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THE LEVEL OF UNEMPLOYMENT IN THE PHILIPPINES

by

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In the Philippines there is a feeling that the reported unemployment rate of 6 per cent in 1965, about 10 per cent earlier is understated. There are important segments of manpower where the observed number of non-employed seems to be far larger than the equivalent of 6-10 percentt of the stock. This paper is an attempt to clarify the meaning of the reported employment and unemployment and to give a more complete picture of the Philippine labor market. This will be done by accounting for aggregated and disaggregated stock of manpower by activity. An understanding of the definition of the terms used in the collection of data is necessary so that we will know exactly who were included in the various employment categories. Secondly, we will show the implications of low participation rates on unemployment by referring to studies on the relationship of unemployment and participation rates in other countries. The participation rate in the Philippines in 1965 was between the rates observed in Japan and in the United States. In the United States participation rate is found to be significantly correlated to unemployment. This relationship implies some understatement of the unemployment rate in conditions of high unemployment.

✓ Since there is probably wide disparities between unemployment, employment and participation rates in the various segments of manpower, it will be interesting to make the study on as disaggregative a level as is possible. We will look at the employment status, participation rate, hours worked, and nature of work by sex, age, education, and whether in urban or in rural area. Nature of work is defined in terms of whether it is paid by wage or salary, self-employment or unpaid family labor in farm and other other family enterprises. The statistics used are mainly from the Bureau of Census and Statistics-Philippine Statistical Survey of Households (BCS-PSSH).

In 1965, the total stock of manpower was 16.2 million. This comprised about one-half of the total population. The total labor force was 62 per cent of the manpower stock of which 6 per cent was the reported unemployment rate in 1965. Of the remaining 7³⁸ (34) per cent of manpower, about 17 per cent was enrolled in school. This leaves an unexplained portion of 32 per cent.

I. Statistical Definitions

The definitions followed by the Survey are given below:

(a) "Employed persons include all those who were reported:

1. At work - those who were working for pay or profit, or without pay on the farm or enterprise operated by a

member of the same household related by blood, marriage or adoption;

2. With a job but not at work - those who had a job or business but did not work because of temporary illness or vacation, strike or other reasons. Also included are persons who were supposed to report for work within 30 days from the date of the interview."

(b) "Unemployed - unemployed persons include all those who were reported as wanting and looking for work. The desire to work must be sincere and the person must be serious about working. Also included are persons reported as wanting but not looking for work because of belief that no work was available or because of temporary illness, bad weather, or other valid reasons."¹

~~----- We note that the employed include all those who have worked~~
for any number of hours during the survey week. The unemployed include those who were actively seeking work and have not found work in that same week or who were not looking for work because of the belief that there was no work available. This definition of unemployed would give us a more accurate picture of unemployment

¹ See page XI of BCS-PSSH Bulletin, Labor Force, October 1965, Series No. 19.

than the definition of unemployment which includes only those who are in active search for jobs, though there is a subjective element involved in the statistics. Manpower is defined in this paper as the population of working age from 14-65. *(Why not 14-65? It's not 10 yrs. is a line)*

II. Labor Force Participation Rate

The participation rate of manpower differs significantly among various segments of manpower. The core of the work force is obviously the male population of prime working age. Because of their other responsibilities in the home, female manpower has been classified as a secondary source of labor force. The younger age group in the labor force face the important alternative of going to school. Professor Bowen suggested that because of these important differences, either in social responsibility or in alternatives, manpower should be classified into these categories: male by three age groups - school age (14-24), prime working age (25-44), and other ages (45-65); and female.² Moreover, there is probably large differences in unemployment and participation rates of manpower in agriculture and in non-agricultural sectors, and by

² W.G. Bowen and T.A. Finegan, "Labor Force Participation Rate and Unemployment" in Employment Policy and the Labor Market, Conference on Unemployment and the American Economy, (A. Roas (ed.), 1964. The age brackets used by the Survey do not coincide exactly with those used by Bowen and Finegan. These are given on page 7. For the Philippines, we are using instead the age brackets given above.

educational attainment. These last classification will be included in the study.

In the following tables, we find a comparison of the size and distribution of manpower by the above classification and their unemployment and participation rates in 1965.

