International Labour Organization

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November 2026

The 2025 poverty decline in the Philippines: A labour market reading

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Key points

- **The fall in poverty was large and broadly shared.** The share of Filipinos living below the national poverty line fell from 15.5 to 9.7 per cent between 2023 and 2025. Almost all of the decline reflects incomes rising across the distribution rather than a change in how income was distributed. The share of people living just above the poverty line also fell. Even so, about one Filipino in five lives less than 50 per cent above the poverty line and remains vulnerable to economic shocks.
- **The labour market contributed to the gains, particularly through higher wages, but employment growth was weak and non-labour income played an important role.** Income from work accounted for 73 per cent of family income in 2023 but 53 per cent of the increase between 2023 and 2025, while transfers, remittances and pensions accounted for 15 per cent of income but a third of the gain. Over the same period, output grew by 10.4 per cent, driven largely by productivity gains, while employment increased by only 1.7 per cent and youth employment declined. At the same time, wage and salary employment increased, unpaid family work fell and real earnings rose, particularly among lower-paid workers.
- **Structural transformation and productivity growth, historically important routes out of poverty, are under way, but their pattern is uneven.** Between 2023 and 2025, agriculture shed about 1.1 million workers and labour reallocation contributed about one third of the 8.5 per cent rise in productivity. Yet most new jobs were created in services with below-average or falling productivity, while manufacturing employment declined slightly. Productivity growth within sectors was concentrated in trade, manufacturing and agriculture, and half of the measured gain from labour reallocation came from finance, which accounts for only 1.5 per cent of total employment.
- **Making the poverty gains last requires more productive and decent employment alongside sustainable social protection.** Policies need to support stronger job creation, particularly for young people; raise productivity and job quality in sectors absorbing labour; broaden the base of productivity-enhancing structural transformation; and protect families against shocks. The draft Philippine Roadmap for the Global Accelerator on Jobs and Social Protection for Just Transitions provides an important framework for advancing these objectives, including through investment in sectors such as construction and transport.

Introduction

Between 2023 and 2025, the share of Filipinos living below the national poverty line[1] fell from 15.5 to 9.7 per cent, according to the Philippine Statistics Authority (PSA). Among families, the rate fell from 10.9 to 6.4 per cent. A fall of nearly six percentage points in two years is large by any standard, and it means that several million people were lifted above the poverty line. Poverty fell in all 18 regions, with the largest progress in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and the Zamboanga Peninsula, although rates remain highest in Bicol, the Negros Island Region and Northern Mindanao (PSA 2026d). The figures matter beyond the headline. Whether the gains last, who remains at risk and what kind of growth produced them are questions that bear directly on social and economic policies.

This brief takes the official statistics as given and asks what lies behind them and what they imply for policy. While it is a rapid analysis, it is built on the household records themselves: the public use files of the 2023 and 2025 Family Income and Expenditure Survey (FIES; PSA 2023, 2025), which cover 163,268 and 170,916 households. Average income per person computed from these records reproduces the published figures of 85,291 Philippine pesos (PHP) in 2023 and PHP 104,072 in 2025 and applying the PSA provincial poverty thresholds to the records gives poverty rates of 15.6 and 9.8 per cent, within a tenth of a percentage point of the published rates. The survey is combined with three other PSA sources: the Labour Force Survey, the National Accounts and the Consumer Price Index (PSA 2026a, 2026b, 2026c).

The angle is that of the labour market. Work is the main source of income for most Filipino families: wages and salaries made up 56 per cent of average family income in 2023, and income from entrepreneurial activities a further 17 per cent. The brief therefore asks three questions. How much of the rise in family income, and of the fall in poverty, came from work, and how much from other sources? What happened to employment, the quality of jobs and productivity over the same two years, and which groups benefited? And in which sectors did the jobs and the productivity gains arise?



Poverty fell in all 18 regions, with the largest progress in BARMM.
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The brief also provides economy-wide context for the Philippine Roadmap under the United Nations Global Accelerator on Jobs and Social Protection for Just Transitions (GA). Launched by the UN Secretary-General in 2021, the GA supports pathfinder countries in creating decent jobs and extending social protection. The Philippines joined the initiative as a pathfinder country in 2024. The draft Philippine Roadmap for the Global Accelerator on Jobs and Social Protection for Just Transitions (hereafter the draft GA Roadmap), prepared under the guidance of the Trabaho Para sa Bayan Inter-Agency Council, sets five outcomes for 2030 and focuses on construction and transport, two of the priority industries of the Trabaho Para sa Bayan Plan 2025–34. Understanding the labour market dynamics of the poverty decline can help inform this agenda by showing how job creation, productivity and structural transformation are evolving across the economy, who is benefiting from these changes, and where vulnerabilities to economic shocks remain.

The brief situates the decline in poverty within broader economic and labour market developments between 2023 and 2025. It highlights how employment, productivity and structural transformation evolved alongside falling poverty, while recognizing that these trends should not be interpreted as evidence of causation. The next section looks at the poverty decline itself. The two sections after it turn to the labour market and to the sectors behind the changes in jobs and productivity. The final section draws out implications for policy and for the draft GA Roadmap. Formulas and data notes are in the annex.

[1] The poverty line is the per capita income needed to meet basic food and non-food needs. It is recalculated by PSA for each round based on the cost of provincial food bundles and the expenditure patterns of families near the food threshold. The national poverty line rose by 5.5 per cent between 2023 and 2025, following an increase of 15.6 per cent between 2021 and 2023 (PSA 2026d).

Understanding the poverty reduction

Growth, not redistribution

A poverty rate can fall for two reasons. Incomes can rise on average, lifting families above the line (a growth effect). Or a given total income can be distributed more equally, with a larger part of it going to poorer families (a redistribution effect). A standard method in poverty analysis, the Datt and Ravallion (1992) decomposition, separates the two by asking two hypothetical questions. What would poverty have been in 2025 if every family's income had grown at the average rate, leaving the distribution as it was in 2023? And what would it have been if the distribution had changed as it did, but average income had not grown?

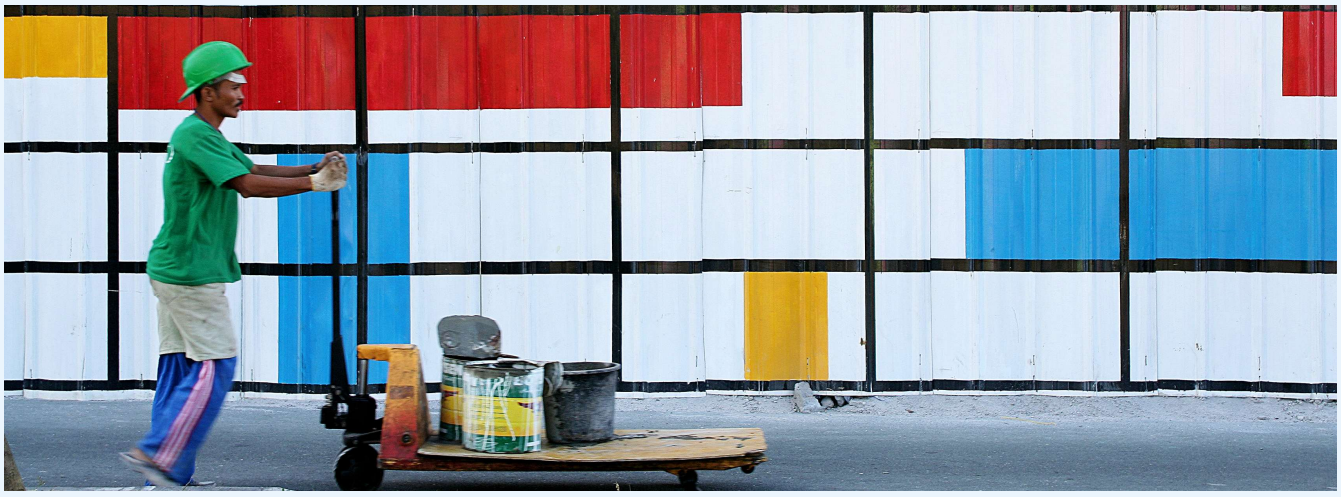
The calculation was run directly on the household records. Incomes in 2025 were converted to 2023 prices using the price index for the bottom 30 per cent of households, which rose by 4.5 per cent over the two years, and the poverty line was held fixed in real terms. On this basis average real income per person rose by 16.8 per cent. Table 1 gives the result.

