COVID-19 and Inequality in the Philippines

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Outline

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- Transmission mechanism
- Short-term inequality
- Longer-term inequality
- Conclusion and policy recommendations

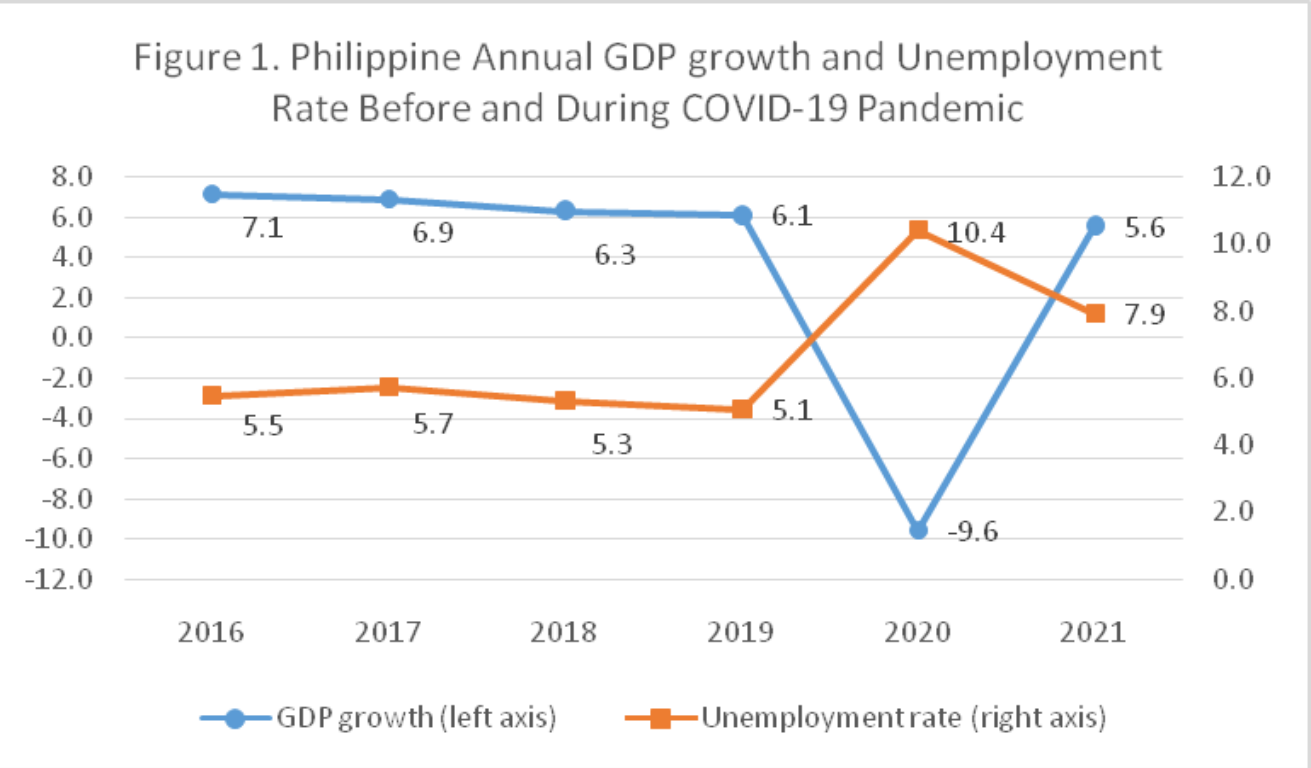
Introduction

COVID-19 has imposed a heavy economic toll on the Philippines

- Largest year-on-year GDP decline in history in 2020
  - -9.6% growth
  - Also sharpest contraction in SE Asia

Severe employment impact

- 10.4% unemployment rate in 2020 from 5.1% in 2019
- Even in 2021, unemployment rate was 1.5 times 2019 level



Introduction

- According to ILO estimates, 7.2 million full-time equivalent jobs lost in the Philippines in 2020 and 3.2 million full-time equivalent jobs lost in 2021
- Increased poverty and hunger
- Likely increased inequality immediately (during the ECQ) and possibly in the medium to longer term

Data (PSA)

Family Income and Expenditures Survey

- Every 3 years (e.g. 2015, 2018)
- Detailed income and expenditure
- Official source of poverty and inequality measures

