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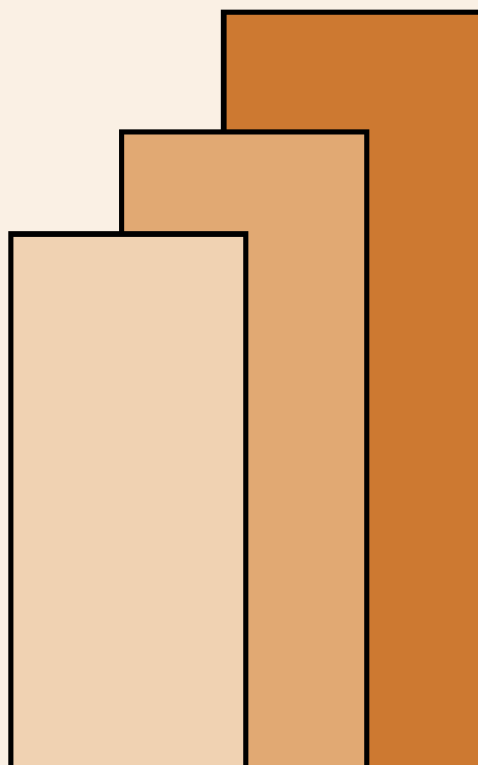
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**PHILIPPINE EMPLOYMENT AND INDUSTRIAL RELATIONS POLICIES:  
AN ASSESSMENT**

*Gonzalo M. Jurado and Ma. Teresa C. Sanchez*

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## **PHILIPPINE EMPLOYMENT AND INDUSTRIAL RELATIONS POLICIES: AN ASSESSMENT<sup>1</sup>**

*Gonzalo M. Jurado and Ma. Teresa C. Sanchez<sup>2</sup>*

### **I. Perspective**

The last five years have seen the Philippine government intensifying the pace of its policy and action reforms in order to accelerate the growth and development of the economy, the alleviation of poverty and the inauguration of greater equity in Philippine society. Key to these reforms has been the emphasis on employment creation and the promotion of harmony in industrial relations—the means for giving poor people access to the fruits of production and allowing growth to proceed at a more rapid pace. It is the government's hope that, through the success of these programs, the attainment of the nation's overriding goals of eradicating poverty, speeding up growth and improving equity can be hastened.

The policy thrusts towards faster employment generation and improved industrial relations are laid down and elaborated in three important Government documents: The National Employment Plan (NEP) 1993-1998, the Medium Term Philippine Development Plan (MTPDP) 1993-1998, and the Comprehensive Employment Strategy Program (CESP) 1995. These thrusts are aimed at opening up wider opportunities for employment for the labor force, increasing the incomes of the poor people, and improving the work force' global competitiveness. To what extent these key elements of reform have realized their purpose constitutes an extremely interesting question.

The objective of this paper is to assess the government's accomplishments in the area of employment and industrial relations and evaluate the impact of these accomplishments on the national goals of enhanced growth, reduced poverty and improved equity. Accordingly, the study tries to find answers to the following specific questions: (i) What has been the rate of employment creation in the economy? Has it been sufficient to solve the unemployment problem? (ii) What has been the trend of real wages? (iii) Is Philippine labor becoming more (or less) internationally competitive? (iv) What is happening to income distribution? In whose favor is it changing? (v) Are the economy's industrial relations improving? (vi) What is the state of overseas employment for Filipinos?

After an assessment of performance in terms of the foregoing questions, recommendations will be made to improve achievement of plan goals as well as deal with other relevant issues.

## II. Targets, Policies and Strategies of MTPDP and NEP

### A. *The Overall View*

The MTPDP sets forth the government's plans in the area of employment and industrial relations, subsuming them under the broad rubric of human development. It is however in the NEP, later in the updated CESP, where these plans are laid out and elaborated upon in great detail and concreteness.

Human development, as the MTPDP puts it, is, for the majority of Filipinos at this time, synonymous with the attainment of the most basic needs, including adequate nourishment, freedom from avoidable diseases, adequate shelter and clothing, education, and physical security and safety. "Poverty is no more than the inability to satisfy these irreducible needs. Therefore, the main task of human development is to reduce and ultimately eradicate poverty"(p.3).

The reduction and eventual eradication of poverty, as the MTPDP sees it, requires industrialization and development and the consequent employment of people, particularly the poor ones, in productive economic activities. Employment is therefore a priority of human development.

The creation and increase in employment opportunities is one part of the plan for solving the poverty problem. The other part is the transmission to the work force of a genuine work ethic and to the entrepreneurial class of the ability to seize market opportunities and motivate workers to attain new heights of productivity. Investments must therefore be made in education, on-the-job-training, research, health and nutrition, among other concerns. (p. 5).

It is thus human development, achieved through investments in human beings and employment, particularly of the poor, in high productivity economic activities, that will guarantee not only the reduction and eventual elimination of poverty but the attainment of competitiveness in the global economy as well.

In the field of industrial relations, the MTPDP calls for the strengthening of regional tripartite wages and productivity boards (RTWPBs) and the institutionalization of other tripartite and multi-sectoral consultations for macro-economic, industry and area-wide policy-making; more strict enforcement of labor standards and safety and health regulations; encouragement of enterprise-based schemes to upgrade workers' skills and productivity; simplification of systems and procedures for dispensing labor justice, forming labor organizations, and increasing labor representation in decision-making; and the strengthening of labor market information systems and employment facilitation programs in support of desirable industrial restructuring objectives.

The NEP, which is a companion volume of the MTPDP and is entirely consistent with it, translates development plans into specific employment programs and elaborates a wide-ranging program of new initiatives on the supply side of the employment equation. The objectives of the NEP are the following: (i) the acceleration of the generation and expansion of employment, (ii) the reduction unemployment and underemployment, (iii) the facilitation of the matching between the supply and the demand for labor, and (iv) the promotion of safe and humane conditions of work, including improved wage levels, for workers in all sectors. To achieve these objectives, the NEP lays out a strategy covering three processes: employment generation, labor market facilitation, and manpower development.

### ***B. Specific Targets, Policies and Strategies***

As attainable targets, both the MTPDP and the NEP propose to generate an average of 1.1 million jobs annually over the 1994-1998 period and consequently reduce over the same period the unemployment rate from 9.1 percent to 6.6 percent. According to the NEP these jobs will be generated over the years as follows:

	Total Employment (in million workers)	Annual Increase		Total Employment (in million workers)	Annual Increase
1993	24.467		1996	27.786	1.163
1994	25.519	1.052	1997	29.003	1.217
1995	26.623	1.104	1998	30.334	1.331

To achieve these targets, both Plans propose policies and strategies consisting basically of two thrusts: (i) accelerated employment generation and (ii) human resource development. Under the first thrust, the intention is to (a) push for sustained growth in incomes and employment among the poor people, (b) set up safety nets for those who will be adversely affected by structural adjustment, and (c) direct public resources and efforts towards basic social services, disadvantaged regions, and specific groups of the poor.

Under the second thrust, the intention of both Plans is to (a) focus education and manpower development on meeting the changing demand for basic, middle-level, and higher-level knowledge and skills, and (b) create new and upgrade existing capabilities in the government for manpower planning, training and research; (c) encourage the private sector to take up a greater role in skills development, and (d) improve the capabilities of Local Government Units and Non-Governmental Organizations to deliver training programs to the informal sector, disabled/handicapped persons, women, indigenous cultural communities, urban poor families and parent couples.

### III. An Analytical Framework

#### A. *The Framework*

To assess the performance of the government in the field of employment and industrial relations in terms of the specific questions posed earlier, we lay out the following analytical framework and then apply it to the concrete realities of the Philippine economy.

Consider the nominal Gross Domestic Product and divide it into factor shares:

$$(1) \quad pY = wL + rK$$

where:  $p$  is the average price level,  $Y$  the real domestic product,  $w$  the average nominal wage rate,  $L$  the level of employment,  $r$  the average rental cost of capital, and  $K$  capital stock, all in annual terms.

Dividing both sides by  $pY$  yields:

$$(2) \quad 1 = wL/pY + rK/pY$$

where:  $wL/pY$  is the share of labor and  $rK/pY$  the share of capital.

The average productivity of labor  $h$  is:

$$(3) \quad h = Y/L \quad (3a) \quad Y = hL$$

where  $Y$  and  $L$  are as previously defined.

Substituting (3a) into (2) and treating the share of capital as a residual yields:

$$(4) \quad 1 = w/ph + (1 - w/ph)$$

Equation (4) constitutes the heart of the framework. The equation focuses attention to (i) each of  $w$ ,  $p$ , and  $h$ , and, more importantly, to (ii) the real wage,  $w/p$ , (iii) the unit cost of labor,  $w/h$ , and (iv) the share of labor in the gross domestic product,  $w/ph$ . In addition the model, through equation (2), directs the spotlight to (v) employment  $L$ .

