

Development Roundtable Series (DRTS)

Towards Mutual Understanding and Common Action

P A P E R S

Dire State of the Nation The Crisis of Income and Employment in the Philippines

Nepomuceno A. Malaluan

25 August 2006

The Development Roundtable Series (DRTS) represents a political process of consultation and negotiation among different interest groups in the country.

It is a venue to resolve policy issues, and to see how various competing interests can fit in common policy platforms.

It will identify issues and actions, discuss pitfalls and dilemmas of competing interests, and work out policy alternatives (and possibly campaigns) in a broad range of development concerns.

The roundtable is an integrated process that includes on-the-ground research and mapping, informal discussions and negotiations with various groups, literature review and the formal roundtable discussions.

THE OBJECTIVES

The project has the following specific objectives:

- 1) To address the public interest deficit in the way policy making is being done;
- 2) To examine how the policy agenda fit or respond to the calls of the international community;

- 3) For interested sectors to dialogue among themselves and answer common questions, at the minimum, and come up with a common agenda, if possible;
 - 4) Create a network that will advocate for this common agenda; and
 - 5) Popularize the process, the dialogue, and the common agenda
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THE ROUNDTABLES

Broad themes suggested for the mapping and the roundtables are:

- *Food and Agriculture*
- *Agrarian Reform and Rural Development*

- *Water Resources and Services*
 - *Security and Foreign Policy*
 - *Mindanao*
 - *Trade and Industrial Policy*
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LEVELS OF PARTICIPATION

Everyone is welcome and encouraged to participate. There are several ways to get involved in the process:

High Participation:

- Join a thematic working group.
- Join a lead group for on-the-ground activities.

Basic Participation:

- Attend public education activities.
- Attend consultations.
- Join special and mass activities.

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Dire State of the Nation: The Crisis of Income and Employment in the Philippines

Nepomuceno A. Malaluan*

25 August 2006

In her 2005 State of the Nation Address, President Gloria Macapagal-Arroyo described our country as one whose economy was on the verge of take-off, hindered only by a political system that had become a hindrance to progress. This year, her message is that the government now has the funds to meet our expenditure needs, particularly the Medium Term Public Investment Program.

At the back of the President's confidence and optimism is the growth performance of the economy in recent years. After a dismal performance in 2001 when she was installed to the Presidency, the economy's real gross domestic product picked up. It grew by 4.4% in 2002, 4.9% in 2003, 6.2% in 2004, and 5.0% in 2005. For the first quarter this year, it grew by 5.5%. (See Table 1)

On the government funds side, the country's fiscal problem eased in 2005. The deficit in 2005 stood at P146.5 billion, which was lower than the P187 billion incurred in 2004. It was also lower than the P180 billion programmed deficit for that year. The lower actual deficit over programmed deficit was a result of both the higher-than-programmed revenues (P795.7 billion vs. P783.2 billion) and the lower-than-programmed expenditures (P942.2 billion vs. P963.2 billion). (See Table 2)

But the President's confidence and optimism is not matched by public perception. In a Social Weather Stations (SWS) survey for the second quarter this year, 59% of household heads in the country rated themselves as poor. (See Table 3) In the perception on change in quality of life, past SWS reports show that losers consistently outnumber the gainers. In December 2005, 19% of the population said

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Table 1. GNP and GDP (Constant 1985 Prices, Billion Pesos)

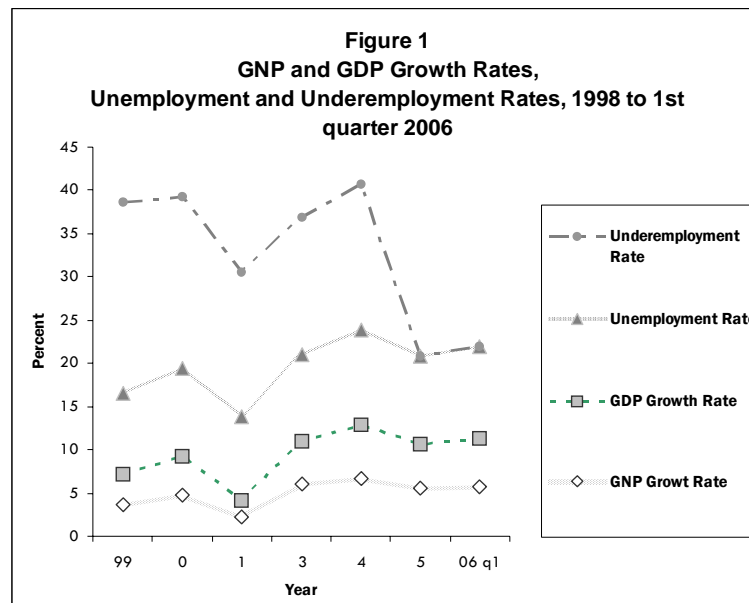
Item	1998	1999	2000	2001	2002	2003	2004	2005	2005 1 st Qtr	2006 1 st Qtr
Gross National Product	934.5	969.3	1037.9	1061.3	1105.7	1171.4	1250.2	1320.7	307.5	325.3
(Annual % Change)	0.4	3.7	4.8	2.3	4.2	6.0	6.7	5.6	4.9	5.8
Gross Domestic Product	888.0	918.2	973.0	990.0	1034.1	1085.1	1152.2	1209.5	281.6	297.1
(Annual % Change)	-0.6	3.4	4.4	1.8	4.4	4.9	6.2	5.0	4.2	5.5

Source: Bangko Sentral ng Pilipinas. <http://www.bsp.gov.ph/statistics/keystat/sefip1.htm>

that their lives then were better than it was 12 months ago (the gainers), while 44% of the population said that their lives were worse then than it was 12 months ago (the losers). On expected change in the economy, in December 2005 as much as 47% of the population believed that the economy would be worse in the coming 12 months, while only 16% believed it would be better. In February 2001 when

the president just took office, 36% were optimistic about the economy, and only 18% thought it would be worse in the coming 12 months.

One might be tempted to think that the dissonance between the President's assessment of the state of the nation and public perception is a case of a skeptical public refusing to accept the facts. After all, the President cites hard data while the SWS



Sources: Bangko Sentral ng Pilipinas; NSCB, 2005 Philippine Statistical Yearbook

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Table 2. National Government Fiscal Performance, January to December 2004 and 2005, (In Billion Pesos)

Item	2004 (Actual)	2005 (Actual)	2005 (Program)
Revenues	699.8	795.7	783.2
Expenditures	886.8	742.2	963.2
Deficit	(187.0)	(146.5)	(180.0)

Source: Bureau of the Treasury, <http://www.treasury.gov.ph/news/news/Fiscal%20Report-1205%20with%20details.pdf>.

surveys capture perceptions, which can be subjective. A closer scrutiny of the details, however, exposes deep structural problems in the economy that mere reference to growth and fiscal improvement will not reveal. While acknowledging the economic growth and the better fiscal performance, it also has to be recognized that

the negative public perception is no less supported by hard data.

