

FEBRUARY 2023

OVERVIEW

Philippine Jobs Report

*SHAPING A BETTER FUTURE
FOR THE FILIPINO WORKFORCE*

© 2023 International Bank for Reconstruction and Development / The World Bank

1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy, completeness, or currency of the data included in this work and does not assume responsibility for any errors, omissions, or discrepancies in the information, or liability with respect to the use of or failure to use the information, methods, processes, or conclusions set forth. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be construed or considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Cover design: Leslie Lim

My five month part-time job will end in a couple of weeks, and I don't know if the private security agency will renew my contract and provide hazard pay. Meantime, I now have to spray hand sanitizers and check temperature of people entering the building," says Edgar,

a uniformed guard working in an establishment in Manila at the height of the COVID-19 pandemic. Hailing from one of the farthest and isolated islands of Tawi-Tawi in the Philippines, he found the hustle and bustle of Manila stressful. But he is content with receiving a bit more than the daily minimum wage which is enough to provide for his family. His wife used to do laundry and other chores for neighbors, but recently started a small *sari-sari* (or convenience) store at home with the savings from Edgar's earnings.

Learning Korean is difficult, but I managed to pass the language test—a requirement to work in Korea."

Roberto is taking a Korean language refresher course as part of his pre-departure preparation. His deployment was delayed due to COVID-19, but the government recently approved his travel. He is nervous not only about having to converse in Korean but on the prospect of living for two years in a foreign country, away from his family and friends. He knows that work in a factory and life in Korea will not be as romantic as portrayed in popular K-dramas (Korean soap operas), but he looks forward to the work experience, skills, and earnings that will be so valuable for him and his family.

Hello, how may I help you today?" With a cheerful tone, Joy answers incoming customer calls in the BPO center where she works. Along with numerous colleagues in her row of cubicles, she responds to calls for client support in a healthcare company. The volume of calls has been increasing massively; higher than pre-pandemic. It is risky commuting at night to go to the office and working all throughout the evening to respond to customers in North America, but Joy needs the overtime and night differential pay. Yet even that is not enough to support her ailing and uninsured mother, so she is looking for additional work or another income-generating job.

It has been almost two years, but I still could not get a job. Most job vacancies, even entry-level ones, require prior relevant work experience."

Jonathan, like most fresh graduates actively looking for work, is part of the unemployed educated youth in the country. With a university diploma in Philosophy, he finds only a handful of vacancies that fit his educational background. He farmed out copies of his resume to various companies and tried his luck with a couple of job fairs in Metro Manila. But in his last job interview, he was told he needed to improve his communications skills and get relevant experience. Disheartened with his unsuccessful and long job search, he changed plans and now wants to enroll in a TESDA vocational course on caregiving for the elderly. Once certified, he hopes to apply for work in Australia or Canada.



Jobs provide pathways out of poverty, opportunities to utilize and enhance skills, and means to create value and contribute to the economy. Non-agricultural jobs in the manufacturing or service sectors generally pay higher. People move to seek better job opportunities—often to urban areas or abroad, although digital technology and online platforms are increasingly helping workers overcome geographical barriers to jobs. Wage and salaried employment, especially with a formal contractual arrangement, can provide greater job security with a more stable stream of earnings and fixed working hours and conditions. Other benefits associated with jobs apart from salaries, such as access to health insurance, pension programs, and leaves, are also important determinants of good jobs. Young workers tend to aspire to work as wage employees even if that means a longer job search period and competition with more skilled and experienced older workers in the labor market.

Prior to the pandemic, the Philippine job market thrived. Sustaining economic growth and generation of jobs greatly helped people escape poverty over time. This is in contrast to some other parts of the world experiencing “jobless growth” and struggling to absorb workers in productive jobs despite economic growth. Since 2010, the Philippine economy has added an average of approximately 550,000 new jobs annually, indicating a faster employment growth rate (1.7 percent per year) than that of individuals working and searching for jobs (1.4 percent per year).¹ Labor has steadily transitioned out of agriculture and moved into non-agricultural wage employment.² At the same time, number of outmigrants seeking overseas job opportunities increased gradually, peaking at 2.15 million overseas Filipino workers (OFW) outflow in 2019, some of whom will join about 12 million Filipino diaspora around the world. OFWs and their remittances, along with the well-known sector of IT-BPM (Information Technology – Business Process Management, commonly known as Business Process Outsourcing, BPO), have become a global brand of the Filipino workforce.

However, COVID-19 brought a serious setback to the job market. Lockdown measures, mobility constraints, and declining business confidence during the early period of the pandemic caused unprecedented jobs and earnings losses. The magnitude of the pandemic shock was assessed to be greater in the Philippines compared with other neighboring peers due to more stringent lockdown policies. Given the sheer magnitude of the impact on the labor market, the government’s pandemic response fell short of the daunting needs of households and many of them slid into poverty. As the economy rebounded with relaxing rules and vaccination, employment returned. By July 2022, overall employment indicators

¹ Between 2002-2010, employment growth at 2.6 percent per year lagged behind the growth of the labor force at 2.8 percent per year.

² The share of private wage employment increased from 42 percent in 2002 to 58 percent in 2019.

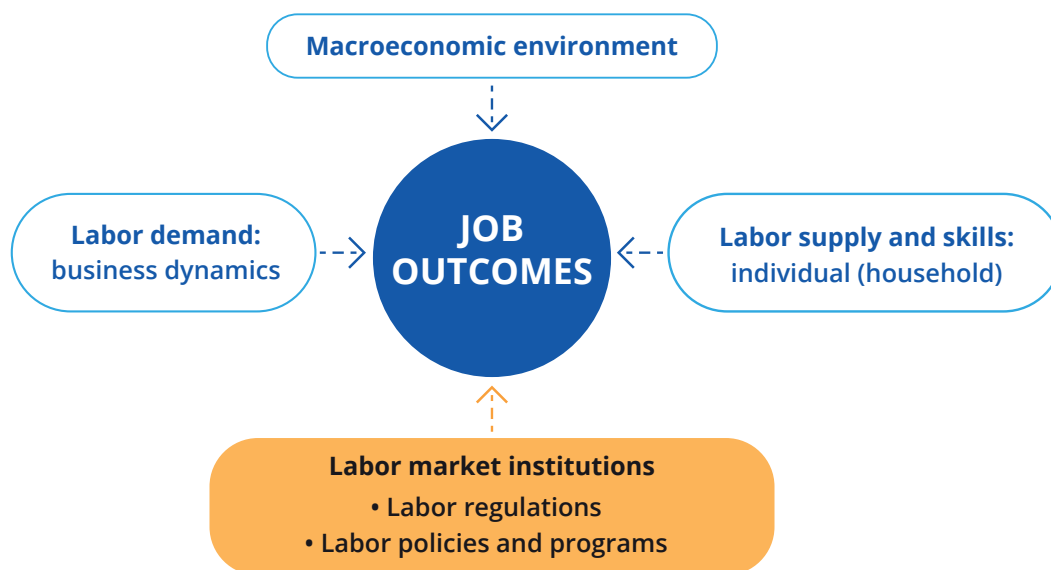
showed robust recovery, with the unemployment rate reaching even lower than pre-pandemic levels at 5.2 percent. However, elementary occupations and self-employment flourished in the market, whereas high productivity jobs lagged, and household earnings remained pressed.

