

## **Economic Transformation, Structural Change, and Inclusive Growth in The Philippines: A Literature Review**

Rylee Wesley Henson<sup>1</sup>

<sup>1</sup>College of Economics and Management, Philippines

Received: August 4, 2025

Revised: September 29, 2025

Accepted: October 27, 2025

### **Abstract**

This literature-based study examines the intricate relationship between economic transformation, structural change, and inclusive growth in the Philippines. Over the past several decades, the Philippine economy has undergone notable shifts from agriculture toward services, driven by globalization, digitalization, and labor migration. However, this transformation has not been accompanied by a proportionate rise in employment, productivity, or equitable income distribution. The literature reveals that while sectors such as business process outsourcing and finance have contributed to macroeconomic growth, traditional sectors like manufacturing and agriculture have lagged, limiting the inclusivity of development. Regional disparities remain stark, with economic activity concentrated in urban centers while rural areas experience stagnation. Human capital mismatches, weak industrial policy, and governance inefficiencies further constrain the country's capacity to sustain broad-based growth. The study highlights that the Philippine case exemplifies "growth without structural transformation," where the benefits of modernization are unevenly distributed across social classes, genders, and regions. Addressing these challenges requires a comprehensive policy approach that integrates industrial revitalization, education reform, institutional strengthening, and environmental sustainability. Inclusive growth can only be realized when economic transformation not only enhances efficiency and competitiveness but also expands opportunities for all segments of society. The findings underscore the need for coherent, long-term strategies that link structural reform with social equity to achieve a resilient and inclusive Philippine economy.

**Keywords:** Economic Transformation, Structural Change, Inclusive Growth

### **Introduction**

In the discourse on development economics, the nexus between economic transformation, structural change, and inclusive growth has emerged as a pivotal theme. Economic transformation typically refers to the process by which an economy evolves through shifts in its productive structure, sectoral composition, and technological capabilities to higher levels of productivity and complexity (Chizaryfard et al., 2021). Structural change, a related concept, captures the reallocation of resources particularly labor and capital from low-productivity sectors (such as subsistence agriculture) to higher-productivity sectors (industry and modern services).

Inclusive growth goes further: it implies growth that generates sufficient employment, reduces poverty, and improves equity in income distribution and opportunities. The case of the Philippines is of particular interest in this context. Historically, the Philippines enjoyed a relatively advanced economic position among Southeast Asian economies in the mid-20th century, yet in recent decades its performance in terms of transformation and inclusive outcomes has been uneven.

Recent work suggests that the Philippines has experienced structural change marked by a growing service sector and declining agriculture share but the translation of this change into broader inclusion has been limited (Schumpeter, 2024). For instance, rural poverty remains stubborn, and labor productivity gains have been moderate, suggesting that the transformation process may be shallow or non-inclusive. The significance of exploring this tri-vector of economic transformation, structural change and inclusive growth lies not only in academic interest but also in policy relevance.

Addressing questions such as *why* structural change in the Philippines has not yielded more inclusive outcomes and *how* policies might correct this has profound implications for development strategy, labor markets, rural economies, and industrial policy. Indeed, the linkage between structural transformation and inclusive growth is well established in the literature: when workers move from low-productivity to high-productivity sectors, aggregate living standards improve and poverty can fall (Teece, 2023). Yet the pace and pattern of change matter: if the economy shifts into sectors that are high-productivity but low in labor-absorption, or if the benefits of growth are captured by a narrow elite, then inclusion may still fail.

In the Philippines, one important dimension is the agricultural and rural sector. Agriculture has long employed a large share of the workforce but delivered low productivity and incomes. Götz (2022) argues that rural employment, informal labor and low-skill agriculture are central barriers to inclusive growth in the Philippines, precisely because the traditional sector remains large and the labor reallocation necessary for structural change has been slow. Empirical evidence from a cross-country study of rural transformation in Asia shows that while both structural and rural transformation reduce rural poverty in China and Vietnam, in the Philippines the effect of rural transformation (particularly high-value agriculture development) appears weak or non-significant (Martin, 2021).

