

education, health and social services. In most of the other cases, particularly the collective goods (highways, defense, etc.) she used Jayme's assumptions. She concludes that "the rate of progressiveness of government services practically offsets the rate of regressiveness of the taxes" established by the 1971 NTRC study on tax incidence, and that the overall effects of public finance (tax and expenditures) have "not improved the very unequal distribution of income in the Philippines" (Tan, 1975, pp. 256-257). Tan draws attention specifically to areas in which expenditures are meant to be progressive but are not, e.g., usage of educational and medical facilities often requires significant out-of-pocket expenses, making them relatively less accessible to lower income groups.

The ineffectiveness of the fiscal system as an implicit income redistributor is not unusual in our region. The situation is much the same in Thailand (Krongkaew, 1979) and in Malaysia (Ishak, 1979). A notable exception is Singapore, where the substantial reliance on income taxation⁵³ plus the enormous scale of the public housing program (now reportedly covering four-fifths of the population) has resulted in a post-fiscal downward adjustment

⁵³In Singapore, the proportion of total government receipts coming from taxes on personal and corporate income, plus death and gift duties, rose swiftly from 22% in 1971 to 41% in 1977 (United Nations Statistical Yearbook 1977).

of the Gini ratio from about .46 to about .42 (Rao and Ramakrishnan, 1976).

7.3. Critique of Fiscal Incidence Research

1. In the first place, one should take note of deficiencies in the basic income data which cannot be compensated for by sophistication in the incidence analysis:

- (a) Effective rates of taxes and benefits cannot be expressed in per capita terms unless the joint distribution of household size and household income (or at least the average size of household per income class) is tabulated.⁵⁴
- (b) If the aggregate income captured in the household income survey is understated, then both the effective tax rates and the effective benefit rates will be overstated. For instance, Tan (1975, p. 244) gives the average effective rate from all taxes as 22.3% of income; but since the survey income average in 1971 is roughly only two-thirds of the 'true' average

⁵⁴ The last survey for which this data was available in the published Family Income and Expenditure series was in 1957.

income (Lim, 1978), then the average effective tax rate should be adjusted to only .66 (.223) = 14.7%. If and when a tax incidence analysis is done using the 1975 FIES, which has an average income less than half of the 'true' level given by the national income accounts, the calculated effective tax rates will be more than double their 'true' values.

- (c) If the open-ended top income class, as used in the published statistics, has a relatively low lower boundary, e.g., ₦20,000 and over per annum, as in the 1975 FIES, then it will include a more heterogeneous group, mixing up middle-level managers and professionals with the rich and very rich. Yet, for lack of more finely presented data, incidence analysts will be compelled to impute a large number of taxes ('luxury consumption', real estate brokers' tax, etc.) to this one, broadly defined group.

2. The typical expenditure incidence study excludes the coverage of the substantial public subsidies which are effected through government financial institutions but are not reflected in the regular government budget. From the standpoint of scale, a most serious omission would be the government's agricultural

credit program (Masagana 99, Masaganang Maisan, etc.). In 1976, nearly ₱15 billion in net loanable funds were available for agricultural credit, of which two-thirds came from government financial institutions, which are funded mainly by the Central Bank. The credit program's main problem is non-repayment, running at 25% for the Philippine National Bank and the commercial banks, and at 20% for the rural banks.⁵⁵ For such a multi-billion peso program, the non-repayment phenomenon must make for an implicit subsidy of enormous proportions, the incidence of which deserves to be studied.

3. Another serious omission is the incidence of implicit subsidies found in fiscal incentives for industrialization, i.e., the tax exemptions, tax deductions and tax credits in the Investment Incentives Act and the Export Incentives Act. These are also substantial; Norma Tan (1979) reports that in 1974 a total of only 30 BOI-registered firms shared subsidies amounting to ₱378 million and that each firm's subsidy, on the average, was 15% of the value of its output. Offhand, one would guess that the fiscal gain from these subsidies goes only to the top decile, as the class owning the beneficiary-firms. Most researchers, however, have limited

⁵⁵ Average for 1971-1975. These institutions accounted for 92% of agricultural credit in 1976. See Presidential Committee on Agricultural Credit, Financing Agricultural Development: The Action Program, 1978, which aims for a reduction of the share of the government institutions to 50% by 1982.

their focus to the effects of such legislation on factor intensities, factor prices, employment, investment, capacity utilization, and so forth. In other words, the interest is mainly on resource allocation and growth. This is a peculiar instance in which legislation with clear budgetary effects has been studied mainly for its non-budgetary effects, in contrast to the typical incidence research in which the focus is solely on the budgetary side.

