



## **THE PHILIPPINES**

**Contribution to the  
2015 United Nations Economic and Social  
Council (ECOSOC)  
Integration Segment**

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**Integration Segment, 30 March – 1 April 2015**

- ***How has your Government used labor market policies, including wage policies to help reduce economic and social inequalities?***
  1. The Government's over-all development goal is to achieve inclusive growth by reducing the poverty rate by a third as well as generate employment by an annual average range of 700,000 – 780,000 and reduce unemployment from 7.0% to 6.5-6.7% and underemployment from 20.0% to 17%. The Government's labor market policies are therefore geared toward enabling the capacity of the economy for productive and employment expansion, by reducing the regulatory burden on businesses, subject to labor standards, labor rights and decent work parameters, enhancing productivity and innovation measures for the supply chain integration of micro-small-medium enterprises, and boosting demand by deliberately pushing minimum wage rates to settle at slightly above the poverty thresholds. It is also Government's policy to abate extreme exclusion in labor markets through greater fiscal allocation to social services and social protection: universal health insurance, conditional cash transfers, active labor market policies and income support (temporary employment and training, education and livelihood grants) and investments in human resource development, especially for at-risk and marginalized youth.
  2. Through Republic Act 6727, a new mechanism for minimum wage determination has been institutionalized through the creation of the National Wages and Productivity Commission (NWPC) and the Regional Tripartite Wages and Productivity Boards (RTWPBs) in all regions of the country. The NWPC is a key policy making body on wages, incomes and productivity to determine wages at the regional, provincial and/or industry levels and promote productivity improvement and gain sharing in schemes particularly among micro, small and medium enterprises. It also exercises technical and administrative supervision over the RTWPBs.
  3. The RTWPBs are instituted to decentralize wage assessment and determination at the regional level on the assumption that socio-economic situations vary across regions. The NWPC also undertakes researches and studies on wages and productivity and provides training courses on quality and productivity improvement for company owners.
  4. In setting a clear provision of wage rules and policies that are evidenced-based and in following a democratic process that engages tripartism (i.e., between the government, the private sector and the workers) the minimum wage fixing in the country has been relevant. The mechanism balances the private sector needs and the workers' concerns, from the perspective of equity (by lessening income disparity) and sound macroeconomic fundamentals (primarily through maintaining sound inflation supportive of economic growth targets) which are seen as pro-poor instruments towards sustainable development.

- ***How has your Government used monetary, fiscal and trade policies to create employment and promote decent work for all while ensuring inclusion and environmental protection? In particular, is the pursuing of full employment considered as a primary monetary policy objective by the Central Bank? Has your country experience fiscal consolidation process in the recent years? If do, what has been the impact on employment and social protection in your country?***

1. From the monetary perspective, the primary objective of the Bangko Sentral ng Pilipinas (BSP) is the pursuit of price stability conducive to a balanced and sustainable economic growth. Price stability promotes income equality by protecting the purchasing power of the poor who are the most vulnerable to financial shocks as the poor do not have buffer assets (either real or financial) which allows them to hedge against sudden spike in prices. The Central Bank pursues this objective in consideration of other economic objectives such as promoting financial stability, employment generation and achieving broad based sustainable economic growth.<sup>i</sup>
2. On the fiscal side, fiscal consolidation has been a major strategy adapted by the Government to keep fiscal deficit at a manageable level of 2 percent of GDP for the period 2013 to 2016 relative to the 3.5 percent in 2010. This is being achieved through revenue collection reforms, an effective debt management as well as prudent expenditure management. Thus far, the fiscal sector remains sustainable and the higher fiscal space provided the Government enough flexibility to finance programs and projects that are critical to the attainment of inclusive growth. For instance, government spending on infrastructure as a share to GDP registered 1.6 percent, 2.2 percent and 2.6 percent in 2011, 2012, and 2013 respectively in line with the Philippine Development Plan (PDP) target to reach at least 5.1 percent by 2016. Worth noting is the increasing amount intended for social services, which included the expansion of the flagship Conditional Cash Transfer (CCT) program of the government. The CCT program is primarily seen as the Government's intervention and investment on human capital accumulation for the poorest households.
3. Overall, the pursuit of full employment is not the primary monetary policy objective of the BSP since, under its Charter (Republic Act No. 7653), the BSP is mandated to maintain price stability conducive to a balance and sustainable growth of the economy. These measures are therefore pursued as contributory to the achievement of larger economic goals, including job creation and inclusive economic growth, among others.
4. On trade and investment. It is worth mentioning that the industry and services sectors remain as the major growth drivers of the economy. In fact, these sectors have the highest labor productivity gains and are top employment and revenue generators. Given this, reforms related to trade and investments were implemented in order to address the perennial bottlenecks which would improve significantly the cost of doing business in the country. These include regulatory improvements such as streamlining of business permits and licensing systems (BPLS), enhanced business name registration system (EBNRS) and the implementation of the Philippine Business Registry. The reforms may have contributed to the generation of 849,000 new employment in 2014. However, in terms of social inclusion, more needs to be done to increase the quality of employment which will result in better inclusivity, as underemployment (a measure of quality employment) remains high at 18.4 percent in 2014. In terms of environmental protection, the country's industrialization is not yet at a level where it pollutes alarmingly, as compared to other industrializing economies situated in the Southeast and East Asia regions.

