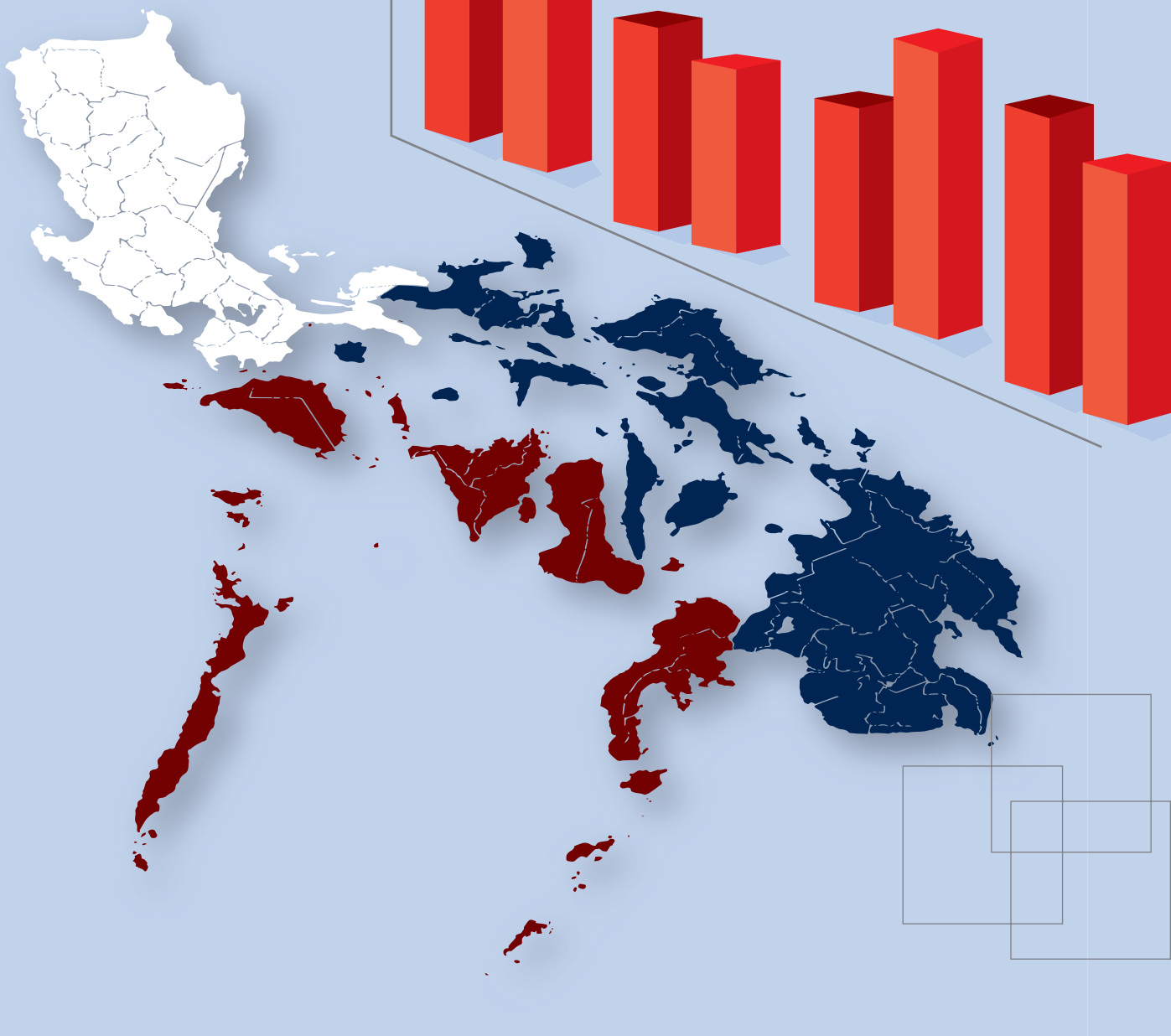




International
Labour
Organization



The impact of trade on employment in the Philippines: Country report



**The impact of trade on
employment in the Philippines:
Country report**

**International Labour Organization
Country Office for the Philippines
April 2019**

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Foreword

Trade and employment policies are inextricably intertwined and connected with each other. Without an integrated approach to the two policy areas, a country is unlikely to achieve inclusive growth; sustainable and equitable development; and decent, gainful and productive employment for all.

As one of the fastest-growing economies in the world today, not only does the Philippines need to sustain its upward economic momentum, it also needs to capitalize on its current growth gains to finally address and resolve serious and long-standing socio-economic issues and problems, such as worsening poverty, high unemployment, low wages, increasing prices and costs, and widening social inequalities, among others.

Given the experiences and lessons learned from the past, the Philippines should also take the opportunity to re-evaluate and even reform, if necessary, the trade and employment strategies and policies that it has implemented in previous years. Implementing trade policy reforms and ensuring that they are aligned with decent work goals and principles will only serve to further improve overall economic planning and development policy-making.

This Country Report seeks to present how trade policies have impacted decent work and employment outcomes in the Philippines, and how, based on empirical data and evidence, the links between trade policy and decent work principles can be strengthened so that trade can benefit more people in the country. It is the result of close collaboration with partners in the Philippines from government, labour, employers, and academia. It has been designed to serve as a resource and reference for economic planners, policy-makers, development specialists, labour advocates, researchers, and others who are working on initiatives to make trade result in more employment, improved working conditions, and better socio-economic outcomes.

We hope that this study will significantly contribute to strengthening policy coherence between trade and employment and to the further promotion of decent work in the Philippines.



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Abbreviations

AANZFTA	ASEAN-Australia and New Zealand Free Trade Agreement
ACFTA	ASEAN-China Free Trade Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Agreement
AIFTA	ASEAN-India Free Trade Agreement
AHTN	ASEAN Harmonized Tariff Nomenclature
AJFTA	ASEAN-Japan Free Trade Agreement
AKFTA	ASEAN-Korea Free Trade Agreement
APEC	Asia-Pacific Economic Cooperation
ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
AU\$	Australian Dollars
BOP	Balance of Payments
CAGR	Compounded Average Growth Rate
CAR	Cordillera Administrative Region
CARP	Comprehensive Agrarian Reform Programme
CARS	Comprehensive Automotive Resurgence Strategy
CBP	Central Bank of the Philippines
CCT	Conditional Cash Transfer
CEPT	Common Effective Preferential Tariff
CFO	Commission on Filipinos Overseas
CGE	Computable General Equilibrium
CHED	Commission on Higher Education
CLEEP	Comprehensive Livelihood and Emergency Employment Programme
CNIS	Comprehensive National Industrial Strategy
DA	Department of Agriculture
DOE	Department of Energy
DOLE	Department of Labor and Employment
DTI	Department of Trade and Industry
EDC	Export Development Council
EDSA	Epifanio de los Santos Avenue
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GSIS	Government Service Insurance System
GSP+	Generalized Scheme/System of Preference Plus

ILO	International Labour Organization
IMF	International Monetary Fund
IRRI	International Rice Research Institute
ISLE	Integrated Survey of Labour and Employment
ISSP	International Social Survey Programme
IT-BPO	Information Technology-Business Process Outsourcing
MFA	Multi-Fiber Agreement
MRP	Manufacturing Resurgence Programme
MSME	Micro, Small and Medium Enterprise
MTPDP	Medium-Term Philippine Development Plan
NCR	National Capital Region
NEC	National Economic Council
NEDA	National Economic and Development Authority
NWPC	National Wages and Productivity Commission
OFW	Overseas Filipino Worker
PACC	Philippine Automotive Competitiveness Council
PSA	Philippine Statistics Authority
PDP	Philippine Development Plan
PEDP	Philippine Export Development Plan
PEZA	Philippine Economic Zone Authority
PhilHealth	Philippine Health Insurance Corporation
PH-EFTA FTA	Philippines-European Free Trade Association Free Trade Agreement
PJEPA	Philippines-Japan Economic Partnership Agreement
POEA	Philippine Overseas Employment Administration
PPP	Public-Private Partnerships
RA	Republic Act
RCEP	Regional Comprehensive Economic Partnership
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SITC	Standard International Trade Classification
SSS	Social Security System
TESDA	Technical Education and Skills Development Authority
TFP	Total Factor Productivity
TRP	Tariff Reform Programme
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
US	United States
USITC	United States International Trade Commission
WTO	World Trade Organization

The impact of trade on employment in the Philippines: Country report

EXECUTIVE SUMMARY

This Country Report on the impact of trade on employment in the Philippines presents a comprehensive review of the trade policies that the government has pursued through the years, and how these varying sets of policies have affected trade and employment outcomes in the country, especially in terms of its export performance, trade relations and labour market structure, among others.

Chapter 1 provides a historical background of the trade and employment policies that the country pursued at a particular period, and situates them within the prevailing political regimes and economic paradigms of the time. It also discusses the most recent trade and employment policies and developmental plans that are being implemented by the government, and also tackles the participation and involvement of the Philippines in various international trade arrangements and regional economic cooperation settings.

Following the discussions in Chapter 1 on the series and varying sets of trade and labour policies that the government implemented before, Chapter 2 proceeds to discuss how these policies could have significantly contributed to structural shifts and changes in both the economic and labour market structures of the Philippines. It highlights notable employment shifts in the country over the last two decades, such as the move towards a more services-oriented economy, the rise of the information technology-business process outsourcing (IT-BPO) industry, some positive gains in employment, such as the increase in formal employment and the steady decline in unemployment over the last four years, and the state of industrial relations and labour standards compliance in the country.

On the one hand, Chapter 3 presents both the historical and current trends in the external trade of the Philippines, particularly with respect to the composition and performance of its exports over the nearly last two decades, and how these outcomes in trade have been influenced by the tariff policies that the country has implemented. More importantly, this chapter also assesses the country's export performance vis-à-vis the trade agreements and arrangements that it has joined or entered into, particularly with its major trading partners, such as Japan, China, United States (US), European Union (EU) and the members States of the Association of Southeast Asian Nations (ASEAN), among others. It also looks into the influx of net foreign direct investments in the country.

Chapter 4 provides a thorough analysis and assessment of how trade has affected and impacted employment in the Philippines by looking at past and present literature and studies. It arranges the discussions according to the following themes: trade liberalization and structural transformation, the social and labour dimensions of trade, the state of agriculture and rural labour. This chapter also explores the need to link labour policies with a comprehensive industrial policy and strategy. It then ends by identifying the critical knowledge and research gaps that need to be addressed to improve trade and employment policy-making in the future.

Finally, Chapter 5 provides a detailed summary of the points discussed, some thoughts on how to reconcile different policy approaches wanting to achieve common outcomes on labour, and some policy recommendations on how to make them coherent.

1. OVERVIEW OF TRADE AND EMPLOYMENT POLICIES IN THE PHILIPPINES

Since becoming independent and a full-fledged sovereign state after the Second World War, trade and employment policies in the Philippines have played a crucial role in shaping the structure of the country's economy. These policies have generated discussions, debates and arguments from various schools of thought, segments and sectors of society to direct the economic course of the country in order to alleviate poverty and for the country to formally join the ranks of developed economies in the world.

1.1 Mid- to late 1940s: A republic is born

After 381 years of colonization (333 years under Spain, 48 years under American rule, and a three-year interlude of Japanese occupation in-between during the Second World War), the Philippines reclaimed its independence, first formally proclaimed in 1898, when the Americans left the country in 1946. The Republic of the Philippines was then proclaimed on 4 July 1946. However, the newly born republic remained dependent on the US for both financial aid and military assistance after it had been ravaged in the Second World War. The US then linked post-war financial assistance and rehabilitation aid to trade and economic policies. Although the US Congress passed an act that granted post-war rehabilitation package worth 620 million US dollars (US\$) to the Philippines, its effectivity was contingent on allowing parity rights to American nationals and investors who decided to continue residing and doing business in the Philippines even after the Philippines reclaimed its independence (Agoncillo 1990, pp. 433-434).

As such, the Bell Trade Act provided for the continuation of free trade relations and arrangements between the Philippines and the US for an eight-year period. Thereafter, export goods and products coming from both countries were given an annual tariff rate increase of 5 per cent until it reached a 100 per cent tariff rate in 1974. The Act also granted Americans with parity rights to live, reside and do business in the Philippines, which meant that Americans enjoyed the same economics rights as Filipinos in terms of disposing, exploiting and developing all the minerals, natural wealth and resources in the Philippines (Agoncillo, 1990, p. 434).

The US, through the Bell Trade Act, had promised special trade arrangements and privileges to the Philippines; however, the country continued to post trade imbalances for over a ten year period despite the Act's effectivity. The total foreign trade of the Philippines amounted to 15.73 billion Philippine pesos (PhP) during the same period, 70 per cent of which constituted trade with the US (Agoncillo, 1990, p. 504).

The Bell Trade Act expired in 1954 and was later replaced by the Laurel-Langley Agreement. The updated US-Philippines Trade Agreement provided for a 20-year period of effectivity, removed the US' privilege and power to control the Philippines' currency exchange rate, ensured reciprocity in terms of parity rights between Filipinos and Americans, and widened the period for quota reductions and tariffication of Philippine exports to the US.

1.2 1950s to 1960s: Conflicting visions

The issues of imbalanced trade arrangements and relations with the US, the need for industrialization, and the consistent trade deficits governed much of the economic discourse in the country during the 1950s and the 1960s. At the same time, at the global level, state intervention and government economic planning became the prevailing economic paradigm of the day. This strategy and approach helped the US

to get out of the Great Depression during the 1930s. In the immediate post-war period, “Keynesianism”, with strong government spending and investments in social services, enabled most Western countries to establish the “Welfare State”. Accordingly, post-war Keynesian consensus influenced the development of Philippine economic policies, which emphasized government central planning as key to economic development. In the area of trade, the government pursued an import substitution-led industrialization during the 1950s, which protected domestic infant industries and reduced dependence on foreign products through local production. As a result, the country imposed tariffs and quotas on imported goods and products.

According to Aldaba (2013b), the Philippines’ decision to impose import quotas and currency controls was largely driven by the balance of payments (BOP) crisis that the country faced following the Second World War and its independence. The government subsequently implemented an import-substitution policy to stimulate industrialization. This was accordingly accompanied by highly protective tariff rates and quantitative restrictions that provided ample support and space for vital infant domestic industries to grow and develop (Aldaba 2013b; Takagi 2014).

Takagi (2014) cited that the old Central Bank of the Philippines (CBP), which was created in 1949, played an important role in developing and charting the country’s economic policies and directions during the incipient stage of the Third Republic¹. The CBP would then play a crucial part in controlling the country’s foreign currency reserves, export policies, and import quotas.

While these trade policies and regimes were being alternately established, dismantled, and replaced, important reforms and milestones were also being made and achieved in the labour and social scene. Various landmark labour and social laws were passed during this period to promote and protect the rights and welfare of Filipino workers, particularly their right to organize, strike, and collectively bargain. In particular, the following important labour laws were passed:

- a) Magna Carta of Labor of 1953 (Republic Act [RA] No. 875), which recognized the right of labour to organize, hold strikes, and collectively bargain;
- b) the Social Security Act of 1954 (RA No. 1161), which established the present-day Social Security System (SSS);
- c) the Termination Pay Law of 1952 (RA No. 1052);
- d) the Blue Sunday Law of 1953 (RA No. 946), which prohibited work on Sundays and other important holidays of religious significance;
- e) the Minimum Wage Law of 1951 (RA No. 602), which set the floor wages for both urban and agricultural areas; and
- f) the Anti-Scab Law (Batas Pambansa No. 227), which protected the right of workers to strike and picket, among others (Agoncillo, 1990, pp. 517-518).

¹The First Philippine Republic, also known as the Malolos Republic, was the first-ever constitutional and democratic republican government to be established in Asia in 1899. However, given its fledgling status, it did not receive international recognition as the Americans immediately replaced the Spaniards as the new colonizers of the Philippines. From 1902 to mid-1935, the Americans directly ruled the Philippines until late 1935 when it was given more self-rule and autonomy after the Commonwealth of the Philippines had been established. The Second Republic, which became known as the “Puppet Republic” due to its being sponsored by the occupying Japanese forces, was established under the auspices of the Second World War. The Third Republic refers to the republican government that was established after the Philippines reclaimed its independence from the United States in 1946 following the Second World War. In 1981, the Third Republic was replaced by the “New Republic” – the Fourth Republic – after martial law was technically lifted and a special presidential election was held. However, the Fourth Republic would not last long when the authoritarian martial law regime was deposed, after 21 years in power, by the historic 1986 EDSA People Power Revolution. This gave birth to the 1987 Constitution and the Fifth Republic of the Philippines.

As a result, the labour movement grew and expanded rapidly during this period. By the end of 1966, there were no less than 2,000 labour unions throughout the country, with about 750,000 union and worker members across all sectors and industries (Agoncillo, 1990, pp. 516-517).

Economic nationalism was also one of the concerns and cries of the labour movement at the time, and this would become one of the recurring themes and issues for national discourse and debates on Philippine politics and economics. Economic nationalism was so strong then that a nationalist economic law, the Retail Trade Nationalization Act of 1954 (RA No. 1180) that aimed to protect Filipino retail interests, was passed and enacted. This was despite the fact that the Bell Trade Act was still very much in force at the time and was set to be reviewed and renegotiated.

Economic nationalism as a national issue peaked during the late 1950s, with the government formally adopting a “Filipino First” policy. This policy aimed to rally public support for Filipino enterprise and locally made products, and served as a rallying cry and vision for Filipino self-reliance and economic independence. Previously, there was imbalance against Filipino businessmen in terms of allocation of dollars for imports because 70 per cent of domestic trade and 80 per cent of foreign trade were in the hands of Chinese and American businesses, respectively. Under the Filipino First policy, the government, through the National Economic Council (NEC), issued Resolution No. 204 to give preference to Filipino businesses and industries in all matters concerning the country’s economic development and welfare (Agoncillo, 1990, p. 510).

However, in the 1960s, the government decided to change course and pursued a policy of decontrol to stimulate growth and to attract more foreign capital and investments. By the end of the 1950s, the import substitution policy seemed to have overheated; Philippine foreign reserves were gravely depleted despite government efforts to address the problem (Aldaba, 2014, p. 4). The decontrol policy that the government implemented during the early 1960s provided some breathing space for the Philippines’ BOP position; however, this was not sustained. Imports continued to surge leading to huge trade deficits and wider BOP imbalances and deficits. This fiscal problem reached its height when the peso was floated and devalued in 1970 (Aldaba, 2014, p. 5).

Despite government efforts to improve the country’s socio-economic conditions by the end of the 1950s and the start of the 1960s, 9-10 per cent of the country’s total labour force (about 8.5 million Filipinos) were unemployed (Agoncillo, 1990, p. 515). The 1960s proved to be a critical decade of increasing social, political, and economic unrest, which primarily stemmed from the then ongoing Viet Nam War, continuing increase in the prices of basic commodities, persistently high unemployment and low wages, and resurging radicalism and activism in the universities. This unrest would later climax when the Philippines was placed under martial law.

The country also saw the most expensive election in its history at the end of the 1960s. A severe BOP crisis subsequently occurred after the government treasury was nearly depleted following the election. Likewise, the peso was significantly devalued.

1.3 1970s: Political crisis and economic stagnation

The Philippines was already at the cusp of deep socio-economic and political unrest and turmoil by the time the 1970s came. This would peak during the so-called “First Quarter Storm” when student activists stormed the gates of the Presidential Palace in January 1970. The Plaza Miranda Bombing followed in August 1971, which nearly wiped out the senatorial slate of the opposition party. The government would later on use these major events to justify imposing martial law in the Philippines the following year.

The first few years of martial law were characterized by relatively steady growth. The government moved away from the import-substitution industrialization policy towards adopting and promoting a full-blown export-oriented industrialization policy. This would later lead to the establishment and rise of export processing zones (later called special economic zones) in the country. One of the key policies enacted during the martial law years was the policy on overseas employment, which has since become a staple of Philippine employment and development policy. At the time it was instituted, overseas employment was the government’s temporary and stop-gap measure to address unemployment. Nonetheless, the Philippines has continually sent Filipino workers overseas since creating employment at home proved to be difficult.

The government recognized that civil unrest could occur should it fail to address the unemployment problem in the country. Thus, the government promulgated the Labor Code of the Philippines in 1974 during the martial law period. Despite this, the Labor Code contained many challenging provisions, especially with regard to workers’ rights, such as the right to organize, form unions and strike. It would take 12 years before these anti-labour provisions were discarded in the aftermath of the 1986 EDSA People Power Revolution that restored democracy in the Philippines.

The first few years of martial law were relatively stable. However, this did not last as poverty widened, unemployment increased, and inflation and prices skyrocketed for most of the martial law years. Most importantly, despite the infrastructure spending and building spree that it embarked on at the height of its power, the martial law administration soon found itself embroiled in deep and serious economic trouble. The country’s foreign debt mounted and piled up, and almost half of the population became trapped in poverty. The assassination of a popular opposition figure and leading critic of the martial law regime in 1983 further exacerbated the economic woes of the country. This eventually hastened the downfall of the martial law regime, which subsequently restored democracy in the Philippine three years later.

1.4 1980s: Democratic restoration and transition and economic rehabilitation

The Filipino people established a revolutionary government after the end of martial rule, which fully restored civil liberties and social, economic, and political rights in the country. The new revolutionary government immediately discarded the anti-labour provisions of the Philippine Labor Code within its first three months in power. Accordingly, labour reforms were implemented as follows (Ofreneo, 2012b, p. 100):

- a) Abolishment of the one-industry, one-union policy;
- b) Lifting of the restriction on the right of security guards and government corporation employees to organize and collectively bargain;
- c) Reduction of membership for union registration;

- d) Reduction of the strike vote requirement;
- e) Repeal of the letter of instruction that allow workers on-strike to be replaced should they defy return-to-work orders; and
- f) Removal of the ceiling for 13th-month pay.

The 1980s saw the Philippines' transition back to democracy and the restoration of civil, social, labour, economic, and political rights. However, the country also inherited a quagmire and host of social and economic challenges from the martial law era. Such challenges include surmounting external debt, lack of foreign investments and capital, moribund trade, massive poverty and unemployment, and high social inequality. The government then pursued structural adjustment measures due to international pressure and the new economic paradigm that was emerging during that time. As such, the government started to open up the economy to international trade in the hopes of rejuvenating a fledgling economy. These measures were adopted during the advent of globalization when global trade, foreign investments, international finance, and market liberalization² became more prominent and pronounced. The Philippines followed the trend of globalization in view of the new economic paradigm of the time, its borrower status, its weak global economic and credit standing, and the urgency to improve its economy. The country pursued trade and economic policies that emphasize economic openness; free flow of trade, goods and services; privatization of state-owned assets; and deregulation of industries, among others.

The economic steps and policies that the Philippine government took right after the end of the martial law regime were largely driven by the pressing need to immediately address its massive foreign debt problem. Against popular opinion and due to the pressing need to invest in the delivery of basic social services, the newly installed democratic government decided not to repudiate all its foreign debt. Instead, it followed the advice of international lending institutions such as the World Bank and the International Monetary Fund (IMF) to implement structural adjustment measures to help resuscitate the Philippine economy. The government was then able to negotiate lower interest rates and longer payment terms to settle its foreign debts. However, although credit and investments gradually started to come in, a significant portion of the country's fiscal resources went to debt servicing.

After implementing structural adjustment measures to address its fiscal and monetary state, the Philippine government adopted a predominantly liberalized approach to trade and economic policies. This eventually led the country to open its trade by reducing its tariff rates and import quotas, privatize state-owned assets (e.g. steel, water, and power), and deregulate industries (e.g. petroleum and telecommunications) during the 1990s. Accordingly, all of these developments would have significant effects not only on the labour, employment, and working conditions in the country but also to both domestic industries and Filipino workers themselves.

During this period, the government passed and enacted laws that would lay down the foundations and structures for a predominantly market-oriented economy. Among them were the Omnibus Investment Code of 1987, the Foreign Investments Act of 1991, and the Build-Operate-Transfer Law. The latter would eventually become the basis for the government's focus on public-private partnerships (PPPs) during the early 2010s. This period also emphasized people empowerment and supporting the growth of smaller business in order to contribute to industrial growth and development. Thus, the Magna Carta for Small and Medium Enterprises (SMEs) (RA No. 6977) was passed in 1991.

²Market liberalization is characterized by a set of macro-economic, fiscal, monetary, and trade policies, in which the basic thesis is that government intervention and regulation should be minimal and that markets should be open and barriers to trade should be dismantled.

To some extent, trade and investment liberalization was justified as a means to attract foreign capital and investments and to address high unemployment. However, the government was saddled by debts and by the need to service them. Likewise, despite attempts to stimulate employment through a community-based employment programme in the countryside, unemployment remained high and foreign investment levels low. Foreign investors skipped over the Philippines for its neighbours in the region, which were more or less stable than the country (Bello, 2009a). This condition worsened as a series and combination of natural disasters, coup attempts, and power outages struck the country in the late 1980s, which made the country unattractive for foreign investments and made it difficult for Philippine exports to stay competitive.

Meanwhile, Aldaba (2013a) cited that the tariff reforms implemented during the 1980s and 1990s significantly reduced the country's tariff protection rates and import restrictions. The average tariff rate for all industries is at 6.82 per cent; the manufacturing sector's average tariff rate is roughly the same as the overall tariff rate, whereas agriculture still has the highest tariff rate at 11.3 per cent (Aldaba, 2013a, p. 7).

The adoption of market-oriented policies, which reached their peak during the 1990s, opened various sectors of the Philippine economy that were previously closed and heavily protected by the state. Likewise, the government explored and searched for access to global markets that were open to its products and vice-versa.

1.5 1990s: Rapid liberalization of trade and the economy

A dramatic shift in Philippine trade and economic policy occurred by the late 1990s. From cautious and protective policies, the Philippines adopted full market-oriented policies and programmes. Rightly or wrongly, government technocrats and economic experts saw hope in the promise of economic liberalization (Bello, 2009b). As such, the 1990s can be characterized as the period of rapid liberalization of the Philippine economy. This development significantly reduced tariffs and protection rates for Filipino products; deregulated industries (telecommunications and oil); relaxed the restriction on the entry of foreign banks in the country (albeit in a limited way); and privatized vital public utilities (water, steel, and electricity). Likewise, as the economy opened up during the 1990s, many jobs were lost, thousands of workers were displaced, and several domestic industries lost out to heightened external competition and undue surge in imports, such as garments, textiles, steel, agriculture, and manufacturing, among many others. However, poverty remained the single biggest issue for most Filipinos during that time despite the much-touted opening up of the economy. Unemployment was still high, even reaching double-digit levels, particularly during the height of the 1997 Asian Financial Crisis. Moreover, overseas employment continued to persist and seemed to have even further intensified during this period. This seemed to indicate that there is much to be desired from the prevailing economic policies of the time.

This period also marked the start of the country's transition to a services-oriented economy. The shift was largely driven by economic liberalization and industrial deregulation, which led to job losses in both agriculture and manufacturing sectors. Some scholars observed that the Philippines skipped the normal route to industrialization by its immediate transition to services, without having fully developed its manufacturing sector and industrial base.

While it was implementing more open trade and economic policies during the 1990s, the Philippines was also actively taking part in numerous trade talks, discussions, and negotiations at the regional, global,

and multilateral levels. The Philippines became part of various ASEAN deals and agreements on free trade, tariff reductions, and regional economic cooperation. Philippine interest in trade peaked when it joined the World Trade Organization (WTO) in 1995 and when it hosted the Asia-Pacific Economic Cooperation (APEC) Summit in 1996. At the same time, the country was enjoying relative stability and sustained economic growth for the most part of the 1990s, in contrast with the turbulent period of the prior decade. As a result, the government passed, enacted, and implemented numerous trade and investment-related laws and initiatives to support economic liberalization. These initiatives include establishing a new CBP, creating the Department of Energy (DOE), and granting emergency powers to the president to address the energy crisis. Likewise, Congress passed laws such as the Oil Deregulation Law of 1998 (RA No. 8749), the Public Telecommunications Policy Act of 1995 (RA No. 7925), the Agricultural Tariffication Act of 1996 (RA No. 8178), and the Philippine Mining Act of 1995 (RA No. 7942), among others; and amended and expanded the Foreign Investments Act of 1991 (RA No. 7042). Moreover, the government created the Philippine Economic Zone Authority (PEZA) and converted the former US military bases into special economic zones (Clark and Subic).

As trade became the focus of the government's economic priorities, the Export Development Council (EDC) was created in 1993 followed by the creation of the Export Development Act of 1994. The Act institutionalized the export council and also mandated the government to develop a three-year Philippine Export Development Plan (PEDP), which would support the government's overall six-year Medium-Term Philippine Development Plan (MTPDP).

Although trade liberalization was the central economic theme and priority of the government during the 1990s, a number of social legislations were also enacted during this period to support labour. Such legislations include the following:

- a) the Migrant Workers Act of 1995 (RA No. 8042), which was a belated reaction to the execution of an overseas Filipino worker that caused public outrage;
- b) the National Health Insurance Act of 1995 (RA No. 7875), which created the present-day Philippine Health Insurance Corporation (PhilHealth);
- c) the Social Reform and Poverty Alleviation Act of 1997 (RA No. 8425), which created the National Anti-Poverty Reduction Commission and launched the Social Reform Agenda;
- d) the Agriculture and Fisheries Modernization Act of 1997 (RA No. 8435); and
- e) the adoption of a population-resources-environment framework for sustainable development, among others.

However, the optimism for most of the 1990s would give way to concern when the Asian Financial Crisis hit in 1997. The Philippines was affected as a result of contagion – its robust economic growth prior to the crisis showed similar patterns to those of its neighbouring countries. Consequently, the country's response has been largely macroeconomic in order to protect the purchasing power of the currency and to minimize adverse effects on domestic prices when the currency came under severe pressure to depreciate. Although the country was not severely affected as the other countries in the region, the economy posted a negative growth of -0.6 per cent. The industry sector, which posted an average growth of 6.4 per cent from 1995 to 1997, only grew by 0.8 per cent from 1998 to 2000 (Bello, 2009a, p. 113).

More so, trade deficit stood at US\$12.8 billion in 1996 despite government efforts to prioritize openness to trade and to promote export competitiveness during the period. Philippine exports, particularly

garments, which used to be one of the major exports of the country, fell by 27 per cent during the same year (Bello, 2009a, p. 107). Industry observers cited that the strength and competitiveness of traditional exports gradually declined due to the same policy that loosened capital controls and prompted the overvaluation of the peso. This accordingly resulted into making imports entering the country to be much cheaper.

1.6 2000s: From the Asian crisis to the global crisis

The 1997 Asian Financial Crisis served as a lesson for the Philippines to become cautious in its liberalization policies. Despite the collapse of trade talks at the global level following the fallout from the 2003 Cancun talks, the Philippines would nonetheless continue to pursue free trade talks and discussions, albeit on a bilateral level. In 2008, the Philippines entered into a trade deal with Japan, which was subsequently ratified by the Senate. The Philippines-Japan Economic Partnership Agreement (PJEPA), as it eventually came to be called, was the country's first bilateral free trade agreement (FTA).

It seemed that the country took a more cautious approach to trade agreements, especially when dealing with agricultural products. However, liberalization in the services sector was in full steam. The laws enacted during the period that further opened the services sector include the Securities Act of 1993 (RA No. 8799), the Electronic Commerce Act of 2000 (RA No. 8792), the General Banking Act of 2000 (RA No. 8791), and the Retail Trade Liberalization Act of 2000 (RA No. 8762). The latter reversed the long-standing restriction on the entry of foreign firms into the country's retail trade sector that was put in place by the Retail Trade Nationalization Act of 1954 (RA No. 1180).

One of the key developments in the liberalization of services during the early 2000s was the emergence of the IT-BPO industry. Some experts have attributed the rise of this industry to the reform and deregulation of the telecommunications industry during the 1990s. Today, the IT-BPO industry is one of the Philippines' mainstay pillars for dollar inflows aside from overseas Filipino Workers (OFWs) remittances.

Nonetheless, for most part of the 2000s, the Philippines continued to face challenges such as the increasing budget deficit. This would later become a full-blown fiscal crisis right after the 2004 elections, but would be remedied by raising the value-added tax. The country would also be hit by the 2007 Global Oil and Food Crisis, which would later cause a rice shortage. The Global Financial Crisis of 2008 followed, which some critics and scholars blamed on the relaxation of financial rules and regulations during the 1990s.

The Global Financial Crisis compelled the Philippine government to take a more interventionist approach to the economy in order to prevent the global crisis from becoming a domestic crisis. Accordingly, the government implemented an economic resiliency programme, which aimed to mitigate the impact of the crisis. The programme was anchored on increasing public spending to stimulate the economy and on creating employment via infrastructure and rural community projects through a comprehensive livelihood and emergency employment programme. It was also during this period that the government first introduced and institutionalized the conditional cash transfer (CCT) programme, which aimed to ensure that human capital investment is sustained among poor families.

The country consequently avoided economic contraction and posted a modest 1.1 per cent gross domestic product (GDP) growth in 2009, albeit this was much lower than the 4.2 per cent GDP growth rate recorded in 2008 prior to the Global Financial Crisis.

Despite avoiding negative growth, manufacturing was severely hit by the global crisis. This is evidenced by the sharp fall in exports and the contraction in private capital formation. Moreover, nearly 2 million Filipinos were said to fall into poverty due to the effects of the global economic crisis (Balisacan, et al, 2010, p. 23).

1.7 Early 2010s: Towards inclusive growth

As the world entered a new decade still reeling from the effects of the Global Financial Crisis, the Philippines set the goal of achieving inclusive growth as its main priority throughout the early to mid-2010s. The global crisis did not severely affect the Philippines as it did other countries, particularly the developed ones like the US and the European States. However, long-standing and structural economic issues such as poverty, persistently high unemployment rates, and perennially low levels of foreign direct investments (FDIs) heightened in the course of the global economic meltdown. Further, corruption remained one of the country's biggest stumbling block towards achieving inclusive growth. Not only did corruption turn away investors and weaken the country's economic competitiveness, it also gutted the government's ability to deliver basic social services. Hence, "good governance is good economics" became the slogan of the government in the early to mid-2010s, with achieving "inclusive growth" as the overall objective and end-goal. Moreover, the government promoted PPP to address the country's infrastructure problems and became the government's primary tool and strategy for infrastructure development.

During this period, "inclusive growth" became the centrepiece of the country's development agenda; it was likewise the overarching framework of the government's Philippine Development Plan (PDP) 2011–2016 and other PDP-linked sectoral employment plans, including the Philippine Labor Employment 2011–2016 and the Human Resources Development Industry Roadmaps of the Department of Labor and Employment (DOLE) and the Department of Trade and Industry (DTI). The former served as a companion and supporting document to the PDP on labour and decent work issues. The latter plan, on the other hand, aimed to support the labour and employment components of the DTI industry roadmaps for 22 industries and identified human resource constraints and resource advantages to help the labour sector.

On the trade side, the government also developed the PEDP³ 2015-2017 to ensure that the country's export sector would be ready to face another possible downturn similar to that experienced in 2008-2009. Specifically, the PEDP 2015-2017 rolled out a three-year plan that would provide a business environment supportive of trade, growth, and innovation. It would also enable domestic industries to establish their niches in regional and global markets in the hope of raising the status of the Philippines in the global value chain.

In 2014, the country concluded its second bilateral FTA with the European Free Trade Association (EFTA), which consists of the countries Iceland, Liechtenstein, Norway, and Switzerland. The Agreement was formally ratified by both the President of the Philippines and the Senate of the Philippines in March 2018.

³The development of the PEDP is in accordance with the mandate of the Export Development Act of 1994 for the government to come up with a national export plan every three years.

It was also during this period that the government launched and unveiled two concrete sector-specific industrial policies and strategies in order to sustain the resurgence of the manufacturing sector being experienced at the time. Specifically, these policies are the Manufacturing Resurgence Programme (MRP) and the Comprehensive Automotive Resurgence Strategy (CARS). The former policy aimed to boost competitiveness and rejuvenate the Philippine manufacturing sector, particularly, agro-industries. Meanwhile, the latter sought to make the country a regional automotive manufacturing hub in Southeast Asia by attracting more investors through fiscal incentives and government support. It also aimed to create at least 200,000 jobs (both direct and indirect) over a five-year period.

The government also pushed for significant economic reforms that were consistent with the predominant economic paradigm of open economy that has been put in place since the 1990s. Accordingly, the Philippine Competition Act of 2015 (RA No. 10667) and the Customs Modernization and Tariff Act of 2016 (RA No. 10683) were passed, the Cabotage Law was amended, and the Philippine banking sector was fully liberalized.

The Philippine economy posted an average growth rate of 6.3 per cent from 2010 to 2016. Likewise, the country registered its highest level of net FDIs at around US\$7 billion in 2014. The manufacturing sector, which also received substantial net flows of FDIs and peaked at about US\$1.7 billion in 2012, grew at an average of 7-8 per cent. Unemployment began to exhibit downward trends beginning 2014, and inflation was also at its lowest during this period. Meanwhile, government spending and foreign debt accumulation remained under control. With these sound macroeconomic fundamentals, the Philippines received series of investment-grade credit ratings from international creditors, lenders, and financial institutions, which were deemed as a vote of confidence in the economic direction of the country.

Although poverty incidence inched up to 25.8 per cent during the first semester of 2014 from 24.6 per cent during the first semester of 2013, overall, there was progress in the efforts to reduce poverty incidence in the Philippines. Over a nine-year period, poverty incidence among the population declined from 26.6 per cent in 2006 to 21.6 per cent in 2015, while poverty incidence among families also decreased from 21 per cent in 2006 to 16.5 per cent in 2015. One of the factors that likely contributed to the decline in the country's poverty incidence was the continuation of the CCT programme⁴ and the expansion of other social welfare programmes. Such welfare programmes include implementing universal health coverage for all Filipinos (around 90 per cent already enrolled as of 2017) and including senior citizens as eligible for universal health coverage and support from the government.

However, structural problems persist despite these gains. Although both poverty incidence and unemployment rate have both gone down in recent years, millions of Filipinos still remain poor, jobless, and mired in poor-quality employment, and lack access to basic social services. Also, despite the government's effort to promote PPP during this period, only a few PPP projects were completed while the rest remain in the pipeline. Bureaucratic red tape and indecision contributed to the delays in PPP implementation. Furthermore, employment growth still lags behind the impressive economic expansion experienced during the period. Although FDIs grew during this period, they remained lacklustre when compared with those received by the Philippines' neighbours in Southeast Asia, such as Viet Nam and Indonesia.

