

(preliminary draft)

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Enhancing the Employment Facilitation Capability of the PESO Network in an Economy in Transition

I. Introduction

This research-advocacy project on enhancing the capability of the PESO network is part of an ILO-DOLE cooperation program seeking to promote an active labor market policy in the area of employment facilitation in the Philippines.

The PESO stands for the Public Employment Service Office. A big number of PESOs -- 1,849 as of September 1999 -- were established in major cities and towns in practically all the 15 regions of the Philippines during the last one and a half decades through the collaborative efforts of the Department of Labor and Employment (DOLE) and the Department of Interior and Local Government (DILG). In 1999, Republic Act No. 8759 was passed "Institutionalizing a National Facilitation Service Network Through the Establishment of a Public Employment Service Office in Every Province, Key City and Other Strategic Areas Throughout the Country". The express purpose of RA 8759 is to strengthen and expand the existing chain or network of PESOs nationwide to promote "full employment and equality of opportunities".

The above objective of the PESO law is a daunting one given the twin but chronic problems of massive unemployment and underemployment in the country, on one hand, and in the light of the complicated restructuring the economy is undergoing under an environment of economic liberalization and global integration, on the other. A more active, market-conscious, capable and forward-looking network of PESOs will certainly contribute to the substantial reduction of job mismatches, easing of unemployment and underemployment, and smoother adjustments in the labor market in a liberalizing and globalizing economy.

So how can the employment facilitation capability of the PESO network be enhanced? This is what this research-advocacy project seeks to answer. In turn, this effort necessitates the following:

- An assessment of the present structure, operations and service delivery of the chain of public employment service offices (PESOs),
- An in-depth analysis of the provisions of the PESO law and its Implementing Rules and Regulations (IRR) and how the law and the IRR impact on the operations of the present network of PESOs,
- An assessment of the labor market 'reach' of the PESOs as well as those of the private recruitment and placement agencies, and
- An examination of the capacity of the PESOs to respond and undertake proactive measures during crisis (e.g., Asian financial crisis, Mt. Pinatubo eruption) and adjustment periods (e.g., changing trade regime for certain industries).

This research-advocacy project concludes with an outline of a possible capability-enhancing agenda for the national network of PESOs which the policy makers and implementors may deign to undertake to achieve the express objective of the PESO law for stronger and expanded PESO employment facilitation services based on the framework of an active labor market policy in an economy undergoing restructuring.

Brief notes on data gathering. In gathering and analyzing relevant data related to this research-advocacy project, the research team

- ◆ Interviewed key informants directly involved in the implementation and supervision of the PESO program:
 - the Director of the Bureau of Local Employment (BLE),
 - six DOLE regional offices, specifically chiefs or representatives of the employment promotion divisions or EPDs of the National Capital Region, Region III (Central Luzon), Region IV (Southern Tagalog), Cordillera Administrative Region (part of Northern Luzon), Region VII (Central Visayas) and Region XI (Southern Mindanao),
 - the official in charge of the Philjobnet, an online job-matching program of DOLE;
- ◆ Interviewed select managers of PESOs in the National Capital Region, Region III and Region IV;
- ◆ Run a survey among the PESO managers of Region III;
- ◆ Interviewed officials of select private recruitment and placement agencies, representing the high end (executive and professional headhunting) to the low end (recruitment of rank-and-file and support staff) of the labor market;

- ◆ Interviewed select HRD managers in industrial zones of Regions III and IV; and
- ◆ Collected and scrutinized labor market statistics, PESO law and the new IRR, selected studies and background materials on the PESO program, ILO Convention 88, RA 761 of 1952, Labor Code of 1974, Local Government Code of 1991, etc..

II. SOME REALITIES IN THE PHILIPPINE LABOR MARKET: Implications on employment facilitation and the role of the PESOs

The PESOs are free or non-fee-charging public employment service offices dedicated primarily to the facilitation of job exchanges in key localities of the country.

However, in a labor-surplus economy that has developed in a highly uneven manner, the task of employment facilitation is neither easy nor smooth. It requires first and foremost a clear understanding of the nature of the economy and the labor market.

Hence, at this point, it is important to have a clear idea right away of the kind of labor market environment that obtains in the Philippines and how the realities in this labor market affect job matching in general and the operations of the PESOs in particular. The following is a brief outline of some relevant labor market realities.

Some characteristics of the labor force and the unemployed

Briefly, the major characteristics of the Philippine labor force are as follows:

1. The labor force is large and growing. The annual number of labor entrants or new workers average over 800,000 (see table 1). The labor force participation rate is roughly 66 per cent of a working age population (15 years and above) of 48.6 million (as of 1999). If the labor force is increasing by 800,000 a year, the population of working age is swelling at a higher level, at roughly 1.15 million a year. Total population in 1999 was estimated to be around 75 million and the population is growing at about 2.1 per cent annually.

This reality means the economy has to create some 800,000 new jobs a year for the labor entrants, and likewise, the employment facilitation agencies have to look for such a huge number of jobs annually to match with the new workers.

2. Labor force participation rate of women has been increasing gradually. The male LFPR has leveled at around 83 per cent, while the female LFPR climbed from 48 in 1992 to 50 per cent in 1999 (see table 1). While the female LFPR has been increasing marginally in recent years, it should be pointed out that the LFPR of women 25 years ago, in 1975, was only 34 per cent. Which means there had been a dramatic increase in female LFPR in the 1980s. This is accounted for largely by two major factors: one, the new industries that have expanded since the 1970s are women-dominated industries such as the garments and electronics industries, and two, more and more women are joining the labor force out of economic and psychological necessity. Clearly, economic and employment planners have to give importance to the creation of jobs, meaningful and sustainable jobs, for both men and women.

Table 1. Labor Force Statistics by Age Group and Sex, 1992-1999
(in thousands for labor force, percentages for LFPR)

	1992	1993	1994	1995	1996	1997	1998	1999
Work'g Age Pop.	40,625	41,453	42,670	42,770	45,034	46,214	47,415	48,637
Labor Force	26,290	26,879	27,654	28,380	29,733	30,420	31,055	32,081
Age								
15-19	3,126	3,039	3,156	3,312	3,460	3,357	3,371	3,407
20-24	3,679	3,751	3,814	3,773	3,990	4,026	4,063	4,114
25-34	6,416	6,535	6,534	6,485	7,201	7,626	7,585	7,639
35-44	5,558	5,791	6,038	6,280	6,489	6,679	6,855	7,181
45-54	3,960	4,056	4,228	4,537	4,597	4,615	4,852	5,181
55-64	2,397	2,518	2,630	2,691	2,699	2,730	2,910	3,067
65 and above	1,154	1,187	1,253	1,301	1,296	1,320	1,418	1,493
Not Reported	1	3	1	1	2	1	2	1
LFPR (Average)	66.0	65.6	65.5	65.8	66.7	66.3	66.1	66.6
Sex								
Male	83.9	83.0	83.0	83.0	83.5	83.5	83.3	83.1
Female	48.5	48.4	48.2	48.5	49.8	49.3	49.2	50.2
Age								
15-19	43.1	40.9	40.8	41.1	42.0	40.9	40.2	40.3
20-24	67.7	67.3	68.8	69.5	69.3	67.9	68.1	68.2
25-34	73.2	73.4	73.7	74.0	75.1	74.8	74.6	75.4
35-44	77.5	77.0	77.0	77.4	78.1	78.7	78.9	79.3
45-54	77.4	77.6	77.3	78.2	79.0	78.8	78.6	79.2
55-64	69.7	69.1	68.7	69.5	70.2	70.0	70.3	70.6
65 and above	43.6	43.8	42.7	41.6	42.2	41.5	41.4	41.2
Not Reported						25.0	39.3	25.0

Source: National Statistics Office in www.phil-lmi.dole.ph

3. Half of the labor force are young, below 35 years. From table 1, it is evident that the Philippine labor force is young, that is below 35 years. If those belonging to age category 35-44 years are included among the young, then three-fourths of the labor force can be considered young.

It should also be noted that for 1998-99, over 3 million are in the category 15-19 years and over 4 million in the category 20-24 years, or a total of over 7 million for those with ages ranging from 15 to 24 years. It is in this age range where the young labor entrants belong.

4. About one-tenth of the labor force are unemployed. Thus, in 1998 and 1999, over 3 million workers were jobless (see table 2).

This means that on top of the 800,000 or so new labor entrants, economic planners must find ways to create jobs for three million plus unemployed workers. Obviously, this cannot be done overnight or in one fell swoop. So, the logical thing to do is to calibrate the job-creating investment promotion program in a way that will lead to substantial reduction of the stock of the unemployed year to year.

5. Over one-fifth of the employed are underemployed. In 1999, about 6.5 million of the employed or 22.3 per cent of the total employed were underemployed, meaning with jobs but are still looking for additional work (see table 2). Of the 6.5 million, 3.5 million were visibly underemployed, meaning working at less than the normal 40 or more hours per week (see table 3). This situation implies that the government must also find ways to create full-time jobs not only for the 800,000 new labor entrants and some 3 million unemployed but also for about the 6.5 million underemployed, particularly the 3.5 million visibly underemployed.

Table 2: Labor Force, Employment, Unemployment and Unemployment Rate (in thousands except percent)

	1992	1993	1994	1995	1996	1997	1998	1999	
Labor Force		26,290	26,879	27,654	28,380	29,733	30,420	31,055	32,081
Employed	23,696	24,382	25,032	25,677	27,187	27,860	27,912	28,980	
Unemployed	2,594	2,407	2,623	2,704	2,546	2,640	3,144	3,102	
Unemployment Rate (%)	9.9	9.3	9.5	9.5	8.6	8.7	10.1	9.7	
Underemployment Rate (%)	20.5	21.6	21.4	20.0	21.0	21.9	21.7	22.3	

Source: National Statistics Office in www.phil-lmi.dole.gov.ph, Bureau of Local Employment, DOLE.

Table 3: Visibly and Invisibly Underemployed, 1990- 1999 (in thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
VISIBLE	2,332	2,555	2,463	2,680	2,653	2,614	3,042	3,031	3,306	3,466
INVISIBLE	2,633	2,605	2,404	2,602	2,701	2,523	2,677	3,090	2,776	2,995

Source: National Statistics Office in www.phil-lmi.dole.gov.ph, Bureau of Local Employment, DOLE.

6. In terms of job search, the most active in the search process are understandably the young and first-time workers. The highest level of unemployment is in the age

group 20-24 years old, which cover most of the first-time workers. Thus, in table 4, those belonging to this age group lead in the active search for jobs, followed by the 25-34 years old category and the 15-19 years age group.

7. Registering with employment agencies (both private and public) became the most popular job search mode only in 1999. Before 1999, the most popular job search methods were approaching relatives and approaching employers directly. But in 1999, registering with employment agencies eclipsed the method of approaching relatives (see table 4). This development signifies increasing acceptance by job seekers of the role and assistance of public and private employment facilitation agencies in landing a job.

