



Concept Paper

Project Number: 49117-002
February 2016

Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 Republic of the Philippines: Facilitating Youth School-to-Work Transition Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 February 2016)

Currency unit	–	Peso/s (P)
P1.00	=	\$0.0209
\$1.00	=	P47.7050

ABBREVIATIONS

ADB	–	Asian Development Bank
BPO	–	business processing outsourcing
DOF	–	Department of Finance
DOLE	–	Department of Labor and Employment
DOT	–	Department of Tourism
FYSWP	–	Facilitating Youth School-to-Work Transition Program
HRD	–	human resource development
JSP	–	JobStart Philippines
LGU	–	local government unit
LMIS	–	labor market information system
NEET	–	not in employment, education, or training
PESO	–	public employment service office
TA	–	technical assistance
TESDA	–	Technical Education and Skills Development Authority
TVET	–	technical and vocational educational and training
TWA	–	temporary work agencies

NOTES

- (i) In this report, "\$" refers to US dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 49117-002	
Project Name	Facilitating Youth School-to-Work Transition Program	Department /Division	SEHS/SEPF
Country	Philippines	Executing Agency	Department of Finance
Borrower	Philippines		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Economic affairs management		250.00
Education	Technical and vocational education and training		120.00
		Total	370.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 4: Other regional public goods		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change Civil society participation Organizational development	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities		
Partnerships (PAR)	Civil society organizations Implementation		
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	Yes	Urban	High
Household targeting (TI-H)	Yes		
6. Risk Categorization:	Complex		
7. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		370.00	
Sovereign Program loan: Ordinary capital resources		350.00	
Sovereign Project loan: Ordinary capital resources		20.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		370.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROGRAM

A. Rationale

1. The Government of the Philippines recognizes that young people have difficulty finding jobs and that it takes longer than it should for them to find work after they leave school. The proposed Facilitating Youth School-to-Work Transition Program (FYSWP) will support government efforts that aim to shorten this transition and raise youth employment rates. The draft design and monitoring framework is in Appendix 1, and the problem tree is in Appendix 2. The FYSWP is included in the Asian Development Bank (ADB) country operations business plan for the Philippines for 2015–2017 and scheduled for delivery in 2016.¹

2. **The development problem.** The Philippines has a youth employment problem.² This is reflected in a slow school-to-work transition for many young Filipinos. A 2008 ADB survey of 500 households in Metro Manila and Cebu City found that 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, one in four young persons was neither in employment, education, or training in 2013, a rate second in Southeast Asia only to Indonesia's. The rate is higher for young women than for young men—one in three—because young women are more likely to withdraw from the labor market entirely.

3. **Binding constraints.** Based on ADB's diagnostics of the youth situation in the labor market, the main obstacles to a faster school-to-work transition for many young people involve both the labor demand side and the labor supply side (Appendix 4).³ On the labor demand side, while wage employment has been expanding at almost 500,000 jobs annually since 2010, it has not been sufficient to create jobs for the 800,000 new job seekers each year. On the labor supply side, the main constraints to achieving a faster school-to-work transition include (i) weak linkages between the education and training sectors and the skills requirements of industry⁴; (ii) quality and relevance issues in secondary education resulting in gaps in production of skills and competencies needed in the labor market or for further technical training; (iii) active labor market programs that provide out-of-school youth with an integrated set of employment support services that help them find decent employment are lacking; (iv) inadequate labor market information that can help young people search for work; (v) public employment services offices (PESOs) that exist under the county's local government units (LGUs) lack the resources they need to effectively implement active labor market programs to assist out-of-school youth⁵ find employment; and (vi) labor regulations and costly dispute resolution mechanisms have discouraged employers from hiring young persons on a long term basis.

4. **The government's employment agenda.** The government (through its Department of Labor and Employment (DOLE)) has identified priorities for increasing youth employment rates which are included in the government's updated Philippine Development Plan for 2011–2016 and are expected to be sustained in the new 6-year administration in 2016. This youth employment agenda includes (i) introducing interventions to make it easier for employers to

¹ ADB. 2014. *Country Operations Business Plan: Philippines, 2015–2017*. Manila.

² Youth are those persons between the ages of 15 and 24 years.

³ ADB (Forthcoming). *Youth Situation in the Labor Market*. Manila.

⁴ Technical Education and Skills Development Authority (TESDA), the country's technical and vocational education and training (TVET) authority in charge of standard setting, systems development and in supporting TVET provision, is faced with the challenge of producing adequate technical and generic skills demanded by the labor market.

⁵ Refers to high school graduates seeking employment.

recruit youth for longer periods, such as the accreditation of professionalized temporary work agencies (TWAs) and to lower the costs associated with dispute resolution mechanisms; (ii) strengthening the capacity of PESOs and making it mandatory for LGUs to create them to implement active labor market programs; (iii) improving access to workplace technical skills training for the young; (iv) enhancing the national labor market information system (LMIS); (v) beginning a national rollout of the government's JobStart Philippines (JSP) program targeting 64,000 out-of-school youths employment with support services⁶; and (vi) converging active labor market programs to deliver better outcomes.

5. **ADB engagement and development partner coordination.** ADB had added value to the government's employment agenda through a programmatic approach, beginning in 2010 with knowledge products and followed by two large technical assistance (TA) projects financed by the Government of Canada.⁷ ADB's Increasing Competitiveness for Inclusive Growth Program implemented during 2011–2014 and an associated TA (footnote 7), helped the government to successfully pilot JSP in four LGUs and pilot a workplace skills development scheme in tourism.⁸ The program also enabled a government regulatory impact assessment of several labor and employment policies, helping to lay the analytical foundations for the proposed FYSWP. The program will be supported by ADB capacity development TA that was approved in October 2015.⁹ The TA will help DOLE establish the institutional setup for the JSP's nationwide rollout, as well as an LMIS that will support this rollout. These two interventions are policy triggers for subprograms 1, 2, and 3 of the proposed FYSWP. It is also proposed that an investment project loan be included in subprogram 1 of the FYSWP to help fund grants to employers to pay for technical and on-the-job training for JSP beneficiaries.