- ***What kind of trade-offs has your Government encountered in the promotion of full employment and decent work for all? What can be done to enhance synergies between respect to international labour standards and to environmental safeguards, productivity, competitiveness and economic growth?***

1. The Government has put employment at the core of its economic plan. Employment is taken to mean decent employment guided by parameters on labor standards, rights and a results framework of targets and indicators. To ensure complementarity, the Government has a cluster system of cabinet members, which lead the crafting, implementation and monitoring of policies and programs that cut across different agencies. Guided by the goal of inclusive growth, through employment creation and poverty reduction, the cabinet clusters take into account employment outcomes of cross-cutting policies and programs.
2. So far, the country has not experienced any critical trade-offs in promoting full employment and decent work for all, except perhaps in the mining industry. There has been a general slow-down in the growth of the mining industry in the Philippines in the recent years owing to various local governments' units (LGUs) opposition to the revenue-sharing scheme between stakeholders.
3. In context, the mining industry has not been considered a big employer owing to its capital-intensive nature. In 2013, there are only 251,000 workers employed in the industry which only accounts 0.66 % of the total employment. However, this can be significantly higher if the industry's multiplier effect is considered. For instance, in a study of the National Statistics and Coordination Board (NSCB) that aims to assess the impact of major industries in the Philippines, using the Input-Output Multiplier Analysis, it is observed that the mining industry has a relatively high final demand-output multiplier (the additional output generated in each industry given an impact increase in the investment in the particular industry) and output multiplier (a one-peso or one-unit change in the industry's output that generates additional output in the economy). The industry can particularly absorb workers (from high-skilled to low-skilled workers) and can become a source of significant revenue to poor LGUs if handled and conducted on an ethical and environmentally sustainable manner.
4. The Government acknowledges that employment generation is primarily a private-driven occurrence. For its part, the Government needs to facilitate a competitive labor market environment and that workers' rights are protected to ensure a productive and quality employment. In light of this, the Government supports a sound macroeconomic environment, good governance reforms, and institutionalization of policies such as improving ease of doing business, providing a stable regulatory environment that takes labour standards compliance as the status quo, among others) that would induce business confidence and allow significant investment inflows. The ensuing dynamics supportive of growth has an end-goal of creating massive quality employment that benefits all.

- ***Is your employment a major issue in your country? What is the proportion of your labor force (aged 15-24) that is unemployed in your country? Does your Government have specific programs targeted at youth employment?***

1. Slightly lower than half of unemployed persons are young persons, 15-24 years old. Nonetheless, unemployment rate among the youth has tapered from 17.6% in 2010 to 16.1% in

2013. Active labor market programs have been put in place to address youth unemployment such as the linking of **Education, Employment and Industry through the Special Program for Employment of Students (SPES)**, as further discussed below.

