

SECTOR ASSESSMENT (SUMMARY): PUBLIC SECTOR MANAGEMENT

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. **Introduction.** This sector assessment examines trends in overall employment growth in the Philippines, with a focus on the challenges facing the youth when they try to make the transition from school to work. It discusses the effectiveness of various policy reforms pertaining to labor market activation and skills development, and of other education and social protection programs aimed at boosting human capital development. It elaborates on how the Asian Development Bank (ADB) will continue to support the government in furthering its policies and programs to enhance the employability of the youth and improve their employment prospects, as emphasized in the Philippine Development Plan (PDP), 2017–2022.¹

2. **Economic growth and overall unemployment.** The Philippine economy grew by 6.3% per annum on average during 2011–2018. The overall unemployment rate fell from a peak of 11.8% in 2014 to 5.3% in 2018. During 2011–2017, employment in the services sector increased by about 4.7%, but it only grew by 1.3% in the industry sector and declined by 1.6% in the agriculture sector. However, the agriculture sector, which contributed only 8.5% to gross domestic product (GDP), accounted for 25.4% of total employment in 2017, while the industry sector, which contributed 34% to GDP, accounted for only 18.3% of employment. The services sector accounted for 57.5% of GDP and 56.3% of total employment.²

3. **Youth unemployment.** The unemployment rate for youth (aged 15 to 24 years) declined from 17.6% in 2010 to 13.4% in 2018. Despite this improvement, the unemployment rate for youth is twice that for adults (aged 25 to 59 years). The pace and quality of job creation, especially with respect to the youth, remains a problem for four main reasons. First, growth in wage employment is not enough to absorb all of the 800,000 new job seekers entering the labor market each year or reduce the absolute number of workers crowded into the low-productivity, low-earning informal sector and other forms of temporary employment. Jobs are being created mainly in the services sector, and not in the agriculture or industry sectors, which together continue to account for about 43% of total employment.

4. Second, because of rapid technological advancement and globalization, market demand is shifting toward college-educated and highly skilled workers, making it more difficult for those without post-secondary education to find work. The proportion of youth who are not in employment, education, or training (NEET) is twice as high in low-income households as in well-off households. It is estimated that one in four persons aged 15–24 is NEET. The NEET rate is higher among young women (29.2%) than young men (15.4%). This perpetuates poverty and income inequality between generations. The higher female NEET rate is the result of economic inactivity among females, as they are often the household caretakers and are not looking for work or remain out of the labor force.³ In 2017, young women in the Philippines were almost twice as likely as young men to be out of school, not be gainfully employed, and not have

¹ Government of the Philippines, National Economic and Development Authority. 2017. *Philippine Development Plan, 2017–2022*. Pasig.

² Philippine Statistics Authority. <https://psa.gov.ph/>.

³ International Labour Organization. 2017. *Decent Work Country Diagnostics: Philippines 2017*. Geneva.

finished college or post-secondary education; 57% of young women gave marriage or family matters as the reason for not attending school, while only 2.7% of young men did.⁴

5. Third, the school-to-work transition for many young Filipinos continues to be marked by delays and uncertainty. On average it takes 4 years for a high school graduate and 2 years for a college graduate to find permanent wage jobs. This slow transition is the result of inefficient and fragmented labor market programs, weak links between education and skills training, and the changing demand for jobs.

6. Fourth, the gender gap in the overall labor force participation rate worsened from 49.3% in 2007 to 47.5% in January 2018. This will make it even more challenging for the Philippines to attain the PDP's target of raising the women's labor force participation rate to 51.3% by 2022.

7. **Binding constraints.** The sector assessment for subprogram 1 noted the following binding constraints, which prevent the youth from accessing job opportunities in a timely manner: low school participation rate, lack of active labor market programs and job search assistance for the youth, under-resourced public employment services offices, limited labor market information for effective job searches, and weak education and training linkages with the labor market. The successful rollout of the Senior High School Program and the increase in the eligibility age under the Pantawid Pamilyang Pilipino Program from 15 to 18 years will keep the youth in school longer and help to address the problem of low school participation rate.⁵

8. While subprogram 1 supported the government's efforts to roll out new innovative labor market programs and raise youth employment rates, three challenges remain to promote lifelong learning opportunities and increase income-earning ability of young Filipinos: (i) low coverage and quality of public employment services; (ii) weak skills development and training systems; and (iii) need to strengthen labor policies.

9. **Addressing the constraints.** Under subprogram 2, ADB will continue to support the Government of the Philippines in fully operationalizing recent policy reform initiatives for: (i) improving employment facilitation services, including active labor market programs and job search assistance and career counseling for the youth; (ii) modernizing the skills ecosystem; (iii) facilitating easier access to industry-linked training; and (iv) strengthening labor policies.

