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LABOR COST IN THE PHILIPPINES

Trends and Structures

(Fourth 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 social security expenditures of employers 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 ₱615.6 billion in 2007 from ₱459.9 billion in 2002. Employer's social security expenditures accounted for 8.4% of total labor cost in 2007.

Monthly employer's social security expenditures per employee estimated at ₱1,502

Annual social security expenditures per employee went up by 4.1% in 2007 to reach ₱18,023 or roughly ₱1,502 per month. Transport, storage and communications posted the highest growth rate among the major industry groups at 149.3%, owing to the significant increases of 697.7% in air transport (from ₱15,780 in 2002 to ₱125,871 in 2007); and

171.5% in postal and telecommunications services except national postal activities (from ₱38,634 in 2002 to ₱104,886 in 2007). (Table 1)

Meanwhile, electricity, gas and water supply suffered the biggest reduction of 76.0% for the period.

Employers in electricity, gas and water supply shelled out the biggest compulsory social security contributions

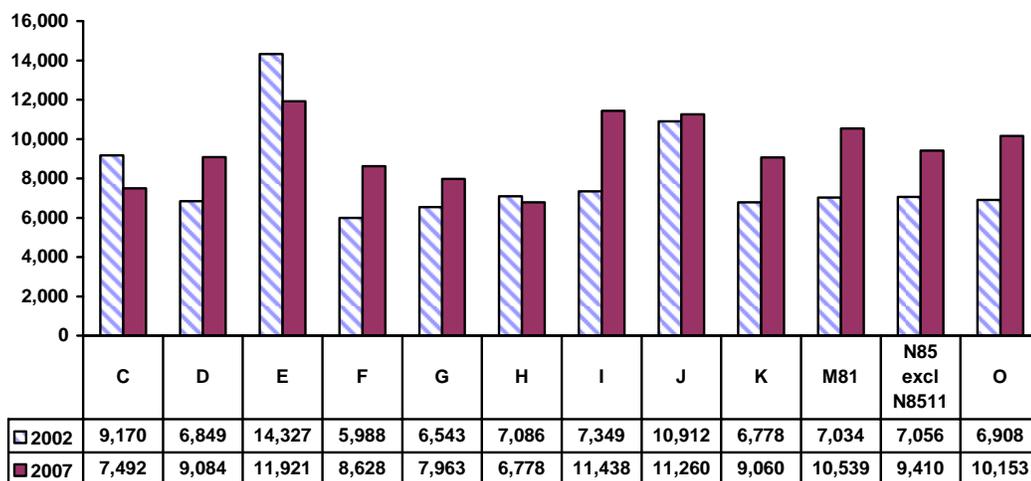
Expenses on compulsory social security contributions per employee went up by 27.3% from P7,285 in 2002 to P9,277 in 2007. This can be attributed to the 1.0% increase in contribution rates effected by the Social Security System in March 2003 and January 2007 per SSS Circular 33-P.

By industry, employers in electricity, gas and water supply shelled out the highest amount paid to SSS, GSIS, PhilHealth and Pag-IBIG of P11,921 per employee in 2007. This is 16.8% lower than P14,327 accruing to each employee in 2002. However, the highest increment in compulsory social

security contributions per employee of 55.6% was registered in the transport, storage and communications, again due to the 173.1% remarkable increase in air transport (from P8,253 in 2002 to P22,535 in 2007). This was followed by the private education services (49.8%); other community, social and personal service activities (47.0%); and construction (44.1%).

On the other hand, decrements of less than 20.0% during the period under review were also posted in the mining and quarrying; and hotels and restaurants. (Figure 1)

FIGURE 1- Annual Employer’s Expenditures on Compulsory Social Security Contributions Per Employee in Non-Agricultural Establishments With 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).

Expenses on collectively agreed, contractual and non-obligatory contributions to private social security schemes highest in transport, storage and communications

Expenses on collectively agreed, contractual and non-obligatory contributions to private social security schemes per employee, mostly in the form of pension, life, accident, medical and health and hospitalizations posted a 51.3% increase during the period (from ₱1,533 in 2002 to ₱2,319 in 2007). This growth was spurred mainly by the significant increase in transport, storage and

communications at 718.4% (from ₱2,388 in 2002 to ₱19,543 in 2007). Remarkable growth was also observed in mining and quarrying at 272.8% (from ₱2,826 in 2002 to ₱10,536 in 2007). (Table 1)

The rest of the industries posted annual costs amounting to less than ₱3,000 per employee in 2007.

Employers in mining and quarrying spent the biggest direct payments regarded as social security benefits

Direct payments to employees regarded as social security benefits (in respect of absence from work due to sickness, maternity or occupational injury) provided per employee amounted to only ₱305 in 2007, about 8.7% less than ₱334 in 2002. (Table 1)

Across industries, the highest amount of ₱2,206 in 2007 was given to each worker in mining and quarrying which increased by 28.7% from ₱1,714 in 2002.

Although other industries exhibited large increments during the period, e.g., financial intermediation (174.9%); other community, social and personal service activities (166.7%); and hotels and restaurants (148.6%), all of the industries except mining and quarrying granted direct payments to employees as social security benefits of less than ₱500 per employee.

Call center activities boosted the expenses for medical care and health services in real estate, renting and business activities

The cost of medical care and health services (except insurance) per employee amounted to ₱1,915 in 2007, 6.6% more than ₱1,797 in 2002. (Table 1)

Transport, storage and communications incurred the highest amount of ₱5,215 in 2007, posting an increase of 114.8% from ₱2,428 in 2002. Meanwhile, real estate, renting and business activities posted

the highest increase of 200.6% (₱2,050 in 2007 against ₱682 in 2002), mainly due to the ₱3,799 provided to workers in call center activities.

