OECD Reviews on Local Job Creation

Employment and Skills Strategies in the Philippines

Philippines

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OECD Reviews on Local Job Creation

Employment and Skills Strategies in the Philippines

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Preface

Southeast Asia is one of the most dynamic regional economies in the world, having experienced impressive growth over the last 15 years. The establishment of the ASEAN Economic Community in 2015 marked an important milestone on its path towards becoming a highly competitive region that is integrated in the global economy. However, the region faces several obstacles, such as high levels of income inequality and weak governance structures, which place pressure on maintaining this momentum and achieving higher levels of development and inclusiveness.

The region is confronted with significant skills and labour market challenges. Industry is becoming more diversified, and job requirements are demanding more complex and sophisticated skills. A highly skilled labour force is increasingly important for economies in the region to remain competitive and achieve their growth objectives.

Launched in 2014, the OECD Southeast Asia Programme aims to bring the relationship of the OECD and Southeast Asian countries to a new strategic level to support domestic reform processes and contribute to regional integration initiatives. Under the Southeast Asia Programme, the OECD's Regional Policy Network on Education and Skills aims to foster knowledge exchange to support a whole-of-government approach to formulating and implementing sound skills policies at the national and local levels. The network draws on the OECD's Employment and Skills Strategies Initiative in Southeast Asia (ESSSA), which brings together senior government officials from the labour and education ministries across ASEAN countries to discuss the latest policy innovations in the region.

The OECD is engaging with Southeast Asian economies to apply the framework of the *OECD Reviews on Local Job Creation* in the region. These reviews deliver evidence-based and practical recommendations on how best to design employment services to better connect people to jobs, how to engage employers in skills training and how to foster stronger governance arrangements at the local level. This report on the Philippines looks at the implementation of employment and skills programmes in three case study areas (Taguig City, Cebu City, and Davao City) and provides a comparative analysis on how local government units in the Philippines can contribute to more and better quality jobs.

I wish to warmly thank the Department of Labour and Employment, Philippines as well as the Asian Development Bank for participating and supporting this study.

Lamia Kamal-Chaoui
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Foreword

This OECD Review on Local Job Creation *has been produced by the Local Economic and Employment Development (LEED) Programme of the Organisation for Economic Co-operation and Development (OECD). This project was undertaken in co-operation with the Asian Development Bank (ADB) and the Department of Labor and Employment, Philippines. The* OECD Reviews on Local Job Creation *are coordinated by Jonathan Barr, Policy Analyst, under the supervision of Sylvain Giguère, Head of the LEED Division.*

The principal authors are Jonathan Barr (OECD), as well as Jonathan Sale and Sarah Nigaus of the People Management Association of the Philippines. The authors would like to thank Pierre Georgin, François Iglesias, Angela Attrey and other colleagues in the OECD for their assistance with the preparation of this report. The OECD wishes to thank the local representatives who participated in the project interviews and roundtables, and provided documentation and comments critical to the production of this report.

Special thanks should also be given to Ms. Ruth Rodriquez and Mr. Toki Cruz of the Bureau of Local Employment at the Department of Labor and Employment, and Mr. Kelly Bird, Ms. Kelly Hattel and Ms. Jessa Mitra of the ADB who were instrumental in producing this study in the Philippines.

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Executive summary

The Philippines is a dynamic and growing economy that has performed better than a number of its peers in Southeast Asia on a number of economic and social indicators. From 2008-14, GDP growth has averaged 5.4%, outperforming both the OECD average and a number of ASEAN economies. The Philippines has a relatively young population, which will be a key source of future growth and competitiveness. However, youth unemployment sits at 16% with many young people facing a number of challenges in finding work after they leave school. Another labour market challenge relates to the large informal sector in the Philippines. The latest estimates available show that 10.4 million people were working informally, and in 2014, 38.6% of workers were in a vulnerable form of employment.

Skills represent a key driver of development and growth in the Philippines. Educational attainment of the Filipino population has steadily increased in recent decades, but while the country is regionally successful, it has yet to reach the standards of more developed countries. The Filipino rate of enrolment in tertiary education was higher than in most ASEAN countries in 2013, with the exception of Thailand and Malaysia. Yet it was still only around half of the average rate in OECD countries. Furthermore, issues of skills mismatch remain frequent with 36% of firms reporting that the lack of pertinent skills was the main reason why they found it hard to fill vacancies in 2012.

This OECD report looks at the implementation of employment and skills development programmes in a sample of cities in the Philippines: Taguig City, Cebu City, and Davao City. Local governments in the Philippines have an active role in the management of employment and skills programmes through Public Employment Service Offices (PESOs). These offices are responsible for the implementation of a number of nationally regulated policies and programmes. All three cities are making a number of investments in education, skills, and economic development initiatives. Each city is implementing the JobStart Program in an effort to better link youth to local employment opportunities.

Going forward, the following recommendations should be considered to boost employment, job creation and productivity:

Overall recommendations to guide national policies in the Philippines

- ***Promote the establishment of one-stop PESOs which combine employment and training services under the management of one office:*** Public employment services in the Philippines are in various stages of being institutionalised across the country. Building on the model of Cebu City, the Department of Labour and Employment should actively seek to work with local PESOs across the country to integrate services under a one-stop model.
- ***Develop an evaluation framework to measure the success of the JobStart Program and continuously improve its delivery over the long-term:*** Comparable indicators should be

established and collected across all PESOs implementing the Job Start Program to take into account deadweight effects and further understand how best to target efforts to match youth to good jobs.

- ***Introduce work-based training programmes which network employers and promote skills development opportunities:*** Incentives should be offered to employers to increase investments in skills development opportunities, particularly in firms that traditionally do not offer training, such as SMEs.

Recommendations for Taguig City

- ***Launch youth entrepreneurship programmes to promote job creation:*** The city should work with local universities to embed entrepreneurship education into teaching and curriculum as well as provide more coaching, advice and mentorship opportunities.
- ***Establish an employer officer within the PESO to build stronger engagement and mine job vacancies:*** Local PESOs should appoint an official within the employment office who would be responsible for building local contacts with employers and understanding their needs.

Recommendations for Cebu City

- ***Make stronger use of the Chamber of Commerce (and other employer forums) as an advisory body on the relevance of policies and programmes:*** The city and local PESOs should aim to establish a formal partnership with the Chamber focused on workforce development and productivity improvements.
- ***Promote the better use of skills to boost innovation and productivity:*** While much is being done to support the BPO sector in the city, there is a need to work with the manufacturing and shipping sectors on skills development programmes, which move the city into higher value-added production and services.

Recommendations for Davao City

- ***Establish a workforce development board, which would bring together local employment, training, and economic development actors with employers:*** Such a board should be established to formalise partnership working and advise the Mayor on key employment and skills issues.
- ***Expand scholarship programmes to other sectors of the local economy:*** Building on strong initiatives already underway in the BPO sector, scholarship programmes should also be offered within the retail, services, and hospitality sectors.

Reader's guide

The OECD is engaging with ASEAN economies to help them prepare evidence-based approaches to job creation, employment and productivity. This includes applying an OECD gap assessment in three case study areas, including 1) Taguig City; 2) Cebu City; and 3) Davao City. In these areas, in-depth work based on quantitative analysis, as well as document reviews and interviews with key stakeholders was undertaken to analyse local employment and economic development activities.

In each city, interviews were conducted with a wide set of stakeholders. In July 2016, local roundtables were held in each of the case study areas to discuss their key challenges as well as recent policy initiatives that have been introduced to foster human capital development. These meetings brought together a range of stakeholders, including relevant department officials in the fields of employment, economic development, and training; employers; and other local community and social development organisations.

OECD gap assessment

As part of the project, the OECD has drawn on its previous research to develop a set of best practice priorities which is used to assess local implementation practice through a gap assessment tool (see Box 1). The gap assessment enables local policy-makers to gain a stronger overview of the strengths and weaknesses of the current programme and policy efforts whilst better prioritising future actions. A value between 1 (low) to 5 (high) is assigned to each of the indicators corresponding to the relative strengths and weaknesses of local policy approaches based on best practices in other OECD countries. These indicators are established by looking at a range of quantitative and qualitative data at the local level.

Box 1. **Boosting Job Creation: Assessment Tool**

1. **Co-ordination between employment, skills and economic development policies – Better aligning policies and programmes to local economic development**
   - 1.1. Degree of flexibility in designing and implementing policies and initiatives.
   - 1.2. Degree of integration between employment, skills and economic development.
   - 1.3. Degree of utilisation of local data in evidence-based policy making.
   - 1.4. Capacities of employment services at the regional and local level.
2. **Creating productive economies – Adding value through skills and avoiding the low skills trap**
   - 2.1. Extent to which training is available in a broad range of sectors, flexible and accommodating the needs of workers and unemployed individuals.
   - 2.2. Degree of employer engagement in orienting skills development to demand and extent to which training meets business needs.

Box 1. **Boosting Job Creation: Assessment Tool** *(cont.)*

2.3. Degree of support to employers/SMEs in maximising skills utilisation, improving work organisation, human resource management, workforce planning and skills development.

3. **Supporting entrepreneurship and economic development – Targeting policy to local employment sectors and investing in quality jobs**

3.1. Extent to which programmes and services are adapted to local business demographics and profiles, addressing SME needs.

3.2. Policies to support and internationalise SMEs.

3.3. Degree of development of local entrepreneurial/innovation ecosystems, and extent of knowledge-sharing.

4. **Ensure growth is inclusive – seizing economic and skills development opportunities to strengthen the vulnerable in the labour market**

4.1. Extent to which effective policies are in place to support the labour market integration of disadvantaged groups and degree of flexibility in adapting programmes to different target groups.

4.2. Extent to which there are evidence-based tools used to measure disadvantage on the labour market and support multi-stakeholder approaches to tackling youth participation in the labour market.

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Chapter 1

Policy context for employment and skills in the Philippines

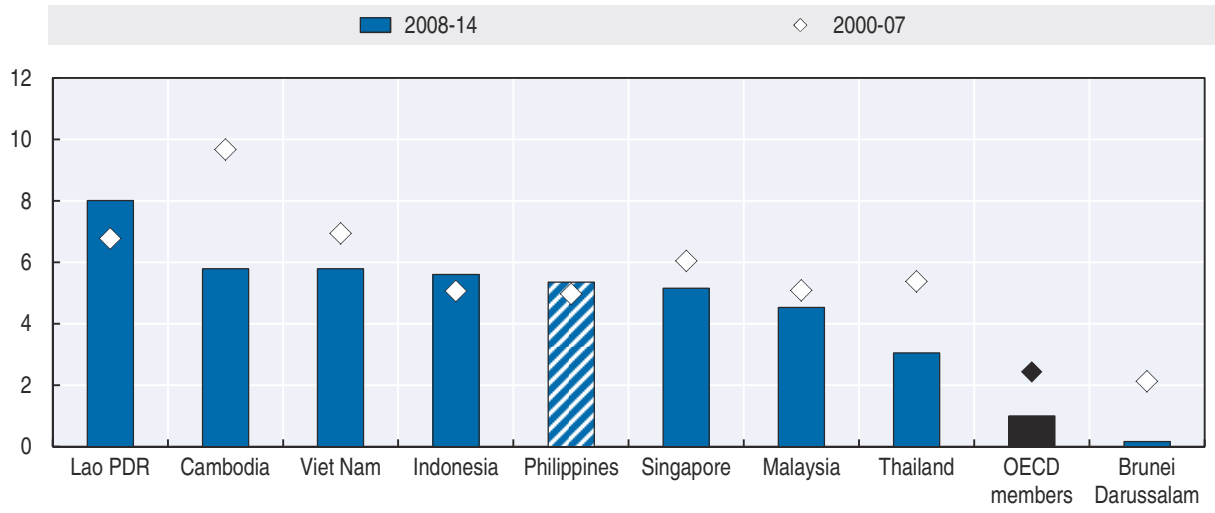
This chapter provides an overview of the key macro-level trends in the Philippines as well as an overview of the key departments and organisations managing employment and skills programmes. The Philippines recovered quickly following the global economic crisis. During the period between 2008-14, average GDP growth was 5.4%, outperforming both the OECD average and a number of ASEAN peers including Brunei Darussalam, Thailand, Malaysia, and Singapore. Responsibilities for labour market policies and vocational education and training are relatively decentralised in the Philippines. Local government units play an important role in linking people to jobs and developing training programmes with employers.

Economic and labour market trends in the Philippines

While the economy of the Philippines has been growing at a relatively fast pace over the last 15 years, it has suffered significant fluctuations. The Philippines grew by an average annual rate of 5% between 2000 and 2007, which was the second lowest rate amongst ASEAN countries, ranking above only Brunei-Darussalam. However, the economy recovered quickly following the global economic crisis. During the period between 2008 and 2014, the average annual GDP growth rate was 5.4%, outperforming both the OECD average and a number of local ASEAN peers including Brunei Darussalam, Thailand, Malaysia, Singapore (see Figure 1.1).

Figure 1.1. **Change in GDP, PPP (constant 2011 international $), ASEAN countries and OECD members average, 2000-07 and 2008-14**

Average annual change (%)



Source: World Bank, International Comparison Program database.

As a result, GDP per capita in the Philippines also grew at a faster pace during the period between 2008 and 2014 (3.7% average annual growth rate) than between 2000 and 2007 (3.0%). Despite this recent acceleration, the level of GDP per capita in the Philippines in 2014 was lower than in most ASEAN countries, with the exception of Viet Nam, Lao PDR and Cambodia. There is a need to stimulate investment in job-creating sectors in order to provide employment opportunities for the growing working-age population. The growth model of the Philippines has been accompanied by insufficient development of domestic manufacturing and services (OECD, 2016). As a result, the economy is struggling to develop and adopt certain technologies that would enable the Philippines to become a high-income country.

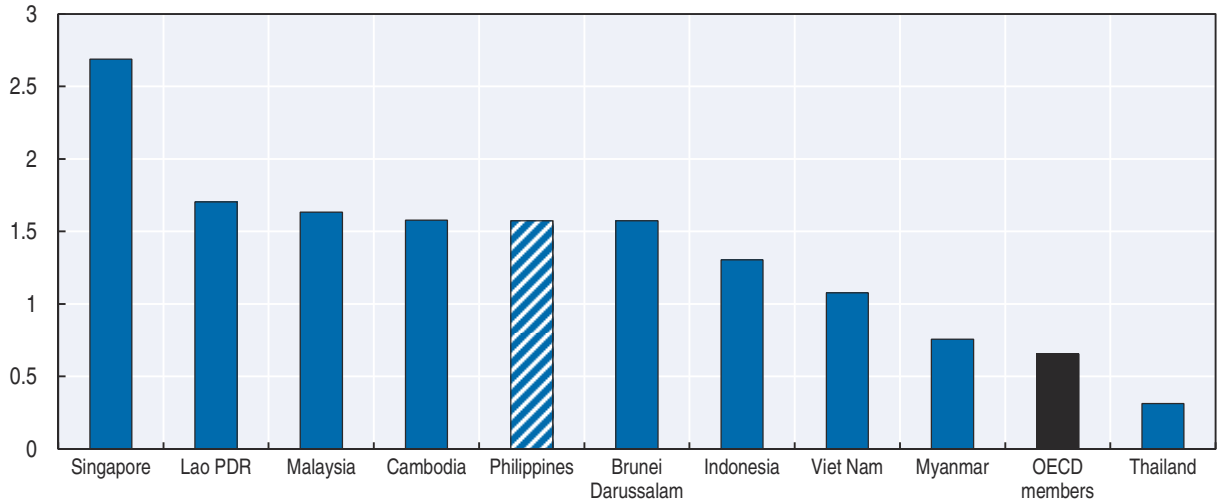
Demographics

In 2015, the population of the Philippines was estimated to be 101.5 million (PSA, 2015). Between 2005 and 2015, the country's average annual population growth rate was 1.6%,

which was higher than in most ASEAN countries and in OECD countries as a whole, but lower than in Singapore, Lao PDR, Malaysia and Cambodia (see Figure 1.2).

Figure 1.2. **Total population growth, ASEAN countries and OECD average, 2005-15**

Average annual growth (%)



Source: World Bank database.

The Philippines has a much younger population than the average population across OECD countries. In 2015, the share of the population aged 15 or less was 33.4% in the Philippines, compared to 18.0% on average in the OECD. Conversely, only 4.8% of the population in the Philippines was aged 65 or more in 2015, while this proportion was 16.3% in the OECD. This particular age distribution has several consequences on the Philippines' economy and labour market. First, it should be noted that share of people of the working age (15-64) population relative to the total population is currently lower in the Philippines (63.4%) than in the OECD as a whole (65.6%), which means that the pool of potential workers on which the economy of the Philippines can count is somewhat smaller. Moreover, in the short term, the burden that falls on the working age population to educate the younger population is heavier in the Philippines than it is in most OECD countries.

But the age structure of the population in the Philippines could change rapidly, depending on how the fertility rate will evolve in the coming years. If the fertility rate (3.0 children per woman in 2014) decreases, the country could move towards an optimal demographic situation, also referred to as a "demographic sweet spot", characterised by an increase in the proportion of individuals in working age and a decline in the ratio of dependents to the working age population. Whether this will translate into a "demographic dividend" in terms of accelerated economic growth and better job opportunities for the population will depend on a number of factors, including the improvement of health of population, level of skills of the population, the dynamism of the economy, and the quality of the match between the supply of skills and the demand for skills (Bloom, Canning, and Sevilla, 2003).

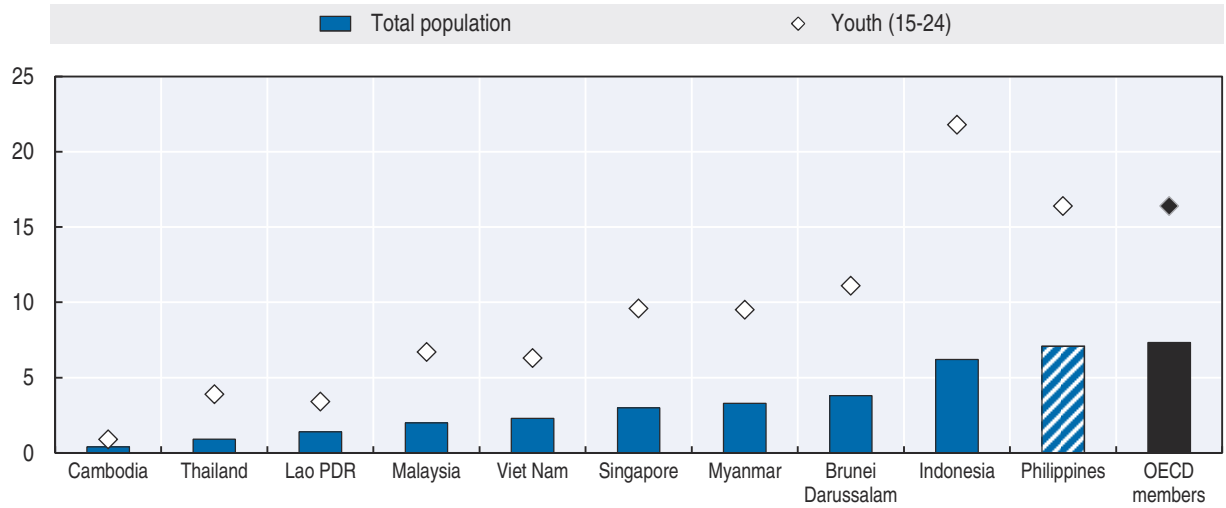
Alleviating poverty also remains a persistent challenge in the Philippines. In 2012, 13.1% of the population was living on less than $1.90 a day (at 2011 international prices), down from 18.4% in 2000 (World Bank, 2016a), and 38.3% of the urban population lived in slums in 2014,

down from 47.2% in 2000 (UN, 2016). Inequalities also remain high, with 33.4% of total income being held by the richest 10% compared to only 2.45% by the poorest 10% in 2012 (World Bank, 2016b). A significant proportion of Filipino workers face working conditions that do not enable them to get out of poverty, due in particular to earnings that are not sufficient to meet their basic needs (ILO, 2012). Between 2001 and 2010, average real wages have tended to decline, indicating that earnings have not caught up with the increase in prices, and the share of low paid workers has remained unchanged.

Labour market outcomes

In 2015, the labour force was 42.1 million people, resulting in a labour force participation rate of 63.3%, which is lower than in many neighbouring countries. Approximately 39.8 million were employed, of which 54.5% were working in the services sector, 29.6% in the agriculture sector and 16.0% in the industry sector. When looking at sub-sectors, agriculture, hunting and forestry accounted for 26.2% of all employment, while 19.1% of workers were employed in wholesale and retail trade. In terms of major occupational groups, labourers and unskilled workers made up 31.5% of total employment, followed by officials of the government and managers (15.7%), agriculture workers (13.5%) and service workers (12.9%). In 2014, the Philippines registered the highest unemployment rate among ASEAN countries at 7.1%, and the second highest youth unemployment rate at 16.4% (Figure 1.3).