6. **The proposed program complements other ADB interventions** that aim to help accelerate the transition from school to work for young people in the Philippines including the Senior High School Support Program approved in December 2014. This program is helping the government give high school graduates the skills necessary to find jobs and successfully undertake further education or training. These reforms will take time to carry out, and post-high school remedial employment programs such as JSP are crucial in integrating out-of-school youths into the labor market. ADB is also preparing other programs to complement the proposed FYSWP which will seek to stimulate employment (Appendix 4). The government and ADB will closely coordinate with other development partners in implementing the FYSWP including the Government of Canada, which is considering cofinancing the ADB capacity development TA for additional financing of CAD 19 million (footnote 9).

7. **Program design.** The FYSWP will comprise three subprograms covered by a medium-term results framework. The programmatic approach through a policy-based loan and investment project loan has been chosen over other financing modalities to help sustain the government's reforms and financing for its efforts to lift youth wage employment rates. The program focuses on improving the youth employability profile so they can take advantage of the opportunities as labor demand grows. While the program's target group is youth, many of the

⁶ A proposed JobStart Act will institutionalize the program through dedicated budget allocation and will help increase uptake and expansion of the program through the PESOs.

⁷ ADB. 2013. *Technical Assistance to the Republic of the Philippines for Employment Facilitation for Inclusive Growth*. Manila, and ADB. 2013. *Technical Assistance to the Republic of the Philippines for Improving Competitiveness in Tourism*. Manila.

⁸ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 2 to the Republic of the Philippines for the Increasing Competitiveness for Inclusive Growth Program*. Manila.

⁹ ADB. 2015. *Technical Assistance to the Republic of the Philippines for Support for the Nationwide Rollout of JobStart Philippines*. Manila.

program reforms will also assist prime aged unemployed workers in their job-to-job transition.

B. Impact, Outcome, and Outputs

8. The program's impact will be increased employment rates of young women and men. The outcome will be a shortening of the school-to-work transition period for youth. The FYSWP will include a series of policy reforms and interventions to raise the youth employment rate and is designed to deliver three outputs.

9. **Output 1: The labor market is made to work better for youth.** The program will support the government's reforms of its labor market programs. Under subprogram 1, (i) DOLE and selected PESOs will establish the institutional structure for implementing the JSP rollout nationally; (ii) DOLE will start the first phase of the JSP rollout, and 19 LGUs will participate by 2016; and (iii) DOLE will submit amendments to the PESO law and the JobStart bill to the Congress with the aim of ensuring the long-term budgetary sustainability of the labor market programs. Under subprogram 2, DOLE will (i) continue to implement JSP, (ii) bring about convergence of the government's other labor market programs with JSP to make sure that youth employment assistance is comprehensive, (iii) begin rolling out the LMIS nationwide, and (iv) implement the PESO and JSP laws once they are enacted. Subprogram 3 will focus on completing the JSP rollout to 64 LGUs, the LMIS rollout, and building the capacity of the PESOs.

10. **Output 2: Training systems made to work better for youth.** The FYSWP will support the government's reforms to give young people better access to workplace skills development by partnering with employers in growth sectors with promising employment opportunities such as the BPO industry, higher value added manufacturing, tourism and other services. Under subprogram 1, interventions will include (i) DOLE submit to Congress amendments to the apprenticeship law to improve the program so more employers will take part in it, and (ii) relevant line departments in coordination with industry groups and the TESDA develop sector based human resource development (HRD) strategies in tourism, BPO and other selected industries, initiate the implementation of these strategies, and the establishment of a sector-based skills funding scheme for tourism. Under subprograms 2 and 3, interventions will include (i) TESDA enhances the Philippine qualifications framework for growth sectors, and (ii) line departments implement HRD strategies and initiate skills funding schemes in the growth sectors.

11. **Output 3: Labor market regulations and policies improved to the benefit of young people.** The FYSWP will support the government's actions to make it easier for young people to find long-term employment and gain access to social protection. Subprogram 1 will include measures to improve the professionalism of the TWAs by raising standards and setting a minimum capitalization, since the TWAs are the main conduits through which young people seek and find jobs. Other subprogram 1 measures will enhance efficiency in mechanisms for resolving unfair dismissal disputes. Subprograms 2 and 3 will continue to implement measures to improve access to employment and social protection. Subprograms 2 and 3 will identify further interventions to improve access to jobs and social protection for the youth.

C. Program Costs and Financing

12. Subprograms 1, 2, and 3 are envisaged as single-tranche policy-based loans. Subprogram 1 may include an investment project to help fund the JSP rollout throughout the country during 2017–2020. For this purpose, DOLE would establish an imprest account for the disbursement of JSP grants to employers. The government has requested a loan of \$350 million

from ADB's ordinary capital resources to help finance subprogram 1 (with an indicative \$350 million for subprograms 2 and 3), and of \$20 million from ordinary capital resources to help finance the investment project.

D. Indicative Implementation Arrangements

13. The Department of Finance (DOF) will be the executing agency. DOLE, its attached agencies (such as the TESDA), the Department of Tourism (DOT), and the National Economic and Development Authority will be the implementing agencies. Implementation will be overseen by a steering committee chaired by the DOF, with the implementing agencies as members. The implementation periods are July 2014–July 2016 for subprogram 1, August 2016–July 2018 for subprogram 2, and August 2018–July 2020 for subprogram 3.

