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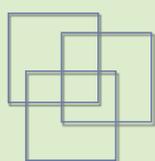


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## ILO Asia-Pacific Working Paper Series

# Towards a national policy and action agenda for decent and productive work for youth in the Philippines

Fernando T. Aldaba and Jose T. Sescon  
December 2009



Subregional Office for South-East Asia and the Pacific  
Manila



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## Foreword

Youth unemployment and the difficulty of transiting from school to work has been a persistent and significant problem not just in the Philippines, but throughout the Southeast Asia and the Pacific region. A number of policy and programme initiatives have been introduced to address youth unemployment problems including provision of labour market information, skills training and upgrading, online job-matching, nurturing of entrepreneurship skills, etc. All these initiatives benefit from the political will of different stakeholders and often require both large sum of money (usually taken from national budget appropriations where they have to compete against other urgent priorities) as well as human resources and the energy to sustain each initiative. Despite all these programmes, the problem of youth unemployment persists. This might lead one to pose questions such as: “are we doing the right thing?”, “what types of youth-oriented and labour market initiatives would lead to employment creation?” and so forth.

In order to ensure these initiatives and reforms impact on young people and their lives in a positive and tangible manner, there is a need for a greater understanding of the nature of the environment that such initiatives are designed to address. As well as understanding the dynamics of the labour market, an important first step is to know the current profile of young people entering the workforce for the first time. This study is a response to that need and was commissioned by the ILO through the *Promoting Youth Employment in the Philippines (PYEP): Policy and Action Project* to assist policy makers (especially those operating within local government units who interact most often with young people needing work) in analyzing the real situation of the youth today in their locality: their needs, aspirations, and constraints, etc. so that officials and social workers can target and prioritize particular youth groups in greatest need, better address the problems they face and craft value-for-money solutions, measures, and/or youth investment options.

As always, we at the ILO Office hope that this initiative can be used by other local government units (LGUs) towards better understanding of the youth and employment challenges in their locality for them to craft effective and efficient measures to address youth unemployment.

Linda Wirth-Dominice  
Director, ILO-SRO Manila



## Preface

The Philippines was one of four countries selected for an initial three-year phase of the International Labour Organization's Action Programme for Decent Work under an agreement signed in 2002 between the local tripartite partners.<sup>1</sup> Promoting youth employment is one target outcome under this Decent Work Country Programme (DWCP) specifically under Pillar 2: "creating employment opportunities for men and women."<sup>2</sup>

CIDA Philippines through its Private Sector Development Fund provided a grant to pilot-test the youth employment project in the Philippines. The PYEP project aimed at capacitating relevant stakeholder institutions to assess the state of the labour markets at both the national and local levels, identifying employment growth areas that would provide opportunities for current and future youth, and its various segments. These segments were identified as: (i) students; (ii) the employed youth (including those that were self-employed); (iii) the unemployed job-seekers; and (iv) those not in the workforce.

Finally, armed with the knowledge of current and potential future opportunities, the project sought to foster the necessary conditions to realize such opportunities. An important component of this was recognition of the need to promote entrepreneurialism among the youth and a series of training modules were introduced and piloted in specific localities designed to encourage youth to think of themselves as micro entrepreneurs.

Importantly, the project disaggregated the factors and conditions surrounding youth unemployment from the more general unemployment and underemployment problem facing the Philippines and fostered the realization among stakeholders that this was indeed a separable problem that required its own specific set of interventions in order to resolve. Unemployment during a person's early working years can discourage a person and reduce self-esteem. This often leads to a lifetime of unemployment or underemployment and wasted potential for the country.

To make the programme implementable and measurable, the project management team dovetailed its project strategy with the ongoing effort of the ILO Manila to promote local development and decent work in other areas.

Thus, there were a number of activities funded under the youth employment project that were carried out to address broader targets of the DWCP and which were co-funded through other allocations: for instance promoting local development and decent work (such as developing the studies linking youth employment to local economic development strategies) and also funds allocated for promoting gender equality in employment.

Eight pilot locations were selected partly on the basis of recommendations of the Department of Labor and Employment (DOLE) –Bureau of Rural Workers which the DOLE assessed as showing already some level of success based on implementation of other national flagship programmes including those on poverty reduction. The final decision was also made on the basis of an assessment of the ILO Manila as to the openness of the LGUs leadership to work with the ILO in this regard.

Policy research was undertaken which led to consequent technical discussion and advocacy activities conducted to harness multi-sector support for a policy and action agenda that would complement, replicate, disseminate and scale up the delivery of tried and tested employment support services for youth throughout the country. These policy research papers are integrated into this set of working papers.

<sup>1</sup> See for example [http://www.unwire.org/unwire/20020514/26368\\_story.asp](http://www.unwire.org/unwire/20020514/26368_story.asp) (accessed 21 November 2009).

<sup>2</sup> See for example ILO, 2006 *From Pilot to Decent Work Pilot Programme*, Geneva; available online at [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms\\_079471.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_079471.pdf) (accessed 23 November 2009).

National and local partners participated in a series of ILO-organized advocacy and learning forums and were oriented in the ILO entrepreneurship tools (KAB, GYB/SYB and GET AHEAD) which were pilot tested in 48 secondary schools throughout the country as well as in TESDA-administered schools.

Knowledge materials were produced to assist both institutional partners and target youth beneficiaries during and after the project period while documentation of the supported demonstration projects helped in disseminating lessons and facilitated replication of good practices by other parties. Three of these are incorporated into this working paper series: the Briefing Guide; the Operations Guide; and the Independent Evaluation Report.

Finally, ILO-CIDA-PYEP supported projects were developed to create immediate and limited scale of demonstration effect on jobs, incomes and decent work status of target youth segments. These were piloted in select localities using ILO tools and expertise which generated results favourable to intermediary local institutions and target youth beneficiaries. These demonstration projects were useful for improvement, replication and scaling up.

These particularly covered:

1. For Angono – five projects anchored on art tourism including: (i) arts exhibits; (ii) traditional animation and artistic training; (iii) souvenir items development and culinary arts, (iv) souvenir items development using recycled materials; and (v) tour guide training and transport-aided tourism promotion that directly enhanced skills translated to jobs and income opportunities for 110 young artistically inclined youth.
2. For Concepcion – one project anchored on eco-tourism titled “LGU and Youth Employment Generation Capacity on Tourism Development” that enabled 20 youth direct beneficiaries duly screened and selected, from the different barangays of the town to acquire through structured learning opportunities necessary attitude, exposure and skills to start, grow and sustain in a business-like manner the operations of an LGU tourism services shop, This will indirectly benefit 400 local potential and existing artisans and entrepreneurs.
3. For Cotabato City – one project on enabling a Muslim youth-run organization to prepare and expand its business service lines to include blueprinting services on top of established computer and photocopying service lines; in effect creating additional opportunities for the organization’s target out-of-school-youth; and enabling employed out-of-school-youth to earn incomes sufficient to cover for their needs and for costs in pursuing a short vocational/technical training course of their choice.
4. For Davao City – one project enhancing the employability factor of targeted disadvantaged youth in the city such as the out-of-school-youth and the job seeking unemployed youth technically inclined to engage in jobs in the hotel and restaurant industry, building electrical wiring trade and metal arc welding trade. The programme provided for skills training, testing and certification; entrepreneurship orientation, personality development, post-training employment services, and a mechanism for employers’ feedback on programme participants.
5. For Dumaguete – one project enhancing values, industry/trade skills and entrepreneurship base of local unemployed graduates. As an adjunct to this, the city provided two tracks of post-training employment facilities services for the youth. One track is geared towards getting trainees employed in the labour-short but high-paying Business Process Outsourcing-Information and Communication Technologies (BPO-ICT) sector as well as in hospitality and automotives sectors. Another track is geared towards enabling these young people to start-up their own service shops.
6. For Guimaras Province – two different projects with the first one supporting employability and actual employment of 50 local youth for housing sector jobs; the second one complementing resources mobilized by the provincial government to implement an integrated set of employment interventions based on identified gaps and action points from the youth employment planning workshop.

7. For La Castellana – one project affording young people and their parents in comprehensive agrarian reform programme (CARP) whose long pending land disputes case have been finally settled and thus ready to respectively invest in the development of their respective lands with entrepreneurship orientation, training and post-training support services.
8. For Marikina City – provided the city with technical (e.g. feasibility studies) and brokering (e.g. between BPO firms and Marikina LGU) services to complement the overall efforts of the LGU to organize a fully functioning one-stop-shop labour market centre capable of delivering a comprehensive set of employment services for the city with a special focus on the more disadvantaged youth segments.

These projects served as a deciding point for LGUs and stakeholders to mainstream youth employment policy and action points in local development planning, budget and administration processes. The second set of papers in this series provides case studies that highlight how the ILO-sponsored interventions complemented local economic development initiatives in each of these eight areas and the result obtained.

The evaluation report concluded with a note that the PYEP is clearly just a beginning; that it has managed to establish momentum that can be carried on by the project partners with or without further project support. It underscored the challenges facing all the partners involved, the local governments, the partner non-governmental organisations (NGOs), the schools and training institutions, the employer groups, trade unions, national government agencies, and the international development institutions involved (ILO and CIDA), that is to do what is necessary to ensure that such momentum is not dissipated.



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## List of acronyms

ALS	Alternative Learning system
APIS	Annual Poverty Indicators Survey
BPO	Business Process Outsourcing
BSP	Bangko Sentral ng Pilipinas
BWYW	Bureau of Women and Young Workers
CHED	Commission on Higher Education
CIDA	Canadian International Development Agency
CLSU	Central Luzon State University
DA	Department of Agriculture
DDB	Dangerous Drugs Board
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DOH	Department of Health
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DSWD	Department of Social Welfare and Development
DWCP	Decent Work Country Programme
HEDP	Higher Education Development Project
HEI	Higher Education Institutions
ISI	Import substituting industries
IT	Information Technology
NCIP	National Commission on Indigenous Peoples
NCR	National Capital Region
NDHS	National Demographic and Health Survey
NEAT	National Elementary Achievement Test
NEDA	National Economic Development Authority
NHIP	National Health Insurance Program
NSAT	National Scholastic Aptitude Test
NSO-LFS	National Statistics Office-Labor Force Survey
NYC	National Youth Commission
OSY	Out-of-School-Youth
OTOP	One Town One Product
OWY	Out-of-Work-Youth
PDF	Philippine Development Forum
PESO	Public Employment Service Office
PEZA	Philippine Economic Zone Authority
PHIC	Philippine Health Insurance Corporation
POPCOM	Population Commission
PPMP	Philippine Population Management Programme
QAT	Quick Action Team
SPES	Special Program for the Employment of Students
TNS	Taylor Nelson and Sofres
TU	Trade Union
TVET	Technical Vocational Education and Training
WAP	Work Appreciation Programme
WYC	Working Youth Center
YP4SC	Youth Profiling for Starting Career

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Acknowledgement also to the ILO Policy Integration Employment, PYEP, and Publication Teams for providing the overall coordination in delivering this knowledge product.

### A note on spelling conventions

In accordance with the practice of the International Labour Organization (ILO) this document follows the general spelling conventions as laid out in the Oxford Dictionary. Where two or more alternative spellings are allowed, we normally apply the first such spelling.

Exceptions are made for proper names. Thus we use the general term of “labour market” and “labour scenarios” but “Department of Labor and Employment” and “Labor Code of the Philippines.”

<sup>3</sup> This paper served as a reference document for the series of Youth Development and Employment Strategy Plan series involving local, regional, national government, and non-government players and one segment involving youth.



# Towards a national policy and action agenda for decent and productive work for youth in the Philippines

by

Fernando T. Aldaba and Jose T. Sescon

## 1 Introduction

Sustained economic growth can only be possible with continued investments in both human and physical capital coupled with technological progress. Such claim has been verified by various studies in the developmental literature. However, when one considers the equitable distribution of such growth, human capital improvements play the pivotal role. And when the optimal timing of such investments are taken into account, a person's childhood and youth become critical phases for intervention. In other words, economic growth and development can only be sustained when we are able to nurture the young so that they grow up into productive and responsible adults. Failure to do so results in negative consequences not only to the economy but to the entire society (e.g. peace and order problem, etc.).

According to the World Development Report of 2007 (World Bank, 2007), the situation of the youth today presents the world with an opportunity to accelerate economic growth and reduce poverty. This is due to the following reasons:

- The development achievements of the past decades have increased the number of young people who have survived childhood diseases and finished primary school.
- Lower fertility rates in many countries will decrease the current youth's non-working dependents when they enter the labour force.

However, lacking in skills, training and experience, younger members of the labour force have a greater probability of being unemployed and staying unemployed for longer periods compared with their older counterparts. The pressure to find work is also probably less for younger people who may not yet be household heads or primary breadwinners. The World Development Report warns that unless the youth can be equipped with skills beyond literacy and staying healthy, they will not become productive assets of their respective economies.

The International Labour Organization (ILO) meanwhile believes that the youth are the world's greatest hopes for the present and the future but they must be able to confront a number of vulnerabilities if they are to achieve their full potential.

In the Philippines, the youth aged 15–24 years old comprised around 19.72 per cent of the population, numbering around 15.08 million in 2000, the last census year.<sup>4</sup> This group had an unemployment rate of 17.4 per cent with around 1.4 million of these young people without work. This is however, almost half of the total unemployed in the Philippines. In fact, aggregate unemployment is closely related to youth joblessness (Esguerra and Canlas 2001). The underemployment rate, meanwhile, was even higher at 19.2 per cent National Statistics Office, Labour Force Survey (NSO, LFS), April 2006. But aside from the unemployed and underemployed youth, there are around 14.7 per cent or 4.84 million out-of-school Filipino children out of a total population of 32.96 million aged six to 24 years (NSO Press Release, 2003).

High youth unemployment and underemployment rates are thus of grave concern to Philippine society. At the individual and household levels, the youth are at a strategic stage in their life cycle where, as individuals, they transit from childhood to adulthood and from a situation of dependence to one of independence. It is during this stage that the foundations of a stable or unstable future family life will be established. Thus, the state has the responsibility to create the appropriate opportunities for the youth to be able to take root financially, emotionally and physically in this critical transition stage. Failure to do

<sup>4</sup> Since this was written there has been a further census, in 2007.

so may result in wider social concerns in particular, peace and order problems, juvenile delinquency, drug abuse, broken families, rebellion, etc.

In fact, the current unemployment and underemployment rates of the youth could have been higher without the opportunities for overseas work. The lack of quality jobs in the domestic labour market has forced even our skilled and educated youth to seek greener pastures abroad.

The main objectives of this paper are threefold: (i) to formulate a framework that will be an aid to assessing policies and programmes addressing the youth labour market especially in terms of the issues of unemployment and underemployment; (ii) to assess current programmes and policies; and (iii) to recommend key proposals for developing a multi-sector- supported national policy action agenda for the youth.

## 2 Assessment framework for youth labour market policies and programmes

The simple framework developed as an aid to understanding youth labour market outcomes looks at three important clusters of factors affecting unemployment and underemployment.<sup>5</sup> These include supply, demand, institutional, and external factors and are discussed below.

### 2.1 Supply side factors

Supply side factors actually affect the quantity and quality of youth labour supplied in the market. Quantity is usually determined by increases in the working age population, which includes all persons from 15 years old and above. The number of young people that can be tapped to enter the market may be constrained by geographical barriers, educational aspects, or high costs of transportation to a place of work. Meanwhile, the quality of the youth labour is determined by the availability of formal and non-formal education and training. Mobility of the youth from one sector to another may also be constrained by the quality of education they are able to obtain.

To summarize the various factors operating on the supply side:

- **Access to and quality of primary, secondary and tertiary education**—this is an important factor in determining the capacity to work by the youth; the first two educational levels are the foundation for further learning and training; the level of education is also a key determinant for entry level wages or incomes.
- **Technical and vocational education**—this consists of specialized skills training outside of the tertiary education sector although it can serve as entry point to the labour force.
- **Population growth**—affects the size of the working age population and the labour force pool; it creates tight competition in a labour market with a surplus of labour.
- **Other factors affecting human capital such as health and nutrition**—there are required minimal levels of health and nutrition in order for a worker to be productive.
- **Labour mobility across regions and sectors**—there may be physical or transportation barriers to geographical mobility while retraining may not be feasible in a movement form one sector to another.

### 2.2 Demand side factors

Demand for youth labour is actually a derived demand.<sup>6</sup> Only with increasing markets will production expand and need more labour. Thus anything at the macroeconomic level that will induce greater investments can possibly increase the demand for labour. Of course, the actual demand will also be

<sup>5</sup> The framework here is an adaptation from Aldaba (2001).

<sup>6</sup> A term in economics, where demand for one item of goods or a service occurs as a result of demand for another.

dependent on the technologies used by specific firms, particularly whether they are more capital intensive or labour intensive. At the same time, firms demanding labour may be classified into formal or non-formal ones particularly in the SME sector.

Factors operating on the demand side include:

- **Over-all economic growth**—with growth there should be an increased demand for goods and services so that production also increases; jobs are generated as a consequence of the need to increase workers to realize increased production; the quality and type of growth is also essential as ‘jobless growth’ is possible.
- **Sectoral growth (agriculture, manufacturing, and services)**—depending on market factors and government programmes and policies, certain sectors become the drivers of national economic growth.
- **Technological choices of firms**—global and national competition plus the availability of key inputs and resources determine a firm’s choice of technology and production system.
- **Quality of work demanded is often dependent on whether the demand is coming from the informal or formal sectors**—during periods of recession, the informal sector, where many people are self-employed, also expands to absorb transferees from those laid off in the formal sectors.

### 2.3 Institutional factors

While market supply and demand forces operate to determine the level of youth employment, there are also institutional factors that may affect outcomes. At the enterprise level, internal labour market arrangements may be the norm for hiring new employees. At both the firm and sectoral levels, trade union activities may also affect who and how many would be employed. At the regional levels, wage policies particularly on the setting of minimum wages may also impact on employment. Government policies affecting the firms’ investments and productivity may also affect employment e.g. access to financing and other fiscal incentives. Information asymmetries may be corrected by policies relating to job market placements, job fairs and information dissemination. At the enterprise and community level, different kinds of discrimination may also affect actual hiring policies. To summarize, here are the factors:

- **Firm-level hiring and firing practices**—well established protocols and practices may as well determine the employment prospects for the youth.
- **Mechanisms to improve labour market information** so that search costs for both worker and firms are reduced.
- **National government policies on employment and wages**, standards and benefits; also macroeconomic, industrial and investment policies; its budget allocation in terms of human capital services.
- **Local government policies** promoting local economic development and employment generation; also programmes affecting employability of the youth.
- **Mechanisms for labour matching** including job placements, job fairs, academe-industry cooperation, etc.
- **Gender and age discrimination** because of accepted socio-cultural practices at both the local and national levels.
- **Firm level practices on on-the-job training and apprenticeships.**
- **Unionism and collective bargaining** agreements that affect employment.
- **Mechanisms for credit access** for micro and small enterprises.
- **Advocacies for equal access and non-discrimination** in the labour market.

There are also various stakeholders in the labour market and each has some direct or indirect impact on the supply and demand for labour. However, coordinated action among these stakeholders creates synergies that promote better employment opportunities for the youth. Key stakeholders include the government, employers, unions, NGOs, academe, youth organizations, microfinance institutions, and the households, etc. Coordination failure among stakeholders may also affect the labour market. For example, current labour mismatches resulting in high unemployment and long search processes are due to the inability of academe and the private sector to coordinate. At the local level, the difficulty of generating jobs is a consequence of the inability to share information among national agencies and local government planners.