2. In October 2014,<sup>ii</sup> youth unemployment rate was at 14.2 percent, higher than the national unemployment rate at 6.0 percent. Compared to the same period last year (where youth unemployment was at 14.5 %), youth unemployment rate has improved. The Government hopes that this improved trend would be sustained. Among the other age segment, the 55 years old and over category has the lowest unemployment rate at 1.9% characterizing the labor situation in the country where the senior, experienced and highly-skilled workers are in demand across all industries.
  3. The **Government Internship Program (GIP)** administered by the Department of Labor and Employment (DOLE) is undertaken to enhance employability of new graduates by giving them the opportunity to learn valuable experience which they can use to transit from school to the workplace, and at the same time, allow them to earn income while undergoing internship.
  4. Another program targeting the provision of decent employment for the youth is through the **Job Start Philippines**. JobStart<sup>iii</sup> is a partnership program of the DOLE, the Asian Development Bank (ADB) and the Canadian International Development Agency (CIDA) which aims to increase the employability of the youth by providing them access to technical and life skills training demanded by employers and by mentoring and tooling them to improve their job searches and outcomes.
- ***How is your Government addressing the challenges of education, skills and job mismatch in your country especially in the context of the transition to a sustainable development? Does your country have successful initiatives that link education and training in the world of work?***
    1. The Government has a mix of programs to address the challenges of education, skills and job mismatch for a truly inclusive and sustainable growth as articulated in the PDP Midterm Update.
    2. To facilitate labor market information, the DOLE holds **Career Guidance and Employment Coaching**, disseminates Occupational and Career Guides, Labor Market Monitor and other IEC materials, updates Phil-Jobnet (an internet-based job and applicant matching system officially run by the government), and enhances Skills Registry System and Integrated Human Resource Data Warehouse, as well as sets up Employment Kiosks in certain localities.
    3. For referral and placement, the DOLE has a program of referring qualified jobseekers for placement in the local labor market. The agency also has a Bridging Employment Assistance with two sub-programs: the SPES and the Kasanayan and Hanapbuhay (KasH). SPES aims to help poor but deserving students pursue their education by providing income or augment their income through encouraging their employment during summer and/or Christmas vacations. KasH is another bridging program through apprenticeship with the goals of a) providing opportunity for new entrants to the labor force to acquire experience and skills, and b) generating commitment from enterprises in developing the skills of the Filipino workforce; and c) facilitating the absorption of apprentices into the regular workforce after their apprenticeship.

4. For skills training, the Government has intensified its Technical Vocational Skills Development Program as administered by the Technical Education and Skills Development Authority (TESDA). The skills inventory and curricula are designed in close partnership with the private sector and critical industries needing particular skilled workers.
- ***How has your Government mitigated the trade-offs between the environmental, economic and social dimensions? What kinds of investment have generated the greatest job potential while maintaining environmental sustainability?***
    1. A particular program that has qualitatively met the above criteria is the National Greening Program (NGP). The NGP is a massive forest rehabilitation program established under Executive Order No. 26 by President Benigno S. Aquino III. The NGP seeks to grow 1.5 million hectares within a period of six years, from 2011 to 2016. Aside from being a reforestation initiative, the NGP is also seen as a climate change mitigation strategy as it seeks to enhance the country's forest stock to absorb carbon dioxide. It is also designed to reduce poverty, providing alternative livelihood activities for marginalized upland and lowland households relating to seedling production and care and maintenance of newly-planted trees.<sup>iv</sup>
    2. In Davao Province, the Department of Environment and Natural Resources (DENR) reported that in 2013, 99 percent or 16,707 hectares of its target area of 16,800 have already been planted with trees under the NGP. In 2011 And 2012, the registered rebound in the Agriculture, Forestry and Fishery sector (from previous years' of negative growth rates) has been attributed to this program's expanded implementation and positive impact on the Forestry sub-sector.
    3. One of the initiatives undertaken by DENR Region 11 to improve the NGP in the region was the realization of the HP 4.2 million investment portfolio that the agency and the 18 wood processing plants (WPPs) had signed in 2013. By this initiative, the WPPs have to finance 210 hectares of land in Davao del Norte for a commercial tree plantation. Eventually, the WPPs will reap benefits from these plantations as well as contribute to a boost in employment generation in the region.
  - ***What kind of policy initiatives and approaches your Government have to facilitate the transition from informal to formal employment and to formalize and increase sustainability of small and micro enterprises taking into account the economic, social and environmental dimensions of sustainable development?***
    1. Following the international standard definition of informality, the Philippines considers employees and workers to have informal jobs if their employment relationship is, in law or in practice, not subject to national labor legislation, income taxation, social protection or entitlement to certain employment benefits. The reasons for informality maybe the following: failure of businesses to register, non-compliance with labor laws and regulations, and evasion of taxes.
    2. There is much that the Government can do to simplify tax regulations and administration, to enable and capacitate businesses (particularly the MSMEs) to comply and expand into more productive enterprises. To this end, the Government identifies and supports the Fiscal Incentives Rationalization Act that seeks to promote growth and investment as one of the 13

must-pass priority measures of Congress. The passage of the bill is seen as a move towards simplifying tax protocols and regulations and implementation.

