



STATE OF THE NATION REPORTS

PHILIPPINE INDUSTRIALIZATION AND INDUSTRIAL RELATIONS

Rene E. Ofreneo



University of the Philippines Press
and the
Center for Integrative and
Development Studies

12

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PHILIPPINE INDUSTRIALIZATION AND INDUSTRIAL RELATIONS

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UP CENTER FOR INTEGRATIVE AND DEVELOPMENT STUDIES
in cooperation with the
UNIVERSITY OF THE PHILIPPINES PRESS

Published by

The University of the Philippines Press

University of the Philippines

Diliman, Quezon City

and

The Center for Integrative and Development Studies

University of the Philippines

Diliman, Quezon City

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ISBN No. 971-8797-60-2

February 1995

Cover Design: Michael Arciga, Bella Lucas and Stretch Payawal

**Report Design and Layout: Michael Arciga, Ellen Cometa,
Nanie Domingo and Bella Lucas**

Text composed in Galliard BT

Typeset using Aldus Pagemaker 5.0

Printed in the Philippines by

University of the Philippines Printery

UP Campus, Diliman, Quezon City

FOREWORD

As the Philippines makes its bid for NIChood by the first two decades of the 21st century, a review of the strengths and weaknesses of past industrialization efforts is imperative. Apart from the state's industrial policies, the behavior of local and foreign investors, the state of technological development, and labor productivity, the nature of industrial relations in the country can spell the difference in the outcome of current efforts. It is important, therefore, to seriously examine the historical development of industrial relations in the Philippines and draw lessons which can input into the process of formulating an appropriate labor package – one that balances the demands of growth and productivity with just labor practices.

This *State of the Nation Report*, written by Dr. Rene Ofreneo of the University of the Philippines-School of Labor and Industrial Relations (UP-SOLAIR) does not only provide a brief overview of the Philippine economy and the labor market but also a concise and enlightening history of industrial relations actors and policies, noting important trends with implications for future labor organizing and management.

The *State of the Nation Reports* are condensed and popularized scholarly studies under the UP State of the Nation Assessment Program. A grant from the Ford Foundation enabled the UP Center for Integrative and Development Studies (UP-CIDS) to publish the initial Reports in cooperation with the UP Press. Jocelyn de Jesus provided editorial assistance while Bella Lucas and Joy Aparis saw the report through the different stages of publication with the assistance of Mike Arciga, Ma. Luisa Calugay, Ellen Cometa, Nanie Domingo and Stretch Payawal.

As in all our publications, the views expressed in this report are those of the author whose academic freedom is upheld by the University.

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ACRONYMS USED

AAFLI	— Asia-American Free Labor Institute
AFL-CIO	— American Federation of Labor and Congress of Industrial Organizations
AMBA-BALA	— <i>Alyansa ng mga Manggagawa sa Bataan</i> (Bataan Labor Alliance)
BEPZ	— Bataan Export Processing Zone
BLES	— Bureau of Labor and Employment Statistics
BMP	— <i>Bukluran ng mga Manggagawa sa Pagbabago</i>
BOI	— Board of Investments
BOP	— balance of payments
BWM	— Bonded Warehousing Manufacturing
BWYW	— Bureau of Women and Young Workers
CBA	— collective bargaining agreement
CGCC	— Consultative Group of Creditor Countries
CIR	— Court of Industrial Relations
CLO	— Congress of Labor Organizations
COLA	— cost of living allowance
DOLE	— Department of Labor and Employment
DTI-CLARA	— Department of Trade and Industry–Center for Labor Relations Assistance
ECOP	— Employers Confederation of the Philippines
EOI	— export-oriented industrial development strategy; export-oriented industrialization
EPZ	— export processing zone
FFF	— Federation of Free Farmers
FFW	— Federation of Free Workers
FTI	— Food Terminal Inc.
FTZs	— free trade zones
GNP	— gross national product
GOCC	— government-owned-and-controlled corporations
HRD	— human resources development
ILO	— International Labor Organization
ILS	— Institute of Labor Studies
IMF	— International Monetary Fund
IPA	— Industrial Peace Accord
IR	— industrial relations
ISI	— import-substituting industrial development strategy; import-substituting industrialization
JCC	— joint consultation council
JEP	— job evaluation program
KATIPUNAN	— <i>Pambansang Katipunan ng mga Manggagawa</i> (National Association of Workers)

KMU	— <i>Kilusang Mayo Uno</i>
KMJ-NCR	— <i>Kilusang Mayo Uno</i> -National Capital Region
LACC	— Labor Advisory Consultative Council
LMC	— Labor- Management Council
LMLC	— <i>Lakas Manggagawa</i> Labor Center
LOI/MEP	— Letter of Intent and Memorandum on Economic Policy
MEPZ	— Mactan Export Processing Zone
NAFLU	— National Association of Free Labor Unions
NASSA	— National Secretariat for Social Action
NATU	— National Association of Trade Unions
NCMB	— National Conciliation and Mediation Board
NEDA	— National Economic and Development Authority
NFL	— National Federation of Labor
NIKKEIREN	— Japanese Employers' Federation
NLRC	— National Labor Relations Commission
NMYC	— National Manpower and Youth Council
NPC	— National Productivity Commission
NSO	— National Statistics Office
NWPC	— National Wage and Productivity Commission
OWWA	— Overseas Workers Welfare Administration
PDMP	— <i>Pagkakaisa ng Diwa ng Manggagawang Pilipino</i>
PKP	— <i>Partido Komunista ng Pilipinas</i>
PLFS	— Philippine Labor Flexibility Survey
PMAP	— Personnel Management Association of the Philippines
POEA	— Philippine Overseas Employment Administration
QC	— Quality Circle
SAL	— Structural Adjustment Loan
SAP	— Structural Adjustment Program
TIPC	— Tripartite Industrial Peace Council
TQM	— total quality management
TUCP	— Trade Union Congress of the Philippines
TUPAS	— Trade Unions of the Philippines and Allied Services
ULP	— unfair labor practice
UNICEF	— United Nations International Children's Emergency Fund
UOD	— <i>Union Obrera Democratica</i>
UTF	— <i>Union del Trabajo de Filipinas</i>
WFTU	— World Federation of Trade Unions



An Overview of the Philippine Economy and Labor Market

The Philippines has an open market economy. However, its overall development is highly uneven. Today, agriculture accounts for one-fourth of the gross domestic product (GDP) but provides jobs for half of the labor force. There is a large urban informal sector, which some economists estimate to contribute as much as 40 to 50 percent of the gross national product (GNP).¹ Compared to the newly-industrializing countries (NIC) of Asia, industry is still relatively underdeveloped, with its share in overall employment fluctuating between 14 and 16 percent. The employment share of manufacturing, the most important industrial subsector, is only 9 to 11 percent of total employment.²

In 1991 total population stood at 62.8 million. About 28.6 million were classified as belonging to the working-age population (15 years old and over). The labor force participation rate was 66.4 percent, resulting in a labor force of 25.6 million, 10.6 percent of whom were unemployed (see Table 1).

Philippine industrialization: patterns and strategies

A combination of the foreign debt crisis, political turbulence (*e.g.*, crisis of the Marcos regime, military-led power revolt, coups, *etc.*) and the ensuing failure to maintain and expand basic infrastructure (*e.g.*, communications and transport systems) in the decade of the Eighties weakened the economy in general and industry in particular. This coincided with the implementation of the World Bank structural adjustment program (SAP), which made the operations of many domestic enterprises extremely difficult as SAP exposed them to the forces of global competition. Not surprisingly, the 1980s saw some kind of deindustrialization as domestic industry literally shrank in the mid-1980s.³ Today, the Philippines is the industrial laggard of East Asia.

Table 1
Labor Force and Employment Status, 1980-1991
(000)

Year	Population 15 yrs. old & over	Labor Force	Employed	Unem- ployed	Labor Force Parti- cipa- tion Rate (%)	Employ- ment Rate (%)	Unemploy- ment Rate (%)
1980	28967	17268	15900	1368	59.61	92.08	7.92
1981	29501	18202	16595	1607	61.70	91.17	8.83
1982	30414	18551	16767	1743	60.99	90.38	9.40
1983	31278	19855	17791	2064	63.48	89.60	10.40
1984	32261	20416	18292	2124	63.28	89.60	10.40
1985	33889	20743	18136	2609	61.21	87.43	12.58
1986	33469	21362	18836	2527	63.83	88.18	11.83
1987	34462	22563	20040	2523	65.47	88.82	11.18
1988	35478	23449	21205	2244	66.09	90.43	9.57
1989	36520	24120	21908	2212	66.05	90.83	9.17
1990*	37636	24244	22212	2032	64.32	91.62	8.38
1991	38599	25639	22902	2737	66.43	89.42	10.58

Source: National Statistics Office.

*No April survey for 1990; yearly figures are year averages.

This is ironic, considering that the Philippines, compared to its more prosperous neighbors in Southeast Asia today, had a relatively longer history of industrialization, which dates back to the prewar period. However, the pattern of Philippine industrialization has been limited, uneven and segmented.

Briefly, the Philippines pursued three types of industrialization—agri-based industrialization associated with the prewar free-trade policy imposed by the United States (US) on its former colony, import-substituting industrial (ISI) development undertaken by a nascent industrializing elite in the 1950s and the 1960s; and an export-oriented industrial (EOI) strategy based on labor-intensive manufacturing, which has been vigorously promoted by government technocrats since the 1970s.

Each type of industrialization contributed to a certain level of economic growth for the country. However, the initial burst of growth, limited and unsustainable, was followed by a full-blown crisis.

Industrialization under Spain and the United States. During the last half century of Spanish colonial rule, the Philippines was opened to world commerce. This spurred the growth of export agriculture, with sugar, tobacco, indigo, hemp and coconut as export crops.⁴

After succeeding Spain, the US strengthened the orientation of the colonial economy toward the production of cash crops for export through a “free trade” arrangement between the Philippines and the US. Thus the first three decades of American rule saw the steady expansion of the export crop area, which spurred a limited development of agri-based manufacturing (*e.g.*, sugar and coconut processing) and internal commerce. A modicum of economic growth and development was realized in Manila and the regions that participated in the export crop economy guided by the free trade.

However, the Great Depression that hit the US in the 1930s revealed the extreme vulnerability of an economy dependent on just a few export crops destined to a single market. The decline in agricultural exports by more than 30 percent in the 1931-35 period coincided with a labor and peasant unrest,⁵ which President Manuel L. Quezon of the Philippine Commonwealth government tried to tame through a “Social Justice Program” that drew inspiration from Franklin Roosevelt’s “New Deal Program.”

