1. The Philippines was already suffering from a deep social and economic crisis even before the pandemic. Rapid economic growth since the 2000s has been exclusionary with increasing wealth and profits for a few amid weakening job creation, pervasive informality of work, and deep poverty. This situation gravely worsened in the last two years since the onset of COVID-19 in early 2020. The government over-relied on lockdowns to contain the pandemic instead of systematic testing, contact tracing, targeted quarantines and expedient isolation. This caused widespread economic distress which bears down most heavily on the poorest and most vulnerable groups. At the same time, economic policy has continued to prioritize support for wealthy families, big business and foreign investors.

2. The Philippine government implemented among the longest and harshest lockdowns in the world.[1] This resulted in a 9.6% contraction in gross domestic product (GDP) in 2020 which was the biggest economic contraction in the country's recorded national accounts history.[2] It was also the worst economic collapse in South, East and Southeast Asia.[3]

3. The Philippine government did poorly in global rankings of COVID-19 response – 81st of 102 countries according to the Lowy Institute, 52nd out of 53 countries according to Bloomberg, and 9th out of 10 countries according to the ASEAN Studies Centre.[4] While having the most stringent lockdowns in Southeast Asia, the Philippines' total COVID-19 response package was equivalent to 8.7% of GDP which was only the sixth largest – and far behind the 43.5% of Malaysia, 30.9% of Singapore, and 21.6% of Thailand (the three biggest responders).[5] The poor government response has had serious adverse implications on the conditions and welfare of the poor majority of Filipinos.

RIGHT TO WORK (E31)

4. Even before the pandemic, job generation had already fallen to its lowest in 35 years despite increasingly rapid economic growth over this entire period. Annual average net employment creation in the period 2016-2019 was just 313,000 compared to annual averages of 355,000 to 541,000 in every five-year period since 1986.[6] Because of the harsh and protracted lockdowns, reported employment contracted by 3.1 million in 2020.[7] Highlighting the excessiveness of the lockdowns, the Philippines had the biggest unemployment increase in Southeast Asia – increasing by 5.3 percentage points in 2020 compared to just 0.8 to 1.8 percentage point increases elsewhere in the region.[8]

5. The situation is even more stark looking beyond annual averages. Between January 2020 and April 2020, after the start of lockdowns in mid-March, employment contracted by 20% or 8.7 million (falling to 33.8 million). Officially reported unemployment only increased by 4.8 million – because official unemployment figures do not count those dropping out of the labor force – but there was nonetheless still a tripling from 2.4 million in January 2020 to a record 7.2 million in April 2020.[9] Even among those considered employed, a huge 13 million in April 2020 (from just 332,000 in January 2020) were classified "with a job, not at work" of whom a likely very large number were not being paid during this time.

6. The Philippine Statistical Authority (PSA) reported that 138,843 establishments employing 565,446 people permanently closed in 2020-2021.[10] This however only counts formal establishments and does not cover many more informal establishments in the economy.

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[1] Oxford COVID-19 Government Response Stringency Index (https://data.humdata.org/dataset/oxford-covid-19-government-response-tracker)
[2] Philippine Statistical Authority (PSA) national income data
[3] https://www.ibon.org/a-year-after-lockdown-govt-responsible-for-worst-economic-collapse-in-history/
[4] https://www.ibon.org/helping-so-few-spending-too-little/
[5] ADB COVID-19 Policy Database (https://covid19policy.adb.org/policy-measures)
[6] https://www.ibon.org/economy-weak-coming-into-pandemic-lowest-job-creation-in-35-years/
[7] Philippine Statistical Authority (PSA) data
[8] https://www.ibon.org/dutertes-poor-covid-response-biggest-unemployment-increase-in-southeast-asia/
[9] Philippine Statistical Authority (PSA) data
[10] https://psa.gov.ph/content/more-108-million-establishments-operated-2021-which-generated-total-employment-857-million

7. Nearly two years after the pandemic, between January 2020 and January 2022, employment has only increased by 475,000 (to 43 million) while unemployment is 534,000 higher (to 2.9 million).[11] It is probable that discouraged and unavailable jobless are not being counted as officially unemployed and just dropped from the labor force figures – with the labor force participation rate falling to just 60.5%, the number considered not in the labor force has increased by over two million (2.045 million) to 30 million.