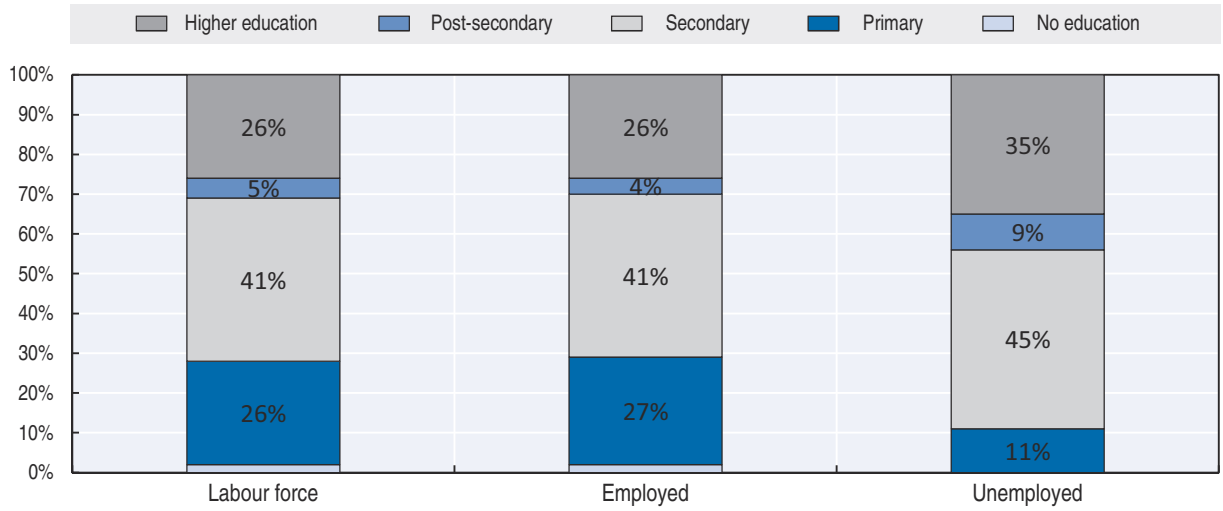
Figure 1.3. **Unemployment rate, total population (% of total labour force) and youth population (15-24 years old), ASEAN countries and OECD average, 2014**



Source: World Bank database.

The reality of employment conditions in the Philippines is not easy to grasp. Significant variation can be observed in the labour market outcomes of various categories of the population, most notably according to gender and education levels. For example, unemployment tends to affect disproportionately youth and the well-educated. Figure 1.4 shows that individuals with a higher education qualification account for 35% of the unemployed population, but only 26% of the labour force. Conversely, only 11% of those that are unemployed have low level of education (primary education or no education), when this category of the population accounts for 29% of the labour force. The prevalence of "educated unemployed" has been well documented (ILO, 2012) and may indicate possible mismatch in

Figure 1.4. **Distribution of workers by education level and employment status (%), the Philippines, 2015**



Source: Labour Force Survey, Philippine Statistics Authority.

the labour market in the Philippines. In particular, the availability of jobs requiring a high level of skills may be insufficient and the education system may not be providing young people with the skills demanded by employers.

Given that unemployment figures exclude individuals who left the labour force because they were unable to find work, it is useful to look at the rate of labour market participation. Table 1.1 shows that the labour participation rate is much higher for male (77%) than for female (50%). As the level of education increases, this gender gap tends to become smaller and labour force participation generally increases. Yet as for unemployment, it can be noted that the average participation rate for individuals with advanced education is significantly lower than for individuals with an intermediate education level.

Table 1.1. **Labour force participation rate by sex and education level, The Philippines, 2015**

	Male %	Female %
Less than basic	68	38
Basic	79	46
Intermediate	88	62
Advanced	71	57
Total	77	50

Source: Labour Force Survey.

Unemployment figures can also hide the fact that a relatively large share of those employed are in fact in a situation of underemployment, which means that they are working less than 40 hours per week but would prefer to work more (OECD, 2016). The self-employed and those that are employed by private households or work in family-owned farms or businesses tend to be disproportionately affected by underemployment, as are those with lower levels of educational attainment.

The Philippines also faces major challenges in terms of the high incidence of informal and low quality employment in the labour market. In 2008, it was estimated that 10.4 million

people were working informally, and in 2014, 38.6% of workers were in a vulnerable form of employment (self-employed without any paid employee, unpaid family workers or employed in own family-operated farm or business) (ILO, 2015). These workers are less likely to benefit from social protection and formal work arrangements, and are therefore more vulnerable to economic shocks. The labour market inclusion of women is also a pressing issue in the Philippines: of the country's 24.5 million people aged 15 or older that were not in the labour force in 2015, seven out of ten were women.

In the Philippines it takes youth longer than it should for them to find work after they leave school. Based on findings from an ADB survey of 500 households in Metro Manila and Cebu City in 2008, only 20% of high school graduates found a job within the first year of leaving school and only 60% of high school graduates were in employment eight years after leaving school. In contrast, 75% of college graduates found a job within the first year of leaving school. As a result of this slow school to work transition, one in four young persons was neither in employment, education, or training (NEET) in 2013, a rate second in Southeast Asia only to Indonesia's. This rate is higher for young women than for young men – one in three – because young women are more likely to withdraw from the labour market entirely (Figure 1.5a). Young women with low education attainment are most at risk in part due to earlier child bearing and child rearing than women with college education (Figure 1.5b). The rate is also highest among youth from low income families, as they tend to be less educated, do not have quality social contacts, and do not have the life skills required to find decent long-term employment (ADB, 2016 forthcoming).

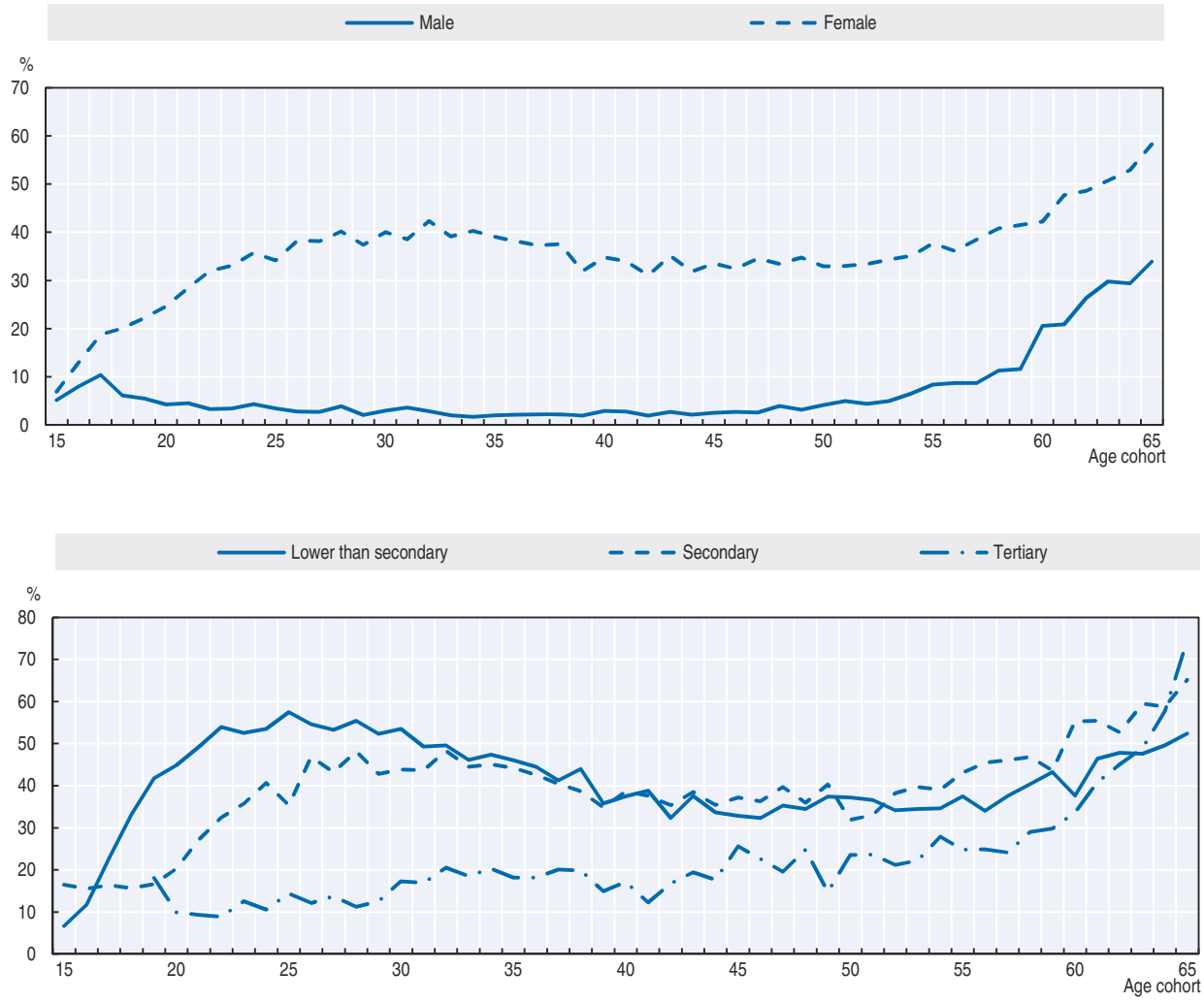
Skills in the Philippines

In terms of educational outcomes, the Philippines is regionally successful but has yet to reach the standards of more developed countries. Educational attainment of the Filipino population has steadily increased in recent decades (ILO, 2012). Figure 1.6 shows that the Filipino rate of enrolment in tertiary education was higher than in most ASEAN countries in 2013, with the exception of Thailand and Malaysia. Yet it was still only around half of the average rate in OECD countries. It should also be noted that the growth in tertiary education enrolment between 2001 and 2013 has been relatively weak in the Philippines compared to other ASEAN countries as well as OECD countries.

A survey undertaken by the Department of Labour and Employment (DOLE) has shown that in 2012, 36% of firms considered that the lack of pertinent skills was the main reason why they found it hard to fill vacancies (PSA, 2016). Similarly, according to data from the World Bank Enterprise Survey, 10.1% of private sector firms identified an inadequately educated workforce as a major constraint for growth in 2015, up from 7.8% in 2009 (World Bank, 2015). Results from this survey also show that socio-behavioural skills, such as managerial, leadership, interpersonal and communication skills, are those that firms consider to be more difficult to find in potential employees.

In February 2001, the Philippine Congressional Commission on Labor issued its Report and Recommendations titled *Human Capital in the Emerging Economy*. In the preamble to the Resolution creating the Commission, it was noted that "the workers are the lifeline of the economy" and "the largest component of income of most Filipino individuals and families is a return for their skills and knowledge." The Report and Recommendations provides a rich context for the national policy settings discussed in the following section. In its Report and Recommendations, the Commission identified key challenges in the labour market, including:

Figure 1.5. **NEET Rates by Gender, Education Level, and Age**

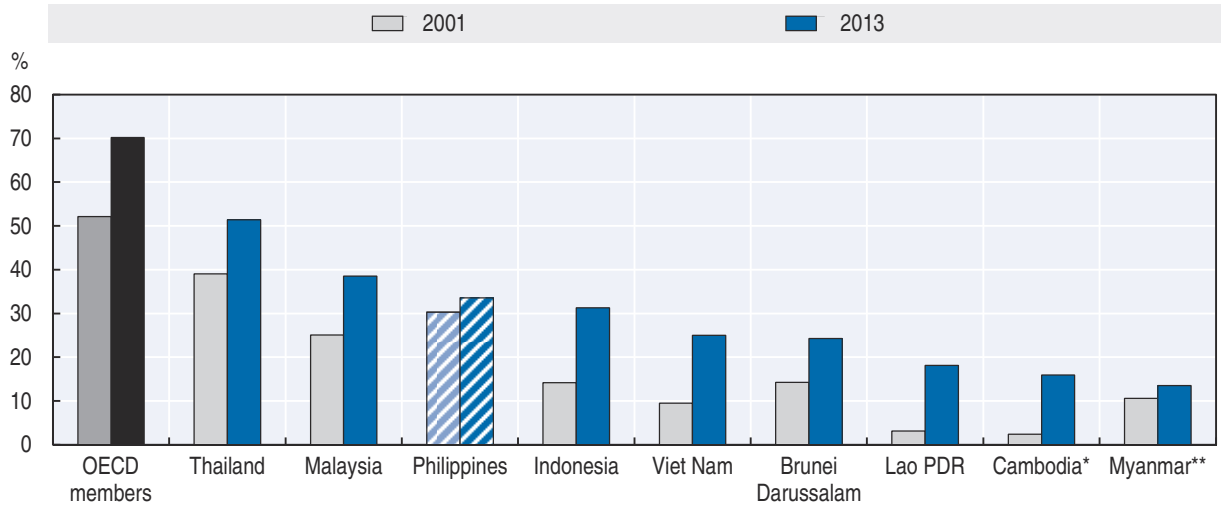


Source: Labour Force Survey, 2013, October round. ADB staff estimates.

- The aggregate share of labour in gross domestic product remained stagnant at 25% over the last 20 years, indicating that labour had not benefited from past economic growth;
- Protective legislation and collective action of workers were countervailing measures to protect them against abuse;
- The inability of the industrial sector to absorb more workers was traced to a structure of production that had limited employment-creating potential;
- The average productivity of labour stagnated during 1987-1999. Over 12 years, the increase was a mere 6 per cent;
- The lack of employment opportunities in the country and the differential in pay between local and foreign employment induced Filipino workers to seek jobs overseas. (Congress of the Philippines, 2001).

To raise the quality of the workforce, the Report and Recommendations advocated several measures (Congress of the Philippines, 2001), including increasing investments in quality basic education; targeting public investments in higher education and advanced

Figure 1.6. **Total enrolment in tertiary education (ISCED 5 to 8) as a percentage of the total population (5+), ASEAN countries and OECD average, 2001 and 2013**



* Data for Cambodia is for 2001 and 2011.
** Data for Myanmar is for 2001 and 2012.
Source: World Bank database.

scientific and technical research; reducing public subsidies to state universities and colleges via phase down or devolution to local government units or the private sector; expanding opportunities for education through well-designed educational loan programmes for qualified students from low-income families; strengthening co-ordination between the public and private sectors in providing vocational and technical training to ensure better match of skills with industry demand and to remove costly duplication of government- and privately-provided training; and devolving vocational and technical training to local government units and the private sector to enable TESDA to concentrate on skills certification, standard setting and equivalency, timely development of training curricula, and the building of partnerships between training centres and industry.

Governance of employment, skills, and economic development policies in the Philippines

The Philippine Constitution mandates the State to promote full employment and equal employment opportunities, raise the standard of living, and improve quality of life for all. In the Philippines, the Department of Labour and Employment (DOLE) acts as a policy-advisory and co-ordinating body of the executive branch of the Philippine government, and is mandated to formulate and implement policies and programmes pertinent to the national labour and employment agenda. DOLE's mission is to ensure that every Filipino worker attains full, decent and productive employment by promoting gainful employment opportunities, developing human resources, protecting workers and promoting their welfare, and maintaining industrial peace.

DOLE has 18 regional offices,[1] 83 field offices with four (4) satellite offices, 38 overseas posts, 5 bureau, 7 staff services, and 11 agencies attached to it for policy and programme supervision and/or co-ordination. To facilitate policy development and programme implementation, DOLE agencies are sub-divided into clusters including: Employability of Workers and Competitiveness of Enterprises Cluster, Worker's Welfare and Social Protection

Cluster, Labor Relations and Social Dialogue Cluster, and the Internal Affairs Cluster. The new DOLE clustering has the employment cluster further classified into local and overseas employment clusters.

The management and accountability structures between employment services offices at the national, regional and local level

Employment services in the Philippines are run by both private and public operators. Private entities are divided into fee-charging providers, namely Private Employment Agencies (PEAs), and non-fee charging providers, including non-governmental organisations (NGO) and school-based employment services. With some exceptions, PEAs are not allowed to charge any fees for recruitment. These agencies often provide only some of the core functions of an employment service and have, when profit-oriented, a distinct clientele that they recruit, service and place.

The bulk of the country's employment services, however, consist of the publicly operated facilities called Public Employment Service Offices (PESOs). These can be found in strategic areas for employment in selected provinces, cities, and municipalities in the country. According to the PESO Act of 1999, PESOs have a mandate to serve as a non-fee charging multi-employment service facility with the aim of achieving full employment and equality of employment opportunities for all. For this purpose, it is responsible for strengthening and expanding the employment facilitation services of the government, particularly at the local level. PESOs are community-based and are usually maintained by local government units, NGOs or community-based organisations, and state universities and colleges.

The national employment service network is convened by the national PESO Managers Association of the Philippines (PESOMAP). As part of this network, the Bureau of Local Employment (BLE) links PESOs to the DOLE central office and the regional offices of the DOLE for co-ordination and technical supervision. A fully functioning PESO has the following four core functions, which may be complemented on a case-by-case basis by additional functions depending on local context and requirements: Job search assistance and placement services, registration, counselling, and linking with training providers; Labour market information services; administration of labour market programmes; and regulatory services as the authorised agency to ensure compliance with all legal obligations. The PESOs are initially classified into three categories:

- Category 1: Established PESO – in existence by virtue of a Memorandum of Agreement (MOA) with the DOLE;
- Category 2: Operational PESO – in existence and performing at least one core function on a daily basis;
- Category 3: Institutionalised PESO – in existence by virtue of a Sanggunian Resolution or an Ordinance provided with regular plantilla positions and appropriate funds.

Currently, local government units (LGUs) are responsible for financing human resources, operations, and the maintenance of PESOs within their jurisdiction. The DOLE supports and facilitates PESO operations through its regional offices. It monitors and supervises the performance and programmes of PESOs, while providing technical assistance including personnel training, report generation, and inter-agency co-ordination. While the DOLE is the primary labour and employment agency under the executive branch of the Philippine government, other agencies collaborate to deliver its services. The DOLE consults and works with the agencies under the Human Development and Poverty Reduction Cluster of the

Cabinet. The cluster focuses on improving the overall quality of life for Filipinos and translating the gains of good governance into direct, immediate, and substantial benefits to empower the poor and marginalised segments of society.

The latest records show that 1 925 PESOs are currently operating in the country, including 413 institutionalised PESOs. In 2015, the number of qualified jobseekers referred for placement reached 9.41 million, an increase of 30.6% compared to 2010. In 2015 alone, almost 1.7 million qualified jobseekers were referred for placement.

Recent reforms to public employment services in the Philippines

The functionalities, operations, and partnerships of PESOs with the DOLE and other institutions were strengthened in late 2015 through an amendatory act to the PESO Act of 1999. The new law mandates that PESOs shall be established in all provinces, cities, and municipalities and operated and maintained by LGUs. Regional offices of the DOLE will provide co-ordination and technical supervision to the PESOs, while the central office of the DOLE will organise and facilitate the national public employment service network. Under the new law, the PESO shall have the following functions (Republic Act No. 10691):

- Encourage employers to submit a list of job vacancies in their respective establishments to the PESO on a regular basis in order to facilitate the exchange of labour market information between job seekers and employers by providing employment information services to job seekers, both for local and overseas employment, and recruitment assistance to employers;
- Develop and administer testing and evaluation instruments for effective job selection, training and counselling;
- Provide persons with entrepreneurship qualities with access to the various livelihood and self-employment programmes offered by both government and nongovernmental organisations at the provincial, city, municipal and barangay levels;
- Undertake employability enhancement training or seminars for job seekers, as well as those who would like to change career or enhance their employability;
- Provide employment or occupational counselling, career guidance, mass motivation and values development activities;
- Conduct pre-employment counselling and orientation to prospective local and, most especially, overseas workers;
- Provide reintegration assistance services to returning Filipino migrant workers;
- Prepare and submit an annual employment plan and budget to the local sanggunian including other regular funding sources and budgetary support of the PESO; and
- Perform such functions as to fully carry out the objectives of the new law.

In addition to these functions, every PESO must now undertake activities to transform the PESOs into a modern public employment service intermediary that provides multi-dimensional employment facilitation services. (Republic Act No. 10691). The LGUs must establish the PESO in co-ordination with the DOLE. It shall be the responsibility of the DOLE to (Republic Act No. 10691):

- Provide technical supervision, co-ordination and capacity-building to the PESO;
- Establish and maintain a computerised human resource and job registry to facilitate the provision and packaging of employment assistance to PESO clients and the establishment

of intra- and inter¬regional job clearance systems as part of the overall employment network;

- Provide technical assistance and allied support services to the PESO including, but not limited to, the training of PESO personnel to meet various employment facilitation functions;
- Set standards for the establishment and operation of the PESO, and qualification standards for the PESO personnel;
- Extend other packages of employment services to the LGU or NGO concerned, including the conduct of job fairs, career development seminars, and other activities; and
- Monitor, assess, and evaluate the performance of the PESOs, including the job placement offices.

JobStart Philippines Act

Another key piece of legislation is the JobStart Philippines Act which was signed into law on June 29, 2016 with the aim of promoting full employment, equal employment opportunities for all, and full protection to labour. In congruence with the International Labour Organization's Decent Work Agenda and Convention 88, the new law seeks to promote the PESO as the primary institution at the local level for implementing active labour market programmes such as job search assistance, training and placement for the unemployed, particularly young jobseekers.

