

FEBRUARY 2023

Philippine Jobs Report

SHAPING A BETTER FUTURE
FOR THE FILIPINO WORKFORCE

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Foreword

The Philippines made good progress in sustaining growth and alleviating poverty in the decade prior to the pandemic. The share of the population living in poverty decreased from 23.5 percent to 16.7 percent between 2015 and 2018. Earnings from good jobs in non-agricultural wage employment contributed to this significant progress in poverty reduction. With steady structural transformation, more workers transitioned to better paying jobs. Thriving call centers and global footprints of Filipinos around the world—as nurses in Germany, seafarers in cruise ships, or care givers in Singapore—have become a vibrant symbol of the Philippines' labor market and workforce.

The COVID-19 pandemic brought a massive disruption. It not only brought unprecedented disturbance in the labor market with huge jobs and earnings losses, but also highlighted stubborn challenges, such as inequality in the labor market, that persisted alongside overall growth and poverty reduction over time. While the labor market has recovered from the initial impact of the COVID-19, the aftershock lasted a while. And now, elementary occupations and low productivity jobs are more prevalent than in the pre-pandemic labor market.

With a new administration in July 2022 following the Philippine presidential elections, strong expectations for economic recovery and labor market performance abound. However, due to the global food and fuel crisis triggered by the war in Ukraine and contractionary policy to manage global inflation pressure, the prospect for job recovery remains uncertain and fiscal space to promote labor market interventions is limited.

The *Philippine Jobs Report* reviews the key features of the labor market in the pre- and post- pandemic environment and delves into some vital topics that can inform key policy areas. *Part I Jobs Diagnostics* investigates a host of factors associated with labor market trends and outcomes, providing rich information on where the labor market in the Philippines stands today. The determinants of job outcomes such as general macroeconomic policy environment and job-specific conditions, structural transformation, workers' education and skills, workers' mobility, and the state of labor market programs are discussed. *Part II Special Topics* revisits labor regulations, international migration, and green and digital jobs with post-pandemic perspectives amid global uncertainties.

The report underscores the need for the government's bold intervention to shape a better future for the Filipino workforce. Throughout the report, it is clear that policies should be in place to strengthen labor market fundamentals. Critical among these are foundational human capital, prudent macroeconomic policies and stability, and investment-friendly business environment for overall growth and private sector-led job creation.

In addition, the government can use labor and skills policies to facilitate job creation, enhance labor productivity and the economic returns to work, protect workers, and help them adapt to the rapidly evolving market environment. While discussions around labor regulations tend to generate impassioned political and social debates on the right balance between labor market flexibility and worker protection, the global literature pointing to the discrepancies between the intent and ultimate outcomes of policies is worth considering. International labor migration for overseas employment can be strategically used for the country's continued development by facilitating safe, productive, and more inclusive migration.

Further, it is a critical time to invest in integrated and well-coordinated labor market programs for vulnerable and disadvantaged workers, especially the youth, to enhance their skills and employability. I am pleased to see the discussions on the promising role of green and digital sectors for job creation, solutions for youth employment challenges, and potential engine of competitiveness and growth. There are many areas where the government can lead and support to promote these critical activities.

With its wealth of information and rich analysis, I hope that readers find this report useful in informing policy review and design as well as in advancing relevant research.

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Abbreviations

4Ps	Pantawid Pamilyang Pilipino Program	CPBRD	Congressional Policy and Budget Research Department
ADD	Abu Dhabi Dialogue	CPDEP	Comprehensive Pre-Departure Education Program
AKAP	Abot Kamay ang Pagtulong	CRC	Convention on the Rights of the Child
AKSYON	Agarang Kalinga at Saklolo para sa mga OFW na Nangangailangan	CREATE	Corporate Recovery and Tax Incentives for Enterprises
ALMP	active labor market programs	CRM	customer relationship management
ARMM	Autonomous Region of Muslim Mindanao	CSO	civil society organization
ASEAN	Association of Southeast Asian Nations	DepED	Department of Education
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao	DFA	Department of Foreign Affairs
BES	Business Expectations Survey	DILG	Department of Interior and Local Government
BIR	Bureau of Internal Revenue	DMW	Department of Migrant Workers
BLA	bilateral labor agreement	DOF	Department of Finance
BOI	Bureau of Immigration	DOH	Department of Health
BOSS	Business One Stop Shop	DOJ	Department of Justice
BPS	Business Pulse Survey	DOLE	Department of Labor and Employment
BSP	Bangko Sentral ng Pilipinas	DOT	Department of Tourism
CALABARZON	Cavite, Laguna, Batangas, Rizal, and Quezon	DOTr	Department of Transportation
CAMP	COVID-19 Adjustment Measures Program	DSWD	Department of Social Welfare and Development
CAR	Cordillera Administrative Region	DTI	Department of Trade and Industry
CES	Consumer Expectations Survey	EAP	East Asia and the Pacific
CFO	Commission on Filipinos Overseas	ECQ	enhanced community quarantine
CHED	Commission on Higher Education	EMSA	European Maritime Safety Agency
COVID-19	coronavirus disease	EODB	ease of doing business
CP	Colombo Process	EPL	employment protection legislation

ERP	enterprise resource planning	LAF	Legal Assistance Fund
FDI	foreign direct investment	LFP	labor force participation
FIES	Family Income and Expenditure Survey	LFS	Labor Force Survey
FPA	foreign placement agency	LGU	local government unit
G2G	government-to-government	LLCS	Labor Laws Compliance System
GCC	Gulf Cooperation Council	MARINA	Maritime Industry Authority
GCM	Global Compact for Migration	MCS	mission critical skill
GDP	gross domestic product	MIMAROPA	Occidental Mindoro, Oriental Mindoro, Marinduque, Romblon, and Palawan
GFMD	Global Forum for Migration and Development	MIS	management information system
GIZ	German Development Agency	MITC	Maritime Industry Tripartite Council
GLS	general labor standard	MOA	memorandum of agreement
GoP	Government of the Philippines	MOU	memorandum of understanding
GTP	green technologies and practices	MPTF	Multi-Partnership Trust Fund
HCW	health care worker	MSE	micro and small enterprises
HRH	Human Resources for Health	MSME	micro small and medium enterprise
HSW	household service worker	MWO	Migrant Workers Office
HSWRP	Household Service Worker Reform Package	MWOFRC	Migrant Workers and Other Filipino Resource Centers
IBRD	International Bank for Reconstruction and Development	NAT	National Achievement Test
ICT	information and communications technology	NBI	National Bureau of Investigation
IDA	International Development Association	NCR	National Capital Region
ILO	International Labour Organization	NEDA	National Economic and Development Authority
IMO	International Maritime Organization	NEET	not in education, employment or training
IOM	International Organization for Migration	NERS	National Employment Recovery Strategy
IT-BPM	information technology and business process management	NGO	non-government organization
K-12	kindergarten to 12th grade	NMP	National Maritime Polytechnic
		NMS	National Migration Survey

NRCO	National Reintegration Center for OFWs	RTWPB	Regional Tripartite Wages and Productivity Board
NWPC	National Wages and Productivity Commission	SA	social assistance
OASIS	OFW Assistance Information System	SAP	Social Amelioration Program
OEC	Overseas Employment Certificate	SBCorp	Small Business Corporation
OFW	Overseas Filipino Worker	SBWS	Small Business Wage Subsidy
OLTCC	Overseas Land-based Tripartite Consultative Council	SCIMD	Sub-committee on International Migration and Development
OSHS	occupational safety and health standards	SDG	Sustainable Development Goals
OSWA	Office of Social Welfare Attaché	SHS	senior high school
OWWA	Overseas Workers Welfare Association	SIRB	Seafarer's Identification and Record Book
PCG	Philippine Coast Guard	SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos City
PDOS	pre-departure orientation seminar	SOF	Survey on Overseas Filipinos
PDP	Philippine Development Plan	SRM	supply (or stakeholder) relationship management
PEOS	pre-employment orientation seminar	SSS	Social Security System
PESO	Public Employment Service Office	SSW	specified skilled worker
PIDS	Philippine Institute for Development Studies	STCW	Standards of Training, Certification and Watchkeeping
PNP	Philippine National Police	TESDA	Technical Education and Skills Development Authority
POEA	Philippine Overseas Employment Authority	TOAP	TESDA Online Assessment Program
POLO	Philippine Overseas Labor Office	UAE	United Arab Emirates
PPE	personal protective equipment	UK	United Kingdom
PPP	purchasing power parity	UN	United Nations
PPP	public private partnership	UNDP	United Nations Development Programme
PRA	Philippine recruitment agency	US	United States of America
PRC	Professional Regulation Commission	WHO	World Health Organization
PSA	Philippine Statistics Authority	ZAV	German Federal Employment Agency
R&D	research and development		International Placement Services
RA	Republic Act		

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.



Overview

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.

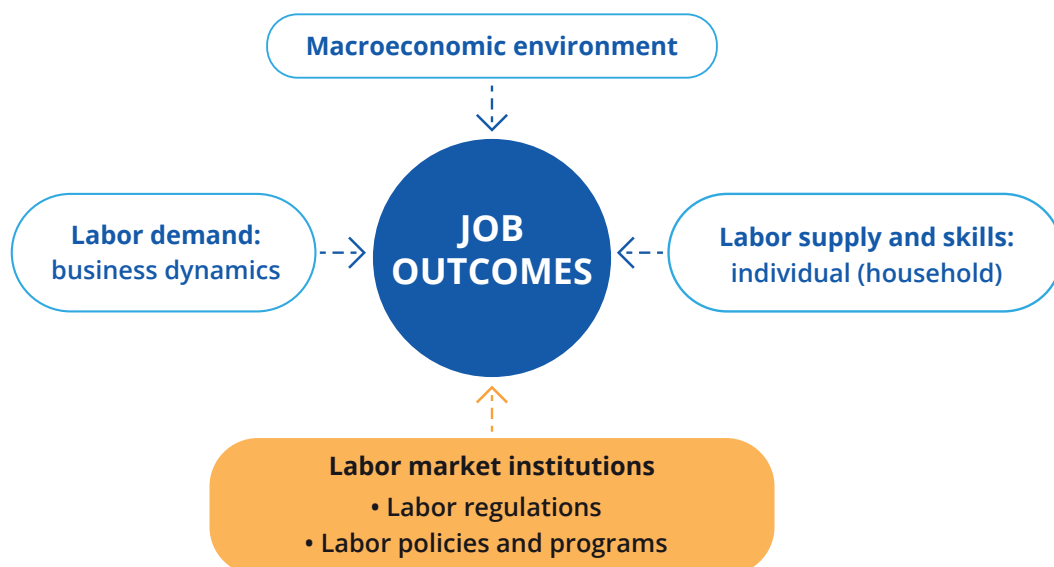
showed robust recovery, with the unemployment rate reaching even lower than pre-pandemic levels at 5.2 percent. However, elementary occupations and self-employment flourished in the market, whereas high productivity jobs lagged, and household earnings remained pressed.

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. Intra-household 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

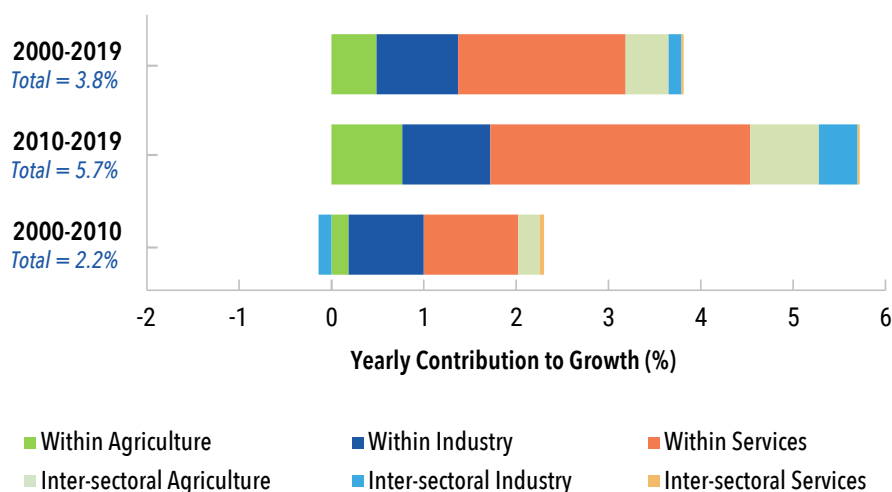
The Philippines experienced steady economic growth, structural transformation, and poverty reduction. Before the pandemic in 2020, the Philippine economy enjoyed sustained growth; from 2012, the country's growth performance was far above its regional peers, with a 6.4 percent average annual growth rate 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

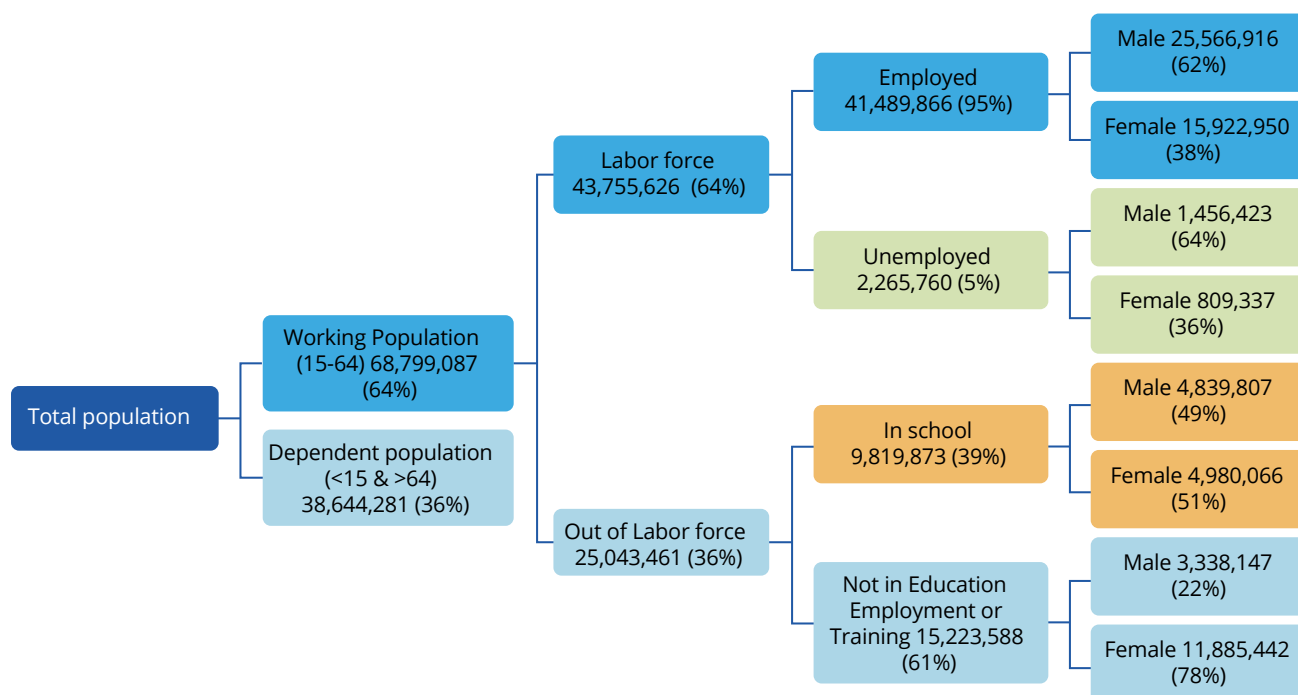


rapid growth, relied on labor intensive and export-oriented manufacturing as a springboard for growth by taking advantage of low labor costs. While older firms tend to be medium and large sized—indicating that some firms grow as they age—lack of a clear and steep linear relationship between age and size 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

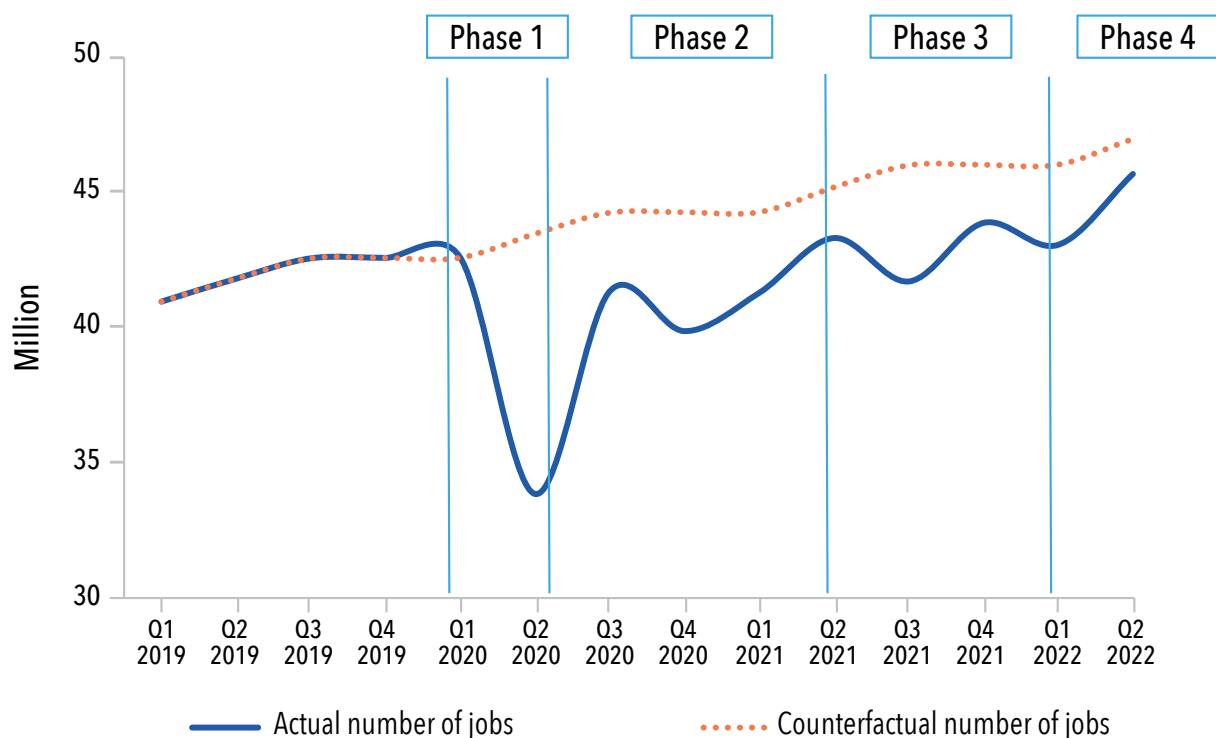
The labor market went through dramatic changes as COVID-19 evolved. The pandemic impact varied across different phases depending on the lockdown measures, health sector environment (e.g., vaccine availability), social protection and labor market policies, and external factors (Figure O.4). Compared with 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



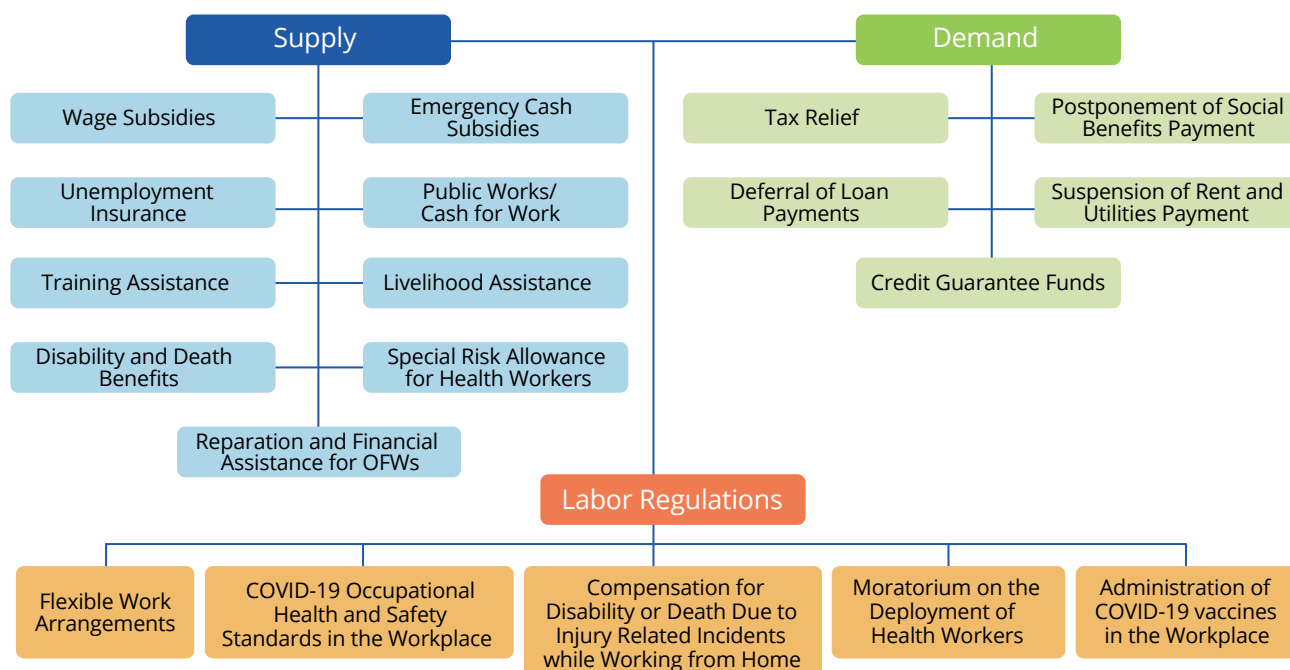
With a prolonged pandemic, progress is reversed. While employment slowly returned with economic rebounding, after a massive job loss during the early period of the pandemic, high productivity occupations (e.g., professionals) did not return and elementary occupations filled the void. Agriculture served 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.

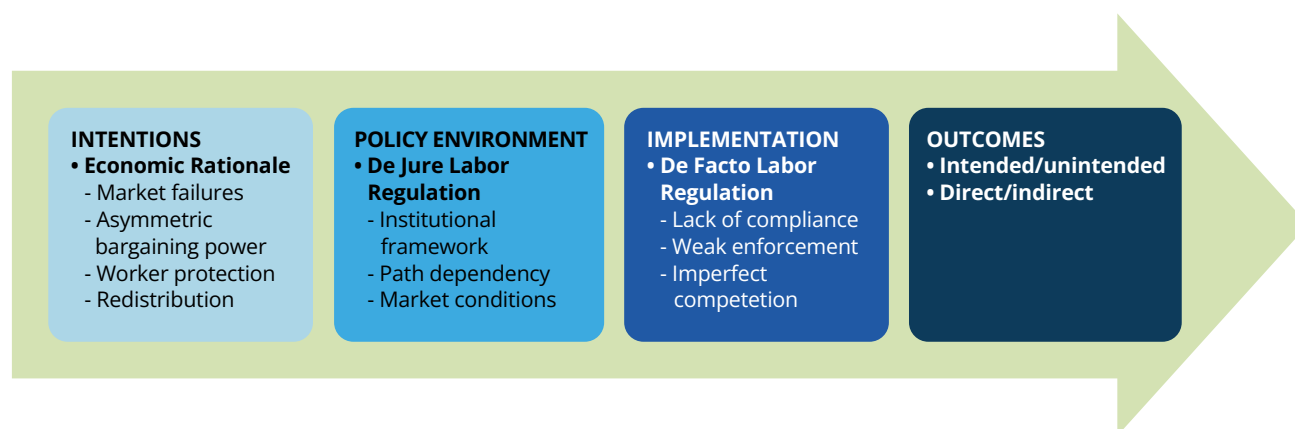
Part II.

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.

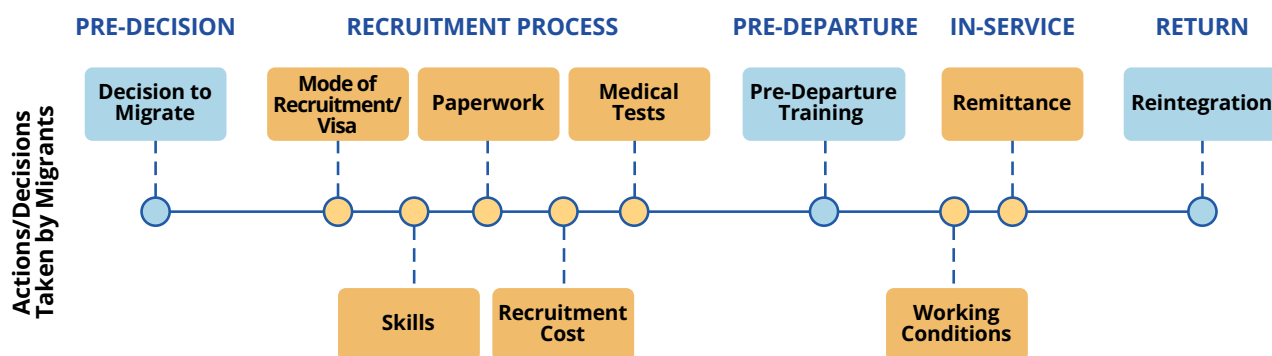
Profile of OFWs and the volume of remittances vary by region, sector, and gender. The majority of OFWs are relatively young and come from Luzon. Female OFWs outnumbered their male counterparts, reflecting strong demand in the household service, care, entertainment, and nursing sectors. The female share 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.





PART 0

Introduction



Jobs are one of the most important policy priorities across the globe. They provide the pathways out of poverty, a stepping stone for greater earnings and well-being, and a cornerstone of development.⁶ Promoting jobs is aligned with boosting a country's growth and competitiveness, supporting firms to grow through more productive and innovative activities, and helping workers improve their skills and earnings. A large body of literature shows that economic growth alone is not sufficient for generating jobs. Similarly, innovation and productivity growth of firms do not always lead to greater demand for labor. Also, the benefits of more and better jobs are not distributed equally across different populations, and some face more significant barriers than others in accessing jobs. Therefore, specific policies and interventions are required to promote the creation of jobs, improvement of productivity, and efficient use of skills.

Labor market institutions are one of the key job policy measures and determinants of job outcomes.

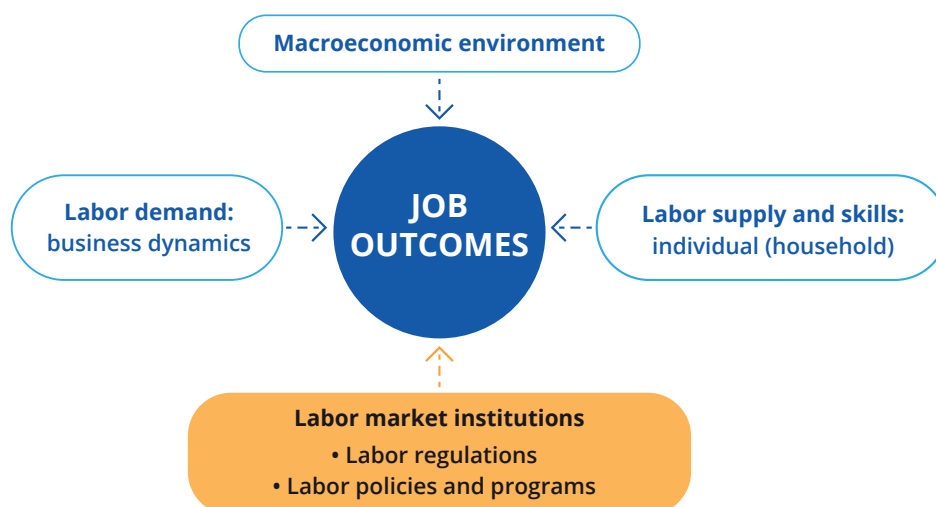
They include labor policies and regulations as well as labor market programs, which have impacts on job outcomes. Labor regulations, such as hiring and firing rules, policies on severance payments, working conditions, terms related to leaves, have major implications on the labor costs perceived and borne by firms. Moreover, the size of the workforce available in a country's domestic market is affected by whether labor policies promote and facilitate the employment of seasonal workers and the migration of temporary laborers. Active labor market programs to promote entrepreneurship, subsidize employment, and enhance workers' skills, for instance, can change labor demand, labor supply, and labor quality. Some external factors beyond the labor market including the demographic structure—whether the country is facing a youth bulge or ageing—or overall nutrition and education, can impact the volume and productivity of labor supply. Over time, these factors in turn influence the formulation of labor institutions.

The Philippines Jobs Report investigates jobs outcomes over time (Part I) and delves into key dimensions of labor market institutions (Part II) based on the framework illustrated in Figure 0.1. Part I uses a comprehensive jobs diagnostics approach and looks into the nexus between growth, economic transformation, and jobs outcomes. It also presents current challenges and opportunities in the Philippine labor market, which policy makers have to consider.

◇ Chapter 1 examines how growth in gross domestic product (GDP) evolved and translated into jobs, how the labor market structure transformed the sector and productivity of employment, how workers' earnings from domestic and international labor markets contributed to overall household incomes, and how skills and labor productivity changed. It emphasizes some continuing and accelerating trends over time prior to the pandemic, and also identifies persistent labor market challenges and characteristics. Based on these analyses, the chapter presents key stylized facts of the labor market in the Philippines.

⁶ World Development Report on Jobs (2013).

Figure O.1 Conceptual Framework for Jobs Creation



- ◆ Chapter 2 focuses on COVID-19 impact on the labor market. It discusses the massive effects of the pandemic on the quantity and quality of jobs and underscores the uneven nature of the shock across different sectors and workers. Depending on the phase of the pandemic, the extent of labor market boom and bust changed. The chapter also discusses emerging patterns and agenda highlighted due to the pandemic.

Part II discusses three areas that have been dominant in the jobs discourse in the Philippines.

Policy fora, key documents including the Philippine Development Plan, policy dialogue with government counterparts, and literature review on recent discussions on labor market issues often debate various aspects of labor regulation, international migration, and future of jobs.

- ◆ Chapter 3 revisits labor regulations especially the country's employment protection legislations and minimum wage policies. In an environment where promoting job creation by all means and protecting workers in the labor market are nonnegotiable, finding a right balance in labor regulations is a challenging task. It is even more so when well-intended policies often lead to outcomes that are unintended or different from initial expectations. The chapter highlights the need for evidence-based policy making, compliance and incentives compatible design, adoption of technology for monitoring and enforcement, and expansion of complementary policies such as social insurance and active labor market programs—all these while considering the political economy surrounding labor regulations.
- ◆ Chapter 4 conducts a comprehensive review of the international migration agenda in the Philippines, the first of its kind to our knowledge. Legal and institutional arrangements to facilitate international labor mobility, along the migration cycle starting from the pre-decision stage to post-return reintegration are discussed. The chapter also carries out deep dive case studies of key sectors such as nursing, household service workers, and seafarers. All these are expected to provide useful policy information for the newly created Department of Migrant Workers and other relevant agencies.
- ◆ Chapter 5 moves to a forward-looking agenda of the future of jobs. Prior to the pandemic, Industrial Revolution 4.0 characterized by artificial intelligence, automation, other digital revolutions, and the impact on the changing nature of jobs, were definitely a dominant topic. Now, with the increasing magnitude and frequency of shocks, aggravated by climate change, energy and food security issues triggered by the war in Ukraine, and more ambitious international commitments, the emphasis on green economy and green jobs is increasing. Without attempting to be exhaustive in discussing the future of jobs, this chapter discusses the prospect of green and digital jobs as well as the relevant skills in search of new sources for jobs to shape a better future for the Filipino workforce.



PART I

Job Diagnostics

Pre-pandemic Stylized Facts on the Employment Situation in the Philippines

Key Takeaways

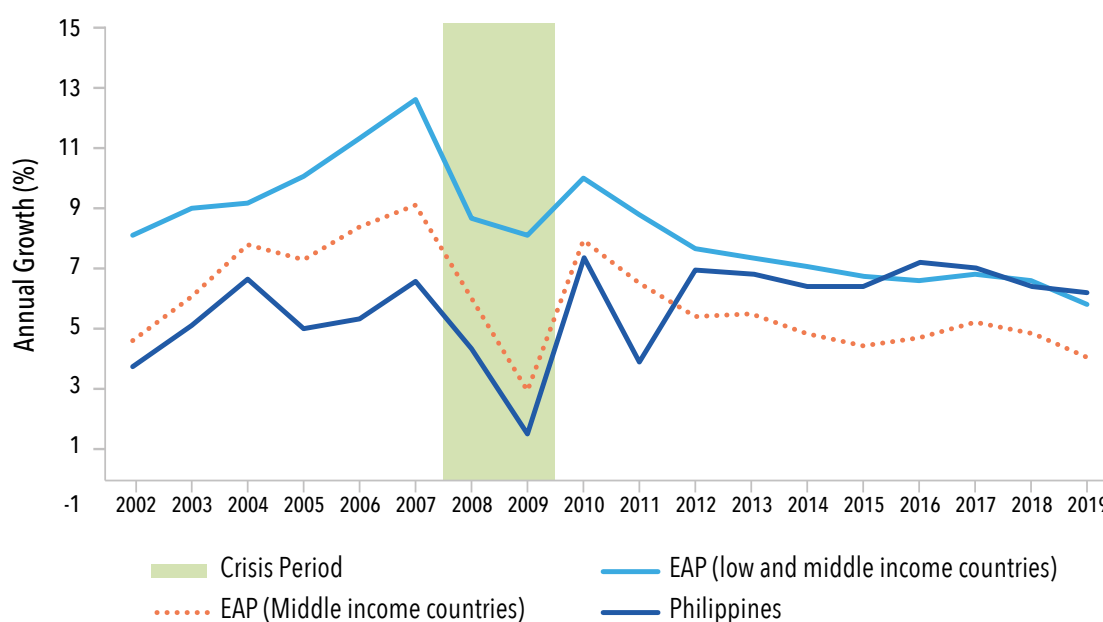
- ◆ **Prior to the pandemic, the Philippines maintained its position as one of the high growth countries in East Asia and the Pacific.** Robust economic growth was accompanied by accelerated job creation and labor productivity, with total employment growing faster than the labor force and real wages increasing in recent years. Strong employment and accelerating productivity outcomes are associated with the overall steady structural transformation, though its pace varies across regions in the country. More and better jobs, particularly in non-agricultural employment, translated into sharp poverty reduction. Overall progress was made in education of the workforce and skills of the employed.
- ◆ **Despite overall progress, more than a third of the working age population was out of the labor force in 2019, with women and youth groups overrepresented in this category.** A large number of workers were in poor quality and low productivity jobs, and many of whom remain as working poor, unable to lift themselves and their family out of poverty despite their labor market work. Women's labor market performance was diverging with women more prominent than men in high skilled occupations but at the same time, more likely to be in elementary occupations at the low end of the skills distribution.
- ◆ **Weak capabilities of the private sector, which is dominated by micro and small enterprises (MSEs), were recognized as an impediment to creating quality jobs in wage employment.** A significant share of Philippine MSEs is concentrated in low-productivity wholesale and retail services and do not grow or exit the market. Informality is prevalent, measured by the share of those in non-wage employment and those in wage employment without access to social insurance or regular payments of salaries. Outdated and complex labor regulations may abet weak private sector performance in job creation. Poor education quality and uncertain labor market returns to education dampen the incentives for individuals to pursue further education and skills development.

- ◆ **Workers opt for internal or international migration to find better labor market opportunities but are faced with risks and challenges in the process.** International migration and overseas market have been providing important earning opportunities for Filipino workers, with their remittances providing major incomes for households and the country's economy. Not only physical labor mobility across borders, but also strong growth in the information technology and business process management (IT-BPM) sector facilitates the entry of many workers in the global labor market.
- ◆ **The government implements various labor programs: technical and vocational education and training (TVET), cash-for-work, public employment services, internship, and pension and unemployment benefits.** These programs could benefit from enhanced delivery efficiency including through digital tools and platforms in administration, clear eligibility criteria and theory of change, and outcome-focused approach with strong measurement and monitoring.

Economic Growth, Structural Transformation and Poverty Reduction

Stylized Fact 1. Prior to the pandemic, the Philippines maintained its position as one of the high growth countries in East Asia and the Pacific. Between 2010 and 2019, the average annual growth rate of GDP was 6.4 percent, up from 4.5 percent from 2000 to 2009. After the global recession and from 2012, the country's growth performance was far above its regional peers, remaining stable and higher than 6 percent (Figure 1.1).⁷ This growth record represents a significant accomplishment for the Philippines, whose growth rate had lagged that of its regional peers for decades. Structural reforms for trade openness and financial sector development as well as prudent fiscal and macro policies are assessed to have cumulative effects on sustained growth (World Bank 2019).

Figure 1.1 Philippine GDP growth rate compared within the East Asia and Pacific (EAP) region



Source: World Bank, World Development Indicators

⁷ World Bank Group (2019), <https://openknowledge.worldbank.org/handle/10986/32646>

Figure 1.2 Key labor market developments: annual growth, 2002–2010 (ages 15–64)

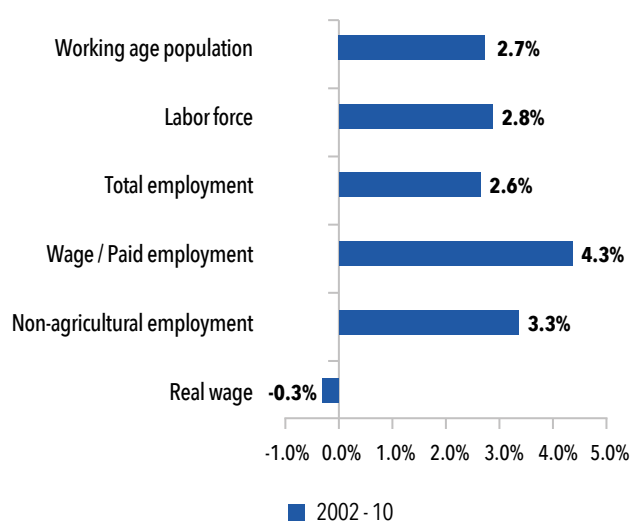
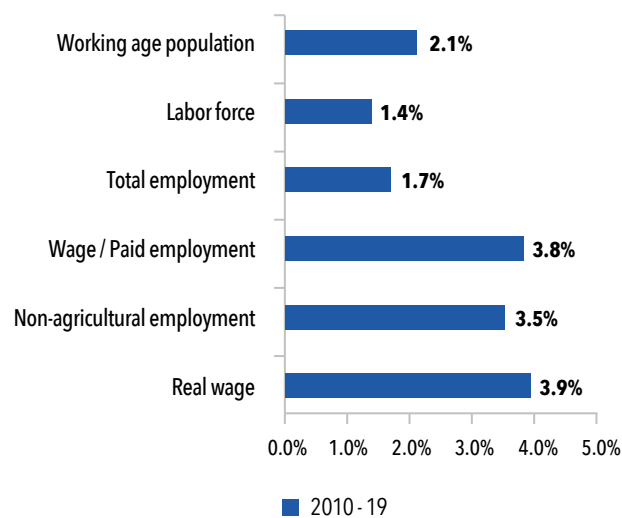


Figure 1.3 Key labor market developments: annual growth, 2010–2019 (ages 15–64)



Source: Authors calculation with Labor Force Survey (LFS) data 2002, 2010 and 2019, January wave.

Stylized Fact 2. Robust economic growth was accompanied by accelerated job creation and labor productivity with total employment growing faster than the labor force and real wages increasing in recent years. Job creation is not a spontaneous by-product of economic growth, and many countries experience “jobless growth.” Between 2002 and 2010 in the Philippines, total employment grew at a slightly slower rate than the labor force (Figure 1.2), indicating that job creation was not at par with the growing labor force. However, since 2010, the Philippine economy has added an average of approximately 550,000 new jobs annually. Total employment among the working-age population (ages 15–64) increased at a rate of 1.7 percent per year, which is faster than the labor force growth rate of 1.4 percent (Figure 1.3). This means that the overall unemployment rates have decreased during this period. Increases in wage employment and non-agricultural employment, far outpacing the rate of total employment growth, are noticeable. These are primarily associated with large-scale job creation in services and construction, particularly in urban areas. Further, in the more recent period (2010–2019), real wages grew at 3.9 percent annually, in contrast to the stagnant wage growth during the earlier period (2002–2010). Throughout the entire period of 2002–2019, labor force steadily grew reflecting a favorable demographic structure, and growth of wage employment and non-agricultural employment far outpaced overall employment growth.

Stylized Fact 3. Strong employment outcomes are associated with the overall steady structural transformation, though its pace varies across regions. The Philippine economy transitioned from lower to higher productivity sectors with an increasing share of non-agricultural sectors contributing to GDP. Labor has steadily transitioned out of agriculture, with the sector’s share of employment falling from 37 percent in 2002 to 23 percent in 2019 (Figure 1.4). Agriculture’s share of total GDP remained stable at around 14–15 percent throughout the 2000s but has since declined to 8.8 percent in 2019 (Figure 1.5). However, the pace of structural transformation has been uneven (see Annex 1.1). For instance, for over two decades now, the National Capital Region (NCR), the center 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 of Muslim Mindanao (BARMM), on the other hand, largely relies 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.

Figure 1.4 Each sector as a share (%) of employment, 2002-2019

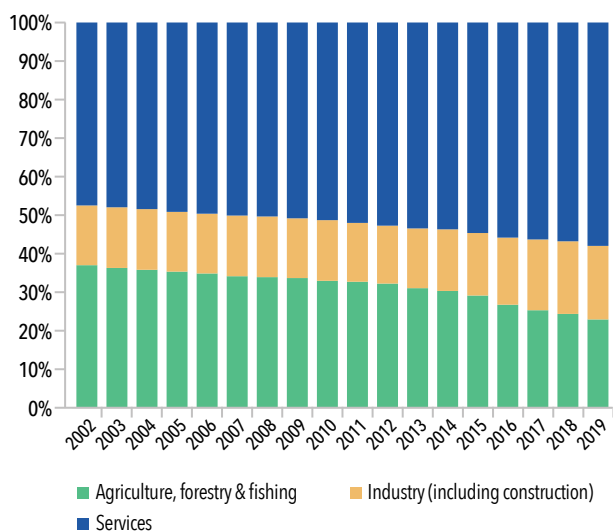
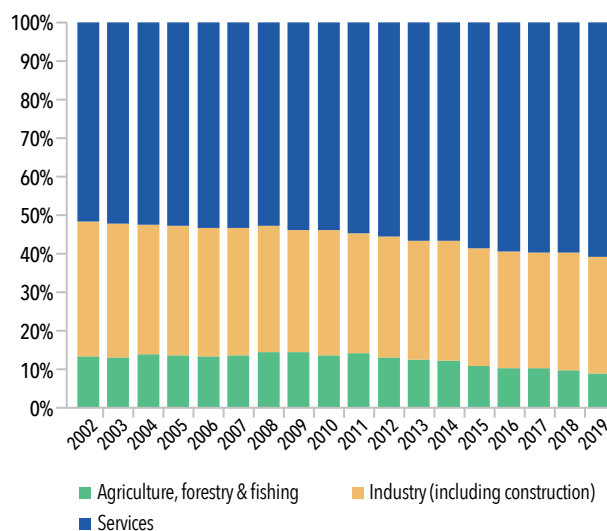


Figure 1.5 Each sector as a share (%) of GDP, 2002-2019



Source: The Jobs Group Jobs Structure Tool based on LFS multiple years

Stylized Fact 4. Along with structural transformation, increases in labor productivity has accelerated over time. As shown in Figure 1.6, the labor market experienced increases in private wage employment and decreases in non-paid work and agricultural self-employment. With these positive developments, labor productivity growth accelerated from 2.2 percent a year (2000-2010) to 5.7 percent a year (2010-2019). It is noteworthy that labor productivity within sectors, especially in services, improved overtime in addition to inter-sectoral shifts of labor (Figure 1.7). The productivity growth was reflected in real wage growth discussed above. Despite progress, however, 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).⁸

Figure 1.6 Type of employment, 2002-2019

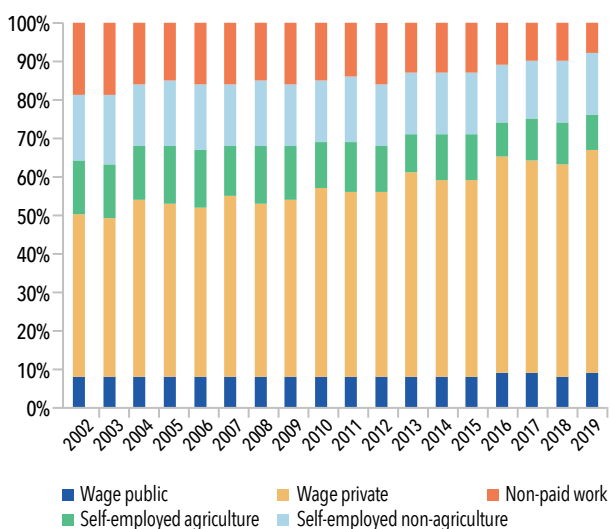
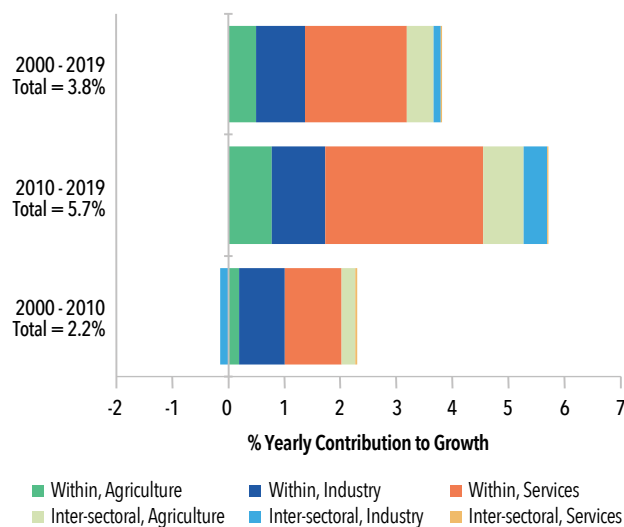


Figure 1.7 Labor productivity (value added per worker) growth, 2000-2019



Source: The Jobs Group Jobs Structure Tool (Figure 1.6) and Jobs Group Demography Tool (Figure 1.7)

⁸ Value added per worker is Gross National Income (GNI) per worker, calculated based on the World Development Indicators and expressed in 2015 constant \$.

Stylized Fact 5. More and better jobs, particularly in non-agricultural employment, were translated into sharp poverty reduction in recent years. Poverty (measured at \$1.90 poverty rate per day in 2011 PPP) declined from 14 percent in 2000 to 2.7 percent in 2018. Based on the country's national poverty estimation, the number of poor declined from about 23.6 million in 2006 to about 17.6 million in 2018 (Figure 1.8). The accelerated reduction in poverty in recent years is mainly due to the transition of workers from agriculture to better paying jobs, principally in the services sector, along with increases in government spending on social programs, most notably through expanded coverage of the conditional cash transfer program or the Pantawid Familyang Pilipino Program and improvements in non-farm enterprises revenues. The World Bank's Poverty and Inequality Report shows that non-agricultural wages play an increasingly more important role in reducing poverty in contrast to agricultural wages or incomes from farm enterprises (Figure 1.9).

Figure 1.8 Philippines national poverty rates and number of poor

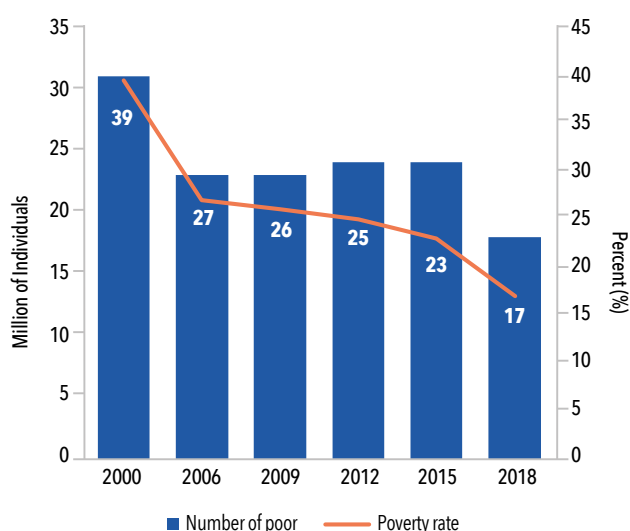
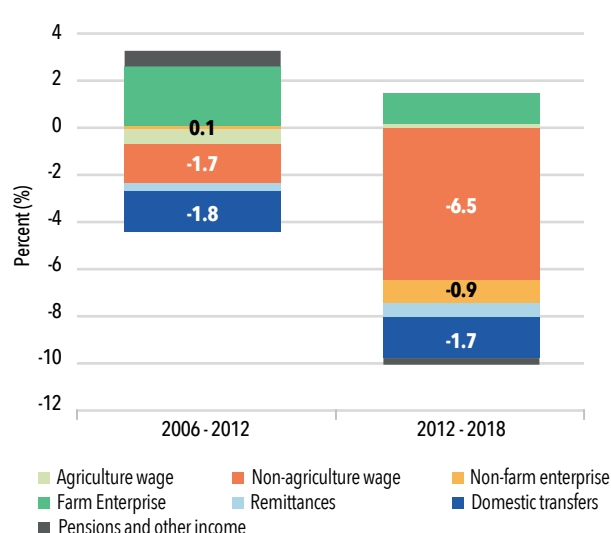


Figure 1.9 Contribution of poverty reduction by source of income, 2006-12 and 2012-18



Source: Philippine Statistics Authority (Figure 1.8) and World Bank (2022) based on Family Income and Expenditure survey (FIES), 2006, 2012, and 2018 (Figure 1.9)

Uneven Labor Market Outcomes of Workers

Stylized Fact 6. Overall progress was made in education of the workforce and skills of the employed.

Level of educational attainment has increased in the last two decades, with a greater proportion of Filipinos completing secondary school or higher education. 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 (Figure 1.10). Studies that examined previous reforms to make secondary schooling free from tuition found that such reforms led to increases in secondary education and that additional year of schooling was associated with increased incomes (Revilla and Estudillo, 2022). With the K-12 Law⁹ that expanded senior high school attendance, overall level of education is likely to increase further, although it is unclear whether the additional education will bring additional incomes as there would be more workers

⁹ Overall increases in the level of education are associated with the K-12 Law, enacted in 2013 through Republic Act 10533 (Enhanced Basic Education Act), through which compulsory basic education was expanded from 10 years to one year of kindergarten and 12 years (through senior high school [SHS] Grades 11 and 12). The K-12 Law made the completion of kindergarten mandatory for enrollment in Grade 1. The enrollment rate of five-year-olds in educational institutions increased from 57 percent in 2010 to 84 percent in 2017. At the primary level, enrollment improved even among children in the poorest income quintile (close to 100 percent for those up to age 12 and exceeding 80 percent for those up to age 16). In addition, in June 2016, the two-year SHS program was launched nationwide, admitting 1.5 million Grade 11 students for the first time. Since the program was launched, the share of youth not in the labor force who cited schooling as their reason for not looking for work increased by about 9 percent (79 percent in 2019 from 70 percent in 2016). The surge in college-educated workers is expected to exert a strong demand for quality work in the labor market, particularly starting in 2022 when the first cohort of SHS graduates finishes tertiary education.

Figure 1.10 Working age education distribution, 2002-2019

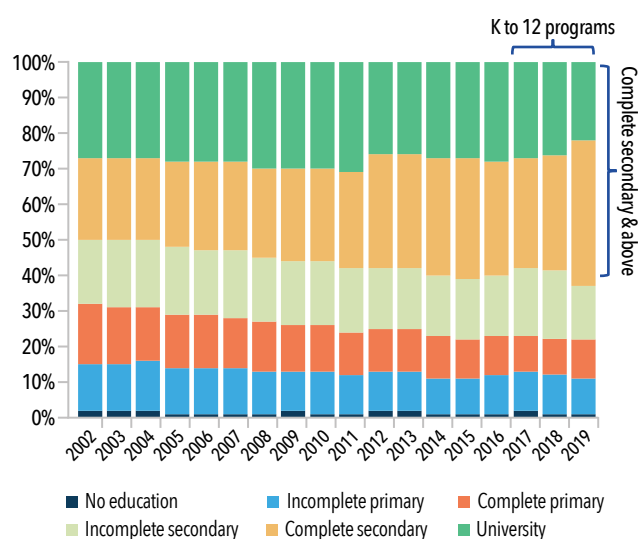
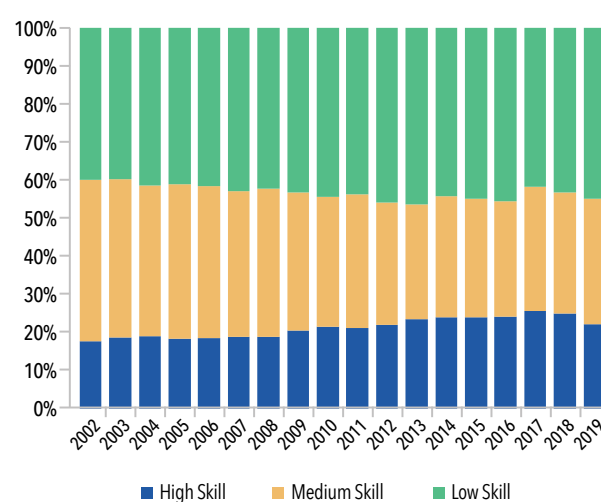


Figure 1.11 Skills distribution of the employed, 2002-2019



Source: The Philippines LFS data 2002-2019 January wave, authors' calculation

Note: Using Philippines Systematic Country Diagnostics (World Bank 2019) classification of occupations, high skill includes managers, professionals, and technician/associate professionals; mid-skill includes clerical support, skilled agricultural work, craft and related trade and plant and machine operators; and low skill includes services and sales and elementary occupations.

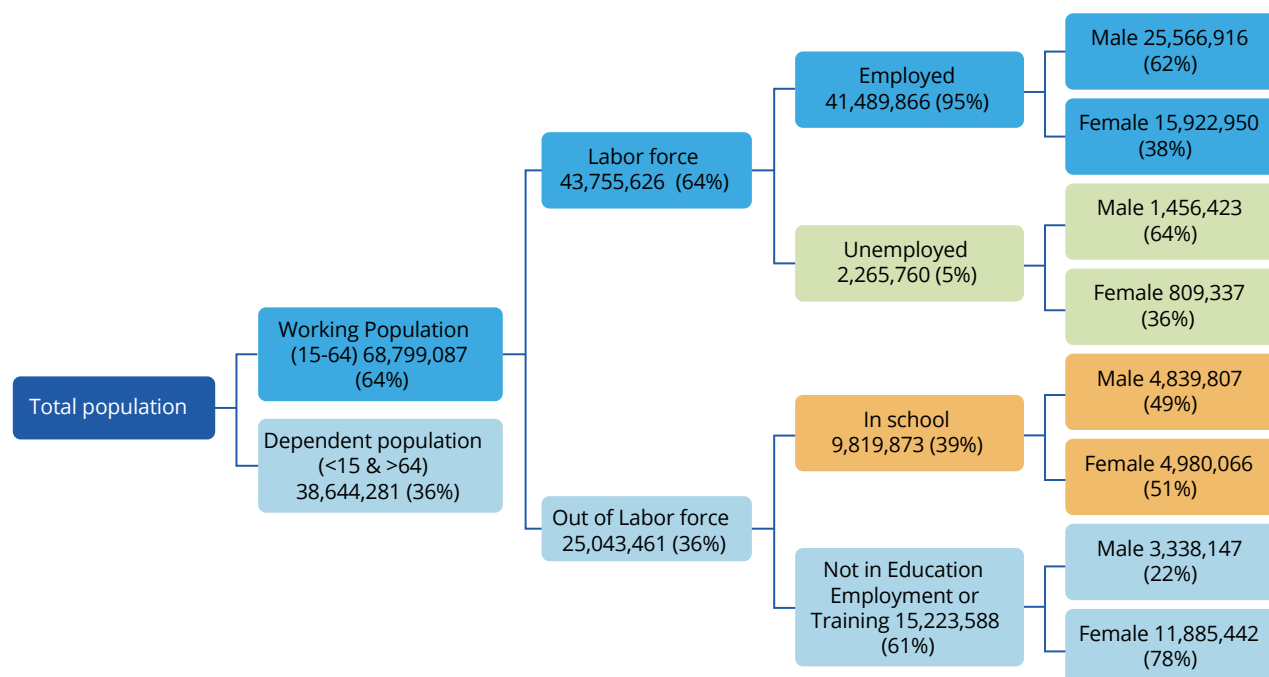
with secondary education. Meanwhile, the labor market also saw improvements in skills level of jobs. The proportion of high-skilled jobs increased over time albeit a reversal between 2017-2019 (Figure 1.11).¹⁰ There is a positive relationship between one's education and skills level of occupations: for instance, over 80 percent of workers in high skill jobs have completed secondary or higher education whereas only 54 percent of workers have the same level of education in low skill jobs.

Stylized Fact 7. Over a third of the working age population was out of the labor force in 2019 despite overall progress in education and skills and the market environment (Figure 1.12). This indicates that much of the country's human capital was unutilized mainly due to low female labor force participation (LFP). Women's LFP rate in the Philippines was low compared with men (49 percent vs. 75 percent) and far below the average of its regional peers (66 percent). Prevalence of the gender norm is still a critical determinant in labor force participation decisions: for instance, women's likelihood of LFP rate decreases with marriage by 29 percent in urban areas and by 26 percent in rural areas. Nearly 61 percent of the inactive population were neither in employment, nor in education or training (NEET). The majority (78 percent) of the NEET population were female. The prospect of finding a good job, households' responsibilities, and households' needs for income compared with the costs of entering the labor market affect labor supply decisions whether to exit the labor market, not enter in the first place, or remain unemployed while in the labor force. For youth, as of October 2019, over 60 percent were out of the labor force and 17 percent were NEET, and the unemployment rate was 13 percent. Estimates from the Philippine Institute for Development Studies (PIDS) revealed higher NEET rate among youth females (23.9 percent) than among youth males (13.5 percent).¹¹

¹⁰Using International Labour Organisation (ILO) classification of skills. Available: <https://ilostat.ilo.org/resources/concepts-and-definitions/classification-occupation/>

¹¹Data derived by averaging quarterly frequencies from the LFS January 2019, April 2019, July 2019, and October 2019 rounds. More details in <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps2121.pdf>.

Figure 1.12 A snapshot of the Philippine labor market, 2019



Source: The Philippines LFS data 2019 January wave, authors' calculation

Stylized Fact 8. Women’s labor market performance is diverging in the Philippines. On one hand, women are better educated with a higher share of those with secondary and tertiary education (World Bank 2021b). Accordingly, women are more present in high skilled occupations than men: about 30 percent of female workers engaged in high skilled occupation in 2019 whereas less than 20 percent of male workers did even after a gradual increase in the share over time (Figure 1.13 and Figure 1.14). In fact, almost two thirds of professionals were women. Driven by this skilled female workforce, the average daily wages of female workers was higher by 5 percent compared with those of male workers in 2019. On the other hand, women are far more likely to be in elementary occupations than men, and their presence in the medium skilled occupations is very low. Further, in recent years between 2017 and 2019, the female share of low skilled occupations increased.

Figure 1.13 Skills distribution among male workers, 2002-2019

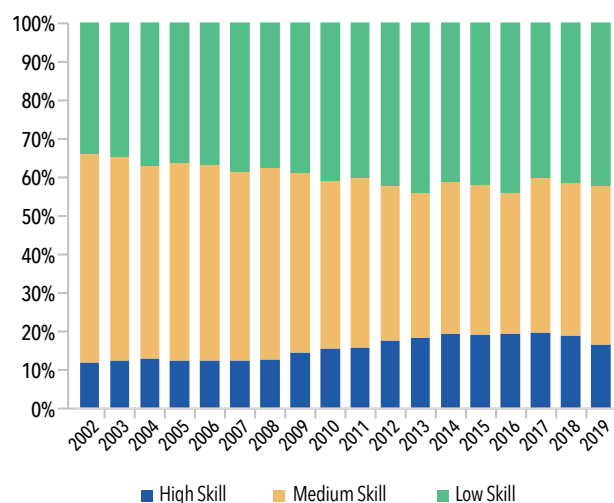
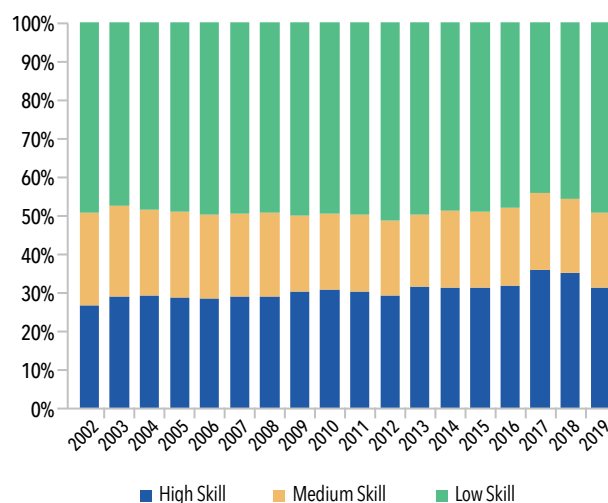


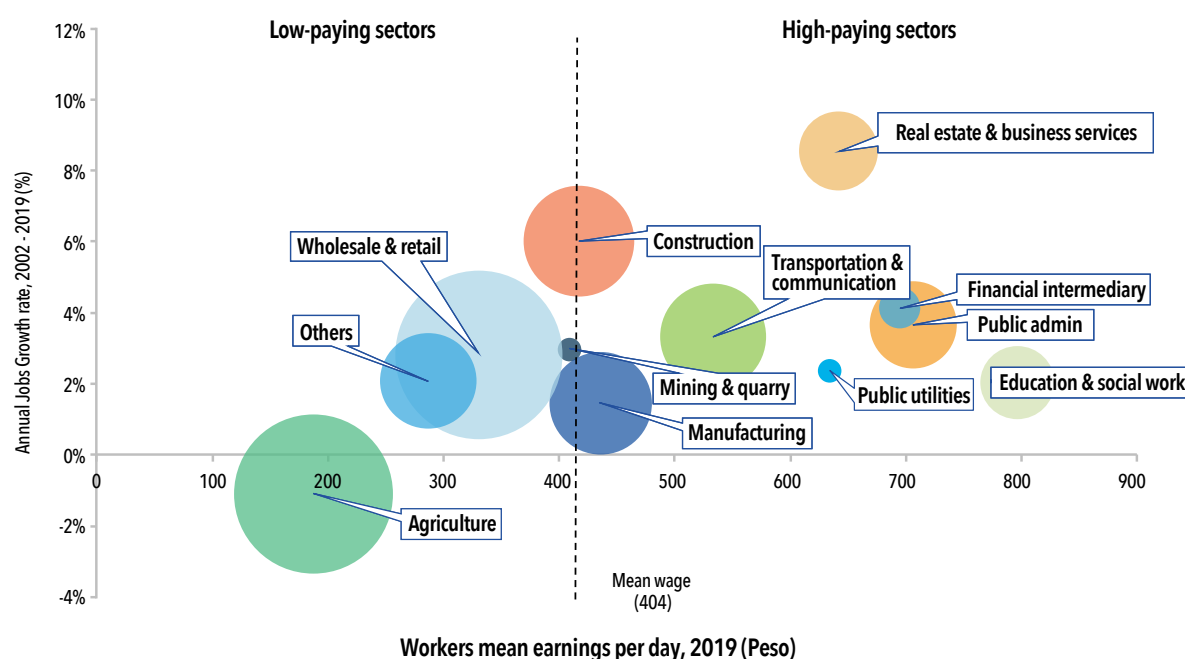
Figure 1.14 Skills distribution among female workers, 2002-2019



Source: The Philippines LFS data 2002-2019 January wave, authors' calculation

Stylized Fact 9. A large number of workers rely on poor quality and low productivity jobs although there has been a steady addition of better quality jobs. High pay jobs are growing faster than low pay jobs, corroborating the finding that share of good jobs in the market is increasing. However, low productivity jobs still account for the largest share of employment (Figure 1.15). The large bubble sizes in agriculture, wholesale and retail (left bottom of the graph) show that these low-paying sectors continue to absorb the largest number of workers. The fastest growing and large sectors such as construction and transportation and communications have a great potential to provide quality jobs to numerous workers if productivity and wages can be pushed upward. Manufacturing's growth in employment has remained pressed, which is a very different picture from other countries in the region where labor intensive and exported oriented manufacturing flourished during the period of rapid economic growth. Mining and quarry was still growing, indicating a need for green transition, although the size of employment was very small.

Figure 1.15 Job growth in low- paying and high- paying sectors, 2002 - 2019



Source: The Philippines LFS data 2002-2019 January wave, authors' calculation.

Note: Bubble size reflects sector employment in 2019.

Stylized Fact 10. Workers relying on poor quality and low productivity jobs tend to remain as working poor, unable to lift themselves and their family out of poverty despite their labor market earnings.

