

# Chapter 9

## Labor

### I. SITUATIONER

The labor market is still beset with problems that undermine the Filipino workers' quest for better and decent living. However, the resiliency of the workers led them to negotiate for alternative work arrangement, find self-employment opportunities, and land alternative employment outside the country.

Unemployment remained persistently high in 2001-2003, averaging 11.3 percent over this period. Despite the modest growth in GDP for the same period, growth was not enough to produce ample employment opportunities for the Filipinos as the country's rapid increase in population during the 60s to the 90s resulted in a large increase in the working age population. The labor force also expanded by an average of 3.78 percent or about 1.752 million compared to the net jobs generation of 1.058 million. Employment opportunities are scarce for those who live in the urban areas, for the youth who are unskilled and inexperienced, and for those whose education do not match industry needs.

Unemployment is largely an urban problem where roughly two in every three unemployed are urban residents. This is traced to the insufficient employment and income opportunities in the rural areas that prompts many rural residents to migrate to the cities and progressive regions to find work.

Majority of the unemployed are young people aged 15-24 years old who are unskilled and inexperienced. The youth accounts for almost half of total unemployed (48.7%). Youth unemployment rate is the highest compared to all age groups and is more than twice the national unemployment rate.

Another group of the unemployed are the "educated unemployed" whose skills do not meet the available job requirements. Most of the unemployed during the period were better educated than the employed workforce. Majority of the unemployed had at least a high school education (42.6 %) while those with college education accounted for 34.3 percent. The incidence of unemployment also tended to increase with the years of education. In 2002, only 6.7 percent of those with at least elementary education were unemployed followed closely by those without formal education (9.3%); with at least high school education (13.2%) and with college education (15.4%). Meanwhile, employed professionals and technicians and associate professionals who are considered most valuable to a developing nation, constituted a mere 4.5 percent and 2.7 percent, respectively.

Underemployment is a more serious problem since it cuts across all age barriers and its magnitude is almost twice that of the unemployment rate. It is more of a rural phenomenon as 61.2 percent of the underemployed are in the rural areas mainly because of the seasonal nature of farm employment that prompts workers to ask for more labor hours.

The rise and fall in employment is largely tied to the agriculture sector's performance, with employment trends following the rise and fall in the agriculture sector. Addressing the unemployment problem thus requires either minimizing the fluctuations in agriculture or increasing nonfarm income.

Flexible working arrangements have emerged in the wake of globalization. Companies adopt more flexible work arrangements to compete in the global economy. Employers are restructuring their companies, downsizing workforce and utilizing nontraditional employment practices like the hiring of part-time or temporary workers, subcontracting and business process outsourcing to remain more competitive.

Amidst these changes, labor relations were generally amicable. From 2001-2003, a total of 117 strikes were declared, equivalent to an average of 39 strikes per year, one of the lowest experienced in the country. Disposition rates of cases significantly improved, from 94 percent in 2001 to 100 percent in 2003. Settlement rates also improved. It is noteworthy that neither a reported establishment closed down nor an untoward incidence or violence occurred on the account of a strike.

Employment in the Philippines is largely labor-supply driven as persons who cannot find jobs in the formal labor market end up creating their own employment or land jobs overseas. Over the three-year period, the share of own-account workers has been considerable at 37.7 percent and those who are unpaid family workers at 12.9 percent. Meanwhile, the country was able to generate 2.624 million job orders overseas or an average of 875,000 deployment per year, contributing approximately US\$20.1 billion worth of remittances to the country.

## **II. GOALS, STRATEGIES AND ACTION PLANS**

Labor policies shall be guided by the principles of providing decent and productive employment. Decent and productive employment means that adequate income is generated, rights at work are protected, social protection is provided for, and participation in the democratic process is guaranteed through tripartism and social dialogues. It also means sufficient employment, where all workers have full access to income earning opportunities. Decent employment also entails the continuous improvement of workers' personal capabilities through a build-up in competitive skills and positive work ethics to make him more productive. This will enable workers to fully participate in both economic and social activities, and maximize their human development potential even with the challenges posed by globalization.

Government, committed in the pursuit of decent and productive employment, shall pursue more vigorously the four major employment-promoting strategies: employment generation, employment preservation, employment facilitation and employment enhancement.

**Employment generation** involves creating, directly or indirectly, new employment opportunities in the domestic labor market.

To support the efforts in job creation, the government shall issue administrative guidelines and propose legislative amendments to the Labor Code to recognize flexible work arrangements (e.g., subcontracting, flexi-work, flexi-wage) especially in business process outsourcing and cooperatives. However, this shall take into consideration the promotion of decent work and respect for core labor standards.

**Employment preservation** involves enhancing harmonious worker-employer relationship and maintaining existing jobs with remunerative terms and conditions. Industrial peace, which significantly contribute to the preservation of employment, shall be achieved through freedom of association and free collective bargaining, continuing social dialogue, mediation and voluntary arbitration of conflict and

shared decision making mechanisms at the firm, industry, sector and national levels. By developing mutual trust and confidence among the parties, the industrial relations paradigm will shift from one based on confrontation to one based on cooperation resulting to productivity and competitiveness.