After World War II, the reimposition of the “free trade” arrangement between the two countries was a disaster for the Philippines as the latter’s war-weary economy failed to generate the export earnings needed to finance the postwar appetite for imported American goods. A serious balance of payments (BOP) crisis ensued despite the release of American war damage payments.⁶ This crisis coincided with a serious labor and peasant unrest, which became part of a bigger politico-economic crisis highlighted by the threat of a communist-led armed rebellion.⁷

Import-substituting industrialization (ISI). Faced with a severe BOP crisis, Congress enacted on 15 July 1948, Republic Act No. 330, or the Import Control Act, which authorized the President “to establish a system of import control by regulating imports of nonessential and luxury articles, creating an import control board authorizing the issuance of rules and regulations to carry into effect such control.” With the enactment of the law, President Elpidio Quirino issued in 1949 a series of executive orders restricting the importation of nonessential and luxury goods and prescribing import quotas for a number of commodities.⁸

The newly established Central Bank was eventually forced to drastically intervene in the economy by supplementing the import controls with foreign exchange control measures. The American-sponsored US Economic Survey Mission or Bell Mission, which was ambivalent on the issue of controls and conscious of the repercussions of such on the foreign exchange remittances of American companies, grudgingly accepted the need for controls, citing their role in the economy "as a safety measure."⁹

However, in the hands of the newly organized Central Bank of the Philippines, the import and foreign exchange controls became a deliberate program for the promotion of import-substituting industries. A nascent group of Filipino industrialists took full advantage of the program to develop "new and necessary industries," which were generally light import-replacing industries. This group was joined by the American distributors of imported products which were forced to set up Philippine subsidiaries engaged in the packaging or assembly of semiprocessed and semiknock-down parts of imported products they used to distribute.

Because of the ISI strategy, the Philippines registered annual double-digit industrial growth rates in the 1950s. However, the growth tempo slackened in the early 1960s and it soon became clear that the economy was once again facing an insurmountable BOP crisis because the ISI industries were all dependent on imported machinery, raw materials, tools, parts and processes. Under the pressure of the International Monetary Fund (IMF), the agri-mineral-timber exporters and the American Chamber of Commerce, the administration of President Diosdado Macapagal devalued the peso and removed the import and foreign exchange controls through a program of "decontrol". At the same time, the government tried to placate the ISI industrialists by setting up a system of high tariff protection,¹⁰ which, in effect, maintained industry's import-substituting orientation.

Ambivalence in economic directions. With the BOP deficits, the government was forced to go to the IMF and to acquiesce to IMF-suggested policies of opening up the economy through peso devaluation and the enactment of measures encouraging foreign investments and export-oriented production. The growing IMF clout in policy making was reinforced by the rise in the bureaucracy of Western-trained economists collectively dubbed as Filipino industrialists. On the other hand, the political clout of the Filipino industrialists, whose interests were sufficiently represented in the old Congress, the media and certain government agencies prevented any substantial lowering of protection to local industrialists.

What took place in the 1960s, therefore, was a gradual piecemeal reorientation of the industrial policy toward export orientation while protection for local industry was provided in tariff and other forms. Ferdinand Marcos, who succeeded Macapagal as president in 1966, continued the decontrol program but maintained the tariff protection program, even if the various official pronouncements stressed export promotion and a liberal economic order.

On the whole, the decontrol program resulted in a neither-here-nor-there situation. The level of new foreign investments was negligible and there was hardly any perceptible trend in the reorientation of actual industrial production toward the export market. Robert Baldwin, who did a survey of industry and policy changes in the 1960s, concluded that the "significant liberalization effort that could have established the basis for a new type of export-oriented growth was not achieved and the import-substituting manufacturing sector was left in a relatively stagnant state."¹¹ In short, the 1960s witnessed some kind of a stalemate in economic directions.

One sad consequence of this situation was that the country lost some tempo in the economic acceleration game as it muddled through the 1960s. In a way, the country's growth decelerated in the 1960s not because the "easy phase" of import substitution was exhausted nor because the country did not become more outward-looking. The growth process weakened primarily because there was a great deal of confusion on economic directions.

Thus by the late 1960s, the Philippines was once again in the throes of a serious BOP crisis. This forced the Marcos administration to turn to the IMF, which prescribed another drastic devaluation of the peso through the "floating rate" mechanism, with the peso initially contracting to P6.50 to \$1 in 1970. The Board of Investments was established and three investment and export incentives laws were enacted: Republic Act No. 5185, or the Investment Incentives Act, which gave various incentives to foreign and domestic investors going into preferred areas such as export-oriented production; Republic Act No. 5455, or the Foreign Business Regulation Act of 1970, which removed the restrictions on the repatriation of profits and other investment disincentives; and Republic Act No. 6135, or the Export Incentives Act, which gave additional incentives to export producers.

Export-oriented industrialization (EOI). Upon the declaration of martial law in 1972, Marcos elevated the export-oriented industrial (EOI) strategy to a central state policy. The abolition of the Philippine Congress and the restrictions on labor and militant groups in society aided the adoption

of this policy. Moreover, the World Bank and the IMF helped organize a Consultative Group of Creditor Countries (CGCC) that would help finance EOI-related projects under the CGCC's program of "development financing."¹²

Thus the Philippines became a beneficiary of a huge amount of loans from multilateral and bilateral development agencies as well as from international commercial banks, which were then awash with petrodollars. Infrastructure for labor-intensive export-oriented industries such as free-trade zones and bonded warehousing manufacturing (BMW) units for those engaged in reexport manufacturing were developed, while all kinds of incentives encouraging investments in EOI undertakings were decreed by the martial law government. Consequently, the Philippines registered a respectable GNP growth rate of almost seven percent a year in the 1970s due to a debt-fueled infrastructure development program and the flow of new EOI investments.

However, by the early 1980s, the economy was on a recessionary trend and was once again facing a severe BOP crisis. The EOI industries, which accounted for less than five percent of the total manufacturing output in 1977¹³ and which were dependent on imported raw materials (*e.g.*, the export-oriented electronics assembly work), were not enough to make up for the declining earnings from Philippine primary products (export crops, minerals and timber) and the rising cost of servicing the growing foreign debt.

The adoption of SAP. It was against this backdrop that the World Bank came into the picture, totting a new development program dubbed "Structural Adjustment Program" (SAP), which called for the wholesale liberalization of the economy or the removal of whatever remaining protection ISI industries still enjoyed, by further opening up the economy to global competition and the promotion of export industries based on the country's comparative advantage, generally seen to lie in cheap labor. After some resistance, the Marcos regime accepted the SAP package sweetened with a \$200-million World Bank Structural Adjustment Loan (SAL). The adjustment measures included the downward restructuring of the tariff system and the liberalization of imports; new export-enhancing schemes; restructuring of the investment incentives system to facilitate investment application processing and encourage export ventures; rationalization of certain industries such as textile, cement, electronics, *etc.*; financial reforms such as the "flexible" exchange rate for the peso, interest-rate deregulation and "unibanking" reforms in the banking industry; fiscal reforms such as better mobilization of domestic resources through tax and nontax measures; dismantling of government monopolies and privatization of some government corporations; and continuing diversification of energy sources.¹⁴

But the SAP's timing was a disaster. It coincided with the recession in 1980-83 and the depression in 1983-85. Given SAP's antiprotectionist nature, it was only natural for industries and firms catering to the domestic market to suffer. SAP was carried out against the backdrop of negative external economic factors, *e.g.*, new round of global oil price increases, upsurge in world interest rates and the collapse of prices for the country's leading minerals (gold and copper) and agricultural (sugar and coconut) exports. SAP was also complemented by the "bitter pills" of austerity — tight monetary restrictions, reduced expenditures, increased taxation, *etc.*— imposed by the IMF through its stabilization programs for the Philippines.¹⁵

Industry went into a tailspin. Despite the suspension of the import liberalization program in late 1983 due to dollar scarcity, manufacturing was plagued by a number of formidable problems: the crisis in the letters of credit (foreign creditors shifted to a cash-basis transaction because of the uncertainties over the debt crisis), ever-rising interest rates, increased cost of production, and drastically reduced market demand. Thus while the growth rates for the entire economy progressively shrank, the decline of manufacturing was bigger than that of the other sectors of the economy. The share of manufacturing in overall employment went down from 11 percent in 1980 to 9.7 percent in 1985.¹⁶

SAP under the Aquino government. The economic crisis eased somewhat with the rise to power of a new government in February 1986. The economy improved with the return of political normalcy via the so-called people power revolution, the price recovery in the world market of the country's major primary export products (gold, copper, sugar and coconut), increased demand for Philippine-sewn garments and Philippine-assembled electronics, and a fall in the price of oil. Also, the IMF, which had been harsh on the Marcos regime in its twilight years, eased up on the Aquino administration, allowing the latter to engage in massive pump-priming activities in 1986-88.

The Aquino administration did not only continue SAP but also deepened and broadened its implementation, especially with regard to the import liberalization program which was reactivated (Marcos suspended the program in late 1983) with the liberalization of 700 items in 1986, dismantling of some government-supported monopolies (associated with certain Marcos cronies) and the implementation of the privatization program. But unlike the Marcos administration, the implementation of the various SAP measures did not provoke much resistance from the business community (except the import liberalization program) nor caused them much anguish. In the first

place, the most difficult adjustments had already taken place. As the World Bank put it, "The industry is 'leaner' as a result of the deep recession in 1984-85, which enabled only the strongest firms to survive."¹⁷

Development of the labor market

The formation of the army of wage workers naturally had to follow the uneven pattern of industrial and economic development in the country. Wage workers first developed in the export crop-oriented undertakings (*e.g.*, sugar plantations, cigar factories, coconut dewatering) and urban commercial enterprises.

Under the ISI program in the 1950s, the army of wage workers expanded tremendously. A major consequence of the ISI was the development of a modern industrial sector, along with the various economic and labor institutions that accompany such development. An early World Bank report on the Philippines sums it up as follows:¹⁸

The major structural change since the war has been the growth of domestic manufacturing. Organized manufacturing (five workers and over), which was limited to processing of agricultural products before the war, expanded more than 10 percent per year during the 1950s. By 1960, it had become a significant segment of the economy, accounting for 12.7 percent of the net domestic product that year. A vigorous entrepreneurial class has emerged and the nucleus of a skilled labor force has been formed.

The rise of the "nontraditional" export products under the EOI strategy altered the labor market somewhat. Since the thrust of the EOI strategy is to exploit the country's comparative advantage as an export platform for labor-intensive production, the workers hired in the EOI enterprises are mostly low-paid semiskilled workers, usually women with only elementary or high school education. These women workers, known for their proverbial patience and dexterity, man the assembly lines in the electronics, toys, automotive parts, garments and other "nontraditional" manufacturing enterprises.

A number of EOI enterprises located themselves in the enclave free-trade zones such as the Bataan Export Processing Zone (BEPZ), the Mactan Export Processing Zone (MEPZ) in Cebu and the Export Processing Zone (EPZ) in Baguio. However, a big number of electronics and garments exporters-manufacturers have located their operations in Metro Manila by

taking advantage of the bonded warehousing manufacturing (BWM) facilities set up by the government for those engaged in so-called reexport manufacturing.

Another feature of the changing industrial landscape was the proliferation of subcontracting arrangements. In the first place, most of the export products such as garments, electronics, automotive parts, toys, *etc.* are produced under international subcontracting, with the “principals” abroad giving the orders, designing the products to be manufactured locally, providing the raw materials and buying all the produce for international marketing or application. International subcontracting explains why a big number of the EPZ firms are Filipino-owned, whereas the idea of the EPZ is to attract foreign investors interested in exports. International subcontracting also explains why the more sophisticated products like cars are not produced in their entirety but as parts and components. The Philippines, with its cheap labor and low level of industrialization, can only specialize in cheap labor-based, low-technology types of production.

Subcontracting can also be a multilayered one, meaning there can be as many levels of subcontracting, starting from the international principals. This is best illustrated by the export-oriented garments sector, where two-thirds of the work force are estimated to be domestic outworkers doing jobs under subcontracting arrangement with village agents, who, in turn, get their jobs from city or provincial agents of Manila-based exporters-manufacturers.²⁰

Major characteristics of the labor market

Despite the changes during the ISI and EOI periods, the labor-absorptive capacity of industry has been very weak. Today, industry employs only 14 to 15 percent of the labor force, with manufacturing accounting for nine to 19 percent. In the past, agriculture was the main sponge that absorbed excess labor; today, it is the informal sector and the overseas labor market that serve as labor's catch basins.

