

ILO GLOBAL EMPLOYMENT TRENDS REPORT 2009

Interview with Steven Kapsos, ILO Labour Economist on the Global Employment Trends Report

Question & Answer

QUESTION: What are the trends and projections for South-East Asia, in particular the Philippines, in the Global Employment Trends Report?

STEVEN KAPSOS: The ILO has developed three scenarios using currently-available labour market data. These show that the regional unemployment rate for South-East Asia and the Pacific (which includes the Philippines) could increase from 5.5 per cent in 2007 to between 6.0 and 6.4 per cent in 2009. This would represent an increase of 2 to 3 million unemployed people in the region.

The number of working poor (earning less than US\$2 per family member per day) and workers in vulnerable employment (lacking benefits and a safety net to guard against income loss) also appears to be on the rise in this region. As well as the 45 million workers who are already living with their families in extreme poverty (US\$1.25 per person per day), an additional 23 million people are only marginally above this line and could fall into extreme poverty if the right action is not taken.

Q: What is the impact of the global economic crisis on employment trends in the Philippines and other Asian countries?

SK: Economic growth in the Philippines has shown a sharp decline, from 7.2 per cent in 2007 to 4.2-4.5 per cent in 2008, and is expected to fall further in 2009 to 2.3-3.4 per cent. We haven't yet seen a large increase in unemployment in the Philippines, but that should not make us complacent. The crisis is also likely to be affecting workers in other ways that are more difficult to measure, such as declining working hours (an increase in part-time work), pressure for lower wages and less job security.

Q: Based on the report, the three Asian regions which included the Philippines accounted for 57 per cent of global employment creation in 2008 with less job creation in developed economies. What are the reasons for such trends?

SK: Much of this is due to demographic trends - Asia is a very young region with relatively rapid population and labour force growth.

Q: The employment rate in the Philippines (based on the Labour Force Survey) showed a pattern of increase, despite the global financial crisis, going from 92.6 per cent in January 2008 to 93.2 per cent in October 2008. What can you say about this trend, particularly as other countries are seeing falling employment rates?

SK: The issue in this region is not so much employment creation, but rather what kind of jobs are being created, whether they are good quality. For instance, are they jobs that pay a decent wage, allowing workers and their families to buy adequate food and shelter, protect their health, learn skills, escape poverty and create a better future? Are they jobs that allow economies to develop and move to higher value production? It is important to remember that Asia still has a large share of workers in vulnerable employment; more than 400 million people, or an estimated 60 per cent of the workforce, don't earn enough to release themselves and their families from extreme poverty.

Q: In 2008 about 10.5 million people in the Philippines were working in the informal sector. The Global Employment Trends projects an increase in vulnerable employment. What do you think are the factors behind such an increase? What actions could be taken to protect those in vulnerable situations?

SK: Direct assistance to the poor in the form of cash, subsidies for education and spending on health care can be effective ways of ensuring that people are able to continue spending and consuming, which will support growth and jobs. Loans to small and medium-sized enterprises, which employ most workers in the region but are having problems getting the credit they need to survive, are another good tool for policymakers to consider. Longer term, increased investment in education and training can help to ensure that workers have up-to-date skills that will be in demand when the recovery begins to take shape.

Q: The global financial crisis has now become a global jobs crisis. What is the ILO doing ?

SK: The ILO, in collaboration with the Asian Development Bank, is organizing a High-Level Regional Forum in Manila from 18-20 February. The meeting, on "Responding to the Economic Crisis - Coherent policies for Growth, Employment and Decent work in Asia and the Pacific", will bring together policy-makers from governments, business and labour from throughout Asia Pacific. International and regional experts will also be there. The aim is to encourage discussion on the best policy responses to tackle the economic and social consequences' of the crisis.

Q: Do you think the Philippine economy is safe from the global crunch with large foreign exchange reserves and fiscal surplus?

SK: Growth in the Philippines is slowing, which is likely to have an adverse effect on the labour market and so people's lives and livelihoods. Large reserves and a fiscal surplus give more options for addressing the crisis, but policy makers should not be complacent. Appropriate policies must be designed and implemented. It is important to identify ways to create jobs and ensure that the poor and most vulnerable do not slip further behind. This will help to ensure that a recovery occurs sooner rather than later.

Q: What is the worst case scenario for a country like the Philippines with large level of remittances?

SK: A prolonged crisis could create in a negative cycle of declining demand, falling output, rising joblessness and poverty. But if appropriate action is taken and there is international coordination, this can be avoided.

It is important to ask what the impact will be on migrant workers. They are important in both receiving countries, where they often perform vital jobs in the economy, and in their home countries such as the Philippines, where their remittances bring great benefits. Migrant workers may be at risk if rising unemployment puts pressure on policymakers to free up jobs for their own nationals. But the issue of migrant workers should not be used as a political football. Sending migrant workers home would not only harm them - it would also be harmful to the firms where they work as they may have difficulties finding appropriately qualified workers, which would hurt their competitiveness.

Q: What are the necessary steps or measures for Asian countries like the Philippines now that the whole world is confronting this economic crisis?

SK: First, ensure that the patient survives - that credit markets are unfrozen so that business and lending can resume. A lot of progress has been made on this front.

Second, give the patient the appropriate medicine - monetary and fiscal stimulus. More than that, fiscal stimulus packages should have the explicit goal of creating employment, improving labour market outcomes and protecting the poor and vulnerable.

Third, begin to rehabilitate the patient for the long-run - focus on building the skills and education of the workforce so that they are able to run once the race starts again.

Q: What are your projections for 2009 based on the Global Employment Trends globally and locally for the Philippines? Do you think we can survive this economic crisis?

SK: Most certainly yes, if we act quickly and bring in the right policies. We may not be able to prevent the onset of the crisis but we can affect how quickly we get out of it, and in what sort of shape.

Q: Do you think it is possible to achieve decent work amidst the crisis when people are unemployed or have no other choice but to settle for whatever jobs are available?

SK: It may certainly be difficult, but the onset of the crisis - and the way it was created - is producing a fundamental re-evaluation in all countries of the aims and objectives of growth and development. People know that for growth to be sustainable and stable it must be more inclusive. Jobs that trap people in poverty, rather than releasing them from it, do not allow people or societies to grow economically and socially, or to be productive and competitive in the long term. So the lesson of this crisis is that Decent Work is not an optional luxury, it is essential for stable, equitable growth.