

# Full-Employment **Decent Work and Sustainable Livelihood for All**

## INTRODUCTION

In the past, whenever the economy would fall into a crisis, unemployment would worsen and the poor would be badly hit. Seven years since the 1998 recession and counting, the economy has been enjoying the longest per capita growth streak in the past 25 years. Yet only six out of ten Filipinos of working age are employed today – unchanged from what it was at the start of the current growth cycle.

Despite the longest growth streak, unemployment and underemployment have not recovered from the crisis levels of 1998. Unemployment remains as bad as joblessness at the height of the 1998 crisis, while underemployment has worsened. While much attention has been given by government, media and the international lending community to the country's chronic fiscal deficit, little is being done about the deepening jobs crisis.

Between April 2001 and April 2006 the economy generated 3.9 million new jobs or only 770,000 a year – less than the number of new entrants to the labor force. Because the generated jobs were not enough to absorb the new entrants, every year at least 300,000 young Filipinos joined the ranks of the unemployed. It is highly unlikely that the Arroyo government can meet its own target of one million jobs a year – unless she fools around with statistics the way she fooled around with our votes.



**The unemployed are young; in 2004 nearly half of them were 15-24 years old, and nearly three-fourths were 15 to 34 years old.**

**The unemployed are schooled. Nearly half of them finished high school or college. Those who did not complete their elementary education constitute less than a tenth of the total unemployed.**



In contrast, the bulk of those looking for more work – the underemployed – have lower educational attainment. In 2004, less than a fifth of them completed college or higher. More than half (71%) were male. Half of them were wage and salary workers. In 2005, the bulk of the underemployed (45.8%) worked in agriculture. Seven of nine underemployed in agriculture were working less than 40 hours a week.

Joblessness today remains at crisis levels. Using the old<sup>[1]</sup> definition of unemployment, for the last five years there have been 11 unemployed Filipinos for every 100 with jobs. (We are referring here to working age Filipinos 15 years old and above.) Among the employed, the ranks of underemployed workers (workers with jobs who are looking for additional work) are also rising – from five million in 2001 to 6.7 million in 2005. In 2004 and 2005, when the economy (GDP) grew by a record<sup>[2]</sup> six percent and five percent, respectively, we had 10 million to 11 million Filipinos who were either unemployed or underemployed. A fifth of our working age population are underutilized – wasted, so to speak.

This paper is an argument for placing the goal of full employment at the core of a platform for development. We must make decent work for all our main national objective and priority, and accordingly adjust and coordinate all other policies to be consistent with this goal. Admittedly this is a tall order, but it can be done if we commit ourselves to it and undertake a thorough and rigorous effort to seriously think through all its implications. More importantly, it must be done if we are to develop in a way that would benefit the less advantaged in our society and bring us forward as a people.

### WHAT WE MEAN BY WORK

Work—hanap buhay— is a means of ensuring and sustaining our physical and economic security, and providing our human needs, not only for the present, but for the future as well. More importantly, it is a means of developing our innate human potential and releasing our creative energies. It enables us to live decently, and upholds and reinforces our human dignity.

Work is an integral part of Filipino life, and as such, it must complement—not supplant—all other facets of Filipino life. Work must empower all members of the family especially women and the youth. It must transform rather than reinforce inequality along the lines of gender, class and race.

Reproductive work within the home—more commonly known as the unpaid work primarily of women—nurtures life, thereby sustaining the family and society. It is this circle of largely unpaid, seldom recognized work that determines how healthy, how well nourished, clothed, educated, and protected the members of the family are—infants and children, the elderly, students, income earners, etc.

Because it is largely unpaid, the significance of reproductive work has traditionally been ignored in discussions on work and the economy. Its importance becomes apparent in the worst of times, when government is unable to deliver basic social services, when the market renders such services too prohibitive for ordinary Filipinos, or when the family's income earners lose their jobs and its fresh graduates can't find any. This also explains the disproportionate burden Filipino women often bear, as they must also contribute to the household income in order to sustain the family, in addition to undertaking reproductive work. In many cases women enter the informal sector in search of needed cash—or go abroad.

Decent work is organically linked to life and the sustenance of life. It presupposes the absence of any type of discrimination before, during and after employment on the basis of gender, religion, race, class, etc. The social protection of workers and their families is also an important aspect of decent work. Decent work satisfies our human needs, not only for production and reproduction but for leisure as well. Through decent work, we are able to contribute positively and creatively to society and to the development of our country. There is dignity in work; at the same time, work dignifies our humanity.

For paid labor, decent work also means adequate pay and full respect for the right to self-organization. Today this is becoming increasingly difficult to assert for workers in the formal economy, and even less so for those in the informal sector.

Filipinos need work or livelihood that enables them and their families to live decently and prepare for the future. The pressure to earn adequate incomes increases in the face of the weak and inadequate delivery of such basic social services as health, education, housing, and increasingly costly private provision of water and electricity.

Decent work presupposes choice, but ones made freely. There are many factors that influence our choice of work, and each factor influences each one of us differently. But we also recognize that in a jobs crisis, the choices we are forced to make can be cruel and inhuman. That some Filipinos have knowingly risked their lives for a perilous low paid job in war-torn Iraq or Afghanistan, to avoid certain hunger and hardship at home where there are no jobs, cannot be called decent.