Typical objectives of governments, as they are in the current instance, include the welfare objective of increasing the real wage,  $w/p$ , the competitiveness objective of reducing the unit cost of labor,  $w/h$ , the productivity objective of improving labor productivity  $h$ , and the distribution objective of raising the income share of labor,  $w/ph$ , in addition to the employment objective of increasing employment  $L$ . As it turns out, some of these objectives are mutually inconsistent and achieving all of them

simultaneously is not possible, at least in the short-term. Achieving the welfare objective satisfies the income distribution objective but violates the competitiveness objective. Satisfying the employment objective implies a violation of the productivity objective.

This is treading on the knife edge. One way to get off, in the medium- and long-term, is for output to grow at a “very high” rate. Then so long as employment grows no faster than output, both employment and productivity objectives are attained. Further, so long as nominal wages do not outpace productivity, the competitiveness objective is not undermined. In this context, the welfare objective is satisfied as well if inflation is reduced if not hauled down to zero. The distribution goal is not satisfied but it is not subverted.

Given these considerations, it seems apparent that the chances of the government in attaining its goals in the area of employment and industrial relations in the medium- and long-term very much revolve on its success in accelerating growth and taming inflation.

### ***B. Application***

A numerical example can be used to demonstrate the application of the framework. Suppose we want to know what happened to the real wage and the unit cost of labor between two years, say between a base year and another year. Reducing  $w$ ,  $p$ , and  $h$  to indexes, with each equal to 1.0 at the base year, we can compute for the values of these indexes at the other year. Suppose at the other year,  $w = (1 + a)$ ,  $p = (1 + b)$  and  $h = (1 + c)$ . Then, holding  $h = 1$ , the real wage increased (decreased) or remained unchanged depending on whether  $a$  is greater (less) than or equal to  $b$ . Similarly, holding  $p = 1$ , the unit cost of labor increased (decreased) or remained unchanged depending on whether  $a$  is greater (less) than or equal to  $c$ .

The framework can also be used to discover the resulting change in income distribution between the two years. We can know whether income distribution changed in favor of (against) the working people depending on whether  $(1 + a) / (1 + b)$   $(1 + c)$  in the second year is greater (less) than the 1.0. in the base year. Of course if the new ratio is equal to 1.0 income distribution did not change.

### ***C. The Data***

The study uses data on the gross domestic product (GDP) and the implicit GDP deflator for the nation as a whole and for each of the nine major sectors of the economy (i.e., defined at the 1-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC)) for the period 1986-1996. These data came from the National Statistical Office (NSO) and the National Statistical Coordination Board (NSCB). Other data pertain to the labor force, industrial relations and temporary labor



migration which came from the Department of Labor and Employment (DOLE) and the Philippine Overseas Employment Agency (POEA).

The figures for the employed include the underemployed, i.e., those who worked for less than 40 hours a week and/or those looking for additional work in the reference period. For the various indexes used in this paper, it would have been desirable to adjust the employment figures for the extent of underemployment by converting the underemployed to their full-time equivalent but, as information on the matter is lacking, this could not be done. For this reason the figures on average labor productivity (arrived at by dividing the number for GDP by the corresponding number for (unadjusted) employment) understate productivity, i.e., imply a less productive employed labor force than is in fact the case.

For wages, national nominal wages on an annual basis as indexed in Table 4 were derived by adding the weighted nominal daily wages in agriculture and non-agriculture (shown in Table 2), using as weights the percentage share of employment in each sector in total employment (shown in Table 1.1), multiplying the sum by 250 (working days in a year), and then reducing the resulting series to indexes with base year 1992. For the real wage, two versions are used, one (shown in Table 2) where the deflator is the consumer price index and another (shown in Tables 4 and 4.1 - 4.9) where the deflator is the implicit GDP deflator. The real wage shown in Table 2 is thus the usual real wage in the welfare sense while the "real wage" indexed in Tables 4 and 4.1 -4.9 is the real wage in the output sense, as called for by the analytical framework.

#### **IV. An Assessment of Performance**

##### **A. Employment**

Looking at Table 1, we see that employment increased by a net 3.525 million over the four-year period 1992-1996 or an average of some 881,000 a year. This performance is clearly superior to that of the preceding four-year period 1988-1992 during which employment expanded by a net 2.420 million, or an average of some 605,000 per year.<sup>3</sup>

Focusing only on the three-year period 1993-1996, years covered by the MTPDP, employment grew by a net 3.0 million during the period or an average of 1.0 million a year. Although somewhat short of the effort called for in the MTPDP/NEP which targeted a total of 5.8 million net new jobs or an average of 1.1 million per year, for the five-year period 1993-1998, this performance approaches the target.

Examining Table 1 more closely however we discover a statistical irregularity. The statistics say that while the economy generated an average of 594,000 net new jobs a year, or a total of 1.78 million, in the three-year period 1992-1995, it created 1.744 million

net new jobs in the single year 1996. This is taxing credulity, raising the question of the accuracy and reliability of the data.

Three candidate sources can be cited for this anomaly.<sup>4</sup> One, the labor force participation rate, which must have suddenly increased from 1995 to 1996. Two, the 1995 population, which must have been underestimated. Three, the 1996 population, which must have been overestimated. The LFPR can be eliminated immediately because even if it increased between the two years, the increase is so microscopic it is statistically insignificant. The 1995 population is more likely to be the culprit in the light of the result of the actual census for that year which showed a higher population than had earlier been projected. If this is the case, the employment estimate for 1995 will be bigger than reported and the employment estimate for 1996 will no longer appear to be so incongruously large. This will of course mean that the total net increase of employment for 1993 - 1996 will be even larger than 3.0 million.

If one finds the foregoing explanation unconvincing and proceeds to ignore the 1996 figure on the ground that it is an extreme outlier and concentrates on the 1993-1995 data, the conclusion on the magnitude of the increase in employment would be a lot less sanguine.

Accepting the figures to be what they are, to reach its target of 5.8 million net new jobs for the five-year period 1993-1998 as indicated in the MTPDP/NEP, the government would have to generate some 2.5 million net new jobs in the remaining two years of 1996-1998. Can the government do it? If it can overcome the adverse impacts of the current currency turmoil and restore business confidence in the soundness of its policies before too much time has elapsed, the government will have good chances of attaining the goals it has set for itself in the field of employment generation.

The average growth rate of employment in the four-year period 1992-1996 was 3.5 percent. This is clearly superior to the 2.7 percent average of the preceding four years of 1988-1992.

In 1996, the biggest concentration of employment was in agriculture which absorbed 41.7 percent of total, next biggest was in services which took in 41.6 percent. The residual, 16.7 percent, was in industry. The corresponding figures for 1992 were 45.4 percent, 38.6 percent, and 16.0 percent; and for 1988 46.2 percent, 38.3 percent, and 15.5 percent. As a percentage of total, employment in agriculture is clearly declining and that in services is picking up the slack. The employment share of industry is stagnant, almost constant at about 16 percent. See Table 1.1.

In terms of occupational grouping, the distribution of employment in 1996 was 41.3 percent agricultural, 22.8 percent production, transportation and related fields, 28.3 percent clerical, sales, service and unclassified, and 7.6 percent professional, technical, administrative, executive, and managerial. Compare these with the corresponding figures for 1992: 44.9 percent, 21.2 percent, 26.9 percent, and 7.0 percent; or for 1988: 45.6

percent, 21.5 percent, 26.6 percent and 6.4 percent. The decline in the share of agricultural employment is also evident but the slack is taken up by the clerical and sales group and professional and managerial group both of whose shares increased. The production, transportation and related group remained about unchanged. This change in the structure of occupational groupings somewhat parallels the change in the structure of industry, earlier shown to be minimal. See Table 1.2.

Employment can also be distributed by class. In 1996, the employed consisted of 47.7 percent wage and salary workers, 37.5 own account workers, and 14.8 unpaid family workers. In 1992, the corresponding figures were 44.3 percent, 40.4 percent and 15.2 percent. These were, in 1988, 45.8 percent, 39.2 percent, and 16.7 percent. The share of the wage and salary workers is increasing, that of own account workers remaining about the same, and that of unpaid family workers declining. There is an implied increase in the total monetary income of households here, where previously unpaid family workers are now receiving monetary remuneration. See Table 1.3.

The three sets of data are mutually consistent. The decline in the relative share of agricultural employment is matched by the rise in the relative share of service employment. This is confirmed by the fall in the relative share of agricultural occupations and the rise in the relative share of professional, managerial, clerical, sales and service workers. In parallel fashion, there is a decline in the share of unpaid family workers (who predominate in agriculture) and an increase in the share of wage and salary workers (who predominate in the service sector).

One question that has often been raised with respect to employment in the Philippine economy is whether there are not any employment-restricting barriers in the economic system, say, laws or regulations that discourage labor intensity. Do not the provisions of the Labor Code safeguarding the security of workers (i.e., preventing dismissals without just cause, prohibiting pay cuts for union work, etc.) serve as impediments to exit and therefore exert a dampening impact on labor absorption?. Do not the Regional Tripartite Wages and Productivity Boards (RTWPBs), in setting regional minimum wages, perform the same employment-discouraging function? If these Labor Code provisions and these RTWPB activities exert such adverse impact on employment creation, they apparently do so in a way that does not decisively retard the pace of employment generation in the economy. On the other hand, there are clear incentives for labor-use in the government's arsenal of policies – privileges granted by the Board of Investments rewarding labor intensity with various tax exemptions and credits.

