

## Privatization Industrial Relations And Human Resource of the Metropolitan Waterworks & Sewerage System

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**T**his paper is a study of the various IR/HR changes that took place in the Metropolitan Waterworks and Sewerage System (MWSS) under privatization. This study is also an assessment of the reactions of employees toward the MWSS privatization and the collective plans of the unions.

The paper writers utilized secondary data from newspapers, newsletters, and other publications. Primary data were gathered from interviews with union officers.

Privatization is the favored policy in effecting improved changes in a public corporation. It has gained considerable degree of popularity despite the "threat of displacement" it gives to employees at first glance.

The shift from public to private ownership has brought about inevitable transformations in the industrial relations practices of MWSS as a result of reorganization/restructuring, and alteration of the existing configuration and complexion of labor-management relations. New human resource management approaches such as the Early Retirement Incentive Plan (ERIP) made available to employees who would voluntarily resign or retire rather than remain uncertain about their future in the agency are thus necessary to facilitate the transformation process.

The policy of privatization was initiated in the last years of the Marcos regime. President Corazon Aquino continued privatization as an economic recovery mechanism, recognizing the impact of private sector in the economy. Under President Fidel V. Ramos, privatization has become more widespread, so that even large government corporations like the Philippine National Bank and MWSS were subjected to privatization.

On March 30, 1996, President Ramos issued Executive Order No. 311 pursuant to the National Water Crisis Act of 1995 or Republic Act No. 8041, instructing MWSS to enter into arrangements that will result in the participation of the private sector in any or all of the segments, operations and/or facilities of MWSS through the Build-Operate-Transfer (BOT) scheme for the financing, construction, repair, rehabilitation and improvement, and operation of water facilities and projects related to consumers.

Privatization of the MWSS was initiated by the government to address the water crisis of the country. With privatization, the government would be able to increase the efficiency and reduce the losses of waterworks systems. It is envisioned to improve performance and assure more efficient use of resources, thus allowing government to support other priority projects in line with national objectives. However, many skeptics especially the unions view privatization as a maneuver of the International Monetary Fund – World Bank (IMF-WB) to exploit developing countries.

## **PROPOSED PRIVATIZATION OF MWSS**

### **Problems of MWSS**

The deteriorating condition of the physical environment brought about by man's squandering of the natural resources poses a threat to MWSS's water sources. The illegal logging in Angat watershed and the quarrying activities in Bulacan and Rizal which are within the distance of tributary river systems continue to decrease the volume and diminish the quality of water being supplied to MWSS catchment basins. These activities have drastically changed the area's landscape to sustain the country's booming construction industry. Unless drastic measures are adopted, the southwestern Sierra Madre Watershed will continue to deteriorate. The protection of river systems is difficult to institute since people who have acquired lands along and adjacent to the river banks are using them for agricultural production.

Numerous squatters have also established their dwellings near La Mesa Dam and other blighted areas in Metro Manila where MWSS's main sewerage lines are laid underground. This makes it difficult for MWSS to repair its facilities and detect illegal water connections which are prevalent in such areas.

According to a study of the International Finance Corporation (IFC), the private sector development arm of the World Bank Group, MWSS lacks the "entrepreneurial spirit" required to adopt a commercial approach. The IFC acts as lead advisor on the proposed privatization of the MWSS. It was commissioned "not only to provide the techniques of privatization but also to improve quality of life in Metro Manila" (The Pipeline, 1995).

### **The National Water Crisis Act of 1995**

President Fidel V. Ramos signed in June 1995 Republic Act 8041 or the National Water Crisis Act of 1995, which gives the President the prerogative to revamp and reorganize the MWSS and Local Water Utilities Administration (LWUA) and the authority to privatize these agencies and enter into negotiated contracts under the Build-Operate-Transfer (BOT) scheme.

The privatization plan, "the first large-scale" according to the IFC, was deemed necessary to avert a water supply crisis by improving the operating efficiency of the MWSS and rehabilitating its facilities. The water crisis in effect has constrained MWSS to serve only 60 per cent of its franchise area. And for some of these serviced areas, water is even delivered for only 12 hours a day.

