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LABOR COST IN THE PHILIPPINES Trends and Structures (Second of a series)

The Labor Cost Survey (LCS) is one of the modules in the 2007/2008 BLES Integrated Survey (BITS) which also inquired on the employment of specific groups of workers; occupational shortages and surpluses; safety and health practices in the work place; and occupational injuries and diseases. The BITS is a national sample survey covering 6,460 non-agricultural establishments employing 20 or more workers.

The LCS was conducted primarily to address the gap in wage statistics in the country specifically, to provide data on the evolution of labor cost and its various components, or what the employers spend in engaging the services of its workers. According to the Resolution Concerning Statistics of Labour Cost adopted by the 11th International Conference of Labour Statisticians in October 1966, labor cost consists of: direct wages and salaries; remuneration for time not worked; bonuses and gratuities; food, drink, fuel and other payments in kind; cost of worker's housing borne by employers; employer's social security expenditures; cost of vocational training; cost of welfare services; labor cost not elsewhere classified; and taxes regarded as labor cost.

The 2007 LCS is the 3rd survey of its kind, conducted less frequently, initially with 1998 as reference period and then 2002, as the composition of labor cost does not change drastically over a short period of time. It now covers 65 industry groups that include call center activities; medical transcription and related outsourcing activities; and animated films and cartoons production. These three are technology-based industries that have emerged recently in the Philippine economy.

This issue focuses on the components of direct wages and salaries across industries for 2002 and 2007. The metadata and the statistical tables of the survey are posted on the BLES website.

Total labor cost in the country went up to P615.6 billion in 2007 from P459.9 billion in 2002. Direct wages and salaries at less than 80% remained to be the biggest component of labor cost.

Annual direct wages and salaries per employee up by 22.7% in 2007

Survey results revealed that the annual direct wages and salaries per employee in 2007 reached P166,618 (P13,885 per month). This was higher by 22.7% than the P135,774 in 2002. Annualizing the growth resulted to an average rate of 4.5% in direct wages and salaries per employee. (Table 1)

Expectedly, payment for normal/regular working time per employee had the biggest share at 83.2% in 2002 and 87.7% in 2007. The remaining proportional shares of other sub-cost components of direct wages and salaries were distributed as follows:

Sub-Cost Component	2002	2007
Commissions	3.5	1.1
Overtime, night shift and premium pay	7.9	6.6
Bonus, productivity, performance and other incentive schemes	2.0	2.4
Cost of living allowances and other regularly paid allowances	3.4	2.3

Looking across industry groups, annual direct wages and salaries per employee was highest in financial intermediation at P230,182 in 2002 and in transport, storage and communications at P241,327 in 2007. On the other hand, the lowest was recorded in construction at P114,787 in 2002 and in hotels and restaurants at P117,748 in 2007.

Payment for normal/regular working time per employee decreased in hotels and restaurants only

