

## Population and the Fight Against Poverty

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Poverty reduction has been in the priority agenda of all political administrations in the Philippines. Unfortunately, after all these years, few positive results can be shown from these efforts. It is therefore important to identify policy levers that can help improve the effectiveness and efficiency of the fight against poverty.

This *Policy Notes* highlights a well-known factor—the role of rapid population growth—in the development process in general, and in the fight against poverty, in particular. Sadly, the country appears to have failed to achieve a stable consensus on this issue. While our neighbors have long resolved this matter and moved on to tackle other problems, we have remained divided on the issue.

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It is thus argued here that the sooner we, as a nation, resolve to deal with the rapid population growth issue, the sooner we will be able to see the problem of poverty behind us and move on to face other problems like our neighbors.

### Review of the country's demographic and poverty alleviation record

The demographic development of the country can be described in a couple of statements. There is a slow decline in fertility. Slower in fact than most countries in the region, including Indonesia which has a lower per capita income level and lower average educational achievement than us. The infant mortality performance, on the other hand, merely reflects our state of development in that it is lower than Indonesia because we have a higher per capita income than them and higher than Thailand because we have a lower per capita income than them.

In terms of our poverty alleviation record, meanwhile, only modest gains have been achieved in the last 15 years, with poverty declining from 44.2 percent in 1985 to 33.7 percent in 2000 or merely about 0.7 percentage points annually. In fact, the number of the poor has not been reduced but instead has increased from 4.6 million

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in 1985 to 5.14 million in 2000. Moreover, the gains in poverty are only clear in urban areas where poverty declined by 14 percentage points from 1985 to 2000 compared to only four percentage points in rural areas. And finally, there has not been any improvement with regard to the aspect of income distribution as shown in the various measures of inequality.

### Family size and poverty incidence

Invariably, poverty incidence is seen to be higher among those with larger family sizes. This empirical regularity is found everywhere in the world and for the Philippines, the data are shown in Table 1. Of course, a careful researcher would be quick to point out that what is depicted here is association, not causation. The rest of this *Notes*, however, will provide support to the hypothesis that apart from association, there is indeed causation.

### Population and poverty: links and evidence

There are three channels through which demographic changes<sup>1</sup> affect poverty outcomes. These are the *growth*, *distribution* and *conversion* channels. The next paragraphs provide the explanations and evidences for each of these channels.

<sup>1</sup>Refer to changes in the demographic processes of fertility, mortality and migration, and in demographic outcomes such as population size and growth, age structure and distribution in space.

**Growth channel.** This refers to the impact of demographic changes on the level and growth of the average attainable well-being per person, usually measured in terms of average income. This can be likened to the impact of demographic changes on the “growth of the pie.” The impact of demographic changes on economic growth had been clearly demonstrated by the experience of East Asian countries and to a smaller extent by our neighboring countries. The rapid decline in fertility had created an opportunity for East Asian countries to grow faster. This is known in the literature as the “demographic bonus” and has contributed as much as one-half of recorded growth in Southeast Asia and about one-third in East Asia between 1965 to 1990.

Earlier doubts were cast on the role of demographic changes on development as one tried to relate population growth and development directly. It was pointed out that this analysis usually leads to inconclusive results because it fails to recognize the offsetting effects of mortality decline and fertility increase, both of which lead to increases in population growth. In this regard, it needs to be clarified that while the former increases economic growth as it increases savings, the latter weakens growth

**Table 1. Philippine poverty incidence and family size**

Family Size	Poverty Incidence					
	1985	1988	1991	1994	1997	2000
<b>National</b>	<b>44.2</b>	<b>40.2</b>	<b>39.9</b>	<b>35.5</b>	<b>31.8</b>	<b>33.7</b>
1	19.0	12.8	12.7	14.9	9.8	9.8
2	20.0	18.4	21.8	19.0	14.3	15.7
3	26.6	23.2	22.9	20.7	17.8	18.6
4	36.4	31.6	30.1	25.3	23.7	23.8
5	42.9	38.9	38.3	31.8	30.4	31.1
6	48.8	45.9	46.3	40.8	38.2	40.5
7	55.3	54.0	52.3	47.1	45.3	48.7
8	59.8	57.2	59.2	55.3	50.0	54.9
9 or more	59.9	59.0	60.0	56.6	52.6	57.3

Source of basic data: Family Income and Expenditures Surveys, 1985-2000, National Statistics Office; Reyes (2002).

primarily because of the increased youth dependency<sup>2</sup> burden.