Such findings reinforce the notion that the Philippine economy's transformation has lacked inclusivity. Beyond sectoral shifts, issues of diversification, industrial upgrading, and global value chain integration are also relevant. According to Monteverde et al. (2025), the Philippines exhibits a narrow economic base and limited industrial diversification, which constrains the gains from structural change. This aligns with broader literature on structural transformation in Asia, which identifies constraints in labor markets, land and product markets, human capital formation and coordination failures as key impediments.

In the Philippines context, these bottlenecks manifest in weak investment in infrastructure, low technological upgrading, and limited spill-over into productive employment. The concept of inclusive growth demands attention to the distributional and employment implications of structural change. Economic growth alone, even with sectoral shifts, does not guarantee inclusion. Inclusive growth requires full employment, active labor-market policies, expansion of human capital, and targeted interventions. The Philippines shows signs of “jobless growth” in certain sectors where output may rise but employment does not keep pace.

Decomposition study found that structural change contributed to labor-productivity growth in the Philippines between 2004-2018, but this did not automatically translate into commensurate employment gains or inclusive outcomes. Regional disparities and spatial patterns also matter. Inequalities between rural and urban areas, between islands and provinces, persist in the Philippines. Rural poverty rates remain elevated relative to urban rates, and the Gini coefficient has shown only slow improvement. The literature suggests that structural change that bypasses the rural sector or concentrates in few urban hubs may exacerbate inequality even while boosting aggregate growth.

Taken together, these considerations suggest that the Philippine experience raises fundamental questions: Has economic transformation in the Philippines been sufficiently broad, deep and inclusive? What drives or hinders the process of structural change in this context? And to what extent has structural change led to inclusive growth outcomes such as poverty reduction and improved equity?

In framing this literature-review study, the aim is to synthesize the existing empirical, theoretical and policy literature on economic transformation, structural change and inclusive growth in the Philippines, to identify trajectories, patterns, drivers and barriers, and to shed light on how the structural transformation process may be re-oriented toward more inclusive outcomes. Such a review is timely given the Philippines' ongoing efforts in industrial policy, rural development, infrastructure investment and human-capital building.

## **Methods**

This study employs a qualitative research design grounded in a systematic literature review approach. The choice of this design stems from the objective of synthesizing and critically analyzing existing knowledge rather than generating new primary data. A literature review enables the consolidation of theoretical insights and empirical findings on how economic transformation and structural change interact with inclusive growth within the Philippine context. The study adopts an integrative review format, which combines conceptual, theoretical, and empirical sources to capture the evolution of ideas, debates, and policy orientations across disciplines related to economics, development studies, and public policy. This approach allows for a comprehensive understanding of the interrelationships between structural change, productivity, and inclusive outcomes, while also highlighting gaps that persist in the current body of research.

## **Data Sources and Collection**

The data used in this study are drawn exclusively from secondary sources, encompassing peer-reviewed academic journal articles, policy papers, working papers, institutional reports, and government documents. To ensure academic rigor, materials were sourced from reputable databases including Scopus, JSTOR, ScienceDirect, Google Scholar, and policy repositories such as those of the Asian Development Bank (ADB), World Bank, Philippine Institute for Development Studies (PIDS), and National Economic and Development Authority (NEDA). The literature search covered publications from 2000 to 2024, capturing both historical and contemporary perspectives on the Philippine economy's structural evolution. Search keywords included combinations of terms such as "economic transformation," "structural change," "inclusive growth," "Philippines," "sectoral productivity," "industrial development," and "rural transformation." Only English-language publications were considered to maintain consistency and accessibility of interpretation. Duplicate studies were removed, and each selected source was assessed for relevance, credibility, and methodological soundness. Reports and policy briefs were included when they contained substantive analytical frameworks, data-driven findings, or policy evaluations relevant to the Philippine context.