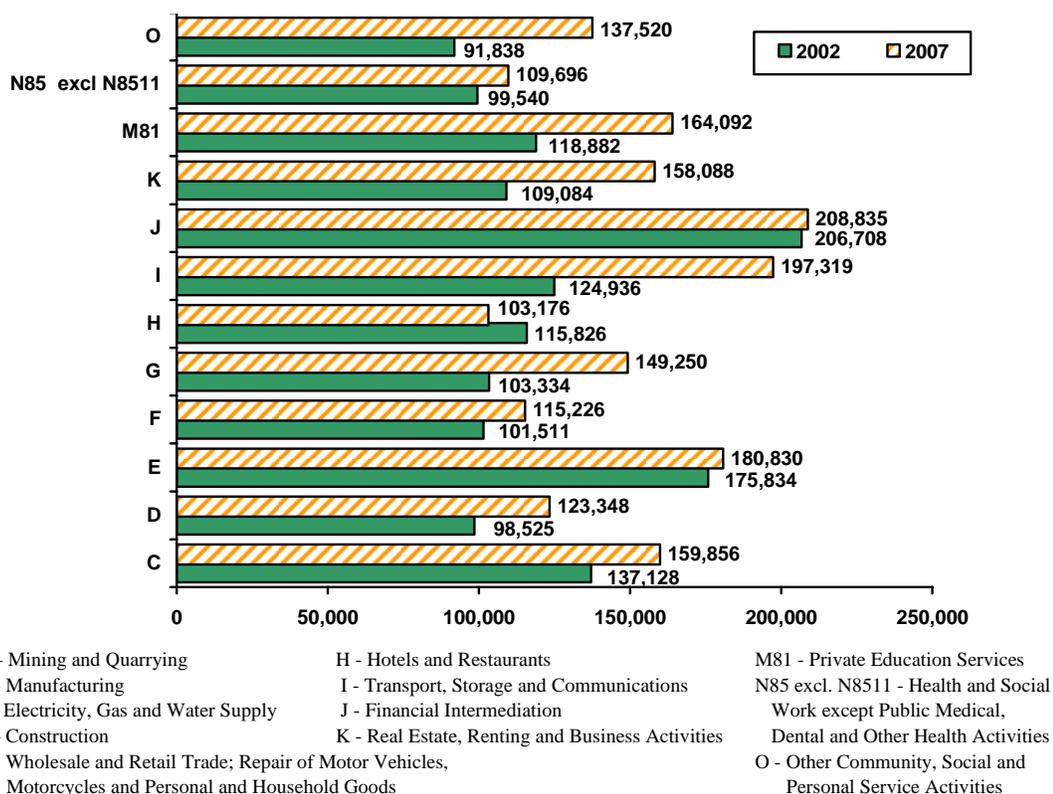
Annual payment for normal/regular working time per employee grew by 29.3% to reach ₱146,082 in 2007 or ₱12,174 per month.

It was noted in 2007 that payment for normal/regular working time per employee increased in almost all industries except in hotels and restaurants which decreased by 10.9%. The highest growth was recorded in transport, storage, and communications at 57.9% from ₱124,936 in 2002 to ₱197,319 in

2007. Other industries which grew by more than 40.0% included other community, social and personal service activities (49.7%); real estate, renting and business activities (44.9%); and wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods (44.4%). (Figure 1)

Moreover, seven industry groups posted higher payment for normal/regular working time per employee than the all-industry level of ₱146,082 in 2007.

FIGURE 1 – Payment for Normal/Regular Working Time Per Employee in Non-Agricultural Establishments Employing 20 or More Workers by Major Industry Group, Philippines: 2002 and 2007 (In Pesos)



Source of data: Bureau of Labor and Employment Statistics, BLES Integrated Survey (2002/2003 and 2007/2008).

Commissions highest in hotels and restaurants

Commissions and share of employees in service charges went down by 61.6% in 2007.

Only four industry groups posted higher commissions and share of employees in service charges than the

national level of ₱1,812 in 2007. Notably, these were in hotels and restaurants (₱8,882); other community, social and personal service activities (₱6,831); transport, storage and communications (₱4,190); and wholesale and retail trade (₱3,778) where most workers in these

particular industry groups usually received commissions and shares in service charges from their employers. (Table 1)

