

# **DRIVERS OF INCOME GROWTH AND POVERTY REDUCTION IN RURAL PHILIPPINES, 1990-2012**

by

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Poverty reduction is a key goal of development. This dissertation explores, in three main chapters, the underlying forces that shape the strategies of rural households in moving out of poverty. These forces are population pressure, urbanization, human capital and infrastructure, which are initially feared as causes of impoverishment and inequality. On the contrary, this study shows that these forces of modernization have served as the main drivers of income growth and poverty reduction in rural Philippines.

The first chapter explores the role of population pressure, urbanization, human capital growth and infrastructure development in increasing household income and reducing poverty. This chapter has shown that nonfarm activities have become an important source of household income growth as the importance of agricultural income declines overtime. High-value revolution in horticulture, livestock and other high-value products has become important as a livelihood portfolio of households in remote areas. Higher education has a positive impact on income particularly from wage work and even in the production of high value products.

The second chapter explores the relationship between remittances, and health and schooling investments. Households receiving more remittances tend to allocate a higher share of household budget to these two. Using individual-level panel data of school-age children, this chapter shows that domestic remittances significantly increase the likelihood of keeping a child in secondary school, and all income sources are important in keeping a child in tertiary school.

The third chapter presents a socio-economic history of a village in Central Luzon. Using a panel data set spanning four decades, this chapter explores the dynamic impacts of four modernizing factors (population pressure, urbanization, infrastructure, and human capital) on land and labor markets and livelihood opportunities in the village. This chapter has shown that the four forces have changed the livelihood profile in the village that eventually assisted the households to move out of poverty.

This dissertation has four important policy implications for rural poverty reduction in the Philippines: (1) inasmuch as nonfarm wage income has become the main source of income growth, rural development policies should focus, not only in agricultural modernization, but also in improving the industrial base of the country; (2) as migration is an important pathway for income growth and poverty reduction, there should be focus on improving the human capital stock of the country; (3) as the rural poor remains in agriculture, agriculture development policies should promote infrastructure investments; and, finally, (4) in order to improve schooling participation of children, primary and secondary schools should be made easily accessible to households.