4. The distributional implications of an imbalanced government budget have not been analyzed. If the incidence of the public deficit is not considered, then estimates of the effective rates of taxes-minus-benefits are biased downwards, in absolute size. But which income classes bear the burden of government deficits? Can it be assumed that it is those which purchase government bonds and certificates of indebtedness? Deficits can have inflationary consequences, even when fully derived from public borrowings, hence more so when facilitated by the monetary authority. The effects of inflation, in turn, on the various income groups has hardly been studied except for a recent study by the National Tax Research Center (1978) which shows that the effect of inflation has been to make the income tax structure relatively more burdensome for the lower income groups. Sicat (1972) has argued that government efforts at consumer price control have

seen to it that product price inflation has been relatively tougher on the upper classes. However, product price inflation is always accompanied by factor price inflation, in the aggregate, merely as a matter of accounting, and it appears that many in the lower classes are dependent on wages, salaries and other factor prices which are relatively less flexible than rents and profits in response to product price inflation.⁵⁶

5. Finally, a much neglected issue in government-expenditure incidence research is the appropriate treatment of public overhead expenditures, mainly outlays for general administration and for defense, which typically constitute one-third or more of all government expenditures. The studies of the NTRC (1974b), Jayme (1974), and Tan (1975) all impute these expenditures as effective supplementary income of households. The NTRC tries two alternative procedures: (a) it allocates general government and defense outlays equally per capita, i.e., an income class containing x per cent of the population is assumed to receive, in

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This recalls Legarda's (1962) analysis of the effects of export price windfalls on income flows, which was clearly concerned with shifts in relative fortunes among the upper classes. He warned that foreign exchange decontrol would course a shift in incomes from the modern entrepreneurial class to the traditional primary exporters.

effect, x per cent of such outlays; (b) it allocates them in proportion to income. Thus assumption (a) is one of progressivity (the poor benefiting proportionately more, relative to income, than the rich), while assumption (b) is one of neutrality. The optimistic assumption (a) resulted in a Gini ratio 2.5 points smaller than that resulting from assumption (b). Jayme's procedure, which Tan later adopted also, was to apply both NTRC assumptions (a) and (b), and then use the mean of the two results; thus we might term their procedure as semi-optimistic.

All these studies, however, fail to consider the question of whether such expenditures should be imputed as supplements to private income at all.⁵⁷ Since they form public overhead expenditures (NTRC's term is "general benefit expenditures" and Tan's term is "collective goods expenditures"), it can be argued that these are only instrumental expenditures which make it possible for the economy to function peacefully and systematically in the first place. The

⁵⁷ In the "behavioral approach," incidence analysts are challenged to verify the extent to which the perception of families (coming from different income groups) of the benefits from government spending matches researchers' assumptions concerning the distribution of the benefits. In the case of education or health services, for which private alternatives exist, families can clearly recognize that usage of the government facilities frees some of their income for general spending, which they otherwise would have had to spend on private schools or health clinics. In the case of collective goods, however, opinion polls in the U.S. show a great diversity of views, with many respondents perceiving that they are being hurt instead of helped; see the survey approach of Weisbrod (1978).

values of all the other goods and services, at market prices, already incorporate such public overhead, and inclusion of the latter in the GNP is double-counting. This is the approach of Nordhaus and Tobin (1972), which was applied in the Philippines by Sta. Romana (1976), whose term 'Net Beneficial Product' is defined as the total of consumption expenditures, both private and public, less public overhead expenditures. These overhead expenditures can better be regarded as instrumental to bringing about, rather than as supplementary to, the distribution of income, and it would be advisable to exclude them from fiscal incidence analysis.⁵⁸ In Sta. Romana's calculations, the only national government expenditures still included as pertaining to final, beneficial goods and services are those in education, public health, labor and welfare. This would result in a more conservative picture, with the income distribution modified less progressively than the present optimistic or semi-optimistic procedures imply.

