



## ► Policy Brief

June 2022

# Skills development and lifelong learning in the Philippines

## Challenges for trade unions<sup>1</sup>

### Key points

- The Philippines is a major supplier of overseas labour, and the remittances from overseas Filipino workers are an important source of earnings for the country.
- The largest occupational group of overseas workers is elementary occupations. Its share has risen from a third in 2015 to two fifths in 2019.
- In 2018, a new law ensured free access to TVET for certain segments of the Filipino population. By explicitly identifying persons aged 15 or older who are not in employment, education or training as intended recipients of training support, the law brings much-needed attention to the skills challenges facing youths.
- The employment rate of TVET graduates has been improving, but wide regional variations remain.
- Trade unionists are represented on the boards of labour market decision-making bodies, such as the National Wages and Productivity Commission and the Technical Education and Skills Development Authority.
- Trade unions are very active in multiple aspects of TVET implementation, including training provision.
- The Philippine Qualifications Framework has received endorsement for inclusion in the ASEAN Qualifications Reference Framework.
- The recent launch of the Philippine Skills Framework Initiative marks a revival of attempts to improve standards for the nation's TVET system.

### ► Introduction

This brief examines the policy framework for skills development and lifelong learning in the Philippines, provides a macroeconomic perspective of the outcomes

and identifies areas of potential weakness. It also analyses the social and demographic context within which the main policy challenges arise while focusing on the developments in the economy and labour market that have provided the impetus for the policy changes.

The Philippines has the third-largest economy in South-East Asia in nominal US dollar terms (fourth in purchasing

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power parity-adjusted terms), after Indonesia and Thailand.

Pummelled by the COVID-19 pandemic, the Philippine economy suffered a severe contraction of a negative 9.6 per cent in 2020, one of the worst-hit in the world. This is its deepest recession in 60 years and is inflicting severe economic damage to a country already severely scarred by natural calamities in the past two decades alone. At its trough in the second quarter of 2020, the gross domestic product (GDP) shrank 15.1 per cent quarter-on-quarter, much worse than the decline in its last technical recession during the Asian financial crisis that began in 1997.

In 2020, three fifths of GDP was accounted for by the services sector, which is a large proportion among middle-income economies. After reaching a peak of 31 per cent of GDP in 1974, the contribution of the agriculture, forestry and fishing (hereafter, agriculture) sector's value added began declining. By 2020, it was at 10.2 per cent. Similarly, the contribution of manufacturing value added to GDP also peaked in 1973, at 26.6 per cent, before gradually declining to 17.7 per cent in 2020. The Philippine construction sector's value-added accounts for 10.7 per cent of to GDP, about the same as agriculture.

Overall, trade performance has been weak, with the trade balance in deficit for much of the time since 1990. The trade surpluses with the United States, Europe and Africa continue to be overwhelmed by the large deficits with the rest of the world, especially Asia. A substantial amount of the trade deficit is with its ASEAN counterparts.

The largest export markets for the Philippines are Japan and the United States, which together account for 30 per cent of all exports. The majority of exports are manufactured goods, with electronics and electrical equipment and parts and telecommunication equipment making up more than half of all exports. While agricultural products account for a relatively small proportion of exports, the Philippines is the world's second-largest producer of coconut and coconut products, and the third-largest producer of bananas and plantains. In recent years, the country has focused on high-technology manufacturing. In 2019, the Philippines saw its high-technology exports ranked 17th in US dollar value globally. Making up 62 per cent of its manufactured exports, this is the second-largest proportion behind Hong Kong, China.

The Philippines has seen promising growth in service exports over the past two decades, with total value reaching two thirds of that of its goods exports. Among lower-middle-income economies, its service exports have become the second largest after India in dollar value. Its service trade balance is also in much better state than its

goods trade balance, having been in continuous surplus since 2002.

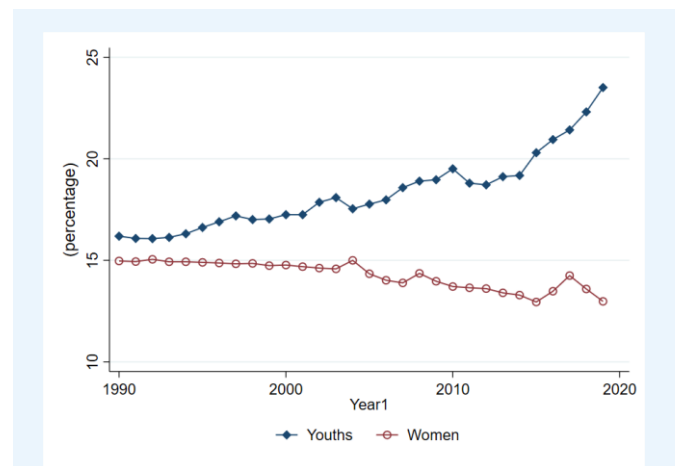
Beginning in 2010 and until 2019, labour productivity improved on the back of sustained good economic growth. In 2017, labour productivity growth leapt to a high of 9 per cent, aided by a temporary surge in agriculture productivity.

The poverty rate has seen slow but steady improvement. In 2018, 2.7 per cent of the population lived on less than \$1.90 a day (2011 purchasing power parity), falling from 13.7 per cent in 2000.

In an important sign of improving labour market conditions, overall unemployment began to decline in 2014, from the 3.7–4 per cent range it had held since the early 1990s, reaching a low of 2.2 per cent in 2019. In 2020, it deteriorated to 2.5 per cent before recovering slightly.

