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EMPLOYMENT AND GROSS DOMESTIC PRODUCT

COMPARISONS OF TRENDS AND PATTERNS: 2001-2006

(Third of a series)

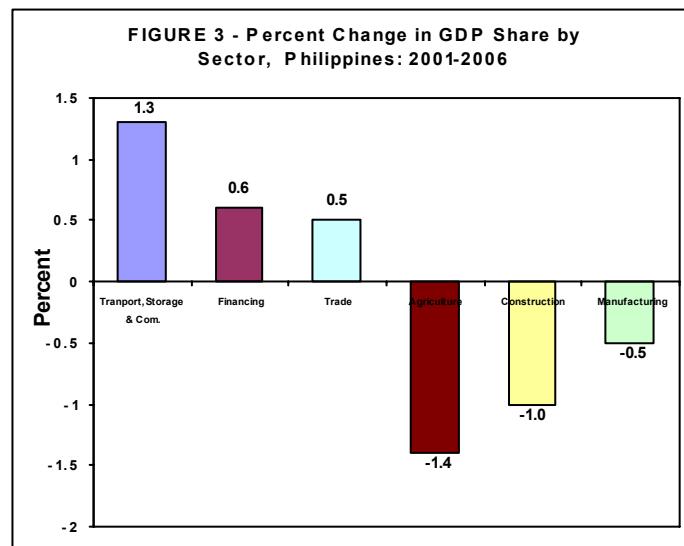


This LABSTAT is the third of a series focusing on data coherence between employment statistics and gross domestic product (GDP). This issue presents GDP and employment performances across sub-sectors and the possible sources of their growth and decline over the last six years. It also offers some policy implications of the imbalances between economic growth and employment.

Sectoral Winners and Losers

Within the sub-sectors, the top three performers were: (1) transport, storage and communication, (2) financing, insurance, real estate and business services and (3) wholesale and retail trade. They expanded more rapidly relative to other sub-sectors both in terms of output and employment. Growth in these sectors was driven by innovations and rapid technological advancements as seen by the continued expansion of the telecommunication industry and the emergence of call centers and outsourcing in business services in recent years. On the other hand, overseas remittances which now accounted for over ten percent of gross national product (GNP) have given a strong boost to consumer spending and investment in real estate.

In contrast, the poor performers were made up of (1) agriculture, (2) construction and (3) manufacturing. Their shares to total employment and output both contracted over the period under review. The declining contribution of agriculture to GDP has an implication on poverty alleviation as a large segment of the population is still dependent on this sector for livelihood. Likewise, its share to employment has fallen considerably over the past six years (-1.4 percentage points) with the bulk of the workforce moving out not into industry sector but into services.



On the other hand, much of the decline in industry sector output occurred in manufacturing and construction, which somehow revealed our country's ability to compete globally and to attract foreign investment. In particular, the importance of

manufacturing diminished over the review period despite of the surge in commodity exports in recent years. Equally important is the sluggish inflow of foreign investment to the Philippines, which is an outcome of the very low level of spending devoted to construction, specifically in infrastructure projects by both the public and private sectors. The same can be observed for electricity, gas and water which posted a decline in GDP share (-0.2 percentage point).

**TABLE 6 - GDP and Employment Shares and Average Growth Rates
by Major Industry, Philippines: 2001 and 2006**
(in percent)

MAJOR INDUSTRY	2001	2006	Change	Annual Average (Geometric Mean)
GROSS DOMESTIC PRODUCT				
Gainers				
- Transport, Storage & Communication	7.5	8.8	+1.3	8.5
- Financing, Insurance, R. Estate & Bus. Svcs.	9.6	10.2	+0.6	6.5
- Mining and Quarrying	1.0	1.5	+0.5	13.2
- Wholesale and Retail Trade	16.3	16.9	+0.5	5.9
- Community, Social and Personal Svcs.	12.4	12.5	+0.1	5.3
Losers				
- Agriculture, Fishery and Forestry	20.2	18.8	-1.3	3.8
- Construction	5.0	4.0	-1.0	0.8
- Manufacturing	24.7	24.2	-0.5	4.8
- Electricity, Gas and Water	3.3	3.1	-0.2	4.1
EMPLOYMENT				
Gainers				
- Wholesale and Retail Trade	18.0	19.1	+1.1	3.6
- Financing, Insurance, R. Estate & Bus. Svcs.	2.8	3.5	+0.7	7.3
- Transport, Storage and Communication	7.3	7.6	+0.3	3.3
- Community, Social and Personal Svcs.	18.6	18.9	+0.3	2.8
Losers				
- Agriculture, Fishery and Forestry	37.2	35.8	-1.4	1.7
- Manufacturing	10.0	9.3	-0.7	1.0
- Construction	5.4	5.1	-0.3	1.1
Unchanged				
- Mining and Quarrying	0.4	0.4	0.0	5.4
- Electricity, Gas and Water	0.4	0.4	0.0	1.6

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

Mixed results were noted for mining and quarrying. Its GDP share increased (+0.5 percentage point) over the review period but its effect on employment was nil. In contrast, the slight increase in the share of output (+0.1 percentage point) in the community, social and personal services translated to a greater proportional increase in its share to employment (+0.3 percentage point).

On the overall, the positive impact of macroeconomic gains achieved over the past six years has been largely translated to an increase in national output (economic growth) with employment lagging behind. As can be noted in Table 6, there were more gainers (5 sub-sectors) in the GDP account as compared in employment (4 sub-sectors). Moreover, most of the gainers were sectors that are capital intensive but weak in employment creation e.g., transport, storage and communication; mining and quarrying and financing, insurance, real estate and business services. In contrast, the

underperformers (i.e., agriculture, manufacturing and construction) were all big employment providers and their growth is often associated with more jobs.

The challenge faced by the economy is how to translate these macroeconomic gains into more employment creation in the future. Policy reforms and interventions should focus more on improving the performance of key employment generating sectors or those sectors that "matter the most" in employment creation i.e., agriculture, manufacturing and construction. The success in reforming the fiscal and monetary sectors should be coupled with microeconomic reforms that would enlarge the "employment content" of economic growth. This is to ensure that the employment targets of creating more than a million jobs a year as set in the 2005-2010 Philippine Medium-Term Development Plan could be realized in the remaining years of the Plan.

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