

Is growth really jobless?

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Many people have commented that the stellar economic growth in the country since 2012 has not been subsequently accompanied by a significant reduction in poverty or by increased employment. At the 2013 Philippine Development Forum, the development community suggested that the government should focus its efforts on further accelerating structural reforms to facilitate sustained and inclusive growth and development, which will create jobs and reduce poverty. Subsequently, the World Bank (2013) re-echoed the suggestion for a more inclusive growth agenda. This *Policy Note* examines whether or not it is fair to characterize the country's economy as having jobless growth, and discusses related issues.

Official statistics on unemployment

There are no official statistics specifically on jobs. The Philippine Statistics Authority (PSA), like many national statistics offices in

many countries, collects information on employment from its quarterly Labor Force Survey (LFS) by looking at persons employed rather than on the activities that they do for a living. The description about the Philippine economy being jobless stems from the seeming divergence in growth between economic growth and employment (Figure 1).

In 2008, 2012, and 2013, when the economy had high growth rates, the corresponding employment growth seemed to be low in the aggregate. Unemployment rates have also hardly changed during those years. When there was low growth in the gross domestic product (GDP), particularly in 2009, there was, ironically, a surge in employment.

Such aggregate pictures can mask dynamics. When indicators such as official poverty rates

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or the self-rated poverty statistics of the Social Weather Stations (SWS) have measly differences across time that are not statistically significant, this does not necessarily mean that no poor person exits poverty as some areas/subpopulations/sectors

may be improving while some may be deteriorating, which then would yield a net change of zero. Similarly, when unemployment rates are flat, does this mean no jobs are being created while the Filipino population, including our labor force,¹ continues to grow?

¹ The labor force or economically active population refers to the population 15 years old and over who contribute to the production of goods and services in the country, and who are either employed or unemployed. Those who are not in the labor force refers to the population 15 years old and over who are neither employed nor unemployed, e.g., persons who are not working and are not available during the reference week and persons who are not available and are not looking for work because of reasons other than those previously mentioned. Examples are stay-home spouses, students, persons with disability, retired persons, and seasonal workers.

² Prior to 2004, the unemployed are persons 15 years old and over as of their last birthday and are reported as: (1) without work, i.e., had no job or business during the basic survey reference period; and (2) seeking work, i.e., had taken specific steps to look for a job or establish business during the basic survey reference period; or not seeking work due to the following reasons: (a) tried/believe no work available, i.e., the discouraged workers who looked for work within the last six months prior to the interview date; (b) awaiting results of previous job application; (c) temporary illness/disability; (d) bad weather; and (e) waiting for rehire/job recall. After 2004, the definition of unemployment was changed. A third criterion must also be satisfied—aside from having no work and actively seeking work—being available for work, i.e., these persons should be available and willing to take up work in paid employment or self-employment during the basic survey reference period, and/or would be available and willing to take up work in paid employment or self-employment within two weeks after the interview date. This change in definition of the unemployed was carried in fulfillment of the National Statistical Coordination Board (NCSB) Resolution No. 15, Series of 2004, issued on 20 October 2004. International standards on this matter have been laid down in Resolution No. 1 adopted by the 13th International Conference of Labor Statisticians (ICLS) in October 1982 and expounded in the 1990 publication of the International Labour Organization (ILO), *Surveys of economically active population, employment, unemployment, and underemployment: An ILO manual on concepts and methods*. It should be noted that out of 88 countries regularly conducting labor force surveys, only 10 countries in 2004 did not include the availability criterion. The Philippines was the only country in Asia that did not use the availability criterion.

Some might argue that the official unemployment rates do not reflect the “true” joblessness in the country as the current definition of unemployment² effectively removes those not available for work in both the labor force and unemployment aggregates. Unemployment is officially defined as people who do not have work in the past week, have actively looked for work, and are available for work. Those who have not looked for work and those who are not available for work are not counted among the unemployed; they are also removed from the labor force. However, even people who would like to work are excluded if they are not actively looking for work. Prior to 2004, the unemployed were those without jobs, and who were actively seeking work. The adoption of the availability criterion in the current unemployment definition by the Philippine Statistical System was based on international standards. Historical data on unemployment rates show that unemployment has been fairly stable across the years whether using the current definition or the old definition of unemployment that did not include availability for work (Figure 2).

