



# Bridging the skills gap: Fuelling careers and the economy in the Philippines

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Economist Impact, supported by Google, conducted a survey of 1,375 employees across Asia-Pacific (APAC), including 100 employees from the Philippines, between November 2022 and January 2023. It also interviewed employers and industry experts across the region to understand their perspectives on skills gaps, as well as reskilling and upskilling aspirations.

The survey respondents were drawn from across 14 markets in the region, out of which 11.8% were Gen Z (born in 1997-2012), 63.2% were Millennials (1981-96) and 25% were Gen X (1965-80). They all worked in a diverse mix of industries.

The research shows that across the region, common understanding is lacking between employers and employees about future skills and the best way to develop them. In some instances, there is also an expectation mismatch between what employers want and what employees see as being important. Understanding these gaps will be instrumental in creating a workforce that is prepared for the economy of the future.

This article—one in a series of 12 market reports—examines these issues in the Philippines. This series complements a research paper that looks at the reskilling and upskilling imperative across APAC.

## Key findings

- Self-management skills (68%) such as stress tolerance, resilience and flexibility are the most important for employees, closely followed by digital skills (52%).
- Within digital skills, advanced skills such as IT support (65.4%), data analysis and visualisation (55.8%) and cybersecurity (59.6%) would be key to supporting growth in the Philippines, and are selected as “must have” capabilities by the employees. Employees in the Philippines prioritise artificial intelligence (AI) and machine learning (ML) skills at higher rates (42.3%) than the regional average (32.8%).
- Online courses are a key source of new digital skills for 57%, higher than the regional average (42%). However, poor internet access (41%), lack of time (40%) and high cost of courses (30%) limits employees’ digital upskilling.

A strong post-covid economic recovery<sup>1</sup> sets context for the labour market in the Philippines. The country’s economy is expected to grow by 6% in 2023—and by 6.2% in 2024—on the back of rising domestic demand and a post-covid rebound in the services sectors.<sup>2</sup>

The country’s tech sector is projected to grow rapidly with the estimated value of the digital economy reaching US\$150bn in the next decade<sup>3</sup> while the internet economy is expected to more than double between 2020 and 2025.<sup>4</sup> This massive growth will require the right capabilities and diverse skill sets in the labour market. According to the IT-BPM Association of the Philippines, by 2028 the tech industry is expected to generate 1.1m new jobs in the country, of which 150,000 are developer roles that would need to be filled in the next six years.<sup>5</sup>

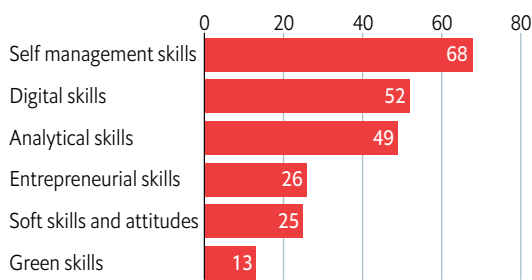
Despite this momentum, many in the Philippines lack even basic skills to contribute effectively. Almost 90% of the country’s population lacks basic ICT skills such as word-processing, internet and email skills.<sup>6</sup> The government is taking actions to address these gaps. Most recently, the newly established Inter-Agency Council for Development and Competitiveness of Philippine Digital Workforce announced plans to undertake a skills mapping exercise to identify gaps in the area of digital and ICT capabilities such as engineering, cloud computing, AI, web development and management, and e-commerce marketing etc.<sup>7</sup>

**Advanced digital skills are rising in importance**

According to the Economist Impact survey, 68% of employees in the Philippines pick self-management skills as a top important skill category for workers to acquire, higher than the regional average (53%). These skills encompass aspects such as time management, active learning, resilience, stress tolerance and flexibility. The rising importance of these skills could be an outcome of hybrid working models with demands on managers and teams to work online more adeptly. Doreen Cooper, an independent learning facilitator based in the Philippines, suggests this could also be “due to a deep-rooted culture in the country that could benefit from encouraging self-discipline and a strong work ethic”.

**Figure 1: Top skills in demand in the Philippines**

Which skill categories do you think are the most important for the workforce in your sector to acquire today? (% of respondents)



Source: Economist Impact, 2023.

