

Earnings Inequality and Poverty

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Outline

- Introduction
- Labor's income share
- Earnings
- Earnings inequality and education
- Policy implications and concluding remarks

Introduction

- Growth is accompanied by rising poverty incidence and high income inequality
- What's happening to labor's aggregate income share and earnings?
- What's going on with returns to education?

Labor's income share

- Share of labor's income to GDP has been stagnant at 25 percent
- From 0.26 percent in 2002, this share fell to 0.234 in 2005
- Labor remains the abundant factor of production relative to capital
- Distribution of labor force by educational attainment shows high school as median

Labor's income share

- Industrial transformation by sector favors services
- High wage jobs in manufacturing (e.g. food) have given way to relatively low wages in services (e.g. wholesale and retail)
- Within services relatively high-wage high-tech jobs have emerged (e.g. ICT)

Earnings

- Real wages in agriculture and non-agriculture declined in 2005, recovered in 2006, but not enough to reach 2004 levels.
- Real wages by occupation groups showed the same behavior in 2004-2006
- Real wages by region showed the same movements with no tendency towards convergence

Earnings

- Wage differentials by region correlates with poverty and under-employment
- Leading regions like the NCR, Calabarzon, Central Luzon, and Central Visayas have high unemployment rates from inter-regional migration

Earnings inequality and education

- Returns to higher education in 2003 was 16.6 percent compared to 2.2 percent for primary and 5.2 for secondary
- Access to higher education, which is self-financed, is limited judging by participation rates and drop-out rates in the lower levels

Earnings inequality and education

- Distribution of tertiary education graduates favors NCR, Calabarzon, Western Visayas, central Visayas, and Central Luzon
- Distribution of TVET graduates is also concentrated in the five regions above and correlates with regional distribution of overseas workers

Policy implications and concluding remarks

- Stagnant and sometimes declining real wages and labor's aggregate income share accounts a great deal for the rise in poverty and high income inequality
- Pay attention to population, education, and labor-market policies