⁵⁸As has been done, for example, in Malaysia (Meerman, 1977).

8. Selected Equity-Relevant Policy Areas

8.1 Land Reform

The long history of agrarian unrest has led to a widely-held consensus that land reform is a necessary public policy. Reforms can range from the mild to the radical; nevertheless they always embody some restrictions placed on private property, such that landowners' welfare is diminished and tenants' welfare is increased, relative to what would hold in an unregulated market. The competing parties are clearly identified, and the threat, or at least restraint, to the system of private property is equally obvious.

Incongruously enough, however, the government and much of the research establishment have shown greater interest in the productivity, as contrasted to the equity, aspect of land reform.⁵⁹ Higher agricultural productivity would definitely benefit the urban

⁵⁹ Some time ago, Ruttan (1964) recalled that the land reforms in the U.S. and Western Europe in the 18th and 19th centuries, and in Latin America, East Asia in the 20th century, had political and equity objectives uppermost, carried out as they were during eras of revolution and peasant discontent. It was much later that the productivity objective emerged in U.S. agrarian legislation. Noting that the Philippine Agricultural Land Reform Code of 1963 (R.A. 3844) recognizes the productivity objective as part of 'modern land reform', he maintained that, under modern conditions, productivity is a prerequisite to attainment of political and equity objectives. However, in spite of the green revolution of the late 1960's, subsequent events -- the social unrest at the start of the 1970's, Martial Law, and P.D. 27 -- would indicate a continued relevance of the broad historical requirement for equity before productivity.

poor, as well as the rural non-food-producing poor, but the benefits to the farmers themselves are less obvious, due to the resultant worsening of their terms of trade (prices received relative to prices paid). Yet, the current Development Plan (pp. xxxvii, 9) emphasizes productivity growth as an objective of land reform, and avoids even mentioning equity.

The rationale behind the official preference for leasehold (and, a fortiori, amortizing ownership) over share tenancy is the theory that proportional crop-sharing gives a tenant less incentive to apply yield-increasing inputs such as fertilizer. But the empirical validity of this view is most questionable. In cross-sections it is not uncommon to find that share tenants have equal or greater productivity than other tenure groups (Estanislao, 1965; Sandoval and Gaon, 1971; Ruttan, 1966). Mangahas, Miralao and de los Reyes (1976) using Institute of Philippine Culture surveys of Nueva Ecija in 1972 and 1973, found that, for any given tenure group, productivity and input usage varied greatly among farmers; however, there were great overlaps in the patterns of the different tenure groups, and no statistically significant difference in average productivity could be found according to tenure. They argue that the economic benefit to the tenant from land reform comes mainly from rental reduction or elimination, and that mere change in tenancy contract has little to add.⁶⁰

⁶⁰ This is consistent with findings that many share tenants are reluctant to convert to leasehold (de los Reyes and Lynch, 1972).

In time-series analysis, on the other hand, there is a lack of rigorous testing of the hypothesis that land reform leads to faster productivity growth. The Bureau of Agricultural Economics (BAEcon, 1975) did a survey of 525 tenant-recipients of Certificates of Land Transfer in seven of the 17 pilot municipalities in which Operation Land Transfer was implemented, with the intention of determining the effect of agrarian reform on farm productivity and income by comparing crop year 1974/75 with 1971/72. This study obtained some interesting data on the progress of CLT-recipients, but, unfortunately, failed to include a control group of non-recipients. Thus one cannot infer that the improvements in productivity are attributable to the possession of a CLT.

