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POPULATION, EMPLOYMENT, AND ECONOMIC DEVELOPMENT:  
THE POSTWAR PHILIPPINE EXPERIENCE

by

<sup>1948</sup>  
RUPERTO ALONZO, and MAHAR MANGAHAS

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POPULATION, EMPLOYMENT, AND ECONOMIC DEVELOPMENT:  
THE POSTWAR PHILIPPINE EXPERIENCE\*

Ruperto Alonzo and Mahar Mangahas\*\*

I. AN OVERVIEW OF THE POSTWAR PHILIPPINE ECONOMY

A. Economic Performance up to the Early 1960's

A decade ago, the postwar performance of the Philippine economy could be viewed with admiration and great expectation. In terms of most of the traditional economic indicators, the growth of the economy during the first decade and a half since the second world war was noteworthy. Recovery from heavy wartime destruction was achieved very rapidly, with real gross domestic product (GDP) by 1950 having more than doubled from 1946. Huge war damage payments and grants by the United States and a postwar upsurge in world demand for key commodities (particularly coconuts, which suffered relatively little destruction during the war) have been cited as the more important factors behind the country's rapid postwar reconstruction<sup>1/</sup>. The rehabilitation years also witnessed significant shifts in sectoral activity: agriculture's share in GDP declined from 45.3 percent in 1946 to 36.4 percent in 1950, while manufacturing's share rose from 5.5 per cent to 13.3 per cent over the same period. Somewhat less dramatic shifts occurred in other sectors as well, with construction's share increasing and that of the

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services sector decreasing.

By the 1950's, after the frenetic reconstruction period, there was a relative slackening of economic activity. Real growth rates of the major economic indicators nevertheless remained above those in most of the other developing countries and above Philippine prewar levels. The average annual rate of growth of GDP for the period 1950 to 1961 was 6.9 percent and that of gross national product (GNP) was 6.6 percent. Thus, although population grew at a high rate of 3.1 percent between the census years 1948 and 1960, the average increase in either GDP per capita or GNP per capita was still over three percent per year. The relative share of agriculture continued to decline, and that of manufacturing continued to rise. However, trends in construction and the services sectors were reversed: the share of construction in value-added was down to 3.5 percent and that of services returned to 26.0 percent by the early sixties (see Table 1).

Provision for the production of future output was also generous, in terms of both physical and human capital. Although the rate of gross domestic capital formation fluctuated substantially during the fifties, the average annual increase was still a respectable 6.4 percent between 1950 and 1961. The erratic behavior of gross domestic investment (GDI) becomes apparent as one looks at its ratio to GDP: over 1950/51 to 1960/61, the share of GDI fell from 18.7 percent to 17.4 percent, while over 1950/52 to 1959/61 there is a slight rise in the share from 17.7 percent to 18.1 percent.

Human capital formation, particularly in the form of schooling, expanded dramatically, whether measured in flows (enrollments) or in stocks (educational attainment). Enrollments at all levels of schooling rose

TABLE 1

Industrial Distribution of Net Domestic Product in Real  
Terms 1946-1972 (In percent)

Industrial Sector<sup>a/</sup>

Year <sup>b/</sup>	1	2	3	4	5	6	7
1946	45.3	0.0	5.5	4.9	4.2	12.6	27.4
1950	36.4	1.2	13.3	7.3	4.4	13.7	23.8
1955	34.7	1.4	15.8	4.2	4.8	15.2	23.8
1960	31.4	1.6	17.9	3.3	4.9	15.1	25.8
1961	31.4	1.6	17.7	3.6	4.8	14.9	26.0
1962	31.1	1.5	17.8	3.1	4.8	15.2	26.4
1963	31.2	1.5	17.9	3.6	4.7	14.8	26.4
1964	29.8	1.5	17.9	3.8	4.7	15.2	27.1
1965	30.2	1.5	17.1	4.1	4.8	15.1	27.2
1966	30.5	1.6	17.5	3.7	4.7	15.1	26.9
1967 <sup>b/</sup>	33.3	1.5	18.3	3.8	4.0	15.4	23.8
1968	33.8	1.7	18.6	3.1	3.9	15.4	23.5
1969	34.2	1.8	18.6	3.2	3.9	15.2	23.1
1970	33.5	2.1	19.2	2.6	3.9	15.5	23.2
1971	32.7	2.3	19.7	2.8	3.8	15.6	23.1
1972	31.4	2.4	20.0	3.5	3.8	15.8	23.1

