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Philippines Jobs Accelerator: Key Opportunities for Public-Private Collaboration

BRIEFING PAPER

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Contents

Introduction	3
Global megatrends shaping the future of work	4
Key challenges facing MSMEs	6
Key opportunities for public-private collaboration	7
Conclusion	8
Acknowledgements	9
Endnotes	10

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Introduction

Micro, small and medium enterprises (MSMEs) are the backbone of the Philippine economy, powering everything from neighbourhood retail stores to food hubs, workshops, service providers and small farms. According to the latest data from the Philippine Statistics Authority, about 1.25 million enterprises are registered nationwide, and almost all of them (99.63%) are MSMEs.[1] As a result, MSMEs are powerful engines for job creation in the Philippines; in 2023, MSMEs provided jobs to about 6.35 million workers, contributing to around 45.5% of the country's gross domestic product (GDP).[2]

Yet, despite their scale, MSMEs in the Philippines remain relatively unproductive. Their output accounted for 35.7% of the total value added in 2020,[3] which is well below the 49% average for emerging economies.[4] Closing this "productivity gap" is critical for unlocking the wage growth and economic resilience necessary in a rapidly evolving global labour market.

To address these issues, the Department of Trade and Industry of the Philippines, SM Investments, Google and the World Economic Forum convened a "Future of Jobs" roundtable to discuss the trends shaping the Philippines labour market, the key challenges for MSMEs and the most promising avenues for public-private collaboration to address these challenges. This briefing paper captures the key solutions that emerged from the discussion and serves as the culminating output of the Philippines Jobs Accelerator initiative.

Global megatrends shaping the future of work

The future of MSME jobs in the Philippines will be determined by three significant macro trends

Digitalization and technological change: The Philippines is digitalizing rapidly. As of early 2025, there are 97.5 million internet users (~83.8% of the population) and 142 million mobile connections (~122% of population).[5] Social media and e-commerce platforms are ubiquitous – 78% of Filipinos are on social media.[6] Mobile broadband is nearly universal (98.2% of connections are 3G, 4G or 5G).[7] These trends open up opportunities: MSMEs can reach new markets via online sales, adopt digital payment systems and improve operations with financial technology (fintech) and cloud services.

However, digitalization also disrupts jobs. AI and automation technologies can now perform many routine tasks. The World Economic Forum's "Future of Jobs Report" projects that while 170 million jobs will be created globally by 2030, 92 million existing jobs will be displaced – a net gain, but also a sign of major upheaval.[8] Many of the displaced jobs will involve routine, repetitive work. These are the very types of jobs that dominate many Philippine MSMEs: clerical support, retail, manufacturing assembly and basic services roles.

Employers in the country report artificial intelligence (AI) and information processing technologies, and robots and autonomous systems as two key technological trends driving business transformation.[9] A recent report by the International Monetary Fund (IMF) warns that about 36% of the Philippine workforce is highly exposed to AI, while 39% of those highly exposed have low complementarity – that is, their roles are likely to be automated by AI. The report highlights the country's thriving business process outsourcing (BPO) sector as having the highest proportion of jobs at risk of displacement.[10] Given that BPO accounts for 7.4% of gross domestic product (GDP), shifts in this sector have macro-critical effects.[11]

In sum, while digital technologies will create new jobs (e.g. in information technology (IT), digital marketing and online services) and raise productivity, they will also require workers to adapt. Reskilling and upskilling are essential to prepare MSMEs and their workers.