▶ **Table 1. Growth and redistribution components of the fall in poverty, 2023–25**

	Value
Poverty rate, 2023 (share of population)	15.8%
Poverty rate, 2025, at 2023 prices	9.8%
Change	−6.02 percentage points
of which: growth effect	−5.95 percentage points (98.9% of the fall)
of which: redistribution effect	−0.07 percentage points (1.1% of the fall)
Memo: official poverty rate from 2023 to 2025 (PSA)	15.5% to 9.7%

Note: The decomposition requires a single poverty line, so it uses the national line, held fixed in real terms; PSA uses provincial lines, which is why the rates in the first two rows differ slightly from the official ones. The two components are averaged over both reference years (the Shapley form), which leaves no residual. See Annex A.1.

Source: Authors' calculations from the 2023 and 2025 FIES public use files.



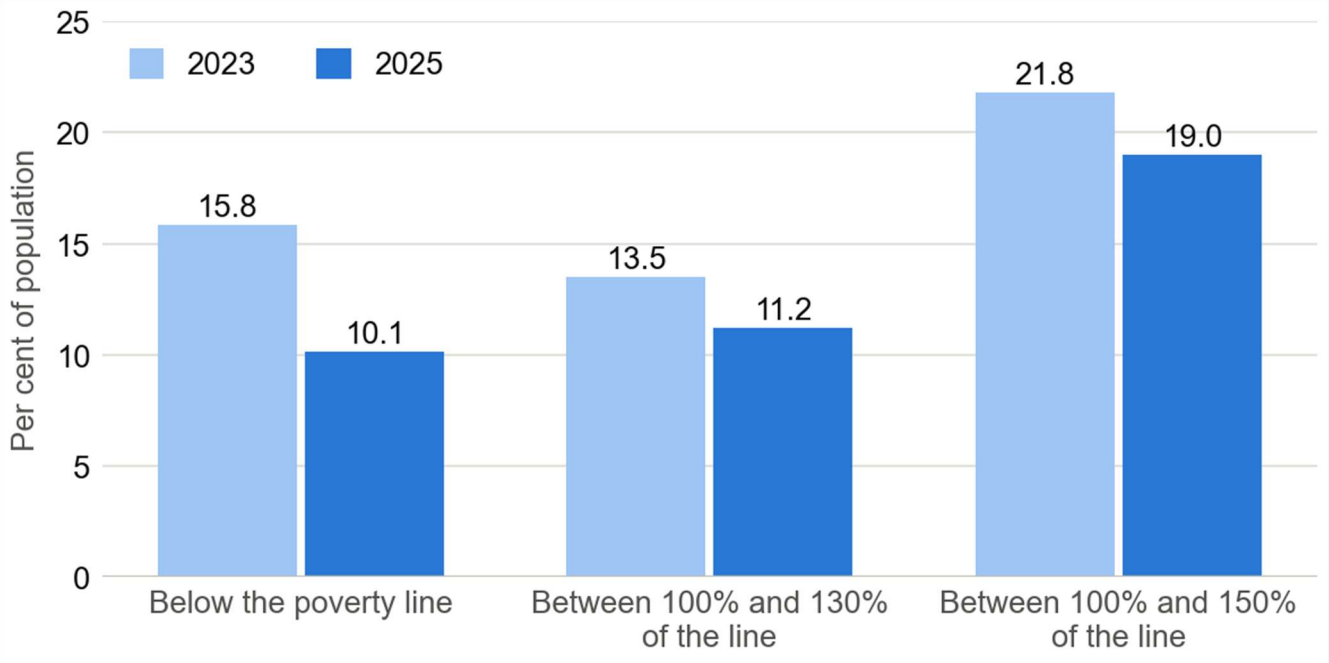
Construction and transportation are among the priority sectors under the Philippine Roadmap for the UN Global Accelerator on Jobs and Social Protection for Just Transitions. ©Joaquin Bobot Go/ILO

Almost the entire fall in poverty, 99 per cent, is attributable to a growth effect. The redistribution effect is close to zero. Average family income rose by between 15 and 19 per cent, before adjusting for prices, in every tenth of the income distribution. Poorer families did not gain because income was shared more equally. Income inequality did not change: the Gini coefficient of family income was 0.391 in both years. Rather, poorer families benefited because incomes rose across the board and theirs rose in step. This is good news, since growth that reaches the poorest families as fully as it reaches the richest is not to be taken for granted. It also means that the fall in poverty came from growth alone, not from a shift of income towards poorer families.

Fewer people just above the line as well

A fall in the poverty rate would mean less if families had only moved a short distance above the line: their living standards would have changed little, and a small negative shock could push them back. In that case the number of people just above the line would have grown as the number below it shrank. The household records allow a direct check, because they show how far each family's income is from the line.

▶ **Figure 1. Share of the population below and just above the poverty line, 2023 and 2025**



Note: Each year uses the national poverty line of that year (PHP 33,296 and PHP 35,121 per person in 2023 and 2025, respectively). On this basis the poverty rate was 15.8 per cent in 2023 and 10.1 per cent in 2025; the official rates of 15.5 and 9.7 per cent use provincial lines. Table 1 instead holds the 2023 line fixed in real terms, which gives 9.8 per cent for 2025.

Source: Authors' calculations from the 2023 and 2025 FIES public use files.

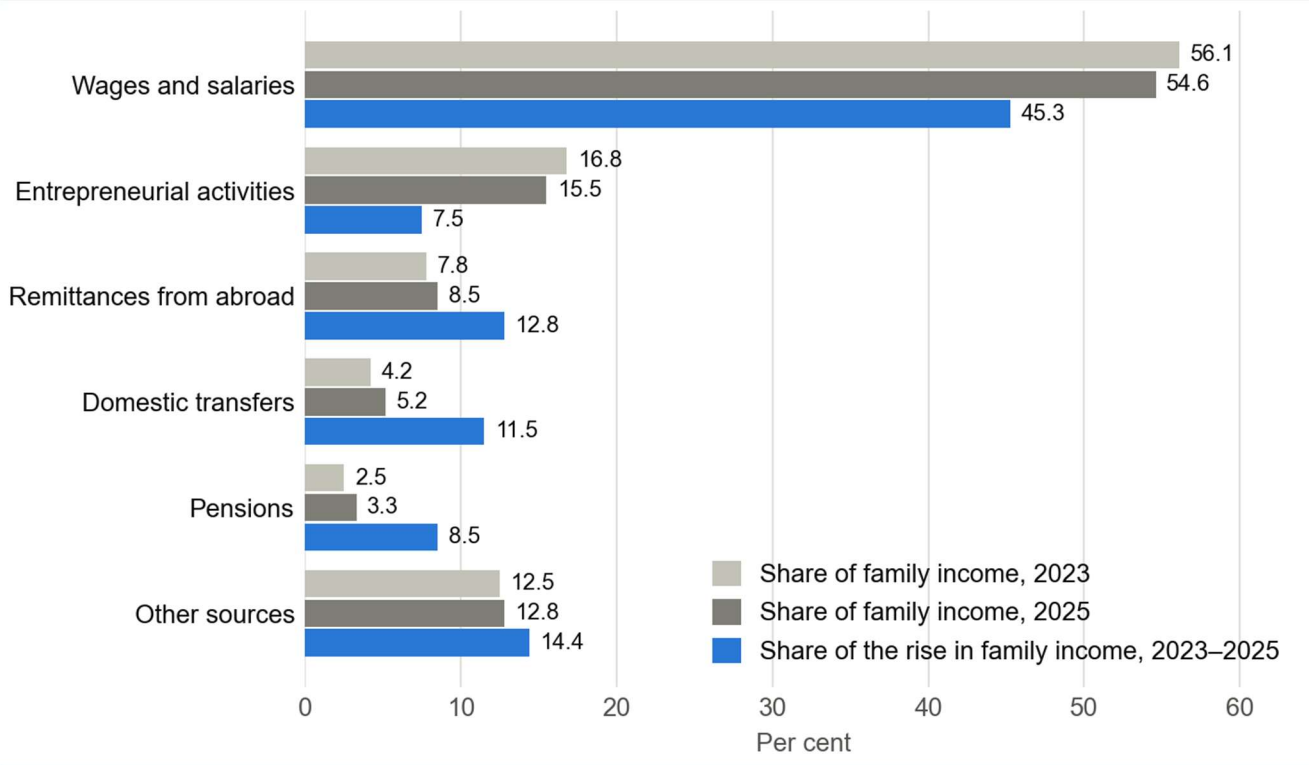
Figure 1 shows that the group just above the line shrank too. The share of the population with an income up to 30 per cent above the line fell from 13.5 to 11.2 per cent, and the share with an income up to 50 per cent above it fell from 21.8 to 19.0 per cent. Hence the lower part of the distribution moved up as a whole. The poor also moved closer to the line: their average income shortfall fell from 23 to 20 per cent of it.

