



BUREAU OF
LABOR AND
EMPLOYMENT
STATISTICS

DEPARTMENT OF LABOR AND EMPLOYMENT
Manila, Philippines

LABSTAT

Updates

Vol. 2 No. 9

April 1998

A CLOSER LOOK AT THE POVERTY THRESHOLD



THE POVERTY LINE/THRESHOLD is the "minimum monthly/yearly per capita income required or the expenditure necessary to meet the food threshold and other non-food basic needs. In simple terms, this line defines the "standards" of consumption, which must be met for an individual not to be considered "poor". The National Statistical Coordination Board (NSCB) releases official poverty statistics.

Poverty statistics since 1985

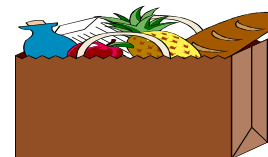
The first official poverty statistics were prepared and released in 1987. Since then, poverty statistics were prepared every three years after the release of the results of the Family Income and Expenditures Survey (FIES) of the National Statistics Office (NSO) from which expenditures data are derived.

The 1985 and 1988 poverty statistics were derived using a menu-based and basic needs approach methodology. In 1992, this methodology was improved by a technical working group composed of various government agencies and was approved by the NSCB Executive Board on December 8, 1992. This methodology was then adopted to re-

estimate the 1985 and 1988 statistics and compute the 1991 and 1994 statistics.

Components of the poverty threshold

Food threshold



The food threshold (food component of the poverty threshold) is derived by constructing a low-cost one-day menu for each region, differentiated between urban and rural areas, on account of geographic peculiarities.

Each menu is composed of three meals and one snack to provide a person the necessary strength to perform moderate activities.

These menus prepared by the Food and Nutrition Research Institute (FNRI) are based on the recommended dietary allowance (RDA), commonly eaten foods and generally cheap foods.

The dietary requirements of these low cost menus are 100 percent of the per capita RDA for energy and protein and 80 percent of the per capita RDA for vitamins, minerals and other nutrients. To note, these menus are prepared only for purposes of estimating the food threshold and not as generally prescribed menus for each region.

In costing the derived menus, average actual prices are used for bought and not bought food items. For the National Capital Region, (NCR), prices for the bought commodities are drawn from the NSO retail prices in Metro Manila. While for regions outside NCR, composite prices are taken from the NSO urban provincial retail prices and prices paid by farmers for rural areas as gathered by the Bureau Agricultural Statistics (BAS).

Meanwhile, for own-produced or not bought commodities, prices received by farmers as gathered by the BAS are used. However, when price data are not available the prices of similar commodities are used and/ or the average value of commodities for which price data are available

Finally, to obtain the monthly food threshold, the daily per capita food cost is multiplied by 30.4 (average number of days in a month). To derive the annual food threshold, the daily per capita food cost is multiplied by 365 days.

Non-food threshold



The non-food component (non-food threshold) of the poverty threshold is composed of expenditures on clothing and footwear; fuel, light and water; housing maintenance and other minor repairs; rental of occupied dwelling units; medical care; education; transportation and communication; non-durable furnishings; household operations and personal care and effects.

Under the new methodology for computing the poverty threshold, non-food requirements not considered basic like alcoholic beverages, tobacco, recreation, durable furniture and equipment and miscellaneous expenditures are excluded.

Estimating the poverty threshold

The poverty threshold is obtained by dividing the food threshold by the proportion of the food expenditures to total basic expenditures of families with expenditures within the 10 percentile of the food threshold.

The regional poverty thresholds are the weighted average of the urban and rural thresholds. Meanwhile, the national threshold is computed by taking the weighted average of the thresholds for NCR, and areas outside NCR, disaggregated by urbanity. The weights for a given year are derived from the population size of the FIES for the same year.

Poverty statistics - is there a need?

Poverty statistics are generated based on clear-cut parameters that identify the so-called "poor". These estimates are important in determining the nature and extent of the poverty situation in the country. These also

offer insights on the inequality of income distribution.

Properly interpreted, these serve as bases for sound planning and policy formulation. These lend wisdom to policy interventions geared towards poverty alleviation.

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TABLE 1 - COMPOSITION OF THE MARKET BASKET OF THE
1988 CPI-BASED SERIES AND THE POVERTY THRESHOLD

COMMODITY GROUP	CPI MARKET BASKET	POVERTY THRESHOLD
I. FOOD, BEVERAGES AND TOBACCO		
A. FOOD		
Cereals and Cereals Preparation		
Cereals	/	/
Rice	/	/
Corn	/	/
Cereal Preparation	/	/
Dairy Products	/	/
Eggs	/	/
Fish	/	/
Fruits and Vegetables	/	/
Meat	/	/
Miscellaneous	/	/
B. BEVERAGES		
Alcoholic	/	x
Non-Alcoholic	/	/
C. TOBACCO	/	x
II. NON-FOOD		
A. CLOTHING		
Footwear	/	/
Ready-Made Apparel Excl. Footwear	/	/
Custom Clothes	/	/
B. HOUSING REPAIRS		
Minor Repairs	/	/
Rentals	/	/
C. FUEL, LIGHT AND WATER		
Fuel	/	/
Light	/	/
Water	/	/
D. SERVICES		
Educational	/	/
Medical	/	/
Personal	/	/
Recreational	/	x
Transportation and Communication	/	/
E. MISCELLANEOUS		
Household Furnishing & Equipment		
Durable	/	x
Non-Durable	/	/
Household Operations	/	/
Personal Care and Effects	/	/
Other Miscellaneous Items	/	x

Source of data: National Statistics Office.

/ included

X excluded