

POPULATION DEPENDENCY AND NATIONAL TRANSFER ACCOUNTS (NTA) IN THE PHILIPPINES

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Outline of presentation

- Background and objective of paper
- Data Sources
- Dependent population definition (in the Philippines)
- Household membership/living arrangements
- Labor force participation
- Finance of consumption
- Concluding remarks

Background and objective of paper

- In practice, specific population age groups have in their entirety been categorized as dependent population
 - but delineation of age boundaries have mostly been arbitrary
- But are the age groups categorized as dependents really “dependent”?

Background and objective of paper

- Oxford Dictionary:
 - *A dependent is defined as a person supported, especially financially, by another*
- Encarta Dictionary:
 - *Dependent population is defined as that part of the population that does not work and relies on others for the goods and services they consume*

Background and objective of paper

- This paper assesses the Philippine definition of dependent population against common notions about dependents including:
 - dependents are children and/or non-heads
 - dependents are not working
 - dependents are supported by others financially
- *common notions were derived from the dictionary definitions of dependent and dependent population*

Data sources

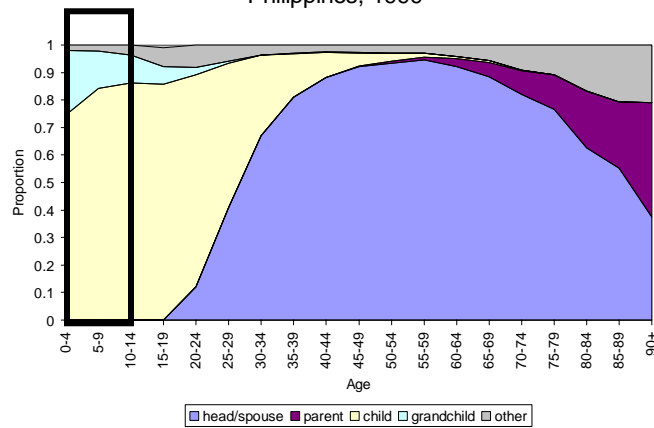
- Household membership/living arrangements and labor force participation rates by age
 - Source: 1999 Annual Poverty Indicator Survey (APIS)
- Financing of consumption by age
 - Source: 1999 NT Flow Accounts
 - (see PIDS Discussion Paper Series, Paper No. 2007-12 by Racelis and Salas 2007 for more detail on data and methodologies used in estimation - paper posted at <http://www.pids.gov.ph>)

Dependent population definition

- “official” delineation of working ages in the Philippines -- 15 to 64
 - based on the Philippine Labor Code of 1974
 - minimum age of employment set at 15 years
 - compulsory age of retirement set at 65
- therefore, dependent population are those aged 0-14 and 65 or older

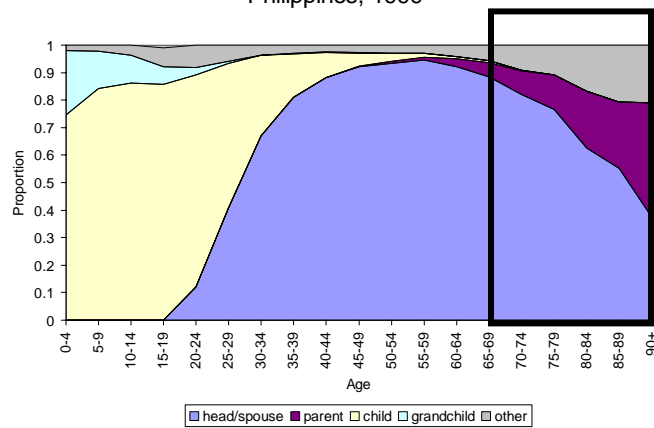
Household membership

Figure 1. Relationship to Head By Age; Philippines, 1999



- Age group 0-14 are mostly children and grandchildren - consistent with common notion about dependent population