The presence of unions and the vehemence of their argumentation can be cited as similar obstacles to rapid employment generation. However, the record does not bear this out, particularly in reference to recent years. See section on industrial relations, below.

Overall, notwithstanding incongruities in the provisions of the Labor Code, ambiguities in the actions of some RTWPBs and an apparent ineffectiveness in some of the government's programs on human resource development (see below), employment

generation seems to proceed according to Plan. One way or another labor policies in general seem to be producing the desired result.

### ***B. Unemployment***

Referring once more to Table 1, the open unemployment rate declined from 8.6 percent of the labor force in 1992 to 7.4 percent in 1996. If this pace persists or accelerates, this rate of reduction is likely to achieve the target envisioned in the Plan, a fall of the open unemployment rate to 6.6 percent in 1998.

Along with the fall in the open unemployment rate, the absolute number of the unemployed decreased, albeit only slightly, from 2.26 million in 1992 to 2.20 million in 1995. This is notwithstanding the speed in the growth rate of the population and a slight rise in the labor force participation rate.

### ***C. Wages***

Wages are a reflection of the state of the labor market and labor productivity. Where productivity is low and unemployment widespread, real wages would tend to be "low". The opposite is true when the labor market situation is otherwise. Also, real wages would tend to increase as the labor market moves from a state of looseness to a state of tightness.

Nominal and real daily wages in agriculture and non-agriculture are shown in Table 2. The trend of both wages has been steadily upward since 1987, with nominal wages in agriculture increasing by approximately 200 percent and those in non-agriculture by 160 percent up to 1995, and real wages in agriculture and non-agriculture increasing up to 1995 by approximately 33 percent and 20 percent, respectively. For both nominal and real wages, those in agriculture represent approximately one-half those in non-agriculture, a rough measure of the relative productivities of the two sectors.

In a broad sense this trend is a reflection of the steadily increasing pace of employment generation in the economy. Also as will be indicated below it is an index to what appears to be a tightening of the labor market.

Changing now the definition of the real wage, from the welfare sense to the output sense as previously explained, the trend for both real and nominal wages for the economy as a whole can be seen in Table 4, which reduces various indicators of the economy into indexes, as can also be seen the trend for average labor productivity. (See Appendix II for the computational procedure for the real wage in the output sense.) The trend for real wages is increasing slightly but that for labor productivity is stagnant.

There seems to be a puzzle here: were enterprises paying workers more than competitive markets dictated? As cited by Khan (1995, 9-10), the World Bank tried to explain the phenomenon by alluding to a protected oligopolistic modern sector whose decisions were not dictated by competitive considerations but by their ability to pay. For his part, Khan, after raising questions about the quality of the data, attempted an explanation by breaking up the economy into an urban formal and informal sector and a rural formal and informal sector, saying that “The rise in industrial wages in the urban formal sector could have spilled over into the rural formal sector in a generally favorable political environment while real wages/incomes in the vast informal parts of both urban and rural sectors stagnated.”

Khan seems closer to the truth but the World Bank explanation is a tribute more to the imagination of the analysts than to the solidity of their analysis. One possible explanation is to take into account temporary labor migration. The departure of labor migrants gives rise to a tightening of the domestic labor market (a leftward shift of the labor supply curve), resulting in an increase in the real wage. The tightness becomes more severe when those left behind raise their reservation wages, preferring to be counted among the openly unemployed rather than accept wages that are not comparable to those that can be earned abroad.

Another possible explanation is to bring in considerations of efficiency units.<sup>5</sup> If the efficiency unit per worker is less than one, a reflection of a lower efficiency than is normally assumed, the labor market would actually be tighter than it appears, that is, the supply curve of labor expressed in full efficiency terms would be leftward of the curve that is observed in the labor market. In this case, the “high” real wage appearing in the market is actually that one pertinent to the efficient worker rather than to the inefficient worker.

This brings up the question of what exactly is the state of the labor market. In the light of the resurgence of the economy in the last two years and the persisting attractiveness of foreign employment, the demand for labor has clearly increased more than it did in the more distant past. The supply of labor has obviously increased too, given the rise in the population and the slight increase in the labor force participation rate. Employment at home is rising and open unemployment declining. Is the labor market then becoming tighter?

Although no precise statistics are available to answer this point directly, there is basis for concluding that the market is tightening. At the higher education and skills levels, less people relative to demand pass the prescribed standards. The beginnings of “piracy” of well-qualified staff is now being observed among large enterprises. At the lower rungs of the skills ladder, i.e., for domestic help, gardeners, and drivers, less and less people seem to be available for employment at prevailing rates of remuneration. There is pressure on wages. Apart from any effort to “catch up” with prices, workers at all levels expect higher starting wages than those paid a year or so earlier.

#### *D. Unit Costs of Labor*

The unit cost of labor is a measure of the competitiveness of labor. It shows the nominal wage paid not per worker but per unit of output of that worker. Thus a worker paid ₱200 per day producing 10 units of output per day costs less than a worker paid the same amount but producing only 5 units in the same period. A sector or country that has a lower unit cost of labor is more competitive than a sector or country that has a higher labor unit cost. It is therefore the unit cost of labor, not the nominal wage rate, that determines the competitiveness of a sector or country.

Labor productivity in the Philippines has stagnated in the last eight years, as already noted.<sup>6</sup> Standing at ₱55,770 per worker in 1987, it was ₱56,510 in 1992 and ₱58,200 in 1995 (all expressed in 1992 prices) as shown on Table 3. Relative to 1989 and 1990 when productivity was ₱60,180 and ₱60,130, respectively, productivity in more recent years is lower.

Because of the stagnation in productivity, on the one hand, and the rise in the nominal wage, on the other, the unit cost of labor in the country has increased, from an index of 0.50 in 1987 to an index of 1.00 in 1992 and an index of 1.29 in 1995. See Table 4. This underlines a worsening competitiveness for the Philippines. Unless the countries with whom the Philippines is in competition suffer from a similar malaise, the Philippines is losing its international competitiveness.<sup>7</sup>

This point can be highlighted by referring to the tradable sectors of the economy, not the non-tradable sectors. Referring to Tables 4.1 (Agriculture), 4.2 (Mining and quarrying), 4.3 (Manufacturing), 4.5 (Construction) and 4.7 (Transport, Storage and Communication)—the tradable sectors – we find that these sectors are in the grip of rising unit labor costs. The operational significance of this is that these products are losing ground to their competitors in foreign markets unless of course the country's external competitors, as has been said, are suffering from similarly rising unit labor costs.

At the macro-economic level, raising labor productivity requires raising the capital-labor ratio upon which labor-productivity depends, where capital is defined as equipment or mechanical tools for the worker—in other words, investment in man-made capital. Such a requirement is not always necessary at the micro-economic level. At the enterprise level raising labor productivity may well require no more than the improvement of maintenance procedures, so that the idle times of equipment is reduced, the continuous updating of the inventory of spare parts, so that no time is wasted searching for these, and systematization of time and motion—more or less financially costless innovations. Only at the level of the worker may productivity improvement demand investment in time and money, since participation in skills upgrading or acquisition programs by workers inevitably requires tuition payments, no matter how small, in addition to the usual opportunity cost (time not spent with the family, time not spent to earn additional income, etc.).

The failure of labor productivity in the Philippines to rise in recent years can only mean that machines and other equipment acquired from investment are not best-practice much less cutting edge, that managements are not bringing efficient techniques to bear on their business organizations, and/or that workers are making no effort to enhance or augment their human capital. This turn of events is of alarming significance and not only because the attainment of international competitiveness is one of the central goals of the government but also because, at bottom, we have no other alternative except become competitive if we are to survive and prosper in the global economy in which we are participating.

### *E. Income Distribution*

The increase in real wages on the one hand and the stagnation in labor productivity on the other has resulted in a steady improvement in the share of labor in GDP. As shown in Table 4, from an index of 0.846 in 1988, the share went up to an index of 1.00 in 1992 and to an index of 1.015 in 1995.<sup>8</sup>

Such a change in income distribution in favor of the working people is a welcome development, suggesting that income distribution is becoming more equitable. The discordant note however is that it is apparently being achieved at the sacrifice of the country's international competitiveness.

This brings up once more the essential inconsistency between the two goals. Rewriting the share of labor in GDP as  $(w/p)/h$  -- i.e., the real wage divided by labor productivity -- we see the difficulty of getting off the knife edge. Whereas an improvement in the real wage relative to productivity increases the share of labor in GDP, an enhancement of competitiveness relative to the real wage reduces it. Another way of looking at it is to set  $p = 1.0$ , i.e., constant prices, then the share of labor in GDP is exactly the same as the unit cost of labor. Improving income distribution in favor of labor means undermining competitiveness while enhancing competitiveness means sabotaging income distribution.