The Act aims to shorten the transition from school to work for young people and increase their chances of integrating into productive employment. The programme also seeks to further improve the delivery of employment facilitation services for PESOs. Among the key supply-side intermediation approaches set out in the new law are:

- JobStart life skills training: 10-day training courses to holistically develop the behaviours, attitudes and values of trainees, enable them to plan career paths and cope with the challenges of everyday life and work;
- JobStart technical training: technology-based, theoretical instruction for up to three months through lectures and hands-on exercises in laboratory or workshop of provider; and
- JobStart internships: practical work-based learning for trainees in regular work environment with employers for periods of up to 3 months.

Box 1.1. **JobStart Programme – facilitating school to work transitions**

The JobStart Programme is open to participants aged 18 to 24 years old, high school graduates, unemployed, those neither studying nor undergoing training at the time of registration and those with less than one year or no work experience. The Programme shall include full employment facilitation services such as registration, client assessment, life skills training with one-on-one career coaching, technical training, job matching, and referrals to employers either for further technical training, internship, or for decent employment. An employer shall be allowed to employ JobStart trainees up to a maximum of 20% of its total workforce, for a period not longer than three months or 600 hours, with a commitment to pay at least 75% of the applicable daily minimum wage.

Participating employers shall receive an amount to be determined by the DOLE per month per trainee to cover administration costs for managing the trainee. The employer

Box 1.1. **JobStart Programme – facilitating school to work transitions** *(cont.)*

shall design and implement the training plan; submit monitoring and evaluation reports or other information on the trainee's performance as may be required by the DOLE or the PESO; submit invoices to the PESO for reimbursement or liquidation of expenses of training costs, internship stipend, and other administrative costs; and notify the PESO and JobStart Unit of a trainee's breach of contract or misconduct in the training premises (if any) prior to its decision to suspend or terminate the training.

The JobStart Philippines Act defines the duties and responsibilities of JobStart trainees and participating establishments, including the roles of LGUs, PESOs, the DOLE, the Technical Education and Skills Development Authority (TESDA), the Department of the Interior and Local Government (DILG), and the Department of Social Welfare and Development (DSWD). The LGUs, through the PESOs, shall serve as the conduit of the DOLE to implement the programme at the local level. As the implementing agency of the programme, the DOLE shall formulate the rules and regulations to implement the provisions of the Act in co-ordination with the appropriate agencies.

The availability of labour market information and data

The newly reorganised Philippines Statistics Authority (PSA) is the prime government agency that is responsible for co-ordinating government-wide programmes and governing the production of official statistics, general-purpose statistics, and civil registration services. The PSA is primarily responsible for all national censuses and surveys, sectoral statistics, the consolidation of selected administrative recording systems and the compilation of national accounts. The PSA conducts the Labour Force Survey, which is conducted four times per year and serves as the main source of key employment indicators in the country.

The DOLE, through its Bureau of Local Employment, maintains a labour market information (LMI) system that primarily utilises administrative data. It has a large LMI system that consolidates information from a variety of databases generated by its organic units and attached agencies. The Bureau of Local Employment serves as the consolidating entity for LMI in the country. It also administers PhilJobNet (*www.philjobnet.gov.ph*), the central LMI and career and occupational information portal of the Philippine government.

PhilJobNet is a vehicle for jobseekers to find career opportunities posted by partner employers, free of charge. Employers, in turn, are provided access to the profiles of applicants and prospective employees. The site can be used as a source of information on in-demand occupations and emerging occupations in the market.

The Skills Registry System (SRS), a subsystem of the PhilJobNet, is another source of LMI that houses a "live" registry of skills. It serves as an IT-based database for PESOs to facilitate the referral and placement of jobseekers, given the job vacancies available at the community level. The SRS establishes a national registry of skills and provides information on the demand for labour as employers are requested to post their vacant positions on the registry. The SRS addresses administrative data coming from the public employment services in 'barangay', the Philippines' smallest geographical unit.

Job Search Kiosks were deployed in the PESOs, high schools, universities and colleges, and malls nationwide to bring timely and relevant LMI closer to jobseekers, particularly in areas with limited or no internet connection. The kiosks are stand-alone channels of the PhilJobNet that can be accessed even without internet connection. A final channel for LMI

dissemination is the inter-agency Career Guidance Advocacy Program (CGAP) that features 108 networks of career guidance advocates, which provide services to almost 5 000 members. The programme is a response to the undersupply of registered guidance counsellors whose role is to provide guidance to youth in making career decisions. The programme trains career advocates on LMI and basic employment coaching techniques. The programme targets youth primarily by communicating in slang and using social media using the theme of "Follow the guide, tag a career, like the future!"

The management of training and skills development policies

The education system in the Philippines, which comprises formal and non-formal education, is closely related to the American mode of education. In 2013, the Enhanced Basic Education Curriculum reform (Republic Act No. 10533) standardised the number of years and standards of Kindergarten to Grade 12 (K to 12) basic education. Before then, basic education only consisted of six years of elementary education and four years of secondary education. The new curriculum includes mandatory kindergarten and two additional years of upper secondary school (senior high school). Tertiary education in colleges and universities complement the Philippines' formal education system.

Non-formal education includes educational opportunities, even outside school premises, that facilitate the achievement of specific learning objectives for particular clientele, especially young people who are no longer in school or illiterate adults who cannot benefit from formal education. For example, functional literacy programmes for non-literate and semi-literate adults aim to integrate basic literacy with livelihood skills training. In the Philippines, the Department of Education (DepEd) is responsible for basic education, while the Commission on Higher Education (CHED) is in charge of Higher Education, including tertiary education in community colleges, universities and specialised colleges.

The management and accountability structures of Technical Vocational Education and Training (TVET)

Technical vocational education and training (TVET) is managed by the Technical Education and Skills Development Authority (TESDA). This government agency, which was formed through the 1994 TESDA Act, integrates the functions of the former National Manpower and Youth Council (NMYC), the Bureau of Technical-Vocational Education of the Department of Education, Culture and Sports (BTVE-DECS) and the Office of Apprenticeship of the DOLE.

Under the jurisdiction of the DOLE, the TESDA is mandated to provide relevant, accessible, high quality and efficient technical education and skills development programmes in accordance with the Philippine development goals and priorities. Given its mandate, TESDA provides direction, policies, programmes and standards towards quality technical education and skills development. Specifically, TESDA is responsible for:

- Integrating, co-ordinating and monitoring skills development programmes;
- Developing an accreditation system for institutions involved in middle-level manpower development;
- Funding programmes and projects for technical education and skills development; and

The DOLE provides TESDA with policy and programme co-ordination and general supervision (Office of the President of the Philippines, 1987). At present, TVET aims to provide education and training opportunities to prepare students and other clients for

employment. It also aims to address the skills training requirements of those who are already in the labour market and need to upgrade or develop new competences to enhance their employability skills and improve productivity. The potential clientele of TVET includes high school graduates, secondary school leavers, college undergraduates and graduates who want to acquire competences in different occupational fields. Other potential clientele of TVET include unemployed persons who are actively looking for work, including displaced workers who lost their jobs because of the closure of businesses. Returning overseas Filipino workers are also potential clients of TVET.

There are four basic modes of training delivery:

- School-based: Formal delivery of TVET programmes of at least a year but not exceeding three years;
- Centre-based: Provision of short non-formal training undertaken in the TESDA Regional and Provincial Training Centres;
- Community-based: Training programmes specifically designed to meet the need for skills training in local communities to facilitate self-employment; and
- Enterprise-based: Training programmes like apprenticeships, traineeships and dual training that are carried out within firms/industries.

Training and skills development of the Filipino workforce is mostly provided by private TVET institutions. Based on 2010 data, there are currently around 4 500 TVET providers in the country, 62% of which are private and 38% public. The public TVET providers include 121 TESDA Technology Institutes, which includes 57 schools, 15 Regional Training Centres, 45 Provincial Training Centres and 4 Specialised Training Centres. Other public TVET providers include State Universities and Colleges and local colleges, who offer non-degree programmes, The Department of Education supervises schools, LGUs, and other government agencies.

The Ladderized Education Act (Republic Act No. 10647) was passed in 2014, which aims to institutionalise the "ladderized" interface between TVET and higher education to open the pathways of opportunities for the career and educational progression of students and workers. "Ladderized" education refers to the harmonisation of all education and training mechanisms that allow students and workers to progress between TVET and higher education programmes, or vice-versa. It aims to open opportunities for career and educational advancement for students and workers, to create a seamless and borderless system of education, and to empower students and workers to exercise options or to choose when to enter and exit in the educational ladder. These reforms also aimed to uphold the academic standards, equity principles, promptness and consistency of the applications/admissions and equivalency policies of higher education institutions.

Apprenticeship programmes

Apprenticeship programmes are regulated by TESDA. Under the Labor Code of the Philippines, "apprenticeship" means practical on-the-job training supplemented by related theoretical instruction. An "apprenticeable occupation" refers to any trade, form of employment or occupation which requires more than three (3) months of practical on-the-job training supplemented by related theoretical instruction. The "apprenticeship agreement" is an employment contract wherein the employer is obliged to train the apprentice and the apprentice in turn accepts the terms of training. To qualify as an apprentice, a person shall:

- Be at least fourteen (14) years of age;
- Possess vocational aptitude and capacity for appropriate tests; and
- Possess the ability to comprehend and follow oral and written instructions.

Trade and industry associations may recommend to the Secretary of Labor appropriate educational requirements for different occupations. Apprenticeship agreements, including the wage rates of apprentices, shall conform to the rules issued by the TESDA. The period of apprenticeship shall not exceed six months. Apprenticeship agreements outline that wage rates must be at least 75% of the minimum wage. These agreements must be entered in accordance with standard models of apprenticeship programmes developed or approved by the TESDA.

An additional deduction from taxable income of one-half (1/2) of the value of labour training expenses incurred for developing the productivity and efficiency of apprentices shall be granted to the person or enterprise organising an apprenticeship programme. However, this is dependent on the recognition of the programme by TESDA and the deduction must not exceed 10% of the direct labour wage. Similarly, the person or enterprise who wishes to take advantage of this incentive must pay the apprentices the minimum wage.

Traineeships

Traineeships programmes are also regulated by the TESDA. Under the Labor Code, learners are persons hired as trainees in semi-skilled and other industrial occupations which are non-apprenticeable and include practical training on the job in a relatively short period of time (not exceed three months).

Learners may be employed when no experienced workers are available, the employment of learners is necessary to prevent curtailment of employment opportunities, and the employment does not create unfair competition in terms of labour costs or impair or lower working standards. Any employer that wishes to employ learners shall enter into a trainee agreement with them, which must include:

- The names and addresses of the trainees;
- The duration of the traineeship period, which shall not exceed three (3) months;
- The wages or salary rates of the trainees which shall begin at not less than seventy-five per cent (75%) of the applicable minimum wage; and a commitment to employ the trainees as regular employees upon completion of the traineeship, if they wish. All learners who worked for the first two (2) months shall be deemed regular employees if the trainee is terminated by the employer before the end of the stipulated period through no fault of the learners.

The management of economic development policies

The National Economic and Development Authority (NEDA) is an independent cabinet-level agency of the Philippine government responsible for socio-economic development and planning. The mission of the NEDA is to formulate development plans, and ensure that implementation achieves the national development goals. It is also the authority in macroeconomic forecasting and policy analysis and research. It provides high-level advice to policy makers in Congress and the Executive Branch. NEDA fulfils its mandate with the help of its attached agencies: The Philippines Statistics Authority (PSA), the Philippine Statistical Research and Training Institute (PSRTI), the Philippine Institute for Development Studies

(PIDS), the Philippine National Volunteer Service Co-ordinating Agency (PNVSCA), the Public-Private Partnership Centre (PPP) and the Tariff Commission.

NEDA's Philippine Development Plan 2011-2016 pursues a framework of inclusive growth, defined as a sustained high level of economic growth that generates mass employment and reduces poverty. In order to promote good governance and anticorruption, the Plan translates into specific goals, objectives, strategies, programmes and projects. In partnership with the key national government agencies, NEDA intends to pursue rapid economic growth and development, improve the quality of life for Filipinos, empower the poor and marginalised and enhance national social cohesion. NEDA's strategic development policy framework, as indicated in the plan, focuses on improving transparency and accountability in governance, strengthening the macro-economy, boosting the competitiveness of industries, facilitating infrastructure development, strengthening the financial sector and capital mobilisation, improving access to quality social services, enhancing peace and security for development, and ensuring ecological integrity. In addition, the plan serves as a guide for policy formulation and the implementation of development programmes for the duration of the six year programme.

In 2015, the Philippine Competition Act (Republic Act No. 10667) was passed and established the primary law for the promotion and protection of the competitive market in the Philippines. It led to the creation of the Philippine Competition Commission (PCC), an independent quasi-judicial body mandated to implement the national competition policy. The main objectives of the PCC are to protect consumers, promote competitive businesses, and prevent anti-competitive behaviour.

Under the Philippine Constitution, the President supports regional development councils (RDCs) composed of local government officials, regional heads of departments and other government offices, and representatives from non-governmental organisations. This is in order to further administrative decentralisation, strengthen the autonomy of the regional units and accelerate the economic and social growth and development of the units in the region.

In April 1996, Executive Order No. 325 was issued in which outlines the following regular RDC members: a) provincial governors; b) city mayors; c) mayors of municipalities designated as provincial capitals; d) presidents of the provincial league of mayors; e) the mayors of the municipality designated as the regional centre; f) the regional directors of agencies represented in the National Economic and Development Authority Board and the regional directors of the Department of Education, the Department of Social Welfare and Development, and the Department of Trade; and g) private sector representatives who shall comprise one-fourth of the members of the fully-constituted council.

Note

1. The 18th and newest DOLE regional office, the DOLE-Negros Island Region (NIR), has in its jurisdiction the provinces of Negros Oriental and Negros Occidental which were once part of Regions 6 and 7, respectively. The creation of NIR is by virtue of Executive Order No. 183 that was signed in May 2015. The Autonomous Region of Muslim Mindanao (ARMM), the 198th administrative region of the Philippines, has its own independent DOLE office.

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Chapter 2

Overview of the case study areas in the Philippines

To better understand the role of the local level in contributing to job creation and productivity, this review examined employment and economic development programme activities in Taguig City, Cebu City, and Davao City. This chapter provides a labour market and economic overview of each city as well as the results from an OECD analysis which looks at place-based skills mismatches at the local level in the Philippines.

Overview of the case study areas

For this publication, the cities of Taguig, Cebu and Davao have been selected as case study areas. Taguig City is situated in the National Capital Region (NCR) in the northern island of Luzon. Cebu City is located in Cebu Province, Central Visayas Region while Davao City is found in Davao Region in the southern island of Mindanao. Local government units in the Philippines directly manage a suite of employment and training programmes, which operate under the umbrella of a public employment service office (PESO). The involvement of local government units (LGUs) in employment facilitation and labour market intermediation is consistent with the Local Government Code, which requires the promotion of full employment among their residents (Local Government Code, sec. 16).

A case study approach is used in this OECD project to understand the implementation of programmes, compare local approaches and gather best practices. Such an approach also aims to determine how employment and skills policies are contributing to economic development and job creation at the local level. In this chapter, background information on each case study area is provided as well as data comparing regions across the Philippines to demonstrate regional variation within the country. Lastly, analysis completed by the OECD is presented on the alignment of the supply of skills with demand for skills, and the balance between the education system and the job opportunities available at the local level.

Taguig City

Taguig City is located in the south-east of the National Capital Region. It is a densely urbanised area and an important residential, commercial and industrial area within Metro Manila. The city is bordered by Makati City, Pateros and Pasig City on the north, Pasay City on the west, Paranaque City on the southwest, Muntinlupa City on the south, Cainta and Taytay on the northeast, and Laguna de Bay on the east. In 2009, Taguig City had a total income of more than PhP 2.9 billion. In 2007, its population stood at 613 343 people. Per capita income was close to PhP 3 600. As a region, NCR is the top performer across all regions in terms of GVA.

The employment rate in the region grew from 88.5% in 2010 to 91.5% in 2015. Gross regional domestic product also increased from about PhP 2 million in 2010 to PhP 2.6 million in 2014 (in million pesos, at constant 2000 prices). The leading major industry groups in the region include wholesale and retail trade, manufacturing, and transportation and storage.

There are major universities in the City, including the publicly-managed Taguig City University (TCU), the Polytechnic University of the Philippines and the Technological University of the Philippines. As the TCU is being run by the City government, it is a perfect venue to look at courses on entrepreneurship, pilot testing, life skills subjects and integrating them into the curricula. TCU has around 12 000 students. The City government is professionalising and hiring more competent teachers. Another major university is the University of the Philippines Bonifacio Global City which opens in 2016 with course offerings from its College of Law, College of Engineering, Virata School of Business, College of Architecture, School of Labor and Industrial Relations, School of Urban and Regional Planning, School of Statistics and the UP Open University.

Cebu City

Cebu City is located in the Province of Cebu, which belongs to the country's Central Visayas Region. From 2007 to 2009, Cebu City had an average total income of more than PhP 3 billion. Cebu City had a population of 866 171 persons in 2010 (PSA, 2013), while per capita income stood at close to PhP 3 600. As a region, Central Visayas' strength as to GVA is in manufacturing. The employment rate in the region grew from 92.4% in 2010 to 94.1% in 2015. The gross regional domestic product also increased from PhP 340 701 in 2010 to PhP 464 746 in 2014 (in million pesos, at constant 2000 prices). The major industry groups in the region are agriculture, hunting and forestry, wholesale and retail trade, and manufacturing.

Top universities in Cebu include University of the Philippines – Cebu, University of San Jose Recoletos, University of San Carlos, University of Cebu, Cebu Normal University, Cebu Institute of Technology – University, and University of the Visayas. These universities were named centres of excellence and development by the Commission on Higher Education for the years 2016 to 2018 (Sibi, 2016).

Davao City

Davao City is located in the southeastern part of Mindanao. It is bounded on the north by Davao Province, on the east partly by Davao Province and Davao Gulf, on the south by Davao del Sur, and on the west by North Cotabato. Davao City's average total income from 2007 to 2009 was close to PhP 3.6 billion while per capita income was about PhP 2 400. Davao Region's best performance as regards GVA is in agriculture, hunting, forestry and fishing

Employment rate in the region grew from 93.9% in 2010 to 94.2% in 2015. Gross regional domestic product also increased from PhP 217 313 in 2010 to PhP 281 515 in 2014 (in million pesos, at constant 2000 prices). The leading major industry groups in the region are agriculture, hunting and forestry, wholesale and retail trade, and transportation and storage. Some leading universities in Davao are the University of the Philippines Mindanao, Ateneo de Davao University, University of Southeastern Philippines, University of Mindanao, and University of Immaculate Conception.

Regional employment and economic development trends in the Philippines

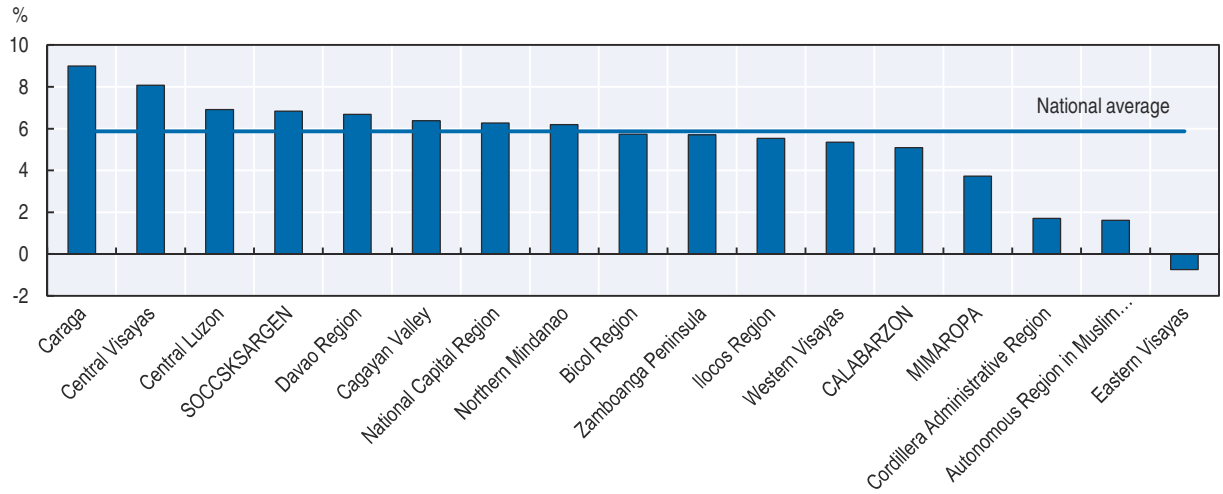
Significant regional variations can be observed within the Philippines in terms of both economic and labour market trends. The relatively strong overall economic growth that the country has experienced in the years following the global economic crisis of 2008 has not benefited all provinces equally. The following figure shows that during the period between 2010 and 2014, the average annual GDP growth rate was highest in Caraga at 9.0%, with Central Visayas (where Cebu is located) (8.1%), Davao Region (6.7%) and the National Capital Region (where Taguig is located) (6.3%) all performing above the national average.