Figure 1. Relationship to Head By Age; Philippines, 1999



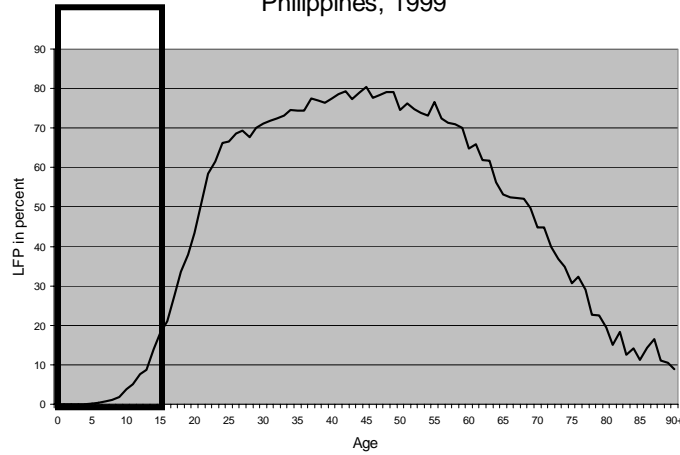
- Age group 65 or older are mostly heads of households, even up to age 80

Elderly living arrangements

- 70% co-reside with their children
- Only 4% live alone
- 50% live in households with other elderly members
- 85% live in households with working adults
- Critical factor that determines living arrangement is their health status.

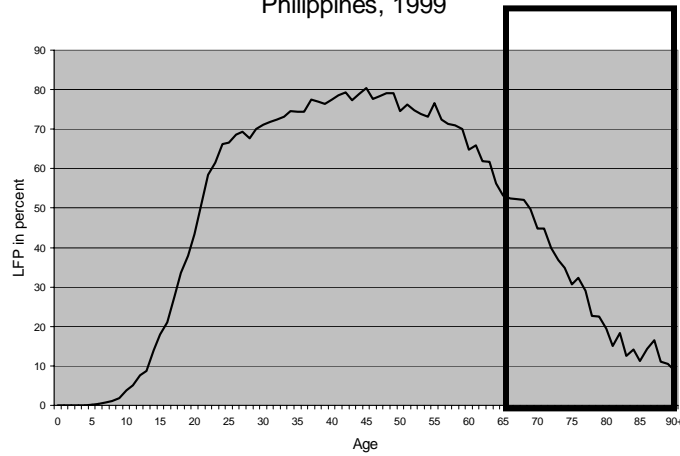
Labor force participation

Figure 2. Labor Force Participation Rate by Age:
Philippines, 1999



- Age group 0-14 generally low labor force participation rate - consistent with common notion about dependent population

Figure 2. Labor Force Participation Rate by Age:
Philippines, 1999



- Age group 65 or older - labor force participation rate remains very high up to age 75 years

Some explanation for labor force participation pattern

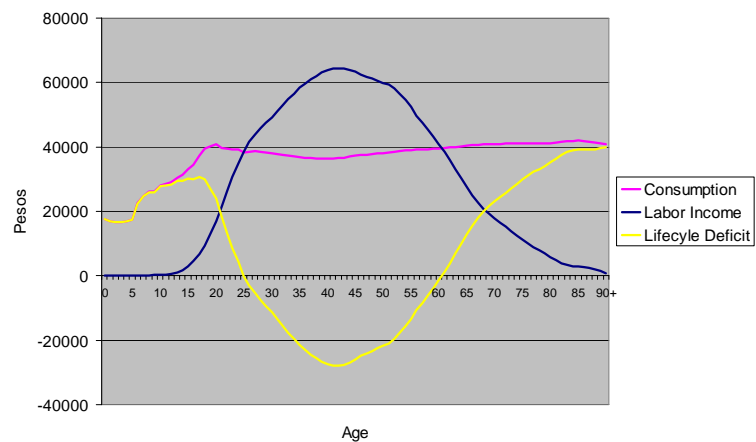
- 60 % of workers in agricultural/fishery and self-employment - activities where young children can be drawn as unpaid workers and elderly participation determined largely by physical capacity
 - labor law provisions not observed
- 50% LFP for rural elderly; 28% for urban elderly
- In 1994, elderly with “GOOD” health self-assessment had LFP=50%; “FAIR” LFP=37%; “POOR” LFP=16%

Some explanation for labor force participation pattern

- participation rate higher for elderly not receiving support from their children
- participation rate higher for elderly providing support to adult children and their families

