

LABOR TURNOVER STATISTICS

IN LARGE ENTERPRISES IN METRO MANILA: 2003-2007

(Second of a three-part series)

OVERVIEW

In 2002, the Bureau of Labor and Employment Statistics introduced the quarterly Labor Turnover Survey (LTS) that aims to capture "job creations" (new hires and unfilled job vacancies) and "job displacements" (separations) in large business enterprises. The survey is intended to complement the statistics on layoffs/retrenchments based on Termination Reports submitted by employers to DOLE Regional Offices and the results of the Labor Force Survey (LFS) - a household sample survey conducted quarterly by the National Statistics Office.

The number of respondents was composed of 500 large enterprises in Metro Manila which were drawn from the List of Top 5,000 Enterprises in the Philippines. Considered as economic trend setters, these firms provide timely signals on labor demand in the formal sector of the economy.

Now on its fifth year, the LTS has compiled a total of 22 quarterly data points - from third quarter 2002 to fourth quarter 2007. This issue of LABSTAT Updates presents a comparative analysis of labor turnover trends across major industry group or sub-sectors over the 2003-2007 period.

Labor Turnover Trends by Sub-Sector: 2003-2007

Employment growth mix across sub-sectors

Growth in employment over the 2003-2007 period for enterprises covered in this survey was mixed across sub-sectors: strong to moderate growth occurred in five (5) sub-sectors; sluggish or virtually unchanged in six (6) sub-sectors; and a down trend in two (2) sub-sectors.

TABLE 1 – Summary of Employment Outcomes in Top Enterprises in Metro Manila: 2003-2007

Item	Gainers	Losers	Unchanged
Number of sub-sector	5	2	6

Source: BLES, LTS.

Real estate, renting and business services as the top employment generators

Job expansion was dominated by enterprises engaged in real estate, renting and business activities which collectively posted a robust average annual growth rate of 4.1% over the five-year period. Job growth in this sector accelerated to more than 5.0% in 2004, 2006 and 2007. This uptrend was boosted by the rapid expansion of business process outsourcing (BPO) in recent years and the rising demand for real estates by Filipinos overseas particularly professionals and skilled workers. (Table 2)

Job gains also strong in construction and hotels and restaurants and modest in agriculture, fishery and forestry and health and social work

Strong employment growth rates were also noted in hotels and restaurants and construction which expanded at an average annual growth rate of more than 3.0%. These were the only sub-sectors that managed to post double-digit growth rates over the period under review: 13.66% for construction in 2006 and 10.81% for hotels and restaurants in 2007.

Meanwhile, modest growth rates were recorded in agriculture, fishery and forestry (2.03%) and health and social work (1.04%).

Employment on the downtrend in electricity, gas and water and private education

Employment fell in electricity, gas and water supply and private education. The decline, however, was negligible at an annual average of less than 1.0%. Job losses in electricity, gas and water supply may be accounted for by the emerging practices among utility firms of outsourcing their non-core operations to other firms. On the other hand, private education institutions were fast losing their faculty members as many of them opted for more lucrative teaching jobs abroad or work in call centers which provide more attractive pay packages.

TABLE 2 – Average Annual Labor Turnover Rate in Top Enterprises in Metro Manila by Major Industry Group: 2003-2007
(In percent)

Major Industry Group	Labor Turnover Rate (Accession Rate less Separation Rate)
<u>All Industries</u>	<u>1.29</u>
Agriculture, Fishery and Forestry	2.03
Industry	
Mining and Quarrying	0.17
Manufacturing	0.06
Electricity, Gas and Water Supply	-0.46
Construction	3.41
Service	
Wholesale and Retail Trade	0.88
Hotels and Restaurants	3.54
Transport, Storage and Communications	0.30
Financial Intermediation	0.89
Real Estate, Renting and Business Activities	4.13
Private Education	-0.35
Health and Social Work	1.04
Other Community, Social and Personal Service Activities	0.65

Source: BLES, LTS.