Trapped in Low Productivity

The agriculture, fishery and forestry sector remains a major employer in the economy. In 2005, it employed some 12.1 million individuals, or 37.03% of total employed. Such share

Table 3

SELF-RATED POVERTY: HOUSEHOLDS WHO ARE "MAHIRAP" APRIL 1983 TO JUNE 2006

	SRP	Official Poverty		SRP	Official Poverty		SRP	Official Poverty
MARCOS			RAMOS (cont.)			ESTRADA (cont.)		
APR 83	55%		DEC 84	68%	36%	SEP 00	57%	
JUL 85	74	44%	MAR 85	63		DEC 00	56	28%
AQUINO			ARROYO					
MAY 86	66		MAR 01	59				
OCT 86	67		JUL 01	66				
MAR 87	43		SEP 01	63				
OCT 87	51		NOV 01	60				
SEP 88	66	40	MAR 02	58				
1988			1987			2003		
FEB 89	63		FEB 87	57	33	MAR 02	66	
SEP 89	60		JUN 87	56		MAY 02	66	
APR 90	66		SEP 87	58		SEP 02	66	
NOV 90	70		DEC 87	63		NOV 02	61	
JUL 91	71					MAR 03	55	
NOV 91	62	40	FEB 92	57		JUN 03	53	
FEB 92	72		MAR 92	64		SEP 03	62	
APR 92	68		APR 92	60		NOV 03	64	25
RAMOS			ESTRADA					
SEP 92	65		JUL 92	61		MAR 04	58	
DEC 92	58		SEP 92	65		JUN 04	46	
APR 93	65		NOV 92	59		AUG 04	53	
JUL 93	55	SEP	MAR 93	62		DEC 04	48	
93	68		JUN 93	60		MAR 05	48	
DEC 93	68		OCT 93	63		MAY 05	57	
APR 94	70		DEC 93	59		AUG 05	49	
AUG 94	67		MAR 00	59		DEC 05	57	
NOV 94	68		APR 00	60		MAR 06	55	
			JUL 00	54		JUN 06	59	

Source: Social Weather Stations (1991-2001); NSO Official Poverty Incidence based on Family Income and Expenditure Surveys (1995-2000).

SOCIAL WEATHER STATIONS Founded 1985 **Second Quarter 2006 Social Weather Report**
June 22-25, 2006, National Survey

has only declined marginally from the 2000 level of 37.45%.

The agriculture sector is characterized by low productivity. For 2005, agriculture output per unit of labor was P63,828.74. This amounts to P5,319.06 average monthly. In 1985 prices this is a measly P18,955.00 per unit of labor in 2005, or P1,579.58 average monthly. Such amount is just P450 higher than what it was in 2000 at 1985 prices.

From such low productivity, and considering costs of inputs, we can only expect very low incomes in the agriculture sector. In addition, frequent calamities, poor infrastructure, unstable prices, and seasonality of employment render agriculture incomes vulnerable.

The outward push from the low productivity, low income from agriculture, makes employment in services and industry attractive. In industry the GDP per unit of labor in 2005 was P357,651.55, or P29,804.30 average monthly¹. This is 5.6 times greater than agriculture GDP per unit of labor. Even as industry is capital-intensive, we can still expect wages and income to

be higher in industry. Aside from the higher wages and income in industry, it is also characterized by high formality, which means labor enjoys far greater adherence to employment standards and regulations.

Regrettably, the share of industry in terms of the people it employs not only has not expanded—it even contracted from 15.72% in 2000 to 14.86% in 2005. In absolute terms, there was only a slight increase in the number of people it employed from 4.4 million in 2000 to 4.9 million in 2005.

With industry failing to expand, it is the services sector that has been picking up the employment of the growing labor force. Its relative share in total employment has increased from 46.5% in 2000 to 48.1% in 2005. In absolute terms it employed 12.9 million people in 2000, which increased to 15.8 million in 2005.

While GDP per unit of labor in services is lower than in industry, it is still a good 2.9 times greater than in agriculture. In 2005 the GDP per unit of labor in services was P183,018.70 or P15,251.56 monthly. In 1985 prices this is equivalent to

¹ In 1985 prices this was P81,677.00 per unit of labor for the year, or P6,806.42 average monthly.

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Table 4. Employment by Industry (In thousands)

Sector	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture, fishery and forestry	11,272	10,503	10,401	11,253	11,313	11,676	11,767	12,174
(% share to total)	39.90	37.84	37.45	37.40	37.40	37.04	37.10	37.03
Industry	4,442	4,501	4,444	4,682	4,586	4,942	4,881	4,886
(% share to total)	15.72	16.22	16.00	15.56	15.16	15.68	15.39	14.86
Service	12,539	12,749	12,925	14,151	14,353	14,906	15,068	15,814
(% share to total)	44.38	45.94	46.54	47.04	47.44	47.28	47.51	48.11

Source: NSCB. 2005 Philippine Statistical Yearbook and National Accounts of the Philippines, 2003 to 2005

P36,653 per unit of labor in 2005, or P3,054.42 average per month.

The relatively greater ability of the services sector to employ people, however, must be appreciated with caution.

While many service sector jobs share similar levels of formality with industry, there is also a large section of the services sector that will not be far ahead of agriculture in terms of formality, seasonality of employment, and adherence to employment standards and regulations. Thus even as we see more people employed by the big malls and new branches of banks and restaurants, for instance, there are also people being

employed in private households, and people doing odd jobs such as “wash-your-car boys”, “pedicab” drivers, “park-your-car boys”, street vendors, and so on. (See Tables 4, 5-A and 5-B)

Unemployment and Poverty Wages

From 2000 to 2005, the country’s labor force grew at an average rate of 2.3% per year. This was outpaced by the real GDP growth average of 4.45% for the same period. Still, the higher pace of economic growth than labor force growth has not made a dent on the country’s unemployment. In 2000, 10.14% of the labor force, or

Table 5-A. GDP by Industrial Origin (In million pesos, current prices)

Sector	1998	1999	2000	2001	2002	2003	2004	2005
Agri, fishery & forestry	451645	510494	528868	549113	598849	631970	733068	777064
Industry	838367	911074	1092431	1149120	1261635	1378870	1536507	1747495
Service	1375048	1555337	1743428	1933241	2103388	2305562	2589261	2894280
In Pesos Per Unit of Labor								
Agri, fishery & forestry	40068.92	48604.64	50848.62	48798.37	52934.70	54124.91	62297.78	63828.74
Industry	188736.14	202415.81	245821.59	245434.25	275105.94	279009.06	314793.72	357651.55
Service	109662.79	121996.58	134886.24	136614.02	146547.56	154673.15	171840.17	183018.70

Source of basic data: NSCB. 2005 Philippine Statistical Yearbook and National Accounts of the Philippines, 2003 to 2005

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3.1 million individuals, were unemployed. In January 2006, the unemployment rate was even higher at 10.7%, with 3.9 million individuals unemployed. Employed, under these statistics, are those 15 years or older as of their last birthday, who are either: (a) *at work*, that is, *have done any work within the past week of the survey even for one hour for pay or profit, or even without pay if work done is on the farm or business enterprise of the same household*; or (b) *with a job but not at work* because of temporary illness/injury, vacation or other reasons, or only about to report for work or start operation of the business within two weeks from the survey.

The very low threshold to be considered employed means that there will be a considerable number of underemployed. Underemployed persons are those considered employed but express the desire to have

additional hours of work in their present job, an additional job, or a new job with longer working hours. Of the 27.8 million employed in 2000, some 5.5 million or 19.9% were underemployed. In 2004, of the 31.7 million employed, 5.4 million or 16.9% were underemployed. (See Table 6)

Beginning 2005 the government released lower unemployment figures following a newly adopted definition of the unemployed. This added another criterion—availability for work within two weeks after the survey interview date—to be considered unemployed. Using this definition, the April 2005 unemployment was 8.3%, and the April 2006 unemployment was 8.2%. But underemployment was very high at 26.1% and 25.4% for these periods.

