



Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

Faculty Publications - Labor Relations, Law, and
History

Labor Relations, Law, and History

6-1-2001

Recent Developments in Employment Relations in the Philippines


Christopher L. Erickson
UCLA Anderson School of Management

Sarosh Kuruvilla
Cornell School of Industrial and Labor Relations, sck4@cornell.edu

Rene E. Ofreneo
University of the Philippines School of Labor and Industrial Relations

Maria Asuncion Ortiz
Employers Confederation of the Philippines

Follow this and additional works at: <http://digitalcommons.ilr.cornell.edu/cbpubs>

 Part of the [International Law Commons](#), and the [Labor and Employment Law Commons](#)

Thank you for downloading an article from DigitalCommons@ILR.

Support this valuable resource today!

This Article is brought to you for free and open access by the Labor Relations, Law, and History at DigitalCommons@ILR. It has been accepted for inclusion in Faculty Publications - Labor Relations, Law, and History by an authorized administrator of DigitalCommons@ILR. For more information, please contact hldigital@cornell.edu.

Recent Developments in Employment Relations in the Philippines

Abstract

We seek to describe recent developments in employment relations in the Philippines, placing these developments in the contexts of the distinctive elements of the Philippine social/political/industrial relations systems as well as the ongoing trade-based and functional integration of international markets and the recent regional economic crisis. We find that, while some firms are pursuing functional flexibility and more cooperative employment relations, the logic of competition has primarily induced firms to adopt practices that promote numerical flexibility such that a core-periphery workforce is created. We argue that the labor movement in the Philippines has been hampered in its efforts to effectively counter employer strategies by its low density, its fragmentation, and an unfavorable public policy environment; Philippine labor unions have, however, made some recent gains in organizing and inter-union coordination. We also argue that governments, both national and regional, have not done enough to counteract the negative effects of market integration on workers nor to evolve the Philippines into a higher value-added exporter.

Keywords

Philippines, international markets, industrial relations systems, public policy, Philippine, market integration

Disciplines

International Law | Labor and Employment Law

Comments

Suggested Citation

Erickson, C., Kuruvilla, S., Ofreneo, R., & Ortiz, M. (2001). Recent developments in employment relations in the Philippines. Retrieved [insert date], from Cornell University, School of Industrial and Labor Relations site:

<http://digitalcommons.ilr.cornell.edu/cbpubs/2/>

Required Publisher Statement

Copyright by Blackwell Publishing. Final paper published as: Erickson, C. L., Kuruvilla, S., Ofreneo, R. E., & Ortiz, M. A. (2003). From Core to Periphery? Recent Developments in Employment Relations in the Philippines. *Industrial Relations*, 42, 368-395.

Recent Developments in Employment Relations in the Philippines

Christopher L. Erickson
UCLA Anderson School of Management

Sarosh Kuruvilla
Cornell School of Industrial and Labor Relations

Rene E. Ofreneo
University of the Philippines School of Labor and Industrial Relations

Maria Asuncion Ortiz
Employers Confederation of the Philippines

June 2001

* We thank Emily Lau, Faye Casem, and Irish Erro for excellent research assistance.

Recent Developments in Employment Relations in the Philippines

Abstract

We seek to describe recent developments in employment relations in the Philippines, placing these developments in the contexts of the distinctive elements of the Philippine social/political/industrial relations systems as well as the ongoing trade-based and functional integration of international markets and the recent regional economic crisis. We find that, while some firms are pursuing functional flexibility and more cooperative employment relations, the logic of competition has primarily induced firms to adopt practices that promote numerical flexibility such that a core-periphery workforce is created. We argue that the labor movement in the Philippines has been hampered in its efforts to effectively counter employer strategies by its low density, its fragmentation, and an unfavorable public policy environment; Philippine labor unions have, however, made some recent gains in organizing and inter-union coordination. We also argue that governments, both national and regional, have not done enough to counteract the negative effects of market integration on workers nor to evolve the Philippines into a higher value-added exporter.

In this paper, we seek to describe recent developments in employment relations in the Philippines. We place these developments in the context of the distinctive elements of the Philippine social/political/industrial relations systems: Spanish and U.S. colonial histories, a labor law structure that closely corresponds to the NLRA in the United States, arguably the most actively militant and independent labor movement in Southeast Asia, and a democratic political system in the post-Marcos era.

We also place the employment relations developments in the context of the ongoing trade-based and functional integration of international markets and the recent regional economic crisis, factors that have impacted the Philippines to a great extent, given that it is one of the more open economies in Southeast Asia.

We argue that the sharpening of the competitive environment as a function of greater internationalization of markets has negatively affected the workforce in the Philippines. The primary evidence cited in support of this proposition includes the growing percentage of workers who are leaving formal sector employment for the informal sector through subcontracting and casualization, and stagnation in real wages despite overall economic growth.

We examine employment relations practices in a number of key industries and firms with the objective of understanding the mechanisms by which these effects of economic integration are generated (summarizing the findings from Kuruvilla, Erickson, Anner, Amante, and Ortiz 2000). We will take a detailed look at how employment relations are changing and attempt to understand why they are changing. We will also look at institutions in the labor market that traditionally work to protect workers

(government policy and trade unions), and examine why these institutions have worked or not worked.

We find that, while some firms are pursuing functional flexibility and more cooperative employment relations¹, the logic of competition has primarily induced firms to adopt practices that promote numerical flexibility: cut labor, restructure their business, and subcontract such that a core-periphery workforce is created; otherwise cut labor costs; and pursue anti-union policies. The imperative to restructure the activities of firms has come from a number of directions, notably increasing competition from neighboring countries, the ratification of various international standards and conventions, and the lower productivity in some sectors relative to other ASEAN countries, coupled with the gradual erosion in the competitive advantage coming from lower labor costs. One of the most pervasive forms of numerical flexibility is labor contracting, the prevalence of which has grown in recent years despite being formally illegal.² In addition, the regional financial crisis in Asia has only accelerated these trends (see Erickson and Kuruvilla 2000; Esguerra et al. 1999; Legardo and Ortiz 2000).

We argue that the labor movement in the Philippines has been hampered in its efforts to effectively counter employer strategies by its low density, its fragmentation, and an unfavorable public policy environment; Philippine labor unions have, however, made some recent gains in organizing and inter-union coordination. We argue that governments, both national and regional, have acted based on the logic of competition,

¹ For example, changes in work organization and the work process, investments in training and skills development, flexible pay, and enhancing worker involvement in production decisions.

² The non-permissible hiring of workers through agencies is popularly called “labor-only contracting”, which is defined as follows: When a subcontractor does not have substantial capital or investment in the form of machinery or equipment, but recruits workers in the name of the subcontractor to do work that is

with little regard to other logics, such as employment protection or income protection, and that government has not done enough to evolve the Philippines into a higher value-added exporter (both through infrastructural development policy as well as skills development policy).

Thus, we argue that internationalization of markets has had a negative impact on employment relations and workers in the Philippines due to several interrelated factors: the limitations of the trade unions, the inability of regulatory institutions to enforce the law, the pervasiveness of the logic of free trade competition among people in positions of authority, and perhaps most importantly, the absence of political will to make policy and enforcement changes top-down to counteract the deleterious effects of economic integration.

In the next sections, we briefly review the historical and economic background and provide basic information on the industrial relations actors and climate. We pay particular attention to the evidence indicating that the Philippines, and Filipino workers (as a class) and unions in particular, have not benefited much under the export-oriented industrialization regime in place since the early 1970s. We then move to a discussion of the findings from our case studies regarding the two most significant recent trends in employment relations: toward functional flexibility in a few firms, and toward numerical flexibility in many others. Finally, we discuss the role of industrial relations and government institutions, and how they have mediated (or not) the impact of the employment relations changes on workers.

directly related to the principal business or operations of the employer in which workers are habitually

RECENT HISTORICAL AND ECONOMIC BACKGROUND

The Philippines endured two different colonial periods, the Spanish period from the time of Magellan through 1898, and the American period through the first four decades of the 20th century. The beginnings of a formally defined industrial relations system emerged in the mid-1930s, after the country gained commonwealth status within the framework of U.S. colonial rule. A key early part of the system was the establishment of the Court of Industrial Relations (CIR), which was mandated to compulsorily hear both industrial and agrarian disputes.

Following the Japanese occupation during World War II, the Philippines gained independence. Table 1 provides GNP and GDP growth rates for the various stages of Philippines development since World War II and Table 2 provides unemployment rates, labor costs, and wages since 1970.