Demographic shifts and human capital: The Philippines' population is still young and growing, but trends are changing. The population reached about 120.1 million in 2025,[12] with roughly half rural (51.7%) and half urban.[13] The median age is only ~25.7 years,[14] giving the country a "youth bulge" and a large potential workforce. This youthful profile can drive growth if young people are well-trained and employed. However, fertility has fallen to replacement level (the total fertility rate was ~1.9 births per woman in 2023).[15]

This implies that in the next few decades the workforce will stop growing so rapidly, even as an ageing cohort grows in size. Planning for an eventual demographic transition means maximizing the productivity of each worker today. It also means investing heavily in education and lifelong learning. The skills needed for future jobs – such as digital literacy, analytical thinking and knowledge of sustainable practices – must be integrated into curricula from secondary to tertiary and vocational training.[16]

International migration also affects the labour market. The Philippine diaspora provides remittances and skills, but brain drain in some sectors (e.g. healthcare and engineering) creates domestic skill gaps. At home, unemployment and underemployment present a challenge, especially among the youth and in the provinces. The Philippines ranks 16th among countries where employers identify skills gaps in the labour market as a key barrier to transformation.[17]

Climate change and sustainability: The Philippines is one of the world's most climate-vulnerable countries. In the 2023 "World Risk Report", the Philippines ranked at the top globally for exposure to extreme weather and low coping capacity.[18] In practical terms, severe typhoons, floods, droughts and sea-level rise are the "new normal." Each year, millions of MSMEs – shops, farms, factories, etc. – face damage from storms and heat. Disaster-related losses can wipe out years of profits for a small business.

At the same time, global efforts to mitigate climate change are shifting economies. The transition to green energy and sustainable practices will create new industries. The "Future of Jobs Report" predicts that increased efforts and investments to adapt to climate change will create 5.5 million jobs by 2030.[19] Roles such as sustainability specialists, renewable energy technicians and environmental protection professionals are some of the fastest growing worldwide.[20] For the Philippines, this means opportunities in solar and wind installation, electrification of transport, reforestation projects and "green" product markets. But it also means that older MSMEs (e.g. in heavy manufacturing or fossil-dependent sectors) must upgrade to cleaner technology.

In summary, Philippine MSMEs and workers are at a crossroads. They stand to benefit from digital markets and a young workforce, but must overcome skill gaps, infrastructure lags and climate risks. The following section identifies key challenges, and proposes actionable policy measures to seize the opportunities that lie in the future of work while safeguarding the livelihoods of MSME workers.

Key challenges facing MSMEs

Low productivity and capital constraints: Many MSMEs use traditional methods and lack access to modern equipment or finance for upgrades. Their capital-labour ratios are low, limiting growth. Without investment in technology or organizational improvements, they cannot catch up to large firms.

Digital divide: Rural and informal-sector MSMEs often lack reliable broadband and e-commerce access. Although overall internet use is high, connectivity is uneven: fibre and broadband penetration remains concentrated in cities.[21] A significant chunk of MSMEs cite "poor/no internet" and "lack of know-how" as top obstacles to using digital tools.[22] This gap leaves many businesses unable to sell online or use productivity software, even as consumers and competitors move online.

Skills mismatch: Employers report shortages of workers with digital, managerial and technical skills. Even among the young workforce, many lack proficiency in data literacy, advanced manufacturing and English communication skills needed for export. Research shows that only 40% of Filipinos have one of the six ICT skills monitored for the UN SDGs.[23] Lifelong learning programmes are nascent, and many mid-career workers have limited training opportunities.

Market access and competition: MSMEs often struggle to reach wider markets. Domestic supply chains may exclude small suppliers, and export procedures are complex. Without digital platforms or partnerships, many MSMEs cannot compete with imported goods or reach international consumers. Global competition (e.g. cheaper imports and international e-commerce) can undermine local firms.

Climate vulnerability: MSMEs in agriculture, fisheries and rural areas suffer frequent weather shocks. Lack of affordable insurance or disaster credit means recovery can be slow. Business continuity plans are rare among small firms.

Addressing these challenges will require integrated, evidence-based policies. The next section outlines promising avenues for public-private collaboration to help MSMEs and their workers thrive in the coming decades.

