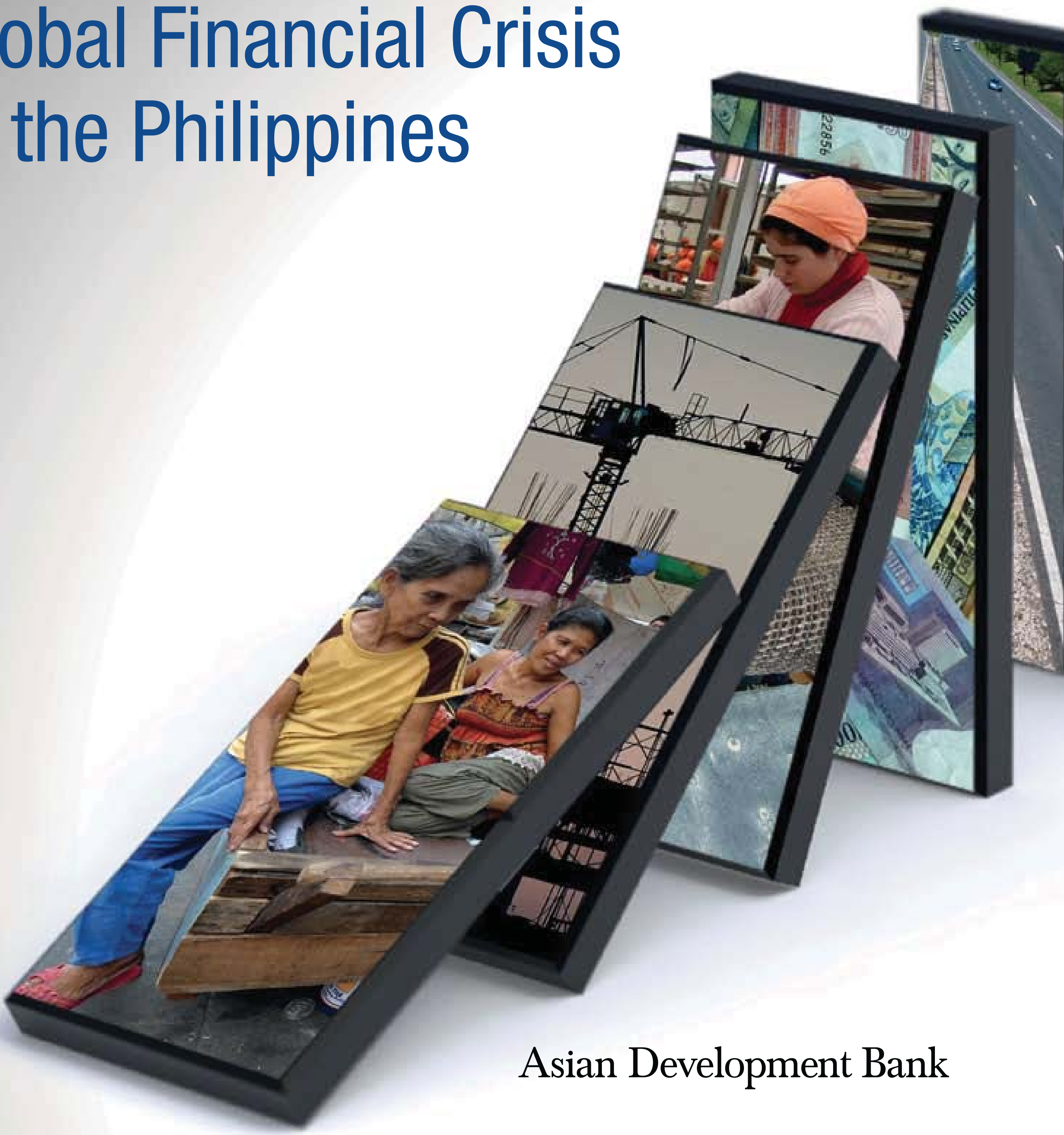
Social Impact of the Global Financial Crisis in the Philippines



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Arsenio M. Balisacan
Sharon Faye Piza
Dennis Mapa
Carlos Abad Santos
Donna Mae Odra

Asian Development Bank

Printed in the Philippines

ISBN 978-92-9092-194-3
Publication Stock No. RPT102566

Cataloging-In-Publication Data
Asian Development Bank.
Social impact of the global financial crisis in the Philippines.
Mandaluyong City, Philippines: Asian Development Bank, 2010.

1. Global financial crisis. 2. Social impact. 3. Philippines. I. Asian Development Bank.

Note:
In this publication, "$" refers to US dollars.

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
www.adb.org

For orders, please contact:
Department of External Relations
Fax +63 2 636 2648
adbpub@adb.org

This study was prepared by Arsenio Balisacan, consultant, with Sharon Faye Piza, Dennis Mapa, Carlos Abad Santos, and Donna Mae Odra as coauthors under the supervision and guidance of Joel Mangahas, country specialist, and the overall leadership of Neeraj Jain, country director of the Philippines Country Office, Southeast Asia Department, Asian Development Bank (ADB). Part of the study has drawn substantially from the authors' work for the United Nations Development Programme. The authors are grateful to the National Statistics Office, especially Administrator Carmencita Ericta, for giving them access to its various household surveys. They likewise acknowledge the effort of the survey team based at the Mariano Marcos State University, the valuable inputs of Asia-Pacific Policy Center staff, the comments received from ADB reviewers, and the assistance and support of the Philippines Country Office. The analyses, views, and opinions presented herein are those of the authors and should not be represented as those of ADB or the institutions they represent.

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Abbreviations

4Ps	–	Pantawid Pamilyang Pilipino Program
AHMP	–	Accelerated Hunger Mitigation Program
AMP	–	Adjusted Measures Program
AMSEFFPCO	–	AMS Employees and Fresh Fruit Producers Cooperative
APIS	–	Annual Poverty Indicators Survey
APPC	–	Asia-Pacific Policy Center
BFT	–	Barangay Food Terminals
BPO	–	business process outsourcing
CALABARZON	–	Cavite-Laguna-Batangas-Rizal-Quezon
CCT	–	conditional cash transfer
CLEEP	–	Comprehensive Livelihood and Emergency Employment Program
DILP	–	DOLE Integrated Livelihood Program
DOH	–	Department of Health
DOLE	–	Department of Labor and Employment
DSWD	–	Department of Social Welfare and Development
DTI	–	Department of Trade and Industry
EO	–	Executive Order
ERP	–	Economic Resiliency Plan
FCF	–	fixed capital formation
FGD	–	focus group discussion
FIELDS	–	Fertilizer, Infrastructure and irrigation, Extension and education, Loans, Drying and other post-harvest facilities, and Seeds Program
FIES	–	Family Income and Expenditures Survey
GDP	–	gross domestic product
GFC	–	global financial crisis
ILO	–	International Labour Organization
ISLA	–	Integrated Services for Livelihood Advancement of the Fisherfolk
IT	–	information technology
KALAHI-CIDSS	–	Kapit-Bisig Laban sa Kahirapan–Comprehensive and Integrated Delivery of Social Services
LFS	–	Labor Force Survey
LGU	–	local government unit
LT trend	–	long-term trend
MBC	–	Makati Business Club
MEPZ	–	Mactan Export Processing Zones
NAPC	–	National Anti-Poverty Commission
NARS	–	Nurses Assigned in Rural Service
NCR	–	National Capital Region
NEDA	–	National Economic and Development Authority
NFA	–	National Food Authority
NSCB	–	National Statistical Coordination Board
NSO	–	National Statistics Office
OFW	–	overseas Filipino worker
OWWA	–	Overseas Workers Welfare Administration
PCCI	–	Philippine Chamber of Commerce and Industry
PCE	–	personal consumption expenditures

PCF	–	private capital formation
PEZA	–	Philippine Economic Zone Authority
PGS	–	Pangulong Gloria Scholarship
RO-RO	–	roll-on-roll-off
SA trend	–	seasonally adjusted trend
SAE	–	small area poverty estimates
SEIPI	–	Semiconductors and Electronics Industries in the Philippines, Inc.
SSS	–	Social Security System
SWS	–	Social Weather Stations
TESDA	–	Technical Education and Skills Development Authority
TUPAD	–	Tulong Panghanapbuhay sa Ating Disadvantaged Workers
UNICEF	–	United Nations Children's Fund
US	–	United States
WINAP	–	Workers' Income Augmentation Program

Executive Summary

The global financial crisis (GFC) is on the wane, but its impact on the social development of the Philippines may linger for many years to come. Properly understanding the nature and consequences of this impact, particularly its differential effects across population groups and social divides, is crucial to the design of a development strategy aimed at fostering an inclusive economic growth to hasten the pace of poverty reduction.

This study sought to gain such an understanding by examining the evidence and recent data, drawing policy lessons, and presenting recommendations toward improved poverty-mitigating responses to economic and financial shocks. It adopted a somewhat eclectic approach to assessing the GFC impact on the economy and poverty. This involved applying regression-decomposition techniques to trace the GFC impact on gross domestic product (GDP) and its major components; constructing panel data from nationally representative household surveys to trace the changes in household welfare during the crisis; and conducting select field investigations, focused group discussions, and key informant interviews to supplement, verify, and update information derived or observed from national household surveys and desk reviews. The study thus goes beyond anecdotal evidence characteristic of many previous accounts on the social impact of the GFC by systematically assessing the evidence both at the national and local levels.

Impact on the Economy

Unlike many of the major economies in the East Asian region, the Philippine economy did not go into a recession during the GFC. A confluence of factors contributed to the "resilience" of the domestic economy from this external shock. First, the domestic financial sector had fairly sound fundamentals (e.g., the commercial banking sector had comparatively low exposure to real estate lending), hence was not highly vulnerable to the external shock. Second, in the past two decades, domestic consumption, not exports, has been the main driver of growth in the domestic economy. In contrast, export-led growth, fueled by efficiency-enhancing domestic institutions, has been the key driver of the successful industrialization, employment generation, and a long period of poverty reduction in the neighboring countries. Put differently, the production side of the Philippine economy has not been as deeply integrated with the global economy as those of its neighbors. Third, contrary to expectations, remittances of overseas Filipino workers (OFWs), which fueled personal consumption expenditures (PCE), did not contract during the crisis. This is significant because, from the expenditure side of the national income accounts, PCE has contributed about three-fourths of the GDP growth in recent years.

Although a recession was avoided, the impact of the crisis on the economy and the social sector had been nonetheless severe. The economy sharply decelerated from its comparatively high growth of 7.1% in 2007 to its lowest pace of 0.9% in 2009. This fall cannot, of course, be attributed fully to the GFC. Arguably, the growth achieved in 2007 was not sustainable owing to weak economic fundamentals and institutions. Hence, it could not be regarded as the appropriate reference point for an assessment of the impact of the crisis. That is, the economy was bound to slide back eventually (whether the GFC was to occur or not) to its long-term growth rate, which the study estimated at 4.7%. Results of the study's analysis of the National Income Accounts data suggest that the crisis pushed down the GDP growth rate from its long-term trend by 1.0 percentage points in 2008 and 3.8 percentage points in 2009.

On the supply side, the sector hit hardest was industry: the growth rate in 2009 was 6.0 percentage points lower than its long-term growth potential. The decline was particularly sharp in the manufacturing subsector, hitting 7.7 percentage points. For agriculture, the impact was felt mainly in 2009 when output growth fell short of its long-term growth potential by 3.4 percentage points.[1] Finally, for services, the impact was a growth reduction of 2.5 percentage points in 2008 and 2.4 percentage points in 2009.

On the demand side, PCE growth dropped by 0.8 percentage points in 2008 and 1.7 percentage points in 2009 relative to its long-term growth trend. The drop was remarkably muted because remittances of OFWs did not slow down as sharply as expected at the onset of the crisis. Private capital formation (PCF) and exports, however, took the brunt of the crisis. PCF grew close to its long-term pace in 2008 but dropped by 9.9% in 2009. Exports shrank by 1.9% in 2008 and 14.2% in 2009.

The government's push to stimulate the economy as GDP sharply decelerated in 2008 is reflected in the sharp increase in government expenditures (as a proportion of GDP) in 2009. While the growth of government expenditures in 2008 was less than its long-term trend, that in 2009 was significantly higher by 2.8 percentage points. It is to be noted, however, that government spending accelerated particularly in the third and fourth quarters of 2009. The impact of the fiscal stimulus on GDP growth was thus likely to have spilled over beyond 2009, as suggested by an analysis of past economic performance.

Surprisingly, employment in 2008 grew at a pace close to its long-term trend and even slightly faster in 2009. Underemployment, however, was on the high side at the height of the crisis. Employment share in industry dropped noticeably starting in 2008, which mirrored the drop of output in the sector. However, contrary to common claims in accounts about the crisis, there was no noticeable shift of employment from the formal to the informal sector.

Impact on Poverty across Economic and Social Divides

Based on the nationally representative "augmented" household panel data constructed for this study, the average per capita income was on an upward trend, while poverty incidence (the proportion of the population deemed poor) was on a downward trend before the crisis. Average per capita income rose by 2% in 2007 and 2008, while poverty incidence dropped from 33.0% in 2006, to 31.8% in 2007 and to 28.1% in 2008. To put this in context, it is to be noted that the mean income based on the Family Income and Expenditures Survey (FIES) declined by an annual average of 1.1% between 2000 and 2006, while poverty incidence rose by 1.8 percentage points during the same period. Moreover, GDP per capita grew by an annual average of 2.6%. The growth of mean income and the decline in poverty during the growth years of 2007 and 2008 are thus a reversal of the trends in 2000–2006.

With the sharp deceleration of output growth across the economy's productive sectors in 2009, real mean income dropped by 2.1%, while poverty incidence rose by 1.6 percentage points. As expected, households depending on industry for incomes took a hit; their mean income fell below that in 2007. The same is observed among wage and salary workers and substantially among unpaid family workers. Unexpectedly, contrary to previous episodes of economy-wide crises (e.g., Asian financial crisis), the events in 2008/2009 spared the bottom quintile (poorest 20%) of the population from disproportionately taking the brunt of the shock.

If there had been no GFC and the economy had moved along its long-term growth path (business as usual), mean income would have increased by 1.8% between 2008 and 2009, which would have caused poverty to fall, rather than increase, from 28.1% to 27.7% during the same period. Given these estimates and current population growth projections, nearly 2 million Filipinos were pushed to poverty due to the GFC.

Impact on the Ground: Results from Rapid Appraisals and Field Surveys

The Philippines, as Jeffrey Sachs aptly observed, is a "remarkably diverse economy." Its very high spatial diversity is expected to engender varied contours of transmission of—and responses to—external shocks across local economies and population

[1] Agricultural output in the fourth quarter dropped sharply (by 5.7%) compared with its long-term potential due largely to the adverse effects of typhoons Ondoy and Pepeng.

divides. Indeed, this is what the rapid appraisals and field surveys tended to show. Regions highly dependent on the global economy (made possible by comparatively good infrastructure), particularly on the export sector, had been more adversely affected than those that are not dependent. Within the export sector, those in manufacturing, particularly electronics and/or semiconductors and automotive, had been the hardest hit. On the other hand, a different picture emerges with regard to the export of agricultural produce, such as Cavendish bananas in Davao. Exports had increased over the past years, resulting in an insignificant impact of the crisis in Davao del Norte and Davao City.

While electronic and semiconductor exports suffered tremendously, the effect on employment had not been as bad as expected. The industry had coped very well with the crisis, greatly mitigating the impact on unemployment. For sure, business firms adopted belt-tightening measures, increased efficiency, and adopted steps to reduce retrenchments and layoffs. The industry viewed the crisis as merely part of a business cycle (i.e., peaks and troughs), from which they expected to recover. The continued boom in information technology and business process outsourcing (IT/BPO) and growth in the tourism and real estate sectors have likewise mitigated the effects of the crisis even as the sectors have absorbed labor market displacements from the manufacturing sector, and due to OFW repatriation.

The results of the special panel survey in Ilocos Norte indicate that the GFC impact on OFW employment status and remittances had been insignificant. In the surveyed areas, the nature of OFW employment seemed to have weak links with the sectors and industries hardest hit in the respective areas of deployment. Households did perceive adverse effects on their well-being but these may be traced to events prior to the GFC, particularly the food and oil price crises that preceded it.

Responses to the Crisis

To stimulate the economy, the government adopted the Economic Resiliency Plan (ERP), a pump-priming program with a total budget of 4% of GDP. The program involves essentially frontloading spending of the 2009 government budget and increased spending on responses to the crisis, including cash transfers, food subsidies, tax exemptions (for less than minimum wage earners), and emergency job creation. As noted earlier, government spending (as a proportion of GDP) in 2009 was 2.8 percentage points higher than its long-term trend.

The government adopted and implemented various projects to deal with the employment consequences of the crisis. All agencies at both the national and local levels were directed to implement emergency employment schemes in all regions. The Technical Education and Skills Development Authority (TESDA), in particular, was provided with substantial budget increases to implement technical–vocational training programs in all regions. Yet, in almost all cases, the menu of interventions was very limited and implementation was heavily top–down and unresponsive to local needs. The government's response did not seem to consider that the GFC negatively affected the regions in different ways and extents. That is, given the country's very high spatial diversity, a location-specific, targeted approach to addressing the GFC effects could have delivered better outcomes.

For example, domestic industries, particularly in the export sector, need assistance to increase their competitiveness primarily by lowering the cost of doing business in the country. This entails having a more conducive regulatory environment, cheaper power cost, less rigid labor-market conditions, and a more stable political environment. To be sure, these reforms are the necessary thrust of a strategy for industrial development, with or without the GFC. The GFC, however, accentuated the urgency of undertaking these reforms.

By and large, projects and activities supported by the ERP tended to be mere dole outs and did not build productive assets that would form the foundation for a faster but more inclusive recovery and growth. The government's impulse to spend on projects regardless of quality was doubtless made stronger by the fact that the May 2010 national and local elections were just months away.

Beyond the Global Financial Crisis—Challenges Ahead

Poverty reduction remains a huge policy challenge for the Philippines. Not only is absolute poverty in the country high and widespread, but the pace of its reduction is also very slow compared with that of other Asian countries at broadly similar income levels. In part, the slow reduction has to do with the rather low rate of economic growth, especially after accounting for the country's rapid population growth. It is no longer debatable that high economic growth sustained over a long period is essential for rapid poverty reduction. Moving the country to a higher growth path resembling those of its neighbors thus has to be high in the development agenda. This will require seriously addressing the critical constraints to private investment and growth, namely, (i) tight fiscal situation due largely to weak revenue generation; (ii) inadequate infrastructure, particularly transport and power; and (iii) weak investor confidence owing to governance concerns, especially corruption and political instability.

At the same time, for economic growth to be inclusive, reform initiatives aimed at reducing the highly inequitable distribution of development opportunities need to receive much more serious attention than mere lip service. It is this high inequality—higher than in most Asian countries—that has greatly muted the impact of economic growth on poverty reduction. High priority should be placed on education, health, infrastructure, and productive assets such as land and credit. Toward this end, the various social protection and social safety net programs need to be comprehensively reviewed, with the aim of improving their governance. This would mean reducing leakage and administrative costs, eliminating redundancies and overlaps, exploiting synergies across programs, and promoting sustainability. For example, numerous assessments show that the rice subsidy program, which accounted for nearly 70% of the total government budget for social protection in 2008, had not only been very costly to society but also had failed miserably in achieving its objectives. Remarkably, there has not been a decision to reform the program vis-à-vis social protection objectives.

In contrast, the government's conditional cash transfer (CCT) initiative under its Pantawid Pamilyang Pilipino Program (4Ps) appears effective as a vehicle for addressing short-term poverty and long-term human capital development. CCT programs are widely implemented in many developing countries, particularly in Latin America and, more recently, in Asia. Assessments of these programs show significant positive impacts on nutritional intakes, access to health and education, and reduction in poverty and inequality. Of all the government's current subsidy programs, the CCT initiative holds perhaps the most promise for breaking the vicious cycle of poverty and, hence, is a good candidate for upscaling toward a national antipoverty program.

The next few years may see fiscal tightening after 2 years of pump-priming activities. The country's fiscal space is constrained by a huge public sector debt and weak capacity for revenue generation. In past episodes of macroeconomic adjustments, it was usually the basic infrastructure and social services (particularly education and health) that got the brunt of budgetary cuts. However, the Philippines' political economy is such that though the poor form a numerically large group, they are in reality a weak lobby group in the balance of political power. The new administration in July 2010 will have to marshal political support for an inclusive growth and development agenda.

1. Introduction

The global financial crisis (GFC) reached the Philippines with the country on a sound footing relative to its major East and Southeast Asian neighbors (except Indonesia), which commonly experienced economic contraction, especially in the industrial and export sectors. As such, this has been suggested as evidence of the country's newly gained economic resilience (see, e.g., Bhaskaran and Ghosh 2010). It must be noted, however, that the country has not experienced the spectacular economic performance of its neighbors in recent decades. The country's neighbors saw their per capita incomes more than double during the past 3 decades. In contrast, per capita income in the Philippines today is only roughly one-fifth higher than it was 30 years ago. Even as the crisis badly hit investments and exports, which fueled rapid growth in East Asia's "early globalizers," it is highly unlikely that it would wipe out the region's economic and social gains during the period. On the other hand, because the Philippine economy has missed seizing the opportunities for economic growth in recent decades, the country has a rather weak capacity to cushion the impact of the crisis on the poor, whose number have increased substantially in recent years even before the onset of the GFC. The proportion of the population deemed poor rose from 31.3% in 2000 to 33.0% in 2006 despite the increase in gross domestic product (GDP) per capita of about 2.7% annually during the same period.[2, 3]

While the economy has escaped recession, substantial erosion in human welfare cannot be ruled out. The country's GDP fell sharply from 7.1% in 2007 to 3.8% in 2008 and 0.9% in 2009 (Table 1). Considering the country's rapid population growth rate of 2% a year, this means the per capita GDP in the Philippines for 2009 had a negative growth of 1.1%.

From the demand side, the deceleration of GDP is reflected in personal consumption expenditure (PCE), which contributed about three-fourths of GDP for the past 10 years. PCE growth dropped sharply from 5.8% in 2007 to 4.7% in 2008 and 3.7% in 2009, in spite of the continued inflow of remittances from overseas Filipino workers (OFWs). While posting a robust growth of 5.4% in 2007, exports of goods and services, especially electronics and semiconductors, plunged in 2008 (–1.9%) and 2009 (–13.9%). From the supply side, industry was the hardest hit, contracting by 2% in 2009—a reversal from a quite respectable growth of 6.8% in 2007 and 5.0% in 2008. Manufacturing was the major contributor to this contraction; its output plunged by 5.2% in 2009, its worst performance since the Asian financial crisis of 1997/1998.

In previous episodes of financial and macroeconomic crises, the agriculture sector proved comparatively resilient to the shocks. Even during the Asian financial crisis of 1997/1998, the poor performance of the agriculture sector was related more to the widespread drought induced by the El Niño phenomenon than to the external shock (Balisacan and Edillon 2001; Datt and Hoogeveen 1999). The sector again did not contract as the GFC swept

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2 The poverty estimates are based on official poverty lines for 2006. For consistency, these lines are held fixed in real terms. Data used are the National Statistics Office's Family Income and Expenditures Survey (FIES). See Balisacan (2010) for details.

3 That poverty increased while GDP per capita rose from 2000 to 2006 is quite puzzling to many observers of the Philippine economy. Mean incomes based on the FIES show a decline of 1.5% a year during the period. This appears to adequately explain for the increase in poverty. The decline in income is not consistent, however, with the increase in GDP per capita, as observed from the National Income Accounts (NIA). Although there is circumstantial evidence indicating that the NIA tends to overestimate GDP growth (Medalla and Jandoc 2008; World Bank 2009a), nonetheless, income growth has been positive. But if growth has been positive and poverty is rising, this can only mean that inequality in the distribution of income is rising, which is a serious concern considering that the country's income inequality is already very high compared with most other Asian countries. Indeed, there is likewise circumstantial evidence suggesting that the FIES is inadequately covering wealthy households (World Bank 2009a; Human Development Network 2009; Balisacan 2010). Moreover, Ducanes (2010) has indicated that the FIES has been increasingly underestimating the flow of household remittances. This has potentially a substantial impact on estimates of poverty and income distribution.

Table 1 Growth Rates of GDP and Its Components

		Sector				Expenditure				
Year/Quarter	GDP	Agri	Industry	Manuf	Services	PCE	GC	CF	X	M
1990–1999	2.8	1.5	2.5	2.3	3.7	3.7	3.5	3.2	6.6	7.2
2000	6.0	4.3	9.0	5.6	4.4	3.5	6.1	23.9	17.0	4.3
2001	1.8	3.7	(2.5)	2.9	4.3	3.6	(5.3)	(7.3)	(3.4)	3.5
2002	4.4	4.0	3.9	3.5	5.1	4.1	(3.8)	(4.3)	4.0	5.6
2003	4.9	3.8	4.0	4.2	6.1	5.3	2.6	3.0	4.9	10.8
2004	6.4	5.2	5.2	5.8	7.7	5.9	1.4	7.2	15.0	5.8
2005	5.0	2.0	3.8	5.3	7.0	4.8	2.3	(8.8)	4.8	2.4
2006	5.3	3.8	4.5	4.6	6.5	5.5	10.4	5.1	13.4	1.8
Q1	5.5	3.4	5.3	4.6	6.5	5.2	9.5	1.5	13.1	2.8
Q2	5.3	7.4	3.9	3.0	5.5	5.2	8.1	2.3	24.9	4.2
Q3	5.2	3.7	5.2	4.4	5.6	5.3	14.6	13.7	10.5	0.8
Q4	5.4	1.7	3.8	4.7	8.2	6.2	9.8	3.9	6.0	(0.2)
2007	7.1	4.8	6.8	3.4	8.1	5.8	6.6	12.4	5.4	(4.1)
Q1	6.9	4.0	6.3	3.6	8.5	5.9	12.1	18.1	10.5	(1.8)
Q2	8.3	3.8	10.6	3.8	8.4	5.6	8.9	17.4	4.2	(10.2)
Q3	6.8	5.6	5.7	3.1	8.1	5.7	(2.6)	5.3	3.3	(4.7)
Q4	6.3	5.7	4.7	2.7	7.7	6.2	8.0	7.1	4.5	0.7
2008	3.8	3.2	5.0	4.3	3.3	4.7	3.2	1.7	(1.9)	2.4
Q1	3.9	2.8	2.7	2.4	5.2	5.1	(0.3)	(1.7)	(7.7)	(2.6)
Q2	4.2	4.9	4.0	6.1	4.0	4.1	0.0	13.6	6.1	0.0
Q3	4.6	2.5	7.6	5.4	3.3	4.4	11.8	9.4	3.3	6.7
Q4	2.9	2.9	5.3	3.4	1.3	5.0	2.5	(11.7)	(11.5)	5.0
2009	0.9	0.2	(2.0)	(5.2)	3.2	3.7	8.6	(9.6)	(13.9)	(6.3)
Q1	0.6	2.1	(2.5)	(7.3)	2.0	1.3	4.5	(15.1)	(14.7)	(20.6)
Q2	0.8	0.2	(1.7)	(7.2)	2.7	5.4	9.7	(10.3)	(18.1)	(2.2)
Q3	0.4	1.5	(5.0)	(7.8)	3.8	3.2	8.1	(12.1)	(13.0)	0.1
Q4	1.8	(2.8)	1.1	1.3	4.2	5.1	12.1	(0.8)	(10.0)	(2.5)

( ) = negative number, Agri = agriculture, CF = capital formation, GC = government consumption, GDP = gross domestic product, Manuf = manufacturing, M = imports, PCE = personal consumption expenditures, X = exports.

Note: Quarterly figures are year-on-year growth rates. Manufacturing is a component of Industry.

