

MDGs INDICATORS ON EMPLOYMENT

Proportion of Employed People Living Below the Poverty Line (Working Poverty Rate) (Last of a Five-Part Series)

Background

In 2000, member countries of the United Nations adopted the Millennium Declaration which was translated into a roadmap setting out goals, known as the Millennium Development Goals (MDGs). The eight MDGs, set to be achieved by 2015, are 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child mortality; 5) improve maternal health; 6) combat HIV/AIDS, malaria and other diseases; 7) ensure environmental sustainability; and 8) develop a global partnership for development. Each goal is accompanied by certain targets with time-bound and measurable indicators.

The employment indicators of the MDGs were of fairly recent development. It was only in February 2007 that the Secretary-General of the United Nations began a two-year devoted effort in the Commission for Social Development to actions which "promote full and productive employment and decent work for all" as a vehicle for poverty reduction. Resolutions guided the work of the Inter-Agency and Expert Group (IAEG) in their efforts to include a new target for employment in the MDGs (Goal 1 Target 1.B), bringing to five (5) the total employment indicators in the MDG.

MDGs EMPLOYMENT INDICATORS

GOAL 1: Eradicate extreme poverty and hunger

Target 1.B: Achieve full and productive employment and decent work for all, including women and young people

Indicators:

- 1.4 Growth rate of labor productivity (GDP per person employed)
- 1.5 Employment-to-population ratio
- 1.6 Proportion of employed people living below the poverty line (Working poverty rate)
- 1.7 Proportion of own-account and contributing family workers in total employment

GOAL 3: Promote gender equality and empower women

Target 3.1: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

Indicator:

- 3.2 Share of women in wage employment in the non-agricultural sector

This issue of LABSTAT Updates focuses on MDG Employment Indicator 1.6 *Proportion of employed people living below the poverty line or the Working Poverty Rate (WPR)*. The share of working poor in total employment in a country reveals the extent of participation of the working poor in the labor market. The higher the working poverty rate, the bigger the decent work deficit in terms of adequate earnings. (International Labour Office, 2012)

In this LABSTAT series, working poverty rates are analyzed only for three survey periods 2003, 2006 and 2009 since only in these years that data based on the 2011 refined methodology sourced from the National Statistical Coordination Board are available. In addition, the Family Income and Expenditure Survey of the National Statistics Office, the basis for determining the poverty threshold, is conducted every three years.

One out of 5 employed resides in a poor household

The number of working poor in the country has increased from 6.7 million in 2003 to 7.9 million in 2009 translating to a growth rate of 17.6% over the period. Nonetheless, the working poverty rate (WPR) remained the same at about 22% of the employed. It was noted that the trend of the WPR is similar to that of poverty incidence of the population, although, their rates were lower (Figure 1).