To achieve these, government shall ensure 24 hours-7 days-a-week action on labor cases, promote alternative dispute settlement mechanisms at the workplace for both unionized and non-unionized establishments, and continuously educate labor and management on workers' rights, dispute prevention and settlement. To address work contingencies arising from unemployment or loss of livelihood, it shall promote efficiency-enhancing measures, including arrangements or human resource strategies, that minimize employment losses, pursue the establishment of Tripartite Assistance and Supervising Committee, and administer an "Industrial Peace and Stability Fund" to assist displaced workers on a tripartite basis. An electronic labor case tracking and management system shall be installed to support the overall efforts on improving case resolution. Finally, it shall sustain social dialogue as a central element of labor policies, and a means to secure sustainable decent work outcomes.

**Employment enhancement** involves improving workers' competency, productivity and work values, work conditions and occupational safety and health, remuneration, and welfare. There is a need for coherent strategies that will ensure basic security and employment while enabling adaptation to rapidly changing circumstances in a highly competitive global market because decent work is not just concerned with the creation of employment, but also employment of acceptable quality.

To enhance labor productivity and competitiveness, government shall showcase productivity improvement programs in micro, small and medium enterprises (MSMEs), including barangay micro business enterprises (BMBEs). It shall promote a culture of self-regulation and voluntary compliance to labor standards through the full implementation of the new labor standards framework, and continuously review its wage policy framework vis-à-vis emerging labor and industry requirements.

Workers are the country's comparative advantage. There is a continuing need to sustain this advantage by adopting educational, training, and technical/vocational programs that will make labor supply more elastic. In this context, the technical/vocational and maritime training programs shall be continuously improved to meet the critical skills needed in a globalizing economy, as identified through industry signals. For skills training to be of any use, standards for skills certification and assessment of competencies shall be developed based on international standards. In addition to the strategic measures identified in education (Part IV, Chapter 18), effectively addressing the issue of youth unemployment shall be high in the agenda. Thus, youths shall also be provided with opportunities to acquire skills and competencies required by the market through training, expanded apprenticeship and learnership programs, special program for employment of deserving students, and emergency employment for the out-of-work/ out-of-school youths in Metro Manila. Assistance to other workers who are discriminated from work, such as persons with disabilities and occupationally disabled workers shall also be intensified to enhance their employability, whether in wage or self-employment.

To provide protection against vulnerabilities in work, government shall intensify its efforts in providing social assistance to working children, women, assets less/ landless rural workers, informal sector workers, and OFWs including their families or dependents. These measures shall include the implementation of focused, community-based and integrated interventions to reduce the incidence of child labor, particularly in hazardous occupations and abject conditions of work; training and capability building program for women under livelihood convergence strategies; and strengthening the capability of labor and management to jointly implement workplace family welfare programs that promote health, nutrition, responsible parenthood, balancing family and work life, among others.

Government shall further intensify its advocacy and capability-building activities to increase the number of workers in the informal sector (WIS) covered by the DOLE Social Protection Program for WIS.

The protection and welfare of OFWs is a shared responsibility of the sending as well as the host countries, and this will be a core principle in promoting markets and cultivating bilateral ties with labor-receiving countries. For this purpose, government shall pursue forging of bilateral agreements in cooperation with the private sector to secure the employment, security and protection of OFWs (Part V, Chapter 24). It shall further sustain the implementation of a comprehensive social service package for OFWs onsite, expand the reintegration program for them including their families and dependents, and intensify country-specific predeparture orientation seminars. The fight against illegal recruitment shall be sustained through the Presidential Task Force on Illegal Recruitment, and by implementing performance appraisal system of all licensed recruitment agencies. Finally, Tripartite Consultative Councils will be set up to institutionalize OFW and private sector participation in overseas employment.

**Employment facilitation** involves facilitating access of Filipino workers to employment opportunities and alternatives, whether locally or abroad. Overseas employment remains to be a legitimate option for the country's workforce. As such, government shall fully respect labor mobility, including the preference of workers for overseas employment. Protection shall be provided to Filipinos who choose to work abroad and programs for an effective reintegration into the domestic economy upon their return shall be put up.

To address the apparent mismatches in jobs and skills, the major Public Employment Service Offices (PESOs) shall be interconnected to strengthen the labor market information system. Alternative job search modes, such as the use of SMS technology shall also be set up to increase workers' access to information on job vacancies. Policies and procedures on overseas employment shall continue to be streamlined. By electronically linking the 12 government agencies involved in OFW documentation, the documentation process cycle time, requirements, and cost shall be reduced by 50 percent.

Changes in the socioeconomic, political, and global landscapes have significantly altered the world of work. These changes prompted the need to revise the 30-year old Labor Code to provide more flexibility at the workplace, and promote decent work and respect for core labor standards.

Amendment of the Labor Code shall focus on the five major areas of social partnership; protection to labor through just and humane conditions of work and adequate social security protection; employment promotion; promotion of productivity; and promotion of shared responsibility and providing adequate machinery for negotiations, dispute settlement and prevention.

Specifically, the amendments should emphasize on innovation in the workplace, productivity and performance rather than simply governing employee-employer relations. There is a need to promote shared responsibility in resolving conflicts, as well as ways to simplify the settlement and resolution of labor disputes, with strong incentives for alternative dispute resolution and private sector participation. This way, employers and workers need not waste resources in costly litigation.

Furthermore, the creation of a Local Employment Authority shall also be proposed to address the need for an integrated and more efficient employment policy and planning for the domestic labor market.