II. DUE DILIGENCE REQUIRED

14. The sector assessment will be supplemented by a public financial management assessment and a program impact assessment. The initial poverty and social analysis is in Appendix 3. The program is expected to be classified as category C for all safeguard aspects. Program design has benefited from the explicit commitment of the government. It incorporates knowledge gained from sustained ADB policy dialogue and ongoing TA implementation.

III. PROCESSING PLAN

A. Risk Categorization

15. The FYSWP is considered complex due to its loan size.

B. Resource Requirements

16. The program's estimated internal resource requirements are for a mission leader (18 months), a co-mission leader and education specialist (9 months), a country economist (3 months), a communications expert (3 months), a civil society expert (3 months), legal counsel (3 months), national officers and analysts (6 months), and an operations assistant (6 months).

C. Processing Schedule

17. The table below shows the proposed processing schedule.

Milestones	Expected Completion Date
Concept paper approval	February 2016
Loan fact-finding mission	February 2016
Management review meeting	June 2016
Loan negotiations	August 2016
Board circulation of RRP	October 2016
Board consideration	October 2016

RRP = report and recommendation to the President.

Source: Asian Development Bank.

IV. KEY ISSUES

18. To assure continuity through the country's election cycle in mid-2016, ADB will coordinate closely with government agencies through its ongoing support to DOLE and DOT.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

Impacts of the program is aligned with the Philippine Development Plan, 2011–2016 that will help increase wage employment rates for the country’s youth and the government’s efforts to increase the growth rate in wage employment of young women and young men (aged 18–24 years).

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome A shortened youth school-to-work transition</p>	<p>By 2021</p> <p>For young women: (i) NEET rate decreases by 10 percentage points (baseline 2010 to 2013 = NEET rate of 50% with high school graduation) (ii) The median duration of the youth school-to-work transition decreases by one year. (2008 baseline = high school graduates take on average 4 years to find a wage job) (iii) Youth wage employment rate one year since leaving school increases by 15 percentage points (2008 baseline = employment rate is 20.0% for high school graduates one year since leaving high school)</p> <p>For young men (iv) Youth wage employment rate one year since leaving school increases by 10 percentage points (2008 baseline = young men employment rate is 30.0% for high school graduates one year since leaving high school)</p>	<p>Indicator (i): National labor force survey, 2010 to 2020</p> <p>Indicators (ii) – (iv): ADB household survey in Manila and Cebu, 2020</p>	<p>Risk that the Philippine GDP may fall below 6.0% annual growth rate, which is considered necessary to generate over 500,000 new wage jobs annually.</p> <p>There is the risk that the government may not secure sufficient national budgetary funding for youth employment programs</p>
<p>Outputs 1. The labor market for youth made better</p>	<p>By 2016, (i) 19 LGUs sign MoUs with DOLE to implement JSP (2014 baseline = 4), (ii) At least 150 DOLE and PESO staff trained in JS and employment facilitation implementation (2014 baseline = 20), (iii) at least 6,000 out-of-school youth enter JSP, of whom at least 55% are women (2014 baseline = 900), (iv) bills on PESO and JSP institutionalization filed in Congress (2014 baseline = 0), (v) labor market information system (LMIS) action plan endorsed (2014 baseline = 0).</p> <p>By 2018, (i) a total of 40 LGUs sign MoUs with DOLE to implement JSP (2014 baseline = 4), (ii) at least an</p>	<p>Signed MoUs</p> <p>JS Unit annual reports</p> <p>Skills Registry System (SRS) summary reports on JSP youth beneficiaries</p>	<p>There are local political and financial risks. PESO participation in the JSP is voluntary so a future change of administration in LGUs may result in a lack of commitment to JSP.</p> <p>Staff turnover reduces the critical mass of DOLE and LGU staff</p>

