### Table 8.3. Target Rates of Undernutrition in the 1978-1982 Plan

<table>
<thead>
<tr>
<th>Base year</th>
<th>% of Children aged 0-5</th>
<th>% of Children aged 7-12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Second degree</td>
<td>Third degree</td>
</tr>
<tr>
<td>Targets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td>24.8</td>
<td>5.8</td>
</tr>
<tr>
<td>1978</td>
<td>21.4</td>
<td>4.6</td>
</tr>
<tr>
<td>1979</td>
<td>19.8</td>
<td>3.7</td>
</tr>
<tr>
<td>1980</td>
<td>18.4</td>
<td>3.0</td>
</tr>
<tr>
<td>1981</td>
<td>17.1</td>
<td>2.3</td>
</tr>
<tr>
<td>1982</td>
<td>15.8</td>
<td>1.8</td>
</tr>
<tr>
<td>1987</td>
<td>11.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

period. For example, it is declared that second-degree undernutrition among toddlers of 6 years and below will be reduced from about 25% in 1976 to roughly 16% in 1982.  

(d) Health: life expectancy and infant mortality. These target variables can also proxy for equity, though probably to a lesser extent than the PEM rate. The targets are of significant magnitude. The average life expectancy at birth is targeted to rise from 60 years in 1976 to 62.4 years in 1982 and 64.4 years in 1987. The average infant mortality rate per thousand (or IMR) is targeted to fall from 74 in 1976 to 65 in 1982 and 56 in 1987. This, more than the life expectancy, is likely to be linked to poverty simply because the IMR among upper-income groups is already quite low.

The nutritional section of the Plan mentions forthcoming 'intervention programs,' such as direct-feeding, which suggest that government may be willing to accept some form, albeit limited, of direct redistribution of consumption. The standard declarations of higher food productivity targets and of better nutritional education are of much less consequence because (a) the present sad state of PEM, in spite of more than a decade of the Green Revolution, clearly shows that higher productivity of itself has been ineffective, and (b) recent research has confirmed long-held, common sensical suspicions that nutritional know-how of itself is not substitutable for basic, real-valued purchasing power. See papers of the PREPF Health and Nutrition Project, U.P. School of Economics, 1977.
(e) **Education: literacy and schooling participation.**

The literacy rate is targeted to grow from 83.4% in 1970 to 90% in 1982 and to 92% in 1987. The targets for increases in schooling participation are somewhat low, with a bit more emphasis on high school than on college education:

<table>
<thead>
<tr>
<th>Age group</th>
<th>% in School</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-13 (primary)</td>
<td>98</td>
</tr>
<tr>
<td>13-17 (secondary)</td>
<td>60</td>
</tr>
<tr>
<td>17-22 (tertiary)</td>
<td>19</td>
</tr>
</tbody>
</table>

The Plan remarks that the tertiary participation rate is, quantitatively, already one of the highest in the world, and that the problem is not quantity but quality. There also are certain other equity-oriented statements of intent, such as the widening of opportunities for non-formal education, the 'democratization' of access to college, and the provision of loans to 'poor but deserving' students; however there are no numerical targets accompanying these statements.

(f) **Housing and other services.** The targets in these areas are somewhat loose. The Plan states that the government will achieve a '54% success' in meeting housing needs in urban areas and a '25% success' in meeting needs in the rural areas (p. 218). There seems to be an intention to provide such housing with subsidies from the general budget (p. 221).
between numerical targets given in the text and in tables is rather difficult to find, however. It is also stated that 'welfare services,' presently serving only the poorest 10-15%, will be expanded to serve the poorest 30%. There are no further numerical elaborations.

The chief criticism which may be made of the 1978-1982 Plan, with respect to the equity objective, is the failure to make specific targets with respect to reduction in poverty and in the concentration of income and wealth, as well as with respect to increases in real wages. In general, the lack of such broad targets, which presumably are meant to be the ultimate goals of the various programs on education, nutrition, etc., suggests a basic lack of integration in the equity policies and programs of government.

There is no official poverty line. The only statement made regarding poverty is that

"Their average real earnings from 1978 to 1987 are targeted to increase faster than the annual average growth of real GNP per family of 4.9%" (p. 45)

The Plan makes references to a targeted decline in the number of so-called "disadvantaged individuals" from 2.6 million in 1976 to 1.5 million in 1982 (text, p. 45 and tables on p. 47 and p. 243). The meaning of this term is not clear from the Plan, except that it refers in some way to the number of clients of the Ministry of Social Services and Development; NEDA sources state that it is not a NEDA staff product and that it is not a concept of the magnitude of poverty.
"How much faster" is not stated; neither is there a monitoring system to regularly ascertain the movements in the real earnings of the poor. With respect to wages, the Plan declares that "manpower will be employed under just terms and conditions (p. 107)" and that "a high rate of labor absorption will minimize underemployment and assure a steady and upward movement of real wages (p. 11)." The Plan states that "sustained increases in labor productivity underlie the employment targets (p. 42)":

