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**Labour market, structural adjustments
in the Philippines**

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Introduction

This is a study of the transformation of the Philippine labour market as the country attempted to grow and develop after the Second World War. It reviews the development strategies adopted by the government to achieve economic growth, and how they affected factor use and output. Then the paper examines the performance of the labour market by looking at the supply and demand forces, and the employment and earnings outcome. A separate section discusses the different streams of international migration during the period. The final section maps out government interventions in the labour market and how these affected the market outcome.

2 Development strategies

The Philippine government committed itself to hastening industrialisation through development planning following its political independence after the Second World War. Since then it has embarked on eleven formal comprehensive plans. Like many of the newly independent less developed countries, it also took the tack of an import substitution strategy to industrialisation.

These industrialisation and trade policies in the 1950s and the 1960s led to assembly-type production of consumer goods and encouraged the importation of raw materials, intermediate goods and capital goods whose costs were subsidised by the government through an over-valued foreign exchange rate, an interest rate structure which favoured capital acquisition by big enterprises, and tax policies which encouraged capital intensity. This heavy import dependence created balance of payments problems. By the 1960s, a policy of decontrolling foreign trade had to be adopted but this did not alter the structure of incentives to local producers. The existing tariff structure adopted in 1957 generated the same bias towards capital intensity on account of its high protection to import substitute industries and at the same time discouraged backward integration and production for export. Output growth declined in the 1960s owing to the limited domestic and foreign markets. The slackened growth of output led to low labour absorption. However, the inability of the industrial sector to create jobs arose not only from the stunted growth of output but also from the nature of incentives given to the production sector. This was further aggravated by the choice of technology derived from labour-scarce industrialised countries. The industrialisation strategy in the 1950s and the 1960s also led to the concentration of industrial production in the Greater Manila area due to the industries' import dependence, the upper income-urban class market of the consumer goods being produced, and the tax credit and technical assistance policies which favoured big firms more than small and medium-scale establishments. This geographical concentration of industrial production aggravated the lack of employment opportunities in the agricultural-rural sectors causing migration of labour to urban areas.

By the 1970s, development planning was given greater importance as decision-making become more centralised in the executive branch with the declaration of martial law in 1972 until its formal lifting in 1981. The strategy adopted in the 1970s was an attempt to correct the mistakes of the past. It espoused an export-oriented strategy which included a balanced agro-industrial development, trade diversification and rationalisation in agriculture. Production programs for rice and other food crops were intensified. Policy measures were undertaken to encourage the shift from packaging and processing of import substitutes to the actual production of such

commodities, the processing of raw materials and exportation of non-traditional exports and manufactures. The government channelled investments to identified priority areas and encouraged foreign investments through tax incentives to augment domestic capital. The necessary financial resources were raised by reforming the financial system to enable it to finance credit programs, and by borrowing from external sources. As heavy infrastructure activities were undertaken by the government at the start of the martial law regime, inflationary pressures started to mount and were aggravated by natural calamities thus leading to food shortages. This was later worsened by the increase in the price of imported oil which caused inflation not only directly but also indirectly as the government expanded its expenditure and the monetary liquidity to counter the resulting recessionary pressures. In spite of the concern to contain inflation, government policies continued to be inflationary, but succeeded little in stimulating production and, even less, employment.

The country was continually saddled by trade deficits in the second half of the 1960s and had to resort to foreign credit to finance these deficits. The 1970s ushered a more serious export promotion policy thrust which was starting to show results such as the trade surplus of 1973. But a turn of events in the global oil market led to the cartelisation of about 80 per cent of world oil supply and a 400 per cent increases in its price. This situation helped reverse the surplus to a large deficit requiring additional financing. This, coupled with the increase in the prices of other imports and the continuing increase in imports of raw material, intermediate and capital goods led to ever-increasing deficits and external debts to finance them. The external debt was \$2.9 billion in 1974, increased to \$5.5 billion by 1976 and more than doubled to \$12.7 billion by 1980. The large increase in 1980 was really the combined effects resulting recessionary pressures. In spite of the concern to contain inflation, government policies continued to be he industrialised countries, and the drop in world prices of traditional exports on the trade balance (Bautista, 1983). By 1981, the external debt had soared to \$13.1 billion and the debt-service was \$1.7 billion or 29.5 per cent of export earnings.

The policies of the 1970s, though said to be characterised by a strong export promotion slant, continued to encourage import substitution through the still protective tariff system and other incentives. The deteriorating balance of payments situation and increasing external debt by the late 1970s through the early 1980s prompted the government to adopt a set of policy reforms which were intended to increase the international competitiveness of the domestic manufacturing sector (Bautista, 1983). These reforms include (1) trade liberalisation (reducing the effective protection of tariffs, liberalising importation until the complete lifting of bans on particular imports by 1983, and increasing export incentives); (2) rationalisation of investment incentives (reducing distortion affecting factor use, firm size and location, and phasing out the policy of limiting entry into

'over-crowded' industries); and (3) an industry revitalisation program designed to improve their competitiveness through technical assistance and financing to be assisted by World Bank loans (as has been stated in the textile and cement industries). In addition, the government is planning to establish a long-term development of the capital and intermediate goods industries by lining up eleven major industrial projects (two for capital goods production and nine for intermediate goods production) for implementation up to 1987.

The changed policy of opening the economy to international competition and of export promotion was the industrialisation strategy used by the newly industrialising countries (NIC) in Asia in the 1960s. Bautista (1983) gives an assessment of the potential success or failure of this policy. One persistent flaw which he cites is the uneven incentives given to export producers relative to the rest of the manufacturing sector with incentives still biased against the former; this was not true in the case of the NICs. The second problem is in summoning the necessary political determination to remove protection that has been enjoyed by some sectors, considering that resistance is to be expected. He also cautions the government with regard to the heavy industrial projects which may compete with light industries in capital imports within the country's limited borrowing capacity. This may obstruct further growth by producing higher priced low-quality intermediate products as a result of their need for protection from outside competition. Some might even become dependent on imported raw materials. Then he foresees uncertainty in the foreign market of Philippine manufactured exports. Because of these, he is sceptical of the Philippines' ability to repeat the NIC's performance. However he thinks there will be substantial gain in improved resource allocation and growth especially if the government can sort out the problems posed above. He also sees great potential in expanded cooperation and integration among ASEAN countries and between ASEAN countries and the rest of Asia.

Development planning in the Philippines has always been based on the primacy of private enterprise - that the private sector will be the prime mover of development with government extending it support. As a result, the private sector has become used to a system of incentives from the government. However, with the advent of martial law, the government started to take over in areas that used to be private sector domain as it engaged in more pioneering high-risk industries. It also provided long-term financing and even entered into joint ventures with the private sector. These latter ventures, however, were often a result of its huge loans to private establishments which subsequently experienced acute financial problems; so that the government had to take over to protect its credit exposure. During this period of development planning, the government always cited employment generation as a state policy by which all government programs and policies had to be justified.

Given these different policies from the 1950s to the 1980s, how did output and per capita output grow? Table 1 shows selected real income indicators and their growth rates for 1957 to 1982. Real Gross National Product (GNP) at constant 1972 prices, grew at 5.4 per cent annually from 1957 to 1978 or over a period of 21 years. This growth rate was more or less constant between 4 and 5 per cent from 1957 to 1971 and then increased to 6.6 per cent by the 1970s. However, by 1978 to 1982 the growth rate started to decline to levels lower than those of 1957 to 1971. The yearly growth rates of real GNP and National Income (NI) were declining continuously up to 2.61 and 2.63 per cent respectively, by 1982. Per capita real GNP and NI increased at a very slow rate of less than 2 per cent annually except for the 1971 to 1978 period when both per capita figures grew at 3.9 and 3.6 per cent. In spite of the very low growth of output after 1980, there was still positive though minimal growth in per capita GNP and NI as population growth started to decline.

The growth of real national income during the period 1957 to 1978 may be attributed to the annual growth in output of the agricultural sector of 4 per cent of industry of 5.9 per cent and of services of 4.5 per cent¹

The sectoral distribution of output underwent a partial transformation from 1957 to 1978 (Table 2). The share of agriculture declined, that of industry increased while that of services started to decline in the 1970s. All of industry's sub-sectors experienced some increase in their share of output with growth in manufacturing reaching the highest (20 per cent) by late 1970s. In the latter part of the period 1971-78, total output was almost equally apportioned among the three sectors although that of services was still the largest at 36.8 per cent of the total.

On the other hand, the sectoral distribution of employment was characterised by the predominance of agriculture with more than half (52.9 per cent) of total employment in 1971-78. Services employed 28.1 per cent and lastly, industry 19.0 per cent, this latter being less than one percentage point above 1957-64 (Table 3). Employment has been gradually shifting away from agriculture to industry and services with the latter growing faster than industry. The employment share of all the sub-sectors

¹The classification of the economy into three major sectors uses Kuznet's broad industry grouping where 'agriculture' includes agriculture, forestry, fishing and hunting; 'industry' includes mining and quarrying, construction, manufacturing, utilities, transport, storage and communication; and 'services' includes commerce, government, community, business and recreational services, domestic services, personal services other than domestic and industry not reported elsewhere.

TABLE 1 Selected real income indicators and growth rates, 1957-82 (1972 prices)

	Annual income indicators				Annual geometric growth rates			
	GNP	NI (in million pesos)	Per cap. GNP	Per cap. NI	GNP	NI	Per cap. GNP (percentage)	Per cap. NI
1957-64	31886.6	27822.6	1141.1	996.1	4.78	4.53	1.79	1.55
1964-71	44759.2	37841.2	1301.5	1101.6	4.87	4.27	1.93	1.34
1971-78	67120.6	54635.1	1602.0	1304.1	6.55	6.25	3.94	3.63
1978-82	91937.2	73645.2	1895.0 ^a	1516.2 ^a	4.09	3.85	1.76	1.36
1978	83708	67635	1840	1487				
1979	88736	70676	1884	1500	5.83	4.40	2.36	0.87
1980	92609	74160	1916	1529	4.27	4.81	1.68	1.91
1981	96065	76852	1940	1549	3.66	3.57	1.24	1.30
1982	98568 ^b	78903 ^b	1942 ^c	1555 ^c	2.61	2.63	0.10	0.39

^a1978-81.

^bAdvance estimates as of December 1982.

^cPopulation for 1982 estimated by applying the annual geometric growth rate of 2.68 for the period 1975-80.

Sources: National Economic and Development Authority (NEDA), The National Income Accounts, CY 1946-75 for figures up to 1975, Philippine Statistical Yearbook 1982 for 1976-81 and the unpublished estimates as of December 1982.

**TABLE 2 Distribution of national income by sector^a, 1957-78
(percentage)**

Industry	1957-64	1964-71	1971-78
All industries^b	100.0	100.0	100.0
A	33.7	32.7	30.8
I	27.7	28.7	32.4
S	38.6	38.6	36.8
Agriculture, fishery, Forestry and hunting	33.7	32.7	30.8
Mining and quarrying	1.3	1.8	2.0
Manufacturing	17.0	18.3	19.7
Electricity, gas and water	0.6	0.6	0.7
Construction	5.3	4.3	5.9
Transport, storage and communication	3.5	3.7	4.1
Commerce	24.1	23.7	22.1
Government, community, business) and recreational services)			
Domestic services)	14.5	14.9	14.7
Personal services other than) domestic)			

^aAverages of beginning and ending years of each period.

^bA = agriculture, I = industry and S = services, as defined in Footnote 1.

Source: NEDA, The National Income Accounts CY 1946-75 and unpublished estimates as of June 1981.

in industry increased except for manufacturing whose share declined. That of transport, storage and communication experienced the greatest increase. In the services sector, the greatest increase in share was in government, community, business and recreational services, followed by commerce.

The employment generated during the period may be assessed by measuring the additional employment minus terminated employment per period and by the growth rate of employment. In the first measure, a positive net yearly employment differential between years would be taken to mean more employment positions created than terminated and vice-versa.² All these yearly

²The sum of the yearly net sectoral employment may be used to approximate this phenomenon of employment generation over a number of years although it may not capture all the employment turnover within any year during a period under consideration. For a number of reasons, employment may be generated and dissolved in one sector within a year which bi-annual and quarterly data may not capture completely to the extent that employment regardless of its length may be considered better than no employment. These employment statistics then underestimate some employment creation of this nature.

**TABLE 3 Distribution of employment by Sector 1957-78
(percentage)**

Industry	1957-64	1964-71	1971-78
All industries^a	100.0	100.0	100.0
A	60.5	55.8	52.9
I	18.2	18.7	19.0
S	21.3	25.4	28.1
Agriculture, forestry, fishery and hunting	60.5	55.8	52.9
Mining and quarrying	0.3	0.4	0.4
Manufacturing	11.8	11.5	10.9
Electricity, gas, water and sanitary services	0.2	0.2	0.4
Construction	2.7	3.1	3.2
Transport, storage and communication	3.1	3.5	4.0
Commerce	9.8	11.0	11.4
Government, community, business and recreational services	5.2	7.4	9.6
Domestic services	5.8	6.7	6.7
Personal services other than domestic	0.4	0.3	0.4

^aA = agriculture, I = industry and S = services, as defined in footnote 1.