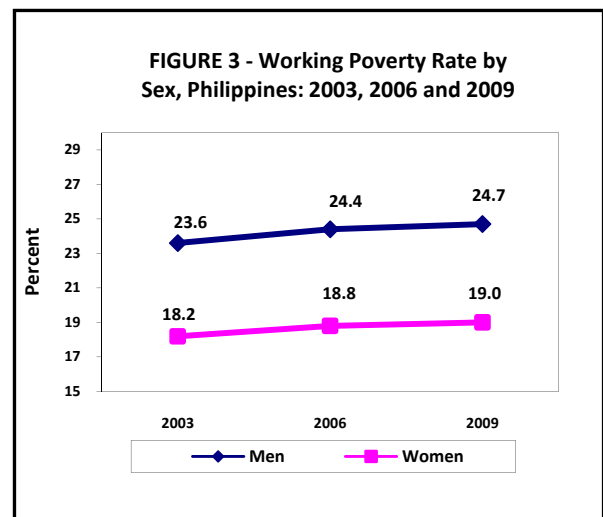
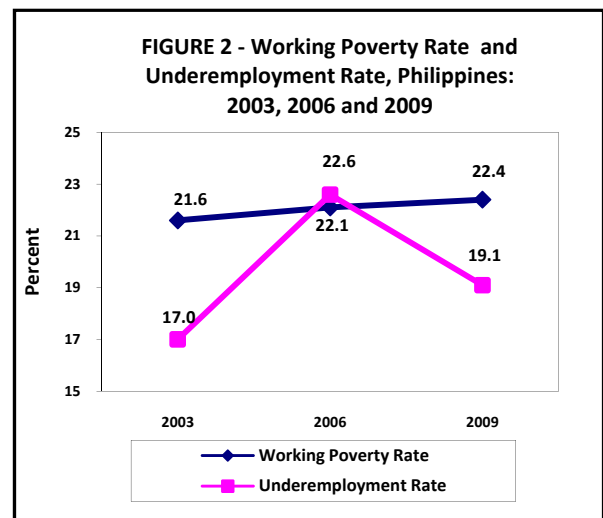
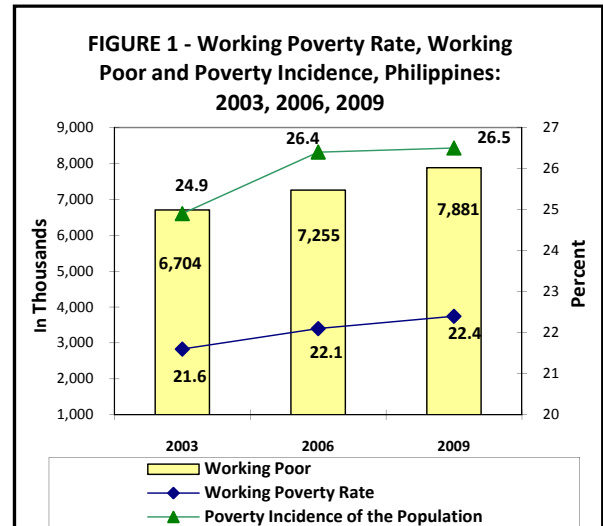
Employment did not guarantee poverty reduction among employed persons

With the significant proportion of working poor in the country, it can be construed that having a job is not a guarantee of being spared from poverty particularly if the employed are underemployed. Underemployment rate in the country was also one for every five employed (Figure 2). This implies that a large number of Filipinos were engaged in jobs that could not provide the basic necessities of their families.

Higher working poverty rate for men

For the three years covered, working poverty rate for men was consistently higher at nearly 25% compared to the working poverty rate for women of less than 20%. Both sexes recorded minimal increases in WPR over the period (Figure 3).

Note that men had a higher employment-to-population ratio than women (LABSTAT Updates, Vol. 16, No. 33), but exhibited a higher working poverty rate. Being the head of the family, men are forced to work even in



low-paying jobs for the family's survival. It is observed that men also have higher underemployment rate than women.

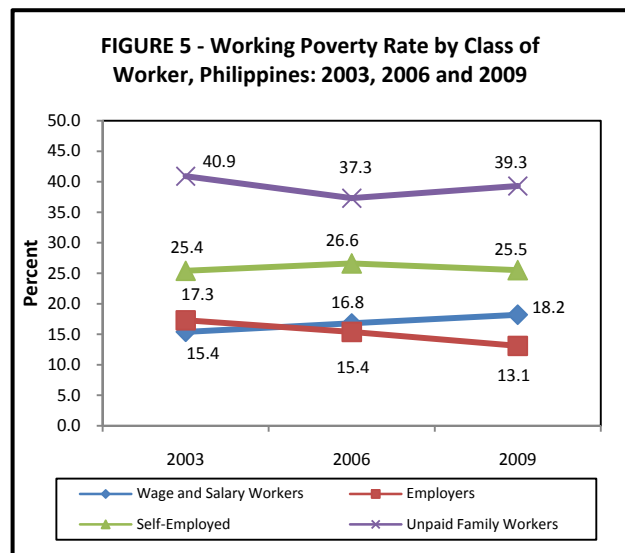
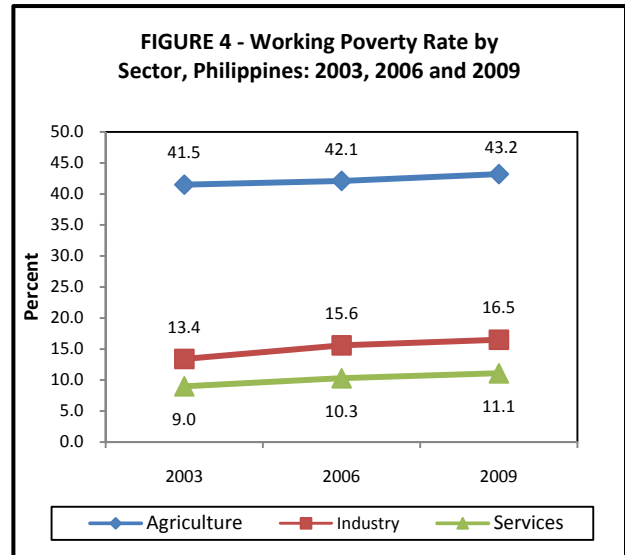
Working poverty rate in agricultural sector was consistently the highest