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target annual growth of labor productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.6%</td>
</tr>
<tr>
<td>Industry</td>
<td>5.1</td>
</tr>
<tr>
<td>Services</td>
<td>2.6</td>
</tr>
</tbody>
</table>

These are obvious starting points for establishing targets for real wages. The money wage targets could then be derived by adding on the rate of inflation.
9. **Conclusions**

The rapid growth of the economy over the past generation (at an average of 5-1/4% per year) has not been accompanied by a satisfactory improvement in social stability. The turmoil leading up to the declaration of Martial Law in 1972 and the continued subversive and secessionist movements attest to this. The presence of serious socio-economic inequity is presumably one of the important factors contributing to the problem. This suggests that economic research aimed at reducing inequalities, relative to research aimed at reducing allocative inefficiencies, is of higher social priority now than before.

In the first place, a more just distribution of material well-being is a valid social objective in itself. In the second place, the bulk of the evidence suggests that the lessening of economic inequalities would be favorable to growth: some military expenditures, were it not for civil disorder, could have been used for investment; direct assistance to the underfed and the undertrained would raise human productivity. Simulation models indicate that the alleged problem of inadequate savings, and hence lessened growth, given a more equally distributed income, is minor.

At the same time, this is not inconsistent with the tendency for modern economic growth, without equity-oriented reforms, to widen inequalities (the Kuznets hypothesis), and there is substantial evidence that such processes are at work in the Philippines. But inequalities
per se are not necessarily socially harmful, and, indeed, are bound to arise to some degree in a system where market incentives operate.

In general, the research on income inequalities has been only slightly productive, in two senses: (a) the empirical models typically explain only about one-fifth of aggregate inequality; and (b) the determinants which have been examined are, by and large, those which are socially acceptable, or unlikely to create the resentments which foster social instability. Such factors as education, occupation, hours of work, sector of employment, urbanization, age, sex, civil status, family size, and region of residence can be shown to have some statistical significance in determining income, but, since they account for only a minor portion of income differentials, indicate a limited redistributational potential of the corresponding policy handles. Furthermore, attitudinal surveys strongly confirm the casual impression that Filipino society is rather tolerant of such differentiating factors. This calls into question the equity impact of the corresponding government policies, except for the issues of sex discrimination, access to education, and occupational mobility; and even the latter issues would not appear to have strong destabilizing effects.

The solutions to the research problems are likely to be found in actions to remove certain serious deficiencies in the distributional data.
(a) The data system should take a comprehensive approach in the selection of variables to measure. In principle, income, apart from transfers, is determined by access to productive assets, by the rate of employment or use of these assets, and by the rate of return to the assets. Assets include physical capital, human capital (training) and natural resources; access to them implies the claim to income produced by the assets, and is not limited to legal ownership of them. The present data system, in general, is overly concentrated on the human assets (education and demographic attributes), and very skimpy on the non-human assets, or property. The issue of access to or ownership of property has an obvious relevance to equity. For the various types of property, there is a need to measure, study and regularly monitor the size distribution, the rate of utilization in productive activities, and the rate of earnings (profits, interest and rentals).

(b) The distributional data system should be oriented towards comparisons of social groups. Inequity and inequality are concepts definable only in terms of a comparison between individuals or between groups. They obviously cannot refer to one party alone. Their social importance is directly related to the seriousness of the conflict, whether visible or latent, of economic interests of the various parties.

There is a need to study disaffected groups. An equity problem

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76 One would guess that many of the key people in these groups are not poor, yet view the poor as their allies. The latent resentments of the poor presumably tend to make them receptive to agitation by others. The equity problem is not merely one of absolute poverty, for if everyone were equally poor there could scarcely be interpersonal resentment. The problem would then be how to find sources of growth rather than systems of distribution or redistribution.
problem exists because among the economic differentials are some which are felt to be due to unjust advantage, unfair to such a degree that individuals may opt for collective social, economic and political action, inclusive of violence, in order to revise the system of access to economic benefits. The solution to the problem must involve the understanding of what, from the viewpoint of the disgruntled, constitutes the injustice, and in the adaptation of social institutions, preferably through peaceful reforms, to remove such sources of injustice.

This brings up the need for inter-group analysis, such as tenant vs. landlord, labor vs. capital, or Muslim vs. Christian. Inter-group analysis is essential to research on inequity and inequality, and does not presuppose adherence to a theory of class conflict. Obviously, such analysis will require group-comparative data: such as the size of the landed estate to which a tenant farm belongs, the rate of profit in the industry which pays a certain real wage, or the disposition of public land to Christian migrants in traditionally Muslim territories. That such data may tend to be on the sensitive side is simply an indication of their social relevance.

