

BRIEFING GUIDE

Understanding Youth Employment Policy and Action Challenges:

PHILIPPINES

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LIST OF ABBREVIATIONS

BPO	Business Processing Outsourcing
ILO	International Labor Organization
NSCB	National Statistical Coordination Board
RA	Republic Act
UN	United Nations

FOREWORD

Joblessness is particularly acute for the youth not just the Philippines, but the whole region of Southeast Asia. On average, unemployment rates for the youth have been about three times higher than adult unemployment rates, with young female consistently posting higher unemployment rates than their male counterparts.

Though this scenario appears to be the same in most parts of the world, one must be aware that there are certain differences in the way people describe who the youth are.

The UN World Youth Report 2003 defines it as a phase when a person moves from a time of dependence (childhood) to independence (adulthood) and identifies four distinct aspects of this transition: (a) Leaving the parental home and establishing new living arrangements; (b) Completing full-time education; (c) Forming close, stable personal relationships outside of the family, often resulting in marriage and children; and (d) Testing the labor market, finding work and possibly settling into a career, and achieving a more or less sustainable livelihood.

For the purpose of this document, who comprises the youth in the Philippines was described; the terms 'youth unemployment' and 'underemployment' defined; and current situation of youth unemployment at the local and global level discussed. In addition, the different cases, causes as well as triggering factors of youth unemployment and underemployment were explained.

Special thanks to the Canadian International Development Agency (CIDA) for supporting the ILO's Promoting Youth Employment in the Philippines (PYEP): Policy and Action Project.

It is hoped that this briefing guide can help clarify common issues and concerns relating to youth employment. It is also hoped that it will come in handy to all stakeholders whenever and wherever they need to know about youth and the challenges of youth unemployment and underemployment.

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1. *Who are the youth?*

According to the standard United Nations' definition, youth comprises the age-group between 15 and 24 inclusive. In practice, the definition of youth varies from country to country depending on cultural, institutional and political factors.

In the Philippines -- by virtue of **RA 8044** or **The Youth in Nation Building Act**, the *youth* is defined as *"the critical period in a person's growth and development from the onset of adolescence towards the peak of mature, self-reliant and responsible adulthood comprising the considerable sector of the population from the age of 15-30 years"*.

2. *Who are the unemployed?*

According to the ILO definition, the *unemployed* are those people who have not worked more than one hour during the short reference period but who are available for and actively seeking work.

In the Philippines (as stated in the NSCB Resolution No. 15 series of 2004) -- the *unemployed* include all persons who are 15 years old:

1. ***without work***, i.e., had no job or business
2. ***currently available for work***, i.e., were available and willing to take up work in paid employment or self employment, and/or would be available and willing to take up work in paid employment or self employment
3. ***seeking work***, i.e., had taken specific steps to look for a job or establish a business; **OR not seeking work due to the following reasons**: (a) tired/believe no work available, i.e., the discouraged workers who looked for work within the last six months; (b) awaiting results of previous job application; (c) temporary illness/disability; (d) bad weather; and (e) waiting for rehire/job recall.

3. *Who are the underemployed?*

- ☞ The **underemployed** are employed persons who desire to have additional hours of work in their present job or in an additional job, or to have a new job with longer working hours
- ☞ The **visibly underemployed** are employed persons who work for less than 40 hours during the reference week and still want additional hours of work

4. *What is ‘open unemployment’?*

Open unemployment is whereby a person between the age of 15 and 64 desires work and is ready for it but did not participate in any economic activity during the reference period.

5. *What is youth unemployment?*

Youth unemployment is a reflection of three interrelated labor market inabilities, including:

- ☞ Inability of the labor market **demand** players to create job opportunities that meet the aspirations of the job-seeking youth for decent, productive and rewarding work.
- ☞ Inability of the labor market **supply** players to produce school graduates capable of meeting the demands of a competitive enterprise, industry and economy.
- ☞ Inability of the labor market **support institutions** to identify and address in a coherent, coordinated and systematic way gaps between the demand and supply sides of the market.