Based on data from the Family Income and Expenditure Survey linked with the Labor Force Survey (FIES-LFS), the working poor are those who are active in the labor market but remain in poverty. Members of low-income households are not necessarily unemployed; they do work, but they hold informal, low-paying jobs. For instance, the unemployment rate was more or less the same at about 5 percent in 2018, but the mean wage of individuals from households in the top 40 percent of the income distribution was more than twice that of the bottom 40 percent of households. Approximately 13 percent (or 9.1 million) of the working-age population were below the country's poverty threshold in 2018, and close to three fourths (73 percent) of them lived in rural areas where poverty rates were higher (Figure 1.16). Many of the working poor were in casual paid jobs or self employment, and the difference in employment type between the working poor and non-poor was more prominent in urban areas (Figure 1.17). Approximately 4 percent of them have no formal education, and another 62 percent have not completed secondary education

Figure 1.16 Rate of working poverty in urban and rural areas, 2018

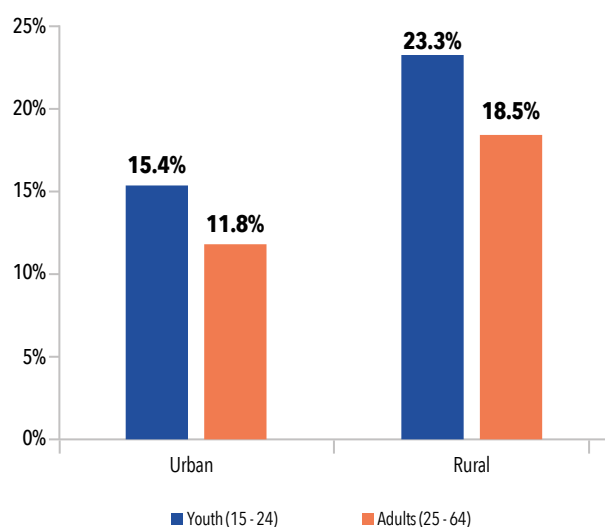
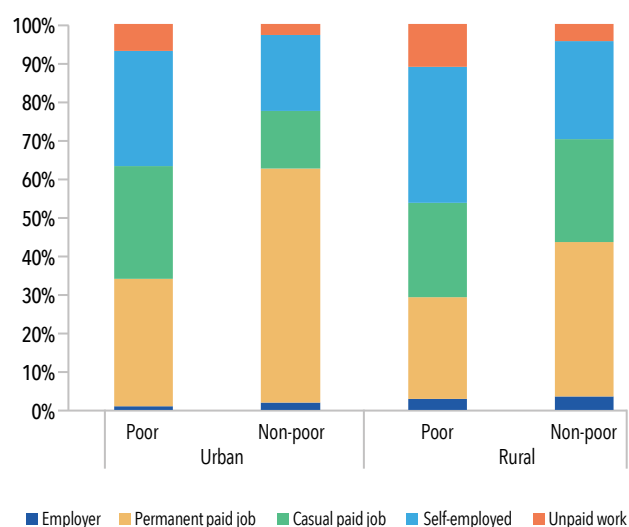


Figure 1.17 Type of employment by poverty status in urban and rural areas, 2018



Source: FIES-LFS 2018 data

(compared to 68 percent of the non-poor who have completed secondary education). The working poor rate was significantly higher for youth (ages 15–24) without a significant gender gap. One in five young workers in poverty was engaged in unpaid work whereas the share in unpaid work was about 7 percent for non-poor youth.

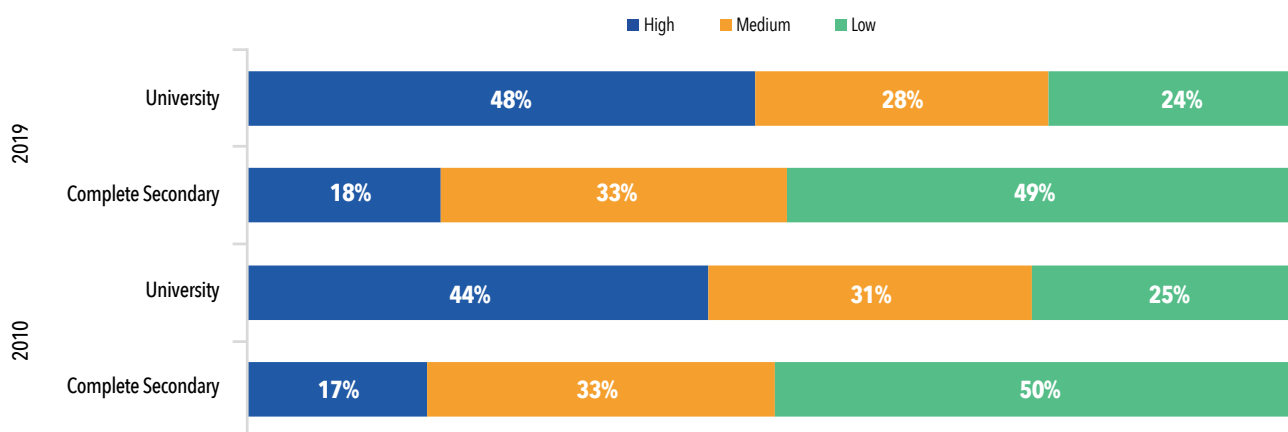
Stylized Fact 11. Poor education quality and uncertain labor market returns to education dampen the incentives for individuals to pursue further education, and thus limit the opportunities to escape poverty.

Workers' earnings are positively correlated with education level, with the greatest education premium shown at university level.¹² In 2019, those with a university education earned more than three times as much as those with a complete secondary education, and those with a complete secondary education earned more than twice as much as those with an incomplete secondary education. University graduates in 2019 were much more likely to land in high skilled jobs than those in 2010 with positive development in the labor market. However, between 2010-2019, the returns to higher education have decreased especially for youth and urban workers. A significant share of highly educated workers remain employed in low-productivity jobs, indicating an education-job mismatch which often results from asymmetric information in the labor market or a worker's choice to gain skills on the job. For instance, about one quarter of university educated workers engaged in low skilled jobs in 2010 and 2019 with very little change (Figure 1.18). This suggests that the quality and type of jobs available in the domestic labor market may fall behind the expectation and aspiration of workers. Further, the absence of a clear link between education and skills due to poor learning can undermine education-earnings premium. A large body of literature points to learning crisis, posing a serious threat to the future workforce and their earnings potential.¹³ Education yielded higher returns for workers from higher income households, part of which may be explained by varying quality of education accessible by different income level (World Bank, 2022).

¹² Mincer-style regression model, controlling for individual characteristics, sector specific characteristics, and regional composition, is employed.

¹³ Schooling does not necessarily translate to learning. According to numerous studies (i.e., Meinck & Brese 2019; Schleicher 2018; World Bank Group 2018; David, et al. 2018) on various international standardized exams, Filipino children perform poorly compared with neighboring Asian countries. For instance, in the PISA 2018, the Philippines lagged behind all participating Asian counterparts (China: Beijing-Shanghai-Jiangsu-Zhejiang; Brunei Darussalam; Chinese Taipei; Hong Kong, Macao (China); Indonesia; Japan; Korea; Malaysia; Singapore; and Thailand) in Mathematics, Science, Reading, and Overall. Notably, the Philippines' average scores are way below the average scores of Southeast Asian developing countries (lower by 51 points in Mathematics, 52 points in Science, and 45 points in Reading). World Bank (2018b). Similar findings emerge from the National Achievement Tests (NAT) conducted by the Department of Education annually. The average NAT scores of Filipino secondary school students hardly reached 55 percent in Mathematics, Science, and English in the past decade.

Figure 1.18 Skills distribution by education level, 2010, 2019



Source: Philippines LFS data 2010, 2019 January wave, authors' calculation

Stylized Fact 12. Workers opt for internal or international migration as a strategy to find better labor market opportunities. Migration is common mostly among the relatively young and better educated workers.¹⁴ In 2018, approximately 6 million working-age Filipinos (close to 15 percent of the workforce) reported migration in the last five years. Approximately 85 percent migrated within the country and 15 percent outside the country, while 2 percent reported both internal and international migration.¹⁵ The main reason for migration was employment, especially among men (Figure 1.19). Contrary to the notion that people migrate from rural to urban areas for better opportunities, rural-rural movements were the most prevalent, reflecting the expansion in the rural farm and non-farm economies as source of labor market activities and incomes (Figure 1.20). Despite rapid urbanization, the rural population still accounts for approximately 54 percent of the total population, significantly higher than its regional peers such as Indonesia and Malaysia.

Figure 1.19 Reasons for internal migration, 2018

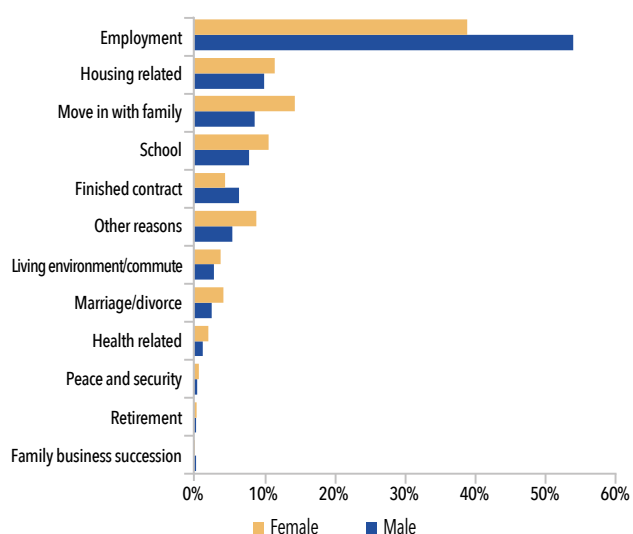
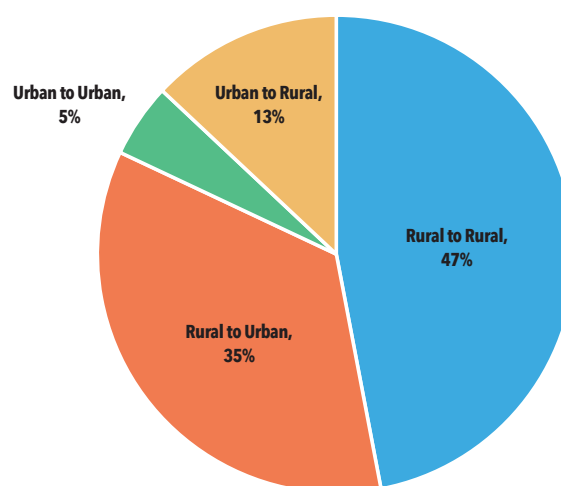


Figure 1.20 Internal migration pattern, 2018



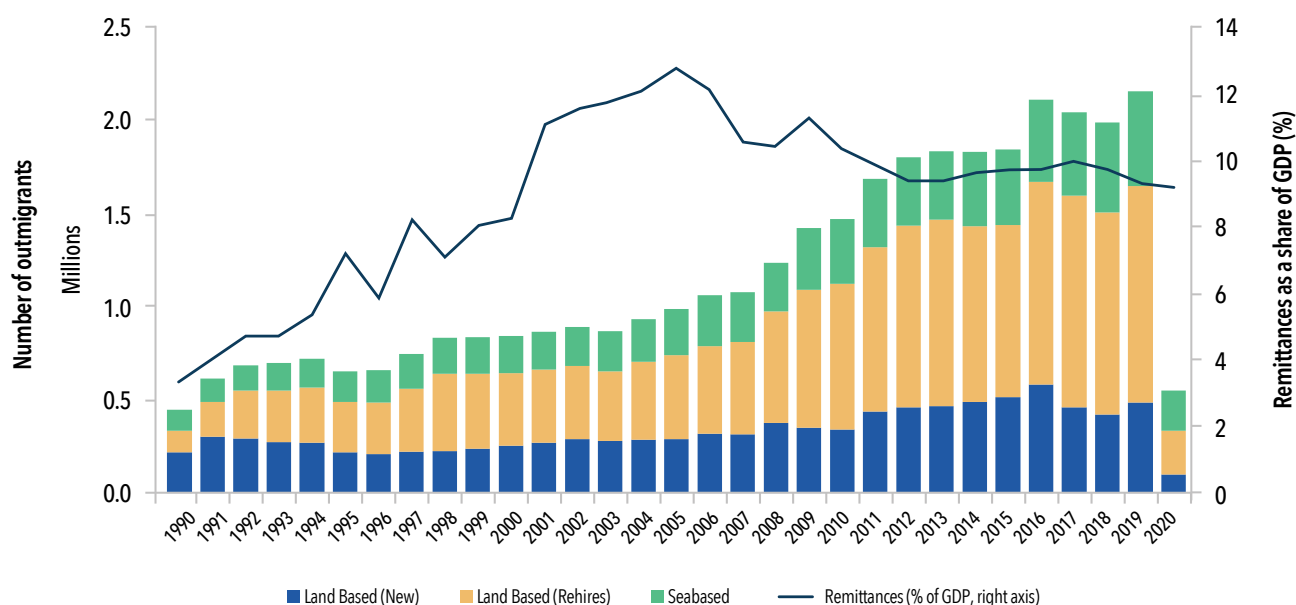
Source: Authors' calculations based on Philippines NMS 2018.

¹⁴ The youth group (ages 15-25 years) constitutes the highest share of migrants (46 percent), followed by the age group 25-35 years (30 percent). Migrants tend to be better educated, with almost a third of them having completed secondary education (31 percent).

¹⁵ According to the 2018 National Migration Survey (NMS 2018), more than half (approximately 54 percent) of the working age population (ages 15 – 64) in the Philippines migrated at least once in their lives and approximately 6 million Filipinos migrated in the past five years (between 2013 and 2018).

Stylized Fact 13. International migration and overseas market have been providing important earning opportunities for Filipino workers, with their remittances providing major incomes for households and the country's economy. The annual outflow of overseas Filipino workers (OFWs) exceeded 500,000 in 1991 and 1 million in 2006, peaking at 2.15 million in 2019 (Figure 1.21). The largest share of outgoing migrants is composed of land-based rehired contractors, but a steady flow of new workers is going abroad every year for work. With their good reputation, Filipino workers constitute a large number of global seafarers. Remittances from OFWs and other diaspora Filipino populations are an important source of income, representing close to 10 percent of GDP. With a long history of deploying OFWs around the world, the country has a relatively well-established institutional mechanism for facilitating international labor mobility and providing support for workers. At the same time, it also faces perennial challenges to tackle related to international labor mobility, including regulating recruitment agencies to curb migration costs, providing worker protection especially in the household service sector, and diversifying the destination markets beyond a few limited countries.

Figure 1.21 Annual outflow of OFWs, 1990-2020



Source: Philippine Overseas Employment Authority (POEA).

Stylized Fact 14. Not only physical labor mobility across borders, but also strong growth in the information technology and business process management (IT-BPM) sector facilitates the entry of many workers in the global labor market. 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, animation, and healthcare information management, are gaining prominence and increasingly provide freelancing and earning opportunities for Filipinos. Estimates suggest that the sector provided employment to 0.6 to 1.2 million workers a year with an annual growth rate at over 5 percent.¹⁶ Targeted policies for the industry including access to special economic zones and tax exemptions, along with the English speaking country advantage are believed to have contributed to the sector's impressive growth.

¹⁶ Philippine Statistics Authority. <https://psa.gov.ph/content/2017-annual-survey-philippine-business-and-industry-aspbi-information-technology-business>

Weak Private Sector

Stylized Fact 15. Weak capabilities of the private sector, which is dominated by micro and small enterprises, are recognized as an impediment to creating quality jobs in wage employment. In 2019, micro and small enterprises (MSEs) accounted for approximately 99 percent of firms, with microenterprises (with less than 10 paid employees) representing approximately 89 percent and small businesses (with less than 100 paid employees) approximately 10 percent (Figure 1.22).¹⁷ With respect to employment share, MSEs accounted for approximately 55 percent of the employees whereas large enterprises employed approximately 38 percent despite accounting for only 0.5 percent of firms (fewer than 4,800). The share of employees in large firms was slowly increasing as more jobs were created by them (Figure 1.23).¹⁸ The large proportion of MSEs and lack of medium and large-sized firms, while not being uncommon in many developing countries, likely indicate that firms do not grow and fail to utilize economies of scale¹⁹ for competitiveness because larger firms tend to have better access to credit and technology and are more resilient to shocks. It is also typically large firms that bring foreign direct investment (FDI), research and development (R&D), new technology and innovation. Meanwhile, heavy reliance on a very limited number of large firms in job creation may also mean increases in monopsony power and repressed wage growth.

Figure 1.22 Distribution of firms by size, Philippines, 2006-2019

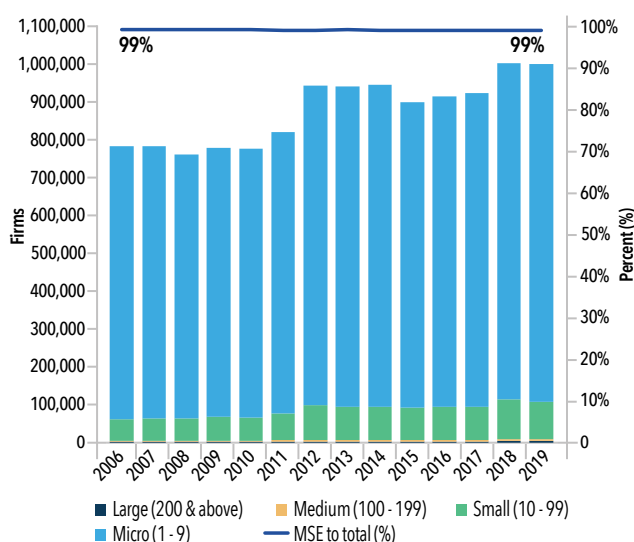
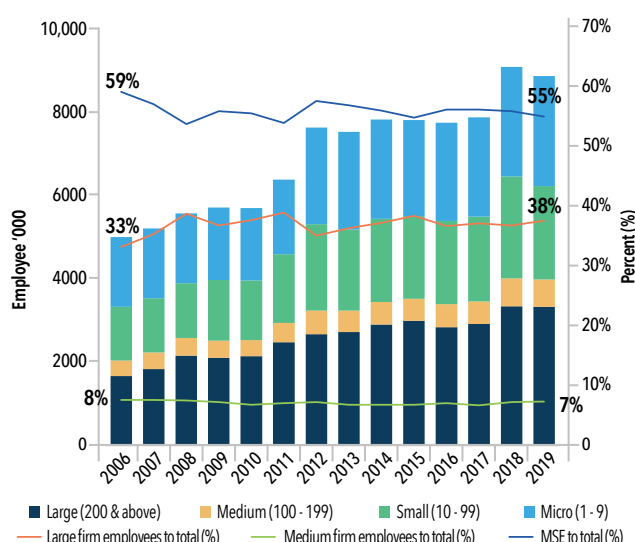


Figure 1.23 Distribution of employees by firm type, Philippines, 2006-2019



Source: ADB Asia SME Monitor 2020 database. Data from Magna Carta for Micro, Small and Medium Enterprises; Bureau of Micro, Small and Medium Enterprise Development; and Philippine Statistics Authority

Stylized Fact 16. A significant share of Philippine MSEs are concentrated in low-productivity wholesale and retail services without growing or exiting the market. In 2019, services accounted for approximately 87 percent of all MSEs, with the low productive wholesale and retail trade accounting for 47 percent. Other services, including accommodation and food services at 40 percent, accounted for the second largest share. Similarly, 84 percent of MSE employees work in services, with 38 percent in wholesale and retail trade and 46 percent in other services (Figure 1.24). 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 suggests that many MSEs fail to grow or to exit, contributing to a lack of dynamism among enterprises (Figure 1.25).

¹⁷ The Philippine Statistics Authority uses a firm size criterion in which a microenterprise has fewer than 10 employees, a small enterprise has fewer than 100 employees, and a medium-sized enterprise has fewer than 200 employees.

¹⁸ Between 2006 and 2019, job creation in large firms increased by approximately 5 percentage points while job creation in MSEs and medium firms decreased by approximately 4 percentage points and 1 percentage point, respectively.

¹⁹ World Bank Group (2018): <https://documents1.worldbank.org/curated/en/586871537541775427/pdf/130056-REVISED-WB-Growth-and-Productivity-Full-Report-ONLINE.pdf>

Figure 1.24 MSEs employment by sector, 2019

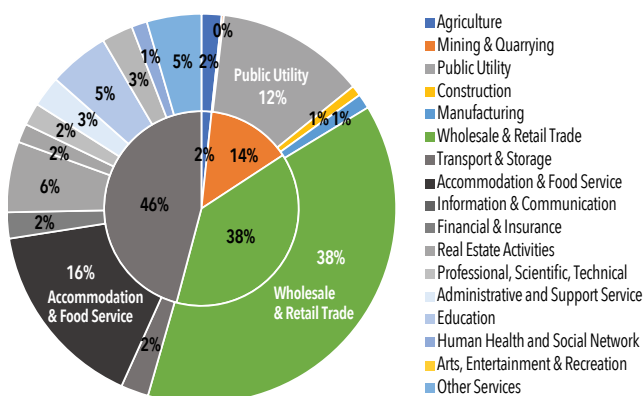
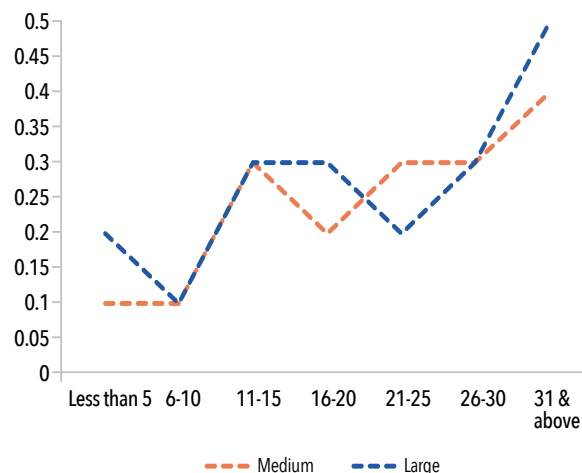


Figure 1.25 Share of medium and large firms, by age of firms in 2015



Source: Authors' calculations based on 2015 Philippines Enterprise Survey, World Bank.

Stylized Fact 17. Informality is prevalent in the Philippine labor market. The definition of informality is loose, but typically those in non-wage employment are considered informal sector workers.²⁰ Even among wage workers, those who do not have access to formal written contracts, social insurance, or worker protection measures provided by employers are considered informal workers. In July 2019, about 63 percent of the employed in the Philippines were wage and salaried workers, the majority of whom worked in private establishments (Figure 1.26).²¹ This share of wage and salaried workers out of total employment is relatively high and was on the increasing trend prior to the pandemic. The LFS in the Philippines, however, does not ask about a written contract or access to social insurance. It instead collects information on the nature of employment (i.e., permanent, short-term, or working for multiple employers on specific projects) and the basis of payment (i.e., monthly; daily, piecemeal; *pakyaw* or wholesale or bulk buying; and in-kind). When the wage and salaried worker category is further disaggregated by nature of employment, about 72 percent of those working in private establishments reported having a permanent job. When disaggregated on the basis of payment, about 39 percent of wage and salaried workers reported receiving payments on a monthly basis, whereas 46 percent on daily payments (Figure 1.27). This indicates a large degree of informality even among wage workers, a consistent observation given the dominance of MSEs in the private sector.

Figure 1.26 Employment status and informality, July 2019

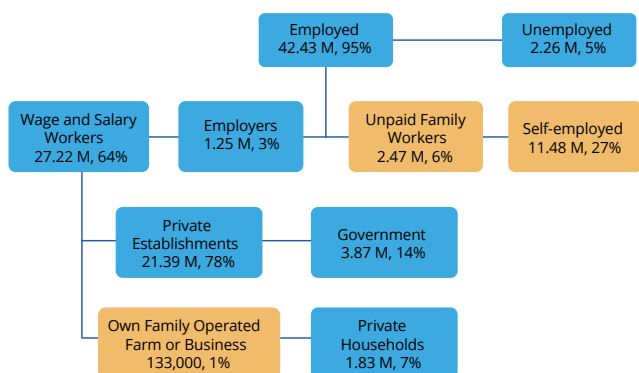
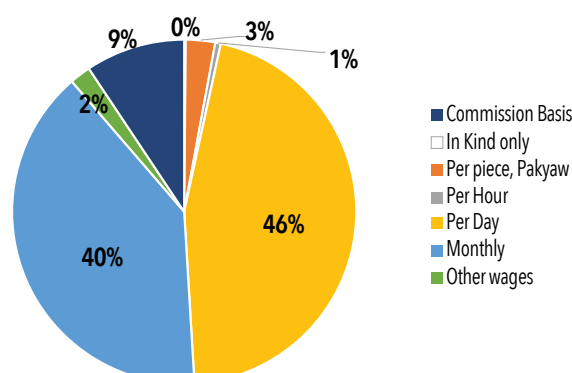


Figure 1.27 Wage and salaried workers by payment arrangement, July 2019



Source: The Philippines LFS data 2019, authors' calculation

²⁰ From the firms' perspective, the Informal Sector Survey in 2008 by the Philippine Statistics Authority define the informal sector as those who are either self employed without any paid employees or employer in own family operated farm or business.

²¹ The World Development Indicators, based on ILO estimates, shows the share in comparator countries in the region as follows: Indonesia (48.9 percent), Malaysia (74.9 percent), Vietnam (44.4 percent), Thailand (49.1 percent), with the East Asia and Pacific (EAP) region average, excluding high-income countries, at 51.8 percent.

Stylized Fact 18. Complex and rigid labor regulations tend to abet weak private sector performance in job creation. Restrictive labor regulations such as complicated and cumbersome retrenchment rules, severance payment schemes without much developed social insurance systems, and relatively high minimum wages, have been recognized as factors that increase labor costs and firms' incentives to remain informal (World Bank, 2019). Based on the 2015 Enterprise Survey in the Philippines, the share of firms reporting informal sector competition as an obstacle to firm growth was about 21 percent, similar to Indonesia (19.5 percent in 2015), but significantly higher than other regional peers such as Vietnam (11 percent in 2015), Malaysia (14.5 percent in 2015), and Thailand (5.2 percent in 2016).²² Various other factors, such as tax rates, access to finance and electricity, and corruption, appear to be undermining the business environment, and the binding constraints vary by size of firms. Previous studies on the impact of informal firm operations on formal firm operations acknowledge that informal firms benefit from "unfair" advantages (especially in countries where the cost of operating in the formal sector is higher), allowing them to operate unregulated, lowering their overall cost and "stealing" market share from formal firms. Large firms, exporting firms, and firms with better access to finance, on the other hand, are found to be less affected by informal competition than their respective counterparts.^{23,24}

Major Labor Market Programs

Stylized Fact 19. Philippine labor market programs consist of a good mix of various instruments (Table 1.1). These include: technical and vocational education and training (TVET) skills training mostly led by the Technical Education and Skills Development Authority (TESDA); combinations of public employment services and internship/on-the-job training led by the Department of Labor and Employment (DOLE); public works mostly targeting poor and vulnerable individuals by multiple agencies; social insurance such as pension and unemployment benefits; and support for international migration. Some of the services are delivered locally. For instance, the public employment service offices (PESO) managed by local government units (LGUs) facilitate job matching, labor market information dissemination, career guidance, and employment coaching, utilizing online search tools—PhilJobnet, job referrals, and job fairs, for which the DOLE coordinates the network of employment service providers in the country. Community-based training programs are also provided by various government agencies mostly for livelihoods at local level in collaboration with national agencies. Compared with TVET, community-based training programs are shorter in duration, less technical, and provided as part of the government agencies' extension support services.

Stylized Fact 20. The coverage of active labor market programs for youth and social insurance falls short of the needs. A common challenge faced by these programs tend to be small and lack the scale they need. For instance, in 2019, the number of youth in NEET was estimated to be about 3.7 million, but the number of TVET enrollees in TESDA's training programs was merely around 0.4 million.²⁵ In 2016, DOLE initiated JobStart, a program supporting the employment of young workers through full-cycle employment facilitation and support for education-to-work transition.²⁶ However, records show that less than 9,000 beneficiaries found employment through the program between 2016 and 2019 (DOLE, 2019). A few other livelihood and job facilitation programs exist and support social assistance beneficiaries.²⁷

²² World Bank Enterprise Surveys.

²³ Amin (2021), <https://openknowledge.worldbank.org/handle/10986/35029>

²⁴ Most of the firms captured in the Philippines Enterprise Survey are formal enterprise, hence they study is unable to provide more analyses by firm type

²⁵ See https://www.tesda.gov.ph/Uploads/File/Planning2022/TVET%20Fact%20Sheet%2021.03.11_REVISIED_2015-2019-Fact-Sheet_FINAL.pdf for details on the number of enrollees and graduates of TESDA scholarship programs and <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps2121.pdf> for data on NEET youth.

²⁶ The program was institutionalized by Republic Act 10869 ("JobStart Philippines Act") in 2019.

²⁷ The Department of Social Welfare and Development implement the Sustainable Livelihood Program (SLP) to assist Pantawid Pamilyang Pilipino Program (4Ps) beneficiaries as a graduation strategy. The SLP - Employment Facilitation Track supports beneficiaries through trainings and job matching services whereas the SLP Microenterprise Development Track supports self-employment, with the latter more prevalent than the former (PIDS, 2016; World Bank, 2016). Temporary employment was also given to Pantawid households through public works called, Trabahong Lansangan, in partnership with the Department of Public Works and Highways.

Table 1.1 Labor market policy instruments and programs in the Philippines

Policy instruments	Programs	Main government agency	Salient features
Skills development	<ul style="list-style-type: none"> Technical education and vocational training (TVET) TVET scholarship programs: Training-for-Work Scholarship; Private Education Student Financial Assistance; and Special Training for Employment Program 	TESDA	The eligibility criteria typically based on age (at least 15 or 18 years old) and educational attainment (at least high school graduate).
	<ul style="list-style-type: none"> Community based training 	LGUs supported by various agencies	Shorter in duration, less technical, and part of the government agencies' extension support services
	<ul style="list-style-type: none"> Government internship program & Special Program for the Employment of Students (SPES) 	DOLE (Department of Labor and Employment)	On-the-job training in government offices and private enterprises, respectively
Employment services	<ul style="list-style-type: none"> Public Employment Service Offices (PESO) 	LGUs	Job matching, labor market information dissemination, career guidance, and employment coaching
	<ul style="list-style-type: none"> JobStart PhilJobNet (online job search tools), job fairs, job referrals 	DOLE	Career coaching, life skills and technical trainings, and internships with employers in partnership with the private sector
Public works & livelihood programs	<ul style="list-style-type: none"> Cash/food for work <i>Tulong Panghanapbuhay sa ating Disadvantaged/ Displaced Workers</i> (TUPAD) 	<ul style="list-style-type: none"> DSWD (Department of Social Welfare and Development); DPWH (Department of Public Works and Highways) DOLE 	Targeted to disadvantaged workers; wage rate set at 75% of regional minimum wage; mostly infrastructure building projects
Social Insurance	<ul style="list-style-type: none"> Government Service Insurance System (GSIS)* 	GSIS	Pension system for public sector workers: 1.9 million active contributors; 0.5 million pensioners (as of September 2021)
	<ul style="list-style-type: none"> Social Security System (SSS)* 	SSS	Pension system for private sector workers: 40.5 million members (as of May 2021)
	<ul style="list-style-type: none"> Unemployment benefits** 	SSS	Started in 2019; unemployment benefits to qualified private sector employees; between January and September 2021, about 68,000 workers received benefits.
International migration support***	<ul style="list-style-type: none"> Migration facilitation Migrants' welfare services Returnees' reintegration 	<ul style="list-style-type: none"> Philippines Overseas Employment Administration (POEA) Overseas Workers Welfare Administration (OWWA) Philippine Overseas Labor Offices (POLOs) in destination countries 	Various services such as pre-employment and pre-departure orientation, training, case management; medical services, counseling, rescue operation; entrepreneurship support.

* Both GSIS and SSS provide retirement, disability, funeral, sickness, life insurance, and access to different loan programs. In 2021, the SSS contribution rate stands at 13% of the member's salary, with 4.5% coming from employee share and 8.5% from employer share, while the GSIS contribution rate for the member and employer are 9% and 12%, respectively.

** Mandated by Social Security Act of 2018 (Republic Act No. 11199); commenced in 2019.

*** Agencies supporting OFWs have been under DOLE until the new Department of Migrant Workers was established in December 2021.

The Government Service Insurance System (GSIS) for government employees and Social Security System (SSS) for private sector workers as well as the self-employed,²⁸ manage contributory social insurance, pension schemes, and unemployment benefits in the country.²⁹ These programs tend to focus on formal sector workers leaving out numerous workers given the prevalence of informality in the labor market: in 2017, the proportion of the labor force that contributed either through the SSS or GSIS was only around 38.4 percent, indicating that the majority of the economically active population have no access to social insurance programs.³⁰

Stylized Fact 21. Temporary assistance through public works and support for international migration supplement active labor market programs. Public works programs are implemented by the DOLE, Department of Social Welfare and Development (DSWD), and Department of Public Works and Highways (DPWH) as infrastructure and emergency employment programs for low-skilled or displaced workers due to shocks (i.e., natural calamities and economic crisis). The projects tend to focus on building structures including roads, flood control, schools, water systems, and other infrastructure. Workers are paid 75 percent of the regional minimum wage rate set by the Regional Wage and Productivity Board in exchange for work. In 2019, about 0.7 million workers were provided cash-for-work or emergency employment under the *Tulong Panghanapbuhay sa ating Disadvantaged/Displaced Workers* (TUPAD) of DOLE. With respect to international migration (as will be discussed in Chapter 4 in detail), the Philippines Overseas Employment Administration (POEA), Philippine Overseas Labor Offices (POLOs), and Overseas Workers Welfare Administration (OWWA) deliver programs and services to protect the rights and welfare of OFWs. The POEA facilitates employment and conducts pre-employment, pre-departure and post-arrival orientation seminars to OFWs. In 2019, around 0.9 million and 0.7 million workers received pre-employment orientation and pre-departure orientation seminar, respectively.³¹ The services provided by the POLOs include training, case management, custodial services, repatriation assistance and other welfare assistance in destination countries. In 2019, a total of 850,756 OFWs received assistance by the POLOs.³² Welfare services include workplace visits, medical referrals or assistance, counselling, and rescue from unsafe working environment as well as support for migrants' families. OWWA supported the education of 61,802 dependents of OFWs in 2019.³³

Stylized Fact 22. An integrated framework with robust monitoring and evaluation is needed for greater impact and synergies of labor market programs. Data of various labor market programs and their effectiveness beyond number of participants are limited. Budget allocation for these programs is mostly based on the input and activities, with very little accountability coming from the assessments on outcomes and results such as participants' employment and earnings. Further, programs tend to be implemented in a fragmented manner, and a more coherent approach can strengthen program effectiveness. For instance, employment services can be provided to training participants based on real time labor market information system; international migration facilitation build on strong sector and corridor specific skills training; and public works and JobStart be offered to youth graduates from the Pantawid Pamilyang Pilipino Program, the country's flagship safety nets. Digital tools and platforms in administration, clear eligibility criteria and theory of change, and outcome focused approach with strong measurement and monitoring, can help strengthen these programs.

²⁸ Based on the Government Service Insurance System Act of 1997 (Republic Act No. 8291); Social Security Act of 2018 (Republic Act No. 11199).

²⁹ Both GSIS and SSS provide retirement, disability, funeral, sickness, life insurance, and access to different loan programs. In 2021, the SSS contribution rate stands at 13% of the member's salary, with 4.5% coming from employee share and 8.5% from employer share, while the GSIS contribution rate for the member and employer are 9% and 12%, respectively.

³⁰ See data from PSA, <https://psa.gov.ph/sites/default/files/attachments/ird/specialrelease/LABSTAT%20Updates%20Vol%2023%20No%201%20Decent%20Work%20Social%20Security.pdf>. As of September 2021, GSIS has a total membership of 2,463,059, including 1,933,544 active members and 529,515 old-age and survivorship pensioners. The SSS has a total of 40.52 million members as of May 2021.

³¹ These numbers represent 43 percent and 32 percent of the total number of outmigrants (2,156,742) in that period.

³² The breakdown by type of assistance is as follows: 547,053 for other welfare assistance, 238,966 for training, 23,429 for case management, 22,747 for custodial, and 12,202 for repatriation.

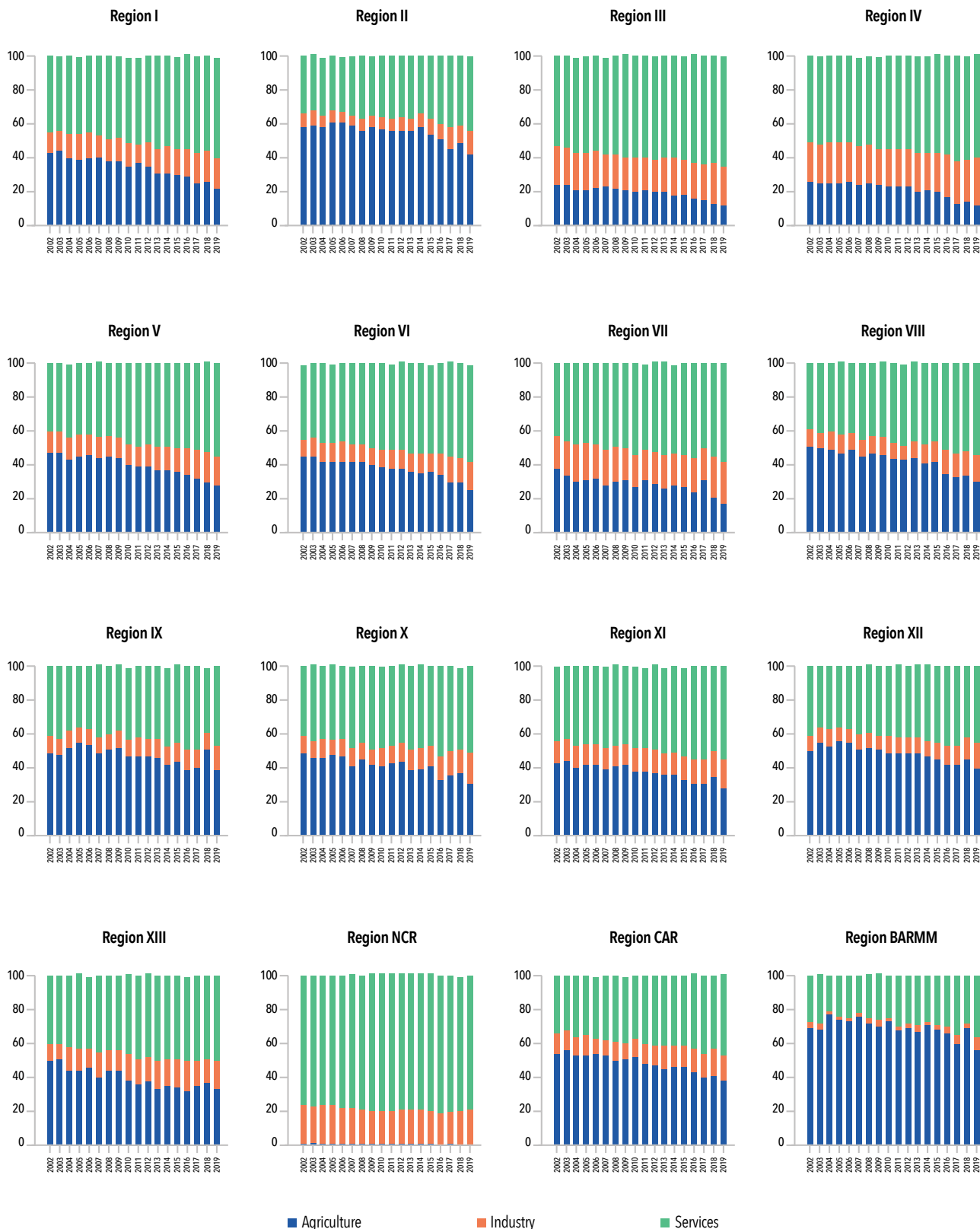
³³ About 23,000 dependents pursued degree courses and 38,000 took short-term courses.

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Annex 1

Annex 1.1 Evolution of employment sector by region over time



Source: Philippine LFS data, 2002-2019 January wave (for consistency across years), authors' calculation
Note: Region IV combines Regions IV-A (CALABARZON) and IV-B (MIMAROPA) for consistency across 2002-2019



CHAPTER TWO

The COVID-19 Impact on the Labor Market

Key Takeaways

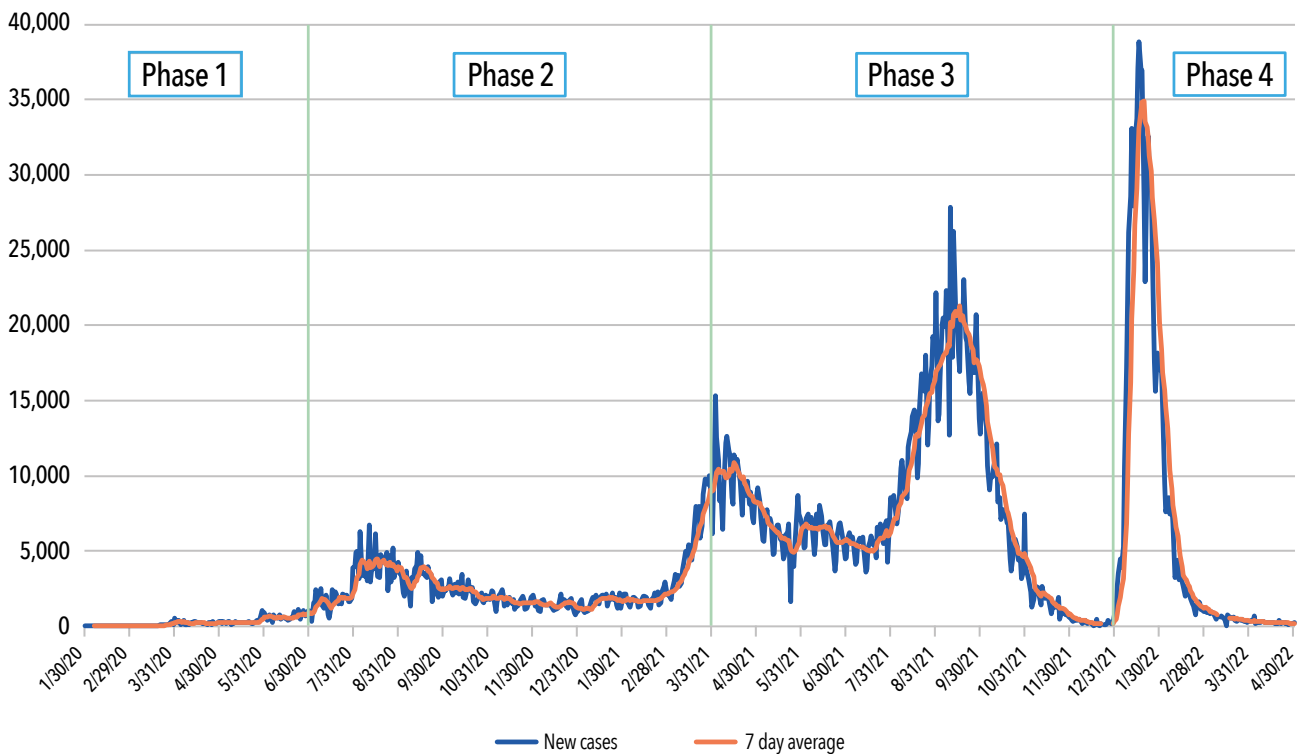
- ◆ **Unprecedented loss of jobs and earnings was experienced during the COVID-19 pandemic.** The impact on the labor market has varied across different phases depending on the lockdown measures, health sector environment (e.g., vaccine availability), social protection and labor market policies introduced by the Bayanihan laws, and external factors. As the economy recovered and lockdown measures lessened, jobs were recovered steadily, but the actual number of jobs fell short of the level that could have been achieved if it were not for the pandemic.
- ◆ **Initially, firms' operations were significantly affected by mobility constraints, but as the crisis prolonged, the impact was felt through credit constraints.** A large number of firms operated 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. A silver lining in the pandemic is the use of digital solutions among firms, which has become more prevalent. The information and communications technology (ICT) sector experienced a stronger rebound than others.
- ◆ **Employment returned close to pre-pandemic level by the second quarter of 2022, but the quality of jobs remained a concern.** A greater share of workers are in elementary occupations and the informal sector, reversing the progress in structural transformation made over time before the pandemic. 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. The female labor force participation rate increased as more women entered the labor market, probably because of the need for extra household income. Outmigration slowed down and many overseas workers returned to the Philippines. The government introduced and expanded support for firms and workers to maintain employment, but the scope was dwarfed by the scale of employment and earnings declines.

◆ **Given the continuing threat from the pandemic, inflation pressure triggered by the war in Ukraine, and worrisome outlook on the global economy, Philippine labor policies should be strengthened to promote creation of good jobs while protecting workers.** Existing programs can be better targeted for vulnerable workers, particularly for the youth, who were disproportionately hit by the pandemic. Measures for strengthening labor regulations with expanded social insurance, ensuring safe and productive migration with enhanced skills development, and exploring new sectors for job creation are worth considering as will be discussed in Part II of the report.

Evolving COVID-19 Context

COVID-19 spread to the Philippines in early 2020, with the first official case in late January and the first official case of community transmission in March 2020. To reduce the spread of the virus, the Government of the Philippines declared a state of calamity in March 2020 and imposed various containment measures. The number of daily COVID cases was relatively low in 2020 but fluctuated widely in 2021 with an average level a lot higher than that of 2020 (Figure 2.1). The last quarter of 2021 saw a huge decline in the number of cases as if the pandemic was over in the Philippines, but in the beginning of 2022, the country again experienced an unprecedented surge, in part due to the Omicron variant. After the huge surge, as of April 2022, the country is cautiously entering into a new phase of the back-to-normal era.

Figure 2.1 New daily cases of COVID-19 in the Philippines



Source: Worldometers

The pandemic period can be roughly divided into four phases, characterized by varying severity of quarantine and social protection measures, levels of compliance, and health policy and global environment (Figure 2.2).³⁴ Phase 1 of the pandemic covered Q1 and Q2 of 2020 when the lockdown was most stringent and mobility was significantly limited. Little was known about the virus worldwide, and compliance with lockdown measures was high. Consequently, the containment efforts sharply derailed the country's growth and jobs trajectory.³⁵ The economy contracted by 16.9 percent from Q2 2019 to Q2 2020, and many jobs were lost with the skyrocketing unemployment rate. The Philippine government introduced a large social protection program, called Social Amelioration Program (SAP) to support pandemic-affected populations including displaced workers, as well as smaller scale labor market programs including wage subsidies and cash for work.

Figure 2.2 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: Authors' elaboration, World Bank (2021).

Phase 2 (Q3 2020 – Q1 2021) was when the economy was slowly rebounding and jobs were coming back, as the number of cases remained relatively low and lockdown measures were relaxed. Better knowledge about the disease and active vaccine development and deployment³⁶ resulted in cautious optimism. Overall business and consumer confidence was slowly returning, and the economy rebounded from a very low base in the first half of 2020. The government's support also transitioned from safety nets to rebuilding the labor market and economy. During this phase, measures to control the spread of the virus were diversified from lockdowns to contact tracing, testing, and isolation.

³⁴ This part is adopted and updated from the Philippines Economic Update: December 2021 edition. See World Bank (2021).

³⁵ According to the Oxford COVID-19 Government Response Tracker, the lockdown in the Philippines was one of the most severe lockdowns in the world and significantly more severe than in most countries in the East Asia and Pacific region.

³⁶ COVAX, a global vaccine facility for COVID-19 vaccine development and deployment was launched in July 2020.

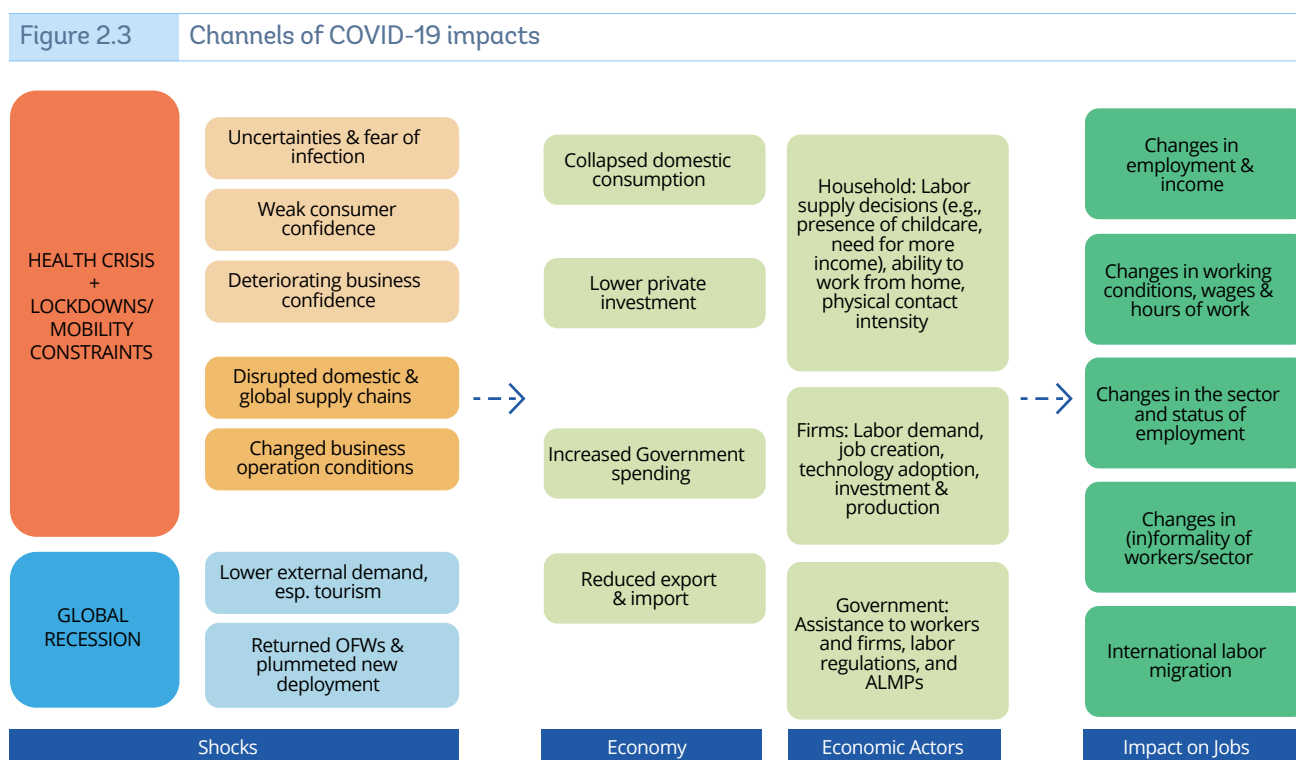
A surge in COVID-19 cases in Q2 2021 that led to another round of strict lockdown measures in the National Capital Region (NCR) and surrounding regions marked the beginning of a new phase (Phase 3). Lockdown measures and social assistance (*ayuda*) were left to the discretion of local government units (LGUs) according to the number of new cases and needs in the locality. The country oscillated between episodes of stringent mobility restrictions to curb infection and easing of restrictions to enable economic activities. Lockdown fatigue, uncertainties and inconsistencies in community quarantines, and uneven government support prevailed, which dampened business confidence despite many signs of economic rebounding. Similar patterns were repeated in the surge in August 2021 due to the Delta variant. The government’s health sector efforts focused on providing vaccines throughout the country and addressing vaccine hesitancy and misinformation. At the same time, an increasing emphasis was placed on support for businesses and economic recovery.

Phase 4 in Q1 2022 saw an unprecedented surge in infection with the Omicron variant, but with the cases rapidly subsiding, the country appears to transition out of the pandemic. With an estimated 63 million people (58 percent of population) fully vaccinated as of February 27, 2022, the Philippine government’s efforts were focused on last mile delivery of vaccines and mass vaccination for booster shots. After the surge subsided, despite many uncertainties, the country appears to be moving to a COVID endemic scenario where the virus threat would become less serious. The borders were now open to international tourists and many business operations returned to fuller capacity (Figure 2.2).

Channels of COVID-19 Impacts on the Labor Market

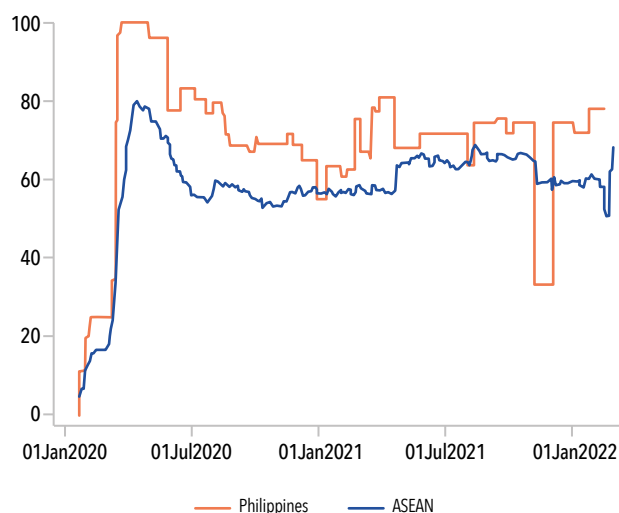
The COVID-19 pandemic shocked the Philippine labor market through several interlinked channels.

In the domestic market, the initially unknown health crisis caused morbidity and mortality, fear of infection, uncertainties and changes in health-related behaviors. Lockdowns and other mobility restriction to ‘flatten the curve’ and slow down the spread of the virus to prevent the collapse of the health care systems significantly curbed economic activities. Global recession with lower external demand for merchandise and services exports, as well as migrant workers, had a significant impact on the sectors that rely heavily on the global market (Figure 2.3).



Source: Author’s elaboration, adopted from World Bank (2021)

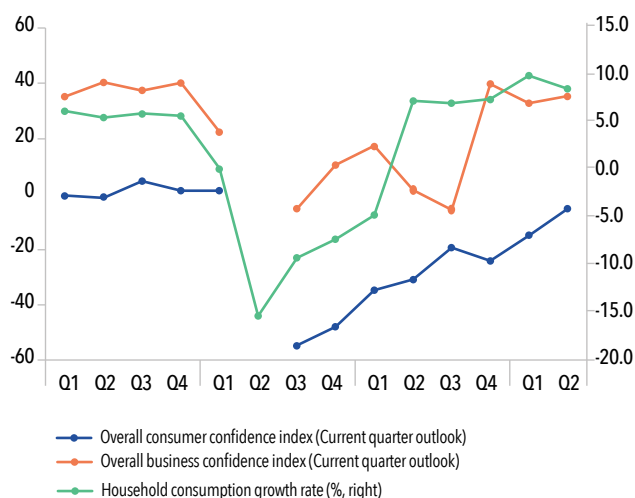
Figure 2.4 Government stringency index: Philippines vs. ASEAN



Sources: Oxford's Coronavirus Government Response Tracker, Cho, Dong, Margolis (2022)

Note: ASEAN countries include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

Figure 2.5 Private consumption, consumer confidence, and business confidence 2019 - Q2 2022



Sources: Bangko Sentral ng Pilipinas (2022a, 2022b) and Philippine Statistics Authority

Note: due to the implementation of the community quarantine nationwide, the Q2 2020 Consumer Expectation Survey and Business Expectations Survey were cancelled.

In the wake of the crisis, confidence of both consumers and businesses plummeted, which, coupled with fear of infection and constrained mobility, led to a collapse in domestic consumption and private investment. The Philippine government introduced relatively stringent lockdown measures compared with other countries in the region (Figure 2.4). Household consumption plunged to a steep 15.3 percent contraction in Q2 2020 from a quarterly growth rate of 5.7 percent in Q4 2019 (Figure 2.5). Border closures and concurrent shocks across the world markedly lowered external demand for goods and services from the Philippines, including tourism services. Annual exports, equivalent to about 27 percent of total GDP, fell by 16.3 percent in 2020 (BSP 2021), further feeding into the weakened business confidence and lower private investment. As a result, job creation stalled; about a fifth of all jobs in the economy was lost between January and April 2020. The large repatriation of overseas Filipino workers (OFWs) and suspension of new deployment were another hit to the economy. Since the start of the pandemic until September 2021, nearly 1.5 million OFWs returned due to international border closure, health concerns and employment disruption in host countries.³⁷ In Q2 and Q3 2021, household consumption grew back with improved consumer confidence, but its sustainability was uncertain. During the same period, business confidence fluctuated without showing a stable recovery.

Reactions of economic actors—firms, households, and government—also brought impacts on the labor market. Firms had to adjust their modes of operations, working hours, and employment decisions. Many businesses downsized, reduced working hours, and lowered wages and salaries to cope with weakened demand and shortage of inputs. Their adjustments led to increases in unemployment and underemployment, and lower income levels. At the household level, labor supply decisions were driven by not only economic needs but also the availability of childcare support, ability to work remotely, and intensity of physical contact at work. While household incomes decreased, more workers, especially secondary income earners, might have sought jobs despite the tight labor market. Yet fear of infection and increased need to care for children due to school closure could have discouraged others to join or remain in the workforce. At the same time, public resources shifted away from public economic investment

³⁷ Inquirer.net (2021, Sep 21). <https://newsinfo.inquirer.net/1490532/number-of-filipinos-repatriated-during-pandemic-nears-1-5-million>. The majority of the repatriation—approximately 800,000 workers—was done by October 2020 (IOM 2021).

toward immediate COVID response and fiscal measures in 2020. For instance, the government spent almost 2.5 percent of GDP through the Bayanihan I and II laws that enabled (re)allocation of the budget for COVID response, and whose large share went to assistance to vulnerable population groups and workers affected by the crisis.³⁸ As a result, the government's infrastructure spending for 2020 was cut by nearly 23 percent from close to ₱882 billion (5.4 percent of GDP) to ₱681 billion (4.8 percent of GDP) (CPBRD 2021); capital outlays also decreased as a share of GDP from 5 percent during Q1-Q3 2019 to 4.2 percent during the same period in 2020 (World Bank 2020).

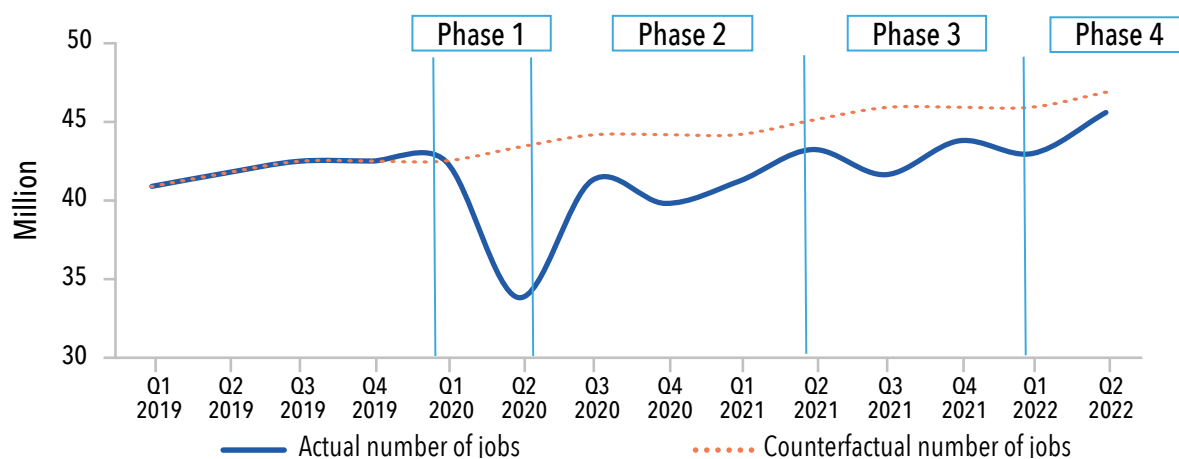
The relative importance of these channels and the extent of the impacts varied widely over the course of the pandemic. Part of this variation was associated with the evolution of the pandemic itself and the domestic and global public health measures that aim to control it. Performance of the international market also played a role. For instance, exports contracted by 33.5 percent year-on-year at the height of the pandemic (Phase 1) before experiencing a slower contraction in the subsequent quarters, partly due to external demand picking up as neighboring countries' conditions improved. The interdependence of these factors caused feedback effects. For example, prolonged mobility restriction, reduced household income, and weakened consumer confidence all contributed to the decrease in aggregate private consumption, which in turn further deteriorated business confidence, job creation and earnings. Further, impacts of the crisis were far from uniform. Industries that are more amenable to home-based work were less affected, whereas industries that have lower capacity to perform their operation remotely were more prone to interruption by recurrent social distancing requirements. Similarly, the decline in private consumption was broad-based across all categories, except health products and services.

COVID-19 Impacts on Jobs

Overall Job Loss

The primary impact of the pandemic on labor is job loss at large scale (Figure 2.6). The number of jobs in the labor market plummeted from 42.5 million in January 2020 to 33.8 million in April 2020,

Figure 2.6 Actual and counterfactual number of jobs across the four phases of the pandemic



Source: LFS various years

³⁸ For instance, the Social Amelioration Program through Bayanihan I included subsidies per low-income family amounting to ₱5,000–8,000 (or \$100–160, depending on regional wage rate). Financial assistance to affected workers was available but at a much smaller scale. Workers who lost their jobs due to lay-offs or company's permanent closures were entitled to receive unemployment benefits subject to eligibility requirements. Department of Labor and Employment (DOLE) initiated the COVID-19 Adjustment Measures Program (CAMP), which was complemented by the Department of Finance (DOF) and Social Security System's (SSS) Small Business Wage Subsidy (SBWS) program, providing financial support to affected workers in private establishments. DOLE and the Department of Tourism (DOT) also implemented a cash-for-work program for displaced workers in the tourism sector. Health workers attending to COVID-19 patients were eligible to receive special risk allowances, life insurance, accommodations, and meals for the duration of the national emergency regardless of the community quarantine status. In cases of exposure to COVID-19, health workers' medical expenses would be borne by the government. In cases of severe or critical illness, the health worker would receive ₱15,000 (or \$300). In case of death, the health worker's family/heirs will receive ₱1 million (or \$20,000). Returning OWFs, apart from hotel accommodation assistance, were also provided with a one-time cash grant (₱10,000 or \$200), skills training, livelihood assistance, and employment opportunities.

shedding almost 20 percent of total employment (Phase 1). With a gradual rebounding of the economy, the number of jobs recovered to 41.7 million in July 2020 and remained close to 41 million in January 2021 (Phase 2). With lockdown measures reintroduced in Phase 3, the number of jobs has fluctuated since then. The cumulative count of actual number of jobs may underestimate the total foregone employment due to the pandemic. Without the pandemic, if the Philippine economy were to add jobs at a 4 percent annual growth rate - the rate it had over the period from January 2019 to January 2020, one can estimate the counterfactual number of jobs. In January 2022, total number of forgone jobs lost due to the pandemic is estimated at around 2.96 million, equivalent to almost 6.9 percent of the total employed. With a strong rebounding of the economy, as of April 2022, the gap between counterfactual and actual number of jobs was reduced to about 7,000, indicating that the level of employment is almost fully recovered to the level the market could have achieved without the pandemic.

Disrupted Business Operation and Reduced Labor Demand

Business operation was abruptly and severely disrupted in the wake of the pandemic (Figure 2.7).

During the peak of community quarantine in April 2020 (Phase 1), almost two-thirds of firms reported being temporarily closed and with less than 5 percent of firms reporting to be fully operational. The July and December 2020 surveys in Phase 2 show that more firms became operational with the rebounding of the economy; nonetheless, majority of them remained open with less than full capacity. In May 2021, with the return of lockdown measures in Phase 3, 29 percent of firms reported that they remained closed, half of them doing so voluntarily and indicating business confidence remaining dampened. In February 2022, a greater share of firms reported operating at full capacity, showing signs of recovery and resilience of the economy. Nonetheless, a non-negligible share of firms (28 percent) were closed and over 45 percent of them were operational with less than full capacity.

The impacts of the crisis and progress of recovery were not uniform across firms. There was large heterogeneity across sectors: services were hit the hardest and showed a slow pace of return (Figure 2.8). For instance, less than 20 percent of firms in the tourism and entertainment sectors remained open in April 2020 (World Bank 2021). This led to uneven performance among firms by region depending on

Figure 2.7 Business operation status, April 2020-February 2022

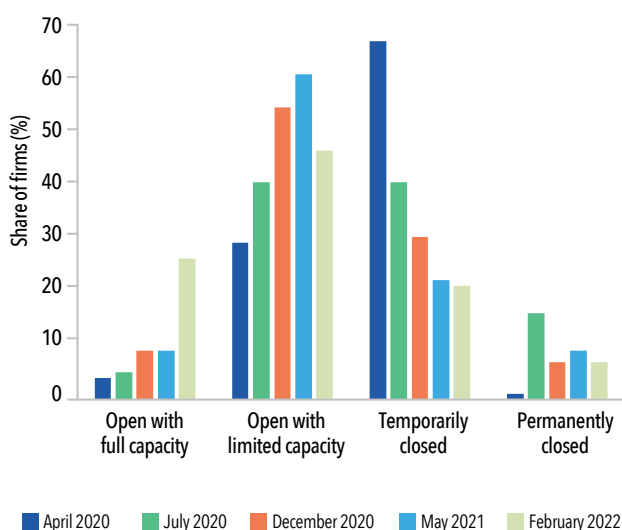
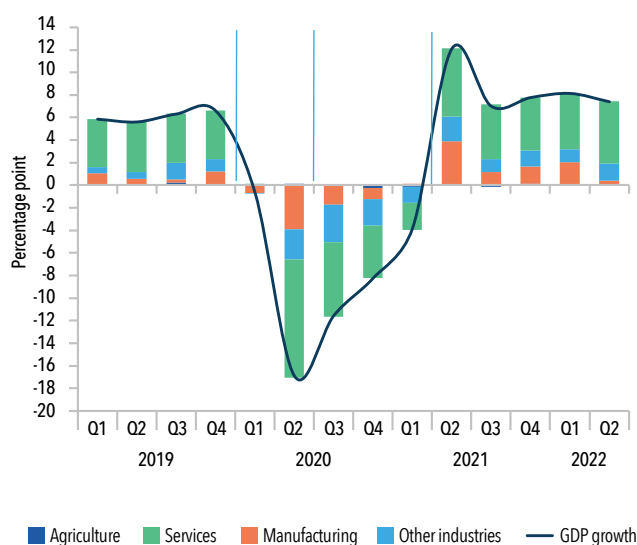


Figure 2.8 Contribution to GDP growth by sector, Q1 2019 - Q2 2022



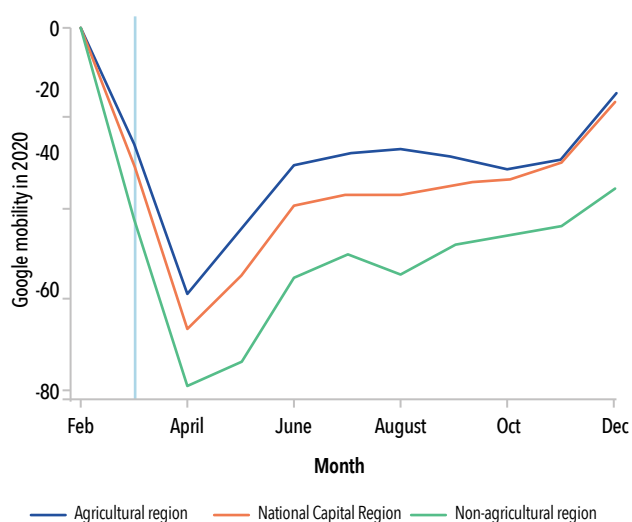
Sources: DOF-ADB firms survey for April 2020 and WB High Frequency Firms Survey for the remaining four periods.

