

# Employment:

## Can We Keep Old Jobs and Create New Ones?

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The current Asian financial crisis is threatening to throw thousands of Filipino workers out of their jobs. While the Philippine government turned in a solid performance in the period 1992-1996 in terms of the creation of employment opportunities, improvement of real wages, and, to certain extent, modification in income distribution in favor of the working people, it cannot, however, rest on this laurel. The challenge for it at the moment is to be able to maintain or even improve said record. If it fails to do so, it may yet see, in the next two to three years, a rise in unemployment, a fall in real wages, a decline in global competitiveness, and a deterioration in income distribution.

Certainly, the government cannot and should not allow such a grim prospect to happen. It will have to find ways to avoid what will certainly be a disaster for the

Filipino working man. Thus, it must formulate the necessary support policies to enable the labor sector to weather the present crisis. For the immediate present, its task should focus on saving extant jobs.

### Looking back

As mentioned, the government did not do badly in the area of employment generation during the three-year period 1993-1996. It created some 3.0 million net new jobs 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 stipulated in the *Medium-Term Philippine Development Plan/National Employment Plan (MTPDP/NEP)*, the output is close to it.

The average growth rate of employment in the four-year period 1992-1996 was 3.5 percent. This is superior to the 2.7 percent average of the preceding four years of 1988-1992. The unemployment rate, on the other hand, fell from 8.6 percent in 1992 to 7.4 percent in 1996.

The real incomes of the working people rose slightly although the 6.0 percent increase in the real wage over

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the three-year period 1992-1995 represents only a recovery from the 6.0 percent fall from 1989 to 1992.

In the area of competitiveness, however, performance was dismal with the unit cost of labor rising from an index of 1.0 in 1992 to an index of 1.3 in 1995, a clear indication of a slippage in competitiveness. In fact, as the data show, this weakening of competitiveness began as far back as 1987 when the index stood at 0.5. This rise in the unit cost of labor likewise implies a deterioration in global competitiveness.

Meanwhile, 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 declined in the 1992-1995 period, continuing a downward trend that started in the early 1980s and which contributed to the establishment of an investor-friendly economic environment.

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

### Confronting the crisis

For the government to arrest a serious unemployment problem in the next year or two, it will have to exert its best efforts in pursuing the two basic thrusts articu-

lated in the *MTPDP* and the *NEP* for the period 1993-1998 with respect to:

- \* acceleration of employment generation, and
- \* human resource development.

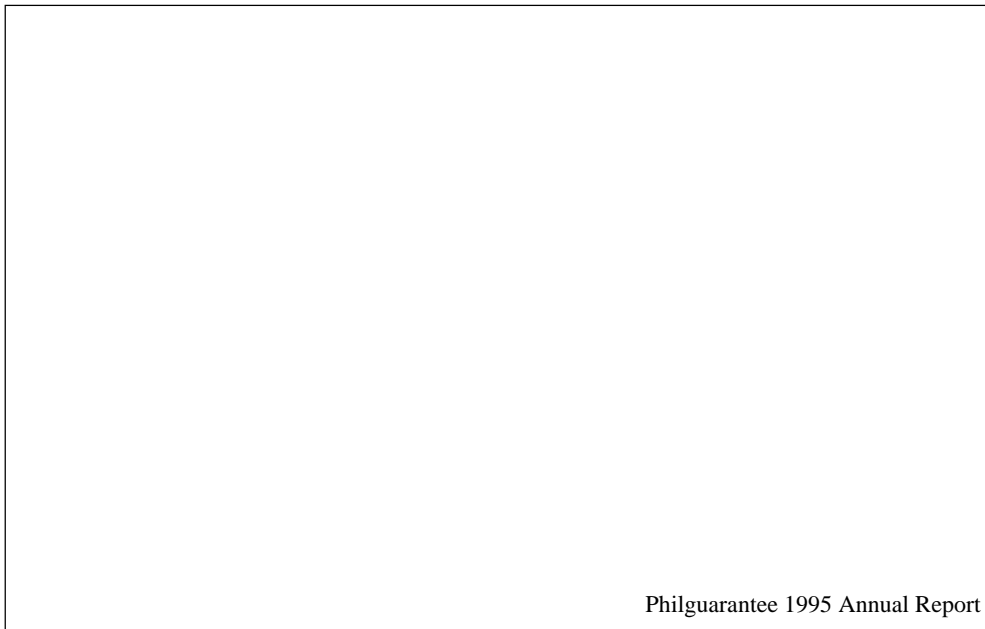
Particularly relevant at this point are the components of policies and strategies that call for, among others,

- \* the design of education and manpower training programs to provide employable skills to and upgrade the marketable skills of the labor force,
- \* the strengthening of the linkages between education/training institutions and industry to lessen mismatches,
- \* the provision of incentives to the private sector 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 sectors that need them.

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The thoroughness and speed at which these programs can be implemented will clearly have a bearing on the pace of productivity growth, enhancement of competitiveness, and employment generation in general.

The reinforcement of linkages between education/training institutions and industry has been under discussion among responsible authorities for the past two to three years in several of the country's regions. For instance, the Technical Education and Skills Development Authority (TESDA)—the institution tasked to lead the informal sector in responding to the rapidly changing needs of the economy for various types of manpower—is cur-



Philguarantee 1995 Annual Report

*In the face of the current financial crisis, the government must pursue measures that will prevent the loss of jobs for thousands of Filipino workers like these women sewers in a garments factory.*

rently developing programs of collaboration with the private sector in the production of appropriately trained manpower for some segments of industry. These training programs must now be delivered to the private sector so that a potential unemployment crisis can be avoided. In addition, local government units must be mobilized in the administration of these programs.

## Recommendations

To speed up employment creation, there is a need for the government to, first and foremost in the immediate term, overcome the impacts of the currency crisis by setting up confidence-building measures. Then, in the medium- and long-term period, the government must give priority to the acceleration of growth and the elimination of inflation.

Within this framework, the government should:

- \* Give special attention to the development of la-

bor-intensive small- and medium-scale enterprises, the adoption of labor-based technology, and the mobilization of a higher labor content in projects where such may be appropriate.


- \* Reverse the stagnation of labor productivity and the deterioration in the country's international competitiveness by giving priority to productivity enhancement measures at the levels of enterprise management and workers. This could be done through –

- the encouragement of closer interaction between private sector management and educational and scientific institutions to motivate the former to mobilize higher level manpower for its purposes as well as acquire best-practice if not cutting edge technology for its production methods; and

- the opening up of more windows of opportunity for workers to acquire new skills and enhance old ones, initially through TESDA skills training programs and eventually through private sector initiatives.

- \* Continue with efforts and measures for the improvement of industrial relations by pursuing with great vigor the programs and schemes spelled out in the *NEP*, including the promotion of closer cooperation among trade unions and employers in production, the fostering of conciliation, mediation, voluntary arbitration and other consensual modes of conflict settlement, and the adoption of industrial peace accords and social contracts for maintaining industrial peace.

\* Carry out, without let-up, its employment planning and facilitation programs by the dissemination of labor market information, the reinforcement of vocational guidance, employment testing and counseling, the provision of self-employment information, and the establishment of special programs for the disadvantaged.

\* Go full speed in the implementation of its human resource development program covering worker education and health. 

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