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January 2006 LFS

Job creation still weak

The labor market turned in a lackluster performance at the start of this year despite unexpectedly strong economic growth in last quarter of 2005. Based on the January 2006 Labor Force Survey (LFS), employment grew at a moderate pace even as the quality of jobs created was generally poor. Unemployment declined as more workers left the labor force. Like in previous quarters, underemployment surged, erasing gains made in this area in recent years.

Strong GDP growth of over 6% in 4th quarter 2005 had raised hopes that the economy would weather unfavorable global and domestic conditions. On the global front, runaway oil prices threaten to stoke inflation, forcing central banks

in developed countries to raise interest rates, which in turn, could translate to higher interest payments for heavily indebted countries like the Philippines. Worse, it could trigger capital flight resulting in devaluation of the peso.

On the domestic front, rising oil prices is compounded by the government's need to raise local tax rates to finance a huge deficit, discouraging consumer spending. Meanwhile the unresolved political crisis discourages investment.

The latest economic data seem to show the Philippine economy overcoming adversity as GDP growth accelerated in the 4th quarter against expectations of a slowdown. But the employment data in the first month of the year indicates that high GDP growth in the previous quarter did not have a strong impact on the labor market. No relief is in sight in the coming months, and the labor market is likely to remain in the doldrums.

Job creation

Net job creation over the past 12 months was recorded at 750,000, according to the January round of the Labor Force Survey (LFS) conducted by the National Statistics Office (NSO). Net job creation—the change in the number of employed persons over a 12-month period—in 1st quarter 2006 looks impressive compared with the dismal 80,000 new jobs recorded the same period last year.

But job creation in January falls short of the government's target of 1.5 million jobs per annum, which is what is needed to bring down joblessness. For the government to reach its target this year, job creation must more than

Table 1. Basic labor force indicators, levels (in thousands)

Total	2005				2006
	Jan	April	July	Oct	Jan
Working Age Population	53,975	55,997	54,583	54,797	55,248
Labor Force	35,664	36,929	36,517	36,659	36,262
Nonlabor Force	18,311	19,068	19,347	18,138	18,986
Employed	31,634	32,221	32,521	32,876	32,384
Unemployed, Old Definition	4,030	4,708	3,996	3,783	3,878
Underemployed	5,097	8,422	6,523	6,970	6,895
Visible	3,286	4,569	4,090	4,102	4,186
Invisible	1,811	3,853	2,433	2,868	2,546
Underutilized	9,127	11,331	9,238	10,753	10,773

Source: National Statistics Office

double for the rest of the year. But this requires even faster GDP growth rates, an unlikely scenario given the difficulty of sustaining current growth levels in view of unfavorable external and local environment.

Farming leads

The biggest number of new jobs came from agriculture, followed by services, while industry posted job losses. Employment in agriculture, fishery and forestry sector grew by 4.2% over the year-ago level. With net job creation at 475,000, the sector accounted for two-thirds or 63% of net new jobs in the economy.

In the service sector, the highest gains were posted by private households, which generated 102,000 net new jobs equivalent to 14% of total net job creation during the period. This was followed by wholesale and retail trade sector which added 85,000 jobs or a share of 11% of total net job creation.

Industry sheds jobs

In contrast, the number of jobs in industry dropped by 1.9% or a net loss of 95,000 jobs in January 2006. This comes on top of an earlier net loss of 73,000 jobs in the same month the year before. The bulk of job losses occurred in construction, indicating a slowdown in construction activity.

