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## [Income Levels / Poverty in the Philippines](#)

by Marketman

About 15 years ago, I reviewed the income levels of the Philippine population with a significant amount of research and was shocked at the findings then. If I recall correctly, some 9-10% of the population then were classified as being part of the A/B/C socio-economic classification, whatever that really means. The rest of the population fell into the D and E category. Essentially, things were pretty bleak then. Fast forward to today, and using the government's own comprehensive FIES (Family Income and Expenditure Survey) and latest survey of 2006, and the story has gotten even bleaker. I write this post simply to outline either facts, or with some basic analysis, my own estimates of where things are. It is always an interesting topic at dinner parties, gatherings, etc. since I find that most locals don't have a very good understanding of the poverty levels and who is in what category, and for foreigners, it is almost always an eye-opener just how difficult the economic situation is for over 80-85 million people in the Philippines.

### **Socio-Economic Classification**

I have no idea who created this rating of one's assets/income, but essentially I gather it is usually used for marketing and business purposes. It is important to note that it is NOT only based on income, but rather includes assets such as homes, vehicles, possessions, etc. Thus, at the "upper" levels say A and B, the individuals counted as part of that level are not only among the higher income generators, but they have assets as well. For those in the "lower" bands E, it is more likely that they not only have very low income levels, but typically will have few assets as well. If you read [this blog post](#), it explains rather well how income levels are broken down in different classifications, and it is where I get the latest percentages I use as a jumping off point for this post. Essentially, based on Pulse Asia's classifications, they estimate that categories "A/B/C" make up just the top 7% of all families in the Philippines, while another 67% fall into the "D" category, and 26% are in the "E" category. In 2006, it was estimated that there were roughly 17.4 million families total at an average of 5 people per family, totalling 87 million for the country as whole.

### **Marketman's Running Survey**

In the survey I am running (or if you read this later, survey that I ran), it seems some 40% of readers actually think the Philippines is POORER than it is, in other words, a fairly negative sentiment. Some 24% of you got it right, with roughly 86-88% of the families earning less than PHP25,000 per month for a family of 5. But approximately 36% of you were varying degrees of being overly optimistic, and believed that many more families earned more than they actually do. Okay, so hold this thought for a moment. Roughly 87% of all families in the Philippines, representing 75.7 million people, are living on less than PHP5,000 (USD110) per month per person on average in income.

How much does it take to lead a decent, but probably "lower-middle class" existence? **This is just my personal opinion, but for a family of 5, including several younger children, this is MY ESTIMATE of what is needed to lead a lower middle-class existence:**

Food and related expenses (5 people x 3 meals a day x 30 days x P50) = P22,500  
Shelter (either rent or amortization and upkeep and all utilities of an owned property) = P10,000  
Transport/Telecoms (commute to work, no car, possibly motorcycle, load, phones) = P4,000  
Education (1 out of 3 kids in modest private school, others in public school, uniforms, books, etc.) = P5,000  
Clothing, Personal Hygiene, Other Expenses = P3,000  
Medical/Health/Emergency Expenses = P2,000  
Other miscellaneous Expenses = P3,000  
**TOTAL MONTHLY EXPENSES = P50,000 for a family of 5.**

Note that this is likely a family in the city, rather than a provincial domicile, but the breakdown is illustrative. Note that there is little in the budget for eating out, a movie, a death in the family, furniture, equipment, internet, cable, etc. This is a pretty sparse existence by any measure, whether local context or international definition of a “middle class” and the total is still PHP50,000 per month. So what percentage would a family like this be in the scheme of things?

### **Income Level Breakdown**

**Top 1% of population or roughly 174,000 families of five people made an average of P122,000 per month or higher.** The TOP 1%! If you look at the roughly estimated top 8,500 families, I figure they make roughly P500,000-600,000 per month in income on average. In other words, if your annual income for a family of 5 is roughly PHP6-7 million, then you can say you are in the Top 99.95% of income earners in the Philippines.

The Top 10% or roughly 1.74 million families of five made an average monthly income roughly PHP55,000 per month. However, this data is skewed due to the real big income earners in the group, and if you did indeed make P50,000 or so a month for a family of 5, that would actually place you roughly in the top 6-7% of the entire nation. In other words, a whopping 93% of families or so LIVE BELOW the PHP50,000 “lower-middle class” budget I outlined above. This also, by the way, translates into the top 7% being the A/B/C. And everything below that is D and E. If you were a single income earner, and you did NOT support anyone else, and you lived in the city and made say PHP20,000 per month say at a call center or as a bank teller or executive secretary, you would be solidly a B+/A- on the socioeconomic scale. I just find that amazing because I think if you asked these folks if they felt they were in the top 3-4% income earners in the country, they would vehemently disagree. But I am a numbers guy, so they better believe it...

Just to keep going, the 10.01-20th percentile earns an average of P24,333 per family of 5 per month.

20.01-30th percentile earned an average of P17,083 per family of 5 per month.

30.01-40th percentile earned an average of P13,000 per family of 5 per month. This is roughly just above minimum wage level. So if you know someone who is the sole breadwinner and is earning at minimum wage in Manila, with just a few other benefits, and supports a family of 5, then they could proudly (?) say they were in the top 30-40% of the Philippine population in terms of income.

Finally, at the bottom 90.01-100th percentile, families of 5 earned a simply shocking P2,667 per month or just P18 per person per day, barely enough 3 packs of instant noodles, or rice and one simple viand for the entire day (with no money for ANYTHING else).