Is there no way out of this dilemma? There is, if we think in terms of absolute shares rather than relative shares. If output is increasing rapidly and employment less rapidly, and prices are remaining unchanged, labor productivity will rise, and if real wages rise too apace with labor productivity, then the competitiveness objective may be satisfied as may the distribution objective, except that in these circumstances, with values of all pertinent variables having risen, labor's relative share in income may be unchanged or even smaller but its absolute share may be bigger.

The indexes for  $w$ ,  $p$ ,  $h$ ,  $w/p$ ,  $w/h$ , and  $w/ph$  for the agricultural and other sectors are shown on Tables 4.1 - 4.9. To read the indexes only for three sectors, nominal and real wages rose steadily in agriculture from 1987 to 1995 while productivity

stagnated. Result: the unit cost of labor increased, undermining the competitiveness of the sector. The share of agricultural labor in GDP improved slightly. See Table 4.1. For manufacturing, nominal wages rose but real wages and productivity stagnated. The share of manufacturing labor in GDP improved from 1987 to 1992 but declined after that. See Table 4.3. The indexes for community, social and personal services are about the same as those for manufacturing, as shown on Table 4.9.

#### ***F. Industrial Relations***

As articulated in the MTPDP/NEP, the maintenance of industrial peace is a cornerstone of the government's development program for 1993-1998. Unless harmony prevails in the workplace, production can only proceed slowly, if it does not grind to a halt altogether. In other words the realization of Plan targets rests on the achievement and preservation of industrial peace.

The Constitution guarantees workers the right to form and join unions and bargain collectively with management and workers continue to enjoy this right. The pace of union formation by workers is seen in the numbers cited below. The number and membership of unions covering both private and public sectors are shown on Table 5. From 1,693 in 1982, unions increased in number to 7,882 in 1995. These comprise local and independent unions in all sectors of the economy. During the same 1982-1995 period, union membership jumped from 467,000 to almost 3.6 million.

The number of strikes and lockouts for which notices were filed declined steadily from the peak of 1987 to 1995. They totaled 1,715 in 1987, went down to 1,209 in 1992, then went down some more to 904 in 1995. The same can be said of the number of strikes actually held; these fell from 436 in 1987 to 136 in 1992 and 94 in 1995. The number of workers involved in mass actions exhibited a similar long-term decline -- from 75,848 in 1988 to 54,412 in 1995. See Table 6.

For many years in the past non-compliance with labor standards by management had typically been the stimulus to strikes and other forms of mass action by labor unions. To this issue have been added a few more by labor unions in recent years: labor-only contracting, the question of flexibility, and union-free free trade zones. While the contracting out by management of tasks that require the contractor to bring in capital as well as labor is perfectly acceptable to unions, contracting out tasks that call for labor only is seen by them as a form of union-busting. The insistence of management for greater flexibility in hiring and firing is in the same category, as far as unions are concerned, and so is the head-long thrust of the government into free trade zones.

All the same, though the causes of mass actions have increased in number and diversity, the number, scope, and duration of mass actions actually carried out has declined, as noted above.



One notion that seems to have gained acceptance in some quarters is that Philippine labor is heavily unionized and that labor unions are highly adversarial. The facts, as cited above, do not lend support to this notion. First, union membership, as big as it seems to appear, actually constitutes a small portion of total employment--typically not more than 4.0 percent in each of the years 1988-1994. Only in 1995 did the ratio go up to 14.0 percent. Second, the number of workers involved in mass actions represents a minuscule and declining proportion of union membership -- from 11.7 percent in 1988 to 1.5 percent in 1995. Third, mass action involvement relative to total employment is microscopic -- typically 0.2-0.3 percent (that is, one-fifth of one percent to less than one-third of one percent). And fourth, the number of actual strikes and the number of man-days lost in actual strikes is declining.

A number of factors can be cited for this marked improvement in industrial relations. First, the recovery of the economy in the late 1980s and its steady growth in the 1990s generated conditions favorable to industrial peace, i.e., removing such causes of worker discontent as frozen nominal wages and giving management wider leeway in granting worker demands. Secondly, the government through the Department of Labor and Employment (DOLE) has been utilizing to an increasing degree cooperative mechanisms for settling worker-management disputes. Labor Management Cooperation councils, established under the leadership of DOLE, are one of the most widely used of these mechanisms. Thirdly, there has been a noticeable weakening of union fervor. As the internationalization of the country's economic activities intensifies, more and more unions are coming under the influence of the globalization drive, being told of the indispensability of cooperation between union and management for the purpose of making the enterprise globally competitive. Armed with no argument to refute that thesis as well as conscious of the limitation of their numbers, unions are obliged to accept management's version of the nature of the international economy.

This decline in the number, size and duration of strikes and other forms of labor-management dispute in reference to local issues is of course commendable but it can be overturned by the work implications of globalization if these are not understood at the outset. One impact of globalization is to place increasing reliance on the information highway, the internet, not just to facilitate communication but to concentrate and integrate production in a few places. This would tend to impact on employment in the countries participating in the global market, reducing the number of workers on specialized tasks in various places and increasing the number of those integrating these tasks at the center of the network to generate the finished product. In other words, there may not only be a decline in overall employment but a geographical redistribution of employment as well.<sup>9</sup>

Perhaps this time is as good as any to prepare work forces and managements for this likely scenario of the information age, to avoid labor-management disputes that can upset carefully laid out development plans.

### ***G. Temporary Labor Migration***

Temporary labor migrants or TLMs, better known in the Philippines as overseas contract workers or OCWs, are mentioned in Philippine discourse almost exclusively in connection with their foreign exchange remittances -- their contribution to the balance of payments. While this is an important contribution, it is not the only contribution they make. By working abroad they relieve the pressure of unemployment at home and thus provide a escape valve to that simmering social volcano.

TLMs have been deployed to many parts of the world since the middle 1970s. Their numbers and location are shown on Table 7. Focusing only on the last 12 years, TLMs increased from 389,200 in 1985 to 667,669 in 1996, reaching as much as 760,091 in 1994.

The figures seem to be on the low side, given the 4 to 5 million total usually mentioned in popular discourse. However even expanding the figures by 50 percent to account for deficiencies in official recording cannot possibly push up the figures to the total favored by media. If a single round number is to describe the totality of TLMs, one million is more likely to approach the mark.

The vast majority, or about 80 percent of the total number of TLMs, are land-based. A minority, the remaining 20 percent, are sea-based. The land-based TLMs are concentrated most heavily in the Middle East, then in Asia, then in America and Europe, and lastly in the Trust Territories, Africa and Oceania. See Table 8.

The precise way TLMs are related to Philippine employment has not been unambiguously described because of the way the statistics are organized. As labor statistics currently stand, TLMs are not included in the labor force and among the employed. This is a serious deficiency for in fact they are employed members of the labor force. Including them in the labor force and the employed will change the employment picture to a certain extent.

In a reorganization of the data in which TLMs were added both to the labor force and to the employed (not shown in this paper), the rates for employment expectedly came out uniformly higher than in the unrevised version, although only by a small fraction, typically by 0.2 percentage points., while the rates for unemployment conversely emerged uniformly lower than in the unrevised presentation.

The contribution of TLMs, including both land-based and sea-based, to the balance of payments through their remittances is shown on Table 9. Looking only at the last 10 years, we find that from US\$792 million in 1987, TLM remittances reached a peak of US\$4.877 billion in 1995, then declined to US\$4.244 billion in 1996. These figures will have to be on the low side since vast numbers of TLMs make use not of the banking system but of informal channels like friends and other door-to-door couriers in remitting

their earnings to their families. When brought to banks in exchange for pesos, these remittances become undistinguishable from foreign exchange coming in from other sources.

The average per worker remittances were US\$1,793 in 1988, US\$3,044 in 1992 and US\$6,356 in 1996.; the corresponding amounts were, for land-based workers, US\$1,789, US\$3,111 and US\$8,400; and for sea-based workers, US\$1,809, US\$2,806 and US\$1,306. The figure for land-based workers in the last year seems to be unduly large relative to figures of earlier years, especially in the light of observations by Labor officials that wages for overseas workers in foreign countries, particularly in the Middle East, have been declining in the last several years. In contrast, the average remittances of sea-based workers in the last two years seem to be unduly small even in the context of falling wages. One can only ascribe these apparent anomalies to deficiencies in monitoring and record-keeping.

On the assumption that these remittances go to the families or households of TLMs, how significant is the contribution of these amounts to family or household income? On an average of US\$3,000 remittance per year, every TLM family or household would be receiving the equivalent of some P80,000 per annum from a relative working abroad. This is equal to a salary or wage of some P6,500 a month if worked in the Philippines, the equivalent of the minimum wage increased by 50 percent reckoned on a monthly basis. Small wonder that a year or two after departure, the TLMs' local household begin to show an accumulation of household appliances like television sets, cooking stoves, and stereo sets. TLMs of course have more than just income effects. They have an impact on the domestic labor market when those left behind raise their reservation wages in expectation of earning incomes comparable to those that can be earned abroad. They have social impacts as well: disoriented families, neglected neighborhoods, among others.