<sup>1</sup> <https://www.eiu.com/n/philippines-economic-recovery-remains-strong/#:~:text=On%20May%2012th%20the%20Philippines,7.7%25%20in%20the%20previous%20quarter.>

<sup>2</sup> <https://www.adb.org/news/philippine-economy-post-robust-growth-2023-2024-despite-inflation-pressures-adb>

<sup>3</sup> <https://www.bworldonline.com/technology/2023/01/05/496484/govt-online-shift-may-boost-philippine-digital-economy/>

<sup>4</sup> <https://accesspartnership.com/growing-digital-economy-philippines/>

<sup>5</sup> <https://mb.com.ph/2022/09/27/bridging-the-skills-gaps/>

<sup>6</sup> <https://www.unescap.org/kp/2022/workforce-we-need-social-outlook-asia-and-pacific>

<sup>7</sup> <https://hrmasia.com/upskilling-the-digital-skills-of-workers-in-the-philippines/>

Digital skills emerge as another important skills category. Basic digital skills are considered a must-have by 71.2% of employees. At the same time, they also prioritise advanced digital skills such as IT support, cybersecurity, and data analysis and visualisation, higher than the regional average. IT skills are essential to the country’s major business process outsourcing (BPO) sector, which contributes nearly US\$30 bn to GDP every year to the Filipino economy.<sup>8</sup> The Philippines faces a shortage of 200,000 workers with IT skills, as noted by a recent Jobstreet report.<sup>9</sup>

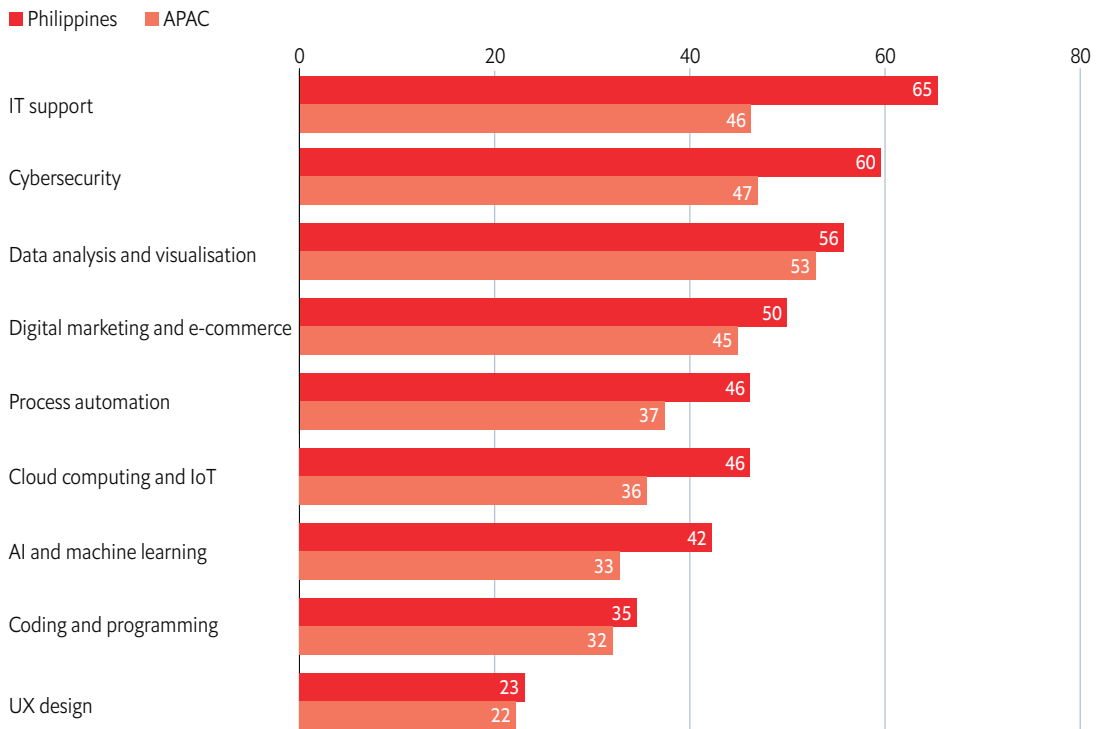
Compared to their regional peers (32.8%), employees in the country demonstrate a stronger preference for AI and ML skills (42.3%).

This reflects the rising government focus on AI: In 2021, the country launched a roadmap that aims to accelerate the adoption of AI to “advance industrial development, generate better quality entrepreneurship as well as high-paying opportunities for Filipinos”.<sup>10</sup>

Fast digitalisation and greater internet usage in the economy means that the country also faces higher security risks, reflected in the importance given to cybersecurity skills—three in four Filipino businesses experienced a cyber incident in 2022, as against a regional average of 59%.<sup>11</sup> A 2022 report from USAID noted a possible loss of US\$23bn in the BPO industry in absence of cybersecurity capabilities. One reason, the report

**Figure 2: Must-have advanced digital skills for employees in the Philippines vs APAC**

Which specific types of advanced digital skills are a must have for the workforce in your sector today? (% of respondents)



Source: Economist Impact, 2023.

