Primer on

LFS
Labor Force Survey

- **Concepts**
- **Definitions**
- **Measurements**
- **Data Limitations**
- **Data Interpretation**
- **Questions and Answers**

Republic of the Philippines
BUREAU OF LABOR AND EMPLOYMENT STATISTICS
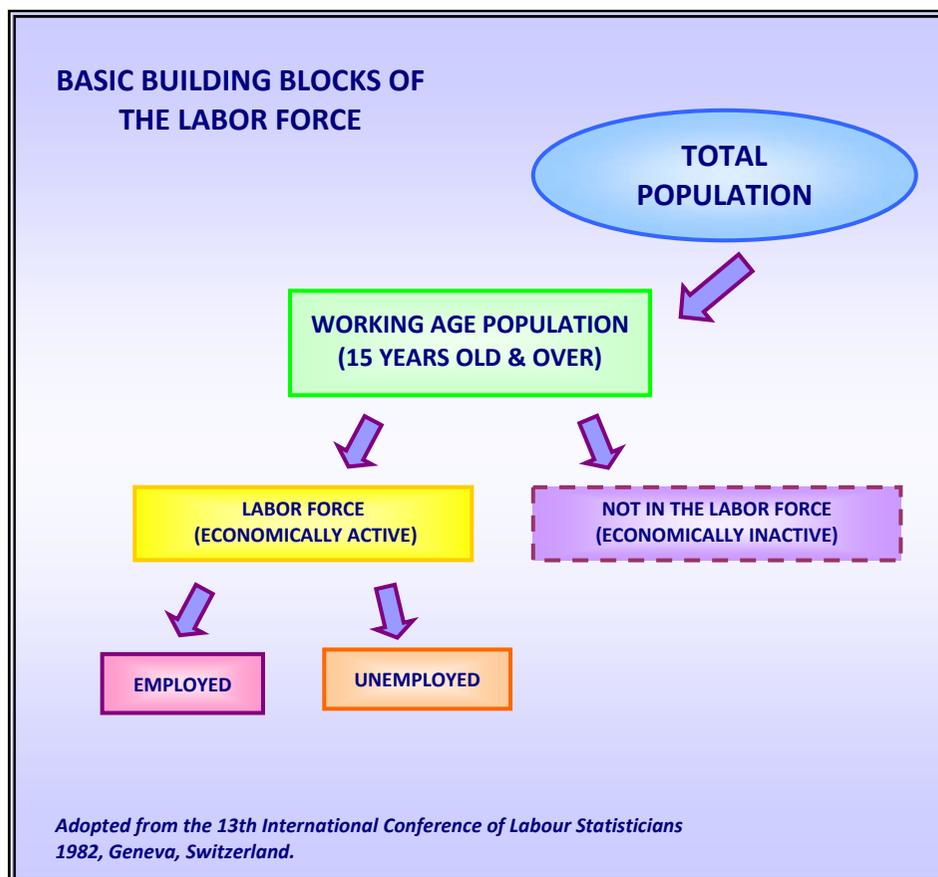*in collaboration with the*
NATIONAL STATISTICS OFFICE

ISO 9001:2008 Certified

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Primer on Philippine Labor Force Survey (LFS)

Collecting Agency	:	**National Statistics Office (NSO)**
Method of Data Collection	:	**Sample survey**
Responding Unit	:	**Household**
Frequency of Data Collection	:	**Four times a year** *(January, April, July and October)*
Reference Period	:	**Past week**
Sample Size	:	**51,000 households**
Concepts and Measurements	:	**Based on international standard** *Resolution Concerning Statistics of the Economically Active Population, Employment, Unemployment and Underemployment.* *Adopted during the 13th International Conference of Labour Statisticians (ICLS), 1982, Geneva, Switzerland.*
Dissemination of Results	:	**Press release - 45 Days after reference month (Preliminary) at NSO Website: www.census.gov.ph** **Six (6) months after reference period (Final)**

OBJECTIVE OF THE SURVEY

To monitor the changes in the employment status of persons in the working age population (employed, unemployed and not in the labor force) during a specified time period.

- using a particular framework known as the "Labor Force Framework".

BASIC BUILDING BLOCKS OF THE LABOR FORCE

TOTAL POPULATION

WORKING AGE POPULATION (15 YEARS OLD & OVER)

LABOR FORCE (ECONOMICALLY ACTIVE)

NOT IN THE LABOR FORCE (ECONOMICALLY INACTIVE)

EMPLOYED

UNEMPLOYED

Adopted from the 13th International Conference of Labour Statisticians 1982, Geneva, Switzerland.