Whichever definition is used, the fact remains that the economic growth being cited by government is really not

Table 5-B. GDP by Industrial Origin (In million pesos, 1985 prices)

Sector	1998	1999	2000	2001	2002	2003	2004	2005
Agri, fishery & forestry	173201	184464	192457	199589	207480	215273	226612	230762
Industry	313881	316650	345041	336471	349508	363486	380542	399076
Service	400918	417046	435462	453982	477106	506313	545019	579635
In Pesos Per Unit of Labor								
Agri, fishery & forestry	15366	17563	18504	17737	18340	18437	19258	18955
Industry	70662	70351	77642	71865	76212	73550	77964	81677
Service	31974	32712	33691	32081	33241	33967	36171	36653

Source: NSCB. 2005 Philippine Statistical Yearbook and National Accounts of the Philippines, 2003 to 2005

Table 6. Labor Force and Employment Status (In Thousands)

Year	Labor Force	Employed	% of Labor Force	Unemployed	% of Labor Force	Under-employed	Underemployed as % of Employed
1993	26822	24443	91.13	2379	8.87	5231	21.4
1994	27483	25166	91.57	2317	8.43	5260	20.9
1995	28040	25698	91.65	2342	8.35	5088	19.8
1996	29637	27442	92.59	2195	7.41	5324	19.4
1997	30265	27888	92.15	2377	7.85	6358	22.8
1998	31278	28262	90.36	3016	9.64	6698	23.7
1999	32000	29003	90.63	2997	9.37	6410	22.1
2000	30908	27775	89.86	3133	10.14	5527	19.9
2001	33361	30087	90.19	3271	9.80	4994	16.6
2002	33674	30251	89.83	3423	10.17	4628	15.3
2003	35120	31553	89.84	3567	10.16	4985	15.8
2004	35629	31741	89.09	3888	10.91	5364	16.9
Oct 2005	36563	32797	89.70	3766	10.30	(na)	(na)
Jan 2006	36112	32248	89.30	3864	10.70	(na)	(na)

Sources: NSCB. 2005 Philippine Statistical Yearbook; BLES. NSCB. http://www.nscb.gov.ph/announce/ForTheRecord/06June2006_unemployment.asp

able to generate a sufficiently high number of new jobs to address unemployment and underemployment.

Aside from high underemployment, a large number of the employed are earning poverty-level wages and income. Some 6 million of the 31.7 million employed persons in 2004 are farmers and fishermen by occupation. As noted earlier, incomes in agriculture are low and rendered vulnerable by informality, seasonality of work, natural calamities, unstable prices, and poor infrastructure. In addition to the low income of farmers and fishermen, the bulk of the employed are laborers and

unskilled workers by occupation. They numbered 10 million in 2004, and comprised 31.9% of the employed. Using the level of wages in select industries as indicator, a worker in this occupation group earns an average monthly wage ranging from about P5,000 to P8,000. At the exchange rate of P55.83 to the US dollar in that year, the average daily wage for this occupation class ranges from 3 to 5 US dollars. Clerks, numbering 1.36 million, earn about the same. (See *Tables 7 and 8*)

Such level of income would put these workers well above the US\$1 a day international poverty line, but only if they

Table 7. Employed Persons by Major Occupation Group, October 2004 (In thousands)

Occupation	Total Employed	% of Total
Total	31741	
Officials of govt and interest orgs, corp execs, managers, supervisors	3551	11.19
Professionals	1378	4.34
Technicians, associate profs	874	2.75
Clerks	1360	4.28
Service, shop, market sales	2848	8.97
Farmers, forestry, fishermen	6140	19.34
Traders and related workers	2836	8.93
Plant machine operators, assemblers	2493	7.85
Laborers and unskilled workers	10128	31.91
Special occupations	133	0.42

Source: NSCB. 2005 Philippine Statistical Yearbook

Table 8. Average Monthly Wage in Selected Industries and Occupations, June 2004 (In Pesos)

Industry/Occupation	Ave. Monthly Wage
Manufacture of food and beverages	
Supervisors, foremen	16,797
Food technologists	13,657
Chem eng'g technicians	13,106
Quarry inspectors	10,619
Accounting, bookkeeping clerks	11,874
Production clerks	9,664
Food processing & related workers	7,006
Machine operators	10,695
Unskilled workers	6,890
Manufacture of textile	
Supervisors, foremen	11,521
Quality inspectors	7,525
Accounting, bookkeeping clerks	9,871
Fiber preparers	7,815
Weavers, knitters, related workers	6,849
Fiber preparing, spinning, winding machine operators	8,083
Weaving, knitting machine operators	7,147
Bleaching, dyeing, cleaning machine operators	7,302
Multi-skilled production workers	6,307
Unskilled workers	6,038
Manufacture of wood, wood products except furniture	
Supervisors, foremen	8,583
Accounting, bookkeeping clerks	7,064
Production clerks	6,409
Wood treaters	6,247

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Industry/Occupation	Ave. Monthly Wage
Woodworking machine setters and setter operator	6,088
Wood processing plant operators	5,593
Wood products machine operators	5,832
Wood and related products assemblers	4,720
Multi-skilled prod workers	5,253
Unskilled workers	4,829
Manufacture of radio, television & communication equipment	
Supervisors, foremen	18,133
Electronics and telecom engineers	17,633
Electronics and telecom engineering technicians	11,628
Quality inspectors	8,684
Accounting, bookeeping clerks	13,245
Production clerks	11,082
Electronic filters	6,447
Electronic equipment assemblers	7,627
Unskilled workers	7,604
Construction	
Supervisors, foremen	12,816
Civil engineers	15,393
Accounting, bookeeping clerks	10,176
Masons & related concrete finishers	7,066
Carpenters and joiners	7,163
Plumbers, pipe fitters, related workers	7,474
Structural metal preparers, erectors, related workers	6,541
Heavy equipment mechanics	5,755
Building & related electricians	7,674
Unskilled workers	8,215
Retail trade, except of motor vehicles	
Sales supervisors	11,406
Accountants and auditors	12,270
Accounting, bookeeping clerks	7,922
Stock clerks	7,325
Cashiers	7,888
Telemarketers	7,824
Shop salespersons & demonstrators	6,351
Unskilled workers	6,221
Banking institutions	
Statisticians	21,341
Accountants and auditors	17,997
Economists	21,518
Bookeepers	16,276
Accounting, bookeeping clerks	11,487
Statistical and financial clerks	12,108
Tellers	13,120
Customer service reps/associates (in call centers)	15,369
Unskilled workers	7,496

Source: NSCB. 2005 Philippine Statistical Yearbook

are supporting only themselves. However, there is a good chance these wage earners support a family. In 2003, 14.6 million or 88.4% of the 16.5 million total number of families consisted of at least three members.

Some 8.9 million families, or 54.2% of total, had family sizes of five or more members. (See *Table 9*). These figures relate very well with the SWS survey that finds 59% of household heads rating themselves as poor. Indeed with a daily wage rate of 3 to 5 US dollars, one would easily fall under the dollar-a-day international poverty threshold if he or she is supporting four or more people.

In contrast, official poverty estimates placed the incidence of poverty among families at a much lower 24.4%, or 4 million families out of the total 16.5 million families in 2003. In terms of population, the official poverty incidence was 30%, or 23.8 million Filipinos out of the total 79.4 million. The official poverty estimates, however, are based on a low annual per capita poverty

Table 9. Family Size, 2003

Size of Family	Number of Families (In thousands)	% of Total
PHILIPPINES	16,480	
One Person	552	3.35
Two Persons	1,353	8.21
Three Persons	2,419	14.68
Four Persons	3,231	19.61
Five Persons	3,090	18.75
Six Persons	2,318	14.07
Seven Persons	1,595	9.68
Eight Persons	906	5.50
Nine Persons	513	3.11
Ten Persons and More	502	3.05

Source: NSO. 2003 FIES

threshold of P12,309 in 2003, equivalent to P33.72 or US\$0.63 per person per day. (See *Table 10*)

Income and Investment

From the Family Income and Expenditure Survey (FIES) in 2003, almost half the number of families (7.6 million or 46% of total) would have average income surplus between zero to P9,000 for the year. Another 4.8 million, or 29% of total, would have average income surplus between P13,000 to 20,000 for the year.