Sources: National Census and Statistics Office National Sample Survey of Households Bulletin for figures up to 1976 and Integrated Survey of Households Bulletin for 1977 and 1978.

figures on net employment can then be added to reflect the overall performance of an industry in employment creation in a given period. Table 4 summarises these measures of employment by broad industry grouping for 1957 to 1978. Agriculture's employment generation averaged 156,000 per year followed by 135,000 for services and finally industry at 74,000. Relative to the 1957 employment levels, agriculture's employment generation up to 1978 was 67.9 per cent, that of industry doubled (100.9 per cent) while that of services more than doubled (163.6 per cent). As a ratio of the total employment generation during the period, agriculture accounted for 42.8 per cent followed by services at 37.0 per cent while industry generated 20.2 per cent.

The other measure of employment generation, its annual growth rate, G_n is presented in Table 5. G_n in the whole economy grew at 3.44 per cent annually during the period 1957 to 1978. Among the three broad sectors, services' employment grew the

TABLE 4 Employment generation by broad industry grouping 1957-78

Employment generation index		A	I	S	All industries ^a
Net total annual change	'000	3186	1571	2794	7551
Average net annual employment generation	'000	152	75	133	360
Net total employment generation as a percentage of the sector's 1957 employment level	%	65.9	102.5	161.3	93.2
Net total employment generation per sector as a percentage of net total employment generation in the economy	%	42.2	20.8	37.0	100.0

^aA= agriculture, I= industry and S = services, as defined in footnote 1.

Sources: R.L. Tidalgo, 'Labor Absorption in the Philippines, 1956-73,' Philippine Economic Journal (30), 1976, Table 9 for data up to 1971 except for the inclusion of the March survey data in the averaging of the 1957 employment data and the NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Household Bulletin) for the basic data from 1971-76 and Integrated Survey of Household Bulletin for 1976-78.

fastest (4.58 per cent) followed by industry's (3.35 per cent) and, lastly, agriculture's at 2.41 per cent. A heuristic framework earlier used by Oshima (1971) based on the employment-income growth elasticity concept, i.e., the ratio of the growth of employment (G_n) to the growth of income (G_y) or G_n/G_y may be used to explain the growth of employment. By definition

$$G_n/G_y = \frac{N/N}{Y/Y} ; \text{ hence } G_n = G_y \cdot Y/N \cdot \Delta N/\Delta Y.$$

This framework enables one to explain the growth of employment in terms of the growth of output (G_y), the productivity of person engaged (Y/N), and the incremental labour-output ratio ($\Delta N/\Delta Y$), each of which would influence employment growth directly.

TABLE 5 Employment and output growth rates, output per person employed and incremental labour-output ratio by industry^a, 1957-78

Industry	Gn	Gy	Y/N		$\Delta N/\Delta Y$
			1957	1978	
All industries ^b	3.14	4.77	2.98	4.20	0.18
A	2.41	3.99	1.74	2.42	0.29
I	3.35	5.91	4.32	7.39	0.10
S ^c	4.58	4.49	5.28	5.18	0.20
Agriculture, fishery, forestry and hunting	2.41	3.99	1.74	2.42	0.29
Mining and quarrying	4.40	5.94	12.10	16.72	0.05
Manufacturing	2.63	5.83	3.84	7.51	0.08
Electricity, gas and water	6.34	5.88	10.93	9.92	0.10
Construction	3.70	6.17	5.79	9.74	0.08
Transport, storage and communication	5.16	5.87	3.57	4.14	0.23
Commerce	3.79	4.20	7.26	7.91	0.12
Government, community, business and recreational services					
Domestic services	5.33	4.96	3.83	3.54	0.29
Personal services other than domestic					
Not reported ^d	1.34				

^a'N' is employment in thousands; 'Y' is national income, 1972 prices in million pesos.

^bA=agriculture, I=industry, S=services, as defined in footnote 1.

^cThe employment under 'industry not reported' is included in the services sector.

^dThis category does not have values for Gy, Y/N and $\Delta N/\Delta Y$ because all outputs in a given period are classified by industry.

Sources: Employment data are from the National Census and Statistics Office, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for 1957 and the Integrated Survey of Households Bulletin for 1978. National income data are from the NEDA, National Income Accounts CY 1946-75 and its unpublished estimates as of June 1981.

The lowest growth rate of employment characterising agriculture may be explained by its having the lowest Y/N and G_y although it had the highest $\Delta N/\Delta Y$. The performance of industry which is better than agriculture but lower than services is explained by its having the highest G_y and Y/N but the lowest $\Delta N/\Delta Y$. The highest G_n performance of the services sector is explained by its relatively high $\Delta N/\Delta Y$, Y/N and G_y . At a 1-digit industrial classification the highest employment growth rate was experienced in the utility sector followed by the sub-sectors of services other than commerce, then transport, storage and communication. Utilities' performance is explained by its high Y/N and G_y in spite of its low $\Delta N/\Delta Y$. In the findings the sub-sector of services revealed very high $\Delta N/\Delta Y$. Transport, storage and communication also had very high $\Delta N/\Delta Y$ and G_y although its Y/N was low. The values of Y/N used in this analysis refer to the 1957 figures.

2 Labour market performance

In this section, we look at the functioning of the labour market during the period under study and the transformation of supply and demand forces through time. Firstly, the supply conditions will be examined and then related to the employment experience to assess the extent of labour utilisation. We also examine the price of labour earnings, as an allocative mechanism and as an indicator of labour's share of output.

Population, labour force and employment

The population of the Philippines started to grow rapidly soon after the Second World War (Herrin, 1981). Until 1948 it grew at 1.9 per cent (Table 6), but thereafter mortality dramatically declined as a result of the control of some diseases with the development of health infrastructures. This drop in mortality coupled with continued high fertility caused the population to grow rapidly, reaching an annual growth rate of 3.06 per cent by 1960 and sustaining such growth up to 1970 (3.01 per cent). This led the government to adopt a population control policy which emphasised family planning in 1970. The payoff from the population control program became evident with the decline of the population growth rate to 2.78 per cent in 1975, then to 2.68 per cent by 1980. With the declining population growth rates, a declining working age population among the youngest age group may be expected; this therefore would mean a smaller labour force. The high population growth of the 1960s and 1970s started to show its impact on the supply of labour by the latter half of the 1970s.

TABLE 6 Population and annual growth rate for specific years, 1948-80

Year	Population size '000	Annual growth rate (%)
1948	19,234	1.91 ^a
1960	27,088	3.06
1970	36,684	3.01
1979	42,071	2.78
1980	48,098	2.68

^a1939-48.

Sources: National Census and Statistics Office Integrated Census of Population and Economic Activities for 1948-75 and 1980 Census of Population.

Table 7 and Figure 1 compare the levels and annual growth rates of the working age population as defined by a minimum age of 10 or 15 years, labour force, employment, underemployment and unemployment.³ The working age population grew at rates ranging from 3.23 to 4.3 per cent a year with a slight increase in the 1964-71 period, declined in 1971-74 and 1976-78 and finally rose in 1978-79. The labour force grew at an increasing annual rate from 3.1 to 5.6 per cent, slightly declining in 1964-71. In the 1970s, the labour force growth rate was much higher than the growth of the working age population. The labour participation rate increased from 50.2 to 62.4 per cent. Employment on the other hand was growing faster than the labour force. But given the initial 1957 differential of 703,200 between the labour force and the employed, their relative growth rates since 1957 were not sufficient to diminish unemployment which ranged from 584,000 to 867,000 annually.

The extent of labour underutilisation is not only captured by the openly unemployed but also by the underemployed. There are two kinds of underemployment measured, the 'visibly' underemployed who are working part-time (using a minimum full-time work standard of 40 hours as in the government sector) and who desire additional work, and the 'invisibly' underemployed who are already working full-time according to a chosen full-time work standard but want additional work. The number of underemployed persons averaged 2.2 million in 1957-64, increasing to 2.5 million in 1964-71, then declining to 1.6 million in 1971-74 and 2.0 million in 1974-78.

Although both types of underemployment showed a declining trend during the period, the number recorded was still as large as 2.5 million persons in 1978. Summing up, including underemployment with the openly unemployed as a measure of labour underutilisation, this comes to 3.3 million or 20 per cent of the labour force in 1980. One can paint an even more discouraging picture of labour underutilisation if one considers the amount of idle work force that might be found among those who are of working age but are not in the labour force especially among housewives and students (Myrdal, 1968).

³There was, among others, an increase in the minimum working age definition of the labour force population base in official statistics from 10 to 15 years old by 1976. Hence, data set for the 1970s is discontinuous in 1976 not only owing to this change in definition but also to changes in the reference period and other definitions.

TABLE 7 Average annual household population (10/15 years old and over) and labour force by employment status

Group	Average annual ('000)					Annual geometric growth rates (percentages)					
	1957-64	1964-71	1971-74	1974-78 ^a	1978-79	1957-64	1964-71	1971-74	1976-78	1978-79	
Population (10/15 years old and over)	17180	22778	27480	27773	27327	3.23	4.18	3.66	3.66	4.32	
Labour force (LF)	9883	12139	13805	15524	17057	3.13	2.40	3.80	4.94	5.61	
Employed ^b (E)	9179	11305	13104	14826	16285	3.26	2.64	4.19	5.10	6.35	
Underemployed (Ud)	2153	2582	1642	1961		9.72	(5.99)	(9.10)	(18.50)		
Visibly	1131	1144	795	1047		4.47	(6.59)	(1.87)	(24.59)		
Invisibly	1022	1438	847	914		16.22	(5.50)	(15.94)	(10.56)		
Unemployed (Un)	703.2	829.1	702	697	772	1.35	(1.39)	(4.38)	1.95	(9.97)	
Labour force participation rate (LFPR)		(Percentage)									
	57.5	54.2	50.2	56.1	62.4	(0.10)	(1.80)	0.13	1.22	1.28	
Employment rate ^c	92.8	93.2	94.9	95.6	95.4	0.14	0.23	0.42	0.16	0.73	
Underemployment rate:											
% of LF	21.6	21.4	12.0	12.4		6.67	(8.44)	(12.83)	(23.58)		
% of E	23.2	23.0	12.6	13.0		6.45	(8.62)	(13.30)	(23.62)		
Visible % of LF	11.4	9.5	5.8	6.6		1.28	(8.84)	(5.76)	(29.74)		
% of E	12.3	10.2	6.1	7.0		1.18	(9.23)	(6.08)	(29.39)		
Invisible % of LF	10.2	11.9	6.2	5.8		13.04	(7.84)	(20.00)	(19.60)		
% of E	10.9	12.8	6.5	6.0		13.14	(8.23)	(20.14)	(16.05)		
Unemployment rate	7.2	6.8	5.1	4.4	4.6	(1.80)	(3.62)	(8.75)	(2.97)	(15.4)	

^aAverage of 1974 and 1978.

