

Vol. 10 No. 32

December 2006



THE PHILIPPINE LABOR INDEX ...measuring the country's progress in decent work (First of a Two-Part Series)

In the Philippines, while the generation of macro-indicators on labor and employment statistics is relatively organized, mostly compliant with existing international standards, and done on a regular basis, the employment situation is traditionally described using a limited range of indicators, usually labor force participation rate, levels and rates of employment, underemployment and unemployment. These indicators sometimes send mixed signals, such that it can not be said with certainty if the situation has improved or not. A case in point is low unemployment rate but high underemployment rate or part-time employment. On the other hand, expanding the set of indicators may give rise to segmented analysis of the situation or different interpretations depending on the choice of variables. There is thus an absence of a measurement framework consisting of a parsimonious list of indicators which can be used for analyzing the labor and employment situation of the country.

In the light of these considerations, the Philippine Labor Index or PLI has been developed to serve as a summary measure for monitoring the country's progress in achieving the goals of decent work.

Specifically, the PLI provides a balanced and objective assessment of the collective efforts to attain the country's goals in achieving decent work. It is not intended merely to provide useful data for researchers but more importantly to generate awareness and advocacy for policy makers, program planners and other stakeholders to focus on labor and employment areas which need to be strengthened. Moreover, the PLI is seen as a complementary tool when related with other development indicators, such as growth in Gross Domestic Product (GDP) and Human Development Index (HDI) in monitoring the social and economic progress of the country particularly of its working population.

This series of the LABSTAT Updates were excerpted from a paper of the same title presented during the Annual Conference of the Philippine Statistical Association held last October 2006. The statistics presented then have been updated to 2005.

The PLI Framework

The PLI Framework is patterned after the ILO conceptual framework on Decent Work.

But what is decent work?

Decent work is defined as "opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity".

The decent work concept evolved as a response to address the formidable social and labor challenges posed by globalization. It was introduced by ILO Secretary-General Juan Somavia in his first report to the 87th International Labour Conference in June 1999. Since then, it has become the overarching goal of ILO.

Decent Work is a comprehensive concept of work and the workplace as it encompasses, with gender equality as a crosscutting objective, the concerns on work or employment itself, rights at work, social protection including occupational safety and health, and representation and social dialogue. Since productive and justly remunerated work is a key element to reduce poverty and as work is a major part of people's lives in terms of their time, social integration and personal development, the integration of the decent work agenda in national development strategies according to ILO "is a means for achieving equitable, inclusive and sustainable development".

As contained in an ILO working paper "Measuring Decent Work with Statistical Indicators" the concept of decent work has six conceptual dimensions representing the quantitative and qualitative attributes of work. These are:

Opportunities for work - persons who need work are able to find work that covers all forms of economic activity including self-employment, unpaid family work and wage employment in both formal and informal sectors;

Freedom of choice of employment - work should be freely chosen and not forced on individuals; bonded and slave labor as well as child labor are unacceptable and should be eliminated (*Referred to as "Work in conditions of freedom" in the ILO paper.*);

Productive work - workers should have acceptable livelihoods that deliver fair incomes for themselves and their

families while ensuring sustainable development and competitiveness of enterprises and countries;

Equity in work - women and men need to have equality of opportunity and treatment in work; it encompasses absence of discrimination at work and in access to work and ability to balance work with family life;

Security at work - safe workplaces should be ensured and workers' health, livelihoods and pensions should be safeguarded; there should be provisions for workers and their families for adequate financial and other protection in the event of health and other contingencies; it also recognizes workers' need to limit insecurity associated with the possible loss of work and livelihood; and

Representation at work - workers should be treated with respect at work; they should be able to join organizations to represent their interests collectively, free to voice their concerns and participate in decision making about their terms and conditions of work. (*Referred to as "Dignity at work" in the ILO paper. It was re-named to "Representation at Work" as this term has more intuitive appeal than the other nomenclature. Further, it describes better the component indicators under it.*)

The first two conceptual dimensions are concerned with the availability of work and the acceptable scope of work. The other four dimensions are concerned with the extent to which the work is decent or the quality of employment.

The 2001-2005 Philippine Labor Index

The Philippine Labor Index and the dimension indices being presented are for 2001 to 2005 as these are the years for which data are currently available for all the component indicators of the PLI. Statistics on most of the indicators are directly sourced from the Labor Force Survey (LFS) of the National Statistics Office (NSO) while

the others are derived based on LFS data and administrative sources.

The Index Values

The overall index or the PLI throughout the 5-year period ranged from 71 to 74 and the country's deficit from the ideal index of 100 was around

27. The indices on Freedom of Choice of Employment recorded the highest values averaging to 93 over the 5-year period and consequently the smallest shortfall at 7. Indices for Representation at Work remained to be the lowest at about 40 (conversely it has the largest shortfall at

60) followed by those on Productive Work at close to 62. On the other hand, the index values for Opportunities for Work, Equity in Work and Security at Work were at least 72.

