A STUDY OF ACTIVE LABOR MARKET POLICIES AND PROGRAMS IN THE PHILIPPINES
(An evaluation and comparative assessment of selected ALMPs)

INTRODUCTION*

In evaluating the responsiveness of active labor market policies and programs (ALMPs), a good discussion of the labor market situation before and after a shock is necessary to provide the overall groundwork for the assessment. The shocks of the 1997 Asian financial crisis and the 1998 *El Niño* weather disturbance provide the context for this study. In this regard, an overview of the combined labor market impacts of the financial crisis and the *El Niño*, as well as the recovery process during the succeeding years shall be undertaken.

For this purpose, the following questions shall be asked: What happened in the labor market in terms of quantity and quality of employment? Have there been discernable changes in the magnitude and characteristics of the employed, underemployed and unemployed? Have there been discernable changes in the characteristics of employment contracts/work arrangements? What groups have recovered, and what groups have not? Did the crisis initiated new labor market trends or simply reinforced existing ones? Looking at the bottom line, what happened to the poverty situation? What has government done?

Given this, the evaluation of the selected ALMPs may now focus on how they impact especially on disadvantaged groups and in averting unfavorable labor market and poverty trends.

The overview of labor market and poverty trends shall be based on results of relevant surveys conducted by the National Statistics Office and the Bureau of Labor and Employment Statistics. These shall be supplemented by administrative data generated by various offices of the Department of Labor and Employment, and relevant research studies of scholars on the topic. A brief discussion of the government programs implemented in response to the labor market distress shall provide the take-off point for the individual in-depth case studies of selected ALMPs, as the latter are among the identified key employment programs under the former.

THE GROWTH-EMPLOYMENT LINK

The link between output and employment is straightforward and direct. An increase in output would imply an increase in the quantity and/or quality of employment, and a decrease in output would mean a decrease in the quantity and/or quality of employment. In other words, the employment effects of an economic boom or bust may not necessarily reflect in the numbers of open unemployment but could be

* Prepared by Gigette S. Imperial, Chief of the Employment Research Division of the Institute for Labor Studies, with research assistance provided by Ma. Veronica Hornilla, Dennis Cabato and Bobit Fesarillo.

hidden in the characteristics of available of work, such as conditions of work and standards of pay.

An economic crisis, whether triggered by natural calamities, wars, loss of confidence in government, an oil shock, a regional financial crisis, or world recession, is expected to result in a decline in employment growth and a corresponding rise in labor under-utilization. More obvious indicators of rising under-utilization of labor are higher unemployment and underemployment rates. A deteriorating employment situation may also be reflected in a growing number of employee lay-off and terminations, lower productivity and incomes, rising violations of labor standards, and expansion of non-regular or short-term employment contracts. Changes in trade union activity and overseas contract employment may also provide an additional dimension to the employment picture.

THE GROWTH TREND

Sustained growth, albeit modest, in the years before the 1997 Asian financial crisis have finally earned for the Philippines a “tiger cub economy” status. Optimism was brimming inside and out. The country was at last starting to shed off the image of an economic laggard in this part of the world. However, the Asian crisis and the 1998 *El Niño* attacks were so formidable that prospects for growth were stalled.

These boom-bust cycles are not new for the Philippine economy. After suffering from negative growth rates in the first half of the 80’s as a result of a world recession (triggered by the second oil shock), a balance of payments (BOP) crisis, and a political crisis (loss of confidence in Pres. Marcos), GDP grew at an average of 5.6 percent from 1987-89. The growth optimism generated in the second half of the 80’s was spoiled by a series of natural and man-made disasters at the outset of the 90’s: a strong earthquake, the Mt. Pinatubo eruption, the Gulf crisis, a fiscal crisis, and the power blackouts. Hence, while GDP managed to grow by 2.4 percent in 1990 *(Table 1a)*, the blows of the internal and external shocks were clearly registered in its -1.02 percent performance in the succeeding year.

A rising and sustained growth in 1992-96 brought back confidence in the economy. By 1996, GDP growth stood at 5.48 percent. The industry and services sectors were bullish, registering above 6.0 percent growth. Construction was growing at double digits (10.89 percent), the finance sector beyond 8.0 percent, and the utilities and transport sectors at above 7.0 percent *(Table 1b)*. Manufacturing and trade were growing at a modest 5.5 percent. Agriculture’s growth was respectable at 3.07 percent.