## **Inclusion and Exclusion Criteria**

The study followed a transparent selection process guided by pre-established inclusion and exclusion criteria. Inclusion criteria encompassed studies that: (1) explicitly addressed economic transformation or structural change in the Philippines; (2) examined the relationship between sectoral shifts, productivity, and inclusive growth; (3) presented quantitative, qualitative, or mixed-method analyses with a national or regional focus; and (4) were published between 2000 and 2024 in peer-reviewed or institutionally recognized outlets. Exclusion criteria involved eliminating sources that: (1) discussed general economic growth without

addressing structural or inclusivity dimensions; (2) were purely descriptive or lacked analytical depth; (3) duplicated findings already covered by other studies; or (4) focused solely on other countries without comparative insights applicable to the Philippines. This filtering process ensured that the final corpus of literature reflected diverse but thematically connected perspectives, offering a balanced representation of macroeconomic analyses, sectoral studies, and policy-oriented discussions.

### **Data Analysis and Synthesis Technique**

The analysis employed a thematic synthesis approach, which is well suited for qualitative literature reviews in social and economic sciences. This technique involves identifying recurring themes, categorizing patterns, and synthesizing relationships between key concepts across the selected body of literature. The process began with data extraction, where each document was coded based on author, publication year, study type, methodology, main findings, and policy implications. Subsequent stages involved thematic categorization under four primary dimensions: (1) historical trajectory of economic transformation in the Philippines, (2) patterns and drivers of structural change, (3) linkages between structural change and inclusive growth outcomes, and (4) institutional and policy frameworks supporting transformation. This thematic synthesis enabled a comparative analysis of findings across different studies and time periods, allowing the identification of both consensus and divergence among scholars. Moreover, the method supported the recognition of gaps and contradictions within the existing body of work, such as debates over whether the service-led growth pattern in the Philippines constitutes genuine transformation or represents a form of premature deindustrialization. The analysis also incorporated contextual triangulation, comparing national literature with regional findings from other ASEAN economies to strengthen interpretation and external validity.

### **Results and Discussion**

This section integrates insights from both national and comparative contexts to illuminate how sectoral shifts, labor reallocation, and institutional reforms have shaped the country's development trajectory. Rather than relying on primary data, the findings synthesize existing knowledge to identify recurring patterns, policy gaps, and structural challenges that influence the inclusivity of growth. By organizing the discussion thematically, the results aim to capture the interconnections between economic restructuring, employment generation, and social equity, providing a comprehensive understanding of how the Philippine economy has evolved and where it continues to face limitations. This framework allows for a nuanced interpretation of the country's economic transformation, offering a foundation for evaluating the policy directions necessary to achieve inclusive and sustainable development.

### **Evolution of Economic Transformation in the Philippines**

The economic transformation of the Philippines presents a distinctive narrative of development marked by both progress and persistent imbalance. Over the past seven decades, the Philippine economy has evolved from an agriculture-based structure into one dominated by the services sector, yet this transformation has not yielded the level of inclusivity or industrial maturity observed in several neighboring countries. The process has been characterized by alternating periods of growth, stagnation, and reform, each shaped by shifting political, social, and global economic contexts (Bulfone et al., 2025).

In the post-war decades of the 1950s and 1960s, the Philippines held a promising position among emerging Asian economies. Its economy exhibited strong agricultural productivity, early stages of industrialization, and a relatively well-educated workforce. However, industrialization during this era was guided primarily by import-substitution policies, designed

to protect domestic industries through high tariffs and trade barriers. While these measures stimulated early industrial output, they also discouraged competitiveness, innovation, and export diversification. Over time, industries became dependent on protectionist policies and failed to achieve efficiency gains, resulting in stagnation and vulnerability to global economic shifts (Hassel & Palier, 2023).