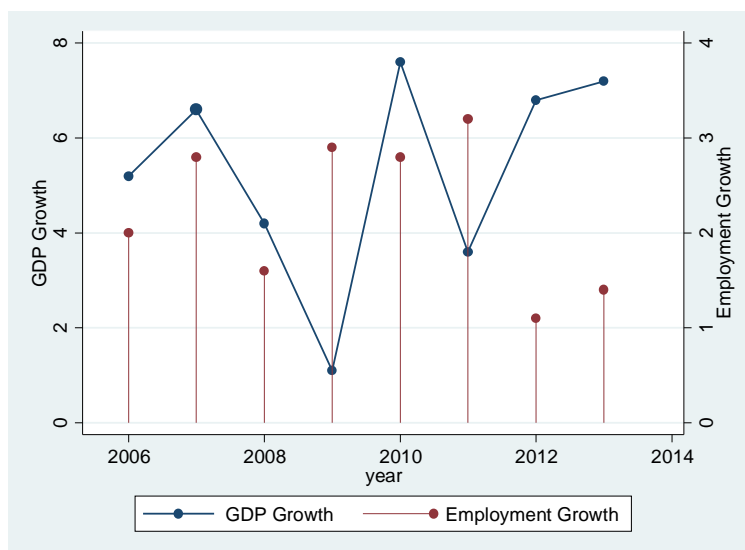
Disaggregating output and employment data according to sectors can be very revealing.

Contrary to popular perception that the Philippine economy is largely agricultural, the economy has always been dominated by the services sector, which, as of 2013, has a share of 57.7 percent of total output. The output share of agriculture to the economy has always been relatively minimal, 15.4 percent in 1990 and 11.2 percent in 2013. Tracing GDP shares of major sectors all the way back to 1946, the shares of agriculture, industry, and services sectors were 29.7 percent, 22.6 percent, and 47.7 percent, respectively. The economy has become less agricultural in recent times, with the services and industry sectors getting more of the share of the economy. The decreasing share of agriculture can be seen in employment as well, from 45.2 percent in 1990 to 31.0 percent in 2013 (Figure 3). Conversely, the services sector took increasing shares of total employment from 39.7 percent in 1990 to 53.4 percent in 2013. Industry, which accounted for 15.0 percent of aggregate employment in 1990, had its share go down slightly to 14.6 percent in 2009, and increase marginally to 15.6 percent by 2013.

In 2013, the largest growth in output of 9.5 percent came from industry, which had also the highest growth in employment (3.4%). Agriculture had a mere 1.1-percent growth in output and a deceleration in employment figures. A structural transformation in the economy may thus be arising, even if overall employment rate has been relatively flat.

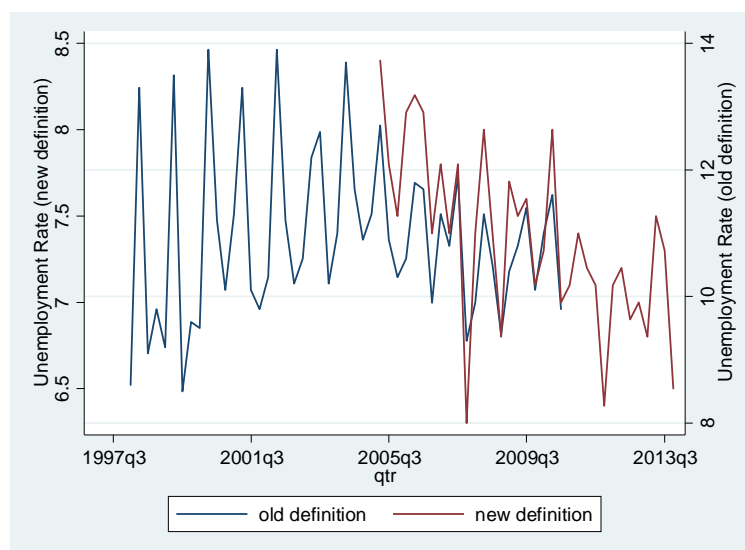
Historically, the share of employment in industry has been lowest among the three

Figure 1. Annual growth rates in gross domestic product and employment, 2006–2013