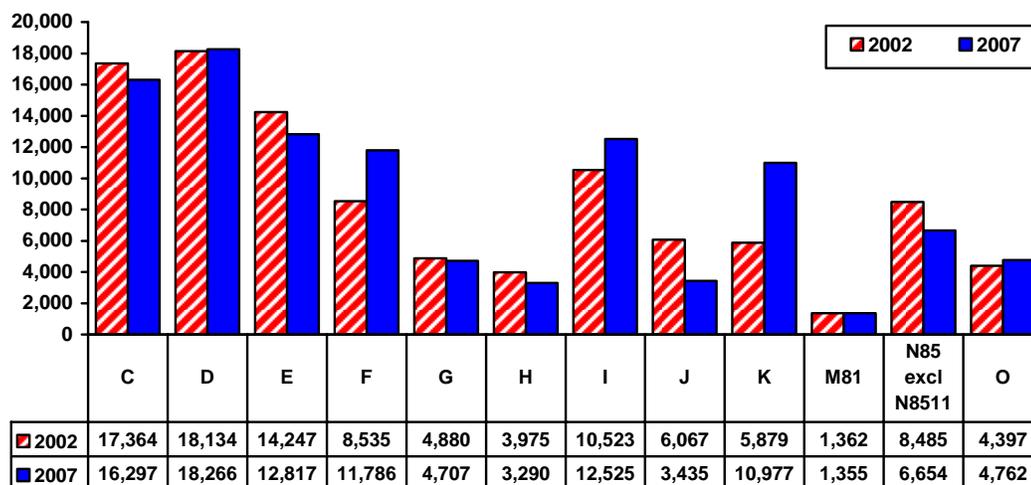
Meanwhile, diminutions were posted in eight industry groups in 2007 with the highest in electricity, gas and water supply at 95.6%. Conversely, a ten-fold increase was noted in private education services.

Overtime, night shift and premium pay increased significantly in real estate, renting and business activities

Overtime, night shift and premium payments in non-agricultural establishments slightly increased by 2.2% from ₱10,722 in 2002 to ₱10,954 in 2007. The growths were evident in five industry groups, with the highest registered in real estate, renting and business activities at 86.7%. This can be attributed to growth in call center activities where employees work on night shifts, thus, entitling them to

night shift pays. Construction followed at 38.1% from ₱8,535 in 2002 to ₱11,786 in 2007. Transport, storage and communications; and other community, social and personal service activities likewise grew by 19.0% and 8.3%, respectively. The least growth was observed in manufacturing at 0.7%. (Figure 2)

FIGURE 2 – Overtime, Night Shift and Premium Pay Per Employee in Non-Agricultural Establishments Employing 20 or More Workers by Major Industry Group, Philippines: 2002 and 2007 (In Pesos)



- C – Mining and Quarrying
- D - Manufacturing
- E - Electricity, Gas and Water Supply
- F – Construction
- G - Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods
- H - Hotels and Restaurants
- I - Transport, Storage and Communications
- J - Financial Intermediation
- K - Real Estate, Renting and Business Activities
- M81 - Private Education Services
- N85 excl. N8511 - Health and Social Work except Public Medical, Dental and Other Health Activities
- O - Other Community, Social and Personal Service Activities

Source of data: Bureau of Labor and Employment Statistics, BLES Integrated Survey (2002/2003 and 007/2008).

Bonus and incentive payments in transport, storage and communications increased by four folds in 2007

Bonus and incentive payments accruing to each employee in non-agricultural establishments registered increases in 2007, with the largest growth in transport, storage and communications by four folds from ₱5,011 in 2002 to ₱ 23,671 in 2007. Meanwhile, those in mining and quarrying doubled in 2007 at ₱7,160. Other increases were noted in the following industries:

<i>Hotels and Restaurants</i>	80.3%
<i>Real Estate, Renting and Business Activities</i>	28.8%
<i>Manufacturing</i>	27.8%
<i>Private Health and Social Work</i>	27.6%
<i>Private Education Services</i>	13.1%
<i>Other Community, Social and Personal Service Activities</i>	8.0%
<i>Wholesale and Retail Trade</i>	7.3%
<i>Electricity, Gas and Water Supply</i>	4.7%

Diminutions in bonus and incentive payments were noted only in construction and financial intermediation at 62.9% and 59.2%, respectively. (Table 1)

Although growths were observed in almost all industry groups, this type of payments that were higher than the all-industry figure in 2007 were noticed in only three industry groups, namely: transport, storage and communications (₱23,671); other community, social and personal service activities (₱11,906); and mining and quarrying (₱7,160). However, in 2002, six industry groups had bonus and incentive payments per employee greater than the national average of ₱2,719.

