

## **GOVERNMENT AND POVERTY: A REVERSIBLE MALADY**

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### **Abstract**

This paper described the status of poverty in the Philippines vis-à-vis food and poverty thresholds. Republic Act No. 8425 sets the boundary between such thresholds thus setting clear the concept of the “poor” as well as the magnitude of the “poor” across regions. Current available data by the Philippine Statistics Authority revealed that a Filipino family of five needs a monthly income of at least Php8,778 to stay out of poverty. There has been an increasing trend in both food and poverty thresholds despite government efforts. This is attributed to a number of calamities that hit the country. Political upheavals are also identified causes for the increase in inflation rate. Same trend is noted for the level of poverty incidence in Eastern Visayas and Mindanao region. These findings led the researcher to an analysis of the challenges to the attainment of the projected outcomes of the programs towards poverty alleviation.

**Keywords:** *Poverty, Food Threshold, Poverty Threshold, Poverty Incidence, Inflation, Economic Development*

### **1. Introduction**

It cannot be gainsaid, particularly in presidential elections that it is always of prime interest to hear candidates speak of their vision of the Philippines in the next six years. More often than not, the presidential candidate presents a platform that is uniquely associated with his/her respective political party anchoring on one specific target of development. An interesting focus would be on concrete measures to alleviate the perennial problem on poverty.

Economists observed that promises to reduce poverty always feature prominently in Philippine presidential campaigns, and every administration since 1986 has prioritized poverty reduction in its

development plans. Institutional reforms have taken place that significantly changed the scope and breadth of poverty policy making in the country. As the concept of poverty evolved in the literature, the treatment of poverty by various Philippine administrations also saw fit changes in its dynamics. Some innovative program interventions were introduced in the process. Overall, however, the implementation of government poverty programs has been regarded as weak and politicized. It is the aim of this paper to describe the status of poverty in the country vis-à-vis food and poverty thresholds and poverty incidence across regions. The researcher intends to identify the challenges, issues and concerns of programs and projects in order to supplement current government efforts with the end of targeting better outcomes for poverty alleviation in the country.

### **1.1 The Meaning of Poverty**

While usually associated with the lack of incomes, poverty can be defined more generally as *a state of want in relation to a social standard*. This suggests an absolute notion of poverty that says that every person is entitled to a minimum level of well being, regardless of how affluent others may be. If Juan de la Cruz' way of living falls behind the minimum social standard as set by the government then the de la Cruz family is among the Filipino families who are in poverty. To be more concise, the *National Statistical Coordinating Board (NSCB) on the 2006 Official Poverty Statistics Press Conference last March 5, 2008* provided the following definitions:

#### **Who are the “POOR”?**

Republic Act No. 8425 - Social Reform and Poverty Alleviation Act, passed by Congress in December 1997:

The *poor* refers to individuals and families whose incomes fall below the official poverty threshold as defined by the government and/or cannot afford to provide in a sustained manner for their minimum basic needs for food, health, education, housing, and other social amenities of life.

#### **What is food threshold?**

- Also referred to as the *subsistence threshold* or the *food poverty line*;
- It refers to the minimum income/expenditure required for a family or individual to meet the basic food needs, which satisfies the nutritional requirements for economically necessary and socially desirable physical activities.

#### **What is poverty threshold?**

- It refers to the cost of minimum basic needs: food + non-food;
- The minimum income/expenditure required for a family or individual to meet the basic food and non-food requirements.

#### **What is subsistence incidence?**

- It refers to the proportion of families/individuals with per capita income/expenditure less than the per capita food threshold to the total number of families/ individuals.

### What is poverty incidence?

- It refers to the proportion of families/individuals with per capita income/expenditure less than the per capita poverty threshold to the total number of families or individuals.

### 2. The Food and Poverty Threshold in the Philippines

Measuring poverty relative to a poverty threshold, or some predetermined consumption standard implies an absolute notion of what it means to be poor. The extent of poverty will be higher or lower, therefore, depending upon how high or low the poverty line is set. Commonly used measures of poverty such as the poverty incidence, depth of poverty, and severity of poverty are all taken relative to a poverty threshold.

Among the criteria by which the analysis on poverty centers is the income of the family. Consider table 1.

The *poverty threshold* as vividly shown by the preceding table indicates that the Filipino family of five (average number of members of the family) needs *eight thousand seven hundred seventy-eight pesos* (P8, 778) as monthly income to stay out of poverty in 2014. This is such a huge increase from the year 2013, wherein only *eight thousand and twenty-five pesos* (P8, 025) was needed to be out of the poverty line. The 9.4% increase in the poverty threshold suggests the change in the lifestyle of most Filipino families. With the rapid changes brought about by globalization and the influx of modern technology, the needs of the people particularly those, which belong to the non-food category, have ballooned significantly.