6. *Why focus on youth unemployment?*

There is an urgent need to focus efforts on youth unemployment because:

- ☞ The youth are more **vulnerable to economic shocks** than adults;
- ☞ Unemployment does not only make the young people insecure; if unaddressed as soon, it becomes **multipliers of insecurity**; and
- ☞ For young people, unemployment now translates to a **larger chance of unemployment in their entire career life** thus focusing on currently marginalized youth in the labor market is a **preventive cure to adult unemployment**. (Canlas and Pardalis 2006, 1)

According to the ILO, a generation without the hope of stable employment is a burden for all of society. Poor employment in the early stages of a young person’s career can harm job prospects for life. Underemployed or unemployed youth will have less to spend as consumers or less to save and invest, which will hurt employers and economies.

The economic investment of governments in education and training will be wasted if young people do not move into productive jobs that enable them to pay taxes and support public services. Moreover, young people without means are sometimes a source of rising crime rates and drug abuse.

7. Situating youth uneemployment

Globally

Young women and men are the world's greatest assets, but they also represent a group with serious vulnerabilities. According to an International Labour Organisation (ILO) estimate, as many as 500 million young people are expected to enter the world's workforce over the next decade. The majority of jobs available to them tend to be *low-paid, insecure* and with *few benefits or prospects for advancement*. (ILO 2005)

Providing more and better employment opportunities for the youth is a global challenge. A whole generation of young women and men growing up without the prospects of finding decent work is a burden for every society and a potential source of social instability. Poor employment in the early stages of a young person's career can harm job prospects for life and hamper efforts to escape from the poverty trap. (ILO 2004)

Nationally

In the Philippines, youth employment accounts for nearly two-thirds of the total unemployed. From 1.28 million in 1988, the number of unemployed young people has doubled to 2.45 million in 2004. The youth-adult unemployment ratio in the said year was 2.6, which means that young people are almost three times more likely to become jobless compared to adults. (Canlas and Pardalis 2006, 1)

At present, policies and programs intended to assist and support the employment seeking efforts of young women and men have been generally uncoordinated, implemented in isolation, activity driven rather than results-oriented and unevenly available or accessible to young people in different parts of the country.

Local and sector specific

Youth employability status, socio-economic conditions and governance structures of a particular locality, sector or organizations are not necessarily the same. Surveying the status of youth in terms of development and employability as well as the status of their local or sector specific environment in terms of challenges, opportunities and capacities of relevant support institutions is necessary.

8. Debunking misconceptions concerning youth and the labor market

They Say:

Access to education is no longer a problem for young people

Low enrolment rates remain a substantial problem in many countries as illiteracy. Access to education remains a luxury that many households simply cannot afford for their children. So, while it is true that many young people, as well as societies, are benefiting from improved education levels, it is important to remember that the gains are far from universal and that special attention still needs to be paid to promoting free and universal education in poor countries where the opportunity costs to young people and their families of staying in school are prohibitively high.

Because young people today are better educated than ever, they will have less trouble finding work

This is true in some developed economies, but in many developing economies, where economic development has not kept pace with the increases in educational attainment and/or the educational system has not provided young people with the skills most needed in the economy, the high unemployment rates of youth with higher education degrees show otherwise.

Young people *like* to “shop around” to find the best job. Therefore, they will *choose* to take up numerous short-term, temporary posts in order to gain experience and find the “best fit”

A young person can “shop around” for the best job only in an economy with robust economic growth that results in strong demand by employers for her/his particular skills. Where there is little economic growth or a shrinking employment content of growth, there is unlikely to be opportunities to shop around for the best job.

Unemployment is the key *labor market challenge* for the youth

There are two other groups that together outnumber the unemployed youth but suffer from the same frustrations as the unemployed: the discouraged youth and the working poor. The problem for the former is the rigidity and costs of job search process before landing a job while the problem for the latter is not so much unemployment but rather the conditions of work of those who are employed.

☞ **Youth unemployment rates give an accurate picture of youth labor market challenge**

If we accept that some young people who are working (the working poor, young workers without a contract, young people in hazardous work, as examples) and some young people who are inactive (the discouraged workers) are also in situations that place them far from the goal of achieving full and productive employment, then looking at youth unemployment rates is not enough to include the large portion of the youth population that requires equal attention by policy-makers aiming to improve the productive potential of youth populations.