⁴The CCT was first introduced in the late 2000s at the onset of the global crisis and later continued and expanded during the early to mid-2010s.

1.8 At present: Build, build, build and spreading development throughout the country

The early to mid-2010s was a period of impressive macroeconomic gains and achievements for the Philippines. This can be seen in the highest GDP growth rate (6.3 per cent) since the mid-1970s and the series of investment-grade credit rating upgrades that the country received during this period. However, serious structural economic problems still continue to hamper the country from fully achieving its ultimate social and economic goal and objective – to lift millions of Filipinos out of poverty and to give them not just decent jobs but a decent and better future as well. Among the pressing structural changes that the Philippines still faces include:

- a) inconsistencies and incoherence in Philippine trade, investment, employment policies and strategies;
- b) poor infrastructure and mass transport and logistics system;
- c) high power and production costs;
- d) underdeveloped agriculture sector;
- e) persistence of high poverty;
- f) underemployment, jobs-skills mismatch, and low wages and productivity; and
- g) continuing imbalance in Philippine trade relations and performance.

The present administration, which came into office in 2016, has come up with national developmental strategies that aim to sustain the already-strong macroeconomic fundamentals of the country and to further accelerate national development. Accordingly, the government established its “Build, Build, Build” programme, which aims to spur economic growth and activities in the regions and the countryside and to invest in massive infrastructure-building projects.

Further, having elected its first president to come from war-torn Southern Philippines in the 2016 presidential election, the growth of Mindanao has since then been high on the agenda of the government’s socio-economic policies and programmes, especially in linking peace to development.

The President’s ten-point agenda serves as the guiding framework, in which all national and sectoral development plans and strategies are anchored. Under the President’s ten-point agenda, the following are the government’s developmental priorities:

- a) Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies;
- b) Institute progressive tax reform and more effective tax collection, indexing taxes to inflation;
- c) Increase competitiveness and the ease of doing business;
- d) Accelerate annual infrastructure spending up to 5 per cent of GDP, with PPP playing a key role;
- e) Promote rural and value chain development towards increasing agricultural and rural enterprise productivity and rural tourism;
- f) Ensure security of land tenure to encourage investments and address bottlenecks in land management and titling agencies;
- g) Invest in human capital development, including health and education systems, and match skills and training;
- h) Promote science, technology, and the creative arts to enhance innovation and creative capacity;
- i) Improve social protection programmes, including the government’s CCT programme; and
- j) Strengthen implementation of the Responsible Parenthood and Reproductive Health Law.

Accordingly, the National Economic and Development Authority (NEDA) launched *AmBisyon 2040* (Vision for 2040) in support of the President's ten-point agenda. *AmBisyon 2040* is the government's 25-year long-term development plan and vision for the Philippines. It aims to make the country a predominantly prosperous middle-class society by 2040 through tripling real per capita incomes and reducing poverty and hunger in the country. It also envisions that the four succeeding PDPs under the successive new administrations will contribute to the realization of *AmBisyon Natin 2040*.

The government's new PDP 2017-2022 then works towards realizing the national goals and vision set out in *AmBisyon 2040* and the priorities spelled out in the President's ten-point agenda and towards achieving the Sustainable Development Goals. In particular, the new five-year development plan aims to continue the path to inclusive growth that was laid down by the previous government by reducing inequality; increasing potential growth; enhancing the social fabric of the country; accelerating infrastructure development; pursuing strategic trade and fiscal policies and macroeconomic stability; maintaining ecological integrity and a healthy environment; and promoting public safety, peace and order.

In the area of labour and employment, DOLE came up with its Eight-Point Labor and Employment Agenda, which aims to help achieve the government's overall vision for Filipino workers and their families. The agenda consists of the following points:

- a) Continue to enhance and transform DOLE into an efficient, responsive, purposeful, and accountable institution.
- b) Address the persistent problems of unemployment and underemployment. The agency is aware that the causes of unemployment and underemployment are inadequate employment opportunities, mismatches between skills and jobs, and limited access to labour market information.
- c) Ensure full respect of labour standards and the fundamental principles and rights at work. The Department is mandated to protect and respect all rights at work as a precondition for promoting decent work.
- d) Continue to strengthen protection and security of the OFWs. The ultimate policy goal of President Duterte is to create an environment that will generate enough decent and adequately remunerated work for every Filipino here in the country so that no one will have to seek overseas work as a matter of compulsion or necessity.
- e) Bring more focus and accessibility in workers' protection and welfare programmes.
- f) Achieve a sound, dynamic, and stable industrial peace with free and democratic participation of workers and employers in the policy and decision-making processes affecting them.
- g) Establish a labour dispute resolution system that ensures just, simplified, and expeditious resolution of all labour disputes.
- h) Institute responsive, enabling, and equitable labour policies, laws, and regulations.

Meanwhile, on the skills side of employment, the Technical Education and Skills Development Authority (TESDA) is given the important role of addressing skills-jobs mismatches and providing employment opportunities through its skills training programmes. Accordingly, it has formulated its own 14-point reform and development agenda that aims to contribute to poverty reduction and decent employment opportunities in the country by promoting and pursuing barangay-based scholarship programmes, on-line scholarship application, technical audit of technical and vocational education

and training (TVET)) schools and programmes, skills training for drug dependents, skills training for entrepreneurs and family enterprises, skills training programme for inmates and their families, inclusive training programme for women, continuing programme for TESDA's alumni, global access to/on-line database of TVET graduates and certified workers, linkages with agro-industry, linkages with state universities and colleges and local universities and colleges, linkages with foreign skills training institutions, transparency, and moral renewal.

On the side of export policy, the government has recently updated the country's national export development plan and strategy, which is anchored on the President's ten-point socio-economic agenda and the PDP 2017-2022. The PEDP 2018-2020 that the DTI drafted aims to boost export revenues to US\$122-US\$130 billion by continuing previous export policies and by crafting new export strategies and programmes to achieve this goal.

Meanwhile, the government has strategically realigned (or at least re-balanced the scales) the priorities in international trade and labour by giving more leverage to the country. On the international labour front, the government has been aggressive in protecting the rights of Filipino migrant workers by calling on OFW-receiving host countries to ensure and respect the rights and welfare of Filipino OFWs.

On the global trade scene, in keeping with the President's pronouncement of an independent foreign policy, the government has also been exploring new export markets and trade partners while maintaining its already-strong ties and relations with its traditional trading and economic partners. At the same time, the government has also looked forward to China for more economic assistance, Japan for more infrastructure aid, the US for a possible new trade deal, and India for strengthening economic ties. The country has also explored partnerships with the EU for more privileges for its exports under its Generalized Scheme of Preference Plus (GSP+) and also for a possible free trade agreement, of which the most important step towards securing a deal has already been taken via the ratification of the EU-Philippines Framework on Partnership and Cooperation Agreement (PH-EU PCA).

1.9 Philippine participation in international trade agreements and arrangements: Through the years

Trade and employment policies have played an important role in Philippine economic development. At the same time, the country's trade and economic policies have also been greatly influenced by external factors, such as the geopolitical dynamics during the post-war era and the post-cold war era. During the post-war era, the Philippines largely depended on the US for political, military, and economic support. On the other hand, the country joined the trend towards global integration, economic openness, and trade liberalization during the post-cold war era at the start of the 1990s. A crucial element and defining feature of these globalizing economic trends was the signing and forging of numerous free trade and economic partnership agreements between countries and among various countries, regions, or economic and trading blocs.

To date, the Philippines is a member of several regional and multilateral trade organizations (e.g. WTO⁵, APEC, ASEAN Economic Community [AEC], etc.) and also a party to various international trade agreements and arrangements. However, in the case of the Philippines, most of its FTAs have been entered into via its membership in the ASEAN, of which it is one of its original founding member States. Through ASEAN, the Philippines is one of the parties to the 1992 ASEAN Free Trade Agreement (AFTA) and the 2009 ASEAN Trade in Goods Agreement, which enhances the Common Effective Preferential Tariff (CEPT) under AFTA⁶.

Of the Philippines' eight regional and bilateral FTAs, the country signed and entered six of them through ASEAN, namely: the ASEAN-China Free Trade Agreement (ACFTA)⁷; ASEAN-India Free Trade Agreement (AIFTA)⁸; ASEAN-Japan Free Trade Agreement⁹ (AJFTA); ASEAN-Korea Free Trade Agreement¹⁰; (AKFTA) and the ASEAN-Australia and New Zealand Free Trade Agreement (AANZFTA)¹¹.

Meanwhile, the country's two remaining FTAs are bilateral, namely, the PJEPA¹² and the EFTA. The former has already been ratified and in force since 2008, whereas the latter concluded in 2014 but has only been recently ratified in March 2018 by the Senate of the Philippines with concurrence from the President of the Republic of the Philippines.

⁵The Philippines became a member of the WTO when it was established in 1995. The WTO-Uruguay Round of Multinational Trade Negotiations covered goods such as agricultural products, textiles, clothing, as well as trade related intellectual property rights, and trade-related investment measures. This stipulated a reduction in tariffs of at least 33 per cent (relative to the 1986 level). Computer parts, semiconductors, and chip-making equipment received a tariff cut between 50 per cent and 100 per cent.

⁶The AFTA established the Common Effective Preferential Tariff (CEPT) scheme, which reduced import duties within the ASEAN region. At present, about 99 per cent of products in the CEPT-Inclusion List of the ASEAN-6 have already been brought down to the lowest tariff range (0-5 per cent). The CEPT-AFTA covers all manufactured and agricultural goods, except those considered as sensitive agricultural products such as rice. General exceptions would also include products needed for the protection of national security, health and artistic and historic value.

⁷The ASEAN-China FTA benefits for the Philippines include: (a) zero tariffs on "normal track" products exported to China (approximately 7,520 products), including bananas, mineral oils and fuels, copper, machinery, mechanical appliances and vehicles including parts and accessories; and (b) protection for local industries due to the 5 per cent tariffs on products under the "sensitive list" in 2016.

⁸The ASEAN-India FTA benefits Philippine exports that are mostly in agriculture and the manufacturing sectors, such as steel, machineries, electronic products, chemical and energy products.

⁹Among the major provisions of the ASEAN-Japan Common Economic Partnership Agreement include trade in goods and trade in services, trade in investment, rules of origin, sanitary and phytosanitary, technical barriers to trade, dispute settlement mechanism, and economic cooperation.

¹⁰The ASEAN-Korea FTA eliminates and reduces tariffs and restrictive regulations of commerce on trade in goods among the two parties. The Philippines benefits from this through increased investments in shipbuilding and in railway system. In 2007, Korea also eliminated tariffs for 70 per cent of the products.

¹¹The ASEAN-Australia New Zealand (ANZ) FTA ensures liberalization of the services sector by providing Filipino professionals and skilled workers with broader market access and opportunities. Australia expands its definition of contractual service suppliers to cover such changes. In terms of goods, the Philippines benefits from zero tariffs for all products exported to ANZ since January 2010.

¹²At the heart of the Philippines-Japan Economic Partnership Agreement (PJEPA) is the liberalization of movement of goods, services, people, and capital. The PJEPA also strengthens the Philippines' market access to Japan. In terms of trade in goods, tariffs for industrial, agricultural, forestry, and fishery products on almost 9,300 tariff lines have been greatly reduced. Some specific products (which differ in the phases of implementing said reduction) consist of marine products, fresh bananas and pineapples, raw cane sugar, and housewares. As for trade in services, discussions on the impact of PJEPA have centred on the entry of Filipino health and medical professionals, particularly nurses and care workers. With regard to investments, the agreement also provides measures to address anti-competitive activities, promote cooperation, enhance transparency, and protect intellectual property rights.

Economic protectionism and nationalism swept much of the West in 2016, and thus trade talks at a multilateral level have stalled. The US, with its espousal of an America First economic policy, withdrew from the Trans-Pacific Partnership (TPP) that was in the works in the early and mid-2010s. This development has allowed China, already the world's second largest economy, to come into the picture by spearheading the Regional Comprehensive Economic Partnership (RCEP). The RCEP had been earlier billed as the China-led alternative to the TPP when it was still on the table. The RCEP consists mainly of countries in East Asia (with Japan and China as its economic heavyweight member States), an acknowledgement of the waning economic influence and might of Western countries. One feature of the RCEP is to unify and refine the existing FTAs that ASEAN currently has. Similar to the "Western" bilateral trading agreements that ASEAN has, the RCEP will also cover the bases of trade in goods, services, investment, intellectual property rights, and dispute settlements.

However, geopolitical issues remain to be one of the main challenges for this agreement to push through as apprehensions over China's growing influence abound. Meanwhile, for the Philippines, Cororaton (2016) expressed concerns that Philippines' rice production would decline as rice imports become cheaper under the proposed terms of the RCEP. Although cheaper imported rice could benefit all households, this would have negative impact on rice labourers and farmers.

Aside from FTAs, the Philippines is also a beneficiary of unilateral trade privileges from developed countries and economies via their respective general systems and schemes of preferences (GSPs). Specifically, the Philippines is a beneficiary country of the US GSP and the European Union GSP+, among other and several trade and economic arrangements. Both agreements emphasize the compliance of beneficiary countries with key international conventions and treaties on human rights, labour rights, gender equality, good governance, environmental protection, and sustainable development, among others.

The Philippines has ratified 27 core international conventions that are relevant for being granted GSP privileges and market access in developed economies. These include the eight core labour conventions of the International Labour Organization (ILO), namely; concerning forced and compulsory labour, promotion of freedom of association and of the right to organize, recognition of the right to organize and bargain collectively, equal remuneration between men and women workers; abolition of forced labour, non-discrimination in employment and occupation, the minimum age for employment; and the elimination of the worst forms of child labour. Adherence to these international conventions, particularly compliance with the core international labour standards, has helped the Philippines to be granted trade privileges via the various GSP schemes of developed economies, such as the US and the EU. More recently, international labour standards are becoming more prominent and important in negotiations that concern forging trade deals, be it bilateral or multilateral.

1.10 International labour standards and trade agreements

According to two ILO studies on the social dimensions of FTAs (ILO, 2015) and on the assessment of labour provisions in international trade and investment arrangements (ILO 2016), the number of trade agreements with labour provisions has increased to 58 (as of June 2013) from 21 in 2005, and from just four agreements in 1995. Also, of all the 190 countries with trade agreements, about 120 countries are partners and/or parties to trade agreements that have labour provisions (ILO, 2015).

Further, of the trade agreements with labour provisions, 40 per cent are with labour compliance conditionalities, whereas 60 per cent are simply promotional and cooperative or hortatory in nature. In some cases, labour provisions are also made with pre-ratification conditionality such that the conclusion of trade agreements is contingent upon ratification and agreement to labour provisions and their implementation. In other cases, enforcement and ratification and adoption of labour provisions usually come after the trade agreement has been concluded (ILO, 2015).

Labour provisions, along with strong social pressures, particularly from labour unions and workers themselves, have also contributed to reforms in labour laws in many countries. Such reforms include improving, strengthening, and expanding the right of workers to form, organize, and join unions; protecting worker-union members from discrimination; strengthening labour inspectorates against fraudulent temporary contracts; expanding the freedom of association by reducing the number of permits to be able to exercise the right to strike; and developing fairer complaint mechanisms and dispute resolutions that ensure workers' rights (ILO, 2015).

Furthermore, although promotional labour provisions are not conditional in many countries, they have still contributed to the formulation of labour inspection plans, strengthening of occupational safety and health actions, strengthening of regional cooperation among states and parties involved in developing comprehensive labour agendas, and strengthening labour law enforcement and awareness-raising on labour and workers' rights (ILO, 2015).

In terms of the impact of labour provisions on exports, the ILO noted that labour provisions have not resulted in any decrease in trade flows between trade agreement partners and parties, and did not cause any shift of trade to non-members of the trade agreement, contrary to some concerns (ILO, 2016b). This positive impact of labour provisions on trade and export flows, especially in trade agreements between developed (North) and developing (South) countries, could be explained by the inclusion of cooperation provisions in labour clauses of trade agreements (ILO, 2016b).

More importantly, the ILO noted that countries with labour provisions in their trade agreements have been associated with higher labour force participation rates and narrower gender gaps (ILO, 2016b).

1.11 International labour standards in Philippine trade agreements

Two of the FTAs of the Philippines already contain labour provisions and references that are promotional and hortatory in nature to respect labour laws and workers' rights. In the main text of Article 103 (Investment and Labour) of the PJEPA, which was ratified and concluded in 2008, it states that the parties to the agreement (i.e. Japan and the Philippines) "recognize that it is inappropriate to encourage investments by weakening or reducing the protections afforded in domestic labour laws". The agreement also reiterates the same for internationally recognized labour rights.

Meanwhile, the Philippines' most recent bilateral-level FTA with EFTA contains more provisions that explicitly invoke and refer to ILO core conventions on international labour standards. In particular, the PH-EFTA FTA main text allots an entire chapter devoted to labour and environmental standards under Article 11 of the agreement. These standards include:

- a) ensuring the protection of labour laws, rules, regulations, and standards;
- b) promotion of cooperation between parties on trade and investment-related labour and environmental issues of mutual interest to both; and
- c) compliance with obligations of the FTA parties under ILO core conventions on freedom of association, right to collective bargaining, elimination of all forms of forced or compulsory labour, effective abolition of child labour, and the elimination of discrimination in employment and occupation.

Labour provisions could significantly help to enhance rights and opportunities at work. However, it must be emphasized that the role and participation of labour unions and workers themselves play an important and critical part in ensuring that workers' rights are upheld and protected; ultimately, it lies on the critical and constructive cooperation, collaboration, and partnership between government, workers, and employers.

2. EMPLOYMENT IN THE PHILIPPINES: SHIFT TOWARDS A SERVICES-ORIENTED ECONOMY

Generating gainful, decent, and productive jobs has been a particular challenge for the Philippines. Although the economy has posted a remarkable growth and has received a series of investment-grade credit ratings over the recent years, the country still faces difficulties when it came to creating jobs and generating employment opportunities. Employment growth has significantly lagged behind economic expansion, which has led some economic observers to describe Philippine economic expansion as a "jobless growth".

The Philippines has spent decades removing trade barriers, joining several international trade agreements and arrangements, and opening up the economy to competition and global integration in the hope of attracting more investments and generating more employment. However, despite these efforts, job creation remains modest at best. It was only in the last few years that unemployment has started to show signs of decline. Previously, the Philippines, which already had the lowest tariff rates in ASEAN in general, also held the record of having the highest unemployment rate in the region.

Trade liberalization and industrial deregulation have led to some positive developments and impacts on the Philippines. In particular, liberalization and deregulation have led to the breakup of monopolies and cartels (in the telephone and oil industries), the rise of the IT-BPO industry, and the reduction in the costs of imported goods. However, the impact of international trade on domestic employment in the Philippines has been largely viewed as either negative or at best, "mixed". There have been winners (financial services and IT-BPO subsectors in the services sector) and losers (agriculture, garments and textile industry, etc.). Likewise, the government has not been able to sufficiently address the displacements and dislocations resulting from international trade and globalization.

Furthermore, industries that lost out to foreign trade competition have not fully recovered. Workers who lost their jobs have not been able to adjust and transition smoothly into another industry due to lack of skills, lack of proper employment facilitation, and the government's ineffective implementation of adjustment measure programmes.

To see the possible extent of the impact of trade on employment and the labour market in the country, it is important to look at how employment has grown through the years and how dramatically it has changed and shifted over time, especially in terms of the structure and composition of the Philippine labour market.

2.1 Working age population and labour force participation

As of 2017, the Philippines' economically active population is estimated to be at almost 70 million (Table 1). Of these Filipinos of working age, about 42.77 million are part of the Philippines' entire labour force.

However, in the last ten years, the Philippines' labour force participation rate has been slightly declining from 67.4 per cent in 2002 to 61.2 per cent in 2017. Likewise, it has been averaging at 64.5 per cent per annum in the period 2000-2017 (Table 1).

Table 1. Working age population and labour force participation rate, 2000-2017

Year	Working age population	Labour force participation rate (LFPR)	LFPR (Male)	LFPR (Female)
2000	48 960*	63.6	79.6	47.7
2001	48 929*	67.1	82.4	51.8
2002	50 344*	67.4	82.0	52.8
2003	51 791*	66.7	82.2	51.4
2004	53 119*	67.5	83.8	51.2
2005	54 690*	64.7	79.6	49.9
2006	55 230	64.2	79.3	49.3
2007	56 565	64.0	78.8	49.3
2008	57 848	63.6	78.8	48.6
2009	59 237	64.0	78.6	49.4
2010	60 717	64.1	78.5	49.7
2011	61 882	64.6	79.0	50.4
2012	62 985	64.2	78.5	50.0
2013	64 173	63.9	78.1	49.9
2014	64 033	64.6	78.6	50.7
2015	64 936	63.7	77.3	50.1
2016	68 311	63.5	77.6	49.3
2017	69 896	61.2	79.6	47.7

Note: * Estimates for the year (average of the quarterly data).

Source: PSA (2017).

In terms of gender, male labour force participation has recorded a decline over the years. From its highest at 83.8 per cent in 2004, it has gone down to 76.2 per cent in 2017. On the other hand, female labour force participation rate also reflects a decline from its peak of 52.8 per cent in 2002 to 47.7 in 2017. Nonetheless, the labour force participation gap between women and men has remained relatively unchanged at 30 percentage points from 2000 to 2017.

Aside from being outnumbered by the males in the labour force, employed women mostly work in jobs that lack decent working conditions, such as inadequate income, low productivity, and difficult or hazardous work conditions. Although there may be efforts to increase women’s participation in the workforce, women find it more difficult to enter the labour market due to the lack of available jobs and due to some links in the country’s social and cultural traditions.

2.2 Employment

2.2.1 Employment and GDP growth of the Philippines

The introductory section of this chapter mentioned earlier that Philippine economic growth has been described as a “jobless growth” because employment growth has been consistently lagging behind rapid economic expansion. The Philippine economy during the 2000s more or less exhibited a boom-bust cyclical pattern, with economic growth declining from 4.4 per cent in 2000 to just 1.1 per cent in 2009 (Figure 1). This is mainly due to the adverse effects of the global economic recession – economic growth in the early 2010s to the present has been on a consistently upward trajectory and momentum. Nevertheless, although the Philippine economy has posted a compounded average growth rate (CAGR) of 5.4 per cent per annum from 2010 to 2017, employment grew only at a CAGR of 1.63 per cent per annum during the same period.

Figure 1. Philippine GDP (at constant 2000 prices) and employment growth, 2000-2017



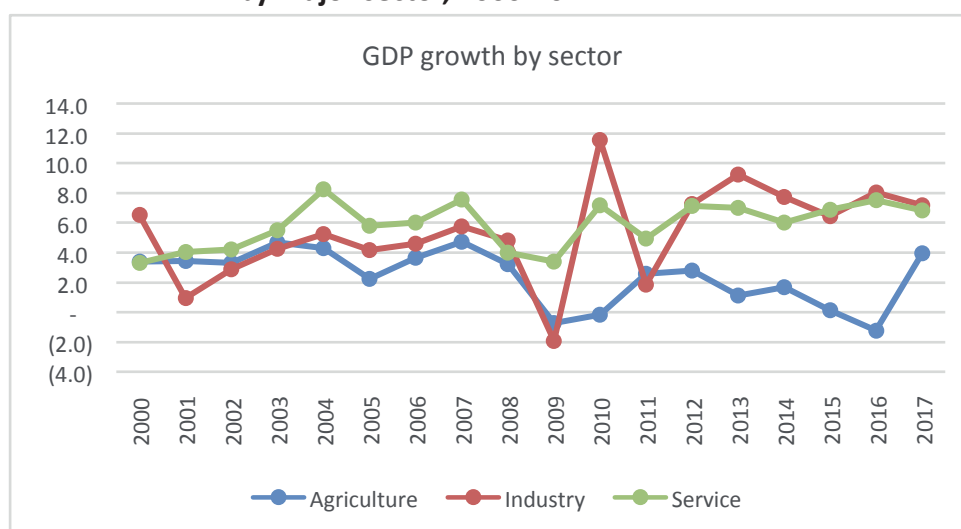
Source: PSA (2017).

By sector, it is the industry sector that has had the best average economic performance in the last seven years, growing at an average of 6 per cent in contrast with the mere 3.8 per cent in the previous decade. On the other hand, the services sector grew slower, averaging at 5.8 per cent in the last seven years after growing at an average of 5.1 per cent in the previous decade.

Among the three major sectors of the economy, it is agriculture that has experienced dismal growth in the last six years. Agricultural growth contracted further from —0.2 per cent in 2010 to —1.3 per cent in 2016 (Figures 2 and 5). However, agricultural GDP growth has shown a positive growth in 2017 due to increased acquisition of agricultural machinery and equipment.

In terms of contribution to total economic growth, note that even during the 1990s when trade liberalization was underway, the services sector was already the biggest economic contributor (at 49.5 per cent in 1995), followed by industry (35.7 per cent) and agriculture (14.8 per cent). The agriculture sector's output has steadily fluctuated and contracted through the years; thus, its contribution to total economic growth has continued to slow down, shrinking even lower to 8.5 per cent (PhP739 billion) in 2017. On the other hand, the industry sector's share to total economic output has remained stable at 33.9 per cent (PhP2,900 billion), whereas the services sector has increased further to 57.3 per cent (PhP4,900 billion).

Figure 2. Philippine GDP growth (at constant 2000 prices) by major sector, 2000-2017



Source: PSA (2017).

In line with the decreasing economic contribution of the agriculture sector, Figure 3 shows that employment growth in the sector has also slumped, lagging behind at —6.3 per cent growth. Employment growth in the industry sector is mainly attributed to the accelerated implementation of the Philippine government's infrastructure projects, such as the “Build, Build, Build” programme. Figure 3 also shows that the Philippine labour market still dominates the services sector.

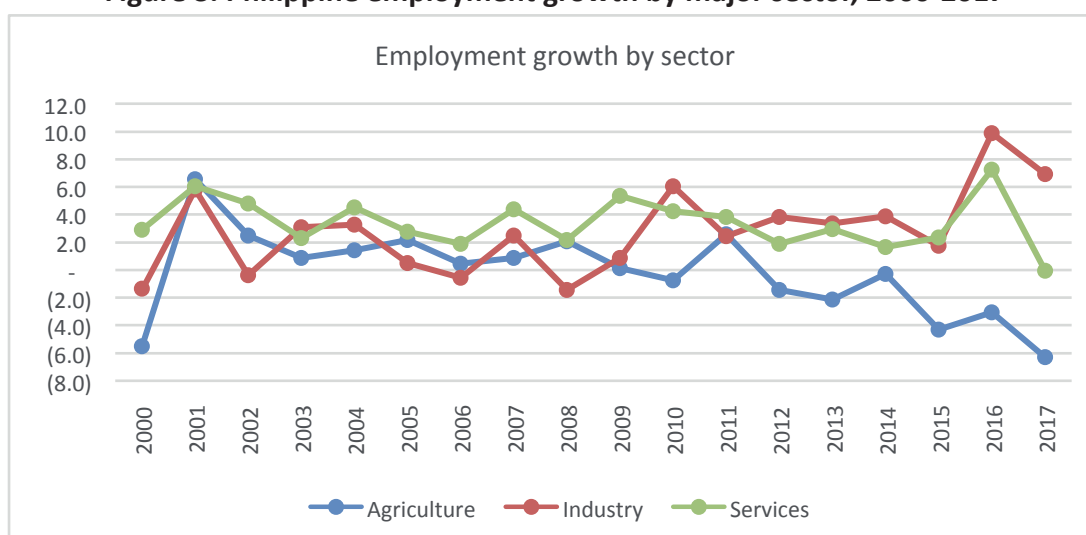
2.2.2 Labour productivity

The country's strong economic performance in the last six years has been accompanied by improving labour productivity, albeit its growth has not been as consistent as that of the economy. Table 2 shows that over a six-year period, labour productivity¹³ sustained its increase from 2010 to 2017. Among the three key sectors, agricultural labour productivity exhibited a boom-bust pattern. From its nil growth increase in 2011, the agriculture sector recovered in 2017, thereby allowing it to post a high productivity growth of 12.1 per cent. In between those years, however, agriculture posted erratic labour productivity growth rates.

On the one hand, industry is the most productive among the three sectors, posting positive sectoral growth rates and contribution shares to total economic output in the last six years. This could accordingly indicate that industry has been able to produce more output without much input from labour. However, this could also pose serious questions on the supposed employment-absorptive and -generating capacity of the industry sector, particularly that of manufacturing subsector, to create decent jobs for many poor and unemployed Filipinos.

¹³Labour productivity is defined as the value of GDP per employed person.

Figure 3. Philippine employment growth by major sector, 2000-2017



Source: PSA (2017).

Table 2. Labour productivity (in PhP at constant 2000 prices) and growth rate (%) by major sector, 2010-2017

Year	All sectors	Agriculture, forestry, and fishery	Industry	Services
Labour productivity (in thousand PhP)				
2010	158 222	55 425	344 418	170 183
2011	158 911	55 420	342 486	172 033
2012	167 692	57 800	353 725	180 875
2013	177 098	59 734	373 769	187 988
2014	185 517	60 908	387 739	196 318
2015	196 015	63 730	404 119	204 901
2016	198 215	64 218	385 298	204 503
2017	214 843	71 971	421 496	218 985
Growth rates (in %)				
2010	4.7	0.6	5.2	2.8
2011	0.4	0.0	-0.6	1.1
2012	5.5	4.3	3.3	5.1
2013	5.6	3.3	5.7	3.9
2014	4.8	2.0	3.7	4.4
2015	5.7	4.6	4.2	4.4
2016	1.1	0.8	-4.7	-0.2
2017	8.4	12.1	9.4	7.1

Source: PSA (2017).

2.2.3 Employment by major sector and subsector

To see how international trade has greatly affected the employment structure of the Philippines, which consequently made it a services-oriented economy, it would be best to look at the sectoral employment data from the 1990s and compare it with the latest data on employment by sector. From 1995 to 1996, agriculture was the largest employer, employing about 43.4 per cent and 42.8 per cent of the country's total employed, respectively. Beginning 1997 (the year when the Asian Financial Crisis exploded), however, the employment share of agriculture started to decline. Services steadily increased its employment share from 40.5 per cent in 1995 to 55.6 per cent in 2016, or an increase of 15.1 per cent per annum over a 21-year period. Meanwhile, industry's share to total employment remained virtually unchanged, just slightly increasing from 16.1 per cent in 1995 to 18.0 per cent in 2017 (Table 3).

In 1995, which is the reference point for discussion in this section, employment growth in agriculture was already in the negative at -1.2 per cent. About 20 years later, agricultural employment growth even worsened at -4.9 per cent in 2015 (Table 3). During this 20-year period, employment growth in agriculture contracted and declined eight times due to a host of various factors, such as the 1997 Asian Financial Crisis, the 1998 El Niño and 1999 La Niña phenomena, the 2004 Fiscal Crisis, the 2007-2008 Food and Oil Crisis, and the 2008-2009 Global Economic Crisis. These events dampened both employment growth and sectoral output of agriculture.

Table 3. Total employment (in thousands) and per cent share (%) by major sector, selected years 1995-2017

Sector	1995	2000	2005	2010	2015	2016	2017
Total employed	25 677	27 452	32 313	36 035	38 741	40 998	40 335
Agriculture	11 147	10 181	11 628	11 956	11 294	11 064	10 261
<i>Per cent share</i>	0.43	0.37	0.36	0.33	0.29	0.27	0.25
Industry	4 140	4 454	5 025	5 399	6 275	7 159	7 371
<i>Per cent share</i>	0.16	0.16	0.16	0.15	0.16	0.17	0.18
Services	10 391	12 817	15 661	18 682	21 172	22 775	22 703
<i>Per cent share</i>	0.40	0.47	0.48	0.52	0.55	0.56	0.56

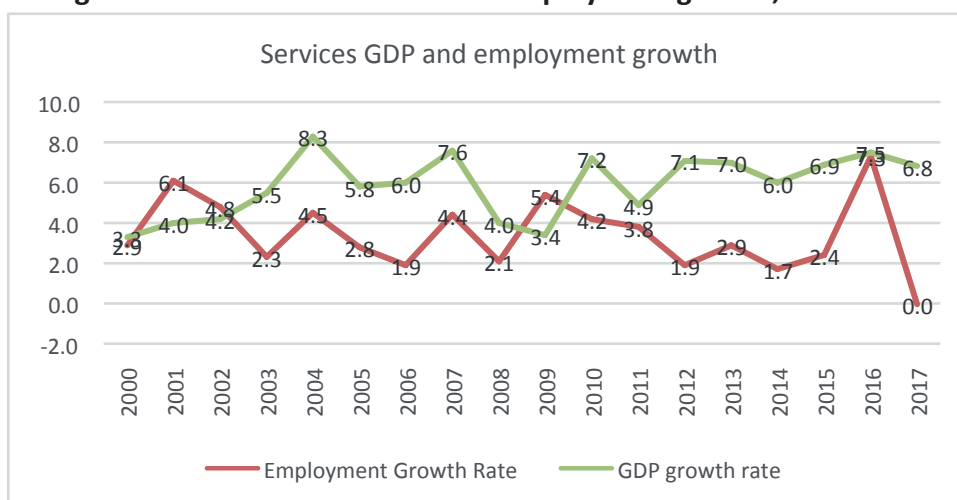
Source: PSA (2017).

Employment growth in industry also stunted in an interval of 20 years, decelerating from a high 4.8 per cent in 1995 to 2.9 per cent in 2015. Likewise, industry posted negative employment growth rates six times during this period. Although services employment growth also slowed down through the years, it has maintained a sustained growth rate of 4.1 per cent per annum in the last 21 years. Moreover, the effects of trade on employment in the Philippines, particularly in turning it into a services-oriented economy, become even more pronounced when employment by sector is further disaggregated. If anything, the data on employment by subsector show the extent to which the country's labour market also followed the Philippine economy in becoming more predominantly services-oriented.

2.2.4 *Employment in the services sector*

Employment in the services sector reached its highest in 2016 at 7.3 per cent due to the increase in generated jobs during the first quarter (Figure 4). Of the 40.99 million employed Filipinos as of 2016, more than half of them (55.6 per cent) are in the services sector (Table 4), 20 per cent are in the wholesale and retail trade services, 7.4 per cent are in the transportation services, and 4.2 per cent are in the accommodation and food service subsector. The services sector has been the largest job provider in recent years, which can be the resulting effect of the trade policies that the government strongly pursued, particularly during the 1990s.

Figure 4. Services sector GDP and employment growth, 2000-2017



Source: PSA (2017).

Further, the direct effects of trade liberalization and deregulation of industries (particularly that of the telecommunications industry) in the services sector can be seen in the increasing shares to employment of the following services subsector relating to the IT-BPO industry: administrative and support service activities (3.3 per cent), other service activities (7.1 per cent), financial services (1.3 per cent); and information and communication services (0.9 per cent).

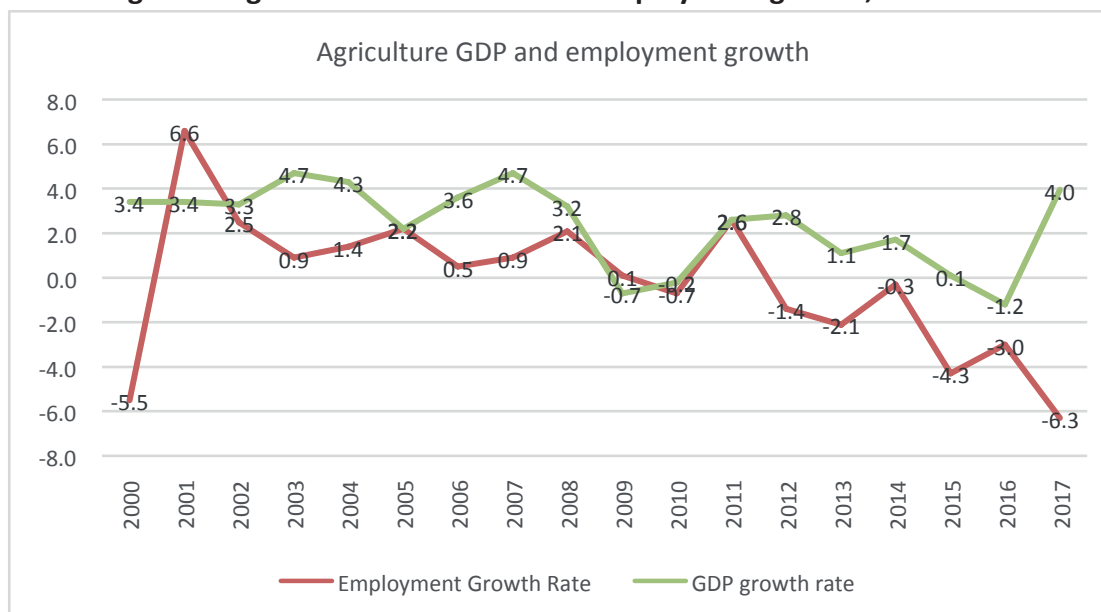
Moreover, the breakdown of employment shares per subsector only affirms the earlier observations regarding the structure and composition of the Philippine economy and labour market: the transition to services could have been likely driven by substantial losses in the employment shares of both agriculture and industry. This, in turn, can be attributed to the economic liberalization that took place during the 1990s, and could also explain the differences in the respective labour productivity outcomes in the agriculture, industry, and services sectors of the economy.

2.2.5 *Employment in the agriculture sector*

The agriculture sector's employment growth rate, together with its share to total employment, has significantly declined in the last 20 years. Despite this, the sector remains the country's second largest employer in 2016, with an employment share of almost 27 per cent. As of 2016, the country's agriculture sector has been employing about 11.06 million Filipino workers. However, Figure 5 was lesser than the 2015 estimates of about 11.29 million Filipino agricultural workers.

Note that aside from producing goods for domestic consumption such as rice, the country's agriculture sector also produces goods and products for export purposes. Coconut oil has always been one of the country's top ten export products; in fact, it is the only agricultural product in the country's ten leading exports. Further, agriculture in the Philippines continues to be largely labour-intensive. In the case of its coconut industry, the Philippines' top exporting agricultural subsector, about 3 million coconut farmers in the country work in this subsector. Given this, agriculture continues to be an important sector both as an economic driver, employer, and exporter.

Figure 5. Agriculture sector GDP and employment growth, 2000-2017



Source: PSA (2017).