The 5.43 percent GDP growth in 1997 gave an impression of strength and stability, as the Philippines was believed to be least hit by the Asian financial crisis. Industry continued to grow at more that 6.0 percent, services at above 5.0 percent, and agriculture at beyond 3.0 percent. The construction boom continued at 16.18 percent. The transport sector further improved by 8.23 percent. Finance slowed down, but still registered a high of 7.99 percent. Growth in manufacturing, utilities, and trade were below 5.0 percent.

However, as experience would reveal, the impact showed after a one-year lag. The economy contracted by 0.54 percent in 1998. The drought-devastated agriculture sector led the fall at -6.64 percent. As investors waited and see, the credit crunch caused industry to drop by 1.91 percent, construction dived by 8.47 percent and manufacturing by 1.13 percent. Services held on at 3.51 percent. But all the services sub-sectors slowed down, with the finance sector growing by less than 3.0 percent from around 8.0 percent the previous years.

1999 appeared to have recovered (3.23 percent growth) and spilled-over in 2000 (4.18 percent growth for first-three quarters). Agriculture rebounded in 1999 with 6.57 percent growth, and settled down to 3.31 percent for the first-three quarters of 2000. Services further improved at 3.93 percent and 4.59 percent, respectively. While finance stagnated at around 1.0 percent and personal services decelerated, the trade and transport sectors rebounded. Although still teetering from the financial crisis, industry managed a 0.51 percent growth in 1999 before finally recovering during the first-three quarters of 2000 with a 4.12 percent growth. The mining, manufacturing, and the utilities sub-sectors finally picked up. Construction, however, continued to shrink.

The impacts of the Mindanao conflict and the current political turmoil on the economy are yet to be seen. But as trends in history would foretell, year 2001 could prove to be another major challenge even with an early and favorable resolution of the political crisis, given the expected *El Niño* and slowdown of the U.S. economy.

THE EMPLOYMENT TREND

EMPLOYMENT

Data indicate that GDP and employment are not always positively related. In 1991 and 1998, when GDP plunged, employment grew *(Table 2a)* suggesting that employment is actually sticky downwards (i.e., workers prefer to be employed rather than unemployed, and therefore would, as much as possible, find or create work especially in times of crisis). While economic growth was rising in 1993-95, employment growth was falling. In 2000, the number of employed persons declined even as the year posted one of the best economic performances over the decade.

In the 90's, employment grew every year. Employment growth peaked in 1996, relatively the best year for the economy, and almost stagnated in 1998, a negative-GDP-growth year. 1997 posted a second to best GDP growth, but registered one of the lowest employment growth rates. The lackluster performance of employment in 1997 is the result of the contraction in the agriculture sector that was somehow cushioned by expansions in the industry and services sectors. 1997, in fact, is the year when agriculture ceased to be the biggest employer as the services sector began to account for the biggest part of total employment *(Table 2b)*.

The services sector's contribution to GDP was more or less commensurate to its employment share. However, agriculture's share to GDP is just half its share to employment, while the reverse is true for industry. Industry's inability to absorb employment hints of a bias against labor in production. Meanwhile, agriculture's disproportionate employment share vis-à-vis output can be one reason for the high incidence of poverty in the rural areas, which will be discussed later.

Agriculture continued to shed jobs in 1998 as the *El Niño* peaked. Industry also gave in, as employment shrank beginning in the third quarter *(Table 2c)*. Negative rates were registered in the construction, manufacturing, and mining sectors *(Table 2d)*. Utilities slowed down from 11.9 percent to 7.6 percent. The services sector was the saving grace as it continued to expand beyond 5.0 percent in 1998. Employment growth was seen in all the services sub-sectors except finance, which fell by 2.3 percent.

Industry remained in distress in 1999, its output barely growing and employment shrinking. Employment in construction and mining continued to fall, while utilities and manufacturing barely grew. On the other hand, employment growth in services slowed down, particularly that of personal services. But these were compensated by a rebound in agricultural employment, which posted a 6.3 percent growth.

Moreover, while the economy looked good in 2000 (around 4.0 percent growth), employment unexpectedly shrank by 1.0 percent, a phenomenon which also happened in 1985 except that the economy was at its lowest at that time (employment growth at -0.85 percent, GDP growth at -7.3 percent following the previous year's -7.3 percent). Agriculture employment resumed its contraction (-5.5 percent), which is a normal course for an industrializing economy. Cause for concern is that industrial employment continued to recede (-1.3 percent) and that employment growth in services abated (2.9 percent) even as output in these sectors continued to expand. Construction remained on the slump. Manufacturing, utilities, and finance were negative.

