



# World Economic Situation and Prospects

## Weekly Highlight

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### The Philippines: a case of jobless growth

Having long been considered a laggard in fast-developing East Asia, the Philippine economy has performed well in recent years. Unlike many other countries in the region, it avoided a recession in 2009, and since 2010, its year-on-year GDP growth has exceeded 6 per cent in 12 out of 16 quarters. In the past two years, growth averaged almost 7 per cent—higher than all the other economies in the region, except China. Underlying this improved growth performance is a robust expansion of domestic demand, in particular fixed investment, supported by both the private and the public sectors.

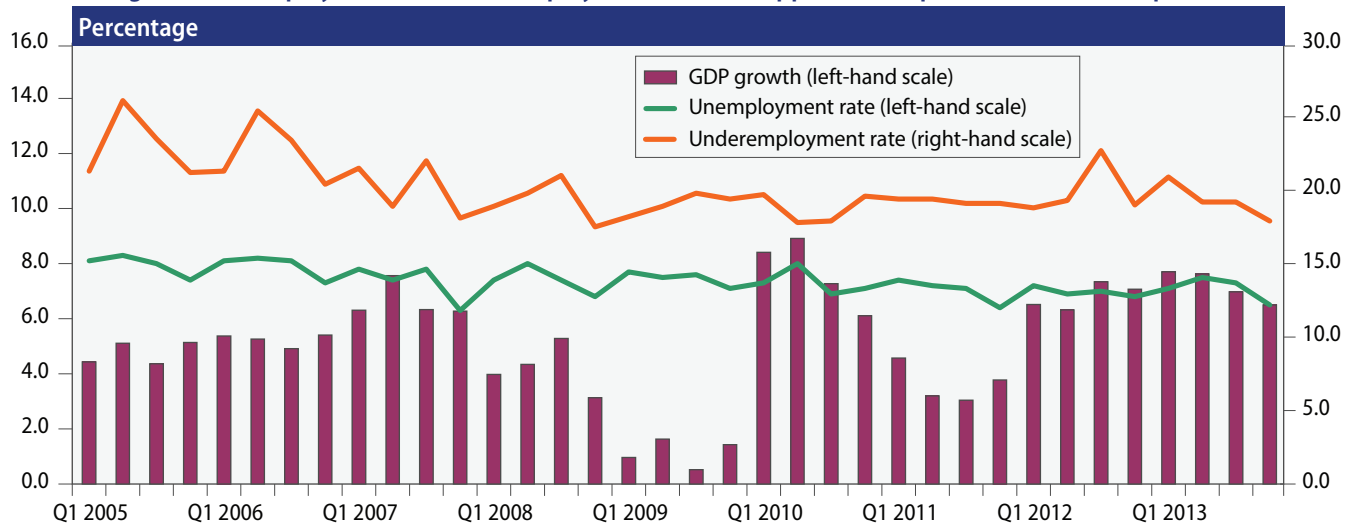
The surge in growth has, however, not been accompanied by similar improvements in the labour market. As illustrated in the figure, unemployment and underemployment in the Philippines have remained stubbornly high, well above the rates seen in most other East Asian economies. In 2013, average unemployment was 7.1 per cent, while underemployment was 19.3 per cent—about the same levels as in the last few years and only slightly below the combined rate of about 30 per cent registered in the early 2000s. This has led many economists to refer to the recent episode in the Philippines as “jobless growth”.

The divergence between growth and labour market trends reflects the combination of a rapidly expanding labour force and a low

elasticity of employment to GDP growth. From 2006 to 2013, the Philippine labour force grew at an annual average rate of 2.4 per cent, one of the fastest rates in East Asia. With population growth projected to remain elevated over the coming decades, the demographic pressures on the labour market will continue. In addition to the rapid growth in the labour force, a recently published World Bank study<sup>1</sup> shows that the elasticity of employment to GDP growth in the Philippines was very low during the period 1998 to 2010, particularly in agriculture and industry, and this trend is likely to have persisted in recent years. In manufacturing, the elasticity was estimated at only 0.18 as growth was heavily skewed towards capital-intensive industries, such as chemicals and electronics. Labour-intensive manufacturing (including garment, footwear and furniture), by contrast, declined steadily. As a result, the manufacturing industry recorded the lowest employment growth of all sectors, estimated at a mere 0.9 per cent per year during the period 1998 to 2012.

Creating more labour-intensive jobs in agriculture and manufacturing poses one of the key economic challenges in the Philippines today. A sustained reduction in unemployment and underemployment will only be achieved if the Government succeeds in promoting job creation in both sectors.

Figure  
GDP growth, unemployment and underemployment in the Philippines, first quarter 2005–fourth quarter 2013



Source: Philippines Statistics Authority. Underemployment refers to all employed persons who work for less than 40 hours per week and express the desire to have additional hours of work.

<sup>1</sup> World Bank, Philippine Development Report 2013: Creating More and Better Jobs, Report No. ACS5842, 2013. Available from <http://www.worldbank.org/en/country/philippines/publication/philippine-development-report-2013-creating-more-and-better-jobs>.