Table 4: Number of Unemployed Persons Looking For Work (Active) By Age Group, Sex, Area and Job Search Methods, 1990-1999 (in thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
TOTAL										
Unemployed	2,032	2,717	2,594	2,497	2,623	2,704	2,546	2640	3144	3102
TOTAL ACTIVELY										
looking for work	768	910	840	810	836	795	735	805	879	901
15-19 years old	134	177	151	145	154	152	143	173	161	148
20-24 years old	293	349	328	319	323	314	290	296	326	351
25-34 years old	230	262	246	240	235	222	203	227	255	269
35-44 years old	67	76	74	70	79	68	68	66	86	87
45-54 years old	28	31	28	27	36	28	21	29	36	33
55-64 years old	13	11	10	9	9	8	7	12	13	13
65 and over	2	3	2	1	2	3	3	2	3	3
JOB SEARCH METHODS										
Registered in employment										
Agency	119	135	119	132	140	122	109	258	137	440
Private	33	36	27	33	29	30	26	90	30	190
Public	86	99	92	99	111	92	83	167	107	250
Approached employer										
Directly	290	343	307	300	308	287	272	237	324	226
Approached										
Relatives/family	288	352	335	304	311	301	280	243	332	181
Placed/Answered										
Advertisement	62	71	71	70	71	77	67	62	80	53
Others	9	8	8	5	8	9	8	6	8	3

Source of Data: National Statistics Office, Integrated Survey of Households-Labor Force Survey in www.phil-lmi.dole.gov.ph, Bureau of Local Employment, DOLE.

8. As to educational background, majority of the unemployed did not reach tertiary level. In 1999, about 42.5 per cent of the unemployed finished high school, followed by

21.8 per cent for those who graduated from elementary and 18.6 per cent for those who reached college but did not graduate (see table 5).

9. There are more unemployed in the urban areas (see table 6). This is understandable as some of the unemployed in the rural areas are likely to end up as underemployed, doing odd jobs on- and off- the farms.

Table 5. Number of Unemployed Persons by Highest Grade Completed, Philippines: 1992-1999 (in thousands except percentages)

	1992	1993	1994	1995	1996	1997	1998	1999
Labor Force	26,290	26,879	27,654	28,380	29,733	30,420	31,055	32,081
Unemployed	2,594	2,497	2,623	2,704	2,546	2640	3144	3102
No Grade Completed	55	49	53	55	55	56	68	55
Elementary	594	584	605	631	596	630	797	677
High School	1093	1058	1106	1153	1075	1118	1323	1317
College	843	795	851	854	805	819	962	1028
Undergraduate	480	444	487	503	481	487	565	578
Graduate	363	351	364	351	324	333	397	449
Not Reported	9	12	8	11	16	18	25	26

Source: National Statistics Office in www.phil-lmi.dole.gov.ph, Bureau of Local Employment, DOLE.

Table 6. Percentage distribution of the unemployed by sex, age and area, 1998-99

<i>Indicators</i>	<i>Unemployment Rate</i>	
	1998	1999
Total Unemployed (of LF)	10.1	9.7
<u>Sex</u>		
Men	9.7	9.5
Women	10.9	9.9
<u>Age</u>		
15-24	21.2	20.8
25-64	6.7	6.4
55 & over	6.2	5.5
<u>Area</u>		
Urban	12.6	12.6
Rural	7.9	7.1

Source: NSO.

The employment patterns and the changing structure of the economy

Now what is the situation on the demand side? The patterns in the distribution of the employed in terms of sector, class (or source of income) and educational background indicate the nature of the structure and structural changes taking place in the economy.

1. Up to the 1970s and 1980s, the country's leading economic sector in terms of employment was agriculture. In 1975, it accounted for 53.5 per cent of total employment (see table 7). But this went down to 49.6 per cent in 1985. In 1999, it was supplanted by the service sector as the leading employer.

Table 7: Number of employed persons by economic sector, 1975-July 1999

	<i>1975</i>	<i>1980</i>	<i>1985</i>	<i>1990</i>	<i>1995</i>	<i>July 1999</i>
<u>Total</u> ('000)	14,517	17,154	20,327	22,352	25,698	29,055
Agriculture	7,768	8,894	10,085	10,185	11,323	11,756
Services	4,504	5,623	7,429	8,946	10,344	12,761
Industry	2,207	2,635	2,813	3,386	4,008	4,533
<u>Percentages</u>						
Agriculture	53.5	51.8	49.6	45.2	44.0	40.5
Services	31.0	32.7	36.5	39.7	40.3	43.9
Industry	15.2	15.4	13.8	15.0	15.6	15.6

Source: NSO.

2. The decline in employment in agriculture was not accompanied by growth in the industrial sector, which has remained virtually unchanged in employment share during the last three decades. As countries march towards industrialization, the general trend is for employment in agriculture to decline as employment in industry rises. In turn, this leads to higher reliance on formal job-matching services of employment facilitation agencies as industries tend to hire on the basis of what is available in the market. In agriculture, job-matching exercises depend on family ties, especially in farming situations under tenancy and owner-cultivation arrangements.

However, in the Philippines, the decline in agricultural employment did not trigger any appreciable increase in the employment share of the industrial sector (see table 7). Instead, there has been a rapid growth in employment in the service sector, which went

up from 31.0 per cent in 1975 to 43.9 per cent in 1999. This means the growth of industry has been stagnant. The employment share of the industrial sector has been fluctuating in the last four decades between 14 to 16 per cent, while its manufacturing sub-sector has been fluctuating too, between 9 to 11 per cent – a sad testimony to the lack of industrial progress in the country since the 1960s.

3. The rapid growth of the service sector in employment means the rapid growth of the informal sector. The poor employment prospects in the industrial sector and the decline of agriculture have forced many workers to go into the informal sector, where jobs are generally precarious and not subject to the requirements of labor laws or labor standards. In practically all cities and major urban areas of the Philippines, there are signs of expansion in the informal sector whose actors generally live in shantytowns and contribute to what sociologists call as urban blight. Unfortunately, there are no reliable statistics on how many workers are in the informal sector. But the growth of the informal sector can be gleaned partly from the growth of the service sector in terms of employment.

In a way, the informal sector is one of the catch basins for workers who cannot be absorbed in agriculture or in the limited formal sector in the urban areas. Like those in agriculture, many of these workers hardly avail of the services of employment facilitation agencies, which generally concentrate on wage jobs in the formal sector.

4. The underdevelopment of the formal sector and its capacity to create jobs are reflected in the high share in employment of own-account employment (self-employed) and unpaid family work. Table 8 shows that wage employment covers less than 50 per cent of total employment, while own-account or self-employed workers account for 37-38 per cent of the total. On top of this employment situation, the labor statistics are able to show that there are workers who work without getting any compensation at all. They are simply classified as “unpaid family workers” and their share in the total employment in 1999 was about 14 per cent – again, a clear testimony to the failure of the economy to create jobs.

Table 8. Percentage distribution of workers by class, 1980-July 1999

	<i>1980</i>	<i>1990</i>	<i>July 1999</i>
Wage and salaried workers	42.38	45.7	48.2
Own-account workers	36.87	38.27	37.7
Unpaid family workers	16.0	20.7	14.07

Source: NSO.

5. In terms of education, most of the employed have finished only either elementary or high school. Table 9 shows that about 40 per cent or 11.5 million employed in 1999 finished only elementary, while 35 per cent or 9.8 million reached high school. Only 23.7 reached college, and a mere three per cent had no formal schooling.

It is likely that those who did not reach high school and have no formal schooling are the ones in agriculture and in the expanding informal sector as well as those outside of the wage sector. On the other hand, those with high school background are the ones hired by the narrow industrial sector and the formal part of the service sector (schools, malls, hospitals, supermarkets, boutiques, etc.) as employment in these sectors generally require at least high school education. The latter are usually the market for employment facilitation services of public employment agencies as well as by private recruitment agencies looking for ordinary workers to fill up low-level job categories.

Table 9. Employed workers by educational background, 1980-July 1999.
(in thousands)

	<i>1980</i>	<i>1985</i>	<i>1990</i>	<i>1995</i>	<i>July 1999</i>
No Grade	1134	996	842	826	864
Elementary	9016	10155	10169	10867	11483
High School	4159	5525	6915	8495	9865
College	2812	3642	4608	5465	6752

Source: NSO.

6. The other catch basin for the Philippine labor force is the overseas labor market. The country is now one of the two biggest labor-sending countries in the world. Estimates vary on the overall stock of overseas Filipino workers deployed in various countries. The National Statistics Office (NSO) is still unable to compile reliable data on OFWs. On the other hand, DOLE, through the Philippine Overseas Employment Administration (POEA), has data mainly on the number of OFWs ‘processed’ by POEA annually for overseas deployment. The latter data indicate that from 36,035 workers processed in 1975, the number went up to 214,590 in 1980, to 446,095 in 1990, and to 654,022 in 1995 (see table 10).

Table 10. Number of OFWs processed by POEA by year, 1975-3Qrt1999

<i>1975</i>	<i>1980</i>	<i>1985</i>	<i>1990</i>	<i>1995</i>	<i>3Qrt1999</i>
36,035	214,590	389,200	446,095	654,022	665,757

Source: POEA, DOLE.

In 1995, at the height of the controversy over the execution of a Filipino maid in Singapore, the government created a Commission on Migrant Workers, the so-called Gangayco Commission, which came up with a total estimate of 5 million as the overall stock of OFWs. Half of this total were ‘undocumented’, meaning those who left the country with tourist visas and ended up working in the host countries.

At any rate, the existence of an overseas labor market has become a clear dilemma to the PESOs, which render free public service in employment facilitation, as to whether they should also help in the facilitation business for overseas employment since the business of overseas deployment has been dominated by fee-charging POEA-licensed private agencies since the 1970s. Majority of the OFWs also happen to be either experienced or skilled workers as the overseas labor market tend to be very selective. This means they are not looking for jobs for the first time.

7. Employment in the limited formal sector is increasingly becoming casual. In the growing informal sector, employment is precarious or largely unprotected. However, in the limited formal sector, atypical or casual form of employment is also becoming prevalent. In a labor-surplus but globalizing (and therefore, restructuring) economy, employers have the choice to maintain a very lean core of regular workers supported by a large but easily replaceable peripheral workers. As a result, there is increasing ‘informalization’ of formal sector employment, or the increasing resort by employers to the hiring of casual or contractual workers instead of regular workers. Table 11 partly reflects this trend towards the ‘informalization’ of the formal sector.

This development poses a dilemma to the PESOs since the very idea of job-matching in the formal sector is to promote sustainable jobs. In the first place, should public employment agencies serve as mere suppliers of casual workers? But if they shun this task, the number of workers PESOs are able to place will dwindle to insignificance.

Table 11. Employment of specific groups of workers in establishments employing 10 and over, 1991-1997 (in thousands)

	1991	1992	1993	1994	1995	1996	1997
Time-rated Workers	2,136	2,347	2,376	2,289	2,553	2,465	2,691
Piece-rated Workers	97	91	95	91	90	69	89
Task or "Pakyao" Workers	17	35	35	28	43	32	40
Commission Workers	163	90	129	135	143	119	170
Part-time Workers	34	37	46	37	48	51	63

Casual Workers

95 102 87 108 119 108 134

Contractual Workers

161 250 250 197 319 320 401

Source: Yearbook of Labor Statistics, Bureau of Labor and Employment Statistics, DOLE

III. JOB SEARCH AND EMPLOYMENT FACILITATION IN THE PHILIPPINES: Review of literature

Most of the studies on job search and employment facilitation in the Philippines are focused on the ‘mismatch’ aspect. This is usually shown in the statistics pointing to the failure of many educated college graduates in undergraduate courses such as business administration and education to land jobs appropriate to their educational background. This is also argued in terms of the low rate of placement for college graduates and the graduates of technical-vocational education institutions. And yet, there are industries which decry the lack or shortage of certain skills and talents in a number of occupational lines, e.g., plumbing and IT software engineering. Thus, in its 10-volume report in 1991, the Congressional Commission on Education batted for the radical upgrading and overhaul of the educational system – from basic education (elementary and secondary courses) to the technical-vocational education and training (TVET) sector and the tertiary educational system.

However, local studies on employment facilitation and job search process are only a handful.

One theoretical work on the job search process (Paderanga, 1990) advanced the thesis that given the limited size of the formal sector, workers with formal education ‘queue’ for the limited number of formal sector jobs, where jobs are secure and better paid, by accumulating first a number of job experiences.

