

## EMPLOYMENT STRATEGIES FOR ACCELERATED ECONOMIC GROWTH: THE PHILIPPINE EXPERIENCE

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The paper tried to analyze the experience of the Philippines in terms of the policies and strategies it has adopted to address the problems of unemployment and underemployment. In particular, this was done in relation to the goals and targets set in the country's various development plans.

A review of the past and present policies showed that the industrialization policies implemented in the past generally increased output and investment but their inherent capital bias resulted in the low rate of labor absorption. The manufacturing sector specifically failed to generate new employment necessary to absorb the increasing labor force. This was due to factors like the limitations in the domestic market for output of import-substituting firms, the limitations imposed by the existing pattern of fiscal incentives, the misallocation of investable funds on high-cost industries, and the labor laws which served to raise labor cost and discourage employment.

The major problem of adopting an outward-looking strategy is the lack of reciprocal response in the international setting in the face of increasing protectionism and stagnation in developed countries. However, the shift in comparative advantage of the NICs from traditional labor-intensive exports to more skilled and technology intensive activities opens up prospects for ASEAN countries. Nevertheless, there are two obstacles to realizing the above-mentioned objectives. One concerns the matter of sustaining the shift towards export-promotion with the existing incentives which are capital-biased. And the other is the current political and financial crises.

Based on the analysis, the following policies are viewed to increase labor absorption. First, what is called for is a system of taxation and protection which is non-factor price distortive. The adoption of the appropriate technology which is more labor-intensive will follow as a consequence. Secondly, economic growth and therefore employment generation can be accelerated with a firmer commitment on the part of the authorities in implementing the structural reforms. And lastly, the outward-looking strategy is worth pursuing.

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\*Research Fellow and Research Associate of the Philippine Institute for Development Studies, respectively. The authors would like to thank Dr. Mario Lamberte and Dr. Rosario Manasan for their helpful comments, Glorivic Maite Salveron for her research assistance, and Emma Pizarro-Cinco for her secretarial work. This paper was presented during the Asian and Pacific Development Council-sponsored Policymakers' Roundtable Meeting on "Employment Strategies for Accelerated Economic Growth in Asia," held in Kuala Lumpur on December 1-2, 1988.

## 1. Introduction

The economic crisis experienced by the Philippine economy in the early '80s has severely brought down its economic performance to dismal levels, the first time ever in the postwar history of the country. The negative growth rates in domestic production towards the middle of the decade (see Table 1) had far-reaching effects on employment, the rate of which had already been declining that time mainly due to structural defects in the economy. This general trend, coupled with the rapid increase in the labor force, with new entrants numbering about 750,000 annually, resulted in higher levels of unemployment and underemployment. In fact, among the ASEAN countries except Brunei, the Philippines consistently registered the highest unemployment rate after the mid-70s (see Table 2). This is likely to be even more pronounced after 1985 when unemployment and underemployment rates in the country have reached two-digit levels, i.e., 11.2 percent and 28.4 percent, respectively, in 1986 (data for other ASEAN countries are not available for years after 1985). The resurgence of unemployment and the persistently expanding

Table 1 — Growth Rate of GDP (at 1972 constant prices),  
1972-1986

Year	GDP (in ₱ million)	Growth rate (in per cent)
1972	56,075	
1975	68,361	5.5 <sup>a</sup>
1976	72,962	6.7
1977	77,990	6.9
1978	82,797	6.2
1979	88,346	6.7
1980	92,706	4.9
1981	96,207	3.8
1982	98,999	2.9
1983	99,920	0.9
1984	93,927	(6.0)
1985	89,803	(4.4)
1986	90,770	1.1
1987		

<sup>a</sup> Annual average for the period 1972-1975.

Source: NEDA, *Philippine Statistical Yearbook*, 1987.

Table 2 — Unemployment Rate in ASEAN Countries, 1975-1985

Country	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Brunei <sup>a</sup>	7.7	7.8	8.0	8.7	10.1	7.8	7.9	6.5	6.1	—	—
Indonesia	—	0.3	0.3	0.3	0.3	0.4	0.6	0.6	0.6	0.9	—
Malaysia <sup>b</sup>	2.9	2.9	2.9	2.6	2.2	1.8	1.4	1.3	—	—	—
Philippines <sup>c</sup>	3.9	5.2	4.5	4.0	3.5	4.8	5.4	5.5	4.9	7.0	6.1
Singapore <sup>a</sup>	4.5	4.4	3.9	3.6	3.3	3.0	2.9	2.6	3.2	2.7	4.1
Thailand <sup>b</sup>	0.4	0.8	0.9	0.8	0.9	0.9	0.9	3.6	2.4	2.3	3.7

## Notes:

a — June of each year

b — Third Quarter

c — Fourth Quarter

Source: *Statistical Yearbook for Asia and the Pacific*, various issues.

pool of underemployed became top priority areas of concern for policymakers.

The recent adoption of an employment-oriented and rural-based strategy by the Philippine government to attain economic recovery and long-run growth therefore speaks well of its commitment to address the problems of poverty, unemployment and underemployment more vigorously today.

This paper will try to analyze the experience of the Philippines in terms of the policies and strategies it has adopted to address the problems of unemployment and underemployment. In particular, this will be done in relation to the goals and targets set in the country's various development plans.

The next section summarizes the trends in employment, unemployment and underemployment for the period 1960-1987. This will be followed by a review of the country's development plans with special reference to the objectives, strategies and programs with respect to employment. Section 4 will look at how the economy performed with respect to these objectives and targets. Of significant importance here is the evaluation of the impacts of specific policies on employment. The current posture of the government insofar as employment generation is concerned as embodied in the latest 5-year development plan, and the policies currently in place which impinge upon employment shall also be analyzed in Section 5. Finally, emerging trends and issues on employment, as well as the options and policy implications, shall be discussed in the last section.

## 2. Trends in Employment, Underemployment and Unemployment<sup>1</sup>

### 2.1 Labor Force

Total labor force has been growing rapidly in the Philippines. For a period covering almost three decades, total labor force has grown from 8 million in 1956 to 14 million by the end of the third quarter of 1987<sup>2</sup> averaging an annual growth rate of 2.5 per cent.

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<sup>1</sup>Data referred to in this section are found in Reyes (1987). Likewise, sources and limitations of the data are discussed in the same paper.

<sup>2</sup>Data are mostly for the third quarter (except for census years) to avoid accounting for the temporary swelling of the labor force which normally occurs during the May series.

This fast increase in the labor force especially during the start of the '80s is indicative of the relatively young and fast growing population of the country as well as the increasing number of females joining the labor force. In fact the latter is clearly evidenced by the male-female labor force ratio which declined from 2.13 in 1970 to 1.64 in 1985. Further, the labor force participation rate of females has been rising consistently from 30 per cent in 1970 to 48 per cent in 1984.