## Notes:

- a/
- 1 - Agriculture, Fishery and Forestry
  - 2 - Mining and quarrying
  - 3 - Manufacturing
  - 4 - Construction
  - 5 - Transportation, communication, storage and facilities
  - 6 - Commerce
  - 7 - Services

b/ The figures for 1946-1966 are based on 1955 prices, those for 1967-1972 on 1967 prices. At the time of this writing, the estimates for 1946-1966 using 1967 prices have not yet been released.

Sources: 1946-1966, National Economic Council, The Statistical Reporter, vol. XIII, no. 1, January-March 1969.

1967-1972, National Economic and Development Authority, Statistical Yearbook, 1974.

faster than the relevant population groups. The school participation rate for the elementary level increased from 79.6 percent in 1956 to 84.3 percent in 1961, and the rate for high school rose from 27.3 percent to 30.1 percent over the same period (Table 2). The college enrollment rate was 10.6 percent in 1958, and increased to 13.5 percent in 1961. Stock measures for the adult Filipino population show the same favorable picture. For each education level, the average years of schooling completed per person increased by at least 50 percent between the census years 1948 and 1960 (Table 3). The growth in the secondary and tertiary levels is noteworthy, as replacement costs for these two levels are much higher than those for the elementary level (in terms of both direct outlay and foregone earnings).

Labor force statistics likewise showed some improvement in the employment status of the Filipino worker. Between 1956 and 1961, open unemployment rates declined while average hours worked per week increased (see Table 4).<sup>2/</sup> The increase in average hours worked could be observed in almost all sectors, with agriculture lagging behind most of the other industries in absolute as well as in relative terms. It is interesting to note that during 1956-1961 the average hours worked in agriculture were not very different from those in manufacturing, the latter sector actually having slightly lower values until 1961.

These strides were achieved at surprisingly stable price levels. The consumer price index for Manila rose by only 8.0 percent over 1950-1961, or at an annual rate of 0.8 percent. Prices were even falling in the early 1950's (see Table 5). Although money supply rose at relatively high rates, the growth in real output kept the increase in money supply from getting

TABLE 2

Annual School Enrollments and School Participation  
by Level of Education, 1956-1970

Year	Enrollments <sup>a/</sup> (in thousands)			Enrollment Ratios <sup>b/</sup> (in percent)		
	Elementary	Secondary	College	Elementary	Secondary	College
1956	3,295	582		79.6	27.3	
1957	3,328	586		78.2	26.9	
1958	3,558	632	275	81.4	28.3	10.6
1959	3,714	680	277	82.7	29.8	10.4
1960	3,763	669	293	81.6	28.7	10.7
1961	3,976	720	380	84.3	30.1	13.5
1962	4,322	826	416	89.7	33.7	14.3
1963	4,632	947	464	95.3	37.7	15.5
1964	4,998	1,037	451	99.3	40.3	14.6
1965	5,211	1,169	527	101.3 <sup>c/</sup>	44.3	16.6
1966	5,549	1,285	552	105.6	47.5	16.9
1967	5,741	1,362	600	106.9	49.2	17.8
1968	6,004	1,502	639	109.4	52.9	18.4
1969	6,143	1,585	633	109.5	54.5	17.7
1970	6,244	1,715	651	108.9	57.6	17.9

## Notes:

a/ Enrollments at the elementary level have been adjusted to exclude one-half of the 13-year olds and those older than 13 who are still in elementary schools. Figures for the secondary level exclude irregular and special students. At the college level non-degree students are not counted.

b/ The population bases used to compute the enrollment ratios are as follows:

- 1) elementary: all those 7-12 years old plus one-half of those 13 years old.
- 2) secondary: all those 13 to 16 years old plus one-half of those 17 years old.
- 3) college: all those 17 to 21 years old.

c/ Enrollment ratios exceeding 100 percent may have been due to (1) enrollment overestimates; (2) students enrolled in more than one school; or (3) population undercounts.