The BAEcon shows yield increases in most of the surveyed municipalities (6 of 7 in the wet season, 5 of 7 in the dry), but results were statistically significant⁶¹ in a minority of cases (2 of 6 in the wet season, 3 of 5 in the dry). These are due to increases in multiple-cropping, use of high-yielding varieties, fertilizer and chemicals. The data also show large increases in borrowings, no doubt associated with the Masagana 99 program, which is officially regarded as part of the agrarian⁶² reform program. This brings out

⁶¹At a generous 20% significance level.

⁶²In official parlance, land reform refers only to the rental reduction or land transfer component of agrarian reform, which is a broad concept counting all productivity-oriented policies. But, obviously, it is the land policy which justifies the term 'reform' in agrarian reform.

another methodological problem, since Masagana 99 is not limited to CLT recipients; the appropriate control group would then have to be non-Masagana 99, non-CLT recipient, and non-recipient of any other benefits that are officially regarded as part of agrarian reform. The improvements in productivity do not seem unusually large, in the light of the green-revolution experience.

The more interesting part of the BAEcon survey, from the equity standpoint, is the data on rents/amortizations⁶³ (Table 8.1 : with emphasis on the wet season, since the bulk of the tenant's income is made here). The proportion of production spent on rent/amortization fell in most locations, most remarkably in Nueva Ecija; but there was a slight increase in Isabela, and doubling in Camarines Sur (which deserves investigation). In Bulacan and Tarlac, the absolute cavan-rental or amortization stayed roughly constant, i.e., the proportional decline was due entirely to productivity growth. The growth in yields accounted for most of the growth in farm income; nevertheless, the change in relative land-payment figured only slightly. This confirms that the terms of Operation Land Transfer are such that the bulk of the financial

⁶³ Some of the 1974/75 payments in this category are probably still rents, since the great majority of CLT-holders in 1975 had not yet started on amortization payments (Mangahas, 1975c)

Table 8.1. Proportion of Value of Production Spent on Rent or Amortizations, 1971/72 and 1974/75, for Recipients of Certificates of Land Transfer in Seven Municipalities

Location (Sample Size)	July-December (Wet) 1974		January-June (Dry) 1975	
	1971 For rent	For rent or amortization	1972 For rent	For rent or amortization
<u>Percent of value of production</u>				
Concepcion, Tarlac (60)	18.8	15.2	15.2	14.6
San Mateo, Isabela (95)	11.6	16.1	14.8	13.4
Minalin, Pampanga (30)	33.2	24.3	25.9	27.3
Calumpit, Bulacan (25)	n.a.	n.a.	14.4	10.6
Tigaon, Camarines Sur (40)	14.8	29.6	18.1	17.4
Guimba, Nueva Ecija (210)	18.7	6.6	12.6	10.1
Pototan, Iloilo (65)	30.7	19.6	26.6	22.6

Source: Computed from BAEcon (1975), pp. 47-53.

benefit to the tenant comes only when the amortizations have been completed (15 years).⁶⁴

All these studies, however, seem to miss the heart of the matter, namely the social injustices which land reform is intended to ameliorate. Are such injustices simply to be represented by the income/wealth gap between landlords and tenants?⁶⁵ Conceivably, under conditions of concentration of wealth and power, abuses can go unchecked and become endemic. There seems to be a presumption that smaller landlords are less likely to be abusive. Is there a relationship between land estate size and incidence or degree of involuntary servitude, insecurity of tenure, debt peonage, etc., which can indicate how small an estate is small enough to ensure that the tenants will not be, in their reckoning, unjustly treated?

⁶⁴ See Mangahas, Miralao and de los Reyes (1976) and ILO (1974). The latter study estimates that the potential effect of Operation Land Transfer is to reduce the national Gini ratio by about 2 percentage points; if the retention limit on rice and corn lands were reduced and if land transfer were extended to other crops, then the estimated reduction is 4-5 points.

⁶⁵ In Flores and Clemente's (1975) survey of 794 landlords and farm operators in Central Luzon, the landlords (average estate size of 9.6 ha.) had an average annual income of ₱21,160, owner-operators--₱11,550, amortizing owners--₱6,910, share tenants--₱6,280, and leaseholders--₱5,960. Flores and Clemente insist, however, that the difference between owner-operators and tenants is more important than that between landlords and tenants.