A closer look at the labor force statistics regularly dished out by the National Statistics Office (NSO) shows the following:²¹

1. *Less than half of the employed are wage and salaried workers* — Those subsisting on wages account for about 45 percent of the employed; the rest are either self-employed (mostly those in agriculture and services) or unpaid family workers (about 16 percent of the employed).

2. *Massive and persistent unemployment and underemployment problems* — The annual unemployment rate is estimated to average to 10 percent (see Table 1). On the other hand, underemployment affects over one-third of the labor force.

3. *Puny and declining share of manufacturing in employment* — The country's industrial backwardness is reflected in the limited share of industry, particularly the manufacturing subsector, in employment. In 1960 industry accounted for 12.6 percent of total employment, with manufacturing contributing 12.1 percent (see Table 2). In 1970 the picture was virtually the same, with manufacturing staying at 11.9 percent. However, in 1980 there was a noticeable decline in the share of manufacturing, employment-wise (10.6 percent). In 1990 it even went down slightly below double digits, at 9.7 percent. It was clear that there was some kind of a deindustrialization process in the first half of the 1980s, a period which saw a recession turn into a bloody depression.

Table 2
Sectoral Employment Shares, 1960-1990
(percentage shares)

Sector	1960	1965	1970	1975	1980	1985	1990
Agriculture	61.2	56.7	53.7	53.5	51.4	49.0	45.2
Industry	12.6	11.3	12.6	12.1	11.6	10.7	10.7
Manufacturing	12.1	10.9	11.9	11.4	10.6	9.7	9.7
Services	26.2	31.5	32.1	34.1	36.5	40.2	44.0

Source: National Statistics Office.

Agricultural employment dropped to less than 50 percent from 51.4 percent in 1980 to 45.2 percent in 1990. This was not due to the vigorous expansion of the industry but mainly because the services sector swelled to 44 percent, no doubt a result of the expanding informal sector.

4. *Limited employment in the formal sector* — Another telling feature of the economy is the limited employment in the formal sector. For the year 1989, NSO data indicate a total of 357,187 establishments distributed nationwide and employing a total work force of 3.2 million. And yet, 268,190 of the firms or 75 percent of the total have an employment size of only one to four workers each. Moreover, out of the 3.2 million workers in the establishment survey, 976,000 or 30 percent of the total are employed in firms with less than 10 workers each. This means only 2.2 million workers are really organizable into unions since it is impractical to organize workers in establishments with less than 10 workers.
5. *Rise of new labor groups: overseas contract workers, women workers and child workers* — The last two decades witnessed the rise of these three major categories of workers.

There are an estimated two million overseas contract workers. The Marcos government set up the overseas labor placement program in the early 1970s as a “temporary” program meant to ease the domestic unemployment and underemployment problems while the EOI strategy had not yet fully taken off. The program has become permanently “temporary” as the government — from Ferdinand E. Marcos to Fidel V. Ramos — has expanded the infrastructure (through the Philippine Overseas Employment Administration, Overseas Workers Welfare Administration, labor attaché system, *etc.*) for overseas labor deployment. Through official banking channels, overseas workers are estimated to remit \$2 billion a year to their families at home; however the actual remittances are estimated to be much higher at \$5 billion to \$7 billion a year.²² These workers are the country’s biggest dollar earners and serve as the leading safety valve for the crisis-ridden economy.

The emergence of women workers as a big contingent of the labor force is due partly to the structural adjustment measures of the last two decades, which favor the establishment of light but labor-intensive industries such as electronics and garments where women workers are preferred. Since 1987, the labor-force participation rate of women has gone beyond 50 percent. Women workers have dominated in the following work categories: sales, professional/ technical, service and clerical jobs. Although they represent

only 22.2 percent of the production and transport workers, they constitute the majority of the workers in the export-oriented light manufacturing industries.

With regard to child workers, the country has a significant number of working children forced to work at a tender age because of poverty. In 1985 the United Nations International Children's Emergency Fund (UNICEF) estimated that there were five million Filipino working children within the 5-to-14 age group, 3.9 million of whom were in the rural areas. On the other hand, the Bureau of Women and Young Workers estimated their number to be somewhere between five and seven million.²³



Industrial Relations Actors and the Development of Industrial Relations Policies

Compared to some Asian countries, the Philippines has a well-developed body of laws regulating labor-management relations in the formal sector. This is reflected in the Labor Code, Implementing Rules of the Labor Code and the various decisions of the Supreme Court on varied aspects of labor-management relations.²⁴

The development of this body of laws is essentially a product of history, that is, of the dynamics of the relationship among the three industrial relations actors — labor, management and government.

The trade unions

Brief history. The Philippine trade union movement today is more than nine decades old. Over this time, the trade union movement had seasawed between economic and political unionism.²⁵

During the prewar period, the movement was dominated by labor leaders like the Communist Crisanto Evangelista and nationalist Isabelo de los Reyes, who linked the movement with the struggle for national independence and social emancipation. This tradition was carried on to the postwar period by the leaders of the Communist-dominated Congress of Labor Organizations (CLO).

In the 1950s, at the height of the Cold War and after the CLO was outlawed, the movement slid toward economism, with the institution of the American-inspired collective bargaining system aiding the shift in the orientation of trade union struggle. In the 1960s, there was a renewed trend toward political unionism, with prominent labor leaders participating in the broad “anti-US imperialist movement” that developed out of the nationalist crusade of Senator Claro M. Recto.

Martial Law nipped this in 1972, paving the way for the revival of economic unionism and the rise of the government-recognized Trade Union Congress of the Philippines (TUCP). As is well known, Marcos developed an elaborate control system to tame the trade-union movement in the 1970s. Using his martial-law powers, Marcos banned strikes and all forms of mass

action. Through wage decrees, labor injunctions, controls over the trade-union movement and government-calibrated tripartite gatherings, the government succeeded in maintaining relative calm on the labor front.²⁶

Labor militance in the 1980s. The “economistic” martial-law years of the 1970s were replaced by the “political” decade of the 1980s.

In 1980, the *Kilusang Mayo Uno* (KMU), consisting of the more radical unions and federations, was established, signaling an open challenge to the hegemony of the pro-government TUCP in the labor movement. The KMU even succeeded in organizing area alliances of workers involving unions belonging to non-KMU federations. One such alliance is the *Alyansa ng mga Manggagawa sa Bataan* (Bataan Labor Alliance) or AMBA-BALA, which coordinated zone-wide strikes in the Bataan Export Processing Zones, a development which the government said would never happen.²⁹

In late 1983, after the assassination of Benigno Aquino Jr. and the “explosion” of the foreign debt problem, Marcos’s labor control system began to crumble. Labor unrest deepened and became part of the general political agitation against the Marcos regime. Actual strikes increased by 82 percent from 155 in 1983 to 282 in 1984, and by 32 percent to 371 in 1985 (see Table 3). The annual frequency of strike notices filed with the labor ministry reflected a similar trend: from 705 in 1983, notices increased by 36 percent to 960 in 1984, and by 22 percent to 1,176 in 1985. The percentage of strike notices that resulted in actual strikes was higher by roughly 26 percent in 1985, as compared to 12 percent in 1984. Strikes tended to be of longer duration in 1985 than in 1984. There were 65,306 workers involved in strikes in 1984 and 111,265 workers in 1985. The extent of production disruptions as indicated by man-days lost was 1.9 million in 1984 and 2.45 million in 1985.

The rapid rise of KMU and its brand of radical and militant type of unionism also goaded the moderate labor groups, particularly the TUCP and Federation of Free Workers (FFW), to rethink and define their role in national and local politics. In 1983-85, almost all the labor groups—from the radical KMU and World Federation of Trade Union (WFTU) affiliates to the moderate TUCP and the FFW—were active in the protest movement against the Marcos authoritarian rule.

Waning labor militance since 1987. The number of strikes and mass actions conducted by various labor groups, particularly those of the more militant labor federations, has been declining since the late 1980s (see Table 3). This trend became more pronounced in the early 1990s because of several reasons.

Table 3
Number of Strikes/Lockout Notices Filed,
Actual Strikes/Lockout, Workers Involved and Man-Days Lost,
Philippines: 1951-1991

Year	Strikes/ Lockout Notices Filed	Actual Strikes				
		Total	With Notice	Without Notice	Workers Involved	Man-Days Lost (000)
1951	a	28	a	a	4,943	a
1952	a	14	a	a	2,293	a
1953	a	13	a	a	9,683	a
1954	a	53	a	a	18,417	a
1955	a	47	a	a	14,574	591
1956	a	77	a	a	21,165	744
1957 (Jan.-June)	a	29	a	a	8,490	75
1958-1962	a	a	a	a	a	a
1963	319	88	a	a	47,520	455
1964	445	101	a	a	64,624	842
1965	527	109	a	a	55,229	812
1966	612	108	a	a	61,496	756
1967	561	88	a	a	47,524	697
1968	569	121	a	a	46,445	584
1969	621	122	a	a	62,803	1,067
1970	819	104	a	a	36,852	995
1971	979	157	a	a	62,138	1,429
1972 (Jan-Sept)	1,043	69	a	a	33,396	1,004
1973-1974	0	0	0	0	0	0
1975 (Dec)	13	5	1	4	1,760	4
1976	305	86	40	46	70,929	214
1977	146	33	23	10	30,183	34
1978	295	53	24	29	33,731	156
1979	316	48	24	24	16,728	174
1980	362	62	31	31	20,902	105
1981	784	260	155	105	98,585	796
1982	743	158	119	39	53,824	1,670
1983	705	155	113	42	33,638	395
1984	960	282	238	43	65,306	1,908
1985	1,175	371	309	62	111,265	2,458
1986	1,613	581	459	122	169,479	3,638
1987	1,715	436	365	71	89,574	1,908
1988	1,428	267	222	45	75,848	1,525
1989	1,518	197	169	28	56,541	955
1990	1,562	183	164	19	68,412	1,345
1991	1,345	182	162	20	55,390	1,140

Source: Bureau of Labor and Employment Statistics,
Department of Labor and Employment.

a - no data available

Note: Data for 1975-1976 exclude reports from DOLE regional offices.

In 1986-87, many unions, especially those belonging to radical centers such as the KMU and the WFTU affiliates, took advantage of the expanded democratic space and the government's liberalization of the labor relations system to conduct strikes and seek better terms with their respective employers. However, the still popular Corazon C. Aquino poured cold water on the strike fever in October 1987 when it revived the strict rules on strikes promulgated by Marcos.²⁸

There are also indications that labor militance *per se* is not sustainable, especially in a depressed economy characterized by massive unemployment and underemployment. While the militant strikes of the KMU and other radical labor groups attracted popular sympathy in the first half of the 1980s, their strikes in the second half of the decade lost their mass appeal. Some firms like Mattel, with its 4,000-strong work force, and Baxter Travenol on the busy E. de los Santos Avenue (EDSA) in Metro Manila closed shop permanently as a result of management's refusal to bow to the demands of striking workers. Unions that waged illegal strikes lost their leaders and activists as a consequence of the tough enforcement of the government's rules on strikes. Moreover, the government and the business community branded many of the strike-prone militant federations as communist-dominated.

