

## Population Growth

### A. Background

While its neighbors have consistently posted high levels of economic growth in the last three decades, the Philippines continues to post modest and inconsistent growth. The country has its share of debilitating factors, such as political instability and corruption, but so do some of her high-growth neighbors. One distinguishing problem though is the continued rapid population growth. After an auspicious start in the 1970s, the Philippine population program, which was emulated by its neighbors, has since become hobbled by weak and equivocal support from the political leadership. As a result, while neighboring economies are reaping the benefits of the “demographic bonus,” the country is confronted by a “demographic onus” instead.

#### ***Population growth has been relatively high.***

The Philippine population almost quadrupled in the 52 years from 1948 to 2000 (from 19.2 million to 76.5 million), with a growth rate of about 3 percent in the 1960s and 2.3 percent in the 1990s. This is still very high compared to the country’s ASEAN neighbors. Indonesia and Thailand, for instance, reduced their growth rates to 1.6 percent and 1.4 percent, respectively, in the 1990s. The effect is noticeable: Thailand, which had almost the same population in 1965, had about 14 million fewer people around 2000.

***Fertility and unwanted fertility have both been high.*** Data point to a fairly rapid decline in fertility in the 1970s. However, this stalled in the 1980s and 1990s and has lately even shown signs of a slight increase. The downward trend in the total fertility rate (TFR), which declined from about 6 at the beginning of the 1960s to 3.6 by the middle of 1990s, is slow by East and even Southeast Asian standards. From about the same TFRs at the start of 1960s, Indonesia and Thailand had reduced their TFR to 2.6 and 2.1, respectively, by the middle of 1990s.

Unwanted fertility (women whose actual number of births exceeds what they desire) is also high and declining only slowly. Data from

the last National Demographic and Health Survey (NDHS), conducted in 1998<sup>1</sup>, show that actual fertility is on average 1 child over the desired level with actual TFR at 3.7 and desired fertility at 2.7 per woman. Unwanted fertility increases as socioeconomic status declines, i.e., it is higher for less educated and rural women. A significant proportion of the difference in unwanted fertility across socioeconomic classes is explained by differences in contraceptive practice.

#### ***Contraceptive prevalence has been low and unmet need for family planning high.***

Compared to its Asian neighbors, the Philippines has a low contraceptive prevalence rate (CPR), particularly for modern methods (total—46, modern—28, in 2002<sup>2</sup>). It has a lower CPR even than Indonesia (total—57, modern—55) and Vietnam (total – 75, modern – 56) which have lower per capita income and lower average educational attainment. Analyses of the recent Family Planning Survey data for 2000 reveals that as the socioeconomic level declines, so does CPR<sup>3</sup>. This disparity is more pronounced for modern methods. A large proportion of this difference in CPR is explained by differences in access to family planning services.

It is therefore no surprise that there is a high unmet need, of about 20 percent in the 1998 NDHS, for contraception (for limiting and spacing births). It also exhibits an identical pattern to unwanted fertility, i.e., it is highest among less educated and rural women.

Here lies the big opportunity for generating substantial progress in reducing average fertility and the population growth rate—dealing with unmet need for family planning, which is highest among the poor, will have the biggest impact on average fertility.

<sup>1</sup> The most recent 2003 NDHS has not yet released the estimates for desired fertility. CPR is the percentage of married women of reproductive age using contraceptive.

<sup>2</sup> Source: UN ESCAP (2003) Population Data Sheet.

<sup>3</sup> Herrin, A., A. Orbeta, I. Acejo, J. Cuenca, and F. del Prado (2003). “An Evaluation of the Philippine Population Management Program” PIDS Discussion Paper 2003-18.

***Mortality rate decline has slowed.*** Mortality, measured either as the crude death rate or the infant mortality rate (IMR), showed a rapid decline in the early postwar period because of advances in public health and economic development. This decline has slowed in the recent past, as low levels of mortality or high levels of life expectancy have been achieved. This is clearly depicted by the developments in IMR. With patchy economic performance, the slow decline of the IMR in the Philippines was to have been expected. Thailand, with a more consistent and a higher economic growth rate, sustained a lower IMR than the Philippines throughout the postwar period. The Republic of Korea, starting with a low level of IMR in 1960-1965 (but one that was not that far below the Philippines'), achieved an even faster decline. However, that the Philippines has a high maternal mortality rate, which is hardly surprising given the continued high fertility rate.

Given the above trends in fertility and mortality, it is understandable why the Philippine population growth rate is higher than many of its neighbors'. Had mortality declined as fast as in other countries, such as Thailand or the Republic of Korea, population growth, would have even been higher. What is also disturbing is that the continued high fertility rates will also mean long years of a high youth dependency burden, which will deprive the economy of the "demographic bonus" that allowed other East Asian countries to increase their savings rates and their physical and human capital investments which, over the last three decades, spurred their economic growth.