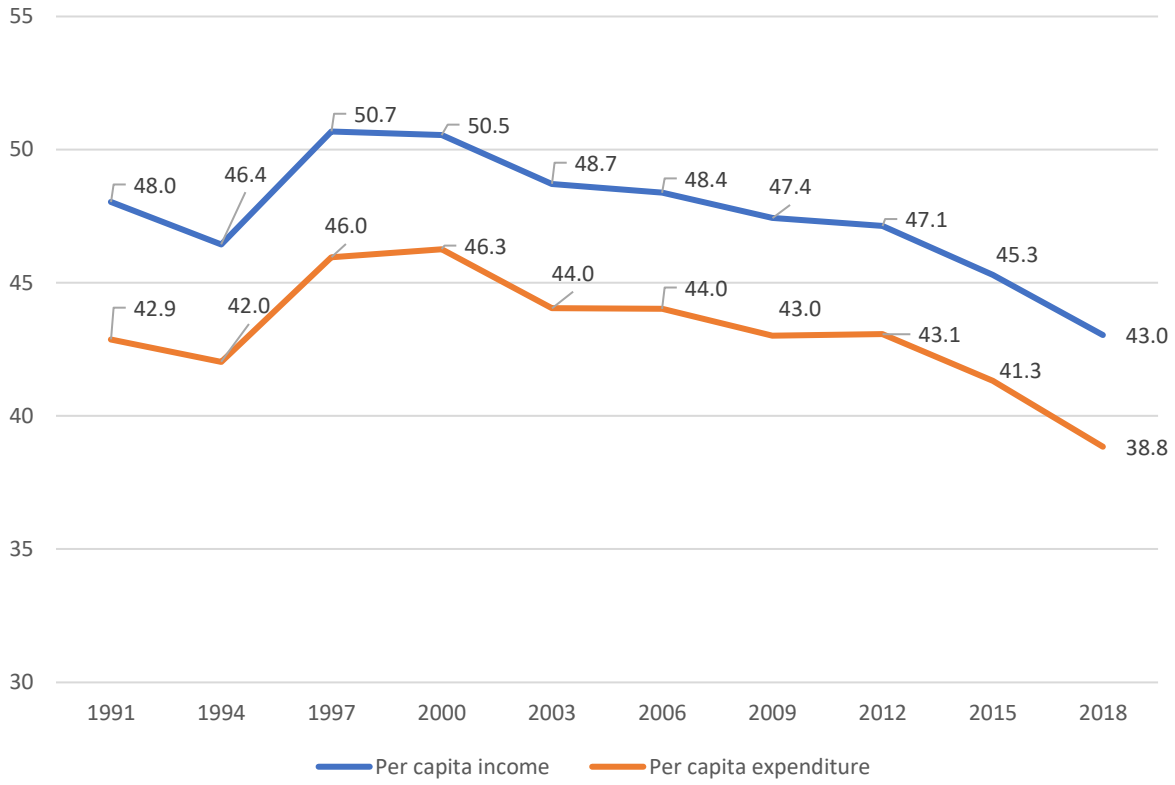
Annual Poverty Indicators Survey

- Twice every 3 years (on non-FIES years)
- Broad income only but many non-income indicators

Labor Force Survey

- Quarterly
- Official source of unemployment and labor force participation statistics

Income and Expenditure Gini



Source of raw data: Family Income and Expenditures Survey, various years

Transmission Mechanism: COVID-19 to Inequality

Differential impacts of the pandemic on the different economic sectors	• Most affected sectors initially were those that entailed close physical contact
	  • Public transport, Personal services, Construction, Non-automatized manufacturing, Retail trade
	  • Filled by relatively lower-skilled and lower-income workers

Restrictions during strict lockdowns that were biased against lower income households	• Prohibition of public transport during ECQ • Prohibition of face-to-face classes
Unequal access to technologies	• Computers, tablets, mobile phone, broadband connection

Ownership of Private Transportation Vehicle, 2020

Quintile of household monthly income	Ownership of car or jeep/e-jeep	Ownership of motorcycles or tricycle/e-tricycle	Ownership of any form of private vehicle
1 (lowest)	1.1	27.5	28.1
2	2.5	39.5	40.6
3	5.0	46.2	48.0
4	10.8	50.9	55.3
5 (highest)	28.6	54.2	67.2
All	9.5	43.1	47.2

Source of basic data: PSA's 2020 APIS

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Immediate Impact on Inequality

- No FIES in 2020
- PSA's 2020 Annual Poverty Indicators Survey conducted in July of 2020 asked questions about average monthly income in Q1 (mostly before the pandemic) and Q2 (ECQ period)

