

Philippine Employment Trends 2015

Accelerating inclusive growth through decent jobs



Foreword

Recent developments in the country emphasize the need for a better understanding of the labour market in order to identify appropriate strategies for decent and productive employment creation. The Philippine government set the goal of poverty reduction and massive employment creation as part of the Philippine Development Plan (PDP) 2011-2016. Moreover, the achievement of MDG Goal 1 - Eradicate extreme poverty and hunger has proven to be a challenge for the Philippines. Following the global economic crisis in 2007, the United Nations and its specialized agencies, IMF, and World Bank agreed that it is not about the level of economic growth but how to achieve growth through decent and productive work for all.

In this context it is important to evaluate whether progress has been made towards reaching the goals of the PDP 2011-2016 and the MDGs. The Philippine Employment Trends 2015 report by the International Labour Organization (ILO) Country Office for the Philippines looks therefore at various current labour market challenges and developments as well as other socio-economic and poverty indicators. The report assesses the impact of these challenges and developments given the onset of natural disasters and crisis, and structural reforms happening in the country.

With the Philippine Employment Trends 2015 report, the ILO hopes to contribute and to further strengthen labour market information and analysis in the country. This remains crucial in identifying appropriate strategies that will increase labour productivity and create more decent and productive employment towards the overarching goal of poverty alleviation and inclusive growth.



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I. Introduction¹

The PDP 2011-16 seeks to foster inclusive growth based on massive quality employment creation

The Philippine Development Plan (PDP) 2011-2016 Midterm Update seeks “to ensure that economic growth will be sustained, and that, moreover, it is inclusive; that is, it will result in greater job creation of the productive and remunerative kind and lead to the reduction of poverty in its multiple dimensions”.²

Table 1: Key economic and employment targets in the Philippine Development Plan 2011-2016 Midterm Update

Targets	Baseline (2012)	2014	2015	2016
Gross domestic product, %	6.8	6.5-7.5	7.0-8.0	7.5-8.5
Gross value added (GVA) in agriculture, hunting, fishery and forestry	2.8	(0.9)-0.1	2.0-3.0	2.5-3.5
GVA in industry	6.8	9.8-11.0	8.6-9.7	9.3-10.3
GVA in services	7.6	6.0-6.9	6.8-7.8	7.2-8.1
Unemployment rate, %	7.0	6.7-6.9	6.6-6.8	6.5-6.7
Employment generation (thousands)	414	689-776	753-814	664-753
Underemployment rate, %	20.0	19.0	18.0	17.0

Source: NEDA, op. cit.

In particular, the PDP targets gross domestic product (GDP) growth to rise to between 7.5 and 8.5 per cent by 2016, driven by strong growth in industry, followed by services and then agriculture. The Plan also targets the unemployment rate to decrease to between 6.5 and 6.7 per cent by 2016, driven by 700,000 jobs being added annually, and for the underemployment rate to decrease to 17.0 per cent. The PDP 2011-2016 Midterm Update is supported by the Philippine Labor and Employment Plan (PLEP) 2011-2016 which provides strategic directions to support inclusive growth through decent and productive jobs. In this context, this Philippines Employment Trends report seeks to take stock of progress and developments to date towards the targets, and identify policy priorities to further support the national objective of “poverty reduction in multiple dimensions and massive creation of quality employment.”

Quality employment is also an MDG target

The report also takes stock of progress in the Philippines towards the employment-related aspects of the Millennium Development Goals (MDG). In 2008, the target of “achieving full and productive employment and decent work for all, including women and young people” was adopted as part of MDG Goal 1 of eradicating extreme poverty and hunger. To monitor progress towards the target, four indicators have been identified:³

- (1) Growth rate of GDP per person employed (labour productivity);
- (2) Employment-to-population ratio;
- (3) Proportion of employed people living below the poverty line (working poverty rate); and
- (4) Proportion of own-account and contributing family workers in total employment (vulnerable employment rate).

Quality employment will likely be a goal in the post-2015 development agenda

With the 2015 target date for achieving the MDGs approaching, a wide range of consultations have been undertaken on the post-2015 development agenda. On the basis of these consultations, the Open Working Group (OWG) for Sustainable Development Goals (SDGs) has proposed a set of 17 sustainable development goals for the post-2015 era. Goal 8 of the proposed SDGs is to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”⁴ A final round of negotiations on the SDGs started in January 2015, after which, in September 2015, the United Nations General Assembly will adopt its development agenda beyond 2015. Employment concerns thus remain a top priority in both the Philippine and international development agendas.

In order to monitor progress on the PDP, and with the 2015 deadline of the MDGs around the corner and discussions ongoing on the post-2015 development agenda, it is critical to understand whether progress towards decent work objectives is being achieved. This will help define the right course of action for future socio-economic developments and to determine where

additional efforts and support are needed. In this regard, timely and up-to-date labour market information and analysis (LMIA) is critical in guiding national policies to promote full and productive employment and decent work for all.

2. Macroeconomic environment

Economic growth has been robust in recent years...

The Philippines economy experienced robust rates of growth in the few years prior to the global economic crisis in 2008/2009 (see Figure 1). As a result of the global economic crisis however, the economy grew by only 1.1 per cent in 2009. The economy rebounded strongly the following year, and unlike many neighbouring ASEAN member States, the Philippines has sustained the rebound in consequent years. In 2014, the economy expanded by 6.1 per cent, slowing from a rate of 7.2 per cent the year earlier.

Figure 1: Real GDP by expenditure (trillion pesos) and real GDP growth (%), 2001-14



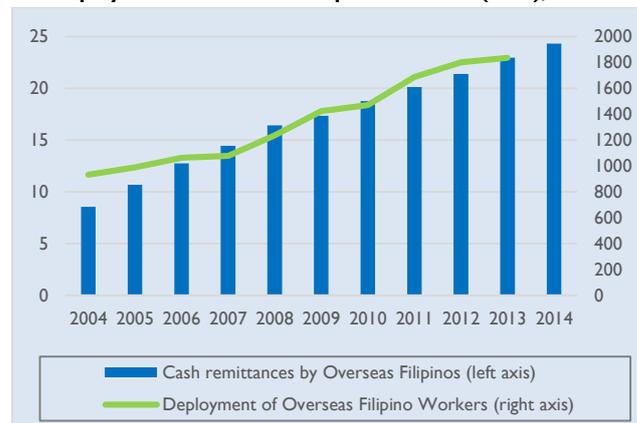
Source: Philippine Statistics Authority: National Accounts.

...but a rebalancing towards investment is required for quality employment

Private consumption, which accounted for almost 70 per cent of GDP in 2014, remains the primary driver of growth in the Philippines, which in turn has been supported by growing remittances from a continuously increasing number of workers going abroad (see Figure 2). Investment (or gross capital formation) accounted for 21 per cent of GDP in 2014, and while this ratio has increased steadily since 2006 (when investment accounted for 16 per cent of GDP), the ratio remains on par with levels in the early part of the millennium. Thus, as noted in the PDP Midterm Update itself “a re-balancing of the economy towards greater investments is in order even as the growth momentum must be sustained.” Both

exports and imports had grown strongly in 2010 during the rebound from the global economic crisis, and net exports made a small positive contribution to growth in 2014.

Figure 2: Cash remittances by Overseas Filipinos (billion US\$) and deployment of Overseas Filipino Workers (000s), 2004-14



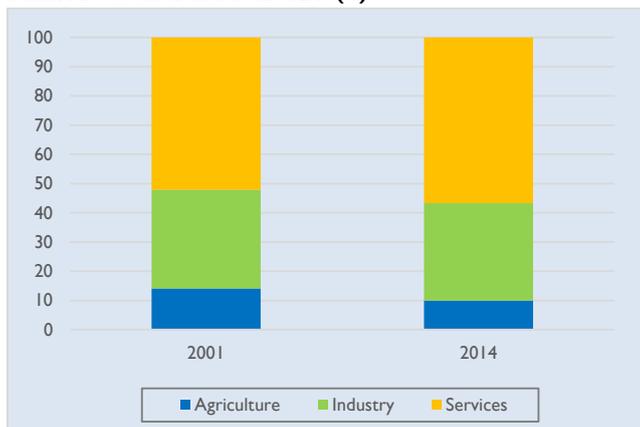
Source: Bangko Sentral ng Pilipinas; Philippine Overseas Employment Administration.

Supporting agricultural output and the resurgence in industry can support more quality jobs

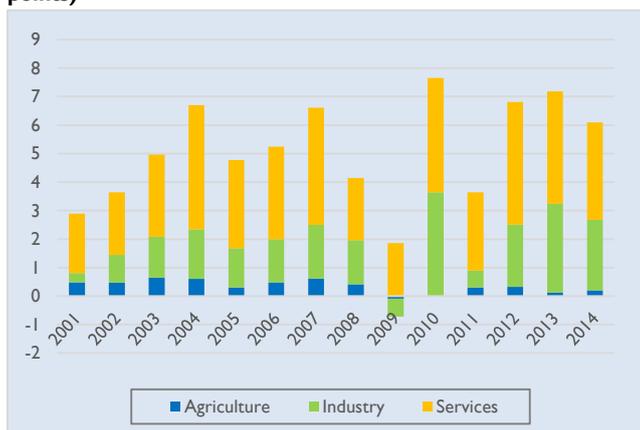
By industrial origin, services have seen its share in GDP rise from 52.1 per cent in 2001 to 56.7 per cent in 2014, while the share of agriculture in GDP has declined from 14.1 per cent to 10.0 per cent during the same period (see Figure 3, Panel A). The share of industry in GDP during this period remained more or less stable at around 33 per cent.