## 2.4 External factors

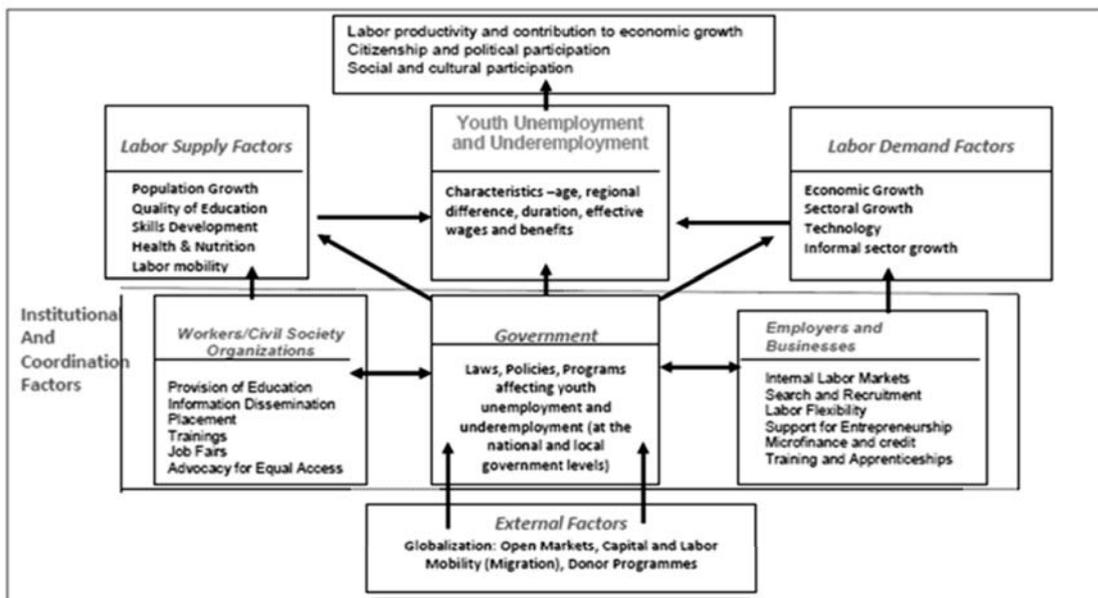
Factors outside the control of government may also influence the employment levels of the youth. These would include the openness of foreign markets to labour and goods. The former may induce labour migration affecting the local supply of labour while the latter may increase demand for labour as exports increase. Donor programmes impacting on government policies and programmes related to the labour market may also have an indirect effect on employment.

To summarize the external factors:

- open markets for both goods and services can create additional demand for labour through increased export production and labour migration; and
- donor programmes may affect human capital investments or labour demand.

The framework for addressing these issues is shown diagrammatically in Figure 1.

**Figure 1: A framework for addressing youth unemployment and underemployment**



Source: Authors

## 3 The youth labour market in the Philippines

### 3.1 Understanding the source of labour demand: growth and current issues within the Philippine economy

In a labour abundant economy such as the Philippines, sustaining the growth of labour demand is the key to absorbing excess manpower. As we noted above, labour demand is a derived demand. This means that

the demand for labour is a function of the demand for output in which it is used. Sustained output growth (GDP/GNP) is therefore strategic to sustained employment generation.<sup>7</sup>

Recent growth has been inadequate to sustain labour demand in the economy. The average annual GDP growth in the period 1980–90 was a measly 1 per cent and at an average only of 3.2 per cent from 1990–2000. Overall growth in 30 years between 1970–2000 was rarely above 3 per cent in per capita terms. Average GDP growth in 2001–2006 was at a promising 4.6 per cent. However, unconfirmed trends on the number of jobs generated were minimal and slow during these recent growth episodes. Relatively high growth rates were registered, yet the jobless rate continued to rise (Table 3-1). This suggests that there might be a structural problem, more specifically a job-skills mismatch in the labour market or technology related constraints. It could also be that growth drivers within the domestic economy are too few.

**Table 3-1: Employment, jobs generated, and unemployment (millions)**

Item	1988	1989	1990	1991	1992	1993	1994	1995
Employed	21 205	21 908	22 212	22 915	23 696	24 382	25 032	25 676
Jobs generated	1 165	703	304	703	782	686	650	644
Unemployed (per cent)	10.0	9.0	8.3	10.5	9.8	9.3	9.5	9.5
NCR region (per cent)	20.0	17.0	16.0	18.0	17.4	16.4	16.6	17.0
	1996	1997	1998 <sup>A/</sup>	1999 <sup>A/</sup>	2000 <sup>A/</sup>	2001 <sup>A/</sup>	2002 <sup>A/</sup>	2003
Employed	27 186	27 715	27 715	27 742	27 453	29 156	30 062	30 119
Jobs gen.	1 510	529	...	1 111	-289	1 703	907	...
Unemployed(per cent)	8.6	8.7	10.3	9.8	11.2	11.1	11.4	10.6
NCR (per cent)	13.9	13.8	16.1	16.4	17.4	17	17.6	17.3

Source: NEDA Website

A/ LFS results were estimated using the 1995 Census-based population estimates; earlier series were estimated based on the 1980 Census-based population estimates.; unemployed in per cent

Agricultural growth has petered out since the 1980s and per capita agricultural output has actually fallen. Sugar and coconuts, historically the country's most important cash crops, are currently identified with those provinces having a high incidence of poverty rather than those associated with progress and development.

The Philippines is an efficient producer of a variety of tropical fruits, including pineapples, bananas, and mangoes. But other sectors have lagged. A complication is that the natural area of expansion—Mindanao—has been beset by constant unrest, deterring investors, who necessarily require a secure investment climate for longer-gestation cash crops. Forestry output has declined continuously, a trend that accelerated in the 1990s, by which time virtually all primary forests had disappeared in the country. It is some consolation that the livestock and poultry industry has grown quickly and appears to be internationally competitive.

The country's state of rural infrastructure, particularly its roads, has also inhibited competitiveness of the agriculture sector. Agriculture though remains a key area of the economy, generating about 17 per cent of GDP and employing around 35 per cent of the workforce. If a broader definition that encompasses agricultural processing and related activities is adopted, the indirect share rises to about 40 per cent and 67 per cent respectively. Moreover, some 70 per cent of the poor depend on this sector, and thus its fluctuating fortunes have a direct impact on the nation's welfare.

With regard to the export sector, electronics has been the major engine of growth, with export earnings rising dramatically from about \$1 billion in 1985 to \$7 billion in 1995. These earnings were more than \$20 billion in 2000, and had reached \$ 45.9 billion by 2006. Together with the smaller item of machine goods, electronics now constitutes almost 70 per cent of Philippine merchandise exports. Currently, there is impatience that backward linkages from electronics exporters have not developed more quickly to benefit the economy in terms of realizing expansion of production and job generation in downstream

<sup>7</sup> Summary draws heavily on *An Introduction to the Key Issues in Philippine Economy: Development, Policies, and Challenges*, Arsenio Balisacan and Hal Hill, 2003.

industries. The industry's strong growth has been enclave and dualistic in nature, and located entirely in the zones of the Philippine Economic Zone Authority (PEZA). This pattern has been observed in most early-stage East-Asian exporters, and the weak linkages in part reflect industrial infancy.

The only consistent growth success story in the country is to be found in the services sector. It is the only sector to have recorded positive per capita growth in all three decades from 1970–2000. With its highly elastic employment coefficients, some services—particularly those at the low end—may also have acted as a sector of last resort employment. On traded services, Filipinos appear to have a comparative advantage. With little over one per cent of the world's population, Filipinos constitute about 25 per cent of the world's seafarers. Filipinos also dominate Asia's live music and entertainment industry as well as being the principal source of domestic helper employment in Hong Kong, Singapore, and elsewhere. The country is emerging as a major IT centre in developing Asia and is competitive in health, education, and other services—all increasingly traded. Business activities as diverse as international call centres and graphic cartoon design are being established.

The record in tourism, in spite of much natural potential, has been disappointing. Poor infrastructure, lack of price competitiveness, and security concerns have held back growth in the tourism sector.

There is no clear and obvious explanation for the continuing rise in services. The trend has occurred across virtually all subsectors, public and private, quasi-tradable and non-tradable, substantially and minimally deregulated alike. The increase has occurred both when the real exchange rate has been appreciating and when it has been depreciating. The increase also occurred during periods of high and low growth, so it is difficult to find support for either an 'employment of last resort' or 'agent of growth' hypothesis.

Perhaps the inflow of remittances has in various ways been particularly pro-services, as some have conjectured. Services now account for half of the total workforce. Workers leaving the agricultural sector tend to be absorbed not by industry but by lower-end services. The expansion of the services sector is mainly attributable to the growth of traditional activities such as wholesale and retail trade and community, social, and personal services. The sector is typically characterized by short hours of work, instability, and low productivity and earnings, which now accounts for more than 49 per cent of total employment.

Far from signifying modern economic transformation, much of the increase in the share of service sector employment merely points to the growth of the informal sector. Moreover, to the extent that the output of the traditional services sector is mostly non-tradable, the sector's expansion is limited by the pace of development of the domestic economy. This constraint means that, in the absence of significant increases in income and employment in the rest of the economy, especially industry, further rises in the employment share of the services sector will tend only to perpetuate underemployment and low-wage, low-productivity employment.

In traditional sense of economic development, the industrial sector should have been driving economic growth as well as absorbing the growing labour force. However, the share of the industrial sector in total employment has been stagnant since the 1970s, remaining at around 14–16 per cent. Perhaps, the rise of China as a global manufacturing hub during the past 30 years has eclipsed the Philippines and taken away what might earlier have been seen as a comparative advantage. The share of manufacturing, the most dynamic part of the industrial sector, fell from about 12 per cent in 1970 to 11 per cent in 1980, then declined further to 9.5 per cent in 2000—the lowest level among East-Asian countries. By April 2007, the share of manufacturing in total employment had dropped to around 9.5 per cent (NSO, Manila 2007).

The capital-intensive nature of industrialization, the bias against backward integration, and the heavy dependence on imported raw materials and intermediate inputs have greatly constrained the growth of industry, including exports. The spatial pattern of industrialization is highly uneven. Almost 80 per cent of value added comes from just the three central regions of Metro Manila, Central Luzon, and Southern Tagalog, which together virtually constitute the country's integrated heartland. Elsewhere, only Cebu has a significant industrial base.

### 3.2 Growth and general trends of the Philippine labour force

Coming from a brief assessment of the economy as a whole, it is appropriate to look now directly at the supply side of labour. The working age population in the Philippines was growing by 2.6 per cent annually from 1981–2000. This translates to an average of 761,000 new entrants and re-entrants into the labour force each year during the 1980s, rising to 738,000 in the 1990s. Thus the labour force, which numbered 17.3 million in 1980, had nearly doubled to 32.2 million by 2000. It increased to 33.7 million in 2003 and 37.05 million in 2006. This rapid increase in the size of the labour force is attributed not only to high population growth but also to the steady increase in the participation of women in the workforce. The total labour force participation rate rose from 49 per cent in 1970 to 60 per cent in 1980, and then to 65 per cent in 2000.<sup>8</sup>

Unfortunately, and as discussed above in the section on economic growth performance, employment opportunities have failed to keep up with the rapid growth of the labour force. The consequence has been unemployment and underemployment rates that are persistently high by East Asian standards. Open unemployment rates have hovered just below the double-digit mark, and actually hitting double digits during periods of low or negative economic growth. Unemployment stood at about 8 per cent in 1980, peaked at 12.6 per cent in 1985—the trough of the 1980s economic recession—and rose above 10 per cent again in 1991 and 1998 (which were also recession years).

The total number of unemployed persons rose from 1.3 million in 1980 to 3.6 million in 2000—or 11.2 per cent of the workforce. It was 4.2 million in 2004 and decreased slightly to 4.1 million in 2006. Unemployment has typically been higher in urban than in rural areas reflecting a pattern of rural to urban migration. For most of the 1980s and 1990s urban unemployment rates were above 10 per cent, with the typical peaks during the recession years.

Underemployment rates have always been much greater than unemployment, remaining above 20 per cent during the 1980s and 1990s and peaking at about 33 per cent in 1983–84. The total number of underemployed persons swelled from 3.6 million in 1980 to 6.3 million in 2000, to 7.4 million in 2006. Underemployment cuts across all age groups and educational backgrounds and has serious implications for the adequacy of incomes. It can take the form either of a lack of full-time employment (visible underemployment) or of a mismatch between occupation and educational background or training (invisible underemployment).

Moreover, unemployment among workers who are both young and educated is a common phenomenon in the Philippines. In the 1970s and early 1980s, most unemployed were in the 15–24 year age group and had been educated to the primary or secondary level. However, an increasing proportion of the unemployed now possess a tertiary education. The percentage total unemployed with at least some college education increased from 27.4 per cent in 1980 to 33 per cent in 2000. Even more telling was the proportion with a college degree, which rose from 8.5 per cent in 1980 to 14.8 per cent in 2000. The trend could reflect the ‘choosy youth’ phenomenon (Manning 2000) or the overseas worker phenomenon, which tends to raise the reservation wage. Nevertheless, it implies a serious waste of resources.<sup>9</sup>

### 3.3 Social identities and socio-demographic profile of the Filipino

Before they enter the labour force, the youth have undergone their formative years during which their social upbringing and background, determine how they make their current and future economic choices. A brief rundown of the social identity factors influencing Filipino youth and demographic profiling will be helpful to our understanding.<sup>10</sup>

Young Filipinos today faces tough demands from families, institutions, and government amid clashing cultural realities of religion, traditional values, and liberal information passed through the media and the internet. The 2003 *State of the Philippine Population Report* noted that “a common aspiration among

<sup>8</sup> Quotes from Alejandro Herrin and Ernesto Pernia in *Population, Human Resources, and Employment*” in *Philippine Economy*, Balisacan and Hill, Hill, 2003.

<sup>9</sup> The most recent data suggests this trend continued throughout the present decade.

<sup>10</sup> Quotes from “*Pinoy Youth: Making Choices, Building Voices*” on the State of the Philippine Population Report, 2nd Issue, Commission on Population, November 2003.

*adolescents and youth is to finish their education. They see schooling as a key to all the other things that they aspire for*—a successful career, financial stability, and perhaps a harmonious family life in case they get married and found their own families later. In their choices, males want to get married and have families although they want to be financially secure before they do so. Females are more concerned about self-fulfilment and contributing to society. Young people of both sexes continue to look positively at marriage and consider the ideal marrying age for women to be 25 and two years older for men. They like to have three children, the first coming one year after marriage, the others following three years apart.

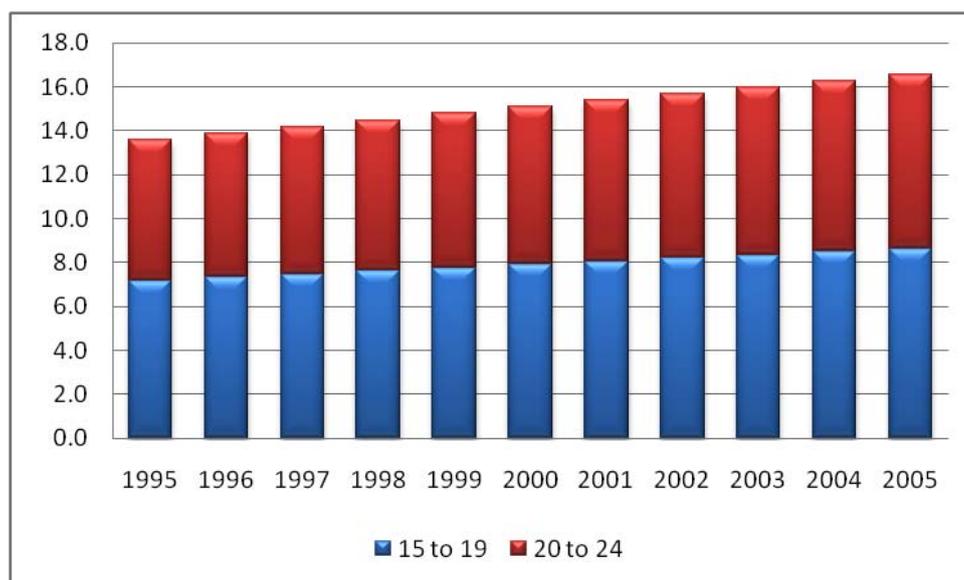
The youth today are also receptive to social and economic involvement, although they also think that self-respect and discipline are areas to be improved among the youth. The mass media has now become the new information guide of young people on what is “right” and what is “wrong”—in short it has become the new surrogate parents in terms of values formation. Although parents still advise the young on their relationships, college courses and even jobs, many adolescents are now making decisions in life without (or in spite of) parental advice. Young people spend between eight to 14 hours per week watching TV.

The internet is a medium used by mostly-in-school-youth, and is reaching an increasing number of users. One in five young people had used the internet in 2002 and the proportion has been increasing rapidly. Somehow, it has created a technological divide among the urban in-school-youth and with young people in rural areas. With regards to health, despite evidence presented in policy documents and recent research studies, most health services in the Philippines continue to target adults, often failing to meet the special needs of youth in terms of confidentiality, privacy, accessibility and cost. Lastly, in relation to youth risk-taking behaviour, the report said that almost half (47 per cent) of young people smoked; and 70 per cent drank alcohol. A rising trend of drug use was seen in 11 per cent of youth, and it is rampant in high schools and colleges.

Our youth comprised 15.1 million out of the 76.5 million Filipinos enumerated in the 2000 Census (Figure 2) This number is expected to double in 33 years. By 2010, there will be 18.5 million in the 15–24 year-old range from a total projected population of 94 million. Their proportionate share of the total population remains at 20 per cent with an annual growth rate of 2.1 per cent. The 2002 Annual Poverty Indicators Survey (APIS) reveals that almost three out of ten our youth belong to poor families. Among the 16 regions of the country, CARAGA has the highest incidence of youth belonging to poor families (54 per cent). Next are Western Mindanao, Eastern Visayas, and the Bicol Region. The greatest proportion of youth whose families are non-poor can be found in the National Capital Region (NCR) (98 per cent) followed by Central Luzon (89 per cent).

Just over two-fifths (42 per cent) of the youth are attending school with the highest percentage of school-attending youth found in the CAR (55 per cent) and the lowest in Central Luzon (36 per cent). The proportion of ‘idle’ youth or those neither in-school nor working in the Philippines, ranges from 16 per cent (Northern Mindanao) to 29 per cent (NCR) while three out of ten of our young people are already working. Nearly three in ten of our youth have some high school education, around one in five had completed only elementary grades, nearly a fifth had a high school diploma, almost one-fifth were in college and about three per cent had completed tertiary education. A mere 2 per cent had not completed any grade.

**Figure 2: Growth of youth population 15–24 years old (millions)**



The National Demographic and Health Survey (NDHS 2003) shows the median years of schooling for 15–19 year-old males is 7.8, of which 61 per cent have a high school education; for males aged 20–24 years -old men median years of schooling is 9.4 with 34.5 per cent with college or higher, and 42.7 per cent with high school. Also, the shows 15–19 year-old women median years of schooling is 8.6 with, 70.1 per cent with high school; 20–24 year-old women median years of schooling is 9.7 with 41.4 per cent with college or higher, and 43.8 per cent with high school. Table 3-2 provides a profile of the youth population aged between 15 and 24 years.

