

HOW ESTABLISHMENTS COPE WITH GLOBALIZATION AND FINANCIAL CRISIS?

*Highlights of Results of 1999 Industrial Relations at the Workplace Survey
(Seventh of a Seven-Part Series)*

In 1999, the Bureau of Labor and Employment Statistics (BLES) conducted the second round of the Industrial Relations at the Workplace Survey. The first round was undertaken in 1995. This survey aims to determine the existing employment and wage policies and practices and existing labor-management relations in non-agricultural establishments. In 1999, the survey also included inquiries on the mechanisms developed by establishments in coping with the possible effects of globalization and on measures implemented or plan to be implemented to cope with the financial crisis. The survey covers an estimated of 21,527 establishments with at least 20 workers nationwide and in 12 major industry groups. Excluded are the establishments in the public sector except government corporations.

This issue, the last of the seven-part series, tackles the various mechanisms developed by unionized and non-unionized establishments and by wholly Filipino-owned establishments and those with foreign capital to cope with the effects of globalization. **Globalization** as discussed in this paper refers to the increasingly freer movement of capital, managerial skills and

technical expertise across countries amid decreasing impediments to such movements. It is characterized by increasing economic liberalization and falling tariff barriers, integrated financial markets and multinational companies that operate on the premise of homogeneous world market. This issue also includes the measures implemented or plan to be implemented to address the impact of Asian financial crisis.

ESTABLISHMENTS WITH COPING MECHANISMS

In order for firms to survive an environment in global market, they should be more competitive --- their products, services and human resources must be competitive. And to become one and to cope with the other possible effects of globalization, they should carry out measures to address such.

To this effect, this survey made inquiry as to whether or not establishments have already developed coping mechanisms.

- Some 6,736 establishments or 31.3 percent out of the total establishments have already developed mechanisms.
- A total of 6,341 establishments (29.5%) were still in the process of developing.
- A much bigger proportion (39.2%), however, has not yet developed mechanisms as of the survey period.
- Establishments which have carried out measures in their business operations were more evident in the following industries: financial intermediation (54.6%); electricity, gas and water (40.7%); mining and quarrying (40.2%); hotels and restaurants (37.9%); and manufacturing (33.9%).

Percent Distribution of Establishments Whether or Not They Have Developed Mechanisms to Cope with Globalization by Major Industry Group Philippines: 1999
(In percent except total)

Industry	Total	Yes	No	Still Developing
ALL INDUSTRIES	21,527	31.3	39.2	29.5
Mining & Quarrying	102	40.2	38.2	21.6
Manufacturing	5,840	33.9	32.1	34.1
Electricity, Gas & Water	396	40.7	23.2	36.1
Construction	753	21.9	46.3	31.7
Wholesale & Retail Trade	5,162	23.9	47.3	28.8
Hotels & Restaurants	2,219	37.9	41.9	20.2
Transport, Storage & Communication	1,184	26.7	43.4	29.9
Financial Intermediation	1,246	54.6	21.0	24.5
Real Estates, Renting & Business Activity	1,653	26.3	42.9	30.8
Private Education Services	1,957	30.6	41.8	27.6
Health & Social Work Except Public	458	29.5	41.7	28.8
Other Community, Social & Personal Service Activities	557	27.5	41.3	31.2

- A little less than half of the total unionized establishments (47.0% or 2,003) have developed mechanisms in order to survive the impact of globalization.

- Only 27.4 percent (4,734) of the total non-unionized establishments implemented measures in response to globalization.
- By type of ownership, establishments with foreign capital posted higher percentage of establishments adopting mechanisms than wholly Filipino-owned establishments (46.9% vs. 28.6%).

Percent Distribution of Establishments Whether or Not They Have Developed Mechanisms to Cope with Globalization, With or Without Union and Type of Ownership, Philippines: 1999
(In percent except total)

Establishment Category	Total	Yes	No	Still Developing
With Union	4,265	47.0	26.9	26.2
Without Union	17,262	27.4	42.3	30.3
Wholly Filipino-Owned	18,356	28.6	41.6	29.8
With Foreign Equity	3,171	46.9	25.7	27.3

COPING MECHANISMS ADOPTED

Establishments are trying to be more efficient in carrying out their operations by gearing themselves with various measures or interventions that will help them face the changes in the global economy.

In this regard, the 6,736 establishments were asked to identify the coping mechanisms they have adopted to address the impact of globalization.