Sources: Philippine Statistics Authority

the magnitude of the shock and industry composition. Unsurprisingly, business disruption was more prevalent in areas where more restrictive social distancing measures were imposed (e.g., NCR) and areas relying on hard-hit industries by the pandemic such as tourism and accommodation (e.g., Region VII with Cebu). Further, micro and small businesses tended to be not only more severely hit but also bounced back more slowly. Compared to medium and large firms, they were consistently more likely to close down, cancel orders due to lack of inputs, experience liquidity shortage, and face heightened competition in their line of business. For instance, share of micro firms reporting an increased competition (38 percent) was higher than that of large firms (30.4 percent) in April 2021. Also, in the same survey, micro firms reported that competition increased rather than decreased (38 percent versus 32.4 percent) whereas large firms reported the opposite (36 percent of large firms reported decreased competition while 30.4 percent reported increases).

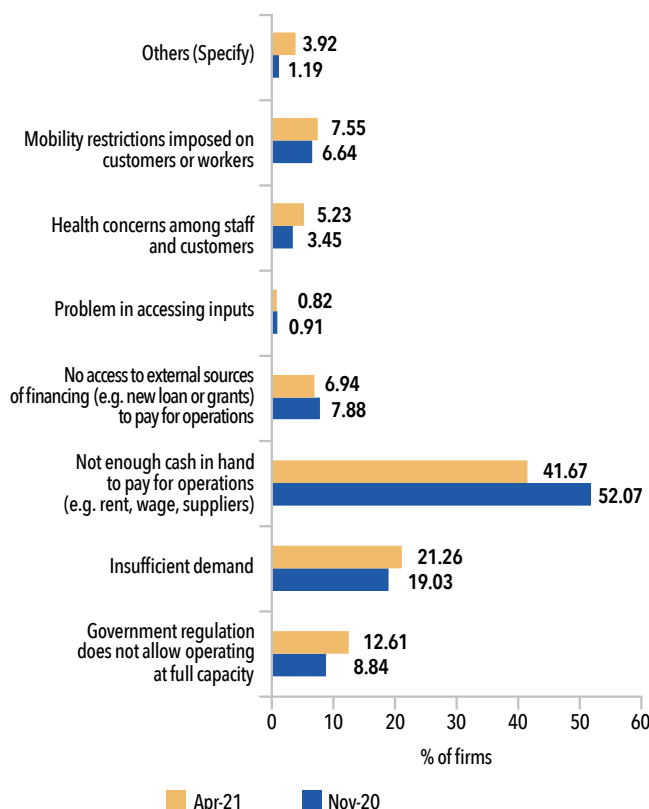
Mobility restrictions were a key impediment of business operations during the early period, but as the crisis continued, liquidity crunch became the main challenge for firms. Facing the swift introduction of social distancing measures, in April 2020 the majority of firms in the Philippines reported that mobility challenges were a major concern. The mobility constraints were particularly acute in NCR and other non-agricultural regions where most firms were located (Figure 2.9). Firms also reported that their employees could not really work from home without major disruption. Similarly, customers' inability to travel to business establishments underlined a broad-based reduction in sales, as reported by 67 percent of the surviving firms in April 2020 (World Bank 2021). Social distancing and public health measures also manifested disruptions in the supply chain. Data collected in the later phase of the pandemic, however, show that insufficient cash was the main factor that forced firms out of business or into under-capacity operation. Even as the economy bounced back, lack of liquidity remained a major hurdle (Figure 2.10).

Figure 2.9 Mobility trends in 2020 (Google mobility data)



Note: Google mobility reports a change in mobility, as measured by changes in the geographic location of internet searches by identified users compared with the baseline day which is the median value from the five-week period Jan 3 – Feb 6, 2020. “Agricultural region” includes 10 regions (Cagayan Valley, Bicol, Eastern Visayas, Zamboanga, Davao, Soccsksargen, Cordillera, Mindanao, Caraga, MIMAROPA), each of which has more than 29 percent of all employed workers in the agricultural sector according to the 2019 Labor Force Survey.

Figure 2.10 Reasons firms operated below capacity in Nov 2020 and April 2021



Source: World Bank High Frequency Firm Survey in November 2020 and April 2021

Firms' interrupted operations along with reduced sales and revenues as well as lack of capital in hand led to a significant decrease in demand for labor. About half of all surveyed firms (49.7 percent) in July 2020 reported downsizing their workforce between April and July 2020.³⁹ The prevalence of downsizing was expectedly most significant in labor-intensive industries, namely food services (64 percent), construction (63 percent), education (61 percent), and ICT (60 percent). The tourism and accommodation sector, which was heavily hit by social distancing and the plunge in international arrivals, also witnessed more than half of their businesses cutting jobs (53 percent). The labor shed continued in the second half of 2020, although relatively more moderate with 37.8 percent of firms overall. Construction and tourism continued to have the largest share of firms that have cut the number of their employees, at 56 percent and 49 percent, respectively. In contrast, the food services, ICT, and education industries bounced back the strongest by November 2020 despite being most severely affected at the onset of the pandemic.

The fear of infection and limited public transportation for commute were the greatest barriers to on-site work arrangements while challenges in work-from-home arrangements remained. Fear of infection, not surprisingly, was the major deterrent for bringing workers back to on-site work in the earlier period of pandemic with almost 80.3 percent of firms (Phase 1) and 66.5 percent (Phase 2) expressing the fear. In addition, limited public transportation was also a major barrier for firms in enforcing on-site work. Recognizing these challenges in bringing workers to work-sites, majority of firms provided personal protective equipment (PPE) and hygiene products and some also tried flexible working arrangements (e.g., working from home, working in shifts). As the vaccination rate rises and the economy opens up with relaxed mobility and social distancing requirements, the fear of infection and public transportation challenge became less significant. Meanwhile, flexible working arrangements continued even with eased restrictions and the economy opening up.

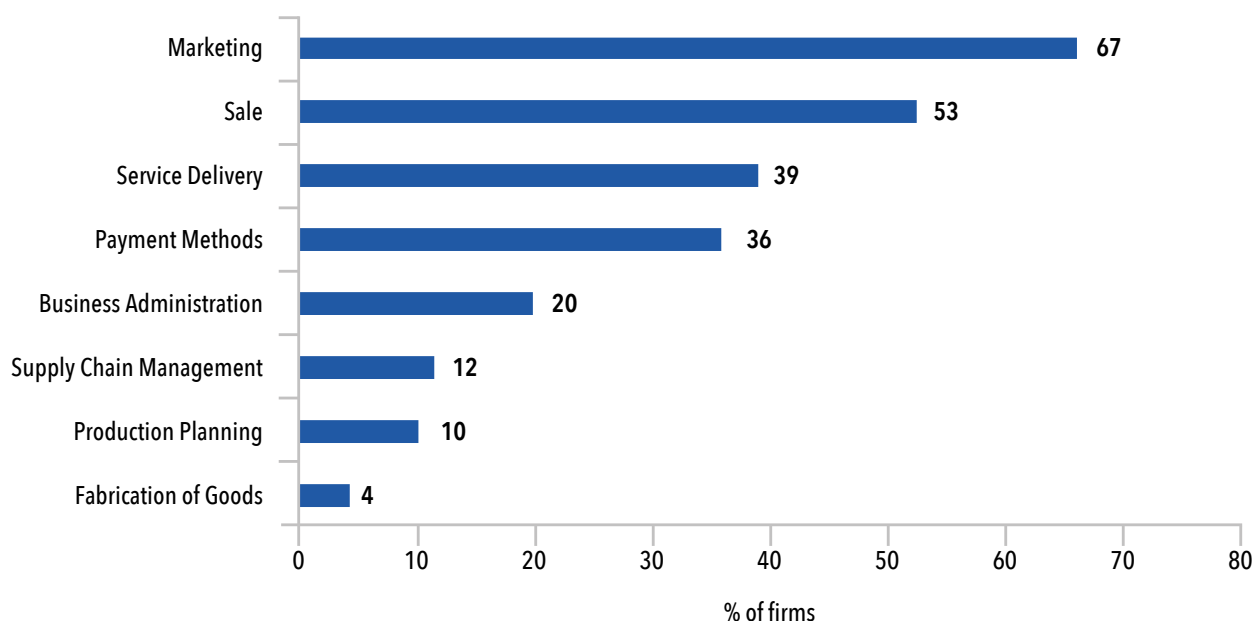
Remote work rose from a niche arrangement pre-COVID to the most prominent labor-market trend that emerged out of the pandemic, and this will likely stay.⁴⁰ The skyrocketing level of home-based work observed globally led to a surge in demand for telecommunication services, infrastructure, and devices, which in turn presents employment opportunities in these industries in the short and medium terms. More importantly, the higher-than-expected feasibility and productivity of remote work could lead to a more fundamental shift in business models. In the Philippines, while the limited capacity to switch to telework arrangements is more of a constraint in the short-term, the ability to facilitate telework could allow Filipino workers to surpass geographic borders—both domestic and international—and be employed remotely. The trend could also enable domestic employers to access non-local talents at lower costs and significantly save on rent and other overheads by reducing or giving up physical office space. Industries that have the highest share of jobs that can be performed remotely, and hence, most likely to benefit from this remote adoption include: (i) educational services, (ii) professional, scientific, and technical services, (iii) management of companies and enterprises, (iv) finance and insurance, and (v) information (Dingel and Neiman 2020).

Similar to continued prospects for remote work, a major impact of the pandemic on work is the adoption and intensified use of digital solutions among firms. 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. The patterns of technology adoption and use vary greatly by sector, with ICT

³⁹ About 15 percent of surveyed firms responded "Don't know" when asked whether their establishment had shredded their workforce in the last three months, so the actual prevalence of businesses downsizing could be considerably higher than 49.7 percent.

⁴⁰ A study by McKinsey reports that the world experienced five years of digital adoption within merely eight weeks since COVID-19 forced a switch to remote working. Source: <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days>

Figure 2.11 Business functions with increased use of digital solutions, November 2020



Source: World Bank High Frequency Firm Survey.

being by far the largest user of technology and with the majority of firms in the sector already using and intensifying digital technology even before the pandemic. Even sectors that have been traditionally weak in technology adoption and heavy on labor use, such as agriculture, retail, and repair, reported having started to use technology during the pandemic (World Bank 2021). Many of the digital tools adopted by firms tend to focus heavily on customer interfacing functions, such as marketing and sales as well as payments (Figure 2.11), and this pattern continued in the latest survey in March 2022. This is in line with the observation of the massive growth of e-commerce during the pandemic.

Firms that invested in digital software and equipment reported increases in online sales, thus sustaining their operations and employment, but there is more room for the use of digital technologies to enhance productivity. With the lockdowns, firms were forced to resort to online tools to reach their customers. Thus, the increased use of digital tools for marketing, sales, and payments became a major means of business operation. However, digital tools were used mainly for rudimentary functions while missing on great potentials. For instance, customer relationship management (CRM) or supply (or stakeholder) relationship management (SRM) software are common business solutions. There are many off-the-shelf or custom software in the market available to business owners. Business solutions such as enterprise resource planning (ERP) also help firms manage their internal processes such as planning and operations and data storage and management. This underutilization of digital solutions is likely due to the overall low level of digital competency among businesses and weak penetration of modern business practice using digital tools. The World Bank's high frequency survey of firms (Figure 2.11) confirm that adoption of these business solutions for back-end systems is quite limited and a significant gap exists between micro and larger firms. For instance, in the March 2022 survey, 62 percent of small firms (below 20 employees) and 73 percent of larger firms (above 20 employees) reported having online commerce solutions. In contrast, only about 25 percent of small firms reported having an ERP which is far below the level reported by larger firms at 54 percent.

Figure 2.12 Labor force participation rate

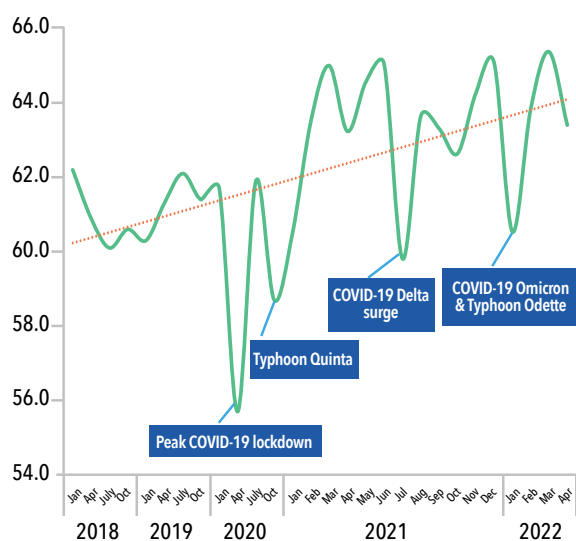
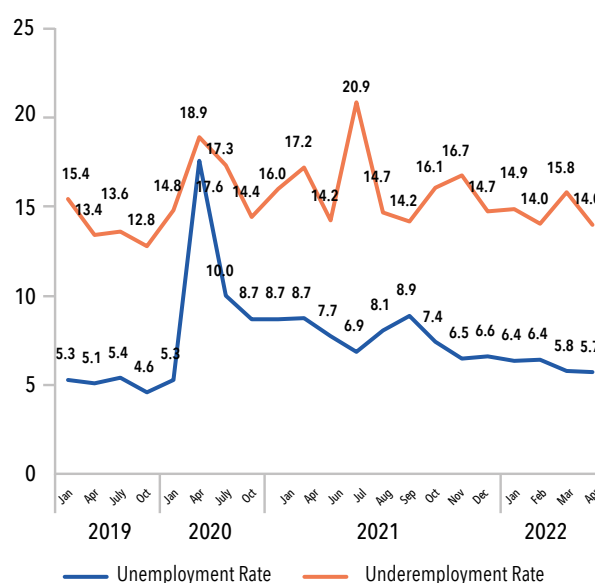


Figure 2.13 Unemployment and underemployment rates



Source: Authors' calculations from LFS

Impact on Workers

The labor force participation rate, while fluctuating widely, shows an increasing trend (Figure 2.12).

As economic activities were brought to a halt by the first lockdown in Phase 1, the labor force participation (LFP) rate also fell by 6 percentage points from 61.7 percent to 55.7 percent amid fear of infection and stringent lockdowns. Since then, the LFP rate responded to various shocks such as the COVID-19 variants and increased alert levels as well as positive prospects for economic recovery. Given that households sought more income generating opportunities to compensate for lost earnings, more workers entered the labor market despite employment challenges. In particular, from October 2020 to October 2021 while the economy was regaining confidence in Phase 3, female LFP rate increased by 5 percentage points from 45 percent to 50.2 percent.⁴¹ As of July 2022, female LFP rate remained high at 53.9 percent (compared with 48.4 percent in January 2020 and 47.4 percent in April 2019).

Unemployment experienced an unprecedented overshoot in Phase 1, but declined gradually, whereas underemployment has been fluctuating throughout the pandemic period (Figure 2.13).

The initial pandemic shock led to massive job losses and unemployment, and many workers left the labor market. Even as the economy and employment rebounded, many workers reported underemployment with reduced working hours and a willingness to work more. While gradually declining unemployment indicates labor market recovery, the unemployment rate remains higher than pre-pandemic level. Moreover, largely volatile LFP—with many workers entering and exiting the labor market—may suggest weak labor market attachment and increased volume of informality.

The labor market boom-and-bust was not uniform across sectors and types of employment (Figure 2.14 and Figure 2.15).

When about 8.7 million jobs (equivalent to 20 percent of total employment) evaporated during Phase 1, the service sector and wage workers were greatly impacted. In particular, loss in wage employment (6.4 million) accounted for almost 73 percent of total job loss during this period, highlighting the magnitude of the shock to firms. During the recovery in Phase 2, the quantity of jobs was mostly restored but quality remained a concern. For instance, agriculture added more jobs in

⁴¹ During the same period, male LFP rate increased by 2.6 percentage points from 72.3 to 74.9 percent.

Figure 2.14 Number of jobs lost or added by phase and sector

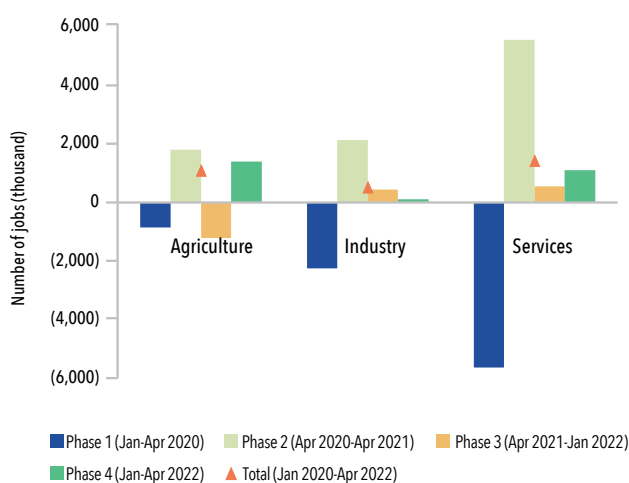
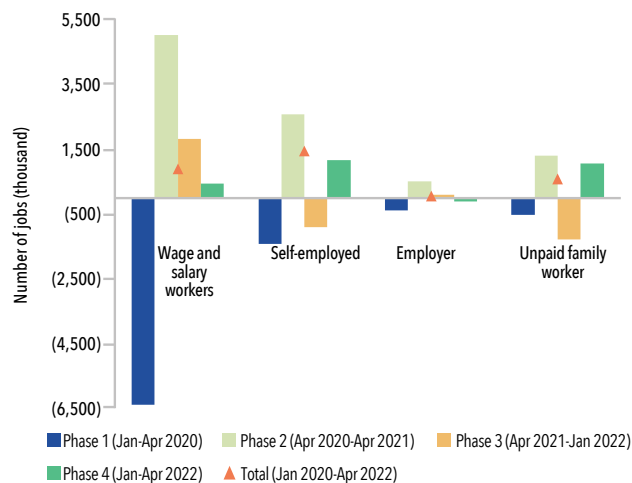


Figure 2.15 Number of jobs lost or added by phase and employment type



Source: Authors' calculations from LFS

Phase 2 than what was lost during Phase 1. Moreover, a large number of workers relied on self-employment and unpaid family work while wage employment continued to struggle. It was only in Phase 3 that firms resumed hiring workers and wage employment went up. As of January 2022, the share of wage employment was 65.6 percent, similar to the pre-pandemic share of 65.2 in January 2020. However, the share decreased to 61.3 and 61.5 in February and March 2022, respectively, suggesting precarious recovery of wage employment. As a result, informality⁴² increased as measured by the prevalence of non-wage employment (self-employment and unpaid family workers). With respect to the basis of payments among wage employees, the share of workers who received monthly payment decreased from 40 percent in July 2019 to 37 percent in April 2021; while piecemeal, commission based, or other irregular payments became more prevalent. This also corroborates the overall increases in informality.

There is large heterogeneity in both the magnitude of the shock and pace of recovery across sub-sectors (Figure 2.16 and Figure 2.17). Agriculture and fishery experienced the least job losses and steady recovery over time, and they provided buffers to the labor market. Medium skilled services, such

Figure 2.16 Relatively stable activities (Jan 2020=100)

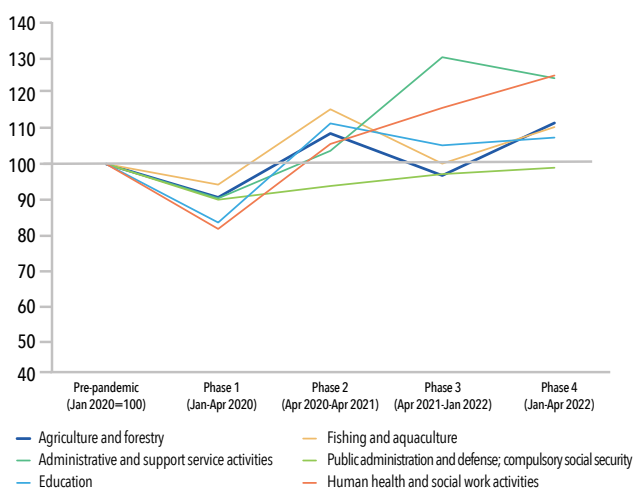
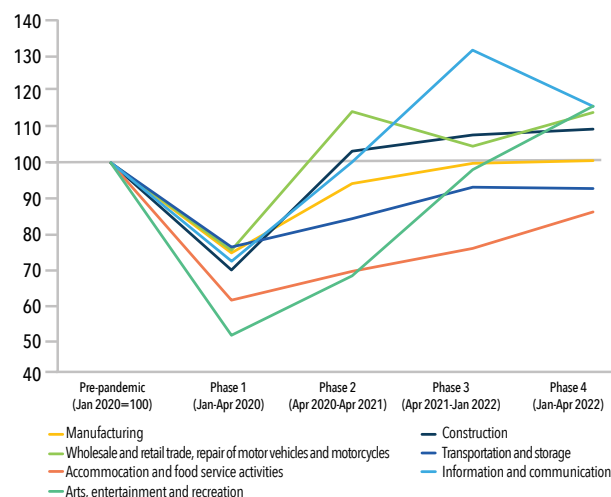


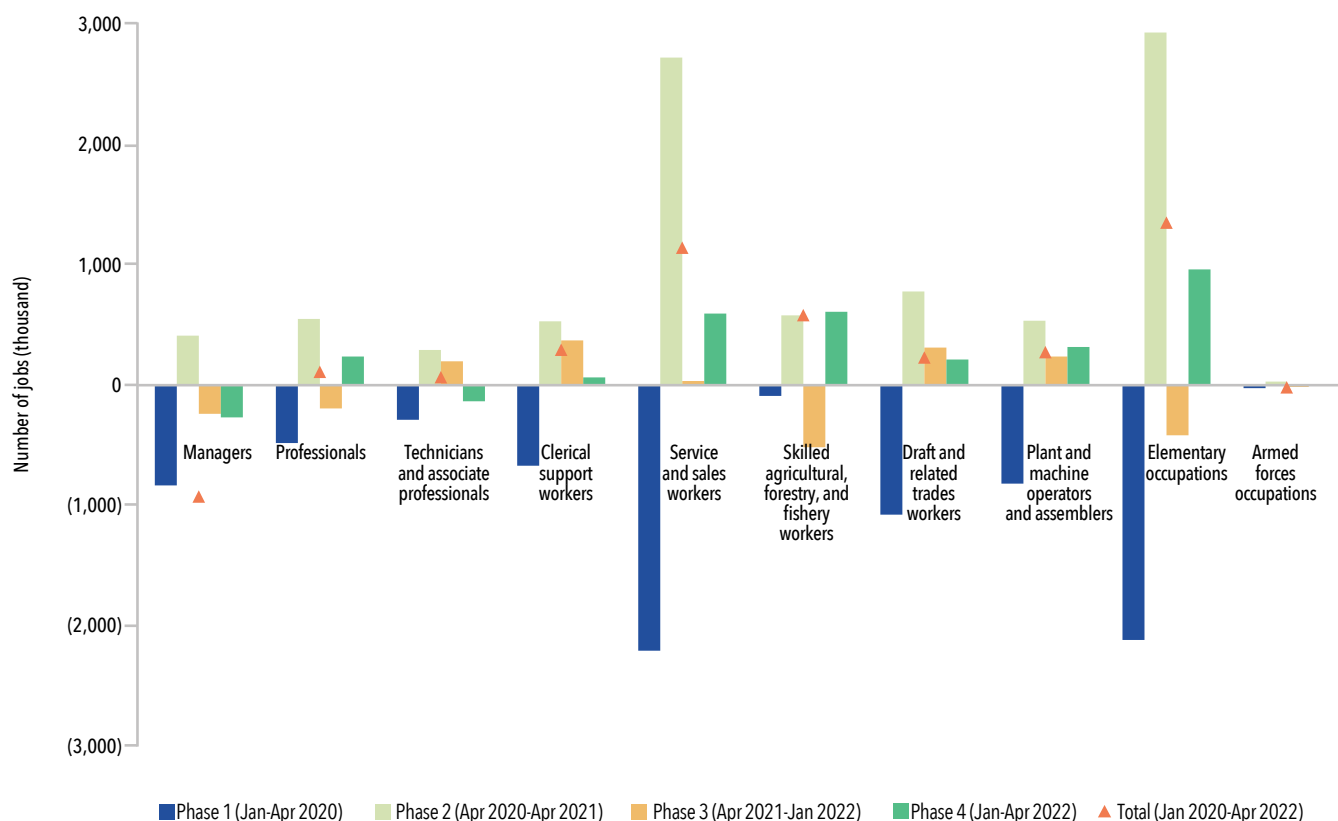
Figure 2.17 Relatively volatile activities (Jan 2020=100)



Source: Authors' calculations from LFS

⁴² There is no clear definition and measurement of informality in the Labor Force Surveys in the Philippines. In this document, non-wage employment, access to benefits, and self-reported (in)formality are used as proxies to reflect labor market informality.

Figure 2.18 Number of jobs lost or added by phase and occupation



Source: Authors' calculations from LFS

as administrative support and public administration, human health, and social activities, also maintained employment relatively well. In contrast, some sub-sectors were hit disproportionately hard and continued to struggle in adding jobs. These sectors include manufacturing and two others related to tourism: accommodation and food services, and transportation and storage. Arts, entertainment, and recreation, not deemed essential activities during the pandemic, lost almost half of their jobs in Phase 1 and remained severely affected in Phase 2, but picked up the pace of recovery in Phases 3 and 4. With more firms using e-commerce and adopting digital technology, ICT has been actively adding jobs. Large labor absorbing sectors such as the wholesale and construction industries showed a relatively rapid recovery despite the initial blow of the pandemic, thereby leading the employment recovery of the economy.

Amid the labor market turmoil, occupational composition changed with a noticeable increase in elementary occupations and low skilled services (Figure 2.18). Service and sales work as well as elementary occupations lost a significant number of jobs during the initial shock but added a lot more to the market in Phase 2. When firms were hiring and wage employment was returning in Phase 3, clerical support seemed to drive jobs growth whereas skilled jobs such as managers and professionals struggled. Overall, the pandemic saw declining job quality and employment recovery driven largely by already dominant elementary occupations and sales jobs.

Despite returning jobs, recovery of workers' incomes has been slow. Reduced hours of work due to business operation at less than full scale, reduced business income for the self-employed, and greater dominance of low-end services and agriculture all point to downward pressures on incomes. The share of households who report income loss compared with the pre-pandemic period declined from 57 percent in the World Bank high frequency survey for households in August 2020 to 52 percent in May 2021 even

though employment level returned to its pre-pandemic level, indicating that recovery of income lags behind that of employment (see World Bank 2021). Moreover, the average masks significant differences between richer and poorer households. For instance, the share of households reporting income loss due to the pandemic remained almost constant among households in the poorest quintile (60 percent in August 2020 vs. 58 percent in May 2021) whereas the figure declined significantly among households in the richest quintiles from 53 percent in August 2020 to 41 percent in May 2021.

The number of out-migrating workers dropped from over 2 million in 2019 to about 0.5 million in 2020. There was large-scale repatriation of overseas Filipino workers (OFWs) as well. This resulted in the number of OFWs also declining from 2.18 to 1.77 million. Cash remitted or brought home by OFWs declined accordingly: the average remittances per OFW during the six months prior to the survey declined from ₱82,000 to 78,000 (PSA Survey on Overseas Filipinos in 2020). However, the level of total remittances as a percentage of GDP did not decline much during the pandemic.

The labor market impacts of the pandemic tend to be disproportionately larger among youth. Concerns about scarring effects on the “COVID generation” of youth arose given the lasting impacts of economic crises found in the large body of literature of previous crises (e.g., Asian Financial crisis in 1997-98; Great Recession in 2008-09).⁴³ While young workers’ labor market indicators generally lag behind those of adults, the pandemic has been particularly acute for young people much more than previous crises. During the pandemic, the LFP rate gap between youth and prime age adults increased significantly amid overall increases in LFP. This indicates the relative struggle in labor market entry among youth, probably in part due to delayed school-to-work transitions in the context of prolonged school closure and learning loss. The employment prospects for those entering the market to look for jobs have been bleak with high unemployment rates. Young workers were far more likely to be in inflexible jobs (which do not allow working from home) than their older counterparts, making them significantly exposed to the pandemic shock. Many young people who became unemployed could have accepted low-paying jobs that they would not have otherwise accepted under normal circumstances or for which they are over-qualified. Such scarring begins with labor market outcomes but has a wide range of implications on overall wellbeing such as on earnings, marriage, fertility, and asset-building (Choi et al. 2020).

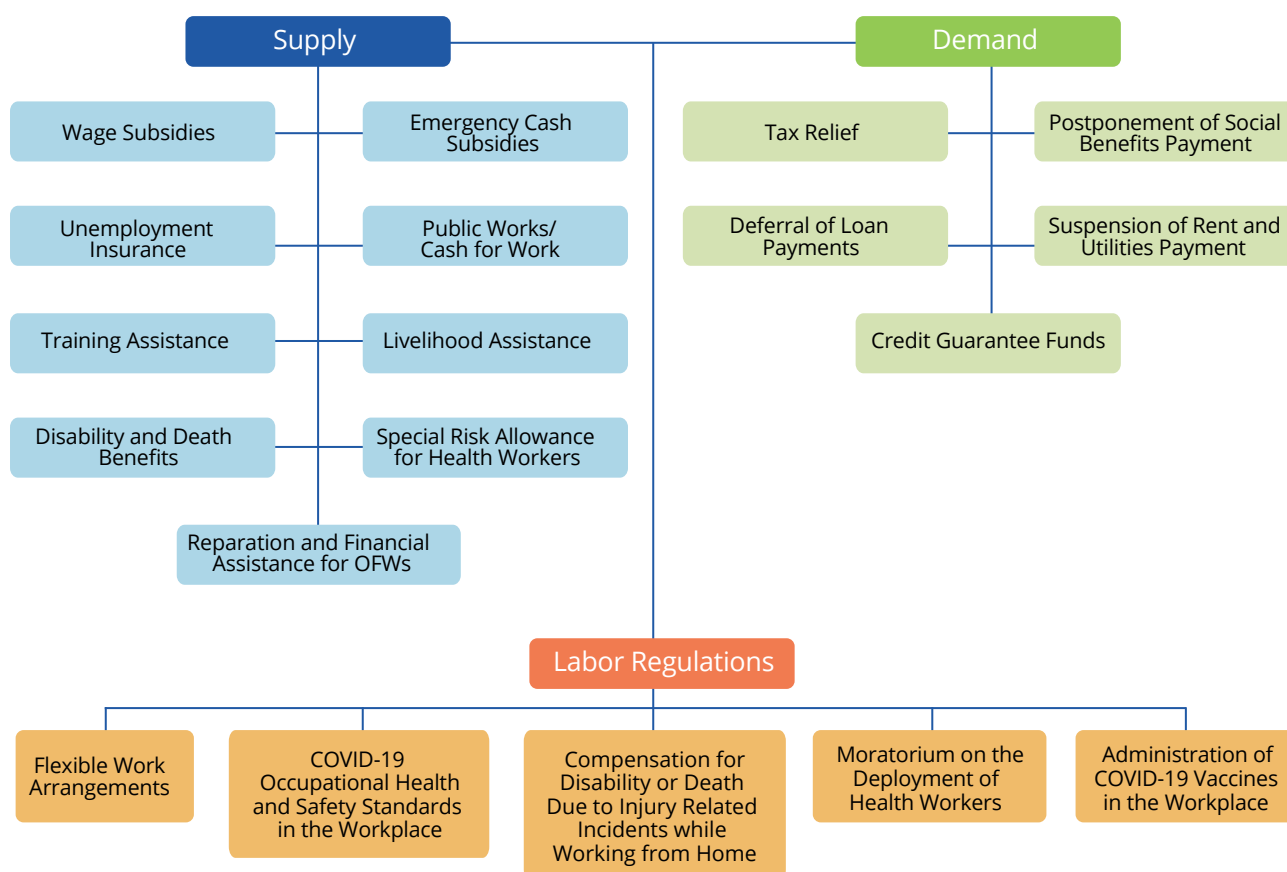
The gender dimension of the pandemic’s labor market shock is complicated. Female employment in Phase 1 sunk further below male employment, as 23 percent of employment for women disappeared in April 2020 whereas the figure was 19 percent for men. The female share among unemployed workers was 36.8 percent in January 2020, but gradually increased to 45.5 percent in February and March 2022. Along with increasing LFP of women, increases in the female share among unemployed workers indicate that women were entering the market for extra income, but labor market conditions were not favorable. Limited presence of women in agriculture, which provided a buffer in the labor market, may have contributed to higher female unemployment. Meanwhile, building on their academic performance, women have consistently been showing good employment outcomes on average in the higher end of skills and occupations. Thus, they were more likely to be working on jobs that accommodate work-from-home, which could provide a shield from greater job losses. However, childcare responsibilities, especially in the context of extended school closures, appeared to offset the ability to work even in flexible jobs (Cho, Dong, and Margolis 2022).

⁴³ See Cockx and Ghirelli (2016); Genda, Kondo, and Ohta (2010); Hoynes, Miller, and Schaller (2012); Kahn (2010); and Oreopoulos, von Wachter, and Heisz (2012).

Government Response to COVID-19

The government took various measures starting with large scale social protection intended to help affected populations, including displaced workers (Figure 2.19). Under Bayanihan 1, the eligibility criteria of the large-scale cash assistance through SAP included unemployed and informal sector workers.⁴⁴ The first tranche of SAP was announced in March 2020 and started identifying eligible populations in April 2020 when the labor market experienced an unprecedented overshooting of the unemployment rate. 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.⁴⁵ For CAMP, the Department of Labor and Employment (DOLE) provided a one-time financial 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 workers in small businesses registered with the Bureau of Internal Revenue and SSS and affected by lockdown measures. The SBWS introduced in April 2020 provided benefits to about 3 million workers until June 2020. The amount of subsidies for these programs were all set at similar levels based on an average household subsistence level income and level of regional minimum wages per month. For repatriated OFWs, another one-off cash assistance of ₱10,000 (\$200) was provided.

Figure 2.19 Government labor market responses to COVID-19



Source: Authors' elaboration

⁴⁴ SAP is the largest social protection measure in the country's history, with a target of covering 18 million households through two tranches of transfers ranging from ₱5,000-8,000 (\$100 to 160) and a budget equivalent to 2 percent of GDP. See Cho and Johnson (2022) for summary.

⁴⁵ Under the guidelines for the SBWS measure, small businesses are sole proprietorships, corporations, or partnerships not under the jurisdiction of BIR's Large Taxpayers Service. The SBWS is a joint undertaking of the DOF, SSS, and the BIR.

Despite these interventions and given the sheer magnitude of the shock and the prolonged period of the pandemic, the daunting need for earning opportunities remained. Records suggest that about 23 million household (or family) representatives received either first or second tranches of SAP transfers, of which about 10 million received both.⁴⁶ Nationwide surveys consistently show that a large share of household heads from low income households returned to labor market activities quickly and were also able to receive government assistance (Cho and Johnson, 2022).⁴⁷ Nonetheless, their incomes were not fully recovered, and they reported being concerned about food security and their financial situation. This was in part because they turned to low pay jobs with reduced working hours in the labor market.

Bayanihan 2 introduced more specific labor market measures that addressed challenges in both demand and supply, but the budget allocation was not as extensive.⁴⁸ DOLE expanded its cash for work program, called TUPAD,⁴⁹ that helped more than 1.27 million informal sector workers. Initially limited to 10 days of work involving disinfection and sanitation of houses and the community, the program recruited beneficiaries, and trained and contracted them as contact tracers for a longer work period, i.e., three months or 90 days. Given that many firms suffered from credit constraints, Bayanihan 2 included measures to provide capital with concessional rates, especially to micro, small and medium enterprises (MSMEs), through the Small Business Corporation (SBCorp), Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and PhilGuarantee.

To promote private sector led economic recovery, reforms through new legislation or implementation of existing initiatives were expedited, the impact of which is yet to be seen. For instance, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law or Republic Act 11534 was enacted on March 26, 2021. It includes provisions for reduced corporate taxes and larger deductions for labor and other expenses of firms. Also, efforts to improve the business environment were evident. Mandated under the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (EODB Law), all LGUs were required to have a Business One Stop Shop (BOSS) window in their office beginning in April 2021. The BOSS window simplifies processes for various permits and licenses and facilitates the use of standardized forms across different departments.

To strengthen labor market programs and promote job creation, the government institutionalized the National Employment Recovery Strategy (NERS). With the issuance of Executive Order 140 on June 25, 2021, a 20-member agency NERS Task Force led by the Department of Trade and Industry (DTI), DOLE, and Technical Education and Skills Development Authority (TESDA), was tasked to implement an employment recovery strategy for 2021 to 2022. Pursuing a whole-of-government approach, the NERS promoted key areas to restart economic activities, restore business and consumer confidence, strengthen workforce skills, and facilitate access to the labor market. Concrete programs to support the objectives include livelihood and training programs, as well as stipend programs for workers, subsidies for existing and emerging businesses, and social protection and labor market facilitation for vulnerable groups.

⁴⁶ With the confusion between households (PSA's unit of measuring poverty) and families (conventional unit for the public), and the lack of an updated social registry, SAP was split into two tranches with an adjustment of the pool of eligible beneficiaries. See Cho et al. (2021b) for more detailed discussion.

⁴⁷ Examples include the World Bank's High Frequency Monitoring Household Survey conducted in August and December 2020, and May 2021; the Household Panel and Economic (HOPE) Survey conducted in April, June, August, and October 2020; and PSA's Annual Poverty Indicator Survey in 2020.

⁴⁸ Based on the Department of Budget and Management's data on COVID-19 releases as of September 30, 2021, Bayanihan 1 had more than ₱387 billion total budget allocation to implement the law while for Bayanihan 2 about ₱214 billion was allocated.

⁴⁹ *Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers (TUPAD).*

Labor Market Outlook

The Philippine economy and labor market demonstrate resilience despite continuing challenges.

Just as the country was to transition out of the long tunnel of the pandemic in Q1 2022, a few external factors again threatened the economy: the war in Ukraine triggered increases in prices—especially of fuel and food; the warning of recession from the US and other developed countries with rising inflation and consequential increases in interest rates, likely dampened global demand; and China's slowdown due to its strict COVID-19 policy that limited the activities of the economic powerhouse also affected the global economy. Moreover, the geo-political forces especially arising from the US and China tensions are expected to affect global value chains. Nonetheless, the Philippine economy is so far holding up its strong rebound. The country experienced 8.3 percent and 7.5 percent growth in Q1 and Q2 2022, respectively, supported by strong domestic demand and recovery. The domestic gain is largely due to returning businesses and jobs: more firms are reporting operation at full capacity and labor force participation increases while unemployment is on the decreasing trend. The exchange rate against the US dollar has risen with a weaker peso (from about \$1:₱50 in June 2021 to \$1:₱56 in June 2022) and this provides opportunities for greater export.

While net job growth and decreasing unemployment is encouraging, the dominance of elementary occupations, declining worker productivity, and struggles of vulnerable workers especially youth call for urgent interventions.

The steady progress in structural transformation moving labor from agriculture to non-agriculture and from non-wage to wage employment was reversed, at least temporarily. Moreover, labor productivity was recorded ₱109,358 in Q2 2022, a 12 percent fall from ₱123,612 in Q4 2019. To regain the momentum for structural transformation and labor productivity, recovery of industry sector activities and enhancing service sector productivity will be critical. Efforts to enhance overall competitiveness and productivity of firms should continue, particularly the improvement of business environment and investment climate. Recent reforms such as amending the Public Service Act to invite more foreign investments and open competition and EODB Law to enhance the business environment are good examples. In addition, promoting targeted skills development for labor intensive sectors and firms can enhance labor productivity.

The labor market shock because of the pandemic, which led to unemployment, underemployment, and reduced incomes, had a huge impact on households' well-being and increased the number of working poor.

PSA's poverty estimates suggest that the poverty rate (based on the national poverty line) increased by 2.6 percentage points from 21.1 percent in the first semester of 2018 to 23.7 percent in the first semester of 2021. This is equivalent to 3.9 million more individuals living in poverty, reversing the pre-pandemic trend of sharp poverty reduction. With the transmission of the shock through the labor market, especially in non-agriculture activities, Luzon and Visayas were hit harder than Mindanao. A World Bank estimate suggests that large-scale cash assistance such as SAP mitigated the negative impact of the shock but fell short given the magnitude and duration of the shock. The emerging fuel crisis and food price hikes could also keep the poverty rate high even with a recovering economy and labor market.

The impact of the pandemic was particularly acute on the youth, and targeted interventions need to be scaled up.

The youth were faced with multiple challenges. With the long closure of schools, their learning and school-to-work transition suffered. In the labor market, the youth group experienced spikes in unemployment and working poverty rates. The looming scarring effect found in previous experiences of global shocks is of great concern. Active labor market programs including skills development and wage subsidies can be better targeted toward the youth. Linkages between social assistance, public works, and active labor market programs can be further enhanced. For instance, TESDA's skills development programs can prioritize beneficiaries graduating out of 4Ps, the country's flagship Pantawid Pamilyang Pilipino

Program. There may be some room to review and revise labor regulations to provide stronger worker protection. However, major changes in labor regulations at this time will likely be met with skepticism given the difficulties of firms during the pandemic (see Chapter 3 for a review of labor regulations).

International migration experienced a major hit with a huge decline in outmigration and large-scale repatriation. Given the role of overseas employment in the workforce and remittances in households and the economy, the decline was a major setback. Cash remitted or brought home declined slightly, but the level of remittances as a percentage of GDP did not decline much during the pandemic, probably due to the counter-cyclical nature of the transfers. The government provided support for repatriated OFWs relatively well, but the exercise of bringing back OFWs safely, integrating them into the domestic market, and providing necessary support highlighted the need for more risk-preparedness (see Chapter 4 for discussion of international migration in the Philippines).

The impact of the pandemic on human capital and future labor market productivity is anticipated to be catastrophic unless remedial interventions take place. A strong early start through investment in maternal and child health and nutrition, building foundational skills through school reopening and education, and skills development through well-functioning systems are all important. Moreover, the workforce will need to be ready for the changing nature of work. Even prior to the pandemic, global mega trends such as automation and globalization had been expected to have a huge impact on jobs and workers (WDR 2019). Changes in some areas such as digitalization accelerated due to the pandemic, and the workforce has to adapt to the evolving environment (see Chapter 5 for the future of jobs in the Philippines focusing on green and digital jobs and skills).



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PART II

Special Topics

Philippine Labor Market Regulations Revisited

Key Takeaways

- ◆ **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. As the COVID-19 pandemic caused a large-scale loss of jobs and increased poverty, policy discussions on labor regulation reforms 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.
- ◆ **The rules of Employment Protection Legislation (EPL), including the Labor Code and the minimum wage laws, are generally complex.** Complex and cumbersome retrenchment rules 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. Moreover, minimum wages do not seem to be binding with many workers earning below minimum wage. 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 return to on-site work once mobility constraints were relaxed.
- ◆ **Going forward.** Costs of reforms can outweigh costs of inaction due to the discrepancy between the de-jure and de-facto regulations, and with both intended and unintended outcomes. This explains the lengthy deliberation and lack of consensus in the reform agenda of labor regulations. Relatively straightforward courses to take include: simplifying rules and enhancing enforcement capacity; providing guidance on flexible forms of work arrangement; pursuing a balanced development of labor regulations along with active

labor market programs and safety nets so the former provides solid rules of games in the employer-employee relationships while the latter addresses specific worker protection tailored to the needs of the population; complementing labor regulations with social insurance (for instance, an unemployment insurance replacing severance pay and unemployment benefits); and modernizing inspection and compliance verification systems through digital tools.

Context

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

There are differing views on the function of labor market regulations especially during a crisis. The intention of labor market regulations is to protect workers or redistribute income to achieve equity. However, their consequences are not always in line with their intended or expected outcomes for various reasons, and thus controversies arise. In particular, labor market regulations are often viewed as limiting the private sector's ability to create jobs, while their effectiveness for worker protection and redistribution is limited. When there is an economywide crisis, such as the COVID-19 pandemic and a looming recession with inflation, and when job creation is exigent, the relevance of labor market regulations tends to be further questioned. The challenge is to balance labor flexibility with worker protection by avoiding the extremes of over- and under-regulation.

This chapter revisits Philippine labor market regulations in the context of the unprecedented impact of COVID-19.

The pandemic itself and the public health measures to contain infection slowed down economic activities across all sectors and put jobs at risk. In response to the crisis, the Philippine government issued some labor regulatory adjustments in addition to social and labor market assistance to mitigate the impacts of the pandemic on businesses and workers. These policies include guidelines related to business operation during community quarantine, flexible work arrangements, leave of absence, sickness and holiday benefits, probation during quarantine, and employee compensation benefits.⁵⁰

Philippine regulatory adjustments were modest by international comparison.

As of February 2022, 187 countries had adopted regulatory adjustments to protect employment during the crisis and promote job creation in the longer term. The measures range from regulatory changes to limit layoffs and make access to social insurance more efficient. They also include regulatory reforms that provide more flexible work arrangements that can be applied beyond the current crisis. In contrast, the changes and guidelines issued by the Philippines were confined to guiding the operation of businesses and alternative work arrangements during mobility restrictions. Little has been done in either relaxing employment regulations to preserve and promote jobs, or improving worker protection against loss of income due to reduced work hours, especially in jobs that cannot be performed remotely (Gentilini et al. 2021; Gentilini et al. 2022).

Potential areas of reform are discussed in the current legal framework of labor market regulations in the post-pandemic Philippines.

The remainder of this chapter is structured as follows: Section 3.2 covers the intentions and outcomes of labor regulations, that is, their formulation versus implementation, and highlights some key features in the Philippine context. Section 3.3 describes labor regulatory adjustments that have been adopted in the Philippines and other countries in response to COVID-19 and discusses the gaps that the Philippines experienced. Finally, Section 3.4 proposes policy recommendations for the government's consideration.

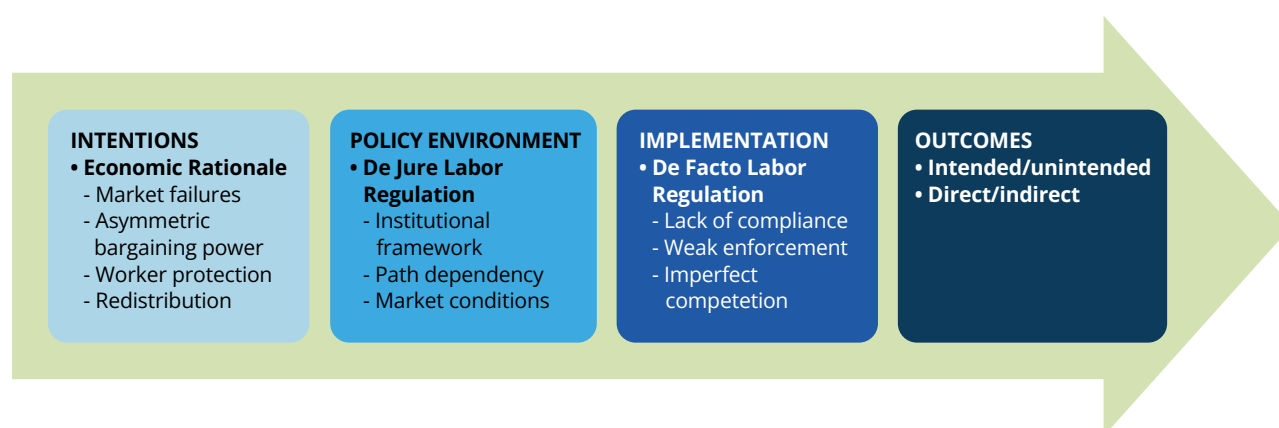
⁵⁰ Source: ILO, KPMG (<https://home.kpmg/xx/en/home/insights/2020/04/philippines-government-and-institution-measures-in-response-to-covid.html>).

Labor Regulations: Rationale versus Reality

Good Intentions, Heterogenous Outcomes

The economic rationale for labor market regulations can be attributed to various labor market imperfections (Figure 3.1). For instance, uneven bargaining power between employers and workers in setting the wage and defining the terms and conditions of work provides a starting point for regulations on hiring and firing rules, working hours, and wages and benefits. The motivation for redistribution is added to the discussion of the minimum wage policy. Inadequacies of the market to insure or hedge the risks related to employment are used as basis for regulations on workplace health and safety. Labor regulations aim to protect workers from arbitrary, unfair, or discriminatory actions by their employers while addressing potential market failures stemming from insufficient information and inadequate insurance against risks. They prevent employers and workers (often represented by labor unions) from engaging in “unfair labor practices” and require both parties to come in good faith to collective bargaining.

Figure 3.1 Intentions vs. Outcomes of Labor Regulations



Source: Authors' elaboration

Labor regulations, by influencing the bargaining power of employers and employees, affect the balance (or lack thereof) between workers' protection and flexibility in managing a firm's human resources. Labor market regulations that are overly protective of employment may discourage formal hiring and reduce economic growth by creating disincentives for the movement of workers from low to high productivity jobs. The other extreme is relaxing labor regulations to improve the ease of conducting business at the expense of worker's welfare and protection. Thus, maintaining a “fair” level of regulation and pursuing a plateau status would be critical. Using the analogy of the 2013 World Development Report, a balance can be achieved by maintaining a fair level of regulation within a ‘plateau’ and avoiding the extreme or the ‘cliff’.

De jure labor regulations, however, are influenced by conditions that are beyond economic rationale. Important drivers of labor regulations include an institutional framework that reflects the diverse collective voices of employers, workers, and governments. For example, the conception of workers' rights as human rights as espoused by the International Labor Organisation (ILO) and other worker organization has influenced labor regulations. In fact, stringency in regulations often depends on how powerful unions are, how extensive collective bargaining takes place, and how institutions have evolved over time (Betcherman 2015; Botero et al. 2004). While path dependency remains a strong determinant, changing market environment and conditions can also bring course changes in labor market regulations.

For instance, globalization in the 1990s highlighted that countries with rigid labor market regulations had a lower hand in the increasingly competitive global market (OECD 1994), thus triggering pressures to deregulate.

De facto labor regulations—how these regulations are being practiced in the labor market—do not necessarily conform with de jure regulations. Noncompliance, costly and weak enforcement, and imperfect competition affect the implementation of regulations. As more and better micro-data become available, the gap between de jure and de facto regulations becomes clearer. For instance, Borat, Kanbur, and Stanwix (2019) notes that it is not generally a lack of labor regulation that is of concern, but rather a lack of compliance with existing regulations because of imperfect enforcement. Studies suggest that noncompliance is prevalent in both developed and developing countries, its range and degree are broad, and multiple factors affect it (Basu, Chau, and Kanbur 2010).⁵¹ A large body of literature on minimum wage policies identified the discrepancy between de jure and de facto regulations, and the causes of the discrepancy can be applicable to the broader set of labor regulations.

Finally, the outcomes resulting from these labor regulations are quite different from the original intentions or policy design. This deviation from expectations comes from unintended and indirect consequences in addition to the differences between de jure and de facto regulations (Figure 3.1). For instance, Besley and Burgess (2004) find that pro-worker labor regulations in India decreased productivity and ultimately increased urban poverty. Botero et al. (2004) show that similar results hold in a sample of 85 countries with heavier regulation of labor associated with lower employment rates. Increases in wages in the informal sector after minimum wage hikes—the so-called lighthouse effect—are well recognized as a positive indirect and unintended effect of labor regulations (Boeri et al. 2008).

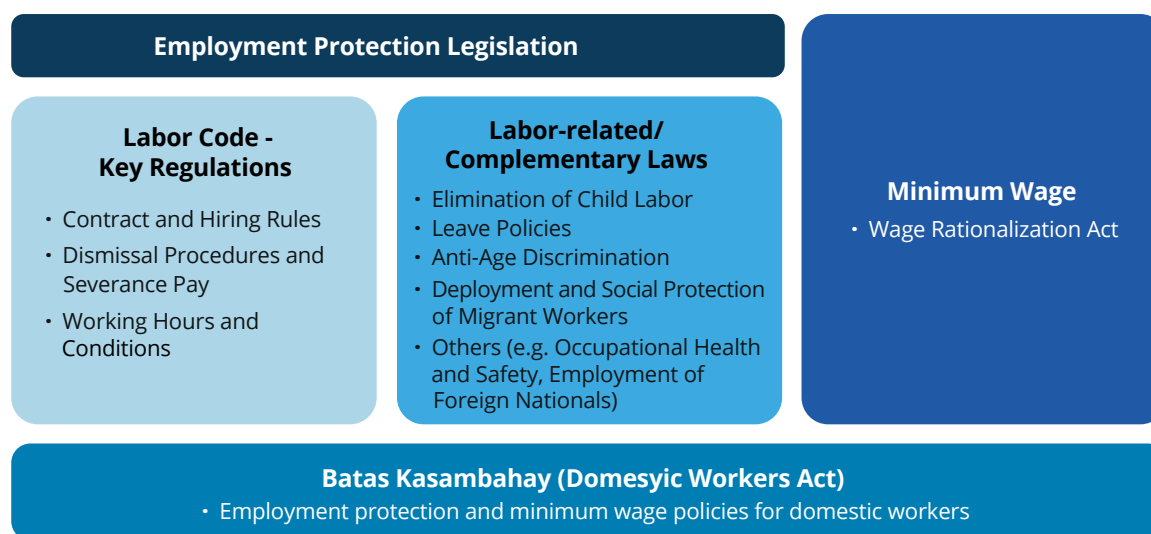
De Jure Labor Market Regulations

Philippine labor market regulations are embodied in employment protection legislations (EPL) and minimum wage laws (Figure 3.2).⁵² The 1987 Philippine Constitution, 1974 Presidential Decree 422 (Labor Code), and other complementary labor laws govern employment practices and labor relations in the country and comprise the EPL. Article VIII, Section 3 of the Constitution mandates that the “State shall afford protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.” It guarantees that workers “shall be entitled to security of tenure, humane conditions of work, and a living wage.” The Labor Code sets the rules for hiring and firing employees, the conditions of work including maximum work hours and overtime, employee benefits such as holiday pay, 13th month pay, and severance pay, as well as the guidelines in labor union organizing, membership, and collective bargaining. Other labor laws and programs complementary to the Labor Code concern specific labor market issues (see Annex 3.1 for other labor laws in the Philippines and Annex 3.2 for international comparisons). Examples include leave policies such as laws on expanding maternity leave benefits (Republic Act No. 11210) and elimination of child labor (Republic Act No. 9231). The minimum wage policies are governed by the Wage Rationalization Act (Republic Act 6727) with a mandatory minimum wage setting. In addition to these, in 2013, the *Batas Kasambahay Act* (Republic Act 10361, also known as Domestic Workers Act) was enacted to provide employment protection and minimum wage policies for domestic workers.

⁵¹ They include institutional factors (e.g., penalty structure and consequences of non-compliance), inspectors characteristics (e.g., their education and experience), firm characteristics (e.g., firm size and foreign ownership), and local labor market characteristics (e.g., levels of unemployment and unionization).

⁵² There are also labor laws that promote employment generation and facilitation (e.g., green jobs, ease of doing business). These were not included in the review of this note.

Figure 3.2 Scope of Labor Market Regulations in the Philippines



Source: Authors' elaboration

Employment Contract and Hiring Rules

Under the Labor Code, there are four kinds of employment arrangements: regular employment, project employment, seasonal employment, and casual employment. This plurality is to provide flexibility in concluding employment contracts (Box 3.1). Like many other countries, the employment contract in the Philippines prescribes a probationary period, which is used to determine whether an employee has the professional skills and abilities, social skills, and health to perform the work required. If employers are not satisfied, they may terminate employment contracts under probation, interpreted as a more flexible condition. An employee is not subject to a probationary period if such condition is not stated in the labor contract (Kuddo 2018). The probationary period in the Philippines is usually fixed at six months or less, though the parties to an employment contract can agree to a longer period. For many unskilled and semi-skilled occupations, it is not necessary to have a lengthy probationary period, but excessively short trial periods may not permit sufficient monitoring of workers and raise risks of disciplinary or economic dismissals if workers are unable to perform the work required.

Box 3.1 Types of Employment

Regular employment: There are two kinds of regular employees—regular employees by nature of work, that is, those who are engaged to perform activities that are usually necessary or desirable in the usual business or trade of the employer; and regular employees by years of service, that is, those who have rendered at least one year of service, whether continuous or broken, with respect to the activity in which they are employed.

Project employment: The employment is fixed for a specific project or undertaking, the completion or termination of which has been determined at the time the employee is engaged. The services of project employees are coterminous with the project, meaning they can be terminated upon completion of that project or a phase of the project for which they were hired. The employer has no obligation to pay them severance pay.

Seasonal employment: Seasonal workers perform work that is seasonal in nature and are employed only for the duration of one season. When they are rehired every working season, they are considered regular employees. During off reason, they are temporarily laid off and when their services are needed, they are re-employed.

Casual employment: Employees are engaged to perform a job, work, or service that is merely incidental to the business of the employer, and that job, work, or service is for a definite period made known to them at the time of engagement. However, if casual employees worked for at least one year (whether continuously or not), they become regular employees, but only with respect to the activity in which they are employed, and their employment will continue while that activity exists. Even as casual employees, they are entitled to all the rights and privileges and are subject to the same duties and obligations as are granted by law to regular employees during the period of their actual employment.

Fixed-term employment: While not specifically mentioned in the Labor Code, fixed-term employment is recognized under the Civil Code. The maximum cumulative duration of a fixed-term employment relationship has not been regulated. Such contracts are allowed for permanent tasks.

Probationary employment: This provides a trial period when employees engage in tasks to prove their qualification and suitability for the job, and the employer assesses the workers' skills based on predetermined standards before granting them regular employment status. Article 296 of the Labor Code provides that probationary employment shall not exceed six months from the date the employees started working, unless it is covered by an apprenticeship agreement stipulating a longer period. The services of employees engaged on a probationary basis may be terminated for a just cause or when they fail to qualify as regular employees in accordance with reasonable standards made known to them by the employer at the time of their engagement. Employees who are allowed to work after a probationary period shall be considered regular employees.

Source: Author's elaboration from Labor Code Articles 294-296 and Civil Code Article 1306

Dismissal Procedures and Severance Pay

Procedural requirements for dismissal often show the stringency of labor market regulations.

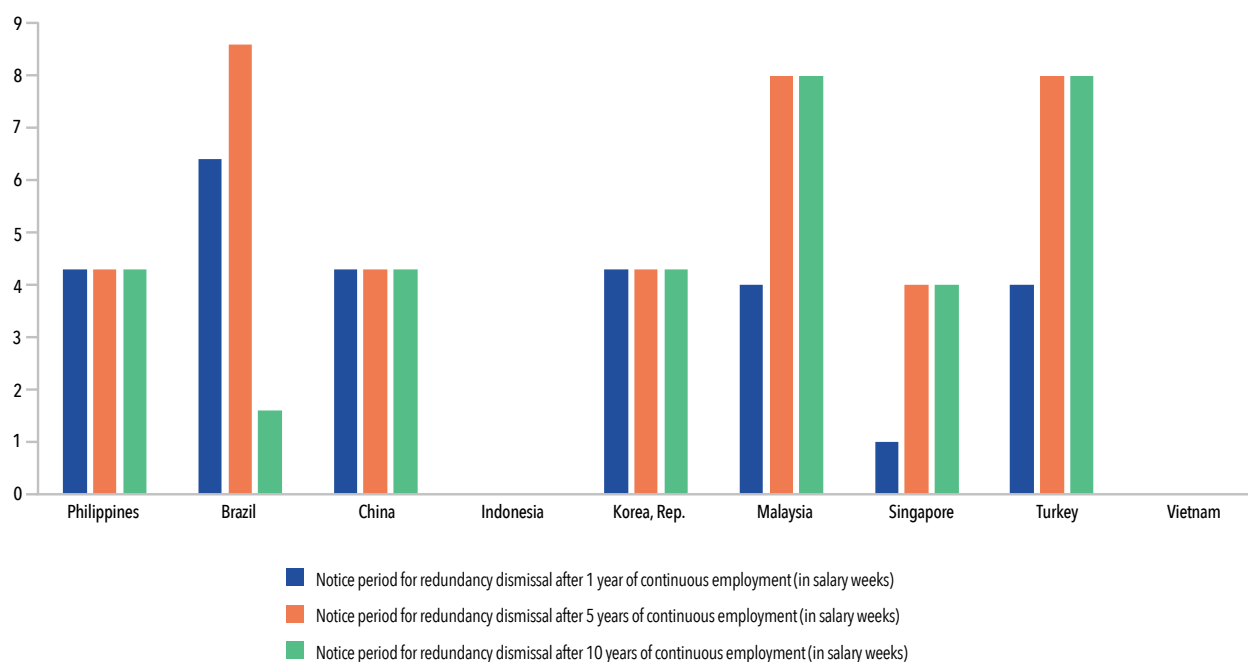
Corporate restructuring is crucial in business competitiveness, and thus legal dismissal procedures influence employers' willingness to hire new workers. Prior to initiating dismissals, an employer may take preventive measures to avert or minimize their impact on the workforce.⁵³ Such measures include spreading workforce reduction over a longer period to permit natural attrition, internal reassignment, retraining, voluntary early retirement with appropriate income protection, restricting overtime, temporarily reducing standard work hours, or job-sharing.

⁵³ The Single-Entry Approach (SEnA) provides for speedy settlement procedure of all labor issues or conflicts to prevent them from escalating into full-blown disputes or actual labor cases. It was first introduced through DOLE Department Order 107-10 and later institutionalized through the enactment of Republic Act 10396 in 2013 (An act strengthening conciliation-mediation as a voluntary mode of dispute settlement for all labor cases), providing for a 30-day mandatory conciliation-mediation for issues arising from labor and employment and amending the labor code.

In the Philippines, dismissal procedures for just cause give the employee an opportunity to be heard. Under Article 296 of the Labor Code, the employer must give a written notice to the employee specifying the grounds for dismissal and giving the employee the opportunity to explain his[her] case⁵⁴ through a hearing or a written document such as a letter, memorandum, affidavit, or position paper. Just cause includes employee misconduct, willful disobedience, neglect of duties, fraud or willful breach of trust, or commission of a crime or offence.

In dismissal due to authorized cause, a written notice is required at least 30 days before the effective date of dismissal. This advance notice of a month is standard practice although some other countries require a longer lead time for workers with a longer tenure (Figure 3.3). Under Article 297 of the Labor Code, the employer must provide the notice to the employee and the regional office of the Department of Labor and Employment (DOLE). The law recognizes management's prerogative to cut labor costs or improve efficiency and productivity through the reorganization of work processes or operations to eliminate duplication. Thus, redundancy is a valid reason for dismissal, and the written notice should specify the grounds for such redundancy, which exists when the services of an employee are in excess of what would reasonably be demanded by the actual requirements of the enterprise. A position is redundant when it is superfluous, and this can be caused by a number of factors such as over-hiring of workers, decrease in the volume of business, and discontinuation of a product line or service previously manufactured or undertaken by the enterprise.

Figure 3.3 Notice period in salary weeks based on years of employment in selected countries, 2019



Source: World Bank (2019)

As an authorized cause, retrenchment is a valid ground for terminating employment because of losses in the operation of a business, lack of work, or business downsizing. Article 283 of the Labor Code requires four proof documents that show (i) substantial loss; (ii) imminent loss; (iii) necessity of retrenchment to prevent further losses; and (iv) actions taken to reduce costs before retrenchment. In addition, when selecting workers for retrenchment, fair and transparent rules that consider the worker's

⁵⁴ Reasonable opportunity is defined as a period of at least five (5) calendar days from receipt of the notice to give the employee an opportunity to study the allegations against him[her], consult a union official or lawyer, gather evidence and decide on his[her] defense.

employment status, tenure, and performance, should be applied. The employer should give at least 30 days of written advance notice to the workers as discussed, and also needs to inform the DOLE's regional office. Retrenched workers are eligible to receive severance payments based on their salary level and years of tenure. This is a very different practice, for instance, from the US labor law, which adopts an at-will employment principle in most of the states where employers can dismiss employees at any time without warning for almost any reason.

