PROGRAM IMPACT ASSESSMENT

I. Development Problem and Constraints

1. The Philippines' macroeconomic performance has been strong in recent years, with rapid economic growth, low inflation, and falling unemployment. However, the country has a youth unemployment problem. The youth unemployment rate was 13.4% in 2018, more than twice the national rate (5.3%). Despite the strong economic growth, problems in the Philippine labor market persist.

2. The school-to-work transition in the Philippines is slow. An Asian Development Bank survey of households in Metro Manila and Cebu City found that one year after completing initial education, 40% of youth are unemployed or inactive rather than working. The employment rate slowly rises from 60% one year after leaving school to 70% eight years after leaving school to reach the adult employment rate. This indicates a slow school-to-work transition for many youths. The median time to find a job for all youth was two years, and three years to find a wage job. For those with a high school education or less, it was three and four years respectively. Those with college education took one and two years. Males took three years and females two years to find any job and three years to find a wage job. Males who completed high school had similarly paced transitions as male college graduates. Females who completed high school were much slower to enter employment than female college graduates.[1] Only 20% of high school graduates found a job within the first year of leaving school, and only 60% of high school graduates were employed within eight years after leaving school. In contrast, 75% of college graduates found a job within the first year of leaving school. High school leavers have a much more difficult time integrating into the labour market than college graduates.

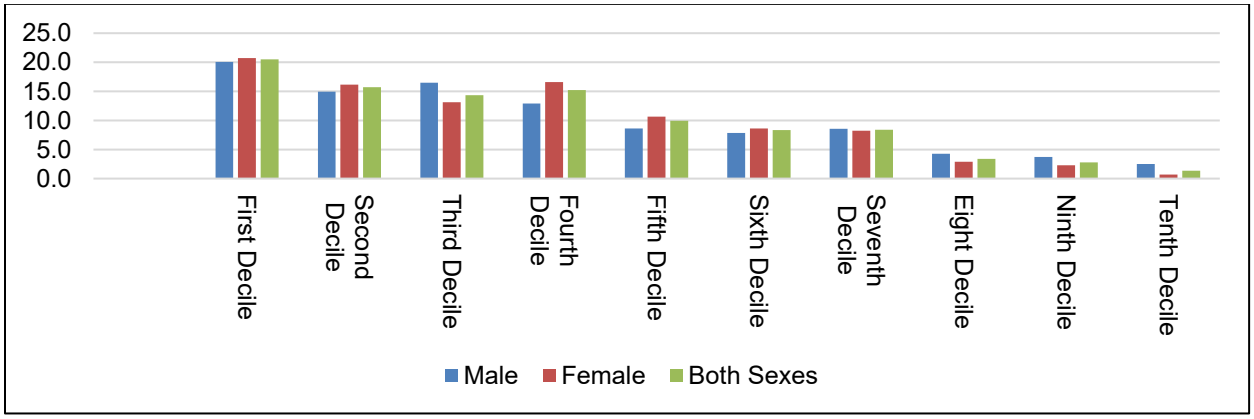
3. Because it takes the youth so long to find employment, there are high levels of youth not in education, employment or training (NEET). The NEET rate includes youth who are unemployed, unavailable to work due to illness, disability or family responsibilities, voluntarily NEET, or discouraged job seekers. In 2008, the NEET rate in the Philippines was 24.8%, almost double the international median of 12.8%. By 2017, the rate in the Philippines had fallen to 21.7%.

4. The effects of being NEET for youth can persist for many years and have a profound influence on later working life. This group is neither improving their future employability through investment in skills, nor are they gaining experience through employment. Those who begin their careers without work are more likely to have lower wages and suffer joblessness again later in life. They miss out on training and experience that typically occurs with young workers, lowering their wage trajectory.

5. The high NEET rate is associated with poverty. This is confirmed by the data on out-of-school youth (OSCY). This youth belongs to the 15 to 24 age group who are not attending school, have not finished any college or post-secondary course, and are not working. This group takes the longest time to find work. Figure 1 shows that they tend to come from poor households (decile 1 are the poorest families). Over half of OSCYs belong to families whose per capita income fall in the bottom 30%. The figures by income decile are only available for all out-of-school youth (aged 6–24), but 87.3% are from the 15 to 24 age group.