- Among the coping mechanisms adopted, the most mentioned by establishments in the twelve (12) industry groups were as follows: acquisition of appropriate technology; improvement of quality of products/services; streamlining of work practices; and employment flexibility. *See details in Table 1.*
- Acquisition of appropriate technology was highly considered by establishments engaged in the following

industries: financial intermediation (92.8%); private education services (91.0%); electricity, gas and water (83.9%); construction (80.0%); and real estate, renting and business activities (77.4%).

- Improvement of quality of products/services was observed to have the highest percentage share in the following businesses: manufacturing (85.4%); hotels and restaurants (80.4%); wholesale and retail trade (79.2%); transport, storage and communication (77.5%); and other community, social and personal service activities (76.5%).
- Both the acquisition of appropriate technology and the improvement of quality of products/services (74.8% each) were the mechanisms with the highest percent share among establishments engaged in health and social work.
- Employment flexibility was found to be the highest in mining and quarrying (75.6%).
- Among unionized and non-unionized establishments; and wholly Filipino-owned establishments and those with foreign equity, the following adjustments were carried out to lessen the effects of globalization:

Coping Mechanisms	With Union (%)	Without Union (%)	With Foreign Equity (%)	Wholly Filipino-Owned (%)
Improvement of quality of products/services	84.3	77.9	84.1	78.5
Acquisition of appropriate technology	75.4	73.0	76.7	72.9
Investment in HRD	64.6	48.5	61.2	51.0
Streamlining of work practices	63.7	47.9	50.7	53.2
Employment flexibility	39.2	35.8	39.7	36.0
Diversification and expansion	39.7	30.8	35.6	32.9

Coping mechanism with the most impact on survival or operations of establishments

- Seven (7) out of 12 major industry groups claimed that the acquisition of appropriate technology appeared to have the most effect on the survival of their business operations. These industries were as follows: private education services (49.8%); financial intermediation (44.1%); real estate, renting and business activities (41.2%); electricity, gas and water (35.4%); other community, social and personal service activities (34.0%); construction (29.7%); and health and social work except public (27.4%). *See details in Table 2.*
- The improvement of quality of products/services greatly affected the survival of the establishments engaged in four (4) industries, namely: hotels and restaurants (42.5%); manufacturing (40.0%); transport, storage and communication (36.4%); and wholesale and retail trade (28.4%).
- Streamlining of work practices had utmost relevance in the survival of operation in mining and quarrying industry (36.6%).
- Among unionized and non-unionized establishments, the improvement of quality of products/services was noted to have the most effect, posting 27.7 percent and 32.6 percent, respectively.
- Similarly, wholly Filipino-owned establishments and those with foreign equity claimed that the improvement of quality of products/services was the most effective coping mechanism for their survival or operations.

ASIAN FINANCIAL CRISIS

The financial and the currency crisis that started in the middle of 1997 in Thailand engulfed a number of other countries in Southeast Asia including the Philippines.

Measures Implemented

- Effects of this regionwide crisis have driven some 16,432 establishments (76.3%) to implement measures to survive its impact. *See details in Table 3.*
- Among the measures implemented, freeze hiring for all positions topped the list posting the highest percent share in nine out of twelve industry groupings.
- Measures implemented with the highest percent share in the remaining three industries are as follows: contracting out some services (electricity, gas and water at 24.0%); defer expansion plans (private education services at 20.5%); and granting smaller salary increases (health and social work except public at 27.4%).
- Unionized establishments implemented among others the following measures: freeze hiring for all positions (21.7%); freeze hiring for most positions (14.4%); and defer expansion plans (13.6%).
- Non-unionized establishments adopted almost the same measures stated above, namely: freeze hiring for all positions (29.2%); freeze hiring for most positions (22.0%); and granting smaller salary increases (18.1%).
- Both establishments owned wholly by Filipinos and those with foreign capital considered the top four measures listed below.

Measures Implemented	With Foreign Equity (%)	Wholly Filipino-Owned (%)
Freeze hiring for all positions	22.0	28.6
Freeze hiring for most positions	17.3	21.0
Granting smaller salary increases	14.1	16.8
Defer expansion plans	13.3	16.7

Measures planned to implement

- Some 7,025 establishments were on the planning stage of implementing measures to survive financial crisis. *See details in Table 4.*
- Freeze hiring for all positions recorded the highest percent share in the following five industries: health and social work except public (26.8%); transport, storage and communication (24.0%); real estate, renting and business services (23.6%); hotels and restaurants (21.6%); and manufacturing (21.5%).
- Some establishments planned to implement job rotation in their businesses to survive the impact of the currency crisis. These include establishments engaged in mining and quarrying (38.9%), financial intermediation (24.9%) and wholesale and retail trade (22.9%).
- Relatively high percentage shares of establishments in electricity, gas and water (24.4%) and in other community, social and personal service activities (21.6%) planned to freeze hiring for most positions.
- Private education services sector had in mind deferment of expansion plans (32.8%).
- Both unionized (22.0%) and non-unionized establishments (20.8%) had planned to freeze hiring for all positions.