The result settles one question and leaves another open. The decline in poverty is not the result of families being moved to just above the line. But 19 per cent of the population, about one person in five, still has an income less than 50 per cent above it. These families are not counted as poor, yet the loss of a job or of another source of income, a poor harvest or a rise in food prices could return them to poverty. How secure they are, depending on where their income comes from, is the next question

Where the income gains came from, and how durable they are

The FIES collects information on family income from different sources. Figure 2 compares the weight of each source in family income in 2023 and 2025 with its contribution to the rise in average family income over the following two years.

▶ **Figure 2. Weight of each source in family income, and its contribution to the rise in family income, 2023–25**



Note: All families; average income per family in current prices, weighted by the family weight. "Other sources" include the imputed rental value of owner-occupied housing, gifts, rents, interest and dividends.

Source: Authors' calculations from the 2023 and 2025 FIES public use files.

Wages and salaries added more pesos to family income than any other source, across every decile of the distribution. On its own, however, this is not especially informative as wages are by far the largest source of family income. The more telling comparison is between each income source's contribution and its share of total income. Labour-related income, meaning wages together with income from entrepreneurial activities, was 73 per cent of family income in 2023 but 53 per cent of the gain. Remittances from abroad, domestic transfers[2] and pensions together accounted for 15 per cent of income but 33 per cent of the gain. Per family, wage income grew by 13 per cent and entrepreneurial income by 7 per cent, against 27 per cent for remittances, 45 per cent for domestic transfers and 56 per cent for pensions. The share of wages in family income fell from 56.1 to 54.6 per cent. Averages over all families do not show what mattered for poverty, which depends on the incomes of families near the line. A simple simulation addresses this. For each source in turn, the 2025 poverty rate is recalculated with that source held at its 2023 level per family, in real terms, and all other incomes as observed. The difference from the actual rate indicates how much of the fall in poverty rests on the growth of that source. Table 2 gives the results (see Annex A.5 for the method).

[2] Domestic transfers are cash support from other families, private institutions and government programmes such as 4Ps, the rice subsidy, TUPAD, the social pension and crisis assistance.

▶ **Table 2. How much of the fall in poverty rests on each income source: simulation results**

Source held at its 2023 real level	Poverty rate in 2025 would be (%)	Share of the fall in poverty (%)
None (actual)	9.8	—
Wages and salaries	11.8	36
Entrepreneurial activities	10.0	2
Domestic transfers	11.1	22
Remittances from abroad	10.2	6
Pensions	9.9	1
Other sources	10.5	13
Wages and entrepreneurial activities together	12.0	39
Domestic transfers, remittances and pensions together	11.6	30

Note: The poverty rate fell from 15.8 to 9.8 per cent on the basis used in Table 1. Each row is a separate calculation, so the shares do not sum to 100 per cent. A group can account for more than its parts added together, because some families crossed the poverty line only through gains from several sources combined. See Annex A.5. A dash (—) indicates not applicable.

Source: Authors' calculations from the 2023 and 2025 FIES public use files.

About a fifth of the fall in poverty rests on the growth of domestic transfers, and about a third on the growth of wages. Yet domestic transfers are 4 per cent of family income and wages 56 per cent. The reason is that transfers weigh far more heavily in the incomes of poorer families: they made up 15 per cent of the income of families below the poverty line in 2025, and they account for 26 per cent of the income gain of the poorest tenth of families, against 4 per cent for the richest tenth. Taken in groups, income from work accounts for about 40 per cent of the fall in poverty, and transfers, remittances and pensions for about 30 per cent. Income from entrepreneurial activities, which is a quarter of the income of poor families, contributed almost nothing, although the survey classified this income in more detail in 2025 than in 2023 (Annex A.6).

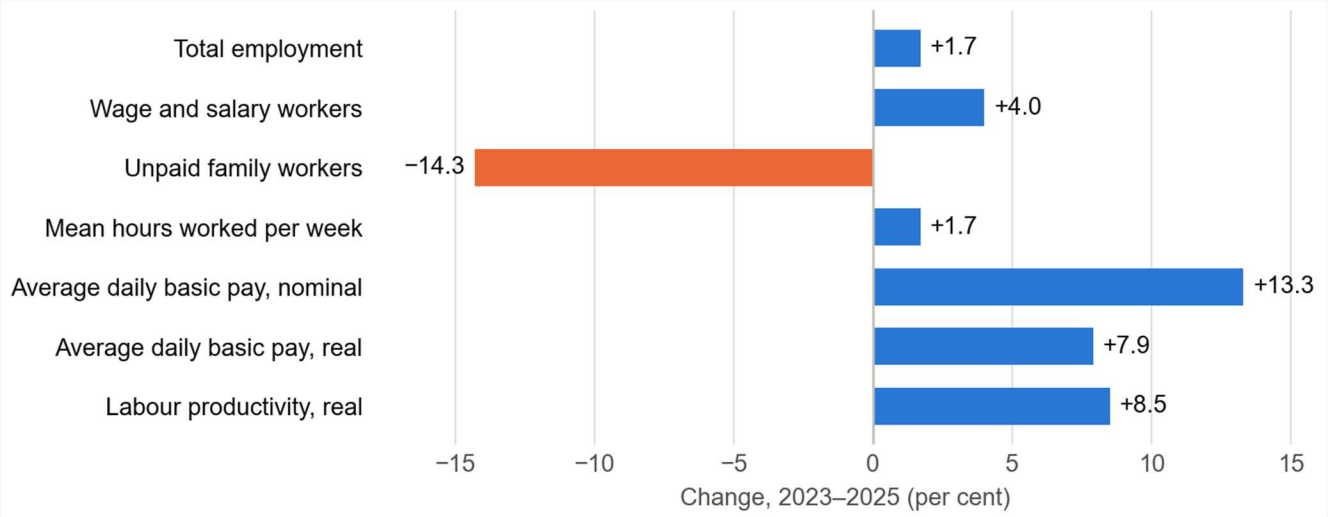
Two cautions apply. The simulation is an accounting exercise that holds everything else constant, not a model of how families would have responded. And the survey does not separate government transfers from those from relatives and other households, and its 2025 questionnaire asks about more programmes than the 2023 one, so part of the measured growth may reflect fuller reporting.