Sources: Enrollments: Department of Education and Culture, National Education Yearly Reports, 1956 to 1970.

Population base: Interpolations from the Bureau of the Census and Statistics, Population Census, 1948, 1960, and 1970.

TABLE 3

Years of Schooling Per 1000 Persons, For the Household Population  
25 Years Old and Over, By Level of Education and by Sex,  
1948 to 1965

Both Sexes	1948	1956	1960	1961	1965
I. Elementary	1,927	2,828	3,023	3,302	3,754
II. High School	286	461	544	602	740
III. College	64	159	203	222	282
<u>Male</u>					
I. Elementary	2,147	3,111	3,258	3,548	3,947
II. High School	360	574	645	715	860
III. College	83	197	234	247	307
<u>Female</u>					
I. Elementary	1,752	2,559	2,789	3,060	3,558
II. High School	224	354	443	487	615
III. College	51	126	172	184	243

Source: BCS, Census on Population and Housing, 1960, 1970.

BCS, Survey of Households Bulletin, "Labor Force, with Educational Attainment Data", 1956, 1961, and 1965.

TABLE 4

Open Unemployment Rates and Average Hours Worked  
During the Survey Week, 1956-1973

	May series <sup>a/</sup>		October series <sup>b/</sup>	
	Unemployment (in percent)	Average weekly hours worked	Unemployment (in percent)	Average Weekly hours worked
1956			10	38.9
1957	8.7	41.1	7.1	40.4
1958	9.1	41.4	7.2	40.4
1959	7.7	40.7	5.9	41.7
1960	8.1		6.3	41.6
1961	8.6	42.8	6.4	42.3
1962	9.5	42.4	6.5	41.8
1963	7.8	42.5	4.6	42.1
1964	6.4	42.5	5.3	
1965	8.2	42.9	6.2	46.2
1966	7.2	45.5	7.0	44.5
1967	8.2	43.9	7.7	
1968	7.8	43.0	7.9	45.3
1969	6.7	43.8		
1970	7.7			
1971	4.8	45.8	5.2	45.7
1972	6.9	44.9	5.7	45.1
1973	4.5	45.0		

## Notes:

<sup>a/</sup> - The Labor force survey began in October 1956. There were no surveys in May 1960 and 1970. The figures for these years are from the Census.

<sup>b/</sup> - There were no surveys in October 1964, 1969, and 1970. For 1971 and 1972, the figures are the averages for the August and November rounds.

Sources: Bureau of the Census and Statistics (BCS), Survey of Household Bulletin, "Labor Force", October 1956 to May 1973.



transmitted into price rises.<sup>3/</sup> Thus, the supply of money measured as currency plus demand deposits plus unused overdraft lines rose at an annual rate of 5.8 percent; with the inclusion of "quasi-money" (time, savings, and marginal deposits), the rate of increase was at 7.6 percent (Table 5).

Nominal indices which ought to be stable remained stable, while real indices which ought to be growing did in fact grow. Attempts by economists to identify the sources of economic growth indicated that the growth in traditional inputs (land, labor and capital) could not fully explain real output growth.<sup>4/</sup> Lampman estimates that, over 1948-1961, five percent of the growth in agricultural output and twenty-eight per cent of the growth in organized manufacturing output were unaccounted for by increases in traditional inputs.<sup>5/</sup> The positive residual, often labelled as "technological progress," was very much in evidence in the Philippines. Such gains as were observed in the first decade and a half of the Republic were not achieved without substantial resource costs. Within the framework of growth accounting, it was soon found that the inclusion of human capital (or educational capital) as a non-traditional input explaining productivity change explained much of the positive residual previously attributed to technical change.<sup>6/</sup>