CONCEPTS, DEFINITIONS AND MEASUREMENTS

1. **WORKING AGE POPULATION**

   Household population 15 years old and over:

   a) Persons who are present at the time of visit whose usual place of residence is the sample household regardless of their length of stay in the household;

   b) Persons who are not present at the time of visit but are expected to return within 30 days from date of departure to their usual place of residence, which is the sample household;

   c) Persons who are present at the time of visit whose usual place of residence is outside the sample household but have stayed temporarily with the sample household for at least 30 days;

   d) Persons who are present at the time of visit whose usual place of residence is outside the sample household but have stayed with the sample household even for less than 30 days provided that they have been away from their usual place of residence for 30 days or more;

   e) Students abroad/tourists who have been away for one year or less and are expected to be back within a year from date of departure. These also include those attending training abroad, medical treatment and missionaries.

2. **LABOR FORCE**

   Persons 15 years old and over who were either employed or unemployed.

   Not in the Labor Force

   Persons 15 years old and over who are neither employed nor unemployed *e.g., full-time students, stay-home housewives, retirees, etc.*

3. **WORK**

   Any economic activity that a person does for pay in cash or in kind, in any establishment, office, farm or private home; for profit; or without pay in family farm or enterprise; or on exchange labor for another's farm.

4. EMPLOYED PERSONS

Persons 15 years old and over who during the reference period were reported at work even for an hour.

Also included are:
Persons <u>with a job/business even though not at work</u> because of temporary illness/injury, vacation or other leave of absence, bad weather or strike/labor dispute or other reasons. Likewise, persons who are expected to report for work or to start operation of a farm or business enterprise within two weeks from the date of the enumerator's visit are considered employed (future starts).

Note: Future starts are considered as unemployed in the international standard.

PERSON IN FULL-TIME EMPLOYMENT
A person who works 40 hours or more during the reference week.

PERSON IN PART-TIME EMPLOYMENT
A person who works less than 40 hours during the reference week.

5. UNDEREMPLOYED PERSONS

Employed persons who want additional hours of work in their present job; or to have additional job; or a new job with longer working hours.

2 TYPES OF UNDEREMPLOYMENT

1. <u>**Visibly Underemployed**</u>

   Underemployed person who worked <u>*less than 40 hours*</u> during the reference week.

2. <u>**Invisibly Underemployed**</u>

   Underemployed person who worked <u>*40 hours or more*</u> during the reference week.

6. UNEMPLOYED PERSONS

Persons 15 years old and over who simultaneously satisfy the following three (3) criteria:

- without work or had no job/business;
- looking or seeking work; and
- currently available for work during the basic reference period or within two weeks after the interview date.

  <u>Also included</u> as part of the unemployed are those persons who were jobless and available for work but <u>did not look for work</u> due to the following valid reasons:

- belief that no work was available *(discouraged unemployed);*
- temporary illness/disability;
- bad weather;
- awaiting results of previous job applications; and
- awaiting for rehire/job recall.

7. NEW ENTRANTS TO THE LABOR FORCE

Employed persons who worked for the first time and unemployed persons who looked for work for the first time.

<u>MEASURES OF LABOR MARKET PERFORMANCE</u>

1. ***Labor Force Participation Rate (LFPR)***
   LFPR = (Labor Force ÷ Household Population 15 years old and over) x 100

   *Note: **For purposes of determining LFPR, household population 15 years old and over excludes OFWs and employees in Philippine embassies, consulates and other missions. (See Question 5)***

2. **Employment Rate (ER)**

ER = (Employed Persons ÷ Labor Force) x 100

3. **Underemployment Rate (UER)**

UER = (Underemployed Persons ÷ Employed) x 100

4. **Unemployment Rate (UR)**

UR = (Unemployed Persons ÷ Labor Force) x 100

Note: ER + UR = 100%

LIMITATIONS OF LFS DATA

1. **Short reference period**

The LFS provides only a "snapshot" or the "stock" of economically active persons in the country at a particular point in time because it uses a short reference period i.e., "past week".

It is not strictly coherent with the National Accounts statistics (e.g., Gross Domestic Product or GDP) that uses "past *quarter*" as reference period and measures the "flow" of goods and services over a longer period.