Those working in agriculture, forestry and fishery had the highest proportion of working poor with slightly increasing rates from 2003 (41.5%) to 2009 (43.2%). This sector has been the dominant means of livelihood and source of employment for the rural poor. Also, more than three-fifths (62% in 2003, 63.3% in 2006 and 64.9% in 2009) of those employed in the agricultural sector were part-time workers or working less than 40 hours. This implies that with possibly lower incomes, they were more likely to want additional work. The desire for additional work (regardless of the number of hours worked) is the criterion for an employed person to be classified as underemployed.

As in agriculture, working poverty rates in industry and services sectors also showed an upward trend in the years covered. The rate for industry was 13.4% in 2003 then climbed to 16.5% in 2009. That of the services was 9% percent in 2003 and was up to 11.1 % in 2009 (Figure 4).

Unpaid family workers had the highest working poverty rate

The highest WPRs were noted among unpaid family workers with fluctuating rates (40.9% in 2003, 37.3% in 2006 and 39.3% in 2009). This was followed by the self-employed without any paid employee with rates ranging from 25.4% to 26.6%. That these two classes of workers have the highest WPRs indicate the inadequacy of their employment conditions (LABSTAT Updates, Vol. 16, No. 34).



Expectedly, wage and salary workers had the lowest working poverty rates ranging from 15.4% (2003) and 16.8% (2006). WPRs of employers in own family-operated farm or business continued to exhibit a downward trend from 17.3% in 2003 to 13.1% in 2009, which in this year, was even lower than the WPR of wage and salary workers (18.2%) (Figure 5).

NCR consistently recorded the lowest working poverty rate

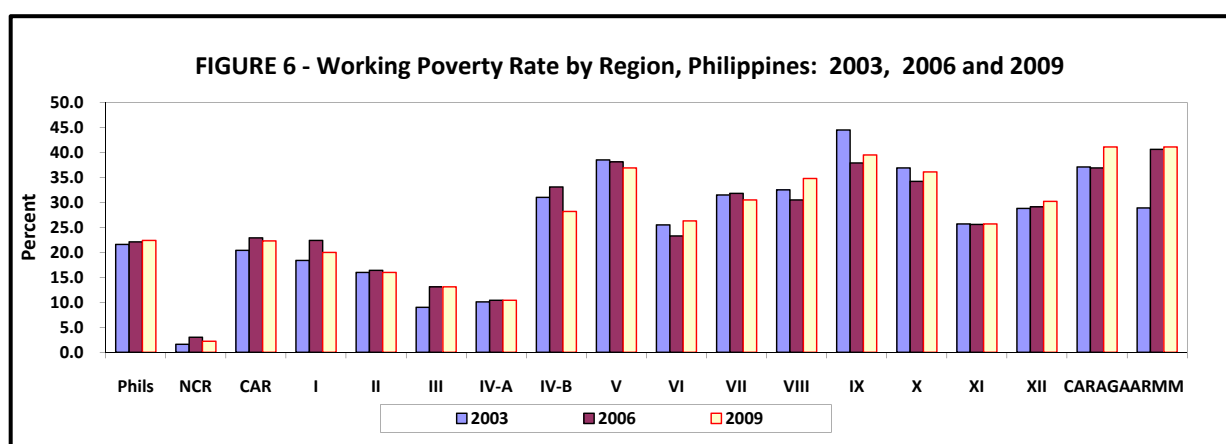
For the three years covered, the National Capital Region (NCR) consistently recorded the lowest working poverty rate at 1.6%, 3.0% and 2.2%, respectively.

On the other hand, region with the highest working poverty rate varied over time. In 2003, the highest rate was observed in Region IX, at 44.5%, Autonomous Region in Muslim Mindanao (ARMM), at 40.6%, in 2006; and Caraga and ARMM, at 41.1% in 2009.

