

Where are the poor employed? Profiling the working poor

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Jncusive growth is one of the most popular topics nowadays in economic and development discourses about the Philippines partly because it remains an elusive goal for the country. One of the primary reasons for the non-inclusivity of economic growth and thus the persistence of poverty in the Philippines is the lack of productive employment. Despite the gains from increased globalization and regional economic integration, key indicators of productive employment have not been posting remarkable progress recently. Another trend that deserves utmost attention is the increasing proportion of poor workers (Usui 2011; BLES 2013). This implies that the country's level of productivity has not been enough to lift significant number of workers out of poverty.

This *Notes* is intended to raise understanding on the impacts of low education on the employment outcomes of the poor. It analyzes the profile of the working poor based on data from the Labor Force Survey (LFS) and Annual Poverty Indicators Survey of the National Statistics Office and looks at possible interventions that can promote inclusive growth.

How educated are the working poor?

The poor, in general, have lower levels of education because they tend to prioritize their daily basic needs and put lower investment in education (Banerjee and Duflo 2007). Local studies on poverty correlates (e.g., Tabunda 2000 and Balisacan 1997)

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note that members of poor households more likely have lower levels of education. Indeed, as data show, the poor population (aged 5 and over) has higher proportion of less-educated¹ members than the nonpoor (Figure 1). This pattern is also observed among the working poor². More than half of the working poor completed elementary, while the rest only have some elementary education. The majority of the more-educated poor workers are either high school graduates or have some high school education; only a few completed college.

Where are the poor employed?

The working poor are concentrated in the agriculture/forestry/fishery sector³, specifically crop growing, fishing, agricultural and animal husbandry service activities (except veterinary activities), farming animals, and forestry, logging and related service activities (Figure 2)⁴.

The other sectors absorb the remaining one-third of the working poor. Roughly 10 percent are engaged in retail trade (except

¹ In this *Notes*, less educated refers to a group of persons who are at most elementary graduates.

² Similar pattern was observed in other years, i.e., 2003–2009 using the matched files of LFS and Family Income Expenditures Survey (FIES) and 1994–2007, as noted in Hasan and Jandoc (2009).

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⁴ Employment in subsectors was examined only for 2011 since patterns in sectoral employment did not significantly change over time, i.e., from 2003 to 2011.

⁵ Informal wage employment refers to type of employment wherein workers have no formal contracts and neither entitled to benefits nor social protection, regardless of whether enterprises are formal or not (Cuevas et al. 2009).

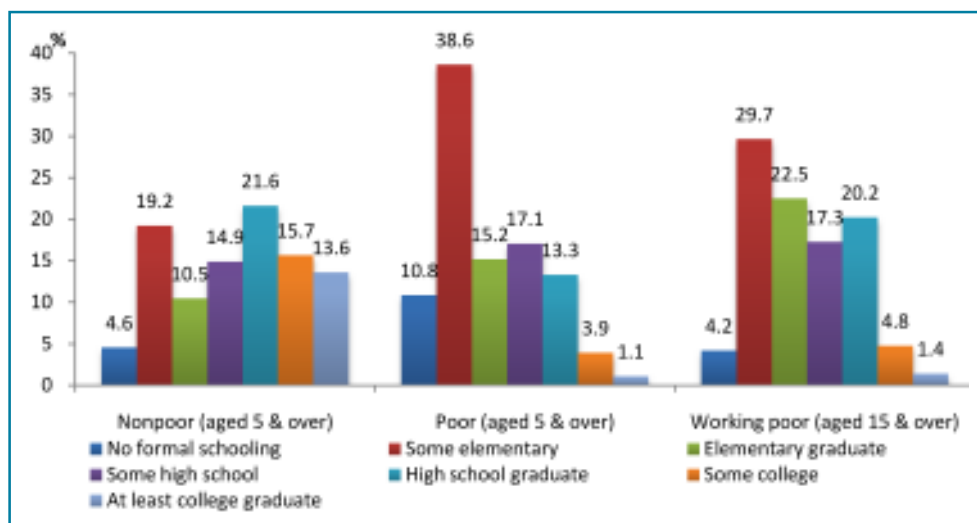
of motor vehicles and motorcycles). Around five percent each are employed in private households and construction while 4.6 percent are working in land transport/transport via pipelines. Some are also employed in a few manufacturing subsectors such as wood/wood products (except furniture), food products and beverages, textiles, and wearing apparel, accounting for around four percent. Other manufacturing subsectors, including the more capital-/skilled-labor-intensive manufacturing subsectors (e.g., electronics and automotive parts and components), employ less than one percent of the working poor.