Job creation in manufacturing and wholesale and retail trade sluggish

The rest of the six (6) sub-sectors experienced little growth in employment, i.e., less than 1.0% annually on the average. This may suggest that most firms in these sub-sectors were barely maintaining their workforce in the absence of business expansion prospects.

Included in this group were manufacturing and wholesale and retail trade - two of the biggest sectors in terms of employment. In particular, the manufacturing sector was hit the hardest by the surge in oil prices in the world market in recent years and the strong appreciation of the

Philippine peso which have greatly eroded their earnings from export.

Similarly affected were firms engaged in wholesale and retail trade which have suffered declining sales volume due to weak consumer demand as the purchasing power of families dependent on remittances from abroad was greatly dampened by the continued strengthening of the peso.

Seasonal pattern in labor turnover observed in wholesale and retail trade and hotels and restaurants

Survey data indicated a different pattern of labor turnover between manufacturing and wholesale and retail trade. As can be noted in Table 3, high accession rates (13.66% to 20.86%) matched by an equally high separation rates (11.99% to 19.96%) was observed in wholesale and retail trade.

This pattern suggests the presence of seasonal demand for labor as firms hire temporary or non-regular workers for jobs of short duration during certain months of the year when sales volume is up. The temporary workforce was immediately shed off once the peak season is over.

Survey data revealed that accession rate in this sector normally rises in the third quarter or fourth quarter, in time for the holiday season while separation rate often peaks in the first quarter. In some years, high accession and separation rates both occurred in the same quarter. This situation exists when workers hired in the beginning of the quarter were also laid off at the end of the quarter.

In contrast, labor turnover rates in manufacturing were relatively modest. Annual rates of accession and separation over the five-year period averaged at just a little over five percent. Moreover, no seasonal pattern of hiring and layoff can be discerned in the data series, unlike in wholesale and retail trade. This suggests that labor turnover rate in manufacturing was driven more by the performance of the economy.

The other sub-sector that exhibited seasonal pattern in hiring is hotels and restaurants. Accession rate usually peaked in second quarter which coincides with the summer months of the year or during the third quarter.

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**TABLE 3 - Labor Turnover Rates in Top Enterprises in Metro Manila
by Major Industry Group: 2003-2007**
(In percent)

Major Industry Group	Accession Rate						Separation Rate						Percent Difference					
	Ave.	2003	2004	2005	2006	2007	Ave.	2003	2004	2005	2006	2007	Ave.	2003	2004	2005	2006	2007
All Industries	8.46	6.82	7.12	8.66	9.22	10.47	7.17	6.76	6.09	7.67	7.70	7.64	1.29	0.06	1.04	0.98	1.52	2.83
Agriculture, Fishery and Forestry	5.36	3.53	0.00	0.88	12.67	9.70	3.32	2.85	0.00	0.59	3.57	9.61	2.03	0.68	0.00	0.30	9.11	0.08
Industry																		
Mining and Quarrying	3.45	3.00	2.82	2.38	2.04	7.03	3.28	2.39	4.11	3.51	1.89	4.51	0.17	0.61	-1.29	-1.13	0.15	2.52
Manufacturing	5.33	5.82	4.42	4.62	5.15	6.67	5.28	5.71	4.06	4.60	5.49	6.53	0.06	0.11	0.36	0.02	-0.34	0.14
Electricity, Gas and Water Supply	1.27	0.91	1.29	0.85	1.62	1.71	1.74	3.68	0.85	1.18	1.32	1.65	-0.46	-2.77	0.44	-0.34	0.30	0.05
Construction	16.60	8.91	17.33	14.16	26.34	16.25	13.19	13.82	12.69	14.01	12.68	12.73	3.41	-4.91	4.64	0.15	13.66	3.52
Service																		
Wholesale and Retail Trade	17.40	13.66	16.16	20.86	18.29	18.05	16.52	11.99	15.37	19.96	19.00	16.30	0.88	1.67	0.79	0.90	-0.71	1.76
Hotels and Restaurants	14.06	17.35	10.78	13.25	13.76	15.15	10.52	19.18	7.58	9.53	11.99	4.34	3.54	-1.83	3.20	3.73	1.77	10.81
Transport, Storage and Communications	4.75	2.02	6.83	7.14	4.38	3.38	4.45	4.40	5.22	5.69	3.74	3.19	0.30	-2.38	1.61	1.45	0.64	0.18
Financial Intermediation	3.90	3.15	2.65	4.10	5.14	4.46	3.01	2.92	2.28	2.92	3.35	3.59	0.89	0.23	0.37	1.18	1.79	0.87
Real Estate, Renting and Business Activities	11.79	10.13	10.97	7.73	15.06	15.05	7.66	9.34	5.53	6.04	8.84	8.57	4.13	0.80	5.44	1.69	6.23	6.48
Private Education	4.54	0.34	3.11	10.92	3.75	4.61	4.89	1.08	6.37	9.34	2.98	4.70	-0.35	-0.74	-3.26	1.58	0.77	-0.09
Health & Social Work	6.87	6.75	6.83	7.35	5.37	8.04	5.83	7.58	5.24	6.07	4.82	5.44	1.04	-0.83	1.60	1.28	0.55	2.60
Other Community, Social and Personal Service Activities	8.24	7.49	11.61	5.38	8.57	8.17	7.60	7.48	9.17	5.69	6.79	8.87	0.65	0.01	2.45	-0.31	1.78	-0.70

