

UNDEREMPLOYMENT IN THE SERVICES SECTOR

(Fifth of a Seven-Part Series)

*"Underemployment indicates the extent of underutilization of the productive capacity of the employed population, specifically those which are byproducts of flawed or inadequate economic system. The main objective of measuring underemployment is to provide empirical evidences that would serve as basis for improving the analysis or assessment of employment problems and to contribute towards the formulation of policies and measures designed to promote full, productive and freely chosen employment."*¹

In the Philippines, the rising incidence of underemployment is considered a more serious problem than unemployment since underemployment rate is usually higher or twice the unemployment rate. While unemployment is usually a problem among youth (with an average rate of 17.0%), underemployment cuts across age groups and affects more the less educated workers and heads of families.

This article is the fifth of the seven-part series of LABSTAT Updates on underemployment that the Bureau of Labor and Employment Statistics is releasing to provide policy makers, researchers and the general public with concepts and hard statistics that would enable them to gain a better understanding of the underemployment in the services sector. Data presented in this report are comparative statistics of the January rounds of the Labor Force Survey (LFS) conducted by the National Statistics Office (NSO) for the year 1997, 2001 and 2006. Data for 1997 used the 1977 Philippine Standard Industrial Classification (PSIC) while that for 2001 and 2006 were based on the 1994 PSIC. Further, the said data series were based on the 1995 Census-Based Population Projection.



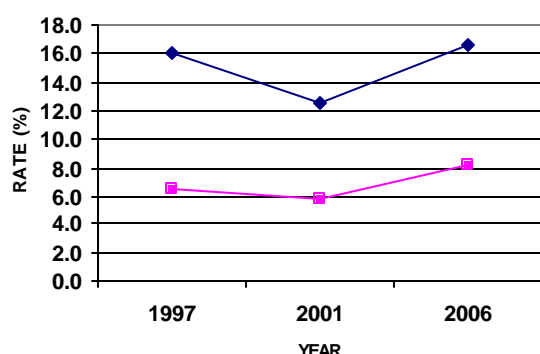
Top contributor
to the
total
output
produced
in the
country
or Gross
Domestic
Product

(GDP) is the services
sector, sharing almost
half (48.0% and 49.0%) of the total GDP
as of the first and second Quarters of
2006. Likewise, almost of the same
percent share (48.4%) to the total

employment was generated by the sector
in January 2006. Employment was posted
at 11.361 million (43.7%) in 1997, 13.388
million (47.7%) in 2001 and 15.671
million (48.4%) in 2006. The employment
of the service-producing sector was
increasing at an average growth of
479,000 annually or an annual average
growth rate of 4.2 percent in a span of 10
years. (Table 1)

¹ 16th International Conference of Labor Statistics (ICLS), October 1998 Resolution concerning the Measurement of Underemployment and Inadequate Employment Situation.

Fig. 1 - UNDEREMPLOYMENT RATE AND VISIBLE UNDEREMPLOYMENT RATE IN THE SERVICES SECTOR: 1997, 2001 & 2006 (JANUARY ROUNDS)



Source of Data: National Statistics Office (NSO), Labor Force Survey (LFS).

Increase in employment level in the sector was accompanied by the rise in incidence of employed persons wanting additional hours of work or the **underemployed** where rate went up to 16.6 percent in January 2006 from 12.5 percent of the same period in 2001. This translates to 2.607 million underemployed persons or an increase of almost a million (934,000) from 1.673 million in 2001. However, a drop of 147,000 in January 2001 underemployment from 1.820 million in 1997 was registered. This could be attributed to the 8.1 percent growth of employment in 2001 at 28.096 million from 25.998 million in 1997 which resulted to a lower underemployment rate, (16.0% vs 12.5%). (Table 1)