What is the quality of employment of the poor?

Fifty percent of the poor workers are laborers and unskilled workers—the lowest paying occupational group. The majority of them are found in agriculture. Laborers and unskilled workers are also considered the largest occupational group in a number of sectors, notably in private household activities, mining and quarrying, agriculture/hunting/forestry, and construction (Figure 3). Except for mining and quarrying, the aforementioned sectors are among the biggest employers of the working poor.

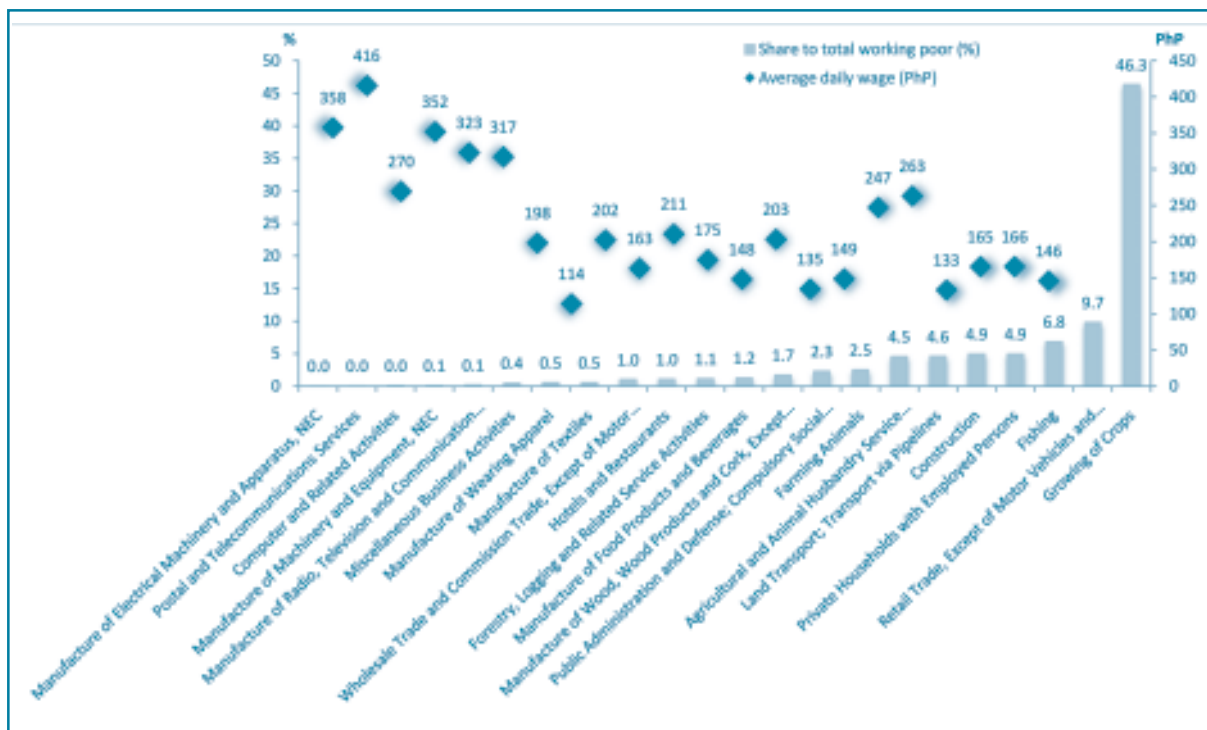
One-fourth of the working poor either have short-term employment or are hired by different employers, or engaged in informal wage employment⁵. Aside from lack of job security, they are beset by low wages,