Within Luzon, NCR, CAR, Regions I, II and IV-B recorded increases in 2006 but eventually decreased in 2009. Regions III and IV-A increased in 2006 then maintained their rates in 2009. Region V managed to consistently bring down its proportion of working poor.

In Visayas, Regions VI and VIII made a dent in 2006 but went up in 2009 while Region VII showed a reverse pattern.

In Mindanao, Regions IX, X, XI and Caraga exhibited a downtrend in 2006 then increased in 2009. Meanwhile, Region XII and ARMM consistently depicted an upward trend over the period (*Figure 6*).

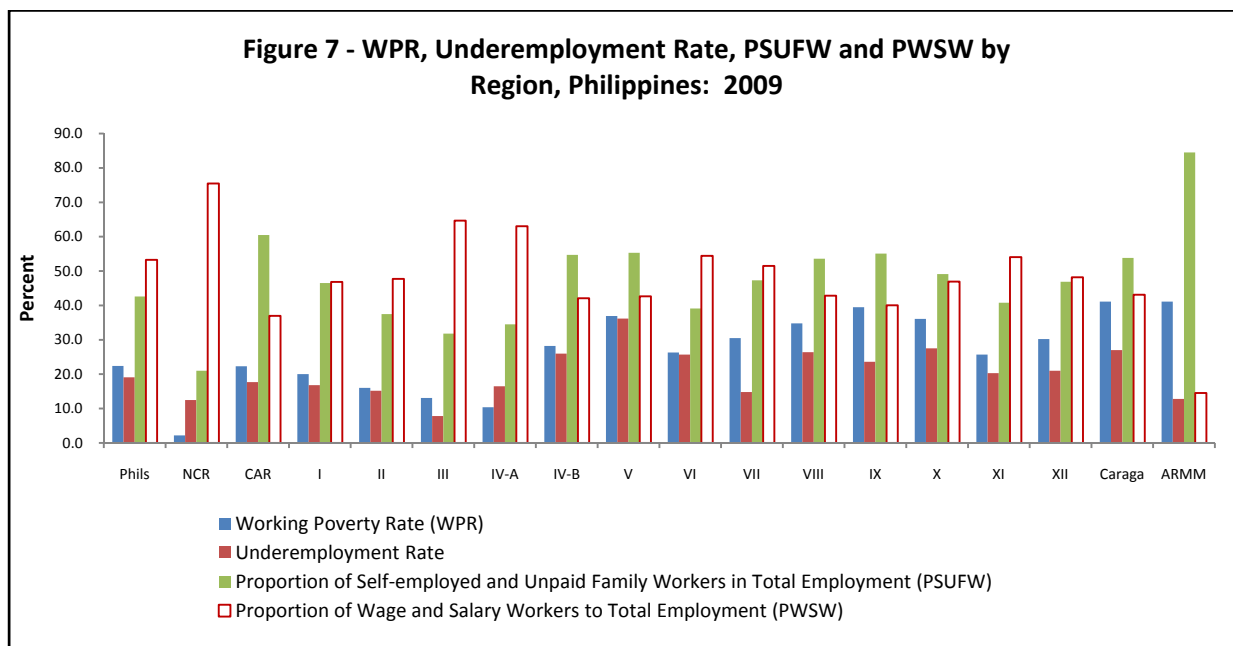


High working poverty rates for regions with high underemployment rates and proportions of self-employed and unpaid family workers

In 2009, it was observed that WPR tended to increase as underemployment rate and the proportion of self-employed and unpaid family workers in total employment (PSUFW) increased. In relation to the proportion of wage and salary workers in total employment (PWSW), WPR tended to decrease as PWSW increased. In the case of NCR, which has the lowest WPR (2.2 %), its PSUFW (21%) was also the lowest among regions. Workers in this

region had better quality jobs relative to the others as it posted the highest proportion of wage and salary employment (75.5%). Other regions with noticeably low WPRs were Regions III and IV-A, which had low underemployment rates and PSUFW but high PWSW.

ARMM posted the highest WPR of 41.1% in 2009 but the region had one of the lowest underemployment rate. It had, however, the highest PSUFW of 84.5%. These indicate that workers were in poverty not due to underemployment but because they were in precarious employment (self-employed and unpaid family workers) (*Figure 7*).



