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## BREAKING THE CHAINS OF POVERTY AMONG FILIPINO HOUSEHOLDS: WILL IT BE IN THIS LIFETIME?

### POVERTY IN THIS LIFETIME

The Asian Development Bank (ADB) attributes persistent poverty in the Philippines to “weak macroeconomic management, employment issues, high population growth, an underperforming agricultural sector and unfinished land reform agenda, governance issues including corruption and a weak state, conflict and security issues, particularly in Mindanao, and disability” (Asian Development Bank [ADB], 2005, xvii). Despite copious and varied government initiatives to remedy the situation, however, Filipinos in the lower income deciles continue to suffer from the constant deprivation of basic necessities (Schelzig, 2005).

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According to the Philippine Statistical Authority (PSA), the Philippine economy posted impressive growth rates in 2010 (7.63%), 2013 (7.20%), and 2014 (6.10%). With the exception of China, which grew by 7.70% in 2013 (Davis & Kazer, 2014), the Philippines can be considered as one of the best performing economies in Asia. According to Arsenio Balisacan (Secretary of the Socioeconomic Planning and Director General of the National Economic and Development Authority), as cited in Gatdula (2014), “it [Philippine economic growth rate] was a remarkable turnout considering the 2013 target of only six to seven percent given the challenges the country faced, particularly the disasters that struck central and southern Philippines in the fourth quarter.” Lopez (2014), nonetheless, asserted that the Philippine’s growth is not inclusive for it did not create sufficient employment – an essential ingredient in alleviating poverty. Surplus labor in the domestic market keeps wages low relative to the Philippines’ neighboring countries, compelling Filipinos to seek employment abroad. As incomes generated overseas are temporary and susceptible to shocks, and may be inadequate to support the needs of the households, Albert and Ramos (2010) posited that households are forced to engage in “risk-mitigating strategies” or alternative temporary strategies

(e.g., sell their votes, commit petty crimes, etc.) that have irreversible negative effects and chains them tighter to poverty.

Furthermore, corruption in the country allegedly diverts public funds to “ghost projects” instead of financing priority development projects that are geared toward poverty alleviation. A case in point is the *Priority Development Assistance Fund* scam wherein a number of legislators were supposed to have misused a total of PHP 10 billion (USD 230 million) (Carvajal, 2013).

Meanwhile, any successfully launched poverty alleviation project tends to be co-terminus with the Administration that proposed and implemented it. Programs, regardless of their effectiveness, are generally replaced when a new leader is elected. Besides resulting in redundancies, inefficiencies, and wastes of resources, the practice defeats the goal of a holistic, long-standing, and cohesive agenda to defeat poverty.

Sionil Jose (2004), on the other hand, stated that Filipinos are poor because they have lost their “ethical moorings”:

We condone cronyism and corruption and we don’t ostracize or punish the crooks in our midst. Both cronyism and corruption are wasteful but we allow their practice because our loyalty is to family or friend, not to the larger good (para. 8).

## BREAKING THE CHAINS OF POVERTY: A MYTH OR A REALITY?

Effective poverty alleviation remains to be one of the Philippines' biggest challenges. The study of Aliping, Pizarro, and Rivera (2014) explored the concepts of transient and chronic poverty to demonstrate the movement of households from one socio-economic status to another. It determined the probabilistic relationship of shifting to and from poverty given selected socio-demographic factors. Using data from

the *Family Income and Expenditure Survey (FIES)*, a **repeated cross-section analysis** was employed thus **allowing for the formulation of pseudo panels that assessed the upper and lower bounds of mobility in and out of poverty.**

The results suggested that the transition to and from poverty is less probable than remaining in the same state. Additionally, the findings pointed to the importance of human

capital investment, being married, having an employed spouse, and age in not only keeping out of poverty and but also in escaping from it. The paper revealed that individuals who have acquired proper training are more equipped to sustain their families with a larger income, which makes them less vulnerable to economic shocks (e.g., financial crises, natural disasters, etc.).

State of the World	Summary of Results from Bounds of Mobility and Probit Estimates
Non-Poor to Non-Poor	Educational attainment serves as a key factor in sustaining household security. Being married also contributes positively to the probability of staying non-poor for a working spouse is a source of additional income. Younger household heads that are considered non-poor in the first period are less likely to retire and/or stop working in the second period and, thus, contribute positively to staying non-poor.
Poor to Poor	Education decreases the chance of staying poor. Higher educational attainment results in a higher marginal effect of decreasing the probability of staying poor. The same is true for staying married and a working spouse. Benefits of being married are likely to decrease the chance of being poor since it also offers the opportunity that the spouse will find employment and contribute to household income.
Non-Poor to Poor	An educated household head reduces the probability of entering poverty. This is true for all independent variables except for Male Household Head.
Poor to Non-Poor	Education plays a vital role in fighting poverty. Poor households that acquire skills through training are more likely to become non-poor. Civil status and a working spouse are also likely to increase the chance of exiting poverty as it will provide access to additional income.