TABLE 1 - The Philippine Labor Index, 2001-2005

Dimension	2001	2002	2003	2004	2005	Annual Average
Philippine Labor Index	71.94	71.34	73.10	73.58	73.49	72.69
Opportunities for Work	72.46	71.89	73.04	74.10	73.75	73.05
Freedom of Choice of Employment	92.54	92.43	93.13	91.99	92.57	92.53
Productive Work	61.69	60.83	61.64	61.80	62.44	61.68
Equity in Work	75.33	75.33	74.83	76.83	77.67	76.00
Security at Work	72.25	72.09	71.55	72.67	72.72	72.26
Representation at Work	36.20	33.83	44.48	45.15	42.49	40.43

Note: Shortfall is 100 - Index value.

Source of data: Bureau of Labor and Employment Statistics.

Progress in Decent Work

The PLI and its dimension indices provide indication on how close the country is in achieving the goals of decent work. However, the more important consideration is to monitor

their evolution over time, that is, the **progress made or the rates of change as opposed to levels** as these would indicate the sustainability of efforts in achieving the labor and employment goals.

TABLE 2 - Rates of Change in the PLI and its Dimension Indices, 2002-2005
(in percent)

Dimension	2002	2003	2004	2005	Annual Average
Philippine Labor Index	(0.83)	2.47	0.66	(0.12)	0.55
Opportunities for Work	(0.79)	1.60	1.45	(0.47)	0.45
Freedom of Choice of Employment	(0.12)	0.76	(1.22)	0.63	0.01
Productive Work	(1.39)	1.33	0.26	1.04	0.31
Equity in Work	0.00	(0.66)	2.67	1.09	0.78
Security at Work	(0.22)	(0.75)	1.57	0.07	0.17
Representation at Work	(6.55)	31.48	1.51	(5.89)	5.14

Source of data: Bureau of Labor and Employment Statistics.

The Philippine Labor Index recorded an annual average growth of 0.55% from 2002 to 2005. Highest progress was observed in the index of Representation at Work at 5.14% due to the substantial improvement in the index in 2003 from its year ago level

attributed to the marked drop in the actual observations on workdays not worked due to strikes and lockouts (one of the component indicators in the dimension). The rest of the dimension indices except for Security at Work index

(0.78%) recorded improvements below half of a percentage point.

The annual rates of change of the PLI and its dimensions had erratic

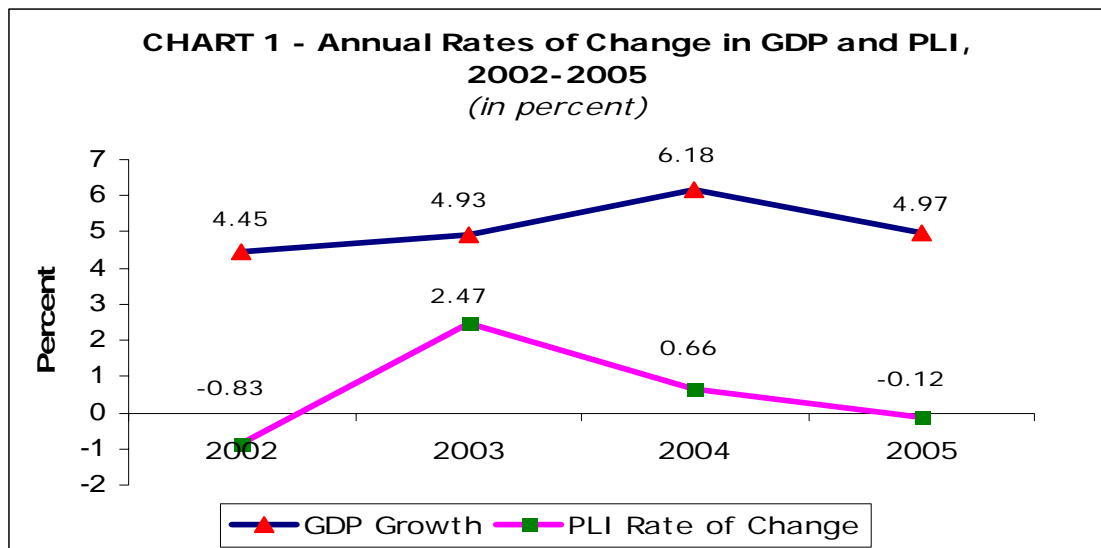
patterns possibly indicating the lack of sustainable interventions over the time period reviewed.

Comparisons with Related Indicators

The PLI is viewed to complement other development indicators such as GDP growth and the HDI in monitoring the social and economic progress of the country particularly of its working population.

GDP and PLI Growth Rates

To show the relationship, comparisons were done for the rates of change in the PLI and GDP growth from 2002 to 2005. The data show parallel movements in these two indicators in 2002, 2003 and 2005 with the PLI exhibiting lower growth rates.