Visibly underemployed persons in the service sector continuously growing

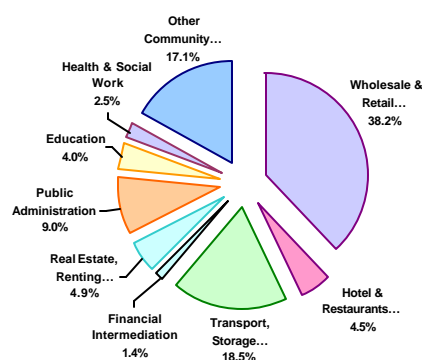
Employed persons who worked less than 40 hours but still wanting additional hours of work or the **visibly underemployed** continued to grow from 772,000 in 1997 to 1.299 million in 2006 or an increase of 527,000 for the period in review. However, the visible

underemployment rates oscillated from 6.8 percent in 1997 down to 5.9 percent in 2001 and then accelerated to 8.3 percent in 2006. Percent share of visibly underemployed to total underemployed in the sector reached almost half (49.8 %) in January 2006. (Table 1)

Bulk of the underemployed in the service sector are in trade, other community and transport industries

Almost two out of five of the underemployed persons are in the trade industry. A separate discussion of underemployment in the trade industry is presented in another LABSTAT issue (Vol. 10 No. 31) as this report focuses on the other industries comprising the service sector. A far second to the trade industry is the other community, social and personal service activities which shared almost one fifth of the total underemployed in the service sector (23.6% or 429,000 in 1997, 17.7 % or 296,000 in 2001 and 17.1 % or 446,000 in 2006). A sizable increase of 150,000 or 50.7 percent growth from 2001 to 2006 was recorded. One-fourth of the underemployed persons in this industry in 2001 (25.7%) and in 2006 (25.3%) were

Fig. 2 - PERCENT DISTRIBUTION OF UNDEREMPLOYED PERSONS BY INDUSTRY IN THE SERVICES SECTOR, PHILIPPINES: JANUARY 2006 (In Percent)



Source of Data: National Statistics Office (NSO), Labor Force Survey (LFS).

those who has worked less than 40 hours

but still wanting additional hours of work or the visibly underemployed. (Table 2)

The figures are relatively lower than 32.8 percent posted in 1997. The third industry in the service sector with the most number of underemployed is the transport, storage and communications: 15.1 percent or 276,000 in 1997, 18.4 percent or 307,000 in 2001 and 18.5 percent or 482,000 in 2006. It is worth noting that the underemployed in transport, storage and communications in 2006 was higher than the other community, social and personal services (482,000 vs. 446,000). They were predominantly found in land, water and air transport sub-industry. Visibly underemployed grew by 11.0 percent from 101,000 in 1997 to 201,000 in 2006. Likewise, the Warehouse/ Communication with 2,000 visibly underemployed persons in 1997 grew by more than ten folds at 24,000 in 2006.

For the rest of the industries under the services sector, the share to total underemployed remained single digit ranging from as low as 1.4 percent to 9.0 percent for the periods reviewed. Same pattern of incidence of underemployed and visibly underemployed recorded from 1997 to 2006 in the top three industries can be noted among the remaining industries.

Since underemployed persons appears to be prevalent in the transport, storage and communication, and other community, social and personal service, appropriate program interventions may be introduced to improve the employability of workers in these industries. As hours of work is not fixed in these industries, additional skills for workers should be provided to give them alternative work during slack period in their job.

TABLE 1 – Employed, Underemployed and Visible Underemployed Persons in the Services Sector by Selected Indicators, Philippines: 1997, 2001 and 2006 (January Rounds)*(In thousands except percent/rates)*

