

*Housing Insecurity and Economic Development:  
A Case Study of Informal Settlements in Manila, Philippines*

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**Abstract**

The city of Manila, Philippines faces a severe housing crisis. Due to the Philippines' unusual combination of rapid economic growth, uneven regional economic development, lack of affordable housing, and low per capita incomes, it is estimated that Manila has the most number of homeless people of any city in the world. Consequently, the government must address the housing situation to ensure the long-term viability of the city. This paper argues that two mechanisms work in tandem to generate the informal settlement issue: the lack of economic opportunity outside Manila, which has become a driving force behind rural to urban migration, and the lack of affordable housing within the city to support new inhabitants. In order to address this, the government must adopt a two-pronged strategy of both increasing access to affordable housing in the city and simultaneously creating economic opportunities in the countryside to reduce the need for migration in the first place. Doing so would solve both a humanitarian and economic crisis.

Keywords: Informal Settlements, Housing Insecurity, Economic Development

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## Introduction

Manila is one of the most densely populated cities in the world. According to CityMayors Statistics, a global source for urban statistics, there were 27,307 people per square mile living in Manila in 2019, making it the 15th most densely populated city in the world.[1] This figure exceeds that of global population epicenters such as Bangalore and Jakarta, while approaching the levels of New Delhi and Beijing.[2] As one of the fastest growing economies in Asia, the Philippines sees legions of migrants from across the country flock to Manila each year in search of better opportunities, leading to overcrowding in the city. However, the city lacks the affordable housing and physical infrastructure necessary to handle this inflow of migration. As a result, Manila carries more than 1.6 million informal settlers, comprising almost a third of the city's population.[3] Unsurprisingly then, informal settlements or "slums" have become a pervasive feature of the city's landscape, populated mostly by low-income migrants from rural areas or their descendants.

This is problematic for two reasons. First, the lack of affordable housing means that informal settlers, almost by definition, live in squalid conditions, either in ramshackle tin homes built on public land, or in exotic locations such as below bridges, along waterways, or even in public cemeteries, alongside the graves of long-dead people.[4] These poor living conditions prevent informal settlers from actualizing their human potential. Because they do not have proper homes, they live in a constant state of insecurity, fearful of being evicted from their residences, which discourages them from making investments in businesses or in the education of their children. As a result, their lack of integration into formal city life makes it difficult for them to become economically productive and contributing members of society. Second, the presence of informal settlements across the city has provoked tension among the city's residents. Many residents complain that informal settlers often engage in crimes such as theft and substance abuse, making Manila an unsafe place to live. Others say that their presence "dirties" the city because these settlements, which tend to be located in highly visible areas, are disorganized and unsightly to look at. Still others say that Manila is already overpopulated and operating beyond capacity and that the city would be better off if informal settlers were to leave and return to where they came from. This combination of housing insecurity as well as hostility and ostracism from the city's existing residents further compounds the already multitudinous challenges informal settlers face, especially those moving for the first time to Manila.

Consequently, there is a need to address the housing crisis in the city. In this paper, I argue that two mechanisms work in tandem to generate the informal settler problem: the lack of economic opportunities outside Manila which motivates rural to urban migration and the lack of affordable housing within the city to support its inhabitants. In order to address this issue, I propose a two-pronged strategy in which the government both increases access to affordable housing in the city while simultaneously creating economic opportunities in the countryside to reduce the need for migration in the first place. This would help to stabilize the precarious situation of existing informal settlers in Manila as well as tackle the underlying cause of rural migration into the city. In order to develop these ideas, this paper will proceed in three parts. First, I will discuss the uneven development of the Philippines that has led to the overdevelopment of Manila and the subsequent underdevelopment of rural areas. Second, I will talk about the housing situation in Manila, paying particular attention to housing affordability in the formal housing market. Finally, I will discuss a policy intervention that I believe will provide both short-term relief as well a long-term solution to the informal settler problem in Manila.

## **Lack of Economic Opportunity Outside Manila**

The first major reason for the proliferation of informal settlements in the city is the lack of economic opportunity outside Manila. The Philippines suffers from a highly uneven pattern of economic development in which almost all of the country's economic centers are located in Manila. In particular, the central business districts of Makati, Ortigas, and Bonifacio Global City, where most companies and multinational corporations can be found, are all located in metropolitan Manila. Moreover, virtually all national government agencies, shopping malls, theaters, and major universities are also found in the capital city, leading it to become the country's economic, political, and cultural center of gravity. As a result, Manila has become significantly wealthier than the rest of the country.