More recently, the contribution of agriculture to GDP growth has weakened (see Figure 3, Panel B) largely due to a number of natural disasters. In the early part of the millennium, agriculture accounted for around 10 per cent of annual GDP growth, but this share has fallen to 4.7 per cent in 2012 and 3.3 per cent in 2014. With poverty being primarily a rural phenomenon in the Philippines, supporting inclusive growth will depend to an important degree on policy support aiming to raise agricultural output. On the other hand, industry has experienced a resurgence in that it is contributing relatively more to economic growth in recent years. In 2014, the industry sector contributed 3.4 percentage points to the 6.1 per cent expansion in GDP, compared to a mere 0.3 percentage points to the aggregate 2.9 per cent growth in GDP in 2001.

Figure 3: GDP by industrial origin
Panel A: Sectoral shares in GDP (%)



Panel B: Sector contributions to GDP growth (percentage points)

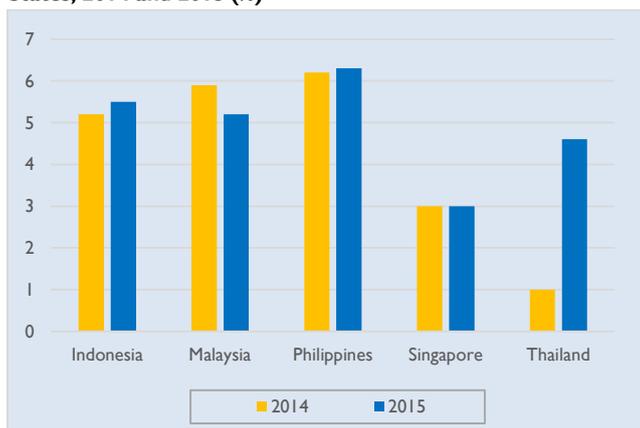


Source: Philippine Statistics Authority: National Accounts.

Economic growth is projected to rise in 2015

Going forward, growth in the Philippines economy is projected to rise to 6.3 per cent in 2015 (see Figure 4). Such rates of growth are lower than levels experienced in the past two years or targeted under the Philippine Development Plan Midterm Update, but is higher than average growth rates in the years preceding the global economic crisis, and highest projected among five ASEAN member States.

Figure 4: Projected GDP growth in selected ASEAN member States, 2014 and 2015 (%)



Source: IMF: World Economic Outlook (October 2014).

A considerable opportunity going forward is the ASEAN Community 2015...

There are considerable opportunities and challenges for the Philippines economy in the coming years, including the establishment of the ASEAN Community by the end of 2015. A recent report finds that GDP in the Philippines could expand by 7.5 per cent over the baseline by 2025 with the implementation of trade measures that are part of the ASEAN Economic Community (AEC) initiatives (see Box 1).

...but considerable challenges exist including spillovers from unconventional monetary policies in advanced economies and slowing growth in China

A significant risk to the Philippines economy is the global macroeconomic environment. With the implementation of unconventional monetary policy measures in advanced economies (for example quantitative easing in the United States), capital surged into the Asia region, including in the Philippines.⁵ As the United States Federal Reserve signalled an end of quantitative easing in the second half of 2013, global financial markets have become more volatile. In the Philippines, net foreign portfolio investment flows turned negative in late 2013 and early 2014 (see Figure 5, Panel A) although net foreign direct investment flows have remained stable (see Figure 5, Panel B).

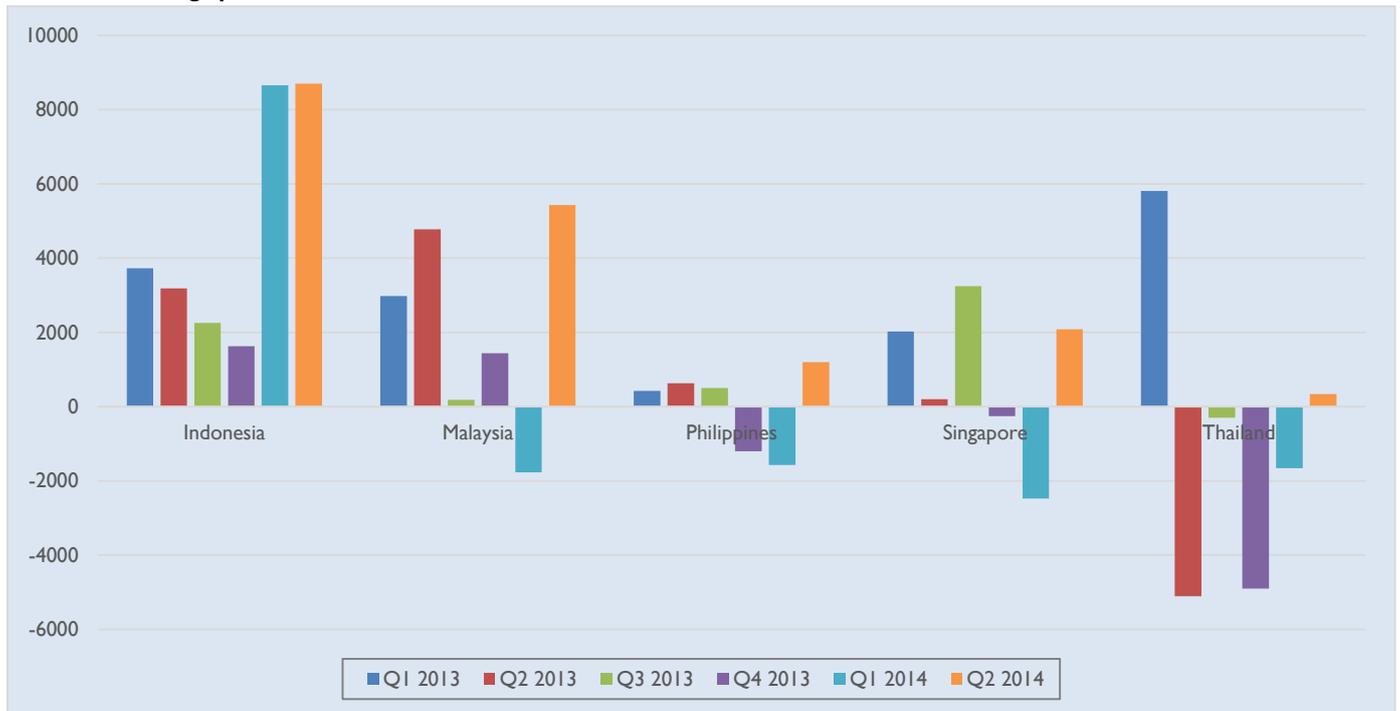
A key concern is the possibility of sudden capital flow reversals in the Philippines and other Asia-Pacific economies as global investors continue to reassess the changing unconventional monetary policy stance, and its potential impact on the real economy and jobs. As such, the Philippines central bank in July and September of 2014 increased its key policy interest rates amidst inflationary pressures but also “as a pre-emptive measure in the context of eventual normalization of monetary policy in some advanced economies.”⁶

Furthermore, in addition to potential spillovers from monetary policy in advanced economies, the Philippines and other ASEAN member States are confronted by potential spillovers from slowing growth and rebalancing in China. While the Philippines economy is less dependent on trade with China compared to other Asian economies, one research for example finds that a one percentage deceleration in China’s investment growth is associated with a decline in GDP growth of around 0.2 percentage points in the Philippines, 0.6 percentage points in Malaysia and the Republic of Korea, and 0.4 percentage points in