The privatization of MWSS was strongly supported by the government as an initiative to address the water crisis. According to the IFC, privatization has proven to be effective in increasing the efficiency and reducing the losses of waterworks systems in other parts of the world citing the example of Macau where non-revenue water is now only 12 per cent, down from 50 per cent before it was privatized 10 years ago. Buenos Aires and Argentina had the same experience.

On March 20, 1996, President Ramos issued Executive Order No. 311 pursuant to the National Water Crisis Act of 1995 (R.A. No.8041), taking MWSS off the list of government-owned or controlled corporations and instructing the agency to enter into "arrangements that will result in the involvement and participation of the private sector in any or all of the segments, operations and/or facilities of MWSS." The executive order provides that the involvement or participation of the private sector may include but shall not be limited to franchising, concession, management or other arrangements, contracts for projects to be implemented under Build-Operate-Transfer (BOT) schemes for the financing, construction, repair, rehabilitation and improvement and operation of water facilities and projects related to consumers. President Ramos, in explaining the rationale for encouraging the participation of the private sector in MWSS operations, emphasized that "it is the policy of the State to encourage the private sector as the main engine for economic growth and development, to engage or undertake the financ-

ing, construction, operation and maintenance of infrastructure and development projects including those involving water supply and sewerage.”

Executive Order No. 311 paved the way for the MWSS Board of Trustees to approve in principle, the initial recommendation of the IFC to turn over MWSS operations to two private concessionaires as part of the agency's privatization process.

**TABLE 1**  
**MWSS Privatization at a Glance**

<i>Type of Privatization:</i>	<i>Lease Concession</i>
<i>Length of Control:</i>	<i>25 years Estimated</i>
<i>Contract Price:</i>	<i>\$4 billion or more</i>
<i>Type and Number of Concessionaires:</i>	<i>At least 60 per cent Filipino-owned and two concessionaires</i>
<i>Concessionaires' role:</i>	<i>Responsible for operations, management and investment</i>
<i>MWSS's role:</i>	<i>Will retain ownership of fixed assets and serve as regulatory/supervisory body</i>
<i>Number of Concessions:</i>	<i>Two (with MWSS service area to be segregated into two geographically separate areas)</i>

**How MWSS will be segregated?**

<b>WEST</b> (served by Balara Treatment Plant)	<b>EAST</b> ( served by La Mesa Treatment Plant)
<i>All parts of:</i>	<i>All parts of:</i>
<i>Central Sector</i>	<i>East Sector</i>
<i>Southeast Sector</i>	<i>Northeast Sector</i>
<i>East Sector</i>	<i>North Sector</i>
	<i>Central Sector</i>
	<i>West Sector</i>
	<i>Southwest Sector</i>
	<i>Southeast Sector</i>
	<i>South Sector</i>

The privatization study undertaken by the IFC suggests that the ownership and regulatory functions of the existing water supply infrastructure such as the Angat, La Mesa and Ipo Dams should remain with the government while the operations and management of the entire system shall be awarded to the highest bidders.

### **The IR/HR Set-up and Profile of MWSS Employees**

As of December 31, 1995, MWSS's workforce totalled 8,161 (classified into 4,616 regular employees and 3,545 casual or contractual employees). In terms of distribution by rank, this number translates to one Administrator, one Sr. Deputy Administrator, six Deputy Administrators, 28 Department Managers, 8 Project Managers, 93 Division Chiefs, 200 Section Chiefs and 7,824 rank and file personnel.

### **Pay System and Benefits**

The salary structure at MWSS has been established and maintained by the Department of Budget and Management (DBM), as the agency is under the umbrella of the Civil Service Commission (CSC).

An ordinary employee can either have a regular, casual or contractual status. Under the regular status, he can either be issued a permanent or temporary appointment depending on whether he meets the required eligibility of the position. In view of this definition, compensation packages of both permanent and temporary employees do not practically differ from each other.