UNEMPLOYMENT

While employment grew during the 90's, this did not translate into lower unemployment rates. During the recession years of 1991 and 1998, unemployment was at double digits (10.6 percent and 10.1 percent, respectively) and the immediate years following them likewise recorded high rates of 9.9 percent and 9.8 percent, respectively *(Table 3a)*. In the four good-GDP-growth years before the 1997 crisis, the unemployment rate averaged at 9.2 percent. 1997 actually proved to a better year with the unemployment rate at 8.7 percent. Meanwhile, the unemployment rate of 11.2 percent for 2000 (a good economic year) is comparable to that of 1985, a particularly distressful year.

Majority of the unemployed persons was male, comprising 54.6 percent in 1990 and rising to 61.2 percent in 1999 *(Table 3b)*. About half were young workers aged 15-24 years. One-third went to college, and another one-fourth had primary school. Six of ten workers were in the urban areas. There seems to be no significant change in the age, education and area distribution of unemployed workers between 1990 and 1999.

The unemployment rate for women, however, was higher than for men; younger workers higher than older ones; workers with college education higher than those with less years of school; and urban areas higher than rural areas. The unemployment rate for young workers aged 15-24 years was close to 20.0 percent; for workers aged 25-34 years, less than 10.0 percent; and for workers at least 35 years, about 5.0 percent. The unemployment rate for workers with college education was double than the rate for workers that had only primary education. The unemployment rate for urban areas, at 11.0 – 14.0 percent, was almost double than that of the rural areas. The unemployment rates were slightly higher during and the year after the recession years of 1991 and 1998, across gender, age and area.

Earlier studies of de Dios (1999) and Esguerra, et al (1999) concluded that the full impact or deep end of the financial crisis in terms of unemployment happened in October 1998. Both papers arrived at this conclusion by analyzing the change in the quarterly pattern of the unemployment and underemployment rates for the period 1996-98. They observed that in the fourth quarter (October) of 1998, the unemployment and underemployment rates went up. The normal course, according to them, is that unemployment takes a seasonal downturn during this time[1]. It is now our observation that the same trend happened in 1999: fourth quarter unemployment was higher than that of the third quarter. There have been reports that the planting and harvest seasons are actually adjusting to the changing weather patterns, which could explain the change in the quarterly trends but data for 2000 did not follow the 1998-99 pattern hence the change in the seasonal swings could not yet be established.

Nonetheless, data indicate that the adverse effects of the crisis on employment continued to be felt in 1999 and 2000. Industrial employment has been falling, industry being the most susceptible to the credit crunch. Employment growth in services, which is the support sector to industry, likewise has been slackening.

The dismal labor market condition in 1998-2000 is likewise very evident from the administrative reports of closures and retrenchments of the Department of Labor and Employment (DOLE). The number of establishments which permanently closed down or retrenched workers almost tripled in 1998 (2,525 establishments) compared to the previous year's figure (889 establishments), and the number has remained at that very high level in the succeeding years *(Table 3d)*. Of ten establishments, seven to eight resorted to retrenchment. Before 1998, large establishments accounted for the biggest bulk of retrenchments. Since 1998, however, the number was matched by small establishments. Moreover, small establishments comprised majority of the establishments that closed down, and they likewise accounted for the drastic increase since 1998. On the other hand, affected workers doubled from around 39,000 in 1997 to 79,000 in 1998, and the number remained high in 1999-2000. Out of ten workers affected, seven to eight were from large establishments.

QUALITY OF EMPLOYMENT

The labor market impact of an economic crisis does not only manifest in open unemployment, as workers who cannot afford to be unemployed will take on any job. Given this, therefore, the quality of employment shall also be investigated to provide a complete assessment.

[1] Also not the case for 1992 and 1993. For these years, October unemployment rate was higher than July, though the difference was smaller compared to 1998.

UNDEREMPLOYMENT

Together with open unemployment, underemployment approximates the level of labor under-utilization.

For the past ten years, underemployment ranged from 20.0 – 22.5 percent, slightly higher around the recession years of 1991 and 1998 *(Table 4a)*.

