

# Regular Employment but Flexible Arrangements: Labor in the Philippine Electronics Industry

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With the advent of globalization, the fate and fortunes of local communities are increasingly tethered to the vagaries of the international economy. Fundamental changes in not only *where* but *how* industrial goods are produced globally may provide new opportunities for sustainable economic development and the creation of good jobs in developing countries. However, fierce competition and the extensive use of downsizing, subcontracting and labor casualization at certain stages and locations of production have led to an increasing amount of market risk being borne by workers. Whether the Philippines can tap into the developmental potential of globalization or is victimized by it will depend heavily on the investment strategies of international 'lead firms' and how local institutions, firms, and workers in the Philippines respond to the challenges and opportunities of the new global order.

This paper aims to dissect economic globalization by analyzing employment levels, wages, working conditions and job quality in the electronics industry in the Philippines. Special attention will be paid to assessing the growing trend toward Human Resource Management (HRM) strategies and what these have meant for workers in the industry.

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## “Glocalization”: analyzing global processes and local outcomes

### *Rise and structure of transnational networks*

What sets the current era apart from the past is the de-regulation of global markets and the development of transnational networks of economic activity. Multinational corporations (MNCs) have taken advantage of an increasingly liberal trading regime, lower labor costs and falling transport and communication costs and have re-located an increasing amount of their production processes to developing countries. This relocation can provide economic stimulus and a competitive foot in the door for developing countries: foreign investments will create jobs, a demand for the products and services of local small and medium-size supplier firms, and technology spillovers.

The structural changes in the global economy are evident in the rise of Foreign Direct Investment (FDI) by MNCs into developing countries and the flow of intra-MNC trade. The share of developing country output produced by MNCs has risen by more than half, from 3.9 percent of GDP in 1990 to 6.3 percent in 1996 (World Bank, 1997). (One-third of world merchandise trade is actually cross-border flows within the same multinational firms, however.)

But the development potential of FDI for local communities depends in part on the stages of production that are relocated. To assess the impact of electronics MNCs in the Philippines, it will be necessary to understand the structure of the global electronics value chain, the barriers to entry at each link and how production can be internationally dispersed yet remain tightly linked in an overall production strategy.

### *Flexible production*

Globalization is not just about where things are produced, but how. Along with geographical dispersion, new ways of organizing production also have the potential to improve not only the quantity but also the quality of jobs in developing countries. The “new” way of industrial organization is often dubbed “flexible production” or the ability to quickly, efficiently and continuously introduce changes in a product or process (Deyo 1997). Yet there are different strategies to achieve flexibility which may have quite different effects on labor.

It is often argued that there are two distinct paths to flexible production, the “low road” and the “high road”, associated with different portions of the value chain and thus different job quality. Firms on the low road are usually found in the lowest value-added and labor-intensive processes where price competition pushes firms to use cost-cutting measures such as labor



casualization, labor-only sub-contracting and, generally, "sweating" labor. Jobs along the low road are also unstable and undesirable since, to keep costs at a minimum, wages are kept low, benefits are kept to a minimum, little training is given and industrial relations are often repressive.

Firms on the high road, in contrast, are to be found in higher value-added production and compete on the basis of quality and customer service rather than price, exclusively. The emphasis on quality can lead to *both* improved competitiveness *and* better jobs, since higher value-added production also often requires a shift in human resource development strategies from cost containment to skills development and flexibility. Firms invest more in worker training and education, involve workers more in decision making and link productivity gains to wages. This investment in human resources can boost motivation, productivity and profitability and thus create a virtuous circle leading to wage increases.

It is too often assumed that the switch to higher value-added production is directly associated with high road flexibility and thus good jobs and improved worker welfare. But firms generally face not two distinct flexibility paths but an entire menu of flexibility schemes to choose from. This menu may contain both high and low-road flexibility measures which, used in combination, may have ambiguous or contradictory effects on workers.

#### *Local institutional context*

The choices that firms face in the area of flexibility are heavily influenced by government policies and the local institutional context. Whether the Philippines can take advantage of the current boom in the electronics industry and whether the gains will be shared with workers and local communities depend very much on the government's investment incentive policies and the types of social and economic infrastructures it can provide. The role of the state is particularly important in terms of providing and promoting investments in education, organizational reform, technology, local capacity building, human resource development and R & D. Even in the age of globalization, governments still provide many public goods that are essential to dynamic flexibility but that individual firms and markets are unlikely to underwrite. States can also help ensure that labor maintains an active and equal voice in decision-making and that gains are more equitably distributed.