On the other hand, hotels and restaurants and mining and quarrying suffered major setbacks with expenses on medical care and health services slashed by -85.7% and -35.1%, respectively.

Downtrend in expenses for retirement and termination/ separation pay observed

Retirement and termination/separation pay per employee went down by 33.9% in 2007 from its P6,367 amount in 2002. Workers in financial intermediation received the highest amount of P15,838 in 2007 although this represented a mere increase of 2.8% from its 2002 value of P15,405. Least amount of P766 was received by workers in hotels and restaurants, lower by 67.4% than P2,350 in 2002.

Other industries that registered higher retirement and

termination/separation pay for the period were as follows:

<i>Transport, storage and communications</i>	85.2%
<i>Other community, social and personal service activities</i>	58.9%
<i>Private education services</i>	45.0%

The rest of the industries posted lower amounts in 2007 wherein the largest decrease was recorded in the electricity, gas and water supply (-90.2%) as the P82,810 pay in 2002 declined to P8,087 in 2007.

Definition of Terms:

Employer's Social Security Expenditures - compulsory social security expenditures (GSIS, SSS, PhilHealth, Pag-IBIG); collectively agreed and non-obligatory contributions to private social security schemes and insurance (pension, life, accident, medical and health, hospitalization); direct payments by employer to employees regarded as social security benefits (in respect of absence from work due to sickness, maternity or occupational injury); cost of medical care and health services; retirement and separation/termination pay.

Cost of medical care and health services - *medical care and health expenses (except insurance), e.g., medicines, incurred by the employer on behalf of the employees; it includes net cost, i.e., maintenance expenditures, fees, property taxes, insurance, interest, depreciation and other costs, less grants-in aid, tax rebates, subsidies, etc. received from government and other institutions in respect of establishment-owned building and equipment used for medical care and health services of employees; it excludes capital investment on building, equipment or land made during the year and labor cost of personnel employed in establishment-owned medical care and health facilities for employees.*

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TABLE 1 - Growth Rate (GR) in Annual Employer's Social Security Expenditures 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 except rates)

Major Industry Group	Total			Compulsory Social Security Contributions			Collectively Agreed Contractual and Non-Obligatory Contributions to Private Social Security Schemes and Insurance			Direct Payments by Employer to Employees Regarded as Social Security Benefits			Cost of Medical Care and Health Services			Retirement and Termination/ Separation Pay		
	2002	2007	GR	2002	2007	GR	2002	2007	GR	2002	2007	GR	2002	2007	GR	2002	2007	GR
Total	17,317	18,023	4.1	7,285	9,277	27.3	1,533	2,319	51.3	334	305	-8.7	1,797	1,915	6.6	6,367	4,207	-33.9
Mining and Quarrying	29,389	27,257	-7.3	9,170	7,492	-18.3	2,826	10,536	272.8	1,714	2,206	28.7	5,920	3,840	-35.1	9,759	3,183	-67.4
Manufacturing	13,877	15,759	13.6	6,849	9,084	32.6	1,668	1,496	-10.3	370	370	0.0	1,443	1,597	10.7	3,547	3,212	-9.4
Electricity, Gas and Water Supply	102,168	24,483	-76.0	14,327	11,921	-16.8	2,268	1,477	-34.9	536	178	-66.8	2,227	2,821	26.7	82,810	8,087	-90.2
Construction	9,692	10,596	9.3	5,988	8,628	44.1	171	491	187.1	335	183	-45.4	358	363	1.4	2,840	932	-67.2
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	12,517	12,548	0.2	6,543	7,963	21.7	1,628	747	-54.1	245	153	-37.6	900	1,082	20.2	3,200	2,603	-18.7
Hotels and Restaurants	13,718	9,029	-34.2	7,086	6,778	-4.3	370	588	58.9	144	358	148.6	3,768	540	-85.7	2,350	766	-67.4
Transport, Storage and Communications	20,267	50,526	149.3	7,349	11,438	55.6	2,388	19,543	718.4	442	139	-68.6	2,428	5,215	114.8	7,661	14,191	85.2
<i>Air Transport</i>	15,780	125,871	697.7	8,253	22,535	173.1	2,481	1,840	-25.8	23	-	-	2,107	13,433	537.5	2,917	88,064	2,919.0
<i>Postal and Telecommunications Services. Except National Postal Activities</i>	38,634	104,886	171.5	9,486	13,239	39.6	5,938	60,353	916.4	936	75	-92.0	5,413	10,746	98.5	16,860	20,472	21.4
Financial Intermediation	34,783	34,224	-1.6	10,912	11,260	3.2	2,701	2,410	-10.8	163	448	174.8	5,602	4,267	-23.8	15,405	15,838	2.8
Real Estate, Renting and Business Activities	10,267	14,008	36.4	6,778	9,060	33.7	1,043	946	-9.3	257	314	22.2	682	2,050	200.6	1,507	1,638	8.7
<i>Call Center Activities</i>	-	16,263	-	-	10,302	-	-	626	-	-	461	-	-	3,799	-	-	1,074	-
Private Education Services	12,489	17,406	39.4	7,034	10,539	49.8	822	773	-6.0	353	211	-40.2	720	720	-	3,559	5,162	45.0
Private Health and Social Work	15,541	14,602	-6.0	7,056	9,410	33.4	1,274	324	-74.6	604	246	-59.3	3,702	2,518	-32.0	2,905	2,104	-27.6
Other Community, Social and Personal Service Activities	15,281	19,246	25.9	6,908	10,153	47.0	1,324	837	-36.8	123	328	166.7	3,403	2,331	-31.5	3,523	5,597	58.9

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