A closer look will show that the underemployed were almost equally split into those who worked for 40 hours or more but still wanted additional employment (invisibly underemployed), and those who worked less than 40 hours but wanted more work (visibly underemployed). However, for 1998-99, the share of the visibly underemployed was relatively higher compared to the pre-crisis years, indicating that relatively more workers had to contend with shorter hours of work and/or lesser real income. Among the strategies adopted by firms to minimize lay-off in times of crisis is to ration the work to be done resulting in shortened work hours, such as compressed workweek and jobsharing. Those who cannot afford to be jobless, on the other hand, have to create their own employment that is usually in the informal sector, which has no regular work hours.

Most of the underemployed were male (about 70.0 percent), did not reach college (more than 80.0 percent), and could be found in the rural areas (about 65.0 percent) *(Table 4b)*. From 1990-97, the share of males among underemployed was slowly falling until it assumed an upward trend from 1998-99. The share of workers with primary education had been decreasing steadily during the period, while that of secondary and tertiary education have been rising. Although majority of the underemployed workers was in the rural areas, its proportion to total underemployed had actually declined from 1990-99.

While the unemployment rate was higher in urban areas, the underemployment rate was higher in rural areas. The difference was highest in 1991, when the urban-rural underemployment gap reached 8.8 percentage points, and lowest in 1995, when the gap was only 4.9 percentage points. The underemployment rate in rural areas was relatively higher around the recession years of 1991 and 1998, but the same cannot be said for urban underemployment. Likewise, visible underemployment is more prevalent in the rural areas, and unusually high in 1998, an *El Niño* year. This is expected since rural areas are predominantly agricultural.

While the unemployment rate was higher for women, the underemployment rate was higher for men. Approximately, the underemployment-employment ratio for men is 1:4, and that for women is 1:5. This indicates a stronger pressure for men, usually the head of the family and considered the primary breadwinner, to provide for the family's needs. There is no obvious change in male-female underemployment share before and after the crisis. However, the male underemployment rate seems to be a little higher around the low-economic growth years of 1991 and 1998.

While the unemployment rate was higher for workers with college education than for workers with primary education, the reverse is true as far as underemployment is concerned. Approximately five of twenty elementary-educated workers were underemployed, while three of twenty college-educated workers were underemployed. Underemployment for elementary-educated workers was relatively higher around the low-economic growth years of 1991 and 1998. There is no pattern for high school-educated workers, while the underemployment rate for college-educated workers have risen in recent years.

If the unemployment and underemployment rates are summed up as a measure of labor under-utilization, the labor under-utilization rate from 1990-2000 ranged from 29.5 percent (in 1995) to 33.1 percent (in 1991) *(Table 4c)*. From 1990-97, mean labor under-utilization rate was 30.8 percent. For 1998-2000, the average inched up to 32.3 percent.

The low-unemployment years did not necessarily correspond to the low-underemployment years (e.g., 1990, 1997), indicating that open unemployment does not show a complete picture of the labor market distress as some workers will rather take on any job than be unemployed. However, data show that the high-unemployment years are also high-underemployment years (e.g., 1991, 1998-2000), underscoring the seriousness of the situation during those years.

HOURS OF WORK

From 1990-97, the average share of full-time workers (worked 40 hours or more a week) to total employed was 66.0 percent; for 1998-2000, it dropped to 64.3 percent *(Table 5)*. Except in 1994, 1997, and 2000, part-time employment (less than 40 hours a week) has increased more than full-time employment. This fact, when taken together with the previous finding of rising under-utilization of labor, suggests that many of the work generated for the past ten years, especially towards the latter part, were transient, not permanent, non-regular. The growing flexibility of labor will be further discussed in a separate section.

LABOR PRODUCTIVITY

As expected, labor productivity (computed as real GDP divided by total employed) fell during the low-economic growth years as shown by the experience in 1991 and 1998, with spillover in the following year *(Table 6)*. Moreover, while 1996 recorded the highest GDP growth rate over the decade, labor productivity dipped owing to the relatively higher growth in employment vis-à-vis output *(see also Table 2a)*. Labor productivity was highest in 1997, with agriculture giving a push. The rise in agricultural productivity, however, could be traced more from the fall in employment rather than a significant rise in gross value added in that sector. While productivity declined in 1998 and 1999, the value was still higher compared with the pre-crisis years. 2000 seemed to have recovered, given the data for the first-three quarters of the year, but the boost again seemed to have come from falling employment than rising output.