<sup>8</sup> <https://www.nexford.org/insights/the-future-of-bpos-in-the-philippines-and-growth-opportunities>

<sup>9</sup> <https://www.philstar.com/business/2022/02/03/2158115/higher-demand-seen-tech-professionals>

<sup>10</sup> <https://opengovasia.com/the-philippines-launches-national-ai-roadmap/>

<sup>11</sup> <https://www.kroll.com/en/insights/publications/cyber/apac-state-incident-response/philippines>

found, is a lack of clear definitions of job roles and responsibilities in the area.<sup>12</sup>

On the other hand, green skills had minor importance for Filipino employees—only 13% ranked them as important, somewhat lower than the regional average (17.7%). This is likely to change however as the Philippines is one of the most vulnerable countries to climate change.<sup>13</sup> If no action is taken, the Philippines risks losing 6% of its GDP every year by 2100.<sup>14</sup>

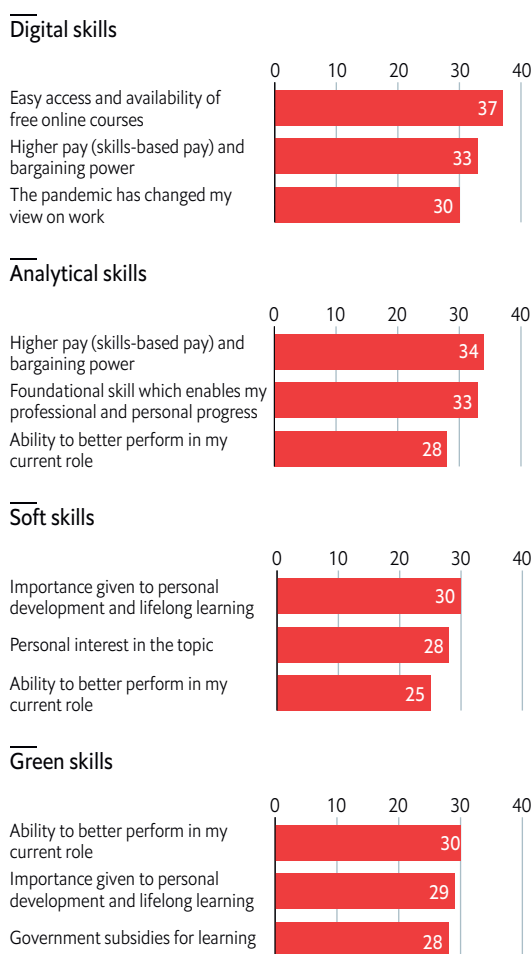
### Infrastructural barriers to upskilling, despite high employee motivations

Employee motivations to upskill vary. Easy access and availability of free online courses (37%) are employees’ biggest motivator to acquire digital skills, followed by higher pay and bargaining power (33%) and exploring new job opportunities (29%). Ms Cooper explains, “by and large, employees want to learn skills that enable them to perform better in their jobs, and earn more as well as get promoted,” aligning with findings that career progression is a significant motivator for employees in the Philippines.

Despite high motivations, the biggest barrier to acquiring new digital skills is poor internet access to join online courses (41%). This issue is especially challenging for the country’s upskilling needs as more than half (57%) rely on online courses as a top source of digital upskilling, more than the regional average (42%). Despite high levels of internet penetration and usage, the Philippines struggles with poor internet performance and high costs. More than 50% of the country’s population could not afford even a basic package of mobile internet, as per a recent study.<sup>15</sup>

**Figure 3: Motivations to acquire different skills**

What best describes your motivation to acquire new skills? (% of respondents)



Source: Economist Impact, 2023.

Another challenge cited by four in ten employees was a lack of time in learning new courses. Employees working in sectors such as media, healthcare, marketing and advertising reported working beyond 40 hours per week.<sup>16</sup> Additionally, nearly 50% of the workers from

<sup>12</sup> <https://www.gmanetwork.com/news/money/companies/854521/cybersecurity-gaps-could-jeopardize-75-of-philippines-bpo-market-usaid-report/story/>

<sup>13</sup> <https://reliefweb.int/report/philippines/philippines-country-climate-and-development-report-2022#:~:text=Multiple%20indices%20rank%20the%20Philippines,for%20the%20past%2010%20years.>

<sup>14</sup> <https://niccdies.climate.gov.ph/climate-change-impacts>

<sup>15</sup> <https://www.bworldonline.com/infographics/2022/04/18/442463/philippines-most-internet-poor-in-southeast-asia/>

<sup>16</sup> <https://www.spot.ph/newsfeatures/the-latest-news-features/88589/industries-with-long-work-hours-in-the-philippines-a833-20220211>

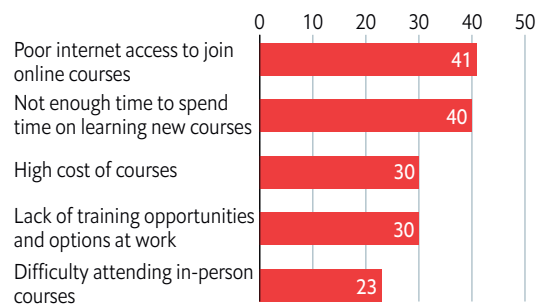
the Philippines in a research said to have experienced workplace stress—the highest percentage in Southeast Asia.<sup>17</sup> Besides lack of time and workplace stress, high cost of courses was another challenge highlighted by 30% of employees in our survey in learning new digital skills. The country has one of the most expensive education systems in the Southeast Asian region<sup>18</sup>, making the cost of courses a big hurdle in upskilling the workforce.

