

# Chapter 7

## Economic Well-being

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## Economic Well-being

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Economic well-being is one of the three dimensions of well-being of older persons (OPs) that are key to policy development; the other two are activity levels (work, retirement, and leisure) and health (physical, mental, and emotional) (Hermalin, 2002). Ageing is often associated with a diminishing capacity to fully participate in economically productive activity because advancing age is commonly identified with poorer health, which limits the capacity to work (Cruz, Natividad, Gonzales, and Saito, 2016). This diminishing capacity, coupled with the country's rapid social and economic development, increases the vulnerability of many older Filipinos. As noted by Hermalin (2002), economic vulnerability is the result of the potential obsolescence of OPs' traditional skills because of industrialisation, the absence of comprehensive retirement programmes, and potential isolation as their children migrate to other places (Cowgill, 1974; Treas and Logue, 1986). The OPs may counter these negative economic influences through their income-generating assets and increased levels of support from their children in or outside the Philippines. This chapter addresses the economic well-being of older Filipinos using indicators that measure their income, assets, and liabilities.

Measuring OPs' economic well-being is complex and faces many conceptual and operational issues (Clark, 1989; Hermalin, Chang, and Roan, 2002). For instance, income is often used as an important indicator of well-being although collecting reliable estimates is problematic. Nonresponse and recall problems have also been identified (Hermalin et al., 2002). Beyond these challenges, various dimensions can still be operationalised and used in analyses. The asset and debt situations of OPs are considered major determinants of their ability to secure essential resources and are critical after retirement. Assets may serve as sources of income, whilst portions of income may be funnelled into debt payment.

Following the framework of the interrelationships amongst various dimensions of economic well-being (see Hermalin et al. [2002]: 300), this chapter presents the overall picture of the economic well-being of OPs through an examination of their income sources and levels. This is followed by a discussion of their asset and debt situation. The chapter concludes with an assessment of economic well-being in terms of the reported adequacy of current and historical (until age 16) household income.

### Income, Assets, and Liabilities

Table 7.1 shows the sources of income of the OP respondent and his or her spouse (if still alive at the time of the interview). The most commonly cited income sources are children in the country (58%), pension (42%), and earnings from work (34%). Nearly one in every four older Filipinos (23%) mentioned receiving income (i.e. products) from his or her farm. Income from work means salaries and wages from being a farm worker (for those not necessarily owning the land they till) but income from farm includes that derived from products grown on a farm, which is possibly owned but currently not being worked on. Fifteen percent reported money from children abroad as a source of income, confirming the impact of international migration on older Filipinos.

**Table 7.1. Sources of Income and Median Monthly Income by Sex and Age**

Sources of Income	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Sources of income								
Earnings from work	44.9	27.0	***	45.6	18.4	7.1	***	34.2
Pension	40.6	43.9	n.s.	35.9	50.8	60.5	***	42.5
Interest of time deposits, savings, and earnings from stocks	1.4	1.7	n.s.	1.9	1.2	0.7	n.s.	1.6
From property and real estate rentals	3.0	1.5	*	2.0	2.1	3.0	n.s.	2.1
Income from family business	7.7	14.0	***	13.8	8.4	5.3	***	11.5
Income from farm	28.4	19.6	***	24.1	20.8	23.5	n.s.	23.2
Money from children within the country	54.8	60.7	n.s.	54.7	62.7	68.5	***	58.3
Money from children outside the country	11.8	16.8	n.s.	15.1	15.2	11.9	n.s.	14.8
Money from other relatives outside the household	9.7	12.0	n.s.	9.5	12.2	17.3	*	11.1
<i>N</i>	2,411	3,574		3,760	1,552	673		5,985

Sources of Income	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Mean number of sources of income	2.02	1.97	n.s.	2.02	1.92	1.98	n.s.	1.99
N	2,411	3,574		3,760	1,552	673		5,985
Median monthly income (in pesos)								
Currently married	3,000	4,500	n.s.	4,000	3,000	2,500	***	3,500
Not currently married	2,000	2,000	n.s.	2,000	2,000	1,500	***	2,000
ALL	3,000	2,500	n.s.	3,000	2,000	1,500	***	3,000
N	2,411	3,574		3,760	1,552	673		5,985

\*p < 0.05. \*\*\*p < 0.001. n.s. = not significant.