-- INSERT TABLES 1 & 2 HERE --

Economic growth was high in the immediate post-war period, due to the extensive rebuilding after the war (Manila was considered the second-most damaged capital after Warsaw). This was a period of import-substitution industrialization: import and foreign exchange controls were instituted, and industries imported semi-finished products and industrial parts for local assembly and distribution. There was also a rise in industrial disputes during the immediate post-war period; to deal with these disputes, the state passed the cornerstone of Philippine industrial relations legislation, the Industrial Peace

employed.

Act of 1953, based largely on the NLRA in the United States, and designed to promote bilateral collective bargaining.

A balance of payments crisis emerged in the late 1950s, which was addressed by applying an IMF stabilization program for the first time: currency devaluation, export orientation, and removal of import and foreign exchange controls. But, a high tariff system was also instituted. In the early 1960s, the Philippines was widely considered to be the second-most developed country in Asia, after Japan. And, while not spectacular, growth continued through the 1960s (Table 1).

The export-oriented industrialization strategy intensified in the 1970s. This strategy, which was heavily influenced by World Bank structural adjustment programs (SAPs), sought to capitalize on the low wage advantage of the Philippines. However, this strategy was never fully implemented during the Marcos era (in part due to the crony capitalism issue, where Marcos business associates managed to secure various exceptions from full-fledged export-oriented industrialization). The exposure of the Philippines to the international economic order in the 1970s was also coincidental with increased indebtedness, the steady erosion in the value of the currency, declining real incomes, and a detrimental political environment. The declaration of martial law in 1972 under President Marcos was also accompanied by several repressive policies in the industrial relations domain, such as the banning of strikes, restrictions in the exercise of civil and labor rights, re-assertion of government authority over all disputes through the creation of the National Labor Relations Commission, neglect in improving labor standards, and a restructuring of the fragmented union movement along industrial lines, with all unions

required to be affiliated with the government-controlled Trade Union Congress (see Villegas 1988 for a detailed description of this period)

Thus, it was only after the Marcos era, under the tenure of Presidents Aquino and Ramos, that a more full-scale implementation of export-oriented industrialization was begun through the framework of the World Bank's Structural Adjustment Policies, reinforced by the enhanced structural adjustment facility loans from the International Monetary Fund.

Overall, the shift to export-orientation was associated with a decline in labor power and voice, and an increase in employer power in an era where the Philippines' competitive advantage was low wages and an English speaking workforce. The industrial relations regime focused on the pursuance of lower wages and workplace flexibility. In the Philippine context, this invariably translated into efforts at increasing subcontracting, outsourcing, and union avoidance policies under an authoritarian regime.

Although the more restrictive aspects of the martial law regime were lifted with the return to democracy after 1986, Philippine industrial relations policy has maintained a low-wage focus. While there have been changes in labor legislation and recognition of labor rights, the fundamental character of both competitiveness as well as labor relations has remained unchanged, and in fact has tended towards the direction of further increases in employer efforts to generate numerical flexibility.

The Philippines remains an export-oriented economy whose basic comparative advantage is still low wages (see Table 2 above; Ofreneo 1994 and Kuruvilla 1996). It is still a location for labor-intensive investment given the other advantages of the Philippines workforce, notably its adaptability, education levels, and its facility with the

English language. Notable in this respect is the sustained expansion of the electronics industry, mainly in the following areas: assembly work, parts manufacturing and data encoding. The country is also a major site for the manufacture of auto parts such as wire harness, transmission, etc.

But unlike Malaysia which has made a definite transition to a more advanced stage of export-oriented industrialization, the Philippines is still located at an earlier stage even as it is already losing out to Asian competitors in some of these lower-cost industries. This partly explains the continuing industrial and economic crisis in the Philippines.³ We will return to these issues below in our discussion of the role of government policy.

INDUSTRIAL RELATIONS ACTORS, THE STRUCTURE OF THE LABOR FORCE, AND THE OVERALL IR CLIMATE

1. Labor and Employer Associations

We focus here primarily on providing a picture of the Philippine trade unions. Estimating the strength of the labor movement and union density in the Philippines is problematic. First, the economy is highly uneven: wage or salaried workers constitute roughly 50 per cent of the employed work force, or about 13.7 million as of April 1998.

³ Note, however, that this mechanistic view of export-oriented industrialization covers a complex range of investment and exports in the Philippines. There are many industries and firms that have deepened their investment in manufacturing to produce more higher quality, more skill intensive, value-added products, (e.g., both the electronics and garment industries are more skill-intensive now than previously). Yet, the majority of firms continue to capitalize on the low wage aspect, given the fact that this is the aspect that management has relative control over (compared to other costs of business such as power rates, shipping costs, etc.).

The rest are either self-employed or unpaid family workers, mostly in the informal sector or in the rural areas.

Out of the 13.7 million wage workers, about two million are in the government service, where unionism is relatively weak. And then, out of the 11.7 million private sector employees as of April 1998, about half are in micro enterprises, employing ten or fewer workers. Unionism in these enterprises is impractical for obvious reasons of size and the highly paternalistic employment relations existing in such enterprises.

Thus, it is surprising to note that Philippine labor statistics indicate a total union membership of about 3.5 million (see Table 3). If the organizable work force is around 6 million, this membership figure gives the Philippines one of the highest union density rates in the world. However, the membership figure given by the Department of Labor is based on “membership claims” submitted by the various federations and unions, which tend to exaggerate their respective membership bases. This loose procedure of recording union membership means that a dozen competing federations can count as their members the same work force in a given company.

-- INSERT TABLE 3 HERE --

A more realistic assessment of the union strength is through the number of collective bargaining agreements (CBAs) and the number of workers covered by these CBAs. With this approach, the picture changes radically. In 1997, roughly 524,000 workers were covered by 3003 collective bargaining agreements. However, the number of effectively organized workers is certainly higher than the 524,000 figure as at any

given time, there are workers in any of the following situations: in the process of registering their unions, negotiating an agreement, or waiting for the outcome of a legal case on union recognition or CBA negotiation. There are also those in the process organizing and cases where the parties did not bother to formally register their CBAs. Overall, the estimate of the research team is that there cannot be more than a million unionized workers out of a total organizable work force of about 6 million in the private sector.

However, as in many Asian countries, there is also a great deal of fragmentation and rivalry among the unions and the federations. As of 1997, there were 8822 labor unions divided into 174 federations, who are then affiliated to 9 to 10 competing labor centers. The largest union federation, the Trade Union Congress of the Philippines (TUCP) was formed during the martial law period. The second largest union federation, and the TUCP's main left-wing rival, the Kilusang Mayo Uno (KMU), was formed in 1980 and received de facto legal recognition in 1986 with the end of the Marcos regime. There are also other smaller federations across the range of the political spectrum.

On major labor and industrial relations policy issues, the employers are generally represented by the Employers Confederation of the Philippines (ECOP), which works closely with the Philippine Chamber of Commerce and Industry (PCCI), the Philippine Exporters Confederation (Philexport), the Federation of Filipino-Chinese Chamber of Commerce and Industry, Inc. (FFCCCII), and the various foreign chambers of commerce and industry associations. At the industry or plant-level, ECOP works either in tandem or separately with the Personnel Management Association of the Philippines (PMAP). These

organizations have, by and large, been successful in influencing the direction of labor policies. But, they are not organizations directly involved in collective negotiations, and they are dominated by some of the big foreign and local companies.⁴

2. The Structure of the Philippines Labor Force.

Table 4 shows the basic structure of the Philippines labor force and Table 5 presents sectoral employment shares for selected Asian countries. As the tables suggest, much of the workforce is engaged in services and agriculture. While the economic development strategy is predicated on attracting foreign direct investment in manufacturing for exports (see above), the share of manufacturing in terms of employment has not increased appreciably in recent years, and the share in “industry” is now below many other Asian nations (Table 5). In the early 1960s, the share of manufacturing in total employment was already around 10-12 per cent. Today, it is not much higher.

-- INSERT TABLES 4 & 5 HERE --

With agriculture shrinking through the decades (from over 60 per cent share in employment in the early 1960s to less than 40 per cent today), what seems to be really expanding by leaps and bounds is the service sector, which is now the biggest source of employment in the country.

⁴ ECOP is composed of 600 corporations and 56 industry associations and chambers of commerce. Philexport has more than 2000 members which are majority small-to-medium enterprises. PCCI has more than 100,000 direct and indirect members.

