

The Philippine Poverty Line: Does it Really Tell Us Who is Poor?

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There is a need to challenge official poverty discourse. For one, official poverty estimation in the Philippines is based on arbitrary assumptions that keep the poverty threshold low, thereby reducing poverty incidence. In a country of high inequality and where the differences in incomes of a large swathe of the population are generally small, the placement of a poverty line underscores its conceptual and methodological weaknesses. The arbitrariness of this measure also has implications on how anti-poverty interventions and targets are conceptualized.

This paper outlines a number of possible options in dealing with the limitations of the poverty line approach which includes introducing the notion of a poverty zone to make targeting more inclusive. Furthermore, it points that greater efforts should be placed towards developing universal delivery of social services, including social protection programs.

Introduction

This paper will focus on measuring poverty in the Philippines which has been an overriding developmental objective of every post-Marcos administration.¹ While the focus of this study is the poverty estimation methodology utilized in the 2006 Family Income and Expenditure Survey (FIES) and interviews conducted in 2008, the study is still relevant, given that little has changed from national poverty measures since then.

The goal of poverty reduction has proven to be elusive. Not only is Philippine poverty higher compared to its Southeast Asian neighbors, but reducing it occurs at a very slow pace especially compared to Indonesia, Thailand, Vietnam

and China. Thus, the Philippines is now considered the basket case in the region (Balisacan, 2008, p. 1).

Despite rapid urbanization, poverty remains largely a rural phenomenon. Two out of every three Filipinos are engaged in agricultural employment (Balisacan, 2008, p. 1). A majority (51 percent) of the Philippine labor force, composed of 12.1 million farmers and fisherfolk, and about 10 million laborers and unskilled workers combined, are earning poverty-level wages (GCAP-Philippines, 2007, p. 4). This excludes those in the informal sector, such as street vendors, tricycle² drivers and domestic helpers (GCAP-Philippines, 2007, p. 4).

It is widely known that economic growth is a necessary, but not sufficient, condition for poverty reduction. Unfortunately, the country's economic growth has generally been below par in the recent past, barely exceeding the annual population growth rate of 2.3 percent (Balisacan, 2008, p. 3). From 2004 to 2007, the country's average per capita GDP growth of 4 percent was still below growth rates of progressive neighboring countries (Balisacan, 2008, p. 3). In 2010, growth rates soared to 7 percent, but this was largely a function of election spending. The following year, in 2011, growth rate dipped to 4.3 percent.

Balisacan (2008, p. 4) identifies a number of obstacles to poverty reduction in the Philippines: first is the 'high inequality in incomes and productive assets, including agricultural lands'; second, the 'inability to create productive employment opportunities for its fast-growing labor force.' This includes the fact that those who are able to find productive employment opportunities are the rich, who oftentimes are the educated and skilled (Balisacan, 2008, p. 4).

This underscores the significance of developing human capabilities. As Balisacan notes, economic growth has mostly benefited the educated and highly skilled (Balisacan, 2008, p. 4), which partly explains why from 2003 to 2006, the Philippines experienced the paradoxical situation of a respectable growth rate of 5.4 percent, simultaneous with a rise in official poverty incidence by 3 percent.

The third reason is anemic social spending. The relatively low allocations for basic health, education, and other social services in the national budget mean that there are basic needs that remain unmet. Furthermore, the un-competitiveness of the Philippines as a site for doing business and trade, both nationally and internationally, is a result of the 'failure of domestic governance to secure policy and institutional reforms needed to enhance the efficiency of domestic markets, and ensure more inclusive access to technology, infrastructure and human development' (Balisacan, 2008, p. 5).

Inequality is a stark developmental feature. In 2006, the country's Gini co-efficient of 0.4580 was the 3rd highest in Asia, next only to Nepal and the People's Republic of China (ADB, 2007, p. 31). In 2009, the Gini co-efficient fell very slightly to 0.4484. It is noteworthy that the country's inequitous income and asset structure has generally remained unaltered since 1985, which means development, in the main, has not been pro-poor.

This situation serves as the backdrop to continuing palpable social and political unrest in Philippine society, marked by the presence of a broad swathe of oppositional forces across the political spectrum. Socially excluded populations, like indigenous peoples and Muslims, are among the poorest. A number of Muslim organizations in the southern Philippines, in particular, have been waging armed rebellion against the government. There is also a communist movement that has been at war with the Philippine government for the last 40 years. It is in this context that peace negotiations with the different armed rebel groups have taken place, but with little success so far.