2. **Data reliability subject to proxy respondents**

All household surveys are subject to the problem of proxy respondents which affect the accuracy of the data.

3. **Absence of provincial data**

The current design and sample size of the LFS was intended to generate only regional data. To generate provincial data, it will require increasing the sample size that will entail additional cost.

4. **Break in the data series**

Due to changes in reference period, coverage and population projection benchmark, among others. the latest comparable data series starts from 2006. This series is not comparable with the previous data series.

Data Series	Reason for Break in Data Series
2006 to present	Adoption of population projection benchmark based on the results of the 2000 Population Census.
1997 - 2005	Approval and adoption of new unemployment definition based on international standard per NSCB Resolution No. 15 series of 2004 starting April 2005 survey round. Adoption of population projection benchmark based on the results of the 1995 Population Census.
July 1987 - 1996	Shift in reference period from past quarter to past week.
1976 - 1987 (First Qtr.)	Shift in reference period from past week to past quarter. Shift in labor force coverage from 10 years old and over to 15 years old and over. Adoption of population projection benchmark based on the 1980 Population Census starting with 1981 fourth quarter survey.
1956 – 1976 (August)	Past week reference period and covered population 10 years old and over.

GUIDELINES IN USING LFS DATA

1. Never use the term "JOB" as synonymous to EMPLOYMENT.

LFS is counting *people at work* and not number of *"jobs"*.

Job is *an activity* that a person does for a living:

- a set of *tasks* and *duties* which are carried out by, or can be assigned to, one or more persons.

- a person can be counted several times depending on the number of jobs held.

Employment refers to *persons or individuals at work*:

- *the LFS counts persons at work not jobs;*

- *in the LFS, a person can be counted only once regardless of the number of jobs he/she held.*

2. The Philippine labor force series is subject to seasonal factor:

- The data series usually peaks during the month of April due to vacationing students and new graduates entering the labor market.

- Comparison of data should strictly be made on a "year-on-year basis" :

January 2010	vs.	January 2009
April 2010	vs.	April 2009
July 2010	vs.	July 2009
October 2010	vs.	October 2009

- Comparison of data should never be made between consecutive survey rounds (e.g., July 2010 vs. April 2010) as the data are not seasonally adjusted.

3. The official annual labor and employment statistics are derived by averaging the quarterly LFS data

This is the closest method for monitoring the flow of labor services; it captures the labor and employment situation in all four quarters of the year rather than one single round estimate. It has an implicit weighting method for determining persons who were reported at work each round of the LFS.

This approach was arrived at after thorough review, discussions and consultations with experts on its pros and cons relative to other methodologies, i.e. adopting the October estimates, ILO interpolation method and average of the deseasonalized estimates of the four survey rounds.

The Official Methodology for Generating Annual Labor and Employment Estimates was approved in 2009 through NSCB Resolution No.9 series of 2009 Approving and Adopting the Official Methodology for Generating Annual Labor and Employment Estimates.

KEY EMPLOYMENT INDICATORS

INDICATOR	2010 [P] (000)	2009 (000)	Increment (000)	Year-On-Year Change (%)
Household Population 15 Years Old and Over	60,717	59,237	1,480	2.5
Labor Force	38,894	37,892	1,002	2.6
Employed	36,035	35,061	974	2.8
Unemployed	2,859	2,831	28	0.9
Underemployed	6,762	6,692	70	1.0
Visibly Underemployed [1]	*4,015*	*4,135*	*(120)*	*(2.9)*
Summary Performance				
Employment Growth (%)	2.8	2.9		
Unemployment Rate (%)	7.4	7.5		
Labor Force Participation Rate (%)	64.1	64.0		
Underemployment Rate (%)	18.8	19.1		

Note: Annual data are averages of the four LFS survey rounds (Jan., April, July, October).
P Preliminary.
1 Includes visibly underemployed persons with jobs but not at work during the reference period.
Source of basic data: National Statistics Office, Labor Force Survey.

Frequently Asked

QUESTIONS

Question 1: *What is the basis for the <u>one hour criterion</u> in the operational definition of employment?*

Answer:

- The "one hour" criterion in measuring employment is an international standard adopted in all countries that conduct Labor Force Surveys. According to the International Labor Office (ILO), this concept is fundamental in defining unemployment which is *"a situation of total lack of work i.e., the person did not work at all during the reference week **not even for one hour"***.