While low-income families have been shown to in fact generate income surplus, such low amounts of income surplus can hardly give them capacity to invest. Gardiol, et al. (2005) cite a recent survey by Karlan, D. S., N. Ahrif and Y. Wesley

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which suggests that the majority of the people save for emergencies (42% of sample) and children's education (34% of sample). Only 3.4% of the sample reported "capital to start or expand business, buy land" as reasons for saving. The savings of these households are also not necessarily mobilized by the financial sector. The same survey suggests that a large proportion of these low income savers (63.5% of sample) keep their savings at home.

From the same 2003 FIES, 3.9 million families, or 23% of

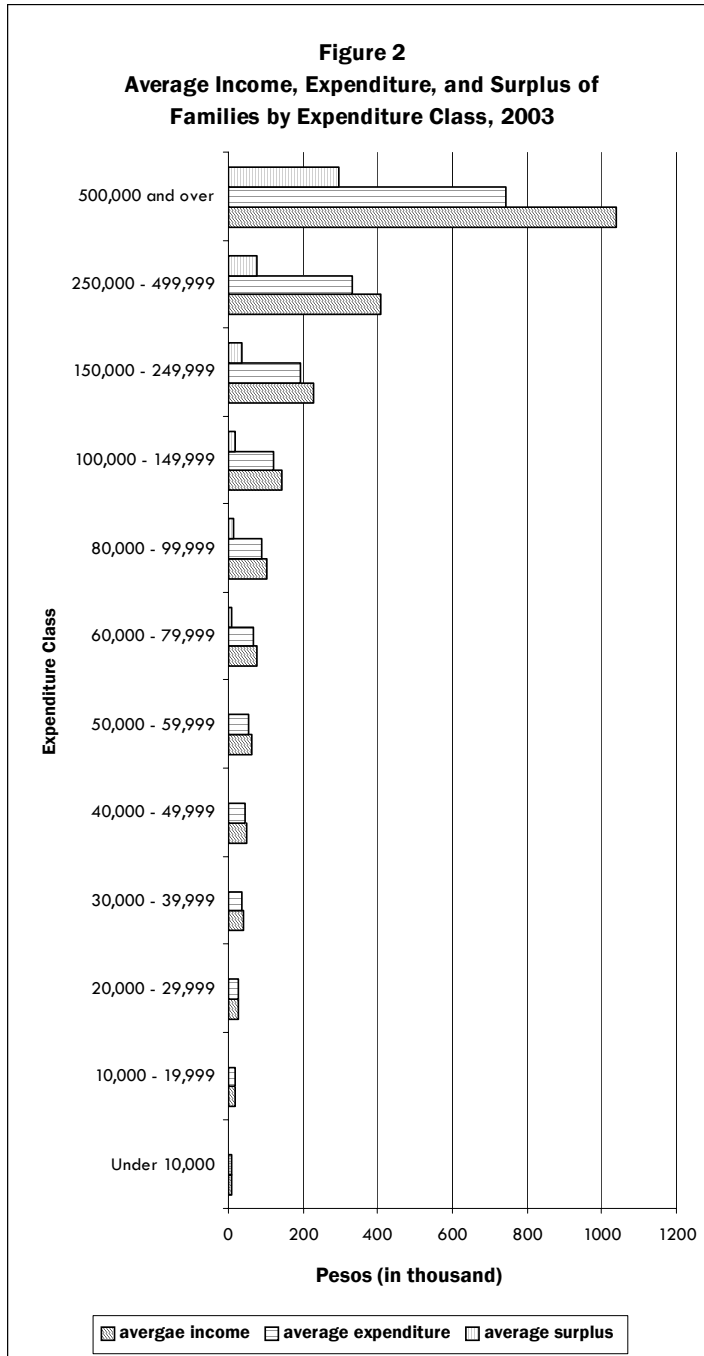
total, would have a fairly substantial average surplus of P36,000 to P75,000 for the year. It is from the ranks of these families where investors in small-scale investment activities can be expected to come from. Beyond this, only a very narrow 281,000 families, or 2% of total, would earn more than P500,000 per year and generate appreciable surplus to be able to invest in more substantial activities.

While the FIES data is susceptible to under-reporting or over-reporting of income and expenditure, it does tie in

Table 10. Annual Per Capita Poverty Thresholds, Poverty Incidence and Magnitude of Poor Families: 2000 and 2003

Region/ Province	Annual Per Capita Poverty Threshold (in Pesos)		Poverty Incidence Among Families (%)		Magnitude of Poor Families	
	2000 Revised	2003 Final	2000 Revised	2003 Final	2000 Revised	2003 Final
PHILIPPINES	11,458	12,309	27.5	24.4	4,146,663	4,022,695
NCR	15,722	16,737	5.8	4.8	127,655	110,864
Region I	12,687	13,281	29.5	24.4	237,910	213,846
Region II	11,128	11,417	25.3	19.3	143,421	113,298
Region III	13,760	14,378	17.3	13.4	268,558	242,820
Region IV-A	13,670	14,720	15.2	14.5	272,484	316,911
Region IV-B	12,013	12,402	36.4	39.9	162,668	199,485
Region V	11,375	12,379	45.3	40.6	407,176	383,625
Region VI	11,314	12,291	36.7	31.4	444,172	397,073
Region VII	9,659	9,805	31.5	23.6	348,154	286,478
Region VIII	9,530	10,804	37.6	35.3	276,878	266,423
Region IX	9,128	10,407	38.6	44.0	209,842	258,497
Region X	10,509	11,605	38.0	37.7	261,501	278,538
Region XI	10,278	11,399	27.9	28.5	202,121	231,068
Region XII	10,458	11,328	40.7	32.1	264,301	227,093
CAR	13,071	14,033	30.8	25.8	84,717	72,084
ARMM	12,199	12,733	53.8	45.4	255,879	228,970
Caraga	10,903	11,996	43.8	47.1	179,226	195,622

Source: NSCB. http://www.nscb.gov.ph/poverty/2004/table_5.asp



Source: NSO, Family Income and Expenditure Survey 2003

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Table 11. Total Number of Families, Total and Average Family Income and Expenditure, Average Surplus, 2003

Expenditure Class	Total No. of Families (In Thousands)	% of Total Families	Income		Expenditure		Ave. Surplus (In Thousands)	Ave. Surplus Rate
			Total (In millions)	Average (In Thousands)	Total (In millions)	Average (In Thousands)		
PHILIPPINES	16,480		2,437,250	148	2,038,471	124	24	16.22
Under 10,000	22	0.13	179	8	177	8	0	0.00
10,000 - 19,999	252	1.53	4,300	17	4,026	16	1	5.88
20,000 - 29,999	717	4.35	19,969	28	18,345	26	2	7.14
30,000 - 39,999	1,204	7.31	46,480	39	42,432	35	4	10.26
40,000 - 49,999	1,475	8.95	72,158	49	66,379	45	4	8.16
50,000 - 59,999	1,434	8.70	87,206	61	78,798	55	6	9.84
60,000 - 79,999	2,459	14.92	190,847	78	170,853	69	9	11.54
80,000 - 99,999	1,835	11.13	188,634	103	164,325	90	13	12.62
100,000 - 149,999	2,932	17.79	415,987	142	358,214	122	20	14.08
150,000 - 249,999	2,549	15.47	579,696	227	485,834	191	36	15.86
250,000 - 499,999	1,321	8.02	539,391	408	439,729	333	75	18.38
500,000 and over	281	1.71	292,403	1,039	209,358	744	295	28.39

Source: NSO. 2003 FIES.

with the reported wages in the major occupational groups. It also ties in with the structure of ownership and control in the country's corporate sector. Claessens, et al. (1999) analyzed control in 2,980 publicly-traded corporations in Hong Kong, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand and Taiwan. The sample typically covered about 75% of total market capitalization in the countries studied. For the Philippines their study suggests that as much as 52.5% of total market capitalization is controlled by the country's top 10 families. A large 17.1% is controlled by one family, the Ayalas. Indeed, given the general incomes crisis, and the

concentration of wealth, the country can only look to the richest families for the biggest part of domestic capitalization.

