

A REPEATED CROSS-SECTION AND PSEUDO PANEL ANALYSIS OF ALLEVIATING POVERTY IN DEVELOPING ECONOMIES: THE PHILIPPINE CASE¹

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ABSTRACT

Government-sponsored programs may have overlooked the root causes of poverty. The concepts of transient and chronic poverty demonstrate the behavior of households towards their socio-economic status. We used a repeated cross-section and pseudo panel analysis to estimate the probability that a household will move from the state of being poor to non-poor, non-poor to poor, or stay in the status-quo. Results showed that there are households who have the tendency to remain on their current state while some moved from one state to another.

Keywords: chronic poverty, pseudo panel, repeated cross section analysis, transient poverty

INTRODUCTION

Poverty has been unrelenting in all economies. It is the basket case of most economies particularly among Southeast Asian nations. Poverty alleviation has been a principal goal for most economies because it has incessantly posed a long-term struggle, especially to the Philippines, since this has been the primary objective of all administrations. As per Schelzig (2005), the Philippines has a perceptible unequal income distribution which supports the premise that Filipinos in the lower distribution are highly susceptible to impoverished living conditions leaving households vulnerable. Meanwhile, according to Albert and Ramos (2010), income shocks have debilitating effects especially to the poor, which drives households to engage themselves in risky strategies that sometimes have negative effects that are irreversible and eventually succumb to deeper poverty.

The International Labor Organization (ILO), as cited by Schelzig (2005), listed five non-monetary categories that define whether people are poor – food, water and sanitation, health, education and shelter. In 2009, according to the National Statistics Office (NSO), the share of food to total family expenditures accounts for 42.6 percent, which is a considerable portion of income allocation and signifies as one of the priorities of consumption spending. With the existing income inequality, this can be translated to food inequality through the income channel, which means that families and individuals in the lower income distribution are unable to gain access to food because of the lack of ability to afford decent food consumption. This is a serious issue because according to Reyes (2001), the poorest Filipino households allocate a significant portion of their income on food. Decreasing real income also signifies that capacity to spend on

food is restricted; hence, families are forced to concentrate household expenditure on basic necessities.

The National Statistical Coordination Board (NSCB) and NSO come up with measures to assess the depth of poverty in the country. Measures such as poverty incidence, Gini coefficient, and income and expenditure ratios all relate to the traditional measure of welfare, which is the level of income. The measure of welfare and poverty is not limited to income and expenditure alone. In the Philippines, there are two official measures of poverty, namely, the food threshold and the poverty threshold (Schelzig, 2005). Moreover, Pedro, Candelaria, Velasco and Barba (n.d.) estimated food threshold adjusted to the lower 30 percent of the income distribution to represent the poor in the population to gauge poverty incidence through food.

However, beyond economic factors, there are other explanations as to why poverty exists in the Philippines. According to Abad and Eviota (1983), poverty is a condition caused by exhibiting anti-development traits, values and attitudes such as refusal for improvement and resistance to change, which implies that the poverty-stricken cause their own predicament for they are responsible for their own behaviors. Further, in a study by Spears (2010), the poor developed a set of beliefs and behaviors that are adaptive but constraining to poverty, which then creates a widened culture of poverty and as stated by Abad and Eviota (1983), such a culture will continue to perpetuate in the succeeding years. In addition, according to Bennett (2008), it is highly debated upon why the poor people continue to behave irrational ways that limits them in their impoverished state. Ultimately, in order to understand the Philippine poverty situation and why it is non-improving, the culture of the country's poverty can be evaluated by the Filipino characteristics inherent to the majority. It is then of uttermost importance to determine whether the Filipino culture may then be a pro-poverty culture.

Hence, we investigate the movement of household in and out of the poverty threshold. Determining this will allow us to provide an illustration on why households become impoverish, or continuously remain under poverty, or eventually escape poverty and remain non-poor for an extended period of time. This can be determined by knowing how households switch their spending behavior if their income and/or wealth change. Hence, our main research problem: "Is there any significant probability that a poor household can escape poverty despite the inadequacies of government sponsored programs to alleviate poverty?" To address these problems, the following objectives are set:

- *To identify the probability that a household will stay on their current socio-economic status or move to another state;*
- *To generate recommendations on how poor households can increase the probability of moving out of poverty.*

Accomplishing these objectives will direct us to the root cause of poverty, which is the lopsided spending of households with respect to the income that they generate. Likewise, despite the provision of government-sponsored programs to address poverty, we will be able to argue that it is necessary but not sufficient to address poverty because the role of households in managing their finances is also necessary. This study is imperative to the government in their

formulation of poverty-alleviation measures because a significant amount of funds are allocated to these programs, which are still deemed to be inadequate by its recipients.

This study is also essential to households because this will provide a perspective on how should they manage their finances in order to motivate a rational spending behavior. Upon evaluation, results of this study can provide a framework to policymakers to address program implementation more efficiently and to suggest programs that can actually sustain household welfare and answer poverty issues.

POVERTY IN THE PHILIPPINES

With the recent global financial crisis, continuous severe natural calamities, and rising fuel and food prices, the government's goal of reducing poverty is becoming more difficult since these situations have been pulling more people into poverty. The official poverty statistics from the NSCB, as seen from the Table 1, reveal that the annual per capita poverty threshold have increased by 26.2 percent from 2006 to 2009. Although poverty incidence among households declined from 2006 to 2009, the poverty incidence among the population has increased by 0.1 percentage point and is still relatively high compared to that of Indonesia, Malaysia, Thailand, and Viet Nam as per the reports from the United Nations Development Program (UNDP). With the economy's rising population growth is the growing number of the poor. The magnitude of poor people has been increasing from 19.8 million people in 2003 to 23.14 million people in 2009, an additional 3.34 million poor people in six years. There is also an additional 570,000 poor families, from 3.29 million poor families in 2003 to 3.86 million poor families in 2009.

The other three poverty measures have decreased from 2006 to 2009 implying a better condition. The income gap³ and the poverty gap⁴ have been reduced by 1.5 points and 3 points in three years, respectively. The severity of poverty or the total of the squared income shortfall has also declined by 0.2 points in 2009.

One characteristic of the economy's poverty, as pointed out by Reyes, Tabuga, Mina, Asis and Datu (2010) is the inequality across regions. Figure 1 shows the thematic maps of 2009 income gap, poverty gap, and severity of poverty where red shades show higher gaps and are therefore comparatively worse off areas that green shaded areas. The darker the red, the situation in that area is worse off compared to the rest and the darker the green shade, the better off.

There are significantly higher poverty measures in Eastern Visayas and Caraga Administrative Region where Eastern Samar and Agusan del Sur are located, respectively, compared to that of the National Capital Region (NCR). Caraga is one of the most impoverished regions whose primary source of income is the agriculture and forestry sector similar to the Eastern Visayas. Zamboanga Peninsula is also another region stricken with more poverty compared with the Autonomous Region of Muslim Mindanao (ARMM).