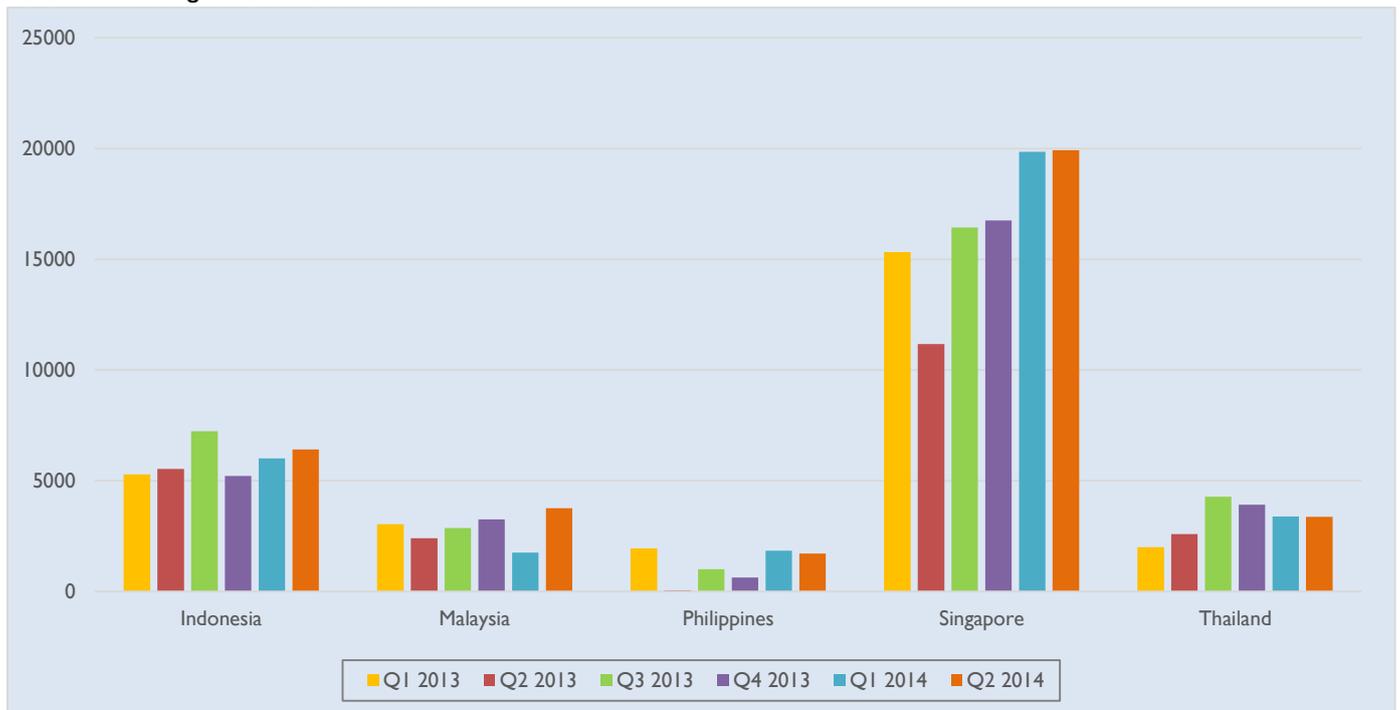
Thailand.⁷ Against the backdrop of both opportunities and challenges for the Philippines economy, a key policy

challenge remains sustaining inclusive growth through decent and productive employment

Figure 5: Net capital inflows, selected ASEAN member States (million US\$)
Panel A: Net foreign portfolio investment flows



Panel B: Net foreign direct investment flows



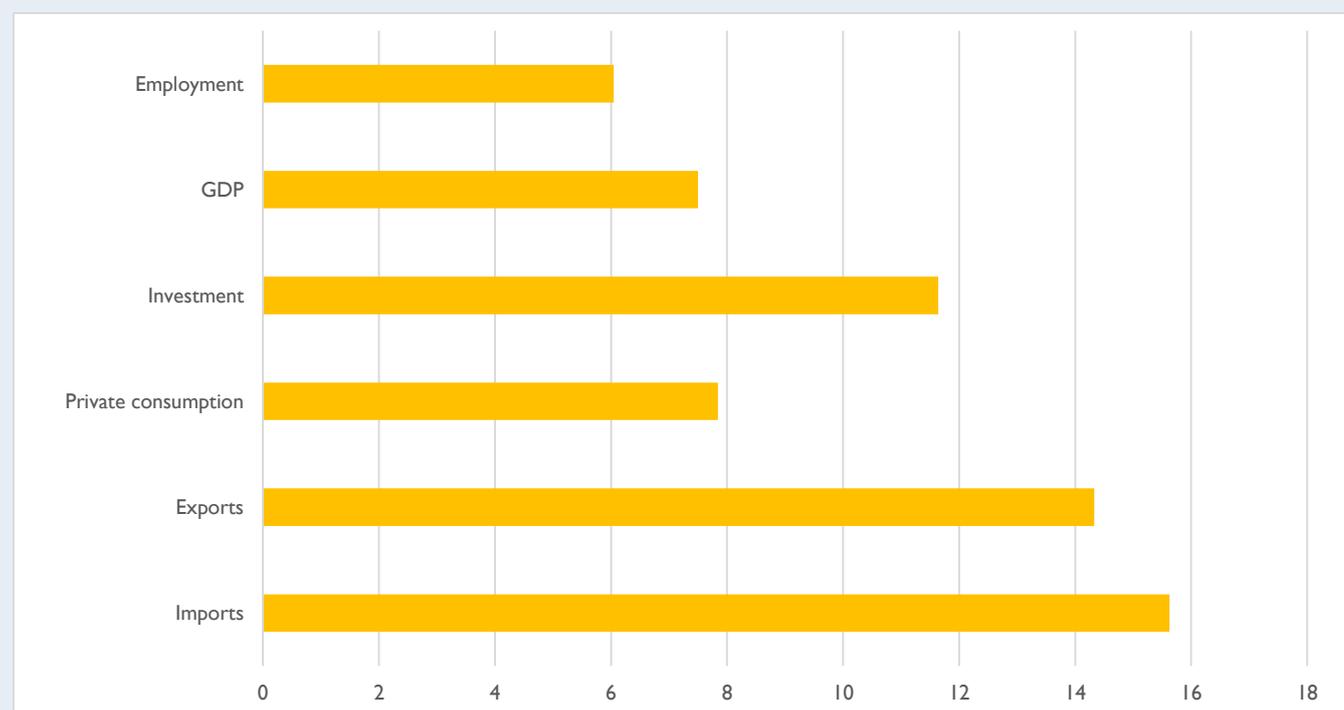
Source: Bangko Sentral ng Pilipinas: Economic and Financial Statistics.

Box I: The impact of the ASEAN Economic Community (AEC) on the Philippines

An overarching goal of the AEC is to ensure a stable, prosperous, and highly competitive region with equitable economic development and reduced poverty and socio-economic disparities. This is in line with the Philippine Development Plan 2011-2016 and its Midterm Update target of inclusive growth.

As a member of the Association of Southeast Asian Nations (ASEAN), the Philippines accounts for nearly one in six of the region's labour force. By the end of 2015, the AEC, envisioned as a single common market and production base, will be realized. Deeper regional integration under the AEC has the potential to increase flows of trade and investment, spur changes in the country's economic structure and create new jobs. A recent ADB and ILO report finds that deepening trade integration as envisaged under the AEC could bring significant gains for the Philippines, with GDP expanding by 7.5 per cent and total employment by 6.2 per cent by 2025 (representing an additional 3.1 million jobs), compared to a baseline scenario without deeper trade integration (Figure BI.1). These gains however are likely to be distributed unevenly between women and men, sectors or skill levels, highlighting the need for appropriate policies to ensure that economic integration leads to inclusive growth and shared prosperity.

Figure BI.1: Change in various economic and labour market indicators under the AEC scenario relative to the baseline in the Philippines, 2025 (%)



Source: ILO and Asian Development Bank: *ASEAN Community 2015: Managing integration for better jobs and shared prosperity* (Bangkok, 2014).

Labour market trends

Recent trends⁸

The labour force survey was not conducted in Eastern Visayas in January of 2014 due to the destruction caused by Typhoon Yolanda (Haiyan), and in the province of Leyte in subsequent rounds that year, and thus national aggregates in 2014 are not directly comparable to previous years. This section provides an overview of the labour market of the Philippines in 2014 (excluding Eastern Visayas) and the next section provides labour market developments in previous years.

In 2014, 64.4 per cent of the working-age population participated in the labour market (78.4 per cent for men and 50.5 per cent for women), 93.2 per cent of the labour force was employed while 6.8 per cent was unemployed. Among the employed, 38.6 per cent were in vulnerable employment (own-account workers and unpaid family workers). Furthermore, some 36.4 per cent of the employed were in part-time employment (working less than 40 hours a week).

Comparing labour market outcomes in 2014 to that of 2013 when the region of Eastern Visayas is also excluded, there was a strong expansion in the number of people employed (2.8 per cent), driven by 9.1 per cent increase of part-time employment while full-time employment contracted by -1.0 per cent. The unemployment rate decreased from 7.2 per cent in 2013 to 6.8 per cent in 2014, while the share of vulnerable employment increased from 37.8 per cent in 2013 to 38.6 per cent in 2014.

Structural trends

A key characteristic of the labour market in the Philippines is a fast growing labour force. This presents both an opportunity and challenge for the Philippines. If economic progress translates into more and better jobs, the country could reap significant benefits from its demographic bonus. The working-age population aged 15 and above reached 64.2 million in 2013, and is projected to increase to 70.3 million by 2015 and 93.7 million by 2030 (see Table 2). Young people aged 15 to 24 account for around one-fifth of the total population, and although their share is projected to decrease gradually, the number of youth is still projected to increase and add to the rich labour supply.

Table 2: Population projection by age group, 2015-40 (000s)

	2015	2020	2025	2030	2035	2040
Total	102 965	111 785	120 225	128 110	135 301	141 670
0-14	32 682	33 834	34 383	34 386	34 012	33 360
15-24	19 303	19 995	21 107	22 086	22 650	22 773
25-54	39 391	43 855	47 843	51 862	55 527	58 767
55+	11 592	14 099	16 893	19 776	23 113	26 771

Source: Philippine Statistics Authority: Inter-Agency Working Group on Population Projections.