8. Since the start of the current administration in 2016 to 2021, 95% of net employment created is just part-time work (additional 2.8 million) and barely 1% is full-time work (additional 36,000); the balance is composed of those "with a job, not at work".[12] IBON estimates that 30.8 million or some 70% of total employment in 2021 is merely self-employment and other informal work.[13]

9. Before the pandemic and especially upon the pandemic, the government clearly failed to follow the recommendation 133.203 (Libya) on addressing the problem of unemployment made in 2017.

10. IBON argues that structural unemployment can only be addressed upon correcting decades of reckless liberalization and adopting strategic policies for agricultural modernization and national industrialization. We observe for instance how decades of "free market" policies caused agriculture to fall to its smallest share of the economy in the country's history (i.e., 9.2% of GDP in 2019 albeit with a slight recovery to 9.6% in 2021), and caused manufacturing to fall to its smallest share in 70 years (i.e., 18.6% in 2020 albeit with a slight rebound to 19.2% in 2021).[14] [15]

11. Moreover, and even before the pandemic, the current administration has been giving the least number of wage hikes and by the lowest amounts in 35 years.[16] Looking at the National Capital Region (NCR) which has the country's highest minimum wage, wage increases have not even kept up with inflation. Absent a large wage hike before it ends in June 2022, the current administration will be the only one of the past six administrations to see the real value of the minimum wage actually decline over its term. IBON observes that, under the Duterte administration the real value of the minimum wage measured at constant 2018 prices has fallen to its lowest since May 2012.[17]

    As it is, in, the current mandated daily minimum wage of Php537 (US$10.40) is barely half the Php1,072 (US$20.70) family living wage (FLW) estimated by IBON as of February 2022.[18] IBON computes the FLW because the government's National Wages and Productivity Commission (NWPC) stopped releasing an official estimate after September 2008.

RIGHTS TO ADEQUATE STANDARD OF LIVING (E21) AND SOCIAL SECURITY (E24), AND HUMAN RIGHTS & POVERTY (E25)

12. Despite having the resources, the Philippine government did not implement sufficient measures to mitigate the social and economic distress caused by the overly lengthy and stringent lockdowns. While the government reported a seemingly large COVID-19 response package, the actual increase in government spending in 2020 and 2021 were actually below average indicating no fiscal stimulus taking place. National government spending increased by just 11.3% in 2020 and by even less at 9.9% in 2020, compared to an annual average increase of 13.7% over the period 2016-2020.[19]

13. Spending priorities continued to be distorted with the amount spent on COVID-19 response grossly disproportionate to the scale of the social, health and economic crises. The Department of Budget and

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[11] Philippine Statistical Authority (PSA) data
[12] https://www.ibon.org/duterte-legacy-poor-quality-work/
[13] Ibid.
[14] https://www.ibon.org/challenge-to-the-next-admin-stop-ph-structural-economic-decline/
[15] IBON (2022), "Yearstarter 2022: Out with the old, seeking the new," Birdtalk Economic and Political Briefing, February 4, 2022 (https://www.ibon.org/wp-content/uploads/2022/02/btys22-220204.pdf)
[16] https://www.ibon.org/under-duterte-least-and-lowest-wage-hikes-in-35-years/
[17] IBON computations on wage data from the National Wages and Productivity Commission (NWPC) and inflation data from the Bangko Sentral ng Pilipinas (BSP) at constant 2018 prices.
[18] https://www.ibon.org/flw-ao-feb-2022/
[19] https://www.ibon.org/strong-fiscal-stimulus-below-average-spending-worsens-in-2021-2022/

Management (DBM) reports Php616 billion (US$11.9 billion) in COVID-19 releases in 2020 and 2021; this is actually even less than the Php717 billion (US$13.9 billion) allotted for COVID-19, meaning that the government even spent 14% less than what was allotted for COVID-19.[20] On the other hand, over that same period, the government spent Php1.9 trillion (US$36.7 billion) on infrastructure projects (mainly transport-related) and Php2.3 trillion (US$43.5 billion) on debt servicing consisting of interest and principal payments.