The 1986 People Power Revolution that precipitated the fall of the Marcos dictatorship paved the return of the country to "formal democracy". The second People Power uprising in 2001 (referred to as Edsa 2), which led to the ouster of Joseph Estrada on plunder charges and to the installation of Gloria Macapagal-Arroyo (GMA) as Philippine president, was marked by constitutional ambiguities (La Liga 2001, p. 6). It also polarized Philippine society largely between those who were for, or against Edsa 2. It is interesting to note that there is a class dimension

to this: the elite and the middle classes were mostly for Edsa 2; the urban and rural poor, who voted for Estrada and gave him the biggest constitutional mandate enjoyed by any Philippine president at that time, were against it. Seven years after Edsa 2, many protagonists for and against Edsa 2 came together and formed a broad alliance against then President Arroyo, whom they charged with electoral fraud in 2004. To this they added charges of corruption, and serious human rights violations including almost a thousand extra-judicial cases of executions of activists, religious, and journalists since 2001. Thus, many have observed that politics and weak governance are the main economic problems that beset the country today (ADB, 2005, p. 100) and constitute the major stumbling block to poverty reduction.

The incumbent Aquino Administration ascended to power on a social change platform. But over two years into his presidency and in the context of rising prices of fuel and other basic commodities, substantial reduction of poverty remains unachieved.

The monetary approach

Undoubtedly the dominant poverty measurement paradigm is the monetary approach. This approach employs a notion of poverty associated with a shortfall in income and/or consumption from a poverty line (Laderchi et al., 2003, p. 243). The value assigned to the different items under income or consumption is based on market prices, depending on the market identified, and by imputing monetary costs to those items not valued in a market, such as subsistence production (Laderchi et al., 2003, p. 247). The monetary approach assumes that a uniform monetary value can be applied across all individuals and their contexts, in all their heterogeneity (Laderchi et al., 2003, p. 248).

The monetary approach is consistent with the economists' assumption of utility-maximizing behavior underlying micro-economics; i.e., that consumers want to maximize utility and that 'expenditures reflect the marginal value or utility people place on commodities' (Laderchi et al., 2003, p. 248).. Total consumption therefore serves as an indicator of welfare wherein income or consumption data

stand as proxy indicators and poverty is the shortfall set against an arbitrarily defined minimum level of resources which epitomizes the poverty line (Laderchi et al., 2003, p. 248).

Epistemologically speaking, the monetary approach flows from positivist assumptions. First of all, it stems from a belief that the conduct of a poverty assessment is an objective; that is, "that an objective condition termed poverty" exists and is measurable (Laderchi et al., 2003, p. 249). Second, the assessment is external, one that is conducted by economists and social scientists, rather than by the poor themselves (Laderchi et al., 2003, p. 249).

The popularity of the use of the monetary approach is oftentimes justified by the premise that monetary resources are a relatively adequate proxy for welfare and other facets of poverty. Proponents of this view argue that 'while lack of resources does not exhaust the definition of poverty, monetary data represent a convenient short-cut method, based on data that are widely available, to identify those who are poor in many fundamental dimensions, not only lack of resources, but also nutrition, health, etc.' (Laderchi et al., 2003, p. 248). Challenging this view constitutes much of the debate on poverty measurements.

The debate for and against the monetary approach is wide-ranging (Glewwe & Der Gaag, 1990; Greely, 1994; Laderchi et al., 2003; Ravallion, 1992; Reddy & Pogge, 2003). Ashwani Saith, in his papers *Poverty Lines versus the Poor: Method versus Meaning* (2005) and *Downsizing and Distortion of Poverty in India: The Perverse Power of Official Definitions* (2007), argues that poverty lines do not meaningfully measure vulnerability and socio-economic insecurity. Saith (2007, p. 254) outlines a number of methodological and ethical infirmities of the poverty line, such as: the inadequate recognition of energy and dietary needs; the severe suppression of the non-food items of basic needs; the overlooking of intra-household inequalities and the importance of the asset profile of the household; ignoring social exclusion dimensions of poverty; the inadequate handling of public provisioning of basic needs; and the low valuation of the self-perception of the poor.

Saith also identifies important conceptual weaknesses of the poverty line approach, which will be discussed towards the latter part of this paper.

The monetary approach in the Philippines: Official poverty estimation methodology

The poverty measurement debate among statisticians, policy makers, researchers, and those from social movements and civil society is alive and well in the Philippines. Key players in the poverty debate coming from the government side are the producers of official poverty estimates themselves: the National Statistics Office (NSO) and the National Statistics and Coordination Board (NSCB). Among the many tasks of the NSO is the implementation of the Family Income and Expenditure Survey (FIES), a national household survey undertaken every three years.³

The FIES is the main source of data on family income and expenditure and includes, among others, data on levels of consumption by item of expenditure, and data on sources of income in cash and in kind. The results of FIES provide information on the levels of living and disparities in income of Filipino families, as well as their spending patterns.⁴ These data are important in the computation of official poverty levels. The FIES was last conducted in 2009.⁵

The National Statistics Coordination Board (NSCB) generates official poverty estimates based on an approved methodology. Within the NSCB is the Technical Committee on Poverty Statistics (TCPS), which was created in October 2003 to study and to recommend methodological improvements in poverty estimation.