Work must be dynamic. Depending on where we come from and how far we progress, the nature and quality of work also changes. A farmer's notion of decent work is no doubt different from that of a college graduate with a degree in computer science, or that of a graduate of fine arts, and even that of an out of school youth. For each and every one of us there must be prospects of development and improvement, both as individual workers and as members of society. The knowledge and experience we accumulate through the years will also shape our own changing notions of decent and fulfilling work. As we ourselves and as our society and economy develop, there must be room for the nature and quality of work to change as well. There must be mechanisms to ensure that all of us are able to adjust to these changes, since some are less able to adjust easily than others.

### **JOBLESSNESS**

The Philippines in the 21st century faces a major crisis of mass unemployment and underemployment. As of July 2006 4.4 million Filipinos are jobless (old definition) while another 7.8 million lack adequate work. That is a third of our labor force who are underutilized. There are 18 million more Filipinos of working age who remain outside the pale of official statistics. In the next five years, close to two million Filipinos per year (1.9 million, to be precise, according to the National Statistics Office) are expected to become of working age and could join the labor force.

Joblessness among workers in the age group 15-24 is an alarming 24% for men and 28% for women<sup>[3]</sup> Young workers account for half of the jobless population. Just as unemployment erodes workers' skills, high unemployment among the youth undermines the quality of the future workforce.

College education is no longer an assurance of a job, let alone a good job. Unemployment among college graduates is a high 14%, while those with lower education suffer from underemployment. Overseas employment offers the only hope for an increasingly skilled and frustrated labor force. Ironically, investing in human capital is no assurance of employment in the country but probably raises the chances of a learned Filipino to find work abroad.

The inadequacy of jobs is manifested in the rising underemployment rate: from 17.6% in 2004 to 21% in 2005, and 23.5% in July 2006. Underemployment is most severe in the Bicol region (40% in July 2006), where poverty is a serious problem. The poorest provinces can be found in the other regions where the underemployment rate was highest in July 2006: Northern Mindanao, Eastern Visayas, Soccsksargen, <sup>[4]</sup> Western Visayas, Autonomous Region in Muslim Mindanao (ARMM), Zamboanga Peninsula, Davao, Cagayan Valley, and Mimaropa.

Segregation is rising in the world of work. On the one hand, globalization has brought unseen opportunities to an elite corps of highly skilled, often young professionals, even as a dwindling number of workers continue to be employed by a shrinking number of increasingly concentrated global firms. On the other hand, a large and growing proportion of workers take up marginal jobs distinguished by ingenuity, low productivity, and diminishing returns.

Degradation of employment is more rapid and widespread. The informal sector has emerged as the

major source of new employment. Largely undiminished in the agricultural sector, informal work dominates the services sector, notably in trading, transportation, household work, and other private services. Marked by long hours, low pay for most and unpaid labor for many, unsafe work conditions, constant victimization by the police and other local authorities, and the absence of social protection, informal employment far from disappearing continues to absorb an increasing share of workers, particularly women.

Within the formal sector, non-regular and casual forms of employment are on the rise. The proportion of contractual employment in the formal sector nearly doubled in the last 15 years. If this trend continues, nonstandard work will soon be the norm, characterized by precariousness, unsafe working conditions, relatively lower pay, and the lack of legal rights to unionize.

When jobs are scarce, the tendency to discriminate among job applicants becomes the norm: better a male applicant over a female, better a Christian over a Muslim, better one educated in the top universities in Metro Manila than one schooled in the provinces. In the present jobs crisis, those among us whose prospects for work and livelihood are already diminished by such prejudices face even more uncertainty – a bleak future.

Growth and employment creation under globalization and neoliberalism have been grand failures. Abandoned and marginalized by the dominant strategy, full employment must be restored at the center of the development agenda.

### WHY FULL EMPLOYMENT

The Philippines is not without success stories when it comes to job creation – manufactured exports in the 1970s to the 1990s, IT-enabled services in the 2000s, and overseas employment throughout. By and large, however, these successes have been unrelated to the historical task of building a progressive domestic economy, without which, history tells us, talk of economic take off is simply that – cheap talk. Geared to meeting the demands of rich economies and not the needs of our people, these success stories have failed to reinvigorate a distressed economy. In the long haul, they are unsustainable or, in the case of overseas work, exact unacceptably high social costs.

Put differently, sustainable job creation cannot be divorced from the task of building a progressive domestic economy, a dynamic mix of productive capacities interlinked in a virtuous cycle of rising productivity, higher wages, growing demand, greater employment, newer technology, and even higher productivity. Employment provides the link between rising productivity and rising incomes, a cumulative historical process the presence or absence of which accounts for the huge disparity in living standards between rich and poor countries.

Mass unemployment and wide inequalities in wealth and income are at the root of the scourge of mass poverty. To attack poverty without tackling these is to treat the symptoms of the disease rather than its causes. Yet this is what the international development community has been up to. With increasingly sophisticated analytical methods, fashionable anti-poverty rhetoric, and much media fanfare, form is substituted for substance. Worse, the world is made to believe that poverty can be eradicated with massive doses of foreign aid – not to mention world class celebrity.