## 2.2 Employment

Employed members of the labor force have been increasing. At an average annual rate of more than 4 per cent, total employment increased from 7.7 million in 1956 to 20.8 million in 1987. Employment rate was 94.0 per cent on the average, a relatively stable figure for a 3-decade period except for 1973 and 1974 when the rates were fairly high at 99.4 per cent and 98.4 per cent, respectively. The acceleration in the growth of agriculture as well as the expansion of the services sector allowed for the higher rate of absorption of the enlarging stock of the labor force in the early 1970s. The vigorous drive for industrialization did not seem to have impacted much on employment as most of the industries established at that time were highly capital-intensive, especially in the manufacturing sector. The devastating effects of the economic crisis in the '80s on employment is clearly shown by the low employment rates after 1980 until 1985.

Evidently still a basically agricultural economy, the Philippines has most of its employed labor still in agriculture, i.e., more than 50 per cent on the average. The expected drop in the share of agriculture has remained slow despite efforts to industrialize. Its share to total employment remained high at 48 per cent in 1987 compared to newly industrializing economies like Taiwan and South Korea whose shares were within the range of 20 and 30 per cent, respectively (World Bank, 1986).

True enough that while the economy followed the normal structural change a developing economy experiences in terms of changes in the sectoral shares to total production, this has not been demonstrated in terms of employment. The share of manufacturing to total domestic production or GDP grew from 12.5 per cent in 1950 to 18.7 per cent in 1970, 25.0 per cent in 1980, and finally down to 23.9 per cent in 1986 (see Table 3). The most recent figure reflects an unusual period when the devastating impacts of the economic crisis have been felt strongly. In terms of employment distribution, manufacturing had a declining share over a period of 17

Table 3 — % Share to GDP By Industry, 1961-1987

	1961	1970	1980	1987
Agriculture	31.40	28.88	25.60	28.48
Industry	28.40	29.50	36.10	31.95
Mining and Quarrying	1.46	2.14	2.40	1.58
Manufacturing	22.23	23.18	25.00	24.24
Construction	4.00	3.41	7.00	4.13
Electricity, Gas & Water	0.71	0.77	1.00	1.99
Services	40.20	41.62	38.30	39.56

Source: NEDA, *Philippine Statistical Yearbook*, various issues.

Table 4 — Distribution of Employment by Industry

	1970	1975	1980	1985	1987
Agriculture	53.7	53.5	51.4	49.0	47.8
Industry	16.5	15.2	15.5	14.2	14.6
Mining & Quarrying	0.4	0.4	0.6	0.6	0.7
Manufacturing	11.9	11.4	11.0	9.7	9.9
Construction	3.8	3.1	3.6	3.4	3.6
Electricity, Gas & Water	0.3	0.3	0.4	0.4	0.4
Services	28.2	31.0	33.0	36.8	37.6

<sup>a/</sup>Data for 1970-1975 were based on household population 10 years and over; 1980-1987 data were based on household population 15 years and over.

Source: NEDA (1986), *Philippine Statistical Yearbook*.  
NSO, *Special Release*, various issues.

years (see Table 4), clearly indicative of the capital-intensive nature of industrial development in the country as well as the deteriorating economic conditions which prevailed during the early '80s. By 1987, manufacturing accounted for only about 10 per cent of total employment compared to about 12 per cent in 1970. Clearly, the net transfer of employment has been essentially from agriculture, whose share declined from 53.7 per cent to 47.8 per cent for the same period, to services, whose share went up from 28.2 per cent to 37.6 per cent.

Following this distribution, close to half of the work force were agricultural, animal husbandry and forestry workers, fishermen and

hunters. The shares of sales and service workers increased significantly. However, the share of professional, technical, administrative, executive and managerial workers remained relatively small, evidently signifying the relative scarcity of skilled workers. This is corroborated by the observation that more than 55 per cent of all persons employed have elementary schooling as their highest educational attainment.

### 2.3 Unemployment and Underemployment

The problems of unemployment and underemployment have persistently remained visible throughout the past two decades, more so during the turn of the current decade (see Table 5). Underemployment rates have reached very high levels peaking at 36.4 per cent in 1984. Likewise, high unemployment rates were observed especially in 1986 when it hit 11.2 per cent. Most of those unemployed are young, belonging to the age group 15-24. These are members of the labor force most likely to have high turnover rates and long unemployment spells. Their educational attainments are low, mostly elementary grade. Most of them are agricultural and production

Table 5 – Unemployment and Underemployment Rates  
1971–1987  
(in per cent)

Year	Unemployment Rate	Underemployment Rate
1971	5.3	15.0
1972	0.6	13.3
1973	1.6	12.1
1974	4.8	10.1
1975	4.2	13.3
1976	5.0	10.6
1977	4.5	17.4
1978	4.2	19.6
1980	5.0	20.9
1981	5.3	23.9
1982	6.0	25.5
1983	4.4	29.8
1984	7.3	36.4
1985	7.1	22.2
1986	11.2	28.4
1987	9.1	24.2

Source: NEDA (1986), *Compendium of Philippine Social Statistics*.  
NCSO, *Integrated Survey of Households*, various issues.

workers, although towards the middle of the '80s, the share of unemployed production workers outpaced that of agricultural workers suggesting that the former group was the hardest hit by the economic crisis.

Underemployment was most severe during the '80s. Rates have gone beyond 20 per cent and were rapidly increasing until 1984. This trend was common for both males and females, although the rates were much higher for males averaging about 28 per cent, with the peak of 39.3 per cent experienced in 1984. For females, the average level was 21 per cent. This situation clearly points to the fact that earnings have become very inadequate during this period. This is even highlighted by the high proportion of full-time workers (those working 65 days and over per quarter) who still want additional work, i.e., on the average 39 per cent from 1980 to 1986. Underemployment is prevalent among agricultural and production workers who have low levels of educational attainment. Most of them earn less than ₱5,000.00 per quarter and they constitute about 90 per cent of the total underemployed.

### 3. Development Objectives, Plans and Strategies with respect to Employment

This section will review the objectives, plans and strategies as they were articulated in the past five development plans of the country starting with the period 1967-1970 until 1983-1987. The most recent five-year development plan will be discussed in a subsequent section.

The formulation of the 1967-1970 development plan was anchored on the efforts of the government to achieve high levels of economic growth. Real income in GNP terms was expected to grow at an annual rate of 6.2 per cent. With a fast growing population of about 3.5 per cent per year, real per capita income was targetted to expand at 2.5 per cent. Unemployment and underemployment were substantial, with the latter averaging about 7.7 per cent at the start of the plan period. As a result of this overriding concern for growth, what actually emerged as dominant during the period was a pattern of incentives and programs geared towards the provision of a climate conducive to investment activity. Generating employment was considered more as a dimension rather than the main focus. No employment target was really set in this plan, but rather it expressed the employment generation forthcoming from an investment target



as an important consequence of economic growth.