For a successful analysis, there must be consideration of the changing structure and geography of global electronics production networks over the last 25 years, the types of production and labor flexibilities that have been developed to respond to market and technology changes, the development of Philippine industrial policies and labor market condi-

tions and finally, how these forces interact and affect workers in the industry.

### Employment and wages in Philippine electronics

Industrial upgrading is often cited as the key to improving job quality and sustainability. Many companies operating in the Philippines have indeed made large investments to upgrade the technology in their assembly factories and made the industry more and more capital intensive. This trend has led not only to significant employment growth but also an increased need for more *dynamic* labor flexibility. In other words, it has increased the need for a more trained, cooperative and stable workforce that can operate the machines efficiently. In this respect, we have witnessed an upgrading of skills and job quality.

However, the simultaneous pressure to lower costs and respond to fluctuating market demand has meant the use of *static* forms of flexibility as well, e.g. work intensification, forced overtime work and contractual labor. The limited use of more dynamic forms of flexibility may also be due to the low-value added nature of assembly production, the large labor surplus and the lack of incentives from the government.

#### *Stagnating industry structure*

Overall employment in the industry has grown steadily. But despite 25 years of MNC investments in electronics, the Philippines remains in the low value-added portion of the electronics value chain. This means that advanced manufacturing and design processes, which have the highest value-added, remain largely in the US, Europe and Japan. For example, the US semiconductor industry employs approximately the same number of workers (about 250,000) as the Philippine electronics sector. Yet these jobs are knowledge and skill intensive positions with much higher than average wages. In 1996 average wages in the industry were \$54,900, nearly twice the average for all private industry. Production workers earned an average of \$36,600 per year or over 30 percent more than the average of \$28,100 earned by all other production workers. These wage levels are possible partly because they are located in the high value-added portion of production. In the US, the semiconductor industry's value added in 1996 stood at \$41 billion or nearly 60 percent of total revenues of over \$70 billion (Semiconductor Industry Association 1998). In contrast, the value added in the Philippine semiconductor industry is between 15 and 20 percent of export revenues, which were about \$19 billion in 1999.



### *Wages*

With rising wage rates in Northeast Asia, Malaysia and Singapore more MNCs view the Philippines as an ideal site for their relatively complex yet labor-intensive assembly and test manufacturing. The Philippines boasts of a 30 million-strong labor force that has a high literacy rate, is English-speaking and easily trainable. This is particularly important in semiconductors as speed to market is essential and ramp up time of new facilities depends on quickly training the labor force at all levels in plant-specific skills. MNCs in the country claim that training times in the Philippines are among the fastest in the region, with Filipino workers requiring only 6 to 8 weeks to be trained in technical jobs.

Production operators are abundant and wage rates for operators are also relatively low: about \$150 to \$200 a month, compared with \$300-\$350 in Malaysia, the Philippines' main direct competitor. Wage rates for production operators are crucial in cost accounting, since operators make up 82 percent of the electronics industry's workforce. Turn-over rates for production operators are also low, due in part to the surplus labor market.

The author's interviews with some 70 operators working primarily in large MNCs located in Economic Zones in the provinces of Cavite and Laguna revealed that while total monthly income is relatively high compared with jobs in other sectors, this is due primarily to the high level of overtime work. Starting wages at nearly all firms were the regional minimum wage of P202 per day.

A number of large MNCs make heavy use of daily overtime and workers in these firms work 72 hours per week. As the vast majority of operators are single young females, wages are usually enough to support themselves and allow them to remit money home. Yet most still find it necessary to borrow money, either from their employers, their fellow workers or informal money lenders to make ends meet. Operators with families complained that the wages were insufficient.

For technical positions, the Philippines boasts 30,000 to 40,000 engineering and technical graduates a year. In 1995, the hourly wage rates for engineers in the Philippines were US\$ 3.8 or the lowest in Asia, except for Indonesia. Engineers are not only relatively cheap but also quite skilled and abundant. Again, tight labor markets for engineers in Malaysia has led to companies having to use expensive expatriate engineers, often Filipinos. New engineers earn about \$400-500 per month in the Philippines and \$800-1,000 per month in Malaysia. Production supervisors are also relatively cheap in the Philippines, available at \$500-\$600 per month compared with \$1,300 in Malaysia.