A new administration assumed office in July 2022 and is faced with multiple challenges. Rebuilding the economy out of the pandemic and regaining the growth momentum itself is a formidable task. The war in Ukraine from February 2022 pushed the already fragile global economy back into deep uncertainty with high inflation and slowing growth. Rising prices of necessity goods such as food and fuel, limited fiscal space after major pandemic response programs, and contractionary fiscal policies to manage debt level and inflation pressure as well as struggling global economy all point to a challenging environment for job creation. To reinvigorate job creation and accelerate poverty reduction is the central development policy agenda of the new government.

Conceptual Framework for Jobs Creation

The Philippine Jobs Report: Shaping a Better Future for the Filipino Workforce aims to inform jobs policy by examining key determinants and outcomes of jobs (Figure O.1). Jobs are created when the macroeconomic environment is conducive and policies are predictable to businesses with sustained growth, trades, and investments. At the same time, a large body of literature also shows that economic growth alone is not sufficient for generating jobs. Jobs are created when firms pursue expansion through innovation and competitiveness and demand for more labor input, while workers’ skills and human capital are able to meet the needs of firms. Intrahousehold resource allocation and decisions for labor supply also affect the jobs outcomes. It is not uncommon that workers—as self-employed—create jobs by initiating their own business. The market clearing process of labor is then affected by labor market institutions, most notably labor market regulations and labor policies and programs. These are key determinants of how easy (or difficult) it is to start a business or to hire (dismiss) a worker, how high labor costs are, and how efficiently firms and workers are matched.

Figure O.1 Conceptual Framework for Jobs Creation



Part I looks into the country's labor market in chronological order (i.e., pre-pandemic diagnostic and COVID-19 impact), while Part II discusses three major areas of Philippine jobs—labor regulation, international migration, and emerging demands for green and digital jobs. The pre-pandemic diagnostic is a comprehensive assessment of major labor market characteristics from 2000 to 2019, and COVID-19 impact reviews the labor market from 2020 to Q2 2022. Meanwhile, the three areas for in-depth discussions in Part II were selected based on frequent discussions at policy fora, review of key documents including the government's medium-term Philippine Development Plan 2023-2028, and policy dialogue with government counterparts and recent discussions on labor market issues.

Part I.

Chapter 1: Characteristics of the Philippine Jobs Market Prior to the Pandemic

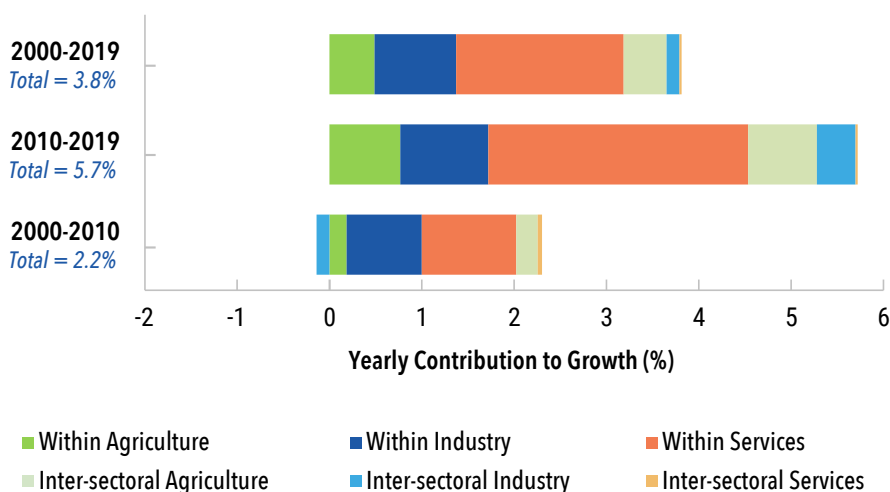
The Philippines experienced steady economic growth, structural transformation, and poverty reduction. Before the pandemic in 2020, the Philippine economy enjoyed sustained growth; from 2012, the country's growth performance was far above its regional peers, with a 6.4 percent average annual growth rate of GDP between 2010 and 2019. The demographic structure with a high share of the young population was an advantage. Structural transformation characterized by the shifts of economic activities and labor from agriculture to non-agricultural sectors and from non-wage to wage employment was also a positive development over time. Agriculture's share of employment fell from 37 percent in 2002 to 23 percent in 2019; similarly, the service sector with a varying degree of skills and jobs quality drove large scale job creation, with its share of employment increasing from 47 percent in 2002 to 58 percent in 2019; an increasing share of workers found jobs in wage employment, from less than 50 percent in 2002 to 67 percent in 2019. Unlike 2002-2010, the later period of 2010-2019 was marked by faster employment growth over the labor force, and significant growth in real wages. This helped the country slash poverty rates from 39.4 percent in 2000 to 16.7 percent in 2018, with over two-thirds of poverty reduction in recent years of 2012-2018 attributable to increases in non-agriculture wage incomes (World Bank, 2022).

Labor productivity improved at a higher pace in recent years, but was lower than the country's comparators. Measured by value added per worker, labor productivity shows steady growth at 3.8 percent per annum between 2000 and 2019, with the latter decade seeing far rapid growth at 5.7 percent per annum (Figure O.2). Much of the productivity growth is driven by the service sector. Overall enhancement of educational attainment of the workforce must have contributed to productivity growth. Approximately 62 percent of the working age population completed secondary education or higher in 2019, up from 56 percent in 2010 and 50 percent in 2002. Completion of secondary education continued even after 2017 when senior high school was added with the K-12 reform. Despite progress, labor productivity in the Philippines, measured at \$8,095 in 2021, was lower than its peers such as Vietnam (\$10,628) and Indonesia (\$11,858).³

The private sector was dominated by micro and small enterprises (MSEs). Micro firms having less than 10 paid employees and small firms having less than 100 paid employees account for 99 percent of Philippine enterprises. A significant share of MSEs is concentrated in low-productivity wholesale and retail services. In 2019, services accounted for approximately 87 percent of all MSEs, with the low productive wholesale and retail trade accounting for 47 percent. Similarly, 84 percent of MSE employees worked in services, with 38 percent in wholesale and retail trade and 46 percent in other services (e.g., accommodation and food services). The expansion of low-end services without growing manufacturing is a distinctive feature of the Philippine labor market; whereas other countries in the region that experienced

³ Value added per worker is Gross National Income (GNI) per worker, calculated based on the World Development Indicators and expressed in 2015 constant \$.

