

# WHY ARE WE RELUCTANT TO SET NUMERICAL EQUITY TARGETS? (COMMENTS ON THE 1978-1982 FIVE-YEAR DEVELOPMENT PLAN)

By

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## Introduction

It is now widely known that, despite one generation of sustained economic growth, the state of equity has not gotten any better. Inequity may even have become worse. This suggests that improvements in equity need deliberate planning. Evidently, improvements can not come about either naturally or accidentally. Yet, our development planners have been careful, almost to the point of being timid, *not* to specify our equity targets. This has been observed in the 1974-1977 Plan and the 1976 draft of the Perspective Plan (Mangahas 1976). The following discussion is based on the new 1978-1982 Plan.

## The July 1977 Draft Summary of the 1978-1982 Plan

On July 19-20, 1977, NEDA organized a public hearing on the National Development Plans. This was chaired by President Marcos. A document entitled *Long-term and Five-year (1978-82) Development Plans: Draft Summary* had earlier been circulated for discussion on this occasion. Although this draft has now been superseded by the formal 1978-1982 Development Plan, adopted by P.D. 1200 of September 21, 1977, it is noteworthy in that it projected income inequality to the year 2000, which is reproduced here as Table 1. This is the only NEDA document I know which made a numerical projection of inequality.

The projection in Table 1 is not too optimistic. This is expected since it is based (see the footnoted Chenery-Syrkin reference) on a regression equation from an international cross-section which depicts the famous Kuznets inverted-U pattern of inequality getting worse before it gets better. If this pattern is taken for granted, then the projected values can hardly be regarded as "targets" i.e., more desirable states of affairs to be reached by deliberate action.

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Most of the participants at the public hearing who were identified with the "private sector," ignored this table. The few who did not — identified with "farmers," "labor," and "academia," — complained that NEDA seemed to be planning for worsening inequality in the near future, or, at the very least, was regarding the Kuznets pattern as unavoidable. At the hearing, no specific response was given to this argument. At any rate, NEDA sources said that this type of table was deliberately removed from the final 1978-1982 Plan.<sup>1</sup>

TABLE 1

NEDA Projections, as of July 1977, of Income Distribution Over 1971-2000

Income Distribution 1971-2000	Share of Lowest 30%	Share of Middle 40%	Share of Highest 30%
1971 <sup>1/</sup>	.117	.343	.540
1975 <sup>2/</sup>	.112	.333	.555
1980	.112	.346	.542
1985	.115	.356	.529
1990	.120	.374	.506
2000	.136	.421	.443

<sup>1/</sup>Based on the 1971 Family Income and Expenditures Survey of the NCSO.

<sup>2/</sup>Starting 1975, the shares were projected using a methodology adopted from a cross-country study of Hollis Chenery and Moises Syrquin in *Patterns of Development, 1950-1970*.

Source: NEDA, *Long-term and Five-year (1978-82) Development Plans: Draft Summary* (A Working Draft Intended for Discussion Purposes Only), Manila, 1977.

<sup>1</sup>Since the table comes from a document "intended for discussion purposes only," and is not officially subscribed to, then why is it being reproduced here? In the first place, the document is not confidential; it was widely circulated and used for discussion at a public hearing. In the second place, we want to avoid giving the impression that the technical capacity to make numerical equity targets does not yet exist.



## The Official 1978-1982 Plan

### 1. *The Sentiment*

Good intentions abound with respect to equity in the new Plan. In the preface, Director-General Sicat cites "social justice" as one of the "overriding thrusts" of the Plan. In the title of his Introduction, President Marcos refers to the Plan as "an Instrument for the Democratization of Development." He describes it as an attack on mass poverty, and says that development is not reflected in the GNP but in the welfare of the urban and rural poor, the unemployed, the underemployed, the homeless, the out-of-school youth, the landless workers, the sacadas, and the sustenance fishermen. In the section 'Philippine Development for Social Justice,' he says that:

