Labor and Employment Statistics
At A Glance

June 2018

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Providing productive employment is widely recognized as an effective means of lifting people out of poverty. In the Philippine Development Plan (PDP) 2017-2022, one of the main goals is to facilitate the creation of quality jobs in the various sectors of the economy to reduce the unemployment rate from 5.5 percent in 2016 to 3-5 percent by 2022. Labor data which are collected by the Philippine Statistics Authority (PSA) through the quarterly conduct of the Labor Force Survey (LFS) show how the country has fared so far in its employment agenda.

Labor Force. The labor force represents the proportion of the working age population (15-54 years old) that is economically active or either employed or unemployed. Based on the latest LFS, out of the 71.0 million working-age population in April 2018, 43.2 million people are in the labor force.

From 2007 to 2016, the average annual labor force participation rate (LFPR) was 64.0 percent. In April 2018, it dropped to 60.9 percent. The marked decline can be attributed to the implementation of the Department of Education's (DepEd) K-to-12 program, which added two more years for basic education and consequently prolonged the entry of working-age individuals to the labor force.
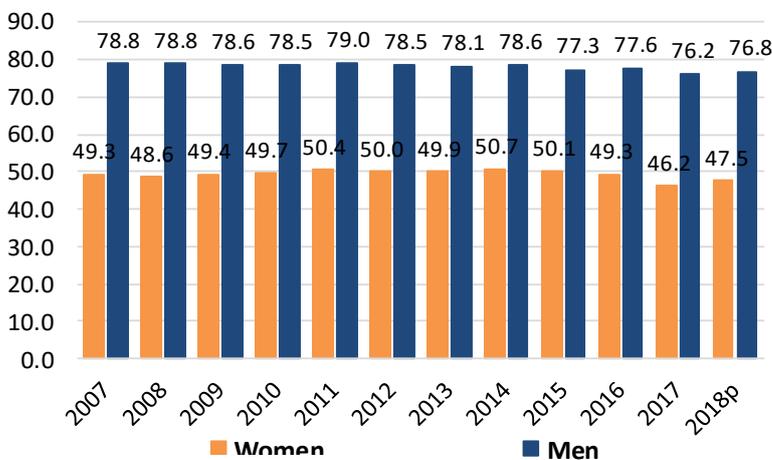

Fig. 1 Working Age Population and Labor Force (in '000)
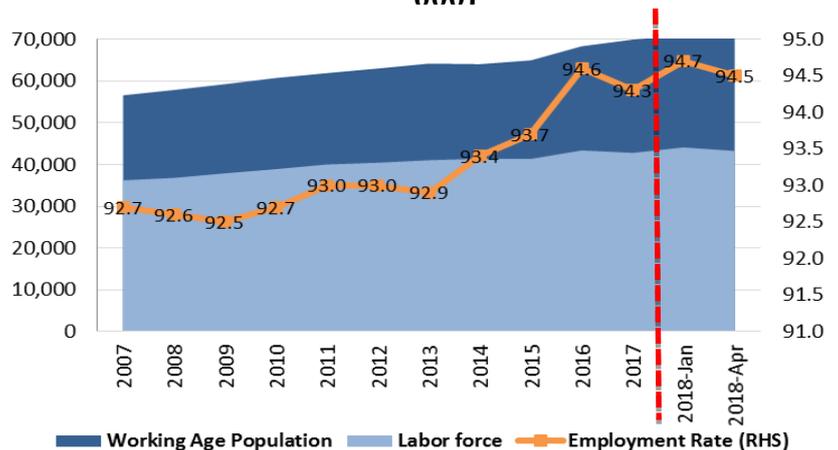
Source: Labor Force Survey, PSA
Note: Quarterly data for 2018 is not comparable to the 2007-2017 annual data.

Fig. 2 Labor Force Participation Female vis-à-vis Male, 2007-2018p

Source Labor Force Survey, PSA

In recent years, the gender gap in LFPR seems to have worsened. From 49.3 percent in 2007, the LFPR of women even fell to 47.5 percent in January 2018. This takes the country farther from meeting its PDP target to increase the LFPR of women to 51.3 percent by 2022.

Employment Rate. On the average, the country's employment levels have been growing by 2.3 percent from 2007 to 2016. In 2017, employment growth was negative 1.6 percent, which is equivalent to some

663,000 jobs lost. The data for the first two rounds (January and April) of the LFS for 2018 is more encouraging with average employment rate at 94.6 percent, higher than the 93.9 percent average for the same period last year. Coming from a low base, the number of jobs generated was higher at 1.5 million jobs.