The compensation package enjoyed by the MWSS employees are the following:

- SALARY - mandated by Law in accordance with the Salary Standardization Law
- COLA
- Personal Emergency Relief Allowance (PERA)
- Longevity Pay
- Step Increment
- Representation/Transportation Allowance (RATA)
- Children's Allowance
- Rice Allowance
- Uniform Allowance
- Medical Allowance
- Loyalty Allowance
- Meal Allowance
- Anniversary Bonus
- Mid-year Financial Assistance (MYFA)
- Christmas Bonus and Cash Gift (CBCG)
- Year-end Financial Assistance (YEFA)
- Productivity Incentive Benefit - Scanlon Plan

Longevity pay, step increment and RATA are only given to regular employees. Allowances enjoyed by both regular and casual employees are children's allowance, rice allowance, uniform allowance, medical allowance, loyalty allowance, PERA and COLA. Allowances that are enjoyed by regular, casual and contractual employees are meal allowance, anniversary bonus, MYFA, CBCG, YEFA and the productivity incentive benefit. MWSS employees receive these additional benefits equivalent to an average of P4,500.00 per month for regular employees and around P3,200.00 per month for casual employees.

### **Recruitment Process**

The specific procedures for recruiting employees have been established by the MWSS following CSC guidelines on the same. Hiring of new employees (external) are subject to approval by the CSC because of the Attrition Law. The CSC publication requirement covers the filling up of vacancies for regular plantilla positions and posting of vacancies for both casual and regular positions for 10 days. Applications of candidates and administration of tests are handled by the Personnel Management Department (PMD). Candidates who meet the minimum requirements of the position are sent by PMD to the requisitioning official who in turn screens these candidates through personal interview.

### **Promotion Procedures**

As with the recruitment process, promotions in MWSS are governed by pertinent CSC rules. A Selection Board has been established for this purpose. The Board is chaired by the Sr. Deputy Administrator, and three other members composed of the manager of the PMD, a representative from the duly recognized bargaining union, and the line manager where the vacancy exists. In the case of casual employees, the project manager generally chairs and there is no union representation. The Selection Board uses the individual assessment sheet or applicant's profile as a system to determine a candidate's qualifications. The candidate who gets the highest number of points is usually recommended to the position. An employee selected for promotion must not only meet the minimum academic and experience criteria but all minimum requirements of the position such as performance, education and training, experience and outstanding accomplishments, physical characteristics, and personality traits and potential.

### **Training Opportunities and Development**

The Human Resource Development Department (HRDD) which handles training programs reported in its Annual Report in 1995 that over 4,000 MWSS employees attended various training programs in 1995, involving 220 courses.

The HRDD prepared a Five-Year Plan for the period 1996-2000, which gives clear direction on where training and development is projected in the next five years. The Plan takes into account the Water Crisis Act and the MWSS Vision and Mission for the Philippines 2000. In addition, developments on the sectoralization program and the implementation of the Information Systems Plan (ISP) have been incorporated.

The Five Year Plan includes the following assumptions: top management supports the HRDD initiatives, the projects due to be completed in the next five years will be implemented, for example, the ISP and Manila Water Supply Project III, cost-cutting laid out in the Water Crisis Act will not affect the training budget, and changes envisaged in the Sectoralization program and the changes in the management program complement the implementation of the Information Systems Program (ISP).

The Plan proposes developments in three key areas, namely:

1. Technical and Skills Development

- in Information Technology for IT staff and others
- for employees who are commissioned to operate the project once completed
- for employees who are directly responsible for the reduction of non-revenue water (NRW)
- for environment and sanitation personnel connected with sewerage and sewage treatment aspects
- in maintaining the core skills development programs such as engine mechanics, welding, plumbing and tool keeping

2. Management Programs

- for managers and supervisors
- for potential managers and supervisors (this is especially relevant in view of the high turn-over rate of employees of this level)
- enhancement of positive values and attitudes towards work
- preparation of non-technical staff for the introduction of ISP
- enhancement of employees' customer service skills

3. Manpower Planning

- manpower forecasting in connection with yearly manpower audit
- planning job rotation two years after the on-going reorganization that 50% of the total workforce will receive formal training by the year 2000
- press for overseas training to develop best practice, including exchange programs particularly with more advanced ASEAN countries.