Figure 1. Percentage distribution of poor and nonpoor population aged 5 and over and of the working poor by highest educational attainment (%), 2011



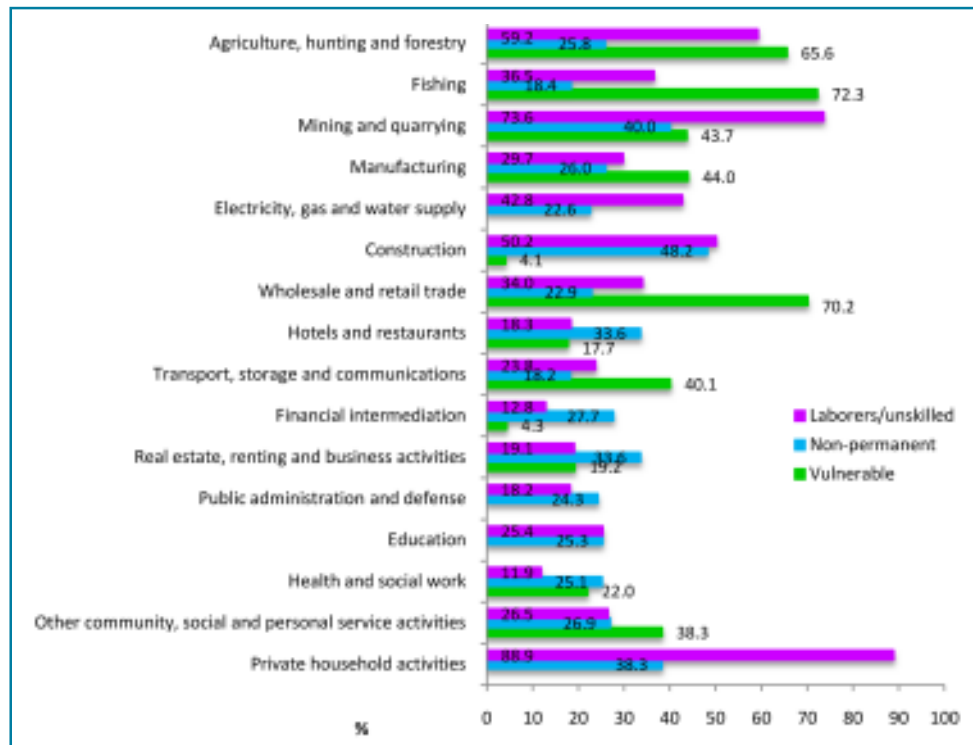
Source of basic data: Matched files of Labor Force Survey (LFS) (July 2011) and Annual Poverty Indicators Survey (APIS) 2011, National Statistics Office (NSO)

Figure 2. Share to total working poor (%) of and average daily wage of less-educated wage/salary workers (PHP) in selected subsectors, 2011



Note: Figures do not sum up to 100 percent since other subsectors were not included.
Source of basic data: Matched files of LFS (July 2011) and APIS 2011, NSO

Figure 3. Percentage distribution of poor workers who are vulnerable, nonpermanent and laborers/unskilled by sector (%), 2011



Note: Vulnerable workers = self-employed + unpaid family workers; Not permanent workers = short-term workers + workers hired by different employers.

Source of basic data: Matched files of LFS (July 2011) and APIS 2011, NSO

earning less than permanent wage earners (Hasan and Jandoc 2009). They make up a sizeable proportion in agriculture, construction, mining and quarrying, and private household activities.