The subsequent development plan for the period 1971-1974 carried with it again the government's overwhelming concern for growth. While it stipulated the need to effect a more equitable distribution of income and wealth, and minimize unemployment and underemployment, its basic target was the achievement of maximum economic growth with stability. Not having been able to reach the previous target, adjustments had to be introduced to take into account the shortfalls of the previous plan. This plan, however, was an improvement over the previous plans as it explicitly indicated some targets on employment. The government fully recognized the urgency of the problems of unemployment and underemployment which at the start of the plan period were 7.7 per cent and 15 per cent, respectively. The high rate of underemployment was indicative of the seasonality of work in agriculture and the scarcity, if not absence, of off- and non-farm activities in the rural areas to absorb excess labor during the slack seasons.

Employment promotion in this plan was viewed not as an isolated activity but as an integral part of the overall socioeconomic endeavor. Likewise, it was considered as a definite major objective, and not simply, a by-product of growth. This new approach called for greater investments in human resources as well as incentives to production. The target was to reduce unemployment to 5 per cent by mid-1974. The expectation was that new projects registered with the Board of Investments would be able to generate 28,902 jobs while small- and medium-scale industries would be able to employ about 200,000 members of the labor force.

As early as this period, concern for the educated unemployed had already been expressed. This group was estimated to be about 250,000 in the late '60s. It was on the basis of this growing number that the Presidential Commission to Survey Philippine Education (PCSPE) was created. The commission's work was primarily to determine how relevant the outputs of the educational system were to the demands of the labor market.

The plan for the period 1974-77 took into account major developments in the economy which occurred in 1972, the most important one being the declaration of martial law. This development ushered in a period of reforms, both social and economic, which drastically altered the framework within which economic development should proceed.

One of these was the set of employment-enhancing reforms. While the general objective of the plan was still the improvement of the standard of living of the greater mass of the population, several other objectives were also included: (1) promotion of employment; (2) maximum economic growth feasible; (3) more equitable income distribution; (4) regional development and industrialization; (5) promotion of social development; and (6) maintenance of acceptable levels of price and balance of payments stability.

A vital part of the national employment program during the period was the realignment of policies towards the generation of greater employment. Macroeconomic policies involving exchange rates and tariff adjustments were adopted to achieve the twin objectives of higher growth and greater employment. Revisions of existing labor laws were also introduced. The development of labor-intensive industries was also expected to expand employment. Labor-intensive methods of production in both the private and public sectors were encouraged by making investment laws, labor legislation and the government infrastructure program more employment-oriented. Other more specific programs like the regional dispersal of industries were introduced to relieve the pressure of urban unemployment and create a wider geographical base for employment opportunities. Specific reforms in education especially those involving relevance and quality were proposed. Non-formal education and vocational training through the programs of the National Manpower Youth Council (NMYC) were strengthened. In effect, the whole Plan itself was attuned to the goal of employment generation.

Over the plan period, the economy was envisioned to generate jobs for about one million unemployed workers and about two million new entrants to the labor force. Further, it had to find additional jobs for the almost 2 million underemployed. The target was to reduce unemployment rate to about 3 per cent in 1977.

The continuing effort to generate more employment for the fast growing stock of labor of the country received prominence once more in the 1978-1982 development plan. Despite the flexibility and resiliency it has shown during the trying years between 1974 and 1976, the economy was still faced with the urgent problems of unemployment and underemployment, among others. The plan therefore basically embodied a concerted attack on the problems of mass poverty, unemployment and underemployment, and social justice. It was dedicated to the pursuit and advancement of total human welfare. Emphasis was laid on rural development, with agrarian

reform as the cornerstone program, and on labor-intensive industrialization.

The overall employment policy spelled out the need to develop manpower skills suitable to the requirements of growth to enhance labor absorption especially in non-farm activities. Relatedly, the export of manpower, allowed only as a temporary measure to ease underemployment, was to be restrained as domestic productive employment opportunities increase. This was to ensure the availability of specific skills needed in the market.

Also, employers would be required to provide safe, healthful and humane working conditions to secure labor welfare. Concomitantly, workers were to be accorded just compensation that would ensure the maintenance of a minimum standard of living, without prejudice to the efforts to promote high levels of employment in the economy.

The specific programs under the plan basically revolved around countryside and rural development and human resource development. Even the overall industrial development strategy espoused the importance of the establishment of cottage, small- and medium-scale industries, which are basically characterized as labor-intensive. With a target employment generation of about 600,000 each year, unemployment rate was targetted to decline and remain at 4 per cent during the plan period.

With a still precarious external environment at the end of 1982, the development plan for 1983-1987 was formulated essentially "to meet reasonable variability in global conditions" (NEDA, 1982). It set fundamental and basic strategies aimed to minimize the unfavorable effects of external developments. The country had to do this despite the resiliency it has shown in withstanding the unfavorable effects of global problems of recession, escalating oil prices, protectionism in international trade and high interest rates during the previous plan period, and some initial signs of recovery, because the international economic condition was deemed very fragile and could easily revert to previous critical levels. Under this plan, three major development goals were set: (1) sustainable economic growth, (2) equitable distribution of the fruits of development, and (3) total human development. The pursuit of the economic growth objectives was expected to bring about positive and lasting social and economic gains to all segments of the population. Consequently, human development would be enhanced through programs that directly attack

poverty and improve workers' productivity and welfare. In essence therefore, the overriding concern of the plan was to increase people's participation in productive and gainful activities.

These objectives were to be achieved through investment programs which stress efficiency, higher productivity, labor intensity and self-help. Of significant importance was the Kilusang Kabuhayan at Kaunlaran (KKK) program which essentially was a livelihood program expected to help transform depressed and less progressive villages into vital production units, as well as to promote self-reliance at the community and individual levels. The government was to provide various technical, financial and other forms of assistance. It emphasized the promotion of collective and individual entrepreneurial efforts for the people, especially those in the rural areas, to derive gainful employment and income opportunities from all viable sources.

Like most of the plans formulated earlier, this plan recognized the nagging need to expand productive employment and income-generating activities especially in the face of an ever-increasing pool of underemployed which was running at about 30 per cent at the start of the plan period. Unemployment level was to be reduced and maintained at a maximum of 4 per cent by 1987. Hence, aside from the KKK program, other labor-intensive industries, especially the small- and medium-scale ancilliary industries were to be tapped. Labor-intensive construction methods were to be widely implemented, especially in small-scale government infrastructure projects.

After a year of implementation and considering the economic turbulence which rocked the economy in 1983, this plan was updated for 1984-1987 in order to incorporate changes needed to speed up economic recovery. More explicitly, the plan identified its principal targets — the low-income groups who are most vulnerable to economic and social difficulties. The essence of the updated plan was "to strengthen the national will and capability for self-reliant development through a conscious effort to raise productivity and attain self-sufficiency" (NEDA, 1984). In addition to the KKK, another livelihood program was introduced in order to generate more jobs and increase the incomes of the poor. This program was called Kilusang Sariling Sikap (KSS). Again, the government provided the seed money for small-scale activities especially in the rural areas under this program.