Official poverty estimation methodology

The general methodology used in computing the official poverty figures for the FIES consists of the following steps (David & Maligalig, 2001 p. 1-2):

1. For each region, a rural and urban one-day menu is customized to provide a basis for the computation of the monthly per capita food

threshold of an average-sized Filipino family. Local food consumption patterns inform the one-day menus. These menus, which were formulated by the Food Nutrition and Research Institute (FNRI), have been designed to satisfy 100 percent of the recommended dietary allowances (RDA) for energy and protein, as well as 80 percent of the RDAs for other nutrients and vitamins.

2. The RDAs for energy and protein are, on the average, 2000 kilocalories and 50 grams per person. RDAs may vary, however, based on age, sex, and body weight. The cost of the one-day menus is derived from the price surveys of the NSO and the Bureau of Agriculture Statistics (BAS). In order to get the food threshold (also known as the food poverty line - FPL or the subsistence threshold): the per capita per day food cost (derived from the FNRI menus) is multiplied by 30.4 (the approximate number of days per month) to get the monthly food threshold; or by 365 days to get the annual food threshold.
3. Measurement of the subsistence incidence is based on the number of families with per capita annual income below the food threshold. Afterwards the per capita annual income of the sample households in the FIES is compared to the food threshold.
4. The poverty threshold or poverty line is based on the costs of minimum food and non-food⁶ components. In order to derive the poverty threshold, 'the food threshold is divided by the proportion of the food expenditures (FE) to total basic expenditures (TBE) which is taken from the latest FIES using the FE/TBE of families within the +/- 10 percentile of the food threshold.' (Erica, 2003, p. 2). Thus, the poverty line may be viewed as the minimum income required to buy the basic food and non-food needs. Philippine poverty incidence is derived by getting the proportion of families (or population) below the poverty threshold at the national level across regions (urban and rural), and comparing it to the total number of families (or population).

There are advantages associated with official poverty statistics. Sotera de Guzman, Officer-in-Charge of the Incomes and Employment Division of the National Statistics Office (NSO), said that she likes the huge sample size and 'representativeness' of all the provinces, and that the process generates substantial data on both the income and expenditure patterns of Filipino households (interview, 29 July 2008). Erlinda Capones, Director of the Social Development Staff of the National Economic Development Authority (NEDA), adds that these national poverty statistics are useful for development planners because they can be disaggregated at regional and provincial levels (interview, 25 July 2008).

Tomas Africa, former Administrator of the NSO, also adds that the data are generally reliable. He explains, "If you have a systematic method that you practice over the years, even the lies become systematic and the changes in growth become correct. For example, in the respondents' minds they think whether they will increase or decrease their answers, their responses don't usually vary outside a range of, say, 10 percent." Africa further shares that the rigorous editing procedures in FIES allows the NSO to 'catch the inconsistencies.' Africa argues that "as data sets, it is consistent and you can get so much information from a consistent set" (interview, 11 July 2008).

Africa argues that the money-metric approach is not necessarily one-dimensional. He states that based on incomes, people can also see how households cope, where their earnings come from, etc. Furthermore, he believes that the expenditure data touches 'the whole of welfare economics' as it captures 'elasticity' and provides information on marketing patterns, and about households' composition of spending, among other things (interview, 11 July 2008).

Anti-poverty campaigners have a different take on the strength of official poverty statistics. Professor Leonor Briones, Lead Convenor of Social Watch-Philippines, a civil society network monitoring government's performance in fulfilling its international commitments to reduce poverty and to promote social development, observes that official poverty figures set 'benchmarks' (interview, 17 July 2008). And as Isagani Serrano, Social Watch Convenor, adds, "It provides

reference numbers which deal with the characteristics of a huge population size" (interview, 15 July 2008). Anti-poverty campaigners generally see the official poverty figures as good starting points for policy engagement and debate.

Some issues related to the FIES

There are numerous studies that have critically engaged official poverty estimation in the Philippines: ADB 2005; Balisacan 1999; David and Maligalig 2001; Intal and Bantillan 1994; NSCB 2006, to name a few. Furthermore, part of what fuels the national debate on poverty in the country today is derived from the credibility of data, as perceived by the public. This paper will add to the debate by raising critical concerns on official poverty estimation, particularly in its suppression of basic needs, the meaningfulness of a poverty line - issues highlighted by Saith (2005, 2007) - and other issues that emerged during the research. Below is an analysis of these concerns.

a. The underestimation of the poverty incidence. There is a power dimension in the use of social indicators: the decision regarding what indicators are to be used is oftentimes based on arbitrary assumptions. This is underscored by the definition of the poverty threshold by the NSCB. The latter's logic runs as follows: the poor are perfectly rational consumers who have the capacity to avail of nutritious, low-cost meals. As such, the food threshold is therefore based on imaginary menus of what the poor should be eating, rather than on what they are actually eating. Citing the use of imaginary menus sends this implicit message to the poor: "You have no excuse to be malnourished since these food items are supposed be locally available (depending on the region) and affordable."