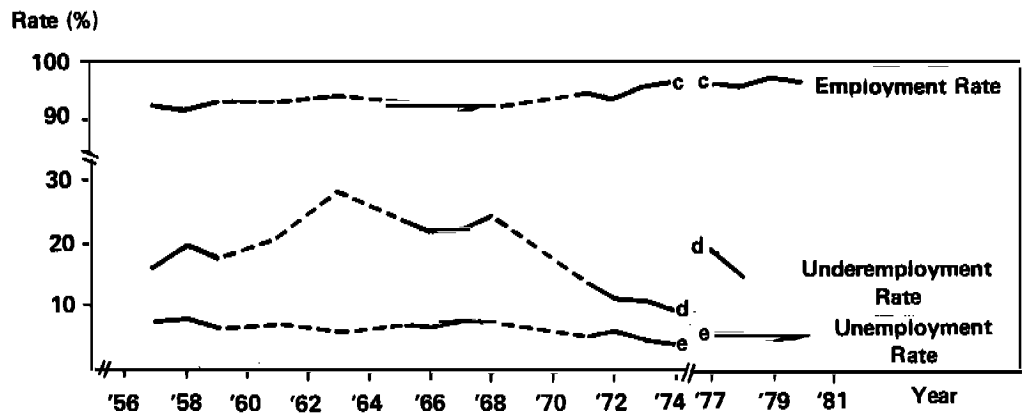
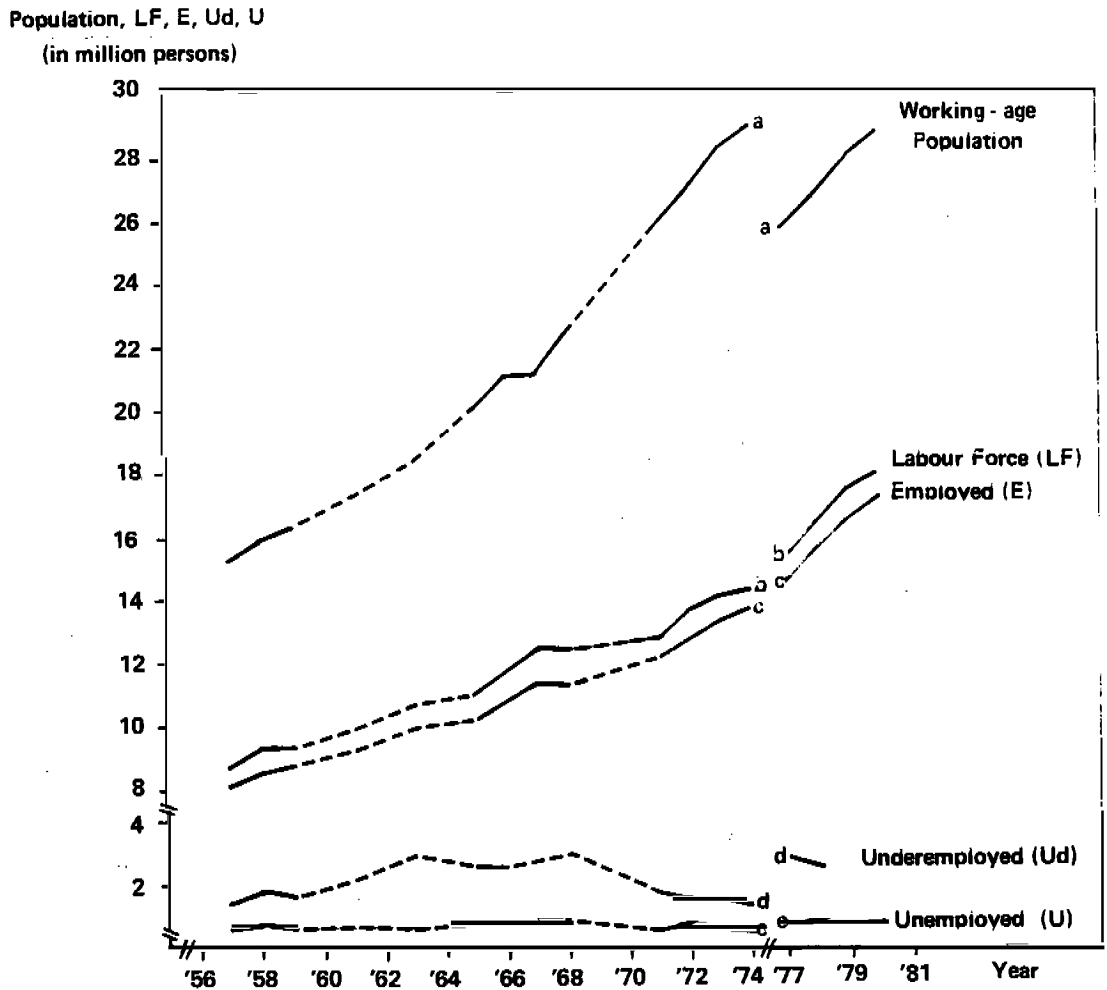
^bEmployed includes underemployed.

^cE as % of L.F.

^dUn as % of L.F.

Sources: National Census and Statistics Office, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1976 and Integrated Survey of Households Bulletin for 1976 to 1978. The 1979 figures are preliminary estimates based on hand-tallied results for four quarters.

FIGURE 1 Labour force by employment status, 1957-78 (in millions persons)



Note: Lines discontinuous, owing to break in time series, 1974-77. Line 1-1 = working age population 10-15+. Percentage rates are ratios to labour force, e.g.,
 Employment rate = $\frac{E}{LF}$

Source: NSCO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1974; Integrated Survey of Households Bulletin for 1977-78 and unpublished estimate for 1979-80.

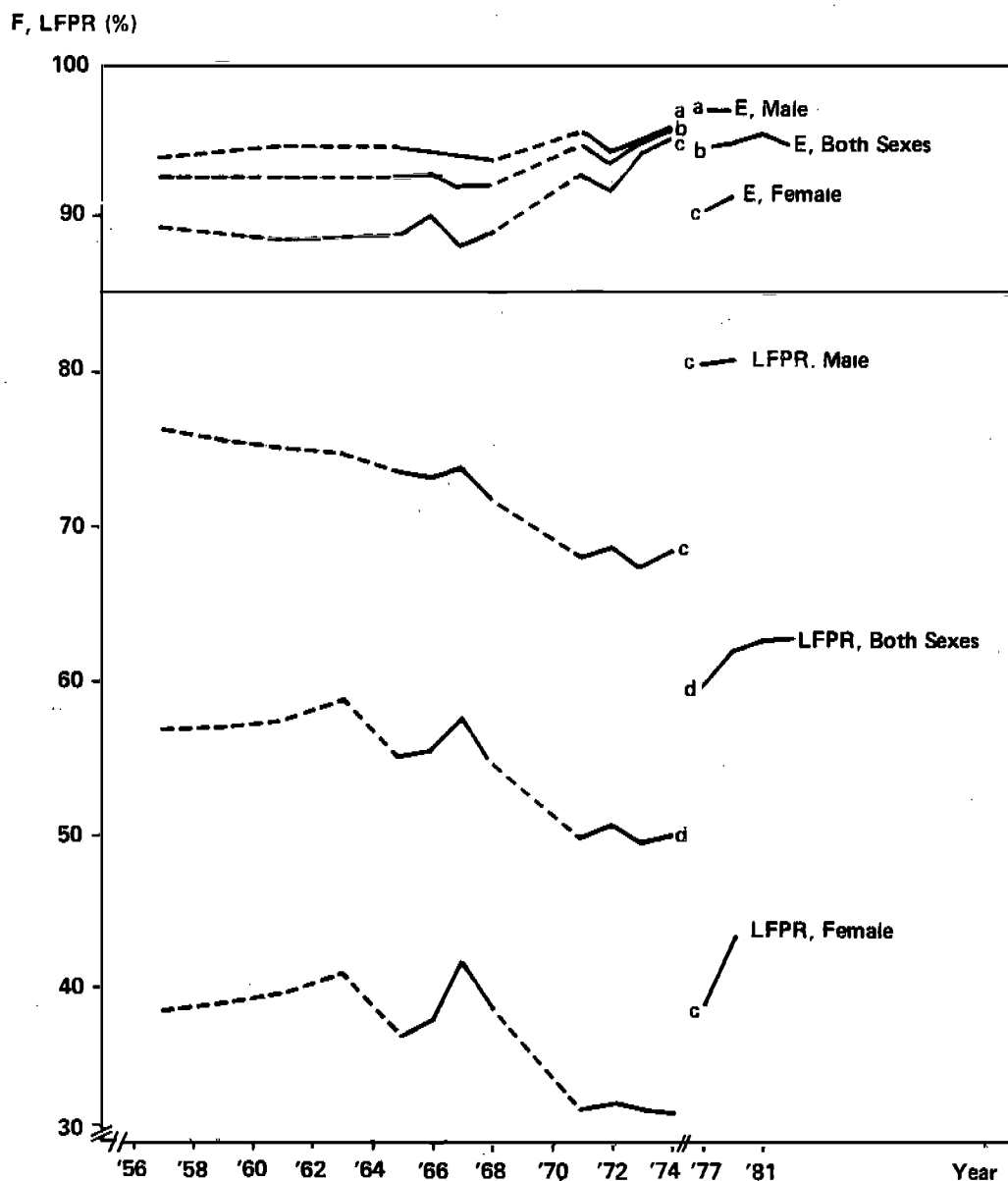
The labour force

The surveys of the National Census and Statistics Office reveal an increasing labour force growth rate which reached 5.6 per cent by 1976-78. This rather high growth rate has to be explained by internal conditions since foreign in-migration was never substantial. Could these labour force growth rates be statistical artifacts owing to the changes in survey assumptions (Tidalgo and Esguerra, 1982)? The International Bank for Reconstruction and Development (1982) computed much lower annual growth rates of the labour force (15 to 64 year olds) based on a 1960-70 trend line estimate. Though also increasing, its estimates of the growth rates were much lower figures of 2.2 per cent (1960-70), 2.4 per cent (1970-80) and a projected 2.7 per cent increase for 1980 to 2000. But even with this range of estimates it would be reasonable to conclude that the labour force is expected to grow at an increasing rate in the 1980s.

The Labour Force Participation Rate (LFPR) increased in the 1970s. A more detailed examination of its level and trend by sex, age and location would be useful. The female LFPR was always about half that of the male rate. Both sexes' LFPRs would show an increasing trend were it not for a drop in their levels during the first half of the 1970s (Figure 2). The LFPR of the 25 to 64-year-old males was relatively constant with the older group (45-64 years old) experiencing relatively greater fluctuations (Figure 3). It was really the young age group of 24 years or below who experienced a sharp decline in LFPR in the early 1970s then a sharp increase in the late 1970s. This may be explained partly by the high growth of school enrolment and partly by the exit of the relatively young and inexperienced members of the labour force during times of high unemployment (Figure 1). This LFPR pattern of the young male group is observed for all age groups of females (Figure 4). Both of the above explanations may also explain the case for the females with the difference that females as a group, regardless of age, tend to be secondary workers and therefore would be the first to exit when work gets difficult to find or would enter the labour force when household income gets too low. In addition larger fluctuations for female LFPR are observed in the 1960s. This may reflect females' lower commitment to the labour force leading to more erratic LFPRs. Of interest is the very sharp increase in the LFPR of the 25 to 44 year-old females. This may be a sign of the effectiveness of the family planning program promoted vigorously by the government which enabled more women of child-bearing age to enter the labour market as their fertility rate dropped.

The LFPR also differed by urban-rural location. The rural LFPR was consistently higher than that in urban areas with the differentials ranging from 3.5 to 7.7 percentage points. This differential by location may be explained by the relatively more informal, traditional, and communal work situation in the rural areas which encourages people of all ages to participate in work. The greater incidence of unpaid family workers and self-employed

FIGURE 2 Employment rates and labour force participation by sex, 1957-78

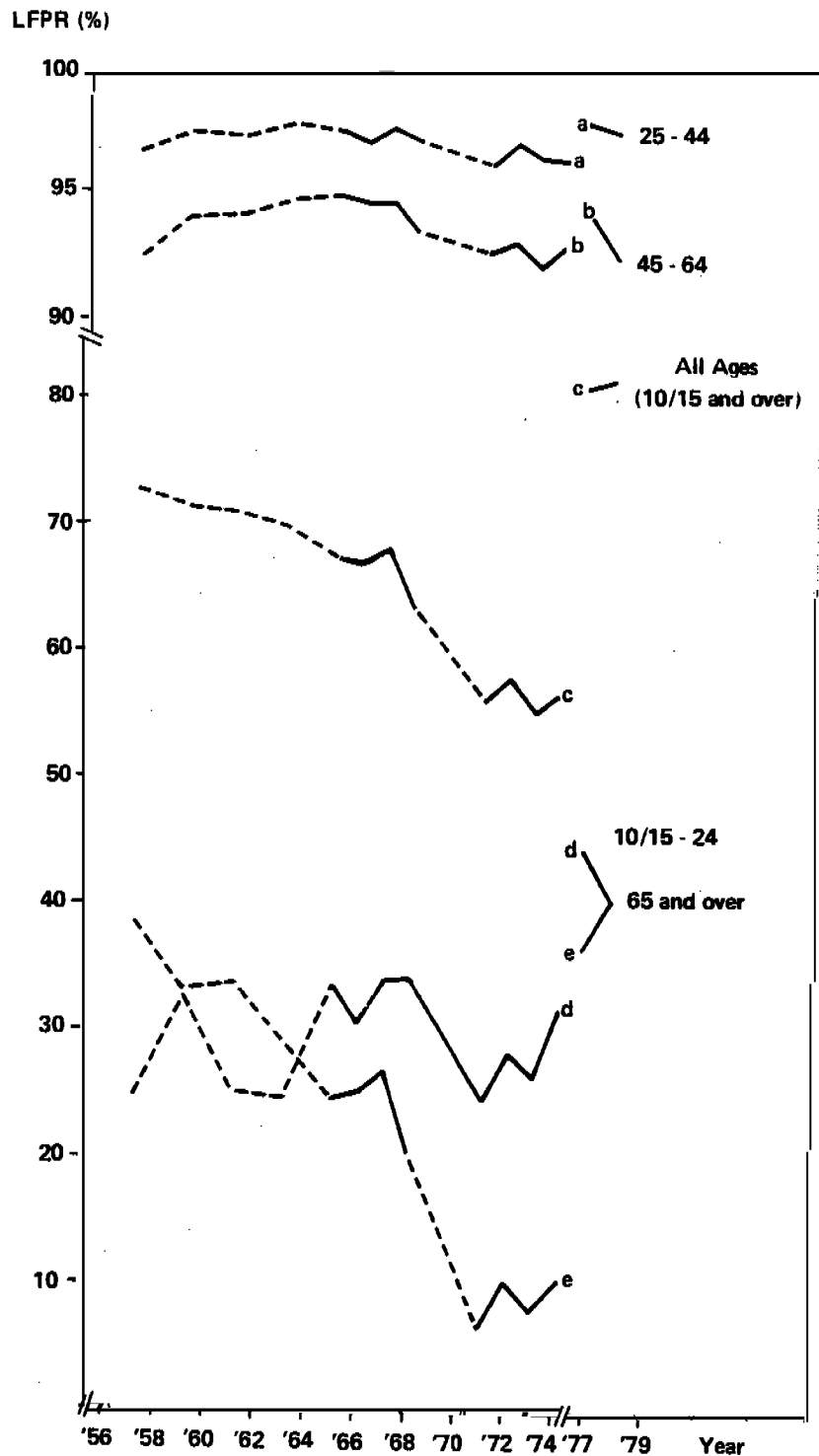


Note: Lines discontinuous, owing to break in time series, 1974-77. E: Line a-a = employment rate male; b-b = employment rate both sexes; c-c = employment rate female. c-c = LFPR male; d-d = LFPR both sexes; e-e = LFPR female. Employment rate = ratio of employment to labour force, $\frac{E}{LF}$

LFPR = ratio of labour force to population 10/15 years and over.

