BEYOND THE UNEMPLOYMENT FIGURES

Introduction

Unemployment rate as an indicator is widely regarded as one of the key measures of economic performance alongside gross domestic product (GDP) and inflation rate. The trend over time of unemployment rate (the proportion of unemployed persons to the total labor force) reflects the ability of the economy to provide work for the country's labor force under changing conditions. A high rate of unemployment means that employment opportunities are limited and many people are out of work.

The practice of collecting statistics on unemployment was introduced at the turn of the past century in industrialized Europe with the view of estimating the cost of operating an insurance fund against unemployment which was then a serious social concern. The standard-setting activity was carried out by the International Conference of Labor Statisticians (ICLS) during the 2nd ICLS in 1925*.

In the early thirties, the emphasis on unemployment as a major social problem shifted to employment creation as a major economic task at the onset of the great depression in the United States. This led to the elaboration of the labor force framework and the joint measurement of employment and unemployment in the international standards (6th ICLS, 1948).

This was the start of the modern era of international standards on statistics on employment and unemployment. The international standards have since been revised on several occasions, the latest was in the 13th ICLS in 1982 which adopted the standards presently in force. Since then the basic framework for measuring unemployment has remained unchanged i.e., it is considered as an extreme situation of "total lack of work".

Quality of employment

The ILO has long recognized that unemployment statistics have more relevance in industrial countries where the labor market is oriented towards paid employment and where the channels for the exchange of labor market information exist and

are widely used. The same, however, cannot be said for developing countries particularly in economies where agriculture remain dominant or is a significant sector and where the labor market is characterized by a high prevalence of self-employment and employment of unpaid workers.

In such situations, the observed unemployment is often low (a "rare event" in statistical parlance) because the notion of seeking work among the self-employed has little or no application to them. Moreover, few people can afford not to work for any period of time or to be unemployed which as defined in the labor force framework is an extreme situation of total lack of work. The bulk of the population must engage at all times in some form of economic activity, however little or inadequate that may be and even if some of them seek additional work they cannot be counted as unemployed.

In such circumstances, the employment performance of the economy cannot be assessed solely on the basis of job growth or unemployment data. Rather the analysis should go **beyond the unemployment figures and give equal or more emphasis on the quality of employment** that cover the larger workforce who are at work but are engaged in jobs or activities where incomes are low or unstable and access to rights and social benefits are restricted.

Unemployment in the Philippines

Unemployment is more pronounced only in the four developed regions of the country (NCR, Region III, Region IV-A and Region VII) and Region I - the rates range from 7.1% to 9.9% in July 2012 *(see LABSTAT Updates Vol. 16 No. 27, September 2012).* For the rest of the 12 regions, particularly in the eight (8) less developed (CAR, Regions II, IV-B, VIII, IX, X, XII and ARMM), the unemployment rates were comparatively lower at below 5.0%. In these regions, employment growth is driven primarily by demographic trends, as the majority of workers do not enter into formal wage employment, but rather they are engaged in self-employment or unpaid family work, largely in subsistence farming.

It can also be observed that unemployment rates have been flat or stagnant in the past 5 years (7.0% to 7.5%) and appeared to be less sensitive to fluctuations in the economy as can be noted during the 2008 (7.4%) and 2009 (7.5%) global financial crisis when the national rates were of little change. In these two years, GDP grew at 4.2% and 1.1%, respectively. This suggests that unemployment rate, a traditional measure of economic hardship, is no longer adequate to explain the realities of the labor market in developing countries and even in industrial economies which in recent years have been weighed down by the prolonged global economic slowdown.

Key indicators on quality of employment

In the meantime that the ICLS has not come up with standard measures to supplement the unemployment rate, the following discusses some measures appropriate to the Philippine setting.

19th International Conference of Labour Statisticians

The 19th International Conference of Labor Statisticians has been convened by the Governing Body of the International Labour Office to take place on 2-11 October 2013 in Geneva, Switzerland. The Conference will consider for adoption revised draft standards of labour force and work statistics, <u>including a set of measures of labour underutilization to supplement the unemployment rate</u>. If adopted, the revised statistical standards will update the resolution of statistics of the economically active population, employment, unemployment and underemployment adopted by the 13th ICLS (1982), and related guidelines.

Underemployment exists when a person's employment is inadequate, in relation to specified norms or alternative employment, account being taken of occupational skills. In the Philippines, two types of underemployment rates are distinguished, namely: total underemployment rate and visible underemployment rate. Underemployment is a more serious problem than unemployment in the country because it cuts across age and sex barriers and is more than twice unemployment (half of the unemployed are aged 15-24 years old) in terms of magnitude and rate. It is prevalent in less developed regions particularly those with large agriculture sector and it is highly correlated with poverty.