These findings raise a question of sustainability. A large part of the income growth between 2023 and 2025 was not earned in the labour market. How durable is it? The answer depends on what produced it. Transfers from properly financed, lasting programmes can endure; ad hoc assistance or family support may not. These data cannot separate the two. What can be examined is the other half of the picture, the income that families earn from work. The rest of the brief turns to the labour market.

The labour market: limited job growth but improvements in job quality and higher productivity

The Labour Force Survey is collected separately from the income survey and offers an independent view of the same two years, which allows a check on whether labour market trends fit the income story. Figure 3 summarizes it. Three features stand out.

▶ **Figure 3. Labour market indicators, change between 2023 and 2025**



Note: Real basic pay is deflated by the general Consumer Price Index (inflation of 3.2 per cent in 2024 and 1.7 per cent in 2025). Labour productivity is real gross value added, at constant 2018 prices, per person employed. Wage and salary workers and unpaid family workers show the percentage change in the number of such workers.

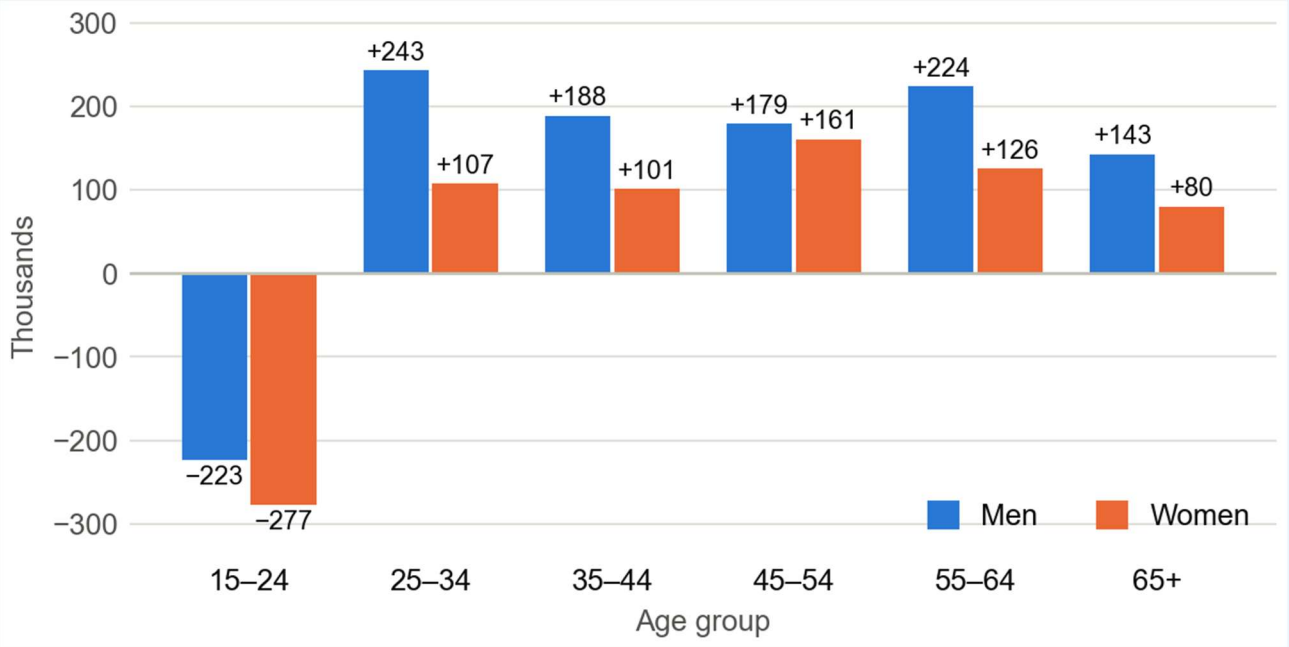
Source: Authors' calculations from the PSA Labour Force Survey (annual averages) and National Accounts.

Job-poor growth

Real output grew by 10.4 per cent over the two years. Employment grew by 1.7 per cent, from 48.2 to 49.0 million, a net addition of about 835,000 jobs. Over the same period the population aged 15 and over grew by 2.9 per cent, or about 2.2 million people. The share of the working-age population in employment, the employment-to-population ratio, therefore fell from 62.1 to 61.4 per cent. This is what is often called job-poor growth: output expanding much faster than employment, and employment not keeping pace with the population of working age. Weak aggregate employment growth concealed sharply different outcomes across age groups (Figure 4).

Employment fell by about 500,000 among young people aged 15–24 (about 223,000 among young men and 277,000 among young women). Youth were the only broad age group in which employment declined for both sexes. Most of this decline was accompanied by young people leaving the labour force: their participation rate fell from 31.6 per cent to 29.6 per cent, while their unemployment rate increased from 6.9 per cent to 8.9 per cent. The share of youth not in employment, education or training (NEET) also increased, from 12.4 per cent to 13.2 per cent. Conversely, employment expanded among men and women in every older age group, although the gains were consistently larger among men.

▶ **Figure 4. Change in employment by sex and age, 2023–25 (thousands)**



Note: Figures 4 to 6 use ILO-harmonized annual Labour Force Survey microdata, whose totals differ slightly from the PSA published estimates used in Figure 3 and elsewhere in this brief (see Annex A.6).

Source: Authors' calculations from the 2023 and 2025 PSA Labour Force Survey microdata, harmonized by the ILO.

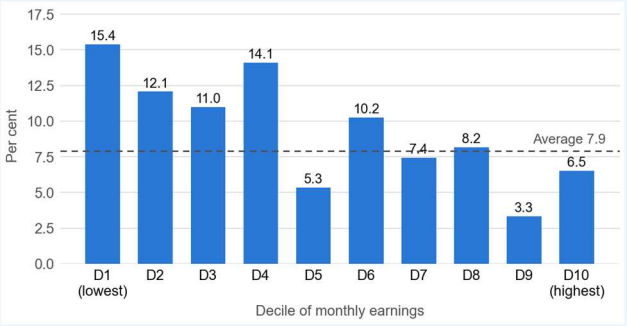
Improved job quality

The aggregate growth in employment was accompanied by a shift towards better quality jobs. The number of wage and salary workers rose by 4.0 per cent, while the number of unpaid family workers (those who work without pay in a farm or business operated by their own family, most of them in agriculture) fell by 14.3 per cent. Mean hours worked per week rose by 1.7 per cent. Average daily basic pay rose by 13.3 per cent, or 7.9 per cent after inflation. Fewer people worked without pay, more worked for a wage, and the wage bought more.



