

THE UNDEREMPLOYMENT PHENOMENON

(First 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%), underemployment cuts across age groups and affects more the less educated workers and heads of families.

This article is the first 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 Philippines. It focuses mainly on the concepts of underemployment as contained in the 1998 International Labor Office (ILO) Resolution concerning Measurement of Underemployment and Inadequate Employment Situation during the 16th International Conference of Labor Statisticians (16th ICLS). It also highlights the comparative analysis of the statistics on underemployment taken from the Labor Force Survey conducted by the National Statistics Office (NSO) from 1997 to 2005.

What is Underemployment?



The 16th ICLS defines (time-related) underemployment as a situation wherein the number of hours worked of an employed person is not enough compared to what he is willing and able to engage in. He must also satisfy the following criteria:

1. "Willing to work additional hours," that is, wanting another job/s in addition to his present job/s to increase his hours of work; or

replace his current job or any of his current job/s with another job/s to increase his hours of work; to increase his hours of work in his current job/s; or a combination of the above.

To determine the "willingness to work additional hours," distinction should be made between those who have actively sought to work additional hours from those who have not.

2. "Available to work additional hours," that is, he is ready, within a specified subsequent period, to work additional hours, given opportunities for additional work.

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

3. *“Worked less than a threshold relating to working time,” i.e., a person whose “hours actually worked” in all his jobs during the reference period, as defined in current international guidelines regarding working time statistics, were below a threshold, to be chosen according to national circumstances. (16th ICLS, 1998)*

In the Philippine context, underemployment is defined as persons who expressed the desire to have additional hours of work in their present job, or in an additional job, or to have a new job with longer working hours. They

are classified into two categories, the visibly and invisibly underemployed. The first category refers to those employed persons who work for less than 40 hours during the reference week and still want additional hours of work. The second category applies to persons with full-time jobs (those working 40 hours or more a week) but still want additional hours of work.

The latter is basically a statistical concept characterized by low income, low productivity and underutilization of skill. (16th ICLS, 1998)

One out of five workers want additional hours of work

For the period 1997-2005, employment in the country grew at an average of 750,000 yearly, to reach 32.313 million in 2005 from 26.365 million in 1997. Of these, some 17.0 – 22.1 percent (or roughly one out of five) were underemployed or expressed the desire to have additional hours of work. Table 1 shows that from a 21.9 percent share of the employed in 1997, which is also the underemployment rate, the proportion went down to only 17.2 percent in 2001 as a result of a 16.0 percent decline in the number of

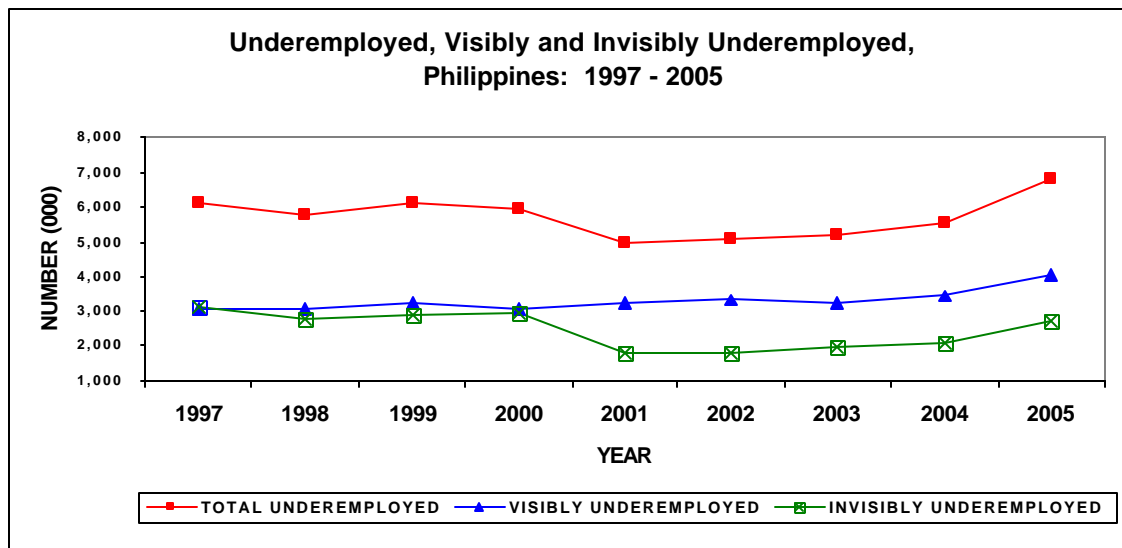
underemployed in the country for the period. This relatively lower underemployment rate was posted until 2004 but rose to 21.0 percent in 2005 when the number of underemployed increased by 21.7 percent (1.212 million).