Moreover, more than half of the working poor are considered vulnerable workers⁶, and roughly two-thirds of them are engaged in

agriculture. Five other sectors also absorb more vulnerable workers, namely: fishing, wholesale and retail trade, agriculture/hunting/forestry, manufacturing, and mining and quarrying. It should be noted that earnings of poor self-employed are comparable with those of poor casual wage workers, and are significantly lower than those of permanent wage workers (Hasan and Jandoc 2009; Banerjee and Duflo 2007).

How much are the wages of the less educated?

Less-educated workers receive low wages. Wage earners with elementary level

⁶ ILO (2009) defined vulnerable workers as those who are self-employed workers (without paid employees) and contributing family workers since they usually have relatively higher risk of getting zero or negative income in the face of economic, natural, and other types of shocks. These workers are also said to have informal work arrangements and less likely to have access to employment benefits or social protection programs.

education or less receive an average wage of below PHP 200 per day (Figure 4). The average daily wage of those who finished high school is around 32 percent higher than that of elementary graduates, and the wage differential increases with the level of education.

While the agriculture sector absorbs the majority of the working poor, the wages of less-educated workers in this sector are unfortunately among the lowest. The largest employers of the poor also offer low wages (around PHP 133–PHP 166 per day) to less-educated workers: crop growing, retail trade, fishing, and private household activities (Figure 2). Low-skilled labor-intensive manufacturing subsectors such as textiles, wood/wood products, and food products/beverages—the top three manufacturing subsectors that absorb the largest number of poor people—also give very low wages to the less educated (ranging from PHP 114 to PHP 175 per day). Textiles and wood/wood products are the lowest paying manufacturing subsectors.

On a positive note, wages offered by land transport and construction, subsectors that also provide employment to a large number of poor, offer higher wages to less-educated workers (amounting to around PHP 247 and PHP 263 per day on average, respectively). In addition, forestry/logging, wholesale trade/commission trade, and public administration provide an average daily wage of above PHP 200 per day to less-educated workers.

Increasing globalization and regional economic integration have brought significant growth in a number of sectors. One of the sectors that have benefited much from globalization in recent years is the services sector. The main growth driver of this sector has been the information and communications technology (ICT)-based tradable services, notably BPO, which has also been considered as the country's newest area of comparative advantage since the early 2000s.

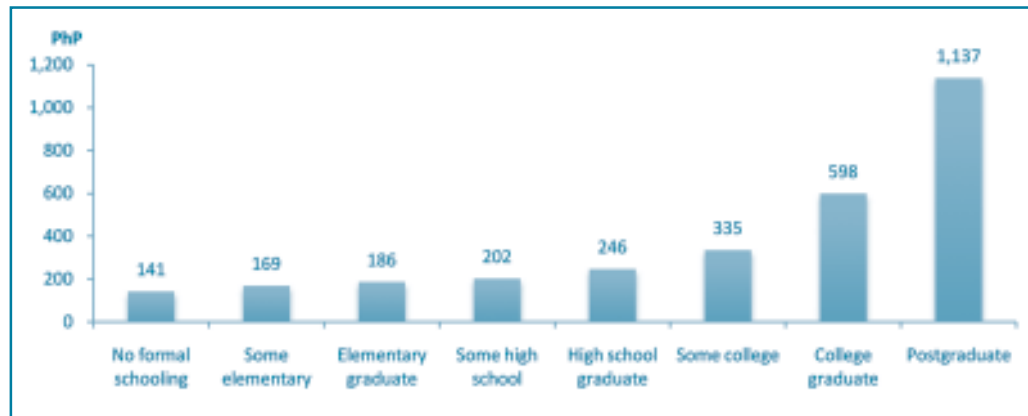
Among the highest paying subsectors are business process outsourcing (BPO)⁷ (which can fall under postal and telecommunications services, computer and related activities, or miscellaneous business activities) and the more capital-/skilled-labor-intensive manufacturing subsectors such as electronics, machineries, and automotive parts and components. These subsectors offer an average wage of above PHP 250 per day to less-educated workers. However, labor absorption in these subsectors is very limited mainly because they have higher educational or skills requirements. In fact, less than one percent of the working poor are employed in these subsectors, and the majority of them have some high school education.

