

POLICY BRIEF

GLOBALIZATION, ADJUSTMENT AND THE CHALLENGE OF INCLUSIVE GROWTH

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STUBBORN UNEMPLOYMENT AND EMPLOYMENT VULNERABILITY IN THE MIDST OF ECONOMIC GROWTH: THE PHILIPPINE CASE

INTRODUCTION

The Philippines was ushered into the new millennium with an economic expansion associated with domestic labor market conditions unlike those of the last decade of the twentieth century. Characterized by a worsening, even-though-already-high, open unemployment rate and underemployment and a persistently pervasive vulnerable employment, the economy provided a bleak picture for workers in marked contrast to the more inclusive nature of the growth episode in the 1990s (before the Asian financial crisis).

These findings were highlighted in Cabegin, Dacuycuy, and Alba (2009), which examines the changing incidence and character of disadvantaged labor in the past two decades. Instead of considering disadvantaged employment as a unitary concept, the researchers adopted a multi-dimensional treatment that incorporates the nature of disadvantaged employment with indicators of well-being to better capture varying degrees of job vulnerability and deprivation from remunerated work. They constructed the following typology of disadvantaged workers:

- Openly unemployed are persons who comprise those who are without work during the reference period but are available and actively seeking work, or those available but not seeking work because they are temporarily sick or disabled, or waiting for rehire or the results of a job application
- Discouraged workers are persons who are without work during the reference period but are not seeking work

because they believe that there is none available.

- Underemployed persons are those who reported wanting additional hours of work in the present job or in a new job or through an additional job. There are two types. The visibly underemployed persons are the underemployed who are working less than the normal working hours of 8 hours a day or 40 hours a week during the reference week. Otherwise, they are invisibly underemployed.
- Fully-employed vulnerable workers are those who do not share the same entitlements or protection accrued to regular workers under the Philippine Labor Code in respect to working conditions such as security of tenure, wages and leave benefits, health and social security benefits, and the right to collective bargaining. They are classified further into: (a) the poor self-employed and family-owned business workers, and (b) short-term

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¹The Philippine Labor Force Survey asked whether the individual has ever worked or had a job/business in the past week.

²Under the Philippine Labor Code, regular employees are entitled to security of tenure [i.e. they cannot be dismissed without just cause], wage and benefits including the payment of minimum wages, premium pay for work rendered during special or rest day, overtime pay, nightshift differential, service incentive leave, 13th month pay, maternity/paternity leave, separation or retirement pay, self-organization and collective

and intermittent workers.

- Labor force is defined as the population between the ages of 15 and 64 who are either unemployed or employed (in the domestic labor market or overseas as contract workers).

RESULTS

The paper challenges the current dominant preoccupation of social policy discussions on avoiding unemployment and brings attention to the more pervasive problem of inadequate and vulnerable employment, an issue that has so far been only given peripheral consideration relative to unemployment. Using cross-section data for several years from the Labor Force Surveys and Family Income and Expenditure Surveys, the authors dissected the past two decades into the economic growth episodes of 1991-1997 and of 2000-2006 to show the following findings:

- The meager improvement in open unemployment observed from 1990-1997 was not sustained, with the rate of open unemployment increasing from 5 percent in 1997 to 6.2 percent in 2000, 6.8 percent in 2003 and 7.5 percent in 2006. This made the Philippines home to about 2.7 million people who looked but could not find work in 2006.
- Adding the discouraged workers or those who stopped looking for work because they believed no work is available raised the total unemployment rate to 9.2 percent, and increased the estimated number of unemployed Filipinos to 3.3 million in 2006.
- The worsening unemployment scenario was reflected not only in terms of increasing rates but also in increasing length of duration of unemployment. The average number of weeks spent in searching for work by the unemployed increased from 7.3 weeks in 1997 to 8.2 weeks in 2003 and 2006.
- A more pervasive problem than unemployment was underemployment

and vulnerable full-employment. In the Philippines, there were more than twice as many underemployed as there were unemployed workers, and particularly in the more recent years, their numbers have multiplied at a faster pace than that of the unemployed.

- Of the total labor force, 18.7 percent were underemployed in 1991 which declined to 17.8 in 1997 but leaped to 19.6 percent in 2006. This translates to an estimated 7.1 million Filipino workers who were underemployed and adding to this the 3.2 million unemployed, brings the total underutilized labor to 10.3 million in 2006.
- The more prevalent type of underemployment in the Philippines is invisible underemployment, but its relative importance has diminished from 62 percent of total underemployment in 1991 to 54 percent in 2006.
- An equally disturbing phenomenon that accompanies the more recent economic expansion is the growing mass of precarious and vulnerable employment, partly attributed to the emerging formation of more flexible labor arrangements and lack of demand for wage employment. For the most part of the 1990s, fully-employed vulnerable workers were equally divided between self-employed workers and short-term wage workers. In more recent years,

the balance tipped in favor of short-term workers which accounted for about 60 percent of fully employed vulnerable workers between 2003 and 2006.