Another confusing issue concerning the immediate postwar experience dealt with the very thrust of the government's development strategy: industrialization through import substitution. After World War II, rapid industrialization was considered by most developing countries, including the Philippines, to be the key to rapid progress. With the primary export sector not yet fully recovered from wartime damage (except coconut products,

as previously noted), the country relied on its foreign exchange reserves for its heavy import needs. Currency devaluation was ruled out as a solution to the growing balance of payments problem. Instead, the peso was kept pegged to the dollar at an unrealistically low rate, and efforts were concentrated on restricting imports. The government imposed high tariffs on imported consumer goods in an effort to develop import-substituting industries.<sup>7/</sup> Enterprises engaged in import-substitution enjoyed many incentives: they were protected from foreign competition, they enjoyed tariff preferences, and they had access to undervalued foreign exchange.

The ultimate effects of such a development strategy were inevitable. The overvalued exchange rate stifled exports, while rising incomes kept the pressure on imports strong. Soon, import-substituting industries in which the country had "comparative advantage" at the subsidized exchange rate thinned out.<sup>8/</sup> The complex system of controls tended to encourage graft and corruption within the bureaucracy. On the whole, therefore, the strategy of industrialization through import substitution fell quite short of its aims. The growth of the manufacturing sector which it fostered was not of the self-sustaining type and the costs were very high. On the other hand, the balance of payments objective was never met: at no time during the period did export receipts ever exceed imports. Thus, by 1960, the government began issuing policies designed to correct the overvalued exchange rate and relax the import controls. At first, a system of multiple exchange rates was tried: then, in 1965, the peso price peg of foreign exchange was shifted upwards by nearly 100 percent of the old pegged value.

## B. The View from the 1970's

Within the context of the traditional measures of economic performance, the decade of the sixties would not compare well with the late forties and the fifties. While the rise in gross domestic capital formation became more steady and educational capital investments grew even faster, such high input growth rates were not matched by an equivalent rise in output. Average annual growth rates of both GDP and GNP were only 5.3 percent during 1961-1972. Relative shifts in sectoral activity were also less pronounced. The shares of agriculture and construction were fairly stable and those of mining and manufacturing somewhat increased. The services sector experienced a decline. The downward trend in open unemployment rates observed in the late fifties levelled off, although average hours worked continued to rise.

What was perhaps most pronounced in the 1960's was the series of developments in the monetary sector, which had strong repercussions on both the domestic and the trade sectors. The gradual currency depreciation and decontrol begun in 1960 stimulated exports, but also exerted strong upward pressure on prices. At the same time, money supply expanded drastically, increasing at sixteen percent per year during 1960-1963 (see Table 5). Quasi-money increased at an even higher rate of thirty-four percent per year over the same period. These monetary developments simply put more pressure on the price level. The rate of inflation thus started rising above the five percent level by the early sixties, as output growth failed to absorb the huge injections of money into the economy.