The further decline of labor militancy in the 1990s can also be ascribed to the disintegration of the Soviet Union and the former Soviet bloc and the current crisis in the international socialist movement, which have caused intense debates on ideology, strategy and tactics in the ranks of the socialist-oriented labor groups in the Philippines. These debates have developed into actual rifts and have affected the more militant groups in the trade union movement such as the KMU, the WFTU affiliates and the *Lakas Manggagawa* Labor Center (LMLC).

Right now the biggest and most militant labor center — KMU — is wracked by deep and irreconcilable divisions, with the leadership of the KMU National Capital Region (KMUNCR), that accounts for more than half of the KMU's membership, organizing a new labor group called *Bukluran ng mga Manggagawa sa Pagbabago* (BMP). The KMUNCR move in the middle of 1993 was followed with the formal secession from KMU of its two biggest labor federations, the National Federation of Labor (NFL) and the National Association of Free Labor Unions (NAFLU). Before its recent breakup, the KMU was considered to be as big as the TUCP in terms of membership (see Table 4).

Table 4
Estimates of Dues-Paying Members of the Major Labor Centers and Unaffiliated Unions and Federations

Center/Union	Estimated Dues-Paying Members
Trade Union Congress of the Philippines	150,000
<i>Kilusang Mayo Uno</i>	150,000
Federation of Free Workers	80,000
WFTU affiliates	55,000
<i>Lakas Manggagawa</i> Labor Center	50,000
Independent locals and unaffiliated federations	650,000

Source: Jurgette Honculada, *The Philippine Labor Movement*, paper prepared for LO-Norway, 1992.

But it is not all calm in the other labor centers. Earlier, the three Philippine affiliates of the WFTU — Trade Unions of the Philippines and Allied Services (TUPAS), National Association of Trade Unions (NATU) and *Pambansang Katipunan ng mga Manggagawa* (KATIPUNAN) — found themselves orphaned in the ideological world as the WFTU disintegrated into a minuscule international labor center right before their very eyes. All three affiliates also experienced debilitating splits in their ranks during the last four years due to political and personal differences among the leaders.

However, the divisions in the ranks of the left and left-of-center trade union groups should not be an occasion for TUCP to celebrate, since it has failed to recover its predominant role in the trade union movement despite its cozy relations with the various administrations — from the Marcos regime to the Ramos administration. It has also lost some members during the last few years. While the TUCP claims almost 50 labor federations in its roster, only a dozen or so are organizationally and financially viable as labor federations. The TUCP has also been weakened by the collapse of the Cold War, which led to a reduction of assistance being given it by the Asia-American Free Labor Institute (AAFLI), which was organized by the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) in the 1960s partly to counter the influence of communist unions in the Asia-Pacific region.

On the other hand, the FFW, which has gained politically from its decision to endorse presidential candidate Fidel V. Ramos with the appointment of some of its officers to key government positions, has failed to expand. Like the other groups, it suffered a major split in the second half of the 1980s.

Thus, overall, the trade union movement today is highly divided, and to a great extent, confused about its future and its role in society. There are some 145 competing labor federations, half of which are affiliated with different rival labor "centers," which include the TUCP, KMU, FFW, LMLC, *Pagkakaisa ng Diwa ng Manggagawang Pilipino* (PDMP) and the WFTU affiliates. Almost all the labor federations are engaged in general unionism, which means organizing across industries. This explains why union-raiding, or "organizing the already organized," is an endemic disease in the labor movement. This also explains why a growing number of unions at the enterprise level, disappointed with the intense rivalry among the federations, choose to be "independent" of any federation.

Meanwhile, the Ramos administration has been busy coopting the leadership of select labor centers through appointments in various tripartite agencies including Congress.

Limited reach of the labor movement. Besides the multiplicity of unions and the division in their ranks, the labor movement is also weakened by the character of the economy, which limits the universe for union organizing. The wage workers constitute less than half of the 26 million labor force. And as pointed out, there are only over two million workers organizable into unions because of the preponderance of small establishments in the formal sector and the limited size of this sector.

Based on the varied but unverified union membership claims, organized labor represents around 10 percent of the labor force. But data on collective bargaining agreements (CBAs) indicate that there are less than half a million workers covered by the various CBAs in effect in the country in any given year. The CBA figure represents barely two percent of the labor force and roughly five percent of the wage workers.²⁹ However, this figure represents 20 percent of the organizable 2.2 million workers.

Therefore, even assuming that at any given time there are workers waiting for the results of certification election cases, negotiation outcomes and other related cases, the total of effectively-organized workers cannot be more than a million.

The government

Despite the limited scope of unionism, the government has had to pay special attention to labor relations in the formal sector because it is this sector that lords over the economy. It is the leader of the economy and any

disruptions in its operations, such as what happened in the early 1930s, late 1940s, early 1970s and the first half of the 1980s, have serious political and economic ramifications.

Historically, state policy *vis-à-vis* unionism and labor has been swinging from repression to toleration or a combination of labor reforms that recognize certain labor rights and demands and labor control measures that regulate labor registration, collective action and industrial disputes.

From repression to toleration. Before 1930 there were virtually no laws protecting labor.³⁰ On the contrary, the policy was one of outright repression. The Spanish conspiracy law and the US military government's sedition laws held as illegal and subversive all forms of union activities.³¹

Thus in 1902 and 1903, the colonial government did not hesitate to jail the leaders of the radical *Union Obrera Democratica* (UOD) and disband the organization. However, after the formation of a more cooperative *Union del Trabajo de Filipinas* (UTF), the government became more tolerant of unions. This policy of toleration was accentuated with the formation in 1908 of the Bureau of Labor. Although attached to the Department of Interior, the bureau encouraged the registration of unions.

Repression and labor reforms in the 1930s. The weakening of the free-trade-inspired export-crop economy had a dislocating impact on the workers, organized or not. Real wages between 1929 and 1940 declined by more than 50 percent, while unemployment was estimated to have more than doubled from 1.18 million in 1935 to 2.6 million in 1939.³²

The crisis helped fuel labor and peasant unrest, which raged throughout the first half of the 1930s. Initially, the government took a hostile attitude toward radical labor groups. When the *Partido Komunista ng Pilipinas* (PKP) was organized by radical labor leaders, it was immediately outlawed and its leaders arrested.

Later, President Manuel L. Quezon took a more accommodating posture by launching his Social Justice Program aimed at improving the situation of both the industrial workers and the peasant masses and providing means for the settlement of industrial and agrarian conflicts. The labor reforms included the enactment of an eight-hour labor law (Commonwealth Act 444), extension of workmen's compensation (Commonwealth Acts 84 and 210), establishment of the Government Service Insurance System (Commonwealth Act 186), and legal protection to members of "legitimate labor unions"

(Commonwealth Act 213). These measures were meant not only “to win the support of labor” but also “to establish at least some degree of government control over the labor movement and to lessen the danger of subversion from its radical wing” through strict registration procedures.³³

The most significant labor reform was the introduction of the system of compulsory arbitration through the passage of Commonwealth Act (CA) 103, creating the Court of Industrial Relations (CIR). The CIR was tasked to protect labor and promote industrial peace by regulating labor-management and landlord-tenant relations. CA 103 was enacted a year after the adoption by the country of the 1935 Constitution which expressly mandated the state to provide compulsory arbitration.³⁴

The adoption of compulsory arbitration, however was not a product of altruism. It was a “deliberate policy” meant “to check the surging tide of strikes and uprising by the tenants and laborers particularly in rice *haciendas* and sugar plantations in the country.”³⁵ In short, strong government interventions in labor-management and landlord-tenant relations in the settlement of disputes was necessary to stabilize the economy and society.

Repression and labor reforms in the 1950s. Two landmark labor legislations were enacted in the early 1950s: the 1951 National Minimum Wage Law and the 1953 Industrial Peace Act or Magna Carta of Labor, which provided a legal framework for the system of free collective bargaining. As in the 1930s, both legislations were part of a package of labor and economic reforms knocked together by the government in response to the economic crisis that hit the country in the second half of the 1940s and the serious social unrest that it spawned.

Throughout the second half of the 1940s, the Congress of Labor Organizations (CLO) frightened the government and industry leaders with the numerous strikes it launched in both the public and private corporations. The wave of strikes greatly alarmed and irritated President Manuel Roxas who was quoted as saying: “The strikes are creating an unfavorable impression of our country abroad.”³⁶

The government response to the labor unrest initially took the form of military harassments. Then it adopted a mailed-fist policy, driving a number of CLO leaders underground to join the communist guerrillas. The government eventually outlawed the CLO in early 1951.

This campaign of repression against the labor militants was complemented in the early 1950s with a program of labor reforms, most of which were inspired by the recommendations from the report of the US Economic Survey Mission for the Philippines. The mission recommended, among others, the establishment of minimum wages and the encouragement of collective bargaining in place of reliance on compulsory arbitration of the Court of Industrial Relations.³⁷

Republic Act (RA) No. 875 or the Industrial Peace Act of 1953 was patterned after the US "New Deal" National Labor Relations (Wagner) Act of 1935, which was later amended by the Labor-Management Relations (Taft-Hartley) Act of 1947. The twin measures, a reaction to the wave of strikes that swept America during the Great Depression, made collective bargaining between labor and management mandatory. The Taft-Hartley Act outlawed "closed shop" and the "secondary boycott." It called for a 60-day cooling-off period before a union could go on strike.³⁸

The promulgation of RA 875 is considered the beginning of the shift of the Philippine trade union movement from political to economic unionism. The adoption of the American-type collective bargaining process fostered economism because labor issues are now localized at the plant level.³⁹

Repression and "developmentalism" in the 1970s. Organized labor was effectively silenced during the first few years of martial law. Militant labor and peasant leaders were jailed, while their organizations were outlawed. General Order No. 5, issued on day one of martial law itself, banned all forms of group actions and prohibited workers from exercising their right to strike. An *ad hoc* National Labor Relations Commission (NLRC) was set up to strengthen government intervention in dispute settlement through compulsory arbitration. The general policy thrust in dispute settlement was the promotion of free collective bargaining within the framework of the government-run compulsory arbitration system. Later, with the promulgation of the Labor Code, a regular NLRC was institutionalized. The Labor Code also barred from joining any labor organization for purposes of collective bargaining the following types of workers: supervisory employees, whose unions in the pre-martial-law period provided some intellectual leadership to the labor movement; security guards; employees of all religious, charitable, medical or educational institutions "not operating for profit;" and government employees including the unionized workers of government owned and controlled corporations (GOCCs), who were all placed under the supervision of the Civil Service Commission.⁴⁰

At the same time, the Code enshrined tripartism as an official state policy in labor relations, a policy which could not be divorced from the broader political agenda of the martial law government. First, tripartism was seen by the Marcos regime as an instrument to achieve control over the working class through a unified labor center, the TUCP, and the employers through the Employers Confederation of the Philippines (ECOP). Second, tripartism helped blunt foreign and local criticisms of the harshness of martial law as tripartite exercises such as the national tripartite conference on the Labor Code, wages and other topics helped reinforce the image that the Marcos regime, despite its authoritarian character, still adhered to constitutionalism and the basic democratic principles and institutions, of which tripartism was held as a major example. Third, tripartism was used to develop some kind of a national consensus regarding the adoption of a new development strategy — the labor-intensive, export-oriented industrialization (EOI) strategy. This development strategy was articulated by a 1974 Industrial Labor Organization-supported economic mission report known as the Ranis Report, which recommended “the mobilization of the rural hinterland and reorientation of industries from import substitution to labor intensive and export-oriented production.”⁴¹

Thus it was not surprising that the formation of the TUCP, organization of ECOP and the adoption of the Ranis Report coincided with the launching of the Labor Code and the declaration of tripartism as a state policy.