14. Some Php233.7 billion (US$4.5 billion) in COVID-19 emergency assistance in 2020 fell to nothing in the 2021 and 2022 budgets.[21] Instead, there were only very incremental increases of Php15.7 billion (US$300 million) in 2021 and Php18.8 billion (US$360 million) in 2022 for existing regular social and emergency assistance programs.

    In contrast, there was a Php273.9 billion (US$5.3 billion) increase in the public infrastructure budget in 2021 (to Php1.07 trillion/US$20.8 billion) and Php108.5 billion (US$2.1 billion) in 2022 (to Php1.18 trillion/US$22.9 billion).[22] The argument that large infrastructure spending would be a stimulus to the domestic economy is belied by the very heavily capital-intensive and import-dependent nature of big-ticket projects, meaning that large portions of the infrastructure budgets would actually leak abroad to foreign firms, suppliers and contractors.

    Military spending also appeared to be given more priority. The defense budget increased by Php27.7 billion (US$534 million) in 2021 and Php14.4 billion (US$277 million) in 2022.[23]

    With Php5.5 trillion (US$299 billion) in gross borrowings in 2020-2021, national government outstanding debt is set to reach Php13.4 trillion (US$259 billion) by the end of 2022. With budget priorities leaning heavily towards infrastructure, debt servicing and the military, the rapid growth in debt cannot be said to be due to the demands of COVID-19 response.

15. Even when the Philippine government acknowledged the severity of economic distress, it argued that there were no fiscal resources for further cash assistance.

    It however passed the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (Republic Act 11534) in March 2021 but retroactive from July 2020. The CREATE law in particular cut the corporate income tax (CIT) rate from 30% to 25%, and lower to 20% for smaller businesses. The CREATE law's CIT, VAT and other percentage tax cuts for corporations cut government revenues by Php138.2 billion in 2021, Php118.8 billion in 2022 and Php115 billion in 2023[24] – boosting corporate profits just when government revenues were critically needed for COVID-19 response. IBON's simulations show that at least 60% of CREATE's foregone revenues will go to large firms rather than smaller enterprises.

16. The CREATE law moreover comes on top of the government's Tax Reform for Acceleration and Inclusion (TRAIN) Act (RA 10963) signed into law in 2017. The regressive TRAIN law lowered personal income taxes (PIT) on some 5.5 million income taxpayers – including all but the very small fraction earning Php12 million (US$232,000) or more annually – while increasing consumption taxes on everyone including the poorest 18-19 million families not benefiting from PIT cuts.[25] Compensatory cash transfers for the poorest were temporary for only three years and poor families have been feeling the inflationary brunt of the TRAIN law since 2021 on top of collapsed household incomes due to the lockdowns.

    In a submission to the Supreme Court on TRAIN, IBON cited United Nations Human Rights Office of the High Commissioner speaking on the right to development and taxation: "Tax systems that

[20] https://www.dbm.gov.ph/index.php/programs-projects/status-of-covid-19-releases#summary-report
[21] https://www.ibon.org/no-more-covid-19-ayuda-stingy-increases-in-social-assistance/
[22] https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2022/Selected-BESF/FY-2022-GAA-Level-Table%20A.4.pdf
[23] https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2022/Selected-BESF/FY-2022-GAA-Level-Table-B.5.pdf
[24] https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2022/C5.pdf
[25] IBON (2018), On the Regressiveness of TRAIN, Position Paper submitted to the Supreme Court, July 26, 2018.

disproportionately favour taxation of wages and indirect consumption taxes over taxation of capital and direct taxes on property shift the tax burden towards the poor and marginalized, and thus fail to live up to the [UN Declaration on the Right to Development's] mandate of national and international policies and conditions that are favourable to just and equitable development."[26]

17. It was in the same spirit that IBON supported a wealth tax proposal in Congress (House Bill No. 10253) to raise resources for social and economic development. The Philippine government however immediately rejected the proposal with the argument that it would "drive out capital and investments," effectively killing the proposal.[27] The wealth tax bill however remains an extremely important measure to raise revenues and reduce inequalities that should be improved on rather than kept stillborn.