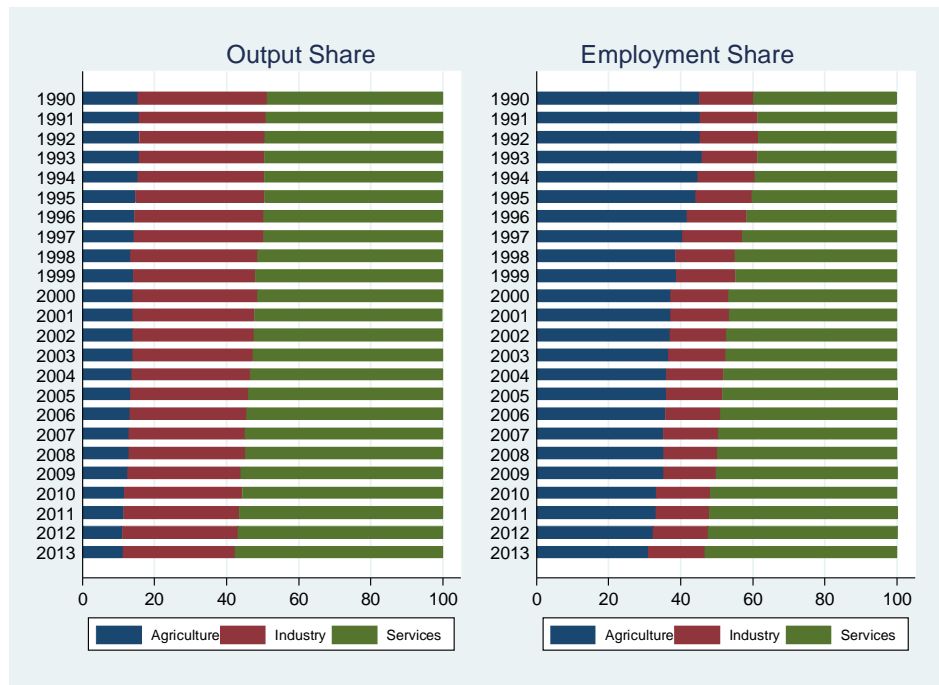
Source: Philippine Statistics Authority (PSA)

Figure 2. Trends in quarterly unemployment rates in the Philippines (using old and current definitions of unemployment), 1997–2013



Source: PSA

Figure 3. Output and employment shares in the economy, by major sector, 1990–2013



Source: PSA

major sectors. Even the current robust growth in output of the industry sector has not translated into more jobs (and lower unemployment) because of the low base figures of employment in the industry sector. In the short term, for unemployment rates to drop considerably, employment growth must occur in agriculture (which has the highest share of employment). Volatility in employment (as well as in output) in agriculture, however, has been observed especially in times of extreme weather events. In the long run, employment should start

³ Full-time employment refers to 40 hours of work or more during the reference week while part-time employment refers to less than 40 hours of work during the reference week.

shifting from agriculture to industry, the same path taken by many neighboring economies that are in better development conditions.

Another disaggregation of employment, by full-time and part-time employment,³ is equally revealing. Full-time employment appears to have increased during periods of high economic growth (except for 2012) and contracted during economic slowdown, while part-time employment has had reverse directions from those of economic growth (except in 2008 when the slowdown in the global economy started to take effect) [Figure 4]. Thus, the **economy is not really having jobless growth!** In recent times, the small net changes in the unemployment rates are

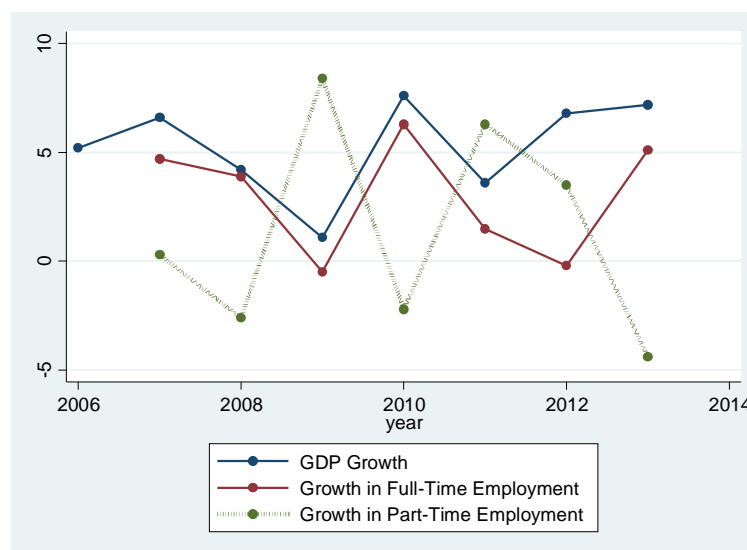
the result of full-time jobs being created in the industry and services sectors and part-time jobs lost in the agricultural sector.