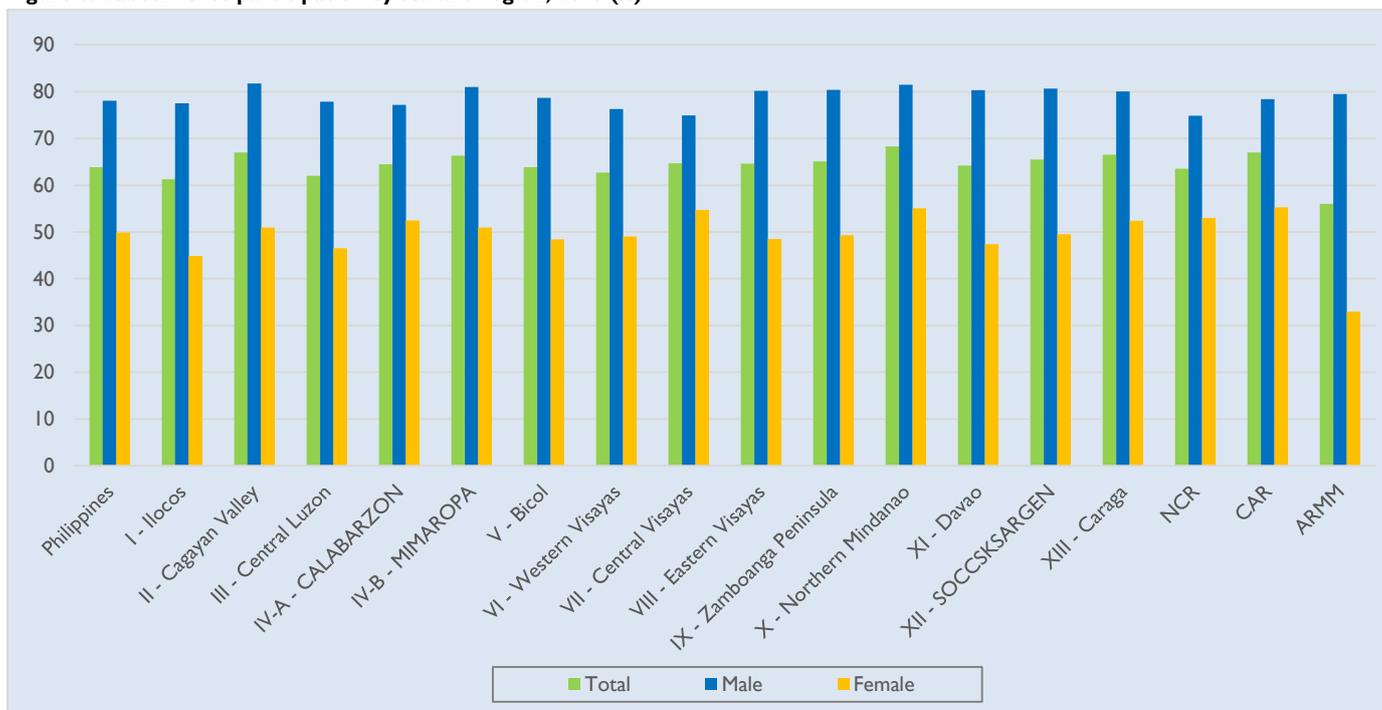
The labour force of the Philippines totalled 41 million in 2013, a sizeable increase of 4.2 million (or 11.5 per cent) since 2008. With such rapid labour force growth, the pressure on the economy to create enough jobs is considerable. This is also reflected in the 1.8 million Filipinos who left to work abroad in 2013 and US\$23 billion in remittances in the same year (see Figure 2).

The labour force is dominated by men who account for 3 in 5 of the economically active. Despite faster growth since 2008 in the labour force of women (13.6 per cent) compared to that of men (10.1 per cent), a substantial gender gap persists. The labour force participation rate in 2013 was 63.9 per cent overall, but 78.1 per cent for men and only 49.9 per cent for women (see Figure 6). This disparity represents a significant opportunity to engage more women into the economy and harness their untapped potential.

At the sub-national level, labour force participation ranges from only 56 per cent in the Autonomous Region of Muslim Mindanao (ARMM) to 68 per cent in Northern Mindanao. The male-female gap in participation was also the highest in ARMM (46.5 percentage points) and the lowest in Central Visayas (20.2 percentage points) and the National Capital Region (NCR) (21.9 percentage points).

In the coming years, labour force expansion is projected to remain robust despite some moderating growth in the youth labour force. Between 2015 and 2030, the labour force is forecast to increase by 14.9 million (or 33.7 per cent), implying the need for nearly one million new jobs each year merely to keep pace and maintain current unemployment levels.⁹

Figure 6: Labour force participation by sex and region, 2013 (%)



Source: Philippine Statistics Authority: Labour Force Survey.

Agricultural jobs contracting, offset by expanding wage employment

During the five-year period, employment expanded by more than 4 million (or 11.8 per cent), from 34 million (2008) to 38.1 million (2013), just sufficient to keep pace with the rapid growth in the labour force. Women’s employment increased at a faster pace than that for men (14 per cent compared to 10.5 per cent), although men still represent 3 in 5 of all employed persons.

The services sector in 2013 accounted for the bulk of employment (53.4 per cent), followed by agriculture (31 per cent) and industry (15.6 per cent). In terms of employment growth since 2008, services and industry expanded by 19.6 per cent and 17.6 per cent, respectively (see Figure 7, Panel A). In particular, these overall trends were driven by strong demand in construction, community services, trade and hotels and restaurants. By contrast, agricultural employment shrunk by 196,000 (or 1.6 per cent), reflecting the continued process of urbanization and structural shift into higher value sectors.

These positive sectoral developments underpin changes in employment status. From 2008 to 2013, wage employment increased by 4.4 million (or 24.7 per cent) and accounted for all employment gains (see Figure 7, Panel B). Conversely, growth in the number of own-account workers was flat, while employment as unpaid family workers contracted by 232,000 (or 5.6 per cent).

Unemployment is a prominent concern for young people

Despite these employment growth trends, there are still a high number of jobseekers, particularly young people who are unable to secure employment. In 2013, unemployment stood at 7.1 per cent, with the rate exceeding 9 per cent in the NCR and CALABARZON (see Figure 8). Unemployment for men (7.3 per cent) exceeded that for women (6.8 per cent).

The unemployment challenge is primarily a youth phenomenon as 1.4 million young people account for almost one-half of the total unemployed. Despite some progress, the youth unemployment rate declined only slightly from 17.4 per cent in 2008 to 16.1 per cent in 2013. Young jobseekers are almost three times more likely than their adult counterparts to be unemployed.

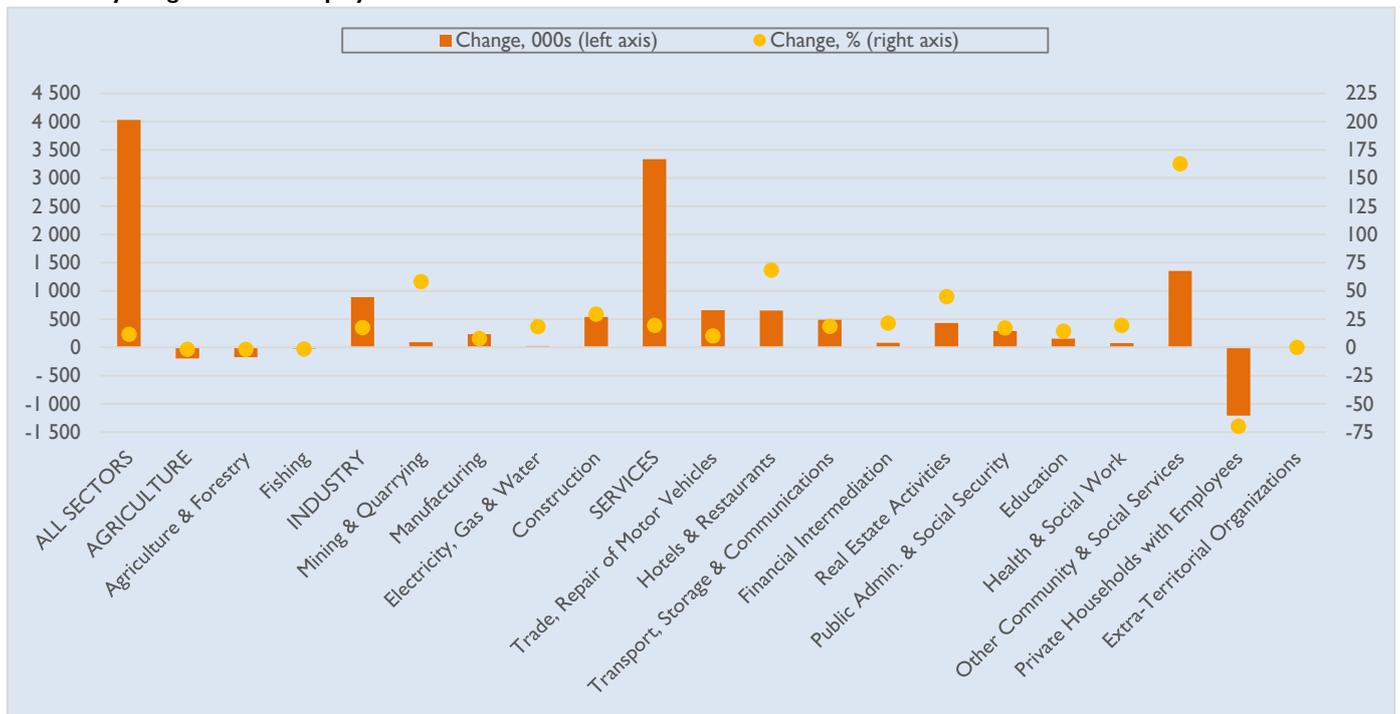
Large differences among youth unemployment rates were also found at the sub-national level, with rates generally higher in urban areas than in the rural areas. In 2013, highly urbanized regions such as the NCR (24.5 per cent), CALABARZON (22.0 per cent) and Central Luzon (21.1 per cent) posted the highest youth unemployment rates.