**Table 1. Average Monthly Thresholds for a Family of Five: 2013 and 2014**

Statistics	Average Monthly Estimate		Increase/ Decrease (%)
	1st sem 2013 <sup>a/</sup>	1st sem 2014 <sup>b/</sup>	
<b>Food Threshold for a Family of Five (PhP)</b>	5,593	6,125	9.5
<b>Poverty Threshold for a Family of Five (PhP)</b>	8,025	8,778	9.4

Source: Philippine Statistics Authority.

For its part, the *food threshold* suggests that only a monthly income of *six thousand one hundred twenty-five pesos* (P6, 125) was needed in 2014 for the average Filipino family to satisfy their food requirements. Although, this figure is less than the value of the poverty threshold, there is still a big leap from the food threshold in 2013. As one refers to Table 1, in 2013, *five thousand five*

***hundred ninety-three pesos*** (P5,593) was the standard food threshold. There is an increase of 9.5%. This increase means that there is also a corresponding price hike among food commodities from 2013 to 2014, which can be attributed to a great extent, to the natural calamities that hit the country in the said years.

As such, the increase in both the ***poverty*** and ***food threshold*** from 2013 to 2014 can be attributed to the following occurrences:

#### **Natural calamities in 2013**

Typhoon Labuyo (Northern Luzon)	– August
Typhoon Odette (Northern and Central Luzon)	– September
Typhoon Santi (Central Luzon)	– October
Typhoon Vinta (Metro Manila)	– October
Typhoon Yolanda (Eastern Visayas)	– November
Typhoon Maring (Metro Manila)	- August
Earthquake (Bohol)	- October

#### **Natural calamities in 2014**

Typhoon Glenda (Central and Southern Luzon)	- July
Typhoon Mario (Metro Manila)	- September
Typhoon Ruby (Eastern Visayas)	- December

Moreover, in 2014 there are untoward political events that might have affected the credibility rating vis-à-vis foreign investment in the country brought about by the Priority Development Assistance Fund (PDAF) scam and the declaration of the Disbursement Acceleration Program (DAP) as unconstitutional by the Supreme Court, among others.

The PDAF scam involved a few senators and congressmen whose supposed assistance to their respective constituents were coursed through bogus non-government organizations (NGO's) most of which were allegedly under the management and machination of Janet Napoles and her cohorts. Meanwhile DAP's unconstitutionality is also seen to be a factor in the rise of both the food and poverty thresholds as this was coupled with the increase in the inflation rate for the said years. The inflation rate for 2010-2014 is exhibited in Table 2.

On a macro perspective, the inflation rate of the Philippines has not radically intensified nor weakened from 2010 to 2014. However, from 2013-2014 one must note the rise in the inflation rate (3.0% to 4.1%). This increase might be considered as minimal by some but a careful analysis would consider the fact that there is an effect in the access of the Filipino consumers to both food and non-food needs thus affecting the thresholds.

**Table 2. Year-on-Year Inflation Rates in the Philippines, All Items**

<b>January 2010 - December 2014 (2006= 100)</b>					
<b>Month</b>	<b>Year</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>January</b>	3.9	4.0	4.0	3.1	4.2
<b>February</b>	3.9	4.7	2.7	3.4	4.1
<b>March</b>	3.9	4.9	2.6	3.2	3.9
<b>April</b>	4.0	4.7	3.0	2.6	4.1
<b>May</b>	3.9	4.9	3.0	2.6	4.5
<b>June</b>	3.6	5.2	2.9	2.7	4.4
<b>July</b>	3.7	4.9	3.2	2.5	4.9
<b>August</b>	4.1	4.6	3.8	2.1	4.9
<b>September</b>	3.8	4.7	3.7	2.7	4.4
<b>October</b>	3.3	5.2	3.2	2.9	4.3
<b>November</b>	3.7	4.7	2.8	3.3	3.7
<b>December</b>	3.6	4.2	3.0	4.1	2.7
<b>Average</b>	<b>3.8</b>	<b>4.6</b>	<b>3.2</b>	<b>3.0</b>	<b>4.1</b>

Source: Philippine Statistics Authority.

### 3. Per Capita Threshold and Poverty Incidence Across Regions

In the latest Poverty Statistics provided for by the Philippine Statistics Authority (PSA), the top three regions with the highest incidence of poverty are ARMM, Region VIII (Eastern Visayas) and Region XII (Central Mindanao). The Autonomous Region of Muslim Mindanao consistently belong to the group with the worst poverty incidence in 2006, 2009 and 2012. However, it is noteworthy to remember that Caraga which used to be part of the said group in 2006 and 2009 has improved its standing in 2012 (as shown in the succeeding table; it is no longer part of the highest three regions in poverty incidence). In a report by the *Minda News*, the province of Agusan del Sur and Surigao del Sur which are ascribed as the reason for the high poverty incidence in Caraga, has

decreased in the level of poverty incidence in 2009 and 2012. The improvement in the poverty incidence of Agusan del Sur and Surigao del Sur therefore led to the considerable improvement of the poverty incidence in the region. Table 3 shows the magnitude of poor across the regions.