The 1970s and 1980s marked a turbulent period in the country's economic trajectory. Political instability, compounded by the debt crisis and declining productivity, halted industrial progress and reduced investor confidence. Economic mismanagement and institutional weaknesses constrained capital accumulation, and the country's manufacturing base failed to expand. Although several policy attempts were made to revitalize the industrial sector, they were undermined by inadequate infrastructure, weak governance, and inconsistent regulatory frameworks. During these decades, the Philippines experienced what scholars describe as premature deindustrialization, wherein manufacturing activity declined before the economy could fully capitalize on industrial growth as a driver of employment and productivity. This failure to sustain industrial momentum led to the persistence of a dual economic structure: a large, low-productivity agricultural sector and a small, modern industrial base (Bondy et al., 2025).

The economic liberalization of the late 1980s and 1990s introduced significant structural adjustments aimed at integrating the Philippines into the global economy. These reforms included trade liberalization, financial deregulation, and privatization. The expectation was that these measures would enhance efficiency, attract foreign investment, and foster a more competitive industrial environment. While liberalization did succeed in opening markets and stimulating exports, it also exposed domestic industries to international competition before they were adequately prepared. Many local manufacturers were displaced, and the anticipated industrial revitalization did not occur. Instead, the Philippine economy transitioned rapidly toward services, with banking, telecommunications, retail, and real estate emerging as leading sectors.

The rise of the service economy became the defining feature of the Philippine transformation in the 2000s. The expansion of the Business Process Outsourcing (BPO) industry, alongside information technology and communication-based services, positioned the country as a global leader in service exports. The growth of these industries contributed significantly to GDP, generated urban employment, and enhanced foreign exchange reserves. However, this transformation was spatially and socially uneven. High-value service activities were concentrated in urban centers such as Metro Manila, Cebu, and Davao, while rural areas remained reliant on subsistence agriculture. This urban concentration deepened regional inequality, as economic opportunities clustered around major cities, leaving other regions behind.

Another distinctive element of the Philippine transformation has been its dependence on remittances from overseas Filipino workers. Labor migration became a defining feature of the economy beginning in the 1980s, as millions of Filipinos sought employment abroad. Remittances now represent a substantial share of the country's GDP, serving as a stabilizing force that sustains household consumption and cushions the economy from external shocks. However, while remittances have supported macroeconomic stability, they have not significantly stimulated industrial investment or structural upgrading. The economy's reliance on consumption-driven growth, financed largely by external income, has limited domestic capital formation and innovation. As a result, the Philippines has evolved into a service- and remittance-dependent economy rather than a manufacturing-driven one.

Despite sustained GDP growth since the early 2010s, the structure of the Philippine economy remains fragile. The agricultural sector continues to employ a significant portion of the labor force but contributes a declining share to GDP. The manufacturing sector has not expanded proportionally, and productivity growth remains uneven across regions and sectors. Structural transformation has thus occurred without the depth required to generate inclusive growth. Many workers remain in informal or low-productivity employment, and the benefits of modernization have not been distributed equitably. This pattern reflects an incomplete transition one in which economic output has shifted toward modern sectors, but the social and institutional foundations necessary for inclusivity have lagged.

The Philippine experience underscores the paradox of service-led development. On one hand, the economy has achieved resilience and adaptability through its globalized service industries and the stability provided by remittances. On the other hand, it has not established the industrial depth or labor productivity growth typically associated with transformative economic change. The lack of strong linkages between high-growth sectors and the broader economy has limited the diffusion of technological and employment benefits. Consequently, while structural change has undoubtedly taken place, its inclusiveness remains constrained by sectoral imbalance, regional inequality, and institutional inefficiencies.