The United Nations' millennium development goals (MDG), for example, fall short of recognizing that the inability of developing countries to provide decent jobs for their people is severely constraining their ability to reduce poverty. Because MDG programs are not anchored on full employment, they are at best palliative measures in countries like the Philippines.

This is not to belittle the efforts particularly at providing immediate relief to the poorest of the poor. Immediate relief often spells the difference between life and death. But MDG programs cannot be sustained without radically altering the development framework to center on full employment.

Full employment to be effective needs greater equity. Thus it must directly address the structural problem of inequality in wealth and income—long skirted by the globalization and neoliberal policies, as well as the MDG programs and strategies—to the benefit of the elites whose wealth and political power still spring from their control over property. Meaningful asset reform has not occurred and efforts to undertake these since EDSA I have been disappointing. Genuine agrarian reform is long overdue, and it cannot and must not be avoided. On the contrary efforts to fully implement it must be renewed and the program overhauled. Asset reform is the key to providing farmers and rural folk with the incentives to improve their productivity. This combined with a viable livelihood and support program for asset reform beneficiaries could contribute significantly to the development of the rural areas, where most of the poor reside.

Asset reform should also provide the needed impetus to push the elite and privileged classes out of their predominantly rent-seeking mode. At the same time, asset reform while necessary is not sufficient to address poverty and mass unemployment. Sustainable livelihood and adequate quality employment are needed so that our people can generate greater wealth that will directly accrue to them.

Economic reforms pursued in the last three decades have emphasized macroeconomic stability (price and exchange rate stability, sustainable fiscal and balance of payments balances), trade liberalization, privatization, deregulation, and creating free markets, extolling these as ends in themselves. They are not: Rather, they are means to generating greater wealth, the material basis for eradicating poverty. But it is mainly through adequate quality employment that the majority of our people can have access to that wealth, thereby obtaining a chance to escape from poverty. In the end, there can be no stability in the midst of huge unemployment and mass poverty; productivity is a bane rather than a boon to labor when it leads to job losses; and efficiency is for naught when there are no more industries (the term refers to clusters of economic activity in general) around to create jobs.

A development strategy must demonstrate internal coherence of policies and consistency in pursuing the goal of creating decent work for all. Policymakers lose their credibility when they insist on price stability, but openly court financial crisis and instability with capital liberalization. They paint themselves in a corner when they aim for balanced budget while undermining revenue generation with trade liberalization. In all cases, they sacrifice jobs and livelihoods.

Full employment must be the central goal of an alternative development strategy. As such the component policies of such alternative strategy must converge towards the objective of creating decent and adequate quality employment. The search for efficiency, productivity and competitiveness must be linked to job creation to avoid the perverse outcomes that has come to accompany mainstream policies. Markets must serve people, that is, enhance their livelihoods, not take it away from them.

The pursuit of full employment must be consistent with our values, aspirations and ideals as a people, without at the same time reinforcing cultural biases and norms that tend to discriminate against some of us on the basis of gender, class, race, ethnicity or religion. It must respect the integrity of the environment, the rights of indigenous people, of farmers to own the land they till, the diversity of cultures.

It must also be open to changing those values and traditions that are biased against women, and that inhibit the full empowerment of women in our society. It must be sought within the framework of economic and political democracy, uphold fundamental human rights, including labor rights and basic labor standards, and promote the ideals of universality, equality and solidarity.

Finally, full employment is a goal that the major sectors of Philippine society can rally around: the underemployed small farmers and farm laborers who need productive farm and non-farm employment; the fisherfolk who are among the most food insecure, and who have to cope with depleted marine resources due to environmental destruction and big fishing; the urban poor who are deprived of livelihood and source of adequate income and have little options when there is no money in their pockets; overseas workers who have been forced to leave the country for lack of decent employment; women workers in the informal sector who face increasingly inhuman working conditions; the youth who more than anyone else face the risk of unemployment and a highly uncertain future; workers in the formal sector who are increasingly threatened by job losses, the rise of nonstandard forms of employment, and whose bargaining power is eroded by high unemployment.

### WHAT WE MEAN BY FULL EMPLOYMENT

Full employment means that every Filipino who is of working age and who is looking for work is gainfully employed. Making full employment the central target of the country's development strategy means that decent jobs matter most and everything else must coherently follow suit. Working towards full employment requires a comprehensive and well coordinated policy approach – reversal, in some cases – that would (1) bring down the unemployment rate, (2) absorb the yearly addition to the work force of roughly 1.4 million young Filipinos, and (3) provide adequate jobs to reduce underemployment.

Full employment means adequate quality employment. It is synonymous to the goal of decent work for all. Decent work has been defined in an earlier section as having several dimensions: access to employment, productive and remunerative work, equality at work, rights at work, and social dialogue. Decent work is universal, but it adapts to a society's history, culture, and level of development. It is dynamic and changes with time.

Achieving full employment should not just be about addressing unemployment. For people who can't make ends meet unemployment is not an option. Poor workers are compelled to take on whatever work is available, however demeaning this may be, and however insufficiently low they are paid for their labor<sup>[6]</sup>. This is underemployment.