Source: National Statistical Coordination Board.

across the domestic economy, although its growth substantially decelerated from 4.8% in 2007 to 3.2% in 2008 and then sharply to 0.2% in 2009. The sharp drop in 2009 was due largely to the devastation in Luzon unleashed by three major typhoons in the second half of the year. Farm devastation caused agricultural output to shrink by 2.5% in the fourth quarter of 2009 (year-on-year basis).

Moreover, the GFC hit the country at a time when it was still reeling from the adverse effects of the sharp food price shocks in late 2007 and the first half of 2008. Owing to a confluence of several global supply and demand factors, the world price of rice, the country's staple, rose steeply from about \$300/metric ton (mt) in October 2007 to about \$800/mt in May 2008, causing panic in local rice markets.[4] Although the government intervened aggressively in the domestic market to cushion the impact of the shock, domestic rice prices rose by about 40% during the period. Because rice accounts for about 25% of food expenditures of the poorest 30% of the population, the price shock created a significant negative impact on the well-being of poor Filipinos, including small rice farmers, most of whom are net buyers of rice for household consumption. Consumer prices for food in general rose by 3.3% in 2007, 12.9% in 2008, and 5.8% in 2009. Based on the quarterly household survey of the Social Weather Stations (SWS), households experiencing hunger (expressed as a proportion of total households) rose during this period, reaching an unprecedented high of 23.7% in the last quarter of 2008 since SWS started monitoring the series in July 1998.[5]

The full impact of the economy's sharp slowdown on various population groups, particularly the poor, remains to be ascertained. The channels by which the GFC affected various population groups are more complex and less visible than what have been impressed in the public's mind by the media.[6] Moreover, household responses to the crisis could have also varied quite enormously, even among the poor, owing to differences in household attributes, socioeconomic circumstances, and location. For many households, as the experiences from past financial and economic crises (e.g., the Asian financial crisis in 1997/1998) suggest, the consequence of the crisis may linger for a long time, even beyond a generation, such as when children are withdrawn from schools or receive inadequate food for balanced nutrition. Furthermore, the government's response to the crisis, especially through its fiscal stimulus program, may have also influenced the incidence, depth, and severity of impact across sectors and population groups.

Clearly, understanding the impact of external shocks such as the GFC on poverty, particularly their differential effects across population groups and social divides, is crucial to the design of a development strategy aimed at fostering a more inclusive growth, thereby speeding up the pace of poverty reduction. To be sure, there have been various accounts on the impact of the GFC on the Philippine economy (see, e.g., Yap, Reyes, and Cuenca 2009; Son and San Andres 2009; ILO 2009; Bhaskaran and Ghosh 2010; World Bank 2009b and 2010). These studies point out the high cost of the GFC to the economy in terms of reduction in aggregate income growth and employment, particularly in the manufactured export sector, even as the economy did not slide to recession. Each study highlights the crucial role that the unexpected growth of remittances,[7] as well as the timely monetary and fiscal stimuli, played in making the economy relatively resilient to the shock. Some studies also indicate a Philippine labor market more resilient than those in other countries that suffered similarly sharp decline in exports. Much less is said, however, about the social dimension of the GFC's impact. That is, apart from usually assuming that a connection runs from growth to poverty reduction (i.e., growth elasticity of poverty reduction is positive) or noting adverse developments in certain sectors of the labor market, previous studies provide little information on the change in poverty and household welfare, both at the national level and across social divides, attributable to the crisis.

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4 The rice crisis was a simple case of global demand outstripping global supply in a rather thin rice market. Among the factors contributing to the crisis were (i) declining stocks since 2006, especially year-end stocks in 2007; (ii) strong global import demand (rapid growth of household incomes in the People's Republic of China, India, and other least developed countries); (iii) high prices of substitute food grains, such as wheat (partly the rippling effect of highly subsidized production of biofuel feedstocks in the United States and elsewhere); (iv) rising cost of material inputs (fertilizer prices co-moving with petroleum prices); (v) weak dollar driving up dollar-priced commodities; and (vi) price speculation by big financial players searching for better returns than those from stocks or real estate.

5 The question asked of survey respondents is: "In the last 3 months, did it happen even once that your family experienced hunger and did not have anything to eat?" The data series is available at the website of the SWS (www.sws.org.ph/). See also Mangahas (2009).

6 The initial waves of layoffs and labor displacements from the export sector, particularly manufactured exports, and OFWs have occupied front pages of national dailies.

7 Remittances, whether measured in foreign currency (US dollar) or local currency (Philippine peso), continued to grow in 2008 and 2009. In foreign currency terms, remittances grew by 13.7% in 2008 and 5% in 2009. The average monthly inflow of about $1.3 billion helped maintain a positive PCE growth throughout the 2007–2009 period.

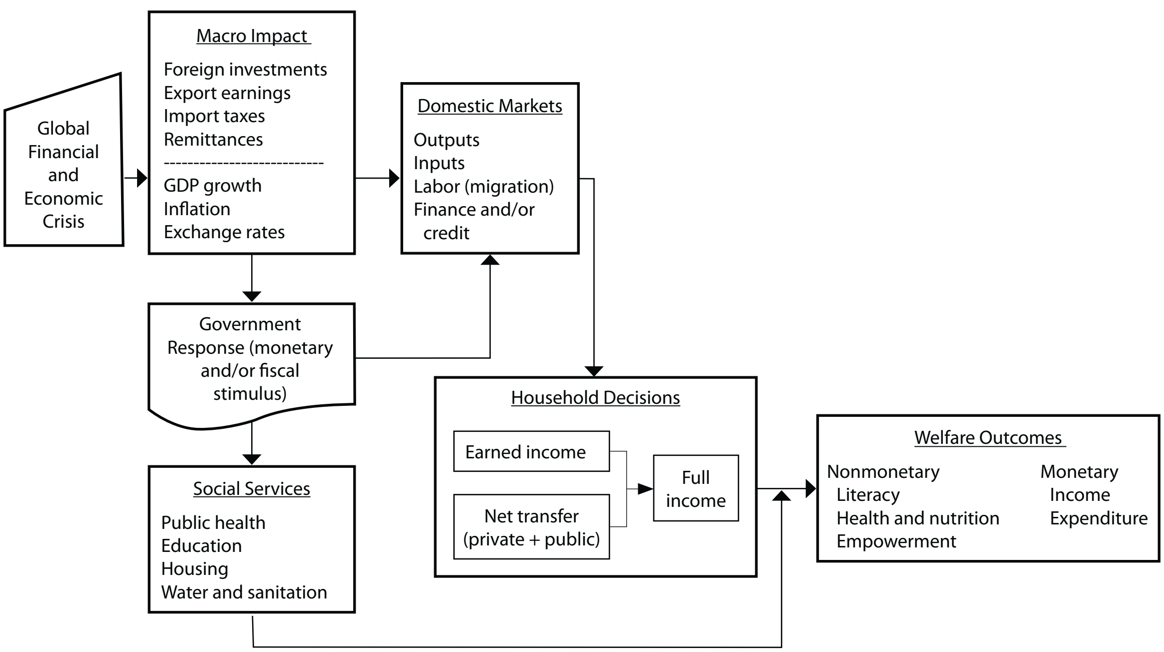
The current study goes beyond anecdotal evidence characteristic of many previous accounts on the social impact of the GFC by systematically examining the evidence and recent data and drawing policy lessons and recommendations toward improved poverty-mitigating responses to economic and financial shocks. The next section of this report discusses the empirical approach used to assess the impact of the crisis on the economy and poverty. The subsequent three sections show the findings of the study based on examination of macroeconomic data, panel survey data, and rapid appraisal survey of selected provinces. The discussion of the GFC's impact focuses on economic performance (major components of GDP and employment), evolution of poverty during the crisis across social divides, and ground-level responses to it. The report then assesses the effectiveness of the government's response to the crisis in terms of key programs. The last section summarizes the findings and presents their implications for the development and design of policy and poverty reduction programs.

2. Empirical Approach

The channels by which the GFC affects household welfare can be quite complex, owing partly to many intervening factors, including initial conditions of infrastructure, institutions, and governance structures. Figure 1 shows that a global crisis affects households primarily through two channels. The first (direct) one involves the changes in employment status and incomes earned by household members in industries directly affected by the crisis (i.e., export-oriented industries and local firms supplying inputs to these industries) through the mediation of domestic input, output, and financial markets. The second (indirect) channel manifests through the effects of the crisis on macroeconomic aggregates (i.e., the implications of the fall in export earnings, direct foreign investments, government revenues from trade taxes, and remittances on certain macro variables—such as GDP growth, inflation, and exchange rate—including their impact on fiscal space and consequent spending on social programs). Household earnings from gainful activities and net transfers constitute the "full income" that constrains the level of consumption goods and services households can enjoy. This consumption, together with social services provided to them, leads to welfare outcomes of various dimensions (monetary, such as income and expenditure; and nonmonetary, such as health, literacy, and empowerment).

Ideally, in tracing and assessing the quantitative significance of transmission mechanisms described above, an economy-wide model with sufficiently high level of disaggregation to inform impacts and consequences across economic sectors and population groups has to be employed. The common

Figure 1 Channels by Which the Global Financial Crisis Affects Household Welfare



GDP = gross domestic product.

Source: Authors.

practice is to use either a macroeconomic simulation model or a computable general equilibrium model of the economy. A particular strength of such models is that one is able to directly perform "what if" policy experiments (shocks) and assess the outcomes of interest in relation to those of a baseline scenario. For the present concern, such models permit the evaluation of the household welfare and economic effects of the crisis in relation to a counterfactual situation in which there is no crisis (business as usual).

Data and time constraints did not allow the construction or estimation of economy-wide or macroeconomic models suitable for tracing (simulating) the GFC implications on employment, household incomes, income distribution, and various related economic and social indicators. Instead, the study adopted a somewhat eclectic approach to assessing the GFC impact on the economy and poverty. This approach involves applying decomposition techniques on time-series data to trace the GFC impact on GDP and its major components, constructing household panel data from nationally representative surveys to trace the changes in household welfare during the crisis, linking the household panel data and macro data to simulate poverty impacts, and conducting field investigations, focused group discussions, and key informant interviews to supplement, verify, and update information derived or observed from national household surveys and desk reviews. The details of the empirical approach associated with each layer of analysis are discussed in the subsequent three sections and in Annexes A–C. In all cases, the assessment focused on incomes and poverty across social divides.

3. Impact on the Economy

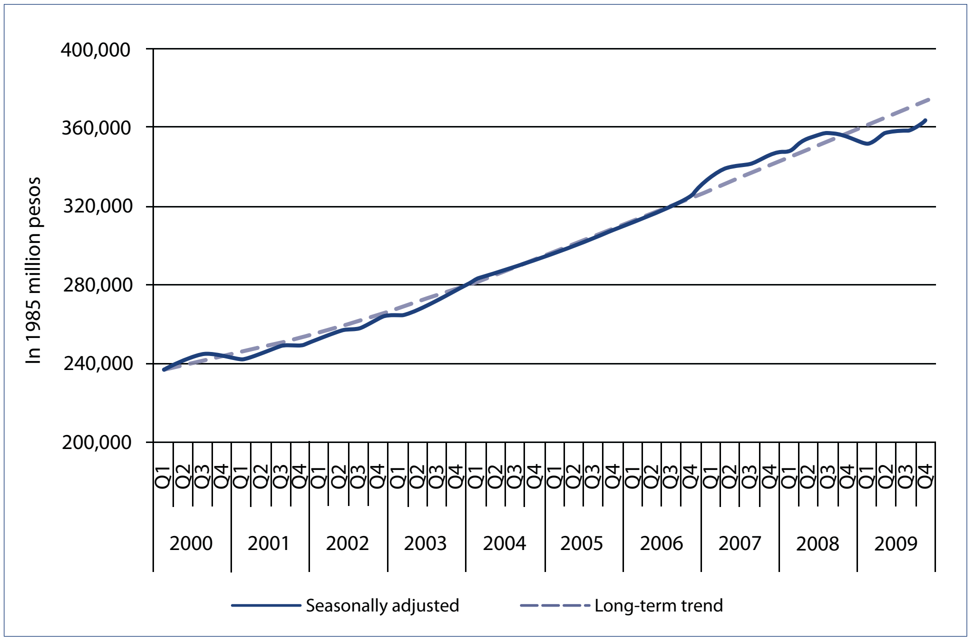
It is tempting to attribute the observed sharp slowdown of the gross domestic product (GDP) and its components to the global financial crisis (GFC). Surprisingly, this attribution is not uncommon even among serious observers of the Philippine economy. This is, however, wrong. One should instead ask: if the GFC had not occurred, what would have been the performance of the Philippine economy? Would the GDP growth of 7.1% achieved in 2007 have continued in the succeeding years? In other words, was the growth sustainable? If not sustainable (i.e., the comparatively high growth rate was an aberration), the economy would be expected to slide back to its long-term growth path, with or without the shock. Indeed, many studies point out the critical structural and policy constraints preventing the economy from moving to a high-growth path as that tracked by the country's neighbors (Magnoli Bocchi 2008; World Bank 2010; Canlas et al 2009; Balisacan and Hill 2003, 2007). For one, national savings and investment rates are extremely low by the standards of the major East Asian countries. This has resulted in low infrastructure development, particularly transport and power, and poor provision of key social services, especially basic health and education. The country's governance structures have also created an environment of policy instability and engendered corruption and all forms of rent-seeking activities across branches and layers of the government.

The challenge is to identify the potential (long-term) growth path of the economy based on information about its past performance. To do this, the study employed a decomposition technique that permits the identification of a long-term (LT) trend, a seasonally adjusted (SA) trend, and random effects from the observed variable of interest. For the economic aggregates of interest to this report, the LT trend can be roughly interpreted to reflect the economy's potential, given its resources, technologies, institutions, and policies. The SA trend, on the other hand, nets out effects that seasonality of production and consumption may have on the same aggregate data.[8] For any given quarter of the year, the difference between the LT trend and the SA trend captures the impact of the GFC and the government's policy responses (e.g., fiscal stimulus package) on the shock. Given that there is a time lag between the shock and the impact of government interventions aimed at containing the adverse effects of the crisis, the LT–SA gap during the early quarters of the crisis years (i.e., the last two quarters of 2008 and first quarter of 2009) may reflect the full impact of the crisis on the variables of interest. Otherwise, if the effects of the interventions are immediate, the gap would underestimate the impact of the crisis. In the decomposition analysis that follows, the study attempts to further "chip away" any effects that the government's fiscal programs may have on the gap.

Figures 2–5 show the LT and ST trends of GDP and its components, from both demand and supply sides, based on quarterly data for the period 1991–2009. In these figures, the solid line represents the seasonally adjusted series while the dotted line represents the long-term trend. Comparing the values of the seasonally adjusted GDP and its long-term trend for the crisis period, one can see that the seasonally adjusted GDP fell below its long-term trend beginning in the fourth quarter of 2008 up to the fourth quarter of 2009. The seasonally adjusted GDP is lower than its long-term trend by about 0.3% in the fourth quarter of 2008, 2.9% in the first quarter of 2009, 2.3% in the second quarter, 3.0% in the third quarter, and 3.1% in the fourth quarter. Put differently, the crisis pushed down the GDP growth rate from its long-term trend (estimated to be about 4.7%) by 1.0 percentage points in 2008 and 3.8 percentage points in 2009.

[8] The seasonally adjusted series was generated using the US Census Bureau's X12 seasonal adjustment program from within EViews Version 6.0 (Quantitative Micro Software). The long-term trend component of the time series was extracted using the Hodrick-Prescott (HP) filter. See Annex A for details of the estimation and data.

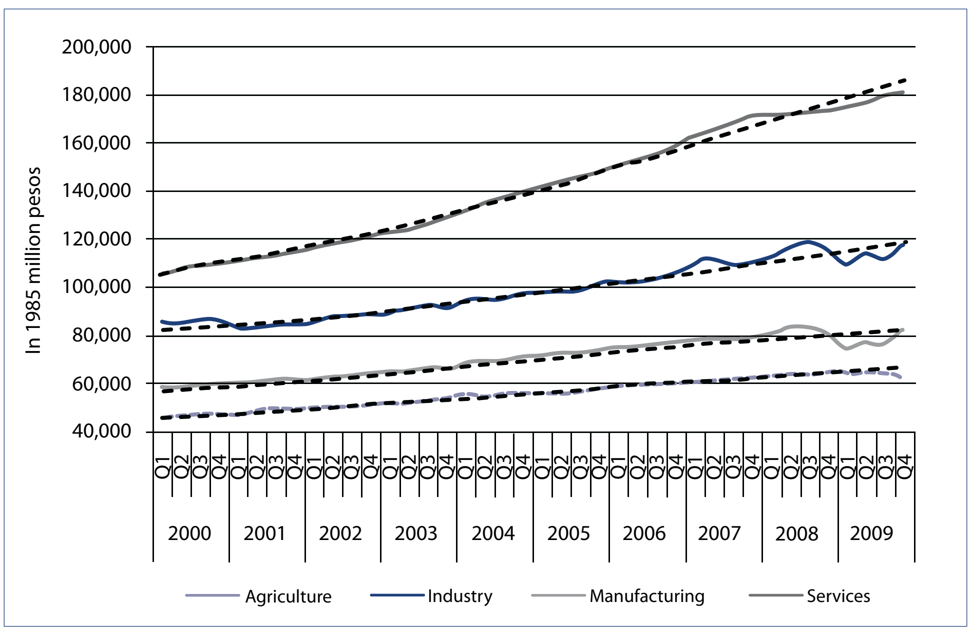
Figure 2 Long-Term and Seasonally Adjusted GDP, 2000–2009



GDP = gross domestic product.

Source: Authors' estimate, based on quarterly National Income Accounts by the National Statistical Coordination Board.

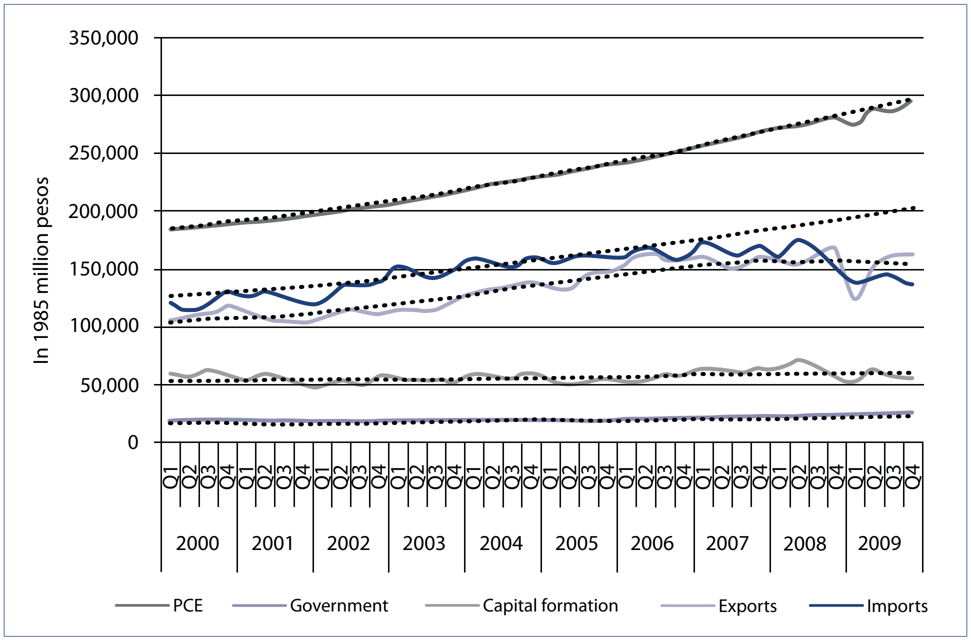
Figure 3 Long-Term and Seasonally Adjusted GDP by Sector



GDP = gross domestic product.

Source: Authors' estimate, based on quarterly National Income Accounts by the National Statistical Coordination Board.

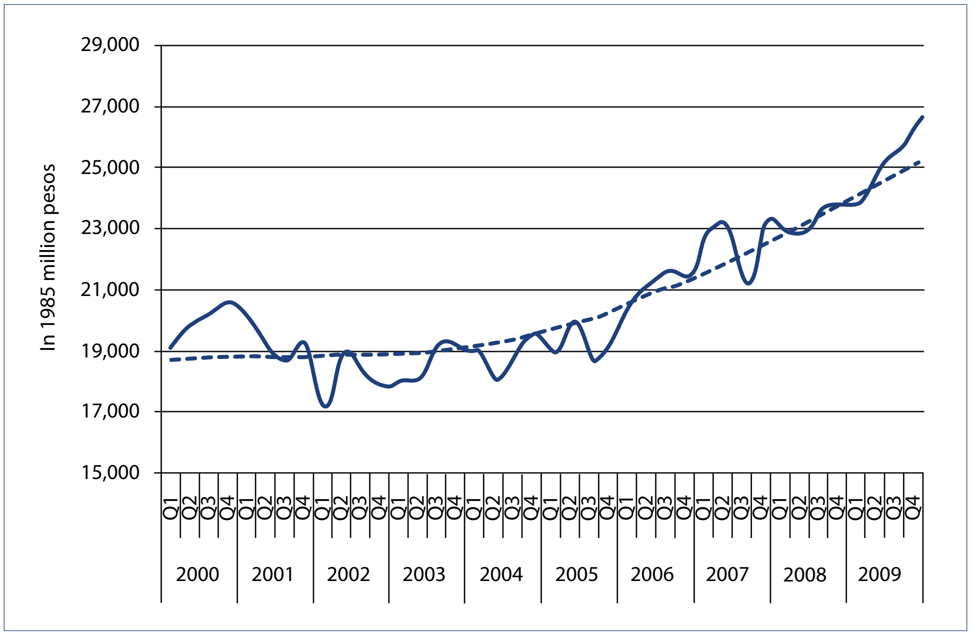
Figure 4 Long-Term and Seasonally Adjusted GDP by Expenditure Type



GDP = gross domestic product, PCE = personal consumption expenditure.

Source: Authors' estimate, based on quarterly National Income Accounts by the National Statistical Coordination Board.

Figure 5 Long-Term and Seasonally Adjusted Government Expenditures



Source: Authors' estimate, based on quarterly National Income Accounts by the National Statistical Coordination Board.

As expected, industry was the hardest hit by the crisis. SA output declined relative to its long-term trend in the four quarters of 2009: by 5.3% in the first quarter, 2.7% in the second quarter, 5.0% in the third quarter, and 1.8% in the fourth quarter. In terms of growth forgone, the industry's growth rate in 2009 was 6.0 percentage points lower than the sector's long-term growth potential. The decline in its manufacturing subsector was particularly sharp, hitting 7.7 percentage points.

For agriculture, SA output fell below LT output starting from the first quarter of 2009 up to the fourth quarter of the same year, that is, by 1.0% in the first quarter, 1.4% in the second quarter, 2% in the third quarter, and 5.2% in the fourth quarter. The last quarter's big drop in the seasonally adjusted agriculture, fishery, and forestry sector was largely due to the effects of typhoons Ondoy and Pepeng.

The impact on industry started in the third quarter of 2008 when the sector's SA output declined 0.5% relative to its long-term trend. The subsequent quarterly declines were 1.5% in the fourth quarter of 2008, 2.2% in the first quarter of 2009, 2.3% in the second quarter, 2.3% in the third quarter, and 2.9% in the fourth quarter. In terms of growth forgone, the impact was a growth reduction of 2.5 percentage points in 2008 and 2.4 percentage points in 2009.

On the demand side of the national income accounts, PCE, the largest contributor to GDP growth, declined only modestly, relative to its long-term trend, although over a longer span of quarters. PCE fell below its long-term trend by 0.5% in the second quarter of 2008, 0.2% in the third quarter, and another 0.2% in the fourth quarter. In 2009, PCE declined by 3.8% in the first quarter, 0.6% in the second quarter, 2.4% in the third quarter, and 0.9% in the fourth quarter, relative to the long-term trend. Expressed in terms of growth divergence, PCE growth dropped by 0.8 percentage points in 2008 and 1.7 percentage points in 2009 relative to its long-term growth trend. The drop was remarkably muted because remittances of OFWs did not slow down as sharply as expected at the onset of the crisis, as noted in section 1.

The government's push to stimulate the economy through pump-priming activities is reflected in the relatively sharp increase in government expenditures in 2009 (Figure 5). These activities pushed up the seasonally adjusted government consumption and expenditure, relative to its long-term trend, in the last three quarters of 2009. The seasonally adjusted government consumption and expenditure is higher than its long-term trend by 2.4% in the second quarter, 3.3% in the third quarter, and 5.5% in the fourth quarter. The relatively high figure in the fourth quarter is mainly due to the disbursement of funds for relief and rehabilitation of areas affected by tropical storms Ondoy and Pepeng. Overall, while the growth of government expenditures in 2008 was less than its long-term trend; that in 2009 was significantly higher by 2.8 percentage points.

Moreover, fixed capital formation (FCF) and exports took the brunt of the crisis. Figure 4 shows that the seasonally adjusted FCF declined, relative to its long-term trend, starting in the fourth quarter of 2008. The seasonally adjusted FCF fell below its long-term trend by 6.1% in the fourth quarter of 2008. In the first quarter of 2009, the seasonally adjusted FCF fell by a double-digit figure, at 10.7%, relative to its long-term trend. It went up by 3.5% during the second quarter before dropping again by 4.8% in the fourth quarter. The decline continued in the fourth quarter, by 6.7%. Expressed in growth terms, FCF grew close to its long-term pace in 2008 but dropped by 9.9% in 2009. For exports, the decline relative to the long-term trend was 3.8% in the fourth quarter of 2008. In 2009, SA exports declined by 12.1% in the first quarter, 9.0% in the second quarter, 7.5% in the third quarter, and 12.9% in the fourth quarter.

The movement of labor during the GFC can be gleaned from the Labor Force Surveys conducted quarterly by the National Statistics Office (NSO). These surveys show no drastic changes in the employment figures, at least in so far as national averages are concerned (Table 2). Despite the noticeable growth in the labor force, unemployment rates did not increase relative to average rates in preceding years. Note, however, that underemployment rates were on the high side at the height of the crisis in 2009. The International Labour Organization (ILO) (2009) reported that the number of part-time workers (i.e., worked for less than 40 hours per week) shot up by more

Table 2 Employment Shares by Sector and Status (%)

Employment Grouping	Average 2001–2003	Average 2004–2007	2008	2009
By sector of employment				
Agriculture	37.3	36.7	35.7	34.0
Industry	15.6	15.1	14.7	14.5
Manufacturing	9.6	9.3	8.4	8.3
Services	47.1	48.2	49.6	51.5
By status of employment				
Formal				
Employer	5.2	4.5	4.1	4.0
Wage and salary worker	44.0	45.8	46.7	47.8
Informal				
Self-employed	32.6	32.1	31.4	30.5
Wage and salary worker	5.4	5.1	5.3	5.8
Unpaid	12.8	12.5	12.5	11.9
Labor force growth (in %)	*3.1*	*1.3*	*3.2*	*3.1*
Employment growth (in %)	*2.8*	*1.6*	*2.6*	*2.7*
New entrants (% of employed)	*2.5*	*2.4*	*1.5*	*1.3*
Unemployment rate	*10.0*	*8.0*	*6.8*	*7.1*
Underemployment rate	*15.9*	*19.4*	*17.5*	*19.4*
Total employment (in '000)			*34,533*	*35,477*

Source: Labor Force Surveys (October rounds), National Statistics Office.

than 2 million between January and April 2009. Employment in manufacturing suffered the most, especially in the electronics and garment sectors. Note, further, that the share of new entrants among those employed has been decreasing, from 2.4% before the GFC to 1.5% in 2008 and further down to 1.3% in 2009.