The strategies and programs advanced to achieve the employment objectives in the various development plans of the country

have generated both good and bad results. In some cases, the problem was in the implementation phase. Others simply paid lip service to the overall employment policy since the ensuing programs pursued actually worked indirectly against labor. More specific discussions of the policies implemented under the different plan periods follow in the next section.

#### 4. Analysis of Performance

While it is ideal to come up with quantitative measures of the employment impact of specific policies implemented during the different plan periods, the authors are constrained to evaluate these effects qualitatively for most policies. This is especially in the case of policies which have indirect and long-term effects on employment and for which the implementation period goes beyond one plan period. At most what can be done is to compare the actual employment, unemployment and underemployment rates with the plan targets. This will take into account the impact of a package of policies on employment, rather than of a particular policy implemented during the period. The result of this analysis will be supplemented by employment figures for more specific programs which were explicitly directed towards employment generation. In some cases, the number of beneficiaries of the programs are available. This qualitative policy analysis follows that of Tidalgo and Esguerra (1984)<sup>3</sup>

The need to establish an environment conducive to investments needed for higher economic growth in the late '60s was initially met by the introduction in 1967 of the first of a series of comprehensive fiscal incentive packages under the Investment Incentives Act (IIA). This was followed by the Export Incentives Act (EIA) in 1970 which provided for a similar pattern of incentives to exports of "non-traditional" products. Fiscal policies were mostly in the form of tax relief and had positive impacts on output. Indeed, real GNP during the period 1967-1970 expanded at an average annual rate of 5.2 per cent. Although short of its target of 6.2 per cent, this growth rate was viewed as respectable in the light of the balance of payments difficulties the country experienced during the earlier years. This set of fiscal policies, however, does not present itself as a viable strategy to generate employment. First, their effects are capital cheapening and thus biased towards the use of capital.

<sup>3</sup>Other policy studies which are useful in the analysis include those of Power and Sicat (1971), ILO (1974), Bautista, Power and Associates (1939), Pernia *et al.* (1983), David (1983), World Bank (1986), PIDS (1986), Agricultural Policy and Strategy Team (1986).

Second, the capital bias favors large firms because they tend to be capital-intensive. Small- and medium-scale industries which are labor-intensive<sup>4</sup> are therefore less favored. The incremental effect of this fiscal package on employment would not be substantial. Indeed this was so, as shown in Table 6 where the additional employment generated for the period 1964-1971 is less than that in 1957-1964. Relatedly, the unemployment situation did not improve with the rate having increased to 7.9 per cent in 1968 and only slightly declined to 7.6 per cent by the end of 1970.

The start of the decade of the seventies was marked by both internal and external disturbances. There was widespread political unrest in the country which finally resulted in the declaration of martial law in 1972. The first oil shock also occurred during this period, i.e., 1973. The economy, however, adjusted well to these disturbances with output growing at an average of 6.7 per cent for the plan period 1971-1974. This far exceeded the target rate of 5.6 per cent.

Table 6 — Employment Generation, 1957-1978  
(in thousands, except per cent)

Employment Generation Index	1957-1964	1964-1971	1971-1978
Net total annual changes	2153	1992	3522
Average net annual employment generation	308	285	503
Net total employment generation as a percentage of the 1957/1964/1971 employment level	26.6%	19.4%	28.8%

Source: Tidalgo and Esguerra (1984). *Philippine Employment in the Seventies*.  
(Makati: PIDS)

<sup>4</sup>Tidalgo noted that small- and medium-scale industries in the Philippines employed a large percentage of the labor force.

The emphasis placed on economic growth was clearly demonstrated in the specific policies introduced during this period. Most of them characterized the efforts of the government to encourage capital formation and induce greater output. The extension of both fiscal and credit privileges to firms and industries in "preferred" areas proved to be the major policy thrust. Again, the capital bias inherent in these incentives remained in place. Hence the employment impact at most had been negligible. The extent of the capital-intensiveness of the industrial sector during this period can be inferred from Table 7.

There were attempts at increasing backward linkages of the protected sectors. Examples include the Progressive Car Manufacturing Program (PCMP) of 1973 and the Progressive Motorcycle Manufacturing Program (PMMP) of 1974. The idea was to increase local content in their production. The inherent capital-intensity of these activities was expected to be reduced by increasing backward linkages through subcontracting with parts producers. This was expected to generate more employment since the production of parts was considered to be labor-intensive. This positive outlook, however, has been questioned many times.

The early seventies also witnessed a greater push for small and medium industries (SMIs). Support for this sector increased as indicated by the liberalization of credit mainly through interest rate restrictions and special financial programs. The push given to this

Table 7 — Incremental Labor Output ( $\Delta N/\Delta Y$ ) by Industry, 1971-1978

Industry	Y/N	$\Delta N/\Delta Y$	(worker per P000)
All Industries	3.62		0.16
Agriculture	2.37		0.40
Industry	5.17		0.06
Mining & Quarrying	17.07		0.05
Manufacturing	5.76		0.06
Electricity, Gas & Water	7.36		0.05
Construction	3.77		0.02
Services	4.64		0.14

<sup>a</sup>N is employment in thousands; Y is national income, 1972 prices, in million pesos.

Source: Tidalgo and Esguerra (1984) p. 119.

sector hinged on the idea that these industries are labor intensive and less skill intensive since they use relatively simple techniques of production. They also tend to be regionally dispersed because their minimum efficient market size requirement is small. While the policies directed at SMIs benefitted them substantially, these conflicted with the existing structure of tariff protection. For instance, Hiemenz (1983) showed that relative to those enjoyed by large firms, their effective protection rates were very low.

Along with the good performance of the production sectors of the economy, the labor sector performed creditably as well. Employment rate by the end of 1974 was fairly high, i.e., 98.4 per cent (Table 8). This implies an unemployment rate of only 1.6 per cent, a remarkable achievement in unemployment reduction. This level was much lower than the target of 5 per cent by the end of the plan period. The agricultural sector absorbed majority of the employed with its share reaching about 56 per cent. Manufacturing was observed to have had little contribution to the absorption of the increasing labor force. Its share in total employment was only slightly above 10 per cent, a figure much lower than the 1970 level. In fact, its contribution has been estimated to be only in the range of 7 to 11 per cent of total increases in employment between 1960 and 1978 (World Bank, 1986).

The seventies also witnessed increasing activity in public investment especially on rural infrastructure. Irrigation programs proliferated in several areas. Obviously this had contributed to the absorption of labor in the agricultural sector, especially during the dry season.