According to the most recent data from the Philippine Statistics Authority (PSA), the National Capital Region, which is another name for metropolitan Manila, had a GDP of PHP 6.8T in 2022, accounting for 31.2% of national GDP; this is more than double that of the second ranked region, Calabarzon, which is immediately adjacent to Manila, and had a GDP of PHP 3.1T, as well as triple that of the third ranked region, Central Luzon, which is also immediately adjacent to Manila, and had a GDP of PHP 2.3T.[5] It is also more than twenty times that of Bangsamoro, the poorest region in the country, whose GDP stood at a comparatively paltry PHP 326B, and is located at the southern tip of the country, far away from Manila in the north.[6] In fact, looking at the numbers, it is evident that, in general, as a region gets farther away from Manila geographically, it also becomes economically less productive.

	<b>GDP at Current Prices, in thousands of Philippine Pesos</b>
	<b>2022</b>
National Capital Region (NCR)	6,888,962,938
Cordillera Administrative Region (CAR)	365,945,436
Region I (Ilocos Region)	729,474,685
Region II (Cagayan Valley)	455,743,088
Region III (Central Luzon)	2,367,265,679
Region IV-A (CALABARZON)	3,140,807,481
MIMAROPA Region	453,006,892
Region V (Bicol Region)	645,753,789
Region VI (Western Visayas)	1,133,925,246
Region VII (Central Visayas)	1,406,272,534
Region VIII (Eastern Visayas)	512,903,347
Region IX (Zamboanga Peninsula)	490,297,996
Region X (Northern Mindanao)	1,070,688,541
Region XI (Davao Region)	1,095,713,673
Region XII (SOCCSKSARGEN)	564,216,855
Region XIII (Caraga)	376,765,344
Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)	326,771,477
Philippines	22,024,515,001

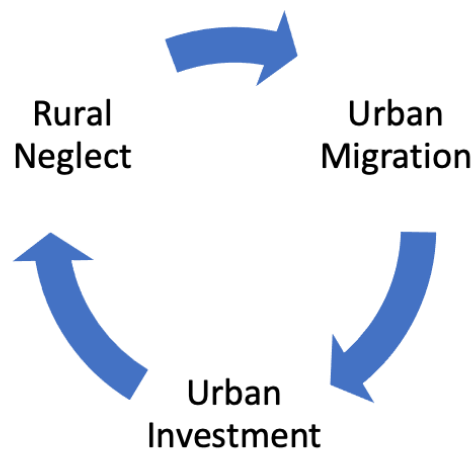
**Figure 1. Regional GDP in the Philippines, 2022  
(taken from the Philippine Statistics Authority)**

This inequality is borne out not just in total output, but also in income per capita. In 2022, metropolitan Manila had a GDP per capita of PHP 487,933.[7] This accounted for almost

250% of the national average. By comparison, the next closest region, Northern Mindanao, had a per capita income of just PHP 208,753, less than half that of Manila; the equivalent figure for the poorest region, Bangsamoro, was PHP 66,423, more than seven times less than that of Manila.[8] To put these numbers into perspective, the per capita income (PPP) of Manila is similar to that of Chile, one of the wealthiest countries in Latin America, whereas the per capita income of Bangsamoro is similar to that of Rwanda, a war-torn country in sub-Saharan Africa.

Given the disproportionate share of the country's wealth being located in Manila, it is unsurprising that the city has become a magnet for migrants from across the country in search of a better life. According to a survey from the PSA, more than four million people had migrated to Manila from other regions in 2018, the largest inter-regional migration flow for the year; this represented almost one-third of the city's population in the same year.[9] The same survey also found that there were seven times more rural to urban migrants in the country than there were urban to rural migrants, providing further evidence that much of domestic migration in the country is from the countryside to the urban economic centers.[10]

Compounding the situation is a lack of investment from both local and foreign investors in the countryside. Data from the PSA showed that, in 2021, investments in metropolitan Manila and the adjacent regions of Central Luzon and Calabarzon accounted for almost half of total investments in the country; by comparison, Bangsamoro received a paltry 0.4% of all investments in the same period.[11] This inequality in regional investment leads to a self-perpetuating cycle of rural neglect, urban migration, and urban investment, in which underdeveloped regions are ignored, people migrate away from these regions to the booming cities, and the cities receive more attention and economic resources as a result.



**Figure 2. Vicious Cycle of Uneven Development**

### **Lack of Affordable Housing in Manila**

The second major reason for the pervasiveness of informal settlements in Manila is the lack of affordable housing in the city. According to the most recent data from Expatistan, a global source of cost of living statistics, as of July 2023, the monthly rent for a furnished studio apartment in a “normal”—meaning not expensive—part of Manila is around USD 316.[12] By comparison, the monthly per capita income in the Philippines is around USD 302.[13] This disparity between housing costs and monthly wages virtually ensures that a large share of the

city's population will be priced out of the formal housing market. This will be especially true for many rural to urban migrants, particularly those who are unskilled and lack formal education.