- Similarly, establishments owned wholly by Filipinos planned to implement the same measure of freezing the hiring for all positions.
- Establishments with foreign capital had planned to implement the granting of smaller salary increase to workers. It topped the list of measures to be implemented.

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**Table 1. Percent Share of Responding Establishments Which Have Developed Mechanisms
to Cope With Globalization by Mechanisms Adopted and Industry, Philippines: 1999**

(In percent except total)

Industry/ Establishment's Classification	TOTAL	Acquisition of appro. technology	Investment in HRD	Shutdown of redundant unit/dept.	Improvement of quality of prod./svcs.	Increase in R & D prod. dev't.	Streamlining of work practice	Diver- sification & expansion	Employment flexibility	Seeking other partners	Others
TOTAL	6,736	73.7	53.3	15.7	79.8	25.2	52.6	33.4	36.8	14.0	1.0
Mining & Quarrying	41	65.9	48.8	9.8	46.3	41.5	63.4	22.0	75.6	36.6	-
Manufacturing	1,979	63.4	39.8	15.3	85.4	36.6	51.0	35.8	40.9	14.4	0.4
Electricity, Gas & Water Supply	161	83.9	76.4	19.3	72.0	11.8	59.6	24.8	50.3	8.7	3.1
Construction	165	80.0	38.2	13.9	73.3	10.9	42.4	20.6	63.6	24.8	1.2
Wholesale & Retail Trade	1,232	73.0	64.9	22.3	79.2	19.5	63.9	33.4	39.4	10.1	0.2
Hotels & Restaurants	842	67.7	51.4	10.3	80.4	32.8	39.5	41.0	43.8	7.8	2.4
Transport, Storage & Communication	316	76.9	51.6	12.3	77.5	10.8	47.5	40.8	33.9	19.3	1.9
Financial Intermediation	680	92.8	72.2	21.5	78.4	22.8	72.2	36.8	15.6	14.3	-
Real Estate, Renting & Buss. Activity	434	77.4	47.9	13.8	74.7	17.3	44.5	31.3	26.5	24.0	-
Private Education Services	598	91.0	61.9	7.9	76.1	20.2	43.5	18.9	23.2	14.2	2.7
Health & Soc'l Work except Public	135	74.8	49.6	11.1	74.8	8.1	58.5	20.0	42.2	25.9	5.2
Other Comm. Soc'l & Pers'l Svc. Activity	153	61.4	41.8	17.6	76.5	5.2	32.7	32.7	48.4	9.8	2.0
With Union	2,003	75.4	64.6	19.9	84.3	27.9	63.7	39.7	39.2	12.8	0.6
Without Union	4,734	73.0	48.5	13.9	77.9	24.1	47.9	30.8	35.8	14.5	1.2
Wholly Filipino-owned	5,248	72.9	51.0	14.5	78.5	25.1	53.2	32.9	36.0	13.0	1.0
With Foreign Equity	1,488	76.7	61.2	19.7	84.1	25.5	50.7	35.6	39.7	17.4	1.0

Note: Details may not add up to totals due to rounding.

Table 2. Percent Share of Responding Establishments Whose Coping Mechanism Has the Most Effect on the Survival/Operations of the Establishment by Mechanisms Adopted and Industry, Philippines: 1999

(In percent except total)

