

Globalization, Regional Integration, New Technology, and Industrial Relations in ASEAN

Philippine Country Paper*

Manuel G. IMSON

Introduction

Much has been written and debated about globalization as a platform for growth in the twenty-first century. Almost ten years ago, the World Bank heralded the positive impact of global integration on employment and income. Indeed, globalization has catapulted the world to an astounding makeover. But whether it has led to high impact mass-based economic growth remains to be a question, especially in the light of serious security threats and massive unemployment gripping many parts of the world.

There is growing concern over inequality widening ever since globalization set in. Aside from the perception that only a small percentage of the global population is raking in the bounty, globalization is seen as spreading insecurity among the underprivileged and the middle class, within countries and among countries.

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In the ASEAN region, inequities continue to increase in spite of the opportunities proffered by global trade. While some countries thrived in free trade, some are experiencing crises of global proportions and are suffering from recession, factory closures, and massive displacement of workers.

Unfortunately, raising concerns on these inequities does not stop the waves of globalization. We recognize that integration is now part of our lives. The Philippines cannot isolate itself from this reality as a member of the ASEAN and of the larger international community. The Philippines makes note of the burgeoning sentiment that globalization should not proceed the way it is taking place now. It should not push forward according to the convenience of wealthy countries and at the expense of poor nations. It should be able to restore global order by taking into consideration individual country and industry sensitivities and by balancing the interests of all players in the global arena.

Regional integration, therefore, should put into account the objectives of growth with equity; cooperation toward skills and technological advancement; and continuous social dialogue between stakeholders both at the national and regional levels.

It is within this context that the Philippines supports the development of a regional framework that will prepare the systems of industrial relations among member countries to the changes in the economy brought about by technological innovation, globalization, and regional integration through the ASEAN Free Trade Area (AFTA) and related initiatives.

Philippine Industrial Relations in a Global Environment

Competition at a global level has greatly changed the way business is done in the Philippines. Enterprises now face not only competition in the export market but also increased competition in imported products at the domestic market. The advent of communications technology has given customers more access to knowledge and information. Along with the integration of markets, it has led to the enhancement of consumer demands and preferences. Advances in technology are making more enterprises improve their production and services capacity at lower costs, faster rates, and improved quality. Furthermore, rapid developments in science, especially in electronics, result in an increased flow of new

products and services that easily crowd out the ones still existing and available in the market.

These factors have kicked up the level of competition in the world market by several notches, especially in the information technology sector. This high level of competition is expected to linger for years to come. The Philippine industries, therefore, will likely continue to feel these pressures. Faced with the challenge of competing in the world market, industries in the Philippines are compelled to undertake tough business decisions and all kinds of organizational restructuring to remain in competitive shape. These decisions obviously impact on industrial relations as they render critical the balancing of interests between business and the workforce.

There is no definitive index for measuring the state of industrial relations in the Philippines. However, some data on labor organizations, collective bargaining agreements, and strikes and lockouts could provide some directions.

Labor Organizations. One of the guiding considerations in looking at industrial relations is a strong labor movement which provides the necessary check and balance against the instabilities of the labor market. Unfortunately, over the last decade there has been a steady decline in organized labor.

While the number of registered unions has been growing, its annual increment has been on a downward trend. Since 1995, the number of unions never grew more than seven percent annually, a far cry from the double-digit growth rates of previous years. Similarly, union membership has grown at a slow pace—an average of only 1.37% annually since 1995.

The lull in union organizing and membership has been attributed to the growth of flexible work arrangements and the informal sector. Since both informal and flexible workers are outside of the regular workforce, the sphere available for union organizing has been effectively limited to regular wage and salary employment.

Collective Bargaining. A weakened labor movement corresponds to a weaker bargaining stance for workers. Moreover, a stable industrial relations climate cannot be achieved if one of the main actors is kept out of the decision making process and only one defines the nature of relationship.

Collective bargaining in the Philippines is supposed to be aimed at strengthening democratic participation in the workplace and encouraging social partnership at the national level. But while the number of registered CBAs leaped by more than 50% from 2001 to 2002, it has been observed that the number of registered CBAs have declined in the last ten years. From 1992 to 2002, the average number of CBAs forged had been decreasing by around 4.56% annually, while the number of workers covered by these CBAs has increased only by 3.71%.