### **IR Profile**

Unionism in MWSS started in the early 1950s through the leadership of the Kaisahan at Kapatiran ng Manggagawa at Kawani ng MWSS (KKMK) under a certain Mr. Umbak as President. The operations of KKMK were suspended when Martial Law prohibited unionism in 1972. On September 7, 1987, the KKMK was revived in MWSS through the joint efforts of Mr. Genaro Bautista who was then the President and Mr. Prudencio Cruz. In the same year, another union, the MWSS Employees' Union (MEU) registered with the Bureau of Labor Relations as affiliate of COURAGE. The MEU was organized as a response to the changes in the labor market, specifically to protect casual employees being terminated. It is an organization which started with about 2,000 casual employees of MWSS headed by Ms. Elizabeth Nuyad as President. The MEU is an assertive and radical labor union backed by COURAGE. It reacts to issues affecting employees and is critical of management's move that would adversely affect workers. However, for the last seven years, the MEU has not held any elections so that the number of members waned. Nonetheless, their presence is still very much felt particularly on the reorganization and privatization of MWSS.

During the 1989 Certification Election conducted by the Bureau of Labor Relations, the MEU lost and the KKMK won by an overwhelming vote. Currently, the KKMK has about 6,000 members or 75% of the total number of workforce in MWSS. However, there is conflict within the KKMK leadership as the group of former President Mr. Genaro C. Bautista opposed the presidency of Mr. Prudencio Cruz. There were legal actions taken to this effect which even reached the Supreme Court. In the end, the Supreme Court decided in favor of Mr. Cruz's presidency. In 1993 during the election of officers, the group of Mr. Bautista did not concede when Mr. Cruz won as KKMK President.

Another union, the MWSS Workers' Union (MWU), participated in the 1989 Certification Election but lost. It is also a registered union but is now inactive.

## **PRIVATIZATION ISSUES**

### **Organizational Restructuring**

Even before the approval of the Water Crisis Act of 1995, employees have been in distress over their future with the agency. Fear of privatization is evident among employees, particularly regarding how the process of privatization will affect them. Administrator Angel L. Lazaro has asked all employees and the workers' representatives through the KKMK to work with the privatization team as he expressed commitment to protect the workers'



rights. MWSS cluster groups have been formed to foster better communication and integrate inputs from employees. Through these cluster groups, fact sheets and newsletters are provided to employees with the most important and up-to-date information regarding the privatization process. Roundtable discussions and series of meetings have also been organized, especially those dealing with employees' welfare.

The reorganization of MWSS took place in compliance with Executive Order No. 286 issued by President Ramos on December 6, 1995. The reorganization "is designed to streamline and correct dysfunctions in the structure and operations of the MWSS and the LWUA to enable them to become more effective, efficient and responsive to the country's needs for potable water, as well to prepare the groundwork for their eventual privatization." The President points out that the reorganization is consistent with the reorganization plan proposed by the Joint-Executive-Legislative Water Crisis Commission created under the Water Crisis Act which came up with the plan after working it out with representatives of the MWSS and LWUA.

Under the reorganization plan, the MWSS will remain under the leadership of an Administrator who shall be Chief Executive Officer. He shall however, be assisted by two Sr. Deputy Administrators, one for Operations and Customers Service and another for Resources Development and Management. There will be four Deputy Administrators instead of six. These deputies will be for the areas of Engineering and Construction, Finance and Administration, and Customers Service which will have two Deputy administrators that will manage each of the two districts into which the area will be divided. This new set-up is consistent with the efforts to decentralize MWSS services under the sectoralization scheme to ensure better public service. The number of departments will also be reduced under the new plan, with Health and Safety Department being merged with Personnel Management Department, and Procurement being combined with General Services and Central Maintenance integrated with the Operations. This will necessarily reduce the number of department managers although under the law they will continue receiving their old compensation until they are due for retirement, after which, their positions will have to be abolished.

To date, MWSS has been directed by the DBM to prepare their detailed staffing patterns that will account for all positions in the organization and their corresponding budgetary and resource rearrangements. Included is a thorough personnel audit to determine manpower requirements and inventory of all contractual employees, including casual and temporary employees to determine the need for the continuation of their services. It has been strictly emphasized by the Budget agency that in no case shall the staffing pattern exceed the number of existing authorized regular positions which run to

6,322. This means that around 2,000 employees will have to be affected by the impending reorganization (The Pipeline, 1996).