10. **Employment facilitation services.** The process of institutionalizing the public employment services offices has been initiated, however more needs to be done to build the capacity of their staff and counselors in terms of building strong industry links and providing up-to-date, gender-relevant career counseling. The coverage, quality, reliability, and dissemination of labor market information needs further strengthening. Critical youth employment facilitation programs such as the JobStart Philippines program and the Special Program for Employment of Students need to be expanded and their operations enhanced. More needs to be done to monitor the effectiveness and impact of different employment programs so that lessons can be drawn, and their design and delivery improved.

11. **Improving skills development and training systems.** To modernize the skills ecosystem, it is important that the Philippine Qualifications Framework (PQF) is institutionalized.

⁴ Philippine Statistics Authority. Annual Poverty Indicators Survey. 2018.

⁵ ADB. [Philippines: Social Protection Support Project](#); and ADB. [Philippines: Senior High School Support Program](#).

The PQF lays down pathways and equivalencies, which will enable the youth and current workers to move seamlessly between vocational and general education, and within and across sectors. By aligning domestic qualification standards with the Association of Southeast Asian Nations Qualifications Reference Framework, the PQF will help Filipino students and workers access quality jobs overseas. A lot remains to be done before the full benefits of the PQF can be realized, including setting up working groups to operationalize the following aspects of the PQF: the qualifications register, pathways and equivalencies, international alignment, quality assurance, government–industry–education linkages, and lifelong learning systems.

12. In addition, it is important to improve industry-linked training to ensure that technical and vocational and education and training is aligned with the needs of industry. A concerted effort is therefore needed to collaborate with employers and strengthen enterprise-based trainings to better match skills development with demand and improve access to and funding for industry skills training opportunities.

13. **Strengthening labor policies.** Reforms are needed to strengthen the regulatory framework and policies to provide income security and decent employment.

2. Government's Sector Strategy

14. **Focus on human capital development.** Given the Philippines' high average annual population growth rate of 1.72% from 2010 to 2015, its young demographic profile (about 51.3% of the population was below 25 years old in 2015), a poverty incidence of 21.6%, and structurally high income inequality, it is critical for the country to create quality jobs, enhance the employability of its workforce (especially the youth), and help them access jobs in a timely manner. The PDP, 2017–2022 therefore seeks to lay the foundation for inclusive growth; a high-trust, resilient society; and a globally competitive knowledge economy (footnote 1). It aims to reduce poverty incidence from 21.6% in 2015 to 14.0% by 2022, which would be equivalent to lifting nearly 6 million people out of poverty. The PDP emphasizes accelerated human capital development as being critical for making growth inclusive and reducing poverty and income inequality, in addition to policies for boosting infrastructure development, expanding economic opportunities, and improving the business environment. The PDP lays down a three-pronged strategy for accelerating human capital development: (i) income-earning ability increased, (ii) lifelong learning opportunities for all ensured, and (iii) nutrition and health for all improved. The PDP sets the following targets for 2022 with respect to its goal of increasing income-earning ability:

- (i) reducing the share of youth who are NEET from 22.7% in 2015 to somewhere in the range of 15%–18%;
- (ii) lowering the duration of the school-to-work transition of college graduates from about 2 years to somewhere in the range of 6–9 months, and the duration of the school-to-work transition of high school graduates from 4 years to somewhere in the range of 9–12 months; and
- (iii) increasing the labor force participation rate of women from 49.3% in 2015 to 51.3%.

15. **Demand-side interventions to create more jobs.** The government will continue to support overall employment generation through demand- and supply-side interventions. On the demand side, the government's "Build, Build, Build" program aims to fund 75 large infrastructure projects at an estimated cost of \$35.5 billion during 2017–2022. This will boost economic growth and create thousands of jobs, including for the youth. The government has passed the Republic

Act No. 11032, which will attract more private investment.⁶ Since the bulk of unskilled and the underemployed are mostly found in the agriculture sector, the government plans to invest more on improving agricultural productivity and providing greater support for agribusiness and value chain development to increase on-farm employment and rural development.

16. **Supply side interventions to enhance employability.** The government will also continue to: (i) provide financial assistance to keep poor students in school and college; (ii) strengthen linkages between schools and industry through an improved apprenticeship program and a dual training scheme that combines employment with short-term technical training; (iii) establish sector-based skills funding schemes to fund employer-led training programs at the enterprise level; and (iv) operate several active labor market programs to help different demographic groups find jobs.