The Philippines is characterised by high levels of internal migration. In 2010, 1.4 million individuals had resettled in a different province compared to 2005, with the province of Calabarzon, the National Capital Region and the province of Central Luzon seeing the highest inflows of internal migrants. There is also a significant population of people who live and work in Central Visayas and the Davao region but reside in another province.

A major factor influencing internal migration is the level of wages in each region. In the Philippines, the level of the minimum wage is determined at the level of the province. In 2015, it was highest in the National Capital Region and lowest in the Autonomous Region of Muslim Mindanao. This contributes to creating disparities in terms of wage levels within the country.

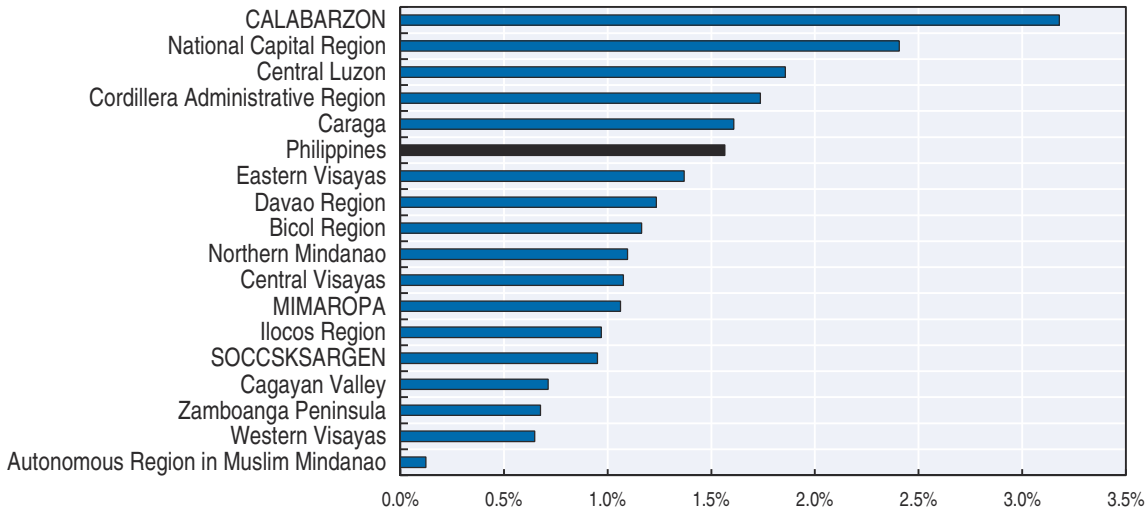
Figure 2.1. **GDP growth rate (at constant 2000 prices), Philippines regions, 2010-14**

Average annual change (%)



Source: Philippine Statistics Authority.

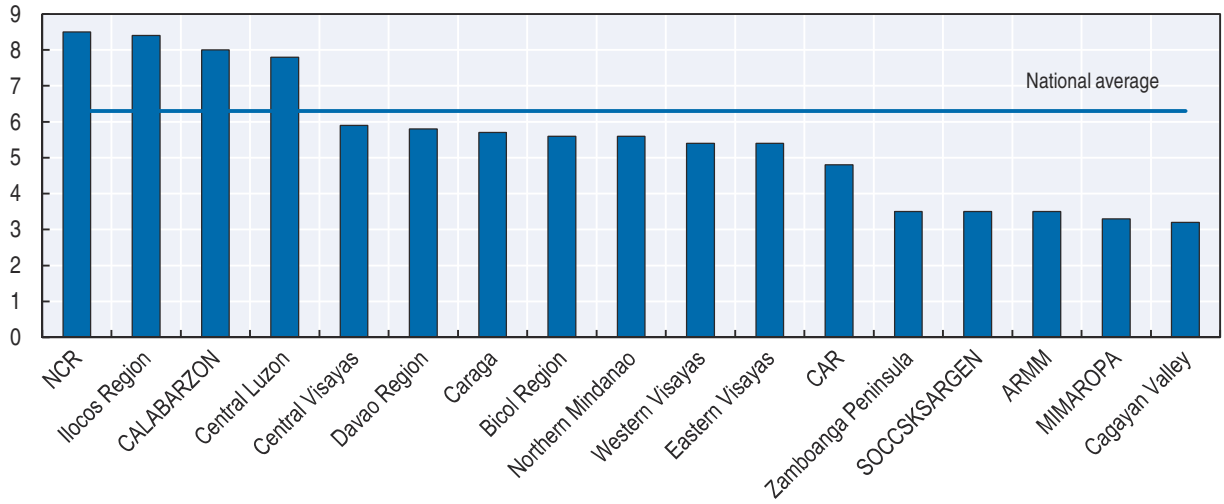
Figure 2.2. **Individuals whose place of residence was in a different province in 2010 compared to 2005 (as share of total regional population in 2010), Philippines regions**



Source: 2010 Census of Population and Housing, Philippine Statistics Authority.

Variation can also be observed in terms of the performance of local labour markets in the Philippines. While the national average unemployment rate was estimated to be 6.3% in 2015, it ranged from 8.5% in the National Capital Region to 3.2% in the Cagayan Valley (Figure 2.3). Both the Central Visayas region (where Cebu is located) and Davao had an unemployment rate of 6%. As noted in the first chapter of this report, unemployment figures should be analysed with caution in the Philippines given the prevalence of underemployment and informality in the Filipino economy. In terms of the employment rate, which provides an indication of the extent to which available labour resources are being used, opposite trends can be observed: the Cagayan Valley had the highest employment rate in 2015 at 96.8%, while this figure was lowest in the National Capital Region at 91.5%.

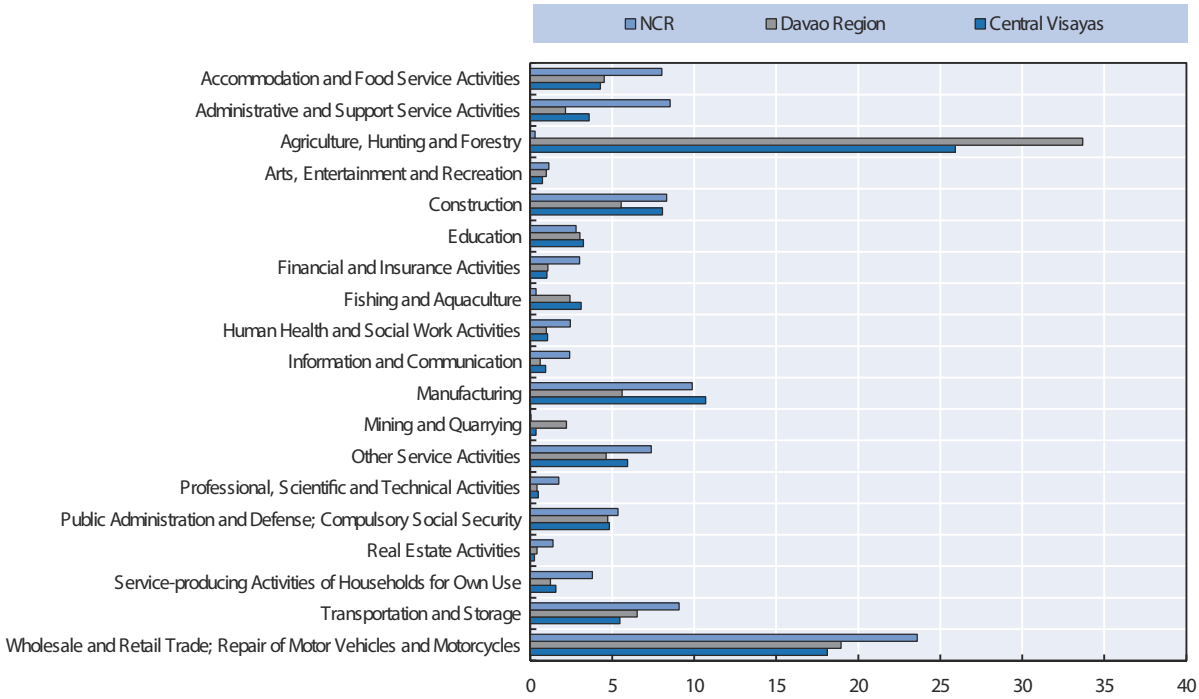
Figure 2.3. **Unemployment rate (%), the Philippines regions and national average, 2015**



Source: Labour Force Survey, Philippine Statistics Authority.

The industrial structure of the three case study areas differ significantly. While agriculture, hunting and forestry accounted for as much as one third of total employment in the Davao Region and one quarter of total employment in Central Visayas in 2015, only 0.3% of workers were employed in this sector in the National Capital Region. Wholesale and Retail Trade comprised the largest group in the National Capital Region, making up 23.6%, and the second largest group in the Davao Region and Central Visayas (see Figure 2.4).

Figure 2.4. **Comparing the industrial structure across regions, 2015**

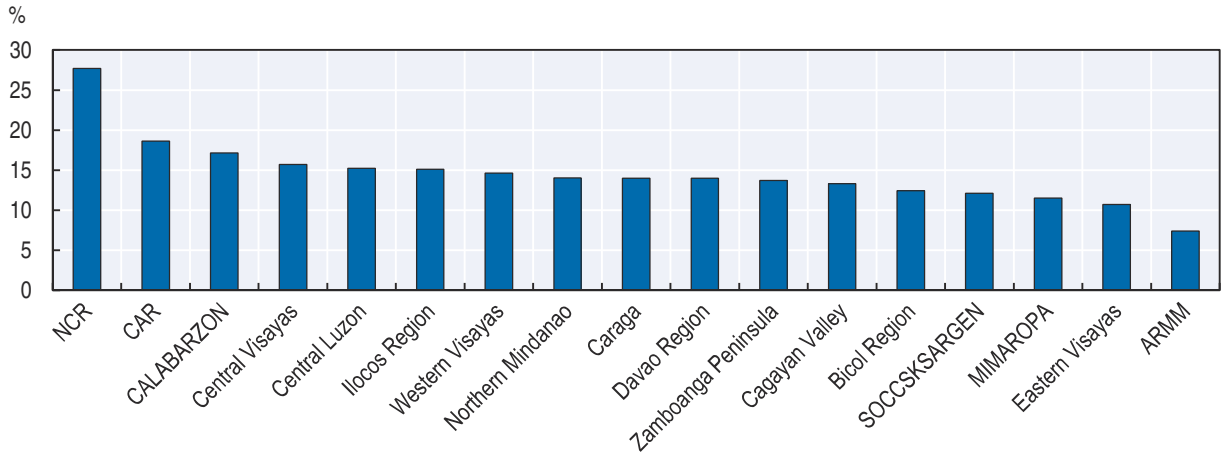


Source: Labour Force Survey, Philippine Statistics Authority.

Balance between skills supply and demand at the sub-national level

In 2014, a strong gap could be observed in terms of the share of the employed population with a college degree or higher between the NCR (27.7%) and other provinces, including Central Visayas (15.7%) and the Davao Region (14%) (Figure 2.5).

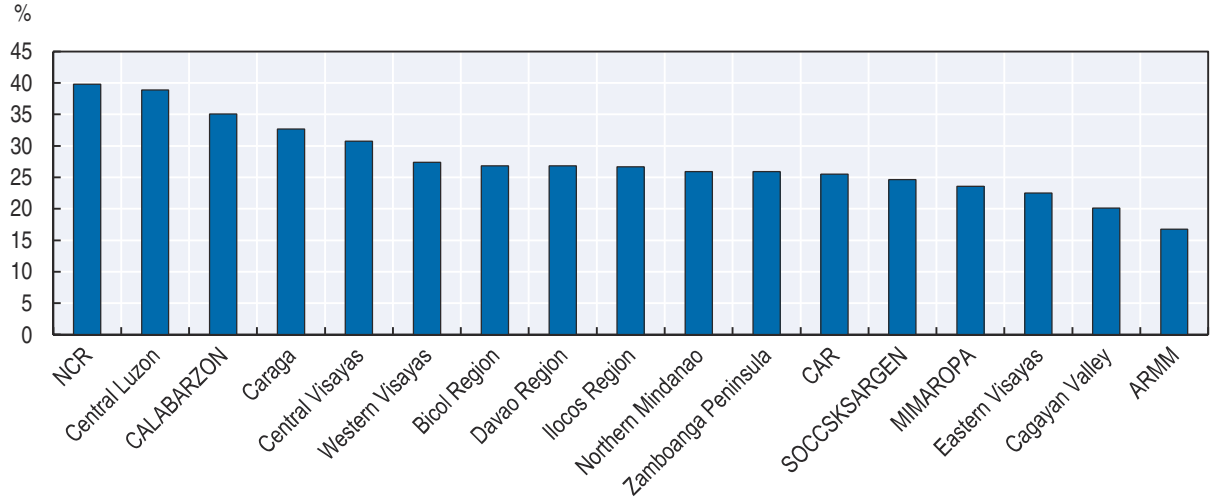
Figure 2.5. **Share of employed population with a college degree or higher, The Philippines regions, 2014**



Source: Philippine Statistics Authority, Labor Force Survey.

Although the National Capital Region also had the highest proportion of occupations that require medium to high levels of skills in 2014, the gap with the following region, namely Central Luzon, was rather narrow (Figure 2.6). This proportion was 30.1% and 26.7% respectively in Central Visayas and the Davao Region.

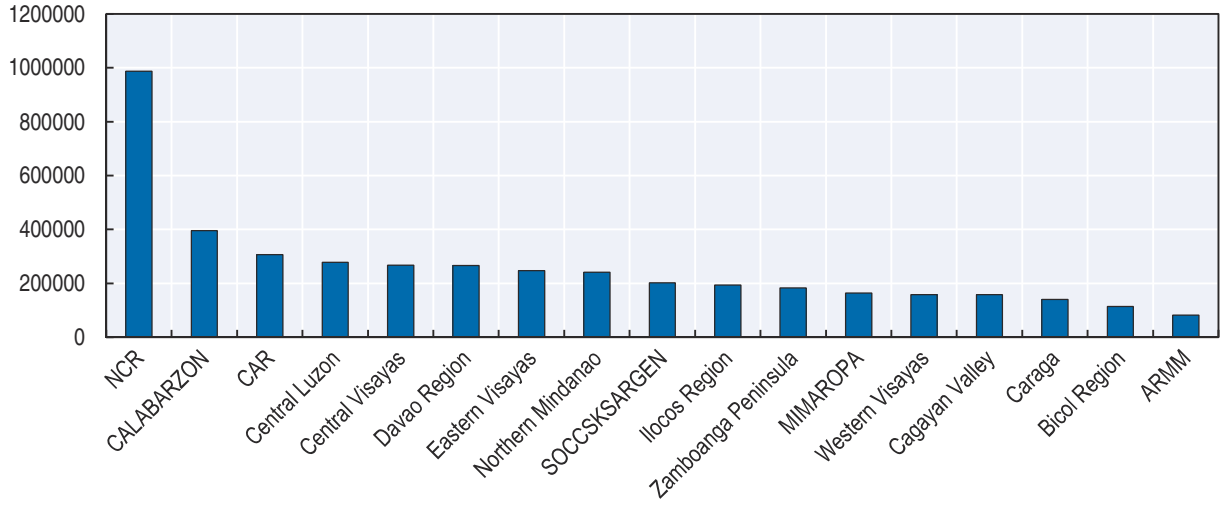
Figure 2.6. **Share of the population employed in medium-high skilled occupations, The Philippines regions, 2014**



Source: Philippine Statistics Authority, Labor Force Survey.

Data on gross value added (GVA) per worker gives an indication of the level of productivity of workers in each region. As Figure 2.7 demonstrates, GVA per worker was much higher in the NCR than in any other region of the Philippines. Central Visayas and the Davao region

Figure 2.7. **Gross value added per employed, Philippines Regions, 2014**

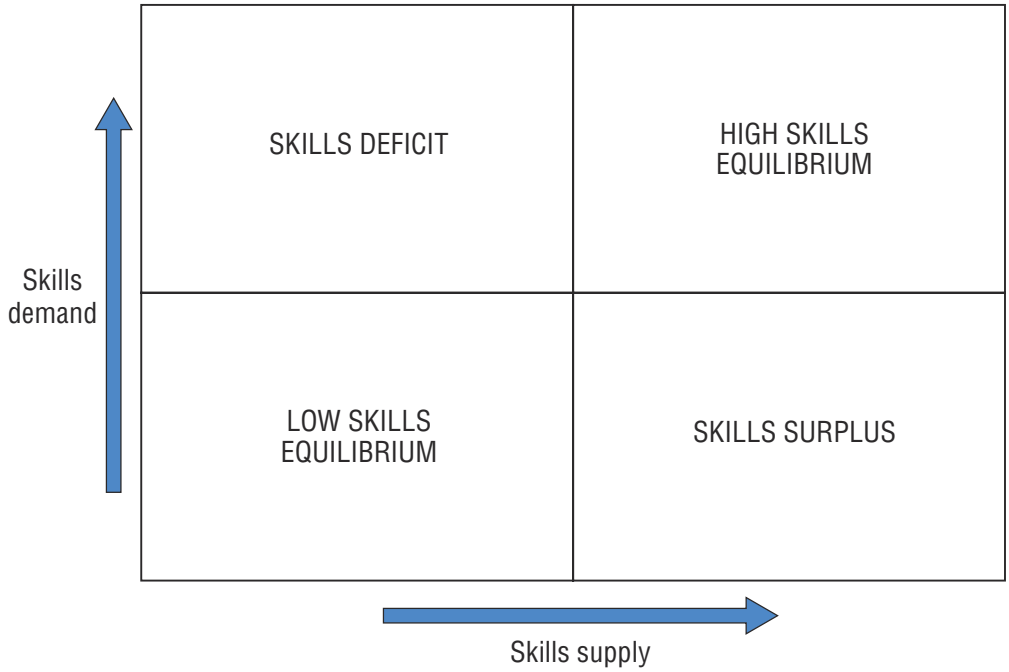


Source: Philippine Statistics Authority.

both fall into the top five in terms of productivity across regions in the Philippines but fall significantly below the National Capital Region.

The LEED Programme has developed a statistical tool to understand the relationship between skills supply and demand within local labour markets (Froy, Giguère and Meghnagi, 2012). This tool can help to provide policy makers with an understanding of subnational distribution of skills supply and demand. This, in turn, can inform the development of place-based policy approaches at the local level based on specific challenges and opportunities related to skills.

Figure 2.8. **Understanding the relationship between skills supply and demand**



Source: Froy, F. and S. Giguère (2010).

In the top-right corner, both the demand for and supply and of skills are relatively high, a situation known as a "high skills equilibrium". In the top-left corner of the figure above, there is a relatively high demand for skills, while the supply of skills is relatively low – in other words, there may be skills deficits. In such places, it can be beneficial to focus on boosting the supply of skills so that employers are able to find the highly skilled workers that they need. In the bottom-left corner the supply of and demand for low skills are both relatively low, creating a "low skills trap". The challenge facing policy makers is to get the economy moving towards the top-right corner. Lastly, in the bottom-right corner, a relatively low demand for skills is met by a relatively high supply of skills, suggesting a need to focus on working with employers to better utilise the skills the local workforce has to offer, either through higher value added production or improved work organisation. This typology was applied to the Philippines administrative regions for 2014.

Box 2.1. **Explaining the diagnostic tool**

The analysis is carried out at the administrative regions. The supply of skills was measured by the percentage of the population with a college degree or higher. The demand for skills was approximated using a composite index: percentage of the population employed in medium-high skilled occupations[0] and GVA per worker (weighted at .25 and .75 respectively). The indices are standardised using the inter-decile method and are compared with the national median. Further explanations on the methodology can be found in Froy, Giguère and Meghnagi, 2012.

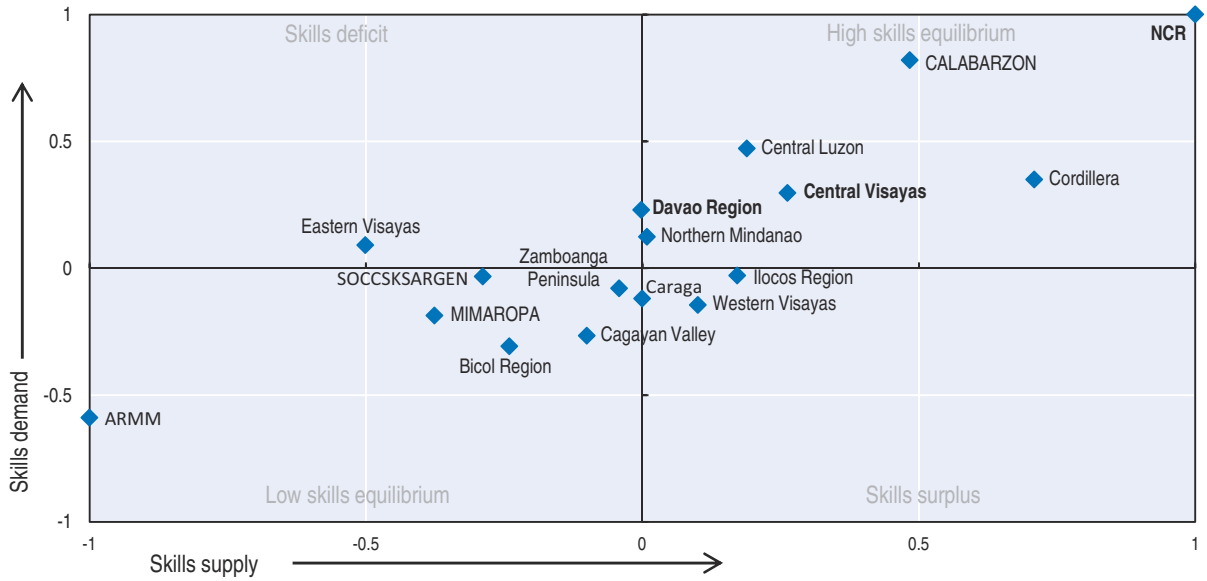
For the Philippines, the following occupations are considered as medium-high skilled: Managing Proprietors and Supervisors; Professionals; Technicians and Associate Professionals; Trades and Related Workers.