Source: NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1974; Integrated Survey of Households Bulletin for 1977-78.

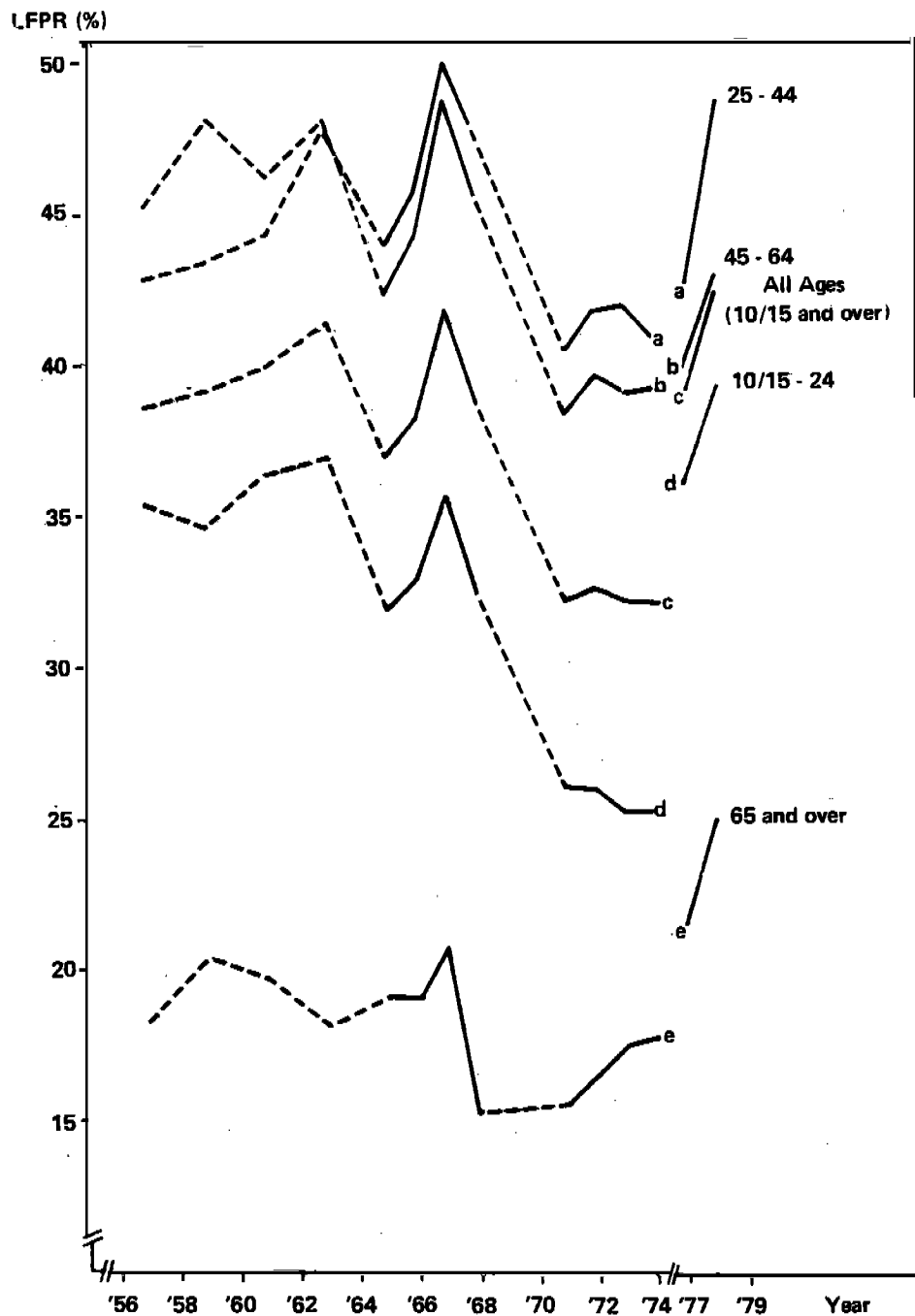
FIGURE 3 Labour force participation rate by age group, male, 1957-78



Notes: Lines discontinuous, owing to break in time series, 1975-77. Line a-a = 25-44 age group; b-b = 45-64; c-c = all ages over 10/15; d-d = 10/15-24; e-e = 65 years and over.

Sources: NCSO, National Sample Survey of households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1974; Integrated Survey of Households Bulletin for 1977-78 and unpublished estimates for 1977-78.

FIGURE 4 Labour force participation rate by age group, female, 1957-78



Notes: Lines discontinuous, owing to break in time series, 1975-77. Line a-a = 25-44 age group; b-b = 45-64; c-c = all ages over 10/15; d-d = 10/15-24; e-e = 65 years and over.

Sources: NCSO, National Sample Survey of households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1974; Integrated Survey of Households Bulletin for 1977-78 and unpublished estimates for 1977-78.

in the agricultural sector attests to this. Another possible explanation is the very low productivity of labour in the agricultural sector which therefore necessitates that more members of the household participate in production in order to augment the household's total produce or income.

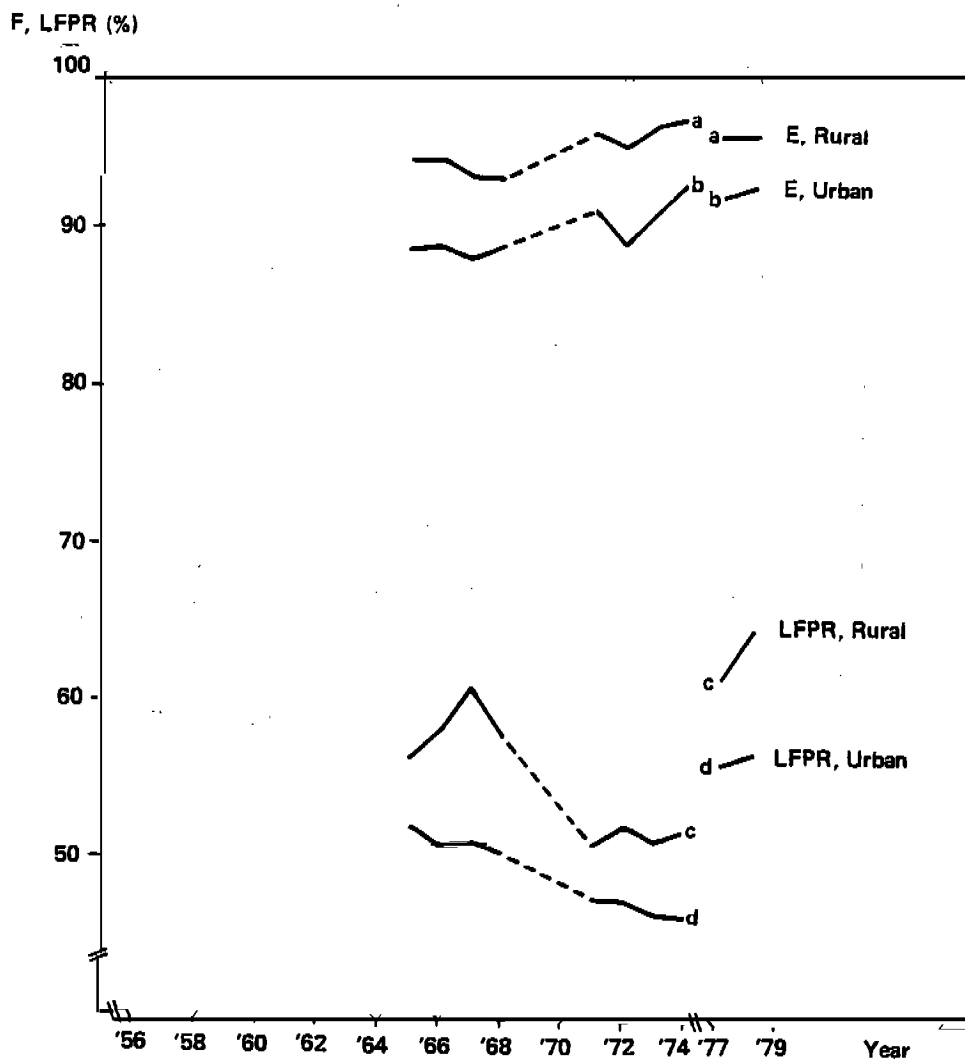
Internal migration has been characterised by two major patterns. From the late 1940s to 1960, the migration was towards frontier areas. People from Ilocos, a low-resource area, and from Central Luzon, a high density area, were going to the Cagayan Valley which was an important land resource area. Also, people from Ilocos and West and Central Visayas, which were low-resource areas, the Visayan regions being also high-density areas, were going to Mindanao, which was a high-resource area. The rural to urban migration during this period was of minor significance, with people going to Manila from Ilocos, Bicol, and West and Eastern Visayas. Since 1960, another pattern of migration became more dominant, i.e., rural to urban migration where the urban attraction was in terms of job opportunities and education. The frontierward migration was usually male-dominated but the rural to urban migration has become female-dominated. This may be explained by the general rise of educational attainment and the growth of urban labour markets. With the increase in average educational attainment came a reduction in the educational attainment differential between sexes. In addition, some studies have established the decline in male to female ratio in occupations implying that as industrialisation created more jobs, women started to work in occupations other than their former traditional areas of work. And since industrialisation was concentrated in urban or metropolitan areas, women migrated to these areas of work opportunities. The large rural to urban migration has swelled labour supply in urban areas contributing greatly to the higher urban unemployment (Figure 5).

Employment

This section examines the nature of employment by sex, age, occupation, location and its quality in terms of the intensity of work participation and the class of worker distribution.

The employment rates by sex reveal that males had higher employment rates than females with the difference ranging from 0.8 per cent to 6.6 per cent during the period 1957-68 (Figure 2). While the male employment rate increased through the years, the female rate fluctuated erratically. The very young for both sexes tend to experience more fluctuations in their employment rates. When we compare levels of employment by age, it is observable that the youngest age group tends to have the lowest employment rate or highest unemployment rate. This is to be expected on account of their relative inexperience.

FIGURE 5 Labour force participation and employment rates, urban and rural, 1957-78



Notes: Lines discontinuous owing to break in time series 1974-77. E: Line a-a = rural employment rate; b-b = urban employment rate. LFPR: Line c-c = LFPR, rural; d-d = LFPR, urban. Employment rate = rate of employment to labour force, $\frac{E}{LF}$

Source: NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1974; Integrated Survey of Households Bulletin for 1977-78.

The profile of the employed by educational attainment reflects the typical skill pyramid for 1965 and 1978 (Table 8). From 1965 to 1978, the educational attainment of the employed increased. The share of those with college degrees increased by 73 per cent to over 15 per cent of employed persons; those with high school diplomas increased by 86 per cent; and those with elementary diplomas increased by 18 per cent. This transformation of the educational profile of the employed followed very closely that of the labour force. For the unemployed, there was a 91 per cent increase in the share of college degree holders; a 43 per cent increase in the relative share of high school diploma holders; and a 28 per cent decline in the share of elementary diploma holders. The relative shares of those with some elementary schooling and no schooling all decreased for the three groups. For the two years of observation, 1965 and 1978, an inverse relationship is evident between the employment rate and the educational attainment with the exception of the highest educational level cited, the college graduates, whose employment rate came second to that of the elementary group. This situation seems to indicate an increasing over-supply of labour as the educational level increases. It therefore suggests a serious mismatch between the educational system's output and the manpower requirements of the production sector. Although an improvement in employability per educational level was observed by 1978, the potential social problem of high unemployment among the highly educated cannot be underestimated. There were 73,000 unemployed college graduates in 1978, not to mention 129,000 more with some collegiate-level schooling.

The occupational distribution of the employed was transformed with the agricultural occupations losing ground and a gain being experienced by craftsmen, factory operatives, transport operatives, sales and clerical workers (Table 9). The share of services occupations also increased until the early 1970s but declined by 1978; the early stages of development did not provide the swelling agricultural labour force with enough job opportunities in manufacturing and transport sectors, making services the most logical depository of those who were leaving the agricultural sector. The relative share of the managerial group started to contract in the 1970s while that of the professionals continued to rise; this is a natural offshoot of the relative production needs for these two occupational groups.

