

EMPLOYMENT AND GROSS DOMESTIC PRODUCT

COMPARISONS OF TRENDS AND PATTERNS: 2001-2006 (Fourth of a Series)



This LABSTAT is the fourth of a series focusing on data coherence between employment and gross domestic product (GDP). This issue examines the connection between output and employment at the regional level and how this relates with labor market outcomes.

Regional Comparisons

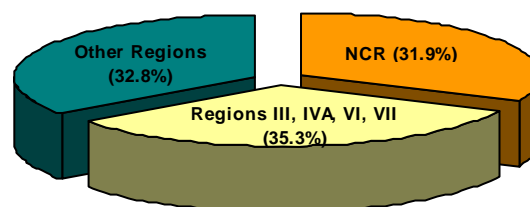
A comparative analysis of regional employment and gross regional domestic product (GRDP) data is another approach for validating the coherence between the two data sets. It is also useful in examining the link between output and employment and how these affect regional labor market outcomes across regional groupings.

The regional distribution of GRDP is seen to be highly uneven and heavily biased towards few developed regions. As shown in Figure 4, about one-third (31.9%) of the nation's output in 2005 was produced in NCR which accounted for just one-eight (12.7%) of the total employed workforce (Figure 5). This is in sharp contrast with the twelve regions that collectively accounted for one-half (50.0%) of total employed, but together produced only a little less than one-third (32.8%) of GDP. In between these extremes were the four (4) moderately developed regions comprised of Region IV-A, Region III, Region VI and Region VII, which collectively accounted for 35.3% of GDP and 37.3% of employment.

Output Per Employed

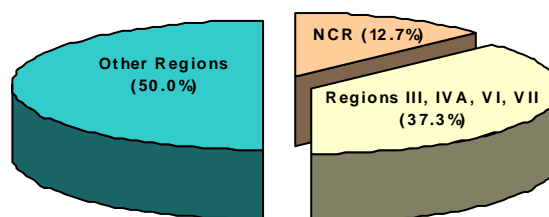
The relationship between GDP and employment is better described by computing the "output per employed" person and comparing them across

**FIGURE 4 - GRDP Share by Region
Philippines: 2005**



Source of data: National Statistical Coordination Board.

**FIGURE 5 - Employment Share by Region
Philippines: 2005**



Source of data: National Statistics Office.

regions. Defined as the ratio of GDP to employment, this statistics also served as a crude measure of labor productivity. Its variations across regions reflect the imbalances in the distribution of labor vis-à-vis other factors of production.

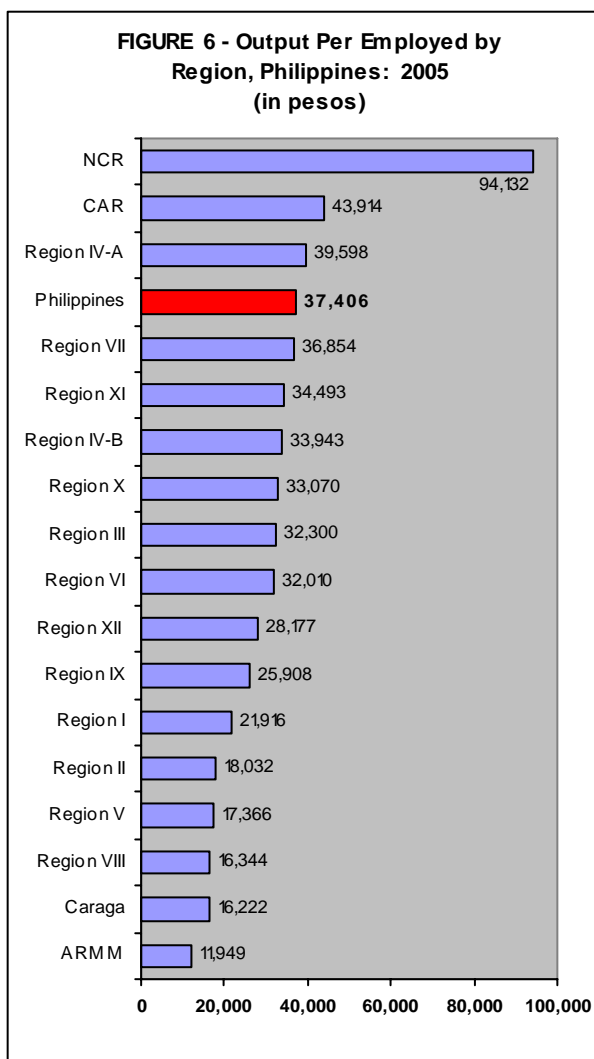
Regional variations in output per employed as presented in Figure 6 showed NCR (P94,132) at the top of the ranking with CAR (P43,914) and Region IV-A (P39,598) trailing behind at second and third positions, respectively. They were followed in order of importance by Region VII (P36,854), Region XI (P34,493), Region IV-B (P33,943), Region X (P33,070), Region III (P 32,300) and Region VI (P32,010). The bottom of the list were occupied by less developed regions that include Region II (P18,032), Region V (P17,366), Region VIII (P16,344), Caraga (P16,222) and ARMM (P 11,949).