Source: Froy, F., S. Giguère and M. Meghnagi (2012).

Using the diagnostic analysis, which compares how the supply of supply (e.g. educational qualifications) aligns with skills demand (e.g. the level of wages and productivity), the OECD has mapped regions in the Philippines to classify them into a high-skills equilibrium, skills shortage, skills surplus, and low skills equilibrium. As shown in Figures 2.9 and 2.10, six regions were in a high-skills equilibrium in 2014, including the National Capital Region, of which the Taguig city is part, and the Central Visayas Region, which includes the city of Cebu. Six regions were in a low skills trap. Two regions were in a situation of skills deficit, including the Davao Region. Finally, three regions were in a situation of skills surplus.

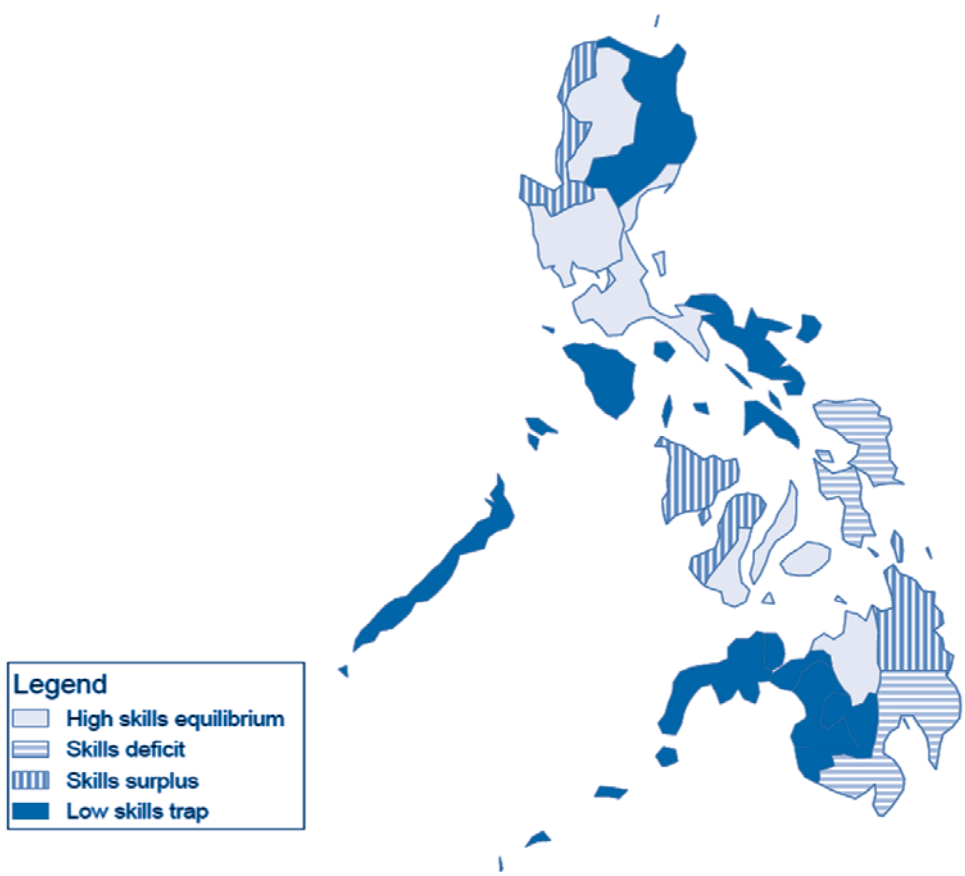
Looking further at the case study areas, the high level of skills and good quality jobs found in the Metro Manila area (and in particular Taguig City) provide a basis upon which to attract further investments and jobs. While Cebu City falls into a high-skills equilibrium, more effort needs to be focused on how to foster skills development opportunities as well as high quality jobs. For Davao, this analysis points to a need to focus on supply side policies, such as investments in education and skills, which build the attraction of the local area and workforce. The quality and productivity of jobs appears to be similar in Cebu City but Davao falls behind when looking at the percentage of the population with tertiary educational attainment. Boosting opportunity for the development of skills through training would enable the region to move into a more competitive position, relative to other regions in the Philippines.

Figure 2.9. **Skills Supply and Demand: Administrative Regions in the Philippines; chart (2014)**



Source: OECD calculations based on data from the Philippine Statistics Authority.

Figure 2.10. **Skills Supply and Demand: Administrative Regions in the Philippines; map (2014)**



Source: OECD calculations based on data from the Philippine Statistics Authority.

Complementing the OECD analysis of place-based skills mismatches

Data from a number of sources can be used to complement the OECD analysis of place-based skills mismatches so that policymakers have a more comprehensive picture of employment and skills in the provinces of the Philippines. These include Talentmap, a joint-initiative of the Department of Labor and Employment, SFI Group of Companies and HireLabs. As part of this initiative, a tool has been developed to assess and evaluate the core skills and competencies of the workforce, including mathematics and English as well as planning and organising, decision-making, critical thinking, innovation, teamwork, multi-tasking and problem solving. Table 2.1 shows the average score obtained in the country's provinces. Central Visayas and the Davao Region show relatively poor performance compared to the Cordillera Administrative Region, Calabarzon and the National Capital Region.

Within the National Capital Region, Taguig shows a relatively low score at 55%, with only Mandaluyong scoring lower (52%). Makati (67%), Pasig (66%) and San Juan (64%) have the highest scores in this province. This means that workforce in the city of Taguig may not be equipped to take advantage of job opportunities requiring high levels of skills, whether in the city itself or in the broader region.

Table 2.1. **Average Talentmap scores by provinces**

Cordillera Administrative Region	68%
CALABARZON	67%
Ilocos Region	63%
Central Luzon	63%
National Capital Region	62%
MIMAROPA	60%
Central Visayas	57%
Davao Region	56%
Negros Island Region	56%
Northern Mindanao	49%

Note: Scores for the following provinces due to insufficient number of respondents: Cagayan Valley, Bicol Region, Western Visayas, Eastern Visayas, Zamboanga Peninsula, SOCCSKSARGEN, Caraga, Autonomous Region in Muslim Mindanao.
Source: The Workforce Profile of your Province, Philippine Talentmap initiative.

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Chapter 3

Local Job Creation Dashboard findings in the Philippines

This chapter highlights findings from a policy implementation assessment tool that was applied in the Philippines. The findings are discussed through four thematic areas examined by the OECD: 1) better aligning policies and programmes to local economic development; 2) adding value through skills; 3) targeting policy to local employment sectors and investing in quality jobs; and 4) being inclusive.

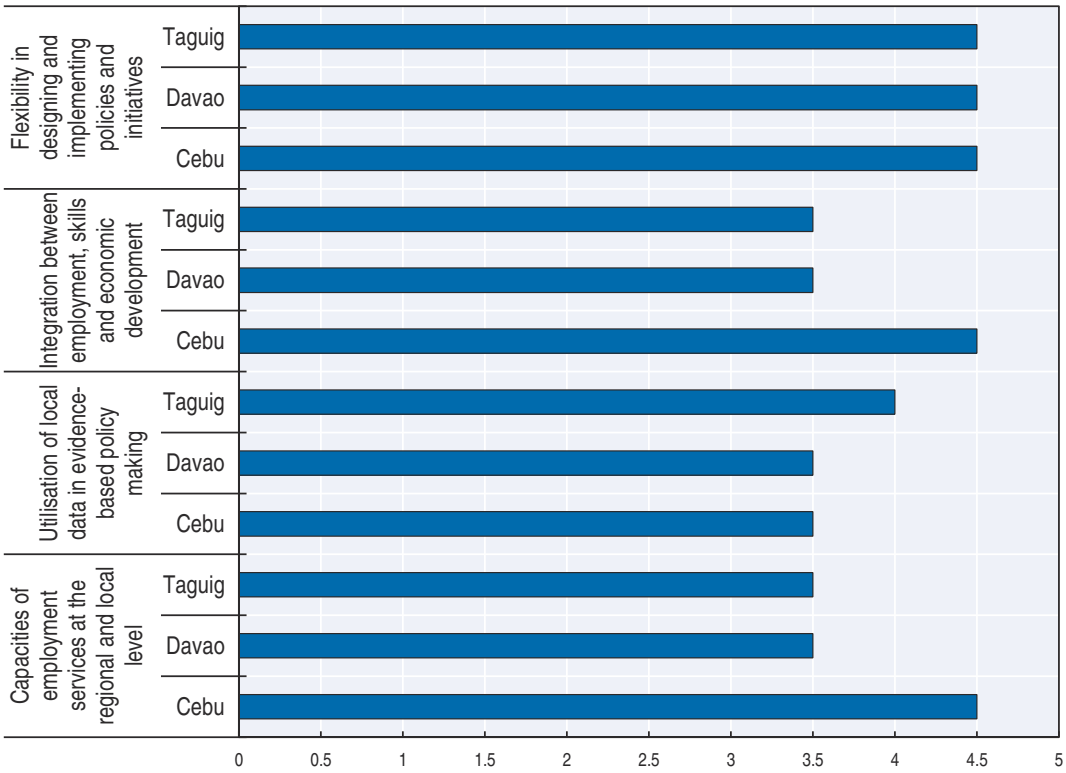
Results from the assessment tool

As part of this *OECD Review on Local Job Creation* policies, in-depth fieldwork and research was undertaken to assess local employment and economic development practices using a policy implementation assessment developed by the OECD. The assessment is divided into four thematic areas of analysis, which look at a range of policy and programme measures to understand implementation practices on the ground. A value of 1-5 is assigned to each indicator based on the strengths and weakness of the policy approach. This section of the report presents the four thematic areas sequentially, with a full explanation from the fieldwork undertaken in Taguig, Cebu, and Davao.

Co-ordination between employment, skills and economic development policies

Under this thematic area, local practices were analysed to look at the degree to which: 1) there is flexibility in designing and implementing programmes; 2) programmes are integrated between employment, skills, and economic development portfolios; 3) there is utilisation of local information and data in policy making; and 4) there are strong capacities within employment services at the regional and local level.

Figure 3.1. **Assessment results for co-ordination between employment, skills and economic development policies**



Degree of flexibility in designing and implementing policies and initiatives

The OECD defines flexibility as "the possibility to adjust policy at its various design, implementation and delivery stages to make it better adapted to local contexts, actions carried out by other organisations, strategies being pursued, and challenges and opportunities faced" (Giguère and Froy, 2009). Flexibility refers to the latitude that exists in the management system of the employment system, rather than the flexibility of the labour market itself. The achievement of local flexibility does not necessarily mean that governments need to politically decentralise (Giguère and Froy, 2009). Rather, flexibility refers to the latitude given to local actors the areas of designing policies and programmes, managing budgets, setting performance targets, deciding on eligibility, and outsourcing services.

Looking at the case study areas, there is a high level of flexibility in the implementation of programmes and initiatives. At the national level, the Department of Labor and Employment (DOLE) is the policy-advisory and co-ordinating body of the executive branch of the Philippine government. The DOLE is mandated to formulate and implement policies and programmes pertinent to the national labour market agenda. The DOLE has 18 regional offices, 83 field offices with four (4) satellite offices, 38 overseas posts, 5 bureaux, 7 staff services, and 11 agencies attached to it for policy and programme supervision and/or co-ordination.

Both private and public operators run employment services in the Philippines; however, as highlighted previously, the bulk of the country's employment services consist of publicly operated facilities known as Public Employment Service Offices (PESOs), which are found in almost every province, city, and municipality in the country. The PESO serves as a non-fee charging multi-employment service facility to achieve full employment and equality of employment opportunities for all. Accordingly, PESOs aim to strengthen and expand the existing employment facilitation service machinery of the government, particularly at the local level.

PESOs are community-based and maintained largely by local government units (LGUs), NGOs or community-based organisations (CBOs) and state universities and colleges (SUCs). Local government units, such as Taguig, Cebu, and Davao, are responsible for financing human resources and operations, and maintaining the PESOs within their jurisdiction. The DOLE supports setting up and facilitating PESO operations through its regional offices; it monitors and supervises the performance and programmes of PESOs while providing technical assistance in personnel training, report generation, and inter-agency co-ordination, among others.

The PESOs are linked to the regional offices of the DOLE for co-ordination and technical supervision. The Bureau of Local Employment links PESOsto the DOLE central office to convene the national employment service network which is convened by the national PESO Managers Association of the Philippines (PESOMAP).

Degree of integration between employment, skills and economic development

The benefits of better aligning employment, skills and economic development policies are increasingly apparent in the context of the knowledge economy. Increasingly, one of the key advantages that a locality or region can offer a business is the quality of its human capital. In recognition of this, local economic development officials can benefit significantly from working with employment offices and using workforce development as an instrument to attract new firms and stimulate local economic development. At the same time, labour market policy makers are increasingly dependent on other local stakeholders and actors to achieve their own goals.

Partnership approaches and joined-up local strategies can help to promote effective solutions to local problems, particularly where local employment and training agencies have the flexibility to alter their policies and programmes to meet objectives agreed in partnership (Giguère and Froy, 2009; Froy and Giguère, 2010).

Looking at co-ordination within the case study areas, the Davao Region through the DOLE has been mandated by the Regional Development Council (RDC) to put together a Human Resource Development Plan (HRDP) from 2016-22. The plan involves a number of local stakeholders and will consider projections of specific skills requirements, including future market demand over the coming six years. This is influenced by investments that may be made in the Davao Region and what skills would then need to be developed. For example, the Plan is considering projected labour market demand to determine which skills for jobs in the construction industry should be developed. It is also considering strategic sectors, such as the banana industry, to prepare for eventual jobs in this sector.

Under this plan, Davao aims to cover training and policies at the local level including influencing curriculum offerings within colleges, universities and trainings institutions. A concept paper and a design of the strategic planning exercises have already been completed. There is a partnership with the University of South Eastern Philippines and DOLE.

In Taguig City, the local government unit requires agencies with proposed employment and skills projects to seek prior consultation. They are required to present their proposed projects, and changes are made if the project has objectives that are not aligned with the existing policies of the local government unit. A Memorandum of Agreement is typically signed if there is alignment between the objectives and policies for the benefit of LGU constituents. In terms of identification of beneficiaries, projects and programmes introduced under the PESO are done in co-ordination with DOLE.

Degree of utilisation of local data in evidence-based policy making

The DOLE, through its Bureau of Local Employment, maintains a labour market information (LMI) system that primarily utilises administrative data. The LMI System – or LMIS – refers to the set of institutional arrangements, procedures and mechanisms put in place to co-ordinate the collection, processing, storage, retrieval, and release of labour market information.

The DOLE has a large LMIS due to the generation of information through a variety of databases by its organic units and attached agencies. The BLE also consolidates LMI through PhilJobNet, its centralised job and occupational information portal. LMI is being disseminated through various channels, including the portal, mobile application and Job Search Kiosk of PhilJobNet and even through print publications.

A new feature of the SRS is the 21st century skills assessment through the Philippine Talent Mapping Initiative (PTMI) by the DOLE and its partner company, the SFI Group. The PTMI identifies and examines the current trends and issues that both academia and industry face in terms of workforce development. The competences (i.e. innovation, creative problem solving, problem sensitivity, critical thinking, planning and organising, decision making, multi-tasking, work standards, math functional skills, English functional skills, English comprehension, self-motivation, stress tolerance, social perspective, and teamwork) of the participants are assessed and evaluated through the PTMI's standardised assessment and survey. Key strengths and weaknesses of learners (students and trainees) and the workforce

(employed and unemployed) in terms of their preferences, career prospects, and must-have workplace competences can then be identified.

The DOLE's administrative data on the Filipino labour force forms part the Skills Data Warehouse. It consolidates other pertinent administrative data from other concerned agencies of the Philippine government. It is capable of performing online verification of applicant information on skills certification and accreditation, licensing, and local and overseas employment data from government data hubs. Over time, the following features will also be included in the Skills Data Warehouse: workers, tech-voc training and assessments/certifications, professional licensures, maritime professions, higher education, health professions, science, technology, engineering, and mathematics (STEM) professions, and the reintegration of overseas Filipino Workers (OFW).

It is expected that the study could provide evidence of the gaps in foundational career readiness skills. The data can be used as the basis for fine-tuning school and training curricula to be more responsive to the needs of industry. Teachers will be encouraged to guide students to engage in a more targeted learning approach through the practical application of the concepts and theories discussed in the classroom. Likewise, guidance counsellors and career advocates will have a framework to develop a robust career guidance programme to improve the career readiness skills of students or the participants. The initiative will provide relevant information for developing targeted career pathways. They will have the career assessment results on their strengths and weaknesses which they can improve to attain the skills required by local and global industries.

A final channel for the dissemination and translation of LMI includes the conduct of studies by the DOLE that are subsequently translated into research and publications. Examples of these include the Career and Employment Guides; Industry Career Guides, which provide industry outlook and career information on key employment generating industries (including agribusiness, business process outsourcing, construction, health and wellness, hotel, restaurant and tourism, mining, and transport and logistics); Career Information Pamphlets that provide basic information on the nature of the job, basic educational requirements, skills and competences, attributes, employment opportunities, and the cost of education and training.

For example, the JobsFit LMI Report 2013-2020 is a biennial labour market signalling report that enumerates the corresponding skills requirements of the industries dubbed key employment generators (KEGS) (major industry groups with the greatest potential to generate employment and absorb the bulk of the workforce in the coming years) and emerging industries (major industry groups that are growing at a faster rate than the economy and exhibiting the potential to grow and prosper).

The JobsFit Report outlines 13 KEGS and 2 emerging industries. From the list of KEGs and emerging industries, 275 occupations are identified as in-demand, while 102 are listed as hard-to-fill. In-demand occupations are job vacancies that are advertised recurrently and have high turnover rates, (meaning almost always available), while hard-to-fill jobs are job vacancies in which employers experience difficulty in hiring people due to a lack of adequate skills or no takers at all. In addition, 43 cross-cutting occupations were classified as both in-demand and hard-to-fill such as Accountants, Civil and Electrical Engineers, Systems Analysts, and Pharmacists, among others.

Looking at the case study areas, Taguig City has introduced an impressive data and information system to track individuals living the city and measure the effectiveness of

government services (see Box 3.1). While some efforts are made in Davao and Cebu to collect more localised information, more work needs to be done to develop integrated employment and skills databases, which can effectively measure the role that government programmes and services play in helping people find jobs. In Davao City, a Skills Registry System (SRS) is conducted in every barangay and data are being collated to determine different skills needs. However, it is unclear to what extent this system informs future programming and policies. Furthermore, the evaluation culture in both Davao City and Cebu City is under-developed relative to Taguig City.

Box 3.1. **Taguig City Integrated Survey System (TCISS)**

The TCISS integrates and standardises the way Taguig City collects data, processes and analyses data so that the various departments in the city are able to share information and look at the solutions in a more integrated way. The City is doing the third round of TCISS with about 211 questions for households (census type) and information is collected at the barangay level.

Questions in this survey focus on population demographics and other pertinent information that the LGU needs to be able to formulate target-focused and context-based programmes and services. The latest survey was conducted in the last quarter of 2014 and completed in December 2015. Out of the 446 639 residents who are at least 15 years old and above, 238 244 were employed. Approximately 53% are with work and livelihood while 46% are without work or livelihood. This does not include those who did not specify if they have work or not. A total of 647 966 residents of those surveyed are part of the database. This does not include those who were not available and refused to be interviewed.

The data is broken down by age groups, such as 15-17, 18-21, 22-30, 31-40, 41-50, and then for 56 and above, Almost half of Taguig City's workforce are working for private organisations, followed by 21% who are self-employed. Among those employed, most are high school graduates, followed by 27% who are college graduates. Either tertiary or technical level graduates comprise 34% of the total employed population. The data allows specific groups to be targeted for employment and skills training programmes.

One of the reasons for this survey is that the City aims to put in place a metric-based system to measure the local government's effectiveness in delivering services, e.g. how many were trained, how many got new jobs because of interventions of the local government.