The quality of employment may be described by the intensity of employment in terms of average hours of work and the extent of underemployment, by the class of worker distribution (or relative shares of wage and salary workers, own-account or self-employed workers and unpaid family workers) and by earnings. Table 10 describes these three indicators for the period under study. While the size of the visibly underemployed fluctuated between 795,000 and 1,144,000, the average weekly hours of work increased starting from 1964-71 through 1971-76 reaching 45 hours by the last period. This indicates that a sizeable proportion of the

TABLE 8 Labour force employed, unemployed and employment rate by highest educational grade completed, 1965 and 1978

	Labour force		Employed		Employment rate		Unemployed	
	1965	1978	1965	1978	1965	1978	1965	1978
Total employed ('000)	10764	16579	10101	15768			663	811
	%	%	%	%	%	%	%	%
No grade	14.2	6.6	14.7	6.7	97	98	6.3	3.1
Elementary	61.9	52.2	62.3	53.0	95	97	55.2	36.0
1st to 5th grade	40.9	28.3	41.8	28.9	96	97	26.8	15.4
graduate	21.0	23.9	20.5	24.1	92	96	28.4	20.5
High school	15.5	25.0	14.8	24.4	90	93	25.9	35.5
1st to 3rd year	8.6	12.6	8.3	12.3	90	93	13.3	17.1
graduate	6.9	12.4	6.5	12.1	89	93	12.7	18.2
College	8.5	15.8	8.2	15.3	91	92	12.7	24.9
undergraduate	3.6	7.3	3.3	6.8	86	89	8.0	15.9
graduate	4.9	8.5	4.9	8.5	94	95	4.7	9.0
Not reported		0.5		0.5				0.5
Total	100.0	100.0	100.0	100.0	94	95	100.0	100.0

Source: Ministry of Labor and Employment, Yearbook of Labor Statistics, 1977 and 1981.

TABLE 9 Distribution of employed persons by occupational groups by selected years (percentage)

Occupational group	1957	1965	1971	1987
Total employed, ('000)	8103	10322	12246	15768
	%	%	%	%
Professional, technical and related workers	2.5	3.7	5.5	6.0
Managers, administrators and officers	3.8	3.9	1.2	1.0
Clerical and related workers	2.1	3.4	3.8	4.2
Salesmen and related workers	6.1	6.7	11.4	10.4
Farmers, farm labourers, fishermen and related workers	59.4	56.6	49.3	51.2
Workers in mines and quarries and related occupations	0.3	0.1	0.2)
Workers in operating transport occupations	1.8	2.61	4.1)
Craftsmen, factory operatives and workers in related occupations	14.3	12.9	13.2) 19.2
Manual workers and labourers n.e.c.	2.2	1.8	2.0)
Service and related workers	7.0	8.1	9.1	7.7
Not reported	0.4	0.2	0.2	0.3
Total	100.0	100.0	100.0	100.0

Sources: NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1971 and Integrated Survey of Households Bulletin for 1978.

employed were working more than 45 hours per week. The invisibly underemployed fluctuated from 847,000 to 1,438,000. The desire for additional work by those working full-time may indicate a lack of income and/or a mismatch between one's skill and that require by one's job. The third indicator refers to the proportion among the employed who were in more formal employment situations being paid wages or salaries as opposed to being self-employed or an unpaid family worker. One would expect that as a society becomes more urbanised and commercialised with industrialisation, wage and salary workers would predominate over the other two categories. Such a trend occurred but slowed down considerably in the first half of the 1970s with the unpaid family workers still accounting for 23 per cent of the employed or 3.1 million persons.

TABLE 10 Quality of employment, 1957-78

Quality of employment indicator	1957-64	1964-71	1971-74	1974-78
Underemployment (annual)				
Visible, '000	1131	1144	795	1047
Invisible, '000	1022	1438	847	914
Average hours of work (per week)	41.6	44.2	44.9 ^a	
Class of worker distribution of the employed				
Wage and salary workers	'000 2863 %	4168 41.8	5351 39.1) ^a))
Own-account workers	'000 3828 %	4473 39.6	5191 38.1)))
Unpaid family workers	'000 2455 %	2631 23.3	3090 22.6)))

^a1971 to 1976 annual average.

Sources: NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for figures up to 1976 and Integrated Survey of Households Bulletin for 1976-78.

Earnings

Earnings represent one dimension of the quality of employment. They measure labour's share of output. They also form part of the price system which guides the allocation of resources among alternative uses.

Comparable statistics on earnings in the Philippines have not been collected long enough. The Central Bank conducted surveys of industrial establishments in the Greater Manila Area from 1949 to 1980 but its sample sizes were not controlled for consistency. The labour force survey series undertaken by the Bureau of the Census and Statistics collected earnings information for only three years prior to the 1970s: 1956, 1957, and 1969. It was only in the 1970s that it started to collect quarterly earnings data regularly. This is the basis of the discussion on earnings in this section.

Based on weekly cash earnings data⁴ (Table 11), occupational wages of males increased annually at levels ranging from 5.4 per cent to 12.6 per cent at current prices during the period 1957-69. These growth rates were all surpassed by those in 1971-78 when male earnings increased yearly at levels ranging from 7.9 per cent to 23.5 per cent. The same pattern marked the growth of earnings in different occupations for the two periods in the case of females although of different ranges of growth levels (4.5 per cent to 8.3 per cent in 1957-69 and 11.6 per cent to 35.4 per cent in 1971-78). The higher growth rates in the 1970s do not really reflect a substantial general tightening of the labour market but rather a reaction to the very high double digit inflation in the first half of the decade. In spite of the relatively higher growth rates of earnings in the 1970s, money earnings could not catch up with inflation and thus, real earnings declined, so that this was a period of rising productivity. In real terms, the decline in male earnings ranged from -7.2 per cent to -1.1 per cent except those in sales and manual occupations where real earning rose by 2.0 per cent and 1.3 per cent respectively. The decline in real earnings among females occurred among the white-collar/skilled occupations such as professionals, managers and clerical workers while the other occupations experienced some increase in real earnings ranging from 1.1 per cent to 7.0 per cent.

During the same period, labour productivity (output/employment) increased yearly by 2.1 per cent; it was highest in industry (5.1 per cent), followed by services (1.6 per cent) while agriculture came last (0.3 per cent); see Table 12.

⁴Weekly earnings data for 1957 are standardised for a 40-hour work schedule while the 1969 and 1971 data correspond to earnings of those working for a least 40 hours. The 1978 figures correspond to the second quarter earnings of workers engaged for at least 60 days divided by 13 weeks (in a quarter).

TABLE 11 Average annual change of weekly cash earnings of wage and salary workers, by occupation and by sex, 1957-69 and 1971-78^a

Occupation	Current prices				Constant prices 1957			
	Male		Female		Male		Female	
	1957-69	1971-78	1957-69	1971-78	1957-69	1971-78	1957-69	1971-78
Professional, technical and related workers	10.03	15.35	6.52	11.63	3.21	-1.73	1.01	-4.03
Managers, administrators and officers	10.62	16.68	-	11.60	3.58	-1.05	-	-4.06
Clerical, office and related workers	6.53	7.87	7.26	11.76	1.01	-7.15	1.47	-3.96
Salesmen and related workers	6.77	23.48	6.87	32.46	1.16	1.95	1.23	5.78
Farmers, farm labourers, fishermen and related workers	8.47	10.00	4.45	22.62	2.24	-5.28	4.95	1.55
Workers in mines and quarries and related occupations	5.44	13.45 ^b	-	-	0.33	-2.85 ^b	-	-
Workers in operating transport occupations	7.68	11.43 ^b	-	-	1.74	-4.20 ^b	-	-
Craftsmen, factory operatives and workers in related occupations	7.65	10.10 ^b	6.26	16.64 ^b	1.72	-5.21 ^b	6.08	1.08 ^b
Manual workers and labourers, n.e.c.	7.76	21.98 ^b	-	-	1.79	1.28 ^b	-	-
Service and related workers	12.60	12.44	8.33	35.38	4.83	-3.47	2.14	7.04

^a Wages and salary workers and own-account workers for 1978.

^b This is the 2nd quarter 1978 index per occupation based on the real cash earnings for workers in mines and quarries, operating transport occupations, crafts and factory operations and manual occupations taken as a group.

Source: R.L. Tidalgo, Wages and the Wage Structure in the Philippines 1957 to 1969 (Quezon City: U.P. School of Economics, 1980). Table 81, pp. 202-03 for 1957 data. NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for 1969 and 1971 and Integrated Survey of Households Bulletin for 1978.

These increases in sectoral productivities when compared with the trend in real wages in different occupations show the inability of the labour sector to share in the productivity increases.

TABLE 12 Labour productivity, 1971 and 1978

	Y/N ^a (000/worker)		Annual growth rate of Y/N ^a (per cent)
	1971	1978	1971-78
All industries ^b	3.62	4.20	2.12
A	2.37	2.42	0.30
I	5.17	7.39	5.10
S	4.64	5.18	1.57

^aDefined as 'Output per person employed' where Y is national income in million pesos, at 1972 prices and N is employment in thousands.

^bA= agriculture, I= industry and S= services, as defined in footnote 1.

Source: R.L. Tidalgo and E.F. Esguerra, Philippine Employment in the 1970s (forthcoming monograph) Table A-6.

The extent of earnings erosion may be gleaned from the real earnings indices in different occupations using 1957 levels as reference points (Table 13). Among males, five occupational groups had real earnings whose levels in 1978 were lower than those twenty years earlier (1957), namely, managerial, clerical, mining and quarrying, operating transport, and crafts and factory operating occupations. For females, those in the professional and clerical occupations had lower real earnings in 1978 relative to 1957 levels. The occupations whose real weekly earnings increased the most were those whose earnings level in 1957 was lowest, i.e., farm occupations for males and services, sales and farm occupations for females. The decline in real earnings for the 1970s is also shown in the wage rate index for both skilled and unskilled labourers in industrial establishments in the Greater Manila area (Table 14).

The income distribution had not improved for the lowest 40 per cent families, whose income share deteriorated during the 1960s (Table 15). In 1971, the income share of the poorest 20 per cent was less than its share in 1956-57 while that of the second lowest 20 per cent scarcely improved. The decline in the relative share of the top 20 per cent families went to the fourth and third highest 20 per cent. Questionable income distribution data in the 1970s prevent an appraisal of the last decade. Different surveys in the 1970s gave different estimates of income

TABLE 13 Index of weekly real cash earnings of wage and salary workers by occupation and sex for selected years (1957 = 1.00)

	Male				Female			
	May 1957	May 1969	May 1971	2nd Quarter 1978	May 1957	May 1969	May 1971	2nd Quarter 1978
Professional, technical and related workers	1.0	1.39	1.34	1.20	1.0	1.12	0.89	0.69
Managers, administrators and officers	1.0	1.43	1.06	0.99	-	-	-	-
Clerical, office and related workers	1.0	1.12	1.13	0.76	1.0	1.18	1.09	0.85
Salesmen and related workers	1.0	1.14	1.22	1.39	1.0	1.15	1.28	1.80
Farmers, farm labourers, fishermen and related workers	1.0	1.27	2.18	1.60	1.0	1.59	1.58	1.75
Workers in mines and quarries and related occupations	1.0	1.04	1.05	0.88 ^a	-	-	-	-
Workers in operating transport occupations	1.0	1.21	1.19	0.92 ^a	-	-	-	-
Craftsmen, factory operatives and workers in related occupations	1.0	1.21	1.28	0.94 ^a	1.0	1.73	1.47	1.37 ^a
Manual workers and labourers, n.e.c.	1.0	1.21	0.97	1.05 ^a	-	-	-	-
Service and related workers	1.0	1.58	1.44	1.16	1.0	1.26	1.46	2.18

^aThis is the 2nd quarter 1978 index per occupation based on the real cash earnings for workers in mines and quarries, operating transport occupations, crafts and factory operations and manual occupations taken as a group.

Sources: R.L. Tidalgo, Wages and the Wage Structure in the Philippines 1957 to 1969 (Quezon City: U.P. School of Economics, 1980), Table 81, pp. 202-03 for 1957 data, NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for 1969 and 1971 and Integrated Survey of Households Bulletin for 1978.

distribution measures although all of them yielded higher Gini coefficients relative to the findings of the National Census and Statistics Office family income and expenditure survey of 1975 which reported declining income inequality relative to previous years (Mangahas and Barros, 1979).

TABLE 14 Wage rate index for labourers in industrial establishments in Manila and suburbs, 1957-80 (1972=100)

Year	Money wage rates		Real wage rates	
	Skilled labourers	Unskilled Labourers	Skilled labourers	Unskilled labourers
1957	59.7	49.9	135.7	113.4
1958	61.7	50.2	135.6	110.3
1959	62.9	50.6	139.5	112.2
1960	62.7	50.7	133.4	107.9
1961	62.6	51.9	131.2	108.8
1962	63.4	53.5	125.5	105.9
1963	65.2	56.3	122.3	105.6
1964	66.4	56.9	115.1	98.6
1965	68.2	60.8	115.2	102.7
1966	71.7	65.4	114.9	104.8
1967	75.0	68.4	113.1	103.2
1968	81.1	76.1	119.4	112.1
1969	85.3	79.7	123.3	115.2
1970	90.6	88.4	114.4	111.6
1971	95.3	94.4	105.1	104.1
1972	100.0	100.0	100.0	100.0
1973	105.3	102.6	92.4	90.0
1974	115.1	110.8	75.6	72.8
1975	119.7	120.1	72.7	72.9
1976	124.4	126.2	71.2	72.3
1977	137.5	132.9	72.9	70.4
1978	154.4	138.4	76.1	68.3
1979	170.1	145.8	70.8	60.7
1980	180.9	151.5	63.7	53.4

Source: Central Bank of the Philippines, Statistical Bulletin, 1976 and 1980

The functional distribution of income in the 1970s shows a declining labour share from 1971 to 1974, which increased thereafter (Table 16). But given the unequal distribution of factor and asset ownership, the small capitalist class continued to have a disproportionately large share of total income relative to the labour group. The inability of labour to get an increasing per capita share of total output has resulted from the weakened bargaining power of labour relative to the capitalists due to the continuing looseness of the labour market and the bias of government intervention which on the average favoured the capitalists.

