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# Policy Notes

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# Why Slowing Population Growth in the Philippines is an Imperative

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Compared with neighboring countries, demographic transition (or population growth decline) in the Philippines has been rather slow. While Thailand and Indonesia have brought down their annual population growth rates to 0.9 percent and 1.5 percent, respectively, the Philippines is still growing by over 2 percent. One of the primary reasons is the equivocal and lackluster support given the population program by the government. It is worthy to note that sometime in 1970, the Philippines and Thailand had about the same population size of 36 million. If the country had a population program with the same vigor as that of Thailand, our population size today would only be about 60 million instead of 73 million. Besides this difference in population size, there is also a marked difference in the speed of economic growth. From a substantially lower per capita income in 1960, Thais today have per capita incomes almost two and a half times higher than those of Filipinos.

## Philippine population policy through the decades

After an auspicious start, the Philippine population program waxed and waned under changing political leadership. Ironically, the Philippines was among the first in Southeast Asia to launch a population program in 1970 that became a model for others. Whatever the reasons are, one thing is clear. While our neighbors, particularly Thailand and Indonesia, have resolved to bring down their fertility rates, many in our country do not yet seem to appreciate the importance of this policy for socioeconomic development. Moreover, the performance of our population program has depended on the personal convictions of the national leadership. Unfortunately, to face this development challenge squarely, we need a population program that will enjoy the sustained support and vigor of those at the helm.

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*PIDS Policy Notes* are observations/analyses written by PIDS researchers on certain policy issues. The treatise is wholistic in approach and aims to provide useful inputs for decisionmaking.

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## Population growth and socioeconomic development

***Population growth and economic growth.*** Population growth hamstrings the ability of the economy to grow. The key factor is the impact of population growth on savings. Estimates using cross-country data show the negative impact of rapid population growth on savings. Low savings means limited ability to finance investments which are key ingredients in economic growth. Comparing our savings and investment rates with our neighbors, this is exactly what one finds. While Thailand and Indonesia (the latter with lower per capita income than the Philippines) have been saving at around 35 percent of GDP in recent years, the Philippines can only muster a savings rate of around 20 percent. Consequently, the Philippine investment rate (as a percentage to GDP) is only around 25 percent compared to 40 percent and 44 percent, respectively, for Indonesia and Thailand. This explains a great deal of the country's comparatively mediocre economic growth (Table 1).

***Population growth and employment generation.*** When the economy cannot grow rapidly, it is also constrained in its ability to generate employment. Rapid population growth expands labor supply that will translate into either a decline in wages or an increase in unemployment if there is no commensurate increase in employment opportunities. Data reveal that the Philippines has the highest unemployment rate in this part of the world as shown again in Table 1. The continued growth in the number of overseas foreign workers, with consequent social problems, is also testimony to the lack of employment opportunities in the country.

***Population growth and human capital investments.*** The negative impact of rapid population growth on education and health outcomes has been validated in numerous studies. National level analyses reveal that while this negative impact is not overwhelming in terms of school attendance rates, the dilution of resources per pupil has been quite telling. Thus, population growth is shown to have been accommodated through lower resources per pupil. This dilution effect has also been found for health and nutrition. Evidence from household data is even more consistent in supporting the finding of a negative impact of family size on education, health and nutrition outcomes at the household level.

***Population growth and poverty.*** The impact of rapid population growth on poverty is not as evident when measured directly as when compared with the result of having its impact on the correlates of poverty measured. The primary reason is the given very strong two-way relationship between poverty and population growth, e.g., very high incidence of poverty among large families.

When one looks at the impact of population growth on the correlates of poverty, meanwhile, such as means to income generation like assets and human capital, and economic growth and inequality, the impact is clear. Rapid population growth is associated with reduced access to assets such as land, capital and reduced investments in human capital. In addition, as argued above, rapid population growth slows down economic growth, thereby affecting increases in average incomes. The heavy concentration of large families among the poor also means worsening inequality.

***Population growth and the environment.*** The primary mechanism here is that, holding per capita income constant, a large population means greater demands for goods and services which, in turn, entail greater demand for energy for household use (e.g., cooking), transport, power and industry. This leads to a proportionate generation of pollutants as various studies repeatedly show. Moreover, besides population size, the behavior of the population also determines the environmental impact. The behavior of a population, meanwhile, is known to be affected by the size of the population, congestion and shortages, in ways that are detrimental to the environment. Rapid population growth is also associated with environmental damage, particularly with resources where rights of use are not well defined.

## Table 1. Economic and Demographic Indicators, ASEAN

### Total Population (Millions)

| | 1965 | 1995 | 2025* |
|---|---|---|---|
| Indonesia | 107.0 | 197.5 | 275.2 |
| Malaysia | 9.5 | 20.1 | 31.6 |
| Philippines | 32.0 | 67.8 | 105.2 |
| Thailand | 30.6 | 58.2 | 69.1 |
| Vietnam | 38.3 | 73.8 | 110.1 |

*medium scenario
Source: Population Division, United Nations

### Annual Growth Rates (%)

| | 1960-65 | 1990-95 | 2020-25* |
|---|---|---|---|
| Indonesia | 2.1 | 1.5 | 0.9 |
| Malaysia | 3.1 | 2.4 | 1.2 |
| Philippines | 3.0 | 2.2 | 1.0 |
| Thailand | 3.0 | 0.9 | 0.4 |
| Vietnam | 2.0 | 2.0 | 1.1 |