- The share of the labor force that was fully engaged in vulnerable employment was mostly within the range of 24-27 percent for much of the period between 1991 and 2006, except for a sharp uptake to 30 percent in 2003. In 2006, close to 13 million Filipino workers were estimated to be fully employed in vulnerable employment, a number that is more than three times more compared to the openly unemployed (Table 1).
- Vulnerable workers are not limited to the fully employed. About 70 percent of the total vulnerable workers were fully employed and the rest were equally about shared between visible and invisible underemployment. The more recent years (2000-2006 period vs. the previous decade) showed a shift towards increasing share of vulnerable workers who were visibly underemployed.
- More than half of the Philippine labor force were categorized as disadvantaged workers, a situation that has worsened during the 2000-2006 period. Overall, 56 percent of the labor force or an estimated 20 million Filipino workers were in disadvantaged employment as of 2006.

Table 1: Rate of disadvantaged workers by type, 1991-2006

Year	Unemployed		Total	Underemployed Worker	Total underutilized labor	Fully Employed Vulnerable Worker	Total Disadvantaged Worker
	Openly unemployed worker	Discouraged worker					
1991	6.0	2.7	8.8	18.7	27.5	24.1	51.6
1994	4.8	2.3	7.1	19.0	26.2	26.3	52.4
1997	5.0	2.2	7.2	17.8	25.0	26.3	51.3
2000	6.2	2.9	9.1	17.6	26.7	25.0	51.7
2003	6.8	2.2	9.0	16.4	25.3	29.8	55.1
2006	7.5	1.7	9.2	19.6	28.8	26.7	55.5
Percent Change							
1991-1997	-1.0	-0.5	-1.6	-0.9	-2.5	2.1	-0.3
2000-2006	1.4	-1.3	0.1	2.1	2.1	1.7	3.9

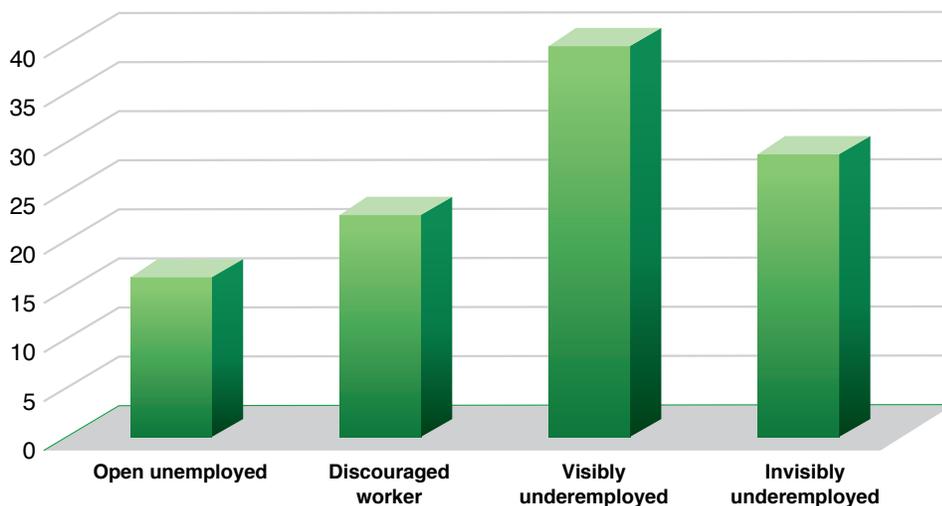
DISCUSSION

The available evidence indicates that the employment problem in the country is not only unemployment, but also underemployment and poor own-business and family business workers. The concern for the underemployed and the fully-employed self- or family employed business workers becomes even more pressing given its closer affiliation to poverty-related characteristics. In 2006, 18 percent of openly unemployed workers belong to poor households compared with 36 percent among the underemployed (Figure 1). Note that among the self- and family-employed workers, only those belonging to poor households were considered part of vulnerable workers. Poverty is not as severe among short-term or intermittent workers, as they are among the other types of disadvantaged workers.

The more detailed profile of the disadvantaged workers substantiates the contention that openly unemployed persons were on average less badly off relative to most of the rest of the disadvantaged workers who may not have the luxury of time to wait in unemployment for more attractive wage offers. Short-term and intermittent fully employed workers were the only type of disadvantaged workers who were on average relatively better off (in terms of poverty status) than the unemployed. On one hand, those who were openly unemployed tend to be younger, and relatively more educated urban residents (Figure 2). On the other hand, those who suffered from inadequate and insecure employment were more likely to be the least educated, male rural dwellers, and household heads in prime working ages - those who can least afford to be unemployed. An important implication for policy that would redound to significant welfare improvement among the most economically disadvantaged is to shift the focus from just mitigating unemployment to the generation of more adequate and secure employment opportunities.