Another distinctive feature of the youth labour market is the high incidence of unemployment among those with higher educational attainment. A greater proportion of

the unemployed (39.3 per cent) have reached college or a post-secondary degree level (see Figure 9). Meanwhile almost half (49.3 per cent) of the unemployed youth have completed high school. This seems to suggest that the unemployed are mostly young but relatively educated in search of better options. Furthermore, the share of youth not in education and not in employment (NEET) has

declined modestly from 24.6 per cent in 2008 to 24.2 per cent in 2013. The rate, however, was significantly higher for young women (31.1 per cent) than for young men (17.5 per cent). This could suggest that household and family duties may be a significant factor that affects the participation of young women in the labour market.

Figure 7: Change in employment, 2008-13 (000s and %)
Panel A: By 1-digit sector of employment

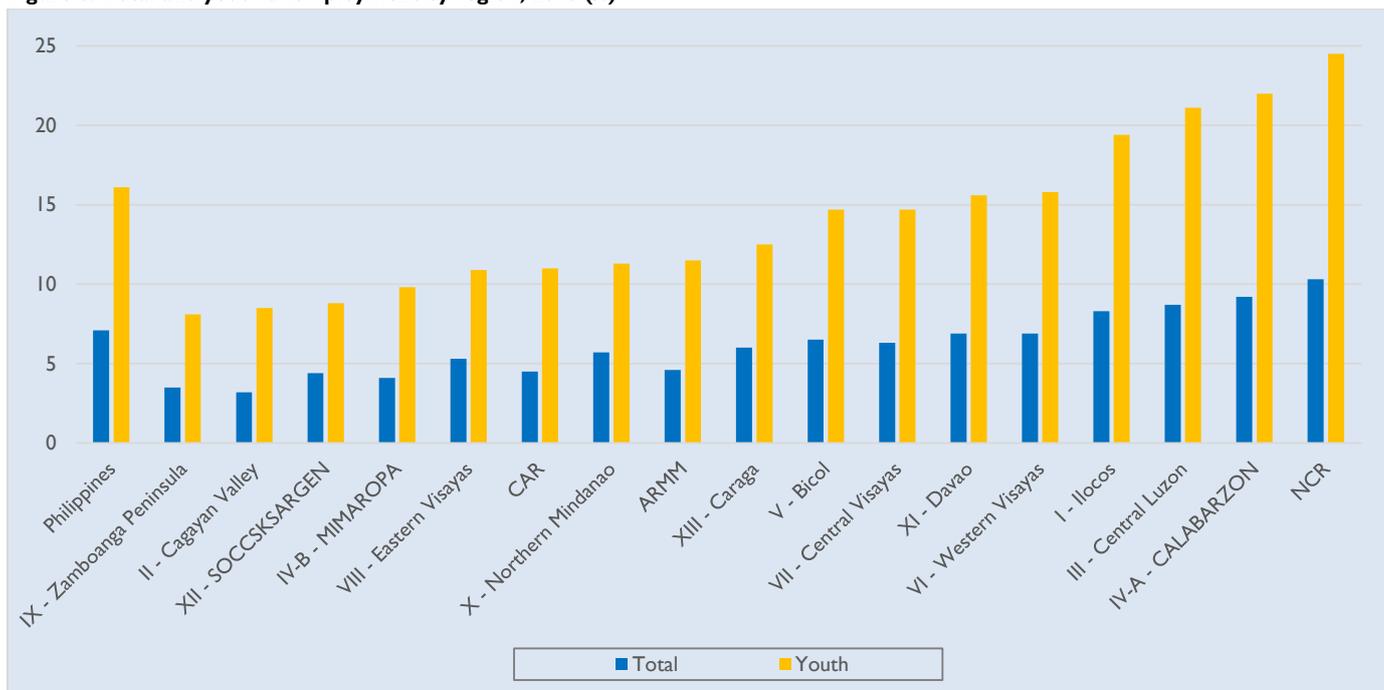


Panel B: By status of employment



Source: Authors' estimates based on Philippine Statistics Authority: Labour Force Survey.

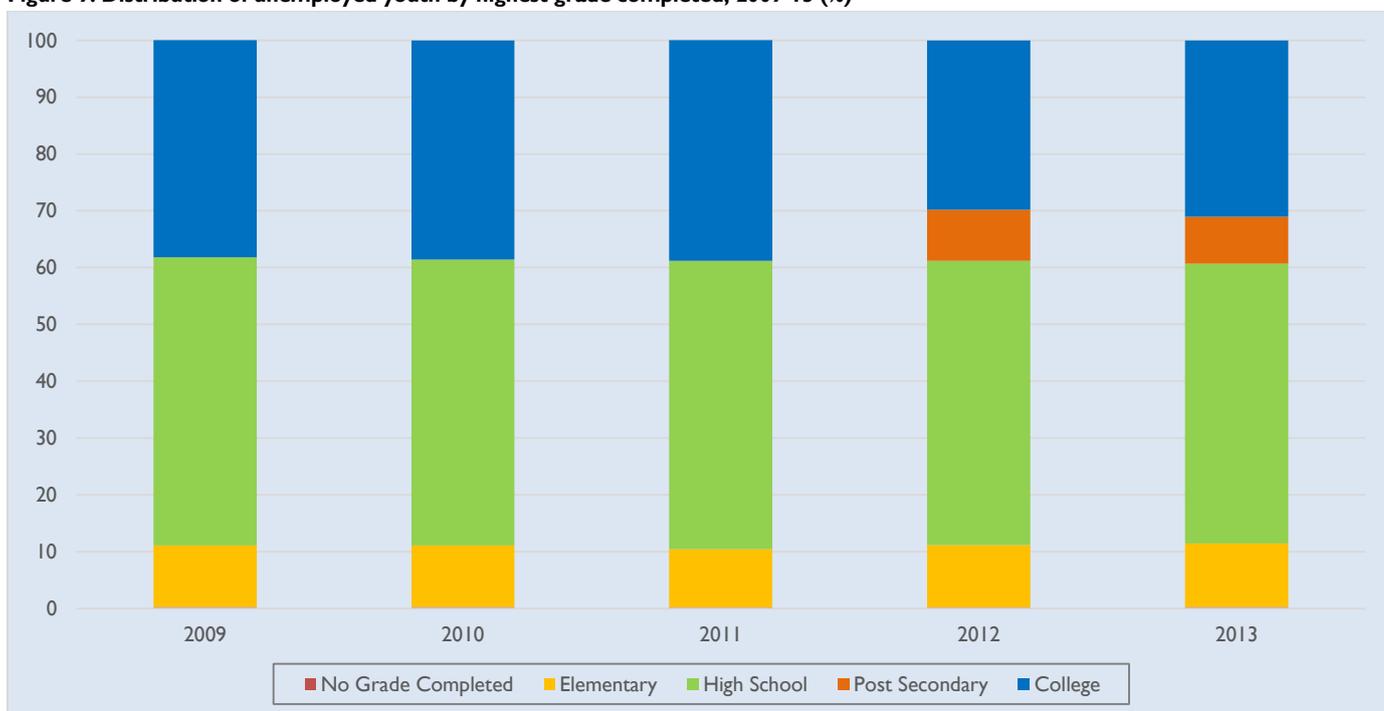
Figure 8: Total and youth unemployment by region, 2013 (%)



Note: Youth aged 15 to 24.

Source: Philippine Statistics Authority: Labour Force Survey.

Figure 9: Distribution of unemployed youth by highest grade completed, 2009-13 (%)



Note: Youth aged 15 to 24. Post secondary data was included in the college category prior to 2012.

Source: Philippine Statistics Authority: Labour Force Survey.

Some progress in the MDG employment indicators, including for women and young people

Underscoring that decent and productive work is integral to addressing poverty and hunger, the Millennium Development Goals (MDGs) include Target 1.B to “achieve full and productive employment and decent work for all, including women and young people.”¹⁰ In light of the pending 2015 deadline for the MDGs, this section assesses progress in the MDG 1.B employment indicators during the past five years.

The employment-to-population ratio indicates the capacity of an economy to provide employment, and as such presents insights on the quantitative aspect of employment only. Since 2008, the ratio increased slightly from 58.9 per cent to 59.4 per cent in 2013. This trend was driven by some improvements for women (+1.3 percentage points) but a decline for men (-0.4 percentage point). Nevertheless, the gender gap in the employment-to-population ratio remained elevated in 2013, and was 25.9 percentage points higher for men than women. For young people aged 15 to 24, the employment-to-population ratio increased from 37.4 per cent to 38 per cent, indicating some progress in addressing the youth employment challenge (as discussed above). Notably, the ratio for young men (47.3 per cent) was much higher than for young women (28.4 per cent).