☞ **Youth are a *homogenous* group and strategies to tackle youth labor market challenges can be uniformly applied within and across countries.**

Youth face specific challenges in the search for decent work – young migrants, young women, youth in rural areas, young refugees. Youth are not a homogenous group so targeted interventions aimed at overcoming the specific disadvantages that some youth face in entering and remaining in the labor market is necessary.

☞ **With many young people migrating to urban areas, there is no pressing need to address labor market challenges of those living in rural areas**

Focusing on the development of youth in rural areas still makes sense as they comprise more than 40% of total employment in the world and still the dominant sector for employment in East Asia, South East Asia and the Pacific, South Asia and sub-Saharan Africa. Investing in youth in rural areas in a way that decreases their likelihood of migrating would, therefore, have the side effect of helping improve conditions for youth in urban areas. Finally, it has been shown that employment creation in rural areas has a higher impact on poverty reduction than in urban areas simply because poverty tends to be concentrated in rural areas.

☞ **Young people are poor because they do not work**

No opportunity to earn some money or payment in kind for oneself or one's family can be missed. They simply can't afford not to work even if the said available work lack social safety nets. They always try to survive by any means possible – through ingenuity, courage, self-discipline and most of all through work.

☞ **It is better to gear job creation programs toward adult job seekers rather than youth job seekers because adult job seekers will need the wages more than the young to support their families**

Giving youth the opportunity to become more active and productive participants in the workforce makes sense. However, employment policies targeted at young people should be integrated into overall employment strategies at the national level so as not to isolate one segment of society to the detriment of others.

9. Differentiating reasons for youth unemployment and underemployment

Voluntary unemployment

Young people are voluntarily unemployed, when they can afford to wait for a long period to land a job that matches long-term career aspiration, locational preference and desired income-level.. (Esguerra 2007, 2)

These voluntarily unemployed young people include the cases of the choosy educated, the OFW dependents, those tied to family-related responsibilities.

The Choosy Educated

They are the ones who completed high levels of education, but if in case they are unemployed, do so out of choice for whatsoever reason, usually to find a job that is commensurate to their capabilities. They are the ones who can afford to stay out of employment primarily due to the fact that they do not have a family to support yet, and more importantly, equipped with a high level of education, they expect nothing less than what they deserve. (Aldaba and Sescon 2007, 19)

OFW Dependents

Also contributing to youth unemployment is the dependency of some to remittances or financial support by relatives abroad – thus lessening or not putting much pressure on them to immediately find work

Involuntary unemployment/ underemployment

Involuntary unemployment happens when young people in search of work are not qualified for or find it difficult to avail of those job opportunities that they encounter. (Esguerra 2007, 2)

10. Finding out various factors leading to and reinforcing involuntary unemployment and underemployment amongst youth

Supply side factors:

These affect the quantity and quality of youth labor supplied in the market.

Quantity is usually determined by increases in the working age population which includes persons from 15 years old and above. The number of young people that can be tapped in the market may also be constrained by geographical barriers or high costs of transportation.

Meanwhile, quality of youth labor is determined by the availability of formal and non-formal education and training. Mobility of the youth from one sector to another may also be constrained by the quality of education they are able to obtain. (Aldaba and Sescon 2007, 2)

10.1 System of Education

- a. Poor Quality of Education: Many of the country's educational institutions, especially the public, lack the basic equipment and instructional materials to accommodate a large number of students – thus, sacrificing the quality of education.

The education sector is characterized by increasing drop-out rates, poor student-input ratios, poor performance in national achievement tests and a disappointing showing in international achievement tests.

- b. High Cost of Education: There is said to be a direct relationship between literacy levels, educational attainment and incidence of poverty. The socio-economically disadvantaged students have higher drop out rates because of high cost of tuition.
- c. Government Budget: There is lack of budgetary support to education leading to poor facilities and instructional materials, low wages of teachers (resulting to teachers leaving the country for a higher pay abroad), etc.
- d. Other factors: These include the poor regulation of privately run educational institutions and inability to address issues of quality via regulatory policies.