Dispute Settlement. Maintaining an environment marked by stability and harmonious labor-management relations is a requisite in the country's bid for increased productivity and competitiveness. Hence, job preservation underpins efforts for the expeditious and fair resolution of disputes, as well as continued advocacy for alternative dispute resolution (ADR) mechanisms.

The industrial relations climate is generally stable as indicated by the fewer incidence of strikes and lockouts since the 1990s. In spite of a stiff labor market, the country still managed to experience fewer labor actions. After 1993, the annual incidence of work stoppages never went beyond the 100 mark. The record from 2002 to the first quarter of the current year was even better, with only an average of 27 strikes occurring over the period.

The resolution of cases submitted for compulsory arbitration also improved due to the adoption of conciliation and mediation as a preliminary step in the amicable settlement of labor cases. Despite these improvements in the delivery of labor justice, the dispute settlement machinery remains overburdened. To address the problem of declogging the dockets of cases, other means of resolving disputes are being explored

In a nutshell, the general state of industrial relations in the Philippines is characterized by strong industrial peace advocacy against the backdrop of a labor movement affected adversely by the pressures of global trade.

Adjusting to a Global Environment

With the Philippines' accession to global trade came the need to make sure that the country gains more and not lose in the process—that workers will have better chances of being employed

gainfully, and that businesses will be capable of meeting global competition. As we recognize the increasing flexibility of work arrangements, we strive for continuous skills training that will guarantee workers' employability. While we allow the labor market to shape employment arrangements, we seek to ensure that the protective mechanisms are available so that our workers would be less vulnerable. Alongside our efforts to expand economic activities in the more productive sectors, we pursue workers' participation consistently in policymaking and program development.

These goals call for stronger political will not only by government institutions but more particularly by workers and their employers. Our continued adherence to the principles of tripartism and social partnership shapes the coping mechanisms we have established. The realization that the tripartite sectors face shared vulnerabilities and should inevitably address these concerns as partners has greatly influenced social cohesion in the light of the crises brought about by globalization.

Addressing the social dimensions of globalization and regional integration through social dialogue

As a developing country, the Philippines has seen the economic significance of the recommendations of the World Commission on the Social Dimensions of Globalization Report calling for "a fair globalization." We agree that focusing on the social aspects gives the cold, abstract concept of globalization a human face. Our present endeavors seek to put the principle of fairness into practice by encouraging the cooperation of social partners in pursuing development goals and in strengthening their participation in policy adjustments at the level of both the workplace and the nation.

Participating in Development Objectives. The prospect of increased and better employment opportunities has been identified consistently as one of the advantages of globalization. For the Philippines, however, this has yet to be realized as unemployment figures remain at double digits (13.7% as of April 2004). To address this gap, the President placed employment goals at the top of her development objectives and aims to generate 10 million jobs until 2010 through the dynamic participation of the business sector.

Taking on this cue, Philippine employers recently organized job fairs and employment summits that catered to new entrants and

reentrants to the labor force. The social partners also forged a *Social Covenant for Full Employment* which embodies the tripartite sectors' respective commitments to encourage employment generation and preserve existing jobs. In the labor sector, initiatives such as the Job Corps of the Trade Union Congress of the Philippines (TUCP) were undertaken with the aim of creating jobs and mobilizing volunteers for community development. Under the auspices of the private sector, this project seeks to contribute to nation-building by involving social movements in the development of skills and the creation of jobs.

These sectoral initiatives emphasize not only that contributing to national employment goals is a social responsibility of businesses but that employment generation in a liberalized economy is more a responsibility of the labor market's key players than the government. The examples showcase that attaining development objectives is more viable where there is participation by all stakeholders.

Sharing Responsibilities at Work. The Philippines, in accordance to its democratic traditions, is a staunch advocate of shared workplace responsibility and lesser government intervention. To this effect, labor education programs focus on the accountability of parties to a dispute as a key principle in industrial relations. Making parties bear the costs of their own disputes implies the need to strengthen bipartite mechanisms for dispute resolution. It also follows that the government has to regularly develop alternative dispute resolution mechanisms and other means of encouraging representation that are attuned to the changing work environment.

