a family is poor or not.

6. The World Bank estimates, however, show an increase in urban poverty incidence and no change in the rural areas (World Bank, 1988b). Poverty incidence for the country as a whole remains unchanged due to the shift of population from rural to urban areas.

7. Hakim's study utilized the Family Income and Expenditure Surveys (FIES) conducted by the National Statistics Office for 1985 and 1988. The two surveys have the same sampling design which made it suitable for comparative purposes. The sample size of the 1985 and 1988 FIES consists of 17,495 and 19,897 families respectively.

the number of wage workers in the household. The poorer families tend to have proportionally fewer members engaged in wage activities. Third, there is a clear inverse relation between the degree of poverty and the amount of schooling. Only 8 percent of the household heads had educational training above high school. This proportion increases continuously with the level of income and in the fourth quartile becomes 18 percent.

1.22 Poverty in the Philippines is not only a reflection of low average incomes but also a result of a highly unequal distribution of income. Although income distribution improved over the 1971–85 period, the Philippines is still among the most unequal of middle income countries. Table 12 shows that the average real incomes of the lowest five deciles increased slightly over the period, 1971–1985 while there was a drop in the average income of the highest deciles. In spite of these changes, by 1985, the top decile of the population had more than 15 times the income of the lowest decile. Since then, the overall income distribution as measured by the Gini coefficient, has changed only marginally from 0.446 in 1985 to 0.441 in 1988.⁸ The coefficient is higher in the urban areas indicating a much worse income distribution (see Table 13). However, the incidence of poverty in the rural areas is much higher. Over the last twenty-five years, rural incomes represented only 47 percent of the average urban income, compared to 40 percent in 1961. National poverty incidence declined slightly although the number of families increased.

8. The National Statistics Office (NSO) calculated the Gini coefficients using grouped data. Hakim's (1991) independent estimation is based on integrating a parametrized Lorenz curve. The parameters in this case were obtained from a regression on the full sample, not on grouped data. His calculations yielded a Gini index of 0.4567 in 1988 compared to 0.4596 in 1985.

II. ECONOMIC REFORMS AND ADJUSTMENT

2.1 The trends in the Philippine economic performance for 1980–1990 can be analyzed in the context of various external and internal “shocks” in foreign exchange availability and the response of the government by way of macroeconomic reforms. This entails subdividing the last decade into five sub-periods namely: a) period of economic growth (1970–79); b) early period of structural adjustment (1980–82); c) the crisis period and the concomitant stabilization attempts (1983–85); d) the period of economic recovery (1986–89); and e) recent macroeconomic developments (1989–90). A summary of external and internal shocks and the corresponding policy responses is presented in Table 14.

Period of Economic Growth (1970–79)

2.2 The decade of the 1970s started off with a major economic crisis. The Philippines faced its first debt crisis accompanied by a balance of payments deterioration which started in 1968. These problems eventually brought about a 50 percent devaluation of the peso and double digit inflation never before experienced in Philippine history.

2.3 During the first half of the 1970s, GDP grew by approximately 5 percent. The moderate growth performance was a result of the export promotion strategy adopted by the Marcos government which got its boost from the flow of foreign investment into the country. At the same time, however, there was accelerated inflation caused mainly by the devaluation and the first oil price hike. Inflation was further fueled by expansionary monetary and fiscal policies. It was also during this period in 1972 that martial law was declared.

2.4 There was a quick turnaround in the economy’s performance during the 1975–1979 period. The Philippines then attained an average growth rate of 6.2 percent which was largely a result of the very high growth in the industrial sector, particularly in the manufacturing (8.48 percent) and construction (20.72 percent) subsectors.

2.5 During this period, industrial development was largely based on a protectionist incentive structure under the import substitution program and massive support from public investment in infrastructure and energy. A supply-led external finance boom followed, financed largely by low-interest, short-term foreign loans mainly from commercial creditors. By 1979, the external debt stood at \$13.35 M almost tripling from \$4.9 M in 1975. The ratio of external debt to GNP reached 45.18 percent in 1979 from 25.52 percent in 1974.

2.6 Influenced by the dramatic rise of the neighboring newly industrialized countries (NICs) and by the heavy sector support of multilateral agencies (the World Bank in particular), specific government support programs were also set up to promote non-traditional manufactured exports resulting in the success of a few branches of industry (i.e., garments and electronics). Combined shares of garments and electronics to total exports grew from nil in 1970 to 18 percent in 1979. As mentioned earlier, there had been a shift from traditional to non-traditional exports, and this decade showed signs of transition (see Figure 2).

2.7 The plummeting commodity prices (especially of sugar) in 1974 could well have been a blessing in disguise since it provided further incentive for the economy to shift to non-traditional manufactured exports. Overall, exports grew at an average rate of 12.4 percent annually between 1975-79. Although achieving partial success, the export diversification strategy of the Marcos government, which centered around garments and electronics, had a fundamental shortcoming in that they were highly import dependent for their intermediate inputs. This, coupled with the high import content of the non-tradables where most investments had been channeled, resulted in an even higher growth for imports surpassing the record high growth of exports in 1974. As a result, the country faced a trade deficit with levels averaging \$616.7 M for the 1970s.

2.8 In addition to the deteriorating terms of trade, double-digit inflation rates dominated the 1970s. It started off at 14.85 percent in 1970 peaking at 34.16 percent in 1974 during the oil crisis. With a relatively high growth during the 1975-1979 period, inflation was trimmed down to single-digit levels averaging at 8.31 percent from 1975-1978 until 1979 when it shot up to 16.51 percent.

2.9 In sum, the country experienced rapid economic growth during the 1970s. This was accompanied, however, by a development strategy that produced severe distortions in the pattern of incentives and in the existing markets (World Bank, 1991b). The growth pattern emphasized capital-intensive, import-substitution activities and discouraged agricultural and export development. Moreover, the economy became heavily dependent on imports, foreign capital and foreign loans. As a result, the high growth of the 1970s has been associated with declining real wages and growing levels of poverty and unemployment.

Early Period of Structural Adjustment (1980-1982)

2.10 Given the evolving market distortions and structural rigidities created in the 1970s, the economy did not adjust well to the severe external shocks of the post-1979 period. These included the high oil prices (after the second oil price hike), the steep increase in the world interest rates, the declining export prices, the recession in industrialized countries and the additional short-term loan supply shock.⁹

2.11 In addition, there was an internal shock resulting from the previous period's external finance boom and the financial crisis which arose from the excessive financial leverage of public and private firms in 1981. The government's attempt to selectively bail out favored and distressed firms led to a severe loss of private investment and massive private capital outflows.

2.12 In 1980, the Philippine economy began to experience the main symptoms of an economic crisis, namely:

9. Similar to the start of the previous decade, the 1980's commenced with another crisis—the lag effects of the second oil shock in 1979-1980 which slowed down external finance as restrictive monetary policies in developed countries brought the sharp rise in interest rates.

- Declining growth rates.
- Deteriorating terms of trade.
- Rising inflation.
- Growing Balance of Payments deficit.
- Accumulating large external debt.

2.13 In particular, the economy slowed down during the period 1980–1982 to an average growth of 3.57 percent. Real GNP growth rate dropped from 4.62 percent in 1980 to 2.84 percent in 1982. There was also a decline in net factor income from abroad as real GDP growth fell from 5.15 percent in 1980 to 3.62 percent in 1982.

2.14 During that year, a stand-by arrangement with the International Monetary Fund (IMF) and the first Structural Adjustment Loan (SAL I) amounting to \$200 million were obtained by the Philippine government. As a result, several measures were adopted to move the Philippine economy towards a more market-oriented one. These included:

- Liberalization of interest rates to reflect market conditions.
- Lowering of tariff levels from an average of 43 percent to 28 percent.
- Removal of many trade restrictions.
- Removal of price controls on agricultural output and inputs.
- Elimination of direct government investment in capital intensive industries.
- Adoption of a market-oriented exchange rate.

2.15 Launched in 1981, the restructuring of the trade sector started with the implementation of the tariff reform program. This was to be completed with the lifting of quantitative restrictions (QRs) on imports and the abolition of all export taxes except on logs. It also called for the reduction of tariff rates from a maximum of 100 percent to only a peak of 50 percent and a floor rate of 10 percent by 1985.

2.16 The period 1980–1982 was crucial to the financial sector as well. Together with the implementation of trade reforms was the adoption of the financial liberalization policy. One particular feature was an offshoot of a joint IMF-World Bank Report on the financial sector of the economy that introduced a new type of banking called universal banking or unibanks for short. The unibanks were allowed to perform both investment and banking functions. Interest rate

liberalization which began in 1981 was completed in 1983 with the lifting of the ceilings on interest rates on short-term loans.

2.17 In 1981, the financial system was shaken by the fleeing of a rich financial tycoon leaving millions of dollars in debt in various Philippine banks. This generated panic among money market investors and depositors and led to massive withdrawals. The financial panic eventually brought many investment houses, off-shore banking units and commercial banks into trouble.

2.18 From the point of view of the World Bank, however, this early period of structural adjustment was characterized mainly by a gradual removal of major controls and distortions affecting factor and commodity prices. While progress was not always smooth, nor without some temporary back-tracking, the incentive structure was laid as the basis for a better pattern of growth.

The Crisis Period (1983–85)

2.19 The Philippine economy reached a crisis situation in 1983. Although GNP and exports were rapidly expanding during the 1970s, the underlying structural weaknesses in the economy persisted, such as:

- Manufacturing expansion largely occurred in highly protected sectors.
- The incentive system was not conducive to a broad-based export expansion.
- Increased government participation in productive activities.
- Increased government reliance on external sources of finance with external debt increasing from 5 billion in 1975 to 24 billion in 1982.

2.20 The assassination of Senator Benigno Aquino (a key leader of the opposition) in August 1983 hastened the slide of the economy into recession. The imminent political and economic unrest finally erupted along with the stoppage of medium and long-term loans in 1983.

2.21 A major balance of payments crisis thus emerged during this period with the fall in the terms of trade and the contraction of available external financing. Growing import requirements were not met with higher export receipts. Growing fiscal deficits persisted. Following the Aquino assassination, the external debt problem came into the open as commercial lenders refused to roll over short-term credits or extend new loans. External debt rose to \$28.4 M in 1983 from \$24.6 M in 1982. The capital flight that followed the political crisis further exacerbated the balance of payments problem.

2.22 The government was thus forced to declare a moratorium on its debt payments and agreed to undertake an IMF-World Bank stabilization program. In 1983, the Philippines received its second SAL amounting to \$302.3 million as well as its second stand-by arrangement with the

IMF, to be followed a year later by an agricultural sector loan of \$150 million and a third stand-by arrangement. The main instruments for stabilization included drastic cuts in public expenditures and restrictive monetary policies. In addition, there was a devaluation of the peso and a sharp increase in interest rates.

2.23 The economy began to contract with a decline in GNP of 8.7 percent and 7.1 percent in 1984 and 1985, respectively. The hardest hit was the industrial sector which decelerated at 11.5 percent and 15.8 percent in 1984 and 1985, respectively. Real per capita GDP dipped to \$562 in 1985 from \$877 in 1980. The growth of money supply (M3) went down to 7.8 and 9.9 percent in 1984, and 1985, respectively, from around 20 percent in 1982. Government expenditures which were heavily cut, were offset to some extent by increased transfers to poorly performing public enterprises. This period gave way to a shattered political regime as its supporters broke apart due to the economic recession, which particularly affected the manufacturing industry.

2.24 The crisis also caused a series of devaluations from 1983-1985. To further discourage imports and arrest capital flight, the peso was devalued three times between June 1983 and June 1984. This series of devaluations, along with contractionary fiscal policies, helped boost export growth.

2.25 Although the country had a trade deficit during the 1982-1984 period, the gap narrowed from \$2,646 M in 1982 to \$679 M in 1984. The narrowing of the trade gap was largely the result of immediate policy responses of the government. Contrary to World Bank recommendations, stringent foreign exchange restrictions and wide ranging import controls were adopted. These included the creation of a foreign pool for priority import payments by requiring banks to sell 100 percent of their foreign exchange receipts to the Central Bank and the setting up of priorities in the allocation of foreign exchange.

2.26 Deceleration in the growth of imports began in 1982 and peaked at 18.9 percent in 1984, with import of capital goods having the largest contraction at 32.3 percent. On the other hand, total exports grew in 1984 at 7.7 percent. This can be attributed to the 25.3 percent growth in the exports of non-traditional manufactures. The level of growth in exports more than offset the degree of deceleration in imports, and the trade balance, although still in deficit, grew to a record high of 72.6 percent in 1984.

2.27 In 1984, a high interest rate policy was officially instituted to check exchange rate movements and bring back private savings from abroad. This mainly affected the production costs as the inflation rate accelerated from about 10 percent in 1982 to 50.35 percent and 23.1 percent in 1984 and 1985, respectively.

2.28 The recession was especially hard on the poor. A World Bank study showed that 59 percent of Filipino families lived below poverty levels in 1985. This, as the World Bank Country Economic Memorandum indicates, was due to increasing underemployment, inflation and overvaluation of the exchange rate. If the adjustment had been undertaken before, and if the stabilization had been done through a greater reliance on the exchange rate and supply enhancing

policies, the income of the poor could have been sheltered from this drop in production activity. The impact of such adjustment on the poor could have been minimized if there was an accompanying set of social safety net measures to mitigate the impact, and if the drop in government expenditures had been accompanied by a drastic change in the composition of public expenditures. The latter were largely benefitting higher income groups because of the type of social services and investment projects in which the government was involved.

2.29 In sum, the negative macroeconomic developments for 1983–85 were as follows:

- Decline in GNP of 6.8 percent in 1984 and 3.8 percent in 1985.
- Total investment also dropped from 27.1 percent of GNP to 16.5 percent in 1985 with public investment down to 3.6 percent from 7.7 percent and private investment down by 6.8 percent of GNP.
- Inflation surged from 10 percent in 1983 to 50 percent in 1984.
- Real interest rates went up from 7 percent in 1982 to 21 percent in 1985.
- External debt rose by 8 percent of GNP.
- Increase in poverty due to the sharp increase in underemployment and a decline in real GDP to 1975 levels.

Period of Economic Recovery (1986–89)

2.30 During 1986–89, the economy recovered across a broad front.

- GDP grew steadily.
- Consumption and investment grew.
- Inflation was controlled at an average of 4.5 percent over 1986–88.
- Current account deficit and the fiscal deficit were reduced to earlier levels.
- The bulk of debt repayments was postponed to 1992 and about \$1.6 billion of the debt was retired, which led to a reduction of the external debt by about 17 percent of GNP.
- Moreover, poverty was reduced from 59 percent to 49 percent of all households.

2.31 Demand-led economic recovery characterized the 1986–1989 period. With the toppling of the Marcos regime, confidence was slowly setting in. From an average decline in GNP of 4.7 percent for the previous period, the economy recovered to a 5.1 percent growth in 1986–1990. From 1986 to 1989, real per capita GDP had inched its way to \$613 in 1989 from \$523 in 1986. However, in 1990, it dipped to \$587 mainly because of the combined effects of low growth in 1990 (2 percent) and the steep devaluation of the official exchange rate.