TABLE 5

The Consumer Price Index and Money Supply,  
1950-1973

	CPI <sup>a/</sup>	Annual Increase %	M <sub>1</sub> <sup>b/</sup> (₱ million)	Annual Increase %	M <sub>2</sub> <sup>b/</sup> (₱ million)	Annual Increase %
1950	74.6	3.0	1,299.4	18.7	1,569.8	15.1
1951	80.8	8.3	1,160.7	5.6	1,359.3	- 1.9
1952	75.6	-6.4	1,198.4	3.2	1,565.9	1.7
1953	73.0	-3.4	1,224.6	2.2	1,654.0	5.6
1954	71.9	-1.5	1,227.0	0.2	1,631.2	1.4
1955	71.2	-1.0	1,337.3	9.0	1,865.1	14.3
1956	73.1	2.7	1,500.6	12.2	2,087.6	11.9
1957	74.4	1.8	1,600.0	6.6	2,318.8	11.1
1958	76.9	3.4	1,740.1	8.8	2,515.1	8.5
1959	76.2	-0.4	1,845.3	6.0	2,771.0	10.2
1960	79.4	4.2	1,895.8	2.7	2,931.3	5.8
1961	80.6	1.5	2,219.3	17.1	3,717.2	26.8
1962	85.3	5.8	2,504.7	12.9	4,514.4	21.4
1963	90.1	5.6	2,954.3	18.0	5,441.9	20.5
1964	97.5	8.2	2,873.8	- 2.7	5,444.5	
1965	100.0	2.6	3,066.9	6.7	5,796.7	6.5
1966	105.4	5.4	3,371.3	9.9	6,739.1	16.3
1967	112.0	6.3	3,782.5	12.2	8,082.7	19.9
1968	114.6	2.3	3,981.9	5.3	8,891.4	10.0
1969	116.9	2.0	4,753.8	19.4	9,761.4	9.8
1970	133.7	14.4	5,047.4	6.2	10,933.4	11.9
1971	153.2	14.6	5,567.4	10.3	12,257.4	12.2
1972	168.9	10.2	6,796.6	22.1	13,548.6	10.5
1973			8,152.5	20.0	17,849.6	31.7

Notes:

<sup>a/</sup> - for Manila, 1965 - 100.

<sup>b/</sup> - M<sub>1</sub> is currency plus demand deposits plus unused overdraft lines.

M<sub>2</sub> is M<sub>1</sub> plus time deposits plus savings and marginal deposits.

Source: Central Bank of the Philippines, Statistical Bulletin, 1950-1973.

Rates of inflation of six to eight percent are low relative to increases in money supply of seventeen to twenty-three percent and output growth of only six per cent. The trade sector served as an artificial outlet for the increased liquidity, keeping it from raising prices further. Prices of internationally-traded goods remained stable because of the fixed exchange rate. Thus, the inflationary pressure induced a substitution from domestic goods to internationally-traded goods. There was a diversion of export-type commodities into the domestic market, and an increase in the demand for imports. This kept increases in the price level within reasonable bounds. The steep rise in money supply in effect counteracted the favorable impact of the devaluation on the export sector.

Faced with a new foreign exchange crisis, the government resorted to selective import controls, instead of going to the roots of the problem (namely, excessive monetary expansion). New policies were established favoring export-oriented industries over import-substituting industries. A Board of Investments was created in 1967 to define the terms by which industries would be favored. As in the fifties, capital imports received heavy subsidies by way of tax and tariff preferences and accessibility to undervalued foreign exchange.

But the strategy was not sufficient to correct balance of payments difficulties, and in 1970, the peso was floated. In adjustment to the new exchange rate, the consumer price index rose by about fifteen percent. This made the devaluation unpopular, as the sudden jump in the cost of living came to be associated with the "floating rate", in fact it was the delay of devaluation in the late sixties which artificially held down prices.

Unfortunately, the money supply continued to rise at high rates in the early seventies, reaching an annualized rate of 25-30 percent by mid-1974. As import and exchange controls went full swing once again, the pressure on prices could no longer be artificially accommodated by the trade sector. Double-digit inflation became a permanent resident.

### Agriculture

The political economy of rice dominated the issues in agriculture, as political stability appeared to be the main objective of the government.<sup>9/</sup> From the point of view of the party in power, elections, held in November of every other year, were disconcertingly close to the months of seasonally high prices. Every election year was thus characterized by heavy rice imports, as the incumbent party sought to keep rice prices down for the vocal urban consumers. However, rice traders, realizing the temporary nature of the importations, apparently timed their hoarding appropriately, such that rice imports had little dampening effect on the price of rice.<sup>10/</sup>

Although the government emphasized consumer welfare over farmer welfare, the autarchic stand it took on the rice issue served as a partial counterbalance. There were complete government controls on both exports and imports. Over the fifties and the sixties, world rice prices were usually lower than Manila prices, implying that imports were not large enough to equalize the prices. Thus, the government could have gone even further in favoring the consumer if trade had been completely liberalized.