Key opportunities for public-private collaboration

Build digital infrastructure and literacy: Accelerate nationwide broadband and mobile coverage (e.g. expand "BroadBand ng Masa"[24] and public-private partnerships) so that even remotely stationed entrepreneurs can go online. Parallel to infrastructure, promote digital literacy for MSMEs: fund training (through universities, the Technical Education and Skills Development Authority (TESDA) and community centres) in e-commerce, digital marketing, cybersecurity and basic coding. Subsidize cloud services or equipment for small businesses (e.g. public finance for point-of-sale digital systems, or soft loans for computers). The goal is to turn high national connectivity (83.8% internet penetration) into true digital inclusion for all MSMEs.

Invest in and measure skills development and lifelong learning initiatives: Update educational curricula (school, vocational and university) to align with 21st-century industry needs: STEM basics, digital tools, green technologies and entrepreneurship. Expand apprenticeship and internship programmes linking MSMEs with technical schools and colleges. Crucially, invest in accredited adult education: establish reskilling/upskilling programmes (in partnership with the private sector and non-governmental organizations (NGOs)) targeted at MSME sectors.

For example, the partnership between the Department of Trade and Investment and Google in the Philippines has distributed thousands of Coursera licences offering training in high-demand fields such as IT support, data analytics, user-experience (UX) design and cybersecurity. These types of programmes offer a scalable model: they are industry-aligned, low-cost and accessible to non-degree holders, which is a critical advantage in the Philippines. To maximize the success of skills development initiatives, public-private partnerships can ensure alignment and avoid fragmentation, as well as sharing success metrics to evaluate success.

Promote innovation and productivity upgrades: Encourage MSMEs to adopt new technologies and processes. Provide grants or tax credits for technology adoption (automation tools, advanced machinery, software, etc.) especially for productivity-critical sectors (such as manufacturing and agricultural processing). Strengthen Negosyo Centers and OneTownOneProduct (OTOP) programmes to provide MSMEs with market information and quality certification (like Good Manufacturing Practices (GMP) for food SMEs). These measures can help MSMEs climb the value chain rather than stay in low-margin niches.

Enhance climate resilience and green MSMEs: Integrate climate risk management into MSME support. This includes making weather and climate data accessible (through national risk maps, early warning alerts, etc.) and facilitating uptake of risk-reducing measures (e.g. flood-proofing supplies and promoting drought-resistant crops).

Expand microinsurance and credit programmes for disasters. Simultaneously, incentivize green business practices: tax breaks or subsidies for energy-efficient equipment, grants for clean energy installations (such as solar panels and efficient boilers) and programmes to circularize waste. For example, an SME may receive co-financing to switch to LED (light-emitting diode) lighting or solar water heaters. These steps reduce carbon footprint and often save costs (thereby improving competitiveness).

Emphasize green entrepreneurship programmes so that MSMEs can enter emerging industries like renewable energy services, recycling and organic agriculture.

Improve access to finance and markets: Simplify and promote MSME credit facilities. For instance, expand credit guarantee schemes so that banks lend more readily to small firms. Encourage fintech and microfinance institutions to offer digital lending platforms (for instance, through online loan applications and mobile wallet payments). On the market side, help MSMEs "go digital to go global": provide training on e-commerce and e-export platforms. The government could strengthen its partnership with international organizations such as the International Trade Centre (ITC) that offers targeted support for MSMEs seeking to enter global markets.

Conclusion

MSMEs are central to the Philippine economy and its workforce, yet they face systemic challenges that threaten their growth and long-term resilience. As global megatrends – from digital transformation to demographic shifts and climate change – reshape the nature of work, the Philippines' economic future hinges on the ability of MSMEs to adapt, innovate and thrive. This transformation cannot be achieved by government or business alone. Instead, it requires coordinated public-private collaboration: targeted investments in digital infrastructure and literacy, demand-driven skills development, productivity-enhancing innovation, green transition support and expanded market and financial access.

By acting on the opportunities outlined in this brief, the Philippines can support the growth of its MSMEs and unlock job creation, positioning the country as a resilient, future-ready economy in the decades ahead.

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