2.32 The recovery and its consolidation was attributed by the World Bank to sound economic management and a bold series of reforms undertaken by the government. These included:

- Tight fiscal policies which increased taxes and reduced government expenditures.
- Tight monetary policy which limited growth of money supply.
- Responsible external debt management initiatives in the form of commercial and Paris Club rescheduling and debt-equity swaps.

2.33 These achievements were considered by the World Bank to be impressive; among the indebted countries, the adjustment performance of the Philippines ranks near the top. Its growth has been relatively high and stable compared to Argentina, Brazil, and Mexico. Its fiscal adjustment has been deeper and more consistent, its inflation lower and less volatile, and its external debt reduction faster.

2.34 Interestingly however, Filipino economic analysts attributed the economic recovery to a short-term expansion of consumption, fed by current government spending and to a lesser extent, real private income growth with increasing wages and very low inflation (0.8 percent in 1986 and 3.8 percent in 1987). Recovery was supported by the euphoria of a new administration, the restoration of business confidence, and increasing support of bilateral and multilateral donors.

2.35 In addition, a favorable external economic environment helped boost imports and industrial growth as world prices for crude oil fell in late 1987, coconut prices recovered, and the U.S. sugar quota to the Philippines was increased in 1986. However, by 1988 the economy had reached its full capacity and supply bottlenecks emerged. The inflation rate rose from 3.8 percent in 1987 to 12.7 percent in 1990.

Macroeconomic Developments in 1989–90

2.36 Macroeconomic performance since 1989 has been disappointing compared to the achievements of 1986–88. Some of the more disturbing trends are the following:

- Fiscal deficit rose from 3.1 percent of GDP in 1988 to 5 percent by the first half of 1990.

- Current account deficit rose from 1 percent of GDP to almost 5 percent of GDP by 1990.
- GDP growth slowed down from 6.4 percent in 1988 to less than 3 percent in 1990.
- Inflation increased from 8.8 percent in 1988 to 13 percent in 1990.
- Domestic debt rose from 19 percent of GDP in 1985 to 24.6 percent in 1989.

2.37 Despite significant fiscal adjustment, these macroeconomic problems surfaced, according to the assessment of the World Bank, as a result of:

- Limited access to external finance.
- Low yield of the public revenue system.
- Increased expenditures on social services to address pressing infrastructure and poverty problems.
- Appreciation of the exchange rate relative to its key competitors.
- Decreased market share in the developed countries' markets.

2.38 In addition, there were exogenous shocks. A prolonged drought lasting over the winter and spring months of 1989–90 substantially reduced crop output. The drought was also partly responsible for shortages in power availability which in turn reduced growth in industrial output. A strong earthquake in July of 1990 caused considerable damage in Central Luzon. Turmoil in the Middle East caused the price of oil to jump by almost 50 percent. More recently, a major volcanic eruption in June 1991 wrought extensive damage in several thousand acres of forest, farmland, cities, infrastructure, and U.S. bases in Luzon.

2.39 The government recently revised its adjustment program and endorsed various measures to deal with these trends. They included:

- Raising tax and non-tax revenues on:
 - “sin” products (e.g. tobacco and alcohol) as well as soft drinks;
 - real estate transfers;
 - purchases of luxury items;
 - forestry charges;
 - business income tax; and
 - other fees and charges of selected government agencies.

- Reducing expenditures by:
 - cuts in administrative expenses;
 - personnel hiring freezes in most departments (except education, health and revenue collection);
 - wage and salary freeze for the public sector;
 - 8 percent cap on the increases in the wage bill;
 - substantial reduction of capital outlays under the comprehensive agrarian reform program (CARP).
- Eliminating the oil price stabilization fund and deregulate oil prices.
- Reducing interest rates by adopting a more competitive exchange rate policy, reducing financial intermediation taxes and increasing competition in the T-Bill auction system.
- Increasing economic efficiency by rendering the trade regime more open vis-a-vis.
- Eliminating of the remaining quantitative restrictions on imports; and
- Reducing the level and dispersion of tariff rates.
- Improving investment incentives by:
 - significantly reducing the number of business categories in which foreign investment is prohibited;
 - re-opening of debt-equity swap facilities (the availability of such facilities was responsible for much of the increase in foreign investment observed in 1988 and 1989).
- Improving export promotion by:
 - providing incentives to a wider range of exporters, including indirect exporters as well as those who export a small proportion of their total production;
 - improving export financing facilities by introducing foreign currency loan schemes to finance imported inputs;
 - improving the export policy and program coordination.
- Rationalizing the public sector by:
 - accelerating the privatization program;

- reducing tax exemptions and subsidies presently enjoyed by some public corporations;
- improving management in public corporations;
- deregulating entry, routes, and rates in inter-island shipping and road transport;
- lifting import restrictions on equipment and spare parts.

III. MESO-LEVEL TRENDS: CHANGES IN MARKETS AND SOCIAL INFRASTRUCTURE

Labor Force Participation Trends

3.1 The labor force has been growing rapidly since the 1970s, averaging 4.2 percent during the period 1970–1980 and 4.5 percent from 1980–90. In absolute terms, the total labor force more than doubled in two decades, from 11.6 million in 1970 to around 25 million in 1990, reflecting a fast growing young population (see Table 15). While the overall population growth rate was around 2.5 percent, the working age population grew at 2.8 percent. Between 1970 and 1990, the population group 0–14 years grew at an average of 2.2 percent while the 15–64 group grew at an average of 4.6 percent. Labor force growth below 25 years of age averaged 3.6 percent from 1971 to 1990. In terms of age distribution, approximately 80 percent of the labor force belong to the 15–44 age category while 20 percent are 45 years and over (see Table 16).

3.2 The male-female labor force ratio has declined from 2.1 in 1970 to around 1.7 in 1990 (see Table 16). This is not surprising since the female labor force grew by an average of 6.4 percent while the male labor force grew by only 4.1 percent during 1970–90. However, the average labor force participation rate for males is still higher than that for females: 75.4 percent versus 40.2 between 1970 and 1987.

3.3 Another salient feature of the Philippine labor force is the increasing percentage of workers with partial and completed secondary education; for example between 1976 and 1987, it increased from 21.9 percent to 29.9. This is probably due to the efforts of government to provide low-cost education and skills training programs. In addition, competition from a surplus of labor and stringent requirements of employers have encouraged workers to acquire more training and education.

3.4 The trend of rapid labor force expansion, accompanied by low labor productivity began to show their cumulative effect in the 1980s and were further exacerbated by the drop in domestic activity. Although GDP continued to expand at above 3 percent annually, it dropped by more than 10 percent in the adjustment period. As the next subsection will show, open unemployment in 1986, as a result, reached 11.1 percent and underemployment 16.5 percent. The labor force growth rate diminished somewhat during the recession. In particular, the participation rates of females and young workers dropped.

3.5 Total employment grew from only 10.7 million in 1970 to around 23 million in 1990, growing at an annual average of 5.4 percent (see Table 15). The employment rate averaged 91.7 percent during the past two decades. The acceleration in the growth of agriculture and the expansion of the services sector allowed for the higher rate of absorption in the early 1970s. However, the highly capital-intensive nature of the industrial sector limited employment generation especially in the manufacturing sector.

3.6 The Philippines remains a predominantly agricultural economy in terms of population and labor force. The bulk of employed is in the agricultural sector (around 50 percent) although its

share to the total had been declining (see Table 17). However, the shift in employment has been more towards the relatively low-productivity, low-value added services sector whose share grew from 28.2 percent in 1976 to 36.6 percent in 1987. The limited capacity of the industrial sector to absorb more labor kept its share at around 15 percent. Job creation in this sector was slow during the 1970s and practically zero in the eighties.

3.7 One of the interesting features of the labor market is the importance of seasonal employment, not only in the rural areas but in the urban areas as well (Hakim 1991). One observation by Hakim 1991 is that even in the urban areas and especially among the poor. Using the FIES survey data, Hakim concluded that most of the wage income in the urban areas comes from non-agricultural activities and it is here that a high incidence of seasonal employment is observed. One plausible explanation is that during periods of economic instability and recession, firms may rely on hiring workers on a temporary basis as a means of responding quickly to an uncertain environment.

3.8 Hakim's study (1991) study shows that in the urban areas, poor households are generally employed in small-sized, low-paying firms. Using 1983 Census of Establishments' data, he argued that urban poverty and low wages go hand in hand. Low wages are determined by low levels of skill and productivity, which is in turn related to low levels of capital per worker.

3.9 Next to wage employment, the second most important source for livelihood by the urban poor is self-employment. In fact, self-employment expanded faster than wage and salary employment during the 1980–86 period. Employment in trade and services, which typically includes informal activities, grew at 8.5 percent and 12.2 percent per year respectively during the period (see Table 18). The number of self-employed households (excluding urban farmers) is about the same across various income categories, varying between 8 and 12 percent of the total number of households in each decile (see Tables 19 and 20).¹⁰ The income structure of the self-employed also remains fairly stable as one moves across deciles, with income from self-employment ranging from 76 to 81 percent of total household income.

3.10 International labor migration has surged in the last decade. The increased demand for highly skilled labor abroad has brought about a high rate of external migration as many Filipinos were attracted by better job opportunities abroad at the time when the domestic labor market could not offer competitive and remunerative employment. Table 21 shows that overseas employment has been growing steadily since 1979. The total number of processed contract workers increased dramatically particularly after the economic crisis of 1983–85, rising by 22.9 percent between 1986 and 1988. This migration has particularly affected the market for skilled labor from construction workers to nurses and engineers, in addition to that for domestic help.

10. The self-employed families are those that derive more than half of their income from self—employment. This would include those households in which the head is a wage earner but may not be the principal income earner in the household.

3.11 In terms of sectoral employment, agriculture has the largest labor absorption capacity accounting for about 50 percent of total employment (see Table 22). The next largest employer group is the wholesale and retail trade service sector. Employment generation in the manufacturing industry has remained limited throughout the decade with only 9–12 percent of total employment. This can be attributed not only to the slump in production but also to the structure of production in many of the industries. With the exception of garments and textile industries, the manufacturing sector tended to be capital-intensive in nature.

3.12 The level of employment in the public sector has risen faster than that in the private sector during the period 1988–1991. Nonetheless, the public sector employment amounted to less than 6 percent of the labor force (see Table 23). In terms of distribution across the ministries (departments) within the public sector, education was the largest employer accounting for 40–42 percent between 1982 and 1986. This was followed by the defense sector and the production related sector.

3.13 Much of the increase in public sector employment seemed to be merely of an accounting nature since it reflects the regularization of a large number of persons previously listed as contract or temporary workers. The Aquino administration regularized the status of these employees in order to promote fairness in the award of pensions and fringe benefits.

Employment Patterns

Unemployment and underemployment

3.14 Unemployment and underemployment remain important problems in the Philippines despite the period of economic recovery. Every year, over 700,000 new entrants join the existing labor force which already includes five million under or unemployed workers. The unemployment rate averaged 8.3 percent during the last two decades, peaking at 12.5 percent in 1985 (see Table 15). On a quarterly basis, the highest recorded was 14.7 percent in April 1978. It remained at two digit levels during the 1983–1987 crisis years although it has been declining since then.

3.15 According to the 1988 World Bank Report on poverty, two sets of distortions adversely affected the employment content of economic growth. One set refers to the sectoral composition of output and those that have increased the relative cost of labor. Trade restrictions have fostered the expansion of import competing industries at the expense of agriculture. Internal price policies which have kept the price of food down, have also discriminated against agricultural growth. Policies also have made the cost of capital artificially cheap and at the same time increased the relative cost of labor. In addition, the spate of calamities and other global events which occurred during the past two years, e.g., the Gulf conflict, July 1990 earthquake, the Mt. Pinatubo eruption, and the Ormoc tragedy contributed to the slowdown in employment growth as the economy struggled to contain its losses.

3.16 Most of the unemployed, whether male or female, are young (15–24 years) (see Table 24). While national unemployment is 11 percent, it is 13 percent for those under 24 years of age and

23 percent for the same age group in urban areas (see Table 25). A typical unemployed female tends to be younger than her male counterpart. Almost 70 percent of the unemployed have a high school education or have low educational attainment, suggesting a mix of skilled and unskilled among the unemployed. They are concentrated in the agriculture and production sectors, although towards the middle of the 1980s, the share of production workers outpaced that of agricultural workers suggesting that the former group was the hardest hit by the economic crisis.

3.17 Underemployment averaged 15 percent during the 1970s but started climbing in the 1980s from 26 percent in 1980 and peaking at 40.3 percent in July 1984 (see Table 15). By 1986, the figure had declined slightly below the level in 1980, about 25 percent on average. By 1990, underemployment dropped to 22.4 percent. With respect to sex distribution, the problem of underemployment is more serious for men than for women (see Table 26).

3.18 Urban underemployment is higher among less educated and older people (see Table 27). In general, the family of the average underemployed person lives below the poverty line. The problem of underemployment remains pervasive in rural areas where female and child labor employment is common. It is also prevalent among agricultural and production workers who have low educational attainment.

3.19 The above-mentioned labor-market trends explain a large part of the growing poverty problem. Higher under and unemployment, combined with declining real wages and labor earnings, seriously affect the incidence of poverty in terms of labor income. Table 28 presents a cross-sectional picture of poverty in the labor force. It shows that poverty is concentrated in agricultural, self-employed and unskilled workers. In urban areas, most of the poor are in trade, transportation and services. The poorest families are usually headed by unskilled workers. Overall, poverty is worse among own-account workers in agriculture and services.

Changes in Real Earnings and Labor Market Flexibility

3.20 One interesting feature of urban poor household income is the relative importance of wages as a source of income. In fact, during period 1985–89, wage income increased faster than total income, thus increasing its share from 50 percent of total income to 54 percent, with self-employment stable at around 25 percent, and other income falling from 26 to 21 percent (Hakim, 1991). The importance of wage income, in fact, seems to be greater for poor households than for typical urban Filipino households.

3.21 Even as nominal wages are adjusted periodically in response to the clamor of the workers, real wages remain low. In fact, real wages fell continuously between 1960 and 1980 for both urban skilled and unskilled workers, at a rate of about 3 percent annually. Rural wages, although falling, did not drop as fast as urban wages since labor absorption in agriculture was more dynamic than in manufacturing and industry (see Table 29). After 1980 and before the economic crisis, there was a slight real wage recovery, when services accounted for most of the employment creation. However, this negligible recovery in real wages did not reverse the long-

term decline. In fact, the 1986 real wage for skilled workers dropped to only 60 percent of the 1972 level, while for unskilled workers, it dropped to 73 percent of the 1972 level.

3.22 In terms of geographical variation, real wage in the non-agricultural sector tended to be generally lower in Metro Manila because of the lower cost of living in the regions. In 1988, real wages in the private sector increased over that of the previous year. This was largely due to the relatively higher nominal wage rate and the single digit inflation rate. As far as compensation levels for public employees are concerned, the recent upward adjustments (the personnel bill of the government has grown by 24 percent between 1987 and 1990) follow several years of declining real levels of compensation.