To begin with, the poverty threshold is too low. For one, the nutritious (and even mouth-watering) menus of the NSCB may be theoretically low-cost, but not in reality. As Caplovitz observed, poverty in general might be underestimated because the NSCB does not take into account the fact that oftentimes the poor pay more (ADB 2005: 130). The prices used in computing the food threshold are based on prevailing market prices, per kilogram of commodity.

The reality, though, is that the poor do not buy in bulk, especially as most households have neither resources to buy as much, nor the refrigerators to hold perishable stock. Rather, the poor purchase food and non-food items in amounts smaller than what the manufacturers commercially pack. In the Philippines, these purchases are commonly referred to as *tingi*, the trade of commodities by piece (e.g. selling/buying individual sticks of cigarettes) and *takal*, which refers to selling by a smaller volume (e.g. a cup of oil or vinegar, etc.). Oftentimes, the poor can only buy items through the *tingi* and *takal* methods from sari-sari stores⁷ that sell their commodities at rates higher than those in markets and groceries for the same types of goods.⁸ According to an article in *The Manila Times* (2004), sari-sari stores are preferred by the poor because apart from allowing them to buy at smaller than usual amounts, the stores are normally located in walking distances from where they live. The fact that purchases can be made on credit (ADB, 2005, p. 131) further strengthens the popularity of these sari-sari stores. Obviously, the NSCB does not take these realities into account.

Furthermore, a study conducted by Pedro et al. (as cited in Templo, 2003 p. 35), showed that the actual food expenses of Filipino families are indeed higher, compared with the costs of food baskets artificially constructed by the NSCB.

Indeed, the poverty line is made even lower because it does not include expenditures on 'non-basic' items such as alcoholic beverage, cigarettes, recreation, or durable goods. Once again, the message here is: "If you consume these things, then you cannot be 'poor'." These underscore the elitist attitudes of statisticians and economists, to paraphrase, that the poor are not entitled to dietary preferences, allowed to engage in 'recreation', or avail of certain vices the upper classes are engaged in. This raises serious ethical assumptions about how the poor are to live (Saith, 2005, p. 10-12).

According to Saith, the manner by which the non-food component is derived is a blatant suppression of basic needs. As cited earlier, 'the food threshold is divided by the proportion of the food expenditures (FE) to total basic expenditures (TBE), which is taken from the latest FIES using the FE/TBE' of families within the

+/- 10 percentile of the food threshold.' (Erica, 2003, p. 2). This means that the non-food threshold is more or less 10 percent of the food threshold, which is then compared with those households whose incomes fall within that range. Whether or not these non-food expenditures are sufficient to afford basic education or adequate healthcare, to name a few basic needs, is not taken into consideration.

This is what Saith (2005) describes as a common practice used by statistical agencies around the world in measuring poverty (p. 14):

While dietary requirements are calculated on a 'scientific' basis according to bodily needs, the non-food component of the poverty line is not calculated on a needs basis...a shortcoming that could have the effect of suppressing the visibility of such crucial basic needs as health, education, housing, transport and communications, fuel, information, social and political participation. What such benchmark poor households actually spend on non-food items is assumed to substantively meet the non-food basic needs; but there is no verification to confirm this in any manner—it remains an assumption, and for one which there are overwhelming prima facie grounds for rejection.

Thus, when the government uses these extremely restrictive social conventions in measuring poverty, it has the effect of asking the public to accept certain wretched conditions as 'normal'. In other words, these poverty measurements are directly tied to the 'normalization of poverty' as a basic assumption of life.

Civil society groups, such as Social Watch-Philippines and the Global Call to Action Against Poverty-Philippines (GCAP), have debated with the NSCB over the internet, television and print media on these issues. The GCAP is an alliance of citizens' groups that mounts political action to put pressure on government to fulfil its social development goals. For example, in 2006, GCAP organized an experiment where nine people (three from the urban poor, four

journalists, a middle-class college student, and an NGO worker) were asked to live on Php36⁹ for one day - the official national daily poverty threshold at that time. The meagreness of Php36 to cover basic needs even of urban poor members became obvious, especially after the experiences of the participants in this social experiment were documented and printed in national dailies where the participating journalists worked. This generated media interest on this issue; a TV documentary program soon filmed a similar visualization exercise with the same results. The documentary was aired on national television.

One other reason for the underestimation of poverty is the exclusion of the 'ambulant poor' from the FIES. The "ambulant poor" refers to people who have no official and permanent residences, those who live in urban poor communities, under bridges and along sidewalks. But this weakness is inherent in a household survey like the FIES, which will miss out on those who are homeless (Ravallion, 1992, p. 11).