How can a nation with a stagnant or sluggish industrial sector and a declining agricultural sector sustain expansion in the service sector? In the case of the Philippines, in two ways. First, the country's economy relies heavily on remittances by overseas Filipino workers (OFWs) and Filipino immigrants in North America and other countries. In 1995, a special commission (Gangayco Commission) created to inquire into the situation of OFWs estimated the number of overseas Filipinos working in over 120 countries to be around five (5) million. Assuming that each OFW supports 4-5 Filipinos at home, the total population dependent on OFWs could easily be 20-25 million. The OFW phenomenon explains why the Philippines has more money changing offices than bank branches and its malls are full on any given weekend with families of OFWs.

The other source of expansion is the informal sector, which is the catch basin for those unable to find jobs in the relatively small formal sector of the economy or in the overseas labor market. Unfortunately, there are few reliable statistics on the informal sector. A survey conducted by the Bureau of Labor and Employment Statistics in 1992⁵ estimated the number of casual and contractual workers in establishments of 10 workers or more at roughly 10 percent of the workforce, or 250,000. The National Capital region accounts for 176,000 contractual workers. The only data that were available was for 1990, however, and that is reproduced in Table 6.

-- INSERT TABLE 6 HERE --

⁵ Ofreneo and Fernando (1993).

Although it is difficult to get accurate estimates regarding subcontracting, clearly it is also pervasive in the economy, as Table 7 indicates.

-- INSERT TABLE 7 HERE --

Finally, Philippine unemployment has been relatively high by Asian standards. The 13.3 per cent unemployment in April 1998 was second only to Indonesia. The latest unemployment figure, 11.4 per cent as of January 2001, is still higher than most countries in East and Southeast Asia.

3. The Overall IR Climate

The defining characteristic of Filipino industrial relations is the adversarial nature of labor-management relations. The adversarial nature is rooted in an exceptionally legalistic approach that permeates every institution in the industrial relations system, in particular, dispute settlement. The tendency to rely on litigation and third party dispute resolution is dominant, with relatively fewer examples of bilateral problem solving. The existing institutional framework further deeply entrenches the adversarial nature of industrial relations with its reliance on U.S.-style legislation regarding union formation and dispute settlement. The focus is on procedural issues rather than substance.

The key question of why legalism exists needs to be answered before any attempt at policy reform. Historically, compulsory arbitration was the cornerstone of the IR system. Since the Court of Industrial Relations (CIR) was given comprehensive powers to

handle all industrial relations (and agrarian) cases in 1936, and settle them compulsorily on behalf of the state, industrial relations resolution was handled like any other court case. This policy thus required lawyers and that is the first and primary cause of legalism in the system.

After the 1953 Industrial Peace Act, lawyers, who were entrenched in labor relations, took the lead role in the bargaining process, reducing in the process bargaining to a question of law rather than a question of negotiation. This legalistic tendency in collective bargaining was reinforced by the continuing central role of the CIR in dispute settlement, including the settlement of issues involving unionized companies such as union recognition, collective bargaining deadlocks, unfair labor practices and strikes and lockouts. Eventually, cases not settled at the level of the Office of the Secretary of Labor (in national interest disputes) and CIR were elevated to the Court of Appeals and the Supreme Court for judicial review.

In 1974, the CIR was replaced by the National Labor Relations Commission, or NLRC, pursuant to the industrial relations policy of the martial-law government of “promoting collective bargaining within the framework of compulsory arbitration”. The legalistic character of the system has not changed with the creation of the NLRC, even if the latter has been dubbed as a quasi-judicial body and has been tasked to settle disputes in a non-technical and non-litigious manner. Today, there is a huge body of labor jurisprudence built around various decisions issued by the Supreme Court and the Court of Appeals which guide labor law practitioners in the Philippines and which easily intimidate union officers and human resource managers who are non-lawyers.

Efforts to change the amount of legalism in industrial relations in the 1980s through the creation of the National Conciliation and mediation Board (NCMB) and the encouragement of private voluntary arbitration was an important signal that the government had tired of the legalistic nature of industrial relations. In 1993, a comprehensive review of the labor code was undertaken with a view to changing industrial relations legislation to promote collaborative labor management relations, yet, no positive outcomes are apparent. Today, another review is being undertaken by a Joint Congressional Labor Commission.

Legalism has two major outcomes. The first is that a large number of cases are filed, instead of being resolved bilaterally, causing delays. The second is that given the long delays, the development of collaborative industrial relations is very difficult as the parties' positions tend to become more entrenched and often bitter as they wait for third party dispute resolution.

A recent analysis by a former undersecretary for labor suggests the following central causes of the lack of trust and collaboration in industrial relations. From the employers side, it is the basic belief that union actions should be controlled, militant unions must be decertified, and strikes should be stopped through the use of labor injunctions and court orders. There is a basic unwillingness to confront and deal with grievances and management actions that cause labor problems. Further, given the potential for multiple union membership, management appears to pit one union against the other, particularly in union representation elections. Often, top management becomes aware of problems only when they have reached a critical level, and then they are faced with the issue of trying to reaffirm middle management decision making. Thus, in some

sense, the major failure of Filipino management is their unwillingness (in general) to make the effort to create long-term collaborative industrial relations. We must note however, that recent efforts to establish labor-management councils in firms represents some change in management thinking about labor-management collaboration in the Philippines (see below).

DATA AND METHODS

Our method in this paper is to analyze changing employment relations in the Philippines through the study of practices in different firms and sectors. Accordingly, we conducted field research, using interviews with managers and union leaders, participant observation, and examination of company level documents, in the Philippines in 1998.

The industries and workplaces were selected for four different reasons. First, we wanted to study industries that were exposed to international competition. Second, it was important that these industries be significant players in the national economy. Third, we wanted to have industries from both manufacturing and services, and finally we hoped to get a mix of foreign and domestically owned firms. The last condition was more difficult to meet, particularly in the Philippines, because the internationalization of some industries (e.g. automobiles) has almost completely erased domestic firms from the landscape. Two to three lead firms were selected in key industries and studied in detail. The industries covered included consumer appliances, automobiles, banking, electronics manufacturing, petroleum refining and distribution, and sugar.

Several caveats regarding the data should be noted. First, it does not purport to be a representative sample. Rather, the data indicate employment relations changes in lead firms in significant industries. Our argument here is that the changes in lead firms are an indication of the future movement in employment relations. The firms we researched had certain distinguishing characteristics. They tended to be larger, higher paying, more law-abiding companies, and more highly unionized than the average company in the country. Another noteworthy point is that the research was conducted in the immediate aftermath of the Asian economic crisis. Although this reflects a particular episode, it may accentuate temporary differences in economic contexts.

RESULTS OF CASE STUDIES: SALIENT CURRENT EMPLOYMENT RELATIONS ISSUES

In this section, we go into depth on the two most important recent developments in employment relations in the Philippines: the diffusion of innovative IR/HR practices and the development of a core-periphery system of workforce management

Ofreneo and Ortiz (1998) found, and our research supports, two main trends in employment relations in the Philippines. In the smaller minority of cases, there is a clear movement toward accepting the concept of functional flexibility, which includes a bundle of high commitment human resource practices; yet, the majority of Philippine industry is focused on numerical flexibility, reducing full-time headcount through layoffs, retrenchments, subcontracting, labor only contracting, and casualization, and engaging in union avoidance.

The evidence from the six industry and sixteen firm cases we studied tends to show two main approaches to functional flexibility (the findings from the case studies are summarized in Table 8 and are presented in more detail in the appendix). On the one hand is the model where HR practices from multinational corporations are transplanted directly into the local firms. The American companies in the electronics industry are good examples of this, as both Motorola and Intel have managed to introduce American-style HR practices. However, the electronics industry all over Asia has had a strong history of benchmarking with leading firms and, as such, their HR practices tend to be rather similar, as long as the technology used is similar.

-- INSERT TABLE 8 HERE --

The other example is a more “global” strategy where there is a mix of foreign and domestic practices. We can see this in the Japanese-owned automobile industry, in particular. For instance, while Toyota has introduced its HR practices in the Philippines, Mitsubishi Motors Philippines tends to have developed more localized IR and HR practices. Both, however, have their fair share of labor disputes elevated not only to the Office of the Secretary of Labor but also to the higher courts.

There is also a pressure to shift from traditional paternalism to more professional management; here benchmarking is not with multinational corporations but with any professional management.