3.23 The study by Hakim (1991) shows that during the period of economic recovery (1985–88), the importance of permanent wage income remained constant in the urban areas. The fact that wages per worker are lower at the bottom of the distribution might not entirely be due to differential wage rates or skills, but also to significant differences in the number of hours or days worked as wage earners. Wages per worker in the low-income brackets could be increased by a shift from seasonal to permanent employment, holding the number of workers and the wage rate constant.

3.24 One important labor market institution in the Philippines that has gained significance since the late 1970s is labor unions. This is largely in response to accommodating legislation introduced by the Aquino administration. Union membership has increased in recent years, in both the private sector and public sectors. In the public sector, the World Bank estimation is that it has increased by 30 percent in 1990 to a level of 77,500 members. In the private sector, union membership is estimated to be around 2.9 million persons or 12 percent of the total work force, having risen by about 800,000 in 1989 alone (World Bank, 1990).

3.25 The Philippines also has a wage-setting mechanism, at least legally speaking. Annex A chronicles the minimum wage legislation in the Philippines for the period 1951–76. In December 1987, the minimum wage law provision was revised to increase the minimum wage for both agricultural and non-agricultural workers by 10 pesos.¹¹ In addition, a two-step integration of the cost of living allowance (COLA) into the basic pay was also mandated. Public sector employees also received upward salary adjustments starting March 1, 1987. These adjustments contributed to the increase in the compensation index by 25.6 percent in the manufacturing sector.

3.26 With the creation of the regional tripartite wages and productivity board (RTWPB) in 1990, minimum wage rates in the private sector were increased on a regional basis. The wage increases affected ranged from a high of 17 pesos in the national capital region (Metro Manila) to only 8 pesos for Region VII in retail and service establishments employing less than 10

11. Two months before, in October 1987, 266,800 workers staged a week long general strike to demand the 10 peso/day increase.

workers. In lieu of a wage adjustment, the cost of living allowance (COLA) for workers in Regions II, V, and VI were increased (see Map attached).

3.27 Workers in Metro Manila, Region I, IV and CAR were supposed to receive increases in their minimum wages and cost of living allowances during the first semester of 1991. In the NCR, the minimum wage of non-agricultural workers earning 142 pesos per day was increased to 154 pesos. However, a World Bank report pointed out that minimum wages in the Philippines have not in fact been a binding factor in the generation of more employment (World Bank, 1988b). In fact, they seem to have followed a pattern similar to non-regulated wages in the rest of the economy (see Table 30). The minimum wage was, on average, about 70 percent of unskilled wages. The expansion in underemployment in the mid-1980s was driven not so much by the enforcement of the legal minimum wage as by the depressed demand conditions.

3.28 The ratio of non-wage cost to total wages increased from 13 percent in 1976 to 30 percent in 1987, basically as a result of the introduction of the cost of living allowance (COLA). In addition, the real unit cost of labor constantly declined in the 1971-1985 period. Hence, even if one takes the COLA into account, the hourly cost of a manufacturing worker is quite low, equivalent to US \$0.60 per hour. This drop in the real unit labor cost for manufacturing is illustrated in Table 31.

Changes in Prices of Consumption Goods

3.29 Prices remained unstable and vulnerable to shocks in the economy throughout most of the eighties. Inflation rates remained at two-digit levels (except for the periods 1975-78, 1983 and 1986-88) averaging 14.7 percent (see Table 32). The highest inflation rate, 50.3 percent was in 1984 at the height of the balance of payments crisis and the lowest at 0.8 percent in 1986 with the euphoria over the ouster of the Marcos government.

3.30 Generally, the price index is lower in areas outside of Metro Manila, although there are regions in the Visayas and Mindanao (Western Visayas and Northern Mindanao) where it is usually higher than the national average (see Table 32). The consumer price index for cereals and cereal preparations which include rice and corn has been relatively stable except for the years 1974, 1980-81, and in 1984 when it grew by 56.5 percent.

Changes in the Level and Composition of Public Expenditures

3.31 Both the level and the composition of government expenditures have been fluctuating over the years. In terms of social services, however, the Philippines has consistently spent less than half of what other lower middle income countries spend on social services, partly because of the significant participation of the private sector, particularly in the health and education sectors (see Table 33). Lower middle income countries allocate roughly 6.6 percent of GNP to social expenditures compared to 3.6 percent of GNP by the Philippines.

3.32 Moreover, the structure of public expenditure has been affected by the internal and external debt problem confronting the Philippine government. Because of its liberal issuance of guarantees, the government assumed 80 percent of total external debt obligations of the country. Debt service as a proportion of total government expenditures has climbed sharply from 5 percent in 1975 to a high of 45 percent in 1987, then slightly dipping to 43 percent in 1989 (see Tables 34 and 35). Economic services¹² has been the most adversely affected category as real per capita expenditure decreased from a high of 300 pesos in 1981 to only 177 pesos in 1990 (see Table 36). As a share of total expenditure in current terms, this category comprised 47 percent in 1975 and only 22 percent in 1990.

3.33 The share of social services¹³ in total national government expenditures has averaged about 18 percent in recent years (see Tables 34 and 35). There was a serious drop during the period 1982–86 when they declined to 2.4 percent of GNP and real per capita expenditures in social services in 1986 were still below 1983 levels (see Table 36 and Figure 4). This reduction represented important cuts in the maintenance and operating expenditures in health, education, and other important subsectors. The increase in social expenditures of over 45 percent in real terms in 1987 was still inadequate to meet the demand although it helped restore the level back to 1983 rates.

3.34 Within the social sectors, education continued to receive the largest budgetary share in the 1980–84 period. There was also a significant increase in the allocated budget for housing and community development between 1979 and 1983 following the establishment of a provident fund for the financing of home mortgages and the implementation of the shelter program. After 1983, however, there was a decrease in public sector housing services, which was consistent with the new emphasis on privatization and with the acknowledged assessment that they were mainly benefitting the higher income families.

3.35 The health subsector received an almost constant share of the government budget in the 1980s despite the implementation of the primary health care program in 1980. Furthermore, national government transfers to highly specialized hospitals were also regressive. Social security, welfare and other services continued to receive diminished budgetary shares, particularly during 1980–83.

3.36 On the other hand, public provision of social services was more or less steady with real per capita expenditure reaching a high in 1990. The benefits of this development may not be as straightforward as it appears however since the number of services in this category have expanded over the years and very little assessment has been made of who the actual beneficiaries were.

12. Economic services include agriculture and natural resources, trade and industry, tourism, power and energy, water resources development and flood control, communications, roads and other transportation.

13. Social services include education, health, social security and labor welfare and land distribution, housing and community development.

Conclusions

3.37 The preceding discussion illustrates the likely effects of public expenditure cuts on the poor, unemployment and underemployment, declining real wages and inflation on the welfare of the population as a whole and on low-income households in particular. The development of an appropriate social policy to protect the vulnerable groups during the period of continued macroeconomic reforms becomes an imperative task.

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ANNEX A

Table A1. Minimum wage fixed in the Philippines by industry and by year of affectivity

Legislative Act and Wage Order	Affectivity Date	Industry Sector Covered	Wage Rate Per Day
1. Minimum Wage Law (RA 602)	Aug. 4, 1951	Agricultural Non-Agricultural	P2.50 4.00
2. Agricultural Land Reform Code (RA 3844)	Aug. 8, 1963	Agricultural	3.50
3. Minimum Wage Order No. 1 Bureau of Labor Standards	March 17, 1964	Sugar Industry (a) Agricultural (b) Industrial	4.00 5.50
4. Minimum Wage Law Amendment (RA 4180)	April 21, 1965	Agricultural Industrial	4.00 6.00
5. Minimum Wage Amendment (RA 6129)	June 17, 1970	Agricultural Industrial	4.75 8.00
6. Minimum Wager Order No. 1 Wage Commission	April 9, 1972	Jeepney Transportation Industry in Greater Manila Area	12.00
7. Minimum Wage Order No. 2 Wage Commission	August 2, 1972	Desiccated Coconut Industry	9.20
8. Minimum Wage Order No. 3 Wage Commission	Sept. 16, 1972	Sugar Industry a) Agricultural (multiple) wage rates b) Industrial	6.00 7.00 & 8.00 11.00
9. Minimum Wage Order No. 4	Feb. 10, 1973	Coconut Oil Milling & Related Products Industry	9.25
10. Minimum Wage Law (PD 928)	May 1, 1976	Agricultural P7.00 for plantation and organized agriculture P6.00 for all other types of farm workers P10.00 Metro Manila P.900 Outside Metro Manila	

Source: Mangubat, Benjamin. "History of the Minimum Wage Law," PHILIPPINE JOURNAL OF LABOR AND INDUSTRIAL RELATIONS, 1990, 12(1).

ANNEX B

Maps, Tables, and Figures

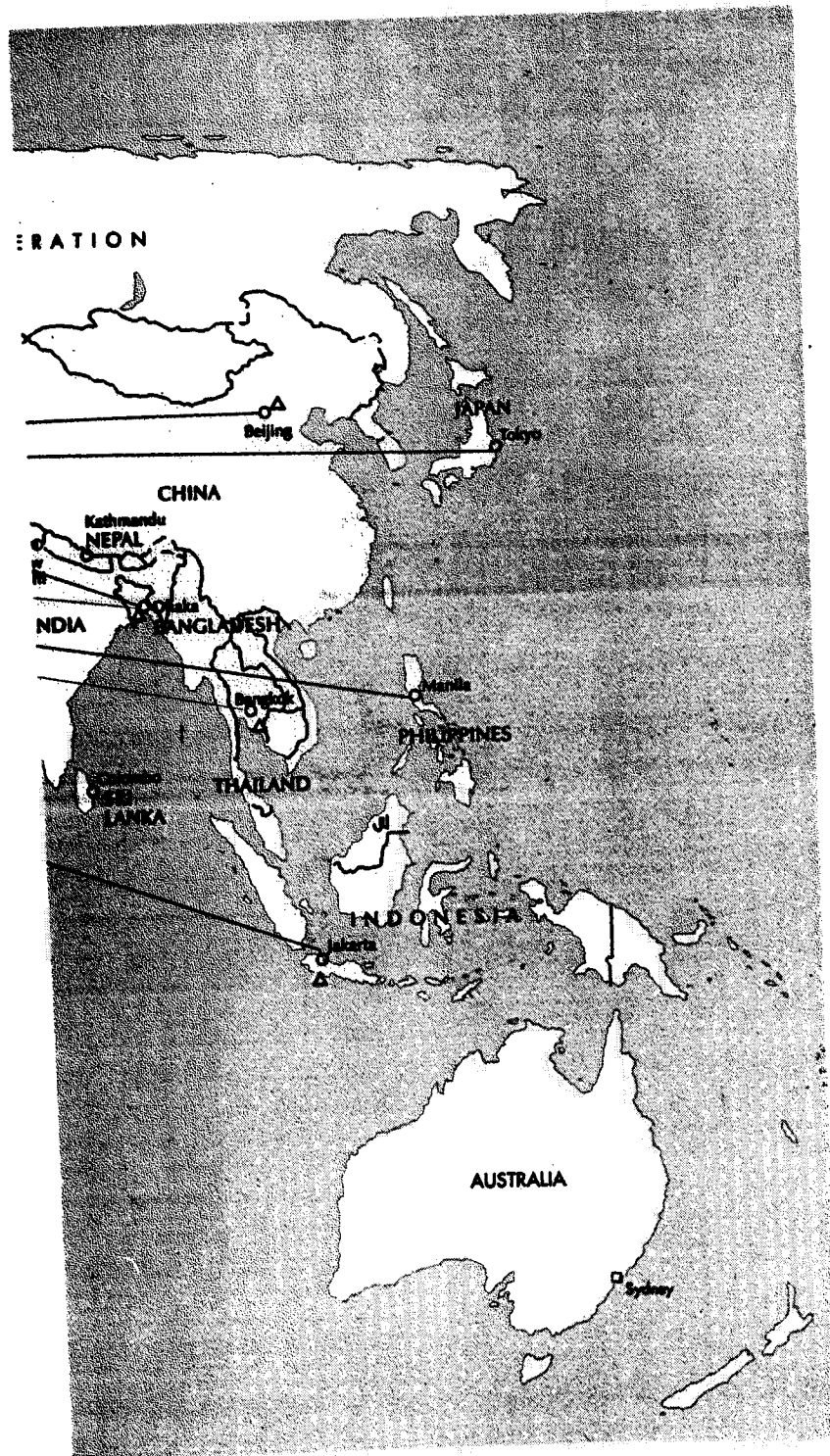




TABLE 1

POPULATION DATA (IN THOUSANDS EXCEPT THE GROWTH RATES)

YEAR	TOTAL	GROWTH RATE (%)	SEX		AGE GROUP			AREA	
			MALE	FEMALE	0-14	15-64	65+	URBAN	RURAL
1970	36,837	2.97	18,330	18,522	16,576	18,630	3,917	n.a.	n.a.
1971	37,863	2.79	18,868	19,034	16,915	19,343	4,064	n.a.	n.a.
1972	38,917	2.78	19,427	19,564	17,263	20,087	4,221	n.a.	n.a.
1973	40,002	2.79	20,008	20,115	17,618	20,862	4,387	n.a.	n.a.
1974	41,116	2.78	20,612	20,685	17,982	21,669	4,564	n.a.	n.a.
1975	42,261	2.78	21,240	21,277	18,354	22,511	4,751	n.a.	n.a.
1976	43,338	2.55	21,872	21,879	18,892	23,287	4,954	n.a.	n.a.
1977	44,417	2.49	22,527	22,501	19,448	24,095	5,166	n.a.	n.a.
1978	45,498	2.43	23,206	23,144	20,022	24,935	5,389	n.a.	n.a.
1979	46,580	2.38	23,909	23,810	20,616	25,809	5,622	n.a.	n.a.
1980	48,317	3.73	24,232	24,085	20,313	26,360	1,644	18,022	30,295
1981	49,536	2.52	24,846	24,690	20,652	27,194	1,690	18,680	30,856
1982	50,783	2.52	25,475	25,308	20,996	28,051	1,736	19,430	31,353
1983	52,055	2.50	26,117	25,938	21,343	28,930	1,782	20,203	31,852
1984	53,351	2.49	26,772	26,579	21,696	29,828	1,827	21,001	32,350
1985	54,668	2.47	27,437	27,231	22,053	30,742	1,874	21,822	32,847
1986	56,004	2.44	28,112	27,892	22,412	31,672	1,920	22,665	33,339
1987	57,356	2.41	28,796	28,560	22,768	32,620	1,968	23,530	33,826
1988	58,721	2.38	29,486	29,235	23,115	33,589	2,017	24,416	34,305
1989	60,097	2.34	30,183	29,914	23,446	34,581	2,070	25,322	34,775
1990	61,481	2.30	30,883	30,598	23,755	35,598	2,127	26,246	35,235

n.a. Not available

Note: (1) 1970 and 1980 are census figures. 1990 census puts the population at 60.7 million.

(2) In between years are projected figures based on the medium assumption (i.e. moderate decline in fertility and a slow decline in mortality).

Source: Census of Population and Projections. National Statistics Office.