Prices of agricultural exports, on the other hand, were not controlled. Over the sixties, there was a general declining trend in

prices of food crops relative to those of export crops. This induced a greater allocation of land to export crops than if food prices had kept pace. Thus price controls on food made the food supply problem worse.

Government investment in agricultural research was minimal despite evidence of high payoffs from the breakthroughs of the International Rice Research Institute (IRRI). The new high-yielding rice varieties developed by IRRI were capable, in the wet season, of a 100 percent yield differential over old varieties, and, in the dry season, of a 75 percent differential. Farmer response to the new varieties was phenomenal: introduced on a large scale only in 1967, by crop year 1971/72 the new varieties accounted for over half of the Philippine rice area.<sup>11/</sup>

The high-yielding varieties produced good yields during 1967-1969, and the price of rice relative to other commodities declined. However, the trend was reversed in 1970-1973 due to an unfortunate series of natural calamities: the tungro virus, typhoon Yoling in 1970, and the great flood of 1972.<sup>12/</sup> There being a one-year lag between production and price effects, the full impact of the 1972 flood was felt in 1973, when the country experienced the worst rice crisis in its history.

### Industry

The sectoral imbalance created by market-distortive incentive schemes induced problems not only in the barrio but also in the city. The rise in industrial activity in urban areas, coupled with restrained growth in farm prices, led to a steady flow of migrants from agriculture to industry. Between 1956 and 1971, agricultural employment from October survey rounds increased

at an average annual rate of only 2.4 percent, while non-agricultural employment rose by 4.9 percent. Nevertheless the unemployment problem was worse in urban areas. The average unemployment rate in Philippine urban centers during 1965-1971 was 9.7 per cent, while at rural areas the unemployment rate was 5.5 percent.

Closely linked to the problem of urban unemployment is the dichotomy between "traditional" and "modern" urban job opportunities, the distinction between traditional and modern taking the form of differences in earnings and job accessibility. Enterprises in the modern sector can afford to pay high wages because of their capital-intensive nature. Meanwhile, in spite of the low labor-absorptive capacity of such modern sector firms, workers seem to prefer remaining unemployed, if the probability of landing a modern sector, high-wage job would be increased by waiting, to either occupying themselves with traditional-type jobs in the urban sector or going back to the barrio. This explanation of urban unemployment still needs direct empirical verification for the Philippines, but observed unemployment patterns do appear to conform with the hypothesis.

In spite of all these issues and problems relating to employment and development, the real income of the average Filipino showed an upward secular trend during the postwar period. Unfortunately, however, the distribution of these economic gains has been very poor. The Gini ratio has remained static at about .50 for the past two decades. Poverty appears to have worsened. Using a poverty line defined as the amount of income needed to purchase a certain recommended food basket, the proportion of families classified as poor grew both absolutely and relatively between



1965 and 1971.<sup>13/</sup> The gap between the rich and the poor has also widened. The ratio of mean income in the richest quintile of households to mean income in the poorest quintile stood at about 12 in 1956, grew to 13 in 1961, and further to 16 in 1965, and improved only slightly to 15 in 1971. Increased awareness of these equity issues has led Philippine policymakers to redefine their development goals.

## II. LABOR SUPPLY AND LABOR UNDERUTILIZATION

### A. Labor Force Participation

Outside the 1960 and 1970 census tabulations, there are no direct estimates of the size of the Philippine labor force. The Bureau of the Census and Statistics labor force surveys measure participation rates by sex and by age group, and the size of the labor force is then inferred from control values for the population ten years old and over.<sup>14/</sup> Table 6 compares BCS labor supply estimates with figures recently adjusted by the ILO Employment Mission to the Philippines.<sup>15/</sup> The survey figures have the labor force growing at an annual compound growth rate of 2.9 percent for the period 1956-1972, while the adjusted figures show the labor force growing at only 2.6 percent per year. (This is an important distinction to raise, as most of the currently published statistics on the labor force and employment give the unadjusted figures and may be misleading in the analysis of historical trends.)