A deeper question has to do with the equity of the process of land acquisition in the first place. The government concern for the small agricultural landowner, stereotyped as a retired civil servant supplementing his meager pension from rentals from land bought out of life's savings, indicates that certain circumstances of acquisition are socially acceptable. On the other hand, haciendas derived from Spanish land grants, though perfectly legal at the time, represent socially disturbing land concentration. There are indications (the distribution of public lands in Palawan was recently studied by Inoferio, 1978) that, even at present, the natural resource distribution policies of the state, with many openings for land concentration, may be inadvertently preparing the ground for agrarian unrest in the next generation.

8.2 Education

Education is one area in which there appears to have been definite progress towards equalization over the last generation. Alonzo (1976) has recounted the increases in the average and minimum levels of schooling attainment (since there are natural limits to the maximum level of attainment, this implies that the distribution of schooling has become relatively more equal), and the narrowing of the gaps in schooling between males and females and between urban and rural youth. Years of schooling is clearly a significant variable in determining earnings (Encarnacion, 1974;

Tan and Orbos, 1977) and likelihood of being over the poverty line (Tan, 1976); but, as pointed out earlier, it does not account for the major portion of differentials in income.

On the basis of the traditional indicator, the number of years spent by a person in school, the Philippines has indeed acquired a reputation as having the broadest-based educational system in Southeast Asia. The relatively unresearched issue, as Alonzo has pointed out, is educational quality: at primary, secondary and tertiary levels, schools vary widely as to quality, and the distribution of access to formal productive training, properly adjusted for quality, is probably very unequal. The public and private sectors play very different roles in this regard. At the primary level, which is 90% public and tuition-free, and to which there is near-universal access, the private schools provide clearly superior schooling. At the secondary level, in which public and private sectors have equal shares, public school training is still generally inferior, except in a few special state schools. At the tertiary level, however, in which the private sector has 90% of the students, the roles are reversed. The classification of tertiary institutions as private proprietary, foundation, sectarian, and state, in that order, is often used as a proxy for increasing schooling quality, and has been shown to be a significant determinant of both earnings and the ease of obtaining employment after graduation (Alonzo, 1977).

The factors affecting access to education include family⁶⁶ income (in relation to family size), family wealth, and educational attainment of parents (Tan and Uy, 1977; Palanca, 1977). Educational institutions of higher quality do attract pupils from the better-off families (Montiel and Fernandez, n.d., Lynch, n.d., Fund for Assistance to Private Education, 1979), and coming mainly from the more developed regions (Leonor, 1977). Furthermore, students from low-income backgrounds are in a weaker position to derive benefit from schooling, compared to their more privileged classmates; the former tend to have poorer school attendance rates and lower scores in scholastic achievement tests (Tan and Uy, 1977).

Using mail surveys conducted in 1964 and 1968 by the Higher Education Research Council (1972), the ILO (1974) found a strong indication that families of college students are much richer than the average family in the country. One obvious reason for this is the costs associated with higher education. The poor do in fact make sacrifices to send their children to college; but even the cheapest education in the late 'sixties required that the student's annual family income be at least equal to the mean income in Manila. As a result, only 20 per cent

⁶⁶Family of orientation.

of the students had parents who were farmers, and only 4-5 per cent had parents who never went to school. The evidence also showed unmistakably that children from low-income families tend to enter lower-cost courses such as education, commerce and business, while the children of high-income families take up the sciences, engineering and medicine. The ILO report concluded that

"in short, Philippine higher education appears to be more open to entry for the children of workers and farmers than, say, higher education in most European countries, and it is not much less open to entry from less privileged families than American higher education. Or to express it differently, education in the Philippines does indeed ensure a certain degree of intergenerational mobility, and this despite the fact that it is largely financed privately. But it is only fair to say that, as a method of equalizing incomes, educational expansion works so slowly that even two or three decades would hardly suffice to make a dramatic difference to aggregate data on income distribution". (p. 330)