Africa and de Guzman¹⁰ qualified that the exclusion of the ambulant poor cannot be generalized because some households and individuals who live in urban poor communities, and even under bridges, are sometimes included if there is 'some characteristic of permanence' to their location (e.g. they are covered for eight successive quarters in the quarterly survey of households and the FIES).¹¹

b. Difficulty in comparing poverty data trends. Methodological changes in poverty measurements have occurred thrice since the official poverty line was first constructed. The first methodological change was introduced in 1992, the second set of changes took place in 2002 and the third set of changes was introduced in 2009. It must be noted that in all these instances, the poverty lines were lowered, resulting in reduced poverty incidence figures.¹²

c. Delay in the release of official poverty data. A common concern among poverty data users interviewed, whether from government or non-government, is the lack of timeliness in the release of official poverty incidence. Executive Order 352 stipulates that FIES (which is conducted triennially) results should be released

18 months after the reference period. During instances of delays, the processing period could be extended. It is precisely this slowness in the release of data that has created an ironic situation: government announced that for 2003, poverty had gone down by 3 percent; they made this announcement, however, in 2006, the year poverty rose by 3 percent and would only be known and made public by late 2007.

Capones underscores this problem when she says that as planners, "...[W]e need data that are as current as possible. This will also help us to have a better sense of the people's pulse" (interview, 25 July 2008). Capones also shares the current difficulty of relying on official poverty estimates that are two years old. To illustrate this point: socio-economic indicators were falling because of the food and fuel crisis of 2007 and the global financial crisis of 2008; poverty incidence figures at this time, however, remained pegged to 2006 levels which did not capture the impact of subsequent crises on poverty. One had to wait for 2009 for the next release of official poverty statistics.

But there was a sense of understanding expressed by many interviewees on why the FIES is conducted triennially, and why processing of data is turtle-paced. They point to the expensive nature of the project: it costs about PhP50M to cover 51,000 respondents, at PhP500 per respondent. Furthermore, the labor force required to conduct and process the surveys is huge and the work involved laborious and tedious.

But the formidable financial, logistical and human power requirements are not the only reasons why the FIES can only be conducted every three years. In response to an expressed need from poverty data users for more frequent release of data, the NSCB countered by saying that 'the poverty situation in a poor country like the Philippines does not change fast enough to necessitate an annual monitoring, especially in the light of limited resources' (Virola, 2002, p. 5).

This view was echoed by some government interviewees, including Celia Reyes, the head of the Technical Committee on Poverty Statistics (TCPS) who affirmed in an interview conducted on 19 August 2008 that there was no need to

conduct the FIES more frequently based on the following reasons: one, there are resource constraints; and two, as a basis to guide national development planning and agenda setting, changes in policy formulation at the national level should be more stable and refined only about once every three years. Reyes further argues that she is against providing increased public investment for a more regular conduct of the FIES. In her opinion, it would be much better to channel investments to other types of poverty monitoring, such as the Community-Based Monitoring System (CBMS)¹³ which would be more useful for local planners.

Such views are challenged by Mahar Mangahas, president of the Social Weather Stations (SWS). According to Mangahas, there is no empirical evidence that show poverty levels are not volatile in the Philippines. In fact, he says SWS data shows that poverty levels tend to fluctuate more rapidly than every three years as monitored by the FIES.

Indeed, the growing informalization of labor in the Philippines tends to make incomes more unstable and fluctuate much more (Saith, 2005, p. 18).

Furthermore, even if the poverty incidence does not change, empirical data show that many of the poor in one year may not be the same poor in the next — a finding borne out by the 2004-2005 Report of the Chronic Poverty Research Center (Saith, 2005, p. 19). This finding points to the need to look into the quick-changing composition of the poor from one year to the next.

Nevertheless, interviewees from government appear to agree on the need to expedite the processing and release of FIES data. Cognizant of this, the government, around four years ago, struck a partnership with the United Nations Development Program (UNDP) in a project entitled 'Model-Based Estimate of Annual Income and Expenditure Based on the First Survey Round of the FIES Project'. The project aimed to facilitate the processing and release of the latest FIES results, while maintaining its conduct on a triennial basis.