The labour force participation rate (LFPR) had been stable, at about 62 per cent, for more than two decades before dropping by about 2 percentage points in 2017 (figure 1). It also saw a sharp drop due to the COVID-19 pandemic, to 57 per cent in 2020.

► **Figure 1. Labour force participation rate gaps of youth and women, 1990–2020**

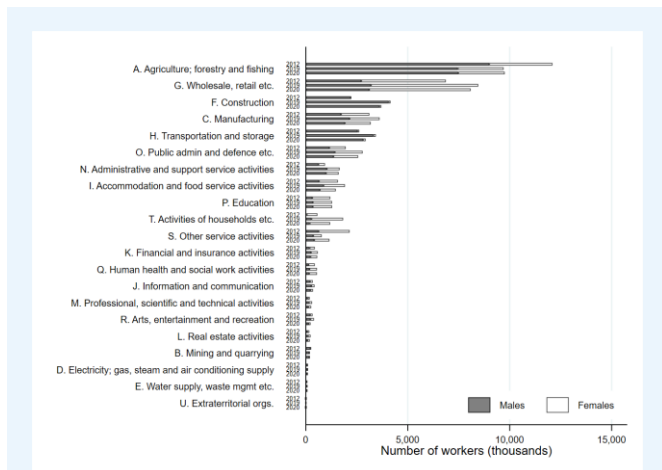


Note: The labour force participation rate (LFPR) gaps are derived as the difference between the LFPR of the overall working age population and the LFPR of youths and females respectively. The rise in the LFPR gap for youths shows that youth LFPR has been falling compared to the overall LFPR. Source: World Bank, World Development Indicators (2022). Author's calculations based on the following series: labour force participation rate for ages 15–24, total (percentage) (modelled ILO estimate) [data file], <http://data.worldbank.org/indicator/SL.TLF.ACTI.1524.ZS>; labour force participation rate, female (percentage of female population aged 15+) (modelled ILO estimate) [data file], <http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS>; labour force participation rate, total (percentage of total population aged 15+) (modelled ILO estimate) [data file], <http://data.worldbank.org/indicator/SL.TLF.CACT.ZS>.

The main contributors to the fall are the decline in LFPR of youths and, to a much smaller extent, of men. The LFPR of youths has been following a gradual downward trend over the past three decades. As a result, the gap with the overall LFPR widened to more than 23 percentage points when the LFPR for youths touched a low of 36.5 per cent in 2019 (see figure 3).

The abrupt drop in youth LFPR in 2016 can be attributed to the first batch of students going on to the 12th and 13th year of the extended years of compulsory education under the Enhanced Basic Education Act of 2013 (R.A. 10533).<sup>2</sup> As a result, the entry of youths in that age group into the labour force was delayed. In contrast, the gap between the overall and female LFPRs has shown a very small decline as a result of the rising rate among women aged 24 and older.

► **Figure 2. Employment, by sex and sector, 2012, 2019 and 2020**



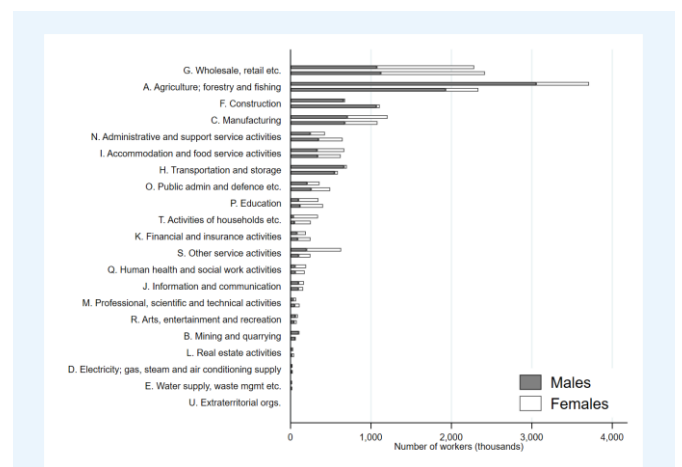
Note: (1) The figure shows the number of workers in each sector of economic activity in 2012, 2019 and 2020. The sectors of economic activity compare the subsectors of services with the major non-services sectors. The latter comprise agriculture, manufacturing and construction. This classification scheme is based on Statistics Division, UNDESA, *International Standard Industrial Classification of All Economic Activities: Revision 4, 2008*. (2) The stacked bars for each year show total employment distinguished by gender (with the lighter-shade bars for females appearing to the right of the darker-shade bars for males). The values are sorted according to the value of total employment in 2020. (3) The change between 2007 and 2019 can be interpreted as a longer-term development that had occurred before the impact of COVID-19.  
Source: ILOSTAT, indicator: EMP\_TEMP\_SEX\_ECO\_NB. Indicator label: Employment by sex and economic activity (thousands).

In 2019, 58 per cent of employment was in services, 19 per cent in industry and the remaining 23 per cent in agriculture. There has been a significant fall in

employment in agriculture, forestry and fishing in the last decade. On the other hand, employment in industry has increased. This is especially pronounced in the construction sector, driven by the infrastructure upgrading plan announced by the new administration in 2016. Within the services sector, the wholesale and retail subsector is the largest employer (figure 2).

At the services subsector level, wholesale and retail also has the largest number of youth workers (figure 3).

