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Rapid population growth

Population and economic growth were two main issues that hounded politicians seeking elective posts in the May 10 election.

The positions taken by politicians, particularly on the population issue, have been swayed by the influential Catholic Church which has strongly opposed the promotion of any and all artificial means of birth control.

With an annual population growth rate of 2.36 percent, economic experts believed that the Philippine economy was not growing fast enough to cope with a rising labor supply and a growing need for basic services.

In fact, the Asian Development Bank said the Philippine economy must grow 6.0 percent annually for the next decade, to be able to make a significant difference in the living conditions of the poor.

ADB has estimated that the domestic economy would grow annually at between 4.5 and 5.5 percent.

“On current population and GDP growth trends, per capita income cannot rise by more than 2-2.5 percent a year, which is not enough to significantly reduce poverty,” the ADB Outlook stated.

Per capita income is equivalent to the total GDP divided by the total population.

The bank noted that the high rate of population growth has resulted in the significant rise in labor supply, thereby outstripping labor demand.

Over the last few years, the population has been growing by an average of 2.3 percent, while employment has increased only by 1.7 percent a year.

At this rate, ADB said, “it would be difficult to accommodate all the new entrants to the work force even if economic growth is accelerated. Rapid population growth retards development.”

This was because the increase in population “does not permit a rise in per capita incomes sufficient to provide the savings necessary among the poorest for the required amount of capital formation for growth," the ADB report said.

It also noted that the rise in population "outstrips the capacity of industry to absorb new labor. Urban employment and rural underemployment are compounded, depressing productivity in the agriculture sector."

According to the ADB prescription, "the key to achieving higher long-run growth rates of both GDP and labor productivity lies in increasing the investment-GDP ratio, currently below 20 percent; and increasing the rate of capital accumulation, from its current low rate to an annual rate of around 8-9 percent for a sustained period."

But improving the investment-GDP ratio would require improving the investment climate, which includes addressing a wide array of issues such as competition policy, antitrust legislation, impartial implementation of laws, collusion and price fixing, bankruptcy procedures, labor market, bank intermediation and capital markets, customs regulations and security.

"Unless major economic and political reforms are accomplished, it will be extremely difficult for the country to lift its potential growth rate, which is about 5.0 percent now; or to escape the vicious cycle where capital scarcity implies low incomes, low incomes imply a limited capacity to save among the poor and limited savings lead to limited investment and capital scarcity," ADB said.