However, the study of Ofreneo and Fernando (1993) noted that the thesis of Paderanga is a bit too encompassing given the dynamics in the labor market, particularly in the youth labor market. Ofreneo and Fernando noted that high school graduates and college undergraduates (those who did not finish college) are the ones who tend to accumulate short-term jobs, often casual jobs. Under Philippine labor law, a formal sector worker who works continuously for more than six months is entitled to ‘regularization’ or tenure. Hence, employers tend to hire semi-skilled workers, usually high school graduates, on a probationary or casual basis. The study also found out that casual hiring among high school graduates and college undergraduates is facilitated by the fact that the incidence of youth unemployment is highest among these categories of young workers.

In turn, this development has given rise to the proliferation of labor-only contracting agencies, private recruitment agencies which place workers on short-term contracts (less than six months) in various work projects and companies. Casual hiring through private contracting agencies has become widespread because of industry's cost-cutting efforts and search for greater flexibility. A survey by WINT-NMYC (1992) cited the following reasons, in order of importance, for the hiring of casual and temporary workers: fluctuating demand, lower wage cost, fewer benefits, labor shortage, lower training cost, lower supervision cost, workers prefer such work, specialized skills, higher productivity, market uncertainty, fewer holidays, others,.

In their study, Ofreneo and Fernando further opined that elementary graduates or those with limited education tend to end up either in the urban informal sector or in the agricultural sector. Hence, they play a less active role in the formal labor market. On the other hand, college graduates tend to stay longer, at least 3-5 years, in certain jobs, no matter how inappropriate these jobs are to their educational background, because of limited job choices and opportunities given the depressed state of the economy.

Other findings of Ofreneo and Fernando:

1. The high rates of youth unemployment was due primarily to the general weakness of industry and commerce to create jobs, forcing many young workers, especially those with limited education to seek employment even through unpaid family work.
2. Some young workers, frustrated over repeated failures to get jobs, became "discouraged workers", who no longer actively seek work due to the perception that none is available.
3. The highest rates of unemployment and job turnovers among the young workers were those with only high school education or who managed to reach but fail to finish college.
4. Those with high job turnovers or who accumulate several jobs did not necessarily get progressively higher monthly earnings. This was so because most of the jobs they got were casual or contractual ones, which do not provide any career path and better earning prospects.
5. The most popular job search methods were approaching relatives and friends and approaching the employers directly. Registering with public employment agencies was not yet that popular and was almost at the same level as that of answering an advertisement.

As to the public employment facilitation service, one pioneer study was the one undertaken by Fernando, Hernandez and Palafox (1991). This study undertook an exhaustive review of the employment facilitation program (EFP) of DOLE, which, in the

1980s, was implemented mainly through the employment promotion divisions (EPDs) in the various regional DOLE offices and the community employment centers (CECs) based in various local government units (LGUs). The CECs were the predecessors of the PESOs. Among the significant findings of the study are as follows:

1. Most of the jobseekers registered in both the CECs and EPDs were young, unemployed, high school graduates, no work experience and with limited skills. This reinforces the finding of Ofreneo and Fernando above.
2. Job vacancies posted by EPDs and CECs were gathered through company visitations by EPD and CEC personnel. This means firms then did not voluntarily approach DOLE and LGUs for job applicants.
3. The EFP, consisting of the operations of the EPDs and CECs, was able to cover only a “tiny fraction of the labor force and has not made a significant dent on the total unemployed”, with “only a small proportion of those referred” being placed and the mismatch between the requirements of the client firms and the skills of the job applicants, who happened to be mainly disadvantaged youth.
4. Because of the limited number of jobs available, DOLE regional offices were forced to promote job-creating strategies for the young job seekers such as the Summer Work Appreciation Program (SWAP), Community Works Program and the infrastructure projects of the Department of Public Works and Highways (DPWH). About 90 per cent of the EPD/CEC placements were in these programs. However, these programs provided only short-term jobs, lasting a few months each.
5. Other job search methods – direct application with the firms and availment of the alternative services of the private recruitment agencies – were more popular than the government-run EFP. But this was in the late 1980s and early 1990s.
6. In the NCR and regions with emerging industries such as Regions III and IV, the study noted the proliferation of private recruitment agencies providing mainly casual or contractual workers.
7. Some EPDs and CECs were tied down with the “number-chasing” task, that is, registering as many job applicants, recording the number of job referrals and documenting those placed through the government-assisted but short-term jobs such as SWAP. In contrast, other pressing such as making an in-depth analysis of the labor market in each region or locality, doing a skills profile of the job applicants, etc. were either neglected or not attended to.

While the above study of Fernando, Hernandez and Palafox was a bit critical of the overall performance of the EFP as implemented through the EPDs and CECs, it should be pointed out that the intention of the study was to outline the possible directions of reforms to enhance the EFP and strengthen the CECs, which were established only in the second half of the 1980s. One recommendation of the study was the greater devolution of the functions of the EPDs to the CECs. On the other hand, the study batted for the upgrading of the capacity of the EPDs to provide technical assistance, in terms of labor market analysis and related tasks, to the CECs.

IV. HISTORICAL AND LEGAL OVERVIEW of the public employment facilitation/promotion program

Early efforts to regulate private recruitment practices

Employment facilitation is one of the oldest development programs of the government dating back to the first decade of American rule.

However, early employment policies or programs were focused either on the regulation of the recruitment business, particularly the prohibition of practices leading to slavery, or on the creation of jobs through emergency employment programs such as public works projects. In 1915, Act No. 2486 of 1915 was passed, fixing a tax on “every person or entity engaged in recruiting or contracting laborers”. It provided for a system of licensing of recruitment agencies and prohibited the hiring of minors under 15 years.

In 1932, a more comprehensive law regulating the activities of private employment agencies was enacted: Act No. 3957 on Private Employment Agencies Act, which provided for a more detailed set of rules on licensing requirements, schedule of fees, bonding requirements, and penalties for violations. The “Code of Rules and Regulations” for Act No. 3957 even required agencies to maintain two books – “Records of Arrivals” and “Records of Placements”, obviously to protect workers recruited from the provinces. The Code also had provisions on board and lodging of recruits and the repatriation of the workers to their places of origin, if not placed within 30 days or at the end of the one-year contract. The substantive provisions of Act No. 3957 and its CRR seeking protection for the recruited workers from the provinces implies either or both of the following situations: one, the underdeveloped character of the wage labor market in Manila and other urban areas as a number of workers had to be sourced from far-flung provinces, or two, the poverty and joblessness in the rural areas made it attractive for private recruiters to source poorly-paid workers from these areas for deployment in low-level types of jobs in the urban areas.

Republic Act No. 761, the post-war legislation promoting A national system of public employment offices

After the war, in June 1952, Republic Act No. 761 on National Employment Service Law was enacted. This law provided for the following:

- The creation of a national system of free public employment offices to be known as the National Employment Service under the Department of Labor,
- The NES, headed by a Commissioner, to administer Acts 1915 and 3957,
- The creation of a labor-employer Advisory Council and Advisory Committees at the local levels,
- The establishment of a system of registry of applicants in terms of skills, education and experience, job information from employers, and job matching/referrals,
- The establishment of a system of employment counseling and testing, and
- The collection of employment market information and analysis.

ILO Convention No. 88 and RA No. 761

Given the above objectives of the law and the post-war economic circumstances confronting the nation, Republic Act No. 761 was rather advance for the country at the time it was enacted. It should be pointed out that the Philippines acquired its political independence only in 1946 and that it had to develop a modern economic sector (and an accompanying wage labor market) not only out of the ravages of World War II but also out of the tenancy-based agrarian economy developed through the centuries of American and Spanish colonialism.

However, it was clear that RA 761 drew inspiration from ILO Convention 88 or the Employment Service Convention, which was adopted by the International Labor Organization (ILO) in 1948, or three years ahead of RA 761. ILO Convention was ratified by the Philippines a year after the passage of RA 761.

According to Article 1 of Convention 88, “each member of the ILO for which the Convention 88 is in force shall maintain or ensure the maintenance of a free public employment service.” The primary function of the service is to provide the “best possible organization of the employment market” as part of a national program of achieving full employment and development of the productive resources, specially human resources.

As defined in Article 3 of Convention 88, the employment service shall consist of a “network of local and where appropriate, regional offices, sufficient in number in order to serve each geographical area of the country and conveniently located for employers and workers.” The management of the employment service must be done by a national authority (Art. 2).

As enumerated under Article 6, the specific functions of the employment service include the following:

1. assist workers in finding suitable employment and assist employers in finding suitable workers, and more particularly:
 - register applicants, take note of their occupational qualifications, experience and desires, interview them for employment, evaluate if necessary their physical and vocational capacity, and assist them in obtaining vocational guidance, training or retraining, when necessary,
 - obtain from employers information on vacancies and the job requirements,
 - refer applicants with suitable skills and physical capacity to available employment vacancies,
 - refer applicants and vacancies from one employment office to another,
2. take appropriate measures to
 - facilitate occupational mobility with a view of adjusting supply of labor to employment opportunities in the various occupations,
 - facilitate geographical mobility with a view to assisting the movement of workers to areas with suitable employment opportunities,
 - facilitate temporary transfers of workers from one area to another as a means of meeting temporary local mal-adjustments in the supply of or demand for workers,
 - facilitate any movement of workers from one country to another as approved by concerned governments,
3. collect and analyze, in cooperation with other appropriate agencies, including management and trade unions, the fullest available information on the employment and labor market situation of the country,

4. cooperate in the administration of unemployment insurance and assistance and of other measures for the relief of the unemployed, and
5. assist other public and private bodies in social and economic planning to ensure a favorable employment situation.

The major substantive features of ILO Convention No. 88 were more or less reflected in RA 761.

However, the implementation is something else. The vision of a nationwide chain of public employment offices created pursuant to RA 761 and ILO Convention No. 88 did not materialize. An Office of Manpower Services (OMS) was created under the Department of Labor by virtue of Executive Order No. 218. The following units were established under the OMS: Manpower Research Division, Employment Service Division, Overseas & Fee-charging Employment Agencies Unit and a Manila Employment Office. Later, a handful of employment offices in some provinces and cities were subsequently established but there were no available records on the success or failure of the operations of these employment offices.

It should be noted that the original and major functions of the Department in the post-war era were focused mainly in the stabilization of labor relations and the enactment and enforcement of various labor standards, including minimum wage fixing. This policy orientation giving priority to labor relations and labor standards was reflected in the fact that the entity in charge of promoting the creation of public employment offices was not even elevated to a Bureau; it was merely an Office under the Secretary of Labor.

Enters the Labor Code of 1974

It was in the 1970s that employment promotion and skills development were given almost equal importance and attention as the stabilization of labor relations and enforcement of workers' protection through various labor standards laws. This broadening of the labor policy focus was reflected in the adoption in 1974 of the *Labor Code of the Philippines*, which integrated the various pre-1972 (before martial law) labor laws and which expanded existing laws, if not created new ones, in accordance with the developmental as well as peace and order thrusts of the martial-law government of President Ferdinand E. Marcos.

Thus, Book One of the *Labor Code of the Philippines* deals with "pre-employment", which covers laws on recruitment. Book Two is on human resources development. Books Three and Four are on labor standards. Books Five and Six cover labor relations laws. And the last, Book Seven, is the shortest, as it concerned mainly with transitory provisions.