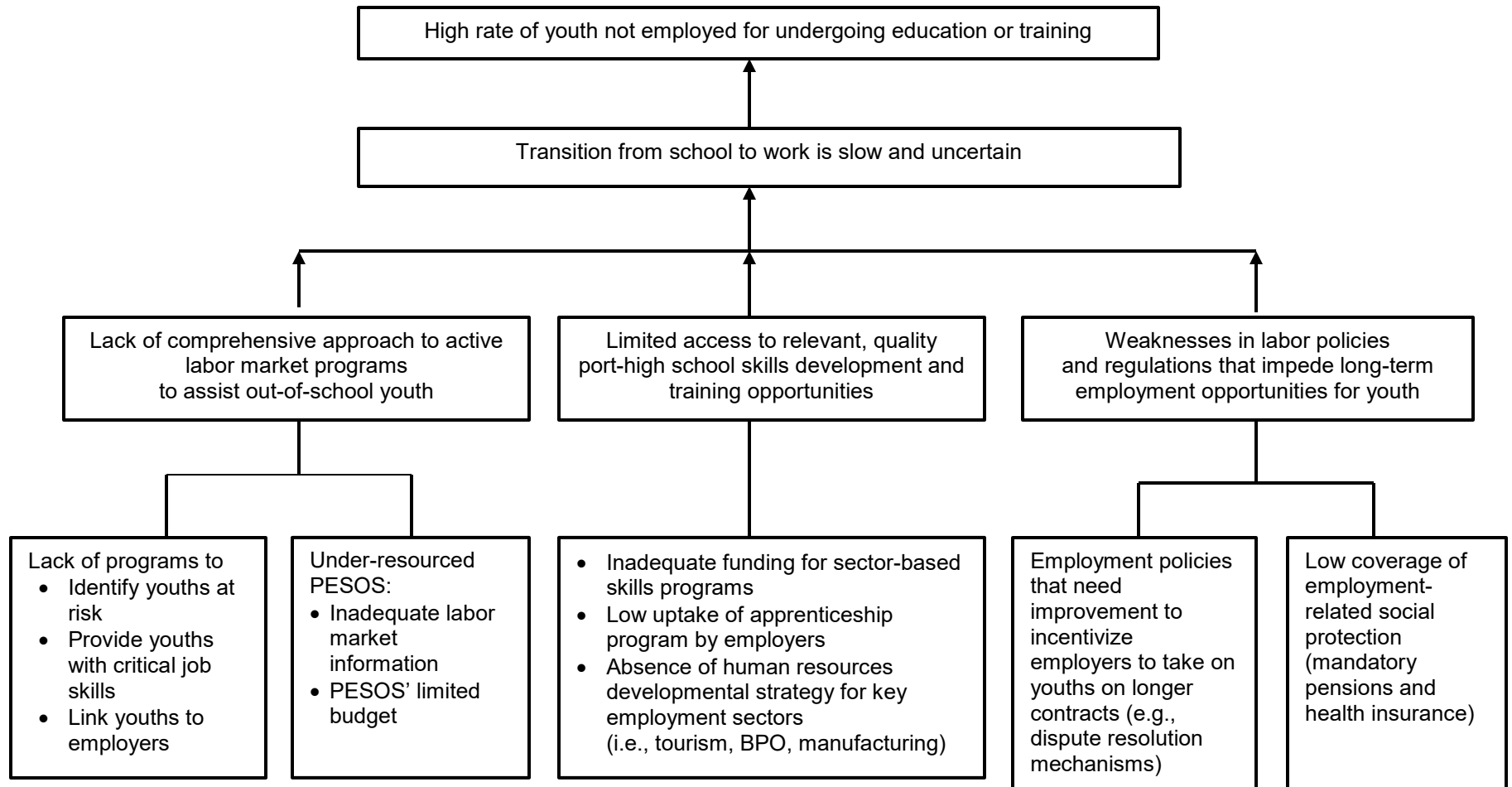
3. ADB Sector Experience and Assistance Program

17. ADB has been supporting the government's 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. The role played by ADB support for the Pantawid Pamilya Pilipino Program, a conditional cash transfer program, and for the implementation of the Senior High School Support Program in enhancing the employability of Philippines' youth and increasing their job readiness also bears highlighting (para. 7). Overall, this integrated package of long-run ADB assistance for social protection and senior high school education reforms (footnote 5) reinforced the policy level initiatives supported by the Facilitating Youth School-to-Work Transition Program to strengthen the supply side of the Philippine labor market. ADB's support to the Philippines for infrastructure development and economic and financial reforms helps to strengthen labor market demand side by boosting economic activities and generating productive employment opportunities. This is in line with ADB's Strategy 2030,⁷ which underscores the importance of offering integrated solutions to developing member countries for tackling complex and multidimensional challenges such as boosting youth employment.

⁶ Republic Act No. 11032 is "an act promoting ease of doing business and efficient delivery of government services."

⁷ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

PROBLEM TREE FOR PUBLIC SECTOR MANAGEMENT



BPO = business process outsourcing, PESO = public employment service office.

Source: Asian Development Bank.