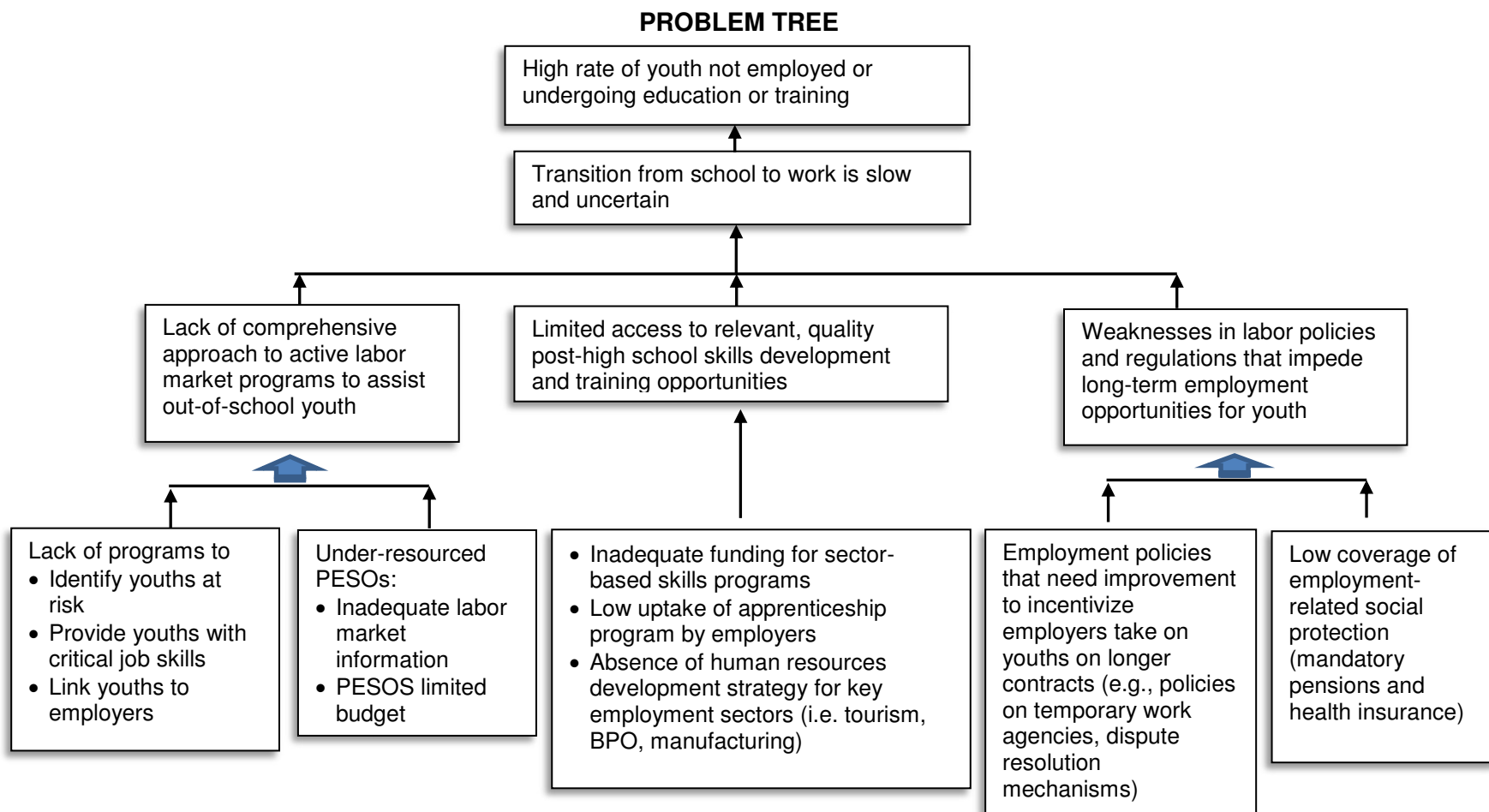
	<p>additional 400 DOLE and PESO staff trained in JS implementation and employment facilitation (2014 baseline = 20), (iii) Accumulative total of 35,000 out-of-school youth enter JSP, of whom at least 55% are women (2014 baseline = 900), (iv) at least 30% of out-of-school youth entering JSP are SPES beneficiaries, (v) implementing rules for PESO Act and JSP Act implemented with national government budget appropriations (2014 baseline = 0), (vi) LMIS implementation ongoing (2014 baseline = 0).</p> <p>By 2020, (i) a total of 64 LGUs sign MoUs with DOLE to implement JSP, (2014 baseline = 4), (ii) at least an additional 400 DOLE and PESO staff trained in JSP implementation and employment facilitation (2014 baseline = 20), (iii) Accumulative total of at least 64,000 out-of-school youth enter JSP, of whom at least 55% are women (2014 baseline = 900), (iv) 30.0% of out-of-school youth entering JSP are SPES beneficiaries, (v) sufficient national government budget appropriations to PESOs, JSP and SPES (2014 baseline = 0 for JSP and P500 million for SPES).</p>		<p>knowledgeable on JSP processes</p> <p>LGUs allocate insufficient budgetary and staff resources to PESOs to implement JSP, which is time intensive.</p>
<p>2. Training systems for youth made better</p>	<p>By 2016, (i) Total 8,000 workers access to skills development under the tourism skills development scheme (baseline 2014 = 2,500), (ii) amendments to the apprenticeship act submitted to Congress (baseline = 0), (iii) human resource development strategy for tourism endorsed and implementation initiated including national government budget appropriations for skills funding scheme (2014 baseline = 0).</p> <p>By 2018, (i) total of 20,000 tourism workers access skills development under the tourism skills development scheme (baseline 2014 =2,500), (ii) total of 5,000 youth access pre-hire skills development under the BPO skills development program (2014 baseline =0), (iii) increased number of enterprises participating in the apprenticeship program (2014 baseline = 600), (iv) increased number of young persons entering apprenticeships beyond six months (2014 baseline = tbd), and (v) TESDA revised technical regulations for</p>	<p>DOT Reports and Star ratings publications</p> <p>DOLE reports</p> <p>SENA reports</p> <p>TESDA reports</p> <p>BPO industry reports</p>	<p>There is the risk that the government may not secure sufficient national budgetary funding for skills training</p>

	<p>tourism, BPO and other occupations (2014 baseline = 0).</p> <p>By 2020, (i) total 40,000 tourism workers access skills development under the tourism skills development scheme (2014 baseline = 2,500), (ii) total 25,000 at risk youth access pre-hire skills development under the BPO skills development program (baseline = 0), (iii) increased number of enterprises participating in the apprenticeship program (2014 baseline = 600), (iv) Increased number of young persons entering apprenticeships beyond six months (2014 baseline = tbd).</p>		
3. Labor market regulations and policies for the benefit of youth improved.	<p>By 2016, (i) increased number of temporary work agencies meet minimum required capitalization (2014 baseline = tbd), (ii) increased share of dismissal related disputes resolved through mediation and conciliation (SENA process 2014 baseline = tbd), and (iii) reduced the time to resolve unfair dismissal cases in SENA (2014 baseline = tbd).</p> <p>By 2020, (i) increased number of TWAs meet minimum capitalization (2014 baseline = tbd), (ii) increased number disputes resolved through SENA (2014 baseline = tbd), and (iii) increased number of youth workers covered by social security system and Philhealth (2014 baseline = tbd).</p>	DOLE reports SENA reports	
Key Activities with Milestones:			
Not applicable			
Inputs:			
Asian Development Bank: \$350 million policy based loan for subprogram 1, \$350 million (indicative) for subprogram 2, and \$350 million (indicative) for subprogram 3, and \$20 million for investment project as part of subprogram 1			
Assumptions for Partner Financing:			
Not applicable			

BPO = business process outsourcing, DOLE = Department of Labor and Employment, DOT = Department of Tourism, GDP = gross domestic product, JSP = JobStart Philippines, LGU = local government unit, LMIS = labor market information system, MoU = Memorandum of Understanding, NEET = not in employment, education, or training, PESO = public employment service office, SENA = Single Entry Approach, SPES = Special Program for Employment of Student, SRS = Skills Registry System, tbd = to be determined, TESDA = Technical Education and Skills Development Authority, TWA = temporary work agencies.