Industry/ Establishment's Classification	TOTAL	Acquisition of appro. technology	Investment in HRD	Shutdown of redundant unit/dept.	Improvement of quality of prod./svcs.	Increase in R & D prod. dev't.	Streamlining of work practice	Diver- sification & expansion	Employment flexibility	Seeking other partners	Others	NS
TOTAL	6,736	28.8	10.2	3.6	31.1	1.4	8.6	6.4	7.4	2.0	0.0	0.3
Mining & Quarrying	41	26.8	4.9	-	-	7.3	36.6	-	17.1	9.8	-	-
Manufacturing	1,979	23.4	4.3	4.5	40.0	3.2	7.3	6.3	7.0	3.1	-	0.8
Electricity, Gas & Water Supply	161	35.4	19.9	8.1	20.5	-	8.7	2.5	3.7	1.2	-	-
Construction	165	29.7	7.3	6.1	25.5	-	7.3	-	23.0	1.2	-	-
Wholesale & Retail Trade	1,232	20.8	14.9	6.4	28.4	1.0	10.8	8.2	8.4	1.1	-	-
Hotels & Restaurants	842	18.9	8.6	0.2	42.5	1.1	1.3	15.0	12.7	-	-	-
Transport, Storage & Communication	316	25.9	7.6	2.8	36.4	-	12.3	3.5	9.8	0.3	0.9	0.6
Financial Intermediation	680	44.1	17.8	2.8	12.2	0.3	18.4	0.4	0.6	3.2	-	-
Real Estate, Renting & Buss. Activity	434	41.2	12.7	2.8	21.4	0.2	1.4	8.8	6.7	4.8	-	-
Private Education Services	598	49.8	13.5	0.3	26.8	-	6.0	2.5	1.2	-	-	-
Health & Soc'l Work except Public	135	27.4	7.4	-	23.7	-	23.7	5.2	8.9	4.4	-	-
Other Comm. Soc'l & Pers'l Svc. Activity	153	34.0	5.2	5.2	26.8	1.3	9.2	3.9	12.4	2.0	-	-
With Union	2,003	27.5	12.2	3.9	27.7	0.8	12.8	8.1	4.7	1.9	0.0	0.1
Without Union	4,734	29.4	9.3	3.5	32.6	1.6	6.8	5.7	8.6	2.0	0.1	0.3
Wholly Filipino-owned	5,248	28.7	10.0	3.1	31.5	1.4	9.1	6.6	8.1	1.4	0.0	0.2
With Foreign Equity	1,488	29.4	10.8	5.4	30.0	1.3	7.1	5.9	5.2	4.2	0.2	0.5

Note: Details may not add up to totals due to rounding.

**Table 3. Percent Share of Responding Establishments Affected by the Asian Financial Crisis
Which Implemented Measures to Cope with the Crisis by Measures Implemented and Industry, Philippines: 1999**
(In percent except total)

Industry/ Establishment's Classification	TOTAL	Freeze hiring for all positions	Freeze hiring for all mgr'l post.	Freeze hiring for most position	Granting smaller salary inc.	Suspension salary increases	Suspension of some benefits	Layoffs	Reduce work time (days/hr.)	Job rotation	Contracting out some services	Budget cuts in training	Defer expansion plans	Others
TOTAL	16,432	27.6	12.7	20.4	16.4	13.7	7.6	7.3	13.6	14.6	9.9	12.3	16.2	3.3
Mining & Quarrying	91	26.4	7.7	18.7	13.2	17.6	6.6	13.2	8.8	17.6	17.6	17.6	17.6	3.3
Manufacturing	4,665	27.5	11.8	18.5	13.4	11.5	6.5	7.1	24.0	16.1	11.0	10.4	15.6	2.9
Electricity, Gas & Water Supply	317	22.1	8.5	19.6	5.0	9.8	6.9	4.4	6.6	9.1	24.0	22.4	12.9	5.0
Construction	583	34.6	17.0	32.8	15.3	21.1	9.4	21.6	28.1	20.2	24.2	9.1	12.7	-
Wholesale & Retail Trade	3,767	34.6	16.6	28.4	21.1	19.6	9.9	10.7	9.8	17.8	9.6	12.6	20.8	3.8
Hotels & Restaurants	1,720	20.2	10.7	13.5	13.3	8.2	9.1	3.3	11.9	14.7	4.1	7.9	7.5	2.2
Transport, Storage & Communication	929	35.1	16.5	18.2	16.9	14.6	5.8	8.2	9.7	18.3	10.5	11.0	16.0	2.9
Financial Intermediation	1,078	19.9	5.8	16.9	8.0	11.1	4.9	4.2	3.8	8.9	5.6	14.0	13.7	5.5
Real Estate, Renting & Buss. Activity	1,129	25.9	12.6	23.4	22.1	16.3	12.0	3.2	11.9	10.2	10.9	20.5	12.2	6.0
Private Education Services	1,340	20.1	8.8	11.6	20.1	5.1	3.4	4.5	0.6	6.7	6.5	12.7	20.5	2.8
Health & Soc'l Work except Public	365	24.9	15.1	17.8	27.4	20.8	3.0	4.7	4.9	6.0	7.9	16.7	21.1	3.0
Other Comm. Soc'l & Pers'l Svc. Activity	447	24.2	12.5	18.6	15.7	18.3	8.1	6.0	13.4	15.0	11.9	15.2	22.6	2.0
With Union	3,503	21.7	8.2	14.4	9.9	6.8	5.5	6.5	13.2	12.9	10.5	12.2	13.6	2.7
Without Union	12,928	29.2	13.9	22.0	18.1	15.6	8.2	7.5	13.7	15.0	9.8	12.3	16.9	3.5
Wholly Filipino-owned	13,823	28.6	13.6	21.0	16.8	14.4	7.8	7.8	14.3	15.8	10.3	12.5	16.7	3.5
With Foreign Equity	2,609	22.0	7.7	17.3	14.1	10.0	6.7	4.9	9.9	8.0	8.0	11.3	13.3	2.2