2.2.6 Employment in the industry sector

After suffering negative growth in 2008, employment growth in the industry sector has recovered, reaching nearly 10 per cent in 2016 (Figure 6). On average, employment growth in industry grew by 2 per cent per annum from 2010 to 2017.

Note that while employment growth expanded, industry’s share to total employment increased by three percentage points, from 15 per cent in 2010 to 18 per cent in 2017. Many of the jobs generated in the industry sector are either in construction (8.2 per cent) or manufacturing (8.3 per cent). The rest are in mining (0.5 per cent); electricity, gas, steam and air-conditioning supply (0.2 per cent); and water supply, sewerage, waste management and remediation activities (0.2 per cent) (Table 4). Moreover, what has been very encouraging about the employment growth in the industry sector is the gradual but steady increase in employment in the manufacturing subsector, a significant number of which are engaged in producing goods and products for exports.

Table 4. Employment in the Philippines by major sector and subsector, 2016

Sector and subsector		in thousands	in %
		40 998	100
Agriculture	Subtotal	11 064	27.0
	Agriculture, hunting, and forestry	9 801	23.9
	Fishing	1 263	3.1
Industry	Subtotal	7 159	17.5
	Mining and quarrying	219	0.5
	Manufacturing	3 404	8.3
	Electricity, gas, steam and air conditioning supply	91	0.2
	Water supply, sewerage, waste management and remediation activities	68	0.2
	Construction	3 378	8.2

Services	Subtotal	22 775	55.6
	Wholesale and retail trade, repair of motor vehicles and motorcycles	8 039	19.6
	Transportation and storage	3 038	7.4
	Accommodation and food service activities	1 777	4.3
	Information and communication	366	0.9
	Financial and insurance activities	514	1.3
	Real estate activities	193	0.5
	Professional, scientific, and technical activities	213	0.5
	Administrative and support service activities	1 371	3.3
	Public administration and defence; compulsory social security	2 196	5.4
	Education	1 304	3.2
	Human health and social work activities	502	1.2
	Arts, entertainment, and recreation	361	0.9
	Other service activities	2 896	7.1
	Activities of households as employers; undifferentiated goods and services-producing activities of households for own use	2	0.0
	Activities of extraterritorial organizations and bodies	3	0.0

Source: PSA (2017).

Figure 6. Industry sector GDP and employment growth, 2000-2017



Source: PSA (2017).

During the late 2000s when the global economic recession started to take a toll on the Philippine economy, employment in manufacturing suffered an actual decline from 3.05 million in 2007 (the year before the global crisis and the year when the economy posted a remarkable growth of 6.6 per cent) to 2.89 million in 2009 two years later. Employment in manufacturing began to bounce back as the world economy recovered. It has now regained its 2007 level when it was able to employ about 3.03 million Filipinos in 2010. Since then, 401,000 more persons have been employed and added, bringing the total number of persons employed in manufacturing to about 3.40 million in 2016.

Overall, employment growth in the manufacturing sector averaged 2.35 per cent from 2010 to 2016. Nonetheless, just like with total employment growth's pace vis-à-vis overall economic growth, employment growth in manufacturing also lags behind total manufacturing growth, which averaged 7.5 per cent during the period 2010-2016.

2.2.7 Sectoral employment by gender

In terms of gender, both agricultural and industrial work (agriculture, fishing, mining, manufacturing, electricity, gas, and water, and construction) are dominated by men, whereas the services sector is dominated by women (Table 5). Eight out of the 13 service subsectors are dominated by women. In particular, women are most dominant in the following service subsectors: wholesale and retail trade services; accommodation and food service activities; financial and insurance activities; real estate activities; education, health, and social work; other service activities; and international mission work.

Table 5. Employment by major sector and gender by per cent share (%), 2010-2016

Year	Male			Female			Duncan Segregation Index (%)*
	Agriculture	Industry	Services	Agriculture	Industry	Services	
2010	40.50	18.20	41.30	21.80	9.90	68.30	27.0
2011	40.30	18.10	41.60	21.70	10.00	68.30	26.7
2012	39.40	18.60	42.00	21.00	10.10	69.00	26.9
2013	38.10	19.10	42.80	20.10	10.10	69.70	26.9
2014	37.20	19.70	43.00	20.30	10.20	69.50	26.5
2015	35.80	20.20	43.90	19.00	10.00	71.00	27.0
2016	33.18	22.25	44.57	17.27	9.96	72.76	28.2

Note: *Author's own calculations.

Source: PSA (2017).

The dominance of women in the majority of the services subsectors could imply a female services-oriented economy and workforce. However, men continue to dominate in other services subsectors such as administrative and support services; information and communication service; public administration and government service; and professional, scientific, and technical activities. Employment in these subsectors can be considered more secure and lucrative than employment in the service subsectors dominated by women (i.e. wholesale and retail trade services, education, health and social work, and other service activities).

Although the services sector is predominantly female-dominated, more males today are employed and engaged in services-related employment and work activities. About ten years ago, agriculture was the biggest employer of working men, comprising about 43.5 per cent in 2006. As of 2016, its share to total male employment has declined by 10.3 percentage points to 33.2 per cent. Based on official data from the ILO-supported Decent Work statistics database of the Philippine Statistics Authority (PSA), majority of the men who lost their jobs in agriculture transitioned to the services sector as its share to total male employment increased from 38.8 per cent in 2006 to 44.6 per cent in 2016 (PSA, 2014). On the other hand, industry also gained more employed men during the same period as its share to total employment went up from 17.6 per cent in 2006 to 22.2 per cent in 2016 (Table 5).

The share of female employment in both agriculture and industry sectors declined. Female share of employment in agriculture decreased from 25.4 per cent in 2006 to 17.3 per cent in 2016. The same was the case for industry, in which the female share of employment declined from nearly 30 per cent to 10 per cent over a ten-year period from 2006 to 2016. Meanwhile, the female share of employment in services increased from 50.9 per cent in 2006 to almost 73 per cent in 2016. Overall, the female share of employment only slightly increased from 38.4 per cent in 2006 to just 38.9 per cent in 2016. The Duncan Segregation Index¹⁴ in Table 5 shows that only about a quarter of the women (or men) need to change occupations such that the occupational distribution of men and women in the total workforce would be equal.

Nevertheless, the gender trends in employment also reflect the increased prominence and influence of the services sector in both the Philippine economy and labour market after years and decades of continuous trade, market, and economic liberalization.

2.2.8 Employment in the regions

Aside from looking at how employment in the Philippines has changed over the years in terms of its sectoral composition, it is also equally important to look at how employment grew, spread, and shifted in terms of its geographic scope and regional distribution throughout the country. As of the latest data in 2016, about 37 per cent of employed persons are concentrated in Luzon, particularly in the three regions with the highest employment levels. Region IV-A (Southern Tagalog Region) has about 5.69 million employed persons, followed by the National Capital Region (NCR) with 5.24 million, and Region III with 4.38 million workers (Table 6).

On the other hand, the three regions with the lowest employment levels are the Autonomous Region in Muslim Mindanao (ARMM) at 1.14 million, Caraga Region¹⁵ at 1.09 million, and the Cordillera Administrative Region (CAR) at 765,000.

Table 6. Regional employment in the Philippines and percentage share by major sector, 2010-2016

Region	Number of people employed (in thousands) and percentage share (%)						
	2010	2011	2012	2013	2014	2015	2016
Philippines	36 035	37 192	37 600	38 118	38 651	38 741	40 998
Agriculture	33.20	33.00	32.20	31.00	30.50	29.20	26.99
Industry	15.00	14.90	15.30	15.60	16.00	16.20	17.46
Services	51.80	52.10	52.60	53.40	53.50	54.70	55.55
NCR	4 371	4 463	4 490	4 603	4 743	4 752	5 239
Agriculture	0.60	0.70	0.70	0.60	0.70	0.50	0.47
Industry	19.30	19.10	19.20	19.00	18.60	19.10	19.35
Services	80.20	80.20	80.10	80.40	80.70	80.40	80.18
CAR	707	730	727	735	752	759	765
Agriculture	53.00	50.20	48.30	47.30	49.40	48.10	43.80
Industry	11.00	11.80	12.30	13.10	11.20	11.80	14.16
Services	36.00	38.00	39.40	39.60	39.40	40.00	42.04
I – Ilocos Region	1 920	1 982	1 915	1 954	2 012	2 014	1 988
Agriculture	39.10	38.60	36.50	33.20	32.90	31.50	29.99

¹⁴The Duncan Segregation Index is used as a measure of occupational segregation, indicating a range between zero (for perfect gender integration) and one (complete gender segregation) within the workforce.

¹⁵Caraga region consists of the provinces of Agusan, Surigao, and Dinagat Islands.

Industry	13.40	12.20	13.40	14.30	14.30	14.10	16.06
Services	47.50	49.30	50.10	52.50	52.80	54.30	53.94
II – Cagayan Valley	1 399	1 465	1 449	1 475	1 485	1 512	1 482
Agriculture	57.00	57.90	58.30	57.40	55.10	54.40	50.85
Industry	7.10	7.00	7.20	7.20	8.20	8.30	10.05
Services	35.80	35.10	34.60	35.50	36.70	37.30	39.10
III – Central Luzon	3 716	3 831	3 877	3 990	4 119	4 126	4 383
Agriculture	21.60	21.70	21.20	21.20	20.20	18.20	15.03
Industry	19.20	19.00	19.40	20.10	20.20	20.40	22.62
Services	59.20	59.40	59.50	58.70	59.70	61.40	62.36
IV A – CALABARZON	4 493	4 666	4 753	4 842	5 097	5 085	5 687
Agriculture	16.90	15.90	15.20	13.80	14.20	12.80	9.73
Industry	25.20	24.80	25.20	26.00	26.10	26.20	27.52
Services	57.90	59.30	59.60	60.20	59.70	61.00	62.74
IV B – MIMAROPA	1 204	1 263	1 247	1 241	1 292	1 296	1 252
Agriculture	51.30	51.40	50.20	48.20	46.20	44.60	43.64
Industry	10.80	10.40	10.50	11.50	12.10	12.20	13.61
Services	37.90	38.30	39.30	40.20	41.70	43.30	42.75
V – Bicol Region	2 072	2 093	2 267	2 292	2 311	2 373	2 331
Agriculture	40.70	40.70	39.20	37.80	37.20	36.70	36.09
Industry	12.50	12.90	13.80	13.90	14.50	15.00	15.82
Services	46.80	46.40	47.00	48.30	48.30	48.30	48.09
VI – Western Visayas	2 974	3 072	3 008	3 011	3 182	3 195	3 208
Agriculture	38.90	39.70	37.90	36.80	37.90	36.70	34.37
Industry	11.20	10.70	11.00	11.20	11.90	11.60	13.00
Services	50.00	49.60	51.10	52.00	50.20	51.70	52.63
VII – Central Visayas	2 809	2 902	2 926	2 961	3 114	3 215	3 234
Agriculture	30.70	31.20	29.90	29.70	29.00	27.90	29.10
Industry	17.70	18.50	19.20	18.80	19.40	19.10	19.38
Services	51.60	50.30	50.90	51.50	51.50	53.00	51.52
VIII – Eastern Visayas	1 661	1 721	1 771	1 832	1 045	1 011	1 790
Agriculture	44.70	44.70	44.50	44.10	48.00	43.70	38.57
Industry	9.70	9.70	9.80	10.20	10.60	12.10	13.88
Services	45.60	45.60	45.70	45.70	41.40	44.20	47.55
IX – Zamboanga Peninsula	1 386	1 426	1 388	1 395	1 400	1 384	1 540
Agriculture	51.30	49.00	47.60	47.20	45.10	44.40	44.39
Industry	10.10	10.80	10.80	11.10	11.10	11.20	11.18
Services	38.60	40.20	41.60	41.70	43.80	44.40	44.43
X – Northern Mindanao	1 858	1 921	1 956	1 934	2 015	1 989	2 004
Agriculture	43.30	43.00	43.20	40.00	42.10	38.10	36.38
Industry	10.70	10.50	11.30	11.90	12.30	12.60	13.79
Services	46.00	46.50	45.50	48.10	45.60	49.30	49.83
XI – Davao Region	1 724	1 825	1 874	1 851	1 946	1 925	2 016
Agriculture	39.60	40.90	38.20	37.30	36.20	33.30	34.47
Industry	13.60	12.90	13.40	13.40	13.70	14.10	14.94
Services	46.80	46.20	48.40	49.30	50.20	52.50	50.59
XII – SOCCSKSARGEN	1 617	1 682	1 682	1 691	1 735	1 756	1 854
Agriculture	50.70	49.50	50.10	49.50	47.80	46.10	41.80
Industry	9.30	8.80	8.60	8.30	9.10	9.70	11.56
Services	40.00	41.70	41.30	42.20	43.20	44.10	46.64
CARAGA	983	1 006	1 041	1 083	1 108	1 092	1 086
Agriculture	39.90	38.60	37.10	36.00	35.50	35.30	36.52
Industry	15.30	16.10	16.10	16.10	16.80	17.40	15.31
Services	44.80	45.30	46.80	47.90	47.80	47.20	48.17

ARMM	1 142	1 145	1 229	1 229	1 295	1 259	1 140
Agriculture	71.10	69.80	70.00	68.40	68.50	69.40	65.03
Industry	2.10	2.50	2.70	2.80	2.40	3.10	4.47
Services	26.80	27.70	27.20	28.80	29.10	27.50	30.50

Source: PSA (2017).

Despite its overall declining share to employment at an aggregate level, agriculture continues to be important in the other regions of the country outside the Greater Manila Area¹⁶ and Central Luzon. In particular, employment activities related to agriculture, hunting, and forestry (excluding fishing) continue to be the largest employer in four out of 17 regions throughout the country. These regions are CAR with about 335,000 persons employed in agriculture; Region II (Cagayan Valley) with 753,000; Region IV-B¹⁷ with 546,000; and ARMM with 741,000.

Interestingly, the three regions where agriculture no longer plays an important role in employment are also the same regions where 37 per cent of the country's employed are concentrated. Employment in the services sector, particularly in wholesale and retail trade and in repair of motor vehicles and motor cycles, is the highest. This can be found in NCR with about 1.248 million persons employed in wholesale and retail trade services, followed by Region IV-A (1.168 million), and Region III (972,000). Ironically, in the previous decades, Region III (Central Luzon) was once touted as the rice granary of the Philippines, while Region IV-A is where the International Rice Research Institute (IRRI) is located.

The regional employment trend affirms the overall picture of the current labour market and employment structure of the Philippines: the services sector is the most dominant, with the agriculture sector continuing to maintain its presence. Moreover, the regional employment trend could also partly explain why employment growth has not been able to expand significantly; most regions in the country continue to remain "agricultural", at least in terms of the predominant employment activities per region.

However, employment in the regions continues to be male-dominated. Employment in all regions is led by men, except in CAR, where women have the highest levels of employment.

2.2.9 Employment by occupation

In terms of occupational group, the emerging trend shows a steady increase in the number of government and corporate executives and managers (going up from 5.60 million in 2012 to almost 7 million in 2016), professionals (from 1.80 million to 1.97 million), service workers and shop and market sales workers (4.55 million to 5.93 million), trade and related workers (2.52 million to 2.88 million), and plant and machine operators and assemblers (2.03 million to 2.24 million). However, the number of labourers and unskilled workers and those engaged in special occupations decreased from 12.56 million to 11.27 million and 113,000 to 100,000, respectively (Table 7).

¹⁶Greater Manila Area is composed of the National Capital Region (Metro Manila) and Region IV-A (Cavite, Laguna, Batangas) combined.

¹⁷Region IV-B is composed of the provinces Mindoro, Marinduque, Romblon, and Palawan Islands.

Table 7. Employment by occupational group (in thousands), 2010-2016

Major occupation group	2010	2011	2012	2013	2014	2015	2016
Total	36 035	37 192	37 600	38 118	38 651	38 741	40 998
Managers	4 973	5 207	5 602	6 175	6 223	6 276	6 992
Professionals	1 694	1 748	1 805	1 906	1 933	1 976	1 973
Technicians and associate professionals	937	967	1 015	1 029	1 005	1 046	1 296
Clerical support workers	2 018	2 120	2 106	2 287	2 435	2 479	1 798
Service and sales workers	3 820	4 128	4 550	4 727	4 831	4 920	5 930
Skilled agricultural forestry and fishery workers	5 766	5 728	5 302	4 879	5 141	4 998	5 108
Craft and related trades workers	2 775	2 752	2 519	2 668	2 667	2 596	2 879
Plant and machine operators and assemblers	2 270	2 232	2 030	2 096	2 049	2 092	2 239
Elementary occupations	11 639	12 125	12 558	12 312	12 214	12 242	11 267
Armed forces occupations / special occupations	144	149	113	114	116	116	100
Others	...	...	...	...	...	...	1 415

Note: ... = data not available.

Source: PSA (2017).

Of the ten occupation groups categorized by the PSA, half of them are dominated by men (farm workers and fishermen, trade and related workers, labourers and unskilled workers, and special occupations), while the remaining half are women-dominated (managers, professionals, technicians, and associate professionals, clerks and service and market sales workers) (Table 8). Duncan Segregation Index is calculated to be 0.27, which indicates that 27 per cent of females (or males) would need to change employment for the men's and women's employment distributions to be the same.

Table 8. Per cent share by employment by occupation group and by gender, 2016

Major occupation group	Total	Male	Female
Number of employed people (in thousands)	40 998	25 035	15 963
Managers	17.1	14.3	21.4
Professionals	4.8	2.7	8.1
Technicians and associate professionals	3.2	2.7	3.9
Clerical support workers	4.4	3.0	6.6
Service and sales workers	14.5	11.4	19.2
Skilled agricultural forestry and fishery workers	12.5	16.7	5.8
Craft and related trades workers	7.0	9.6	3.0
Plant and machine operators and assemblers	5.5	7.9	1.6
Elementary occupations	27.5	28.5	25.8
Armed forces occupations	0.2	0.4	0.0
Others	3.5	2.7	4.6

Source: PSA (2017).

2.2.10 Employment by class of worker

There also have been significant changes in terms of employment by class of workers when the economic and employment structures of the country changed. During the mid-1990s, the percentage of wage and salary workers was still less than half of the country's working class at 46.2 per cent. During the same period, the number of self-employed workers in the country was considerably large, constituting about 35.5 per cent of the total employed persons. However, since then, the percentage share of wage and salary workers to total employment by class of workers has increased from 54.5 per cent in 2010 to 61.7 per cent in 2016 (Table 9). Also, as wage and salary-based employment increased, the respective percentage shares of both self-employed persons and unpaid family workers correspondingly decreased.

Table 9. Per cent share of employment by class of worker, 2010-2016

Class of worker	2010	2011	2012	2013	2014	2015	2016
Total workers (in thousands)	36,035	37,192	37,600	38,118	38,651	38,741	40,998
Wage and salary workers	54.5	55.2	57.2	58.4	58.0	59.3	61.6
Employers	3.9	3.6	3.6	3.3	3.1	3.1	3.4
Self-employed	30.1	29.6	28.3	28.0	28.1	27.6	27.1
Unpaid family workers	11.5	11.6	11.0	10.3	10.8	10.0	10.0

Source: PSA (2014).

From 30.1 per cent in 2010, self-employment declined by three percentage points to 27.1 per cent in 2016, whereas the size of unpaid family workers in the country also went down from 11.5 per cent in 2010 to 10.0 per cent in 2016 (Table 9). Combined together, self-employed persons and unpaid family workers comprise the portion of the working age population that can be considered to be engaged in "vulnerable employment"¹⁸, as defined by the ILO. The proportion of self-employed and unpaid family workers also followed a similar downward trend, declining from 41.6 per cent in 2010 to 37.1 per cent in 2016.

As a whole, the share of wage employment in non-agricultural employment also markedly improved from 67.9 per cent in 2010 to 84.3 per cent in 2016. However, there still remains a gender gap in wage employment. The men's share of wage employment in non-agricultural employment is at 95.6 per cent, whereas the women's share of wage employment in non-agricultural employment is estimated at just 70.1 per cent as of 2016 (Table 10).

Overall, the shift towards wage and salary employment and the decline in vulnerable employment could imply a gradual and steady improvement in terms of quality of employment. However, this trend must also be viewed vis-à-vis the cases in both full-time and part-time employment and in the rise of precarious work/employment in the country. This will be discussed later in the section on labour standards, freedom of association, and social protection.

¹⁸Vulnerable employment consists of both self-employed and unpaid family workers.

Table 10. Per cent share of wage employment in non-agricultural employment, 2010-2016

Class of worker	2010	2011	2012	2013	2014	2015	2016
Share of wage employment in non-agricultural employment (%)							
Total	67.9	67.9	69.4	70.1	70.3	71.1	84.3
Men	72.8	73.1	74.9	75.6	75.9	76.3	95.6
Women	62.1	61.8	62.8	63.6	63.6	64.8	70.1

Source: PSA (2014).

2.2.11 *Employment by hours of work*

The PSA defines full-time workers as those who work for 40 hours or more in a week, whereas part-time workers are those who work for less than 40 hours in a week. The increase in wage and salary employment in the Philippines mentioned earlier was also accompanied by an increase in the number of employed persons who work 40 hours and over. This implies that a significant portion of those who joined the ranks of wage and salary workers were also able to find full-time employment. Specifically, those who worked 40 hours and over comprised more than half of the total employed persons by hours actually worked per week. From just 41.3 per cent, the percentage share of full-time employment in the Philippines rose to 68.7 per cent (where 43.7 per cent of which consisted of those who worked 40-48 hours, whereas 25.0 per cent worked 49 hours and over in a week [Table 11]).

Table 11. Employment (in thousands) by number of working hours per week, 2010-2016

Number of work hours	2010	2011	2012	2013	2014	2015	2016
Total	36 035	37 192	37 600	38 118	38 651	38 741	40 998
Did not work	407	426	418	366	452	405	332
Hours worked							
Under 20	3 988	4 507	4 706	4 457	4 995	4 929	4 740
20-29	3 705	3 883	4 020	3 806	4 137	4 053	3 831
30-39	4 067	4 100	4 279	4 137	4 237	4 068	3 950
40-48	15 019	15 352	14 872	15 939	15 850	16 441	17 913
49 and over	8 848	8 923	9 304	9 413	8 980	8 845	10 231

Source: PSA (2017).

The increase in full-time employment could be largely attributed to the decrease in part-time employment. In 2010, about 33 per cent of the total workers employed were considered part-time workers. By 2016, however, this declined to 30.5 per cent, indicating that a considerable percentage of part-time workers were able to find full-time employment. In real terms, the number of part-time workers went down from 13 million in 2012 to 12.5 million in 2016, whereas the number of full-time workers grew from 24.2 million to 28.1 million during the same period. Meanwhile, the number of employed persons who worked excessive hours (more than 48 hours in a week) barely increased from 24.6 per cent in 2010 to 25 per cent in 2016.

However, compared with men, there were more employed women who worked excessive hours out of the total employed persons. In 2010, about 27.5 per cent of those who worked excessive hours were women, while 22.7 per cent were men. As of 2016, the percentage share to total employed of women who work excessive hours has slightly declined to 27.1 per cent while it has increased for men to 23.6 per cent.

2.2.12 *Employment by age and skills*

In terms of demographics, the Philippines has a relatively young workforce. Of the 40.99 million Filipinos reported to be part of the labour force in 2016, almost 18 per cent of them are between the ages 15 and 24 years old, or about 7.3 million young Filipinos in the labour force (Table 12). Despite this, the youth's labour force participation rate has actually been declining in the last ten years from 46.8 per cent in 2006 to 42.7 per cent in 2016, a difference of 4.1 percentage points in a decade. Also, among the age groups, the youth has the lowest average employment rate at 86.75 per cent (as of 2016), in contrast with those belonging to the age groups 25-44 years old (95.6 per cent), 45-64 years old (97.95 per cent), and 65 years old and over (98.8 per cent).

Table 12. Per cent share of share of employment by age group, 2010-2016

Year	Total (in thousands)	15-24 (%)	25-34 (%)	35-44 (%)	45-54 (%)	55-64 (%)	65 and over (%)
2010	36 035	18.9	26.4	23.0	17.8	9.7	4.2
2011	37 192	19.5	26.3	22.8	17.7	9.7	4.0
2012	37 600	19.5	26.4	22.9	17.7	9.6	4.0
2013	38 118	19.2	26.4	22.9	17.8	9.6	4.0
2014	38 651	19.4	26.4	22.9	17.7	9.6	4.0
2015	38 741	18.7	26.7	23.0	17.9	9.7	4.0
2016	40 998	17.7	25.8	22.8	18.4	10.7	4.5

Source: PSA (2017).

2.2.13 *Employment by education and gender*

In terms of the educational profile of employed persons in the Philippines, of the 40.99 million employed Filipinos as of 2016, about 41.5 per cent (17.03 million Filipinos) have high school education, 27.1 per cent (11.14 million) have elementary education, almost 25 per cent (10.23 million) were able to have college education, nearly 5 per cent (2.01 million) have post-secondary education, while only 1.4 per cent (574,000) have no grade or education completed (Table 13).

Table 13. Employment by highest educational attainment (in thousands), 2010-2016

Education level	2010	2011	2012	2013	2014	2015	2016
Total	36 035	37 192	37 600	38 118	38 651	38 741	40 998
No grade completed	634	616	660	611	592	577	574
Elementary undergraduate	5 502	5 617	5 603	5 487	5 225	5 227	5 793
Elementary graduate	5 487	5 559	5 569	5 544	5 541	5 356	5 355
High school undergraduate	4 797	5 030	4 940	4 894	4 901	4 841	5 240
High school graduate	9 384	9 788	10 055	10 449	10 922	11 078	11 790
Post-secondary undergraduate	...	...	479	409	294	264	255
Post-secondary graduate	...	...	1 102	1 292	1 542	1 566	1 759
College undergraduate	4 873	5 020	3 448	3 512	3 466	3 558	3 877
College graduate	5 358	5 562	5 745	5 920	6 168	6 275	6 354

Note: ... = data not available.

Source: PSA (2017).

In terms of overall employment levels by gender, there are nearly 10 million more employed men (25 million) than there are employed women (15.96 million) (Table 14). Interestingly, women have slightly higher employment rates¹⁹ (94.8 per cent) than the men (94.4 per cent). However, when disaggregated by age and youth, young men (15-24 years old) have higher average employment rates (87.5 per cent) than young women (85.3 per cent) in the same age group. It also appears that employed women in the Philippines are more college-educated than men. As per 2016 data, 5.13 million employed women received college-level education compared with 5.10 million men. Out of these 5.13 million college-educated employed women, 3.5 million graduated from college and/or pursued higher studies after college. This can be affirmed by the latest available data for the academic year 2014-2015, which show that college education in the Philippines is female-dominated, with 55.3 per cent of enrolled college women students. The same trend goes for graduates, in which women constitute about 57.4 per cent of the total graduates in the country.

2.2.14 Technical-vocational education training graduates

Given the high regard that Filipinos give to college education, there is no dearth in the number of tertiary educational institutions, schools, colleges, and universities in the Philippines. The latest data from the Commission on Higher Education (CHED) show that there are about 1,923 higher learning institutions in the country. About 12 per cent of these are public whereas 88 per cent are private. As a result, the country continues to produce hundreds of thousands of college graduates every year who are likely to join the labour force almost immediately after graduation. Accordingly, approximately more than half a million college students graduate every year. Most college graduates take up courses and degrees in the fields of business administration, education, and engineering.

¹⁹Employment rate is calculated as the ratio of employed persons to total labour force.

**Table 14. Employment by highest educational attainment and gender
(in thousands and per cent), 2016**

Education level	Male		Female	
	%	No. of people (in thousands)	%	No. of people (in thousands)
Total	61.1	25 050	38.9	15 963
Number of grade completed	65.7	377	34.3	197
Elementary undergraduate	72.2	4 183	27.8	1 608
Elementary graduate	64.1	3 433	35.9	1 921
High school undergraduate	67.1	3 516	32.9	1 723
High school graduate	62.1	7 322	37.9	4 465
Post-secondary undergraduate	61.4	157	38.6	98
Post-secondary graduate	53.4	939	46.6	821
College undergraduate	59.4	2 303	40.6	1 573
College graduate	44	2 796	56.0	3 556

Source: PSA (2017).

For those who are unable to go to college or who have only reached high school-level education, their skills and knowledge are further enhanced and strengthened either through the alternative learning system or through the technical-vocational education and training (TVET) system as managed and implemented by the Technical Education and Skills Development Authority (TESDA). As a matter of fact, there are more TVET graduates than there are college graduates in the Philippines. According to the latest data from TESDA, TVET graduates reached more than 2 million in 2014 from only about half a million more than a decade ago in 2000 (Table 15).

Further, most TVET graduates obtain certifications in the fields of tourism, automotive, and health care. Similar to what happened to the employment and economic structure of the Philippines, both college and TVET education in the country have also been geared towards courses, subjects, and degrees that prepare students and graduates to have careers in the services sector, such as education, nursing, medicine, tourism, law, marketing, and communications, among many others.

The increase in the number of TVET graduates reflects the growing importance of having highly skilled workforce. This could be seen in the fact that from 48.4 per cent in 2005, certification rate²⁰ increased to 91.9 per cent in 2016.

On the other hand, the number of employees who received recent job training as a percentage of total employed persons is estimated to be 32.6 per cent. By sector, 26.7 per cent of those employed in agriculture received recent job training, whereas it is 28.3 per cent for those employed in industry and 35.2 per cent in services, respectively, as of 2016.

²⁰This refers to the number of workers certified as a percentage of workers assessed.

However, even if the Philippine educational system produces more than 500,000 college graduates and 2 million TVET graduates every year, the country's labour force is not able to absorb all of them. The average number of employment that has been generated in the last ten years is 634,248 per annum. This affirms the earlier observation that employment generation in the Philippines, despite rapid economic expansion in the recent years, has been slow and lagging.

Table 15. Number of TVET enrolees and graduates, 1995-2016

Year	Enrolees	Graduates
1995	467 896	184 823
1996	297 146	218 221
1997	533 332	166 535
1998	851 484	334 667
1999	574 451	408 130
2000	574 017	556 232
2001	575 653	567 930
2002	1 227 218	1 127 363
2003	1 264 768	1 006 561
2004	1 220 438	839 898
2005	1 683 382	1 154 333
2006	1 736 865	1 340 620
2007	2 142 414	1 702 307
2008	2 013 920	1 812 528
2009	1 984 646	1 903 793
2010	1 568 617	1 344 371
2011	1 572 131	1 332 751
2012	1 804 742	1 600 658
2013	1 943 589	1 765 757
2014	2 033 417	1 785 679
2015	2 281 389	2 129 758
2016	2 269 665	2 151 236

Source: TESDA (2017).

In contrast with college education which is dominated by women, TVET in the country is dominated by men. About 55.4 per cent of the 1.16 million TVET-enrolled students recorded in 2015 are composed of men, whereas 44.5 per cent are women. The same is also true for TVET graduates, in which 53.1 per cent of the 1.036 million TVET graduates are men, whereas 46.8 per cent are women.

2.2.15 Job vacancies

Another factor that makes it difficult to immediately absorb many of these graduates is the many unfilled vacancies in the country despite the steady supply of potential labour force/workers. The latest biannual and establishment-based *Integrated Survey of Labour and Employment (ISLE)* 2015 Report conducted and published by the PSA cited that the number of vacancies in the country have risen from 619,580 in 2012 to 753,092 in 2014 over a two-year interval (PSA, 2015). Despite this, there has been a notable decrease in the number of hard-to-fill vacancies, which went down from 149,226 in 2012 to 131,471 in 2014 (Table 16).

Nonetheless, the overall difficulty in filling-up existing job vacancies in various establishments in the country could imply that not all skills possessed by prospective job applicants are able to meet or match the needs and demands of the industry. This could also explain why unemployment persists.

Table 16. Number of job vacancies in the Philippines, 2011-2016

Year	Number of vacancies	Number of hard-to-fill vacancies
2011-2012	619 580	149 226
2013-2014	753 092	131 471
2015-2016	698 683	148 868

Source: PSA (2017).

2.3 Unemployment

As of 2016, the number of unemployed persons in the Philippines is estimated to be about 2.36 million, which is almost 300,000 less unemployed compared to the unemployment level of 2.6 million in 2015 (Table 17).

Note that unemployment decreased on an average of 1.8 per cent per annum from 2000 to 2016. During the same period, economic growth averaged about 5 per cent per annum from 2000 to 2016 while employment growth was far behind at an average of 2.3 per cent in the same period. This reinforces what has been observed by economic pundits that the country's economic expansion could be described as a slow jobs-creating growth, if not a jobless growth.

In recent years, however, unemployment has declined steadily in the Philippines. From a high of 11.8 per cent in 2004, unemployment declined to 7.0 per cent in 2011. Since then, it has continued to decline to 6.3 per cent in 2015 and 5.4 per cent in 2016 (Table 17). As of 2017, it has slightly increased to 5.7 per cent.

One of the interesting trends in unemployment that recently emerged is that since 2006, men have consistently posted higher rates of unemployment than women have. Men's unemployment rate has averaged 7.2 per cent per annum from 2006 to 2016, whereas women's unemployment rate has only averaged 6.6 per cent on a yearly basis (Table 17).

The gender composition of unemployed persons in recent years could also be attributed to the possible gender impact of trade and economic liberalization on employment. In particular, trade and economic liberalization altered the economic and employment landscape and structure of the Philippines, especially in hastening its shift to becoming today a predominantly services-oriented economy.

Table 17. Number of unemployed and Philippine unemployed rate, 2010-2016

Year	Unemployment rate (%)			Total unemployed (in thousands)		
	Total	Male	Female	Total	Male	Female
2000	11.2	10.9	11.6	3 459	2 113	1 346
2001	11.1	10.8	11.6	3 653	2 174	1 478
2002	11.4	11.1	11.8	3 874	2 295	1 579
2003	11.4	11	11.9	3 936	2 343	1 592
2004	11.8	11.5	12.4	4 249	2 558	1 692
2005	7.8	7.8	7.8	2 748	1 685	1 062
2006	8.0	8.2	7.6	2 829	1 798	1 031
2007	7.3	7.5	7.0	2 653	1 675	978
2008	7.4	7.6	7.1	2 716	1 714	1 002
2009	7.5	7.6	7.2	2 831	1 770	1 062
2010	7.4	7.6	6.9	2 859	1 808	1 051
2011	7.0	7.3	6.6	2 814	1 772	1 041
2012	7.0	7.2	6.7	2 826	1 767	1 059
2013	7.1	7.3	6.8	2 905	1 818	1 087
2014	6.6	6.9	6.1	2 728	1 728	1 000
2015	6.3	6.6	5.8	2 602	1 656	945
2016	5.4	5.6	5.2	2 363	1 486	877

Source: PSA (2017).

As noted earlier, the services sector is primarily dominated by women, whereas the traditionally male sectors of agriculture and industry have remained stagnant. However, the lower unemployment rates of women should not be seen as a substantial gain and achievement in gender equality. Instead, it could mean that with more men unemployed, women are forced to bear the brunt of “double burden” in terms of balancing both domestic and economic needs.

2.3.1 Unemployment by region

By region, the five leading regions with large numbers of unemployed persons are the following: Region IV-A (Southern Tagalog Region) with 438,000 unemployed persons; followed by NCR (Metro Manila) with 374,000; Region III (Central Luzon) with 310,000; Region VII (Central Visayas) with 167,000; and Region VI (Western Visayas) with 162,000. Moreover, the following five regions have the highest unemployment rates: Region IV-A at 7.2 per cent, NCR and Region III both at 6.6 per cent, Region I (Ilocos Region) at 6.3 per cent, and Region X (Northern Mindanao) at 5.2 per cent. Note that Regions IV-A, Region III and NCR also have the three highest employment levels and rates among all the 17 regions. This could imply that much of the employment opportunities in the Philippines are concentrated in these regions, given the huge presence of both employed and unemployed persons in these areas (Table 18).

Table 18. Unemployment rate by region, 2016

Region	Unemployment rate (%)
Philippines	5.5
NCR	6.6
CAR	4.5
I – Ilocos Region	6.3
II – Cagayan Valley	3.1
III – Central Luzon	6.6
IV-A – CALABARZON	7.2
IV-B – MIMAROPA	4.1
V – Bicol Region	4.7
VI – Western Visayas	4.9
VII – Central Visayas	5.0
VIII – Eastern Visayas	4.5
IX – Zamboanga Peninsula	3.9
X – Northern Mindanao	5.3
XI – Davao Region	4.5
XII – SOCCSKSARGEN	4.2
Caraga	5.1
ARMM	3.8
Negros Region	4.0

Source: PSA (2017).

By gender, the five top regions with the highest male unemployment rates as of 2016 is Region IV-A (8.1 per cent), NCR (7.3 per cent), Region III (6.8 per cent), Region I (6.4 per cent), and Region VII (5.6 per cent). In the case of women, female unemployment rate is highest in the following regions: ARMM (6.3 per cent), Region III (6.2 per cent), Region X (6 per cent), NCR and Region I (both at 5.8 per cent), and Region IV-A (5.7 per cent).

2.3.2 Unemployment by age

Almost half of the country's unemployed are 15-24 years old. As of 2017, about 339,000 of the unemployed are 15-19 years old and around 798,000 are in the 20-24-year old age range. This brings the total number of the unemployed youth (15-24 years old) to 1.13 million or around 46.7 per cent of the 2.44 million unemployed Filipinos (Table 19).

Also, while the national unemployment rate from 2000 to 2016 averaged 8.3 per cent per annum, the unemployment rates of young people were more than double. In the case of young people aged 15-24 years old, the unemployment rate averaged 18.5 per cent during the same period (Table 20).

Table 19. Per cent share of unemployed persons by age group, 2017

Selected indicators	2017 (estimates)
Unemployed person (in thousands)	2 441
Age group (in per cent)	
15–24	46.7
25–34	29.4
35–44	10.8
45–54	7.8
55–64	4.6
65 and over	0.7

Source: PSA (2017).

Table 20. Unemployment rate by age group, 1995-2016

Year	Unemployment rate (%)			
	Total	15-24	25-54	55 and over
1995	9.5	19.8	6.3	5.4
1996	8.6	17.7	5.6	5.2
1997	8.8	18.3	5.8	5.5
1998	10.3	21.4	6.8	6.3
1999	9.8	21	6.5	5.5
2000	11.2	24.2	7.4	6.0
2001	11.1	23.3	7.6	6.4
2002	11.4	24.2	7.8	6.3
2003	11.4	23.2	8.0	7.1
2004	11.8	23.9	8.1	8.2
2005	7.8	17.2	5.6	2.3
2006	8.0	17.8	5.7	2.3
2007	7.3	16.8	5.1	2.3
2008	7.4	17.4	5.1	2.2
2009	7.5	17.6	5.2	2.2
2010	7.4	17.6	5.1	2.1
2011	7.0	16.3	4.9	2.0
2012	7.0	16.2	4.9	2.2
2013	7.1	16.1	5.1	2.3
2014	6.6	15.3	4.7	1.9
2015	6.3	15.0	4.5	1.7
2016	5.4	13.5	3.9	1.7

Source: PSA (2017).