Trends in employment shares mirror the observation at the macro level discussed in the previous section. Industry's employment share declined only slightly during the crisis, though the decline was quite substantial (about 1 percentage point drop in 2008) for its manufacturing subsector. Agriculture's share continued its downward trend even during the crisis. In contrast, the employment share of industry rose during the crisis, absorbing what was shed off by the other two sectors. In 2009, industry accounted for 52% of those employed, a substantial rise from about 48% on average in 2004–2007.

Contrary to common claims, formal sector employment has been rising, not falling, even during the crisis.[9] The share of formal sector employment rose from about 50% on average in 2004–2007 to 51% in 2008 and to 52% in 2009. The bulk of the change came from wage and salary workers who represented about 46% of the employed in 2004–2007, 47% in 2008, and 48% in 2009. In contrast, the combined share of the self-employed and the unpaid family workers, who accounted for the bulk of the informal sector employment, declined from about 45% on

[9] Included here are employees from private establishments, government and government-owned companies, and corporations.

average in 2004–2007 to 44% in 2008 and to 42% in 2009. The share of the informal wage workers increased slightly during the crisis, but this subsector accounted for not more than 6% of total employment.[10]

In summary, while the country avoided recession, the impact of the GFC on the economy was nonetheless severe. The crisis pushed down GDP growth rate from its long-term potential (4.7% a year) by 1.0 percentage points in 2008 and 3.8 percentage points in 2009. From the supply side, the industry, particularly manufacturing, was hit hardest, effectively reducing the sector's output growth in 2009 by 6.0 percentage points relative to its long-term growth potential. From the demand side, the drop in PCE growth relative to long-term trend—by 0.8 percentage points in 2008 and 1.7 percentage points in 2009—was remarkably muted because remittances of OFWs did not slow down as sharply as expected at the onset of the crisis. Private capital formation and exports, however, took the brunt of the crisis. PCF grew close to its long-term pace in 2008 but dropped by 9.9% in 2009. Exports shrank by 1.9% in 2008 and 14.2% in 2009. While the growth of government expenditures in 2008 was less than its long-term trend, that in 2009 was significantly higher by 2.8 percentage points. In the next section, these results are used to inform the impact of the crisis on poverty across population groups and social divides.

Employment indicators showed no drastic changes during the crisis. Employment share in industry dropped noticeably starting in 2008, which mirrored the drop of output in the sector. The unemployment rate increased in 2009 from its level in the previous year but still at a lower rate than those posted before the crisis. There was no noticeable shift of employment from the formal to the informal sector as often commonly claimed in accounts of the crisis. Underemployment, however, was on the high side at the height of the crisis.

[10] Employees of family-owned businesses, including employees of private households.

4. Impact on the Social Sector: Focus on Poverty across Social Divides

Little is known of the changes in the level and incidence of poverty in the Philippines during the global financial crisis (GFC). Even less known is the dynamics of poverty across population groups and social divides. Such understanding has been largely constrained by the absence of nationally representative, comparable household surveys on incomes and expenditures covering the pre-crisis and crisis periods. The latest data available for poverty comparison are from the 2006 Family Income and Expenditures Survey (FIES) of the National Statistics Office.[11] While the 2009 FIES has been conducted, the public-use file that will prove useful for poverty comparison is not yet available.

Ideally, to understand the dynamics of poverty during a crisis, one has to have a household panel data (i.e., the same households interviewed repeatedly over time). Such a data set will be even more useful in informing policy choices if it is also nationally representative. The effort to construct such a household panel data set and use it to examine the impact of the crisis across social divides is described below. As the effort yielded only panel data covering 2006, 2007, and 2008, results in section 3 were used to "augment" the data to "approximate" household welfare levels in 2009.

Constructing the "Augmented" Panel Data and Poverty Profile

The household surveys conducted by the National Statistics Office (NSO) use a master sample to draw respondents for the respective surveys. Since the NSO started implementing this sampling approach in 2003, about 20% of the total sample has been kept in each survey for a period of time,[12] which allows panel analysis for a considerable number of households. Among these household surveys, two collect information on household welfare: the FIES and the Annual Poverty Indicators Survey (APIS). The FIES is conducted every 3 years and the APIS, every year in-between FIES surveys. Another survey, the Labor Force Survey (LFS), coincidental with the FIES or APIS,[13] is also part of the panel. The LFS provides information on employment status of each household member. Data from the following surveys were obtained to form the panel data for the analysis:

- 2006 Family Income and Expenditures Survey
- 2007 and 2008 July Labor Force Surveys
- 2007 and 2008 Annual Poverty Indicators Surveys

[11] The Social Weather Stations has a quarterly series on self-rated poverty covering the crisis period. However, because the sample size is relatively small, the data cannot be disaggregated into finer groupings suitable for understanding poverty dynamics across social divides.

[12] The duration depends on the sample rotation. The same household can be included in various surveys up to 3 years.

[13] The APIS is conducted every July, coinciding with the July round of the Labor Force Survey. The FIES is fielded twice and coincides with the LFS July round of the current year and January round of the following year, although NSO uses the January round in merged datasets.

About 12,000 households were marked by NSO as part of the panel in 2006. Over 3 years after accounting for attrition, only 8,010 households composed the panel.[14] Information from these surveys provides the status of households prior to the crisis.

For the purposes of this report, household income adjusted for family size is used as a proxy measure of individual welfare. This poses a problem, however, on the comparability of the FIES and APIS panel data, primarily because the administration of these two surveys differs in two aspects. First, the FIES is collected in two rounds. The first round, conducted in July, covers the first semester (January to June) while the second round, conducted in January of the following year, covers the second semester (July to December). On the other hand, the APIS is collected only once, every July, with the first semester as its reference period. Data collected in the FIES for both rounds are tallied to come up with the annual estimates in contrast to the APIS' first semester estimates multiplied twice for the annual estimates.[15] Second, the questionnaire module for both income and expenditure in the FIES is more extensive than the modules in the APIS. To cite an example, in the APIS, survey respondents are asked about major aggregates only of entrepreneurial incomes, while in the FIES, they are asked a detailed listing of gross revenues and expenses for entrepreneurial activities. Evidently, comparing income or expenditure estimates from these two sources is inappropriate.[16]

To make the income data in the APIS comparable with those in the FIES, the reported income data in the FIES panel were scaled downward by the extent of the "measurement bias" but done in such a way that the income distribution observed in the panel data is preserved. The process involves (i) estimating a Mincerian earnings function using the 2006 FIES panel data on the assumption that the income variables from these data are correctly measured, (ii) applying the estimated parameters of this function to the 2007 APIS panel data to generate predicted incomes that are quite comparable to FIES incomes for 2006, and (iii) scaling down the observed FIES income data to the extent consistent with growth estimates based on predicted incomes for 2006 and 2007. Annex B provides the details of the procedure.

As noted above, the household panel data set does not cover 2009. In "augmenting" the panel to include this year, the study projected household incomes from the 2008 APIS using the growth estimates of GDP components derived in section 1 of this report. That is, household incomes from various sources were assumed to grow at the same rates observed for the various production-side components of the national income accounts. Annex C provides the details of the panel augmentation.

The nominal incomes in the panel data were adjusted for their real values (purchasing power) using household-specific consumer price indices. The variation in the price indices reflect varying consumption patterns across households of different income levels, family composition and characteristics, location, and preferences. In this study, the adjusted or real incomes represent a broad measure of household welfare.

For comparability of the poverty estimates based on the panel data with the "official" estimates based on the full FIES, the panel income data are calibrated in

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[14] Still, household incomes from the panel sample are significantly the same with the incomes from the full sample (Wilcoxon two-sample test two-sided Pr > |Z| 0.5826). Furthermore, the Kruskal-Wallis test (Pr > Chi-Square 0.5826) shows that the distribution of the two samples is the same.

[15] Fuwa (2007) examined the direction of possible bias if only one survey round is used to estimate annual income (expenditure). Using the 2003 FIES, he found that the ratio of the second to the first visit household income in the NCR region was 0.987 on average. For household expenditure, the corresponding ratio was 0.939 on average. One pattern that appears to be systematic (observed both in expenditure and income) is that the ratio of the second to the first visit is lower among poorer (income or expenditure) quintiles and becomes increasingly higher among higher quintiles. For example, based on the 2003 NCR sample, the ratio of the second to the first visit consumption is 0.794 among the lowest quintile while the ratio is 0.983 among the highest quintile.

[16] Average per capita income based in the 2007 APIS suggests a 9% drop from the average per capita income level based on the 2006 FIES. In contrast, the average per capita GDP increased, in real terms, by 5% and that of average per capita PCE (personal consumption expenditure of the national income accounts) by 3.7% during this period (Table 1).

such a way that the poverty-incidence estimate from the panel data for 2006 is approximately equal to that from the full 2006 FIES data. All poverty estimates are based on official poverty lines for 2006. For consistency, these lines are held fixed in real terms. By construction, the resulting poverty estimates are not strictly comparable with officially published poverty estimates that are based on time-varying poverty lines (i.e., the welfare standard for poverty comparison varies from one survey year to another).[17]

Household Income Levels

Prior to the crisis, average per capita income was P42,717 (Table 3). Modest growth (about 2%) occurred beginning 2007 and extended to the following year. Rural areas registered higher growth than the other areas, with 4.2% growth in 2007 and 2.4% in 2008. Growth in urban areas outside the National Capital Region (NCR) has not been as robust, with barely 1% in 2008. Among income classes, the poor (1st and 2nd quintile) experienced higher growth than those in the upper classes (11% for the 1st quintile and 7% for the 2nd quintile in 2008). Note however that incomes declined for the poorest quintile in 2007. The bulk of growth occurred in the third and fourth quintiles where most of the OFWs belong. In contrast, per capita incomes in the richest quintile stagnated in 2008. Households in agriculture and services experienced positive growth. However, those in the industry sector already experienced decline in their incomes even before the crisis. Similarly, wage and salary workers and unpaid family workers experienced decline in 2008 in contrast to the own-account workers' high income growth of 6.2%.[18]

Estimated mean income declined by 2.1% in 2009. However, the levels across groups are still higher than 2007 figures. Certain exceptions can be named though, for instance, households in urban areas outside Metro Manila, which belong to the richest quintile. As expected, those that belong to the industry sector took a hit. Their income levels are lower in 2009 than in 2007 by about P2,500. The same is observed among wage and salary workers and substantially among unpaid family workers (about P4,200).

Impact of the Global Financial Crisis on Household Welfare and Poverty

To gauge the probable impact of the GFC on poverty, a simulation of welfare levels involving a counterfactual scenario in which the crisis did not occur was performed. In this scenario, it is assumed that growth rates of the components of National Income Accounts reported in section 3 follow their long-term trend.

If the crisis had not occurred, average per capita income in 2009 would have been P43,489 (last column of Table 3), about P1,650 more than the actual estimated income. This means a forgone income growth of almost 4%, which can be attributed as an aggregate impact of the crisis. The figure is slightly higher in urban centers than in rural areas. Coming from a high base, Metro Manila residents lost about P3,400—three times higher than what rural residents lost. Among income quintiles, the poorest quintile lost about 3.8% of its average income while the richer quintiles lost 4%. Since the richer households are typically urban dwellers, they lost more than the households in the poorest quintiles.

Those deriving incomes from the industry sector took the biggest hit, with about 4.8% missed growth. Incomes of workers belonging to agriculture and services could have grown more by 3.7%. Taking the biggest share of the working class, incomes of wage and salary workers could have been 4.2% higher than the estimated income in 2009. Incomes of own-account workers had a lesser decline by about 1% compared with wage and salary workers.

Incidence of poverty had significantly dropped from its level of 33% in 2006.[19] A 1.3 percentage point drop was observed in 2007 and a

17 See Balisacan (2010) for an assessment of approaches to poverty comparison in the Philippine context.

18 A closer examination of employment in these households could explain these income movements. See Annex D for details.

19 As noted earlier in this section, the panel income data are calibrated in such a way that the estimate of poverty incidence for 2006 from the panel data is approximately equal to that from the full FIES. This is simply to ease comparability of the panel series with what is widely known about the level of poverty in 2006.

Table 3 Average Per Capita Income (in 2008 P)

Location	2006	2007	2008	2009	2009 Counterfactual (No GFC)
Panel	41,124	41,884	42,717	41,840	43,489
By location					
Metro Manila	86,226	84,123	87,359	85,948	89,382
Urban—outside Metro Manila	52,056	52,912	53,260	52,205	54,283
Rural—outside Metro Manila	27,956	29,131	29,831	29,137	30,267
By quintile					
1st—poorest	9,111	9,304	10,336	10,003	10,397
2nd	16,409	16,785	17,919	17,379	18,068
3rd	25,026	26,032	26,931	26,216	27,254
4th	40,950	42,225	43,040	42,025	43,703
5th—richest	113,504	115,052	115,338	113,558	118,001
By sector					
Agriculture	23,880	24,110	25,334	24,765	25,694
Industry	37,897	40,879	40,190	38,398	40,322
Manufacturing	43,671	46,376	47,526	45,526	47,778
Mining and quarrying	20,696	28,129	21,330	20,085	21,184
Electricity, gas, and water	64,407	73,176	61,744	58,826	61,917
Construction	32,270	34,743	33,796	32,219	33,841
Services	55,676	55,878	57,664	56,882	59,000
Trade	53,888	57,409	60,685	60,340	62,392
Transport and communication	41,378	40,782	42,295	41,628	43,169
Finance	82,784	71,289	80,221	79,046	82,142
Other services	65,139	64,535	61,094	59,804	62,232
By class of worker					
Wage and salary workers	42,860	42,532	42,417	41,126	42,927
Private household	30,172	27,069	35,729	34,652	36,137
Private establishment	36,407	37,238	36,725	35,478	37,074
Government	73,161	69,740	67,755	66,209	68,947
With pay (family owned) business	51,609	59,234	71,695	71,112	73,682
Own account	34,086	35,502	37,698	37,263	38,560
Self-employed	29,818	32,737	32,420	31,998	33,117
Employer	54,534	50,746	64,299	63,794	65,991
Unpaid family workers	42,572	41,657	37,804	37,476	38,729

GFC = global financial crisis.

Note: Figures for 2009 are based on growth rates from the seasonally adjusted gross domestic product component series. Figures are annual averages and in 2008 pesos.

Sources: Authors' estimates based on *2006 Family and Income Expenditures Survey (NSO)*; *2007* and *2008 Annual Poverty Indicators Survey (NSO)*; and *National Income Accounts Quarterly Series (NSCB)*.

Table 4 Poverty and Income Distribution

Measure	2006	2007	2008	2009	2009 Counterfactual (No GFC)
Poverty					
Incidence	33.0	31.8	28.1	29.7	27.7
Magnitude	28,733,82	28,176,90	25,412,49	27,360,52	25,575,635
Inequality					
Gini	0.494	0.494	0.481	0.485	0.484
Share of poorest quintile (%)	4.7	4.4	4.8	4.8	4.8
Share of richest quintile (%)	55.2	54.9	54.0	54.3	54.3

GFC = global financial crisis.

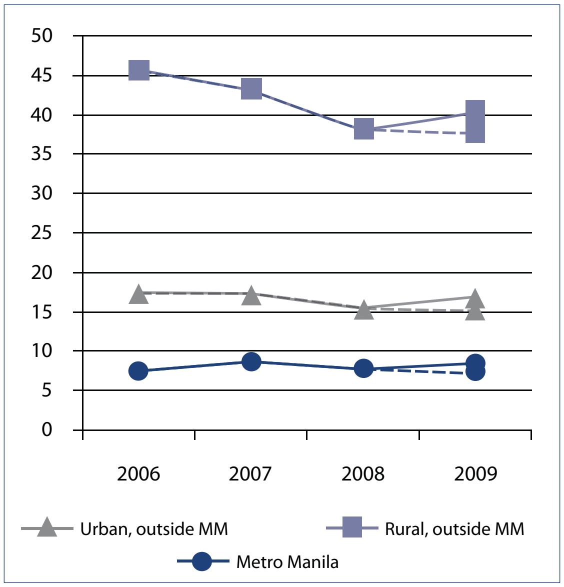
Sources: Authors' estimates based on *2006 Family and Income Expenditures Survey (NSO)*; *2007* and *2008 Annual Poverty Indicators Survey (NSO)*; and *National Income Accounts Quarterly Series (NSCB)*.

further 3.7 percentage point drop in 2008 (Table 4). Estimated incidence in 2009 is 1.6 percentage points higher than in 2008, and if the crisis had not occurred, the incidence could have been down to 27.7%.

It appears that the substantial decline in poverty is also attributable to the improvement in income distribution between 2007 and 2008 as indicated by the Gini index. However, as noted in section 1, there is circumstantial evidence suggesting that the FIES—and by implication, APIS, since both the FIES and APIS share the same sampling frame—is inadequately covering wealthy households (World Bank 2009; Human Development Network 2009; Balisacan 2010). Moreover, Ducanes (2010) indicates that the FIES has been increasingly underestimating the flow of household remittances, especially among the high income groups. This has a potentially substantial impact on estimates of income inequality. Note, however, that if the wealthy households (or the incomes of wealthy households) have been underrepresented in the household surveys used in this study, such has little bearing on the poverty estimates since the estimation used the actual unit record data (individual households). As indicated in Table 3, what caused the poverty decline between 2007 and 2008 was the much higher growth rates of per capita income of the bottom (poorest) two quintiles of the population (about 9%) than those of the top three quintiles (about 2%). Further, in agriculture, where about two-thirds of the poor are located, per capita real incomes rose by 5%, in contrast to a decline of 1.7% in industry and a slightly lower increase of 3.2% in services.

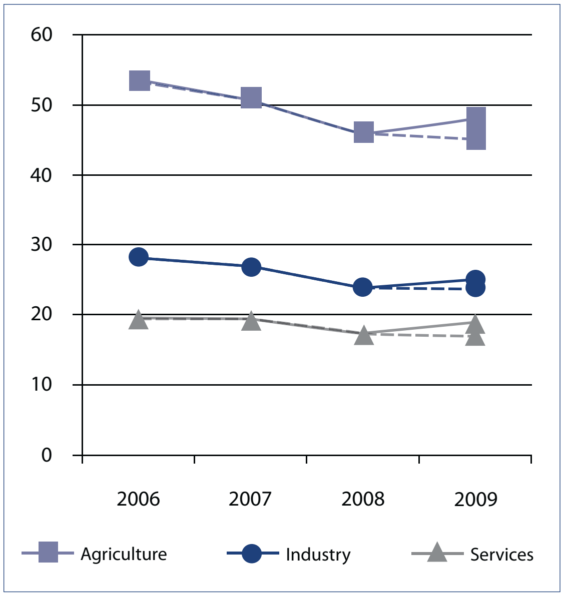
The decline of poverty in the rural areas is remarkable. It was decreasing at an annual rate of 3.7 percentage points between 2006 and 2008. The crisis raised the level by 2 percentage points higher than the previous year. As seen in Figure 6, the decline in urban areas was at a much slower pace of 1% on average annually. Note, though, that Metro Manila posted a percentage point increase in poverty in 2007.

Figure 6 Poverty Incidence by Location (%)



Source: Authors' estimate, based on the augmented panel data.

Figure 7 Poverty Incidence by Sector (%)

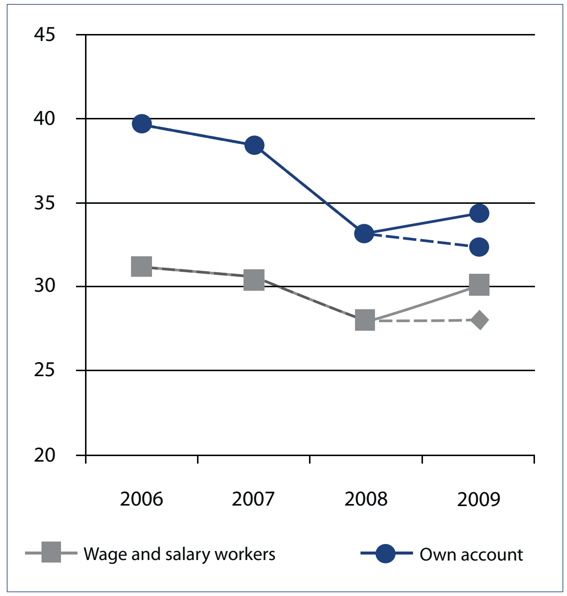


Source: Authors' estimate, based on the augmented panel data.

Among the sectors, agriculture posted the biggest decline from 2006 to 2008 (about 7.5 percentage points), followed by industry (4.4 percentage points) (Figure 7). However, these two sectors took the brunt during the crisis, with at least a 2.1 percentage point increase in poverty compared with only 0.9 percentage points.

Poverty among own-account workers declined substantially in 2008 (5.3 percentage points) from its level in 2007 (Figure 8). Among wage and salary workers, a modest decrease of 1.6 percentage points annually since 2006 was similarly observed. The same class of worker experienced the biggest increase (2.1 percentage points) during the crisis.

Figure 8 Poverty Incidence by Class of Worker (%)



Source: Authors' estimate, based on the augmented panel data.

Salient Findings

The newly constructed panel data show that poverty has significantly decreased from 33% in 2006 to 29.7% in 2009. The growth of household incomes in 2007 and 2008 has favored the poor as their incomes have increased proportionately more than those of the richer households. Consequently, the poverty incidence dropped significantly among rural households as well as those in the agriculture sector. Living conditions of those employed at their own account (largely in agriculture) have improved more than those of wage and salary workers. The GFC may have cut the gains in reducing poverty over the past 3 years by pushing nearly 2 million more Filipinos to poverty.

5. Impact on the Ground: Results from Rapid Appraisals and Field Surveys

To supplement the results of the quantitative analysis, a rapid appraisal covering various stakeholders in selected provinces was done using focused group discussions (FGDs) and key informant interviews. This component of the study sought to have a clear picture of the effects of the crisis on the ground and to highlight the differential impact of the crisis.

There are variations across regions (and provinces) on the structure of the economy. These differences may determine the degree and extent of the impact of the crisis to households, firms, and other key sectors. In addition, a special household survey was conducted in Ilocos Norte. Overseas Filipino worker (OFW) and non-OFW households covered in a 2007 survey by the Asia-Pacific Policy Center (APPC) were re-surveyed to determine changes in household attributes, particularly on employment and remittances in the wake of the 2008/2009 global financial crisis (GFC).

Following is a compendium of the findings on the fieldwork and the special survey. The complete documentation is in Annexes E and F.

Site Selection and Respondents

Given budget and time constraints, three provinces and the National Capital Region/Cavite-Laguna-Batangas-Rizal-Quezon (NCR/CALABARZON) area were selected as sites for the qualitative study. The provinces are Davao del Norte (including Davao City), Cebu Province, and Ilocos Norte. They are regional centers and likely representative of the various types of provinces around the country.

Both Davao del Norte and Cebu are dependent on exports; however, Davao del Norte primarily exports agricultural products, particularly fresh banana. This feature of the province is reflected in the region's output share in that agriculture still contributes about 23% to the total economy (Table 5). Cebu, on the other hand, exports semiconductors and furniture. Most of its exports emanate from the Mactan Export Processing Zones, which are registered with the Philippine Export Processing Zone Authority (PEZA). Manufacturing output for 2008 in the region accounted for about 22% of total output. The importance of this sector is also reflected in the employment share—19% for industry, 12% of which is manufacturing.

In contrast, the economy of Ilocos Norte is not prominently linked to the world market as it is predominantly agricultural in character, producing rice and other food crops mostly for the domestic market. In 2008, agriculture composed 35% of the total regional output, 20% higher than the national figure. Employment share in agriculture for the same period was about 41%.

Ilocos Norte, however, has a relatively high proportion of households receiving remittances from abroad. Hence, it would be interesting to determine the GFC effect, if any, on both the employment status of OFWs and remittances and their impact on household welfare. A special survey was conducted to explore this issue. The survey was carried out in two municipalities, Batac and Vintar. These municipalities were selected based on a previous survey conducted by the APPC in 2007 for the study, The Effects of Parents' Migration on the Rights of Children Left Behind, under the

Table 5 Key Regional Indicators, 2008

	Philippines	Metro Manila	Ilocos Region	CALABARZON	Central Visayas	Davao Region
Population share (%)	100.0	13.0	5.1	13.3	7.2	4.7
Population growth rate (%)	2.04	2.11	1.10	3.24	1.59	1.71
RGDP growth rate (%)	5.4	6.5	4.7	4.0	5.7	4.9
Per capita RGDP, in 2008 pesos	81,575	248,177	39,604	76,596	83,830	68,890
GDP share (%)	100.0	37.0	2.8	10.8	6.8	4.5
Sectoral shares (%)						
Agriculture	14.9	0.0	34.7	18.7	8.2	23.0
Industry	31.6	30.9	15.9	35.9	31.6	31.8
Manufacturing	22.3	26.1	5.7	26.2	21.6	19.3
Services	53.5	69.1	49.4	45.3	60.2	45.2
Employment indicators						
Labor force participation rate (%)	63.7	60.8	61.1	63.2	64.9	65.7
Employment rate (%)	93.2	87.2	92.1	90.0	94.2	95.7
Underemployment rate (%)	17.5	11.3	18.3	15.5	14.1	16.1
Employment share by industry (%)						
Agriculture	35.7	0.7	40.6	18.0	32.8	43.7
Industry	14.7	20.0	12.9	24.4	19.3	13.0
Manufacturing	8.4	11.6	5.9	17.0	12.4	5.4
Services	49.6	79.2	46.5	57.6	48.0	43.3
Employment share by class of worker (%)						
Wage and salary	51.9	75.4	46.1	63.0	50.9	51.9
Own account	35.5	22.4	38.7	30.6	36.1	35.8

CALABARZON = Cavite-Laguna-Batangas-Rizal-Quezon, GDP = gross domestic product, RGDP = regional gross domestic product.

Sources: National Income Accounts, National Statistics Office and National Statistical Coordination Board; and Labor Force Survey, National Statistics Office.

United Nations Children's Fund (UNICEF). Since the 2007 survey gathered information on household expenditure and household member profile, linking these data to the current status of the households provides historicity for the current study on the GFC impact. Similar to the previous survey, the GFC household survey was conducted in eight barangays across the two municipalities.

Metro Manila, on the other hand, is the economic and financial center of the country, contributing nearly 40% of the total gross domestic product (GDP). CALABARZON contains the bulk of export processing zones for electronics, semiconductors, food processing, and light industry.

Respondents of the focused group discussions and key informant interviews were solicited from national government agencies, local government units, business groups, people's organization, and private firms. Depending on the availability of representatives from these groups, focused group discussions or individual interviews were conducted using specially prepared questionnaires.[20]

[20] Seven sets of questionnaires were used: Form 1: Regional Offices of Line Agencies; Form 2: LGU-Based Officers; Form 3: Chamber of Commerce/Business Groups or Associations; Form 4: Business Firms; Form 5: Plantation Cooperative Officers; Form 6: Farm Workers/Farm Households; and Form 7: Firm Workers.

For the Ilocos Norte special panel survey, four barangays were covered in each of the two survey municipalities. Based on the 2007 survey, 122 households had OFW members while 126 households had no OFW members. The respondents were located and re-surveyed using generally the same set of questionnaires as the 2007 survey.

Findings of the Rapid Appraisal

The results of the rapid appraisal generally indicate marked differential effects and responses to the GFC across regions. Areas linked to the export market, particularly the manufacturing sector, were the hardest hit. However, despite an almost 50% reduction in exports, employment had not been as adversely affected because employers adopted several coping mechanisms to mitigate the effect of the crisis, with retrenchment only as a last resort. The affected firms viewed the crisis as but a part of a business cycle and thus anticipated recovery. Since cost of retraining is high, they opted to hold on to their existing employees. OFW retrenchments were reported to be very small, thus having no significant effect overall. While the export and manufacturing sectors were affected by the crisis, the information technology (IT)/business process outsourcing (BPO) and the real estate/construction sectors experienced a boom, particularly in Davao and Cebu.