Severance pay is the most prevalent form of protection in case of dismissal based on authorized cause in most low and middle-income economies, especially in countries where unemployment insurance schemes are not well established. Severance payments provide lump sum cash transfers to workers who involuntarily or voluntarily separate from their jobs. While playing an important role to protect workers, overall severance obligations pose difficulties to a firm that had to restructure its organization and thus may be already cash-strapped and left with limited funds for severance payments. When set too high, severance payments work against job creation and efficient labor reallocation as they tend to discourage employers from restructuring and can therefore be a constraint to firms as they seek to enhance productivity and move up the value chain.

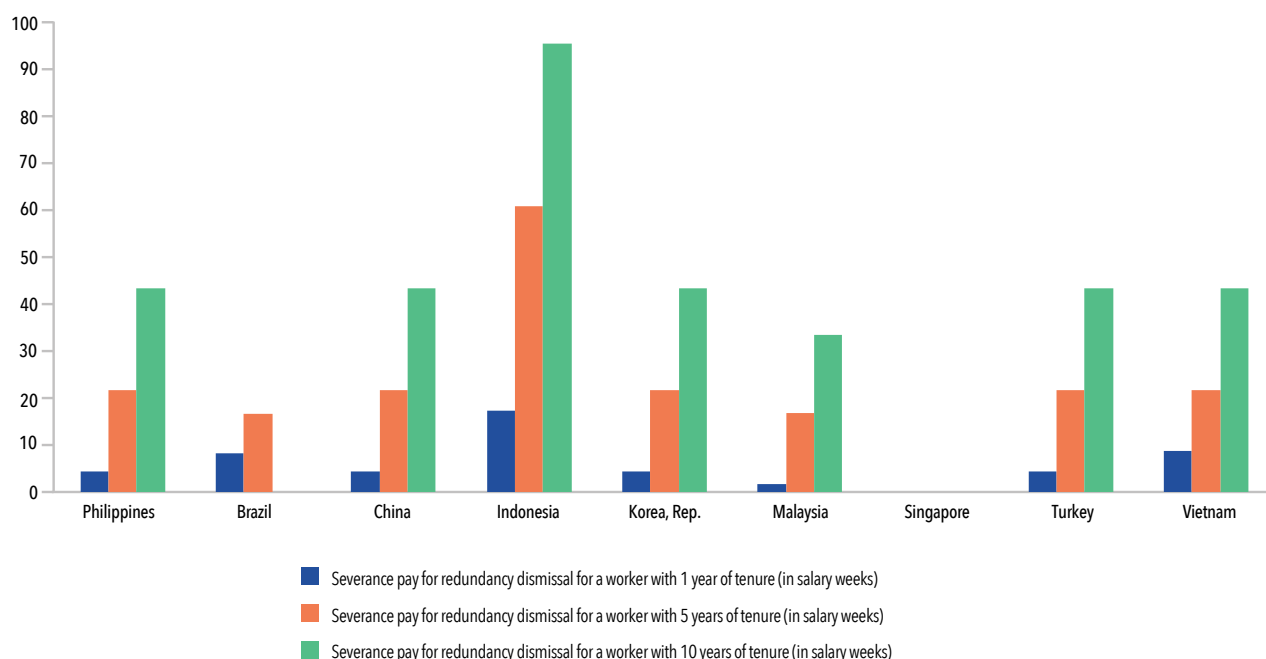
The rules on severance pay vary across countries. Based on Doing Business 2017 data, 61 countries (33 percent) do not have statutory severance pay for redundancy dismissal after one year of job tenure; 37 countries (20 percent) do not have access to statutory severance pay even after 5 or 10 years of job tenure. Generosity of severance benefits may differ by type of separation (e.g., dismissal, redundancy, collective redundancy, end of service); between white and blue-collar workers; between permanent and fixed-term workers; or between those covered by collective agreements and those who are not. In some countries, workers receive a seniority premium, depending on the reason for separation (usually in cases of no-fault dismissal). Some countries do not have explicit benefit formulas and leave the determination of severance pay as well as authorization to lay off workers to special government bodies or court decisions. A ceiling may be set for severance payment.

In the Philippines, there are unemployment benefits but they are quite limited. In 2019, SSS began to offer unemployment benefits to private sector employees as mandated by the Social Security Act of 2018 (Republic Act No. 11199). To qualify for unemployment benefits, members must be age 60 or younger at the time of involuntary separation.⁵⁵ Applicants are also required to have paid at least 36 monthly contributions, 12 months of which should have been paid within the 18-month period before they were laid off, terminated, or “involuntarily separated”⁵⁶ from their work. These requirements mean that those who are either above 60 years old or new entrants in the labor market with fewer monthly contributions are not qualified to claim the benefit. Between January and September 2021, the SSS released a total of ₱869.99 million worth of unemployment benefits to 67,937 members. Records from the SSS and pension schemes through the Government Service Insurance System (GSIS) showed that only about 17 million (40 percent of workers) had access to major social insurance in 2017, indicating a significant coverage gap that in part explains the continued practice of giving severance pay.

⁵⁵ An exception applies to underground and surface mineworkers and racehorse jockeys, whose ages should not be more than 50 and 55 years old, respectively

⁵⁶ Employees who were rightfully dismissed under the Labor Code—such as those who were caught involved in serious misconduct, gross and habitual neglect, fraud or willful breach of trust, and the commission of a crime against their employer and immediate family members – are disqualified from receiving the unemployment benefit.

Figure 3.4 Severance pay for redundancy in salary weeks based on years of employment in selected countries, 2019



Source: World Bank (2019)

An employee's entitlement to severance pay depends on the reason or ground for termination.

For just cause, employees may not be entitled to severance pay, whereas when the termination is by authorized cause, they should receive it. In the case of dismissal as a result of redundancy, employees are entitled to severance pay equivalent to one month's pay for every year of service. This formula is similar to that in comparator countries, although Indonesia (before the recent reform) has more generous pay and Singapore is the opposite as it does not provide any severance pay (Figure 3.4).

Working Hours and Overtime Pay

Under Article 82 of the Labor Code, working hours apply to employees in all establishments and undertakings, whether for-profit or not-for-profit.⁵⁷ Normal working hours are eight hours a day over a maximum of six days. Hours of work include all time during which employees are required to be on duty or be at a prescribed workplace, and all time they work or are permitted to work. Work in excess of eight hours on ordinary working days, which is the prescribed daily work period, is considered overtime work. For work rendered beyond 12 hours in a day or beyond 48 hours in a week, overtime premium must be paid.

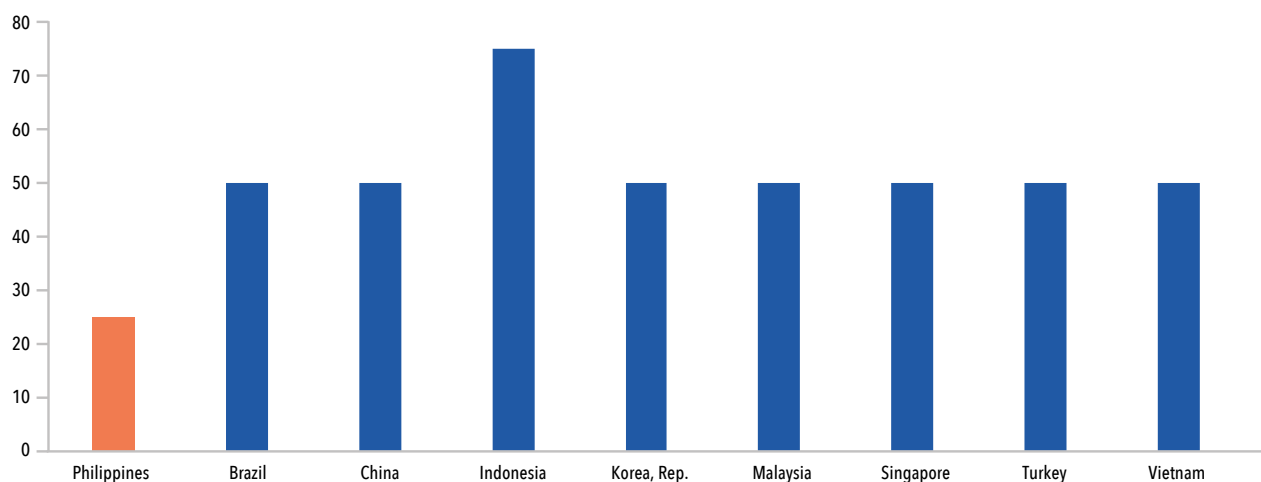
Overtime premium⁵⁸ depends on whether work was rendered on a regular day or a holiday.

In the Philippines, employees are entitled to an additional 25 percent of regular basic pay rate as overtime premium if work is done on a normal work day (for country comparisons, see Figure 3.5); and the premium

⁵⁷ Exceptions include government employees; managerial employees; field personnel; family members of the employer who depend on him for support; domestic helpers; persons who provide personal service to other people; and workers who are paid by results as determined by the Secretary of Labor in appropriate regulations.

⁵⁸ In certain cases, an employer can require any of his employees to work beyond eight hours a day, provided that the employee required to render overtime work is paid the overtime premium. An employee can be compelled to render overtime in emergency situations, for example, when the work is necessary to prevent loss of life or property, or in the case of imminent danger to public safety; there is urgent work to be done with machines, installations or equipment; the work is necessary to prevent loss or damage to perishable goods; the completion or continuation of work started before the 8th hour is necessary to prevent serious obstruction or prejudice to the employer's business or operations; or when overtime work is necessary in order to take advantage of favorable weather or environmental conditions where performance or quality of work depend on those conditions.

Figure 3.5 Premium for overtime work by percent of hourly pay in selected countries, 2019



Source: World Bank (2019)

is 30 percent of their regular wage if work is done on a holiday or rest day for less than eight hours. If work is rendered beyond eight hours, workers get compensation equivalent to their rate for the first eight hours and an additional 30 percent as premium. The level of overtime premium is lower than in other countries, as most of the comparator countries provide 50 percent as regular overtime premium. Also, the Labor Code does not prescribe a limit on overtime hours, thereby making the country an outlier with regard to the maximum number of hours in a work week. On many occasions, workers do not mind working overtime in excess of a standard work week as long as they can earn overtime payment. At the same time, overtime arrangements can be utilized (although in some cases abused) by employers as an alternative to hiring additional labor, especially during peak season or increases in volume of work.

Minimum Wage

Republic Act No. 6727 governs the minimum wages that apply to different industrial sectors in the Philippines. The National Wages and Productivity Commission (NWPC) formulates policies and guidelines on wages, incomes, and productivity improvement at the enterprise, industry, and national levels. The Regional Tripartite Wages and Productivity Boards (RTWPBs) prescribe the minimum wage rates for agricultural and nonagricultural employees for their respective regions based on regional labor market conditions and using a two-tiered wage system.⁵⁹ The regional DOLE office carries out regular inspection and reports the compliance rate. As of June 2022, nominal wage rates are as follows:

- ◆ Non-agriculture workers
 - Highest daily rate ₱570 (\$10.1) in the National Capital Region (NCR)
 - Lowest rate ₱312 (\$5.5) in Region I
- ◆ Agriculture workers
 - Highest daily rate ₱533 (\$9.4) in NCR, plantation and non-plantation
 - Lowest rate ₱320 (\$5.7) in Region VIII (plantation) and ₱312 (\$5.5) in Region I (non-plantation)
- ◆ Workers in retail/service establishments employing not more than 10 employees
 - Highest daily rate ₱533 (\$9.4) in NCR
 - Lowest rate ₱320 (\$5.7) in Region VIII
- ◆ Domestic workers
 - ₱3,500 to 6,000 (\$62 – 106.3) per month depending on the region and municipality

⁵⁹ A two-tiered wage system refers to a wage setting mechanism where the first tier follows the legal minimum wage and the second tier is based on workers' productivity. This system has been used since 2012.

Minimum wage setting and adjustments can be done through combinations of political negotiations and formula-based calibrations (Box 3.2). Many countries tend to set the legal minimum wage through regular tripartite negotiations between representatives from government, employers, and workers, or through special commissions leading negotiations at the national level. Even if minimum wages vary by province or region, certain formulas can be adopted to reflect inflation and economic performance in minimum wage increases to enhance predictability and transparency. In the Philippines, the RTWPB prescribes the adjusted level of minimum wage based on various region-specific factors such as wage levels, cost of living and its changes, potential impact on employment, needs for redistribution, and firms' doing business and investment environment.

Box 3.2 Adjustment of minimum wage levels in selected countries

Indonesia uses a clear, transparent formula for setting the province-level minimum wage. Each governor must assess local conditions, inflation, and economic growth when setting it. The minimum wage adjustment formula is then based on the province's inflation rate and provincial GDP growth over the past 12 months.

$$\text{minimum wage}_{\text{year } t} * (\text{inflation}_{\text{year } t} + \text{GDP growth}_{\text{year } t}) = \text{minimum wage}_{\text{year } t+1}$$

In **Brazil**, the country's president sets the minimum wages. In early 2019, the president signed a decree setting the minimum wage at 998 reals (\$257.5) for 2019, an increase of 4.61 percent from the previous year.

In **Malaysia**, the government makes the final decision on minimum wage levels following recommendations from the National Wages Consultative Council, a tripartite advisory body that also includes technical experts. The government may either agree with the council's recommendations or direct it to make new recommendations. The council suggests a set of criteria and a formula to guide the adjustment of minimum wage rates.

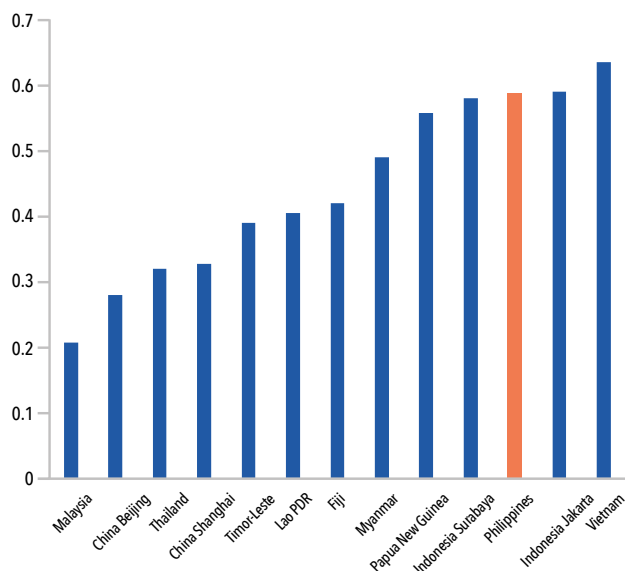
In **South Korea**, minimum wages are established by the Ministry of Employment and Labor based on the recommendations of the Minimum Wage Commission—a body that includes representatives of workers, employers, and public interest members.

In **Turkey**, the minimum wage level is set by a government-led commission that includes five representatives each from business, labor, and government.

In **Vietnam**, a mechanism put in place in 2013 adjusts minimum wages based on tripartite negotiations in the National Wage Council. For example, for 2019, the Vietnam General Confederation of Labor representing employees proposed an increase of at least 6.1 percent while the Vietnam Chamber of Commerce and Industry representing employers proposed an increase of 5.1 percent. After discussions with the National Wage Council, all parties agreed to a 5.3 percent adjustment.

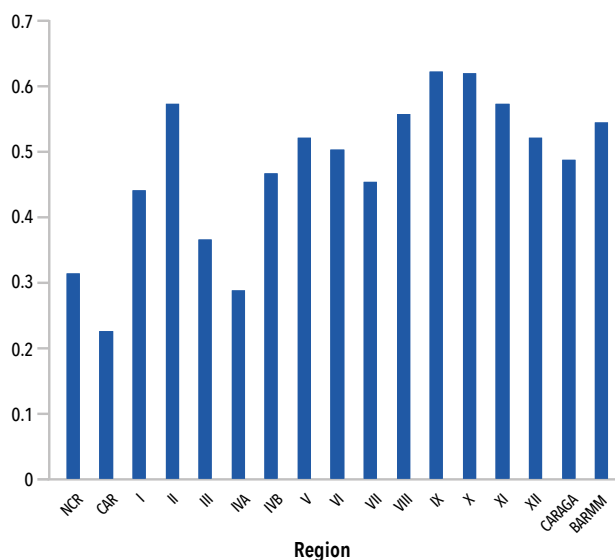
Source: Based on Weber and Kuddo (2020)

Figure 3.6 Ratio of minimum wage to value added per worker, Philippines and selected countries, 2019



Sources: World Bank (2019)

Figure 3.7 Share of workers receiving wages below the minimum wage, 2019



Sources: PSA-LFS in July 2019

Comparing minimum wage levels across countries poses measurement and comparability challenges, but the level of minimum wage in the Philippines appears to be relatively high.

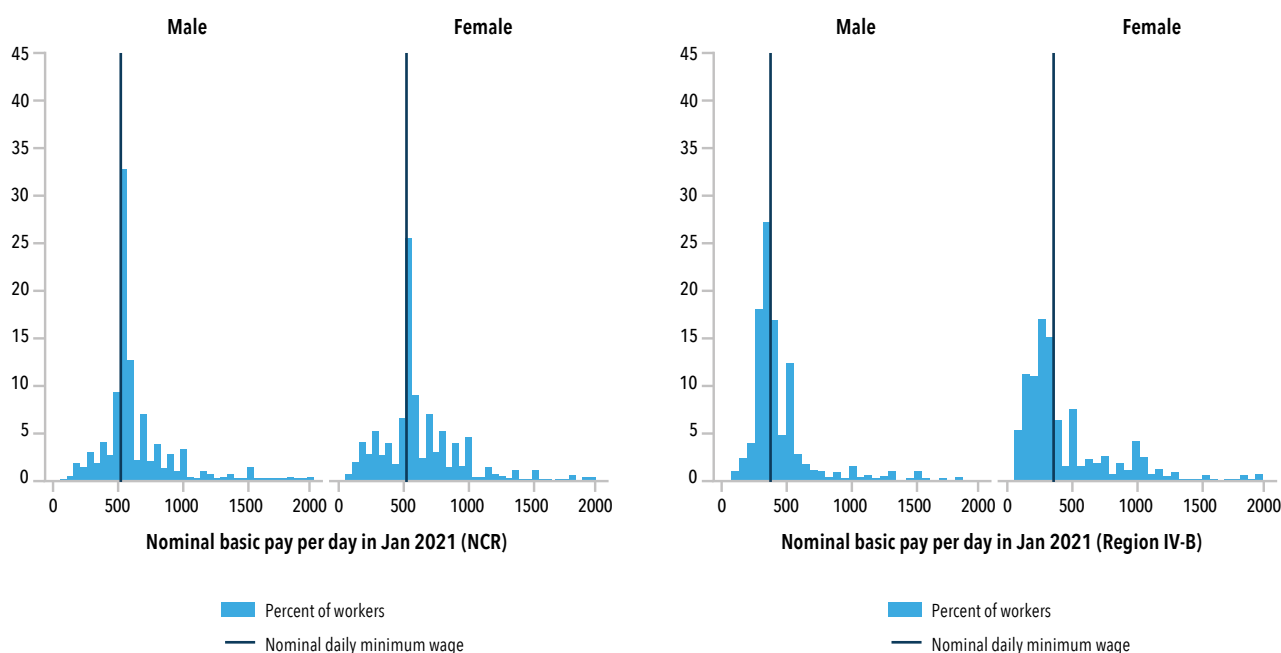
For international comparisons, minimum wages are expressed as a share of value added or gross national income (GNI) per worker as a proxy for average earnings.⁶⁰ Data are collected on the minimum wage applicable to an adult cashier in the food retail industry, age 19, with one year of work experience. In the Philippines, this share is relatively high, at 0.59 (Figure 3.6). In fact, the minimum wages are high relative to those of other countries with similar income levels. In June 2022, the country's average daily minimum wage rate ranged from ₱334 (\$6.1) in CALABARZON to ₱570 (\$10.4) in NCR; this range is among the highest in the ASEAN region, higher than in Myanmar (\$2.6), Lao PDR (\$2.5), Cambodia (\$6.5), Vietnam (\$5.6 - \$6.3), and Indonesia (\$4.1-\$10.0).⁶¹

Also, while allowing for variation in sectoral productivity, local labor market conditions, and living costs, a system of multiple minimum wages adds administrative complexity and likely impedes their enforcement and favors informality. Maintaining, enforcing, and regularly adapting a minimum wage to economic development requires a robust system of oversight and administration, which is currently lacking in the Philippines. This not only could contribute to the prevalence of informality but also hinder the labor market's ability to adapt to changing economic conditions, especially in times of crisis such as the COVID-19 pandemic. While earnings vary by region, it appears that there is a significant share of workers whose earnings are below their regional minimum wage (Figure 3.7). The high share of these workers suggests weak enforcement and compliance, relatively high minimum wage, and prevalent informality.

⁶⁰ The average value added per worker is the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population.

⁶¹ Based on NWPC's Comparative Wages in Selected Countries data as of February 28, 2022.

Figure 3.8 Nominal wage distribution of male and female workers, 2021: NCR and Region IVB



Sources: LFS 2021

A large share of workers cluster around minimum wage with respect to the wage distribution.⁶²

This indicates that minimum wage is partially binding to some firms. The extent to which workers cluster around minimum wage is far greater in NCR than in Region IVB (Figure 3.8), but both regions show a significant share of workers receiving wages lower than their respective minimum wages. For both regions, minimum wage does not appear to provide a minimum reference point for wages that may be applicable mostly to labor market entrants, but it reflects an average level of wages. This corroborates the observation of relatively high minimum wage levels in the country. In both regions, a greater share of women received wages below minimum wage than men, which may reflect the higher presence of female workers in low productivity, low skilled occupations discussed earlier.

Setting minimum wage at a market-compatible level and enforcing it effectively, and making regular adjustments reflecting market conditions, are generally accepted as a more efficient and equitable approach than setting minimum wage at a higher level with weak or selective enforcement (Rutkowski 2003). While the Philippines' relatively high levels of minimum wage could be seen as a tool for poverty reduction, it is important to note that minimum wages tend to have only a limited and often transitory impact on the earnings of low-wage workers. Other policy instruments can be more effective in improving the standard of living of poor and disadvantaged populations (Kuddo, Robalino, and Weber 2015). A study by the Philippine Institute for Development Studies concludes that (i) higher legal minimum wages are likely to reduce the work hours of average workers; (ii) they can be disadvantageous against the very groups that minimum wages are intended to protect; (iii) they can decrease the employment probability of the young, inexperienced, less educated and women laborers; and (iv) ironically, they tend to reduce average income and raise household poverty rates. These results illustrate how rapid rises in minimum wages can be counterproductive and go against the constitutional principle and spirit of equal protection (Paqueo et al. 2016).

⁶² Due to space limitation, only two regions are presented here; however, similar patterns of clustering around minimum wages are observed in all regions.

Employment Protection and Minimum Wage for Domestic Workers

In 2013, the Philippine Congress passed the *Batas Kasambahay*⁶³ Act or Domestic Workers Act (Republic Act 10361). The law outlines the rights and benefits of domestic workers and aims to protect them from abuse and exploitation. It defines a *kasambahay* as any person engaged in domestic work on an occupational basis and within an employment relationship including, but not limited to, general house help, nursemaid or *yaya*, cook, gardener, or laundry person. A *kasambahay* should not be below 15 years of age.⁶⁴ Further, the employer and *kasambahay* should have a written employment contract outlining the latter's duties and responsibilities, period of employment, compensation, authorized deductions, hours of work and proportionate additional payment, rest days and allowable leaves, board, lodging, medical attention, agreements on deployment expenses, loan agreement, termination of employment, and any other lawful conditions agreed upon by both parties. The employer should provide basic necessities to the *kasambahay*, including adequate meals, safe sleeping arrangements, and assistance in case of illness.

The minimum wage of domestic workers is reviewed and updated periodically by the RTPWBs. As of June 2022, domestic workers receive ₱3,500 to 6,000 (\$62-106) per month, depending on the region and municipality. The minimum wage for domestic workers is highest in NCR and lowest in Regions IX and X (second to sixth class municipalities).⁶⁵ Payment of wages should be made directly to the domestic worker, on time and in cash, at least once a month. The employer should also provide a pay slip, with details on the payment amount and deductions, to the *kasambahay*. As provided by law, a domestic worker is also entitled to a 13th-month pay. Compared with other employees in the private sector, domestic workers receive the lowest minimum wage in the country (Hobden and Bonnet 2021).

Domestic workers are entitled to other forms of benefits and privileges. After rendering at least one year of service, a *kasambahay* becomes entitled to an annual service incentive leave of five days with pay. The leaves cannot be carried over to the succeeding years and are not convertible to cash. Likewise, a domestic worker can take an aggregate daily rest period of eight hours per day and at least 24 consecutive hours of rest in a week. The employer and *kasambahay* can agree in writing on the schedule of the weekly rest day, taking into account the preference of the *kasambahay* on religious grounds. Other benefits shouldered by the employer include contributions to SSS, PhilHealth (Philippine Health Insurance), and Pag-IBIG (Home Development Mutual Fund).⁶⁶ However, if receiving a wage of ₱5,000 and above per month, the *kasambahay* should shoulder the proportionate share in the premium payments. The law also provides that employers should support the education and training of domestic workers, allowing them to adjust their work schedule as needed to attend school or training.

A *kasambahay* may terminate the service at any time on grounds of safety and well-being. These include acts committed by the employer or any member of the household, namely, verbal or emotional abuse, inhuman treatment including physical abuse, and commission of a crime or offense against the *kasambahay*. The grounds also include violation by the employer of the terms and conditions of the employment contract and other standards set forth under the law; any disease prejudicial to the health of the *kasambahay*, the employer, or member/s of the household; and other similar or related

⁶³ *Kasambahay* means maid in Filipino.

⁶⁴ The minimum requirements for hiring a *kasambahay* include a medical certificate, barangay and police clearance, National Bureau of Investigation clearance, and a duly authenticated birth certificate or any other document showing the age of the domestic worker (i.e., voter's identification card, baptismal record, or passport). The costs of acquiring these documents will be borne by the employer or private employment agency.

⁶⁵ Based on DOF Department Order No. 23-08 dated 29 July 2008, municipalities could be classified based on their average annual income during the last four calendar years. The income classifications, from richest to poorest, are as follows: ₱55 million or more for first class municipalities, between ₱45 and 55 million for second class municipalities, between ₱35 and 45 million for third class, between ₱25 to 35 million for fourth class, between ₱15 to 25 million for fifth class, and below ₱15 million for sixth class.

⁶⁶ Created under RA 9679, the Pag-IBIG Fund is a savings system that provides housing loans to qualified members. Income earners can contribute to the Pag-IBIG Fund, with matching mandatory contributions from their employers. Employees contribute 1 percent of their monthly income if they earn less than ₱1,500 per month and 2 percent of their monthly income if they receive more than ₱1,500 per month. All employers contribute 2 percent of the monthly salary of covered employees. More details can be found in <https://www.officialgazette.gov.ph/2009/07/21/implementing-rules-and-regulations-of-republic-act-no-9679/>.

causes.⁶⁷ In the case of unjust dismissal, the *kasambahay* shall be paid the compensation already earned plus the equivalent of 15 days' work. If the *kasambahay* resigns without any justifiable reason, any unpaid salary due not exceeding the equivalent of 15 days of work shall be forfeited. If the contract was terminated within 6 months from the *kasambahay's* employment, the employer may recover from the *kasambahay* the costs related to deployment.

While efforts to protect domestic workers are commendable, the *Kasambahay Act* has weak implementation and monitoring. According to a survey conducted by DOLE and the Philippine Statistics Authority (PSA) in 2019, of the 1.4 million Filipino domestic workers nationwide, only about 2.5 percent (35,000) have written employment contracts, 36 percent (504,000) work every day per week without any rest day, and only 17 percent (238,000) are covered by social security benefits. The SSS notes that it still has to verify the actual number of domestic workers without social insurance. The government calls for the participation of local government units (LGUs) in strictly implementing and monitoring the *Kasambahay Law*. Barangay officials could keep track of the situation of domestic workers in their jurisdiction and report to the municipal and regional offices. Strong coordination between national and local government offices could help address the gaps in the implementation of the policy. Meanwhile, further assessments of the impact of the law on the welfare of domestic helpers should be conducted using reliable and up-to-date information.

De Facto Labor Market Regulations

Compliance and Enforcement

In many countries, even though labor legislation might be rigid on paper, in practice it is not enforced and widely evaded. Achieving greater labor market flexibility through the nonenforcement of laws is not an optimal choice because it undermines the rule of law, exposes firms to costly uncertainty, impedes decent formal employment growth, and leaves workers without adequate protection (Rutkowski and Scarpetta 2005).

Labor inspection agencies monitor compliance with labor standards. Their primary function is to enforce legal provisions dealing with labor regulations, occupational health and safety, social services, migrant workers, vocational training, social security, and other terms and conditions of work. In addition, labor inspection agencies can provide information, advice, and training. Modern practices of labor inspection prioritize the prevention, protection and improvement of labor environments and conditions, rather than relying only on the actions of law enforcement and the application of penalties (ILO 2013a,b). Inspectorates aim at an equilibrium when handling accidents and complaints, where 60 percent of inspections are proactive and 40 percent are reactive. Inspections are based on a risk assessment, which prioritizes workplaces with the highest risk. Good practices in labor inspection have some common characteristics, which include the following:⁶⁸

- ◇ Adequate resources for staff and infrastructure
- ◇ Preventive targeting of firms (based on risk)
- ◇ Focus on prevention and education, besides enforcement
- ◇ Integration of several types of inspection, to avoid increased burden on firms
- ◇ Improvement of central administration consistency to avoid doubled work
- ◇ Well-designed policies of training and recruitment.

⁶⁷ Conversely, the employer may initiate the termination of the domestic worker's contract due to misconduct or willful disobedience, inefficiency, crime or offense, violation of the contract, or detrimental illness.

⁶⁸ Country profiles of labor inspection in about 60 countries. See ILO (2013a).

To adapt and modernize, labor administrations and inspection systems should take advantage of progress in information and communication technologies. These can improve internal working methods and expand the range and accessibility of services for constituents while maintaining thorough inspections. A variety of online, mobile phone and networking technologies have the potential to increase efficiency and reduce costs, improve transparency, facilitate collection and analysis of labor statistics, and aid the dissemination of information about labor laws and policies. For example, countries should aim to establish a central database of enterprises and workplaces that labor inspectors can access.⁶⁹

Inadequate public awareness of labor rights and employment obligations may impede the enforcement of labor rules. This constraint is particularly relevant in developing countries where there is low level of education among the workforce, especially in terms of labor education. Related to this, the fragmented nature of labor legislation and the difficulty of obtaining information on the full range of laws and regulations that apply in the labor market hinder public awareness. Workers should be adequately informed of their legal rights and how to assert them. Thus, administrative measures can also incorporate better public education and information to inform the decisions of enterprises and individuals when they choose to operate in the formal sector.

Labor inspection services should be commensurate to the number of workers. ILO's technical services in charge of labor inspection considers that the number of labor inspectors in relation to workers should approach the following ratios:

- ◆ Industrial market economies: 1/10,000
- ◆ Rapidly industrializing economies: 1/15,000
- ◆ Transition economies: 1/20,000
- ◆ Least developed countries: 1/40,000

The Philippines has one of the lowest proportions of workers to labor inspectors (Table 3.1). With a ratio of 1:73,000, the country falls short of ILO standards for labor inspection in industrial and commercial establishments. Achieving higher compliance is not just about increasing the number of inspectors or strengthening their capacity. It is also related to the perceived legitimacy of regulations, incentives for employers and workers, and the economic viability of the norms. Better designs can increase voluntary compliance. Hence, redesigning the norms and improving compliance go together and require a reform sequence: first resolving design issues, then enforcing their implementation. This means increasing the number of hired inspectors, capacity building, and designing stiffer penalties for noncompliance. The Philippines needs to develop modern labor inspectorates to effectively enforce core workers' rights, supervise implementation of labor regulations, and provide technical assistance and advisory services to enterprises.

Table 3.1 Ratio of number of labor inspector to workers in selected countries, 2018

Country	Total number of labor inspectors	Number of workers per inspector
Bangladesh	317	209,000
Indonesia	1,987	62,000
Brazil	2,367	39,000

⁶⁹ Detection and enforcement measures applied in OECD countries include information exchanges (linking computer files) using unique social security numbers; cooperation between labor, social security, and tax inspectorates; administrative requirements for immediate declaration of new hires; making chief contractors responsible for tax compliance of subcontractors; encouraging employer and trade union denunciation of unfair competition; enforcing employees' rights, such as protection against unfair dismissal, even within undeclared relationships; and strict sanctions.

Country	Total number of labor inspectors	Number of workers per inspector
Philippines	574	73,000
Cambodia	520	17,000
Sri Lanka	524	15,000
Turkey	1,921	15,000

Source: US Department of Labor (2018).

The Philippines' labor inspection procedures are described under the Labor Laws Compliance System. Article 128, in relation to Article 303 (formerly Article 288) of the Labor Code, as renumbered, provides the DOLE Secretary and authorized representatives with visitorial and enforcement powers to access the premises and records of an establishment and check its compliance with labor laws and related issuances. Implemented since August 2013, labor inspection in the Philippines follows the revised rules of the Labor Laws Compliance System (LLCS),⁷⁰ which incorporate a compliance-enabling approach in the regulatory framework to secure a higher level of compliance with general labor standards (GLS) and occupational safety and health standards (OSH). The new LLCS removes self-assessments and strengthens the system with the implementation of joint assessments, starting with those establishments identified as high priority. Compliant establishments are issued a certificate of compliance for GLS and OSH that is valid for two years. The LLCS promotes a culture of voluntary compliance, encourages the settlement of labor disputes, and strengthens tripartism among employees, employers, and the government. However, if the employer does not comply voluntarily and does not take measures to address gaps, the regulatory enforcement component of LLCS will apply.

The gap in promoting and protecting the rights of workers is especially evident in the weak enforcement capacity of labor inspection agencies. With approximately 334,522 establishments in the formal sector covering more than 7 million workers,⁷¹ having adequate numbers of qualified and technically competent inspectors within a properly resourced and strategically oriented inspectorate is fundamental. A gap analysis conducted by the DOLE-Institute for Labor Studies recommended the standard number of labor laws compliance officers (LLCOs) who will facilitate plant-level joint assessments. The research cited the need for LLCOs to focus primarily on labor inspection so that assessment is more efficient and provide adequate resources so that LLCOs can perform their tasks effectively (Lumactud 2016). While progress has been made in the Philippines toward building a labor compliance system, the government acknowledges that further work is needed to strengthen the human and institutional capacity of its inspectorate throughout the country.⁷²

Perceived Outcomes of Labor Market Regulations

In the Philippines, labor regulations may be restrictive to the extent that they fall short of intended worker protection. On the one hand, a substantial number of workers are not covered by labor regulations, there is widespread informality, and there is weak labor inspection capacity. On the other hand, labor regulations are among the top 10 business environment concerns for firms, with 6.4 percent of private formal employers identifying the current labor regulations as a major impediment to business, much higher than the average of 3.3 percent in the East Asia and Pacific region. Labor regulations are particularly inhibitive for small enterprises, which signals the disproportional burden of compliance: 1 in 10 businesses with fewer than 20 employees identifies labor regulations as a top business constraints (World Bank 2019).

⁷⁰ DOLE Department Order No. 131-B series of 2016, "Revised Rules on Labor Laws Compliance System" dated May 30, 2016.

⁷¹ PSA. <https://psa.gov.ph/content/2018-census-philippine-business-and-industry-economy-wide>.

⁷² ILO. https://www.ilo.org/manila/areasofwork/WCMS_382777/lang--en/index.html.

Restrictive labor regulations have hampered business activities and affected the country's competitiveness. The Global Competitiveness Report 2019 (World Economic Forum, 2019) ranks the Philippines 56 out of 141 countries globally in terms of labor market flexibility and cites the following areas of concern: workers' rights, redundancy costs, hiring and firing practices, flexibility of wage determination, and ease of hiring foreign workers (Table 3.2). While its 2019 ranking is a significant improvement compared with its rank of 91st out of 144 countries in 2016, the Philippines has redundancy costs that are particularly high (ranked at 116th in 2019), while flexibility of wage determination and hiring and firing practices are 54th and 56th, respectively, which make the country's labor market more restrictive than most of its regional peers. These restrictions and the compliance burdens that they generate discourage employers from hiring workers on long-term regular contracts, increase the cost of formality and hence reinforce the informal economy.

Table 3.2 Philippine Competitiveness Indices, 2019

Selected competitiveness indices	Methodology	Philippine ranking (out of 141 countries)
Labor market flexibility		56
Redundancy costs	Cost of advance notice requirement & severance payments when terminating a redundant worker, expressed in weeks of salary (World Bank, Doing Business).	116
Hiring and firing practices	Opinion survey on flexibility related to hiring and firing workers	54
Cooperation in labor-employer relations	Opinion survey to characterize labor-employer relations	15
Flexibility of wage determination	Opinion survey to characterize wage bargaining process	51
Active labor market policies (ALMP)	Opinion survey on adequacy of ALMP in supporting the unemployed	50
Workers' rights	Score from the International Trade Union Confederation's Global Rights Index	104
Ease of hiring foreign labor	Opinion survey regarding the restrictions on hiring foreign labor	76
Internal labor mobility	Opinion survey on domestic mobility for professional reasons	7

Source: World Economic Forum, The Global Competitiveness Report 2019.

While labor regulations are perceived by employers as burdensome and their excessiveness and complexity cause the country's low competitiveness rating, the regulations are nonetheless inadequate to protect workers. The scores from the International Trade Union Confederation's Global Rights Index ranked the country 104th, indicating that workers are vulnerable to unfair labor treatment and poor working conditions. Employment benefits, as set by the Labor Code, are relatively limited by international standards, especially in terms of annual leave and maternity leave. Rules and regulations that limit workers' entry and exit to the labor market, occupational mobility, and wage flexibility, are often associated with labor market rigidity. The country also fares poorly by international comparison in terms of the cost and time needed to start a business. This indicates that there is room to improve labor regulations to ease business formation.

Pandemic Implications and Labor Policy Measures

Philippine Experience

The pandemic brought massive job loss especially during the initial lockdown and despite wide implementation of alternative work arrangements. The unprecedented shock gave firms and businesses justifications for downsizing and worker reduction despite the retrenchment regulations and rules. At the same time, alternative work arrangements—including working from home—increased. Accelerated investments and adoption of technologies took place. As discussed in Chapter 2, the World Bank’s high frequency monitoring surveys of firms in July 2020 reported that many firms adapted to the new environment by using digital solutions (World Bank 2020). Similar patterns continued in the subsequent rounds of the surveys through May 2022, although the rate of digital adoption declined. As businesses reduced or abandoned physical office spaces altogether, workplace and business processes in the public and private sectors were reconfigured, for example, through digital transactions and alternative work arrangements. Increased work on digital space could change the relationship between employers and employees.

During the early period of the pandemic, modest changes in labor regulations were made. DOLE issued labor advisories to guide businesses in implementing flexible work arrangements as a preferred option instead of outright termination of employment or closure of business (see Annex 3.3) for the COVID-19 employment-related guidelines and advisories). Flexible work arrangements cover reductions in work hours or workdays, work schedule rotations, forced leave, and staggered work shifts. In case firms opted for work suspension, the principles were “no work, no pay” and provision of benefits was up to the discretion of employers. Employers were also advised to take COVID-19 prevention and control measures at the workplace, including social distancing, paid leaves for isolation in case of exposure or infection, quarantine leaves, and employee compensation benefits.

With regard to overseas employment,⁷³ on April 2, 2020, the Philippine Overseas Employment Administration temporarily suspended the deployment of health care workers. These health care workers (HCWs) were classified as mission-critical skills and they were subject to travel restrictions in destination countries until the national state of emergency was lifted.⁷⁴ On December 7, 2020, the deployment suspension was lifted but only for newly-hired nurses, nursing aides, and nursing assistants; the moratorium remains effective for other medical and allied health care workers. In addition, the Philippine Overseas Employment Administration (POEA) imposed an annual deployment ceiling of 5,000 newly-hired HCWs, considering the demand for health care during the public health emergency and shortage of HCWs in the country. The deployment ceiling of HCW was raised to 6,500 and further increased to 7,000 in June and December 2021, respectively.⁷⁵

When the economy slowly rebounded with more firms’ operation, employers were required to finance the cost of COVID-19 prevention and control measures for employees such as testing, sanitizers, personal protective equipment or PPE, and vaccination. With the resumption of business operations in areas under community quarantine, employers were encouraged to adopt work-from-home and other alternative work arrangements, for example, transfer of employees to another branch or

⁷³ This is defined in the Migrant Workers Act of 1995 (Republic Act 8042) Section 5.

⁷⁴ Mission Critical Skills (MCS) are those that reflect the primary function of the organization and without which mission-critical work cannot be completed and which skills are internally developed and require extensive training, thus, not easily replaceable. Health care worker occupations included in the roster of MCS are medical doctor/physician, nurse, microbiologist, molecular biologist, medical technologist, clinical analyst, respiratory therapist, pharmacist, laboratory technician, x-ray/radiologic technician, nursing assistant / nursing aid, operator of medical equipment, supervisor of health services and personal care, and repairman of medical-hospital equipment.

⁷⁵ POEA Advisories No. 79 (June 21, 2021) and No. 169 (December 13, 2021).

partial closure of an office. These arrangements were meant to help vulnerable and at-risk workers perform their duties remotely without diminution of their current benefits, demotion or constructive dismissal. When controversies arose whether employers could mandate workers' vaccination for on-site work, DOLE prohibited the "no vaccine, no work" policy reconfirming that employees should not be discriminated due to vaccination status. Instead, labor advisory mandated the establishments and employers to cover the cost of vaccination at the workplace⁷⁶ and allow employees to utilize their available leave credits during national COVID-19 vaccination days.⁷⁷

Despite massive unemployment as a result of mobility restrictions and business closures, claims for unemployment benefits were limited. Members of SSS who lost their jobs during the pandemic can apply for unemployment benefits, which are capped at ₱20,000 (\$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 2020.⁷⁸ Nearly 40,000 applications were rejected by SSS due to discrepancies and incomplete information.⁷⁹ The "unacceptably low" release of unemployment benefits raised the question of efficiency of program delivery, with DOLE to look into the possible nonpayment and mandatory remittance by employers of their workers' SSS contributions.⁸⁰

Given the limitations of unemployment benefits and other regulatory measures, additional policies and programs for worker protection were proposed. Congress called for a national unemployment insurance program as well as the provision of five days of mental health wellness leave and 14 to 60 days of paid pandemic leave benefits.⁸¹ There were also pending bills calling for special assistance and protection for jobseekers and groups of workers in specific industries, such as in food services and delivery services, health, media, Information Technology and Business Process Management (IT-BPM), and construction (see Annex 3.4 for the proposed labor and employment legislative measures). With thousands of workers telecommuting, there was also a bill filed in Congress to amend the Telecommuting Act (Republic Act 11165) by expanding its coverage to include public or government sector workers and by requiring employers to provide telecommuting employees with a ₱1,000 (\$20) monthly allowance to cover utilities expenses.⁸² Along the same principle of providing more flexibility for workers, there are also legislative proposals for the adoption of alternative work arrangements, such as the 35-hour work week scheme.⁸³ While there are recognized benefits of work-from-home and telecommuting arrangements, they weaken the boundary between work and personal space and time. Following the "right to disconnect"⁸⁴ law in France and Portugal, a recent Senate bill sought to prohibit employers from exacting work or getting in touch with employees without the latter's consent during rest hours.⁸⁵

⁷⁶ DOLE Labor Advisory No. 3 dated March 12, 2021.

⁷⁷ DOLE Labor Advisory No. 5 dated March 10, 2022.

⁷⁸ A total of 196,089 applications filed requesting for unemployment insurance, 182,562 (93%) applications were approved.

⁷⁹ Philippine Information Agency. <https://pia.gov.ph/news/articles/1050939>.

⁸⁰ Manila Bulletin. <https://mb.com.ph/2020/10/05/dole-sss-urged-to-provide-unemployment-benefits-to-displaced-workers/>.

⁸¹ House Bill No. 7895 entitled "An Act Granting Mental Health Wellness Leave to All Employees and Integrating Mental Health Awareness in the Curriculum of All Schools" filed by Representative Joy Myra Tambunting on October 16, 2020 and House Bill No. 7909, "An Act Mandating Paid Pandemic Leaves in the Private Sector in Light of a Declared Global Pandemic" filed by Representative Arlene Brosas et al. on October 20, 2020.

⁸² House Bill No.7093 entitled "An Act Expanding the Coverage of the Telecommuting Act and Providing Incentives for Telecommuting Employees, amending for the Purpose, Republic Act 11165, Otherwise Known as the Telecommuting Act and for Other Purposes" filed by Representative Divina Grace Yu on July 14, 2020.

⁸³ House Committee Report No. 401 submitted by Committee on Labor and Employment on August 5, 2020.

⁸⁴ The right to disconnect refers to rules where employees should not be expected to answer work calls and emails, or communications with their bosses, outside of working hours.

⁸⁵ Senate Bill No. 2475 entitled "An Act Promoting the Welfare of Employees by Defining Rest Hours, Providing Penalties for any Violation Thereof, and For Other Purposes" filed by Senator Francis Tolentino on January 17, 2022.

Proposed legislations call for adjustments to minimum wage levels. One bill proposed that the level of minimum wage be pegged to NCR's current minimum wage, subject to adjustments every three years by the NWPC; and the abolition of RTWPB.⁸⁶ The objective of the bill is to eradicate regional wage disparities and provide incentives to workers to remain or return to the provinces. In particular, health care workers' welfare and compensation were raised. With the increasing demand for their services and with the imposition of a temporary deployment ban on health care workers, there are pending bills in Congress for a minimum wage for nurses working in private hospitals. Compared to the monthly salaries of entry-level nurse positions in government at ₱22,000 to ₱32,000 (\$440 to \$640), the monthly salaries of nurses in the private sector range from ₱8,000 to ₱13,500 (\$160 to \$270). The rationale is that the overall wage level would increase by setting a higher level of minimum wage for nurses in the private sector. Despite the relatively high level of minimum wage in the Philippines, by ASEAN standards, a mid-level nurse in the Philippines with a monthly salary of ₱40,000 (\$800) earns less than counterparts in the region, according to a study done by an information aggregator, iPrice Group: in Vietnam, ₱62,000 (\$1,240); Indonesia ₱79,000 (\$1,580); Thailand ₱83,000 (\$1,660); Malaysia ₱97,000 (\$1,940); and Singapore ₱236,400 (\$4,730).

International Experience

Measures for workers

Across the world, labor market regulations were adjusted to mitigate the adverse impacts of the pandemic. While wage subsidies were the most widely used labor market policy to protect jobs during this crisis, by May 2021 labor regulations surfaced as the most prevalent measure, with almost 40 percent or 313 out of 806 labor market interventions implemented in 178 countries, including the Philippines (Table 3.3).

Table 3.3 Active labor market programs and labor regulations in response to COVID-19

Type of labor market measures	No. of measures	No. of countries
Wage subsidies	244	120
Training measures	124	79
Labor regulation adjustments	313	125
Short work time	125	75
Total	806	178

Source: Gentilini et al. 2021.

Most of the adjustments aim to preserve jobs during the crisis. In several countries, such as Azerbaijan, Ethiopia, Italy, Oman, Turkey and Uzbekistan, amendments to labor regulations have aimed to limit layoffs and termination of employment contracts during the crisis. Restrictions on layoffs have also been imposed across countries when firms benefit from wage subsidies. In the Netherlands, for instance, if an employer made an employee redundant between March 18 and May 31, 2020, the salary subsidy for the redundant employee must be repaid to the government plus a 50 percent penalty. Job protection also comes in the form of relaxation of wage limits. In Saudi Arabia, the government suspended the wage protection system to maintain jobs in the early months of the pandemic and to ensure that employers can access and continue government services for the retained workers even if wages are delayed or reduced. To protect the employment of domestic workers in Malta, enterprises that terminate employees lose their right to employ new third-country nationals,⁸⁷ except for high-skilled workers.

⁸⁶ House Bill No.6668 entitled "An Act Establishing a General Minimum Wage Rate for Private Sector Workers Amending for this Purpose Presidential Decree No.442, Otherwise Known as the Labor Code of the Philippines as Amended" filed by Representatives Ramon Guico III and Joseph Lara on May 4, 2020.

⁸⁷ A third-country national in Malta's context is any person who is not a citizen of the European Union and who is not a person enjoying the European Union right to free movement, as defined in the Regulation (EU) 2016/399 (Schengen Borders Code).

In addition to general job protection, regulatory measures targeting vulnerable groups of workers were adopted. Like the Philippines, some countries compensated health workers for their high-risk frontline role during the pandemic, although the compensation takes different forms across countries, such as bonuses or short-term pay rises (Belarus, Bulgaria and Mexico), tax waiver (Ghana), new/more generous health insurance (Bangladesh, India, Mexico, and Togo), and hazard allowance (Nigeria, the same as the Philippines). However, interventions to support youths—who are disproportionately disadvantaged due to their lack of work experience in weak labor markets—tend to come in the form of aid, wage subsidies, or grants instead of regulatory amendments. Hungary, for instance, through the Enterprise Labor Support Program that was launched in October 2020, provides a subsidy of HUF 100,000 (\$257) each month for five months to employers that hire young workers. Additional budgets to support youth employment were granted in South Africa and in youth-led businesses in Zimbabwe.

Probably the most widely adopted regulatory change in response to the pandemic is the expansion or introduction of leave entitlements. Many countries⁸⁸ provide paid sick leaves for workers who are in quarantine or who have COVID. There are also measures that take into account the need for childcare services of working parents under social distancing. For example, Italy and Norway increased the number of days of parental leave, while Seychelles required employers to provide special paid leave to workers with young or school-age children, as well as single parents or workers whose spouses were in essential services or in isolation when childcare or schools were closed by the directive of authorities. Similarly, some Chinese local regulations, including in Beijing, allowed one person in each household to be fully paid with salaries and benefits by his employer and while taking care of children at home before schools reopened. In Argentina, the contractual duty to be physically present at the workplace was suspended for workers of vulnerable demographic groups, such as pregnant women and workers over 60 years old.

Regulatory amendments that ease access to pensions and employment benefits have also been issued to protect workers' livelihoods. In Costa Rica, to compensate formal workers who experienced reductions in working hours or contract suspensions, the government approved changes in the criteria to access the fund for severance payments. Bermuda amended its National Pension Scheme Act to allow those younger than the retirement age to make a one-time withdrawal from their pension account balance. Germany relaxed the conditions for receiving short-time work benefits for workers whose work hours were reduced, whereas in Finland, the exempt amount a job seeker could earn without affecting his unemployment benefit was raised from EUR 300 to 500 (\$306 - 510) per month. Unemployment benefits were temporarily raised in Norway, while in Azerbaijan and the United States, governmental decrees extended the duration of unemployment insurance payments. Other examples of the relaxation of criteria for unemployment benefits are found in Barbados and India.

Measures to promote ease and continuation of doing business

To facilitate business adjustments to the crisis, some countries relaxed their labor regulations to make hiring easier. For example, Brazil abolished the requirement that firms must wait at least 90 days after the date of dismissal to rehire employees. In Bulgaria, firms could hire workers that are on unpaid leave from other firms, and this helped facilitate labor reallocation across firms at a time when some sectors or firms were suffering but others had a shortage of workers. This approach could also support households' income and reduce fiscal costs. By December 2020, the Hungarian government was discussing plans to relax labor regulations and facilitate collective negotiations to allow for remote work and easier altering of work schedule.

⁸⁸ Country examples are from the database compiled by Gentilini et al. 2021. The list includes Brazil, Cook Islands, China, Denmark, Fiji, Finland, France, Germany, Latvia, Uzbekistan, the United Kingdom, and the United States.

In many other instances, contract suspensions and reductions of work hours and employment benefits were made more flexible to ease the credit crunch, often with complementary support to workers. China, for instance, increased the threshold of the layoff rate for refunding unemployment insurance contributions and allowed employers that suspended production or operations due to the pandemic to pay their employees only living expenses instead of full salary starting from the second month after the suspension of operations. In Malaysia, a discount of 25 percent was given on the payment of foreign worker levies to all firms with foreign worker permits ending between April 1 and December 31, 2020. Cabo Verde allowed contracts to be suspended for up to 90 days, with employees paid 70 percent of their wage (half by their employer and half by social security). Spain also allowed *autonomos* employers to temporarily layoff their employees without paying severance packages between March and June 2020, with laid-off workers given unemployment benefits. Similar measures were also adopted in Brazil, Germany, and Poland. A more extreme case is Qatar, where the Ministry of Finance instructed government bodies and state-funded entities to reduce costs for foreign employees by 30 percent from June 2020, either by cutting salaries or laying off workers with a two-month notice.

Regulatory amendments that support more flexible working arrangements were introduced in various countries. In Brazil, teleworking, anticipation of individual holidays, and suspension of required administrative medical examinations connected to employment were introduced. In Romania, the government provided subsidies (equivalent of up to \$540) for the purchase of digital devices to any employee who teleworked during the state of emergency for at least 15 days. Similarly, Finland temporarily relaxed conditions for commuting and relocation allowances for fulltime workers by decreasing the distance required for daily commuting. Remote working was also introduced in Argentina, the United Kingdom, and, as earlier mentioned, the Philippines. In addition to helping firms and workers cope with the pandemic and social distancing requirements, the measures could provide the needed flexibility to the market when moving to the next phase of the crisis.

Measures affecting migrant workers

In countries where labor migration plays a significant role in providing employment and earning opportunities, changes to labor mobility policies emerged amid infection risks. For instance, Vanuatu—the largest sending country to Australia and New Zealand’s seasonal labor mobility schemes—suspended all deployment between March and September 2020 in response to COVID-19 outbreaks in the two host countries. More recently, new deployment arrangements were developed between the Pacific as labor sending countries and Australia and New Zealand as receiving ends to resume the schemes. They include measures to ensure compliance with public health requirements. For instance, Australian employers were required to pay for chartered flights as well as the costs of quarantine and testing for workers.

As thousands of migrant workers were stranded due to international border closures and domestic lockdowns, government assistance was extended to them in several host countries (or cities) where they had been excluded from the formal social protection system before the crisis. Such assistance takes the form of one-time payments (US and the state of Tasmania, Australia), waiving levies on expats and migrant workers (Saudi Arabia), and financial assistance in case of COVID-related quarantine or infection (New Zealand and South Korea). In India, the exodus of migrant workers to rural areas amid lockdowns and COVID-associated job losses in the cities prompted the government to substantially expand the Mahatma Gandhi National Rural Employment Guarantee Act in May-July 2020 to provide work to displaced workers.

Reforms beyond COVID-19

While it is still early to fully assess how effective each type of regulatory adjustment has been, many of these measures could lead to broader reforms that could make labor policies more responsive to future shocks. The wide range of reforms introduced across the world provides useful reference points for the Philippines in reviewing and amending its labor law to adapt to the post-COVID labor market. In Bolivia, a more permanent alternative work arrangement was introduced with the incorporation of telework in its labor code as a special modality in service provision. A similar legislative approach was used in Saudi Arabia with the amendment of the implementing regulations of the labor law, in consideration of circumstances that require the reduction of working hours or any other precautionary measures as force majeure, thus authorizing employers to agree with their employees to (i) reduce the latter's wages in proportion to the number of working hours; (ii) grant paid annual leave from the employees' accumulated unused annual leave days; or (iii) grant unpaid leave.⁸⁹ In the ASEAN region, Indonesia's Job Creation Law enacted in the height of the pandemic is considered a reform beyond the COVID-19 pandemic.

Policy Discussions

Labor Code is long overdue for revision and reform. It has not been revised since it was enacted in 1974, except for the renumbering effected in 2015. Many of its concepts and institutions require updating and adjustments to current labor market conditions. Although there were attempts by DOLE to compile proposals for amending it, no consolidated bill was filed in Congress to amend the entire Labor Code. Instead, several new laws were enacted to make up for its limitations. For instance, the law on the Occupational Safety and Health Standards in 2017 (RA 11058) amended the Labor Code to cover all establishments, projects, sites, including Philippine economic zones and all other places of work except in the public sector.

The COVID-19 pandemic with its unprecedented impact on businesses and workers adds an impetus for rectifying the labor regulation. The pandemic affected the lives and livelihoods of countless individuals and has presented the Philippine government with a unique opportunity to protect workers while supporting firms so their businesses can survive the crisis and remain competitive. The government can consider introducing labor regulation adjustments for a more adaptive and efficient labor policy. Automation, gigs, and other non-regular type of employment intensified by the pandemic, also provide the rationales for updating labor regulations (Esguerra, 2019).

However, it should be noted that Labor Code alone cannot effectively achieve the balance of providing worker protection while ensuring firms' flexibility in their human resource management. The Labor Code can be complemented by practical guidelines and protocols, minimum wage policies, social insurance and active labor market programs, and modern measures for enforcement and incentives. A few high priority areas are as follows:

- ♦ **Flexible (or alternative) work arrangements.** Even before the lockdowns were announced, the government acted early to issue guidelines on flexible work arrangements to provide firms with alternative options instead of terminating employees or closing business operations. The flexible work arrangements were widely embraced by the private sector, and such work modality is expected to continue after community quarantines are lifted and even post-COVID-19. Extending the scope of the Telecommuting Act of 2019 to cover those working in government may signal the public sector's

⁸⁹ Mckenzie, Baker. "Saudi Arabia: COVID-19 Employment Related Developments," Middle East Insights, April 9, 2020, <https://me-insights.bakermckenzie.com/2020/04/09/saudi-arabia-covid-19-employment-related-developments/>.

leadership in promoting flexible work like in the case of the Telework Enhancement Act in the US that specifies the roles and responsibilities of involved parties in federal agencies. Providing clear guidelines or issuing agreed protocols for flexible work arrangements to the private sector could also help establish a good practice where both employers and employees can benefit. The principle is to ensure flexibility without compromising worker productivity. Thus, it is critical to have clear policies on work days, hours, and location, mechanisms for communication, formal agreement on results and timeline, work-life balance, and training on workers' rights and responsibilities in the case of flexible work, among others.

However, employers should be given the discretion when granting financial support for workers' utilities expenses (e.g., electricity, internet service) or lump-sum payments or cash support for the purchase of digital devices or equipment, which can encourage and ease the additional logistical burden to employees working from home. Also, for sectors and occupations where a telework or remote work setup is not an option for all, particularly those in manufacturing, hospitality, and retail that require onsite work, other measures such as work sharing and more flexible shifts can be considered.

- ◆ **Hiring and firing practices.** In the face of economic downturns due to the pandemic and other external shocks, ending employers' options for short-term labor contracts⁹⁰ is not recommended. There was a case that a draft law was vetoed by the President in 2019, which banned the practice of employing the following types of workers: workers on fixed-term employment (except in cases of overseas Filipino workers), workers on probation, relievers who are temporary replacements of absent regular employees and whose engagements do not exceed six months, project employees, and seasonal employees. Such policies that limit the diversity of employment type will weaken the business environment by restricting firms' hiring decisions and limiting their ability to rebound from losses due to the COVID-19 pandemic.
- ◆ **Modernization of worker protection can be achieved through social insurance.** The main channels through which workers are protected in the Labor Code include improving job security and providing severance pay in case of job separation. However, other means can also be developed to provide worker protection without imposing heavy burdens to firms such as by risk pooling from a wide range of the population. For instance, instead of a large amount of lump-sum severance pay, an unemployment insurance or contributory benefits scheme can be designed in a way that all workers, regardless of employment type or sector, can contribute to the scheme and utilize it. A worker savings account that can be accessed across jobs and sectors, where funds accumulate for unemployment or pension benefits, can serve that purpose. While such arrangements have been developed in several countries, for the Philippines, the design would require further study of the fiscal and policy impacts. The pending bill on the establishment of a national insurance unemployment program with an enhanced design framework can be a starting point.
- ◆ **Minimum wage policies can be simplified and should be informed by empirical studies.** The level of minimum wage in the Philippines may not be appropriate to achieve the intended objectives, with the current enforcement concern. Despite good intentions, having different minimum wages with regional, sectoral, and occupational variations does not help enforcement and could create confusion and loopholes. A simplified approach with few or no exceptions and easier compliance and enforcement can be more effective. 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 (often measured as the value added per worker) among wage and salaried employees while adjusting them to the level of inflation and economic growth.

⁹⁰ For instance, the Security of Tenure bill was under consideration at the House as of December 2020.

- ◆ **Enforcement of labor regulations can be enhanced.** The design of labor regulations should be clear and incentive-compatible. Further, enforcement can be strengthened by increasing the number of inspectorates, enhancing their capacity, utilizing technology, promoting the private sector's voluntary audit activities and publications, and shifting the emphasis toward preventive measures rather than punitive ones.
- ◆ **Complementary policy measures in the labor market can be strengthened.** ALMPs and safety nets are complementary measures to protect workers. ALMPs include skills development, entrepreneurship, and job matching and intermediation—often through public employment services, wage subsidies, and various combinations of these, and the implementation of these programs depend on the context, worker characteristics, and labor market conditions. Improving the productivity, adaptability to the changing environment, and mobility of workers enhances their bargaining power vis-à-vis employers and thus supports the purpose of labor regulations. The delivery of ALMPs can also be diversified by accrediting social enterprises and the private sector as delivery agents (Romero and Kuddo 2019).



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Annex 3

Annex 3.1 Other Labor Market Regulations in the Philippines

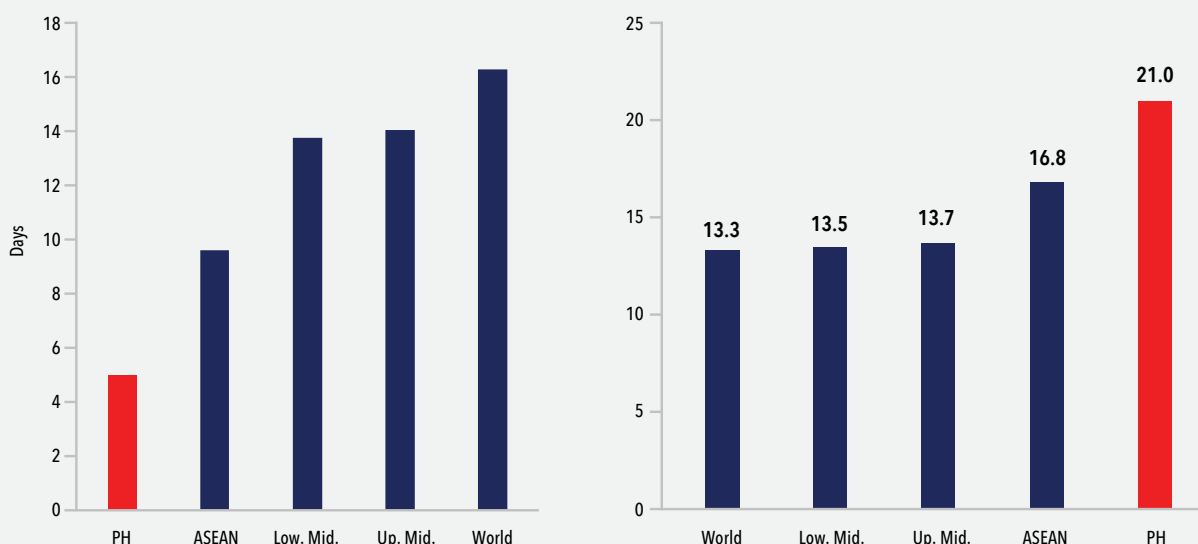
Annual Leave and Holidays

Employees are entitled to five days of paid vacation leave after 12 months of service, referred to as “service incentive leave” by the Labor Code. This appears to be far below the minimum level of 15 working days recommended by the ILO Convention (Revised) No. 132 (1970), which asserts that “every person to whom this Convention applies shall be entitled to an annual paid holiday of a specified minimum length... The holiday shall in no case be less than three working weeks for one year of service.” However, in the Philippines, there are many other holidays, more than other countries (see Figure A3.1).

Employees are paid their normal rate for the 12 regular holidays in the country even if they do not work on those days. They can be required to work on regular holidays, but they must be paid double their regular wage. Where the holiday falls on the scheduled rest day of the employee, work performed on that day merits at least an additional 30 percent of the employee’s regular holiday rate.

The country also has special holidays. For those days, the rule is no work, no pay. However, if employees are required to work on a special holiday, they must be paid a premium of 30 percent of their regular wage. If the work is performed on a special holiday falling on the employee’s rest day, the premium rises to 50 percent of their regular wage.

Figure A3.1 Total number of paid leaves and holidays



Source: ILO

Maternity Leave

Maternity leave in the Philippines is shorter than in other comparator countries in the region⁹¹ as well as the ILO Convention. The ILO's Maternity Protection Convention No. 183 of 2000 and the Maternity Protection Recommendation No. 191 from the same year recommend a period of maternity leave not less than 14 weeks, or 98 days, including six weeks' compulsory leave after childbirth, unless otherwise agreed upon at the national level by government and representative organizations of employers and workers.

In the Philippines, a female member of the SSS who has paid at least three-monthly contributions in the 12-month period immediately preceding her childbirth or miscarriage will be paid a daily maternity leave benefit equivalent to 100 percent of the average daily salary credit (based not on actual salary but on the SSS graduated scale), with a maximum monthly salary credit of ₱15,000 for 60 days in the case of a normal delivery; and 78 days in the case of a caesarian delivery. This is subject to the conditions prescribed by the SSS which include notification requirements (Republic Act No 8282 (SSS Law of 1997, section 14-A) (Liban 2015).

Full payment of the maternity leave benefit will be advanced by the employer within 30 days from the filing of the maternity leave application. The SSS will immediately reimburse the employer 100 percent of the amount of maternity leave benefits advanced to the employee upon receipt of satisfactory proof of that payment.

