

Speech Review: “Mind the Skills Gap: The Case of the Philippines”

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The speech refers to the “skills gap” in the Philippines which is the phenomenon in which employers find it hard to fill in available job positions because not enough workers have the skills that match employer requirements. The speaker started with an important observation of the existing social bias in favor of formal college education against technical and vocational training, as well as the more informal and less structured apprenticeship programs. To buttress his point that it is not so much academic credentials but acquired skills that matter, he cited examples of highly successful former apprentices in varied industries such as Henry Ford in the automotive industry, Sir Ian McKellen in theater and Alexander McQueen in fashion design. He then brought across his message that the rallying cry for the Philippines should be “work-skills for all,” or for all Filipinos to be equipped with the employability skills that are necessary to secure a decent job.

The speaker then shifted to the demand side of the labor market, citing that in the Philippines where many are unemployed and underemployed, the strongest clamor is for better wages and more jobs. However, he returned to the discussion of the skills gap by linking this with the high level of unemployment. This focus became more apparent in the latter part of the speech when, after citing statistics showing that the bulk of the unemployed were at least high school graduates, he posed the question: “What kind of basic education are we providing when our students are unable to land a job right after?”

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He then enumerated various undertakings of the government in bridging the skills gap, including the high priority accorded to education, as reflected in the almost quintuple increase in the budget from PHP74.71 billion in 2010 to PHP364.66 billion in 2015. Legislative reforms were made in open learning and distance education, the ladderized education from vocational training to a college-degree program, and the improved provision of labor market information for job seekers through the strengthening of Public Employment Service Offices (PESO) across the country. He also mentioned that dialogues had been held to reform the dual training and apprenticeship programs. He concluded his speech by emphasizing the need for large investments in research and innovation to increase the country's global competitiveness, which goes hand-in-hand with the need for a continuing process of knowledge and skills development.

Discussion

While I agree that there is some presence of a skills gap resulting in hiring difficulties for some high-skilled jobs, I refute the view that the skills gap is the underlying cause of unemployment and underemployment in the country – that Filipino workers cannot get decent jobs primarily because they do not have the right skills and hence, placing the blame on the educational system for the hundreds of thousands of jobless new graduates at the secondary and tertiary levels every year. I contend that the persistently high level of unemployment in the Philippines, which averaged close to 3 million annually over the last five years, is mainly the result of a deficient aggregate demand relative to a large and growing mass of the labor force, rather than primarily due to a shortage of skilled labor supply.

The problem of high unemployment is primarily a job crisis rather than a job skills crisis. It is principally a problem of the economy not being able to generate enough jobs for the large volume of an increasingly educated and skilled workforce, rather than largely a problem of the education sector not being able to produce the skilled workers to fill in a large number of available jobs.

- a. The Philippines continued to experience rapid population growth during the lost two decades of economic stupor in the 1980s and the 1990s. The country's labor force was growing at an average of 3 percent during the 1980-1999 period, while the economy (in terms of GDP constant prices) was growing only at only 2.2 percent.

During this period, the number of unemployed grew by almost 7 percent, and the unemployment rate has increased from 4.9 percent in 1980 to 9.8 percent in 1999.

- b. The recent economic growth in the Philippines, which is among the highest in Asia, has not been inclusive but more characteristic of a jobless growth. While the country's GDP (at 2000 constant prices) grew at an annual average of 6.5 percent for the period 2011-2015, the level of employment has only increased by an annual average of 1 percent during the same period.
- c. The levels of unemployment and underemployment in the country that averaged 10 million in the last five years reflect a deficient absorptive capacity of the domestic labor market. This led to a massive diaspora of Filipino talents to find productive work overseas. In 2015, there were 2.5 million overseas Filipino workers. In the 2016 global competitiveness index, the Philippines ranked 56th out of 138 countries in terms of the capacity to retain talent, which is far below ASEAN neighbors such as Singapore which ranked 6th, Malaysia in 8th place, Indonesia in 36th place, Thailand in 42nd place and Lao PDR in 43rd place.
- d. The Philippine economy failed to generate enough jobs for its educated workforce and in fact lost its skilled talents primarily to high-income OECD (Organization for Economic Co-operation and Development) countries. Of the estimated 1.7 million highly educated ASEAN-born population working in OECD countries in 2006, more than half (56 percent) were from the Philippines. The number of highly educated Philippine-born workers in OECD countries grew at an average of 6 percent annually between 2000 and 2006 (Cabegin, 2015).
- e. Improving education does not necessarily improve employability. Statistics reveal that it is the more educated and better skilled individuals who are more likely to be unemployed. In 2015, unemployment rates for young workers 15-24 years old were 22 percent for those who completed at least a college education, 23 percent for graduates of post-secondary education, and 13 percent for those with secondary or lower level education.
- f. A number of studies have shown that the Philippines has an overeducated workforce. Mehta et al. (2013) found that in the Philippines, unlike in Thailand and India, the increase in the supply of a better educated workforce has not been matched with

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a rising demand for skilled workers. This has resulted in declining returns for secondary and tertiary education. In examining the qualification mismatch in seven countries, the ILO (2015) found that it is only in the Philippines where the mismatch is primarily due to over-qualification rather than under-qualification, and where about one-third of the employed Filipino youth were in occupations that required less education than they acquired.

Focusing on the skills gap as the primary reason for hiring difficulties of firms is the same as placing the blame on unemployed graduates and the school system that produces them. Instead, the private business sector should be examined, since it is unwilling to train from the existing reservoir of new talents according to higher job standards, and to employ new job entrants at competitive wages. The Philippine Statistics Authority (2016) noted that 26 percent of the main reasons cited as to why vacancies are hard to fill involve nil or few applicants; 17 percent is due to lower-than-expected wage offers and competition from overseas work; and another 17 percent is due to lack of work experience. These reasons have less to do with the skills gap than with the unwillingness of the business sector to invest in in-house training programs and to engage in apprenticeship programs as well as to upgrade wages and compensation levels to attract skilled and highly educated workers.

Focusing on the skills gap as the underlying cause of unemployment is skirting around the root problem: That the domestic economy is not able to generate enough decent jobs to absorb an increasingly educated Filipino workforce. The persistently high levels of unemployment and underemployment among the country's new graduates are mainly the result of a shortage of better paying high-skill jobs, rather than a shortage of high-skilled labor.

Notes

1. The seven countries include Cambodia, Fiji, India, Indonesia, Pakistan, the Philippines and Samoa.

References

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