

# Foreword

**T**HIS issue of the Philippine Human Development Report explores a new perspective on the advancement of living standards, one that not only documents achieved human development outcomes but that also inquires into the processes that allow people and families to improve their condition through time and sustain such improvements across generations. It views welfare changes not only through the usual dichotomy of poor and nonpoor but through a prism that recognizes the increasing social and economic differentiation of families and individuals in the country.

Part 1 of the Report shows that Filipino households have been moving across different welfare trajectories over time and across generations. At least until the breakout of the COVID-19 pandemic, the proportion of households who were extremely poor was declining while the nonpoor, composed of the vulnerable, the economically secure, and the upper middle class had increased. The global pandemic and its effects on the country have momentarily interrupted this trend and exposed the vulnerability of the improvements in the situation of socio-economic mobility. It has increased the probability of more frequent and abrupt swings in welfare in the future. But future research is only bound to show that people have adjusted to the crisis in better or worse ways, reflecting the pre-existing social heterogeneity.

While upward and downward movements in income itself are nothing new, the emergence of increasingly distinct socio-economic classes poses new questions and challenges. The Report tries to identify the different factors that cause individuals and households to be promoted or relegated on the welfare ladder—these include both nonhuman wealth, such as land, physical property and financial assets, and human capital transfers, such

as parents' investments in their children's education and health, as well as parental efforts in the formation of life skills and their influence on marriage matches and reproductive decisions. The Report tries to quantify empirically the effect of these various factors, using a specially constructed dataset, and from other studies.

Differences in education and health status of families across classes affect the direction and degree of welfare change over time and across generations. The persistence of these inequalities creates unequal human capital development that puts households in lower classes at a disadvantage. It also shows how people belonging to the upper classes are afforded greater choice and are able harness networks to optimize the use of their human capital.

Given changing social circumstances, however—particularly the gradual reduction of the statutorily poor to a minority in society—there is a greater need for integrated programs that explicitly envision the upward mobility of different categories of individuals and families over time and across generations. Such a strategy must recognize that different households confront different life obstacles and that there are different pathways for them to move up the socioeconomic ladder.

The implication is that long-standing blanket policies targeting only the poor—especially in terms of subsistence—although still necessary, may no longer suffice. Policies are required that take into account the differentiated capacities and needs of households and individuals in the entire process of upward social mobility. As the Report notes, “government need not implement a single type of benefit scheme for these different categories—*one size does not fit all.*” This requires the government to design programs that are differentiated in both provision and financing depending on the socioeconomic groups

they intend to benefit. While the extremely poor should continue to benefit from direct provision and transfers, this is less true for the middle classes, who may benefit more from mutual insurance or access to forms of credit. Governance structures and financing systems must move beyond the customary sectoral approach (e.g., undifferentiated crop programs or blanket subsidies and discounts) and instead provide assistance that is differentiated according to the requirements of individuals and households. The intergenerational nature of mobility also implies more focus should be given to policies and programs that improve opportunities and secure the future of children of the poorest households.

Part 2 analyzes the progress of human development of different provinces in the country, including Metro Manila, in the 1997 to 2015 period. Global economic crises, such as those which engulfed the country in the 1997-2008 and 2008-2009 periods, have affected changes in the human development trends, although the record also illustrates how improvements in outcomes have been recorded especially in the 2010s when the country's economic performance has improved.

While some progress during the period has been noted, there is no clear upward path for all provinces. Rather, there is high variability in provincial performance over the period covered, which also seems to mirror the upward and downward movements in welfare among the different households in Part 1 of the Report. The path to progress varies and not all succeed in sustaining their levels of human development.

While there seems to be some convergence in terms of income—with the growth of per capita income of the lowest quartile of provinces being higher than that of the highest quartile—the changes in terms of education and health components of the Human Development Index

are less clear. In fact, tracking six-year period changes within the timeframe examined (i.e., 1997 to 2003, 2003 to 2009, 2009 to 2015) a few provinces display what the late economist Gustav Ranis called a “vicious” cycle of development in which the degree of advancement in non-income indicators of development fall compared to improvements in income.

The high levels of inequality across health and education indicators in many of the provinces in the country has not also helped. The human development values of all provinces must be discounted by at least 10 percent if inequality is taken into account, and at least nine provinces lose more than double this figure.

These indicators point to the truth that much remains to be achieved by way of progress of human development and all sectors of society should stand guard, especially given the situation of expectedly poorer outcomes in coming years following the outbreak of the global pandemic and its effects on the country. We hope this Report serves to further persuade the government and other stakeholders that socio-economic mobility and progress in human development outcomes should be at the forefront of the national agenda.

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