[1] ILO. 2017. *Global Employment Trends for Youth. Paths for a better working future.* Geneva.

Figure 1: Proportion of out-of-school youth by income decile, Philippines 2017



Source: Annual Poverty Indicators Survey (APIS) Philippine Statistics Authority (2018).

6. The Philippine workforce is relatively young with over half the population under 25 (50.7%) and 32% under 15. The proportion under 25 is projected to grow to 52.4 % in 2020. The working age population (age 15–64) is projected to grow at more than one million a year.[2] The Philippines may miss out on the full "youth dividend" (increasing productivity and labor resulting from young entering the job market) if youth NEET persists.

II. Measures to improve the school-to-work transition

7. A World Bank review of the Philippine labor market in 2016 establishes the links between the labor market and poverty.[3] The review concludes that the low earning capacity of poor households is the primary cause of poverty in the Philippines. Moreover, wage inequality largely reflects inequality in education and skills. Lack of skills is the main barrier for workers to move from the low wage informal sector to the high wage formal sector. Thus, investment in education and skills is an effective way to reduce wage and income inequality in the Philippines and lift those at the bottom, reducing poverty. The review specifically notes that "poverty reduction hinges on improvements in educational attainment and skills of the poor, particularly among the youth." The report recommends policies to improve worker productivity: investment in education and skills, especially among the poor, including providing training opportunities.

8. Training programs can improve job search skills or enhance participants' job skills, increasing their productive capacity and making them more attractive to employers. Training can be classroom based or on-the-job. Additionally, life skills training can inculcate attitudes about the importance of work and habits necessary to succeed in the workplace.

9. School-to-Work transition programs were widely implemented in Latin America with positive outcomes. (Betcherman et al, 2007). Narrowing labor supply and demand gaps requires better information systems on available employment opportunities, as well as on the creation of new jobs to absorb the number of unemployed youths. Labour market information and support systems for youth transitioning from school to work (active labor market programs, wage subsidies etc) are crucial to reduce unemployment since they help young job seekers by: (i) improving the quantity and quality of information on available jobs; and (ii) better signalling their productivity and

[2] Philippine Statistics Authority (2018), Table 1.3.
[3] World Bank. 2016. *Labor Market Review. Employment and Poverty. Republic of the Philippines*. Washington, D.C.

skills to potential employers. Providing subsidies to employ youth lowers the cost to employers, making employing youth more attractive and allows them to gain job experience.

10. The reforms implemented under subprogram 2 involve measures to improve the school to work transition, including implementing active labor market activation programs, strengthening job search assistance and employment services, increasing access to training opportunities and linking them to industry demands by implementing enterprise-based programs such as apprenticeship and dual training systems. The benefit of these policies is the increase in youth earnings from getting into employment faster and promoting wage growth resulting from acquiring superior skills or being able to find employers more suited to their skill set.

11. Public sector investments in training can generate substantial earnings gains for participants. The evidence indicates significant gains for participants in apprenticeship training, involving contextualized learning in a work environment. One recent study named *Investing in the Disadvantaged: Assessing the Benefits and Costs of Social Policies* found that sixty hours of training increased wage rates by about 5%, indicating rates of return on an annualized basis of at least 40% to 50%.[4] A World Bank study on employment and poverty in the Philippines indicates that the available evidence suggests that training programs implemented in the Philippines are relatively successful in improving the employability of participants. (footnote 3). Betcherman et al (2007) document the types of programs that have been implemented to support young workers to find work and identify what appears to work in terms of improving employment outcomes for youth. The study concludes that most interventions included in the inventory appear to have positive labor market impacts: 78% of programs had a positive impact on the employment and/or earnings of participants. Of those programs with a positive impact that assessed costs and benefits, 56% were cost effective. There were no major differences across categories of interventions in terms of impact or cost effectiveness, each had similar percentages of programs with positive impacts. They also found that the probability that programs will help young people in the labor market is greater in developing and transition countries than in industrialised ones.

12. There is general agreement among economists that youth unemployment requires policy intervention. Therefore, most countries have taken measures to combat the problem, depending on their individual circumstances. However, information about whether such interventions are effective is hard to come by and evidence on what works to combat youth unemployment is scarce. However, there is agreement that a multi-sectoral approach consisting of macro-economic measures and measures relating to investment climate, labor market and social protection framework will work better. The *Assessment of the Economic Value of Youth Work*, prepared by INDCON (International Economic Consultants), for the National Youth Council of Ireland is one of the few studies that has quantified the economic costs and benefits. This study found that the public funding provided by the state for youth work services represented value for money.