(c) The distributional data system should include a limited set of variables for frequent and prompt monitoring. The success or failure of equity-oriented policies should no longer be indicated simply by the absence or presence of dramatic civil disturbances, but by a reliable, scientific system of continuously detecting small
changes, positive or negative, in conditions of equity, thus allowing early-warning signals of policies growing anti-productive and dangerous or of being non-productive and wasteful, as well as of early signals of improvements which deserve to be more vigorously pursued. Assuming that equity is at least on par with productivity as a national objective, it would be advisable to have annual estimates of poverty and of various conditions of inequality, to be publicized as vigorously as the estimates of the GNP. This would be the key to maintaining the status of the war on inequity high in the social consciousness, impelling politicians, technocrats, civic leaders, scientists and the general public to constantly assess the development policies and programs, conceive of improvements, and co-operate in new undertakings.

77 In Kuznets' words:

"[A] major goal of the study of the distribution of income and employment is to observe the limits of tolerance for widening inequality, even if such inequality may seem efficient in the shorter run and in the purely economic sense.... This means that we have to be prepared for a double set of uses of distributions of income and employment, even if they are short-term. If one finds some disturbing factor ... the danger is obvious -- and it does not help that, in the longer-run, the problem will be resolved, as it usually is, by some technological or social innovations. Meanwhile, the social pressures may result in a shift in political structure that will have long-term consequences, not necessarily favorable for a satisfactory pattern of economic growth." See CAMS-JERC (1975), pp. 3-4.

78 See the Ranis Report (ILO, 1974), which in its concluding chapter sees 'social consensus as a basis for a strategy of sharing in development.'
The range of possible policies for improving equity is wide; within each area, reforms can also range from the mild to the radical. In this study, we have commented on such areas as land reform, regional development, fiscal incidence, etc. While the various government efforts are, of course, to be commended, we are forced to conclude, on the basis of overall results, that the policies and programs have not been wide enough in scope and/or not intense enough in degree.

79 In principle, it includes the following policies:

1. Those which change the allocation of and market rates of return to land, labor and capital, and hence affect these productive factors' shares in the total product.

2. Those which change the distribution of acquired schooling and other sources, including informal ones, of human productive skills.

3. Those which encourage economic growth of localities and activities in which the poor are involved.

4. Those which indirectly alter lower incomes, including the provision of water, electricity, sewage disposal and other social services.

5. Those which redistribute land and other forms of non-human productive assets.

6. Those which directly alter upper incomes, including progressive taxation of income and wealth.

7. Those which directly alter lower incomes, including not only direct transfers of money or food but also regressive commodity taxation.
One reason may be that the many equity-relevant policies (price-controls, wage fixing, land reform, education and social services, natural resource access, social insurance, taxation) have not been formulated and evolved on an integrated basis. The annual per capita GNP report, for instance, provides an integrating factor for the complex set of sectoral production and employment programs, the population program, the investment program, the foreign trade policy, etc. But there seems to be no equivalent actually in operation in the case of income distribution. It is not merely a technical matter of selecting suitable indexes of overall poverty or inequality; we lack an integrated view, or socio-economic model, of equity which would enable us to gauge, for instance, that a reduction in the index by \( x \) points could be accomplished by an expenditure of \( y \) million pesos in some activity, or in the limitation of land access to \( z \) hectares in some sector, or in the intervention in product or factor prices by \( w \) percent.

From the program implementation standpoint, there should be, ideally, some central agency or body addressing itself to such issues, and hence providing the impetus for the needed technical research. The first order of business might be an integrated analysis and appraisal of past equity-relevant policies, some of which (e.g.,

\[ 80 \text{This is not necessarily a call for sophisticated econometric modelling. Analytical manipulations are tightly constrained by the quantity and quality of available data, and much has already been said about the priority need to loosen this constraint.} \]
natural resource access) may not even have been conceived in terms of equity effects. This would in turn become the basis for recommendations for a revised, integrated program for the deliberate attainment of a distribution of income and wealth characterized by a reasonable, socially stabilizing degree of equity.

To sum up, we have three main recommendations:

(1) The focus should be on **equity**. No one is asking for complete equality.

(2) The key to a scientific solution of the equity problem is in producing more data: more frequent, more prompt, and, if it is to be socially relevant, more 'sensitive.'

(3) Researchers should turn from analysis of determinants of economic differentials to evaluation of past equity-pertinent policies and to design of new equity-oriented policies and programs.
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The Distribution of Income and Wealth:  
A Survey of Philippine Research

by

Mahar Mangahas and Bruno Barros

ERRATA

Abstract, paragraph 3, line 4: "widen" should be "wide"

Abstract, paragraph 3, line 11: "diffentials" should be "differentials"

Page 31, footnote 19: in "S ranging from .40 to .60," change S to L

Page 35, line 9: "one the reasons" should be "one of the reasons"