DEFINITION OF TERMS

- Working Poverty Rate* - refers to the proportion of working poor to total employment.
- Working Poor/Magnitude of Poor among Employed Population* - defined as employed persons living in a household whose members are estimated to be below the nationally-defined poverty line.
- Poverty Line/Annual Per Capita Poverty Threshold* - is the minimum level of income deemed necessary to achieve an adequate standard of living in a given country.
- Total Employment*
 - total persons in the labor force who are reported either as at work or with a job or business although not at work. Persons at work are those who did some work, even for an hour during the reference period.
 - average number of employed persons for a given year, that is, sum of employed persons for the four quarters divided by four (4), which is the official methodology for estimating annual LFS data.
- Employment Rate* - percentage of the total number of employed persons to the total number of persons in the labor force.
- Underemployed* - employed persons who desire to have additional hours of work in their present job or in an additional job, or to have a new job with longer working hours.
- Underemployment Rate* - percentage of the total number of underemployed persons to the total number of employed persons.

INTERPRETATION GUIDELINES

The Working Poverty Rate (WPR) combines data on household income/consumption with that of labor market indicators measure at the individual level and sheds light on the relationship between poverty and employment. Generally, the more a country is developed, the smaller its absolute WPR should be. In other words, countries with lower levels of labor productivity and wages, higher shares of workers in subsistence agriculture and excessively high employment-to-population ratios are likely to have higher working poverty rates. If national poverty thresholds are used, the general pattern may not be the case.

Note that poverty is a concept that is applied to households, and not to individuals. Based on the assumption that households pool their income, the question asked is whether a household's total income is sufficient to lift the entire household out of poverty. The poverty status of a household is therefore a function of the income generated by those household members who work (plus of possible transfer payments) and the number of household members. Whether a worker is counted as working poor therefore depends on his own income, the income of other household members and the number of household members – for example, children who need to be supported.

It is important to note that in some countries, household production for their own final use is an important component of consumption or income, although it is not yet systematically measured. If a country decides to include this kind of production in measuring living standards, the WPR may differ significantly. If the underlying data for calculation the WPR are not available, the low pay rate can be used to give information on the well-being of the working population, even though this indicator is limited to wage income and employees.

Reference: International Labour Office (ILO). (2012). *Decent Work Indicators: Concepts and definitions*, ILO Manual First Edition. Geneva: ILO.

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TABLE 1 – Working Poor and Working Poverty Rate by Sex, Sector and Class of Worker, Philippines: 2003, 2006 and 2009

SEX, SECTOR AND CLASS OF WORKER	2003	2006	2009
WORKING POOR (000)	6,704	7,255	7,881
Men	4,556	4,807	5,181
Women	2,148	2,448	2,700
Agriculture	4,700	4,791	4,987
Industry	667	754	850
Services	1,336	1,704	2,044
Wage and Salary Workers	2,478	2,896	3,488
Employers in Own Family-operated Farm or Business	285	243	206
Self-employed without Any Paid Employee	2,472	2,732	2,733
Without Pay in Own Family-operated Farm or Business (Unpaid Family Workers)	1,468	1,384	1,453
WORKING POVERTY RATE (%)	21.6	22.1	22.4
Men	23.6	24.4	24.7
Women	18.2	18.8	19.0
Agriculture	41.5	42.1	43.2
Industry	13.4	15.6	16.5
Services	9.0	10.3	11.1
Wage and Salary Workers	15.4	16.8	18.2
Employers in Own Family-operated Farm or Business	17.3	15.4	13.1
Self-employed without Any Paid Employee	25.4	26.6	25.5
Without Pay in Own Family-operated Farm or Business (Unpaid Family Workers)	40.9	37.3	39.3

Note: Based on the 2011 refined methodology.

Source of data: National Statistical Coordination Board, Official Poverty Statistics for the Basic Sectors.