Maternity leave is an important public policy measure to protect health of mothers and children during the final months of pregnancy and the first few months after giving birth. However, maternity benefit is often paid by the employer, which may lead to discrimination against female employment. Moreover, employers incur other costs arising from employees' maternity and parental leave (to a lesser extent paternal leave, which is short), including hiring a temporary replacement and often a temporary reduction in productivity. Employers may be reluctant to hire or promote women of child-bearing age due to associated direct (maternity leave benefit) and indirect costs (hiring temporary replacement workers) of maternity leave. Women with small children are among the most vulnerable workers in the labor market. Employers often perceive women as being less committed to their careers than men, and thus are less likely to invest in employing and furthering careers of women.

Paternity and Parental Leave

In the Philippines, every married male employee is entitled to a paternity leave of seven days with full pay for the first four deliveries of his legitimate spouse with whom he is cohabiting. "Delivery" includes childbirth or any miscarriage (Republic Act No 8187, section 2). A single parent as defined by law who has served at least one year of service is entitled to a parental leave of not more than seven days with full pay per year (Republic Act No 8972, section 3). Many countries have also established a special paid paternity leave for fathers to leave the workplace and be with their families during certain critical periods. Paternity leave is usually a short period of leave around the time of childbirth, but the length varies by country. No ILO standard exists concerning paternity leave, but paternity leave provisions are available in national law in a number of countries. In other countries, provisions are frequently available in collective bargaining agreements. Not surprisingly, paid paternity leave is less widespread than maternity leave. Median length of paid paternity leave is only five days in the 91 economies where it is mandated (World Bank 2018).

⁹¹ Singapore also has a maternity leave of 60 days.

Overtime Work

There are currently no limits on overtime hours prescribed in the Labor Code, making the country an outlier with regard to other comparator countries since the maximum number of hours in a workweek, including overtime is not capped. Arrangements for overtime work, including payment at rates higher than provided by law, can be stipulated in the collective agreement between employees and their employer. While workers might choose to work overtime to earn extra income, uncapped overtime arrangements could be abused by employers, especially on-season or during increases in volume of work.

Protection of Young People at Work

In the Philippines, no child below 15 years of age shall be employed, except when s/he works directly under the sole responsibility of his parents or guardian and his employment does not in any way interfere with his schooling. This age limit is consistent with the ILO's Minimum Age Convention No. 138 (1973), which provides that the minimum age for working should be at least the age of completion of compulsory schooling and should never be less than 15 years.

Enforcement of the legal rights of children in employment seems lacking. Despite the age limit, child labor is quite widespread in practice. The Survey on Children indicated that 3.2 million children ages 5 to 17 years old engage in child labor, of which approximately 3 million engage in hazardous work (US Department of Labor 2018). Children in the Philippines engage in the worst forms of child labor, including in commercial sexual exploitation, sometimes as a result of human trafficking, and in armed conflict. Children also perform dangerous tasks in agriculture and gold mining.

This poses grave dangers and harms not only on the illegally employed children but also on long-term labor productivity of the country. When young people are employed, working conditions must be appropriate to their age, and they should be protected against economic exploitation. They should not be required to do work likely to harm their safety, health, or physical, mental, moral, or social development, or which will interfere with their education.

Annex 3.2 Indicators of Employment Regulations in Selected Countries, 2019

Indicators	Philippines	China	Indonesia	South Korea	Malaysia	Singapore	Turkey	Vietnam
Standard workday (hours)	8	8	8	8	8	8	7.5	8
How many days are there in a typical workweek in the food retail industry?	6	6	6	6	6	6	6	6
The maximum number of hours in a workweek, including overtime	No limit	66	54	52	72	48	66	72
Fixed-term contracts prohibited for permanent tasks	No	No	Yes	No	No	No	Yes	No

Indicators	Philippines	China	Indonesia	South Korea	Malaysia	Singapore	Turkey	Vietnam
Maximum cumulative duration of a fixed-term employment relationship (in months), including all renewals	No limit	No limit	36	24	No limit	No limit	No limit	72
Minimum wage for a full-time worker (\$/month)	296	312	281	1284	263	0	600	183
Ratio of minimum wage to value added per worker	0.59	0.28	0.59	0.36	0.21	0	0.47	0.64
Premium for night work (% of hourly pay)	10	0	0	50	0	0	0	30
Premium for work on weekly rest day (% of hourly pay)	30	100	0	50	100	100	100	0
Premium for overtime work (% of hourly pay)	25	50	75	50	50	50	50	50
Restrictions on night work	No	No	No	No	No	No	Yes	No
Restrictions on weekly holiday work	No	No	No	No	No	No	No	No
Restrictions on overtime work	No	No	No	No	No	No	No	No
Paid annual leave for a worker with 1 year of tenure (in working days)	5	5	12	15	8	7	14	12
Paid annual leave for a worker with 5 years of tenure (in working days)	5	5	12	17	16	11	20	13
Paid annual leave for a worker with 10 years of tenure (in working days)	5	10	12	19	16	14	20	14
Maximum length of probationary period (months)	6	6	3	3	N/A	N/A	2	1
Third-party notification if 1 worker is dismissed	Yes	Yes	Yes	Yes	No	No	No	No
Third-party approval if 1 worker is dismissed?	No	No	Yes	No	No	No	No	No
Third-party notification if 9 workers are dismissed	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Third-party approval if 9 workers are dismissed	No	No	Yes	No	No	No	No	Yes

Indicators	Philippines	China	Indonesia	South Korea	Malaysia	Singapore	Turkey	Vietnam
Retraining or reassignment obligation before redundancy	No	Yes	Yes	No	No	No	No	Yes
Priority rules for redundancies	Yes	Yes	No	No	No	No	No	No
Priority rules for reemployment	No	Yes	Yes	No	No	No	No	Yes
Notice period for redundancy dismissal after 1 year of continuous employment (in salary weeks)	4.3	4.3	0	4.3	4.0	1.0	4.0	0
Notice period for redundancy dismissal after 5 years of continuous employment (in salary weeks)	4.3	4.3	0	4.3	8.0	4.0	8.0	0
Notice period for redundancy dismissal after 10 years of continuous employment (in salary weeks)	4.3	4.3	0	4.3	8.0	4.0	8.0	0
Severance pay for redundancy dismissal (for a worker with 1 year of tenure (in salary weeks)	4.3	4.3	17.3	4.3	1.7	0	4.3	8.7
Severance pay for redundancy dismissal for a worker with 5 years of tenure (in salary weeks)	21.7	21.7	60.7	21.7	16.7	0	21.7	21.7
Severance pay for redundancy dismissal (for a worker with 10 years of tenure (in salary weeks)	43.3	43.3	95.3	43.3	33.3	0	43.3	43.3
Equal remuneration for work of equal value stipulated in law	Yes	No	No	No	No	No	Yes	Yes
Gender nondiscrimination in hiring stipulated in law	No	Yes	No	Yes	No	No	Yes	Yes
Minimum length of maternity leave (calendar days; the minimum number of days that legally have to be paid by the government, the employer or both)	60	98	90	90	60	105	112	180

Indicators	Philippines	China	Indonesia	South Korea	Malaysia	Singapore	Turkey	Vietnam
Percent of salary received during maternity leave	100	100	100	100	100	100	67	100
Five fully paid days of sick leave a year?	No	Yes	Yes	No	Yes	Yes	Yes	Yes
Unemployment protection after one year of employment?	No	Yes	No	Yes	Yes	No	Yes	Yes
Minimum contribution period for unemployment protection (in months; not applicable (N/A) for economies with no unemployment protection scheme)	N/A	12	N/A	6	12	N/A	6	12

Source: World Bank, 2018 and 2019.

Annex 3.3 Key Labor and Employment Related COVID-19 Policy Issuances, March 2020-March 2022

Policy	Date
2020	
DOLE Labor Advisory 09: Guidelines on the Implementation of Flexible Work Arrangements as Remedial Measure Due to the Ongoing Outbreak of COVID-19	March 4
DOLE Labor Advisory 11: Supplemental Guidelines Relative to Remedial Measures in View of the Ongoing Outbreak of COVID-19	March 14
DOLE Department Order 209: Guidelines on the Adjustment Measures Program for Affected Workers Due to COVID-19	March 17
DOLE Department Order 210: Guidelines on the Implementation of Tulong Panghanapbuhay sa Ating Displaced/Disadvantaged Workers Program (TUPAD)	March 18
DOLE Department Order 211: Guidelines Governing the Provision of Hotel Accommodation for Distressed OFWs during the Enhanced Community Quarantine (ECQ) or the "OWWA Project Care"	March 21
POEA Governing Board Resolution 09: Regulating the Deployment of Filipino Health Care Workers through the Mission Critical Skill Framework and to Prioritize Human Resource Allocation for the National Health Care System at the Time of the National State of Emergency	April 2
DOLE Department Order 212: Guidelines on the Provision of Financial Assistance for Displaced OFWs Due to COVID-19 or the "DOLE AKAP for OFWs"	April 8
DOLE Department Order 213: Guidelines in the Prescription of Actions and the Suspension of Reglementary Periods to File Pleadings, Motions, and other Documents	May 5
DOLE Labor Advisory 17: Guidelines on Employment Preservation Upon the Resumption of Business Operation	May 16
DOLE Labor Advisory 18: Guidelines on the Cost of COVID-19 Prevention and Control Measures	May 16
DOLE Department Order 214: Guidelines on Processes and Proceedings Before the Office of the Secretary of Labor and Employment, Bureaus and Regional Offices in Areas under Community Quarantine	August 14
POEA Governing Board Resolution 11: Directing Private Recruitment Agencies to Provide Assistance to Processed/Locally Stranded OFWs due to COVID-19	August 20

Policy	Date
DOLE Labor Advisory 24: Revised Guidelines on Engagement of Children 15 to Below 18 Years of Age in Public Entertainment or Information During Community Quarantine	September 11
POEA Governing Board Resolution 13: Issuance of the Interim Guidelines for Facilitated Deployment and Provisions for Repatriation of Filipino Seafarers During the National State of Emergency brought about by COVID-19 Pandemic in the Philippines	September 14
DTI-DOLE-DILG Joint Advisory 20-01: Implementation of New Policy Directions as the Country Policy Shifts from Total Risk Avoidance to Risk Management and on the Further Re-opening of the Economy	October 22
DOLE-DTI Interim Guidelines on Workplace Prevention and Control of COVID-19	October 28
DOLE Department Order 214: Guidelines on Implementation of TUPAD under the Bayanihan to Recover as One Act	October 28
DOLE-DOT Joint Memorandum Circular 2020-001: Implementing Guidelines on Providing Financial Assistance for Cash for Work Program for Displaced Workers in Tourism Sector	October 30
DTI-DOLE-DILG Joint Advisory 20-01 Series of 2022: Implementation of the New Policy Directions as the Country's Policy Shifts from Total Risk Avoidance to Risk Management and on the Further Re-opening of the Economy	October 30
DOLE Labor Advisory 31: Payment of Deferred Holiday Pay During the National Emergency Arising from the COVID-19 Situation	November 25
DOLE Labor Advisory 30-A: CAMP Bayanihan 2 Expanded Coverage of Affected Workers	December 3
POEA Governing Board Resolution 17: Lifting of the Moratorium on the Deployment of Nurses, Nursing Aides and Assistants and for Other Purposes	December 7
2021	
DOLE Department Order 224-21: Guidelines on Ventilation for Workplaces and Public Transport to Prevent and Control the Spread of COVID-19	March 3
DTI-DOLE Advisory 21-01 Series of 2021: Continued Vigilance Against New COVID-19 Variants Through Reinforcement of Existing Minimum Public Health and Safety Standards and Protocols	March 11
DOLE Labor Advisory 03-21: Guidelines on the Administration of COVID-19 Vaccines in the Workplaces	March 12
DOLE Labor Advisory 08-21: Promotion of COVID-19 Vaccination in the Private Sector	May 3
POEA Advisory No.79 Series of 2021: Increase in the Deployment Ceiling of Newly Hired MCS Healthcare Workers	June 21
POEA Advisory No.86 Series of 2021: Outbound OFWs Placed Under Priority Group A1 of the COVID-19 Immunization Program	June 29
DOLE Department Order 228-21: Expanded Compulsory Insurance Coverage for Rehires and Direct Hires	November 3
POEA Advisory No.169 Series of 2021: Raise in the Annual Deployment Cap of Healthcare Workers to 7,000	December 13
2022	
DOLE Labor Advisory 01-22: Isolation and Quarantine Leaves of Employees in the Private Sector	January 18
DOLE Department Order 232-22: Guidelines on the COVID-19 Adjustment Measures Program for Affected Workers in Areas Under Alert Level 3 and up	January 20
DOLE Labor Advisory 05-22: Guidelines on the Payment of Wages for Employees in the Private Sector Covered in the National COVID-19 Vaccination Day	March 10

Sources: DOLE and POEA.

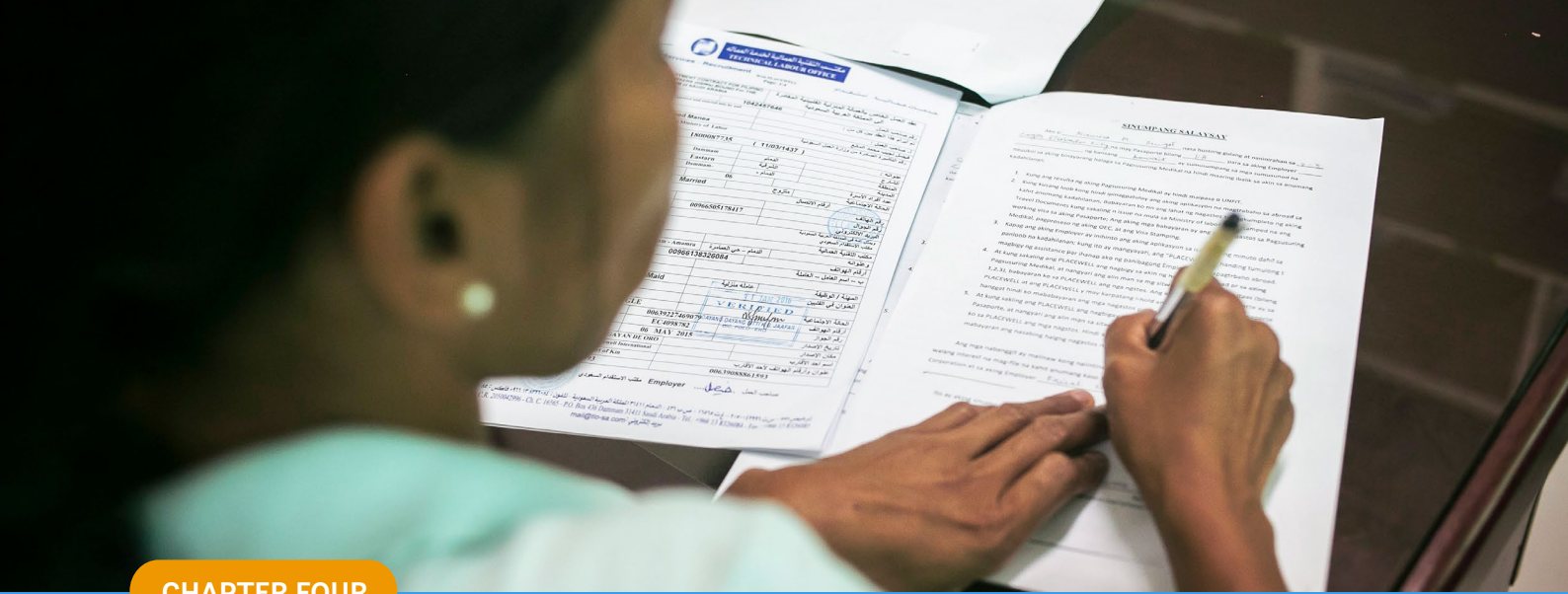
Notes: DOLE = Department of Labor and Employment; DTI = Department of Trade and Industry; DILG = Department of Interior and Local Government (DILG); DOT = Department of Tourism; MCS = mission critical skills

Annex 3.4 Selected Pending Labor and Employment Legislative Measures related to COVID-19, March 2020-March 2022

Proposed Bills and Committee Reports	Date Filed
2020	
HBN 6668 – An Act Establishing a General Minimum Wage Rate for Private Sector Workers Amending for this Purpose Presidential Decree No.442, Otherwise Known as the Labor Code of the Philippines as Amended	May 4
HBN 7028 – An Act Instituting a National Unemployment Program for the Philippines and Appropriating Funds Therefor	June 24
HBN 7036 – An Act Strengthening the Security of Tenure of Workers in the Private Sector Amending for this Purpose Presidential Decree No.442, Otherwise Known as the Labor Code of the Philippines	June 29
HBN 7038 – An Act Providing Protection to Individuals Engaged in Food and Delivery Services	June 29
HBN 7077 – An Act Providing for a Wage Assistance Program for Displaced and/or Vulnerable Workers Institutionalizing for the Purpose the Tulong Panghanapbuhay sa Ating Disadvantaged /Displaced Workers (TUPAD) Program of the Department of Labor and Employment, Appropriating Funds Therefor and for Other Purposes	July 9
HBN 7093 – An Act Expanding the Coverage of the Telecommuting Act and Providing Incentives for Telecommuting Employees, amending for the Purpose, Republic Act 11165, Otherwise Known as the Telecommuting Act and for Other Purposes	July 14
HBN 7103 – An Act Ensuring the Rights, Welfare, and Safety of the Workers in IT-BPO Industry in the Philippines	July 15
HBN 7220 – An Act Institutionalizing the Registration and the National Database for Workers, Economic Units, and Organizations or Associations in the Informal Economy and for Other Purposes	August 2
HBN 7590 – An Act Expanding Unemployment Benefit for Involuntarily Unemployed Workers, and Providing Funds Therefor	September 7
SBN 1810 – An Act Providing Protection to Freelancers and for Other Purposes	September 7
HBN 7671 – An Act Establishing a National Skills Program to Provide Training Services Linked to Labor Demand and Assist Displaced Workers Regain Employment, and for Other Purposes	September 15
SBN 1834 – An Act to Enhance the Philippine Digital Workforce Competitiveness, Establishing for the Purpose an Inter-Agency Council for Development and Competitiveness of Philippine Digital Workforce and for Other Purposes	September 15
SBN 1836 – An Act Enhancing and Institutionalizing the TUPAD Program of DOLE, and Appropriating Funds Therefor	September 21
SBN 1837 – An Act Directing the National Wages and Productivity Commission of the Department of Labor and Employment to Establish a Minimum Wage for Nurses in Private Hospital	September 21
SBN 1847 – An Act Institutionalizing a National Unemployment Insurance Program for the Philippines, and Appropriating Funds Therefor	September 23
HBN 7790 – An Act Providing Protection to Freelancers and for Other Purposes	September 28
HBN 7820 – An Act Providing Enhance Protection, Security, and Benefits for Media Workers	October 2
HBN 7851 – An Act Increasing the Minimum Salary of Nurses in the Private Sector	October 8
HBN 7894 – An Act Providing for a Magna Carta for all Workers in the Construction Industry	October 16
HBN 7895 – An Act Granting Mental Health Wellness Leave to All Employees and Integrating Mental Health Awareness in the Curriculum of All Schools	October 16
HBN 7909 – An Act Mandating Paid Pandemic Leaves in the Private Sector in Light of a Declared Global Pandemic	October 20

Proposed Bills and Committee Reports	Date Filed
SBN 1910 – An Act Providing Expanded Employment Security for Workers and Defining Responsibility of Employers with Respect to Exposure to COVID-19	November 10
HBN 7036 – An Act Strengthening the Security of Tenure of Workers in the Private Sector, Amending for The Purpose Presidential Decree No. 442, as Amended, Otherwise Known as the Labor Code of the Philippines	December 3
HBN 8229 – An Act Instituting Unemployment Compensation for Formal and Informal Workers, and Appropriating Funds Therefor	December 14
2021	
SBN 2090 – An Act Amending Section 4 of Republic Act No. 11261, Otherwise Known as the "First Time Jobseekers Assistance Act" Thereby Extending the Waiver of Fees and Charges to Jobseekers Who Have Lost Their Employment During the Coronavirus Disease (COVID-19) Public Health Emergency	March 9
SBN 2100 – An Act Establishing a Covid-19 Emergency Cash Grant to Small-Scale Farmers and Municipal Fisherfolk Living Below the Poverty Line, Appropriating Funds Therefor, and For Other Purposes	March 15
SBN 2189 – An Act Expanding the Coverage of The Telecommuting Act and Providing Incentives for Telecommuting Employees, Amending for The Purpose, Republic Act No. 11165, Otherwise Known as the Telecommuting Act and For Other Purposes	May 12
SBN 2148 – An Act Mandating Paid Pandemic Leaves for Qualified Employees During the Coronavirus Disease (COVID-19) Pandemic	May 17
SBN 2291 – An Act Providing for Free Covid-19 Testing for All Jobseekers and Appropriating Funds Therefor	June 10
SBN 2307 – An Act Mandating Paid Leaves in The Private Sector During a State of Calamity on Account of an Infectious Disease	July 1
SBN 2349 – An Act Promoting Workers' Health and Wellness by Providing Incentives to Employers for the Implementation of Workforce Wellness and Workplace Improvement Programs	August 23
SBN 2421 – An Act Granting Covid-19 Benefits and Allowances to Public and Private Health Workers During the State of Public Health Emergency, Providing Funds Therefor and For Other Purposes	September 29
2022	
SBN 2475 – An Act Promoting the Welfare of Employees by Defining Rest Hours, Providing Penalties for any Violation Thereof, and For Other Purposes	January 17
HBN 10701 – An Act Granting Mandatory Continuing Benefits to Public, Private, and Barangay Health Workers During the Covid-19 Pandemic and Other Future Public Health Emergencies, and Appropriating Funds Therefor	February 2

Sources: Philippine Senate and House of Representatives.



CHAPTER FOUR

International Labor Migration for Development

Key Takeaways

- ◆ **Employment abroad and remittances are prominent features of the Philippine labor market.** Approximately 12 percent of Philippine households report having at least one member who was or is an overseas Filipino worker (OFW) according to the National Migration Survey in 2018. In 2019, about 2 million migrants (close to 5 percent of workers in the labor force) left the country, some of whom will join over 12 million Filipino diaspora around the world. Remittances marked about 10 percent of GDP in 2019. While the pandemic prompted the repatriation of more than 0.5 million OFWs and caused disruptions in outmigration flows to about a little over 0.5 million in 2020, the level of remittances as a percentage of GDP remained stable and provided much needed cash flows to the struggling economy. The prospect for the continued demand for Filipino workers abroad seems promising.
- ◆ **The 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 care, entertainment, and nursing sectors. The Middle East and Asia are major destinations of OFWs, whereas much of remittances arrive from the diasporas in high income countries in America and Asia.
- ◆ **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 coordination is integral to the promotion of OFW well-being, and the newly created Department of Migrant Workers (established in December 2021) unites all government agencies that have a mandate to support OFWs. Over the years, the migration policy shifted from promoting overseas employment to protecting OFW welfare. Accordingly, the Philippines is becoming a leading voice in global migration dialogues and has forged increasingly comprehensive multilateral and bilateral agreements.

- ◆ **The entire migration cycle—from pre-decision to return—includes risks and vulnerabilities, with unique challenges surrounding each stage and sector, and added considerations prompted by the current pandemic.** Multiple factors should be considered for the full realization of benefits for migrant workers: monetary (e.g., explicit and hidden recruitment costs); non-monetary (e.g., opportunity, information, and psychological costs); and key market failure concerns.
- ◆ **Going forward and building on the country’s success, international migration can continue to be a driver of development.** More attention should be placed on sector-specific challenges and opportunities, such as global supply and demand for health sector workers, working conditions for household service providers, and career development for seafarers. In addition, learning from the pandemic, systems for crisis response, reintegration of OFWs, and welfare monitoring can be further strengthened including through international and intra-agency cooperation and digitalized tools.

Context

International migration is a salient feature of the Philippine socio-economic landscape.

The annual outflow of OFWs exceeded 500,000 in 1991 and 1 million in 2006, peaking at 2.15 million in 2019 (Figure 4.1). The majority of out-migrating OFWs were re-hires of land-based work, although a significant number of new hires and sea-based workers were added every year (Figure 4.2).⁹² The country has a marked share of sea-based workers and has a comparative advantage in the global maritime sector. The National Migration Survey (NMS) in 2018 shows that about 12 percent of households in the Philippines reported to have at least one member who is or was an OFW.⁹³ Large scale overseas employment provided important work opportunities and played a critical role as an alternative to the domestic labor market.

Figure 4.1 Annual outflow of OFWs by type of hire, 1990-2020

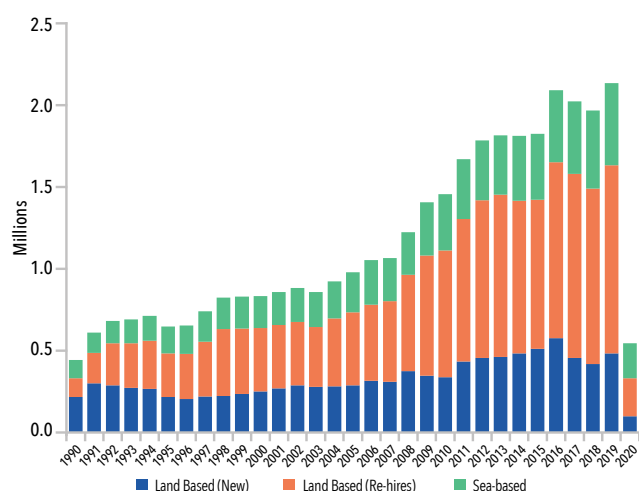
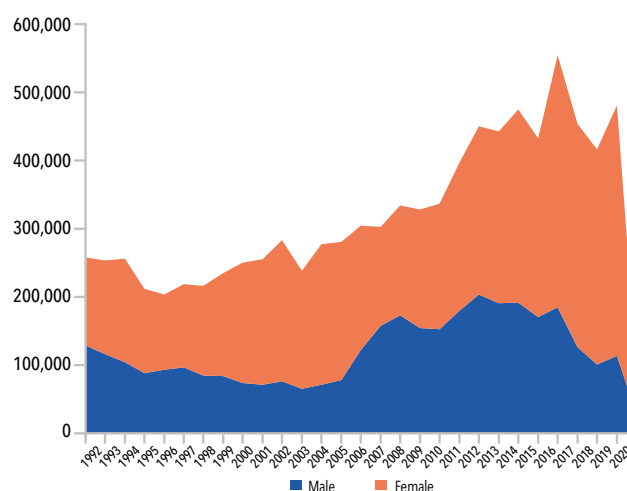


Figure 4.2 Annual outflow of male and female land-based new OFWs, 1992-2020



Source: Philippine Overseas Employment Authority (POEA).

⁹² New hires are those who are entering into a contract with a new employer, whereas re-hires refer to those who are continuing their employment with the same employer.

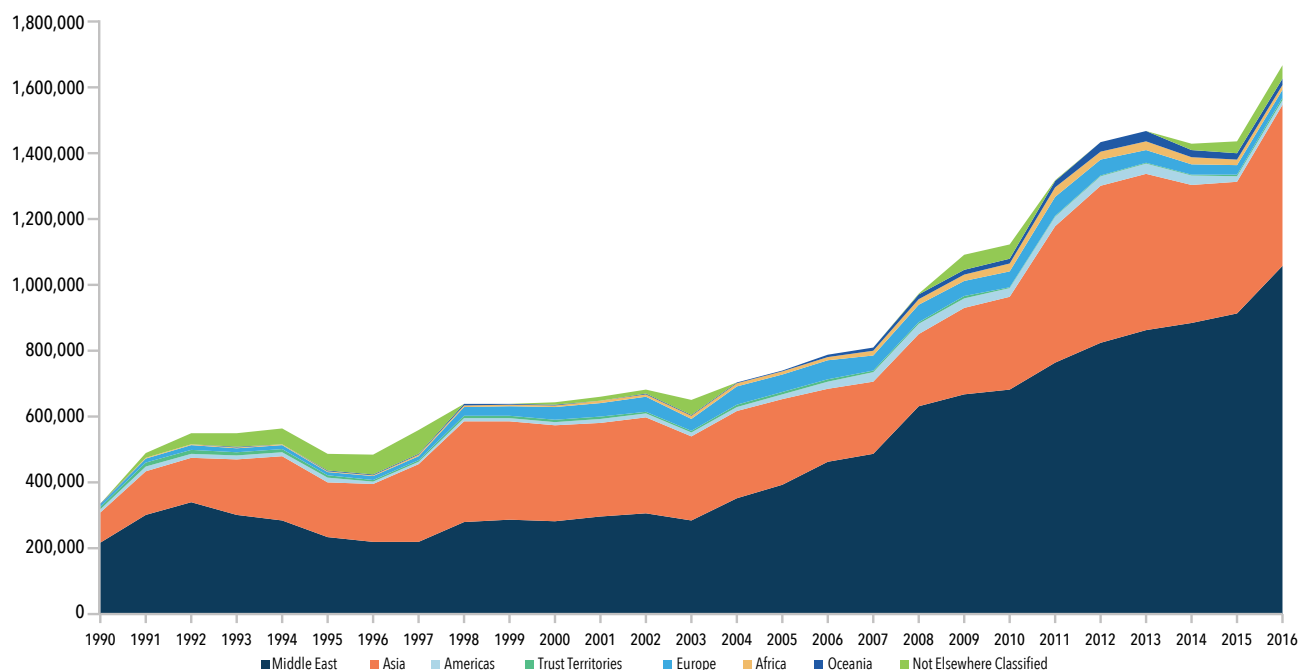
⁹³ Philippine Statistics Authority, National Migration Survey, 2018.

With the increasing number of emigrants and many returning Filipinos, the stock of OFWs abroad was estimated at around 2.2 million as of 2011, with some fluctuations and its peak at 2.5 million in 2015.⁹⁴ In 2020, due to the impact of the pandemic, the outflow of OFWs plummeted to 549,841, a 75 percent drop from the preceding year and the lowest recorded level since 1991.

The share of female OFWs was on the rise prior to the pandemic, with females outnumbering their male counterparts (Figure 4.2). 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. In 2020, for instance, females comprised 49.5 percent of total migrants from Southeast Asia, accounting for 50.3 percent of migrants originating from Vietnam, 44.3 from Indonesia, and 43.0 percent from Brunei. Filipina migrants, by contrast, accounted for a higher share at 54 percent of the total over the same period (UN DESA 2020). The prominent role of females among migrants has grown significantly over time (less than 50 percent in 1992 to 64 percent in 1999). This is largely a reflection of the high demand for Filipinas in the care sector (e.g., household service workers or HSW), entertainment, and nursing sector. Since 2016, the annual number of female workers newly hired for deployment exceeded 300,000, before plummeting to just over 71,000 in 2020 due to COVID-19.

The Middle East and East Asia are popular destination regions for OFWs, although they have established a presence in all corners of the world (Figure 4.3). The Middle East accounts for over 60 percent of the annual flows of emigration, followed by East Asia which contributes between 25 to 30 percent. Intraregional migration increased significantly in the ASEAN region, especially to Malaysia, Singapore, and Thailand, with the three countries serving as destination for 6.5 million ASEAN migrants or 96 percent of the total intra-ASEAN migrant stock in 2015 (Testaverde et al. 2017). For OFWs, Singapore, Hong Kong, and Taiwan feature more prominently as destination countries in East Asia.⁹⁵

Figure 4.3 OFWs' major destination regions, 1990-2016

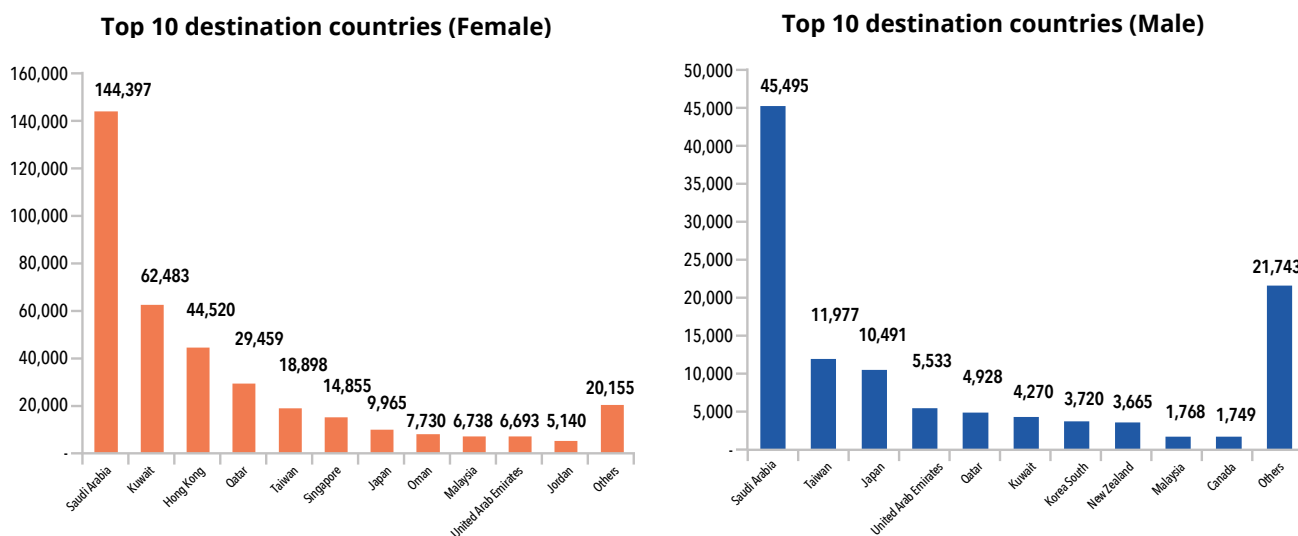


Source: Philippine Overseas Employment Administration.

⁹⁴ There are an estimated 10-12 million overseas Filipino diaspora: 62.8 percent permanent migrants, 29.6 percent temporary migrants and 7.4 percent irregular migrants in more than 200 destination countries or territories. Permanent migrants are Filipino immigrants, legal permanent residents, and naturalized citizens of their host country. Temporary migrants include the documented land-based and sea-based workers and others whose stay abroad is six months or more, including their accompanying dependents. These migrants are popularly referred to as OFWs. Irregular migrants are Filipinos who are without valid residence or work permits, or who may be overstaying workers or tourists in a foreign country.

⁹⁵ Trust Territories (Figure 3) are non-self-governing territories or countries placed under an administrative authority by the Trusteeship Council of the United Nations. Saipan, Marianas, the Republic of Belau, and Solomon Islands, for instance, have been receiving a small number of OFWs.

Figure 4.4 Male and female OFWs' major destination countries (new hires in 2019)



Source: Philippine Overseas Employment Authority.

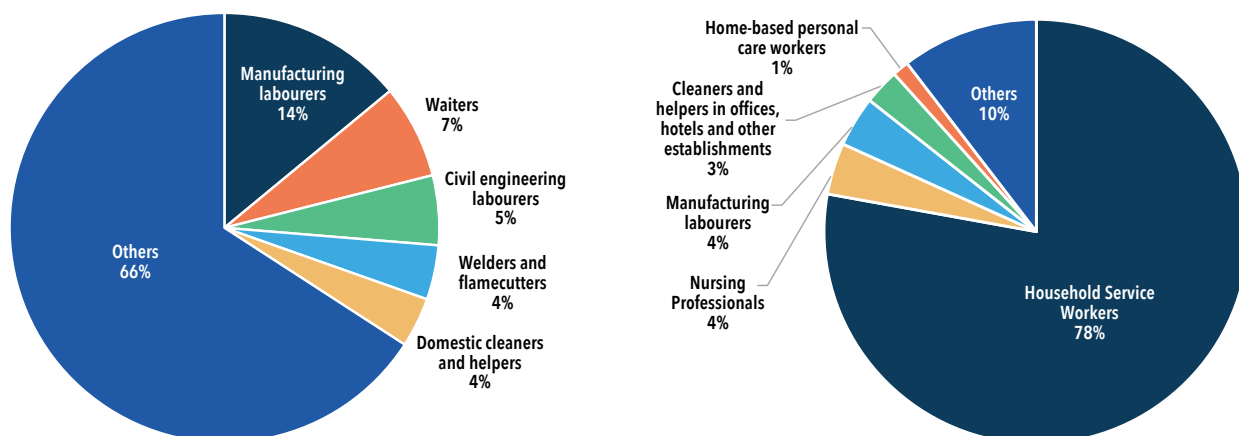
The concentration and popularity of key destination countries varies between male and female OFWs. The top five countries for female OFWs (namely, Saudi Arabia, Kuwait, Hong Kong, Qatar, and Taiwan) accounted for over 80 percent concentration in 2019 whereas the top five countries (namely, Saudi Arabia, Taiwan, Japan, the United Arab Emirates [UAE], and Qatar) accounted for 68 percent of male OFWs (Figure 4.4). The lack of diversification in destination countries can make OFWs particularly vulnerable to macroeconomic or political shocks in the popular country or region. The impact of COVID-19 is reflected in each of the corridors that saw a fall in deployment in varying degrees (Table 4.1).

Table 4.1 Changes in deployment of male and female OFWs, 2019-2020

Country	Male			Female			Drop in % 2019-2020 (Total)
	2019	2020	Drop in %	2019	2020	Drop in %	
Saudi Arabia	45,429	10,260	-77%	144,397	25,490	-82%	-81%
Hong Kong	943	204	-78%	44,520	13,135	-70%	-71%
Taiwan	11,977	3,109	-74%	18,898	5,173	-73%	-73%
Japan	10,491	3,615	-66%	9,965	3,646	-63%	-65%
Qatar	4,928	945	-81%	29,459	6,162	-79%	-79%
Singapore	1,037	241	-77%	14,855	4,558	-69%	-70%
Oman	1,077	351	-67%	7,730	2,158	-72%	-72%
United Kingdom	1,176	728	-38%	2,792	1,770	-37%	-37%
United Arab Emirates	5,533	1,067	-81%	6,693	1,302	-81%	-81%
Bahrain	1,074	189	-82%	4,307	1,686	-61%	-65%
Others	31,608	7,718	-76%	87,417	6,811	-92%	-88%

Source: Philippine Overseas Employment Administration.

Figure 4.5 OFWs' major occupations: male (left) and female (right), 2019

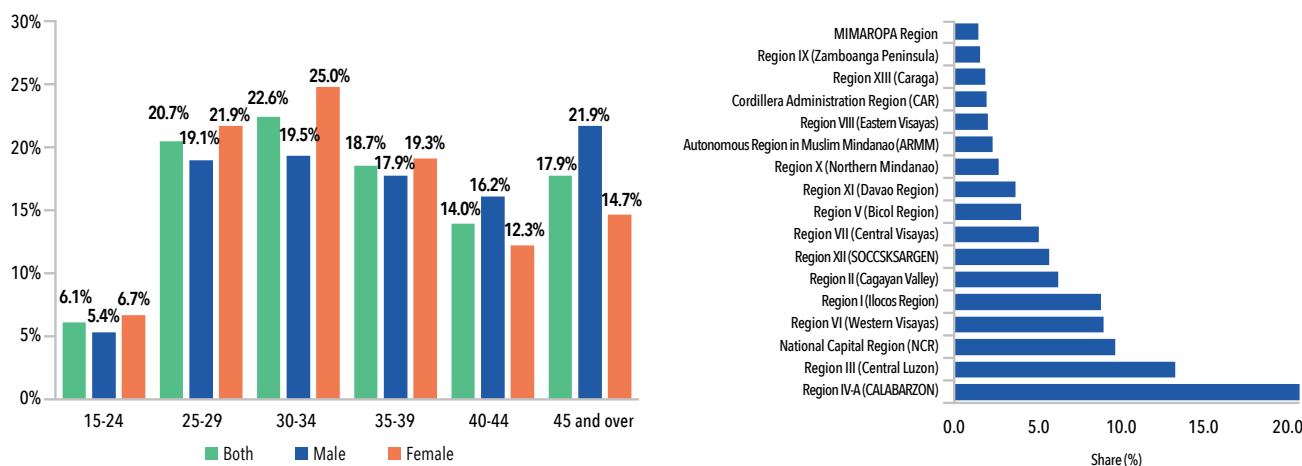


Source: Philippine Overseas Employment Authority.

The occupational profile of OFWs also varies between male and female, with more diversity among male OFWs. The major occupations for male OFWs are laborers, waiters, welders, and flame cutters, without dominant occupations. On the other hand, female OFWs are concentrated in the care sector including as household service workers who accounted for 78 percent of the work. There is a lack of diversity in the occupations of women, with the top 10 occupations accounting for over 90 percent of female overseas employment (Figure 4.5). Overall, the occupational profile of female OFWs shows that they are engaged in essential sectors, including healthcare, domestic work, and hospitality.

Most OFWs are relatively young and come from Luzon (Figure 4.6). The temporary nature of migrant work and their relatively young age (25 to 34) highlight the importance of strengthening policy measures for the reintegration of migrant workers when they return to the Philippines upon completion of their contract-based overseas work. The majority of OFWs originate from Region IV-A (CALABARZON), accounting for about a fifth of the number of OFWs in 2019, followed by Region III (Central Luzon) and the National Capital Region (NCR). The lowest volume of workers is from the Cordillera Administrative Region (CAR), Region XIII (Caraga), Region IX (Zamboanga Peninsula), and the MIMAROPA Region, accounting for less than 2 percent of the deployed. The regions from which many OFWs go abroad appear to have the tight labor markets with higher unemployment rates.⁹⁶

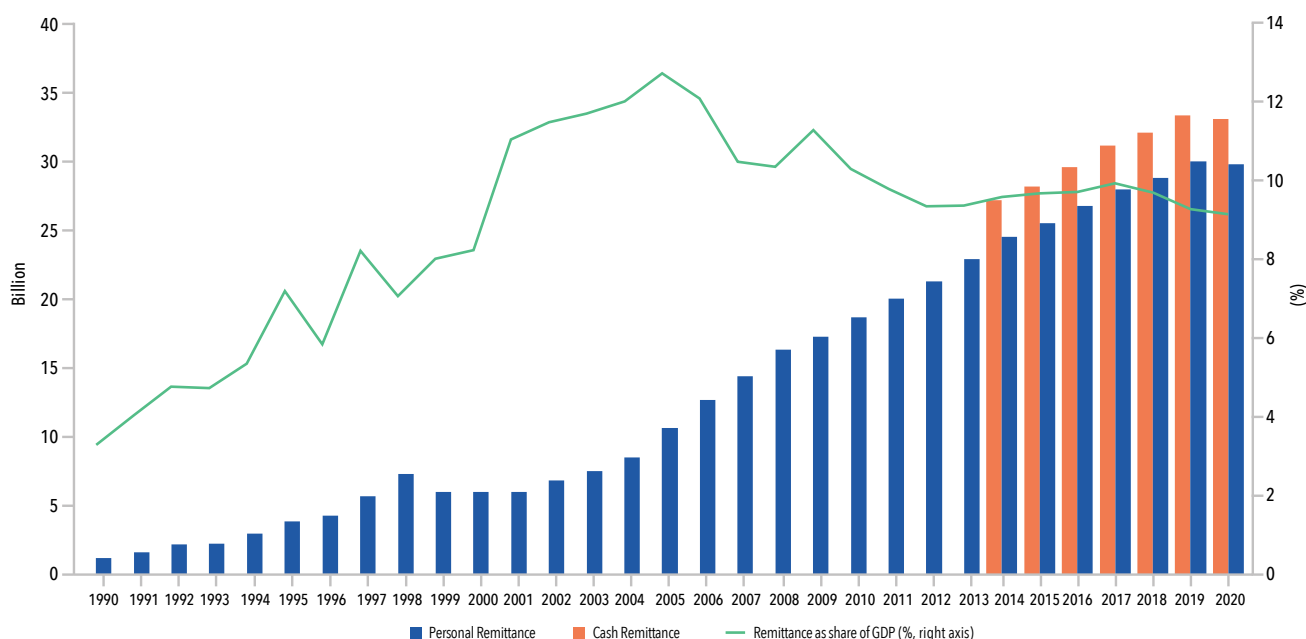
Figure 4.6 Distribution of OFWs by age and originating region, 2019



Source: PSA. Survey on Overseas Filipinos (SOF), 2019.

⁹⁶ CALABARZON and NCR registered unemployment rates of 10.3 percent and 9.2 percent, respectively, which were higher than the national average of 7.4 percent. The Caraga, Zamboanga Peninsula, and CAR regions saw among the lowest rates of unemployment by region, with each posting unemployment of 5.1 percent or below compared to the national average. Caraga and the Zamboanga Peninsula are moreover among the top five regions seeing the lowest unemployment (PSA, Labor Force Survey, October 2021).

Figure 4.7 Trend in remittances to the Philippines



Source: Bangko Sentral ng Pilipinas (BSP) and World Bank.

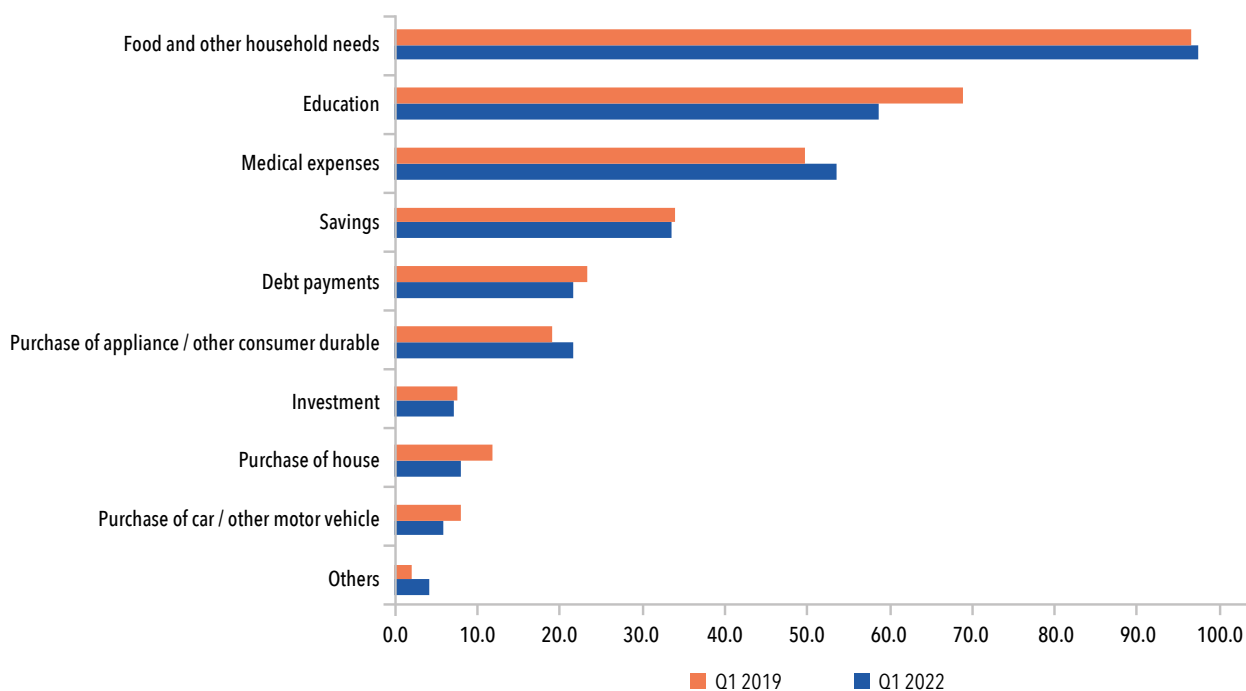
Note: Cash remittances are remittances that are sent through the local banking system, and they are a subset of personal remittances. Personal remittances are current and capital transfers in cash or in kind between resident households and non-resident households, including compensation of employees, less taxes and social contributions paid by nonresident workers in the economy of employment, less transport and travel expenditures related to working abroad.

The Philippines is one of the largest remittance-receiving countries in the world. Despite the pandemic, in 2020 it was the fourth largest remittance-receiving country after India, China, and Mexico. Remittances from the total Filipino diaspora have increased greatly over time (Figure 4.7). In 2020, contrary to predictions of a steep decline due to the economic fallout caused by the pandemic, the country received \$29.9 billion, which was only 0.8 percent lower than the preceding year's \$30.13 billion and equivalent to 9.2 percent of GDP (BSP, 2021).⁹⁷ As economic disruptions persisted during the pandemic, remittances provided respite to receiving families while contributing to the country's foreign exchange reserves. A number of reasons underlie this robust performance, including the engagement of OFWs in essential sectors that necessitated their continued work through the pandemic; the countercyclical nature of remittances; OFWs remitting the last of their savings or end-of-service benefits with many contracts discontinuing due to the pandemic; the formalization and digitization of informal unrecorded transfers due to the slowdown of international mobility during COVID-19; and OFWs benefiting from subsidies and stimulus provided in destination countries. But given the slow pace of new deployment and an unprecedented return of OFWs (over 636,000 as of March 2021), there may be a lagged impact on remittances in the near future.

Remittances are an important source of household income and expenditure for OFWs families. BSP's consumer expectation surveys show that nearly all OFW households used remittances to pay for food and other household needs. Education and medical expenses are the next largest categories of expenditure. Indeed, Clemens (2017) shows that overseas work led to significant improvement in investment in children's education and health among OFW households. However, the share reporting education expenses significantly declined from 66 percent to 56 percent between Q1 2019 and Q1 2022,

⁹⁷ Cash remittances are fund transfers coursed through banks. Personal remittances are computed as the sum of net compensation of employees (i.e., gross earnings of OFWs with work contracts of less than one year, personal transfers, and capital transfers between households).

Figure 4.8 Quarterly remittance by expenditure (% of OFW household), Q1 2019, Q1 2022



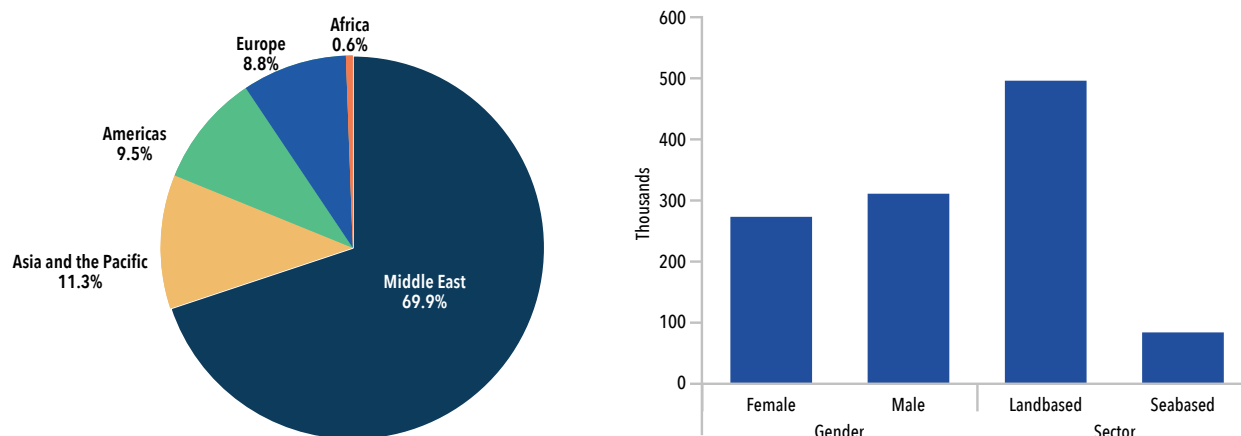
Source: BSP. Consumer Expectations Survey.

probably due to school closure and overall decline in education activities (Figure 4.8). It is worth noting that spending increased on savings and investments, unlike on other purchases and consumption indicating a precautionary behavior using remittances. A study by Yang and Choi (2007) shows that the 1997 Asian financial crisis that led to the appreciation of migrants' currency against the Philippine peso increased households' remittance receipts and reduced the poverty rate by 0.6 percentage points for a 10 percent appreciation in the exchange rate. A similar pattern is expected as the peso depreciation continues.

During the pandemic, OFWs were not only exposed to the virus but also contended with unemployment and deportation, thus the government's efforts focused on repatriation. Amid travel restrictions, lockdowns, and health risks, OFW repatriation required a significant amount of coordination and resources. By March 2021, over 636,000 OFWs had been repatriated, about 70 percent of them from the Middle East and 85 percent land-based workers (Figure 4.9). Repatriated OFWs were provided with food packs, vitamins, and hygiene kits, on top of financial assistance. A \$200 onsite cash benefit to those stranded abroad or infected by COVID-19 was provided as part of *Abot Kamay ang Paatulong* (AKAP) Program. As of December 2021, financial assistance totaling ₱5.5 billion was extended under AKAP, benefitting about half a million displaced OFWs. Close to 10,000 infected OFWs were given additional cash assistance, while almost 125,000 OFWs were given medical and food assistance. Despite these efforts, repatriation was rife with challenges, including limited flights delaying the return of stranded OFWs, delays in testing and the release of related certificates to quarantined returnees in the Philippines, and reluctance of local governments to accept returnees because of stigmas surrounding returnees as potential carriers of the virus, among others (Asis 2020).

The emergency response systems adapted to new challenges posed by the pandemic. Such systems were strengthened throughout previous crisis situations, such as the Gulf War in 1990-91, and they proved useful during the pandemic. Moreover, mobility restrictions spurred innovations in the adoption of technology, investments in well-designed information systems, and inter-agency coordination—

Figure 4.9 Repatriation of OFWs in 2020 by region (left), by male/female and by sector (right)



Source: Department of Foreign Affairs (DFA).

long overdue features that could be useful even as the crisis abates. Given the challenges brought by the pandemic, several digital tools were employed to facilitate contactless and safe transactions, allowing the extension of license validity and accreditation of OFW recruitment agencies, withdrawal of escrow deposits, and multiple interim guidelines for deployment in the new context that demands additional health and quarantine protocols.

Nonetheless, the crisis raised important questions regarding the strengths and weaknesses of the current migration governance system. The obligations of different migrant stakeholders toward OFWs during emergency situations and the adequacy of current bilateral, regional, and global instruments covering migration remain unclear. The need to further strengthen the role of local governments in migration governance, including returnee management, investment in stronger overseas missions, scaling up of reintegration programs, and promotion of stronger cross-border diplomacy were also highlighted. As the country itself attempts to tackle the health and economic consequences of COVID-19 domestically,⁹⁸ the reduction in overseas opportunities puts additional pressure on the local labor market to accommodate returning OFWs. It is evident that the recovery of deployment to pre-pandemic levels will be slow and gradual, and that new thinking and approaches are needed to better prepare for the new normal. This provides the backdrop for the creation of the Department of Migrant Workers (formed on February 3, 2022).

Legal and Institutional Framework for International Migration

Philippine Legal Framework on International Migration

The Philippines has a set of policies on migration governance that addresses different aspects of the entire migration cycle from pre-decision to return. The Migration Workers and Overseas Filipinos Act of 1995 (RA 8042) is the major legislation governing overseas employment from the Philippines. The law covers the entire migration cycle from pre-departure to return and reintegration, while defining the mandate of major migration-related agencies.⁹⁹ According to the Act, Filipinos will be deployed to countries where the rights of OFWs will be protected, including those with labor and social laws, that are signatories of multilateral conventions, or with which the Philippines has a bilateral agreement. It broadly defines

⁹⁸ Per World Bank data, the nation's GDP contracted year-on-year by 10 percent in the first three quarters of 2020.

⁹⁹ Related agencies include the Department of Labor and Employment and its attached agencies such as POEA, Overseas Workers Welfare Association (OWWA), and National Reintegration Center for OFWs (NRCO), the Department of Foreign Affairs (DFA), and local government units (LGUs), prior to the creation of the Department of Migrant Workers.

illegal recruitment and details the associated penalties and emphasizes services to assist OFWs, including information dissemination, travel advisories, repatriation, reintegration, and legal assistance. Through the amendments of the law over time, overseas employment as a means to sustain economic growth and achieve national development was de-emphasized; instead, protection of OFWs was strengthened along with other migration-related laws.¹⁰⁰

Migration laws are further complemented by sectoral policies that address the specific vulnerabilities and issues peculiar to certain sectors and occupations. For example, the Philippine Overseas Employment Administration (POEA) developed a comprehensive Household Service Workers Reform Package (HWSRP) in 2006 that aims to protect the domestic work sector. This is in response to incidences of abuse faced by domestic workers, a highly vulnerable sector that has traditionally been excluded from the labor laws of the destination countries. The isolated nature of the workplace, lack of access by authorities, and weak social networks have collectively made this sector extremely vulnerable. The separate HWSRP covers a range of provisions including minimum age requirements, skills and training requirements, criteria for recruitment service fees, and minimum wages, among others. Another sector with unique characteristics is the seafarers' sector, where the Filipino workforce is prominent globally. To address their vulnerabilities and extend protection, the government introduced in 2013 the Rules and Regulations on the Employment of Filipino Seafarers Onboard Philippine Registered Ships Engaged in International Voyage. The emerging trend of the POEA is to move towards more sector and country-specific policies that account for the unique challenges across different sectors and corridors. For example, in June 2020, POEA provided guidelines for truck drivers in Europe to address the peculiarities in this sector that require the OFWs to drive across borders in Europe.

Migration was mainstreamed in national development plans and labor policies. Such inclusion signals the recognition of the development impact of migration. The Philippine Development Plan (PDP) 2004-2010 set deployment targets of 1 million workers annually, suggesting a goal of seizing overseas labor market employment. The subsequent PDP 2011-2016, however, dropped the annual deployment target and instead emphasized the link between migration and development.¹⁰¹ The PDP 2017-2022 mid-term update in 2021 added an entire chapter on migration with a comprehensive framework to protect workers' rights, promote welfare and expand opportunities for OFWs to harness the full benefits of migration towards sustainable development. The framework from the updated PDP envisions addressing the new "normal" after the onset of COVID-19, which requires enhanced efforts to support repatriated and returning OFWs as well as those abroad in line with the Global Compact for Migration (GCM).¹⁰² With the pandemic, the framework stresses the need to further pursue the already prioritized areas such as the protection of rights of OFWs, reintegration of returning OFWs in the local economy, and engagement of OFWs in governance, including in local development planning and political participation. Similarly, migrant workers are also featured significantly in the government's Labor Sector Strategy as part of the National Employment Recovery Strategy (NERS) 2020-2022 (See Annex 4.1).

International Cooperation on Migration

Bilateral and multilateral initiatives are utilized to enhance migrant workers' welfare. Bilateral labor agreements (BLAs) with destination countries have the primary intention of maximizing the protection of migrant workers while also including promotional aspects. By bringing the related authorities of both

¹⁰⁰ Examples include the Anti-Trafficking Act, Overseas Absentee Voting Act, Citizenship Retention and Reacquisition Act, and Domestic Workers Act.

¹⁰¹ The PDP 2011-2016 has at least 60 migration-related provisions in seven of the nine chapters covering a wide array of topics such as mobilization of financial and social remittances via brain gain or investment opportunities for OFWs, worker protection issues, and return and reintegration.

¹⁰² The GCM is an inter-government negotiated agreement that covers all aspects of international migration in a holistic and comprehensive manner. It aims to support international cooperation on the governance of international migration and provide policy options to address pressing issues while giving states the space and flexibility to pursue implementation given their own context and capacities. It was adopted in December 2018 by 153 UN member states including the Philippines committing to promote safe, regular, and orderly migration that works for all.

the destination and receiving countries together, BLAs provide an important platform for the two sides to raise concerns regarding the recruitment and employment of OFWs and identify strategies for cooperation. Cho et al. (2018) highlight the important role played by the BLAs of Korea as a destination country with 16 labor sending countries in reducing migration costs, providing worker protection and access to social insurance, and ensuring the employment contract terms, while addressing the labor market challenges of the destination country. However, when the agreements are legally non-binding and implementation does not receive due attention, provisions in agreements are not realized fully in practice. How effectively BLAs achieve the objectives depends largely on the corridor of labor migration.

The Philippines signed labor agreements with 26 countries, going as far back as 1968 with the US for offshore employment by the US military forces and with Papua New Guinea in 1979 (Annex 4.2 enumerates the full list of countries). While further empirical evidence is needed to demonstrate the role of these BLAs in the Philippines (Chilton and Woda 2021), facilitating safe and productive migration through BLAs is considered a practical solution for development. The government is thus exploring BLAs with Canada, Russia, China, and Thailand for enhanced deployment and protection of OFWs, with a focus on OFWs who lost their jobs due to the pandemic.

BLAs vary widely by migration corridor, specifically in the following aspects:

- ◆ **Role of the state versus private sector in recruitment.** In the case of South Korea, the recruitment is government-intermediated via the government-to-government (G2G) arrangements under the Employment Permit System.¹⁰³ Whereas in other agreements, such as those with Gulf Cooperation Council (GCC) countries and Malaysia, licensed Philippine recruitment agencies (PRAs) are heavily involved in the deployment of workers. The Philippines has G2G agreements with seven countries, including China, Germany, Israel, Japan, South Korea, Taiwan, and Canada (Yukon area).¹⁰⁴
- ◆ **Specificity of the sector and occupations.** There are also generic versus sector specific agreements. For example, in the case of Japan's Specified Skills Worker program¹⁰⁵ and South Korea's Employment Permit System, the agreements are for selected sectors experiencing labor shortages in the destination countries. With Israel, the Philippines has G2G arrangements for caregivers and hotel workers. In other instances, such as the domestic workers, sector-specific agreements were signed, for example in Kuwait, to advance migrant protection by addressing specific vulnerabilities faced by the OFWs. A large majority of the agreements through non-binding memorandum of understanding (MOUs) with GCC countries tend to be more generic and apply to all sectors. With countries such as Jordan, UAE, Saudi Arabia, Kuwait, and Lebanon, the Philippines has both generic labor agreements and specific ones for the deployment and protection of domestic workers.¹⁰⁶ The Philippines also has sea-based agreements with multiple countries, including Cyprus, Denmark, Japan, Liberia, and the Netherlands.
- ◆ **Special programs.** These are designed to maximize the development impact of migration as part of development assistance and cooperation. For example, the Japan International Trainee and Skilled Worker Cooperation Organization Program is designed to encourage the transfer of skills, technologies, and knowledge from Japan to the Philippines. Another example is Germany's Triple Win Program for the recruitment of Philippine nurses, referring to the advantage of migration to both the host and origin countries, as well as to migrant workers.

¹⁰³ See Cho et al. (2018) for more details on the Employment Permit Scheme, a BLA of Korea with sending countries.

¹⁰⁴ GCM, Philippines' Submission of the Voluntary GCM Review for the Asia-Pacific Regional Review of the Implementation of the Global Compact for Safe, Orderly and Regular Migration, 2020.

¹⁰⁵ DOLE, <https://polotokyo.dole.gov.ph/specified-skilled-workers-1-2/>

¹⁰⁶ GCM, 2020.

◆ **Social security agreements.** Moving out of labor agreements, the Philippines also signed a series of social security agreements that cover disability, retirement, and other pensions with multifold goals: to ensure that workers are covered in the destination country's social security agreements like the nationals; allow workers to avail of social security benefits regardless of place of residence; allow the totalization of insurance periods, including creditable periods of covered workers under social security in the Philippines and the host country during benefit calculation; and encourage the related social security organizations of the two countries to collaborate.

The agreements should be comprehensive and specific to ensure workers' welfare, cover the entire migration cycle, and reflect global ethical recruitment principles. A good example is an MOU signed between Kuwait and the Philippines in 2017 on domestic workers covering the span of the migration cycle, from recruitment to repatriation. It includes strong provisions to enhance the protection of workers and a comprehensive standard contract, including rights to hold a passport and mobile phones for frequent communication with families, and specifications of paid and non-paid holidays, mandated salary, and food assistance based on the worker's preferences. Moreover, it allows workers to quit and switch employers without losing visa sponsorship. It is expected that this bilateral agreement will set a precedent for future agreements. From the stakeholder interviews,¹⁰⁷ before the agreement with Kuwait, an average of 4,000 welfare cases were registered at the Philippine Overseas Labor Office (POLO) in Kuwait whereas after the signing of the agreement, this number dropped by over 50 percent. This is a positive indication of how the agreement contributed to workers' welfare. While encouraging, more emphasis is needed in optimizing the existing agreements to enhance workers' welfare by strengthening their implementation, monitoring, and evaluation.

The pandemic underscored the need to ensure crisis response in the migration system. Labor agreements need to be renegotiated or new agreements developed to cover provisions for protection and standards enforcement during times of pandemic, calamities, and other emergency contexts as well as to reflect the objectives of the GCM. During the pandemic, governments were caught off-guard and there was a lack of clarity on the roles of the sending and receiving countries in the protection and safe repatriation of workers, with the onus primarily on the sending country. The recovery of economies and sectors will not be uniform, with a few sectors more resilient than others, such as seafaring related to the movement of goods, manufacturing of essential goods, health sector, transport and logistics, and occupations related to re-designing work and living spaces.¹⁰⁸ Both the identification of opportunities in the new context and the deployment of workers will require bilateral cooperation.

Beyond bilateral cooperation, the Philippines is also an active participant in multiple regional and global fora, including the Abu Dhabi Dialogue, Colombo Process, and the ASEAN. These fora provide a platform to raise common issues on migration, share information and good practices, develop common visions and direction on labor mobility in the region, and take a collective approach in tackling shared challenges. The Philippines, with its long history of labor migration governance, has demonstrated active leadership in these international fora to contribute to the global discussion and put forward specific agendas centered on migration (Box 4.1).

¹⁰⁷ Interviews were conducted with DOLE-ILAB, OWWA and POEA as part of this study.