Coconut farmers in Siargao gain access to employment and social protection. ©Minette Rimando/ILO

▶ Figure 5. Change in real monthly earnings by decile, 2023–25 (per cent)

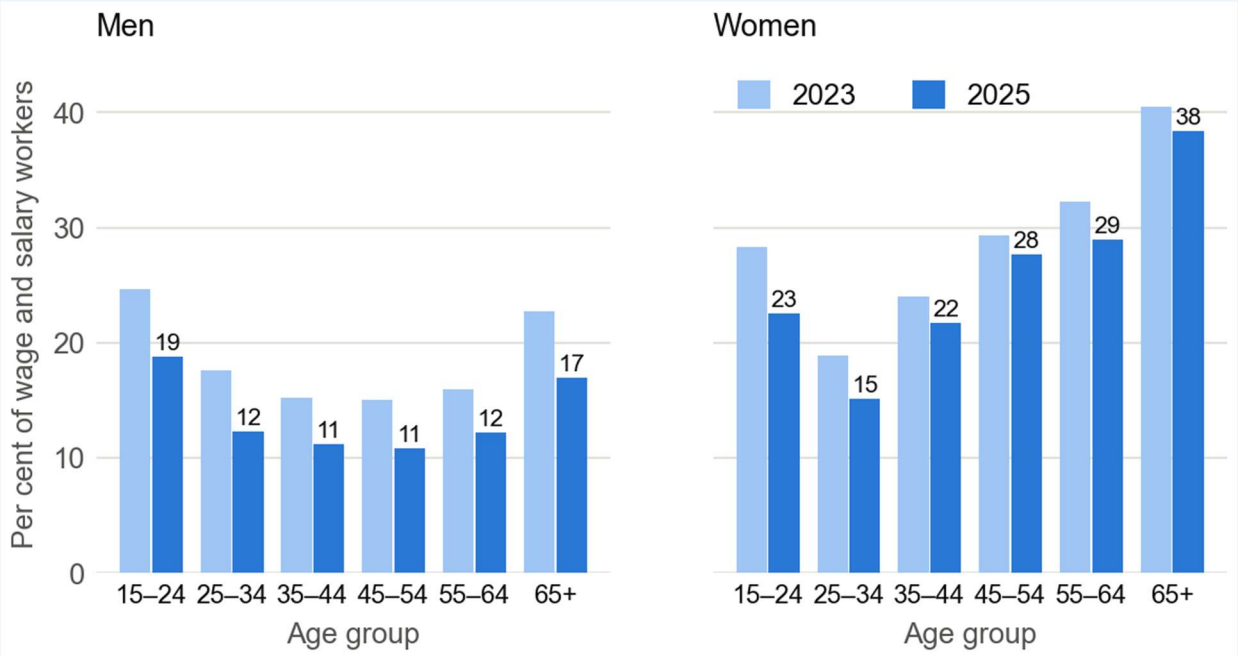


Note: Wage and salary workers aged 15 and above only. Real earnings are calculated by deflating nominal earnings using the general Consumer Price Index (inflation of 3.2 per cent in 2024 and 1.7 per cent in 2025).

Source: Authors' calculations from the 2023 and 2025 PSA Labour Force Survey microdata, harmonized by the ILO.

Gains in real earnings were particularly strong among wage workers towards the lower end of the earnings distribution (Figure 5). On average, real monthly earnings of wage and salary workers increased by 7.9 per cent between 2023 and 2025. Mean real earnings increased by 15.4 per cent in the lowest earnings decile, while the second, third and fourth deciles all recorded double-digit gains. The pattern was not uniform across the distribution, but the particularly strong gains among lower-paid employees show that wage growth was not concentrated among high earners. This is consistent with the household evidence that income growth reached poorer families and contributed to the decline in poverty.

▶ Figure 6. Low pay rate by sex and age, 2023 and 2025 (per cent)



Note: Low pay is defined as hourly earnings below two-thirds of the median hourly earnings of wage and salary workers aged 15 and above.
Source: Authors' calculations from the 2023 and 2025 PSA Labour Force Survey microdata, harmonized by the ILO.

The incidence of low hourly pay also declined, indicating an improvement in remuneration independent of changes in working hours. Among wage and salary workers, the low pay rate fell from 20.4 per cent in 2023 to 16.2 per cent in 2025. The decline occurred for both sexes and across every age group, although women remained significantly more likely to be low paid than men, particularly at older ages. This pattern provides further evidence that improvements in earnings extended to workers towards the lower end of the wage distribution, consistent with a labour-market contribution to the poverty decline.

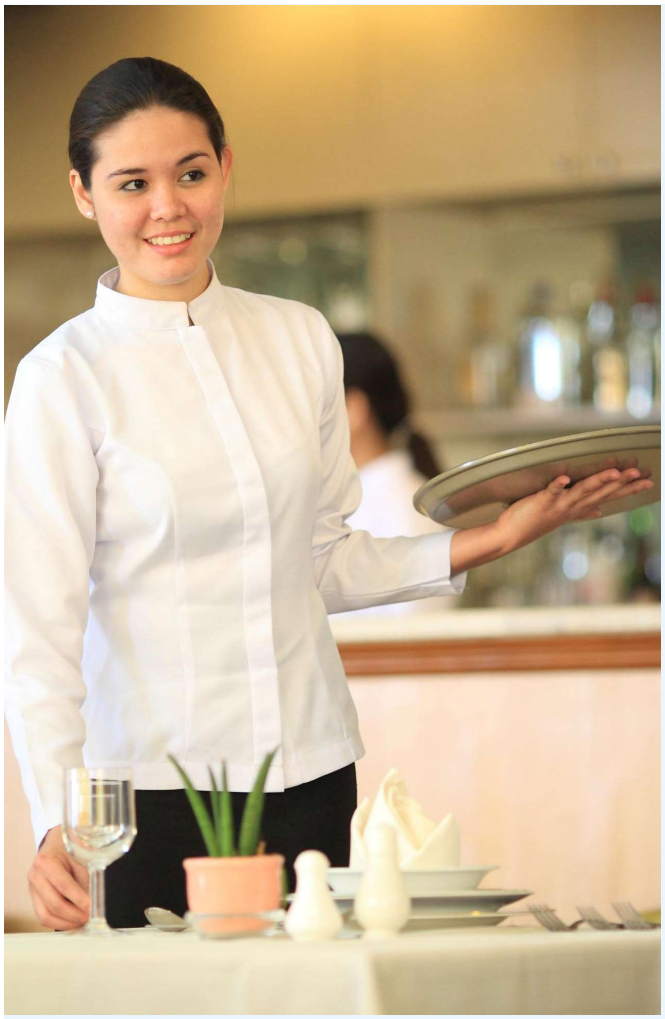
One limit should be stated plainly. A move from unpaid family work to wage work is a move towards paid employment. It is not evidence of formal employment. The indicators used here say nothing about written contracts, social security coverage or compliance with labour standards, and the brief makes no claim about them. Taken together, however, these changes indicate an improvement in job quality on some of its dimensions.

Rapid productivity growth

With output growing far faster than employment, labour productivity, measured as output per worker[3], rose by 8.5 per cent in real terms, from PHP 436,849 to PHP 473,926 at constant 2018 prices. This is a rapid rate for a two-year period. Sustained labour productivity growth – particularly through structural transformation towards more productive activities – is central to development and poverty reduction (Taylor and Rada 2006). An aggregate indicator of this kind is silent, however, about which sectors became more productive or whether the workers who changed jobs moved to more productive work. The next section takes up those questions.

Where the jobs and the productivity gains came from

Changes in aggregate indicators such as the employment-to-population ratio and labour productivity can be decomposed into the contributions of individual sectors. Productivity growth, both in aggregate and by sector, can be decomposed further into a within-sector effect and a labour reallocation effect, which shows the role of structural transformation. This section applies three such decompositions to the 16 sectors of the Philippine National Accounts, using real value added and Labour Force Survey employment by sector. The first concerns employment and the second productivity; the third, a cross-check on the second, is reported in the annex. The methods follow Ocampo, Rada and Taylor (2009) and McMillan and Rodrik (2011). The formulas are in Annexes A.2 to A.4.



