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**Cities with Jobs: Confronting the  
Employment Challenge**

**Promoting employment in Marikina  
and Quezon city, Philippines**

Eugenio M. Gonzales

Employment  
Intensive  
Investment  
Programme



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## Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,<sup>1</sup> and which has now been widely adopted by the international community. The integrated approach to do this was further reaffirmed by the 2010 Resolution concerning the recurrent discussion on employment<sup>2</sup>.

In order to support member States and the social partners to reach this goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations and elaborations of this integrated approach and related challenges are contained in a number of key documents: in those explaining the concept of decent work,<sup>3</sup> in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda and, as applied to crisis response, in the Global Jobs Pact adopted by the 2009 ILC in the aftermath of the 2008 global economic crisis.

The Employment Sector is fully engaged in supporting countries placing employment at the centre of their economic and social policies, using these complementary frameworks, and is doing so through a large range of technical support and capacity building activities, policy advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.<sup>4</sup>

The *Employment Working Papers* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.



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<sup>1</sup> See [http://www.ilo.org/public/english/bureau/dgo/download/dg\\_announce\\_en.pdf](http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf)

<sup>2</sup> See [http://www.ilo.org/public/libdoc/ilo/2010/110B09\\_108\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/2010/110B09_108_engl.pdf)

<sup>3</sup> See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

<sup>4</sup> See <http://www.ilo.org/employment>.

## Foreword

Since the end of the 1990s, the Cities Alliance, and a consortium of several multilateral and bilateral development agencies, has given priority to the strengthening of cities and metropolitan areas through concerted efforts towards the scaling up of slum upgrading policies and the participatory elaboration, implementation and evaluation of City Development Strategies. At the same time, the ILO has triggered a comprehensive and international agenda aimed at the creation and dissemination of decent work. Briefly, the objective of this agenda is to create work and employment with sufficient and fair remuneration, social protection, workers' rights and social dialogue. The ILO has not only stimulated the dissemination of national agendas but has also increasingly made progress in mobilizing local stakeholders from the private and public sectors around the articulation of local agendas for Decent Work.

The underlying research project was aimed at exploring the potential of linking the agenda for Decent Work with the City Development Strategies. In that sense, the ILO produced a research paper looking at employment promotion in cities around the world, a Policy paper which shows the conclusions of this research and three cases studies (from Brazil, the Philippines and South Africa). The three cases studies analyzed in greater depth the limits and potentials of increasing the synergies between City Development Strategies and the agenda for local Decent Work and evaluated the more structural strengths and weaknesses of this approach, considering national regulatory and policy frameworks.

As such, the underlying paper is focused on analyzing the employment efforts of two urban local government units (LGUs) in the Philippines, the two LGUs are Marikina and Quezon City, both of which are located in the National Capital Region (NCR) more popularly known as Metro Manila. The initial section introduces the reader general features of employment generating initiatives in Marikina and Quezon City. The remainder of the paper examines policy and program interventions within a national framework but which emanate from a local mandate and initiative.

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## Contents

Preface .....	v
Foreword .....	vi
Acknowledgements .....	vii
Contents .....	viii
The Philippine context.....	1
Background to Employment Generating initiatives in Marikina and Quezon City.....	4
Marikina .....	4
Quezon City .....	5
National Planning Framework .....	6
National Legislation – the Local Government Code, PESO Law, and WHIP .....	7
A Framework for Local Employment .....	9
Human Assets.....	12
<i>Health</i> .....	12
<i>Education</i> .....	12
<i>Training - Marikina</i> .....	14
<i>Training – Quezon City</i> .....	17
Physical Assets.....	18
Social Assets .....	20
<i>The Local Government Unit</i> .....	20
<i>The PESO</i> .....	20
<i>Marikina City</i> .....	22
<i>The Marikina Cultural, Tourism, Trade and Investment Promotion Office (MCTTIPO)</i> ...	23
Financial Assets .....	24
<i>Marikina City Local Economic Development Board (LEDB)</i> .....	25
Challenges .....	26
Basic Education.....	26
Sustainability.....	27
Unemployment Statistics .....	28
Physical Constraints.....	28
Conclusion.....	29
References .....	30







## The Philippine context

Fig.1 Map of the Philippines

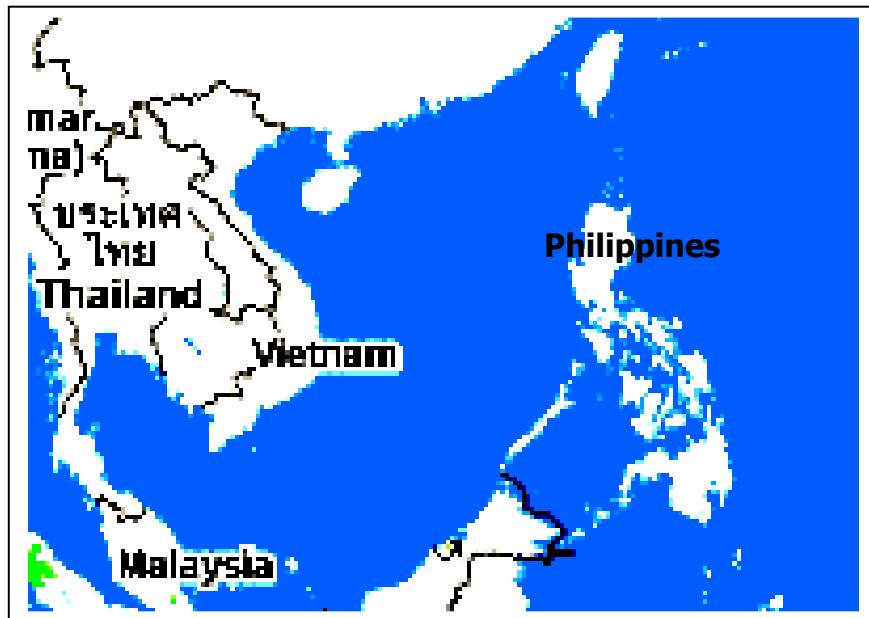


Table 1 Some statistics on the Philippines: ([www.census.gov.ph](http://www.census.gov.ph))

Average annual GDP Growth Rate (1992-2003)	3.5%
GDP Growth Rate (2008)	4.6%
Poverty Incidence (2003)	24.4%
Unemployment Rate (2008)	6.8%
Underemployment Rate (2008)	17.5%
Population (2007)	88.57 million
Population 15 years old and above (2008)	58.11 million
Labor Force Participation Rate (2008)	64.3%
Functional Literacy (2003)	84%
Average Annual Family Income (2006)	US\$3,642
Currency	Philippine Peso
Exchange Rate (2009)	PhP47.50/US\$

The late 1980s was a period of massive political and economic change for the Philippines. Fresh from a civilian-military upheaval that removed a dictator in 1986, the new leadership crafted a new constitution, reverted to a bicameral system, reorganized local and national government agencies, confronted separatist and communist rebellions, removed one of the largest US military bases in Asia and faced several military coup attempts while trying to steer a faltering economy.

Overcoming these challenges paid off in the 1990s, when a period of political stability and economic growth pervaded. However, despite more than a decade of relative stability and growth, when it comes to poverty reduction the country still lags behind its neighbors Vietnam, China and Indonesia. Until the mid-2000s, although the Philippines' average per capita income was higher than that of Vietnam and Indonesia, its absolute poverty was much higher than either of these countries.<sup>5</sup>

Alongside poverty, the (un)employment situation was succinctly summarized in the Medium-Term Philippine Development Plan:<sup>6</sup>

*“Unemployment remained persistently high in 2001-2003, averaging 11.3 percent over this period. Despite the modest growth in GDP for the same period, growth was not enough to produce ample employment opportunities for the Filipinos as the country’s rapid increase in population during the 60s to the 90s resulted in a large increase in the working age population. The labor force also expanded by an average of 3.78 percent or about 1.752 million compared to the net jobs generation of 1.058 million. Employment opportunities are scarce for those who live in the urban areas, for the youth who are unskilled and inexperienced, and for those whose education does not match industry needs.”*

This paper analyzes the employment efforts of two urban local government units (LGUs) in the Philippines, contributing to a Policy Advisory Note of the International Labour Organization entitled *Cities with Jobs: Confronting the Employment Challenge*. It examines policy and program interventions within a national framework but which emanate from a local mandate and initiative. The two LGUs are Marikina and Quezon City, both of which are located in the National Capital Region (NCR) more popularly known as Metro Manila.

<sup>5</sup> Balisacan, Arsenio, “Why Does Poverty Persist in the Philippines? Facts, Fancies, and Policies,” Southeast Asian Regional Center for Graduate Study and Research In Agriculture (SEARCA) Agriculture & Development Discussion Paper Series, No. 2007-1, March 2007.