One of the major employment objectives listed in Book One is “to strengthen the network of public employment offices and rationalize the participation of the private sector in the recruitment and placement of workers, locally and overseas, to serve national development objectives”. The Code empowers the “Minister of Labor” (now back to “Secretary of Labor”) “to organize and establish new employment offices ... as the need arises” and “to organize and establish a nationwide job clearance and information system to inform applicants registering with a particular employment office of job opportunities in other parts of the country as well as job opportunities abroad”.

The Code recognized the following agencies:

- The Bureau of Employment Services (BES) – to develop a comprehensive employment program, to establish and maintain a system of registration and licensing of private recruitment and placement agencies, to develop employment programs for disadvantaged groups, to regulate employment of aliens, to develop a labor market information system, and to develop a responsive vocational guidance and testing system and to maintain a system of registry of skills.
- The Overseas Employment Development Board (OEDB) – to regulate the hiring and deployment of Filipino workers for the new and rapidly-growing overseas labor market. employment program. The main demand then was from the new-rich petroleum-exporting countries in the Middle East, which launched a massive infrastructure development and modernization program.
- The National Seamen Board (NSB) – to regulate the emergent overseas placement program for seamen.

As it turned out, however, the government gave more attention to the overseas labor market. More resources were given to the OEDB and NSB. On the other hand, one of the most visible functions of the BES in the 1970s was the registration of private recruitment agencies active in the overseas labor market.

Eventually, in 1982, on the occasion of the Labor Day, President Marcos issued Executive Order No. 797 merging the OEDB and NSB into the Philippine Overseas Employment Administration (POEA), which also absorbed the overseas market functions of the BES, principally the licensing of recruitment agencies hiring workers for overseas deployment. In turn, EO 797 converted BES into a Bureau of Local Employment (BLE), which retained the domestic labor market functions of the old BES. The functions of the Bureau of Apprenticeship (BA) were also integrated with the BLE; however, in 1994, the apprenticeship program was removed from the BLE and transferred to the newly-created Technical Education and Skills Development Authority (TESDA).

Compared to the BLE, the POEA was given more resources, personnel and powers to undertake varied programs. In 1987, BLE became a staff bureau, with its line

functions (that is, to directly implement programs and projects in the regions) devolved to the DOLE's regional offices. This includes the strengthening and creation of the public employment offices, which the regional offices had been nurturing through their employment promotion divisions (EPDs) and provincial offices with technical assistance and supervision coming from the BLE.

Development of the Community Employment Centers (CECs)

Despite its transformation into a staff bureau, the BLE continued looking for ways on how to strengthen public employment offices and how to enlist the support of the local government units (LGUs) in grassroots employment facilitation, especially at the city and town level.

In 1986-87, the BLE developed the concept of the community employment center (CEC) based in cities and key municipalities with the support of their respective LGUs. In short, DOLE's regional employment offices managed by the regional EPDs and provincial officers were being extended to LGU-hosted employment offices dubbed as CECs. Under the CEC project concept, the BLE and EPDs would extend technical assistance to the CECs, while the host LGUs would take care of the administrative and financial aspects.

Initially, only a few LGUs accepted the CEC project idea. But on March 31, 1990, the Department of Local Government issued Memorandum Circular No. 90-21 addressed to all provincial governors and city/town mayors directing the LGUs to support the CEC concept, which was envisioned as "a mini-Employment Exchange Center to provide four service components, namely: (a) Job Assistance; (b) Recruitment and Technical Advisory Services; (c) Maintenance and Operation of Labor Market Information System; and (d) Information Exchange and Dissemination." The Memo said that the indicative staffing pattern for a CEC was as follows: one staff for Open Employment, one Staff for Labor Market Information, one staff for Self-Employment Assistance, and one CEC Coordinator from DOLE. The Memo leaves it to the LGUs on where the CEC could be based and how support for the CEC could be extended without raising additional funds.

By September 1990, there were 125 CECs registered.

In 1991, the CECs got an added boost with the enactment of the Local Government Code, the law strengthening the autonomy of LGUs in various areas of governance. This includes the promotion of "full employment among their residents" (Sec. 16) and the installation of facilities for basic services such as a "job placement information system" (Sec. 17 [b] [v]).

From CECs to the PESO explosion in the 1990s

In 1992-95, during the first half of the term of the President Fidel V. Ramos, DOLE launched a high-profile campaign in job creation and employment facilitation in response to the 1990-91 economic crisis.

In line with this, DOLE, flushed with the initial success of the CECs, tried to strengthen local employment facilitation by streamlining the public employment offices run by the regional offices and strengthening the CECs through a more formal Memorandum of Agreement (MOA) delineating the scope and areas of cooperation between DOLE and the concerned LGUs in employment promotion. Both the CECs and the regional public employment offices were renamed the Public Employment Service Offices (PESOs). The Department of Interior and Local Government (DILG) helped in the PESO propagation by issuing DILG Memo Circular No. 94-69 instructing all LGU executives to establish, operate and maintain PESOs in their respective areas of jurisdiction. The Ramos Administration itself included the PESO program as one of its “flagship” development projects.

Even schools and non-governmental organizations (NGOs) located in strategic areas, e.g., mining sites and industrial parks, were encouraged to operate their own PESOs.

With the active promotional campaign of both DOLE and DILG, the number of PESOs went up dramatically to 1,635 nationwide as of December 1997 – 1,579 LGU-based and 56 NGO/School-based. Almost all provinces, cities and big municipalities adopted the PESO program, with the DOLE’s EPDs playing a leading role in the PESO propagation. As of June 1998, the number of job applicants registered through the PESOs totalled 2,382,366, while the number of applicants placed reached 1,521,284, or 64 per cent placement rate. The accomplishments of the PESO network during the Ramos Administration are reflected in table 12.

The progress of the public employment facilitation program under the Ramos Administration was remarkable considering the slow pace of the program in the previous decades. While the aggregate figures given by the BLE on the PESO performance may not be truly reflective of the quality of employment and that there could have been problems of statistical accuracies (e.g., possibility of double-counting for some entries in job solicitation and so on), the overall picture that emerges is that the original vision of a nationwide network of public employment offices was finally in place by the mid-1990s.

Thus, the call in the mid-1990s for the “institutionalization” of the PESO program through a law recognizing it as the country’s national employment facilitation program, the allocation of a regular budget for the program and the full professionalization of the operations of the PESO at the LGU level.

It should be pointed out that following the 1990 Memorandum of the Department of Local Government on the creation of CECs and the subsequent 1994 Memorandum of

the Department of Interior and Local Government on the establishment of the PESOs, the overwhelming majority of the CECs/PESOs had no regular budget of their own, had CEC/PESO managers and staff who were either on loan from other offices or accepted the CEC/PESO task as an additional work assignment, and had no regular facilities of their own (usually squatting on or co-sharing other offices). This inexpensive but ad-hoc approach to the CEC/PESO creation made it easy for various LGUs to adopt the CEC/PESO program.

Thus, most of the PESOs have ended up as a one-man or a one-woman operations conducted by a provincial, city or town official who has other official assignments (e.g., municipal secretary, city councilor, etc.) and who doubles as a PESO manager. In June 1998, it was reported that there were only seven (7) “institutionalized” PESOs out of the 1,682 PESOs (see table 12). “Institutionalized” means PESO offices with their own full-time managers and staff, with their own office and facilities and with a separate regular budget. These seven PESOs were the Pangasinan Provincial PESO, Bataan Provincial PESO, Angeles City PESO, Pasig City PESO, Cebu City PESO, Iligan City PESO and Naga City PESO. A few more PESOs have been added to the list of the institutionalized since then.

Table 12. PESO Accomplishments, 1993-June 1998

<i>Total PESOs established</i>	1,682
<i>Applicants registered (A)</i>	2,382,366
<i>Job vacancies solicited (B)</i>	1,887,127
<i>Applicants placed (C)</i>	1,521,284
 <i>Beneficiaries of special employment programs* (D)</i>	
1. SPES	444,344
2. WAP	20,801
3. TULAY	3,980
Total for special emp.	469,125
 <i>Beneficiaries of regular employment programs</i>	
1. Wage employment (E)	1,031,621
2. Self-employment (F)	83,907
Total for regular emp.	1,115,528
 <i>Beneficiaries of other programs</i>	
1. Training	32,094
 <i>Percentages:</i>	
B/A	79
C/A	63.8
D/A	19.7
D/C	30.8

E/A	43.3
E/C	67.8
F/A	3.5
F/C	5.5

Source: BLE

*Special Programs: Special Program for Employment of Students (SPES), Work Appreciation Program (WAP) and Tulong-Alalay sa Taong may Kapansanan (TULAY).

DOLE also devolved to the PESOs special hiring and training programs which enjoy government incentives. The most popular is the Special Program for Employment of Students (SPES), a special short-term hiring program for poor students and drop-outs to enable these beneficiaries to continue with their schooling by facilitating their employment during summer and Christmas vacation. Under the scheme, an employer may hire the services of a student for a duration of 15 to 45 days during summer and 10-15 days during Christmas season. The employer pays only 60 per cent of the minimum wage, while the government pays the other 40 per cent through “education vouchers”. In Table 12 above, almost 30 per cent of PESO beneficiaries were SPES students.

The other special programs are the Work Appreciation Program (WAP) and the Tulay, Alalay sa Taong may Kapansanan (TULAY). Under the WAP program, poor students and out-of-school youth may be hired for a maximum of three (3) months by an employer who pays only a stipend equivalent to 75 per cent of the minimum wage. TULAY seeks to promote the hiring of persons with disabilities (PWDs). The PESOs generally have difficulty placing PWDs as reflected in the statistics.

RA 8759 or the PESO Law of 1999 and its Implementing Rules and Regulations (IRR)

Right from the launching of the national PESO program in 1992-93, there were proposals to institutionalize the PESOs through a formal law recognizing their existence and providing for their funding.

The PESO law was finally passed in December 1999 as Republic Act No. 8759 entitled “An Act Institutionalizing a National Facilitation Service Network Through the Establishment of a Public Employment Service Office in Every Province, Key City and Other Strategic Areas Throughout the Country”. The law sees the PESOs as “referral and

information centers” where people “could explore” various employment options and assistance based on “adequate information on employment and labor market situation” and networking among the PESOs (Sec. 4).

The main functions of the PESOs under the law (Sec. 5) are as follows:

- ◆ Encourage employers to submit to the PESO on a regular basis a list of job vacancies,
- ◆ Develop testing and evaluation instruments for effective job selection, training and counselling,
- ◆ Provide persons with entrepreneurship qualities access to livelihood and self-employment programs,
- ◆ Undertake employability enhancement trainings/seminars for job seekers,
- ◆ Provide employment or occupational counselling, career guidance, mass motivation and values development,
- ◆ Conduct pre-employment counselling and orientation to both local and overseas workers,
- ◆ Provide reintegration assistance services to returning Filipino migrant workers, and
- ◆ Perform other related functions.

In addition, the law mandates the PESOs (Sec. 6) to organize job fairs, livelihood and self-employment bazaars, special credit assistance for placed overseas workers, special program for employment of students and out-of-school youth (see discussion above), work appreciation program or WAP, preferential worker hiring for infrastructure projects under Republic Act No. 6685 (which stipulates that an infrastructure project has to hire at least 30 per cent of the skilled and 50 per cent of the unskilled labor requirements of the project from among the resident workers in a host locality), and other programs developed by DOLE for the PESO clients.

The law also explicitly recognizes the leading role of DOLE in the administration of the PESO program (Sec. 8) through the BLE and the regional offices and in the formulation of the law’s Implementing Rules and Regulations (IRR). Sec. 7 also mandates the DOLE to:

- ◆ Establish and maintain a computerized national manpower registry of skills and employment and business opportunities,

- ◆ Provide office space, equipment and/or supplies as well as necessary personnel complement to operate the PESOs,
- ◆ Designate, in consultation with the LGUs and other PESO hosts, a qualified project manager and other key PESO personnel,
- ◆ Provide technical assistance and other support services to the PESOs,
- ◆ Train PESO personnel in various aspects of employment facilitation functions,
- ◆ Extend other forms of assistance to enhance PESO's services to the clients, and
- ◆ Monitor and evaluate the implementation of the PESO program.