### **Employees' Reactions**

In May, 1996, the KKKMK, MEU and MWU issued a statement opposing the privatization of the MWSS. The following were the issues raised against privatization:

1. The new Administrator works for the full privatization of the MWSS instead of implementing measures contained in the Water Crisis Act of 1995, i.e., reorganization of MWSS, fast-track implementation of water infrastructure projects, and control of water pilferage. Taken in another context, privatization is "a huge mountain of money which its brokers are trying to hide behind the curtain of water shortage."
2. Privatized water utilities have always resulted in increases in tariff. The rare exception only occurs because the tariff is jacked-up too high prior to privatization and property rights provide offshoots to private capital. Competition is eliminated through various cross-ownership schemes such as mergers, joint-ventures, take-overs and initial public offerings. The bidding and the prices are therefore rigged to favor the assigned consortium.
3. Privatization prospers because politicians opened the door to allow the "consortium" to enter. Political independence is therefore very far from the truth.
4. Private utilities reduce personnel by assigning more jobs to contractors. While the total number of workers could even be higher due to the addition of more contractors, it is made to appear that the number of employees is reduced. The reduced cost is therefore a myth and the staff reduction is just a sleight of hand.
5. Privatization will not relieve the government of financial burden because the private sector will not bring in substantial capital. In reality, the operator brings in only a trickle of money to the enterprise. The bulk of capitalization is obtained through traditional financial sources in the form of loans which increase the financial burden of the enterprise and its customers. The unions call this "ginigisa sa sariling mantika."

The union claimed that the root of the problem in MWSS is the frequent changes in administrators. In the last 12 years, MWSS has witnessed a succession of administrators every two (2) years. And since most of them come from the outside armed only with "good intentions" and some hidden

agenda, the MWSS always ends up with a water crisis to boot. Thus, for the unions, full privatization of MWSS is not the solution.

According to the unions, the following may ensue if MWSS were privatized:

- **Mass Lay-offs.** Tremendous waste of human resources and an alarming rise in social problems due to painful dislocations. Because of the loss in workforce, it is highly unlikely that the government can re-absorb the MWSS after the 25 years concession period proposed. It is therefore a painful one-way street for the consumers and the MWSS workers.
- **High Tariff** increases to maximize profits, or massive transfer of property rights to offset the required capital to make it appear that the required tariff increase is only minimal. But in either case, the real cost in terms of public resources transferred to the “consortium” will be very high.
- **Lopsided Priorities** in water service allocation. Better service to the few rich and famous and minimal service to the poor majority who cannot afford.
- **Improved operation**, particularly for the affluent segments of the service area. But these improvements could also be achieved faster and at lower cost without resorting to privatization.
- **Business Development** to exploit most of MWSS assets, by virtue of the long-term concession, at the expense of the government and the common people. The “consortium” could become an economic monster which will suck the economic blood of the people in the Greater Metropolitan Area (GMA) because of its virtual control over life-giving water.

In short, the three labor unions considered privatization as nothing but a complicated scam to produce a lot of money for its brokers and to promote economic enslavement of consumers in the GMA. They compared it to a buy-and-sell operation wherein the brokers move heaven and earth to get the owners and the buyers to agree. Only this time, the representatives of the owners and buyers have become the brokers - thus practically ensuring a major rip-off unless the real owners, the employees and the consumers, speak up.

In lieu of privatization, the workers' unions proposed the following alternative solutions:

1. The policy of MWSS should be revised, from total privatization to controlled public sector participation. This should be accompanied by a more serious and honest revamp of its officers based on merit, fitness and

integrity. The officers responsible for failed projects in the past should step down, as well as those with pending charges in the Ombudsman as of December 1995. Only if they can clear their name in the future should they be considered for reinstatement.

2. The program prescribed in the Water Crisis Act should be implemented vigorously.

- Shortage of water supply should be addressed by implementing immediately source development of projects under BOT or its variants, where private sector participation can be effective but controllable;
- The anti-pilferage provisions should be applied on the thousands of cases of illegal water use; and
- The reorganization of MWSS should proceed without mass layoffs through appropriate reassignment of personnel and/or attrition resulting from early retirement as may be applicable, instead of the "sleight of hand" tactics being applied at present.