Table 1			
ANNUAL PER CAPITA THRESHOLDS AND POVERTY INCIDENCE IN THE PHILIPPINES			
Year	2003	2006	2009
Annual Per Capita Poverty Threshold (PHP)	10,976	13,348	16,841
Poverty Incidence (%)			
Families	20	21.1	20.9
Population	24.9	26.4	26.5
Magnitude of poor (in million)			
Families	3.29	3.67	3.86
Population	19.8	22.17	23.14
Subsistence Incidence (%)			
Families	8.2	8.7	7.9
Population	11.1	11.7	10.8
Magnitude of subsistence poor (in million)			
Families	1.36	1.51	1.45
Population	8.8	9.85	9.44
<i>Source:</i> National Statistical Coordination Board (NSCB)			

The map emphasizes the reality that poverty in the Philippines is a geographical matter that calls for more programs in alleviating poverty prioritizing regions with significantly worse conditions. As reported by the 2009 Philippine Poverty Statistics, the poverty incidence among families in NCR has improved from 3.4 in 2006 to 2.6 in 2009 but the considerably different poverty incidence among families in the ARMM has worsened from 36.5 in 2006 to 38.1 in 2009 and has been the region with most poverty incidence in 2006 and 2009.

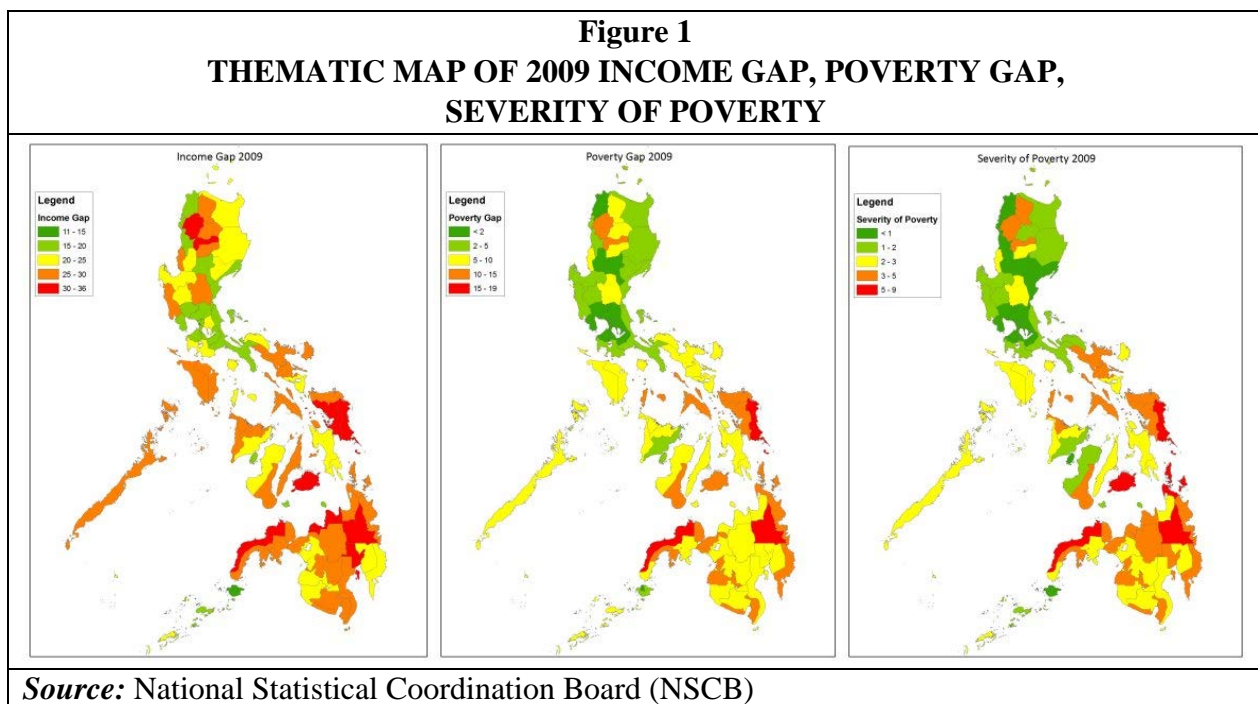


Table 2
INCOME GAP, POVERTY GAP AND SEVERITY OF POVERTY

Year	2003	2006	2009
Income Gap	27.7	27.2	25.7
Poverty Gap	5.6	5.7	2.7
Severity of Poverty	2.2	2.2	2
<i>Source:</i> National Statistical Coordination Board (NSCB)			

National averages do not show the staggering urban and rural differences and also the regional variations. Regional averages also do not show provincial disparities (Schelzig, 2005). The startling provincial level differences are illustrated in Table 3. Eastern Samar and Agusan del Sur's, poverty incidence among population is 54.0 and 58.1, respectively, both more than 20 times higher than that of NCR District IV's poverty incidence.

Attention should also be paid to the fact that both provinces have worsened since 2006 in both poverty incidence among families and population when NCR District IV have significantly improved. The complete details of the measures of poverty incidence for the Philippines and its regions are shown in Table 2, Table 3, and Table 4.

This just confirms that there is certainly a need to employ improved and well-designed policies that takes into account provincial and regional profile for a more strategic distribution to potential key areas for a more socially and economically equal society.

The Sources of Poverty

Developing countries are characterized by having a high income inequality, inequitable distribution of income, and poverty incidence (Todaro & Smith, 2008). Although the Philippines has been vigilant in addressing poverty, it has been sluggish compared to other Asian economies that have been successful in reducing their country's poverty incidence. Even Cambodia, Indonesia, Malaysia, and Vietnam whose annual real Gross Domestic Product (GDP) growth rate is lower than the Philippines, as per the reports of the UNDP, have outperformed the country in reducing poverty for the past two decades. The general literature on poverty in the Philippines cited that the main reason for the low reduction of poverty is the slow growth of the economy. With this reduced economic expansion accompanied by high population growth rate, the country suffers a slow growth rate of per capita income. However, even though the economy will experience high growth, the quality of this growth is vital since not all components of economic growth is in support of the poor.

Table 3
POVERTY INCIDENCE IN SELECTED PROVINCES
(NCR, EASTERN SAMAR, AND AGUSAN DEL SUR)

Year / Province	2003	2006	2009	2003	2006	2009	2003	2006	2009
	Annual Per Capita Poverty Threshold			Poverty Incidence Among Families (%)			Poverty Incidence Among Population (%)		
NCR District IV	13,997	16,487	19,802	1.8	2.9	1.6	2.7	5.0	2.5
Eastern Samar	10,106	12,195	16,385	29.8	37.6	45.8	36.4	47.8	54.0
Agusan Del Sur	11,226	14,004	18,443	48.5	45.5	51.2	56.0	53.9	58.1
				Magnitude of Poor Families			Magnitude of Poor Population		
NCR District				10,769	17,942	12,389	78,834	145,819	88,850
Eastern Samar				22,642	31,165	41,359	141,236	206,979	237,122
Agusan Del Sur				54,915	54,433	57,189	313,709	319,936	343,060
Source: National Statistical Coordination Board (NSCB)									

Furthermore, according to Aldaba (2009), since the economy fails to maintain a high level of sustained growth, it cannot create the necessary employment, therefore, inadequate income for the poor that further reduces their opportunity to fight poverty thus increasing the gap between the rich and the poor.