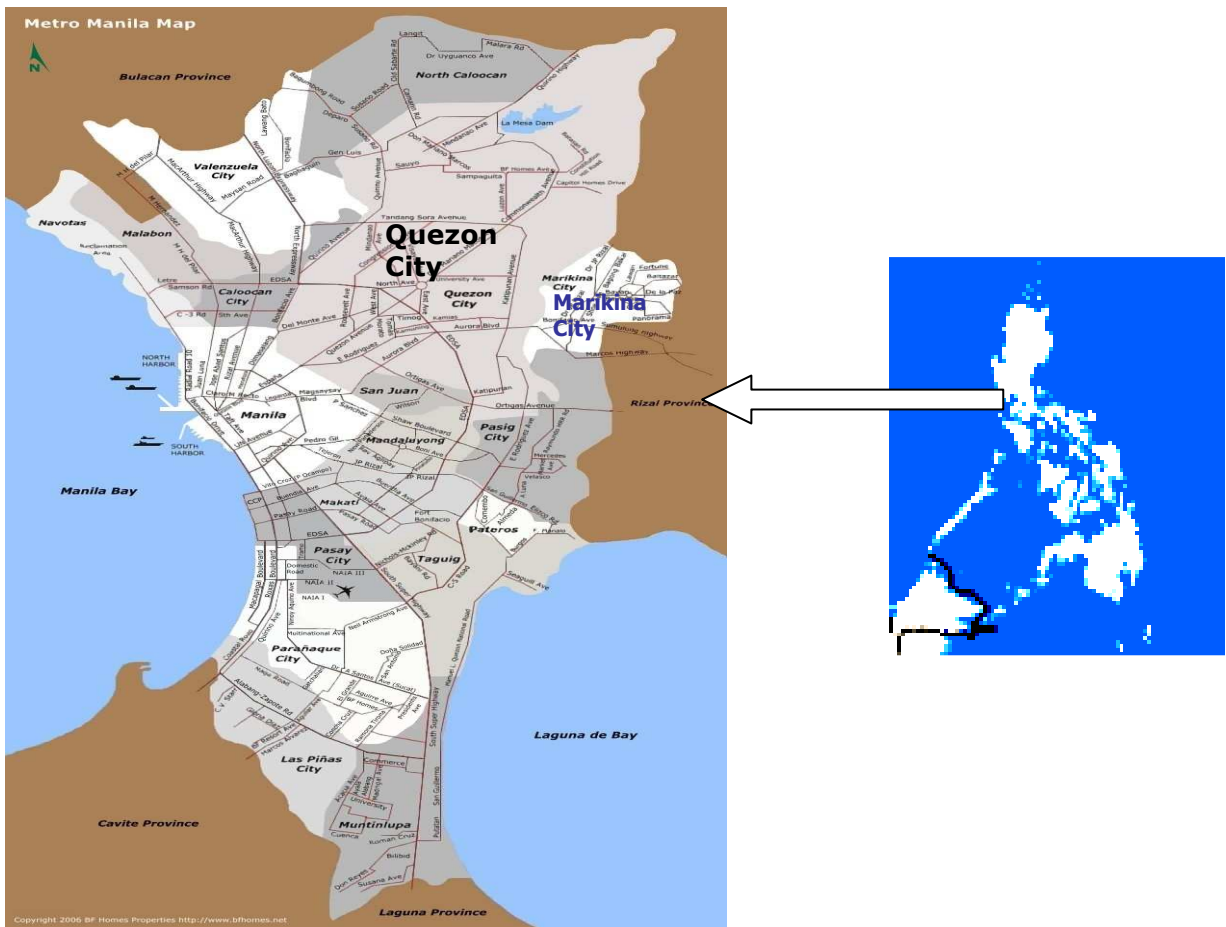
<sup>6</sup> National Economic Development Authority (NEDA), Medium-Term Philippine Development Plan 2004-2010, Republic of the Philippines, 2004.

**Table 2 Some statistics on Quezon City and Marikina City**

	<b>Quezon City</b>	<b>Marikina City</b>
Website	<a href="http://www.quezoncity.gov.ph">www.quezoncity.gov.ph</a>	<a href="http://www.marikina.gov.ph">www.marikina.gov.ph</a>
Population	2,680,000	490,612
Land Area	16,112 hectares	2,150 hectares
Revenues (2008) - Local Collections - From National Government	PhP10.00 billion (actual) PhP7.89 billion PhP2.11 billion	PhP1.38 billion (estimate) PhP0.966 billion PhP0.413 billion
Both are part of the National Capital Region (NCR) of the Philippines, also known as Metro Manila. NCR has 12 cities and 5 municipalities.	Largest city of NCR in terms of population and land area.	One of the smaller cities of the NCR in terms of population and land area.
Number of Businesses	58,196 <sup>a</sup>	14,593
Number of LGU Personnel	8,667	2,653

a.Excluding around 10,000 microenterprises without business permits.

Fig. 2 Map of Metro Manila



## Background to Employment Generating initiatives in Marikina and Quezon City

### Marikina

The employment history of the city of Marikina is dramatic. In 1960s, the then municipality played host to the first special industrial zone in the Philippines. The city was particularly famous for its hand-made shoes, the manufacture of which was the main source of local employment. Together with the service industries that served the workforce in the factories, the municipality could boast full employment. While today still home to more than 14,000 commercial and industrial establishments, including some big manufacturers such as Fortune Tobacco and Purefoods—which came to the municipality at that time—in the late 1980s, the city lost the benefits of its industrial park status because of changes in national policy and began to run into difficulties.

A combination of deteriorated environmental conditions and militant unionism discouraged many industries and harsh competition from Chinese manufactured shoes posed a severe challenge to the city's main industry. The

domestic and international market of Marikina's shoes shrank from supplying 70 percent of all shoes sold in the country to a current ten percent of the market. Even as they were complaining that Chinese shoes were being smuggled into the country and undercutting local production, local producers themselves were shifting from manufacturing to trading; they were buying cheap imported shoes and selling them locally instead of producing them locally. They need fewer workers, experience fewer labor-related problems, suffer fewer quality defects and have more predictable profits. Given the sorry state of the shoe manufacturing sub-sector, the local Chamber of Commerce in Marikina doubts whether it is still the dominant industry in the city.

Realizing the need for radical local reform, subsequent Mayors managed to turn the situation around, transforming the city's image by initiating reforms in the social and physical infrastructures of the city such as rehabilitating the Marikina River, instilling civic discipline among the residents, cleaning up the city and improving the overall system of local governance. These city executives also succeeded in establishing industrial peace and a favorable labor and business climate through social dialog. Nevertheless, by 2005 the official unemployment rate in the city was still twice that of the country as a whole and was being exacerbated by the continued growth of a youthful population in need of jobs.

Marikina is active in investment promotion and possesses innovative policies for generating employment. Being a clean, safe, orderly and well-managed city it has been able to establish itself as an outstanding local government unit (LGU). For three years in a row it won the "Most Business Friendly City" award and in 2004, it received the "Most Competitive City" award. These awards provided a significant boost to the city government's investment promotions efforts.

Unfortunately, an increase in investment does not always mean a reduction in unemployment. New investments are not enough on their own to provide every constituent with a job. Consequently, in addition to attracting local investors, the city government has also implemented an emergency employment program, which involves employing local residents as "volunteers". The city also requires investors to source 70 percent of their workforce from Marikina.

Perhaps in recognition of the fact that employment opportunities within Marikina could not absorb all the unemployed, the Public Employment Service Office (PESO) facilitates the placement of local residents in establishments not only within Marikina but also in other areas such as Laguna, and even overseas.

Some of the more significant efforts of the local government in employment facilitation—and, to some extent, employment creation—are its skills training programs designed to enhance the employability and entrepreneurial potential, of Marikeños and so give equal priority to the trainees' technical and behavioral capacities.

## **Quezon City**

Quezon City has a very different history, being—in terms of population—the largest city and amongst the richest local government units in the Philippines; unlike Marikina, much of its space is still undeveloped. Because of this, however, it does attract large numbers of poor immigrants in search of an income and, with 55 percent of the population migrants, it is the fastest growing local government unit in the country. Poverty and unemployment or informal employment are,

therefore, a significant issue for the city, which has a proactive poverty alleviation policy aimed at integrating migrants into the life of the city.

The city authorities thus have strong policies on education and at the tertiary end hosts 87 tertiary education establishments, from which some 15,000 students graduate each year. Furthermore, for a period of Philippine history, Quezon City was the capital of the country and still hosts many central government offices.

Unlike Marikina there is very little manufacturing in the city although it does serve as one of the major retail and related service centers for Metro Manila. In 2008, the number of registered businesses stood at 58,196. The city administration has, nevertheless, focused its attention on attracting business process outsourcing companies of which there are now around 60, and ICT-related businesses of which there are around 3,000.