^a Government of the Philippines. 2014. *Philippine Development Plan, 2011–2016*. Manila.

Source: Asian Development Bank.



INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Philippines"/>	Project Title:	<input type="text" value="Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 of Facilitating Youth School-to-Work Transition Program"/>
Lending/Financing Modality:	<input type="text" value="Policy-Based"/>	Department/ Division:	<input type="text" value="Southeast Asia Department/ Public Management, Financial Sector and Trade Division"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The areas of policy covered by the proposed Facilitating Youth School-to-Work Transition Program (FYSWP) in the Philippines closely correspond to government priorities included in the Philippine Development Plan, 2011–2016. The policy goals include creating jobs and poverty reduction. In its country partnership strategy for the Philippines for 2011–2016, ADB has continued a strategic emphasis on improving the country's investment climate, employment creation and accelerating progress toward the Millennium Development Goals. Subprogram 1 of the proposed program will support the broad priorities of the government's employment agenda by strengthening active labor market programs, improving young persons' access to skills training, and refining labor policies to make it easier for employers to hire young people.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The program is designed to target out-of-school youth who are from low income households. While many of the reforms under the FYSWP are national, some reform such as the JobStart Philippines (JSP) program of DOLE will target specific geographic locations in Luzon, Visayas and Mindanao.

C. Poverty and Social Analysis

Key issues and potential beneficiaries. The Philippines' social indicators have always displayed the mixed outcomes from the country's educational strengths on the one hand and its deeply entrenched poverty on the other. The government has increased emphasis on employment generation as a main channel for further poverty reduction in its Philippine Development Plan, 2011-2016. The unemployment rate declined to 6.8% in 2014 from 7.4% in 2010 but remains a pressing concern, as does a particularly high rate of youth joblessness. The incidence of poverty has declined, but one-fourth of the population is still poor. The government's growth and poverty reduction strategy is to raise public and private investment in infrastructure and the social sectors while further improving the investment climate. While the Philippines shows the usual inverse relationship between economic growth and poverty incidence, this relationship is weaker than in other economies in Southeast Asia. Poverty remains highly concentrated in rural areas, where 75% of poor households live. Weak labor market performance also contributes to the persistence of high poverty levels and relatively high income inequality. The poorer regions of the country tend to have much larger informal sectors than the better-off regions. Households that rely on nonwage incomes are significantly more likely to be poor than households headed by individuals who have formal wage employment. Labor market performance also varies between demographic groups. The rate of people termed "not in employment, education, or training" (NEET) is high among young people and women, especially those who have only high school education or less. Youth NEET rates are twice as high in low-income households as in well-off households. This situation for youth perpetuates poverty and income inequality between generations and is of particular concern. Levels of education, life skills, and quality social contacts are important factors in an individual's access to good wage jobs. An indicator of the dynamism of a labor market is the time it takes for young people to transition from school to a wage job. In the Philippines, this transition is slow for high school graduates, for whom employment chances pick up only about 5 years after they leave school. The slow transition reflects both a weak labor market and weak links between the education and skills training sectors and the workplace. The potential beneficiaries of the proposed FYSWP will be out-of school youth and new entrants into the labor market. Enterprises will also benefit from reforms as the employability profile of youth and increased availability of skills funding will be improved through FYSWP reforms.

2. Impact channels and expected systemic changes. The increase in wage employment rates for young men and women is among the most important ways to reduce poverty and income inequality over the long term.

3. Focus of (and resources allocated in) the PPTA or due diligence. Not applicable.

4. Specific analysis for policy-based lending. The FYSWP will support the government's key reform priorities of generating employment by instituting reforms to raise the employability profile of young persons and make it easier

for employers to hire young people on a long term basis. The specific goals are to raise the growth rate in wage employment of young women (aged 18–24 years) from an average 2.5% during 2000–2012 to 5.5% annually by 2022 and for young men from 3.7% over the same period to 4.0% annually by 2022. The program's reform priorities include making the labor market work better for youth by reforming the government's active labor market programs including starting the nationwide rollout of JSP, making training systems work better for youth by reforming the apprenticeship system and improving funding for skills training programs, and improving labor regulations and policies for the benefit of youth.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Studies used to prepare the FYSWP showed a clear gender gap in labor market outcomes. NEET rates are higher for young women than for young men, particularly for young women with only high school education or less. Young women are more likely than young men to withdraw from the labor market or enter precarious forms of employment, including work as private household domestic staff. About 1 in 3 young women is likely to be trapped in NEET status, compared with 1 in 5 men. An ADB study found that the school–work transition appears to start more slowly for young women than for men—only about 40% of women find a job within 1 year of leaving school, compared with more than 50% of men. Young women are also overrepresented in the low- and middle-level occupations in the tourism sector, where women account for over 55% of the workforce.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No The program has specified specific gender-responsive measures that aim to narrow the gender gap in labor market performance. Under subprogram 1, the FYSWP will seek to ensure that at least 55% of JSP beneficiaries are young women, which will reflect and address the NEET gender gap; and that the overall NEET rate of young women decreases by 10 percentage points by 2022.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The key stakeholders are officials in central government agencies, 64 local government units, private sector stakeholders (employers, chambers of commerce, tourism enterprises, and industry associations), academics, nongovernment organizations, youth and women groups, and the Government of Canada.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? Representatives from youth groups are members of the JSP steering committee and provide input into project management and design.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