"... the measures to be taken include not only those which *directly alter* the distribution of income and wealth, but also those which *expand opportunities* for employment advancement and the capacity to participate and share in development." (p. xxxi; my italics)

And, in the text of the Plan itself, the first paragraph of Chapter 1 (entitled "National Goals and Policies") states:

"The achievement of a much improved quality of life for every Filipino is the supreme national aspiration. Towards this end, the conquest of mass poverty becomes the immediate, fundamental goal of Philippine development." (p. 3)

The policies with which to pursue these ideals do not differ significantly from those given in the 1974-1977 Plan. The only identifiable measure capable of 'directly altering' the distribution of income and wealth is no longer new, i.e., the land transfer policy for rice and corn tenanted lands, on estates of a given minimum size, set into motion by P.D. No. 27 of October 1972 and its subsequent implementing regulations. There is no intimation that, for instance, land reform is going to be extended to other crops. The main policy still seems to be the pursuit of greater productivity, preferably in rural areas outside Metro Manila, in small- or medium-scale industries, in labor-intensive processes, in export-oriented products, etc.

There is no intention here to quarrel with these policies. Perhaps, these policies will later prove to be of great worth. But now, as one year passes to the next, or even as one semi-decade planning period passes to the next, there seems to be no strong official interest in the technical ability to tell if we are on the right track.

The new 1978-1982 Plan states:

“The increase in the real per capita GNP of more than three per cent per year in the last four years has not appreciably alleviated the condition of the urban and rural poor who comprise more than half of the total population.” (p. 6)

The statement above is a matter of technical judgment. Personally, I agree with it. Nevertheless it is clear that the government has not quantified the incidence of poverty and the condition of the poor. Everyone should be most gratified if this judgment could be proved wrong. But what really matters now is that it is stated as an *official* impression. If that is the official view, one would expect the policies in the 1978-1982 Plan to be different from those in 1974-1977, if not in general direction, then at least in intensity.

## 2. *The Extent of Numerical Targets in the 1978-1982 Plan*

The 1978-1982 Plan shows upon perusal, heavier technical rather than rhetorical emphasis on the growth targets compared with the equity targets. For instance, the 31-page Chapter 2, entitled “National Development Targets,” devotes its first 23 pages to past performance and future targets of growth, and the last 8 pages to ‘sharing the benefits of growth.’ The specific areas having numerical targets pertinent to equity are the following:

(a) *Open Unemployment.* The Plan cites the proportion of the labor force completely without work at 4.1 per cent for 1977. (Thus the 1974-1977 Plan target to reduce it from 7 per cent in 1972 to 3 per cent or less by 1977 was nearly achieved). The target unemployment rate for 1978-1982 is a constant 4.0 per cent which is weaker than that in the 1973-1977 Plan. Apparently, NEDA’s present view is that this is a tolerable rate and that, it will not be feasible to lower the unemployment rate further. Curiously enough, the Plan projects that the proportion of experienced workers, out of the unemployed, will rise substantially, from 71 per cent in 1978 to 80



per cent in 1982 and 86 per cent in 1987 (Table 10, 3, p. 202). However, this depicts a *worsening* unemployment structure. Given that some unemployment is unavoidable, it is preferable, from both efficiency and equity standpoints, for these to be young, first-time job seekers rather than older, experienced workers with greater family responsibilities.

(b) *Visible Underemployment*. Defined as the proportion seeking more work out of those employed less than 40 hours per week, this is targeted to drop substantially from 5.3 per cent in 1977 to 3.6 per cent in 1982 and to 2.5 per cent in 1987. This is a gratifying target. However, there is no numerical target for the invisibly underemployed, who constitute a more serious problem.