However, the vulnerable employment challenge persists

Assessing trends in the quality of employment is critical to ensure that employment creation has positive implications on poverty reduction and higher living standards. This link is possible only if the jobs gained are decent in terms of being secure, productive and well-paid. Monitoring the vulnerable employment rate, defined as the share of own-account and contributing family workers in total employment, is key because these types of workers are less likely to have formal work arrangements and access to social protection and are more at risk during an economic or environmental crisis.

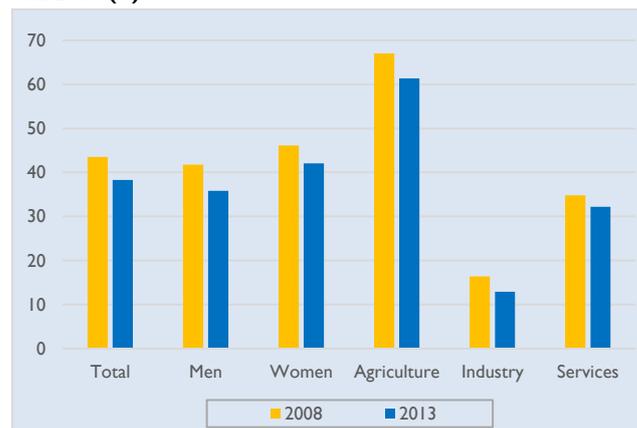
In the Philippines, vulnerable employment decreased from 43.5 per cent in 2008 to 38.3 per cent in 2013, but 14.6 million workers were still employed as own-account or contributing family workers with limited security and protection (see Figure 10). In 2013, the vulnerable employment rate was 6.3 percentage points higher for women than men. By sector, 61.4 per cent of workers in agriculture were engaged in vulnerable employment, but only 32.2 per cent in services and 12.9 per cent in

industry. Those in vulnerable employment, combined with the number of unemployed, is estimated to account for around 46 per cent of the labour force in the Philippines (see Table 3). While this ratio is high and points to decent work deficits in the labour market, it is lower than many other ASEAN member States.¹¹

There is also a wide disparity at the sub-national level, reflecting regional differences in the level of economic development and the impact of conflict and natural disasters (see Box 2). For example, the gap between the ARMM and the NCR is a striking 60.5 percentage points (see Figure 11).

For young people, the vulnerable employment rate was 29.7 per cent in 2013, of which almost three-fourths (1.6 million out of 2.2 million) were contributing family workers. In-line with the trend for the overall labour market, the youth vulnerable employment rate continuously declined by more than 5 percentage points since 2009. However, in contrast with their adult counterparts, young men (32.2 per cent) are more likely to be in vulnerable employment compared to young women (25.3 per cent).

Figure 10: Vulnerable employment rate by sex and sector, 2008 and 2013 (%)



Source: Philippine Statistics Authority: Labour Force Survey.

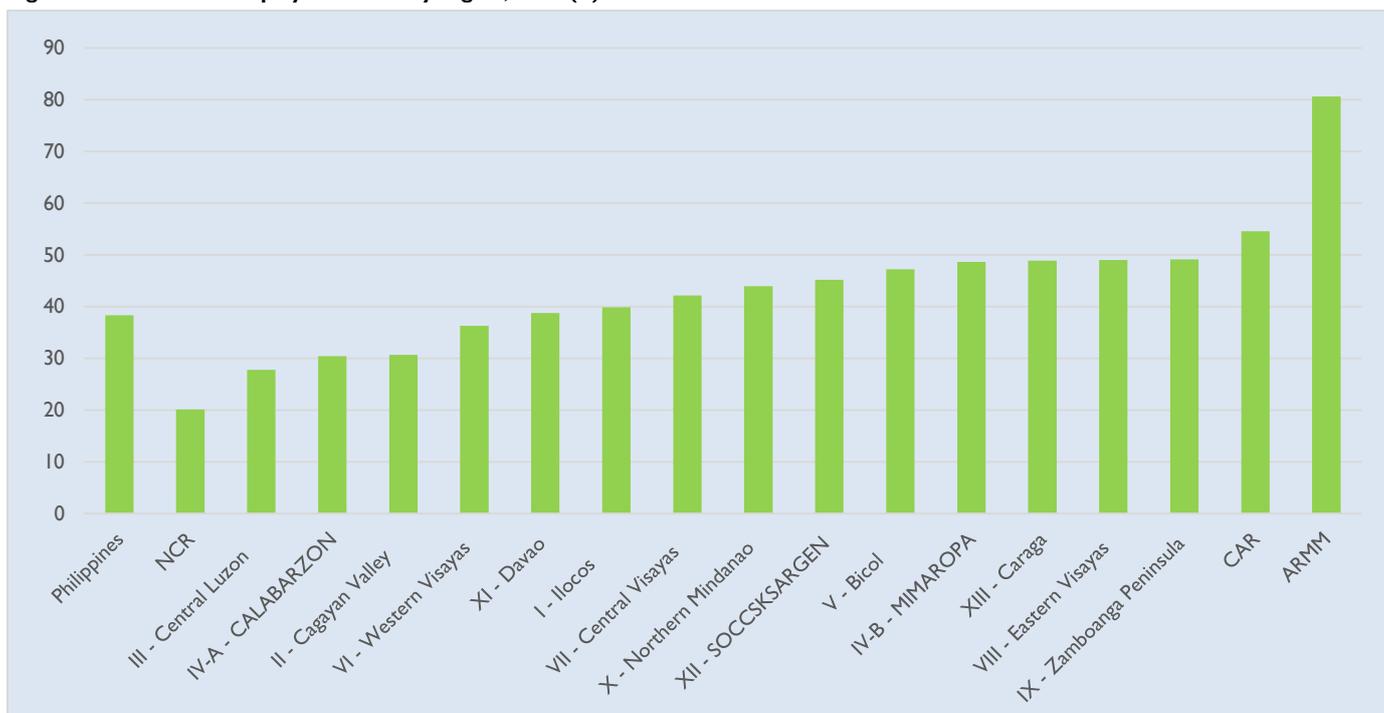
Table 3. Shares of unemployment and vulnerable employment in selected ASEAN member States, 2013

Selected ASEAN countries	Unemployment rate, %	Vulnerable employment rate, %	Unemployment and vulnerable employment in total labour force, %
Thailand	0.8	52.0	52.1
Indonesia	6.0	61.0	64.2
Philippines	7.3	42.0	46.3
Viet Nam	1.9	62.0	57.4
Lao PDR	1.4	85.0	85.6
Cambodia	0.3	64.0	63.7

Note: The table provides estimates from the ILO’s Trends Econometric Models, October 2014, and may differ from labour force survey results.

Source: ILO: Trends Econometric Models, October 2014.

Figure 11: Vulnerable employment rate by region, 2013 (%)



Source: Philippine Statistics Authority: Labour Force Survey.

Box 2: Employment and livelihood impact of natural disasters and crises

Amidst robust economic growth in 2013, the Philippines was hit by major natural disasters and crises which have disrupted the local economy and affected key industries. In particular, the country experienced four devastating events that directly impacted the lives of millions of workers and their families: Tropical Storm Trami, Zamboanga City Crisis, Bohol Earthquake, and Super Typhoon Haiyan.

The most destructive and possibly one of the most powerful storms ever recorded to hit land in the Philippines was Super Typhoon Haiyan in November 2013. Super Typhoon Haiyan had a direct impact on an estimated 5.9 million workers in 9 regions with Eastern Visayas, Central Visayas and Western Visayas being the most affected. Of these, 44 per cent (2.6 million) of those affected were engaged in vulnerable employment as own-account or contributing family workers with limited income and social security prior to the disaster.

In comparison, the Bohol earthquake in October 2013 had a direct impact on an estimated 440,000 affected workers from the province, of which 46 per cent (200,000) were vulnerable workers whose livelihoods were most affected by the infrastructure damage caused by the earthquake. In August 2013, Tropical Storm Trami affected at least 1.0 million workers in six regions (NCR, Ilocos, Cordillera Administrative Region, Central Luzon, CALABARZON and MIMAROPA) due to heavy floods. Of the affected workers, 30 per cent (320,000) were own-account or unpaid family workers. Moreover, a conflict in 2013 between the Philippine Government Troops and the Misuari faction of the Moro National Liberation Front (MNLF) caused the displacement of thousands, destruction of property and loss of life. The Zamboanga City Crisis affected an estimated 46,000 workers, of which 49 per cent (23,000) were engaged in vulnerable employment.

These natural disasters and crises destroy jobs, livelihoods and other sources of income, and often reverse recent achievements and progress made at the individual, community and national levels. Furthermore, these events have the largest impact on those who were already vulnerable prior to the natural disaster or crisis. The ILO, together with various government agencies and international partners, have made efforts to put decent work and emergency employment at the forefront and centre of recovery and rehabilitation responses. This includes developing strategies to reduce the vulnerabilities of people by involving communities and helping them secure basic income, increase local capacities and productivity. The recovery, rehabilitation and reconstruction phase provides an opportunity to build back better and ensure that people are not left vulnerable or exploited as they start to rebuild their communities.