Figure O.2 Labor Productivity Growth Over Time

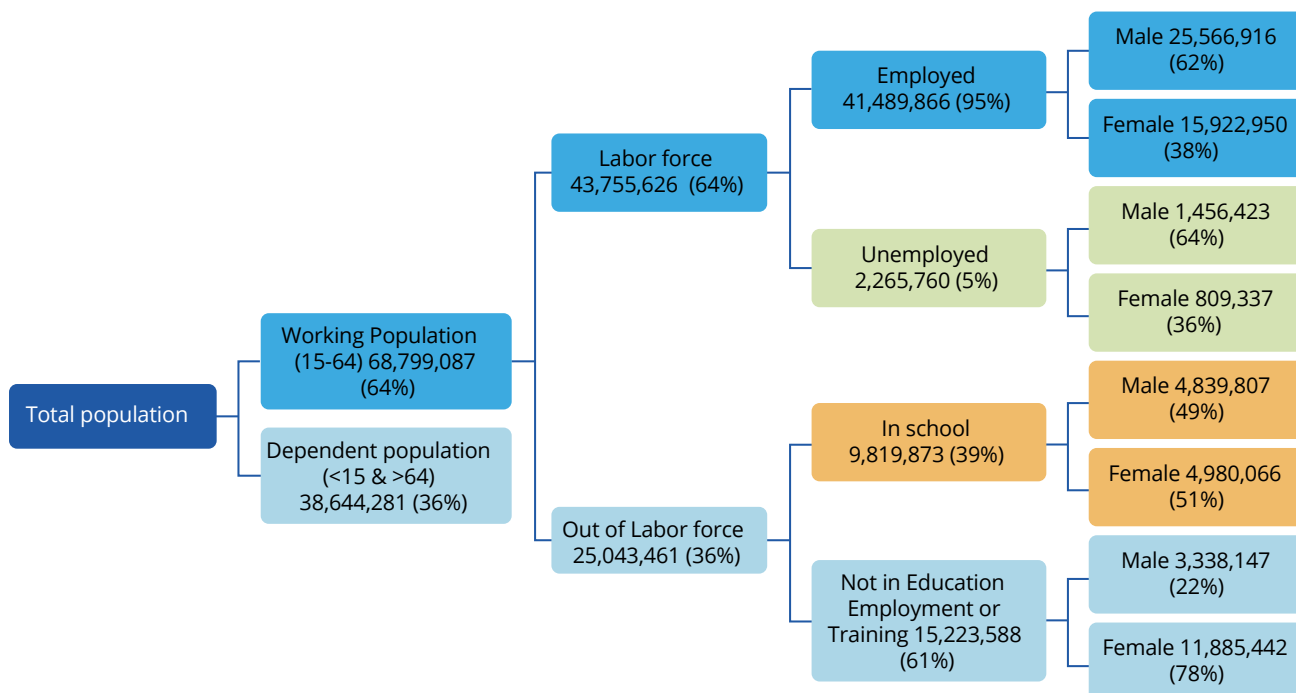


rapid growth, relied on labor intensive and export-oriented manufacturing as a springboard for growth by taking advantage of low labor costs. While older firms tend to be medium and large sized—indicating that some firms grow as they age—lack of a clear and steep linear relationship between age and size of firms suggests that many MSEs fail to grow or to exit. Over half of wage employees were absorbed by these large number of MSEs and close to 40 percent by a very small number of large enterprises, whereas employment in medium sized firms remained low in 2019.

One of the most noticeable labor market disparities was in geographic locations. The National Capital Region (NCR), the engine of the country’s GDP and growth, has maintained the same labor market structure with about 80 percent of employment in services, the remaining in industry, and almost non-existent agricultural employment. The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), in stark contrast, relied largely on agricultural employment (around 60 percent in 2017-19), with a very small share of employment in manufacturing. Some regions (Regions I, IV, V, VII) halved the share of agricultural employment over two decades, thus driving the overall structural transformation trend of the country. Even among non-agricultural wage employment, many workers did not have job security and access to social insurance, indicating widespread informality beyond those in self-employment.

Labor market outcomes were uneven, and women and youth were particularly disadvantaged. About 36 percent of the working age population was out of the labor force, and nearly 61 percent of the inactive population were neither in employment nor in education or training (NEET) (Figure O.3). The female labor force participation rate in 2019 in the Philippines was lower compared with men (49 percent vs. 75 percent) and far below the average of its regional peers (66 percent). The majority (78 percent) of the NEET population were female. On the high end of the skills spectrum, however, women were increasingly more prominent with better educational attainment. With respect to youth, in 2019, over 60 percent were out of the labor force and 17 percent were NEET, highlighting under-utilization of the youth’s human capital. Moreover, the youth unemployment rate was 13 percent, about 2.5 times higher than the overall average. Expectedly, the working poor rate was higher for youth than adults. For instance, the working poverty rate of the youth in rural areas in 2018 was 23.3 percent, about 5 percentage points higher than that of adults.

Figure O.3 A Snapshot of the Philippine Labor Market, 2019



The competitiveness of OFWs and the IT-BPM sector is globally recognized. While weak performance of the private sector is recognized as a barrier to quality jobs and outdated labor regulations are often cited as an impeding factor, strong growth in the IT-BPM sector as well as global prominence of OFWs in several sectors indicate a great potential for Filipino workers in the global market when opportunities to compete are present. Along with South Asian countries, such as India and Pakistan, the Philippines is well known in the global market of IT-BPM. Call centers that provide voiced-based services are best known in the sector, but non-voice based services such as software development and animation are gaining prominence and increasingly provide freelancing and earning opportunities for Filipinos. Estimates suggest that the sector provides employment opportunities to 0.6-1.2 million individuals. At the same time, an increasing number of migrants seek overseas opportunities: annual number of outmigrants exceeded 1 million in 2006, gradually increased, and reached about 2.15 million in 2019. Overseas jobs vary largely by gender: most women work in the Middle East as domestic helpers whereas men have more diversity in their occupations and destinations.

Efforts on skills development require catching up with future of work trends. Industrial revolution 4.0 (IR 4.0) characterized by automation, artificial intelligence, machine learning and other disruptive technological advances is anticipated to bring massive changes in the labor market (e.g., World Economic Forum in 2015; World Development Report in 2019). The changing nature of work underscores the importance of skills development. Many studies and publications emphasized the imminent changes in the global labor market. The growth of digital jobs based on major platforms and freelancers at large scale seemed to forebode major disruptions in the Philippines as well. However, the education and skills development environment suggests that the country has a long way to go to adapt to the global megatrends of IR 4.0. It was only in 2017 that the K-12 reform, introduced in 2013, commenced implementation, and the expansion of tertiary education has been slow in spite of the increased number of individuals with secondary education. Quality of education, often reflected in standardized test scores, has been of major concern, and the recognition of skills for life-long learning and global mobility through the Philippine Qualification Framework is at a nascent stage.