In contrast with the national unemployment trend, in which there are more unemployed men than unemployed women, the youth unemployment trend says otherwise. As of 2016, young women (15-24 years old) post an unemployment rate of 14.9 per cent, which is 2.2 percentage points higher than that of young men of the same age range (12.7 per cent). In addition, young women aged 15-19 years old has an unemployment rate of 14 per cent compared with young men of the same age whose unemployment rate stands at 11.9 per cent. The same also goes for women aged 20-24 years old, who have an unemployment rate of 15.3 per cent in contrast with men of the same age bracket with an unemployment rate of 13.1 per cent.

2.3.3 Unemployment by education

The final data of the PSA for 2016 cited that of the 2.36 million unemployed Filipinos, about 831,000 unemployed persons have attained college-level education and about 1.01 million unemployed persons have reached high school education. In contrast, about 16,000 have not completed any grade and about 305,000 only have elementary education (305,000) (Table 21).

Table 21. Distribution share of unemployed by education, 2016-2017

Selected indicators	2016	2017 (estimates)
Unemployed persons		
Number (in thousands)	2 363	2 441
Per cent	100.0	100.0
Highest grade completed		
No grade completed	0.7	0.6
Elementary	12.9	13.4
Undergraduate	6.4	6.9
Graduate	6.5	6.5
High school	42.8	43.9
Undergraduate	11.5	12.1
Graduate	31.2	31.8
Post-secondary	8.5	8.3
Undergraduate	1.2	1.0
Graduate	7.3	7.3
College	35.2	33.8
Undergraduate	13.9	14.2
Graduate	21.4	19.6

Source: PSA (2017).

It appears that those with higher levels of education are more likely to be unemployed than those with lesser education. As of 2016, those who have higher levels or more years of education have higher number of unemployed people than those with no grade completed or have only received elementary education. Of the four educational categories, both those with no grade completed and with elementary education has distribution rates of unemployment rates of 0.7 per cent and 12.9 per cent, respectively, followed by those with high school education at 42.8 per cent, followed by those with college education at 35.2 per cent, and by those with post-secondary education with 8.5 per cent (Table 21).

Except those who have no grade completed, men across all educational levels have higher unemployment rates than women. In particular, the unemployment rate gap between men and women is higher for those with college-level education. As of 2016, college-educated men post an unemployment rate of 8.5 per cent in contrast with college-educated women who have lower unemployment rate of 6.5 per cent, a difference of two percentage points.

2.4 Underemployment

Much of the public's focus has been largely on the unemployment situation; however, underemployment is also an equally pressing problem in the Philippines – it mirrors the state of the quality of employment in the country. Underemployed people are those who, despite being already employed, are still seeking additional work or additional hours of work in their present job, or looking for an additional job, or a new work with longer working hours. On a positive note, underemployment, just like with unemployment, has also declined in recent years. From the highest recorded rate of 22.6 per cent in 2006, underemployment has declined to 18.3 per cent as of 2016 (Table 22).

Table 22. Underemployment rate by gender and class of worker, selected years, 1995-2016

Indicator	Underemployment rate (%)									
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016
Total	20.0	21.7	21.0	18.8	19.3	20.0	19.3	18.4	18.5	18.3
Men	21.8	24.0	23.6	21.3	21.8	22.4	21.8	20.8	20.9	20.7
Women	16.9	17.8	16.8	14.8	15.4	16.2	15.5	14.7	14.9	14.6
Wage/salary workers	18.7	21.2	20.0	17.5	18.5	19.3	18.4	17.4	17.4	17.1
Employers	15.9	19.2	17.9	16.6	16.0	15.7	16.0	14.5	14.8	15.2
Self-employed	21.6	22.8	23.3	21.2	21.6	22.3	21.9	21.3	21.7	21.7
Unpaid family workers	21.4	21.9	20.0	19.0	18.1	19.3	18.7	17.5	17.6	17.4

Source: PSA (2017).

2.4.1 Underemployment trends

Despite this notable decrease in underemployment, it remains persistently high at double-digit levels. This can indicate that although full-time employment and wage-led employment increased and although part-time employment and self-employment decreased, the employment that has been generated for most Filipinos is not enough, as many of them continue to search for additional work or additional hours of work. However, in real or constant figures, the level of underemployment in the Philippines has remained virtually unchanged as the number of underemployed persons barely declined from 7.514 million in 2012 to just 7.513 million in 2016 (Table 23). Further, just like with unemployment, men have also posted higher underemployment rates than women have at 20.7 per cent compared with 14.6 per cent as of 2016 (Table 22).

Table 23. Number of underemployed by gender and class of worker, selected years, 1995-2016

Indicators	Total underemployed (in thousands)									
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016
Total	5 137	5 955	6 785	6 762	7 163	7 514	7 371	7 118	7 180	7 513
Men	3 555	4 131	4 703	4 680	4 913	5 126	5 056	4 866	4 897	5 176
Women	1 582	1 824	2 082	2 082	2 251	2 388	2 315	2 253	2 283	2 337
Wage/salary workers	2 217	2 950	3 267	3 437	3 793	4 138	4 100	3 899	3 998	4 325
Employers	142	253	272	232	216	210	203	175	179	209
Self-employed	1 966	2 019	2 468	2 304	2 374	2 368	2 336	2 317	2 324	2 407
Unpaid family workers	812	734	779	789	780	799	733	728	680	572

Source: PSA (2017).

2.4.2 Underemployment by class of workers

Meanwhile, underemployment has been very high among those deemed to be in vulnerable employment. Self-employed workers have posted the highest underemployment rate at 21.7 per cent as of 2016 while unpaid family workers have an underemployment rate of 17.4 per cent. Wage and salary workers come in close at 17.1 per cent followed by employers at 15.2 per cent (Table 22).

Interestingly, the high figure of underemployment for wage and salary workers could also imply that although most workers are now in wage and full-time employment, the actual wages and salaries they receive are still not enough. This leads to some of these wage and salary workers to seek and want additional work or additional hours of work.

2.4.3 Underemployment by sector

By sector, underemployment is very much pronounced among workers in the agriculture sector, which stood at 25.9 per cent as of 2016. This was followed by those working in industry at 19 per cent and by those in services at 14.4 per cent (Table 24). In terms of number, most underemployed Filipinos are working predominantly in agriculture and services.

Table 24. Underemployment rate by sector, 2010-2016

Sector	Underemployment rate (%)						
	2010	2011	2012	2013	2014	2015	2016
Total	18.8	19.3	20	19.3	18.4	18.5	18.3
Agriculture	25.6	25.4	26.8	26.4	25.2	25.7	25.9
Industry	19.3	20.6	20.8	19.9	19.9	20.3	19.0
Services	14.2	15	15.6	15.1	14.1	14.2	14.4

Source: PSA (2017).

According to 2017 data, out of the 6.5 million underemployed Filipinos, 2.5 million (39 per cent share) come from the agriculture sector, followed by 2.2 million (almost 35 per cent share) from the services sector, and lastly 1.7 million (26 per cent share) from the industry sector (Table 25).

Table 25. Number of underemployed by sector, 2010-2017

Sector	Number of underemployed persons (in thousands)							
	2010	2011	2012	2013	2014	2015	2016	2017
Total	6 762	7 163	7 514	7 371	7 118	7 180	7 513	6 506
Agriculture	3 063	3 110	3 235	3 125	2 970	2 906	2 862	2 538
Industry	1 043	1 139	1 197	1 183	1 228	1 271	1 361	1 712
Services	2 656	2 914	3 082	3 064	2 920	3 003	3 289	2 255

Source: PSA (2017).

2.4.4 Underemployment by hours of work

As already mentioned, underemployment rate is slowly decreasing – settling to 16.1 per cent in 2017 (Table 26). In addition, there seems to be an almost equal percentage share of underemployed Filipinos who are part-time (56 per cent as of latest) and full-time workers (42.5 per cent).

Table 26. Underemployment rate and share of underemployment by hours of work, 2010-2017

Underemployment indicator	2010	2011	2012	2013	2014	2015	2016	2017
Underemployment rate (%)	18.8	19.3	20	19.3	18.4	18.5	18.3	16.1
Per cent share of underemployed persons (%)								
At work	97.9	98.0	98.2	98.5	97.9	98.2	98.6	98.6
< 40 hours	57.3	58.6	58.0	56.6	59.0	57.0	53.8	56.0
40 + hours	40.6	39.4	40.3	41.8	38.9	41.2	44.8	42.5
With job, not at work	2.1	2.0	1.8	1.5	2.1	1.8	1.4	1.4

Source: PSA (2017).

2.4.5 Underemployment by region

Per region, the top five regions with the highest underemployment rates as of 2016 are the following: Bicol Region (30.3 per cent); Region VIII (29.7 per cent); Caraga Region (27.8 per cent); Region X (27.9 per cent); and Region XII (23.8 per cent) (Table 27). Interestingly, the three regions with the consistently highest unemployment rates – NCR, Region III, and Region IV-A – have posted lower rates of underemployment, implying that having lower unemployment rates does not necessarily mean that the levels of employment created in other regions are more than enough. Also, the higher underemployment rates in the regions outside NCR, Region III, and Region IV-A could also mean that since employment opportunities are most likely concentrated in these urbanized and industrialized regions, underemployment – or the desire to seek additional work or hours of work – would likely increase in more rural and less developed regions given the lack of jobs or the mismatch or deficit of skills needed by industry in these areas. It could also imply that despite the jobs created resulting from economic liberalization, the pattern of employment generation is uneven.

Table 27. Underemployment rate by region, 2016

Region	Underemployment rate (%)
Philippines	18.3
National Capital Region (NCR)	8.8
Cordillera Administrative Region (CAR)	23.0
I – Ilocos Region	17.5
II – Cagayan Valley	12.7
III – Central Luzon	16.1
IV-A – CALABARZON	15.5
IV-B – MIMAROPA	21.8
V – Bicol Region	30.3
VI – Western Visayas	19.1
VII – Central Visayas	14.8
VIII – Eastern Visayas	29.7
IX – Zamboanga Peninsula	22.4
X – Northern Mindanao	27.9
XI – Davao Region	16.7
XII – SOCCSKSARGEN	23.8
Caraga	27.8
Autonomous Region in Muslim Mindanao (ARMM)	13.4

Source: PSA (2017).

Job creation tend to be concentrated in highly urbanized regions and areas like the Greater Manila Area and highly urbanized cities like Clark in Pampanga and Subic in Zambales, where special economic zones have been created to serve as a hub for export locators and to attract more foreign investors in the country. Also, underemployment among men is highest in the following top five regions: Bicol Region (34 per cent); Eastern Visayas (32.7 per cent); Caraga (32.4 per cent); Northern Mindanao (31.5 per cent); and SOCCSKSARGEN (26.8 per cent). For women, underemployment is the highest in the following regions: Eastern Visayas (24.9 per cent); Bicol Region (23.9 per cent); Northern Mindanao (22.2 per cent); Cordillera Administrative Region (21.3 per cent); and Caraga Region (20.4 per cent).

2.5 Overseas employment and labour migration

Overseas employment has been a unique feature of the Philippine economy as a consequence of the chronic unemployment and underemployment problems and slow growth in employment generation in the country. The Commission on Filipinos Overseas (CFO) estimates that there are about 10.238 million overseas Filipinos worldwide (as of December 2013). Of these 10.238 million overseas Filipinos, 4.869 million are permanent workers, 4.2 million are temporary workers, and 1.16 million are irregular migrants. Meanwhile, data from the Philippine Overseas Employment Administration (POEA), which are based on the actual departures of OFWs at international airports, show that the number of deployed OFWs (both new hires and rehires) has increased in the last five years, growing from 1.47 million in 2010 to 1.84 million in 2015.

However, data from the PSA, which cover OFWs whose departures have occurred within the last five years and who have been abroad during the past six months of the survey period, also show and affirm an upward trend in the number of OFWs. Accordingly, the number of OFWs has increased from 2.22 million in 2016 to 2.34 million as of 2017 (Table 28).

The PSA recorded about 2.34 million OFWs in 2017 (Table 28). Of these 2.34 million, 1.08 million are OFW men while 1.25 million of them are OFW women. This points to an increasing feminization of labour migration in the country since 2014, when women have started to outnumber men in terms of overseas employment. Furthermore, majority of OFWs come from urbanized regions such as: Region IV-A (20.7 per cent); Region III (12.9); Region VI, and NCR (both at 9.5 per cent).

PSA data for 2017 (Table 29) show that almost 60 per cent (about 740,000) of total overseas Filipino female workers are engaged in elementary occupations – work involving routinary tasks that require considerable amount of physical effort, such as cleaners and domestic helpers. However, total overseas Filipino male workers are mostly working in jobs relating to craft and trade (22 per cent), and plant and machine operators and assemblers (26.9 per cent). Overall, elementary occupations (37.6 per cent) and service and sales occupations (18 per cent) take up more than half of the total distribution.

Table 28. Percentage share of overseas Filipino workers by gender and region, 2016-2017

Region	2016			2017		
	Total	Male	Female	Total	Male	Female
Philippines (in thousands)	2 240	1 040	1 200	2 339	1 084	1 255
NCR	12.9	16.5	9.8	9.5	11.3	7.9
CAR	1.8	1.4	2.2	2.3	1.6	3.0
I – Ilocos Region	8.4	6.6	9.9	9.0	7.4	10.4
II – Cagayan Valley	5.3	3.1	7.2	6.8	4.1	9.2
III – Central Luzon	12.7	14.5	11.1	12.9	14.9	11.1
IV-A – CALABARZON	21.0	23.4	19.0	20.7	24.2	17.8
IV-B – MIMAROPA	1.9	2.0	1.7	1.8	1.7	1.9
V – Bicol Region	4.0	3.4	4.5	3.8	3.4	4.2
VI – Western Visayas	4.9	4.5	5.1	9.5	10.0	9.1
VII – Central Visayas	4.9	6.8	3.2	6.1	9.1	3.5
VIII – Eastern Visayas	2.1	2.3	1.9	2.1	2.6	1.6
IX – Zamboanga Peninsula	2.3	2.1	2.5	2.1	1.5	2.6
X – Northern Mindanao	2.6	2.6	2.5	2.5	2.4	2.6
XI – Davao Region	3.0	2.4	3.5	3.0	1.7	4.2
XII – SOCCSKSARGEN	4.3	2.4	6.0	4.2	2.0	6.2
Caraga	1.9	1.4	2.4	1.7	1.2	2.1
ARMM	1.9	1.0	2.8	1.9	0.9	2.7
Negros Region	4.2	3.6	4.6	...	...	...

Notes: ... data not available.

Source: PSA (2017).

Table 29. Distribution of overseas Filipino workers by major occupation group and gender, 2017

Occupation group	Total	Male	Female
Philippines (in thousands)	2 339	1 084	1 255
Managers	1.1	1.4	0.9
Professionals	8.7	8.3	9.0
Technicians and associate professionals	5.8	9.5	2.5
Clerical support workers	3.4	2.6	4.0
Service and sales workers	18.0	15.7	20.0
Skilled agricultural forestry and fishery workers	0.4	0.7	0.1
Craft and related trade workers	11.4	22.1	2.1
Plant and machine operators and assemblers	13.7	26.9	2.3
Elementary occupations	37.6	12.8	59.0

Source: PSA (2017).

Based on the data, the growth and emergence of the IT-BPO industry may have likely contributed to the increasing number and presence of foreign workers in the country. This can be seen in the high number of foreign workers in the real estate, renting, and business activities subsector. Accordingly, the growth of the IT-BPO industry could be attributed to the liberalization of the telecommunications sector, which took place during the 1990s.

2.6 Wages, precarious employment and social protection

2.6.1 Wages

In terms of wages, note that since the passage of the Wage Rationalization Act of 1989, the minimum wage in the Philippines varies per region. Likewise, it is determined via regional tripartite wage and productivity boards with due representation from the government, workers, and employers. Wages per region are determined based on the possible effects of inflation, poverty, unemployment, and a host of socio-economic factors that could impact on workers' welfare.

According to data from the National Wages and Productivity Commission (NWPC), regional boards have issued a total of 308 wage orders since 1990. Also, note that both men and women receive the same and equal minimum wage rates.

NCR has the highest nominal minimum wage rate among all the regions in the Philippines for both non-agriculture and agricultural work at PhP512.00 (non-agriculture) and PhP475.00 (agriculture). On the other hand, ARMM has the lowest nominal minimum wage rate for non-agriculture at PhP280.00. Region I has the lowest nominal minimum wage rate for agriculture at PhP265.00 for plantation and PhP256.00 for non-plantation (as of July 2018) (Table 30). Further, the nominal wage of PhP512.00 that workers receive in NCR amounts to only PhP444.06 in real terms (2012 = 100) while the ARMM's real wage rate is mere PhP224.90 and PhP216.87 for agriculture (Table 30).

Table 30. Daily minimum wage rates (nominal and real) by region, July 2018

Region	Non-agriculture	Agriculture	
		Plantation	Non-plantation
Nominal rates (in PhP)			
NCR	512.00	475.00	475.00
CAR	300.00	300.00	300.00
I – Ilocos Region	310.00	265.00	256.00
II – Cagayan Valley	340.00	320.00	320.00
III – Central Luzon	380.00	350.00	334.00
IV-A – CALABARZON	400.00	370.00	356.00
IV-B – MIMAROPA	300.00	300.00	300.00
V – Bicol Region	290.00	290.00	290.00
VI – Western Visayas	365.00	295.00	295.00
VII – Central Visayas	366.00	348.00	348.00
VIII – Eastern Visayas	305.00	275.00	275.00
IX – Zamboanga Peninsula	316.00	303.00	303.00
X – Northern Mindanao	338.00	326.00	326.00
XI – Davao Region	340.00	335.00	335.00
XII – SOCCSKSARGEN	311.00	290.00	290.00
Caraga	305.00	305.00	305.00
ARMM	280.00	270.00	270.00
Real rates (in PhP, 2012 = 100)			
NCR	444.06	411.97	411.97
CAR	258.40	258.40	258.40
I – Ilocos Region	267.70	228.84	221.07
II – Cagayan Valley	286.68	269.81	269.81
III – Central Luzon	330.72	304.61	290.69
IV-A – CALABARZON	344.83	318.97	306.90
IV-B – MIMAROPA	258.40	258.40	258.40
V – Bicol Region	246.39	246.39	246.39
VI – Western Visayas	307.76	248.74	248.74
VII – Central Visayas	298.53	283.85	283.85
VIII – Eastern Visayas	248.17	223.76	223.76
IX – Zamboanga Peninsula	259.02	248.36	248.36
X – Northern Mindanao	278.42	268.53	268.53
XI – Davao Region	287.16	282.94	282.94
XII – SOCCSKSARGEN	257.45	240.07	240.07
Caraga	260.02	260.02	260.02
ARMM	224.90	216.87	216.87

Source: NWPC (2018).

Regarding employers' compliance with the payment of minimum wage, DOLE-NWPC said that out of 44,524 firms and establishments that were inspected (as of December 2015), 37,711 establishments comply with the mandated minimum wage. This translates to a national compliance rate of about 84.7 per cent. The NWPC also noted that by region, the NCR has the highest compliance rate at 85.5 per cent, while areas outside NCR and Regions I and II have the highest compliance rates at 94.1 per cent and 91.46 per cent, respectively. Region IV-B registered the lowest compliance rate at 79.4 per cent. However, note that there was a gap in terms of the number of establishments inspected per region. In the case of NCR, a total of 10,590 establishments were inspected while only a total of 165 establishments were inspected in Region IV-B.

In relation to this, the DOLE-NWPC has also received a total of 78 applications for exemption from minimum wage compliance²¹. A total of 63 were approved out of these 78 applications, while eight petitions were disapproved and seven were dismissed.

Not all existing establishments in the Philippines have been or could be inspected by the government given the shortage and deficit in the number of its labour inspectors. Wage compliance remains very much a contentious issue that needs to be addressed, especially in the context of the Philippines' adherence and commitment to labour standards.

Overall, the government issued a total of 22 wage orders from July 2016 to June 2018, providing wage increases that range from PhP9.00 to PhP56.00 across all regions of the Philippines (PMS, 2018).

2.6.2 Precarious employment

It has been mentioned earlier that although the number of part-time employment has decreased and full-time employment has increased, the number and ranks of employees in precarious work have increased. Workers in precarious employment are defined as those workers whose nature of employment is short-term, seasonal, casual, or those who worked for different employers on either a day-to-day or a week-to-week basis. Precarious employment can also serve as a proxy indicator to measure contractual employment in the Philippines. According to the Decent Work statistics database of the PSA, employees in precarious work as a percentage of total employed persons in the country increased from 27.6 per cent in 2006 to nearly 31 per cent (at 30.7 per cent) in 2016 (Table 31).

The industry sector has the highest percentage share of employees in precarious work to total employed, and this increased from 33.2 per cent in 2006 to 37.3 per cent in 2016. In the agriculture sector, employees in precarious employment increased their percentage share from 47.3 per cent to 54.5 per cent. The same is also true in the services sector, which increased from 19.6 per cent to 22.5 per cent during the same period (Table 31).

In absolute numbers, the number of short-term, seasonal, or casual workers nearly doubled as it increased from 4.61 million in 2006 to 7.76 million in 2016. By sector, the services sector has the most number of employees in precarious work as of 2016, with about 3.44 million short-term, seasonal, or casual workers, followed by the industry sector with 2.37 million workers, and agriculture sector with 1.95 million (Table 31).

Accordingly, the government has intensified its efforts to decrease cases of illegal contracting and subcontracting schemes of private establishments in view of the growing concerns on contractual employment, and in view of the government-issued Executive Order No. 51. As a result, official statistics cite that 316,880 workers have been regularized as of July 2018 (PMS, 2018).

²¹The Barangay and Micro-Enterprise Law allows those employers and establishments with less than ten workers/employees, and under certain considerations and conditions, to apply for exemption from minimum wage compliance but only for a brief and specific period of time.

Table 31. Precarious employment by gender and major sector, 1995-2016

Year	Employees in precarious work			Men		Women		Agriculture		Industry		Services	
	% of employees	Number (in thousands)	% of employees	Number (in thousands)	% of employees	Number (in thousands)	% of employees	Number (in thousands)	% of employees	Number (in thousands)	% of employees	Number (in thousands)	
1995	30.1	3 574	32.1	2 450	26.5	1 124	56.6	1 333	31.1	993	19.7	1 248	
1996	28.2	3 569	30.0	2 431	25.0	1 138	56.5	1 340	29.1	1 018	17.9	1 212	
1997	28.2	3 678	30.1	2 502	24.9	1 176	55.2	1 231	29.9	1 107	18.8	1 338	
1998	27.5	3 650	29.6	2 502	23.7	1 148	54.5	1 211	29.5	1 071	18.4	1 369	
1999	26.8	3 689	28.8	2 492	23.4	1 198	55.7	1 388	27.7	996	17.0	1 306	
2000	28.3	3 940	30.9	2 693	23.9	1 247	54.0	1 341	31.9	1 124	18.6	1 474	
2001	28.5	4 114	30.7	2 759	24.8	1 355	56.0	1 423	31.2	1 158	18.7	1 532	
2002	27.9	4 085	30.2	2 726	24.2	1 360	55.1	1 392	30.8	1 139	18.4	1 555	
2003	28.9	4 440	31.2	2 983	25.1	1 457	56.3	1 499	32.0	1 231	19.3	1 709	
2004	28.1	4 631	29.9	3 102	25.0	1 529	50.7	1 486	32.0	1 290	19.5	1 855	
2005	26.2	4 267	27.7	2 811	23.5	1 455	45.4	1 233	31.4	1 265	18.5	1 769	
2006	27.6	4 606	29.3	3 019	25.0	1 587	47.3	1 348	33.2	1 335	19.6	1 923	
2007	28.2	4 931	29.7	3 219	25.6	1 712	47.4	1 418	33.1	1 379	20.6	2 134	
2008	26.1	4 660	27.6	3 062	23.6	1 597	44.6	1 385	30.6	1 257	19.0	2 018	
2009	25.1	4 462	26.7	3 088	22.5	1 594	42.4	1 358	30.1	1 242	18.3	2 083	
2010	26.9	5 276	28.6	3 474	24.1	1 802	46.3	1 522	32.3	1 432	19.5	2 322	
2011	27.1	5 564	28.5	3 640	24.7	1 925	46.8	1 693	31.2	1 417	19.8	2 454	
2012	30.4	6 538	32.5	4 366	27.0	2 173	52.7	2 001	35.8	1 723	21.8	2 815	
2013	32.2	7 154	34.5	4 793	28.3	2 361	55.9	2 131	38.2	1 935	23.1	3 088	
2014	30	6 718	32.1	4 479	26.5	2 240	55.8	1 973	35.3	1 872	21.2	2 873	
2015	30.7	7 040	33.2	4 726	26.5	2 314	57.7	1 990	37.1	2 025	21.5	3 025	
2016	30.7	7 757	32.9	5 262	27.0	2 495	54.5	1 946	37.3	2 371	22.5	3 440	

Source: PSA (2017).

2.6.3 Social protection and informality issues

Providing workers with social protection and safety net is also an equally daunting task. Accordingly, the number of workers covered by social security has increased in the last 16 years, be they in the private or the public sector. As of 2016, the share of economically active population contributing to a pension scheme has increased to 35.2 per cent from 27 per cent in 2000. Of these actively contributing to the social security and pension system, 31.5 per cent are in the private sector via the Social Security System (SSS), whereas 3.7 per cent are in the public sector and composed of government workers who are contributing through the Government Service Insurance System (GSIS) (Table 32). Moreover, about 19.1 per cent of those contributing to and benefiting from the country's social pension system are aged 60 and above or senior citizens who have already retired from their work.

Table 32. Contributors and recipients of pensions by scheme, 1995-2015

Year	Share of economically active population contributing to a pension scheme (%)			Share of population aged 60 and above benefiting from retirement/old age pension (%)		
	Total	SSS	GSIS	Total	SSS	GSIS
1995	...	...	5.6	...	5.2	...
1996	...	...	5.3	...	5.6	...
1997	...	...	5.3	...	6.3	...
1998	...	...	5.1	...	6.4	...
1999	...	...	5.2	...	6.3	...
2000	27.0	22.2	4.8	8.3	6.5	1.9
2001	25.6	21.0	4.6	8.5	6.7	1.9
2002	25.4	21.0	4.4	8.8	6.8	1.9
2003	24.7	20.9	3.8	9.7	7.7	2.0
2004	24.2	20.6	3.7	11.0	8.6	2.4
2005	25.0	21.3	3.7	11.3	9.0	2.3
2006	26.0	22.2	3.8	12.7	10.2	2.6
2007	26.3	22.5	3.7	13.3	10.7	2.7
2008	27.3	23.6	3.7	14.1	11.1	3.1
2009	26.8	23.2	3.6	14.7	11.6	3.1
2010	27.7	24.2	3.5	15.2	12.1	3.2
2011	27.8	24.4	3.5	...	12.8	...
2012	29.4	26.0	3.5	16.3	12.7	3.6
2013	30.6	27.1	3.5	17.5	13.9	3.6
2014	32.0	28.4	3.6	19	14.9	4.2
2015	34.3	30.6	3.7	20.5	16.4	4.1
2016	35.2	31.5	3.7	19.1	15.2	3.9

Note: ... = data not available.

Source: PSA (2017).

Since the Domestic Workers Act of 2013 (RA No. 10361) was passed and enforced, the number of domestic workers registered and enrolled in SSS has increased from just 1,000 in 2002 to nearly 70,000 in 2016. The same goes for the number of OFWs who are covered by SSS through voluntary contribution, which increased from 89,000 in 2000 to more than half a million in 2016 (Table 33).

Table 33. Number of contributors (in thousands) of pensions by scheme, 1995-2015

Year	Total number of contributors	Social Security System					GSIS
		Employees	Domestic workers	Self- Employed	Voluntary	OFWs	
1995	...	...	...	...	...	...	1 586
1996	...	...	...	...	...	...	1 584
1997	...	...	...	...	...	...	1 537
1998	...	...	...	...	...	...	1 528
1999	...	...	...	...	...	...	1 598
2000	8 443	5 519	.....	1 007	336	89	1 492
2001	8 481	5 491	.....	969	437	88	1 496
2002	8 715	5 587	1	923	612	93	1 500
2003	8 636	5 678	8	826	714	99	1 310
2004	8 808	5 875	17	719	774	112	1 311
2005	8 939	6 034	20	693	770	112	1 310
2006	9 350	6 303	24	662	870	141	1 349
2007	9 679	6 564	28	632	941	158	1 356
2008	10 227	6 851	32	664	1 127	189	1 365
2009	10 380	6 845	26	658	1 265	218	1 368
2010	11 030	7 339	35	690	1 348	248	1 371
2011	11 412	7 666	34	687	1 363	273	1 388
2012	12 223	8 194	33	716	1 557	325	1 399
2013	12 937	8 621	49	777	1 655	396	1 439
2014	13 675	9 132	60	859	1 713	430	1 482
2015	14 660	9 749	66	979	1 877	463	1 526
2016	15 786	10 462	68	1 057	2 070	509	1 621

Note: ... = data not available.

Source: PSA (2017).

The Philippines has made a huge progress in its social health insurance system, particularly in achieving universal healthcare coverage for its population. From just 38 per cent at the start of the new millennium, the number of Filipinos covered by the National Health Insurance Programme through the Philippine Health Insurance Corporation (PhilHealth) has reached 91 per cent of the country's population as of 2016. About 29.3 million PhilHealth beneficiaries and members, out of the estimated 93.4 million, belong to the formal sector. According to PhilHealth's classification, those belonging to the formal sector are private sector employees (23.3 million), government workers (5.88 million), domestic workers/*kasambahays* (118,000), and enterprise owners and family drivers (2,000). Those belonging to the informal economy, which number about 8.16 million, consists of the following: migrant workers (1.6 million); informal economy workers (5.5 million); self-earning individuals/self-employed (996,000); and organized groups and others (34,000). The rest are either indigents (43.48 million), sponsored members (2.77 million), senior citizens (7.57 million), or lifetime members (2 million) (Table 34).

Table 34. Members, dependents and beneficiaries of PhilHealth, 2016

Sector	Members	Dependents	Beneficiaries
Members in the formal economy	14 636 188	14 674 103	29 310 291
Private	12 465 283	10 839 327	23 304 610
Government	2 102 361	3 783 503	5 885 864
Household help/ <i>Kasambahay</i>	67 598	49 952	117 550
Enterprise owner and family drivers	946	1 321	2 267
Members in the informal economy	3 260 811	4 907 400	8 168 211
Migrant worker	659 311	951 543	1 610 854
Informal sector	2 177 414	3 349 326	5 526 740
Self-earning individual	409 751	586 676	996 427
Organized group and others	14 335	19 855	34 190
Indigents	14 641 685	28 844 119	43 485 804
Sponsored members	1 217 941	1 560 458	2 778 399
Senior citizens	6 245 583	1 328 749	7 574 332
Lifetime members	1 229 641	854 183	2 083 824
Total	41 231 849	52 169 012	93 400 861

Source: PhilHealth (2014).

Providing social protection to workers is highly important, especially when the economy experiences or suffers a decline, downturn, or recession, as this could mean that companies are closing down or workers are being laid-off. Such incident happened in the country during the 1997 Asian Financial Crisis and the 2008-2009 Global Financial Crisis.

At present, there are ongoing policy discussions on the possibility of putting up an unemployment insurance system in the Philippines, in addition to the current social safety regime of SSS, GSIS, PAG-IBIG, PhilHealth, and other government-mandated compensation benefits in cases of injuries, accidents, or deaths.

3. PHILIPPINE TRADE PERFORMANCE AND EXTERNAL TRADE AGREEMENTS: FROM 2000 TO PRESENT

The preceding chapters of this study have cited that the trade policies and other social, economic, political, and domestic policies and programmes that the government pursued after the Second World War have also contributed to the structural shifts in the Philippine economy and labour market. As seen in the introductory chapter on trade and employment policies and the chapter on trade impacts on employment, changes in both the macro-economy and the labour market were also anticipated by changes in economic paradigms at the global level.

During the early decades of the post-war era, the Philippines pursued an economic policy that emphasized the role of government in economic planning and in directing trade and export policies. However, when the country became saddled with burgeoning external debt, industrial stagnation, and economic contraction during the early 1980s, the Philippines, just like many countries around the world, began to open its economy and liberalize its trade and investment policies.

Such changes in trade and economic policies also affected outcomes in both the economy and the domestic labour market. In particular, the shift towards a more open and market-oriented approach to economic policy and management also contributed and helped shape the present economic and

employment landscape in the Philippines, with the economy becoming a predominantly services-oriented economy. In the case of the domestic labour market, the changes in trade and economic policies were largely felt in terms of a shift in employment from the low-productivity agricultural sector to the services sector. What has been interesting amid these shifting changes in trade policies and employment structures is that the country's industrial base remained virtually unchanged. Also, the Philippines has remained a net importer, despite entering into numerous trade agreements and arrangements that promised more markets for its export products.

Despite having transitioned into becoming a predominantly services-oriented economy that is on the overall a net importer, export promotion, and development is still very much a part of Philippine policies and strategies for inclusive economic growth. Hence, it is imperative to discuss in this section the specific trade policies that the country adopted and implemented, particularly tariff policies and trade- and investment-related agreements it signed and ratified. This chapter will also discuss the trade and export outcomes during the years that these policies and agreements were pursued.

In this context, the following section will consider the historical trade performance of the Philippines in terms of goods and services through the years, the impact on Philippine exports of the various trade deals and arrangements that the country entered into, and the contributions of exports and investments to employment generation in the country.

3.1 Trade and tariff policies in brief

Tariff reforms undertaken by the Philippine government in the late 1980s and early 1990s have led to downward adjustments in the tariff rates that have long been imposed by the country. According to the most recent ASEAN Harmonized Tariff Nomenclature (AHTN), Philippine tariff rates range from 0 to 65 per cent covering about 9,820 tariff lines. Sensitive agricultural products (e.g. rice, sugar, corn, and meat) have retained higher tariffs ranging from 30 per cent to 65 per cent. Further, non-agricultural tariffs have retained rates up to 20 per cent, except for some motor vehicles and parts, for which tariff rates are still 30 per cent. According to the Tariff Commission of the Philippines, the average nominal tariff rate across all sectors is about 7.1 per cent, while the trade-weighted tariff rates have fallen to about 5 per cent.

Meanwhile, the Philippines' decision to lower its tariff rates was also in keeping with its commitments as a member of the ASEAN, which as a regional bloc made a target of removing barriers to trade, particularly during the late 1980s and the early 1990s, to promote eventual trade and economic integration among ASEAN economies.

However, Philippine tariff rates seemed to have stayed at relatively the same levels, which is also the case for its neighbouring countries. Accordingly, tariffs imposed on Philippine products by member States of ASEAN are slightly higher than those imposed by the Philippines on their products. This could be because there are several goods and products that are in the sensitive and highly sensitive lists, thereby keeping most favoured nation simple average tariff rates within ASEAN still relatively high.

3.2 Philippine trade performance and outcomes through the years

Philippine external trade has steadily grown for a period of nearly two decades. By 2017, the total trade of the Philippines has reached a total of US\$170.6 billion, in which 40 per cent of total trade accounts for total exports while the remaining huge chunk of 60 per cent accounts for total imports.

From 2000 to 2017, Philippine exports grew significantly from US\$38.1 billion in 2000 to US\$68.7 billion in 2017. However, import growth outpaced export growth by increasing nearly triple from US\$37.0 billion in 2000 to US\$101.9 billion in 2017 (Table 35). Furthermore, the strongest export

and import growth rates were recorded in 2010 (two years after the onset of the Global Financial Crisis of 2008), with exports growing by 34 per cent and imports by 27 per cent. In addition, the establishment of the ASEAN Trade in Goods Agreement (ATIGA) in 2010 might have possibly contributed to the continuing growth in the country's foreign trade, particularly in imports, which peaked at US\$101.9 billion in 2017 (Figure 7).

Table 35. Philippine trade composition, 2000-2017

Year	Exports (in billion US\$)	Growth rate	Imports (in billion US\$)	Growth rate	Total trade (in billion US\$)	Trade balance (in billion US\$)
2000	38.1	0.1	37.0	0.1	75.1	1.1
2001	32.2	-0.2	34.9	-0.1	67.1	-2.8
2002	35.2	0.1	41.1	0.2	76.3	-5.9
2003	36.2	0.0	42.6	0.0	78.8	-6.3
2004	39.7	0.1	46.1	0.1	85.8	-6.4
2005	41.3	0.0	49.5	0.1	90.8	-8.2
2006	47.4	0.1	54.1	0.1	101.5	-6.7
2007	50.5	0.1	58.0	0.1	108.5	-7.5
2008	49.1	0.0	60.4	0.0	109.5	-11.3
2009	38.4	-0.2	45.9	-0.2	84.3	-7.4
2010	51.5	0.3	58.5	0.3	110	-7.0
2011	48.0	-0.1	63.7	0.1	111.7	-15.7
2012	52.0	0.1	65.3	0.0	117.3	-13.4
2013	56.7	0.1	65.7	0.0	122.4	-9.0
2014	61.8	0.1	67.7	0.0	129.5	-5.9
2015	58.6	-0.1	70.2	0.0	128.8	-11.5
2016	56.3	0.0	85.9	0.2	142.2	-29.6
2017	68.7	0.2	101.9	0.2	170.6	-33.2

Source: UNCTADStat (2018).