TABLE 15 Percent of family income received by each quintile and by the top 5 and 10 per cent of families: 1956-57, 1961, 1965 and 1971

Families (ranked from lowest to highest)	Percent share of total family income			
	1956-57 ^a	1961 ^b	1965 ^b	1971 ^c
Lowest 20 per cent	4.5	4.2	3.5	3.7
Second 20 per cent	8.1	7.9	8.0	8.2
Third 20 per cent	12.4	12.1	12.8	13.2
Fourth 20 per cent	19.8	19.3	20.2	21.0
Fifth 20 per cent	55.1	56.4	55.4	53.9
Top 10 per cent	39.4	41.0	40.0	37.1
Top 5 per cent	27.7	29.0	28.7	24.8
Total	100.0	100.0	100.0	100.0

^aTwelve month period ending February 28, 1957.

^bCalendar year.

^cTwelve month period ending April 1971.

Source: National Economic and Development Authority, 1982 Philippine Statistical Yearbook, 1982

TABLE 16 Functional distribution of income for selected years, 1971-78 (percentage)

Year	Factor shares			
	Compensation of employees	Entrepreneurial property income of persons	General government property and entrepreneurship	Corporate
1971	41.1	54.8	0.2	3.9
1972	40.6	55.2	0.4	3.7
1973	38.4	54.3	0.4	6.9
1974	37.6	56.0	0.3	6.1
1975	39.4	54.3	0.5	5.8
1976	44.8	48.6	0.6	6.0
1977	45.9	47.2	0.7	6.2
1978	46.5	47.1		6.4

Source: National Economic and Development Authority, National Accounts' staff.

The relative earnings among different occupations and between sexes through time would furnish additional information on the transformation of the labour markets with development. During the early stages of industrialisation, skill differentials would tend to widen; supply adjustments to the changing labour demand for different skills would narrow skill differentials subsequently. Table 17 gives the wage differentials between different non-farm occupations and those of agricultural occupations for 1957, 1969, 1971 and 1978. Average earnings in agricultural occupations relative to other occupations were lowest in the case of males but second lowest, coming after services, in the case of females. Although there were fluctuations for a few occupations, the trend between 1957 and 1978 was toward a narrowing of differentials for all occupations among both males and females, except in the case of female sales occupations whose earnings differential relative to agricultural occupations was almost constant.

This narrowing of occupational differentials may indicate some labour market tightening in the rural sector. In general, as the supply of agricultural labour diminishes with continuing rural to urban migration, their prices tend to rise. Consequently, the supply of the less-skilled for factory work, manual work, operating transport, sales and services occupations becomes relatively abundant causing their prices to fall. The supply of relatively more skilled workers also becomes more elastic through time causing the prices of these occupational services to fall. All these movements lead to a narrowing of price or earnings differentials. But prices are usually sticky in the downward direction, hence, the narrowing might have been slowed down on account of this. Another factor which might have narrowed occupational differentials was inflation. Responses to inflation ranging from across-the-board wage increases to government-legislated minimum wage and cost of living allowance increases would have narrowed earnings differentials.

The occupational earnings differentials between sexes also narrowed from 1957 to 1978 except among professional and managerial occupations where sex differentials widened (Table 18). Females continued to receive lower earnings relative to males. Their ratio to males was as little as one to four in the services occupations in 1957; this went up to almost half that of males by 1978. What is quite unexpected is the deterioration of female relative earnings in the two highest earning occupations as male earnings rose faster than those of females. It is possible that a selection process in placement and promotion relegated women to lower-paying professional and managerial jobs and vice-versa for the men.

In summary, earnings did grow but not fast enough to catch up with the erosion of real earnings caused by inflation, and generally failed to gain from productivity increases, save perhaps in agriculture. The labour sector has not really experienced yet the often assumed trickles of economic growth as government planning focussed on incentives for capitalists to

TABLE 17 Ratio of average weekly money earnings of those employed in non-farm occupations to those of farm workers for selected years

	Male				Female			
	May 1957	May 1969	May 1971	2nd Quarter 1978	May 1957	May 1969	May 1971	2nd Quarter 1978
Professional, technical and related workers	4.25	4.65	2.61	3.19	6.89	4.85	3.89	2.73
Managers, administrators and officers	6.88	7.76	3.34	4.26	-	-	5.72	4.01
Clerical, office and related workers	3.53	3.12	1.83	1.67	4.89	3.61	3.39	2.39
Salesmen and related workers	2.49	2.23	1.39	2.16	1.71	1.23	1.39	1.76
Farmers, farm labourers, fishermen and related workers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Workers in mines and quarries and related occupations	2.58	2.12	1.24)	-	-	-)
Workers in operating transport occupations	2.47	2.35	1.34)	-	-	-)
Craftsmen, factory operatives and workers in related occupations	2.41	2.29	1.41)	1.84	2.00	1.72)
Manual workers and labourers, n.e.c.	2.15	2.06	0.95)	-	-	-)
Service and related workers	1.89	2.35	1.24	1.37	0.78	0.61	0.72	0.97

Sources: R.L. Tidalgo, Wages and the Wage Structure in the Philippines 1957 to 1969 (Quezon City: U.P. School of Economics, 1980), Table 81, pp. 202-3 for 1957 data; NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin) for 1969 and 1971 and Integrated Survey of Households Bulletin for 1978.

invest and increase output growth. Labour was perceived as a cost of production and therefore entered the calculations as a factor whose cost or price ought to be held low. The oversight of the implied domestic market growth limitation and social tension of such a position would be important factors explaining the slow economic growth of the country.

TABLE 18 Female-male earnings ratio by occupation for selected years

	Female/Male			
	May 1957	May 1969	May 1971	2nd quarter 1978
Professional, technical and related workers	0.99	0.80	0.65	0.57
Managers, administrators and officers	-	-	0.75	0.63
Clerical, office and related workers	0.84	0.89	0.81	0.96
Sales and related workers	0.42	0.42	0.44	0.54
Farmers, farm labourers, fisherman and related workers	0.61	0.76	0.44	0.67
Workers in mines and quarries and related occupations	-	-	-)
Workers in operating transport occupations	-	-	-)
Craftsmen, factory operatives and workers in related occupations	0.46	0.67	0.53)
Manual workers and labourers, n.e.c.	-	-	-)
Service and related workers	0.25	0.20	0.25)

Sources: R.L. Tidalgo, Wages and the Wage Structure in the Philippines, 1956 to 1969 (Quezon City: U.P. School of Economics, 1980), Table 81, pp.202-03, for 1957 and 1969; NCSO, National Sample Survey of Households Bulletin (formerly the BCS Survey of Households Bulletin for 1971 and Integrated Survey of Households Bulletin unpublished tables for 1978).

3 International migration

International migration has been a relatively small component of population growth. However in the latter part of the 1970s and early 1980s concern about the increasing outflow of skilled and semi-skilled Filipinos has grown in case it might lead to shortages of some skills needed in the country.

The migration of Filipinos to other countries has gone through several major streams (Herrin, 1981). During the early part of the American occupation, there was a large outflow of agricultural workers, mostly coming from the Illocos region, to Hawaii and to California.

About 21,000 Filipinos were in Hawaii by 1920 (Abella, 1979). And even after the Second World War, their relatives were still following them to the United States and Hawaii. A second major stream of emigration occurred after 1965 when the United States repealed its Immigration and Nationality Act removing the annual quota of 100 immigrants from the Philippines and including the Philippines in the eastern hemisphere which was allotted a yearly quota of 170,000 on a first-come-first-served basis. This gave the Philippines an effective national quota of 20,000 annually. As a result, Filipinos of all ages, most of professional, skilled, and technical occupations and from different regions migrated to the United States. A third stream of emigration started in the 1970s consisting of contract workers who were temporary migrants during the duration of their contracts. This migration was directed towards the Middle East, Asia, and Europe and of magnitudes very much larger than those of the permanent migrants of the first two streams. Seamen composed two-thirds of total temporary migrants during the period 1972 to 1977. The government has adopted an official policy of encouraging this outlet for surplus labour by facilitating the placement of such Filipinos who might wish to work temporarily in foreign countries. It has also become a major source of foreign exchange for the country and it ameliorates the possible social problems of higher unemployment and underemployment.

Permanent migration

As a result of the repeal of the U.S. Immigration and Nationality Act in 1965, the number of Filipino emigrants started to swell. An annual number of 29,700 and an average growth rate of 14.7 per cent characterised such a migration from 1965 to 1981 (Table 19). From as few as 4,600 in 1965 the number emigrating grew to 48,900 in 1981. An annual level of almost 50,000 was reached during the two years 1973 and 1981, which may be explained by the political tension in the country and the imposition of martial law. In the 27 years from 1965 to 1981 emigrants totalled half a million Filipinos (504,000), half of whom migrated in the six years 1976 to 1981.

Most of the Filipino emigrants went to two destinations. On the average, 81 per cent went to the United States, 15 per cent to Canada, 3 per cent to Australia and 1.3 per cent to other countries (Table 20). The relative share of the United States was more or less constant during the period. That of Canada was erratic and this may be partly explained by the use of Canada as a stepping stone to the United States. Canada had a fairly high share of around 30 per cent in 1965 and 1966, and in 1974 took almost all the much smaller total number of emigrants involved (Table 20). Many of these went on to the United States. Australia was the third highest among the countries of destination. Although its average share was 2.9 per cent annually for the period 1965 to 1981, the percentage was rising. By 1981 4,800 Filipinos or 5.6 per cent of the total emigrated to Australia.

The majority of emigrants for 1975 to June 1982 were of working age while 17.5 per cent were 14 years and younger, and 9.4 per cent were 65 years and over (Table 21). Females outnumbered males (56.5 per cent and 43.5 per cent, respectively), and the greatest difference by sex was among the working age group 15-64 years old. It seem that even permanent migration in the second half of the 1970s and the early 1980s was female-dominated, as in the case of the rural-urban migration.

TABLE 19 Filipino emigrants, 1965-81

Year	Total (000s)	Index (1965=100)
1965	4.6	100.0
1966	8.8	190.1
1967	16.1	349.2
1968	19.5	422.6
1969	29.8	645.6
1970	34.9	754.7
1971	32.9	711.0
1972	35.5	769.1
1973	47.7	1031.7
1974	9.6	207.1
1975	14.5	313.5
1976	37.7	815.4
1977	39.5	853.5
1978	38.3	829.6
1979	40.4	875.2
1980	45.5	984.4
1981	48.9	1057.3
Average 1964-81	29.7	

Source: Commission on Filipinos Overseas, Ministry of Labor and Employment.

TABLE 20 Distribution of registered Filipino emigrants by country of destination, 1965-81

Year	Total (%)				Total (000s)
	USA	CANADA	AUSTRALIA	OTHERS	
1965	67.5	32.5	-	-	4.6
1966	69.4	30.0	0.6	-	8.8
1967	80.9	18.6	0.5	-	16.1
1968	85.7	13.7	0.6	-	19.5
1969	89.3	10.1	0.6	-	29.8
1970	89.5	9.3	0.7	0.6	34.9
1971	86.6	12.5	0.8	-	32.9
1972	88.6	11.1	0.3	-	35.5
1973	85.4	14.2	0.4	-	47.7
1974	-	99.9	-	0.1	9.6
1975	82.8	12.1	4.1	1.0	14.5
1976	82.5	13.2	2.7	1.6	37.7
1977	80.8	13.1	5.0	1.1	39.5
1978	71.9	18.9	7.0	2.2	38.3
1979	75.3	15.1	7.2	2.4	40.4
1980	80.1	10.4	3.6	5.9	45.5
1981	82.5	10.7	5.6	1.2	48.9
Total 1965-81					
(000s)	407.3	75.6	14.9	6.4	504.3
Percentage share	80.8	15.0	2.9	1.3	100.0%

Source: Commission on Filipinos Overseas, Ministry of Labor and Employment

TABLE 21 Registered Filipino emigrants by sex and by age, 1975-June 1982

Age	Sex distribution of registered Filipino emigrants			Age distribution
	Male	Female	Both sexes	
14 years and below '000	26.2	25.7	52.0	52.0
%	50.5	49.5	100.0	17.5
15-64 years '000	90.6	126.8	217.4	217.4
%	41.7	58.3	100.0	73.1
65 years and above '000	12.6	15.2	27.8	27.8
%	45.2	54.8	100.0	9.4
Total '000	129.4	167.8	297.1	297.1
%	43.5	56.5	100.0	100.0

Source: Commission on Filipinos Overseas, Ministry of Labor and Employment.