III. The reform program

13. The reform measures under subprogram 2 improves training programs through increasing funding for skills development and wage subsidies, including sector-based skills programs, encouraging increased uptake of apprenticeships, improving the qualifications framework and implementing development strategies for key employment sectors.

[4] Lerman, R. 2009. 'Encouraging Work' chapter 10, pp.163-186 in eds David Weimer and Aidan Vining. *Investing in the Disadvantaged Assessing the Benefits and Costs of Social Policies,* p.174.

14. **Improving employment facilitation services.** Publicly operated, free-to-use facilities called Philippines Employment services Offices (PESOs) provide the bulk of employment services. The Department of Labor and Employment (DOLE) trains the staff and evaluates the PESO. Subprogram 2 has focused on building the capacity of their staff and counsellors to develop strong industry links, provide up-to-date gender-relevant career counselling, and to improve the coverage, quality, reliability, and dissemination of labor market information. DOLE, in partnership with the Technical Education and Skills Development Authority (TESDA), completed a PESO manager competency framework to enhance the capacities of and professionalize the PESO staff.

15. The number of operational and institutionalized PESOs has been increased. A fully institutionalized PESO has a Memorandum of Agreement with DOLE, permanent staff, its own budget allocation and budgetary allocations for personnel services, maintenance and other operating expenses. It offers a full set of employment services, and designated office space intended to provide employment facilitation services and information on DOLE programs and services.

16. The Government through the General Appropriations (GAA), and Local Government Units (LGUs) through the Internal Revenue Allocation (IRA), allocated ₱20.6 million in 2017 and ₱47.6 million in 2018 for PESO operations and programs. The allocations contribute towards funding PESO operations and programs.

17. The PESO Employment Information System (PEIS) has been implemented with the objective of improving employment facilitation services and providing up-to-date labor market information. PEIS is an integrated monitoring and evaluation system for all employment programs under DOLE. It has the capacity to regularly track the employment status of registrants enrolled in the system, which is critical to link the available manpower supply and industry demands. It captures vital information such as vacancies and client transactions aside from the profiles and skills of the job seekers. Currently, 807 PESOs are active users.

18. The Special Program for Employment of Students (SPES) is an employment-bridging program that aims to provide temporary employment to disadvantaged youth during summer and/or Christmas vacation to augment their family's income and help ensure that beneficiaries can pursue their education. Target groups include poor students, out-of-school youth, and dependents of displaced or would-be displaced workers. The government allocated ₱1.416 billion funding for SPES in the 2017 and 2018 GAA, to target more beneficiaries, reaching over 393,500 beneficiaries, including 232,350 women.

19. JobStart Philippines Program (JSP) has assisted young Filipinos start their careers and enhance their skills through formal or technical training to become more responsive to the demands of the job market – thus providing better opportunities to find productive employment. The government enacted legislation that mandates the rollout of the program to all LGUs. In subprogram 2, the JSP was rolled out to 35 LGUs with a cumulative total of 17,537 out-of-school youth accessing JSP services with over 200 employers. Around 57% of beneficiaries are women and more than 70% are from low income households. Participating LGUs and PESOs should have a high local unemployment rate, a high density of business establishments, adequate staff, space, and facilities, and local budgetary support for JSP. Employers should have a business operating in the PESO area and have the capacity to provide internships up to 3 months, paying at least 75% of minimum wage.

20. **Enhancing skills development and training systems**: Under the program, the Philippine Qualifications Framework (PQF) was institutionalized through legislation. The objective is to develop pathways and equivalencies to allow youth and current workers to move seamlessly between vocational and general education, and within and across sectors. Subprogram 2 also strengthened linkages between schools and industry through an improved apprenticeship program and the Dual Training System (DTS) that combines employment with short-term technical training. An increased budget allocation was provided through the 2018 GAA for various enterprise-based skills training and scholarship programs.