In the same period, the underemployed averaged 5.701 million every year, with an increment of about 127,000 or 2.5 percent growth annually. By 2005, the number of underemployed persons stood at 6.8 million.

Visibly underemployed persons steadily increasing over the years

Figure 1 shows that the growth in the number of the invisibly underemployed follows the growth pattern of the total underemployment. In 2001, the drop of about 949,000 was accompanied by a similar decline in the number of the invisibly underemployed

(-1.1 million). On the other hand, the number of underemployed who were working less than 40 hours a week has steadily grown except for the 2.8 percent decrease in 2003 (from 2.8 million in 1997 to 4.1 million in 2005).



Source of data: National Statistics Office, Labor Force Survey.

Figure 1

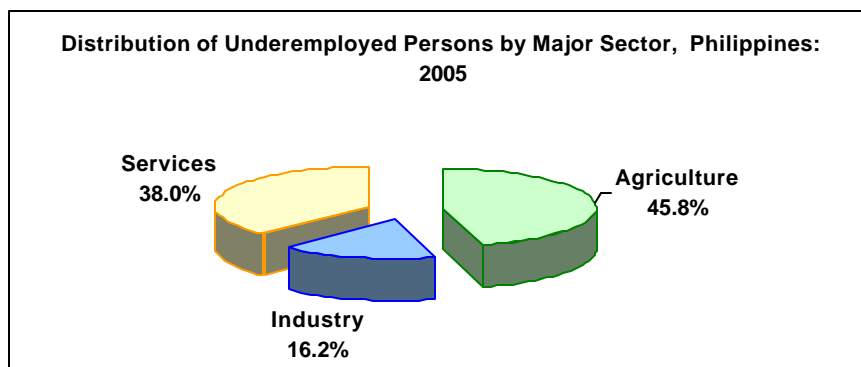
Meanwhile, the visibly underemployed persons comprised almost one half, 2.821 million out of 5.773 million total underemployed in 1997, but this share has expanded to as much as 65.0

percent in 2002 (3.322 million out of 5.109 underemployed). By 2005, three out of five (60.2%) of the underemployed workers were working less than 40 hours a week.

Almost half of the underemployed were in agriculture, forestry and fishery industry

In 2005, the agriculture sector accounted for 45.8 percent (3.109 million) of the underemployed in the country while 38.0 percent were in the services sector (2.58 million), most of which were in the trade (1.025 million) and transport groups

(463,000). The remaining 16.2 percent were from the industry sector (1.098 million), mostly engaged in the manufacturing (585,000) and construction (461,000) industries. (See Figure 2)



Source of data: National Statistics Office, Labor Force Survey.

Figure 2

Wage and salary workers accounted for 50.0 percent of the underemployed

In 2004, half of the underemployed were wage and salary workers; two out of five (38.4%) were own-account workers; while one out of ten (11.5%) were unpaid family workers.

By 2005, the number of own-account workers expanded by 28.0 percent thereby increasing its share to

40.4 percent. This was accompanied by a corresponding decline in the share of wage and salary workers by two (2) percentage points.

The share of the unpaid family workers among the underemployed remained unchanged.

Underemployed by Class of Worker, Philippines: 2004 – 2005 (In 000)

Class of Worker	2004		2005	
	Number	Percent	Number	Percent
Total	5,575	100.0	6,787	100.0
Wage and Salary	2,794	50.1	3,267	48.1
Own-Account	2,141	38.4	2,740	40.4
Unpaid Family	640	11.5	781	11.5

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

Largest numbers of underemployed were in Bicol and Western Visayas

In 2004-2005, the highest share of underemployed persons among regions were in Regions V (569,000 in 2004 and 699,000 in 2005) and VI (584,000 in 2004 and 663,000 in 2005), accounting for about 10.0 percent each. Regions X (555,000 in 2004) and IV-A (649,000 in

2005) accounted for the third highest share in both years, respectively. The same pattern is true for the number of visibly underemployed persons. (See Table 2).

NCR is the only region with higher invisible underemployment rates than visible underemployment rates

Relative to their respective share to employed, Regions V, X and VIII posted the highest underemployment and visible underemployment rates in both years. Moreover, except for NCR, all regions have recorded higher visible underemployment rates than their respective invisible underemployment rates.

As NCR is the only region which achieved a higher invisible underemployment rate than its respective visible underemployment rate, this means that a larger portion of the underemployed in the region were working more than 40 hours a week. Further, NCR posted the highest share of invisibly underemployed for 2004 and 2005 (14.1% and 12.9%, respectively) followed by Regions X, IV-A and V.