Source: Calculated by DRDF using original LSAHP data.

Significantly, more men than women reported earnings from their work, farm, and property and real estate rentals. More women than men are likely to derive income from family business. There is no significant difference by sex with regard to pension as a source of income. In the Philippines, pension coverage is generally for those who are formally employed; those employed in the private sector derive their pension from the Social Security System (SSS), whilst those working in the public sector receive it from the Government Service Insurance System (GSIS). Pension includes receipts from the government's social protection programme that provides a monthly pension of PHP500 to indigent senior citizens. Results show that more widows receive a pension than widowers (52% vs. 46%, data not shown) as wives are more likely to survive their husbands, whose beneficiaries they are. Over half of women are widows whilst a fifth of men are widowers, which may explain the slightly higher proportion of women declaring earning income from pension.

Reliance on pension increases with advancing age, but the overall level remains low at 42%. The proportion of pension recipients ranges from a low of 36% amongst the 60–69-year-olds to a high of 60% amongst those aged 80+. In 2017, 38% of economically active Filipinos contributed to a pension scheme – 4% to GSIS and 34% to SSS (Philippine Statistics Authority, 2019a). Two out of 10 Filipinos aged 60 and over benefited from retirement or old-age pensions in 2017, with average monthly pensions of PHP5,123 for SSS and PHP18,525 for GSIS. Although the average monthly pension is high for GSIS pension recipients, they constitute only 4% of all OPs (Philippine Statistics Authority, 2019a). The minimum SSS pension

of PHP1,200<sup>1</sup> and the GSIS basic pension of PHP5,000<sup>2</sup> are below the Philippines' poverty threshold of PHP10,481.

The importance of earnings from work declines as age increases, but it is noteworthy that 7% of OPs aged 80+ continue to rely on earnings from work as a source of income despite their advanced age. They are mainly engaged in informal work; for example, a female respondent, 80+ years old, from an urban area walks up to 4 km to buy and sell eggs in her community.

On average, OPs have about two sources of income, regardless of sex and age group. OPs reported a median monthly income of PHP3,000 (~US\$59, assuming an exchange rate of PHP51), with no significant difference by sex. Those not currently married have a lower income level than those currently married (PHP2,000 and PHP3,500, respectively). Substantial income variance was also displayed across age groups regardless of marital status; the youngest age group (60–69) amongst those currently married and not currently married has a higher median income than the oldest age group (80+).

Findings suggest significant gender and age patterns in the OPs' most important income source (Table 7.2). Earnings from work (29%) are the most commonly mentioned major income source, particularly amongst men and those in the youngest age group (60–69). The second most commonly mentioned source is money from children in the country (22%), particularly amongst women and those in the oldest age group (80+). Pension and income from farming are the next most commonly mentioned most important income sources; 7% of OPs reported money from children abroad as their most important income source.

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<sup>1</sup> The monthly pension depends on the member's paid contributions, credited years of service (CYS), and the number of dependent minor children that must not exceed five. The monthly pension will be the highest amount resulting from either one of these three pension formulae: (1) the sum of P300 plus 20% of the average monthly salary credit plus 2% of the average monthly salary credit for each credited year of service (CYS) in excess of 10 years; or (2) 40% of the average monthly salary credit; or (3) P1,200, if the CYS is at least 10 but less than 20; or P2,400, if the CYS is 20 or more' (Social Security System, n.d.).

<sup>2</sup> For the first time in many years, GSIS increased the minimum basic pension to Php5,000 for some 58,000 old-age and disability pensioners beginning January 2013. Also, around 43,000 pensioners who were receiving over Php5,000 but less than Php8,000 were granted a Php200 increment. The additional amounts are on top of the annual 1.5% increase given to them' (Government Service Insurance System Corporate Communications Office, 2016).