Source: BLES, LTS.

**TABLE 4 - Labor Turnover Rates in Top Enterprises in Metro Manila
by Selected Sub-Sector and Quarter: 2003-2007**
(In percent)

Quarter	Manufacturing					Wholesale and Retail Trade					Construction					Hotels and Restaurants				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Percent Difference	0.11	0.36	0.02	-0.34	0.14	1.67	0.79	0.90	-0.71	1.75	-4.91	4.64	0.15	13.66	3.51	-1.83	3.20	3.73	1.77	10.81
Accession Rate	5.82	4.42	4.62	5.15	6.67	13.66	16.16	20.86	18.29	18.05	8.91	17.33	14.16	26.34	16.25	17.35	10.78	13.25	13.76	15.15
1st Qtr.	7.30	4.22	4.44	5.50	5.01	9.61	13.48	16.80	18.26	15.25	8.71	17.07	17.15	37.80	14.53	13.77	7.86	8.86	14.34	15.54
2nd Qtr.	5.61	4.47	5.34	5.51	6.06	12.90	15.19	20.50	17.61	17.82	3.99	18.12	13.94	20.69	18.27	27.88	15.34	25.22	12.24	15.69
3rd Qtr.	5.25	5.04	4.92	4.88	7.30	12.78	18.20	23.47	18.22	19.35	10.30	18.37	9.47	23.05	16.39	13.56	12.16	7.92	14.57	18.60
4th Qtr.	5.11	3.95	3.78	4.70	8.30	19.35	17.76	22.65	19.05	19.78	12.65	15.76	16.08	23.80	15.79	14.20	7.76	10.99	13.89	10.76
Separation Rate	5.71	4.06	4.60	5.49	6.53	11.99	15.37	19.96	19.00	16.30	13.82	12.69	14.01	12.68	12.73	19.18	7.58	9.53	11.99	4.34
1st Qtr.	6.59	3.88	4.18	6.14	5.47	10.35	18.07	20.76	23.88	17.24	6.14	13.69	13.59	11.27	13.13	11.15	6.40	5.39	9.92	3.69
2nd Qtr.	4.73	3.92	4.71	5.68	5.76	10.44	13.12	16.02	16.07	14.70	17.60	12.23	7.74	13.93	17.44	30.01	8.87	14.90	9.82	5.08
3rd Qtr.	7.31	4.14	5.16	5.02	7.38	13.95	15.84	24.99	18.44	17.20	14.61	9.98	15.89	13.05	11.07	20.40	9.49	8.12	18.44	2.97
4th Qtr.	4.21	4.29	4.35	5.10	7.49	13.21	14.44	18.07	17.60	16.04	16.92	14.85	18.82	12.45	9.29	15.16	5.57	9.69	9.79	5.62

Source: BLES, LTS.