If the reorganization of the employment data mentioned earlier is expanded to cover wages earned by TLMs, there is little doubt that average wages will increase, almost certainly by more than 0.2 percentage points.

On some occasions in the past observers have expressed outrage at the deployment of Filipino workers abroad and have held the government responsible for it. This is cheap posturing, if not a clever device for the execution of a hidden ideological agenda. The government is no more responsible for temporary labor migration than it is for the country's underdevelopment. It can do something about temporary labor migration – like discouraging people from traveling – but it cannot do everything—like preventing people from taking advantage of higher wages abroad – a violation of the Constitution for one thing and of human rights for another.

The only way to deal with temporary labor migration is to decisively improve the economy (by substantially increasing the growth rate of GDP, accelerating employment creation and raising wages, among other measures) so that TLMs can persuade

themselves that it is in their interest to come home . What to do in order to bring this about is precisely the whole point of development policy.

## **V. A Review of Particular Elements of Strategy**

Although the pace of employment generation has broadly been satisfactory, the shortfalls in the achievement of the productivity and competitiveness objectives of policy call attention to some aspects of the government's policies and strategies on human resource development. Particularly relevant at this point are those components of policies and strategies that call for, among others, the design of education and manpower training programs for providing employable skills to and upgrading the marketable skills of the labor force, the strengthening of the linkages between education/training institutions and industry to ensure the minimization of mismatches, the provision of incentives to the private sector to enable it to assume a greater role in skills development, and the enhancement of the capabilities of Local Government Units to initiate and deliver appropriate training services to the various sectors that need them. The thoroughness and speed at which these programs are being implemented clearly have a bearing on the pace of productivity growth, enhancement of competitiveness, and employment generation in general.

The establishment in 1993 of a two-track human resource development program consisting of a formal sector headed by the Department of Education, Culture and Sports (DECS) and an informal sector headed by the Technical Education and Skills Development Authority (TESDA) was intended to enable the country to respond to the rapidly changing needs of the economy for various types of manpower. The formal system was to focus on ideas and theories, generating scientists, managers, and other high-level professionals while the informal system was to focus on the application of these ideas and theories at the level of the workplace, emphasizing the training of highly skilled and skilled workers. The two systems are in active pursuit of their mandates at the present time.

The reinforcement of linkages between education/training institutions and industry has been under discussion among responsible authorities in the last two-three years in several of the country's regions. In a few cases plans for cooperation have actually been prepared. TESDA is currently developing programs of collaboration with the private sector in the production of appropriately trained manpower for some segments of industry. In some cases it has transferred entire training programs to the private sector.

Under the program of decentralization and devolution envisioned under the Local Government Act, LGUs enjoy considerable autonomy from the national government. At present they are administering various programs devolved to them by national departments or agencies. To the extent permitted by their resources as well as by their management

capability, they are implementing social programs, including some on training for skills, for various members of their constituency.

It seems clear that whatever these programs have accomplished, they can accomplish more. Where the challenge is strongest is in the areas of enhancing productivity and competitiveness — precisely the areas where achievement is falling below target. The efforts to strengthen linkages of education/training institutions and industry, the policy of inducing the private sector to shoulder a larger share of the burden of training, and the thrust of extending to LGUS assistance for the maximization of their contribution to employment planning and employment generation need to be carried out with greater vigor. . A more active stance in the pursuit of these schemes will give a push to the full realization of the employment component of the national development plan.

## **VI. Conclusions and Recommendations**

### **A. Conclusions**

The government has not done badly in the area of employment generation, creating some 3.0 million net new jobs in the three-year period 1993-1996 or an average of about 1.0 million net new jobs per year. While this is below the target of 3.3 million jobs for the period, on an average of 1.1 million jobs a year, stipulated in the MTPDP/NEP, it is close to it. To attain its goal of 5.8 million net new jobs for the five-year period 1993-1998, the government will have to generate an additional 2.8 million net new jobs in the remaining two years of 1996-1998, or an average of 1.40 million new jobs per year. Can the government do it? If it succeeds in overcoming the regional currency crisis before too much time has elapsed, as has already been said, and keeps up the pace of past action or accelerates it, there is little reason why it cannot meet its target.

The average growth rate of employment in the four-year period 1992-1996 was 3.5 percent. This is clearly superior to the 2.7 percent average of the preceding four years of 1988-1992.

The unemployment rate fell from 8.6 percent in 1992 to 7.4 percent in 1996. With redoubled efforts, the government should be able to bring down the unemployment rate to the targeted rate of 6.6 percent in 1998.

The real incomes of the working people rose slightly. However, the 6.0 percent increase in the real wage over the three-year period 1992 to 1995 represents only a recovery from the 6.0 percent fall from 1989 to 1992.

But where performance was most dismal was in the area of global competitiveness. The unit cost of labor rose, from an index of 1.0 in 1992 to an index of 1.29 in 1995, a clear indication of a slippage of global competitiveness. In fact this

weakening of competitiveness began as far back as the data went, in 1987, when the index stood at 0.50. It increased steadily therefrom, reaching the index of 1.0 in 1992 and 1.29 in 1995. The reason for this deterioration is simply that labor productivity stagnated while nominal wages increased during the period.

With real wages rising and labor productivity stagnating, the share of labor in GDP increased, from an index of 1.0 in 1992 to an index of 1.02 in 1995. As with the unit cost of labor, the improvement in the share began in 1987, when the share had an index of 0.86. A source of rejoicing, this change in income distribution in favor of the working people seems however to have been reached at the sacrifice of global competitiveness.

Industrial relations improved markedly. The number of mass actions in the form of strikes and lockouts, the number of workers involved, and the number of man-days lost due to industrial disputes, all of these declined in the 1992-1995 period, continuing a fall that started in the early 1980s. This contributed to the establishment of an investor friendly environment in the economy.

Temporary labor migration decelerated after 1994 when it reached 760,000. By 1996 TLMs were down to 668,000. Whether this is the result of the improvement in domestic economic conditions or the worsening of conditions abroad is hard to tell. What can be said firmly however is that it is not the outcome of any conscious effort on the part of the government. TLMs contributed an average of some P80,000 per year to their families or households. This is about 50 percent more than the annual earning of a minimum wage worker in the Philippines, giving rise to substantial improvements in the levels of living of TLM households.

## ***B. Recommendations***

To speed up employment creation, there is need for the government to first and foremost continue to give priority to two objectives: the acceleration of growth -- the continuation of the encouragement of increased investment and improvement of the economic environment through liberalization, deregulation and active participation in the international economy -- and the elimination of inflation. Within the framework of growth without inflation, the specific issue of employment generation should be addressed, giving special attention to the development of labor-intensive small- and medium-scale industries, the adoption of labor-based technology, and the mobilization of a higher labor content in projects where such may be appropriate. However, such special attention should not necessarily result in the neglect of large-scale capital-intensive enterprises whose technological leadership may be indispensable in the winning of niches in world markets.

It is also necessary for the government to reverse the stagnation of labor productivity and deterioration in the country's international competitiveness. To do this, it should give priority to productivity enhancement measures at the level of enterprise

management and the level of workers. At the enterprise level, it should encourage wider and more intensive interaction between private sector management on the one hand and educational and scientific institutions on the other. The purpose is to intensify the exposure of the private sector to developments in the scientific and technological fields with a view to inducing it to mobilize higher level manpower for its purposes as well as acquire best-practice if not cutting edge technology for its production methods.

At the level of workers, the government should open more windows of opportunity for workers to acquire new skills and enhance old ones. Workers should be exposed to the challenges and opportunities of new techniques of work, including those that arise in the field of electronics, computers, lasers, etc. and be given the chance to acquire and develop the appropriate capabilities. To the extent possible TESDA should provide training and educational facilities for workers but for the most part the private sector should be encouraged to carry out the task, to lessen the burden on the part of the government as well as improve the workers' chances of being absorbed in the private sector on the completion of their training.

The government should continue with efforts and measures aimed at the improvement of industrial relations. It should pursue with greater vigor the programs and schemes spelled out in the NEP, including the \* promotion of better cooperation among trade unions and employers in production \* promotion of conciliation, mediation, voluntary arbitration and other consensual modes of conflict resolution \* provision of compulsory arbitration services as a safety net to non-unionized workers \* strengthening of responsible trade union organizations \* provision of support to workers' cooperatives \* promotion of tripartite arrangements such as Labor-Management Councils as complements to collective bargaining and \* promotion of industrial peace accords and social contracts as instruments for inculcating social responsibility. Harmony of understanding between workers and managements is particularly important with respect to the wage and labor productivity nexus. Wages and productivity are vitally linked in the unit cost of labor, the measure of international competitiveness. Enhancing international competitiveness means balancing nominal wages with labor productivity. If labor and management do not appreciate this, global competitiveness will be difficult to achieve.

