

Social Security through People's Capitalism and Less Bureaucracy ¹

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1. Philippine population

Official census population data, 01 August 2007 was 88.57 million. The population growth rate from 2000 to 2007 was 2.04 percent, a significant decline from the population growth rate of 2.36 percent from 1995-2000.

It should be safe to assume that population growth rate from August 2007 to 2009 or future years until the next population census (perhaps in 2012), would be at 2.0 percent.

Projected population of the Philippines then, as of 01 August 2009 would be around 92.15 million. and is projected to be around 92.89 million, or almost 93 million by end of 2009. To derive those projections, I used this formula,

$$\text{Popn '09} = \text{Popn '07} \times (1 + 0.02)^2$$

This makes the Philippines the 12th largest country in the world in terms of population size. The net population increase of 1.79 million people per year also means that we are creating an equivalent of one Singapore (population 4M) every 2 years and 3 months, or one Hong Kong (population 7M) every 3 years and 11 months.

One important implication: economic growth must rise very fast to cope with high population growth – high demand for jobs, high demand for social services, high demand for recreation, etc.

Question: How to hasten economic growth in a period of global and national economic difficulties, particularly ever-higher budget deficit and public debts?

¹ Notes for a BBC's Rockhopper TV interview with the author, October 21, 2009, Makati City, Philippines

2. Labor force

Before proceeding further, let us review the latest labor statistics of the country.

Philippines	July 2008	July 2009
Population, 15 years and over, mill.	58.12	59.51
Labor force participation rate, %	64.3	64.6
Employment rate, %	92.6	92.4
Unemployment rate, %	7.4	7.6
Underemployment rate, %	21.0	19.8
Employed people, million	34.59	35.51
Distribution of employed people, by class of workers, in %		
1. Wage and Salary Workers	52.9	55.3
Private establishment	39.1	40.8
Government/govt corporation	8.1	8.3
Private household	5.4	6.0
With pay (family owned business)	0.3	0.3
2. Own Account	35.5	33.9
Self employed	31.3	29.5
Employer	4.2	4.4
3. Unpaid family workers	11.6	10.8
TOTAL	100.0	100.0

Source: <http://www.census.gov.ph/data/pressrelease/2009/lf0903tx.html>

From the above table, the following can be inferred for July 2009:

- a. Unemployment rate is at medium, neither high (double-digit) nor low, level. But among those employed, the ratio of the underemployed to the fully employed is nearly 1:4 (ie, 19.8 percent underemployed, 72.6 percent fully employed), and this is a bit high.
- b. More previously self-employed workers left their work to become wage and salary workers.

3. Government social security programs

There are a number of government mandatory or obligatory social security programs. The corresponding government agencies implementing – and collecting the mandatory contributions are the following:

- a. Social Security System (SSS) – for an all-around welfare program (limited unemployment allowance, short-term borrowing by individual members, maternity benefits, accident benefits, burial benefits, etc.).
- b. Philippine Health Insurance Corp. (PhilHealth) – hospitalization expenses (hospital room and diagnostic fees, physician fee, medicines, etc.).

c. Pag-IBIG – housing programs: buy a new house, repair an old house, etc.

d. DA, DSWD, DOH, DENR, NEDA, NAPC, NDCC, etc. – various departments and agencies in the Executive branch involved in the “fight against poverty”, funded by general taxes.

4. Private sector social security assistance and schemes

There are dozens of NGOs and private sector initiatives doing charity programs for the poor. Among these are:

a. Gawad Kalinga – mass housing and community improvement for the poor

b. Civic clubs (Rotary, Lions, Jaycees, Masons, etc.) – doing different type of charity work, from medical missions to housing, water, environmental, livelihood projects.

c. Church-based organizations – both spiritual and socio-economic projects and charity work.

d. Business and professional organizations – part of their philanthropic and/or CSR projects.

e. Corporate foundations, personal foundations – also various social and economic projects, training, etc.

f. Village associations, school or university alumni associations, labor unions, etc. – often mobilized for immediate and quick actions in times of calamities.

g. The Filipino family as the ultimate social safety net in Philippine society. A culture of children taking care of their oldies later.

5. Entrepreneurship and self-help economic activities

Filipino entrepreneurship and small-scale capitalism is the best social security. Micro-entrepreneurship, from owners of bar-bq stands, owners and operators of internet or vulcanizing shops, to ambulant vendors and appliance electricians, variety stores

The informal but skilled labor is doing well, I guess. An ambulant auto mechanic, an air-con or washing machine or auto electrician, for instance, would easily charge between P300 to P500 for a job that takes them only about 30 minutes work. So when people lose their jobs in the formal sector, if they are only less choosy and willing to dirty their hands, they should not go hungry and won't need political patronage for whatever social dole out.

Government bureaucracy against entrepreneurship

Ease in starting a business

Country	Procedures (number)	Time (no. of days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Hong Kong	3	6	1.8	0.0
Singapore	3	3	0.7	0.0
Japan	8	23	7.5	0.0
Taiwan	6	23	3.9	0.0
Thailand	7	32	6.3	0.0
Malaysia	9	11	11.9	0.0
China	14	37	4.9	130.9
Cambodia		9	85	138.4
Vietnam	11	50	13.3	0.0
Korea, Rep.	8	14	14.7	0.0
Indonesia	9	60	26.0	59.7
Philippines	15	52	28.2	5.5
United Kingdom	6	13	0.7	0.0
United States	6	6	0.7	0.0

Source: <http://www.doingbusiness.org/ExploreTopics/StartingBusiness/>

These long and expensive procedures, and bureaucratic hurdles for job creators in the Philippines and elsewhere, contribute to stifling, if not killing, entrepreneurship and job creation for many individuals. When there is not enough businesses, not enough job creation, many people become poor. Even if governments will say that they provide welfare programs for the jobless and the poor, many of them are still a major factor why there is lack of self-help job creation in society.

Paying taxes, selected Asian economies, 2009

Country or Economy	Payments (no. per year)	Time (hours per year)	Profit tax (%)	Labor tax contributns (%)	Other taxes (%)	Total tax rate (% of profit)
China	7	504	2.1	68	8.4	78.5
Japan	13	355	27.2	16.5	12	55.7
Philippines	47	195	24.9	10.3	14.2	49.4
Taiwan	54	281	19.5	16.7	4.2	40.4
Vietnam	32	1,050	20.6	19.2	0.3	40.1
Indonesia	51	266	26.9	10.6	0.1	37.6
Thailand	14	264	26.1	5.7	5.4	37.2
Malaysia	12	145	16.5	15.6	2.1	34.2
Lao PDR	34	362	25.2	5.6	2.9	33.7
S. Korea	14	250	17.1	12.7	2.1	31.9
Brunei	15	144	24.7	5.6	0	30.3
Singapore	5	84	7.9	14.9	5	27.8
Hong Kong	4	80	18.6	5.3	0.3	24.2
Cambodia	39	173	19.1	0.1	3.5	22.7

Source: Doing Business, 2010 Report,
<http://www.doingbusiness.org/ExploreTopics/PayingTaxes/?excel=true>

Here, it shows that supposedly capitalist Philippines has more business taxes than socialist China and socialist Vietnam. The “democratic socialist” politicians in the Philippines that crafted and enacted those multiple taxes should have thought that to become rich and be successful financially is an evil achievement. Thus, the need to temper their wealth and success with multiple and high taxes.