

## UNDEREMPLOYMENT IN THE TRADE INDUSTRY (Sixth 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."*<sup>1</sup>

*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.*

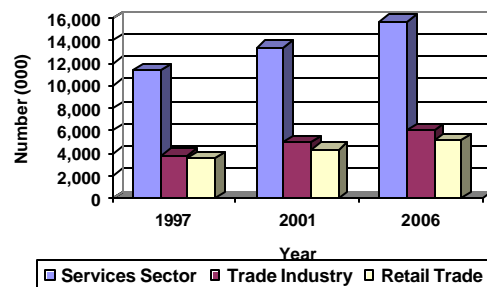
*This article which focuses on underemployment in the trade industry of the service sector, is the sixth of the seven-part series of LABSTAT Updates on underemployment that the Bureau of Labor and Employment Statistics is releasing to provide policy makers, researchers and the general public with concepts and hard statistics that would enable them to gain a better understanding of the underemployment phenomenon in the country. Due to data limitation, data presented in this report are comparative statistics of the January rounds of the Labor Force Survey 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. In 1977 PSIC, only two divisions composed the Trade industry (Wholesale and Retail trades) which was further subdivided into three divisions in the 1994 PSIC.*



The trade industry contributed 15.6 percent and 16.5 percent to the total Gross Domestic Product (GDP) at constant prices in the first and second quarters of 2006. Of the industries under the services sector, the trade industry topped employment sharing more than one-third (33.6% in 1997, 37.1% in 2001 and 38.3% in 2006) of the total employment created under the sector. In absolute terms, employment in trade industry went up to 5.996 million in 2006 from 3.819 million in 1997. It grew at an annual average of 6.3 percent or about

242,000 annually for the years reviewed. The trade industry likewise, accounted for 14.7 percent, 17.7 percent and 18.5 percent of the total employed in 1997, 2001 and 2006, respectively. (Table 1)

**Fig. 1 - Employment in the Service Sector,  
Trade Industry and Retail Trade, Philippines:  
1997, 2001, 2006  
(January Rounds)**



Source of data: National Statistics Office (NSO),  
Public Use Files (PUF).

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

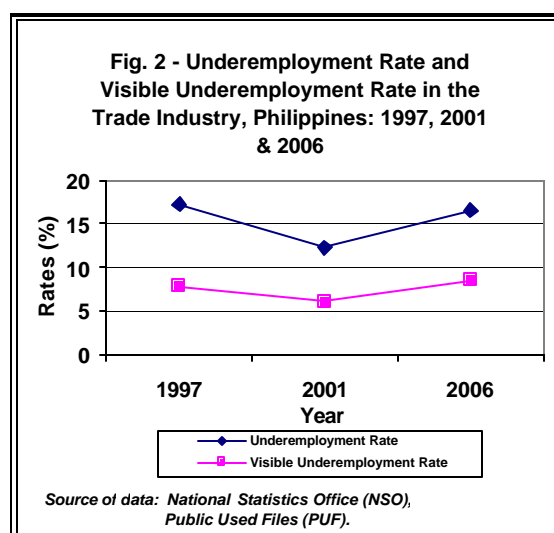
### ***Nine out of ten employed persons in the trade industry found in the retail trade***

Bulk of the employed persons in the trade industry (92.7 % in 1997, 87.6 % 2001 and 86.4% in 2006) were generated in the retail trade, while the

wholesale trade and sales, maintenance and repair of motor vehicles had less than 10 percent each in the same periods. (Table 1)

### ***Underemployed in the trade industry increased by 62.5% in 2006***

Matching the continuous expansion of employment in the service sector from 1997 to 2006 is the growth of those employed persons who need additional hours of work or the **underemployed**. Compared to January 2001 levels (613,000), underemployed in the trade industry jumped by 383,000 or 62.5 percent growth in 2006. Underemployment rate in the trade industry slightly improved in 2001 at 12.3 percent, lower by 5.0 percentage points from the 17.3 percent in 1997. However, in January 2006, the underemployment rate again rose to 16.6 percent. Translating to absolute terms, underemployed went up by almost one million (996,000) in 2006. (Table 1)

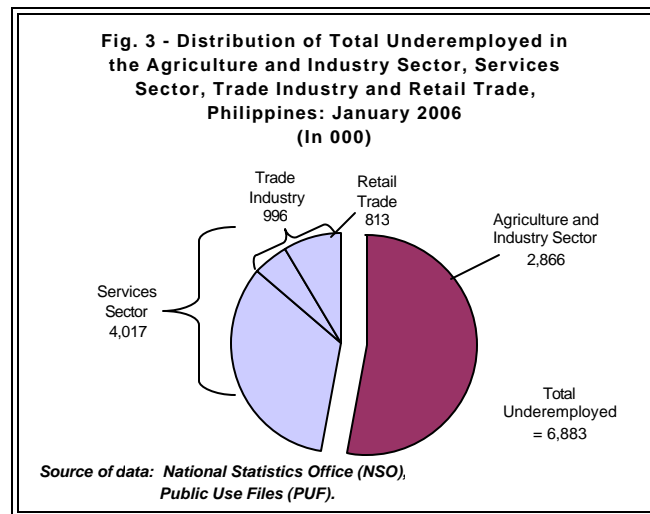


### ***Almost half of the underemployed in trade industry are visibly underemployed***

Those employed persons who worked less than 40 hours and still want additional hours of work or the **visibly underemployed** comprised half of the underemployed (45.6% in 1997, 49.8% in 2001 and 51.4% in 2006). It increased by more than two thirds (70.1%) or