► **Figure 3. Youth employment, by sex and sector, 2012 and 2020**



Note: (1) See note 1 to figure 1 for classification scheme of sectors. (2) The figure shows the number of youths employed in each sector of economic activity in 2012 and 2020. The sectors of economic activity are based on Statistics Division, UNDESA, *International Standard Industrial Classification of All Economic Activities: Revision 4, 2008*. The stacked bars show total employment distinguished by sex (with the lighter-shade bars for female youths appearing to the right of the darker-shade bars for male youths). The values are sorted according to the value of total employment in 2020.  
Source: ILOSTAT, indicator: EMP\_3EMP\_SEX\_AGE\_ECO\_NB. Indicator label: Youth employment by sex, age and economic activity (thousands).

### Overseas Filipino workers

The Philippines is a major supplier of labour to other countries. The largest occupational group of overseas Filipino workers are those in elementary occupations, and their proportion has risen from a third in 2015 to two fifths in 2019.<sup>3</sup> However, the proportion of youth overseas workers (aged 15–29) has fallen, from 32.6 per cent in 2015 to 26.8 per cent in 2019. Not surprisingly, the proportions of overseas workers supplied by regions is dependent on their population size. Hence, the National Capital Region, Calabarzon and Central Luzon are the most populous of the 17 regions of the Philippines and

<sup>2</sup> While the *Enhanced Basic Education Act* added two years to compulsory schooling, another year of compulsory kindergarten schooling derived from the *Kindergarten Act* of 2012 (RA 10157). The abbreviation RA is used for Republic Act.

<sup>3</sup> See <https://psa.gov.ph/statistics/survey/labor-and-employment/survey-overseas-filipinos>. In data on skill levels from ILOSTAT (indicator: EMP\_TEMP\_ECO\_OCU\_NB), elementary occupations are categorized as low skill.

account for the largest shares of overseas workers. Regions with small populations, such as Mimaropa, Caraga and the Cordillera Administrative Region, account for the smallest shares.

One important group of overseas workers are domestic workers. They are typically female and work in foreign locations as live-in helpers. Their main job role is to undertake household chores, often also caregivers to young children or older persons. The duration of the overseas contracts for such domestic workers is usually fixed (in some cases, two years) but may be renewed.

There are training certification requirements administered by the Technical Education and Skills Development Authority (TESDA) of the Philippines for domestic workers. For those workers going to Hong Kong, China, for instance, a Domestic Work NCII Certificate is required, which may be obtained by undergoing training organized by an employment agency and for which the period of validity is five years.<sup>4</sup> In 2021, TESDA announced that it was launching a shortened 12-day programme in collaboration with and the support of the International Labour Organization (ILO). The shortened course was conducted online through the Zoom web-conferencing platform and had the advantage of doing away with need for trainees to incur costs to travel in person to the training centres from their home locations.<sup>5</sup>

It is not rare to hear of cases of overseas workers who have worked as domestic workers for a decade or even two. There are also cases in which persons who have acquired increased competency relocate from locations where the wage rates are low to one that is higher on the basis of the improvement and experience.

Their remittances are an important source of earnings for the country. In 2019, there were an estimated 2.2 million overseas Filipino workers, and their total remittances for the six-month period from April to September amounted to 211.9 billion Philippine pesos, equivalent to 1.1 per cent of the year's GDP.

## ► TVET policy development

Although the Philippines has not ratified ILO Human Resources Development Convention, 1975 (No. 142), the latest version of the ILO standards relevant to vocational training – the recognition of the importance of skills

development and lifelong learning – is evident in the labour legislation and in the overall national policy framework. This begins with the Philippine Constitution (article XIV, section 2), which explicitly mandates the development of "non-formal, informal and indigenous learning systems, as well as self-learning, independent and out-of-school study programmes" and "training in ... vocational efficiency, and other skills".

The Philippine Labour Code, which was promulgated as Presidential Decree No. 442 in 1974, also substantially emphasized training and skills development of workers. As part of national policy objectives, improved labour training is explicitly identified as a means of promoting full employment (article 12).

The push for a major overhaul came in 1989, during the term of President Corazon C. Aquino immediately following the Marcos era and was triggered by a Philippine Congress review of the state of education and manpower development in the country.

That review resulted in the 1991 report of the Congressional Commission on Education,<sup>6</sup> which opened with the dire warning that "the quality of Philippine education is declining continuously". The report then proceeded to provide dismal assessments of every single education sector in the country, from elementary to mediocre.

One particularly important aspect of the report addressed the state of the apprenticeship system. The report listed seven problems that had been highlighted at a National Tripartite Congress on Apprenticeship conducted at the time the Congressional Commission on Education's work was in progress: The problems include contradictory policies on apprenticeship; the absence of a stable and effective advisory structure (the report remarked that a "National Apprenticeship Committee and its subcommittee seem to have disappeared"); lack of coordination among administrative bodies; inadequate administrative procedure in critical areas, such as apprenticeship wages, inadequate resources; exploitive practices, such as using apprentices as cheap labour; and a lack of provisions on wages of apprentices in the Labour Code.

Interestingly and despite the extent and severity of the problems, the report traced them to two straightforward reasons: lack of investment and poor management.

Given the severe limitations on resources at the time – with debt servicing alone still draining more than a third

<sup>4</sup> For an example of an employment agency offering such training, see [www.fairagency.org/answers/fair-training-center/](http://www.fairagency.org/answers/fair-training-center/).

<sup>5</sup> See <https://www.tesda.gov.ph/News/Details/20013>.