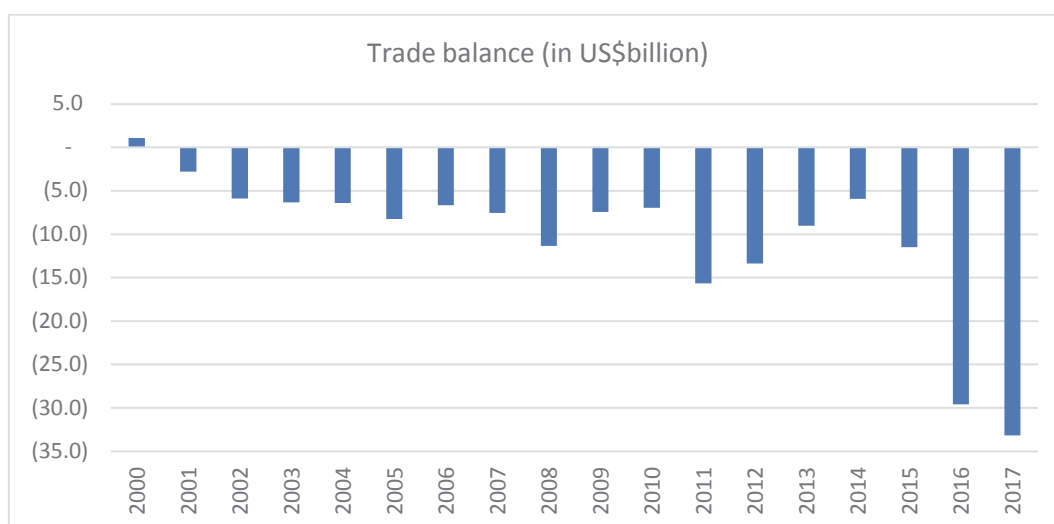
Meanwhile, Figure 8 shows that the Philippines has been a net importer since 2001. In fact, the Philippines has consistently posted trade deficits in the last 17 years, which has significantly widened from US\$1.1 billion in 2000 to US\$33 billion in 2017. As a result, the country's higher volumes of imports have also contributed to a widening in its current account deficit in the balance of payments, which stood at US\$1.20 billion in 2016.

Figure 7. Philippine trade in goods, 2000-2017



Source: UNCTADStat (2018).

Figure 8. Philippine trade balance, 2000-2017



Source: UNCTADStat (2018).

3.2.1 Structure and composition of Philippine exports

In terms of product composition, the latest export structure has remained largely dominated by electronics (machineries and transport equipment), at about 65 per cent of total exports. Of the electronics exports (approximately US\$45 billion), two of the most exported electronics products (i.e. electrical machinery, apparatus, and appliances at 43.8 per cent, and office machines and automatic data processing machines at 11.84 per cent), took up the bulk. For its part, agriculture-related products comprised a total of 10 per cent of the overall exports of the Philippines (Tables 36 and 37).

Table 36. Export structure of the Philippines in single digit SITC, 2000-2017

Products	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017
Food and live animals	7.68	3.38	3.93	4.20	6.36	6.11	7.40	6.92	4.99	5.62	6.25
Beverages and tobacco	0.24	0.13	0.46	0.61	0.83	0.57	0.64	0.84	0.68	0.62	0.62
Crude materials, inedible, except fuels	3.04	1.32	1.64	2.60	3.70	3.48	5.45	6.49	4.56	3.78	3.53
Mineral fuels, lubricants, and related materials	1.51	1.33	1.88	2.05	2.92	2.43	3.77	2.97	1.32	1.33	1.51
Animal and vegetable oils, fats and waxes	4.84	1.25	1.68	2.50	3.04	2.24	2.38	2.44	2.06	2.12	2.45
Chemicals and related products, n.e.s.	1.96	0.89	1.34	3.02	3.90	3.71	4.10	3.58	2.82	2.75	2.51
Manufactured goods	6.39	3.70	4.37	6.52	9.49	9.45	10.74	8.97	8.50	8.17	7.40
Machinery and transport equipment	22.18	76.13	74.39	44.28	41.41	59.65	55.69	57.56	64.57	64.50	65.72
Miscellaneous manufactured articles	12.87	11.47	10.16	4.50	6.04	11.43	9.23	9.75	9.73	9.91	8.16
Commodities and transactions, n.e.s.	39.29	0.40	0.15	29.71	22.31	0.94	0.61	0.47	0.77	1.20	1.86

Note: SITC = standard international trade classification; n.e.s. = not elsewhere specified.
Source: UNCTAD (2018).

Capital goods (60.65 per cent) made up most of the Philippine export products in 2016, followed by consumer goods (22.57 per cent), intermediate goods (9.91 per cent), and raw materials (6.87 per cent) (World Bank, 2018). Although export share of agricultural raw materials in 2016 also slowed down compared to 1995 levels (1.25 per cent), it has remained at about 0.9 per cent for the last five years (Table 38).

Table 37. Top Philippine export products in double-digit SITC, 2017

Products	in '000 US\$	in %
Total all products	68 712 611.19	100.00
Electrical machinery, apparatus and appliances, n.e.s.	30 086 203.89	43.79
Office machines and automatic data processing machines	8 135 257.48	11.84
Vegetables and fruits	2 406 539.66	3.50
Other transport equipment	2 348 332.81	3.42
Non-ferrous metals	2 033 046.47	2.96
Metalliferous ores and metal scrap	1 785 845.79	2.60
Fixed vegetable oils and fats (crude, refined or fractionated)	1 604 342.03	2.33
Telecommunication and sound recording apparatus	1 477 835.64	2.15
Cork and wood manufactures (excluding furniture)	1 283 571.31	1.87
Gold, non-monetary (excluding gold ores and concentrates)	1 278 781.19	1.86

Note: SITC = standard international trade classification; n.e.s. = not elsewhere specified.
Source: UNCTADStat (2018).

Table 38. Share of agricultural raw products, selected years, 1995-2017

Year	Exports	Imports
1995	1.25	2.16
2000	0.56	1.37
2005	0.54	0.87
2010	0.70	0.64
2015	0.95	0.62
2016	0.84	0.68
2017	0.90	0.53

Source: World Bank (2018).

On the other hand, the Philippines' import structure has noticeably changed. One significant component of imports is investment goods and durable equipment led by machineries and transport products representing about 46 per cent of total imports. Aside from electrical machineries and transport equipment, inputs to production activities within the economy (i.e. petroleum and related-products and industrial materials and construction materials), remain as key import products (Table 39).

In 2016, capital goods appeared to have the highest import share at 42.94 per cent, followed by consumer goods (25.85), intermediate goods (21.59) and raw materials (9.64). Moreover, just like its exported counterparts, the Philippines' import shares of agricultural raw materials have continuously decreased since its record high in 1995 (2.16 per cent) to its current level of 0.53 per cent in 2017 (Table 39).

As seen in Tables 36 to 40, relative shifts in the country's trade structure took place between 1995 and 2017. In addition to a host of other factors, such as global trade trends; challenges of the time; and other political, social, and economic variables that were also in play, the trade policies pursued and charted by the country have also contributed to a number of these changes, especially on the composition of Philippine exports and imports.

Table 39. Import structure of the Philippines in single digit SITC, 2000-2017

Products	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017
Food and live animals	7.40	6.09	5.95	10.18	8.86	9.30	9.27	10.65	10.20	9.81	9.17
Beverages and tobacco	0.59	0.52	0.53	0.33	0.36	0.36	0.44	0.44	0.44	0.54	0.53
Crude materials, inedible, except fuels	4.34	2.94	2.35	3.49	2.57	2.92	2.97	1.37	1.45	1.59	3.06
Mineral fuels, lubricants and related materials	9.21	11.07	13.21	16.94	20.11	21.57	20.60	20.07	11.82	9.71	11.19
Animal and vegetable oils, fats and waxes	0.15	0.20	0.31	0.33	0.90	0.62	0.43	0.92	0.91	1.08	1.15
Chemicals and related products, n.e.s.	9.18	8.04	7.30	9.55	10.62	10.27	9.90	11.01	10.14	10.12	9.85
Manufactured goods	13.90	10.67	8.89	8.01	9.11	8.67	9.24	9.98	10.72	12.29	12.83
Machinery and transport equipment	32.49	56.53	57.81	47.07	28.30	42.16	42.94	40.75	48.97	48.96	46.39
Miscellaneous manufactured articles	3.52	3.78	3.41	3.30	3.42	3.72	3.87	4.30	5.02	5.73	5.73
Commodities and transactions, n.e.s.	19.22	0.16	0.24	0.80	15.76	0.41	0.33	0.51	0.32	0.16	0.09

Note: SITC = standard international trade classification; n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

For instance, the decline in the share of agricultural raw materials, in both exports and imports, also coincided with the overall decline in the economic output of the agriculture sector and also in its share to total employment in recent years, as noted in Chapter 2 of this report. As highlighted earlier, employment creation has been mostly in the services sector. This could also mean that despite pursuing a policy of trade openness, productivity has remained weak, and coupled with incoherent domestic policies and lack of investments, has likely resulted in productivity losses in the agriculture sector. This only serves to underscore the fact that on its own, trade openness does not automatically mean that industries like manufacturing and other related sectors would have higher outputs, added values, and economic contributions. Supportive and aligned domestic policies and a conducive economic environment are required to achieve the desired outcomes of increasing productivity; strengthening competitiveness; and creating decent, productive, and gainful employment for all.

Table 40. Top Philippine import products in double-digit SITC, 2017

Products	in '000 US\$	in %
Total all products	101 889 431.97	100
Electrical machinery, apparatus and appliances, n.e.s.	18 979 667.31	18.63
Petroleum, petroleum products and related materials	9 165 813.18	9.00
Road vehicles	8 716 036.18	8.55
Office machines and automatic data processing machines	5 603 411.13	5.50
Iron and steel	4 427 528.01	4.35
Telecommunication and sound recording apparatus	3 363 018.56	3.30
Other industrial machinery and parts	3 305 366.09	3.24
Specialized machinery	3 239 319.79	3.18
Miscellaneous manufactured articles, n.e.s.	2 249 792.98	2.21
Metalliferous ores and metal scrap	2 179 617.94	2.14

Note: SITC = standard international trade classification; n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

3.2.2 Top market destinations for Philippine exports and imports

As to where the country's exports mostly go and where it gets its imported products and unit inputs, Table 41 shows that the top three trading partners of the Philippines (for both exports and imports) are Japan, China, and the United States. The Philippines is a net exporter to both Japan and the US while it is a net importer from both China and the ASEAN regional economic bloc. Among its ASEAN neighbours with whom it has significant trade relations, Singapore is the country's leading export market.

The following sections will discuss how Philippine exports to its trading partners with whom it has FTAs actually performed and grew over the years. Whether or not these FTAs have been beneficial to the country's exports will also be discussed.

Table 41. Top trading partners of the Philippines, 2016

Rank	Exports		Imports	
1	Japan	20.73	China	18.53
2	United States	15.40	Japan	11.87
3	Hong Kong, China	11.69	United States	8.94
4	China	11.00	Thailand	7.83
5	Singapore	6.57	Korea, Rep.	6.54
6	Germany	4.07	Singapore	6.51
7	Thailand	3.78	Indonesia	5.48
8	Korea, Rep.	3.72	Malaysia	3.98
9	Netherlands	3.05	Hong Kong, China	2.96
10	Malaysia	2.11	Germany	2.34

Source: WITS (2017).

3.3 Philippine trade and export performance with free trade agreement trading partners

As stated in Chapter 1, the Philippines is party to several FTAs, both bilaterally and regionally (mainly through ASEAN). The country is also a beneficiary of special trade privileges and schemes being given by developed and industrialized countries like the US and EU.

3.3.1 Regional free trade agreements via ASEAN

a) Free trade with ASEAN

It cannot be denied, especially in more recent years, that ASEAN has been playing a key role in the trade policies and directions of the Philippines. ASEAN also played a role in reducing Philippines' tariff rates in keeping with regional trade commitments and goals. With most of its FTAs lodged via ASEAN, the Southeast Asian regional bloc can be considered the most important trading bloc partner of the Philippines.

At present, the share of the country's total trade to ASEAN stands at about 22 per cent while the rest is with other major countries. Of this, exports account for about 6 per cent while imports constitute 16 per cent. Nonetheless, Philippine trade with ASEAN member States has been on the rise in the last 20 years (Table 42).

Table 42. Philippine-ASEAN trade (US\$ million), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	2 367.26	3 359.66	5 726.92	(992.40)
1996	2 970.62	4 296.37	7 266.98	(1 325.75)
1997	3 436.29	5 234.70	8 670.99	(1 798.40)
1998	3 820.98	4 720.52	8 541.50	(899.54)
1999	4 989.03	4 760.04	9 749.07	228.99
2000	5 982.62	5 892.09	11 874.71	90.52
2001	4 986.13	5 462.31	10 448.44	(476.18)
2002	5 529.79	6 539.67	12 069.45	(1 009.88)
2003	6 581.68	7 213.66	13 795.34	(631.98)
2004	6 837.88	8 739.24	15 577.12	(1 901.36)
2005	7 149.95	9 325.11	16 475.06	(2 175.16)
2006	8 192.20	10 714.04	18 906.25	(2 521.84)
2007	8 031.91	13 451.06	21 482.97	(5 419.16)
2008	7 089.91	15 289.58	22 379.49	(8 199.67)
2009	5 844.31	11 671.85	17 516.16	(5 827.54)
2010	11 545.36	16 434.50	27 979.85	(4 889.14)
2011	8 635.26	15 040.32	23 675.58	(6 405.05)
2012	9 804.38	14 953.91	24 758.30	(5 149.53)
2013	8 844.16	14 281.67	23 125.83	(5 437.51)
2014	9 211.24	16 158.76	25 370.00	(6 947.51)
2015	8 536.88	17 042.21	25 579.09	(8 505.33)
2016	8 400.63	22 494.82	30 895.46	(14 094.19)
2017	10 128.52	26 607.53	36 736.05	(16 479.01)

Source: UNCTADStat (2018).

The country's trade with ASEAN peaked when it grew by an additional US\$10 billion – from just US\$17.5 billion in 2009 to nearly US\$28 billion in 2010. This could possibly be an effect of the full implementation of ATIGA that took effect during the same year and replaced the previous Common Effective Preferential Tariff-ASEAN Free Trade Area (CEPT-AFTA) scheme.

Tables 43 and 44, meanwhile, show the percentage share of exports and imports between the Philippines and ASEAN, respectively. Machinery and transport equipment has the highest percentage share for both export and import goods.

One can observe some shifts in the products being traded among the member States of ASEAN. For instance, within the five-year period from 1995 to 2000, a shift from exporting commodities to exporting electronics and machineries is noticeable, increasing four times its previous share. The same scenario goes for the import shares of electronics and machineries (from 28.71 per cent in 1995 to 52.21 per cent in 2000 – almost twice as much).

Table 43. Percentage share of Philippine-ASEAN exports in single digit SITC, 1995-2017

Year	1995	2000	2005	2010	2015	2016	2017
Total products (in million US\$)	2 367.26	5 982.62	7 149.95	11 545.36	8 536.88	8 400.63	10 128.52
Food and live animals	2.33	1.60	2.82	2.50	2.98	2.76	2.91
Beverages and tobacco	0.15	0.24	1.71	1.21	1.92	2.06	1.78
Crude materials, inedible, except fuels	1.50	0.43	1.34	1.04	1.24	1.30	2.97
Mineral fuels, lubricants, and related materials	1.71	3.79	4.38	2.90	4.31	2.73	3.78
Animal and vegetable oils, fats, and waxes	3.92	0.87	0.56	0.44	0.12	0.40	0.40
Chemicals and related products, n.e.s.	6.59	1.77	2.65	2.69	5.13	4.54	3.87
Manufactured goods	5.40	2.99	4.21	6.30	4.49	2.48	8.64
Machinery and transport equipment	23.80	86.66	80.38	23.13*	74.15	78.02	71.20
Miscellaneous manufactured articles	1.44	1.64	1.87	1.88	5.64	5.66	0.01
Commodities and transactions, n.e.s.	53.15	0.01	0.07	57.91*	0.02	0.03	2.91

Note: SITC = standard international trade classification; n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

For some years (e.g. 1995 and 2010 in exports; 1995 and 2015 in imports), there were increases in the trade of commodities and transactions with ASEAN, most particularly with Singapore, Malaysia, and Thailand.

Table 44. Percentage share of Philippine-ASEAN imports in single digit SITC, 1995-2017

Year	1995	2000	2005	2010	2015	2016	2017
Total products (in million US\$)	3 359.66	5 892.09	9 325.11	16 434.50	17 042.21	22 494.82	26 607.53
Food and live animals	8.42	5.76	6.41	14.91	8.81	9.55	9.33
Beverages and tobacco	0.34	0.49	1.16	0.35	0.31	0.42	0.66
Crude materials, inedible, except fuels	11.00	3.35	4.10	2.49	2.00	3.27	2.25
Mineral fuels lubricants, and related materials	10.63	10.65	9.61	22.13	18.07	17.56	18.36
Animal and vegetable oils, fats and waxes	0.77	0.86	0.50	0.83	3.34	2.28	1.54
Chemicals and related products, n.e.s.	12.89	13.11	12.74	10.25	12.85	13.80	13.32
Manufactured goods	11.11	9.59	9.87	5.35	7.21	7.30	7.55
Machinery and transport equipment	28.71	52.21	51.81	41.09	28.59	42.02	43.21
Miscellaneous manufactured articles	3.18	3.26	3.23	2.19	2.81	3.14	3.22
Commodities and transactions, n.e.s.	12.96	0.71	0.57	0.40	16.01	0.66	0.56

Note: SITC = standard international trade classification; n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

Table 45 summarizes total Philippine exports to ASEAN in 2017. Note that Philippine exports to ASEAN are dominated by electrical and office machineries, non-ferrous metals, road vehicles, and petroleum products. This is true for all the ASEAN member States except for Brunei and Myanmar, where the dominant export products are agricultural products and pharmaceutical products.

Table 45. Top traded products between Philippines and ASEAN, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	50.78	Road vehicles	19.12
Office machines and automatic data processing machines	10.51	Electrical machinery, apparatus and appliances, n.e.s.	11.90
Non-ferrous metals	6.72	Petroleum, petroleum products and related materials	5.62
Road vehicles	3.84	Coal, coke and briquettes	5.21
Petroleum, petroleum products and related materials	3.62	Office machines and automatic data processing machines	4.99

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

The Philippines imports mostly road vehicles and electrical machinery from ASEAN member states with higher GDPs, such as Singapore, Malaysia, and Thailand. Another major import are petroleum products, traditionally from Malaysia and Singapore, but significantly from Brunei beginning 2016.

Meanwhile, with the Philippines already a net ASEAN importer, the effectivity of ATIGA in 2010 likely contributed to the country importing more from its neighbours in ASEAN. Comparing data on imports between 2005 and 2010, there has been a noticeable increase in the Philippines' share of importation of food and live animals and mineral fuels, lubricants, and other related products.

b) ASEAN-China FTA

As earlier stated in this chapter, China is one of the country's leading trading partners, and most of the country's imports are sourced from the Chinese market. In addition, China is also one of the biggest trading and economic partners of ASEAN as a whole. Hence, trade relations with China is seen as very important and critical. Against this backdrop, trade relations and interactions between the Philippines and China has steadily increased through the years. Although it became a net exporter to China in 2005 and 2010 (Table 46), over a five-year period, since then, however, the Philippines has become a net importer of Chinese goods and products. Note that the ASEAN-China Free Trade Agreement (ACFTA) finally took effect in 2010, after the first framework agreement was laid down in 2002.

Table 46. Philippines-China trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	213.96	660.80	874.76	(446.85)
2000	663.29	875.46	1 538.75	(212.17)
2005	4 077.00	3 134.15	7 211.14	942.85
2010	5 724.47	4 954.30	10 678.76	770.17
2015	6 393.07	11 477.93	17 871.00	(5 084.86)
2016	6 192.43	15 916.07	22 108.50	(9 723.64)
2017	8 017.05	18 477.82	26 494.87	(10 460.77)

Source: UNCTADStat (2018).

Meanwhile, leading export goods to China include electrical and office machineries; metallic ores; sources of energy, such as coal and briquettes; and agricultural products, such as vegetables and fruits, among others. On the other side of the equation, iron and steel, machinery, telecommunications, and petroleum products remain to be the major imports of the Philippines from China (Table 47).

Table 47. Top traded products between Philippines and China, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	34.70	Iron and steel	12.53
Office machines and automatic data processing machines	23.65	Electrical machinery, apparatus and appliances, n.e.s.	11.63
Metalliferous ores and metal scrap	9.14	Petroleum, petroleum products and related materials	9.92
Vegetables and fruits	4.69	Telecommunication and sound recording apparatus	6.84
Coal, coke and briquettes	3.69	Office machines and automatic data processing machines	5.90

Note: n.e.s. = not elsewhere specified.
Source: UNCTADStat (2018).

Total trade between ASEAN and China has been increasing since the ACFFTA took effect on January 1, 2010. Nonetheless, the implementation of the ACFFTA has not made any impact on arresting ASEAN's trade imbalance with China. The trade deficits incurred by ASEAN from its trading activities with China could be attributed to higher share of intermediate goods (31 per cent) and consumer goods (28 per cent) to total imports of ASEAN from China (Table 48).

Table 48. Top traded products between ASEAN and China, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	23.41	Electrical machinery, apparatus and appliances, n.e.s.	15.36
Petroleum, petroleum products and related materials	6.59	Telecommunication and sound recording apparatus	11.08
Plastics in primary forms	5.34	Office machines and automatic data processing machines	8.22
Crude rubber (including synthetic and reclaimed)	4.89	Iron and steel	7.39
Office machines and automatic data processing machines	4.88	Textile yarn and related products	6.67

Note: n.e.s. = not elsewhere specified.
Source: UNCTADStat (2018).

Aside from electronics and machineries, which coincidentally are also the leading export of the Philippines, the top ASEAN exports to China for 2017 include petroleum products, plastics, and crude rubber. ASEAN's major imports from China include electrical machinery, telecommunication devices, iron and steel, and textile yarn, and related products (Table 49).

Table 49. ASEAN-China trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	8 709.65	10 796.04	19 505.69	(2 086.39)
1996	10 033.55	11 372.40	21 405.95	(1 338.85)
1997	10 794.29	14 144.91	24 939.19	(3 350.62)
1998	10 202.61	12 276.82	22 479.43	(2 074.21)
1999	11 557.80	14 797.19	26 354.99	(3 239.39)
2000	16 506.59	20 213.47	36 720.06	(3 706.88)
2001	16 713.03	21 118.24	37 831.27	(4 405.21)
2002	21 856.00	28 120.38	49 976.38	(6 264.39)
2003	30 936.47	34 231.23	65 167.70	(3 294.76)
2004	41 555.49	48 422.11	89 977.60	(6 866.63)
2005	52 685.76	63 135.35	115 821.10	(10 449.59)
2006	66 527.03	78 874.79	145 401.82	(12 347.76)
2007	78 882.54	98 061.00	176 943.54	(19 178.45)
2008	88 595.33	113 332.93	201 928.26	(24 737.59)
2009	82 247.17	97 378.17	179 625.34	(15 131.00)
2010	113 737.68	127 786.22	241 523.90	(14 048.55)
2011	143 357.00	157 699.20	301 056.20	(14 342.20)
2012	142 675.23	180 005.15	322 680.38	(37 329.92)
2013	153 178.95	201 418.27	354 597.22	(48 239.31)
2014	150 812.84	216 534.48	367 347.32	(65 721.64)
2015	141 424.48	219 829.80	361 254.29	(78 405.32)
2016	141 581.84	224 580.08	366 161.92	(82 998.24)
2017	181 540.56	251 320.84	432 861.39	(69 780.28)

Source: UNCTADStat (2018).

c) ASEAN-Japan FTA

The ASEAN-Japan Free Trade Agreement (AJFTA) was enacted in 2008, which resulted in a sudden spike of total trade between the Southeast Asian bloc and Japan from 2007 to 2008 (Table 50). However, there was a sudden plummet in trade between the two in 2009, which could be partly due to the effects of the Global Financial Crisis, which had become full-blown by then. Notwithstanding the crisis, ASEAN-Japan trade has since continued to steadily increase over time.

Although overall trade between ASEAN and Japan has posted instances of both surpluses and deficits, at least between 2011 and 2017; the Philippines has since been a net exporter to Japan. This could also be attributed to the bilateral economic partnership agreement that it entered into with Japan at the same time the AJFTA took effect in 2008. This will be discussed further in the succeeding pages of this chapter.

Table 50. ASEAN-Japan trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	45 443.09	87 155.07	132 598.16	(41 711.99)
1996	49 546.65	82 443.95	131 990.60	(32 897.30)
1997	47 200.57	77 838.11	125 038.68	(30 637.54)
1998	37 401.76	51 767.52	89 169.28	(14 365.76)
1999	44 910.47	58 475.21	103 385.68	(13 564.74)
2000	57 867.01	74 123.95	131 990.96	(16 256.94)
2001	53 282.37	60 632.05	113 914.42	(7 349.68)
2002	50 760.22	61 163.54	111 923.75	(10 403.32)
2003	56 509.22	65 045.54	121 554.76	(8 536.32)
2004	67 350.59	77 610.52	144 961.11	(10 259.93)
2005	73 133.40	83 733.05	156 866.45	(10 599.65)
2006	83 091.99	83 183.65	166 275.63	(91.66)
2007	88 611.11	92 766.84	181 377.94	(4 155.73)
2008	106 368.54	109 052.85	215 421.39	(2 684.32)
2009	78 260.03	82 520.69	160 780.72	(4 260.66)
2010	103 172.45	115 958.22	219 130.67	(12 785.77)
2011	128 427.13	126 317.80	254 744.93	2 109.33
2012	128 250.47	134 343.68	262 594.15	(6 093.21)
2013	123 529.27	115 625.28	239 154.55	7 903.99
2014	120 607.66	108 000.28	228 607.94	12 607.38
2015	101 906.55	98 207.34	200 113.89	3 699.20
2016	95 927.91	103 231.47	199 159.38	(7 303.57)
2017	105 908.69	112 793.88	218 702.58	(6 885.19)

Source: UNCTADStat (2018).

Note that because Japan is not able to produce enough energy for the production of its manufacturing businesses, natural gas and manufactured gas are very much in demand in Japan. Data show that approximately 9 per cent of ASEAN's total exports consist of gas shipped to Japan. On the other hand, ASEAN imports from Japan largely consist of machines (electrical machineries, industrial, and specialized machineries), road vehicles and iron and steel (Table 51).

d) ASEAN-Korea FTA

The ASEAN-Korea Free Trade Agreement (AKFTA) took effect in 2009. Since its effectivity, there have been increases in trade exchanges and activities between ASEAN countries and South Korea. Total trade between ASEAN and South Korea considerably increased from US\$75.59 billion in 2009 – the year the AKFTA took effect – to US\$153.59 billion in 2017. In terms of trade balance, it appears that South Korea has exported more to ASEAN while ASEAN countries tended to import more from South Korea, with the trade deficit widening to US\$40.07 billion in 2017.

Table 51. Top traded products between ASEAN and Japan, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	18.93	Electrical machinery, apparatus and appliances, n.e.s.	18.52
Gas, natural and manufactured	9.01	Road vehicles	10.53
Articles of apparel and clothing accessories	5.96	Iron and steel	9.70
Office machines and automatic data processing machines	3.97	Other industrial machinery and parts	6.98
Miscellaneous manufactured articles, n.e.s.	3.78	Specialized machinery	5.92

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

In terms of top traded products between ASEAN and South Korea, the largest share in both exports and imports between the two economies still remain to be electrical machinery and appliances (Table 52). Although electronics constitutes a large chunk of ASEAN exports to South Korea, there are also other export products, such as apparel, telecommunications, natural gas, and petroleum, among others. The top imports from South Korea by ASEAN include petroleum products, telecommunication apparatus, iron and steel, and textiles, among others.

As to how the Philippines fared in the larger context of the AKFTA, data from the PSA, 2017 show that total trade between the Philippines and South Korea stands at US\$7.74 billion, as of 2016. Just like with ASEAN, the Philippines posted a deficit of US\$3.38 billion, in terms of its trade balance with South Korea.

Table 52. ASEAN-Korea trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	10 151.90	16 622.34	26 774.24	(6 470.44)
1996	11 681.89	17 820.47	29 502.36	(6 138.59)
1997	12 031.42	18 201.34	30 232.76	(6 169.93)
1998	8 753.14	13 934.89	22 688.02	(5 181.75)
1999	12 117.73	16 856.31	28 974.04	(4 738.57)
2000	15 780.98	19 685.26	35 466.24	(3 904.28)
2001	14 551.87	16 891.65	31 443.52	(2 339.78)
2002	16 129.20	19 864.23	35 993.44	(3 735.03)
2003	17 318.45	20 416.62	37 735.06	(3 098.17)
2004	21 032.73	25 030.66	46 063.39	(3 997.93)
2005	25 188.62	28 907.42	54 096.05	(3 718.80)
2006	28 497.59	34 810.57	63 308.15	(6 312.98)
2007	32 076.02	39 660.69	71 736.71	(7 584.67)
2008	39 185.52	50 612.50	89 798.02	(11 426.97)
2009	34 461.06	41 135.21	75 596.27	(6 674.15)
2010	45 083.41	57 521.09	102 604.50	(12 437.68)
2011	54 221.09	70 834.25	125 055.35	(16 613.16)
2012	55 464.57	76 837.19	132 301.75	(21 372.62)
2013	53 361.30	81 219.99	134 581.30	(27 858.69)
2014	51 819.27	79 348.82	131 168.09	(27 529.54)
2015	45 511.78	74 557.93	120 069.71	(29 046.15)
2016	45 755.28	78 666.24	124 421.52	(32 910.95)
2017	56 309.37	97 282.42	153 591.79	(40 973.06)

Source: UNCTADStat (2018).

Table 53. Top traded products between ASEAN and Korea, 2017

Top exports		Top imports	
Electrical machinery, apparatus, and appliances, n.e.s.	25.76	Electrical machinery, apparatus, and appliances, n.e.s.	31.95
Articles of apparel and clothing accessories	7.53	Petroleum, petroleum products and related materials	8.86
Telecommunication and sound recording apparatus	6.95	Telecommunication and sound recording apparatus	6.52
Gas, natural and manufactured	6.12	Iron and steel	6.16
Petroleum, petroleum products and related materials	4.56	Textile yarn and related products	5.64

Note: n.e.s. = not elsewhere specified
Source: UNCTADStat (2018).

Table 54. Top traded products between Philippines and South Korea, 2016

Top exports		Top imports	
Electronic products	43.0	Electronic products	34.7
Other manufactured goods	14.8	Mineral fuels, lubricants, and related minerals	16.2
Fresh bananas	5.8	Industrial machinery and equipment	9.0
Copper and copper concentrates	5.3	Transport equipment	8.9
Pineapple and pineapple products	4.2	Textile yarn, fabrics, made-up articles and related products	3.3

Source: PSA (2017).

e) ASEAN-India FTA

India is the second most populous nation in the world, which in turn would mean a huge market base and demand. Thus, ASEAN recognized the importance of forging a trade agreement with India. In 2010, after years of negotiation, the ASEAN-India Free Trade Agreement (AIFTA) finally took effect. Note that from a total trade volume of US\$57.23 billion in 2010 (the year AIFTA took effect), total trade between ASEAN and India surged to US\$75.24 billion in 2011. From 2011 to 2016, there has been a downward trend in the total trade between ASEAN and India, which reached a low of US\$58.19 billion in 2016. In 2017, however, it increased to US\$72.55 billion, which is still below the US\$75.24 billion-level of trade in 2011, a year after the effectivity of AIFTA (Table 55).

Table 55. ASEAN-India trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	3 566.39	2 914.84	6 481.23	651.55
1996	4 208.60	3 486.54	7 695.15	722.06
1997	4 610.53	3 435.77	8 046.30	1 174.75
1998	5 513.72	2 158.97	7 672.70	3 354.75
1999	6 047.00	2 429.32	8 476.32	3 617.68
2000	6 672.54	3 407.21	10 079.76	3 265.33
2001	6 288.92	3 759.05	10 047.97	2 529.88
2002	6 640.20	4 238.07	10 878.27	2 402.13
2003	8 543.19	4 707.56	13 250.75	3 835.63
2004	11 003.76	7 266.12	18 269.88	3 737.64
2005	15 112.28	8 885.59	23 997.87	6 226.69
2006	19 395.53	11 132.55	30 528.08	8 262.98
2007	26 302.22	13 984.06	40 286.28	12 318.16
2008	32 147.32	20 002.79	52 150.11	12 144.53
2009	27 062.20	14 509.13	41 571.33	12 553.06
2010	36 860.91	20 378.84	57 239.75	16 482.06
2011	45 554.47	29 694.74	75 249.21	15 859.73
2012	44 317.13	28 399.55	72 716.68	15 917.58
2013	41 940.66	26 565.68	68 506.34	15 374.98
2014	43 376.03	24 435.22	67 811.25	18 940.82
2015	40 251.77	19 718.62	59 970.38	20 533.15
2016	37 401.74	20 797.89	58 199.63	16 603.85
2017	45 036.48	27 516.56	72 553.04	17 519.92

Source: UNCTADStat (2018).

Unlike its trade with China, Japan, and South Korea, ASEAN was able to export more goods to India, thereby consistently posting trade surpluses.

As to the composition of products, the top exports of ASEAN to India are mostly vegetable oils, coal, electrical machinery, telecommunication apparatus, and petroleum. Meanwhile, top imports from India by ASEAN countries are petroleum products, iron and steel, non-ferrous metals, organic chemicals, and medicinal and pharmaceutical products (Table 56).

Table 56. Top traded products between ASEAN and India, 2017

Top exports		Top imports	
Fixed vegetable oils and fats (crude, refined or fractionated)	14.18	Petroleum, petroleum products and related materials	24.51
Coal, coke and briquettes	10.57	Iron and steel	6.51
Electrical machinery, apparatus and appliances, n.e.s.	6.77	Non-ferrous metals	5.46
Telecommunication and sound recording apparatus	6.54	Organic chemicals	5.12
Petroleum, petroleum products and related materials	6.32	Medicinal and pharmaceutical products	4.62

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

With regard to trade relations between India and the Philippines, especially when set against the larger background of the AIFTA (Embassy of India, 2018), note that while there had been a trade agreement between India and the Philippines during the late 1970s, trade between the two countries only became closer and more increased in the aftermath of the effectivity of the AIFTA. As a result, bilateral trade between the Philippines and India currently stands at US\$2.45 billion, with India exporting more (US\$1.69 billion) to the Philippines (US\$764 billion).

The top exports of India to the Philippines are transport equipment, drugs and pharmaceuticals, petroleum and its products, machinery, iron and steel products, meat and preparations, rubber, manufactured metals, chemical products, and electronic goods (Table 57).

As for Philippine exports to India, note that the country ships a wide array of products to the second largest nation in the world, such as electrical machinery, boilers and mechanical appliances, vehicles, animal and vegetable fats, paper products, organic chemicals, fertilizers, inorganic chemicals, optical photographic instruments, rubber, and iron and steel, among others (Embassy of India, 2018).

f) ASEAN-Australia and New Zealand FTA

The combined GDPs of Australia and New Zealand amount to US\$4 trillion in 2016. Likewise, both countries are among the most developed countries in the world. Thus, ASEAN considers trade agreements with these two countries to be economically strategic (ASEAN, 2018).

The ASEAN-Australia and New Zealand Free Trade Agreement (AANZFTA) was signed in 2009, and is actually the first trade agreement signed and entered into by ASEAN as a regional bloc. At the same time, it is the first region-to-region trade agreement. Meanwhile, in the case of both Australia and New Zealand, the AANZFTA was both their first joint negotiated and signed trade agreement (ASEAN, 2018).

Table 57. Top ten exports of india to the Philippines

Commodity	Current period (Apr 2017-Mar 2018)	Previous period (Apr 2016-Mar 2017)	Percentage growth (%)	% Share in total export (TE); (Apr 2017-Mar 2018) TE = 1 692.83
Transport equipment	260.6	249.97	4.25	15.35
Drugs and pharmaceuticals	216.85	209.15	3.68	12.8
Petroleum: crude and products	207.94	118.21	75.91	12.28
Machinery and instruments	162.57	213.84	-23.98	12.22
Primary and semi-finished iron and steel	149.96	19.46	670.46	8.85
Meat and preparations	117.59	100.51	16.99	6.94
Rubber manufactured products	72.24	77.9	-7.27	4.26
Manufacture of metals	50.46	42.31	19.26	2.98
Inorganic/organic/agri chemical	39.81	39.1	1.82	2.35
Electronic goods	32.37	37.51	-13.71	1.91

Source: Embassy of India (2018).

One of the key features of the AANZFTA include the goal of eliminating tariffs on 99 per cent of export products to key ASEAN markets by 2020, allowing “cumulation” as part of the AANZFTA’s definition of rules of origin. This means that goods used in products of the parties concerned (ASEAN, Australia, and New Zealand) could be considered as local content. Another feature is the lowering of business costs arising from cooperation among the parties involved (New Zealand MFAT, 2018a).

Total trade between ASEAN and Australia and New Zealand has significantly increased through the years, in which case, ASEAN has been a net exporter to both countries (Tables 58 and 59).

In particular, total trade between ASEAN and Australia increased from US\$13.71 billion in 1995 to US\$59.26 billion in 2017. Although trade in general between ASEAN and Australia has been robust, note that over a two-year period, total trade declined from US\$69.91 billion in 2014 to US\$51.26 billion in 2016 but bounced back to US\$59.26 billion in 2017.

Table 58. ASEAN-Australia trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	5 713.70	7 998.35	13 712.05	(2 284.65)
1996	6 470.73	8 930.08	15 400.81	(2 459.36)
1997	7 195.39	8 893.55	16 088.94	(1 698.15)
1998	7 575.83	6 418.21	13 994.04	1 157.62
1999	9 054.80	6 582.29	15 637.09	2 472.50
2000	10 572.21	8 400.37	18 972.58	2 171.84
2001	9 898.65	8 334.95	18 233.59	1 563.70
2002	11 058.22	7 965.93	19 024.16	3 092.29
2003	13 451.54	7 593.83	21 045.37	5 857.71
2004	18 042.92	9 656.88	27 699.80	8 386.05
2005	22 517.90	12 554.93	35 072.84	9 962.97
2006	27 192.83	15 008.78	42 201.61	12 184.05
2007	31 760.88	15 351.19	47 112.07	16 409.69
2008	39 432.01	19 658.55	59 090.56	19 773.46
2009	31 411.70	15 841.97	47 253.67	15 569.73
2010	37 721.51	19 028.60	56 750.11	18 692.90
2011	42 153.66	24 589.95	66 743.62	17 563.71
2012	45 880.65	23 455.56	69 336.21	22 425.09
2013	44 713.69	22 223.43	66 937.12	22 490.26
2014	45 594.23	24 316.84	69 911.06	21 277.39
2015	35 730.91	19 099.69	54 830.61	16 631.22
2016	32 951.24	18 317.08	51 268.33	14 634.16
2017	34 764.94	24 500.91	59 265.85	10 264.03

Source: UNCTADStat (2018).