Labor laws on industrial relations in the '70s appear more supportive of employers rather than the workers (Tidalgo, 1984). Further, actual effects of mandated minimum wage and labor standards depend on the coverage of such laws, the actual enforcement, and the relative strength of workers' organizations in demanding compliance by employers. Thus its negative impact on employment was minimal. In fact, Panganiban (1982) even suggests that empirical evidence in the Philippines does not confirm the negative implications of the imposition of a minimum wage law on employment.

The land reform on rice and corn which became the core of the countryside development program of the country, especially towards the latter half of the decade, may have contributed signifi-



Table 8 — Comparison of Target and Actual Rates of Output Growth<sup>a</sup> and Employment<sup>b</sup>, 1967-1970

Plan Period	Target			Actual		
	Output	Employment (in per cent)	Unemployment (in per cent)	Output	Employment (in per cent)	Unemployment (in per cent)
1967 — 1970	6.2	—	—	4.95	92.4	7.6
1971 — 1974	5.6	95	5	6.7	98.4	1.6
1974 — 1977	7.0	97	3	6.3	95.0	5.0
1978 — 1982	8.0	96	4	5.5	94.7	5.1
1983 — 1987	6.5	96	4	(0.48)	90.9	9.1
1987 — 1992 <sup>a</sup>	6.8	93	7	5.7 <sup>c</sup>	90.9 <sup>c</sup>	9.1

<sup>a</sup> Average annual growth rate.

<sup>b</sup> Employment rate at the end of the plan period.

<sup>c</sup> For 1987 only.

<sup>d</sup> The updated development plan for 1988-1992 targets real output to grow at 6.5% and employment rate to reach 95.4%.

Source: NEDA, *Development Plans for various periods*.  
NEDA (1987), *Statistical Yearbook*.

cantly to the increase in employment as shown in Table 9. There was a big increase in employment level in 1978 until 1981, with the share of agriculture in total employment remaining relatively stable at slightly above 50 per cent. The effect of land reform on employment may be inferred from the relative labor intensity of land use in smaller farm sizes compared to large ones. Khan and Lee (1981), for example, pointed out that small farms in East Asia even before the introduction of land reform used relatively more labor per hectare of land. Labor intensity is positively associated with farm productivity at least during periods of high unemployment. Similarly in the Philippines, Quisumbing and Adriano (1988) showed that farm population per cultivated area of land tends to monotonically decrease as farm size increases. This is so because large landholdings tend to use more capital-intensive technologies due to economies of scale. Big landlords have better access to credit and subsidy schemes offered by the government which may allow them to finance the acquisition of these technologies.

Table 9 – Employment in Agriculture<sup>a</sup>, 1970-1987

Year	Number (000)	Growth Rate (in %)
1970	6,100	—
1971	6,440	5.6
1972	7,166	11.3
1973	7,016	(2.1)
1974	8,245	17.5
1975	7,768	(5.8)
1976	7,659	(1.4)
1977	7,474	(2.4)
1978	8,403	12.4
1980	8,453	0.6
1981	8,928	5.6
1982	8,920	(0.1)
1983	9,880	10.8
1984	9,740	(1.4)
1985	9,698	(0.4)
1986	9,705	0.1
1987	9,940	2.4

<sup>a</sup>Includes Forestry, Hunting and Fishing.

Source: NEDA, *Statistical Yearbook*, various issues.

Multiple cropping in agriculture which was also encouraged during this period, may have also contributed to the rise in employment as well as reduction in underemployment. Table 10 indicates the decline in underemployment to have occurred from 1976 to 1980.

Major structural reforms were initiated during the 1980s. Trade and financial liberalization and another round of foreign exchange decontrol started in 1981. The pattern of fiscal incentives was revised under Batas Pambansa (BP) No. 391 to remove existing capital bias in the IIA. Until 1982, the economy was expected to perform very well in terms of real output growth. However, for the plan period 1978-1982, real output expanded at an annual average of 5.5 per cent, a far cry from the target of 8.0%. As a result of the promotion of industrial peace and a favorable investment climate, industry's share in overall output expanded from 35.7 per cent in 1978 to 36.4 per cent as of 1981. Exports, especially of nontraditional manufactures, experienced faster growth averaging 34.3 per cent during the same period. Domestic and overseas employment opportunities expanded resulting in a manageable 5.1 per cent unemployment rate as of 1981. While this rate is higher than the target maximum of only 4 per cent, this marked a significant improvement over the 1970 level. Overseas employment, for example, expanded tremendously, especially with the opening up of the labor markets in oil-rich countries in the Middle East (see Table 11). There was also improved access to education and training opportunities at all levels and in both formal and nonformal systems (see Table 12).

The Tariff Reform Program (TRP) is an integral part of the trade liberalization program. Its implementation involves two stages, the first one being the elimination of quantitative import restrictions and a gradual reduction of tariff rates. The second involves the adjustment of the tariff rates to conform to a more uniform protection. The lowering of tariff rates will remove the implicit tax on exports, and simultaneously, the exchange rate adjustment of the peso would make exports more competitive in the world market. This manner of sequencing of the program would likely result in reduction in output and some labor displacements in protected industries during the initial stages. What is crucial is the time lag involved from the lowering of costs of production and devaluation of the currency to export expansion. The expected export expansion will generate more employment considering the comparative advantage the country has over labor-intensive goods. This is, however, subject to a favorable external environment and prospective bilateral

Table 10 — Number of Employed Persons Wanting Additional Work By Major Occupation Group (1978-1987)  
(in thousands)

Major Occupation Group	1976	1978	1980	1981	1982	1983	1984	1985	1986	1987
Professional and Technical Works	145	154	142	187	197	259	336	126	216	180
Administrative, Executive and Managerial Workers	30	23	23	32	30	35	53	12	35	21
Clerical and Related Workers	114	117	130	127	175	252	283	81	199	121
Sales Workers	269	294	322	392	432	568	726	400	636	485
Service Workers	180	189	177	214	229	333	415	267	340	287
Agricultural, Animal Husbandry and Forestry Workers, Fishermen and Hunters	2,063	1,661	1,870	2,346	2,460	3,109	3,707	2,611	3,148	2,876
Production and Related Workers, Transport Equipment Operators and Laborers	827	743	772	878	914	1,263	1,629	892	1,277	1,058
Occupations Not Adequately Defined	6	6	—	2	1	3	—	2	—	—
Total	3,634	3,187	3,436	4,178	4,438	5,732	7,149	4,391	5,851	5,029

## PHILIPPINES

Table 11 — Number of Filipino (Land-Based) Workers Placed Through the Philippine Overseas Employment Administration by Country of Destination, 1977-1987

Destination	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Africa	515	1,305	1,134	1,611	2,144	1,098	2,353	2,146	2,053	2,072	2,125
Asia	5,290	9,994	12,604	17,708	20,322	31,011	40,814	43,385	54,411	76,650	96,018
Europe	2,482	1,268	673	846	1,126	1,465	2,878	3,724	3,679	4,225	6,610
Middle East	25,721	34,441	73,210	132,044	183,582	211,003	323,414	311,517	266,617	262,758	306,757
Oceania	139	80	312	165	223	683	2,073	1,027	845	1,129	1,344
The Americas	2,266	3,371	3,744	3,534	2,101	3,707	5,645	5,905	6,897	6,692	7,562
Trust Territories	263	502	842	1,486	1,438	1,148	3,086	3,361	3,252	4,161	5,465
ALL COUNTRIES	36,676	53,080	100,118	171,006	227,199	250,115	380,263	371,065	337,754	357,687	425,881

Sources: DOLE — *Yearbook of Labor Statistics*, various issues; POEA, *Statistical Compendium* (1975-1987), 1988.