Finally, the Philippines boasts some of the highest quality managers in the world. The 1998 World Competitiveness Yearbook ranked Philippine management as the second most competitive in a world-wide survey of 46 developed and developing countries. A Filipino production managers costs \$1,000-\$1,500 per month compared to managers in Malaysia who can command \$3,600 per month. Overall, Philippine labor is the most competitive in Asia in terms of quality, availability and cost, well ahead of Vietnam, China, Indonesia, Thailand, Malaysia and Singapore. (Political and Economic Risk Consultancy, Ltd., 1997)

### *Wage competition*

Some analysts have been concerned about rising wage rates in the Philippines eroding the competitiveness of Philippine labor. However, real wages in the Philippines have actually been declining in the 1990s. From 1990 to 1996, the real minimum wage declined from P80 a day (in 1988 prices) to around P70. This is significant since electronics firms usually peg starting wage rates to the regionally set minimum. The vast majority of production workers earn only minimum wages or slightly higher.

A World Bank study also showed that Unit Labor Costs, an index of international competitiveness that compares labor costs to labor productivity, has in fact fallen in the Philippines' tradable goods sectors from 1991 to 1995. This decline was led by the electrical machinery or electronics sub-sector with a decrease of 37 percent in unit labor costs over the period. The study also noted that the cost savings were due more to a decline in real wages than an increase in productivity, although productivity in the industry was also rising (World Bank, 1997).

It is also important to point out that the industry is increasingly capital intensive, and labor costs constitute an increasingly smaller portion of overall costs. The government estimates that total employee compensation (wages and benefits for all employees) makes up less than 12 percent of total costs (BLES, 1996). Another way to assess the relative importance of wage costs versus fixed capital costs is to compare the composition of labor costs in value-added versus the share of depreciation of capital stock to value-added. From 1990 to 1993 total compensation in the industry as a portion of value-added rose only 16 percent. However, depreciation as a percentage of value-added rose 23 percent (calculated from BLES, 1996 data).



## Characteristics of work and the workforce

Beyond the aggregate employment and wage statistics, it is important to also identify the characteristics of the workforce in the electronics sector and assess the quality of the jobs created. One way to measure whether globalization can lead to real and sustained development for Filipinos is to see who has access to these jobs, the opportunities for advancement, and the quality of work and working conditions in the booming electronics industry.

### *Gender*

The workforce in electronics is very heavily female. According to official statistics and a recent survey by the Bureau of Labor Relations, 73 percent of workers in the industry are female. This is consistent with data from the Economic Zones both in the Philippines and other developing countries that show an equally disproportionate share of women workers in labor-intensive industries such as electronics. The predominance of and preference for women is connected to the nature and labor intensity of production work. Production or direct workers make up 82 percent of the electronics workforce (BLR, 1999). Most production work continues to be organized along an assembly line in which the tasks of individual workers are simple and highly repetitive, involving very small and delicate electronic parts.

Around the world, there has been a preference for women for these types of production jobs based on a number of gender stereotypes. First, women are considered more manually dexterous and careful, particularly regarding small parts assembly. Second, women are regarded as more diligent and patient, which is deemed necessary due to the long hours of handling small parts and repetitive work. Third, women are considered easier to manage, more docile and less likely than male workers to join trade unions. Finally, women are also assumed to be more willing to work for low wages and have a higher rate of voluntary turnover due to their supposed status as "secondary wage earners" in the family. For whatever reasons, females continue to dominate the industry and thus continue to feed the pervasive stereotypes that have led to the branding of electronics assembly as "women's work". (Chant and McIlwaine, 1995).

There is also strong gender segmentation within firms, creating horizontal as well as vertical obstacles to mobility. While, overall, the workforce is 73 percent female, in most large firms; production operators are 85 to 95 percent female; yet other jobs may be nearly all

male, e.g. technicians and engineers. In interviews with industry HR managers and recruiters, they attribute this segregation to the lack of qualified female technical and engineering graduates. Whatever the reason for the bias, there is a clear association of male workers with higher technology and technical skills. This association has important implication in terms of industrial and job upgrading and the potential for women operators to improve their positions.

A major trend in electronics is to equip operators with more technical skills and technical responsibilities so that they may quickly trouble shoot and do minor repairs to their machines and to avoid costly down time. (Workers may welcome such trend, for they stand to benefit from the extra training.) However, in the workplaces where this trend is evident, there is a likewise trend not to upgrade female operators into technical positions, but to instead hire males with technical backgrounds.