**Table 3-2: Youth population 15–24 years old**

Group	1995	1996	1997	1998	1999	
15 to 19	7186725	7335054	7482979	7630904	7778829	
20 to 24	6401280	6550417	6699146	6847876	6996605	
All ages both sexes	68349452	69946205	71538593	73130985	74723373	
Growth rate (per cent)		2.3	2.3	2.2	2.2	
	2000	2001	2002	2003	2004	2005
15 to 19	7927158	8071179	8215201	8359222	8503638	8647659
20 to 24	7145742	7294206	7442670	7591134	7740004	7888468
All ages both sexes	76320126	77898184	79476245	81054304	82636689	84214747
Growth rate (per cent)	2.1	2.1	2.0	2.0	2.0	1.9

Source: NSO website ([www.census.gov.ph/data/sectordata/popproj03.txt](http://www.census.gov.ph/data/sectordata/popproj03.txt))  
Projections for intercensal years based on medium assumption

### 3.4 Youth labour force participation and employment

Between 1988 to 2006 an average of 246,000 young people joined the workforce every year.<sup>11</sup> In 2006, they comprised an average of 39 per cent of the labour force.<sup>12</sup> Teenagers, or those in the age range of 15 to 19 years make up about 23 per cent of the youth labour force while young adults, or those between 20 to 30 years, account for the remaining 77 per cent. The labour force participation rates of the youth have been generally stable, averaging 55 per cent in the last eighteen years. Both adult and youth participation rates fluctuate within a 5 percentage point band, with youth participation reflecting the same

<sup>11</sup> Quoted from ILO: Canlas and Rubio-Pardalis (2006a).

<sup>12</sup> Labour Force refers to the population 15 years old and over who contribute to the production of goods and services in the country, either employed or unemployed. Starting April 2005, the NSO adopted a new definition of unemployment, and added the “availability criterion”. While previously, only two criterion; those of jobless and looking for work, were required for an individual to be considered unemployed, the respondent is now asked if given a work opportunity, he or she is available and ready to work. The old definition of unemployment was used in this study.

pattern as that of adults. Understandably, school-age teenagers had the lowest average participation rate of 37 per cent. The older youth groups, the 20 to 24 years old and the 25 to 30 years old registered 67.5 per cent and 73.5 per cent participation rates respectively.

The substantial difference in the labour force participation rates is found in comparison between that of young males and young females. While there has been a slight increase in the latter's participation rate from 42.1 per cent in 1988 to 43.4 per cent in 2006, it was still considerably lower compared to males, which hovered at about 70.7 per cent. Traditional responsibilities of child-rearing and housekeeping have been keeping young women from joining the labour market.

In 2006, 3.4 million young women did not bother to look for work and were excluded from the labour force because they were in charge of housekeeping. These people account for 28 per cent of the total female youth population. The 2003 NDHS reports that on the average, Filipino women get married at age 22 and have their first child at age 23, thus a substantial part of a female youth's early career life is dedicated to the performance of traditional roles.

### 3.4.1 Youth employment

In 2006, young workers accounted for an average of 36 per cent of the total number of employed in the Philippines. There is a downward trend in the employment rates for both young and adult workers but youth employment rates have shown greater volatility across the years. Similar to the trend in labour force participation generally, those employed are predominantly male. The employment rate of young males averaged 86.3 per cent as against 82.2 per cent for young females. It is interesting to note that once the young women reach adulthood, the labour market becomes very integrative of them. The disparity between male and female labour participation rates becomes marginal, if not non-existent altogether, during adulthood.

### 3.4.2 Employment by industry and occupation

The distribution of the employed youth across industries reflects the structure of production and growth of the economy. The service sector is the biggest absorber of labour, accounting for almost half of the employed youth in 2006 (Table 3-3). Agriculture, despite its shrinking share in the economy, remains a key sector, and employs about a third of the employed youth. Industry absorbs less than 17 per cent, not only because of the sector's dismal growth over the years but also because of the capital-intensive nature of industrialization in the Philippines.

Young male workers are mostly engaged in agricultural work whereas a large proportion of females are in services.

**Table 3-3: Share to GDP and employment by major industry sector, 2006**

Industry	Per cent share to GDP		Per cent share to youth employment	
	1988	2006	1988	2006
Agriculture, fishery, and forestry	23.6	18.8	48.9	33.8
Industry	35.2	32.8	19.0	16.6
Service	41.2	48.3	32.1	49.6
Total	100.0	100.0	100.0	100.0

*Source: National Statistical Coordination Board, PUF of the LFS, October 2006 in ILO: Canlas and Rubio-Pardalis (2007)*

The bulk of the youth are labourers and unskilled workers (43.1 per cent). Young males are often engaged in agriculture where work is typically seasonal in nature. Young females are mostly in services, particularly in sales and elementary service occupations that include street hawkers, peddlers, as well as the small service providers such as beauticians, laundrywomen and domestic helpers. The increase in the proportion of permanent jobs held by young people has been very minimal, declining even, from 1996 to 2004. The rise in the proportion of short-term employment, in contrast, has been significant.

### 3.4.3 Youth employment by class of workers

In terms of the class of workers, there has been a significant increase in the proportion of youth in wage employment, from 54.6 per cent in 1988 to 62.7 per cent in 2006 (Table 3-4). Those employed in private establishments, where working terms and conditions are generally better, have increased. In contrast, the

proportion of own account workers declined. A more favourable change is observed in the class of unpaid family workers declining from 24.6 per cent in 1988 to 19.9 per cent in 2006.

**Table 3-4: Youth employment by class of worker, levels, and percentage distribution, 1988, 1996, 2006**

Class of workers	Level ('000)			In per cent		
	1988	1996	2006	1988	1996	2006
Wage workers	4 685	5 878	7 434	54.6	57.0	62.7
Private household	599	753	848	7.0	7.3	7.2
Private establishment	3 596	4 647	6 061	41.9	45.0	51.1
Government./ Gov Corporation	490	478	525	5.7	4.6	4.4
Own account	1 785	2 173	2 056	20.8	21.1	17.4
Self employed	1 630	1 937	1 840	19.0	18.8	15.5
Employer	75	111	147	0.9	1.1	1.2
With pay (family owned business)	80	125	69	0.9	1.2	0.6
Without Pay (family owned business)	2 106	2 267	2 364	24.6	22.0	19.9
Total	8 576	10 320	11 850	100.0	100	100.0

Source: PUF of the Labour Force Survey- October 2006 round in ILO: Canlas and Rubio-Pardalis (2007)

### 3.4.4 Youth underemployment

Underemployment is a measure of currently employed workers' yearning for more time to work. Underemployment of young people in the Philippines tends to be higher than that of adults (Table 3-5) and has a rural characteristic (Table 3-6) relating to the fact that most occupations that tend to have high underemployment rates are located in rural areas. These jobs are often those in agriculture, fishing, and mining and quarrying. Workers in the construction sector owe the severity of their underemployment to the very nature of construction contracts in the country; in this industry, work is paid on a daily basis. In such a situation, a worker may work for only three or so days in a week, thus the natural yearning to work for more hours.

**Table 3-5: Youth underemployment levels and rates by age, 1988, 1996, 2006**

Age group	Underemployed ( in '000)			Underemployment rate ( per cent)		
	1988	1996	2006	1988	1996	2006
15 to 19	598	554	534	24.7	20.8	19.9
20 to 24	682	635	696	24.7	19.0	18.8
25 to 30	838	879	1 126	24.7	20.4	20.6
Youth	2 118	2 068	2 356	24.7	20.0	19.9
Adults	2 891	3 259	4 405	22.4	19.0	20.6

Source: PUF of the Labour Force Survey- October rounds

**Table 3-6: Youth underemployment levels and rates by location, 1988, 1996, 2002**

Urbanity	Levels (in '000)			Proportion (in per cent)		
	1988	1996	2002	1988	1996	2002
Urban	605	704	540	28.6	34.1	36.3
Rural	1513	1364	945	71.4	65.9	63.7
Total	2118	2068	1485	100.0	100.0	100.0

Source: PUF of the Labour Force Survey- October rounds in ILO: Canlas and Rubio-Pardalis (2007)

### 3.4.5 Youth unemployment

The NSO currently defines the unemployed as those persons who are 15 years old and over as of their last birthday, who actively looked for work but had no job/business during the past week survey reference period. Also considered as unemployed are persons without a job or business but who did not, or who are not, looking for work because of their belief that no work was available or because of temporary illness/disability, bad weather, pending job application or awaiting job interview.

As earlier discussed, unemployment in the Philippines is mostly a problem of the young, as they comprise nearly two-thirds of the total unemployed. From only 1.28 million in 1988, the number of young unemployed has doubled to 2.4 million in 2006. In that year, the youth-adult unemployment ratio was 3.1, which means that young people are three times more likely to become unemployed compared to adults.

The youth-adult unemployment ratio reached a peak of 3.2 in 1989 and again in 2002. The only comforting fact that comes with it is that the country's youth-to-adult unemployment ratio is much lower than the global average. The global ratio stood at 3.1 in 1993 and increased further to 3.5 in 2003. Another source of comfort is that in 2004, the youth-to-adult unemployment ratio has been at its lowest since 1988. The national ratio reached a peak of 3.2 in 1989 and 2002.

Unemployment prospects across youth groups have displayed a very clear pattern over the years. Consistently posting the lowest unemployment rates are the more mature, more experienced 25 to 30 years old. Teenagers follow them, albeit at an average gap of 6 percentage points. Young people aged 20–24 posted the highest unemployment rates across youth groups.

Young women face higher chances of unemployment compared to their male counterparts. Again, family responsibilities play a key factor. Most of the time, young women are forced to leave their jobs to attend to traditionally female responsibilities such as taking care of siblings or sick family members, giving birth and subsequent childrearing. Further, young women, while performing these roles often lose contact of relevant information networks for effective labour market integration. Table 3-7 shows unemployment rates by gender, location, and educational attainment from 1998 to 2006.

**Table 3-7: Unemployment rates by age, gender, location, and educational attainment, 1988, 1996 to 2006**

Indicator	1988	1996	2006
Total unemployment rate	13.0	12.2	17.0
<u>By age</u>			
15 to 19 yrs old	14.0	13.6	18.2
20 to 24 yrs old	15.9	15.2	22.6
25 to 30 yrs old	9.8	8.9	12.0
<u>By gender</u>			
Male	11.4	11.0	15.9
Female	15.9	14.5	18.8
<u>By location</u>			
Urban	18.8	15.6	22.6
Rural	9.1	9.1	13.6
<u>By educational attainment</u>			
No grade completed	7.4	11.2	16.6
Elementary undergraduate	6.3	5.9	8.1
Elementary graduate	8.3	7.8	8.6
High School undergraduate	11.8	11.5	14.0
High School graduate	16.1	13.5	18.9
College undergraduate	19.5	17.7	23.6
College graduate	20.6	17.6	22.4

*Source: PUF of the Labour Force Survey- October 1988, 1996 and 2006 in ILO: Canlas and Rubio-Pardalis (2007)*

Youth unemployment also has a geographical dimension in the sense that it is generally higher in the urban areas than in rural ones (Table 3-7). However, as earlier discussed the low rural unemployment rates are masked by a significant amount of underemployment.

In 2006, the more urbanized regions of the country such as the NCR, Calabarzon, and Central Visayas posted the highest unemployment rates of 27 per cent, 19.6 per cent and 19.0 per cent respectively whereas Cagayan Valley, Zamboanga, and CARAGA posted the lowest rates at 8.6 per cent, 9.2 per cent and 10.3 per cent, respectively. This urban youth unemployment is further exacerbated by rural-to-urban migration. The general perception that more jobs and opportunities are available in the urban areas induces the youth to come to the cities. They find out later on that jobs are actually hard to find especially with their limited skills and social network.

A disturbing feature of the youth labour market is the higher incidence of unemployment among those with higher educational attainment. In 2006, college graduates posted an unemployment rate of 22.4 per cent, which means that one out four finds themselves without work despite having a college diploma. This is disturbing because it implies wastage of opportunities not only on the individual level, but also on a macroeconomic perspective. Underutilization of college graduates indicates missed opportunities for the country in the use of better educated human resources, a crucial asset for economic development.

Another alarming observation is the significant number of young people discouraged by an unsuccessful job search. Although the proportion significantly declined in 2006, more than half of the unemployed still did not bother to look for work. When asked for their reason, most answered that they believed no work was available.

This pessimistic perception of the labour market remains even in periods of substantial growth of the domestic economy. In 1996 and 2006 for instance, the GDP growth rate climbed to 5.8 per cent and 5.5 per cent respectively, but the belief that no work is available continued to be the main reason why the youth gave up on their job search. Interventions on how to effectively integrate these marginalized young people should be on the youth employment agenda as various studies point to severe scarring effects of exclusion from the labour market at an early age.

The proportion of discouraged young workers is higher among younger cohorts (15–19 age group) and among males. Disaggregated by educational attainment, it is noteworthy that the highest proportion (33 per cent) of discouraged workers is found among high school graduates. The proportion drastically declines to seven per cent for college graduates, reflecting the youth's perceived notion that only a college degree will land them a decent job and without such, the chances of being employed are highly unlikely.

### 3.4.6 Job search methods

Those who actually looked for work prefer to approach employers directly as well as through their friends and relatives (Table 3-8). While recent government efforts to assist jobseekers through public employment agencies (PESO) seem to have been paying off, registering in them remains to be the least preferred method of young people in seeking work. Reliance on family and friends significantly declined from 1988 to 2006 while use of private employment agencies appears to be increasing.

**Table 3-8: Preferred job search method of the youth**

By job search method	Levels (in '000)			Proportion (in per cent)		
	1988	1996	2006	1988	1996	2006
Registered in public employment agency	13	13	48	2.7	2.7	4.5
Registered in private employment agency	52	46	191	10.5	9.2	18.1
Approached employer directly	202	210	429	40.7	41.5	40.5
Approached relatives or friends	184	191	301	37.2	37.8	28.4
Placed or answered advertisements	38	41	80	7.7	8.1	7.6
Others		4	11	1.3	0.8	1.0
Total	496	507	1 060	100.0	100.0	100.0

*Source: PUF of the Labour Force Survey- October 1988, 1996 and 2004 in ILO: Canlas and Rubio-Pardalis (2007)*

An apparent improvement in the job search trend of the youth is the decline in the average number of weeks looking for work. From an average of 15.7 weeks or four months in 1988, the waiting time went down to eight weeks in 2004.

### 3.5 Characteristics of youth who are not in the labour force

About 77.5 per cent or nearly three of every four young Filipinos not in the labour forces are children of household heads. Another 5.7 per cent would be grandchildren. Over 80 per cent in the group who are not in the labour force are dependents inside the household. Almost 72 per cent of these youth are below 20 years old.<sup>13</sup>

In terms of marital status, 87.1 per cent of these young people are single and 12.6 per cent are married. Seven out of ten of these young adults did not reach college level and only two of 100 actually finished college (Table 3-9).

<sup>13</sup> These were the results of regression analysis of data from the Labour Force Survey October 2005 round. Charles Yeung and Kimmee Pineda ran the regression for the authors.

**Table 3-9: Marital status of youth**

Status	Frequency	Per cent	Valid per cent	Cumulative per cent
Single	17468	87.1	87.1	87.1
Married	2528	12.6	12.6	99.7
Widowed	11	0.1	0.1	99.8
Divorced/Separated	41	0.2	0.2	100.0
Unknown	6	0.0	0.0	100.0
Total	20054	100.0	100.0	

Source: PUF of the Labour Force Survey- October 1988, 1996, and 2004 in ILO: Canlas and Rubio-Pardalis (2007)

About 29 per cent of young Filipinos not in the labour force are no longer studying. This, however, does not give us the whole picture. Cross-tabulation reveals that most of those who are no longer studying actually stopped after high school (Table 3-10).

**Table 3-10: Education status of youth**

Grade	Frequency	Per cent	Valid per cent	Cumulative per cent
No grade completed	208	1.0	1.0	1.0
Elementary undergraduate	972	4.8	4.8	5.8
Elementary graduate	1197	6.0	6.0	11.8
High school undergraduate	7819	39.0	39.0	50.8
High school graduate	3895	19.4	19.4	70.2
College undergraduate	5518	27.5	27.5	97.7
College graduate	445	2.2	2.2	99.9
Total	20054	100.0	100.0	

Source: PUF of the Labour Force Survey, October 1988, 1996 and 2004 in ILO: Canlas and Rubio-Pardalis (2007)

### 3.6 Understanding the different segments of the youth labour market

The lack of comprehensive sex-disaggregated data and systematic analysis of the local youth employment situation is a common constraint faced by government especially at the LGU level in the planning and implementation of local employment strategies. In view of the above, the ILO engaged the services of Taylor Nelson and Sofres (TNS) Philippines to profile the youth in selected cities and municipalities by looking at their current education and/or employment status, among others.<sup>14</sup> Furthermore, the profiling exercise provided a better-in-depth understanding of the causes specific to each type of employment/unemployment situation.

Localities included in the study were Marikina City, Angono, Dumaguete City, Davao City, Concepcion Iloilo, Cotabato City, La Castellana, Negros Occidental, and the province of Guimaras. The profiling study looked at the various segments of the youth differentiating between male and female youth, youth not in the labour force, youth who were still studying, those who were unemployed and the self-employed. At the local level, understanding these segments is important in order to craft specific policies and programmes that would assist young people in finding employment or improving their current work status and employability. This is because each segment and location has varying characteristics, that must be addressed.

To further understand youth segmentation in the whole country, a study using 2004 October Round LFS data, examined the employability of a person via a multinomial logistic regression analysis. The probability of a person being employed is a function of his or her socio-economic characteristics. These characteristics, to some extent, reflect the skill level, skill type, or the potential productivity of an employee, thus, should theoretically, influence hiring decisions and by extension, the probability of being

employed. Every individual's employment situation is assumed to be determined broadly by the human capital endowments of the individual, social standing and demographic characteristics and other socio-economic factors affecting employment.<sup>15</sup>

Further, 'employability' was analyzed more specifically in terms of three dimensions: unemployment risk, underemployment risk, and income opportunities—defined as the risk of earning below minimum wage. The goal of policy is to assist those segments of the labour force that face the highest risk in all or some of these three aspects, as these are the people who have the worst employment situation which could seriously be enmeshed with the bigger problem of poverty in the country.

Overall, the youth, as seen in the three models, suffer higher risk compared to non-youth with the same socio-economic profile. Two important determinants emerge from the results.

Education and field of work influence most the type of employment-related risk a person faces. While for the youth, it increases the probability of being unemployed remarkably, this is probably due to job search aspects, wherein the unemployed stay out of employment in the hope of finding opportunities for work commensurate to their skills. Field of work on the other hand, significantly improves one's defences against risk or corrodes it drastically depending on the job type. For managers, the situation becomes advantageous, as once a person is able to get into such a field, not only does he/she have a lesser chance of subsequently being unemployed, but most importantly, they are able to reduce the chances of being underpaid as well. The opposite is true for unskilled labourers. Not only do they face a vicious cycle of high unemployment risk and high underemployment risk, but also, high underpay risk. The two become situated at opposite poles.