Another contributory factor of insistent poverty is the high level of population growth. High level of population growth may indicate increasing family size and the larger the family size is, the greater the household or family's probability of being poor (Schelzig, 2009) because, as assessed by Orbeta (2002), high fertility is related to the decline in human capital investments. An additional member of a family means an additional allocation of a usually meager income, thus lesser division of family resources (Schelzig, 2005), most particularly, food and nutrition.

Moreover, the rapid population growth impedes economic development for two interconnected reasons. First, rapid population growth lessens per capita income, since the people, especially the poor cannot sacrifice basic commodities, their savings are reduced and so will be the resource for investment in productive capacity. This will sequentially decrease overall economic growth and increase poverty (Schelzig, 2005). Second, the country's large population that is continuously growing exceeds the capacity of the industry to absorb new labor. Since, there is a rapid increase in the labor force, and again, with the lack of quality employment, the outcome will be more unemployed individuals negatively affecting the development of the economy. This insufficient generation of employment and low quality of employment is another reason for the persistent high poverty incidence. The availability of employment cannot keep up with the growth pace of the labor force. In a matter of a decade, the country's labor force has increased by more than 50 percent and even the total labor force participation increased due to the higher participation of women in the labor force. Even with Filipinos opting to work overseas, according to Aldaba (2009), unemployment rates are still high.

Increasing population is not an issue and will not contribute to poverty if all required resources are able to deal with the additional population such as employment and the country's funds. However, the Philippines has many poor households; and with persistent government budget deficits and increasing labor force, the rapid population growth is now a problem that must be addressed (Schelzig, 2005).

In 2010, according to NSO, the share of employment in agriculture to the total employment is 33 percent and most of the profiles of employees working in this sector including the industry sectors are considered poor. The Annual Poverty Indicator Survey (APIS) of the NSO, using the bottom 40 percent income range as a proxy for the poor, revealed that more than half of the poor are employed in agriculture in 2009 and are usually laborers and farmers (Schelzig, 2005). However, the agricultural sector that has been overlooked and has not been given proper management is lacking sustainable and quality employment (Aldaba, 2009). As argued by Schelzig (2005), the link between poverty and employment is principally apparent, not in the unemployment, but in the quality of the employment since the poor are generally working in jobs with low income and low productivity. Thus, even though the poor are employed, they are not working in a quality environment. Furthermore, rural areas where most of the poor are rely on the agricultural sector. Very little were done to strengthen, develop, and reduce or eradicate market distortions of this sector.

Table 4
ANNUAL PER CAPITA POVERTY THRESHOLD AND POVERTY INCIDENCE AMONG FAMILIES

Region	Annual Per Capita Poverty Threshold (PHP)			Poverty Incidence among Families						Share to Total Poor Families		
				Estimate			Coefficient of Variation					
	2003	2006	2009	2003	2006	2009	2003	2006	2009	2003	2006	2009
Philippines	10,976	13,348	16,841	20	21.1	20.9	2.3	2.3	2.1	100	100	100
NCR	13,997	16,487	19,802	2.1	3.4	2.6	12	13.1	12	1.5	2.2	1.7
CAR	10,881	12,976	16,122	16.1	18.6	17.1	11.2	12.8	11.8	1.4	1.5	1.4
Ilocos	11,791	14,350	17,768	17.8	20.4	17.8	7.8	7.6	7	4.7	5.3	4.6
Cagayan Valley	10,350	12,212	15,306	15.2	15.5	14.5	8.4	9.2	8.3	2.7	2.6	2.4
Central Luzon	12,771	15,374	18,981	9.4	12	12	8.6	8.4	7.6	5.2	6.2	6.3
CALABAR ZON	12,394	14,284	17,779	9.2	9.4	10.3	8.7	10.6	7.9	6.1	5.7	6.4
MIMA ROPA	10,398	12,610	15,769	29.8	34.3	27.6	6.6	7.2	6.8	4.5	5.1	4.2
Bicol	11,476	13,645	17,146	38	36.1	36	4.9	5	4.2	10.9	9.9	10
Western Visayas	10,548	12,432	16,036	23.5	22.1	23.8	6.7	7.2	6.4	9.1	8.2	9
Central Visayas	11,798	14,468	17,848	32.1	33.5	30.2	6.5	6.4	6.3	11.8	11.8	10.8
Eastern Visayas	9,850	11,885	15,910	30.2	31.1	33.2	5.9	5.8	5.3	6.9	6.9	7.4
Zamboanga Peninsula	9,642	11,810	15,160	40.5	34.2	36.6	7.1	9.3	6.7	7.2	6.1	6.3

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Region	Annual Per Capita Poverty Threshold (PHP)			Poverty Incidence among Families						Share to Total Poor Families		
				Estimate			Coefficient of Variation					
	2003	2006	2009	2003	2006	2009	2003	2006	2009	2003	2006	2009
Northern Mindanao	10,501	12,987	16,568	32.4	32.7	32.8	7.2	5.7	5.8	7.3	7	7.1
Davao	10,737	13,469	17,040	25.4	26.2	25.6	8.3	8.7	8.4	6.3	6	5.9
SOCESK SARGEN	10,277	12,530	15,762	27.2	27.1	28.1	8.1	7	6.7	5.8	5.5	5.8
Caraga	10,355	12,935	16,858	37.6	36.9	39.8	6.2	6.4	5.4	4.7	4.5	4.9
ARMM	9,664	12,358	16,334	25	36.5	38.1	10.1	7.4	6.1	3.8	5.3	5.7
Source: National Statistical Coordination Board (NSCB)												

Source: National Statistical Coordination Board (NSCB)

According to Aldaba (2009), there has been less interest in advancing agricultural productivity and less concern in developing the necessary infrastructure to increase productivity further decreasing the income opportunities especially for poor in the rural areas. If these sectors are improved, it will create more quality jobs to individuals who need it most.

A financial crisis may also be a source of poverty, but in the case of the Philippines, it did not generate poverty but has contributed to the continuously slow pace of poverty reduction. The 1997 Asian Financial Crisis (AFC) became a hindrance to poverty alleviation and with another global crisis is another impediment to poverty reduction. With this 2008 Global Financial Crisis (GFC), the expansion of the Philippine economy slowed but the impact to the total economy was not greatly detrimental compared to the impact to other Southeast Asian economies. The economy's banking system was better prepared for the current crisis than they were on the Asian financial crisis. However, the current crisis has greatly affected some sectors of the economy than it has affected other sectors such as the trade and manufacturing sectors. Furthermore, the high inflation rates brought about by the crisis have also lessened the positive effect of economic growth on poverty (Aldaba, 2009).