If the problem of underemployment is addressed this will be a strong indication that poverty is indeed being addressed. This is because underemployment is THE PROBLEM of poor Filipino households. On the other hand, where no coherent policies, programs and long-term economic strategies are being pursued to address unemployment and underemployment the seriousness of a government's poverty alleviation program has to be doubted.

Full employment then is desirable because little else will solve poverty and because it will later lead to increased rewards to working in the country – so that going abroad and leaving one's family to find a living is rendered largely unnecessary. Reports of economic growth and progress are best evaluated using the yardstick of full employment.

Most countries that aim for full employment do not target 100% employment, but a rate that is close to 100%, say, 97% to 99%. Before the Washington Consensus became the orthodoxy in economic thinking, it was a widely held view that unemployment of 10 percent or more was harmful to a country's development. The Washington Consensus changed all that. It took the goal of full employment out of macroeconomic policy, supplanting it with the goal of price stability. It then shifted labor policy to the realm of microeconomic policy. This and the push towards neoliberal globalization, most faithfully implemented in the Philippines than in any other Asian country, has contributed significantly to the massive jobs crisis our country now faces today.

» **Full employment in the context of participatory socialism**

Working towards full employment is not necessarily conditioned on a thorough and complete transformation of property relations. So what would make Akbayan's call for full employment consistent with its overall framework of participatory democracy and participatory socialism? For one, it puts ordinary Filipinos—our most valuable resource—at the heart of our development agenda. For another it is an emphatic rejection of neoliberal economic policy and disastrous practice. But it is also more than a simple rejection, it is a serious attempt to craft an alternative set of policies that would make full employment doable.

At the same time it acknowledges several truths: that the economy is stagnating rather than developing and can hardly be described as vibrant even by capitalist standards. That it needs this vibrancy before we can even start talking about socialism. That as a young party we ourselves are in search of the answers to the problems besetting our country and our people. That we have much to learn and are committed and determined to acquire the knowledge needed in order to effectively contribute to building and spreading patches of green throughout the country. It is through building patches of green that we are sowing the seeds of socialist transformation.

» **In relation to agrarian reform**

A thoroughgoing agrarian reform—dismally absent to this day—would have to create two mechanisms that would initiate the classic step-wise process leading to full employment. First, the distribution of land assets creates an increased demand for labor. Small farms are more labor intensive compared to the large haciendas. Large estates more often relied on mechanized farm technologies that would allow landlords to easily monitor the effort put in by their tenants and farm workers. Small farms in contrast would not need to rely on too much monitoring of worker effort as the core employees in small farms are usually members and close acquaintances of the extended family. Then as more work becomes available in the small farms excess labor is absorbed. Incomes begin to rise, which in turn creates non-farm economic activity as well as a greater demand for consumption and producer goods produced in urbanizing areas. The absorption of labor in the small farm and the related rise in rural wages causes rural labor to become more costly relative to mechanized production and prompts a shift towards the use of more machinery in farms. This too creates a powerful economic impulse that leads to greater investment in the production of industrial goods in the urban areas. Rural workers in search of higher wages find work in the urban areas that have been economically energized by the demand for consumption and industrial goods from the now flourishing rural economies. Reciprocally, the high productivity in rural areas keeps food prices down and prevents urban industrial wages from going up. This becomes the basis for the expansion to export markets. This is the story of our East Asian neighbors.

Like the bus that took the wrong turn, it would seem that no short cuts are available. The Philippines will have to retrace its path and try to achieve economic momentum in the step-wise manner of its successful neighbors. This is admittedly an arduous but necessary process.

#### » **Role of government in relation to job creation**

The goal of full employment is and ought to be the central focus of government. Businesses and firms care less about providing jobs and more about improving their bottom lines. In order to maintain, if not grow, the latter, they may even sacrifice jobs thus contributing to unemployment. For this reason the responsibility for full employment cannot be vested in the private sector. It is the government that should care about the people's welfare, government that should worry when there are not enough jobs for all its citizens. Government must be responsible for full employment, and must account to the people what it is doing to achieve this.

The government is itself a provider of jobs and through non-debt spending can stimulate the economies of local communities and national industries. But its key role in promoting and achieving full employment is in fine tuning policy to generate a virtuous cycle of rising productivity, higher wages, growing demand, greater employment, newer technology, and even higher productivity. This requires serious study, both at the theoretical and empirical levels, of dominant neoliberal and alternative policies with regard to macroeconomic stability, trade, monetary and fiscal policy, rural and industrial development, and the like. In all probability, an overhaul of established policy is required.

#### » **Mix of immediate and long-term implications**

Immediate relief is necessary for the millions who have no work or who have given up looking for work. So there is a dimension of this call that must immediately address the severe unemployment situation in the country. At the same time, unemployment cannot be resolved overnight and will require the coordination of macroeconomic, fiscal, monetary, trade, agro-industrial, investment, education and other policies. It will require a long-term strategic view that identifies the industries and sectors that would generate decent jobs; that identifies the skills and knowledge needed for such industries, and puts in place the programs needed to develop such skills and knowledge. Some of the skills and knowledge must be purposively developed, but there must also be room to simply release the creative energies of our people, especially the youth, and forge new paths towards new patches of green.