The meaninglessness of the poverty line

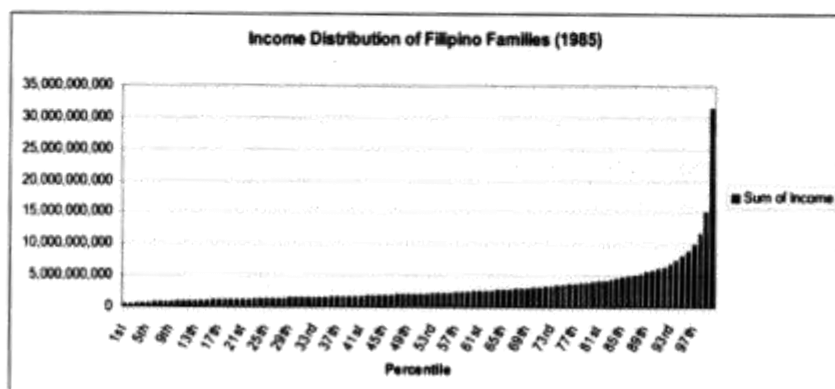
Beyond methodological issues, however, is a more basic conceptual concern: what need is fulfilled by the use of a poverty line? If it is to enhance one's ability to identify the poor and levels of poverty, based on 'private consumption expenditure per adult equivalent within each household', then, as Saith (2005, p. 25) argues, all one needs is to do is to get the distribution of expenditure data of households in a given population. According to Saith, a poverty line only enters the picture if one wants to define a cut-off point in reaching out to the poor. In a later study, Saith (2007, p. 251) points out that the aim of the poverty line 'as an absolute sustenance threshold' is to divide the 'poor' from the 'non-poor' for targeted programs of pro-poor interventions. This comes from a conceptual framework where the state is saddled with resource constraints and therefore, limited public resources are prioritized for the 'deserving poor' who must be properly 'targeted,' while invoking norms of social justice (Saith, 2007, p. 253).

In the meantime, the enormous wealth of a few and the wide disparity in the income distribution of a given population are left out of the poverty line discourse and 'given an untouchable, protected status' (Saith, 2007 p. 253). In other words, the notion of a 'poverty line' is really a bureaucratic classification, rather than one that resonates socially or even politically.

Given the serious conceptual and methodological weaknesses identified in the poverty line approach, in general, the trenchant observation that many are excluded from the ranks of the 'deserving poor' is further magnified in the case of the Philippines.

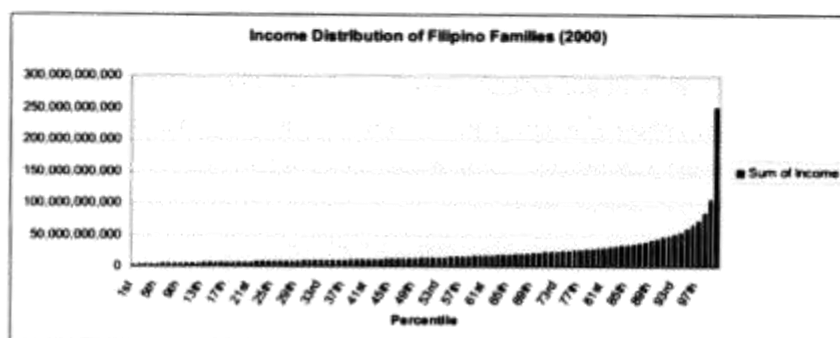
As mentioned earlier, the highly inequitous income distribution of the Philippines from 1985 to 2000, and quite possibly up to the present, has generally remained unaltered, marked by a relatively flat line that slowly rises to the right to form a very steep, high wall (Graphs 1 and 2).

Graph 1. Income distribution of Filipino families (1985)



Source: Data from Tomas Africa, Former Administrator, National Statistics Office

Graph 2. Income distribution of Filipino families (2000)



Source: Data from Tomas Africa, Former Administrator, National Statistics Office

Many of the income groups seem tightly clustered and homogeneous, raising questions about how significant the differences are across many of these income groups (Africa interview, 11 July 2008). Yet, a poverty line is constructed based on the notions of statisticians and economists in government for the purpose

of driving a wedge between the different income groups that seem quite homogeneous. It is a wedge that supposedly divides the 'poor' and 'non-poor.'

A sensitivity analysis was done to look at the effect of movement of the poverty line on poverty incidence levels. With the NSCB-determined poverty line as baseline (based on the household poverty threshold of Php64,745), the line was moved up and down (up to 50 percent more and 50 percent less, at increments of 5 percent) and for each hypothetical location of the poverty line, the corresponding poverty incidence was computed. Table 1 shows the computations.

Table 1. Sensitivity Analysis of Poverty Threshold

Percentage change of threshold	Moved threshold	Poverty incidence	Absolute change of incidence
-50.00%	32237.50	4.73%	-22.17%
-45.00%	35461.25	6.26%	-20.64%
-40.00%	38685.00	8.00%	-18.90%
-35.00%	41908.75	9.97%	-16.93%
-30.00%	45132.50	12.24%	-14.66%
-25.00%	48356.25	14.58%	-12.32%
-20.00%	51580.00	16.98%	-9.92%
-15.00%	54803.75	19.41%	-7.49%
-10.00%	58027.50	21.91%	-4.99%
-5.00%	61251.25	24.43%	-2.47%
0.00%	64475.00	26.90%	0.00%
5.00%	67698.75	29.13%	2.23%
10.00%	70922.50	31.50%	4.60%
15.00%	74146.25	33.90%	7.00%
20.00%	77370.00	36.06%	9.16%
25.00%	80593.75	38.13%	11.23%
30.00%	83817.50	40.06%	13.16%
35.00%	87041.25	41.93%	15.03%
40.00%	90265.00	43.79%	16.89%
45.00%	93488.75	45.41%	18.51%
50.00%	96712.50	47.12%	20.22%