For funding (Sec. 9), the initial expenses shall be charged to DOLE's existing appropriations, but subsequently the PESO budget shall be integrated in the DOLE budget under the General Appropriations Act.

The role of the LGUs under the law is spelled out in Section 3, which states that PESOs "shall be community-based and maintained largely by local government units (LGUs) and a number of non-governmental organizations (NGOs) or community-based organizations (CBOs) and state universities and colleges (SUCs)". Further, in Section 7, the law states that DOLE, upon the request of the LGUs, NGOs, CBOs and SUCs, may enter into memoranda of agreements with the LGUs and other concerned entities regarding the establishment of PESOs in their areas of responsibility.

Implementing Rules and Regulations (IRR). It took DOLE eight (8) months before it could issue the implementing rules and regulations or IRR for RA 8759, which were released through Department Order No. 7, series of 2000, dated August 30, 2000. Among the salient features of the IRR are the following:

- ◆ Definition of the National Facilitation Service Network (NFSN) or National Employment Service Network (NESN) to cover DOLE, its regional offices and attached agencies, and the chain of PESOs in the various localities,
- ◆ Definition of PESO as "a non-fee charging multi-employment service facility",
- ◆ Professionalization of the PESO personnel by providing them "security of tenure" and assurance of "stability of employment" (Sec. 1, Rule II) once appointed, designated or accredited in accordance with the PESO law and the IRR,
- ◆ Stipulation that the general framework for the administration of the NFSN or NESN (Sec. 1, Rule IV) shall come from the DOLE's central office, through

the BLE, and that along this line, each DOLE regional office shall exercise administrative and technical supervision over each PESO in its respective area of jurisdiction,

- ◆ Clarification that the DOLE regional offices “shall oversee the activities of the PESO network within their areas of jurisdiction” (Sec. 3, Rule IV) and that, among other things, they shall prepare the budgetary and human resource requirements to maintain the PESOs,
- ◆ Reaffirmation of the mandate of DOLE to establish a peso (Sec. 1, Rule V) upon the request of any of the recognized entities (LGU, NGO, etc.),
- ◆ Clarification of the procedures for the establishment of a PESO (Sec. 2, Rule V), whereby the DOLE shall
 - provide the necessary budgetary allocation, office space, human resource complement, equipment and supplies,
 - appoint PESO personnel subject to civil service rules and other accreditation requirements but in consultation with the concerned LGU,
 - provide administrative and technical assistance, and
 - provide regular training to PESO personnel on varied aspects of employment service,
- ◆ Stipulation that all PESOs constituted before RA 8759 may be accredited by DOLE under the PESO law (Sec. 1, Rule VI),
- ◆ Provision that pursuant to the accreditation of a PESO, existing PESO personnel may be also be accredited (Sec. 4, Rule VI) based on the following minimum criteria:
 - meeting the minimum requirements set by DOLE and the Civil Service on education, training, etc.,
 - passing the medical, physical and psychological examinations administered by a competent authority,
 - passing the oral and written examinations given by DOLE, and
 - in case of LGUs and SUCs, they should occupy regular or permanent plantilla items,
- ◆ Observance of due process before any accredited personnel are placed and forging a new MOA with a concerned PESO (Sec. 5, Rule VI), and

- ◆ Transitory provision specifying that LGU funding for personal services and expenses shall be maintained until PESO appropriations are included in the General Appropriations Act (Sec. 1, Rule IX).

The IRR also described the main functions of the PESO as follows (Sections 1 and 2, Rule III):

1. Labor market information (LMI) services (e.g., promotion of PESO services, listing of job vacancies, updating of registry of skills, gathering and processing of data on employment trends, and information on recruitment agencies),
2. referral and placement services for local and overseas as well as private and public employment,
3. training and vocational guidance and counselling services,
4. self-employment services (updating director of government and non-governmental livelihood programs, determining client's potentials for entrepreneurship, referral for livelihood assistance, undertake livelihood programs),
5. reintegration assistance services for returning overseas Filipino workers,
6. organization of jobs fairs,
7. organization of livelihood and self-employment bazaars,
8. facilitation of access to credit by qualified overseas workres,
9. facilitation of employment of poor but deserving students and out-of-school youth in programs such as SPES and WAP,
10. monitoring of implementation re the law on hiring of local workers in an infrastructure project, and
11. extension of other services related to the PESO functions.

Summary. Overall, the institutionalization of the PESOs through the PESO law means the appropriation of a regular budget for the PESO operations from the national budget, assignment and regularization of PESO personnel led by a full-time PESO manager, expansion of the menu of services delivered by the PESOs, and general supervision and coordination of the PESO network through DOLE, principally through the BLE and its chain of DOLE regional offices.

The big question is: how can the PESO law be translated into a reality given the huge budgetary outlay and personnel resource complement the full implementation of the law entails?

The other question is: what is the role of the LGUs in the PESO program outside of the task of hosting the PESOs? The law is not clear on this. There are general references on the need for DOLE-LGU consultations and that PESOs “shall be “community-based and maintained largely by local government units”. But these have not been fleshed out in the new IRR.

V. THE PRESENT PESO PROGRAM: A BRIEF ASSESSMENT

As pointed out earlier, the government, through the joint efforts of DOLE and DILG, has succeeded in expanding the net of public employment offices in the last ten years through the PESO chain.

It has also registered and assisted countless job seekers. Table 13 shows that in 1999 alone, some 791,164 job seekers were registered by the various PESOs. This figure is close to the estimated 800,000 new workers or labor entrants who joined the labor force every year. Thus, even if not all registered workers are placed or do not get quality jobs, it cannot be denied that the PESO chain represents a major development weapon, already in place, which the government can utilize in employment promotion.

Table 13. Number of Applicants Registered thru PESO and EPD

Indicator	1997¹	% total	of 1998²	% total	of 1999^P	% total	of
Total	642,640		547,102		905,576		
PESO	470,566	73.22	418,617	76.52	791,164	87.37	
Regular Employment	331,437	51.57	279,905	51.16	625,044	69.02	
Special Program for Employment of Students (SPES)\	113,939	17.73	107,080	19.57	124,091	13.70	
Work Appreciation Program (WAP)	7,290	1.13	5,237	0.96	11,332	1.25	
Tulay 2000	13,284	2.07	16,134	2.95	7,268	0.80	
Retrenched/Displaced Workers	929	0.14	8,179	1.49	14,945	1.65	
Returning OCWs	2,358	0.37	738	0.13	474	0.05	
Migratory Workers	1,329	0.21	1,344	0.25	8,010	0.88	
Employment Promotion Division	172,074	26.78	128,485	23.48	114,412	12.63	
Regular Employment	126,537	19.69	88,048	16.09	82,723	9.13	

Special Program for Employment of Students (SPES)	10,412	1.62	11,185	2.04	7,676	0.85
Work Appreciation Program (WAP)	22,268	3.47	10,904	1.99	6,072	0.67
Tulay 2000	946	0.15	6,516	1.19	1,751	0.19
Retrenched/Displaced Workers	2,043	0.32	5,274	0.96	5,008	0.55
Returning OCWs	143	0.02	1	0.00	0	0.00
Migratory Workers	9,725	1.51	6,557	1.20	11,182	1.23

^pPreliminary

¹Exclude performance of DOLE-Caraga due to submission of incomplete reports

²Exclude October to December performance of DOLE-Caraga due to submission of incomplete reports

Source: www.phil-lmi.dole.gov.ph, Bureau of Local Employment, DOLE, DOLE Regional Office and BLES

Thus, improving the PESO network and enhancing the capability of each and every PESO will go a long way indeed in meeting the employment challenges of the 21st century. This section looks closely into the operations of the PESOs.

(Brief notes on data used: Apart from the materials from the BLE, the following and succeeding discussions on the operations of the PESOs are based on the results of the in-depth interviews with the representatives of the 6 regional EPDs, interviews with select PESO managers and staff in 3 regions (NCR, III and IV) plus ocular visits in their offices/sites, interviews with select investors-locators in Cavite and Clark and in-depth with select informants from private manpower agencies.

(The research team also administered a questionnaire for the PESO managers of Region III gathered on November 21-23, 2000 at Holiday Inn, Clark, Angeles, Pampanga for a workshop on the PESO and the IRR of the PESO law. Over 100 PESO managers attended the said workshop but only 61 PESO managers returned filled-up questionnaires. Part of the responses are presented here in tabulation forms. Region III consists of three agri-based provinces [Zambales, Bataan and Nueva Ecija], three semi-urbanized provinces [Bulacan, Pampanga and Tarlac], and has three cities hosting large industrial parks [Clark in Angeles, Subic in Olongapo and Luisita in Tarlac].)

The active and inactive PESOs

Nationwide, the overall development of the PESOs is highly uneven.

As discussed earlier, majority of the CECs and PESOs were set up as a one-man or one-woman operations led by LGU officials who only double as PESO managers. This is still the existing reality. One argument for the institutionalization of the PESO through the PESO law was precisely to have PESOs run or managed by full-time PESO managers.

Today, only a dozen or so of PESOs are *'institutionalized PESOs'*, meaning with a full-time PESO manager, support personnel, regular LGU budgetary allocation, regular office and other enabling facilities. These include the PESOs mentioned earlier:

Pangasinan Provincial PESO, Bataan Provincial PESO, Angeles City PESO, Pasig City PESO, Cebu City PESO, Iligan City PESO and Naga City PESO.

There are also PESOs, which are '*semi-institutionalized PESOs*' or almost fully institutionalized such as the Calamba PESO, which has a big PESO office, a dozen support staff and a regular budget. However, the official designation of its PESO manager is that of the town's community relations and information officer.

The semi-institutionalized, like the institutionalized, are a distinct minority. Many PESOs still do not enjoy regular budgetary support and only co-share the space and resources of other offices. If there is a large group of job seekers to be interviewed, even the session halls of the LGUs are used for this purpose, with some staff from the office of the Mayor or the city or town administrator conscripted to help in the documentation process.

Based on the interviews with the EPDs of the six regions, the PESOs can be classified into two major categories: the active and inactive.

The active PESOs. By definition, the definition of an '*active PESO*' is one which makes regular reporting to the DOLE through the EPDs. The active PESOs include the institutionalized, semi-institutionalized and other PESOs which make a regular reporting on the following: the registration of job seekers, listing of jobs solicited, referral of job seekers, placement of workers, facilitation of SPES-WAP-TULAY beneficiaries and other statistical entries sought by the EPDs and BLE.

A PESO manager may be alone and part-time in his/her PESO job but he/she can be active in the usual PESO tasks of registration of job seekers, solicitation of job vacancies, referrals for placement and assistance to students, disabled and out-of-school youth through the DOLE's special programs. This he/she does with or without the occasional help of the staff of other LGU offices. In towns where the PESOs are well accepted, barangays (village councils) are also active in the registration of job seekers.

Some LGU officials (town administrator, city councilor, community relations officer, etc.) take the added burden of PESO management with gusto and enthusiasm despite the lack of additional compensation because employment facilitation is a popular program. This is the reason why some mayors want the PESOs to be identified closely with them. Every job seeker who finds a job through the PESO has a family and friends to back up the mayor comes election time.

The inactive PESOs. The '*inactive PESO*' is one which is registered as a PESO and yet does not do any reporting on its operations, presumably because either the said PESO does not enjoy any support from the LGU leadership, or the labor market in the locality is too weak that there is hardly anything the PESO can do, or both.