Employment programs have design and delivery issues. Major labor market initiatives consist of skills development and employment facilitation programs, social insurance such as unemployment insurance and pension, and public works such as cash-for-work. Technical and vocational education and training (TVET) led by the Technical Education and Skills Development Authority (TESDA), public employment and counseling services as well as support for OFWs by the Department of Labor and Employment (DOLE), and various public works by the DOLE, Department of Social Welfare and Development, and Department of Public Works and Highways were implemented. Social Security System provides access to unemployment benefits and pensions for formal sector workers. However, these programs are not anchored on an integrated framework of intervention across agencies and not informed by robust monitoring and evaluation systems. Without clear targeting mechanisms including identification of needs of various labor market clients and limited synergies among the initiatives, the coverage of the programs has been limited.

Chapter 2: The Impact of COVID-19 on the Labor Market

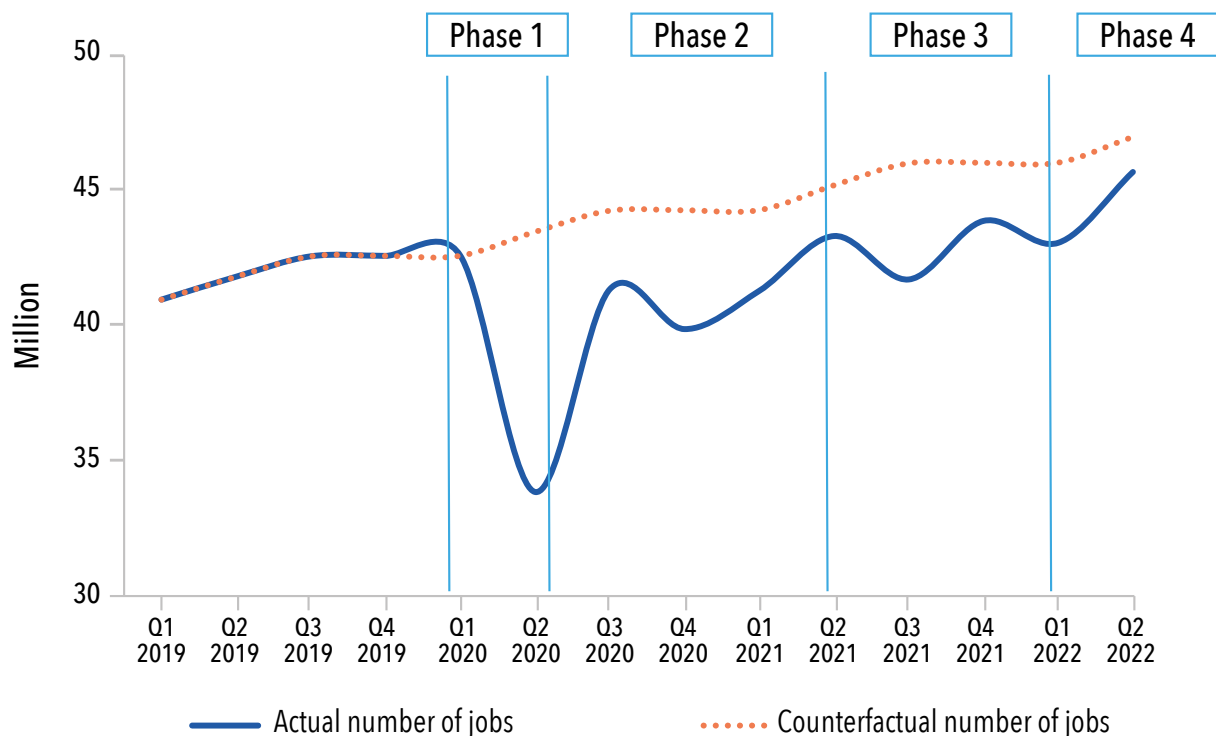
The labor market went through dramatic changes as COVID-19 evolved. The pandemic impact varied across different phases depending on the lockdown measures, health sector environment (e.g., vaccine availability), social protection and labor market policies, and external factors (Figure O.4). Compared with other neighboring countries, the Philippines maintained relatively stringent quarantine measures to curb the spread of the virus, particularly during the initial phase of the pandemic. Mobility constraints, dampened consumer and business confidence, and restrained private sector activities all had major implications on the labor market. The primary impact of the pandemic on labor is job loss at a large scale. As the economy recovered and lockdown measures lessened, jobs similarly recovered steadily. However, as of Q2 2022, the actual number of jobs fell short of the level that could have been achieved if it were not for the pandemic (Figure O.5).

Figure O.4 Characteristics of the Four Phases of the Pandemic

Characteristics	Phase 1 Beginning - Q2 2020	Phase 2 Q3 2020 - Q1 2021	Phase 3 Q2 2021 - Q4 2021	Phase 4 Q1 2022 - Q2 2022
Lockdown measures	Stringent community quarantines, high compliance	Relaxed community quarantines	Mixed community quarantines, lockdown fatigue	Localized alert systems
Health policy environment	Huge uncertainty; heavy reliance on lockdowns	Modest confidence; marked by need for tracing, isolating, and treating, in addition to lockdowns	Growing confidence; marked by need for large vaccine procurement and distribution	Unprecedented COVID surge due to variants; booster vaccination drive; marked by uncertainty
Major COVID-19 SA programs including for displaced workers	SAP 1st tranche (cash, large scale, nationwide)	SAP 2nd tranche (cash, large scale, focusing on NCR and neighboring regions)	Local assistance or <i>ayuda</i> (cash and in-kind per LGU discretion)	Local assistance or <i>ayuda</i> (cash and in-kind per LGU discretion)
Major COVID-19 Labor market programs	Limited wage subsidies and cash for work, increased demand for repatriation support of OFWs	Expanded cash for work, continuous repatriation and reintegration of OFWs; training and livelihood assistance	Continued programs, renewed commitment through the National Employment Recovery Strategy (NERS)	Continued programs
External environment	Global recession/ uncertainty	Economic rebounding/ vaccine optimism	Vaccine optimism mixed with caution against variants' surge	Acknowledging a COVID endemic scenario; war in Ukraine and other shocks

Note: SAP stands for Social Amelioration Program, a large-scale social assistance (SA) program introduced in response to COVID-19, that provided cash transfers to over 20 million households through two tranches.