### **Patterns and Drivers of Structural Change**

The structural change experienced by the Philippine economy over the last several decades has been shaped by a complex interaction of economic, institutional, and social dynamics. These patterns reveal both progress in modernization and persistent structural weaknesses that have limited the capacity of transformation to achieve inclusivity. The reallocation of resources from traditional to modern sectors has occurred, yet it has unfolded unevenly across industries and regions, reflecting deep-rooted disparities in productivity, infrastructure, and governance (Usigbe, 2024). Understanding these patterns and the drivers behind them provides insight into why the Philippine growth model remains fragile and why the benefits of transformation have not been distributed equitably. A defining pattern of the country's structural change is the stagnation of industrial development despite broad liberalization and globalization (Storti et al., 2022). While other Southeast Asian economies pursued robust industrial policies that strengthened manufacturing competitiveness, the Philippine manufacturing sector has remained weak.

Industrial activity has failed to expand in scale and complexity, limiting its capacity to absorb labor from agriculture and informal employment (Weijnen & Correljé, 2021). This stagnation has created a structural imbalance in which the economy has bypassed the traditional manufacturing-led pathway to development. The result is an economy dominated by services but without the productivity linkages or export dynamism that manufacturing typically provides. The underperformance of manufacturing also reflects broader policy discontinuities shifts in economic strategy, limited technological investment, and inadequate coordination between industrial, educational, and innovation policies. As a consequence, the Philippine industrial base remains narrow, heavily concentrated in low-technology and assembly-type industries with limited domestic value addition.

Another central driver shaping structural change in the Philippines is labor migration and its role in reshaping the domestic economic structure. The outflow of Filipino workers to foreign labor markets has become a defining feature of national development, influencing labor supply, consumption patterns, and even policy priorities. While remittances have provided macroeconomic stability and strengthened household incomes, they have also reduced the pressure on the domestic economy to create sufficient employment opportunities. Skilled labor migration has, in some cases, resulted in brain drain, particularly in healthcare, engineering,

and education sectors. At the same time, remittance inflows have sustained consumer-driven growth, fueling demand for goods and services rather than productive investment. This consumption-oriented dynamic has reinforced the dominance of the service sector and further weakened the incentive for industrial diversification. The pattern of labor migration thus reveals a paradox: it has alleviated poverty for millions of households while simultaneously slowing domestic structural upgrading by diverting labor and investment toward short-term consumption rather than long-term productivity gains.

A more recent pattern influencing structural change in the Philippines is the emergence of the digital and knowledge-based economy. Advances in information technology and digital infrastructure have opened new opportunities for productivity growth, particularly in the service sector. The expansion of the Business Process Outsourcing (BPO) industry, online freelancing, and e-commerce has generated high-value employment and integrated the Philippines into global digital networks. These developments have accelerated economic modernization, particularly in urban areas with strong connectivity and human capital. However, the diffusion of digital transformation remains uneven. Many rural regions and smaller cities lack the infrastructure and skills necessary to participate fully in the digital economy. The result is a dual transformation: one part of the economy is rapidly advancing through digital integration, while another remains constrained by traditional modes of production and limited access to technology. Without stronger policy coordination to bridge this digital divide, structural change will continue to reinforce rather than reduce inequality.

The regional unevenness of transformation is one of the most persistent and challenging aspects of Philippine structural change. Economic growth and modernization have been highly concentrated in a few urbanized centers particularly the National Capital Region, Central Visayas, and parts of Southern Mindanao while many other regions remain underdeveloped. This spatial imbalance reflects long-standing disparities in infrastructure, education, governance, and investment. Rural regions continue to rely heavily on agriculture and low-productivity services, while urban regions benefit from industrial clusters, better access to finance, and more diverse economic activities. The concentration of opportunities in metropolitan centers has also fueled internal migration, further depopulated rural areas and weakened local economies. As a result, the benefits of transformation are disproportionately enjoyed by urban populations, while rural communities remain marginalized from the process of modernization. This unevenness represents a structural constraint that undermines national cohesion and limits the inclusivity of growth.