In was in 2012 when Region VIII got the highest increase in poverty incidence due to the number of typhoons that frequent the area. In the paper, *Typhoon, floods and droughts: regional concurrence and value of damages to rice farming in the Philippines* it was mentioned that in the Visayas, Region VIII has the most number of typhoon since 2007 thus flood usually becomes a natural consequence. These deluge is the proximate cause of the huge damage in the agricultural sector of the region. The damages and loses on the residents' agricultural activities led the expansion of the magnitude of poor families in Eastern Visayas. Lastly, in both regions, Eastern Visayas and the ARMM business activities cannot thrive as much as the other regions. The scenario is also affected by other variables such as security (or lack thereof) and the threat to peace and order in a few areas in Mindanao and accessibility of consumers for Eastern Visayas region.

**Table 3. Per Capita Poverty Threshold and Poverty Incidence among Families**

Region	Per Capita Poverty Threshold (in Php)			Poverty Incidence among Families		
	2006	2009	2012	2006	2009	2012
<b>Philippines</b>	13,357	16,871	18,935	21.0	20.5	19.7
NCR	15,699	19,227	20,344	2.9	2.4	2.6
CAR	14,107	17,243	19,483	21.1	19.2	17.5
Region I	14,107	17,595	18,373	19.9	16.8	14.0
Region II	13,944	17,330	19,125	21.7	20.2	17.0
Region III	14,422	18,188	20,071	10.3	10.7	10.1
Region IV-A	13,241	17,033	19,137	7.8	8.8	8.3
Region IV-B	12,645	15,613	17,292	32.4	27.2	23.6
Region V	13,240	16,888	18,257	35.4	35.3	32.3
Region VI	12,684	15,971	18,029	22.7	23.6	22.8
Region VII	13,963	16,662	18,767	30.7	26.0	25.7
Region VIII	12,520	16,278	18,076	33.7	34.5	37.4
Region IX	12,743	16,260	18,054	40.0	39.5	33.7
Region X	12,917	16,878	19,335	32.1	33.3	32.8
Region XI	13,389	17,120	19,967	25.4	25.5	25.0
Region XII	13,319	16,405	18,737	31.2	30.8	37.1
Caraga	14,324	18,309	19,629	41.7	46.0	31.9
ARMM	12,647	16,683	20,517	40.5	39.9	48.7

Source: National Statistical Coordination Board

#### 4. Role of Government in Economic Development

Economic development has been in the vantage point of the agenda and thrusts of all administrations. The never-ending call for poverty eradication is the number one priority of the government since time immemorial. Numerous projects and programs have been undertaken in pursuit of the fulfillment of this long-time goal nonetheless, all these collective efforts of the national and local government units have not been very effective in addressing poverty as discussed in the previous sections. In this light, the researcher in this sections puts emphasis on the nature of

development and how government may steer the current programs and projects relative to poverty in order to best address the current condition.

As defined by Gerardo P. Sicat, Filipino economist, economic development is the progressive process of improving human condition. It is the means by which individuals are uplifted from poverty, unemployment, illiteracy, diseases, exploitation and inequality. In a fully developed economy, the citizenry has full access to the available resources in the economy. Individuals are receiving income, which is sufficient to provide for their basic needs. Furthermore, education is considered as a primary concern so that the government embraces the duty of granting free education for all. Sicat differentiated development from growth. He stated that growth simply refers to the sustained increase in output that is measurable through computing the country's GNP (Gross National Product). When a country has the capacity to produce diverse goods and services at a limited period of time due to the aid of the technology that it employs then one can readily conclude that the said society has a growing economy. On the other hand, development is more complicated than that. It is not measured through the country's output in terms of goods and services produced in one year. Development is economic growth plus social change.

Currently, a number of programs and projects are in place to address the increase of poverty incidence particularly in priority areas. The researcher identifies the following concerns and challenges that are stumbling blocks to the attainment of the projected outcomes of the said programs and projects.