Table 2. Basic labor force indicators, rates (in percent)

Rates	2005				2006
	Jan	April	July	Oct	Jan
LFPR	66.1	65.9	66.9	66.9	65.6
NLFPR	33.9	34.1	35.4	33.1	34.4
Employment Rate	88.7	87.3	89.1	89.7	89.3
Unemployed, Old Definition	11.3	12.7	10.9	10.3	10.7
Underemployment Rate*	16.1	26.1	20.1	21.2	21.3
Visible	10.4	14.2	12.6	12.5	12.9
Invisible	5.7	12	7.5	8.7	7.9
Underemployment Rate**	14.3	22.8	17.9	19	19
Visible	9.2	12.4	11.2	11.2	11.5
Invisible	5.1	10.4	6.7	7.8	7
Underutilization Rate**	25.6	30.7	25.3	29.3	29.7
Employed-to-population	58.6	57.5	59.6	60	58.6

Source: National Statistics Office

Table 3. Job creation by industry (in thousands)					
Employment Generated	2005				2006
	Jan	April	July	Oct	Jan
Agriculture	185	-121	540	404	474
Agriculture, Hunting & Forestry	174	-146	513	362	479
Fishing	11	25	27	42	-5
Industry	-73	106	66	4	-95
Mining & Quarrying	6	-3	-3	20	-9
Manufacturing	-109	138	12	25	-18
Electricity, Gas & Water	18	-18	1	-13	5
Construction	12	-11	56	-28	-73
Services	-26	698	283	734	371
Wholesale & Retail, repair of Motor Vehicles, Motorcycles & Personal Household Goods	87	424	163	423	85
Hotel & Restaurants	6	86	54	72	30
Transport, Storage & Communication	90	28	-46	26	21
Financial Intermediation	-23	25	10	39	37
Real Estate, Renting & Business Activities	14	107	24	32	44
Public Administration & Defense, compulsory Social Security	-42	-126	83	44	7
Education	22	76	29	30	58
Health & Social Work	17	36	5	2	-32
Other Community, Social & Personal Services	-116	-25	-68	-29	18
Private Household with Employed Persons	-79	68	29	93	102
Extraterritorial Organizations & Bodies	-2	-1	0	2	1
Total	-13	1,487	1,238	1,880	1,026

Source: National Statistics Office

Thus, agriculture, private households, and wholesale and retail trade together accounted for 98% of job creation in the first month of the year. Given low average productivity and pay in these sectors, this indicates generally poor quality of job creation. Compounding low job quality is the continued loss of jobs in the industry sector. (See Table 3)

Poor job quality

The poor quality of jobs created during this period is evidenced by growth in part-time jobs and unpaid family

workers. Most of the new jobs were part-time jobs which increased by 651,000 accounting for 87% of total net job creation. (See Table 4)

While all classes of workers posted employment gains, unpaid family workers recorded the biggest increase at 389,000 or 52% of net job creation. Most of them were found in agriculture and likely to be employed part-time, hence the huge increase in part-time workers.

Unemployment eases?

Despite slow job creation, open unemployment slightly *fell* to 10.7% in January 2006 from 11.3% in the same period the year before. The number of unemployed workers also declined to 3.9 million from 4.0 million over the same period. These figures are based on the old official definition.

If we use the new definition, the unemployment rate is lower at 8% in January 2006 or 2.8 million jobless workers. But there is no comparable figure for January 2005 since the government began using the new definition only in April 2005.

Lower unemployment was accompanied by a lower labor force participation rate, which dropped to 65.6% from 66.1%. This explains the fall in unemployment despite slow employment creation. Many jobless workers left or did not bother to join the labor force given poor employment prospects, thus were not counted among the unemployed.

Table 4. Employment level and generation by hours worked (in thousands)

Employment level	2005				2006
	Jan	April	July	Oct	Jan
Full Time (40 hrs & over)	19,814	20,075	20,240	20,609	19,983
Part-time (Less than 40 hrs)	11,323	11,526	11,887	11,830	11,974
Did not Work	496	616	394	437	427
<i>Total</i>	31,633	32,217	32,521	32,876	32,384
Employment generated					
Full Time (40 hrs & over)	-214	2,716	107	662	169
Part-time (Less than 40 hrs)	228	-1,525	803	619	651
Did not Work	73	-505	-21	-137	-69
<i>Total</i>	87	686	889	1,144	751

