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## EMPLOYMENT & ECONOMIC MILESTONES: 1998 - 2009



### OVERVIEW

*This LABSTAT Updates presents data series on key economic and employment indicators over the 1998-2009 period. More specifically, this issue highlights the broad events and developments (economic and political milestones) that have shaped and influenced the performance of the Philippine economy and labor market in recent years as shown in a summary matrix found at the end of the report.*

### THE ECONOMY

Throughout the 1998-2009 period, the Philippine economy - measured in terms of gross domestic product (GDP) - has gone through two recessions (1998 Asian financial crisis and 2008-2009 global financial meltdown) and a slowdown in 2001 due to political instability (EDSA 2). On the positive note, the economy experienced almost uninterrupted growth, albeit moderate, between 2002 and 2006 and a record growth rate in 2007.

Economic performance was marred by extreme weather conditions such as droughts (1998, 2000, 2003 and 2005) brought about by the El Nino phenomenon and destructive typhoons (1998, 2004, 2006 and 2009) that occurred mostly in the fourth quarter of the year.

Political events also weighed down on economic performance. The most notable among these were the political turmoil in 2000 (Estrada impeachment) that culminated in another people power revolution (EDSA 2) in the first quarter of 2001; the rumors of coup d' etat in 2002; and the Oakwood mutiny in 2003.

### LABOR MARKET TRENDS

Employment over the period under review grew at a much slower pace than GDP. Moreover, its movement overtime was not in sync with the growth in GDP but followed a "boom and bust pattern".

Volatility in employment can be traced in large part to the effect of extreme weather disturbances (dry spells and destructive typhoons) which had a negative impact on agricultural employment (2000, 2003, 2005 and 2009). This occurred because the agriculture sector still accounts for a fairly large share (35% to 38%) of the country's employed workforce.

Equally important is the relationship between employment and GDP which can be better viewed when employment is disaggregated between full-time employment and part-time employment. The data series indicate that economic slowdown is often associated with the expansion in part-time

employment and a corresponding decline in full-time employment. Between 2008 and 2009 for instance, employment grew by 2.9% despite the slowdown in GDP growth to 1.1%. But the growth in employment occurred almost entirely among part-time workers (8.4%) while full-time employment actually fell (-0.5%). Similar situations also occurred in the 1998 recession and the slowdown in 2001.

This suggests that while the quantity of employment may continue to expand in times of economic downturn, it is the quality of employment that actually suffers because people will continue to work or accept part-time jobs with lower pay to cope with the difficult situation. The exception is the year 2006 when part-time employment grew and full-time employment fell despite the respectable growth in GDP posted that same year.

## **UNEMPLOYMENT**

In contrast to the data series on employment growth rate which exhibited a highly volatile trend, the data series on unemployment rate showed very little changes over the study period.

Following a small decline between 1998 (10.3%) and 1999 (9.8%), unemployment rates were virtually unchanged at around 11.0% from 2000 to 2004. A break in the data series occurred in 2005 due to the adoption of a new official definition of unemployment in conformance with the international standard definition. Introduced in April 2005, the new definition generated lower unemployment rates compared with the old series. This is due largely to the addition of a third criterion in defining unemployed

persons. It can be observed that the new data series again depicted negligible changes in unemployment rates, staying a little above 7.0% from 2007 to 2009.

The absence of a noticeable movement in the unemployment data series in comparison with the observed trend in GDP and employment suggests that unemployment as an indicator is less sensitive to the developments in the economy and labor market.

This validates the observation that while unemployment is a vital social concern, its measurement is less relevant to a developing country like the Philippines where self-employed workers and unpaid family workers (vulnerable employment) accounted for a considerable proportion of the employed workforce. In 2009, these categories of workers comprised more than two-fifths (42.6%) of total employed persons - the large majority were employed in the combined agriculture, fishery and forestry sector and wholesale and retail trade sector.