At the bilateral level, while Australia is not one of the Philippines’ top ten trading partners, Australia considers the Philippines as its 18th most important export market, its 39th most important import source, and on the overall, its 25th most important trading partner in the world. Total trade amounted to

3.008 billion Australian dollars (AU\$) in 2017, with Australian exports to Manila amounting to AU\$2.33 billion and imports from the Philippines equivalent to AU\$677 million (Australian DFAT, 2018).

The same trend could also be said regarding total trade between ASEAN and New Zealand, although trade between the economies has been very small in terms of volume, reaching only double-digit levels once in 2014, when total trade reached US\$10.62 billion (Table 60). However, total trade declined over the next two years, falling to US\$7.86 billion in 2016 and only rebounding to US\$9.57 billion in 2017.

Table 59. ASEAN-New Zealand trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	853.27	1 112.95	1 966.21	(259.68)
1996	879.67	1 273.66	2 153.33	(393.99)
1997	819.31	1 380.52	2 199.83	(561.20)
1998	1 144.37	1 212.51	2 356.88	(68.14)
1999	1 023.58	1 011.95	2 035.52	11.63
2000	1 085.53	1 222.95	2 308.48	(137.42)
2001	1 089.04	1 396.35	2 485.39	(307.30)
2002	1 204.02	1 238.04	2 442.06	(34.03)
2003	1 516.99	1 285.75	2 802.75	231.24
2004	2 146.30	1 489.41	3 635.72	656.89
2005	2 751.41	1 657.80	4 409.21	1 093.62
2006	3 262.35	1 906.13	5 168.48	1 356.23
2007	3 622.99	2 566.77	6 189.76	1 056.22
2008	4 724.96	3 590.03	8 314.99	1 134.93
2009	3 215.81	2 498.51	5 714.32	717.30
2010	4 403.45	3 181.02	7 584.47	1 222.43
2011	4 973.16	4 022.70	8 995.86	950.46
2012	5 747.13	3 639.28	9 386.41	2 107.84
2013	5 701.31	4 051.52	9 752.83	1 649.79
2014	6 358.38	4 270.94	10 629.32	2 087.45
2015	5 227.39	3 468.28	8 695.66	1 759.11
2016	4 536.99	3 326.69	7 863.68	1 210.30
2017	5 453.59	4 118.06	9 571.65	1 335.53

Source: UNCTADStat (2018).

As for trade relations between the Philippines and New Zealand, total trade reached US\$744 million in 2016, with New Zealand exporting goods to the Philippines worth US\$634 million and imports from Manila amounting to US\$111 million. In terms of importance, the Philippines is New Zealand's 18th largest export market as of 2016 (New Zealand MFAT, 2018b).

Table 60 shows that ASEAN exports what it also imports from Australia (i.e. petroleum, petroleum products and related materials). Other ASEAN exports to Australia include road vehicles, office machines, telecommunications devices, and electrical machinery. Imports from Australia include non-ferrous metals, cereals, metalliferous ores and coal, among others.

Table 60. Top traded products between ASEAN and Australia, 2017

Top exports		Top imports	
Petroleum, petroleum products and related materials	24.66	Petroleum, petroleum products and related materials	13.88
Road vehicles	15.92	Non-ferrous metals	12.44
Office machines and automatic data processing machines	5.55	Cereals and cereal preparations	11.32
Telecommunication and sound recording apparatus	4.35	Metalliferous ores and metal scrap	10.23
Electrical machinery, apparatus and appliances, n.e.s.	4.32	Coal, coke and briquettes	8.18

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

In the case of Australia and the Philippines, Australia's leading exports to the Philippines are wheat, precious metals, copper ores, and coal while its leading imports from the country are gold; electrical machinery; electric power machinery and parts; and monitors, projectors and TVs (Australia DFAT, 2018).

Similar to that of Australia, ASEAN's two leading exports to New Zealand are also petroleum and road vehicles (Table 61). Meanwhile, most of ASEAN's imports from New Zealand are primarily food-related products, such as dairy products and poultry, vegetables and fruits, meat and meat preparations, and raw materials, like pulp and waste paper, and cork and wood. Just like with that of ASEAN, New Zealand's leading export goods to Manila include dairy products, vegetables and fruits, meat, and paper. Of these, dairy products make up 71 per cent of New Zealand's total exports to the Philippines (NZTE, 2016).

Table 61. Top traded products between ASEAN and New Zealand, 2017

Top exports		Top imports	
Petroleum, petroleum products and related materials	18.84	Dairy products and birds' eggs	52.47
Road vehicles	16.47	Vegetables and fruits	5.73
Telecommunication and sound recording apparatus	5.09	Meat and meat preparations	5.57
Office machines and automatic data processing machines	5.06	Pulp and waste paper	3.97
Electrical machinery, apparatus and appliances, n.e.s.	4.43	Cork and wood	3.18

Note: n.e.s. = not elsewhere specified

Source: UNCTADStat (2018).

3.3.2 Bilateral free trade agreements of the Philippines

a) Philippines-Japan Economic Partnership Agreement (PJEPA)

It was mentioned earlier that the Philippines is party to the AJFTA; however, it is actually the bilateral PJEPA that has mostly governed the trade relations and exchanges between the Philippines and Japan since it was signed in 2006 and ratified by the Senate of the Philippines in 2008. As a matter of fact, PJEPA is the Philippines' first bilateral FTA.

As Table 62 shows, prior to the effectivity of the PJEPA, the Philippines has consistently posted trade deficits for over a decade from 1995 to 2005. In the 1990s, trade with Japan represented about 20 per cent of imports and 18 per cent of exports. However, after the effectivity of the PJEPA, imports from Japan started to decline and comprised only 12 per cent of total trade in 2016. Philippine exports, on the other hand, increased to 21 per cent in the same period leading to a positive trade balance. In a way, PJEPA has allowed more Philippine products to enter and steadily penetrate the Japanese market.

The country started to post surpluses in the three years before PJEPA but then declined again in 2009, a year after the PJEPA took effect. Since then, the trend has been that of the Philippines exceeding its exports to Japan as compared to its imports. As a result, Japan has since become the country's top export destination. Also, while ASEAN is on the overall a net importer, the Philippines bucked the trend by becoming a net exporter to Japan, especially since PJEPA took effect in 2008.

The country's five major exports to the Japanese market include electrical machinery, cork and wood manufactures, metalliferous ores and metal scraps, office machines and automatic data processing machines, and vegetable and fruits (Table 63). It was also observed that nearly 62 per cent of the Philippines' food and live animal exports to Japan are fish, crustaceans, molluscs, and related preparations, which are considered staples of traditional Japanese cuisine.

As for the top five imports of the Philippines from Japan, all of them are finished industrial goods and products, namely, electrical machinery, office and automatic data processing machines, road vehicles, specialized machinery, and other industrial and machinery parts, among others. This reflects the level of sophistication of Japanese products, which have a reputation for being technologically advanced and durable.

Table 62. Philippines -Japan trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	2 747.44	6 304.71	9 052.16	(3 557.27)
1996	3 671.18	7 578.14	11 249.32	(3 906.96)
1997	4 194.37	7 955.25	12 149.62	(3 760.89)
1998	4 233.87	6 370.54	10 604.42	(2 136.67)
1999	4 664.19	6 524.97	11 189.15	(1 860.78)
2000	5 608.68	6 960.84	12 569.52	(1 352.16)
2001	5 057.44	6 995.95	12 053.39	(1 938.50)
2002	5 295.45	7 926.49	13 221.95	(2 631.04)
2003	5 768.94	8 295.48	14 064.41	(2 526.54)
2004	7 983.39	8 050.85	16 034.24	(67.46)
2005	7 206.10	8 464.17	15 670.27	(1 258.07)
2006	7 918.34	7 676.91	15 595.25	241.43
2007	7 304.15	7 219.11	14 523.26	85.04
2008	7 707.06	7 121.85	14 828.91	585.21
2009	6 208.40	5 764.92	11 973.32	443.48
2010	7 841.29	7 301.84	15 143.13	539.45
2011	8 866.49	7 016.76	15 883.26	1 849.73
2012	9 881.27	6 960.94	16 842.21	2 920.33
2013	12 048.50	5 594.52	17 643.02	6 453.98
2014	13 918.86	5 538.67	19 457.53	8 380.19
2015	12 381.20	6 761.33	19 142.53	5 619.86
2016	11 674.11	10 196.48	21 870.59	1 477.62
2017	10 853.16	11 798.46	22 651.62	(945.30)

Source: UNCTADStat (2018).

Table 63. Top traded products between Philippines and Japan, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	32.07	Electrical machinery, apparatus and appliances, n.e.s.	19.97
Cork and wood manufactures (excluding furniture)	11.57	Office machines and automatic data processing machines	16.39
Metalliferous ores and metal scrap	7.28	Road vehicles	15.00
Office machines and automatic data processing machines	6.94	Specialized machinery	7.01
Vegetables and fruits	4.82	Other industrial machinery and parts	4.87

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

3.3.3 Philippines-European free trade association

a) Free Trade Agreement (PH-EFTA FTA)

For the longest time, the PJEPA has been the country's sole bilateral FTA outside its regional trading agreements via ASEAN. However, with the recent signing and ratification of the Philippines-European Free Trade Association Free Trade Agreement (PH-EFTA FTA) in March 2018, the Philippines now has two bilateral-level FTAs. The EFTA consists of four European countries that are not full-fledged members of the EU, namely: Switzerland; Iceland; Lichtenstein; and Norway.

Under the PH-EFTA FTA, member States are required to accord and grant duty-free access to all industrial and fishery goods and products that the Philippines will export to EFTA countries. Further, the Philippines was also reported to have achieved major concessions for Philippine agricultural products that are already being exported (e.g. desiccated coconut, pineapple, and sugar) and those that have high export potential (e.g. tropical fruit wine), including those already being exported to EU that can now also be shipped to EFTA countries.

For its part, the Philippines is bound to also allow duty-free access, based on a scheduled tariff elimination timeframe, for EFTA member States' export products that are also industrial- and fisheries-related. The country is also duty-bound to provide EFTA countries market access on goods, such as temperate fruits, mineral and aerated waters, food preparations, chocolate, cheese, and wine, among others.

The PH-EFTA FTA also covered trade in services and movement of natural persons. On the part of EFTA countries, they have made offers in new services sectors, adding a category for installers and maintainers and allowing Swiss aircrafts to be repaired in the Philippines (in the case of Switzerland) and letting independent professionals and graduate trainees to temporarily supply services (for Norway), among others. For the Philippines, under the agreement, it can also open market access to EFTA members in services sectors where it deems more investments and expertise are needed to benefit the country, such as renewable energy, IT-BPM, construction, environmental service, marine transport, and finance, among others.

A key feature of the PH-EFTA FTA, unlike previous bilateral and regional FTAs, is its inclusion of a specific chapter on trade and sustainable development. It also stipulates sections and clauses on the need to comply and adhere to international labour standards and ILO core conventions. However, this section is more hortatory and promotional in nature.

Given that the PH-EFTA FTA is a newly signed and ratified agreement, the results and impacts of this FTA on both trade and employment are yet to be seen. Nevertheless, it is important to have a more holistic approach to assessing the future impacts of this FTA by looking not only at how it has affected the performance of Philippine exports and the number of jobs created but also how labour provisions mentioned and stipulated therein helped to improve working conditions and increase cooperative labour activities and programmes between the Philippines and EFTA countries.

3.4 Special trade privileges enjoyed by the Philippines

Aside from being a party to several bilateral and regional FTAs, the Philippines is also a recipient and beneficiary of special trade programmes and facilities like the GSPs by more developed countries, such as the US and EU. GSPs aim to grant developing and poorer countries market access and reduced or zero tariffs on certain products they export, thereby helping them increase their export revenues and also promote economic growth in the developing world through trade.

3.4.1 Trade with United States under US general system of preference

Chapter 1 discussed that the last time that the Philippines had a special trade arrangement with the US was in 1974 when the Laurel-Langley Agreement, which was a renegotiation of the earlier Bell Trade Act, finally expired. Since then, the country has not entered into any bilateral FTA with its former colonizer, although the Philippines has since been a beneficiary of the US GSP, which was first established in 1974.

With total trade reaching nearly US\$18 billion, the US is the Philippines' third-largest trading partner and continues to be one of its key allies, both politically and economically. Even after the ejection of the US military bases in the early 1990s, total trade between the Philippines and the US has continued to increase from the mid-1990s up to the present. From US\$11.6 billion in 1995, total trade volume reached US\$17.97 billion in 2017 (Table 64). Also, note that save for some years, the Philippines, in general, has been a consistent net exporter to the US.

Table 64. Philippines-United States trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	6 245.12	5 386.43	11 631.55	858.69
1996	7 037.81	6 770.73	13 808.54	267.08
1997	8 856.01	7 624.22	16 480.23	1 231.78
1998	10 144.53	6 886.55	17 031.07	3 257.98
1999	10 492.47	6 665.82	17 158.30	3 826.65
2000	11 405.67	6 820.31	18 225.98	4 585.36
2001	8 993.19	6 642.87	15 636.07	2 350.32
2002	8 690.47	9 630.54	18 321.02	(940.07)
2003	7 273.43	9 293.23	16 566.66	(2 019.81)
2004	7 207.49	8 547.21	15 754.71	(1 339.72)
2005	7 444.13	9 340.40	16 784.53	(1 896.28)
2006	8 697.64	8 698.68	17 396.33	(1.04)
2007	8 601.40	8 115.34	16 716.74	486.06
2008	8 216.44	7 738.12	15 954.56	478.32
2009	6 797.11	5 488.21	12 285.32	1 308.90
2010	7 570.00	6 323.53	13 893.53	1 246.47
2011	7 106.74	6 949.95	14 056.69	156.79
2012	7 406.42	7 590.06	14 996.49	(183.64)
2013	8 337.40	7 418.33	15 755.73	919.06
2014	8 732.69	5 996.96	14 729.65	2 735.74
2015	8 811.25	7 629.44	16 440.69	1 181.81
2016	8 670.65	7 680.90	16 351.55	989.76
2017	9 666.68	8 309.88	17 976.56	1 356.79

Source: UNCTADStat (2018).

Among the top five export products of the Philippines to the US are electrical machinery, office and automatic data processing machines, apparel and clothing accessories, telecommunication devices, and fixed vegetable oils, among others (Table 65). Meanwhile, the Philippines' leading products imported from the US include electrical machinery, animal feedstuff, cereals and cereal preparations, other transport equipment, and other industrial machinery and parts, among others.

Table 65. Top traded products between Philippines and United States, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	31.57	Electrical machinery, apparatus and appliances, n.e.s.	29.84
Office machines and automatic data processing machines	14.98	Feedstuff for animals (excluding unmilled cereals)	9.86
Articles of apparel and clothing accessories	7.25	Cereals and cereal preparations	8.61
Telecommunication and sound recording apparatus	6.80	Other transport equipment	7.92
Fixed vegetable oils and fats (crude, refined or fractionated)	5.61	Other industrial machinery and parts	3.34

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

The DTI stated that the US GSP privileges have proved to be beneficial to Filipino exporters. Citing data from the United States International Trade Commission (USITC), the DTI said that for the year 2015, US total imports from the Philippines totalled US\$10.2 billion. About US\$1.3 billion of these imports were actually claimed under the US GSP programme. The top ten imports from the Philippines claimed under the US GSP were estimated to be at US\$504.3 million (DTI, 2018c).

3.4.2 Trade with European Union under EU GSP+

After years of negotiations and preparations to ensure alignment and compliance with certain conditions, the Philippines finally became the first, and so far only, country in ASEAN to be granted EU GSP+ privileges and access by the EU in December 2014. Although it was already part of the regular EU GSP offering reduced tariffs for 2,442 of its products exported to EU, the Philippines joined 12 other developing countries in the GSP+ trade and development programme, which grants zero-tariff and duty-free access for over 6,200 of its products (or 66 per cent of all product tariff lines), including major Philippine exports, such as coconut oil, fish, processed fruits, textiles and garments, and footwear, among others (ASEAN Briefing, 2015).

Looking at the data presented in Table 66, total trade between the Philippines and EU grew from US\$5.8 billion in 1995 to US\$16.69 billion in 2017, the highest volume of trade recorded between the two economies. Save for a few instances, the Philippines is generally considered as a net exporter to the EU. However, note that from 2007 to 2012, total trade between the Philippines and the EU has been on a downward trend. Even though total trade rebounded in 2013 and 2014, the country's total trade balance began to widen, resulting in the country's highest trade deficit with the EU in 2014.

Since EU GSP+ privileges were granted in late December 2014, the country only began enjoying the full benefits of EU GSP+ in 2015, which also resulted in the country rebounding on a trade surplus of US\$566.71 million with the EU. Two years into the EU GSP+ programme, total trade between the Philippines and EU not only reached its highest at nearly US\$16.7 billion but more importantly, Philippine exports have rapidly risen to US\$9.60 billion, as of 2017, indicating that the EU GSP+ has been generally favourable to the Philippines' balance of trade position vis-à-vis that of the EU.

Table 66. Philippine-European Union trade (in million US\$), 1995-2017

Year	Exports	Imports	Total trade	Trade balance
1995	2 989.38	2 905.33	5 894.71	84.04
1996	3 520.59	3 747.81	7 268.39	(227.22)
1997	4 465.84	4 365.51	8 831.35	100.33
1998	5 924.02	2 845.56	8 769.58	3 078.46
1999	6 897.69	2 976.73	9 874.42	3 920.96
2000	6 914.76	3 369.19	10 283.95	3 545.57
2001	6 278.09	3 212.97	9 491.05	3 065.12
2002	6 504.68	3 338.19	9 842.88	3 166.49
2003	6 029.87	3 505.41	9 535.28	2 524.47
2004	6 824.30	3 829.83	10 654.13	2 994.47
2005	7 015.01	3 892.91	10 907.92	3 122.10
2006	8 738.81	4 646.50	13 385.31	4 092.31
2007	8 594.47	5 541.73	14 136.20	3 052.75
2008	8 525.76	4 765.97	13 291.73	3 759.78
2009	7 971.66	3 493.84	11 465.50	4 477.81
2010	7 425.41	4 284.30	11 709.71	3 141.10
2011	5 955.21	4 741.92	10 697.13	1 213.29
2012	5 928.54	4 892.16	10 820.70	1 036.38
2013	6 554.68	6 526.47	13 081.16	28.21
2014	6 727.73	7 860.81	14 588.53	(1 133.08)
2015	7 172.88	6 606.16	13 779.04	566.71
2016	6 791.68	6 798.69	13 590.37	(7.00)
2017	9 607.29	7 088.09	16 695.38	2 519.20

Source: UNCTADStat (2018).

In addition to the data extracted from the United Nations Conference on Trade and Development (UNCTAD), data and figures from the *2017/2018 EU-Philippines Trade and Investment Report* (The Delegation of the EU to the Philippines, 2017) also show that by the first half of 2017, total trade between the two economies have already increased by 17 per cent, with EU importations of Philippine products increasing by 36 per cent year-on-year. This makes EU the Philippines' second single biggest export market next to Japan, accounting for about 15 per cent of its total exports. Likewise, the Philippines' utilization of the EU GSP+ benefits increased to 71 per cent, and Philippine exports to the EU expanded by 27 per cent immediately after it was granted the privilege. More so, in terms of its contribution to jobs, the report said that based on figures and estimates from the DTI, the EU GSP+ privileges resulted in the generation of about 200,000 jobs in the agriculture and manufacturing sectors. With 10 per cent of its total trade coming from the EU, the Philippines is currently EU's 39th biggest trading partner. In addition, the EU is the fourth largest supplier of imported and foreign goods to the country. As for the countries in Europe where Philippine exports mostly go, Germany is the Philippines' largest trading partner within the EU, followed by The Netherlands, France, the United Kingdom, Italy, Belgium, Spain, Ireland, and Austria.

In terms of the country's leading exports to the EU, they are a mixture of both industrial and agriculture goods, namely, electrical machinery constituting nearly 38 per cent of its total exports in 2017, followed by other transport equipment (17.37 per cent), office and automatic data processing machines (11.5 per cent), vegetable oils and fats (8.5 per cent), and fish and crustacean products (3.77 per cent), among others (Table 67). On the other side of the equation, the top five imports of the country from the EU are processed goods and finished industrial products, such as electrical machinery, medicinal and pharmaceutical products, other transport equipment, specialized machinery, and other industrial machinery and parts.

In addition, as noted by the *2017-2018 EU-Philippines Trade and Investments Report*, agricultural exports from the Philippines largely benefitted from the EU GSP+. Trade in agriculture between the two economies expanded by 2 per cent amounting to about EUR 835 million (The Delegation of the EU to the Philippines, 2017).

Table 67. Top traded products between Philippines and European Union, 2017

Top exports		Top imports	
Electrical machinery, apparatus and appliances, n.e.s.	37.75	Electrical machinery, apparatus, and appliances, n.e.s.	14.04
Other transport equipment	17.37	Medicinal and pharmaceutical products	10.17
Office machines and automatic data processing machines	11.50	Other transport equipment	8.03
Fixed vegetable oils and fats (crude, refined or fractionated)	8.55	Specialized machinery	7.07
Fish, crustaceans, molluscs and preparations thereof	3.77	Other industrial machinery and parts	6.42

Note: n.e.s. = not elsewhere specified.

Source: UNCTADStat (2018).

3.5 Utilization of free trade agreements in the Philippines

Despite the participation and entry of the Philippines into various unilateral and bilateral regional trade arrangements and settings (either via FTAs or GSPs), it has been generally a net importer, as seen in its overall trade balance position and in its balance of trade with its major trading partners. However, this could also be attributed to the low awareness and utilization rates of free trade privileges, as examined by a 2015 study by Aldaba et al. (2015). The study of Aldaba et al. (2015) included a survey of 108 manufacturing firms that are either partially or fully foreign-owned and are mostly in special economic zones (SEZs) where 70 per cent of enterprises surveyed are located. Results showed that only 33 firms (or 30.6 per cent) avail of FTA privileges – 25 of these FTA firm-users have significant foreign ownership shares while seven are Filipino-owned (Aldaba et al., 2015). As to why many firms do not avail of FTAs, Aldaba et al. (2015) pointed to a lack of information and awareness as the main reason. Also, since most of the firms and manufacturing exporters are located in SEZs, where they already enjoy many incentives and perks, the motivation to use FTAs is lessened. Another reason cited for non-utilization of FTAs is the tedious process and costs associated with securing certificates of origins that are usually needed to avail of free trade privileges (Aldaba et al., 2015). Furthermore, the authors found that non-use of FTAs could also be attributed to the use instead of other trade privileges and schemes, such as the GSPs of both the US and the EU, which are the leading markets for most of the manufacturing exporter firms surveyed (Aldaba et al., 2015).

3.6 Labour provisions in Philippine trade agreements and arrangements

As for the impact of trade agreements and arrangements on labour in the Philippines, it is important to look at the social and labour dimensions of these trade privileges and benefits. Only two trade agreements of the Philippines have explicit reference to labour standards (i.e. the PJEPA and the recently-ratified PH-EFTA FTA); however, the provisions on labour standards in these two agreements are mostly hortatory and promotional in nature.

On the other hand, the country's access to and privileges under the US and EU GSPs, respectively, were conditioned and granted under the assumption that the Philippines substantially and fully complies with international conventions on labour rights, non-discrimination, good governance, and environmental sustainability, among others. Unlike a number of FTAs, GSP schemes are seen by some to have stronger conditionalities and more enforceable mechanisms and processes on monitoring and ensuring compliance, especially with respect to labour standards.

However, unlike FTAs that have long-term if not permanent character, GSP schemes are more temporary and short-term, as countries could eventually graduate from these privileges once they improve their economic and trade position and export competitiveness.

3.7 International trade, foreign direct investments, and employment

With today's global economy more integrated than ever before, international trade helps facilitate the flow of FDIs around the world, with investments themselves becoming important aspects in trade agreements and negotiations. Also, for many developing countries in need of skills, knowledge, and technology transfers, FDIs are considered one of the main drivers of economic growth and development. Trade, especially a conducive production and export base, is one of the factors behind an investor's decision to set up shop in a particular country, especially in a country that offers attractive investment and incentive packages and sees FDIs as one way to create jobs.

The Philippine government has prioritized attracting FDIs as one of its strategies to boost the country's economy and global competitiveness.

Although the Philippines has, for the longest time, lagged behind its ASEAN neighbours (e.g. Singapore, Indonesia, Malaysia, Thailand, and Viet Nam) in attracting FDIs, it has been catching up in the last three years. In 2015 the Philippines' net FDI levels, for the first time, breached the US\$5 billion-mark, which was further surpassed when net FDIs in the Philippines reached a record-high of US\$10 billion, as preliminary data for 2017 would show. Whereas, there had been a decrease in net FDI flows from 2000 to 2010, starting 2015, net FDIs began to pick up. Nonetheless, net FDI growth only averaged 1.8 per cent over a 16-year period (Table 68).

In terms of the leading sources of FDIs in the country, it must be noted that the Philippines' leading trading partners were also its biggest investors. For 2016, Japan was the country's top foreign investor comprising about 13 per cent or US\$1.088 billion worth of net FDIs. The US and the EU were also major investors in the Philippines. China's net FDIs also substantially increased in 2016.

Table 68. Philippines net flow of FDI (in million US\$) by country of origin, 2005-2017

Country of origin	2005	2010	2015	2016	2017 p
Japan	60.64	246.53	394.06	1 088.39	56.33
USA	276.19	229.19	633.72	84.01	469.58
Canada	0.71	4.32	-5.78	-4.92	-5.12
European Union	44.45	-1 427.34	307.51	106.80	1 682.69
China	-0.17	-0.05	0.57	10.77	28.79
India	0.00	0.00	1.03	3.26	8.61
South Korea (ROK)	0.02	7.24	107.82	100.84	10.02
Hong Kong	258.05	215.55	82.63	627.03	105.85
ASEAN	12.69	44.28	165.87	269.43	718.70
Brunei Darussalam	0.00	0.05	0.02	0.29	0.75
Cambodia (Kampuchea)	0.00	0.00	0.03	0.57	0.03
Indonesia	-0.01	-0.08	1.19	6.50	4.80
Lao PDR	0.00	0.00	0.01	0.00	0.00
Malaysia	2.07	0.28	-5.27	3.34	16.10
Myanmar (Burma)	0.00	0.00	0.00	0.00	0.01
Singapore	12.73	41.74	159.75	231.11	683.16
Thailand	-2.11	2.28	10.10	26.82	13.42
Vietnam	0.02	0.00	0.05	0.81	0.43
Australia	-0.31	1.23	0.10	5.98	-2.90
New Zealand	-0.05	-0.03	-0.04	0.27	-0.20
Total	1 664.00	1 070.39	5 639.16	8 279.55	10 049.37

Note: p = preliminary.

Source: Bangko Sentral ng Pilipinas.

Aside from becoming an important export market and import source, ASEAN is also increasingly becoming an important source of net FDI for the Philippines, with Singapore being the top ASEAN investor since 2000. Other major investors from ASEAN are Malaysia (with highest net FDI inflow recorded in 2013 worth US\$99 million), Thailand (US\$26 million in 2016), and Indonesia (US\$6.5 million in 2016).

As to where these net FDI in the Philippines primarily went from 2015 to 2016, Table 69 shows that manufacturing, financial, and insurance activities, wholesale and retail trade, real estate, construction, and arts and entertainment, were the sectors and industries that significantly benefited.

In 2015 and 2016, manufacturing, a major component of which is export production, steadily received double-digit net FDI inflows. Employment in manufacturing, however, was negatively affected during the height of the Global Financial Crisis in the late 2000s. In 2016, however, the sector was able to employ 401,000 more persons, bringing the total number of workers in the sector to 3.4 million, as noted in Chapter 2 of this report.

Table 69. Philippines net flow of FDI by industry (in million US\$), 2015-2016

	2015	2016
Total	100	100
Agriculture, forestry and fishing	0.02	0.01
Mining and quarrying	2.59	1.95
Manufacturing	42.54	12.9
Electricity, gas, steam and air-conditioning	0.54	-3.21
Water supply; sewerage, waste management and remediation activities	0.01	...
Construction	5.65	0.34
Wholesale and retail trade, repair of motor vehicles and motorcycles	6.37	8.03
Transportation and storage	-0.18	0.3
Accommodation and food service activities	0.31	6.49
Information and communication	0.88	-0.1
Financial and insurance activities	28.77	43.44
Real estate activities	7.59	4.7
Professional, scientific and technical activities	-2.42	0.68
Administrative and support service activities	1.78	0.87
Public administration and defence, compulsory social security	0	0
Education	0.1	0.02
Human health and social work activities	0.02	1.36
Arts, entertainment and recreation	0.22	22.18
Other service activities	-0.03	...
Activities of households as employers, undifferentiated goods-and-services-producing activities of households for own use	0	0
Activities of extraterritorial organizations and bodies	0	0
Others, n.e.c.	5.23	0.04

Note: ... = data not available.

Source: Bangko Sentral ng Pilipinas (2015).

4. POLICIES AND CONSEQUENCES: THE TRADE, EMPLOYMENT, AND DECENT WORK SITUATION IN THE PHILIPPINES

The previous three chapters of this report focused on the various trade and employment policy changes that have been adopted through the years, the shifts in the structure of employment in the country, and the trade performance and relations of the Philippines with its major trading partners in the context of its current set of international trade agreements and arrangements. This chapter focuses on the consequences and impacts of these trade and employment policies and the trends on the current decent work and economic situation in the country.

Chapter 4 approaches the question of whether or not trade has been beneficial to the country by conducting a comprehensive review of past and current literature on the impact of trade policies on employment in the Philippines. A total of 37 studies were reviewed. Many of these studies focused on the developments from the 1990s to the 2000s, and employed a variety of analytical and methodological approaches, including qualitative, quantitative, econometric, and even political economy and institutionalist modes of analysis and assessments. In particular, seven of the studies reviewed employed econometric methods and analyses, nine pursued mixed-method case studies, while 16 conducted critical analyses and discussions of secondary data and other literature and studies (Table 70).

Table 70. Characteristics of studies examined for the literature review

Characteristics	Number*
Studies using econometric methods	13
Studies using CGE modelling	6
Studies using case studies	9
Studies discussing/performing non-regression analysis of secondary data, documentary sources and literature	17

Source: * = The number of studies are not exclusive.

Based on the contents, issues, and topics; trade and development theories; and methods of policy analyses explored and employed by the various policy studies examined, the analytical perspectives used to analyse the impacts and consequences of trade on employment in the Philippines could be classified into three differing schools of thought: (a) neoclassical economic thought; (b) political economy analysis; and (c) new structural economics approach and framework.

Throughout this chapter, the discussion of the impacts and consequences of trade policies on decent work and developmental outcomes in the Philippines would fall along the three aforementioned theoretical and analytical lines identified and categorized. But first, it is important to distinguish the important features and thesis of each perspective.

4.1 Theoretical and analytical frameworks in economics

4.1.1 *Neoclassical economic analysis*

Neoclassical economic analysis is currently the predominant theoretical and analytical framework used in economics. This school of thought, which became ascendant after Keynesian economics fell out of vogue in the 1980s, is known for using and constructing mathematical approaches, econometric models, and estimation techniques. At the heart of neoclassical economics is its emphasis on the rational, individualistic, and utility-maximizing behaviour and decisions of economic agents and actors involved; its belief in the efficiency of open markets, economic competition, and comparative advantage in the area of trade; its disdain for excessive government intervention; and its mostly-supportive stance for economic liberalization and for free and open trading regimes.

The body of work that uses this framework largely employ modelling and analytical approaches, and stresses the importance of the need to create competitive economic environments and market-friendly policies that are conducive and necessary in maximizing the benefits of trade liberalization. Accordingly, the works of authors, economists, and scholars such as Aldaba (2012, 2013a, 2013b); Cockburn et al. (2007); Cororaton and Cockburn (2005); Cororaton and Corong (2006); Hasan and Jandoc (2010); Medalla (1998); Parcon-Santos (2011); Paderon (2017); and Pasadilla and Liao (2005); could be seen and viewed as falling under the umbrella of neoclassical economic thought.

4.1.2 *Political economy analysis*

Political economy analysis primarily focuses on the relationship between politics and economics, and the impact of political and economic policies and choices made by political actors and decision-makers on the overall welfare of the general public. Central to political economy analysis is the role of public and government institutions in shaping and implementing political and economic decisions and the critical part played by other important actors and players, such as business lobbies, labour unions, the civil society, and other social movements. In the context of trade policies and economic regimes, political economy analyses pay attention to the roles, relationships, cooperation, contradictions, and conflicts between and among

these actors that result either in the adoption or rejection of certain trade, labour, and socio-economic policies and programmes. Such studies and analyses by development scholars like Chavez et al. (2015); Bello et al. (2009a, 2009b 2014); Lopez (2009); Ofreneo (2012a, 2012b, 2013a, 2013b); Serrano (2008); and Tauli-Corpuz et al. (2006) follow this framework. Likewise, political economy analysis also looks at the political dimensions of the process by which trade, labour, and industrial policies are formulated and implemented; and the crucial role of public sector interventions to address the limitations of market processes (Chang, 2002).

In particular, the work of Bello (2009a) focuses on how adopting unrestrained economic liberalization has led to the creation of what he called the “anti-development state” in the Philippines, which mainly took a minimalist and hands-off approach to economic management. This is clearly in contrast with the state-led capitalism and interventionist economic policy-making strategies adopted by a number of its neighbours, such as Japan, South Korea, Malaysia, and Thailand, among others. Serrano (2008) looked at how trade liberalization policies and programmes adopted during the 1990s contributed to the weakening of wages, productivity, and labour unionism in the Philippines.

4.1.3 New structural economics

The new structural economics school of thought was developed by former World Bank chief economist Justin Lin. It seeks to marry the concerns of early development economists on the need to drive structural transformation in underdeveloped economies. The focus of neoclassical economists is on the role of market dynamics and comparative advantage in shaping long-term industrial upgrading in the developing world. Hence, although new structural economics shares early espousal of an active role for the State in fostering growth and development, it also shares the concerns of neoclassical economists about limiting such interventions by the State to measures that only seek to facilitate and complement private sector initiative, rather than take direct economic actions that could result in market and price distortions (Lin, 2012).

4.1.4 Methods of analyses by economic perspectives

As mentioned in the opening paragraph of this chapter, the literature reviewed by this report includes a wide array of qualitative and quantitative methods of analysis with respect to assessing the impact of trade on employment in the Philippines. Note that for their part, both neoclassical economics and new structural economics heavily rely on sophisticated and largely mathematical and empirical tools of analysis, such as the use of various statistical approaches and techniques (i.e. computable general equilibrium [CGE] simulations, product space analysis, and PRODY-PATH distributions).

Neoclassical economics is predominantly mathematical and quantitative in its analytical approach. Meanwhile, new structural economics is at times accompanied by an in-depth look into the particular situation of certain industries and sectors. Likewise, it is more likely to acknowledge the institutional and political contexts of trade and economic policies and public interventions than neoclassical economics would.

Although the three theoretical perspectives have certain differences not just in their methodological approaches but also in their ideological leanings and orientations, they also arrive at nearly similar conclusions on the economic and structural impacts and consequences of trade liberalization on employment. Moreover, they unanimously recognize the need for more active State intervention and the State’s role in fostering inclusive structural economic transformation, although they differ on the degree and extent of such an intervention.

The intellectual and ideological tensions regarding the desirability and effects of trade liberalization policies could likely prove to be helpful. In particular, it would be helpful in finding complementarities that would eventually develop a broader, multidimensional, and holistic approach to understanding the Philippine trade liberalization experience and in formulating policies and programmes that would address both the known and perceived failures and excesses from this experience.

Neoclassical analysis and new structural economics are generally more methodologically and quantitatively precise and sophisticated. The more in-depth analytical approach of political economy analysis, on the other hand, could provide deeper understanding and appreciation of long-standing socioeconomic questions, problems, and challenges on labour rights, poverty, inequality, economic insecurity, corruption, and poor governance. These topics are not usually adequately covered or thoroughly examined by neoclassical and new structural economics. These insights from political economy, in turn, can offer useful material for further empirical testing by analytical methods employed by neoclassical and new structural economics.

Hence, this country report considers that each of these three perspectives could make distinct analytical contributions to addressing questions on how trade, labour, and industrial policies should be formulated and implemented. While neoclassical and new structural economics-oriented economic analyses could be helpful in examining the economy-wide effects of trade liberalization policies, political economy analyses could be used to probe further the structural and political dynamics and links between, for example, policy reforms and labour and employment conditions and issues. Likewise, the more context-sensitive analyses of political economy research into the political and institutional dynamics of policy change could also help to inform the processes by which the requisite conditions for effective public interventions could be achieved and eventually carried out.

By employing these three analytical and economic perspectives and paradigms as a means of understanding the extent of the impact of trade on employment in the Philippines, this chapter organizes the discussions according to the following themes:

- a) the degree of trade policy reforms and extent of structural transformation of the Philippines;
- b) the socio-economic and labour dimensions of trade liberalization and its consequences on workers;
- c) the effects of trade liberalization on agriculture and rural labour; and
- d) the need for a clearer industrial policy as a means to promote decent work and export-oriented development.

The chapter will then end by identifying the most critical and relevant knowledge and policy gaps that the country report was able to identify based on the comprehensive review of literature and studies it carried out in this chapter.

4.2 Philippine trade liberalization and structural transformation

The first chapter of this report discussed how Philippine trade policies have undergone major shifts and changes in terms of policy direction beginning in the 1980s to the early 2000s. These policies consistently emphasized sustained trade and economic liberalization efforts that could be described as among the most ambitious among the economies in ASEAN, given the rapid reduction in tariff rates that it undertook during the 1990s.

As shown in the employment and trade trends discussed in Chapter 2 and Chapter 3, trade liberalization has not translated into remarkable improvements in the trade and employment situation in the Philippines. Unemployment and underemployment, despite recent gains, still remain relatively high. Moreover, the country's trade deficit continues to widen.

As to the how and the why of the trends and outcomes presented in the second and third chapters of this report, this section will discuss how the trade policies and reforms adopted by the Philippines has affected the major sectors of the economy, particularly manufacturing.