EOI and calibrated wage increases. A major feature of industrial relations under martial rule was the great amount of time and efforts expended by the government and the two private actors on minimum-wage fixing.

From 1974 to 1984, minimum-wage rates were adjusted 19 times. But all these increases in the minimum-wage rates fell short of inflation rates and the real income of the workers lagged behind the cost-of-living indices. The Department of Labor and Employment itself documented this phenomenon in its 1984 Annual Report when it wrote that “the rise in inflation rates continues to surpass increases in minimum-wage rates” and that there were “many instances in fact when real wage values actually declined in spite of increases in legislated nominal wage rates.”⁴²

A labor relations law expert contended that the government put in place “institutions of wage control, for their object is to control the rise of wages, *i.e.* to keep them at cheap levels” in support of what he called the “Open Economy.” The “institutions of Wage Control” were classified into two groups: (1) those that limit the wages and benefits “workers are entitled

by law;" and (2) those that limit the "wage increases and other benefits that workers could obtain by collective agreements."⁴³

Included in the first cluster of wage-control institutions were the calibrated measures made by the government to control minimum-wage increases "by limiting increases of wages both in the public and private sectors to small amounts spread over substantial periods of time" — which resulted in a "substantial wage freeze." The government did this calibration when it assumed the role of a decree maker even in the area of wages, where from time to time, during periods of high inflation, it would decree a minimum-wage increase or a cost of living allowance (COLA) but only at levels much lower than the inflation rate. The government, of course, issued many of the wage and COLA decrees after going through the motions of calling for a "tripartite conference" for this purpose. But as one labor scholar put it, the weakness of the labor movement and the lack of unity among the labor leaders "provided opportunities for the employer and government representatives to exploit and achieve consensus and to mitigate the wage increases."⁴⁴

The declining real minimum-wage trend was compounded by two other problems: first, there were numerous establishments exempted from the decrees, and second, compliance with the decrees was low. The decrees exempted not only the small cottage enterprises but also "distressed industries" and "distressed employers."

The institution of collective bargaining was also emasculated by the strike ban, the issuance of injunctions to prevent or stop strikes and government takeover of disputes through compulsory arbitration.

Collapse of the labor control system in the first half of the 1980s. In 1976, because of the pressure exerted by the Catholic Church, Marcos "relaxed" the strike ban by allowing strikes in the so-called nonessential industries but only after the workers had complied with the stringent legal requirements for a strike.⁴⁵

The "partial" strike ban instituted in 1976 was widely ignored by the various labor groups. With the nominal lifting of martial law in 1981, the government also "lifted" the strike ban but substituted new laws — *Batas Pambansa* (BP) *Blg.* 130 and BP 227 — that strictly regulated the conduct of strikes. One controversial feature of these twin laws was the "free ingress or egress" provision, which allowed management groups to freely bring products in and out of companies affected by strikes. These laws were likewise widely ignored by striking workers, especially in 1983-85.

Alarmed by the growing strength and influence of these radical unions, the Marcos regime detained some of their leaders in 1982, an act that anyway failed to dampen the growth of these unions.

After the assassination of Benigno S. Aquino Jr. (August 1983) and the explosion of the debt crisis (October 1983), labor activism rose sharply as did the protest movement involving many sectors. Workers strikes, marches and rallies in protest against the deteriorating economic situation and the unpopular Marcos regime became a common phenomenon.

By early 1986 the labor control system set up by Marcos in 1972-75 was in disarray.

Policy responses of the Aquino administration. When it assumed power in 1986 the Aquino administration did not have any clear-cut and ready formula to tame the labor unrest that confronted it during its first year. A review of the major labor relations events under Corazon C. Aquino's term reveals four major trends in policy making.

1. *Liberalization and expansion of trade union rights* — During its first year in office, the Aquino administration adopted a policy of liberalizing the labor relations system and promoting trade union rights. On 1 May 1986, which saw the first "unified" celebration of Labor Day by the rival labor groups, President Aquino promised the following labor reforms:⁴⁷

Unionism. Minimum government interference in the rights of workers to establish and form organizations of their choice; abolition of the one-union-one industry restructuring policy; removal of the restriction on the right of security guards and employees of the government corporations organized under the Corporation Code to unionize and bargain collectively; reduction of the membership requirement for union registration and petitions for certification election to 20 percent (from 30 percent); and automatic certification election during the freedom period of the CBAs (the contracts last 60 days) where the majority status of the incumbent union is questioned.

Strikes. Reduction of the strike vote requirement to a simple majority; phasing out of the mandatory requirement to have a 15-day cooling-off period in union-busting cases; and repeal of Letter of Instruction No. 1458 allowing the replacement of striking workers who defy return to work orders.

Wages and employment. Removal of the 13th-month pay salary ceiling, in effect entitling all rank-and-file workers regardless of salary to this benefit; suspension of compulsory contributions to Pag-ibig (a housing loan program); and review of apprenticeable jobs and limitations of apprenticeship to highly technical industries and for a period of only six months.

Organized labor, especially the militant unions, hailed these policy pronouncements. Militant unions were also happy with the appointment of Augusto Sanchez, a human-rights lawyer, as the new labor minister. Sanchez, in turn, tried to reach out to all labor groups, especially the militant ones, by encouraging the formation of the Labor Advisory Consultative Council (LACC), which was expected to unite all the major labor groups and assist the labor ministry in the formulation of policies.

In keeping with her promise to expand labor rights, President Aquino issued Executive Order (EO) No. 111 in 1986 and campaigned for the ratification of the 1987 Constitution which has a long list of labor rights. EO 111, the Aquino government's first labor-law innovation,⁴⁸ formally put to rest the idea of promoting only one union in one industry, an idea which thus far had proved unworkable in the country. The order made the holding of a certification election easier in a nonunionized company by lowering the required support to the petition from 30 to 20 percent of the employees in the bargaining unit; decreed that in case of dismissal of union officers (amounting to union busting and when the union's existence is threatened), the 15-day cooling-off period, which was normally required before a strike may be staged, shall not apply and "the union may take action immediately;" and lowered from "two-thirds" to "majority" the required vote of the union membership to stage a strike. And in relation to strikes, the order finally said: "The police force shall keep out of the picket line unless actual violence or other criminal acts occur therein."

2. *Labor controls and strengthening of the dispute settlement machinery —*

The first year of the Aquino administration saw an unprecedented rise in the number of strikes, with 581 recorded strikes in 1986, the highest in the country's history. The lost days associated with the strikes reached a mind-boggling 3.6 million man-days (see Table 3). Moreover, 21 percent of the actual strikes had been without notices, proving that a large number of workers took advantage of the liberal atmosphere toward unions in 1986. On the other hand, many strike notices matured into actual strikes, which implied the inability of the Department of Labor to conciliate and mediate between parties in a deadlock.

The strike fever sowed terror in the business community, which clamored for a reversal of the liberalization process in the labor relations system, and the removal of Sanchez, who allegedly made “radical” pronouncements on the exploitative practices of transnational corporations, the necessity of profit sharing and the sincerity of the left-wing KMU. Sanchez was denounced as a “one-man wrecking crew”⁴⁹ to investors, particularly the foreign ones.

Sanchez was eventually replaced by Franklin Drilon, ECOP’s former vice-president. To counter the growing number of strikes, Drilon helped institute the following:

Enforcement of strike laws. The government tried to enforce restrictive labor laws such as BP 130 and BP 227. On 20 October 1987, after the 12-16 October *welgang bayan* (general strike) on the wage-hike issue which both the TUCP and the LACC supported, President Aquino, addressing a business gathering, called for the dismantling of all “illegal strikes” and ordered “the police and other peace-keeping authorities to give full assistance to the labor department to remove all blockades at the factory gates.”⁵⁰

Strengthening the dispute settlement machinery. Complementing the government’s efforts to control or regulate strike were efforts to strengthen the overall machinery for dispute settlement. On 30 January 1987, the National Conciliation and Mediation Board (NCMB) was created.

Later, on 21 March 1989, Republic Act (RA) No. 6715 or the New Labor Relations Law⁵¹ institutionalized the NCMB. This devoted new groups of provisions in the Labor Code solely on the grievance machinery of a unionized firm and the requirement to have voluntary arbitration as the final step in the grievance machinery. The law also reorganized and expanded the National Labor Relations Commission (NLRC).

However, the KMU and other non-TUCP affiliates denounced other features of RA 6715. The Federation of Free Farmers (FFF), in a case it filed with the International Labor Organization’s (ILO’s) committee on freedom of association, pointed out that the following provisions of the law subverted labor’s freedom of association: the requirement that officers be elected directly by individual members, which is a difficult provision for a big national federation with very limited finances; the automatic cancellation of union registration for nonsubmission of financial reports, which gives the government

undue influence over the unions; and the requirement for federations to organize individual members into locals or chapters within 60 days, which is impractical for a federation such as the FFF which has a mixed membership and is operating nationwide.⁵²

Another major criticism is the broad powers given to the president or labor secretary to step into a labor dispute in the name of national interest and resolve it preemptorily and compulsorily.

3. *New approaches to industrial relations* — In addition to the strengthening of the dispute settlement machinery, several “new” approaches to labor relations were pursued under the Aquino administration — promotion of proactive bipartite programs such as the establishment of labor-management councils (LMCs) at the plant level, institutionalization of tripartite consultations, and depoliticization of the minimum wage issue.

Promotion of proactive bipartite programs. One major proactive program is the promotion of labor-management councils (LMCs) or joint consultation councils (JCCs), which are a big success in Japan. One government agency that pioneered in the promotion of LMCs is the Department of Trade and Industry (DTI), which launched the Center for Labor Relations Assistance (CLARA). DTI Minister Jose Concepcion set up the center as a response to the labor unrest in 1986, which scared off a number of foreign and domestic investors.⁵³

Institutionalization of tripartism. The government has been very active in convening tripartite forums to discuss various mechanisms for the promotion of industrial peace. On 28 May 1986, a National Tripartite Conference approved a proposed Accord on Industrial Harmony, which recognized “the necessity for harmony and cooperation based on equity, justice and mutual respect between and among the social partners to promote and maintain a stable, dynamic and productive industrial relationship.” The accord reiterated tripartism as a principle and called for respect for “statutory and contractual law, including the rights to self-organization, collective bargaining.”⁵⁴

On 10-11 April 1987, in another National Tripartite Conference, the three parties agreed on an Accord to Operationalize the Code of Industry Harmony. In the May 1990 National Tripartite Conference, more concrete measures were established to enforce past agreements on industrial harmony,

largely through the creation of a national tripartite consultative agency dubbed the Tripartite Industrial Peace Council (TIPC). Executive Order No. 403 tasked the TIPC to “monitor the full implementation and sectoral compliance with the provisions of the Industrial Peace Accord (IPA).”⁵⁵ The TIPC now serves as a regular forum for tripartite consultations on wide-ranging issues affecting labor-management relations.

Depoliticization of the wage issue. There were dramatic wage campaigns conducted by the trade unions of both the private and public sectors in 1986, 1989 and 1990.

