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The Entrepreneur

A Two-Legged Employment Strategy

US President Barack Obama was reported last week as “celebrating” the return of US jobs from Asian economic powerhouse China during a tour of a plant making padlocks for Master Lock in Wisconsin, which recently returned 100 jobs that were previously done offshore. “Right now,” he said, “we have an excellent opportunity to bring manufacturing back, but we have to seize it.”

So what’s the big deal about regaining 100 jobs from other countries? That’s a very negligible drop in a large bucket of 12.758 million unemployed in the United States, corresponding to an 8.3-percent unemployment rate as of the first month of 2012.

Obama’s tour of the Master Lock factory was part of his campaign to encourage manufacturers to return jobs to the US and eventually to increase the number of domestic manufacturing jobs. In 2011 the number of manufacturing jobs in the United States increased, after declining every year since 1998, and in January 2012 alone, the manufacturing sector added 50,000 jobs, the biggest monthly increase in a year.

Speaking at an In-sourcing American Jobs forum last month, Obama called for a re-orientation of the economy toward manufacturing. “I don’t want America to be a nation that’s primarily known for financial speculation and racking up debt buying stuff from other nations,” he said. “I want us to be known for making and selling products all over the world stamped with three proud words: ‘Made in America.’”

As an incentive, Obama wants to scrap tax deductions for shipping jobs overseas, and offer new incentives for returning them to the United States. He is also pushing for a \$2-billion annual tax credit to encourage manufacturers to invest in struggling communities, among other measures. The millions of jobs lost had been blamed to the transition of the US to a service-based economy in the past several decades.

That is also what happened to the Philippine economy since we blindly and fully embraced liberalization imposed on us by the US and US-led multilaterals.

In contrast to Obama’s single-thrust strategy in favor of manufacturing, however, I am advocating for a two-legged employment strategy, which means reviving the manufacturing industries while at the same time promoting the growth of the services sector.

Government statistics show that of the total 36,488 million employed people as of October 2010, about 18.55 million were in the services sector and only 5,375 million were in the industry sector. Within the industry sector, only 3,058 million worked in manufacturing.

The business-process outsourcing industry, now the fastest-growing segment of the services sector, had an estimated 500,000 workers in 2011, a huge jump from 300,000 in 2008, and is targeting an additional 130,000 workers this year.

It’s a stark contrast for the manufacturing industries. Josef T. Yap, president of the government think tank Philippine Institute for Development Studies, said in November 2011 that the share of manufacturing to the country’s gross domestic product (GDP) plunged to 21.4 percent in 2009 from 22.2 percent in 2000 and 25.7 percent in 1980.

Other Southeast Asian countries increased the share of manufacturing in their economic growth. The share of manufacturing to Indonesia’s GDP rose to 26.4 percent

in 2009 from 13.5 percent in 1980, to 34.1 percent from 21.5 percent for Thailand, and to 25.1 percent from 21.6 percent for Malaysia.

During the First Philippine Manufacturers and Producers Summit organized by the Federation of Philippine Industries, Yap also noted that the Philippines failed to transform its economy and create backward linkages for the manufacturing sector through larger role of the small and medium enterprise sector.

In the same event, the Asian Development Bank (ADB) warned the Philippines against relying too much on the services sector, particularly on BPOs. Norio Usui, ADB senior country economist, pointed out that despite the strong growth of the BPO sector since 2001, the country's chronic problems remained: high unemployment, slow pace of poverty reduction and stagnant investments.

"If you will ask if the Philippines can join the growth club by skipping manufacturing, the answer is 'no,'" Usui said. "You need another traditional leg, which is manufacturing. It should be both manufacturing and modern services."

Usui recalled that the country's 4.8-percent average growth from 2000 to 2009 was characterized by a fast-growing BPO industry but stagnating manufacturing segment because the country missed out on investment-heavy industries. And, he added, the BPO is biased toward the well-educated. Manufacturing, on the other hand, has the capacity to absorb workers with less education and those migrating from the agricultural sector.

(To be continued)

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