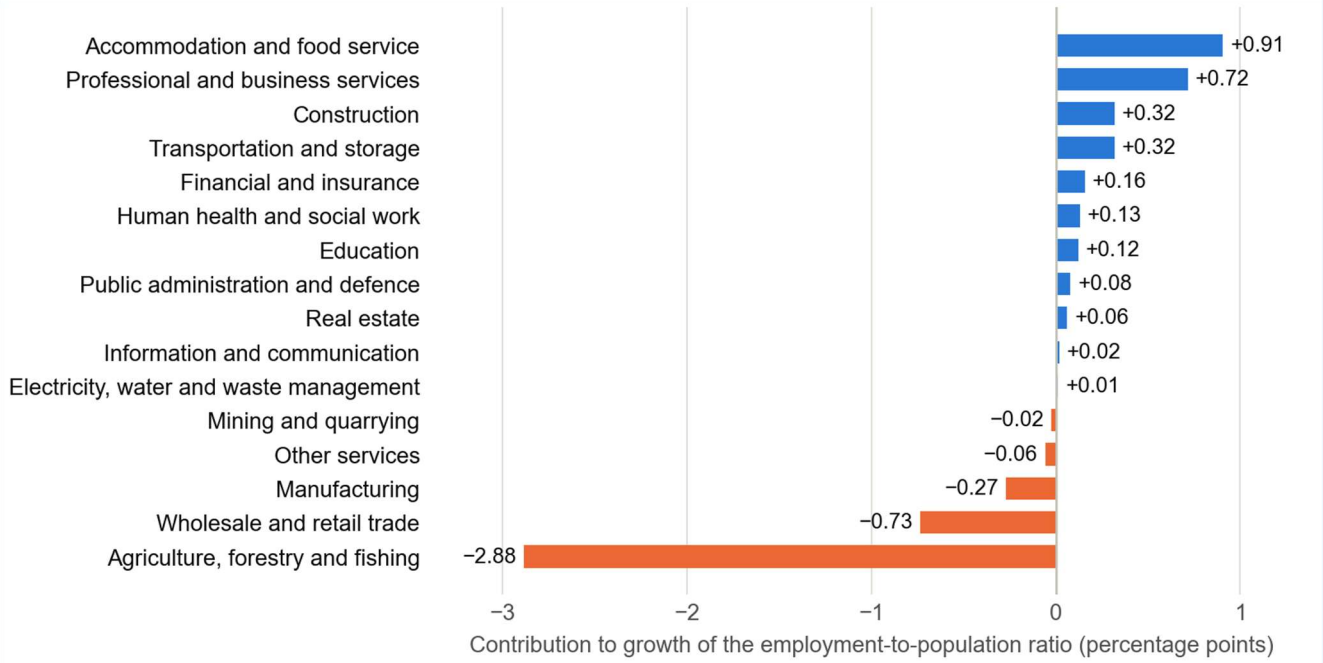
Job creation was concentrated in a few sectors with the highest increase in accommodation and food service.
©Ruben Hamahiga dela Cruz/ILO

Labour left agriculture, and job creation was concentrated in two service sectors

A sector adds to the employment-to-population ratio when its output, relative to the population, grows faster than its labour productivity, because the additional output then has to come from additional workers. It subtracts from the ratio when its productivity grows faster than its output. Figure 7 shows the contribution of each sector.

[3] Labour productivity in this brief is real value added per worker. Mean hours rose by 1.7 per cent, so output per hour rose by about 6.7 per cent.

▶ **Figure 7. Contribution of each sector to the change in the employment-to-population ratio, 2023–25**



Note: Contributions are in percentage points and sum to −1.13 per cent, the proportional change in the ratio (from 62.1 to 61.4 per cent, a fall of 0.7 percentage points). See Annex A.2.

Source: Authors' calculations from PSA National Accounts (constant 2018 prices) and Labour Force Survey.

Agriculture, forestry and fishing is by far the largest negative contribution. Its employment fell by about 1.1 million, or 9.9 per cent, while its output rose by 1.5 per cent. On its own, agriculture more than offsets the positive contributions of all the sectors that added jobs. This matches the fall in unpaid family work reported above, which is heavily concentrated in agriculture.

Job creation was concentrated in a few sectors. Accommodation and food service added about 515,000 workers (an increase of 22.6 per cent) and professional and business services about 434,000 (15.8 per cent). Construction and transportation and storage, the two priority sectors of the draft GA Roadmap, came next, with employment expanding by about 290,000 and 259,000, respectively. In wholesale and retail trade and in manufacturing, output grew strongly, by 11.1 and 6.3 per cent, with slightly fewer workers than before.

The movement of labour out of agriculture is a typical feature of countries going through structural transformation. Where the workers move to matters as much. Between 2023 and 2025, most of the additional jobs were in services, many of them in services with low productivity, while employment in manufacturing fell slightly. This pattern of labour moving primarily into services while manufacturing employment does not expand is consistent with concerns in the literature about premature deindustrialization (Rodrik 2016), and it raises the question of whether the transformation under way is productivity-enhancing over the long run.

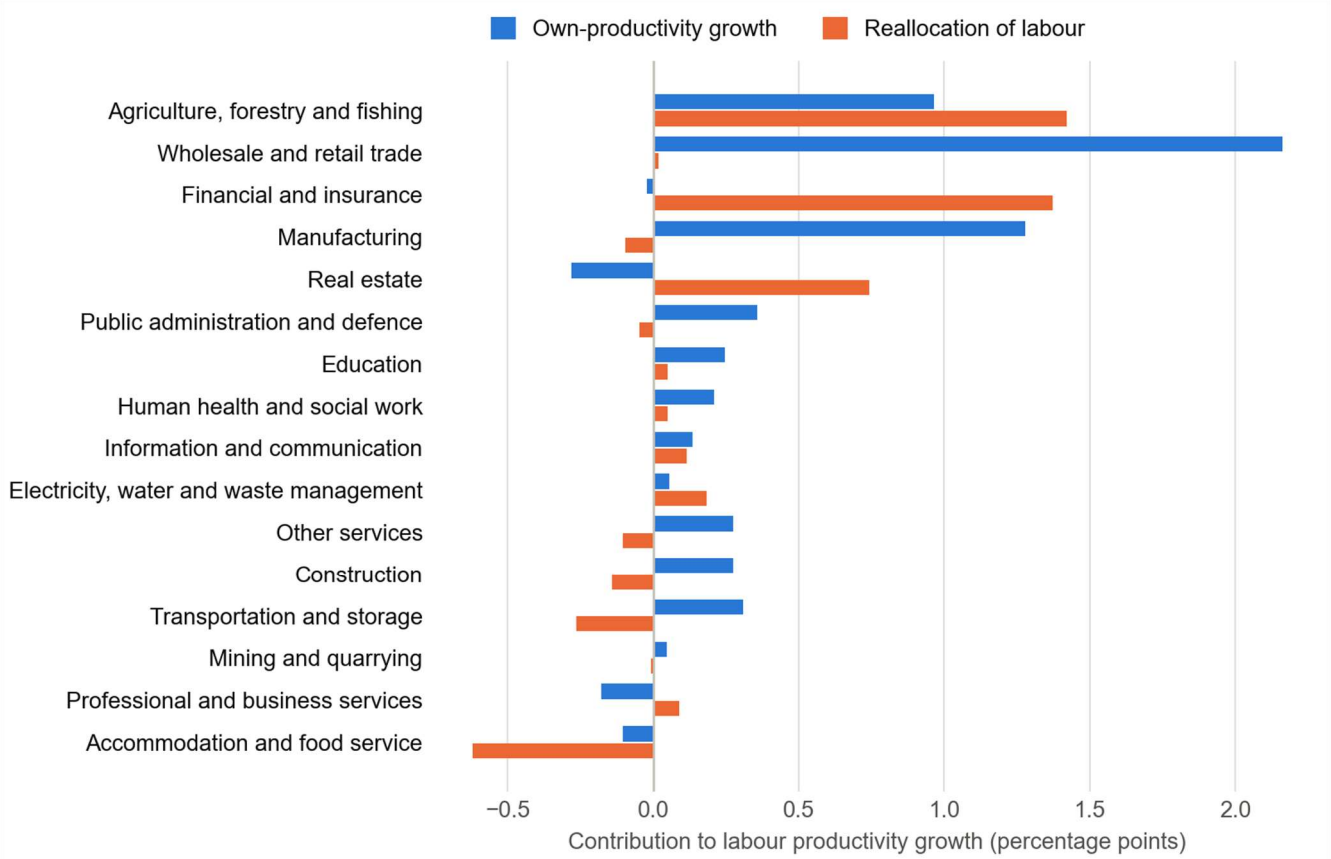
Productivity growth came mostly from within sectors, and one third from the reallocation of labour

Aggregate labour productivity can rise in two ways. Sectors can become more productive themselves (own-productivity growth). Or workers can move from less productive sectors to more productive ones (reallocation), which raises aggregate labour productivity. In the method used here, the reallocation effect is positive when a sector with above-average productivity gains workers or a sector with below-average productivity loses them, and negative in the opposite cases.