Marital status and household headship turns out to be the second most important determinant. The insight here, therefore, is how one's role in the family could shape employment decisions—i.e. how males and household heads turn out to be employed more, but at the risk of being underemployed; or how spouses seek supplementary income despite being underemployed.

NCR seems to be the heart of all the risks a job hunter faces. Not only is unemployment a problem, but underemployment as well as underpay also manifests itself in the national capital.

It is significant to note the importance of experience for the youth. New entrants typically suffer more unemployment than those who were working in the past already. Noteworthy would be how this factor stops being significant once a person reaches a mature age.

Given the aforementioned findings, several trends and groups emerge, providing a hint that the labour market is indeed, composed of smaller segments with unique needs and characteristics. No longer is unemployment of the youth a general, homogenous problem, but one that requires specialized interventions. The following are the natural groupings generated by the study through a cluster analysis.<sup>16</sup>

### **3.6.1 Choosy educated**

Being the most educated amongst their peers (35 per cent of the high school graduates and 87 per cent of the college graduates), this group is usually found in fields that pay higher than average—embracing almost all of the managerial and professional, as well as technician and associate professional vocations in the job market. They are usually single (99 per cent), and not occupying critical positions in the households (96 per cent). Almost 70 per cent of this segment is female and up to 80 per cent of this segment lives in the NCR. Moreover, given that they comprise of over 28 per cent of the new entrants, it can be surmised this segment is actually the one who completed high levels of education, but if in case

<sup>15</sup> Unbundling the Socio-Economic Determinants of the Youth Unemployment Situation: A Multinomial Logistic Regression Analysis with Two-Step Cluster Analysis, *An Undergraduate Thesis* by Kimmee Rae C. Pineda & Charles Anthony L. Yeung (2007), Ateneo de Manila University. The said thesis was voted the best for the year.

<sup>16</sup> Cluster analysis is a class of statistical techniques that can be applied to data that exhibits 'natural' groupings. Cluster analysis sorts through the raw data and groups them into clusters. A cluster is a group of relatively homogeneous cases or observations. Objects in a cluster are similar to each other. They are also dissimilar to objects outside the cluster, particularly objects in other clusters.

they are unemployed, do so out of choice for whatsoever reason, usually to find a job that is commensurate with their capabilities. They are the ones who can afford to stay out of employment, primarily due to the fact that they do not yet have a family to support, and more importantly, they are equipped with a high level of education, they expect nothing less than what they deserve.

### 3.6.2 Early breadwinners

Around 70 per cent of this segment is male, 97 per cent are married, and almost 50 per cent are either household heads or spouses. This is indicative that the inherent trait in this segment would be supporting dependents, even at an early age. Equipped usually with only primary or secondary education, 39 per cent of this segment turn out to be clerks, while the 49 per cent would be labourers and unskilled workers. Only three per cent of this segment is new to the labour market, indicating that most of these young breadwinners are working for quite some time already.

### 3.6.3 Farmhands

Almost entirely male living in the provincial areas (outside of NCR), descriptive statistics indicate that those in this segment, indeed, are almost always engaged in agriculture related work. Being poorly educated, as almost 50 per cent of this segment graduated only from elementary and with 22 per cent not even finishing any grade level, they usually are relegated to manual or unskilled labour.

### 3.6.4 Unskilled workers

Composed of mostly females (88 per cent), they represent young workers who are labourers and unskilled workers (almost 100 per cent). Almost 45 per cent of this segment graduated from high school, with another 42 per cent graduating from elementary, indicating that they are somehow, equipped with basic skills, but not enough to land them in high paying jobs. Almost 90 per cent of those in this segment are neither household heads nor spouses, and 84 per cent are single, indicating the less burdened on their part.

## 3.7 Segmentation summary

As seen in the preceding discussion and from (Table 3-11), which summarizes the overall segmentation status, the youth labour force is actually far from homogeneous and cannot be considered as a single segment when policy makers make decisions. In fact, as seen in the aforementioned analysis, there are distinct segments with very distinct needs that requires for specific interventions.

**Table 3-11: Overall segmentation and risk summary**

Category	Choosy educated (per cent)	Early bread-winners (per cent)	Farmhands (per cent)	Unskilled labourer (per cent)	Overall (per cent)
Probability of unemployment	9	7	13	33	13
Probability of underemployment	9	19	19	11	14
Probability of earning below minimum wage	72	84	94	97	90

As indicated in the final results, the unskilled labourers are the ones facing the highest unemployment risk, at a predicted level of 33 per cent. Compared to the average of only 13 per cent, this segment is the most affected by unemployment shocks. Given their poor education, the problem with this segment is really the lack of sufficient capability. The job market, apparently, has been unable to absorb many of the members of this segment, because there is not enough work to match the few skills that they possess. However, it must be noted that when it comes to underemployment, this group faces a level of underemployment that is less than the average. Most of the youth in this segment are actually single without critical responsibility in the household. It is worth noting, however, that they suffer from being underpaid more than the average, at 97 per cent. Clearly, this is an indication of oversupply in the labour market, making it susceptible to employers who would actually pay below the minimum wage. Aside from better education, capability building and opportunity exploration is the key towards alleviating the situation of this segment. Moreover, social protection in terms of labour welfare can also be tapped.

The farmhands are the group the next most affected by unemployment. This actually comprises the biggest segment of the youth labour force. Those classified as farmhands are actually those provincial

youth who risk unemployment because of the lack of other opportunities in the provinces in which they live. Given their poor education, they can only take employment opportunities that are mostly unskilled. However, even here there still exists an oversupply as, again, the job market cannot absorb all from this segment, hence, the 13 per cent unemployment risk. This segment also suffers the highest underemployment, at 19 per cent probability, indicating how this segment tries to deal with unemployment—by merely taking any job on offer, even if it underutilizes those skills possessed or fails to provide sufficient income (thus, making the person want to look for more work). While pay in regions outside NCR are already low, even by the legal minimum standards, this segment, still suffers more than average underpayment, with a 94 per cent risk of earning below the prescribed level. The problem with this segment is not just the lack of education, but also the lack of job opportunities. Policy towards this segment should be geared towards building more opportunities in the provinces—especially in agricultural related work.

Early breadwinners suffer the lowest unemployment risk at 7 per cent—precisely because they cannot afford to be unemployed, as sustaining dependents are part of their burden as married household heads and spouses. This explains the high incidence of underemployment, once again at 19 per cent. Descriptive techniques earlier indicate how spouses actually become more prone to underemployment. This just shows how ‘desperation’ enters the picture in order to find jobs that would yield sufficient incomes. Not surprisingly, this segment is experiencing less than average probability of earning below minimum, at 84 per cent. Given the unique constraint with this segment, key policies or interventions should be geared towards provision of social services to dependents, as this is the most important burden they have.

Finally, the segment in the most advantageous position would be that of the choosy educated youth. With just nine per cent unemployment risk, nine per cent underemployment risk, and the lowest 72 per cent probability of earning below minimum, this segment appears to have opportunities at its fingertips. Earning more than their peers, they are also (mostly) single and do not have dependents to support—thus, all the more making them able to sustain unemployment—probably while looking for a better opportunity. While this is the segment that is the least stricken by problems, key policy measures to further improve opportunities for this segment would be to develop better information access, so as to reduce job search and provide employment opportunities that they deserve and which will flow through into better economic well-being for the economy as a whole through optimizing available resources.

Using the results from the previous multinomial logistic regression analysis and combining it with results gathered from the two-step cluster analysis method, the researchers are now able to compute the respective U, D, and I of each labour force segment.

## **4 Summary of the main causes of youth unemployment and underemployment in the Philippines**

In summary, we can trace the high youth unemployment and underemployment rates in the Philippines to the following reasons:

### **4.1 Demand side factors**

#### **4.1.1 Limited sources of economic growth**

The economic growth sources are limited and are insufficient to absorb a constantly increasing labour force. Exports are mostly focused on electronics, semiconductors and garments and in the service sectors, there are only telecommunications, BPOs, and retail trade that are significant employers of labour within the formal economy. This has also led to an inferior quality of most employment available to the labour force.

#### **4.1.2 Jobless growth**

Estimates of employment-output elasticity indicate a low overall elasticity (0.14) for the Philippines during the period 1980–2004, with those for agriculture (0.10) and services (0.08) being only around half of that for industry (Felipe and Lanzona 2005). This means that the sector that has the greatest potential to contribute to employment growth has not been growing as fast as desired. The investment

climate is one reason, as suggested by recent findings on the cost of doing business in the country (World Bank 2004). But the low level of productivity and incomes of the population has also stunted the development of a vibrant domestic market that could provide the stimulus for industrial growth.

### 4.1.3 Decline of agriculture

The decline of productivity and incomes in agriculture on the other hand has caused an exodus of labour from this sector spilling over to the urban areas. But those that migrate to the cities do not possess the skills and factory discipline normally required of an industrial work force. Because of these factors the only jobs available to these labour force participants are the low-paying, marginal ones in the informal sector.

### 4.1.4 Growth sectors require higher skills

Growth service sectors such as the call centre industry or telecommunications industry require relatively higher skills from the youth than are generally available; “*the best jobs in the services sector exhibit an urban-elite, capital-intensive bias.*” As already pointed out in the Philippine Human Development Report (HDN-UNDP 2002), the modern service trades require a minimum level of formal schooling and thus cannot be relied upon to employ the many who have left the rural areas in search of employment outside agriculture.

## 4.2 Supply-side factors

### 4.2.1 Failure in providing quality education

This failure stems from the following: (i) the lack of budgetary support to public educational institutions providing both basic and higher levels of educational training. Figures from the World Bank show education spending by the Philippines was equal to 3.2 per cent of gross domestic product in 2004, far higher than Indonesia’s 0.9 per cent, but well below Malaysia’s eight per cent and Thailand’s 4.2 per cent; (ii) the poor regulation of privately run educational institutions; and (iii) the inability to address issues of quality via regulatory policies.

The result of these gaps is the very ill state of preparedness of the country’s labour force to respond to skill requirements of the workplace. The education sector is characterized by increasing drop-out rates, poor student-input ratios, poor performance in national achievement tests and a disappointing showing in international achievement tests such as the TIMSS (See Canlas and Pardialis, 2006 for a detailed discussion).

Table 4-1 shows recent mean percentage scores (MPS) for the past two years for both elementary and secondary students from public schools. Note the decrease in MPS for both levels. It must also be highlighted that the secondary school students performed worse than the grade scholars.

**Table 4-1: National achievement test results, 2004–2006 (in per cent)**

Level/Subject	MPS 04–05	MPS 05–06
<u>Elementary</u>		
Math	59.10	53.60
English	59.15	54.05
Science	54.12	46.77
Filipino	61.75	60.68
HeKaSi	59.55	58.12
Average for all	58.73	54.66
<u>Secondary</u>		
Math	50.70	47.82
English	51.33	47.73
Science	39.49	37.98
Filipino	42.48	40.51
Araling Panlipunan	50.01	47.62
Average for all	46.80	44.33

Source: [www.deped.gov.ph](http://www.deped.gov.ph)

## 4.2.2 High drop-out rates

Part of the problem is the high drop-out rates of youth from school (grade school and high school) and the general lack of skill of the youth because of the deteriorating quality of education —poor curriculum, inadequate teacher training, and low investments in education.

## 4.2.3 Bias for tertiary education

The basic educational system i.e. the Department of Education (DepEd) and the Commission on Higher Education (CHED) have unconsciously exacerbated the bias towards urban and white collar jobs; the TVET still appears to be a second priority in the overall system of providing jobs for the labour force.

## 4.2.4 High population growth rates

The continued increase in the supply of youth labour force which is a consequence of sustained high population growth rates over past decades (Table 4-2).

The decline in budget allocation coupled by increasing demands for education as the population of school age children grows has resulted in a decline in quality and increasing difficulty in access. The school age population (age cohort 5–19) had grown from 25.9 million in 2000 to 27.1 million by 2004, implying a 4.6 per cent growth for the period. Further, there is a marked shift of preference for public schools rather than private schools, putting 85 per cent of the students opting for public schools in 2004 (Canlas and Rubio-Pardalis, 2006a) quoting CPBD, 2006). Thus, the national education budget is being spread more thinly to accommodate the growing demand.

**Table 4-2: Population growth rates over the years**

Intercensal period	Average population growth rate (per cent)	Doubling time (years)
1903–1918	1.9	36.5
1918–1939	2.22	31.2
1939–1948	1.91*	36.5
1948–1960	3.01	23.0
1960–1970	3.08	22.5
1970–1980	2.75	25.2
1980–1990	2.35	29.5
1990–2000	2.34	29.6

*Source: Concepcion, M. (2006), Philippine population Program: Past, Present and Future*

*\* may have been 2.3 per cent according to a UN Study*

## 4.3 Institutional factors

### 4.3.1 Long search time

The long job search time experienced by most college graduates is another factor. Only graduates of the three top universities in the country have relatively short job search duration. This has been due to asymmetry in information or the relatively high search costs.

### 4.3.2 Labour mismatches

There is a general mismatch between the labour needs of firms and the available supply of youth labour, creating a disconnect between courses chosen and the courses taken by the youth and the available work in the labour market.

It should be assumed that government youth employment programmes and policies are formulated to respond to the above mentioned factors. The following section provides an assessment of current policies and programmes from the viewpoint of whether they are responding to the current issue of youth unemployment or underemployment.

## 5 Current youth policies and programmes affecting the labour market

This section discusses the major policies and programmes affecting the youth in the labour market.<sup>17</sup> We categorize such policies by whether they impact on the supply or demand side of the labour market. Some policies are also classified as affecting the institutional aspects of the labour market.

### 5.1 Relevant policies and Programmes affecting the supply of youth labour

#### 5.1.1 The Adopt-a-School Programme of the Department of Education

The Adopt-a-School Programme is aimed at generating investments and support to education outside the funding mainstream and national budget. It was legally instituted by the passage of Republic Act 8525 in 1998, and was established to encourage the private sector in the Philippines and abroad to become active partners in education through short term or long-term assistance in the upgrading and modernization of public elementary and high schools.

Under this programme, business groups, non-government organizations, and civil society groups can adopt any public school of their choice anywhere in the country. This means providing the necessary support in infrastructure, teaching and skills development, learning support, computer and science laboratory equipment, food and nutrition or in any other need of the school. Since its launch in 2000, the Adopt-a-School Programme has obtained PhP2.4 billion (US\$50 million approx. at current exchange rates) worth of donations for over 22,000 public schools nationwide.

#### 5.1.2 Brigada Eskwela of the Department of Education

Brigada Eskwela (Bayanihan Para sa Paaralan) is a nationwide voluntary effort of teachers, parents, students, community members and other organizations to undertake repairs and cleaning of their schools before the start of the school year. Started in 2003, the activity solicits from donors and volunteers, materials such as paint, cement, lumber and others which could be used for building, as well as human resource services in the preparation of schools for the new school year. Grants from local businesses and other corporations are given in cash or in kind. For the year 2005, this so called “community MOOE” amounted to over PhP1 billion, covering 26,034 public schools or 61 per cent of the total public schools all over the country.

#### 5.1.3 Policies on formal and non-formal education

A number of laws and other legislation designed to improve the quality of education and to ensure peoples’ access to education have been passed. These include the provision of free secondary education with the enactment of RA 6655; the creation of the CHED under RA 7722 to oversee higher education, as well as the Technical Education and Skills Development Authority (TESDA) under RA 7796 to oversee technical and vocational education in the country. The DepEd, on the other hand is focused on basic education (primary and secondary).

Other important laws include RA 7686, or the *Dual Training Act* which adopts the Dual Training System in accredited vocational and technical schools in the country. Other relevant policies are the administration of the National Secondary Aptitude Test with the abolition of the National College Entrance Examination (NCEE); the lengthening of the school calendar from 185 to 200 days; the creation of a centre for excellence in teacher education; and the passage of the *Science and Technology Act of 1994*. Also the formulation of the Education for All Program to promote continuing education for out-of-school-youth, chiefly through non-formal and informal education. (There are other specific pieces of legislation which impact on the youth labour market; these are listed in the Appendix 1).

<sup>17</sup> Most of these programs and policies were taken from other ILO commissioned studies specifically to assess these: ILO: Canlas and Rubio-Pardalis (2006b) and ILO: Soriano (2006).

#### **5.1.4 School buildings and textbooks**

The Socio-Economic Report (SER) on education published by the National Economic Development Authority (NEDA)<sup>18</sup> shows that accomplishments made in terms of providing basic educational inputs (i.e. classrooms, textbooks, and teachers). The revised target of 15,454 new classrooms built in the period July 2004 to December 2005 was 87 per cent accomplished in 2005. As of the end of the same year, 105.7 million textbooks and 2.4 million teacher's manuals were delivered. Given this, the textbook shortage declined from 34.7 million in 2004 to 26.85 million in 2005. This was also due to a partnership between DepEd and Government Watch, an NGO advocating transparency and accountability in the delivery of textbooks. The provision of computers and internet connectivity from various sources led to 73 per cent (3,512 high schools) of the country's public high schools (4,830) being provided with computers. Thirty per cent of these schools with computers were provided with internet connectivity, representing a year-on-year increase of 13 per cent from 2004. This programme is implemented in partnership with NGOs such as the Foundation for IT Education.

#### **5.1.5 The Higher Education Development Project of the Commission on Higher Education**

The Higher Education Development Project (HEDP) focuses on the four major concerns of efficiency and effectiveness, quality and excellence, relevance and access. It covers SUCs rationalization, normative financing, tracer studies, MIS improvement, scholarships and loans, accreditation, student testing and assessment, professional board examinations, faculty development, management capability development for HEIs as well as institutional capability strengthening for HEIs. The project will also undertake sectoral human resource and demand studies. A regular Graduate Tracer Study will be conducted to synthesize learning from the work experience of graduates. HEIs will be assisted to conduct tracer studies of graduates and consequently modify programme offerings based on tracer study findings.

#### **5.1.6 The Ladderized Programme of TESDA**

The "*Ladderized*" Education Programme (*Executive Order 358*) provides for the 'permeability' or 'continuity' between technical-vocational (tech-voc) and degree programmes. Under the present educational system, a tech-voc graduate needs to enrol as a freshman to pursue a degree programme as a tech-voc is already a terminal course. However, in the ladderized programme, the student can pursue a college degree after finishing a tech-voc course with most of his curriculum credited to the former. The success of this programme relies on the partnerships forged between and among the key players in the education and training and employment markets. The DepEd, CHED, TESDA, and the private sector/industry have important roles to play if the youth employment challenges are to be addressed.

The DepEd takes responsibility for basic education; improving the literacy of the population and providing the basic learning requirements that will prepare the youth for the next stage of the education ladder: post-secondary or higher education. TESDA, as the lead agency for tech-voc, ensures that the skills and technical qualifications needed for jobs are provided to students and workers. CHED, on the other hand, provides the knowledge-based and professional qualification requirements of the job market. Companies and industries are indispensable players in this interplay. They not only provide training venues through on-the-job training and other enterprise-based training, but they are the ultimate end-user of the trained human resources. They provide the jobs for the workers and career progression happens in the enterprises. All these actions occur not independently but in relation to one another. Ladderized education is envisioned to be a timely response to the unemployment problem, to poverty alleviation, and the labour and skills mismatch.