<sup>6</sup> Congressional Commission on Education, *Making Education Work: An Agenda for Reform* (1991).

of the national budget, the Congressional Commission on Education report concluded that any solution "had to extract more efficiency and more productivity from both our education budget and our education establishment" The report made several recommendations based on these findings, the implementation of which resulted in the so-called "trifocalized education and training system" in existence today.<sup>7</sup>

That system refers to the shared administration of the education system by the Department of Education, TESDA and the Commission on Higher Education, responsible for basic education, TVET and higher education, respectively.

The designation of TESDA as the lead agency for driving the national skills development effort was important because it provided much-needed clarity on the aims, targets and outcomes of the endeavour, as well as the coherence of vision for the stakeholders.

One of the roles of TESDA is to encourage increasing utilization of the dual training system. Under the Dual Training System Act of 1994 (RA 7686), employment establishments and educational institutions share the responsibility of the instructional delivery system of TVET that combines in-plant training and in-school training.

Training plans for the dual training system programme are collaboratively designed and implemented by an accredited dual-system educational institution or training centre and accredited dual-system agricultural, industrial and business establishments with prior notice and advice to the local government unit concerned.

A significant recent development was the move under the Tulong-Trabaho Act of 2018 (RA 11230)<sup>8</sup> to provide free access to TVET for Filipinos aged 15 or older among the group of persons not in education, employment or training as well as "employed workers who intend to develop and expand their current skills and training". Existing workers in "enterprise-based companies or industries" who already received training from their employers are not covered by the Act. To provide the necessary resources, the Act established the Tulong-Trabaho Fund to pay the full training fees for qualified recipients for selected training programmes determined by the TESDA board. The fund is managed by TESDA and financed by donations from both government and non-government organizations.

As in other countries, education policy changes in the Philippines have had a critical impact not just on labour market outcomes but also skills development and lifelong learning.

The Philippine education system underwent major changes under the administration of President Benigno Aquino III. In addition to extending the duration of compulsory education,<sup>9</sup> the Enhanced Basic Education Act broadened the goals of high school education to include "vocational and technical career opportunities".

A framework aimed at strengthening the interface between TVET and higher education by providing "equivalency pathways" between the two was established through the Ladderized Education Act of 2014 (RA 10647).<sup>10</sup> This new focus expanded access to opportunities for skills development. For workers, such opportunities should facilitate career development while for students it enables educational progression.

Under the Ladderized Education Act, the key to effecting articulation from the TVET stream to higher education is the Philippine Qualifications Framework (Executive Order 83 of 2012).<sup>11</sup> It is a system of national standards of qualifications that serves as a framework of reference for governing the quality of education and training standards. Once fully implemented, it will enable students and workers to pursue opportunities for upgrading their skills and learning by articulation through a coherent system of pathways and equivalencies. It likely has other implications, such as influencing employers in hiring decisions.

Implementation of the Qualifications Framework is ongoing and is expected to complete its initial transition by the end of 2022. It has already received endorsement for inclusion in the ASEAN Qualifications Reference Framework.

The tasks involved in the development of the Qualifications Framework are carried out by the National Coordinating Committee, which is chaired by the Department of Education and has representation from the Commission on Higher Education, TESDA, the Department of Labor and Employment and the Professional Regulation Commission. Given the importance of standards-setting in workforce training and in view of the strong presence of trade unions in other areas of tripartite collaboration, it is

<sup>7</sup> *Making Education Work: An Agenda for Reform* (1991).

<sup>8</sup> See [www.officialgazette.gov.ph/downloads/2019/02feb/20190222-RA-11230-RRD.pdf](http://www.officialgazette.gov.ph/downloads/2019/02feb/20190222-RA-11230-RRD.pdf).

<sup>9</sup> As mentioned earlier, there was a delayed labour market impact which took the form of a downward shift in the LFPR for youths in 2016.

<sup>10</sup> See [www.officialgazette.gov.ph/2014/11/21/republic-act-no-10647/](http://www.officialgazette.gov.ph/2014/11/21/republic-act-no-10647/).

<sup>11</sup> The Philippine Congress passed the legislation in the form of the Philippine Qualifications Framework Act (RA 10968) much later in 2017. See <https://pqf.gov.ph/Uploads/Legal%20Basis/20121001-EO-0083-BSA.pdf>.



somewhat unusual that unions are not represented in this important body.<sup>12</sup>

In June 2021, the Department of Trade and Industry announced the development of a Philippine Skills Framework. According to the announcement, the initiative began by prioritizing seven sectors: construction; creative industries; food (agriculture and fishery); health and wellness; information technology and business process management; logistics and supply chain; manufacturing; and tourism.

By providing a road map on where the demand for skills lay, such an initiative will impart significant momentum to the national skills development drive.

## Implementing bodies

Under the original Labour Code and beginning in the 1970s (before the formation of TESDA), the National Manpower and Youth Council had been responsible for driving the implementation of the National Manpower Development Programme.

In 1994, the newly formed TESDA replaced and absorbed the National Manpower and Youth Council and other offices. These included the Bureau of Technical and Vocational Education and the personnel and functions pertaining to technical and vocational education in the regional offices of the Department of Education, Culture and Sports and the apprenticeship programme of the Bureau of Local Employment (RA 7796, section 5).

In a streamlined approach, TESDA spearheads the national skills development efforts and receives inputs from other government departments and agencies through their representation on its governing board. Such representation occurs at the highest level (department secretary). The board comprises the secretaries from the Department of Labor and Employment (which is also the board chair), the Department of Education (which co-chairs the board), the Commission on Higher Education, the Department of Agriculture, the Department of the Interior and Local Government and the Department of Science and Technology.