3. A management contract type of private sector participation may be applied in some cases where the water distribution system is suffering from very high losses. In this way, privatization in limited scale and time duration can be tested without committing MWSS to an irreversible direction.

4. An honest review of MWSS assets should be undertaken in order to maximize land-use utilization and contribute to its revenues.

5. As corruption is one of the main problems in MWSS, the accumulated complaints filed in the Ombudsman against its officials and employees should be prosecuted expeditiously.

### **KKMK Position**

An actual interview with KKMK President Mr. Prudencio Cruz, who has been tagged by his critic, former KKMK President Mr. Genaro C. Bautista, as pro-management, made favorable views on privatization. Mr. Cruz said that since privatization is in the offing and is mandated by law, the employees could not do anything but accept it. He also negated some misconceptions about privatization saying that no negotiated contract exists and that privatization shall be done through public bidding and that employees are not generally affected and many employees of MWSS voluntarily left the service and availed of the Early Retirement Plan (ERIP) offered in June 1996 which was attractively packaged. The ERIP covered both regular and casual employees.

Mr. Cruz admitted that the management and KKMK enjoy harmonious relations because there was consultation done with the workers through their group. In fact, Mr. Cruz sits as the vice-chairman of the Labor-Man-

agement Committee on Privatization which has been tasked to prepare proposals for inclusion in the concessionaire's agreement. According to Mr. Cruz, the issues which his Committee proposed and were incorporated in the agreement included the following:

1. The 5,999 employees who may be displaced after reorganization should be mandatorily accepted in the new private set-up. In case employees do not like their new positions, the 100 eligible employees should be allowed to avail of the ERIP.
2. In case of redundancy, there will be another ERIP to be offered or the employees may opt to transfer.
3. All government services provided by employees should be paid by the MWSS including leave credits. These employees will start at zero base credit in the privatized MWSS.
4. Employees who are members of the union and are actively involved in union activities cannot be sued and fired out by private concessionaires.
5. Increased pay plan should be adopted. The new pay scheme should be comparable to that of the Philippine Long Distance Telephone Company (PLDT). A 20% across-the-board salary increase is also proposed.

In short, Mr. Cruz pointed out that the union is no longer threatened by the privatization scheme of MWSS because they envisioned increased salary rates, high quality public service and more welfare benefits as offshoots. Besides, under the new private set-up, there will be no hindrance/restriction on the part of the union because it will have more rights and power. Unlike in a government set-up, they will now be free to negotiate and stage a strike if necessary. Mr. Cruz emphasized that, "in a government office, the union has no teeth."

#### **MEU-COURAGE Position**

Ms. Beth Nuyad, President of MEU-COURAGE, strongly opposed the privatization of MWSS because of the threat to employment security it poses, particularly for them who are casual employees. With the new set-up, the Qualification Standards will have to be a changed which may disqualify some of them. New employees will be hired by the management. It is expected that with the private ownership, there will be massive rehabilitation because of poor water facilities which will entail huge amount of money. Because of this, the would-be private owner will most likely resort to personnel reduction and increased tariff rate to the detriment of the consumers

to gain profits and to enable them to pay their amortization to the government.

The MEU-COURAGE stressed out that privatization poses problems of mass lay-offs, contractualization of employees, increased tariff rates to consumers, control of employees' rights, as the private owner will issue the "no union, no strike" policy.

The MEU-COURAGE emphasized that the Constitution prohibits privatization of water supply. They considered privatization as an exploitative scheme of the International Monetary Fund – World Bank (IMF-WB) and as a prescribed conditionality to avail of loans.

### **Privatization and Industrial Relations and Human Resources Issues and Perspectives**

Using Dunlop's (1993) framework, the present MWSS Industrial Relations set-up consists of three actors, namely: the government, as represented by the national government through its special agencies such as DPWH, CSC, DBM, Commission on Audit (COA) and other agencies having regulatory and supervisory control over the operations of the MWSS; management, also represented by the government through its representatives in the Board of Trustees and the hierarchy of managers and officers of MWSS, charged with managing the operations of the Water Agency; and, employees, represented by the rank-and-file employees and the employees' authorized collective bargaining agent, the KKKM, and other existing unions in MWSS.