#### **5.1.7 Programmes for the Out-of-School-Youth**

The Immersion and Outreach Program of the Department of Social Welfare and Development (DSWD) is composed of a series of activities whereby the out of school youth volunteers are assigned to depressed barangays or centres/institutions to undertake activities such as assisting in organizing Pag-asa (Hope)

<sup>18</sup> No longer available online.

Youth Association and initiate peer counselling, leadership training, sports, socio-cultural, and recreational activities.

The Emergency Employment for Out-of-School-Youth/Out-of-Work in Metro Manila is, as its name implies, an emergency employment project for the OWYs/OSYs in the greater Manila area that focuses on creating jobs and livelihood opportunities for the most vulnerable groups. This project is the youth component of the Kabuhayan 2003 Programme of the DOLE and was implemented in Metro Manila from 2005 onwards.

The Alternative Learning System (ALS) of DepEd gives emphasis on functional literacy and has no boxed subjects but, rather, life lessons. There are no classrooms, but learning groups. The good thing about alternative learning is that one could study from elementary through college without even entering a classroom. The ALS programme enables out-of-school-youth to take equivalency tests that could allow them to apply for technical-vocational courses and even college. The alternative learning system was developed in the Philippines. According to DepEd, the success factor of ALS is high. Because of this, it was awarded the NOMA Literacy Prize in 2000.

### **5.1.8 Health and Nutrition Programmes**

The *Health Outreach Programme* of the Department of Health (DOH) involves youth participation in medical missions and campaign programmes in the various municipalities and barangays all over the country. It aims to develop a strong sense of commitment and dedication to the importance of community volunteerism and service among the youth.

#### **Health Insurance**

The main instrument of the Philippine Health Insurance Corporation (PHIC or PhilHealth) to address the health problems of the poor in the Philippines is Medicare Para sa Masa (MPM), the indigent programme of the National Health Insurance Program (NHIP). MPM offers the standard PHIC benefit package to the poor but without individual contributions. Although enrolment has grown in the last few years, Medicare Para sa Masa to date covers only a small portion of the estimated poor population in the country. To extend coverage, more funding would be needed. President Arroyo in her 2006 State of the Nation address claimed otherwise and said that 69 million Filipinos are ‘beneficiaries of health care insurance’—alluding, of course, to those PhilHealth cards she distributed during the May 2004 elections. While this may be true, access to medical care continues to be limited within a segment of the population. Exacerbating this is the continuing exodus of health professionals seeking greener pastures in the developed economies, causing the closure of many hospitals nationwide.

#### **Population Management Programme**

The total number of employed Filipinos has been growing by 2.6 per cent annually since 1998, but the country’s rapid population growth rate and the loss of jobs in agriculture have kept unemployment rates high. Population growth in the country has decreased only slowly over the last three decades and remains above that of many other Asian countries. This has been mainly due to a lack of consensus on the critical importance on of public policy to reduce population growth according to Herrin and Pernia (2003). Herrin (2002) reviewed various policy statements from 1969–2002 and showed that shifting objectives of fertility reduction, upholding reproductive rights and promoting maternal health have characterized even the family planning programme. He adds that while the general public has favourable views towards artificial family planning, it is the persistent and consistent opposition of the Catholic Church hierarchy that has dominated policy-making in this sector. The Arroyo administration is still relatively ambivalent with regard to its population policy. Concretely the agency in charge of population management, the Population Commission is given very limited resources and has been shifted from one mother agency to another.<sup>19</sup> It has been dependent mostly on donor funding. There are no specific youth programmes

<sup>19</sup> During the time of Ramos, it was under NEDA and then transferred to DOH at present.

within the Commission although family planning and adolescent reproductive health modules are incorporated in secondary education by the DepEd.<sup>20</sup>

### **Family Planning Programme at the Local Government Level**

Executive Order No. 307 of 28 February 1996 implements this programme. It directs local governments, specifically governors and mayors, to implement the Philippine Family Planning Programme, to make available information on methods of family planning, and to ensure that family planning is practiced on a voluntary basis. They must also coordinate with national agencies, NGOs, and the private commercial sector. While this has decentralized the goal of population reduction, some LGUs do not have the resources to implement the program and some have even insisted on promoting only the natural methods, e.g. Manila and Laguna. Programmes directly targeted at the youth are not common.

## **5.2 Policies and programmes affecting the demand for youth labour**

### **5.2.1 Government generated employment**

The government is the largest employer in any country. In the Philippines, there are around 1.4 million government employees distributed among the national government agencies (one million), local government units (300,000), and government-owned and controlled corporations (100,000). Aside from these, it also has special programmes for promoting youth employment:

The *Special Programme for the Employment of Students* is a programme implemented by the DOLE that assists poor but deserving students and OSYs, encouraging them to continue their education by providing or augmenting their income through public sector employment during summer and/or Christmas vacation.

The *Government Internship Programme* of the National Youth Commission (NYC) is for college, vocational, and high school students, as well as the out of school-youths to work in a government agency where they are given a stipend at not more than 75 per cent of the government prescribed hiring rates. The programme runs for a minimum period of two months and a maximum of three months as a means of providing work experience.

The Department of Public Works and Highways' (DPWH) *Youth in Infrastructure Development Programme* trains and involves the out-of-school-youths and 18–25 years old students of technical-vocational course in intensive infrastructure projects in their own respective localities. Again this is a means of providing work experience.

### **5.2.2 Government facilitated employment**

The *Apprenticeship and Employment Programme* provides new entrants to the labour force with opportunities to acquire basic skills and work experience with any participating enterprise that is of prime importance to employers in hiring new workers. The programme aims to ensure that qualified skilled workers are available for an industry's needs and requirements. It also facilitates the matching of jobseekers with available jobs. This programme is a joint responsibility of the DOLE and TESDA.

The *Kasanayan at Hanapbuhay Programme* (Training and Work Programme) also implements an apprenticeship type of programme for the youth. Target beneficiaries are unemployed persons 15 years old and above. The objective of the programme is very similar to the previous one. This programme also hopes to serve as a mechanism for private companies to practice corporate social responsibility and to invest in human capital.

Other employment generation programmes implemented include the Emergency Employment for Out-of-School and Out-of-Work and the Community Sala'am (Peace) Corp Project II.

<sup>20</sup> In Tacloban City, the DepED partnered with an NGO, the Samar Reproductive Health Advocates Network (SRHAN) to conduct information and education advocacy sessions to students and even parents.

### **5.2.3 Youth employment related programmes in agriculture**

The *Farm Youth Development Programme* of the Department of Agriculture (DA) aims to improve rural youth productivity and to develop farm-based entrepreneurship among the youth. The programme involves training in integrated farming, entrepreneurial, and cooperative management skills as well as other activities including international exchange programmes and farm demonstrations.

On the other hand, the *Youth in Plant Nursery Development Programme* aims to provide training to assist young people in the maintenance and supervision of nurseries for the production of good quality seedlings. The DSWD provides micro-credit financing for the poor. The Agricultural Training Institute (ATI) claimed that the Farm Youth Development Programme is only active in monitoring 4-H Club members, an international network of youth organizations (Canlas and Pardalis, 2006).

### **5.2.4 Tourism related youth employment programmes**

The *Tourism Training and Appreciation Programme* of the Department of Tourism (DOT) focuses on helping the youth develop a sense of nationalism, discipline and concern for the preservation of our national heritage and the conservation of the environment. Programme activities include such things as a Tourism Summer Camp, Student Travel Club Tours, Heroes' Tour for the Youth, Junior Media Farm Tours for Campus Editor and Writers, Educare Tours with Student Guides, and the Joint Department of Tourism-Rotary International Tour Programme for the Youth. There are no direct employment effects for this programme except perhaps, the young people hired for implementing these various programmes. However, it does provide participants with a chance to find out more about the tourism industry as a prelude to possible employment.

### **5.2.5 Financing access for SMEs**

The *Youth Entrepreneurship Programme* (YEP) implemented by the NYC hopes to establish a strong base of small and medium scale enterprises run by young entrepreneurs to help boost the country's economy. It is a comprehensive strategy that provides training and assistance for business development, access to credit, mentoring, business incubation through the Young Entrepreneurs Industrial Park, market syndication and linking, business information networking, monitoring, and assessment.

The NYC has networked with at least 20 chambers of commerce in priority regions throughout the country for the implementation of the YEP. In cooperation with the NYC, government financing institutions are setting up micro-finance facilities for young entrepreneurs. However, the current programme seems to have been reduced to a distribution partnership with Procter and Gamble Philippines (Canlas and Rubio-Pardalis, 2006b) and its future is unsure.

## **5.3 Policies and programmes affecting institutional constraints of the youth labour market**

### **5.3.1 Welfare and protection of the youth**

Different pieces of legislation have been passed at various times to promote the welfare, protection, and development of working youth. The primary legislation pertaining to the youth is the *Child and Youth Welfare Code* (PD 603) which defines the extent to which the youth may be employed, perform work that should not be harmful to their safety, health, or normal development, as well as that which is not prejudicial to their studies.

Other laws that affect the working youth, include those which seek to eliminate discrimination against women and young workers, those which uphold the principles of equal pay for work of equal value, and those that aim to protect the rights of overseas Filipinos.

### **5.3.2 Policies and programmes for the youth with special needs**

The category of youth with special needs is divided into 10 groups: (i) youth in indigenous cultural communities; (ii) youth with disabilities; (iii) youth in situations of armed conflict; (iv) young victims of natural disasters and calamities; (v) youth offenders; (vi) juvenile delinquents; (vii) drug-dependent youth; (viii) street youth; (ix) abused or exploited youth; and (x) abandoned or neglected youth. The DSWD together with its partners implements programmes and advocates policies for the disadvantaged

youth and those with special needs. There are also various policies and laws that impact upon youth with special needs.

### **5.3.3 Government-NGO cooperation on youth empowerment**

The *Kabataan 2000 Programme* is a year-round youth work programme that encourages high-school and college students, vocational course students and the out of school youths to engage in constructive and productive activities for the entire year. Specifically, it aims to: (i) instil among the youth a sense of awareness and full participation in environmental and natural resources development programmes; (ii) instil a greater sense of nationalism, spirit of nationhood and unity, and a better understanding and appreciation of the natural heritage; (iii) provide regular short-term employment opportunities for the youth to support career advancement; discipline, hard work, community service, teamwork, volunteerism and the *bayanihan* (cooperative) spirit through constructive and productive undertakings; (iv) provide training and financial assistance to the youth to support their educational and career development needs; and (v) contribute to nation-building.

A long-running programme of the government, implemented by the DOLE provides the mechanism for the youth to address their own issues and concerns e.g. insufficient training, bad working conditions, etc. The *Working Youth Centers* (WYC), a nationwide programme of the Bureau of Women and Young Workers (BWYW) of the DOLE helps working youth, 15 to 30 years old to organize associations and be provided with training programmes, employment opportunities and be made aware of government laws and regulations regarding employment. It also networks with different sectors to generate resources for youth employment programs. The WYC empowers the members of these clubs to carry out their tasks through training programs that build their leadership and project management skills.

The Working Youth Center Programme was established through a Presidential Letter of Instruction No. 29 issued on May 1, 1985. It was created in seven selected regions and was expanded to include two additional regions by 1988. Finally, in January 15, 1990, the DOLE issued a memorandum order instructing all of its regional offices to implement the WYC Programme as a regular programme in their areas (DOLE). WYC's performance indicators seem to be declining in recent years. This is most likely attributable to the fiscal reconsolidation that the government has been undertaking, thus, cutting budgetary support to routine programmes (Canlas and Rubio-Pardialis, 2006b).

The *Youth Action for Sustainable Development* is a programme of the DepEd that seeks to expose students and out of school youths alike to the rudiments of entrepreneurship, cooperativism, science, culture, and arts, and allows them to practice these in their respective communities through its three programme components, namely: (i) Youth Entrepreneurship and Cooperatives in Schools and the Community; (ii) Science Clubs in Outreach Programmes; and (iii) the Programme on Culture and Arts.

The *Kabataan Reforestation Programme* of the Department of Environment and Natural Resources (DENR) was designed to develop a sense of awareness on environment issues/problems and be knowledgeable of the government's response in addressing the issues. It is implemented nationwide with the assistance of the *Samahang Kabataan* (SKs) in each locality. The DENR field offices allocate at least 25 per cent of their seedling production contracts to bona fide groups of youths.

### **5.3.4 Advocacy against discrimination and child labour**

The *Sagip Batang Manggagawa* (Save the Child Workers) Project has set up community-based mechanisms for detecting, monitoring and reporting on the most hazardous forms of child labour, and it has also organized the Quick Action Team (QAT) Network Centers to respond to these cases with urgency. It also provides physical and psychosocial services to child labour victims, technical assistance for the handling of both administrative and criminal cases against violators and recruitment agencies, and rescue and relief operations involving child labourers.

### **5.3.5 Enhancing labour market data and information**

Republic Act 8759 or the *Public Employment Service Office (PESO) Act of 1999* was passed to strengthen and expand the PESO mandate and functions as well as its geographical presence. By institutionalizing the establishment of PESO in every province, key city and other strategic areas of the country, it was hoped that the purpose of creating such offices would be fully achieved.

As of 2005, there were 1,405 PESOs established nationwide which facilitated the placement of 730, 484 workers out of 1,005,359 applicants for a placement rate of 73 per cent. DOLE admits though that “*these numbers seem insignificant against a backdrop of millions of unemployed, and given the network of PESOs spanning the Philippine archipelago*”. The department attributes this poor performance to a number of factors such as ill-equipped offices, lack of personnel, lack of logistical support, weak labour market, to mention some (Canlas and Rubio-Pardialis, 2006b). The level of facilitation through the PESO units for the period 2001–2004 is shown in Table 5-1.

**Table 5-1: Employment facilitation through PESO from 2001–2004**

Indicator	2001	2002	2003	2004
Regular programme	939877	603329	967988	901581
SPES	102 462	98 753	94 095	90 347
WAP	11 205	12 540	12 087	8 939
Tulay 2000	2960	2253	2286	2409
Retrenched/Displaced	18475	8637	3725	3871
Returning OFWs	899	1343	1879	3047
Migratory workers	14684	13152	10157	11929
Rural workers	2990	6143	16999	9131
Total	1093552	746150	1109218	1031252

*Source: ILO: Canlas and Rubio-Pardalis (2006b) as compiled from the Current Labour Statistics, BLES as cited in DOLE report*

The youth can also access the Philippine Job Exchange Network (PhilJobNet), a computerized job-matching system designed to assist a wide variety of clients in the labour market through the Internet. It is a virtual meeting place for jobseekers and employers to be electronically matched. It facilitates and speeds up the search process, thereby shortening both the unemployment period of the job applicants and the filling of vacancies by the establishments. The Trabaho, Text Mo (Employment, Just Text) is a facility which uses SMS so that job seekers from remote areas and who have no access to an internet can still avail of the job matching series of PhilJobNet. Job Fairs area also held from time to time by the DOLE and its regional offices.

### 5.3.6 Programmes addressing the skills mismatch

One major government effort to address the jobs and skills mismatch problem is the TESDA Youth Profiling for Starting Career (YP4SC). This programme provides comprehensive career guidance to assist the youth in making career choices. It considers the students’ aptitude, interests, labour market forecasts and skills required by current employers. The students are also given information on what job and employment opportunities are in demand and information on education and training choices where the job can be learned. The programme advises students either to pursue college or technical vocational education and suggests specific courses. According to the students, they found the programme worthwhile, the assessment instruments appropriate, the results relevant, and they said that they would advise others to take the same exam. However, only 59 per cent of the students are willing to pay to be part of the programme (Canlas and Pardialis, 2006).

The *Employment Guidance and Counselling Service* of the Association of PESO managers nationwide also extends career counselling to the youth looking for jobs. This service facility is similar to YP4SC.

The advocacy for *Expanding the Period of the On-the-Job-Training* is being done by DOLE. Specifically, it is advocating for an increase in the number of on-the-job-training hours from two months to six months. In the meantime, to shorten the duration of job search among young workers, the DOLE is encouraging schools, universities and training institutions to undertake a proactive employment counselling and guidance/job search program.

#### **5.4 Policies and programmes of donors affecting the youth and labour market**

Foremost among donor programmes is the ILO Assistance to Employment in the Philippines.<sup>21</sup> The approach adopted in most programmes of is to carry them out in an integrated manner and implemented through multi-stakeholder partnerships. These interventions are a combination of policy and programme responses that address both labour demand and supply issues in the country. This is specifically true for the Working Groups on MDGs and Social Protection and on Sustainable Rural Development.

(See Appendix 2 for examples of Donor and Stakeholder Programs and Donor Coordination).

## **6 Summary of assessment of policies and programmes**

### **6.1 General assessment**

Many policies and programmes outlined in this paper respond directly and indirectly to the current problems and issues in the labour market particularly high youth unemployment and underemployment. However, whether these are enough and whether they are effective, is another story.

#### **6.1.1 Coherence of programmes**

There are definitely a great many programmes being implemented to address youth unemployment and underemployment but most seem disparate and unconnected to each other. This is because the programmes were probably designed at different times and to tackle only a certain specific aspect of the problem or cause affecting unemployment or underemployment. Some might have been formulated without the benefit of a framework to analyze the different causes of youth unemployment and underemployment. Without a wider framework, it is difficult to see the interconnections among programmes and policies and also the possibilities of programmes that cancel each other out.

For example, there can be a situation where the economy can actually generate more jobs but if the rate of increase of the labour force is always higher than the rate of increase in job creation because of deficiencies in the population management programme, then there will be no solution in sight for the unemployment problem. Indeed, all other things being, equal it will worsen. Training and entrepreneurship programmes for the out of school youth must consider that a prerequisite for their trainees is that they should be functionally literate. However, in a training programme where participants have no facility for numbers or numeracy, the student may not be able to develop the appropriate skills required for successful running of a small business. The same thing is true with access to credit especially if it is not aligned with a programme that ensures that beneficiaries are capable of repaying their debts. Specific skills training programmes may also go to waste if there is no demand for such skills in the area and the training is undertaken without coordination with private firms active in the locality.

A simple demand and supply framework will inform designers on the feasibility of their programme or project. Programmes that are better integrated with one another and coherent, even while more difficult and painstaking to design, have higher probabilities of success. However, this will require more coordination and more resource sharing among various government agencies and stakeholders.

#### **6.1.2 Duplication of effort**

There are certain types of programmes that are duplicated by various agencies or units within agencies. Canlas and Rubio-Pardalis (2006b) note that career guidance interventions are undertaken by TESDA (YP4SC), DOLE (Career Guidance Day), and the PESO. They add that there is also a proliferation of entrepreneurship programmes offered by DA, DOST, TESDA, NYC, DOLE, DTI, and some other government agencies.

Such duplication of efforts may easily lead to the double funding of beneficiaries, unwanted competition among agencies and could reduce potential impact of programmes. Fragmented implementation of programmes that are essentially similar to one another may be inefficient and costly especially if done without coordination among agencies. More often than not mistakes in implementation will be repeated.

<sup>21</sup> ILO programmes summarized from Soriano (2006).

Consolidating programmes would increase efficiency by exploiting economies of scale and could maximize impact.

