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## EMPLOYMENT AND GROSS DOMESTIC PRODUCT

**COMPARISONS OF TRENDS AND PATTERNS: 2001-2006**  
(Second of a series)



*This LABSTAT is the second of a series focusing on the issue of data coherence between employment statistics generated from the Labor Force Survey (LFS) and output or gross domestic product (GDP) as estimated in the National Income Accounts. This issue examines the similarities and differences between GDP and employment with respect to their structure or component parts.*

### Sectoral Composition

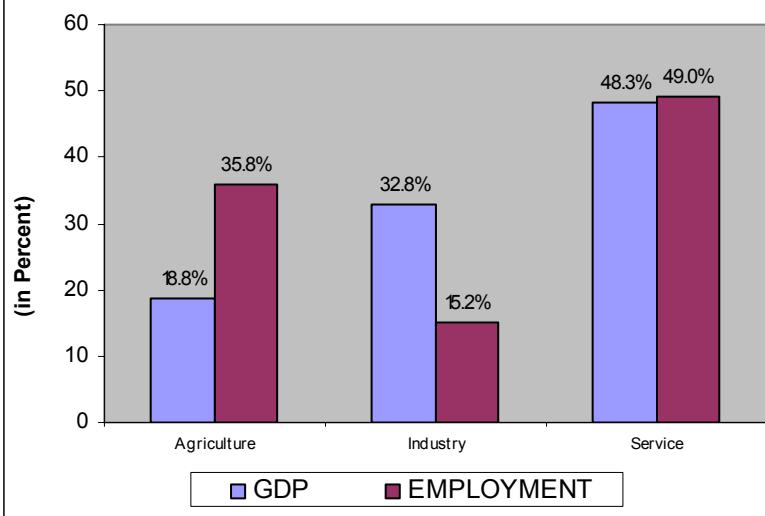
While the two data series in general moved in the same direction, their sectoral composition or structure varies considerably as can be noted in the chart below. The combined agriculture, fishery and forestry sector accounted for over one-third (35.8%) of the country's employment in 2006 but the sector's contribution to GDP was less than one-fifth (18.8%). On the other hand, industry which comprised a small portion (15.2%) of total employment contributed nearly twice (32.8%) to national output relative to agriculture. But these contradictions were somehow offset by the almost perfect match between the proportions of output (48.3%) and employment (49.0%) in the service sector.

### Sectoral Shifts

Between 2001 and 2006, sectoral shifts occurred in both data sets. Interestingly, many of these shifts were comparable or coherent within the two data sets.

On the overall, the service sector was the main driving force behind the growth of the nation's output and employment during the six-year period. Its shares to GDP and total employment both went up by 2.4 percentage points each as indicated in Table 3.

**FIGURE 2 - GDP and Employment Shares by Sector**  
**Philippines: 2006**



On the other hand, the respective shares of agriculture and industry to GDP and employment both diminished. The agriculture sector suffered the most with its shares to output and employment declining by more than one percentage point each (-1.3 percentage points and -1.4 percentage points, respectively). Similar declines were observed for the industry sector though of lesser magnitude.

**TABLE 3 - Gross Domestic Product and Employment Shares by Sectoral Group, Philippines: 2001 and 2006**  
(in percent)

<b>SECTOR</b>	<b>Gross Domestic Product</b>			<b>Employment</b>		
	<b>2001</b>	<b>2006</b>	<b>Change</b>	<b>2001</b>	<b>2006</b>	<b>Change</b>
<b>All Sectors</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	
Agriculture	20.1	18.8	-1.3	37.2	35.8	-1.4
Industry	34.0	32.8	-1.2	16.2	15.2	-1.0
Services	45.9	48.3	+2.4	46.6	49.0	+2.4

**Sources of basic data:** National Statistical Coordination Board, National Income Accounts.  
National Statistics Office, Labor Force Survey.

### **Sectoral Growth Rates**

#### Gross Domestic Product

The patterns of divergence and convergence between the two data sets can also be observed by comparing the growth in output and employment across time and sector.

In terms of output, Table 4 indicates that all sectors performed relatively well with the service sector outpacing agriculture and industry. Specifically, service sector output grew at a robust 6.0% annually on the average as compared to 3.8% for agriculture and 3.2% for industry.

**TABLE 4 - GDP Growth Rate by Sector, Philippines: 2001 - 2006**  
(in percent)

<b>INDICATOR</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Annual Average</b> (Geometric Mean)
<b>All Sectors</b>	<b>1.8</b>	<b>4.4</b>	<b>4.9</b>	<b>6.2</b>	<b>5.0</b>	<b>5.4</b>	<b>4.6</b>
Agriculture	3.7	4.0	3.8	5.3	1.8	4.1	3.8
Industry	-2.5	3.9	4.0	4.7	4.9	4.8	3.2
Service	4.3	5.1	6.1	7.6	6.4	6.3	6.0

**Sources of basic data:** National Statistical Coordination Board, National Income Accounts.

It can also be observed that the pattern of growth in agriculture output is characterized by "boom and bust" cycle. On the other hand, growth in industrial output has been stable with very little fluctuations in between years except in 2001. A stable growth pattern is likewise observed for service sector output except for a spike in 2004.

#### Employment

The growth in employment by sector was almost similar to the pattern exhibited by output or GDP, though the magnitudes of growth rates were much lower. The service sector again was the biggest contributor to employment creation as its workforce grew

by an average of 4.0% a year. On the other hand, growth in agricultural employment was modest at 2.2% annually while industry employment grew the slowest at 1.8% annually.

Employment growth rates in all three sectors exhibited wide annual fluctuations over the period under review with industry employment even posting negative growth figures or losses in 2002 and 2006. It is in this respect that divergence again exists between the two data sets.

**TABLE 5 - Employment Growth Rate by Sector,  
Philippines: 2001 - 2006**  
(in percent)

INDICATOR	2001	2002	2003	2004	2005	2006	Annual Average (Geometric Mean)
<b>All Sectors</b>	6.2	3.1	1.9	3.2	2.2	2.0	3.0
Agriculture	6.6	2.5	0.9	1.4	2.2	1.6	2.2
Industry	5.8	-0.4	3.1	3.3	0.5	-0.4	1.8
Service	6.1	4.8	2.4	4.5	2.8	3.1	4.0

*Sources of basic data: National Statistical Coordination Board, National Income Accounts.*

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