Professional, technical and related workers accounted for the largest single group of Filipino emigrants at 14.6 per cent of the total or 38,600 for 1975 to 1981 (Table 22). The next largest group was the clerical workers (6.4 per cent) followed by service workers (5.3 per cent), sales workers (4.0 per cent), and farmers, loggers and related workers (3.5 per cent). Workers among the Filipino migrants accounted for an average of 39.1 per cent annually. The group of non-workers who can be workers, such as housewives, students and the unemployed, totaled 119,800 or 45.3 per cent of the total. The remainder, including retirees, minors, and members of religious orders and the military force numbered 41,300 or 15.6 per cent. One may estimate the relative impact of permanent migration on the unemployment problem by taking the size of the working age emigrants relative to the unemployed for a given year. For example in 1979, of the 40,400 who left permanently, 36,500 were of working age, and therefore Table 22 page 1 potential members of the labour force. This is 5 per cent of the unemployed (734,000), implying that had no permanent migration occurred, unemployment could have been higher by at most 5 per cent or the unemployment rate by .2 percentage points from 4.2 to 4.4 per cent. The additional potential unemployed would of course still be substantial.

Temporary migration

By 1972 temporary migration had increased to 14,400 (Abella, 1979). Prior to that, it was only 3,700 in 1969 and 1,900 in 1970 and 1971. Then by 1973, it jumped once more, reaching 36,400. In 1974 it was 32,800. Table 23 summarises temporary migration of Filipinos for the period 1975 to 1981. Its size continued to grow dramatically from 36,000 in 1975 to 266,200 in 1981, averaging 122,800 or 33.3 per cent, yearly.

In addition to being a outlet for surplus labour, the international market for Filipino labour also generated income and foreign exchange. Table 23 shows the contribution to the balance of payments by dollars earned from this export of manpower for the period 1975-81. The government requires migrant workers abroad to remit their foreign exchange earnings to the country through the Central Bank of the Philippines. Although some earnings do not pass the Central Bank (but somehow manage to reach the migrant workers' relatives who are then able to exchange them at higher foreign exchange rates than those offered by the Central Bank) the amounts that did were substantial. For the period 1975-81, an annual average of \$561 million per year was generated. The foreign exchange earnings of \$49.5 million in 1975 increased sixteen times by 1981. In 1981 these earnings came to 14.2 per cent of total merchandise export revenue.

The contract workers during this period mostly headed for the Middle East (79.2 per cent). The next major area of destination was Asia with 12.8 per cent, then the Americas 2.8 per cent, Europe 2.1 per cent, Africa 1.3 per cent, and the Trust Territories 1.5 per cent (Table 24). As the share of the Middle

TABLE 22 Distribution of Filipino immigrants, by occupation, 1975-81 (percentage and thousands)

Occupational group	1975	1976	1977	1978	1979	1980	1981	Total (1975-81)								
Workers																
Professional, technical and related workers	28.5	12.1	11.6	15.0	16.9	17.3	9.9	14.6	38600							
Managerial, executive and administrative	1.7	1.1	0.6	1.2	1.6	1.0	0.8	1.1	2900							
Clerical	13.1	5.4	6.2	4.9	8.7	5.9	5.1	6.4	16900							
Sales	-	1.8	1.9	6.3	7.7	4.1	3.3	4.0	10500							
Service	4.5	1.9	2.5	8.6	7.6	6.5	4.9	5.3	14000							
Construction	-	2.1	2.1	1.5	2.9	3.0	3.2	2.4	6300							
Craftsmen, production process and other skilled/semi-skilled	-	0.4	0.4	0.6	0.9	0.5	0.2	0.5	1200							
Aircraft, transportation and communication	0.6	0.4	0.5	2.2	2.5	1.2	0.2	1.1	3000							
Quarry and mine	4.9	0.0	0.0	0.2	0.2	0.0	0.0	0.3	0900							
Farmers, loggers and related	1.6	1.2	1.6	7.0	6.5	0.9	4.6	3.5	9300							
Sub total	7900	54.8	10000	26.5	10900	27.5	18200	47.5	22500	55.5	18400	40.5	15700	32.2	39.1	103600

TABLE 22 continued.

Occupational group	1975	1976	1977	1978	1979	1980	1981	Total (1975-81)
Others								
Housewives	18.5	21.6	20.0	17.6	16.0	20.1	22.9	19.7 52300
Students	13.1	17.3	15.3	16.8	13.8	18.5	21.5	17.1 45300
Unemployed	13.4	9.0	9.6	4.0	4.9	9.7	10.6	8.4 22200
Sub total	6500 44.9	18000 47.8	17700 45.0	14700 38.3	14000 34.7	21900 48.2	26900 55.0	45.3 119800
Retirees, minors religious and military force	^a 0.2	9700 25.7	10900 27.5	5400 14.1	4000 9.8	5100 11.3	6200 12.8	15.6 41300
Total	14500 100.0	37700 100.0	39500 100.0	38300 100.0	40400 100.0	45500 100.0	48900 100.0	100.0 264800

^aLess than 0.1 thousand.

Source: Commission on Filipinos Overseas, Ministry of Labor and Employment.

East increased from 12.4 to 87.0 per cent, the shares of other regions of destination suffered declines, the greatest being for Europe and Asia.

Although seamen comprised 65.3 per cent of the total in 1975, their proportion declined to 21.4 per cent by 1981 (Table 23). The occupational distribution of non-seamen migrants shows a large proportion (60.9 per cent) of production process workers, transport equipment operators, and labourers. This group is followed by professional, technical and related workers (17.5 per cent), then service workers (16.5 per cent), and clerical workers (3.3 per cent). For the period 1975-81 the proportion of production process workers increased from 21.0 per cent to 66.1 per cent, while professionals, who comprised the highest group in 1975, dropped to third place by 1981; service workers came second. Table 26 compares permanent with temporary migration for the period 1975-81. The size of temporary migration was always larger than that of the permanent. In 1975 and 1976, permanent migration was an increasing percentage of temporary migration. But its relative size started to decline thereafter reaching 18 per cent of the ever-increasing temporary migration by 1981. As Table 27 shows permanent migrants mostly went to the United States and Canada, accounting for 92.8 per cent of the total. In the case of temporary migrants, the Americas accounted for only 2.8 per cent of the total while the bulk went to the Middle East (79.2 per cent) and to Asia (12.8 per cent). As for their occupational distribution, the largest groups among the permanent migrants were professionals followed by clerical workers (Table 28). Although professionals composed the second largest group of temporary migrants, they only accounted for 17.5 per cent. The majority were production process workers, transport equipment operators and labourers (60.0 per cent). This occupational group comprised only 10.2 per cent of the permanent migrants. As a result, permanent migration has been referred to as a 'brain drain' whereas temporary migration was labelled as 'brawn drain'.

If one were to estimate the implication of both permanent and temporary international migration on unemployment taking 1979 as an example, both types of migration totalled 174,800. If this outlet for Filipino labour had not existed, the unemployed would have been 23.8 per cent higher than it was during that year and the unemployment rate 1 percentage point higher.

The problem with this outlet for labour surplus is that international demand for labour services is subject to forces outside the Philippines' control and the world situation can be so unstable. The Philippines had a taste of this in early 1983 when price-cutting among some oil exporting countries due to an oil glut threatened the export revenues of Middle East countries importing Filipino labour. As a result these countries decided to stop certain developmental projects and many Filipino contract workers lost their jobs.

TABLE 23 Export of Labour, 1975-81

Year	Number of overseas employment contracts processed by NSB, OEDB, BES-POEA ^a			NSB-Processed Contracts		Foreign income generated	
	Number ('000s)	Index (1975=100)	Growth rate (%)	Number	Percentage of total	Amount in \$Mill.	Index (1975=100)
1975	36.0	100.0		23.534	65.3	49.5	100.0
1976	47.8	132.8	32.8	28.614	59.8	149.2	301.4
1977	70.0	194.3	46.3	33.699	48.1	243.5	491.9
1978	88.2	244.9	26.0	37.280	42.2	373.5	754.5
1979	138.3	383.8	56.7	44.818	32.4	923.4	1865.5
1980	213.2	591.7	54.2	55.387	30.0	1372.8	2773.3
1981	266.2	738.8	24.9	57.196	21.4	815.3	1647.1
Average (1975-81)	122.8		40.1	40.075		561.0	

^a(NSB) National Seamen Board; (OEDB) Overseas Employment Development Board; (BES) Bureau of Employment Services, (POEA) Philippine Overseas Employment Authority.

Source: Ministry of Labour and Employment, Labour Statistics Division.

TABLE 24 Distribution of overseas employment contracts^a by region of destination, 1975-81

Destination	1975	1976	1977	1978	1979	1980	1981	Annual average 1975-81
All regions ('000)	12501	19221	36676	50961	92519	156018	210936	82690
	%	%	%	%	%	%	%	%
Africa	2.8	2.5	1.4	2.5	1.2	1.1	1.0	1.3
Asia	33.7	28.1	14.4	19.6	13.6	10.4	9.6	12.8
Europe	25.3	15.1	6.8	2.5	0.7	0.5	0.5	2.1
Middle East	12.4	40.6	70.1	67.5	79.1	84.6	87.0	79.2
Oceania	4.4	0.7	0.4	0.2	0.4	0.1	0.1	0.3
The Americas	14.2	7.2	3.3	4.9	3.7	2.3	1.1	2.8
Trust Territories	7.2	5.8	3.6	2.8	1.3	1.0	0.6	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aProcessed by the Overseas Employment Development Board and the Bureau of Employment Services.

Source: Ministry of Labor and Employment, Labor Statistics Division.

TABLE 25 Distribution of overseas employment contracts^a by major occupational group, 1975-81.

Major occupational group	1975	1976	1977	1978	1979	1980	1981	Annual average 1975-81
All occupations ('000)	12501	19221	36676	50961	92519	156018	210936	82690
	%	%	%	%	%	%	%	
Professional, technical and related workers	53.5	36.6	18.4	22.3	19.4	15.9	12.7	17.5
Administrative, executive and managerial workers	0.6	0.4	0.6	0.6	1.5	0.9	0.9	0.9
Clerical workers	1.8	1.9	2.6	2.9	3.1	3.4	3.8	3.3
Sales workers	0.1	0.1	0.1	0.2	0.3	0.3	0.2	0.3
Service workers	22.1	20.5	12.6	15.5	15.3	18.8	15.7	16.5
Agricultural, animal husbandry, forestry workers and fishermen	0.9	0.4	0.3	0.1	0.2	1.0	0.6	0.6
Production process workers, transport equipment operators and labourers	21.0	40.1	65.5	58.4	60.2	59.7	66.1	60.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^aProcessed by the Overseas Employment Development Board and the Bureau of Employment services.

Source: Ministry of Labor and Employment, Labor Statistics Division.

TABLE 26 Filipino migrants, 1975-81, by status, (thousands)

Year	Permanent	Temporary
1975	14.5	36.0
1976	37.7	47.8
1977	39.5	70.0
1978	38.3	88.2
1979	40.4	138.3
1980	45.5	213.2
1981	48.9	266.2
Total	264.8	859.7

Source: Commission on Filipinos Overseas, Ministry of Labor and Employment.

TABLE 27 Filipino emigrants, by status and destination, 1975-81 (per cent)

Permanent		Temporary	
U.S.A.	79.4	Middle East	79.2
Canada	13.4	Asia	12.8
Australia	5.0	Americas	2.8
Others	2.2	Europe	2.1
		Oceania	0.3
Total	100.0		100.0

Source: Commission of Filipinos Overseas, Ministry of Labor and Employment.

**TABLE 28 Filipino emigrants, by status and occupation, 1975-81
(per cent)**

Occupation	Permanent	Temporary
Professionals, technical and related workers	37.3	17.5
Clerical workers	16.3	3.3
Service workers	13.5	16.5
Sales workers	10.1	0.3
Construction workers	6.1)
Craftsmen, production-process and other skilled/semi-skilled workers	1.2)
Transport and communication workers	2.9)
Loggers and related workers	9.0)
Total	100.0	100.0

Source: Commission on Filipinos Overseas, Ministry of Labor and Employment.