## **National Planning Framework**

The Medium-Term Philippine Development Plan (MTPDP) is the guiding document for economic planning by all national and local government agencies. It consists of five parts divided into a total of 25 chapters. Most relevant to this paper are Part 1 – “Economic Growth and Job Creation,” specifically Chapter 1 – “Trade and Investment” and Chapter 9 – “Labor”.

Through the title of Part 1, the national government emphasizes the strong linkage between economic growth and job creation. Studies have suggested that there are two main strategies with which local governments can generate employment. One is to use infrastructure and other procurement budgets in ways that are more labor-intensive, for example by prescribing labor-intensive rather than machine-intensive construction methods. The second strategy is to facilitate economic development in ways that generate employment, for example by giving incentives to certain types of companies that employ more labor.

The very first sentence in Chapter 1 of the MTPDP on Trade and Investment summarizes the employment strategy of the Philippine Government in the following words:

*“Investment and trade, among others, are essential to job creation. Modest investment spending is a key reason why unemployment has remained high at 11.4 percent.”*

Over the last decade—in the case of Marikina, over the last 17 years—the two cities in this study have focused great energy and much of their budgets on improving their physical and human assets, in order to attract the investments they hope will create employment for their local citizens. This is in the mold of the second employment generation strategy of the LGU acting as a facilitator of local economic development.



In the 1990s, Marikina used the first strategy when it implemented its massive infrastructure projects “by administration”.<sup>7</sup> This means that the LGU itself, specifically its Engineering Department, managed infrastructure projects funded from the LGU’s own budget. Aside from saving on contractors’ fees and mark-ups, the LGU directly employed around 1,500 construction workers during the period. Now the Engineering Department is down to 421 employees and is focused on its regulatory function and infrastructure maintenance work.

Quezon City, on the other hand, is well-known for having a Mayor who terminated almost 3,000 contractual employees at the start of his first term in 2001. Even though it has maintained approximately the same number of employees since that time, by 2008, the city was able to increase revenues by 274 percent and expand its expenditures and delivery of services by almost the same magnitude. Clearly, the LGU does not see itself as a direct generator of jobs, even as it spends what is probably the biggest infrastructure budget of all Philippine cities.

Before proceeding to examine the details of the two cities’ employment efforts, the national legislation that triggered some of their major initiatives should be cited.

## **National Legislation – the Local Government Code, PESO Law, and WHIP**

Republic Act no. 7160 (RA 7160)—also known as the Local Government Code (LGC) of 1991—significantly changed the structure and process of governance and development in the Philippines. Previously, centralized services such as health and agricultural extension were devolved to local government units (LGUs). The power to promulgate and raise local fees and taxes—subject to certain limitations—was also given to LGUs. This is in addition to the automatic allocation of forty percent of national internal revenue collections to local government budgets.

Such devolution of authority and resources should enable LGUs to exercise their general powers under Chapter 2, Section 16 of RA 7160 to “...enhance economic prosperity and social justice, promote full employment among their residents, maintain peace and order, and preserve the comfort and convenience of the inhabitants.” (Underscoring supplied.)

The main national law supporting the employment function of LGUs is Republic Act no. 8759 (RA 8759) entitled: “An Act Institutionalizing a National Facilitation Service Network through the Establishment of a Public Employment Service Office (PESO) in Every Province, Key City and Other Strategic Areas throughout The Country.” This law is more popularly known by its short title, “The PESO Act 1999”. (NB: The country’s currency is the Philippine Peso.)

<sup>7</sup> This mode of implementation was confined to ‘horizontal infrastructure’ projects, including roads and sidewalks. ‘Vertical’ projects such as school buildings had to be contracted out because the Engineering Department regulates such projects, whether public or private.

Section 3, RA 8759 of the Act, states that these employment offices “shall be community-based and maintained largely by local government units (LGUs) and a number of non-governmental organizations (NGOs) or community-based organizations (CBOs) and state universities and colleges (SUCs). The PESOs shall be linked to the regional offices of the Department of Labor and Employment (DOLE) for coordination and technical supervision, and to the DOLE central office to constitute the national employment service network.”

In practice, PESOs have been set up in more LGUs than the minimum implied by the law. Setting up PESOs in every province and key city in the country would probably mean a total of around 100. At the 2008 congress of the organization of these offices, 742 PESOs were represented. This number is almost half of the Philippines’ more than 1,500 local government units. However, PESOs are not as ‘community-based’ as the law may have intended. Only LGUs that can allocate a budget for such an office have them. NGOs, CBOs and SUCs do not have a major role in setting up and operating PESOs.

Statistics on the total number of jobseekers registered and placed by PESOs is available through the Philippine Labor Market Information (Phil-LMI) webpage of the Bureau of Local Employment (BLE). In 2007, out of 940,511 jobseekers, 734,854 were placed in regular employment positions.<sup>8</sup> These are from a total labor force of 36.21 million.<sup>9</sup>

Through the BLE, the national Department of Labor and Employment (DOLE) provides support to PESOs. The BLE issues a quarterly “Labor Market Monitor”<sup>10</sup> using the Computerized National Manpower Registry System (CNMRS) reports submitted by PESOs, as well as postings on its online job matching database, Phil-Job Net.<sup>11</sup> Awards are given for outstanding performance and important issues are tackled in annual national PESO Congresses supported by DOLE-BLE.<sup>12</sup> The BLE’s website also has many useful tools on career guidance for jobseekers, as well as information on its programs and relevant policies on employment.

Administratively, PESOs are under the executive branch of LGUs and often report directly to the Provincial/City Administrator or the Governor/Mayor. The achievements of these offices in finding employment for local citizens are important contributors to the overall performance of the Governor/Mayor.

Even before the promulgation of the Local Government Code and the PESO Act, RA 6685—Workers Hired for Infrastructure Projects (WHIP)—was enacted in 1988 “requiring private contractors to whom national, provincial, city and municipal public works projects have been awarded under contract to hire at least fifty percent of the unskilled and at least thirty percent of the skilled labor requirements to be taken from the available bona fide residents in the province, city or municipality in which the projects are to be undertaken”

<sup>8</sup> [http://www.phil-lmi.dole.gov.ph/lmi/philLMI\\_4.htm](http://www.phil-lmi.dole.gov.ph/lmi/philLMI_4.htm)

<sup>9</sup> <http://www.phil-lmi.dole.gov.ph/lmi/labor/labf.html>

<sup>10</sup> <http://www.ble.dole.gov.ph/download/Labor%20Market%20Monitor%20Q1-2008.pdf>

<sup>11</sup> <http://phil-job.net/>

<sup>12</sup> <http://www.ble.dole.gov.ph/pesocongress.asp>

Depending on the availability of resources, some LGUs are able to use this law to promote local employment. The task of verifying the addresses of laborers, especially in big infrastructure projects, requires both time and personnel. In Quezon City, the officers of the PESO and the *barangay* Councils<sup>13</sup> have to certify that the 30 percent and 50 percent requirements of RA 6685 are being met by project contractors before the latter are paid for work done. This is not yet being replicated in Marikina or, indeed, in most other cities and municipalities because of staff limitations.

Another law, RA 7323, also known as the SPES Law (Special Program for the Employment of Students) was enacted in 1992 “to help poor but deserving students pursue their education by encouraging their employment during summer and/or Christmas vacations, through incentives granted to employers, allowing them to pay only sixty per centum of their salaries or wages and the forty per centum through education vouchers to be paid by the government”.

According to data from the Phil-LMI website, of 97,994 students registered in the SPES Program nationwide, 65,004 have been placed in short-term jobs. Other smaller national employment programs implemented by the PESOs are the Work Appreciation Program (WAP) with 2,820 applicants placed and the TULAY (the Filipino word for “bridge”) program focused on People with Disabilities (PWDs) with 1,101 applicants placed in 2007.