## SUMMARY

What do I take away from this data? And I am intentionally removing any political color or commentary about specific candidates, rather trying to stick to the broader implications...

1. **As a nation, income wise, we are incredibly poor by any decent measure.** Not the poorest in the world, in fact, ranked 121 out of 180 countries tracked by the [IMF in 2009](#), based on nominal GDP per capita. Surprisingly, we are ranked lower than Iraq, Indonesia and Bhutan and are just slightly ahead of Bolivia, Guyana, Moldova and Sudan. More importantly, perhaps, is that our income levels and relative ranking among nations have declined over the past 50-60 years, in a downward spiral with such disastrous consequences. What used to be hailed as the the second or third richest country on the Pacific Rim 50 years ago is now a so far behind Japan, Singapore, Hong Kong, South Korea, Malaysia, Thailand, China(!) and Indonesia. And nipping at our heels are Vietnam (a socialist state closed to the world for decades!), Laos and Cambodia. And while some would argue income from 4+ million OFW's are not counted in GDP, I suspect without the over \$12 billion in funds sent back to families in the Philippines, the FIES data would sink further south...

2. **Most readers of this blog are probably in the top 1 – 3 % income levels in the country. I say that because when one makes a comment about elitism, I think it is useful to realize people are quibbling about a relatively small spread of income earners.** If you have access to a computer, were educated to read and speak in English, and have an interest in food or an occasional rant, you are probably making more than you think, relative to rest of the population. I realize there are differences between billionaires and mere millionaires in the top 1/10th of 1 percent, but get real, the issue is really how to bring the bottom 97% or a portion of them up further on the income side.

3. **Because of the magnitude of the problem, with some 76 million people earning P5,000 per person on average per month or LESS, it is SIMPLY IMPOSSIBLE WITHIN THE NEXT 12 YEARS to eradicate poverty completely. IMPOSSIBLE. And anyone who says they will do it is LYING, period.** For the sake of illustration, let's just say for a moment, that you increased the income levels of some 90 million people (including population growth) by P10,000 per month on average just to get them to a more decent level of existence. **That would mean 10.8 TRILLION more in annual income. That is equivalent to 3.5 times the CURRENT TOTAL INCOME generated in the Philippines.** Ergo, this is simply impossible, or at best, highly improbable over the next 12 years. So the reality is that we need to stay focused FIRST on building or expanding the middle class, from say the 95th percentile down to say the 80th percentile. Unfortunately, that leaves out 80% of the population. This isn't a shocking idea. Or a novel one. It is a realistic and practical one. It is the path South Korea took. It is the path China took, racking up 8-10% annual GDP growth for 20 years in a row or so and yet a huge proportion of their population is still poor, it is the path India is taking, as well. It won't sit well with the general voting public, but it is likely the most REALISTIC progression of things.

4. **To expand that middle class, government and business will have to foster a climate that ENCOURAGES investment, which by definition also means we MUST attract capital from abroad, because we can't generate enough locally.** To do that, we need to do a whole host of things such as curbing corruption, improving infrastructure (telecoms, electricity, roads, water, etc.), encouraging real competition, fixing the judiciary, improve education, etc. etc. etc. And we must do this while we have NO MONEY to pursue the programs, or at least little money, since we are

currently incurring a P300B+ deficit. As a corollary to this, the bottom 80% of the population has to be given basic food, shelter and medical care, which frankly, appears to be impossible to do, numbers wise. And personally, I think there is no choice but to seriously curb population, at almost ALL income levels. **Anyone who says we DON'T have a population problem is simply absurd, in my opinion.** It will be decades at least before massive improvements in income will even begin to filter down to the poorest segments of society, what more if population growth is unbridled...

**5. For 70-80% of the voting population who are poor or very poor, their immediate concern is how to get enough to eat.** How to have access to clean water. A roof over their head. Some education and medical care. But really, what they are thinking about first and foremost is simply getting enough calories to survive. As an aside, now I also know why noontime tv shows are what they are... So you can totally see why the Presidential elections are NOT a major concern for them right now. They will vote, because they have traditionally voted and it is a wonderful trait, but they will not likely dissect the issues as I have tried to do here or columnists will do *ad nauseam* over the next 4-5 weeks before election day. **But having said that, this election is CRITICAL. It will determine to a great degree who will have a chance to take on the challenges facing all of us. It will determine whether we see more of the same and a further decline for the nation, or a bottoming out and hopefully noticeable improvements over the years to come. Whoever wins the election will have a tremendous set of tasks ahead of them.**

6. Finally, as a sad observation, I can now fully appreciate why so many Filipinos are “abandoning ship”, heading to greener pastures either for temporary work contracts or to emigrate permanently. **I believe we are losing a huge percentage of our potential “middle class” with educated, driven, hard-working folks opting to seek their fortunes/lives elsewhere on the planet. I absolutely cannot blame them one iota for abandoning their home country and providing incredible productivity and income in their new adopted homes.** I lament the fact that this is happening, but I can completely understand why this is so. And 60% of the readers of this blog are predominantly Filipinos based abroad.

*ARRGH. I have probably gone on far too long. If you are reading this line, kudos to you for wading through the entire post. As you can see, the country faces a real uphill climb. And we all need to do our part to help. Let me end it there. :)*

Ref.: <http://www.marketmanila.com/archives/income-levels-poverty-in-the-philippines>