M Information generation and sharing Consultation H Collaboration Partnership

Aspects of the reforms that the FYSWP will support have been subject to extensive stakeholder consultations. The Department of Labor and Employment discusses employment and labor policy issues at meetings of a tripartite committee of representatives of the government, employers, and labor groups. Youth and women groups are part of the JSP steering committee and will also be represented on the FYSWP steering committee chaired by the Department of Finance.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>V. OTHER SOCIAL ISSUES AND RISKS</p>
<p>1. What other social issues and risks should be considered in the project design? H <input checked="" type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? No additional social risks.</p>
<p>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</p>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not a PPTA.</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? Not required.</p>

Source: Asian Development Bank

SECTOR (SUMMARY) ASSESSMENT

Sector Roadmap

A. Sector Performance, Problems, and Opportunities

1. This sector assessment report for the Facilitating Youth School-to-Work Transition Program (FYSWP) summarizes the current conditions young people face when they make the transition from school to work in the Philippines. The report draws on a comprehensive ADB diagnostic study on the youth situation in the domestic labor market.¹ A longer version of this assessment is available on request. The report discusses school-to-work transition indicators and labor policies affecting this transition. The government's strategy to make the transition faster for the country's youth and ADB's assistance to support this goal are summarized. The government's strategic framework provides the foundations for the package of ADB and development partner assistance proposed under the umbrella operation of the FYSWP loan.

2. The overall employment situation in the Philippines improved significantly during 2010–2014, and the medium-term employment outlook is promising. Data from the government's labor force survey show that wage employment expanded by 3.7% annually over this period, adding an average of 465,000 new wage jobs each year. Other surveys indicate a strong pick-up in employment since 2010. Job creation in medium-sized and large establishments expanded by 12.0% during 2010 to 2012, and the 1,000 largest corporations recorded annual job expansion of 10.0%. Rapid growth in tourism, the business processing outsourcing (BPO) industry, and the retail sector drove this employment growth. The employment outlook remains positive over the short and medium terms. As long as the economy continues to expand at an annual rate of above 6.0%, at least 500,000 wage jobs will be created each year during 2015–2018. Wage employment creation will continue to outpace employment growth in the informal sector. The government has put in place reforms to lift growth and employment creation through infrastructure investments with a target to reach over 5.0% of gross domestic product by 2016, as well as continued financial sector and business climate reforms

3. Significant challenges remain. First, the growth in wage employment has not been able to absorb more than 300,000 of the 800,000 new job seekers each year. Since 45% of the country's population is under the age of 25, labor supply pressures will persist for some time. Second, structural change is shifting demand in the labor market toward college-educated and high-skilled workers. This is the result of rapid growth in the tourism, BPO, and other industries and will make it a major challenge for the economy to create employment for jobseekers with lower skills and less education. A third major issue is the slow school-to-work transition for many young Filipinos, which is associated with change, waiting and substantial uncertainty. High school graduates and school dropouts have a particularly difficult time integrating productively into the labor market. Fewer than half of high school graduates actually find wage employment, compared with about 70% of college graduates, and it can take them up to 4 years. Only 20% of high school graduates find a job in the first year after leaving high school. As a result, one in four young people are not in employment, education, and training (NEET). This NEET rate is the second highest in Southeast Asia behind Indonesia's. The factors that raise the risk of youths falling into NEET status are described in Table A1 and relate to their educational attainment, marital status, gender, and the socioeconomic status of their household.

¹ ADB (Forthcoming). *The Filipino Youth Situation in the Labor Market*. Manila.

Table 1
Factors Affecting the Risk of Not in Employment, Education or Training in the Philippines

Item	Risk Assessment
Women	<ul style="list-style-type: none"> i. The probability of becoming NEET decreases with age. Young women (20–24 years of age) are two times more likely to be NEET than female adults. ii. Women with high school education or less are two times more likely to be NEET than female college graduates. iii. Women with children are more likely to become NEET than women without children. The chances of becoming NEET rise steeply for women with three children or more. iv. Location can also increase the risk of becoming NEET. Women residing in the ARMM have a higher probability of becoming NEET than women in other regions and a 59% greater risk than women residing in Metro Manila. Residing in an urban area also raises a woman's risk. v. Young women in low-income households are two times more likely to become NEET than young women in high-income households
Men	<ul style="list-style-type: none"> i. Males 15-19 years old are more likely to be NEET than male adults. . ii. Male high school graduates have a higher probability of becoming NEET than male college graduates. iii. Marital status influences the probability of becoming NEET. Single men are about four times more likely to be NEET than married men. iv. Men residing in urban areas have higher odds of becoming NEET than those in rural areas. v. In Metro Manila, young men residing in low-income households are more than two times more likely to be NEET than young men living in high-income households.

Source: Asian Development Bank.

Notes: Except for the low-income variable, risks were assessed according to the estimated probabilities from the statistical analysis on the determinants of NEET.

4. The sector assessment identified several labor supply side obstacles to a faster school-to-work transition for young Filipinos (paras 5-10).

5. **Low school participation rate.** Basic education in the Philippines end after grade 10, and students are only about 16 when they graduate from high school. Many high school graduates go on to a 2-year college course or university before entering the labor market. However, more than one-half do not and are faced with difficulty in finding employment due to their young age. They often spend several years at home without employment, and this is reflected in the high NEET rate for high school graduates and school dropouts. High school and college dropout rates are higher for students from low-income families than those from high-income families.