Table 2 Dependency Ratios by Deciles, 1988

	I	II	III	IV	V	VI	VII	VIII	IX	X
Family Size	6.28	5.98	5.61	5.52	5.35	5.21	5.08	4.73	4.56	4.01
Employed	1.51	1.57	1.54	1.59	1.61	1.71	1.72	1.69	1.70	1.62
Dependency Ratio	4.16	3.81	3.64	3.47	3.32	3.05	2.95	2.80	2.68	2.48

Table No. 6: Age Cohorts by Deciles, 1988

Age Hhld. Head	I	II	III	IV	V	VI	VII	VIII	IX	X
Less than 30	11.2%	12.4%	14.3%	13.4%	11.4%	11.9%	10.8%	13.0%	10.4%	10.8%
30-49	58.1%	55.9%	54.0%	50.2%	51.3%	47.9%	46.2%	48.1%	47.1%	43.4%
Over 49	30.7%	31.7%	31.7%	36.4%	37.2%	40.3%	43.0%	38.9%	42.5%	45.9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Hakim (1991)

Table 3 Selected Economic Indicators for the Philippines

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
I. Income																						
(Green Rates)																						
Real GDP (1985=100)	2.74	6.21	5.80	9.77	4.21	4.87	8.16	5.79	5.47	6.39	4.82	3.24	2.84	1.44	-4.72	-7.06	4.15	5.10	7.16	5.06	3.86	
Real GDP (1985=100)	3.77	5.43	5.45	8.82	3.56	5.57	8.81	5.80	5.17	5.64	5.15	3.42	3.82	1.87	-7.32	-7.21	3.42	4.78	6.25	5.08	2.13	
Agriculture	0.45	4.04	5.37	7.44	-3.18	1.96	10.02	4.37	3.72	3.17	4.04	3.82	0.78	-3.38	-0.83	-1.88	3.06	3.22	3.24	2.64	1.83	
Industry	5.75	7.27	7.11	13.24	6.80	8.48	10.88	7.40	5.58	7.28	4.86	4.82	2.48	1.52	-11.51	-15.75	2.20	5.37	7.55	8.21	1.10	
Services	4.50	4.83	3.90	5.80	5.42	5.33	5.73	4.50	5.72	5.49	6.11	1.82	6.82	5.56	-4.53	-2.08	4.23	5.23	6.83	5.07	3.14	
(Share)																						
Real GDP (1985=100)																						
Agriculture	28.18	27.81	27.78	27.41	25.82	24.88	24.86	24.86	24.32	23.75	23.50	23.54	22.80	21.72	23.22	24.58	24.84	24.37	23.88	22.84	22.80	
Industry	33.70	34.28	34.83	36.22	37.35	38.28	38.15	38.82	39.87	40.58	40.52	41.00	40.55	40.41	38.58	35.97	34.88	34.88	35.31	36.05	35.89	
Services	38.12	37.80	37.38	36.37	37.03	36.84	35.90	35.52	35.71	35.66	35.98	35.46	35.55	37.87	38.20	40.35	40.87	40.85	41.11	41.11	41.51	
II. External Sector																						
(Green Rates)																						
Exports																						
Imports																						
Trade Balance																						
Monetary Sector																						
MD (Int. Invest.)																						
MD (Green Rates)																						
Primes																						
(Green Rates)																						
Consumer Price Index																						
Others																						
Exchange Rate (P/\$)																						
Real Effective																						
Exchange Rate Index																						
Population (Mn.)																						
Per Capita GDP (\$/yr)																						
External Debt Stock (\$B)																						
Ratio to Exports of																						
Goods and Services																						
Ratio to GDP																						

a. From 1980 onwards: forward to reflect the expanded coverage of deposit money banks and other changes in the classification of accounts.
b. (Nominal GDP/Exchange Rate)/U.S. CPI/Population.
c. As of May 1990.

Sources: National Accounts of the Philippines, various issues,
National Statistical Coordination Board
National Statistics Office
Central Bank of the Philippines

Table 4 EXPORTS BY COMMODITY
----- (\$ Million)

	1985	1986	1987	1988	1989
Coconut Products	459	470	561	582	541
Sugar Products	185	103	71	74	113
Fruits & Vegetables	135	137	150	306	319
Other Agro-based Products	551	602	585	480	454
Forest Products	199	201	243	261	197
Mineral Products	243	267	224	764	829
Petroleum Products	39	63	88	162	95
Manufactures	2765	2879	3642	4338	5192
Electronics	1056	919	1119	1476	1751
Garments					2
Textile	623	751	1098	1317	1575
Footwear	39	31	31	77	96
Trane/Goods & Handbags	10	12	16	22	41
Wood Manufactures	43	49	62	79	88
Furniture-Fixtures	84	89	130	184	204
Chemicals	150	243	245	256	279
Non-metallic Mineral	24	18	22	33	45
Machinery & Transport Equipment	30	45	78	54	115
Processed Food & Beverages	106	116	126	184	206
Others	561	562	647	585	705
Special Transactions	12	8	7	27	10
Re-exports	40	112	149	80	71
Total Exports	4629	4842	5720	7574	7821

Source: Central Bank.

Table 5 IMPORTS BY COMMODITY, 1985-89
(\$ Million)

	1985	1986	1987	1988	1989
Capital Goods	788	864	1210	1637	2424
-----	----	----	----	----	----
Elec. & Non-Elec. Machinery	659	728	988	1279	1852
Power Generators	73	89	83	639	987
Office & EDP Machines	29	32	45	69	104
Telecom Eqpt. Elec. Mach	40	41	41	571	761
Land Transport Eqpt.					
Exl. Passenger Cars	48	54	116	144	253
Aircraft, Ships & Boats	20	24	33	128	195
Prof. Scientific Instruments	61	58	73	91	124
Raw Matl. & Int. Goods	2198	2671	3426	4415	5388
-----	----	----	----	----	----
Wheat	106	129	82	136	197
Crude Mat'ls. Inedible	150	229	290	413	529
Animal & Vegetable Oils & Fats	13	13	13	18	24
Chemicals	584	711	924	1039	1215
Manufactures	508	654	957	1238	1787
Embroideries	196	253	334	377	437
Mat'ls. for Manufacture of					
Elec. Eqpt.	585	640	767	910	885
Iron Ore, not Agglomerated	56	42	59	43	56
Others	0	0	0	241	258
Mineral Fuels & Lubricant	1452	869	1249	1096	1397
-----	----	----	----	----	----
Consumer Goods	441	398	547	597	898
-----	----	----	----	----	----
Food & Live Animals	320	271	368	379	492
Beverage & Tobacco	78	72	107	22	29
Others	45	55	72		
Special Transactions	232	242	305	414	312
-----	----	----	----	----	----
TOTAL IMPORTS	5111	5044	6737	8159	10419
	=====	=====	=====	=====	=====

Source: Central Bank

Table 6 **SIZE DISTRIBUTION OF FARMS, 1980**

Size of Farm (ha)	Percent of Farms	Percent of Land
<0.50	8.5	0.7
0.50 to 0.99	14.2	3.1
1.00 to 1.99	28.2	12.2
2.00 to 2.99	18.0	13.7
3.00 to 4.99	17.2	21.3
5.00 to 7.00	8.3	16.6
7.01 to 9.99	2.2	6.5
10.00 to 24.99	3.0	14.5
>25.00	0.4	11.5

Source: Derived from 1980 Census of Agriculture, in World Bank Report 6779-PH.

8/ From World Bank Report No.79-PH. Comparisons of land ownership are difficult because of differences in land quality. However, these figures are based on estimates by land operators rather than owners and probably underestimate the concentration of ownership.

Source: World Bank (1988) Report No. 7144-PH.

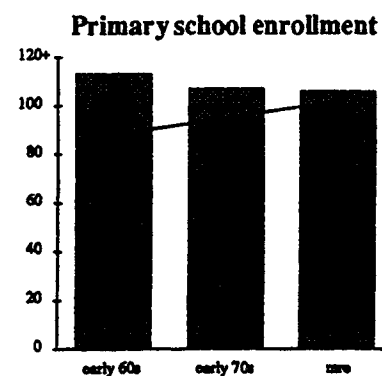
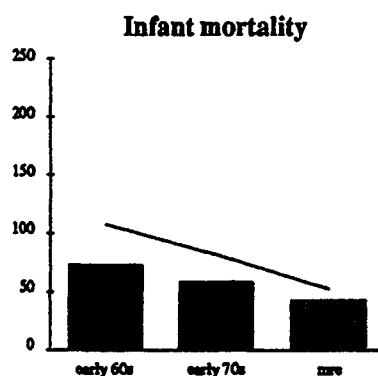
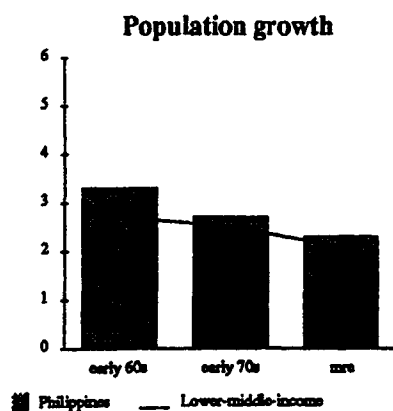
TABLE 7
External Debt Derived Indicators
DEBT RATIOS

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
BANK AND IDA RATIOS											
A. Share of Total Long-Term DOD											
1. IBRD as % of Total	10.2	10.5	13	12.7	15.1	13.4	14.8	14	15	13.9	13.8
2. IDA as % of Total	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4
3. IBRD+IDA as % of Total	10.7	10.9	13.4	13.1	15.6	13.9	15.3	14.4	15.4	14.3	14.2
B. Share of LT Debt Service											
1. IBRD as % of Total	5.9	9.5	8.2	9.2	11.6	18.2	18.3	18.1	17.3	19.3	17.7
2. IDA as % of Total	0	0	0	0	0	0.1	0.1	0	0	0	0.1
3. IBRD+IDA as % of Total	6	9.6	8.2	9.2	11.7	18.2	18.3	18.1	17.3	19.4	17.7
C. DOD-to-Exports Ratios a/											
1. Long-Term Debt/Exports	110.9	107.5	115.7	145.6	163.5	172.8	204.1	245.3	266.4	221.4	202.6
2. IMF Credit/Exports	12.6	12.7	12.8	12.1	13.2	11	14.6	14.4	13.4	9.9	9.4
3. Short-Term Debt/Exports	82.4	92.1	107.7	139.1	115.6	116.4	113.3	62.4	40.4	35.2	31.3
4. LT+IMF+ST DOD/Exports	206	212.4	236.3	296.8	292.3	300.2	331.9	322.1	320.2	266.5	243.3
D. DOD-to-GDP Ratios											
1. Long-Term Debt/GDP	24.3	25	26.5	30.1	39.3	43.1	49.7	70.2	72.7	62.4	57.2
2. IMF Credit/GDP	2.8	3	2.9	2.5	3.2	2.7	3.5	4.1	3.7	2.8	2.7
3. Short-Term Debt/GDP	18	21.4	24.6	28.7	27.8	29	27.6	17.8	11	9.9	8.8
4. LT+IMF+ST DOD/GDP	45	49.4	54	61.3	70.3	74.9	80.9	92.2	87.4	75.1	68.7
E. Debt Service /Exports a/											
1. Public & Guaranteed LT	12	7.1	9.7	12.4	14.3	14.1	15.9	22	27.9	24.7	22.6
2. Private Non-guaranteed LT	10.4	6.4	7.8	10.5	6.9	3.8	3.6	3.6	2.6	2	1.6
3. Total Long-Term Debt Service	22.4	13.5	17.4	22.9	21.2	17.9	19.5	25.6	30.5	26.8	24.2
4. IMF Repurchases+Serv. Chgs.	2	2.3	1.3	1.9	2.9	3.9	3.2	4.3	4.7	2.4	2.5
5. Interest only on ST Debt	0	10.7	14.8	17.6	12.2	11.5	9.3	4.5	3.9	3.1	3.2
6. Total (LT+IMF+ST Int.)	24.4	26.5	33.5	42.4	36.3	33.3	32.5	34.4	39	32.3	29.9
F. Interest Burden Ratios											
1. Total Interest/GDP	1.7	1.6	2.1	2.3	2.7	2.9	2.8	3.7	4.2	4.2	5.5
2. Total Interest/Exports a/	7.6	7	9.3	11.2	11.3	11.4	11.7	12.9	15.3	14.8	15.3

a/ "Exports" are defined to include merchandize exports, receipts from services and workers remittances.
Source: Philippines Standard Tables, IEC, World Bank

TABLE 8: Selected Social Indicators

	Unit of measure	25-30 years ago	15-20 years ago	Most recent estimate (mre)	Same region / income group		Next higher income group
					Asia	Lower-middle-income	
Determinants of population growth							
Fertility							
Crude birth rate	per thou. pop.	41.6	36.6	29.9	26.0	30.0	25.5
Total fertility rate	births per woman	6.80	5.46	3.73	3.20	3.87	3.27
Contraceptive prevalence	% of women 15-49	..	..	44.0	57.0	..	..
Child (0-4) / woman (15-49) ratios							
Urban	per 100 women	..	52	..	..	..	..
Rural	"	..	74	..	..	..	..
Mortality							
Crude death rate	per thou. pop.	11.7	9.7	7.4	8.6	8.1	8.0
Infant mortality rate	per thou. live births	72.4	58.0	42.7	58.1	52.7	45.2
Under 5 mortality rate	"	..	..	49.3	83.1	81.5	54.4
Life expectancy at birth: overall	years	55.5	59.1	63.9	64.4	65.2	67.4
female	"	57.2	60.7	65.9	65.2	67.6	69.9
Labor force (15-64)							
Total labor force	millions	12	16	22	1,250	244	159
Agriculture	% of labor force	58.0	53.3	..	..	..	..
Industry	"	15.8	16.1	..	..	..	..
Female	"	33.7	32.8	31.4	36.5	30.2	30.7
Females per 100 males							
Urban	number	..	108	..	..	..	..
Rural	"	..	96	..	..	..	..
Participation rate: overall	% of labor force	37.1	37.2	36.8	50.8	38.8	38.7
female	"	25.1	24.6	23.2	36.7	22.6	23.5
Educational attainment of labor force							
School years completed: overall	years	..	..	..	..	..	..
male	"	..	..	..	..	..	..
NATURAL RESOURCES							
Area	thou. sq. km	300	300	300	18,406	21,088	16,264
Density	pop. per sq. km	107	144	195	136	30	25
Agricultural land	% of land area	25.8	27.3	30.4	38.4	36.9	31.9
Agricultural density	pop. per sq. km	413	526	641	354	82	79
Forests and woodland	thou. sq. km	170	135	112	4,831	6,084	6,887
Deforestation rate (net)	annual %	-0.3	-1.6	-1.8	-0.2	-0.7	-0.4
Access to safe water	% of pop.	..	50.0	52.0	..	63.5	79.7
Urban	"	..	..	49.0	72.5	77.2	90.4
Rural	"	..	..	54.0	..	46.8	63.2



Source: World Bank (1991) Social Indicators of Development 1990

TABLE 9 POVERTY LINES AND POVERTY INCIDENCE: 1971-85
(1978 pesos)

	<u>Poverty Line</u>		<u>Poverty Incidence</u>	
	<u>1971</u>	<u>1985</u>	<u>1971</u>	<u>1985</u>
<u>Staff Calculations</u>				
Urban	605	5,010	38	42
Rural	454	3,759	58	58
<u>Total</u>	<u>500</u>	<u>4,140</u>	<u>52</u>	<u>52</u>
<u>Official Estimates</u>				
Urban	485	6,042	(48.0)	50
Rural	363	4,132	(63.0)	62
<u>Total</u>	<u>400</u>	<u>4,764</u>	<u>(58.0)</u>	<u>58</u>

Source: Medium Term Plan, NEDA; World Bank 2984-PH; staff calculations.

