



## LABOR COST IN THE PHILIPPINES

(Third of an eight-part series)

This LABSTAT is the third issue on a series of reports that focus on labor cost based on the results of the 2002/2003 BLES Integrated Survey (BITS) conducted last year in coordination with the DOLE Regional Offices. The BITS is a nationwide survey covering 6,818 sample non-agricultural establishments with 20 or more workers that aims to generate an integrated data set on employment, labor relations, labor cost and occupational safety in the workplace as basis for policy and program formulation.

This issue shall look into the annual labor cost per employee in non-agricultural establishments across specific establishment characteristics such as ownership, spread of operations, unionism and existence of a collective bargaining agreement. Specific industry details can be accessed at the BLES Website.

### Labor Cost Per Employee Increased in 2002

In 2002, annual labor cost per employee in non-agricultural establishments stood at P 182,541, higher by 30.4 percent over P 139,934 in 1998. (Table 1)

It remained highest in utilities, increasing by 23.6 percent from P 301,464 in 1998 to P 372,725 in 2002. This was followed by labor cost in financial intermediation which increased by 15.3 percent from P 300,985 to P 346,955.

Across the two years under review, its lowest was estimated in hotels and restaurants at P 91,614 in 1998 and in construction at P 137,793 in 2002.

### Establishments With Foreign Equity Spent More on Labor Cost Per Employee

In 2002, establishments with foreign equity spent annual per employee labor cost amounting to P254,112. This is slightly higher than in wholly foreign-owned establishments which averaged P241,837. Least was paid to workers in wholly Filipino-owned establishments estimated at P152,654. (Table 2)

Among establishments with foreign equity, annual labor cost per employee was highest in mining and quarrying at P 722,552 and least in private health and social work services at only P 110,049.

Meanwhile, labor cost per employee ranged from ₱119,666 in other community, social and personal service activities to ₱772,640 in financial intermediation among wholly foreign-owned establishments.

Annual per employee labor cost of solely Filipino-owned establishments was highest in electricity, gas and water supply at ₱ 366,536 and lowest in hotels and restaurants at ₱ 109,816.

#### **Multinational Establishments Posted Higher Labor Cost**

Labor cost spent per employee by multinational establishments in 2002 totaled ₱ 258,145, higher by 61.0 percent than payments made by non-multinational establishments at ₱ 160,412.

Multinational mining and quarrying establishments incurred the highest amounting to ₱ 1.8 million per employee. This is in contrast to only ₱ 88,108 average labor cost spent on workers in private education services.

Among non-multinationals, per employee labor cost was highest in utilities at ₱ 365,512 and lowest in hotels and restaurants at ₱ 110,352.

#### **Average Labor Cost Higher in Unionized Establishments With CBA**

Per employee annual labor cost was higher by 53 percent in unionized establishments at ₱ 239,616 than in non-unionized establishments at ₱ 156,276.

Among non-unionized establishments, those in mining and quarrying posted the highest annual labor cost per employee at ₱ 520,913 while private health and social work posted the least at ₱ 126,744.

Unionized establishments in utilities incurred the highest per employee labor cost at ₱ 464,348 while those in construction had the lowest at only ₱ 126,752.

Average annual labor cost in unionized establishments with CBA was higher by 54 percent at ₱241,228 than those without CBA at ₱156,216. The most substantial difference was in utilities where the average in unionized establishments with CBA (₱486,594) was more than twice those without CBA (₱192,965). The gap was closest (at 4%) in other community, social and personal service activities, i.e. ₱ 168,041 for establishments with CBA vs. ₱161,672 for establishments without CBA.

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TABLE 1 – ANNUAL LABOR COST PER EMPLOYEE  
IN NON-AGRICULTURAL ESTABLISHMENTS EMPLOYING 20 AND  
OVER, PHILIPPINES: 1998 AND 2002  
(in Pesos)

Major Industry Group	1998	2002
<b>Total</b>	<b>139,934</b>	<b>182,541</b>
Mining and Quarrying	195,880	248,183
Manufacturing	121,950	162,939
Electricity, Gas and Water Supply	301,464	372,725
Construction	108,664	137,793
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	122,371	153,310
Hotels and Restaurants	91,614	217,539
Transport, Storage and Communications	198,038	213,373
Financial Intermediation	300,985	346,955
Real Estate, Renting and Business Activities	111,310	150,333
Private Education Services	132,358	156,337
Private Health and Social Work Services	103,831	149,082
Other Community, Social and Personal Service Activities	143,782	176,002

*Source of data: Bureau of Labor and Employment Statistics, 2002/2003 BLES Integrated Survey.*

TABLE 2 – ANNUAL LABOR COST PER EMPLOYEE IN NON-AGRICULTURAL ESTABLISHMENTS EMPLOYING 20 AND OVER  
BY ESTABLISHMENT CHARACTERISTICS, PHILIPPINES: 2002

(in Pesos)

Major Industry Group	Total	Ownership			Spread of Operations			Unionism		
		Wholly Filipino	With Foreign Equity	Wholly Foreign	Multinational	Not Multinational	Without Union	With Union		
								Total	Without CBA	With CBA
Total	182,541	152,654	254,112	241,837	258,145	160,412	156,276	239,616	156,216	241,228
Mining and Quarrying	248,183	220,659	722,552	623,227	1,804,403	220,046	520,913	229,023	-	229,023
Manufacturing	162,939	133,622	214,176	170,424	209,424	130,750	140,901	200,822	147,772	201,689
Electricity, Gas and Water Supply	372,725	366,536	353,469	721,327	724,619	365,512	214,489	464,348	192,965	486,594
Construction	137,793	109,860	212,050	264,378	246,375	130,092	140,806	126,752	-	126,752
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	153,310	123,019	297,000	395,284	365,111	126,107	140,121	196,943	129,791	198,355
Hotels and Restaurants	217,539	109,816	157,417	476,147	389,292	110,352	221,398	186,458	-	186,458
Transport, Storage and Communications	213,373	135,188	411,048	366,879	296,566	202,199	172,683	257,810	115,148	261,564
Financial Intermediation	346,955	320,144	326,895	772,640	450,337	324,616	296,006	409,616	221,185	411,338
Real Estate, Renting and Business Activities	150,333	125,270	293,660	227,205	289,380	137,905	149,496	173,442	-	173,442

TABLE 2 – ANNUAL LABOR COST PER EMPLOYEE IN NON-AGRICULTURAL ESTABLISHMENTS EMPLOYING 20 AND OVER  
 BY ESTABLISHMENT CHARACTERISTICS, PHILIPPINES: 2002 (CONT'D)  
 (in Pesos)

Major Industry Group	Total	Ownership			Spread of Operations		Unionism			
		Wholly Filipino	With Foreign Equity	Wholly Foreign	Multinational	Not Multinational	Without Union	With Union		
								Total	Without CBA	With CBA
Private Education Services	156,337	155,514	190,121	-	88,108	156,548	136,900	228,183	202,313	228,653
Private Health and Social Work	149,082	148,281	110,049	352,394	325,896	145,903	126,744	181,904	120,371	182,543
Other Community, Social and Personal Service Activities	176,002	181,202	142,899	119,666	121,163	179,164	181,175	167,947	161,672	168,041

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