21. Other supply side interventions of subprogram 2 to enhance employability include the implementation of the Tourism Industry Skills Program (TISP) nationwide by allocating ₱200 million to fund the training program through the 2017 and 2018 GAAs. Over this timeframe (2017 and 2018), 27,160 tourism workforce and jobseekers trained, of which 48% were women.

IV. Assessment of benefits of policy intervention

22. **Benefits.** The main purpose of policies to shorten the school to work transition is to promote employment and wage growth for program participants, thereby increasing their life-long earnings. The increased earnings are the essential benefit from the policies: they reflect increased productivity. To the extent the programs are targeted at disadvantaged groups, increases in their income directly reduce poverty. The programs aim to help the participants to get a job through job search assistance and training to improve skills.

23. **Methodology.** The benefit from training, or the policies to encourage extra training, is the increase in youth earnings from getting into employment quicker and perhaps at higher wages. The benefits from SP2 are estimated in two steps: (i) evaluating the JobStart program; and (ii) estimating the benefits from the other interventions to improve existing programs, such as increasing the capacity and funding for PESOs and Technical and Vocational Education and Training programs. In both cases, the effects of subprogram 2, which operated in 2017 and 2018, need to be isolated, including projected future benefits from the program, which established reforms, such as training and capacity building for PESO staff and institutionalized funding, which may reap benefits in future years. There are synergies between the different programs. For example, strengthening the PESO's operation could improve the JobStart program, which is implemented by the PESOs.

24. By end-December, the youth placement rate for the 2017 cohort was 66%. At least 2% more of the trainees are still to be accounted for in 2017 as they are yet to complete their technical and training internship in 2018. It is assumed that the placement rate of program graduates into wage jobs, in 2018 and in the future, will be 66%. The benefits from this placement depend on the wages received by these graduates and how much quicker they find employment because of the program. It is assumed workers are paid their marginal product so that the earnings impact is an estimate of the productive benefit of training.

25. Minimum wages in the Philippines vary from occupation to occupation and region to region, with boards established for each region to monitor economic activity and adjust minimum wages based on growth rates, unemployment rates, and other factors. In 2018 the minimum wage in the Philippines varied between ₱256 and ₱512 per day.[5] It is assumed the minimum wage is the mid-point, ₱384 per day or ₱99,840 per year. If the proportions of participants getting jobs is

[5] Philippine Statistical Authority minimum wages, October 2018, Table 21. Minimum Wage Rates by Sector and Region.

the same as in 2017, that means the average wage paid to them is ₱422.3 a day or ₱109,805 per year.

26. The general level of real wages tends to grow over time, as labor productivity increases with capital investment and technical progress, real cost reduction or total factor productivity improvement. It is assumed the secular trend in real growth is 2% per year. Average real daily pay for wage and salary workers from 2013 to 2017 averaged 2.3% growth. Further, individual workers' wages tend to grow over their lifetime – reflecting increased productivity from experience and on-the-job training (both formal and informal). A great deal of skill development takes place informally on the job as workers gain expertise in their occupations and industries.

27. Returns to experience are high in the Philippines. Evidence from earnings regressions is that real wage growth over the lifecycle in the Philippines averages 2% per year. For example, Sauler and Tomaliwan (2017) find an extra year of work experience increases earnings by more than 2% for all deciles of the wage distribution. Another benefit from joining the wage force earlier is to start accumulating work experience and receiving wage growth – getting on the first rung of the ladder of opportunity earlier. It is assumed the general level of real wages grow at 2% per year and that, on average, wages grow 2% with each year of work experience and the average time in the workforce is 30 years (for example, those hired in 2018 would work until 2047).

Table 1: Wages over time with 2% secular and 2% lifecycle wage growth

Year	Start work 2017	Start work 2018	Wage gain from starting one year earlier
2017	84,165	-	84,165
2018	87,565	85,848	1,717
2019	91,103	89,316	1,786
2020	94,783	92,925	1,858
2021	98,612	96,679	1,934
2022	102,596	100,585	2,012
2023	106,741	104,648	2,093
2024	111,053	108,876	2,178
2025	115,540	113,275	2,265
2026	120,208	117,851	2,357
2027	125,064	122,612	2,452
2028	130,117	127,566	2,551
2029	135,374	132,719	2,654
2030	140,843	138,081	2,762
2031	146,533	143,660	2,873
2032	152,453	149,463	2,989
2033	58,612	155,502	3,110
2034	165,020	161,784	3,236
2035	171,686	168,320	3,366
2036	178,623	175,120	3,502
2037	185,839	182,195	3,644
2038	193,347	189,556	3,791
2039	201,158	197,214	3,944
2040	209,285	205,181	4,104
2041	217,740	213,470	4,269
2042	226,537	222,095	4,442
2043	235,689	231,067	4,621
2044	245,210	240,402	4,808
2045	255,117	250,115	5,002