#### » **Our platform vis-à-vis Mrs. Arroyo's promise of job creation**

The Arroyo government claims that job creation is its primary goal. In reality, its overriding concern for political survival is what is driving its policy decisions, however negatively these may impact on the jobs crisis. Furthermore, its actual policy thrust is to maintain price stability and achieve fiscal balance, primarily to ensure its continued access to credit in the international credit markets. In this sense, job creation is incidental to these macroeconomic objectives and plays a less than central role in macro policy.

The Arroyo government's pledge to generate jobs lacks a thorough understanding of the problem of joblessness. Because of this, many of its established policies in fact aggravate the jobs crisis rather than alleviate it. Indiscriminate trade liberalization and the lowering of tariffs have threatened industries and therefore jobs. The overriding need to keep inflation down is maintaining a high unemployment rate, despite empirical studies showing that there is in fact

room for relaxing monetary targets in order to create jobs. Spending cuts and higher indirect taxes inhibit growth rather than stimulate the economy. A peso that is appreciating against other currencies undermines rather than protects jobs, and penalizes overseas Filipinos who have been forced to leave the country in search of work.

Rather than completing agrarian reform, the Arroyo government is subverting it, resulting in the further consolidation of land ownership. Rather than upholding the ancestral domains of indigenous communities, the Arroyo government is unabashedly pushing for the entry of mining interests, further undermining the fundamental right of indigenous peoples. To add to their insecurity, the push towards mining endangers an already threatened environment.

Nor does the Arroyo government have an industrial or rural development plan to ensure that all Filipinos have decent jobs. On the contrary, any job will do, no matter how low-skilled, how fleeting, and how inadequate it may be. Like the elections and the impeachment vote, it's all about numbers – and convincing the international credit ratings agencies that the government is “reforming”.

### » **Re-establishing economic linkages being undermined by globalization and neoliberalism**

Full employment will start off the process of re-linking various economic sectors and actors together. Years of trade liberalization and other neoliberal economic reforms have resulted in the national economy exhibiting some dysfunction. Small producers are no longer linked to consumers in the city. Agriculture no longer provides crucial inputs to industry. And in order to survive, families must cope with physical separation and years of absence of a beloved parent or family member. There is no virtuous cycle that exists at present that generates jobs, raises incomes, and strengthens the domestic economy as well as export markets. Instead, economic growth does not necessarily translate to job creation or increased tax revenue. Despite high unemployment and underemployment, it is still consumer spending, financed by OFW remittances, which is the biggest source of growth. Investment spending is dismally low, and no effort is made to address this problem even as tax holidays continue to be granted to big business. Production has become intensely dependent on imports, but no effort is made to correct this problem especially because OFW remittances turn the trade deficit into a current account surplus.

Increasing financialization of corporations and industries is also diminishing the leverage and bargaining power of employed labor. The traditional link between workers productivity and corporate profitability is being supplanted by financial wheeling and dealing that has made mergers and acquisitions a venue to amass profits. This undermines the power of employed labor to disrupt production in order to bargain for better wages and working conditions.

Also the link between productivity and compensation is being cut by the global trend towards contractualization of labor.

### » **Building local economies**

A development strategy centered on full employment in the Philippines needs to build local economies and economically empower communities. In order to be sustainable politically, socially, economically and environmentally, it must accord the highest priority to the needs of community stakeholders. There is greater opportunity for doing this today because advances in technology and business organization have made possible “the achievement of all the important

economic advantages of scale in non-hierarchical but decentralized and networked organizations. It is now possible for the communities—the village, the market town and the small cities—to be the primary units of organization, of management, of planning and resource administration, and even accounting. They can now be networked through a participatory, bottom-up decision process that makes democracy a day-to-day process of ‘administration by the administered’ rather than a periodic exercise of a people’s prerogative to select the leaders who will be their masters.” [7]

A program to build local economies will also facilitate the reintegration of overseas Filipinos by providing them with opportunities to contribute, through their hard-earned savings, to the creation of sustainable livelihood, thereby making it economically viable for the overseas Filipinos to return home. A dynamic domestic economy built on empowered local communities makes overseas employment less necessary for Filipinos still in the country, while making it more attractive for overseas Filipinos to live and work in the Philippines “for good.”

### **WHAT A CENTRAL POLICY ON FULL EMPLOYMENT IMPLIES**

A development strategy centered on full employment carries many implications for the whole range of macroeconomic, financial, monetary, trade, fiscal, rural, industrial, investment, enterprise development and education policies. The authors of a white paper proposing a full-employment approach for the Americas stress that a holistic approach to full employment is needed for this goal to be attained.

A full-employment framework for development needs “a more holistic and coordinated approach to economic policymaking that promotes human development and social equity through job creation and the expansion of economic opportunities. It requires the development of a new strategy for national and regional development, wherein macroeconomic management, productive sector policies, and the development of each country’s human potential must be pursued simultaneously, as part of a coherent whole.” [8]

Clearly an attempt to pursue an employment-centered approach to development requires serious in-depth study of all the policy implications and requirements consistent with this approach. Boldness is also required in digressing from neoliberal orthodoxy.

