

Assessing the effects of trade on employment in the Philippines: A SAM-based multiplier and structural path analysis

Topic: Impact analysis: multipliers

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The study investigates the impact of trade liberalization on employment in the agricultural sector of the Philippines. The literature provides inconclusive results on such effects. One side of the fence argues that domestic employment is sacrificed with increased trade, while the other side gives merit to the employment generating capacity of trade liberalization. In the presence of these conflicting arguments on the effect of trade and employment, it is important to provide a quantitative assessment to dispel the ambiguity in the case of the Philippines. The agricultural sector is particularly interesting. In 2011, it employed 33.4% of the labor force while accounted only for 12.8% of the GDP, thus exhibiting its relative significance as an employer but, at the same time, its vulnerability in terms of share in the economy's output. By using multiplier and structural path analysis, the paper traces the effects of tariff reduction/elimination on agricultural employment. The study utilizes the latest 2000 social accounting matrix (SAM), trade simulations from the World Integrated Solution (WITS) of the World Bank and labor statistics from the Philippine Labor Force Survey (LFS). The results of this analysis shall provide invaluable insights to various stakeholders and policy makers and shall emphasize the essential role of input-output analysis in informing the public and aiding policy making.