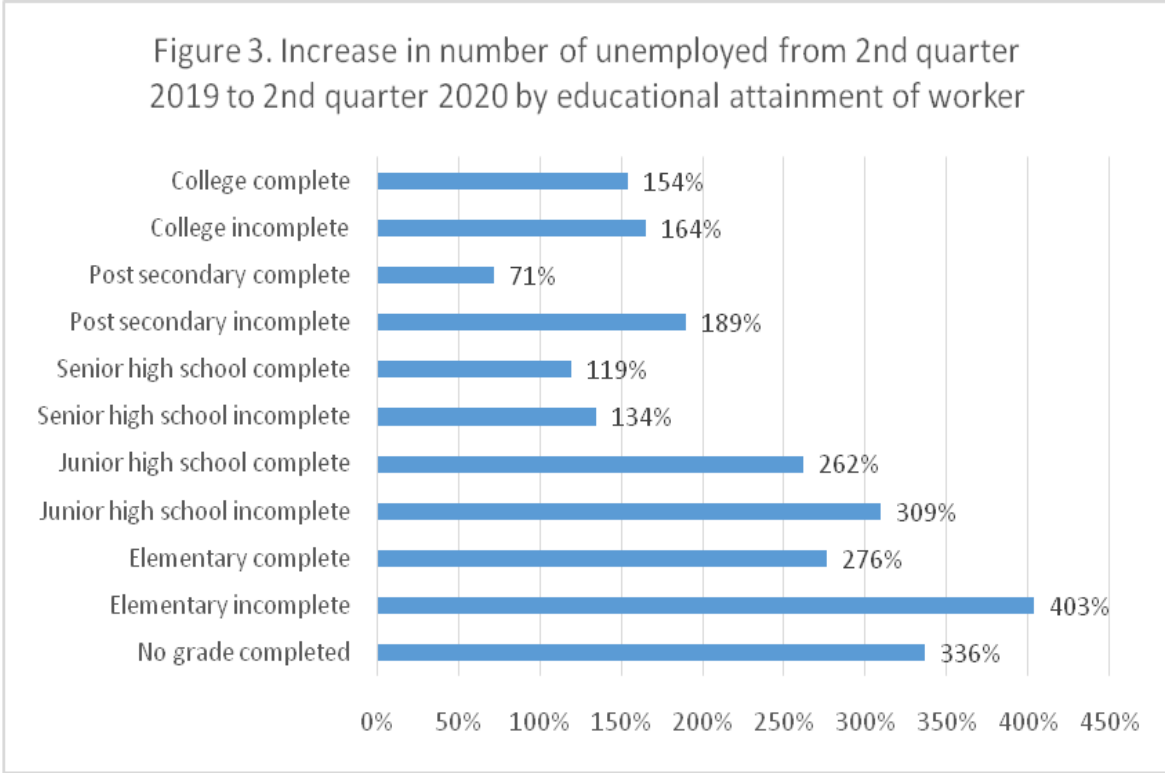
Table 2. Gini of monthly household income immediately before and immediately after onset of pandemic

Quintile of household monthly income	Pre-ECQ: January to March 2020		ECQ: April to June 2020	
	Mean monthly household income	Share in total income	Mean monthly household income	Share in total income
1 (lowest)	4,289	5.3%	3,674	5.2%
2	7,802	9.7%	6,775	9.6%
3	10,899	13.5%	9,547	13.6%
4	16,565	20.5%	13,950	19.8%
5 (highest)	41,102	51.0%	36,420	51.8%
All	15,904	100.0%	13,844	100.0%
Gini ratio		45.7		46.3