The government should carry out relentlessly its employment planning and facilitation program. To this end, it should continue the \* strengthening of labor market information systems connecting the demand for and the supply of labor in all sectors \* revitalization of the network of public employment offices that have already been set in various places \* strengthening of vocational guidance, employment testing and counseling \* provision of self-employment information \* establishment of special programs for the disadvantaged \* and improvement of labor market monitoring and analysis.

The government should go full speed in the implementation of its human resource development program. It should allocate to this program all the human, material and financial resources that are necessary to enable the program to produce desired results. This may be the only way to give the worker the education and skills he needs to

generate higher productivity, a higher wage rate but a lower labor unit cost, to enhance his welfare and ensure competitiveness. This may not achieve the income distribution objective in the short term but it may do so in the long term.



## End Notes

<sup>1</sup> This study is part of the PIDS project entitled “Beyond 2000: Assessment of the Economy and Policy Recommendations.”

<sup>2</sup> Visiting Senior Research Fellow and Research Associate, respectively, Philippine Institute for Development Studies. The authors are indebted to Ruperto P. Alonzo, Emmanuel F. Esguerra, Reydeluz Conferido, Cayetano W. Paderanga, Ponciano S. Intal, Jr., and Josef T. Yap for helpful comments and suggestions made on earlier drafts. Research assistance was provided by Ma. Blesila G. Datu and Janet S. Cuenca. However the usual caveat applies.

<sup>3</sup> Before making an assessment of performance we need to define terms. The change in total employment  $N$  between a base year  $o$  and another year  $t$  can be defined as follows:

$$(5) \quad dN = N_t - N_o$$

$$(6) \quad N_t = N_o(1 + n - a)$$

where  $n$  and  $a$  are, respectively, percentages of new job creations and job attritions relative to employment.

$$(7) \quad dN = N_o(n - a).$$

In this paper the term “net increase in employment” refers to  $dN$ , the change in employment, and not to  $nN_o$ , the “gross increase in employment.” Unfortunately we do not have figures on attrition  $aN_o$ . We assume that the target set down in the MTPDP/NEP, an average of 1.1 million jobs a year over the five-year period 1994-1998, refers to  $dN$  and not to  $nN_o$ .

Furthermore, this paper does not distinguish between “number of jobs” which in standard practice refers to “tasks” and “change in employment” which refers to “workers.” Here the terms are used interchangeably.

<sup>4</sup> We owe this explanation to Ruperto P. Alonzo.

<sup>5</sup> We owe this point to Emmanuel F. Esguerra.

<sup>6</sup> This finding is consistent with the findings of Cororaton et al. (2), Sanchez (5) and Austria (1).

<sup>7</sup> If the Philippines is being compared directly with its neighbors in competitiveness, it will have been necessary to express its unit labor costs and those of its neighbors in the same measure, i.e., in US dollar terms. This will have required converting each country’s unit labor cost by the appropriate real exchange rate. However, no direct comparison is being made; therefore no such conversion has been necessary.

<sup>8</sup> The national income accounts break down the gross domestic product on the income side into compensation income and operating surplus, in addition to capital consumption allowance and taxes paid to the government. The share of labor shown in this paper is not directly comparable to the sum of compensation income and operating surplus in the national income accounts because the two items in the national income accounts include compensation and surplus accruing not just to workers household but also to non-workers households, i.e., to households of capitalists, landlords, and other members of the leisure class.

<sup>9</sup> We owe this point to Cayetano W. Paderanga.

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## APPENDIX I

### Human Development and Employment

*(Extracted from the MTPDP, pp. 9-10, 1.7, 1.9, 1.17, 1.19)*

#### Targets

- (a) To reduce the proportion of families living below the poverty line from 39.2 percent in 1991 to 30 percent by the end of 1998.
- (b) To generate an average of 1.1 million jobs annually over the 1994-1998 period and consequently to reduce the unemployment rate from 9.1 percent in 1994 to 6.6 percent by 1998.
- (c) To increase the number of persons to be given technical-vocational training from 939,000 in 1994 to 1.2 million in 1998.

#### Policies and Strategies

##### *Poverty alleviation and employment generation*

- (a) A sustained growth in incomes and employment among the poor will be promoted. To this end:
  - education and manpower training programs that will provide employable skills and upgrade the marketable skills of the labor force will be designed;
  - the coverage of labor policies to include workers in the informal sector will be expanded;
  - the adoption of appropriate labor-based technology in production will be encouraged;
  - a higher labor content in infrastructure projects will be ensured;
  - labor market information will be improved.
- (b) Safety nets for displacements arising from structural adjustments will be provided. To this end:
  - measures for income-security and welfare protection such as targeted emergency employment schemes, and retraining of workers will be implemented;

- special employment arrangements that will enhance flexibility and competitiveness of enterprises while giving adequate protection to the security and welfare of workers will be promoted;
  - the overseas employment program as an alternative source of employment opportunities, provided that it does not unduly drain the economy of scientific/technical expertise and locally needed skills, will be continued.
- (c) Public resources and efforts will be directed towards basic social services, disadvantaged regions, and specific groups of the poor.
- in education, the expanded vision of Education for all through: the provision of continuing education in life and skills for adults and out-of-school youths will be adopted.
  - in the area of social welfare, priority will be placed on, among others, workers' protection and placement.

### ***Human resource development***

- (a) Education and manpower development focused on meeting the changing demand for basic, middle-level, and higher level knowledge and skills will be pursued. To this end:
- manpower development services will be delivered with greater efficiency through a user-led strategy in both basic and advanced skill levels;
  - linkages between education/training institutions and industry will be strengthened to ensure that appropriate skills and knowledge are provided by the educational system;
  - non-formal education and community-based skills training services will be strengthened to enhance the pool's opportunities for employment;
  - an entrepreneurial mass base for self-employment and higher productivity will be developed; and
  - the involvement of private industries in the planning and execution of training programs will be expanded and intensified.
- (b) Related objectives will be given priority, i.e.: training on manpower planning, upgrading of the training and research centers of the National Manpower and Youth Council (NMYC), the provision of incentives to the private sector to enable it to assume a greater role in skills development; improvement of the appren-

ticeship program; the development of the capabilities of LGUs and NGOs to deliver training systems to the informal sector; the provision of skills training for disabled/handicapped persons, women, community volunteers/rural workers, indigenous cultural communities, urban poor families and parent couples.

**TABLE 1. LABOR FORCE STATUS, PHILIPPINES, 1987-1996**

Year	Labor Force (thousand)	Employed (thousand)	Unemployed (thousand)	Employment Rate* (percent)	Unemployment Rate (percent)
1987	22,880	20,795	2,085	90.9	9.1
1988	23,451	21,497	1,954	91.7	8.3
1989	23,858	21,849	2,009	91.3	8.4
1990	24,525	22,532	1,993	91.9	8.1
1991	25,246	22,979	2,267	91.0	9.0
1992	26,180	23,917	2,263	91.4	8.6
1993	26,822	24,443	2,379	91.1	8.9
1994	27,483	25,166	2,317	91.6	8.4
1995	28,040	25,698	2,342	91.6	8.4
1996	29,637	27,442	2,195	92.6	7.4

Source: Current Labor Statistics (DOLE-BLES)

\* October Round

**TABLE 1.1 DISTRIBUTION OF EMPLOYMENT BY MAJOR INDUSTRY GROUP\*, PHILIPPINES, 1987-1996**  
(percent)

Year	All Industries	Agriculture, Fishery and Forestry	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade	Transportation Storage and Communication	Financing, Insurance, Real Estate and Business Services	Community, Social and Personal Services	Industry n.e.c.
1987	100.00	47.80	0.70	9.90	0.39	3.65	13.74	4.55	1.86	17.41	0.00
1988	100.00	46.13	0.73	10.41	0.44	3.99	13.85	4.88	1.76	17.80	0.01
1989	100.00	45.05	0.70	10.51	0.38	4.17	14.15	5.01	1.82	18.16	0.06
1990	100.00	45.20	0.59	9.71	0.40	4.32	13.96	5.05	1.97	18.73	0.07
1991	100.00	45.27	0.65	10.40	0.43	4.55	13.80	4.97	1.96	17.91	0.04
1992	100.00	45.45	0.60	10.64	0.38	4.33	13.73	5.11	1.89	17.79	0.09
1993	100.00	45.79	0.53	10.04	0.43	4.51	13.97	5.56	2.03	17.07	0.06
1994	100.00	44.70	0.40	10.26	0.40	4.72	14.16	5.57	1.96	17.80	0.03
1995	100.00	44.07	0.37	10.01	0.40	4.82	14.57	5.79	2.14	17.74	0.08
1996	100.00	41.73	0.42	10.04	0.45	5.73	14.80	6.04	2.48	18.29	0.02

\* October

Source of Basic Data: Labor Force Survey, NSO (various years)