The rate of growth of the labor supply is lower than the three percent annual rise in the population ten years old and over due to the fall of participation rates over time, especially in the 10-24 age group. In May 1957 some 51.2 percent of the population in this age group were in the labor force; in May 1973 this was down to 34.6 percent. Increased schooling is obviously the main source of this decline.<sup>16/</sup>

Differences in labor force participation across demographic and socio-economic groupings are very pronounced. In May 1973, 67.9 percent of all males and 31.2 percent of all females were in the labor force.

TABLE 6

Comparative Population and Labor Force Estimates,  
Unadjusted and Adjusted, October Series,  
1956-1971

Year	Unadjusted (BCS)		Adjusted (ILO)	
	Population 10 and over	Labor Force	Population 10 and over	Labor Force
1956	15066	8561	16130	9210
1957	15518	8829	16604	9496
1958 (Nov.)	16022	8976	17143	9625
1959	16463	9116	17607	9774
1960	16957	9116	18137	9769
1961	17465	9713	18736	10439
1962	17989	10266	19362	11056
1963	18529	10233	20020	11000
1964				
1965	20261	10764	21434	11395
1966	21336	11757	22186	12196
1967	21524	11776	22965	12533
1968	22932	11371	23772	11780
1969				
1970				
1971 (Nov.)	26378	13241	26440	13278

Sources: BCS, Survey of Households Bulletin, "The Labor Force",  
 1956-1971.

ILO, Sharing in Development, 1974, vol. II, p. SPI - 9b.

No survey conducted in 1964, 1969 and 1970.

Among the males, the cohort 10-14 years old had the lowest participation rate (20.1 percent) while those aged 25-44 had the highest: (96.1 percent). The corresponding values for females were 9.7 percent and 40.2 percent, respectively. Labor force participation for urban males was lower than that for rural males (58.6 percent versus 72.2 percent). The pattern, however, was reversed between urban and rural females (35.1 percent versus 29.1 percent). Further explorations of differences in participation rates by educational attainment, cross-classified by sex and by location of residence, are given in Table 7.

#### B. Patterns of Open Unemployment

The historical movement of open unemployment rates since 1956 is irregular around a somewhat declining trend. Employment has been growing faster than the labor force. A strong seasonal difference is observed, with the May unemployment rates consistently above the October rates. Vacation from school in May (increasing labor supply temporarily) and the agricultural harvest season near October (with labor demand nearing its peak) are the often-cited reasons for the difference.<sup>17/</sup>

Like participation rates, open unemployment rates display wide variations across demographic groupings. In May 1973, the unemployment rate was only 4.0 percent for males, and was 5.5 percent for females. Among the different age groups, the youngest (10-24 years old) had an unemployment rate of 8.1 percent, while the next-to-oldest group (45-64) had an unemployment rate of only 1.4 percent. Eight percent of the urban labor force and only 2.9 percent of the rural labor force were without jobs. Table 8 cross-tabulates the May 1973 unemployment rates by age, sex, and location of residence

TABLE 7

Labor Force Participation Rates, by Highest Grade  
Completed and by Sex, Urban and Rural,  
October 1965  
(in percent)

Highest Grade Completed	Philippines Both Sexes	Urban		Urban	
		Male	Female	Male	Female
No grade completed	60.9	71.6	35.1	84.6	46.0
<u>Elementary</u>					
Grade 1	49.8	46.5	30.0	69.8	34.2
2	45.4	49.4	30.6	60.6	31.0
3	44.1	44.5	28.4	62.2	29.2
4	59.7	58.3	32.8	75.7	28.2
5	49.0	52.8	31.7	73.0	30.4
6 or 7	60.3	76.0	41.4	85.8	38.4
<u>High School</u>					
Year 1	40.8	49.9	33.5	55.7	23.1
2	43.6	60.6	28.0	58.0	19.9
3	41.7	54.9	25.6	54.4	21.6
4	53.1	83.6	39.9	78.9	32.8
<u>College</u>					
Year 1	39.8	56.8	26.1	58.9	13.7
2	56.2	73.3	43.4	73.6	24.4
3	47.2	65.8	33.6	73.6	22.8
4	85.8	89.6	77.0	90.0	88.3
5 or more	85.0	92.2	79.3	73.6	

Source: Computed from BCS Survey of Household Bulletin, "Labor Force with Education Attainment Data", October 1965.