### **6.1.3 Need for prioritizing**

Government must be able to manage adequately its limited resources by prioritizing programmes and projects. Almost all types of interventions in the labour market are important. But the ability to select which are *urgent* is a good starting point for sustaining key reforms. For example, many studies have already pinpointed the need for reforms in basic primary education as a prime concern if we want to improve the quality of our labour supply. This is because this is the foundation of any further learning. On the demand side, government must address production bottlenecks in rural agricultural areas as these are where most of the unemployed and underemployed are to be found. It can directly or indirectly (in partnership with the NGOs and the private sector), employ workers in pre-selected regions in strategic infrastructure projects.<sup>22</sup> Government may target regions and areas where unemployment and/or underemployment are high. At the same time, policies that will create a better investment climate—especially in rural and agricultural areas—will be most welcome.

### **6.1.4 Monitoring and evaluation**

Any programme or policy to be effective must be continually monitored and evaluated. As Canlas and Rubio-Pardalis (2006b) suggest, assessments should not be left in the hands of implementing agencies for fear of bureaucratic window-dressing. They propose independent programme assessments which may entail some up-front cost, but which may be a worthwhile effort to implement. Continuous monitoring of youth-related programmes is suggested, not only those related to labour market issues. Easily accessible data on all youth-related programmes should be available at NYC. However, they cite an ESCAP publication on the situation of youth which reports that the NYC “*is ill-equipped to coordinate and monitor the implementation of government, NGO, and youth sector programmes at the regional and local levels.*” Soriano (2006) has mentioned that some agencies have not been able to provide the required data on number of youth who were targeted and actually reached, and on budget allocation per programme per year. It could be either due to absence of required data, or from lack of appreciation of the importance of sharing information for the purposes of consolidation and overall monitoring of youth programmes.

### **6.1.5 A lack of policy focus**

Soriano (2006) highlights the fact that a majority of the youth development activities are programme-based or with direct impact to the beneficiaries. This is probably because many government agencies are monitored on actual performance indicators. Only a few focus on policy development. Research and monitoring also appeared to be the least prioritized. While programmes actually render tangible benefits to the youth, policies create the environment for jobs generation and improving human capital. Also without strategic research, the right policies and programmes may be lacking.

### **6.1.6 Lack of local level reach**

While there are still no studies assessing the reach of current programmes and projects, it is possible that most of these are not implemented at the municipal and barangay levels simply because of financial or human resource constraints. In addition, some programmes are applicable only in urban settings or in first and second class municipalities. These would include apprenticeship and on the job training programmes in government and private sector offices or even the location of the PESOs themselves. Many demand side policies and programmes are mostly felt in the urbanized areas or special economic zones. How these could be applied at the local level remains to be assessed. Technical assistance for LGUs and greater coordination from national agencies will be needed for this to occur.

<sup>22</sup> This would pertain to types of infrastructure that will enhance trade (roads, ports), expand market activities (public markets, housing, telecommunications centres) or improve human capital (school buildings, training centres).

## **6.2 Specific assessments**

### **6.2.1 On improving the over-all quality of education**

The country has long recognized the deteriorating quality of our education system as discussed above. While governments in the past have tried to address this problem, severe resource constraints (especially after the 1997 Asian Financial Crisis) have hampered such responses. At the same time, changes in the leadership at the DepEd have also delayed some of the important reforms in the system. However, government's response to the declining quality of the country's labour force has gained urgency. Important reforms include making TESDA responsive to the demands of the labour market, DepEd's attempts to increase resources for basic education and minimize leakages, and the CHED's Higher Education Development Project.

However, Canlas and Rubio-Pardalis (2006b) note the need for an independent assessment of programmes and projects to see whether these have helped in reversing the tide. They add that DepEd, TESDA and CHED must strengthen their regulatory capacity in terms of enforcing their rules and guidelines for the delivery of education services by private providers of education and training. The DepEd has also successfully partnered with NGOs and the private sector in the pursuit of educational reforms. Prime examples include Adopt-a-School and Brigada Eskwela, the programmes implemented with the Philippine Business for Education Development, the Foundation for People Power and the Foundation for IT Education. But beyond the material and financial gains generated from such programmes, the true value of both projects is in the generation of goodwill and the essence of community fostered and which can be emulated by the youth. The programmes supported by these foundations are relatively new and their success hinges on how students will fare in the NEAT and NSAT.

### **6.2.2 Internship programmes and scholarships in government offices**

Soriano (2006) notes that among the youth programmes, internship or on the job-training was most commonly implemented by several agencies. According to him this may be due to an enabling law that recognizes the need to help poor but deserving students to pursue their education through summer employment (Republic Act 7323). Some government financing institutions have also been providing scholarship assistance to secondary and tertiary students, apart from their offer of internship or on the job training. This is one area that registered a high cost per student. However, there are claims that scholarships or credit lines are more efficient ways of subsidizing education as compared to the costly proliferation of state universities nationwide.

### **6.2.3 Other programmes for human capital improvement**

Soriano (2006) notes that youth health programmes appear to be the least prioritized among all programmes. Most of the programmes that are available were funded by external agencies (AusAID and CIDA). There has been minimal government support for youth health programmes. Reproductive health could be a priority focus for youth programmes as these tackle the issue of high population growth. However even DepEd's initiatives in integrating modules in secondary education is being met by stiff opposition from the Catholic Church. Government must show political will in pushing this since studies have shown it has the support of the general public. Programmes for the youth with special needs are distributed among agencies, with the DSWD mainly assuming the responsibility of providing for the needs of the disadvantaged and vulnerable youth. Other agencies have very specific focus, for example, the Dangerous Drugs Board (DDB) for drug use and abuse; National Commission on Indigenous Peoples (NCIP) for indigenous peoples, among others. While most of these programmes may enhance youth welfare and social protection, their employment impacts are not clear except possibly for the health programmes that may have an effect on youth productivity and the increase in the labour force.

### **6.2.4 Inability to utilize and maximize donor funding**

Soriano (2006) claims that it is ironic that lack of funds is cited as one of the main implementation problems for programmes and projects. He points out that while there has been an expressed need for

more funds, it appears that funds have not been fully utilized when they are available. It is also possible that because there are so many competing programmes, funds are spread too thinly to be effective.

In the Philippine Development Forum, there is no explicit working group on employment. However, employment and youth issues are addressed to a limited extent in the three working groups: (i) growth and investment climate; (ii) MDGs and social protection; and (iii) sustainable rural development. However, what is needed is to formulate a comprehensive employment strategy agreed upon by key government agencies (possibly through the national summits) where donors can actively contribute in terms of programmes and projects that contribute to its implementation.

## **7 Areas of intervention and recommendations**

Inherently, the youth have a number of disadvantages (as compared to other members of the labour force) in the labour market and appropriate public policies must be able to remedy these constraints. At the same time, an effective youth employment strategy needs to address both the demand side as well as the supply side of the labour market, and at both the macro- and micro-economic levels. This means that while we need to improve the quality of education, the strategy also needs to promote close links with the growth sectors of both the local and the global economy. At a micro level, the strategy needs to respond to the specific skills demanded by employers. This implies the need to bring about greater coordination among major stakeholders to meet the challenges of mismatches in the labour market. And this needs to be done at both the national and the local levels. Perhaps the government could devise more mechanisms and venues for these stakeholders to formulate pragmatic responses to mismatches such as the National Manpower Summit.<sup>23</sup>

### **7.1 Macro level interventions**

#### **7.1.1 Supply side: human capital improvements**

##### ***More effective investments in human capital especially education***

As discussed above, the most urgent concern on the supply side is the current quality of basic and secondary education. There is near universal evidence of the link between education attainment and employment rates. In fact even wage rates are typically correlated with human capital or the level of education reached. Thus, rather than engage in a multitude of youth programmes where the impact would only be marginal or nil, why not concentrate our limited government resources on improving our primary and secondary education? Hopefully, this would be able to stem the tide of deterioration in the quality of basic education.

The country needs quality improvements in all stages of the education and training system. The quality and completion rates need to be increased, duration of schooling must conform to international norms (increase from 10 to 12–14 years primary and high school) and access by the poor widened. The quality of both primary and higher education institutions is highly uneven and there are very few centres of excellence. Teaching standards and equipment need to be upgraded to generate the high level technical and managerial skills required to be globally competitive.

Thus, investment in human capital is critical to raising the quality of the labour force, whether for domestic or foreign employment. This requires increased resources to support quality basic education. In addition, public investments in higher education and advanced scientific and technical research are best targeted within a few centres of excellence, while state subsidies to some public colleges and universities can be phased down either by devolution to local governments or through privatization. At the same time, access to education and training can be expanded and equalized through well-designed financing schemes for qualified and deserving students from low-income families.

The problem faced by financially constrained students who want to pursue higher education can for example be addressed by loan programmes (enhancing study now pay later programmes).

<sup>23</sup> Some recommendations on employment were adopted from Canlas et al (2005).

### **Technical and vocational education**

The Technical and Vocational Education and Training (TVET) needs adequate funding and has to reorient its curricula to employer needs. This reform measure is actually being implemented already by TESDA and it has even introduced the ladderized programme to make technician and vocational training attractive to the youth. However, TESDA must be able to assess how programmes are being delivered by various schools. Information on and studies on how much training is being provided and by whom, must be gathered and assessed. TESDA must be able to ensure the quality of the training programmes being delivered.

In the short-to medium-term, the government must promote partnerships with the private sector so as to ensure a better matching of skills with industry demands. This would imply a painstaking process of dialogue with key people from industry, academe and the schools to formulate strategies for addressing the labour mismatches. Over the long term, the country must continually invest in training its workforce in the sciences and technology.

### **Non-formal education, life-long learning, and accumulation of work experience**

For those who have dropped out or those who finished either primary or secondary education but are obviously without effective skill or who remain functionally illiterate, special remedial programmes must be established. The ALS of the DepEd must be given more support as it has proven effective for the OSY.

Such remedial programmes in partnership with NGOs and the private sector must be made effective in equipping interested out of school youth with the basic skills that have been integrated into the elementary and high school curriculum. Without such basic skill and education, any kind of training, whether it be vocational, technical, entrepreneurship, or other would fail. The country must be able to provide its labour force with the fundamental ability to effectively read, write and count.

Tertiary education or the TVET will also be contingent on this ability.

### **Public workfares to build work experience**

In the short run, another option is to make low-wage work appealing to the unemployed and this should be a core objective of employment policy. For the unskilled, working even at low wages initially in any sector of the economy is an opportunity to develop skills that may be honed over time. It is very easy, however, for government intervention to make low-wage work unappealing. If, for example, the government carelessly resorts to food subsidy programmes, then the benefits to be gained from taking on low-wage work will not exceed the benefits to be had of relying on government subsidies and indolence will actually be encouraged. Where handouts are given, low-wage work is shunned and no employable skills are developed. It may also be possible that wages in public workfares are set too high to attract the non-poor and those are not in urgent need. Thus, government must be able to design these interventions carefully. The unemployed today become the unemployed tomorrow, and poverty, as a result, is transmitted across generations (Canlas et.al. 2005).

### **Population management**

The demographic aspects of low wages and unemployment must be addressed with urgency. Large dependency ratios in low-income households preclude savings and investments in human and physical capital. Moreover, rapid population growth creates a population distribution that is concentrated in the junior age groups.

The present levels of population growth cannot be sustained if the Philippines is to escape from the poverty trap that it is now in. Growth rates need to slow down through an effective population management programme. The experience of Thailand shows the benefit of this. This needs to be done firstly by reducing the level of unwanted fertility through a vigorous national family planning programme; secondly, by changing the preference for a large family size through an incentive structure that raises investment per child and reduces the demand for children and finally reducing population momentum through delayed age-at-first-marriage and child bearing, and wider birth spacing made possible by a more responsive state family planning programme (see, e.g., Herrin and Pernia 2003).

The country's youth must also be given adequate information to effectively participate in population management. This could be done during family planning, reproductive health and responsible parenthood modules starting in secondary education. Access to all kinds of methods must also be widened. The methods to be used would constitute one or more studies in themselves and a means must be found of addressing these issues fearlessly and in a manner that provides clear policy direction.

However, so far the Philippine Population Management Programme (PPMP) has been relatively weak. In particular, Concepcion (2006) cites the following reasons for this weak implementation:

- There has been a lack of consistent national policy direction on population and family planning over the course of different government administrations.
- The programme has been too dependent on donated supplies of contraceptives.
- The programme has also been too dependent on public providers.
- There has been poor targeting of public subsidies to the needy.

The proximate result of all these factors was the limited coverage of the programme especially among the poor where it is needed most, resulting in high unmet needs for limiting and spacing, especially among the poor.

She also enumerates what needs to be done:

- Work within the existing framework but with clear basic principles and restated national policies.
- Create a major role for LGUs in public-private delivery and financing of health and FP services.
- Dependence on donors needs to be reduced but at the same time also reduce dependence on government as financing agents and provider of services, especially for those people with the ability to pay
- The persistent issues of mismatch between supply and demand have to be acknowledged and addressed; this involves the quality and adequacy of information, promotion of natural family planning, non-monetary costs of accessing services, informed choice and voluntary decision-making.
- The influence of the Church can be neutralized by a marked political commitment to a rational population policy that is in line with international norms and which has been demonstrated to be effective elsewhere.
- Synchronization of national efforts that include the passage of legislation on reproductive health, responsible parenthood and family size.
- A need to heighten and strengthen local advocacy efforts.
- Fostering an interest by public offices and public officials in a rational population policy as an integral part of economic planning.
- Formation of interfaith partnerships that support government efforts in this area.
- The further shaping of public opinion through the mass media and through tapping the resources of the business sector.

### **Increasing the role of women in the labour market**

The experience of other countries has been that as women are given more diverse career choices and enabled to play a greater role in the labour market through decent work, their proclivity to remain at home and bear children decreases. As a result, the population growth rate slows of its own accord. However, because of the lack of investment into developing the economy, these choices are not available in the Philippines at present.

As a further means of addressing the demographic roots, women, especially relatively young housewives, must be encouraged to join the labour force. Public policy—retraining programmes, day-care centres and

home based sub-contracting come to mind—must help women overcome obstacles to rejoining the labour force after they drop out, usually to raise children. Encouraging the emergence and growth of two-income households can go some distance towards reducing poverty. At the same time as women, especially younger women, enter the labour force, fertility rates may also decline as opportunity costs increase i.e. higher wages because of work experience.

### **7.1.2 Demand side: sustaining broad-based growth**

#### **Generating overall employment growth**

Firstly, government needs to anchor any youth employment policy and strategy within the framework of a comprehensive employment strategy for the country. This in turn should be an integral part of the medium term development plan and especially the investment component that would encourage the creation of new industries and jobs and lead to an acceleration of broad-based economic growth that develops domestic drivers instead of remittance earnings from overseas. Only in this way can we generate quality jobs for the labour force within the Philippines.

On the demand side, the drivers of economic growth are, of course, the most critical factor. Here, what is important is the interplay of macroeconomic and industrial-agricultural policy. The narrow base of our growth has so far limited the kind of employment opportunities available to the labour market. Canlas et. al. (2005) notes that given limited domestic savings, it is important to be open to foreign direct investment, which brings with it advanced technologies and managerial techniques and to realize scale economies. Exporting is essential but we need to diversify. As our export base is relatively thin, the potential for job creation is greatly hampered.

Developed country experiences also show that most quality jobs grow out of the manufacturing sector and, more recently, high-level services. Within the Philippines, trade and industrial policies in the last three decades have also resulted in the poor performance of the manufacturing sector. Today, the government seems to have fallen into the same trap by its selective promotion of sectors or ‘growth drivers’, most of which are in the agriculture and services sectors. Industry and manufacturing must pick up to sustain youth employment in quality jobs. Government needs to adopt aggregate and sectoral policies that promote employment-generating growth and adequate incomes. It must provide the environment conducive to investments, whether local or foreign, namely, adequate infrastructure, political stability, the rule of law and good governance.

#### **Growth in the rural areas**

On the demand side, further developing the agriculture sector is still a relevant and an important policy objective. Enlarging markets through infrastructure improvement and eliminating impediments to investment in this sector (such as conflicting property rights, peace and order, uncertainties arising from the implementation of land reform, and the overprotection of some sectors such as rice) ought to reap high returns in terms of both employment and rural incomes.

Low earnings in agriculture are spurring rapid migration from rural areas to urban centres, resulting in an expanded informal labour market. Rural industrialization must be pursued. This means critical investments in both human and physical capital are indispensable to make farm and off-farm employment grow at remunerative wages. Investments in agricultural research, rural infrastructure, education, and rural training must be intensified to raise productivity and real earnings in agriculture (Canlas et.al., 2005).

#### **Improvement of the investment climate**

An important policy initiative is to improve the business climate to raise the level and growth of direct foreign investments. These bring not only bricks-and-mortar finance but new technologies and advanced managerial techniques that would make local enterprises world class. High-wage, high-skill jobs come from these modern companies and the overall competitiveness of local industry is raised as a result. Government needs to adopt aggregate and sectoral policies that promote employment-generating growth and adequate incomes. It must provide an environment conducive to investments, whether local or foreign; namely, adequate infrastructure, political stability, and good governance. Openness to trade and investments is crucial as this creates incentives for sustained capital accumulation in industry and the

modern service industries. Openness also enhances competition, which stimulates innovation and invention thereby raising productivity.

### **Improvement of export competitiveness**

The country needs to diversify the export base (and so reduce the risk inherent in the present level of product concentration) and to revive competitiveness it must formulate and implement strategies aimed specifically at skill, technology and marketing weaknesses in a range of manufacturing activities.

Strategies for restructuring and upgrading may be needed for these and other important activities. The Export Development Council appears to be not formulating these adequately, and yet, there seems to be no other institution that can handle this function. According to Lall (2000), the government needs to catalyze analytical studies generating such strategies.

### **Technology upgrading and catch up**

The science and technology programme, vital to raising total factor productivity, has all the necessary design, but lacks implementation and coherence. There is neither systematic analysis of the technological gaps of the country nor a plan on how to fill them. The private sector invests little in technology development, and there are no adequate incentives to catalyze technological activity in industry.

There is a need for a 'technology foresight' exercise of the type being undertaken in developed economies to involve industry, technology institutions and academe in assessing the most urgent technological requirements confronting the country. Not enough attention is given to providing real public goods like basic or contract research, information collection and dissemination, and extension services to SMEs (see, e.g., Lall 2000).

### **Harnessing the gains from overseas migration towards productive investments**

Policy must endeavour to encourage income flows from overseas migration to areas where the rates of return are high. In particular, government has to create a policy environment that will help transform worker remittances and savings away from consumption expenditure and into more productive investments such that more jobs can be created within the country. A start could be made by addressing the current limitations of the financial and capital markets. Also, it has to ensure the continuous production of human capital that is not only geared towards the external market but also towards a more dynamic domestic economy that produces goods for the local and foreign markets. With a sizeable population base, economies of scale in production should be possible.

## **7.1.3 Matching labour market supply and demand**

### **Employment facilitation**

Employment facilitation (both at the national and LGU level) through collaborative and innovative programmes with the private sector, educational institutions, organized labour and civil society must be strengthened. Strengthening the current PESOs is a step in the right direction. Government must take the lead in bringing together the resources of the private sector, NGOs and labour groups in disseminating labour market information related to both domestic and overseas work at the local levels through the PESOs. Interconnections must also be continued. Targeting the youth should be an important component of these programmes.

### **Comprehensive database of labour statistics**

The Bureau of Labor and Employment Statistics (BLES) and the NSO must work together with researchers and policymakers to fill the gaps in the labour statistics database (e.g. industry wage profiles, TVET schools, etc.). It is understood that this is indispensable in arriving at sound policy recommendations and designs for the labour market and the overall economy.