The TESDA board also includes representatives from four economic and industry groups: labour, employers, business and investors, and education and training.

TESDA's services can be accessed through its 16 regional offices. Under those regional offices, there is a total of 81 provincial and district offices, 17 regional centres, a TESDA

women's centre, 44 provincial and district centres and 57 TESDA-administered schools.<sup>13</sup>

Additionally, there are areas of TVET that do not come under TESDA's purview. These include training for seafarers and vocational training programmes conducted by schools.

Under RA 10635 of 2014, the Maritime Industry Authority was established with responsibility for implementing and enforcing the 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.

With the broadening of the goals of high school education under the Enhanced Basic Education Act to include "vocational and technical career opportunities", the Department of Education also took over implementation of vocational courses that may be offered through schools it oversees.

Under the TESDA Act, the Apprenticeship Programme of the Bureau of Local Employment was transferred to TESDA. In addition to apprenticeships, there is also a related system of learnerships. While apprenticeships are available only in designated industries and involve a minimal level of theoretical content in the training programme, learnerships are available in those industries that do not offer apprenticeships.

Legislative measures are pending to address the low enrolment in such on-the-job training.

TESDA has a digital learning initiative using information and communication technologies to provide an effective and efficient way to deliver technical and vocational education and training. Called the TESDA Online Program,<sup>14</sup> it is touted as a web-based platform that offers free massive open online courses for technical education and skills development of Filipino workers, designed to allow learning to take place in a learner's own space and time.

According to published information on the portal, no tuition fee is required for accessing any of the courses. To access a course, users must register for an account on the portal. For those who finish a course, a Certificate of Completion is awarded, and participants can undergo face-to-face assessments for national certification at any TESDA-accredited assessment centre or venue.

While the TESDA Online Program offers opportunities for unions to meet some of their training needs, it is not tailored specifically to the requirements of trade union-led education.

<sup>12</sup> See <https://pqf.gov.ph/Home/Details/8>.

<sup>13</sup> Technical Education and Skills Development Authority (TESDA), *National Technical Education and Skills Development Plan 2018–2022* (2018).

<sup>14</sup> See <https://e-tesda.gov.ph/>.

## Active union involvement

Trade union activism has a long and storied record in the Philippines, with trade unions distinguishing themselves in challenging times for workers as well as during periods of national crisis. Ratification of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) was done in 1953, guaranteeing the rights of workers to freedom of association and protection of the right to organize. In line with the ratification of ILO Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) in 1991, tripartism has also been recognized as a state policy in the Philippines.<sup>15</sup>

It is important to point out that concerns about the implementation of Convention No. 87 have been highlighted in serious complaints made by the International Trade Union Confederation<sup>16</sup> and raised to the ILO by the International Transport Workers' Federation.<sup>17</sup>

The rights of workers to protection and to organize is enshrined in the Philippine Constitution (article XIII). Such rights to labour protection can be traced back to the original 1935 Constitution (article XIV, section 6). In the current national legislative process, trade unions have a voice through party-list representation in the Philippine Congress.<sup>18</sup>

Unions are also represented in economic bodies involved in labour-related and skills development policies. The National Wage and Productivity Commission, which is chaired by the Secretary of the Department of Labor and Employment, currently has six members, one of which is from the National Labor Union.

Of the 17 members on the board of TESDA currently, two are senior trade union representatives. One is from the Federation of Free Workers, a national trade union centre affiliated with the International Trade Union Confederation, while the other is from the National Union of Workers in Hotel, Restaurant and Allied Industries, which is affiliated to the Geneva-based International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations.

One feature of the TVET landscape in the Philippines is the active involvement of trade unions in the important

functions of organizing funding and implementing training programmes. This is noteworthy, given that resource constraints often present a challenge – and more often than not, an impediment – to the involvement of trade unions in worker training in many countries.

One of the most prominent unions is the Associated Marine Officer's and Seamen's Union of the Philippines, which is affiliated with the London-based International Transport Workers' Federation. It was instrumental in establishing the Maritime Academy of Asia and the Pacific. The Academy is equipped with state-of-the-art facilities compliant to the requirements of the Convention on Standards of Training, Certification and Watchkeeping for Seafarers.

Another prominent involvement occurs with the Trade Union Congress of the Philippines, which runs a Workers College Foundation, Inc., a TVET institution established in 2006 which undertakes specialized training activities for TESDA-accredited programmes.

The Philippine Trade and General Workers' Organization has a Special Research and Educational Fund for the purpose of conducting a year-around education programme and seminars for the benefit of its members.

## ► Evidence of policy outcomes

At the moment, the workforce is composed mainly of medium-skilled (52 per cent) and low-skilled (27 per cent) workers, with highly skilled workers accounting for a fifth.

Since 2012, the fastest-growing segment of the workforce has been the medium-skilled (figure 4), expanding at an average annual rate of 4.2 per cent. This is more than twice the rate of the highly skilled segment (at 1.5 per cent) or even the entire workforce (at 1.7 per cent). Because the low-skilled segment was also shrinking at 1.4 per cent a year over that time, it was a good indication that at least some of the expansion in the medium-skilled segment occurred from the upgrading of the low-skilled. To make further inroads into areas of high technology, the Philippines will have to ensure that its growth of skilled

<sup>15</sup> Article 275 (Tripartism and Tripartite Conferences) of the Labour Code of the Philippines, as amended.