Of the 8.5 per cent rise in aggregate labour productivity, 5.7 percentage points (67.5 per cent of the total) came from own-productivity growth and 2.8 points (32.5 per cent) from reallocation.[4]

This indicates the importance of structural transformation for labour productivity growth in the Philippines. The decomposition can also be made for individual sectors, and Figure 8 shows the results.

▶ **Figure 8. Contribution of each sector to labour productivity growth, 2023–25**



Note: The 32 bars sum to 8.5 per cent, the growth of aggregate labour productivity. Sectors are ordered by total contribution. See Annex A.3.

Source: Authors' calculations from PSA National Accounts (constant 2018 prices) and Labour Force Survey.

Three sectors account for most of the own-productivity component: wholesale and retail trade (2.2 percentage points), manufacturing (1.3) and agriculture (1.0). Together they make up more than three quarters of it. Their productivity rose by 11.9, 7.3 and 12.7 per cent.

The reallocation component is also concentrated. It comes from agriculture (1.4 points), which released workers, and from finance (1.4) and real estate (0.7), which took on a small number of workers at very high measured productivity. The sectors that absorbed the most labour do not appear on the positive side. Accommodation and food service has the largest negative reallocation term (−0.6 points), and its own productivity fell by 4.5 per cent. Its productivity in 2025, at about PHP 170,000 per worker, was below that of agriculture (PHP 182,000) and far below the economy-wide average (PHP 474,000). In professional and business services, productivity was close to the average and fell by 2.5 per cent.

Two insights are therefore both true, and they need to be held together. The movement of labour between sectors raised aggregate labour productivity. And much of the employment generation took place in services where

[4] A second method, which works with levels of labour productivity instead of growth rates, gives a similar split of 70 and 30 per cent (Annex A.4).

productivity is low or falling. Additionally, the gain from reallocation reflects labour leaving agriculture and a small expansion of employment in finance and real estate, which does not reflect the productivity of the jobs that were added. Structural transformation is under way, but most of the new jobs are in sectors with below-average productivity. Of the 2.05 million jobs added in the sectors whose employment grew, about four fifths were in sectors with productivity below the economy-wide average (one of them, namely professional and business services, only slightly below), and three in ten were in sectors less productive than agriculture, mainly accommodation and food service. This finding echoes complementary ILO research on structural transformation in the Philippines, which shows that employment reallocation does not necessarily lead to a shift towards higher-value activities or occupations involving more complex tasks (ILO 2026).

Two of the sectors behind these results deserve a closer look. Construction and transport were the third and fourth largest sources of additional employment, and they are the two sectors prioritized in the draft GA Roadmap. Unlike the services that absorbed the most labour, both raised their own productivity, but the jobs they added remain less productive than the average (Box 1).

▶ Box 1. Construction and transport: the two GA Roadmap sectors

Construction and transportation and storage were the third and fourth largest sources of additional jobs between 2023 and 2025. Together they added about 549,000 workers, equivalent to roughly two thirds of the net increase in total employment. Unlike the two sectors that created the most jobs, both also raised their own productivity, by 3.7 and 8.0 per cent.

	Construction	Transportation and storage
Employment, 2023 to 2025 (thousands; change in %)	4 549 to 4 839 (+6.4)	3 508 to 3 767 (+7.4)
Real value-added growth (%)	+10.3	+16.0
Labour productivity growth (%)	+3.7	+8.0
Labour productivity, 2025 (PHP per worker; economy-wide average: 474 000)	343 000	236 000
Contribution to the change in the employment-to-population ratio (percentage points; all sectors: −1.13)	+0.32	+0.32
Own-productivity contribution (percentage points)	+0.27	+0.31
Reallocation contribution, growth-rate method (percentage points)	−0.14	−0.26
Reallocation contribution, level method (PHP per worker)	+1 478	+958

The two methods give opposite signs for the reallocation term of both sectors (Annex A.4). Nevertheless, they point to the same substantive conclusion: construction and transport both generated jobs while increasing their own productivity, yet the jobs created remain concentrated in activities with below-average productivity. A task-based study covering 2000–2023 points the same way: in construction and inland transport, value added per worker is below the median across industries in both routine and non-routine tasks, and construction is weakly linked to suppliers and buyers (ILO 2026). Raising the productivity and quality of these jobs is a central objective of the draft GA Roadmap, and it would also help to ensure that the ongoing structural transformation is productivity-enhancing in the long term.

Source: Authors' calculations from PSA National Accounts (constant 2018 prices) and Labour Force Survey.

Finance: a large contribution from a small employer

Finance and insurance employed about 715,000 people in 2025, or 1.5 per cent of all workers, and produced about a tenth of value added. Its measured productivity, at about PHP 3.5 million per worker, is more than seven times the economy-wide average. Its own productivity was flat over the two years. But because its employment grew by 15.5 per cent, or about 96,000 workers, the method credits it with half of the entire reallocation component (1.4 of 2.8 points), which is about one sixth of total productivity growth.

How this should be read depends on how the output of finance is measured. Much of what banks produce is not billed but imputed from interest margins[5], a standard national-accounts convention that tends to shift measured value added towards finance. The measured productivity of finance, and its contribution to reallocation, may therefore be overstated at the expense of the sectors that borrow.

None of this is a comment on the quality of the Philippine accounts, which apply the international standard. It is a point about interpretation. A sector employing 1.5 per cent of all workers, and whose output is partly imputed, accounts for half of the measured reallocation gain. This result should therefore be interpreted with caution.

Policy implications and the GA Roadmap

The evidence points to a real and broadly shared rise in incomes. The question it raises is whether the gains will last. Four findings frame the answer.

- **The durability of the income gains is uncertain.** Inequality did not fall, and one person in five lives less than 50 per cent above the poverty line. About a fifth of the fall in poverty rests on domestic transfers, and a large part of the income growth was not earned in the labour market.
- **Growth created few jobs.** Employment grew by 1.7 per cent over the two years, more slowly than the population aged 15 and over, which grew by 2.9 per cent. That is about 0.4 million additional jobs a year against about 1.1 million additional people of working age. In addition, youth employment contracted during the period.
- **Structural transformation is moving workers into services where productivity is low.** Labour is leaving agriculture, as is typical of a transforming economy, but the sector that absorbed the most labour, accommodation and food service, has lower productivity than agriculture, and employment in manufacturing fell. Service work of this kind is often associated with informality, weak application of labour standards and gaps in social protection, which the data used here do not measure.
- **Productivity growth rests on a narrow base.** Three sectors, namely trade, manufacturing and agriculture, account for more than three quarters of own-productivity growth, and finance, which employs 1.5 per cent of workers, for half of the gain from reallocation.

Lasting poverty reduction therefore needs more income from work, and policies to ensure that the ongoing structural transformation is productivity-enhancing and inclusive. Five areas of policy follow.