¹⁰⁸ Alcantara (2021).

Box 4.1 Intergovernmental Consultative and Advocacy Platforms on Labor Migration

- ◇ The **Colombo Process (CP)** is a forum of sending countries in Asia that have common destination countries, including the GCC countries and Malaysia. The countries forged common efforts to protect migrant workers from unfair, exploitative, and abusive recruitment practices taking place both in the countries of origin and destination. In 2003, the labor sending countries of Asia established an informal and non-binding consultative process for informed, safe, and decent contractual overseas labor migration. The objectives of the CP include sharing experiences and good practices on overseas employment; consulting on issues faced by overseas workers; proposing practical solutions for the well-being of overseas workers; optimizing the development benefits from organized overseas employment and enhancing dialogue with destination countries; and reviewing and monitoring the implementation of recommendations and identifying further steps of actions. The Philippines served as chair of the CP. Given the non-binding nature of the framework, there is still room for CP countries to align themselves better in communicating their concerns to the destination countries, especially regarding the shared challenges faced by migrants, and lobbying for reforms as a unit.
- ◇ The **Abu Dhabi Dialogue (ADD)** comprises both the sending and receiving countries. Established in 2008, the ADD includes 11 CP member countries except Cambodia, and seven destination countries.¹⁰⁹ Its thematic areas include exchange of information and knowledge about labor market patterns; remittance transfer and its link to development; migration policies; capacity and skill enhancement of OFWs to meet the demands in the countries of destination, curb irregular migration, and ensure social security and welfare schemes for migrant workers; and designing development frameworks that address the interests of both countries of origin and destination. In recent years, the ADD has started implementing more solutions-oriented pilot projects that are aimed at addressing specific, shared problems facing the sending and receiving countries. A good example of an engagement under ADD is the Comprehensive Information and Orientation Programme of the UAE, Philippines, Saudi Arabia, and Bangladesh.¹¹⁰ This promotes joint corridor-specific orientation and information programs covering the laws, culture, and practices of the destination countries, which are critical for migrant welfare.
- ◇ The **ASEAN Forum on Migrant Labor** follows the 2007 Declaration on the Protection and Promotion of the Rights of Migrant Workers (Cebu Declaration on Migrant Workers), which was signed to promote the dignity of migrant workers, regardless of their documentation status and advanced the roles and obligations of sending and receiving countries in the region. The areas include: (i) protection from exploitation, discrimination, and violence; (ii) labor migration governance; and (iii) the fight against trafficking in persons. To implement the declaration, the ASEAN Forum on Migrant Labor was created with multi-stakeholder representatives from the government, private sector, and civil society. During the chairmanship of the Philippines in ASEAN in 2017, the member states agreed to sign an instrument for the protection and promotion of migrant workers, a landmark document signed on November 14, 2017 that raised the issues not only of documented but also of undocumented workers.

¹⁰⁹ Bahrain, Kuwait, Malaysia, Oman, Qatar, Saudi Arabia, and United Arab Emirates.

¹¹⁰ IOM. "Comprehensive Information and Orientation Program: Brief on Key Developments." (Presentation, April 30, 2019).

The agreement entailed a commitment to ensuring migrant workers' access to healthcare, fair compensation, legal rights, decent living standards, and protection from discrimination on the basis of sex or race (Figge and Cua 2017). This is a notable accomplishment that took 10 years of negotiation because the region includes both labor sending and receiving countries with different priorities and agenda, and the forum works on consensus, i.e., requiring agreement by all members.

Finally, at the global level, the Philippines has been a leading voice in raising issues concerning OFWs from a sending country's perspective. The Philippines is a signatory of the GCM¹¹¹ and the Global Forum for Migration and Development.¹¹² The country is committed to ILO Conventions and UN Sustainable Development Goals 2030, with labor migration-specific targets and indicators (Table 4 2).

Table 4.2 SDGs 2030 and labor migration

Target	Indicator
3.c Increase health financing and the recruitment, development, training and retention of the health workforce in developing countries	3.c.1 Health worker density and distribution.
4.b Expand the number of scholarships available to developing countries for enrolment in higher education in developed countries and other developing countries	4.b.1 Volume of official development assistance flows for scholarships by sector and type of study.
8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	8.8.1 Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status. 8.8.2 Level of national compliance with labor rights (freedom of association and collective bargaining) [...] by sex and migrant status.
10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies	10.7.1 Recruitment cost borne by employee as a proportion of yearly income earned in country of destination 10.7.2 Number of countries that have implemented well-managed migration policies.
10.c Reduce to less than 3 percent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 percent	10.c.1 Remittance costs as a proportion of the amount remitted.
16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children	16.2.2 Number of victims of human trafficking per 100,000 population, by sex, age and form of exploitation.

¹¹¹ It was adopted by 153 UN member states including the Philippines in December 2018 that committed to promoting safe, regular, and orderly migration that works for all. From the onset, the Philippines had been an active member country throughout the process that led to the adoption and endorsement of the GCM.

¹¹² The forum was created in 2007 and is a state-led, informal, and non-binding process that helps shape the global debate on migration and development. The Philippines has been an active participant in the GFMD process and was Chair of GFMD in 2008, the second Chair after Belgium. Platforms like the GFMD provide an important avenue for sending countries like the Philippines to collectively bring to light common issues related to worker welfare and to push for pro-worker reforms in destination countries, such as the dismantling of the infamous Kafala system (i.e., employers' visa sponsorship often traded in the private market without proper regulations) especially in Saudi Arabia and Bahrain.

Target	Indicator
17.3 Mobilize additional financial resources for developing countries from multiple sources	17.3.2 Volume of remittances (in United States dollars) as a proportion of total GDP
17.18 Enhance capacity-building support to developing countries to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts	17.18.1 Proportion of sustainable development indicators produced at the national level with full disaggregation when relevant to the target, in accordance with the Fundamental Principles of Official Statistics

Source: Migration Data Portal

Institutional Arrangements

A number of government agencies are involved in managing international migration, both in-country and in major destination countries. Before the creation of the Department of Migrant Workers (through RA 11641), DOLE was responsible for overseeing the regulatory and welfare aspects of migration governance with the assistance of its attached agencies, the POEA and Overseas Workers Welfare Administration (OWWA). The POEA is the regulatory arm in the management of migration in the Philippines and is responsible for the pre-deployment stage of migration. It provides licensing and regulation of private recruitment, provision of public recruitment, and oversight of worker protection. It maintains data of all outbound migrants, legal assistance, and conciliation of recruitment agencies. OWWA is the welfare arm that provides various welfare services to OFWs and their families, including legal assistance, repatriation and reintegration services, and welfare benefits to OFWs or their families in case of death or injury. OWWA manages a contributory fund from different sources, including membership fees paid by OFWs or their employers and contributions from employers in the case of seafarers.

In addition, POLOs and the Migrant Workers and Other Filipino Resource Centers (MWOFRFC) provide support and services in destination countries. Informational counseling, legal services, post-arrival orientation, welfare assistance, and shelter support, among others, are part of the services. Currently, 39 POLOs are operational. The National Reintegration Center for Organization (NRCO) is the agency that promotes the reintegration of migrant workers and offers programs such as loan packages, livelihood, entrepreneurship programs, and financial education for returning OFWs to enable their social and economic reintegration in the Philippines and to mobilize their skills and potential for national development activities. Given the prominence of seafarers, the National Maritime Polytechnic is under DOLE and it provides maritime training and competency assessment for Filipino seafarers and maritime allied personnel.

The Department of Migrant Workers consolidates and merges into a single coherent office all the agencies that attend to the needs of OFWs. Signed on December 30, 2021, the law was enacted in response to the fragmentation and overlapping functions of agencies that cause various inefficiencies and delays in the service delivery to OFWs. To fulfill its mandate, the Department of Migrant Workers (DMW) will place under one roof and assume the functions and staff of several government offices that have been providing various migration services and assistance to OFWs. For instance, while OWWA will continue to function pursuant to its charter as an attached entity to DMW for policy and program coordination purposes, a new Migrant Workers Office (MWO) will be created. The DMW is tasked to regulate the recruitment, employment, and deployment of OFWs and spearhead investigations and file cases concerning illegal recruitment and human trafficking cases involving OFWs. A more focused approach on migration governance will help streamline the process of providing services to OFWs.

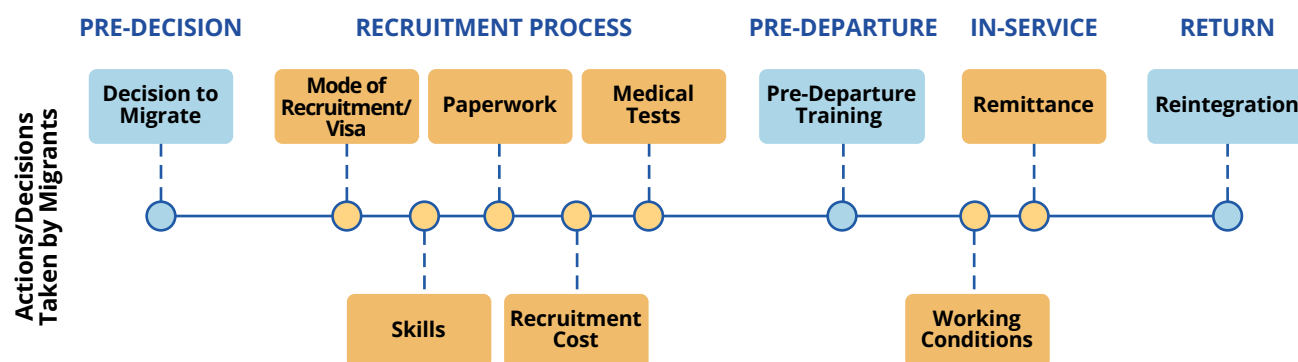
Information sharing is at the heart of proper coordination, but currently, data and information systems on migrants are dispersed across different migration agencies. For example, POEA maintains data on annual deployment, licensed recruiters, and cases of abuse. However, its database is not linked or integrated with the OFW databases managed by NRCO on reintegration programs, by OWWA on support programs, and by POLOs in destination countries. A unified database system on migration is needed as separate databases cause duplication and inefficiencies. Most recently the OFW Assistance Information System (OASIS) was set up to facilitate efficient support to OFWs, which will help in establishing a unified beneficiary database for those receiving government support. Meanwhile, the Philippine Statistics Authority (PSA) collects data on the number, socio-economic profile, and remittances of OFWs. In 2018, it released the results of the National Migration Survey, the first nationwide survey that provided baseline information on internal and international migration.

Migration Cycle

The migration cycle approach is key in examining the different vulnerabilities faced by OFWs along the journey, the gaps that limit the full realization of the benefits of international migration, and development potentials to the Philippine economy. The entire migration cycle (Figure 4.10) is rife with risks and vulnerabilities that influence the outcomes of the overall migration experience. OFWs are often unable to reap the maximum benefits of migration, owing to monetary (e.g., explicit and hidden recruitment costs), non-monetary (e.g., opportunity, information, and psychological costs), and key market failures. These risks and vulnerabilities include the following:

- ◇ **Information asymmetry** - employers/recruiters gather information about workers that the latter can access concerning potential employers, nature of the job, and process of migration—information to which, in contrast, OFWs do not have equal access
- ◇ **Lack of access to credit** - without access to formal channels of credit, many migrants borrow informally at high interest rates to cover recruitment costs
- ◇ **Unequal bargaining power between employers and migrant workers (e.g., the Kafala or sponsorship system common in GCC countries)** - leaves migrants vulnerable to emotional, mental or physical abuse and contract infringement, without adequate channels for grievance and dispute settlement.

Figure 4.10 Labor migration cycle



Source: Authors' compilation. Adapted from Cho and Majoka (2020)

The institutions and multilevel policies are designed to address the risks at each stage and maximize the benefits of migration. In crisis situations, such as political instability, conflicts, natural disasters, and pandemics, these problems are exacerbated, thereby requiring additional resources, coordination, and rapid response to ensure the safety of OFWs as has taken place during the pandemic. Apart from the in-service stage when migrants are based in the destination country and engaged in temporary employment, the remaining phases of the migration cycle (pre-decision, recruitment, pre-departure, and return) take place in the Philippines itself, highlighting how the vulnerabilities faced by OFWs often start and end at home. Relying on a combination of quantitative and qualitative methods, including interviews with key migration stakeholders, the following section presents an overview of a migrant's typical journey.

Pre-decision

Reliable information during the pre-decision stage is important to ensure that OFWs can adequately weigh the costs and benefits of overseas employment. Decisions made at the onset by an aspirant migrant will likely have a lasting effect on the ultimate outcomes, and adequate information is needed about the destination country, potential occupations, skills requirement, mode of recruitment, and type of employment. Information asymmetry is prevalent in this transnational space, as both workers and employers have limited information about each other, thus leaving room for intermediaries such as PRAs, foreign placement agencies (FPAs), and manning agencies to intervene and provide their services. To navigate the recruitment system, those who aspire to work overseas rely on different sources of information:

- ◆ **Informal channels.** With a long history of out-migration from the Philippines, many aspirants rely on informal sources such as social networks in both the Philippines and abroad. Similarly, the middlemen (e.g., PRAs, manning agencies and their representatives) are also important sources of information via social media, newspapers, text messaging, walk-ins, or other mechanisms.
- ◆ **Government offices.** The national government prioritized anti-illegal recruitment and trafficking campaigns in close coordination with local government units (LGUs) to raise awareness among aspiring OFWs at the community level and to reduce vulnerability. This entails signing MOUs between LGUs and migration agencies such as POEA, or non-government organizations (NGOs). For example, between 2017 and 2020, POEA signed 216 MOUs with LGUs to cooperate on anti-illegal/anti-trafficking in persons. The LGUs provide a venue and necessary facilitation support to conduct awareness programs. They are also mandated to set up OFW helpdesks or kiosks in their localities to provide current safe migration-related information and to link to the central database of POEA for updated information on job orders and the licensed recruitment agencies in good standing. Some local Public Employment Service Offices (PESO) organize job fairs where select PRAs with authorization from POEA can promote overseas employment.
- ◆ **Mandatory seminars.** Since 1993, all outgoing OFWs are required to undertake a mandatory pre-employment orientation seminar and pre-departure orientation seminar. In the past, such seminars were conducted in-person at community level, but to facilitate participation, online delivery was introduced in 2016. This move proved useful during COVID-19 when mass gatherings and in-person classes were restricted. The seminars cover a range of topics relevant to migrants.¹¹³ Typically, PRAs ensure that OFW applicants complete the orientation online as non-compliance is considered recruitment violation cases.
- ◆ **NGOs.** In addition, non-government partners, especially migrant-focused NGOs are active in the Philippines to disseminate information on safe and productive migration to aspiring OFWs.

¹¹³ The pre-employment orientation seminar covers the following topics: i) factors to consider before working abroad; ii) job searching; iii) avoiding illegal recruiters; iv) agency fees; v) employment contract; vi) working and living abroad; vii) health and security; and viii) POEA services.

Studies recognize the prevalent information barriers to migration and search costs, and the role of interventions aimed at addressing them. Barriers to migration include information gaps (requiring the dissemination of information about job search, migrating abroad, financing migration, and passport processing); search frictions (requiring assistance in enrolling in an online job-finding website to lower search costs and facilitate matching between recruiters and workers); and documentation barriers (requiring assistance and a full subsidy for passport application). Findings from the studies using randomized controlled trial experiments suggest that the interventions to tackle these challenges do not necessarily lead to increases in migration, but have a potential to help migrants make informed decisions (Beam 2016; Beam 2021; and Beam, McKenzie, Yang 2016).

The National Migration Survey in 2018 shows that the proclivity among Filipinos of working age to migrate internationally within the next five years is 4.6 percent among males and 5.2 percent among females. Most of them have not made decisions regarding the destination country despite the intention. Among those who expressed preferences, common destinations were the US (9 percent), Canada (6.5 percent), Saudi Arabia (6 percent), and the UAE (6 percent). The likelihood of the intention to migrate overseas is higher among unmarried groups, the higher wealth groups, the better educated, and among those with previous international migration experience (Figure 4.11). Note that the intention to migrate overseas is low among the poor, probably due to various barriers to migrate, including the upfront financial costs, lack of information or skills, and lack of social networks that can help make migration accessible. Previous migration experience and higher education are strongly associated with the intention to move overseas. Further, geography plays a role, with the intention to move overseas being higher in urban areas and also in a few regions such as the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)¹¹⁴ and the Cordillera region.

Figure 4.11 Intention to migrate overseas within the next five years, 2018



Source: PSA, NMS 2018.

Note: The dependent variable is the intention to migrate overseas within the next five years. Average marginal effects are presented. Base categories are no education; poorest wealth quintile; previous migration experience within the Philippines; single marital status; and Region I (Ilocos Region).

¹¹⁴ The ARMM became the Bangsamoro Autonomous Region in Muslim Mindanao with the passage of the Bangsamoro Organic Law on July 26, 2018, and this document uses BARMM instead of ARMM in the NMS.

Figure 4.12 Reasons for intentions to stay (Left) or move (Right), 2018



Source: PSA, NMS 2018.

Work is the primary reason for overseas migration with 75 percent of those intending to migrate abroad citing work needs (Figure 4.12). Interestingly, the NMS also delves into the reasons held by those intending to stay despite the prevalent culture of emigration from the Philippines. For Filipinos who had no intention to migrate, the major reasons were related to their living environment and commuting-related reasons, followed by employment-related factors.

Recruitment Process

Emigration from the Philippines is heavily intermediated by PRAs including manning agencies for seafarers. When migration intentions change to an actual decision to migrate, OFW applicants have to navigate the complex recruitment process directly via employers, through a PRA, or through an existing government scheme. A large majority of emigration from the Philippines is intermediated by the private sector. As of January 12, 2022, there were 862 land-based PRAs and 394 manning agencies facilitating the recruitment of Filipino seafarers with valid licenses in the country.¹¹⁵ According to the NMS survey, about 65 percent of migrants in their last migration experience reported being hired through these intermediaries, 28 percent directly by the employer, and less than 2 percent of workers reported benefiting from a government scheme or through assignment to a foreign office (Table 4.3). The share intermediated was higher for migrants headed to Asia and the Middle East. As to the manner of application, walk-ins were reported as the most common method (45 percent of migrants), followed by employer or recruiter-initiated contact and informal networks in the Philippines and abroad. The volume responding to advertisements was very low at 3.4 percent.

¹¹⁵ Philippine recruitment agencies are licensed by POEA to recruit and place Filipino workers for overseas land-based employment, whereas manning agencies facilitate recruitment and placement of Filipino seafarers for ships plying international waters or other maritime activities.

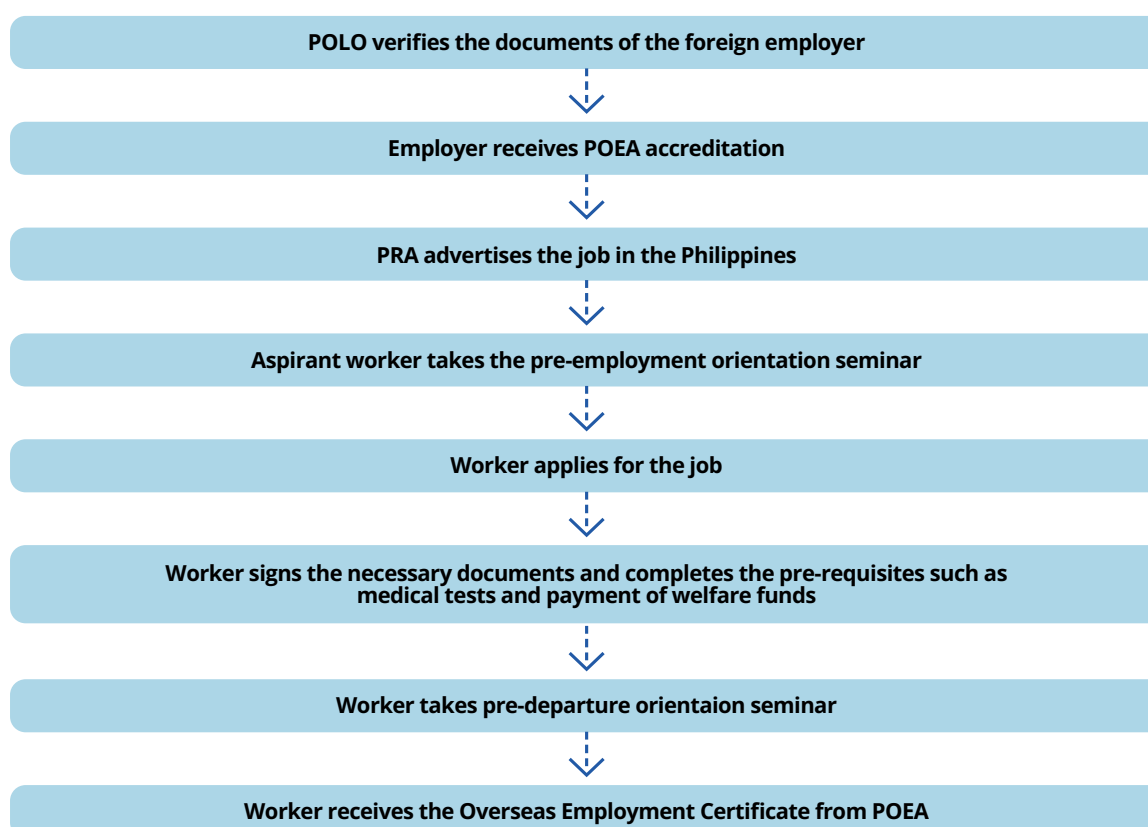
Table 4.3 Method of recruitment, 2018

Method of recruitment (%)	First migration experience			Last Migration Experience		
	Male	Female	Overall	Male	Female	Overall
Direct hire by employer	37.95	31.07	34.23	29.66	26.23	27.83
Private recruitment agency	54.67	63.1	59.24	65.54	65.48	65.51
G2G arrangement	1.81	1.77	1.78	1.59	3.38	2.54
Assignment to foreign office	2.07	1.04	1.51	1.48	0.37	0.89
Others	3.5	3.02	3.24	1.73	4.54	3.23

Source: PSA, NMS 2018.

The recruitment process of OFWs is complex and requires several steps, and they were modified during COVID-19. Prior to the pandemic, the process began with an employer getting verified at a POLO and partnering with PRAs. At the same time, workers are required to accomplish several steps, such as completing the mandatory pre-employment orientation seminar, appearing for interviews, signing the contract documents, meeting certain criteria regarding insurance and OWWA contribution, and obtaining an Overseas Employment Certificate (OEC) which is like an exit visa that signals that the worker has completed all required procedures (Figure 4.13).

Figure 4.13 Recruitment process mapping (Land-based)



Source: Authors' elaboration

During the pandemic, the deployment process itself was modified to address mobility challenges and concerns regarding testing, quarantine, and vaccine requirements. Workers, PRAs and manning agencies, and employers are required to comply with the health and safety policies and protocols of both the Philippine government and destination countries. POEA issued interim guidelines on the recruitment, deployment, and employment of land-based OFWs and similar guidelines for seafarers,¹¹⁶ which added a new layer to the recruitment process in the area of health and safety, including testing, quarantine, and vaccination. PRAs and employers are required to provide appropriate briefings to their workers about COVID-19 and various precautionary measures; ensure that all the necessary documents and health clearances are complete; shoulder the costs of COVID-19 testing and quarantine; and provide enhanced insurance and relevant medical facilities, proper safety gear, including personal protective equipment (PPE), safe living and working spaces that follow health protocols, and repatriation as needed. After a 75 percent drop in deployment in 2020, overseas employment is slowly picking up with a total of 745,000 OFWs deployed in 2021.

Box 4.2 Management of recruiters and employers in the international labor market

A number of checks and balances are in place to regulate recruitment agencies and employers. As the volume of OFWs grew and policy directions expand from the promotion of migration to protection of workers' welfare, more measures and legislation were put in place to protect OFWs. Consequently, there is a myriad of regulations preventing malpractice or setting disciplinary action against the employer or recruitment agency in the event of malpractice.

The process of obtaining a license to operate as a PRA is regulated. There is a stringent vetting process, including financial requirements such as escrow deposits, minimum standards for personnel and office space, a strict panel interview, and pre-licensing seminar. Prior to obtaining a full license, PRAs are required to obtain a provisional license and demonstrate their ability to deploy at least 100 OFWs in a virgin market. PRAs are also required to undergo a screening panel interview in which they are required to demonstrate their knowledge and experience in marketing and worker management. The conduct of a Continuing Agency Education Program is also mandatory for PRAs during license renewal. The compliant PRAs and employers are provided a package of incentives, such as individual recognition from the Office of the President as well as benefits, such as exemption from the more rigorous screening or verification processes that employers or PRAs have to go through for license renewal.

Measures to regulate foreign employers interested in recruiting Filipinos are also in place. Employers interested in hiring Filipinos need to be accredited by POLOs in embassies at the destination county based on document verification, worksite-visits by labor attachés, and possible interviews. Recruiters and foreign employers are jointly or severally liable, which means PRAs are held accountable for malpractice or abuse by the employer, such as unpaid wages, contract substitution, death and disability compensation, and repatriation of workers.

¹¹⁶ POEA Memorandum Circular No.1 dated January 7, 2021.

PRAs are also seen as important stakeholders and initiatives are introduced to collaborate better with them in labor migration governance.¹¹⁷ For example, OWWA requires PRAs to appoint welfare officers and conducts briefings with them to promote the welfare approach so that they too can play a role in promoting workers' welfare. OWWA's training for welfare officers include worker case management using a joint case management system. Despite these efforts, problems do often persist. Common issues include contract substitution, hidden costs of recruitment by both licensed as well as illegal recruiters, and the deployment of workers via wrong visas and without obtaining an OEC which is mandatory for all outgoing OFWs.

A steep drop in the deployment of workers compared to the preceding year during the pandemic impacted the business of PRAs and prompted government response. An ILO rapid assessment shows that the pandemic adversely affected the operations of recruiters given the impact on demand for workers, cash flow, and the official recruitment procedures.¹¹⁸ Common short-term measures to adapt include deferring deployment, providing detailed information to workers regarding COVID-19, cutting costs by reducing staff, and requesting government support and subsidies.¹¹⁹ COVID-19 compelled the government to reconsider and modify the regulatory infrastructure and bureaucratic requirements to assist PRAs. One strategy adopted by POEA was to "adjust" to promote the recovery of corridors while following health and safety protocols through the enhanced use of digital services to ensure contactless and safe transactions without disrupting business. The adjustment phases include migrating to online services such as virtual pre-licensing orientation seminar, continuing agency education program, and panel interviews.

The recovery of different migration corridors and sectors will require coordination with PRAs to explore overseas employment opportunities. Traditionally, the Philippines has been balancing deployment of OFWs with maintaining an adequate supply of critical skills in the country. Market exploration entails several steps, such as initially engaging in bilateral conversations and expressing interest in the recruitment of Filipinos. The Labor Market Development Branch at POEA appointed personnel responsible for closely monitoring countries and regions on different labor market prospects such as their foreign worker admission policies, sectors facing shortages, terms of employment, and labor laws that signal potential labor markets for OFWs. In addition, PRAs also conduct their own marketing missions to identify potential employers. The recovery of sectors will be uneven, although some traditional sectors are already seeing an increase in demand. For example, in November 2020, the POEA Governing Board put a cap of 5,000 in the annual deployment of healthcare workers to ensure adequate supply of health workers in the country during the COVID-19 crisis. But governments from destination countries reached out to the Philippine government and requested to waive this cap. Given the high demand for OFW nurses, the government raised the cap to 6,500 in June 2021 and further increased the annual ceiling to 7,000 in December 2021.¹²⁰ Some new sectors are expected to see a rise in demand, such as the construction sector. To gain from these emerging opportunities, active labor diplomacy, market niching strategies, intelligence from POLOs, and private sector marketing efforts will be needed.

Source: authors' elaboration

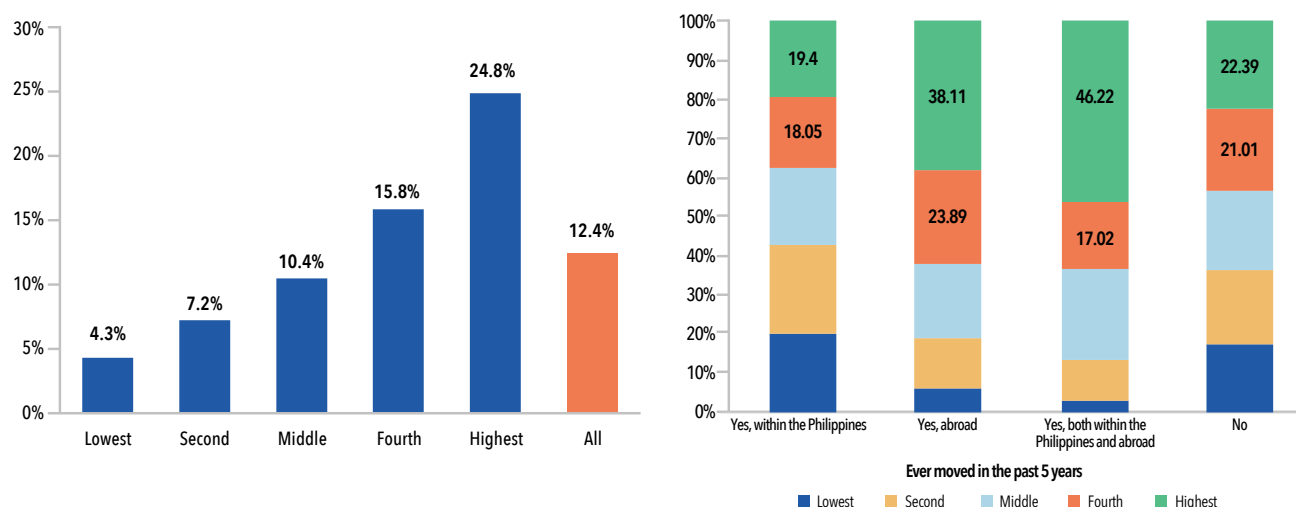
¹¹⁷ POEA, <https://www.dmw.gov.ph/archives/laws&rules/laws&rules.html>

¹¹⁸ ILO 2021.

¹¹⁹ Ibid.

¹²⁰ POEA, <https://www.dmw.gov.ph/archives/news/2021/NR-POEA-raises-health-care-workers-annual-deployment-cap-to-7000.pdf>

Figure 4.14 Presence of OFW and labor mobility by household wealth, 2018



Source: PSA, NMS 2018.

Recruitment costs are among the most contentious issues in the recruitment process faced by labor supplying countries. If the costs are too high and unaffordable, they impose a significant burden to aspiring migrants, thus excluding many from overseas earning opportunities. There is a positive relationship between the presence of an OFW and household income quintile. This indicates the contribution of OFWs' earnings for household income, but can also suggest that the cost of migration could be one of the major deterrents among lower income households. In the Philippines, 12.4 percent of the total households have or had an OFW household member abroad. Among them, 4.3 percent of the households in the poorest quintile and 25 percent of the households in the richest are or were OFW households (Figure 4.14). As migrant workers try to recoup the costs, high recruitment costs dampen the benefits of working overseas and are also often identified as a major reason for overstaying in a destination country beyond the legally prescribed period.

POEA prescribes recruitment costs and specifies the responsible party for bearing them, comprising both OFWs and their employers (Table 4.4). Based on the POEA's Revised Rules and Regulations Governing the Recruitment and Employment of Land-based Overseas Filipino Workers of 2016, a cap of one month's basic salary is put on service fees whereas the same fees cannot be charged for domestic workers, seafarers, and for workers recruited in destination countries that prohibit recruitment fee collection. Various penalties are in place in case of violation including the cancellation of the agencies' licenses in case of overcharging of recruitment fees (a serious offense) or suspensions in case of premature collection of fees or failure to provide receipts to workers (a less serious offense).¹²¹ Global principles even go further and advocate an employer pays principle, where the employers are required to bear all the fees and related costs associated with a worker's recruitment, but implementation has been rife with challenges. In certain cases, such as the Triple Win Project or when a PRA has committed to ethical hiring, all costs and fees are borne by the employer.

¹²¹ Per Revised POEA Rules and Regulations Governing the Recruitment and Deployment of Land-based OFWs of 2016, penalty for fourth "less serious offence" is cancellation of license whereas for the first three, it is suspension of license for varying time periods.

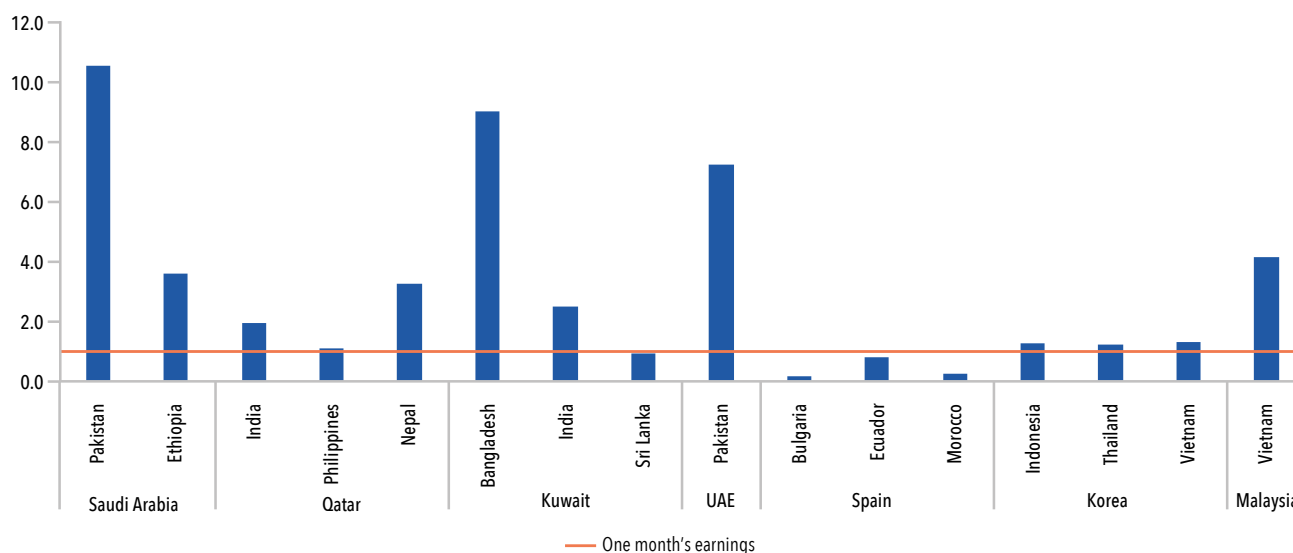
Table 4.4 Allowable placement costs

OFWs	Supervising organization
<ul style="list-style-type: none"> • Passport • NBI/Police/Barangay Clearance • PSA authenticated birth certificate • Transcript of Records and diploma issued by the school, certified by the Commission on Higher Education (CHED) and authenticated by the Department of Foreign Affairs (DFA) • Professional license issued by the Professional Regulation Commission (PRC), authenticated by the DFA • Certificate of Competency issued by TESDA or other competent certifying body for the job applied for • DOH prescribed medical/health examination, based on the host country medical protocol • Membership with PhilHealth, Pag-IBIG and the Social Security System (SSS) • A placement fee may be charged against the OFW equivalent to one (1) month basic salary specified in the POEA approved contract, except domestic workers and workers to be deployed to countries where the prevailing system, either by law, policy or practice do not allow, directly or indirectly, the charging and collection of recruitment/placement fee. 	<ul style="list-style-type: none"> • Visa, including stamping fee • Round trip airfare • Transportation from the airport to the jobsite • POEA processing fee • OWWA membership fee • Training fee • Additional trade test if required

Source: Philippine Overseas Employment Administration.

Average recruitment costs in the Philippines are relatively low compared to those in other sending countries in the region (Figure 4.15). The recruitment costs for Qatar-bound OFWs were on average about \$483, equivalent to about 1.1 month’s salary, one of the lowest cost corridors in the region. There are different mechanisms to finance recruitment costs. The major sources of financing for such costs were family support (40 percent), personal funds, including savings and salaries (25 percent), employer support (23 percent), and borrowing from friends and family (18 percent). The share of migrants’ borrowing via formal sources such as banks is below 3 percent. A similarly small share (3 percent) reported pawning or selling their assets to finance their move abroad (Table 4.5). The pandemic has further brought to the spotlight the issue of recruitment costs as migration costs due to limited flights, quarantines, and repatriation increased while workers experienced job loss and reduced wages.

Figure 4.15 Recruitment costs by corridors, 2015



Source: KNOMAD migration cost survey 2015, cited from Cho and Majoka (2020).

Table 4.5 Financial source to financial recruitment costs for the move, 2018

Financial Source	First move		
	Male	Female	Total
Sold/pawned assets	2.9%	3.6%	3.3%
Salary, personal fund, savings	28.9%	22.0%	25.1%
Financial support from family	36.3%	40.7%	38.7%
Formal loans	2.5%	2.1%	2.3%
Borrowed from family/friends	19.2%	17.6%	18.3%
Informal loans	2.8%	2.1%	2.4%
Government assistance	1.0%	1.0%	1.0%
Employer	23.1%	24.4%	23.8%
Scholarship	0.4%	0.2%	0.3%
Others	1.1%	2.4%	1.8%

Source: PSA, NMS 2018.

All workers must undergo a mandatory pre-departure orientation seminar. The one-day seminar aims to increase migrant's awareness of the risks, culture, and laws of the destination countries. Specific topics include employment contract familiarization, a profile of the destination country, stages of the OFW's life, health and safety, airport procedures, and government programs and services available to OFWs. To the extent possible, the seminar has been made country-specific and comprehensive. In addition, a separate training (Comprehensive Pre-Departure Education Program or CPDEP) that is longer and with additional topics such as language, familiarization with the culture, and stress management based on the HSW Reform Package of 2006 was introduced to address the additional needs and vulnerabilities of domestic workers. These seminars are delivered by OWWA-accredited providers including recruitment agencies and NGOs.

Despite the important role of the seminar in promoting the safety of OFWs, little is known about its effectiveness. One evaluation based on a randomized controlled trial examined the effectiveness of the pre departure seminar offered to workers headed for the US (Barsbai et al., 2020). The findings show that the enhanced seminar with more comprehensive corridor-specific topics helped migrants avoid travel-related problems and deal with formalities such as obtaining social security or opening bank accounts more quickly. Results also suggested that these were done in a manner less reliant on informal social networks. However, the impact was concentrated more on the initial period of settlement without much effect on later employment, well-being, and other outcomes. The destination country studied, the US, is neither a major destination country nor is it similar to the labor markets of the Gulf and East Asia where majority of temporary workers are headed. Nonetheless, the findings suggest the potentially important role that strengthened pre-orientation can play and the need for further research and evaluation.

In-service Period

During the in-service period in destination countries, wages as well as other benefits associated with jobs, working environment, and ability to remit are important indicators of OFWs' welfare. Apart from salary, the most prominent benefits provided by employers to OFWs were housing (76 percent) and food (70 percent). There is a huge gender difference in accessing various types of benefits (Table 4.6). For instance, three-fourths of the men reported receiving overtime compensations whereas

only 29 percent of women reported the same. Women were also far less likely to have access to health and medical insurance, compensation for work accidents, paid leaves and sick leaves, and separation pay. This is likely because many women are engaged in domestic work as live-in helpers, and they are not compensated for overtime work nor provided with other employment benefits, an issue that has received much attention in the policy discourse.

Table 4.6 Benefits received by male and female OFWs in the destination country, 2018

Benefits received (%)	First job in first country		
	Male	Female	Overall
Benefits (housing/lodging)	75.8	76.3	76.0
Rice/food allowance or other consumer goods	67.0	73.8	70.6
Health insurance/medical allowance	60.5	47.0	53.2
Payment for overtime work	74.1	28.7	49.5
Compensation for work accidents	59.6	33.5	45.5
Paid sick leave	49.3	31.0	39.4
Holiday bonus and other bonuses	50.2	44.4	47.1
Paid leave/vacation	45.1	29.4	36.6
Separation pay	41.3	21.3	30.4
Maternity/paternity leave	17.1	12.7	14.7
Retirement pension	18.5	7.0	12.3
Others	1.1	1.5	1.3

Source: PSA, NMS 2018.

OFWs can utilize the government's social security and medical insurance programs. They can obtain voluntary SSS membership and continue paying contributions even when abroad. The first layer of protection is the Regular OFW Coverage Program that is the basic pension program providing OFWs with income after retirement. A second layer is the SSS flexi-fund scheme that provides members with a pension and savings plan. It supplements the benefits under the regular pension and provides a range of benefits, including retirement, death and disability, early withdrawal in case of emergencies, and annual incentive benefits. With a minimum additional monthly payment of ₱200 (\$4), OFWs are also eligible to access PhilHealth insurance as voluntary members.¹²² As of June 2021, the number of OFWs covered by SSS was about 1.34 million—an 800,000 markup from the preceding year (SSS 2021).

There were some reforms in destination countries to enhance the working environment in response to collective pressure from sending countries and international platforms. For example, Saudi Arabia and Qatar brought in reforms to the kafala system so that it allows workers to change their employers or leave the country without risking their visa status. Despite improvements and efforts to regulate the sector and provide workers' protection, the volume of welfare cases remains high. OFW-related welfare cases reported to DOLE totaled 205,578 (9.3 percent of the total stock of OFWs) in 2020. In 2021, the Philippines twice imposed deployment bans to Saudi Arabia due to issues surrounding quarantine protocols and unpaid salaries amounting to ₱5.1 billion for over 11,000 OFWs (Medenilla 2022, Ramos 2021). The most vulnerable are those without the proper documentation, who still comprise a

¹²² This entitles them to a number of benefits such as in-patient or out-patient care, benefits for certain diseases such as cancer, and SDG-related benefits such as treatment packages for malaria, anti-tuberculosis, and animal bites.

high volume of workers. Under the Welfare Assistance Program, OWWA provides active members various types of assistance, including calamity assistance (for natural or human-induced calamities), bereavement assistance (for families of deceased OWWA members), for medical assistance (for OWWA members who experience injuries or illness), and relief assistance (for OWWA members displaced en masse due to the economic, political and health situation). In 2018, about 40 percent of OFWs had access to PhilHealth, 48 percent were members of SSS, and 51 percent availed of OWWA benefits, with higher percentages among males than females (Table 4.7).

Table 4.7 Social security benefits received by male and female OFWs in the destination country, 2018

Social security benefits (%)	First job in first country		
	Male	Female	Overall
Access to health insurance			
PhilHealth paying member	44.3	35.6	39.6
PhilHealth dependent	4.7	6.4	5.6
Health maintenance organization paying member	1.3	0.7	1.0
Health maintenance organization dependent	0.2	0.2	0.2
Other health insurance paying member	2.1	1.4	1.7
Other health insurance dependent	0.8	0.4	0.6
No access	48.1	56.4	52.6
Access to social security			
SSS	56.8	41.2	48.3
GSIS	1.7	1.9	1.8
Private social security/pre-need insurance plan	3.6	2.2	2.9
No access	41.4	56.8	49.7
OWWA benefits	52.4	50.1	51.1

Source: PSA, NMS 2018.

The support system available to migrants in the destination country is critical in ensuring that they have a favorable migration experience. Both formal and informal support networks shape a migrant's experience abroad, especially during times of difficulty. The different culture, context, laws, and support system make such networks important to ease the integration challenges and the struggles of family separation. Formal support systems include the Philippine embassies and consulates as well as POLOs headed by the labor attaches and OWWA welfare officers. The share of OFWs that reported receiving support from any of the formal agencies in the destination country was around 6.4 percent, and majority of them received work related training.¹²³ OFW's informal social networks including friends and relatives, play a far more important role in helping overcome various constraints: the decision to migrate as well as where to migrate tend to be shaped by an OFW's social networks; around 40 percent of the migrants reported having friends or relatives abroad, and this share is slightly higher among females; and among those who have this informal network, 70 percent reported receiving various types of support with food and lodging the most common area of support (Table 4.8). Diaspora groups or migration associations also form an important part of the foreign employment experience, although far less common than social networks. Such networks proved to be particularly crucial during COVID-19 when overseas workers relied on their networks abroad as they waited to be repatriated.

¹²³ PSA, NMS 2018.

Table 4.8 Support received from social networks by male and female OFWs, 2018

Support Received	First move		
	Male	Female	Overall
Helped to obtain visa/residence permit	12%	17%	15%
Paid for transportation	18%	25%	22%
Provided food and/or lodging	41%	44%	43%
Provided money/loan	15%	22%	20%
Provided information about work possibilities/referral	9%	11%	10%
Helped to find work	21%	18%	19%
Helped to find accommodation	7%	10%	9%
Provided full support until you found a job	7%	8%	7%
Others	1%	3%	2%
None	32%	29%	30%

Source: PSA, NMS 2018.

COVID-19 highlighted the important role of Philippine missions and the need for onsite support.

The Philippines was one of the few countries that provided cash assistance to migrants stranded abroad. Under DOLE's AKAP, the government provided \$200 to stranded migrants. In addition, the POLOs provided an extra \$200 to migrants who tested positive for COVID-19. Migrants also received support such as hygiene kits and food packs from the POLOs. As of December 2021, financial assistance totaling ₱5.5 billion was extended under AKAP, benefitting over 0.5 million displaced OFWs. OWWA also extended 95,387 scholarships to OFW dependents (Patinio 2021a). A number of factors facilitated the efficient cash transfer to migrants: a database that had updated information about OFWs with active OWWA membership, pre-existing partnerships with banks and remittance transfer companies that had branches in destination countries, use of digitized currency, and use of social media. A challenge associated with this exercise was anti-money laundering regulations that caused delays in sending substantial amounts of funding at once; the ease with which the money could be sent depended on the policies of the destination country.¹²⁴

Return

The return phase of the migration cycle has always been important, but more so after the onset of the pandemic which saw an unprecedented return of OFWs. A high share of emigration from the Philippines, especially to the Gulf and East Asia, is temporary as the destination countries do not offer citizenships or permanent residency. Consequently, reintegration of OFWs has always been a policy priority with an emphasis on mobilizing their social and financial remittances in the local economy. With COVID-19, over 600,000 OFWs have been repatriated from all over the world, further underscoring the need to put in place strong reintegration strategies to ensure their smooth social and economic integration.

The duration of stay abroad varies and return motivations are influenced by lifecycle and target earner considerations (Yang, 2008b). Life-cycle considerations hypothesize that migrants choose a length of stay abroad that balances the marginal benefit from higher savings and higher lifetime consumption overseas against the marginal utility cost of overseas work. On the other hand, migrants could also be target-earners who return after reaching their target earnings level which determines the length of their

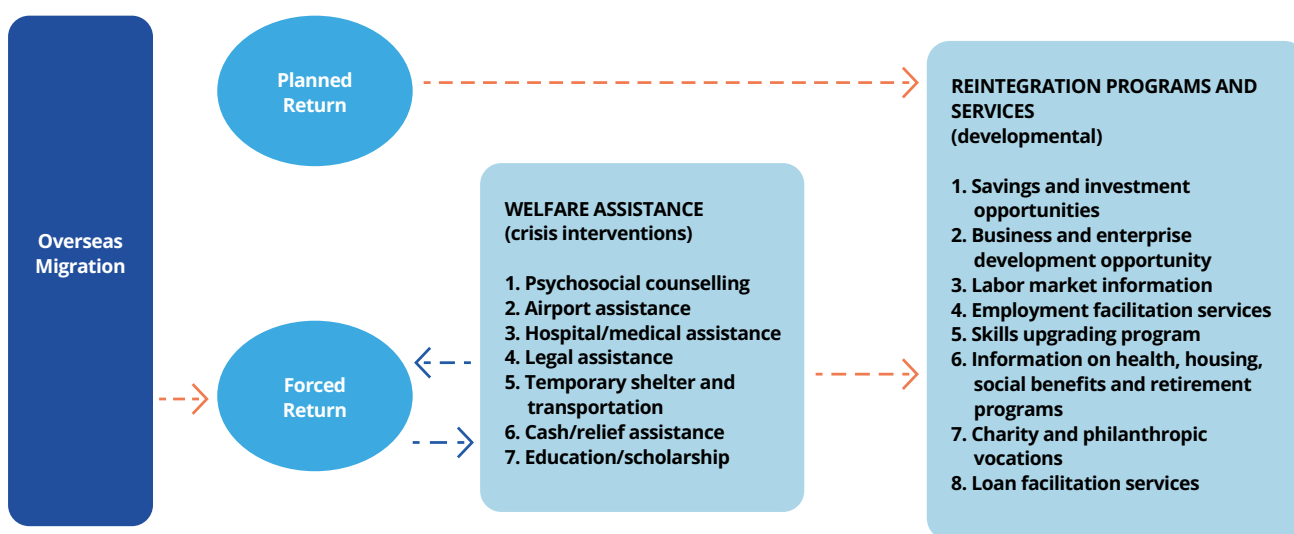
¹²⁴ Authors' interviews with representatives from key migration agencies.

stay overseas. For example, if the condition overseas improves, target earners would shorten the duration of their stay abroad whereas lifecycle earners would stay longer. Yang (2008b) uses the Asian economic crisis of 1997 to empirically examine return motivations among migrants given that Filipino migrants are scattered across the world and experienced different exchange rate shocks (e.g., while US dollar and Middle Eastern currencies rose 40 percent against the Filipino peso, the currencies of other East Asian countries rose between 22 and 27 percent or fell slightly in case of countries like Malaysia and Korea). Positive exchange rate shocks for migrants simultaneously raise the Philippine currency value of foreign wages and of accumulated savings held overseas. The study finds that positive exchange rates overall lead to fewer migrant returns, thus supporting the lifecycle hypothesis. However, there were target earners as a subset of the migrants, especially those in the middle of foreign wage distribution, who came home and invested after reaching their minimum investment threshold.

Even though the return is an inevitable stage for a high volume of migrants given the temporary nature of migration, not all returns are voluntary and planned.

Involuntary or forced return has come to the fore with COVID-19 when hundreds of thousands of OFWs were displaced and had to return prematurely due to job loss, company lockdown or other personal reasons. A recent survey by the International Organization for Migration (IOM) of 8,332 recent returnees shows that close to 70 percent of all OFWs return was impacted by COVID-19 and only 14 percent reported being scheduled to return regardless of the pandemic, suggesting that return was largely unanticipated or involuntary (IOM 2021). But even prior to the unprecedented global crisis of COVID-19, forced return was common among OFWs, either because of contract completion without the option to renew or because of incidences of abuse, contract infringement, health and other crisis situations. In many such instances, migrants may require support for their repatriation and reintegration. Forced returnees often need humanitarian and welfare assistance prior to their availment of reintegration programs and services. Welfare interventions include counseling, medical, legal, and temporary shelter/accommodation. On the other hand, reintegration services for planned returnees are made available on-demand. Figure 4.16 shows the national reintegration interventions for planned and forced returnees. The developmental reintegration programs are designed not only to leverage remittances and savings of migrants but also to engage them in entrepreneurial activities and utilize their accumulated skills and experience gained overseas.¹²⁵ The full menu of government reintegration programs and services for OFWs are enumerated in Box 4.3.

Figure 4.16 National reintegration interventions and services for planned versus forced OFW returnees.



Source: National Reintegration Center for OFWs

¹²⁵ Reyes, Luisa (2021). Designing Programs to Support the Reintegration of Migrants Abroad: the Philippines Experience. NRCO presentation delivered during the Virtual Workshop on Modernizing Services to Build a Skilled and Productive Workforce of Romania. 25 October.

Box 4.3 Homecoming during COVID-19: The Filipino experience

The repatriation of over 600,000 OFWs from the onset of the pandemic to mid-2021 amid the travel restrictions, health risks, and lockdowns was a massive undertaking with important lessons for the future.¹²⁶ In June 2021, an estimated 1,000-5,000 arrivals had to be accommodated daily, which was a challenge logistically but paled in comparison to the number of Filipinos who wanted to return from all over the world.¹²⁷

The urgency of the situation was quickly recognized in early February 2020 when a 10-member team flew from the Philippines to Wuhan, the epicenter of COVID-19, to bring back 30 Filipinos, after which a three-person team flew to Japan to assist the Philippine embassy in Tokyo in the repatriation of Filipinos onboard the COVID-19 stricken Diamond Princess Cruise Ship. The hit to the tourism and cruise line industry meant seafarers needed to be brought back via chartered flights from Europe, North America, and the Caribbean from March to June 2020. For land-based workers, stranded workers had to take chartered flights from Cambodia, Vietnam, Thailand, Malaysia, the Maldives, and Italy in April 2020 whereas efforts to ramp up repatriation flights from the Middle East began from May 2020. In June 2020, a sweeper flight to Africa with flights stopping by Algeria, Tunisia, and Libya were sent. Repatriation from Uzbekistan, where the Philippines did not have an embassy or consulate, and from Lebanon, where a blast at the Port of Beirut left many stranded and injured, were particularly challenging.

The exercise of repatriating nearly 30,000 OFWs after the 1990-1991 Gulf war had been an impetus for the government to put in place measures to better prepare for future emergencies. For example, a Joint Manual of Operations in Providing Assistance to Migrant Workers and Overseas Filipinos was developed by several national agencies to provide a unified contingency plan in safeguarding OFWs in case of crisis. Employers and PRAs are also required to submit a contingency plan detailing how Filipinos would be repatriated if needed. However, the scale of the pandemic that battered both the health systems and economies of countries globally, unlike previous crises, meant that the pandemic required an unprecedented response.

With a large number of overseas Filipinos and displaced workers, the government had to put in place quick, innovative systems to facilitate the repatriation of stranded OFWs. Some key lessons are as follows:

- ◆ The push towards utilizing **digital platforms** was further intensified by the pandemic. The DOLE quickly launched the OASIS with the aim of helping locate OFWs and facilitate their repatriation. In March 2020, the manual database of OFWs was migrated to an internet-based digital platform to track information on returnees, and that became an integral part of the repatriation efforts.¹²⁸ This also streamlined the complex and multi-level process of repatriation that included strict health testing, quarantine, and internal transport protocols.

¹²⁶ Patinio (2021b).

¹²⁷ Atienza (2021).

¹²⁸ Authors' interviews with representatives from key migration agencies.

- ◆ The facilitation of repatriation amid the health crisis demanded **coordination** of an unprecedented scale among different stakeholders. The government provided free testing, accommodation, food, and transportation to returning overseas workers through OWWA. The cross-border coordination involved many agencies starting from DFA and the POLOs abroad to the Red Cross, Philippine National Police, and Philippine Coast Guard. The pre-established relationship between OWWA and LGUs was also helpful. LGUs played an important role in facilitating the homecoming of migrants although they were initially hesitant to accept returnees considering them as carriers of the virus to the extent that the Philippine president had to intervene to urge LGUs to accept returning OFWs.
- ◆ **The network of PRAs and manning agencies** was held accountable for monitoring and reporting to the government the status and condition of all deployed OFWs onsite or onboard in case of seafarers. Non-compliance was subject to disciplinary actions and penalties based on legal frameworks that require PRAs and manning agencies to be responsible for the workers that they deployed. Migrant groups at the destination country also helped locate and facilitate the disbursement of cash and food assistance to stranded OFWs.
- ◆ **Additional budget** to support programs for OFWs was crucial. The trust fund that comes from the \$25 OWWA membership fee per OFW was used for coordinating repatriation, covering costs for accommodation, food, and transportation of returnees. This would have raised concerns about the sustainability of the trust fund, especially given the drop in deployment of new OFWs. The allocation of emergency repatriation funds to OWWA to coordinate quarantine and transportation efforts was important and timely. The budget of DOLE was supplemented by an extra ₱5 billion for the repatriation of OFWs. Similarly, the DFA's funds for the repatriation of distressed Filipinos regardless of their documentation status was used to support migrants during the pandemic.
- ◆ Special attention had to be paid to the **vulnerable OFWs** including the medically ill and pregnant women. Medical practitioners, nurses and midwives were enlisted in a roving model. Group counseling was also provided to those who needed mental health support from the National Center for Mental Health and those who required additional psychiatric support were put in specific hotels with roving doctors enlisted for their care.

Source: Based on interviews with representatives from migration agencies.

Returnees tend to report a more favorable financial situation after return, but jobs challenges remain. With financial sufficiency defined as the ability to meet basic necessities, about 53 percent of migrants reported their financial situation was “sufficient” whereas this share was higher at 64 percent among returnees. Such financial sufficiency can help returnees seek business opportunities. But it also allows them to remain unemployed without getting a job. About half of returnee migrants surveyed in NMS 2018 reported difficulties finding a job. The IOM's survey of recent returnees during the pandemic revealed that 83 percent of respondents reported being unemployed three months after their return. Of the total returnees, 45 percent reported preference towards self-employment, while 27 percent preferred private or public employment. Their preferred sectors for economic engagement were services and sales, food industry and agriculture, forestry and fishery.

Three broad areas of policies support returnee migrants (Mckenzie and Yang 2015): i) efforts to address the regulatory, bureaucratic, and informational barriers inhibiting return migration; ii) efforts that address the incentive to return; and iii) efforts that make return migrants more productive and integration easier. However, they note that the evidence base on return policies remains weak. The Philippines is one of the few countries that has a dedicated agency catering to OFW returnees, i.e., NRCO to implement reintegration programs, including financial literacy, investment opportunities, self-employment support programs, including business counseling and mentoring, and scholarship for further education. Seminars are conducted for returnees or their families on entrepreneurship and business training. Even undocumented returnees are eligible for returnee migrants via NRCO whereas only OWWA members can access OWWA programs. With the unprecedented return of OFWs due to COVID-19, reintegration has received further attention (e.g., by scaling up existing returnee programs or initiating new ones).

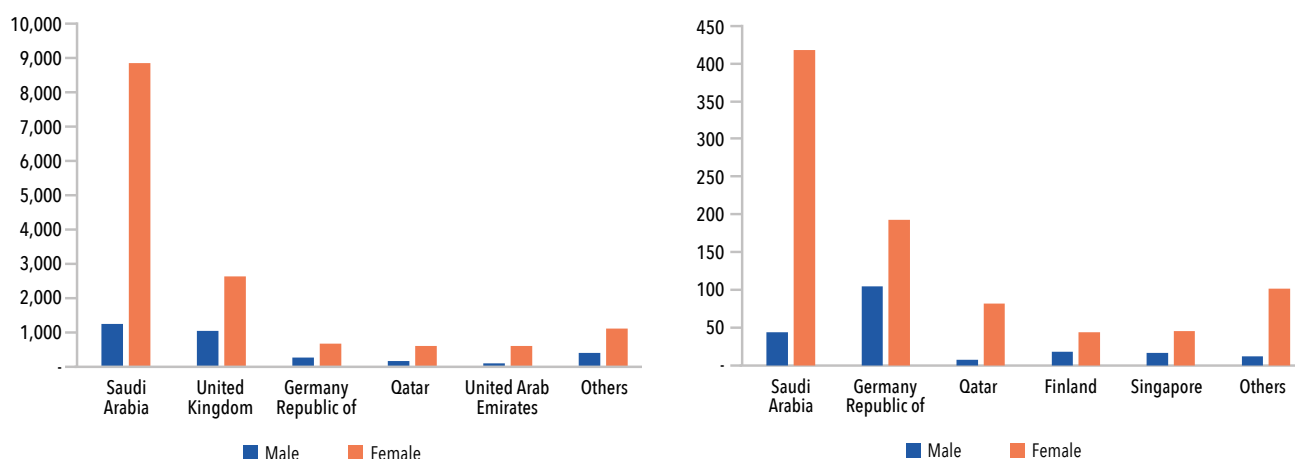
Evidence points to a traditionally low uptake of programs targeted toward returnees, and these programs need to be enhanced. Pre-pandemic data show that the share of returnees who benefited from the returnee-targeted programs for welfare, employment, legal support, livelihood, training and scholarship, and financial support is very low at 4 percent. Uptake of the government’s initiatives to create returnee networks in the Philippines to facilitate their reintegration upon return was also low at just 2 percent. Over a fifth of the returnees, while aware, opted out of membership. Over three-quarters were not aware about the existence of such networks and this points to the need to enhance information dissemination about the networks and benefits for returnees and their families.

Case Studies on International Migration

Case Study 1: Nurses

With the onset of the pandemic, Filipino nurses all over the world received much recognition for their contribution as frontline workers fighting the crisis and saving lives. The nurse who administered the first COVID-19 vaccine, May Parsons, is a Filipino in the United Kingdom, a testament to Filipino nurses’ immense contributions in the fight against the global health crisis. In 2019, for example, a total of 17,872 nurses and 1,081 nursing associates emigrated from the Philippines (Figure 4.17).¹²⁹ In 2020, the deployment of nurses dropped to 5,787 nurses and 547 nursing associates due to COVID-19 related deployment bans and travel restrictions. In terms of OECs obtained by destination country, Saudi Arabia was by far the most popular destination for nurses.

Figure 4.17 Deployment of nurses (left) and nursing associates (right), 2019



Source: Philippine Overseas Employment Administration

¹²⁹ POEA data. These are based on number of OECs required for exit clearance from POEA and thus exclude migrants who did not receive them.

The international migration of Filipino nurses has a long history, dating back to 1898 when the Philippines became a US colony.¹³⁰ The US established an American training hospital system in the country, with an emphasis on nursing following the American curriculum, training, and culture. The American curriculum and the emphasis on the English language during both the training and nursing licensure exams prepared nurses for work in the US. Filipino nurses took advantage of the US Exchange Visitor Program introduced in 1948 that brought foreigners to the US for two years of work, study, and learn about American culture. In 1965, the US passed the Immigration and Nationality Act, which allowed a large number of immigrants to migrate to the country, and the nursing sector received particular attention as there was a critical shortage of nurses following World War II. By 1967, the Philippines had become a major source country for nurses and in the 1970s, the Philippine president adopted a labor export policy. In the 2000s, the US dramatically expanded the options for visas for foreign nurses and their families which was later reduced to pre-2000 levels in 2007. Alongside the favorable policies for foreign nurses in the US and the positive reputation that Filipino nurses have developed, the pool of destination countries of Filipino nurses is expanding.

A number of drivers of nurse emigration have been identified and summarized as push and pull factors. Push factors include individual worker's economic rationale such as low salary and other benefits including overtime payment and insurance; job-related dimensions such as stress and slow promotion; and socio-political and economic factor such as a decreased health budget. Pull factors include better salary and compensation for workers, lower nurse-to-patient ratio, flexible hours, upskilling opportunities, and socio-political and economic environment such as advanced technology and better political stability. The recommended ratio of nurses to patients is 1:12 in the Philippines, but the actual ratio is 1:50 to 1:80 depending on the region or locality within the country, which overburdens Filipino nurses and makes the option of remaining at home unfavorable.¹³¹ The working environment as well as the stark wage differential makes international migration an attractive option for nurses. For example, the annual median income for nurses in the US was at \$62,450 in 2013 based on the Yearbook of the Bureau of Labor Statistics, whereas in the Philippines it was only \$1,813 in the private sector and \$2,042 in the public sector.¹³² The salary was lower in the UK compared with the US at \$48,512, though higher than the \$20,000 to \$24,000 range in Saudi Arabia.¹³³ The dependence on Filipino nurses in the US is quite high. For example, it is estimated that in California, Filipino nurses account for 18 percent of the state's nursing workforce, and that of the 16 percent of nurses in the US that were foreign born in 2016, a third were from the Philippines.¹³⁴

The shortage of nurses both in the Philippines as well as globally has raised concerns about the deployment of Filipino nurses. There is a global shortage of nurses, a fact that has further come to the fore during the pandemic. A 2020 report by the World Health Organization (WHO) on the state of nursing estimates a global shortage of 5.9 million nurses, with majority of the shortage concentrated in the low- and middle-income countries. Concerns over the brain drain of nurses led to the adoption of a Global Code of Practice in the International Recruitment of Health Personnel by WHO member states to discourage the active recruitment of health personnel from developing countries unless the recruitment is bilaterally agreed and properly managed. With the pandemic, it was estimated that the Philippines would need an additional 300,000 healthcare workers, and this led to restrictive emigration policies for nurses.¹³⁵

¹³⁰ Choy (2019).

¹³¹ House of Representatives, https://www.congress.gov.ph/legisdocs/basic_18/HB01567.pdf

¹³² Arends-Kuenning, Calara, and Go (2015).

¹³³ The sources for salary information in (Arends-Kuenning, Calara, and Go 2015) include the US (US Bureau of Labor Statistics, 2014); Philippines (Bureau of Labor and Employment); UK (OECD) and Saudi Arabia (Lorenzo et al. 2007).

¹³⁴ Nazareno et al. (2021).

¹³⁵ Ibid.

Considering the needs of the local health systems, 14 occupations (including nurses, nursing aides, and nursing assistants) related to healthcare were included in the Mission Critical Skills list, which were further monitored and even restricted for emigration to prevent the adverse effect on local Philippines-based companies. Later, this ban was waived for current workers with existing contracts and remained just for new workers. The barring of nurses from emigrating was received with fury and resistance from the nursing sector.¹³⁶ The restriction was finally lifted for new hires but a cap of 5,000 annual deployment was placed, and the cap was quickly reached by mid-year.

Redefining employment categories as essential or critical and consequently imposing bans or deployment quotas during the pandemic caused much uncertainty to migrants especially in the health sector. In the case of Filipino nurses, the temporary ban had lasting consequences. For example, for new outbound health workers who had completed the application process with costly immigration documents, the ban meant going through the entire process all over again.¹³⁷ Similarly, current migrant nurses temporarily off work were unable to resume their jobs.