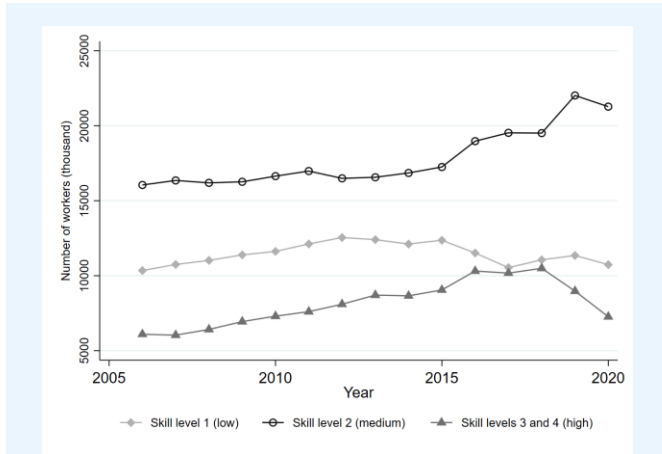
<sup>16</sup> The Confederation has provided details of alleged violations at [www.globalrightsindex.org/en/2021/countries/phl](http://www.globalrightsindex.org/en/2021/countries/phl).

<sup>17</sup> For the ongoing case brought by the International Transport Workers' Federation (end 2021), see [www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:20060:0::NO::P20060\\_COUNTRY\\_ID,P20060\\_COMPLAINT\\_STATU\\_ID:102970,1495810](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:20060:0::NO::P20060_COUNTRY_ID,P20060_COMPLAINT_STATU_ID:102970,1495810).

<sup>18</sup> Party-list representation is a system in the Philippines that enables minority groups to be represented in the Congress. The representatives are sectoral congressmen who represent labour unions, rights groups and other organizations.

labour can be sustained. A priority for this is to enhance its skills development efforts.

► **Figure 4. Employment, by skill levels, 2005–20**



Note: The figure compares the total employment by skills levels from 2006 to 2020.

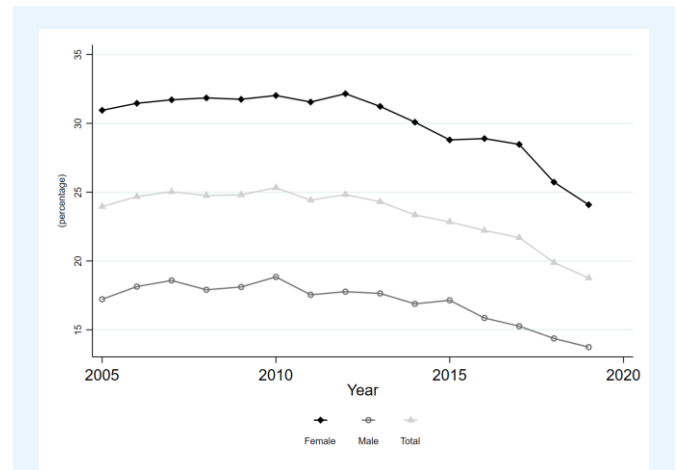
Source: ILOSTAT, indicator: EMP\_TEMP\_ECO\_OCU\_NB. Indicator label: Employment by economic activity and occupation (thousands).

Despite the improvements, there are lingering signs of labour market weakness. In a particularly persistent aspect, more than one in six workers has reported being underemployed in the years leading up to and including 2019. One in three workers remained in vulnerable employment in 2019, although the rate has been on a downward trend since 1991 and is much better than the majority of lower-middle-income economies.

The statistics on youths show that in some areas, the state of skills preparation in the Philippines remains a concern. While the proportion of youths not in employment, education or training (NEET) has been falling steadily since 2012, nearly one in five youths (18 per cent) were in this category in 2019 (figure 5).

The training and skills development challenge faced by the Philippines is how to ensure that its relatively young workforce is equipped to meet the needs of the economy. Challenges for youths in terms of jobs and skills development often overlap with those of vulnerable workers. An estimated third of the workforce is engaged in vulnerable employment.<sup>19</sup>

► **Figure 5. Youth not in employment, education or training, by sex, 2005–20**



Notes: The figure compares the proportions of youths not in employment, education or training (NEET) from 2000 to 2020, and shows the proportions for males and females.

Source: ILOSTAT, indicator: EIP\_2EET\_SEX\_RT. Indicator name: Share of youth not in employment, education or training (NEET) by sex -- ILO modelled estimates, November 2020 (percentage).

As noted, this issue was addressed explicitly in such initiatives as the Tulong-Trabaho Act (2018). To sustain the momentum of such efforts, greater attention should be directed to measuring the impact of initiatives that upgrade the skills of vulnerable workers.

Another area with longstanding concerns is the employability of graduates from the education system, including TVET graduates. A quarter of TVET graduates in 2004 reportedly did not join the labour force. The corresponding employment rate of TVET graduates was 48.7 per cent.<sup>20</sup> On this front, the news has been encouraging, with the proportion of TVET graduates who were employed in 2019 estimated at a much higher level, at 70 per cent, which was a considerable rise of more than 20 percentage points.<sup>21</sup>

The location of TESDA's services in each region of the country is based on a strategy to address the issue of accessibility. Nonetheless, there is still a potential disconnect between the observed outcomes and the long-term needs of certain segments of the population. The 2019 employment rates of TVET graduates vary by up to 26 percentage points across regions, ranging from 56 per cent for Region VIII Eastern Visayas to 82 per cent for Region XII Soccsksargen.<sup>22</sup>

<sup>19</sup> World Bank, World Development Indicators. Series name: Vulnerable Employment Rate. Series code: SL.EMP.VULN.ZS (2022). The definition of vulnerable employment is contributing family workers and own-account workers as a percentage of total employment.