Figure O.5 Actual and Counterfactual Number of Jobs by COVID-19 Phase



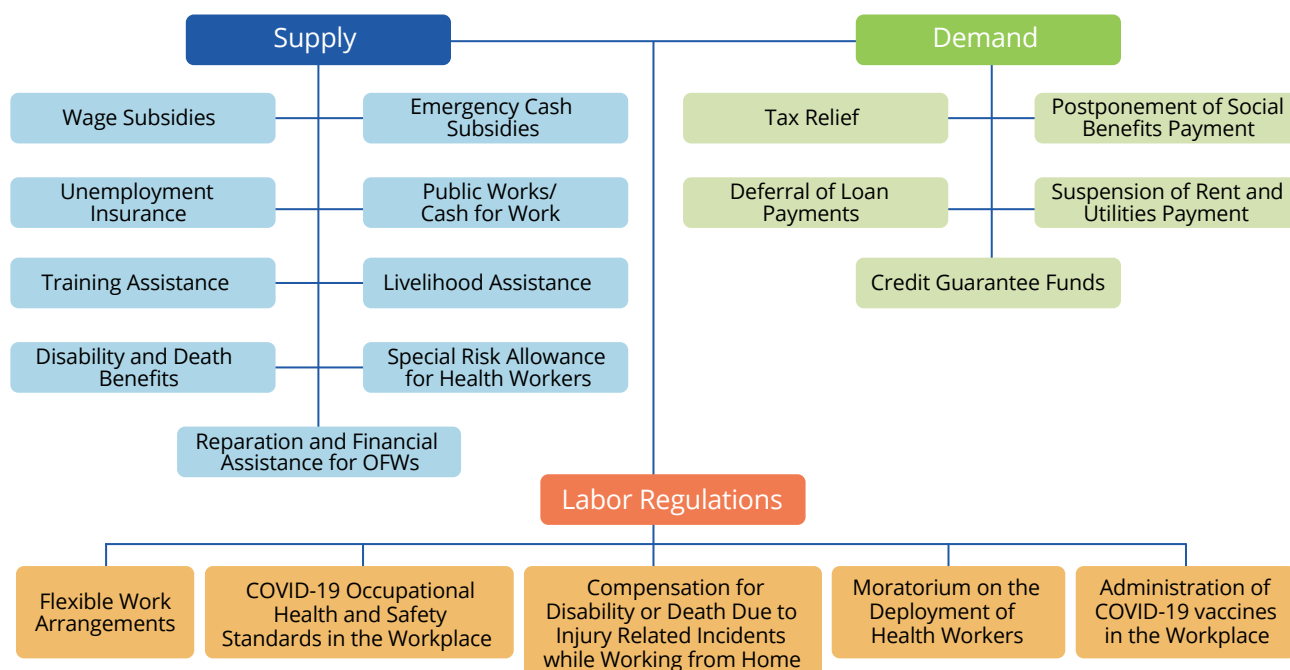
With a prolonged pandemic, progress is reversed. While employment slowly returned with economic rebounding, after a massive job loss during the early period of the pandemic, high productivity occupations (e.g., professionals) did not return and elementary occupations filled the void. Agriculture served as a buffer, absorbing a large number of male workers. Similarly, the share of wage employment fell, reversing the trend of steady structural transformation prior to COVID-19. As the pandemic extended, huge uncertainty in the market lingered. Then, as new crises arose such as fuel and food price spikes triggered by the war in Ukraine, firms seemed reluctant to hire. In fact, World Bank's COVID-19 firm survey indicated that firms' operations were significantly affected by mobility constraints at the early stage of the pandemic, but as the crisis continued, the impact was felt through credit constraints. A large number of firms continued to operate at less than full capacity even if they managed to remain open. Short working hours and downsizing, a main coping mechanism for firms, directly affected workers' employment and income outcomes. The volume of outmigration plummeted to 0.5 million in 2020 from over 2 million in 2019. With all these negative labor market impacts combined, the country's poverty rate increased to 18.1 percent in 2021 from 16.7 percent in 2018.

A few significant and positive developments emerged amid the pandemic. One of the silver linings in the pandemic was enhanced awareness and greater use of digital technology. Despite the active discussions of IR4.0, adoption of digital technology in the Philippines has been uneven. In contrast to a high penetration rate of social media and prominence of the IT-BPM sector, limited internet connectivity and low digital literacy were an impediment for active use of digital technology in economic activities. During the pandemic, however, a massive adoption took place especially on customer-facing functions such as digital payments, e-commerce, and online marketing. The share of firms that started using digital solutions increased moderately from 51 percent in November 2020 to 54 percent in May 2021 and to 71 percent in March 2022, according to a World Bank survey. In line with this, remote work rose from a niche arrangement pre-COVID to the most prominent labor-market trend that emerged out of the pandemic, and this will likely stay. With the entry barrier into labor market lowered in part due to online platforms and flexible work arrangements, and as the need for secondary earners' incomes increased, female labor

force participation increased. For instance, from October 2020 to October 2021 while the economy was regaining confidence (Phase 3), female LFP rate increased by 5 percentage points from 45 percent to 50.2 percent and remained high in 2022.

Government extended aid to displaced workers. The government took various measures, starting with the large scale social protection called Social Amelioration Program (SAP) that was intended to help affected populations including displaced workers. The first tranche of SAP was announced in March 2020, but due to implementation delays, most transfers were unable to reach beneficiaries in April 2020 when the labor market experienced an unprecedented overshooting of unemployment rate.⁴ In addition, to prevent mass layoffs of workers in the early months of the COVID-19 outbreak, the government launched two major wage subsidy programs, namely, COVID-19 Adjustment Measures Program (CAMP) and the Small Business Wage Subsidy (SBWS) Program. CAMP provided mostly one-off assistance of ₱5,000 (\$100) to about 1.5 million workers in the formal sector through the Social Security System (SSS). The SBWS provided ₱5,000–8,000 (\$100–160) twice to about 3 million workers in small businesses registered with the Bureau of Internal Revenue and SSS and who were affected by lockdown measures. Another one-off cash assistance of ₱10,000 (\$200) was provided to repatriated OFWs, and as of December 2021, over 0.54 million OFWs benefited from the transfer. Apart from these, smaller scale interventions and adjustments in labor regulations to protect workers and jobs were introduced (Figure O.6).

Figure O.6 Labor Market Interventions in Response to the Pandemic



Going forward, preventing long-lasting scars is crucial. Young workers bore the brunt of the pandemic’s labor market shock, raising the concern of a long-term scarring effect commonly observed in previous crises. Youth faced triple shocks during the pandemic: a learning crisis with school closure, challenging school-to-work transitions due to labor market conditions, and poverty crisis due to unemployment and

⁴ Beneficiaries of the country’s flagship cash transfer program, Pantawid Pamilyang Pilipino Program (4Ps), were among the few who received the benefits in March-April 2020 using the existing digital payments mechanism, whereas many others received their first benefits later, in June-July 2020.

reduced incomes. Between 2020 and 2021, the youth saw a decrease in labor force participation rate from 37 to 33 percent and employment-population ratio from 0.32 to 0.27. Likewise, the youth unemployment rate increased from 14 to 16 percent and underemployment rate rose from 11 to 16 percent during the same period. Few of the government's COVID-19 programs were targeted to address the specific challenges faced by the youth and they were mostly one-off support. Given the continuing threat from the pandemic, price spikes triggered by the war in Ukraine, and frequent disasters, strengthening labor market programs for vulnerable workers, particularly for the youth, is needed.