In the case of the former, the common lament is that some mayors do not support the PESOs because the PESO programs are associated with the former mayors. There are cases of discontinuity in the PESO operations because the previous PESO managers are politically identified with the political rivals of the new mayors (Again, this is one reason why DOLE tried to insulate the PESO program from local politics through the PESO law by seeking a more regular appointment of PESO managers and staff based on civil service rules). There are also local councils which are dominated by the political rivals of the mayors and which refuse to give any budgetary assistance to employment projects which may boost the political stock of the mayors. In one case, the research team was told that the mayor in one locality was not supportive of the PESO at all because the mayor operates a private recruitment agency which sees the PESO as a business competitor.

The case of a weak labor market usually applies to far-flung agrarian areas where the wage labor market is still underdeveloped, as there are no industries and no businesses searching for wage workers.

The number of inactive PESOs per region varies. In one region, the inactive PESOs constitute about 20 per cent. In another region where there are around 93 PESOs, the EPD informed the research team that only half of the registered PESOs are active, with the inactive ones mainly located in the far-flung settler towns. In a depressed region whose provinces all belong to the Club of 20 (the most depressed provinces in the country), there are 12 active PESOs out of the 86 registered PESOs, meaning only 14 per cent are active. However, in the NCR and Region IV, which has become the country's leading industrial employer, almost all the PESOs are active. In the case of Laguna, a province in Region IV, their pesos even share their job vacancies with the PESOs in other regions as they are experiencing labor shortages in certain categories of skills. In Region III, 48 or 37.5 per cent of the 128 PESOs are inactive.

Determinants of PESO activism. Clearly, the level of industrial development in a given region is a major determinant of the dynamism of the PESOs in the region. And so is the political commitment to the PESO of the LGU leadership. If the mayor or governor ignores the importance of the PESO, then there is simply no working PESO as no PESO manager, support staff, operational budget and office space would be given.

A third, however, may be added: the resourcefulness of the PESO manager. For even if there is no industrial development in an area and the LGU leadership may not be against the PESO program but neither is enthusiastic in providing material support, a PESO manager may, on his/her own, solicit the support of other entities such as development NGOs, Churches and civic organizations in employment facilitation.

Some weaknesses arising from part-time PESO management

Now what happens if a PESO is managed by a one-person part-time PESO manager? There are several problems arising from this, even if the PESO manager is very enthusiastic about his job as a PESO manager.

Problem of going beyond the traditional registration-referral tasks. First, because of sheer physical and time limitations, a one-person part-time PESO officer can only do so much. Hence, very often, he/she is unable to

- ◆ do active job solicitation,
- ◆ monitor how many among those referred for a job vacancy were hired,
- ◆ monitor how many among those hired are on a short-term contract,
- ◆ provide time-consuming guidance and counselling to distressed job seekers,
- ◆ coordinate with training and other concerned agencies on possible skills training in a particular area, livelihood development for self-employment and packaging of credit assistance for a livelihood project to take off, and
- ◆ undertake other non-traditional labor market tasks such as monitoring the displaced workers.

One consequence of this reality is that PESOs compile a lot of papers on the 'usual' tasks discussed above and nothing else. For example, there is hardly any analysis of the labor market situation in a given locality – supply, demand, skills profile, industry-agriculture-services profile, labor market trends and so on, which can serve as useful inputs to LGU development planning. In turn, a labor market analysis by province and by region using inputs coming from the PESO chain is not undertaken. What DOLE regional offices do in describing the labor market situation in their respective regions is to utilize mainly the labor statistics provided by the National Statistics Office (NSO), which, in reality, are based on a limited sample survey. They merely supplement the NSO data with PESO data on workers registered and placed. If the PESOs are able to do a more serious job of labor market data collection and analysis, the labor market profiles by town, province and region could be a lot more enlightening to the general public, particularly the policy makers at various levels.

In the case of Region III, only 10 (see table 14) out of the 61 responding PESOs said that they attend to their PESO jobs on a full-time basis. Not surprisingly, only 5 said that their personnel complement is sufficient. And if additional personnel are hired, majority (47 respondents or 77 per cent) said they will be assigned to do job solicitation (see table 15), which is a very basic PESO task, followed by data encoding (35 respondents or 57 per cent), which is another very basic task. Non-traditional PESO tasks such as monitoring post-placement activities and doing labor market analysis are not even mentioned yet here.

Table 14. Time spent as PESO managers and perception of sufficiency of PESO personnel, Region III, November 2000

<u>Amount of time spent</u>	<i>Respondents</i>	<i>%</i>
Full-time	10	16
Part-time	50	82
No Answer	<u>1</u>	<u>2</u>
Total	61	100

Source: Survey of PESO managers, Region III, November 2000.

Table 15. Answers of Region III PESO Managers to Tasks to be assigned to new PESO personnel if given November 2000, Multiple answers

<i>Tasks to be assigned to new personnel</i>	<i>Responses</i>	<i>% (of 61)</i>
Job solicitation	47	77
Data encoding	35	57
Networking with training institutions	31	51
Coordination of programs	28	46
Receiving and registering job applicants	27	44
Job referrals and follow-ups	27	44
Job matching and counseling	22	36
Conduct of job fairs	18	30

Source: Survey of PESO managers, Region III, November 2000.

Problem of double-counting. Another consequence of undermanned PESOs is the problem of statistical double-counting, particularly of jobs solicited, workers referred for a job and workers placed. This is particularly true in provinces or regions where the PESOs are unable to consult each other on how they are able to service some industries. For example, in one province, a PESO manager told the research team that he discovered that the request made to him by one textile company for job referrals for some 50 job vacancies was made by the same company to seven (7) other PESOs in the province. Thus, the said job vacancies could have been reported by the eight (8) PESOs in the province as jobs solicited eight (8) times!

Normally, for every job vacancy, they refer at least five or more workers. What some companies do is they ask for at least 10 workers for every job, which are pruned down to a short list of five (5) workers, before a more rigid screening process is done. In the above case of the textile company, this PESO manager referred around 100 workers for the 50 vacancies. He opined that the seven (7) other PESOs might have also done the

same thing. So the number of workers referred could have ballooned to around 800 for only 50 vacancies.

And if the PESOs have no other support staff and a regular office with communication facilities, there will be problems with regard to the monitoring of those referred for work. Thus, if those referred to a company did not return to the PESO, some PESO managers would assume that the referred workers have been hired even if they were turned down and, discouraged, had refused to go back to the PESO. However, some PESO managers go beyond the call of duty by calling the requesting company on how many really were hired. But on the whole, follow-ups are a luxury for PESO managers wearing so many officials hats and performing multi-faceted tasks for the LGU.

On the other hand, some EPDs and provincial PESOs try to cross-check data reporting precisely to avoid double-counting. The BLE and the DOLE regional offices are trying to minimize double-counting and bloated figures continuously revising the reporting forms, and promoting greater networking, information sharing and coordination among the PESOs in a province and in a region.

The phenomenon of casual hiring

Another problematic and contentious issue in PESO operations is the widespread observation that PESOs generally place workers in casual or contractual jobs lasting only for a few months. This phenomenon also contributes to the problem of double-counting, as some workers who finish their job contracts in less than six months may return to the PESOs to be placed again in jobs lasting less than six months (under the labor law, a worker who works continuously for six months is entitled to regularization).

It will be recalled that in the 1991 study of Fernando, Hernandez and Palafox, most of the workers placed by the then CECs were hired as casual workers. The 1993 study of Ofreneo and Fernando on youth labor market also concluded that young workers, with high school education or who did not finish college, usually ended up in the casual labor market, either in industry or the service sector. Most of those who register with the PESOs are those between ages 15-24 and have only high education or some years of college education.

In the course of this evaluation study, the research team asked the various EPDs and PESO managers how many workers placed get regular jobs. The common answer is very few. In the in-depth interviews with the EPDs and select PESO managers, one question that is asked is: "If there are 20 workers placed through the PESOs, how many manage to get regular jobs". The usual reply is that the question is not properly phrased as the question to raise is how many out of 40 workers get regular jobs because the ratio is about one out of 40, sometimes zero. Even in Laguna, where the PESOs advertise job vacancies in other PESOs outside the province because of a labor shortage in some job categories, casual hiring is the norm. As noted by most of the EPD officials and PESO

managers, business and industry hardly hire regular workers for peripheral jobs, those requiring workers with high school education only, as these jobs can easily be filled up by others.

Of course, it is up to the employer if a casual worker is retained to become a regular worker. This is rare but it happens.

A BLE study of the distribution of PESO applicants in terms of occupation (see Table 16) shows that majority are unskilled workers (33 per cent), followed by clerical workers (14.9 per cent) and sales workers (14.8 per cent). These jobs are often ‘casualized’ by employers. They require workers with only high school education or college background.

Table 16 . PESO Applicants by Major Occupational Group, 1998

Major Occupational Group	Number	Percentage Share (%)
Total	114,541	100.0
Special Occupations	1,145	1.0
Officials of Government and Special Interest Organizations, Corporate Executives, Managers, Managing Proprietors and Supervisors	869	0.78
Professionals	10,377	9.06
Technicians and Associate Professionals	6,159	5.37
Clerks	17,124	14.95
Service Workers and Shop and Market Sales Workers	17,001	14.84
Farmers, Forestry Workers and Fishermen	442	0.39
Trade and Related Workers	14,872	12.98
Plant and Machine Operators and Assemblers	8,496	7.42
Laborers and Unskilled Workers	38,029	33.20

Source: Labor Supply-Demand Profile National 1998 in Labor Market Monitor, Bureau of Local Employment, DOLE.

On the other hand, majority of the PESO applicants are those who finished secondary and vocational education, plus those who reached college but did not graduate. (see Table 17).

Table 17. Averaged estimates by Region III PESO managers of PESO applicants by educational attainment, November 2000

<i>Educational attainment</i>	<i>Averaged percentage estimates</i>
Elementary graduate	7.6

High school graduate	28.5
Vocational graduate	24.4
College level	22.9
College graduate	26.7

Source: Survey of PESO managers, Region III, November 2000.

VI. THE PESOs IN THE PHILIPPINE LABOR MARKET

The 'reach' of the PESO program

In terms of physical 'reach', the PESO network is unbeatable among the employment facilitation agencies. The network covers the entire archipelago, thanks to the pioneering and persevering efforts of the various DOLE and DILG regional offices. All provinces, cities and key municipalities have their respective PESO offices. All the cities and municipalities of the National Capital Region have their PESO offices. A big city like Davao City even has district PESOs. Some big towns go to the extent of organizing PESOs at the barangay or village level.

With the exception of the school-based and NGO-based PESOs, the PESOs are usually located -- whether provided with a separate office or co-sharing office with another department -- in the provincial capitols or city/town halls or their extension offices. As such, PESOs are generally centrally located and should be accessible to all those who transact business with the LGUs, meaning the general populace. This is why with the greater awareness about the PESO program, most of the PESO offices simply wait for walk-in job applicants to register and they also simply post any job vacancies solicited right on the bulletin boards or strategic areas of municipal/city halls (table 18).

Table 18. Building up registry of job seekers and advertising of job vacancies, Survey among Region III PESO managers, November 2000.

Multiple answers		
	<i>Responses</i>	<i>Per cent</i>
<u>Approaches in building up registry of job seekers</u>		
Walk-in job seekers	61	100
PESO job fairs	22	36
Job seekers responding to PESO notices	16	26
Referrals by barangay officials	13	21
Referrals by NGOs, schools, etc.	11	18
<u>Ways of advertising job vacancies</u>		
Bulletin boards/notices at municipal/city halls	61	100
Barangay announcements	16	26

Local media	10	16
Schools	6	10
Streamers/flyers	4	7
Church announcements	2	3

Source: Survey of PESO managers, Region III, November 2000.