The general consensus of the literature reviewed – coming from the three analytical perspectives of neoclassical analysis, political economy, and new structural economics – is that rather than resulting in long-term growth and manufacturing competitiveness, trade liberalization did not yield its expected and promised economic potentials and forecasts. This has paved the way for economic experts and planners to recognize the increasing role and importance of the State in stimulating economic growth and promoting competitiveness.

4.2.1 Tariff rate reductions and removal of barriers to trade

To understand how trade affected key industries in the Philippines, it is important to first look at the most crucial element of the trade policies it implemented: tariff rate reduction. When examined from the standpoint of tariff rates or effective rates of protection, barriers to trade in the country significantly declined, thereby effectively transforming it from a highly protected economy into one of the more open economies in Asia by the end of the 1990s (Paderon, 2017). Note that the Philippines' decision to significantly reduce barriers to trade was influenced by a host of factors; but initially, it was induced by strong prodding from multilateral institutions such as the World Bank and IMF during the early 1980s when the country suddenly found itself saddled by mounting foreign debts it could no longer afford.

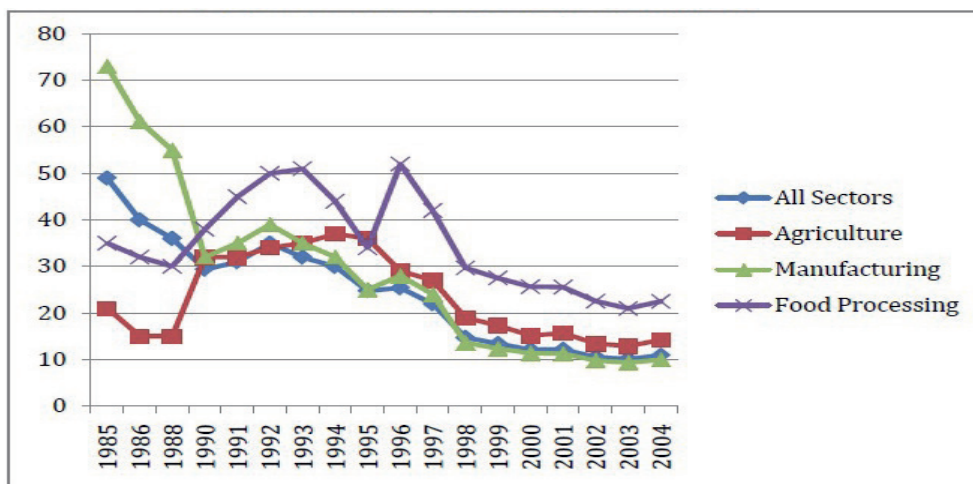
In line with the IMF's structural adjustment package, the country implemented the first phase of its Tariff Reform Programme (TRP) from 1981 to 1985. This was then followed by a succession of tariff reduction packages: TRP II from 1991 to 1995, which further narrowed the tariff band between 3-30 per cent; TRP III and TRP IV from 1995 to 2001, which both sought to arrive at a uniform tariff rate of 5 per cent by 2005. However, the TRPs were not fully implemented due to the issuance of two executive orders in 2003 that provided selective protection to key industries (Aldaba, 2013b; Chavez et al. 2015). Despite this, tariff-related trade barriers still fell substantially. According to Aldaba (2012, 2013a, 2013b), the average effective protection rates in all sectors fell from 49 per cent in 1985 to around 10.9 per cent in 2004 (Figure 9). Although tariff rates declined overall, certain subsectors in agriculture and manufacturing retained relatively higher tariff rates²².

Meanwhile, a similar observation by Chavez et al. (2015) affirms Aldaba's (2012) findings on sustained decline with respect to average nominal tariff rates across all sectors, which dropped from a high of 40 per cent in 1980 to 13 per cent in 1997 and further down to 7 per cent by 2013.

²²Tariff rates for agriculture subsectors peaked in 2004 for the following commodities: sugarcane, sugar milling, and refining; palay, corn, rice, and corn milling; vegetables, like onion, garlic, and cabbage; roots and tubers; hog, cattle, and other livestock; chicken, other poultry and poultry products. Manufacturing subsectors encompassed slaughtering and meat packing; coffee roasting and processing; meat and meat processing; canning and preserving fruits and vegetables; the manufacturing of starch and starch products, bakery products (excluding noodles), animal feeds, miscellaneous food products, drugs and medicines, chemical products; and manufacturing and assembly of motor vehicles (Aldaba 2012).

In addition, Paderon (2017) also noted that the Philippines' ASEAN neighbours, namely, Singapore, Brunei, and Malaysia, had the lowest tariff rates in 1996 at 0.04 per cent, 4 per cent, and 8 per cent, respectively. In terms of the extent of tariff reduction, the Philippines registered the biggest tariff rate reduction in ASEAN, which declined by 31 percentage points from 44 per cent in 1978 to 13 per cent in 1996. Next was Indonesia's tariff rate reduction, which decreased by 21 percentage points, from 33 to 12 per cent (Paderon, 2017).

Figure 9. Philippine effective protection rates, 1985-2004



Source: Aldaba (2013).

Aside from the conditionalities required by the IMF and the World Bank earlier, another reason why the Philippines reduced its tariff rates was its participation in multilateral trade agreements and arrangements, which also included the lowering of barriers to trade. As discussed in Chapter 3, the country is party to various regional and multilateral trade and economic cooperation agreements and settings, such as the numerous FTAs under ASEAN, WTO, and APEC, among others. All of these were used by the country as rationale to further advance liberalization efforts.

4.2.2 *Impact of tariff reduction on industry and manufacturing*

Another factor that led to the Philippines' decision to pursue trade liberalization was the belief that it would revitalize the economy and industries, especially manufacturing. During the late 1970s until the early 1980s, manufacturing contracted and stagnated due to incessant rent-seeking economics, cronyism, and large-scale mismanagement of government resources (Chavez et al., 2015; Llanto and Ortiz, 2015; Medalla, 1998). Although there are varying findings and conclusions on the relationship between liberalization and economic growth, there is common recognition among various scholars from different ideological bents and theoretical perspectives that trade liberalization failed to usher the industrial and economic growth that it predicted, which resulted in the "hollowing-out" of the manufacturing sector in the Philippines (Aldaba, 2013b, 2014; Chavez et al., 2015; Ofreneo, 2013b; Usui, 2012). During the years when the country aggressively undertook trade liberalization and tariff reduction efforts, sectoral growth was unimpressive. It still remained in the single-digit from 0.9 per cent in 1980 to 3.9 per cent by the end of early 2000s. Likewise, productivity in manufacturing underperformed, with its estimated total factor productivity (TFP) even declining by 3.4 per cent from 1996 to 2006 (Aldaba 2013b, 2014).

These more recent findings differ from the earlier studies of Urata (1994), Austria (1998), and Cororaton and Abdula (1999), whose econometric models and analyses at the time concluded that tariff reforms had a limited and insignificant effect on the country's TFP. In the case of CGE simulations conducted by Yap (1997), liberalization efforts helped to improve economic output and benefited the manufacturing sector the most (Parcon-Santos, 2011).

4.2.3 *Effects of trade liberalization policies on small and medium enterprises*

Aside from the recent and generally perceived negative impact of trade liberalization on industrial and manufacturing growth, studies from both neoclassical (Aldaba, 2012, 2013b) and political economy (Bello et al., 2014; Chavez et al., 2015; Lopez, 2009; Serrano, 2008) perspectives agree that at the height of trade liberalization, several firms and enterprises in other industrial subsectors (i.e. textiles, garments, and automotive) suffered closures. From 1992 to 2004, the number of Filipino firms manufacturing apparel declined from 2,396 to just 780 (Habaradas, 2008; Ofreño, 2012). From 1995 to 2006, the increase in the number of microenterprises in manufacturing was sluggish, rising from 88.8 per cent to 89.5 per cent, a mere 0.7 percentage points (Table 71).

Table 71. Number of enterprises (% share of total number) in the manufacturing sector

Year	Micro	Small	Medium	Large
1995	88.8	9.1	1.0	1.0
2000	86.9	11.3	0.9	1.0
2003	88.6	9.8	0.7	0.8
2006	89.5	8.8	0.9	0.8

Source: Aldaba (2013).

At the same time, the share in the number of small, medium, and large manufacturing enterprises registered slight decreases from 9.1 to 8.8 per cent, 1 to 0.9 per cent, and 1 to 0.8 per cent, respectively. According to Aldaba (2013a, 2014) this inability of Filipino micro, small, and medium enterprises (MSMEs) to grow and expand reflected the challenge that they had to face. One of these is increasing competition from foreign imports, which is made easier by trade liberalization; another is the weak linkages of these firms with large domestic and multinational enterprises, aside from other factors such as bureaucratic red tape and poor infrastructure.

Against this background, a major contribution to literature by Aldaba (2012) was to identify and determine which firms exited the industry during the height of tariff rate reductions. Using a micro-level panel dataset spanning 1996-2006 and using probit estimation techniques, Aldaba (2012) established that trade liberalization increased the probability that a given firm would exit, and that firm death would have likely occurred among younger, smaller, lower-productivity, less capital-intensive, lower-export intensity, and fully Filipino-owned businesses. While the overall effect of trade liberalization, in this context, was to improve intra-sectoral productivity by reallocating resources to surviving firms (which would usually result in higher productivity levels, greater export orientation, and greater linkages to foreign capital, among other traits), Aldaba's 2012 study underscored the high vulnerability of several Philippine manufacturing MSMEs to closures against a liberalized economic and trade environment.

Interestingly, Aldaba (2012) also found that tariff reductions have had a highly significant negative effect on overall firm survival. Productivity reallocations, however, have been noticeable in several manufacturing subsectors (i.e. leather, textiles, furniture, basic and fabricated metals, and other manufactures), where TFP grew from 1996 to 2006. However, overall productivity growth in manufacturing remained negative due to failure to adopt new technology and weak capital accumulation among firms (Aldaba, 2014).

4.2.4 *Loss of manufacturing export diversification and macro-economic restriction*

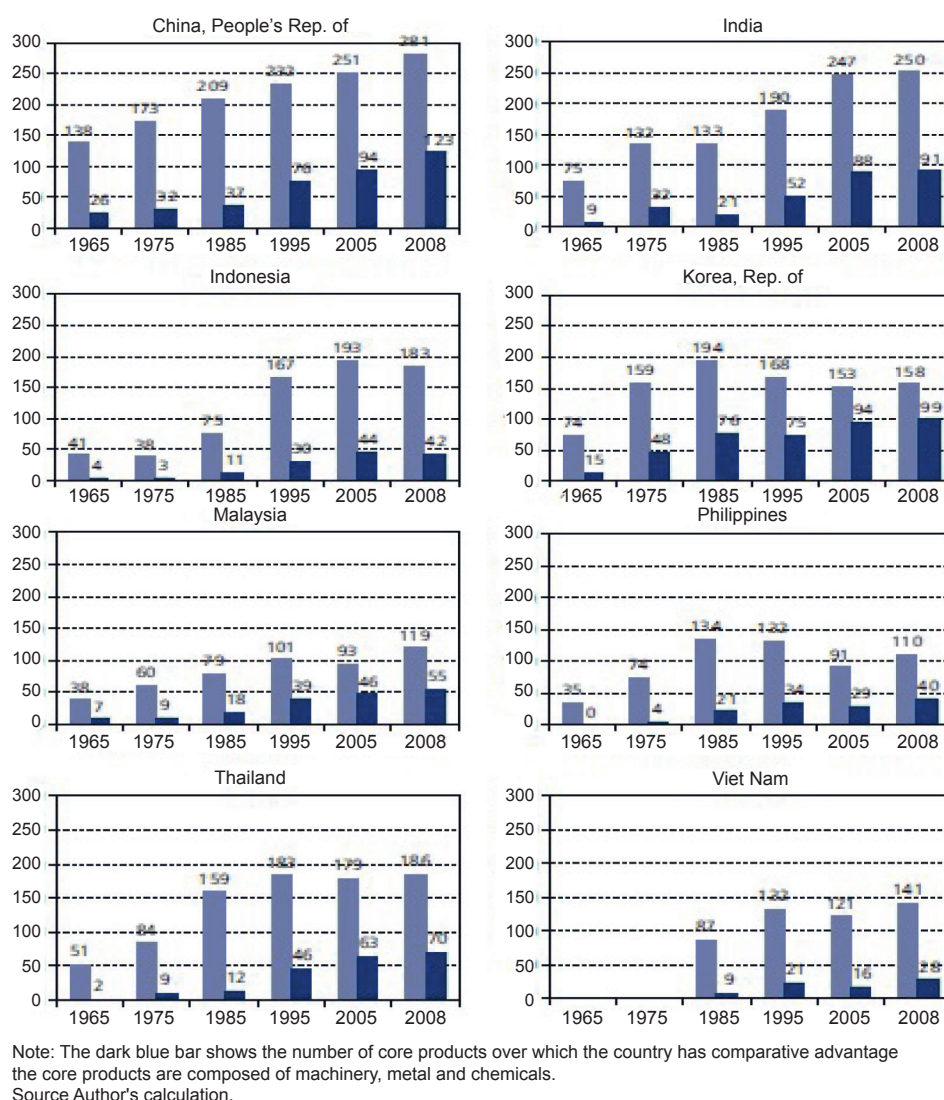
Aside from failing to benefit from trade liberalization policies in terms of manufacturing growth and MSME expansion, Usui (2012) also noted that the Philippines' manufacturing export base has become less diversified over the years – this despite having liberalized trade and an open economy. Applying a product space analysis of export patterns of the Philippines vis-à-vis its neighbouring countries in East Asia from 1965 to 2008, Usui (2012) found that the Philippines initially fared well in diversifying its exports in the 1970s up until the early 1980s. However, the country's progress in diversifying its exports stalled and even declined starting 1995 (Figure 10). From having an estimated comparative advantage in 132 products, this declined to 110 products in 2008, the lowest in East Asia.

The inability of many Filipino exporting firms to graduate to high-end export production and industrial activities was further compounded by this failure to diversify exports. Even in subsectors where manufacturing exports appreciably expanded or remained at high levels (i.e. electronics, garments and textiles, and machinery and transport equipment), production was confined to low-grade production activities, was heavily dependent on imported inputs, and had only weak linkages with the rest of the manufacturing sector (Llanto and Ortiz, 2015). Such a situation limited the opportunity for broad-based industrial dynamism and labour absorption and also threatened to tie the country's industrial and export production activities to the lower-end and low-value segments of global production networks (Usui, 2012; Serrano, 2008).

Further, based on her own literature review, Parcon-Santos (2011), cited simulations conducted previously by Yap (1997) and showed that trade liberalization has been linked to a weakening of growth and investments and to a widening of trade deficit. As shown in Chapter 3 of this report, these economic conditions have been regularly registered by the country due to trade-induced factors, such as greater dependence on imports (owing to reduced tariffs, making foreign goods cheaper) and fiscal constraints (because of lower customs collections via tariff reductions).

With regard to the impact of trade on fiscal constraints, Bello et al. (2009a, 2009b, 2014) argued that diminished revenues from customs due to drastic tariff rate reductions contributed to the lack of massive public investments that could have otherwise helped to improve and to provide support to agriculture and industry. Moreover, Serrano (2008) argued that liberalization only heightened the vulnerability of the Philippine economy to boom-bust cycles due to its continued dependence on imports and reliance on foreign capital flows, which was made easier when capital account restrictions were loosened.

Figure 10. Product diversification in terms of number of products with comparative advantage



4.3 Consequences of trade: The shift to services

The preceding chapters of this country report already mentioned that perhaps the most striking consequence and result of the trade policies adopted by the Philippines was the rise of the services sector. As both agriculture and industry did not grow as expected, possibly due to effects of the tariff rate reductions that only served to further the influx and surge of imported goods into the country, services became not only the biggest economic sector but also the largest sectoral employer, as highlighted in Chapter 2. Both Aldaba (2013b, 2014) and Chavez et al. (2015) noted that between 2001 and 2011, finance, transportation and real estate were the biggest winners within the services sector. However, there could probably be no bigger winner in the services subsector than BPO, which has grown at an annual rate of more than 50 per cent and has since diversified its range of activities from call centres to software development, animation, medical transcription, finance, engineering, and architectural services (Usui, 2012).

Raquiza (2014) took a different approach to understanding and capturing the extent of the Philippines' economic shift towards services by looking at how the business interests of the country's ten richest Filipinos also moved toward services-related activities and ventures, such as banking and finance, real estate and property development, gaming and tourism, education, healthcare, and IT-BPO services,

among others. Raquiza (2014) attributed this shift in the attitudes, activities, and investments of the country's leading economic elites and family conglomerates to various factors, such as the surge in overseas Filipino remittances; the removal of barriers to domestic private sector participation, privatization and deregulation; and the loosening of capital and proprietary technology requirements for services-related activities.

Bello et al. (2014) takes this even further by linking the changing attitudes of the country's business elites to trade liberalization, which affected and depressed agriculture and manufacturing growth and outputs. According to Bello et al. (2014), the Filipino elite's shift away from manufacturing and agriculture and move towards services was also due to their efforts to insulate themselves from losses resulting from increased foreign competition that had been triggered by liberalization in sectors and segments of the Philippine economy.

4.4 The social and labour dimensions of trade liberalization

Aside from its apparent failure to deliver broad-based economic growth, another main contention raised against trade liberalization – a critique coming largely from scholars of political economy, such as Chavez et al. (2015), Bello et al. (2014), Lopez (2009), Ofreneo (2013a, 2013b), Serrano (2008), and Tauli-Corpuz et al. (2006) – is its perceived contribution to widening inequality, worsening poverty, creating appalling working conditions, continuing unemployment and job losses, and increasing socio-economic dislocations and vulnerabilities, instead of helping resolve these.

Apart from quantitative analyses of aggregate labour trends during periods of liberalization, the number of neoclassical economic studies, which had been traditionally oriented towards the strengths and efficiency of markets, that examine the impact of Philippine trade policies on labour and social issues had been very few. These include those done by Aldaba (2013a), Hasan and Jandoc (2010), Pasadilla and Liao (2005), as well as older studies reviewed by Parcon-Santos (2011).

As for its approach to the impact of trade on labour and social issues, new structural economics usually focuses on what public interventions and development initiatives could be formulated to address and cushion the excesses and inequalities being caused by such policies. Traces of new structural economics approach could be seen in studies of international development organizations, such as the Joint ILO-ADB Study on the ASEAN Economic Community (AEC) released in 2014, which sought to assess the possible impact of the then yet-to-be-launched AEC on labour and employment within the region. Drawing from past lessons, it also sought to provide a framework for decent work creation, broad-based and shared prosperity, stronger regional integration and cooperation, and more importantly, better management of structural economic changes.

Nonetheless, the main tension primarily lies in the debate on whether trade had been truly beneficial to workers, especially with respect to security of tenure, just and decent wages, and the right to organize and join trade unions (Esguerra and Canales, 2011).

As such, this section looks at what the literature say on the effects of trade policies on labour along the following lines: trade's impact on unemployment and labour casualization, the possible contribution of trade policies to increase labour migration and the OFW phenomenon in the country, the persistence of low labour productivity and wage inequality, and the consequences of trade liberalization on gender and trade union membership in the Philippines.

4.5 Impact of trade liberalization on unemployment and labour casualization

Based on historical data, trade liberalization has been associated with significant increases during the periods when government undertook liberalization measures. From 4.86 per cent from 1971 to 1975, unemployment rate steadily increased to 7.43 per cent from 1981 to 1990 (the period when the government started its tariff reform programme) then to 9.75 per cent from 1991 to 2000 (the years when the AFTA came to force and the Philippines joined the WTO) and to a high of 11.43 per cent from 2001 to 2004 (Aldaba, 2013b). However, despite this association, the literature and studies reviewed are sharply divided, along theoretical and ideological lines, as to whether liberalization caused the noted rise in unemployment. From a political economy perspective, it is clear that liberalization had a direct hand in increasing unemployment in the Philippines, with scholars such as Bello et al. (2009a, 2009b, 2014), Lopez (2009), and Serrano (2008) pinpointing liberalization as the reason behind industry disruptions, retrenchment of workers, and the closure of many firms that could no longer compete due to import surges and undue advantage of foreign competitors. On the other hand, scholars of neoclassical economics have instead linked growing unemployment not to trade liberalization but to the stagnation of the manufacturing sector itself, as Aldaba (2013b) noted. Some neoclassical studies, such as those conducted and simulated by Cororaton and Cuenca (2000) and Hasan and Chen (2003), have gone as far as to present that liberalization had some positive or insignificant effects on the level of employment in the Philippines (Parcon-Santos, 2011).

Regarding the question of how trade liberalization impacted workers' security of tenure, political economy studies suggest that this must be assessed in terms of measuring informality of work and labour casualization. In this respect, both political economy and new structural economics perspectives associate the stagnation of the Philippines' industry sector with heightened informality, either on account of job losses in the formal sector (Usui, 2012) or through the increased outsourcing of production processes by multinationals and domestic businesses to micro- and home-based production units (Ofreneo 2013a).

However, political economy analysis further links informality and labour casualization to trade liberalization and globalization by underscoring that through the various global production networks and processes, informal workers have also been part of these economic activities through global, regional, and domestic supply chains. However, their links and participation in these supply chains have been under adverse terms, such as subcontracting and casual work, and non-compliance with labour laws by both local and foreign manufacturers (Ofreneo, 2012, 2013a).

Moreover, several studies have also suggested that there is a relationship between trade liberalization and the rise of vulnerable employment. Lopez (2009) and Ofreneo (2013a) highlighted the consequences of trade openness in terms of the initial shocks it posed to the domestic industries (via the surge of imports) and in terms of the pressure to reduce labour costs, which for them are the most plausible explanations for the rise of casual or contractual labour in the recent years following liberalization. In particular, Lopez (2009) cited the data from the now-defunct Bureau of Labor and Employment Statistics (which has since been absorbed into the PSA) and showed that between 1992 and 1997, contractual employment (60.4 per cent), casual work (31.4 per cent), and part-time employment (31.4 per cent) all increased far above overall formal employment growth (14 per cent). Ofreneo (2013a) similarly found that between 2004 and 2008, non-regular employment rose by 16.4 per cent, with much of this growth being driven by increases in contractual/probationary employment (38.5 per cent) and project-based hiring (20.8 per cent).

Meanwhile, as regards the take of neoclassical economics on the link between liberalization and increased labour casualization, Aldaba's (2012) analysis of wage premiums could offer a glimpse of how neoclassical economics approaches this issue. Based on her econometric analysis of micro-level panel data of firms from 1996 to 2000, Aldaba (2012) found that Philippine businesses tend to respond to heightened import competition by shifting activities to the manufacture of products with lower value-

added and less skilled workers. Though Aldaba (2012) does not explicitly discuss it in her paper, it is worth examining whether these same lower-value areas are fields where vulnerable, casual, and subcontracting employment arrangements are predominant. Given the relevance that the issue of labour casualization has increasingly gained in Philippine political and socio-economic discourse in recent years, the link and relationship between trade liberalization and the informality and casualization of work should be further analysed and explored in future research work.

The 2014 ILO-ADB study on the possible impacts of the AEC on the labour market projected that more than half of all job gains resulting from lowering and removal of regional trade barriers, if envisioned export gains were to be realized, would be likely located in vulnerable and insecure forms of employment. More than one-third of all jobs projected in the Philippines would likely be in such vulnerable and insecure work situations and conditions (ILO and ADB, 2014).

4.6 Rise of services and overseas employment as a consequence of trade

Chapter 2 and the preceding pages of this section discussed the three streams of literature that affirm how trade liberalization helped the Philippines to move towards a services-oriented economy and how it has also translated into a major shift in the balance of employment shares across all sectors.

The industry sector was unable to generate sufficient levels of employment to absorb the continuing exit of labour from agriculture and the growing working-age population. The services sector has then become the major “sink” of employment in the country, increasing its share to more than half of total employment. The rise in services, however, should be taken with caution as it occurred mainly because of the decline in employment in agriculture. From constituting nearly half of total employment from the 1980s to 1990s, growth in agriculture employment steadily fell to just around 30 per cent in the 2010s. Employment growth in industry has also stagnated between 14 to 15 per cent all throughout the 1980s up to the present time (Aldaba, 2013a, 2014; Usui, 2012).

As to the degree and extent of trade liberalization’s impact on and contribution to the economic and employment shift towards services, political economy perspectives and neoclassical economics differ on this issue.

From a political economy standpoint, liberalization clearly contributed to the job losses and industrial disruptions that it caused and imposed on various industries (primarily through reduction of tariffs, removal of protections for local industries, and the surge of foreign imports and undue competition), which negatively affected employment in both agriculture and industry (Bello et al., 2014; Lopez, 2009; Serrano, 2008). A commonly cited case in this respect has been that of the Philippine garments industry, in which employment declined from around one million jobs in the 1990s to just around 100,000 by 2011 (Ofreño, 2012b) following the rounds of liberalization that took place in the 1990s and the expiration of the Multi-Fiber Agreement (MFA) in 2005²³. Political economy and development scholars like Bello (2014) cited that actual employment and industrial results and outcomes run in stark contrast with the earlier forecasts of neoclassical economists in the 1980s and 1990s, which predicted and promised that trade liberalization would result in industrial and economic growth and massive net job creation that would more than compensate for any employment losses.

²³The MFA laid the framework for global trade in textiles and garments from 1975 to 2004, laying down assured quotas for developing countries to export to signatory advanced economies, such as the United States, Canada, and the European Economic Community (Lopez, 2009, p. 11).

However, quantitative studies and CGE simulations showed mixed results and isolated impacts of trade liberalization on the sectoral distribution and composition of the Philippines. For their part, Cororaton and Cuenca's (2000) CGE simulation on the effects of tariff rate reductions from 1995 to 2000 found that on the contrary, there are increases in industrial work despite declines in employment, in agriculture and services (Parcon-Santos, 2011). However, in another CGE simulation, Cororaton and Corong (2006) found that although there were some increases in employment in manufacturing, these employment gains were hardly enough to absorb the large amount of labour and workers displaced from agriculture due to the lowering of tariff rates and protections.

Aside from contributing to this structural shift, political economy studies also linked trade liberalization to the phenomenon of overseas employment in the Philippines, whose stream of dollar remittances have rapidly increased between 1985 and 2010 (Chavez et al., 2015). Chavez et al. (2015) argued that the prominence of overseas employment as a source of employment for many Filipinos was a direct outcome of trade liberalization policies that purportedly resulted in the destruction of jobs and the depression of wages in local industry and agriculture that could not match the influx of imports.

While perspectives associated with new structural economics do not directly link the phenomenon of overseas employment to trade liberalization, Usui (2012) nonetheless recognized that a significant number of Filipinos going abroad for work could be partly attributed to the failure of the industry and services sectors to create quality and decent employment opportunities in the country.

4.7 Labour productivity and wage inequality

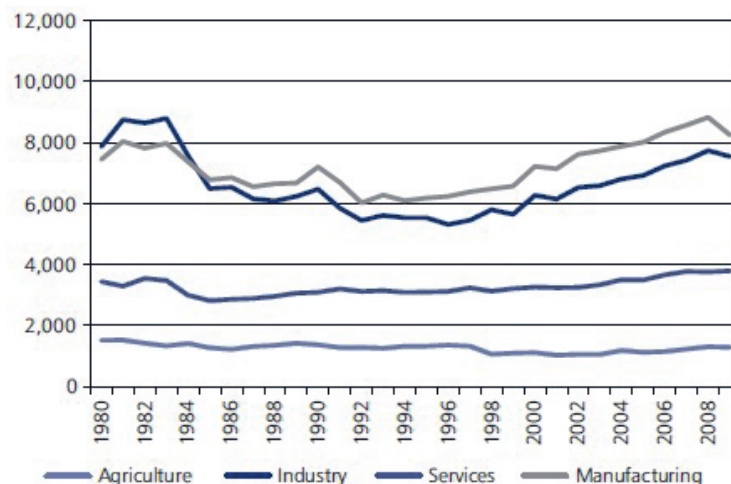
Standard economic theory would show that changes in productivity levels are associated with supposed increases in wages. However, the studies reviewed in this report reveal another area of debate with respect to the impact of trade on productivity and wages.

Aldaba (2013b, 2014), Serrano (2008), and Usui (2012) altogether drew attention to the unimpressive record of the Philippines with respect to growth in labour productivity during the period of economic adjustments resulting from liberalization. According to historical data, aggregate annual labour productivity grew by only 0.3 per cent from 1980 to 2009, even as the country's neighbours in ASEAN posted record productivity growth rates during the same period (Indonesia eight times the Philippines and Viet Nam 14 times that of the Philippines).

Also, while productivity growth rates in agriculture and services registered incremental increases during this period, labour productivity in industry suffered steep declines during the 1980s and 1990s and only started to recover in the 2000s (Figure 11).

Neoclassical economic studies largely attribute these losses in productivity to a variety of factors, such as the failure of firms to invest in state-of-the-art technology, the lack of investments in human capital, and the disproportionate expansion of employment in the lower-productivity services sector (Aldaba, 2013b).

**Figure 11. Sectoral labour productivity, 1980-2009
(constant 2000 US\$)**



Source: Usui (2012).

As for its impact on wage levels and inequality, studies coming from the political economy perspective have suggested the negative impact of liberalization.

Serrano (2008) cited that while the country was undergoing a period of rapid liberalization in the 1990s, real wages deteriorated, with total household income declining as a share of GDP, even as total corporate income increased by nine percentage points. For Serrano (2008), this trend appears to conflict with neoclassical assumption that liberalization is likely to have negligible effects on real wages.

Similarly, Ofreneo (2013a, 2013b) observed that the rise of flexible labour during the period of liberalization and the failure to tackle work informality only served to heighten wage inequality in the country, particularly those between skilled and unskilled workers.

For its part, the 2014 ILO-ADB Study on the Labour Impacts of the ASEAN Economic Community warned about the potential risk of increased wage inequality that could possibly arise from the envisioned loosening of trade and migration restrictions among countries within the AEC. While regional trade integration is expected to increase aggregate labour productivity by reallocating labour towards higher-productivity sectors, the wages of highly-skilled and more productive workers have been projected by model simulations to increase most across all countries on account of intensified regional competition for skilled labour, driving wage disparities upwards (ILO-ADB, 2014).

In contrast, neoclassical studies, particularly that of Hasan and Jandoc (2010), have instead sought to provide evidence that the impact of trade liberalization on wage inequality has been negligible. In particular, Hasan and Jandoc (2010) applied combined regression and decomposition methods on trade and employment data from 1994 to 2000. They found that the main contribution of trade liberalization to wage inequality (a 17 per cent change in inequality) was largely attributable to trade-induced employment shifts from less protected to more protected sectors (e.g. services sector), where wage inequality was larger at the outset. Based on their analysis, a far more important driver of wage inequality was not liberalization per se, but the changes in the economy-wide returns to education and changes in industry membership. Cororaton (1996) reached a similar conclusion in his CGE simulation exercise on the income distribution effects of tariff reductions from 1988 to 1992. The study suggested that households in the lowest- income brackets would enjoy the highest increases in income from tariff changes (Parcon-Santos, 2011).

4.8 Gender and labour impacts of trade

As for the impact of trade on gender, this country report notes that based on the few studies it was able to review the relationship between trade liberalization and labour casualization suggests that the lowering of trade barriers had varying effects on certain social groups, such as women workers and trade unions.

Pasadilla and Liao (2005) analysed data from the 2003 International Social Survey Programme (ISSP) in the Philippines and found that Filipino women are likely to be more open than men to trade liberalization by 2.0 to 2.4 percentage points. Accordingly, such a view is said to be an effect of the perceived social roles of women as managers of the household and an observed trend in the “feminization of employment”. This trend is partly confirmed by Orbeta (2002), whose research on examining trade and employment data from 1980 to 2000, found that an increase in the propensity to export among firms has been beneficial for female workers (Parcon-Santos, 2011).

However, political economy scholars take this view of employment gains among women with caution. Lopez (2009) said that although there has been a feminization of employment, this has not resulted in equality and parity in labour conditions between female and male workers.

According to Lopez (2009), many female workers reported unequal pay for the same kind of work as male workers. Women earn only PhP0.09, PhP0.15, PhP0.15, PhP0.94, PhP0.98 and PhP0.98 for every peso earned by male workers in agriculture, managerial and executive positions, production, clerical work, professional work, and services work, respectively. Further, the feminization of employment appears to be concentrated in industries that have been stereotyped as “women’s work” associated with jobs such as sales workers; professional, technical, and related workers; and workers in the textiles, garments, and electronics industries.

For Ofreneo (2013a), this only adds a “double burden” for women who have to endure low-wage, non-unionized, and casual employment while shouldering domestic and family responsibilities. Hence, Ofreneo (2013a) cited that this feminization of employment taking place amid continuing liberalization only serves to create a “buffer force” in the labour market that could be easily hired at low wages and easily laid-off during times of economic crises.

As regards trade unionism, political economy scholars stated that the outcome is clear: trade liberalization contributed to the decline of unions and collective bargaining agreements in the country. Ofreneo (2013b) stated that from around 3.6 million in 1995, the number of workers who are members of trade unions went down by more than half to just 1.7 million in 2010. The number of workers with collective bargaining agreement coverage also declined by more than half from 3.3 million to 1.4 million workers during the same period. Ofreneo (2013a) posited that this could be linked to the rise of flexible labour arrangements, which became a common practice as a result of liberalization and globalization.

Meanwhile, Serrano (2008) took a different take. For her, the weakening of unionism in the country is also related to the destruction of wage anchors that would have otherwise served to prevent deflations in nominal wages. This, in turn, is also the result of the “race to the bottom” and search for cheaper labour, which became more pronounced when trade liberalization and globalization became the predominant economic paradigm.

4.9 Agriculture and rural labour throughout liberalization

Another area that has been very contentious when it comes to debates on the effects of trade liberalization is the state of the agriculture sector after the country undertook major reforms in its tariff system.

Political economy scholars, such as Bello et al. (2014) and Tauli-Corpuz et al. (2006), posited that removing tariff protections on key agricultural products (e.g. corn, vegetables, meat, and poultry) had negative effects on the economy, particularly agriculture, in which growth has been sluggish throughout the years the country was undergoing trade restructuring. The sector grew by only 1.1 per cent in the 1980s, 2 per cent in the 1990s, and 2.9 per cent in the early 2000s (Bello et al., 2014). Moreover, its value-added share in the national economy was reduced by half from 25.6 per cent in the 1970s to just 13 per cent in the 2000s (Aldaba, 2013).

Aside from that, poverty and unemployment incidences continue to be high among agriculture-based households in the Philippines despite the fact that the country has demonstrated comparative advantages in vital agricultural crops, such as fish, fresh fruits, vegetable extracts (carrageenan), vegetable oil (coconut oil), seafood preparations, sugar and confectioneries, cereal preparations, fruit preparations, and tobacco products (ADB, 2009). These underscore the need for the government to give particular focus on agriculture as a sector.

Agriculture has been historically vulnerable to trade impacts, yet it can still bring major dividends for decent work if supplied with appropriate public sector interventions.

4.9.1 Structural transformation and sectoral competitiveness

Interestingly, there has been a consensus that trade liberalization, in one way or another, negatively affected the state of Philippine agriculture. However, various explanations from different perspectives have been put forward to explain the causal link between the effects of tariff reduction and the dismal performance of agriculture afterwards.

From a political economy point of view, the stagnation of agriculture can be directly linked to liberalization on account of heightened import competition, which was made even worse by weak public investments (Bello et al. 2014; Lopez, 2009; Tauli-Corpuz et al., 2006). Neoclassical economics argues that the factors that contributed to agriculture's decline include decreasing productivity, government's failure to provide sectoral support and critical infrastructure, and the elite capture of the agriculture sector (Aldaba, 2013b; Usui, 2012)²⁴.

According to the econometric studies surveyed by Parcon-Santos (2011), the following are the reasons why agriculture fell behind in the midst of liberalization:

- a) Agriculture benefited least in terms of additional growth (Yap, 1997).
- b) Agriculture's output also decreased (Tan, 1997).
- c) Agriculture experienced lower resource allocations in favour of the manufacturing sector (Cororaton, 2000).

Cororaton and Cockburn (2005) and Cororaton and Corong (2006) observed similar results in their CGE models and simulations. Using data from the 1994 Family Income and Expenditure Survey, both studies' microsimulations of tariff reductions resulted in the contraction of agricultural output – by 1.4 per cent in Cororaton and Cockburn (2005) and 0.52 per cent in Cororaton and Corong (2006) – even while industry and services output expanded. This decline in agricultural production is viewed to be a result of decreasing prices of imports, which crowded out locally produced goods. Interestingly, however, Cororaton and Corong (2006) also found that production and exports of bananas increased by 7.14 per cent and 11.72 per cent, respectively, with the adoption of trade liberalization measures.

²⁴This view seems to be somewhat mirrored in Pasadilla and Liao's study (2005), which estimated rural dwellers' trade attitudes to be significantly less opposed to lowering trade restrictions than urban residents – a pattern that they attributed to high import dependency for agricultural goods and to natural barriers to importation in the countryside.

The banana exception in broader agricultural contraction in Cororaton and Corong's (2006) analysis suggests that despite the broader trend of stagnation in agriculture, promoting open trading regimes could still be beneficial for a few export-oriented crops and products. In this regard, Appendix summarizes the different agricultural products that have been found to bear significant potential for future growth and export. Of particular concern were products classified by Aldaba (2014) to be "disappearing" products or products in which revealed comparative advantage has been lost since the 1990s. As argued, the status of those products losing competitiveness should not mean that government programmes should completely abandon them; rather, these products should be made to graduate upwards in the value chain towards more sophisticated or technologically intensive products.

4.9.2 *Agricultural poverty and inequality effects of liberalization*

The prevailing view in most neoclassical studies is that liberalization should especially benefit rural households over urban ones, hence leading to rural poverty reduction (Cockburn et al., 2007). Past CGE simulations by Cororaton (1996) and Cororaton and Cuenca (2000) found that trade liberalization produced beneficial impacts on income, with the poorest households enjoying the greatest rise in income relative to other groups (Parcon-Santos, 2011).

However, political economy studies have taken a more critical stance toward the impact of tariff reduction on agriculture, which they believed to be deleterious for many farmers and workers in the rural areas. Note that in recent years, neoclassical studies have also re-examined its previously held assumption on the supposed positive benefits of liberalization on rural poverty.