Aside from the very narrow elite, we also rely on the government and on foreign capital for the big part of our investments. The government, however, has long been hobbled by a large public sector debt and poor revenue performance, thus affecting its ability to lead in capital spending. Foreign investment has also been tight. The country saw a fleeting surge of portfolio investment in the early 1990s, but with near-disastrous results in the wake of the Asian financial crisis. Foreign direct investment, on the other hand, has been on

and off, and generally fails to show sustained and dramatic inflows.

The OFW Safety Valve

Given the depressed employment and income, overseas work has been an important safety valve for the Philippine economy. The Overseas Filipino Workers (OFWs) have mitigated the employment problem in the country, with yearly deployment continuing to increase. In 1995 the country deployed 654,022 OFWs (488,621 land-based and 165,401 sea-based). This increased to 841,628 (643,304 land-based and 198,324 sea-based) in 2000, and to 981,677 (733,970 land-based and 247,707 sea-based) in 2005. While many of these OFWs go back and forth to their country destinations based on contract, a considerable number choose to stay overseas on a more permanent basis. As of December 2004, the POEA estimated the stock of overseas Filipinos to total 8 million, of which 3.2 million were permanent (immigrants or legal permanent residents), 3.6 million temporary (stay is under an employment contract)

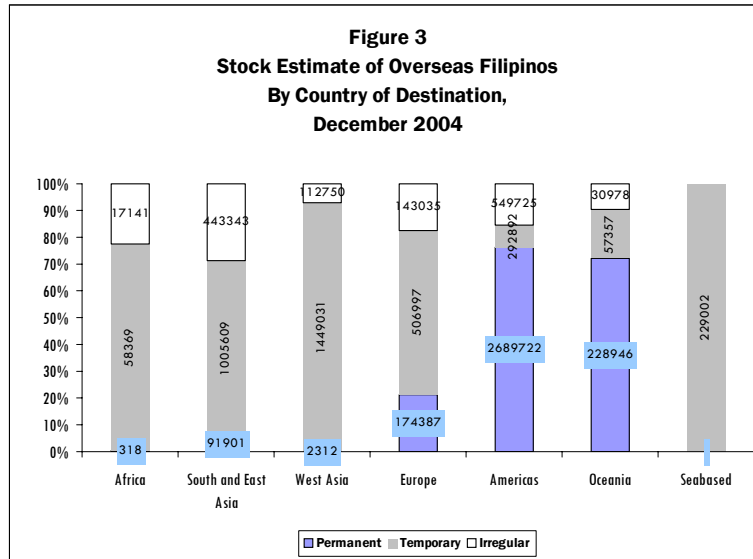
Table 12. Deployed Overseas Filipino workers, 1991 to 2005

Year	Total	Land-based	Sea-based
1991	615019	489260	125759
1992	723448	564801	158647
1993	696630	550872	145758
1994	719602	565226	154376
1995	654022	488621	165401
1996	660122	484653	175469
1997	747696	559227	188469
1998	831643	638343	193300
1999	837020	640331	196689
2000	841628	643304	198324
2001	866599	661648	204951
2002	891908	682315	209593
2003	867969	651938	216031
2004	933588	704586	229002
2005	981677	733970	247707

Source: 2005 Philippine Statistical Yearbook, NSCB; <http://www.poea.gov.ph/html/statistics.html>

and 1.3 million irregular (not properly documented or without valid residence or work permits, or are overstaying). (See Tables 12 and 13)

The OFWs have certainly helped us squeeze through threats on the balance of payments. No doubt the OFW remittances cushioned the impact of the portfolio capital flight during the Asian Financial Crisis. Now it is helping us cushion the higher deficit in trade in goods (US\$7.5 billion in 2005, from US\$5.7 billion in 2004). In 2005, OFW remittances through formal channels stood at US\$10.7 billion. Of this, US\$6.6 billion came from the Americas, primarily from the United



Source: Philippine Overseas Employment Administration

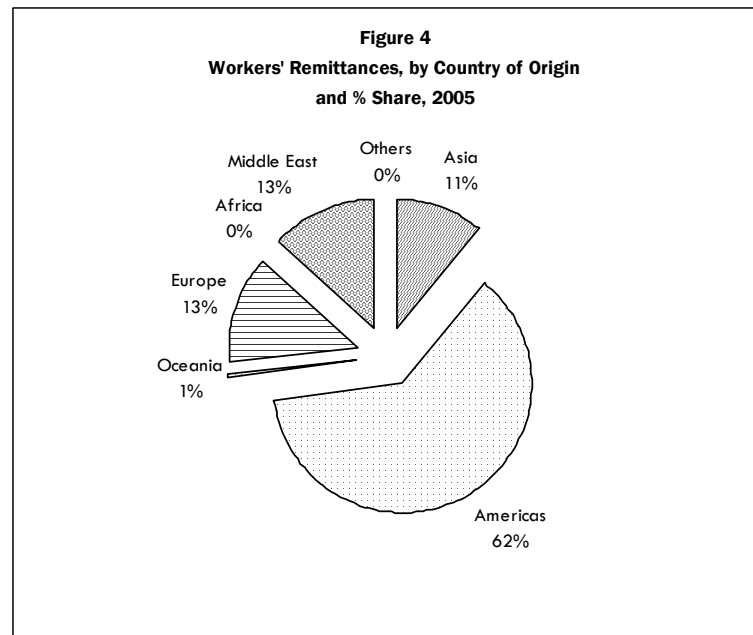


Table 13. Stock Estimate of Overseas Filipinos, As of December 2004

REGION / COUNTRY	PERMANENT	TEMPORARY	IRREGULAR	TOTAL
WORLD TOTAL	3,187,586	3,599,257	1,296,972	8,083,815
AFRICA	318	58,369	17,141	75,828
EGYPT	54	2,620	1,420	4,094
EQUATORIAL GUINEA	0	2,569	150	2,719
LIBYA	75	5,440	485	6,000
NIGERIA	18	11,750	586	12,354
OTHERS / UNSPECIFIED	171	35,990	14,500	50,661
ASIA, East & South	91,901	1,005,609	443,343	1,540,853
BRUNEI	26	21,762	1,700	23,488
HONGKONG	404	194,241	2,700	197,345
JAPAN	83,303	238,522	31,428	353,253
KOREA (South)	4,850	33,285	9,015	47,150
MACAU	56	17,391	1,000	18,447
MALAYSIA	313	52,337	300,000	352,650
SINGAPORE	152	64,337	72,000	136,489
TAIWAN	2,037	154,135	4,500	160,672
OTHERS / UNSPECIFIED	760	229,599	21,000	251,359
ASIA, West	2,312	1,449,031	112,750	1,564,093
BAHRAIN	64	33,154	3,500	36,718
ISRAEL	104	14,051	23,000	37,155
JORDAN	108	5,885	7,000	12,993
KUWAIT	93	80,196	11,500	91,789
LEBANON	19	28,318	6,100	34,437
OMAN	20	18,941	1,500	20,461
QATAR	13	57,345	1,000	58,358
SAUDI ARABIA	243	976,134	18,000	994,377
UAE	405	185,562	20,000	205,967
OTHERS / UNSPECIFIED	1,243	49,445	21,150	71,838
EUROPE	174,387	506,997	143,035	824,419
AUSTRIA	22,017	1,956	2,000	25,973
BELGIUM	3,583	3,484	5,533	12,600
FRANCE	1,098	4,866	26,121	32,085
GERMANY	42,882	8,346	4,400	55,628
GREECE	88	17,058	8,000	25,146
ITALY	4,934	85,527	48,000	138,461
NETHERLANDS	10,421	2,920	2,000	15,341
SPAIN	16,332	6,960	2,000	25,292
SWITZERLAND	922	7,025	6,700	14,647
UNITED KINGDOM	52,500	56,341	7,481	116,322
OTHERS / UNSPECIFIED	19,610	312,514	30,800	362,924

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REGION / COUNTRY	PERMANENT	TEMPORARY	IRREGULAR	TOTAL
AMERICAS / TRUST TERRITORIES	2,689,722	292,892	549,725	3,532,339
CANADA	369,225	32,766	2,975	404,966
UNITED STATES	2,271,933	101,249	350,000	2,723,182
CNMI	1,288	16,753	1,250	19,291
GUAM	45,968	1,800	500	48,268
OTHERS / UNSPECIFIED	1,308	140,324	195,000	336,632
OCEANIA	228,946	57,357	30,978	317,281
AUSTRALIA	211,664	930	2,900	215,494
NEW ZEALAND	17,182	307	120	17,609
PALAU	5	3,702	400	4,107
PAPUA NEW GUINEA	64	5,030	7,339	12,433
OTHERS / UNSPECIFIED	31	47,388	20,219	67,638

SEABASED WORKERS **229,002** **229,002**

Permanent - Immigrants or legal permanent residents abroad whose stay do not depend on work contracts.