18. The government's actions during the pandemic clearly show failure to follow recommendations 133.204 (Saudi Arabia), 133.206 (Viet Nam), 133.207 (Cambodia), 133.208 (Lao People's Democratic Republic) on ensuring adequate resources for poverty alleviation, and recommendation 133.205 (Singapore) on adequately financing cash transfers and sustainable livelihoods.

RIGHT TO DEVELOPMENT (B41)

19. The Philippine government's over-reliance on lockdowns to contain the pandemic combined with the low priority given to fiscal stimulus, including emergency cash assistance, has caused officially poverty to increase. Between the first semester of 2018 and the first semester of 2021, the number of poor Filipinos increased by 3.8 million (to 26.1 million with 23.7% population poverty incidence) and of poor families by 700,000 (to 4.7 million with 18% family poverty incidence).[28] This is however using the low official poverty threshold of just Php79 per person per day (US$1.53 at current exchange rates).

20. Alternative metrics give a better estimate of poverty. The Central Bank estimates that 70% of Filipino households did not have any savings as of the fourth quarter of 2021.[29] By IBON's estimates using the latest available population data, this is equivalent to 18.4 million families having no savings or some three (3) million more than the 15.4 million families without savings in the first quarter of 2020 at the onset of the pandemic. For those who do have savings the median bank balance is just Php5,000 (US$96).[30]

21. The private outfit Social Weather Stations (SWS) meanwhile provides some confirmatory data from its self-rated poverty survey in the fourth quarter of 2021 – 43% of families feel poor, 39% feel borderline poor, and only 19% do not feel poor.[31] By IBON's estimates, this is approximately 21 million "poor/borderline poor" families and only five (5) million "not poor" families.

22. The Food and Nutrition Research Institute (FNRI) of the Department of Science and Technology (DOST) conducted a rapid nutrition assessment survey which found that 62.1% of households surveyed nationwide experienced moderate or severe food insecurity in 2020 during the pandemic despite food and cash assistance provided by the government.[32] This corresponds to about 15.3 million out of some 24.7 million Filipino families in 2020.

23. The government's actions before and especially upon the pandemic clearly show failure to follow recommendation 133.66 (Uzbekistan) on efforts to ensure protection of human rights for inclusive development and to reduce the level of poverty, recommendation 133.211 (Malaysia) to remain focused on combating poverty, and recommendation 133.212 (Ecuador) on continuing to fight poverty.

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[26] UN OHCHR (2016), "Information Note: The Right to Development and Taxation", retrieved July 15, 2018 from https://www.ohchr.org/Documents/Issues/RtD/InfoNote_Taxation.pdf

[28] https://www.dof.gov.ph/dof-says-super-rich-tax-bill-to-lead-to-capital-flight-tax-avoidance/?utm_source=rss&utm_medium=rss&utm_campaign=dof-says-super-rich-tax-bill-to-lead-to-capital-flight-tax-avoidance

[29] First Semester 2021 Official Poverty Statistics (https://psa.gov.ph/poverty-press-releases/nid/165534)

[30] https://www.bsp.gov.ph/Lists/Consumer%20Expectation%20Report/Attachments/20/CES_4qtr2021.pdf

[31] https://www.bsp.gov.ph/Media_And_Research/Consumer%20Finance%20Survey/CFS_2018.pdf

[32] https://www.sws.org.ph/swsmain/artcldisppage/?artcsyscode=ART-20220321061555

24. A handful of Filipinos favored by government policies accumulate wealth while millions remain denied their basic rights to development. Using data from Credit Suisse and Forbes, IBON estimates that 2,919 peso billionaires have a cumulative net worth of Php8.1 trillion (US$155 billion) as of 2020; they comprise less than 0.003% of the population but hold 16% of the nation's wealth.[33]

Using the same data set, IBON also estimates that the richest 2% of Filipinos are worth Php20-25 trillion (US$386-483 billion) which is some 40% of total wealth in the country, and equivalent to the combined wealth of the poorest 80% of Filipinos.