The *total* underemployed refers to all those already employed, regardless of the number of hours, but seeking more work; the total rate is closer to 20 per cent, than 5-6 per cent. The rationale for using a maximum time-criterion, 40 hours per week in this case, is to separate those underemployed who actually have no more time to work. Their expression of need for more work should be interpreted as a need for a higher-paying job rather than merely more hours in which to work. *This is invisible underemployment*. However, official labor force surveys attest that the *average* Filipino's work-week is closer to 48 hours than to 40 hours per week. Since this is only the average, a goodly number work more than 48 hours. Thus the technical choice of 40 hours as the boundary line for the visibly underemployed results in an over-optimistic presentation. There are definitely many workers with five-day-a-week jobs who are willing, able and seeking six-day-a-week jobs.

(c) *Undernutrition*. In my opinion, this is the only area in which the Plan shows a serious technical interest in equity. The Plan reveals a national survey's results (March 1977) that over 30 per cent of preschoolers suffered from moderate or severe protein-energy-malnutrition (PEM), that the PEM rate has not had a decreasing trend, and may even have worsened among 'disadvantaged groups' (p. 188). Table 2 reproduces the Plan's 1976 estimates of the base rates of PEM among children, and its highly aggressive set of targets for reduced PEM over the planning period. For example, it is stated that second-degree undernutrition among toddlers of 6 years and below will fall from about 25 per cent in 1976 to roughly 16 per cent in 1982.

**TABLE 2**  
**Target Rates of Undernutrition in the**  
**1978-1982 Plan**

	Children Aged 0-6 (Per Cent)		Children Aged 7-12 (Per Cent)	
	Second Degree	Third Degree	Second Degree	Third Degree
Base year 1976	24.8	5.8	13.3	0.7
Targets				
1978	21.4	4.6	8.2	0.4
1979	19.8	3.7	6.5	0.3
1980	18.4	3.0	5.1	0.3
1981	17.1	2.3	4.0	0.2
1982	15.8	1.8	3.1	0.2
1987	11.0	0.9	1.2	0.1

Source: NEDA, *1978-1982 Plan*, p. 184.

This shows the proper combination of a factual assessment of the present situation and the numerical specification of a substantially improved future. The development technocrats have clearly drawn the line according to which their efforts may be judged later on.

Incidentally, what is interesting policy-wise in the Plan's nutritional section is the inclusion of 'intervention programs', such as direct-feeding. This suggests that the government may be willing to accept some form, albeit limited, of direct redistribution of consumption. The standard declarations of higher food productivity targets and better nutritional education are less significant because (a) the present sad state of PEM, in spite of more than a decade of the Green Revolution, clearly shows that higher productivity by itself has been ineffective, and (b) recent research has confirmed that nutritional know-how itself is not a substitute for basic, real-valued purchasing power (PREPF 1977).

(d) *Health: Life Expectancy and Infant Mortality.* These target variables can also proxy for equity, though probably to a lesser extent than what the PEM rate can. The targets are significant. The average life expectancy at birth is targeted to rise from 60 years in 1976 to 62.4 years in 1982 and 64.4 years in 1987. (This is also a 'sharable' variable, however, and it is quite plausible for a rising average to reflect the rich rather than the poor as the ones who live longer lives.) The average infant mortality rate per thousand (IMR) is targeted to fall from 74 in 1976 to 65 in 1982 and 56 in 1987. This, more than the life expectancy, can be linked to poverty simply because the IMR among upper-income groups is already quite low.

(e) *Education: Literacy and Schooling Participation.* The literacy rate is targeted to grow from 83.4 per cent in 1970 to 90 per cent in 1982 and to 92 per cent in 1987. The targets for increases in schooling participation are somewhat low, with a bit more emphasis on high school than college education:

Age group	Per Cent in School	
	1982	1987
7-13 (primary)	98	98
13-17 (secondary)	60	63
17-22 (tertiary)	19	21



The Plan remarks that the tertiary participation rate is, quantitatively, already one of the highest in the world, and that the problem is not the quantity but the quality. There are also certain other equity-oriented intentions, such as the widening of opportunities for non-formal education, the 'democratization' of access to college, and the provision of loans to 'poor but deserving' students. There are no numerical targets accompanying these statements, however.