Year	Start work 2017	Start work 2018	Wage gain from starting one year earlier
2046	265,424	260,219	5,204

28. Table 1 shows the benefit from entering the workforce in 2018 one year, two years and six months earlier than otherwise, assuming 2% secular and 2% lifecycle growth in wages. The earlier starter gets paid while working and has the advantage of an extra year of wage growth from more experience. Using a 9% discount rate, the present value (at the end of 2018, assuming payments start at the end of 2018) of the wage gain from starting one year earlier (i.e. in 2018 rather than 2019) is ₱143,266. The gain from starting two years earlier (i.e. in 2018 rather than 2020) is ₱276,810 and the gain from starting 6 months earlier is ₱71,084. As the general level of wages grows 2% per year, these gains would grow by 2% per year (as all the numbers in the calculation would be 2% greater) and would be 2% less in 2017. That is, the gain from starting in 2019 rather than 2020 will be 146,131 (= 143,266x1.02).

29. The wage gain is more sensitive to changes in the lifecycle growth rate than the secular growth rate. It is the life cycle growth rate that determines the wage premium from an extra year of job experience. The secular growth rate just determines how this premium grows over time. All workers get the benefit of a general rise in wages. It is assumed the students would otherwise be unemployed or out of the labor force with zero earnings and no value of leisure, so the increase in earnings is the gain to them from working and is also the increased production when they enter the workforce.

30. It is assumed that program participants who get a job, enter employment 6, 12 and 24 months earlier than otherwise. That is, if it were not for the program, the participants who gained employment would have spent an extra 6, 12- or 24-months NEET. The assumption that the program speeds up employment by 12 months is equivalent to the assumption that employment grows by the number hired. It is assumed the program does not affect starting wages, all the increase in earnings comes from early starting – perhaps by increasing productivity so that it is profitable for business to hire graduates at the minimum wage.

Table 2: List of Major Assumptions

Benefits are expressed in real 2018 PHP.
The benefit is measured by the increase in program participants' lifetime earnings. Costs and benefits to employers are ignored.
The placement rate of program graduates into wage jobs, in 2018 and in the future, will be 66%, the 2017 level.
On entering wage employment (in the formal sector), college level trainees receive the average wage (for wage earners) and high school leavers receive the minimum wage.
The general level of real wages rises by 2% per year.
Workers' wages rise, on average, by 2% for each year of work experience.
The average working life is 30 years.
Trainees would otherwise be unemployed or out of the labor force and have zero earnings and have no value of leisure.

The program speeds up participants' entering employment by 6, 12 or 24 months.
The JobStart program continues for 10 years.
The number of graduates in 2019 will return to 2017 levels and then grow with the medium projection of the aged 15–24 population
The discount rate is 9% real.
Present value is at the end of 2018 (beginning of 2019) of the gross benefits over the period 2017 to 2028.

31. The benefit per new job in each case is given in Table 1. The benefit from the program is simply the benefit per job, times the number of participants put into work. For example, in 2018 there were 1,770 graduates. It is assumed 66%, or 1,168 gained employment. If the program causes participants to enter employment a year earlier than otherwise, then the gross benefit from the program in 2018 is estimated as 1,168 x ₱143,266 = ₱167,334,688 (over $3 million). A similar calculation can be done for 2017.

32. Training offers other social benefits besides earnings gains, including the output produced by the trainees while in training, reduced criminal activity, and reduced use of the social welfare system. These other social benefits vary considerably among different groups. For example, training for young males may benefit society by reducing crime. Some studies estimate crime reduction from youth programs can increase benefit by 50%. Further, economists generally ignore the value people and policymakers place on self- sufficiency. To most political leaders, and often to low- income people themselves, $1 of earned income has a higher value than $1 of income received through income transfers. These potential benefits are not estimated here.