Statistics from the private sector

Aside from official statistics, there are alternative data sources such as private sector organizations (e.g., SWS) that collect data systematically and regularly (sometimes even more frequently than counterpart official statistics). Adult joblessness rates are worse if based on the SWS surveys, as these figures are at least three times the official unemployment rates. A more careful reading would, however, reveal that we are comparing apples and oranges here. Discrepancies in statistics may be explained by sampling errors (i.e., fluctuations in statistics arising from the random selection of sample respondents) and nonsampling errors (differences in definitions, sampling designs, question wording, coverage of respondents, nonresponses, among others). In terms of unemployment rate, the discrepancies may be explained by both types of error but especially nonsampling errors. In a news article (<http://opinion.inquirer.net/63217/joblessness-versus-idleness>), SWS President Mahar Mangahas explains that SWS asks

respondents if they have a job now, which is very much unlike the way the question is phrased in the quarterly LFS of the PSA that has the past week as its reference period. He also points out that “if the jobless are further limited, not only to jobseekers but also to those who are ready to accept a job opportunity in the next two weeks, then the “jobless-and-ready” in the June 2013 SWS survey would be 18.2 percent, or close to one out of five” (rather than the nearly one in four they get for adult joblessness).

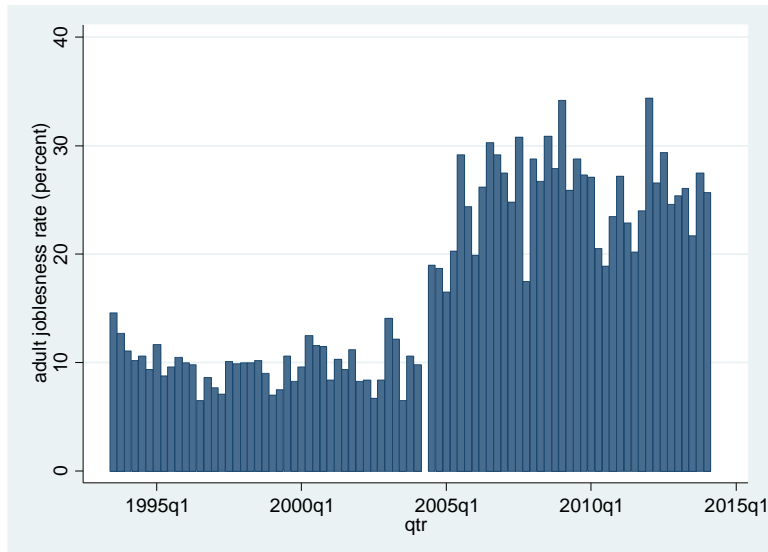
Figure 4. Annual growth rates in GDP, full-time employment and part-time employment, 2007–2013



Source: PSA

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Figure 5. Adult joblessness rate from SWS surveys, 1993–2014



Source: Social Weather Stations

Table 1. Unemployment rates in Southeast Asian economies, selected years from 1990 to 2012

Country	1990	1995	2000	2005	2010	2011	2012
Indonesia			6.1	11.2	7.1	6.6	6.1
Cambodia			2.5		0.4	0.2	0.2
Lao PDR		2.6		1.4			
Malaysia	4.5	3.1	3.0	3.5	3.4	3.1	3.0
Philippines	8.1	8.4	11.2	7.7	7.3	7.0	7.0
Singapore		2.2	3.7	4.1	3.1	2.9	2.8
Thailand	2.2		2.4	1.3	1.0	0.7	0.7
Timor-Leste					3.9		
Viet Nam			2.3			2.0	1.8

Source: World Bank

Official unemployment rates have largely been flat especially in recent years. The same goes generally for adult joblessness rates especially after 2004 (Figure 5). One might notice a clear structural break in 2004 for SWS adult joblessness, and it may be worth pointing out

⁴ Prior to 2004, both SWS and its main competitor, Pulse Asia, employed TNS-Trends as their data collection arm.

that this was exactly the period⁴ when SWS decided to have its own field staff for data collection.

Moreover, SWS adult joblessness figures pertain to adults (18 years and above) while the labor force and unemployed populations consider those 15 years old and above. More importantly, SWS surveys result from 1,600 respondents whereas the LFS of the PSA targets 50 thousand respondents or 32 times more than the SWS surveys. This suggests that even if indicators are comparable, the results from the LFS would be about 6 times more precise than those from the SWS. Whereas the SWS has a margin of error of 3 percentage points for their quarterly surveys (and consequently only 6 percentage point changes from quarter to quarter should be statistically significant in the SWS results), the LFS margin of error is about 0.5 percentage point (and thus, a change of 1 percentage point or more on a quarterly basis in the LFS would be real, but below that may just be noise).

Unemployment and underemployment

Comparing our unemployment figures with those of other Southeast Asian countries, the Philippines has the highest unemployment rates (Table 1). However, the case of Cambodia and Lao PDR has to be interpreted with caution. Although they have very low unemployment rates, a considerable portion of their employed population works in the informal sector and in vulnerable employment (ADB 2012).