Using an alternative price index, in addition, the poor deals with a higher inflation rate than the country's official rate driving even more individuals to poverty when the price of food increases. It also drives more poor people to worse living standards since they have to allocate more of their income in consuming food, thus, sacrificing education and health care (Son, 2008).

Another contributory factor is the high and persistent levels of economic inequality such as income, welfare and asset inequality that diminishes the positive effect of economic growth. A study by Deininger and Squire (1998) argued that an economy's initial land distribution has an effect on the succeeding expansion of its economy and performance of human development. If an economy has a high land inequality initially, it is likely that it will exhibit a lower income growth rate in the long-term and slower rate of alleviating poverty than an economy with more equitable land distribution initially. Land inequitable distribution has been the country's problem for over four decades.

There is also a high-income inequality in the Philippines. In 2006, NSCB reported that the income share of the bottom 10 percent of the economy's population is at 1.86. The Gini

coefficient in 2006 is 45.8. Based on the statistics from the UNDP, although the unequal distribution has improved from the 46.8 in 1991 and the extent of the unequal distribution of income is better than that of Malaysia (46.2 in 2009), Thailand (53.6 in 2009) and Singapore (47.8 in 2009), it is still very high. Furthermore, Cambodia (est. 44.4 in 2007), Indonesia (36.8 in 2009), Laos (36.7 in 2008) and Viet Nam (37.6 in 2008) fared better in income distribution.

One problem that high-income inequality also conveys, as suggested by Schelzig (2005), is that measures for poverty are extremely sensitive to the poverty threshold because of the large number of individuals in the initial deciles. A slight adjustment to the poverty line can have considerable adjustments to number of individuals considered as poor (Schelzig, 2005).

As emphasized, poverty in the country is a geographical matter since there is a wide disparity in the standards of living and human development in the different regions. This interregional and intra-regional inequality contributes to poverty. According to Balisacan (2003) and Aldaba (2009), intra-regional inequality contributes 82 percent of overall inequality; thus, poverty, implying that state policies must improve distribution within the regions.

Other causes of poverty asserted by Aldaba (2009) are the recurrent shocks to the country and exposure to risks such as financial crises, natural disasters, social conflicts, and environmental property. Social conflicts worsen poverty incidence since these hinder individuals from engaging in their economic activities as they are removed from their homes and their sources of income. These do not just result to displacement but to disablement and deaths, therefore, loss of household heads and increase in dependency ratios. Social conflicts also disrupt people's access to basic services and devastate transport systems and life in the rural areas. In brief, it affects individual's access to all forms of capital – physical, natural, social, financial, and human (Schelzig, 2005). Natural disaster and environmental property also result to higher poverty incidences because occurrence of devastating calamities affects mostly standard of living of the poor. They experience more losses since their sources of income and health is most likely reliant on the environment (Aldaba, 2009).

Aside from the abovementioned economic factors that cause poverty in the Philippines, it is also imperative to look at behavioral and social factors. In an empowerment study by Irarrazaval (1995), personal initiative and responsible work were also relevant factors for an individual's economic success as well as the poverty causing factors of an individual with the highest frequencies include laziness and lack of initiative. Hine, Montiel, Cooksey and Lewko (2005) further affirmed this in their study that considered laziness and the lack of effort as a causal factor of poverty. According to Kim (2011), the Spaniards mocked the Filipinos as "*perezoso indios*" meaning "lazy Filipinos" in which these insults perpetuate and are generally true up to day. In relation, Andres and Ilda-Andres (1998) stated that Filipinos are known to be "*Juan Tamad*" or lazy *Juan* to illustrate the tendency of Filipinos to put off work or even put off looking for work that is counterproductive to success due to the time and opportunities wasted. Moreover, according to Ilda (2011), this laziness is attributed to the lack of drive and the reliance of the poor people on the other sectors to uplift their economic situation.

On the other hand, Ilda (2011) stated that instant gratification, defined as the happiness resulting from impulsive decisions, is one of the traits the most Filipinos are addicted to which explains why most Filipinos habitually execute any task the quickest and easiest way out.

Additionally, this instant gratification is supported by the collective notion that most Filipinos are also impatient. That is, according to Irving Fisher, as cited by Spears (2010), a lower level of income will likely entail a higher tendency of impatience, other things held constant. Moreover, as identified by Ilda (2011), this behavior also implies the collective need for Filipinos to blame others for the lack of progress and development they are experiencing in their personal lives. It follows that the Filipinos, mostly the poor, blame the government for the lack of job opportunities and lifestyle conditions and are dead set on waiting for these so called projects. Similarly, in article penned by Bennett (2008), it states that as the government aids the poor more, the latter are less likely to work for themselves to provide their own necessities. Furthermore, according to Ilda (2011), those who live in the slum areas have a dependent mentality wherein they strongly believe they are entitled to receive government benefits and privileges instead of being responsible for their own lives. Another example of which is the keenness of Filipinos for gambling. Consequentially, their belief in instant gratification and heavy dependence cause them to not believe in hard work and patience, and their lack of contribution to the betterment of their own happiness makes them useless members of society.

Chronic and Transitory Poverty

Even if an economy is considered developed there still exists a significant amount of individuals who succumbs into low socio-economic status. Analyzing its dynamics, although constrained due to data availability, will provide significant understanding to why households remain or move in and out of poverty. Households who have been persistently in a state of being poor over a long period of time are in chronic poverty while those in transient poverty are those who are poor only for a time or those who shift in and out of poverty. Barrientos, et al. (2005), as cited in Ribas and Machado (2007) categorized the definitions of chronic and transient poverty in the literature into three groups. The first category, which this paper utilizes, focuses on the duration of being in a state of poverty. It is chronic poor when the levels of their per capita income or consumption are constantly below the poverty line while it is considered transient when the levels fluctuate at the poverty line (Gaiha & Deolalikar, 1993). The second category focuses on the components of income or consumption. The constant component is the determinant of chronic poverty while the fluctuating component is that of transient poverty (Jalan & Ravallion, 1998). The third category focuses on current income and its variability among households to assess vulnerability to poverty (Pritchett, et al., 2000).

One importance of identifying poverty between chronic and transient is verifying the differences in the determinants or components commonly associated between the two including their behavior on income generation and spending. Some components may be more associated to chronic poverty than transient poverty, thus may also present disparity in addressing them. This will, therefore, lead to government programs being weakly implemented because these are overlooking the appropriate target. Some of these programs may address transient poverty while miss tackling chronic poverty suggesting why interventions are not effective.

The characteristics most commonly associated with chronic poverty, according to McKay and Lawson (2002), are being in an unfavorable situation of individuals in their human capital,

demographic composition, location, physical assets, and occupational category, among others. Increasing human capital through education as supported by several studies reduces the probability of individuals to be in chronic poverty. The size of the household and lack of physical assets places additional load on a household's resources. Geographic location also is a key component in the probability of being chronically poor due to the lack of available opportunities to households such as supply of health and education (McKay & Lawson, 2002).