(f) *Housing and Other Services.* The targets in these areas are somewhat vague. The Plan states that the government will achieve a '54 per cent success' in meeting housing needs in urban areas and a '25 per cent success' in the rural areas (p. 218). There seems to be an intention to provide such housing with subsidies from the general budget (p. 221). The conjunction between the numerical targets given in the text and those in tables is quite difficult to find, however.

Finally, it stated that 'welfare services' presently serving only the poorest 10-15 per cent, will be expanded to serve the poorest 30 per cent. There are no further numerical elaborations.

## Equity Targets Which the 1978-1982 Plan Fails to Make

### 1. *Poverty*

Let us recall that alleviating poverty is the "overriding thrust" of the Plan. However, Section 5.2 entitled "Poverty," demonstrates the lack of technical attention to poverty: it has only one paragraph. It identifies the "target group" as those in the lowest 30 per cent of the income ladder. It is clear from the context, however, that the Filipino "poor" presently constitute much more than 30 per cent. Just how much more, depends, obviously, on the chosen line of absolute poverty. For a long time, there have been many available suggestions for Philippine use (Mangahas 1979). But why is the government reluctant to select any official poverty line, however liberal or conservative? How can one expect that by 1982 or by 1987, there will be a reduction in either the proportion or the numbers who are poor, if there is no official estimate of the present magnitude of poverty and of what the government aims it to be?<sup>2</sup>

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<sup>2</sup>The Plan refers to a targeted decline in the number of so-called "disadvantaged individuals" from 2.6 million in 1976 to 1.5 million in 1982 (text, p. 45 and tables on p. 47 and p. 243). The meaning of this term is not clear from the Plan, except that it refers in some way to the number of clients of the Ministry of Social Services and Development. Director Wilfredo Nuqui of the NEDA Economic Planning and Research Staff confirmed verbally that it is not a NEDA staff product and that it is not, as far as he is aware, a concept of the magnitude of poverty.



The country has experienced steady substantial growth in per capita GNP, even when there was no development plan, and even when GNP was not yet being measured; yet our technicians concentrate on production figures. How can one learn to reduce poverty when one is neither measuring nor planning to measure it, and, *is not even willing to define it*? Is it not likely that there have been previous policies which reduced poverty but were prematurely interrupted, and some which worsened it, but were unnecessarily prolonged, because there was no apparatus for objectively monitoring poverty? Can poverty be relieved so easily that a poverty monitoring system is superfluous?

Section 5.2 of the Plan, declares only that:

“Their [the lowest thirty per cent’s] average real earnings from 1978 to 1987 are targeted to increase faster than the annual average growth of real GNP per family of 4.9 per cent.” (p. 45)

But *how much faster*? Is there no intention to *verify* that it is increasing faster? With this kind of noncommittal attitude towards the measurement and targetting of poverty, how will the Plan instill the consciousness, drive, sense of purpose, urgency and capability to lick poverty among the citizenry, whether in the public or in the private sectors?

## 2. *Income Inequality*

The final 1978-1982 Plan, unlike an earlier draft, has no numerical projection of future inequality. The Plan simply asserts that there is a ‘maldistribution,’ and that in 1975 the top 30 per cent of income recipients received 64 per cent of the income, the middle 40 per cent received 26 per cent, and the bottom 30 per cent received only 10 per cent of the income (pp. 6-7). It is then claimed that this distribution was an improvement over that of 1971 (the earlier estimate available). This claim, however, is most disputable.

The government has a predilection for resisting recommendations to intensify its monitoring of income inequality. It insists on issuing glowing and overly-optimistic statements based on scanty data. Much research (Mangahas 1979, Mangahas, Quizon and Lim 1977) on the measurement issue at the UP School of Economics has resulted in more conservative statements. It suffices to say the following:

(a) Since the government's family income survey, taken at 4-5 year intervals, changes in design each time, conclusions about the trend in inequality should be avoided.