The January 1979 report on equity in educational opportunities by the Fund for Assistance to Private Education (FAPE) is the most recent statement on access to institutions of higher learning. It makes use of tabulations of student performance in the National College Entrance Exam (NCEE) and special school surveys. Although only 12.8% of the schools surveyed gave particular attention to socioeconomic status of students in their admissions policy, the NCEE proved to be an incidental filter that served to exclude lower income students from college. The general

trend was that better-off, urban examinees enjoyed, on the whole, a greater chance of passing. From 1962-1967 enrolment figures, it was computed that, of every 100 students entering Grade 1, only 15 survived the educational system to finish college. These 15% appeared to be composed mainly of students from richer families and children whose parents were better educated. Poorer students who were fortunate enough to be in the privileged 15% generally took lower-cost (and probably lower remuneration) courses than their wealthier counterparts.

These disparities were also evident at the University of the Philippines, (Uichangco and Villongco, 1976, and University of the Philippines, no date), despite its minimal fees, apparently because the vicious cycle of causation between income and education left students belonging to lower income groups inadequately prepared to tackle college work at the state university. Thus, the unequal pattern of distribution of school quality at the primary and secondary levels, where the public schools are dominant, has serious consequences for access to high quality schooling at the tertiary level, where the public sector has only a few places to offer.

The FAPE report favors the design of special financial aid programs for families unable to afford college education for their children.⁶⁷ At present, the financial assistance awards which

⁶⁷ It favors a socialized school fee system and a voucher system that would allow a choice of school to the student.

offer full coverage of tuition fees and subsistence living costs are almost nil. Twenty-three per cent of such awards offer scholarships covering all fees. At the collegiate level, the indirect costs of schooling to a student are more than 7 times as large as the direct costs charged by the schools (Alonzo, 1976); two-thirds of these indirect costs are foregone earnings, which represent sacrifices more serious for the lower than for the upper income groups.

FAPE has also found that the use of a uniform passing mark in the NCEE leads to discrimination in favor of examinees from Metro Manila and from upper income groups.⁶⁸ Thus it also recommends the use of differential cut-off points according to region of the NCEE examinees.

8.3 Health, Housing and Social Security

One of the most direct attempts to answer the question 'who benefits from the health system?' was made by Adorna (1977). By using health manpower and hospital bed distribution as proxies for disparities in the delivery of health services, Adorna shows a highly unequal access to medical care among geographical regions.

⁶⁸ See "Income Distribution of Qualified and Disqualified Examinees in the 1973 NCEE," FAPE R and D Report, No. 5, September 1974, cited in Alonzo (1977).

The existence of rural clinics offsets regional biases only to a limited extent. A more poignant instance of the maldistribution is the finding that Metro Manila alone claims about one-half of all hospital beds.

In the absence of any appreciable amount of income data the locational approach, which employs the "catchment" concept is useful in analyzing access to health care with respect to income. If indeed it is valid to substitute roughly "rich" and "poor" for health service delivery in "urban" and "rural" catchment areas respectively, then Adorna's findings do indicate an upper-income bias in health care. His report on a survey of 527 patients from different health and nutrition institutions in 1975 supports this conclusion as it suggests that access to these institutions was greater for higher income clients. Moreover, Adorna finds that the catchment areas of individual Philippine health institutions are rather small. For instance, 82 per cent of patients availing of services at the Philippine General Hospital (PGH) have residence within a ten kilometer radius of the hospital.

Tan (1975) has further confirmed the apparent upper income bias in access to health care. A special survey on the distribution of benefits from government expenditures found that benefits per family from health expenditures in 1975 were: ₱18 for those with an income of ₱0-1000, ₱39 for those in the ₱4000-6000 income

class and P112 for those receiving P10,000 or more.

The poor are discriminated against not only with regard to the quantity of health facilities but also with regard to its quality. It is often conceded that the PGH suffers from a lack of equipment, overcrowding of patients and a scarcity of technical manpower. These factors prevent it from providing the same degree of quality medical care as its other government counterparts, such as the Government Service Insurance System Hospital (GSISH), despite the high caliber of the PGH staff. Dequina (1975) sampled 100 respondent users of these two health facilities (PGH and GSISH) and found that far higher proportions of PGH patients were poorer.