Despite declining employment in agriculture, the sector's productivity stagnated between P15,000 – P16,000 as its share to total output was also sliding. Productivity in industry, meanwhile, was close to P70,000 towards the end of the 90's but below the P75,000 recorded in 1990 despite its relatively constant employment share. The services sector share to output and employment has been rising at more or less the same proportion, hence the sector's level of productivity has not changed much at around P32,000 – P34,000.

INCOMES

For the past ten years until the Asian financial crisis, poverty incidence has been falling, down to 31.8 percent in 1997 from 40.2 percent in 1988 *(Table 7a)*. The percentage of those who perceived themselves to be poor also declined, from 66.0 – 59.0 percent. Estimates of scholars, though lower, also show falling rates from 34.4 – 25.0 percent. World Bank (2000) estimates, however, indicate higher rates after the crisis, from 25.1 percent in 1997, to 27.8 in 1998, and 26.3 percent in 1999. Self-rated poverty likewise rose from 59.0 percent in 1997, to 65.0 percent in 1998, and 62.0 percent in 1999.

Urban poverty incidence has been cut to almost half but there was hardly no change in the rural areas, indicating that economic gains have centered mainly in urban areas *(Table 7b)*. Income inequality remained high, but fluctuated during the period without a significant trend. The Gini ratio rose in 1991 compared to 1988, fell in 1994 and rose again in 1997. Nonetheless, the Gini ratio was lowest in 1988 (0.4466) and highest in 1997 (0.4872). The income shares of poor and rich families paint a similar picture. The poorer half of Filipino families accounted for only 20.3 percent of total income in 1988, and their share declined to 17.5 percent in 1997. On the other hand, the richest tenth of Filipino families got 35.8 percent of total income in 1988, and their share rose to 39.3 percent in 1997.

Who are the poor? Most of the poor households are in the rural areas, employed in agriculture, male-headed, with married heads, and with heads having no more than elementary education *(Table 7c)*. Almost 80.0 percent of the poor households are in the rural areas. About 70.0 percent are engaged in agriculture. More than 90.0 percent are male-headed, majority of them between 30 – 50 years old. This contradicts the common view that poor households are headed by women, the elderly (60 years up), and the unemployed. Likewise, more than 90.0 percent of the poor households have married heads. Around 70.0 percent have heads with no more than elementary education. Interestingly, the poor and the underemployed share the same characteristics *(see also Table 4b)*.

Data for 1998 suggest a 5.0 percent reduction in average living standards and a 9.0 percent increase in the incidence of poverty resulting from the crisis (World Bank, 2000). The *El Niño* shock accounted for a bigger share of the impact and was regressive (inequality increasing), as compared with the labor market shock of the financial crisis (i.e., loss of job and reduced wages), which distributional impact is progressive (inequality reducing) *(Table 7d)*. The impact of the *El Niño* was heavier on the relatively poorer agriculture-based families, which was felt through production short-falls, increases in the relative price of food, and increases in underemployment. On the other hand, the financial crisis affected more severely the relatively better off wage earners in urban areas through higher unemployment and lay-off. Affected families responded by changing their eating pattern, taking their children out of school, migrating to the city or other countries, getting assistance from other households/government, and increasing their working hours. Poorer households resorted to the said measures more than non-poor households did *(Table 7e)*.

NATURE OF WORK

Almost half of the employed workers were wage and salary workers; its share ranged from 44 – 49 percent *(Table 8a)*. Own account workers comprised about 37 – 40 percent, and unpaid family workers accounted for 13 – 16 percent.

Though at minimal rates, the share of wage employment has been rising, from around 45 percent in 1990 to 49 percent in 2000. The proportion of own-account workers was falling, from around 39 percent in 1990 to 37 percent in 2000. The same is true for unpaid family work, which fell to about 14 percent in 2000 from 16 percent in 1990.

Of ten wage or own-account workers, six to seven were male *(Table 8b)*. On the other hand, there were more unpaid women workers than men. There seems to be a slight increase in the share of female own-account workers whose average share inched up to 32.4 percent in 1997-99 from 30.2 percent in 1990-96. Other than this, there is no discernible change in the men-women ratio over the years under study.