The result of these gaps is the very ill state of preparedness of the country's labor force to respond to skill requirements of the workplace. (Aldaba and Sescon 2007, 22)

10.2 High Population Growth Rates

The Philippines' long history of high fertility and population growth rates has resulted in a dominantly young population. Based from the latest population census, more than one third (37%) of the country's total population is below 15 years while those between 15 and 30 years constitute almost another one third (29%). By 2010, the youth is expected to swell to 28 million, further boosting the supply of young people in the labor market. (*Canlas and Pardalis 2006, 3*)

The increasing population leads to the increasing number of labor force supply, resulting to the increased competition and the inability of the country to provide everyone the necessary services such as quality education, basic necessities as well as decent jobs.

10.3 Poverty and Child Labor

Poverty is a cause and effect of many things, including youth unemployment. Instead of going to school, children of poor families resort to child labor, which hampers their physical, emotional and intellectual growth – leading to insecurities and skills and knowledge deficits for decent employment. The cycle goes on.

10.4 Gender-Based Bias and Family Responsibilities

Young women face higher chances of unemployment compared to their male counterparts. Family responsibilities play a key factor. Most of the time, young women are forced to leave their jobs to attend to traditionally women responsibilities such as taking care of siblings or sick family members, giving birth and subsequent childrearing. Further, young women, while performing these roles often lose contact of relevant information networks for effective labor market integration. (*Canlas and Pardalis 2006, 14*)

10.5 Migration

- a. Overseas Migration: Given the dismal state of employment in the country, more and more young people are opting to work overseas. In the 2006 Philippine Labor Force Survey, most of the migrant youth are in their prime age of 25 to 30 years old. Young women account for 60% of the total young migrants, a clear reflection of the feminization pattern of migration. The relatively higher educated are also the ones leaving, contributing further to the brain drain experience of the country. Since most of the migrants are college graduates, there is also a high probability of deskilling. (*Canlas and Pardalis 2006, 20*)
- b. Rural to Urban Migration: Youth unemployment is said to be generally higher in the urban areas than in the rural ones. The high urban unemployment rate is further exacerbated by rural-to-urban migration. The general perception that more jobs and opportunities are available in the urban areas induces the youth to come to the cities. They find out later on that jobs are actually hard to find especially with their limited skills and social network. On the other hand, most occupations that tend to have high underemployment rates are located in the rural areas. (*Canlas and Pardalis 2006, 11-14*)

Demand side factors:

Demand for labor is actually only a derived demand.

Only with increasing markets will production expand and need more labor. Thus anything in the macroeconomic level that will induce greater investments can possibly increase the demand for labor. Of course, the actual demand will also be dependent on the technologies used by specific firms, particularly whether they are more capital intensive or not. At the same time, firms demanding labor may be classified into formal or non-formal ones particularly in the SME sector. (Aldaba and Sescon 2007, 3)

10.6 Economic Recession

One of the firms' initial moves during economic downturn is to cease hiring. The youth are the ones heavily affected by a freeze in new hires, as many of the jobseekers comprising of young people. Also, in terms of termination, the cost to firms of firing young people is said to be lower than for older workers. Being less skilled, they embody lower levels of investment by firms in training and consequently involve a smaller loss to firms making them redundant. (O'Higgins 1997, 27)

10.7 Limited Sources of Economic Growth

The economic growth sources are limited and few to sufficiently absorb an increasing labor force. Exports are mostly focused on electronics, semiconductors and garments. In the service sectors, these are only telecommunications, BPOs and retail trade. This has led to an inferior quality of most employment available to the labor force. (Aldaba and Sescon 2007, 21)

10.8 Growth Sectors Require Higher Skills

Growth service sectors like the call center industry or telecommunications industry require relatively higher skills from the youth; "the best jobs in the services sector exhibit an urban-elite, capital-intensive bias". (Aldaba and Sescon 2007, 22)

Institutional support and coordination factors:

While market supply and demand forces operate to determine the level of youth employment, there are also institutional factors which may affect such outcomes. At the firm level, internal labor market arrangements may be the norm for hiring new employees. At both the firm and sectoral levels, trade union activities may affect who and how many would be hired. At the regional levels, wage policies particularly on minimum wage setting may impact on employment.

