

## LABOR COST IN THE PHILIPPINES *Trends and Structures* (Third 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 11<sup>th</sup> 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 3<sup>rd</sup> 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 bonuses and gratuities 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. Bonuses and gratuities at 9.6% were the second biggest component of labor cost next to direct wages and salaries.

### **Bonuses and gratuities per employee slightly went up by 7.2% in 2007**



Bonuses and gratuities per employee in 2007 stood at P20,532, higher by 7.2% than the P19,147 recorded in 2002.

Financial intermediation posted the highest bonuses and gratuities in both periods under review, P69,339 in 2002 and P55,740 in 2007. It was followed by

transport, storage and communications at P46,956 in 2007 and in electricity, gas and water supply at P41,922 in 2002. (Table 1)

Across sub-cost components, year-end, seasonal and other one-time bonuses such as 13th month pay accounted for the largest share at 84.3% in 2002 and 93.9% in 2007. Additional payments in respect of

vacation, supplementary to normal vacation pay to employees decreased to P695 in 2007 from P1,965 in 2002.

Likewise, profit sharing bonuses decreased from P1,039 in 2002 to P559 in 2007.

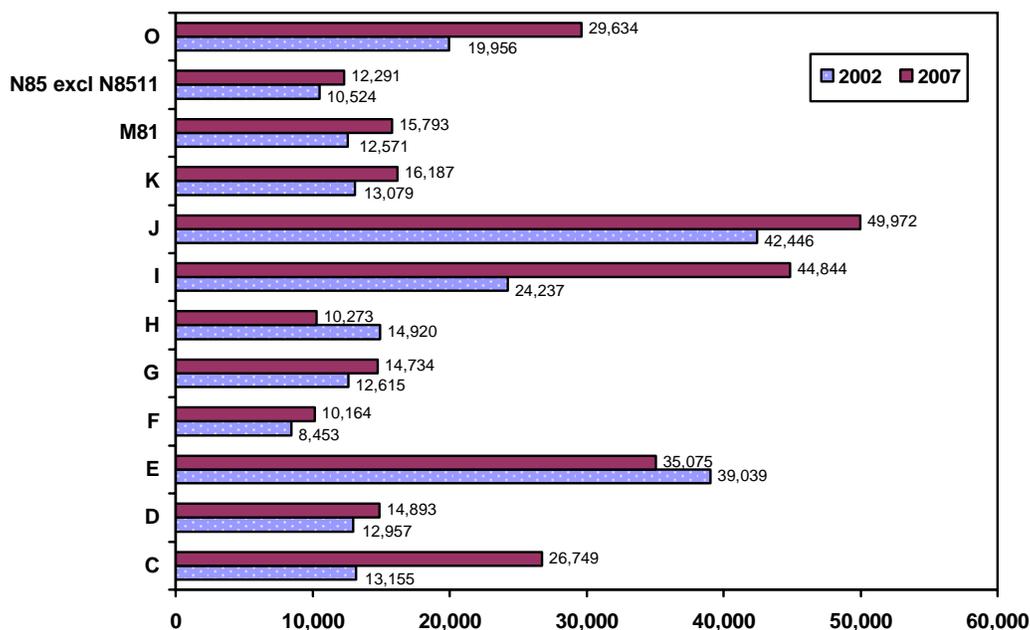
**Employees in financial intermediation received the highest year-end and other similar bonuses**

Annual year-end, seasonal and other one-time bonuses per employee grew by 19.4% from 2002, reaching P19,279 in 2007. Expectedly, this was highest in financial intermediation at P49,972 in 2007 and P42,446 in 2002. Second highest at P44,844 were enjoyed by workers in transport, storage and communications in 2007 and by those in electricity, gas and water supply at P39,039 in 2002. On the other hand, the

lowest was observed in construction at P10,164 in 2007 and P8,453 in 2002. (Figure 1)

Notably, year-end, seasonal and other one-time bonuses increased in almost all industries in 2007 except in electricity, gas and water supply and hotels and restaurants which decreased by 10.2% and 31.1%, respectively.