#### **4.1 Pro-Poor (Poverty and Economic Growth)**

One of the factors that affect the poverty situation in the country is the unequal distribution of resources, the widening gap between the rich and the poor as encapsulated by the term *social inequities*. The state through its government, which is given the **power of taxation**, can solve this problem by strengthening the mechanisms and policies of taxation in the country; going after the tax evaders (who are usually large income earners) and intensifying efforts for tax collection. Bernardo Villegas, Filipino economist in his book, *Economics for the Consumer* articulates that the government should make the tax system more and more progressive so as to result to a real distribution of income. Since the government makes use of the ability to pay principle in the taxation system then the use of luxury cars, ownership of big mansions, leisure trips abroad should be highly taxed. The rich people will be the ones who can engage in such luxuries so in the process their incomes will be slashed and the said tax will be used to provide better social services to the poor. The government should see to it that the money collected as taxes should go back to the common people in the form of basic services that are most responsive to their needs.

In addition, the poor Filipinos should be given financial aid or *subsidies* in order for them to start small businesses and cooperatives. Those who are interested to engage in small medium enterprises (SME's) should be given easy access to loaning services by the government. In this way, the government provides platform to address existing inequities as the poor are given the opportunity to compete with the rich for we know that the Philippine economy is highly a market economy. Likewise, greater competition in the market can provide the consumers with quality products at lesser prices making basic commodities more affordable to the average Filipino.

Furthermore, agreements and treaties with other nations should be scrutinized well so as to protect the interest of Filipino SME's. Filipinos should be taught on how to patronize our own local products as neocolonialism is also regarded detrimental to our domestic economy.

#### **4.2 Free Education: Job for ALL (Poverty, Education and Employment)**

**Labor** is considered as the most important asset of the poor. Most poor families can not start their own business or send their children to complete a college degree that is why most children from poor families end up working at a very young age. In a report on the *Poverty Assessment of the Philippines* submitted to the Asian Development Bank (ADB), loss of interest in studying and costly tuition fees are among the top reasons why students coming from poor families can not finish their education.

The loss of interest in studying is a result of wanting to help the family be out of their miserable state of being without foreseeing the kind of job they will have thus only repeating the cycle of poverty in the process. Low educational attainment equates to blue collar jobs with low job salaries, thereby maintaining the status of being poor.

To respond to this dilemma, the government should provide free education until the secondary level to all Filipino youth who are willing to study. By "free" is means gratuitous, thus, no payment of any sort on the part of the students. Every single thing needed for the school should already be provided. Laws on the protection of children and promotion of their best interest should be strictly implemented.

Moreover, there should be more state universities and colleges (SUCs). Every province in the different regions all over the archipelago should have at least one SUC. In SUCs, tuition fees are subsidized by the government; it could further be improved by having a socialized tuition based on the income base of the parents (No income means no tuition). This kind of system (as with the Socialized Tuition System of UP) must be made available to the poor in all SUC's. Access to college education would then be of reach.

Finally, more innovative and cost-efficient methods in agriculture can be provided to the rural Filipino farmers. The introduction of new strategies can enhance the agricultural products yielded in a regular Filipino farm. With this, most of the Filipino workers particularly those in the rural areas are enticed to engage in agriculture and forestry. Novel ideas are needed to improve their livelihood thus promoting a better life in the rural communities and avoiding rural to urban migration.

#### **4.3 Healthy Pinoy (Poverty and Health)**

Health is wealth, especially in today's modern world this is highly undisputed. Various clinics and municipal hospitals have to be established all over the country. Residents of far-plung areas now referred to as geographically isolated and disadvantaged areas (GIDA) just die sans diagnosis as to their disease or actual cause of death. They do not even get the second shot in life. Hospitals and even clinics for that matter cannot be traced in these localities. The hospitals are found in the cities, which oftentimes require more than four hours of travel via public commute, or even worse- with merely walking as transportation is remote to none at all.



Barangay clinics established in different barrios all over the country is highly necessary. Free medicines, check-ups and operations have saved thousands of lives. More clinics and medical missions should be provided. The government can also provide apart from vaccinations, vitamin subsidy for the growing Filipino child in school in consortium with the Department of Education. Free vitamins can be coursed through the different public schools so as to increase awareness on health and nutrition.

#### **4.4 Happiness for Juan and all (Poverty and Population)**

It is high time for the Filipinos to face this issue squarely and to take a liberal solution to this modern problem.

The number of Filipinos is increasing by the second. Every few seconds, a new Filipino baby is born. This rapid increase in the population has paved the way for other social problems confronting the Philippines today. It is the best time to educate Juan de la Cruz about family planning, as a method of intervention.

Seminars should be conducted in the barangay levels to be headed by the local government units (LGUs) for an information campaign on the choices which are available for the married couple if they want to plan the size of their family. Likewise, young girls and boys should also be educated on this matter. Young as they are they should be made aware of this social problem so that later on in life they will not be among those who will add up to the worsening situation of our densely growing population.

The government can launch contraception and other artificial methods as alternatives by the couples to limit their number of children. If the number of family members is lessen then the better is the chance for the children to go to school and to have a better quality of life thus aiding the country in its elusive quest to solve poverty.

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