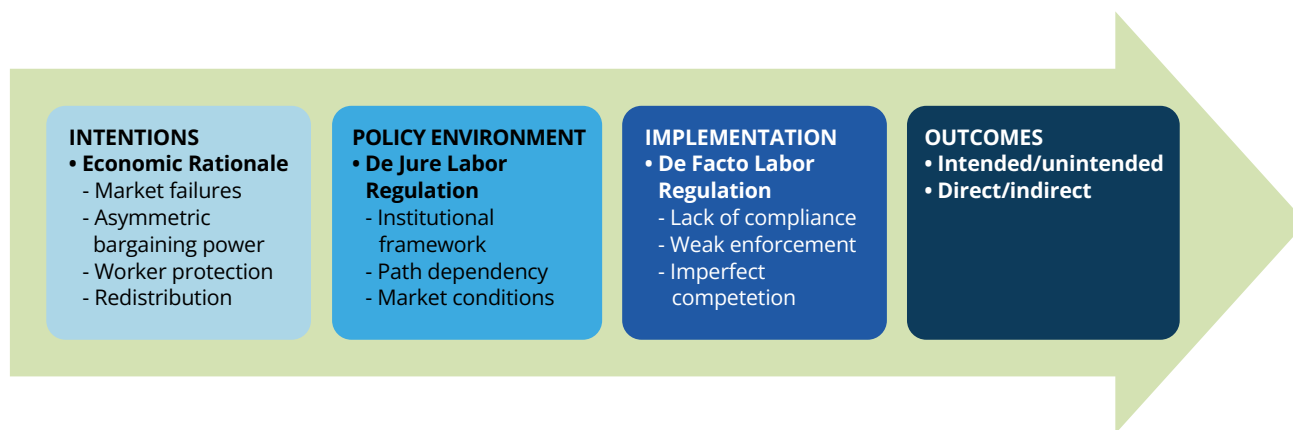
Part II.

Chapter 3: Revisiting Labor Regulations

Labor market regulations are a perennial and often contentious area in public policy discourse.

The economic rationale for labor market regulations is to address various labor market imperfections and worker protection while promoting competitiveness. However, it is not uncommon that labor regulations fall short in worker protection and at the same time reduce firms' incentive to employ by raising labor costs. As the COVID-19 pandemic caused a large-scale loss of jobs and increased poverty, policy discussions on labor regulations re-emerged. Labor regulations are often highlighted as a tool for worker protection, but at the same time, are cited as a factor in reducing employment. Due to the discrepancy between the de-jure and de-facto regulations, and with both intended and unintended outcomes, the actual outcomes of labor regulations can be different from the intended objectives (Figure O.7).

Figure O.7 Intentions vs. Outcomes of Labor Regulations



The Labor Code and the minimum wage laws in the Philippines are complex, and enforcement is challenging. The provisions on retrenchment are lengthy and cumbersome and may limit businesses' incentive to hire workers in the first place despite flexible forms of employment. Minimum wage varies by region, sector, and occupation, thus adding to the complexity. Despite good intentions of reflecting variations of the labor market environment and setting a meaningful minimum wage level, the policy may not achieve the intended objectives. Cross-country comparison indicates that the level of minimum wage (measured as a ratio of minimum wage to value added per worker) in the Philippines is relatively high. Labor force survey suggests that minimum wage did not bind for many workers and about a third of wage employees earn below minimum wage. There is a tension to raise minimum wage given rising prices of basic commodities and cost of living, but one should consider its consequences on firms that just got out of the pandemic shock. Further, enforcement capacity is low, limiting coherent application of regulations across the board.

Adjustments in labor regulations were modest during the COVID-19 pandemic. The most notable intervention was promotion of remote work. Workplace health and safety measures were also enforced so workers could come back to on-site work once mobility constraints were relaxed. Despite massive unemployment as a result of mobility restrictions and business closures, distribution of unemployment benefits was limited. Members of SSS who lost their jobs during the pandemic were eligible to apply for unemployment benefits (about ₱20,000, equivalent to \$400). Based on DOLE records, close to 200,000 workers applied for the benefits, of which less than 30,000 unemployment benefit applications were paid by SSS from March to August 2020, indicating low coverage and implementation challenges.

Going forward, labor regulations should catch up to meet diverse needs in the labor market. The political economy of labor regulations –balancing between labor market competitiveness and worker protection in the midst of potential discrepancy between intended and actual outcomes–indicates that the costs of reforms can outweigh costs of inaction. This explains the lengthy deliberation and lack of consensus in the reform agenda of labor regulations. A few relatively straightforward areas worth considering are summarized as follows:

- ◆ Simplify rules and enhance enforcement capacity. The Labor Code can be complemented by practical, rule-of-thumb guidelines and protocols, and compliance monitoring and enforcement should utilize digital tools.
- ◆ Provide guidance for flexible forms of work arrangement. For sectors and occupations where a telework or remote work setup is feasible, and for gig workers, best practice guidance can be provided so employers and employees can establish clear rules themselves (e.g., regarding work days, hours, and location, mechanisms for communication, formal agreement on results and timeline, work-life balance, training on workers' rights and responsibilities, cost sharing rule on utilities expenses and digital devices/equipment).
- ◆ Complement labor regulations with active labor market programs and safety net programs. While the former provides solid rules of games in the employer-employee relationships, the latter addresses specific worker protection tailored to the needs of the population. For instance, along with minimum wage, wage subsidies and skills development programs can be offered to minimum wage earners.
- ◆ Strengthen social insurance for risk pooling and expanded coverage. For instance, a contributory unemployment insurance can be designed with clear rules on defined benefits to gradually replace severance pay and unemployment benefits program.
- ◆ Strengthen data-driven policy making for minimum wage. While a couple of bills regarding the minimum wage are pending, careful empirical reviews are needed, with simulations of the potential labor market implications of adjusting the wage level. Minimum wages should closely reflect workers' productivity among wage and salaried employees while adjusting them to the level of inflation and economic growth.

Chapter 4: Seeking better international migration opportunities

Employment abroad and OFW remittances are a prominent feature of the Philippine labor market and are key sources of income for households and the country's economy. Approximately 12 percent of Philippine households reported having at least one member who was or is an OFW, according to a national migration survey in 2018. The annual OFW remittances remained at close to 10 percent of GDP.

While the pandemic prompted the repatriation of more than 0.5 million OFWs and caused disruptions in outmigration flows from over 2 million in 2019 to about a little over half a million in 2020, the level of remittances as a percentage of GDP remained stable⁵ and provided much needed cash flows to the struggling economy. As the global economy slowly recovers from the pandemic shock and resumes its activities, the demand for OFWs is likely to rebound. Thus, international labor migration is a critical element when discussing the future of jobs in the Philippines and for Filipinos. In December 2021, the Philippine government marked an important milestone in establishing a new department overseeing the welfare and rights of OFWs and facilitating their safe and productive employment.