This boom absorbed some of the jobs lost in the manufacturing sector. On the other hand, the national government's response to the crisis was mainly done through the Comprehensive Livelihood and Emergency Employment Program (CLEEP) and expansion of the technical and/or vocational scholarships of the Technical Education and Skills Development Authority (TESDA). Local government responses were mostly through conducting job fairs and emergency employment. Retrenched workers and OFWs were targeted as the main recipients of these interventions.

General Perception of the Crisis

Relatively affected were areas that rely heavily on export-based manufacturing industries, namely, Cebu Province and CALABARZON. Davao del Norte and Davao City were generally not affected by the crisis. In fact, export of bananas, and to some extent coconuts, had increased. This was attributed to increasing banana consumption abroad. For instance, there was a "banana craze" in Japan, resulting in a larger export market. Ilocos Norte, likewise, was not affected by the crisis. Being a predominantly agricultural province, it was more affected by the typhoons and rice crisis of 2008. Business umbrella organizations like the Philippine Chamber of Commerce and Industry (PCCI) and the Makati Business Club (MBC) indicate that the effect of the crisis was minimal as it generally hit only a small portion of the business sector (electronics, export) and that the Philippines was a net importer, not a net exporter.

Impact on Local Business and Industry

In Cebu, those most affected by the crisis were locators within the Mactan Export Processing Zones (MEPZ 1 and MEPZ 2). Companies related to electronics, particularly those linked to the auto industry and consumer electronic products, were the hardest hit. Mitsumi, a Japanese firm that is the largest supplier of video game console controllers, experienced a partial shutdown of operations and the largest retrenchment within the MEPZ. On the other hand, the impact on the furniture industry was rather muted as the furniture industry was already in crisis 3 years prior to the GFC. In 2005, Cebu's furniture industry lost its most lucrative United States (US) market to the People's Republic of China and Indonesia.

A substantial number of furniture companies closed shop. Those that remained were the more flexible firms that were able to operate more efficiently and sought niche markets, such as the higher end furniture market in the US and new markets such as the Middle East and Europe. Hence, while revenues dropped by 20%–40% in 2009, the firms interviewed indicated that this GFC crisis was nowhere compared with that in 2005. The substantial growth in the IT/BPO industry in Cebu had mitigated the GFC impact. While the IT/BPO industry experienced a growth slowdown (but remaining positive), Cebu had not experienced a slowdown. In fact, some firms relocated their operations from Metro Manila to Cebu.[21]

[21] Cebu was recently named the Top 2009 Emerging Global Outsourcing Destination by Tholons, a global outsourcing advisory firm. This is based on the scale and quality of workforce, modern infrastructure, risk profile, cost of operation, and quality of life.

As indicated earlier, the general perception is that Davao del Norte and Davao City were not affected by the crisis. There was no decrease in the value and/or volume of exports of major crops (bananas and coconuts), with banana production having an area expansion. Banana is the cheapest tropical fruit and the growing banana craze in Japan has fueled increases in demand. There was likewise an IT/BPO boom in Davao City as a number of companies have relocated or expanded operations to Davao.

In the same vein, it is the general perception that the GFC was not felt in Ilocos Norte. The economy of Ilocos Norte is mainly based on supplying rice and vegetables to other provinces and Metro Manila, hence, its links to the global market are insignificant. The main link would be the remittances being received by households from OFWs, who are mostly deployed in the US, Canada, and the Middle East. It was observed that OFWs continued to be deployed; no major retrenchments or repatriation had been reported.

Metro Manila has a very diverse economy. Overall the general effect of the crisis had likewise been muted, certainly not as bad as the 1997 Asian crisis. It is the electronics sector that was mainly affected by the crisis. Consumption had gone down but not in negative terms. The service and financial sectors had not been substantially hit. The growth rate of the BPO industry has dropped, but the industry still grew nonetheless. At the time of the interviews with the MBC and PCCI, it was felt that the crisis was almost passé—the effect on business of typhoon Ondoy was the more immediate issue.

Impact on Labor Market and Employment

Employment in the country increased when GDP growth picked up in 2007. The regional figures indicate, however, that unemployment rate started increasing in 2008, significantly in NCR and its neighbor CALABARZON and to a lesser degree in Ilocos Region (Table 6). By 2009, the Ilocos Region continued to register higher unemployment figures as well as Central Visayas and Davao by 2 percentage points. Underemployment increased by nearly 2 percentage points in NCR and CALABARZON even though unemployment decreased during the same period.

The effect of the crisis on employment in Davao was felt only among those seeking employment abroad, as there was a general slowdown in the deployment of OFWs. There had been some displaced OFWs, but they were reported to have been absorbed by the local labor market. There is the perception that employment opportunities have been favorable despite the crisis. This is attributed to the growth in agricultural exports, a booming tourism market, growth in the real estate sector (brought about by low interest rates), and the nascent IT/BPO industry.

Retrenchments of MEPZ workers and OFWs in Cebu as a result of the crisis were quite substantial. TESDA estimated that 6,000 workers were retrenched in the MEPZ, about 3,000 of whom were from Mitsumi. However, this represents just a small percentage of the total workforce within the zone. In fact, as of December 2009, about 1,000 of the retrenched Mitsumi workforce had been rehired. Although most companies, particularly in the electronic and auto parts industries, felt a slowdown in business, they held on to their workforce since retraining is quite expensive and they view the crisis as but a part of the business cycle. Contractual workers were usually the first to go. Companies employed different strategies to keep their regular workforce. Among these are a shorter workweek and shifting, allowing employees to exhaust vacation leaves, and irregular work hours. Some companies resorted to temporary shutdown. Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI), which is composed of 90% of all electronics companies in the Philippines, confirmed that these strategies were among those employed by most of the electronics firms to cope with the crisis. According to SEIPI, the industry managed the downturn by doing the following (in order of importance):

i. Rationalizing head count by
    - Laying off noncore employees
    - Implementing a shorter workweek
    - Suspending giving promotions to employees
ii. Cutting down on capital expenses
iii. Negotiating with suppliers for longer payment terms
iv. Cutting off operational expenses

The experience of MEPZ in Cebu was mirrored in the Laguna Techno-Park, an Ayala-owned and managed PEZA-registered economic zone in Sta. Rosa, Laguna. Companies had to adjust work hours

Table 6 Regional Employment Indicators

Indicator and/or Region	2006	2007	2008	2009
Labor force participation rate (%)				
CALABARZON	63.4	62.7	63.2	63.3
Central Visayas	64.3	63.1	64.9	65.0
Davao Region	65.8	65.6	65.7	66.2
Ilocos Region	59.5	60.5	61.1	61.0
National Capital Region	61.7	61.2	60.8	61.9
Philippines	64.0	63.2	63.7	64.0
Unemployment rate (%)				
CALABARZON	9.2	8.0	10.0	9.8
Central Visayas	7.5	5.9	5.8	7.7
Davao Region	5.5	4.9	4.3	6.0
Ilocos Region	7.0	6.8	7.9	9.3
National Capital Region	14.7	10.6	12.8	11.8
Philippines	7.3	6.3	6.8	7.1
Underemployment rate (%)				
CALABARZON	16.6	15.8	15.5	17.1
Central Visayas	17.8	11.3	14.1	16.4
Davao Region	19.1	15.5	16.1	17.1
Ilocos Region	15.4	13.8	18.3	16.9
National Capital Region	13.2	11.5	11.3	12.9
Philippines	20.4	18.1	17.5	19.4

CALABARZON = Cavite-Laguna-Batangas-Rizal-Quezon

Source: October rounds of various Labor Force Surveys, National Statistics Office.

just to sustain the workforce. The other coping mechanisms were reduced work hours, no overtime, shortened shifts, and fewer workdays.

Impact on Household Welfare

FGDs were conducted in Cebu City and Davao del Norte to determine the effect of the crisis on household welfare.

In Cebu, the focus group discussion was done with workers of Obra Cebuana, a furniture company. The workers started to feel the crisis in January 2009. Orders had dwindled: some clients stopped ordering while others decreased the ordered quantity. The workweek was shortened to 5 days, thus the daily-paid workers saw a decrease in their salary by about P1,000 a month (while monthly paid workers did not experience a decrease in salary since their salary is fixed, the impact was on forgone overtime pay). To cope with the income decrease, the daily-paid workers took jobs outside (sideline). They reported, however, that other workers who left the company had already found work in other companies or in other countries.

The workers reported experiencing difficulty in coping with household expenses, particularly for utilities. The household budget for food effectively decreased. This resulted in fewer viands. For example, instead of having pork, the affected workers' family ate fish or vegetables instead. They did not see such changes having any discernable impact on their health and nutrition. With regard to their outlook, the respondents mentioned experiencing similar business cycles in the past (i.e., down in 2004, up in 2005, down in 2008). They saw orders starting to pick up, which is a sign of recovery. They were hopeful that by the end of 2009, business operations would have improved.

The Davao focus group discussion was conducted among the workers and cooperative members of the AMS Employees and Fresh Fruit Producers Cooperative (AMSEFFPCO), a banana plantation-based cooperative whose members are agrarian reform beneficiaries. The workers related the global financial crisis to the increase in prices of commodities brought about by oil price hikes and food shortages (which manifested before the current crisis). They also associated the crisis to events such as when the price of fertilizers as well of basic goods (rice, meat, other food items) increased so that they had to reduce their household consumption.

The GFC was felt with the increase in food prices starting 2 years ago, followed by the devaluation of the US dollar in 2009.This resulted in lower income for producers since bananas are exported and their marketing contract with AMS is fixed for 2002–2012 at $2.05/box. Vis-à-vis the price increase of goods, the consumption basket now contains less than before. However, many households were able to keep afloat due to income from their other livelihood activities. At the same time, AMSEFFPCO provides lending services to members so they can avail themselves of loans to help them cope with expenses. The situation has negatively affected their expenditures. Household expenditures are prioritized for food (especially rice) and education of the children. Consumption had slightly decreased, with households opting for cheaper food like more vegetables and less meat. Education of children had not been sacrificed. However, the school allowance given to the children had been decreased.

Findings of the Special Survey

Impact on Household Expenditures

In Ilocos Norte, both OFW and non-OFW households had higher per capita expenditures (in real terms) in 2009 than in 2007. Generally, OFW households had higher per capita expenditures than their non-OFW counterpart in 2007 and in 2009. Food was the largest expenditure item, but the proportion of per capita food expenditure to total per capita expenditure of OFW households was lower than their non-OFW counterpart. A higher proportion of OFW households reported making investments (asset acquisition) between 2008 and 2009. Of the OFW households, 31% acquired a vehicle, 28% paid off debts, and 21% increased their bank savings.

Impact on Employment

Only 9% of the OFW households interviewed indicated that an OFW household member in 2007 and/or 2008 had ceased to work abroad in 2009 and had returned to the Philippines. Reasons for return vary: vacation, health problems, personal problems, employer problems, local fiestas, and end of contract—the last being the most cited. It is worth noting that two-thirds of these OFWs returned to the country before the onset of the crisis in September 2008. Of the remaining one-third who returned after the start of the crisis, only one OFW (working for a marine vessel) had an unrenewed contract. These results do not support the common perception that the GFC was indeed the cause of the OFWs' return to the country.

Impact on Remittances

The average remittance sent per OFW slightly increased from P9,427 in 2007 to P9,979 in 2009. The same trend was obtained for the average remittance received per household, which grew from P11,214 in 2007 to P12,233 in 2009. In real terms, there had been a slight decline in remittances—the average remittance sent by OFWs going down by 6% and the average remittance received by households dropping by 3%. However, the decline was very minimal and statistically not significant to lead to the conclusion that the economic conditions of OFWs and their families were greatly affected by events that occurred in 2008 and 2009.

Perceived Effect of the Global Financial Crisis

The attempt to determine the perceived effects of the crisis on the households led to some interesting findings.

Overall, 90% of the households were aware of the recent GFC. About 84% claimed to have been affected by it. Forty-five percent reported lower consumption, 33% cited receipt of lower salary or wage, 28% found difficulty looking for employment or alternative sources of income, and 10% claimed to have lost their job due to the crisis.

However, when respondents were asked to determine the time when these impacts were felt, some indicated that their economic hardships began as early as 2007 or the first half of 2008, which would relate their situation nearer to the food and oil price crises at the time. When the time of the GFC was reckoned, only 31% of the respondent households were found to have lower consumption levels in 2009. Triangulating this finding with the data on household expenditures revealed that some of these households actually enjoyed higher real per capita expenditure levels in 2009 than in 2007. Only about 19% of those who claimed to have been affected by the GFC in terms of lower consumption actually exhibited decreases in expenditures during the GFC time frame. Households seemed to have lumped together the food crisis, oil crisis, and GFC. They also attributed hardships and downturns that started before the last quarter of 2008 to the current crisis. This indicates that the effects of the 2007/2008 oil and food crises continue to linger.

Lessons from the Rapid Appraisal and Special Survey

The results of the field survey indicate that the GFC impact has not been uniform across regions. Regions highly dependent on the global economy, particularly on the export sector, were more adversely affected than those that are not dependent. Within the export sector, those in manufacturing, particularly electronics and/or semiconductors and automotive, were the hardest hit. This effect is rooted in the slump of the housing and consumer goods market in the United States, Europe, and Japan. On the other hand, a different picture emerges regarding the export of agricultural produce, such as Cavendish bananas in Davao. Exports have increased over the past years, resulting in an insignificant impact of the crisis in Davao del Norte and Davao City.

While electronic and semiconductor exports suffered tremendously, the effect on employment has not been as bad. The industry coped very well with the crisis, greatly mitigating the impact on unemployment. Business firms adopted belt-tightening measures, increased efficiency, and adopted steps to reduce retrenchments and layoffs. The industry viewed the crisis as but a part of the business cycle of peaks and troughs from which they expected to recovery. The continued IT/BPO boom and growth in the tourism and real estate sectors have likewise mitigated the effects of the crisis and absorbed labor market displacement from the manufacturing sector and OFW repatriation.

The oil and food crises that preceded the GFC seemed to be more pervasive and their effects still linger. Some regions continue to cope with their impact.

The results of the special panel survey indicate that the GFC impact on OFW employment status and remittances had been insignificant. In the surveyed areas, the nature of OFW employment seems to have weak links with the sectors and industries that were hardest hit in the respective areas of deployment. Households did perceive adverse effects on their well-being but these may be traced to events prior to the GFC, particularly the food and oil price crises that preceded it.

Recommendations and/or Implications for Policy

The government's response to the GFC had been basically to increase employment by directing all line agencies to implement emergency employment in all regions. The national government likewise increased substantially the budget for TESDA's scholarship program to expand technical–vocational training in all regions. These actions do not align with the study's conclusion that the GFC negatively affected the regions in different ways and levels. Hence, a more targeted approach to addressing the GFC effects could have been more helpful. The menu of interventions was very limited and quite top–down. Interviews with the electronics and furniture industry representatives revealed that government lacked support in implementing the mitigating measures it identified for these sectors.

More than provision of training and emergency employment, the furniture industry needed help in marketing and product development. The manufacturing and/or export industry, on the other hand, needed to increase its competitiveness primarily by lowering the cost of doing business in the country. This entails having a more conducive regulatory environment (such as scrapping the cabotage law and having fewer labor market distortions), cheaper power cost, and a more stable political environment. These structural reforms are needed for the long-term viability of the export and other sectors.

6. Government Programs in Response to the Crisis

The government responded to the global financial crisis (GFC) by launching several programs and interventions. Some of these were new programs, specifically intended to address the impact of the crisis, while others were existing ones but were expanded or intensified either in terms of area or beneficiaries. This section discusses the different programs and interventions based on their objectives. The first two groups of programs, those intended to cushion the GFC impact and those intended to address labor shocks, were specifically launched as a response to the crisis. The third set of programs and interventions is composed of existing social protection programs that are supposed to mitigate risks in case a crisis of this sort happens.

Programs That Cushion the Impact

Economic Resiliency Plan

The Economic Resiliency Plan (ERP) is the government's foremost response to the recent financial crisis. With a total budget of P330 billion ($7 billion) or an estimated 4% of gross domestic product (GDP), the ERP aims to stimulate the economy through tax cuts, increased government spending, and public–private sector projects that can also prepare the country for the eventual upturn of the global economy. The ERP is a mixture of stimulus activities from off-budget and in-budget sources. Off-budget sources are those funded from resources of government-owned and controlled corporations. The in-budget sources are those identified by national government agencies from projects and programs already within their regular budget.

The ERP components include implementing budget interventions, accelerated spending for small infrastructure projects, expansion of social protection programs, job preservation and creation, and implementation of off-budget interventions.

Of the P330 billion budget, about P160 billion was allocated for the increase in the 2009 government budget with priority to infrastructure, agriculture, social protection, education, and health sectors; P20 billion for tax cuts for low- and middle-income earners and another P20 billion for corporate income taxes; P100 billion for large infrastructure projects particularly earmarked for the Department of Public Works and Highways, Department of Transportation and Communications, Department of Agriculture, and Department of Education; and P30 billion for additional benefits to members of social security institutions.

Of the earmarked budget for infrastructure-related projects, P160 billion was to be used to fund 4,000–5,000 small projects geared toward quick job creation in 2009. Award of contracts for long-gestation projects was to be deferred while small, community-scale projects that are labor-intensive and with high local value-added was to be scaled up. Infrastructure spending was to be front-loaded in the first half of the year. After 2009, P100 billion of the budget will fund big-ticket items under public–private partnerships.

The social protection programs to be expanded under the ERP include the following:

1. CCTs Program of the Department of Social Welfare and Development (DSWD) for the poorest of the poor. The project received an additionalP5 billion from the ERP to cover 321,000 more beneficiary households, where each household is to receive a maximum cash grant of P9,000 a year.
2. PhilHealth's indigent program. The ERP added P1 billion to PhilHealth, representing the full contribution of the national government to the national insurance program.

3. Training for Work Scholarships program. About P5.66 billion was to be added to this program to help equip more Filipinos with skills that can help them take advantage of opportunities for income generation. Through the ERP, the allocation for the Technical Education and Skills Development Authority (TESDA) increased by P2 billion.
4. Department of Health (DOH) program for primary and secondary hospitals. The ERP added P1.97 billion to DOH's budget to improve the facilities and manpower of primary and secondary hospitals.
5. Other programs and initiatives, such as Comprehensive Livelihood and Emergency Employment Program (CLEEP),[22] Nurses Assigned in Rural Service (NARS) project,[23] matching grants to local government units, and student loans.

Aside from the ERP, an Economic Stimulus Fund was created by Congress in the FY2009 General Appropriations Act. Amounting to P10.07 billion, the fund was intended to supplement regular in-budget programs of several national government agencies. Projects supported by the fund include scholarships, training programs, reintegration programs for displaced OFWs, construction of school buildings, medical assistance to remote areas, food production, and Department of Environment and Natural Resources support for the protection of forests, marine, and watershed areas and recycling of agriculture waste products.

As shown in section 3 of this publication, government spending indeed accelerated in 2009, with the growth of government expenditures (as a proportion of GDP) significantly higher by 2.8 percentage points than its long-term trend. Note, however, that the acceleration occurred mostly in the third and fourth quarters of 2009. The impact of the fiscal stimulus on GDP growth was thus likely to have spilled over to quarters beyond 2009. Analysis of past economic performance suggests that a positive shock (increase) in government spending in the current quarter has a significant impact on the GDP gap (i.e., shifts the seasonally adjusted GDP above the long-term trend) in the next quarter and all the way to the four to nine quarters ahead.

Programs That Address Labor Shocks

Filipino Expatriate Livelihood Support Fund

The Filipino Expatriate Livelihood Support Fund was launched in January 2009 to serve as an economic safety net for displaced OFWs. The fund provides funding for entrepreneurial ventures of the displaced OFWs, thus providing them sustainable livelihood opportunities. It is administered by the Overseas Workers Welfare Administration (OWWA) and can be availed of in any of its 17 regional offices across the country.

To avail themselves of the loan, applicants must present a proof of displacement and a proof of OWWA membership, which may be verified with the Philippine Overseas Labor Office. The program requires loan applicants to attend counseling and training under the Livelihood Package of Assistance and Services for Displaced Workers offered by the Department of Labor and Employment (DOLE) and to undergo a credit investigation. Applicants can borrow up to P50,000 at 5% interest, payable in 24 months.

A budget of P1 billion has been earmarked for this project, drawing funds from OWWA, the National Livelihood Support Fund, the Land Bank of the Philippines, and the Development Bank of the Philippines.

As of September 2009, over P149.3 million in loans have been disbursed to 3,012 applicants nationwide, with 408 applications amounting to P20.4 million in the pipeline.

Nurses Assigned in Rural Service (NARS) Project

The Nurses Assigned in Rural Service (NARS) project is a training and deployment program jointly implemented by DOLE, DOH, and the Professional Regulation Commission's Board of Nursing. It aims to provide employment experience for nurses, thus discouraging the practice of nurses paying hospitals for work certification, and to promote the delivery of health services in far-flung municipalities. The training program covers both clinical and public health sectors. The nurses are

22 Refer to discussion on CLEEP in succeeding section.
23 Refer to discussion on NARS in succeeding section.

mobilized to carry out the following services in selected municipalities:

i. Initiate primary health, school nutrition, and maternal health programs and first line diagnosis.
ii. Disseminate information on community water sanitation practices and conduct health surveillance.
iii. Immunize children and mothers.

Project NARS is designed to mobilize 10,000 registered nurses in the top 1,000 poorest municipalities in the country of the City and Municipal Poverty Incidence list, which is based on the small area estimates (SAE) of poverty of the National Statistical Coordination Board (NSCB)/World Bank Intercensal Updating of Small Area Poverty Estimates.

Each municipality is to be assigned five nurses who must also be residents there and have had no nursing-related practice in the past 3 years. Nurse applicants who are dependents of workers affected by the GFC as identified by a DOLE regional office shall be given priority.

A total of P541 million has been allocated for the NARS project. Nurses shall be given a monthly stipend and/or allowance of P8,000. LGUs may offer to provide a counterpart in terms of additional stipend or other benefits. Since its launch in February 2009 until August of the same year, 4,083 nurses have already been deployed nationwide.

Comprehensive Livelihood and Emergency Employment Program

The Comprehensive Livelihood and Emergency Employment Program (CLEEP) is an interagency initiative that aims to provide emergency employment and funding for livelihood projects to the poor, returning expatriates, workers in the export industry, and out-of-school youths. It has two objectives: (i) to build the capacities of workers to enable them to compete in more demanding job markets, and (ii) to create as many jobs as possible in the least amount of time through investments in public works and enterprise development.

Various national and local government agencies are part of CLEEP, with the National Anti-Poverty Commission (NAPC) as lead agency for the program's implementation. Livelihood and public works projects have been aligned with the respective priorities of the super regions as well as the needs of the 12 poorest provinces and the most food-poor areas. A complete listing of the programs, projects, and activities of various participating government agencies is in Annex G.

A budget of P13.6 billion has been allocated for the program, with the target of generating 245,439 new jobs and creating employment for 460,288 individuals. Livelihood opportunities to be provided shall be based on natural resource-based activities, non-natural resource-based and off-farm activities, intensification and/or diversification, and short-term and/or long-term outcomes, among others, which are designed to support community programs and/or projects. Since its launch in late 2008, the program has been able to create 151,268 jobs and employ 304,960 individuals.

Most projects listed under CLEEP were already being implemented prior to the GFC. Specific projects created for CLEEP include TUPAD and Integrated Services for Livelihood Advancement of the Fisherfolk (ISLA).

Tulong Panghanapbuhay sa Ating Disadvantaged Workers

The Tulong Panghanapbuhay sa Ating Disadvantaged Workers (TUPAD) targets displaced workers due to the GFC and the unemployed poor to provide short-term wage employment as an immediate source of income for the beneficiaries and their families. Beneficiaries of TUPAD are employed for 1 month in various community work projects of the LGUs. During their employment, beneficiaries undergo training for skills enhancement or entrepreneurship development to prepare them for other employment after completion of the TUPAD project. In addition, the project also provides social protection through coverage by the Social Security System (SSS) for 1 month and by PhilHealth for 1 year.

TUPAD is implemented by DOLE in partnership with the LGUs, TESDA, and PhilHealth. DOLE is the lead agency in monitoring the progress and implementation of the project and shoulders the wages of the beneficiaries. The LGUs cover 50% of PhilHealth premiums for 1 year and the SSS premiums for 1 month, and identifies and engages the beneficiaries in the community work projects. PhilHealth subsidizes the remaining 50% cost of PhilHealth premiums. TESDA conducts the skills training.

As of the end of July 2009, TUPAD has benefited 11,162 workers and released a total of P70 million.

Integrated Services for Livelihood Advancement of the Fisherfolk

The Integrated Services for Livelihood Advancement of the Fisherfolk (ISLA) was launched in December 2008 to stimulate the local economy and mitigate the GFC impact. It targets marginalized fisherfolk in coastal municipalities by providing assistance, through their cooperatives, for a more viable and sustainable livelihood, primarily through the establishment of marketing facilities, acquisition of fishing equipment and materials, training in entrepreneurship and business management, and other services.

The project is being implemented by DOLE in partnership with the LGUs and the Bureau of Fisheries and Aquatic Resources. As of July 2009, DOLE has released P43.4 million for the project to benefit 11,920 fisherfolk.

Upscaled Regular Projects and/or Activities

Aside from the projects mentioned earlier, there are other ongoing labor market projects of the government aimed at helping mitigate labor shocks, increasing employment, and enhancing employability of workers that have experienced upturns in utilization and/or participation, as follows:

Adjusted Measures Program, Workers' Income Augmentation Program, and DOLE Integrated Livelihood Programs

Three regular programs of DOLE were upscaled to assist affected workers during the financial crisis: Adjusted Measures Program (AMP), Workers' Income Augmentation Program (WINAP), and DOLE Integrated Livelihood Program (DILP).

AMP is a safety net program that provides a package of assistance and other forms of interventions to help workers and companies cope with economic and social disruptions. It extends various services to workers including facilitating employment locally and overseas and livelihood assistance to those who prefer to engage in entrepreneurial activities.

WINAP provides assistance to minimum wage earners and other low-income workers, organized or unorganized, in private establishments. Popularly dubbed as *Dagdag-Kabuhayan para sa mga Manggagawa*, the program helps worker beneficiaries in setting up livelihood activities that would provide them additional sources of income and employment for their family members, without necessarily leaving their current jobs. Availment of the program is coursed through the workers' unions or organizations accredited by DOLE. If the workers are unorganized, they will be assisted through the DOLE accredited co-partners. Services provided by the program include business planning, business management, production skills training, and financial assistance.

DILP is a rationalized integration of all DOLE livelihood development-related programs. It provides capacity-building services that assist in livelihood enhancement, formation, and restoration. Specifically, the program aims to enable (i) self-employed and unpaid family workers in the informal economy to make their existing livelihood undertakings grow into viable and sustainable businesses, (ii) long-term unemployed poor to engage in individual and/or self-employment undertakings, (iii) rank-and-file wage workers seeking to augment their income to engage in collective enterprise undertaking, and (iv) self-employed workers in the informal economy who lost their livelihood resources due to natural calamities and disasters to restore their lost livelihood undertakings.

As of July 2009, DOLE reported a cumulative total of 183 projects approved under AMP, WINAP, and DILP amounting to P52.5 million for 24,028 beneficiaries affected by the global financial crisis.

Repatriation Assistance for Overseas Filipino Workers

Displaced OFWs who were unable to return to the Philippines due to problems experienced with their respective private recruitment agencies were assisted by OWWA. A total of 143 displaced OFWs were provided with airfare tickets to facilitate their return to the Philippines.