Inequality is seen by the fact that only the top three regions, i.e., NCR, CAR and Region IV-A, recorded output per worker above the national average. The rest of the regions fell below the national average which included big regions such as Region III, Region VI, Region VII and Region XI. Note that two small regions (i.e., CAR and Region IV-B) included at the top of the list even outranked Region III and Region VI.

Labor Market Outcomes

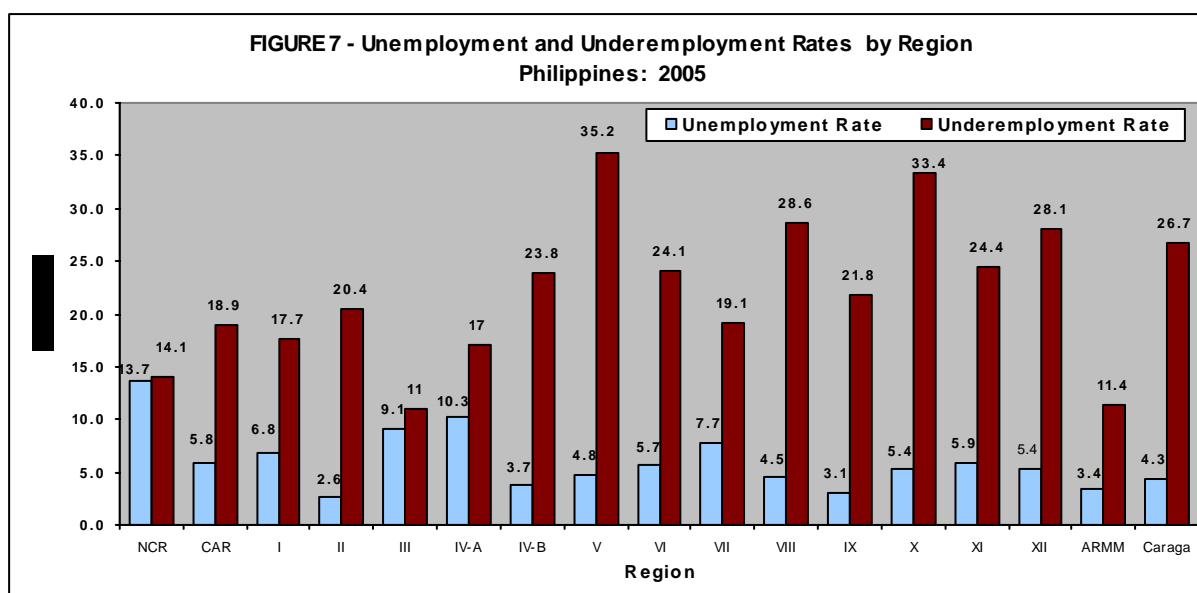
There are certain patterns or relationships that can be discerned when comparing regional output per worker against labor market outcomes such as the measured levels of unemployment and underemployment obtained in each region. One generalization that can be made based on observation is that unemployment is more of an urban phenomenon while underemployment is more of a rural phenomenon.