Foreign migration to the Philippines

To assess fully the extent to which international migration might have influenced the Philippine labour market, one has to take a look at both outflow of Filipinos and inflow of foreigners. This section describes the latter. Data on foreigners in the Philippines have not been systematically collected and classified. The 1948 Census recorded 133,600 (0.7 per cent of total population) foreigners in the Philippines. By the 1960 Census, there were 219,700 (0.8 per cent of total population). In 1970 there were 110,200 (or 0.3 per cent of population) and by 1980, 56,900 (0.1 per cent of population); see Table 29. For the last two decades, the Chinese accounted for 86.2 per cent of total registered aliens, followed by Americans at 8.4 per cent. In 1960 the proportion of aliens who acquired Filipino citizenship was 11,400 (5.2 per cent). After martial law was

TABLE 29 Registered aliens, by nationality, 1962-80

Year	Total '000	Chinese	Percentage distribution	
			American	All others
1962	145.8	90.0	5.3	4.7
1963	135.9	88.3	6.0	5.7
1964	132.9	88.5	6.1	5.4
1965	141.6	89.0	6.3	4.7
1966	131.8	87.7	7.0	5.3
1967	144.2	87.8	7.0	5.2
1968	127.7	86.7	8.1	5.2
1969	134.4	87.7	7.6	4.7
1970	110.2	86.2	8.7	5.1
1971	111.8	85.9	8.9	5.2
1972	113.2	86.8	8.3	4.9
1973	132.6	86.1	8.4	5.5
1974	122.4	86.1	8.1	5.8
1975	108.9	83.0	10.7	6.3
1976	104.5	79.6	14.4	6.0
1977	82.9	82.2	11.3	6.5
1978	62.4	80.6	13.4	6.0
1979	57.4	79.5	14.2	6.3
1980	56.9	81.6	11.7	6.7
Total	2157.4	86.2	8.4	5.4

Source: NEDA, Philippine Statistical Yearbook, 1982.

imposed, the government liberalised the granting of Filipino citizenship to the Chinese. This may explain the big drop in the count of registered aliens by nationality in 1977.

What might be the effect of the number of foreigners on the Philippine labour force? As an example take the 1960 statistics. Foreigners aged 15 to 64 years totalled 121,900, so if the same LFPR of 50 per cent for Filipinos were applied to foreigners, their contribution to the labour force would reach 60,900 or the equivalent of 0.6 per cent of the average annual labour force in 1957-64.

In 1974, the Labor Code provided for a more systematic administration of foreigners entering the Philippines. Although prior to 1974 foreigners were already allowed to come in if they had skills which were needed but not available locally (Commonwealth Act 613), their administration was left to a loose kind of bureaucratic cooperation between the Commission on Immigration and Deportation, the Department of Foreign Affairs (now the Ministry of Foreign Affairs), and the Department of Labor (now the Ministry of Labor and Employment). The Labor Code vested this administration upon the Bureau of Employment Services of the Ministry of Labor and Employment which might be the best government instrumentality to assess possible imbalances in the skilled labour market. For the years 1977, 1980 and 1981 the number of additional aliens entering the country ranged from 1000 to 2000. The relative proportions of Australians and ASEAN nationals were very small, from 0.5 to 3.6 per cent and from 0.6 to 2.5 per cent, respectively, for 1976-81. Foreigners have been required to get employment permits from the Bureau of Employment Services. The largest occupational group amongst new non-residents in the Philippines consisted of managers, executives, presidents, heads and directors, comprising 48.3 per cent in 1979 and increasing to about 55 per cent by 1980 and 1981. The second largest group, and one which increased over the years, was composed of advisers, consultants, and technical workers. What is notable is the smaller proportion of persons from ASEAN countries as compared to Australians.

Given the very limited information about aliens in the Philippines, a study was conducted in 1980 by the Ministry of Labor and Employment based on the employment permits granted during the period 1977 to the first quarter of 1979 which totalled 1,145. Among this group of non-resident aliens, 90 per cent were males, most were Asians (21 per cent) and the largest group among the Asians was Japanese (64.7 per cent), followed by Chinese (23.7 per cent), and persons from ASEAN countries (4.7 per cent). The next largest group was made up of Europeans (32.4 per cent) with English comprising one-third. Those from Oceania accounted for 5.6 per cent. In effect, most of the foreigners were from developed countries with the Japanese being the largest group (26.7 per cent), followed by Americans (16.7 per cent), and English (11.3 per cent). Almost all (97.1 per cent) belonged to the 20-60 year-old bracket. About 40 per cent were professionals, another 40 per cent were managers, and the rest

production and service workers. The professionals had a tendency to stay for less than a year while the managers stayed from two to three years. Most of these foreigners (74.4 per cent) earned less than 8,000 Pesos monthly; half of them received allowances in kind. Although the majority had college degrees, 27.3 per cent (45 per cent of professionals and 19 per cent of managers) had none. To what extent were these foreigners taking on jobs which Filipinos could not fill? Only 29 per cent had understudies.⁵ They comprised about half of the foreigners with at least two-year contracts. Also, most of the foreigners were engineers, architects and managers. Engineers also constituted a large proportion of the Filipinos who left for temporary contracts abroad.

The relative size of foreign labour in the country is still very small. But the government should rationalise its policy with regard to their entry into the country. Foreigners should not pre-empt jobs which Filipinos can take unless some reciprocity between countries can be arranged. What mutually acceptable arrangements may be encouraged?

⁵The country's importation of foreign labour provides for a replacement scheme which requires aliens to train understudies during their stay in the country to prevent dependence on them.

4 The role of government in the labour market

The government's commitment to planning means intervention in different areas of the economy which it considers critical for the attainment of national goals, especially that of economic growth. But it is planning in an economy where private enterprise is upheld. As a result, government planning in production means drawing up investment plans which it convinces the private capitalists to undertake by offering them incentives. This basic approach continued to be adopted even when the government assumed more power with the imposition of martial law, and carved out parts of the production sector for public participating in what used to be private sector domain. It continues to court the financial capital of the private sector which gives the relatively small capitalist class so much more bargaining strength with the government as compared to the larger labour sector.

The concern for the labour sector is generally subsumed under the economic growth and development goals. Its role in achieving these goals is through participation in production -- a participation which also determines its share of the output and hence its material well-being. Labour is perceived by entrepreneurs as part of production costs which ought to be minimised. Hence the conflict between the interests of the two classes.

What are their bargaining strengths relative to each other if they were left alone by government? If the labour market is characterised by excess supply, then it will be a buyers' market as is the case in the Philippines, and the price of labour would be set low. If the government intervenes, then the market outcome depends on the net effect of the interventions.

The government has been intervening in the production and distribution processes. Its interventions tended to insure a continuing, if not an increasing production and therefore catered more to the interests of the capitalists than those of the workers.

In an earlier section, we found that government incentives to encourage investment by the capitalist class have biased factor use towards capital intensity. This has therefore affected the demand for labour adversely. Although it has also encouraged the use of labour-intensive technology in some cases, the choice has really been left to the private calculations of investors which were based mainly on profit considerations and therefore likely to go capital-intensive. Attempts by the National Science and Technology Authority to develop indigenous technology suited to the relative factor endowments have met moderate success but bridging the gap between pilot-scheme scale and commercial scale production based on new technologies remains problematic. The Technology Transfer Board created in 1978 which is supposed to formulate policies on the importation of

technology does not only emphasise foreign exchange considerations in its evaluation of technology transfer contracts but also the minimisation of restrictions in transfer arrangements; this might encourage the development of indigenous technology. But these attempts may not necessarily lead to higher labour demand if the indigenous technology development is focussed on raw material requirements rather than labour.

Another component of its concern for production is the provision of an adequate supply of skilled manpower. Starting in 1970, it embarked on a rationalisation of the educational system, both formal and informal, to assure production of required skills. Two manpower plans (an interim manpower plan for the fiscal years 1974-77 followed by the National Manpower Plan of 1978-82) were drawn up to minimise mismatches between the output of the educational system and the manpower needs in production. It is difficult to assess how successful these attempts at educational and manpower planning have been. In the first place, it would take some time before their impact on labour supply would manifest itself. Secondly, educational planning involves influencing private calculations of the demand for education and this is always uncertain. Thirdly, the government has had limited experience in these new approaches.

The bias of government intervention in production which favours the capitalists is also evident in the government policy on industrial relations. Its position has been the maintenance of an environment which would allow production to proceed uninterruptedly. With the imposition of martial law in 1972, a ban on strikes was imposed. Even as the right to self-organisation of all employed persons was guaranteed, union's most powerful weapon in the area of collective bargaining was withheld. The ban on strikes covered vital industries such as those engaged in manufacture, processing and distribution of fuel gas, gasoline, and lubricating oil; companies manufacturing and processing essential commodities, and export products; and those engaged in banking, among others. By 1975, Presidential Decree (PD) 823 defined trade unionism and free collective bargaining to function in a framework of compulsory and voluntary arbitration which in effect prohibited all forms of strikes, picketing and lockouts. The decree also expanded the meaning of strike to include slowdowns, mass leaves, sit-downs, attempts to damage, destroy or sabotage plant equipment, in addition to work stoppages. Complaints from the labour sector led to a revision of this provision (PD 849) which restricted the prohibition on strikes to vital industries and allowed them in non-vital industries but limited the strikes to reasons related only to 'unresolved economic issues' in collective bargaining. It also required the filing of notices with the Ministry of Labour and Employment 30 days before the intended strike. Letter of Instruction 368 listed the vital industries where strikes were prohibited and further provided that the Minister of Labor and Employment could revise the list as the 'national interest, national security or general welfare may require'.

The institutional set-up for adjudicating labour relations cases was also revamped which gave more discretionary power to the government. In 1974 the National Labor Relations Commission was created to decide on cases acted upon by labour arbiters and compulsory arbitrators. A year after, the Minister of Labor and Employment was named chairman of this commission to speed up the process of appeals concerning the awards of labour arbiters (PD 1391). Another PD (643) authorised the President to have the final say on labour disputes appealed to him and also to intervene in any labour dispute whenever deemed necessary. It also allowed the Labor Minister to deputise the Philippine Constabulary and other law enforcement agencies to enforce the decision of labour arbiters.

The liberalisation of the strike ban in 1975 was not likely to have much impact because the government continued to exercise the power to order striking workers back to work. Also, the strike ban was lifted only for non-vital industries but the government had the prerogative to declare which industry was vital. A third factor was the limited extent of unionism of only about 10 per cent of total employed, mostly in the manufacturing sector and in Metro Manila. Also, militant unions and union leaders were harassed and threatened by the employers, if not the military. On the whole, labour unionism has been weak in the Philippines. Collective bargaining could not really make substantial gains for union members except for some industry groups in the formal sector. Its weakness was further aggravated by the slack labour market which made active or militant union members more vulnerable to retaliation from employers.

Other government interventions in the labour market focus on making the market function efficiently by establishing an employment information system and employment services. The government has been engaged in these services not only for regional but also for foreign labour markets. It has been very active in placing Filipinos on temporary contracts abroad since 1974 when it adopted a policy of exporting labour and created the administrative infrastructure for it by establishing the Overseas Employment Development Board and the National Seamen Board. These two offices were later reorganised as the Philippine Overseas Employment Authority in 1982. These government activities were directed towards increasing employment and foreign exchange earnings. Most of the government's efforts to increase employment may be classified as part of its intervention in the labour market on account of distribution concerns. The unemployment, underemployment and low earnings have adverse welfare implications on the labour sector. Since their social tension potential cannot be ignored by the government for very long, it constitutes another basis for government intervention in the labour market. In addition to employment promotion schemes for lower income classes such as the Kilusang Kabuhayan at Kaunlaran, the overseas employment program, and the promotion of cottage industries and small-scale industries, the government undertakes direct income policy measures such as the provision of subsidised education and health services, and minimum wage

setting. Minimum wage setting has been one of its most active area of intervention in the labour market. Since the Second World War, it had issued 24 such laws and regulations: one in the 1950s, four in the 1960s, five in the 1970s and four in the first two years of the 1980s. But this legislation has not been effectively implemented not only because of the weak enforcement machinery but also because of the slack labour market where workers' first concern is finding a job, so that the level of pay comes second. The enforcement is also softened by the government's concern for employment generation causing it to exempt many establishments from compliance.

The government's population control policy since 1970, which aims for a zero population growth by year 2000 when the population is expected to be 70 million, is also part of its distribution concern. The relative success of the fertility control program which led to the decline in population growth by the late 1970s will have its impact on the labour force by the early 1990s.

The continuing rural-to-urban migration which aggravates urban socio-economic problems has been approached through a regional development thrust directed at developing slow growing regions at rates faster than presently fast growing regions, thereby giving presently depressed rural areas more holding and even 'pull' force.

Other labour legislation concerning conditions of employment, human resource development, workers' health, safety and social welfare benefits has been adopted in the Philippines since the 1950s. Though intended to protect labour, such legislation distorts relative factor prices by making labour more expensive, thereby complementing the capital-cheapening bias of the incentives given to investors. The results have been capital-intensive production and less growth in employment.

The attempt to map out the effects of government regulation on different sectors seems to lead to the conclusion that, in spite of modern labour legislation designed to protect the labour sector's welfare and government employment promotion policies, the labour sector relative to other sectors ended up shouldering the greater burden of the growth effort.

Government planning has been focussed mainly on its growth objective and has not systematically incorporated its effect on the labour sector. Since unemployment, underemployment and declining real wages cannot be ignored over the long term, the government resorted to ad hoc policy responses whose effects on other goals were not systematically assessed. Many times it adopted programs/policies which negated other goals as it pursued a given goal. However, even if the use of some formal macro-model and sectoral planning framework might allow enough simulation analysis to guide policy-making, the problem of deciding priorities for its goals would still confront government policy-making.

The government is attempting to direct the economy in the 1980s towards a freer market system. However it seems that it has not yet systematically examined what such a direction would require in terms of changes in its interventions in the many markets of the economy including the labour markets. Any decision to deregulate some sectors given its impact on other sectors of the economy will have implications for policy action on the distribution of the burdens and benefits of economic growth and therefore needs to be approached with greater foresight.

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