Notes: (a) Numbers in parentheses use the official 1985 poverty line and deflates them back to 1971 using the food price index.
(b) Population weights change during the period: in 1971, urban families represented 30.14 percent of the total; in 1985 this proportion had increased to 37.84 percent.

Source: World Bank (1988) Report No. 7144-PH

Table 10 Poverty by Region, 1985 and 1988

REGION	1985				1988				Average rate of change in poor hhlds.	
	Urban		Rural		Urban		Rural		Urban	Rural
	Poverty Incidence	Pct. of Hhlds.	Poverty Incidence	Pct. of Hhlds.	Poverty Incidence	Pct. of Hhlds.	Poverty Incidence	Pct. of Hhlds.		
NCR	38.9%	26.7%	NA	0.0%	23.9%	22.3%	NA	0.0%	-12.3%	NA
Ilocos	54.2%	4.6%	46.8%	6.7%	51.2%	4.7%	45.0%	6.1%	-6.4%	-5.4%
Cagayan	53.7%	1.8%	55.3%	5.7%	43.8%	1.8%	44.8%	4.7%	-7.5%	-8.6%
Central Luzon	42.2%	8.8%	41.5%	6.0%	30.1%	8.5%	35.9%	6.1%	-8.2%	-2.1%
S. Tagalog	49.5%	12.7%	55.0%	11.6%	39.9%	11.5%	51.0%	12.0%	-10.0%	-1.4%
Bicol	67.1%	4.8%	76.5%	10.6%	58.4%	5.9%	69.0%	11.2%	-0.4%	-0.4%
W. Visayas	65.0%	8.3%	73.0%	12.1%	60.1%	10.3%	61.1%	11.8%	0.1%	-3.2%
C. Visayas	68.7%	8.9%	78.3%	10.9%	55.6%	9.5%	69.8%	11.0%	-4.8%	-2.1%
E. Samar	75.5%	4.8%	76.4%	8.9%	68.2%	5.9%	66.1%	8.6%	0.2%	-3.5%
W. Mindanao	68.2%	2.8%	65.3%	7.1%	56.5%	3.4%	55.2%	6.9%	-0.5%	-3.3%
N. Mindanao	68.0%	5.2%	67.6%	7.4%	50.3%	5.1%	55.5%	7.0%	-7.6%	-4.0%
S. Mindanao	61.0%	7.9%	60.5%	7.2%	40.3%	7.0%	54.9%	7.2%	-10.6%	-2.3%
C. Mindanao	64.9%	2.6%	63.4%	5.9%	48.3%	2.6%	48.1%	5.5%	-7.0%	-4.6%
Philippines	51.2%	100%	62.9%	100%	38.7%	100%	54.6%	100%	-6.9%	-2.4%

Source: Fies Tapes, 1985 and 1988 Hakim (1991)

Table 11 Differences Among the Poor, by quartiles, 1988

Urban Poor									
	Family Size	No. of Employed	Depend. ratio	Income		% living in NCR	Up to HS grad %	No. of wage wks %	Per Capit Income
				% of wages	% of self-emp.				
1st quartile	6.5	1.5	4.2	47.1%	30.1%	10.2%	92.2%	42.4%	2587
2nd quartile	6.1	1.6	3.9	51.4%	27.7%	17.9%	90.0%	48.0%	3947
3rd quartile	5.8	1.5	3.8	55.5%	23.6%	27.9%	87.2%	53.3%	5078
4th quartile	5.6	1.6	3.6	57.1%	22.0%	33.2%	82.0%	52.5%	6221
All Urban Poor	6.0	1.6	3.9	53.8%	25.0%	22.3%	87.9%	49.1%	4459
Rural Poor									
	Family Size	No. of Employed	Depend. ratio	Income		% living in NCR	Up to HS grad %	No. of wage wks %	Per Capit Income
				% of wages	% of self-emp.				
1st quartile	6.6	1.5	4.5	24.4%	49.4%	NA	98.9%	19.0%	1737
2nd quartile	6.1	1.5	4.0	29.6%	47.0%	NA	97.9%	25.0%	2610
3rd quartile	5.5	1.6	3.4	32.4%	44.6%	NA	96.2%	27.6%	3362
4th quartile	5.3	1.6	3.4	35.7%	41.8%	NA	95.2%	31.8%	4204
All Rural Poor	5.9	1.6	3.8	31.5%	45.0%	NA	97.1%	25.9%	2978

Source: Hakim (1991)

Table 12. Average Real Family Income in Pesos, 1971-1985
(1978=100)

Deciles	1971	1971	1985	1985
	Total	Urban	Total	Urban
I	1,596	2,358	2,020	2,837
II	2,159	3,832	2,970	4,296
III	3,192	5,748	3,733	5,470
IV	4,131	7,369	4,553	6,719
V	5,257	9,137	5,537	8,179
VI	6,571	11,201	6,465	9,927
VII	8,543	14,001	7,933	11,984
VIII	11,265	17,833	10,032	15,064
IX	16,147	24,465	13,590	20,786
X	35,016	50,992	30,784	45,313
Average	9,387	14,741	8,806	13,081

Note: A comparison with National accounts and NSCO income distribution estimates is presented in the Statistical Appendix.

Source: World Bank (1988), Report No. 7144-PH.

Table 13 INCOME DISTRIBUTION 1961-1985

	1961 <u>/a</u>	1971	1985 <u>/b</u>
<u>Urban</u>			
Top 20%	56.9	51.2	50.5
Bottom 30%	6.6	8.1	9.7
Gini Coefficient <u>/c</u>	0.52	0.46	0.43
<u>Rural</u>			
Top 20%	48.1	51.5	45.7
Bottom 30%	10.3	8.2	11.6
Gini Coefficient <u>/c</u>	0.42	0.46	0.37
<u>Total</u>			
Top 20%	56.5	54.5	51.1
Bottom 30%	8.0	7.4	9.9
Gini Coefficient <u>/c</u>	0.51	0.49	0.43
<u>Memo:</u>			
Rural/urban ratio (%)	40.5	48.0	47.4

/a UN (1981)./b Staff calculations./c The Gini coefficients measures income inequality, with zero representing perfect equality and one representing perfect inequality.

Data taken from: Family Income and Expenditure Survey.

Source: World Bank (1988), No. 7144-PH

Table 14: Major Economic Shocks and Policy Responses in the Philippines, 1970-85

Period	70-74	75-79	80-82	83-85	86-90
External Shock	Foreign debt crisis Commodity price boom Oil price shock	Cheap foreign credit inflow Increased foreign investment Deteriorating terms of trade	Oil price shock Recession abroad High world interest rates Restricted foreign credit	Stoppage of foreign debt inflow	Negotiated debt re-scheduling Resumed multilateral and bilateral loan inflows Net resource outflow due to debt payment
Domestic Shock	Rise of strong nationalist movement Martial law declaration		Dewey Dee financial crisis	Assassination of Aquino	Takeover of Aquino government
Monetary Policy	Tight due to inflationary pressures from devaluation More expansionary in 1973 and 1974	Expansionary Subsidized credit to priority areas	Highly expansionary & countercyclical financial liberalization	Restrictive & deflationary high interest rates	Expansionary in initial years; tight with high interest rates later years
Fiscal Policy	Tight due to inflationary pressures from devaluation More expansionary in 1973 and 1974	Expansionary, particularly on government investment	Countercyclical	Contractionary, concentrated on debt service and bail-out of government corporations	Initially expansionary, tight in later years with concentration on domestic borrowings and tax reforms
Trade and Industry Policy	Devaluation, Export promotion	Export promotion Continued protection of import substitute sector Failed plan for heavy industrialization	Beginning of removal of QR's	Suspension of trade liberalization, taxation of tradeables, rationing of foreign exchange, devaluation	Trade liberalization, slowly depreciated peso in 1990
Combined Effects	High growth, high inflation	High growth, shift to nontraditional exports	Slow growth inflation	Deep economic recession High inflation	Economic recovery up to 1989 Increasing current account deficits, slow growth in 1990

Table 14 (cont'd)

Period	70-74	75-79	80-82	83-85	86-90
Private Response	Favorable, high investments	Favorable, high savings and investments	Unfavorable, reduced savings, Capital flight but continued investments spurred by government pump-priming	Collapse of business confidence	Renewed confidence initially, Erratic behavior in later years
Foreign Investors Response	Caution in 1970 to 1972 Favorable and high investments starting 1973	Favorable, high investments especially in non-traditional export sector	Caution and lower growth rate of foreign investments	Reduced investments, higher withdrawals	Caution in the beginning, stepped up inflows in 1988 to 1989; reduced investments in 1990
Bilateral and Multi-lateral Response	Substantial increase in aid and loans	Continued increase in inflow of loans and aid, particularly in support of energy and infrastructure	Imposition of structural adjustment programs particularly trade liberalization and financial liberalization	Imposition of IMF stabilization program	Resumption of loans and aid; stringent conditions in 1989 and 1990 on monetary and fiscal targets
Foreign Commercial Banks Response	Commercial bank lending begins to increase in 1974	Rapid and massive inflow of commercial loans	High variable interest rates for short-term commercial loans; move from medium and long term loans to short-term loans	Stoppage of medium and long-term loans due to debt moratorium	Rescheduling of principal payments of loans in 1987; New money (\$700 million) and buy-back scheme in January 1990

Source: Lamberte, Lim, et.al. (1991)

TABLE 15

LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT AND UNDEREMPLOYMENT (IN THOUSANDS)

	LABOR FORCE	EMPLOYED		UNEMPLOYED		UNDEREMPLOYED	
		Level	Rate	Level	Rate	Level	Rate
May 1970 (Census)	11566	10734	92.8	832	7.2	/A	-
March 1971	11732	11101	94.6	631	5.4	1986	17.9
May 1971	12223	11624	95.1	599	4.9	1890	16.3
August 1971	12324	11680	94.8	644	5.2	1795	15.4
November 1971	12607	11931	94.6	676	5.4	1775	14.9
1971-Average	12221.50	11584	94.8	637.5	5.2	1861.50	16.1
February 1972	13172	12244	93.0	928	7.0	1740	14.2
May 1972	13140	12176	92.7	964	7.3	1753	14.4
August 1972	12778	11983	93.8	795	6.2	1467	12.2
November 1972	12657	11961	94.5	696	5.5	1550	13.0
1972-Average	12936.75	12091	93.5	845.75	6.5	1627.50	13.5
February 1973	12843	12169	94.8	674	5.2	1570	12.9
May 1973	13016	12407	95.3	609	4.7	1534	12.4
August 1973	13835	13107	94.7	728	5.3	1925	14.7
November 1973	13824	13141	95.1	683	4.9	1674	12.7
1973-Average	13379.5	12706	95.0	673.5	5.0	1675.75	13.2
February 1974	13466	12897	95.8	569	4.2	1462	11.3
May 1974	14024	13324	95.0	700	5.0	1465	11.0
August 1974	13545	12975	95.8	570	4.2	1319	10.2
November 1974	13564	13117	96.7	447	3.3	1416	10.8
1974-Average	13649.75	13078.25	95.8	571.5	4.2	1415.50	10.8
February 1975	13598	13090	96.3	508	3.7	1377	10.5
August 1975	14434	13795	95.6	639	4.4	1925	14.0
1975-Average	14016	13442.5	95.9	573.5	4.1	1651	12.3
August 1976	15460	14662	94.8	798	5.2	1633	11.1
October 1976	14776	13841	93.7	935	6.3	A/	-
1976-Average	15118	14251.5	94.3	866.5	5.7	1633	11.5
October 1977	14595	13267	90.9	1328	9.1	2498	18.8
January 1978	14903	13763	92.4	1140	7.6	1571	11.4
April 1978	16387	13982	85.3	2405	14.7	1809	11.2
July 1978	16368	15011	91.7	1357	8.3	3153	21.0
October 1978	16428	15256	92.9	1172	7.1	3612	23.7
1978-Average	16021.5	14503	90.5	1518.5	9.5	2536.25	17.5
January 1979	17135	15920	92.9	1215	7.1	A/	-
October 1980	16855	15491	91.9	1364	8.1	3437	22.2

Table 15 (cont'd)

	LABOR FORCE	EMPLOYED		UNEMPLOYED		UNDEREMPLOYED	
		Level	Rate	Level	Rate	Level	Rate
January 1981	17768	16133	90.8	1635	9.2	A/	-
April 1981	17799	16179	90.9	1620	9.1	A/	-
July 1981	17822	16218	91.0	1604	9.0	4178	25.8
October 1981	17834	16240	91.1	1594	8.9	4299	26.5
1981-Average	17805.75	16192.5	90.9	1613.25	9.1	4238.5	26.2
January 1982	18219	16465	90.4	1754	9.6	A/	-
April 1982	17766	16078	90.5	1688	9.5	A/	-
July 1982	17903	16202	90.5	1701	9.5	4438	27.4
October 1982	18048	16336	90.5	1712	9.5	5445	33.3
1982-Average	17984	16270.25	90.5	1713.75	9.5	4941.5	30.4
January 1983	19212	17280	89.9	1932	10.1	5621	32.5
April 1983	19298	16731	86.7	2567	13.3	A/	-
July 1983	19503	17436	89.4	2067	10.6	5732	32.9
October 1983	19694	18131	92.1	1563	7.9	6172	34.0
1983-Average	19426.75	17394.5	89.5	2032.25	10.5	5841.67	33.6
January 1984	19898	18053	90.7	1845	9.3	6749	37.4
April 1984	19644	17420	88.7	2224	11.3	A/	-
July 1984	19943	17749	89.0	2194	11.0	7149	40.3
October 1984	20257	18104	89.4	2153	10.6	5066	28.0
1984-Average	19935.5	17831.5	89.4	2104	10.6	6321.33	35.5
January 1985	20231	17473	86.4	2758	13.6	4602	26.3
April 1985	20404	17571	86.1	2833	13.9	4448	25.3
July 1985	20547	18182	88.5	2365	11.5	4391	24.2
October 1985	20829	18522	88.9	2307	11.1	3798	20.5
1985-Average	20502.75	17937	87.5	2565.75	12.5	4309.75	24.0
January 1986	21228	18673	88.0	2555	12.0	4072	21.8
April 1986	21313	18587	87.2	2726	12.8	4842	26.1
July 1986	21355	18969	88.8	2386	11.2	5851	30.8
October 1986	21578	19192	88.9	2386	11.1	5461	28.5
1986-Average	21368.5	18855.25	88.2	2513.25	11.8	5056.5	26.8
January 1987	21745	19320	88.8	2425	11.2	A/	-
April 1987	22394	19215	85.8	3179	14.2	A/	-
July 1987	23252	20871	89.8	2381	10.2	5595	26.8
October 1987	22880	20795	90.9	2085	9.1	5029	24.2
1987-Average	22567.75	20050.25	88.8	2517.5	11.2	5312	26.5
January 1988	22907	20827	90.9	2080	9.1	4968	23.9
April 1988	23990	21141	88.1	2849	11.9	4979	23.6
July 1988	23447	21356	91.1	2091	8.9	4983	23.3
October 1988	23451	21497	91.7	1954	8.3	5009	23.3
1988-Average	23448.75	21205.25	90.4	2243.5	9.6	4984.75	23.5

Table 15 (cont'd)

	LABOR FORCE	EMPLOYED		UNEMPLOYED		UNDEREMPLOYED	
		Level	Rate	Level	Rate	Level	Rate
January 1989	23469	21551	91.8	1918	8.2	5022	23.3
April 1989	25213	22344	88.6	2869	11.4	5282	23.6
July 1989	23939	21889	91.4	2050	8.6	4979	22.7
October 1989	23858	21849	91.6	2009	8.4	5080	23.3
1989-Average	24119.75	21908.25	90.8	2211.5	9.2	5090.75	23.2
January 1990	23954	21900	91.4	2054	8.6	5075	23.2
July 1990	24252	22203	91.6	2049	8.4	4832	21.8
October 1990	24525	22532	91.9	1993	8.1	4986	22.1
1990-Average	24244	22212	91.6	2032	8.4	4964	22.4
1990-NEDA est.	25290	22913	90.6	2377	9.4	-	-

/P PRELIMINARY.