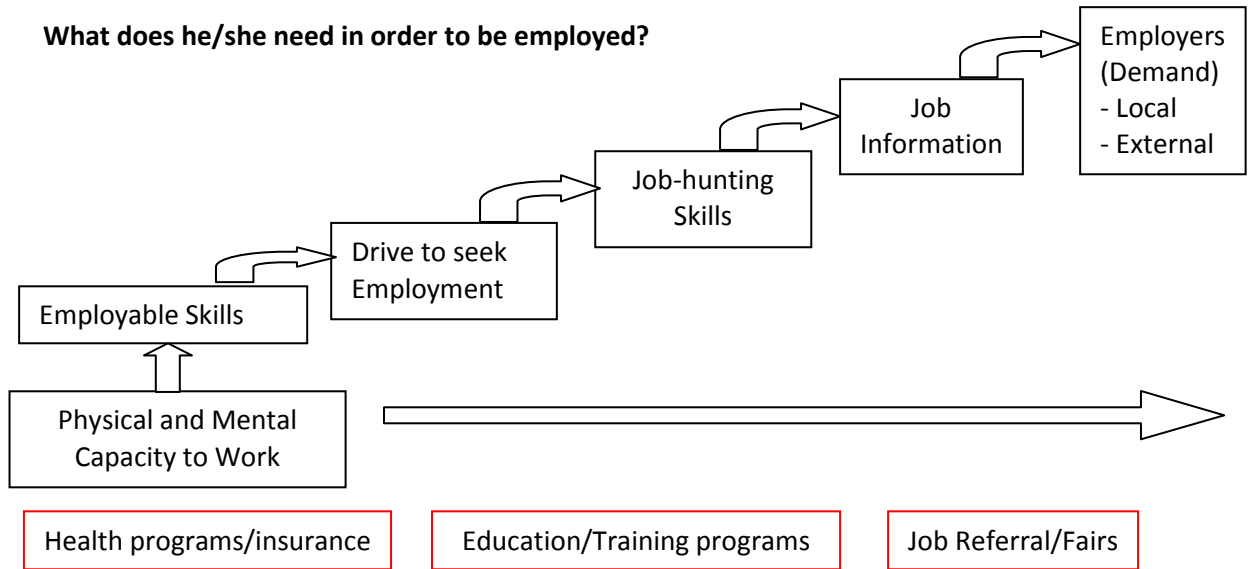
## A Framework for Local Employment

A framework for local employment can be drawn from a number of ILO studies in the Philippines conducted under the Promoting Youth Employment Project (PYEP) in 2005-07. Surveys and focus group discussions were conducted in one city, Marikina, and in two municipalities in which the ILO had existing partnerships with the LGU. The overall aim was to analyze the youth employment situation in the localities, in order to generate local employment strategies for the LGUs to implement.

Factors affecting the supply and demand side were examined. Employment strategies need to either attack or reinforce these factors, in order to improve the employment situation. Figure 1 illustrates these factors and strategies on the supply side.

**Fig. 3: The Job-Seeker’s Perspective (Supply Side):**

<sup>13</sup> *Barangays* are subdivisions of the LGU.



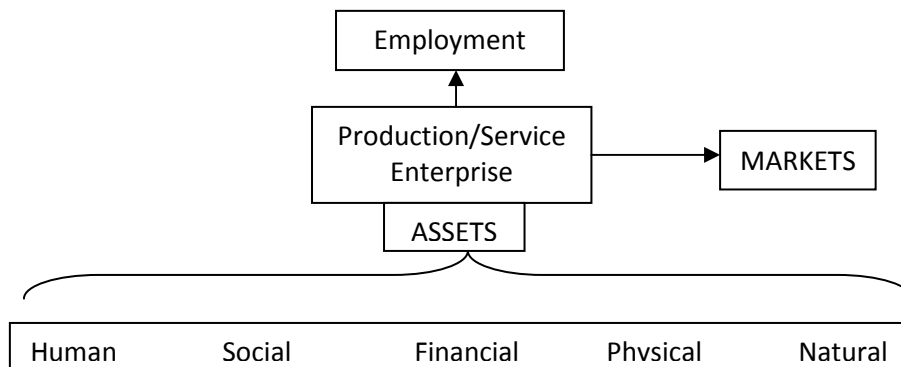
A job-seeker needs the following before he/she can find work:

- Physical and mental capacity to work (basic health).
- Employable skills.
- Drive to seek employment.
- Job-hunting skills.
- Job Information.
- Employers (demand side).

Strategies such as health programs obviously address the health factor. Education and Training programs aim to provide employable skills, as well as job-hunting skills. Job referral systems and job fairs provide job information about local and external employers.

As already seen in Fig. 1, there are two key players on the demand side, namely local and external employers. Fig. 2 illustrates the factors that affect the establishment of local enterprises.

**Fig. 4: Local Enterprise and Employment (Demand Side)**



Local employment demand is created by local enterprises engaged in production or service activities that mobilize human, social, financial, physical, and

natural assets to bring their products/services to markets. Without assets and markets there can be no private enterprises or, at least not in the formal sense, any local employment in such enterprises.

With decentralization, local governments have the power to assist in the development of assets and markets, in order to encourage these to contribute to the growth of local enterprises by:

- Improving and maintaining basic local infrastructure (transport, communication, sanitation, security, etc.).
- Facilitating local business registration.
- Providing incentives for businesses.

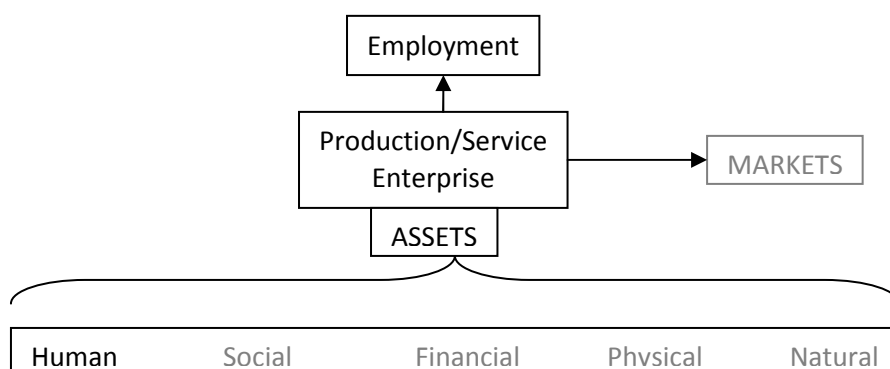
External employment is a situation in which local citizens find work outside their town or city. This is influenced by the same ingredients, namely enterprises, assets and markets. However, external employers' enterprises are located outside the city and most probably cater to markets that are outside the influence of the LGU.

As illustrated in Fig. 5 below, the quality of local human assets is of great interest to employers. These are also the only assets that local governments can develop for external employers. Since they are not located in an area under the LGU's jurisdiction, the town/city's social, financial, physical, and natural assets are not important to them. Regardless of the state of the other assets, external employers will hire the local, qualified human assets. If, therefore, a local government wants to improve the employment status of its citizens in spite of limited resources, it should concentrate its efforts on improving human assets.

Education is the key to building the quality of human assets. The country's educational system remains centralized. However, some innovative local governments have used the Local Government Code to influence and improve the local public school system, both elementary and secondary. The administrations of Marikina and Quezon City have set up their own tertiary and technical schools.

A key resource is the Special Education Fund (SEF) collected by local governments and discussed in more detail below. The Local Government Code empowers the Local School Board, which is co-chaired by the Mayor and an officer of the national Department of Education, to allocate the SEF to educational projects.

**Figure 5: External Employers and Employment (Demand Side)**



Given the above representations of the employment process, it may be useful to classify LGU interventions according to the assets that they develop and how these contribute to local employment.

## **Human Assets**

The development of human assets is central to the employment effort. From all sides—supply-demand and employer-employee—the human being is the focus of attention and interest.

### *Health*

As seen in Fig. 1, the development of the human asset begins with the provision of health services. All would-be employees are usually required to submit a medical certificate stating that they are physically fit to work. Job-seekers who do not have access to adequate health services, whether paid for or government-provided, may have lower chances of maintaining the basic physical and mental capacity required for employment.

The administrations of both Marikina and Quezon City have allocated a significant portion of their budgets to health. Their budgets for health and sanitation—including waste management—were second only to their allocations for infrastructure. The Marikina administration set aside 16 percent of its budget to health and sanitation, while the Quezon City administration allocated 13.7 percent.

### *Education*

Beyond health, a job-seeker needs employable skills. This is gained primarily through education and training. As mentioned earlier, the country’s educational system remains centralized. Nevertheless, this has not prevented local governments from supplementing educational programs. The Local Government Code (LGC) requires all local governments to collect a Special Education Fund (SEF) equivalent to 1 percent of the assessed value of real property in the locality. This is collected along with the Real Property Tax (RPT), which is the single largest source of local revenue. In comparison, RPT is set at 2 percent of the assessed value of real property. Although the SEF is not a part of the LGU budget,

the LGUs are, nevertheless, responsible for collection, disbursement and accounting.

SEF collections go directly to the Local School Board (LSB), which is co-chaired by the Mayor and the Superintendent of Schools, who is the highest officer of the national Department of Education (DepEd) at the city level. There are other members of the LSB although, in practice, the Mayor and the City Treasurer are the most authoritative and influential actors in this body.<sup>14</sup>

The SEF can be allocated the following priorities as per the LGC:

- a) Operation and maintenance of public schools (elementary and secondary).
- b) Construction and repair of school buildings, facilities, and equipment.
- c) Educational research.
- d) Purchase of books and periodicals.
- e) Sports development.