Most of the unpaid family workers were in the rural, agricultural areas. This is not surprising since the countryside is dominated by subsistence family-farming or fishing. Many of the own-account workers were also found in the rural areas. Majority of the wage workers, on the other hand, were in the urban areas.

COMPLIANCE WITH LABOR STANDARDS

There seems to be no observable change with respect to labor standards violations before, during and after the economic crises experienced in the 90's. The proportion of establishments with general labor standards violations ranged from 47.7 percent (in 1996) to 62.3 percent (in 1994) *(Table 9).* 1998 to 2000 figures were around 51 – 58 percent. Minimum wage violations ranged from 15.9 percent (in 1992) to 30.2 percent (in 1990). 1998 to 2000 figures were around 19 – 26 percent. Technical safety standards violations, however, were going down from around 20.0 percent in early 90's to 16 – 17 percent towards the end of the decade.

UNIONISM

The number of new unions registered/restored have been falling. The average number of new unions registered/restored from 1990-96 was 540 *(Table 10a)*. The mean for 1997-99 was 336. The number of existing unions, however, was on the rise from 4,444 in 1990 to 9,850 in 1999. Likewise, membership rose from 2.96 million in 1990 to 3.73 million in 1999. Its share to total employed however, fluctuated with no significant trend.

The number of new collective bargaining agreements (CBAs) was also on a downward trend – averaging 1,200 in 1990-96 to about 450 in 1997-99.

Consequently, the number of existing CBAs likewise plunged from around 5,000 in the early 90's to less than 3,000 in 1999. Workers covered fluctuated but its share to total employed was relatively lower towards the latter half of the 90's.

The weakening of the union movement in terms of new unions/CBAs is to some extent attributed to the decreasing number of regular workers (traditionally the base of union membership) resulting from the proliferation of non-regular forms of employment contracts.

Industrial relations, however, has been characterized by less open confrontation allaying fears that it would take a turn for the worse given the economic crisis. The number of strikes/lockouts has been falling since the early 90's *(Table 10b)*. Unlike in the mid-80's, the crisis of the 90's compelled both workers and employers to work out ways to weather it by negotiating new arrangements. The existence of a large number of observable bankruptcies in the midst of a general economic crisis has resolved the doubts among unions as to the actual state of the firm's finances. This drives them to negotiate and settle, and even agree to new initiatives by employers to cut costs (particularly, in pay) just to save jobs.

LABOR FLEXIBILITY

Although some non-regular employment arrangements have already been observed since the earlier part of the 90's in industries and occupations, which have been traditionally held by regular workers, it seems that the practice has become more prevalent in recent years as the reality of globalization has dawned on companies. Fiercer trade competition resulting in either uncertainty of demand or global business prospects has forced them to adopt efficiency-enhancing strategies that would likewise provide some flexibility in their production function.

In the area of labor, flexible work contracts have become a natural response. This could be in the form of measures that allow employers some ease in controlling the size of its workforce during unstable business periods such as sub-contracting, fixed-term employment, agency-hiring, and cross-posting of workers between colleague organizations.

The response may also be in the form of measures that afford flexibility in the work organization, wage system, working hours, and job tasks such as maintenance of core staff and spin-off of peripheral production units, collapsing of jobs, multi-skilling, job rotation, compressed workweek, flexi-time, performance- or competency-based pay, etc.

Available data on subcontracting would show an increasing number of establishments engaging the services of subcontractors, from 21.0 percent in 1994 to 28.0 percent in 1996 *(Table 11)*. Most of the subcontractors were companies/agencies engaged to do production jobs or provide security or janitorial services. Bulk of the subcontractors was in manufacturing, but with increasing shares for trade, finance, and community/personal services.

OVERSEAS EMPLOYMENT

One unique feature of the Philippine economy is its big overseas employment sector. As the domestic economy was unable to expand its absorptive capacity to accommodate the growing number of the labor force, many workers found employment overseas. The number of deployment has almost doubled from 446,095 workers in 1990 to 837,020 in 1999 *(Table 12)*. For a number of years, more Filipinos have actually found work overseas than the increase in local employment. In 1998, more than 800,000 workers were deployed, while less than 200,000 were added to local employment. Worth noting is that around the crisis years of 1991 and 1998, there seemed to be a spurt of workers going abroad, as the deployment growth rates during those years were at double digits. Deployment since the mid-90's is on an upward trend.