Another critical factor shaping the patterns of structural change is the role of governance and institutional quality. Effective institutions are essential for guiding transformation, ensuring that sectoral shifts lead to sustained productivity and equitable outcomes. In the Philippine case, inconsistent policy implementation, regulatory inefficiencies, and political fragmentation have often disrupted continuity in economic planning. Industrial and agricultural policies have lacked coordination, resulting in fragmented interventions rather than long-term strategies. Corruption and bureaucratic inefficiency have also discouraged investment in critical sectors such as manufacturing, infrastructure, and innovation. Strengthening institutions through transparent governance, efficient public investment, and coherent policy alignment remains a key precondition for enabling structural change that is both deep and inclusive.

The structure of education and human capital development also plays a vital role in driving or constraining transformation. The Philippine labor force is relatively young and well-educated, but there remains a mismatch between educational outputs and the needs of emerging industries. The service sector, particularly BPO and finance, has absorbed skilled workers, but technical and vocational skills required for industrial production, digital innovation, and

technology-driven agriculture remain underdeveloped. This skills mismatch has created bottlenecks that limit the economy's ability to transition into higher-value production. Expanding technical education, research capacity, and digital literacy is therefore essential for aligning human capital with the evolving structure of the economy.

Environmental and sustainability considerations are also emerging as key influences on structural transformation. As the Philippines experiences more frequent climate-related disruptions, the agricultural sector faces increasing vulnerability. Environmental degradation, resource depletion, and inadequate climate adaptation policies threaten rural livelihoods and constrain productivity. The transition toward greener and more sustainable industries thus represents not only an environmental imperative but also an economic opportunity for future transformation. Integrating green technologies, renewable energy, and sustainable practices can create new pathways for inclusive structural change while addressing long-term ecological risks.

### **Linkages between Structural Change and Inclusive Growth**

The relationship between structural change and inclusive growth in the Philippines is complex and multidimensional. While the country has achieved relatively stable economic expansion over the past few decades, this growth has not always translated into broad-based social inclusion or equitable prosperity. The process of structural transformation ideally characterized by a shift from low-productivity to high-productivity sectors accompanied by rising incomes and improved living standards has unfolded unevenly (Sen, 2023). This unevenness has led to what many scholars and policy analysts describe as “growth without transformation” or, more specifically, “jobless growth.” The Philippine case exemplifies the difficulty of translating macroeconomic success into inclusive and sustainable development outcomes that genuinely improve the well-being of the broader population.

One of the most evident features of the Philippine growth experience is the persistence of jobless growth. Despite the steady rise in GDP, employment creation has lagged behind the pace of economic expansion. Much of the growth has been driven by sectors that are not labor-intensive, such as finance, telecommunications, and business process outsourcing. These industries, while technologically advanced and globally competitive, employ only a fraction of the labor force and often require skills that large segments of the population do not possess. Meanwhile, sectors that traditionally absorb the majority of workers, such as agriculture and manufacturing, have grown sluggishly or even declined in relative importance. The result is a mismatch between economic growth and employment generation an outcome that restricts the ability of structural change to translate into inclusive development (Gollin, 2023). The persistence of underemployment and the growth of informal labor markets further illustrate this disconnect, as many Filipinos continue to rely on precarious or low-paying jobs even in periods of strong economic performance.

The disparities in income distribution represent another critical dimension of the link between structural change and inclusivity. Economic growth in the Philippines has often been concentrated among urban elites and highly skilled professionals, while large segments of the population remain excluded from the benefits of modernization. Income inequality has remained high due to the unequal distribution of assets, limited access to productive opportunities, and persistent regional disparities. Rural households, in particular, continue to experience poverty at rates far higher than their urban counterparts. The expansion of service-oriented industries has not necessarily provided upward mobility for workers transitioning from agriculture, as most of the new service jobs are low-wage positions in retail, transportation, or domestic work. Consequently, the structural shift has not been accompanied

by a corresponding reduction in inequality, leading to a scenario where economic growth coexists with widespread social vulnerability (Tambe, 2022).