By Sector. Two decades ago, 40 percent of the employed were in the agricultural sector. In 2018, this has declined to 25 percent. On the other hand, 5 out of 10 Filipinos are now employed in the services sector as it continues to account for the largest share of the domestic economy. More recently, the push for industrialization, particularly the resurgence of manufacturing, has resulted in the increase in industry's share to total employment.
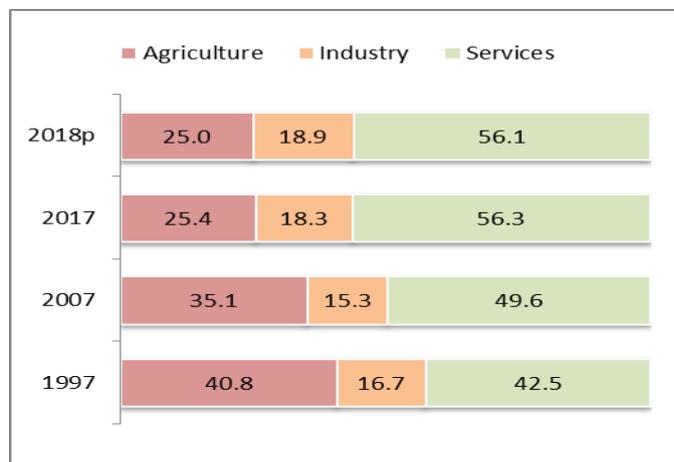
Underemployment Rate

The underemployed represents the human resources who are not working at full capacity.[1] Since 2012, the underemployment rate has been declining from 20.0 percent to 16.1 percent in 2017, the lowest in over a decade. This is a positive development as it implies an improvement in the quality of jobs.

However, the average for the first two rounds (January and April) of the LFS for 2018 shows an uptrend – from an average of 16.2 percent in 2017 to 17.5 percent. This brings the total number of underemployed to around 7.2 million workers from just 6.4 million in the same period in 2017. Much of the increase came from the services sector, accounting for some 369,500 individuals.

Fig. 3 Sector Share to Total Employment (%), 1997, 2007, 2017 and 2018p

Source: Labor Force Survey, PSA (various years)
*2018p is the average of January and April 2018 data

Fig. 4 Percent Distribution of Employed by Class of Worker and Underemployment Rate (2012-2018p)
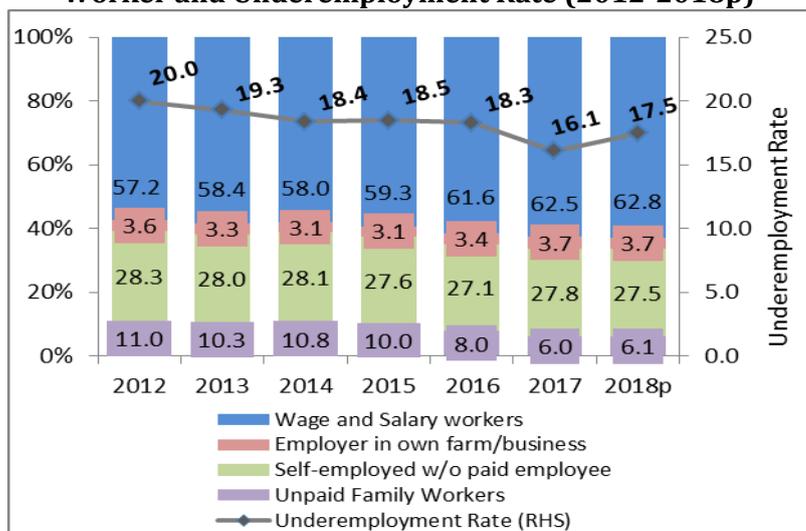

Source: Labor Force Survey, PSA

Also note that during the first two rounds of the LFS for 2017, unpaid family workers accounted for 6.5 percent of those employed. This dropped to 6.1 percent equivalent to some 2.5 million individuals in the same period in 2018. This coincided with the increase in the proportion of wage and salary workers to total employed from 62.1 percent in 2017 to 62.8 percent in 2018.

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[1] Underemployment rate refers to the proportion of the employed population wanting: (1) additional hours of work in their present job; or (2) an additional job; or (3) a new job with longer working hours. Those who are underemployed can either be *visibly* underemployed (i.e., working less than 40 hours a week) or *invisibly* underemployed (i.e., working 40 hours or more a week).

Table 1. Underemployment by Sector, Jan-Apr 2017 vis-à-vis 2018

In Thousand	2017			2018			Year-on-year		
	Jan	Apr	Ave	Jan	Apr	Ave	Jan	Apr	Ave
Underemployment	6,398	6,468	6,433	7,498	6,934	7,216	1,100	466	783
Agriculture	2,099	2,322	2,210	2,714	2,247	2,480	616	-75	270
Industry	1,299	1,274	1,286	1,440	1,421	1,431	141	147	144
Services	3,001	2,872	2,936	3,344	3,266	3,305	343	394	369
Underemployment Rate (%)	16.3	16.1	16.2	18.0	17.0	17.5			
Unemployment Rate (%)	6.6	5.7	6.2	5.3	5.5	5.4			

Source: Labor Force Survey, PSA

Unemployment. The unemployment rate has been exhibiting a downward trajectory for the period 2007-2016.   However, it rose slightly from 5.4 percent in 2016 to 5.7 percent in 2017. The increase in unemployment in 2017 was partly attributed to "base effect" brought on by an increase in election-related jobs in 2016. This was also observed a year after the 2010 elections, an example of what is called *cyclical unemployment*.[2]

In the first two rounds of the LFS for 2018, there was a significant decrease in the unemployment rates from an average of 6.2 percent in January-April 2017 to 5.4 percent in 2018. This decline should be sustained to meet the PDP unemployment rate target of 3.0-5.0 percent by the year 2022.