- ***What kind of institutional framework arrangements are in place in your country for the successful integration of the economic, social and environmental dimensions of sustainable development to facilitate decent work?***

1. For the economic dimension, rapid growth achieved in 2014 needs to be sustained to address underemployment. Particularly with industry and services, pursuant to the Philippine Development Plan (PDP), specific interventions need to be undertaken to improve business climate, increase productivity and improve innovative capacity. At the same time, Government will continue to promote the country as a desirable investment destination. Improving the business climate means reducing the cost of doing business.<sup>v</sup> As for the agriculture and fisheries sector, where nearly a third of the country's labor force is employed and 60 percent of them are considered vulnerable, interventions will be directed towards increasing the productivity of key appropriate technologies. Agrarian reform will be fast-tracked; in particular, the distribution of individual land titles will be accelerated to provide greater security of tenure and access to finance for agrarian reform beneficiaries. In order to facilitate the linkage of agriculture to the industry and services sectors, farmers and fisherfolk will be trained in value-adding, agri-business development and value chain management activities. Rural infrastructures will be enhanced by focusing on connectivity between production areas and markets, as well as facilities that provide production and technology choices to farmers and fisherfolk.
2. The social dimension of inclusive growth envisions equalizing opportunities for people to get themselves employed, acquire assets, and improve their quality of life. Under the PDP, social development interventions will directly reduce poverty in its multiple dimensions by increasing the poor's' access to social services and basic facilities.
3. For the environmental dimension, the country's environment and natural resources (ENR) are a means and an end in achieving inclusive growth. As a means, they provide the needed inputs and ecosystem services to sustain resource dependent communities, agriculture, industries, water supply and the energy sector, among others. As an end, the ENR sector bears both the positive and negative impacts of activities intended to accelerate economic growth. With this said, increasing adaptive capacities of communities requires more climate change adaptation and disaster risk reduction activities being mainstreamed into local development plans. The Government is also set to invest in developing and adopting more effective vulnerability assessment tools to identify highly susceptible communities and prevent and mitigate potential disaster impacts.<sup>vi</sup>
4. Further, for growth to be fully inclusive, a cross-cutting strategy of the updated PDP with spatial and sectoral dimension of poverty and vulnerability needs to be explicitly considered in all major programs and projects for 2015 and 2016. As suggested by the Joint Social Development Committee and the Human Development and Poverty Reduction Cluster (SDC-HDPRC), the factors that constrain the poor from benefiting from economic growth need to be deliberately addressed. These constraining factors occur over space, hence, the poor and the corresponding intervention to reduce poverty have been categorized based on their province of residence.

- ***How do the civil society, trade unions and the private sector engage in promoting an integrated approach to employment creation and decent work for all?***
  1. The Philippine Labor and Employment Plan (LEP) for 2011-2016, under the PDP, provides the strategic directions for labor and employment in the medium-term. It presents a significant effort to work collectively towards the same goal of inclusive growth. The concept of inclusive growth puts primacy on achieving sustained high growth by placing decent and productive employment at the forefront of the overall development agenda and at the same time by ensuring the availability of job opportunities for all.
  2. Cognizant of the LEP's objective of improving employment levels and access to employment opportunities, the continuous implementation of the following government strategies gives strong options for the civil society and the private sector to engage in promoting employment creation and decent work.
  
- ***What can the ECOSOC system do to help countries boost economic growth in a sustainable way that creates employment and decent work for all?***
  1. Pursuant to the objectives set in the PDP Midterm Update, particularly the expansion of market access, the participation in the ECOSOC system allows opportunities in global integration to be maximized.
  2. As the principal UN body for coordination, policy review, policy dialogue and recommendations on economic, social and environmental issues, as well as for implementation of the internationally agreed development goals, ECOSOC can promote the harmonious relations of member-countries and create venues of exchanges where lessons are shared and concerns on important issues are resolved.
  3. In specific ways, ECOSOC has established strong linkages with various Member States. It can advise and help countries increase their competitiveness to perform effective trade in the global market; thereby achieving a smoother flow of goods and services across borders. Alongside this, human-capacity building programs outside of the home country can be organized through skills-trainings and scholarship grants that allow citizens to learn from the ways of other countries. These will provide the citizens and their respective countries added stature internationally and help attract FDIs such as in tourism or in business.
  4. ECOSOC can also adopt an equity approach in terms of the amount of assistance given to each country, by bolstering mechanisms of tracking progress and evaluating impacts of projects. It can act upon these results by increasing focus on countries that need it, levelling the economic and social fields facing the less developed states.
  5. ECOSOC can provide, through the ILO, technical assistance on vulnerability mapping and on recommendations concerning standards that would guide decent employment-oriented sustainable practices.



6. ECOSOC may also provide advocacy partnerships, amongst multilateral agencies (ILO, UNEP or UNDP, to elevate the profile of labor standards and rights and decent work in the global development agenda;
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