The correlation of poverty with morbidity (incidence of illness) is most vividly demonstrated in Paqueo (1976). His data are from a survey of 1,000 respondents in Batangas in 1973, done in connection with the Development Academy of the Philippines' Social Indicators Project. The respondents were asked whether they experienced illness during a two-week reference period and, if so, to what fraction (either 1/4, 1/2, 3/4, or total) of their normal activities they felt restricted. At the same time, the respondents gave their perceptions of their poverty status. Table 8.2 clearly shows that the rate of morbidity is higher for the poor, whether they feel they are on the border line of poverty or below it. In addition, the degree of morbidity, as measured by

Table 8.2. Morbidity Data by Poverty Status (For a Reference Period of Two Weeks) Batangas: September 1974

Self-rating as to poverty	Percent of Respondents Reporting Illness				
	Prevalence Rate of Morbidity*	Restricted to 1/4 of normal activities	Restricted to 1/2 of normal activities	Restricted to 3/4 of normal activities	Completely Disabled
Non Poor	10.1	.6	3.2	2.5	2.6
On the borderline of poverty	12.8	1.1	2.0	1.8	6.3
Poor	20.0	1.6	2.6	3.5	10.1

* Includes those who reported illness but were not disabled.

incapacitation, is far worse for the poor than the non-poor: falling ill is twice as likely and disability (100% or 75%) is three to four times higher.

The evidence on the distribution of housing is more scarce than that of health. Quiñones' (1975) study shows that housing finance institutions cater to the upper middle economic classes. Other studies have focused on the housing situation in gross supply and demand terms, and on slum dwellers and squatters, particularly in the metropolitan areas. In 1968 the Office of the President (1968) reported a total of 183,759 families that were either slum dwellers or squatters in Metro Manila. Although not all squatters necessarily belong to the lower income classes, the subjects of the report do generally appear to belong to this group. Most were rural migrants, and about half had earnings of less than ₱150 per month. Average monthly receipts were between ₱100-₱150; many did not have an assured regular income. The Economic Development Foundation (1974) has reported that the squatter and slum problems mushroomed to encompass 3.4 million people by 1973.⁶⁹

⁶⁹ More data are available from surveys and studies of the Philippine Institute of Environmental Planning, the U.P. Institute of Small Scale Industries, the Central Institute for Training and Rehabilitation of Squatters, the Institute of Philippine Culture, the Development Academy of the Philippines, the Presidential Assistant on Housing and Resettlement Agency, the National Housing Authority, and the Tondo Foreshore Development Authority.

Rosenberg (1970) has attempted to examine the redistributive effects of the operations of the Social Security System (SSS) in 1967 by imputing SSS contributions and benefits to the wage/salary income classes to which SSS members belong. He was able to secure a sizeable 6,000 sample from the 1965 BCS FIES, and constructed a cross-classification of wage and salary recipients by income classes. The imputation of contributions was done on the assumption that employee contributions were not shifted forward, while employer contributions were shifted either (a) completely to employees, (b) half to employees and half to consumers (allocated to the latter in proportion to their consumption expenditures) or (c) one-third to employees and one-third to consumers. Various types of benefits were also examined: retirement; sickness; death; and the discounted value of interest savings on loans.

Under all assumptions, SSS contributions were found to be progressively distributed, that is, contributions as a proportion of income rose with income. The distribution of benefits, on the other hand, was somewhat ambiguous. Retirement, sickness and death benefits were quite progressive but loan services were highly regressive. Since the latter amounted to 50 per cent of all benefits, the overall trend was one of progressivity between low and middle income groups but regressivity between low and middle on the one hand and high on the other.

The reserve finance system of the SSS rendered contributions about 2-1/2 times benefits so the net effect (benefits and contributions) was slightly progressive -- the "before SSS" Gini concentration ratio being 1.2 per cent higher than the "after SSS" ratio. Net transfers were negative for all income brackets, i.e., the net effect was similar to that of a tax.⁷⁰

Some reasons for the limited effects of the system are evident. Many poorer quarters -- non-wage earners -- are excluded from the SSS scheme. Since finance is obtained by payroll deductions, landowners and other individuals who derive income from assets are also excluded. Membership in the system covers a small proportion of the population due, in part, to non-compliance of legal requirements for membership.