Prime-age male manpower provides the core of Philippines labor force. It had a participation rate of 94 per cent and an unemployment rate of 2.5 per cent. These rates are comparable to the corresponding rates in the United States for male of prime working age of 25-54. In contrast, the respective male participation and unemployment rates for the younger age group were 80 per cent and 6.4 per cent.³

Female participation was about 41 per cent, less than one-half that for male manpower. The unemployment rate and the proportion of stock enrolled in school were not too different from the rates for male. Female participation rate did not vary with age as significantly as male participation rate.

Using the same definitions of employment and unemployment, there was a higher male participation rate and a lower male unemployment rate in rural than in urban areas for all age groups.

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³ The U.S. participation rate for the younger age group is lower than that in the Philippines but this is explained by their high enrollment rate in high school.

The aggregate male participation rate in urban areas was about 66 per cent, that in rural areas was 74 per cent. The unemployment rates were 9.8 per cent and 2.9 per cent, respectively.

The participation rate of women differed less significantly by area, 62 per cent for urban and 66 per cent for rural areas.

The participation rate and unemployment rate are expected to vary also with educational attainment. We find in Table 4 that in general, unemployment rate is negatively related to educational attainment.* It is to be noted that this negative relationship is true for persons with educational attainment above third year high-school.* Below high school the relationship reverses in sign. The unemployment rate decreases with educational attainment. It is to be expected that *unemployment is more visible* for those with higher levels of education. This possibility points to the need for examining hours of work and nature of employment by education.

Except for those aged below prime age (25-44) the unemployment rates for both male and female, and in urban and in rural areas were below 10 per cent. In fact the unemployment rate of male of prime age and above was only 1.4 per cent. If the figures were to be accepted as they are they would indicate that the Philippines has no serious unemployment problem. Furthermore the participation rates for each age group and by sex are comparable to those in the

United States as shown below.

United States ⁴		Philippines, 1965	
Male (14-19)	35.7	Male (14-24)	65.3
Male (25-54)	94.6	Male (25-44)	97.1
Female, single	23.3	Female	41.2
Female, married	30.7		
Total	54.7	Total	62.2

However these are rates that are based on the statistical definitions used by the Survey. They do not reflect the hidden unemployment in terms of part-time work, and for educated labor, underemployment of those who are over-qualified in their jobs. Moreover, it is important to consider that a significant proportion of labor force is still in non-wage-salary employment.

III. Hidden Unemployment

The rate of underemployment is defined in terms of the difference between full-time work considered to be 40 hours, and actual hours worked by part-time workers who desired additional work. The average number of hours worked by those who worked less than 20 hours was assumed to be 10 hours, the average for those

⁴ Bowen, Ibid.

who worked between 20-30 hours was assumed to be 30. It is further assumed that those who worked 40 hours but desired additional work were considered to be full-time worker and were not counted here as underemployed. The weighted average under-employment of part-time workers in agriculture and non-agricultural sectors are given in Table 5 below. The aggregate underemployment in agriculture was about 12 per cent, in non-agriculture about 11 per cent. For male, from 25-65 year old the underemployment rates in the two sectors did not differ much. Earlier, it was noted that female participation rate was reported higher in rural than in urban areas. But Table 5 shows that the underemployment in agriculture was much higher than in non-agricultural employment. The estimated unemployment, adjusted for the under-employment of the employed are given below. Since there is no breakdown by age and by employment status for each sector, we are assuming that the agricultural and non-agricultural underemployment rates are equal to those in rural and urban areas, respectively. This substantial under-employment points to the unreliability of using highly simplified employment - unemployment reports.

We find a substantial increase in the unemployment rates after the adjustment for under-employment was made. However, the adjustment made is not complete since it does not take into account one other form of under-employment of over-qualified people. This

might be substantial in the Philippines where there is a substantial number of unemployed educated labor. It is often argued that Filipino college graduates are found to work as typist, technicians and domestic helpers. Unfortunately, the data necessary for this adjustment are as yet not available.