Eight out of ten (83%) of Filipinos have assets of at most Php500,000 (US$9,700) with the poorest 20-30% having virtually none to speak of. The 40 richest Filipinos meanwhile have net worth of anywhere from Php14.5 billion (US$280 million) to Php811 billion (US$15.7 billion).

The country's super-rich are the biggest beneficiaries of economic growth. Measured at current prices, the economy grew 196% between 2006 and 2021 – the wealth of the 40 richest Filipinos grew much faster at 359% over that same period (to Php3.78 trillion/US$73 billion), causing net worth to grow from the equivalent of 12.6% of GDP to 19.5% of GDP.[34] The equivalent share to GDP would be higher if the pandemic had not dented corporate incomes and driven stock market valuations down in 2020.

In any case, amid unresolved joblessness and growing poverty, the 40 richest Filipinos rebounded from the pandemic fastest with their net worth growing 28.7% between 2020 and 2021.[35] This far exceeded the 8.1% GDP growth at current prices over the same period, and actually drove the biggest recovery and increase in super-rich wealth in Southeast Asia.[36]

The government only collects family income data every three years and the latest complete data available is still just until 2018. Even with just this data, inequality trends are still evident. Between 2006 and 2018, the economy grew 179% measured in current prices.[37] Over this period, the combined net worth of the 40 richest Filipinos grew 364% to Php3.81 trillion (US$73.7 billion).[38] Meanwhile, the average income of the poorest 70% of families only grew 133%, or even less than nominal GDP growth, and their average real income or taking inflation into account only grew 53% over 12 years.[39]

RIGHT TO EDUCATION (E51)

25. The Philippine government's over-reliance on lockdowns to contain the pandemic resulted in income losses combining with among the longest school closures in the world to cause a marked drop in student enrollment. Department of Education (DepED) data showed that Kindergarten elementary and high school enrollment fell by 2.88 million from 27.77 million in SY 2019-2020 to 24.89 million in SY 2020-2021. The drop was particularly marked in private schools, where education is conventionally more expensive than in public schools, which saw enrollment fall by 2.11 million (from 4.3 million to just 2.19 million).

26. The government budget for infrastructure is Php1.07 trillion (US$20.8 billion) in 2021 and Php1.18 trillion (US$22.9 billion) in 2022. Of the 2021 infrastructure budget, only Php28.5 billion or 2.7% is for the DepED and state universities and colleges (SUCs) and in the 2022 budget it is an even smaller Php15.9 billion or just 1.3 percent.[40] Since the education budget in 2021 is only Php779.3 billion (US$25 billion) and in 2022 only Php814.5 billion (US$15.7 billion), this means that infrastructure – not education – gets the highest priority in the national budget.[41]

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33 http://enutrition.fnri.dost.gov.ph/site/uploads/RNAS%20Virtual%20Dissemination%20to%20Partners.pdf
34 https://www.ibon.org/wealth-tax-on-billionaires-can-fund-ayuda-and-health-ibon/
35 IBON estimates on national income data from the PSA and net worth data from Forbes.
36 IBON estimates on data from Forbes.
37 https://www.ibon.org/ph-worst-in-asean/
38 Philippine Statistical Authority (PSA) national income data
39 Forbes net worth data, various years
40 Family income data from PSA Family Income and Expenditure Survey (FIES) various years, inflation data from BSP (2012=100).
41 https://www.dbm.gov.ph/wp-content/uploads/BESF/BESF2022/Selected-BESF/FY-2022-GAA-Level-Table%20A.4.pdf

27. This shows government's failure to follow recommendation 133.222 (Brunei Darussalam) to increase enrolment in schools, and recommendations 133.219 (Viet Nam), 133.220 (Venezuela) and 133.221 (Saudi Arabia) to give the highest budget priority to public education.