Government policies affecting the firms' investments and productivity may also affect employment e.g. access to financing and other fiscal incentives. Information asymmetries may be corrected by policies relating to job market placements, job fairs and information dissemination. At the firm and community level, different kinds of discrimination may also affect actual hiring policies. (Aldaba and Sescon 2007, 3)

10.9 Skills-Opportunities Mismatch

- a. Failure in the Training and Educational System: The mismatch occurs when the educational system fails in delivering minimum capabilities that are needed by the economy, and especially by an economy embedded in highly demanding global markets where production technologies are constantly changing. The mismatch of skills and opportunities, however, may also happen again because training and educational systems (both on the side of the service providers and on the side of households that do the enrolling) may not be sensitive to labor market signals. (Esguerra 2007, 3)
- b. Tendency of Firms to Under-Invest in Training: Because training is both firm-specific and general, firms would tend to under-invest in the more general skills that can benefit competitors, who in turn would tend to poach the highly trained staff. If such a market failure is severe it can result in the severe under-provision of training that the firms may be best placed to provide and finance. This can create a tendency among firms to hire older and more experienced workers. (Esguerra 2007, 3)
- c. Locational problems or failures. Available supply and demand for skills often do not result in employment because the high transaction costs associated with relocating to another province create a wedge between firms that would like to hire workers and workers who would like to be hired. (Esguerra 2007, 22)
- d. Poor information and Signaling Failures: Involuntary unemployment may happen simply because job seekers are not informed of job opportunities offered by employers. They may not know what kinds of jobs are needed and where they can fit in. Young people typically lack information about the compensation and job categories that their education and limited experience can fetch. (Esguerra 2007, 2)

Beyond access to information, labor market signals may not be getting through to households as well as training and educational institutions. Individuals may choose the "wrong" courses that may not be useful to many employers or find themselves achieving a level of education that falls below the minimum requirements of many employers. (Esguerra 2007, 2)

These result to over or under-subscription to certain courses due to insensitivity to or failure of labor market signals.

10.10 Access to Loans

In the Philippines, it would be difficult to secure loans without collateral, regardless of the viability of a project. Aspiring entrepreneurs with limited cash must rely on relatives or own savings to finance training and education. (Esguerra 2007, 4).

10.11 Labor Regulation Effects

- a. Regulations on minimum wages: The enforcement of the minimum wage can limit the attractiveness of taking in young workers without any work experience. In such cases, firms would prefer to wait for older and more highly skilled applicants to come along, even if there are trainable youth applying for work. (Esguerra 2007, 4)
- b. Rules on regularization of employment status: Can also lead to perverse effects, causing frequent episodes of joblessness and to lowered firm incentives to provide training to non-regular workers who must be dismissed before it becomes mandatory for the firm to regularize them. (Esguerra 2007, 4)

10.12 Discrimination

Different grounds for discrimination may exist affecting the disadvantaged workers such as the youth, the rural workers, the female workers, the differently-abled, etc. – which may occur in the different areas of the employment relationship such as: access to vocational guidance and placement services; recruitment and allocation of responsibilities; access to training and employment; career advancement; security of tenure; remuneration for work of equal value; and conditions of work.

Repeated rejection and discrimination may result to DISCOURAGED JOB SEEKERS.

OTHER FACTORS

Factors outside the control of government may also influence the employment levels of the youth. These would include the openness of foreign labor and goods markets. The former may induce labor migration affecting the local supply of labor while the latter may increase demand for labor as exports increase. (Aldaba and Sescon 2007, 4)

10.13 Global Competition

While rapid globalization and technological change offer new opportunities for productive work and income for the lucky few, for many working age young people, these trends only increase the vulnerability inherent in the transition from childhood to adulthood. Across the planet, millions of young people are failing to gain entry into the workforce because of increased competition, lack of experience and lack of skills. (ILO 2004)

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