The Philippine Labor Code provides for bipartite and less adversarial means of resolving disputes such as grievance machineries (GM), voluntary arbitration (VA) and labor-management cooperation (LMC) schemes. These mechanisms are based on mutual trust and partnerships—a departure from the traditional labor-management relationship that has been characterized as oppressive and adversarial. These mechanisms are provided even at the firm level so that government intervention would be lessened.

At the national level, the Philippines promotes tripartism and social dialogue as tools for participation in policy and decision making that concerns the interests of workers and employers. Since 1987, the country has institutionalized tripartism not only

as a consultative process through the national and regional Tripartite Industrial Peace Councils but also as a policy-determining and decision making process through such bodies as the Regional Tripartite Wage and Productivity Boards, the National Wage and Productivity Council, the National Labor Relations Commission, and the Tripartite Voluntary Arbitration Council, among others. We have widened the venues for participation by establishing industry tripartite councils that provide the sectoral partners a platform for continuous dialogue to minimize job losses and mitigate labor unrest such as when banks undergo mergers and consolidation.

Ensuring our workers' adaptability to a global work environment

The country is well known for producing highly-capable workers whose skills are sought in many parts of the world. Filipino workers excel in various fields: healthcare services, engineering, education, information and communications technology, and even in arts and culture. In the age of globalization, our workforce serves to be our biggest asset. A recent Asian Institute of Management Competitiveness Report, for instance, ranks the Philippines first in terms of skilled labor; third in the availability of competent managers; and fourth in terms of skills in finance. But our workers ranked 14th in terms of IT skills, and seventh in terms of flexibility.

Some of our most outstanding work attributes include our proficiency in the English language, the level of education, our competitive labor cost, the reliability of our labor, the quantity and quality of our middle managers and technical people, and the availability of requisite skilled and semi-skilled workers.

But in spite of these comparative advantages the country still suffers from unemployment due to job scarcity and, to a greater extent, to job-skill mismatch. The mismatch may be attributed to factors from both the demand-side and supply-side of the labor market such as the absence of adequate information upon which workers and employers can base their labor market decisions; the socio-cultural values that influence such decisions; workers' mobility; inappropriate job skills and qualifications; wage differences between workers' expectations and employers' offers; and the lag in which educational and training institutions respond to meet the market's skills requirements. These factors are taken into account as we push for strategies that would guarantee our

workers' adaptability to labor market changes and respond to incidences of workers' displacement due to organizational adjustments, technological changes, privatization, and economic integration.

Investing in our Human Resources. The Philippines cannot compete globally unless we have globally competitive workers. A globally competitive worker has the knowledge and skills to adapt and learn at all times, is abreast of the most updated and suitable ways to organize the labor process, and is competent enough to meet all international standards of measurement.

Enhancing the quality of our workforce is a necessary prerequisite for employability, especially in an increasingly competitive and productivity-driven work setting. But this task cannot be undertaken alone by government due to its meager resources. As such, we are advocating for strengthened collaborations with private sector employers in the implementation of apprenticeship programs and the dual training system (DTS). These collaborative arrangements would also benefit employers by reducing transaction costs, particularly search costs for finding the appropriate skills; minimizing skills mismatches; and avoiding the legal risks that result from terminating employees who do not possess the necessary work skills. In line with this, participants to the Employers' Summit on Employment and Industrial Relations held on August 23-24, 2004 have pushed for an agenda that included the development of small and medium enterprises (SMEs) through networking and transferring technology on good business management. Employers also committed to hold regular dialogues and information-sharing about the changing skills requirements of industry and business.

Improving Productivity. Productivity and efficiency make a difference in the light of global competition. Adapting to the ever-evolving requirements of the labor market implies the need to produce the best goods and services at the least cost possible within the required time period. High productivity growth is the key to international competitiveness and increased income. The country's declining productivity levels, therefore, should raise serious concerns and must be looked into not just from the perspective of workers but from the standpoint of employers and technology. For instance, while the formal enterprises in the economic zones are noted for their world-class standards in productivity, the less-organized, domestic oriented informal and semi-formal enterprises have still a lot to improve. Unfortunately,

workers' productivity can only be as good as the level of technology adopted by the firm. The Philippines lags far behind Malaysia and Thailand, and is second only to Indonesia in having the lowest level of productivity among ASEAN countries.