### *Age*

Workers in the electronics industry are generally young. Seventy eight percent are aged 18–30 years and 17 percent 31–40. At a leading MNC firm with a workforce of over 8,000 the average age of the employees is 21. One reason behind the very young profile is a preference by companies for “fresh” high school or college graduates. Young workers are assumed to have better health, particularly perfect eyesight, which is essential for many production positions. They are also thought to be more productive, but their lack of previous work experience is the most important reason why young workers are preferred.

Unlike the garments industry, which often prefers to recruit skilled rather than unskilled workers, electronics companies overwhelmingly prefer workers with no previous work experience. The most important criterion is not pre-existing skills but “trainability.” This is in part because skills are often firm specific and companies prefer to do their training based on their own needs. Firms also prefer those with no previous experience because they find them easier to inculcate work with company-specific values and culture. Many recruiters liken recent graduates to “fresh clay” easier to mold and shape, than those whose work habits and ideas have already “hardened.” One production operator confided that although she was not entirely happy with her present job, she feared she was already “too old” to get another, regular, position in the industry. She was 21.



### *Education*

Workers in the industry have a high level of education. Electronics MNCs are attracted by the high level of basic education, particularly for females, in the Philippines. Adult literacy for Filipino females is 95 percent (compared with 90 percent in China and Indonesia, 89 percent in Malaysia and 65 percent in India). Sixty percent of the workers are high school graduates, 36 percent have college degrees and 3 percent have vocational or technical coursework. Generally, the companies are looking for workers with a relatively high level of intelligence who can be quickly and easily trained. They also prefer those with a command of English, since most training materials and technical manuals are in English. Recent graduates or school leavers are also preferred because punctuality, discipline, and respect for authority are believed to be still "fresh" in their minds and habits.

For many years, the basic requirement for production workers was a high school degree. But with the trend towards higher technology and increased capital intensity, many companies now require (or at least prefer) workers with at least two years of college coursework, preferably in a technical field.

This educational requirement is increasingly becoming an employment barrier for communities in the immediate vicinity of the Special Economic Zones, most of which have been put up in "greenfield" sites with the promise of providing jobs to local people. Since many young people in these provincial areas do not have the opportunity or resources to attend college, they may be effectively barred from meaningful and long-term employment in the zones.

### *Regular vs. non-regular*

The changing technical requirements and nature of production in electronics is also reflected in the high level of regular or permanent versus non-regular terms of employment. Regular employment is highly prized by workers as it often means that a worker enjoys much higher security of tenure, stable work, better benefits and generally higher pay. These are all attributes that are increasingly rare in other manufacturing industries due to the shift towards external flexibility or increased contractualization and casualization of work (Torres 1993).

According to a detailed survey of manufacturing industries in 1990, 52 percent of electronics firms surveyed employed only regular workers (Windell and Standing, 1992). This figure was the highest among the 12 manufacturing industries studied. A more recent survey showed that 73 percent of workers in the industry were regular, permanent employees while

16 percent were contractual or apprentices and 11 percent were probationary (BLR, 1999).

The trend towards "regularization" rather than casualization in electronics is best explained by the growing need for a more trained, stable and committed workforce. The increased demand for high quality and fewer defects in electronic products has meant that many MNCs must train workers for up to three months before they achieve sufficient productivity levels. Given their increased investments (of both time and money) into each worker, firms want to retain them for longer periods and provide workers with a more stable environment to build work loyalty.

Despite the positive general trend, however, casualization and contractualization still persist in the industry, especially among contract and sub-contract manufacturers. A survey by the DOLE in 1997 revealed that 45 percent of electronics firms that reported to have surplus labor employed contractual and casual employees. (DOLE, 1997). Ninety percent of these firms cited the need to respond to fluctuating demand and market volatility. This clearly reflects the dependence of the industry on export markets and world prices. The other main reasons demonstrate the industry's general attitude toward the use of static flexibility measures: 83 percent stated they hire casuals to "prevent workers from organizing" (the second most-cited reason), while 79 percent wanted to avoid discipline-related problems. Over half of the respondents were found to be paying low wages and few benefits (DOLE, 1997).