**TABLE 1.2 DISTRIBUTION OF EMPLOYMENT BY MAJOR OCCUPATION, PHILIPPINES, 1987-1996**  
(percent)

Year	All Occupations	Professional, Technical and Related Workers	Administrative, Executive & Managerial Workers	Clerical Workers	Sales Workers	Service Workers	Agricultural, Animal Husbandry, Forestry, Fishermen and Hunters	Production and Related Workers, Transport Equip. Operators & Laborers	Occupation n.e.c.
1987	100.00	5.61	0.87	4.31	13.26	8.57	47.41	19.97	0.01
1988	100.00	5.58	0.80	4.18	13.34	9.04	45.58	21.49	0.00
1989	100.00	5.95	0.95	4.32	13.73	8.89	44.49	21.48	0.21
1990	100.00	6.22	1.17	4.38	13.43	9.25	44.55	20.57	0.44
1991	100.00	5.85	1.21	4.11	13.53	9.13	44.71	21.34	0.12
1992	100.00	5.82	1.19	4.09	13.36	9.24	44.93	21.19	0.18
1993	100.00	5.72	1.33	4.30	13.40	8.67	45.44	20.98	0.16
1994	100.00	5.43	1.42	4.10	13.77	9.25	44.15	21.83	0.12
1995	100.00	5.56	1.64	4.34	13.98	8.99	43.68	21.68	0.15
1996	100.00	5.98	1.66	4.46	14.30	9.44	41.30	22.81	0.07

Source of Basic Data: Labor Force Survey, NSO (various years)



**TABLE 1.3 DISTRIBUTION OF EMPLOYMENT BY CLASS, PHILIPPINES, 1987-1996  
(percent)**

Year	All Classes of Workers	Wage and Salary Workers			Own-Account Workers			Unpaid Family Worker
		Total	Private	Government	Total	Self-Employed	Employer	
1987	100.00	44.08	35.93	8.15	39.23	36.20	3.02	16.70
1988	100.00	45.79	37.65	8.14	38.42	35.52	2.90	15.79
1989	100.00	45.20	36.56	8.64	39.66	36.65	3.01	15.14
1990	100.00	45.70	37.19	8.51	38.28	35.07	3.21	16.01
1991	100.00	45.43	37.40	8.03	40.11	37.05	3.07	14.45
1992	100.00	44.34	36.29	8.05	40.44	37.36	3.08	15.23
1993	100.00	46.32	38.54	7.79	39.94	36.70	3.24	16.14
1994	100.00	45.57	37.89	7.67	39.50	36.39	3.11	14.92
1995	100.00	45.61	37.50	8.11	39.16	35.39	3.77	15.23
1996	100.00	47.65	36.80	7.60	37.52	33.98	3.55	14.75

Source of Basic Data: Labor Force Survey, NSO (various years)

**TABLE 2. NOMINAL AND REAL WAGES IN AGRICULTURE AND  
NON-AGRICULTURE, PHILIPPINES, 1987-1995  
(Pesos)**

Year	Daily Nominal Wage		Daily Real Wage (1992 prices)		Annual Real Wage (1992 prices*)	
	Agriculture	Non-Agriculture	Agriculture	Non-Agriculture	Agriculture	Non-Agriculture
1987	31.62	63.88	53.71	108.52	13,427.50	27,130.00
1988	35.96	71.42	55.71	110.65	13,927.50	27,662.50
1989	41.72	85.08	59.28	120.89	14,820.00	30,222.50
1990	50.53	100.15	63.55	125.96	15,887.50	31,490.00
1991	57.74	117.96	62.32	127.32	15,580.00	31,830.00
1992	65.16	124.38	65.16	124.38	16,290.00	31,095.00
1993	72.51	131.46	67.85	123.01	16,962.50	30,752.50
1994	80.38	151.73	68.55	129.41	17,137.50	32,352.50
1995	92.27	160.38	73.06	126.99	18,265.00	31,747.50

Sources: Bureau of Agricultural Statistics

Current Labor Statistics (BLES-DOLE)

\* The annual real wage is computed by adding the weighted daily wage in agriculture and non-agriculture, the assumption being that there are 250 working days in a year.

**TABLE 3. GDP, EMPLOYMENT AND LABOR PRODUCTIVITY, PHILIPPINES, 1987-1996**

Year	GDP Current Prices (million pesos)	GDP Constant 1992 Prices (million pesos)	Employment (thousand)	GDP/Employment (Constant 1992 Prices) (thousand pesos)	Growth Rate		
					GDP (percent)	EMP (percent)	GDP/EMP (percent)
1987	682,764	1,159,783	20,796	55.77	-	-	-
1988	799,182	1,238,082	21,497	57.59	6.8	3.4	3.3
1989	925,444	1,314,925	21,849	60.18	6.2	1.6	4.5
1990	1,077,237	1,354,845	22,532	60.13	3.0	3.1	-0.1
1991	1,248,011	1,347,017	22,979	58.62	-0.6	2.0	-2.5
1992	1,351,559	1,351,559	23,917	56.51	0.3	4.1	-3.6
1993	1,474,457	1,379,673	24,430	56.44	2.1	2.2	-0.1
1994	1,692,932	1,443,865	25,166	57.37	4.7	3.0	1.6
1995	1,906,328	1,509,365	25,698	58.78	4.5	2.1	2.4
1996	2,156,029	1,597,059	27,442	58.20	5.8	6.8	-0.9

Sources of Basic Data: NIA (NSCB); NSO

**Table 4. PHILIPPINE INDEXES, 1987-1995**  
**(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.50	0.59	0.99	0.85	0.50	0.86
1988	0.56	0.65	1.02	0.86	0.55	0.84
1989	0.67	0.70	1.06	0.96	0.63	0.91
1990	0.80	0.80	1.06	1.00	0.75	0.94
1991	0.93	0.93	1.04	1.00	0.89	0.96
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.07	1.07	1.00	1.00	1.07	1.00
1994	1.23	1.17	1.02	1.05	1.21	1.03
1995	1.34	1.26	1.04	1.06	1.29	1.02

**TABLE 4.1 AGRICULTURAL INDEXES, PHILIPPINES, 1987-1995**  
**(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.49	0.59	1.03	0.82	0.48	0.80
1988	0.55	0.65	1.06	0.85	0.52	0.80
1989	0.64	0.70	1.12	0.91	0.58	0.81
1990	0.78	0.80	1.07	0.98	0.73	0.92
1991	0.89	0.93	1.00	0.96	0.89	0.96
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.11	1.07	0.98	1.04	1.13	1.06
1994	1.25	1.17	1.04	1.05	1.20	1.00
1995	1.42	1.26	1.06	1.12	1.34	1.06

**TABLE 4.2 MINING & QUARRYING INDEXES, PHILIPPINES, 1987-1995**  
**(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	1.48	0.86	0.34	0.58
1988	0.57	0.65	1.33	0.88	0.43	0.66
1989	0.68	0.70	1.26	0.97	0.54	0.77
1990	0.81	0.80	1.39	1.01	0.58	0.73
1991	0.95	0.93	1.12	1.02	0.85	0.91
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	1.06	0.99	1.06	0.93
1994	1.22	1.17	1.23	1.04	1.00	0.85
1995	1.29	1.26	1.27	1.02	1.01	0.80

**TABLE 4.3 MANUFACTURING INDEXES, PHILIPPINES, 1987-1995**  
(1992=1.00)

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	1.09	0.86	0.47	0.79
1988	0.57	0.65	1.10	0.88	0.52	0.80
1989	0.68	0.70	1.11	0.97	0.61	0.87
1990	0.81	0.80	1.20	1.01	0.68	0.84
1991	0.95	0.93	1.11	1.02	0.86	0.92
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	1.04	0.99	1.02	0.95
1994	1.22	1.17	1.01	1.04	1.21	1.03
1995	1.29	1.26	1.05	1.02	1.23	0.97

**TABLE 4.4 ELECTRICITY, GAS & WATER INDEXES, PHILIPPINES, 1987-1995**  
**(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	0.83	0.86	0.61	1.04
1988	0.57	0.65	0.83	0.88	0.69	1.06
1989	0.68	0.70	0.97	0.97	0.72	1.00
1990	0.81	0.80	0.87	1.01	0.93	1.16
1991	0.95	0.93	0.89	1.02	1.07	1.15
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	0.90	0.99	1.18	1.10
1994	1.22	1.17	1.07	1.04	1.04	0.97
1995	1.29	1.26	1.07	1.02	1.21	0.95



**TABLE 4.5 CONSTRUCTION INDEXES, PHILIPPINES, 1987-1995**  
(1992=1.00)

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	1.26	0.86	0.4	0.68
1988	0.57	0.65	1.18	0.88	0.48	0.75
1989	0.68	0.70	1.36	0.97	0.50	0.71
1990	0.81	0.80	1.28	1.01	0.63	0.79
1991	0.95	0.93	0.97	1.02	0.98	1.05
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	1.03	0.99	1.03	0.96
1994	1.22	1.17	1.04	1.04	1.17	1.00
1995	1.29	1.26	1.04	1.02	1.24	0.98