Table 12 – Formal and Informal Training

Year	Graduates in Professional, Technical and Vocational Fields	Graduates of the National Manpower and Youth Council
1971	94,652	—
1972	105,727	—
1973	108,548	—
1974	112,209	—
1975	117,184	—
1976	127,025	—
1977	—	—
1978	174,498	35,316
1979	189,131	39,063
1980	135,766	110,325
1981	141,361	155,829
1982	156,864	186,293
1983	176,887	186,222
1984	202,141	152,167
1985	248,914	180,935
1986	—	99,020

Source: DOLE, *Yearbook of Labor Statistics*, various issues.

Table 13 – Number of Terminated Workers  
Due to Shutdown/Retrenchment<sup>a</sup>, 1980-1987

Year	Number	% of Total Unemployed
1980	69,611	8.0
1981	78,466	8.1
1982	49,557	4.5
1983	75,428	6.9
1984	92,167	6.0
1985	73,832	4.9
1986	46,159	1.9
1987	34,721	1.7

<sup>a</sup>Does not include the public sector

Source: Bureau of Labor and Employment Statistics, DOLE, *Current Labor Statistics*, several issues.

trading arrangements. The increase in labor demand from exporting industries will far outweigh the displacement from the capital-intensive protected sector. Power and Medalla (1987) quoting a paper by Mabida indicated a fall in employment by an amount from 0.3 to 1.6 per cent less than the expected fall in income in the initial stages of the Tariff Reform Program.<sup>5</sup> Data on labor displacements, during the early '80s do not strongly offer conclusive results. There was a rise in the number of terminated workers in 1981, shortly after the Tariff Reform was initiated. However, this may have been due more to the brewing economic crisis, rather than to the new tariff program. Moreover, the number increased progressively up to 1984, the period when the reforms were frozen in order not to aggravate the already very critical balance of payments situation of the country. In fact, as a proportion of total unemployed, displaced labor during this period was not very significant, and was generally on the downtrend (see Table 13).

The scarcity of foreign sources of funds during this period necessitated the move to liberalize the local financial markets. This called for the removal of interest rate ceilings and subsidies. With a subsequent rise in interest rates in the formal financial markets, rental cost of capital will also rise and investment spending will decline. Montes (1987) suggests a strong negative influence of rising interest rate on output. As a result of the reduced economic activity, and rising capital costs, employment will likely be affected negatively. This effect, unfortunately cannot be clearly inferred from the available employment data.

The reorientation of fiscal incentives under BP No. 391 in 1983 was a positive step towards restructuring the existing misallocation of scarce capital resources. However, political pressures prompted the reinstatement of the previous incentives pattern in a series of presidential decrees in 1984.

In terms of the major employment programs of the government, Table 14 provides some measure of their impacts. The KKK livelihood program for example seems to have generated substantial employment opportunities, if one looks at its total number of beneficiaries. This number actually understates the actual employment opportunities generated by the program since some of the livelihood activities employ more than one individual. Despite these

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<sup>5</sup>The readers are, however, cautioned by the authors on the use of these figures. Firstly, the estimates were made under partial equilibrium assumptions. Thus the likely effects will be potential and may not actually be realized.

Table 14 - Major Employment and Livelihood Programs, 1984-1987

Programs	Impact on Employment		Targets (in 000)	
	1982	1983	1984	1987
1. Kilusang Sariling Sikap Productivity Program				
a. Forest Farms Component			1,000	1,000
b. Home Level Component			1,000	2,000 <sup>b</sup>
2. KKK Livelihood Movement (direct beneficiaries)	197,779	285,253	111	91
3. Program for the Dev. of Cottage, Small- and Medium-Scale Industries	—	—	50	50
				4,000
				4,000 <sup>c</sup>
				391
				200



4. Employment Promotion					
a. Local Employment Program (placements)	37,349	30,670	31	33	127
b. Overseas Employment Program (new hires & rehires)	373,954	434,207	434	434	1,737
c. Workers' Remittances (Million \$)	810	944	1,000	1,050 <sup>d</sup>	—

<sup>a</sup>Employment impact is not in terms of new employment but in terms of number of households which may be provided additional sources of income.

<sup>b</sup>1986 only

<sup>c</sup>1984-1986 only

<sup>d</sup>1985 projected remittances

Source: *Updated Philippine Development, 1984-1987.*

efforts to absorb the increasing labor force, unemployment rates soared during this period because of the economic crisis. In fact by the end of 1987, unemployment rate was 9.1 per cent as against the target level of 4 per cent.

### 5. The Medium-Term Philippine Development Plan, 1987-1992

The medium-term development plan for 1987-1992, which took form under the new leadership in 1986, addresses the need to institute the necessary structural reforms within the economy in order to facilitate the attainment of the goals of poverty alleviation, employment generation, income redistribution and sustained economic growth. It adopts a demand-led, employment-oriented and rural-based strategy to attain economic recovery and long-run economic growth. The strategies in the Medium-Term Development Plan for 1987-1992 are:

- 1) limiting the government's role on the achievement of socio-economic goals which will be implemented through a decentralized decision-making process;
- 2) reemphasizing the prime role of development to the private sector;
- 3) population control;
- 4) removal of biases against labor in the choice of technology;
- 5) government nonintervention in wage setting;
- 6) reduced reliance on foreign sources of savings to finance investments;
- 7) removing the bias against the agricultural sector stemming from the system of industrial protection;
- 8) agrarian reform;
- 9) focusing the development of world-competitive industries complementary to growth in agricultural output and rural incomes;
- 10) the provision of and increased access to social services in rural areas;
- 11) stress on the development of indigenous resources in research and development;
- 12) debt management allowing for an acceptable rate of growth and eventual settlement of all debts;
- 13) implementation of a flexible exchange rate policy;
- 14) setting interest rate targets to mitigate capital outflows while ensuring attractiveness of real productive investments and elimination of interest rate subsidies on Central Bank credit facilities; and

- 15) fiscal expenditures to give top priority to programs that generate the highest employment impact particularly in rural areas as well as the provision of basic services while tax policies shall focus on equitable and efficient mobilization of domestic resources.