Although some determinants are important to both types of poverty such as human capital, physical assets and demographic composition, some characteristics of transient poverty will still differ from those of chronic since transient poverty is of temporary nature. Some of these are government transfers, seasonality of economic activities and adverse price movements. What empirical evidence suggests is that transient poverty is related with households' unsuccessfully insuring themselves sufficiently against fluctuations in their living conditions leading them temporarily into poverty such as additional member of the household or death of an income earning member (McKay & Lawson, 2002).

The study of Mills and Mykerezi (n.d.) stated that low human capital, minority status and geographic locations are the determinants of poverty in the United States of America (USA) especially in the rural south. Though in most cases, poverty is transient in nature, it should be noted that chronic poverty is a phenomenon especially in low-income economies. Moreover, this is a distinct and irreversible phenomenon that is usually associated with low asset holdings, low income producing activities, disadvantageous demographic characteristics (Mickay & Lawson, 2003). In Latin America, there are cohorts of the population that is likely to be poor compared to others. Those of whom are African descent (which concentrates on minority affiliation), indigenous population, little schooling and households with large member population are considered as the categorical indications of someone in poverty (World Bank, 2003). Like that of in Brazil, educational attainment is likely the cause of poverty but in is more pronounced in household experiencing transient poverty which is explained to be vulnerable to labor market shocks as compared to the resiliency of individuals who attained higher degrees of education (Ribas & Machado, 2007).

Dynamics of poverty and the difference between chronic and transient poor has been discussed by Reyes, et. al. (2011). In their study, the discussion about poverty and the movement of households in and out of poverty was thorough and highly intuitive by examining per capita income and its movement along the poverty threshold. Results showed that there has been a significant decrease in income since from 2003, majority of the transient poor actually has income within the 20 percent of the poverty threshold while in 2006 only one-third of the transient poor fall under this category. The geographical concentration in the Philippines of chronic and transient poor was also examined, wherein results showed that chronic and transient poor are high in Mindanao in which as suggested by Balisican and Fuwa (2004) that welfare of the poor tends to be lower in regions/provinces with political dynasties as compared to provinces with political competition. Moreover, poverty was also examined through the profile of household heads. Male headed households, high school graduates, involved in agricultural sector are only few of the categories mentioned that signifies that a household is more likely in chronic poverty.

The research also observed the profile of household income since income is one of the most notable and quantitative measure of households' capacity to meet daily needs. Income from entrepreneurial activities, especially from agriculture, is the major component of total income of chronic poor while income from non-agricultural sources significantly comprises the income of non-poor. The study further delved on the poor concentrated on agricultural sector wherein the decomposition of households engaged in various agricultural activities and its relation to poverty status are further examined. The study was able to provide a comprehensive and quantitative discussion of poverty in the Philippines.

Panganiban (2010) also delved on the decomposition of poverty using the Cebu Longitudinal Health and Nutrition Survey. The research undertook the similar descriptive process in examining poverty by relating social-economic status to household head characteristics. Significant correlation has been established between poverty, settlement factors, household dependency burden, mother's age, and work in the farming sector. Again, the research is able to point out that poverty heavily exists in the agricultural sector with an emphasis on wage earners as the victims of chronic poverty. The research also considered the time dimension of poverty wherein the possible turnover of socio-economic status from parent to children is subjected to intergenerational analysis. It is theorized that if parents can readily borrow and support investments involving their children (e.g. education), then the mobility in earnings from parents to children would equal the inheritability of endowments, which is not the case in poor families due to restrictions in capacity of financing their investments involving their children. The results of the study showed that there is persistent income status between the two generations and poverty experience can reduce the future income of the child.

These studies suggest that there is concentration and persistent existence of poverty in the agricultural sector. Though this is not an isolated case hence, it is a prominent issue in rural Asia. As pointed out by Balisacan and Fuwa (2003) that the concentration of poverty, both transient and chronic, in Asia is in rural areas and families dependent on agriculture and farming appears to be the poorest. This arrives to policy implications that advancement and changes in the sector will achieve broad based growth.

There are literatures discussed the effect of consumption-smoothing as a way to eliminate or reduce poverty. Kochar (1995) suggested that when a household faces shocks, reallocation of resources to cope with income fluctuations. When crop earnings fails due to natural disasters then farmers can increase their labor income to compensate the lost income. This might also involve reallocation of expenses wherein some households opt to pull their children out of schooling to cope with the loss of income without inferring the long-term implications (Jacoby & Skoufias, 1997).

Poverty Alleviation Programs

Poverty causes inability to afford food, clothing, shelter, education, and health services – all of which are used to measure poverty. The difference between poverty incidences among municipalities and regions will therefore lead to unequal distribution of income and resources among regions and even among the population in a particular region. However, the transmission

mechanisms between the two variables vary. Consider food wherein the relationship from poverty to food inequity is more evident and direct than that of the more complex relationship of food inequity to poverty. A basic and the most explicit relationship between food and poverty are through consumption and income measures. A study conducted by Llanto (1996), delved on the reaction of Philippine households, focusing more on rural and agricultural households, to income and price changes. The motivation for such consideration is due to the belief that households in the lower strata is more affected when there are shocks affecting commodity prices and level of income. Llanto (1996) also highlighted that factors that cause food prices to increase has jeopardizing effects on small farm households hence, sharing the view that “small households spend a relatively large portion of their income on food, and thus, any increase in the price of food products is likely to hurt them more than the richer households”. The research also investigated income and price sensitivities with regards to region, income class and location to strengthen the stand of low income and rural households are worse-off when food prices increase and level of household income decreases. It was able to pinpoint that rural households are price inelastic to staples since these are easily accessed by these types of household and are not substitutable.

One transmission mechanism of food disparity to poverty is through agriculture, the primary source of income for the poor. Eradicating food inequality will definitely improve health in the population and there is evidence to suggest that in Africa, gender equality and improved education and health can significantly be a factor in increasing productivity in the agricultural and fisheries sectors of the sub-Saharan Africa (World Bank, 2009). Consequently, increasing these sectors’ productivities will lead to the development of these industries creating more employment opportunities for the poor, alleviating them from poverty. Furthermore, with the other case of food disproportion where profits are not fairly distributed among the factors of production, will lead to lower income for the manual laborers who are generally poor pushing more to poverty.