More jobs, with improving job quality. Job-poor growth calls for making employment an explicit objective alongside growth itself. Assessing the employment effects of public investment and of sectoral programmes before they are adopted is one practical way to pursue it,

[5] Under the System of National Accounts (United Nations et al. 2009), which PSA follows, unbilled bank output is imputed from interest margins over a reference rate, as financial intermediation services indirectly measured (FISIM). This does not count anything twice in gross domestic product (GDP): the 16 sectors add up exactly to GDP. But part of the interest paid by borrowing sectors is recorded as the output of finance, and part of the margin is compensation for credit risk rather than payment for a service (Basu, Inklaar and Wang 2011; Haldane, Brennan and Madouros 2010). The output of real estate rests on a similar convention, the imputed rental value of owner-occupied housing.

with particular attention to whether job creation is inclusive, especially for young people. The jobs created also need to be better jobs across the dimensions of decent work: formal employment relationships, compliance with labour standards and skills development will determine whether a move out of unpaid family work becomes a lasting improvement.

Social protection. The incomes of poor families depend heavily on transfers, and families just above the poverty line need protection against the shocks, income fluctuations and life-cycle events that could return them to poverty. Protection is needed most where labour is being absorbed. Accommodation and food service, the largest source of new jobs, is a labour-intensive sector with a high concentration of women workers and a substantial incidence of informal work. Declining productivity in a sector that is absorbing labour can be a sign of deteriorating job quality. Extending social insurance to workers in this and similar sectors, through subsidized contributions and flexible arrangements for those with low or irregular earnings, would allow protection to follow workers as they leave agriculture and other low-productivity work. Because benefits rise with wages, this also reinforces income stability. Non-contributory programmes remain essential for those who cannot find formal work. Protection has to be sustainable, which requires balancing coverage, adequacy and financing. The Philippines spends about 2.7 per cent of gross domestic product (GDP) on social protection excluding health, against averages of 4.2 per cent in lower-middle-income and 8.5 per cent in upper-middle-income countries (ILO 2024), and further investment would reduce poverty directly, support demand and build long-term resilience.

Industrial and sectoral policy. International evidence shows that structural transformation raises productivity and incomes most reliably when it is led by industrialization, with labour moving into manufacturing and other sectors where productivity is high and rising (McMillan and Rodrik 2011; Felipe, Mehta and Rhee 2019). In the Philippines over these two years, productivity in manufacturing rose by 7.3 per cent while its employment fell by about 1 per cent, and the labour leaving agriculture went mainly into services. Industrial policies can help change this pattern by creating employment in sectors where productivity is rising and raising productivity in service sectors that absorb labour. They can also help spread technology, skills and standards from leading firms to domestic enterprises, particularly micro, small and medium-sized enterprises, so that they can sustain higher wages (Salazar-Xirinachs, Nübler and Kozul-Wright 2014; ILO 2026).

Investing in decent work for a resilient economy. Rising productivity and incomes create room for wage growth, training and social security contributions, and wage-setting institutions and social dialogue are the established means of turning productivity growth into broadly shared improvements in working conditions. Investment in these institutions of labour governance also builds resilience. The real wage gains of the period were helped by low inflation, which slowed to 1.7 per cent in 2025. That support has since weakened: higher food and fuel prices, linked in part to the conflict in the Middle East, pushed inflation to 7.2 per cent in September 2026 (PSA 2026e). Price rises of this kind, like climate events and poor farming seasons, bear most heavily on the near-poor and on households that depend on agriculture. An economy in which more families earn a secure and protected income from work is better able to withstand such shocks.

Supporting decent jobs for young people. Falling youth employment, alongside rising youth unemployment and NEET rates, points to a particular challenge in the transition from school to work. Strengthening active labour market policies – including employment services and job matching, enhanced labour market intelligence and career guidance, and skills development linked to employer demand – and better aligning them with industrial and sectoral policies can help young people better navigate this transition and connect them to productive and decent work.

The draft GA Roadmap sets five outcomes for 2030 and concentrates on two sectors, construction and transport. This brief provides the economy-wide context for it. Table 3 relates the main findings to the GA Roadmap outcomes. Box 1, in the previous section, reports the results for the two GA Roadmap sectors.

▶ **Table 3. Findings of this brief and the outcomes of the draft GA Roadmap**

Finding	GA Roadmap outcome	Implication
Job-poor growth: employment up 1.7 per cent; employment-to-population ratio down from 62.1 to 61.4 per cent	1. Employment generation accelerated	Supports attention to the employment intensity of investment and to assessing employment impacts in advance
Job quality improved on some measures, but employment generation was concentrated in services with low or falling productivity	2. Access to decent work expanded	Formalization, labour standards and skills in the sectors that are absorbing labour; industrial policies for productivity-enhancing structural transformation
About a fifth of the fall in poverty rests on domestic transfers; a large part of the income growth was not earned in the labour market; 19.0 per cent of the population has an income less than 50 per cent above the poverty line	3. Sustainable social protection achieved; 1. Employment generation accelerated	Lasting gains need more income from work; extending social protection coverage to workers leaving agriculture for services; sustainable financing
The analysis rests on PSA household and labour force data	5. Relevant institutions strengthened	Regular labour market evidence to inform policy

Note: Outcome 4 of the draft GA Roadmap (just, digital and green transitions enabled) is not included, as the data used in this brief do not address it.

Source: Authors, based on the draft GA Roadmap (Global Accelerator on Jobs and Social Protection for Just Transitions 2025).

Concluding remarks

The fall in poverty between 2023 and 2025 reflects a rise in incomes across the whole distribution. Income from work provided about half of that rise. Transfers, remittances and pensions provided a third, well above their weight in family income, and about a fifth of the fall in poverty rests on domestic transfers. Employment growth was modest and youth employment fell, but job quality improved on some measures, with a move out of unpaid family work and higher real pay, especially for the lowest-paid. Labour productivity grew rapidly. The sectoral picture is less even. Labour left agriculture, as is typical of structural transformation, but most employment generation took place in services with low or falling productivity, and the productivity gains were concentrated in a few sectors.

Several questions remain for further work: what lies behind the growth of domestic transfers, which would require item-level survey data; how the output of finance is compiled at sector level; and how these patterns differ across regions. On the evidence available, the priority for policy is to make the gains last by raising the income that families earn from work. This requires policies, such as those set out in the draft GA Roadmap, to ensure that the ongoing structural transformation is productivity-enhancing, creates more and better jobs with social protection in the sectors absorbing labour, and builds a resilient economy in the Philippines over the long term.

Acknowledgements

The authors would like to thank André Bongestabs, André Gama, Thu Huong Ngo, Ma. Lourdes Rivera, Christian Viegelahn and Sandra Yu for their valuable comments and suggestions on this brief and Minette Rimando for her support in its publication and dissemination. The analysis also benefited greatly from discussions with colleagues from the Department of Labor and Employment (DOLE), the Department of Economy, Planning, and Development (DEPDev), the United Nations Development Programme (UNDP), the Asian Development Bank (ADB), the United Nations Country Team (UNCT) and the World Bank Group (WBG) in the Philippines in October 2026.

This work was undertaken by the authors as part of the implementation of the Global Accelerator on Jobs and Social Protection for Just Transitions in the Philippines. The authors acknowledge the financial support provided through the ILO project "Delivering on national commitments: Korea's support to the implementation of the Global Accelerator" by the Ministry of Employment and Labor of the Government of the Republic of Korea.

The authors are particularly grateful to Sangheon Lee and Khalid Hassan for their leadership and support throughout the preparation of this brief. Finally, the authors wish to express their appreciation to colleagues in the ILO Country Office for the Philippines for their support and coordination of this work.

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ILO. *The 2025 poverty decline in the Philippines: A labour market reading*, Research brief, Geneva: International Labour Office, 2026. © ILO. https://doi.org/10.54394/00035837

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