(b) The 1971 and 1975 government surveys have certain numerical results highly inconsistent with the aggregate national income accounts, to wit:

- i. The two surveys indicate that income per family *fell in real terms*, whereas our annual aggregate accounts say that per capita (and necessarily per family) GNP has always been rising.
- ii. The 1975 survey gives an average annual income per family of less than ₦6,000, whereas the aggregate accounts imply that it should be about ₦13,000 for the same year.

If two different sources of information have diametrically opposite findings in common areas, then it is most unprofessional to use *both* sources, selecting only those numerical results that fit one's purposes. If the government seriously believes that income inequality has declined, based on its 1971 and 1975 surveys, then it should reverse its contention that per capita GNP is increasing. If it cannot reverse its GNP trend, then it should discard the inequality trend of its 1971 and 1975 surveys (this is what I would recommend). It simply cannot have its cake and eat it too.

Regular measurement of the distribution of purchasing power is a primary need. The index of inequality needed to apply to the data base is secondary. At this stage in our development planning, it matters very little whether the Gini concentration ratio, or the top-to-bottom-quintile ratio, is adopted. The important consideration is that one, or even several numerical measures be used to specify the national targets. The measure need not even be permanent. It may be replaced if found later to be technically unsatisfactory. What is fundamentally required is the *commitment to the scientific, necessarily quantitative approach*, which includes the setting of numerical targets, the regular measurement of distributional data and the regular application of one or more indexes of inequality — whatever they may be — to such data.

### 3. *Real Wages*

The Plan declares that "manpower will be employed under just terms and conditions" (p.107) and that "a high rate of labor absorp-



tion will minimize underemployment and assure a steady and upward movement of real wages" (p.11). The Plan states that "sustained increase in labor productivity underlie the employment targets" (p.42):

Sector	Target annual growth of labor productivity (Per cent)
Agriculture	3.6
Industry	5.1
Services	2.6

These are starting points for establishing targets for real wages. The expected inflation rate is 7.5 per cent per year.<sup>3</sup> It seems reasonable then that the implicit target growth rates for money wages should be about 11 per cent per year in agriculture, 12 1/2 per cent in industry, and 10 per cent in services.

In 1979, the inflation rate will more likely be at least 15 per cent, or double the official target. Thus, if the labor productivity targets are achieved, the money-wage growth targets for 1979 should be about 18 1/2 per cent in agriculture, 20 per cent in industry, and 17 1/2 per cent in services. This does not mean that the legal minimum wages in these sectors should be raised by these specific percentages. The means by which targets are to be attained is another issue. Equity-oriented targets must always be spelled out. This in itself is an important prod towards constructing proper policies. With this, serious thinking will more likely be given to solving the equity problem.

### The Need for Annual Measurement of Poverty and Inequality

Numerical targetting and numerical monitoring are inescapably linked. In the history of the Republic, official national surveys of household income have been conducted in 1957, 1961, 1965,

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<sup>3</sup>Taken as the difference between the growth rate of GNP at current prices and the growth rate of GNP at constant prices using the 1977-1982 GNP targets (p. 26 of the *Plan*).

1971, and 1975. This amounts to *five snapshots* over three decades. It usually takes two years for such a snapshot to be "developed," in other words, for data to be publicly released; for instance, the first release from the 1975 survey was in March 1977.<sup>4</sup> Although the problem of poverty and inequality is very serious, it is difficult to compare data over time because the survey methodologies have been expectedly changing sharply, given the long lags in between. It were as though the camera's lens opening, speed and focus were changed from snapshot to snapshot. (Thus researchers have had to be contented mainly with repeated cross-sectional analysis, which is like looking at the same snapshots over and over again, with finer and finer magnifying glasses.)