211,000 in 2006 from 301,000 in 1997. As percent to total employed in the trade industry, visible underemployment rates fluctuated from a low of 6.1 percent in 2001 to a high of 8.5 percent in 2006. (Table 1)

**More than 80 percent of the underemployed in the services sector are in the retail trade**



Incidence of underemployment was contributed mostly by the retail trade posting shares of 89.8 percent, 84.5 percent and 81.6 percent in the January rounds of the LFS. However, incidence oscillated with the sudden drop of 5.3 percentage points in share from 89.8 percent in 2001 and surged again by 295,000 to reach 813,000 or 56.9 percent growth in 2006. The same see-saw pattern among visibly underemployed was recorded at 272,000, 257,000 and 414,000 from 1997 to 2006 respectively.

For the wholesale trade, one out of ten of the underemployed was shared by the industry. These employed persons wanting additional work increased by 53,000 or 86.9 percent from 61,000 in 2001 to reach 114,000 in 2006. Likewise, the visibly underemployed had the same trend as the underemployed.

The sub-industry of Sale, Maintenance, and Repair of Motor Vehicles, Motorcycles, Retail Sale of Automotive Fuel contributed almost 7 percent (69,000) of the underemployed in 2006, or more than double than the figure in 2001 at 34,000 underemployed. (Table 2)

As underemployment in the trade industry is continuously growing, the inadequate employment situation of the workers in this sector should be addressed. Additional skills should be provided to give them alternative work during slack period in their work. The groups with the least specific skills are the first one to become underemployed when employment fails. Also, these workers are the most vulnerable in terms of security of tenure and wages.

**TABLE 1 – Employed, Underemployed Persons and Visibly Underemployed in the Trade Industry, Philippines: 1997, 2001 and 2006 (January Rounds)***(In thousands except percent/rates)*

INDICATOR	1997		2001		2006	
	Number	Percent	Number	Percent	Number	Percent
<b>Total Employed</b>	<b>25,998</b>	<b>100.0</b>	<b>28,096</b>	<b>100.0</b>	<b>32,377</b>	<b>100.0</b>
Employed in Services Sector	11,361	-	13,388	-	15,671	-
Employed in Trade Industry	3,819	-	4,964	-	5,996	-
As Percent to Total Employed	-	14.7	-	17.7	-	18.5
As Percent to Total Employed in the Service Sector	-	<b>33.6</b>	-	<b>37.1</b>	-	<b>38.3</b>
Sale, Maintenance and Repair of Motor Vehicles	-	-	242	4.9	333	5.6
Wholesale Trade	278	7.3	376	7.8	484	8.1
Retail Trade	3,541	92.7	4,346	87.6	5,179	86.4
<b>Underemployed in the Trade Industry</b>	<b>660</b>	<b>-</b>	<b>613</b>	<b>-</b>	<b>996</b>	<b>-</b>
<b>Visibly Underemployed (worked less than 40 hours a week)</b>	<b>301</b>	<b>-</b>	<b>305</b>	<b>-</b>	<b>512</b>	<b>-</b>
As percent to Underemployed in Trade Industry	-	45.6	-	49.8	-	51.4
<b>Underemployment Rate (%) in Trade Industry</b>	<b>-</b>	<b>17.3</b>	<b>-</b>	<b>12.3</b>	<b>-</b>	<b>16.6</b>
<b>Visible Underemployment Rate (%) in Trade Industry</b>	<b>-</b>	<b>7.9</b>	<b>-</b>	<b>6.1</b>	<b>-</b>	<b>8.5</b>

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 Trade Industry, 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 Underem- ployed	Percent Share			Under- employed	Percent Share	Visibly Underem- ployed	Percent Share	Under- employed	Percent Share	Visibly Underem- ployed	Percent Share
6	Wholesale and Retail Trade	660	100.0	301	100.0	G	Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	613	100.0	305	100.0	996	100.0	512	100.0
						50	Sale, Maintenance and Repair of Motor Vehicles and Motorcycles, Retail Sale of Automotive Fuel	34	5.5	16	5.2	69	6.9	35	6.8
61	Wholesale Trade	67	10.2	29	9.6	51	Wholesale Trade and Commission Trade, Except of Motor Vehicles and Motorcycles	61	10.0	32	10.5	114	11.4	63	12.3
62	Retail Trade	593	89.8	272	90.4	52	Retail Trade, Except of Motor Vehicles and Motorcycles, Repair of Personal and Household Goods	518	84.5	257	84.3	813	81.6	414	80.9

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

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

3. The Labor Force Survey (LFS) adopted the 1994 Philippine Standard Industrial Classification (PSIC) starting from the January 2001 survey round. Previous to this, it adopted the 1977 PSIC.

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