Aside from being very efficient in collecting the SEF—and local revenues in general—both cities use funds from their own budget to boost the education effort. In his 2009 budget message, Mayor Feliciano Belmonte Jr. of Quezon City emphasized “human capital investment through education and training...innovative public school programs... that result in job-ready skills or enable them to start their own enterprise”.

They use part of their infrastructure funds to construct additional classrooms for DepEd public schools. Both have also established city universities, Quezon City Polytechnic University (QCPU) and Pamantasan ng Lungsod ng Marikina (PLMar) [University of Marikina City].

Unlike most of the private colleges and universities in their localities, these universities offer both tertiary and technical/vocational courses. The tertiary courses are also focused on more practical and employable fields such as information and communications technology, entrepreneurship, health, automotive maintenance and repair, etc. QCPU “serves as a market-based, educational institution for the technological and professional training needs of industrial and business enterprises in Quezon City and generates models for school-to-work opportunities in preparing its students for both domestic and global economy.”<sup>15</sup>

It is noteworthy that in Marikina, PLMar has the highest enrolment among all tertiary/vocational schools with 40 percent of the total student population. In second place is another state-run school, the Marikina Polytechnic College (MPC), with 27.5 percent.<sup>16</sup> MPC is administered by the Commission on Higher Education (CHED), a national body.

<sup>14</sup> <http://www.cityschoolsQuezon City.ph/lwb.asp>

<sup>15</sup> [http://www.quezoncity.gov.ph/index.php?option=com\\_content&view=article&id=107:quezon-city-polytechnic-university-Quezon-Citypu&catid=40:alleviating-poverty&Itemid=37](http://www.quezoncity.gov.ph/index.php?option=com_content&view=article&id=107:quezon-city-polytechnic-university-Quezon-Citypu&catid=40:alleviating-poverty&Itemid=37)

<sup>16</sup> <http://www.marikina.gov.ph/PAGES/education.htm>

Both city universities charge subsidized fees and provide scholarships for local residents. Non-residents pay the full tuition fees but these are still at relatively lower rates than those charged by private schools. Both institutions are operated as 'public economic enterprises' by their LGUs and, as such, they have to generate income, in order to support and sustain their programs. The LGC gives local governments corporate powers to set up and manage such economic enterprises through provisions of Chapter 2, Section 22.

Aside from their city universities, both LGUs offer scholarship programs to students from resident low-income families. Qualified scholars can study in accredited schools including the city universities. In Marikina the program is called the "MCF Scholarship"<sup>17</sup> while in Quezon City it is called the "Scholarship and Youth Development Program". On average, these programs benefit around 1,000 and 12,000 scholars per year respectively. Both are focused on post-secondary courses that are in demand in the labor market, together with entrepreneurship training.

Quezon City has also set up the SB Nego-Tech Center,<sup>18</sup> which offers computer, culinary, automotive, and other short-term technical/vocational courses to low-income residents. There are recommendations to set up this type of center in each of the city's four districts.

### *Training - Marikina*

The Marikina City Government has initiated a cluster of institutions concerned with training for employment generation and networked with initiatives to attract or develop investment under the title of "Invest in Marikina Program".

The first is the Marikina Polytechnic University, already noted above as providing both vocational training and university level courses. Regular courses offered by the University enabling trainees to engage in wage or self-employment economic activities are in: auto electrical mechanic, auto gas mechanic, auto diesel mechanic, baking, cosmetology, drafting, dressmaking, electrical wiring install, electronics, food processing, motor rewinding, refrigeration and air-conditioning, tailoring and welding. Technician courses (at 40 class hours) are: cell phone technician, computer technician and cabling splicer.

A further initiative is skills trainings for self-employment that is being offered by the Cottage and Industry Technology Center in the following areas: herbal and decorative soap, meat processing, stuffed toy making, chocolate making, fresh flower and balloon arrangement, laundry detergent and fabric conditioner, candle making, 'no bake' cakes, Christmas décor and holiday goodies, 'hot hats' (textile scrap), fiesta dishes, perfume making, dim sum making, ham and bacon, sweet pies, memory box and photo album, bamboo novelty items and guest book making.

<sup>17</sup> MCF are the initials of the present Mayor of Marikina City, Hon. Marides C. Fernando.

<sup>18</sup> SB are the initials of the present Mayor of Quezon City, Hon. Feliciano Belmonte, Jr. who is more popularly known as "Sonny Belmonte". "Nego" is short for *Negosyo*, the Filipino word for Business.



Central to these efforts is CENTEX, the Center for Excellence. This is one of two offices with a mandate to provide free skills training to residents not only in technical skills but also in values formation, customer service and group enterprise formation such as cooperatives. Aside from giving free training to residents, CENTEX also conducts training for government agencies and organized sectors in the city administration but charges the cost of materials and handouts for training programs to clients from industrial or commercial sectors and professional organizations.

CENTEX was established in 2002 and is now managed by six employees (four regulars and two casuals). Its training programs are given a budget of four million pesos a year by the city administration. It conducts its own seminars but at the same time enjoys partnerships with the Marikina Polytechnic University and agencies such as the Department of Trade and Industry (DTI), the Department of Education (DepEd) and the Cottage and Industry Technology Center (CITC) for technical skills training courses under the MCF VocTech Scholarship Program. It coordinates employment-oriented training with the LGU's Workers' Affairs Office (WAO), which hosts the city's PESO.

CENTEX is also charged with contributing to the improvement of the public education system through its teachers' continuing education program. Among the short courses being offered are "teaching strategies" and "strategic management for educators". It also organizes public fora on employment, education and local economic development (LED). In December 2008, CENTEX organized a multi-sectoral summit with the theme "Marikina City's Networks to Sustain the Local Economy". The education, business, and national and local government sectors were represented in the meeting, which discussed business and employment trends and how Marikina's tertiary and technical/vocational schools can respond to these trends. This is described in greater detail below.

Since 2008, CENTEX has been organizing specialized training on animation skills after being informed by the Animation Council of the Philippines,<sup>19</sup> an industry association introduced by ILO-Manila, of its need for at least 20,000 additional animators over the next five years. CENTEX also manages the MCF Scholarship program.

Seminars and courses conducted by CENTEX in partnership with different agencies equip local citizens with the full range of tools for employability. Thus aside from technical skills—including electronics, tailoring, food processing, cell phone repair, perfume making, dressmaking, stuffed toy making—they also train in entrepreneurial skills, in order to assist people not only to find a livelihood as an employee but potentially also as an entrepreneur. For those recruits who lack even basic education CENTEX provides 'lifelong learning' that includes literacy and 'good citizenship'. CENTEX uniquely offers foundation courses such career orientation, career planning, job hunting skills, job interview skills, fundamentals of writing and the Speak English Program for call center applicants.

When it began in 2002, CENTEX had only one regular VocTech seminar—motorcycle mechanics—conducted by the Marikina Polytechnic University. Now,

<sup>19</sup> <http://www.animationcouncil.org/>

CENTEX offers 16 different courses. Graduates of these courses may later take the TESDA skills certification tests for specific competencies.

Trainees are recruited through referrals from the clients themselves or through the *barangay* officers. Most trainees are between 30 and 40 years old. There are only two requirements for admission: firstly, that prospective trainees are residents of Marikina and secondly, that they are interested in undergoing training. Once they are in a program, CENTEX identifies other skills interests or skills needs of the trainees and then schedules them for further training.

The center also helps in the placement of trainees in companies, mostly in Marikina. As an additional service, staff members of CENTEX diligently follow up the status of their trainees' applications, referring them to other firms and, should they be rejected, try to find out the reasons for this and what other competencies for landing a job the applicant is lacking. Unfortunately, many jobs are term-employment only, which means that after a few months, workers are again unemployed. CENTEX thus provides continuing training for those interested in learning new skills with which to find re-employment. Perhaps because of the age requirements of many companies, most trainees are observed to be within the range of 30-40 years. At that age it becomes difficult for many unskilled individuals to find any kind of formal employment at all.

A further training initiative in Marikina is the City Women's Council (CWC). This provides training for out-of-school youth, housewives and residents. CWC has six casual employees and two volunteers. Training programs are hands-on and they usually last for one-and-a-half months, taking place in half-day sessions, either from 9-12 noon or from 2-5 pm, Monday to Friday.<sup>20</sup> Programs include the following:

- Bartending and waiting.
- Dining preparation.
- Reflexology.
- Dress making.
- Cosmetology.
- Shoe making.

Graduates of CWC are either employed in the Marikina Hotel or in restaurants within the city. Others find jobs overseas in places like Dubai or in other countries in the Middle East, Canada and the United States. As in CENTEX, some graduates of CWC—especially those interested in going abroad—take a skills certification exam from TESDA, although this is not required under the training program. Furthermore, like CENTEX CWC also assists in the job placement of their graduates.