Temporary - Persons whose stay overseas is employment related, and who are expected to return at the end of their work contracts.

Irregular - Those not properly documented or without valid residence or work permits, or who are overstaying in a foreign country.

Source: POEA. <http://www.poea.gov.ph/html/statistics.html>

States. The other major sources were Asia (US\$1.17 billion), Europe (US\$1.43 billion), and the Middle East (US\$1.42 billion). (See Table 14)

At its present levels, the OFW remittances have provided an important source of income for a considerable number of Filipino families. From the 2003 FIES, cash receipts, gifts and other forms of assistance from abroad was the main source of income for 1.3 million Filipino families. It has boosted personal consumption, which has been the main driver of economic

growth in recent years. The World Bank (2006) estimates that removing remittances in 2000 would increase headcount poverty by 3 percentage points (using per capita GDP as basis) to as much as 10 percentage points (using survey mean income as basis). Aside from reducing poverty, the same study suggests that remittances help smooth household consumption in the face of adverse shocks (such as crop failure, job loss, or health crisis), ease working capital constraints, and lead to increased household

Table 14. OFW Remittances, by Country and by Type of Worker, 2005 (In thousand US Dollars)

Country/Worker	Remittance	% of Total	Country/Worker	Remittance	% of Total
Total	10,689,005		Europe	1,433,904	13.41
Sea-based	1,669,358		Sea-based	153,432	
Land-based	9,019,647		Land-based	1,280,472	
Asia	1,172,373	10.97	of which:		
Sea-based	111,650		Italy	430,071	4.02
Land-based	1,060,723		Sea-based	22,589	
of which:			Land-based	407,482	
Japan	356,659	3.34	Germany	134,804	1.26
Sea-based	55,709		Sea-based	24,073	
Land-based	30,095		Land-based	110,731	
Hong Kong	338,895	3.17	United Kingdom	300,725	2.81
Sea-based	20,476		Sea-based	18,764	
Land-based	318,419		Land-based	281,961	
Singapore	240,149	2.25	Middle East	1,417,491	13.26
Sea-based	23,183		Sea-based	8,205	
Land-based	216,966		Land-based	1,409,286	
Americas	6,605,231	61.79	of which:		
Sea-based	1,392,010		Kuwait	91,765	0.86
Land-based	5,213,221		Sea-based	255	
of which:			Land-based	91,510	
USA	6,424,848	60.11	Saudi Arabia	949,372	8.88
Sea-based	1,382,444		Sea-based	2,298	
Canada	117,061	1.10	Land-based	947,074	
Sea-based	7,416		Abu Dhabi	105,917	0.99
Land-based	109,645		Sea-based	1,615	
Oceania	54,573	0.51	Land-based	104,302	
Sea-based	3,911		Dubai	151,512	1.42
Land-based	50,662		Sea-based	2,977	
of which:			Land-based	148,529	
Australia	49,919	0.47	Africa	4,546	0.04
Sea-based	3,884		Sea-based	150	
Land-based	46,035		Land-based	4,396	
Others	887	0.01	Others	887	0.01
Sea-based	0		Sea-based	0	
Land-based	887		Land-based	887	

Source: BSP. <http://www.bsp.gov.ph/statistics/keystat/ofw.htm>

expenditures in key areas such as education, entrepreneurship and health.

Need for Emergency Measures

The domestic problem in income and employment is of crisis proportions. Recognizing it is a crucial first step in addressing this crisis, similar to our experience with the fiscal crisis. The next step is to identify its root causes, and address them head-on with emergency measures that are doable and can provide immediate and dramatic results.

Address the problem in education. The problem in education is generally acknowledged, but addressing it is always considered to be a long-term response. But if we look closer at the state of education and its direct link to the crisis of income and employment, the need for emergency measures will be readily apparent.

Two education-related problems need immediate intervention: the low completion rates as well as the low quality of education. The 2001-2002 national completion rate at the elementary level is a low 66.3 percent. By region there are particularly critical areas, such

as the ARMM (Autonomous Region of Muslim Mindanao) with an elementary completion rate of only 34.5%, Region IX with 44.4%, Region XII with 56.1% and Region VIII with 57.3 percent. The students completing elementary education will be further whittled down when they reach the secondary level.

Completion rate at the secondary level based on Grade I is only 48.4 percent. In the critical regions mentioned, completion rate at the secondary level based on Grade I is 11.3% for ARMM, 32.5% in Region IX, 36.2% in Region XII, and 37.1 in Region VIII. Only in the NCR, CAR, and Regions I, II, III and IV are secondary level completion rates based on Grade I higher than 50%. (See Tables 15 and 16)

The quality of education is also very disturbing. Students score very low in diagnostics tests for core subjects. In school year 2002-2003, the national mean percentage scores (correct answers divided by the total number of items) for Grade IV pupils were 38.45% in Mathematics, 42.14% in Reading Comprehension, and 39.38% in Science. It gets worse when they reach First Year High School. For the same

school year, the national mean percentage scores of First Year High School Students in the National Diagnostics Test were 26.71% in Mathematics, 29.67% in Reading Comprehension, and 27.75% in Science. (See *Tables 17 and 18*)

The low level of completed education, as well as the low quality of education, relates directly to income and employment. The elementary and high

Table 15. Completion Rate at the Elementary Level by Region (In Percent)

Region	SY 2000-2001	SY 2001-2002
I	79.8	76.8
II	69.1	70.8
III	78.0	77.6
IV	74.0	74.5
V	65.6	66.3
VI	63.0	64.3
VII	64.3	67.6
VIII	57.1	57.3
IX	50.0	44.4
X	61.2	61.4
XI	60.7	62.4
XII	54.0	56.1
XIII	61.2	64.1
NCR	79.8	76.6
CAR	64.4	65.4
ARMM	31.5	34.5
TOTAL	66.1	66.3

Source: NSCB. Economic and Social Indicators, 2001-2003

Table 16. Completion Rate at the Secondary Level by Region (In Percent)

Region	Based on Grade I		Based on First Year	
	School Year 2000-2001	School Year 2001-2002	School Year 2000-2001	School Year 2001-2002
I	63.4	65.2	76.5	76.4
II	52.6	54.0	75.6	76.5
III	58.4	58.7	74.0	73.6
IV	60.4	58.9	76.6	75.4
V	42.1	43.4	68.5	70.1
VI	44.0	46.4	66.1	74.4
VII	48.5	48.8	70.9	68.9
VIII	35.8	37.1	63.0	64.8
IX	31.7	32.5	60.9	63.5
X	40.1	43.4	64.8	67.9
XI	43.3	45.0	68.8	62.1
XII	37.3	36.2	59.9	76.7
XIII	38.1	37.7	69.8	64.1
NCR	69.8	65.5	73.3	70.6
CAR	48.7	51.9	73.4	72.7
ARMM	10.5	11.3	54.3	59.9
TOTAL	48.1	48.4	70.6	71.0