### ***Economic Development and Poverty Trends***

***Declining quality of investment in human capital.*** One partly redeeming facet of Philippine development is the relatively good record in human capital investment, particularly education. Enrollment rates are very high given its per capita income, approximating to developed country levels. However, the quality of education outputs is deteriorating. On the health front, outcomes are average, exhibiting no significant deviations from outcomes of countries at a similar level of socioeconomic development,

except, perhaps, in the case of maternal mortality which is worse

***Poverty remains high and poverty reduction slow.*** Progress in poverty reduction in the country is disappointing, with the number of poor people increasing from 4.6 million in 1985 to 5.1 million in 2000. In addition, the reduction in poverty incidence has been slow, with only a 4 percentage point decline in rural areas between 1985 and 2000. A wide disparity of poverty incidence remains across geographic areas; for instance, in 2000 it was almost 66 percent in the Autonomous Region in Muslim Mindanao (ARMM), 55 percent in Bicol region, and only 9 percent in the National Capital Region (NCR).<sup>4</sup>

***Income equality has increased.*** . Income equality has failed to improve. The share of the poorest quintile in national income in fact declined slightly from 4.8 percent in 1985 to 4.7 percent in 2000. The share of the richest quintile, in contrast, increased from 51.2 percent to 54.8 percent over the same period. In addition, the Gini coefficient has risen from 0.41 in 1985 to 0.46 in 2002.

### **B. Population Issues**

***Widespread unmet demand for family planning services.*** The series of national demographic surveys since 1968 consistently show high approval rates for use of family planning methods, both modern and traditional. Opinion polls conducted by Social Weather Station(SWS) and Pulse Asia in the last two decades also consistently reveal similar messages for the Philippines.

The population program has been weak and ineffective.<sup>5</sup> First, the program is underfunded and its main source of financing, about half, is households. Second, contraceptive prevalence remains low compared to Asian neighbors, particularly for modern methods. Third, government facilities remain to be the major source (70 percent) of modern contraceptive supplies and these supplies are donations rather than paid for by the Government. Fourth, there is a glaring disparity in access to family planning between the rich and the poor and

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<sup>4</sup> Based on 2000 NSCB data.

<sup>5</sup> Herrin, et al, 2003

high (around 20 percent) unmet need for family planning, consequently, unwanted fertility remains high—as said above, actual fertility is one child above desired fertility on average according the 1998 NDHS.

Helping women of reproductive age achieve their fertility preferences—something which many women cannot do in the Philippines—directly improves their individual well-being. Then, of course, helping them achieve their fertility preferences also has beneficial effects on other members of their families and the economy more widely.

***Smaller family sizes and slower population growth enhance investment in human capital.*** Smaller families are known to invest more in the human capital of their members. Children in large families perform less well in school and have poorer health, lower survival probabilities, and are less developed physically<sup>6</sup>. Analysis of Philippine data **indicates that** high fertility negatively affects school participation of children 13–17 years old<sup>7</sup>, with a larger negative effect for boys<sup>8</sup>.

***Slower population growth facilitates growth in per capita income.*** This most recent empirical analysis of the relationship between population change and the level and growth of per capita income indicates that there is a large negative impact of population change on the growth of per capita income.<sup>9</sup> The changing age structure reflecting demographic change explained, to a large degree, the rapid economic growth in East Asia in the past three

decades<sup>10</sup>. Recent simulation has shown that, had the Philippines achieved the demographic outcomes attained by Thailand, the cumulative additional growth in per capita income would have been 22 percent, or 0.77 percent annually, between 1976 and 2000.<sup>11</sup>

***Slower population growth promotes income equality.*** Slower population growth shifts the distribution of income towards the poor. The primary reason for this is that it causes an increase in the share of labor—the main asset of the poor—in output. For a given labor demand, since the supply of labor grows proportionately with the total population, then the slower the population grows the easier it is for real wages to increase or the smaller is the likelihood of downward pressure on wages.<sup>12</sup> Given the Philippines' lackluster growth record, growth in demand for labor is understandably depressed. Supply of labor, on the other hand, continues to grow rapidly as the working age population grows rapidly. In addition, the labor force participation rate of women is rising, also contributing to the increase in labor supply. As a consequence, very high unemployment and underemployment rates are evident. These, together with the growing number of overseas Filipino workers, are glaring testimonies to the low growth of labor demand compared to the supply of labor. This pressure would have been moderated by a faster decline in fertility and slower population growth.

***Slower population growth lower vulnerability to poverty.*** Worldwide, there is an empirical regularity that poverty incidence is higher among those with large families. In addition, the behavior of those with large families increases the probability of them becoming or

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<sup>6</sup> King, E. (1987) "The Effect of Family Size on Family Welfare: What Do We Know?" in Johnson and Lee (eds.) Population Growth and Economic Development, Issues and Evidence. Madison: University of Wisconsin.

<sup>7</sup> Herrin, A. N., 1993. *Studies on Consequences of Population Change in Asia: Philippines*, Asian Population Studies Series No. 121, United Nations Economic and Social Commission for Asia and the Pacific, New York: United Nations.

<sup>8</sup> De Graff, D. and R. Bilsborrow and A. Herrin (1996) "Children's education in the Philippines: Does high fertility matter?" Population Research and Policy Review, Vol. 15, No. 3, 219-247.