NOTE: (1) DATA FOR 1970-1975 AND 1980 ONWARD USED "PAST WEEK" REFERENCE; 1976-1979 USED "PAST QUARTER" REFERENCE.

(2) UNDEREMPLOYED REFERS TO EMPLOYED PERSONS WHO EXPRESSED THE DESIRE TO HAVE ADDITIONAL HOURS OF WORK IN THEIR PRESENT JOB OR IN AN ADDITIONAL JOB, OR TO HAVE A NEW JOB WITH LONGER WORKING HOURS.

(2.1) VISIBLY UNDEREMPLOYED REFERS TO EMPLOYED PERSONS WHO WORKED LESS THAN 40 HOURS DURING THE REFERENCE WEEK AND WANTED ADDITIONAL HOURS OF WORK.

(2.2) INVISIBLY UNDEREMPLOYED REFERS TO PERSONS EMPLOYED AT FULL-TIME JOBS BUT STILL WANT ADDITIONAL WORK.

(3) PRIOR TO AUGUST 1976, LABOR FORCE COVERS HOUSEHOLD POPULATION 10 YEARS OLD AND OVER. SINCE THEN THE DEFINITION OF LABOR FORCE COVERS HOUSEHOLD POPULATION 15 YEARS OLD AND OVER.

SOURCE: Integrated Survey of Households/Labor force Survey,
National Statistics Office (NSO)

Table 16

LABOR FORCE BY SEX AND AGE GROUP (IN THOUSANDS)
1970-1990

YEAR	SEX		AGE GROUP							
	MALE	FEMALE	15-19	20-24	25-34	35-44	45-54	55-64	65 & over	Not reported

NOTE: THE AGE GROUPING BELOW APPLIES FOR 1970 TO 1976 ONLY

			10-24	25-44	45-64	65+				
1970	8370	3930	n.a.	n.a.	n.a.	n.a.	...	...	...	...
1971	8687	4224	3607	4589	2180	259	...	...	...	...
1972	9234	4467	3965	4768	2377	304	...	...	...	...
1973 /a	9495	4645	4618	5717	2882	451	...	...	...	...
1974	9808	4663	5031	5999	2986	451	...	...	...	...
1975 /b	9848	4878	5116	6329	3215	497	...	...	...	...
1976 /b	9964	5054	5498	6684	3515	543	...	...	...	...
1977 /c	10246	5083	2097	2286	3873	3100	2171	1210	576	14
1978	10768	5868	2330	2376	4086	3341	2416	1381	643	1
1979	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1980 /d	11209	6059	2356	2360	4091	3680	2796	1600	775	2
1981 /d	11671	6531	2527	2568	4187	3830	3032	1697	780	1
1982	11943	6608	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1983 /c	12521	7335	2768	2814	4333	3986	3317	1946	890	0
1984 /e	12914	7502	2573	3079	5281	4200	3003	1714	803	1
1985	13185	7507	2682	2941	5204	4377	3232	1875	888	-
1986	13478	7890	2743	2918	4965	4292	3298	1942	894	-
1987	14248	8320	3012	3212	5510	4442	3455	1984	951	3
1988	14762	8686	3125	3376	5854	4710	3481	1952	950	-
1989	15110	9010	3014	3296	6054	4993	3683	2070	1007	3
1990	15260	8983	2675	3300	6002	5165	3758	2224	1113	6

a/ Data by age group are first quarter and second quarter average.

b/ Data by age group are third quarter figures only.

c/ Data by age group are first, third and fourth quarter average.

d/ Data by age group third and fourth quarter average.

e/ Data by age group first and fourth quarter average.

n.a. Data not available

... Not applicable

Source: Integrated Survey of Households (ISH), National Statistics Office.

Table 17 **SECTORAL SHARES IN OUTPUT AND EMPLOYMENT - PHILIPPINES**
COMPARED TO COUNTRIES AT SIMILAR LEVELS OF DEVELOPMENT, 1984

	Agriculture	Overall	Industry Manufacturing	Service
<u>Philippines</u>				
Output	25	34	23	41
Employment	52	16	9	33
<u>Fifteen Countries with Similar Levels of Per Capita Income</u>				
Output	24	29	19	46
Employment	62	13	15	25

Cited in: World Bank, World Development Report, 1986, and ILO, International Labor Statistics.

Source: World Bank (1988) Report No. 7144-PH

Table 18 PHILIPPINES: EMPLOYMENT BY INDUSTRIES
(000's)

	1980	1982	1984	1986	Growth rate 1980-86
<u>Wage and Salary</u>	7,720	7,484	8,702	8,958	2.51
Agriculture	1,474	1,480	2,149	2,102	6.09
Mining	81	64	108	103	4.09
Manufacturing	1,249	1,228	1,240	1,267	0.24
Electricity, Gas and Water	52	59	65	60	2.41
Construction	587	598	682	615	0.78
Trade	390	433	506	641	8.63
Transportation	599	573	717	645	1.24
Financing	310	295	341	315	0.27
Services	2,546	2,753	2,891	3,210	3.94
<u>Own Account</u>	6,325	6,974	7,590	8,235	4.50
Agriculture	4,405	4,735	4,957	5,154	2.65
Mining	36	10	22	45	3.79
Manufacturing	425	490	487	530	3.75
Electricity, Gas and Water	2	1	5	3	6.99
Construction	13	16	32	58	28.31
Trade	1,118	1,284	1,619	1,826	8.52
Transportation	120	155	160	207	9.51
Financing	19	25	28	39	12.73
Services	188	257	279	376	12.24
<u>Unpaid Family Workers</u>	3,559	4,158	3,075	3,732	0.79

Cite in: NCSO (Integrated Household Survey).

Source: World Bank (1988) Report No. 7144-PH.

**Table 19 Characteristics of Self-Employment by Deciles
Urban Areas /***

	I	II	III	IV	V	VI	VII	VIII	IX	X
Number of Hhld. heads self-employed %	11%	12%	10%	11%	9%	10%	9%	8%	9%	11%
Self-Employed Income (share)	80%	79%	80%	80%	78%	78%	76%	79%	77%	81%
Self-Employed Income per worker (pesos)	10685	16767	19895	22354	26782	30475	37030	45879	62983	181548

/* Excludes urban farmers

**Table 20 Self-Employed Households, by Decile and Household Head Occupation
Urban Areas**

	I	II	III	IV	V	VI	VII	VIII	IX	X
Self-employed workers	83%	86%	81%	80%	86%	81%	83%	90%	81%	80%
Without employees	82%	84%	74%	73%	78%	75%	66%	68%	59%	37%
Hire Labor	1%	2%	6%	7%	8%	6%	17%	22%	22%	43%
Other Occupations	17%	14%	19%	20%	14%	19%	17%	10%	19%	20%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: FIES 1988 Tapes

Source: Hakim (1991)

OVERSEAS EMPLOYMENT, 1972-1991

YEAR	Total	Land-Based	Sea-based
1972	14,366	-	-
1973	36,418	-	-
1974	33,157	-	-
1975	36,035	12,501	23,534
1976	47,835	19,221	28,614
1977	70,375	36,376	33,699
1978	88,241	50,961	37,280
1979	137,337	92,519	44,818
1980	214,590	157,394	57,196
1981	266,243	210,936	55,307
1982	314,284	250,115	64,169
1983	434,207	380,263	53,944
1984	425,081	371,065	54,016
1985	389,200	337,754	51,446
1986	414,461	357,687	56,774
1987	449,271	382,229	67,042
1988	471,030	385,117	85,913
1989	458,626	355,346	103,280
1990	446,095	334,883	111,212
1991 /a	546,897	431,426	115,471

a/ As of November.

Note: Data from 1972 to 1986 refers to processed workers, while the data from 1987 onwards refers to deployed workers.

Source: Current Labor Statistics, Bureau of Labor and Employment Statistics.

TABLE 22

PERCENTAGE DISTRIBUTION OF EMPLOYMENT /a
BY MAJOR INDUSTRY
(In %)

: :Year	:Agriculture: :Fishery and : Forestry	:Mining :and : Quarrying	: :Manufacturing	:Electricity, : Gas and : Water	: :Construction : and Retail	:Wholesale /b: :Trade	:Transportation, : Storage and : Communication	:Financing, : Insurance, Real : Estate and :Business Services	:Community, :Social and : Personal : Services	:Industry :Not : Adequately : Defined
:1970	53.7	0.4	11.9	0.3	3.6	7.4	4.4	-	1.6	:
:1971	50.4	0.4	11.5	0.4	3.3	12.4	4.2	-	0.2	:
:1972	54.6	0.3	10.5	0.3	3.4	11.7	3.7	-	0.0	:
:1973	56.0	0.4	10.1	0.3	2.5	11.1	3.6	-	0.2	:
:1974	55.6	0.3	10.3	0.3	2.9	11.2	3.6	-	0.2	:
:1975	53.5	0.4	11.4	0.3	3.1	11.2	3.4	-	0.3	:
:1976	53.8	0.6	11.2	0.4	3.0	9.8	4.2	9.7	0.3	:
:1977	52.1	0.4	10.6	0.3	3.4	9.4	4.8	2.4	0.7	:
:1978	52.2	0.4	10.8	0.3	3.2	10.1	4.3	2.2	0.0	:
:1980	51.4	0.6	11.0	0.4	3.6	10.1	4.4	2.0	0.0	:
:1981	51.2	0.4	10.4	0.4	3.4	11.2	4.2	1.8	0.0	:
:1982	51.3	0.4	10.0	0.3	3.5	11.0	4.4	2.2	-	:
:1983	51.4	0.5	9.8	0.4	3.6	11.4	4.3	1.8	-	:
:1984	49.6	0.7	9.8	0.4	3.9	12.4	4.4	1.9	-	:
:1985	49.0	0.6	9.7	0.4	3.4	13.2	4.7	1.7	-	:
:1986	50.0	0.7	9.2	0.3	3.1	13.7	4.1	1.9	-	:
:1987	47.8	0.7	9.9	0.4	3.6	13.7	4.5	1.0	-	:

NOTE:

- a/ - Date for 1970-1975 was based on household population 10 years and over;
1976-1987 was based on household population 15 years and over.
b/ - The earlier industrial classification included Commerce in this category.

Sources: NEDA (1986), Philippine Statistical Yearbook.
NSO, Special Release, various issues.
DOLE, Yearbook of Labor Statistics, various issues.

Table 23: PUBLIC SECTOR EMPLOYMENT & COMPENSATION 1/

	1986	1987	1989
<u>Numbers Employed by Branch of Service ('000)</u>			
National Government	832	682	954
Government Corporations	103	134	251
Local Government	202	255	220
State Educational Institutions	511	60	51
Total	1,188	1,131	1,476
Public Employees/Total Labor Force (%)	5.4	4.8	6.0
<u>Personnel Expenditures (Billion Pesos)</u>			
National Government	25	33	51
Growth Rate (%)		24	24

1/ Employment data based on Civil Service Commission Surveys. No survey was done in 1988; for 1989, the data are as of June.

Source: World Bank, Report No. 8933-PH, 1990

TABLE 24

PERCENT DISTRIBUTION OF UNEMPLOYED PERSONS
BY SEX AND AGE GROUP

Age Group	1978			1980			1981			1982			1983		
	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female
15-19	22.2	26.9	19.7	23.6	30.7	18.7	22.2	26.9	19.7	23.6	30.7	18.7	21.4	21.0	21.7
20-24	27.7	32.4	25.2	30.5	32.7	29.0	27.7	32.4	25.2	30.5	32.7	29.0	32.6	36.3	30.0
25-34	23.6	19.7	25.7	22.3	17.7	25.4	23.6	19.7	25.7	22.3	17.7	25.4	24.2	21.1	26.3
35-44	12.1	5.9	15.4	11.7	7.8	14.4	12.1	5.9	15.4	11.7	7.8	14.4	10.1	8.7	11.1
45-54	7.3	5.9	8.1	7.2	5.0	8.7	7.3	5.9	8.1	7.2	5.0	8.7	6.5	6.8	6.3
55-64	5.0	6.7	4.2	3.3	3.9	2.9	5.0	6.7	4.2	3.3	3.9	2.9	3.9	4.0	3.9
65 and over	2.0	2.5	1.8	1.4	2.2	0.9	2.0	2.5	1.8	1.4	2.2	0.9	1.3	2.1	0.8

Age Group	1984			1985			1986			1987		
	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female
15-19	17.9	18.3	17.3	20.9	20.7	21.1	17.5	18.0	17.1	19.8	16.8	21.4
20-24	26.5	24.2	30.4	32.4	32.7	32.1	32.6	31.3	33.8	22.1	28.9	32.9
25-34	26.2	26.3	26.0	27.6	27.7	27.5	28.4	28.5	28.4	25.4	26.7	17.9
35-44	11.3	12.1	9.9	11.1	10.8	11.5	11.1	10.0	12.1	10.3	11.6	9.2
45-54	8.5	9.3	7.2	5.2	4.9	5.5	6.0	6.7	5.4	7.2	8.0	3.6
55-64	5.3	5.8	4.5	2.0	2.2	1.9	2.9	3.7	2.3	5.9	5.2	2.3
65 and over	4.3	4.2	4.5	0.8	1.1	0.5	1.4	1.8	1.0	4.6	4.9	3.9

Source: Department of Labor, Yearbook of Labor Statistics, various issues.
MCSO, Integrated Survey of Households (Unpublished).