Some programs such as bartending are held at the CWC training center in the Marikina Sports Center and other courses such as shoe making and dress making are held in a different location. Class size depends on the course; in bartending for example, CWC can accommodate 40-50 students per batch. In a single year, it

<sup>20</sup> Interview with Ms. Leonor Rosales, Technical Assistant, Women's Center, November 17, 2005.

could have as many as 700 graduates. Each of these training courses equipped the graduates with the tools they need for self-employment.

A further development has been proposed by the head of CENTEX and enjoys the support of the incumbent Mayor to gather all these initiatives into a 'Labor Market Center' that will promote and manage a Manpower Registry, supervise a Worker's Development Center and develop and promote a more proactive "People-for-Jobs" concept to search and match jobs, as an approach to addressing the serious jobs mismatch in the city.

### *Training – Quezon City*

To improve the quality of educational instruction, Quezon City has partnered with the University of the Philippines and the Ateneo University to train the city's 9,000 public school teachers through the TopEd (Training for Outstanding Performance in Education) program.

The Quezon City PESO's main functions are to:

- Promote employment programs for city residents in need of jobs.
- Provide employment counseling, career guidance and other such services to the city's students and out-of-school youth.
- Promote industrial peace by mediating in labor-management disputes upon the request of a contending party.

It regularly conducts "Labor Education for Graduating Students" and "World of Work" seminars for graduating college students, in coordination with the national Department of Labor and Employment (DOLE).

Recently, it developed its own training program for call center applicants. According to the Business Processing Association of the Philippines, the majority of their member-companies hire less than 20 percent of their applicants. This prompted the local administration to set up a task force that included the PESO to address this problem. In September 2008, the task force trained its first batch of 76 potential call center agents. The trainees had previously failed to qualify for call center companies. At time of writing, 53—almost 70 percent—of the trainees have been hired. A second batch of 68 trainees is now undertaking the same training program and a third group is scheduled for February 2009.

The Quezon City administration also finances an office engaged in training for self-employment and small business development under the title of *Sikap Buhay*<sup>21</sup> Cooperatives Development Center (SBCDC). Among its functions are to:

- Facilitate the provision of start-up capital for small scale entrepreneurs.
- Provide entrepreneurship training and education.
- Establish linkages with agencies, NGOs/POs and institutions concerned with livelihood activities.

<sup>21</sup> Literally translated, *Sikap Buhay* means "seeking life". It is close to *Hanap-Buhay* which is the Filipino term for "Livelihood" or "Employment". *Sikap Buhay* also has the initials "SB", which is how the Mayor is popularly known.

- Advocate and promote the cooperative concept of economic activity.
- Organize and mobilize informal dwellers in Quezon City to engage in collective cooperative economic endeavors.

SBCDC offers free training services—the cost of materials is shouldered by trainees—to residents of Quezon City in small-scale food processing, personal care services, craft-making and entrepreneurship. After the training, the center helps the participants obtain loans from accredited microfinance institutions such as cooperatives, cooperative banks and NGOs. As of June 2008, the center has graduated 47,039 microentrepreneurs and facilitated access to loans worth PhP650 million.<sup>22</sup>

## Physical Assets

To be able to conduct their business, enterprises need physical assets like roads, bridges and power and telecommunications facilities. Without these assets it would be impossible to produce and market products and services. Both cities have prioritized spending on physical infrastructure in their annual budgets.

Marikina's infrastructure budget has averaged 31.30 per cent of its annual budget since 2001—the start of the present Mayor's first term—representing a massive infrastructure program for a city with a relatively small area. A broad range of projects included: renovating the City Hall, building and concreting the road networks, converting landmark buildings into tourist destinations, clearing and cleaning up the streets and the town's Marikina River, relocating urban dwellers from around the river area and developing the site into a sports, leisure and recreational park. In addition, it started to develop and operate theatres, hotels, museums, restaurants and pay parking terminals and created more jobs for attendants to these properties.

During the same period, Quezon City's infrastructure budget averaged 15.25 percent of its annual budget. However, Quezon City's infrastructure budget started from a very low 3.97 percent in 2001 to reach a high of 30.97 percent in 2008. Quezon City's infrastructure budget of PhP3.05 billion in 2008 was more than double Marikina's total budget of PhP1.38 billion.

Marikina's infrastructure spending started much earlier, in 1992, during the first term of the previous Mayor, the husband of the present Mayor. Given its small land area, the city has probably reached the peak of its horizontal infrastructure requirements, namely roads and bridges. It is now focusing more on vertical structures, namely schools and government buildings. On the other hand, Quezon City started focusing on infrastructure only in 2001 and still has a huge land area to cover.

Nevertheless, Quezon City is attracting new locators, especially among Business Process Outsourcing (BPO) companies, the largest of which are still the call centers. The country's largest call center companies have recently opened new

<sup>22</sup> [http://www.quezoncity.gov.ph/index.php?option=com\\_content&view=article&id=117:2007-2008-state-of-the-city-address&catid=43:state-of-the-city-address&Itemid=85](http://www.quezoncity.gov.ph/index.php?option=com_content&view=article&id=117:2007-2008-state-of-the-city-address&catid=43:state-of-the-city-address&Itemid=85)

facilities in Quezon City. Although Marikina hosts one major call center with around 1,000 employees, it is constrained by its limited land area having only 10.4 hectares of open commercial space available for new locators.

Aside from attracting employers, physical infrastructure projects also create employment. During the peak of its infrastructure spending in the 1990s, Marikina's Engineering Department employed around 1,500 personnel. Now, it has just 421 employees.

Quezon City has relied mainly on RA 6685, the WHIP Law, to generate infrastructure-related employment. Through City Ordinance No. 1531 Series of 2005, the PESO is tasked to certify the contractors' compliance with the law's minimum local employment requirements. PESO also monitors the employment generated by the law. In 2008, the WHIP law was able to generate 1,962 jobs through city-funded infrastructure projects.

## **Social Assets**

Social assets include positive policies, norms, institutions, organizations, networks, relationships, and connections. Again, enterprises need these social support systems to be able to do business in a given locality.

### *The Local Government Unit*

All businesses, big or small, local or foreign, need a Business Permit to operate in the country. According to the Local Government Code, only the city or municipal LGU can issue a business permit. Furthermore, only the LGU can design the rules and procedures for obtaining a business permit; of course, these rules should not be contrary to the law.

The Local Government Code has empowered the LGU so much that the national government cannot overturn a decision made by a local government on whether to allow a business to operate in its territory or not. A classic case in the Philippines happened in the early 1990s. A municipality refused permission for the construction of a large cement plant because of the negative environmental impact that the company would create on the town's natural resource base. The national government tried in vain to convince the town officials to change their minds but the cement plant was never built.

An LGU's value as a city's main social asset for the establishment of enterprises within its territory depends on how it facilitates these enterprises. The LGU can be transparent, accountable, consistent, efficient and generous with incentives and so attract businesses to locate within its boundaries. It can also be corrupt, inefficient, inconsistent, unaccountable and greedy, and, as a consequence, can drive potential investors away. Both Marikina and Quezon City obviously fit the first mold.

The LGU can also create other social assets in the form of networks, ordinances, policies, programs, and offices that facilitate positive employment processes and relations. In Quezon City, the Mayor facilitated cooperation between the University of the Philippines and Ayala Land, the country's largest property developer, to build a "Techno Hub" on a university property within the city. The park now hosts such companies as IBM, HSBC, ManuLife, and BPO companies that are all actively recruiting employees.

### *The PESO*

The PESO is the second social asset that acts as the main catalyst for local employment. It facilitates linkages between employers and employees through its continuous data-banking of job applicants and by referring these to potential employers. Both the Marikina and Quezon City PESOs allow the free use of their facilities for employers to test and interview job applicants. They also hold regular high-profile job fairs within LGU grounds for the further promotion of employment linkages.

Beyond acting as a venue for these linkages, the PESOs monitor and evaluate the results of these processes and events to proactively develop training interventions that address the weaknesses of their job-seekers. Some examples of this training were cited in the section on human assets. The mother offices of the

PESOs act as mediators to resolve conflicts or prevent these from occurring between employers and employees.

In Quezon City, the post of Industrial Relations Office was created in 1989 “to develop and enhance the cooperation and understanding between management and labor towards industrial peace in Quezon City”. The PESO was created in 1992 through a Memorandum of Agreement between the city and the DOLE.

In Marikina, the Workers’ Affairs Office (WAO) is the city government's arm in implementing conciliation and mediation procedures to settle labor disputes in the city. It was created in 1995, along with the Marikina Tripartite Council, which is composed of the LGU, the business sector and labor groups. WAO is tasked with the peaceful and speedy resolution of labor disputes through the Tripartite Hearing Committee (THC). It also serves as the working secretariat of the Marikina Tripartite Council. The WAO hosts the PESO, which was set up in 2002.