<sup>20</sup> TESDA, *2005 Impact Evaluation Study of TVET Programs* (2005), pp. 8–9.

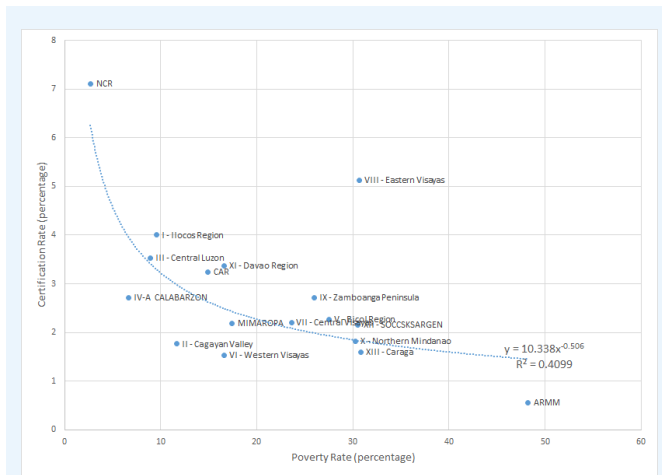
<sup>21</sup> TESDA, *Study on the Employment of TVET Graduates: Series of 2020* (2020), pp. 69 and 74.

<sup>22</sup> TESDA (2020).



This raises the question of whether skills development resources are deployed in accordance with the differing needs of each region. One indicator of need would be the poverty rate. If the poverty rate is used to represent the urgency of skills upgrading in each region while the outcome from training is measured by certification rates, there is a significant negative correlation between the two (figure 6).

► **Figure 6. Poverty and skills development**



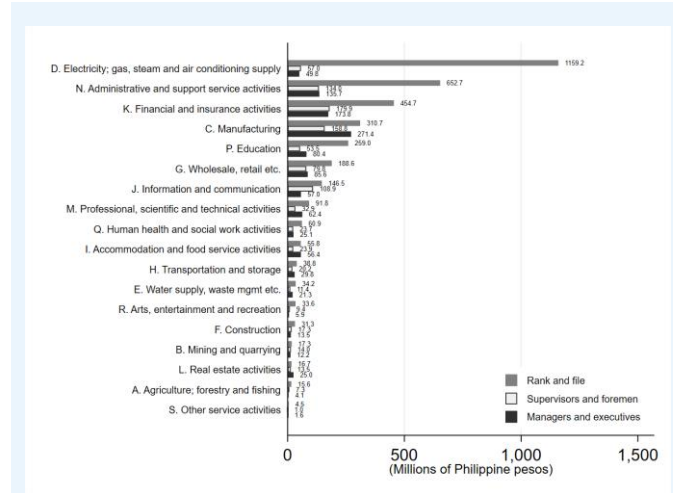
Note: (1) The figure shows a pronounced negative correlation between poverty rates and certification rates across the 17 regions of the Philippines. This suggests that skills development activity, as represented by certification rates, is not aligned with needs, as proxied by poverty rates. (2) The correlation is based on the logarithms of both certification and poverty rates is statistically significant at the 5 per cent level, and the strength of the correlation is depicted by the fit of the curved line, for which the R-squared value is 0.41.

Source: Philippine Statistics Authority, *Philippine Statistical Yearbook 2015* (2015); Technical Education and Skills Development Authority, *Study on the Employment of TVET Graduates: Series of 2020* (2020). Author's calculations of rates and analysis. Poverty rates and workforce size are published in the Statistical Yearbook for each of 17 administrative regions. Numbers of certified TVET graduates by region are published in table 93 of TESDA's report. Certification rates are calculated as the ratio of number of certified TVET graduates in each region to the region's workforce number.

There is some evidence to suggest that rather than being determined by skills gaps, the allocation of training resources should be correlated with other criteria.

From the distribution of training costs in 2015 over the major non-services sectors and services subsectors, it is clear that rank-and-file workers account for the largest share (figure 7).

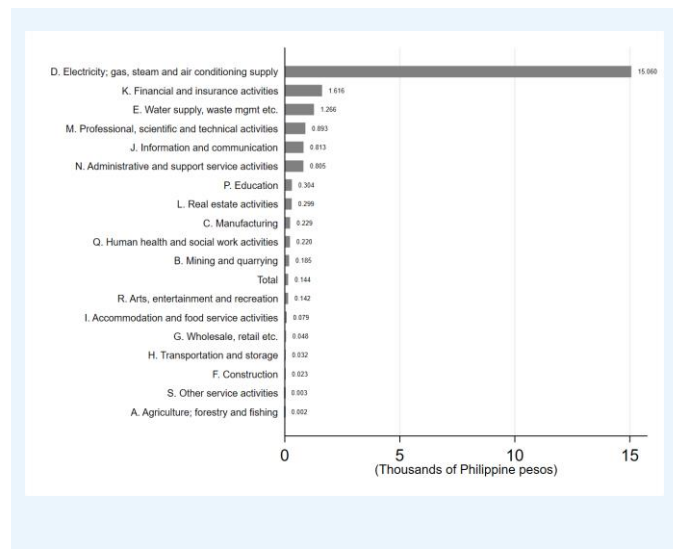
► **Figure 7. Annual training costs, by sector, 2015**



Note: See note 1 of figure 1 for classification scheme of sectors. (2) Data are from the Integrated Survey on Labour and Employment Training of Workers. Source: Philippine Statistical Authority (2021). Dataset: Annual Training Cost, 2015, [https://openstat.psa.gov.ph/PXWeb/pxweb/en/DB/DB\\_1B\\_ISLE\\_TOW/1020ISLEJRT1.px?rxid=8eeecbe5-fdc5-4e2e-9328-2399970fd294](https://openstat.psa.gov.ph/PXWeb/pxweb/en/DB/DB_1B_ISLE_TOW/1020ISLEJRT1.px?rxid=8eeecbe5-fdc5-4e2e-9328-2399970fd294) (accessed 17 January 2022).