All the households and structures in Taguig City have been geo-tagged and linked with the overall database. For instance, when the City introduced a programme for persons with disabilities, the database helped locate individuals who were willing to do encoding work who were trained and completed one year of employment in the local government as data encoders. They eventually were able to become mapping technicians, be hired in the private sector and earn high wages.

Capacities of employment services at the regional and local level

At the national level in the Philippines, focus has been placed on professionalising and institutionalising public employment services to help unemployed people find jobs. Institutionalisation means permanency of the office and staff with adequate funds coming from the Local Government Unit. The government's goal is to institutionalise the PESOs to give them the required formal status that will assure the sustainability and efficacy of the delivery of employment services across the country. Looking the case study areas, the

capacity in the delivery of employment and training programmes varies across the regions. Each region is in various stages of professionalising its PESO.

In Cebu, the city has transformed the PESO into a department with a regular budget of PhP 25 million. The PESO has 57 employees, 20 of whom are permanent while 37 are casual. The department has two (2) major programmes: 1) the PESO, which provides employment services; and 2) TESDA's skills training and the employment through the DOLE. It has 3 main divisions: 1) Labor and Employment Division, 2) Training Division, and 3) Support Division which is the Administrative Division. While it adheres to regulations established by the DOLE and TESDA, the Cebu PESO essentially operates its own employment and training programmes and services and is a pioneer of a professional institutionalised PESO within the Philippines. This PESO integrates services across employment and training programmes in a single one-stop shop for unemployed individuals who require employment services or skills development programmes.

The labour market intermediation role of the PESO has been bolstered by the signing of the Republic Act No. 10691[2] in October 2015. The new law provides that PESOs shall be established in all provinces, cities, and municipalities, and shall be operated and maintained by LGUs. The PESO shall be under the office of the governor, city or municipal mayor. The PESO shall be initially organised by and composed of a PESO manager potentially a labour and employment officer (LEO) as determined by the LGU. Upon the request of accredited NGOs or educational institutions (Els), the DOLE may enter into a memorandum of agreement for the NGO and EI to establish, operate and maintain a PESO and a job placement office, respectively. To harmonise the provision of employment services in a given territorial jurisdiction, the PESO at the NGOs and the job placement office in Els shall co-ordinate their activities with the appropriate LGU PESO (Republic Act No. 10691).

The LGU shall establish a monitoring system wherein establishments operating in the locality shall report the following relevant labour market information to the concerned office of the LGU: 1) present number and nature of jobs; and 2) projection of jobs that the establishment will provide or offer in the next five (5) years. The information shall be submitted to the PESO for job matching and career guidance of the students (Republic Act No. 10691). It shall be the responsibility of the concerned LGU to: i) operate and maintain the PESO; ii) ensure compliance with the operational standards set by the DOLE; iii) extend such assistance and services as may be necessary in the promotion of employment within the area of jurisdiction; and (iv) submit to the DOLE periodic: performance and accomplishment reports (Republic Act No. 10691).

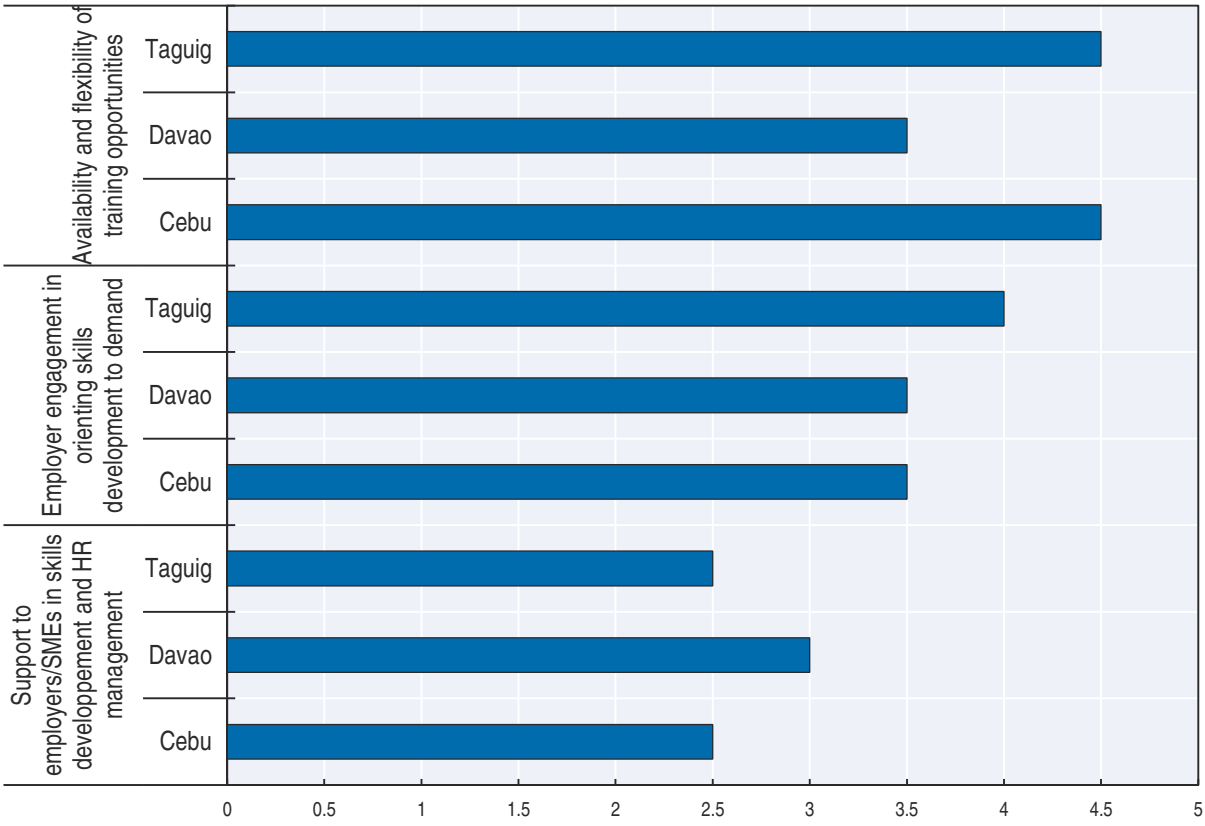
Creating productive economies – Adding value through skills and avoiding the low skills trap

Under this thematic area, local practices were analysed to look at the degree to which: 1) training programmes are available and adaptable; 2) employers are engaged in the development and delivery of programmes; and 3) there are specific supports to SMEs in strengthening their HR and workforce development practices.

Extent to which training is available in a broad range of sectors, flexible and accommodating the needs of workers and unemployed individuals

Skills are increasing in demand in today's knowledge-based economy. Good generic skills come from a strong school education. At the same time, local people need to be able to access employment and training systems throughout their working lives to build more

Figure 3.2. **Assessment results for creating productive economies – adding value through skills and avoiding the low skills trap**



specialised skills and respond to changing skills demands through systems of "life-long learning". In practical terms, life-long learning means opening up education and training systems to new target groups (working adults, older people) and ensuring that it is accessible to those with other demands on their time (e.g. heavy workloads and family responsibilities) (Froy and Giguère, 2010). Local training and education institutions in the Philippines need to be adaptable to the changing need of businesses so as to ensure they can equip both current staff and new entrants with relevant skills to fuel new job growth. At the same time, local employers need to support themselves and upgrade the skills of their own employees.

In the Philippines, the National System of Technical Vocational Education and Training (NSTVET) provides training opportunities for the unemployed as well as the currently employed who want to upgrade their skills. The TESDA compendium of institution-based providers lists 20 329 programmes offered by 4 609 institutions as of July 2015 (PIDS, 2016). Table 3.1 shows that enrolment in TVET programmes has risen significantly over the last decade. A recent survey of TVET graduates found that the main

Table 3.1. **Number of TVET beneficiaries, 2005 and 2014**

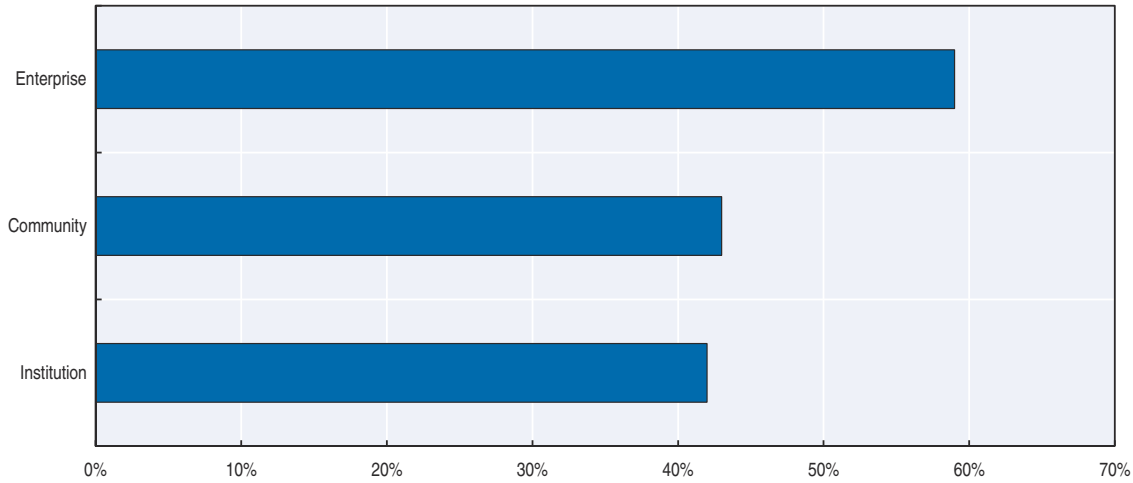
	2005	2013	Per cent change 2005-13
Enrolment	1 683 382	2 003 417	19.0
Graduates	1 154 333	1 785 679	54.7

Source: TESDA-Labour Market Information Division.

reasons for taking a TVET course was to find employment (45% of respondents) and to gain skills (38%) (TESDA, 2013). The most popular fields for TESDA certification are Information and Communication Technology (ICT) (26.7%); tourism (24.2%); manufacturing (21%); and health, social and other community development services (12.4%) (PIDS, 2016).

In 2014, the vast majority of TVET graduates had followed either community-based (50.1%) or institution-based programmes (46%) (PIDS, 2016). Only 3.2% of graduates had followed an enterprise-based programme, of which 25% were apprenticeships and 36% were traineeships. Enterprise-based programmes were mostly found in the health, social and other community development services (31.9%), tourism (26.9%) and construction (9.4%) sectors. This broadly reflects the country's primary growing sectors, with the exception of ICT (0.8%). While few students undertake such type of programme, those who do are much more likely to find employment 6 months after graduation (Figure 3.3).

Figure 3.3. **Job placement rate* (%) by mode of delivery**



* Share of graduates who found employment 6 months after graduation.
Source: TESDA IES 2012.

For six years, Taguig City has been focusing on education scholarship programmes. The City started providing scholarship programmes with a pilot project of PhP 5 million. By 2016, the City is providing PhP 600 million for scholarship grants because of the rapid growth in not only the Bonifacio Global City (BGC) but several other areas of Taguig City. The Mayor recognises that education is key to enabling youth and the unemployed to find labour market success. The scholarship programme also focuses on higher level skills, including both undergraduate and post-graduate programmes.

In Davao City, company in-house training is available that caters to basic skills and technical knowledge. Graduates are trained in school, but they have difficulty getting employment because the technical skills they have learned are outdated. On-the-job training (OJT) programmes, where the students are trained for 2-3 months in specific companies, could enable companies to absorb students as employees. These programmes enable the school to engage with particular companies to allow students training before their actual employment. There is also a scholarship programme in Davao City that aims to develop stronger skills in the local economy, but this is only available in the ICT sector. Career coaching is also available for students and seeks to inform them about the most in-demand jobs in the local area as well as the courses, which are required for employment in that area.

In Cebu City, the training division is directly integrated within the PESO office and provides a one-stop shop of skills development opportunities for both unemployed and employed individuals to participate in skills development opportunities. This is a best practice model in the Philippines. Local city officials recognise the importance of building a skilled workforce to promote economic development and job creation. Local PESO officers are quite active in assessing whether employment and training programmes are providing individuals with a good level of skills to find and maintain employment.

Degree of employer engagement in orienting skills development to demand and extent to which training meets business needs

Empowering businesses to grow and hire workers is at the heart of the processes underpinning job creation. Ensuring firms can access the skilled workforce and the financing they need is critically important, and there is scope to better incorporate the local and regional dimension into these efforts. An advantage of a bottom-up approach is that institutions can adapt both the mix of provision and curricula to local needs, including local employer demands (Kuczera, 2013). Better aligning the employment and training system with employer demand will help to reduce potential skills mismatches and make more efficient of the use skills being produced by the education system.

In Taguig, the City aims to prepare graduate for the needs of local business. The administration is exploring city-wide data to study matches and/or mismatches that exist between skills supply and demand in the labour market. Local city stakeholders such as the PESOs, economic offices, business permits and licensing organisations, manpower and livelihood training providers, have been clustered to meet regularly to get an overall picture of the situation. Universities are also involved in this process so they can develop and teach courses for skills needed by emerging industries, for instance, by the BPO industry. The City is using a software programme that matches people to jobs based on skills (the SRS). Business needs are programmed and people with relevant skills are matched.

Taguig City is also creating an office through which job vacancies might be communicated and qualified people matched. In 2016-17, the City will meet with industries, starting with restaurants, to seek out manpower needs, which will then be programmed and matched with thousands of names in the PESO database. Thereafter, the resumés of those whose skills match the employer's requirements will be shared with the local employers. Mismatches, if any, will be addressed through training. Housekeeping, commercial cooking, bartending, electrical engineering, and carpentry (because of construction work in BGC) are skills that have been pinpointed through this system. The City is also approaching various barangay units to look for those lacking skills but interested in training opportunities.

The city is also surveying employers. The City aims to collate data and present them to employers in meetings by clusters and industries. The City will determine if it has people in its registry who could be immediately referred to employers for employment. Through its experience with the JobStart Programme, the City realises the importance of skills training to build confidence and relationships with employers. The aim is to enable trainees to develop and practise important life skills. A proposal has been made to incorporate these into the curriculum of the City University and public schools. This might include teaching youth to begin considering courses demanded by the labour market.

With regard to employment services, the PESO in Taguig City conducts a regular employers' forum. They use the Taguig City Integrated Survey System to share information

about skills needed by employers and skills available as determined from the database. Getting employers to participate in these forums and articulate their skills needs was identified as a challenge by city officials during the OECD study visit.

In Davao City, the IT-Business Process Management (IT-BPM) sector is a key employer in the local area. Many of the IT-BPM companies are located outside of Davao City in Davao del Norte (DdN). One of the biggest challenges facing the sector is finding an adequate supply of skills. In Davao Del Norte, there are no training programmes to enhance communication skills and improve the employability of local residents in this emerging industry. During the OECD study visit, local stakeholders noted that a training programme is under development. Other initiatives are being undertaken in co-operation with the IT-BPM sector (see Box 3.2).

Box 3.2. **Davao: Working with the BPO sector on training programmes**

In Davao, the BPO sector is working with local universities to offer free language training and provide graduates with a better understanding of the job opportunities available in the sector. The BPO sector is also planning to establish a K-11-12 programme to provide more skills development opportunities to individuals in Davao. It is envisioned that this programme would have wider benefits than just the BPO sector. The BPO sector is one of the major partners of the JobStart Programme and is developing a programme/module/training plan for university graduates for three months. This programme would provide language training and other skills required by BPOs.

The IT-BPM sector is also a major employer in Cebu City. Many courses and trainings have been organised to provide skills development opportunities to local individuals who can then find work in this sector. While this sector provides a high level of wages relative to other industries in Cebu, employment in the sector can be precarious. Many local employers within the BPO sector close operations without adequate notice of employment termination.

On a case-to-case basis, the PESO will organise trainings directly in line with the needs of local employers. Such programmes have been launched in cloud technology or advanced fashion based on employer demands. The PESO provides the training by industry in response to local employer demands. Companies sponsor the staff to be trained to teach the skills for the particular course to be delivered. For this type of employer-demanded training, there could be specialised/shorter programmes that the PESO does not usually conduct regularly. For example, the city government invested PHP 3 million in a programme for call centre training. The programme is designed with local employers in this industry. The programme provides grants to students to undertake language training so that they can work in this sector. Grants are only provided after the trainees have completed the programme.

Degree of support to employers/SMEs in maximising skills utilisation, improving work organisation, human resource management, workforce planning and skills development

Investing in the skills of a particular locality may not be enough, if these skills are not effectively matched to local jobs, and if young people do not find it attractive to stay and work in the area. Local policy makers need to focus not only on the supply of skills but also

on skills demand. Matching skills to jobs is a particular challenge in areas where a significant proportion of jobs are not of a sufficient quality to attract local people. In some regions, employers operate a policy of employing low-skilled people at low wages, reducing the demand for skills, and negatively impacting on local productivity.

In relation to training programmes in Taguig City, there is collaboration among the PESO, TESDA and LGU to bring employers and jobseekers closer. The manpower office conducts training and has trainers who are provided and certified by TESDA. Last year, some TESDA trainings on cellphone repair, carpentry, masonry, welding, and vulcanising were conducted. The focus was not only on unemployment *per se* but also on capacity building for SMEs. The office also partners with businesses and their Corporate Social Responsibility (CSR) Programme. For example, Coca-Cola has the Star programme through which it has trained around 100 or 200 sari-sari store owners on how to run their businesses more profitably.

In one CSR programme, for example, Aboitiz Foundation asked for 20 jobseekers that it planned to send to Don Bosco School for an 18-month higher level automotive training. Aboitiz Foundation approached Taguig City and the City found 52 jobseekers that met the employer's training criteria. In respect to management issues in Davao City, there is the Industry Tripartite Council for BPO, construction, academia, the banana industry, and tourism. There are meetings with workers and employers to discuss management and labour relation issues. The PESO sits in the council as a regular member.

Supporting entrepreneurship and economic development – Targeting policy to local employment sectors and investing in quality jobs

Under this thematic area, local practices were analysed to look at the degree to which: 1) policies and programmes are adapted to business characteristic; 2) policies are in place to support the internationalisation of SMEs; and 3) there are efforts in place to support entrepreneurship, cluster development, and ecosystems of innovation.

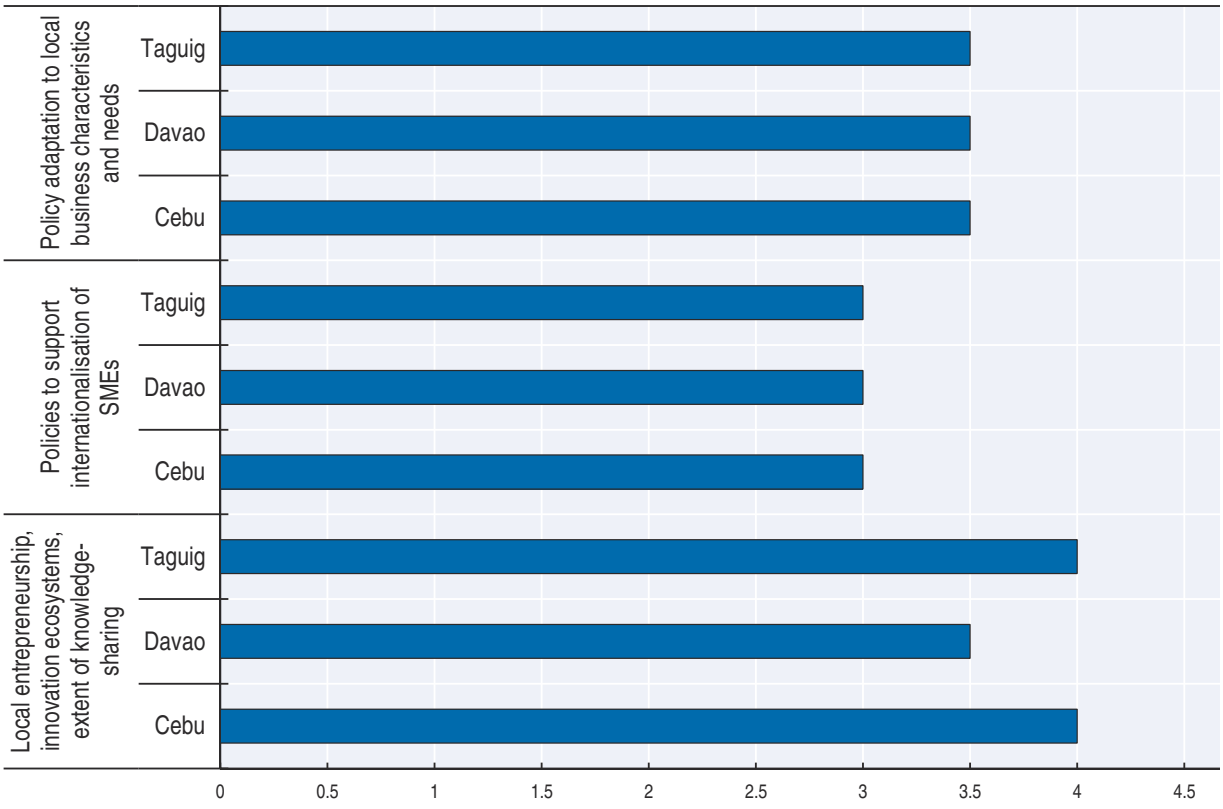
Extent to which programmes and services are adapted to local business demographics and profiles, addressing SME needs

There are areas of the economy in the Philippines which are projected to grow in the coming years in response to global trends, and local communities would be wise to prepare their workforce for growing employment in these fields. These include jobs requiring green skills, the services sectors and health/social care.