While there are concerns regarding the emigration leading to a shortage of nurses, the supply of the nursing workforce does respond to the high emigration prospect. Evidence shows that the post-secondary enrollment and graduation in nursing programs increased dramatically in response to the expansion of visas available to nurses migrating to the US, a major destination for Filipino nurses, and fell when visas were restricted (Abarcar and Theoharides 2020). More specifically, when the US expanded the options for visas for foreign nurses and their families between 2000 and 2007 and when the prospects for migration for aspirant nurses were high, total enrollment in nursing rose from 90,000 in 2000 to over 400,000 in 2006 before declining again in 2007, and the number of graduates also shows similar patterns with a four-year lag for the degree completion period. The study shows that for every additional nurse that went abroad, 10 additional aspirant nurses passed the licensure exam, suggesting that nursing stock increased instead of getting depleted, defeating the common brain drain concern. The study also shows evidence of an increase in the supply of nursing programs to respond to the higher demand via expansion of existing post-secondary institutions to accommodate more students.

Labor market challenges in the Philippines such as large geographical disparity are also applicable to the nursing workforce. There is high preference for practice in large urban areas, whereas rural areas and towns face health worker shortages. There are also concerns about nurses being underpaid especially in the private sector, with the cases of even volunteering or paying to work so they can get the required work experience needed for overseas nursing qualifications (Arends-Kuenning, Calara, and Go 2015). This in turn puts downward pressure on the wages in the private sector. Other areas of concern include the quality of the training and a large number of inexperienced nurses entering the market.

The nurse sector presents an important example of the need to have a systemic approach towards migration that addresses both the labor supply and demand considerations in the Philippines and abroad. Demand for Filipino nurses will continue to rise, as has already been the case during the pandemic when governments of receiving countries have requested the Philippine government to waive the annual cap on nurse emigration.¹³⁸ There is a case to be made for mutually beneficial partnerships with the destination countries as the concerns about quantity and quality of nurses is of relevance to both sides, and closer cooperation can lead to shared strategies and mutually beneficial outcomes. A few examples of cooperation on the deployment of nurses already exist, as follows:

¹³⁶ Philippine Nurses Association. "Restating Nurses' Position on the Deployment Ban Abroad by the IATF."

¹³⁷ Social Science Research Council. <https://items.ssrc.org/covid-19-and-the-social-sciences/covid-19-fieldnotes/when-a-pandemic-disrupts-the-export-of-people/>

¹³⁸ Authors' interviews with representatives from key migration agencies.

- ◇ The Triple Win Project is a project between Germany and multiple sending countries including the Philippines to address the severe shortage of nurses in Germany. Given demographic changes, pre-pandemic estimates predict that the demand in this sector in Germany is going to significantly grow by as many as 150,000 by 2025. The GIZ and German Federal Employment Agency International Placement Services (ZAV) have a joint project for the placement of qualified nurses with German companies. The Triple Win Project indicates the mutually beneficial outcomes for all the parties involved, including reduction of pressure on the domestic labor market in the Philippines, remittances, and addressing the nursing shortage in Germany. The involvement of GIZ, the development agency, is also unique and provides a range of services, including the promotion of language skills, skills recognition, and nurses' integration in Germany, whereas ZAV helps with placement. In 2021, nearly 4,000 nurses—including 1,000 through the Triple Win Project—were expected to be placed with German employers.
- ◇ The Specified Skilled Worker (SSW) visa category introduced by the government of Japan also includes the nursing sector among the 16 sectors covered. The Philippines entered into an agreement with Japan on SSW in 2019, but deployment has been slow under this program. Aspirants are required to take both skills and language tests to qualify for the program. In addition to SSW, the Philippines also has an economic agreement with Japan signed in 2006 that covers Filipino professionals, including nurses and care workers, who meet certain requirements and complete Japanese language and other specialized trainings to work in Japan.
- ◇ With Bahrain, the Philippines forged a memorandum of agreement in 2007 on health services cooperation. With Saudi Arabia, POEA has an agreement for direct hiring of nurses without going through intermediaries. Filipino nurses often use migration to the Middle East as a transitory migration experience until they become qualified for immigration to countries such as the US and the UK, which have a more complicated selection process.
- ◇ With Norway, an agreement was signed between POEA and the Directorate of Labor Norway on Transnational Cooperation for Recruiting Professionals from the Health Sector to Positions in Norway.

In addition, a few initiatives emerge to address both the domestic and overseas demand for nurses.

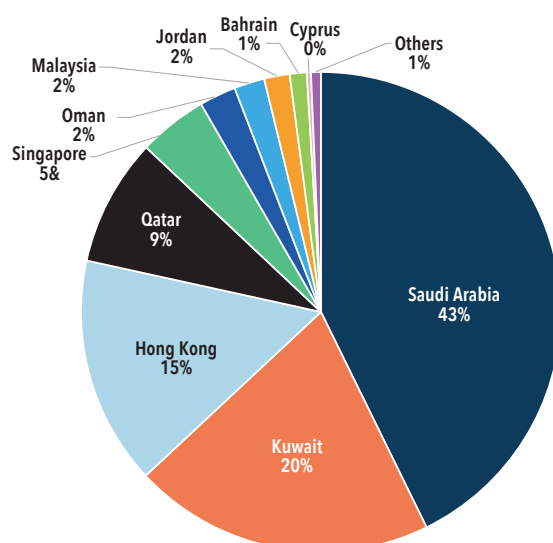
Curbing emigration may not be the best solution to address domestic employment issues in the health sector. The Human Resources for Health Philippine Masterplan 2020-2040 was formulated to address the challenges that motivate overseas migration among nurses, such as low pay, high attrition, unclear career paths, inadequate support for their health, safety and well-being, and disparities across regions and between private and public sectors. An innovative cooperation such as the Global Skills Partnership merits consideration. It is a pre-migration bilateral agreement where labor receiving countries bear the partial costs of training and skills development of both home-track and away-track trainees in a sending country and its quality assurance. Currently, a few corridors including Australia and Pacific islands, Germany and Kosovo, and Belgium and Morocco are implementing such partnership.¹³⁹

Case Study 2: Household Service Workers

A key feature of the OFW profile is that the volume of female OFWs has outpaced male OFWs in the last few decades. This switch happened in the early 1990s, replacing a two-decade trend of male OFWs being deployed in higher numbers. The high volume of female outmigration was largely driven by the demand for household service workers (HSW) and entertainers who were predominantly female.

¹³⁹ See Clemens (2015) for the concept of the Global Skills Partnership.

Figure 4.18 Filipino female household service workers deployed, 2019



Source: Philippine Overseas Employment Administration

OFWs have garnered a strong reputation globally in the HSW sector. In 2019, of the total 371,033 female OFWs who were deployed from the Philippines, 78 percent were HSWs. While female HSWs were deployed to 77 countries in 2019, a high share of them went to Saudi Arabia (43 percent), Kuwait (20 percent), and Hong Kong (15 percent) (Figure 4.18).

Demand for OFWs in the household service sector is expected to continue to increase in the future. Unlike manufacturing or services that are vulnerable to labor market policies and changes such as the nationalization policies of the Gulf that prioritizes local hiring or automation, the domestic work sector is largely shielded from the impact. In the Gulf region, for example, demand increased over the years for domestic workers even prior to the pandemic. This is attributed to two trends: the change in the role of women in the Gulf countries combined with growing child and elderly care needs and the growing population of dual wage-earning expatriate families.¹⁴⁰ As recognized in studies such as the World Development Report 2019: The Changing Nature of Work, caring jobs require social interaction, empathy, and judgment and therefore, cannot be automated. Domestic work does not have an easily recognizable pattern and needs to be customized to different people. Similarly, domestic work which includes the care of children and the elderly is also largely shielded from the impact of automation that is affecting other sectors and the demand for care workers from young countries is increasing as societies in many parts of the world age rapidly.

Despite its popularity and projected increasing demand, the domestic work sector is riddled with high risk and vulnerability given the nature of the sector. Domestic work tends to be excluded from the labor laws of destination countries, and even where laws are in place, they are either rudimentary or not well-enforced, which puts domestic workers in a vulnerable position. The isolated nature of the workplace with domestic workers primarily serving as live-in help makes it more difficult for authorities to monitor this sector. In addition, migrant networks can also be weak for domestic workers because unlike formal sector workers in companies, they do not share accommodation and working space with fellow OFWs.

¹⁴⁰ Tayah and Hadi (2018).

Given the different challenges, this sector has been subject to different regulations and policy actions oscillating between protection and promotion. While the Migrant Workers and Overseas Filipinos Act of 1995 or RA 8042 and its amendments (RA 9422 in 2006 and RA 10022 in 2010) include provisions on enhancing the protection of migrant women, especially domestic workers, additional measures that are more specific have also been needed to protect overseas Filipinos in household services. Under the POEA rules, each foreign placement agency that wants to hire a domestic worker from the Philippines is required to maintain an escrow deposit at an authorized bank that would be used for all valid and legal claims arising from the violation of the employment contract of workers. Similarly, PRAs deploying over 100 HSWs are required to appoint a welfare officer to monitor the situation of the HSWs. PRAs with provisional licenses are barred from recruiting HSWs until they obtain a full license. The frequent changes in the stance on deployment of HSWs are seen in various regulatory arrangements. For example, the minimum age requirements have changed multiple times: 25 years (1994), 21 years (1998), 18 years (2001), 25 years (2006), and 23 (current). This is in response to the high incidence of abuse in the sector. In addition to tighter regulations, the country has also experimented with more extreme measures such as deployment bans. In 1988, for example, a blanket ban was imposed in this sector with the condition that countries interested in hiring Filipino HSWs would have to negotiate on a bilateral basis (Sayres 2007). Subsequent temporary bans have been corridor-specific including in Singapore, Jordan, Lebanon, Kuwait, and Saudi Arabia, following cases of abuse.

In 2006, the government introduced the Household Service Worker Reform Package for enhanced protection of Filipino domestic workers. Major features include: i) minimum age of HSWs set at 23 years old; ii) all departing workers are required to complete a National Certificate for Household Workers issued by TESDA and country specific language and culture certification of competence or attendance issued by OWWA; iii) zero placement fees; and iv) an HSW minimum salary of \$400 per month. Immediately after this package became effective, there was a temporary decline in the number of HSWs deployed.¹⁴¹ There were indications that the implementation of these rules has remained weak, and the minimum age of 23 and minimum wage of \$400 are both widely breached.¹⁴² The package merits a comprehensive review and evaluation, incorporating practical lessons from the past 15 years since its introduction.

There is also a rising trend among receiving countries to introduce regulations regarding the domestic work sector. Most recently, reforms made by Qatar to dismantle the kafala system¹⁴³ that ties workers to the employer and requires employees to obtain permission before leaving the country included domestic workers whereas similar reforms in Saudi Arabia excluded this sector. The UAE started operating Tadbeer Service Centers in 2018 under a public private partnership model that provides recruitment and placement services to overseas domestic workers consistent with their domestic worker law. Some of these unilateral reforms undertaken by destination countries including from the Middle East are also largely influenced by advocacy efforts of labor sending countries such as the Philippines that have leveraged existing international platforms to collectively promote such reforms.

However, in addition to unilateral effort, domestic work has been a key priority sector for bilateral cooperation in the Philippines. For example, the GoP has signed labor agreements with countries such as Kuwait and Saudi Arabia that complement more generic MOUs to address the specific needs of this sector. A more notable example is that of Kuwait. The emigration of domestic workers to Kuwait was banned in 2017 following the death of Joanna Demafelis who was physically and sexually abused by her Kuwait employers.¹⁴⁴ The ban was lifted after the two countries signed a comprehensive labor agreement

¹⁴¹ Battistella, Park, and Asis (2011).

¹⁴² Ibid.

¹⁴³ ILO, https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_754391/lang--en/index.html

¹⁴⁴ There have been previous cases of bans following other high-profile cases of abuse including in 2008 after the death of Joanna Demafelis and in 1995 in Singapore after the execution of Flor Contemplacion for her alleged involvement in the death of the child she was a nanny for.

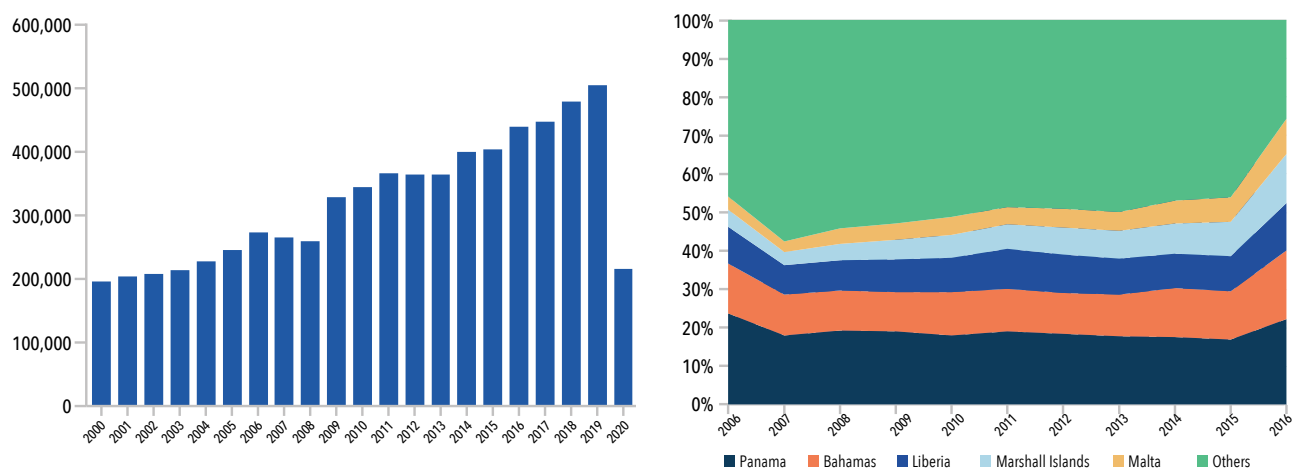
on domestic workers as well as a standard contract that included specific policies such as giving HSWs access to their cellphones at all times, paid weekly days off, and paid annual leaves and food of their choice. When there are cases of abuse, temporary partial or full bans are imposed in the recruitment of HSWs. Most recently, in 2020, the GoP imposed another ban on deployment of OFWs to Kuwait until the Kuwaiti Government took appropriate action against the employer of a domestic worker Jeanelyn Villavende who was murdered by her employer.¹⁴⁵ The ban was lifted when the employer was sentenced to death whereas her husband faced four years of jail time for withholding information. Similarly, a ban by the Philippines for domestic work in the UAE in 2014 was lifted in 2021 after the two countries signed a new labor agreement with strong safeguards.¹⁴⁶ Bilateral agreements covering domestic workers signed with destination countries like Kuwait and Saudi Arabia along with the standard domestic worker contracts include strong provisions that can greatly impact domestic workers abroad. The focus, therefore, should be on implementing these agreements and signing similarly strong agreements with other destination countries hiring Filipino domestic workers.

Case Study 3: Seafarers Sector

The Philippines established itself as a major player in the seafarers' sector, supplying over a quarter of workers employed in the global seafarers' industry. In 2021, the global supply of seafarers was estimated at 1.9 million.¹⁴⁷ Previous estimates from 2005, 2010 and 2015 were pegged at 1.1 million, 1.3 million, and 1.6 million seafarers respectively, reflecting a gradually increasing trend. According to 2015 estimates, the Philippines was the second largest supplier of seafarers after China, first for ratings and second for officers. The outflow of seafarers from the Philippines rose steadily over the years, peaking at over 507,000 in 2019, before dropping to 217,000 in 2020 due to COVID-19 (Figure 4.19). A culture of pursuing a maritime career is prevalent in the Philippines given its archipelagic geography and the high remuneration in this sector. The training curriculum delivered in English puts Filipinos at an advantage given the importance of English for working on-board, especially in cruise ships.

The major flags of registry are Panama, Bahamas, and Marshall Islands, which account for 52 percent of the OFW seafarers (Figure 4.19). Seafarers are required to obtain identity and record documents from Maritime Industry Authority (MARINA) called the Seafarer's Identification and Record Book (SIRB).

Figure 4.19 Trends in deployment of seafarers (left) and flag of registry (right)



Source: Philippine Overseas Employment Administration

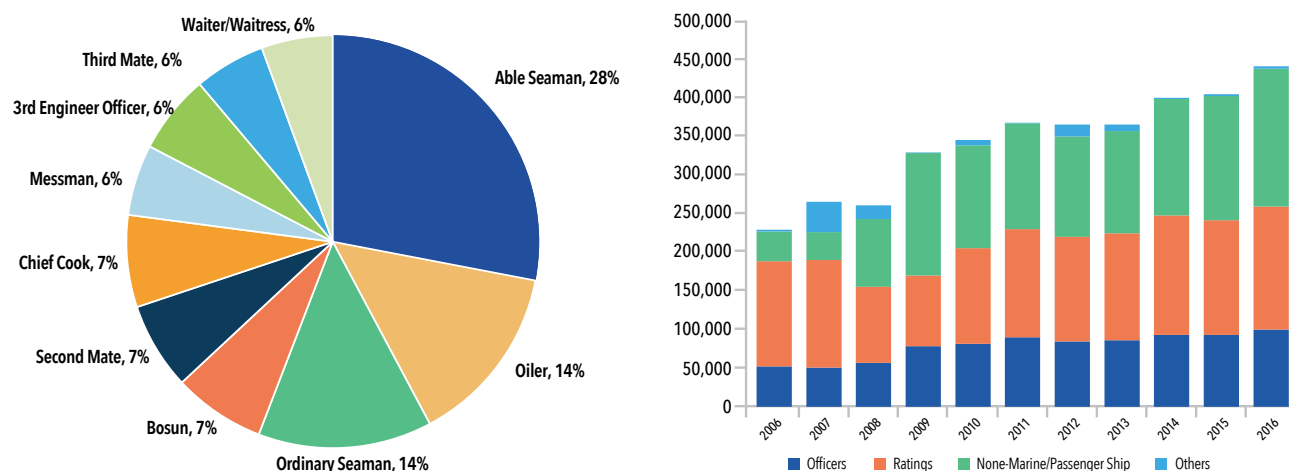
Note: The flag of registry refers to the country where the ship is registered.

¹⁴⁵ POEA, <https://www.dmw.gov.ph/archives/gbr/2020/GBR-07-2020.pdf>

¹⁴⁶ Ministry of Human Resources and Emiratisation, UAE. <https://www.mohre.gov.ae/en/media-centre/news/2/3/2021/mohre-recruitment-of-domestic-workers-from-philippines-starting-april.aspx>

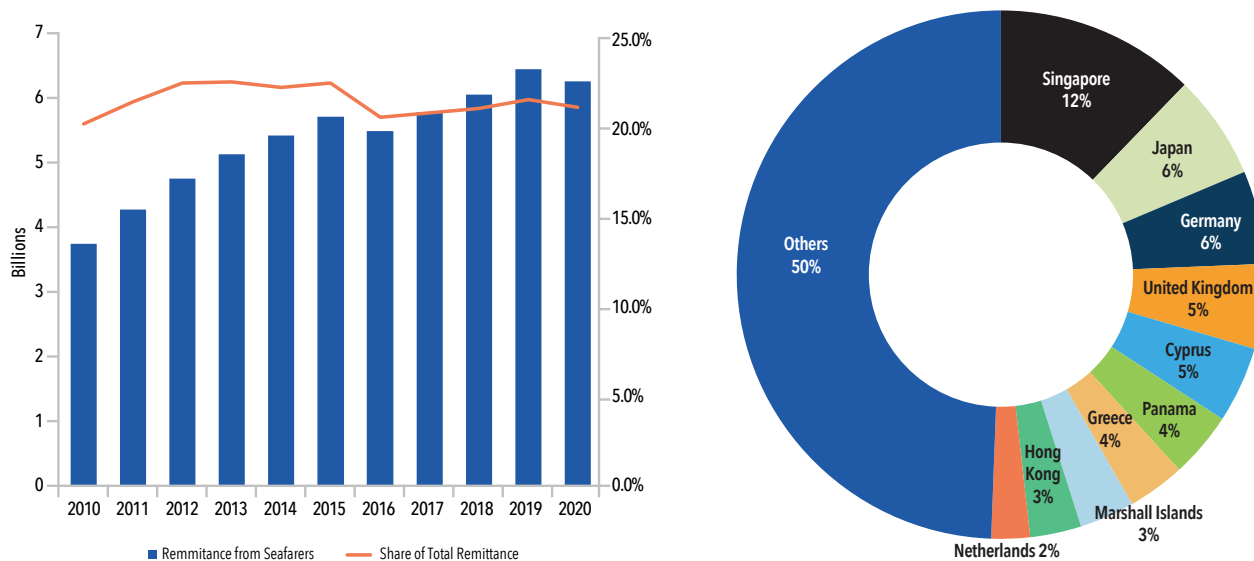
¹⁴⁷ UNCTAD (2021).

Figure 4.20 Seafarers deployed by nature of employment, 2006-2016



Source: MARINA (2019). MARINA Statistical Report 2015-2019.

Figure 4.21 Remittances from seafarers, 2010-2020, and source countries, 2020



Source: Bangko Sentral ng Pilipinas

In 2018 and 2019, close to 200,000 SIRBs and their renewals were issued each year.¹⁴⁸ Passenger ships, bulk carriers and containers comprise the highest share of vessel type that employs Filipino migrants, accounting for close to 65 percent of the workforce. The major occupations for OFWs are able seaman¹⁴⁹ (28 percent), oilers (14 percent) and ordinary seaman (14 percent). By rank, 23 percent are officers, 36 percent are ratings, and 40 percent were non-marines serving passengers of cruise ships (Figure 4.20).

The remittances from this sector were about 20 percent of the total received in the Philippines, at an annual average of around \$6 billion (Figure 4.21). The top 10 origin countries account for around 50 percent of remittances, with Singapore, Japan, Germany, the UK, and Cyprus as five major sources. While Japan and Germany saw a drop in 2020 from the preceding year (19 percent and 1.5 percent, respectively), Singapore, Cyprus, and the UK experienced an increase. For OFWs, compared to land-based work,

¹⁴⁸ MARINA. <https://marina.gov.ph/wp-content/uploads/2020/10/2019-MARINA-Year-end-Performance-Report.pdf>

¹⁴⁹ An able seaman or able seafarer deck is someone who passed the minimum requirements for certification of ratings prescribed by MARINA.

worker protection and access to union membership are guaranteed in the sea-based work sector due to international conventions. Remuneration is also better, and seafarers can reunite with family every few months.

There are different institutions and regulations at the national, bilateral, and regional levels that regulate this sector. MARINA, an attached agency of the Department of Transportation (DOTr), performs promotional and regulatory functions over the maritime sector, including domestic shipping, overseas shipping, ship building and ship repair, and maritime manpower sectors. The Rules and Regulations on the Employment of Filipino Seafarers Onboard Philippine Registered Ships Engaged in International Voyage 2013 is the major domestic regulation covering different aspects of this sector. In 2012, the Philippines ratified the Maritime Labor Convention, 2006 (MLC 2006), which covers a range of criteria and standards for ensuring a safe working and living environment for seafarers. It includes the minimum requirements for seafarers to work on a ship, employment conditions, standards regarding accommodation, food and recreation, and medical care and social security. It came into effect in 2013, a year after ratification, and this was an important milestone for the Philippines as a flag state, a port state, as well as a labor supplying state. In addition, the government also signed bilateral seafarer agreements with destination countries.

The maritime training industry in the Philippines built a strong global reputation, but more work remains to sustain its competitiveness. A 2015 report showed that there is a shortage in the global supply of officers by 2.1 percent but a surplus of ratings by 15.8 percent. Future demand scenarios estimate an increased shortage of officers given the rising demand. Apart from the Philippines, increasing competition from other major sources of the seafarer workforce include China, Indonesia, Russia, and Ukraine. The maritime training ecosystem in the Philippines is well developed. In 2019, there were 105 maritime training centers with valid accreditation, of which 51 were in NCR, 15 in Region VIII, and 12 in Region VI. A major pillar of MARINA's work is ensuring the development of competitive manpower in the Philippines for the seafarer sector. To this end, training programs and curricula in the Philippines are constantly designed or updated to reflect international laws, conventions, and other developments in the sector in collaboration with TESDA, CHED, and Department of Education (DepEd). Similarly, MARINA periodically inspects and evaluates the standards and facilities of maritime schools and training centers and makes recommendations as necessary. It also administers the licensure examinations and undertakes the issuance and registration of identification documents for seafarers such as the SIRB. However, the sector is facing problems pertaining to international standards that can have damaging effect on its global reputation. For example, the European Maritime Safety Agency (EMSA) on behalf of the European Commission conducted inspections of OFW maritime training institutes in enforcing the Standards of Training, Certification and Watchkeeping (STCW) provisions on training facilities and procedures of countries supplying seafarers to European flagged vessels. Failing the EMSA audit would have a negative impact on current and aspirant seafarers in the Philippines if the EU revokes the certificate of recognition.¹⁵⁰

During COVID-19, repatriation proved to be particularly challenging for this sector. A major source of attraction for Filipinos is the cruise industry, which was distressed by the pandemic. During the initial period, cruise ships became a breeding environment for the virus. One serious case was the Diamond Princess Cruise Ship that caught global attention. There were 538 OFWs onboard, of whom 59 tested positive for COVID-19.¹⁵¹ Their repatriation was a challenge and required the Department of Health (DOH) to send two flights to Japan that included a medical team to evacuate its citizens from the ship. MARINA cooperated with OWWA to locate and monitor the whereabouts of seafarers around the world, with the help of manning agencies. MARINA established *Malasakit* help desks for seafarers in different airports and seaports to provide assistance to seafarers. The government allowed foreign cruise ships with Filipino staff (e.g., Ruby Princess) to park in Philippine ports although some were hotbeds for the virus.

¹⁵⁰ Manila Bulletin. <https://mb.com.ph/2021/03/17/europe-bound-filipino-seafarers-face-uncertainty-pending-review-of-maritime-schools-competency-issue/>

¹⁵¹ DOH, <https://doh.gov.ph/doh-press-release/doh-updates-on-M/V-diamond-princess-repatriation-plans>

The government also required Filipino staff to quarantine in the ships for 14 days and disembark only after testing negative. The sheer volume of OFWs on board meant that there were delays in administering their tests and transporting them to their home districts amid travel restrictions.

The sector is a heavily regulated industry and international regulations trickle down to the country level. During COVID-19, the government adjusted the regulations following international standards set for the recovery of the sector. Procedures simplifying the administrative and licensing requirements were also introduced. For example, the expiring licenses and certificates during enhanced community quarantine (ECQ) were automatically extended. MARINA developed protocols to ease the crew changes and worker repatriation in coordination with the DOTr and the Bureau of Quarantine. MARINA also released seafarer-related guidelines for implementation of ECQ amid the crisis that details the procedures for training, examination and assessments and the subsequent issuance of required certificates and SIRB.¹⁵² The International Maritime Organization issued a letter in March 2020,¹⁵³ calling on governments to designate seafarers and marine personnel as key workers providing essential service and noting that seafarers in 100,000 ships over the world cover 95 percent of world trade. This was in reference to allowing seafarers to change crew easily, and to exempt them from travel or movement restrictions or ease their disembarkation in ports and through transit to return home.

A global shortage in the seafarer workforce sector presents opportunities for the Philippines. Highlighting worker shortage in the sector, a recent estimate projects a global demand for an additional 89,510 officers by 2026 (BIMCO-ICS, 2021). In particular, there is a shortage of officers with technical experience at managerial level and management-level deck officers in the tanker and offshore sectors. By investing in strong training programs and diplomatic and market scoping efforts, the Philippines can leverage its strong reputation in the sector to fill the global demand and ensure the recovery of deployment in this sector that has experienced a severe blow due to the pandemic.

Policy Discussions

COVID-19 impacted international migration from the Philippines in diverse ways and recovery will be uneven and gradual. With hundreds of thousands of OFWs stranded across the world, the government managed a repatriation exercise of unprecedented scale amid health risks, travel restrictions, and lockdowns. Reintegrating returnees into the domestic labor market is a key policy priority. In addition, as already evident, recovery of corridors will be uneven with the differential impact of the crisis on the sectors hiring OFWs as well as differences in COVID-19 incidence, vaccination rates, and admission policies of foreigners across destination countries. To ensure that future aspirants and repeat migrants can benefit from overseas employment opportunities while reducing the pressure on the domestic labor market, proactive steps will be needed to identify opportunities without compromising the health and safety of OFWs.

Institutional arrangements and capacity. With the establishment of the Department of Migrant Workers, the government has an opportunity to review the capacity of offices involved and strengthen their capabilities. For instance, the resources of embassies, consulates, and POLOs which OFWs will rely on during the in-service period can be adjusted, depending on the size of OFWs and the environment faced by the corridors. It is also critical to revisit the role of LGUs in migration governance as they have proximity advantage to migrants (both aspirants and returnees) and their households. LGUs have a role to play in improving the efficiency and effectiveness of the delivery of support services such as labor market information, skills development, grievance redress, and reintegration. In particular, LGUs can support reintegration through local PESOs, OFW helpdesks, and satellite offices.

¹⁵² International Maritime Employers' Council (IMEC).

¹⁵³ IMO. <https://www.imo.org/en/MediaCentre/PressBriefings/Pages/09-seafarers-COVID19.aspx>

Sector-specific interventions. Implementation of sector-specific interventions merits further strengthening with in close coordination with various stakeholders such as industry associations, employers, training institutes, and civil society organizations. Areas of further consideration from the deep dives of the three sectors include the following:

- ◆ **Seafarer sector.** The Philippines should seize the opportunity from the growing demand for seafarers and globally-certified officers by investing in high quality maritime training, capacity building of manning agencies, and marketing efforts. The quality of the training and licensing should be upgraded to be on par with international standards and keep up with the reputation of OFW seafarers. A scheme can be introduced, that shifts from the current input-based funding to outcome-based approaches to provide extra funds and incentives to training institutions and manning agencies depending on their performance. Key outcomes such as the number of internationally accredited licenses acquired, outcomes of job placement, and career progression of workers, can be considered. Regular refresher courses and training should also be provided for seafarers to move up the career ladder. Such efforts can be widely promoted and communicated to the global market in collaboration with sector associations and through engagement with employers.
- ◆ **Nursing sector.** Enhancing the domestic labor market for health professionals (i.e., better terms of employment, upward mobility and career management, working hours, and stronger enforcement) should be prioritized over restrictions on emigration. An increasing demand for the Filipino workforce in health and social care sector can be strategically utilized through bilateral partnerships, joint programs for skills development, and sector-specific agreements. Overall concerns about the brain drain can be tackled based on the evidence base and close monitoring of the demand and supply of the professionals.
- ◆ **Domestic work sector.** Continued efforts are needed to ensure provisions for worker protection in several bilateral agreements. The implementation of the Household Service Worker Reform Package needs to be evaluated and updated based on practical lessons learned from the past 15 years.

Bilateral and multilateral cooperation. As the global economy recovers from the pandemic and multiple corridors witness resumed labor mobility, it is important to refurbish deployment systems with stronger provisions for health protocols and contingency plans in case of shocks. The government can revisit existing agreements or enter into new ones to clarify the roles of destination and origin country governments and other stakeholders. These agreements will be useful in future crisis situations for the safe repatriation of workers, their safety and access to basic services in the destination country, and workers' welfare. It can further explore new types of agreements to deepen the sector engagement while pursuing spillover effects on Filipino training institutes in the domestic market (e.g., Global Skills Partnerships) and diversify destinations and occupations.

Technology adoption and digital transformation. Migration governance needs to be streamlined by moving towards a unified system. Currently, multiple governance agencies have their own information systems covering different stages of the migration cycle. There is a need to develop an integrated information system that will be a one-stop-shop for all information related to OFWs at all stages of migration. This will significantly ease the process of managing OFW affairs. A conducive environment is emerging with the development of the national ID, PhilSys. Executive Order No. 162 signed in February 2022 mandates all government agencies and private sector entities to accept, adopt, and integrate PhilSys into their systems and processes. Digital platforms and tools for cross-border cooperation that gained momentum during the pandemic can be further strengthened by incorporating PhilSys and creating a unified and harmonized system.

Data, research, and evaluation. A comprehensive, representative follow-up NMS (the latest one in 2018) needs to be carried out to enable evidence-based policymaking. The impacts of COVID-19 on international migration and the aspirations of migrants at all stages can be better understood through the NMS. Moreover, better monitoring and evaluation systems and regular assessments of various initiatives such as pre-employment or departure training and returnees support should be in place.



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Annex 4

Annex 4.1 Migration Strategies in the Labor Sector Agenda

Outcome 1: Restarting Economic Activities	Outcome 2: Restoring Consumer and Business Confidence	Outcome 3: Upgrading and Retooling the Workforce	Outcome 4: Facilitating Labor Market Access
Short-Term (2021-2022)			
<ul style="list-style-type: none"> • Provide livelihood assistance/business loan with no interest and payable for five years for displaced OFWs who returned in the country; • Harness the potentials of OFW remittance for development; • Strengthen and expand support for reintegration programs; • Continue to provide social amelioration assistance (i.e., TUPAD, AKAP, Tabang OFW, CAMP) and improve its processing and release; • Sustain the daily subsistence expenses, bills, medical needs and social insurances (Pag-IBIG, PhilHealth, SSS) of OFWs and their families; • Harmonize/unify/coordinate efforts between the government and CSOs for more focused, efficient and effective delivery of programs and services; • Manage and control the COVID-19 pandemic to fully reopen the economy; • Streamline government processes and other application procedures in both the deployment of workers and benefits availment; 	<ul style="list-style-type: none"> • Provide livelihood, skills trainings, capital/financing assistance and literacy, and mentorship and business strategies to support OFWs engaging in entrepreneurship; • Enhanced implementation of program and service particularly the Reintegration Program for OFW-returnees; • Capacitate OFWs and their families on managing finances/resources, and adapting to COVID situation, reintegration and life after repatriation; • Use social media and other online platforms to expand the reach of information dissemination to OFWs and their families down to the LGUs or barangay levels; • Revisit the qualifications of government on the distribution of financial assistance for OFWs who are declared ineligible to receive assistance; • Look into PRAs and FRAs and address the possible wage theft against OFWs; and • Revisit policies for the open market. 	<ul style="list-style-type: none"> • Enhance online TVET programs, provide scholarships for OFWs through partnerships with TESDA and other government training institutions; • Encourage skills and technology transfer by engaging the services of OFWs and OFWs-retirees; • Institute a system of facilitating/referring or endorsing OFW returnees to industries or jobs where their skills and experiences gained abroad will be useful; • Promote social dialogue with stakeholders by reviving the OLTCC; • Provide psychosocial support or counselling for returning OFWs; • Extend additional health/medical benefits or assistance for OFWs; • Deploy additional overseas personnel at the POLOs to cater to OFW concerns and welfare needs immediately; • Streamline the procedure on claiming the unpaid wages of OFWs as well as their respective end-of-service benefits; • Ensure that trainings available in Metro Manila can be accessed even in provinces (macro level to devolve into micro level); and • Invest in digitalization of government procedures and promote computer literacy. 	<ul style="list-style-type: none"> • Ensure availability of jobs locally and overseas; • Provide work opportunities for repatriated or displaced OFWs; • Ease processing of documents and open labor markets through the support and assistance of PRAs; • Promote right wages/salaries and eliminate contractualization in the local job market; • Strengthen and expand OFW Helpdesks or migrant resource centers to serve as venue for information dissemination, referrals, conduct of job search and fairs and relevant services for OFWs and their families; • Strengthen campaign against illegal recruitment during this time of pandemic; • Incentivize the PRAs with exemplary recruitment process, and recognize PRAs with ethical recruitment practices to encourage them to strictly abide by the laws and regulations of the overseas deployment program; • Explore the internship provision in the Labor Code for training/upskilling purposes and cooperation between and among employers, PRAs and CSOs – develop a clear roadmap for engagement for the reopening of safe labor markets to include streamlining of processes;

Outcome 1: Restarting Economic Activities	Outcome 2: Restoring Consumer and Business Confidence	Outcome 3: Upgrading and Retooling the Workforce	Outcome 4: Facilitating Labor Market Access
<ul style="list-style-type: none"> • Open additional satellite offices and case officers for migrant workers in the nationwide; • Disseminate information on other programs that workers can avail as source of income; and • Hasten the roll-out of the vaccination program 			<ul style="list-style-type: none"> • Advocate for inclusion of OFWs in vaccination programmes in destination countries; advocate for higher prioritization of OFWS in the vaccination programme in the country, especially those preparing for re-migration; • Prepare database of repatriated OFWs for employment/job or skills matching for in-country or overseas jobs; • Shift compliance focus to Market development focus; • Reduce unpredictability of business environment; • Improve predictability and fairness of the process of the administrative procedures; • Simplify the requirements and procedures for employment, and maintain employment contract packages; • Allow manning offices to fully operate, subject to health protocols; • Produce timely, accurate and relevant labor market information and updates on the pandemic with gender perspective.
Medium-Term (2021-2024)			
<ul style="list-style-type: none"> • Continue to develop enabling policies for the recovery of employment for seafarers and the manning/ seafarer recruitment industry. 		<ul style="list-style-type: none"> • Create or enhance social protection of OFWS, especially programs that would cover retirement and provident benefits of all OFWs; • Enhance OWWA welfare fund to include retirement coverage for members; and • Institutionalize the advanced applications and systems online for ease in use for OFWs while securing data and information protection to maintain privacy. 	<ul style="list-style-type: none"> • Develop partnerships with the industry in developing markets.

Outcome 1: Restarting Economic Activities	Outcome 2: Restoring Consumer and Business Confidence	Outcome 3: Upgrading and Retooling the Workforce	Outcome 4: Facilitating Labor Market Access
Long-Term (2021-2026)			
		<ul style="list-style-type: none"> Provide skills training for employment for in-country and overseas. 	<ul style="list-style-type: none"> Create more job opportunities with competitive salary/wage and benefits under a decent work environment.

Sources: DOLE, National Employment Recovery Strategy (NERS) Labor Sector Agenda.

Annex 4.2 Bilateral labor agreements

Country	Title	Date
Land-based		
Bahrain	Memorandum of Agreement Between the Republic of the Philippines and the Kingdom of Bahrain on Health Services Cooperation	April 24, 2007
Alberta, Canada	Memorandum of Agreement Between the Republic of the Philippines (DOLE) and The Ministry of Employment and Immigration of Alberta (E&I) Concerning Cooperation in Human Resource Deployment and Development Draft of Implementing Guidelines for the Memorandum of Understanding with British Columbia and Alberta	October 1, 2008
British Columbia, Canada	Memorandum of Understanding Between the Department of Labor and Employment of the Government of the Republic of the Philippines (DOLE) and The Ministry of Economic Development of the Government of British Columbia, Canada (ECDV) Concerning Co-Operation in Human Resource Deployment and Development	January 29, 2008
Manitoba, Canada	Memorandum of Understanding Between The Department of Labor and Employment of the Government of the Republic of the Philippines (DOLE) and The Department of Labor and Immigration of the Government of Manitoba, Canada (LIM) Concerning: Co-Operation in Human Resource and Deployment Memorandum of Understanding Between The Department of Labor and Employment of the Republic of the Philippines (DOLE) and The Department of Labor and Immigration of the Government of Manitoba, Canada Concerning: Co-Operation in Human Resource Deployment and Development Guidelines for the Implementation of the Memorandum of Understanding Between The Department of Labor and Employment of the Republic of the Philippines (DOLE) and The Department of Labor and Immigration of the Government of Manitoba, Canada Concerning: Co-Operation in Human Resource Deployment and Development	February 8, 2008 September 21, 2010 September 21, 2010

Country	Title	Date
Saskatchewan, Canada	Memorandum of Understanding Between the Republic of the Philippines (DOLE) and Her Majesty the Queen in the Right of the Province of Saskatchewan as represented by the Minister Responsible for Immigration and the Minister of Advanced Education and Employment (AEE) Concerning Cooperation in the Fields of Labor, Employment and Human Resource Development	December 18, 2006
CNMI	Memorandum of Understanding Between the Republic of the Philippines (DOLE) and The Commonwealth of the Northern Mariana Islands (CNMI)	September 14, 1994
	Memorandum of Understanding Between the Republic of the Philippines (DOLE) and The Commonwealth of the Northern Mariana Islands (CNMI)	December 18, 2000
Indonesia	Memorandum of Understanding Between the Republic of the Philippines (DOLE) and the Department of Manpower and Transmigration of the Republic of Indonesia Concerning Migrant Workers	January 18, 2003
Iraq	Memorandum of Agreement Relating to Mobilization of Manpower Between the Republic of the Philippines and the Republic of Iraq	November 25, 1982
Japan	Memorandum of Understanding Between the Philippine Overseas Employment Administration and the Japan International Cooperation of Welfare Services on the Deployment and Acceptance of Filipino Candidates (JPEPA)	January 12, 2009
Jordan	Memorandum of Understanding Between the Minister of Labor of the Republic of the Philippines and the Minister of Labor of the Hashemite Kingdom of Jordan	December 5, 1981
	Agreement on Manpower Between the Government of the Republic of the Philippines and the Government of the Hashemite Kingdom of Jordan	December 3, 1988
	Memorandum of Understanding on Labor Cooperation Between the Government of the Hashemite Kingdom of Jordan Represented by the Ministry of Labor and the Government of the Republic of the Philippines Represented by the Department of Labor and Employment	May 27, 2010
	Principles and Controls for Regulating Deployment and Employment of Filipino Domestic Workers between the Government of the Hashemite Kingdom of Jordan/ Ministry of Labor and the Government of the Republic of the Philippines/ Department of Labor and Employment	January 29, 2012
Korea	Memorandum of Understanding Between the Department of Labor of the Philippines and the Ministry of Labor of the Republic of Korea on the Sending of Workers to the Republic of Korea Memorandum of Agreement Between the Republic of the Philippines and the Republic of Korea	April 23, 2004, December 15, 2005
	Memorandum of Understanding Between the Department of Labor and Employment of the Philippines and the Ministry of Labor of the Republic of Korea on the Sending and Receiving of Workers to the Republic of Korea under the Employment Permit System	October 20, 2006, May 30, 2009
	Memorandum of Understanding between the Ministry of Labor, Republic of Korea and the Department of Labor and Employment, Republic of the Philippines on Cooperation in the Field of Labor and Manpower Development	May 30, 2009

Country	Title	Date
Kuwait	Memorandum of Understanding on Labor and Manpower Development Between the Government of the Republic of the Philippines and the Government of the State of Kuwait Memorandum of Understanding Between the Department of Foreign Affairs of the Republic of the Philippines and the Ministry of Foreign Affairs of the State of Kuwait on the Establishment of Bilateral Consultations	September 14, 1997
Lao PDR	Memorandum of Understanding on Technical Cooperation on Labor and Employment Between the Government of the Republic of the Philippines and the Government of the Lao People's Democratic Republic	July 27, 2005
Lebanon	Memorandum of Understanding on Labor Cooperation Between the Government of the Republic of the Philippines Represented by the Department of Labor and Employment and the Government of the Republic of Lebanon Represented by the Ministry of Labor (Annex A Protocol to the Memorandum) (with Arabic Version)	February 1, 2012
Libya	Memorandum of Understanding on Labor Cooperation Between the Government of the Republic of the Philippines Represented by the Department of Labor and Employment and the Government of the Republic of Lebanon Represented by the Ministry of Labor (Annex A Protocol to the Memorandum) (with Arabic Version) Memorandum of Understanding Between the Philippines and Libya (with Arabic Version)	October 18, 1979 July 17, 2006
New Zealand	N/A	November 4, 2008
Norway	Agreement Between POEA and the Directorate of Labor Norway on Transnational Co-Operation for Recruiting Professionals from the Health Sector to Positions in Norway	June 26, 2001
Papua New Guinea	Memorandum of Understanding Between the Philippines and Papua New Guinea	March 14, 1979
Qatar	Agreement Between the Government of the Republic of the Philippines and the Government of the State of Qatar Concerning Filipino Manpower Employment in the State of Qatar Additional Protocol to the Agreement between the Government of the Republic of the Philippines and the Government of the State of Qatar Concerning Filipino Manpower Employment in the State of Qatar signed on 10 March 1997	May 10, 1997 October 18, 2008
Spain	Memorandum of Understanding on Cooperation for the Management of the Migration Flows Between the Ministry of Labor and Social Affairs of the Kingdom of Spain and the Ministry of Labor and Employment of the Republic of the Philippines (English, Spanish Version)	June 29, 2006
Switzerland	Agreement Between the Government of the Republic of the Philippines and the Swiss Federal Council on Exchange of Professional and Technical Trainees	July 2, 2002

Country	Title	Date
Taiwan	Memorandum of Understanding between the Manila Economic and Cultural Office (MECO) in Taipei and the Taipei Economic and Cultural Office (TECO) in the Philippines regarding the Special Hiring Workers	September 3, 1999
	Memorandum of Understanding on Special Hiring Program for Taiwan Between the Manila Economic and Cultural Office in Taipei (MECO) and the Taipei Economic and Cultural Office (TECO) in the Philippines	January 12, 2001
	Memorandum of Understanding on Special Hiring Program for Taiwan Between the Manila Economic and Cultural Office (MECO) in Taipei and the Taipei Economic and Cultural Office (TECO) in the Philippines	March 20, 2003
	Joint Implementing Guidelines of the Special Hiring Program for Taiwan (SHPT) for the implementation of the International Direct E-Recruitment System (IDES)	August 3, 2015
United Arab Emirates	Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the United Arab Emirates in the Field of Manpower	April 9, 2007
United Kingdom	Memorandum of Understanding between the GoP and the Government of the Kingdom of Great Britain and Northern Ireland on Healthcare Cooperation	July 30, 2003
	Recruitment Agreement Between the Government of the Republic of the Philippines and the Government of the United Kingdom of Great Britain and Northern Ireland	January 8, 2002
USA	Agreement Between the Government of the Republic of the Philippines and the Government of the United States of America Relating to the Recruitment and Employment of Philippines Citizens by US Military Forces and Contractors of Military and Civilian Agencies of the US Government in Certain Areas of the Pacific and the Southeast Asia	December 28, 1968
Sea-based		
Cyprus	Agreement Between the Government of the Republic of Cyprus and the Government of the Republic of the Philippines on Merchant Shipping	September 7, 1984
Denmark	Undertaking Between the Government of the Republic of the Philippines and the Government of the Kingdom of Denmark Concerning the Recognition of Certificates Under Regulation 1/10 of 1978 STCW Convention as Amended	June 5, 2001
Japan	Memorandum of Cooperation on Development of Asian Seafarers Between the Department of Labor of the Republic of the Philippines and the Ministry of Land, Infrastructure, Transport and Tourism of Japan	March 12, 2009
Liberia	Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the Republic of Liberia on the Employment of Filipino Seafarers on board Liberian Flag Vessels	August 10, 1985
Netherlands	Memorandum of Understanding on Maritime Transport Between the Department of Transportation and Communications of the Republic of the Philippines and the Ministry of Transport, Public Works and Water Management of the Kingdom of Netherlands	March 22, 2000

Sources: Philippine Overseas Employment Administration

Green and Digital Jobs

Key Takeaways

- ◆ **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.
- ◆ **The definition—conceptual, statistical, and operational—of green and digital jobs and skills is not yet very clear and straightforward.** Greater effort to collect data, monitor outcomes, and adjust policy measures to promote them are needed.
- ◆ **Going forward, some policy measures are worth considering in the Philippines:**
 - **Green technology centers (GTCs).** The GTCs by TESDA aim to foster public-private partnerships and capacity building for green Technical and Vocational Education and Training (TVET). This is an important initiative to execute the National Green Human Resource Development plan. While at a nascent stage, for a few specific sectors, green TVET courses can be developed, delivered, and evaluated to inform scale-up.
 - **Tax incentives for green jobs.** Operationalizing the Green Jobs Act and other relevant incentives for firms can be expedited to promote green activities and generate green jobs.
 - **Targeted active labor market programs.** Skills development for youth should actively incorporate the green and digital areas; major labor market initiatives such as wage subsidies can be further strengthened by targeting the youth, prioritizing promising sectors, and making investments beyond one time transfer; and integrating or harmonizing various initiatives, such as skills training, wage subsidies, safety nets, and employment services, can create synergies and greater impacts.

- **Economic zones for green and digital job creation.** Just as special economic zones are promoted for firms in export-oriented manufacturing, IT-BPM, or logistics sectors, green and digital economic zones can be considered.
- **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.
- **Social protection for the digital workforce.** Efforts to enhance worker protection through legislative measures (e.g., the bill for the freelance workers' protection act) combined with advisories and regulations based on the review of working conditions and issues of disputes are policies in the right direction. However, beyond introducing labor laws and regulations, evaluation of incentive compatibility and enforcement of such requirements are critical. Moreover, interventions beyond regulations are important to expand the coverage of social insurance to gig workers and provide skills development opportunities in collaboration with online platforms.

Context

A growing emphasis on the greener economy and changing nature of work associated with digital technology are among prominent megatrends anticipated to bring structural transformation and changes in the labor market globally.¹⁵⁴ Discussions on the green and digital sectors as a potential source of job creation are not new. However, a renewed call for bolder policy intervention and commitment is emerging in part due to the recent events of the war in Ukraine and the COVID-19 pandemic. The energy price spike triggered by the war in Ukraine further highlighted the need for diversifying energy sources and developing green energy, which is an important part of a green transition. Similarly, increases in the broad-based use of digital technologies during the pandemic underscore the importance of digital jobs and skills. 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. As discussed in Part I of this report, the Philippine labor market has not been favorable to young workers, and they were disproportionately affected by the pandemic. Existing active labor market programs and initiatives tend to be fragmented and the design is limited in meeting the needs of vulnerable workers. To date, programs in green and digital areas are very few despite the growing interest and need. This chapter summarizes the policy discourse on Philippine green and digital jobs to inform active labor market programs including skills development.

¹⁵⁴ Prominent megatrends include demographic changes (i.e., aging in some parts of the world; youth bulge in other parts), urbanization, globalization and labor mobility, climate change, gig economy, and digital technologies in Industrial Revolution 4.0 (UN 2020; McKinsey 2021).

Green Jobs and Skills

Global Definition, Measurement, and Classification of Green Jobs

Defining green jobs is not a simple task and no single standard definition exists. Conceptually, both production (output) and process matter in the definition. Green production generates outputs (i.e., goods and services) that are environmentally sustainable and with low carbon intensity, such as renewable energy. Process involves greening tasks that make economic activities more environmentally friendly such as through technologies and practices, even if those tasks may not end up producing green outputs. In fact, there are green tasks that reduce carbon emission in sectors that are not deemed green (call it a brown sector): for instance, efforts to reduce emission for internal combustion engines (ICEs) and apply energy-efficient technologies in steel production, which are traditionally energy intensive. Likewise, neutral or even brown tasks can also exist in green sectors, for instance, deforestation for solar panels to generate clean energy. This points to two angles that are important in defining the green properties of jobs: where workers work (the sectors in which they are employed) and what workers do (their occupations) (IMF 2022a).

Some organizations give more weight on the greenness of jobs whereas others consider the additional dimension of decency and quality of jobs in adopting a definition of green jobs. The Global Commission on the Economy and Climate defines green jobs as those that support improving energy and resource material efficiency, limiting greenhouse gas (GHG) emissions, minimizing waste and pollution, protecting or restoring ecosystems, and supporting adaptation to climate change. Meanwhile, organizations such as the International Labour Organisation (ILO) and Organisation for Economic Cooperation and Development (OECD) define green jobs as “decent” jobs in any sector that contribute to preserving, restoring, and enhancing environmental quality by producing environmental outputs or using environmentally friendly technologies in production. The inclusion of the “decent work” dimension in the green jobs definition may advocate the quality of jobs with adequate wages and worker protection, although it could overlook large scale informal and low pay jobs for greening activities (Granata and Posadas 2022).

Statistical measurement helps quantify the size of green jobs and enables monitoring the creation and destruction of those jobs. It also allows for comparison across countries, regions, and sectors, among others. ILO (2013) highlights the purpose of measurement to enable assessments of overall green policies and economies on job creation and job loss, changes in occupational and skills needs, organizational restructuring, and prevalence of decent work. OECD and Eurostat developed a handbook to determine environmentally friendly goods and services (OECD and Eurostat 1999; Eurostat 2009). The environmental goods and services sector (EGSS) is often referred to as eco-industry and includes products manufactured or services rendered for the main purpose of environmental protection and resource management.¹⁵⁵ The jobs in EGSS sectors are counted as green jobs following an output-based approach (see Box 5.1). Similarly, the U.S. Bureau of Labor Statistics (BLS) conducted a Green Goods and Services (GGS) survey focusing on firms in 2011. Recognizing the varying tasks related to green and greening activities even within the same sector, BLS linked firm level GGS to worker level Occupational Employment Survey using the Standard Occupational Classifications. Further, BLS explicitly used a process approach through a specialized firm survey called Green Technologies and Practices (GTP) Survey. It investigates the incidence of specific GTP in a firm and workers’ wages and occupations for those who spend more than half of their time in GTP.¹⁵⁶ These surveys found that the share of green firms and employment is quite

¹⁵⁵ It includes preventing, minimizing, or treating pollution, degradation or natural resources depletion; repairing damage to air, water, waste, noise, biodiversity, and landscapes; and carrying out other activities such as measurement and monitoring, control, research and development, education, training, information and communication related to environmental protection or resource management.

¹⁵⁶ GTP in this case includes energy generation or use from renewable sources and improvement of energy efficiency; greenhouse and pollution reduction and removal; and recycling and reuse for resource conservation.

small. In fact, even in green sectors, the number of workers engaged in green activities is quite limited, and it is unclear whether green sectors will grow faster and generate more jobs than brown ones (Deschenes 2013). This is different from the conventional notion that green sectors equate to green jobs and promoting green sectors shifting from brown ones would have a net increase in employment.¹⁵⁷

Box 5.1 Green Jobs: Measurement by OECD and Eurostat

All member states of the European Statistical System collect relevant data and maintain a database to measure the environmental goods and services sector (EGSS) outputs. The EGSS framework requires the mandatory reporting of market output, including exports, value added of market activities, and employment of market activities. Environmental activities consist of economic activities that primarily reduce or eliminate pressures on the environment, make more efficient use of natural resources, or produce products that serve an environmental purpose. Environmental activities can be broadly categorized into environmental protection and resource management. Environmental protection activities include all activities and actions that have as their main purpose the prevention, reduction and elimination of pollution and of any other degradation of the environment. Resource management activities include the preservation, maintenance, and enhancement of the stock of natural resources and the safeguarding of those resources against depletion.

Data for calculating sector specific EGSS outputs include business registers, structural business statistics, statistics on the production in manufactured goods, certain elements of the environmental protection expenditure accounts, and the production and generation of income accounts and supply tables of the national accounts. Collected EGSS data are classified based on type of economic activity following the Nomenclature of Economic Activities and grouped into two categories under the Classification of Environmental Protection Activities (CEPA) and Classification of Resource Management Activities (CReMA):

Classification of Environmental Protection Activities (CEPA)	
1.	Protection of ambient air and climate
2.	Wastewater management
3.	Waste management
4.	Protection and remediation of soil, groundwater and surface water
5.	Noise and vibration abatement (excluding workplace protection)
6.	Protection of biodiversity and landscapes
7.	Protection against radiation
8.	Environmental research and development
9.	Other environmental protection activities

¹⁵⁷ See Garrett-Peltier (2017), for instance, that finds greater employment impact of green sectors than brown sectors using input-output tables. It shows that on average, 2.65 full-time jobs are created from \$ 1 million spending in fossil fuels whereas the same amount of spending would create 7.49 or 7.72 full-time jobs in renewables or energy efficiency.

Classification of Resource Management Activities (CReMA)
10. Management of water
11. Management of forest resources
11A. Management of forest areas
11B. Minimization of the intake of forest resources
12. Management of wild flora and fauna
13. Management of energy resources
13A. Production of energy from renewable sources
13B. Heat/Energy saving and management
13C. Minimization of the intake of fossil resources as raw material
14. Management of minerals
15. Research and development for resource management
16. Other resource management activities

Sources: Eurostat: Reference and Management of Nomenclatures (RAMON); Regulation (EU) No. 691/2011. Cited from Eurostat, Environmental goods and services sector accounts, 2016 edition.

Reflecting that each sector has different intensity of labor, in calculating employment in EGSS, sector specific ratios are drawn from national accounts. The two used to calculate EGSS employment are: (i) c-ratio which is wage compensation out of total value; and (ii) w-ratio which is a wage compensation rate per a full-time equivalent worker.

$$EGSS_Emp = \sum_{sector} EGSS_output_{sector} * c \cdot ratio_{sector} / w \cdot ratio_{sector}$$

Based on this equation, employment in EGSS refers to all full-time equivalent workers engaged in productive EGSS market activities that fall within the production boundary of the national accounts.

Source: Eurostat, Environmental Goods and Services Sector Accounts, Practical Guide, 2016 edition

There are continuing efforts to measure green jobs by combining both production and process approaches using microdata. Typically, macro projections to quantify the potential role of green policies on job creation¹⁵⁸ use an output-based approach to define green jobs. However, focusing much more on green economic activities and technologies and their implications on occupations, researchers increasingly investigate green and greening occupations using the Occupational Information Network (O*NET) database. Major insight from these studies using the O*NET database is that promotion of green economic activities will increase certain jobs (e.g., those in renewable energy sector), existing jobs can be upgraded to use green technologies and skills (e.g., architects with the Leadership in Energy and Environmental Design [LEED] certifications) and a large number of new and emerging occupations can be added to execute tasks that did not exist before (O*NET 2009; Vona et al. 2015). Measuring green jobs using both output and process approaches is still scarce in developing countries where microdata at the level of tasks are limited. Granata and Posadas (2022) used a combination of O*NET tasks and required

¹⁵⁸ A Computable General Equilibrium simulation, input-output modelling, and employment multipliers are often used for macroeconomic simulations.

skills and green terminology stated in the job description to yield a green task intensity index instead of a dichotomous green versus brown jobs classification in Indonesia. The study highlights the heterogeneity in greenness even within similar occupations and suggests that there is room for making the tasks greener by upskilling and adopting greener technologies.

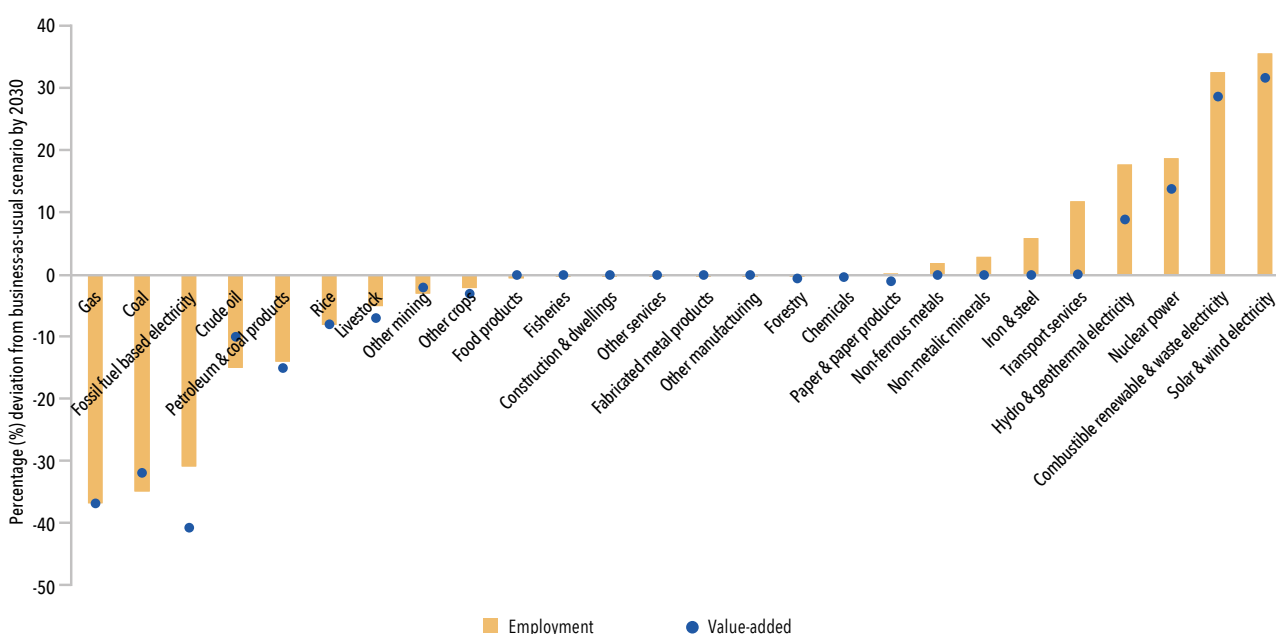
Operational classifications of green activities and jobs are important for green transition policies.

Major policies include green taxes for environmentally harmful activities, regulations to curb consumption and production of environmentally unfriendly outputs, subsidies for the adoption of new environmental standards and certification, access to finance for green research and development (R&D) and investment, and support for green skills development. Many of these require operational classifications for green so that right incentives for firms and workers can be formulated to promote their behavioral changes. The easiest and most straightforward classification is based on the green sector classifications, but more granular activities can also be used. For instance, tax incentives (i.e., deductions or credits) in many states in the U.S. are provided for specific technology and practices that promote renewable energy, energy efficiency, low emission vehicle, and green transport infrastructure, among others.

Green Skills and Workforce Development

Regardless of the definition and measurement of green jobs, the greening of economies has a two-pronged effect on employment—leading to job destruction in some industries and to job creation in others. OECD (2022) estimates large increases in both employment and value added in renewable and nuclear energy, waste management, green mobility and transportation, and some manufacturing sectors (e.g., iron and steel, non-ferrous metals, chemicals) that provide input to modern economic sectors (Figure 5.1). Meanwhile, fossil fuel-related sectors and agriculture are expected to shed a large number of workers while phasing out their activities with active climate change mitigation policies.

Figure 5.1 Sectoral changes (%) in employment and value added with ambitious climate change mitigation policies, compared with the business-as-usual scenario in 2030



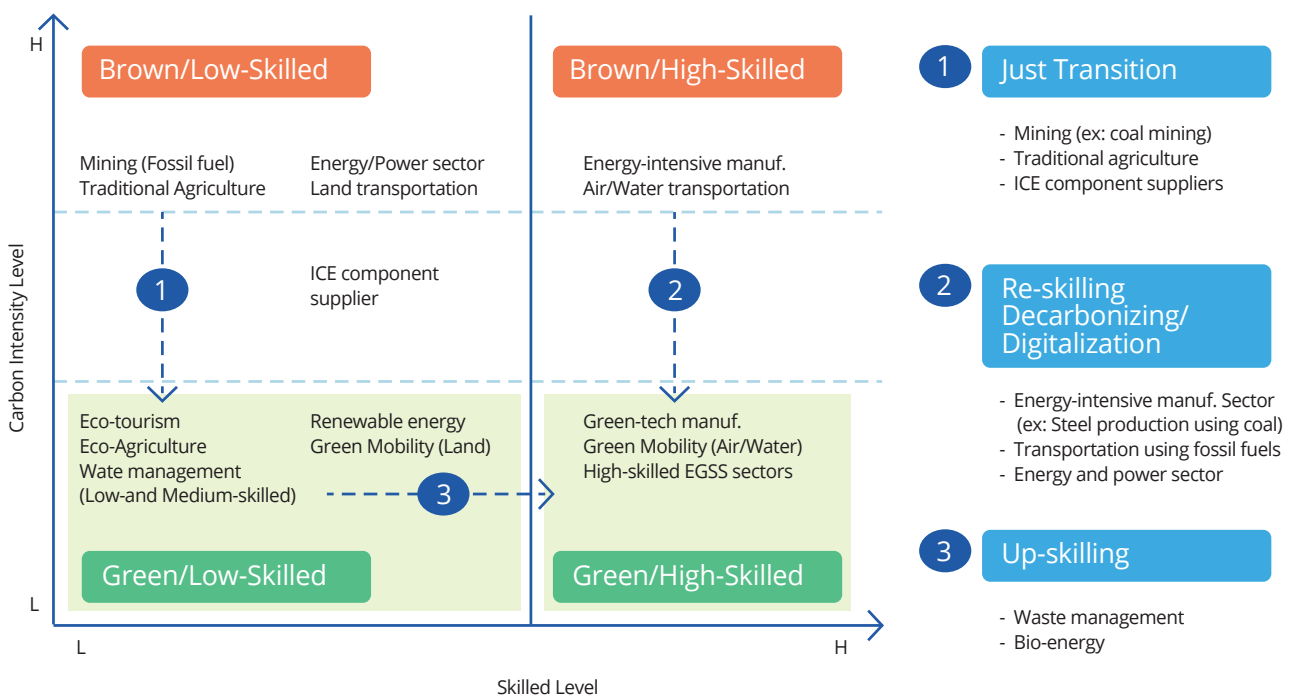
Source: OECD, Greening jobs and skills (2022).¹⁵⁹

¹⁵⁹ OECD, https://www.oecd-ilibrary.org/industry-and-services/oecd-local-economic-and-employment-development-leed-working-papers_20794797

Monitoring for emerging occupations as well as those phasing out should be regularly done to guide workforce development policies. Noting that countries face skills shortages but fail to effectively deploy students and job seekers toward filling those shortages, for instance, Malaysia formed a dedicated institution to monitor skills shortages: the Critical Occupation Committee produces a critical occupations list to identify labor market shortages. This is similar to OECD countries’ shortage list, which informs skills development, employment services, and migration policies. Frequent data from labor market information systems and surveys for workers and enterprises are used to assess the demand and supply, combined with stakeholder engagement and research. Such exercises can be used to identify labor market demand for green jobs and skills.