### **MACROECONOMIC POLICY: MONETARY, FISCAL AND EXCHANGE RATE POLICY**

With the generation of sustainable livelihood and decent work for all as their central objective, a dynamic mix of monetary, fiscal and exchange rate policies, combined with capital management techniques, should make possible the achievement of full employment. In order to support this central goal, its other objectives would be stable growth, inflation compatible with long-run growth, the avoidance of crises and effective responses to short-term economic fluctuations.

Monetary policy has focused on controlling inflation, but even this policy must have full employment as its main goal, subject to inflation constraints. Taxation and expenditure policies are critical instruments for enhancing infrastructure, supporting development finance institutions, financing human resource development, and investing in research, technology and innovation policies.

Government spending must be carefully designed and targeted to maximize productive investments in the abovementioned areas. At the same time, fiscal policy must in the long run be sustainable. The developmental role of fiscal policy would be undermined by heavy indebtedness,.

substantial debt service payments, weak tax collections and income inequality. Progressive taxation and progressive spending would be needed to boost job creation. Progressive spending leads to increases consumption, investment and human resource development. Progressive spending would consist of capital spending on social and economic infrastructure, and spending on the delivery of social services such as health, education, safe water and adequate sanitation. When these are crowded out by large debt-servicing burdens, then there is no guarantee of long-term growth and political stability.

Tax collection should be efficient and appropriate to support a “sustainable level” of deficit financing. At the same time, the impact of other reforms such as trade liberalization on the shrinking of the revenue base of the government “must be taken into account and appropriate adjustments made—either in terms of identifying alternative revenue sources or modifying the reform strategy.” [9]

An employment-centered tax policy also means that the current system of granting tax holidays and other incentives to investors must be substantially altered.

The real exchange rate is important in determining the level of economic activity and employment in the short run. It also is important in determining investment incentives in tradable sectors. The resulting investment shapes long-run patterns of economic growth, job creation and industrial development.

The real exchange rate influences the sustainability of the balance of payments and the reliance on foreign savings – debts – to supplement domestic resources. A strong peso, bolstered primarily by external borrowing and by remittances of overseas Filipinos who can't find work at home, could undermine exports, encourage import penetration, and increase the current account deficit. Borrowing of foreign funds or short-term capital inflows have served to close the gap. But these have not been productive; have not expanded the real productive capacity of the Philippine economy. Instead, external debts have simply been expanded and growth has slowed down.

The goal of an alternative exchange rate policy should be to preserve a “competitive real exchange rate” that would limit import penetration of capital and intermediate goods (and thus protect jobs). Three goals of such a policy would be:

1. *Prevent appreciation of the real exchange rate*
2. *Maintain influence over short-term interest rates and monetary aggregates*
3. *Create disincentives for destabilizing short-term capital flows.*

Maintaining a competitive real exchange rate also means that the Bangko Sentral ng Pilipinas must re-orient itself. While it claims to have a policy of floating exchange rates, the BSP has tended to favor an appreciating peso.

Prudent techniques must be adopted to limit a country's vulnerability to the negative consequences of short-term, speculative capital flows and investments. Two broad sets of policies are referred to here. These are (1) strategic regulation of domestic financial markets and institutions in order to protect the domestic financial sector; and (2) policies that govern cross-border private capital flows.

Techniques include controls on short-term inflows, and policies that attract long-term productive capital while at the same time discouraging “hot money”.

## STRATEGIC TRADE, INVESTMENT, ASSET REFORM AND PRODUCTION POLICY

Strategic trade, investment and production policies must be forged in order to expand domestic market opportunities, while at the same time, revitalize regional integration that promotes employment through investments in regional infrastructure, production, technology and human resource capabilities.

Furthermore, an effective employment-centered macroeconomic policy must be “coupled with an appropriate mix of investment, trade, and production strategies that expand domestic markets and capabilities...”<sup>[10]</sup> A framework to transform and strengthen the productive sector must have a medium- and long-term time horizon, must combine both horizontal and vertical strategies, and must use a mix of market and non-market instruments.

These would include: industrial upgrading to higher value-added activities, policy interventions and strategies that would create a virtuous cycle between economic growth and FORMAL<sup>[11]</sup> job creation; increasing productivity of and returns to labor in informal activities; and maintaining a strong set of social policies to protect vulnerable workers.

Policy tools are needed to facilitate formal job creation. These should serve to enhance labor productivity, ensure that productivity gains translate into real income gains and higher purchasing power for households. Domestic activities must be linked with each other and support each other. In particular, the link between agriculture and industry must be consciously developed. Technology and knowledge must also be more rapidly diffused in order to improve productivity. Incentives may be needed to encourage technology and innovation. Examples of these would be setting up a science and technology innovation fund supported by public sector contributions and mobilization of private resources, to support the upgrading of strategic industries.

The successful implementation of these policy tools should serve to expand the domestic market, create new opportunities for private sector investment, and improve international competitiveness.

The government must be able and willing to discipline special interests and rent seeking behavior. It must also strengthen the institutions of government charged with implementing agricultural, industrial and trade policies. The overhaul of the existing poorly designed and badly implemented agrarian reform program is a crucial element to address political, social and income inequality, and provide the impetus needed for industrial development.