*medium scenario
Source: Population Division, United Nations

### Average Real GDP Growth Rates (%)

| | 1975-79 | 1980-84 | 1985-90 | 1990-95 |
|---|---|---|---|---|
| Indonesia | 6.9 | 6.2 | 5.3[a] | 5.4 |
| Malaysia | 7.2 | 6.9 | 5.4 | 7.3 |
| Philippines | 6.4 | 1.4 | 2.7 | 2.4 |
| Thailand | 8.5 | 5.9 | 8.9 | 6.0 |
| Vietnam | ... | ... | ... | 5.6 |

Source: ADB Key Indicators, various issues

### GNP per Capita (Constant 1987 US$)

| | 1965 | 1980 | 1990 | 1997 |
|---|---|---|---|---|
| Indonesia | ... | 676 | 487 | 774 |
| Malaysia | 1,154 | 2,484 | 2,089 | 3,263 |
| Philippines | 649 | 952 | 653 | 851 |
| Thailand | 505 | 993 | 1,331 | 1,952 |
| Vietnam | ... | ... | ... | 223 |

Source: World Bank

### Gross National Savings (% of GNP)

| | 1981-90 | 1993 | 1995 | 1998* |
|---|---|---|---|---|
| Indonesia | 31.8 | 32.8 | 31.4 | 36.7 |
| Malaysia | 29.1 | 35.3 | 36.4 | 41.6 |
| Philippines | ... | 18.1 | 19.0 | 22.0 |
| Thailand | 26.2 | 34.2 | 35.0 | 35.0 |
| Vietnam | ... | 11.2 | 17.4 | 21.2 |

*ratio to GNP
Source: Asian Development Bank

### Gross Domestic Investment (% of GNP)

| | 1981-90 | 1993 | 1995 | 1998* |
|---|---|---|---|---|
| Indonesia | 30.4 | 34.5 | 34.8 | 40.0 |
| Malaysia | 32.4 | 39.8 | 45.4 | 45.8 |
| Philippines | 22.4 | 23.6 | 21.6 | 26.5 |
| Thailand | 31.1 | 41.3 | 44.2 | 44.0 |
| Vietnam | ... | 26.0 | 27.5 | 31.5 |

*ratio to GNP
Source: Asian Development Bank

### Unemployment Rates (%)

| | 1971 | 1980 | 1990 | 1995 |
|---|---|---|---|---|
| Indonesia | ... | 1.7 | 2.5 | 1.6[a] |
| Malaysia | 6.8 | 5.6 | 5.1 | 2.8 |
| Philippines | 4.8 | 5.0 | 8.1 | 8.4 |
| Thailand | ... | 0.9 | 2.2 | 1.5[b] |
| Vietnam | ... | ... | ... | ... |

[a]1994, [b]1993
Source: ADB Key Indicators, various issues

### Poverty (Head count index,* %)

| | 1975 | 1985 | 1995 |
|---|---|---|---|
| Indonesia | 64.3 | 32.2 | 11.4 |
| Malaysia | 17.4 | 10.8 | 4.3 |
| Philippines | 35.7 | 32.4 | 25.5 |
| Thailand | 8.1 | 10.0 | 1.0 |
| Vietnam | n.a. | 74.0[a] | 42.2 |

*based on US$1 per person per day 1985 prices
Source: *Everyone's Miracle?* World Bank, 1997

## Prospects for the economy with the current population growth

A key feature of the economy's development record is that to date, we have not regained the per capita income attained in the early 1980s. This is equivalent to losing more than a decade of economic growth. The recovery of this lost per capita income has been further pushed backward by the recent regional economic crisis. Thus, if we want to catch up with our neighbors at all, the country cannot afford to have further slippages.

> "... If the economy is not able to grow fast enough and employment generation is limited, poverty eradication will then be virtually impossible."

Our ability to grow faster than our recent economic growth record, which incidentally is lower than that of our neighbors, is dependent on our ability to increase our savings rate. And as argued above, rapid population growth will not help us raise our savings rate. While globalization is expected to provide a boost to employment generation as the country restructures its economy along the lines of its comparative advantages, this ability depends, however, on the availability of complementary inputs such as infrastructure investments. To the extent that these are not forthcoming fast enough, the ability of the economy to harness its growth potential and generate more employment will then be impaired.

On the human capital front, even if our school participation rates are high, this level appears to have been attained through declining resources per student, resulting in quality deterioration. High quality educated labor is a key to technology adoption and development. Technology is expected to be increasingly critical with globalization. Raising the quality of education will be much more difficult if there is a rapid growth of school-age population. And if the economy is not able to grow fast enough and employment generation is limited, poverty eradication will then be virtually impossible.

## Options for the Philippine population program

What are the options for a meaningful population program?

The issue of reducing Philippine population growth has been dissected as consisting of three major components, namely,

- reduction in “unwanted fertility,”
- reduction in desired large family size, and
- reduction of the population growth momentum.

Reducing “unwanted fertility” clearly falls under an effective family planning program. However, reducing the desired large family size and the population growth momentum—which, according to research, is the biggest contributor to the increased population size at 66 percent—calls for measures beyond family planning. Altering the preference for large family size, for instance, requires working on the incentives for having children while reducing the effects of population growth momentum requires delaying marriage and prolonging birth spacing. These will require well-targeted human capital investments as well as greater economic opportunities for women. These should be promoted along with a strong support for the family planning program, if we are to effectively influence the reduction in the sources of population growth in the country.

Finally, with regard to the family planning program, a more consistent and stronger support from the national government has to be secured, communicated and understood at all levels. In addition, there are at least two other options to ensure solid support to the family planning program. One is the expanded role of LGUs, given the devolution of frontline services. This constitutes a still largely untapped approach. For instance, local leaders are nearer to poverty groups and deteriorating environmental conditions where large families concentrate. This physical proximity may make them better appreciate the extent and urgency of the problem. Another option is the increased use of NGOs in the delivery of family planning services since they may be freer from legal and administrative constraints that typically bind government agencies.

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