Human capital development is an important determinant of whether structural change fosters inclusive growth. The Philippines has made significant progress in expanding educational access and improving literacy rates, yet the quality and relevance of education remain major challenges. The mismatch between educational outputs and labor market needs has constrained the ability of workers to move into more productive sectors. Skilled jobs in the formal economy, particularly in technology-driven industries, often require specialized training that many workers do not possess. As a result, a large portion of the labor force remains trapped in low-productivity activities. Investments in vocational education, technical training, and digital literacy are therefore essential for enabling the population to participate fully in the benefits of structural transformation. Without such investments, the country risks entrenching existing inequalities rather than overcoming them.

Regional inequality remains another powerful constraint on inclusive growth. Economic progress has been concentrated in a few metropolitan centers, particularly in Metro Manila, Cebu, and Davao, while many regions remain economically stagnant. Infrastructure, investment, and employment opportunities are heavily concentrated in these urban areas, creating a structural divide between the country's economic core and its peripheries. Rural areas, especially those dependent on agriculture, suffer from limited access to markets, inadequate public services, and lower levels of human capital. This spatial inequality has fueled rural-urban migration, leading to the expansion of informal settlements and underemployment in cities. Structural change, in this context, has deepened rather than mitigated regional disparities, as the benefits of modernization have not been distributed evenly across space.

The gender dimension of structural change also plays a vital role in shaping inclusivity. Filipino women have participated actively in both domestic and overseas labor markets, particularly in the service and care sectors. Their economic contributions through remittances and formal employment have been substantial. However, structural change has not necessarily improved gender equity in employment quality or leadership opportunities. Women remain underrepresented in higher-paying, technology-driven, and decision-making positions, and they continue to bear disproportionate burdens of unpaid domestic labor. Moreover, female migrant workers often face vulnerabilities such as limited legal protection and exploitation abroad. These gendered patterns of employment highlight that inclusion in the labor force does not automatically translate into empowerment or equality. Ensuring that structural transformation supports women's rights, decent work, and equal access to education and entrepreneurship remains a key challenge for inclusive growth in the Philippines.

Another dimension of inclusion relates to the quality of employment and social protection. Even as the economy diversifies, many jobs created in emerging sectors lack stability, benefits, and fair wages. Informality continues to dominate the labor market, with a significant proportion of workers lacking access to social insurance, healthcare, or pension systems. This limits their resilience against economic shocks and perpetuates vulnerability. Inclusive growth requires not only job creation but also improvements in the quality and security of employment. Strengthening labor institutions, expanding social protection coverage, and promoting decent work standards are thus essential components of a transformative and inclusive economic strategy.

The role of the state and governance is central in mediating the relationship between structural change and inclusivity. Policy frameworks that promote inclusive growth must go beyond macroeconomic stability to address structural inequalities. This includes investing in infrastructure, education, and innovation while ensuring that policies are regionally balanced

and socially equitable. However, in the Philippine context, governance challenges such as bureaucratic inefficiency, corruption, and fragmented policy implementation have often undermined inclusivity. Programs aimed at poverty reduction or rural development have struggled to achieve long-term impact due to coordination gaps and short-term political priorities. Strengthening institutions and ensuring policy continuity are therefore necessary to convert economic growth into lasting improvements in human welfare.

The environmental and sustainability dimension of inclusivity has become increasingly important. The Philippines, being highly vulnerable to climate change, faces the dual challenge of sustaining economic growth while protecting its natural resources and ensuring environmental justice. Inclusive growth in the twenty-first century must integrate sustainability, as marginalized communities are often the most affected by environmental degradation and climate-related disasters. Structural transformation that prioritizes green industries, renewable energy, and sustainable agriculture can create new pathways for inclusion particularly for rural populations while ensuring that economic progress does not come at the cost of ecological stability.