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TABLE 1 – Total Employed, Underemployed, Visibly Underemployed and Invisibly Underemployed Persons and Percent To Total Employed, Philippines: 1997 - 2005
(In thousands except rates)

Year	Total Employed	Underemployed Persons			Visibly Underemployed Persons			Invisibly Underemployed Persons		
		Number	Growth Rate (%)	Underemployment Rate (% to Employed)	Number	Growth Rate (%)	Visible Underemployment Rate (% to Employed)	Number	Growth Rate (%)	Invisible Underemployment Rate (% to Employed)
1997	26,365	5,773	-	21.9	2,821	-	10.7	2,952	-	11.2
1998	26,613	5,758	-0.3	21.6	3,073	8.9	11.5	2,776	-6.0	9.9
1999	27,742	6,127	6.4	22.1	3,238	5.4	11.7	2,889	4.1	10.4
2000	27,453	5,955	-2.8	21.7	3,040	-6.1	11.1	2,915	0.9	10.3
2001	29,156	5,006	-15.9	17.2	3,202	5.3	11.0	1,804	-38.1	6.2
2002	30,062	5,109	2.1	17.0	3,322	3.7	11.1	1,786	-1.0	5.9
2003	30,635	5,221	2.2	17.0	3,229	-2.8	10.5	1,993	11.6	6.5
2004	31,613	5,575	6.8	17.6	3,472	7.5	11.0	2,103	5.5	6.7
2005	32,313	6,787	21.7	21.0	4,084	17.6	12.6	2,703	28.5	8.4

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

TABLE 2 – Visibly and Invisibly Underemployed Persons , and Underemployment Rates by Region, Philippines: 2004 and 2005
(In thousands except rates)

Region	Underemployed						Visibly Underemployed						Invisibly Underemployed					
	2004		2005		Underemployment Rate (%)		2004		2005		Visible Underemployment Rate (%)		2004		2005		Invisible Underemployment Rate (%)	
	Number	% Share	Number	% Share	2004	2005	Number	% Share	Number	% Share	2004	2005	Number	% Share	Number	% Share	2004	2005
Phils.	5,575	100	6,787	100	17.6	21.0	3,472	100	4,084 ^a	100	11.0	12.6	2,103	100	2,703	100	6.7	8.4
NCR	485	8.7	577	8.5	11.9	14.1	189	5.4	230	5.6	4.7	5.6	296	14.1	348	12.9	7.3	8.5
CAR	82	1.5	117	1.7	13.3	18.8	49	1.4	60	1.5	7.9	9.6	33	1.6	58	2.1	5.3	9.3
I	265	4.8	292	4.3	16.2	17.7	179	5.2	189	4.6	11.0	11.5	86	4.1	103	3.8	5.3	6.2
II	269	4.8	267	3.9	19.8	20.4	197	5.7	190	4.6	14.5	14.5	72	3.4	78	2.9	5.3	5.9
III	228	4.1	350	5.2	7.4	11.0	154	4.4	212	5.2	5.0	6.7	74	3.5	139	5.1	2.4	4.4
IV-A	442	7.9	649	9.6	12.1	17.0	275	7.9	394	9.6	7.5	10.3	167	7.9	255	9.4	4.6	6.7
IV-B	163	2.9	237	3.5	17.2	23.8	110	3.2	161	3.9	11.6	16.2	53	2.5	77	2.8	5.6	7.7
V	569	10.2	699	10.3	29.5	35.2	375	10.8	447	10.9	19.5	22.5	194	9.2	252	9.3	10.1	12.7
VI	584	10.5	663	9.8	21.5	24.1	414	11.9	457	11.2	15.3	16.6	170	8.1	206	7.6	6.3	7.5
VII	252	4.5	446	6.6	11.4	19.1	131	3.8	225	5.5	5.9	9.6	120	5.7	221	8.2	5.4	9.5
VIII	422	7.6	469	6.9	26.2	28.6	277	8.0	281	6.9	17.2	17.1	145	6.9	188	7.0	9.0	11.5
IX	246	4.4	267	3.9	20.5	21.5	170	4.9	176	4.3	14.1	14.2	76	3.6	92	3.4	6.3	7.4
X	555	10.0	589	8.7	32.3	33.5	344	9.9	369	9.0	20.0	21.0	211	10.0	220	8.1	12.3	12.5
XI	387	6.9	395	5.8	24.1	24.4	216	6.2	212	5.2	13.4	13.1	171	8.1	183	6.8	10.6	11.3
XII	320	5.7	413	6.1	22.6	28.1	208	6.0	261	6.4	14.7	17.8	112	5.3	152	5.6	7.9	10.4
Caraga	215	3.9	255	3.8	23.3	26.8	136	3.9	162	4.0	14.7	17.0	79	3.8	93	3.4	8.6	9.8
ARMM	93	1.7	104	1.5	10.3	11.4	48	1.4	63	1.5	5.3	6.9	45	2.1	41	1.5	5.0	4.5

Note: Details may not add up to totals due to rounding.

^a Includes underemployed persons who did not work during the reference period.

Source of data: National Statistics Office, Labor Force Survey.