<sup>9</sup> Kelley, A. and R. Schmidt (1995). "Aggregate Population and Economic Growth Correlations: The Rule of the Components of Demographic Change", Demography 32, pp. 543-55. Kelley, A. and R. Schmidt (2001). "Economic and Demographic Change: A Synthesis of Models, Findings and Perspectives," in Birdsall and Sinding (eds.).

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<sup>10</sup> Bloom, D., D. Canning and J. Sevilla (2001) "Economic Growth and the Demographic Transition," NBER Working Paper No. 8685. Bloom D.E. and Williamson J.G. (1998), "Demographic Transitions and Economic Miracles in Emerging Asia," World Bank Economic Review, Vol. 12, No. 3, pp. 419-55.

<sup>11</sup> Mapa, D. (2003). "An Econometric Model Explaining the Population – Growth – Poverty Nexus: What lessons can we learn from the data?" Asia Pacific Policy Center (APPC), School of Economics, University of the Philippines, Diliman, Quezon City

<sup>12</sup> Eastwood, R. and M. Lipton (2001) "Demographic Transition and Poverty: Effects via Economic Growth, Distribution and Conversion," in Birdsall, Kelley and Sinding (eds.)

remaining poor. It has been argued that the poor may have high fertility because they prefer to have large families. Indeed, data show that wanted fertility is higher among the less educated and women in rural areas. In addition, as mentioned earlier, there is incontrovertible evidence that large families tend to invest less in human capital. This is acknowledged as the main avenue of the inter-generational transmission of poverty. Finally, the 1997 financial crisis has shown that large families are more vulnerable to economic shocks.<sup>13</sup> Accordingly, in the face of economic shocks, a larger proportion of those with large families slide into poverty or it would be difficult for those who are poor to get out of poverty.

***Population policy appears to be dominated by the views of the Catholic Church.*** In spite of the consistently high approval ratings given by women of reproductive age on the use of family planning methods, both modern and traditional, revealed in the several rounds of national demographic surveys, in general opinion polls, and in polls carried out by the business sector, population policy appears to be dominated by the position of the Catholic Church. Over the past 30 years there has been a lack of stable consensus among policymakers on the policy of reducing population growth and fertility as the focus has been shifting focus between fertility reduction, upholding of reproductive rights, and promoting maternal health.<sup>14</sup>

### **C. Suggestions**

The new Government may consider the following items for its agenda to lower the population growth rate in the country and thereby contribute to stronger economic growth and poverty reduction

***A population policy consistently focusing on the need to reduce the population growth rate.*** Population policy must therefore be single-minded on the objective of reducing population growth as a component in the country's development agenda. As

demonstrated by the country's Asian neighbors, this objective is only achieved when commitment is consistent and not "stop-go", as the country's population policy has been in the past decades.

***Population program strategies that help couples achieve their fertility preference.*** One of the roles of good government is to provide information and services demanded by couples to help them achieve their fertility preferences consistent with the constitutional guarantee that services be provided to those who need it. Family planning information and services should not be treated differently from other services, such as education, nutrition, and health.

***A population program comprehensively and consistently promoting all medically safe and legally allowed family planning methods.*** To be effective, the population program should adhere to the principle that it is the right of couples, not of governments, to choose which family planning methods they prefer to achieve their fertility preference. The population program should, therefore, have the following key elements: (i) a regulatory environment that restricts or permits the distribution and use of products (including contraceptives) and procedures solely on the basis of scientific evidence about safety and efficacy; (ii) cofinancing with local government units (LGUs) of the necessary costs of goods and services necessary for the poor to have access to these goods and services in accordance with their fully informed choices; (iii) enforcing all LGUs to observe their legal obligations to make available the required range of health services (defined as part of Section 17 of the Local Government Code of 1991) which clearly includes "family planning services" and "maternal and child care" defined in accordance with technical standards officially promulgated by the Secretary of Health.

***More stable financing for, and improved procurement and distribution of, family planning services and information.*** A sustained allocation of the national government budget is crucial stable and sustained funding for contraceptive supplies and demonstrate the Government's clear intent to reduce population growth. The continued

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<sup>13</sup> Reyes, C. (2002) "The Poverty: Fight: Have We Made and Impact?" PIDS Discussion Paper Series 2002-20.

<sup>14</sup> Herrin, A. (2002). "Population Policy in the Philippines, 1969-2002," PIDS Discussion Paper 2002-08.

expansion of the membership of PhilHealth, particularly for indigents and informal sector workers, as well as deepening the coverage of its benefit package to include more family planning services besides female sterilization, vasectomy, and IUDs, also needs to be pursued. Given the proposed expanded role of LGUs in the program, there will be a need to strengthen the commodity procurement and delivery capacity of LGUs.

*A program for working with the Catholic Church in areas where there is mutual agreement and independently from it in others.* Working with the Catholic Church on such areas as natural family planning methods and on measures that indirectly influence actual fertility through fertility preferences should be pursued. However, its objections in other areas, such as the provision of artificial contraception, should not be allowed to prevent the Government from providing services that are not prohibited by law, are regarded by many citizens as desirable, and judged by the Government as consistent with the public good and common welfare.