The measure of poverty is not stagnant. It should not be constricted to the lack of income. Its meaning evolves accordingly; from the traditional measure of income as a gauge of individual welfare towards to deprivation of basic capabilities as stated by Sen (1979). Moreover, as the Schelzig (2005) claimed, “poverty is recognized to be a dynamic, complex phenomenon involving concepts such as vulnerability and powerlessness.” Furthermore, it is a deprivation of access to other assets that is important for standard living. It is essential to take note of these changes so as to fully represent the state and characteristics of poverty. As discussed by Albert & Molano (2009), in developing countries, poverty lines estimated are absolute poverty lines, which are based on a fixed standard of welfare which is adjusted with regards to price changes. In the Philippines, the estimated poverty line is a representation of income needed to satisfy the minimal needs of a household, both food and non-food. The food aspect is usually referred to as the Food Poverty Line (FPL) which utilizes one-day-menus that meets the required daily dietary needs and nominally valued at the least possible price. On the other hand, the study of Pedro, Candelaria, Velasco and Barba (n.d.) estimated food threshold and poverty incidence using the food baskets across income groups. This is a comparative study between the estimated poverty incidence and food threshold between all income groups versus the bottom 30 percent of the

income group. It showed that food basket of the higher income group consists of food and other commodities that are more complex and expensive as compared to the lower 30 percent of the distribution. Both looked beyond income levels of households. Nutritional intake and food basket composition are taken into consideration to define poverty and individual household welfare.

Since the Aquino Administration in the 1990s, there had been specific projects targeted for poverty reduction. The Social Reform Agenda (SRA) by the Ramos administration focused on poverty alleviation and rural development. The concentration was principally on disadvantaged economic and social groups. This set the foundation for the Social Reform and Poverty Act of 1997 (Republic Act [RA] 8425) that established the National Anti-Poverty Commission (NAPC) that acts as a coordinating and advisory body in programs of social reform and poverty alleviation. It also institutionalizes the “basic sectors” and non-government organizations’ participation, support local government units in incorporating SRA, and encourage micro-finance programs and institutions. One recent program launched in 2001 under the supervision of NAPC is the *Kapit-Bisig Laban sa Kahirapan* (KALAHI) program. There are five special projects in the KALAHI program; the rural projects, urban projects, social initiative projects, resettlement areas and in conflict areas.

There are many issues regarding the government’s poverty reduction programs basically categorized into policy issues, institutional issues, and resource issues. Under policy issues, every administration is inclined to introduce new programs, usually without concern to what is in progress that was established by preceding administrations. Even successful programs were not continued since they were part of previous presidents’ agendas. This results to redundancies in plans, frameworks and targets, and waste of energies and limited resources. Targeting mechanisms were also diverse, inefficient and highly politicized that lead to weak implementation. It also led to inclusion/exclusion of intended beneficiaries and significant leakages to unintended beneficiaries of the programs. Institutional issues, on the other hand, include transitional problems, highly politicized programs and political appointment of agency heads and the representation of the “basic sector” political matters often succeed even from the choice of representatives for the “basic sector”, target beneficiaries and the allocation of the budget. The government response for resource issues is that a Poverty Alleviation Fund (PAF) was established in 1998 so that funds for poverty reduction will always be a part of the national budget (Schelzig, 2005)

The extent of research and studies conducted has been substantial and extensive but none of which were able to discuss both the economic and the behavioral reasons why individuals and households stay in or leave out the state of poverty.

CONCEPTUAL FRAMEWORK AND METHODOLOGY

Data Set

In order to quantitatively determine the possibilities and reasons why an individual or a household will stay, depart, and go into the state of poverty, on a national and regional level, the following dataset will be utilized: (1) 2000, 2003, 2006, and 2009 Family Income and

Expenditure Survey (FIES); and (2) 2007 and 2008 Annual Poverty Indicator Survey (APIS). All of which are generated by the NSO. The FIES provides data on family income and expenditure which include among others levels of consumption by item of expenditure as well sources of income in cash and in kind. It specifically discusses levels of living and disparities in income and spending patterns of families belonging to different income groups. Likewise, it also includes related information such as number of family members employed for pay or profit or as wage, salary, or own-account workers; occupation, age, and educational attainment of household head; and other household characteristics. This dataset is released by the NSO every three years. Meanwhile, the APIS is a nationwide sample survey designed to gather information that will provide a comprehensive household socio-economic profile that will provide access and impact indicators useful in the development of an integrated poverty indicator and monitoring system. The APIS is conducted in the years when the FIES is not conducted. Furthermore, it aims to provide accurate, timely, and relevant information for the assessment of poverty alleviation programs and the design of policies intended to reduce poverty.

The sufficient sample of nationwide data contained in the FIES and APIS will allow for the generation of distribution diagrams and measures of living standards in the Philippines for both national and regional level. These measures aim to provide comparable and quantifiable indicators of social welfare that will facilitate interregional comparisons. However, as argued by Jao, Ng & Vicente (2000), since welfare is a multi-facet idea, the attempt to capture its definition into one encompassing indicator remains to be the major limitation of this study. As far as this study is concerned, per capita food consumption expenditure can only serve as a limited proxy indicator of individual welfare. Moreover, because only household level data on consumption expenditure is available, the conversion of household data into per capita consumption expenditure involved some degree of arbitrariness. Although equivalence scales for such conversion are available, they are similarly limited by their inconsistency and subjectivity (Jao, Ng & Vicente, 2000).

Repeated Cross-Section and Pseudo Panels

We will employ the suggested approach of Dang, Lanjouw, Luoto and McKenzie (2011). The suggested procedure will make use of repeated cross-sections that will allow the formulation of pseudo panels to assess bounds of mobility in and out of poverty. Panel data are ideal to measure income mobility but due to data limitation, the authors of the said paper improvised a different approach, which will yield the same results as expected from panel data estimation. It will also offer insightful inferences on state of mobility in poverty and its related dynamics. But it should be noted that the estimates that will be provided are bounds of the fraction of mobility (upper and lower) and not actual point estimates.

The procedure will only make use of FIES 2003 and 2006 because it is conditional that the measure of welfare (consumption or income) will be the same for both periods. FIES 2003 and 2006 utilized the same interview procedure and have the same set of survey questions (Ericta & Fabian, 2009), which make it viable for this estimation. Another issue to consider is that, census surveys are subjected to attrition; there is little probability that a specific household can

be traced from 2003 to 2006. In this regard, the procedure will make use of pseudo panels at cohort level. Hence, both data sets are restricted to households with heads aging from 25 to 60 years old. This restriction will also rationalize that the assessment of mobility in and out of poverty of household with heads aging below 25 and above 60 will be problematic and less indicative since these are the periods that a household might be starting or dissolving.