**Public-private partnerships will be a key driver of progress**

According to the Economist Impact survey, employers are considered to have greater responsibility for providing notable recognition such as certificates (64%), information on skills needed for different roles (58%) and financial incentives (55%). Government, on

**Figure 4: Poor internet access, a lack of time and the high cost of courses are key barriers to upskilling**

What are some of the most significant obstacles that you face while learning new digital skills? (% of respondents)



Source: Economist Impact, 2023.

the other hand, is considered most responsible for providing access to diversified skilling programmes by 50% of employees. Ms Cooper

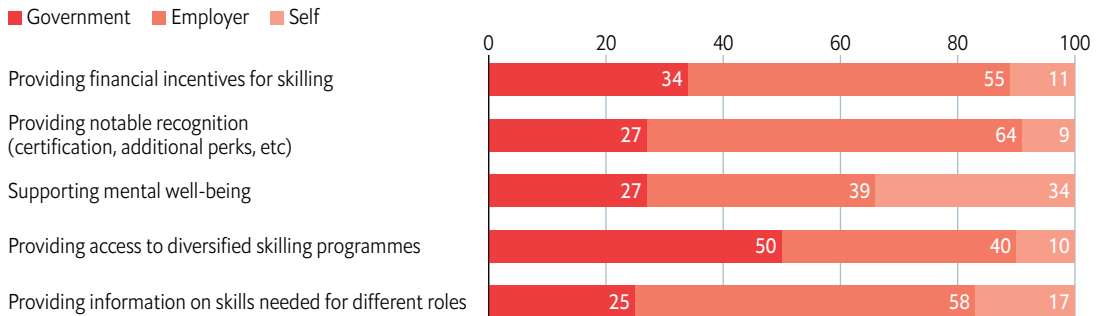


<sup>17</sup> <https://www.gallup.com/workplace/349484/state-of-the-global-workplace-2022-report.aspx?thank-you-report-form=1>

<sup>18</sup> <https://www.studocu.com/ph/document/university-of-science-and-technology-of-southern-philippines-claveria/chemistry/the-high-cost-of-education-in-the-philippines-challenges-and-opportunities-article/47434059>

**Figure 5: Employers have a key role in supporting employees’ upskilling**

In your opinion, are the government, your employer or yourself responsible for supporting employees regarding the following issues? (% of respondents)



Source: Economist Impact, 2023.

highlights the government is already playing some part in this area by offering free seminars and workshops that are available to the public. So are employers— six in ten Filipino firms offer training to their workers, higher than the OECD average (less than 40%).<sup>19</sup>

Employers have an opportunity to leverage employees’ strong motivation to upskill if they can improve access to online training programmes, but more efforts are needed to integrate skilling into workers’ everyday routines. Ms Cooper adds that, “employees are far more



<sup>19</sup> [https://read.oecd-ilibrary.org/education/towards-a-skills-strategy-for-southeast-asia\\_6db0907f-en#page22](https://read.oecd-ilibrary.org/education/towards-a-skills-strategy-for-southeast-asia_6db0907f-en#page22)

likely to attend training if it is mandated by their employers.” Employers should also look to offer more opportunities for workers to learn on the job. This can enable employers to foster a strong culture of learning, while providing employees with career progression opportunities that drive better results. The government and employers could also do more to provide information on what skills are valuable. Currently, 63% of employees get their information about skills from social media, and only around 48% from government awareness programmes or from events in office and through employers.

Moving forward, collaboration between the government and private sector could also foster a strong skills ecosystem in the country. For example, the Philippines Skills Framework to upskill and reskill the country’s workforce is built on the partnership of nine government agencies.<sup>20</sup> The country is also proactively encouraging public-private partnerships for the growth of specific skill sets. For instance, a 2022 law seeking to develop digital workforce commissions the government to enter into public-private partnerships with stakeholders in the skills ecosystem in order to develop digital careers of the workforce.<sup>21</sup>

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<sup>20</sup> <https://samarnews.com/news2021/jun/f444.htm>

<sup>21</sup> <https://www.gmanetwork.com/news/topstories/nation/840238/bill-seeking-to-develop-competitive-digital-workforce-lapses-into-law/story/>

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