**Table 7.2. Most Important Source of Income by Sex and Age**

Most Important Source of Income	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Earnings from work	37.2	23.3		36.6	15.9	7.3		28.9
Pension	20.1	20.3		15.7	27.4	34.4		20.2
Interest of time deposits, savings, and earnings from stocks	0.1	0.0		0.0	0.1	0.2		0.0
From property and real estate rentals	0.8	0.6		0.6	0.9	0.6		0.7
Income from family business	4.0	5.4	***	5.7	3.6	1.9	***	4.8
Income from farm	15.4	13.0		13.9	14.6	12.2		14.0
Money from children within the country	16.1	25.9		18.4	27.0	34.7		21.9
Money from children outside the country	2.9	9.5		6.7	7.9	5.0		6.9
Money from other relatives outside the household	3.3	2.0		2.4	2.7	3.7		2.6
<i>N</i>	2,196	3,260		3,615	1,400	439		5,454

\*\*\*p < 0.001.

Source: Calculated by DRDF using original LSAHP data.

The indicators of material well-being in the Longitudinal Study of Ageing and Health in the Philippines (LSAHP) include possession of material assets and its flipside, having liabilities. Assets in this study are considered tangible – that is, they have a physical form and can be seen or touched. They are either financial (e.g. cash, savings in the bank, interest on time deposits, and business investments) or nonfinancial (e.g. house, other real estate, farm or fishpond, jewellery, appliances, and motor vehicle). OPs were asked if they owned any of the assets in a list. Table 7.3 shows that nearly all OPs have at least one asset, with no significant difference between men and women. Contrary to the general notion of wealth accumulation over time, the proportion of OPs with assets declines with advancing age. The house that the OP resides in is the most widely held nonfinancial asset (85%), followed by appliances (56%) and farms and/or fishponds (19%). Ownership of real estate – a house and/or lot other than their current place of residence – was reported by 15% of OPs. They also reported ownership of motor vehicles (16%) and jewellery (12%). More men than women own tangible nonfinancial assets (the house they currently reside in and motor vehicles). More women than men invest in jewellery.

Table 7.3. Assets and liabilities by Sex and Age

Assets and Liabilities	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
% with assets	92.7	89.5	n.s.	93.5	87.8	82.8	***	90.8
<i>N</i>	2,411	3,574		3,760	1,552	673		5,985
House currently residing in	87.3	83.4	*	84.9	86.6	81.4	n.s.	85.0
Other real estate	15.7	14.9	n.s.	14.7	16.3	16.1	n.s.	15.2
Cash	10.7	14.2	n.s.	13.4	11.1	13.4	n.s.	12.8
Savings in the bank	3.7	5.2	n.s.	5.6	3.0	2.2	n.s.	4.6
Farm/Fishpond	21.2	17.7	n.s.	19.1	17.8	22.7	n.s.	19.1
Business	8.4	10.0	n.s.	11.6	6.3	2.5	***	9.3
Jewelry	8.2	15.3	***	11.9	12.7	14.4	n.s.	12.4
Appliances	56.5	56.3	n.s.	61.9	47.9	42.3	***	56.4
Motor vehicles	20.1	13.6	*	19.5	10.8	9.7	***	16.3
Others (cellphones, etc.)	1.1	0.4	**	1.1	0.0	0.0	***	0.7
<i>N</i>	2,236	3,200		3,514	1,363	557		5,434
% with liabilities	25.4	22.1	n.s.	29.2	15.8	8.4	***	23.4
<i>N</i>	2,411	3,574		3,760	1,552	673		5,985
Bank loans	8.2	8.4	n.s.	8.8	4.6	16.1	n.s.	8.3
Personal loans	21.8	21.5	n.s.	21.9	20.9	20.3	n.s.	21.7
Amortization for housing	1.2	2.4	n.s.	1.5	3.4	3.4	n.s.	1.9
Loans from money lenders (5-6), pawnshops, credit unions, cooperatives	38.0	46.3	n.s.	46.0	34.0	14.7	***	42.7
Loans from SSS, GSIS	1.6	5.0	n.s.	4.1	1.1	3.4	n.s.	3.6
Others (car loan, home credit, etc.)	20.1	14.4	n.s.	16.2	19.9	16.4	n.s.	16.9
<i>N</i>	611	790		1,100	245	56		1,401

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ , n.s. = not significant, Sig = 0.05.

GSIS = Government Service Insurance System, SSS = Social Security System.