Note: Details may not add up to totals due to rounding.

**Table 4. Perent Share of Responding Establishments Affected by the Asian Financial Crisis
Which Planned to Implement Measures to Cope with the Crisis by Measures Planned to Implement and Industry, Philippines: 1999**
(In percent except total)

Industry/ Establishment's Classification	TOTAL	Freeze hiring for all positions	Freeze hiring for all mgr'l post.	Freeze hiring for most position	Granting smaller salary inc.	Suspension salary increases	Suspension of some benefits	Layoffs	Reduce work time (days/hr.)	Job rotation	Contracting out some services	Budget cuts in training	Defer expansion plans	Others
TOTAL	7,025	21.0	7.4	15.5	16.0	14.7	9.1	8.4	11.9	15.4	8.1	10.5	19.0	1.6
Mining & Quarrying	18	-	-	16.7	-	5.6	-	16.7	22.2	38.9	5.6	-	11.1	-
Manufacturing	1,857	21.5	6.9	13.7	18.1	11.0	9.0	6.8	16.3	13.6	7.9	6.1	18.7	1.5
Electricity, Gas & Water Supply	90	23.3	13.3	24.4	16.7	11.1	3.3	3.3	3.3	6.7	5.6	10.0	15.6	-
Construction	299	20.1	14.4	15.7	12.7	34.4	14.0	12.0	17.1	5.7	14.0	5.4	5.7	-
Wholesale & Retail Trade	1,750	22.3	6.5	20.5	15.1	17.3	8.3	13.3	13.8	22.9	8.3	6.3	18.4	1.7
Hotels & Restaurants	810	21.6	5.6	14.6	8.9	19.8	6.9	5.6	15.8	13.2	4.8	15.8	20.2	0.2
Transport, Storage & Communication	387	24.0	5.7	12.9	13.2	17.3	9.6	8.0	5.2	11.9	7.5	11.1	19.4	-
Financial Intermediation	189	7.4	3.7	4.8	5.8	9.0	4.8	1.6	3.2	24.9	-	9.0	7.9	0.5
Real Estate, Renting & Buss. Activity	605	23.6	11.2	13.7	12.1	12.2	11.6	6.6	6.1	15.0	14.5	22.3	17.0	4.0
Private Education Services	661	14.2	8.8	13.3	31.9	8.6	12.1	10.0	2.3	10.6	8.2	20.7	32.8	2.7
Health & Soc'l Work except Public	153	26.8	4.6	9.8	16.3	13.7	2.6	2.0	13.1	9.2	8.5	9.8	19.0	-
Other Comm. Soc'l & Pers'l Svc. Activity	204	20.1	7.8	21.6	13.7	8.8	12.7	1.5	4.4	11.8	1.5	9.3	15.7	5.4
With Union	1,056	22.0	8.0	9.4	13.4	8.0	4.9	9.7	12.6	13.5	6.8	6.3	12.3	1.5
Without Union	5,968	20.8	7.3	16.6	16.5	15.9	9.9	8.2	11.8	15.8	8.3	11.3	20.2	1.6
Wholly Filipino-owned	6,207	21.6	7.7	16.8	16.0	15.6	9.5	8.6	12.7	16.6	8.3	11.0	19.4	1.5
With Foreign Equity	817	16.0	5.4	6.1	16.2	7.7	6.2	7.0	6.0	6.1	6.4	7.2	16.0	2.3

Note: Details may not add up to totals due to rounding.