One possible reason for the high level of unemployment in many developed regions is the presence of more paid employment opportunities that served as a pull-factor for labor migration and the fairly established labor market exchange network that facilitates a person's job search. As can be gleaned from Figure 7, unemployment in 2005 was recorded highest in the four most developed regions of the country that include NCR (13.7%), Region IV-A (10.3%), Region III (9.1%) and Region VII (7.7%) – all posted unemployment rate higher than the national average of 7.4%. These regions are highly



Source of data: National Statistical Coordination Board.
National Statistics Office.

urbanized and have the highest concentration of establishments in the country (List of Establishment, NSO). Conversely, unemployment rate was found lowest in the less developed regions of ARMM (3.4%), II (2.6%), Caraga (4.3%), VIII (4.5%) and V (4.8%). These regions have the least number of establishments which makes employment opportunities limited to self-employment activities. Under this condition, the notion of seeking work which is one of the three criteria in defining unemployed person has little relevance in describing the employment situation.



Source of data: National Statistics Office.

In contrast, underemployment is more prevalent in regions where the dominant economic activities are in agriculture or rural-based. In such regions, the output potential of the workforce was not fully harnessed due to the absence of industries that can provide stable and decent employment opportunities. Such were the case for Region II, Region V and Caraga where the rates of underemployment (20.4% to 35.2%) were six to eight times higher than the measured unemployment rate (2.6% to 4.8%) prevailing in each of these regions. The same observation applies to Region VIII, Region IX and Region X. In comparison, NCR, Region III and Region VII were among the regions with the lowest incidence of underemployment relative to the national average of 21.0%.

The low level of unemployment combined with high incidence of underemployment in many less developed regions may be explained by the fact that most people in these areas, particularly those that are considered as "head of the family," cannot afford to be unemployed for any period of time and in the absence of paid employment opportunities usually create their own employment. Most of them were at the same time wanting or seeking other or additional work. It is on this respect that they were captured in the Labor Force Survey as underemployed instead of unemployed.

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TABLE 7 - Gross Regional Domestic Product, Employment, Unemployment Rate and Underemployment Rate, Philippines: 2005

REGION	GRDP ¹		EMPLOYMENT		OUTPUT PER EMPLOYED	UNEMPLOYMENT RATE ² (%)	UNDER-EMPLOYMENT RATE (%)
	Value (in 000 ₱)	% Distribution	Number (in 000)	% Distribution			
PHILIPPINES	1,209,473,421	100.0	32,313	100.0	37,430	7.4	21.0
National Capital Region	385,563,464	31.9	4,096	12.7	94,132	13.7	14.1
Cordillera Administrative Region	27,358,400	2.3	623	1.9	43,914	5.6	18.8
Region I - Ilocos Region	36,182,938	3.0	1,651	5.1	21,916	6.8	17.7
Region II - Cagayan Valley	23,603,603	2.0	1,309	4.1	18,032	2.6	20.4
Region III - Central Luzon	102,456,033	8.5	3,172	9.8	32,300	9.1	11.0
Region IV-A - CALABARZON	150,870,269	12.5	3,810	11.8	39,598	10.3	17.0
Region IV-B - MIMAROPA	33,738,962	2.8	994	3.1	33,943	3.7	23.8
Region V - Bicol	34,418,605	2.8	1,982	6.1	17,366	4.8	35.2
Region VI - Western Visayas	88,186,673	7.3	2,755	8.5	32,010	5.7	24.1
Region VII - Central Visayas	85,944,059	7.1	2,332	7.2	36,854	7.7	19.1
Region VIII - Eastern Visayas	26,853,445	2.2	1,643	5.1	16,344	4.5	28.6
Region IX - Zamboanga Peninsula	32,048,198	2.6	1,237	3.8	25,908	3.1	21.6
Region X - Northern Mindanao	58,137,919	4.8	1,758	5.4	33,070	5.4	33.4
Region XI - Davao Region	55,844,756	4.6	1,619	5.0	34,493	5.9	24.4
Region XII - SOCCSKSARGEN	41,871,725	3.5	1,468	4.5	28,523	5.4	28.1
Caraga	15,508,688	1.3	956	3.0	16,222	4.3	26.7
ARMM	10,885,684	0.9	911	2.8	11,949	3.4	11.4

¹ At constant prices.

² October round was used due to the absence of average annual figure as a result of the implementation of the new definition in April 2005.

Source of basic data: National Statistics Office and National Statistical Coordination Board.