Source: FIES, 2006

The sensitivity of poverty incidence to the location of the poverty line shows that the slightest movement of the poverty line has the effect of excluding, or including a large percentage of households from being classified as "poor." In 2006, the poverty threshold, pegged at Php64,475 translates to a poverty incidence of 26.9 percent of households. If the poverty threshold is increased by 10 percent, the new threshold would be Php70,922.50. This brings poverty incidence up to 31.50 percent. Although more statistical and comparative tests may be required to determine the "sensitivity" of poverty incidence, the table raises questions about the poverty line as a valid and useful tool for effectively determining who is poor and who is not. Indeed, in a situation where income differences across large swathes of the population are very small, it is likely that those above the poverty line are not much different from those below it; in other words, they are still poor (Africa interview, 11 July 2008).

Ernesto Ofracio, a veteran urban poor leader, puts it succinctly: *Ang kahirapan ay isang malaking karagatan at lahat doon sa karagatan ay mahihirap; hindi na dapat pumili ryan kung sino ang mahirap at hindi* (Poverty is a huge ocean and everyone in this ocean is poor; one should not choose who in that ocean is poor and not poor) (interview, 13 August 2008).

Some conceptual and policy suggestions

There are numerous papers addressing the deficiencies in official poverty estimation, and this study is by no means comprehensive. The study only adds to what is in the literature, and forwards suggestions to address some issues highlighted in this paper.

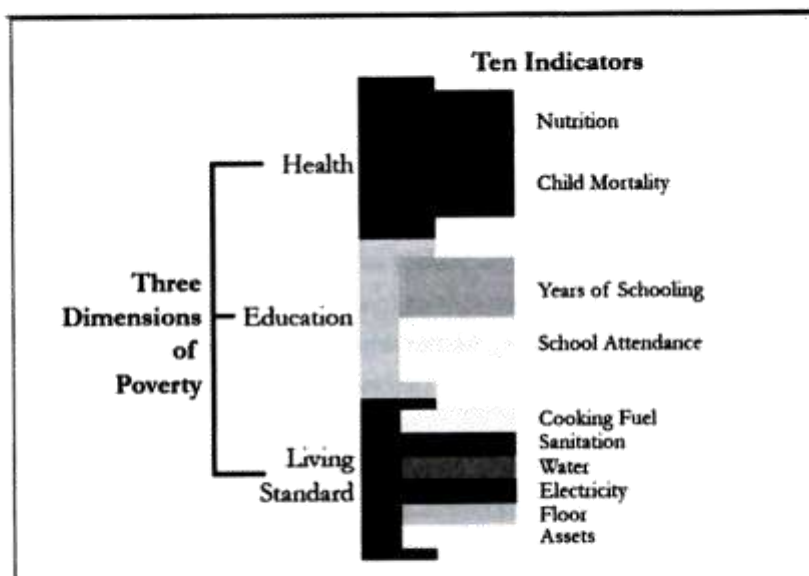
There are a number of ways in dealing with the problematic notion of the poverty line. One is to introduce the idea of a poverty zone to broaden the scope of inquiry and to include those whose incomes are "near" the poverty threshold; in other words, those at risk or vulnerable of sliding into poverty.

Interestingly, in the 2011 US Census, a “Supplementary Poverty Measure” (SPM) was introduced to refer to a category of people with incomes fifty percent above the poverty line. This SPM basically encapsulates the notion of the poverty zone to refer to those whose incomes are just above the poverty line and are therefore considered ‘vulnerable’ or ‘at risk’ of falling into poverty, especially in the context of shocks and/or contingencies. In this respect, the poverty zone can be pegged to include those whose incomes are 50 percent or less above the poverty line. In the 2011 US Census, this category revealed that there are 51 million people who fall within this category. When compared to the official poverty method, the SPM covered more senior citizens (sixty-five years old and older), half of whom lived in households headed by married couples. It also showed that almost half of those near the poverty line were non-Hispanic white, and many were black (18%) and Latinos (26%). The Census further revealed that while many were lifted up from poverty due to benefits, the income levels of more than half were eroded due the following: more than eight million by taxes, six million by medical expenses, and four million by work expenses like transportation and child care (DeParle, et al., 2011).

These findings are rife with policy implications on how to deal with those in this category so as to ease their economic burden. Corollary to this, if a poverty zone or SPM is to be introduced in the Philippine’s official poverty estimation, this would have the effect of making visible to policymakers the needs of the “near poor.” As earlier mentioned, given the underestimation of the poverty incidence and where many income groups seem so tightly clustered and homogeneous, the notion of a poverty zone is a step towards making targeting more inclusive.