One additional recent initiative that shows some progress is the gradually increasing adoption of labor-management councils, resembling European works councils,

introduced by employers with government encouragement but with limited union acceptance (Gatchalian, 2000). Although it has become fashionable to have a labor-management council (and all the companies that we studied have one in force), there has been until now no systematic evaluation regarding whether they are effective in promoting collaboration. In most of the cases, the subjects for discussion at the councils are those that the collective bargaining agreement is silent on, and tend to focus on non-controversial issues such as worker welfare, rather than bargainable issues.

Thus, the first major trend is towards functional flexibility and the introduction of new and modern types of human resource practices, such as teamwork, multiskilling, flexible compensation and more cooperative labor-management relations (see Aganon 1995; Amante 1997; Ofreneo and Ortiz 1998; and PMAP 1995). In particular, methods to improve labor-management relations, and in non-union companies, employee relations, through communication and labor-management councils, are the norm in this group of companies and industries.⁶

The second major trend has involves restructuring toward increased numerical flexibility, through four main channels: layoffs, casualization, increased subcontracting, and labor-only contracting (see Aguilar 1990; Amante 1995; Amante 2000; Barranco-Fernando 1994-95; Ofreneo and Fernando 1994; Ofreneo and Ortiz 1998; and Windell and Standing 1991). This restructuring helps to explain the overall GDP growth, particularly in manufacturing, despite the minimal growth of employment in manufacturing (see Tables 1 and 2, above).

⁶ It is important to note that another side to this is the policy of union avoidance, as companies are using the old-fashioned strategy of using progressive human resource practices to keep union organization at bay. It is hard to make the claim that any one approach dominates. In general, the nature of the industry, and the

With regards to casualization, a growing number of IR/HR managers are now conscious of the fact that they can easily divide the work force into two — the skilled, technical, managerial and professional staff whose loyalty the company wants to develop and who are the object of various training and other human resource development investments of the company, and the semi-skilled and unskilled work force, whose tenure can be kept casual and whose performance can be controlled through the further segmentation of the work process.

Under Philippine laws, a probationary worker can be regularized once he or she completes six months of work. A casual worker, on other hand, is defined as an employee hired to do work that is not regular and necessary for the business, meaning tangential or odd types of work such as messengerial service. However, a casual worker can apply for regularization once he or she has rendered a year of service, even if the year is broken.

In practice, however, many companies simply hire casual or contractual workers only for six months and do not bother to make any distinction over whether the work being done is regular or non-regular. This is also true in the case of workers under labor contracting arrangements, a practice which has been the subject of acrimonious union-employer debates in the various tripartite forums during the regional economic crisis. And many companies avoid legal problems through the recruitment of “trainees” who are not deemed to be regular, but in fact, work for long periods.

Thus, there is a clear trend toward the creation of a core and periphery divide in the workforce. The core workers are those who have permanent employment, are the

competitive strategy of the firm make the biggest differences.

recipients of training and other investments in human resource development, and who are being upskilled continuously. The periphery is increasing, however, and casualization takes several forms: hiring workers through agencies, direct hiring of casuals, and maintaining the work force as probationaries or temporaries for as long as possible. Some companies also subcontract work that was traditionally done inside the company. In the process of increasing casualization and subcontracting, there are many instances where there are violations of existing labor law (Aguilar 1990). Most importantly, the absence of legislative support for this growing pool of workers is a significant issue.

THE ROLE OF UNIONS, IR INSTITUTIONS, AND GOVERNMENT

Our case studies indicated that the focus of employment relations adjustments includes two broad types, functional flexibility and numerical flexibility. Industries using higher levels of skills and technology emphasize functional flexibility. These can be seen in particular in the electronics, auto and appliance industries. There is also the gradual beginning of a movement towards functional flexibility in banking and even in the sector of the garments industry focusing on quality markets. However, in most other industries, the overwhelming focus is on numerical flexibility.

In the view of the World Bank, it is important that appropriate policies and institutions be in place to mitigate against the negative impact of industrial restructuring and structural adjustment (World Bank 1993, 1995; see discussion below). In some economies, there are institutions (such as unions and government policies) that act as countervailing forces to the actions of capital. In this section, we explore the question of

why these institutions have either not been present or not been very effective in the Philippines.

UNIONS AND IR INSTITUTIONS

An already weak union movement is being further weakened as a consequence of employer emphases on numerical flexibility. Our case studies and accumulated evidence from various other papers show a pattern of pervasive union avoidance in the most globalized sector of the Philippines, the electronics industry (Bitonio 2000; Lainez, Lerma, and Ofreneo 1994). This is true for electronics companies located in both the privately-managed regular industrial zones as well as in the government-run export processing zones. Union avoidance can be both covert and overt. In the first case, it entails the use of proactive IR/HR measures such as establishment of a grievance machinery, maintaining a functioning labor-management council, conducting team building exercises, keeping lines of communication open, and so on.

The overt anti-union strategies include the firing of union activists, refusal to bargain, threatening employees with dire consequences if they join the union, forcing decertification, and so on. In the export processing zones, there is a de facto informal non-union policy enforced by regional governors and zone administrators, as having a union-free workforce is seen as a major draw in attracting foreign investment.⁷

⁷ There are about 35 export processing zones in the Philippines. Some of these export processing zones are administered by the Philippine Economic Zone Authority (state-owned), while others are special export processing zones managed privately. The contribution of export processing zones to exports is large, and growing, from 4.6% in 1984 to 25% in 1996. The prevalent method of avoiding unionization is through selective hiring and employer/government intimidation of unions. Clearly, what motivates these policies is the justification of economic development. And most often, zone administrators view unions as significant deterrents to the attraction of foreign investors.

The economic crisis has acted as an important lever in reducing the militancy of unions at the industry or firm level, as it has created a climate where unions see the movement to cut costs as inevitable. There have been two types of effects here. On the one hand, it has driven unions to be more acquiescent in their approach to workforce reduction. This has also coincided with employer initiatives in some sectors and firms to develop more collaborative labor- management relations. Note the historically low level of strikes, even during the economic crisis (Table 9). On the other hand, it has made many unions and workers bitter about the companies, resulting in a few highly contentious and visible strikes, such as the actions of the unions at Philippine Airlines in 1998 over job security (Ofreneo, 2000).

-- INSERT TABLE 9 HERE --

Since the 1997 Asian economic crisis, the most strike-prone industries were the transport industry, utilities and the hotel industry – industries where investors, unlike in light manufacturing, can pack up and seek investment areas elsewhere in Asia. However, even in these industries where past strikes were usually settled in favor of the workers, the trend is not in favor of the unions. More and more, employers are willing to slug it out with the unions and shut down operations, temporarily or permanently, if necessary, as what happened in the case of Philippine Air Lines and more recently, the private operator of the Light Railway Transit.

In manufacturing, the situation is even more dire for unions. Not only were there numerous cases in the past of companies closing down operations permanently in response to strikes, e.g, Mattel, but also there are companies that are not facing any labor

disputes or even financial losses which have decided to phase out manufacturing operations in the Philippines in favor of relocation in even cheaper industrial sites in Indonesia, Thailand, China and other countries. Most of the multinational companies which closed down their Philippine manufacturing plants in early 1999 had collective bargaining agreements with a moderate labor organization, the Federation of Free Workers (FFW).

Overall, the economic crisis has proved to be an important vehicle to accelerate the movement towards restructuring for either functional or numerical flexibility. In many cases, the financial crisis has modified union positions in bargaining, and forced compromise in areas where compromise was not forthcoming earlier (see Erickson and Kuruvilla 2000; Esguerra et al. 1999; Legardo and Ortiz 2000).

This has all come at a time of political change where unions are losing their political influence. Weak in terms of density, Philippine unions have arguably had considerable political influence; for example, Philippine unions were an important part of the opposition to President Ramos' attempt at constitutional change in 1997 to allow him to serve another term (Ranald, 1999). However, with the inability to show a united front and the loss of labor friendly congressmen and senators in recent elections, the ability of unions to push through reforms favoring their position (such as the abolition of labor only contracting) is seriously affected. The left-wing unions in particular have been weakened by political disagreements and splits since 1993.