Source: Calculated by DRDF using original LSAHP data.

Older Filipinos do not have enough financial assets, which are an important buffer in their later years. Only 13% said they have cash, and a much lower proportion (5%) have savings in the bank. Nearly 1 in 10 OPs (9%) has investments in a business venture. Expectedly, the proportion with business ventures, appliances, and motor vehicles declines with advancing age.

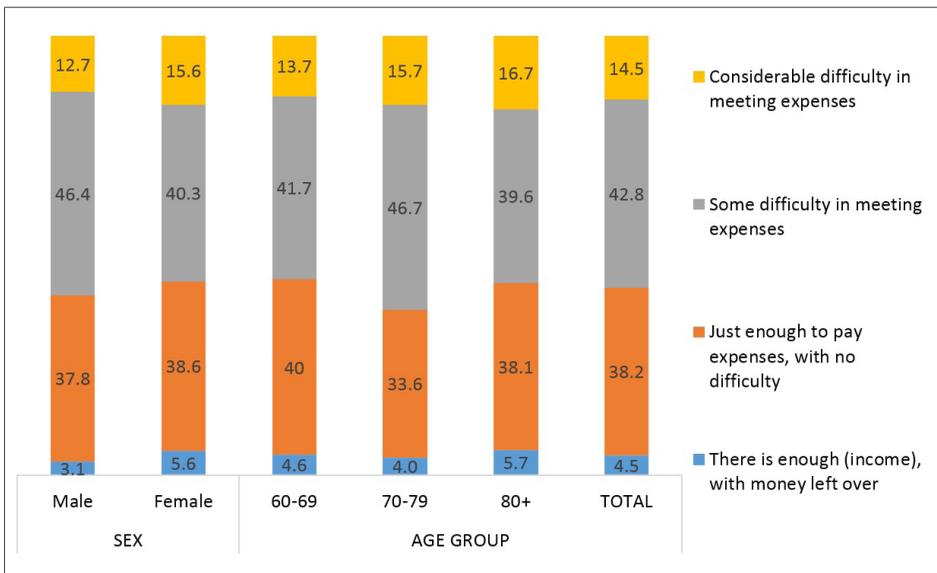
The reverse side of assets is liabilities. Nearly one in four OPs (23%) reported having liabilities. There is an observed age gradient where more OPs in the youngest age group (29%) than in the older age groups (16% for those aged 70–79 and 8% for those aged 80+) reported having liabilities. The most commonly mentioned liability is loans from moneylenders such as pawnshops, credit unions, and cooperatives (43%), followed by personal loans (22%). Loans from moneylenders were more common amongst the youngest age group than the older age groups.

## Self-Rated Adequacy of Household Income

Respondents were asked their perception of the sufficiency of their household income in meeting everyday expenses. This information reflects their current self-assessed economic well-being. Household income refers to the pooled income of all earning members of the household, not just the OP's income. The response categories are as follows: (1) there is enough income with money left over, (2) just enough to pay expenses with no difficulty, (3) some difficulty in meeting expenses, and (4) considerable difficulty in meeting expenses.

Figure 7.1 shows that only 4% said they had enough money with some left over, whilst more than a third (38%) reported that their household income was just enough for them to pay expenses with no difficulty. The highest proportion (43%) reported some difficulty in meeting household expenses, whilst 14% said they had considerable difficulty in meeting expenses, representing those in a poor economic state. There was a significant disparity by sex, with more men (59%) than women (56%) reporting some to considerable difficulty in meeting household expenses. In contrast, sufficiency of household income is not significantly different across age groups.

**Figure 7.1. Self-assessed Economic Well-being by Sex and Age**



Source: Calculated by DRDF using original LSAHP data.

Those who reported some to considerable difficulty in meeting household expenses were asked about their main source of funds to meet the shortfall in income. Nearly half of OPs (46%) ask for money from their children not living in their household (Table 7.4). More than one in every four OPs (26%) borrow from relatives and/or friends to meet this shortfall in household income.

