



## LABOR COST IN THE PHILIPPINES

(Second of an eight-part series)



*This LABSTAT is the second 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 compare the labor cost structure of non-agricultural establishments for the years 1998 and 2002. The structure shall distinguish between **direct costs** and **indirect costs**. The International Labour Office defines direct costs as including direct wages and salaries, remuneration for time not worked, bonuses and gratuities and payments in kind and cost of workers' housing shouldered by employer. Meanwhile, indirect costs include employer's social security expenditures, cost of training, cost of welfare services and other labor costs. Specific industry details can be accessed at the BLES Website.*

### Annual Labor Cost Up by 46 Percent in 2002

In 2002, employers in non-agricultural establishments spent a total of ₱ 460 billion in labor cost, representing a 46 percent increase over that incurred in 1998 at ₱ 315 billion. (Table 1)

At least one-third of total labor cost is still accounted for by manufacturing establishments. Estimated at ₱ 105 billion in 1998, it grew by 48 percent to ₱156 billion in 2002. In both years, at least 10 percent of total labor cost

was each accounted for by trade establishments (₱36 billion in 1998 and ₱ 56 billion in 2002) and financial intermediaries (₱32 billion in 1998 and ₱ 46 billion in 2002).

Mining and quarrying maintained the lowest share of total labor cost at ₱2 billion (0.7%) in 1998 and ₱ 5 billion (1%) in 2002.

## **Direct Wages and Salaries Account for Bulk of Labor Cost**

Bulk or about 88 percent of labor cost is accounted for by direct costs. Direct wages and salaries maintained the highest share, though slightly declining from 76.6 percent in 1998 to 74.4 percent in 2002. Nevertheless, nominal levels increased by 42 percent from ₱ 241 billion in 1998 to ₱ 342 billion in 2002.

Another 10 percent of labor cost was accounted for by bonuses and gratuities which increased by 77 percent reaching ₱ 48 billion in 2002 (from ₱ 27 billion in 1998).

Payments in kind and workers' housing shouldered by employer shared less than one percent each. This notwithstanding a substantial increase in actual housing costs from ₱ 1.4 billion to ₱ 4.5 billion.

## **Employer's Social Security Expenditures Up by More Than 50 Percent in 2002**

The share of indirect costs slightly grew from 11 percent to 12 percent during the period.

Social security expenditures maintained the highest share at nine percent during the period. Actual expenditures grew by 52 percent from ₱29 billion to ₱44 billion.

Despite a modest share of less than one percent each, costs incurred for training (from ₱2 billion to ₱3 billion), welfare services (from ₱ 1.7 billion to ₱ 3.8 billion) and other labor costs (from almost ₱ 3 billion to ₱7 billion) increased from 1998 to 2002.

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TABLE 1 – ANNUAL LABOR COST IN NON-AGRICULTURAL ESTABLISHMENTS  
EMPLOYING 20 AND OVER BY MAJOR INDUSTRY GROUP,  
PHILIPPINES: 1998 AND 2002 (₱ M)

Major Industry Group	1998	2002
<b>Total</b>	<b>314,844</b>	<b>459,934</b>
Mining and Quarrying	2,227	5,110
Manufacturing	104,994	155,582
Electricity, Gas and Water Supply	22,994	25,850
Construction	11,357	10,416
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	35,978	56,325
Hotels and Restaurants	12,022	33,586
Transport, Storage and Communications	32,495	41,449
Financial Intermediation	32,263	46,492
Real Estate, Renting and Business Activities	24,879	37,264
Private Education Services	23,728	29,145
Private Health and Social Work Services	5,501	8,340
Other Community, Social and Personal Service Activities	6,406	10,374

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

TABLE 2 - PERCENT DISTRIBUTION OF LABOR COST IN NON-AGRICULTURAL  
ESTABLISHMENTS EMPLOYING 20 AND OVER BY MAJOR COST COMPONENT,  
PHILIPPINES: 1998 AND 2002

Cost Component	1998		2002	
	Amount (₱M)	%	Amount (₱M)	%
<b>Total</b>	<b>314,844</b>	<b>100.00</b>	<b>459,934</b>	<b>100.00</b>
<b>Direct Costs</b>				
Direct Wages and Salaries	241,268	76.63	342,097	74.38
Remuneration for time not worked	6,998	2.22	6,753	1.47
Bonuses and Gratuities	27,329	8.68	48,244	10.49
Payments in Kind	2,141	0.68	976	0.21
Cost Workers' Housing Shouldered by Employer	1,394	0.44	4,505	0.98
<b>Indirect Costs</b>				
Social Security	28,645	9.10	43,631	9.49
Cost of Training	2,385	0.76	3,446	0.75
Cost of Welfare Services	1,721	0.55	3,769	0.82
Other Labor Costs	2,964	0.94	6,513	1.42

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