Source: National Statistics Office

Table 5. Employment level and generation by class of worker

Employment ('000)	2005				2006
	Jan	April	July	Oct	Jan
Wage & Salary Workers	16,114	16,293	16,303	16,552	16,212
Private	13,654	13,788	13,686	13,982	13,631
Public	2,478	2,505	2,495	2,463	2,478
Own-Account Workers	11,822	12,300	12,134	12,157	12,085
Self-employed	10,329	10,739	10,601	10,669	10,610
Employers	1,493	1,561	1,533	1,488	1,475
Unpaid Family Workers	3,698	3,623	4,085	4,168	4,087
Total	31,634	32,216	32,522	32,877	32,384
Employment Generated ('000)					
Wage & Salary Workers	-586	224	-408	144	98
Private	13,654	13,788	13,686	63	-23
Public	2,478	2,505	2,495	84	0
Own-Account Workers	99	597	746	518	263
Self-employed	10,329	10,739	10,601	592	281
Employers	1,493	1,561	1,533	0	-18
Unpaid Family Workers	574	-137	552	482	389
Total	87	684	890	1,144	750

Source: National Statistics Office

This means that many jobless workers are outside the labor force. They join the labor force when job prospects are good and withdraw when prospects are poor. That is why unemployment tends to rise when job creation improves (but is not sufficient to absorb both new entrants as well as re-entrants to the labor force) and falls when job creation deteriorates (as frustrated job seekers leave the labor force).

Rising underemployment

The surge in underemployment that became evident in 2005 carried over in January this year. Underemployment refers to the number of employed workers desiring additional work. Total underemployment reached 6.9 million in January this year, an increase of 1.8 million in the last 12 months. Thus the underemployment rate rose to 21.3% from 16.1% a year ago.

Of the total underemployed, 60.7% were visibly underemployed. Working less than 40 hours a week but

wanting additional work hours, they are also referred to as involuntary part-time workers (in contrast to voluntary part-timers who do not want additional work hours). They represent 12.9% of the total employed, a big jump from 9.9% 12 months ago.

Invisible underemployment defined as full-time workers wanting more work hours also rose to 7.9% in January from 5.7% the previous year.

The resurgence in underemployment is related to the low quality of job creation as evident in the growth in part-time employment in low productivity sectors like farming and retail trade. It reflects the inability of the economy to generate adequate employment of characterized by full-time work and decent pay.

Taken together, unemployment and underemployment represent a massive jobs deficit of crisis magnitude. As of January this year, 10.7 million Filipinos were either jobless or underemployed. That is, close to 30% of the country's 36.2-million strong workforce is looking for work. This does not include men and women who leave the labor force in the absence of clear job prospects.

Highlights of Jan 2006 LFS

- Net job creation was 750,000, better than the 80,000 posted a year ago. This figure, however, is way below the government's target of 1.5 million jobs a year.
- Of the 750,000 jobs created, 87% were part-time, 52% were unpaid family workers, and 77% were in low-productivity activities, mainly agriculture (63%) and private households (14%).

Table 6. Underemployment by major industry

Major industry group	Jan-06	Apr-06	Oct-06	Jan-06
Philippines	6,895	8,421	6,970	6,895
Agriculture	3,256	3,408	3,328	3,256
Industry	1,035	1,492	1,037	1,035
Services	2,604	3,521	2,605	2,604

Source: National Statistics Office

- Unemployment (using old official definition) slightly fell to 10.7% or 3.9 M from 11.3% or 4.1 M a year ago. Lower unemployment can be traced to a lower labor force participation rate, indicating jobless workers leaving or not joining the labor force.
- Using new official definition, the unemployment rate was 8% but there is no comparable year-ago figure.
- Underemployed continued to surge. Total underemployment reached 6.9 million, an increase of 1.8 million in the last 12 months. The underemployment rate rose to 21.3% from 16.1% a year ago.
- Of the total underemployed, 60.7% worked part-time. They represent 12.9% of the total employed, up from 9.9% 12 months ago.
- Invisible underemployment rose to 7.9% in January from 5.7% the previous year.
- Some 10.7 million Filipinos were either jobless or underemployed. Close to 30% of the country's 36.2-million strong workforce is looking for work



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