Poverty incidence among the unemployed is consistently lower than those employed, whether in 2006, 2009, or 2012 (Table 2). Unemployment is more of a middle-class issue. Many of the poor are not unemployed because they cannot afford not to engage in economic activities. The majority of the unemployed in 2012 (81%) are not poor. They may be unemployed by choice or they may just be choosy in finding jobs. The PSA also suggests that among the self-employed and unpaid family workers (engaged in vulnerable employment), poverty incidence is estimated at 29 percent in 2012.

Figure 6 shows that the educational attainments of the unemployed are quite high, confirming that unemployment is not an issue with the poor. However, the unemployed poor have similar characteristics as the underemployed poor (for details, see Albert 2012).

De Dios (2013) points out that the bigger challenge in the jobs agenda is addressing underemployment. The underemployed consists of employed persons who want additional hours of work in their present job or who desire to have an additional job, or a new job with longer working hours. Of the underemployed, they are either visibly underemployed (those who work less than 40 hours in the reference week of the LFS) or invisibly underemployed (those who work 40 hours or more in the reference week). But as pointed out earlier, there is evidence suggesting that structural change is happening for the visibly underemployed

(with part-time employment reducing, and full-time employment on the rise). The ultimate focus of government, and more importantly the private sector, should be the creation of more quality jobs to sustain the growth momentum in the economy.

Final words

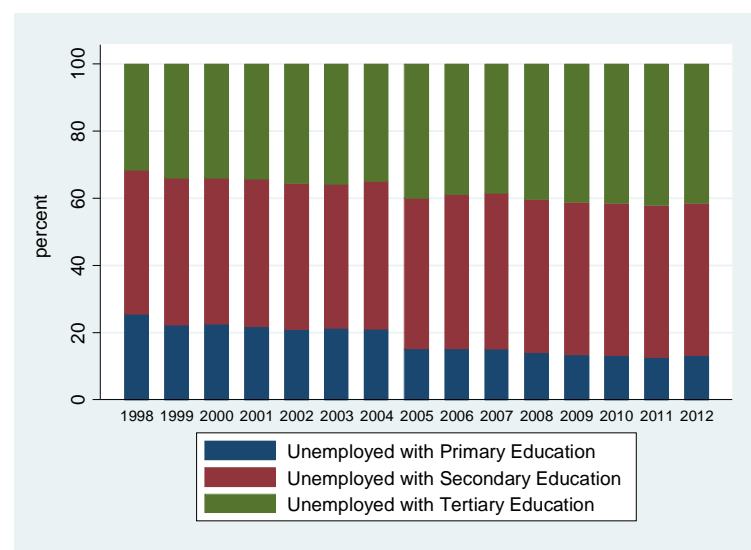
In the past two years, statistics on investment and full-time employment in industry are rising. However, unlike other Southeast Asian countries, the Philippines does not produce oil, and the response of

Table 2. Poverty incidence among the employed and unemployed: 2006, 2009, 2012

	2006	2009	2012
Employed	22.9	22.8	21.9
Unemployed	16.5	16.8	18.7

Source: PSA

Figure 6. Unemployed by educational attainment, 1998–2012



Source: PSA-LFS

Government is showing everyone that the rules of the game are getting fair through its promotion of good governance and accountability. Some of the currently unemployed and underemployed segments of society will eventually try to find jobs overseas or in the unorganized (or informal) sector, or create their own jobs. Government will need to assist them in one way or another, within its limited resources, but it will need effective partnerships.

government on the monetary and fiscal sides may be very limited. There are only a few jobs that government can directly create, even with public works projects. But government is showing everyone that the rules of the game are getting fair through its promotion of good governance and accountability. Some of the currently unemployed and underemployed segments of society will eventually try to find jobs overseas or in the unorganized (or informal) sector, or create their own jobs. Government will need to assist them in one way or another, within its limited resources, but it will need effective partnerships.

Ultimately though, the private sector is the main engine of the economy. Our taipans

should practice employment policies that favor the hiring of more permanent workers rather than temporary ones who will work for five or six months only. Wealthy businessmen should put their money into long-term productive investments. All Filipinos have roles to play, especially as the Philippines continues to work on the Millennium Development Goals whose target year (2015) is fast approaching, and as the world starts crafting a post-2015 agenda that will ensure that no one—poor or nonpoor, male or female, Christian or Muslim, employed or unemployed—is left behind in development.

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