### *Unionization and industrial relations*

That firms admitted to employing contractual employees and casuals to "prevent workers from organizing" sheds light on another characteristic of the industry: the low level of unionization, even by Philippine standards. According to the Bureau of Labor Relations/DOLE, in 1997, there were 367 firms in the industry with a total workforce of approximately 190,000—and only 36 registered unions with a total membership of 7,642. Those actually covered by a Collective Bargaining Agreement (CBA) are even less: only 4 establishments and only 2,074 workers. That is, only 1 percent of the industry and 1 percent of the workforce are covered by CBAs.

The number of strikes and lockouts in the industry is also low and declining. In 1992 there were a total of 34 notices of strikes or lockouts involving some 20,650 workers. In 1996, there were only 20 notices involving a mere 3,280 workers. This represents an 84 percent decline of workers involved in formal disputes despite a steep rise (116 percent) in the overall number of workers in the industry.



The extremely low level of worker organization in the industry, despite the high percentage of regular employees and dominance of MNCs, can be attributed in part to a strong anti-union bias in the industry. One manager stated that "the electronics industry is 'allergic' to unions" while another pronounced that "a semiconductor company's worst nightmare is a union." Management often perceives unions as a hindrance to decision-making, politically motivated and corrupt.

But most importantly, due to stiff competition and just-in-time production chains, the industry is quite vulnerable to any interruptions of production. Collective job actions such as work slowdowns, mass absenteeism and strikes are viewed as a potentially destabilizing factor that can jeopardize production and delivery schedules. As electronics firms must respond quickly to changes in the market, most firms view unions as neither their partners nor the workers' legitimate worker representatives—but as barriers to flexibility and a threat to "management prerogative."

While it may be understandable why electronic firms do not favor unions, it becomes problematic when they actively prevent or discourage their employees from organizing. Interviews with both HR officers and with workers and observations at several employment screenings revealed that job recruiters often ask applicants about their attitude toward unions and whether they have ever been union members. Applicants know that responses favorable to unions would jeopardize their chances of being hired. (The perceived low propensity of young women to join unions is part of the reason why they are preferred as operators.)

Another way to avoid unions is to locate or re-locate production into one of the public or private Special Economic Zones. Many managers admitted that they prefer locating in the zones because of the low levels of unionization in these sites. Many zones are notorious for their anti-union stances, backed up by local government officials, mayors and even governors who are desperately trying to attract investment and jobs to their areas. This means that union organizers do not only contend with the company officials but also with some local governments. The anti-union strategies in and around Philippine Economic Zones have been amply documented (Aganon, et al, 1998).

### **Human resource management: an assessment**

While there is a clear anti-union bias in the industry, it would be a mistake to consider the electronics sector as anti-worker. In fact, the demands of globalization and technological upgrading in electronics have

meant increasing investments in worker training and for better communication and cooperation methods. Electronics firms have in many respects led the trend towards human resource management (HRM) strategies.

The main goals of HRM are to improve quality, productivity and workforce flexibility. Firms committed to HRM are often the large, MNCs that can afford to make the necessary continuous investment into human capital formation. The strategies they use often include training and re-training of workers towards multi-skilling, job rotation, organizational restructuring, worker suggestion systems, quality and productivity teams and regular management-labor meeting. These firms also tend to offer better wages and benefits although a portion of wages is often pegged to productivity on a group or individual basis.

### *Training*

A detailed survey of flexibility conducted by the ILO and DOLE in 1990 showed electronics firms at the top of 12 sectors in terms of training programs for workers: 72 percent of such firms provided initial training to newly recruited production workers; and 51 per cent retrained their workers for job improvement and horizontal mobility and they also had the highest rate of re-training for job upgrading or vertical mobility. The study also confirmed that large, foreign-owned electronics firms are the most likely to provide all three levels of training when compared to the other 11 sectors studied (Standing, 1992).

Although more recent data is unavailable, this high level of training has likely increased. Many companies today require three months of initial training and retraining every six months thereafter on each machine an operator is certified to work with. Production operators in most semiconductor companies must learn to operate anywhere from 3 to 13 different machines or work stations.