Note: Culled from Aliping, Pizarro, and Rivera (2014).

As households headed by educated individuals are more equipped to deal with unexpected shocks and are more likely to escape from them should they occur, providing broad-based basic educational opportunities and stable employment must be prioritized. The poor must be encouraged to participate in skills training suited for specific jobs, for instance the vocational courses offered by Technical Education and Skills Development Authority (TESDA). In addition to raising the likelihood of employment, education could also alter an individual's behavioral and social patterns (e.g., spending habits); resulting in the efficient allocation of household resources and the realization of long-run benefits.

Rapid population growth undermines poverty alleviation efforts. The mistaken notion that more children translates to greater income and to a greater chance of escaping poverty in the future results in large families. Households, however, tend to discount the initial spending necessary before these expectations are achieved. Indeed, the failure to provide every member of the household with a minimum level of education and health, for instance, worsens the household situation. In addition, brisk rates of population growth accelerate labor force expansions; leading to higher unemployment rates and the persistence of poverty across generations, especially when basic education is not available to all.

Accordingly, government intervention in human capital development is critical to reducing poverty in the Philippines. The current administration has adopted two key strategies in accomplishing this goal: 1) the Responsible Parenthood and Reproductive Health Act of 2012 (RA 10354), which promotes limiting family size through family planning; and 2) the K to 12 program, which expands and strengthens the country's basic education system. In addition to these initiatives, however, the government must also provide opportunities for every Filipino to enroll in technical-vocational courses by improving on the current process and utilization of information and communication technology.

## MACRO AND MICRO PERSPECTIVES OF MAKING POVERTY ALLEVIATION A REALITY

The commitment of the government to reduce poverty, regardless of the ruling Administration, is the first step to successfully improve living standards in the country. “Band-aid” solutions (e.g. dole outs, housing, etc.), while valued, only address current needs and may not be sustainable. America (2013) contended that in developing economies the response to poverty is typically short-term reactive rather than long-term pre-planned. Effective government programs must, therefore, strike a balance between meeting immediate needs and tackling the root causes of poverty, which are the unequal and the inequitable distribution of income (Todaro & Smith, 2008) and a dysfunctional democracy (Maboloc, 2012).

Improvements in the current system can, thus, take the following forms: 1) eliminating redundancies and inefficiencies by seeking the commitment of the present and incoming Administrations in continuing the implementation of beneficial poverty reduction programs; 2) designing programs that work on the empirically verified responsiveness of poor households to changes in salaries and wages. Strategies that guarantee access to sustainable employment would, thus, relieve the government from the need to offer grants and subsidies that consume significant shares of the national budget; 3) improving the business environment by lowering corporate-taxes for new firms, eliminating red tape, developing infrastructures (e.g., roads and transportation), and promoting a more efficient system and broader scope of financial activities. Favorable business environments attract investments, which create much-needed jobs.

As the quality and commitment of future leaders in the country are critical to implementation of these plans, it would be advisable to look into amending the provisions of the 1987 Philippine Constitution with the intention of revising the qualifications

of the political candidates and/or voters. The current electoral system considers an individual who subscribes to honesty and servant-leadership as a viable candidate for government office regardless of education and social stature. Presently, these basic qualifications seemingly guarantee a win for candidates who bank on popularity, celebrity-status, and political dynasties. Maboloc (2012) and Carlos, Lalata, Despi, and Carlos (2010), thus, asserted that the system does not work owing to a dysfunctional understanding of democracy and the democratic deficits that confronts the country. Certainly, the successful implementation of development programs can benefit from the advantages offered by a more selective electoral system – one that requires candidates, and, therefore, elected officials, to have a minimum level of education, skills, and experience. The disadvantage, however, would be the deviation from the encompassing concept of democracy of equal opportunity and equality for all.

The recommendation of revising the qualification of the voters may also be unconventional but it can address the disadvantage of the first proposal. Every citizen is promised a voice in choosing society’s leaders by virtue of an election. Since majority of the voters are poor, uneducated, and uninformed, however, the electorate tends to put in power individuals who may not be able to advance the cause of reducing poverty. Accordingly, the punitive proposal of Sen. Miriam Defensor-Santiago, cited by Bacani (2013), may be worth revisiting – “only [income] taxpayers should be allowed to vote” if only to avoid the senator’s inevitable conclusion that “the taxpayers are being ruled by the choice of the non-taxpayers.”

In summary, the pursuit of poverty alleviation requires the united and coordinated efforts of every sector of the economy. Government programs - be it in the form of human capital development and/or investment promotion – must be complemented with the households’ resolve to work towards self-sufficiency.

## Endnotes

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