In Taguig City, hotels typically have their own in-house training programmes. As part of company initiatives, hotels co-ordinate with TESDA to give opportunities to their employees for additional training. For example, a housekeeping room attendant is able to attend trainings through TESDA, such as culinary arts. Hotels try to cultivate a culture where there is always room for skills development. Several programmes in Taguig City aim to create pathways for people at entry level positions to upgrade skills and move to higher positions, and are supported by the hotel industry.

In Davao City, there are many initiatives within the BPO sector as highlighted earlier. Furthermore, Davao in the process of developing a long-term Human Resources Plan to 2022, which aims to conduct projects on the specific skills that will be needed in the labour market of the future. They have commissioned a study in partnership with the higher education sector on forecasting skills needs. The plan is that this forecast would guide the development of a range of programmes and policies.

Figure 3.4. **Assessment results for supporting entrepreneurship and economic development – Targeting policy to local employment sectors and investing in quality jobs**



Policies to support and internationalise SMEs

Small and medium enterprises (SMEs) comprise 99.6% of all registered business in the Philippines and employ 70% of the workforce. Providing access to finance for SMEs is key towards their business development and survival. Challenges in accessing finance are often a significant barrier to growth for many SMEs. An analysis of the geographic distribution of enterprises throughout the Philippines indicates a high concentration in the National Capital Region (NCR), which accounts for 24.4% of all establishments and 40.1% of all employees (Department of Trade and Industry, 2015). SMEs account for 25% of the Philippines' total exports revenue. It is also estimated that 60% of all exporters in the country belong to the SME category (Department of Trade and Industry, 2015). SMEs are able to contribute in exports through subcontracting arrangements with large firms, or as suppliers to exporting companies.

All lending institutions are required to lend at least 6% of their total loan portfolio to small enterprises and at least 2% to medium-sized enterprises. The Republic Act 6977 enacted in 1991 (the Magna Carta for Small Enterprises) required 10% more to be diverted to SMEs. Then, it was amended in 1997 under the Republic Act 8289 to extend the applicable period to 2007 and lower the minimum level to 6% and 2%. The Bangko Sentral ng Pilipinas is mandated by law to monitor this initiative.

Tradeline Philippines is an online database service that provides product search listings of thousands of manufactured and exported Philippine products complete with product specifications. It also functions as a business search that allows users to contact Philippine

exporters, suppliers and local/foreign buyer details and the products they provide and export. The Bureau of Export and Trade Promotion's (BETP) Export Assistance Network (EXPONET) helps exporters and prospective exporters' access information and resolve specific problems related to exporting.

Exponet provides information on export seminar schedules, export organising, export procedures and documentation, import facilities for exporters, buyer linkages, export financing and incentives, product raw material sourcing and other statistical information. The agency also assists exporters in export-related problems and trade complaints.

The Philippines has a large section of SMEs within the informal sector with little or no access to organised markets, credit institutions, educational or training centres or public services. Although efforts are being made by the government to formalise employment arrangements, the nature of this sector makes means that it is difficult to gather and process reliable statistics.

SMEs must be able to respond quickly and efficiently to international market signals to take advantage of trade and investment opportunities and reap the benefits of the international trading system (OECD, 2004). As discussed previously, many SMEs in the Philippines operate within the informal economy and do not have access to any institutionalised services that would enable them to access international markets. Despite this large informal sector, some initiatives have been launched in the case study areas.

Taguig City government tries to ease regulations for SMEs to get them operating in the formal economy. To this end, they have a one-day release process for business permits. The LGU has several training programmes targeted to SMEs in subjects such as accounting, making business plans and other trainings that can help SMEs grow. An office will be set up on the 10th floor of SM Aura particularly for SMEs. It will be a GoNegosyo, one-stop-shop type. Capacity building will include livelihood trainings to promote SMEs. The LGU tries to partner with other businesses so they can transfer their knowledge to SMEs.

Degree of development of local entrepreneurial/innovation ecosystems, and extent of knowledge-sharing

Taguig City markets itself based on good governance and ease of doing business. This is coupled with partnerships with private developers, particularly in the BGC. Their development plan has several marketing campaigns, including the "I love Taguig" brand which aims to promote the city as a place to live and work.

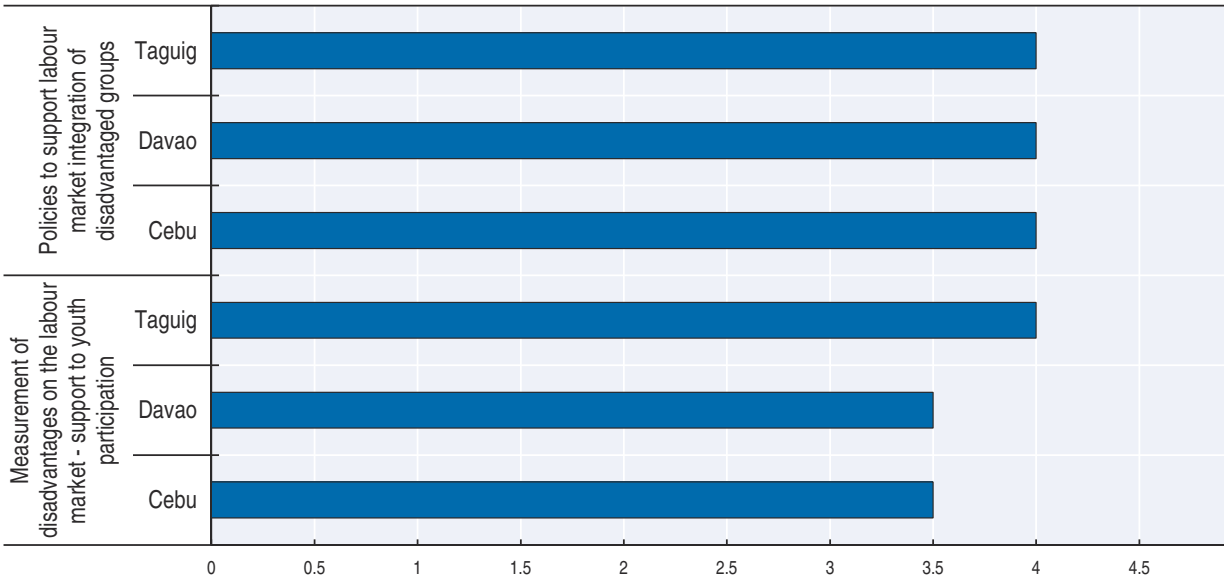
There are special economic zones in Taguig City, which led to the influx of BPOs and related industries. As to business incubation, the Go Negosyo programme of Senator Bam Aquino is being considered. Talks with the Securities and Exchange Commission and DTI have begun so that services could be provided at the SM Aura. One of the rooms is already reserved for incubator programmes. Part of Go Negosyo is that a mentor is assigned to help start the business.

Entrepreneurship skills are critical to support new job creation and new businesses. Employment and training agencies can play a role in boosting these types of skills by injecting entrepreneurship training into existing courses as well as through offering self-employment programmes, which provide youth with opportunities to develop their own business. Davao City has launched a youth entrepreneurship programme through its local university in partnerships with the DOLE through the YES programme. These types of youth entrepreneurship programmes were not observed in Taguig City or Cebu City.

Ensure growth is inclusive – seizing economic and skills development opportunities to strengthen the vulnerable in the labour market

Under this thematic area, local practices were analysed to look at the degree to which: 1) policies and programmes are in place to support the integration of disadvantaged groups; and 2) there are specific supports in place to connect young people to jobs.

Figure 3.5. **Assessment results for ensuring growth is inclusive – seizing economic and skills development opportunities to strengthen the vulnerable in the labour market**



Extent to which effective policies are in place to support the labour market integration of disadvantaged groups and degree of flexibility in adapting programmes to different target groups

Tackling exclusion from the labour market is an area where employment and training organisations cannot work alone. In order to create real change, employment and training organisations need to adapt their own services and programmes, while also contributing to more strategic area-based initiatives to reduce the barriers that can act to exclude people from the labour force over generations. The DOLE has introduced the Integrated Livelihood and Emergency Programme (DILEEP). The DILEEP is the DOLE's contribution to the governments' agenda of inclusive growth, which aims to generate jobs, reduce poverty and benefit poor, vulnerable and marginalised workers.

There is also the Information System for the Vulnerable Sectors (ISVS). This is an integrated Information System for vulnerable workers, such as Child Labourers, Informal Sector Workers, DOLE Livelihood Beneficiaries, Kasambahay, Young Workers, Persons with Disability and others. The Social Amelioration Programme, which is implemented by DOLE and BWSC, provides additional maternity and death benefits for workers in the Sugar Industry. The amount of cash benefits was increased from PhP 2 000 to Php 5 000 for maternity benefit, and from PhP 7 000 to PhP 10 000 for death benefits.

The DOLE Kabuhayan (DK) Starter KITS Project is a livelihood formation strategy that is intended to improve the socio-economic well-being of workers in the informal economy, in groups/sectors with special concerns, and displaced wage workers (local and overseas) and

their families. The project will provide a package of services that will enable the target beneficiaries to quickly start a livelihood undertaking and become self-employed. It aims to engage them in sustainable self-employment through easy-to-learn livelihood undertakings.

TESDA Courses are offered to women to better prepare them for the world of work. Some of the courses included automotive servicing, bartending, cookery, Consumer Electronics Servicing, Assembly/disassemble Electronic Products and System, Dressmaking, Food and Beverage Services, Gas Metal Arc Welding and Housekeeping among others.

In Taguig City, the City government tries to move informal SMEs into the formal economy. One of the businesses in the informal sector is "carinderia," vendors that cook and sell food on the streets. The LGU has pilot-tested food safety training in one barangay training for such vendors, so they can sell their food safely. Similarly, financial literacy training is a priority because informal vendors and store owners often mix their business earnings with personal money. Another example is the Star programme for sari-sari stores. The Star programme is conducted by Coca-Cola, which trains sari-sari store[2] owners to run their business, e.g. inventory, how to professionalise their accounting. This enables the LGU to attract them into the formal sector by offering business licenses and registration. The proportion of informal settlers in Taguig City is around 5%.

In Davao City, the City Planning Office has specific programmes and projects pertaining to transitioning the informal to formal sector. There is negotiation with the Negosyo Centre in the city – a convergence of local offices of the city – which provides suggestions and zoning information to newly established businesses.

Extent to which there are evidence-based tools used to measure disadvantage on the labour market and support multi-stakeholder approaches to tackling youth participation in the labour market

A major focus across Taguig City, Davao City, and Cebu City was the JobStart Programme, which is targeted to youth from 18-24 years old who are unemployed, and neither studying nor undergoing training at the time of registration and with less than one year of work experience. As highlighted earlier, the programmes include full employment facilitation services such as registration, client assessment, life skills training with one-on-one career coaching, technical training, job matching, and referrals to employers either for further technical training, internship, or for decent employment. An employer is allowed to take in JobStart trainees up to a maximum of 20% of its total workforce, for a period not longer than three months or 600 hours, with a commitment to pay at least 75% of the applicable daily minimum wage. Participating employers shall receive an amount per month per trainee to cover administration costs for managing the trainee, which is determined by DOLE. The local government units of Taguig, Davao, and Cebu, through the PESOs, serve as the implementing agents of the programme at the local level.

The Mayor of Taguig City agreed to the implementation of the JobStart programme in 2014. Feedback on the programme has been positive, with overall, placement rates around 70%. The City would like scale up the programme to cover more areas, which would further engage the local PESO. In terms of employers engaged in the programme, there are 20 in Taguig City from the Hotel and Tourism industry. The City is exploring partnerships with the ITBPO industry to see if coverage could further expand for this policy measure.

In Davao City, the JobStart Programme is in the early stages of implementation. They are targeting local employers within the services and BPO sector to participate in the

programme. A number of employers have already pledged to participate in the programme. During the OECD study visit, local stakeholders noted the importance of the program in providing job-specific training to youth and helping them to find sustainable employment.

In Cebu City, there is a similar situation regarding the JobStart Programme. The city is in Phase 1 of finalising the implementation of the programme. It has gone through the recruitment, LST and matching of job starters. There are a few more modifications yet to be done. A Memorandum of Agreement with DOLE needs to be signed but it was anticipated that it would be completed by the end of 2016.

At the national level, there is the Special Programme for Employment of Students (SPES), which is implemented by the Bureau of Local Employment within DOLE. The programme assists poor students and out-of-school youths intending to pursue their education by encouraging employment during summer, or any time of the year for students in the tertiary, technical, or vocational level.

The DOLE has also introduced the Youth Employment Project which provides young people with tuition fee advances to pursue a post-secondary course while undergoing formal workplace experiences using DOLE-prescribed topics on proper work attitudes and ethics. The programme aims to inculcate youth with work values including hard work, patience, honesty, savings, self-reliance, self-discipline, respect for the rights of others, work safety and health, housekeeping, efficient use of meagre resources and productivity.

TESDA has partnered with DSWD in implementing the Cash for Training Programme. The programme provides free trainings for the youth to gain employment. The beneficiaries are individuals determined eligible under the expanded Government Internship Programme of the DWSD. Each scholar-beneficiary will receive a total of PhP 20 000, which covers tuition, starter tool kit, and a transportation allowance.

Notes

1. An act defining the role of the Department of Labor and Employment (DoLE), the local government units (LGUs), and accredited nongovernment organisations (NGOs) in the establishment and operation of the Public Employment Service Office (PESO), and the operation of job placement offices in educational institutions (Els), amending for the purpose Sections 3, 5, 6, 7 and 9 of Republic Act No. 8759, otherwise known as the "Public Employment Service Office Act of 1999."
2. A neighborhood variety store/convenience store found in the Philippines.

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Chapter 4

Towards an action plan for jobs in the Philippines: Recommendations and best practices

This chapter outlines the key recommendations emerging from a review of local job creation policies in the Philippines. These include measures that should be considered by the national government as well as the cities of Taguig, Cebu, and Davao to better connect people to jobs, stimulate more responsive skills development training at the local level, and ensure that economic development efforts are better coordinated with employment programmes.

Overall recommendations		
• *Promote the establishment of one-stop PESOs which combine employment and training services into one office and integrate employment and skills programmes;* • *Continue to develop an evaluation framework to measure the success of the JobStart programme and continuously improve the delivery of programme over the long-term;* • *Introduce work-based training programmes which network employers and promote skills development opportunities, which are better linked to labour market demand.*		
Recommendations for case study areas		
Taguig City • *Launch youth entrepreneurship programmes to promote job creation and development;* • *Establish an employer officer within the PESO to build stronger employment engagement and mine job vacancies.*	**Cebu City** • *Make stronger use of the Chamber of Commerce as an advisory body on the relevance of policies and programmes;* • *Promote the better utilisation of skills to boost innovation and productivity.*	**Davao City** • *Establish a workforce development board, which would bring together local employment, training, and economic development actors with employers;* • *Expand scholarship programmes to other sectors of the local economy with high quality jobs.*

Towards an action plan for jobs: Recommendations for the national level in the Philippines

Recommendation: Promote the establishment of one-stop PESOs which combine employment and training services into one office and integrate employment and skills programmes

Public employment services can play an important role in boosting the quantity and quality jobs. This can be achieved through direct mechanisms such as active labour market programmes, including wage subsidies or indirect ways, such as through the effective matching of people to job opportunities. Increasingly, public employment services are key actors in broader economic development opportunities strategies by reaching out to employers and stimulating good quality employment opportunities.

Public employment services (referred to as PESOs) in the Philippines are in various stages of being institutionalised across the country. These employment services play a key role in assisting unemployed job seekers as well as working with employers to fill skill needs. Looking at the supply and demand of skills, one can see strong regional variations across the Philippines. Flexible training, education and employment services are required in the Philippines to proactively respond to skills gaps that may act as barriers and obstacles to business growth and expansion. This OECD study looked at local implementation practices in the Taguig, Cebu and Davao. While all three areas fall into a high-skills equilibrium relative to other regions in the Philippines, more must be done to promote skills development opportunities and work with employers to move them into higher value added production.

The study has focused on the role of the local level in addressing potential skills mismatches and promoting job creation and economic development. Recent government legislation in the Philippines has articulated that PESOs shall be established in all provinces, cities, and municipalities, operated and maintained by local government units, and linked to the regional offices of the DOLE for co-ordination and technical supervision

to constitute the national public employment service network. In the Philippines, some employment and training services are fragmented (e.g. delivered by separate agencies at the local level) implying a need for greater co-ordination and integration.

Going forward, DOLE should promote the establishment of one-stop employment services, which combine employment and training programmes under the PESO umbrella. The PESO organisation in Cebu City provides a best practice model upon which other PESOs in the Philippines could design programmes and services. The PESO in Cebu City demonstrates the importance of providing both employment and training services in an integrated manner to better link job seekers to employment. Through the national PESO network, the DOLE should seek to promote "what works" in better designing employment services to provide a more client-oriented approach. At the national level, the DOLE should work with TESDA to promote the organisation of local PESOs, which effectively combine employment and training programme in an integrated manner.

Recommendation: Continue to develop an evaluation framework to measure the success of the JobStart programme and continuously improve the delivery of programme over the long-term

The JobStart Programme represents an important government initiative in the Philippines to provide youth with good job opportunities. During this study, several local stakeholders in Taguig, Cebu, and Davao expressed strong support and excitement about the potential and results already achieved by the programme, which assist unemployed youth, find decent jobs by supporting them to make informed career decisions, and improving their technical skills. Through effective implementation at the local level and strong collaboration among stakeholders, the JobStart formula can help to address potential skills mismatches, while also promoting broader economic development, job creation and growth. PESOs at the local level are key actors as the primary institution implementing a variety of active labour market programmes including job search assistance, training and placement for the unemployed.

DOLE has already undertaken some steps to evaluate the programme. This includes a mid-term evaluation conducted in 2014, which included structured interviews to assess perceptions of the programme's effectiveness. Furthermore, a 2015 impact evaluation survey was also conducted to ascertain the views of a number of youth using PESO services. A tracer study is also ongoing, which will aim to look at the types of activities being pursued by programme participants. These are important steps in developing a greater understanding of the employment and skills impacts of the programme. Going forward, it will be important to develop an evaluation framework with consistent and comparable indicators collected across all PESOs to measure the incremental impacts of the programme. Future evaluations should also aim to take into account deadweight effects to measure the incremental impact of the programme. As the programme continues its roll-out, more longitudinal data and information will be become available. Therefore, evaluations should also aim to measure the short and long-term benefits of the programme, such as whether participants remain in a job after 6 and 12 months (or even after 24 months).

Developing an evaluation culture is a critical part of the policy development process to ensure that programmes are subjected to a cycle of continuous improvement. Furthermore, evaluations provide national policy makers with information upon which potential policy and programme changes can be made to ensure that both employers and youth benefit from the programme.

Recommendation: Introduce work-based training programmes which network employers and promote skills development opportunities, which are better linked to labour market demand

Empowering businesses to growth and hire is at the heart of policies geared to job creation and productivity. Employers are key partners in any policies or programmes, which seek to boost skills development opportunities and promote employment. In many cases, employers are willing to take a more active role in the design and delivery of skills development programmes. Furthermore, local level actions can spur employers to offer more in-work training and internships, particularly in firms that traditionally offer low levels of training such as SMEs.

Building on the JobStart Programme, DOLE should consider how to provide incentives to employers to encourage them to network on a sector or regional level. These types of initiative would enable employers to take a stronger leadership role in skills development programmes. Employer networks represent an important level for harnessing and increasing employer investments in skills development and for overcoming potential barriers to training, such as lack of awareness, difficulty in accessing provision and challenges related to costs (UKCES, 2013). Research from the United Kingdom has identified a number of network types, such as group training associations, industrial training boards, geographically-based networks and clusters, higher education/industry collaborations and business incubators, trade associations/sectoral employer associations, supply chain networks, or informal networks without an established mode of organisation (UKCES, 2013).

Employer networks exist in the Philippines, such as the Philippine Chamber of Commerce and Industries (PCCI) and the Employer's Confederation of the Philippines (ECOP). Any approaches to further incentivise employer investments in training should involve these key stakeholder groups at the national. A pilot programme could be launched, which would aim to encourage employer networks at the local level to define training needs and then partner with the TVET sector to participate skills training programmes. These type of programme could be targeted at lower-skilled employees or unemployed individuals who are offered and internship or work-based learning opportunity. This type of approach would complement the JobStart programme by focusing more specifically on work-based training led by employers.

There are good examples of publicly funded employer-led skills development programs in the Philippines for DOLE to draw on. The Department of Tourism piloted the Tourism Skills Development Program which provided matching grants to tourism enterprises to fund short term, relevant skills of their employees. A preliminary evaluation of the pilot showed positive benefits to enterprises including improvement in workforce productivity, service standards and enterprise revenues. One fifth of employees trained under the scheme received TESDA NCII certification or other national or internationally recognized certification (see Box 4.1).