Subsequent studies by Cororaton with Cockburn (2005) and with Corong (2006) examined the potentially adverse impacts of trade liberalization on agricultural labour and rural poverty. The two studies led by Cororaton used CGE simulations to measure the effects of tariff rate reductions covering about 24,797 households based on 1994 data, and found that agriculture sector and households in rural areas suffered the most after the country adopted trade liberalization policies. Cororaton and Cockburn (2005) and Cororaton and Corong (2006) found that as agriculture's output contracted, returns to capital and labour in agriculture also declined, and factor income decreases were observed to be highest in agriculture-based households. More importantly, the studies found that the poverty severity and the poverty gap of agricultural families deepened, even as rural poverty headcount marginally diminished.

Cockburn et al. (2007) observed a similar outcome in their CGE analysis of the impact of trade liberalization in seven Asian and African countries, which included the Philippines. The simulation on Philippine household data found that the poverty rate had decreased by a modest amount (−0.75 per cent); however, nominal income levels in rural areas nonetheless decreased by 3.1 per cent. This was attributed to lower demand for domestically produced goods, which in turn, led to a decrease in the nominal return to all factors of production, including rural wages.

As early as 1997, a macroeconomic simulation conducted by Yap (1997) found that Philippine income distribution likely deteriorated from 1993 to 1996. The author attributed this to the failure of the agricultural output to benefit from liberalization, relative to other economic sectors (Parcon-Santos, 2011). More recently, this asymmetrical distribution of benefits and losses from liberalization has also been borne out in Cororaton and Cockburn's (2005) research, which found that the estimated Gini Index of household income slightly increased from 0.464 to 0.467. Yet as it turned out, this pattern of increased income inequality owing to the effect of tariff reductions on rural poverty is by no means confined to the Philippines. Indeed, in their CGE analyses of seven African and Asian countries' liberalization experiences, Cockburn et al. (2007) found that there appears to be a pattern in the distributional effects of trade liberalization. They tend to be generally biased toward urban centres in terms of income effects, rather than toward the rural areas where they are most needed, as seen in the case of more than half of the countries they studied.

On the other hand, case studies compiled and presented by Lopez (2009) and Tauli-Corpuz et al. (2006) could provide a more textured understanding of the impacts of trade liberalization from the point of view of local communities whose livelihood and incomes had been directly affected. Lopez (2009) found that sugar workers reported declining household food consumption vis-à-vis increasing unemployment from 1995 to 1999. Similarly, Tauli-Corpuz et al. (2006) discovered that 40.5 per cent of vegetable growers in Barangay Cattubo in Atok, Benguet Province in northern Philippines reported major income losses due to an unprecedented inflow of vegetable imports. This resulted in the indebtedness of many vegetable growers, lower spending on education and healthcare, and greater food insecurity.

Meanwhile, Ofreneo (2013b) took a further step when he went beyond agricultural output, production, and income by exploring the impact of trade liberalization on the state of agrarian reform in the Philippines, particularly the implementation of its Comprehensive Agrarian Reform Programme (CARP). Although certain export-oriented crops (e.g. pineapples and bananas) grew, Ofreneo (2013b) suggested that the weak and delayed implementation of CARP was a major contributing factor to the poor performance of Philippine agriculture in general. This was further exacerbated by weak state support amid the rapid trade liberalization taking place at the time and by the government's failure to curb the smuggling of imported agricultural products.

Bello et al. (2014) further affirmed this observation of Ofreneo (2013b) by illustrating the liberalization of agriculture and the haphazard implementation of land reform as manifestations of an anti-small farmer bias ingrained in the market-oriented policies and directions taken by the Philippines from the 1990s to 2000s.

Although political economy literature on the impact of trade on agrarian reform is abundant, additional quantitative researches and simulations on this topic are still necessary in order to directly pinpoint the problems and issues in the casual relationship between trade liberalization and agrarian reform in the country.

4.9.3 Lack of coherent policy response to the effects of liberalization on agriculture

In view of the general consensus on the adverse impact of trade liberalization on agriculture from the various literature reviewed, it is clear that aside from the unforeseen consequences of trade policies, such as tariff reduction, another factor that contributed to the poor performance and low output of agriculture was the failure of government to have a coherent policy response and strategy.

In view of this, Cororaton and Corong (2006) argued for the adoption of complementary policies that would help to reduce regional imbalances arising from the repercussions of trade liberalization and from the implementation of programmes meant to upgrade human capital and improve the delivery of public goods in agricultural and rural areas. For her part, Aldaba (2013b) also recommended adopting supplementary government interventions, such as competition and regulatory reforms, and a broader coordination of divergent policies in human capital, infrastructure development, good governance, investment-friendly business climate, and global competitiveness.

While concurring with these policy recommendations from their counterparts in the neoclassical side, political economy scholars espoused reconsidering and reviewing current trade policies, such as pursuing a more selective tariff strategy, creating public enterprises, and incubating new industries (Chavez et al., 2015). For their part, Ofreneo (2013b) and Bello et al. (2014) were particularly vocal about the need for investing more in rural infrastructure, supporting services for smaller agricultural producers, effectively implementing land reform and other asset reform programmes and adopting fair trade measures in order to level the agricultural production playing field.

Taking a more progressive economic stance, Serrano (2008) advocated for negotiating debt relief for the Philippines without conditionalities, differential trade treatment for developing countries, and greater policy space for adopting sectoral development strategies in order to enable long-term and employment-oriented structural transformation in the country.

Meanwhile, such proposals on how the negative effects of trade liberalization on agriculture and agrarian reform could be cushioned perfectly bode well with the topic of the next issue, which is on the need for a broader industrial policy that is linked to the promotion of decent work and the welfare of labour and workers.

4.10 A new industrial policy for the Philippines: Linkages with labour policy?

The consensus of current literature from varying theoretical perspectives and ideological spectrums recognize that although there have been positive gains, the negative consequences and excesses of the trade liberalization policies that the Philippines pursued in the past continue to take hold of the country's present and future economic direction.

As a result, there has been a growing clamour for the introduction and formulation of a national industrial policy that would guide the country's economic industrialization and development path by ensuring balanced and broad-based sectoral growth, upgrading technology and capital, and promoting decent, productive, quality, and gainful employment.

In addition, the increasing calls for the adoption of a national industrial policy could also be seen as a policy consensus among the three primary theoretical perspectives in the literature on the impact of trade on employment reviewed by this report. Although there are still differences in terms of their views with respect to trade, the middle-ground or consensus that seemed to have been reached by the three perspectives is the recognition of targeted and strategic government involvement in providing support and assistance to harness the gains from trade and to cushion and address its excesses and negative consequences, such as promoting productivity; boosting competitiveness; supporting industry development; assisting small and medium enterprises; strengthening the integration and participation of Filipino firms into the global value chains; and the promotion of decent, quality, and productive employment, among many other concerns.

4.11 Measures for industrial policy and the resurgence of the manufacturing sector

Neoclassical analysts formulated that the framework of the Philippines' national industrial policy will encompass both horizontal (i.e. broadly benefitting all sectors) and vertical (i.e. targeted state support to specific sectors) measures, with coordination mechanisms between government agencies and the private sector established to address existing coordination failures (Aldaba, 2014; Llanto and Ortiz, 2015)²⁵. In such analyses, DTI's Industrial Development Council (re-established in 2014 and modelled after Japan's industrial councils) has been pinpointed as the central coordinating body between the public and private sectors. In fact, strengthened cooperation between the DTI and the Philippine Automotive Competitiveness Council (PACC), in terms of reviving the Philippine automotive sector through the CARS programme, has been identified as a flagship initiative²⁶.

A full evaluation of the impact of the implementation of the Philippines' new industrial policy goes beyond the scope of this review; however, it is worth noting that the Philippine industry sector has experienced a resurgence in recent years after experiencing stagnant growth in the 1980s to 2000s. Since 2013, the growth of the manufacturing sector has averaged 7.3 per cent per year – double its annual growth of 3.2 per cent from 1999 to 2012, and even surpassing the current annual growth rate of the services sector of 6.7 per cent²⁷. As a result, the employment share of industry has also expanded slightly, from around 15 per cent of total employment in 2012, the share had expanded to 16 per cent by 2015 (DTI, 2018c).

4.12 Linking industrial policy to labour policy

A consensus on the need for a national industrial policy had been reached among the three major trade and employment perspectives studied by this report. However, there are still differences when it comes to the focus and direction of such a policy.

²⁵The proposed horizontal measures will focus on human resource development, technological upgrading and innovation, measures to address power, logistics and infrastructure costs, smuggling, a competitive exchange rate policy, and measures to promote investments. Vertical measures, meanwhile, will encompass measures to close supply chain gaps in food, furniture, and garments; integrate mechanisms linking segments of the iron and steel, copper, and chemical industries; and expand domestic market and exports, such as in the automotive and shipping industries (Aldaba 2014; Llanto and Ortiz 2015).

²⁶While various analyses of the promising sectors for industrial policies exist, one might note that in the 2014 Investment Priorities Plan, the DTI has then already identified the following manufacturing sectors as investment priority sectors: motor vehicles and motor vehicle parts and components; shipbuilding; aerospace parts and components; chemicals; virgin paper pulp; copper wires and copper wire rods; basic iron and steel products, steel grinding balls, long steel products and flat hot/cold-rolled products; and tool and die industries (DTI-Board of Investments, 2014, retrieved from https://dirp4.pids.gov.ph/webportal/CDN/EVENTS/04_DTI_Dichosa.pdf). Included also in the agribusiness and fisheries sectors are commercial production of agricultural products (i.e. coconut, corn, cassava, coffee, cocoa, fisheries, poultry, and livestock; high-value crops like rubber, spices, vegetables, and fruits; and emerging commodities like tamarind, jackfruit, Peking duck, native pigs, chili pepper, peanut, mung bean, and achuete). Also included as preferred areas are commercial processing of agricultural products (e.g. through bioprocessing, conversion to final consumption forms); production of animal and aqua feeds; production of fertilizers and pesticides; modernization of sugar mills; mechanized agriculture support services; and agriculture support infrastructure. Other areas included in the preferred list of investment activities are integrated circuit design; creative industries/knowledge-based services; ship repair; charging stations for e-vehicles; maintenance, repair, and overhaul of aircraft; industrial waste treatment; economic and low-cost housing; hospitals; energy; and public infrastructure and logistics (e.g. airports, seaports, air/land/water transport, LNG storage and regasification facilities, bulk water treatment and supply).

²⁷R. Canivel: "Manufacturing growth seen at 8–10 per cent until 2022," in BusinessWorld (Quezon City), 29 November 2016.

For one, compared to neoclassical economics, the political economy perspective makes a distinction between “industrial policy in the small” (i.e. for solving market failures and upgrading existing industries) and “industrial policy in the large” (i.e. to strategically introduce entirely new sectors and industry), and thus argues for more proactive involvement in the latter than has been the case with existing neoclassically-oriented discussions, which largely remain focused on solving coordination failures and strengthening or reviving already-existing industries (Chavez et al., 2015; Bello et al., 2014; Ofreneo, 2013). As also mentioned earlier, scholars from these different perspectives have adopted different positions on the issue of selective liberalization and strategic trade protection: Ofreneo (2013a, 2013b) and Usui (2012), following Rodrik (2005), suggested openness to this option whereas Aldaba (2013b, 2014) emphasized retaining an open trade policy regime in her discussions of possible public sector interventions for industry.

The three perspectives also differed in terms of the extent of linking and incorporating decent work and labour issues into an overarching industrial policy framework for the country, which have become more prominent in the political economy and new structural economics perspectives. While it is true that agencies such as the DOLE are recognized as among the key government bodies needed for supporting and facilitating the movement and training of workers into high-skill, high-productivity jobs (Aldaba, 2014), labour considerations among neoclassical analysts seemed to be of secondary importance relative to addressing the “most binding constraints” of Philippine industry and manufacturing, such as infrastructure, governance, and ease-of-doing-business constraints.

This stands in contrast with various political economy analyses (Bello et al., 2014; Ofreneo, 2013a, 2013b), which focus in detail on the need for coherence of policies on industrial, labour, and social issues. For instance, Ofreneo (2013a) proposed, among others, integrating labour and environmental standards into regional FTAs, extending a system of universal social protection, and enforcing universal standards of corporate behaviour, including compliance with national labour laws and basic labour rights.

For its part, which largely comes from a structuralist perspective, the 2014 Joint ILO-ADB study on the potential labour impacts of the AEC sought to ensure coherence among industrial, trade, and labour policies by proposing a variety of policies and strategies promoting decent work in the face of structural economic shifts arising from regional economic integration and cooperation. These include:

- a) Strengthening wage-productivity linkages by means of effective minimum wage and collective bargaining institutions.
- b) Improving opportunities for better-quality jobs through more robust skills development and certification efforts.
- c) Widening and deepening existing social protection mechanisms and other labour market policies, especially for vulnerable groups.
- d) Addressing gender gaps in labour (through gender equality promotion in employment, education and training, wages, and migration) and protecting migrant workers through ratifying and enforcing bilateral and multilateral agreements, such as the ILO Convention 189 on Domestic Workers²⁸.

In all these, the joint ILO and ADB study (2014) urged national governments in ASEAN to carefully sequence their industrial and labour market policies in order to effectively manage the challenges of regional integration and the structural changes it would likely bring while also countering wage inequality and ensuring that workers in Southeast Asian countries will be fairly remunerated for their labour.

²⁸The Philippines was the second country to ratify ILO C189, which it followed through with the passage of the Kasambahay or Domestic Workers’ Act of 2013.

In the midst of these growing calls for crafting and formulating a national industrial policy, note that the government, through the DTI, responded to these calls by formulating and crafting a Comprehensive National Industrial Strategy (CNIS), which aimed to revitalize and to raise the competitiveness of the Philippine manufacturing sector.

Since then, more than 20 industry roadmaps have been crafted (largely led by the private sector initiative with support from the DTI) for various industry sectors. This was also complemented by human resource development plans for these industries spearheaded by DOLE. As mentioned in Chapter 1 of this report, the government's seriousness in responding to these demands could be seen in its launching of two industry-specific programmes (DTI, 2018c): the MRP, (DTI, 2018d) for rebuilding the capacity of industries has been launched and CARS (DTI, 2018a) a flagship programme for developing the Philippines into a regional automotive manufacturing hub²⁹.

To complement and support the industry sector, the government has also recently launched an ambitious infrastructure programme, dubbed as “Build, Build, Build,” which aims to address the country's long-standing problems and backlogs in infrastructure and to link infrastructure development to economic growth and productivity (NEDA, 2017). This is being done by constructing physical infrastructure related to transport and mass transit (e.g. roads, bridges, railroads, airports, and seaports), by building strategic infrastructure that could improve social services and attract more investments (e.g. facilities for water resources, irrigation, energy, information and communications technology), and by developing social infrastructure (e.g. education, health, social housing, and solid waste management). All of these could help to create jobs, boost competitiveness, and make the Philippines more attractive to foreign investments through these vital and long-needed infrastructure.

Since the CNIS and other industry-related development blueprints and programmes (e.g. MRP, CARS, the Industry Roadmaps, and human resource development plans) are still in their initial stages, there is still room to improve them to also broadly consider and go beyond the creation of jobs to the inclusion and incorporation of substantive labour issues into such plans and policies.

Such matters are discussed in more detail in the final chapter, which summarizes the research and policy gaps identified by the country report and discusses possible ways forward that could be taken by national actors and concerned stakeholders.

5. SUMMARY, CONCLUSION, AND WAYS FORWARD

5.1 Summary

The preceding four chapters of this report provided context on how trade policies, along with a host of other factors, contributed to employment and decent work outcomes in the Philippines, particularly in the last three decades since the country undertook trade and economic liberalization measures.

The first chapter aimed to provide the historical background on the changing trade and employment policies that the country implemented through the years under changing political administrations and under evolving international trade and economic trends and developments. In particular, Chapter 1 looked at how the Philippines responded to past economic challenges and how its trade and employment policies also adapted during these periods. Further, it detailed the current national policies and directions on trade and employment, especially the government's plans to develop rural and agricultural value chains in the countryside, boost competitiveness, invest in human capital development, and expand social protection. Its centrepiece infrastructure development project “Build, Build, Build”, aims to link the government's response to address the country's long-standing infrastructure woes to improve mass transit, attract more foreign investments, and create more jobs.

²⁹G. Chua: “Comprehensive Automotives Resurgence Strategy (CARS) programme” in *BusinessMirror*, 11 June 2016.

The first chapter also looked at the present participation of the Philippines in international trade agreements and arrangements, and the latest developments in its international trade positions. It particularly focused on the signing of its second bilateral trade agreement, which contained provisions on trade, labour, environment, and sustainable development.

From the context set out in the first chapter, Chapter 2 put into perspective how the various trade policies adopted by the Philippines impacted employment and decent work outcomes, especially in recent years. First, Chapter 2 noted what has been long observed by economic watchers that the Philippine economy has been growing significantly in the last six years, averaging more than 6 per cent as against its generational average of 4 per cent. Yet, despite this economic expansion, employment growth has consistently lagged behind its faster GDP growth. Also, labour force participation rate has also remained sluggish.

With regard to the three major sectors of the Philippine economy, both industry and services have been able to maintain positive growth rates on the average since 2009, while agriculture continued to slide down in the past years. The economic and employment data suggest that the declining share of the agriculture sector has contributed to the shift towards the services sector, with the latter contributing almost 50 per cent in terms of its share to total economic output. The industry sector's growth, meanwhile, has retained its share to total growth at about 35 per cent in the last two decades. Following the structural economic shift towards services, the composition of employment in the country also followed suit. The services sector has become the largest economic sector that provides employment, with more than 50 per cent of workers in the sector. For their part, the employment share of agriculture has been slightly above 25 per cent, whereas industry's share to total employment has virtually remained unchanged at 17 per cent. This observation is based on the data from the mid-1990s to 2016, which indicate a slow transition in sectoral productivity.

Moreover, data on subsectoral employment shares have revealed that the declining share of the agriculture sector could be due to the increases in the shares of the construction and manufacturing subsectors in the industry sector, and that of the retail trade and transportation subsectors in the services sector. Likewise, the subsectoral employment figures have reflected the extent to which the Philippine labour market has become more services-oriented (55.6 per cent share in 2016). The shift towards services has also been partly driven by the rise of the IT-BPO industry in the Philippines, which also created vast job opportunities for many Filipinos. The deregulation of the telecommunications industry during the 1990s paved the way for the development of the IT-BPO industry.

In terms of regional distribution of employment, the data reviewed and assessed by the country report have revealed that apart from structural imbalances, employment in the Philippines seem to be clustering in a few economically active regions that are also becoming more services-oriented. Only four regions out of the 17 regions in the country have maintained a larger agricultural share in employment while most regional employment shares have been in the services-oriented sectors and activities.

Chapter 2 also noted the increasing trend in the share of wage and salary workers and full-time workers to total employment. However, although the number of workers in wage employment and full-time employment increased, the number of Filipinos working for more than 48 hours, which could be described as excessive work, rose to 10.2 million in 2016 from 8.8 million in 2015. This can indicate that the quality of pay and work in the country still needs to improve, among other possible reasons.

Despite the increase in wage and full-time employment, precarious work (which covers short-term, seasonal, casual, and contractual employment) stood at 31 per cent in 2016. It has risen in real terms from 3.94 million in 2000 to 7.75 million as of 2016.

Chapter 2 has also noted the government's efforts to crack down illegal subcontracting, although legislative efforts are still being pursued in Congress. The labour sector is strongly pushing for a law that would end the practice of "endo"/contractualization and ensure security of tenure. Alongside this, employers have expressed their concern on how this proposal would affect businesses.

In terms of gender, more women are likely to be found in services-oriented employment activities whereas men tend to be found in industry-related jobs (e.g. construction), which have been traditionally viewed as a male-dominated sector. Nonetheless, more males are becoming engaged and employed in services-oriented sectors. Using the Duncan Segregation Index to measure gender segregation and division of labour (which has a range of 0-1, where 0 denotes perfect gender integration and 1 denotes complete segregation), the Philippines has an average index of 0.27 from 2010 to 2016. This indicates that the country's workforce is more or less gender-balanced. Nonetheless, Chapter 2 has pointed out that despite women having lower unemployment rates than men have, this does not indicate gender equality. Instead, this could even mean undue double and multiple burdens on women as they have to handle more tasks both at work and at home.

In the last four years, unemployment in the country has been steadily declining, hitting an average low of about 5 per cent. The regional economic and employment patterns of the Philippines indicate that unemployment seem to be high in areas and regions where growth is high. Accordingly, unemployment tends to be low in areas where regional growth is also low.

Chapter 2 also noted the apparent trend that those with higher level of education, such as those with college education, tend to be more unemployed than those who only have elementary-level education or have no schooling at all.

There have also been some improvements in the country's underemployment rate. From staying above 20 per cent before the 2000s, it fell to about 16 per cent in 2017. Nonetheless, despite these gains, underemployment still remains high and continues to be a pressing challenge, which can indicate that the state and quality of employment in the country need to be improved.

Further analysis of unemployment data has revealed that men tend to have higher underemployment rates than women do. Likewise, analysis has shown that underemployment is highest and more pronounced in the agriculture sector at 25.9 per cent. Those regions that posted higher unemployment rates have lower rates of underemployment, which implies that the increase in underemployment is more pronounced in smaller and more rural areas. This could then indicate skills mismatches due to the possibility that the supply of labour could not amply meet the demand of the jobs being created in these areas.

Moreover, Chapter 2 noted that the number of OFWs has consistently increased over the years. As of 2017, about 2.34 million Filipinos have been deployed overseas. In Chapter 4, some of the literature reviewed linked the overseas employment phenomenon among many Filipinos to the inability of trade liberalization to meet its promise of creating more jobs at home. Although this could be seen as a sign of easier movement of natural persons and labour migration and as an opportunity for Filipinos to earn more in other countries, overseas employment could also be possibly seen as a result of skills mismatch. Job opportunities at home might not exactly match the skills available in the labour market, thereby pushing many Filipinos to work overseas.

In terms of wages, Chapter 2 focused on the daily minimum wage rates, particularly in the NCR. Although the minimum wage in NCR has increased to Php512.00 per day, its real wage value is actually much lower at Php444.00. Meanwhile, in Chapter 4, the body of literature that this report covered associated wage inequality and low wages with the excesses of trade liberalization, which led to the deterioration of real wages.

Overall, the labour and employment data reviewed and analysed in this report seem to point that the employment situation in the Philippines has remained relatively the same in the last two decades despite some gains and improvements. One reason for this seemingly stagnant development could be that the expectations that trade liberalization and the adoption of an open economy would lead to more FDI and to the creation of more jobs did not fully materialize. Although not discussed in the preceding chapters, it is possible that a number of factors contributed to such an outcome.

First, employment is largely based on human capital investments. The Philippines, although having one of the largest private education sectors in the region, do not have the necessary manpower required for the expansion of manufacturing. Schools have been producing professionals rather than middle-skilled workers that industries require.

Second, the trade patterns that the country faced in the 1990s have largely shifted from primary goods exports to intermediate goods exports. As repeatedly stated in Chapter 3, the Philippine export structure also followed the pattern of world exports, which is dominated largely by machineries and electronics exports.

In addition, as noted in Chapter 3, the country's export composition has remained largely the same, with electronics still comprising half of the total exports. As a result, industries need to take steps to diversify its exports in the future. The foreign trade data reviewed in this report have shown that the Philippines has always been a net importing country. Except for the year 2000, the country has posted consistent deficits in its overall balance of trade. If not for the overseas remittances that have steadily increased through the years, the country's balance of payments position would have been affected given the country's weak trade and export performance. This is despite the country entering into numerous trade agreements both at the regional and bilateral levels. At present, the country has a total of eight free trade agreements (six are via ASEAN and the two are with Japan and EFTA). Save for Japan and the United States, the Philippines has been a net importer from its major trading partners, with whom it has trade agreements and special arrangements with.

Why has the country not been able to maximize its trade agreements to its advantage? One possible reason could be because there is still low awareness of the trade benefits that Filipino firms, especially micro, small, and medium enterprises, can enjoy through such agreements. In addition, a lot of companies also find it difficult, costly, and tedious to avail themselves of these trade privileges.

Chapter 3 also looked at how the country's existing trade arrangements managed to include labour issues. Except for the two bilateral FTAs with Japan and EFTA countries, the Philippines' current set of FTAs do not have labour provisions. In addition, while the bilateral agreements with Japan and EFTA countries have references to adhering to labour standards, these agreements do not include enforcement and monitoring mechanisms. As important trading partners such as the US and EU countries now include labour provisions systematically in their trade agreements, it is crucial for the Philippines to consider how such provisions serve national objectives. Especially with respect to any trade agreements that the country is currently negotiating, it would be advisable to hold inclusive and participatory consultations on the issue not only with stakeholders with business interests but also social actors such as workers' groups and civil society organizations.

If Chapters 2 and 3 sought to assess the current trends in trade and employment, then Chapter 4 attempted to situate them *vis-à-vis* past and recent studies conducted on the impact of trade on employment. Based on the literature reviewed, the consensus that has emerged from past and recent studies on this topic is that the country is yet to realize broad-based benefits from the trade policies that it has pursued, albeit there have been some gains from its trade policies (e.g. opening up of new industries, particularly the IT-BPO sector and the increasing influx of FDI in the last four years). Problems like rural

poverty, income and wage inequalities, agricultural decline, perceived failure of agrarian reform, a stagnant employment share of industry and trade deficits still persist. As discussed extensively in Chapter 4, various domestic and external social, political, and economic factors, alongside the possible effects and pressures from trade policies, might have likely contributed to such outcomes. As such, the prediction of massive economic benefits from open and liberalized trade has yet to be fulfilled.

In this regard, the final section of this report focuses on how the country could improve and enhance its trade and employment policies through more thorough and careful assessments and reviews of past policy actions and future trade decisions that it might take and consider.

5.2 Research and policy gaps and possible ways forward

Based on a literature review and analysis, this report identified the following research and policy gaps that need to be filled in order to align trade policy in the Philippines with the country's national employment objectives.

Need for more thorough assessments of the impact of past, present, and anticipated trade policies on jobs and working conditions

Despite some positive gains, past trade policies have not fully lived up to their promise to deliver the purported economic benefits that come with trade liberalization. By doing more detailed evaluations of past trade policy decisions, lessons could be learned to adopt or adapt trade policies and strategies for not just short- or medium-term gains but long-term and more lasting, positive economic, and developmental impacts. These evaluations would probe further on how international trade policies could have directly or indirectly contributed to current socio-economic problems and challenges such as the casualization or “contractualization” of labour; the persistence of poverty (especially among agricultural workers and rural households); the uneven sectoral distribution of wealth, income, and employment; and the gender gaps and inequalities at work. The evaluations would focus on what particular trade policies worked and what did not work to alleviate these problems and challenges, and how successful trade policies could be continued or improved.

On top of the export revenue, foreign direct investment, technology transfer, and economic growth that may have been generated in the short- to medium-term, it is highly important to look at the more long-term and lasting impacts and consequences that past trade policies have had on jobs. It must be stressed that, in measuring the employment impact of trade, the focus should not just be simply on the number of jobs that were generated or destroyed but more on changes in the quality of employment (i.e., wages and working conditions). By considering employment quality, trade policy assessments could better determine the relationship between, on the one hand, a country's international trade and export competitiveness, and, on the other hand, workers' welfare.

Future policy research could also review the current set of trade agreements and special export privileges that the country enjoys (e.g. Philippine FTAs via ASEAN, PJEPA, EFTA, US GSP, and EU GSP+). Such research could take a look at the challenges in complying with the obligations and responsibilities contained in these agreements, particularly those pertaining to employment and labour standards. They could also assess how these trade arrangements and privileges help improve the labour situation in the country and identify the lessons that could be useful in improving and enhancing, for example, the government's labour law compliance and inspection system, especially in relation to export sectors and manufacturing industries. Socio-economic assessments of trade agreements that are being negotiated with prospective trade partners and regional economic grouping are also very much needed. Such assessments would be particularly valuable in terms of helping the Philippines consider and decide whether or not to enter into said trade agreements and arrangements.

It would also be prudent for government and policy-makers to anticipate threats that might possibly arise from emerging issues and trends in international trade that could likely affect the Philippine economy and labour market. Although not included and discussed in this report, these possible emerging trends include the threat of automation to jobs and the possible fallout from the ongoing global trade wars between major world powers. The government could take proactive steps by thoroughly assessing the implications of such scenarios on the Philippines' trade and employment and come up with sound policy prescriptions that are intended to support labour-intensive industries that might be affected, such as electronics and IT-BPO.

More so, future research could also consider building upon the previous studies reviewed in this report, especially the quantitative studies conducted by Aldaba (2013b) and Cororaton and Corong (2006). However, future studies must consider and offer new approaches and insights that would differentiate them from earlier research by pursuing an ex-post analysis of relevant trade and employment indicators instead of an ex-ante computable general equilibrium (CGE) analysis, for example. In this way, the study of the effects on trade and employment would rely less on simulations and projections and more on actual impact assessments.

Need for broader stakeholder participation and stronger institutional coordination on international trade matters

Aside from conducting thorough socio-economic impact assessments and studies on the effects of trade policies and agreements, what is also crucial is to broaden stakeholder participation in international trade matters and discussions by including representatives not only from the business sector but also from labour, trade unions, civil society, and other non-government entities, organizations, and grassroots communities that could be affected in the long run. The inclusion and involvement of social partners and relevant stakeholders in discussions on trade matters may be instrumental in expanding the issues and topics traditionally contained in trade pacts by incorporating concerns on labour standards, environmental protection, public safety and health, and transparency in government procurement, among others. In addition, stakeholder participation also helps to institute accountability not just on the part of government but also on the part of both workers and employers to ensure that labour and other socio-economic rights are respected in these agreements and arrangements and that implementation and monitoring mechanisms and structures become effective and responsive to workers' issues and concerns.

While stakeholder participation is crucial, it is also vital that all concerned government agencies and offices are included and involved in discussions on trade matters. One mechanism that convenes relevant government offices to discuss trade issues is the Committee on Tariff and Related Matters (CTRM), which aside from tackling tariff matters also coordinates the national government's position on various international trade and economic agreements and negotiations (NEDA, 2019). Nonetheless, it is still important to strengthen institutional coordination at the inter-agency level, especially when dealing with sector-specific issues that could be potentially affected by prospective trade agreements, such as those concerning labour, skills, and human resource development, among others. Doing so would help ensure convergence, coherence, and clarity when it comes to formulating and implementing a common Philippine policy, position, or strategy on international trade agreements that also takes into account the labour and social impacts of international trade.

Need for more coherent trade, labour, and industrial policies, provision for stronger social safety nets and promotion of socially-responsible labour and business practices

As extensively discussed in this report, one of the possible contributing factors to the Philippines' inability to fully realize the benefits of trade is the lack of coherence between trade and labour policies and the failure to strategically sequence the country's trade policies. Many economies in East Asia have been

successful in this regard, such as Japan, South Korea, Thailand, and Malaysia (Bello, 2014). According to Bello, although these countries promoted exports, they still supported their domestic industries, cautiously and selectively pursued trade policies, and complemented their trade and industrial policies with social asset reform programmes, such as income equality and genuine agrarian reform and land redistribution, which helped expand and accelerate domestic growth. This view was also taken by the ILO's Working Party on the Social Dimensions of Globalization (WP/SDG) when it stated that the countries that were considered to be "East Asian economic miracles" did not actually undertake a "big bang" approach to trade and economic liberalization but, instead, pursued a more balanced and neutral trade regime through selective export promotion coupled with a coherent domestic industrial development strategy (ILO WP/SDG, 2001). However, the WP/SDG also noted that other developing countries would need to ensure and check whether or not they had the capacity to replicate or adopt similar policies and strategies that led to the so-called East Asian economic miracle.

The current set of Philippine trade policies still need to be contextualized and fine-tuned, especially with regard to resolving possible trade-offs among proposed programmes for industrial and export development and wage productivity promotion. Hence, a key possible step would be to carefully consider a mutually-agreed sequencing of trade, industrial, and labour policies in order to maximize the long-term gains for decent work despite exposure to increase global competition. Moreover, the formulation of more coherent trade, labour, and industrial policies should also lead to the revitalization of the country's key sectors, such as agriculture and manufacturing, through industrial linkages. As noted in Chapter 1, efforts are already underway towards developing a national industrial policy. In recent years, the government has taken steps to craft a comprehensive national industrial strategy and sectoral blueprints such as the Philippine Export Development Plan (PEDP), Manufacturing Resurgence Programme (MRP) and the Comprehensive Automotive Resurgence Strategy (CARS), which are all designed to not just boost export and manufacturing activities but also create industrial jobs.

Following the country's liberalization of trade, which exposed domestic companies to foreign competition, most Filipino businesses and conglomerates shifted their economic activities to services. Trade liberalization also spurred OFW remittance-driven consumption spending activities. In this regard, the challenge is to entice local businesses and conglomerates to re-invest in sectors and industries where there is high optimal value for job creation and labour productivity. Key to this could possibly be the formulation of incentives that would potentially redirect investments in economic sectors and activities that have better job-creating potential, such as agribusiness and manufacturing. Nonetheless, it must be noted that the shift towards services has not been only negative. It has also paved the way for new industries to emerge and develop, such as IT-BPO, financial services, and tourism. The crucial part, however, is to ensure that the services sectors that are emerging are high-end services that can provide decent, gainful, and productive employment and wages.

But more than just focusing on strategies that could boost exports and industry, government and policy-makers must also anticipate possible challenges that could likely arise from international trade. In approaching issues relating to trade policies, every effort must be exerted to ensure that social costs arising from such measures must be lessened and kept at the minimum, like the impact of price changes to the poor, devastation of markets that are very critical to poor and small producers, and changes to labour demand. In this regard, such efforts to make trade and employment policies more coherent should also be accompanied by active labour market policies and social protection and safety net programmes that not only protect workers' rights and welfare during times of economic downturns and trade disruptions but also provide them with assistance for job search, labour mobility facilitation and opportunities to re-tool, re-skill, and retrain themselves. In particular, a possible step that could be taken is to reassess how, for example, the DOLE's adjustment measure programmes during times of crises (e.g. the Comprehensive Livelihood and Emergency Employment Programme implemented during the 2008-2009 Global Economic Crisis) could be more than just a stop-gap and temporary measure but instead a more durable tool for social protection

designed to shield people, especially workers, from economic shocks and vulnerabilities. Future research could also take a look at how existing socio-economic programmes such as the Comprehensive Agrarian Reform Programme (CARP), conditional cash transfers (CCTs), and reproductive health (RH) services could be possibly tied or linked to industry roadmaps and sectoral blueprints particularly on agriculture, manufacturing, and skills development in order to ensure sustainable, equitable, and inclusive trade and economic policies that would benefit and work for all sectors.

Finally, aside from sound government policies and stronger social safety nets, it would also be worthwhile to consider highlighting good and socially-responsible labour and business practices, especially in trade and export activities, which hopefully could serve as models for other companies and bridge the gap between trade and labour standards, address issues on child labour in export value chains, promote freedom of association, protect workers' rights, and boost labour productivity, among others. In this regard, adherence to labour standards becomes not just a responsibility of the government but also that of the industry and the labour sector. At a time when social awareness and consciousness and public demand for sustainable and fair trade and value chains practices and processes is increasing, especially in developed countries that are potential overseas export markets, full adherence to labour standards in the context of international trade becomes not just mere regulatory compliance but more importantly, a national and collective developmental responsibility and task that all concerned actors, players, and stakeholders from government, workers, employers, business and civil society must share and fulfil together.

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APPENDIX
Promising agricultural commodities for production as identified
by Usui (2012) and Aldaba (2014)

Study	Usui (2012)	Aldaba (2014)	Paderon (2017)
Method of determination	Product space analysis (determining “nearby” but still unexploited products)	RCA	RCA – post-ATIGA (2013) Top exports
Products	Fish fillets, frozen Refined sugar, etc. Flours and meals of meat, fish, etc. Greaves Fish, dried, salted or in brine; smoked fish	<p>Classic products (high RCA in past, high in present) Fish, etc., prepared, preserved Crude vegetable materials Tobacco (unmanufactured) Vegetable, textile fibers Fixed vegetable fat, oils</p> <p>Emerging champions (low RCA in past, high in present) Milk and cream Tobacco, manufactured Worn clothing textiles</p> <p>Marginal products (low RCA in past, low in present – but may be rising) Cereal preparations Edible product preparations Non-alcoholic beverages</p> <p>Disappearing products (high RCA in past, low in present – could indicate need to increase value-addition/sophistication) Sugar, molasses, honey Cocoa Natural rubber Animal vegetable fats, oils Animal feed stuff</p>	<p>Philippines to Indonesia Tobacco and manufactured tobacco substitutes Animal vegetable fats and oils, cleavage products</p> <p>Philippines to Malaysia Cereal, flour, starch, milk preparations and products Rubber and articles thereof Animal vegetable fats and oils, cleavage products</p> <p>Philippines to Singapore Edible fruit, nuts, peel of citrus fruit, melons Animal vegetable fats and oils, cleavage products Tobacco and manufactured tobacco substitutes Vegetable, fruit, nut, food preparations</p> <p>Philippines to Thailand Tobacco and manufactured tobacco substitutes Cereal, flour, starch, milk preparations and products</p> <p>Philippines to Viet Nam Fertilizers Residues of wastes of food industry, animal fodder Tobacco and manufactured tobacco substitutes</p>

Philippines to Brunei
Vegetable, fruit, nut,
food preparations
Cereal, flour, starch, milk
preparations and products
Meat, fish and seafood
preparations
Beverages, spirits and vinegar

Note: ATIGA = ASEAN Trade in Goods Agreement, RCA = revealed comparative advantage.
Sources: Usui (2012), Aldaba (2014).

The impact of trade on employment in the Philippines: Country report

In the absence of an integrated approach in trade and employment policies, a country is unlikely to achieve inclusive growth; sustainable and equitable development; and decent, gainful, and productive employment for all. As one of the fastest-growing economies in the world today, the Philippines needs to sustain its upward economic momentum while also capitalizing on its current growth gains to finally resolve serious and long-standing socio-economic issues, such as worsening poverty, high unemployment, low wages, increasing prices and costs, and widening social inequalities, among others. Reviewing its trade and employment strategies and policies thus becomes necessary for the country. This Report presents how trade policies have impacted decent work outcomes in the Philippines, and how, based on empirical data and evidence, the links between trade policy and decent work principles can be strengthened so that benefits more Filipinos. It is a reference for economic planners, policy-makers, development specialist, labour advocates, and researchers working to make trade result in more employment, improved working conditions, and better socio-economic outcomes.

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