Training Assistance for Displaced Overseas Filipino Workers and Their Family Members
Even prior to the crisis, OWWA members and their families could avail themselves of scholarship and training programs offered by OWWA. In 2009, a slight spike was observed in the availment of these programs due to displaced OFWs. Such programs include the following:

1. Skills for Employment Scholarship Program, which provides financial assistance amounting to P7,250 for a 6-month vocational course or P15,500 for a 1-year technical course in any TESDA-registered program.
2. Microsoft Tulay Program, which provides information technology (IT) training to enhance work and increase value in the workplace. In partnership with Microsoft Philippines, the Tulay Program or Bridge Education Program also hopes to facilitate access to technology that will enable families to communicate through the internet. OFWs and their families learn the basics of computer applications such as MS Word, MS PowerPoint, and MS Excel as well as internet and e-mail use at the Community Technology Learning Centers.
3. Pangulong Gloria Scholarship (PGS), which enables beneficiaries to enroll in TESDA-accredited courses and institutions. PGS provides free training, training support fund, and free competency assessment to its beneficiaries.

As of September 2009, the Skills for Employment Scholarship Program had a total of 309 beneficiaries and the Tulay Program had 319 beneficiaries. Moreover, DOLE has reported that a total of 950 displaced OFWs and their dependents have availed themselves of PGS.

Peripheral Programs and Policies That Mitigate Risks

Monetary Policy

The Bangko Sentral ng Pilipinas or Central Bank of the Philippines eased its monetary policy stance during the GFC, ensuring that liquidity conditions are supportive of the investment and spending needs of firms and households. With the decline in risks to inflation, the central bank cut policy rates seven times to a cumulative total of 200 basis points between December 2008 and July 2009. To further ease liquidity in the system, it moved to enhance its existing repurchase peso agreement (repo) facilities, established a US dollar repo facility, reduced the regular reserve requirement by 2 percentage points, liberalized rediscounting guidelines, and launched the Credit Surety Fund program, which provides guarantees to small cooperatives to ensure continued access to financing of small businesses.

Price Monitoring and Control

To ensure that producers and retailers do not take advantage of the situation by hiking up prices under the pretext of crisis-related causes, and to mitigate the impact of the crisis on the consumption of basic goods among general consumers, the government through the Department of Trade and Industry (DTI) closely monitored the prices of basic commodities. Price bulletins were released regularly and DTI representatives were deployed to conduct market checks to make sure that retailers follow price guidelines. To support this effort, and as part of the CLEEP, DTI employed additional personnel to conduct price monitoring and other related activities.

Aside from the global financial crisis, the Philippine economy in 2009 was also greatly affected by the onslaught of two major cyclones, Ondoy (Ketsana) and Pepeng (Parma). With Luzon bearing the brunt of massive damages in property and inventory caused by the cyclones, President Arroyo, through Proclamation No. 1898, placed the country under a state of calamity on 2 October 2009. (Luzon was placed under a state of calamity for a period longer than the rest of the country.) Under the Price Act or Republic Act 7581, the President may impose a price ceiling on any basic necessity[24] or prime commodity[25] for not more than 2 months. As such, price controls were imposed on basic foodstuffs, auto repairs and funeral services; prices of these goods and services were frozen at their prevailing rates as of 2 October 2009.

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[24] Basic necessities covered by the Price Act: rice; corn; bread; fresh, dried, and canned fish, and other marine products; fresh pork, beef, and poultry meat; fresh eggs; fresh and processed milk; fresh vegetables; root crops; coffee; sugar; cooking oil; salt; laundry soap; detergents; firewood; charcoal; candles; and drugs classified as essentials by the Department of Health (DOH).

[25] Prime commodities covered by the Price Act: fresh fruits; flour; dried, processed, and canned pork; beef and poultry meat; dairy products not falling under basic necessities; noodles; onions; garlic; vinegar; *patis* (fish sauce); soap; fertilizer; pesticides;

Consequently, Executive Order (EO) 839 was signed on 23 October 2009, instructing all oil companies to keep the prices of all petroleum products temporarily at 15 October 2009 levels until the state of calamity imposed on Luzon has been lifted. However, after much criticism and after witnessing the immediate negative impact of the oil price freeze, the government lifted EO 839 and the price control on basic goods on 16 November 2009.

Rice Price Subsidy and Self-Sufficiency Program

The Rice Price Subsidy Program, administered by the National Food Authority (NFA), is a long- running government intervention for social protection. NFA is mandated to provide stable and high rice prices for farmers as well as stable and low prices for consumers. It does this through its procurement (including importation) and disbursement system covering all the regions and provinces of the country. NFA purchases *palay* and rice stocks from bonafide farmers and farmer groups who present a passbook valid for one cropping season. NFA rice is sold to consumers through accredited retailers at a lower price than non-NFA rice as a form of consumer price subsidy.

In recent years, NFA has increasingly resorted to rice importation as a vehicle for stabilizing prices. Its average yearly purchases of about 2.0 million tons in 2006–2008 and 1.6 million tons in 2009 have made the country the world's biggest importer of rice. For 2010, the government is planning to import close to 3 million tons of rice. The huge volume of imports is prompted by an expected shortfall in domestic rice availability vis-à-vis domestic requirements.[26]

In an effort to stem rice importation and attain self-sufficiency in rice by 2013, the government launched in early 2008 the so-called FIELDS (Fertilizer, Infrastructure and irrigation, Extension and education, Loans, Drying and other post-harvest facilities, and Seeds) program. Funding for FIELDS of P44 billion was to come from the proposed P330-billion Economic Resiliency Plan. Launched in early 2008, FIELDS has the following program components and the corresponding budgets: (i) provision of subsidized fertilizer and micronutrients, P0.5 billion; (ii) rehabilitation and restoration of irrigation facilities, P6 billion; (iii) farm-to-market roads and other rural infrastructure, P6 billion; (iv) extension, education, training, and research and development, P5 billion; (v) agricultural credit, P15 billion; (vi) post-harvest facilities, P2 billion; and (vii) hybrid and certified seed production and subsidy, P9.2 billion. The amounts were supposed to be additional budget over and above what had been appropriated for the agriculture agencies. However, in practice, the program's initial implementation was sourced from the already approved budget allocation.

While NFA's operations seem to have succeeded in stabilizing retail prices of rice (especially in Metro Manila and major urban centers), they substantially propped up local rice prices paid by consumers, increased the volatility of domestic farm prices, reduced the welfare of both consumers and producers, discouraged the private sector from investing in efficiency-enhancing distribution and storage facilities, and bred corruption and institutional sclerosis (Roumasset 1999; Clarete et al 2000; David 2003; Dawe et al 2006; Sombilla et al 2006; David, Intal, and Balisacan 2009). Government spending in terms of financial subsidies to maintain such operations amounted to over P6.3 billion in the late 1990s. This expense was far greater than the P1 billion provided to agricultural research and development in rice during that same period. In more recent years, the total fiscal cost (direct government outlay) of the NFA rice subsidy, net tax expenditures, amounted to P5 billion in 2007 (roughly 0.08% of GDP) and P43 billion in 2008 (0.6% of GDP). These subsidies represented 29% and 70% of the total budget for the country's social protection programs in 2007 and 2008, respectively (Manasan 2009). The total effective cost of the NFA rice subsidy program, as estimated by Jha and Mehta (2008), was actually much higher, at P19 billion in 2007 and P69 billion in 2008. The authors estimated that for every peso given to the poor, the country spent about P2. The cost–benefit ratio was 1.50 in 2007 and 2.21 in 2008.

herbicides; poultry, swine and cattle feeds; veterinary products for poultry, swine and cattle; paper; school supplies; *nipa* shingles; *sawali*; cement; clinker; GI sheets; hollow blocks; plywood; plyboard; construction nails; batteries; electrical supplies; light bulbs; steel wire; and all drugs not classified as essential drugs by DOH.

26 There are serious concerns, however, about the accuracy of the domestic supply and demand estimates (Balisacan et al 2010). The estimates are derived from food balance sheets that incorporate many assumptions about feed, seed, waste and processed nonfood use. Detailed studies directly measuring consumption are infrequently conducted.

Pantawid Pamilyang Pilipino Program (4Ps)

The former Ahon Pamilyang Pilipino Program of the Department of Social Welfare and Development (DSWD) was relaunched in 2008 as the Pantawid Pamilyang Pilipino Program (4Ps). The 4Ps is a poverty reduction strategy that provides cash assistance to extremely poor households to improve the health, nutrition, and education of children belonging to these households. It has the dual objectives of providing social assistance to their needs and social development to break intergenerational poverty through investments in human capital.

Beneficiary households are chosen through a series of area identifications by using national survey results, small area estimation, proxy means tests, and local planning data. The targeting mechanism involves the following sequence: (i) selection of the poorest provinces based on the 2006 Family Income and Expenditures Survey, (ii) selection of cities with large pockets of poverty based on 2007 NAPC data, (iii) selection of poorest municipalities from the poorest provinces based on small area estimates of NSCB, (iv) selection of the poorest barangays in the cities based on the City Planning Office data, and (v) saturation survey of households in selected barangays and selection of the poorest households based on a ranking system using proxy means tests.

The health package of the program entitles beneficiary households to P6,000 a year or P500 per month. The education package grants P300 monthly per child for 10 months (corresponding to the duration of 1 school year); three children at most per household are covered. However, to receive these grants, the beneficiaries must meet certain conditions, such as:

- Regular preventive health checkups and vaccines for children 0–5 years of age.
- At least 85% attendance in day care or preschool for children 3–5 years of age.
- At least 85% attendance in elementary or high school for children 6–14 years of age.
- Prenatal and postnatal care for pregnant women with birth to be delivered by a skilled birth attendant.
- Participation of mothers in mothers' classes.
- Participation of parents in parent effectiveness and responsible parenthood seminars.

Beneficiaries who do not meet these conditions are either suspended or completely dropped from the program.

Upon its launch in 2008, a budget of P2.1 billion was allocated for the 4Ps, with an additional budget release of P10 billion every year for the next 5 years to cover 321,000 households. Under the Economic Resiliency Plan (ERP) in late 2008, an additional P5 billion was set aside to cover over 300,000 more households (to receive a maximum cash grant of P9,000 per year).

Accelerated Hunger Mitigation Program (AHMP)

The Accelerated Hunger Mitigation Program (AHMP) is a strategy under the Medium-Term Philippine Development Plan for 2004–2010 to address the primary causes of hunger. It aims to provide social protection and promote the rights and welfare of the poor, vulnerable and the disadvantaged individual, families, and communities. AHMP was launched in 2007 and is being implemented in 42 priority provinces identified through a nationwide survey that adopted the Social Weather Stations' questions on self-rated hunger.

The AHMP framework includes a supply- and demand-side strategy. The supply-side strategy involves increasing food production and enhancing the efficiency of logistics and food delivery. Interventions to increase food production include seed subsidies, technical assistance on intercropping coconut with corn, and the repair and rehabilitation of irrigation facilities. Interventions to enhance the delivery of food to consumers include the establishment of Barangay Bagsakan (formerly Barangay Food Terminals or BFTs) and Tindahan Natin in depressed communities nationwide, the construction of roll-on–roll-off (RO–RO) ports and farm-to-market roads, and the Food for School Program under the DSWD (day care children) and the Department of Education (elementary pupils).

The demand-side strategy of the AHMP includes putting more money in poor people's pockets through training, microfinance, and upland land distribution as well as promoting good nutrition through nutrition education and managing population.

Kapit-Bisig Laban sa Kahirapan—Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS)

KALAHI-CIDSS was launched in 2003 as the flagship project for poverty alleviation under the DSWD with financial support from the World Bank. It stands for Kapit-Bisig Laban sa Kahirapan—Comprehensive and Integrated Delivery of Social Services. KALAHI-CIDSS aims to enhance community and LGU capacity by providing seed funding for the implementation of community projects that will help reduce poverty and improve sustainability and LGU responsiveness to community needs. It also aims to mobilize communities by adapting participatory strategies throughout the planning, implementation, and maintenance of the community development projects and activities supported by the program. This is made possible by providing, aside from funding, technical assistance, and capability-building and skills training to communities and LGUs.

The program initially targeted provinces with a poverty incidence higher than 40%. The project first identified the 42 poorest provinces based on an NSCB survey. Of these provinces, one-fourth of all the municipalities in each province are to be covered. Selection of municipalities was based on a ranking system that uses three broad indicators: quality of human capital, housing and amenities, and access to centers and trade. The top one-fourth poorest municipalities were identified as project areas. KALAHI-CIDSS covers all the barangays of the identified municipalities.

At the barangay level, beneficiaries of KALAHI-CIDSS are chosen through a community assembly where residents evaluate their needs and come up with a project proposal to be submitted to, deliberated on, and approved at a municipal interbarangay forum. Approved project proposals are then endorsed to DSWD for funding.

The primary beneficiary target list for KALAHI-CIDSS includes 4,229 barangays from 184 municipalities, in 42 provinces covering 12 regions. The DSWD has expanded its KALAHI-CIDSS project to cover 8,000 barangays in 334 municipalities to extend the benefits of the program to more people.

Total budget for the project is $100 million. The total number of subprojects funded by KALAHI-CIDSS as of September 2009 has reached 1,147,621 direct beneficiaries in 5,543 barangays. Altogether, these cost P5.7 billion, 69% of which were covered by KALAHI–CIDSS grants. The projects are categorized under six basic subproject types:

1. Basic social services such as community water system, school buildings, day care centers, health stations, and electrification, which account for 44% of grants obligated;
2. Basic access infrastructure such as roads, small bridges, and foot trails, which account for 37% of grants obligated;
3. Community production, economic support, and common service facilities, which include pre- and post-harvest facilities, small-scale irrigation, multipurpose facilities, and community transport, which account for 9% of grants obligated;
4. Environmental protection and conservation projects involving drainage, flood control, seawall, marine conservation, soil protection, and sanitation facilities, which account for 10% of grants obligated;
5. Skills training and capability building, which account for 0.3% of grants obligated;
6. Lighthouse and ecotourism subprojects, which account for 0.1% of grants obligated.

Summary and Observations

To stimulate the economy, the government adopted the ERP, a pump-priming program with a total budget of 4% of GDP. The program involved essentially front-loading spending of the 2009 government budget and increased spending on responses to the crisis, including cash transfers, food subsidies, tax exemptions (for those earning minimum wage and below), and emergency job creation. As noted earlier, government spending (as a proportion of GDP) in 2009 was 2.8 percentage points higher than its long-term trend.

As a countercyclical response to the GFC, the success of the ERP is on the timing and expedient release of government monies for public spending projects, and the very own success and effectiveness of the projects and programs supported by the increased budget. During the second half of 2009, some government agencies were reported to be experiencing problems in maximizing the utilization of the budget. Part of the bottlenecks in implementation occurred due to delay in budget releases to the different agencies and the latter's absorptive capacity.

The government adopted and implemented various projects to deal with the employment effects of the crisis. All agencies at the national and local levels were directed to implement emergency employment schemes in all regions. TESDA, in particular, was provided with substantial budget increases to implement technical–vocational training programs in all regions. Yet, in almost all cases, the menu of interventions was very limited and implementation was heavily top–down and unresponsive to local needs. The government's response did not allow for the fact that the GFC negatively affected the regions in different ways and levels. Evidently, a location-specific, targeted approach to addressing the GFC effects could have delivered better outcomes.

Public workfare programs implemented during a crisis have the advantage of providing short-term relief to the poor while creating physical assets, such as infrastructure, instrumental to productivity growth. At least two critical factors determine the success of these programs: the appropriate setting of wage level and the proper selection of productivity-enhancing projects or activities. The wage offered to program participants has to be below market wage to attract only those who are poor and looking for work. If set too high, such as in the ERP's case, even the nonpoor or the undisplaced workers would find it in their interest to participate in the program. At the same time, a below market wage will ensure that participants will voluntarily drop out of the program as soon as labor market conditions improve.

One objective of CLEEP is to create jobs through investment in public works, including infrastructure, and enterprise development. However, the program also covers temporary employment in nonproductive projects such as beautification, street sweeping, and rudimentary errands for government units and/or agencies. These projects fall short of creating assets that enhance overall productivity. To what extent the target beneficiaries actually gained from them is also not evident (see also Manasan 2009). Projects under CLEEP should be reviewed especially since many of them are long-standing government projects that will continue even after the crisis.

Beyond provision of training and emergency employment, domestic industries, particularly in the export sector, need assistance to increase their competitiveness primarily by lowering the cost of doing business in the country. This entails having a more conducive regulatory environment (such as scrapping the cabotage law and eliminating labor market distortions), cheaper power costs, and a more stable political environment.

7. Conclusions

Even though the Philippine economy did not slide into a recession during the global financial crisis, the impact of the crisis on the economy and the social sector was nonetheless severe—and may linger for many years to come. The crisis pushed down the GDP growth rate from its long-term trend (of about 4.7%) by 1.0 percentage points in 2008 and 3.8 percentage points in 2009.

On the supply side, the sector hit hardest was industry: the growth rate in 2009 was 6.0 percentage points lower than its long-term growth potential. The decline was particularly sharp in the manufacturing subsector, hitting 7.7 percentage points lower than the long-term growth trend. On the demand side, personal consumption expenditure dropped by 0.8 percentage points in 2008 and 1.7 percentage points in 2009 relative to its long-term growth trend. The drop was remarkably muted because remittances of OFWs did not slow down as sharply as expected at the onset of the crisis. Private capital formation and exports, however, took the brunt of the crisis.

Surprisingly, employment in 2008 grew at a pace close to its long-term trend and even slightly faster in 2009. Underemployment, however, was on the high side at the height of the crisis. Employment share in industry dropped noticeably starting in 2008, which mirrored the drop of output in the sector. However, contrary to common claims in accounts about the crisis, there was no noticeable shift of employment from the formal to the informal sector.

Average per capita income was on an upward trend, while poverty incidence (the proportion of the population deemed poor) was on a downward trend during the pre-crisis years of 2006–2008. If there had been no GFC and the economy had moved along its long-term growth path (business as usual), average household income would have increased by 1.8% between 2008 and 2009, causing poverty to fall, rather than increase, from 28.1% to 27.7% during the same period. Given these estimates and current population growth projections, nearly 2 million Filipinos were pushed to poverty due to the GFC.

The country's very high spatial diversity engendered varied contours of transmission of—and household responses to—external shocks across local economies and population divides. In contrast, government programs and projects intended to deal with the income and employment consequences of the crisis were heavily top–down and unresponsive to local needs. Moreover, the interventions tended to be mere dole outs and did not build productive assets that would form the foundation for a faster but more inclusive recovery and growth.

Poverty reduction remains a huge policy challenge for the Philippines. In part, the slow reduction has to do with the rather low rate of economic growth, especially after accounting for the country's rapid population growth. It is no longer debatable that a high economic growth sustained over a long period is essential for rapid poverty reduction. Moving the country to a higher growth path resembling those of its neighbors, thus, has to be high on the development agenda. This will require seriously addressing the critical constraints to private investment and growth, namely, (i) tight fiscal situation due largely to weak revenue generation; (ii) inadequate infrastructure, particularly transport and power; and (iii) weak investor confidence owing to governance concerns, especially corruption and political instability.

For economic growth to be inclusive, reform initiatives aimed at reducing the highly inequitable distribution of opportunities, especially during a crisis, need to receive serious attention; enough of lip service. High priority should be placed on education, health, infrastructure, and productive assets such as land and credit. Toward this end, the various social protection and social safety net programs need to be comprehensively reviewed, with the aim of substantially improving their governance. This would mean reducing leakage and administrative costs, eliminating redundancies and overlaps, exploiting synergies across programs, and promoting program sustainability.

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Annex A

Seasonally Adjusted and Long-Term Trends of Quarterly Gross Domestic Product

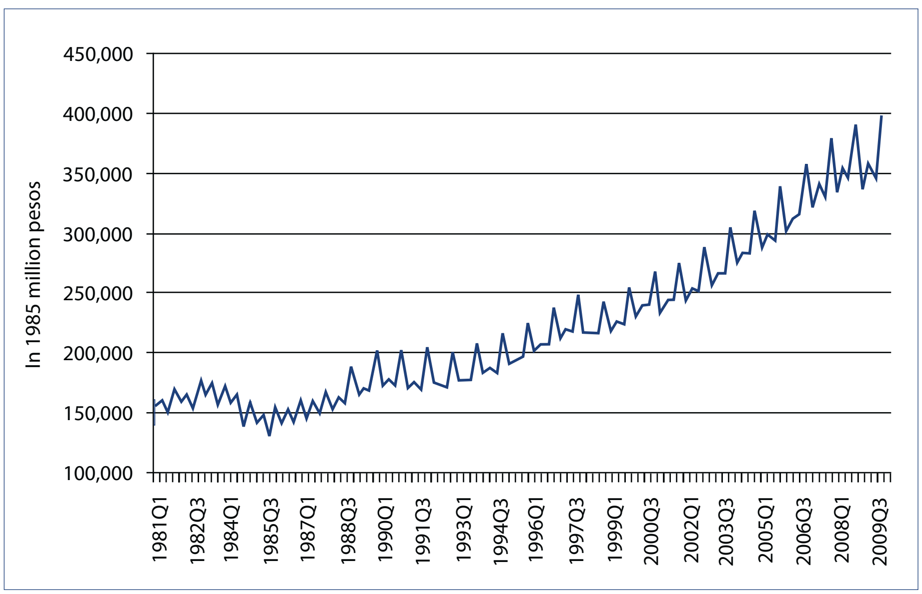
The National Statistical Coordination Board publishes a quarterly time series of the gross domestic product (GDP). The series includes components by sector and by expenditure. The data used in this study cover the period 1981–2009, 116 data points over 29 years. The Philippines' GDP has been characterized as exhibiting a strong seasonality, peaking in the fourth quarter and subsiding in the first quarter, rising a bit during the second quarter and declining during the third quarter. Evidently, the data have to be adjusted for seasonality before further analysis can be done. The X-12 ARIMA procedure developed by the US Census Bureau was used to extract the seasonally adjusted series.

The seasonally adjusted series can be further decomposed to extract a long-term trend component. This is done using the Hodrick-Prescott (HP) filter. The HP filter, first proposed by Hodrick and Prescott (1997), uses a smoothing method to obtain an estimate of the long-term trend component of a series. It computes the permanent component TR_t of a series y_t by minimizing the variance of y_t around TR_t, subject to a penalty that constrains the second difference of TR_t.

That is, the HP filter chooses TR_t to minimize:

$$\sum_{t=1}^{T}(y_t - TR_t)^2 + \lambda\sum_{t=2}^{T-1}((TR_{t+1} - TR_t) - (TR_t - TR_{t-1}))^2$$

Figure A1 GDP Quarterly Series



Source: Authors' estimate, based on quarterly National Income Accounts by the National Statistical Coordination Board.

Table A1 Annual Growth Rates (%)

	Actual		Counterfactual	
Component	**2008**	**2009**	**2008**	**2009**
GDP	3.84	0.92	4.87	4.71
By sector				
Agriculture	3.22	0.06	3.51	3.46
Industry	4.95	(1.99)	4.25	4.06
Manufacturing	4.31	(5.13)	2.88	2.63
Services	3.33	3.18	5.82	5.63
By expenditure				
Personal consumption	4.67	3.82	5.46	5.57
Government	3.23	8.54	5.71	5.78
Capital formation	1.68	(9.89)	1.38	0.57
Exports	(1.89)	(14.18)	0.95	(0.63)
Imports	2.39	(5.79)	(0.24)	(0.33)

( ) = negative number, GDP = gross domestic product.

Sources: Authors' estimate, based on National Income Accounts by the National Statistical Coordination Board.

where m is the penalty parameter that controls for the smoothness of the series. The default values for m is 1,600 for quarterly data. This parameter m controls for the smoothness of the series, by controlling the ratio of the variance of the cyclical component and the variance of the series. The larger the m, the more smoothly the TR_t approaches the linear trend.

The long-term trend for each of the series (GDP and its components) is extracted for the analysis. Following are the computed annual growth rates based on the actual and the long-term trend (labeled as counterfactual).

A Closer Look at Government Consumption

As seen in the results of the HP filter, there is a gap between the seasonally adjusted GDP and the long-term trend, specifically in the years 2008 and 2009. Looking at the growth rates presented in the previous table, government consumption (GC) substantially grew during the crisis period. In a quarterly account, GC was higher than its long-term trend during the first quarter of 2008 (0.25%), third quarter of 2008 (1.02%), second quarter of 2009 (2.36%), third quarter of 2009 (3.3%), and fourth quarter of 2009 (5.53%). We take a closer look at whether or not this increase in GC has an impact on the gap observed between the actual GDP and its long-term trend.

The impact of the GC on the GDP gap is analyzed using a bivariate Vector AutoRegressive (VAR) model. But prior to this, we characterized the series to properly model the relationship we are trying to establish. Table A2 shows the results of the tests for presence of unit root using the Augmented Dickey Fuller (ADF). The tests show that the GDP gap is stationary while the seasonally adjusted GC is integrated of order 1.

Table A2 Unit Root Tests

Series	Augmented Dickey Fuller Statistic	P-Value	Conclusion
GDP gap	−2.85	0.0047	Stationary
Government consumption	−2.75	0.2202	Integrated of order 1

GDP = gross domestic product.

Sources: Authors' estimate, based on National Income Accounts by the National Statistical Coordination Board.

A bivariate VAR model is fitted and results show that a VAR model with lags 1 and 3 are appropriate for the data.

We now look at the impact of the GC on the GDP gap from the VAR model using the impulse response function (IRF). An IRF traces the effect of one-time shock to one of the variables (in this case GC) on current and future values of the GDP gap. A shock to the i^{th} variable not only directly affects the i^{th} variable but is also transmitted to all the other endogenous variables through the dynamic (lag) structure of the VAR. If the error terms are contemporaneously uncorrelated, then the i^{th} innovation (e_{it}) is simply a shock to y_{it} (itself).

The IRF below shows the impact of a positive shock (increase) in the GC in quarter 1 on the GDP gap from quarter 1 to quarter 12 (current and future values of the GDP gap). It also shows the upper and lower limits (using the interval +/−2 standard errors away from the mean) to test if the impact of the shock is significant.

Table A3 Vector Autoregression Estimates

	GAP_GDP	D(LOGGOVT_SA)
GAP_GDP(-1)	0.960	0.105
Standard error	–0.066	–0.191
t-statistic	14.609	0.547
GAP_GDP(-3)	–0.130	–0.453
Standard error	–0.067	–0.194
t-statistic	–1.957	–2.338
D(LOGGOVT_SA(-1))	–0.006	–0.236
Standard error	–0.032	–0.093
t-statistic	–0.173	–2.532
D(LOGGOVT_SA(-3))	0.087	0.059
Standard error	–0.032	–0.092
t-statistic	2.769	0.639
C	–0.001	0.009
Standard error	–0.001	–0.004
t-statistic	–0.500	2.362
R-squared	*0.782*	*0.110*
Adj. R-squared	*0.773*	*0.077*

Sources: Authors' estimate, based on National Income Accounts by the National Statistical Coordination Board.

The IRF shows that a positive shock (increase) in government consumption in the current quarter (e.g., quarter 1) has a significant impact on the GDP gap (it reduces the GDP gap) in the current/same quarter (contemporaneous effect) but only at the 10% level of significance.

It has no significant effect on the second and third quarters (ahead) of the GDP gap. Its strong impact is felt four to nine quarters ahead. In other words, a positive shock (increase) on the GC is expected to significantly reduce the GDP gap four to nine quarters in the future.

Table A4 IRF Results

Period	GAP_GDP	D(LOGGOVT_SA)	t-stat
1	0.013	**0.002**	–1.516
	–0.001	–0.001	
2	0.012	0.002	–0.938
	–0.001	–0.002	
3	0.012	0.002	–0.821
	–0.001	–0.002	
4	0.010	0.005	–2.779
	–0.002	–0.002	
5	0.008	0.003	–2.223
	–0.002	–0.002	
6	0.006	0.003	–2.418
	–0.002	–0.001	
7	0.004	0.003	–2.289
	–0.002	–0.001	
8	0.003	0.002	–2.007
	–0.002	–0.001	
9	0.001	0.001	–1.754
	–0.002	–0.001	
10	0.001	0.001	–1.271
	–0.002	–0.001	
11	0.000	0.001	–0.853
	–0.002	–0.001	
12	0.000	0.000	–0.458
	–0.001	–0.001	

GDP = gross domestic product, IRF = impulse response function.

