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LABOR TURNOVER STATISTICS IN LARGE ENTERPRISES IN METRO MANILA: 2003-2007 (First of a three-part series)

OVERVIEW

In 2002, the Bureau of Labor and Employment Statistics introduced the quarterly Labor Turnover Survey (LTS) that aims to capture "job creations" (new hires and unfilled job vacancies) and "job displacements" (separations) in large business enterprises. The survey is intended to complement the statistics on layoffs/retrenchments based on Termination Reports submitted by employers to DOLE Regional Offices and the results of the Labor Force Survey (LFS) - a household sample survey conducted quarterly by the National Statistics Office.

The number of respondents was composed of 500 large enterprises in Metro Manila which were drawn from the List of Top 5,000 Enterprises in the Philippines. Considered as economic trend setters, these firms provide timely signals on labor demand in the formal sector of the economy.

Now on its fifth year, the LTS has compiled a total of 22 quarterly data points - from third quarter 2002 to fourth quarter 2007. This issue of LABSTAT Updates examines the trend in labor turnover rate over the five-year period 2003-2007 and the reasons for accession and separation of workers.

Trend in Labor Turnover: 2003-2007

Employment growth on the uptrend in the last two years

Employment in top enterprises in Metro Manila has generally grown since 2003. Measured in terms of labor turnover rates, employment growth was initially sluggish in 2003, 2004 and 2005 when accession rate just matched separation rate. The pace of growth, however, started to improve in 2006 and 2007 when accession rate outpaced separation rate with respectable margin.

TABLE 1 – Average Annual Labor Turnover Rate in Top Enterprises in Metro Manila: 2003-2007
(in percent)

Year	Labor Turnover Rate		
	Accession Rate	Separation Rate	Percent Difference
2003	6.82	6.76	0.06
2004	7.12	6.09	1.04
2005	8.66	7.67	0.98
2006	9.23	7.70	1.52
2007	10.47	7.64	2.83

Source: BLES, LTS.

This could mean that enterprises covered in this survey have started boosting their workforce after years of remaining almost stagnant. In the process,

they have created more jobs compared to the number of workers retrenched during this two-year period.

Of interest to data users is the *percent difference* between accession rate and separation rate (column 4 of Table 1) because this represents employment growth or the net addition (or net loss) to employment at any given period.

As can be observed in Table 1, these net additions to employment were near zero in 2003 (0.06%) and 2005 (0.98%) and slightly above one percent (1.03%) in 2004. Substantial improvement occurred only in 2006 when the figure rose to 1.52% and in 2007 when employment growth surged to 2.83% on the strength of strong economic growth posted that year at 7.3%.

Translated in absolute terms, the 2.83% turnover rate in 2007 implies a net addition of 28 workers per 1,000 employed. This occurred as 105 workers were hired per 1,000 employed while 76 workers per 1,000 employed were either separated or quit their jobs.

Accession or hiring of workers driven by replacement of separated workers

Accession during the five-year period was driven mainly by replacement of separated workers with accession due to business expansion accounting for only a fraction of the total accession. As shown in Table 2, accession due to replacement has steadily risen

Definition of Terms

Enterprise - refers to an economic unit consisting of one or more establishments under a single ownership or control. It may be a complex family of legal entities or a single legal entity such as a corporation, partnership or single proprietorship.

Total Employment - refers to the number of persons who worked or received pay from the enterprise and ***all its branches*** during the reference period. This includes the following:

- 1) **Working Owners** - owners who are actively engaged in the management of the enterprise but do not receive regular pay;
- 2) **Unpaid Workers** - persons working without pay and work for at least 1/3 of the working time normal to the enterprise; and
- 3) **Paid Officials and Workers** - include full-time/part-time workers; employees on paid leaves (e.g., sick/vacation/maternity/holiday/study leave); and employees working away from the enterprise but paid by and under the control of the firm. **Excluded are workers hired through contractor/agency.**

Accessions (New Hires) - refer to permanent or temporary additions to employment in the enterprise due to 1) expansion of business activity; and 2) replacement of separated workers and employment resulting from changes in methods/technology of production or service.

Accession Rate or Hiring Rate - is computed by dividing the number of new hires by employment and multiplying that quotient by 100. Expansion and replacement rates are computed similarly, dividing the number by employment and multiplying by 100.