A crucial function performed by the PESOs is the delivery of job information to city residents. The Quezon City PESO coordinates with *barangay* officials to announce job vacancies in *barangay* centers. The Marikina PESO uses its solid waste management personnel to deliver announcements of job fairs to households when the latter are collecting garbage. This addresses one of the major findings of the ILO-Manila 2006 Youth Employment Study, namely that young people from Marikina obtain job information mainly from friends (65%) and relatives (32%). Only 27 percent obtain information from newspapers.<sup>23</sup> Without the PESO and its programs, bringing job information to the *barangay* and household levels would be very difficult and expensive for employers. It is no wonder that in Quezon City there was a 65 percent increase in vacancies posted in local job fairs from 2007 to 2008.

In terms of results, the following were the accomplishments of the two PESOs in 2008:

<sup>23</sup> The numbers are similar in the other cities and towns surveyed.

### Quezon City – PESO of the Year Awardee in 2007

	Vacancies	Placements	Placement %
Regular Employment Program and Mini Job Fairs –			
Local	25,392	10,846	42.71%
Overseas	11,680	94	0.80%
Job Fairs –			
Local	235,430	745 <sup>a</sup>	0.31%
Overseas	11,222		
WHIP <sup>b</sup>		1,962	
Sub-Total		11,685	
SPES <sup>c</sup>		396	
GIP <sup>d</sup>		272	
Total		12,353	

<sup>a</sup> This is the number “Hired On The Spot” (HOTS) in the job fairs conducted.

<sup>b</sup> Workers Hired in Infrastructure Projects (RA 6685).

<sup>c</sup> Special Program for the Employment of Students (RA 7323).

<sup>d</sup> Government Internship Program (Executive Order nos. 70 & 139, 1993).

### Marikina City

	Vacancies	Placements	Placement %
Regular Employment Program and Mini Job Fairs –			
	23,324	3,958	16.96%
Job Fairs –			
	33,025	656 <sup>a</sup>	1.98%
Total		4,614	

<sup>a</sup> This is the number “Hired On The Spot” (HOTS) in the job fairs conducted.

Based on the interviews with the two offices, the placement rates reported are based only on the reports of applicants who volunteer such information. Many more applicants are referred to employers. For example, the Marikina PESO referred 10,965 applicants to potential employers. Only 3,958 reported that they were hired.

Many more may have been hired but did not report back to the PESO. Given its staff of 12 and its other major function of mediating labor disputes, the Marikina office cannot be expected to monitor all the job-seekers that it refers to employers. The same is true in Quezon City, even though it has more staff (27), the PESO organized 75 job fairs in 2007, i.e. more than one job fair per week. This is also in addition to performing its mediation role.



A further complication has been the difficulty of maintaining contact with applicants. Many give cell phone numbers as the means of contact. It is so easy to change these numbers by buying new SIM cards that cost US\$1.15 at today's exchange rate.

What is most striking in the above tables is the overwhelmingly large number of vacancies that are not being filled. It must be noted that the huge number of vacancies in job fairs conducted in the two cities include vacancies in other towns and cities. These fairs are open to all employers and not just local ones. But what is clear is that there seem to be so many jobs looking for the right applicant and not the other way around. This situation is the major indicator of the "job-skills mismatch" due to weaknesses in the national educational system.

Chapter 9 of the 2004-2010 MTPDP explains this mismatch:

*Another group of the unemployed are the "educated unemployed" whose skills do not meet the available job requirements. Most of the unemployed during the period were better educated than the employed workforce. Majority of the unemployed had at least a high school education (42.6 %) while those with college education accounted for 34.3 percent. The incidence of unemployment also tended to increase with the years of education. In 2002, only 6.7 percent of those with at least elementary education were unemployed followed closely by those without formal education (9.3%); with at least high school education (13.2%) and with college education (15.4%). Meanwhile, employed professionals and technicians and associate professionals who are considered most valuable to a developing nation, constituted a mere 4.5 percent and 2.7 percent, respectively.<sup>24</sup>*

The role of the PESO cannot be overemphasized. Using simple averages, each Quezon City PESO staff facilitated the employment of at least 432 job-seekers and each Marikina PESO staff placed at least 384 applicants in 2008 alone. Indeed, the PESO is an important social asset that effectively linkages employers with the human assets that they so badly need.

### *The Marikina Cultural, Tourism, Trade and Investment Promotion Office (MCTTIPO)*

A third type of social asset that contributes to employment are the incentives and other forms of business promotion. Marikina City has an Investment Code and an office, the Marikina Cultural, Tourism, Trade, and Investment Promotion Office (MCTTIPO), created in 2003 to implement the "Invest in Marikina" program aimed at encouraging businesses to invest in the city, with 2005 designated "Invest in Marikina Year". The Marikina Investment Code of 2004 (City Ordinance no. 175) identifies priority areas for investment and gives tax exemptions—on Real Property Taxes—as well as facilitative services to companies that qualify. The code also encourages investors to employ Marikina residents so that they can qualify for incentives. Activities undertaken or supported by the MCTTIPO have included the following:

<sup>24</sup> National Economic Development Authority (NEDA), Medium-Term Philippine Development Plan 2004-2010, Republic of the Philippines, 2004.

- Participating in, and conducting, trade fairs and exhibitions such as the *Magnegosyo Tayo sa Marikina Trade Fair*, sponsored by the Federation of Filipino-Chinese Chamber of Commerce and Industry.
- Investing in the Youth Series Marikina City Franchise Fiesta.
- Conducting a seminar and *kapihan* with businessmen dubbed “Translating the Most Competitive City into a City of Investments”.
- As an adjunct to the MCTTIPO, the Marikina Small and Medium Enterprises Center (Marikina SME Enterprise Center) was re-opened to enable entrepreneurs to apply or renew their Department of Trade and Industry (DTI) business registration online.
- In support of small shoe manufacturers, MCTTIPO organized thirty shoe caravans (roving shoe stores) within Luzon, which generated 10 million in total gross sales. Every year, MCTTIPO also hosts an annual “Sapatos Week” where young shoe designers showcase their creations.
- In the context of “Invest in Marikina Year,” the local government waived the building permit fees for all types of approved construction works such as commercial and industrial structures and private residences.
- Although house construction and renovations constituted 90 percent of all construction activities during the “Invest in Marikina Year,” a number of commercial outfits also decided to take the opportunity offered by the city resulting in actual creation of jobs.

Quezon City does not have an Investment Code. However, it has enacted a number of Executive Orders and Ordinances to promote large firms, as well as microbusinesses:

- Executive Order no. 12 – 2002 shortening the processing time of business permits.
- Executive Order nos. 10 and 10-A – 2007 reducing the requirements for certain types of establishments in securing a business permit.
- City Ordinance no. 1576 – 2005 reducing the amount of business taxes imposed on microenterprises by 50 percent.
- City Ordinance no. 1086 – 2001 giving a 10 percent discount to those who remit their business taxes within the first 20 days of the year.

## **Financial Assets**

Enterprises, both large and small, need financing for their business. Neither of the two city governments provides financing even for microentrepreneurs. They are wary of perceptions by borrowers that such financing is a dole-out and need not be repaid. Therefore, they refer enterprises to financial institutions including microfinance institutions, banks, cooperatives and NGOs. Quezon City has an office to assist microenterprises and this has facilitated private/NGO sector loans to more than 47,000 borrowers, amounting to more than US\$13 million.

The country’s major banks have many branches to offer consumer and business loans to residents and enterprises in Marikina and Quezon City. Obviously, these banks know that they have sufficient customers in the cities. The LGUs let them go about their business of providing financial assets needed by the local economy.

## *Marikina City Local Economic Development Board (LEDB)*

In the last quarter of 2007, ILO-Manila facilitated multi-sectoral workshops on Local Economic Development for six Local Government Units (LGUs) in different regions of the Philippines. The first one was held in Marikina City in October 2007. Representatives of the LGU, trade unions, business, informal sector, cooperatives, and academe participated actively in the workshop. The objectives of the activity were:

1. To identify issues and perceived gaps in Local Economic Development in the LGU.
2. To prioritize local development planning issues and propose solutions.
3. To identify forward actions.

A major recommendation of the workshop participants was the creation of a body to focus on local economic development (LED). They immediately went to work and on November 15, 2007, the city Mayor Ma. Lourdes Fernando signed an Executive Order creating the Local Economic Development Board (LEDB) to be chaired by Councilor Ponciano Ubaldo, who convened the LED Workshop. The Board was given the following functions:

- Design the framework and processes for local economic development and management.
- Review policies and programs of the city relevant to economic growth.
- Recommend and push for business-friendly policies and programs.
- Coordinate and network with concerned local and international organizations to promote Marikina as an investment hub.