Real output is expected to grow at an average annual rate of 6.8 per cent. The target expansion of 5 per cent and 8.8 per cent in agriculture and industry, respectively are expected to bring down unemployment rate to 7.3 per cent. Likewise with the expansion of rural non-farm activities, underemployment is expected to decline to 27.9 per cent.

The general direction of these strategies to the rural sector augurs well for employment. With underemployment quite high in the rural sector and considering the areas' dominant use of labor-intensive techniques, resources channeled into this area are likely to absorb more members of the labor force.

Major policies were and will be implemented under this plan. The resumption of the structural adjustment program was effected and this is expected to lead to more dynamic and productive activities. However, the new Omnibus Investments Code of 1987 provided a return to the same pattern of fiscal incentives and will likely suffer the same employment effects as the previous Investment Incentives Act.

The development plan also calls for minimal government role in economic development, hence privatization of the government corporate sector was initiated. In the late '70s, the government started performing many activities commonly done by the private sector. In the meantime, government financial institutions accumulated non-performing assets mostly of those corporations which it has subsidized in the past by offering liberal credit terms. Revitalization of the non-performing assets when sold to private investors can have a positive employment effect. However, reorganization of existing firms when privatized may result in employment reduction given the concern for efficiency. The displacement is expected to be minimal since most of these firms are capital-intensive and hire an insignificant amount of the labor force (Manasan, 1988). Also, privatization of these assets may relieve the government of providing resources to maintain these companies and thus reallocate the funds to more socioeconomic projects.

The agricultural sector continued to experience the same set of monetary and fiscal policies. Existing construction of rural infra-

structure and public works programs continued. The Community Employment and Development Program (CEDP) was initiated in 1986. Primarily intended as a pump-priming activity, this program was also aimed to ease the unemployment situation in the rural areas through public works, construction and infrastructure projects. This was intended to run for only two years up to 1987. An assessment made by the National Economic and Development Authority (NEDA) showed that the program fell short of the targetted one million new jobs it envisioned to generate (see Table 15). Also, the projects did not really absorb the unemployed members of the rural labor force since about 40 per cent of those employed in these projects were in fact already initially employed.

From among the policies directed to the rural sector, agrarian reform and the removal of monopolies in agriculture are the most important. Government monopolies in cash crops were initially set

Table 15 — Community Employment and Development Program:  
Summary of Accomplishments, 1986 and 1987 Programs

	1986	1987	Total
Allocation (In thousand pesos)	4,177,735 <sup>1</sup>	4,857,134	9,034,869
Releases (In thousand pesos)	3,334,977	3,920,966 <sup>3</sup>	7,255,943
Per Cent Support	79.8	80.7	80.3
Disbursement (In thousand pesos)	2,509,120 <sup>2</sup>	2,312,887	1,822,007
Per Cent Utilization	72.5	59.0	66.5
Number of Projects			
Target	22,842	30,999	53,841
Completed	20,148	21,686	41,834
Ongoing	2,410	7,891	10,301
Unstarted	284	1,561	1,845
Per Cent Implemented	98.8	95.4	96.8
Employment Generation			
Target Man-days	19,446,245	29,037,119	48,483,364
Generated Man-days	18,647,668	18,204,235	36,851,903
Per Cent Accomplished	95.9	62.7	76.0
Equivalent Number of Jobs	389,953	405,603	795,456

<sup>1</sup> Revised allocation; original amount was P3.9 billion.

<sup>2</sup> Excludes disbursements of five agencies due to non-availability of reports.

<sup>3</sup> Actual amount received by line agencies out of the P4.2 billion advice of allotment (AA) from DBM.

to stabilize the otherwise volatile international crop prices. Studies however, showed that these were intended more to extract surplus from lucrative agricultural markets and this can be shown by the relatively small number of farmer beneficiaries of the intended programs sponsored by the government monopolies (Agricultural Policy and Strategy Team, 1986).

The implementation of the Comprehensive Agrarian Reform Program (CARP) is crucial in promoting equity and social justice, and increasing agricultural productivity and incomes. Its success however, is, questioned since it tends to work against the poor and small farmers.

The promotion of micro, cottage, small and medium scale enterprises is the centerpiece for increasing employment and industry dispersal. Support will be given in terms of special credit facilities. Investment promotion is also encouraged especially in employment-generating, export-oriented, agro-based and import substituting industries where the country has comparative advantage and where productive capacity is inadequate.

## 6. Emerging Trends, Options and Policy Implications

A number of major national developments have taken place since the Medium-Term Development Plan for 1987-1992 was officially proclaimed in late 1986. Political institutions have been installed to complete the restoration of democratic processes in the country: the 1987 Philippine Constitution was ratified, the Philippine Congress was resurrected, and local officials were elected. These developments significantly helped in improving the investment climate in the economy.

After a year of implementation, the plan saw some of its goals being realized. For example, a stronger economic recovery was visible characterized by brisk consumption and investment (i.e., 5.7 per cent and 19.7 per cent growth rates, respectively). Growth rate of real GNP was 5.7 per cent, a remarkable improvement over the previous years' negative rates (see Table 16). There was also significant improvement in the general employment situation. Labor force participation rate was also fairly high. However, there were some shortfalls on some indicators like the poor agricultural crop production, delays in project implementation, lack of a strong fertility reduction program, and slow privatization efforts.

To address these performance shortfalls as well as the new priorities mandated by the 1987 Constitution, an updated development plan for 1988-1992 was formulated.

Targets for the next five years clearly express optimism on the recovery of the economy. An average annual growth rate of 6.5 per cent in real output is expected. The unemployment and underemployment conditions are expected to further improve, with the former averaging only at 7.3 per cent. With agriculture absorbing a smaller percentage of the labor force, industry and services are expected to increase their capacity to absorb the increasing members

Table 16 — 1987 Actual and 1988-1992 Target Performance Indicators

	1987	1988-1992 (Projected Annual Average)
GNP (% Change)	5.7	6.5
GDP (% Change)	5.1	6.4
Agriculture	4.0	3.5
Industry	9.1	9.1
Mining & Quarrying	3.0	5.2
Manufacturing	7.0	7.7
Construction	25.5	17.3
Utilities	6.5	8.8
Services	6.8	6.0
Population Growth	2.4	2.3
Labor Force Participation Rate	65.5	66.0
Employment (000)	20,050	23,387
Agriculture	48.5	45.9
Industry	14.1	16.4
Mining & Quarrying	0.8	0.8
Manufacturing	9.5	10.3
Construction	3.4	4.8
Utilities	0.4	0.5
Services	37.4	37.7
Unemployment Rate	11.2	7.3
Rural	15.9	10.8
Urban	8.3	5.2
Underemployment Rate	33.6	28.4
Rural	20.3	15.9
Urban	40.2	36.9

Source: NEDA (1988), *Updated Philippine Development Plan, 1988-1992*.

of the labor force and manufacturing and construction are expected to take the lead in the industry sector. Underemployment is also targetted to be reduced significantly especially with the emphasis now placed on developing industries in the rural sector.