Of course, there is a great deal of unevenness among the PESOs. Only a handful of PESOs are institutionalized or semi-institutionalized. Without a regular separate office, a PESO may not be as visible to the job seekers, especially if a PESO manager is attending to other official matters and if there is no one to look after the PESO business.

Also, not all job seekers go to the PESOs. As discussed earlier, most of the job seekers who go to the PESOs are young and unemployed workers with high school education or some years of college education. They constitute part of the middle-level manpower. As pointed out in a number of studies and in the interviews/survey conducted by the research team, workers placed by the PESOs generally end up as semi-skilled workers doing peripheral or repetitive jobs such as semi-skilled production work in factories, clerical and non-technical work in offices and sales work in commercial establishments. Employers often give them fixed-term short-term contracts to avoid the legal requirement of regularization once a worker is able to render six months of continuous service.

Reaching out to industry and Promoting alternative sources of employment

Clearly, the typical PESO is one which simply waits for job-seekers to come and enlist and for firms to call up and advertise vacancies. Then, they go to the nearest bulletin boards to post notices of vacancies and try to arrange for job matching to take place within the premises of a PESO office.

Activities entailing leaving the office and doing follow-ups or monitoring are an added burden, especially to a part-time PESO manager with an under-funded PESO office. Thus, in Table 19, the most difficult PESO functions identified were those involving activities outside the PESO office and the leading reason given is understandably logistical.

Note that the reason “have other functions to do” got only 2 responses. From the ocular visits and interactions with the various PESO managers, the research team observe that PESO managers really love their work and do not mind doing other related functions – solo or alone -- so long as sufficient funding is available. This observation also applies

to the EPDs, which work closely with the various PESOs. One of their biggest laments is that they cannot go around well enough because of problems of logistics related to transport, communication and representation.

Obviously, networking with employer groups, personnel managers and the likes is a vital function for a PESO manager as it is through networking that jobs are solicited and how PESO managers can get an inkling on how industries are faring, e.g., indications of directions of industrial growth and decline. Sadly, this is not done on a sustained basis.

**Table 19. PESO functions perceived to be most difficult and
Reasons why: a survey among Region III PESO
Managers, November 2000**

	<i>Responses</i>	<i>Per cent</i>
<u>Functions perceived to be most difficult</u>		
Networking with employer groups, business Associations, organization of personnel Managers, etc.	25	41
Job fairs	18	30
Pre-employment orientation for overseas workers	17	28
SPES, WAP, Tulay 2000	15	25
Coordinating with groups for livelihood, Self-employment	14	23
<u>Reasons why above functions perceived to be difficult</u>		
Lack of logistics/budget	39	64
Lack of transport	15	25
Lack of know-how/orientation	19	31
Have other functions to do	2	3

Source: Survey of PESO managers, Region III, November 2000.

If there is slack in the creation of wage-based jobs, PESOs are encouraged to promote self-employment. But as the PESO statistics indicate, success in this area is very limited. This is so because self-employment means launching a livelihood or farm project, which, in turn, would require not only entrepreneurship training but also seed capital and an assured market. In the urban areas, most of the PESOs report only a marginal number of self-employed workers registered. Either self-employment is not a priority or those

who seek PESO assistance have poor business or livelihood prospects, precisely because of limitations of education, technical knowhow, credit access, production/business site and assured market. Note that in table 19 above, one difficult function identified by the PESO managers is how to coordinate with groups involved in the promotion of livelihood and self-employment.

On the other hand, PESOs in the rural or agri-based towns are able to report a bigger number of self-employed workers. This is so not only because wage employment is truly limited in agriculture but also because workers with access to land (tenanted or not) and other resources have better prospects of being able to sustain a livelihood, especially if provided with credit and technical assistance.

Lately, the PESOs are being encouraged to participate in the overseas labor employment facilitation and in the conduct of pre-departure orientation seminars (PDOS). This market, large and growing, is dominated by the numerous POEA-licensed private recruitment agencies. PESOs still have to make an impact in this market. The few PESOs with an experience in this market have deployed mainly workers with limited skills and placed in lowly jobs such as chambermaids in nearby Asian countries. One small program coursed through the PESOs is the extension of credit assistance to departing overseas workers.

It is in the implementation of the SPES program where the PESOs are highly successful and quite visible. It is one program that has a very high social return even if the job is of very short duration. Through the SPES, poor students are able to enter schools and finish their studies through the system of education vouchers. Not surprisingly, some mayors have even placed the SPES program directly under the welfare departments of the LGUs. Overall, SPES registration constitute almost one-fourth of total beneficiaries of the PESO program. In weak PESOs or in PESOs located in underdeveloped wage labor market, the SPES is the main and almost sole PESO undertaking. Unfortunately, SPES 'jobs' are not for keeps.

In table 19 above, facilitation work for SPES, WAP and TULAY is identified as one of the more difficult PESO functions. This is so because this also entails a lot of coordination -- with the student beneficiaries, with the school system, with the participating employers or companies and with the various agencies involved in the releasing of educational vouchers. TULAY, the program to promote employment for the disabled, is also very difficult to implement because it is difficult to convince employers and companies to absorb disabled workers and alter regular work arrangements to enable disabled workers to work.

PESOs, industry users and the private recruitment and manpower agencies

A complicated picture is emerging out of the dynamic relations among industry, PESOs and private recruitment agencies.

It appears that the middle-level reach of the PESOs in the labor market makes them attractive to the private recruitment agencies specializing in the search for semi-skilled manpower for placement in peripheral and casual rank-and-file jobs such as janitorial, messengerial, clerical, sales, service, support staff and similar types of jobs.

A number of manpower agencies even use the PESOs and PESO-sponsored job fairs in boosting their so-called 'manpower pool'. To succeed in the highly competitive manpower industry, a manpower agency must have a ready supply of workers who can be placed in various categories of jobs on a short notice as the rates of manpower turnovers are high because of the casual nature of most of the jobs and the great leeway given to the principals (the client companies) to reject poorly-performing workers placed by the agencies.

The case of the following fast-food chain is illustrative of why some manpower agencies try to work closely with the PESOs and participate actively in PESO job fairs. The research team was informed by the former HRD manager of a fast-food chain catering to the middle and low ends of the market that the chain has 200 outlets in Metro Manila, each of which has a personnel complement of around six casual workers supervised by one regular worker. The said fast-food company utilizes the services of a private labor-only recruitment agency, which sources most of the workers through the PESOs. The HRD manager admits that the company hires almost 2,000 workers a year, as a casual worker is normally retained for only 5 ½ months. The first three (3) weeks of the 5 ½ month contract are devoted to "training" where the 'trainees' get only 75 per cent of the statutory minimum wage (with approval of the TESDA, which accredits apprenticeship and traineeship). At the end of the contract, the workers are generally replaced. A few good ones are recommended to other outlets. For every new batch of workers, they look for replenishments from the PESOs.

Table 20 indicate the extent of the relationship between the PESOs and the private recruitment agencies. Incidentally, while many PESOs are unable to touch base with employers and personnel managers because of logistical issues, the private recruitment agencies are the ones able to work closely with the employers and personnel managers and in the process, serve as the 'bridge' between the PESO-registered job seekers and the hiring companies.

Table 20. Relations with local and overseas private recruitment agencies, Survey among Region III PESO managers, November 2000

	Percentage Answers			Total
	Yes	No	No Answer	
<i>Cooperate with local private recruitment agencies</i>	67	13	20	100
<i>Cooperate with overseas private recruitment agencies</i>	80	9	11	100
<i>Do direct PESO referrals to industry outnumber referrals to recruitment agencies</i>	21	48	31	100

Source: Survey of PESO managers, Region III, November 2000.

Not all PESOs are happy with the manpower agencies. Because these agencies often compete with the PESOs and at the same time earn by charging both the principals and the workers, many PESOs resent the presence of these agencies and avoid them like a plague. Aside from the well-known propensity of manpower agencies to contractualize their hires, the oft-repeated complaints are the underpayment of wages and benefits and the non-payment of statutory benefits such as SSS contribution.

But the manpower agencies are all over the country and outnumber the PESOs by at least three to one. Under the DOLE's Department Order No. 10, series of 1997, job and service contractors and subcontractors are required to register with DOLE and pay a one-shot registration fee amounting to a ridiculous P100 (roughly \$2). From the promulgation of the DO 10 up to June 2000, a total of 4,250 job/service contractors and subcontractors had been registered. The highest number of registered manpower agencies are in NCR (1,655), followed by Region IV (567), Region XI (511), Region VII (416) and Region III (251). These regions happen to have the most developed wage labor market in the country.

It should be pointed out that not all manpower agencies engaged in job and service contracting are registered with DOLE. A number have remained 'semi-underground', unregistered but providing casual workers to companies through 'proposal marketing' communicated to the HRD managers in the most covert manner possible.

One controversy around these manpower agencies is the issue of labor-only contracting (LOC), which the Labor Code prohibits (Article 106) and which DO 10 tries to curb through the formal system of registration of 'legitimate' labor contractors. An LOC arrangement exists when a manpower agency does not have sufficient capital/resources/tools and yet deploys its 'own' workers to do regular and necessary jobs in the work premises of a principal. DOLE's EPDs complain that the definition of sufficient capital is loose; hence, the registration of these agencies is quite liberal. On the other hand, almost all the labor federations and unions in the country have denounced the proliferation of these agencies for practising LOC by replacing regular workers with casual or contractual workers to do regular and necessary jobs in a principal's work premises.

Of course, casual hiring can also be done without resorting to the use of a manpower agency which keeps the deployed workers under its so-called 'payroll'. Companies may go into direct hiring of casuals for a fixed duration of less than six (6) months. Some companies usually go to the PESOs to get their regular supply of casual workers.

PESOs, Phil-JobNet, dot-com companies and the head-hunting firms

Precisely because of the concentration of the PESOs in the middle-level labor market or in the semi-skilled category of workers, the Phil-JobNet of DOLE based at the BLE is encountering difficulty in being accepted or utilized in the PESO network. The Phil-JobNet is an automated or online job and applicant matching system. If the type of workers needed are casual or peripheral workers, companies do not log in in the internet. Nor do the worker applicants who have limited access to online computers because of lack of computer literacy and budget for logging in.

In the course of this study, the research team found out that the use of Phil-JobNet is further limited by the following: difficulty of accessing and downloading data, breakdown of computer connections to the internet and Phil-JobNet and the added cost of paying monthly fees for the ISP servers. In Cebu, the EPD pointed out that it took them one whole day to download just two job entries.

In the Cordillera, the EPD explained that there is very little incentive for workers based in the Cordillera to go to other regions to get lowly jobs based on Phil-JobNet information. Job offerings in various regions advertised online will only be attractive if these jobs are on the high end of the labor market, or are high paying.

Clearly, what is needed is to further build up the infrastructure for the Phil-JobNet, concentrate its services initially on networking and sharing of labor market information between and among the regional EPDs and the institutionalized/semi-institutionalized PESOs, and prepare for the future when accessing to Phil-JobNet will be easy and cheap for ordinary PESO clients with limited educational background.

As to the private job search dot-com companies like trabaho.com and jobstreet.com as well as the foreign job search dot-com companies, their market is clearly the computer-literate professionals and technical workers. Hence, their reach is mainly in the high end of the labor market in Metro Manila and other urban areas. They hardly compete with the PESOs.

The same is true for the head-hunting companies specializing in the recruitment of professional, managerial, technical and skilled workers. These types of workers hardly go to a PESO office.