Sources of data: *The National Accounts of the Philippines, National Statistical Coordination Board*
Bureau of Labor and Employment Statistics.

However, as GDP growth continued to accelerate in 2004, that of the PLI markedly dropped. The similarity in the behavior of the two was again repeated in 2005 when GDP growth declined and that of the PLI dropped further than its 2004 rate of change. Further, GDP growth rate averaged to at least 4% over the period in review while the PLI rate of change only at 0.55%. While there are only four pairs of observations, the movements of the PLI adds to the analysis of the country's situation particularly that of labor which otherwise would be masked by looking at economic growth only.

HDI and the PLI

Another comparison is between the PLI and the HDI for the Philippines as computed by the United Nations Development Programme. The HDI is a summary measure of human development in three selected aspects of human life---life expectancy, education and income. The index values show proximity with each other.

Using the HDI classification (in the absence of similar categorization for labor indices across countries), the 2004 index values placed the Philippines in the medium development stage

(index of 0.50-0.79). A value below this range or above it situates a country in a low or developed stage, respectively.

PLI	0.736 <i>(expressed in HDI units for comparability)</i>
HDI	0.763

The comparisons show the apparent data coherence of the PLI with

the two development indicators of GDP growth and HDI and its potential as a tool in monitoring the progress made towards achieving the goal of increasing employment opportunities, promoting decent work and increasing the productivity of people living in poverty.

Summary and Recommendations

Globalization that demands enhanced competitiveness and structural adjustments in the economy has inevitably resulted to phenomena such as work precariousness, informal employment, among others. Necessarily, policy making and program planning would require a much wider range of employment and labor indicators to measure and analyze employment problems and conditions of work in the country. This implies the modification of the traditional framework of indicators.

The DOLE-PLI Project, a pioneering effort in the international arena, came up with such a measurement framework that encompasses the quantitative and qualitative attributes of decent work. More than that, it was able to develop a summary measure of the collective efforts or achievements of the country in pursuing its labor and employment goals which is anchored on the decent work framework called **Philippine Labor Index**.

As in any macro-indicator, the PLI and its dimension indices are **signals** for policy makers and program planners on areas needing attention. For example, the dimension Productive Work needs closer examination since this aspect covers underemployment, a problem more serious than unemployment, and workers still receiving pay below the minimum basic pay. The inequity in pay between agriculture and industry that is related to productivity issues, in the Equity in Work dimension is another area of interest.

In the Security of Work dimension, attention should be focused on the expansion of social security membership as the coverage rates are still relatively low relative to what is contemplated under existing laws. In the Representation at Work dimension, concern is raised on the low proportions of worker participation in non-establishment based associations. Although the dimension Freedom of Choice of Employment has the lowest shortfalls, the efforts to eliminate child labor and other forms of commercial exploitation should be sustained. In the Opportunities for Work dimension, concern is also raised on the need to create more full time work as the proportions of part-time employment are still substantial and this bears on workers' productivity and their incomes.

Studies should be initiated to analyze the cause and effect relationships between the PLI component indicators, its supporting or non-core indicators (considering gender differentials as well) and other economic and social measurements. These efforts should result to an integrated diagnosis of the labor and employment problems ensuing from globalization and consequently serve as guide in designing and implementing appropriate, efficient and effective policies and programs to achieve decent work.

But central to all these is the strengthening of the data collection and processing systems and their continual improvement to ensure that quality statistics are produced (not only for the PLI). In particular, more resources must be provided to the Labor Force Survey

that has been identified as the main source of statistics on decent work. Essential too is the need to strengthen and enhance the accuracy and timeliness of data collected from administrative records. Greater advocacy work and inter-agency linkages have to be undertaken not only for required data sets to be generated and released on time but also to solicit substantive inputs in fine-tuning the PLI. These will require strong collaboration with data providers both inside and outside of DOLE.

As in any developmental work, the PLI indicators require periodic assessment for their choice is crucial in capturing the actual situations of workers. In some future time or under different economic and social conditions, a new set of indicators and consequently new benchmarks or limits may evolve. But presently, the PLI indicators are the "best descriptors" of the labor and employment situation and the PLI is deemed as the composite measure in monitoring the country's progress towards achieving the goals of decent work.

FOR INQUIRIES:

Regarding this report contact **LABOR STANDARDS STATISTICS DIVISION** at 527-3000 loc 311/527-9325

Regarding other statistics and technical services contact **BLES Databank** at 527-3000 loc 317

Or write to BLES c/o Databank, 3/F DOLE Bldg. Gen. Luna St., Intramuros, Manila 1002

FAX 527-9325 E-mail: lssd@manila-online.net Website: <http://www.manila-online.net/bles>

bleslssd@bles.dole.gov.ph

<http://www.bles.dole.gov.ph>