The employment impact of industrialization thrusts initiated during the early periods created a dominant pattern of fiscal and monetary policies which had conflicting objectives in terms of achieving both economic growth and full employment. While the policies in general increased investments and output, their inherent capital bias resulted in the low rate of labor absorption. Experience, however, showed that the performance of manufacturing in terms of increasing output and generating new employment was unsatisfactory due to several factors. First, the limitations in the domestic market for output of import-substituting firms did not allow them to harness the economies of scale of capital-intensive technologies. Second, the outward looking strategy initiated in the late '60s to generate new markets for these products provided a new impetus but was limited in that there was no attempt at altering the existing pattern of fiscal incentives. The government has shown reluctance in redirecting these incentives. As such the implementation of the major reforms has not been given the right element of administrative commitment. Third, the incentives resulted in a misallocation of investable funds in that they have been directed at high cost industries rather than at low cost industries where the country has comparative advantage (Bautista *et al.*, 1979). Thus, potential output and employment may have been substantially higher than what was actually experienced. Fourth, sweeping labor legislation was highly short-sighted and only served to raise labor costs and discourage employment. However, reliance on bargaining among labor and management can still prove unviable because of the low incidence of unionized labor and the lack of government institutions to provide the necessary information to help labor to bargain for their welfare.

The major problem of adopting an outward-looking strategy as mentioned above is the lack of reciprocal response in the international setting. The prospect for increased exports in the country remains bleak in the face of increasing protectionism and stagnation among developed economies. However, current developments point to future favorable external factors. Similar to what the NICs experienced with Japan, rising real wages and strengthening of their currencies resulted in shifting comparative advantage out of tradi-

tional labor-intensive exports to more skilled and technology intensive activities. This opens up bright prospects for the ASEAN countries which will likely fill up the vacancy left by the NICs in the traditional commodities.

There are however two obstacles to realizing the objectives (Ariff and Hill, 1985). One is on how to sustain the shift towards export-promotion. Existing incentives still favor capital-intensity although institutions supporting the more labor intensive SMIs are being put in place. Agriculture is not likely to totally shift from traditional methods and generate surplus until full-employment is reduced. The lack of resources for research and development of indigenous technologies which are labor-using remains a bottleneck. Second is the current political and financial crisis which is closely linked with the first obstacle. The high proportion of the budget allocated to debt service creates financial bottlenecks to vital socio-economic development programs and institutional reforms. Table 17 indicates that more than 42 per cent of the budget has been eaten up by debt service in 1987. This is expected to remain so even until 1989. Given this distribution, there appears to be very little left for direct employment impacting programs. Besides, how to finance a persistently wide budget deficit is a big problem, unless local tax revenues increase significantly through more efficient collection and administration. In the meantime, the political instability tends to question the credibility and continuity of existing programs which may hinder further progress from the private sector. The peace and order situation in the country has severely deteriorated and unless current efforts to contain the problem are successful, the expected growth in investments may not be realized.

Thus, in search for policies which can increase labor absorption, certain points may be made based on the analysis. First, what is called for is a system of taxation and protection which is non-factor price distortive. The adoption of the appropriate technology which is more labor using will follow as a consequence. Secondly, economic growth and therefore employment generation can be accelerated with a firmer commitment on the part of the authorities in implementing the structural reforms. And lastly, the outward-looking strategy is worth pursuing.



Table 17 — Per Cent Distribution of National Government Expenditures, by Sectoral Classification, 1975-1989

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>GRAND TOTAL</b>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>Total Economic Services</b>	47.55	45.79	42.21	46.90	45.51	44.83	43.42	42.08	40.18	36.20	36.77	36.12	21.44	21.89	22.70
Agriculture	10.76	11.08	8.24	11.17	5.14	5.86	6.95	6.59	7.77	12.63	13.33	1.30	5.76	4.56	4.13
Agrarian Reform	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.78	3.67	3.45
Natural Resources	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.02	0.95	1.00	1.46
Industry	1.16	0.81	0.56	0.71	0.84	2.67	4.89	2.42	1.29	0.93	0.86	0.24	1.78	0.93	0.50
Trade	0.84	0.86	0.73	0.89	1.01	0.27	0.32	0.34	0.43	0.31	0.28	0.01	0.02	0.06	0.06
Tourism	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.10	0.10	0.12
Power & Energy	4.11	5.25	4.78	7.97	8.96	7.08	6.45	9.05	5.77	2.85	1.10	0.12	0.86	0.07	0.12
Water Resources Devt.	0.17	0.85	0.79	0.68	1.25	2.10	1.81	1.10	0.81	1.21	0.31	0.01	0.36	0.27	0.18
Transp. & Comm.	28.07	22.44	23.48	22.96	26.33	24.67	22.57	19.30	19.85	8.52	7.04	8.96	9.68	9.81	11.29
Other Econ. Services	2.43	4.52	3.61	2.52	1.97	2.16	5.43	3.27	4.24	9.76	13.86	24.15	1.15	1.57	1.41
<b>Total Social Services</b>	17.97	18.90	19.36	20.12	22.38	22.98	21.85	23.85	21.13	16.96	17.02	22.00	15.49	19.45	18.42
Education	11.43	11.43	12.13	13.00	12.16	12.83	12.34	15.41	10.43	10.59	10.90	12.19	10.88	11.50	13.05
Health	3.43	3.71	4.24	3.49	3.69	3.77	3.62	3.60	3.78	3.11	3.16	2.86	2.58	3.10	3.13
Soc. Serv., Labor & Emp.	2.17	2.10	1.53	1.65	1.49	1.35	1.46	1.12	1.46	0.86	0.81	0.88	0.46	3.29	0.54
Housing & Com. Devt.	0.79	1.61	1.39	1.87	4.92	4.76	4.18	3.44	5.33	2.20	1.97	5.94	1.45	1.42	1.55
Other Social Services	0.04	0.06	0.08	0.11	0.12	0.27	0.25	0.27	0.14	0.20	0.18	0.13	0.10	0.15	0.15
<b>National Defense</b>	18.59	19.12	20.14	13.55	13.00	11.22	9.56	10.31	8.89	8.85	6.96	6.63	5.52	5.71	5.66
<b>General Public Admin.</b>	10.88	11.11	12.04	13.18	13.11	12.91	13.36	15.83	11.82	11.61	11.65	9.39	12.39	10.80	10.54
<b>Debt Service</b>	5.01	5.07	6.25	6.24	6.00	8.06	6.81	7.93	17.99	26.38	27.60	25.86	45.16	42.14	42.68

Source: R. Manasan, "Budget 1989 in Perspective," in progress.

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