Dollar remittances have likewise grown from US $1.2 billion in 1990 to US $6.8 billion in 1999. Except for 1998, when remittances dropped from the previous year level, remittances have generally grown in big proportions, in some cases even higher than deployment.

GOVERNMENT INTERVENTIONS

THE NATIONAL EMPLOYMENT SUMMIT – PACKAGE FOR DISPLACED WORKERS

In anticipation of a massive displacement of workers following the 1997 Asian financial crisis and the onslaught of the *El Niño*, a *National Employment Conference* was held in February 1998. After assessing the employment situation, the Conference drew up concrete action commitments that would "foster an employment-friendly labor market". As a result, government (particularly, DOLE) committed, among others, to establish a labor market information system, and a monitoring system for distressed industries and displaced workers. Likewise, a comprehensive package of assistance for displaced workers was drawn up.

For displaced workers in the local labor market, the package includes training/re-training, rural works program, employment facilitation assistance, and education assistance for students who are children of displaced workers. Displaced overseas workers, on the other hand, may avail of livelihood loan referrals, investment counseling, training/re-training, and employment facilitation services for local employment or at the job site overseas.

GATT-WTO ADJUSTMENT MEASURES PROGRAM

It should be noted however that even before the financial crisis and the *El Niño*, a package of measures were already in place for displaced workers or workers vulnerable to losing their jobs. When the Philippines joined the World Trade Organization (WTO) in December 1994, one of the conditions required by the Philippine Senate in relation to the country's accession to the GATT-WTO is the provision of social adjustment measures for workers and industries that may be adversely affected by globalization and trade liberalization. The *DOLE-GATT*

Adjustment Measures Program, which gets special funding, has two components: training/re-training component and non-training component.

Training/re-training shall primarily address the needs of displaced workers, rural workers for non-farm productivity, workers in export-oriented small and medium enterprises, and industrial workers for skills upgrading. The non-training component, on the other hand, includes rural public works, systematization of labor market information and counseling networks, employment facilitation services, productivity improvement programs, institutionalization of regional and industry-based tripartite councils, and conduct of policy studies/surveys.

THE MINDANAO PLAN

The *DOLE Mindanao Plan* responds to the immediate needs of workers affected by the armed conflict in Mindanao, which happened around the middle of 2000. The Plan integrates the delivery of various existing programs, specifically the following: rural works program, training, livelihood, and employment facilitation. Manpower and financial resources are rechanneled or realigned towards the rehabilitation of affected areas in Mindanao.

THE CEP 1999-2004

The *Medium-Term Comprehensive Employment Plan (CEP) 1999-2004* contains the blueprint of the Estrada Administration's policies and strategies on employment. Stakeholders crafted the CEP based on the premise that employment planning becomes even more imperative in times of economic crisis, to actively influence employment preservation and creation, and to increase employability of the workforce. Toward these goals, about 240 representatives from workers organizations, employers associations, government agencies, non-government organizations and other members of the civil society committed to implement/support employment-related policies, programs and projects that cover the Administration's six-year term. This commitment was sealed through the signing of a Joint Communiqué of the social partners in a *High Level Conference on Labor and Employment i*n January 1999.

To achieve its goal, the CEP provided the employment focus to the various programs and projects already in place or about to be implemented by adopting four major strategies, namely: employment preservation, employment generation, employment enhancement, and employment facilitation.

Employment preservation involves measures aimed at maintaining existing jobs and minimizing displacements of local and overseas workers. Activities under this strategy include forging of multi/bi-lateral labor agreements and arrangements for overseas employment, and programs to maintain industrial harmony and stability in the local front such as the signing of social accords, establishment of labor-management councils, preventive mediation, etc. Included also are employment arrangements/human resource strategies resorted to by employers to minimize employment loss, like job sharing, subcontracting, compressed workweek, etc.

Employment generation includes programs aimed at creating, directly or indirectly, new employment in the domestic labor market. Initiatives include the implementation of key employment generators (KEGs) such as major infrastructure projects at the national and local levels, housing projects, trade and investment promotion, development of economic zones/growth centers, small and medium enterprise development including the promotion of rural industries and village enterprises, agriculture and fisheries modernization, tourism promotion, entrepreneurship/ livelihood programs, and pump-priming activities of government (e.g., rural works program).