In estimating the upper bound (or the unobserved first period consumption), the procedure will start with Ordinary Least Squares (OLS) estimation shown by Equation 1.

$$y_{i1}^1 = \beta_{i1}' x_{i1}^1 + \varepsilon_{i1} \quad (1)$$

Where:

y_{i1}^1 is consumption for round 1

x_{i1}^1 is a vector of household characteristics which are observed in round 1

Predict residuals from Equation 1 and take a random draw with replacement from the distribution. Together with the estimated betas and the observed values of household characteristics in round 2, estimated first round consumption is shown by Equation 2

$$\hat{y}_{i1}^2 = \hat{\beta}_{i1}' x_{i1}^2 + \hat{\varepsilon}_{i1}^2 \quad (2)$$

Where:

\hat{y}_{i1}^2 is the unobserved first period consumption

x_{i1}^2 observed household characteristics from round 2

$\hat{\varepsilon}_{i1}^2$ randomly drawn betas (with replacement) from (1)

Using the estimated first round consumption, the degree of mobility into and out of poverty will be computed. From Equation 3, hence,

$$Pr(\hat{y}_{i1}^2 < p | y_{i2}^2 > p) \quad (3)$$

Where:

p is the poverty line. The study will use the poverty threshold released by the Philippine National Statistical Coordination Board (NSCB) in 2006, which is PHP 75,285.00⁵.

In estimating the lower bounds of mobility, the same procedure will be followed. But instead of the residuals derived from Equation 1 that will be imputed in Equation 2, another OLS will be estimated, shown by Equation 4, and this will replace $\hat{\varepsilon}_{i1}^2$ in Equation 2.

$$Pr(\hat{y}_{i1}^2 < p | y_{i2}^2 > p) y_{i2}^2 = \beta_{i2}' x_{i2}^2 + \varepsilon_{i2}^2 \quad (4)$$

Where:

y_{i2}^2 is consumption for round 2

x_{i2}^2 is a vector of household characteristics which are observed in round 2

The residuals in Equation 4 will serve as the prediction error in Equation 2, which will then provide a way to estimate the lower bound. Once a series of y_{i2}^2 are estimated, movements into and out of poverty of interest will be computed which is the same as the representation in Equation 3.

Discrete Models

Once the bounds of mobility are established, it is also notable to observe the physical characteristics of households and its effect on household mobility into and out of poverty. This approach is used by Abufhele and Puentes (2011) in examining poverty transitions in Chile.

The methodology will use probit and multinomial probit in assessing the factors of transition. These factors center on household characteristics such as age of household head, sex of household head, highest educational attainment of the household head, etc. The probit methodology allows the estimation of probability of entering and exiting poverty. From Equation 5 and Equation 6, the dependent variables in each will take the values of:

$$y_{entered\ t1,t2} \begin{cases} 1 \text{ if household is Non Poor in } t_1 \text{ and Poor in } t_2 \\ 0 \text{ if household is Non Poor in } t_1 \text{ and Non Poor in } t_2 \end{cases} \quad (5)$$

$$y_{exit\ t1,t2} \begin{cases} 1 \text{ if household is Poor in } t_1 \text{ and Non Poor in } t_2 \\ 0 \text{ if household is Poor in } t_1 \text{ and Poor in } t_2 \end{cases} \quad (6)$$

In order to measure the dependent variables, the researchers defined the poor households and the non-poor households with the poverty threshold released by NSCB. Then respective dummy variables are generated in order to specify the conditions of the model. These dependent variables will also be used in the multinomial probit models but there will be two additional dependent variables that will correspond to households that did not change states in between 2003 and 2006. The regression will utilize both household characteristics observed in 2003 and 2006 in order to trace whether factors affecting transition is the same all throughout. The results of this regression will provide clues to policy makers on which aspect of the physical characteristic of households will cause detrimental and/or beneficial effects on whether a particular household will retain or change states.

RESULTS AND DISCUSSIONS

Bounds of Mobility

Due to lack of panel data for Philippine households, this paper utilizes the approach proposed by Lanjouw, Luoto and McKenzie's (2011) in using repeated cross-sections of the household data in estimating the dynamics of poverty by transforming these into a pseudo-panel. Although it did not show how to determine mobility point estimates in the presence of

measurement error, it did present how to measure upper bounds and lower bounds of mobility that may provide some insights to poverty mobility (Lanjouw, Luoto & McKenzie's, 2011).

The estimates in Table 5 are obtained using this approach. Using the upper bound estimates where it assumes no autocorrelation between the 2003 and 2006 error terms, the probability that non-poor households in 2006 were non-poor in 2003 is 85.32 percent and those poor in 2006, the probability that these households were non-poor households in 2003 is 44.34 percent. However, the width of the lower and upper bounds for non-poor households in 2006 is 19.21 percent and 44.34 percent for the poor households in 2006. These very wide gaps of the upper and lower bound estimates limit the insights we can obtain. The most important inference derived from the figures is that movements between states are less often relative to households staying in the same state from 2003 to 2006.

It should be noted here that these numbers are estimated from using age, educational attainment and gender as the only variables to the log of consumption levels. Adding more independent variables would minimize the measurement errors thus narrowing the gap of the bounds (Lanjouw, Luoto & McKenzie's, 2011). Subsequently, the range of mobility will be reduced to where there will be more significant implications.

Table 5 BOUNDS OF MOBILITY		
State of the World	Lower Bound	Upper Bound
Non-poor in 2006; Non-poor in 2003	0.6611	0.8532
Non-poor in 2006; Poor in 2003	0.1468	0.3389
Poor in 2006; Non-poor in 2003	-	0.4434
Poor in 2006; Poor in 2003	0.5566	1.0000

Probit Estimations

Table 6 summarizes the marginal effects of various probit estimations. It can be noticed that a particular dependent variable is estimated twice, each considering the household characteristic observed in FIES 2003 and 2006 due to reasons that both FIES are not panels representing the same set of households. Nonetheless, the results will still offer inference regarding the characteristics of the surveyed households and its relation to the transition of being poor to non-poor and vice-versa.

Non-Poor to Non-Poor. Both periods shows the same marginal effects to the probability of staying out of poverty. It is expected that educational attainment is to serve as a key factor in sustaining household security. Furthermore, civil status and in this case, married, is also positive contributing factor to the probability of staying non-poor. With the spouse working it is likely to aid the household state since both household head and spouse are sources of income. Age also contributes positively this maybe due to that most household heads who are considered non-poor in the first period are less likely to retire and/or stop working in the second period.

Poor to Poor. Both periods show the same results when it comes to its response in staying poor. Same with that of Non-poor to Non-poor results, education decreases the chance of

staying poor and the higher educational attainment, the higher the marginal effect of decreasing the probability of staying in poverty. This is also the case in staying married and the spouse of the household head is working. Benefits of being married are likely to decrease chances of being poor since this also offers the opportunity that the spouse will also be working as well providing sustenance to the household.