Source: NSCB. Economic and Social Indicators, 2001-2003

Table 17. Mean Percentage Score of Grade IV Pupils in the National Diagnostic Test, by Subject Area, SY 2002-2003 (In Percent)

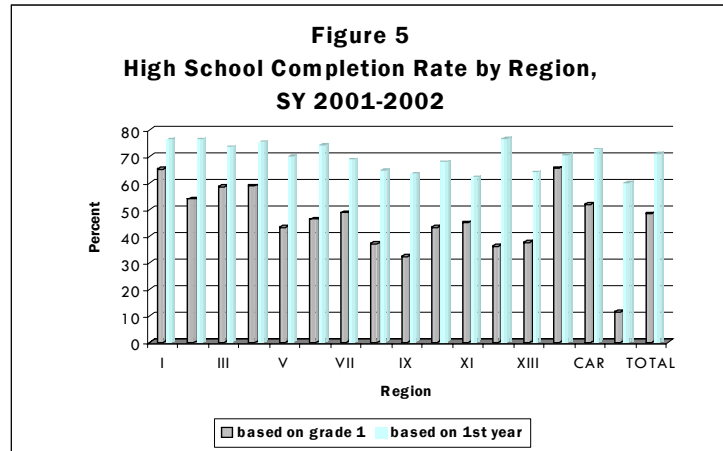
Region	No. of Examinees	Subject Area		
		Mathematics	Reading Comp.	Science
I	95,075	41.25	44.53	41.88
II	64,572	37.19	40.80	38.83
III	165,095	40.18	42.93	40.69
IV-A	199,438	39.39	43.23	40.45
IV-B	58,102	37.36	40.91	38.92
V	123,659	35.13	38.37	36.78
VI	136,191	37.73	42.67	40.14
VII	128,384	37.73	53.31	39.63
VIII	80,507	39.08	44.80	40.64
IX	60,573	38.70	42.37	38.51
X	68,869	33.85	37.20	34.22
XI	111,818	36.20	39.43	36.97
XII	59,562	35.79	38.19	36.22
XIII	49,045	41.52	45.07	41.64
NCR	162,379	38.18	41.55	38.66
CAR	31,361	38.64	45.05	41.55
ARMM	40,343	49.10	50.44	46.19
TOTAL	1,653,153	38.45	42.14	39.38

Source: NSCB. Economic and Social Indicators, 2001-2003

Table 18. Mean Percentage Score of First Year High School Students in the National Diagnostic Test, by Subject Area, SY 2002-2003 (In Percent)

Region	No. of Examinees	Subject Area		
		Mathematics	Reading Comp.	Science
I	80,106	26.94	31.68	29.53
II	45,712	27.09	31.71	30.2
III	192,702	25.65	27.74	26.41
IV-A	175,866	27.78	32.03	29.81
IV-B	38,607	26.39	30.48	29.77
V	259,122	24.99	22.09	20.56
VI	126,144	27.25	32.3	30.43
VII	72,153	28.32	33.31	30.69
VIII	67,042	27.66	31.93	29.59
IX	41,172	25.69	29.43	28.42
X	56,945	26.2	30.49	28.56
XI	119,627	25.82	30.04	28.32
XII	45,482	5.99	29.24	28.59
XIII	48,174	27.25	32.31	30.01
NCR	164,962	28.47	32.89	29.71
CAR	21,739	27.73	35.33	31.36
ARMM	16,015	31.37	31.96	30.94
TOTAL	1,571,570	26.71	29.67	27.75

Source: NSCB. Economic and Social Indicators, 2001-2003



Source: NSCB, Economic and Social Indicators 2001-2003

school drop-outs are concentrated in the low productivity sector of agriculture and fisheries, as well as the low-income and low-quality occupation group of laborers and unskilled workers. From the NSO's (National Statistics Office)

January 2004 Labor Force Survey, of the 5.9 million farmers and fishermen, 6.35% did not have any education at all, 34.4% did not complete the elementary level, 25.2% completed only the elementary level, and another 12.57% completed only some high

Table 19. Employed Persons by Highest Grade Completed, January 2004 (In Thousands)

Occupation Group	Total	No Grade	Elementary		High School		College	
			Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate
TOTAL	31547	717	5581	5494	4444	7284	3836	4191
Officials of govt and interest orgs, corp execs, managers, supervisors	3862	32	365	541	442	918	683	882
Professionals	1339	0	0	3	2	8	7	1319
Technicians, associate profs	882	5	33	58	51	137	257	341
Clerks	1343	1	24	35	40	201	362	680
Service, shop, market sales	2935	7	176	295	410	1003	670	374
Farmers, forestry, fishermen	5905	375	2016	1488	742	838	304	142
Traders and related workers	2899	33	399	546	500	951	370	100
Plant machine operators, assemblers	2411	8	203	318	377	953	429	122
Laborers and unskilled workers	9831	254	2356	2203	1873	2230	714	201
Special occupations	140	2	9	9	7	45	39	29

Source: NSO, Integrated Survey of Households Bulletin, January 2004

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Table 20. Employed Persons by Highest Grade Completed, January 2004 (% of Total)

Occupation Group	Total	No Grade	Elementary		High School		College	
			Undergraduate	Graduate	Undergraduate	Graduate	Undergraduate	Graduate
TOTAL	31547	2.27	17.69	17.42	14.09	23.09	12.16	13.28
Officials of govt and interest orgs, corp execs, managers, supervisors	3862	0.83	9.45	14.01	11.44	23.77	17.69	22.84
Professionals	1339	0.00	0.00	0.22	0.15	0.60	0.52	98.51
Technicians, associate profs	882	0.57	3.74	6.58	5.78	15.53	29.14	38.66
Clerks	1343	0.07	1.79	2.61	2.98	14.97	26.95	50.63
Service, shop, market sales	2935	0.24	6.00	10.05	13.97	34.17	22.83	12.74
Farmers, forestry, fishermen	5905	6.35	34.14	25.20	12.57	14.19	5.15	2.40
Traders and related workers	2899	1.14	13.76	18.83	17.25	32.80	12.76	3.45
Plant machine operators, assemblers	2411	0.33	8.42	13.19	15.64	39.53	17.79	5.06
Laborers and unskilled workers	9831	2.58	23.97	22.41	19.05	22.68	7.26	2.04
Special occupations	140	1.43	6.43	6.43	5.00	32.14	27.86	20.71

Source: NSO, Integrated Survey of Households Bulletin, January 2004

school. This means 66% of farmers and fishermen completed at most only the elementary level, and 78.5% completed at most some years of high school.

Laborers and unskilled workers, the occupation group earning poverty-level wages, share a similar education profile. Of the 9.8 million employed as laborers and unskilled workers, 48.9% completed at most the elementary level, and 68% completed at most only some years of high school. (See *Tables 19 and 20*)

The education profile changes for the higher-income and quality-occupation groups, with more having completed at least the high school level, and a considerable number completing college.

The same higher education profile obtains for OFWS. Of the OFWs working or had worked abroad in the past six months in October 2002, 33.8% are college graduates, and 87.7% finished at least high school. (See *Table 21*)

To be sure intervening to improve education completion and quality will no longer be able to address the education profile of those currently employed. But not addressing this problem at this point swells the ranks of these immobile and uncompetitive labor, and makes the structural crisis in employment and income even more intractable.

Marginal improvements in completion and quality will not be enough. The situation calls for dramatic gains. This is not merely a financing problem as

many believe. It requires a determined campaign by the education department to signal its focused analysis and response to these issues, and mobilizing collective

action involving not only the government but also the private sector and local communities.