Because many migrants from the countryside are undereducated, they generally hold jobs that pay poverty-level wages, if they are fortunate enough to find a job at all. At the time of this writing, the non-agricultural minimum wage in Manila was around USD 11.22 per day or USD 243.18 per month, much less than what is needed to afford the monthly rent in the formal housing market.[14] And many migrants do not even receive that much; a substantial share of migrant workers find employment outside the formal sector, whose wages are often far below that of the minimum. The most recent labor force survey from the PSA showed that 37.2% of the population currently works in occupations that can be classified as “vulnerable”—meaning less likely to be part of a formal work arrangement.[15] Taken together, these facts imply that not only is working a formal sector minimum wage job not enough to afford the monthly rent in Manila, but that more than a third of workers do not even have a formal sector job in the first place, making the formal housing market all the more out of reach.

It is no wonder then that many workers, including many migrant workers, have little choice but to live in informal settlements. These slums or “squatters areas” as they are colloquially known are ubiquitous throughout the city and can be found adjacent to many of the city's premiere economic zones, where employment opportunities are abundant. Although they are widely regarded as substandard and synonymous with poor living conditions, they are often the only type of housing that is within the budget constraint of a large share of Manila residents, and they are often located in areas where people can get jobs and earn a living, leading to their proliferation throughout the city. Until the housing affordability issue is addressed in Manila, and until Manila continues to become a magnet for migrants from across the country, informal settlements will continue to pervade the landscape of the city.

### **Policy Intervention**

In order to address the informal settlement problem in the city, I propose a two-pronged policy intervention. This approach recognizes that there are both short-term and long-term dimensions to this issue, and that the only way to truly solve the problem is to tackle both its immediate and underlying mechanisms. The first intervention will seek to address the immediate cause of the issue, which is the lack of housing affordability in Manila, and the second intervention will seek to address the underlying cause of the issue, which is the lack of economic opportunity outside the capital.

First, the government should provide subsidies to low-income workers to rent unoccupied apartments. Due to the unique structure of Manila's economic development, there is actually a relative abundance of unoccupied housing scattered throughout the city. A large number of Filipinos are working overseas (more than two million in 2019, according to the PSA)[16] and the country is heavily reliant on their remittances (almost 10% of GDP, according to the World Bank).[17] Many of these overseas workers, who earn in foreign currencies and have stronger purchasing power than local workers, engage in real estate speculation in the local housing market by investing in condominium units built by major real estate developers. This drives up the prices of these units but often leaves them unused, leading to a large supply of unoccupied housing throughout the city.

Due to this mismatch between market supply and demand, there is a natural avenue for the government to step in and correct this market failure. By providing subsidies to help low-income workers afford the rent, the government is able to provide affordable housing to city dwellers without having to construct new housing of its own. Under this proposal, informal settlers will receive housing vouchers from the government to offset the price of the monthly rent. The exact peso amount of this voucher will be determined by the government, taking into account rental prices, incomes of informal settler households, the number of available unoccupied units, and the budgetary amount Congress will be willing to provide towards this project. This amount will be adjusted annually via a series of follow-up studies, taking into account the aforementioned factors as well as inflation. If done properly, this intervention will provide real estate companies and speculators with revenue for their properties, reduce the number of slum dwellers and informal settlers throughout the city, and help people who suffer from housing insecurity find a proper home.

Second, the government should play a leading role in developing the countryside, with the goal of creating economic opportunity outside Manila and addressing the uneven development of the country. In particular, it should reallocate public investments in future infrastructure projects away from Manila and towards neglected rural areas. It should invest in special economic zones in major population centers outside Manila and create incentives for local and foreign investors to reallocate their investments towards these areas. It should increase investment in tourism outside Manila in order to create viable career opportunities in the local tourism industry for workers outside the capital. Finally, and perhaps most drastically, it should consider moving major government offices and public universities outside Manila in order to incentivize out migration from the city. Taken together, these steps will go a long way towards rebalancing development throughout the country, decongesting Manila, and reducing the need to create informal settlements in the city.

## **Conclusion**

The informal settlement problem is not unique to Manila, but it is felt more acutely there than in many other cities in the world. Due to its unusual combination of rapid economic growth, uneven regional economic development, local real estate speculation, lack of affordable housing, and low per capita incomes, some charities estimate that Manila has the most number of homeless people of any city in the world.[18] Consequently, there is a pressing need to address this problem in order to ensure the long-term viability of the city. By adopting the two-pronged policy approach offered in this paper, the government will be able to solve both a humanitarian crisis, in the form of mass homelessness and housing insecurity, and an economic crisis, in the form of uneven regional development and lack of economic opportunity. Doing so will be a victory not only for slum residents, who will now be able to find a proper home, but also for existing city residents, who will enjoy less congestion, less taxed public infrastructure, and an overall higher quality of life.

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