It should be abundantly clear by now that the PESOs are virtually unheard of in the high end of the labor market, that is, the labor market for professional, managerial, technical and skilled workers. When companies need these type of workers, they usually resort to advertising or avail of the services of head-hunting companies such as John Clements.

VII. THE PESOs DURING CRISIS AND CRITICAL ADJUSTMENT PERIODS

One question that the research team tried to find out is the role of the PESOs in crisis periods and in critical industrial restructuring situations. More specifically, the questions raised in the in-depth interviews were:

- Do they monitor displaced workers?
- Do they help displaced workers in the search for new jobs?
- Do they monitor industries in crisis?
- Do they help in the preservation of jobs?
- Do they help industries undertake job-full restructuring?
- Do they link job seekers and industries to appropriate training institutions?

With the possible exception of the last question, the answer to the above questions is mainly negative. Monitoring of displaced workers is not in the list of PESO functions, nor are they given special tasks to do such monitoring. If PESOs are able to place displaced workers in new jobs, it is simply because they registered with the PESOs and new job openings appropriate to their skills and experience happen to be available. Displaced workers are like the contractual workers who go back to the PESOs, at the end of their contracts, in search for new job openings.

Of course, PESOs can be conduits of special DOLE and other government programs for displaced workers just as they happen to be the conduits for SPES, WAP and TULAY programs. Among these special programs are livelihood programs funded by the special GATT Adjustment Fund and the OWWA fund for returning displaced overseas workers. But the monitoring of displaced workers and the more difficult monitoring of industries in trouble and in danger of shedding off workers en masse are not done by any of the PESOs the research team contacted.

In the DOLE's scheme of things, it is the DOLE regional offices led by the Regional Directors who are given the primary task of monitoring and reporting displacements and retrenchments of workers, in normal as well as crisis periods. DOLE and other government agencies are the ones which develop and package special assistance to these workers. PESOs enter the picture only if they are chosen as conduits or implementors of special assistance projects such as livelihood projects.

Do PESOs help in the preservation of jobs in industries undertaking restructuring? The answer here is largely negative. In the first place, PESO managers are not able to do any labor market and industry analysis. Nor do they have the luxury of time to touch base

with employers. And they do not have the expertise or the skills to advise them on how to preserve jobs and how to undertake structural adjustments with minimum labor losses.

In crisis situations such as the 1997-98 Asian financial crisis, do PESOs play a major role? Nothing special. They simply do their normal functions of job matching based on a diminishing base of available job openings.

Capability to do monitoring and appropriate interventions in crisis interventions. It does not follow, however, that PESOs, especially the institutionalized and semi-institutionalized ones, cannot undertake the above types of monitoring nor get involved in making appropriate interventions to preserve jobs, enhance employability and strengthen employment facilitation. In the first place, being community-based, PESOs ought to be in a better position to know what is going on in their respective communities, if only given the right resources, orientation and back-up support.

As it is, there are uplifting stories about more and more PESOs getting more and more conscious of the need to link job seekers with certain educational background to training institutions or to look for appropriate training courses being offered by technical-vocational institutions under the TESDA network so that these workers will become employable in certain categories of jobs. PESO Angeles is already into this and enjoys an advantage as it has access to city hall facilities which are used as training rooms. PESO Angeles is also very active in the conduct of pre-departure orientation seminars for departing overseas workers as well as in extending credit assistance to some of these overseas workers. Unfortunately, not all PESOs are as blessed as the institutionalized PESO Angeles.

The point is that PESOs, once given the enabling orientation and support, can do a more pro-active role in the labor market.

VIII. CONCLUSION: TOWARDS A MORE PRO-ACTIVE AND CAPABLE PESO NETWORK

The 1990s saw the development of a nationwide PESO network, with a strong hold on the middle-level labor market.

The challenge in the first decade of the 21st century is how to upgrade the PESO network into market-capable, pro-active and forward-looking chain of public employment offices playing a vital role in placing a growing army of job seekers in an economy with a weak agro-industrial base and undergoing the difficult pains of restructuring under globalization. A lot has to be done.

Based on the foregoing exhaustive study of the strengths and weaknesses of the PESO network, the following is an initial list of possible 'to do's' in this upgrading program:

A. Institutionalizing the PESOs by strengthening DOLE-LGU cooperation

The PESO law of 1999 seeks the fuller institutionalization of the PESO program through a chain of institutionalized PESOs – with full-time PESO managers and staff chosen through the merit system, with regular offices and facilities, with full supervision by DOLE and with full financial backing of the national government through the National Appropriations Act.

The objective of the PESO law is laudable and is the ideal.

However, the reality is that the financial and personnel requirements of the full operationalization of the PESO law is mind-boggling. To illustrate, an average DOLE regional office would have around 100 personnel. On the other hand, an average region would have around 100 PESOs. To have a fully operational PESO, such an office would need 10-12 staff, including the PESO manager. The simple arithmetic is that fully operationalizing the PESOs through the national budget is like creating 10 new DOLE network of regional offices, or 10 new big departments. In the light of the budgetary stress confronting the Philippine government, the funding for the PESO law is likely not to be forthcoming in several years, if not a decade.

A healthy compromise on funding can be developed by going back to the original vision of the PESO program – a joint cooperation program between DOLE and DILG, with the BLE and the DOLE regional offices providing technical assistance and program supervision while the LGUs take care of the employment office, the designation of the PESO manager and other personnel, the operational expenses and so on.

Thus, LGUs presently hosting institutionalized and semi-institutionalized PESOs should be encouraged to maintain and even expand their assistance to these PESOs. In the weak and inactive PESOs, the DOLE may come in by co-sharing in the upgrading of the PESOs.

Getting the political commitment of the LGUs. As validated in this study, the old observation that the success of a PESO depends on the political commitment to the program of the LGU leadership is crucial. In fact, even if the target objective of the PESO law to institutionalize the PESO by providing full budgetary and personnel assistance is realized, problems are still bound to crop up as the LGUs have the primary task of hosting the PESOs. The LGU leadership can ignore the PESO and make life difficult for those managing it.

The LGU leadership has to be won over the PESO program.

One way of doing this is through the renewal of the DOLE-DILG cooperation program in the promotion of the PESOs. Such cooperation program should go beyond the issuance of another DILG Memorandum Circular to the LGUs re the importance of setting up and maintaining a PESO. Two concrete items may be the subject of a DOLE-DILG cooperation program:

1. ***The conduct of an appreciation course for governors, mayors and town/city councils on the importance of employment facilitation and understanding of labor market analysis in economic and employment planning at the town/city and provincial levels.*** It should be pointed out that the DILG has been requiring LGU executives to undergo various upgrading programs through seminars and courses on governance, taxation, economic development and so on conducted by the Local Government Academy (LGA) and various training institutions. Employment facilitation and employment planning as part of the executive development courses for LGUs are neglected subjects in these development courses.

The DOLE's BLE and EPDs may help in developing and conducting both the appreciation course and the labor market analysis seminars for LGU executives.

2. ***Technical assistance for the inclusion in town/city/provincial economic development plans of employment promotion measures.*** Under the Local Autonomy Code, towns/cities and provinces are supposed to develop their respective economic development plans. Most of these development plans end up focusing on investment promotion, taxation measures and infrastructure development with limited or no importance given to employment promotion and skills development. Most towns and cities do not even have a labor force profile, a skills inventory, etc.

A model employment planning process at the LGU level may be developed by DOLE and implemented in key cities and towns.

Working out win-win solutions in the operationalization of the PESO law. In the course of the research, the team learned about the contentious debates between DOLE and the PESO managers and even within DOLE about the implementing rules and regulations for the 1999 PESO law, particularly on the issue of the appointment of PESO managers and the civil service requirements they have to meet to qualify as PESO managers. The research team feels that PESO managers who have pioneered in the establishment of the PESOs in their localities, who have rendered at least three years of

service as PESO managers and who have made outstanding contributions in making the PESOs a respected institution in the locality should be given due recognition by giving them equivalent civil service certificates of eligibility.

Likewise, it should be pointed out that the new IRR still has to flesh out the mandate of the law that PESOs shall be “community-based and maintained largely by local government units”. Fleshing this out should serve as an occasion for renewing the partnership between DOLE and the LGUs.

B. Building up the capability of EPDs and PESOs to do labor market and industry analysis during crisis situations and in the context of globalization

For a number of years already, the Director of the Bureau of Local Employment, Ms. Teresita R. Manzala, has been pushing for greater appreciation by the PESOs and various stakeholders on the importance of collating, monitoring and analyzing LMI or labor market information defined as “any information concerning the size or composition of the labor market or any part of the labor market, the way it or any part of it functions, its problems, the opportunities which may be available to it, and the employment-related intentions or aspirations of those who are part of it.” The research team joins Director Manzala in this advocacy.

With the exception of the data on the registration and matching of job seekers, PESO-generated LMI are not reflected in any of the existing Regional Employment Plan nor in the National Employment Plan. LMI generated by community- or LGU-based PESOs should provide a more accurate picture of the labor market situation in a given locality. The labor force data generated by the National Statistics Office (NSO) can only provide estimates at the provincial level as they are based on a limited sample. Moreover, LMI data on labor shortages in certain industries, oversupply of graduates of certain courses, work stoppages and terminations, productivity at the industry level, internal and international migration and the likes are not covered by the regular NSO labor force survey. In fact, up to now, the NSO does not have a reliable estimate on the number of overseas Filipino workers.

Moreover, hardly anyone is doing any monitoring of the labor market dimensions of trends in industry – industries that are expanding and are, therefore, hiring; industries that are collapsing and are, therefore, retrenching; and industries that are restructuring and are, therefore, possibly both hiring and retrenching – in the context of globalization as well as in the light of the strengths and weaknesses of the major economic sectors of the economy

If analyzed properly, these trends can provide good signals for the PESOs, which they may relay to TESDA and other institutions to serve as a guide in training and other

forms of intervention. In this study, the major findings that most of the PESO job seekers are young, unemployed and with limited education and that they usually get deployed in the lower end of industry hiring clearly indicates the need for tighter cooperation between the PESOs and various training institutions.

These will also help DOLE and other institutions in coming up with timely assistance and intervention package for the displaced workers or would-be-displaced workers.

The foregoing clearly implies the need to strengthen the capacity of both EPDs and PESOs to --

1. *Do labor market and industry analysis at the regional, provincial and city/town levels, and.*
2. *Utilize the results of labor market and industry analysis in the formulation of economic development plants at the local level (see recommendations under A) as well as a guide in PESO operations.*

The above capability-building program may be undertaken with the support of the International Labor Organization.

C. Establishing a National Employment Authority

ILO Convention No. 88 calls for the creation of a national authority in charge of employment service promotion.

The research team agrees, as there is a need to have an integrated and comprehensive approach to employment promotion. What this study has shown is the importance of going beyond a mere program of job matching as envisioned in the PESO law. Job seekers may come in droves to the PESO for registration, but if they do not possess the right skills they just end up as additional statistics. So the PESOs should come in to contribute to the challenge of enhancing the employability of job seekers by linking them to appropriate training institutions and suggest possible training courses.

There is also a need to point out here that the Philippine labor market has become a lot more complicated with the phenomenal growth of the overseas labor market, on one hand, and the highly uneven development of the economy and the domestic labor market, on the other. A segmented and piecemeal approach to various employment issues will only retard the further development of the economy.

In this light, the research team is supporting the idea of establishing a National Employment Authority. The team feels it should consist of the following – the Bureau of Local Employment, the Philippine Overseas Employment Authority, the PESO chain and a few offices to be created under the Authority such as an Employment Planning Board. The main point is that agencies directly involved in employment facilitation and the promotion of job matching should be housed under one umbrella authority.