The Philippines addresses this problem by bringing its productivity advocacy to the workplace through the dynamic participation of employers and workers. To enable establishments to further improve productivity, particularly the small and medium enterprises (SMEs), training assistance and consulting services on productivity improvement are provided by the National Wages and Productivity Commission (NWPC) and its regional boards. Through the ISTIV Program, for instance, 3,557 company owners, supervisors, managers and workers from 172 SMEs in the manufacturing, services and export industries benefited from value-driven productivity trainings. This resulted in the creation of productivity improvement schemes in their respective firms. Small and medium enterprises are also provided consulting assistance through Quality and Productivity Improvement projects. Most of the beneficiaries were firms engaged in food processing and animal feeds production. The projects resulted in a 10% to 50% improvement in bottomline results including the reduction of downtime, decrease in tardiness and absenteeism, increased profitability and income, and enhanced employee-management relations. Those from the labor sector, particularly the TUCP and the FFW, have also been contributing actively to the productivity advocacy through labor education programs and by incorporating the campaign in their labor-management cooperation schemes.

To take advantage of this value-driven human resource strategy for quality and productivity, there is a need for the owners, managers and workers in a company to work together and become partners. Since ultimately they share a common fate, they should do their best to survive and compete in a globalized economy. Likewise, there is a need to improve the skills of workers and allow them to participate in decision making.

Addressing the plight of displaced and vulnerable workers

The vulnerability of some groups of workers to the uncertainties of the labor market cannot be ignored as these workers account for a significant portion of the unemployed and the underemployed. Filipino workers are continuously losing their jobs due to retrenchments and closures when firms respond to economic

pressures. From 1995 to 2002, a total of 15,714 establishments have already resorted to closures and retrenchments displacing 492,108 workers. And unless the needs of these vulnerable groups are addressed, the country's labor and employment situation will not improve. But considering the complexity of the issue, the solution requires more than a single measure. A combination of support measures such as employment, credit and marketing facilities for livelihood projects, counseling, and training would more likely achieve more sustainable results.

This package of interventions is made available to workers through the Quick Response Team (QRT) concept aimed at alleviating unemployment and mitigating its threats. QRT intervention has been found to be an effective job preservation mechanism and has been enthusiastically accepted by social partners. However, more action is still required in terms of developing networks with potential partners and in integrating more pro-active job preservation measures within the concept.

On this note, there is strong advocacy for pro-active measures such as the setting up of an employment insurance scheme where worker-members could draw some funds in case of displacement. The scheme could also be a source of fund for employer-members who need additional capital to sustain the enterprise and preserve existing jobs. This measure comes more relevant given the fact that government resources cannot adequately support protective mechanisms and that social protection requires the active participation of the business sector and its commitment to corporate social responsibility.

Toward an ASEAN Common Programme of Action

Our coping strategies indicate that the Philippines pursues an approach to globalization that seeks to channel the benefits to the greater majority of the population. In pursuing this goal, we rely on the contributions of both workers and businesses. This concept of goal-sharing is what we wish to impart in the formulation of an ASEAN Common Program of Action on Industrial Relations.

As the global market continues to change, we in the ASEAN region should strive to forge shared universal values alongside economic interconnectivity. As our countries vie for more investments and increased technological capacity, we must also

place a high premium on providing decent work for our workers regardless of industry or sector.

As we continue to develop technologies to improve our competitiveness, we must also strive to broaden our workers' knowledge base and ensure that the gains of human capital investment can be reaped by the entire ASEAN region.

As businesses continue to expand throughout the region, we must also advocate for social responsibility among these enterprises by encouraging their active participation in achieving development objectives, training human resources, establishing social safety nets, and broadening the base for social dialogue.

We strongly believe that pushing for a policy of inclusiveness as our economies integrate would guarantee that the gains from globalization will benefit the majority. By allowing every segment of our respective citizenries to participate in the global market rather than merely reacting or succumbing to the possible backlashes of global integration, we are acknowledging the human side of globalization and steering its waves to our advantage.