INDICATOR	1997		2001		2006	
	Number	Percent	Number	Percent	Number	Percent
Total Employed	25,998	100.0	28,096	100.0	32,377	100.0
Employed in Services Sector	11,361	-	13,388	-	15,671	-
As Percent to Total Employed	-	43.7	-	47.7	-	48.4
Total Underemployed in Services Sector	1,820	100.0	1,673	100.0	2,607	100.0
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	660	36.3	613	36.6	996	38.2
Hotel and Restaurants	61	3.4	81	4.8	117	4.5
Transport, Storage and Communication	276	15.2	307	18.4	482	18.5
Financial Intermediation	37	2.0	27	1.6	36	1.4
Real Estate, Renting and Business Activities	75	4.1	56	3.3	127	4.9
Public Administration and Defense; Compulsory Social Security	155	8.5	196	11.7	234	9.0
Education	88	4.8	65	3.9	104	4.0
Health and Social Work	39	2.1	32	1.9	65	2.5
Other Community, Social and Personal Service Activities and Private Households with Employed persons	429	23.6	296	17.7	446	17.1
Visibly Underemployed (<i>worked less than 40 hours a week</i>)	772	-	795	-	1,299	-
As Percent to Total Underemployed in Services Sector	-	42.4	-	47.5	-	49.8
Underemployment Rate (%) in Services Sector	-	16.0	-	12.5	-	16.6
Visible Underemployment Rate (%)	-	6.8	-	5.9	-	8.3

Notes: 1. Details may not up to total due to rounding.

2. The NSO is not liable to misuse of data.

Source of basic data: National Statistics Office, Labor Force Survey, Public Use Files.

FOR INQUIRIES:

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**TABLE 2 – Number and Percent Shares of Underemployed and Visibly Underemployed in the Services Sector
Except Wholesale and Retail, Philippines: 1997, 2001 and 2006 (January Rounds)**

(In thousands except percent)

1977 PSIC CODE	Major/Minor Industry Group	1997				1994 PSIC CODE	Major/Minor Industry Group	2001				2006			
		Under- employed	Percent Share	Visibly Under- employed	Percent Share			Under- employed	Percent Share	Visibly Under- employed	Percent Share	Under- employed	Percent Share	Visibly Under- employed	Percent Share
7	Transportation, Storage and Communications	276	15.1	103	13.3	I	Transport, Storage and Communications	307	18.4	129	16.2	482	18.5	226	17.3
71	Transportation	258	14.2	101	13.1	60-62	Land Transport/ Water Transport / Air Transport	272	16.3	115	14.5	423	16.2	201	15.5
72/73	Warehouse/ Communication	18	1.0	2	0.3	63/64	Supporting and Auxiliary Transport Activities; Activities of Travel Agencies Postal and Telecommunications Services	35	2.1	14	1.8	59	2.3	24	1.8
98	Restaurants and Hotels	61	3.4	21	2.7	H	Hotel and Restaurants	81	4.8	34	4.3	117	4.5	47	3.6
81-83	Banking Institution Financial Intermediaries Insurance	37	2.0	7	0.9	J	Financial Intermediation	27	1.6	10	1.3	36	1.4	7	0.5
84/85	Real Estate Business Services	75	4.1	21	2.7	K	Real Estate, Renting and Business Activities	56	3.3	18	2.3	127	4.9	43	3.3

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		Under- employed	Percent Share	Visibly Under- employed	Percent Share			Under- employed	Percent Share	Visibly Under- employed	Percent Share	Under- employed	Percent Share	Visibly Under- employed	Percent Share
91	Public Administration and Defense	155	8.5	28	3.6	L	Public Administration and Defense; Compulsory Social Security	196	11.7	58	7.3	234	9.0	85	6.5
93	Education Services	88	4.8	19	2.5	M	Education	65	3.9	19	2.4	104	4.0	25	1.9
94	Medical, Dental, other health and veterinary services	39	2.1	19	2.5	N	Health and Social Work	32	1.9	18	2.3	65	2.5	28	2.2
92/95	Sanitary and Similar Services Other Social and Related Community Services	429	23.6	253	32.8	O	Other Community, Social and Personal Service Activities	296	17.7	204	25.7	446	17.1	328	25.3
	Recreational and Cultural Services					P	Activities of private Households as Employers and Undifferentiated Production Activities of Private Households								
96/97	Personal and Household Services														

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