6. **Weak education and training sector linkages with the labor market.** The share of young Filipinos with technical and vocational educational and training (TVET) qualifications increased rapidly during 2000 and 2013, but many employers complain that both high school graduates and many TVET graduates lack the technical and soft skills demanded in the workplace. This skills mismatch results from several factors. First, the TVET qualifications framework is not based strictly on competency. This means that the TVET certification of a graduate does not always reflect the depth of actual skills acquired through training. Second, the uptake by workers and employers of the country's apprenticeship program, which is designed to create a tight link between skills training and the workplace, is low, with only 70,000–80,000 apprenticeships annually. Only about 600–700 enterprises take part each year. The program's key problems have been well-documented and include restrictions on the duration of the apprenticeship with many programs limited to a maximum of 6 months to minimize the possibility of employer abuse of the 6 month probation period. Most technical

trades require an apprenticeship of 2–5 years. Third, available funding for skills development within and outside the workplace is limited. An income tax deduction for employers spending on such training has had little response.

7. **Lack of active labor market programs and job search assistance for youth.** Active labor market programs aim to help job seekers integrate into the labor market. They generally provide their remedial assistance to targeted groups who need to become job ready or acquire marketable skills. These include out-of-school youths, prime employment age adults returning to the labor market after an absence, and mature adults recently made redundant and finding it difficult to get a new position. Such programs assist out-of-school youth in Australia, Canada, Chile, Ireland, New Zealand, the United Kingdom, and the United States. They provide career guidance and coaching services, access to short-term skills training, and workplace experience in the private sector in some instances. The Philippines operates some active labor market programs but they do not provide an integrated set of the services critically needed to improve the employability of the out-of-school young and help get them into the wage job market. Instead, they focus mainly on providing either TVET training or short-term internships, such as those under the Government Internship Program (GIP) and its Special Program for the Employment of Students, which provides paid internships for students from poor families to keep them in school and college.

8. **Limited labor market information for effective job search.** Labor market information helps students and jobseekers make informed decisions about their investments in education, career choices, and where to find jobs. The Philippines has been developing its national labor market information system through its national Skills Registry System and a vacancy database known as PhilJobsFit. Local governments are also responsible for collecting labor market information, but the depth of this information and its quality vary significantly between these local government units (LGUs). The challenge for the government now is to integrate the various labor market information systems and allocate substantially more resources to collecting labor market information on a regular basis.

9. **Under-resourced public employment services offices.** Public employment services offices (PESOs) in LGUs were created but not mandated by a 1994 act. With assistance from the DOLE, more than 1,500 LGUs have set up PESOs. Of these, 327 are currently institutionalized and have LGU-allocated budgets and a permanent PESO manager and staff. PESOs are conduits for implementing several national and local government labor market and livelihood programs. This and tight resource constraints have overstretched their capacities, and most are unable to implement their assigned tasks effectively. The DOLE has drafted amendments to the 1994 PESO legislation that would make it mandatory for LGUs to establish PESOs and increase the budgetary resources available to them.

10. **Regulatory obstacles to full-time jobs for the young.** The Philippine labor market is characterized with a good degree of flexibility in employment arrangements that have helped support a strong pickup in employment from 2010 to 2013. This flexibility arises because of critical reforms that promoted the establishment of temporary work agencies (TWA) in the Philippines. Temporary employment arrangements are common in all market economies. They offer an important channel for young people to find their first jobs and gain work experience. They also speed up the transition of unemployed persons into new jobs. However, the high incidence of short-term work that currently characterizes the Philippines' labor market may mean that too many young people are moving from one temporary job to another instead of being able to use their temporary work experience to graduate to longer-term employment and higher pay.

11. Several government policies and regulations impede the transition by the young from school to long-term wage jobs because they serve as disincentives for employers considering young individuals for this kind of employment. These include (i) the high possibility of an employee being reinstated in the enterprise on the basis of unfair dismissal; and (ii) relatively high costs of resolving labor disputes, including excessive arbitration and court awards. In addition, while TWAs provide critical employment intermediation, many operate with little or no capital and do not comply with core labor standards. Improving the professionalism of TWAs is important to ensure that young people are placed in decent employment.

B. Government's Sector Strategy

12. The government has developed strategies to make the country's young people more employable and speed up their transition from school to work. These efforts focus on three main areas: education reforms, skills development, and active labor market programs. The reforms and interventions are articulated in the Philippines Development Plan, 2011–2016 and its midterm update, as well as in such sector strategies as a national labor and employment plan for 2011–2016, a national tourism development plan for 2011–2016, and the government's basic education reforms. Interventions directly related to youth employment are discussed in paras. 13-18.

13. **School participation rate.** The government is seeking to raise the school participation rate by extending basic education by 2 years from kindergarten to grade 12. The government's basic education reforms will establish a technical-vocational and livelihood education pathway for students and integrate life skills into a revised high school curriculum.

14. **Financial assistance to keep poor students in school and college.** The government operates several financial assistance programs for students of different ages. These are designed to keep them in school. They include government student financial assistance scholarships, student loans, and voucher programs; a conditional cash transfer program implemented by the Department of Social Welfare and Development; and the Special Program for the Employment of Students implemented by DOLE.

15. **Strengthening linkages between schools and industry.** Through the Technical Education and Skills Development Authority (TESDA), the government has implemented programs to enhance the linkages between schools and industry. These have included an apprenticeship program and a dual training scheme with enterprises that combines employment with short-term technical training. The inclusion of a technical-vocational and livelihood track in the government's K to 12 education program is part of government's efforts to increase labor market relevance of skills produced. The government is looking at ways to strengthen the apprenticeship program to improve uptake by enterprises. The Department of Tourism has piloted a skills development program to enhance linkages with skill training and industry.

16. **Active labor market programs.** The government operates several active labor market programs to help different demographic groups find good jobs. The Government Internship Program (GIP) provides young workers with the opportunity for work experience in government. The Training for Work Scholarship Program is designed to fund the training of young people in skills for hard-to-fill jobs. The most recent active labor market program is the JSP, which has completed its pilot stage and the nationwide rollout had started in December 2015. It aims to provide a full cycle of employment services to help out-of-school youth become job ready and find decent employment.