Agrarian reform must be accompanied by a revitalized rural development strategy to create employment opportunities in the countryside. Carefully targeted strategies must be formulated to address access of rural folk to resources, markets, finance, rural infrastructure, and technology. Agricultural extension services must be redesigned and improved to diffuse technology and knowledge among small producers, small enterprises, and marginalized sectors.

Trade (through all forums: multilateral, regional, bilateral) must be consistent with the goals of job creation, industrial and agricultural development. “Unmanaged trade and financial liberalization ... cannot be expected to build dynamic comparative advantage – the basis for achieving growth, employment, and equity goals.”<sup>[12]</sup> The objective of trade policy must be industrial upgrading and development. This way we avoid “the trap of specializing in low-value added exports based on production and assembly operations that depend on imported components and inputs and have little long-term growth potential.”<sup>[13]</sup>

We should also deepen regional integration “to create new domestic and external market opportunities.” Employment is promoted by expanding investments in regional infrastructure, technology and human resource capabilities. Regional integration is a means to create economies of scale within which industrial policy becomes more feasible. Complementarities among the region’s members are leveraged, and networks of production distribution and marketing are expanded. An outcome of this would be the raising of living standards. “An effective process of regional integration will also require that more developed countries exercise greater responsibility in promoting the development prospects of smaller and less developed countries in the region.”<sup>[14]</sup>

## **MOBILIZING FINANCIAL RESOURCES**

Fiscal policy, rent management and development finance institutions are the channels through which financial resources can be mobilized to support a new employment-centered development framework. These resources are needed to implement policies that support investment, introduce new technologies, upgrade industries, and diversify production.

There must be an effective mechanism for rent extraction of natural resources (petroleum, natural gas, geothermal power) to support productive sector development throughout the country. This also means that implicit subsidies arising from private extraction of natural resources must be reduced if not removed. Care must also be taken to avoid over extraction.

State-owned development financial institutions must be adequately capitalized. These have a major role to play in the “strategic allocation of low-cost credit with less stringent collateral requirements to priority sectors and investments.” (p. 25) But development finance need not be limited to public or quasi-public spheres. Partial credit guarantees and asset-based reserve requirements can be effective instruments and incentives to private financial institutions. Needless to say credit markets must be effectively regulated.

## **NEEDED: INVESTING IN PEOPLE**

There are two general policies to pursue to effectively invest in a country’s most precious resource – its people. These are: ensuring access to productive social assets, and social protection.

Income inequality has not diminished much over the last 30 years, and agrarian reform has not served to empower the marginalized farmers and their families. Ensuring access to productive assets means that a serious redesign of agrarian reform and its comprehensive and thorough implementation are needed in as short a time as possible. This combined with progressive fiscal, tax and credit policies can provide the majority of our people who are poor with the resources they need in order to live and prosper decently. The importance of asset reform cannot be over-stressed. A highly unequal income distribution poses a challenge to social cohesion and political stability. Furthermore it undermines long-term growth, investment and development prospects.

Thanks to the World Bank and the IMF, public policy making and spending has mainly focused on creating safety nets for the poorest, while essential public services are being privatized. The country’s working poor and middle class do not always have the means to access private social services, and must increasingly rely on public health and educational institutions whose services are deteriorating if not overstretched.

A dynamic mix of public and private social service providers, networks and institutions is needed to ensure social protection for all. “Both systems may well complement each other in most cases if adequately regulated and defined. As such, public institutions should be strengthened to constitute

the basis of a redesigned, mixed, public-private social protection system that ensures increasingly universal coverage to essential services.” [15]

Highly active social policies that promote social protection, mobility, and human capital development include public investments in educational services, skills building, training, research and technology—all of which serve to boost labor productivity and employment incomes. Government must adequately fund such services as part of its long-term investment strategy.

“The importance of unpaid care work must be explicitly considered when developing social policy interventions. Social policies should recognize the importance of and support the provision of caring labor, but do so in a way that does not reinforce existing gender inequities.” [16]

Social policies must ensure equal access to basic services and social infrastructure including nutrition, sanitation, housing and healthcare. Social protection are also needed in case of crises or economic shocks to income and employment, adverse labor market shocks; to promote safe and fair working conditions (extend coverage to informal sector); and to guarantee decent employment opportunities.

Instruments for social protection include government transfer payments to the unemployed, the poor and the elderly, increased school enrollment and improved access to healthcare, improved the functioning of low-wage labor markets (to help low-wage workers search effectively for employment opportunities). Transfer programs can serve as “automatic stabilizers – introducing a countercyclical element into fiscal policies.” [17]

### **MICRO, SMALL AND MEDIUM-SCALE ENTERPRISES**

The development and growth of micro, small and medium-scale enterprises (MSMEs) is a vital component for the attainment of full employment and the reduction of poverty. Philippine MSMEs constitute 99.7% of all business firms in the country, and employ nearly 70% of the total workforce, with micro-enterprises employing an average of 38% of employees in all categories. MSMEs likewise contribute over a third of sales and value-added. MSMEs tend to be labor-intensive, which allow them to readily absorb the unemployed workers in a community, and make them productive.