The fractured nature of the labor movement and the inability to merge is also a critical problem. Although mergers would be one way to presenting a united front, personality and ideological differences apparently stand in the way. However, Philippine

unions have recently attempted to form broader alliances with other social movements and beyond the borders of the Philippines, for example in the Manila People's Forum in 1996 which ran in parallel to the APEC Forum (Ranald, 1999). A more recent development is the formation of the Labor Solidarity Movement (LSM), which unites both the moderate TUCP and the Federation of Free Workers with breakaway groups from the KMU and some socialist-leaning but independent labor organizations. LSM enjoys the support of both the Friedrich Ebert Stiftung (FES) and the American Center for International Labor Solidarity (ACILS) of AFL-CIO.

Unions have also made some recent advances in organizing in the export-processing zones. By the end of 1999, there were 158 unions operating in the export processing zones, with 13,595 members, or 5.5% of the 247,076 workers employed in the zones. 23% of the unions act as bargaining agents, covering about 80% of the union members and 4% of the total workers in the zones. (Bureau of Labor Relations 2001).

Another silver lining for trade unions is the fact that competitiveness does not depend solely on the ability of the corporation to have a flexible labor force and the ability of the organization to right-size; it also depends on the degree of cooperation and support given by a motivated work force to competitive and productivity programs being initiated by the corporations. This observation is reinforced by the findings of the *World Competitiveness Report* for 1998 and 1999, which show that the Philippines vis-à-vis other Asian countries enjoys an advantage in skilled labor but none in semi-skilled labor. This clearly provides the unions a major bargaining chip, specifically in having a voice on modernization plans, sharing of benefits, etc. But to be able to exploit such an opportunity, the unions must by necessity also upgrade themselves.

There have been, in some companies, some gains for labor unions in terms of voice over decision making, and in the wake of the economic crisis, there have been some gains in voice at the national level as well, with the introduction of a tripartite social pact (see below). What is absent is a grand strategy on the part of trade unions, and the grand strategy is absent largely because the labor movement continues to be divided and fragmented. Although there is little talk of union mergers, there is some talk about coordination between different labor groups, often on an issue by issue basis.

In sum, the labor movement is small and, therefore, weak in terms of collective bargaining. Second, the fragmentation of unions is extreme, and competition among unions continues to make the labor movement weak. The fact that bargaining representation is subject to elections every five years leads to a lot of union raiding across and within industries, and thus unions spend their energies vying for existing membership rather than organizing new members (Anonuevo, 2000). Third, absent the ability to expand collective bargaining beyond these small numbers, the ability of unions to significantly voice the concerns of labor in the economic development process is seriously compromised. The inability of unions to resolve jurisdictional problems and come together to cooperate also implies another outcome, i.e., the limited ability to focus on the development of solid solidarity work or collaboration.

Finally, the ability of unions to counteract the adverse impacts of restructuring are also limited by the nature of Philippine IR institutions, in particular the fact of no formal centralized bargaining and the use of minimum wages as the basis for pattern bargaining.

GOVERNMENT POLICY

It is the government whose response to the changes in employment relations has been the slowest and most unsure. On the one hand, the government has promoted the skills development system through extensive reorganization of existing skills development institutions. One government agency, the Department of Trade and Industry - Center for Industrial Competitiveness (DTI-CIC) has attempted to foster the growth of labor management collaboration through encouragement of labor-management councils. Yet, the weakness in the government's response is in the area of protection of union and worker rights, in enforcement of the law, and in ensuring that contract, casual, and temporary workers interests are properly protected.

If unions are seen as a bulwark against worker exploitation and subcontracting, then it is clear that government should do more to make the process of union formation and maintenance easier. Even more important than the process of union formation has been the weakness of public policy in curbing overt and covert anti-union and union avoidance strategies, which as in the United States, is illegal yet widespread. The willingness of the government to overlook clear violations of labor law in several areas, and the inability of the Department of Labor to adequately police workplaces especially where unions are absent, constitute government failure. Much has been written about the various labor law changes that are required in the Philippines (e.g. Gonzalo and Sanchez 1998; Ofreneo and Azucena 1999).

With respect to the economic crisis, the Employers Confederation of the Philippines (ECOP) and the government have managed to orchestrate a tripartite forum to discuss the adjustment to the crisis (see Ofreneo, 2000). A social accord on industrial harmony and stability was signed between the employer's confederation of the

Philippines and the major trade union federations that sought to encourage mutual restraint on layoffs and industrial disputes in February 1998. Although difficult to quantify, the accord has helped ease the tensions engendered by the crisis and has become a vehicle for educating employers on how to humanize the process of adjustment to the crisis. The Department of Labor has organized conferences that have resulted in regional social accords, while ECOP succeeded in bringing the accord to the industrial zones. However, absent a more formal government intervention, it is unlikely that these accords will have teeth.

The biggest challenge to the government, however, is how it can arrest the continuing stagnation of the industrial sector while protecting the welfare of workers. A central and unresolved historical question is: what was different about the Philippines; why did the export-oriented industrialization strategy fail to provide rapid development for the country and substantial improvements in standards of living for workers? And, why did the Philippines fail to move through different stages of export-oriented industrialization, especially from the stage where low wages are the major source of advantage to the stage where low wages become less relevant in their strategy? After all, other East and Southeast Asian nations, such as South Korea, Singapore, and Malaysia, benefited to a greater extent from export-oriented industrialization strategies (Gereffi 1996). And, standard international trade theory, such as the Heckscher-Ohlin model, suggests that labor-abundant countries specializing in labor-intensive products should see a benefit to labor from engagement in trade (Krugman and Obstfeld 1987).

We argue that one key reason that the export-oriented industrialization strategy did not contribute to greater growth of the Philippine economy compared to some of its

neighbors is that the government did not play as effective a role in facilitating both domestic and foreign direct investment, particularly as regards the development of physical and human-capital infrastructure, but also in terms of changing the incentives to attract differing types of foreign investment (Aldaba 1994; Medalla 1998).⁸ And, for whatever reasons, the Philippines has remained a labor-surplus economy, with resulting adverse impacts for labor's bargaining power and for the government's incentives to invest in (and provide multinationals incentives to invest in) skills development (Ofreneo, Amante, Ortiz 1998).

Thus, the combination of the ongoing labor surplus and historical lack of government focus on infrastructure improvement and skills development favored continued emphasis on the low wage development strategy. But, as even lower wage countries open up to the global economy (e.g. China, Vietnam, Indonesia), this strategy becomes even less viable. The unfortunate outcome is that the Philippines has so far missed out on the high-skill export-oriented approach taken by Singapore and Malaysia, while at the same time it is losing its low wage advantage.

Turning this situation around requires a serious re-thinking of the existing but failed policy of simply liberalizing the economy without undertaking needed institutional and infrastructural reform programs (e.g., bureaucratic reform, skills development, physical infrastructure improvement, improving corporate and government transparency, entrepreneurship development, etc.). The government could also more seriously engage

⁸ In Singapore, for example, the government has provided incentives for high-tech foreign direct investment through subsidizing company-provided training and giving the companies exclusive access to the trainees, thereby building up general workforce skills by linking foreign direct investment and skills development (Kuruvilla, Erickson, and Ng 2001). Of course, conditions are very different in the Philippines, which is much larger and has a different history and form of democracy from Singapore. But, Singapore does

in proactive strategizing on how the Philippines can really emerge as an industrial winner given the state of competition in Asia and the rest of the world.

CONCLUSIONS

The effects of increased international competition on employment relations in the Philippines can be seen in two main trends. In a few cases, there is development of functional flexibility, or high commitment human resource practices. But the majority of Philippine industry is focused on numerical flexibility, reducing headcount through layoffs, retrenchments, subcontracting, labor only contracting, and casualization; this has severely affected the labor movement and the plight of many individual workers.

These two broad trends support the Frenkel and Kuruvilla (2000), Frenkel and Royale (1997), Kuruvilla (1996), and Kuruvilla and Erickson (2001) hypotheses about the effects of international product market competition on employment relations: that it induces companies and firms to adopt strategies to emphasize their competitiveness, and these strategies may be “high road” strategies (such as the movement to functional flexibility) or “low road” strategies (such as the emphasis on casualization, subcontracting, and other methods of attaining numerical flexibility).