### **Venues for academe-government-private sector dialogue**

An important solution to the labour mismatch is for academe and the private sector to work together. At first, government can facilitate dialogue which could result in definitive action plans for reducing or preventing mismatches. Programmes such as the Dualtech system, apprenticeship and on the job training

and others that promote the linkage will be relevant for practical solutions to the problem. Joint research undertakings on the labour market of specific occupations and professions can also be done.

#### **7.1.4 Improving institutions: Capacity and coordination**

##### **National manpower summits**

Organizing national manpower and employment summits (just like the DOLE's successful summit in 2006) to discuss, resolve and plan actions on key labour market issues must be continued and supported but with more resources. This should also foster better coordination among stakeholders and convergence of programmes of both the national and local governments.

However, action plans must be monitored by an oversight group or committee that will report progress from one summit to the next. This should be mirrored at the local level where human resource planning workshops may identify local employment drivers and match supply sources.

##### **Mainstream labour and employment policies in the MTPDP**

Labour market policies must be mainstreamed in overall development plans at all levels; employment policy and social protection must be linked with macroeconomic strategies for stabilization and adjustment. Employment generation and productivity enhancement should serve the goals of broad-based economic growth. The objective of generating decent work and quality employment must be included in any poverty strategy and programme of government at the national, regional and local government levels. A special emphasis on the youth must also be made because of its strategic importance for the country's labour productivity and the eradication of poverty in the future.

##### **Balance between welfare and employment generation**

The Philippine experience in the last three decades has shown that a policy regime biased towards workers' welfare and protection may impede employment generation. Policies such as wage interventions, mandated bonuses and legislated holidays unnecessarily increase labour costs outside market forces. Adversarial and legalistic industrial relations also render the labour market inflexible in terms of adopting new strategies toward greater competitiveness. In the end, these labour market rigidities may hinder both local and foreign investments leading to slower growth of the economy. Indeed there is ample evidence that suggests that the rigid labour code is already a factor in poor FDI performance. Excessive labour costs may induce firms to replace labour by capital leading to the possibilities of jobless growth. The youth's employability and chances for getting work will increase with greater labour market flexibility.

## **7.2 From macro to micro approaches: synergies between national and local approaches towards the youth labour market**

### **7.2.1 Approaches to a segmented youth labour market**

The ILO youth profiling project conducted as part of the PYEP programme has actually identified specific youth segments in selected localities. This will assist local governments in designing appropriate programmes and policies in addressing employment problems of the youth that are suited to their areas. In the case of the whole country, the segments identified by Yeung and Pineda (2007) are the choosy educated, early breadwinners, farm hands (farm boys) and unskilled workers. A sound approach will need to ask first, "*what are the right activity interventions for the different youth segments in order to engage them with the right institutions and create a constituency to clamour for the right policy solutions*".

For example, in the agriculture sector, we need to focus on the farm hands in the provinces; for the services sector we need to prioritize the employment of female unskilled workers; for good-paying and professional jobs across the economy, we need to consider the choosy-educated youth segment whose majority reside in the NCR. For social service outreach to the youth, we need to highlight the early breadwinners.

The biggest youth segment is the farm hands. Naturally, it is justified to think of interventions in the agriculture sector to deal with unemployment and underemployment problems. General possible

solutions will point to two directions: promoting investments in agriculture and second, facilitating the shift of labour from agriculture to high productivity jobs in non-agriculture production (manufacturing industries and services). David (2003) argues that the poor performance of the Philippines in agriculture has been due more to weaknesses in the policy and institutional frameworks governing the sector than to real domestic and external market factors.

This means that the long-term solution in agriculture has much to do with institutional as well as continuing social reforms in property rights (achieving the efficient scale in land cultivation and ownership/proprietorship). What agriculture needs is to increase productivity through efficient use of current and potentially productive agricultural lands. These include achieving efficient economies of scale in land ownership and cultivation, less distortion by inappropriate government policies and incentive promotion, rationalization of regulatory instruments to address externalities among others. While it is most important to pursue such medium and long-term institutional and social reforms, it is obvious that the solution in the end lies in the shift from dependence on agriculture to high productivity jobs in services and industries.

Having the farm hands in mind, it might be appropriate to reflect on conditions if the above reforms are successful and productivity in agriculture rises to a more efficient level. How many of the farm hands will remain in the sector to supply needed labour, and how many will need to shift to non-agricultural activities? This is difficult to answer though it might be helpful that in cost-benefit analysis of specific interventions in rural agricultural production and productivity, the spread of such benefits should not be thinly distributed. Another approach is asking who among them will remain to realize the benefits of the full potential of agriculture and who will have to leave to seek greener pastures in the services and manufacturing industries?

Intervention programmes have to be designed so that they self-select since they are well placed to assess their own comparative advantage. After having all these in mind, we can proceed to specific commodities and locations—that is to expand the productivity of specific commodities in certain locations. The One Town One Product (OTOP) of the Department of Trade and Industry (DTI) may be an example of selecting commodities with a local production comparative advantage. The specificity of these productivity enhancement interventions are subject to social and institutional constraints as mentioned. However, as long as there is room for potential expansion in agricultural commodity production as well as increases in farm and worker's productivity, it should be pursued alongside the social and institutional reforms needed to realize this potential. This is where the help and leadership of the LGUs will be most effective. Local economic development and employment generation (farm and non-farm activities) should become the centrepiece of local development efforts.

For the other youth segments, Yeung and Pineda (2007) outline reactionary and preventive measures. For example, career guidance and labour matching programmes should address the choosy educated while non-formal and alternative learning systems tackle the problems of unskilled workers. Home based production and livelihood activities and reproductive health programmes must be geared towards the early breadwinners who need to take care of their children at the same time. In other words, given the different segments of the youth labour market, appropriate responses must be matched with each segment at the national and local levels, especially the latter. The ILO Youth Employment Planning Workshops are important examples of the latter.

### **7.2.2 Strong link between national development and employment policies with local development and employment plans**

The national government's development policy formulation and implementation processes have implications for local development and employment generation. Through policies, state resources such as the country's natural resources, tax revenues and income, borrowings, foreign aid and money are allocated towards particular economic and social goals. How these resources are eventually utilized reflects the preferences of authorities and the development strategies they espouse with varying degrees of influence from interest groups. By defining the preferred key production sectors and determining their geographic location, relative size and comparative advantage, the national government then effectively shapes the structural features of the economy. Through its actions and inaction in a complex, multi-actor

context of decision-making, the state affects the spatial and social mobility of the population, and the country's overall economic growth and sustainability.

The national government has historically allocated resources to particular economic sectors and social groups. Sectors and areas of growth were also promoted along with external market and financial developments, such as price trends and availability of foreign credit. Positive outcomes from past policies promoting specific sectors were proved to be not sustainable in the long run. For example, the Import-substituting industries (ISIs) could not proceed further because of the persistent growth of trade deficits, resulting from the overvalued currency policy and penalized the export sector which combined with increasing debt payments, to reduce the level of balance of payments reserves. Another example is the pursuit of long-term growth through fiscal deficits, money creation, and foreign borrowings, which could not be sustained because of the inflow of external credit ceased while its inflation-devaluation effect eroded real income growth and fuelled social unrest.

On the local LGU level, because of the diversity of social, economic and resource conditions, the nature, focus, sector, and characteristic of development and employment plans will vary. In the case of investments and social mobilization activities undertaken by local institutions and stakeholders to generate employment, they should be encouraged and supported with technical assistance from the national institutions through its regional offices. A local multi-stakeholder initiative like this is the key social ingredient towards achieving local economic objectives.

They should be nurtured while other opportunities such as medium and long-term investment and employment plans are laid down to sustain the social momentum. Because of diversity, it is imperative that there are pilots and models such as that which the ILO Youth Employment Project is trying to accomplish. The nature of national economic planning will then be supportive in providing a conducive environment for these investments to flourish. Being local and independently initiated, it is highly probable that such investments will exploit relative local factor endowments and comparative advantages.

The following recommendations of the Joint Congressional Commission of Labor (2001) made to guide policy is reiterated here but with an angle to better link these recommendations with local development planning and employment generation efforts. In general, and as mentioned in discussions above, national authorities must pursue macroeconomic policies that promote a stable, predictable and sustainable growth of output.

In specific sectors and locations:

- Promote stronger partnerships between the public and the private sector at both the national and local levels for development and employment planning workshops, expanding business and production, improving the quality of labour-market information and hastening the absorption of a trained labour force into productive employment.

As a corollary to this, raise the capacity of regional offices such as DOLE, DTI, NEDA, DA to respond to an LGU-business/entrepreneur-labour/farmer-NGO/academe partnership approach in development planning and employment generation.

- Intervene in the labour market with close participation and consultation of LGUs and local stakeholders to provide alternative employment and sources of income especially the youth sector under the PESO Act.
- Strengthen programmes such as those for government direct employment and facilitation in identified areas of high unemployment and underemployment. Strategic infrastructure as discussed above would be the venues for employing the youth and for the provision of livelihood assistance in coordination with local institutions under the leadership of LGUs.
- Provide access and timely information on overseas destinations for prospective overseas Filipino workers down to the LGU-PESO level while taking measures to reduce processing costs by increasing bureaucratic efficiency and minimizing the opportunity for recruitment fraud.
- Raise the capacity and competence of the DOLE bureaucracy to respond to the special needs of overseas Filipino workers. Strengthen the reintegration programme for overseas Filipino workers and provide incentives for them and their families to invest their earnings at home.

### 7.2.3 Local development planning through multi-stakeholder partnerships

The central recommendation for ILO's national agenda on youth and overall employment problems is to form strong local partnerships in development planning anchored on a multi-stakeholders approach as discussed above. Amidst the backdrop of four decades of the economy's historical record, it appears that the national political institutions failed to deliver on both the demand and the supply side of employment generation except perhaps in promoting overseas employment. The logical conclusion therefore points to the key role of the local institutions in building partnerships towards development, to attract investments, increase production and productivity, increase demand and generate more employment.

Modest successes currently in macroeconomic fundamentals of the country (growth at 4 to 5 per cent, lower inflation, sound fiscal management, among others<sup>24</sup>) would be strengthened more with initiatives and successes at the local levels. What is the basic principle that should be followed in promoting local development planning (with employment generation mainstreamed) and letting the market and private sector decide the fate of local economic expansion or growth?

The best practice distinguished in East Asian experience that answers this question is the highly interactive relationships between the public and private sectors characterized by shared goals and commitments embodied in the development strategy and policy. The fundamental dynamic at work is the degree of consistency between the sectors—public and private, market forces and government intervention—that has been important in those cases of successful development. A coherent development strategy was not only formulated but followed by both the government and the private sector.

Past experience at putting this principle into practice in the Philippines leaves much to be desired. It should not be forgotten that the experience at the national level on public and private sector cooperation has been associated with political capture and cronyism rather than shared goals and commitments of key political and economic players towards a common direction. Failed politics and business partnership experiences, as reflected in the political-economy literature and others studies of the country, have been more directed towards dividing the spoils of public funds and the promotion of private interests to the detriment of the wider common good.

Having the benefit of hindsight tells us that the capacity of local governments towards development planning and employment generation has to be anchored on the capacity, character and development motives of local executives and the local politicians. Their very interest, character, vision and love for country will define the kind of partnerships local governments will form with the private sector and citizenry. From the experience of academic and civil society institutions working in the field of local governance and development, it is not difficult to discern which places (provinces, cities, and municipalities) are being led by local executives who possess these capacities and characteristics. The key is to determine how best to foster this spirit in others.

The ILO Youth Employment Project series of workshops on local employment planning is a step in the right direction. What is needed is to upscale the partnership of the local government and the private sector (business plus local citizens) in the exercise. The mechanism for ensuring that local business and political partnerships do not degenerate into cronyism and political capture is to put in place a multi-stakeholders approach in the planning process. Investments, expansion and productivity enhancement plans should also engage the labour force participants in those specific sectors in consultation and dialogue.

Central to these consultations and dialogues are clear definitions of the incentives (also temporary disincentives and costs) and benefits accruing to all stakeholders. '*People respond to incentives*' should be the principle to put energy into the process of multi-stakeholders planning from political-business partnerships down to the labour force participant consultations. Increases in investment and labour productivity are keys to expansion (growth) and development, which in turn will realize the expected returns and incentives accruing to all players. Investment does not only come from the business and local government but includes other stakeholders such as labour organizations and cooperatives.

<sup>24</sup> This was drafted prior to the onset of the present global financial crisis.

The social mobilization of communities towards increasing investments according to sectors and market segments can only be done in localized situations because of the closer relationship between the people, local government and even businesses. When local multi-stakeholders partnerships situations like these are created over the medium-term, the likelihood of spill over effects will redound to the economy in terms of improved local investment climate. It will improve local institutions and create constituencies to demand the right national policies that will encourage local growth and development. Once there are successes in the LGU-business-labour partnerships in local development planning and employment generation, these are expected to influence supply-side factors of employment. For example, local school boards that respond to the challenges posed by the local development plans.

#### **7.2.4 Special-purpose grants and cost-sharing schemes for LGUs in employment generation**

In line with the promotion on the role of local institutions in local employment generation especially the LGUs, there has to be an increase in intergovernmental transfers (national to impoverished local LGUs) for this purpose. These are selective and conditional matching grants or for the particular purpose on development planning and employment generation that should be matched with LGU counterpart funding. Some basic principles are observed in the design of any grant or loan system drawn from country experiences with intergovernmental expenditure assignment in relation to decentralized and devolved functions (Alonzo 1999).

Community participation should be harnessed from the very start of project development activities. Community involvement may be through informal neighbourhood associations, formal people's organizations, NGOs, or the households directly affected. In the case of employment generation, for practical purposes it should be the identified characteristic of the labour group that is targeted. The advantage of earlier consultation with the targeted groups is that local preferences are incorporated best and that clear short run and long term incentives can be discussed.

LGUs are better implementers of local projects in employment generation than NGAs because, coming from the area, they have a closer feel of people's needs, and they are more accountable to the people. Local executives may be voted out of office for poor performance, while regional personnel of NGAs often simply get reassigned.

Community or targeted groups' contributions to the project should be encouraged. For example in expanding the tourism industry to local sites, the community can contribute not just in kind (land, labour, local materials) but can develop community activities that enhances the town's ambience and tourist/visitor experience when visiting the area, i.e., artistic and cultural festivals, clean and green surroundings, friendly and peaceful attitude, among others.

Private sector production and management should be favoured where feasible. The private sector need not be a local entrepreneur, it may be a cooperative or NGO. Alternative modes of private sector participation include build-operate-transfer schemes, joint ventures, and franchising.

#### **7.2.5 Local growth and the expansion of the domestic market**

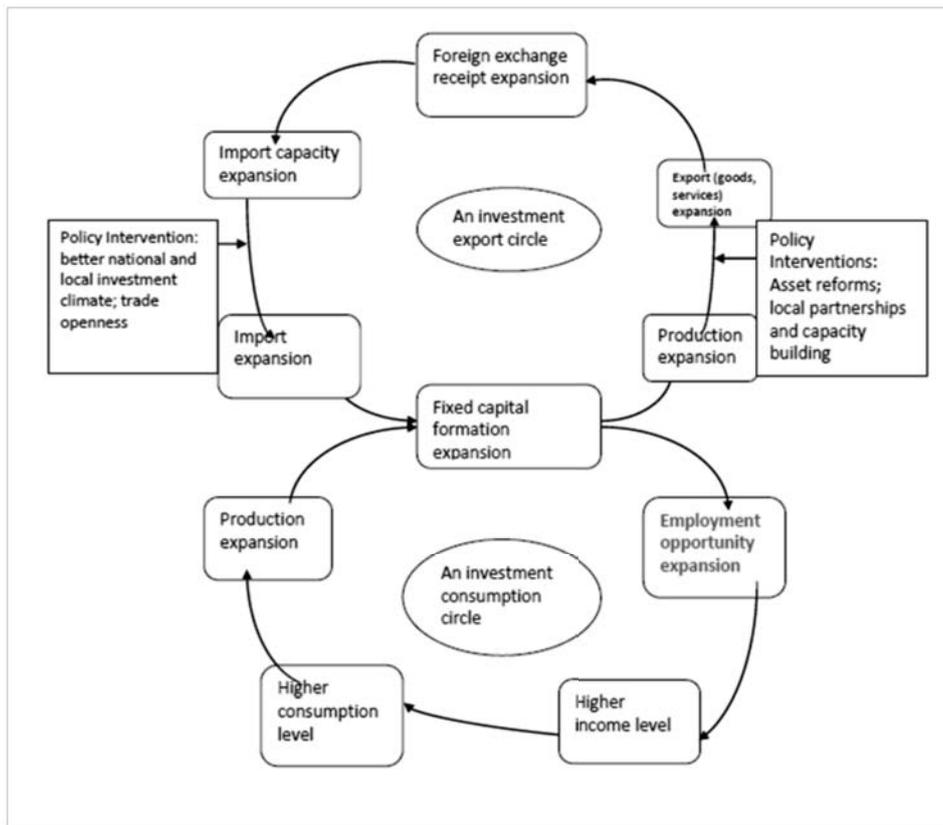
We have recommended in the above discussion, the leading role of local institutions and multi-stakeholder partnerships in development and employment generation. The question to answer now is, "how does it really work?" or "How can it be made to work?"

First, with local institutions and partnerships as the key, the main objective remains the same—to increase aggregate demand and income and eventually expand the domestic market. If the main objective of economic development is the alleviation of poverty, then that economic development should eventually result in the growth of domestic markets. Even the successful export-promotion strategies of East Asia eventually led to enlarged domestic markets of these countries which, in turn, sustained further increase in income and broader development as well as societal transformation. We should also hope to transform our OFW remittances into investments that will eventually expand domestic production capacities and the market itself.

Assume that all the ILO recommendations arising out of the workshops conducted in February and March 2007 for the selected towns, cities and one province (Guimaras province, Concepcion,

La Castellana, Dumaguete, Davao, and Cotabato City) were carried out by a strong LGU-business-entrepreneur-labour partnerships. Assume also that there is an increase in agricultural output which is fairly distributed, in terms of extra incomes, among rural households. This would then lead to extra demand for urban goods. The extra rural non-agricultural activity will further raise rural incomes and therefore consumption, while additional labour income generated by the expansion of demand for mass-produced urban goods will increase the demand for agricultural products.

**Figure 3: Export push strategy and Nurke's Circle**



Hence, a virtuous circle may develop of increasing demand and supply of agricultural products, rural non-agricultural products, and mass-produced appropriate urban products. This would be associated with increased participation of the underemployed in both production and consumption, and an improvement in the distribution of income. This kind of virtuous circle is not necessarily initiated in the agriculture sector. It could be initiated by an increase in industrial production or non-agricultural products or it might be initiated by improvements in the quality of transport and communications linking the various sectors.

However, an important prerequisite to which this virtuous circle may occur is fair distribution of incomes or assets. The relative equality of income and wealth, landholding in particular, is an important prerequisite to make entrepreneurs bullish enough, and eventually for sustained economic growth and employment generation. With CARP ending in 2008, we hope that a majority of places have fairly equitable distribution of land assets. Since local development initiatives are open to an export-push strategy to attract more investments, encourage entrepreneurs, and generate employment opportunities, it is necessary to show how it will work here in increasing the domestic market. This is shown diagrammatically in Figure 3 which explains the role of an expanded virtuous circle in increasing growth and development.