Source: ILO Employment Impact Estimates; Department of Social Welfare and Development; National Disaster Risk Reduction and Management Council; and the Philippine Statistics Authority.

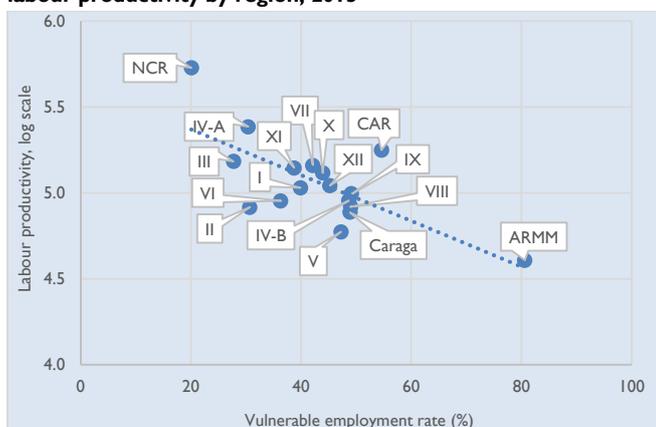
Vulnerable jobs weigh down productivity and prospects for improved living standards

Vulnerable employment is also characteristic of work that is less productive. When looking at the sub-national level, a strong inverse association exists between vulnerable employment and labour productivity, measured as output per worker (see Figure 12). Where vulnerable employment is less prevalent, for example in NCR, labour productivity tends to be higher. Achieving higher labour productivity is critical in order to consequently drive sustainable increases in wages and incomes and eradicate poverty.¹²

Since 2009, labour productivity growth has been robust, growing on an annual average basis of 4.1 per cent (see Figure 13). This reflects the continued structural shift of workers out of low-productivity agriculture into higher value industry and services. But it also indicates strong within-sector growth, particularly in industry (3.4 per cent) and services (3.3 per cent).

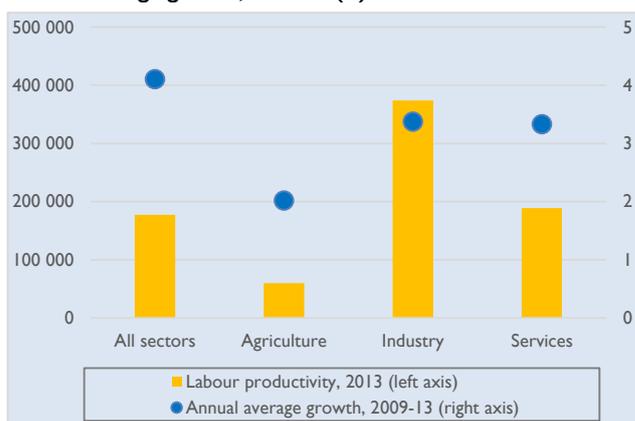
Despite this recent progress, labour productivity remains low overall, weighed down by agriculture where labour productivity is only one-sixth the level in industry. In comparison to other ASEAN economies, labour productivity overall in Brunei Darussalam and Singapore is 10 times higher than in the Philippines, and is 3.5 times higher in Malaysia and 1.5 times higher in Thailand.¹³ These intra-regional gaps reflect differences in economic structure, level of infrastructure and technology investment and workforce skills and training, among other factors.

Figure 12: Relationship between vulnerable employment and labour productivity by region, 2013



Source: Authors' estimates based on Philippine Statistics Authority: Gross Regional Domestic Product and Labour Force Survey.

Figure 13: Labour productivity by sector, 2013 (Pesos) and annual average growth, 2009-13 (%)



Source: Philippine Statistics Authority: National Accounts and Labour Force Survey.

Poor quality jobs with limited earnings slow progress in reducing working poverty

Poor quality jobs have hindered the country's efforts to eliminate poverty and ensure growth is inclusive. The share of the population living in poverty decreased only slightly in the last decade from 30.4 per cent in 2003 to 27.9 per cent in 2012.¹⁴ Moreover, the poverty rate among all Filipino workers was 21.9 per cent in 2012, a modest decline from 22.9 per cent in 2006, and is illustrative of unproductive jobs and earnings too low to escape poverty.

As highlighted in Figure 14, working poverty is more prevalent among own-account and contributing family workers (29 per cent), particularly in ARMM (51.7 per cent), Zamboanga Peninsula (44.6 per cent) and Northern Mindanao (44.5 per cent). This is unsurprising given the limited security, protection and income that are associated with vulnerable jobs and underscores the importance of improving job quality and working conditions as a driver of poverty reduction. A critical component of efforts to improve job quality is enhanced social protection (see Box 3).

From 2006 to 2012, the region that saw the largest decline in working poverty among own-account and contributing family workers was CARAGA (-11.8 percentage points), followed by Zamboanga Peninsula (Region IX) (-8.6 percentage points) and Ilocos (Region I) (-8.2 percentage points). Conversely, progress reversed in Central Visayas (Region VII) (+5.9 percentage points), ARMM (+5.5 percentage points), Northern Mindanao (Region X) (+3.7 percentage points) and Eastern Visayas (Region VIII) (+2.1 percentage points).

Box 3: Addressing labour market challenges through social protection

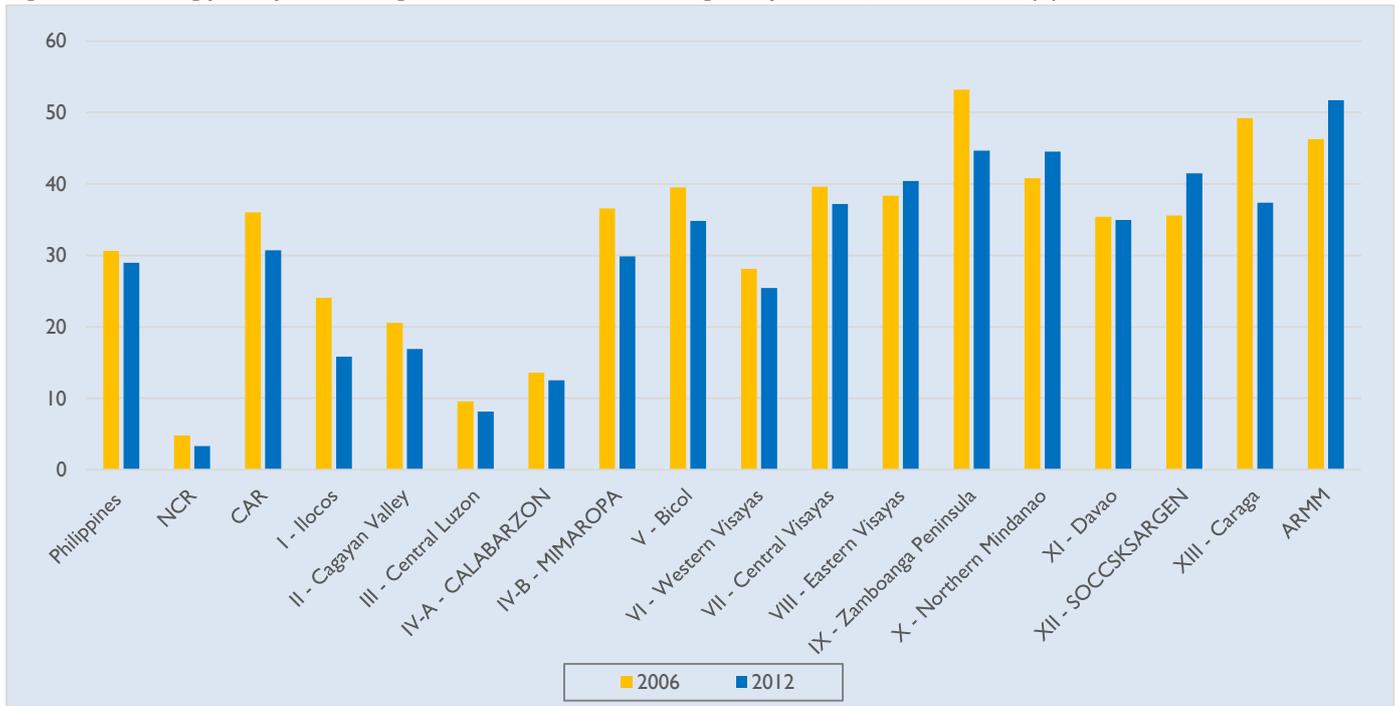
In 2012, the Philippines adopted the Social Protection Operational Framework and Strategy (SPOFS), which provides four kinds of interventions: 1) social insurance, 2) social welfare, 3) social safety nets, and 4) labour market interventions. The labour market intervention component looks at programmes and services that work towards reducing risks and vulnerabilities in the labour market such as unemployment, underemployment, or vulnerable employment because of changing skills demand and labour market failures stemming from global financial crises and natural disasters.