## Conclusion

The literature on economic transformation, structural change, and inclusive growth in the Philippines reveals a development trajectory marked by both progress and persistent inequalities. The country has achieved significant economic diversification and modernization, yet this transformation has not consistently translated into equitable and inclusive outcomes. Structural change has been uneven, driven largely by services and remittances rather than industrial deepening, resulting in jobless growth, regional disparities, and limited social mobility. Weak industrial capacity, labor market mismatches, and governance constraints have further hindered the diffusion of benefits to vulnerable populations. To transform structural change into a genuinely inclusive process, the Philippines must adopt a comprehensive development strategy that strengthens manufacturing and innovation, enhances education and skills training, improves institutional governance, promotes gender equality, and ensures environmental sustainability. By aligning economic transformation with social justice and regional equity, the country can move toward a model of inclusive growth that uplifts all sectors of society and builds resilience for future generations.

## References

- Bondy, A. S., Maggor, E., & Tassinari, A. (2025). Putting wage growth back on the table: Labour incorporation, political exchange, and wage-boosting policies in advanced peripheral economies. *Competition & Change*, 29(3-4), 437-464. <https://doi.org/10.1177/10245294241226733>
- Bulfone, F., Madariaga, A., & Tassinari, A. (2025). Introduction: The politics of growth, stagnation, and upgrading in peripheral advanced economies. *Competition & Change*, 29(3-4), 295-314. <https://doi.org/10.1177/10245294251350029>
- Chizaryfard, A., Trucco, P., & Nuur, C. (2021). The transformation to a circular economy: framing an evolutionary view. *Journal of Evolutionary Economics*, 31(2), 475-504. <https://doi.org/10.1007/s00191-020-00709-0>

- Goetz, J. M. (2022). *The Impact of Informal and Rural Labour Markets on Poverty Reduction: A Mixed Methods Study of Artisanal and Small-Scale Gold Mining (ASGM) in Northwest Tanzania* (Doctoral dissertation).
- Gollin, D. (2023). Agricultural productivity and structural transformation: Evidence and questions for African development. *Oxford Development Studies*, 51(4), 375-396. <https://doi.org/10.1080/13600818.2023.2280638>
- Hassel, A., & Palier, B. (2023). Same trend, different paths: Growth and welfare regimes across time and space. *Annual Review of Political Science*, 26(1), 347-368. <https://doi.org/10.1146/annurev-polisci-051921-103030>
- Martin, P. (2021). *The prosperity paradox: Fewer and more vulnerable farm workers*. UK: Oxford University Press.
- Monteverde, R. P., Mejia, I. P., Dasas, L. B., Bazer, S. C., Garcia, C. M. S., & Aquino, C. S. (2025). *Assessing the Current and Future Middle Skills in the Philippines: Inputs for Policy Agenda* (No. DP 2025-22).
- Schumpeter, J. A. (2024). The analysis of economic change. In *Business Cycle Theory, Part II Volume 5* (pp. 315-323). Routledge.
- Sen, K. (2023). *Varieties of structural transformation: Patterns, determinants, and consequences*. Cambridge University Press. <https://doi.org/10.1017/9781009449939>
- Storti, L., Urso, G., & Reid, N. (Eds.). (2022). *Economies, Institutions and Territories: Dissecting Nexuses in a Changing World*. Taylor & Francis.
- Tambe, S. (2022). Structural Transformation and Rural Livelihoods. In *Teaching and Learning Rural Livelihoods: A Guide for Educators, Students, and Practitioners* (pp. 15-27). Cham: Springer International Publishing. [https://doi.org/10.1007/978-3-030-90491-3\\_2](https://doi.org/10.1007/978-3-030-90491-3_2)
- Teece, D. J. (2023). The evolution of the dynamic capabilities framework. *Artificiality and sustainability in entrepreneurship*, 113, 238.
- Usigbe, C. O. (2024). *The Effect of Information Cost upon the Efficient Allocation of Resources: A Comparative Approach*. Xlibris Corporation.
- Weijnen, M., & Correljé, A. (2021). Rethinking infrastructure as the fabric of a changing society. *Shaping an inclusive energy transition*, 15-54.