

WHO ARE THE UNEMPLOYED IN THE PHILIPPINES? (How to identify them using the new official definition of unemployment)¹ by Dr. Romulo A. Virola²

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This month of April, specifically anytime between April 8 - 30, somebody may knock on your door and ask you information about your household and on the demographics and employment of the members of your household. Don't slam the door on him, please, because he may be one of the enumerators from the National Statistics Office (NSO) (*just don't forget to check the authenticity of his identification*) and your household may have been selected as a sample for the April 2005 round of the Labor Force Survey (LFS). I have not been a sample yet in any household survey of the NSO but I'm sure that some of us have experienced being interviewed by an NSO enumerator for their surveys. I have heard of some respondents saying that they have been interviewed for almost one half-day in one NSO survey!

Going back to the LFS, this activity is a quarterly household survey of the NSO conducted in January, April, July, and October of every year. It already has a

long history, having been started in 1956 (*Whew! I was not yet born that time!*). In the long span of the LFS, there already have been changes and these were to address the need for methodological improvements. Respected and dignified names have indeed shaped the LFS and though there have been changes, it is, in essence, the same LFS, with the same objective of providing a quantitative framework for the preparation of plans and formulation of policies affecting the labor market. Round through round, it has evolved as an instrument of determining the levels and trends of employment, unemployment, and underemployment in the country.

But there is something interesting in the April 2005 round. This will be the very first time that the new official unemployment definition, approved via NSCB Resolution No. 15, Series of 2004, will be incorporated in the LFS questionnaire. The change in the unemployment concept has been an issue,

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however, as a number of articles have already been written about it, especially when the NSO issued a press release (*at the time that the review of the existing definition was still going on*) on the preliminary results of the October 2004 LFS round featuring the summary tables that NSO regularly releases (*i.e., using the existing definition or Philippine concept, which partially adheres to the ILO definition as it used the without-work and seeking-work criteria*) along with the results using the additional criterion on availability (*called ILO concept³ in the release of NSO*). The issue was again in the news when the 2003 poverty statistics were released in January 2005. Some have also speculated about the government's fabrication of a new definition to make the unemployment picture look better. But what is really the truth behind all these things?

First, on fabrication. Running through the history of the LFS, it could be seen that a question on the availability criterion has long been included in the LFS questionnaire. Since 1987, the NSO has been generating unemployment estimates using the existing definition (*Philippine concept*) simultaneous with the ILO concept, but only the estimates for the former were being published. The first time that statistical tables using the ILO concept were released by the NSO was through the Integrated Survey of Households (ISH) Bulletin (Series No. 60, 1991), where 1988 tables were featured. Thereafter, the tables were published again starting with the October 1999 series of the Bulletin, and onwards with the succeeding releases of the ISH.

In 1992, the then Technical Working Group on Labor Force Concepts (TWGLFC) undertook a review of the standard definitions and concepts and one of its recommendations presented to the NSCB Executive Board was the improvement of the definition of labor force concepts by including the availability criterion in the unemployment definition. The other recommendations presented

were the following: 1) adoption of a single concept of underemployment; 2) continued adoption of the labor force statistics based on the past week; 3) improvement in the scope of the labor force survey to capture the micro enterprises in the household-operated activities, earnings of household, new entrants to the labor force, multiple job holdings, child labor, and out-of-school youth; 4) generation of labor force statistics at the local level; and 5) conduct of future researches. The recommendation on including the availability criterion in the official unemployment definition was aimed at fully or completely adopting the international standards embodied in Resolution No. 1 of the 13th International Conference of Labor Statisticians (ICLS) in 1982 (*yes, as early as 1982!*). The Board took specific actions on the five recommendations mentioned above but decided to defer action on the inclusion of the availability criterion in anticipation of the possible consequence of the 15th ICLS that would be held in Geneva in the following year. This part of the LFS history just shows that the unemployment definition is an old issue that needs to be resolved. And in October 2004, the Board finally approved a new definition adopting the international standards. This definition did not just sprout from nothing. This has been a product of a series of interagency consultations via the Interagency Committee on Labor, Income and Productivity Statistics (IACLIPS) being coordinated by the NSCB. An ILO labor statistics expert was also consulted in the process.

Per this NSCB Resolution, the unemployed include all persons 15 years old and over as of their last birthday and are reported as:

- (1) without work, i.e., had no job or business during the basic survey reference period; AND
- (2) currently available for work, i.e., were available and willing to take up work in paid employment or

³ Henceforth, the ILO concept shall refer to the inclusion of the availability criterion in the definition of unemployment.

self-employment during the basic survey reference period, and/or would be available and willing to take up work in paid employment or self-employment within two weeks after the interview date; AND

- (3) seeking work, i.e., had taken specific steps to look for a job or establish business during the basic survey reference period; OR not seeking work due to the following reasons: (a) tired/believe no work available, i.e., the discouraged workers who looked for work within the last six months prior to the interview date; (b) awaiting results of previous job application; (c) temporary illness/disability; (d) bad weather; and (e) waiting for rehire/job recall.

