

## **Philippine Country Report Relative to the OECD Restated Jobs Strategy**

### **Summary**

The labor market policy situation of the Philippines needs to go a long way to approximate the sophistication of the OECD Restated Jobs Strategy. Many sectors of the Philippine society, particular the organized workers, would be happy to note some of the conclusions of the Restated Jobs Strategy, particularly the finding that labor protective policies have not significantly obstructed job creation and that poorly implemented market loosening policies may have adversely affected the attainment of desirable social objectives in some OECD member countries. This means that countries must be conscious of their desired social objectives and must realize that there is no single formula for success. Purely market-oriented policies also may not be the best solution to labor market issues and therefore more balanced and innovative approaches should be explored.

The fundamental employment issue facing the Philippines is much more basic – generating sufficient, decent, productive, and rewarding employment opportunities. This calls for generating substantial and sustainable employment – generating investments, whether by Filipino or foreign investors. However, because of recent historical experiences of the Philippines, developing a critical mass of consensus sufficient to underpin significant labor market reforms is not an easy task. The help of international organizations to promote rational consensus-building in the country for positive reforms that could effectively and productively harness its people’s talents should therefore be welcomed.

### **Country Situation**

The fundamental problem for the Philippine remains the creation of sound and stable macro-economic policy and environment that could attract sufficient level of investments that could in turn generate enough decent, productive, and rewarding employment opportunities for its growing and relatively young population. Developing and keeping policies consistent and free from unnecessary political considerations are necessary to building confidence in the business environment. Making the taxation system, for example, operate in a much fairer, transparent, effective, and efficient way should go a long way in helping develop the necessary economic infrastructures that should encourage investment, entrepreneurship, and employment. A relatively more realistic income policy may be the more immediate and practical objective for the Philippines, rather than the more ambitious and more sophisticated goal of a well-managed “demand

side” of labor that takes into account not only meeting the requirement of employment and incomes, but also job satisfaction and meeting societal responsibilities.

The Philippines is relatively up-to-date in the pursuit of Active Labor Market Policies (ALMPs) and has implemented various programs, including the use of computer and internet-based technologies and a network of Public Employment Services Offices that interacts with many private sector initiatives, to provide correct labor market signals, by way of counseling and provision of correct information to job seekers to aid in their efficient integration into the labor market. These mechanisms also help those seeking to return to the labor market after losing their previous employment. The country has also adopted the Decent Work Agenda advocated by the International Labor Organization (ILO) to promote the pursuit of employment, consistent with the assurance of human dignity.

The country is not yet facing the issue of reluctance to participate in the labor market due to over generous unemployment or disability benefits. While the Philippines has employees’ compensation benefits for rehabilitation and disability compensation as well as public and private pension systems for retirement and other disability-related contingencies, the benefits they provide are not so much as to encourage beneficiaries not to seek additional incomes. In the 90s, the Philippines considered adopting limited unemployment benefits as safety net to cushion against temporary joblessness, especially those brought about by structural adjustments due to globalization, but the proposal did not fly in the face of benefit funding issues. Given, the economic problems facing the country, most employers and even organized workers resisted the development of such a system because of the additional premium payment that they would have to make.

Consistent with the Restated Jobs Strategy, the Philippines must give stronger emphasis to tackling labor- and product-market obstacles to labor demand. The overall economic competitiveness of the country should be improved. Key to this is attracting foreign direct investments that could provide competitive technologies and critical infrastructure for the development of the country. The current effort to reform the fundamental law of the Philippines and the investment policies may be the key to freeing the country from its relatively more restrictive investment environment and the conflictual situations currently hampering our march towards substantial reforms and to channeling energies into more productive activities that could create more employment and improve social welfare.

The Philippines is also very conscious of the role that education, training, or total human resource development strategy plays, particularly of life-long learning thrust, in securing employability, if not job security. That is why the government has placed the highest budgetary allocation for education and is encouraging private sector investment and attention in this area. However, the macro-economic situation of the country is such that the resources placed in this need may not be sufficient. The Philippines is probably still in a catch up mode relative to the real needs. The fact, however, that the Philippines continue to produce quality professionals in certain sectors that are in demand in more developed economies only shows that the adequacy of resources, rather than attention, is more the problem.

As could be gleaned from attached statistics, the country has been making moderate but consistent economic progress. Both the Gross Domestic Product and the Gross National Products are improving. Life expectancy improvement and poverty incidence reduction could be observed. However, the progress is not yet at a satisfactory level as to create significant improvement in the societal situation.

The unemployment and underemployment problems, particularly of the young, the women, and those from less developed areas of the country continue to be disturbing. The slow progress may be forcing a lot of people to turn to overseas employment for options, while some are getting discouraged from participating in the labor market. While there have been improvements in average family incomes, the disparity between the country's average incomes with those of more developed countries fuel the attractiveness of overseas employment options. As a democratic country, such availment of more attractive options by our people must be respected by the government.

The government is trying hard to promote social dialogues not only to avert labor disputes but more importantly to promote the adoption of socially-acceptable labor market policies that are at the same time flexible and responsive to the globalized and more competitive economic environment. The government has adopted Comprehensive Employment Plans (CEPs), identifying Key Employment Generators (KEGs), using consensus – building approach. But the achievement of the objectives of this balanced approach – that is achieving quick, critical, and truly strategic reforms, has not been easy in a country that has long been embroiled in politically conflictual situations. Hopefully, the country is now heading past this chapter and may be more open to more constructive engagements to meaningfully address its social welfare concerns.

The country has adopted in recent years reforms in its taxation system, with the adoption of the Value Added Taxing system. The improvement in revenue due to this reform is now helping improve the country's fiscal situation and the ability to provide the necessary infrastructure support that should encourage more employment-generating investments.

The country is also committed to pursuing administrative reforms and addressing corruption issues to improve the efficiency and competitiveness of the economy. Hopefully, more confidence could be achieved by our people in effecting meaningful and sustained reforms so that their full energies could be channeled to more positive and productive pursuits.

The Philippine government has been pursuing all options to improve the welfare of its people – whether they may be found in the country or outside of the country. This is why the Philippines has also long been advocating for labor market complementation among economies, such as in the APEC Forum. The Philippines has one of the oldest and more systematic overseas employment programs that may help address some of the issues faced by OECD countries in relation to the ageing society phenomenon. The economic partnership agreements now evolving in this part of the world may serve as an eye opener

to the options that OECD countries could also consider in meeting its current socio-economic problems in the face of ageing societies.

### Key Challenges and Policy Responses

For the Philippines, the key challenge is probably not just how to learn from the Restated OECD Jobs Strategy and apply them to its country but how to capitalize in a positive and constructive way on the realities of developed member countries of the OECD.

The world has become much more inter-connected and integrated in this century than in other eras. And this connection is true not just in the field of sharing knowledge of policies, but also in how we all could address our respective socio-economic needs using our human resources as a common reservoir. The world today is no longer just connected by technologies, finances, and supply of natural resources as raw materials, but also by the way our countries harness human resources across the globe.

The effort of the United Nations now to bring more attention to migrant workers and their contributions to the world economy is supported by the Philippines and this additional dimension should be explored to bring about a more shared development for the rest of the world.