III. Nature of Work

— One important aspect of economic development is the change in the organization of production leading to larger scale producing units. As the scale of production increases, more and more labor units are hired as wage-salary workers. There is thus a shift in the composition of workers - away from family workers and self-employed into wage-salary workers.

In the Philippines we find that the proportion of wage-salary workers to total employed is still small, 37 per cent in 1965. The self-employed amounted to 41 per cent, and the unpaid family worker to 22 per cent of the total employed for the same year. The rate of under-employment differs among these categories of workers, 7.6 per cent for the self-employed and 23 per cent for unpaid family workers. Not only do the unpaid family workers have a higher under-employment rate but we may also consider that in general this form of employment is the least preferred of the three categories. We find that a relatively large proportion of those

without education and those with less than high school education was in this category. This fact points to the benefit in the form of increased alternatives in employment outside the home that is derived from elementary education.

Concluding Remarks.

This paper gave additional information on the unemployment situation in the Philippines. We have shown that if we follow the definition of unemployment and employment in the Philippines, the unemployment rate would only amount to about 6 per cent in 1965, and about 10 per cent in the preceding decade. The reported rate does not give an accurate picture of the labor situation. We have some hidden unemployment in terms of number of hours worked and in terms of over-qualification in jobs. We are able to adjust the unemployment rate of those in the labor force. This adjustment more than doubled the unemployment, in the aggregate, and in practically all age groups in agriculture and in non-agricultural sectors.

We also showed the composition of the labor force by nature of employment: wage -salary employment, self-employment and unpaid family labor. Only one-third of employed labor was in wage-salary employment with 22 per cent in unpaid family enterprises. Under-employment in the last category we fairly high,

about 23 per cent.

The reported or unadjusted agricultural unemployment rates for male and female labor force were quite low - 2.9 per cent and 6.7 per cent respectively. If the underemployment rates of 7.3 per cent for male and 26.3 per cent for female labor force were added, the adjusted unemployment rates are raised to 10.2 per cent and 33.6 per cent respectively.

Furthermore, we have a substantial proportion of manpower which is neither in school nor in the labor force. Studies in the United States, especially those done by Professor Bowen showed that in every group of manpower studied, but especially, of the "secondary" manpower, the participation rate is negatively related to the unemployment rate. The common but reasonable explanation of this relationship is that individuals either get tired of looking for a job under high unemployment situation and hence are not counted as unemployed, or that the cost of looking for a job is higher than the expected income. The cost here includes the disutility from job seeking and some financial cost. The expected income is based on the probability of finding a job. These studies imply that unemployment tends to be underestimated in condition of high unemployment. We can reasonably argue in a similar manner in the Philippine case.

In brief, we tried to give a more accurate estimate of the unemployment rate, were this possible to do, and to place the unemployment situation in the context of the labor market conditions in the Philippines.

TABLE I. 1965, Employed, Unemployed by Educational Attainment

	Stock			Employed			Unemployed			Enrolled	
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Male	Female
TOTAL MANPOWER (14-65 years)	16200000	8000000	8200000	10101000	6805000	3296000	663000	351000	312000		
4 or more years college	672116	343451	328665	494949	272200	222749	31161	17199	13962		
High School Grad. & 1-3 yrs. college	1952282	1092358	859924	979797	741745	238052	137241	81783	55458	432830	214251
VI, VII Elem. & 1-3 yrs. High Sch.	5403618	2638754	2764864	2909088	1993865	915223	275145	143208	131937	1034059	486007
Less than Elem- entary	5968184	3061437	2906747	4222218	2926150	1296068	177684	87750	89934		
No schooling	2203800	864000	1339800	1454948	831040	623908	41769	21060	20709		