Skillnets in Ireland provides a good international example upon which the Tourism Skills Developmet Project in the Philippines was developed. Skillnets in Ireland is a state-funded, enterprise-led body that co-invests with enterprises, particularly SMEs, when they co-operate in networks to identify and deliver training suited to their workforces. A network of SMEs, which are mostly sectoral or regional, is guided by a steering group of the local enterprise representatives. The steering group gives strategic direction and guidance to a network manager who co-ordinates all operational activity leading to the delivery of an

Box 4.1. **Tourism Skills Development Project in the Philippines**

With Asian Development Bank and Government of Canada assistance, the Department of Tourism in 2014 launched a pilot project to test strategies for promoting skills development in the industry in order improve competitiveness. The scheme provided a matching grant of between USD 10 000 and USD 100 000 to enterprises to fund short term skills training at the enterprise level over a 9-12 month period. Enterprises applied for the grant on a competitive basis, either in as a single enterprise applicant or as part of a network of enterprises. Enterprises identified their own skill training needs and engaged trainers to design and carry out custom-made training to their employees. Trainers could be engaged locally or from overseas.

A monitoring and evaluation framework was included in each grant award specifying key performance indicators. The pilot project was implemented in Bohol, Cebu, Davao and Palawan from 2014 to 2016. Grant proposals that included TESDA NCII certification or other training certification for employees were scored additional points during proposal evaluations. The scheme also required that at least 55% of trainees were female, where practical. The scheme demonstrated a cost effective way of delivering market relevant skills training that directly benefited the employer and employee.

Main results of the pilot were as follows:

- 48 grants awarded for a total of USD 1 243 000;
- Average training cost per employee was USD 131;
- 7 550 employees received training, of which 1 850 trainees received recognized certification;
- 47% of trainees were women.

Common skill training included customer service, sales and reservations, tour guiding skills, menu development and kitchen operations, language skills, front office, food and beverage, culinary and housekeeping, among others.

Preliminary impact evaluation reported improved workforce productivity and service standards, increased enterprise revenues, and several enterprises reported improved ratings on various tourism sites including trip advisor. The evaluation also showed that scheme's transparency and competition in the application process, enterprise-led process, the establishment of (informal) enterprise training networks, and flexibility for enterprises to engage trainers from the Philippines or from overseas was instrumental in the pilot project demonstrating impact. The Department of Tourism is preparing for a national rollout of the funding scheme in 2017.

Source: Asian Development Bank.

agreed training plan with learning interventions suited for the member company workforces (OECD, 2014a). Another example comes from the United Kingdom, where the government is giving employers more direct control over the design and delivery of training solutions to address skills shortages and improve business performance through a series of investment funds designed to promote employer-led skills solutions, through building the capacity and capability for employers to take ownership of the skills agenda (OECD, 2015a).

The Employer Ownership of Skills Fund offers all employers in England direct access to up to £ 340 million of public investment (over a four year period) to design and deliver their own training solutions. The programme is jointly overseen by UK Commission for Employment and Skills (UKCES), Department for Business, Innovation and Skills and the Department for Education. The overall aim is to find more effective ways to improve skills in the workforce and to use these improved skills to create jobs, drive enterprise and

economic growth by seeking co-investment from employers. The programme is open to employers of all sizes and sectors within England. Particularly encouraged are bids from groups of employers working together in their sector, supply chain or local area (OECD, 2015a). Another good example comes from the United States (see Box 4.2).

Box 4.2. **Employer Resource Networks in the United States**

ERNs grew out of two concurrent initiatives in 2000 local employers' need to reduce turnover among low-wage workers and a community consensus to reduce poverty. Issues that may catalyze an ERN model include: employee retention; presence of a skills gap between employer needs and employees' current skills level causing vacancies in higher paying middle skilled jobs; poverty reduction in the low-wage workforce; family financial literacy and asset development; and decreasing public assistance expenditures.

Primary stakeholders: ERN stakeholders include small to mid-sized companies and their employees; public human services and workforce development agencies; private non-profits; community colleges and vocational training organisations; and local, regional and national foundations and United Ways.

ERNs are consortia of businesses created to share the resources and expense of building the skills and capacities of their entry-level, often disadvantaged, workers.

Small and mid-sized businesses pool resources to accomplish together what they cannot accomplish individually – composed of several (e.g., 6-8) small and mid-sized businesses.

Services are targeted to entry-level workers but open to all employees – targeted to those most at risk for job turnover – low-wage, low-skilled, entry-level workers. All employees are able to access ERN services as needed, however. Participation in ERN services is voluntary for employees. Although, supervisors may include ERN services as part of a corrective action plan for workers with poor performance or behavioral problems that are disruptive to the work environment.

The primary focus is job retention, with a strong secondary focus on skill building – designed with the explicit goal of improving job retention of the existing workforce, and providing opportunities for skill building and advancement. Trainings may be industry-specific or focus on general job skills training. ERNs also provide soft skills training on topics such as problem solving, time management, and conflict resolution.

Capacity is expanded through public and private partnerships – ERNs forge relationships with a mixture of local community partners – non-profits, public agencies, and community and technical colleges – to expand the range of resources they can make available to their employees. Where possible, ERNs rely on leveraged resources (funding and in-kind) from these partners or, because of the high volume of employees served or trained, pay for services from the community partner at a discounted cost. ERNs provide a number of services to employers:

- Short-term, "high touch" case management – aim is to resolve any personal and family challenges that interfere with employment, such as: lack of transportation, childcare, or housing; relationship stress; mental health conditions; and drug or alcohol addictions. 'Retention specialists' link employees with existing service providers in the community that offer different resources and services.
- Job and life skills training – create "shared-seat trainings" whose costs are shared by a number of businesses. Training may be: soft-skills training; job skills training (such as computer training); educational programmes (such as English as a second language and Spanish-language courses); and general trainings on asset development (financial literacy and home ownership).

Box 4.2. **Employer Resource Networks in the United States** *(cont.)*

- Specialised resources and supports – help improve employees' access to a range of work supports (e.g. preparation of income tax returns to ensure that eligible employees benefit from tax credits; wellness programmes with a focus on disease prevention and management, including health assessments, smoking cessation programmes, and fitness counselling).

The Success Coach from an ERN works with employees on-site at their place of employment before or after their work shift. ERN success coaches are not in central, social service locations but on-site at participating company workplaces. Their caseload is typically 1/3 that of a public case worker. Success coach accessibility and availability are keys to the ERN success: employees have immediate and direct access to counselling and referrals; and employers retain workers whose

Source: OECD (2016), *OECD Reviews on Local Job Creation: Employment and Skills Strategies in Canada*, OECD Publishing, Paris.

Improving employment and skills policies in Taguig City: Recommendations

Recommendation: Launch youth entrepreneurship programmes to promote job creation and development

Looking more specific at policies and programme to promote employment and economic development in Taguig City, this study has highlighted a number of interesting initiatives, which have been introduced in the city to promote development and link both unemployed adults and youth to better jobs. Taguig City is a dynamic area of Metro Manila, with a strong base of companies located in the city upon which to build future growth. The mayor has launched scholarship programmes to boost skills development and educational attainment in the city. These types of programmes are a welcome development and should be continued and/or expanded in the future. To promote job creation going forward, more could be done to promote entrepreneurship as a viable career option for youth. In many countries, there is evidence that young people are enthusiastic about starting businesses (including non-profit) but they face greater barriers when starting a business due to lower levels of skills, less experience, more difficulty accessing financing, and less developed business networks. In Taguig City, more should be done to support the acquisition of entrepreneurship skills by youth by embedding entrepreneurship teaching throughout the education system, providing information, advice, coaching and mentoring, facilitating access to financing, and offering support infrastructure for business start-up.

The city should work with the local universities to raise awareness about the importance of embedding entrepreneurship skills into curriculum. It is important that these skills are embedded into a range of university and TVET courses – not just business courses. The city could also examine piloting a youth entrepreneurship programme, which would assist young aspiring entrepreneurs with a concrete business idea to support and sustain their own business. The city should examine the establishment of business incubation centres, which would promote the networking of youth and develop a strong sense of entrepreneurial culture in the city.

Recommendation: Establish an employer officer within the PESO to build stronger engagement with local employers and anticipate job openings

In Taguig City, the PESO is quite active in matching people to jobs. This report has highlighted the Taguig City Integrated Information System, which is a comprehensive

database that enables tracking of residents and the collection of standardised information on employment and training outcomes. The PESO conduct regular employers' forums, which they are trying to share information with local employers are potential job applicants and resident living in the city. This is important to build trust with employers and to develop the skills needed for the workforce of today and tomorrow.

The PESO could establish an employer officer, which would be a designated individual within the PESO that would be responsible for building local contacts with employers and understanding their needs. By separating this function within the employment service (as opposed to have officers who work both with clients and employers), the PESO could continue to build on the good work already achieved to build employer build-in and awareness of the role of employment services. Taguig could look to Australia, where the Job Services Australia providers typically employ a "reverse marketer" within the employment service to work with employers and generate job vacancies before they are posted (see Box 4.3).

Box 4.3. **Stimulating demand through Reverse Marketers in Australia**

The term reverse marketing has been in use for some time to describe a marketer who helps consumers to achieve their goals without trying to sell them anything. It works by making the consumer come to you, not you to them. The term, reverse marketing, is now commonly used in the Australian employment services industry. It refers to the practice of providers actively marketing job seekers to potential employers where vacancies have not been advertised, and referring and placing job seekers into those jobs. Reverse marketing provides a mechanism to stimulate demand for labour by pre-empting employers' labour needs before they create a vacancy. Effective reverse marketing can play an important role in the wider employment services framework by providing job ready job seekers with access to vacancies that may not otherwise exist.

In Australia, reverse marketers target specific employers with whom the job seeker is likely to be able to find sustainable employment. This means understanding the skills, attributes and desire of the job seeker to work in a specific industry and matching these to local employers who are most likely to need additional labour, and having a strategy to "sell" the job seeker to these employers. It is in the best interests of both providers and job seekers that providers target their reverse marketing activities according to the needs of their local labour market.

Improving employment and skills policies in Cebu City: Recommendations

Recommendation: Make stronger use of the Chamber of Commerce as an advisory body on the relevance of policies and programmes

This report has highlighted a number of policy actions, which have been taken in Cebu to further promote employment and skills. The PESO in Cebu stands out as a best practice model in the Philippines for the way in which employment and skills services are integrated into one PESO office. The PESO also offers an impressive range of training programmes, which can be customised and delivery efficiently to employer needs. Cebu is in Phase 1 of the JobStart Programme, which will help the city to offer good skills training and employment opportunities to youth. This programme will also enable the city to continue building good relationships with employers.

Engaging employers in employment and training services is an important policy priority and one that should be a key strategic objective for Cebu. The Chamber of Commerce in Cebu is an important employer-based network upon which stronger partnerships could be developed. The PESO should aim to establish a strong strategic partnership with the Chamber that would focus on issues of workforce development and productivity. Under the current arrangement, most of the focus is labour relations. Social dialogue is a key mechanism through which the PESO can better understand the local labour market and the future growth possibilities. This report has highlighted a recommendation for the Philippines to launc programmes, which encourage stronger employer networks, which deliver skills development opportunities and leverage public investment to increase employer participation in training opportunities. Cebu could focus some resources on this type of programming to foster strong skills development opportunities among local employers. The city has already launched programmes around Call Centre training, which offer scholarships to trainees; however an employer focus approach would more specifically target the needs of employers around skills training opportunities and focus on other sectors of the local economy, which present growth opportunities.

Local TVET institutions in Cebu should also establish programme advisory councils, with the majority of membership comprised of employers. These advisory bodies could provide advice on the relevance of TVET programmes to ensure that individuals who completed their training possess the right skills and knowledge to the local jobs that are on offer. The PESO (through DOLE and TESDA) could work with local TVET institutions to examine the most effective way to establish such a governance network.

Recommendation: Promote the better utilisation of skills to boost innovation and productivity

OECD research has highlighted that investment in the supply of skills alone will not be sufficient to secure job creation and productivity in all local economies. The degree to which local employers are demanding and using skills also has to be taken into account (OECD, 2014b). As previously highlighted, Cebu has undertaken a number of actions to boost the overall supply of skills in the economy. While these actions should continue and be expanded, there is also a need to work on the demand-side with employers to look at the quality of jobs on offer and how to move existing industries into higher-value added services and production. By moving into high-value added services and production, Cebu will be working to encourage innovation and productivity, which are important sources of investment attraction and growth.

While much is being done to promote and expand the BPO sector, there is a risk of devoting too many resources. It is also important to work with other sectors of the economy, such as retail, health and educational services to boost the quality of jobs on offer. Furthermore, in sectors, such as manufacturing and shipping, there is a need to work with local employers to assist them in strategically thinking about workforce development issues. OECD research (OECD, 2012) has outlined a number of effective practices in this area, including:

- *Supporting technology transfer:* facilitating investment in new technology by employers, setting up partnerships for the sharing of innovation and new technologies.
- *Providing technical assistance to improve working conditions and work organisation:* this may mean the re-professionalisation of front-line positions in some sectors and a reduction

in dependence on temporary staff, while in others it may mean applying lean manufacturing techniques. Providing staff with enough time to pass on skills and learning is also important.

- *Encouraging participation in training for both managers and workers:* better trained managers are likely to create more productive working environments for their staff. At the same time, companies need to be encouraged to make training and other skills development opportunities available to their employees.

Management practices are important here, as new ideas are more likely to emerge when workers have the ability to use their discretion and "learn by doing". This applies both to workers involved in production, and workers directly dealing with and responding to customer needs (Froy and Giguère, 2010). Of course, the ability of firms to move towards higher-value added product market sectors will depend on access to appropriate markets. Strategies to upgrade product market strategies need to be accompanied by strategies to build local markets and better access regional, national and international markets.

TVET institutions can play an important role in this policy area by working with employers to undertake applied research and look at how they are using technology and their manufacturing process. By working more closely with employers, new ideas and concepts for work organisation can be developed and implemented on the shop floor. As highlighted earlier, Employer associations can also play a key role in helping employers, and particularly SMEs, to "raise their game", through developing trust-based relationships between firms that stimulate knowledge sharing and collaborative investment.

Cebu could look to an example from Flanders, Belgium (OECD, 2015b). In Flanders, practice labs for innovative work organisation have been set up to work with businesses on work organisation issues. The ACV union has played a key role in establishing and implementing the initiative. The practice labs have been set up in the construction, logistics, healthcare, social economy, social service/care sector and agricultural sectors. Separate labs were established for each sector but in fact, labs can work with mixed groups, and can support both large and small firms. Eight workshops have taken place in 2013/14, each involving 6-8 companies. A consultant was hired to work on the workshops. They function as a learning network where companies share experience. Managers are encouraged to consider where they can effect change to make sure that workers have more involvement in the way that the firm operates.

Improving employment and skills policies in Davao City: Recommendations

Recommendation: Establish a workforce development board, which would bring together local employment, training, and economic development actors with employers

Davao City has a number of strong assets upon which to build future growth and competitiveness. During the course of this OECD study, it was evident that strong leadership from city officials in Davao has built a strong level of commitment among local stakeholders to work together to develop the labour market and local economy. This study has highlighted the Human Resources Development Plan currently being developed by Davao in an effort to project future skills needs and plan skills development and training offers accordingly. This exercise is welcomed and represents an important planning tool for workforce development. In planning for current and future labour market, Davao should consider establishing a formal workforce development board, which would be comprised of local stakeholders and would act as an advisory panel to the mayor on the city's labour market.

This type of board could be established with the majority of membership comprising local employers. It would also be important that the PESO is on the board as well as the local universities and TVET institutions. The board could meet on a regular basis (e.g. every 6-12 months) with the goal of developing an annual workforce development plan for the Davao region. The board could also be tasked with collecting and disseminating labour market information on key trends and future skills needs in Davao. During this OECD study, it was evident that there is some partnership working in Davao; however, it would be beneficial to formalise this collaboration in a multi-stakeholder forum to gather the view from both the supply and demand side of the labour market.

OECD research has highlighted the benefits of actions to improve partnerships, such as the establishment of collective goals across local stakeholders, and how they can be effective in bringing employers and jobs into a locality (Froy et al., 2011). Regional and local actors can play a critical role in articulating a vision of the future for the local economy and what measures are necessary to drive economic growth in an inclusive and sustainable manner. Partnerships can also play a critical role in responding to large-scale downsizing and help communities facing structural adjustment re-focus their skills and economic development activities. There are a number of examples of formal local governance arrangements focusing on employment and skills from other OECD countries (see Box 4.4).

Box 4.4. **Integration between employment, skills and economic development through formal governance arrangements**

Workforce investment boards in the United States: In the United States, the local workforce investment boards (WIBs) have played a strong role in creating more integrated strategies to address employment and skills within broader economic development strategies locally since 1998. There are over 600 WIBs across the United States, at the state and local level, and they are strongly business-led, being both chaired by business and having a majority of business members. Each local workforce investment area is governed by such a board, which is responsible for providing employment and training services within a specific geographic area. The WIBs administer Workforce Investment Act services as designated by the governor and within the regulations of the federal statute and US Department of Labor guidelines. There are also designated seats for representatives from labour unions and local educational institutions, with economic development officials sitting on the boards in many states. While performance of the boards varies, in some areas they have developed strong integrated strategies which bridge across employment, skills and economic development. The local WIBs are typically an extension of a local government unit, which in most cases is the county government and can include more than one government entity. They are not agencies of the federal or state governments, and the staff are not comprised of federal or state employees.

Four-Party Association, Korea: Since 2008, several national government bodies, including the MOEL, have sought to induce the participation of labour and business leaders in tackling urgent local issues, such as local job creation and human resource development. In addition, an effort was made to not only include representatives of the labour force, management and the government, but also representatives of the community. This association shares the common goal of promoting joint local initiatives between employers and unions in order to stimulate skills development and employment. As a result of this new initiative, by 2010, a Local Association of the Representatives of Labour, Management, Government and Community had been established in 16 metropolitan cities and in 82 lower levels of local government.

Box 4.4. **Integration between employment, skills and economic development through formal governance arrangements** *(cont.)*

Workforce Planning Boards, Canada: In Ontario, Canada there are 25 Workforce Planning Boards who conduct localised research and actively engage organisations and community partners in local labour market projects. Every local workforce planning board publishes detailed reports about its labour market projects, activities and partnerships. Local workforce planning boards champion local workforce development solutions for their communities and help to strategically align the actions of all local stakeholders in the community.

Source: OECD (2014b), *Job Creation and Local Economic Development*, OECD Publishing Paris.

Recommendation: Expand skills development programmes to other sectors of the local economy with high quality jobs

Skills are a key driver of growth and a key route out of poverty for many individuals. In the knowledge-based economy, it is important that individuals are developing generic skills as well as more occupationally-specific skills, which can enable them to find a job. Good generic skills come from a strong school education. At the same time local people need to be able to access employment and training systems throughout their working lives to build more specialised skills and respond to changing skills demands – through systems of "life-long learning". In practical terms, life-long learning means opening up education and training systems to new target groups (working adults, older people) and ensuring that it is accessible to those with other demands on their time (e.g. heavy workloads and family responsibilities) (Froy and Giguère, 2010).

In Davao, there is a strong focus on developing skills linked to the BPO sector. Currently, there are a number of strong initiatives being developed to ensure that the skills needed to work in this sector are effectively articulated and embedded in local training courses. During this OECD study visit, local stakeholders in Davao highlighted the importance of these initiatives and how they will have broader impacts on other sectors the local economy. While these initiatives are important, Davao should also consider skills development programmes, which target sectors that traditionally host poor quality jobs. This includes retail, services and hospitality sector. Going forward, Davao could work with local employers to offer skills development programmes to individuals working in these types of sectors. This would enable individuals working in these sectors accessing to career progression opportunities and improved wages. For the employers, more skills training would provide them with productive workers, which would improve the company's overall business performance.

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OECD Reviews on Local Job Creation

Employment and Skills Strategies in the Philippines

With the rising economic importance of human resources and skills, employment and training agencies are now often expected to play a more important role in local strategies to support new job creation, facilitate restructuring and increase productivity. The OECD Local Economic and Employment Development (LEED) Programme has developed a series of Reviews on Local Job Creation to examine the contribution of local labour market policy to boosting quality employment and enhancing productivity.

Skills represent a key driver of development and growth in the Philippines. Educational attainment of the Filipino population has steadily increased in recent decades, but while the country is regionally successful within Southeast Asia, it has yet to reach the standards of more developed countries. This OECD report looks at the implementation of employment and skills development programmes in a sample of cities in the Philippines: Taguig City, Cebu City, and Davao City. Local governments in the Philippines have an active role in the management of employment and skills programmes through Public Employment Service Offices (PESOs). These offices are responsible for the implementation of a number of nationally regulated policies and programmes. All three cities are making a number of investments to better link people to jobs, develop a skilled workforce and attract new investment.

Consult this publication on line at ***http://dx.doi.org/10.1787/9789264273436-en***.

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