Under this present set-up, the government exerts a powerful influence over the determination of work rules. The government as an actor in the IR system has the edge in terms of political and economic power in the process of determining the web of rules which constitute the output of the system. The physical and the socio-political environments also exert powerful influence in shaping the work rules as posited by Cooke (1985). This is exemplified by the inability of the government to effectively control illegal logging particularly in the watershed areas and enforce anti-pollution laws to avert continued pollution of rivers, lakes and groundwater, etc. While the government has shown its concern on these issues, approach is anchored on the premise that the solution to these problems require a wholistic approach which includes the restructuring of the agencies concerned with the provision of water supply. The National Water Crisis Act of 1995 provides an important opportunity to take such initiative. As far as the MWSS management is concerned, there is this perception that it lacks the entrepreneurial spirit observed in many Philippine corporations. Considering the absence of competitors and the fact that it is an agency of DPWH with a culture of providing public services, MWSS has consequently developed a culture of complacency in its operations.

Under the present set-up, even if MWSS adopts a commercial approach, in practice it is still managed and controlled as a public sector body. MWSS management finds this dichotomy a problem for the effective discharge of its responsibilities. The organization is choked with bureaucratic procedures which discourage individual managers from exercising initiative and taking responsibility.

The intent of government to privatize MWSS clearly shows that it is holding on to its enterprise rationality which is the logic of getting maximum results at minimum cost (Barbash, 1984). Privatization is seen as the key to bring about the much needed financing, resources and expertise necessary to transform MWSS into an agency that provides clean, safe and 24-hour water service. It is also regarded as a key to avail of the management skills and expertise of the private sector to address the serious water crisis. President Ramos has emphasized this when he issued Executive Order No. 311 turning over the operation of MWSS to private concessionaires.

For MWSS, accepting the challenge of change is never an easy option, and there has to be sufficient incentives to do so. In the private sector, such incentives are forced by pressures of the marketplace and the need to survive. Public organizations operate in a more sheltered environment. Thus, the private sector is being invited to participate in running traditional public utility service like the MWSS as it provides the impetus and the opportunity to make changes that would not otherwise be possible. President Ramos issued Executive Order No. 286 last December 6, 1995, streamlining and correcting the dysfunctions on the structure and operations of the MWSS thus setting in the wheels of change at the agency. A total of about 2,000 employees are expected to be affected by the on-going reorganization which will precede the System's eventual privatization. This is in line with the "organizational restructuring and downsizing which appears today to be more than the norm than the exception as companies try to maintain marketplace flexibility and responsiveness to more adeptly meet the competitive challenge head on" (Cohen, 1994).

As far as the workers' perspectives are concerned, the privatization of MWSS will have an impact on the unions particularly the KKKMK. The KKKMK having the largest number of members and being an accredited bargaining unit in MWSS, will be emboldened because of the transformation in its bargaining structure. First, it will take a new personality under the new privatized set-up because under Book V of the Labor Code, the employees will have the right to self-organization and to form, join or assist labor organizations of their own choosing for purposes of collective bargaining rather than mere negotiation. There will now be less restriction on the part of the union as it now assumes legitimate personality as a labor union with a right to strike which is not allowed under Executive Order No. 180 (Chapter I, Title VIII, Book V, Labor Code).

Therefore, there will now be real unionism and shared participation has become distinct and stronger than the old set-up. It should be noted that KKMK has established good rapport with the management because the latter involves the KKMK in important policy and decision-making activities. In fact, the KKMK President is the vice-chairman of the LMC on Privatization with a voice to include protective issues on employees' welfare and benefits in the concessionaire's agreement. Moreover, the grievance and complaint machinery will be on a higher level. Disputes on issues affecting labor between the new management and the workers/employees shall now be under the original and exclusive jurisdiction of the labor arbiters, and the National Labor Relations Commission shall have appellate jurisdiction over all cases decided by labor arbiters (Article 217 (a) and (b), Labor Code).