The Philippines lacks a strong labor movement or effective government policies to counteract these trends. The most critical problem areas that require urgent attention are in the areas of labor management cooperation (and the whole issue of reducing legalism in industrial relations), the issue of protecting workers rights during adjustment, and, in particular, developing the skills formation system so that it can be more effective.

provide an example of successful government policy to upskill the workforce and attract high-tech foreign

We do see some developments that are a counter to the argument posed above. Although union coverage has dropped substantially, and union militancy has also declined in the 1990s, there is some indication that there is increased cooperation and coordination among labor unions, as well as successful attempts to organize the workers in the burgeoning (and mainly non-union) export processing zones. Another positive sign is the renewed interest towards tripartism (which waned in the 1980s) and the development of cooperative structures, particularly labor-management councils, which are actively encouraged by the government. However, these are small steps, not giant leaps, and by themselves, we argue, do not mitigate fully against the impact of the drive for numerical flexibility.

We also want to briefly relate our findings to contemporary debates about economic integration and employment relations generally. There is an increasingly large literature on the impact of economic integration on employment relations worldwide. Those with a more positive view tend to highlight the economic growth that comes with integration into the world economy. The World Bank, for instance, touts the higher economic growth rates and also makes an argument that economic openness tends to reduce poverty and inequalities both within and across countries (World Bank 2000a and 2000b). On the other hand, critics argue that unregulated markets have detrimental impacts on workers, inequality, and the environment, and call for some form of regulation (Greider 1997; Martin and Schuman 1996). The World Bank response is that, where appropriate public policies are in place, the costs of structural adjustment and environmental degradation can be minimized (World Bank 1993, 1995). In essence, we

investment, a strategy that has been followed to some extent by Malaysia as well.

find that those public policies are not in place in the employment relations arena in the Philippines. Thus, the Philippines is an important case for developing nations in that it highlights the potentially negative impacts of economic integration on employment relations and workers generally in the absence of countervailing policies and institutions.

APPENDIX: SUMMARY OF INDUSTRY STUDIES

The Consumer Appliances Industry:

This industry is extremely hard hit by global integration, largely through the influence of the Montreal protocol on global warming which forces countries to desist from using freon in refrigerators. This industry is also hit by market integration in terms of cost pressures, as refrigerators made in neighboring countries are much cheaper. The Asian economic crisis has only accelerated the moves made by Philacor to restructure its operations. The focus of restructuring is the attainment of functional flexibility, largely however, through greenfield operations. As such, Philacor has been able to introduce a host of human resource innovations consistent with the attainment of functional flexibility, including benchmarking their HR programs with the best in the world. The economic crisis has only helped Philacor to restructure operations, through increased union acceptance of “market realities.” There is little evidence that the company is beginning to pursue collaborative labor management relations, however.

Moreover, the general strategic response of the company to global competition is through modernization. With a new state-of-the-art facility, Philacor had no choice but to reduce its work force drastically.

The Banking Industry

The changes in the banking industry is a little more diffuse, and are related more to the liberalization of the industry following deregulation in 1993-1994, which allowed big universal banks to enter all aspects of the financial business, particularly rural credit. The pressures here have been mostly competitive pressures from within the industry,

particularly with the entry of foreign banks. However, the pace of reform in the banks that we have studied was extremely slow. In particular, the PNB, the bank that was privatized, as well as the Far East Bank were only beginning to attempt to reform HR practices. In both cases, they were using the foreign banks' HR practices as a benchmark. In no way can it be said that competitive HR practices have been introduced in this industry. However, the reform efforts have only recently begun. In many ways, the reform in this sector is similar to that of the banking sectors in both India and Malaysia.

PNB emerged in 1999 as the bank with the highest non-performing loans (NPLs), about twice the rate of the average Philippine commercial bank. Lucio Tan, a friend of the Estrada Administration and owner of PAL and Allied Bank, is now the majority owner of PNB. Employees are still guessing what kind of IR/HR changes will be made by the new owner.

In the case of the FEB, the bank was merged with the Bank of the Philippines Islands (BPI), one of the country's largest banks. BPI is known for maintaining a multiplicity of unions by concluding collective bargaining agreements with different unions in different branches instead of dealing with one union representing rank-and-file employees bank-wide, as is the norm in other banks.

The Automobile industry

The automobile industry is Japanese dominated. The impact of market integration, therefore, is seen in the regional production plans of Japanese companies. IR and HR systems meet regional Japanese standards, and follow Japanese methods of production organization and workforce management. However, there are some important differences

across companies. Whereas Toyota has managed to put in place the Toyota system without trade unions, Mitsubishi has a trade union, with which relations have not always been good. Although labor-management relations have improved in recent years, the economic crisis has strained relations further. Both companies have introduced state of the art HR practices (state of the art in Southeast Asia), but in Toyota, this has amounted to a complete transplantation of the Toyota system, while MMPC has just introduced or is beginning to introduce competitive practices. The impact of economic integration on local producers has been devastating. Francisco Motors, hit by increased international competition, has seen its markets erode and is on the verge of closure. Further, its paternalistic management style is seriously threatened.

The Asian economic crisis has severely hit the automobile industry in terms of reduced demand, and all companies have had to accept workforce reductions. Toyota has been more reluctant to layoff people than has MMPC. Toyota's practices during this period of the financial crisis have set the standard that the industry aims to reach, but not all companies have invested in human resource development the way Toyota has, so, logically, Toyota stands to lose more by layoffs than its competitors.

However, by the year 2003, tariffs for the car industry will be down to five (5) per cent. It is well known the Philippine car assembly industry developed mainly behind the high tariff walls erected in the 1960s, which at one time was fixed as high as 200 per cent. Today, with tariffs at 20 per cent, more and more completely-built up units are entering the Philippine market. Thus, both Toyota and Mitsubishi are presently weighing in the financial viability of maintaining their assembly plants or shifting to the import-and-distribute business strategy as what Johnson and Johnson and company did in 1999.

The Electronics Industry

This industry has been globalized since its inception, as it is almost completely export oriented. And the industry is heavily dependent on the demand for semiconductors. Thus, slowdowns in world wide demand for semiconductors have affected this industry since 1994-1995. The human resource systems in this industry are benchmarked to the best practices across the world wide electronics industry, and thus a Motorola factory in the Philippines has pretty much the same IR and HR principles and practices to a Motorola factory anywhere else in the world. One unique characteristic of this industry is the focus on non union operations, and all three firms surveyed here have followed vigorous anti-union policies. The case studies also highlight the differences between high cost and low cost producers, with low cost producers tending to follow more numerical flexibility strategies (e.g., UNIDEN), while high cost producers tend to focus more on functional flexibility.

The Petroleum Products Industry

Market integration per se has not had much of an impact on this industry other than in terms of changes in oil prices. However, deregulation (in terms of the price of gasoline) has been the major impetus towards economic restructuring. We were able to study the market leader, PETRON. An added complication was the privatization of PETRON in 1994. Thus, the major efforts at restructuring industrial relations and human resources in PETRON has more to do with privatization than anything else. And, as our case suggests, this process has only recently begun.

At CALTEX, there is an effort to introduce a productivity-based pay scheme called Salary Administration, which is a combination of union-negotiated across-the-board wage increases and merit-based pay increases.

The Sugar Industry

While we primarily examined the sugar refining part of the industry, what is clear is that the competitiveness of this industry internationally has less to do with the refining process, but considerably more to do with sugar cultivation. Thus, this industry is one example where market integration must inevitably lead to some form of land reform such that the size of holdings can be increased to enable more efficient farming to raise yields. The Philippine yield per hectare is lower than any major sugar grower in the world. And, the supply of sugar is controlled by the government, in that the government restricts the amount of sugar that is imported. Both internationalization and regionalization will affect the government's ability to continue control of supply, and hence, this is a serious issue for further study and action. In terms of HR practices the sugar refining industry is only recently being modernized.

Internationalization, however, is changing the production patterns in the industry. In the past, the industry was highly dependent on the farming-milling nexus, with sugar mills usually built around huge tracts of land called *haciendas* and tilled, during harvest and planting seasons, by migrant *sacadas* who were poorly paid. Today, under economic liberalization, millers can source their raw sugar from more efficient sugar producers like Australia or cheaper sources such as Thailand.

