

# POLICY BRIEF

GLOBALIZATION, ADJUSTMENT AND THE CHALLENGE OF INCLUSIVE GROWTH

Number 4

ISSN # 2094-3342



De La Salle University

**AKI**

Angelo King Institute  
for Economic and Business Studies



## THE CHALLENGES OF FIRM-LEVEL ADJUSTMENT, PRODUCTIVITY, AND WORKERS' WELFARE UNDER GLOBALIZATION: CASE STUDIES, INSIGHTS, AND POLICY RECOMMENDATIONS

**With globalization intensifying, poverty reduction remains a major concern—for both government and private enterprises.**

Past and present governments focus on reducing poverty by preserving and creating jobs through industry competitiveness within a labor policy that promotes decent work. Among its steps include skills-building and education programs, infrastructure development, and a reduced fiscal deficit. Meanwhile, technology and skills upgrading or the “high road” approach towards increased productivity and competitiveness undertaken by selected Philippine enterprises featured social partnership between employers and workers.

This paper documented successful social partnership experiences of 16 companies in coping with increased competition resulting from globalization. It concluded that the practice of social partnership is beneficial to both employers and workers, allowing them to ride the tide of globalization.

This new involvement of employer-labor social partnership included projects and programs on corporate social responsibility (CSR), ranging from quality circle to open book

management, from profit-sharing to establishing employees cooperative, from trade union organizing, collective bargaining to employee representation in the governing board.

Under the concept of “big brother, small brother” expanded social partnership, the scope of this employer-labor social partnership has included new actors like the dependents of employees, non-regular workers, suppliers, and the community residents where the company operates.

The social partnership in the 16 companies increased productivity, promoted industrial peace, improved communications between labor and management, and raised industry compensation and benefits above standards. With better relations, there is no strike and lock out, minimal to zero grievances, minimal union-initiated labor cases, and speedy collective bargaining negotiations.

With such benefits, this paper has come out with several recommendations. Principal is cascading these good

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practices to smaller firms, which employ the bigger bulk of the labor force.

Employer initiatives on CSR should be supported not only by their employees but also by other stakeholders, as illustrated in both unionized and non-unionized establishments shown in this paper. An example of this initiative is SM's "Big Brother, Small Brother" partnership in job preservation and job creation.

Two major areas for social partnerships are policy implementation and formulation.

Various social accords among employers, trade unions, and government should not be limited to contract signing and publicity. For instance, the "Social Accord for Industrial Peace and Instability" signed on 4 October 2004 by the Employers Confederation of the Philippines (ECOP), the trade union federations Trade Union Congress of the Philippines (TUCP), Federation of Filipino Workers (FFW), and Trade Union of the Philippines and Allied Services (TUPAS); and the Department of Labor and Employment (DOLE) should be transformed into concrete activities, projects, and projects.

There is also a need to expand the operations of the Tripartite Industrial Peace Council (TIPC) to provincial, city, municipality, barangay, and industry levels.

Republic Act 9481, or An Act to Strengthen Right to Self-Organization and Collective Bargaining, should be supported by the social partners to promote trade union organizing and CBA. As illustrated in the case studies, employers and trade union cooperation contributes to productivity and decent work. For those who opted for non-unionized form of social partnership, alternative interventions featured in this paper resulted in the same

outcomes—industry productivity, labor empowerment, and improved working conditions.

The voluntary adoption in Philippine enterprises of the Employees Stock Option Plan (ESOP), which has been successfully implemented by the Philippine Air Lines, can be refiled at the Philippine Congress now that it has shown very positive results.

Employee representation in governing boards of government corporations like those at the University of the Philippines (UP), Government Service Insurance System (GSIS), Employees' Compensation Commission (ECC), and Overseas Workers' Welfare Assistance (OWWA) should be expanded to other state corporations, and possibly, encouraged for adoption in private enterprises.

The Securities and Exchange Commission (SEC) should encourage elected employee representatives as possible occupants of the two seats allotted for independent directors for publicly-listed firms.

Another area ripe for social partnerships is the promotion of Philippine quality standards enshrined in the Philippine Quality Award Act under Republic Act 9013 and other laws.

Among others, social actors should campaign for the division of the PQA

standards into various categories similar to the ISO (9000, 14,000, and so on), give more incentives to enterprises that voluntarily comply with the PQA, and work for the patronage of PQA-complaint enterprises.

Philippine retailers like SM should also champion compliance to all Philippine standards like Department Order No. 57-04 for labor standards, Department of Trade and Industry (DTI) standards for electrical products, Bureau of Food and Drugs (BFAD) standards for food and drugs, and ban on selling of pirated DVDs and CDs of local films and music and other smuggled products.

Related to this, social actors should include the campaign for patronage of local products following Philippine quality standards and battle against smuggling as effective mechanism to generate and preserve jobs.

Finally, social partnerships should also be extended to principal and subcontractors and suppliers in the form of educational and technical assistance to enable them to comply with local and international quality standards in exchange for continuous patronage of their products and services.

Given the reality of globalization, recognizing social responsibility and forming social partnerships are fundamentally strategic for all stakeholders.

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