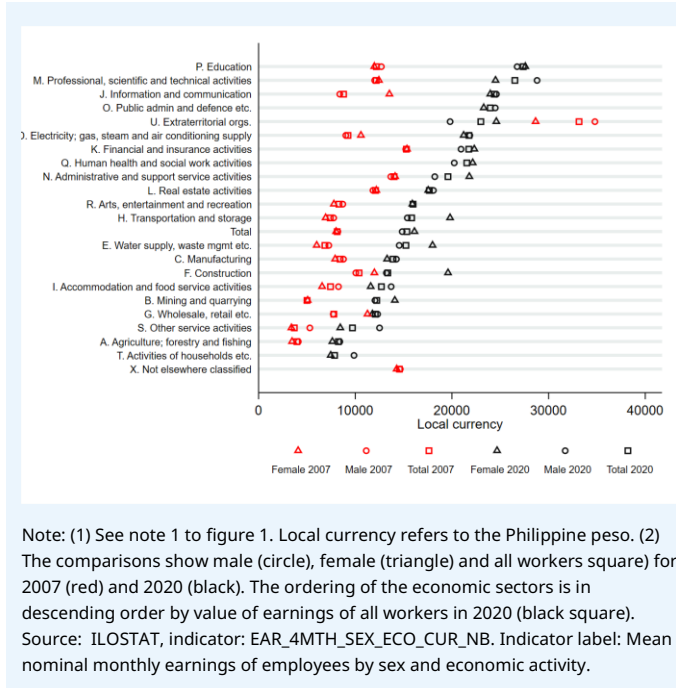
Using annual training cost per worker (figure 8), a comparison across sector and subsectors presents an interesting picture, especially when compared against average earnings by sector<sup>23</sup> (figure 9).

► **Figure 8. Annual training costs per worker, by sector, 2015**



<sup>23</sup> The earnings data presented in figure 9 are for 2007 and 2020. The general ordering for the 2015 earnings data is very close to that of the 2020 data.

► **Figure 9. Earnings, by sector, 2007 and 2020**



Note: (1) See note 1 to figure 1. Local currency refers to the Philippine peso. (2) The comparisons show male (circle), female (triangle) and all workers square) for 2007 (red) and 2020 (black). The ordering of the economic sectors is in descending order by value of earnings of all workers in 2020 (black square). Source: ILOSTAT, indicator: EAR\_4MTH\_SEX\_ECO\_CUR\_NB. Indicator label: Mean nominal monthly earnings of employees by sex and economic activity.

The reported training costs are indicative of training expenditures. Given the limited availability of training resources, it is important to consider whether some other allocations would better serve the objectives of skills development.

Where well-structured and high-quality training is available, Filipino workers have shown that they are more than capable of achieving good training outcomes. At the same time, there are constant reminders from the Philippine experience of how resource limitations may be a severe impediment to skills development.

At one extreme, the finance and insurance activities services subsector has one of highest average monthly earnings and also the highest training cost per worker among the sectors. At the other extreme, the agriculture sector has one of the lowest values for both measures. While the correlation is not perfect, it is generally true to say that sectors with earnings above the overall economy average (denoted by total under sector name) also tend to have a higher training cost per worker.

## ► Conclusion

The implementation of the recommendations of the Congressional Commission on Education report was key to reinforcing the foundations of the Philippines TVET system, enabling it to make slow but steady progress.

Even so, many challenges remain. For instance, some of the disruptions identified in the Congressional Commission on Education report 30 years ago as sources of interruptions to learning in basic education continue to overshadow learning efforts at all levels today. In the past decade, the impact of natural catastrophes on the workforce was also disruptive to the skills development efforts of individual workers.

The vast network of TESDA's regional offices means that access to training is much better than it is in many other countries. The commitment of individuals to skills development is also high. This is consistent with the importance placed on continuing education and training and lifelong learning within Philippine society in general, as articulated in the 1987 Constitution. The 1987 Constitution explicitly emphasises the development of non-formal, informal and indigenous learning systems, as well as adult education and vocational training.<sup>24</sup>

However, infrastructure weaknesses are continuing to dilute the benefits that ready access should bring. The infrastructural issues also exacerbate the challenges of ensuring training standards.

The active involvement of trade unions in multiple aspects of TVET implementation, supported by reliable access to resources, is something that unions in many other countries lack. While this is a strength upon which a tripartite approach to a reliable skills development strategy can continue to be built upon, significant challenges remain.

One of the most important remaining challenges is the uneven access of trade unions to resources. For many of the smaller unions that do not have access to the level of resources that the larger and better-organized ones do, launching skills development initiatives would clearly be difficult.

They also may not have the organizational expertise needed. In many ways, this indicates that some skills-sharing would be useful for union leaders and representatives so they can strengthen the adoption of effective approaches for undertaking skills development initiatives in service of their members.

<sup>24</sup> Article XIV, sec. 2 of the Constitution of the Republic of the Philippines.

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