The SPOFS specifically targets implementing measures that aim to increase employment opportunities and improve protection of workers' rights and welfare. This includes provision of timely and accurate labour market information, free placement and job-assistance services, career guidance and counselling, and skills training. Major labour market intervention programmes include Technical Education and Skills Development Authority (TESDA) programmes, Special Program for Employment of Students (SPES), Community-based Employment Program (CBEP), Public Employment Service Office (PESO), Government Internship Program (GIP), Apprenticeship and Learnership Programs, Philippine Job Network (PHIL-JobNet) and JobStart Philippines. In addition, other related initiatives focus on basic literacy, livelihood training for out-of-school youth and non-working mothers, career guidance, women's entrepreneurship, productivity improvement in SMEs and other community-driven measures to help poor communities.

Moreover, through the Department of Labor and Employment (DOLE) and National Economic Development Authority (NEDA), the Philippines is currently conducting the Social Protection Assessment Based National Dialogue (ABND). The ABND aims to identify policy gaps and implementation issues as well as provide policy recommendations to be used as inputs to the Action Plan for the SPOFS for the achievement of a comprehensive social protection floor in line with international labour standards.

Source: ILO: *Philippines: Assessment based national dialogue on social protection, employment and humanitarian programmes* (Geneva, ILO, 2006); F.R. Villar: *The Philippine social protection framework and strategy: An overview*, Paper presented at the 12th National Convention on Statistics, Mandaluyong City, 1-2 October 2013.

Figure 14: Working poverty rate among own-account and contributing family workers, 2006 and 2012 (%)



Source: Philippine Statistics Authority: Family Income and Expenditure Survey and Labour Force Survey.

4. Policy implications

Greater role of investment is required, including through better infrastructure and channelling of remittances

A number of policy implications emerge from the analysis of economic and labour market trends. The first is that economic growth alone is insufficient for poverty reduction and inclusive labour market outcomes. How growth is achieved through decent and productive employment is critical. In this regard, more concerted policy action that promotes rebalancing the economy towards greater investment in support of the national objective of massive quality employment generation could play an important role in accelerating inclusive growth. While investment (gross capital formation) as a share of GDP has risen from 16 per cent in 2009 to 21 per cent in 2014, this level remains on par with levels in the early part of the millennium. Furthermore, the level is also lower than that in lower-middle income countries (26 per cent) and middle-income countries (31 per cent).¹⁵

Recent experiences in neighbouring Indonesia could provide important policy implications. Investment as a share of GDP in Indonesia averaged around 23 per cent in the first half of the millennium, but the share began to increase more recently and totalled 34 per cent in 2013. During this period labour market outcomes improved and infrastructure expanded, as evidenced by an increase of 20 places since 2011 in Indonesia's infrastructure ranking of the World Economic Forum's Global Competitiveness Index.¹⁶ In the Philippines however, while the gain of 33 places in the overall ranking since 2010 is the largest during that period for all countries – driven by improvements in economic fundamentals, institutions and corruption – the infrastructure rankings for the Philippines remains poor (91st), with airport and seaport infrastructure ranking particularly low.

Furthermore, with remittances by overseas Filipinos representing about 10 per cent of the economy, more concerted policy efforts to help citizens channel remittances towards investments could help the rebalancing towards investment. Some important policy initiatives have already been undertaken in this regard, such as encouraging commercial banks to offer specialized investment products and services; the issuance of overseas Filipino bonds (which allow overseas Filipinos to invest in the bond instrument for as low as US\$100 or €100); and undertaking financial literacy campaigns. Another key measure includes the establishment in 2011 of a multi-stakeholder Remittance for Development

Council (ReDC), which inter alia, recommends policies and programmes to help improve the business environment which will attract overseas Filipinos' investments, entrepreneurship, and savings.¹⁷

Mainstreaming productive employment in industry roadmaps

The structural shift in the labour market towards industry, where levels of labour productivity are highest, has been limited in the Philippines in the past two decades. The PDP recognizes this challenge and aims to support agro-industry, manufacturing and construction, in addition to services sectors such as information technology and business process management (IT-BPM) and logistics. With a number of industry roadmaps being developed in the Philippines, it is critical that such roadmaps have quality employment as a core objective, in line with the PDP. Furthermore, policy support to specific sectors will require a careful integration of gender and youth issues in order to ensure that efforts do not aggravate gender disparities in the labour market and that young women and men are able to benefit from the growth of priority and dynamic sectors.

In particular, with more than 30 per cent of workers in the Philippines employed in agriculture, increased agricultural output is required to both raise productivity in agriculture and reduce working poverty. Investments in climate-resilient agricultural facilities, including irrigation and drainage systems, are important elements of raising agricultural output and in raising the productivity of workers based in the agriculture, forestry and fishery sector. There is also a need to strengthen the linkages between primary agriculture and the agro-industry, including through the provision of appropriate training to agricultural workers to find off-farm employment opportunities in agro-industry, whether to diversify incomes or seek higher paid jobs.

Investing in skills for tomorrow

The lack of relevant skills can limit the expansion of productive sectors and hold down productivity growth. For inclusive growth, it is thus critical to invest in an education and training system that matches the needs of the broader labour market and the specific needs of productive sectors. The recent K-12 legislation entitling all Filipinos to a 12-year basic education in this regard is an important initiative to strengthen the human capital base of the Philippines. Continued efforts are also needed

to address the significant proportion of out-of-school children by increasing enrolment, minimizing early dropout and expanding the number of schools in remote areas. Also critical is to improve the quality of TVET institutions to meet the technical and practical demands of specific sectors. This includes expanding partnership with the private sector and reforming curricula to be more demand-driven.

Strengthening the social protection framework

Structural change, involving the movement of workers from lower productivity to higher productivity activities and sectors, is critical for improvements in living standards and better labour market outcomes. Such structural change can however carry significant adjustment costs to groups of workers. This highlights the need to support such structural change in an inclusive and fair manner through strengthening education, training and social protection systems to mitigate the adjustment costs, and respect for fundamental principles and rights at work. The large number of workers still in vulnerable employment in the Philippines highlights all the more the need to strengthen the social protection system, including through the gradual establishment of a social protection floor.

As noted in Box 3, a number of important programmes are already being implemented in the Philippines. A key policy challenge is fostering increased coordination among government agencies in the design and implementation of social protection programmes, reaching out to the informal economy, and fostering better disaster preparedness and response measures.

¹ This report was prepared by Kee Beom Kim, Phu Huynh and Ma Lourdes Macapanpan, under the guidance of Lawrence Jeff Johnson, and benefited from a background paper prepared by Leonardo Lanzona. It provides a snapshot of recent economic and employment trends in the Philippines based on official data available as of 2 March 2015. Unless noted otherwise, figures are drawn from the Philippine Statistics Authority.

² National Economic and Development Authority (NEDA): *Philippine Development Plan 2011-2016 Midterm Update* (Pasig City, 2014), p. 5.

³ ILO: *Guide to the Millennium Development Goals employment indicators, 2nd edition* (Geneva, 2013).

⁴ For further information on the Open Working Group (OWG) for Sustainable Development Goals (SDGs), see: <http://sustainabledevelopment.un.org/owg.html>.

⁵ ILO: *World Employment and Social Outlook 2015* (Geneva, 2015).

⁶ Bangko Sentral ng Pilipinas: Highlights of the Meeting of the Monetary Board on Monetary Policy Issues, 31 July 2014, available at: <http://www.bsp.gov.ph/downloads/MB/2014/mb07312014.pdf>.

⁷ A. Ahuja and M. Nabar: *Investment-led growth in China: Global spillovers*, IMF Working Paper No. 12/267 (Washington, DC, International Monetary Fund, 2012).

⁸ This section is based on Philippine Statistics Authority: *The 2014 Employment Situation* (Manila, 2015).

Enhancing the labour market information system

Labour market information, as well as the required capacity to analyze such information, are vital for evidence-based policymaking and in monitoring the PDP, PLEP and current and future international agreements. While the Philippines has one of the most advanced labour market information and analysis systems among ASEAN member States, further investments in the system are likely to lead to better labour market outcomes. In this regard, the development and utilization of a robust employment projections model, with a view to identifying the occupations that are likely to grow the most, and the dissemination of such information through the Public Employment Service (PESO) and through career guidance counsellors at secondary, TVET and tertiary levels, could play an important role in informing current and future young jobseekers on labour market prospects.

⁹ Authors' estimates based on ILO: *Estimates and Projections of the Economically Active Population: 1990–2030* (Geneva, 2013).

¹⁰ ILO: *Guide to the Millennium Development Goals employment indicators, 2nd edition*, op. cit.

¹¹ ILO: *Global Employment Trends 2014* (Geneva, 2014).

¹² For further discussion, see: ILO: *World Employment Report 2004-05: Employment, productivity and poverty reduction* (Geneva, 2005), pp. 150-165.

¹³ ILO and Asian Development Bank: *ASEAN Community 2015: Managing integration for better jobs and shared prosperity* (Bangkok, 2014), table F2-4.

¹⁴ Philippine Statistics Authority.

¹⁵ World Bank: *World Development Indicators* (2014).

¹⁶ World Economic Forum: *World Competitiveness Report 2014-2015: Full data edition* (Geneva, 2014).

¹⁷ Remarks by Secretary Imelda M. Nicolas, Chairperson, Commission on Filipinos Overseas (CFO), at the Global Forum on Remittances 2013, 20-23 May 2013, Bangkok, Thailand, available at: http://www.ifad.org/remittances/events/2013/globalforum/resource/s/Nicolas%20_8_1.pdf.

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