Another recent innovation in poverty measurement is the Multidimensional Poverty Index (MPI) constructed by the Oxford Poverty and Human Development initiative for the 2011 UNDP Human Development Report. The MPI is composed of three equally weighed dimensions (health, education and living standard) and 10 indicators (See Figure 1).

Figure 1. Multidimensional Poverty Index



Source: <http://www.ophi.org.uk/policy/multidimensional-poverty-index/>

What is novel about the MPI is that it provides further nuances to different categories of poverty; that is, those who are considered “MPI poor” (deprived in at least 33 percent of the weighted indicators), those identified as “Vulnerable to Poverty” which can be likened to the notion of a Poverty Zone, (deprived in 20 to 33 percent of weighted indicators) and those in “Severe Poverty” (deprived in over 50 percent of weighted indicators).

The concepts of the Poverty Zone and MPI are just some of the enhancements thus far in poverty estimation methodologies that help to make targeting the poor more inclusive. However, the abovementioned innovations to the poverty discourse do not address the more fundamental flaw raised in this paper, namely its lack of meaning especially in a country where there is generalized poverty. As UNRISD (2010) argues, where a significant section of the population

live in poverty, targeted interventions are unlikely to address the causes of poverty or provide adequate coverage. This applies to the Philippines as Graphs 1 and 2 highlight a broad-based deprivation experienced in the country. There are also the usual problems associated with targeting, whether in the Philippines or elsewhere: a lack of cost-efficiency, difficulties in administration, vulnerability to political manipulation and generally creating a segmented, uncoordinated welfare system (UNRISD, 2011).

In terms of policy, this means recognizing the limitations of narrow, targeted interventions and developing greater efforts towards universalizing the delivery of basic social services, including social protection programs.

This paper supports the view that the Philippines may be in a better position to significantly reduce poverty through 'socially driven emancipatory and transformative' strategies that are 'inclusive, universalistic in their imagination, ideology and design', as has been the case in places like China, Cuba, Sri Lanka and Kerala (Saith, 2007, p. 272-273).¹⁴

Furthermore, there is a need to involve the poor in defining poverty and other measures; tap urban and rural poor organizations (e.g., indigenous people's organizations, women's associations, Muslim organizations) as well as other groups to democratize the poverty discourse and helping make the poor not simply objects, but subjects, of study.

The above-mentioned scenario can become the basis for a long-term advocacy addressed to government. In the meantime, the concept of the poverty zone may be adopted to make targeting more inclusive and the needs of those at-risk or vulnerable to falling into poverty more visible. Operationalizing the notion of the poverty zone in a Philippine setting can be the subject of a subsequent paper.

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Endnotes

¹ Ferdinand Marcos was Philippine president from 1965 to 1986 until he was ousted in a popular uprising.

² A motorbike with sidecar used as public transport within local neighbourhoods

³ In between the FIES years, the NSO is supposed to conduct the Annual Poverty Information System (APIS) which generates information on the minimum basic needs to complement income poverty data. Due to budgetary constraints, its conduct has not been sustained regularly.

⁴ <http://www.census.gov.ph>

⁵ For the 2009 FIES, certain methodological changes in poverty estimation were once again introduced. For more on this, please read the 2009 FIES by the NSCB.

⁶ Non-food component of the poverty threshold covers clothing, fuel, light, water, housing, maintenance/rental, medical care, education, transportation, and communication. In 1992 the following were excluded: alcoholic beverages, tobacco, recreation, durable furniture and equipment, and miscellaneous expenditures.

⁷ Small neighborhood retail outlets

⁸ In the last few years, there has been a wide proliferation of manufactured items like coffee and shampoo sold in small packets called sachets.

⁹ PhP: Philippine peso, the national currency. (Oct 2008 conversion: US\$1 = PhP47.96)

¹⁰ Based on email exchanges from 19-21 August 2008

¹¹ Africa shares that many squatter households keep census stickers posted on their doors during the census as proof of domicile, entitling them to benefits should they be evicted and relocated.

¹² For more on this, read *Poverty in the Philippines: Income, assets and access* by ADB, 2005.

¹³ The CBMS is a data collection system aimed to generate household level information at the local level to be used for local government planning and program implementation. For more on this, read *Overview of the community-based monitoring system* by C. Reyes, et al, 1995.

¹⁴ For more on this strategy, read *Downsizing and Distortion of Poverty in India: The Perverse Power of Official Definitions* by A. Saith, 2007.

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This paper is based on sections of her masteral thesis in the Institute of Social Studies entitled "Democratizing Poverty Discourse: The Case of the SWS Self-Rated Survey on Poverty and Hunger," November 2008.