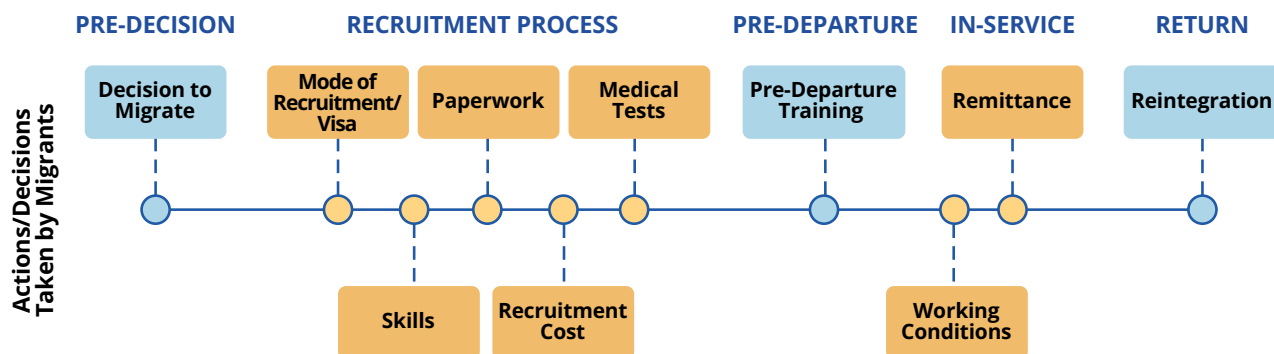
Profile of OFWs and the volume of remittances vary by region, sector, and gender. The majority of OFWs are relatively young and come from Luzon. Female OFWs outnumbered their male counterparts, reflecting strong demand in the household service, care, entertainment, and nursing sectors. The female share among new hires was between 67 to 76 percent of total workers, a significantly higher level compared with other labor-sending countries. By destination regions, OFWs have been concentrated in the Middle East and East Asia, and the share of those going to the Middle East has been rapidly increasing. While male migrants' destination and occupations are diverse, those of female migrants are quite limited. For instance, the top five countries for female OFWs (namely, Saudi Arabia, Kuwait, Hong Kong, Qatar, and Taiwan) accounted for over 80 percent concentration in 2019. The lack of diversification in destination countries could make OFWs particularly vulnerable to macroeconomic or political shocks in the popular country or region.

International migration is facilitated by a robust set of institutional and legal framework, migration-related policies, international cooperation, and the involvement of various government agencies. The Migration Workers and Overseas Filipinos Act of 1995 (Republic Act 8042) encompasses the entire migration cycle and lays out the mandate of major migration-related government institutions. Inter-agency governmental coordination is integral to the promotion of OFW well-being, and the newly created Department of Migrant Workers (DMW) unites all government agencies that have a mandate to support OFWs. Over the years, the policy on migration shifted from the promotion of overseas employment to the protection of OFW welfare, with the Philippines becoming a leading voice in global migration dialogues. To better safeguard the welfare of migrant workers, the Philippines entered into increasingly comprehensive multilateral and bilateral agreements. Migration policies also evolved to encompass the conditions of specific sectors and to reflect the prominent role of migrant workers in national development plans and sectoral strategies.

Risks and vulnerabilities along the entire migration cycle—from pre-decision to return—must be managed. Multiple factors impede the full realization of benefits for migrant workers. These include monetary (e.g., explicit and hidden recruitment costs), non-monetary (e.g., opportunity, information, and psychological costs), and key market failure concerns. Despite significant government efforts to safeguard OFW welfare, barriers remain. Across the cycle (Figure O.8), the challenges that emerge include information asymmetries, lack of access to credit, unequal bargaining power between employers and migrant workers, and overly complex recruitment processes. Key elements to ensure the smooth transition across the stages of the migration cycle are access to reliable information about the employer and the nature of employment; adequate pre-departure training to promote OFW safety; inclusion in the government's insurance and social security program; access to support systems in the destination country; and reintegration into the domestic labor market when returned.

⁵ This may be because remittances rely more on Filipino diasporas in developed countries than temporary migrant workers whose outflows were significantly affected by the pandemic and many of whom were repatriated. The counter-cyclical nature of remittances could have played a role in maintaining the level of remittances.

Figure O.8 Labor Migration Cycle



Deep dive case studies for the nursing, household service, and seafarer sectors provide insights on migrants' market opportunities, working conditions, and career development. Amid the global shortage of nurses that was amplified by the pandemic, a systemic approach is needed to address labor supply and demand in the Philippines and abroad. The female-dominated household service worker sector is characterized by a high level of vulnerability, making domestic work a key priority sector for bilateral cooperation. The vulnerability, attributed to the isolated nature of the workplace and lack of well-enforced and relevant regulations, highlights the importance of migrant networks and other communication mechanisms. The Philippine seafarer sector—comprising over a quarter of the global industry—was hard-hit by the disruptions on leisure sea travel during the pandemic. And while the sector needs to take steps to ensure its competitiveness, the global shortage of seafarers presents a window of opportunity. All three sectors suggest the need for upgrading skills and facilitating the move of Filipino workers up the career ladder within and across sectors.

With hundreds of thousands of OFWs stranded across the world at the height of the COVID-19 outbreak, the Philippine government managed a repatriation exercise of unprecedented scale amid health risks and travel restrictions. Previous shocks such as the Gulf War in 1990-91 and the experience of supporting OFWs during crises proved useful in pandemic response. Having a crisis response protocol, interagency cooperation system, and emergency funds in place was critical in providing timely assistance. In addition, unlike previous shocks, during COVID-19, adoption of digital technology and information systems took place and helped multi-level coordination. After repatriation, reintegrating OFWs into the domestic labor market was a key policy priority.

Going forward and building on the country's success, international migration can continue to benefit workers, families, and the economy. To ensure that international migration contributes to development while helping migrant workers and families manage their risks, the following proactive steps are needed:

- ◆ Identify and expand the pool of countries and sectors that provide productive and safe opportunities.
- ◆ Enhance the skills and employability of migrants. In particular, closer linkages among international migration and skills development programs can be established.
- ◆ Ensure the safety and welfare of OFWs through more sector and corridor specific and granular strategies in addition to overall protection mechanisms.
- ◆ Reintegrate returnees into the labor market and help them utilize their human capital.

An overarching plan of action should encompass the legal framework and institutional environment; the role of bilateral and multilateral cooperation; skills training and occupational counseling; streamlining of the management information systems of different agencies while utilizing digital tools and platforms; and data, research, and evaluation to support the timely review of OFW concerns and evidence-based policymaking.