Persons in part-time employment – next to underemployment rate, part-time employment is the most closely watched indicator particularly in industrialized countries. Nationally defined as employed persons who worked less than 40 hours a week, statistics on this indicator move closely with the ups and downs in the economy i.e., it expands during economic downturn and contracts in times of economic recovery. For this reason, hours of work is considered as one of the key adjustment mechanisms in the labor market and is particularly useful in tracking the employment effect of economic crisis. In countries with large informal economies, labor market adjustments typically occur through changes in hours of work and wages than through change in unemployment levels.

Employees in precarious work relate to wage and salary workers in any work arrangements, that differ from the commonly perceived norm of "full-time protected regular wage and salary employment", such as short-term, casual and low paying jobs that do not provide the usual non-wage benefits and social security normally found in regular employment contracts. This is captured in the Labor Force Survey (LFS) of the National Statistics Office (NSO) through the inquiry on nature of employment of the employed persons.

Average real wages is an important but often neglected measure of quality of employment, this indicator shows whether the purchasing power of the average worker is growing or shrinking over time. It is also an indication of the worker's ability to earn sufficient income above poverty threshold or income that allows workers and their families to enjoy a reasonable standard of living.

Other measures of the quality of employment are captured in the Millennium Development Goals employment indicators.

Millennium Development Goals (MDGs) employment indicators

Going beyond the numbers game appears to be in the minds of the framers of the employment indicators in the Millennium Development Goals. A global initiative launched by the United Nations (UN) in 2000, the MDGs were built on agreements made by its 191 member countries to combat poverty and hunger and to tackle ill-health, gender inequality, lack of education, lack of access to clean water and environmental degradation.

Of fairly recent development, the UN in 2008 introduced a new target for employment in the MDGs i.e., Goal 1 Target 1.B: *"achieve full and productive employment and decent work for all, including women and young people"*. To monitor this MDG target, four (4) indicators were

introduced specifically and directly relating to employment issues.

MDGs EMPLOYMENT INDICATORS

GOAL 1: Eradication of extreme poverty and hunger

Target 1.B: *Achieve full and productive employment and decent work for all, including women and young people*

Indicators:
  1.4 Growth rate of GDP per person employed *(Labor productivity)*
  1.5. Employment-to-population ratio
  1.6 Proportion of employed people living below the poverty line *(Working poverty rate)*
  1.7 Proportion of own-account and contributing family workers in total employment

GOAL 3: Promote Gender Equality and Empower Women

Target 3.A: *Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015*

Indicator:
  3.2 Share of women in wage employment in the non-agricultural sector

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It should be noted that the selection of the employment indicators in the MDGs went beyond the traditional measures of labor market performance such as employment growth and unemployment rate. It gives heavy emphasis on the changes in the quality and structure of employment over time and less on the magnitudes and its trends as the performance measures are expressed in proportion or growth rate.

Four (4) of these employment indicators relate to quality of employment. These are:

Growth in labor productivity is an essential ingredient for sustainable poverty reduction, as the working poor do not suffer from a lack of

employment, but rather from the low level of productivity of their work and their consequent poor remuneration. In the long-run, increases in productivity often influence both social and economic environment in positive ways through investment, innovation, technological progress and industry/sectoral shifts which consequently result to increases in social protection and poverty reduction.

Employment-to-population ratio provides information on the ability of an economy to provide employment to its working population or to provide jobs for those who want to work. The ratio should not be so high as this would indicate low quality of employment. In rich countries, the ratio is low as people can afford not to work as those who do have higher productivity and incomes. Fewer workers are required to meet the needs of the entire population. The ideal direction is for employment growth to exceed population growth.

Working poverty rate measures the proportion of the working poor in total employment and is closely linked to the poverty indicators in MDG Goal 1: Eradicate extreme poverty and hunger. Statistics on this are derived from the merged files of the LFS and the Family Income and Expenditures Survey, also conducted by the NSO.

Proportion of self-employed and unpaid family workers in total employment (using national terminologies) captures the proportion of persons who are employed under relatively precarious circumstances which is indicative of the poor quality of jobs. The self-employed and unpaid-family workers are less likely to have formal work arrangements, access to benefits or social protection programs and are more "at risk" to economic cycles thus making them a vulnerable segment of the employed workforce. This indicator is often used as a proxy measure of informal sector employment in the Philippines.

References:
International Labour Office (ILO). 1990. S*urveys of economically active population, employment, unemployment and underemployment.* An ILO manual on concepts and methods (Geneva).
_. 2009. *Guide to the Millennium Development Goals Employment Indicators: Including the Full Decent Work Indicators Set* (Geneva).