Give Relief to Domestic Production Through Tariff Protection. Beginning in the 1980s the Philippines has been implementing a unilateral trade liberalization program. Tariff Reform Program—I (TRP-I), implemented in 1981 to 1985, had the stated objective of rationalizing the country’s import substitution strategy. The aim was to bring down excessive protection that stunted the competitiveness of domestic industries as well as to reduce the bias of protection in favor of manufacturing and finished consumer goods and against agriculture. TRP-I narrowed the tariff band from 10% - 100% to 10% - 50%. Average nominal tariff went down from

Table 21. OFWs Working or Had Worked Abroad in Past 6 Months, by Highest Grade Completed, October 2002 (In Thousands)

Grade Completed	Number	% of Total
Total	1056	
No grade completed	1	0.09
Elementary Undergraduate	12	1.13
Elementary Graduate	35	3.29
High School Undergraduate	54	5.07
High School Graduate	264	24.79
Post Secondary	31	2.91
College Undergraduate	279	26.20
College Graduate	360	33.80
Not reported	1	0.09

Source: NSCB Statistical Yearbook

42% in 1981 to 28% at the end of TRP-I.

But subsequent tariff reform turned highly ideological. The government adopted a deep, universal and unilateral trade liberalization strategy based on the belief that by exposing our economy to competition, our industries would be forced to be competitive, or otherwise die and in the process force the factors of production to seek their more productive uses.

TRP-II, implemented through EO 470 (signed on 20 July 1991), brought down the average nominal tariff from 28% to 20% by 1995. The tariff for manufacturing fell from the 27% pre-E.O. 470 level to 19% by 1995. For agriculture, average tariff declined from the pre-E.O. 470 level of 35% to 28% in

1995. TRP-III, implemented through EO 189 and subsequent Executive Orders, sought to radically reduce the tariff further to a uniform level of 5% in 2004². By 1997, average nominal tariff was already at 13.43%.

But the trade liberalization program has failed to deliver on its promises. Agriculture and industry are finding it difficult to stand up to foreign competition, and have not produced new modern, high productivity and high value-added products. Trade liberalization has failed to make a dent on the crisis of income and employment in the country.

Even the determined efforts of unilateral liberalizers to show the brighter side of the strategy cannot escape the ugly side. For instance, Cororaton and Cockburn (2005), using an integrated CGE-micro-simulation, concludes that the tariff cuts implemented between 1994 and 2000 were generally poverty-reducing. However, this is primarily through the “substantial reduction in consumer prices they

engendered.” But elsewhere in their study, we also see the following:

- Domestic producers experience reduced volume and prices for local sales.
- Volume of exports increase, but so does volume of imports
- Total output in almost all sub-sectors decline, except for non-food manufacturing which marginally pulls up overall output.
- Labor and capital income from agriculture declines.
- While labor and capital income from non-agriculture increases, this was pulled up by the large increase in the rate of return to capital in capital-intensive non-food manufacturing.
- Income inequality worsens.

Swamped with petitions for upward adjustment in tariffs, there has been an adjustment in rhetoric, such as the Tariff Commission taking measures “to level the playing field for domestic industries vis-à-vis unbridled globalization.” In terms of actual policy, in January 2003 President Arroyo signed EO 164 that froze the 2002 levels of the tariff rates on products that

² A modification in 2001 provided for the implementation of a tariff band of 0% - 5% by 2004, except for a limited range of sensitive agricultural products with a 2004 tariff rate of 30%.

Table 22. Average Nominal Tariffs: 1997 - 2003 (in percent)

Year	Agriculture, Fishery and Forestry	Mining	Manufacturing	Overall
1997	25.28	4.68	11.45	13.43
1998	18.91	3.58	9.36	10.69
1999	16.33	3.51	8.98	9.98
2000	14.40	3.27	6.92	7.96
2001	14.21	3.25	6.68	7.71
2002	12.18	2.84	5.04	6.03
2003	12.64	2.84	5.04	6.10

Source: Tariff Commission. <http://www.tariffcommission.gov.ph/tariff1.html>

were scheduled for tariff reduction in 2003. In April 2003, E.O. 197 raised the tariffs on certain vegetables from 7% to 20% and 25%. Still the overall average nominal tariff in 2003 stands at a very low 6.10%, with 12.64% for agriculture, fishery and forestry, and 5.04% for manufacturing. (See Table 22)

Given the negative impact of the liberalization program on output and income for most sectors, these levels must be adjusted upwards to provide immediate relief to domestic production, employment and income. This will also help government recover some of its revenue losses from the liberalization program. An across-the-board increase at this time avoids the danger of protection falling prey to politically powerful rent-seekers that goes with the present case-by-case approach to tariff recalibration.

Audit the Institutions of OFW Welfare and Protection.

Because of its attraction that results from the domestic crisis of income and employment, overseas work will continue to be a major safety valve for the Philippine economy. The pressure to leave the country will remain, the growth in deployment limited only by demand and supply constraints. In Pulse Asia's July 2006 *Ulat sa Bayan* survey, 30% of all Filipinos say they would now migrate if it were only possible, while another 32% are vacillating and will also not rule out the possibility of migrating if it were possible.

While overseas work represents better income and opportunity, the recent experience of OFWs in Lebanon puts into perspective the risks, vulnerability and suffering that can go with it.

The Lebanon experience, like that in Iraq, will not be the

last. The Middle East, a perennial security and conflict flashpoint³, is a major destination for Filipino OFWs. In terms of stock estimate in December 2004, 1.6 million overseas Filipinos are in the Middle East.

The Lebanon experience called attention to questions on the use of OWWA funds and the crisis-preparedness of government agencies tasked with overseas protection and welfare. There will certainly be other problems that need to be addressed, and a wide area for improvement. Responding to this will require no less than an independent audit (in conjunction with the Senate investigation) of the funds, performance and accountability of the institutions and mechanisms for overseas protection and welfare. Among the institutions that need to be audited are the relevant programs of the Department of Labor and Employment (DOLE), the relevant programs of the Department of Foreign Affairs (DFA), the Philippine Overseas Employment Administration (POEA), and the

Overseas Workers Welfare Administration (OWWA).

The Perils of a Selective View

With legitimacy problems, and with the SWS second quarter 2006 survey showing 48% of Filipinos dissatisfied with her performance, President Gloria Macapagal-Arroyo couldn't resist looking only at the bright side of the state of the nation. Thus in terms of policy direction, she can only focus on the need to upgrade infrastructure. And this strategy was presented uncritically, forgetting the complications of public debt, corruption and government and consumer guarantees that go with infrastructure projects.

Indeed upgrading infrastructure is consistent with the sense of an economy poised for take-off. In contrast, the education crisis, precarious production, and a grim state of employment and income, are not.

Unfortunately for us, looking only at the bright side hides the crisis from view. Even more tragic, this sweeps the need for emergency measures under the rug.

³ Other danger zones include the African region, where sea-based workers sometimes fall prey to piracy and kidnapping for ransom.

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The Thematic Working Group (TWG) on Trade and Industrial Policy

The DRTS takes pride in the various networks, organizations, and actors who have committed valuable time and resources and channeled their efforts to see the process through.

Specific areas of concern include industrial output, the quality and quantity of employment and agricultural production and its linkages with industry. Fundamental to this process of engagement on trade and industrial policy is the recognition that an industrial promotion strategy, nestled within a broader framework of development and which gives context to an economy's trade policy, is important.

The TWG on Trade and Industrial Policy is composed of the following organizations:

- Action for Economic Reforms
- Alliance of Progressive Labor
- Centro Saka, Inc.
- Focus on the Global South
- Fair Trade Alliance
- Freedom from Debt Coalition
- International Gender and Trade Network
- Makabayan-Pilipinas
- National Economic Protectionist Association
- Partido Manggagawa
- Philippine Rural Reconstruction Movement
- Tambuyog Development Center.

They are primarily responsible for implementing the project.

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