The high level of training can be directly related to increased technical demands of production and a firm's market-competition strategy. The customers for most semiconductor firms, whether in-house MNCs or contract manufacturers, use semiconductor in their own finished products, such as computers, consumer electronics or automobiles. Many of these customers, especially in the competitive American market, demand international quality certification of all their suppliers. The quality certifications most prized by customers (and thus manufacturers in the Philippines) are ISO 9001 and 9002. ISO 9001 and 9002 are sets of quality standards for all aspects of production and service developed in 1987 by the International Standardization Organization in Geneva, Switzerland. To be ISO certified a company needs to follow



strict standards and procedures for measuring quality in each stage of production. Workers, for their part need to be trained, certified, tested and re-tested on all machines they operate and must continuously document their work for performance evaluation by supervisors, management, customers and the ISO. An Assistant Manager for Quality Assurance/Training with 11 years of experience in developing Quality and Productivity programs in both American and Japanese semiconductor MNCs admitted that these programs are often launched "more for presentation to customers" and are "used as a marketing tool."

### *Multi-skilling*

The issue of worker training is also related to multi-skilling, another common HRM practice in the industry. As stated above, operators are now expected to learn at least 3 different processes or work stations. On the one hand, increased training does provide workers with more skills. On the other hand, multi-skilling opens the door to increasing workers' workload. Also, there is often no direct link between more skills. One semiconductor TNC requires its new technical operators to be trained and certified on 10 different machines while also being responsible for repair and maintenance. Yet the company offers only P12 (30 US cents) more pay per day than that for standard operators with only three certifications.

Workers interviewed often gave multi-skilling and increased training mixed reviews mainly because they did not gain immediate monetary rewards for their improved skills and greater job responsibilities. While a well-trained and multi-skilled workforce clearly enhances productivity and flexibility and helps increase the competitiveness of the companies, it was not evident to workers that they were sharing equitably in the benefits.

### *Wage flexibility*

Another internal flexibility strategy practiced by most firms is wage flexibility. Wage flexibility refers to such schemes as productivity-based pay, merit pay and bonus pay. During peak production times, these schemes offer workers chances at extra pay.

Such productivity-based pay schemes include quarterly, semi-annual or annual productivity bonuses based on company profits, customer input, cycle time, yield and overall output. Other productivity-related schemes include 14<sup>th</sup> month pay, perfect attendance bonuses, and error-free bonuses.

*Work intensification*

Not all internal or dynamic forms of flexibility practiced in the Philippine-based companies are equally advantageous to workers. The heavy use of overtime, flexible shift work and a compressed work week often amount to simply increasing the amount of labor used rather than improving productivity through investments into skill or machinery.

A compressed workweek allows the company to limit its overtime payments, its overall headcount and thus its labor costs. It is quite common in many large MNCs to have only two twelve-hour shifts. Five companies (out of a total of 20 visited) made regular use of this shift system affecting over 13,000 workers. While these companies must pay workers 3-4 hours of overtime wages everyday, they still benefit from lower headcount. The most common complaint of workers in many of these factories is the long hours and forced overtime. Many workers work 12-hour shifts six to seven days a week. One worker, when asked whether or not she was married, replied, "I don't have time for a husband. My machine is my husband. I spend more time with it than anything else."

There is also continued use of what some managers call "cost-less" productivity improvement. Since much of the work is still concentrated in labor-intensive assembly work, the most common productivity raising strategy is the age-old time and motion study. The Industrial Engineering and Statistical Process Control groups to "minimize the non-value-added motions of the operators" usually carry out these studies. In plain terms, productivity gains are made primarily by making operators work harder and faster to produce more units. This Taylorist work intensification is in fact much more common in the industry than dynamic internal flexibility schemes such as multi-skilling, team work and quality circles.

*Communication and employee relations*

Finally, the pressures to respond to market changes and increase productivity, quality and speed-to-market time require more cooperative industrial relations between management and workers and increased communication. As production becomes increasingly sophisticated and technologically advanced, management depends more and more on the inputs and cooperation of production workers. Just-in-time delivery requires that production is kept running and conflicts that can lead to work slow-downs or stoppages are avoided at all costs. But, as noted above, the level of unionization is very low in the industry. In order to keep relations smooth and tap into operator knowledge, managers have introduced a number of communication and



participation schemes to “empower” workers to air grievances and provide inputs into improving production and lowering costs.

One way some companies have tried to promote better industrial relations in a non-union setting is to set up Labor Management Councils (LMCs). LMCs were introduced in the Philippines with the help of the ILO in the late 1980’s, when labor relations were at their most tenuous and conflictual and Manila became known as the “strike capital of Asia.” LMCs have since been heavily promoted by both the DOLE and the Department of Trade and Industry (DTI), both of which provide training on setting up LMCs at a firm’s request. An LMC is a firm-level advisory group made up of representatives of management and workers who meet regularly to enhance labor-management relations, improve productivity and quality and discuss working conditions and other concerns of either group. Some advanced LMCs also discuss wage and salary issues and profitsharing schemes.