Notes: Cholesky Ordering: D(LOGGOVT_SA) GAP_GDP.
Figure in bold is significant.

Sources: Authors' estimate, based on National Income Accounts by the National Statistical Coordination Board.

Annex B

Adjusting for Measurement Bias

As noted in section 4, the Annual Poverty Indicators Survey (APIS) and Family Income Expenditure Survey (FIES) income data are not quite comparable primarily because the administration of these two surveys differs in two aspects. First, the FIES is collected in two rounds. The first round, conducted in July, covers the first semester (January to June) while the second round, conducted in January of the following year, covers the second semester (July to December). On the other hand, the APIS is collected only once, every July, with the first semester as its reference period. Data collected in the FIES for both rounds are tallied to come up with the annual estimates; in contrast, the first semester estimates of APIS are multiplied twice for the annual estimates. Second, the questionnaire module for both income and expenditure in FIES is more extensive than the modules in the APIS. Cursory evaluation suggests higher estimates of incomes (and expenditures) in the FIES than in the APIS.

Starting with the observed incomes in 2006 (y^o_{06}) and 2007 (y^o_{07}), the observed growth g^o is defined as

$$g^o = \left(y^o_{07} \Big/ y^o_{06} \right) - 1. \qquad (1)$$

For reasons mentioned above, the observed growth is likely to be biased. If we are to take y^o_{07} as a base for comparability (since the panel data for 2008 is also APIS), then y^o_{06} has to be adjusted to account for that measurement bias.

The corrected (adjusted) growth g^a then should be defined as

$$g^a = \left(y^o_{07} \Big/ y^a_{06} \right) - 1 \qquad (2)$$

where y^a_{06} is the adjusted income accounting for the measurement bias.

Substituting y^o_{07} in equation (2) from its derived value in equation (1), we have the following:

$$g^a = \left[y^o_{06}(1+g^o) \Big/ y^a_{06} \right] - 1. \qquad (3)$$

Solving for y^a_{06} we get

$$y^o_{06} = [y^o_{06}(1+g^o)] \Big/ (1+g^a). \qquad (4)$$

We further define y^a_{06} on the left hand side of the above equation as the observed income in 2006 adjusted downward by the measurement bias *b*. Equation (4) then becomes

$$y^o_{06} \Big/ (1+b) = [y^o_{06}(1+g^o)] \Big/ (1+g^a). \qquad (5)$$

Solving for *b*, this equation is reduced to

$$b = \left[(1+g^a) \Big/ (1+g^o) \right] - 1. \qquad (6)$$

This measurement bias can be derived given the adjusted income growth in 2006 and 2007. We estimate this growth by first fitting a Mincerian earnings function to the 2006 FIES panel data since we are assuming that incomes from this survey have less measurement errors. The parameter estimates derived from this model are fitted to both the FIES and APIS datasets to get the predicted incomes. The average incomes computed are P29,329 for 2006 and P29,815 for 2007, implying a 1.7% growth.

Plugging in the values of the estimated actual growth and the observed growth of –8.7% to equation (6) above, we compute the measurement bias to be 11.3%.

Table B1 Parameter Estimates of a Mincerian Income Function

Variable	Parameter Estimate	Standard Error	t-Value	Pr > |t|
PROV1	−0.5209	0.0725	−7.19	<.0001
PROV2	−0.6888	0.0527	−13.07	<.0001
PROV3	−0.6228	0.0596	−10.44	<.0001
PROV4	−0.5749	0.0730	−7.87	<.0001
PROV5	−0.3065	0.0505	−6.07	<.0001
PROV6	−0.6382	0.0746	−8.56	<.0001
PROV7	−0.4769	0.0793	−6.01	<.0001
PROV8	−0.2546	0.0732	−3.48	0.0005
PROV9	0.0891	0.1467	0.61	0.5435
PROV10	−0.3255	0.0419	−7.77	<.0001
PROV11	−0.0206	0.0446	−0.46	0.6449
PROV12	−0.6026	0.0507	−11.89	<.0001
PROV13	−0.5079	0.0609	−8.33	<.0001
PROV14	−0.1417	0.0385	−3.68	0.0002
PROV15	−0.2735	0.0452	−6.05	<.0001
PROV16	−0.4723	0.0632	−7.48	<.0001
PROV17	−0.6333	0.0441	−14.37	<.0001
PROV18	−0.3907	0.1259	−3.1	0.0019
PROV19	−0.1691	0.0569	−2.97	0.003
PROV20	−0.0578	0.1302	−0.44	0.657
PROV21	−0.0238	0.0420	−0.57	0.5705
PROV22	−0.2921	0.0322	−9.06	<.0001
PROV23	−0.5219	0.0528	−9.89	<.0001
PROV24	−0.3342	0.0373	−8.96	<.0001
PROV25	−0.4211	0.0693	−6.07	<.0001
PROV26	−0.5494	0.0827	−6.64	<.0001
PROV27	−0.0790	0.0790	−1.00	0.3175
PROV28	−0.4749	0.0655	−7.26	<.0001
PROV29	−0.4463	0.0605	−7.37	<.0001
PROV30	−0.3564	0.0399	−8.92	<.0001
PROV31	−0.4549	0.0385	−11.83	<.0001
PROV32	−0.5175	0.0749	−6.91	<.0001
PROV33	−0.2197	0.0594	−3.7	0.0002
PROV34	−0.1859	0.0487	−3.82	0.0001
PROV35	−0.5724	0.0552	−10.38	<.0001
PROV36	−0.3431	0.0585	−5.87	<.0001
PROV37	−0.5457	0.0391	−13.96	<.0001
PROV38	−0.5022	0.0540	−9.31	<.0001
PROV40	−0.4176	0.0837	−4.99	<.0001

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Table B1 *continued*

Variable	Parameter Estimate	Standard Error	t-Value	Pr > |t|
PROV41	−0.1871	0.0605	−3.09	0.002
PROV42	−0.6881	0.0549	−12.53	<.0001
PROV43	−0.6020	0.0465	−12.96	<.0001
PROV44	−0.1334	0.0809	−1.65	0.0991
PROV45	−0.4225	0.0390	−10.84	<.0001
PROV46	−0.6176	0.0532	−11.62	<.0001
PROV47	−0.4262	0.0482	−8.85	<.0001
PROV48	−0.2335	0.0751	−3.11	0.0019
PROV49	−0.3401	0.0439	−7.75	<.0001
PROV50	−0.3516	0.0751	−4.68	<.0001
PROV51	−0.4649	0.0799	−5.82	<.0001
PROV52	−0.4848	0.0540	−8.98	<.0001
PROV53	−0.4012	0.0509	−7.89	<.0001
PROV54	−0.1559	0.0441	−3.53	0.0004
PROV55	−0.4665	0.0332	−14.04	<.0001
PROV56	−0.4785	0.0457	−10.48	<.0001
PROV57	−0.0895	0.1045	−0.86	0.3919
PROV58	−0.0771	0.0466	−1.65	0.0982
PROV59	−0.5429	0.0747	−7.27	<.0001
PROV60	−0.5125	0.0633	−8.1	<.0001
PROV61	−0.5368	0.1471	−3.65	0.0003
PROV62	−0.3728	0.0523	−7.12	<.0001
PROV63	−0.5102	0.0421	−12.11	<.0001
PROV64	−0.6051	0.0963	−6.28	<.0001
PROV65	−0.5839	0.0664	−8.8	<.0001
PROV66	−0.0342	0.0512	−0.67	0.5048
PROV67	−0.6389	0.0597	−10.7	<.0001
PROV68	−0.5360	0.0581	−9.22	<.0001
PROV69	−0.2171	0.0535	−4.06	<.0001
PROV70	−0.6814	0.1101	−6.19	<.0001
PROV71	−0.5360	0.0783	−6.84	<.0001
PROV72	−0.6206	0.0480	−12.94	<.0001
PROV73	−0.3926	0.0403	−9.74	<.0001
PROV77	−0.8654	0.1536	−5.64	<.0001
PROV78	−0.4373	0.1001	−4.37	<.0001
PROV79	−0.4411	0.1260	−3.5	0.0005
PROV80	−0.5319	0.0671	−7.93	<.0001
PROV81	−0.5489	0.0989	−5.55	<.0001
PROV82	−0.6125	0.0631	−9.71	<.0001

continued on next page

Table B1 *continued*

Variable	Parameter Estimate	Standard Error	t-Value	Pr > |t|
PROV83	–0.2492	0.0780	–3.19	0.0014
STRNGROOF	0.1004	0.0187	5.38	<.0001
STRNGWALL	0.1521	0.0173	8.77	<.0001
ELECT	0.2011	0.0175	11.47	<.0001
WATER	0.2322	0.0130	17.87	<.0001
TOILET	0.0934	0.0161	5.81	<.0001
MEM	–0.0599	0.0030	–19.95	<.0001
CHILDBUR	–0.5582	0.0354	–15.75	<.0001
COLGRADR	0.9614	0.0467	20.59	<.0001
EMPR	0.2088	0.0303	6.89	<.0001
EMPIND	0.1041	0.0378	2.75	0.0059
EMPSERV	0.1863	0.0279	6.68	<.0001
EMPWAGE	–0.0457	0.0295	–1.55	0.1207
EMPOWNACCT	–0.0616	0.0270	–2.28	0.0225
HHAGE	–0.0042	0.0027	–1.54	0.1247
HHAGESQ	0.0001	0.0000	1.95	0.0514
HHSEX	–0.0679	0.0208	–3.26	0.0011
HHMSTAT1	–0.0143	0.0332	–0.43	0.6666
HHMSTAT2	–0.0232	0.0352	–0.66	0.5101
HHEDUC1	0.0741	0.0165	4.50	<.0001
HHEDUC2	0.1539	0.0193	7.96	<.0001
HHEDUC3	0.2275	0.0183	12.42	<.0001
HHEDUC4	0.4189	0.0222	18.84	<.0001
HHEDUC5	0.5205	0.0307	16.95	<.0001
HHIND	0.0555	0.0334	1.66	0.0963
HHSERV	0.0499	0.0253	1.97	0.0485
HHWAGE	–0.1201	0.0294	–4.09	<.0001
HHOWNACCT	–0.0966	0.0252	–3.83	0.0001
R-square		*0.6766*		
Adjusted R-square		*0.6723*		
Root MSE		*0.4806*		

Sources: Authors' estimate, based on National Income Accounts by the National Statistical Coordination Board.

Annex C

Estimating Real Household Incomes

Real household incomes are affected by prices and the overall growth of the economy. The impact of changes in these two factors differs across households depending on their consumption patterns and income sources. Poorer households, for example, spend proportionally more on food, making them more vulnerable to the effects of food price hikes than households belonging to higher income classes. In "approximating" household incomes in 2009, we assume that each key component of gross domestic product (GDP) is distributed neutrally across households. The impact of economic growth on each household depends on the relative importance of these components in household's incomes. The following equation describes the projection for each household's income Y:

$$Y = {\left[\sum_{i=1}^{n}[y_i * (1+g_i)]\right]} \Big/ P$$

where

g_i is the growth rate of the i^{th} household income source, and

$P = \sum_{j=1}^{n} w_j p_j$ is the weighted average of consumer price indices with weights based on corresponding household expenditure shares.

The Family Income and Expenditure Survey (FIES) and Annual Poverty Indicators Survey (APIS) categorize income sources as follows:

- Income from salaries and wages
- Income from entrepreneurial activities
- Other sources
  - net share of crops, livestock, and poultry
  - cash receipts, assistance, support from abroad
  - cash receipts, assistance, support from domestic sources
  - rentals received from non-agricultural lands, buildings, etc.
  - interest from bank deposits and loans to other households
  - pension and retirement
  - dividends and investments
  - income from family sustenance activities
  - received gifts

The growth rate computed for income from salaries and wages is a weighted average of the corresponding sector growth with household employment share by sector obtained from the matching Labor Force Survey (LFS). Entrepreneurial activities can be easily classified by the major sector groupings. As for the growth rate applied to other incomes, the overall GDP growth rate was used.

On the other hand, household expenditures are grouped as follows:

- Food
- Fuel
- Other household expenses

Prices of food commodities and fuel are volatile and are deemed to affect the household spending behavior the most. Also, these are the commodity groups that had price spikes prior to the global financial crisis (GFC).

The sectoral growth rates applied are computed nominal annual growth rates for 2009. Likewise, the price indices are for 2009 with 2008 as base. The respective figures applied are in Table C1.

Another projection was computed to simulate the impact of the crisis. This estimate could have been the per capita incomes if the crisis had not occurred. The growth rates applied here are likewise based on the long-term trend resulting from the decomposition analysis discussed in Annex A. Nominal values of these growth rates are listed in the fourth column of Table C1.

Table C1 Nominal Growth Rates and Consumer Price Index

Growth Rates of	2006 Actual	2009 Actual	2009 Simulated	CPI (2008=1)	2006	2007	2009
GDP	8.18	1.25	5.15	All commodities	0.89	0.91	1.03
Agriculture	8.39	1.96	5.27	Food	0.86	0.89	1.06
Industry	7.82	(4.42)	1.68	Fuel and transport	0.91	0.94	0.97
Services	8.30	4.44	6.99	Others	0.93	0.95	1.02

( ) = negative number, CPI = consumer price index, GDP = gross domestic product.

Sources: Authors' estimate, based on National Income Accounts by the National Statistical Coordination Board.

Annex D

Employment Transition during the Food Crisis of 2007/2008

Using the panel data constructed for this study, one can trace as well the employment movements (e.g., shifts of workers from one sector to another) during the crisis. Unfortunately, only the Labor Force Survey (LFS) July rounds for 2007 and 2008 are available for this part of the study.[1] No similar LFS round for 2009 can be linked to the panel. Nonetheless, information gleaned from the 2007 and 2008 panel may shed useful information about labor market dynamics during a crisis. Note that this period coincides with the food crisis that preceded the global financial crisis.

Tables D1 and D2 present in matrix form the employment shifts by sector and by employment status, respectively. In both tables, four sets of figures are calculated: count (or frequency), overall percentage, row percent, and column percent. The row percentages indicate the category shares in 2008 of a particular category in 2007 (where the shares went in 2008). The column percentages, on the other hand, indicate the shares of various categories in 2007 for a specific category in 2008 (where the shares in 2008 are from 2007). For easier reference, each set of figures is shaded differently. Figures found at the diagonal of the matrix indicate no change in employment status.

In both periods, services remain to be the major sector of employment, followed closely by agriculture. Share of employment in industry is about 13% in both years. Of the 8,078 employed in 2007 and 2008, about 13% shifted to another sector. Retention is highest in agriculture, either viewed horizontally (88.6%) or vertically (89.0%). Most shifters moved to services in 2008. About 7.6% of those

Table D1 Matrix of Employment by Sector, 2007 vs. 2008

			2008			
			Agriculture	Industry	Services	Total
2007	Agriculture	Count	3,065	130	264	*3,459*
		Percent	37.9	1.6	3.3	*42.8*
		Row Percent	88.6	3.8	7.6	
		Column Percent	89.0	12.3	7.4	
	Industry	Count	122	771	144	*1,037*
		Percent	1.5	9.5	1.8	*12.8*
		Row Percent	11.8	74.4	13.9	
		Column Percent	3.5	72.9	4.0	
	Services	Count	257	157	3,168	*3,582*
		Percent	3.2	1.9	39.2	*44.3*
		Row Percent	7.2	4.4	88.4	
		Column Percent	7.5	14.8	88.6	
Total			*3,444*	*1,058*	*3,576*	*8,078*
			42.6	*13.1*	*44.3*	*100.0*

Sources: Authors' estimate, based on the augmented panel data.

[1] For both 2007 and 2008 LFS rounds, about 8,000 working household members were successfully matched.

Table D2 Matrix of Employment by Status, 2007 vs. 2008

			2008					
			Formal Sector		Informal Sector			
			Employer	Wage and Salary Worker	Self-Employed	Wage and Salary Worker	Unpaid	Total
2007 Formal	Employer	Count	195	57	204	3	15	*474*
		Percent	2.4	0.7	2.6	0.0	0.2	*5.9*
		Row Percent	41.1	12.0	43.0	0.6	3.2	
		Column Percent	37.4	1.6	6.9	1.4	1.8	
	Wage and Salary Worker	Count	67	2,853	364	31	117	*3,432*
		Percent	0.8	35.7	4.6	0.4	1.5	*42.95*
		Row Percent	2.0	83.1	10.6	0.9	3.4	
		Column Percent	12.9	81.8	12.4	14.8	14.2	
2007 Informal	Self-Employed	Count	239	385	2,187	20	149	*2,980*
		Percent	3.0	4.8	27.4	0.3	1.9	*37.29*
		Row Percent	8.0	12.9	73.4	0.7	5.0	
		Column Percent	45.9	11.0	74.2	9.6	18.1	
	Wage and Salary Worker	Count	2	53	27	143	15	*240*
		Percent	0.0	0.7	0.3	1.8	0.2	*3*
		Row Percent	0.8	22.1	11.3	59.6	6.3	
		Column Percent	0.4	1.5	0.9	68.4	1.8	
	Unpaid	Count	18	141	166	12	528	*865*
		Percent	0.2	1.8	2.1	0.2	6.6	*10.82*
		Row Percent	2.1	16.3	19.2	1.4	61.0	
		Column Percent	3.5	4.0	5.6	5.7	64.1	
Total			*521*	*3,489*	*2,948*	*209*	*824*	*7,991*
			6.5	*43.7*	*36.9*	*2.6*	*10.3*	*100.0*

Sources: Authors' estimate, based on the augmented panel data.

employed in agriculture in 2007 were employed in services after a year. Likewise with shifters out of industry, about 14% went to services in 2008.

The quality of employment can be evaluated depending on the employment status—wage and salaried worker or own-account worker. Furthermore, the source of the work contract also matters—whether from the formal or informal sector. In 2007, most workers belonged to the informal sector (and the opposite in 2008). However, if unpaid family workers are excluded, then the majority of the employed are in the formal sector (about 55% in 2007 and 54% in 2008). Looking at finer groupings in both periods, the majority of those employed are wage and salaried workers from the formal sector. Note the slight increase in 2008, from 3,432 to 3,489. On the contrary, own-account workers or those self-employed decreased in 2008.

Focusing on the formal sector, most employers in 2007 became self-employed (about 43% of employers in 2007) or a wage and salary worker (about 12%) in 2008. In contrast, less movement is observed among those employed under formal contracts (about 83%) though a sizable number (about 11%) shifted to the informal sector as self-employed in 2008.

Interestingly, there are more self-employed in 2007 who became employers in 2008 compared with those who were employers in 2007 and had to let go of employees in 2008. On a positive note, about 13% of those self-employed in 2007 were hired as wage and salaried workers in the following year.

Annex E

Report on the Rapid Appraisal

Background

To understand the breadth and depth of the impact of the crisis on the social and economic landscape of the Philippines, focused group discussions and key informant interviews were conducted with key representatives from the government, the private sector, civil society, and population groups in selected provinces. Aside from obtaining first-hand information on the direct and indirect effects of the crisis on the various sectors, these discussions and interviews aimed to find out the policies, programs, and actions undertaken by these groups to respond to the crisis.

The interviews were conducted in five locations: Davao Region, Cebu Province, Metro Manila, Laguna, and Ilocos Norte. These locations were selected based on the nature of the economic activities present or dominant in these locations that are inherently linked to global markets. A total of 37 agencies/firms/institutions were interviewed, engaging the participation of 100 informants.

Development of the Questionnaire

The interviews used seven sets of questionnaires, one for each type of sector/group included in the study. The questionnaires sought to determine the respondents' awareness of the crisis, actions undertaken to mitigate the crisis' impact, signs of recovery, and the respondents' post-crisis outlook. Seven forms were developed specifically tailored for each of the respondent groups.

Form 1:	Regional Offices of Line Agencies
Form 2:	Local Government Unit (LGU)–Based Officers
Form 3:	Chamber of Commerce and/or Business Groups or Associations
Form 4:	Business Firms
Form 5:	Plantation Cooperative Officers
Form 6:	Farm Workers and/or Farm Households
Form 7:	Firm Workers

The general outline of the forms is given in Box E1.

Box E1 Questionnaire Outline, Rapid Appraisal

A. Awareness of the crisis

This section aims to determine the respondents' awareness of the crisis occurrence. It gauges the extent of the respondents' knowledge of the causes and links of the crisis to their particular sector. At the same time, it asks the respondents to discuss the manifestations of the crisis in their respective areas/sectors/household activities.

B. Responses to the crisis and its impact

This section gathers information on the various policies, programs, projects, activities, and/or actions undertaken by the respondent groups to mitigate the effects of the crisis in their respective sectors. It also looks at the issues and/or challenges faced by the respondents during the implementation process and the expected outputs in implementing these measures.

C. Outlook

This section requests the respondents to identify indications of recovery (if any) and look at prospects for higher growth and/or development in their sectors. Respondents are also asked to identify constraints to their sector's growth. For the interviews with workers and households, respondents are asked to rate the changes in his/her household's welfare in the last 2 years (2008 and 2009) and in the coming year (2010).

Selection of Field Areas and Respondents

Locations included in the field interviews were selected due to the type of economic activities predominant in their areas. Areas that have links to global and/or international markets through trade are the ideal objects of study as it is posited that such areas are most vulnerable to the impact of the global financial crisis (GFC). As such, field interviews were conducted in Davao del Norte and Davao City in Davao Region, for their heavy agricultural exports of Cavendish bananas; Cebu Province and Cebu City, for their information technology (IT) and furniture exports industry; the municipality of Vintar and province of Ilocos Norte for the large number of overseas Filipino workers coming from these areas; Laguna for the large presence of economic zones for export manufacturers; and Metro Manila.

Respondents from these areas were solicited from national government agencies, LGUs, business groups, people's organization, and firms. The groups included in the interviews are listed in Table E1.

For government line agencies outside Metro Manila, respondents were the regional directors and/or their representatives. Respondents from the central/head office were representatives of the Office of the Secretary, Director-General, or Administrator.

Table E1 Respondents

National Government Agencies	Department of Labor and Employment (DOLE)
	Department of Social Welfare and Development (DSWD)
	Department of Trade and Industry (DTI)
	Technical Education and Skills Development Authority (TESDA)
	Overseas Workers Welfare Administration (OWWA)
	Philippine Economic Zone Authority (PEZA)
	National Economic and Development Authority (NEDA)
Local Government Units	Province of Cebu
	Province of Davao del Norte
	Province of Ilocos Norte
	City of Davao
	City of Cebu
	Municipality of Vintar
Business Groups	Davao City Chamber of Commerce, Inc. (DCCCI)
	Cebu Chamber of Commerce, Inc. (CCCI)
	Philippine Chamber of Commerce, Inc. (PCCI)
	Makati Business Club (MBC)
	Semiconductors and Electronics Industries in the Philippines, Inc. (SEIPI)
	Business Processing Association of the Philippines (BPAP)
	Cebu Furniture Industries Foundation, Inc. (CFIF)
	Cebu Investment Promotion Center (CIPC)
People's Organization	AMS Employees Fresh Fruit Producers Cooperative (AMSEFFPCO)
Firms	Coast Pacific Manufacturing Corp *(furniture industry)*
	Obra Cebuana *(furniture industry)*
	SPi *(BPO industry)*
	Unifrutti *(banana export industry)*

For LGUs, the respondents included representatives from the Provincial/City/Municipal Planning and Development Office, Agriculture Office, Health Office, Social Welfare and Development, Engineer's Office, Administrator's Office, and Economic Enterprise. Focused group discussions were used in all LGUs, except in Cebu City and Vintar where, instead, interviews were conducted with the city's vice mayor and municipal administrator, respectively.

Interviews with the business groups were participated in by at least one executive committee officer of the group. Interviews with firms included a key officer of the company. The focused group discussion with the AMS Employees and Fresh Fruit Producers Cooperative (AMSEFFPCO) included all the officers of the cooperative.