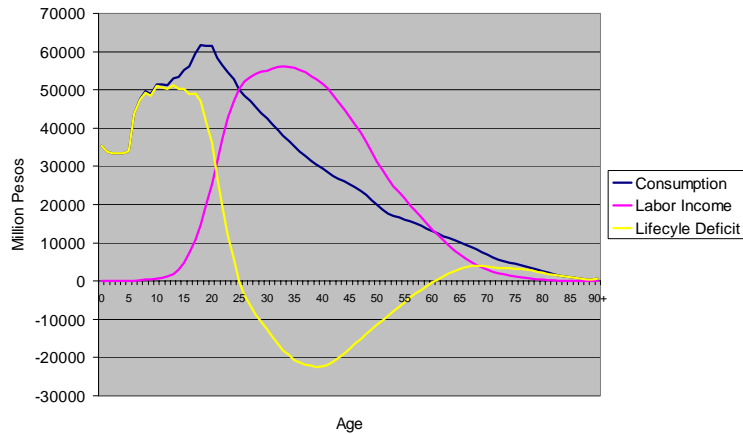
Finance of consumption

Figure 3. Per Capita Consumption, Labor Income and Lifecycle Deficit by Age: Philippines, 1999



- Cross-over ages are at 24 and 61 years
- Implication for new dependent population delineation

Figure 4. Aggregate Consumption, Labor Income and Lifecycle Deficit by Age: Philippines, 1999



- For age 0-24: deficit is 80% of consumption; conversely, 20 % is covered by labor income
- For age 61 or older: deficit is 46 % of consumption ; conversely, 54 % is covered by labor income

Figure 5. Components of Age Reallocations (Per Capita): Philippines, 1999

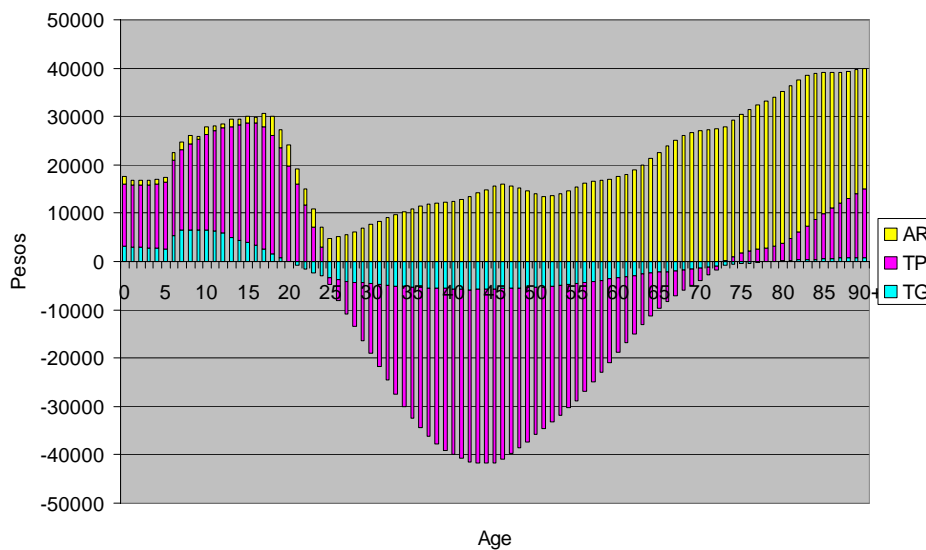
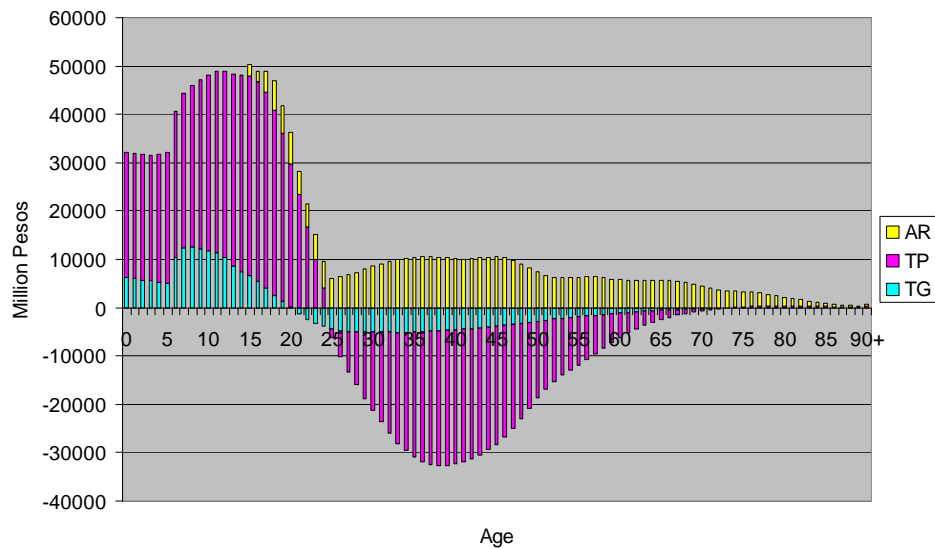