Cost of living allowances and other regularly paid allowances tripled in mining and quarrying

The cost of living allowances and other regularly paid allowances dropped by 18.1% in 2007 with the highest diminution posted in financial intermediation at 59.1%, followed by other community, social and personal service activities at 58.2%.

Industry-wise, the cost of living allowances and other regularly paid allowances accruing to each employee in mining and quarrying in 2002 tripled in 2007 at

₱8,887 and comparatively higher than the all-industry level of ₱3,757. Moreover, other industry groups with cost of living allowances higher than the national level were electricity, gas and water supply (₱12,388); other community, social and personal service activities (₱5,300); wholesale and retail trade (₱4,798); financial intermediation (₱4,023); real estate, renting and business activities (₱3,874); and private health and social work (₱3,850).

Definition of Terms:

Direct Wages and Salaries – refer to cash payments for normal/regular working time, commissions of employees and their share in service charges, overtime, night shift and premium pay, payments under bonus, productivity and other incentive schemes (regular payments on the basis of work performed or current output), cost of living allowances and other guaranteed and regularly paid allowances except housing allowances; these are payments before any deductions are made in respect of taxes, contributions of employees to social security and pension schemes, life insurance premiums, union dues and other obligations of employees; these exclude payments/overhead costs which are reimbursements to employees for travel, entertainment, meals and other expenses incurred in conducting the business of the employer.

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TABLE 1 – Annual Direct Wages and Salaries per Employee in Non-Agricultural Establishments Employing 20 or More Workers by Major Industry Group and Sub-Cost Component, Philippines: 2002 and 2007 (in Pesos)

Major Industry Group	Total		Payment for Normal/Regular Working Time		Commissions		Overtime, Night Shift and Premium Pay		Bonus, Productivity, Performance and Other Incentive Schemes		Cost of Living Allowances and Other Regularly Paid Allowances	
	2002	2007	2002	2007	2002	2007	2002	2007	2002	2007	2002	2007
ALL INDUSTRIES	135,774	166,618	113,020	146,082	4,724	1,812	10,722	10,954	2,719	4,013	4,589	3,757
Mining and Quarrying	160,127	192,201	137,128	159,856	-	-	17,364	16,297	3,501	7,160	2,134	8,887
Manufacturing	124,437	147,693	98,525	123,348	1,707	814	18,134	18,266	1,826	2,333	4,244	2,932
Electricity, Gas and Water Supply	203,752	209,552	175,834	180,830	113	5	14,247	12,817	3,354	3,513	10,204	12,388
Construction	114,787	130,398	101,511	115,226	616	277	8,535	11,786	1,370	508	2,755	2,601
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	119,393	166,340	103,334	149,250	3,917	3,778	4,880	4,707	3,547	3,807	3,715	4,798
Hotel and Restaurants	166,511	117,748	115,826	103,176	44,070	8,882	3,975	3,290	417	752	2,223	1,648
Transport, Storage and Communications	152,106	241,327	124,936	197,319	6,064	4,190	10,523	12,525	5,011	23,671	5,572	3,622
Financial Intermediation	230,182	220,039	206,708	208,835	1,099	1,108	6,067	3,435	6,471	2,637	9,837	4,023
Real Estate, Renting and Business Activities	122,041	176,603	109,084	158,088	976	679	5,879	10,977	2,317	2,985	3,784	3,874
Private Education Services	123,892	169,822	118,882	164,092	13	135	1,362	1,355	1,270	1,437	2,365	2,802
Private Health and Social Work	115,313	121,669	99,540	109,696	1,110	790	8,485	6,654	533	680	5,645	3,850
Other Community, Social and Personal Service Activities	125,737	166,320	91,838	137,520	5,805	6,831	4,397	4,762	11,020	11,906	12,678	5,300

Note: Details may not add up to totals due to rounding.

Source of data: Bureau of Labor and Employment Statistics, BLES Integrated Survey (2002/2003 and 2007/2008).