Field Interview Schedule

Field interviews and focused group discussions were conducted by members of the APPC study team composed of consultants and research assistants. Interviews began on 26 October and lasted until 17 December 2009. The first leg of the interviews was conducted in Davao, followed by the Cebu leg, and capped by the Luzon interviews. The schedules of interviews were as follows:

Table E2 Interview Schedule

26–30 October 2009 (Davao)	
DSWD–Region 11	Davao del Norte Provincial Government
DTI–Region 11	AMSEFFPCO
Davao City Government	AMSEFFPCO Households
Davao City Chamber of Commerce and Industry, Inc.	DOLE–Region 11
	TESDA–Region 11
NEDA Region 11	
Unifrutti	
17–20 November and 1 December 2009 (Cebu)	
DTI–Region 7	DSWD Region 7
TESDA–Region 7	Cebu City Government
OWWA–Region 7	Obra Cebuana
NEDA–Region 7	Obra Cebuana Workers
Cebu Province Government	Cebu Furniture Industries Foundation, Inc.
Cebu Chamber of Commerce & Industry, Inc.	Coast Pacific Manufacturing Corp.
Cebu Investment Promotion Center	
23 November–17 December 2009 (Luzon)	
Makati Business Club	Philippine Chamber of Commerce, Inc.
OWWA–Head Office	SPi
TESDA–Head Office	Business Processing Association of the Philippines
Municipality of Vintar	Laguna Technopark Institute
Ilocos Norte Province	Semiconductors and Electronics Industries in the Philippines, Inc.
DOLE–Head Office	
DTI–Head Office	Philippine Economic Zone Authority

Attachment 1 Rapid Appraisal Fieldwork Summary

Date	Category	Agency/Institution	Location of Interview	Activity	Person Interviewed
26 Oct (Monday) 9 a.m.	National government agency	Department of Social Welfare and Development (DSWD)–Region 11	DSWD Region 11 Office Ramon Magsaysay cor. Suazo St, Davao City	Interview	Ms. Maria Vigil, Technical Division Chief Mr. Nestor Stampa, Technical Division
26 Oct (Monday) 11 a.m.	National government agency	Department of Trade and Industry (DTI)–Region 11	DTI Region 11 4th floor, Mintrade Bldg., Monteverde Ave. cor. Sales St, Davao City	Interview	Mr. Teolulo Pasawa DTI Director–Davao City Office
26 Oct (Monday) 1:30 p.m.	Local government unit	Davao City Government	Davao City Hall	Focused Group Discussion	Ms. Florencia Cayon, CPDO Ms. Loraida P. Fabro, CPDO
26 Oct (Monday) 3 p.m.	Business group	Davao City Chamber of Commerce and Industry, Inc.	2nd Floor, DCCCI Bldg., JP Laurel Ave., Davao City	Interview	Mr. Simeon Marfori, President Mr. John Gaisanao, Member Board of Trustees
27 Oct (Tuesday) 9 a.m.	National government agency	National Economic and Development Authority (NEDA)– Region 11	NEDA XI Km. 7, SPED Area, Bangkal, Davao City	Interview	Ms. Maria Lourdes Lim, Regional Director
27 Oct (Tuesday) 3 p.m.	Firm	Unifrutti	Paglas Compound Mamay Road, Lanang, Davao City	Interview	Mr. Edgar Bullecer, Group Head, Corporate External Relation and Environmental Management
28 Oct (Wednesday) 9 a.m.	Local government unit	Davao del Norte Provincial Government	Provincial Capitol, Tagum City Davao del Norte	Focused Group Discussion	Mr. Rafael I. Erfe, PPDC Mr. Rufo L. Peligro, Provincial Administrator
28 Oct (Wednesday) 2 p.m.	Firm and/or cooperative	AMS Employees Fresh Fruit Producers' Cooperative–(AMSEFFPCO)	AMSEFFPCO Farm Panabo	Focused Group Discussion	Mr. Dionisio Gutierrez, Jr., President
28 Oct (Wednesday) 2 p.m.	Workers and households	AMSEFFPCO households	AMSEFFPCO Farm Panabo	Focused Group Discussion	c/o Mr. Dionisio Gutierrez Jr., President Ms. Betty Alconera, Department of Agrarian Reform–BDCD
30 Oct (Friday) 8:30 a.m.	National government agency	Department of Labor and Employment (DOLE)–Region 11	DOLE–Region 11 Office Davao City	Interview	Mr. Paul Cruz Sr., LEO, TRU Unit Head
30 Oct (Friday) 9 a.m.	National government agency	Technical Education and Skills Development Authority (TESDA) –Region 11	TESDA–Region 11 Office, Davao City	Interview	Mr. Elmer Talavera, Regional Director

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Attachment 1 *continued*

Date	Category	Agency/Institution	Location of Interview	Activity	Person Interviewed
17 Nov (Tuesday) 8:30 a.m.	National government agency	DTI–Region 7	DTI–Region 7 3/F WDC Bldg. Osmeña cor. P. Burgos, Cebu City	Interview	Ms. Victoria Diaz, Chief of Trade and Industry Development Specialist
17 Nov (Tuesday) 10:30 a.m.	National government agency	TESDA–Region 7	TESDA–Region 7 Office, Archbishop Reyes Ave., Cebu City, Cebu	Interview	Ms. Rosanna Urdaneta, Regional Director
17 Nov (Tuesday) 10:30 a.m.	National government agency	Overseas Workers Welfare Administration (OWWA)–Region 7	Mezzanine Floor, LDM Bldg., MJ Cuenco Ave. cor. Legazpi St, Cebu City	Interview	Ms. Mae D. Codilla, OIC Director
17 Nov (Tuesday) 1:30 p.m.	National government agency	NEDA–Region 7	REGION VII NEDA Region 7, Government Center, Sudlon, Lahug, Cebu City	Interview	Ms. Marlene Catalina P. Rodriguez, Regional Director
18 Nov (Wednesday) 8:30 a.m.	Local government unit	Cebu Province Government	2/F East Wing, Cebu Capitol, Cebu City	Focused Group Discussion	Engr. Adolfo Quiroga, Provincial Planning and Devt. Coordinator
18 Nov (Wednesday) 10:30 a.m.	Business group	Cebu Chamber of Commerce & Industry	11th and 13th Avenues, North Reclamation Area, Cebu City 6000	Interview	Teodoro Locson, Vice President for External Affairs Relations Division
18 Nov (Wednesday) 2 p.m.	Business group	Cebu Investment Promotion Center	Lower Ground Floor, Marco Polo Hotel, Cebu City	Interview	Mr. Alberto T. Gumarao, Deputy Center Manager
19 Nov (Thursday) 10:30 a.m.	National government agency	DSWD–Region 7	7/F MJ Cuengco Ave., Cebu City	Interview	Ms. Nemia Antipala, Assistant Director
19 Nov (Thursday) 3 p.m.	Local government unit	Cebu City Government	Cebu City Hall M.C. Briones St., Brgy. Sto. Niño, Cebu City	Interview	Hon. Michael Rama, Vice–Mayor
19 Nov (Thursday) 3:30 p.m.	Firm	Obra Cebuana	Arcenas Compound, Banawa, Cebu City	Interview	Mr. Erwin Rivera, General Manager Ms. Edith Banggo, Production Manager
19 Nov (Thursday) 3:30 p.m.	Workers and households	Obra Cebuana	Arcenas Compound, Banawa, Cebu City	Focused Group Discussion	Mr. Dongdong Tradia and Mr. Trasio Ernesto, workers at Obra Cebuana
20 Nov (Friday) 10:30 p.m.	Business group	Cebu Furniture Industries Foundation, Inc. (CFIF)	Coast Pacific St, Mahiga Creek, Kasambagan, Banilad, Cebu City	Interview	Ms. Cristina Lo, member, Board of Directors
20 Nov (Friday) 10:30 p.m.	Firm	Coast Pacific Manufacturing Corp.	Coast Pacific St., Mahiga Creek, Kasambagan, Banilad, Cebu City	Interview	Ms. Cristina Lo, Vice President

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Attachment 1 *continued*

Date	Category	Agency/Institution	Location of Interview	Activity	Person Interviewed
23 Nov (Monday) 1:30 p.m.	Business group	Makati Business Club (MBC)	MBC Office 2nd floor, AIM Business Center, Makati City	Interview	Mr. Alberto Lim, Executive Director
24 Nov (Tuesday) 9 a.m.	National government agency	OWWA–Head Office	OWWA Head Office, Pasay City	Focused Group Discussion	Ms. Vivian Tornea, Director for Policies and Programs Development Office Ms. Elvira Ador, Chief for Planning and Program Development Division
24 Nov (Tuesday) 2:30 p.m.	National government agency	TESDA–Head Office	TESDA Office, Taguig City	Interview	Ms. Milagros Dawa-Hernandez, Deputy Director General
27 Nov (Friday) 8 a.m.	Local government unit	Municipality of Vintar	Vintar Municipal Hall	Interview	Mr. Romeo Foronda, Municipal Administrator
27 Nov (Friday) 10:30 a.m.	Local government unit	Ilocos Norte Province	Provincial Capitol, Laoag City	Focused Group Discussion	Engr. Pedro Agcaoile, Provincial Planning and Development Coordinator
1 Dec (Monday) 10:30 a.m.	National government agency	DOLE–Region 7	2nd Floor, GMC Plaza, MJ Cuenco Ave. cor. Legazpi St., 6000 Cebu City	Interview	Mr. Efren Vito and Ms. Ma. Teresa, Tanquiamco, Sr. Employment Officers
3 Dec (Thursday) 11 a.m.	National government agency	DOLE–Head Office	DOLE Office, Intramuros, Manila	Interview	Ms. Dominique Tutay, Director, Planning Services Export
3 Dec (Thursday) 1:30 p.m.	National government agency	DTI–Head Office	6th Floor, DTI International Office, Sen. Gil Puyat Ave., Makati City	Interview	Ms. Emmarita Mijares, Deputy Executive Director, Development Council
3 Dec (Thursday) 4 p.m.	Business group	Philippine Chamber of Commerce	PCCI Office 3rd Floor, ECC Bldg., Sen. Gil Puyat Ave., Makati City	Interview	Ms. Edgardo Lacson, President Mr. Jesus Varela, Chairman for Trade and Industry Committee
8 Dec (Tuesday) 9 a.m.	Firm	SPi	SPi Building, Pascor Drive, Sto. Nino, Parañaque City, Metro Manila	Interview	Mr. Srinivasan K. Govindarajan, Senior Manager, Marketing
11 Dec (Friday) 4 p.m.	Business group	Business Processing Association of the Philippines (BPAP)	UCC, Podium Mall, Mandaluyong City, Metro Manila	Interview	Ms. Gillian Joyce G. Virata, Executive Director, Information and Research

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Attachment 1 *continued*

Date	Category	Agency/Institution	Location of Interview	Activity	Person Interviewed
15 Dec (Tuesday) 10 a.m.	National government agency	Laguna Technopark Institute	Administrator's Office, LTI I, Sta. Rosa, Laguna	Interview	Ms. De Guzman, Zone Administrator
16 Dec (Wednesday) 11 a.m.	Business group	Semiconductors and Electronics Industries in the Philippines, Inc (SEIPI)	RCBC Bldg., Makati City	Interview	Mr. Ernie Santiago, President
17 Dec (Thursday) 11 a.m.	National government agency	Philippine Economic Zone Authority–PEZA	PEZA Office Roxas Blvd., Pasay City	Interview	Atty. Lilia de Lima, Director-General

Detailed notes on the interviews are available upon request.

Annex F

Report on the Ilocos Norte Panel Survey

Survey Background

As this study aims to analyze the social consequences of the global financial crisis (GFC) in the Philippines, a survey was carried out to determine the impact of the crisis at the household level. The survey focused on the effect of the crisis particularly on the following: (i) labor and/or employment status of the household in the past 3 years; (ii) transfers (if any), particularly foreign remittances; and (iii) household expenditures. The survey also sought to determine the household's awareness and utility of services provided by different sectors to mitigate the effects of the crisis.

The survey was carried out in two municipalities in Ilocos Norte: Batac and Vintar. These areas were selected based on a previous survey conducted by the Asia-Pacific Policy Center in 2007 for the study "The Effects of Parents' Migration on the Rights of Children Left Behind" under the United Nations Children's Fund (UNICEF). Since the 2007 survey gathered information on household expenditure and household member profile, linking these data to the current status of the households provides historicity for the study on the GFC impacts.

Similar to the previous survey, the GFC household survey was conducted in eight barangays across the two municipalities. Households with an overseas Filipino worker (OFW) member were the treatment group while households without an OFW were the control group. All in all, 248 households were revisited.

The section briefly describes the activities implemented for the Global Financial Crisis Household Survey.

Development of the Questionnaire

Two sets of questionnaires were used, one for each type of respondent households. The first—Form1A—is for the households with OFWs, while the second—Form1B—is for households without OFWs. The questionnaires were based on the survey in 2007. Appropriate modifications were made on these questions.

Questionnaire for the household with OFW member (Form1A)

This questionnaire was only answered by households with OFW members. It had the same questions as those for households without OFW members except that it had additional questions on the employment status of the OFWs, transfers (particularly foreign remittances), and awareness and utility of the available OFW services.

Questionnaire for the household without OFW member (Form1B)

This questionnaire inquired about the composition, characteristics, and detailed expenditure of the household without an OFW member. It also asked about the general awareness of the household to the recent global financial crisis and how it has affected the household.

Both questionnaires were crafted as outlined below. Sections C to F were only included in questionnaire Form1A. For households tagged as non-OFW households in the 2007 survey, a qualifying question was asked at the start of the survey, determining if any member of the household had become an OFW since 2008. If the answer was affirmative, that particular household was to answer Form1A instead of Form1B.

The survey questionnaires were translated to Iluko, the local language in Ilocos Norte. The translation was finalized with the help of the local collaborator.

Engaging a Local Collaborator

To aid the Asia-Pacific Policy Center (APPC) in conducting the survey, the assistance of a local collaborator from Ilocos Norte was sought. As in the 2007 survey, the Extension Directorate of the Mariano Marcos State University (MMSU) was again tapped to be the local collaborator. For this engagement, Box F1 Questionnaire Outline, Panel Survey

A. Identification and Other Information

This section serves as the Respondent Locator for each of the questionnaires. It gathers general information for future reference of the survey.

B. Household Demographic Characteristics

This section gathers basic information on the current composition of the household and the socioeconomic information on the current members of the household such as sex, age, highest education attainment, and employment status.

C. Migration History

This section requests information on the overseas Filipino worker (OFW) members of the household. The respondent is asked to outline the migration history of the OFW member, including the motivation for migration, and initial plans of the OFW member prior to migration. The country, year, and nature of work for the three most recent overseas employment positions of the OFW member are also recorded.

D. Information on the Current OFW Household Members

This section gathers information on the current status of OFW household members in order to capture the effects of the crisis (if any) on the employment experience of the OFWs. Here, the status of the OFW household member is asked for each year before and during the crisis. Questions on the reason for unemployment and on plans of return to work of OFW members that are currently not working are asked.

E. Information on the Household Member's Organization

This section gathers information on the connections and network of the OFW household member. The respondent is asked of organizations that the OFW household member is part of and the services the latter has availed of from these organizations.

F. Information on the Awareness of OFW Services

The respondent is asked to identify government and nongovernment programs for OFWs and their families that he/she is aware of and that have been availed of by the household. It also asks the reason(s) for non-availment of the programs.

G. Housing Characteristics

Characteristics of the respondent's housing structure are recorded. The enumerator's observations on roof and wall material, number of rooms, and floor area of the housing unit are recorded. Information on the number of water-sealed faucets is provided by the respondent.

H. Household Expenditure

This section determines the actual disbursement of the household for each expenditure item in the past 6 months. Expenditure items included are food, clothing, education, durable furnishings, non-durable furnishings, life insurance, health insurance, pre-need plans, and communication. Amount of money deposited to bank by the household is also asked.

I. Global Financial Crisis

This section aims to determine the awareness of the respondent regarding the recent global financial crisis and the effects of the crisis on any member of the household. It also gathers information on the household's awareness and utility of services provided by different sectors to mitigate the negative effects of the crisis. Furthermore, it requests the respondent to rate the changes in his/her household's welfare in the last 2 years (2008 and 2009) and in the coming year (2010).

MMSU provided assistance by providing manpower in conducting the household survey and in encoding the survey responses.

Development of Interviewer's Manual

An enumerator's manual was prepared to serve as a guide during the training. The manual has five sections. The first section contains the background and objectives of the study. The second section outlines the role of the interviewer; it discusses the do's and don'ts in introducing oneself, accomplishing the survey, and concluding the interview. The third section pertains to the protocol for locating and selecting respondents, and provides the list of respondents or households. The fourth section provides the protocol for filling out the questionnaire. An instruction on how the questions are to be asked is listed in detail. Lastly, the fifth section provides instructions for accomplishing the household tracking form for respondents that no longer reside at their previous address.

Training of Survey Enumerators

A 1-day training workshop for enumerators was conducted on 26 November 2009 at MMSU Extension Office Conference Room in Batac, Ilocos Norte before the survey operations. It discussed the background and purpose of the survey and each section of the questionnaire. Specific instructions were given to the enumerators on how to fill out the questionnaires and how to address possible concerns of respondents. The workshop involved a mixture of lectures, open discussions, and mock interviews. It was attended by 23 enumerators and supervisors of MMSU.

Survey Proper

Four barangays were covered in each of the two survey municipalities. Based on the 2007 survey, there were 122 households with OFW members and 126 households without OFW members. The respondents were located through the list provided by the APPC and with the help of the barangay officials of the survey areas.

Data were collected immediately the weekend after the training. The first day of survey operations covered barangays Tamdagan and Dipilat of Vintar. On the second day, the enumerators were divided into two teams with one team supervisor each. The first team went to Alejo Malasig and Lubnac in Vintar, and Baligat in Batac. The other team went to Tabug, Palongpong, and Baay in Batac.

Household interviews with OFW members lasted from 20 to 40 minutes. Household interviews without OFW members lasted from 10 to 30 minutes.

Completed questionnaires were reviewed to check for errors. For those with errors, enumerators who conducted the particular interview were requested to conduct callbacks.

A total of 238 households were surveyed for the GFC study. Ten households were not covered due to change in address to locations outside the survey areas.

Table F1 Survey Schedule

2 November 2009 (Saturday)	
Tamdagan, Vintar	
Dipilat, Vintar	
29–30 November 2009 (Sunday and Monday)	
Team A:	**Team B:**
Alejo Malasig, Vintar	Tabug, Batac
Lubnac, Vintar	Palongpong, Batac
Baligat, Batac	Baay, Batac
5–6 December 2009 and 29–30 January 2010	
Callback schedule for completed questionnaires with errors	
1–9 December 2009	
Checking of completed questionnaires	
10–15 December 2009	
Encoding of survey responses	

Sources: Authors' Ilocos Norte panel survey.

Field Monitoring

Research assistants from APPC were deployed to monitor the survey operations. Serving as representatives of APPC, they provided information to APPC on how the survey was being conducted and checked the performance of the collaborator to ensure the validity and correctness of the information being gathered.

Data Processing

The questionnaires went through different stages of editing and electronic encoding. The field monitors were asked to edit the questionnaires. They went through the questions one by one to ensure the correctness and consistency of the responses.

Prior to the editing of the questionnaires, a coding manual was prepared. Most of the codes were taken from the coding manual of the 2007 survey. For the open-ended questions, the field monitors provided listings of responses. Responses for each question were given system codes. As the editing continued, additional codes were added to responses that could not be categorized using the existing codes.

A program in MS Access was used for the encoding of the questionnaires. The help of a computer expert was sought to make the encoding program efficient. A second encoding was done to check the accuracy of inputted data in the program.

The consistency of the responses and data cleaning were further verified after the encoding stage. For the preparation of the panel data, households previously tagged as non-OFW households in the 2007 survey but that have family members who became OFWs in 2008 or 2009 were retagged as OFW households. Households that were not interviewed in the 2009 survey and whose composition changed were removed from the panel. Thus, the true panel consisted of 229 sample households.

Survey Results

A total of 229 households were interviewed for the 2009 GFC survey, covering four barangays each from the municipalities of Batac and Vintar, Ilocos Norte. The survey, including both OFW and non-OFW households, covered the same respondents as the 2007 survey.

Table F2 Number of Households Surveyed

Municipality	Barangay	OFW	Non-OFW
Batac	Baay	16	15
	Baligat	10	15
	Palongpong	13	15
	Tabug	12	15
Vintar	Dipilat	14	14
	Lubnac	14	15
	Malasig	15	14
	Tamdagan	13	19
Total		**107**	**122**

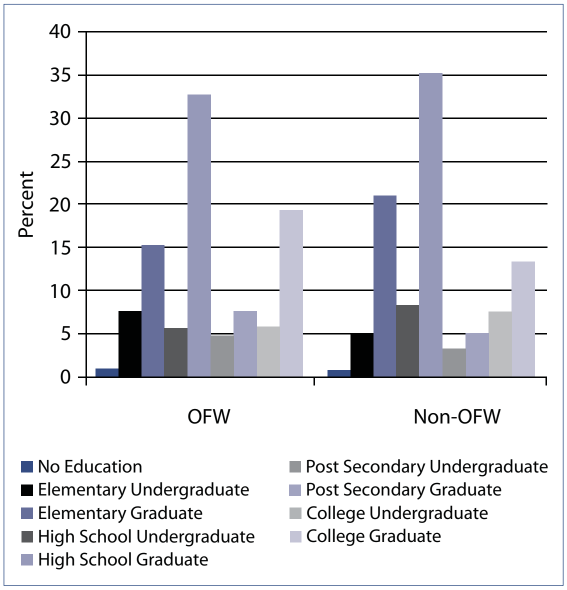
OFW = overseas Filipino worker.

Source: Authors' Ilocos Norte panel survey.

General Characteristics of the Household Head

As in 2007, the heads of households of the GFC survey were mostly male with a mean age of 49.6 years for OFW households and 47.7 years for non-OFW. The majority of household heads were at most high school graduates (34%). Overall, 16% earned a college degree while 6% completed a post-secondary course. Heads from OFW households had higher educational attainment than those from

Figure F1 Educational Attainment of Household Heads



OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

non-OFW households: 70.2% had at least a high school diploma (5.5 points higher than non-OFW household heads) and 19.2 % were college graduates (only 13.4% for non-OFW household heads).

The majority of household heads (47%) were wage earners, either working in private households, farms or establishments, or government agencies and/or Government Owned and Controlled Corporations (GOCCs). About 37% were self-employed or employers in their own farms or non-farm businesses. The remaining 13% were unemployed or homemakers.

There are differences in the employment profile of OFW and non-OFW household heads. More were either unemployed (11.2%) or homemakers (7.5%) among OFW household heads than non-OFW household heads. Meanwhile, more non-OFW household heads were engaged in farm-related activities, whether as employer of own farm or as worker for someone else's farm.

General Characteristics of the Household

Household Members Profile

The average size of households in 2009 did not vary from 2007, with the number of members remaining at 5.4. Prime adults (23–44 years old) composed the

Table F3 Class of Worker of Household Head (%)

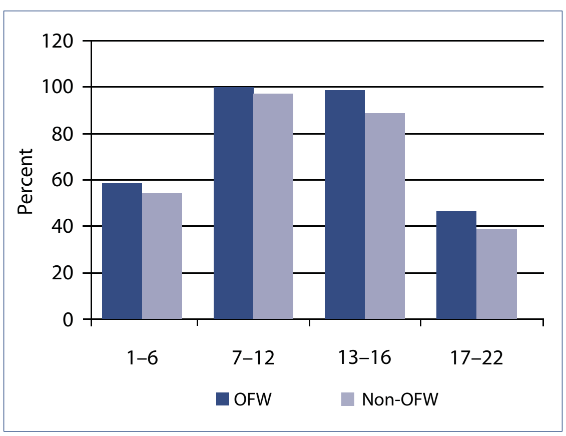
Class	OFW	Non-OFW	Overall
Unemployed	11.2	5.8	8.4
Worked for own household (homemakers)	7.5	3.3	5.3
Worked for private household	5.6	11.7	8.8
Worked for private establishment	25.2	5.8	15.0
Worked for government and/or GOCC	5.6	8.3	7.0
Self-employed without any employee(s)	11.2	16.7	14.1
Employer in own-family operated farm	18.7	20.8	19.8
Employer in own-family operated non-farm business	2.8	3.3	3.1
Unpaid worker in family operated farm or business	1.9	3.3	2.6
Worked for somebody else's farms	10.3	20.8	15.9
Total	100.0	100.0	100.0

GOCC = Government-Owned and Controlled Corporations, OFW = overseas Filipino worker.
Source: Authors' estimate, based on Ilocos Norte panel survey.

majority of the 2009 survey samples' classification by age group. Although non-OFW households may have more school-age members than OFW households, the latter had higher education investment than the former. The treatment group had higher enrolment rates and more students enrolled in private schools (20%) than the control group (12%). Similarly, the educational attainments of those from OFW households were generally higher: 54% had at least a high school diploma (6 points higher than non-OFW households) and 14% were college graduates (only 8% among non-OFW households).

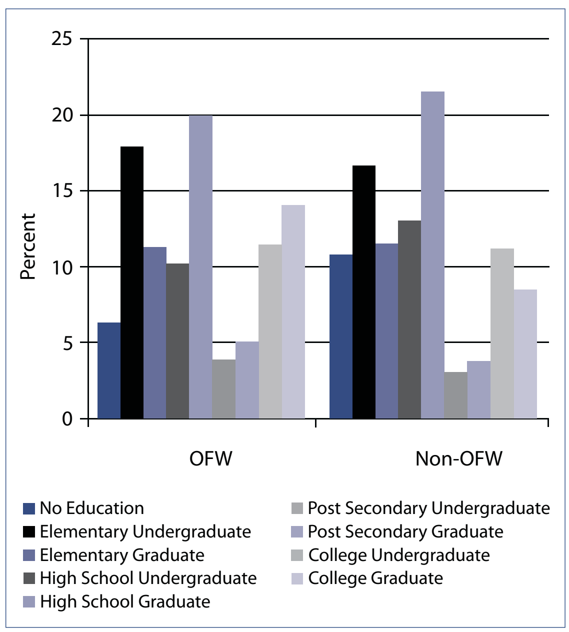
Overall, unemployment among those 15–65 years of age was generally high. Non-OFW households were more engaged in agricultural activities than OFW households. Meanwhile, OFW households were more inclined to work as wage earners for private or government establishments or for other farms than non-OFW households. It should be noted, however, that the data do not necessarily reflect unemployment rates of Batac's and Vintar's labor force.

Figure F2 Enrolment Rate by Age Group



OFW = overseas Filipino worker.
Source: Authors' estimate, based on Ilocos Norte panel survey.

Figure F3 Educational Attainment of Household Members



OFW = overseas Filipino worker.
Source: Authors' estimate, based on Ilocos Norte panel survey.

Table F4 Class of Worker 15–65 Years Old (%)

Class	OFW	Non-OFW	Overall
Unemployed	26.6	36.1	31.6
Worked for own household (homemakers)	10.4	15.2	12.9
Worked for private household	19.0	6.4	12.4
Worked for private establishment	19.5	5.2	12.0
Worked for government and/or GOCC	4.9	6.7	5.8
Self-employed without any employee(s)	4.7	7.1	6.0
Employer in own-family operated farm	8.1	9.7	8.9
Employer in own-family operated nonfarm business	1.3	2.4	1.9
Unpaid worker in family operated farm or business	0.5	1.4	1.0
Worked for somebody else's farms	4.9	9.7	7.5
Total	100.0	100.0	100.0

GOCC = Government-Owned and Controlled Corporations, OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Interestingly, the average number of non-OFW household members (treatment group) aged 15 years and above with work grew between 2007 (1.4%) and 2009 (2.3%). However, for OFW households (control group), the number decreased by 26%, from 2.4% to 1.7%, for the same period.

Household Characteristics

Roofs made of strong materials, such as galvanized iron, aluminum, tile, and concrete were found in 91.6% of the households from the treatment group. Some 83.2% of households from this group also had walls made of strong materials. Only 7% had houses with floor area of less than 10 square meters (m^2). Most houses had 3–5 rooms and at least one water-sealed faucet inside the home.

Similarly, the majority of the control group, albeit fewer than households of the treatment group, used strong materials for their roofs (76.2%) and walls (60.7%). About 15% of the houses were less than 10 m^2 in floor area size. More than half (52%) of the houses had 3–5 rooms. However, the majority of households had no water-sealed faucet.

A decline in housing conditions was observed in some households between 2007 and 2009. Materials for the roofs and walls had been downgraded from the strongest material to others less sturdy. Some who used to have functioning water-sealed faucets, showers, or toilets no longer had these amenities.

Despite the decline in share of household expenditures, food continued to be the largest commodity expense. Within the treatment group, decreases in spending for clothes, and pre-need and insurance plans were seen. Significant increases in spending were seen for expenditures in communications, education, and nondurable furnishings. Meanwhile,

Table F5 Quality of Human Capital

	Treatment			Control					
	2007	2009		2007	2009		Ddiff	D%diff	
Enrolled household members	2.06	2.15		2.20	1.93	–	0.37	0.17	+
School-age household members	1.56	1.50		1.77	1.63		0.08	0.04	
Working household members	1.43	2.31	+++	2.36	1.74	– – –	1.50	0.88	+++

Notes: +++, ++, + sign is positive and significant at the 1%, 5%, and 10% level, respectively.
– – –, – –, – sign is negative and significant at the 1%, 5%, and 10% level, respectively.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Table F6 Housing Characteristics (%)

	Treatment			Control				
	2007	2009		2007	2009		Ddiff	D%diff
Strong roof	94	92		79	76		0.00	0.00
Predominantly strong roof	5	7		7	16	++	−0.05	−0.51
Strong wall	90	83	–	66	61		−0.02	0.00
Predominantly strong wall	8	14	+	18	21		0.02	0.48
1–2 rooms	11	12		30	35		−0.05	−0.11
3–5 rooms	71	69		58	52		0.04	0.07
6 or more rooms	18	19		12	12		0.01	0.05
Less than 10 m^2 floor	8	7		10	15		−0.06	−0.61
10–49 m^2 floor	23	41	+++	44	57	++	0.05	0.46
50–89 m^2 floor	47	31	– –	34	16	– – –	0.01	0.17
90 or more m^2 floor	21	21		11	11		−0.01	−0.04
No faucet	14	31	+++	23	40	+++	−0.01	0.44
1–2 faucets	34	17	– – –	52	35	– – –	−0.02	−0.18
3 or more faucets	52	52		25	25		0.00	0.03

m^2 = square meter.