Table 25 **UNEMPLOYMENT RATES BY SELECTED LABOR FORCE GROUPS**

	1970-78/ <u>a</u>	1980	1981	1982	1983	1984	1985	1986
<u>Female</u>	8.2	7.5	8.5	8.6	6.8	10.0	8.2	8.9
Urban		8.9	11.2	11.5	9.4	11.8	10.8	11.4
Rural		6.7	7.1	7.0	5.6	8.8	6.3	7.2
<u>Less than 19 yrs. old</u>	8.0	7.9	9.8	9.0	8.4	11.5	9.6	9.4
Urban		17.8	20.5	17.4	17.8	20.9	19.3	19.3
Rural		5.1	6.3	6.4	3.2	7.3	5.4	5.5
<u>Less than 24 yrs. old</u>	7.8	7.5	10.9	10.4	9.9	13.5	12.1	12.9
Urban		17.8	20.8	19.0	18.6	21.5	21.3	22.7
Rural		6.1	6.7	6.7	6.3	8.9	6.7	7.4
Total		4.7	5.4	5.5	4.9	7.0	6.1	6.4

/a Average for 1970-78 [NEDA (1986)].

Cited in: NCSO (ISH)

Source: World Bank (1988) Report No. 7144-PH

TABLE 26
 UNDEREMPLOYMENT RATE BY SEX, 1971-1987
 (In %)

Year	U N D E R E M P L O Y M E N T R A T E		
	Total	Male	Female
1971	15	15.8	13.3
1972	13.3	14.7	10.1
1973	12.1	12.9	8.9
1974	10.1	11.1	8.1
1975	13.3	14.4	7.5
1976	10.6	11.8	8.2
1977	17.4	18.6	14.8
1978	19.6	20.9	17.2
1980	20.9	22.6	17.6
1981	23.9	26.3	19.7
1982	25.5	28	21
1983	29.8	32.2	25.9
1984	36.4	39.3	31.5
1985	22.2	24.9	17.5
1986	28.4	31.5	23.2
1987	24.2	27.2	18.9

Source: NEDA (1986), Compendium of Philippine Social Statistics.
 NSO, Integrated Survey of Households, various issues
 (Unpublished).

**Table 27 PHILIPPINES: URBAN UNDEREMPLOYMENT BY SCHOOLING LEVELS /a
AND EARNINGS /b
(percentages and constant 1985 pesos)**

	1980	1981	1982	1983	1984	1985	1986
Total Underemployment Earnings	$\frac{100}{(4,650)}$	$\frac{100}{(4,502)}$	$\frac{100}{(5,124)}$	$\frac{100}{(5,110)}$	$\frac{100}{3,070}$	$\frac{100}{(2,770)}$	$\frac{100}{(3,080)}$
No schooling	4.3	2.9	1.9	2.6	2.3	0.9	2.3
Elementary Earnings	47.8 (2,900)	43.5 (3,440)	44.8 (3,940)	44.6 (3,460)	45.5 (2,005)	42.9 (2,012)	38.6 (2,070)
High School Earnings	31.9 (4,060)	34.5 (4,430)	36.4 (4,470)	34.1 (4,700)	37.2 (2,970)	37.4 (2,600)	39.8 (2,510)
College Undergrad.	6.9 (5,465)	12.0 (5,160)	10.9 (5,600)	12.2 (5,200)	8.3 (3,860)	11.6 (4,170)	12.5 (4,250)
College Graduates	4.8 (8,509)	4.3 (8,580)	2.8 (9,650)	6.0 (8,790)	6.8 (5,890)	6.1 (5,090)	7.0 (6,710)

/a Highest degree completed.

/b Figures indicate the number of persons in each group expressed as a proportion of the total number of urban underemployed in each group. The total average family per capita income of each group in 1985 pesos is shown in parentheses.

Cited in: World Bank (1988)

Source: World Bank (1988) Report No. 7144-PH.

Table 28 DISTRIBUTION OF FAMILIES ACCORDING TO OFFICIAL POVERTY LINE
BY LABOR MARKET CHARACTERISTICS OF THE HEAD
(%)

	Under P 3,759/year	Under P 5,010/year
Employee Private Sector	42.9	60.3
Employee Public Sector	17.1	31.0
Self-employed	55.3	70.5
Employees	27.6	39.0
Agriculture	61.7	77.0
Manufacturing	33.5	48.7
Construction	42.9	61.0
Trade	29.9	45.8
Transportation	30.8	49.8
Financing	12.9	24.0
Services	24.2	39.2
Skilled Workers	7.0	15.5
Semi-skilled Workers	27.3	42.6
Unskilled Workers	36.0	51.1
Agricultural Workers	62.1	77.2

The figures show the proportion of families under the rural and the urban threshold.

Cited in: Estimates based on the Household Incomes and Expenditures Survey (1985)

Source: World Bank (1988) Report No. 7144-PH.

Table 29. PHILIPPINES: REAL WAGE INDEXES
(1972 = 100)

	(1) Skilled Workers	(2) Unskilled Workers	(3) Agricultural Workers
1960	133.4	107.9	144
1965	115.2	102.7	127
1970	114.4	111.6	102
1975	72.7	72.9	107
1980	63.7	60.7	92
1981	68.4	65.4	90
1982	76.8	71.3	97
1983	87.1	72.6	104
1984	69.5	75.1	89
1985	66.6	75.7	89
1986	60.3	73.5	98

Cited in: Columns (1) & (2), Central Bank and staff estimates; (3) Lal (1983) (1960-70), and staff estimates with data provided by the Bureau of Agricultural Economics, Ministry of Agriculture and Food.

Source: World Bank (1988) Reprint No. 7144-PE.

Table 30 LABOR COMPENSATION MEASURES 1/
 (Annual Growth Rates, Percent)

	1985	1986	1987	1988	1989
1. Real Compensation Per Employee	-	-	12.8 <u>2/</u>	7.2	10.5 <u>3/</u>
2. Real Minimum Wages (1978 prices)					
A. Non-Agricultural					
NCR	-2.5	-5.0	-4.4	8.1	9.0
ONCR	-4.4	0.2	-1.0	11.7	7.9
B. Agricultural					
Plantation	-4.8	0.2	-1.1	13.2	11.1
Non-Plantation	-3.5	0.1	-0.8	19.0	5.8
3. Daily Real Wages	-	5.1	4.8	6.8	-
4. Daily Real Wages in Manuf.					
A. Skilled	-11.4	-1.8	6.6	-	-
B. Unskilled	-3.7	-5.0	-1.2	-	-

1/ Compensation includes all earnings in cash and in kind and employers' contribution to social security. Daily wages on Line 3 are based on National Wages Council definition, those on line 4 refer to Metro Manila only.

2/ Increase between first and fourth quarter.

3/ Data refers to the third quarter.

Source: Current Labor Statistics (DOLE, BLES), March 1990, Edna Reyes and Ma. Teresa C. Sanchez: An Assessment to Labor and Employment Policies in the Philippines, 1986-88, Manila: PIDS, Working Paper No. 90-09, pp. 22-23 and National Wages Council. International Labor Office, cf. in Gysbert and Papola, p. 39.

Table 31 PHILIPPINES: UNIT LABOR COSTS IN MANUFACTURING, 1970-84
(1970 = 100)

Year	Productivity <u>/a</u>	Real wage rate	Real unit labor cost <u>/b</u>
1970	100	100	100
1971	102	95	93
1972	110	92	84
1973	101	79	78
1974	108	68	64
1975	113	77	68
1976	86	73	85
1977	81	77	94
1978	79	79	99
1979	78	64	82
1980	80	60	75
1981	81	66	82
1982	83	68	82
1983	125	83	69
1984	139	73	60

/a Real value added per worker.

/b Real wage rate/productivity.

Cited in: "Trends in manufacturing competitiveness in South East Asia",
Leipziger, D., Hakim, L.G., Petri, P. 1988 (forthcoming).

Source: World Bank (1988) Report No. 7144-PH

TABLE 32

CONSUMER PRICE INDEX FOR ALL ITEMS BY REGION
ANNUAL, 1978-1990
(1978=100)

REGION	1978	1989	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Philippine	100.0	117.5	138.9	157.1	173.2	190.5	286.4	352.6	355.3	368.7	401.0	443.5	499.7
Metropolitan Manila	100.0	119.3	141.5	158.7	176.2	195.3	291.5	351.9	370.5	395.5	435.3	477.2	548.3
Areas Outside Metro Manila	100.0	117.2	138.4	156.8	172.6	189.6	285.4	352.7	352.3	363.6	394.4	437.0	490.3
REGION													
CAR Cordillera	-	-	-	-	-	192.3	293.2	354.6	361.3	371.7	391.5	443.3	506.8
I Ilocos	100.0	116.3	136.6	157.9	176.8	193.0	277.9	350.0	344.8	346.6	378.3	421.6	479.0
II Cagayan Valley	100.0	116.0	139.0	159.8	171.7	189.9	258.5	322.7	339.4	351.1	380.6	380.9	487.7
III Central Luzon	100.0	115.7	135.6	151.4	166.2	185.4	296.5	372.8	377.3	390.5	414.5	459.4	509.2
IV Southern Tagalog	100.0	114.4	133.8	152.7	170.4	187.8	273.4	332.6	337.8	349.9	381.2	428.4	483.0
V Bicol	100.0	121.7	143.9	161.8	176.0	190.0	286.0	350.7	348.4	362.8	399.9	439.7	489.1
VI Western Visayas	100.0	119.0	142.8	158.4	173.5	188.7	295.9	375.1	373.4	379.5	405.9	445.9	506.7
VII Central Visayas	100.0	117.5	140.9	159.0	183.2	204.5	300.1	365.9	353.9	366.0	400.1	444.7	503.2
VIII Eastern Visayas	100.0	120.9	139.8	158.0	169.8	181.3	378.5	337.3	332.4	346.3	378.5	423.3	460.4
IX Western Mindanao	100.0	111.0	130.5	147.9	162.4	180.2	279.9	338.5	327.9	339.9	365.6	413.5	459.5
X Northern Mindanao	100.0	121.3	146.1	167.5	185.8	202.7	198.1	360.5	350.3	365.2	391.0	447.4	492.7
XI Southern Mindanao	100.0	117.4	139.8	158.2	171.4	189.2	278.2	348.2	350.6	364.0	402.7	439.0	499.4
XII Central Mindanao	100.0	117.9	137.6	156.2	168.4	186.1	286.0	353.1	353.7	367.4	394.0	426.9	471.7

(-) data not yet available

Source: National Statistical Coordination Board

Table 33 **SOCIAL SPENDING: PHILIPPINES AND LOWER MIDDLE INCOME COUNTRIES, 1985**
(% of GNP)

	<u>Philippines</u>		<u>Lower middle income countries</u>	
	<u>Government</u>	<u>Total</u>	<u>Government</u>	<u>Total</u>
Education	1.8	n.a.	3.7	n.a.
Health-care	0.6	2.5	1.0	n.a.
Nutrition	0.06	-	n.a.	-
Social Security	0.7	0.7	1.9	2.5
Housing	0.4	3.7		n.a.
<u>Total</u>	<u>3.6</u>	<u>-</u>	<u>6.6</u>	<u>-</u>

Source: World Bank (1988) Report No. 7144-PH.

TABLE 34 NATIONAL EXPENDITURES BY SECTOR, OBLIGATION BASIS,
 ----- 1985-1989 (in million pesos)

	1985	1986	1987	1988	1989
Economic Services	20241	28114	25039	26091	45964
Agriculture, Agrarian Reform and Natural Resources	4733	5149	7477	8429	16353
Trade & Industry	972	603	1001	890	1234
Tourism	152	136	156	256	298
Power & Energy	1345	1368	1778	211	936
Water Resource Development and Flood Control	1468	1594	1395	1412	3026
Communications, Roads and Other Transportation	9081	9051	9184	12945	19010
Other Economic Services	2490	10213	4048	1948	5107
Social Services	15274	21015	27493	31061	42148
Education, Culture and Manpower Development	10722	14838	17040	22022	29559
Health	3113	3570	4089	5564	7338
Social Security & Labor Welfare	741	826	1005	1147	1576
Land Distribution (CARP)	0	220	369	0	899
Housing and Community Development	671	1550	443	595	298
Other Social Services	27	11	4547	1733	2478
Defense	10067	11587	12549	18298	20431
General Public Services	10522	10662	12559	15730	18438
Net Lending	12535	15066	7641	4907	2727
Debt Service	18751	28061	69694	71320	97713
Interest Payments	14652	21612	36905	45864	51459
Debt amortization	4099	6449	32789	25456	46254
TOTAL	87390	114505	154975	167407	227421

Source: Department of Budget and Management

Cited in: World Bank (1990) Report No. 8933-PH.

TABLE 35 NATIONAL GOVERNMENT EXPENDITURES BY SECTOR, OBLIGATION BASIS,
1985-1989 (Shares)

	1985	1986	1987	1988	1989
Economic Services	23.2%	24.6%	16.2%	15.6%	20.2%
Agriculture, Agrarian Reform and Natural Resources	5.4%	4.5%	4.8%	5.0%	7.2%
Trade & Industry	1.1%	0.5%	0.6%	0.5%	0.5%
Tourism	0.2%	0.1%	0.1%	0.2%	0.1%
Power & Energy	1.5%	1.2%	1.1%	0.1%	0.4%
Water Resource Development and Flood Control	1.7%	1.4%	0.9%	0.8%	1.3%
Communications, Roads and Other Transportation	10.4%	7.9%	5.9%	7.7%	8.4%
Other Economic Services	2.8%	8.9%	2.6%	1.2%	2.2%
Social Services	17.5%	18.4%	17.7%	18.6%	18.5%
Education, Culture and Manpower Development	12.3%	13.0%	11.0%	13.2%	13.0%
Health	3.6%	3.1%	2.6%	3.3%	3.2%
Social Security & Labor Welfare	0.8%	0.7%	0.6%	0.7%	0.7%
Land Distribution (CARP)	0.0%	0.2%	0.2%	0.0%	0.4%
Housing and Community Development	0.8%	1.4%	0.3%	0.4%	0.1%
Other Social Services	0.0%	0.0%	2.9%	1.0%	1.1%
Defense	11.5%	10.1%	8.1%	10.9%	9.0%
General Public Services	12.0%	9.3%	8.1%	9.4%	8.1%
Net Lending	14.3%	13.2%	4.9%	2.9%	1.2%
Debt Service	21.5%	24.5%	45.0%	42.6%	43.0%
Interest Payments	16.8%	18.9%	23.8%	27.4%	22.6%
Debt amortization	4.7%	5.6%	21.2%	15.2%	20.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Department of Budget and Management

Cited in: World Bank (1990) Report No. 8933-PH .