33. It is assumed that the JobStart program will continue for ten years (i.e. until 2028), that 66% of graduates get jobs, and that the benefit from this depends on whether it is 6, 12 or 24 months earlier than otherwise. Then the benefits will depend on how many graduates the program is expected to produce in future years. The number of LGUs with JobStart has steadily increased, from 4 in 2015 to 35 in 2018, and it is planned to increase to 50 by 2020, which implies the program will expand. It is assumed that in 2019 the number of graduates will return to 2017 levels and then grow with the medium projection of the aged 15–24 population, which is that it will grow at an average annual geometric rate of 0.87% until 2020 and then 0.38% after that.[6]

34. **Costs.** The costs of the program include costs to local government authorities, the participants and employers. But we only have information on the budgetary cost to the central government, and so only the gross benefits of the program is presented. Net benefit and net present value would be over-estimated when only a portion of the costs are included.

Table 3: Present Value of gross benefit calculations when JobStart speeds up employment by 12 months

Year	Number of extra graduates	Number of extra jobs	Benefit per job	Benefit (PHP Million)
2017	7,077	4,671	140,457	656.049

[6] Derived from Philippines Statistics Authority Table 1. Projected Regional and Provincial Population by Five-Year Age Group, Sex, and by Five-Calendar Year, Philippines: 2010–2045 (Medium Assumption).

Year	Number of extra graduates	Number of extra jobs	Benefit per job	Benefit (PHP Million)
2018	1,770	1,168	143,266	167.364
2019	7,077	4,671	146,131	682.554
2020	7,139	4,711	149,054	702.266
2021	7,166	4,729	152,035	719.037
2022	7,193	4,747	155,076	736.209
2023	7,220	4,765	158,177	753.790
2024	7,248	4,784	161,341	771.792
2025	7,275	4,802	164,568	790.223
2026	7,303	4,820	167,859	809.095
2027	7,331	4,838	171,216	828.417
2028	7,359	4,857	174,641	848.201
			PV at end of 2018	5,705

35. Table 3 sets out the calculations for the present value of gross program benefits when the participants enter employment 12 months earlier than without the program. The benefit from the program is the benefit per job (which depends on how much the program accelerates getting into employment) times the number of participants who move into employment.

Table 4: Gross Benefits from JobStart program, present value

Speed up employment by (months)	PHP Million	US$ Million
6	2,830	53.749
12	5,705	108.327
24	11,022	209.303

36. Table 4 shows the present value at the end of 2018, of the gross benefits from 2017 to 2028 under different assumptions about the effectiveness of the program.

37. **The effect of scholarship programs.** The benefit of subprogram 2 reforms on training programs will be evaluated in the same way and with the same assumptions (set out in Table 4), It is assumed their starting salary is the minimum wage. That reduces the increase in lifetime earnings from starting one year earlier to $130,264, from six months earlier to $64,633 and from two years earlier to $251,689. The incremental effect of the suite of reforms on the number of extra jobs from each program is estimated and then the benefits from those extra jobs valued.

Table 5: School-to-Work transition programs

Year	2014	2015	2016	2017	2018 (AO Dec)
Private Education Students Financial Assistance (PESFA)					
Graduates	27,692	22,429	18,462	19,466	19,818
Growth		-19.0%	-17.7%	5.4%	1.8%

Year	2014	2015	2016	2017	2018 (AO Dec)
Graduation rate	98.6%	82.5%	90.8%	98.1%	93.5%
Budget PHP M.	220.696	219.252	216.421	210.404	200.000
Growth		-0.7%	-1.3%	-2.8%	-4.9%
PHP per graduate	7,970	9,775	11,722	10,809	10,092
Training for Work Scholarship Program (TWSP)					
Graduates	196,948	262,875	271,561	312,810	322,129
Growth		33.5%	3.3%	15.2%	3.0%
Graduation rate	95.7%	93.6%	92.4%	97.9%	92.3%
Budget PHP M.	1,544.873	2,192.523	2,387.120	2,540.623	2,785.000
Growth		41.9%	8.9%	6.4%	9.6%
PHP per graduate	7,844	8,341	8,790	8,122	8,646
Special Training for Employment Program (STEP)					
Graduates	74,386	18,683	33,592	62,454	62,967
Growth		-74.9%	79.8%	85.9%	0.8%
Graduation rate	97.5%	91.0%	96.6%	95.0%	91.6%
Budget PHP M.	1,127.757	483.177	612.736	956.151	933.053
Growth		-57.2%	26.8%	56.0%	-2.4%
PHP per graduate	15,161	25,862	18,241	15,310	14,818
Special Program for Employment of Students (SPES)					
Graduates	182,584		229,674	205,823	187,680
Growth				-10.4%	-8.8%
Budget PHP M.			885.120	744.829	708.000
Growth				-15.9%	-4.9%
PHP per graduate			3,854	3,619	3,772