TABLE 8

Open Unemployment Rates by Age Groups and Sex,  
Urban and Rural, May 1973  
(in percent)

	Both Sexes	Male	Female
<u>Philippines</u>			
10 and over	4.5	4.0	5.4
10-24	8.1	8.0	9.8
25-44	3.3	3.0	4.0
45-64	1.4	1.4	0.8
65 and over	0.8	0.4	1.6
<u>Urban</u>			
10 and over	8.0	8.9	6.8
10-24	15.8	20.1	11.8
25-44	5.2	5.7	4.2
45-64	2.5	3.0	1.3
65 and over	0.4	0.5	-
<u>Rural</u>			
10 and over	3.0	2.2	4.8
10-24	5.1	3.9	8.1
25-44	2.3	1.7	3.6
45-64	0.9	0.8	1.1
65 and over	0.7	0.3	2.4

Source: BCS Survey of Households Bulletin, "Labor Force", May 1973.

Further decomposition of the labor force into finer groupings helps focus on the specific segments of the population among whom unemployment is a very pressing problem. In May 1973, household heads had had an unemployment rate of only 1.4 percent, while non-heads had a rate of 6.9 percent. Looking more closely at the non-heads, one finds unemployment rates of urban males at 17.5 percent and that of never-married urban males at 20.7 percent. Turning to the October 1965 survey figures on education and unemployment,<sup>18/</sup> one sees the unemployment problem worsening progressively as years of schooling rise, relief coming only to those having finished college. A person stopping schooling after high school is faced with a 10.2 percent unemployment rate; if he goes to college without finishing, his chances of unemployment worsen to 14.1 percent. Relative to the whole unemployed population, these groups are not insubstantial: 25.4 percent of the unemployed finished at least high school; 67.0 percent finished at least elementary school (see Table 9).

The pattern which emerges from the unemployment statistics induces both optimism and concern. While unemployment rates have fallen through time, the problem remains acute among certain population groups, particularly the inexperienced, young, single dependents whose level of educational achievement are relatively high. From a life-cycle point of view, such a profile of the unemployed eases the problem a little: the present cohort of unemployed would eventually get absorbed in productive employment. However, the impact of the problem on current issues remains to be contended with. The proportion of families below poverty thresholds rises with family size.<sup>19/</sup> In all probability, the bulk of the unemployed are in the larger families. The problem of poverty is thus be directly linked with the

TABLE 9

Open Unemployment Rates, by Highest Grade Completed  
and by Sex, Urban and Rural, October 1965  
 (in percent)

Highest Grade Completed	Philippines Both Sexes	Urban		Rural	
		Male	Female	Male	Female
No grade completed	2.8	5.5	6.5	2.0	2.7
<u>Elementary</u>					
Grade 1	2.2	1.6	8.0	0.6	5.1
2	3.4	9.0	5.5	2.0	3.7
3	3.6	8.6	9.0	1.2	5.5
4	4.4	7.7	8.7	2.3	6.9
5	4.7	9.7	9.3	2.0	6.4
6 or 7	8.3	10.8	12.3	4.3	12.7
<u>High School</u>					
Year 1	9.2	17.2	10.1	3.3	8.8
2	8.3	11.8	20.0	2.7	
3	11.2	12.4	26.6	5.5	8.5
4	11.3	9.8	20.1	7.8	15.6
<u>College</u>					
Year 1	16.4	14.2	35.3	5.8	
2	11.6	10.9	19.5	3.3	10.8
3	16.9	15.3	14.9	23.4	
4	6.2	7.6	6.1	4.2	5.0
5 or more	3.8	3.5	5.1		

Source: Computed from BCS, Survey of Household Bulletin, "Labor Force with Educational Attainment Data", October 1965.