While a lower rate of unemployment is better than a higher rate, a diminishing level of unemployment is less desirable if it is associated with increasing rather than

Figure 1: Percent in poor household among disadvantaged workers, 2006



declining incidence of underemployment and vulnerable employment. In the Philippines, while indicators of disadvantaged employment attributed to unemployment and underemployment posted a decline during the economic expansion between 1991 and 1997, the period 2000-2006 was characterized by increasing unemployment and underemployment. This means that Filipino workers are increasingly finding it hard to get a job and for those who are able to transition from unemployment into work, they are increasingly more likely to end up in jobs that entail lower than desired work hours or benefits. Unlike the economic growth for the most part of the 1990s, the disadvantaged workers have largely been kept out from equally sharing the benefits of economic expansion in the more recent years. Growth in the 2000s was not sufficient to hold down the increase in open unemployment and underemployment.

In the past two decades, the services sector remained to be the major engine of economic growth, particularly in the more modern marketing and financial services sector. This is in contrast to the paltry performance of the manufacturing and agriculture sectors. The services sector is a dominant source of employment and has increasingly

absorbed labor for the period 1991-1997. This pattern was reversed between 2000 and 2006, particularly in the community and personal services which account for the primary share of services employment. By contrast, the agriculture sector, which took up a declining share of the employed labor force between 1991 and 1996, has filled in the slack in the services sector for the period 2000-2006. Workers in the agriculture sector were twice as likely to be disadvantaged (underemployed or fully employed in vulnerable employment) than that in the manufacturing or services sector. The community and personal services sector which has the least proportion of disadvantaged workers (particularly the underemployed), may have served as an important safety valve in absorbing surplus labor from the agriculture sector but this role has diminished in the more recent period.

POLICY IMPLICATIONS

The government is faced with the challenge of adopting a multi-pronged strategy to reduce both unemployment and underemployment, and encourage an environment that fosters improved management and labor relations with a view to increasing both labor productivity and laborer welfare. There is need to set up a mechanism of monitoring and feedback not just of unemployment indicators, but

Figure 2: Percent male, rural dwellers and prime-age workers by type disadvantaged work, 2006

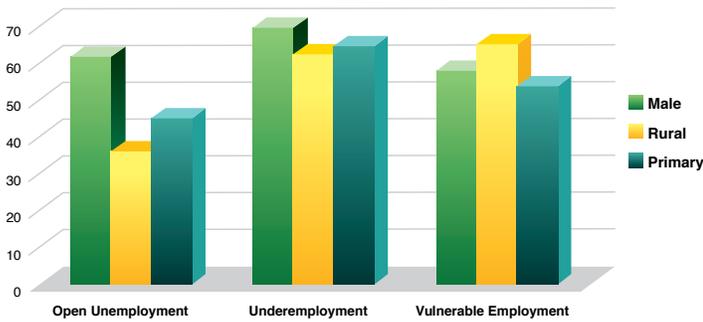
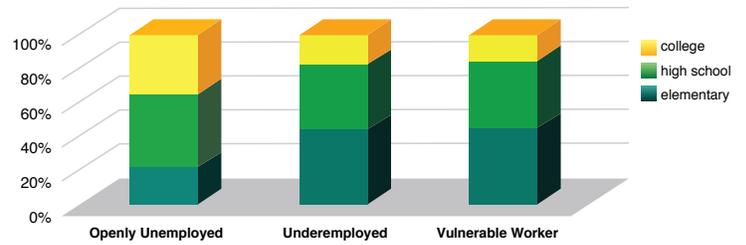


Figure 3: Education profile (%) of disadvantaged workers by type, 2006



of the various forms of underemployment and vulnerable employment. In-depth and longitudinal analysis of the nature, causes and consequences of these inter-related phenomena is important to a clearer understanding of this complex problem and to devise more comprehensive and effective labor policy reforms.

Some policy options that can be considered to tackle the persistently high level of unemployment as well as the burgeoning mass of underemployed and the poor vulnerable workforce include: (a) strengthening employment services in the local areas to provide vocational counseling, and setting up a stronger referral system for skills training and re-training and job placement; (b) providing support for increased information on job opportunities and for increased mobility of rural residents (focusing on unemployed young rural women and underemployed males in the prime working ages); (c) expanding support services to improve rural productivity including increased investments in rural infrastructure; (d) strengthening of the financial and credit market designed to reduce capital constraints by farm households and the small firms in the services sector; (e) fostering a more active linkage between the services sector and the agriculture sector so as to reduce seasonal unemployment; and (f) improving the policy environment to enhance the country's integration to the world economy as well as to promote domestic and foreign investments that would stimulate the demand for labor.

Given the already limited absorptive capacity of the economy, the persistently high rate of population growth and the concomitant burgeoning of the working age population exacerbated unemployment and underemployment in the country. High fertility translated to a larger number of dependents every year, and diverted resources toward consumption and away from investments needed to increase productivity and spur increased demand for employment.

In addition, while the rate of labor force

participation has remained at about 63 percent for the period 1991-1996, it increased to 67 percent in 2006. Because of the increasing annual increment of working age population along with higher rates of labor force participation, the Philippine economy needed to generate about twice as many jobs in 2000-2006 as in 1991-1997 (from an estimated average of 600,000 jobs every year for the period 1991-1996 to almost 1.2 million in the period 2000-2006). This makes the regulation of population growth of prime importance.

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