In a survey by the Bureau of Labor Relations (BLR), 39 of the 233 responding electronics firms (19 percent) claimed to have LMCs or similar groups covering a total of 48,524 workers. The study noted, however, that 10 of these LMCs were in already unionized firms and that, according to National Conciliation and Mediation Board (NCMB), there were only 13 such groups in the industry (BLR 1999). One reason often stated for the relatively low number of LMCs in the industry is that the matters it handles are addressed in other forums. Some company representatives also feared that LMCs could lead to unionization through the election of worker representatives.

Much more common in the industry are a number of other participation and communication schemes, such as monthly management meetings with rank and file, employee relations sub-departments, quality and productivity circles, Total Quality Maintenance (TQM) programs, suggestions systems and informal social gatherings. These schemes are often welcomed by both management and workers. Open communication schemes facilitate better communication and information flows between management and workers and provide a venue for workers to air grievances directly to the HRD department or top management.

However, attendance at several meeting and interviews with workers revealed that while these forums allow workers to speak, the agenda are often formally or informally controlled by management. Issues covered are usually limited to the explanation of new company rules, organization of social and athletic events, the clinic, the canteen, shuttle buses, housekeeping, safety, savings coops and community relations. Some meeting might also cover grievances, productivity issues and promotions. Yet issues like the

assignment of workers, performance standards, productivity quotas, hours of work, breaks, pay bonus formulas and wage issues remain off the agenda. Crucially, these schemes allow workers to speak out individually but, unlike unions or even LMCs, they do not encourage collective worker representation.

Other forms of participation usually revolve around improving productivity and quality and cutting costs. These include suggestions systems, quality and productivity circles and self-directed work teams. Nearly all firms had some type of suggestions system while only a few large MNCs had quality and productivity circles. Only 2 firms had fully functioning self-directed teams. Again, most workers welcome the opportunity to have some voice in decision-making regarding their work. However, investigation into such cross-functional work and problem-solving teams showed that most are led by supervisors and engineers, while operator participation was often limited to data collection at their work stations. Thus, although operators had a place on the team, most decisions regarding the introduction of changes were made by supervisors, engineers or managers.

The limited nature of operator involvement might be tied to the level of technology and production. While production is becoming more capital intensive, much of the actual work remains semi-automated, labor-intensive assembly. Under these circumstances, flexible production and quality is focused on maintaining fixed capital and not necessarily worker productivity. In other words, worker participation and empowerment are actually less critical to the success of the business than keeping the machines running. An assistant manager in charge of a large Japanese company's quality program stated flatly, "the Japanese management is no longer interested in Quality Circles. Quality Circles take one to two months before they produce a suggestion. Engineers can go directly to the line and solve the problem in one or two days." To improve quality in this company, the management simply chose to bring more engineers to the production line rather than to "empower" the workers already there.

Although the trend toward HRM, smoother industrial relations and "worker empowerment" is generally positive, it must also be noted that these strategies are primarily market- and management-led. The underlying technological and competitive demands of the industry have pushed management to develop these more sustainable forms of personnel management toward higher product quality, greater productivity, and increased internal and functional flexibility. While there is a genuine desire on the side of managers to increase communication, cooperation and skill-levels, these are usually aimed at improving profitability rather than promoting workers' repre-



sentation and collective decision-making power. This often means that management maintains significant control over the form and content of worker involvement while eschewing more collective forms of participation and genuine partnership in organizational development. Looked at closely, these schemes often offer the appearance, but not the substance, of genuine worker involvement. While HRM involves some worker input and participation, it remains a far cry from the intent of the Philippine Constitution that mandates workers' participation in policy and decision-making in matters affecting their welfare.

## Conclusion

The predominance of regular employment in the Philippine electronics industry has not prevented firms from pursuing flexible labor arrangements. The wide range of flexibility schemes deployed by these firms demonstrates that the choice is not simply between a low road, cost-cutting path and high road, skill-enhancing path. Rather, companies often draw on a vast menu of both static and dynamic flexibility schemes to lower costs while simultaneously increasing productivity and output. This has led to decidedly mixed results for Filipino workers.

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