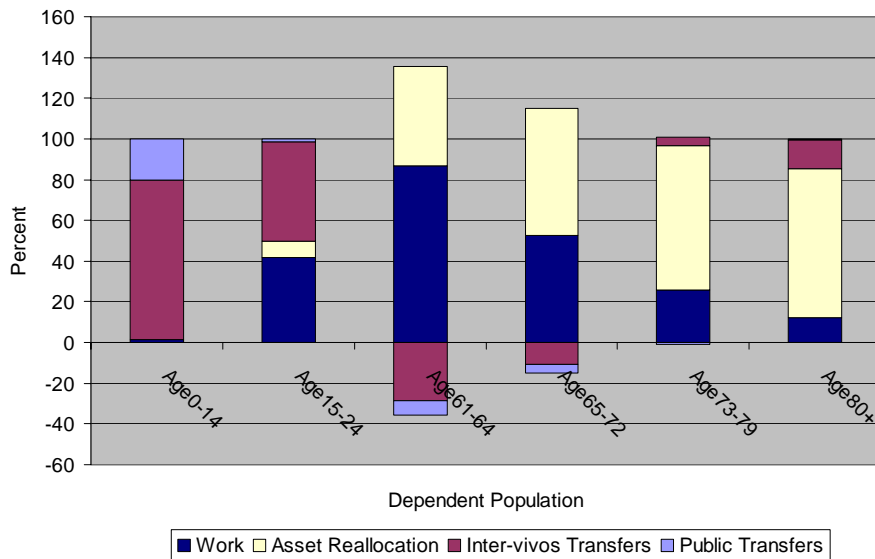
Figure 6. Components of Age Reallocations
(Aggregate): Philippines, 1999



Financing of lifecycle deficits

- Youth
- 0-24 -- 80% private transfers (TP) and 15% government transfers (TG), 5% asset reallocation (AR)
- Elderly
- 61-72 -- 100% AR, after netting out negative public and private net transfers (-32%)
- 73-79 -- 95% AR, 6% TP and -1% TG
- 80 or older -- 80% AR, 19% TP and 1% TG

Figure 7. Finance of Consumption, Young and Elderly Dependent Populations: Philippines, 1999



Finance of consumption

- Youth
- 0-14 -- 79% TP, 20% TG and 1% work earning
- 15-24 -- 48% TP, 42% work earning, 8% AR
- Elderly
- financing mainly from work earnings and AR
- private transfers (TP) starting at age 73
- very limited public transfers (TG) starting at age 80
- young olds (61-72) contribute to public and private transfers to others

Concluding remarks

Who are really dependents?

age group	% not head or spouse	% not in labor force	% financing of consumption from transfers
0-14	100	3	99
15-19	94	39	50
61-64	8	62	-35
65-72	14	50	-14
73-79	20	31	4
80 or older	50	14	15

Who are really dependents?

- Based on the assessment, only the age group 0-14 are clearly dependents.
 - Mostly children, not working and primarily supported by public and private transfers
- Other “potential” dependent populations (15-24 and 61 or older) turned out to be
 - Mostly heads of households (thus, owners of assets?)
 - Generally working and
 - Not relying on support/transfers from others.

Who are really dependents?

- It is not clear how to objectively identify which other age groups should be included as dependents.
- The assessment is admittedly limited and does not provide a comprehensive basis for determining which age groups are in or out.
- But it is a start. An expanded assessment needs to be done, with a more systematic approach to setting the additional aspects of dependency to be examined.

Thank you.