Notes: +++, ++, + sign is positive and significant at the 1%, 5%, and 10% level, respectively.
– – –, – –, – sign is negative and significant at the 1%, 5%, and 10% level, respectively.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Table F7 Yearly Per Capita Expenditure (in 2009 P)

	Treatment			Control					
	2007	2009		2007	2009		Ddiff	D%diff	
Amount in bank	2,356	3,987		245	333		1,542	0.33	+
Clothes	1,925	1,443	–	1,453	1,184		−212	−0.06	
Communication	742	1,564	+++	58	807	+++	72	−11.80	
Durable furnishings	1,311	1,512		476	1,352	++	−675	−1.69	
Education	5,200	6,608	+	5,376	5,135		1,650	0.32	+
Food	12,731	12,032		10,618	10,924		−1,005	−0.08	
Gifts and/or contributions	685	589		469	469		−94	−0.14	
Health insurance	757	96	–	45	90	+	−706	−1.86	–
Life insurance	2,017	1,268		196	78	–	−631	0.23	–
Nondurable furnishings	69	600	+++	83	309	+++	304	4.90	+
Pre-need insurance	446	318		79	45		−94	0.15	
Total expenditures	25,545	26,126		17,383	20,396		−2,432	−0.15	
Expenditure + bank savings	26,831	29,118		17,629	20,857		−941	−0.10	

Notes: +++, ++, + sign is positive and significant at the 1%, 5%, and 10% level, respectively.
– – –, – –, – sign is negative and significant at the 1%, 5%, and 10% level, respectively.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Table F8 Asset Acquisition from 2008–2009

	OFW (%)	Non- OFW (%)
Increased savings (in the bank)	21	2
Life insurance	5	2
Education plan	6	2
Health insurance	11	7
Bank account for the child(ren)	13	6
Decreased debt	28	32
House	16	18
Lot	18	15
Small farm	1	0
Vehicle	31	22
Appliances	4	1
Furniture	2	0
Animals	4	2
Agricultural tools	0	1

OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

among households in the control group, there was an increase in all expenditure items except in education, life insurance, and pre-need insurance. On the other hand, spending on communications, durable and nondurable furnishings, and health insurance increased significantly.

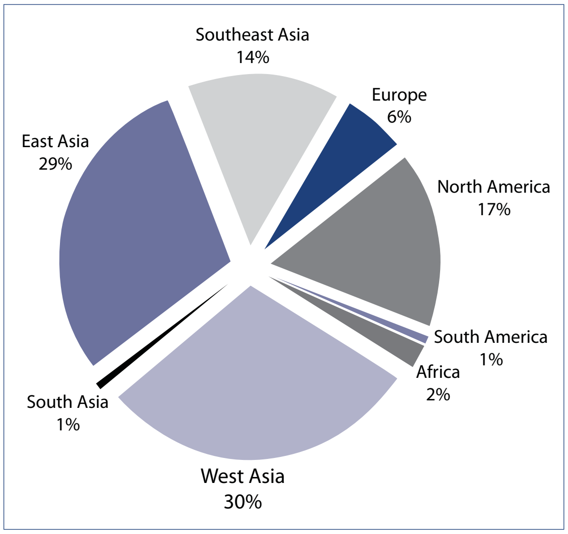
It thus appears that households had enjoyed a higher quality of life since 2007. A substantial percentage of households were able to invest their monies in real estate with the purchase of a house, lot, or farm. Others acquired durable assets such as vehicles. At the same time, the savings rate among households increased; this was more pronounced among OFW households whose savings increased from 8.8% to 13.7%.

Migration Experience of OFW Household Members

Profile of OFWs

The number of OFWs had increased steadily over the years, with the bulk (about 31%) beginning work abroad only after 2005. Almost all respondents indicated monetary reason as a motivation for deciding to work abroad, seeing it as an opportunity to earn a higher income, provide a good

Figure F4 Location of Latest Job Overseas



Source: Authors' estimate, based on Ilocos Norte panel survey.

education for their children, and save money for their future. Of the OFWs, 79% viewed their migration for work as a temporary arrangement, lasting for only a maximum of 10 years.

Most OFWs were prime adults (23–44 years old). Fifty-nine percent were males, mostly engaged as workers on construction sites, in manufacturing, and on marine vessels. Of the female OFWs, 79% were domestic helpers and 13% worked as nurses or caregivers. The remaining OFWs worked in government offices, had desk jobs in private firms, or worked in other service-related industry (waiter, chef, and others).

The majority of OFWs worked in Asia: 30% were in West Asia (Middle East), 29% in East Asia (People's Republic of China; Japan; Hong Kong, China; Macau, China; Taipei,China), and 17% in other Southeast Asian countries. Following Asia, OFWs also flocked to North America, particularly Canada and the US, for employment opportunities.

Of the current number of OFWs, 93% continued to send remittances to their families in the Philippines. The most common method for sending money from abroad was through banks. Some used door-to-door services while others used other financial institutions, their employment agencies, or friends and family members to send money.

Table F9 Awareness and Availment of Overseas Filipino Worker Services

	Aware (%)	Availed (%)
National Government (NG)	5	0
Insurance and health care program benefits	19	7
Credit Program for OFWs	7	1
Education and training benefits	4	2
Repatriation program	1	1
Reintegration program	0	0
OFW Groceria project	1	1
Model OFW and/or Family of the Year Awards	1	1
Local government unit	5	1
Nongovernment organization	6	1
Church	5	1
POEA	1	1
RIC loan program	1	1
OWWA	1	1
SSS	1	1

OFW = overseas Filipino worker, OWWA = Overseas Workers Welfare Administration, POEA = Philippine Overseas Employment Administration, RIC = Rural Improvement Club, SSS = Social Security System.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Only 13% of OFWs were members of any organization. Of these, only a few have availed themselves of support services offered by their organizations, such as medical services and relief good operations.

Despite the availability of numerous OFW-related services provided by national and local government agencies, nongovernment organizations, and other private sector firms, only a few OFW households were aware and had availed themselves of services provided by these groups. It appears that OFW households were more interested in programs related to insurance and health care.

Employment Experience during the Global Financial Crisis Period

The brunt of the impact of the global financial crisis (GFC) was most evidently felt in developed countries, given their more integrated and complex financial systems. For a developing country such as the Philippines whose major exports include labor, understanding the extent of the impact warrants examination of the experience of OFWs in the past 2 years.

Table F10 Reasons for Returning from Overseas Employment in 2009

Reason for Returning	Frequency	Share (%)
Vacation	1	8
End of contract	5	42
Break (same company but will return under another contract)	1	8
Problem with overseas employer	1	8
Problem back home in the Philippines	1	8
Candidate for *purok* fiesta	1	8
Health problem	2	17

Source: Authors' estimate, based on Ilocos Norte panel survey.

Of the OFWs in the surveyed households, 96% were working overseas in 2007 and/or 2008. Of these, 9% had ceased to work abroad by 2009. The reasons for return varied: they included vacation, health problem, personal problem, employer problems, local fiestas, and end of overseas contract—the latter being the most cited reason for returning. Of those who did not work as an OFW in 2009, 67% started to return to the country in 2008.

About 33% of the returning OFWs had come back to the Philippines since the GFC broke out in September 2008. If rumors on the crisis' impact on the country were true, it was logical to expect that the cause for their return was either termination

Table F11 Date of Return of Unemployed Overseas Filipino Workers in 2009

Date of Return	Frequency	Share (%)
2007	2	17
1st quarter 2008	2	17
2nd quarter 2008	3	25
3rd quarter 2008	1	8
4th quarter 2008	1	8
*2008 (month unspecified)	1	8
2009	2	17

Source: Authors' estimate, based on Ilocos Norte panel survey.

Table F12 Average Remittance

	Average Remittance Sent Per OFW		Average Remittance Received Per Household	
	2009 P	Nominal P	2009 P	Nominal P
2007	10,639	9,427	12,654	11,214
2008	10,274	9,923	12,266	11,847
2009	9,979	9,979	12,233	12,233

OFW = overseas Filipino worker, P = Philippine peso.

Source: Authors' estimate, based on Ilocos Norte panel survey.

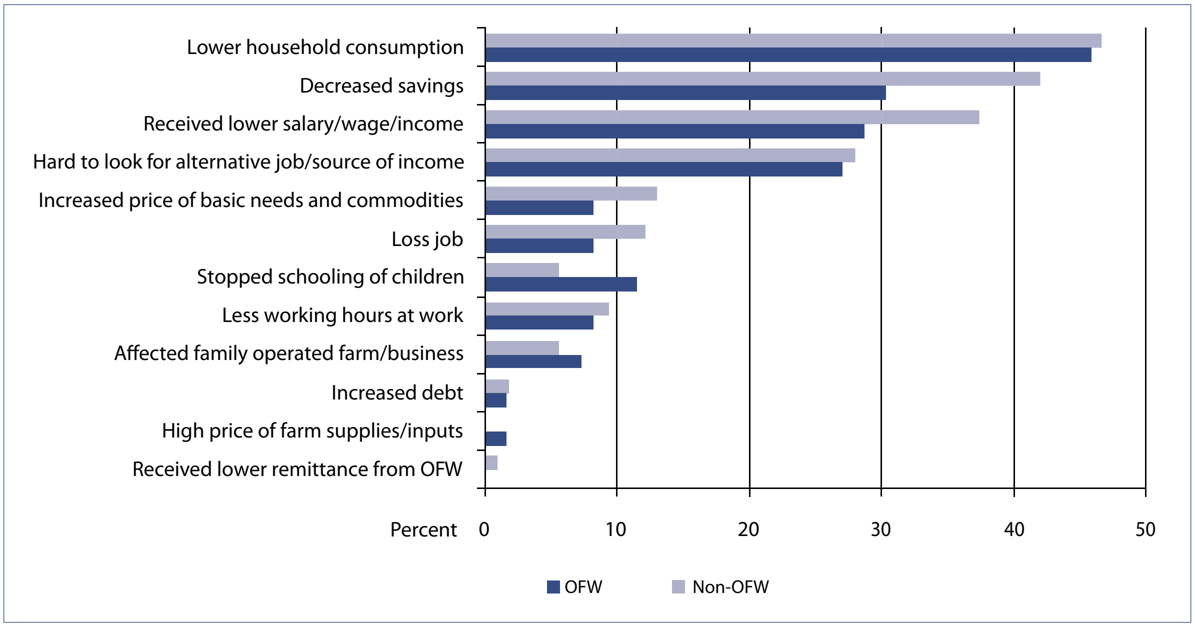
or nonrenewal of contracts as part of the overseas employers' response to the impact of the GFC on their own countries. However, a closer look at the reason and timing of return of these OFWs showed that those whose contracts ended returned before the third quarter of 2008. Only one OFW, working for a marine vessel, had an unrenewed contract ending in 2009.

A slight decrease in real value of remittances sent by OFWs and received by households was observed from 2007 to 2009. The average remittance sent by OFWs went down by 6% while the average remittance received by households dropped by 3%. However, the decline is very minimal and statistically not significant to conclude that economic conditions of OFWs and their families were greatly affected by events that occurred in 2008 and 2009.

Global Financial Crisis Experience

Overall, 90% of households were aware of the recent global financial crisis (GFC). About 84% claimed to have been affected by the GFC. About a third (33%) of the respondents cited receipt of lower salary or wage as one of the impacts of the GFC. About 28% found difficulty looking for employment or alternative sources of income while 10% claimed to have lost their jobs due to the crisis. Some were forced to work for fewer hours in their jobs; others reported that their family-operated farm or business suffered.

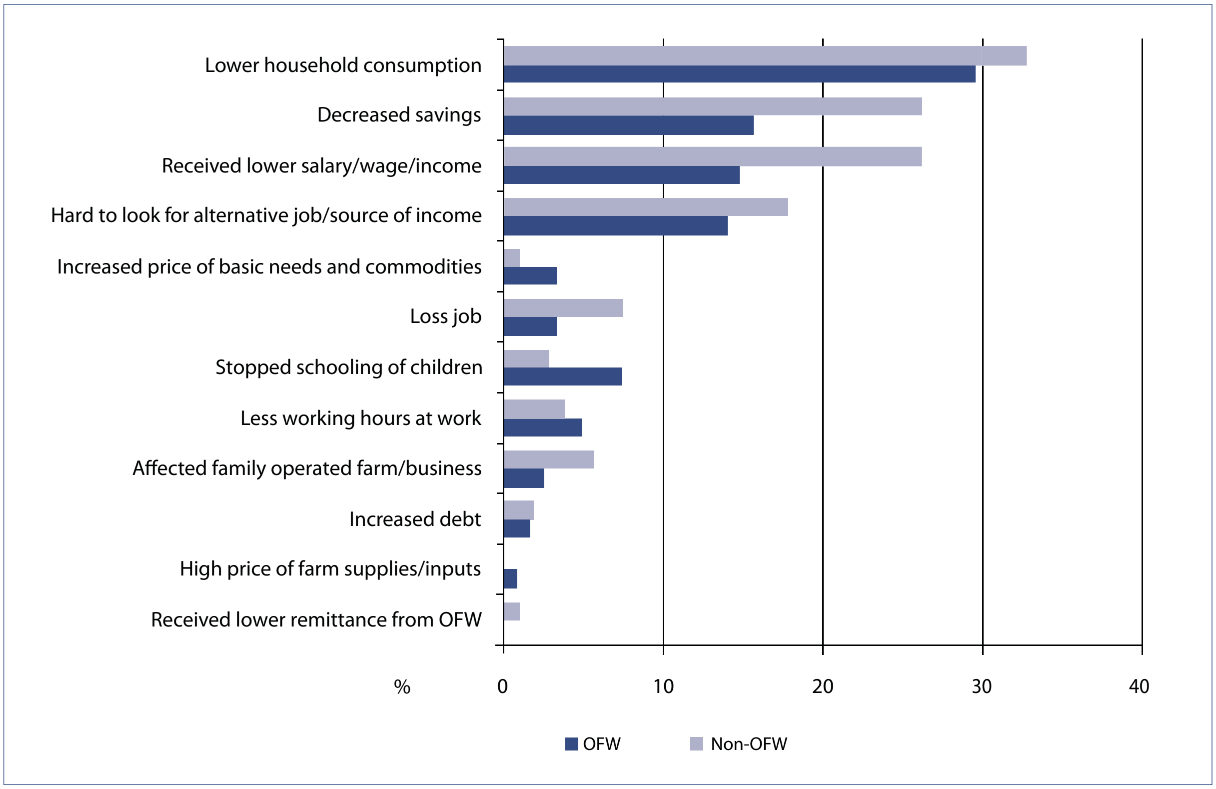
Figure F5 Cited Impact of the Global Financial Crisis



OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Figure F6 Cited Impact of the Global Financial Crisis (for those occurring beginning September 2008)



OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Table F13 Awareness and Availment of Crisis-Mitigating Government Programs (%)

	OFW		Non-OFW	
	Awareness	Availment	Awareness	Availment
Pantawid Pamilyang Pilipino Program or Conditional Cash Transfer (CCT)	2	2	2	1
Comprehensive Livelihood and Emergency Employment Program (CLEEP)	6	4	7	2
Training Programs by TESDA and OWWA	13	7	16	8
Pangulong Gloria Macapagal Arroyo Scholarship Program	7	4	10	2
Department of Agriculture (free bin-i)	1	1	2	2
ESC Scholarship	1	1	1	1
PhilHealth ng Masa	1	1	0	0
Government Service Insurance System	0	0	1	0

ESC = Educational Service Contracting, OFW = overseas Filipino worker, OWWA = Overseas Workers Welfare Administration, TESDA = Technical Education and Skills Development Authority.

Source: Authors' estimate, based on Ilocos Norte panel survey.

However, when verified against the timing of the cited impacts, some indicated that their economic hardships began as early as 2007 or the first half of 2008, which was nearer to the occurrence of the food and oil price crisis. When timing is thus considered, fewer households than those who claimed so were actually affected by the GFC. For example, only 31% of respondent households complained of experiencing lower consumption levels in 2009. Further examination of the household expenditures revealed that some of these households actually enjoyed higher real per capita expenditure levels in 2009 than in 2007. Only about 19% of those who claimed to have been affected by the GFC in terms of lower consumption exhibited decreases in expenditures during the months coinciding with the GFC. Nonetheless, a substantial percentage of households still reported suffering from some direct or indirect impact of the crisis.

Available government programs and projects to mitigate the crisis were not known to all households. Only a few were familiar with previously existing programs and new programs launched during the crisis period. Of these, programs related to technical, vocational, and entrepreneurial enhancement training programs offered by TESDA, OWWA, and those covered by the Pangulong Gloria Macapagal Arroyo Scholarship Program were the most known and of which were availed. The Comprehensive Livelihood and Emergency Employment Program (CLEEP), the government's flagship project to ease the effects of the GFC, only benefitted 4% of OFW households and 2% of non-OFW households. Awareness rates were higher among non-OFW families. Albeit minimal, conversion rates, from awareness to availment of programs, were higher in OFW households.

Table F14 2008 vs. 2009 Scale of Change in Quality of Life (% share)

	Worse Off		Better-Off	
	OFW	Non-OFW	OFW	Non-OFW
1 – Lowest	21	33	5	4
2	24	35	20	8
3	36	17	60	79
4	6	9	10	8
5 – Highest	12	7	5	0
Average Change in Status	1.8	1.6	2.6	2.9

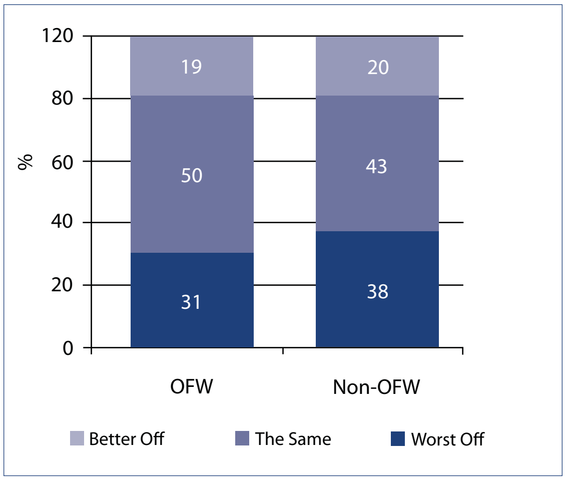
OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Perception and Outlook

Whether the struggles faced by the household in 2009 were due to the global financial crisis or a different

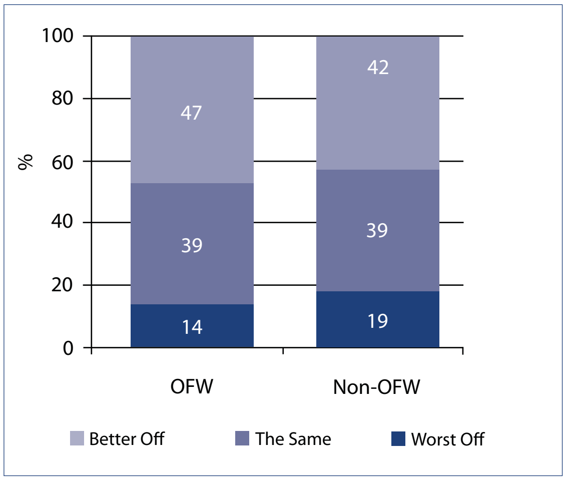
Figure F7 2008 vs. 2009 Quality of Life Comparison (% share)



OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Figure F8 2009 vs. 2010 Quality of Life Comparison (% share)



OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

cause altogether, about a third of households, even higher for non-OFW households, perceived their current condition or quality of life as being worse than it was in 2008. Nonetheless, when asked to rate the extent of change in their quality of life, those who experienced improvements showed a higher change than those who experienced a worsening in conditions.

On the other hand, 39% of households perceived no difference in their level of welfare between 2009 and 2010. Despite this, more were optimistic than pessimistic for positive changes in their lives for the year 2010. Moreover, the average rating of expected improvement was higher than the average rating for expected deterioration in the household's quality of life.

Table F15 2009 vs. 2010 Scale of Change in Quality of Life (% share)

	Worse Off		Better-Off	
	OFW	Non-OFW	OFW	Non-OFW
1 – Lowest	21	45	4	4
2	7	23	15	16
3	64	27	47	43
4	0	0	26	20
5 – Highest	7	5	9	16
Average Change in Status	2.07	1.27	2.72	2.43

OFW = overseas Filipino worker.

Source: Authors' estimate, based on Ilocos Norte panel survey.

Annex G

Comprehensive Livelihood and Emergency Employment Program (CLEEP) Participating Agencies

Implementing Agency	Project/Activity/Program	Target Area
Department of Interior and Local Government (DILG)	Out-of-School Youth Serving Towards Economic Recovery (OYSTER)	(Barangay level)
Department of Science and Technology (DOST)	Construction of food processing facilities and training in processing and packaging of food products	All provinces in Western Visayas
National Anti-Poverty Commission (NAPC)	Kapit-Bisig Laban sa Kahirapan (KALAHI)	
Department of Agriculture–Field Operations Service (DAFOS)	Farm-to-market road construction and maintenance	All provinces in the North Luzon Agribusiness Quadrangle (NLAQ) and Agribusiness Mindanao
Department of Agriculture–Livestock Development Council (DA–LDC)	Goat dispersal Swine raising	All provinces in NLAQ
Department of Agriculture–Bureau of Fisheries and Aquatic Resources (DA–BFAR)	Bantay Dagat	All coastal and/or island provinces in NLAQ and Agribusiness Mindanao
Department of Agriculture–National Irrigation Administration (DA–NIA)	Irrigation repair for irrigated ricelands	NLAQ: (Ilocos) Ilocos Norte, Ilocos Sur, La Union, Pangasinan, (Cagayan Valley) Cagayan, Isabela, Nueva Vizcaya, (CAR) Kalinga, (Central Luzon) Aurora, Northern Tarlac, Nueva Ecija, Zambales; Agribusiness Mindanao: (Zamboanga Peninsula) Zamboanga del Sur, Zamboanga Sibugay, (Northern Mindanao) Bukidnon, Lanao del Norte, (Davao) Davao del Norte, Davao del Sur, Compostela Valley, (SOCCSKARGEN) North Cotabato, South Cotabato, Sultan Kudarat, (CARAGA) Agusan del Sur, Surigao del Sur, (ARMM) Lanao del Sur, Maguindanao
Department of Agriculture–Bureau of Soils and Water Management (DA–BSWM)	Organic fertilizer production	All provinces in NLAQ and Agribusiness Mindanao
Department of Agriculture–Philippine Coconut Authority (DA–PCA)	Replanting of coconut farms to ensure stable and sustainable biodiesel feedstock	All provinces in NLAQ and Agribusiness Mindanao

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Table *continued*

Implementing Agency	Project/Activity/Program	Target Area
Department of Agrarian Reform (DAR)	Microfinance for Comprehensive Agrarian Reform Program (CARP) beneficiaries	All provinces in NLAQ and Agribusiness Mindanao
Department of Environment and Natural Resources (DENR)	Bantay Gubat	(Cagayan Valley) Uplands, (CAR) Abra, Apayao, Benguet, Ifugao, Kalinga, Mountain Province, (Northern Mindanao) Bukidnon, Lanao del Norte, (Davao) Davao del Norte, Davao del Sur, (CARAGA) Agusan del Norte, Agusan del Sur, Surigao del Norte, Surigao del Sur, Dinagat Island, (ARMM) Lanao del Sur
	Coastal cleanup	All coastal/island provinces in Central Philippines
	Reforestation	All provinces in North Luzon
	Regeneration of mangrove areas	All provinces in NLAQ and Agribusiness Mindanao
	Jatropha planting and the replanting of coconut farms	
Department of Education (DepED)	Basic hygiene package and/or Cash-for-health-care livelihood project and/or Cash-for-soap project	(Central Luzon) Tarlac, Pampanga
	Employment of out-of-school youth as utility workers in public schools	
Department of Foreign Affairs (DFA)	Financial Assistance and Microfinance for Expatriates	All regions and provinces
Department of Energy (DOE)	Clean energy initiatives under the newly signed Renewable Energy Law	All regions and provinces
	LPG retrofitting of tricycles and PUVs	All provinces in the Luzon Urban Beltway, cities and National Capital Region (NCR) towns
	Jatropha planting and the replanting of coconut farms to ensure stable and sustainable biofuel feedstock	All provinces in NLAQ and the Mindanao Super Region
	Installation of solar-powered street lights	All cities and NCR towns
	Barangay electrification using solar panels or connecting them to hydroelectric power grids	Poorest provinces: (CAR) Abra, Apayao, (Bicol) Masbate, (Eastern Visayas) Northern Samar, (Zamboanga Peninsula) Zamboanga del Norte, (Northern Mindanao) Misamis Occidental, (CARAGA) Surigao del Norte, Dinagat Islands (ARMM) Lanao del Sur, Maguindanao, Shariff Kabunsuan, Tawi-Tawi
Department of Justice (DOJ)	Clean and Green projects	All provinces in Central Philippines
Department of Labor and Employment (DOLE)	Integrated Services for the Livelihood Advancement of Fisherfolk (ISLA)	All coastal provinces in NLAQ and Agribusiness Mindanao
	Tulong Para sa Ating Disadvantaged Workers (TUPAD)	All regions and provinces

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Table *continued*

Implementing Agency	Project/Activity/Program	Target Area
Department of Tourism (DOT)	Grassroots Entrepreneurship and Employment in Tourism (GREET)	All provinces in Central Philippines
	Baywatch groups under GREET	All coastal provinces in Central Philippines
Department of Transportation and Communication (DOTC)	LPG retrofitting of tricycles and public utility vehicles (PUVs)	All provinces in the Luzon Urban Beltway, cities and NCR towns
	Microfinance for the transport sector	
	Port stevedoring, *arrastre*	(Central Luzon) Subic in Zambales, (CALABARZON) Batangas, (NCR) Manila
Department of Public Works and Highways (DPWH)	OYSTER for roadside maintenance and/or flood control	All regions and provinces
	Fabrication of concrete blocks for construction	All provinces in the Metro Luzon Urban Beltway (LUB) and cities and NCR towns
Department of Social Welfare and Development (DSWD)	Kapit-Bisig Laban sa Kahirapan–Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS)	All regions and provinces
	Cash-for-Work	
	Self-Employment Assistance-Kaunlaran (SEA-K)	NCR and most food-poor provinces: (CAR) Apayao, Kalinga, (Bicol) Masbate, (Eastern Visayas) Northern Samar, (Zamboanga Peninsula) Zamboanga del Norte, (CARAGA) Agusan del Sur, Surigao del Norte, Dinagat Islands (ARMM) Lanao del Sur, Maguindanao, Shariff Kabunsuan, Tawi-Tawi
	Tindahan Natin	
Department of Trade and Industry (DTI)	One-Town-One-Product (OTOP)	All provinces in LUB and cities and NCR towns
Department of Health (DOH)	Botika ng Barangay	Poorest provinces: (CAR) Abra, Apayao, (Bicol) Masbate, (Eastern Visayas) Northern Samar, (Zamboanga Peninsula) Zamboanga del Norte, (Northern Mindanao) Misamis Occidental, (CARAGA) Surigao del Norte, Dinagat Islands (ARMM) Lanao del Sur, Maguindanao, Shariff Kabunsuan, Tawi-Tawi
	Repair of health facilities	
	Nurses Assigned in Rural Service (NARS)	Poorest municipalities and/or cities
Housing and Urban Development Coordinating Council (HUDCC)	Fabrication of concrete blocks for construction	(MIMAROPA) Calapan, Oriental Mindoro, Palawan
Metro Manila Development Authority (MMDA)	Aggregate recycling	All provinces in LUB and cities and NCR towns
	Designating bike lanes using OYSTER labor	

Source: National Anti-Poverty Commission. www.op.gov.ph/cleep/Cleep.pdf

Social Impact of the Global Financial Crisis in the Philippines

Anecdotal evidence permeates accounts on the impact of the global economic crisis on Philippine poverty. This study systematically assesses the evidence and recent data. It adopts a somewhat eclectic approach as applying regression and decomposition techniques to trace the impact of the global economic crisis on gross domestic product and its major components, constructing panel data from nationally representative household surveys to trace the changes in household welfare during the crisis, and combining national income accounts and household survey data to simulate the differential effects of the crisis across population groups and social divides. Empirical findings suggest that although the Philippine economy did not slide to recession during the crisis, its impact on the economy and poverty across population groups was nonetheless severe—and may linger for many years to come.

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Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org
ISBN 978-92-9092-194-3
Publication Stock No. RPT102566

ISBN 978-92-9092-194-3
9 789290 921943

Printed in the Philippines