TABLE II. 1965, Population Employed, Unemployed, by Age

		AGRICULTURE						
	Stock	Employed	Rate Employed	Unad-just- ed (BCS-PSSH)	Unemployment Under-emp- loyment of LF	Ad-justed for Under- employ't	Stock	
<u>TOTAL SEXES:</u>								
Total	13765	7143	51.9	4.1	11.4	15.5	6496	
10-24 years	6717	2471	36.8	7.3	16.2	23.5	3209	
24-44 years	4377	2957	67.6	2.6	8.3	10.9	2098	
45-65 years	2147	1500	69.9	1.9	9.2	11.1	935	
<u>MALE</u>								
Total	6955	4967	71.4	2.9	7.3	10.2	3087	
10-24 years	3394	1656	48.7	5.8	13.1	18.9	1503	
25-44 years	2198	2113	96.1	1.4	3.4	4.8	997	
45-65	1363	1198	87.8	1.4	4.0	5.4	586	
<u>FEMALE</u>								
Total	6806	2170	31.9	6.7	26.3	33.0	3410	
10-24 years	3315	813	24.5	10.3	27.3	37.6	1707	
25-44 years	2185	844	38.6	5.3	26.0	31.3	1101	
45-65 years	1306	513	39.3	3.0	25.4	28.4	602	

Table 3. 1965, Population Employed, Unemployed, by Age

AGE	STOCK (in thousands)	Employed	Unemployed	Unemployment Rate	Not in Labor Force	Rate not in Labor Force	Participation Rate
<u>URBAN</u>							
MALE:							
Total	3087	1833	200	9.8%	1051	34.0%	66.0%
10 - 24 yrs.	1503	458	127	21.7	916	60.9	39.1
25 - 44	997	910	52	5.4	35	3.5	96.5
45 - 65	586	465	21	4.3	100	17.0	83.0
FEMALE:							
Total	3410	1124	152	11.9%	2127	62.4%	37.6%
10 - 24 yrs.	1707	468	91	16.3	1149	67.3	32.7
25 - 44	1101	465	48	9.4	585	53.1	46.9
45 - 65	602	191	13	6.4	393	65.2	34.8
<u>RURAL</u>							
MALE:							
Total	6955	4967	149	2.9%	1828	26.3%	73.7%
10 - 24 yrs.	3394	1656	102	5.8	1636	48.2	51.8
25 - 44	2198	2113	30	1.4	51	2.3	97.7
45 - 65	1363	1198	17	1.4	141	10.3	89.7
FEMALE:							
Total	6806	2170	156	6.7%	4477	65.8	34.2%
10 - 24 yrs.	3315	813	93	10.3	2409	72.7	27.3
25 - 44	2185	844	47	5.3	1294	59.2	40.8
45 - 65	1306	513	16	3.0	774	59.3	40.7

Table 4. Percentage Distribution, Employed, Unemployed, by Educational Att

	<u>EMPLOYED</u> ¹			<u>UNEMPLOYED</u>			<u>EL</u>
	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Total Manpower (14-65 yrs.)	62.4%	85.0%	40.2%	4.0%	4.4%	3.8%	
4 or more yrs. college	73.6	79.2	67.8	4.6	5.0	4.2	
H.S. Grad. and 1-3 yrs. college	50.2	67.9	27.7	7.0	7.5	6.4	22.2%
VI, VII Elem. and 1-3 yrs. H.S.	53.8	75.6	33.1	5.0	5.4	4.8	19.1
Less than Elementary	70.7	95.5	44.6	2.9	2.8	3.1	
No schooling	66.0	96.1	46.5	1.9	2.4	1.5	

¹ The number employed include part-time workers who desire additional work. The unemployment rate is about 5%.

² Enrollment figure for combined H.S. Grad. and 1-3 yrs. college are those enrollment figure for combined VI, VII Elementary and 1-3 yrs. H.S. are those

Table 5. Employed Persons by Class of Worker, By Industry Group and Sex, 1965.

	TOTAL (in thousands)	Wage and Salary Workers	Self-Employed Workers	Unpaid Family Workers
Both Sexes	10101	36.5%	41.2%	21.9%
Agriculture	5725	15.8	50.8	33.4
Non-Agricultural Industries	4376	63.4	28.6	7.0
Mining & Quarrying	24	100.0	-	-
Construction	295	92.3	7.7	-
Manufacturing	1101	53.9	37.4	8.6
Electricity	22	100.0	-	-
Commerce	1114	25.7	57.6	16.7
Transportation	339	83.5	14.7	1.8
Government Services	708	95.6	4.2	0.2
Domestic Services	500	99.3	0.5	0.2
Personal Services	227	51.6	41.4	7.0
Industry not reported	47	10.2	-	-