Key Statistics on Quality of Employment

in % except average real daily basic pay

Indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Underemployment rate, total	20.0	21.0	21.9	21.6	22.1	21.7	17.2	17.0	17.0	17.6	21.0	22.6	20.1	19.3	19.1	18.8	19.3
Visible underemployment rate	10.2	11.2	10.7	11.5	11.7	11.1	11.0	11.1	10.5	11.0	12.6	13.9	12.0	11.8	11.8	11.1	11.7
Persons in part-time employment (in primary job)																	
Growth rate	4.3	12.9	-13.3	6.1	5.5	-5.8	21.2	3.4	0.3	2.7	0.2	4.9	0.3	-2.6	8.4	-2.2	6.3
% of total employment	34.0	36.3	32.5	34.0	34.5	32.8	37.4	37.5	36.9	36.7	36.0	37.4	36.6	35.1	36.9	35.1	36.2
Employees in precarious work																	
% of total employment	13.9	13.1	14.0	13.7	13.3	14.4	14.1	13.6	14.5	14.6	13.2	14.1	14.7	13.7	13.4	14.6	15.0
Average real daily basic pay[1] (in 2006 PhP)	..	..	..	..	..	..	275.11	272.76	271.05	263.02	258.84	261.90	259.14	250.39	250.63	254.38	251.74
MDG indicators on employment (Goal 1 Target 1.B)																	
Growth in labor productivity	2.0	*	3.2[a]	-1.6	-1.0	5.5	-3.1	0.5	3.0	3.4	2.5	3.2[b]	3.7	2.5	-1.7	4.7	0.7
Employment-to-population ratio	59.5	61.0	59.0	57.9	58.7	56.5	59.6	59.7	59.1	59.5	59.4	59.1	59.3	58.9	59.2	59.3	60.1
Working poverty rate	..	..	..	..	..	..	..	..	20.5	..	..	22.1	..	..	22.4	..	..
Proportion of self-employed and unpaid family workers in total employment	50.3	49.8	46.9	46.5	45.6	44.5	45.2	45.7	44.6	42.8	44.8	44.5	43.6	43.5	42.6	41.7	41.1

1 LFS began collecting data on basic pay in January 2001 survey round. The inquiry is on basic pay per day in cash or in kind (imputed value) of employees from their primary jobs and not their total earnings. Not all employees, e.g., commission basis, were able to report their basic pay and as such posed difficulty in determining their pay on a per day basis.

* Less than half the unit used.

[a] For comparability of 1997 growth rate with that of 1996, the labor productivity for these two years both used employment data based on 1980 Census-based population projections.

[b] For comparability of 2006 growth rate with that of 2005, the labor productivity for these two years both used employment data based on 1995 Census-based population projections.

Sources of basic data: National Statistics Office, Labor Force Survey and Merged Files of the LFS and Family Income and Expenditures Survey
National Statistical Coordination Board, National Accounts of the Philippines and Official Poverty Statistics for the Basic Sectors.

Definitions of Terms: Key Indicators on Quality of Employment

Underemployment rate - total employed who wanted additional work (wanted additional hours of work in their present job, or to have additional job, or a new job with longer working hours) as a percentage share of total employed.

Visible underemployment rate - total employed who wanted additional work and worked less than 40 hours in primary job as a percentage share of total employed.

Persons in part-time employment - employed persons who worked less than 40 hours during the reference week.

Employees in precarious work - total wage and salary workers whose nature of employment is short-term or seasonal or casual plus total wage and salary workers who worked for different employers on day-to-day or week-to-week basis, as a percentage share of total employed.

Short-term or seasonal or casual workers - wage and salary workers whose employment had lasted or expected to last less than one year since it started.

Worked for different employers or customers on day-to-day or week-to-week basis - for odd job workers/stevedores not on payroll or not connected with union/market and other cargo handlers receiving pay from individual customers.

Average real daily basic pay of employees - average daily basic pay of wage and salary workers deflated by the Consumer Price Index (2006=100).

Growth in labor productivity - annual change in Gross Domestic Product at constant 2000 prices per person employed.

Employment-to-population ratio - total employed as a percentage share of total working age population.

Working poverty rate - total employed living in a household whose members are estimated to be below the poverty threshold, as a percentage share of total employed. It is assumed that a household cannot have poor and non-poor members; either all members are poor or all members are non-poor since poverty is a characteristic of the household.

Proportion of self-employed and unpaid family workers in total employment - total self-employed plus total unpaid family workers, as a percentage share of total employed.