References

- Aganon, Marie. E.. 1995. Human Resources Management: A Comparative Analysis of Japanese, Chinese, and Western Models in the Philippines, pp. 18-52 in in Amante, M. (ed.), *Human Resources Approaches in the Philippines: A Study of Japanese, Filipino-Chinese, and Western Owned Firms*. Quezon City: University of the Philippines.
- Aguilar, V. 1990. Subcontracting, Employment And Industrial Relations In Selected Philippine Export Manufacturing Establishments. Working paper, University of the Philippines.
- Aldaba, L. 1994. Foreign Direct Investment in the Philippines: A Reassessment. PIDS Research Paper Series No. 94-10, Makati, Philippine Institute for Development Studies
- Amante, Maragtas S.V. 1995. Labor Relations and Enterprise Competitiveness in the Philippines. *Philippine Journal of Industrial Relations* . Vol 16.
- Amante, Maragtas S.V. 1997. Converging and Diverging Trends in HRM: the Philippine "Halo-Halo" Approach. *Asia Pacific Business Review*, Vol 3, no. 4, summer.
- Amante, Maragtas S.V. 2000. Diversity in Contingent Employment Practices in the Philippines: Policy Options. Paper presented at International Industrial Relations Association 12th World Congress, Tokyo.
- Anonuevo, Carlos A. Q.. 2000. Philippine Trade Union Profile. Friedrich-Ebert-Stiftung Philippine Office.
- Barranco-Fernando, Nenita. 1994-95. Globalization and its Impact on the Philippine Labor Market. *Philippine Journal of Labor and Industrial Relations*, Vol. 16, Nos. 1, & 2.
- Bitonio, B. 2000. Unions on the Brink: Issues, Challenges and Choices Facing the Philippine Labor Movement in the 21st Century. In Gatchalian, J., M. Amante, and G. Gust. (eds.), *Philippine Industrial Relations for the 21st Century: Emerging Issues, Challenges and Strategies* Quezon City: University of the Philippines.
- Bureau of Labor Relations. 2001. <http://www.info.com.ph/~phblrnet/>.
- Employers Confederation of the Philippines. 2000. Country Report on the Philippines. Paper for 26th ACE Board of Directors Meeting, Denpasar, Bali, February 25.

Erickson, Christopher and Kuruvilla, Sarosh. 2000. Industrial Relations and the Asian Economic Crisis: An Analysis of the Short Term Impacts and Long Term Implications for Industrial Relations Systems. In *Global Integration and Challenges for Industrial Relations and Human Resource Management in the Twenty-First Century*, International Industrial Relations Association Twelfth World Congress.

Esguerra, Jude et al. 1999. Philippines: Labor Market Trends and Government Interventions Following the East Asian Financial Crisis. Paper prepared for World Bank Labor Markets in the East Asian Crisis Project.

Frenkel, S. and Kuruvilla, S. 2000. *Globalization, Logics of Action, and Convergence: Changing Employment Relations in China, India, Malaysia, and the Philippines*. ILO, Bangkok, Forthcoming.

Frenkel, S. and Royal, C. 1996. Globalization and Employment Relations. Paper prepared for the ILO Conference on Globalization and Employment Relations, Bangkok.

Gatchalian, Jose C. 2000. Employee Representation and Workplace Participation (Focus on Philippine Labor Management Councils). Paper presented at International Industrial Relations Association 12th World Congress, Tokyo.

Gereffi, Gary. 1996. Commodity Chains and Regional Divisions of Labor in Asia. *Journal of Asian Business*. Vol. 12, no 1.

Gonzalo, J, and Sanchez, M.T.C. 1998. Philippine Employment and Industrial Relations Policies: An Assessment. Philippine Institute for Development Studies.

Greider, W. 1997. *One World, Ready or Not: The Manic Logic of Global Capitalism*. New York: Simon & Schuster.

Krugman, P and Obstfeld, M. 1987. *International Economics: Theory and Policy*. Glenview, Ill.: Little, Brown.

Kuruvilla, Sarosh 1996. "The Relationship Between Economic Development Strategies and Industrial Relations: India, Malaysia, Singapore and the Philippines." *Industrial and Labor Relations Review*. Vol 49, no. 4, pp. 635-657.

Kuruvilla, S. and Erickson, C., Anner, M., Amante, M., and Ortiz, I. 2000. *Globalization and Industrial Relations in the Philippines*. Bangkok: International Labour Organization Regional Office for Asia and the Pacific.

Kuruvilla, S. and Erickson, C. 2001. "Change and Transformation in Asian Industrial Relations." *Industrial Relations*, forthcoming.

Kuruvilla, S., Erickson, C., and Ng, H. A. 2001. "An Assessment of the Singapore Skills

Development System: Does it Constitute a Viable Model for Other Developing Nations?" Working Paper.

Legardo, Vicente Jr. and Ina Ortiz. 2000. Review of Human Resource Management and Industrial Relations Practices in Response to the Asian Financial and Economic Crises. Philippine Country Paper, NICC-ACE Workshop, Bali, Indonesia, February 23-24.

Lainez, A.M. Lerma, J.C. and Ofreneo, R. 1994. HRD Dilemmas in the Electronics Industry. Working Paper, University of the Philippines.

Martin, H.P., and H. Schumann 1996. The Global Trap: Globalization and the Assault on Prosperity and Democracy. Pretoria: HRSC/RGN.

Medalla, E.M. 1998. Trade and Industrial Policy Beyond 2000. Philippine Institute for Development Studies. Paper 98-05.

Ofreneo, R. 1994. "Labor and the Philippine Economy." Unpublished Manuscript. University of Philippines, School of Labor and Industrial Relations, 1994.

Ofreneo, R. 2000. Globalization and the Asian Economic Crisis: An Assessment of the Social Accord Initiatives in the Philippines. Paper presented at International Industrial Relations Association 12th World Congress, Tokyo.

Ofreneo, R., Amante, M., and Ortiz, I. 1998. Skills Development in the Philippines. Working Paper, University of the Philippines..

Ofreneo, R. and Azucena, C., 1999. Competitiveness and Urgent Labor Reforms. Employers Confederation of the Philippines, Advocacy Paper.

Ofreneo, R. and Fernando, N. 1993. Job Search and Employment/Unemployment Flows Among Young Workers. Working paper, University of the Philippines.

Ofreneo, R. and Fernando, N. 1994. The Industrial And Labor Challenge of Subcontracting. Working paper, University of the Philippines.

Ofreneo, R. and Ortiz, I., 1998. Globalization and Employment Relations in the Philippines. Working paper, University of the Philippines.

Personnel Management Association of the Philippines (PMAP). 1995. Human Resource Practices in the Philippines. Research Report.

Ranald, Patricia. 1999. Analysing, Organising, Resisting: Union Responses to the Asian Economic Crisis in East Asia, South Korea and the Philippines. *Journal of Industrial Relations*, June, pp. 295-325.

Villegas. 1988. *The Political Economy of Philippine Labor Laws*. Quezon City: Foundation for Nationalist Studies.

Windell, J. and Standing, G. 1991. External Labor Flexibility in Philippines Industry. World Employment Program Research, Working Paper 2-43.

World Bank 1993. *The East-Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press.

World Bank 1995. *World Development Report: Workers in an Integrating World*. New York: Oxford University Press.

World Bank 2000a. *Global Economic Prospects and the Developing Countries 2000*.

World Bank 2000b. *Assessing Globalization Does More International Trade Openness Increase World Poverty?* (Part 2 of a four part series).

Table 1.

Average Annual Growth Rates of GNP and GDP, 1946-96

Year	GNP	GDP
1946-50	17.2	16.5
1951-55	9.3	7.9
1956-60	5.0	4.6
1961-65	5.5	4.7
1966-70	4.8	4.9
1971-75	6.5	5.2
1976-80	6.3	4.5
1981-85	-1.7	-1.1
1986-90	5.4	4.7
1991-95	2.9	2.2
1995-96	7.2	5.8

Source: NEDA statistical compilations.