Chapter 5: Exploring green and digital jobs

A growing emphasis on the greener economy and changing nature of work driven by digital technology are among prominent global megatrends anticipated to bring structural transformation and changes in the labor market. While the pace of these trends and capability to adapt to them vary widely across economies, there is consensus on the need to develop a workforce equipped with skills required by the new technologies and demands of a changing environment. The Philippines is not an exception in this endeavor. Active labor market programs and interventions in these green and digital areas can be a useful strategy to create jobs and enhance workers' employability in the post-pandemic economy, especially for the youth.

With an emphasis on green jobs, there are emerging as well as phasing out occupations. Monitoring for such changes should be regularly done to guide workforce and skills development policies. However, conceptual definition, statistical measurements, and operational classifications of green jobs vary as there is no single and common approach across economies. Jobs in the environmentally friendly goods and services sectors used to be equated with green jobs, but increasingly, countries and international organizations recognize that both production (output) and process matter in defining green jobs. This is important to promote green tasks in a more granular level beyond green sectors, identify skills needs and gaps that will enable a transition toward a greener economy, and provide incentives for firms' green investment and help them attract capital.

The Green Jobs Act (GJA) established in 2016 aims to promote green jobs and provide a multisectoral institutional platform for advancing the country's green agenda. The GJA and Implementing Rules and Regulations, led by DOLE, include fiscal and non-fiscal incentives to promote green jobs. These include the implementation of the National Green Jobs Human Resource Development (HRD) Plan and tax incentives for firms to create green jobs. The initial draft of the HRD plan has been completed and awaiting implementation in collaboration with TESDA and other national agencies. Meanwhile, the criteria for the tax incentives are under preparation. Slow progress in defining eligible criteria for green jobs is related to the challenges associated with its conceptual definition and lack of statistical measurement of green tasks, occupation, and skills.

Digital jobs are often defined as those created using information and communications technology (ICT)- including computing, internet, and mobile phones. There are broadly four types of digital jobs: (i) ICT sector jobs; (ii) freelancing jobs accessed and traded through online platforms (online gig economy); (iii) jobs created by online platforms themselves (sharing economy); and (iv) digital penetration in real sector jobs especially through e-commerce. The distinction of these categories may not always be clear, but globally, digital jobs are becoming increasingly ubiquitous. Moreover, as adoption of technology or digitalization is taking place widely across sectors including the green industry, healthcare, manufacturing, logistics, and many others, a number of jobs now involve digital tasks and require digital skills.

More digital skills are needed in the Philippines. Digitalized tasks in regular jobs as well as digital jobs demand more digital skills of the workforce. During the pandemic, there was a massive increase in digital jobs as well as demand for digital skills. The country has been well-known for the IT-BPM sector, and, to maintain its position as a global leader in this area, should invest more in digital skills.

Digital skills broadly encapsulate the ability to effectively navigate digital technologies in order to access and manage information. As the proficiency level moves up from the foundational to intermediate, to advanced, and to highly specialized, the depth and breadth of skills advance in the main domains of digital skills. Digital skills require sufficient proficiency in foundational literacy and numeracy skills and cut across the overarching framework of cognitive, socio-emotional, and technical skills. Surveys indicate that the Philippine workforce lags behind its regional peers in foundational digital skills. Efforts to strengthen digital skills development throughout all levels of education and training are required.

Going forward and to tap into the less known areas of green and digital jobs for the country's future jobs solutions, some policy measures are worth considering.

- ◆ Develop Green Technology Centers (GTCs) as a green TVET hub. The GTCs by TESDA aim to foster public-private partnerships and capacity building for green TVET. This is an important initiative to execute the National Green HRD plan. Green TVET courses can be designed for workers in the brown and low skilled sectors so that they can transition out and find new activities as part of under 'just transition' efforts; modifications to existing jobs to make them greener (greening or 'greenifying' existing jobs) through improving energy efficiency and decarbonizing economic activities and products; and upskilling to make green activities more effective given that not all workers in the green sector are high skilled and high technology. While at a nascent stage, small scale initiatives can be planned, focusing on a few specific sectors such as construction and logistics.
- ◆ Operationalize the GJA and other relevant incentives for firms to promote green activities. The operational procedures should specify the eligibility criteria; application, verification, and certification process; benefit mechanism (e.g., deduction, refund, subsidy); duration of tax benefits or certification; audit and monitoring requirements; and grievances and appeals process. It would be important to prioritize a few select industries or localities to pilot-test the operational procedure and assess how tax incentives are administered.
- ◆ Implement targeted active labor market programs. Major initiatives during the pandemic to support firms while maintaining workers' jobs, such as wage subsidies, can be further strengthened by targeting specific populations, prioritizing promising sectors, and making investments beyond one off transfer.
- ◆ Consider economic zones for green and digital job creation. Just as special economic zones have been promoted for firms in export-oriented manufacturing, IT-BPM, or logistics sectors, green and digital economic zones can be considered.
- ◆ Support green entrepreneurship and public works. When public finance supports the private sector to develop green enterprises and facilitate training and business development services, a public-private partnership for green entrepreneurship can be established. Meanwhile, where the private sector is not mature, the government can take the lead in creating short term employment opportunities in green activities and promote skills building.
- ◆ Strengthen social protection for the digital workforce. In addition to legislative measures (e.g., the bill for the freelance workers' protection act), given the heterogeneity of workers in this sector, rule-of-thumb advisories and practical guidance should be given to firms and workers. Beyond introducing labor laws and regulations, evaluation of incentive compatibility and enforcement of such requirements through regular surveys and data collection are critical.
- ◆ Enhance the measurement for skills anticipation estimation and identification of new/emerging jobs in priority sectors—both green and digital sectors and skills. Specific industry-occupation level data (including through a rider survey on existing labor force surveys) can be constructed on volume, type, and demand projection of employment in green jobs and digital tasks, which help identify skills gaps and inform human resource development and support job matching and intermediation.

Epilogue

Young individuals face disproportionately large challenges of learning, labor market transition, and poverty—stubbornly persistent before the pandemic despite robust economic growth and significantly aggravated by the pandemic. Vulnerabilities of the female youth and those in lagging regions are even greater. It is critical to provide targeted support to the youth group in the labor market while promoting overall job creation in the Philippines. Labor regulations such as minimum wage and unemployment insurance are particularly relevant, international migration continues to be a major source of jobs and incomes, and emerging areas of green and digital jobs will provide important opportunities for the youth. Vibrant and productive young workers can help the Philippines maximize demographic dividends before population aging accelerates.

Various labor market programs implicitly targeted for the youth and vulnerable workers can be significantly strengthened and scaled up. An integrated framework of intervention across agencies, enabled by digital tools, can be developed to identify potential beneficiaries, profile their characteristics and needs, customize packages and deliver them, monitor and evaluate their impact, and provide the feedback into the system. This will help ensure close linkages and bundling of different policy instruments for greater synergies. A few examples include skills development combined with public employment services, wage subsidies for Green TVET graduates in eligible firms, and subsidized unemployment insurance for safety net program beneficiaries. Evidence-based policy-making and close monitoring of outcomes will enhance efficiency and effectiveness of programs.