TABLE 2 – Working Poverty Rate, Magnitude of Poor among Employed Population, Annual Per Capita Poverty Threshold and Underemployment Rate by Region, Philippines: 2003, 2006, and 2009

REGION	Working Poverty Rate (%)			Magnitude of Poor among Employed Population (000)			Annual Per Capita Poverty Threshold (₱)			Underemployment Rate (%)		
	2003	2006	2009	2003	2006	2009	2003	2006	2009	2003	2006	2009
PHILIPPINES	21.6	22.1	22.4	6,704	7,255	7,881	10,976	13,348	16,841	17.0	22.6	19.1
National Capital Region	1.6	3.0	2.2	62	125	99	13,997	16,487	19,802	9.6	16.6	12.5
Cordillera Administrative Region	20.4	22.9	22.3	117	145	145	10,881	12,976	16,122	13.4	21.1	17.7
Region I - Ilocos Region	18.4	22.4	20.0	284	373	356	11,791	14,350	17,768	14.1	21.2	16.8
Region II - Cagayan Valley	16.0	16.4	16.0	190	203	204	10,350	12,212	15,306	18.1	24.1	15.2
Region III - Central Luzon	9.0	13.1	13.1	290	455	478	12,771	15,374	18,981	9.3	13.8	7.8
Region IV - A - CALABARZON	10.1	10.4	10.4	395	426	465	12,394	14,284	17,779	12.3	18.1	16.5
Region IV - B - MIMAROPA	31.0	33.1	28.2	289	354	324	10,398	12,610	15,769	15.8	23.5	26.0
Region V - Bicol Region	38.5	38.1	36.9	739	732	757	11,476	13,645	17,146	30.4	37.9	36.2
Region VI - Western Visayas	25.5	23.3	26.3	652	632	755	10,548	12,432	16,036	23.1	25.8	25.7
Region VII - Central Visayas	31.5	31.8	30.5	700	777	833	11,798	14,468	17,848	11.0	19.8	14.8
Region VIII - Eastern Visayas	32.5	30.5	34.8	510	479	570	9,850	11,885	15,910	27.4	30.8	26.4
Region IX - Zamboanga Peninsula	44.5	37.9	39.5	503	467	531	9,642	11,810	15,160	19.9	26.5	23.6
Region X - Northern Mindanao	36.9	34.2	36.1	631	564	641	10,501	12,987	16,568	30.4	32.7	27.5
Region XI - Davao Region	25.7	25.6	25.7	402	402	433	10,737	13,469	17,040	20.8	24.1	20.3
Region XII - SOCCSKSARGEN	28.8	29.1	30.2	384	420	472	10,277	12,530	15,762	21.6	27.6	21.0
Caraga	37.1	36.9	41.1	296	308	381	10,355	12,935	16,858	20.4	24.9	27.0
Autonomous Region in Muslim Mindanao	28.9	40.6	41.1	257	394	438	9,664	12,358	16,334	9.3	15.8	12.8

Source of data: National Statistical Coordination Board, Official Poverty Statistics for the Basic Sectors.
National Statistics Office, Labor Force Survey.

TABLE 3 - Working Poverty Rate, Underemployment Rate, PSUFW and PWSW by Region, Philippines: 2009
(In Percent)

REGION	Working Poverty Rate	Under-employment Rate	Proportion of Self-employed and Unpaid Family Workers (PSUFW)	Proportion of Wage and Salary Workers (PWSW)
PHILIPPINES	22.4	19.1	42.6	53.3
National Capital Region	2.2	12.5	21.0	75.5
Cordillera Administrative Region	22.3	17.7	60.5	37.0
Region I - Ilocos Region	20.0	16.8	46.5	46.8
Region II - Cagayan Valley	16.0	15.2	37.5	47.7
Region III - Central Luzon	13.1	7.8	31.8	64.7
Region IV - A - CALABARZON	10.4	16.5	34.5	63.0
Region IV - B - MIMAROPA	28.2	26.0	54.7	42.1
Region V - Bicol Region	36.9	36.2	55.3	42.6
Region VI - Western Visayas	26.3	25.7	39.1	54.4
Region VII - Central Visayas	30.5	14.8	47.3	51.5
Region VIII - Eastern Visayas	34.8	26.4	53.6	42.8
Region IX - Zamboanga Peninsula	39.5	23.6	55.1	40.0
Region X - Northern Mindanao	36.1	27.5	49.1	46.9
Region XI - Davao Region	25.7	20.3	40.8	54.0
Region XII - SOCCSKSARGEN	30.2	21.0	46.9	48.2
Caraga	41.1	27.0	53.8	43.1
Autonomous Region in Muslim Mindanao	41.1	12.8	84.5	14.5

Sources of basic data: National Statistical Coordination Board, Official Poverty Statistics for the Basic Sectors.
National Statistics Office, Labor Force Survey.