It is not a simple matter to monitor the income distribution. The traditional method which takes a survey of household incomes, is expensive and time-consuming. It is necessary therefore for statistical resources channeled to this area to be enlarged. Innovations in the technique of income-inequality-measurement should also be quickly introduced. Otherwise, the pattern of distributional information — *once-every-four-years and, moreover, two-years-late* — will remain unchanged.

If a development manager expects empirical guidance on the performance of socioeconomic policies within the time frame of a Five-Year Plan, with a Mid-Term Review, a *minimum requirement is for his development indicators to be at least annual*, to allow a minimum of two monitoring cycles. An illustration is shown on the next page.

The circumstances described allow decision makers to act quickly and choose quick-acting policies. There is sufficient information for two policy moves to be assessed — one in the first and the other in the second half of the planning period. This approximates the policy-learning pattern as far as GNP is concerned.

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<sup>4</sup> National Census and Statistics Office, Special Release No. 190, Series of 1977, dated "Month of March," followed by Special Release No. 191, dated April 20, 1977. See Lim (1978).



## A Desirable Monitoring Cycle

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1978	Reference year of measurement.
mid-1979	Indicator becomes available; problem recognized.
latter-1979	Policy modification, assuming speedy decision making.
1980	Soonest year for policy to take effect. <sup>5</sup>
mid-1981	Indicator for 1980 becomes available; soonest time for 1979 policy to be assessed.

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In contrast, the present situation practically guarantees that very little will be done about a distributional problem:

## The Present Distributional Monitoring Cycle

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1978	Reference year of measurement.
mid-1980	Indicator becomes available; problem recognized.
1981	Policy modification (more delayed than in the first case because of arguments that some policies of 1979 and 1980 may already have 'corrected' the problem of 1978).
1982	Soonest year for policy to take effect.
mid-1984	Indicator for 1982 becomes available; soonest time for 1981 policy to be assessed.

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<sup>5</sup> In the meantime, in mid-1980 the indicator for 1979 becomes available. But it is too early for the 1979 policy to have made an impact.

Thus, more than five years pass before one cycle of learning-by-doing can be experienced. Again, this is under quite favorable circumstances. *In particular, it assumes that policymakers have an academic-like interest in two-year old information*, which they will assume to be quite valid. It is but natural for them to assume that their well-intentioned works of the past two years must have alleviated the problem by now. So they tend to give more attention to other 'more pressing' issues.

*Frequency and promptness*, therefore, are the key elements by which a reporting system maximizes its impact on the social, economic, and political consciousness, and helps to galvanize the thinking, interpretation and problem-solving applied to distributional issues. It is frequency and promptness in the reporting of the GNP, the production accounts, the foreign trade accounts, the fiscal accounts, the inflation rate, etc. which compel most economists to describe the so-called "economy" solely in those terms, rather than in distributional terms. *Precision in measurement is not the key*. It would be unthinkable for the GNP report to be postponed, even for six months to ascertain that the growth rate is precisely 6 per cent and not 5 per cent or 7 per cent. The government and the general public need such information quickly even if they are only preliminary figures as long as they conform to modest standards of accuracy. They can readily accept revised figures later.

What economic policy lessons have been drawn from the five snapshots of income distribution since 1957, aside from the realization that none of the packages of policies have had significant effect? Perhaps a more constructive question would be: can one even *expect* to know, conclusively, whether any package succeeded or failed? If variables are not reported annually and promptly, can one expect to know the effects of the growth of the money supply on inflation, or of changes in the rate of interest on investment, and in turn on the GNP?

It is sad that far-reaching policy changes, such as the New Society's land reform policy, seem to be precipitated by changes in 'political' rather than 'economic' variables. However, future historians will undoubtedly claim that long-standing distributional problems ultimately impelled these new policies. The government's



awareness of such problems tends to be ignited by mass movements and/or violent activities, rather than by scientific examinations of the poverty and inequality statistics. Thus, the inadequate state of distributional monitoring subtly supports the status quo, discourages those who hope for peaceful, reformist development, and encourages those who favor radical solutions - whatever their political color - to the problem of inequity.

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