Employment enhancement focuses on measures that improve the quality of the workforce and quality of employment, like training and retraining programs, productivity improvement, and labor standards enforcement to promote workers' protection and welfare. Another important intervention is the review of the Labor Code to introduce reforms in the legislative and institutional framework in order to make it more responsive to present trends and the dynamics of globalization.

Employment facilitation refers to measures directed towards developing and improving access to employment opportunities and alternatives, local and abroad, and providing accurate and up-to-date labor market information to improve job-matching. Activities include the conduct of jobs fairs, referral and placement, developing local conduits (e.g., Public Employment Service Offices), setting up of the Phil-JobNet, and career and employment guidance.

PROSPECTS

GDP growth for 2000 will probably be close to 4.0 percent given that its performance for the first-three quarters was already 4.18 percent. Employment, on the other hand, contracted by 1.0 percent, implying not only "job-less growth" but "job-loss growth". This is unexpected, since it defies economic theory and historical trends.

Economic theory suggests a positive relationship between output and employment, i.e., an increase (decrease) in output would result in higher (lower) employment. Historical trends, on the other hand, confirm that a GDP growth corresponds to employment growth. Moreover, an examination of the data would show that employment is actually sticky downwards. This is what happened in 1984 (GDP at –7.3 percent, employment at 2.8 percent), in 1991 (GDP at –0.58 percent, employment at 3.2 percent) and in 1998 (GDP at –0.55 percent, employment at 0.71 percent).

There were only very few instances in Philippine experience that employment growth was negative, and the last one was in 1985 at –0.85 percent. However, GDP growth at that time was at -7.3 percent following the previous year's –7.3 percent. In other words, the economy was actually at its rock bottom.

Given the negative employment performance last year even with a relatively high economic growth rate, it is difficult to project a better-than-2000 employment outlook for 2001. More so, when the economic prospects for 2001 as predicted by everybody will not be as good as 2000. Projections range from 2.0 – 3.5 percent GDP growth for 2001. Official estimates range from 3.0 – 3.5 percent, assuming quick normalization of the political environment (not later than first quarter) and sharp rebound in business confidence and investment spending by the second half of the year. It also assumes exports to grow by 9.5 percent, and relatively mild *El Niño* compared to 1998.

Unemployment rate in 2000 was 11.1 percent. It was also double-digit in 1998 (at 10.1 percent), following the Asian financial crisis and the *El Niño*. Given the aftermath of the political crisis (implying low private investments), a huge fiscal deficit (implying constrained government spending), the occurrence again of the *El Niño* (implying a weak agriculture sector), and the slowdown of the U.S. economy (implying lower exports), it is easy to predict a double-digit unemployment rate for 2001.

2001 is another hard year. There will be more pressure for government to provide active labor market programs and projects for the adversely affected workers. Should the same package of safety net and regular programs be implemented? Are they still relevant? How can benefits from these programs be maximized? What other programs should be implemented?

REFERENCES

Balisacan, Arsenio M. (1999). *Reconstructing Poverty Profiles in the Philippines*. UPSE Discussion Paper No. 9915, University of the Philippines, Quezon City.

Bautista, Carlos C. (2000). *Boom-Bust Cycles and Crisis Periods in the Philippines: A Regime-Switching Analysis.* UPSE Discussion Paper No. 0009, University of the Philippines, Quezon City.

De Dios, Emmanuel S. (1999). *The Economic Crisis and its Impact on Labour*. Philippine Center for Policy Studies, U.P. Diliman, Quezon City.

Department of Labor and Employment. (1999). *The Medium-Term Comprehensive Employment Plan 1999-2004.* (unpublished)

________________. (2000). *DOLE Mindanao Plan*. (unpublished)

Esguerra, Jude, Arsenio Balisacan and Nieves Confesor. (1999). *Philippine Case Study*.

Institute for Labor Studies. (1998). *National Employment Conference Proceedings*. (unpublished)

Mangahas, Mahar (1999). *Monitoring Philippine Poverty by Operational Social Indicators*. Paper presented to the World Bank's Poverty Reduction and Economic Management (PREM) Network, PREM Week 99, 13-14 July 1999, University of Maryland. (http://www.sws.org.ph/prem.htm)

Tuaño, Philip Arnold P. (1999). *The Effects of the Asian Financial Crisis on Philippine Labor Markets.* Paper submitted to the Institute of Southeast Asian Studies, Singapore.

World Bank. (2000). *Philippines Poverty Assessment Volume I: Main Report*.