The wage campaign between April and June 1989 caught the national imagination and put the Aquino leadership on the spot. In this campaign, the fractious trade union movement presented a solid united front and succeeded in pressing for a hefty 25.00 pesos minimum-wage increase from the government — to the consternation of the National Economic and Development Authority (NEDA), which was recommending only a six pesos wage increase. All these wage agitations had been triggered by the March 1989 “secret” agreement between the Aquino administration and the International Monetary Fund (IMF) on a new Letter of Intent and Memorandum on Economic Policy (LOI/MEP), which immediately sent the prices of rice and other commodities soaring in the second quarter.⁵⁶

However, the law that granted the unprecedented 25.00 pesos adjustment in the statutory daily minimum wage also changed the character of minimum-wage fixing by regionalizing it. Called the Wage Rationalization Act of 1989, RA 6727 created a National Wage and Productivity Commission (NWPC), whose principal function was “to prescribe rules and guidelines for the determination of appropriate minimum wage and productivity measures at the regional, provincial and industry levels.”⁵⁷

The regionalization of minimum-wage fixing has, in a way, depoliticized minimum-wage fixing. First, Congress or the national political leaders are no longer tasked to decide on wage petitions. This has reduced the tendency of national federations to launch national wage campaigns to force the national government to act on their petitions. Second, the regionalization process has highlighted the unevenness of economic development throughout the archipelago. Thus, unions in regions devastated by natural disasters or those that have stagnant economies are not as aggressive in pushing for an upward adjustment of the minimum wage.

The employers

During the colonial period, labor issues were treated by employers in a personal, arbitrary and free-wheeling manner, a reflection of the inchoate character of early Philippine capitalist development. With the creation of the Court of Industrial Relations (CIR) in 1936, employers had to pay greater attention to the legal aspects of personnel management and the growing number of laws affecting labor-management relations, *e.g.*, eight-hour labor law, workmen's compensation, *etc.*

The tremendous expansion of import-substituting industries (ISI) in the 1950s saw the need for professional personnel managers, usually with legal background. In 1956, at the height of the ISI boom, the "pioneers" in the field of professional personnel management organized themselves into the Personnel Management Association of the Philippines (PMAP), for the primary purpose of propagating "the art and science of personnel management."⁵⁸

The original members of PMAP were from the big modern corporation with their own management groups, as distinct from the family-owned and family-run closed corporations which tended to treat personnel issues as family matters. The PMAP has been subscribing to the literature produced by its counterpart in the United States. Since the Philippine legal system and labor laws had developed largely under the influence of the United States, industrial relations (IR) and personnel managers have been adapting American labor jurisprudence to the Philippine setting.

In the 1970s, the government, with its export-oriented industrial (EOI) development agenda, saw the need to develop a mechanism for tripartite consultation on issues of labor and industrial relations. For this purpose, the government tried to influence the formation of TUCP and the ECOP for these to represent labor and the employer groups, respectively, in tripartite gatherings. But unlike in the establishment of TUCP that involved the unification of rival labor groups, the government encountered little difficulty in pushing for the organization of ECOP. The following account on the birth of ECOP shows how deeply it was intertwined with the EOI development agenda, which in turn was reflected in the 1974 Ranis Report, and the corporatist thrusts of the government:⁵⁹

Its birth was manifested in the great display of unity by employers' groups that distinguished themselves in three major events: the evolution of a new Labor Code that later

became a law on May 1, 1974; the analysis and detailed review of a Report on the Philippines of an ILO Expert Team better known as the Ranis Report; and the tripartite conference on wages, prices and incomes policy.

That display of unity was coordinated by a council of employers organizations composed of the Chamber of Commerce of the Philippines, the Philippine Chamber of Industries and the Personnel Management Association of the Philippines...

The evolution of a strong and unified employers organization was encouraged by no less than Labor Minister Blas E. Ople who has decided to build the bases for tripartism in this country as an approach to the solution of labor and social policy questions and as a vehicle for bringing about industrial peace.

Business IR/HR initiatives and government labor policies in the 1980s.

Because of the labor unrest of the 1980s, there has been an increased awareness among the management people of the need for firms to invest time and resources in ways to reduce industrial relations (IR) tension. This heightened awareness is reflected in the proliferation in the second half of the 1980s of IR and human resources development (HRD) consulting firms offering courses and consultancy services on how to improve labor-management relations and secure industrial peace, including the establishment of a "union-free environment." This is also reflected in their willingness to participate in various forums on IR issues. IR or HRD departments of the big companies have been setting up their own plant-level labor-management councils (LMCs) to maintain communication lines with the unions open, and are actively experimenting on various welfare or livelihood projects that will augment workers' family income.

The employers' group also tried to influence the direction of government labor policies. In 1986 employers were openly incensed at the allegedly antibusiness stance of Sanchez, whose ouster they petitioned. After his removal from the Aquino cabinet in 1987, the business community had been very supportive of the government's labor relations initiatives (see above discussion of government policies) — enforcing the strike laws, strengthening the system of dispute settlement and promoting proactive labor relations programs.

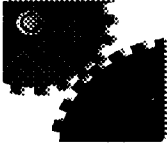
The business community openly applauded the get-tough policy against strikes unveiled by President Aquino on 20 October 1987. The community also launched a media campaign against the so-called recklessness of militant unions. One of the celebrated strike cases was that of the KMU-led strike at Nestlé Philippines, which went on for several months. The Nestlé management used the media in projecting the union's irresponsible moves when it was getting wages and benefits higher than the average in the industry and in the country in general. In the end, the strike was ruled "illegal" and 20 union officers were dismissed.⁶⁰

A review of the ECOP publications⁶¹ shows that the employers' organization has been very active not only in participating in the various tripartite consultations on labor relations organized by the government but also in convening all kinds of consultation forums on varied labor relations issues. For instance, in 1990, ECOP organized a national symposium on LMCs featuring speakers from the Japanese Employers' Federation (NIKKEIREN).⁶²

What is interesting is the effort not only of human resources and personnel managers to organize such symposiums but also of the top management or the owners of capital themselves to participate in such activities. In the past, there had been a tendency on the part of many big corporations to delegate all labor problems and issues to their personnel managers and labor lawyers.

Increasingly sophisticated IR/HR managers. IR and HR managers today are attuned to the latest developments in their field here and abroad. There is today a new generation of increasingly sophisticated personnel managers (PMs) and industrial relations (IR) managers, who often call themselves human resources development (HRD) managers. Many are well-versed in the various facets of IR/HR work based on lessons and experiences here and abroad which they readily share with one another. For instance, if a company wants a "union-free" environment, an IR/HR manager has at his/her disposal various techniques and approaches to achieve this, ranging from the "hard" (harassment of union organizers, establishment of a company union, registration of a fake CBA, etc.) to the "soft" (providing equal or better benefits than what union organizers are asking, bombarding the personnel on the "oneness" of the company and the employees, establishing a labor-management consultative council as a substitute for a union, investing in HRD techniques, etc.).

While trade union leaders in the Philippines seem to be obsessed mainly with the legal provisions of the Labor Code's Book Five which deals with labor relations, IR/HR managers keep on studying and analyzing varied aspects of the labor market. For instance, a growing number of IR/HR managers are now conscious of the fact that they can easily divide the work force into two groups — the skilled and professional staff, whose loyalty the company wants to develop and who are beneficiaries of various training and other HRD investments of the company; and the semiskilled and unskilled work force, whose tenure can be kept casual and whose performance can be controlled through the further segmentation of the work process.



IR/HR Practices in Philippine Manufacturing

The following section outlines the changing contours of IR/HR practices in Philippine manufacturing. This is not meant to be exhaustive, given the paucity of studies and industry-wide surveys. The idea is to highlight key developments based on a limited number of studies and observations of the author as an IR student and as active voluntary arbitrator.

There is a long legalistic tradition in labor-management relations in Philippine industry, which some observers claim is one of the causes of adversarial relations between labor and management.⁶³ This is due to the adoption of the system of compulsory arbitration in the 1930s, the implantation of American labor relations laws in the 1950s and the consequent domination of the system by lawyers representing labor and management.

This legalism in labor-management relations has been complemented by personnel managers of the more developed enterprises with American-style personnel policy management featuring specific job description for various types of employees, a hierarchical system of work supervision, position-based wage structure and the usual list of do's and don'ts. This, in brief, has been the situation in the formal sector of the economy since the ISI decade of the 1950s.

With the adoption of EOI in the 1970s and the country's increasing exposure to changing IR/HR practices in the United States and other countries, a number of IR/HR managers in the more developed corporations started introducing changes in IR/HR management in their respective firms. A leading Filipino management consultant pointed out that the big Filipino, Filipino-Chinese, joint venture and foreign-owned corporations in the Philippines are exposed to the best IR/HR practices from different cultural settings due to modern communications and crosscultural training programs and exercises. For example, the Japanese concepts of total quality management (TQM) and the "5-S" program to keep things in order have become common practices among the leading Philippine firms, regardless of nationality. Moreover, the adoption of the best IR/HR practices, whenever feasible, is further accentuated by the demands of intense global competition, which forces firms to seek ways of enhancing labor productivity.⁶⁴

There is, of course, a great deal of variety as the adoption by ISI and EOI firms of the leading IR/HR practices developed overseas and the way these firms have responded to local labor issues and IR/HR challenges vary, depending on a number of factors that include the following: the ownership of the firm (a closed family-run corporation tends to stick to traditional methods), latitude and ability of IR/HR managers to introduce changes in the individual firms (many IR/HR managers have limited power to initiate IR/HR policies), viability of the industry (weak firms tend to repress or underinvest in labor), *etc.*

Employment and recruitment. Given the weaknesses of the labor market (characterized by massive unemployment and underemployment) and the continuing fragmentation of the trade union movement, many employers and IR/HR managers of both ISI and EOI enterprises have discovered that they have access to cheap, malleable and casual labor. One consequence of this is the tendency to maintain some kind of a core-periphery structure of the work force in the individual firms, which is realized through the division of the employees into two categories — the regular workers and the casual or temporary workers. Sometimes the regular work force constitutes only a small core group of professional, confidential and technical staff, while the rest of the rank-and-file are composed of casual workers; often, however, the nonregular temporary workers represent a small percentage of the work force and serve as a “buffer” during slack production periods. According to a 1990 ILO-DOLE “Philippine Labor Flexibility Survey” (PLFS) involving some 1,311 industrial establishments, the use of temporary or casual workers is indeed widespread, with over 50 percent of the enterprises employing more than 100 workers each through the hiring of temporary workers.⁶⁵

Moreover, the ILO-DOLE/PLFS found that EOI enterprises (37.6 percent of total EOI firms) also resort to subcontracting.⁶⁶ This is quite common among the garments and toy factories. The use of casual or temporary workers, including the practice of job subcontracting, explains the “relatively high turnover rates” for jobs in the formal sector of the Philippine economy.⁶⁷

There are also variations in the firms’ hiring practices. The most common recruitment strategies used by enterprises are word of mouth, recommendations of friends and relatives, gate notices and media advertising. The use of schools, bulletin boards, government placement agencies and private placement agencies is secondary.⁶⁸ However, the use of private placement agencies is gaining importance, especially in relation to the hiring of casual workers who remain in the payroll of the placement agency in order to avoid the “problem” of regularization, unionism, *etc.*⁶⁹

A job applicant usually gets informal tips inside the firm (friends and relatives) before he or she formally applies for the job, carrying the usual requirements — diploma (high school or college or vocational school), certification of good moral character, *etc.* In some unionized firms, the unions recommend job applicants and a few even insert a proviso in the CBA that qualified relatives of a union member are given priority in the filling up of any vacancy.