Table 6
MARGINAL EFFECTS AFTER PROBIT ESTIMATES

	Non-Poor to Poor		Poor to Non-Poor		Poor to Poor		Non-Poor to Non-Poor	
Exogeneous Variables	2003	2006	2003	2006	2003	2006	2003	2006
Age	0.002633	-0.00223	-0.0052	0.00	-0.00238	-0.00441	0.005793	0.007583
Male Household Head	-0.039	0.039814	0.076223	-0.04062	0.024949	0.031403	-0.04726	-0.03131
College Graduate	0.253236	-0.20326	-0.27024	0.341975	-0.13097	-0.14528	0.512482	0.416125
College Undergraduate	0.23922	-0.18097	-0.23743	0.314101	-0.11223	-0.12712	0.460946	0.378754
Highschool Graduate	0.176801	-0.1717	-0.21051	0.259444	-0.10077	-0.122	0.388629	0.338183
Highschool Undergraduate	0.128949	-0.11958	-0.13881	0.203128	-0.06627	-0.07681	0.297921	0.261113
Gradeschool Graduate	0.090875	-0.08498	-0.09706	0.134611	-0.05116	-0.05481	0.224418	0.196181
Gradeschool Undergraduate	0.029589	-0.04308	-0.03749	0.074923	-0.02501	-0.02769	0.099492	0.102318
Married	0.035853	-0.07994	-0.09059	0.050539	-0.02601	-0.04552	0.045842	0.060968
Spouse is Employed	0.033089	-0.03362	-0.06266	0.032239	-0.03309	-0.02902	0.064	0.03287

Non-Poor to Poor. The results for FIES 2003 and 2006 differ in terms of signs. The results for FIES 2003 are counter intuitive, nonetheless, significant. This might be due to the fact that the observed poor households are in 2006 while the non-poor households are in 2003 which causes the response to different period household characteristics to actually contrast. It is plausible that the actual turn over to the new state happens in 2006 and not in 2003 wherein the new state, which is being poor, responded accordingly to a-priori expectations. Observing the figures, it seems results from 2006 makes more sense in this case wherein education of household head diminishes the probability of entering poverty. This is true for all independent variables except for Male Household Head.

Poor to Non-Poor. The same logic applies as that of reasoned in Non-poor to Poor. Education still plays a vital role in fighting poverty. Hence, poor households who readily acquired proper skills and training are more likely to become Non-poor. Furthermore, civil status and if the spouse of household head is working will also likely increase the chances of exiting poverty since it will provide more channels of income to enter a household.

CONCLUSIONS

In the context of this study, we are supposing that government-sponsored programs may have overlooked the root cause of poverty. This is because the persistence of poverty undeniably poses a direct threat toward efficient economic growth and development, more so for the Philippines. This issue has continued to plague the country for decades and as a result, effective poverty alleviation remains one of the main goals for countless administrations.

This time, instead of evaluating government programs aimed to combat poverty, the ideas of transient and chronic poverty would be banked on to demonstrate the behavior of households towards their socio-economic status. In this way, another perspective or approach was considered – the transition of households from being poor to non-poor as to eventually alleviating poverty. This condition in which a household remains within the clasps of poverty can be linked to spending behavior and income changes as well as the effectiveness of government-sponsored programs. Given the nation's state of poverty, we determined the probabilistic relationship of the transition to and from poverty with selected socio-demographic factors. Consequently, we find the data from the FIES as well as the APIS most appropriate as these measures the living standards in the country at the national and regional level. Hence, we employed repeated cross-sections that will allow the formulation of pseudo panels to assess upper and lower bounds of mobility in and out of poverty. Results suggested that the transition to and from poverty from 2003 to 2006 is less probable than remaining in the same state for the same timeframe. Additionally, findings encourage the importance of human capital investment, being married, having an employed spouse, and age in remaining out of poverty as well as escaping from it. Overall, individuals who have acquired proper training and skills are more equipped to sustain their families with a larger income, making them prepared for economic shocks such as financial crises, natural disasters, social conflicts, and environmental property.

As a developing economy besieged by income inequality, inequitable distribution of income, poverty incidence (Todaro & Smith, 2008), and natural calamities, the country's population needs a total overhaul on its human capital development. As evidenced by the results, households headed by educated individuals are more equipped to deal with unexpected shocks that may deter their flow of income and if they do fall into poverty, it is more probable for them to escape from it. As such, securing a stable employment status presents itself as the primary objective. Moreover, the poor must be informed that it is never too late to continue education given technical vocation courses offered by the Technical Education and Skills Development Authority (TESDA) of the Philippines. Instead of providing the most basic skills offered by basic education, TESDA's technical vocation courses provides workers with a skillset more suited for specific jobs. Under-education would also negatively affect spending patterns in which they do not efficiently allocate their resources for long-run benefits. That is, depriving oneself from education alters an individual's behavioral and social factors. The poor have developed a mentality that collectively points to laziness and over-dependency – they do not see the need to take action to solve their own problems because they believe that the state and non-government organizations will eventually provide aid incessantly.

The brisk population growth also emasculates poverty alleviation efforts as the condition of penurious living is passed on across generations. A primary cause of this fast population growth is the inadequate knowledge of individuals on the implications of having a larger household. These households share the common notion that more children they have, the more income can be brought into the household and the higher probability of escaping poverty in the future. These households discount the fact that spending has to be incurred first before these expectations on larger households can be realized. Hence, their assumptions about having a larger household is only true if they can provide basic needs such as education and health for each member of the family.. Failure to provide these basic needs only results to a higher number of dependents in the household, worsening their situation. As population growth is not regulated, the rapid increase in the labor force without basic education will result in high unemployment, which contributes to the persistence of poverty and might be passed on through generations.

The aforementioned concerns are only among countless others that obstruct poverty alleviation in the Philippines. Thus, the economy turns to its administration and government programs in alleviating poverty and achieving equal income distribution. In terms of human capital development, we see progress with the implementation of the K+12 program. However, the government must also exert efforts on providing opportunities for every Filipino to have affordable technical vocational courses by renewing the current process and utilizing information and communication technology (ICT). On the other hand, we also see programs by the government in regulating population growth through the reproductive health (RH) law, which promotes limiting family size through family planning. In general, programs sponsored by the government must be targeted to households who would fully benefit from the program of which must be catered for households suffering from both chronic and transitory poverty. Moreover, more programs such as the conditional cash transfer (CCT) programs must be set in motion as to eliminate the over-dependency of poor households to the government. Past, current, and future administrations need to work together in tweaking implemented programs and in developing new innovations that do not contribute to the redundancy of government programs.

We have been examining why the Philippines is susceptible to extreme cases of poverty. In the pursuit of poverty alleviation, the issue at hand is bringing households out of poverty so that the cycle does not endure across generations. As such, sustained human capital development promotes inclusive growth and is the pathway towards significantly eliminating poverty, attaining equal income distribution. Likewise, adapting the context of America (2013), as in many aspects of life in a developing economy, the response towards poverty is short-term reactive rather than long-term pre-planned. Moreover, the most important response is the attitude an individual takes, the approach undertaken, the organization and institutions working, and most importantly, the commitment made to fight the battle against poverty, as if it were a battle.

ENDNOTES

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- 3 The income gap is the average income shortfall of the population from the poverty threshold (Todaro & Smith, 2008).
- 4 The poverty gap is the total income shortfall of the population from the poverty threshold (Todaro & Smith, 2008).
- 5 As mentioned in the press release of NSCB last March 2008 retrieved from http://www.nscb.gov.ph/press_releases/2008/PR-200803-SS2-02_pov.asp

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