**FIGURE 1- Annual Year-end, Seasonal and Other One-time Bonuses 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 2007/2008).

### ***Profit sharing bonuses tripled in electricity, gas and water supply***

Profit sharing bonuses per employee dropped by 46.2% from ₱1,039 in 2002 to only ₱559 in 2007. Industry groups with higher bonuses of this type than the all-industry level in 2007 were financial intermediation (₱4,933) and electricity, gas and water supply (₱1,966). Profit sharing bonuses increased remarkably in electricity, gas and water supply which tripled compared with the level in 2002 at

₱635. Other industry groups which posted increases were as follows:

<i>Private health and social work</i>	86.1%
<i>Financial intermediation</i>	81.5%
<i>Wholesale and retail trade</i>	19.4%
<i>Transport, storage and communications</i>	16.9%

Inversely, profit sharing bonuses in other community, social and personal service activities got the biggest reduction of 97.7% from ₱3,161 in 2002 to only ₱72 in 2007. (Table 1)

### ***Additional payments per employee doubled in hotels and restaurants in 2007***

Annual additional payments in respect of vacation, supplementary to normal vacation pay accruing to each employee dropped by 64.6% in 2007 with the highest diminutions in financial intermediation at 96.5% (₱24,174 in 2002 to ₱836 in 2007), and in other community, social and personal service activities at 95.8% (₱1,865 in 2002 to only ₱79 in 2007). (Table 1)

groups. In hotels and restaurants, these additional payments grew by a little more than 100%, from ₱154 in 2002 to ₱313 in 2007. Growths were also evident in private health and social work (94.1%); private education services (49.0%); transport, storage and communications (27.3%); manufacturing (17.7%); mining and quarrying (14.3%); and in wholesale and retail trade (4.3%).

Additional payments per employee increased in seven industry

#### **Definition of Terms:**

**Bonuses and Gratuities** include year-end, seasonal and other one-time bonuses (mid-year/Christmas bonus, 13<sup>th</sup>/14<sup>th</sup>/15<sup>th</sup> month pay and the like), profit sharing bonuses and additional payments in respect of vacation supplementary to normal vacation pay.

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**TABLE 1 - Annual Bonuses and Gratuities 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		Year-end, Seasonal and Other One-time Bonuses		Profit Sharing Bonuses		Additional Payments in Respect of Vacation, Supplementary to Normal Vacation Pay	
	2002	2007	2002	2007	2002	2007	2002	2007
<b>Total</b>	<b>19,147</b>	<b>20,532</b>	<b>16,143</b>	<b>19,279</b>	<b>1,039</b>	<b>559</b>	<b>1,965</b>	<b>695</b>
Mining and Quarrying	14,118	27,762	13,155	26,749	98	22	866	990
Manufacturing	15,338	16,253	12,957	14,893	1,608	451	772	909
Electricity, Gas and Water Supply	41,922	37,668	39,039	35,075	635	1,966	2,247	627
Construction	8,864	10,460	8,453	10,164	79	47	332	249
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	13,321	15,517	12,615	14,734	310	370	396	413
Hotels and Restaurants	15,125	10,631	14,920	10,273	51	46	154	313
Transport, Storage and Communications	25,914	46,956	24,237	44,844	219	256	1,458	1,856
Financial Intermediation	69,339	55,740	42,446	49,972	2,718	4,933	24,174	836
Real Estate, Renting and Business Activities	14,055	16,809	13,079	16,187	593	260	383	361
Private Education Services	14,009	16,631	12,571	15,793	893	25	545	812
Private Health and Social Work	10,864	12,948	10,524	12,291	36	67	304	590
Other Community, Social and Personal Service Activities	24,983	29,784	19,956	29,634	3,161	72	1,865	79

*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).*