- In the Philippines, the share of employed persons working one hour per week to total employed persons is **virtually nil or negligible.** They comprised **one tenth of one percent** (0.1% or 30,000) of 35.061 million employed persons based on 2009 annual data. Note that even if the "one hour" criterion is raised substantially to 8 hours, the proportion to total employment will only be less than two percent (1.6% or 570,000) during the same year.

Indicator	Number (000)	Percent
TOTAL EMPLOYED	**35,061**	**100.0**
Worked for <u>one hour</u> during the past week	30	0.1
Worked for <u>8 hours</u> during the past week	570	1.6

Note: Data are averages of the four 2009 LFS survey rounds (January, April, July, October).
Source of basic data: National Statistics Office, Labor Force Survey - Public use Files.

- In the Labor Force Framework, the definitions of employment and unemployment are interrelated. Increasing the minimum hours of work to more than one hour in the definition of employment would result in distorting the concept of unemployment such that:

  a) Unemployment would no longer mean *"a situation of total lack of work"*; and

  b) The number of unemployed will now include persons who did some work or rendered some hours of work.

Perhaps even more interesting is the data which showed that a vast majority (71.8% or 21,000) of those who worked one hour a week expressed no desire for more hours of work and almost all did not look for additional work. This could mean that for many of them the decision to work only one hour a week is a "conscious choice" or voluntary on their part.

Indicator	Number (000)	Percent
Worked for <u>one hour</u> during the past week	**30**	**100.0**
1. Want more hours of work	8	28.2
2. Did not want more hours of work	21	71.8
- Looked for additional work	*a*	0.4
- Did not look for additional work	21	71.5

Notes:
1. Data are averages of the four 2009 LFS survey rounds (Jan., April, July, Oct.).
2. Percentage distribution is based on figures which were not rounded off.
a Less than 100.
Source of basic data: National Statistics Office, Labor Force Survey - Public Use Files.

- A closer look at the profile of this group of workers indicated that majority were women (52.3%) and in the age groups 25-54 years old (43.8%) and 55 years old and over (38.6%). Most were self-employed (54.7%); predominantly engaged in activities related to agriculture, fishery and forestry (33.2%), real estate, renting and business activities (21.5%) and trade (13.2%).

- It should be emphasized that data on employment by hours of work provides only a snapshot of the "quantity" of employment being generated and does not give a complete picture of the labor market situation. To be meaningful, it should be complemented by other indicators that can monitor the changes in the "quality" of employment. This should always be the case as <u>many poor regions of the country do not suffer from lack of employment, but rather from the low quality of employment i.e., low productivity and poor remuneration</u>. A good starting point is to examine changes in employment across sectors or sub-industries, by class of worker, trends in labor productivity and trends in the working poor.

Question 2: **What is the reason behind the adoption of the new unemployment definition?**

Answer:

- The purpose of the new definition is to make the Philippine unemployment data **internationally comparable** - by the adoption of a definition based on international standard widely used across nations, including all of the Asian and Pacific regions.

- The new definition introduces **"availability"** as the third criterion in addition to the two criteria in the old definition, namely: (1) without work and (2) seeking work. All three criteria should be satisfied simultaneously for a person to be classified as unemployed.

- The addition of the availability criterion reduces unemployment rate by as much as two (2) percentage points - since it now excludes from the count *all persons not currently available for work* because they *exert no pressure in the labor market.*

- They are excluded because given work opportunities, they are **not ready or willing to take up work** in paid employment or self-employment during the reference week or within two weeks from interview date due to certain *impediments which are mostly temporary in nature* such as temporary illness, waiting for the school term to finish or family responsibilities, etc.

- By definition, this category of persons are considered **not in the labor force** or **economically inactive** precisely because they do not exert pressure in the labor market.

- Studies show that they **do not remain unavailable for a long period** and join the labor market once the impediments are gone. Hence, there could be **no meaningful intervention program** for them since their being unavailable for work is temporary in nature.

- The new definition provides a better benchmark data for setting target beneficiaries because it excludes persons who will not accept work offers or opportunities because they are not willing and available to work due to the impediments mentioned earlier.