The LEDB formed three committees to focus on key issues facing the city's strategic assets:

- Capacity-Building Committee – Human Assets.
- Business Policy Committee – Social Assets.
- Physical Planning Committee – Physical Assets.

In December 2007, a workshop was facilitated by ILO-Manila to enable the three committees to plan for the following year. One of the major plans was for the Capacity-Building Committee to organize an Education Summit to bring together government, business, labor, and academe. This was in recognition of the low quality of education as a key employment and LED challenge in the workshops.

In late 2008, the Education Summit was convened with the theme of “Marikina City's Networks to Sustain the Local Economy” to emphasize the importance of networking and collaboration in addressing education issues in relation to employment and, ultimately, local economic development. The major presentations at the Summit were the following:

- “National Business Situationer: Expectations for the Academe” by the Secretary-General of the Philippine Chamber of Commerce and Industry.
- “DOLE's (Department of Labor and Employment) National Agenda on Employment” by the Director of the Bureau of Local Employment (BLE).
- “Higher Education's Response” by the Director of the Commission on Higher Education (CHED) for the National Capital Region.

- “TechVoc Education’s Response” by a representative of the Technical Education and Skills Development Authority (TESDA).

The main output of the Summit was a Manifesto of the resulting network to:

1. Adopt a proactive/progressive stance and firm commitment to the city’s educational thrusts that will support the socioeconomic development of its communities and clientele.
2. Strengthen the educational foundation necessary for the expanded education programs, in both primary and secondary education.
3. Pursue a stronger, more direct linkage and sustained partnership among public and private sectors, to address mismatch of industry demand/s for competencies of college graduates and foster employability through:
  - close consultation with the business and industry sectors in matters of curriculum development;
  - a review and formulation of a sound national qualification framework involving general education.
4. Undertake necessary studies/research/projects for the formulation of a strategic Human Resource Development intervention in the city.
5. Continuously undertake necessary measures to professionalize the teaching and educational administration/management of the city schools, both public and private, through proper certification and accreditation for quality assurance.
6. Review/reassess current technical vocational, high school programs to better address business and industry.
7. Improve the English language proficiency program of all schools across all levels.
8. Regularly conduct fora to assess outcomes, contributions, as well as the impact/s of educational interventions on the socioeconomic development of the city.

The key actors in pursuing the above goals are the president of the Pamantasan ng Lungsod ng Marikina (City University of Marikina), the Councilor who chairs the LEDB, the LGU’s Center for Excellence (CENTEX) and the Marikina Valley Chamber of Commerce and Industry.

## Challenges

### Basic Education

Both LGUs lament the low hiring rate of their applicants in companies with many vacancies such as call centers and other business process outsourcing (BPO) firms. They blame the sad state of elementary and high school education, especially in the public schools. The Department of Education (DepEd) is the national agency responsible for the public elementary and secondary education. Its statistics ([www.deped.gov.ph](http://www.deped.gov.ph)) show that only around 55 percent of those who enter elementary school are able to complete high school. Since a high school diploma is a common requirement for employment, this means that at least 45 per cent of the youth are heavily disadvantaged.

As explained in the previous section on human assets, the two cities have supplemented their Special Education Funds with their own funding, in order to improve the inputs to basic education in the public school system. In fact, from 2001 to 2006, Quezon City funded a school building and repair program that was five times more than the Department of Education’s budget for school construction for the entire National Capital Region. Both cities have also established city

universities that offer subsidized tertiary and technical/vocational education programs. This is in addition to their locally-funded scholarship programs.

But LGUs can only do so much. National government is primarily responsible for public basic education, from curriculum development to teachers' salaries to classrooms, etc. Not even the best-funded LGUs can take on these enormous tasks.

## Sustainability

The Local Government Code sets the terms of elected officials to a maximum of three consecutive three-year terms. Fortunately, the Mayors of both Quezon City and Marikina have been able to maximize their terms through re-election. Other Mayors have not been able to do so. This limits the lifespan and sustainability of effective policies and programs.

Even though some of these have been institutionalized through local legislation, the implementation of policies and programs rests almost completely on the local executive branch, in short, the Mayor. For example, although the two cities' universities are supported by legislation, they do require substantial regular—annual—funding and are completely dependent on LGU budgets. Future Mayors may not be as supportive and may propose inadequate resources for these important contributors to the employability of local citizens.

Another sustainability question is: how long can these well-performing cities sustain their employment efforts given the problems of urban migration and rapid population growth?

*Unemployment is largely an urban problem where roughly two in every three unemployed are urban residents. This is traced to the insufficient employment and income opportunities in the rural areas that prompts many rural residents to migrate to the cities and progressive regions to find work.*<sup>25</sup>

Even without migration, within Metro Manila there is evidence that residents of poorly performing LGUs try to access the services—education, employment referral, etc.—of the better performing LGUs like Marikina, Quezon City and other better-off cities like Makati and Pasig. This has prompted these LGUs to require proof of residency before providing services to applicants. They reason that LGUs should improve their performance instead of relying on others to take care of the latter's citizens.

Over the last seven years, Quezon City's population grew by 3.3 percent per year or a total of around 505,000 people, i.e. more than the whole population of Marikina. Migrants constituted 55 percent of that population growth.<sup>26</sup> At the national level, while the population growth rate of its neighbors declined to well below 2 percent, the Philippines' growth rate, at 2.3 percent, has hardly changed.

<sup>25</sup> Ibid.

<sup>26</sup> Belmonte, Feliciano, Jr., 7<sup>th</sup> State of the City Address, Quezon City, 2008.

This was due to the continuing influence of the Catholic Church on the government's population policy. So, again: how long can these local governments sustain their employment efforts?

## **Unemployment Statistics**

Unemployment and underemployment data are available only at the national and regional levels, not at the provincial, city or town level. At present, sampling is carried out at the regional level. Quezon City and Marikina have no idea about the level of unemployment in their respective cities. The only information they have is the unemployment rate in the National Capital Region (Metro Manila) to which they both belong.

Consequently, no matter how much the two cities increase the number of job applicants they are able to place successfully, they have no idea at all if they are actually making a dent on the unemployment and underemployment situation in their localities. Marikina has been communicating this problem to the National Statistics Office for the past few years but so far, no solution has been found.

## **Physical Constraints**

As noted above, Quezon City has the largest land area of any of the component towns and cities of Metro Manila. This is both an asset and a challenge; an asset because it has plenty of room for commercial and industrial expansion. The LGU is leading the development of a 250-hectare central business district (CBD) in the heart of the city on what is presently slum-filled, underutilized public land. The country's largest companies are already locating in the immediate vicinity of the proposed site of the CBD. A large land area is also a challenge because the construction and maintenance of the physical infrastructure needed to make it habitable and productive is very expensive. Security is also a challenge.

On the other hand, Marikina has an area that is less than one seventh of the area of Quezon City. It has very limited undeveloped land area for new businesses—10.4 hectares to be exact—although the population continues to rise. This makes it very difficult to attract new outside businesses to locate in the city. What the LGU has done is to attract property developers to redevelop existing areas vertically into residential and commercial establishments.

## Conclusion

The key role of LGUs in promoting employment is to ensure that local assets are available and developed according to the needs of enterprises and markets. Both Marikina and Quezon City are focusing their social assets—in the form of their policies and institutions—as well as their budgets and programs on developing their human and physical assets.

To develop their human assets, they leveraged their local financial resources to strengthen basic education—elementary and high school—in spite of limits and limitations imposed by the national public school system. Both have also established tertiary level institutions that offer a mix of technical, vocational and degree programs. In the policy statements of the Mayors of the two cities, they explicitly emphasized the offering of courses that are attuned to the needs and trends in the labor market, namely information and communications technology, services, technical and other vocational skills.

Efforts to improve the educational and skill levels of the local population aim to 1) improve the general employability of the active population, and 2) attract to the area businesses—such as call centers—that need skilled labor. However, it will take a major national effort to address what is emerging to be a huge gap in matching the acquired skills of applicants with the requirements of the job market. Local governments can only do so much.

The improvement of the physical infrastructure has taken the lion's share of the two cities' budgets over the last eight or more years. But both had first to improve local revenue collections before they could have the budget to fund infrastructure projects. In a way, they had to start operating as efficient and effective economic units before they could build the facilities needed to boost their local economies. Even though they started with very little in the way of local funds or even with huge liabilities, both are now proud of annual surpluses that endure even with significant infrastructure spending.

Even with little, if any, detailed economic planning, Marikina and Quezon City have boosted their local economies as evidenced by the steady increases in their local revenues and the number of local businesses. Their continuing strategy of focusing the LGU's social and financial assets on the development of local physical and human assets has prepared them more than other Philippine cities to face the immense challenges of the global recession today. The future challenge will be for local governments to widen their options for job creation as the economic downturn is likely slow down job creation, especially for those areas over-dependent on inward investment and/or expansion of existing businesses.

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