Source: Authors' computations using PSA's 2020 Annual Poverty Indicators Survey

Immediate Impact on Inequality

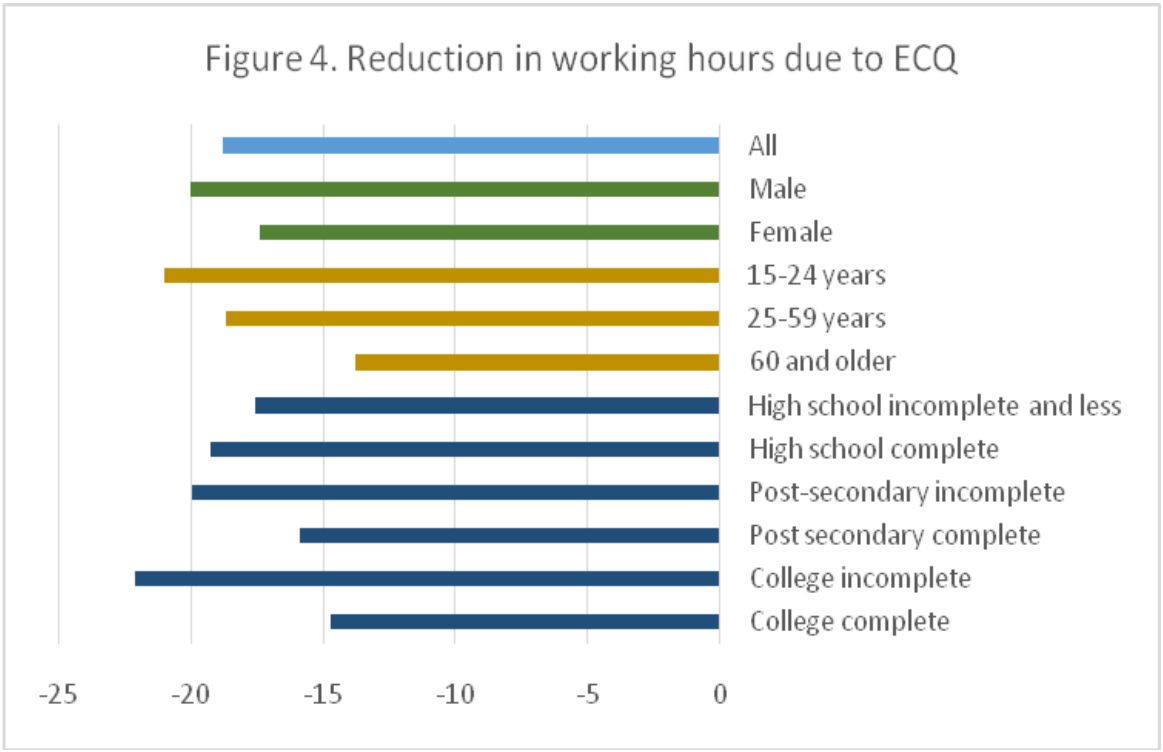
- Income inequality increased at the beginning of the pandemic because lower-skilled workers, who were more likely to belong to low-income households, bore the brunt of initial job losses
  - Wholesale and retail trade (-2.0 million jobs), construction (-1.4 million jobs), transportation and storage (-1.0 million jobs), and manufacturing (-0.8 million jobs)



Source of data: Philippine Statistics Authority

Immediate Impact on Inequality: ECQ effect

- Tease out effect of ECQ on employment outcomes (Ducanes and Daway-Ducanes , 2021)
- ECQ effect mainly in reducing hours worked rather than probability of employment.
- Effect of ECQ on hours worked was somewhat unequal:
  - higher for males than females;
  - highest for those in the youngest age group (15–24 years) compared to those in the older age groups; and
  - higher for those with incomplete post-secondary education and those with incomplete college education compared to those who finished college or post-secondary schooling, likely because degree or diploma holders are more likely to be in jobs amenable to work-from-home arrangements



Source of data: Ducanes and Daway-Ducanes (2021)

Immediate Impact on Inequality: ECQ effect on women with children

- Among women, the ECQ affected those with children more than those without children in probability of paid employment (Ducanes and Ramos, 2021)
- ECQ reduced the probability of paid employment for women with children by 33 per cent compared to only 24 per cent for women without children
- The negative impact of the ECQ on the probability of paid employment increases with the number of children: 39 per cent reduction for women with three or more children; by 32 per cent for women with two children, and by 29 per cent for women with only one child.

Impact after one year

- The most widely used income poverty measures are the three Foster-Greer-Thorbecke (FGT) indices: poverty incidence; poverty gap; and poverty severity.
- Poverty incidence is just the share of households (or individuals) who fall below the poverty line.
- Poverty gap is a measure of the shortfall of the total population from the poverty line. For two countries with the same poverty incidence, the one with the higher poverty gap have poor who are farther from the poverty line, on average.
- Poverty severity measures the inequality among the poor. For two countries with the same poverty incidence and poverty gap, the one with the higher poverty severity indicates there is more inequality among the poor there, or there is more severe or extreme poverty.

Illustrative data: Assume poverty line is 5,000			
	Country A	Country B	Country C
HH01	4,000	3,000	2,000
HH02	4,000	3,000	3,000
HH03	4,000	3,000	4,000
HH04	6,000	6,000	6,000
HH05	7,000	7,000	7,000
HH06	7,000	7,000	7,000
HH07	8,000	8,000	8,000
HH08	9,000	9,000	9,000
HH09	10,000	10,000	10,000
HH10	10,000	10,000	10,000
Poverty Incidence	30%	30%	30%
Poverty Gap	6.00	12.00	12.00
Poverty Severity	1.20	4.80	5.60

Impact after one year

- Table 3 shows the FGT indices for the Philippines for the 1st semester of 2021 and the comparable 1st semester of 2018.
- It shows increased poverty incidence in the Philippines one year after the pandemic started, reversing a decade-long pattern of declining poverty.
- It also shows the poor are generally farther from the poverty line in the first half of 2021 compared to 2018, on average.
- And more importantly, the table shows there is greater inequality among the poor in the Philippines in the first half of 2021.