MSMEs thus have the potential to generate substantial employment and make more substantial contributions to the national economy. The economic development of many developed and developing countries—including New Zealand and Singapore—has been fueled by the development of their MSME sector.

However, the growth of the Philippine MSME sector has been hindered by the following factors:

- » Lack of access to formal credit and financing;
- » Lack of adequate infrastructure for doing business (which has generally led to the concentration of MSMEs in urban centers, primarily the National Capital Region);
- » Inadequate access to information, including:  
Knowledge about market opportunities;
- » Management and professional know-how;
- » Lack of enabling environment for entrepreneurship; and
- » Lack of incentives.

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A development framework centered on full employment must prioritize the development of this vital sector, and not merely pay lip service to entrepreneurship. Some of the policies it must undertake to develop the sector include:

- » Create an environment that allows access by MSMEs to formal credit and financing. In short, foster an environment that encourages the private sector to engage in micro-financing (this is what EO 138 did, and which EO 558 has now abolished), and compels government financial institutions to allocate a certain percentage of its credit resources to MSMEs (as provided for under the Agri-Agra Law and Republic Act No. 8289).
- » Encourage venture capital financing;
- » Rationalize and strengthen the incentives system for MSMEs;
- » Encourage MSMEs to go into production and similar activities that add value; not just simply engage in trading (the BMBE law or RA 9178 extends incentives to MSMEs that are engaged in trading; this was not the policy in the previous SME laws)
- » Provide adequate local and national infrastructure (i.e., electricity, internet connection, roads, transportation systems) that will facilitate the movement of goods and services, and encourage the establishment of MSMEs in the countryside, which is where employment is needed most;
- » Establish and strengthen linkages between suppliers of raw materials, the MSMEs, and the end-buyers/consumers. Encourage LGUs to support their local MSMEs and to facilitate trading and commerce between adjacent LGUs and their respective MSMEs.
- » Provide support mechanisms in terms of skills development, business mentoring and counseling, and the like;
- » Provide national support in terms of marketing and promotion of MSME products both locally and abroad. (Thailand has been particularly successful in this regard as their national government has been aggressively promoting and marketing Thai products in international markets.)
- » Encourage OFWs to invest their money in entrepreneurial ventures instead of consumer products

## WHAT NEEDS TO BE DONE TO HAVE FULL EMPLOYMENT

In summary, in order to develop this platform further, Akbayan must undertake serious study in order to develop an in-depth understanding of how current macro, monetary, fiscal, trade and other policies have hurt employment rather than helped it. This way, we can then identify the policy shifts and reversals that are needed in order to have a coherent and comprehensive development framework centered on full employment.

Several key measures need to be emphasized. These are:

- » Complete agrarian reform.
  - » Both exports (of higher value products) and local economies should be promoted.
  - » Regional integration is essential.
  - » Develop market-labor regulations that strengthen labor standards, not dismantle them.
  - » Social dialogue is a must in order to respond effectively to the challenges of globalization.
  - » Counter-cyclical jobs program also needed.
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## FOOTNOTES:

1. In April 2005, the Arroyo government changed the way it counts the unemployed, apparently to paper over the problem of high and rising unemployment. It added a third criterion – availability for work – in counting the unemployed, which resulted in a lower unemployment rate compared with the old definition. By excluding those unavailable for work in the labor force, the new definition not only lowered the number and proportion of the unemployed, it also lowered the labor force participation rate. The latter is the ratio of the labor force to the working age population (15 years old and above).
2. By Philippine standards, a 6% growth in GDP is high. But in Asia, this is among the lowest.
3. Using average of labor force data for the four survey quarters of 2004.
4. Includes the provinces of South Cotabato, North Cotabato, Sultan Kudarat and Sarangani, as well as General Santos City.
5. Occidental Mindoro, Oriental Mindoro, Marinduque, Romblon and Palawan.
6. Results by Alba and Esguerra [1999] suggest that a worker on average would prefer to be fully employed until his unemployment income exceeds Php9,000 – an income significantly above the poverty line and above average incomes in the formal sector – before opting for unemployment.
7. Sixto K. Roxas, “A Revolutionary Manifesto for our Times,” Speech before the PRRM on the occasion of its 54th anniversary, 17 July 2006.
8. Mario Cimoli et al., *The Americas at a Crossroads – Putting Decent Work Back on the Development Agenda, Globalization and Development Forum White Paper 1*, published by the Carnegie Council on Ethics and International Affairs, New York, ©2005, [www.carnegiecouncil.org](http://www.carnegiecouncil.org), pp. 30-31.
9. *Ibid.*, p. 18.
10. *Ibid.*, p. 20.
11. Formal jobs tend to be more protective and less exploitative of women and children.
12. Mario Cimoli et al., *The Americas at a Crossroads – Putting Decent Work Back on the Development Agenda, Globalization and Development Forum White Paper 1*, published by the Carnegie Council on Ethics and International Affairs, New York, ©2005, [www.carnegiecouncil.org](http://www.carnegiecouncil.org), p. 24.
13. *Ibid.*
14. *Ibid.*
15. *Ibid.*, p. 28.
16. *Ibid.*
17. *Ibid.*, p. 29.

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