Different typology of policy measures should be developed to help workers transition into greener jobs and activities depending on the profiles of workers and sectors. Roughly three types of workers and corresponding policies can be implemented. First, for workers in the brown and low skilled sectors (#1 in Figure 5.2), policies to support their transition out of the sector are needed, often under ‘just transition’ efforts. Mining and traditional agriculture sector workers fall under this category. As widely discussed in the literature, for workers in this category, pre-layoff planning, pre-layoff assistance, and post-layoff assistance will be needed. Given that their activities tend to be community-based and they are low-skilled workers, social safety nets such as temporary income support and active labor market programs to improve their skills and support their employability should be combined with overall community development (Cunningham and Schmillen 2021). For instance, coal mining areas are often turned into eco-tourism sites to rebuild the local economy and absorb the workforce. Less prominent than coal mining, there are other low-skilled workers who will require just transitions in the context of greening efforts. One example is the workforce along the value chains of the ICE vehicle industry as transitions from ICE to electronic vehicles (EVs) will require fewer number of workers per dollar invested. Suppliers of ICE vehicle parts, often sub-contractors, will also have to be prepared for the transition.

Figure 5.2 Typology of labor and skills policy for the green economy



Source: Authors’ elaboration

Green activities for low skilled workers should be actively identified and used for just transitions.

Green public works to make the environment more resilient to climate shocks, mitigate the impact of environmental disasters, and build green infrastructure, emerge as a promising policy instrument for promoting greener activities while providing temporary jobs for a large number of poor workers. IFC (2021) notes that building climate-smart infrastructure helps cities generate jobs quickly while addressing pollution, congestion, flooding, extreme heat, and energy access, and these projects can be developed as a menu of options for public works. Measures to absorb workers for labor intensive green tasks such as recycling, waste management, and biomass generation in a circular economy, can also be further investigated.

Modifications to existing jobs to make them greener (greening existing jobs) will require reskilling the workforce (#2 in Figure 5.2).

Much of them are related to improving energy efficiency and decarbonizing and digitalizing. LinkedIn's Global Green Skills Report (2022) suggests that greening jobs are on increasing demand even in occupations that may not be related to the green sector. Several highly prominent sectors can be part of sector-specific reskilling initiatives. As buildings are required to follow more energy efficient standards, construction engineers and tradespeople as well as supporting functions will additionally acquire skills to install the right equipment (e.g., hydrogen-powered boiler instead of gas-powered ones). As the transportation sector shifts to hybrid or electric vehicles, the automotive industry will need to adapt their workforce to the newly required skills and tasks. The assembly lines and parts to produce the engines in ICE vehicles will be replaced with batteries, of course with many other parts modified accordingly. Similarly, workers in the energy and power sector that relied on fossil fuels may be absorbed in activities related to renewable energy generation and storage (IMF 2022a).

In reskilling the workforce, digital skills should be actively developed and strengthened for climate technology and green economy.

Many sectors that have high carbon intensity (e.g., power and transport) see digitalization as promising solutions. The World Economic Forum estimates that digital skills can reduce global GHG emission by 15 percent (WEF, 2019). UNEP (2021) has adopted digital transformation as a core part of its Medium-Term Strategy 2022 – 2025 for greener economies. To accelerate green technology deployment, professionals with training in fields such as science, technology, engineering, and mathematics (STEM) are included in the category of the highly skilled green workforce. Technological advances such as artificial intelligence (enabling judgement and reasoning) based on information provided, collected, and cumulated through internet of things, cloud, big data, and mobile technologies are already reshaping how tasks can be done in the labor market. In the green sectors, these are used to optimize energy use, increase energy efficiency, and enhance factor productivity. In fact, South Korea's New Deals¹⁶⁰ announced in 2020 have Green New Deals and Digital New Deals as two major pillars along with strengthened safety nets.

Not all workers in the green sector are high skilled and high technology, and upskilling can make green activities more effective (#3 in Figure 5.2).

For instance, waste management—waste collection, transportation, processing, and recycling or disposal—has been typically involving menial work for low-skilled workers. If the waste management sector can be modernized along the value chain, workers' skills can benefit from upgrading. The circular economy using the eco-design, material reuse, refurbishment and remanufacturing technologies and processes serves as an important activity for waste management. The bio-energy sector is another example of potential income source of agricultural and rural workers while pursuing the green economy. Given the sector's use of biomass coming from crops, forest residues, and microalgae in rural areas for the purpose of producing biofuel and bio-products, new ways of value chain businesses from producing, harvesting, and transporting feedstocks can create quality jobs for low skilled workers.

¹⁶⁰ The Korean New Deal: National Strategy for a Great Transformation is a national development strategy to support the country's recovery from the pandemic crisis and lead the global action against climate change.

Efforts to strengthen green skills development require coordination and synergies between climate change policies and skills development communities. Continuing to identify green sectors and activities and aligning the workforce with the related occupations and skills requirement will be critical (see Box 5.2). The general challenges in skills development are applicable to green skills development, including the lack of human and financial resources, evolving nature of skills needed for the changing labor market, and lack of labor market information and analysis focusing on employment projections and skills matching. Moreover, shortage of experts such as teachers and trainers with appropriate levels of education, expertise and work experience significantly limits skills development efforts. It is difficult to project the growth of specific sectors or occupations with limited microdata in addition to the definition and measurement challenges discussed earlier. Some occupations related to green activities such as waste management may not be widely recognized as skilled tasks that require skills development training. Coordinated efforts among environmental policies and skills development communities are needed to collect relevant data, identify training needs, foster trainers' expertise, and align green training with skills frameworks. It has also been recommended that the fundamentals of environmental issues be included in vocational training curricula alongside job-specific knowledge and information. In developing economy settings, further capacity building among stakeholders and the involvement of civil society can play important roles in shaping green education and training policies (GIZ 2015).

Apart from the sector-specific workforce development policies, for broad-based green skills development, greater efforts are needed to revise the prevailing curricula, qualification standards, and training programs at all education levels. The integration of green jobs-related competencies into existing national skills development frameworks has been limited or non-existent across countries. While some countries successfully integrated environmental policies in skills development strategies—particularly in priority sectors such as renewable energy and energy efficiency—progress has been far more limited in most countries. LinkedIn's Global Green Skills Report (2022) suggests that the supply of green skills is behind the demand, and ILO (2018) recognizes skills mismatches as a main obstacle to the transition to green economy.

Box 5.2 Promising sectors and prospects for low to semi-skilled green jobs

Sectors and activities related to renewable energy (up-skilling for green sectors)

- ◆ Decarbonizing the grid with renewable energy: Along with increases in the generation of renewable energy (e.g., solar and wind), and phasing out of fossil fuel-based energy, workers will be needed to replace and install the grid and build storage facilities.
- ◆ Scaling up distributed generation and storage: Instead of generating electricity at centralized power plants, various technologies enable generation and storage of electricity close to the place it is used. The most common distributed generation system is solar photovoltaic (PV) panels. When homes and businesses have their own source of electricity, they can save costs without having to source it from the grid. Workers will be needed for delivery and installation of solar PV panels.

Sectors and activities related to green infrastructure (re-skilling and applying skills for greening activities)

- ◆ Retrofitting buildings for energy efficiency: Technologies, materials, and innovative design and products are already available to make buildings more energy efficient. Examples include

energy saving lighting, heating and air-conditioning systems, ventilation mechanisms, thermal insulation, and water saving faucets. With the incentives and regulations in place, it is expected that not only large-scale construction of buildings, but also individual homes and stores will require workers for introducing these measures. These are good candidates for re-skilling of technicians and contractors.

- ◇ Expanding green transport: Replacing city buses with electronic vehicles, constructing railroads and mass transits, facilitating use of bicycles (e.g., bike roads), electrification of bike and taxi operations, and digitalizing intelligent transportation systems are such efforts. Workers would be needed not only for manufacturing the needed products, but also for driving, maintenance, and repair.
- ◇ Investing in low-carbon municipal waste and water: Waste collection, classification and sorting, storage, transportation, use for the energy and circular economy, and disposal are currently labor-intensive tasks. These are good candidates for green public works projects with positive externalities.
- ◇ Nature based solutions: In urban planning, solutions such as tree planting, greening roofs, garden space and parks, and restoring watersheds can be useful in mitigating the impact of climate change. These are also promising for green public works projects with positive externalities.

Sectors and activities related to green transition (transitioning out of low skilled brown activities)

- ◇ Scaling climate-smart agriculture: Climate-smart agriculture can be useful in reducing emissions, increasing agricultural productivity, and enhancing resilience to drought, pests, disease and other shocks. Major activities are to use green technologies in managing crop land, livestock, fisheries, forestry, etc. To achieve the economies of scale in adopting relevant technologies, individual farmers are to be part of cooperatives and value chains of suppliers, producers, distributors, and retailers, likely at the community level. These are good candidates for just transition activities.

Source: Adopted from IFC (2021), World Bank (2021)

The State of Green Jobs and Skills Development in the Philippines

The Philippines is exposed to frequent natural disasters and thus prone to the impacts of climate change, which can threaten the country's socioeconomic development and cause severe economic and fiscal shocks. At least 60 percent of the total land area and close to 74 percent of the population are exposed to multiple natural hazards, including typhoons, earthquakes, floods, storm surges, tsunamis, volcanic eruptions, and landslides.¹⁶¹ In the past 30 years, 33,000 people have died and 120 million people have been adversely affected by disasters.¹⁶² Especially in November 2013, Typhoon Yolanda (Haiyan), the strongest typhoon in the world to date with respect to landfall, caused devastating damage to the country: over 6,000 people lost their lives and more than 16 million were affected,

¹⁶¹ GFDRR (Global Facility for Disaster Reduction and Recovery) and World Bank (2011). "Climate Risk and Adaptation Country Profile: Philippines."

¹⁶² World Bank (2019). Country Partnership Framework for the Republic of the Philippines 2019-2023

with 2.3 million people falling below the poverty line. Climate change is expected to increase the frequency and severity of hydrometeorological events, increasing emergency response costs from typhoons by over 50 percent for severe events.¹⁶³

The Philippines started relatively early in endeavoring to transition to a decarbonized and green economy. Under the Paris Agreement on Climate Change (PACC), the Philippine government committed to reducing 70 percent of its GHG emissions by 2030 relative to its business-as-usual scenario of 2000-2030, focusing on energy, transport, waste, forestry and industry sectors.¹⁶⁴ The Climate Change Act of 2009 as amended in 2012 is the country's key legal backbone on climate change adaptation and mitigation, constituting the Climate Change Commission (CCC) to develop relevant policies and coordinate government programs on climate change. Subsequent strategy and action plan were formulated,¹⁶⁵ and the Green Jobs Act (GJA, RA 10771) and its Implementing Rules and Regulations (IRR) were adopted in 2016 and 2017, respectively. The Act envisions to bring about the needed transformation to a greener economy by harnessing the potential of workers and enterprises for green jobs and promoting a climate-resilient and environmentally sustainable development. With the Philippines' renewed commitment to support the 2021 UN Climate Conference of Parties (COP 26), there is a newfound emphasis to operationalize the green jobs law.

The Philippine GJA provides a broad definition of green jobs with environmental and social dimensions. The Act defines green jobs as "employment that contributes to preserving or restoring the quality of the environment, be it in the agriculture, industry, or services sector. Specifically, but not exclusively, this includes jobs that help to protect ecosystems and biodiversity, reduce energy, materials, and water consumption through high-efficiency strategies, decarbonize the economy, and minimize or altogether avoid the generation of all forms of waste and pollution. Green jobs are decent jobs that are productive, respect the rights of workers, deliver a fair income, provide security in the workplace and social protection for families, and promote social dialogue." Similar to the definition of ILO and OECD, Philippine definition of green jobs includes the dimension of decent work. The law also cites additional mandate for various agencies in specific areas, such as labor and employment, statistics, finance, environment, education, skills training, development planning, tourism, trade and industry, science and technology, local government, transportation, and agriculture. Overall, the green jobs law provides a multisectoral institutional platform for advancing the country's green agenda.

The GJA and IRR include fiscal and non-fiscal incentives to promote green jobs, but they are yet to be fully implemented. There are two major initiatives to operationalize the GJA: (i) developing a National Green Jobs Human Resource Development Plan (NGJ HRD Plan) and (ii) financial incentives to firms in green sectors and for greening activities.¹⁶⁶ The NGJ HRD Plan, which provides a broad direction for green jobs and skills, was completed in 2020, with inputs from other government agencies, employer/industry associations, and labor groups. Aligned with the commitments under the NGJ HRD Plan, the government launched an online labor market information platform featuring careers on green jobs and constituted an inter-agency committee to work on statistical data measuring green jobs in terms of size, composition, and contribution to economic growth. A similar platform providing information about green careers, called Career Information System, was launched in 2021 by DOLE's Bureau of Local Employment.

¹⁶³ World Bank (2013) and World Bank (2019). The expected cost incurred from events of various 'return periods,' such as a 1-in-100-year event, which is expected to occur, on average, once every 100 years, or with a 1 percent probability in a given year.

¹⁶⁴ Republic of the Philippines, Intended Nationally Determined Contributions, communicated to the UNFCCC in October 2015, <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Philippines/1/Philippines%20-%20Final%20INDC%20submission.pdf>

¹⁶⁵ The National Framework Strategy on Climate Change 2010-2022 defines the overall parameters for developing a National Climate Change Action Plan 2011-2028.

¹⁶⁶ By law, enterprises may avail of the incentives: (i) special deduction from the taxable income equivalent to 50 percent of the total expenses for skills training and research development expenses; and (ii) tax and duty free importation of capital equipment, provided that the capital equipment is actually, directly and exclusively used in the promotion of green jobs of the business enterprise.

An estimation to inform the NGJ HRD Plan suggests that the adoption of green policies and the creation of more green jobs generate strong gains for the country in both production and employment. With limited data, Abrigo et al. (2019) is among the few early studies that assessed the potential jobs prospects with respect to green policies in the Philippines. The study relied on the input-output method for production and growth simulation, and potential employment effect was obtained. The study estimates that the green economy contributed ₱2.7 trillion to the country's total gross value-added (about a quarter of GDP) and accounted for approximately 6.9 million jobs in 2016 (or 17 percent of all persons employed). The authors project that under a business-as-usual scenario, the growth rate of employment in the green sectors will be more or less the same as others and make the share of green employment stable. The shift to a greener economy, however, would prompt changes in employment demand. Some workers such as coal miners and incinerator operators will face a decrease in demand, others will see the transformation of their tasks (e.g., bus operators from diesel to electric), and still others will experience entirely new jobs. The aggregate projected effect of a stronger push toward a green economy is expected to be positive for overall employment, as greening processes are labor-intensive and promise to expand demand in the services sector. Greening processes with strong potential to generate jobs include the shift from traditional chemical-based farming to more labor-intensive organic agriculture, the growth of the renewable energy sector, the promotion of rain forestation and integrated social forestry, and the expansion of the recycling sector, among others (Abrigo et al. 2019; Ofreneo 2010).¹⁶⁷

The NGJ HRD Plan 2020-30 aims to identify the skills, competencies, and gaps in transitioning to green jobs given the emerging demand on the green sector and occupations. In addition to data work, sectoral consultations informed the plan in the areas of renewable energy, tourism, green housing and agriculture, and education. The plan clearly recognizes some of the challenges related to lack of coordination between green-related institutions and skills related institutions; low awareness on the importance of environmental education; and inadequate levels and capabilities of teachers, curriculum, and equipment for environmental education.

There are several challenges in developing the green workforce, also discussed in the NGJ HRD Plan. First and the most acute challenge is the overall poor quality of the human capital sector in the country. It is well recognized that the transition to the green economy requires not only technical skills but also foundational competencies through literacy, numeracy, communication, and ability to solve problems and work within teams, among others. Weak foundational skills due to very high malnutrition and learning poverty rates, and poor-quality education, will need to be considered and addressed while promoting green skills. Second, coordination mechanisms through the labor market information system, demand and supply gap analysis, and skills development institutions and the private sector, are nascent. To inform skills development strategies, DOLE's JobsFit Labor Market Report 2022 analyzes the unmet demand for high-level and middle-level skills among specific job titles across industries. However, green skills are not included in the analysis yet and the report is based on static data rather than real-time and dynamic information systems. Third, major initiatives for a coherent skills accreditation and development such as the Philippine Qualifications Framework (PQF)¹⁶⁸ and National Technical Education and Skills Development Plan (NTESDP) have yet to fully incorporate emerging skills needs including green and digital skills.

¹⁶⁷ Among the emerging occupations accompanying the green transition are green procurement managers; operators of sanitary landfills; project engineers; environmental and social safeguard focal persons; renewable energy experts; hydrologists, wind, solar, and biomass experts; biologists, chemists, and disposal officers; solar PV fitters; aerospace technicians; wind-turbine technicians; and offshore oil/wind maintenance technicians. These emerging occupations broadly fall under the categories of public sector/green procurement, solid waste management and garbage collection, renewable energy, and tourism. The green transition moreover promises to enhance gender equality as, for instance, training in organic farming offers income and employment opportunities for women in rural areas (ILO 2018).

¹⁶⁸ The national qualifications system known as the Philippine Qualifications Framework (PQF) was introduced in 2012 and its Implementing Rules and Regulations (IRR) were developed in 2019. To implement the PQF, a National Coordinating Council was constituted to guide the implementation of multiple agencies including DepEd, TESDA, CHED, and DOLE. While PQF is anticipated to promote lifelong learning and skills mobility by a qualification and accreditation mechanism recognized in the regional market (especially that of ASEAN countries), its implementation is at the nascent stage, with very limited description on proficiency of digital skills.

Meanwhile, the Climate Change Commission is establishing the standards for assessment and certification of green jobs to provide financial incentives to firms in green sectors and for greening activities, as part of the GJA implementation. The GJA allows incentivizing private firms and the public sector to create and sustain green jobs. Incentives include (i) special tax deduction from taxable income incurred by business enterprises on skills development and research development for green jobs, and (ii) exemption from customs duties and taxes for the importation of capital equipment that are used directly and exclusively in promoting, generating, and sustaining green jobs. Other forms of assistance provided under the law are business development support, special business facilitation program, preferential business packages for business enterprises that create green jobs.

Setting the eligibility of firms for GJA's tax incentives/exemptions faces the similar challenges of defining green jobs in conceptual and statistical terms. Taking a production approach, firms that directly and substantially support the green economy (i.e., green sectors) can be eligible. Indeed, the Climate Change Commission (CCC) can utilize the list in the Strategic Investment Priority Plan (SIPP), which identifies strategic sectors for the CREATE law's tax incentives.¹⁶⁹ The SIPP includes green agriculture, EV manufacturing, smart energy systems, and green architecture and smart cities services. The updated SIPP, released in May 2022, shows additional sectors, and a notable inclusion was green eco-systems such as EV related activities, renewable energy, integrated waste management, among others. In addition, businesses with products certified as green by existing domestic and international green products certification systems (e.g., Green Choice Philippines) can also be included. The green finance taxonomy, benchmarking the ASEAN taxonomy,¹⁷⁰ currently being developed by the Financial Sector Forum (FSF), an interagency initiative led by Bangko Sentral ng Pilipinas (BSP) can also be referenced. This production approach admittedly fails to include greening activities. However, without worker, occupation or task level data and their verification mechanisms, following the process approach may not be operationally feasible until it is guided by further empirical work on the greening activities by occupation and task. Alternatively, employment subsidies or vouchers for workers with a certified training that would do specific tasks that are environmentally sustainable can be provided.

Along with these developments, efforts for reskilling and upskilling in green areas are emerging. The Technical Education and Skills Development Authority (TESDA) developed a framework for greening the technical and vocational education and training or TVET system (TESDA Circular Number 58 Series of 2018). TESDA's activities to date include setting up Green Technology Centers (GTCs), starting the process of greening training regulations (TRs), orienting stakeholders on greening TVET, and documenting green TVET good practices. The GTC offers various green skills training courses as a response to emerging green industry personnel needs. In partnership with industry experts and other government agencies, TESDA issued 11 new TRs and updated all TRs with basic green competencies to include 21st century skills such as environmental literacy as well as occupational safety and health work practices. Most of these new green TRs are in renewable energy and construction. Notably, TESDA emphasizes the importance of incorporating environment literacy across all TRs.

¹⁶⁹ As discussed in Chapter 2, one of major policy reforms to boost private sector driven recovery from the pandemic was the introduction of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law in 2021. It lowers corporate income tax and provides additional tax incentives for select sectors. The CREATE Law allows income tax holiday and enhanced tax reductions for export-oriented firms and domestic firms in strategic sectors, and deductions are allowed on depreciation of qualified capital expenditure, labor and training expenses, research & development (R&D), among others.

¹⁷⁰ The ASEAN Taxonomy for sustainable finance was published in November 2021 to guide investments and capital inflows toward economic activities that are more sustainable and help achieve environmental goals.

Digital Jobs and Skills

Definition and Employment Outlook of Digital Jobs

Digital jobs are often defined as those created using information and communications technology (ICT) – including computing, internet, and mobile phones. ICT creates opportunities for firms and individuals to enhance their productivity, reduce their information gaps, and overcome entry barriers in various markets. At the same time, these technologies could displace human effort through automation or shifting the location of work using a mix of globalization and outsourcing. 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 be always clear, but globally, digital jobs are becoming increasingly ubiquitous. Moreover, as adoption of technology or digitalization take place widely across various sectors including the green industry, healthcare, manufacturing, logistics, and many others, many jobs involve digital tasks and require digital skills.

ICT sector

The sector includes those businesses where production and distribution of ICT-based goods and services are main outputs. They include software development and computer products, and services relating to telecommunications and information technology (IT). The sector offers a range of products and services for both consumers and businesses. The US BLS projects that employment in the IT sector will grow faster than the average of other occupations. Demand for these workers stems from greater emphasis on cloud computing, the collection and storage of big data, and information security.¹⁷¹ The number of workers in this sector in the Philippines is about 0.5 million based on the Labor Force Survey, equivalent to 1.1 percent of the total employed. This is similar to other developing countries' share of employment in the ICT sector—about 1 percent of the workforce on average in contrast to 3–5 percent of the employment is in this sector among OECD countries (World Bank, 2016). While quite volatile, ICT is one of the sectors that exhibited a strong rebound post-pandemic.

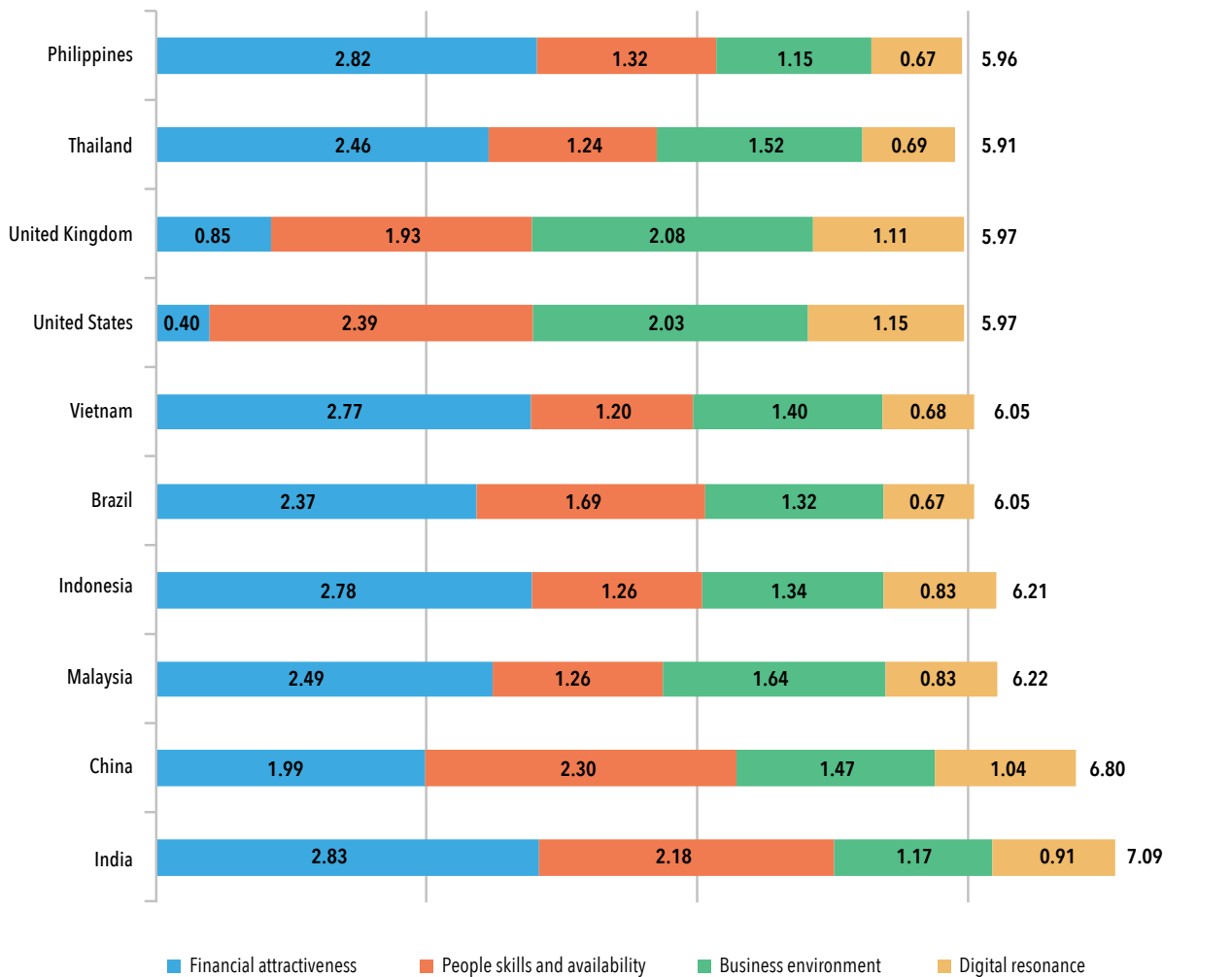
The information technology-business process management (IT-BPM) sector is a prominent ICT sector in the Philippines. The sector involves contracting the operations and responsibilities of a specific business process to a third-party service provider. Call centers (voice related services), a sub-sector in IT-BPM and where domestic and international helpdesks, reservations, and customer services are handled, are the most prominent activities in the Philippines. Call centers have a track record of creating a large quantity of employment opportunities for young people, as well as for female workers. DOLE's 2022 JobsFit Labor Market Information Report, based on the PhilJobNet and JobStreet vacancies postings in 2016, also confirmed that call center agents were the most demanded vacancy occupation. The report also positions the IT-BPM sector as the top employment generating sector. As discussed above, about 0.6-1.3 million workers are reported to be in this sector, slightly higher than the estimates from LFS.

The Philippines remains a strong leader in this sector but will need continued investment to remain competitive. A.T.Kearny's Global Services Location Index indicates that the Philippines ranks 9th (Figure 5.3).¹⁷² Major advantages stem from financial attractiveness which indicates low labor costs. However, people skills and availability score is far lower than that of India and China, and the digital

¹⁷¹ BLS (2022). Occupational Outlook Handbook.

¹⁷² A.T.Kearny (2021) Global Services Location Index: Toward a global network of digital hubs.

Figure 5.3 Global Service Location Index: Top 10 countries



Source: A.T.Kearney's Global Service Location Index

Note: Financial attractiveness reflects compensation costs, infrastructure costs, and tax and regulatory costs; people skills and availability reflects BPO experience and skills, labor force availability, educational skills, and language skills; business environment reflects overall macro environment, country infrastructure, cultural adaptability, and security of IP; digital resonance reflects digital skills, legal and cybersecurity, corporate activity, and digital outputs.

resonance index¹⁷³ is also lagging behind Malaysia and Indonesia. Moreover, the business environment scored the lowest among the competing countries. If firms give greater weights to a business environment or digital resonance in determining the location of services, the Philippines may struggle in maintaining its competitive position. Such a situation is well recognized and efforts are ongoing to go beyond voice-related services. Among them are diversifying types of deliverables and investing in skills, infrastructure, and business environment. The Philippine IT-BPM sector roadmap (BOI, 2022) lists the Banking, Financial Services, and Insurance (BFSI), High-Tech and Telecoms, Manufacturing, and Healthcare as key sectors as part of diversification strategies, and they will continue to demand for IT-BPM services. Further, given the rapid technological advances and market environment, growing competition, and continued mismatches between the demand and supply of talents in the sector, investments in human capital and ICT skills are required.

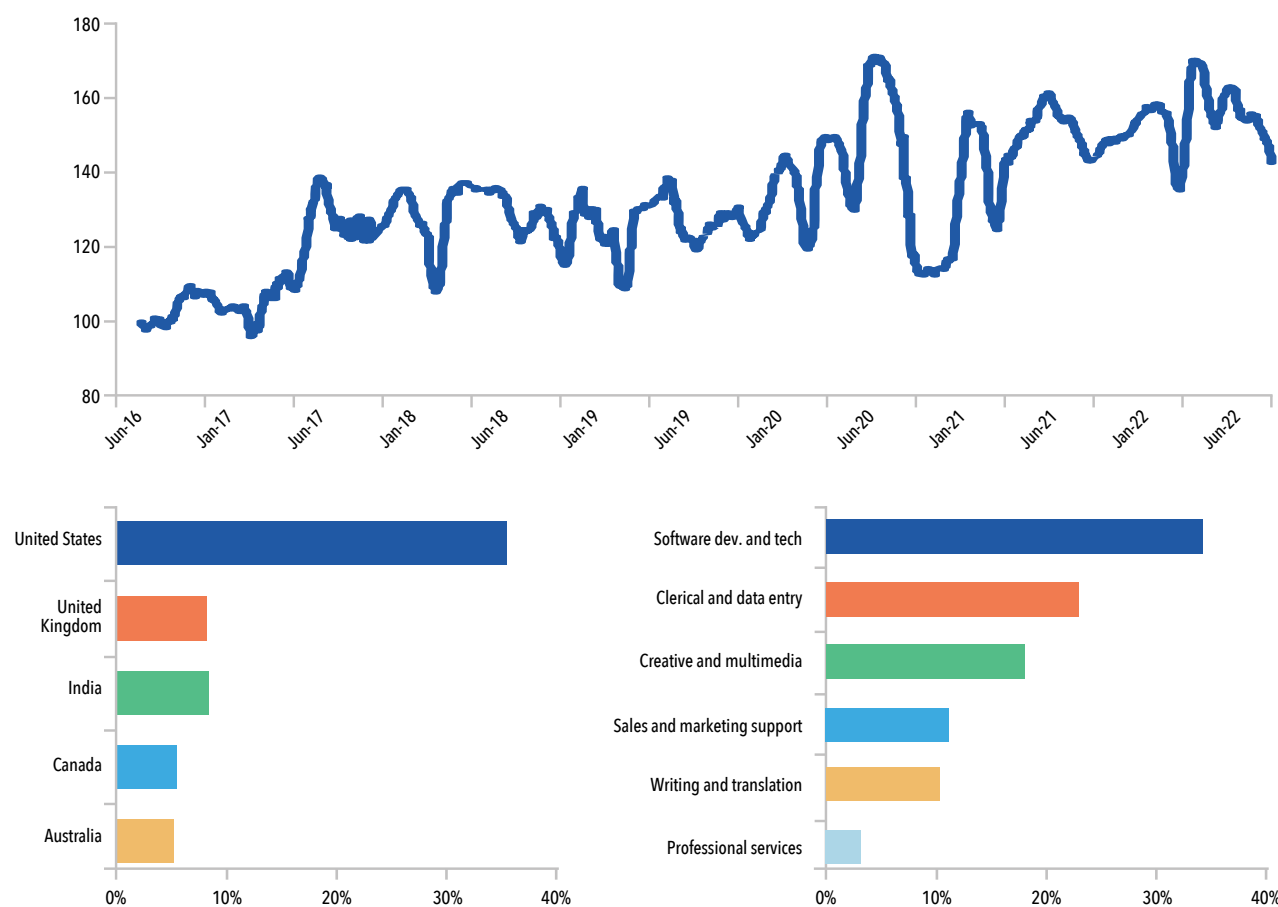
¹⁷³ Digital resonance refers to overall capability to handle digital transformation processes including cyber security and automation.

Freelancing (online gig economy)

Technological development has given workers more access to consumers and investors locally as well as globally, and has exponentially expanded freelancing opportunities for them. Online platforms have expanded such opportunities where workers find tasks, deliver, and receive payments online (commonly referred as freelancing, online gig economy, and labor platform). Well known freelancing platforms include: Freelancer.com, Upwork.com, Guru.com, and Fiverr.com. In these platforms, individuals or agencies can bid for contracts posted by employers from around the world, and then complete the work online. Tasks that can be done virtually are frequently serviced work through the platforms. They include graphic design, data entry, software programming, image tagging, legal services and accounting services.

Focusing only on freelancing, the Online Labour Index published by the Oxford Internet Institute¹⁷⁴ shows the landscape of freelancing demand and workforce in the world. When tracking demand for online tasks through large freelancing platforms, it is clear that there is an overall increase in the demand over time despite wide seasonal fluctuations. In particular, the demand for online freelancing experienced a significant growth especially post-pandemic, except the dampened period in 2020. Unsurprisingly, a large share of market demand is coming from the United States, with software development comprising the largest demand followed by creative and multi-media services.

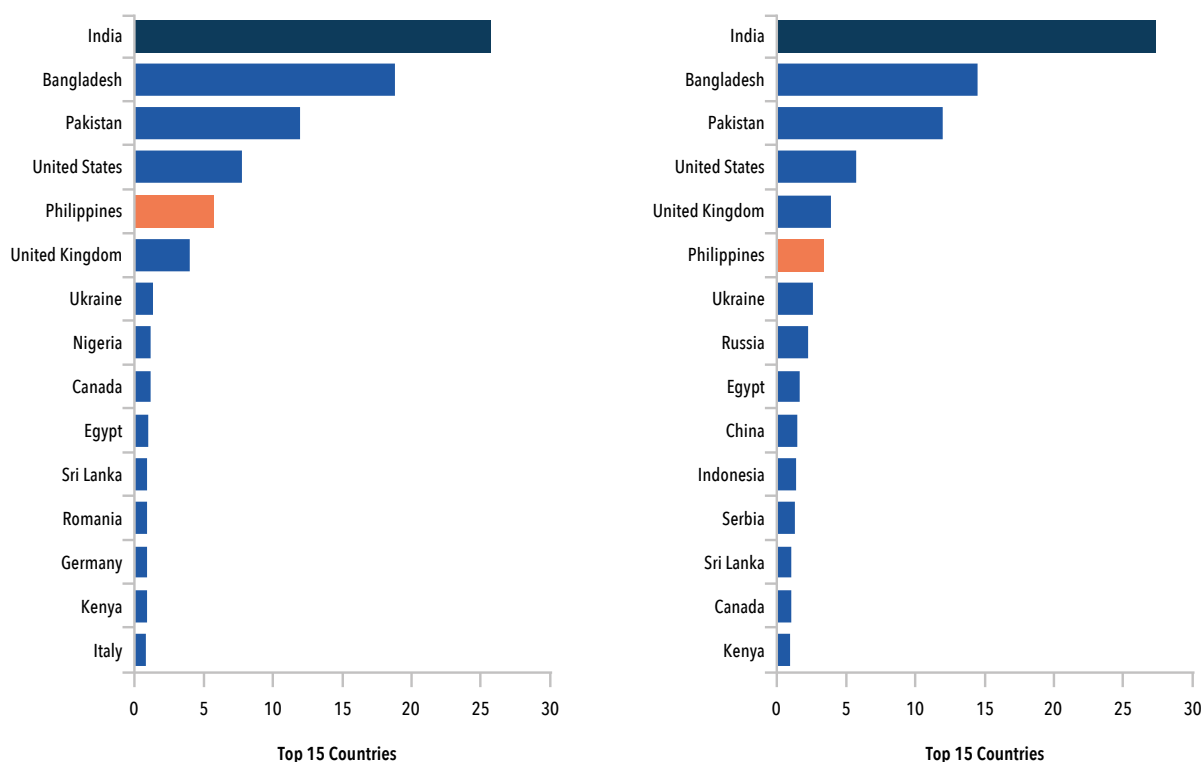
Figure 5.4 Online Labour Index – demand side



Source: Online Labour Index. The snap shot graphs are based on data of June 2022.

¹⁷⁴ Stephany et al. (2021).

Figure 5.5 Online Labour Index – supply side, 2018, 2020



Source: Online Labour Index.

With respect to the supply of freelancing tasks, the Philippines ranks relatively high after South Asian countries (i.e., India, Bangladesh, and Pakistan), the United States, and United Kingdom in 2022 (Figure 5.5). Between 2018 and 2022, India remained on the top with its market share ranging from 25.7 percent in 2018 to 27.8 percent in 2022. The Philippines experienced an overall decrease in the freelancing market share from 5.7 percent in 2018 to 3.5 percent 2022, with Ukraine, Russia, and other countries closely following. It could be in part due to a methodological change as the Online Labour Index started tracking large platforms in Russian and Spanish in addition to English. During this period, the pandemic shook the global labor market massively. For instance, in the U.S., a lot more workers especially better educated ones entered into non-temporary freelancing following the great resignation trend,¹⁷⁵ driving overall freelancing market into high skills gigs especially in software development and technology. Compared with competitors, the Philippine online workforce is more likely to engage in low pay clerical and data entry tasks (13.3 percent of the market share) whereas the labor market share in higher skilled tasks of software development and technology are very limited (at 1.4 percent).

Compared to traditional digital jobs in the technology sector, freelancing offers several advantages in creating better and more inclusive jobs:

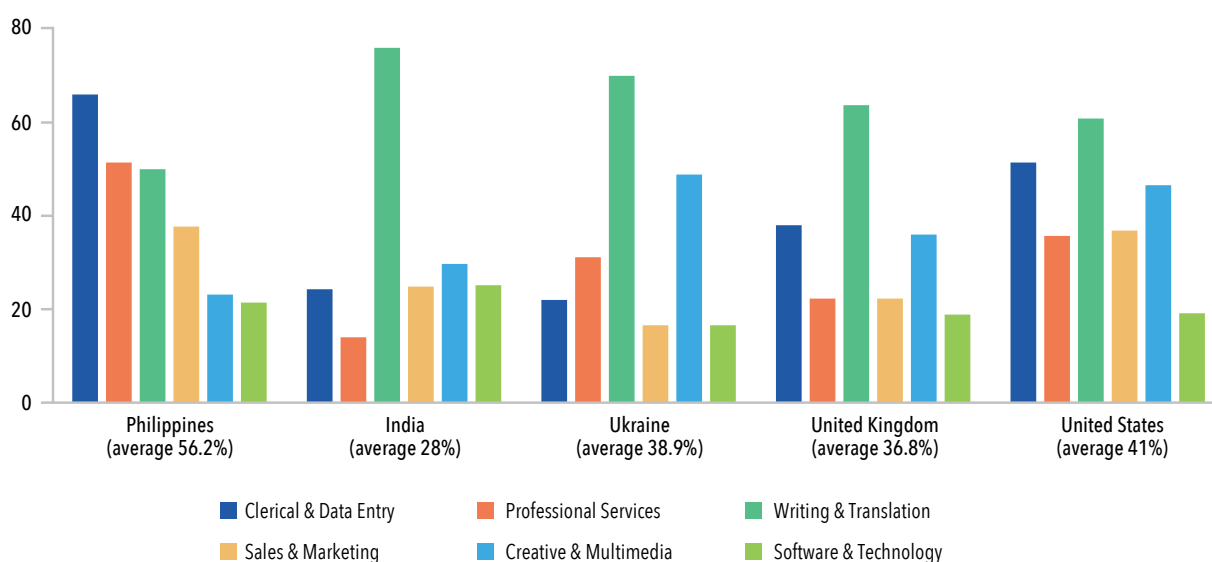
- ◇ First, the vast range of freelancing tasks available means that there is work for almost all levels of skills. Depending on the platform, freelancing ranges from simple image categorization (which requires basic levels of literacy) to sophisticated legal analysis and software programming. Wage levels vary accordingly, as do levels of competition with higher skilled and specialized tasks facing less competition.

¹⁷⁵ World Economic Forum. <https://www.weforum.org/agenda/2022/06/the-great-resignation-is-not-over/>

- ◇ Second, online gig economy permits work to be performed on a flexible schedule as well as in any location as long as the worker has an Internet connection and a computer (or, in some cases, a mobile device). This could provide job opportunities to those who have mobility and time constraints—women, students, people with disabilities, for instance.
- ◇ Lastly, online freelancing links the local supply of talent to the global pool of demand with a large set of potential markets. Although this implies that online freelancers may face greater competition, gaining access to large and diversified markets helps.

The overall share of female workers in the Philippines at 56.2 percent is higher than that of other countries (Figure 5.6). The diverging pattern of female workforce that goes either to very high-end professional work or very low-end services such as clerical work observed in the real labor market appears in the freelancing market as well. The divergence in women’s work in the domestic labor market is observed in the freelancing market as well: female workers in the Philippines tend to work more on low skilled clerical and data entry work; but on a higher end of the skills distribution, their presence in professional services is also higher than other countries. Across these countries, the share of women working on software and technology is very low, indicating the gender segregation of occupations even in the virtual world. Peña and Yao (2022) suggests that online gig work has a great potential to create employment particularly for women in rural areas if device, connectivity, and knowledge gaps can be addressed. In addition to the efforts for internet connectivity (e.g., Free Internet Access in Public Places Act, RA 10929, enacted in 2017), public-private partnership can be useful to address device gaps, provide relevant knowledge, organize cooperatives and agencies to facilitate online business and gig-work.

Figure 5.6 Female share in freelancing work



Source: Online Labour Index.

Sharing Economy

Online platforms also enable peer-to-peer transactions for local and typically non-tradable services, commonly referred to as sharing economy or capital platform (as opposed to labor platform).

The main difference between freelancing and the sharing economy is that for the latter, tasks (good or services) are found online but delivered offline, in many cases in the local economy. Platforms for sharing economy include globally well-known home sharing (e.g., Airbnb) and ride sharing (e.g., Uber) services,

which provide earning opportunities to a number of affiliated workers. In the Philippines, the global platform such as Airbnb and regional ride platforms such as Grab,¹⁷⁶ JoyRide PH, and Angkas (the latter two more prominent in motorcycle ride sharing) have been very active. It is not always straightforward to estimate how many jobs are created from these platforms. The country's Land Transportation Franchising and Regulatory Board (LTFRB) puts a cap on the number of drivers that can register and operate with Grab. About 65,000 drivers are allowed to drive although a smaller number of drivers are actually registered and actively drive daily. However, there are a lot more operators and deliverers working with Grab in addition to drivers.

During the pandemic, many online platforms proliferated and grew significantly in the Philippines, but number of jobs and working conditions require more research. Delivery services are very much prominent such as food (e.g., Food Panda), package or parcels (e.g., Lalamove), and grocery (e.g., Metro Mart). Airbnb's own research shows that during the pandemic, the platform created as many as 160,000 jobs with close to 40,000 listings in the Philippines, and many of the hosts are women and young individuals.^{177,178} Fairwork (2022) reviewed 9 major online platforms operating in the Philippines in their payments, working conditions, terms and conditions in the contracts, communication and management of workers, and recognition of workers representation. While the online platforms provide earning opportunities to many workers, concerns about workers' safety and protection remain similar to challenges in informality.

Digital penetration in real economy (e-commerce)

The use of digital technology is expanding on many fronts, transforming the ways companies do business and transactions, providing them with new digital assets, means of communication and models of customer engagements. It is necessary to consider those areas of activities where digital technologies are reshaping the landscape of work in sectors other than digital industries. The emergence of e-commerce such as Amazon in the U.S. and Alibaba (Taobao.com) in China have changed the way individuals and firms trade goods. At the same time, many traditional firms adopt digital technologies in their business processes and heavily invest in online transactions. Consumers are increasingly engaging in business-to-consumer (B2C) e-commerce, shopping online rather than visiting brick-and-mortar retailers.

The Philippines is also experiencing a massive growth in e-commerce. The PSA defines e-commerce as "The sale or purchase of goods and services, whether between businesses, households, individuals, governments, and other public or private organizations, conducted over computer-mediated networks. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the good or service may be conducted online or offline." In 2021, in part due to huge growth during the pandemic, the Philippines' e-commerce market sales reached approximately \$17 billion, boosted by 73 million online users.¹⁷⁹ The e-commerce market is projected to continue its massive growth. The largest e-commerce platforms include Lazada and Shopee, which provide opportunities to many micro and small enterprises. In addition, social media with its large volume of subscription in the Philippines, also provide a platform for e-commerce. For instance, Facebook has 67 million active users in the country, followed by YouTube (58.5 million), and Instagram (14 million).¹⁸⁰ Many individuals use these social media platforms for their business activities. The Department of Trade and Industry (2022) also highlights the growing volume of e-commerce platforms and transactions as well as related eco-systems such as payments, logistics, and delivery.

¹⁷⁶ The online platform-based ridesharing in the Philippines was started by GrabTaxi, a company from Singapore, in 2013. A year later, Uber came to Manila and became the biggest competitor for the Grab platform. In 2015, GrabTaxi changed its name to Grab and started various other services such as Grab Car, Grab Food, and Grab Mart. Meanwhile, Uber left the Philippines in 2018 after its decision to leave the Southeast Asia region, in part due to challenges including in the Philippines such as the Land Transportation Franchising and Regulatory Board (LTFRB)'s suspension of Uber's operation.

¹⁷⁷ Manila Bulletin, <https://mb.com.ph/2021/05/02/airbnb-ph-among-asia-pacifics-top-hosts-amid-pandemic/>

¹⁷⁸ HN. <https://www.hospitalitynet.org/news/4106659.html>

¹⁷⁹ Datareportal. Digital 2021: Philippines. <https://datareportal.com/reports/digital-2021-philippines>

¹⁸⁰ Ibid.

The growth of e-commerce is anticipated to have a direct and indirect effect on job creation. World Bank (2019) investigating the impact of e-commerce growth in China found that it provided important earning opportunities to micro and small businesses in rural areas. Alibaba is the largest e-commerce platform in China, which led an explosive growth in online transactions in the country. The company developed e-commerce clusters at the local level, that is, in Taobao villages, where people can develop e-commerce production, logistics, and retail. The case of Taobao village shows three main channels through which jobs are created: by fostering entrepreneurship (such as self-employed e-shop owners); by creating jobs directly related to e-commerce (such as e-shop workers as well as jobs that directly serve e-shops, such as website designers, e-shop models, and e-shop photographers); and by creating jobs indirectly related to e-commerce with linkages upstream or downstream (such as logistics services, materials and intermediate input providers to e-shops, and the like). About half of the entrepreneurs on Alibaba platforms are women, in contrast to the national share of female entrepreneurs at one quarter, and three-quarters of rural e-tailers are 20-29 years old.

Digital Skills and Workforce Development

Increasingly digitalized tasks in regular jobs as well as digital jobs demand more digital skills among the workforce. A joint 2020 report by the Asia-Pacific Economic Cooperation, LinkedIn, and Burning Glass found that 70 percent of the postings in the economies analyzed were for digital occupations.¹⁸¹ Analysis of the employment rates of individuals possessing digital skills showed a 2.6 times increase in hiring across this group from 2016 to 2019. The report further noted that while the pandemic led to a hiring slowdown in the first quarter of 2020, the strong demand for digital skills persisted alongside the pandemic—with the average digital hiring rate in March 2020 being 1.4 times greater than the corresponding figure a year earlier. Remuneration for digital jobs was moreover higher than for non-digital occupations (APEC 2020). In their Future of Skills report, LinkedIn (2019) found that the skills seeing demand three times greater than the rest of the talent base were tech-dominated, including front-end web development, blockchain, and artificial intelligence. Not only the increased demand from digital jobs but also traditional jobs require digital proficiency and skills (World Bank, 2020). Moreover, green jobs—decarbonizing activities also in large part require digital skills.

Digital skills broadly encapsulate the ability to effectively navigate digital technologies in order to access and manage information. Digital skills are needed by citizens and by non-ICT professions. The European Union (2017) DigComp 2.1 Digital Skills Competence Framework and its later adaptation in the UNESCO Institute for Statistics (UIS) 2018 Digital Literacy Global Framework lays out competence areas and proficiency for all levels of digital skills. Under this framework, digital skills refer to the individual capacity to access, manage, understand, integrate, communicate, evaluate, and create information safely and appropriately, using a variety of digital technologies. It also covers skills from foundational to highly specialized skills.¹⁸²

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 (Table 5.1). At the foundational level, individuals should be able to use technology and digital devices to perform basic tasks. They include: using social media to advertise products; using basic arithmetic formula in a spreadsheet; sending and receiving emails; using search engine to find relevant information and making presentation; and transferring and storing files. At the intermediate level, in addition to foundational level skills, workers should be able to independently demonstrate use of more professional software and technologies for analysis, creation, management, and design, for example engineers using modeling software and architects using design software. The advanced level refers to the specialized ICT

¹⁸¹ The countries covered in the report include the United States, Australia, New Zealand, Singapore, Canada, Mexico, Malaysia, Indonesia, China, Canada, and Australia.

¹⁸² The proposed modification by the UIS in 2018 was motivated by a desire to better account for developing country contexts and more closely align with the Sustainable Development Goal on Digital Literacy (World Bank 2020a, 2021a).

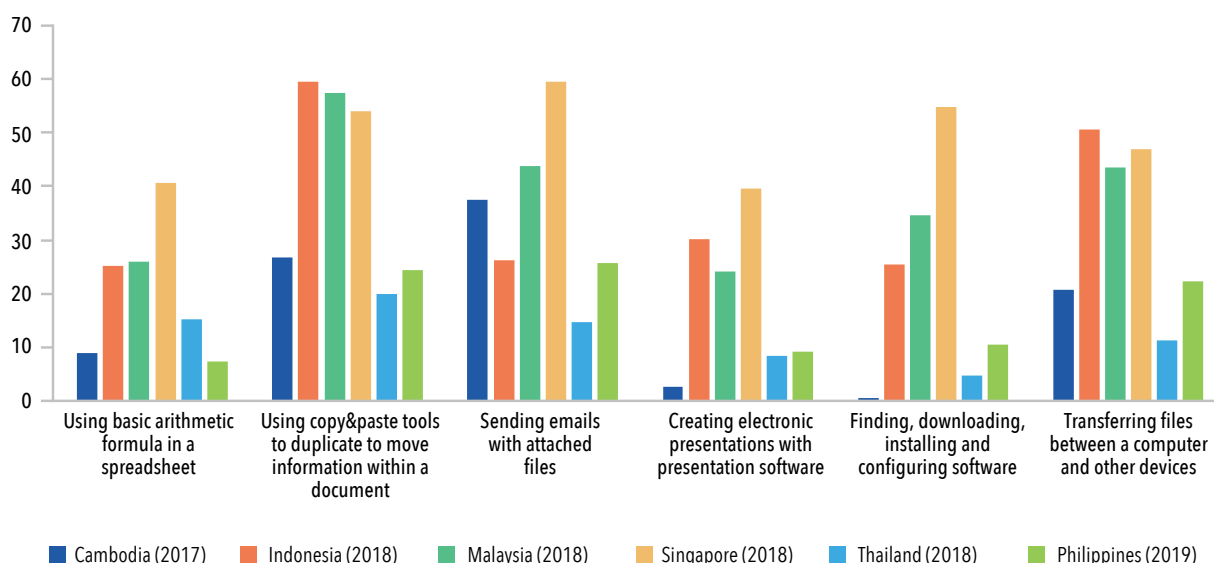
skills such as computer programming, software design, managing cybersecurity, and data science using big data analytics and artificial intelligence, and workers with this level of skills should be able to provide guidance to others. Finally, highly specialized skills should be able to resolve complex and multi-disciplinary problems, such as digital business analytics and machine learning, and virtual reality and robotics.

Table 5.1 Digital skills framework

Domains	Proficiency Levels	Examples of skills
1. Devices and software operation 2. Information and data literacy 3. Communication and collaboration 4. Digital content creation 5. Safety (e.g., cybersecurity) 6. Problem solving 7. Career related competencies	Foundational (levels 1-2): with guidance, deal with simple tasks that involve remembering contents and instructions	1. Functional use of digital devices 2. Online communication via emails 3. Using software for presentations, basic spreadsheet use 4. Finding, managing, and storing digital information and content (e.g., social media)
	Intermediate (levels 3-4): independently deal with well-defined routine and nonroutine problems that involve understanding contents	1. Using professional software for analytics, accounting, project management 2. Digital marketing, social media analytics 3. Web design, graphic design
	Advanced (levels 5-6): independently deal with and provide guidance to others on different tasks and problems that involve applying and evaluating content in complex situations	1. Computer programming 2. Cloud computing, network management 3. Artificial intelligence 4. Data science, big data analytics 5. Cyber security 6. Web development
	Highly specialized (levels 7-8): resolve complex problems with moving pieces, guide others, contribute to professional practices and propose new ideas to the field	1. Augmented reality/virtual reality/cognitive science 2. Digital business analytics 3. Machine learning

Sources: World Bank (2020a: 9; 2021a: 42), adapted from European Union (2017) and UNESCO Institute for Statistics (2018), Cunningham et al. (2021).

Figure 5.7 Regional comparisons of proportions of youths and adults with ICT skills



Source: World Bank (2022). Data for the Philippines are from National ICT Household Survey 2019, Department of Information and Communications (DICT) and PSRTI, <https://dict.gov.ph/ictstatistics/nichs2019/>. Data for all other countries are taken from UN Global SDG Database, <https://unstats.un.org/sdgs/indicators/database/>.

Surveys indicate that the Philippine workforce lags behind its regional peers in foundational digital skills (Figure 5.7).¹⁸³ The share of individuals who can use a copy-and-paste function to duplicate or move information within a document was less than a quarter in the Philippines whereas Indonesia shows close to 60 percent. It further finds that only 25.8 percent among youth and adults have the basic ICT skills to send e-mails with attached files, while less than 1 in 10 can use basic arithmetic formulae in a spreadsheet or create electronic presentations with presentation software. An analysis from the 2019 National ICT Household Survey (NICTHS) reveals that over a quarter of individuals in the Philippines do not use the Internet because they do not know how to use it. Such findings are consistent with other similar studies and quite surprising given the country's large social media presence. The International Institute for Management Development (IMD) World Digital Competitiveness Ranking 2022, based on the measurement of knowledge (e.g., quality of education, digital skills, R&D spending), technology (e.g., doing business indicator, banking and financial services, and internet connectivity) and future readiness (e.g., smartphone ownership, use of big data and analytics in business, cyber security) of 64 economies shows that the Philippines ranked 62th on knowledge, 49th on technology, and 58th on overall readiness.

Digital skills require sufficient proficiency in foundational literacy and numeracy skills and cut across the overarching framework of cognitive, socio-emotional, and technical skills. The development of digital skills does not progress in a vacuum. In order to advance their digital skills, an individual must be sufficiently well-versed in foundational literacy and numeracy skills. In addition, digital skills are embedded across the three core components identified in the World Bank overarching skills framework, comprising cognitive, socio-emotional, and technical skills (World Bank 2021a). A study that investigated the skills demand from job matching platforms revealed that a similar level of cognitive and socio-emotional skills was required even for digital jobs, and there is a strong correlation between basic digital skills and cognitive and socio-emotional skills (Cunningham et al. 2021). Thus, strengthening the analog foundation including skills is critical in unlocking the gains from digitalization as the World Development Report on Digital Dividends (World Bank 2016) highlighted, and overall development in cognitive, socio-emotional, and digital skills are necessary.

In the Philippines, efforts to strengthen digital skills development throughout all levels of education and training are emerging (World Bank 2022). The Public Schools of the Future in Technology (PSOFT) Act that “aims to harness technological innovations, processes, and instruments in facilitating teaching and learning processes that would enhance the performance of students and teachers,”¹⁸⁴ was passed in the House of Representatives in December 2021 and awaits final enactment. For youth who will transition from school to work, higher education and TVET are actively developing plans to foster digital skills and deliver classes and training digitally. The Commission on Higher education (CHED) is also developing a mid-term digital transformation strategy for higher education to enhance digital skills. In light of the COVID-19 pandemic and the unprecedented disruption to employment stability, TESDA implemented many online training courses and renewed its focus on strengthening the digital skills of the Filipino workforce, including through the Go Digital ASEAN program. At the foundational level, DepEd launched the Digital Rise Program to enhance digital literacy, basic programming skills, and ICT-assisted learning for K-12 basic education. At the same time, skills qualification and accreditation should be strengthened to reflect digital skills and proficiency and enhance the portability of skills, i.e., employable skills that can be used productively in different jobs, occupations, and industries within the country and also internationally. Currently, the PQF has limited information about digital skills as discussed above, and can be further strengthened including through micro-credentials to facilitate lifelong learning and skills mobility.¹⁸⁵ Continued activities of developing a new framework (e.g., the Philippine Skills

¹⁸³ UN Global Sustainable Development Goal (SDG) Database shows the SDG Indicator 4.4.1 (skills for a digital world), which identifies a set of needed ICT skills in youth and adults.

¹⁸⁴ Philippine News Agency, <https://www.pna.gov.ph/articles/1161496#:~:text=10329%2C%20or%20the%20Public%20Schools,bill%20nor%20abstained%20from%20voting.>

¹⁸⁵ World Bank (2021a).

Framework),¹⁸⁶ evaluating previous plans (e.g., National Technical Education and Skills Development Plan) and learning from it, and developing cohesive and actionable plans and regulations (e.g., IRR of the Philippine Digital Workforce Competitiveness Act) will help the government make a conducive environment for digital skills development.

Along with efforts for digital work force development, social protection measures for them receive policy attention. The major challenge comes from the fact that many freelancers and contractors in the gig economy, sharing economy, and e-commerce do not establish standard employer-employee relationships. A prominent case is the disputes in many countries whether Grab or Uber's drivers and operators are employees or not. The online platforms argue that they are technology firms, not in transportation businesses, whereas the features such as pre-defined contractual arrangements of wage payments, code of conduct, and power of dismissal and control make the distinction between employers and online platforms blurred (Moraga-Galvez, 2018; McKinsey Global Institute). A recent court ruling in September 2021 in the Netherlands, for instance, determined that Uber drivers should be the company's employees, subjecting them to standard labor regulations and social insurance policies similar to the taxi sector (Reuter, 2021).¹⁸⁷ Similar disputes and legal cases have taken place and are ongoing in various parts of the world. While promoting workers' protection and benefits, such a ruling raises concerns that it may undermine the online platforms' ability to create jobs and provide flexibility to workers. In fact, Grab drivers and operators in Metro Manila area in the Philippines indicated that they had a partnership with the online platform instead of an employment contract, chose to be part of that partnership to earn extra incomes while holding other jobs, often worked long or odd hours without a clear boundary of work and life, and were not required to contribute to social insurance, indicating the dichotomy of formal and informal employment is not applicable here (Moraga-Galvez, 2018).

Some measures have been proposed to provide protection for workers in the gig economy in the Philippines. In 2021, DOLE carried out a review of the practices and fee structure by food delivery platforms that are imposed on workers rather than being discussed and negotiated with them, and issued an advisory entitled as "Working Conditions of Delivery Riders in Food Delivery and Courier Activities." The advisory did not provide a verdict whether delivery riders and courier operators should be employees or contractors, but did open the possibility that each worker could pursue a case-by-case review on the employer-employee relationship. In September 2022, the Freelance Workers Protection Act, consolidating a few legal measures, that require firms to provide mandatory hazard pay and night shift differential pay, was approved at a House labor and employment committee's hearing bringing the bill one step closer to an enactment.¹⁸⁸

Policy Discussions

There are several areas where policies can further promote the creation of green and digital jobs in the Philippines in addition to ensuring macroeconomic stability and good investment climate for continued growth and the overall fitness of the economy. Given the labor market challenges faced by youth, aggravated by the pandemic, such policy efforts should prioritize the youth group in their skills development. Some promising interventions worth considering are summarized as follows:

¹⁸⁶ The Philippine Skills Framework is an initiative launched in June 2021 to link the government, industry, and academe for workers' skills development, benchmarking the similar model in Singapore.

¹⁸⁷ Reuters. Uber drivers are employees, not contractors, says Dutch court. <https://www.reuters.com/world/europe/dutch-court-rules-uber-drivers-are-employees-not-contractors-newspaper-2021-09-13/>

¹⁸⁸ Philippines News Agency. <https://www.pna.gov.ph/articles/1184007#:~:text=The%20bill%20aims%20to%20promote,and%20night%20shift%20differential%20pay.>

Green Technology Center as a green TVET hub. The Green Technology Centers by TESDA currently envision to serve as a hub for fostering public private partnerships and capacity building for green TVET. This is an important initiative to execute the National Green HRD plan. While at a nascent stage, small scale initiatives can be planned, focusing on a few specific sectors such as construction and logistics.

Tax incentives for green jobs. Operationalizing the GJA and other relevant incentives for firms can be expedited to promote green activities. Finalizing the practical criteria and establishing the mechanism for tax incentives with clear operational procedures and right institutional arrangements should be done in a timely manner. The operational procedures should specify the eligibility criteria; application, verification, and certification process; benefit mechanism (e.g., deduction, refund); 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 under GJA and CREATE are administered. If the design is complex, these incentives may risk leaving micro and small enterprises behind while prioritizing larger firms. On the other hand, if eventual tax benefits are small and process is cumbersome, the scheme may not attract major firms that generate jobs. For streamlined and transparent process, it is critical to establish an online system and link it to existing systems in the Bureau of Internal Revenue (BIR).

Targeted active labor market programs. Major initiatives during the pandemic to support firms while maintaining workers' jobs included wage subsidies (CAMP and SBWS) as discussed in Chapter 2. These programs can be further strengthened by targeting specific populations, prioritizing promising green and digital sectors, and making investments beyond one time transfer. The linkages between skills training and existing initiatives such as public employment service (through Philippine Employment Service Office [PESO]), wage subsidies, and internship and apprenticeship programs, should be strengthened. Many skills development programs and initiatives by multiple government agencies can benefit from common quality assurance and M&E systems as well as accreditation and qualification mechanisms. Modernizing labor market information systems to monitor market demand for and supply of labor in a more dynamic manner will greatly help make active labor market programs more effective.

Economic zones for green and digital job creation. Just as special economic zones are promoted for firms in export-oriented manufacturing, IT-BPM, or logistics sectors, green and digital economic zones can be developed. Special economic zones provide a favorable business and investment environment. They often come with favorable tariffs and tax incentives, foreign investment, and quality infrastructure such as electricity, Internet connectivity, and other building facilities that are needed for firms. Ease of coordination with other firms in similar value chains and economies of scale are part of the benefits of economic zones. While the success of such special economic zones has varied across countries, and also within the Philippines, green and digital economic zones are worth considering. For instance, China's eco-industrial park (low-carbon industrial park) and circular transformation of industrial park programs that promote the development of industrial parks and special economic zones for the green economy produced promising results on reducing carbon emission, shifting to green activities, and creating jobs (Global Green Growth Institute, 2017).

Green entrepreneurship and public works. Business training and entrepreneurship support are a widely used policy option to promote business growth and job creation (McKenzie and Woodruff, 2013). This can be applied to green business activities and livelihoods. 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 building skills. For instance, Fiji's jobs for nature initiative is an example where the vulnerable populations in disadvantaged communities find public works and skills training in wetlands protection, riverbank rehabilitation, coastal bank protection and biodiversity enhancement.

The Philippines' TUPAD public works scheme during the pandemic can be expanded to a broader menu of projects including green activities. For example, the program can facilitate the working and training of at-risk youth and displaced workers in environmentally friendly careers such as agro-forestry, waste management and sanitation, clearing/clean up in the aftermath of a disaster or calamity, and flood mitigation to strengthen community resilience.

Social protection for the digital workforce. Whether gig workers are employees or contractors is a contentious issue, and the answer varies by the context. The Philippines is not an exception. A disagreement in the fee structure and its adjustment created a tension between online food delivery platform and its riders, and this led DOLE to issue an advisory guiding the working conditions of delivery riders in 2021. Efforts to enhance worker protection through legislative measures (e.g., Freelance workers' protection act) combined with advisories and regulations based on the review of working conditions and issues of disputes show the right direction. However, as discussed in Chapter 3, beyond introducing labor laws and regulations, evaluation of incentive compatibility and enforcement of such requirements are critical. Moreover, interventions for worker protection can be strengthened, for instance by expanding the coverage of social insurance to gig workers and providing skills development opportunities in collaboration with online platforms.

Jobs and skills measurement and gap analysis. Enhancing the measurement on skills anticipation estimation and identification of new/emerging jobs in priority sectors – both green and digital sectors and skills– is important. What new skills need to be developed, and what are the implications for education and training systems? How many people need to be trained in what skills in a green and digital economy? A lack of data on green occupation and skills demands hinders the objectives of reskilling workers on green jobs, for instance. Close collaboration among DOLE, training/education agencies, agencies that implement green investment/stimulus (e.g., Department of Energy, DTI) as well as employers' and workers' associations is critical in understanding demands on green jobs, occupations, and skills, quantifying them through collaborative data collection and sharing. Likewise, analysis of demand for digital skills for various tasks beyond the digital sectors based on job intermediation sites (e.g., PhilJobNet) and labor market information system, as well as records from local PESO services will be useful to understand the skills needs and gaps. Specific industry-occupation level data can be constructed on volume, type, and demand projection of employment in green jobs and digital tasks, to identify skills gaps and inform human resource development and support job matching and intermediation. Finally, nationally representative data such as Labor Force Surveys and Enterprise surveys can also carry out a rider survey specific to green and digital areas to help monitor the jobs in those sectors.



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