Furthermore, the new structure will also enlarge the scope or coverage of negotiable issues with the new management. Unlike in public sector unionism, matters which are fixed by law like salary increases, promotion, appointment, among others, are outrightly non-negotiable. Under the new character of the KKMK in the privatized MWSS, it can bargain issues on terms and conditions of employment.

In view of these strengths of the union under the private set-up, the unions specifically the KKMK being the recognized sole bargaining unit in the MWSS will likely increase its relative power and bargaining leverage vis-à-vis the new management (Cooke, 1985).

As regards the perceived implication of privatization in the human resource management, the following issues may be considered:

1. Under the present set-up, there is a Five-Year Plan by the Human Resource Development Department which includes a Training and Development Plan for MWSS personnel. However, effective training of employees are constrained by the finances of the organization and because of the fact that personnel policies are being determined by the Civil Service Commission and the DBM. With privatization, training of employees should be geared towards meeting the competitiveness that lies ahead. Training programs have to be re-designed to make the employees more effective. It is important to instill the concept of "quality" into the workplace. There must be a conscious "focusing in the importance of human resource development to improve employees' job performance" (Nadler and Nadler, 1994). The use of fast and effective procedures and reduction of red tapes are examples. Massive retraining of employees and cultural exchange programs as envisioned in the training strategy are essential ingredients in changing attitudes and ingrained habits.

2. On compensation, Kochan and Dyer (1993) mentioned that "basic compensation structure must be seen as internally equitable of employees at various levels in different functions." As far as the present salary structure of



MWSS is concerned, it was established and maintained by the DBM as common across the whole of the Civil Service. There is a general impression that MWSS employees are not highly motivated because of low pay. Under the Water Crisis Act, there is a scope to increase the employees' salaries. Under Executive Order No. 286, MWSS has been authorized to adopt a revised and upgraded position classification and compensation package subject to certain conditions, including the compensation rates being commensurate to the improved and efficient revenue collection of the agency.

## CONCLUSION

The IR/HR dimension of privatization requires that people whose lives are affected by a decision must be a part of the decision-making process. What is important is that MWSS employees are informed of the privatization process and how the various components of privatization will affect them.

The recognized union in MWSS, the KKKMK, which is comprised of 75% of the MWSS workforce, will be bolstered under the privatized set-up. Not only because of its large membership and long existence (since 1950s) but because of its general acceptance of the privatization scheme in the MWSS. It should be noted that at first the KKKMK joined the MEU and MWU in opposing the privatization of the MWSS. Later, however the KKKMK made reversal views seemingly conceding to the privatization move. In fact, the KKKMK participated in the LMC on privatization representing the employees. The more conciliatory stance the KKKMK now adopts may be considered by the new ownership as a sign of support and this would mean a good kick off point for the new management to implement new programs and strategies.

The ERIP has been an effective strategy of the management. At least 2,200 employees are quite contented now because of the attractive monetary package it offered which can be considered higher than what the existing law provides. Another influence or factor which made the employees less threatened by the privatization of the MWSS is the active participation of the union President, Mr. Cruz, in the LMC on Privatization which is a clear indication that the employees' views are heard and respected by management. The employees are regularly informed of the proposal for better welfare benefits and other protective policies. This has "cushioning effect" on the employees.

Meanwhile, the MEU will continue to adopt a strategy to assert its position against privatization. At worst, it could even take mass action. Workers, according to Hyman (1975), devise strategies to satisfy their aspirations or to redress their grievances. Such strategies involved in part the attempt to control the work relations in which they are involved. The MEU is the more threatened group because they are casual employees which according to CSC rules and regulations really have no security of tenure. Since this

union is affiliated with COURAGE” which considers privatization as the “highest level of imperialism,” they are expected to be militant in their effort to preserve the MWSS.

In general, the employees of the MWSS are now on a “wait-and-see” stance hoping for a better tomorrow. Since information dissemination is strong in MWSS, the employees will be more keen on the developments on the issue. They generally believe that something good will come out of the MWSS privatization because of MWSS’s leadership’s expressed commitment to employees welfare.

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