In industrial zones or towns, workers are generally recruited from adjoining villages. For example, the Signal Village in Taguig, Rizal, provides most of the manpower requirements of the Food Terminal Inc. (FTI) complex which has a high concentration of electronic and garment factories because of its proximity to the international airport. This accessibility reduces the cost of transport for workers, which can be a major item in a worker's budget. On the other hand, it becomes imperative for some big industrial enterprises that provide the bulk of the jobs to an area to hire a community relations officer and even community livelihood development officers to develop harmonious relations between the firm and the community. This is true particularly in the case of the mining and plantation firms.

Finally, a major development in Philippine manufacturing during the last two decades was the rise of semiskilled women production workers, who are preferred by light labor-intensive export-oriented industries (EOIs) because of their patience and finger dexterity.

Unionism, collective bargaining and governance. The bigger the industrial enterprises, the likelier they are unionized. The 1990 PLFS shows that enterprises with 250 workers have unionization rates ranging from 78 to 84 percent; enterprises with 51 to 250 workers, 52-58 percent; and enterprises with 50 or less workers, 5-18 percent. Industries with high rates of unionization — about 40 percent — include basic metals, food processing, chemicals and electronics.⁷⁰

These figures indicate that there is still much room for union organizing and that the number of unions and union members can be doubled. Many Chinese-Filipino capitalists (Filipino citizens of Chinese descent), who, together with indigenous Filipino entrepreneurs, account for the bulk of industrial enterprises, generally resist unionization attempts. A sample survey (January-June 1991) of strike notices from the NCMB shows that the Filipino business groups had almost the same number of notices as the Filipino-Chinese got for the issue of wage increase — a common CBA deadlock issue in the Philippines and which is probably a reflection of the distressed economic

situation of many firms suffering from the power crisis, weak domestic demand, *etc.* However, strike-notice data on unfair labor practices (ULPs) indicate that ULP charges on Chinese-Filipino business groups were twice those of the Filipinos. The most common ULP charges were illegal dismissals (usually of union officers and activists), interference leading to union busting, CBA violations, coercion of employees, harassments, *etc.*⁷¹ Since most of the ULP issues are really meant to weaken the union, these data show that the Chinese-Filipino business groups are generally antiunion.

The Taiwanese, though relatively new as investors in the Philippines, had a fairly significant number of strike notices, most of them involving ULP cases, which indicates an antiunion bent. One union that posted a notice of strike even charged the Taiwanese firm of abandoning work in favor of a runaway shop.”

Four Japanese-dominated firms in the sample had four strike notices. Surprisingly, out of the four, three were all on refusal to bargain. It is possible that these firms are all new and that their employers do not take kindly to unionism. Many of the new Japanese firms are still nonunionized and some prefer to have non-unionized status.⁷²

On strikes by industry, the 1990 ILO-DOLE/PLFS identified the textile, chemicals, basic metals and fabricated metals industries as strike-prone. These industries are essentially ISIs. In the EOI sector, the electronics and garments industries, which are the two leading export industries, had high incidences of strikes. The food processing sector, which is partly domestic-oriented and partly export-oriented, is also seen as strike-prone.⁷³

This pattern of strike-predisposition is strikingly similar to that in the mid-1980s, which was the height of the Philippine industry crisis. In those years, many ISIs, faced by sluggish demand, reduced government protection and the rising cost of production, literally had to engage in bloody cost-cutting exercises, some of which directly hurt labor, *e.g.*, retrenchments. The electronics and garment industries were also hit by a large number of strikes partly because of the sharp erosion of workers' wages, and partly because of the layoffs made by both industries due to a slump in global demand in 1984-85.⁷⁴

To be sure, the government and the employers have done a great deal since the mid-1980s to reduce strikes (see previous discussion). One major government initiative that enjoyed the support of a number of employers is the promotion of a labor-management council (LMC) at the enterprise level.

There were a number of LMC success stories, with the relationships between the two parties becoming more mature. However, many of the LMCs set up in the second half of the 1980s have become inactive. This is partly due to the *ningas-kugon* (brush fire) mentality of Filipinos. On the other hand, some unions and federations were critical of LMCs, which they felt were supplanting unionism and collective bargaining.⁷⁵

There are some 5,000 CBAs in the country. It is difficult to assess the quality of these CBAs not only in the absence of any analytical studies but also because of the varied negotiating situations faced by different firms even within the same industry. In some firms, negotiation has become faster and smoother because of better communication between the parties. However, for a majority of the CBAs, the bargaining process in the various industries still tends to be a prolonged legal contest between the parties, with a growing number of cases sliding into a deadlock and eventually being decided by the labor secretary, who is empowered to assume such cases.

The bargaining process is complicated by the restructuring being undertaken by some industries and firms in response to the demand for greater efficiency and competitiveness. For example, bargaining in the highly competitive beverage industry has become an uphill fight for many unions with the current efforts of big beverage companies to "downsize" or "rightsize" their operations. This means spinning off entire departments and branches into separated satellite firms with their own corporate registrations and supposedly "separate" sets of employees.

Compensation. One striking reality in Philippine labor relations is the tendency of unions to be one on the issue of minimum-wage adjustment through legislations. This is so because the statutory minimum-wage, which is barely enough to provide a breadwinner decent means to support his family, has become the industry-wage standard. Very often, the gap between the CBA wage and the minimum wage is minimal, if none, especially in labor-intensive industries such as garments, which is an export-oriented industry, and textile, which is an import-substituting industry. According to a 1990-91 survey of 6,000 nonagricultural establishments done by the Bureau of Labor and Employment Statistics (BLES), national minimum-wage compliance is 22.6 percent. In manufacturing, which has the highest rate of unionization, the rate of compliance is much higher at 36.5 percent.⁷⁶

The difference between the wages and earnings of the unionized and nonunionized industries is not much. The ILO-DOLE/PLFS indicates that the gap is 8-9 percent. The survey also shows that the industry's export

orientation is “not a major determinant of higher earnings.”⁷⁷ This, of course, is due to the fact that the comparative advantage of export-oriented industries is seen precisely in the cheapness of labor.

By and large, various enterprises in the formal sector use the minimum wage as a reference point in their own wage-fixing exercises, especially in relation to the determination of compensation for unskilled and semiskilled workers. The financially sound enterprises usually give wage rates just a little higher than the prevailing minimum wage, which is about US\$5.00 daily in early 1994. The less capable firms usually go a little lower than the minimum wage. In this process of wage determination, productivity becomes a secondary consideration.

Because of the obsession with minimum-wage fixing, every minimum-wage adjustment — from the Marcos era to the Ramos administration — caused numerous cases of “wage distortions,” that is, wages of skilled and middle-level employees were either overtaken by those of the rank-and-file or the traditional wage gaps between ranks were eroded. Also, in industries with extensive subcontracting arrangements such as garments, there is a downward pressure on wages of factory workers because of the low piece-rate wages received by domestic outworkers.

Industries known for high wages as reflected in their CBAs were the banking, pharmaceutical and communication industries. However, wage negotiations in these industries tend to be excruciatingly protracted. In 1993 the “worst labor problem” occurred in the Hongkong and Shanghai Banking Corporation which reportedly has the highest compensation rates in the industry. The strike by the bank union centered on the union’s opposition to the firm’s job evaluation program (JEP), which sought to reduce the starting wage for new employees to half that of the rank-and-file worker.⁷⁸ The bank took a hardline position on the program and replaced all the striking workers. This case is seen by labor relations observers as an indication that some employers in the country today are in a “militant mood,” that is militantly taking a strong position *vis-à-vis* the “high wage” demands of militant unions.

Work organization and technology. The level of technological development and sophistication in production varies across industries and within industries. Under the ISI strategy, most of the industries that developed are of the assembly and compounding type, dependent as they are on imported semiprocessed industrial raw materials and parts. This is best illustrated by the “drug” industry, which is essentially a drug compounding industry, and the “automotive” industry, which is an auto assembly industry.

Under the EOI strategy, many of the industrial establishments which set up shop are engaged in similar production outfits, *e.g.*, assembly work in the electronics industry. The technology is not really as sophisticated as that of the garments industry, stuffed toy industry, furniture, *etc.*

Through time, however, some of the industries, both ISI and EOI, have been acquiring sophistication in some areas of production. This is especially true in companies that have undergone a rapid rate of computerization and automation due to the pressure of competition. In turn, such movement toward the higher application of technology means the necessary development of a skilled work force for these select enterprises and the formulation of a higher-level HRD program. For instance, while the production of parts and components for export cannot approximate the technology for the entire product such as a car, their production still requires precision and skilled handling. This is the case of manufacturers of auto engines, wire harnesses and motor condensers. Thus in the case of a major wire harness exporter, Yazaki Torres, the company decided to set up a permanent school for quality circles right within the company compound to enable the firm to conduct year-round training in quality circle (QC) productivity improvement for its 5,000 or so workers.

The idea of a quality circle productivity program is not new in the Philippines. It had been introduced way back in the 1970s, a decade which also saw the creation of the National Productivity Commission (NPC). However, as with the promotion of LMCs, the initial enthusiasm of many enterprises over the concept of a quality circle eventually gave way to passivity and indifference.

The NPC itself is rarely heard of these days. According to a researcher of Japanese enterprises which invested in the Philippines in the 1970s and 1980s, Japanese managers "no longer emphasize quality circle activity" because of the many failures, nonunion cooperation and lack of interest of rank-and-file workers.⁷⁹

The introduction of technology can also be divisive and controversial. In the mid-1980s, many unions in the commercial banking industry were restless over the prospects of redundancies and job losses due to the modernization and computerization of various aspects of banking work being undertaken in the industry. Consequently, some unions tried to negotiate for CBA clauses stipulating that the introduction of technology should not lead to layoffs.⁸⁰

The Labor Code allows the introduction of labor-displacing technology if it will save the company from certain financial disaster.⁸¹ This provision of the Code is frequently invoked by various firms during recessionary periods.

In general, however, unionized firms have higher rates of innovation than their nonunionized counterparts.⁸² One possible explanation for this is the fact that unions tend to get organized in firms with higher capitalization and are in a position to introduce technical innovations, while nonunionized firms tend to be "low-tech" in character.

Training. In recent years, there has been a lot of discussion among IR/HR managers and government policy makers on the importance of manpower development and the development of a company's competitiveness through HRD programs for the firm's work force. However, there remains a yawning gap between reality and rhetoric. In the first place, the concentration of any HRD training or investment, if it is in place, is on the core group of secure and better-paid workers.

The rank-and-file generally get job-induction training, usually through on-the-job orientation. Retraining and upgrading programs for the rank-and-file are rare. The probability of having retraining and upgrading programs is higher in the unionized firms,⁸³ which as discussed earlier have a higher level of technical innovations.

Assembly work in the leading export-oriented industries such as electronics and garments requires minimal education. Thus it is not surprising that in the case of one newly-established Japanese electronics firm, about 66 percent of the workers, who are mostly female, only have elementary education.⁸⁴ It should be pointed out that many manufacturing firms, both ISI and EOI, require not only high-school education but even college education because of the high rate of unemployment and underemployment among the college-educated workers.

In general, firms are likely to invest some efforts in upgrading IR/HR practices if they are engaged in capital-intensive and research-intensive undertakings producing relatively more sophisticated products such as high-tech industrial pipes or chemical ingredients for the pharmaceutical industry. However, if the investments are in labor-intensive undertakings such as in the garments industry where the idea is to take advantage of cheap labor, then the motivation to make IR/HR investments becomes less.