Table 3. Philippine poverty measures pre- and during COVID-19

Poverty measure among population	1st half of 2018	1st half of 2021	statistically significant at 10% level?
Incidence	16.2	18.0	Y
Poverty gap	4.4	4.9	Y
Severity	1.80	1.95	Y

Source: Philippine Statistics Authority

Potential for longer-term impact on inequality

- COVID-19 pandemic and the ECQ suddenly forced students in all grade levels into remote learning mode.
- Given the short time the education system and teachers have had to prepare, the quality of remote learning is likely inferior to the face-to-face learning that was in place before the pandemic.
- Potentially negative impact on the future productivity of the cohort of students whose education were affected by the pandemic, and thus on future inequality.
- Moreover, because access to remote learning resources is highly unequal, with less access to those from lower income households, students from lower income households are likely to suffer greater learning deficits (see also Lubangco, 2020)

Ownership of gadgets and broadband access with potential for remote learning, 2020

- Ownership of personal computer or tablet is tremendously unequal, with only 3.7 per cent of those in the lowest quintile owning at least one compared to 58 per cent among those in the top quintile.
- Ownership of cellphones, which is likely inferior to personal computers for remote learning purposes (Rideout and Katz, 2016), is more evenly distributed but still favors those in the highest quintile.
- One-fourth of households in the lowest quintile reported not having any cellphone.
- Access to broadband connection was scarce and also unequal.

Quintile of household monthly income	Personal computer or tablet	Cellphone	Broadband connection	TV	Radio
1 (lowest)	3.8	75.1	0.1	60.8	38.1
2	6.5	89.9	0.1	74.1	36.1
3	14.4	95.2	0.3	82.7	34.4
4	28.8	97.3	0.7	89.9	34.9
5 (highest)	58.0	98.6	1.2	95.1	37.4
All	22.0	90.5	0.5	79.8	36.3

Source of basic data: PSA's 2020 APIS

- If the future productivity of poor children is affected disproportionately because of substantially less access to leaning resources, this could lead to higher inequality later on in life.

Ownership of gadgets and broadband access with potential for remote learning, 2020

Unequal access to personal computers and broadband connection contribute to inequality in other ways:

- by making access to health services via telemedicine unequal; and
- by limiting the ability of those without access to work-from-home opportunities and online training opportunities.

These could impact both short-term and longer-term income and non-income inequalities, as well.

Government Responses

- Bayanihan to Heal as One Act (Republic Act No. 11469)
  - provide to 18 million low-income households an emergency subsidy amounting to between Php5,000 and Php8,000 for two months
- Bayanihan to Recover as One Act (RA 11494)t (Republic Act No. 11469)
  - affected households were entitled to either an emergency subsidy of Php5,000 to Php8,000 to low income households in areas under granular lockdown
  - households with recently returned overseas Filipino workers,
  - unemployment or involuntary separation assistance for displaced workers or employees due to COVID-19, including freelancers, self-employed workers, and repatriated OFWs
- DOLE
  - CAMP – formal sector workers
  - TUPAD – informal sector workers
  - AKAP – affected OFWs

Share of those who benefited from programme as of June 2020

Quintile of household monthly income	SAP or cash grant (DSWD)	CAMP (DOLE programme for formal sector workers)	TUPAD (DOLE programme for informal sector workers)	AKAP (DOLE programme for OFWs)
1 (lowest)	55.0	0.1	0.7	0.0
2	55.3	0.3	1.0	0.0
3	51.5	0.7	0.8	0.1
4	44.4	1.1	0.6	0.1
5 (highest)	27.0	1.0	0.6	0.2
All	46.7	0.6	0.7	0.1

Source of basic data: PSA's 2020 APIS

Conclusion and Recommendations

- COVID-19 pandemic has exacted a heavy toll on the livelihood of many Filipino households.
- Some sub-groups of Filipino households were more affected than others, likely increasing income and non-income inequality in the country in the short-term, and potentially in the longer-term.
- Inequality that existed prior to the pandemic – such as in access to social security, in educational attainment and economic opportunities, in access to digital technology – has contributed to the unequal impact of the pandemic across households

Thank you