Moving Forward

Over the years, Congress has passed important pieces of legislation that would encourage investments, facilitate job creation and improve the employment situation in the country. Just recently, Republic Act 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act has been signed into law. Currently pending in the Senate is Senate Bill No. 1754 or the Amendment to the Public Service Act. Both are expected to speed up the creation, as well as the expansion, of investments which can generate more jobs for the people.

Public investment in infrastructure is also being ramped up which would result in more jobs. At the moment, there are 11,828 available jobs listed in the Build, Build, Build portal. It must be noted though that the unskilled and the underemployed are mostly found in the agricultural sector. Hence, government also needs to invest more on improving agricultural productivity and providing greater support for agribusiness and broader value chain development. Likewise, the passage of the National Land Use Act would be a welcome reform as it would ensure the viability and sustainability of on-farm employment and over-all rural development.

On the issue of the job-skill mismatch, the recent passage of Republic Act No. 10968 or the Philippine Qualifications Framework (PQF) Act is expected to strengthen the link between education, training systems, and labor markets through the harmonization and standardization of skills. The law is especially beneficial

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[2] Cyclical unemployment is a result of the cyclical nature of the economy and occurs whenever there is a general downturn in business activity.

for Filipinos who want to have higher paying jobs overseas as their education qualifications would now be recognized globally.

Skills development and re-tooling programs through the implementation of the K-to-12 program is essentially aimed at enhancing the productivity and competitiveness of the country's future workforce. However, with reports that K-12 graduates may still not be work-ready, there are renewed calls from Philippine business groups and the Joint Foreign Chambers to reform and strengthen the country's apprenticeship program. Senate Bill No. 1392 or the Apprenticeship Training System Act of 2017 seeks to address this need.

Meanwhile, studies have shown that the lower LFPR of women arises from their domestic work and care constraints, human capital differences, and inferior employment and decent work opportunities, among others. To address this, the Responsible Parenthood and Reproductive Health Law should be fully implemented. Policies that could improve the access and affordability of child care services can also encourage more women to join the labor force.

In the area of social protection, understandably, there is currently a clamor for higher minimum wages given the significant rise in inflation. Wage boards face the challenging task of determining the optimal amount of increase as too little would be meaningless while too big could be costly for both business and workers. Studies have shown that although well intentioned, mandating a high minimum wage may lead to reduced working hours and job losses. The people who need the relief the most- the small businesses and the young, inexperienced, less educated, and women workers are usually the hardest hit. As such, other policy interventions that would help reduce the workers' cost of living should also be considered, the most urgent of which is rice tariffication.

The provision for unemployment insurance has been proposed through the years and is actually included in the PDP 2017-2022 legislative agenda for labor and employment. It is envisioned to provide minimal livelihood and retraining programs to workers who suffer from involuntary unemployment. The SSS is currently studying the components of the program to ensure its viability. Striking the right balance between social protection and enterprise development that engender job creation remain to be a daunting challenge.

Lastly, President Duterte issued Executive Order No. 51 last May 1, 2018 prohibiting *illegal* contracting and subcontracting. It essentially acknowledges the right of workers to security of tenure. The signing of EO 51 is part of the fulfillment to put an end to forms of illegal contractualization: "endo" or end of contract[3] and labor-only contracting[4]. Note that the Labor Code allows job contracting and fixed- term employment contracts, and project or seasonal workers.[5] This legal form of contractualization ensures the protection of labor rights and is beneficial to our country that is trying to prop up its manufacturing sector (Fabella, 2018).[6]   Completely eradicating all forms of contractualization, however, does have economic consequences particularly in firms' hiring decisions and the employment level, and could actually undermine the goal of achieving, rapid, inclusive, and sustained economic growth (Paqueo and Orbeta, 2016).[7]

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[3] *End of Contract* refers to the labor practice of hiring workers for only five months and replacing them with a new batch of workers also for five months, to evade the law requiring regularization after six months of service

[4] In *labor-only contracting* the contractor or sub-contractor merely recruits, supplies, or places workers to perform a job, work, or service for the principal." (Sasan vs. NLRC, Oct 17, 2008)

[5] *Legal and Illegal Labor Contracting.* Artemio V. Panganiban. Philippine Daily Inquirer 6 May 2018.

[6] *"Endo and Manufacturing"* in Introspective. Raul V. Fabella. Business World 29 April 2018.

[7] Paqueo, V. and Orbeta, A. (2016). *Beware of the "End of Contractualization!" Battle Cry*. Philippine Institute for Development Studies Discussion Paper 2016-55