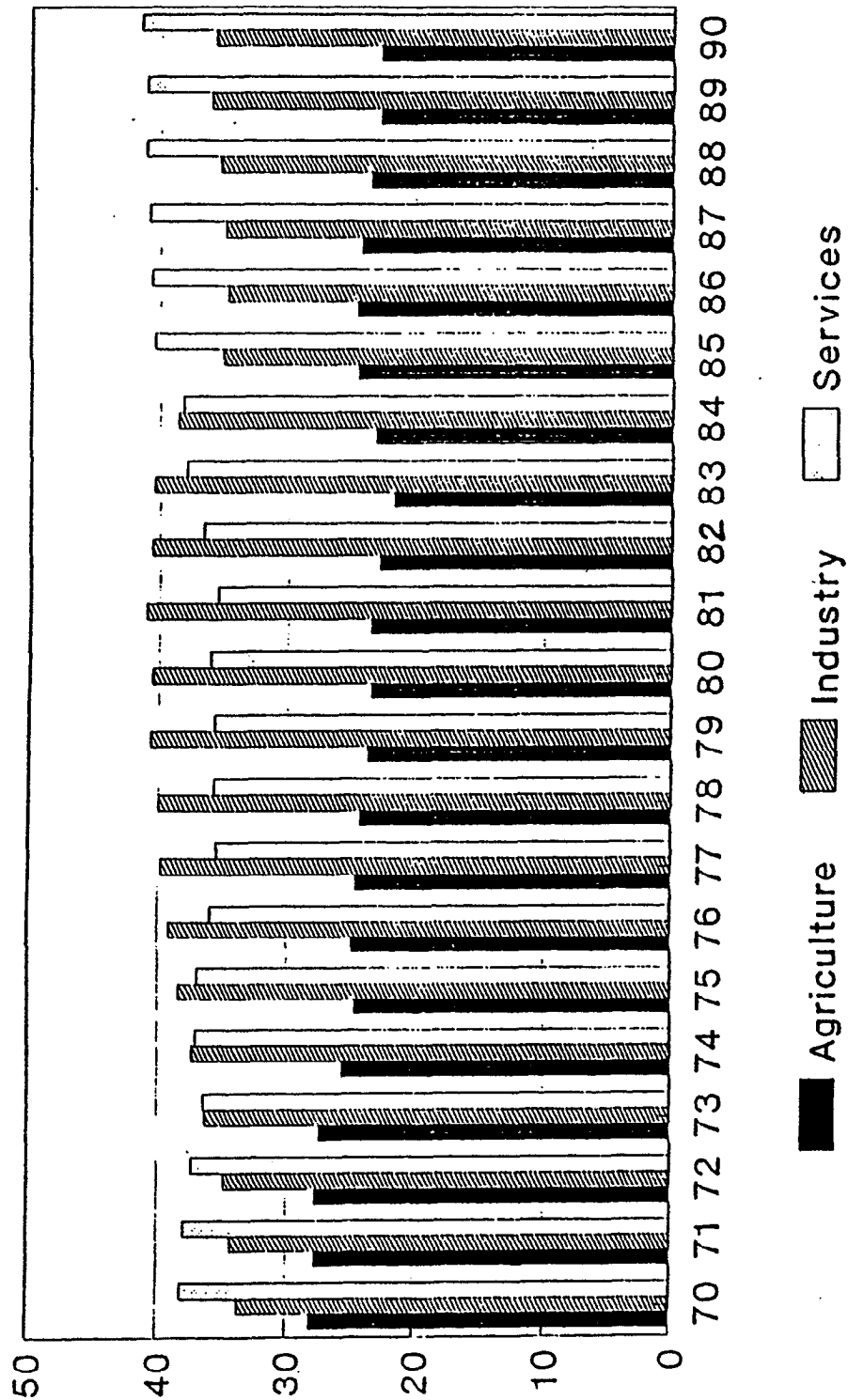
Table 36
 Real Per Capita Expenditure
 on Economic and Social Services,
 Obligation Basis
 1975-1990

	Expenditure	Social
1975	276.41	104.48
1976	277.60	114.59
1977	230.91	105.89
1978	284.23	121.96
1979	273.43	134.45
1980	247.33	126.77
1981	300.00	135.39
1982	278.20	131.06
1983	251.10	132.04
1984	176.90	82.86
1985	169.00	77.92
1986	207.87	126.57
1987	157.67	113.89
1988	140.60	127.08
1989	155.63	147.11
1990	176.88	167.06

Source of Basic Data: Department of Budget
 and Management

Figure 1

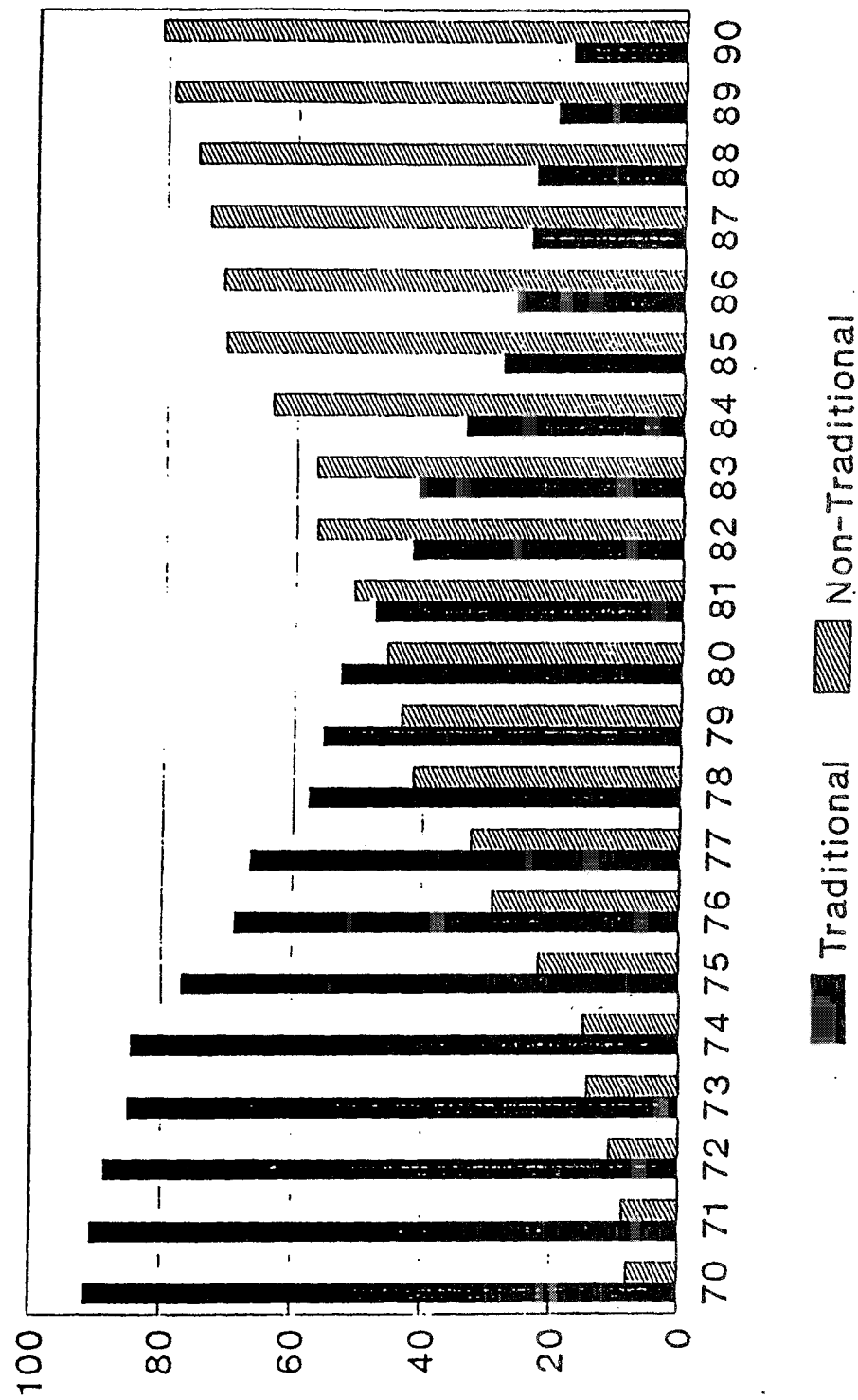
Structure of GDP (percent share)



Source of Basic Data: National Statistical Coordination Board

Figure 2

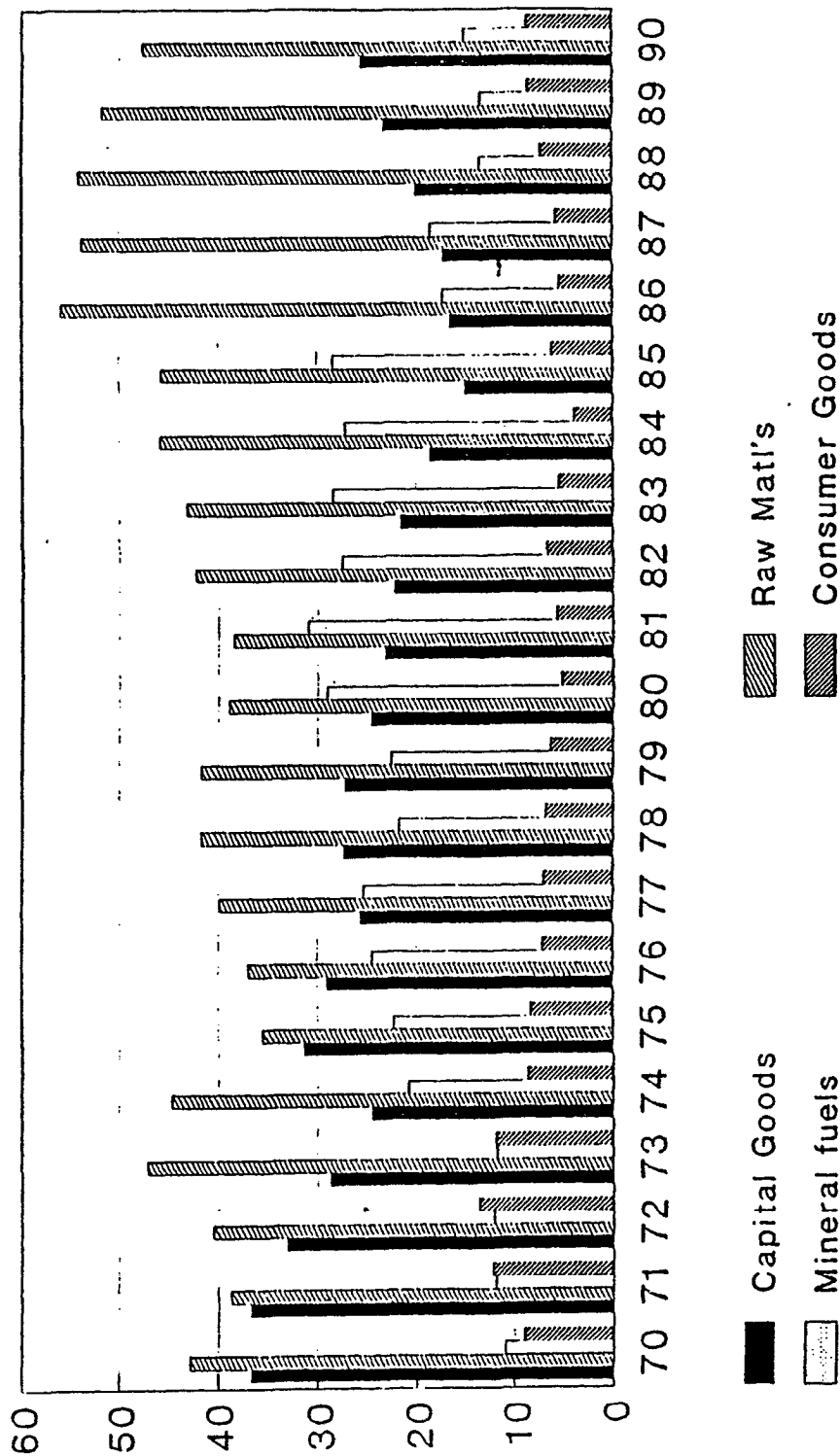
Export Structure (percent share)



Source of Basic Data: National Statistics Office

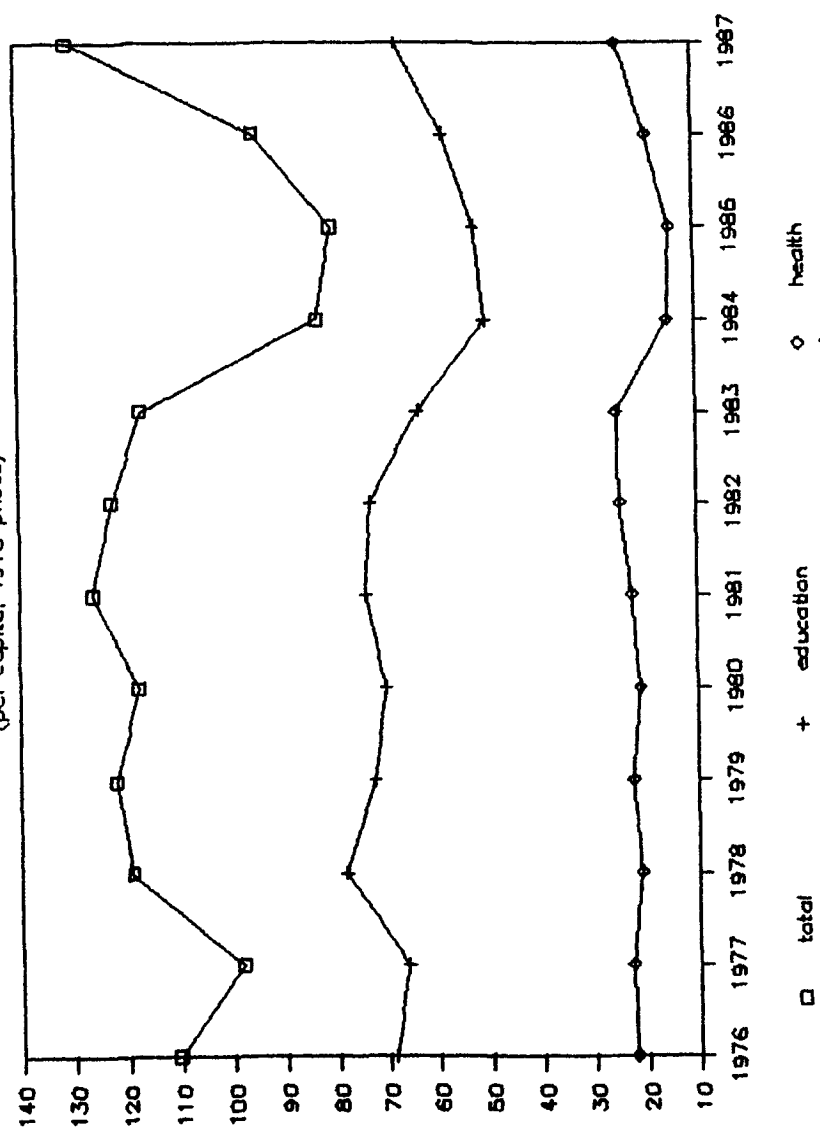
Figure 3

Import Structure (percent share)



Source of Basic Data: National Statistics Office

Figure 4
Public Social Sector Expenditures
(per capita, 1978 prices)



Source: World Bank (1988) Report 7144-PH.