Table 2: Unemployment Rate, Labor Costs, and Wages

Year	Unemployment Rate	Labor Costs- Manufacturing (Pesos/Employee/Day)	Real Wage Index Manufacturing (1980=100)
1970	5.3% ^a	4332 ^b	N/A
1975	4.4%	4240	97 ^c
1980	4.8%	10918	100
1985	6.1%	24804	72
1986	6.4%	27828	82
1987	9.1%	32556	95
1988	8.3%	37643	108
1989	8.4%	43163	110
1990	8.1%	51304	108
1991	9.0%	60495	99
1992	8.6%	67461	107
1993	8.9%	70325	97
1994	8.4%	78850	114
1995	8.4%	N/A	122
1996	7.4%	N/A	N/A
1997	7.9%	N/A	N/A
1998	9.6%	N/A	N/A
1999	9.7%	N/A	N/A
Sources: Integrated Survey of Households (ISH), Employment, Hours and Earnings Survey (EHES), , Asian Development Bank, Bureau of Labor and Employment Statistics			
Notes: ^a 1971 ^b 1973 ^c 1978			

Table 3: Unions and Collective Bargaining Coverage

INDICATOR	1996	1997	1998	1999
	LABOR ORGANIZATIONS			
Unions Registered/Restored	410	342	330	335
Federations/Labor Centers	4	2	1	-
Private Sector Unions	371	305	268	272
Public Sector Unions	35	35	61	63
Membership of Newly Registered Unions	32,738	28,671	34,919	29,403
Federations/Labor Centers	a	a	649	-
Private Sector Unions	28,802	24,835	23,426	22,763
Public Sector Unions	3,936	3,836	10,844	6,640
Unions/Federations Cancelled	22	3	3	5
Existing Unions	8,248	8,822	9,374	9,850
Federations/Labor Centers	172	174	173	173
Private Sector Unions	7,610	8,149	8,643	9,056
Public Sector Unions	466	499	558	621
Existing Membership of Active Unions (000)	3,611	3,635	3,687	3,731
Private Sector Unions ^b	3,468	3,489	3,537	3,570
Public Sector Unions	143	146	150	161
COLLECTIVE BARGAINING AGREEMENTS				
CBA's Newly Filed	818	532	432	413
Workers Covered by New CBA's	131,446	92,149	68,616	64,703
Expired CBA's	634	517	319	577
Existing CBA's	3,398	2,987	3,106	2,956
Workers Covered by Existing CBA's (000)	411	426	551	529

Notes: 1. Starting 1998, data include Caraga Region.
2. Existing unions and memberships include those registered with BLR.

a Membership of newly registered federations were already included in the membership of private sector unions.
b Includes membership of affiliated unions. It however excludes federation members of 2.8 million farm workers.

Table 4			
<i>Selected labor force statistics, 1998-2000</i>			
(in thousands and percentages)			
<i>Selected Variables</i>	<i>April 1998</i>	<i>April 1999</i>	<i>April 2000</i>
Labor force ('000)	32,111	33,444	32,874
Class of worker: (per cent)			
Wage and salary	49.4	48.2	50.6
Own-account	37.2	36.6	37.4
Unpaid family workers	13.4	15.1	12
Industry: (per cent)			
Agriculture	37.5	41.0	37.3
Industrial			
Mining and Quarrying	0.5	0.4	0.4
Manufacturing	10.2	9.4	9.7
Electricity, gas & water	0.5	0.5	0.5
Construction	6.1	5.4	5.5
Services			
Wholesale and retail	15.9	15.4	16.4
Transportation	6.7	6.5	7
Financing	2.4	2.4	2.6
Community	20.2	19.0	20.6
Unemployment rate	13.3	11.8	13.9
Underemployment rate	21.0	22.7	25.1
Source: National Statistics Office.			

Table 5
 Employment by Sectors in Selected Asian countries
 Percentage shares, 1980, 1990, and 1998

	<u>Agriculture</u>			<u>Industry</u>			<u>Services</u>		
	<i>1980</i>	<i>1990</i>	<i>1998:</i>	<i>'80</i>	<i>'90</i>	<i>'98 :</i>	<i>'80</i>	<i>'90</i>	<i>'98</i>
Philippines	51.7	44.5	39.2	15.5	15.9	16.4	32.9	39.5	44.4
Thailand	71.0	64.0	50.3	10.0	14.0	19.7	19.0	22.0	30.0
Indonesia	59.0	57.0	41.2	12.0	14.0	19.0	29.0	29.0	39.8
Malaysia	41.0	27.0	17.3	19.0	23.0	19.0	40.0	50.0	63.7
Korea (S.)	37.0	18.0	13.6	27.0	35.0	33.2	36.0	47.0	53.2

Source: Esguerra et al., 1999.

**Table 6: Percent of Establishments Hiring Temporary/Casual Labor
For Specific Purpose, by Employment Size, 1990**

Percent of Establishments Hiring Temps			
Employment Size	Limited-Duration Projects	Stop-gap Labor	Alternative to regular workers
1-20	67.7	63.1	24.6
21-50	70.3	52.5	34.7
51-100	76.9	69.2	35.9
101-250	80.9	63.8	38.3
251-500	84.9	71.2	39.7
501-1000	78.6	57.1	42.9
1001 and above	90.3	80.6	35.5
TOTAL	77.6	63.8	36.0

Table 7: A Picture of the Extent of Subcontracting	
1. Percent share of establishments with subcontractors	
1994:	21.0%
1995:	24.1%
2. Distribution of subcontractors	
Companies:	82.0%
Individuals:	15.0%
3. Jobs contracted	
Security services:	34.4%
Maintenance/Janitorial:	22.6%
Production Process:	32.2%
4. Subcontracting by industry	
Manufacturing:	35.3%
Trade:	13.3%
Services:	13.0%
5. Number of subcontractors/establishment	
Manufacturing:	3 per firm
6. Subcontracting by type of firm	
Export oriented firms:	40.7%
Non-Export oriented firms:	21.0%
7. Subcontracting by ownership	
Foreign firms:	43.0%
Domestic firms:	21.0%

Table 8: Findings from Case Studies

	Consumer Appliances	Banking	Automobiles
Industry Features	Competition increases as MNCs' enter the market. The Montreal protocol forces restructuring.	Competition increases as a function of deregulation in 1994	Steadily growing market for autos, and sharp increase in the players in the market, leading to intensive competition.
(Number) and Features of Firms Studied	(1) Largest Firm with 56% market share that is declining.	(2) Premier Banks, the largest recently privatized.	(3). The oldest, (Mitsubishi), the most successful (Toyota), and a domestically owned firm.
IR/HR strategy	Greenfield Strategy	Restructuring to cut costs, redeployment	Rationalization and restructuring.
Work Organization Changes	Movement from Tayloristic to Team based	Movement towards team based work, slower in the erstwhile public sector bank.	Mitsubishi follows more Tayloristic systems, while Toyota follows team based production systems
Numerical Flexibility Changes	Enhanced through intensive subcontracting	No Layoffs, or subcontracting,	Reduction of headcount is key for all firms. Subcontracting very heavily used.
Compensation Changes	New systems tied to skills in greenfield sites	Focus on higher compensation given high labor turnover of skilled clericals.	Toyota system links wages to skills, but other plants do not link. Gradual move towards bonuses

<p>Labor Relations Changes</p>	<p>Introduction of labor-management council, some conflict</p>	<p>Private bank is aggressively nonunion, while erstwhile public bank has strong union that follows industry pattern. Privatization has provided union rights to bargain independently.</p>	<p>Toyota is non union and aggressively so. Mitsubishi is unionized and relations with union gradually improving through the introduction of a labor management council.</p>
--------------------------------	--	---	--

Table 8: Findings from Case Studies (continued)

	Electronics	Petroleum Products	Sugar
Industry Features	Steady growth, Foreign dominated, largest exporter of the Philippines.	Deregulated industry, stable markets, but unstable raw material costs (oil prices).	Domestic market focus, industry characterized by low yields and low productivity, ravaged by El Nino.
(Number) and Features of Firms Studied	(3) High end firm which is “best company to work for,” and two other firms.	(1) The largest oil firm in the Philippines, has been recently privatized.	(1) Largest refiner of sugar, but cost of production higher than imported sugar.
IR/HR strategy	Non union high performance workplace practice at high end firms.	Major organizational and work restructuring.	Restructuring to cut refining costs
Work Organization Changes	Autonomous teams at high end, Tayloristic at low end,	Continuous process industry	Continuous process industry, multiskilling common, reducing job classifications.
Numerical Flexibility Changes	No layoffs at high end, use of trainees and subcontracting at low end.	Subcontracting begins in the 1990s.	Subcontracting
Compensation Changes	Linked to skill acquisition at high end, but at minimum wage level at low end.	Market Leader in compensation, recent introduction of pay for performance.	Compensation tied to training and behavioral programs.

Labor Relations Changes	Completely and aggressively non union.	Amicable labor relations with three company unions, and one clerical staff union affiliated to national union.	Cordial labor relations through labor management councils.
-------------------------	--	--	--

Table 9: Strikes and Lockouts

Year	Strikes/ Lockouts
1970	104
1976	91
1980	62
1985	371
1986	581
1987	436
1988	267
1989	197
1990	183
1991	182
1992	136
1993	122
1994	93
1995	94
1996	89
1997	93
1998	92
1999	58
Source: National Conciliation and Mediation Board (NCMB)	