## 8 Priority action agenda

In this last part of this study, we outline the key actions needed to generate employment expansion in the short, medium, and long run. These actions are prioritized according to urgency. All the recommendations made earlier should be implemented, but given current resources and institutional capacity of national and local government, actions must thus be prioritized. We also include a list of stakeholders to be included in promoting each part of this action agenda.

### 8.1 Supply side interventions

#### 8.1.1 Short run

**Recommendation 1:** Stop the deterioration of primary education; pour combined resources of the government, private sectors and donors into the improvement of elementary education. Expand the Adopt-a-School Programme and Brigada Eskuwela, especially for primary schools. Campaigns must be done in coordination with specific LGUs and concerned stakeholders (e.g. local school boards). Local OFW philanthropic contributions may be tapped for this endeavour wherever possible.

*Key Stakeholders: DepEd, Philippine Business for Education, LGUs, Others*

**Recommendation 2:** Improve adult literacy and provide non-formal education for the out of school and functionally illiterate youth e.g. the ALS programme. Donor support may be tapped to augment government resources.

*Key Stakeholders: TESDA, DepEd, DSWD, Employers, TUs, NGOs, LGUs*

**Recommendation 3:** More human capital investments for young and poor children in terms of health and nutrition; this could be done through food for school or conditional cash transfers which tie subsidies with education.

*Key Stakeholders: DOH, DepEd, LGUs, DSWD*

**Recommendation 4:** Institutionalize career guidance in secondary schools and promote tech-voc to the same level as tertiary education. The inclusion of tech-voc programmes in the high school programme must also be encouraged and supported. The ladderized programme should be promoted at the same time. More resources must be channelled into the promotion and regulation of tech-voc education.

*Key Stakeholders: DepEd, TESDA, LGUs*

**Recommendation 5:** With regard to population management there needs to be renewed emphasis on family planning campaigns through reproductive health modules among the youth, both within and outside schools and better access provided to various family planning methods, especially at the local government level.

*Key Stakeholders: POPCOM, DOH, NEDA, LGUs, DepEd, TUs, Employers, NGOs*

#### 8.1.2 Medium and long run

**Recommendation 6:** Increase resources for all levels of education—primary, secondary and tertiary education. Partnerships with the private sector and donors (bilateral and multilateral) must be expanded for these initiatives to succeed.

*Key Stakeholders: DepEd, DBM, DOF, Private Sector, NGOs*

**Recommendation 7:** Expand programmes for teacher training and improve selection and hiring process of teachers in primary and secondary schools.

*Key Stakeholders: DepEd, Academic Institutions, LGUs*

### 8.2 Demand side interventions

#### 8.2.1 Short run

**Recommendation 8:** Target government direct employment and facilitation opportunities in identified areas of high unemployment and underemployment. Strategic infrastructure and public workfares as discussed above (Section 6.1.3) would be the venues for employing the youth.

*Key Stakeholders: DPWH, LGUs and Other Government Agencies with Infrastructure Projects e.g. DepEd, DOTC*

**Recommendation 9:** Improve the investment climate especially in rural areas to foster growth in agriculture and related industries.

*Key Stakeholders: LGU with DTI, NEDA, and the Private-NGO Sector*

**Recommendation 10:** Improve access to credit for micro and SMEs.

*Key Stakeholders: SME Corporation, PCFC, BSP, MFIs, LGUs, and Private Groups such as the Pinoy ME*

### **8.2.2 Medium and long run**

**Recommendation 11:** Sustain broad based economic growth with manufacturing and service sectors providing better quality employment.

*Key Stakeholders: NEDA, DTI, BSP, etc.*

**Recommendation 12:** Promote technology-led growth that demands a highly skilled youth labour force.

*Key Stakeholders: DOST, CHED, DTI, IT Commission*

**Recommendation 13:** Promote investment into key infrastructure such as roads, ports and terminals, as well as communications to link sectors, production, exchange, and facilitate movement of goods, services, and labour.

*Key Stakeholders: DSWD, DPWH, LGUs, Private Sector*

## **8.3 Institutional interventions**

### **8.3.1 Short run**

**Recommendation 14:** Conduct annual National Manpower and Employment Summits to discuss and address key employment issues; provide a clear definition of roles of agencies and stakeholders in plan implementation to promote coordination and convergence of programmes.

*Key Stakeholders: DOLE, NEDA, Private Sector, TUs, NGOs*

**Recommendation 15:** Promote LGU-business-entrepreneurs-labour- farmers-civil society- academe partnership bodies in provinces, cities and municipalities for local development and employment planning workshops; coordination with national and regional government agencies for data, information and technical assistance in planning (e.g. BLE); identify pilot and best partnership and convergent practices for learning and replication like the *Aksyon ng Sambayanan Laban sa Kahirapan* of DOLE.

*Key Stakeholders: LGUs, Local Private Sector, National Agencies like DOLE, etc.*

**Recommendation 16:** Address labour mismatch through academe-private sector joint plans; enhance labour market information through interconnected PESOs as well as career guidance in secondary schools. Examples of programmes avoiding mismatch include the dual training programmes and private sector review of the curriculum of university degree programmes and their career guidance efforts.

*Key Stakeholders: Academe, CHED, Private Sector, DOLE, LGUs*

**Recommendation 17:** Address the high costs of job search through more efficient PESOs and provision of a one-time fund for transport and related costs especially for the marginalized youth.

*Key Stakeholders: LGUs, Local Private Sector, National Agencies like DOLE, etc.*

### **8.3.2 Medium and long run**

**Recommendation 18:** Rationalize and coordinate employment plans and programmes.

*(National to Local Stakeholders)*

**Recommendation 19:** Compile comprehensive labour statistics at the national and local levels.

*(NSO, NSCB, National and Local Stakeholders)*

## **8.4 Lead agencies in crafting a youth employment agenda**

Given the multi-agency and multi-stakeholder nature of any responses to the problems of youth unemployment and underemployment, a number of key agencies must take the lead in drafting a specific action plan and agenda. The leadership role must be shared by both the DOLE (through the Bureau of Local Employment) and NEDA.

The DOLE must take the lead because of its mandate to deal with employment concerns while NEDA is tasked to coordinate overall development thrusts (where employment is a key component).

Other key agencies that need to be involved include DepEd, TESDA, CHED, DILG, and DTI. The Leagues of LGUs must also be involved as most of the programmes can only be effective if implemented at the local level. The private sector and workers must also be ably represented. At the same time youth organizations and NGOs dealing with youth should also be given participation.

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## Appendices

### Appendix 1: Specific legislation and their impact on the labour market

Policy / Legislation	Instruments	Labour market effects
<b>YOUTH SPECIFIC POLICY/LEGISLATION</b>		
Prohibition of discrimination based on age*	Labour Code Art. 140	Demand side, institutional impact
Elimination of discrimination against young women workers	ILO Convention No. 100, 111 Labour Code Articles 135, 136, 137 New Family Code Art. 73 RA 9208	Demand side, institutional impact
Abolition of the worst forms of child labour	ILO Convention No. 182 RA 9231 and RA 7658	Supply side, institutional impact
Minimum age of admission to employment	ILO Convention No. 59, 138 Labour Code Art. 139	Supply side
Provision of education	ILO Resolution, 1965 Labour Code Book III Title III Ch.3 *	Supply side
Assurance of decent working conditions	ILO Convention No. 190 Women and Child Labour Law Labour Code Art. 150 RA 9231	Institutional impact
<b>NON-YOUTH SPECIFIC LABOUR POLICIES</b>		
Protection of workers' rights	ILO Convention No. 87	Institutional impact, supply side
Maternity protection	ILO Convention No. 110 Social Securities Law Sections 14, 18	Institutional impact, supply side
Protection for the Vulnerable	ILO Convention No. 89 Labour Code Art 130, 131	Institutional impact, supply side
Establishment of minimum wage compensation		Demand side

*Source: ILO: Canlas and Rubio-Pardalis (2006b); Medium Term Philippine Youth Development Plan; last column on labour market impact provided by the authors*

## **Appendix 2: Examples of donor and private sector programme and donor coordination**

### **ILO-Promoting Youth Employment in the Philippines (PYEP)**

This project hopes to facilitate the creation of employment opportunities for young women and men in the Philippines by: (i) supporting efforts of the Government of the Philippines and other partners to formulate and implement an integrated policy and programme package for youth employment effecting change in government policies at national and local levels; and (ii) implementing action programmes with key youth targets including school leavers, young people with low skill jobs, unemployed youth in the informal economy and young entrepreneurs. This ILO programme also supports selected LGUs and assists them in drafting strategies for local economic development and employment generation.

### **Creating Sustainable Livelihoods for Young Artists through Digital Arts**

Angono is currently drafting its Medium-Term Art Tourism Development Plan 2006–2010 under the guidance of a local NGO, the Philippine Resources for Sustainable Development (PRSD), Inc.. This ILO/CIDA project in Angono attempts to draw policy-oriented, action-focused and time-based strategies that will create new employment opportunities for Angono's young artists and spark entrepreneurial activity in its local art tourism industry. PRSD in partnership with local stakeholder groups and relevant national agencies conducted a series of consultative meetings and baseline surveys among young artists and art tourism-related businesses.

### **ILO-Mobilizing Action for the Protection of Domestic Workers from Forced Labour and Trafficking in the Philippines**

The project includes five major areas of action: (i) development of a law and policy framework on domestic work; (ii) advocacy and research to broaden understanding of the situation of domestic workers; (iii) outreach and empowerment of domestic workers; (iv) capacity building for government, worker, and employer representatives; and (v) targeted interventions to reduce the trafficking and forced labour of domestic workers and to protect and assist those who have suffered abuses. In the Philippines, the majority of domestic workers are aged between 15–30 years old.

### **ILO-USDOL-Community Sala'am (Peace) Corp Programme**

The DOLE in partnership with ILO and USDOL launched the Community Salaam (Peace) Corp Project, which provides integrated youth interventions in conflict areas in Mindanao. These include education, literacy development, counselling services and vocational training leading to livelihood opportunities. The project is based in the province of Maguindanao, a predominantly Muslim province and presently holds the seat of government of the ARMM.

### **ILO-USDOL Training for Rural Economic Empowerment (TREE)**

TREE is a project funded by the U.S. Department of Labor and implemented by the ILO that seeks to address the needs of local economies in post-conflict and poor areas of Mindanao. TREE operates in five provinces and in one city of the ARMM, supervised by the Skills and Employability Department of ILO with local headquarters in Davao City. The target groups are the "rural poor, specifically, women, disenfranchised male youth, and persons with disabilities." It provides rural workers with skills needed to increase incomes and productivity to improve living conditions; provides community population with opportunities to contribute to and benefit from collective action and helps develop their own communities; provides individuals with help to increase their ability to effectively deal with social problems in the environment in which they live and work.

### **USDOL-ILO IPEC Supported Time Bound Programme on the Elimination of the Worst Forms of Child Labour**

The USDOL-funded ILO-IPEC project supporting the Philippine Time Bound Project has the overall objective of contributing to the achievement of the national goal to reduce the worst forms of child labour by 75 per cent by 2015. The four-year project consists of two strategic components: (i) strengthening the enabling environment for the elimination of the worst forms of child labour; and (ii) reducing the incidence of selected worst forms of child labour through direct action for child labourers and their

families. The six target groups of the project are child labour in the sugar cane plantations, mining and quarrying, pyrotechnics, deep-sea fishing, domestic workers, and commercial sexual exploitation of children (CSEC). The project is being implemented in six regions of the country covering eight provinces, namely Bulacan, Metro Manila, Camarines Norte, Iloilo, Negros Occidental, Oriental Negros, Cebu, and Davao.

### **CIDA –SMEs**

Foreign-aided business and advisory services such as the Canadian Executive Service Overseas (CESO), a Canadian International Development Agency (CIDA) supported agency has partnered with Philippine Business for Social Progress' (PBSP) to establish the Corporate Volunteers for Enterprise Development, or CVED. This is part of CIDA's Business Advisory Program which seeks to hurdle frequently encountered constraints by transferring expertise to a local non government agency such as PBSP. By transforming CVED into one of its core programmes, the Philippine Business for Social Progress will continue the work started by the Canadian agencies and moulding it into a tool to complement its credit and livelihood programmes. CVED will also continue to strengthen its roster of volunteer advisers to continue delivery of business advisory services to small and medium enterprises in the country.

### **USAID/EQuALLS Programme**

USAID/Philippines' basic education objective is focused on Mindanao, specifically the ARMM, where educational quality is exceptionally poor. Launched in 2004, USAID's Education Quality and Access for Learning and Livelihood Skills (EQuALLS) project is a five-year, \$30.1-million initiative aiming to improve access to quality education and livelihood skills in ARMM and areas of Mindanao affected by conflict and poverty.

### **Don Bosco Training Department for Out-of-School-Youth**

In 1972, Don Bosco established the Manpower Training Department to serve out-of-school-youth between the ages of 17 and 22. Its goal is to train young men and enable them to improve their lives through employment. Each year, the Department accepts 1,200 young people into its various skills training programmes. Accredited by TESDA, the Department of Education, and the Philippine Accrediting Association of Schools, Colleges, and Universities—the Department develops its own technical training curriculum in collaboration with industry.

### **Cisco Networking Academy**

Cisco Systems, Philippine Science High School, and the ERDA Technical and Vocational Secondary School (ERDA TECH) have established an information technology programme, "IT Skills Enhancement for Filipino Out-of-School-Youth," as a means of making information technology (IT) education more accessible to the out-of-school-youth.

### **Consuelo Foundation, the Ayala Corporation and Lucent Technologies: Philippine Out-of-School Children and Youth Development Project**

The project targets children and youth, aged 16–24, who are high school dropouts from poor families in the areas of Central Luzon (Region III), Southern Tagalog (Region IV), Eastern Visayas (Region VIII), National Capital Region, and the ARMM. Interventions include formal basic education, non-formal education (Alternative Learning Systems), and technical education.

### **Central Luzon State University's Expanded Tertiary Education Equivalency and Accreditation Programme (ETEEAP)**

The programme, implemented in CLSU in the mid 1990s, allows students to complete the course by giving corresponding credits for their past work experiences and related professional activities. The university evaluates their credentials before they are asked to enrol additional subjects.

### **PDF Working Group on Sustainable Rural Development**

The Philippine Development Forum, a venue for government-donor coordination has established various working groups. Included, is a working group, which has recommended the following to promote rural development:

- Advocate for sector-wide rationalization among the rural development agencies
- Institutionalize an area-based participatory planning process, with disaster preparedness and management as an essential concern
- Push for the full funding of the Agriculture and Fisheries Modernization Act (R.A. 8435)
- Push for the passage of the Comprehensive Land Use Act
- Push for the passage of the bill accepting agricultural lands as collateral
- Consistent application of the CBFMA policy
- Push for the passage of the Sustainable Forest Management Act
- Push for the completion of the land distribution under CARP beyond 2008 and finish agrarian reform in the targeted areas
- Identify and advocate, in coordination with the Department of Energy, the generation and use of renewable energy

The working group is also pushing for convergence and rationalization of the mandates of three major agencies involved in rural development—DA, DENR, and DAR. Through concerted efforts, bottlenecks in the policy, institutional arrangements and implementation of agriculture, agrarian reform, and environmental programmes and projects can be removed, resulting in increased productivity and competitiveness, rural growth with equity, environmental sustainability and ultimately, in reducing poverty in the rural areas of the Philippines. (<http://pdf.ph/>).

#### **PDF Working Group on MDGs and Social Progress: Employment and Decent Work**

Another important working group is concerned with MDGs and Social Protection. Their key concerns include:

- **Addressing job skills mismatch**  
The results of the 2006 National Manpower Summit revealed that more employment could have been generated had the country been able to produce the right kind of workers. According to industry stakeholders, bright employment prospects await jobseekers in the agribusiness, cyber services, hotels and restaurants, medical tourism, health service, mining, and aviation sectors as these sectors were expected generate 577,718 employment in 2006 alone, and nearly 700,000 employment in 2007.
- **Extending social protection to vulnerable groups**  
At present the Philippines has an institutionalized system of social security that caters for the most part to the so-called formal sector workers. While efforts are being undertaken to extend social protection coverage to the informal sector workers—many of whom are women workers, out-of-school-youth, displaced workers, and other marginal groups of workers, there is still a lot of work to be done on this area.
- **Promoting non-adversarial modes of dispute resolution**  
Highly legalistic procedures, inordinate delays and compulsory methods characterize the dispute settlement system of the country. This administration is adamant in its intention to veer away from such system by promoting alternative disputes resolution particularly conciliation and mediation in all categories of labour disputes.
- **Creating employment opportunities in micro, small and medium enterprises and promoting entrepreneurship**  
In the Philippines, MSMEs account for 99 per cent of total establishments and employ about 70 per cent of the labour force. SMEs should have the capacity to develop and acquire technologies, and establish strategic partnership up and down their value chain. Moreover, micro-entrepreneurial and self-employment activities should be promoted as options for employed persons as well as displaced workers.

*Source: Most of the donor and stakeholder programmes and projects summarized above were taken from ILO: Soriano (2006). The PDF Working groups' areas of concern were taken from its website.*

**ILO Subregional Office for South-East Asia and the Pacific**  
**LIST OF YOUTH EMPLOYMENT and LOCAL ECONOMIC DEVELOPMENT**  
**PUBLICATIONS**

**YOUTH EMPLOYMENT**

No.	Title	Author(s)	Year published ISBN No.
1	Youth employment in the Philippines	Mark Emmanuel L. Canlas and Maria Cristina R. Pardalis	2009 978 92 2 121442 7 (print) 978 92 2 121443 4 (web pdf)
2	Choosing and assessing local youth unemployment interventions	Jude H. Esguerra	2009 978 92 2 121444 1 (print) 978 92 2 121445 8 (web pdf)
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4	Operations guide: managing an ILO-CIDA youth employment country project: Philippines	Camilo G. Casals	2009 978 92 2 121446 5 (print) 978 92 2 121447 2 (web pdf)
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## Towards a national policy and action agenda for decent and productive work for youth in the Philippines

The authors of this study set out three main objectives for this paper: (i) to formulate a framework that will be an aid to assessing policies and programmes addressing the youth labour market especially in terms of the issues of unemployment and underemployment; (ii) to assess current programmes and policies; and (iii) to recommend key proposals for developing a multi-sector- supported national policy action agenda for the youth.

In the first part of the study, the authors begin by outlining their framework in terms of supply, demand, institutional and external factors and then, by analyzing the youth labour market in terms of these factors, proceed to a discussion of the source of labour demand and current trends within the economy and labour force. From this, they focus specifically on youth employment with an analysis of conditions by industry and occupation, class of worker, and the problems of underemployment and unemployment in each sector/segment.

The characteristics of youth who are not in the labour force are outlined before proceeding to a broader discussion of the different segmentation of the youth labour market: the choosy educated, early breadwinners, farmhands, and unskilled workers. Using the same framework the main causes of youth unemployment and underemployment are also analyzed.

In the second part of the study current government and donor programmes are assessed and evaluated in some detail before, in the final part looking at specific areas of intervention required and with specific recommendations and action agenda.

This study will be of use to all those involved in delivering youth-related employment services in both government and in the donor agencies.

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