Source: Technical Education and Skills Development Authority, TVET Scholarships: 2014-2018 Table, December 2018, author's calculations.

38. Table 5 sets out the data on other programs. The TWSP saw a large jump in graduates and funding in 2015 (presumably in response to the subprogram 1 reforms) and then strong growth in the number of graduates in 2017. In 2016 and 2018, the number of graduates grew at around 3%. The graduation rate shows little trend since 2014, it declined slightly and averaged-0.8% growth. Funding per graduate has averaged 2.6% growth since 2014. It is assumed that the extra growth in graduates (above 3%) in 2017 is attributable to subprogram 2 reforms – that they boosted the number of graduates by 12.2% to a new higher level. That is, the reforms increased the number of TWSP graduates by 33,102 and this increase is expected to last into the future. If 66% of these graduates are employed, the reforms are expected to permanently boost employment from the programme by 21,847 a year. The benefits from this depend on how much that accelerates entry into the workforce. The cost per graduate is expected to continue to grow at 2.6% per year. For example, the benefit in 2018 if employed graduates were hired 12 months earlier than without the program would be ₱130,264 per employed youth and so total benefits are ₱2,846 million.

39. The number of graduates in the STEP program fell dramatically in 2015, and then increased rapidly in 2016 and 2017, but seems to have stabilised at around 63,000. It is assumed that effect of the subprogram 2 reform was to increase the number of graduates from 33,592 to 62,967 and that this increase is permanent. Table 8 shows the gross benefits from the TESDA programs under the assumptions set out above.

Table 6: Gross benefits from the Training for Work Scholarship and Special Training for Employment Programs, from 2017 to 2028, NPV at end of 2018 in PHP Million

Speed up employment by (months)	TWSP	STEP	Total	US$ Million
6	12,902	11,449	24,351	$462.413
12	26,003	23,075	49,079	$931.967
24	50,242	44,585	94,827	$1,800.695

40. Table 6 summarizes the gross benefits from subprogram 2. It is the sum of the gross benefits from JobStart and from the TESDA programs.

Table 7: Present value of gross benefits for Subprogram 2 reforms from 2017 to 2028

Speed up employment by (months)	PHP Million	US$ Million
6	27,182	$516.162
12	54,783	$1,040.294
24	105,849	$2,009.998

V. Conclusions

41. Youth unemployment is a dominant problem in the Philippine labor market. The Philippines has high rates of NEET and is twice as high in low-income households as compared to that in well-off households. School-to-work transition for many young Filipinos continues to be marked by delays and uncertainty. The slow transition is the result of inefficient and fragmented labor market programs, and weak links between the education and skills training and the changing demand for jobs. Given the young demographic profile of the country, it is critical for the

Philippines to enhance the employability of its youth and help them to access quality jobs in a timely manner. The Facilitating Youth School to Work Transition Program, Subprogram 2 focuses on enhancing the employability and improving the employment prospects of the youth. The program targets three reform areas: (i) improving government employment facilitation services; (ii) enhancing skills development and training systems; and (iii) strengthening labour market policies. The interventions consist of labor market activation programs and improvements in employment facilitation service delivery, expanding opportunities for upskilling jobseekers through internships, apprenticeships, and dual training programs, and strengthening industry engagement. The PESOs were equipped with the necessary tools and skills to better perform their roles.

42. The benefits of the program accrue from some unemployed youth gaining employment faster and some youth being paid higher because they have acquired superior skills or able to find better matches (find employers more suited to their skill set). The program also expects to increase the wage rates of some youth by increasing their skills and enabling them to secure jobs that have higher productivity and pay. Assisting job seekers and employers to find each other by providing them with better information and support can also increase pay.