The basic survey reference period for the LFS is the past week or the week before the interview date.

How does this differ from the old definition? How does the new definition deviate from the old and to what extent are they similar?

In the old definition, the unemployed are those persons 15 years old and over as of their last birthday and are reported as:

- (1) without work or had no job/business during the basic survey reference period; AND
(2) seeking work or had taken specific steps to look for a job or establish business during the basic survey reference period; OR not seeking work due to the following reasons: (a) believe no work available; (b) awaiting results of previous job application; (c) temporary illness/disability; (d) bad weather; and (e) waiting for rehire/job recall.

Got the difference? Examining

these two definitions point to the basic difference - the adoption of the "availability criterion" and the imposition of a "cut-off period for the job search" of the discouraged workers in the new definition.

This availability criterion is one of the three criteria prescribed by the ILO. Under the international standards, the unemployed comprise all persons above the age specified for measuring the economically active population, who, during the reference period were (a) without work; (b) currently available for work; and (c) seeking work, all of which have to be satisfied SIMULTANEOUSLY for one to be considered unemployed. Availability for work means that, given a work opportunity, a person should be able and ready to work. One purpose of this criterion is to exclude persons who are seeking work to begin at a later date (*e. g., students who, at the time of the survey, are seeking work to be taken up after completion of the academic year*) and those who cannot take up work due to certain impediments such as family responsibilities, illness, or commitment to volunteer community services.

The availability criterion, in effect, screens or probes those who declared they have no work. In the old definition, regardless of whether someone without work was available or not during the reference period, provided he sought work (*or he did not seek work because of reasons considered valid in the Philippine setting*), he would be classified as unemployed.

Relative to this criterion, it is interesting to know that of the 88 countries in the world regularly conducting labor force surveys, only 10 do not include the availability criterion⁴. Nine of these 10 countries are in South America and only one is in Asia, and surprisingly, that is the Philippines. Thus, while our brothers and sisters in Asia have already adopted the three ILO criteria, we in the

⁴ The New Official Philippine Definition of Unemployment, Frequently Asked Questions (FAQs), Bureau of Labor and Employment Statistics, April 2005.

Philippines, have not⁵.

Now, what is the importance of the cut-off period in the job search of the discouraged workers? Imposing a cut off period, which is within the last six months from the date of interview, aims to exclude those who do not have present desire for work or no longer desire to obtain work. This could also help distinguish, *to a certain extent*, the real discouraged workers from those who are purely lazy to look for work and those who are using the reason of no-work-available as an excuse for not looking for work. Thus, the new definition does not automatically include under the unemployed those who are not seeking work because they declared that they were already discouraged, as has been the case under the old definition. There has to be probing on their answers to establish their previous job search efforts. Under the old definition, his mere declaration that he did not look for work because of his belief that no work was available (*hence, the term discouraged worker*) would categorize him as unemployed. Under the new definition, the discouraged worker must have tried to look for work within the last six months for him/her to be counted among the unemployed.

As mentioned earlier, the international standards prescribe that the three criteria be met simultaneously before one can be categorized as "unemployed". Thus, in the new definition, if one did not meet even just one of the three criteria, he could not be classified as unemployed. It has to be noted, though, that the ILO also provides for relaxation of the seeking-work criterion, and this is what the Philippines has adopted ever since.

The difference between the two definitions could be better explained through an analogy. Just imagine a two-layer and a three-layer strainers, with the holes of the strainer getting smaller or

finer from the top to the bottom layer. If you pass something that could be sifted through the layers, the three-layer strainer will tend to produce finer particles than the two-layer strainer. This is also similar with a water purifier system. With several layers of different rock materials, we get pure water. With the new unemployment definition, we get, to a certain extent, only the pure and *conceptually correct* unemployed individuals.

Per the international standards followed by most countries conducting labor force surveys, the new definition now adheres to what is conceptually correct and internationally accepted. For one to be categorized as unemployed, it is not enough that he declares he is without work or business. Further circumstances surrounding his being without work or business need to be established, and these include his efforts for seeking work and his availability and willingness to undertake a job.

With the new definition, the unemployed would not include the discouraged workers whose last job search was more than six months ago from the date of interview and those who have no work and sought work but were not available in the reference period and even in the two weeks thereafter. These people would be classified as already not in the labor force as they no longer exert pressure on the labor market.

The Philippine Statistical System, by the way, has embarked on an information campaign for the new definition to discuss pertinent issues relative to its implementation. A series of information dissemination activities would be conducted in the NCR and in selected provinces in the country. The NSCB Resolution also provided the generation of parallel series on unemployment based on the old and the new definitions for a period of one year, in accordance with best practices in statistical information dissemination.

⁵ Based on a telephone inquiry with a BLES official.

Thus, when an NSO enumerator knocks on your door, let him in (*AGAIN, provided you have made sure that he is really a true-blue NSO enumerator*) and offer your honest answers to every question he asks in the best way you can, as our responses, once tabulated, would be the basis of many policy recommendations. Remember the famous cliché – GIGO – garbage in, garbage out. Let us, then, cooperate. It is for our own good anyway.

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