**TABLE 4.6 WHOLESALE & RETAIL INDEXES, PHILIPPINES, 1987-1995**  
**(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	0.97	0.86	0.53	0.89
1988	0.57	0.65	1.01	0.88	0.56	0.87
1989	0.68	0.70	1.04	0.97	0.65	0.93
1990	0.81	0.80	1.05	1.01	0.77	0.96
1991	0.95	0.93	1.04	1.02	0.91	0.98
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	0.96	0.99	1.10	1.03
1994	1.22	1.17	0.94	1.04	1.30	1.11
1995	1.29	1.26	0.94	1.02	1.37	1.04

**TABLE 4.7 TRANSPORT STORAGE & COMMUNICATION INDEXES, PHILIPPINES, 1987-1995  
(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	1.06	0.86	0.48	0.81
1988	0.57	0.65	0.97	0.88	0.59	0.91
1989	0.68	0.70	0.91	0.97	0.75	1.07
1990	0.81	0.80	0.95	1.01	0.85	1.06
1991	0.95	0.93	1.11	1.02	0.86	0.92
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	0.87	0.99	1.22	1.14
1994	1.22	1.17	0.81	1.04	1.50	1.14
1995	1.29	1.26	0.76	1.02	1.70	1.34

**TABLE 4.8 FINANCING, INSURANCE, REAL ESTATE &  
BUSINESS SERVICES INDEXES, PHILIPPINES, 1987-1995  
(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	0.88	0.86	0.50	0.98
1988	0.57	0.65	0.95	0.88	0.60	0.93
1989	0.68	0.70	1.01	0.97	0.67	0.96
1990	0.81	0.80	0.96	1.01	0.84	1.05
1991	0.95	0.93	0.95	1.02	1.00	1.07
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	0.96	0.99	1.10	1.03
1994	1.22	1.17	1.02	1.04	1.20	1.02
1995	1.29	1.26	0.97	1.02	1.33	1.05

**TABLE 4.9 COMMUNITY, SOCIAL & PERSONAL SERVICES INDEXES, PHILIPPINES, 1987-1995**  
**(1992=1.00)**

Year	Nominal Wage (w)	Implicit GDP Deflator (p)	Average Labor Productivity (h)	Real Wage (w/p)	Unit Labor Cost (w/h)	Share of Labor in GDP (w/ph)
1987	0.51	0.59	0.87	0.86	0.59	0.99
1988	0.57	0.65	0.91	0.88	0.63	0.97
1989	0.68	0.70	0.96	0.97	0.71	0.99
1990	0.81	0.80	0.98	1.01	0.83	1.03
1991	0.95	0.93	1.02	1.02	0.93	1.00
1992	1.00	1.00	1.00	1.00	1.00	1.00
1993	1.06	1.07	1.08	0.99	0.98	0.92
1994	1.22	1.17	1.09	1.04	1.12	0.95
1995	1.29	1.26	1.17	1.02	1.10	0.87

**TABLE 5. UNIONS, MEMBERSHIPS & COLLECTIVE  
BARGAINING AGREEMENTS, PHILIPPINES, 1982-1996**

Year	No. of Unions	Membership	No. of CBAs	Workers Involved
1982	1,693	466,985	809	105,483
1983	1,538	427,146	931	108,637
1984	1,680	451,086	818	94,856
1985	1,868	477,687	1,086	110,897
1986	2,217	517,038	1,128	144,002
1987	2,723	594,157	1,459	146,165
1988	3,321	648,672	1,434	115,857
1989	3,934	733,327	1,874	146,807
1990	4,485	813,693	2,481	230,025
1991	5,081	864,733	1,457	155,995
1992	5,553	900,709	950	91,395
1993	6,188	954,385	1,081	83,755
1994	6,699	998,160	762	56,942
1995	7,882	3,586,875	990	109,380
1996	8,250	3,627,000	818	131,446

Source: Current Labor Statistics (BLES-DOLE)

**TABLE 6. NUMBER OF STRIKE/LOCKOUT NOTICES FILED,  
ACTUAL STRIKES & WORKERS INVOLVED  
(1980-1996)**

Year	Strike/Lockout Notices Filed	Actual Strikes	Workers Involved	Man-days Lost (000)
1980	362	62	20,902	105
1981	784	260	98,585	796
1982	743	158	53,824	1,670
1983	705	155	33,638	395
1984	960	282	65,306	1,908
1985	1,175	371	111,265	2,458
1986	1,613	581	169,479	3,638
1987	1,715	436	89,574	1,908
1988	1,428	267	75,848	1,525
1989	1,518	197	56,541	955
1990	1,562	183	68,412	1,345
1991	1,345	182	55,390	1,140
1992	1,209	136	47,797	724
1993	1,146	122	35,119	710
1994	1,089	93	48,849	568
1995	904	94	54,412	584
1996	833	89	32,000	519

Source: Current Labor Statistics (DOLE-BLES)

**TABLE 7. DEPLOYED OVERSEAS  
CONTRACT WORKERS, PHILIPPINES, 1985-1996**

Year	Total	Land-Based	Sea-Based
1985	389,200	337,754	51,446
1986	414,461	357,687	56,774
1987	496,854	425,881	70,973
1988	477,764	381,892	95,872
1989	522,984	407,974	115,010
1990	598,769	468,591	130,178
1991	701,762	554,476	147,286
1992	723,594	564,947	158,647
1993	738,958	572,096	166,862
1994	760,091	587,871	172,220
1995	662,294	481,349	180,945
1996	667,669	475,337	192,332

Source: POEA



**TABLE 8. DEPLOYED LAND-BASED CONTRACT WORKERS, PHILIPPINES, 1985-1996  
(1985-1996)**

Year	Total	Africa	Asia	Europe	Middle East	Oceania	America	Trust	Elsewhere
1985	337,754	1,977	52,838	4,067	253,867	953	3,744	3,048	13,260
1986	357,687	1,847	72,536	3,693	236,434	1,080	4,035	3,892	34,170
1987	425,881	1,856	90,434	5,643	272,038	1,271	5,614	5,373	43,652
1988	385,117	1,958	92,648	7,614	267,035	1,397	7,902	6,563	-
1989	407,974	1,741	86,196	7,830	241,081	1,247	9,962	7,289	52,628
1990	468,591	1,273	90,768	6,853	218,110	942	9,557	7,380	133,708
1991	541,909	1,964	132,592	13,156	302,825	1,374	13,373	11,409	65,216
1992	532,928	2,510	134,776	14,590	340,604	1,669	12,319	11,164	15,296
1993	530,877	2,425	168,205	13,423	302,975	1,507	12,228	8,890	21,224
1994	540,307	3,255	194,120	11,513	286,387	1,295	12,603	8,489	22,645
1995	481,349	3,615	166,774	10,279	234,310	1,398	13,469	7,039	44,465
1996	475,337	2,494	174,308	11,409	221,224	1,577	8,378	4,869	51,078

Source: POEA

**TABLE 9. REMITTANCES OF OVERSEAS CONTRACT WORKERS, PHILIPPINES, 1987-1996**

Year	Total Remittances (in million US\$)			Average Remittances (in US\$)		
	Total	Land-Based	Sea-Based	Total	Land-Based	Sea-Based
1987	791,902	671,422	120,480	1,594	1,576	1,699
1988	856,803	683,301	173,502	1,793	1,789	1,809
1989	967,026	755,211	211,815	1,849	1,851	1,842
1990	1,181,075	893,402	287,673	1,972	1,906	2,209
1991	1,628,274	1,253,048	375,226	2,320	2,302	2,547
1992	2,202,382	1,757,363	445,019	3,044	3,111	2,806
1993	2,229,582	1,840,296	389,286	3,017	3,217	2,332
1994	2,940,272	2,560,925	379,347	3,864	4,341	2,205
1995	4,877,513	4,666,999	210,514	2,365	5,697	1,163
1996	4,243,641	3,992,397	251,244	6,356	8,400	1,306

Source: Philippine Overseas Employment Administration

## APPENDIX B: NOMINAL DAILY WAGE INDEX COMPUTATION

Year	Aa	Wa	An	Wn	Wd	Annual Nominal Wage	Index
1987	47.80	31.62	50.20	63.80	47.18	11,795	0.48
1988	46.13	35.96	53.17	71.42	54.56	13,640	0.56
1989	45.05	41.72	54.95	85.08	65.55	16,386	0.67
1990	45.20	50.53	54.80	100.15	77.72	19,430	0.80
1991	45.27	57.74	54.13	117.96	90.70	22,675	0.93
1992	45.45	65.16	54.55	24.38	97.46	24,366	1.00
1993	45.79	72.51	54.25	131.46	104.52	26,130	1.07
1994	44.70	80.38	55.31	51.73	119.85	2,996	1.23
1995	44.07	92.27	55.93	160.38	130.36	32,590	1.34

Where: Aa - proportion of employed in agriculture  
 An - proportion of employed in nonagriculture  
 Wa - nominal wage rate in agriculture  
 Wn - nominal wage rate in nonagriculture  
 Wd - nominal daily wage rate

Note:

$$Aa = Ea/Et$$

$$An = En/Et$$

$$Wd = AaWa + AnWn$$

$$W = Wd (250)$$