17. **Strengthening Public Employment Services offices (PESOs).** The government is strengthening the ability of PESOs to provide job search services to young people and thus improve youth transition from school to work.

18. **Labor policy.** The DOLE has been adjusting the most restrictive labor policy regulations with the aim of striking an acceptable balance between providing employers and employees with more workplace flexibility and promoting job stability. Such reforms have been gradual, since consensus is required between the government, employers, and federated unions. One major reform that injected critical flexibility in the labor market was that associated with the TWAs (para. 10). The government has also introduced mediation and conciliation services outside the National Labor Relations Commission to try to reduce the time and cost involved in dispute resolution.

C. ADB Sector Experience and Assistance Program

19. ADB has long supported Philippine government education and skills training interventions that have had an impact on the school-to-work transition of the country's young people. This support has included policy advisory assistance, program lending, investment projects, and knowledge products.

20. Through the Increasing Competitiveness for Inclusive Growth Program and associated technical assistance (TA) funded by the Government of Canada, ADB helped the DOLE pilot JSP in four LGUs². More than 1,600s youth went through the program. ADB is helping roll JSP out nationwide. Under the Increasing Competitiveness for Inclusive Growth Program and the TA support, the government reviewed critical labor regulations and active labor market programs and assessed their impacts on employment. These assessments have provided input for drafting amendments to the PESO and apprenticeship legislations and developing a strategy to converge active labor market programs to achieve cost-effective synergies. The TA has helped the DOT pilot a tourism industry skills development program and grants scheme.

21. ADB and the government have proposed FYSWP for approval in 2016. This program will build on previous ADB advisory assistance and focus on strengthening active labor market programs, strengthening the linkage between training and the labor market, and improving labor regulations for the benefit of youth. The program will be complemented by the following interventions which support either the supply of or the demand for labor:

- i. Senior High School Support Program loan, 2014 to 2019, with subprogram 1 approved by the BOD in December 2014³ and subprogram 2 planned for delivery in 2017, which supports the government's K to 12 program.
- ii. Encouraging Investment through Capital Market Reforms (EICMR) Program loan, 2015 to 2017,⁴ which supports reforms to deepen the capital market in support of infrastructure financing.

² JSP will establish a modern full-cycle employment facilitation services at the PESOs and provide youth with access to career guidance, life skills and technical, on-the-job trainings.

³ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan to the Republic of the Philippines for the Senior High School Support Program*. Manila.

⁴ *Encouraging Investment through Capital Market Reforms*. ADB. 2014. *Country Operations Business Plan: Philippines, 2015–2017*. Manila.

- iii. Expanding Private Participation in Infrastructure (PPIP) Program loan, 2015 to 2017,⁵ which supports the government's reforms to promote PPPs in infrastructure.
- iv. Rural Enterprises and Employment Program loan, 2017 to 2019,⁶ which aims to support development of SMEs in the rural areas to stimulate rural employment.
- v. Inclusive Growth through Regional Cooperation Program, 2017 to 2019,⁷ which supports government's actions to implement its agenda under the ASEAN Economic Community blueprint covering flow of goods and services, capital market integration and social protection and employment.

⁵ *Expanding Private Participation in Infrastructure Program*. ADB. 2014. *Country Operations Business Plan: Philippines, 2015–2017*. Manila.

⁶ *Rural Enterprises and Employment Program*. ADB. 2015. *Country Operations Business Plan: Philippines, 2016–2020*. Manila.

⁷ *Inclusive Growth through Regional Cooperation Program*. ADB. 2015. *Country Operations Business Plan: Philippines, 2016–2020*. Manila.

Sector Results Framework (Employment, 2016–2022)

Country Sector Outcomes		Country Sector Outputs		ADB Sector Operations	
Sector Outcomes with ADB Contribution	Indicators with Targets and Baselines	Sector Outputs with ADB Contribution	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions	Main Outputs Expected from ADB Interventions
Increased youth employment	Increased growth rate in wage employment of young women (aged 18–29) from 2.5% (averaged over 2000 to 2012) to 5.5% annually by 2022 and for young men from 3.7% to 4.0% annually by 2022 (averaged over 2000 to 2012)	Active labor market programs strengthened Access to wage employment for youth increased	The median duration of school-to-work transition for young people decreases by 1 year (2008 baseline: high school graduates take an average of 4 years to find a wage job) Youth employment rate 1 year after leaving school increases by 10 percentage points (2008 baseline: youth employment rate for high school graduates 1 year after leaving high school is 20% of this cohort) NEET rate of young women decreases by 10 percentage points (Baseline, 2010–2013: NEET rate of young women with high school graduation is 50.0%)	Ongoing projects with approved amounts Capacity development TA 8334 for improving competitiveness in tourism (\$7.0 million grant) and TA 8335 for improving employment for inclusive growth (\$5.5 million grant) financed by the Government of Canada. Pipeline projects with estimated amounts Facilitating Youth School to Work Transition program: Subprogram 1 (\$300 million) in 2016 Subprogram 2 (\$300 million) in 2018 Subprogram 3 (\$300 million) in 2020 Support for JSP Rollout loan project (\$20 million) Capacity development TA for support for JSP rollout (\$1.3 million)	A total of 64 LGUs sign MOUs with DOLE to implement JobStart At least 950 DOLE and PESO staff trained in JSP implementation and employment facilitation A total of at least 64,000 out-of-school youths enter JSP by 2020, of whom 30.0% are SPES beneficiaries and at least 55% are women Increased number of youth workers covered by social security system and Philhealth 22,500 tourism workers access skills development under the tourism skills development scheme 20,000 at risk youth access pre-hire skills development under the BPO skills development program