Question 3: **Why is unemployment rate low in many poor regions of the country?**

Answer:

- Unemployment rate is low in many poor regions of the country because the **more serious problem in these regions is underemployment** as can be observed in Regions IV-B, V, X and Caraga. In Region V, for instance, unemployment rate in 2010 was placed at only 5.9% but underemployment rate stood at 36.8%. (See table below)

- In contrast, unemployment rate in developed regions such as NCR and Region III are often higher than the national average but this is accompanied by a lower incidence of underemployment.

- In poor regions, people cannot afford not to work for a prolonged period. With no jobs available, they create their own employment (self-employment) which is often of low quality both in terms of income and productivity. Studies have shown that poverty is highly correlated with underemployment than unemployment.

REGION	Unemployment Rate (%)	Underemployment Rate (%)
PHILIPPINES	**7.4**	**18.8**
National Capital Region	11.5	11.9
Cordillera Administrative Region	5.1	15.7
Region I - Ilocos Region	8.5	14.8
Region II - Cagayan Valley	3.7	14.7
Region III - Central Luzon	8.8	9.1
Region IVA - CALABARZON	9.5	17.4
Region IVB - MIMAROPA	4.4	23.7
Region V - Bicol Region	5.9	36.8
Region VI - Western Visayas	7.1	26.7
Region VII - Central Visayas	7.6	16.4
Region VIII - Eastern Visayas	5.5	21.0
Region IX - Zamboanga Peninsula	3.7	21.4
Region X - Northern Mindanao	5.0	28.0
Region XI - Davao Region	6.0	19.9
Region XII - SOCCSKSARGEN	4.4	20.8
Caraga	6.5	22..2
Autonomous Region in Muslim Mindanao	3.9	13.6

Note: Data are averages of the four 2010 LFS survey rounds (January, April, July and October).
Source of basic data: National Statistics Office, Labor Force Survey.

Question 4: **What is the estimated number of new entrants to the labor force?**

Answer:

- The number of new entrants to the labor force was estimated at around 761,000 in 2009 - an increase of 2.1% from the year ago level of 745,000. They comprised 2.0% of the country's labor force of 37.892 million persons.

- The 2009 LFS annual data indicated that new entrants were predominantly in the age group 15 to 24 years old (85.6%). Nearly one-half (45.1%) were college undergraduates or graduates and more than one-fourth (29.0%) were high school graduates. By sex, the proportion was slightly higher in favor of men (51.6%).

- Close to two-thirds (66.3% or 505,000) were employed for the first time - mostly as wage and salary workers in private establishments (56.6%) and in own family-operated farm or business as unpaid family workers (15.6%).

- On the other hand, one-third (33.7% or 257,000) were unemployed who were seeking work for the first time. College graduates (36.9%) comprised the largest proportion followed by high school graduates (28.2%). More than one-third (36.3%) of the first-time unemployed have spent 4 to 9 weeks in finding work and about 12.8% have looked for work for at least 10 weeks.

Question 5: **Are Overseas Filipino Workers (OFWs) counted as part of Philippine Labor Force?**

Answer:

- OFWs, are still considered members of their households. However, they are not counted as part of the country's working age population and hence not part of the labor force. This is in accordance with international standard that includes only domestic employment in the measurement of labor force.

- OFWs are considered as part of the labor force of the foreign countries where they are currently employed.

References:
1. **National Statistics Office,** *Labor Force Survey 2009 Enumerator's Manual.*
2. **Hussmanns, R., Mehran, F., Verna, V.,** *Surveys of Economically Active Population, Employment, Unemployment and Underemployment: An ILO Manual on Concepts and Methods,* **Geneva, International Labour Office, 1990.**

BLES Products and Services

SURVEYS

- **Occupational Wages Survey (OWS)**
- **BLES Integrated Survey (BITS)**
- **Labor Turnover Survey (LTS)**

PUBLICATIONS

- **LABSTAT Updates**
- **Yearbook of Labor Statistics**
- **Current Labor Statistics**
- **Philippine Industry Yearbook of Labor Statistics**
- **Gender Statistics on Labor and Employment**
- **EasyStat**
- **LFS Primer**
- **Primer on MDG Employment Indicators**
- **Glossary of Terms Commonly Used in Labor and Employment Statistics**

SERVICES

- **Data Banking Services**
- **Technical Assistance on Statistics**
- **Statistical Capacity Building for DOLE Employees**
- **Statistical Research Collaboration**
- **Standards Setting and Prescription**
- **BLES Website (http://www.bles.dole. gov.ph)**