The importance of the growth channel is clearly demonstrated in the case of the Philippines. In spite of its boom-bust economic growth record, it has been established that Philippine economic growth contributed a bigger proportion, compared to redistribution, to the decline in poverty incidence. Without this even tentative economic growth, therefore, our poverty alleviation record would have been substantially poorer. Given the experience of our neighbors, we could, however, have achieved a more stable or even higher economic growth—and consequently a faster decline in poverty incidence—had we reduced our population growth.

**Distribution channel.** This refers to the impact of demographic changes on the distribution of income given the average attainable well-being per person. This can be construed as the impact of demographic changes on the “sharing of the pie.”

At the aggregate level, high fertility skews the distribution of income against the poor as shown in cross-country analyses. While there is still no direct evidence of this in the Philippines, it is not difficult to surmise that this is also true for the Philippines. As mentioned earlier, we have had a boom-bust economic growth record in the last 25 years. This means a weak demand for labor. The supply of labor, on the other hand, grew rapidly given the continued high fertility and rapid population growth. Bringing these two together means a non-increasing or even declining level of real wages, which would redound to a shrinking share of labor—the main asset of the poor—in output.

At the household level, demographic changes like, say, additional children, may be said to affect the distribution of resources if they influence, for instance, the drive of households to generate resources. Research results show

<sup>2</sup>Ratio of population under 15 years of age to the working-age population.

that the presence of additional children has no clear impact on the labor force participation of the father although the impact on that of the mother is clear: it declines as the mother usually decides to stop working. This contributes to the skewing of the distribution of resources against families with a large number of children.

**Conversion channel.** This refers to the impact of demographic changes on the conversion of the attainable well-being into actual well-being per person. This can be thought of as the impact of demographic changes on the “generation of actual personal well-being from the share of the pie.”

One of the main issues in this channel is whether the poor have larger families because they prefer to have large families. This has been used to explain results such as those shown in Table 1. If they do, then it would lower their well-being if government tries to convince them to adopt a smaller family size norm.

Evidence on access to family planning services and contraceptive prevalence rates, however, continuously show that the poor have poorer access and have lower contraceptive prevalence rates than richer households. Thus, they obviously have weaker control over their fertility compared to richer households as may be seen, for instance, in the higher level of unmet need among the poor. In addition, the difference between actual and desired fertility is also higher among the poor. Thus, unless the poor and the rich have equal abilities in controlling fertility, it would be erroneous to claim that the poor prefer to have large families.

It is also well-established that the poor invest less on the human capital of their children. Large family size has been shown to be a negative determinant of school participation among older children and education expenditure per child. It has also been known to be associated with poorer health and survival rates among children, and has been identified as the main mechanism of the inter-generational transmission of poverty. Finally, recent evidence shows that the vulnerability of households to economic

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shocks increases with larger family size. This means that households with larger families are less able to protect their attained well-being from the negative impacts of economic shocks.

### Policy implications

The foregoing highlights the following policy implications in our fight against poverty:

- ▶ Demographic changes play an important role in poverty alleviation. Better control of fertility should therefore be an important component of any poverty alleviation program. Improving the access of the poor to family planning services should be vigorously pursued.
- ▶ While there may be reasons why the poor have large families (e.g., to augment family income and as an alternative form of social and old-age security), it will be difficult, particularly for the Philippines, to sort which ones are due to lack of control over fertility and which ones are due to preferences. The only way to clarify this is to ensure better control of fertility among the poor comparable to that for richer households.
- ▶ There are inter-generational impacts of current fertility choices primarily via lower investments in human capital. In fact, this has been identified as the main avenue of the inter-generational transmission of poverty. There is therefore a need for proactive subsidy and bet-

ter targeting of public services, e.g., education and health. These are, by themselves, investments with high social returns apart from their indirect returns through their impact on demographic changes.

- ▶ The importance of consistent economic growth in the fight against poverty is well-established. This is still the primary strategy for development, in general, and for poverty alleviation, in particular. In addition, a more conducive economic environment is needed to translate potential benefits from demographic changes.
- ▶ Lower fertility or smaller family size is needed to benefit from opportunities created by globalization, both at the aggregate and household levels. Lower fertility is also needed to lower the vulnerability of households to economic shocks.
- ▶ Finally, there appears to be enough reasons for government to promote a small family size norm and help couples achieve their desired fertility. 📄

### References

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