## EMPLOYMENT AND ECONOMIC MILESTONES: 1998-2009

(Figures in percent)

YEAR	GDP Growth Rate	Employment Growth Rate			Unemployment Rate	Milestones
		Total	Full-time	Part-time		
1998 (Recession)	(0.6)	1.0	(2.1)	6.1	10.3	<u>Negative</u> 1. Asian economic crisis 2. Lingering effects of El Nino and strong typhoons in 4th quarter
1999 (Recovery)	3.4	4.2	3.8	5.5	9.8	<u>Positive</u> 1. Recovery of agricultural sector (6.6%) and tenacity of services sector (3.5%) in first semester <u>Negative</u> 1. Industry sector faltered (-1.4%)
2000 (Expansion)	6.0	(1.0)	1.9	(5.8)	11.2	<u>Positive</u> 1. Strong performance in services 2. Strong recovery in industry <u>Negative</u> 1. Steep decline in agriculture employment due to El Nino weather disturbance 2. Political turmoil (Mindanao crisis/Estrada impeachment) 3. Global economic slump
2001 (Slowdown)	1.8	6.2	(2.1)	21.2	11.1	<u>Negative</u> 1. EDSA 2 (January 17-20) 2. US/global economic slowdown
2002 (Recovery)	4.4	3.1	2.5	3.4	11.4	<u>Positive</u> 1. Robust performance of services 2. Upswing of industry sector 3. Resurgence of agriculture <u>Negative</u> 1. Middle East crisis 2. Threats to local peace and order situation (rumors of coup d' etat)
2003 (Modest growth)	4.9	1.9	3.8	0.2	11.4	<u>Positive</u> 1. Robust performance of services 2. Surge of agriculture in 2 <sup>nd</sup> quarter <u>Negative</u> 1. El Nino (mild) 2. Strong typhoons in May, June, July 3. SAR's outbreak 4. Iraq war 5. Political instability (Oakwood mutiny)
2004 (Expansion)	6.4	3.2	2.8	2.7	11.8	<u>Positive</u> 1. Strong performance in all sectors <u>Negative</u> 1. Hike in oil and consumer prices 2. Four destructive typhoons in 4th quarter

## EMPLOYMENT AND ECONOMIC MILESTONES: 1998-2009 *(cont'd)*

*(Figures in percent)*

YEAR	GDP Growth Rate	Employment Growth Rate			Unemployment Rate	Milestones
		Total	Full-time	Part-time		
2005 (Modest growth)	5.0	2.2	4.2	0.2	<i>Note: Break in data series</i>	<u>Positive</u> 1. Robust performance of services and industry <u>Negative</u> 1. Spike in oil and consumer prices 2. Sluggish exports in 1 <sup>st</sup> & 2 <sup>nd</sup> quarters 3. Employment fell in April due to mild El Nino
2006 (Modest growth)	5.3	2.0	(0.6)	6.3	8.0	<u>Positive</u> 1. Vibrant performance of manufacturing and trade 2. Resurgence of agriculture 3. Resilient service sector <u>Negative</u> 1. Industry slowdown 2. Five strong typhoons in 4 <sup>th</sup> quarter
2007 (Expansion/ Best year/ Record growth)	7.1	2.8	4.7	0.3	7.3	<u>Positive</u> 1. Low inflation rate 2. Strong Peso 3. Election-related spending 4. Government pump priming
2008 (Slowdown)	3.7	1.6	3.9	(2.6)	7.4	<u>Negative</u> 1. Steep increase in oil prices 2. Slowdown in US economy 3. Negative effects of strong Peso
2009 (Near recession)	1.1	2.9	(0.5)	8.4	7.5	<u>Positive</u> 1. Government economic resiliency plan 2. Modest growth in construction and mining and quarrying <u>Negative</u> 1. US financial meltdown and global crisis 2. Steep decline in exports, manufacturing and trade 3. Strong typhoons (Ondoy and Pepeng) in 4th quarter
US/Global Recession 1981-1982, 1991, 2001, 2009		Drought (El Nino) 1998, 2000, 2003, 2005			Strong Typhoons 1998, 2004, 2006, 2009	

**Sources of data:** National Statistics Office, Labor Force Survey.

National Statistical Coordination Board, National Accounts of the Philippines.

Bureau of Agricultural Statistics, Performance of Philippine Agriculture.

Bureau of Labor and Employment Statistics, LABSTAT Updates.

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