**Table 7.4. Sufficiency of Household Income by Sex and Age**

Sufficiency of Household Income	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
Self-assessed economic well-being								
There is enough (income), with money left over	3.1	5.6		4.6	4.0	5.7		4.6
Just enough to pay expenses, with no difficulty	37.8	38.6	*	40.0	33.6	38.1	n.s.	38.2
Some difficulty in meeting expenses	46.4	40.3		41.7	46.7	39.6		42.8
Considerable difficulty in meeting expenses	12.7	15.6		13.7	15.7	16.7		14.4
<i>N</i>	2,192	3,246		3,610	1,391	437		5,438
Sources of funds to meet income shortfall								
Draw from savings of older person and spouse	0.4	0.2		0.3	0.3	0.1		0.3
Request more money from children	48.2	45.0		40.3	56.7	59.4		46.4
Sell assets	0.5	0.2	n.s.	0.4	0.3	0.0	***	0.3
Borrow from relatives/friends	27.7	24.3		26.2	24.2	27.8		25.8
Borrow from money lenders	7.5	12.0		13.6	4.2	2.2		10.1
Borrow from bank	0.4	1.1		1.1	0.0	1.1		0.8
Others	15.2	17.2		18.1	14.2	9.4		16.4
<i>N</i>	1,297	1,814		1,998	866	245		3,109

\* $p < .05$ . \*\*\* $p < .001$ . n.s. = not significant, Sig = 0.05.

Source: Calculated by DRDF using original LSAHP data.

To provide a perspective of the current economic situation of OPs, we inquired about their early life economic status. In particular, we asked the OPs to think about their family whilst they were growing up – from birth to age 16 – and assess if their family then was financially well-off, about average, or poor. Table 7.5 shows that about half of the OPs (49%) grew up in what they considered poor families, whilst half grew up in families that were financially about average; 1% grew up in well-off families. No significant disparities across sex and age exist.

**Table 7.5. Self-assessed Economic Well-being Whilst Growing Up by Sex and Age**

Economic Well-being	SEX			AGE GROUP				TOTAL
	Male	Female	Sig	60-69	70-79	80+	Sig	
From birth to age 16								
Pretty well-off	1.2	0.8	n.s.	0.9	0.9	1.7	n.s.	0.9
Average	48.1	51.8		49.2	50.9	57.0		50.3
Poor	50.7	47.5		49.9	48.2	41.4		48.8
<i>N</i>	2,196	3,259		3,615	1,480	439		5,454

n.s. = not significant.

Source: Calculated by DRDF using original LSAHP data.

## Summary, Conclusions, and Recommendations

Results show that older Filipinos have generally poor overall economic well-being in terms of objective and subjective measures. Many OPs seem to have been living in poverty over their entire life course, as evident in the high preponderance of those who reported living in poverty in their early life. Other than their best asset, which is ownership of the house they currently reside in, they have generally low income, and few have income-generating assets. OPs have an extremely low level of financial resources, and about one-fourth have debts.

Findings confirm that the family, particularly children, is the traditional source of economic support for older Filipinos. Older females rely heavily on children as their main source of income, trailed by income from work and pension. Remittances from children abroad is the most important income source of 1 in 10 older females, suggesting the significant impact of international migration on the economic status of older Filipinos. Although older women are less likely to have worked, more of them derive income from pension, likely as widows who receive a pension as a dependent of their deceased husband.

Older males present a different economic story. Their economic well-being is mainly driven by income from work and earnings from their farm. Whilst there is a clear drop in the proportion of OPs relying on their own work with increasing age, a significant proportion continue to be productively engaged in their later years (80+) to ensure their personal and family survival. That they continue to live with financial difficulty in their older years is indicative of their inability to accumulate enough assets in their younger years to cover their needs in old age.

As dependence on income from work noticeably drops with advancing age, there is a corresponding increase in the proportion of OPs that rely on transfers from children and pension benefits. However, pension benefits are below subsistence levels.

The generally low economic status of older Filipinos poses a challenge to policymakers and programme managers to develop laws and programme interventions to alleviate the plight of OPs in need. Small steps from the government, such as the launching of the social protection pension plan for indigent older Filipinos in 2017, have helped alleviate but not solve the poverty in which many OPs are trapped. Further studies are needed to guide existing programmes to, amongst others, better target the intended poorest beneficiaries. Future generations of OPs should also be educated to prepare well for their retirement.

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