Which sectors are growing?

Increasing globalization and regional economic integration have brought

⁷ BPO is composed of the following: contact centers, software development, transcription, animation, as well as backroom operations, data processing, database activities, online distribution of electronic content, financial and accounting services, and business and management consultancy services.

Figure 4. Average daily wage of wage/salary workers by educational attainment (PHP), 2011



Source of basic data: LFS (July 2011), NSO

significant growth in a number of sectors. One of the sectors that have benefited much from globalization in recent years is the services sector. The main growth driver of this sector has been the information and communications technology (ICT)-based tradable services, notably BPO (Intal et al. 2010), which has also been considered as the country's newest area of comparative advantage since the early 2000s. Exports of ICT-based services have been growing at over 50 percent recently (Usui 2011). In fact, they are considered the fastest growing industry in the country.

The country's participation in regional production networks has also resulted in the significant growth of some manufacturing subsectors. Electronics (i.e., semiconductor assembly, packaging, testing) and automotive parts (i.e., wiring harnesses and transmissions) largely comprised the total exports for the past decade (Aldaba and

Aldaba 2010). There had also been significant expansion in electrical machinery, appliances, and supplies during the past two decades (Intal et al. 2010).

Meanwhile, a number of manufactured and agricultural products have gained from tariff reductions provided for in the Philippines-Japan Economic Partnership Agreement (PJEPA). From 2008 to 2009, export volumes of certain products increased by at least 20 percent, such as women's skirts, cotton-made (72%); coconuts, prepared (36%); women's coats, cotton (35%); mackerel, prepared (35%); and bananas and mangoes, prepared with sugar (20%) (Medalla and Ledda 2013).

Policy implications

To achieve more inclusive growth and significant reduction in poverty, it is important to address the problem from both the demand and supply sides. Demand for

less-educated workers (who are generally the poor) needs to be increased so that more poor workers can earn higher wages.

A potential source of increased labor demand is a more dynamic manufacturing sector. Many manufacturing subsectors, particularly those participating in regional production networks, can give higher wages to less-educated workers, but these subsectors have lower labor absorption due to low productivity. If they can take advantage of the opportunities brought by regional production networks to increase their productivity, they can absorb and provide higher earnings to a greater number of less-educated poor workers. Aldaba and Aldaba (2012) highlighted some concrete measures on how the manufacturing sector can be revived and can become more competitive.

Some higher-paying sectors that absorb many poor workers, such as the wholesale and retail trade, construction, transport/storage/communications, should also grow so that they can absorb more poor people, especially the temporary wage workers in the agriculture sector.

It is also equally important to increase productivity in the agriculture sector, where the majority of the working poor are currently employed, if the government wants to reduce poverty more quickly. Apparently, the manufacturing and other sectors that give relatively higher pay to less-educated

It is also equally important to increase productivity in the agriculture sector, where the majority of the working poor are currently employed, if the government wants to reduce poverty more quickly. Apparently, the manufacturing and other sectors that give relatively higher pay to less-educated workers are not big enough to absorb all the poor workers in the agriculture sector.

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Appropriate interventions should also be formulated for self-employed workers. Hasan and Jandoc (2009), as well as Banerjee and Duflo (2007), noted that the self-employed belonging to the middle-income group are “not capitalists in waiting”. They can thus be encouraged to shift to more secure and higher-paying wage employments. Meanwhile, for those aiming at becoming entrepreneurs, the interventions may be in the form of credit assistance, skills development trainings, and other forms of technical assistance.

Moreover, it is important to upgrade the quality of labor being supplied by the poor. This can be done by increasing access to primary and, more importantly, secondary and tertiary education so that they can take advantage of employment opportunities that can provide higher wages. Improving the quality of labor supply is a good long-term strategy that will help increase the technological capabilities and

competitiveness of firms, especially those that participate in regional production networks (World Bank 2010). 

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