8.4 Equity in the 1978-1982 Development Plan

There has been a clear trend, in Philippine development planning, towards equity as a social objective (Mangahas, 1976a). In the 1978-1982 Plan, social justice is cited as an "overriding thrust." President Marcos refers to the Plan as "an Instrument

⁷⁰ Rosenberg recommends that reserve financing (which permits a great deal of latitude to loan operations) be replaced by a "pay as you go" system that would increase benefits to contribution levels.

for the Democratization of Development," and 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 his section entitled '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."⁷¹ (p. xxxi; our italics)

In general, it would appear that the policies whereby these ideals are to be pursued do not seem to differ significantly from those given in the 1974-1977 Plan. The only measure identifiable as capable of 'directly altering' the distribution of income and wealth is the land transfer policy for rice and

⁷¹Consistent with the President's views expressed in Notes on the New Society II: The Rebellion of the Poor (1976):

"I, for one, do not subscribe to distribution from growth alone, although growth is necessary to democratization." (p. 7; the President's italics).

"Thus, the rebellion of the poor, as the ideological base of the New Society, is translated by the crisis government as the process of equalization." (p. 12)

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. The main policy still seems to be the pursuit of greater productivity, preferably in areas outside Metro Manila, preferably rural, in small- or medium-scale industries, in labor-intensive processes, in export-oriented products, etc.

In the 1978-1982 Plan, the specific areas in which one may find numerical targets⁷² pertinent to equity are the following:

(a) Open unemployment. The Plan cites the proportion of the labor force completely without work at 4.1% for 1977. (Thus the 1974-1977 Plan target that it should fall from 7% in 1972 to 3% or less by 1977 was substantially achieved). The target unemployment rate for 1978-1982, **which is a constant 4.0%**, is a weaker one than in the 1973-1977 Plan. It appears that NEDA's present view is that this rate is already tolerable and that, in any case, it will not be feasible to lower the unemployment rate further.

⁷²In the 1978-1982 Plan, the technical emphasis is overly heavy on the growth-targets compared to the equity-targets. For instance, the thirty-one-page Chapter 2, entitled "National Development Targets," devotes its first 23 pages to discussing past performance and future targets of growth, and the succeeding 8 pages to discussing 'sharing the benefits of growth'.

(b) Visible underemployment. Defined as the proportion seeking more work out of those employed less than 40 hours per week, this is targeted for a substantial drop from 5.3% in 1977 to 3.6% in 1982 and further to 2.5% in 1987. However, there is no mention of a numerical target for the invisibly underemployed, who constitute a more serious problem.⁷³

(c) Undernutrition. This is one area in which the Plan shows a serious technical interest in equity. The Plan reveals that a very large national survey of preschoolers in March 1977 indicated that over 30% were suffering from moderate or severe protein-energy-malnutrition (PEM), that the PEM rate has not had a decreasing trend, and that it may even have been worsening among 'disadvantaged groups' (p. 188). Table 8.3 reproduces the Plan's estimates of the base rates of PEM among children in 1976, and the highly aggressive set of targets for reduced PEM over the planning

⁷³ The total underemployed is given by those already employed, regardless of the number of hours, but seeking more work. The rationale for the use of a time-criterion, 40 hours per week in this case, is to separate those underemployed who actually have no more time in which to work, i.e., their expression of need for more work should be interpreted as a need for a higher-paying job rather than merely more hours worked. This is invisible underemployment. However, the average Filipino's work-week is much closer to 48 hours than to 40 hours per week. Since this is only the average, a good number work more than 48 hours. Thus the technical choice of only 40 hours as the boundary line for the visibly underemployed results in an over-optimistic presentation, since there are definitely many workers presently with five-day-a-week jobs who are willing, are able and are seeking six-day-a-week jobs.