A complicating factor in company-initiated skills training programs for the rank-and-file is the overseas labor market. A Japanese manager of a plant producing sophisticated industrial pipes bewailed the tendency of Filipino workers to leave the company in favor of better-paying overseas jobs once they acquire special skills developed by the company.⁸⁵

The government has also been encouraging the use of apprentices and learners to promote employment alongside manpower development. However, statistics show that the apprentices and learners represent a minuscule one percent (24,000 in 1991) of the total nonagricultural work force, with 54.2 percent of the apprentices and learners assigned in manufacturing.⁸⁶ Moreover, unions have been complaining that the use of learners and apprentices is being resorted to by some employers as an excuse to hire cheaper labor since the law allows firms to pay learners and apprentices 25 percent less than the minimum wage.



Interaction Between Industrialization and Industrial Relations: A Summation

From the foregoing general and historical overview of industrialization and industrial relations at the national and industry levels, one can make the following observations:

Weak accumulation. The present backwardness of the national industrial structure and the labor market is directly traceable to the uneven and weak process of capital accumulation, which, in turn, is rooted in the narrow and limited character of the industrialization policies and programs pursued by the State.

In the prewar period, industrial growth was circumscribed by the limited development agenda of the United States which imposed a one-sided type of "free trade" between the colonial power and the colony. In the postwar period, the politico-economic crisis engendered by free trade forced the State to adopt import and foreign exchange controls, which paved the way for the rapid rise of import-substituting industries (ISIs) based on light manufacturing and along with this, the emergence of a Filipino industrializing class. However, the import dependence of the ISIs led to a chronic trade and payments crisis and shows the limited character of the ISIs.

In the 1960s, a crisis in industrial directions occurred, as reflected in the unresolved debate between those advocating continuance of protection to local industry, *e.g.*, ISI industrialists and nationalist economists, and those seeking a more outward-looking policy regime, *e.g.*, IMF, agromineral exporters and Western-educated economists. In the 1970s, the martial-law government resolved the debate by officially adopting an export-oriented industrial (EOI) policy and opening up the economy to foreign capital participation and lending assistance from the IMF-World Bank group. In the 1980s, the national politico-economic crisis bared the economy's weak industrial base, the unsustainability of debt-dependent growth and the deep divisions in the ranks of the national elite. The response of the IMF-World Bank group to the economic crisis was the further intensification of the economy's EOI orientation through the structural adjustment program (SAP).

Balancing role of the State. During the various historical periods marked by labor unrest, the government had to come in to mediate the conflicts between labor and capital. This was deemed necessary for the stability of society and the economy. Usually, government came up with a dual policy of repressing militant unionism and reforming the system of dispute settlement. In the process, the government had to develop the rules governing the relationships between labor and capital in the formal sector of the economy.

Development of protective labor institutions. Institutions protective of labor, such as the various labor standards, social security and the right to engage in concerted activities and collective bargaining, are products of uphill trade union struggles in the past. They are part of the reform packages developed by the government to stabilize the labor relations system. Hence, critics, usually neoclassical economists, who say that such institutions constitute "rigidities" in the labor market that hamper the economic growth process are obviously oblivious not only to the historical origins of these institutions but also to the contribution of these institutions in maintaining general stability in labor-capital relations, the absence of which can easily subvert any economic growth process.

Labor welfarism and economic expansion. In the 1980s, when the country adopted an entire package of American-inspired reforms protective of labor, such as minimum wage and social security, labor relations were generally stable. This is partly because industrial expansion under ISI was robust. This means labor welfarism can go hand in hand with industrial and employment expansion.

The higher wages and other additional labor costs brought about by the operation of the social security system and the promotion of free collective bargaining did not prevent the import-substituting industries from expanding and hiring more workers. Obviously, an expanding labor force with a relatively high or steady purchasing power is in itself a source of continuous growth for an industry oriented to the domestic market.

EOI and labor institutions. Despite the supposedly added costs to capital brought about by labor institutions such as unionism, collective bargaining and minimum wages, these same institutions were transformed under martial law into institutions of cheapening labor in the formal sector of the economy in support of the EOI strategy. The Wage Commission, in a 1979 report, unabashedly admitted that the government was following a policy of "wage restraint" in accordance with the official "development strategy."⁸⁷ Thus, it came to pass that the minimum wage policy of the martial-law years the downward march of real wages.

Industrialization failures and labor militance. Labor militance did not develop simply because of the highly politicized orientation of labor organizations or their leaderships. Very often, labor militance is an outcome of failure or lack of progress in industrialization. Labor and social unrest attended the depression that hit the prewar export crop-based economy in the 1930s, the crisis of the free-trade arrangement between a war-damaged Philippines and a resurgent industrial United States in the late 1940s, the marked weakening of the ISI in the 1960s, and the obvious failure of the EOI to take off by the early 1980s.

The table on strikes (see Table 3) indicates that the years with the highest number of strikes coincided with the years when Philippine industrial performance was weak.

Weak labor movement and unsustainable labor militance. Despite labor militance in the 1980s, the trade union movement is generally weak. The economy's character as described above militates against the formation of a strong labor movement and does not favor prolonged labor militance. While a dip in the economy or a crisis on the political front may provide a militant labor center or federation an opportunity to conscientize and mobilize its members, a strike campaign that runs to months and years is simply unsustainable, especially for impoverished workers with limited income sources. Moreover, the trade union movement is badly divided because of political, ideological and other reasons.

EOI and labor flexibility. Two major developments in the economy under the EOI strategy have been the expansion of the informal sector and increased "informalization" of the formal sector, both of which have been contributing to the rise of labor flexibility in industry. This trend is aided by the relative weakness of the trade union movement, which represents only a small segment of the labor force, and the employers' access to flexible or casual labor due to the twin problems of mass unemployment and underemployment.

In the formal sector, industry has been succeeding in propagating "labor flexibility" through the widespread use of various forms of labor casualization, *e.g.*, subcontracting of jobs to small producers and homeworkers, hiring of agency workers who are not in the company payroll, and use of casual labor (probationaries, temporaries, apprentices, learners, *etc.*).⁸⁸

The spread of job subcontracting during the last two decades is related to the rise of the so-called nontraditional exports such as garments and footwear

under the export-oriented industrial policy. In fact, the subcontracting business in the Philippines has both international and national dimensions, that is, many of the Philippine exporters, especially those in the FTZs and BWM units, are subcontractors for foreign buyers/principals and at the same time principals for the local subcontractors.

Because of the subcontracting process in the garments and other export-led light industries, regular factory workers in these industries are adversely affected in terms of reduced bargaining power. There are cases when shops literally “run away” from the workers when the latter get unionized and go on strikes.⁸⁹

Weak absorptive capacity of industry. Because of industrialization failures, the absorptive capacity of industry has been very weak. Today, industry employs only 14-15 percent of the labor force, with manufacturing accounting for 9-10 percent. In the past, agriculture was the main sponge that absorbed excess labor; today, it is the informal sector and the overseas labor market that serve as the catch basins for labor.

Menus of IR/HR practices. The decades of the 1980s and 1990s are decades of increasing awareness of employers and IR/HR managers of a bewildering array of IR/HR options they can develop in their respective enterprises. This heightened awareness is brought about by a number of factors, the most important of which are: the prolonged economic crisis and labor militance in the 1980s, which challenged many IR/HR managers to come up with creative responses to labor issues; the rapid spread and exchange of global IR/HR practices and experiences, which provide local IR/HR managers opportunity to reassess their own situation and analyze possible alternatives to doing certain established personnel and human resource-management policies and procedures; national and global competition, which forces them to come up with labor-related profit — and productivity-enhancing programs; and the deeper appreciation by IR/HR managers of the nature of the labor market processes, which allows them to adopt a more flexible approach to hiring and maintaining their work force.

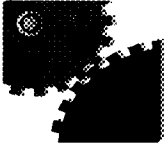
Thus, there are IR/HR managers who can initiate IR/HR practices ranging from repressive to proactive programs aimed at the well-rounded development of the work force.

Dispute settlement mechanisms. The government has made great strides in managing conflicts between labor and capital despite the weak economic growth process. It is likely that the government will choose to maintain a

combination of approaches in dispute settlement — on one hand, the promotion of bipartite and proactive approaches (collective bargaining, LMCs, grievance machinery cum voluntary arbitration, tripartite consultations), and on the other, the use of state powers to assume and settle cases (compulsory arbitration, assumption of cases, restrictions on strikes).

Uneven development of IR/HR practices across and within industries.

Because of the varying competitive, organization and technological situations facing both the ISI and EOI enterprises, there will be continuing widespread variations in the IR/HR practices across and within industries just as there will be continuing points of convergence, *e.g.*, use of “buffered labor,” initiation of HRD programs for select employees, *etc.*



Conclusions

The central problem in the dynamic relationship between industrialization and industrial relations in the Philippines is the weak and unsustained development of the accumulation process under both the ISI and EOI strategies. In particular, the EOI development program of the 1970s, intensified by SAP in the 1980s, has, by and large, failed to achieve its twin goals of greater industrialization and job creation.

Labor unrest and the seemingly chaotic industrial relations in the 1980s are, to a great extent, consequences of such industrial failure. In fact, the Philippines has done a creative job of evolving a combination of IR policies aimed at stabilizing the labor front, although there are widespread complaints among labor leaders regarding the government's tendency to assume strike cases left and right and to settle the same at a snail's pace because of the numerous cases pending in the NLRC.

At the enterprise level, employers and IR/HR managers have learned to cope with labor militance and to adopt all kinds of IR/HR approaches deemed suitable to the requirements of the enterprise. Of course, there is a great deal of variations in IR/HR practices across and within industries due to varying factors such as enterprise viability, technology, ownership, *etc.* More significant, many employers and IR/HR managers have learned to utilize flexible labor, a strategy made possible by a weak labor market and a fragmented labor movement.

As to the trade unions, they have done a great job through the decades of pushing the government to enact laws protective of labor. However, these protective labor institutions and the trade union movement itself are in danger of being weakened, if not further marginalized, if it is unable to forge unity and advance a development agenda that takes into consideration the radically changed environment and terrains of trade union struggle. For example, the increasing sophistication of IR/HR managers challenges the trade unions to invest more time and resources on programs that will upgrade their skills and technical know-how on subjects as varied as social security and labor market segmentation. It may even be necessary for the trade unions to consider the possibility of forging a "strategic alliance" with management to ensure a firm's survival in today's highly-competitive world — an idea that may sound blasphemous to traditional militant unionism.

Of course, it takes at least two parties to forge such an alliance. In this alliance, the role of employers and IR/HR managers is crucial. As the key decision makers of the enterprise, they are in a position to initiate forward-looking changes based on an enlightened partnership with labor just as they can adopt measures that can further weaken labor's voice in the enterprise through, for example, the further segmentation of the work process. Can employers and IR/HR managers come to an agreement for instance with their counterpart unions on how to promote flexible responses (*e.g.*, flexible work organizations) to challenges of competition without sacrificing the workers' job, wage and union security?

A strategic alliance between labor and capital, forged through honest and serious dialogue, may, in fact, be the key that will enable the Philippines to get its industrial act together as it struggles to transform itself from the industrial laggard and strike capital of East Asia into a newly industrializing country at the turn of the century.

NOTES

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