Separations - refer to terminations of employment due to a) quits or terminations initiated by the employees; and b) layoffs or terminations initiated by the employers due to economic reasons (e.g., lack of market, financial losses, redundancy) and non-economic reasons (e.g., gross negligence, AWOL).

Separation Rate - is computed by dividing the number of separations by employment and multiplying that quotient by 100. The quits, layoffs and other separation rates are computed similarly, dividing the number by employment and multiplying by 100.

from an average annual rate of 4.59% in 2003 to 8.53% in 2007. In contrast, accession due to business expansion fluctuated within a narrow range of just 1.94% and 2.94%.

Separation of workers a mixture of termination (employee-initiated) and quits (employer-initiated)

The reasons for separation of workers were almost equally divided between employer-initiated and employee-initiated separations - the former exceeding the latter with a slim margin. For the period under review, employer-initiated separation went up from 3.81% to 4.50% while employee-initiated separation rose from 2.49% to 3.42%.

Seasonal pattern in the data series observed

While a cursory inspection of the quarterly data series as contained in Table 2 reveals no definite pattern or seasonality, some generalization can be noted with respect to the quarterly movement of the data series.

For instance, accession due to replacement of workers usually peaked during the first three quarters or second quarter only but never during the fourth quarter.

On the other hand, employer-initiated separation normally peaked during the first and third quarters but never in the second quarter. This pattern, however, vary largely from industry to industry.

On the whole, labor turnover rates usually peaked either during the second or third quarter. It peaked once during the fourth quarter but never in the first quarter.

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**TABLE 2 - Labor Turnover Rates in Top Enterprises
in Metro Manila by Quarter: 2003-2007**
(in percent)

Year/Quarter	Accession Rate			Separation Rate			Percent Difference
	Total	Due to Expansion	Due to Replacement	Total	Employee-Initiated	Employer-Initiated	
2007	10.47	1.94	8.53	7.64	3.42	4.22	2.83
1st Qtr.	9.21	1.57	7.64	7.65	3.11	4.55	1.56
2nd Qtr.	11.31	2.17	9.14	7.75	3.82	3.93	3.57
3rd Qtr.	11.16	1.81	9.35	7.84	3.66	4.18	3.31
4th Qtr.	10.20	2.20	8.00	7.33	3.10	4.23	2.87
2006	9.22	2.94	6.29	7.70	3.20	4.50	1.52
1st Qtr.	9.20	1.82	7.38	8.43	3.23	5.20	0.77
2nd Qtr.	8.94	2.51	6.43	7.21	3.42	3.79	1.72
3rd Qtr.	9.84	3.88	5.96	7.87	3.14	4.73	1.97
4th Qtr.	8.91	3.55	5.37	7.27	3.00	4.26	1.64
2005	8.66	1.96	6.70	7.67	3.26	4.41	0.98
1st Qtr.	7.91	1.60	6.31	7.70	3.16	4.55	0.21
2nd Qtr.	9.95	2.07	7.88	7.34	3.61	3.73	2.61
3rd Qtr.	8.47	2.13	6.34	8.55	3.40	5.15	-0.08
4th Qtr.	8.30	2.05	6.25	7.10	2.88	4.22	1.20
2004	7.12	1.99	5.13	6.09	2.49	3.60	1.04
1st Qtr.	5.88	1.56	4.31	6.11	2.47	3.64	-0.24
2nd Qtr.	7.34	2.24	5.10	5.47	2.55	2.92	1.87
3rd Qtr.	8.16	2.11	6.05	6.53	2.74	3.79	1.63
4th Qtr.	7.12	2.05	5.07	6.23	2.20	4.04	0.89
2003	6.82	2.24	4.59	6.76	2.96	3.81	0.06
1st Qtr.	6.12	1.86	4.25	6.06	2.83	3.23	0.06
2nd Qtr.	6.85	1.98	4.88	6.70	2.82	3.88	0.15
3rd Qtr.	6.52	2.12	4.40	7.92	3.36	4.55	-1.40
4th Qtr.	7.79	2.98	4.82	6.38	2.82	3.56	1.42

Source: BLES, LTS.