



FIES says family incomes increased in 2006

The number of poor families, as determined by the 2006 Family Income and Expenditures Survey (FIES) released this month, has dropped as a result of sustained economic growth during the past few years.

According to the National Statistics Office (NSO) which administered the FIES, the average nominal incomes of families in the bottom 30 percent grew faster at 17.5 percent compared to families in the upper 70 percent which grew by 15.9 percent from 2003 to 2006.

The statistical agency also reported that income growth among the lower income groups was also higher than the national average growth of 16.2 percent.

The results of this survey are corroborated by the NSCB in its report in June 2006 which said that approximately 24 out of 100 Filipino families did not earn enough in 2003 to satisfy their basic food and non-food requirements. This was a slight improvement from the 2000 situation wherein 28 out of 100 families experienced income shortfall from the poverty threshold. The annual per capita poverty threshold for the Philippines in 2003 stood at P12,309.

In terms of population, 30 out of 100 Filipinos in 2003 had income short of the minimum cost of satisfying the basic requirements, an

improvement from 2000 in which 33 out of 100 Filipinos had income below the poverty threshold. This translated to a 1.6 million decrease in the magnitude of Filipinos living below the poverty line.

For 2007, Filipino families consisting of five members should be earning a combined monthly income of PhP 6,195 in order to meet their most basic food and nonfood needs for this year. A sole breadwinner in a five-member family residing at the National Capital Region (NCR) is expected to find a difficult task in bringing the entire family above the poverty line if he/she only earns at most PhP 265 per day.

Measuring poverty

While there is no universally-accepted, single approach in measuring poverty, both government and the private sector use different approaches and indicators. The government, for its part, has the FIES as its main tool.

The FIES views food poverty in the context of income and expenditure. The extent of food poverty, therefore, is estimated by looking at the subsistence threshold to determine the food poverty incidence. Food threshold is the minimum yearly income level needed by an individual in order to meet his basic nutritional or food requirements.

The NSO measures FIES by first calculating the daily food threshold based on a low-cost menu, based on estimates recommended by the Food and Nutrition Research Institute (FNRI). The FNRI determines the basic food requirements of the average Filipino of 2,000 calories, which are 100 percent adequate for the Recommended Energy and Nutrient Intake (RENI) for energy and protein and 80 percent adequate for the RENI for vitamins, minerals and other nutrients.

The NSO then calibrates this by producing provincial menus to consider the differences in eating habits between regions. The cost is then multiplied by 365 days to come up with the annual food cost requirement, which becomes the food/subsistence threshold.

After this, the additional income required for the sustenance of the minimum nonfood basic needs follows. Nonfood basic needs include the following: clothing and footwear; fuel, light and water; housing maintenance and other minor repairs; rental or occupied dwelling units; medical care; education; transportation and communications; non-durable furnishing; household operations; and personal care and effects.

Hence, to compute for the poverty threshold, the food threshold is divided by the proportion of the food expenditures (FE) to total basic expenditures (TBE) derived from the latest FIES using the FE/TBE's of families within the +/- ten percentile of the food threshold. The resulting estimate is the annual per capita poverty threshold.

Equitable income growth needed

Despite the decrease in the number of poor Filipinos, the FIES found that income inequality fell from to 0.456 in 2006 from 0.461 in 2003. The figure is based on the Gini coefficient, wherein a value of zero denotes perfect equality while a value of 1 or 100 percent denotes absolute inequality. The lower the coefficient, the more equal income distribution is.

The survey also found out that total family income also rose faster by 22.7 percent from the 2003 figure to reach PhP2.99 trillion in 2006. Adjusting for inflation, total income of families in real terms grew 2.6 percent to PhP2.5 trillion compared to the Php2.4 trillion registered in the last survey period. In addition, total family expenditure also

expanded by 25.7 percent as families spent more on fuel, light and water, transportation and communications and medical care. The share of food, clothing, footwear and other wear, house rent and taxes posted the largest cut on total expenditure, according to the NSO.

The NSO also noted that the spending pattern of Filipino families, particularly in the bottom 30 percent income group, changed in 2006. The bottom 30 percent of families spent more on food compared with the previous survey period. Consequently, this higher share in food expenditures reduced the shares of other items like house rental value (12.7% to 9.0%), transportation and communication (6.1% to 3.8%) and education (2.9% to 1.3%).

Notwithstanding the good news regarding the FIES, acting Socioeconomic Planning Secretary Augusto B. Santos continued to push for policies to bring about equitable growth.

“Overall, the results of the 2006 FIES show that average income of families has been improving alongside with economic growth. All these seem to indicate that the macroeconomic reforms implemented have been effective thus far. But with this positive development, the need to accelerate the pace of growth should also be complemented by significant income gains within the lower income brackets,” he said in a memorandum to President Gloria Macapagal-Arroyo.

Santos, who also serves as Director-General of the National Economic and Development Authority, added that the government must push for policies to sustain macroeconomic stability, modernize agriculture, strengthen small enterprises, and expand export markets.

He likewise called for the realignment of the national budget towards social services is a good opportunity for the government to put more emphasis on education and health in tandem with an effective population management program.

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