

HIRING AND WORKFORCE REDUCTION PRACTICES IN NON-AGRICULTURAL ESTABLISHMENTS: 1999

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

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

This issue, the second of a seven-part series, focuses on the hiring and workforce reduction practices in unionized and non-unionized establishments and in wholly-Filipino owned establishments and those with foreign capital.

HIRING AND FILLING-UP OF VACANCIES

More than half of establishments with union and those without union relied on referrals/ recommendations from present/previous employers in filling-up vacancies (56.0% vs. 56.5%). A larger proportion of unionized establishments however, filled-up vacancies by internal promotion (60.3%) or advertising thru newspapers (57.0%) while nearly half of non-unionized establishments depended on word of mouth (49.1%). (See details in Table 1)

Establishments with foreign equity filled-up job vacancies by advertising thru newspapers (68.6%) followed by posting on bulletin boards within the establishments or internal promotion with 54.1 percent each. Referrals/recommendations from present or previous employers were also considered vital sources not only by establishments with foreign equity (51.5%) but also by wholly Filipino-owned (57.3%). Likewise, 49.7 percent of wholly-Filipino owned establishments relied on word of mouth in filling-up existing vacancies.

Less than 16.0 percent of the responding establishments with unions (15.3%) and with foreign equity (15.5%) availed of the services of the Public Employment Service Offices (PESO's).

WORKFORCE REDUCTION

Establishments That Reduced Workforce in 1998

A slightly higher proportion of establishments with union reduced workforce in 1998 compared to those without union (36.4% vs. 28.2%). By type of ownership, some 31.3 percent of the establishments with foreign capital and 29.6 percent of those wholly-Filipino owned implemented workforce reduction.

Establishments That Reduced Workforce in 1998 With and Without Union and Type of Ownership Philippines: 1999

| Establishment Classification | Number | % Share |
|------------------------------|--------|---------|
| With Union | 1,554 | 36.4 |
| Without Union | 4,872 | 28.2 |
| Type of Ownership | | |
| With Foreign Capital | 994 | 31.3 |
| Wholly-Filipino Owned | 5,432 | 29.6 |

Nearly half of establishments with union that reduced workforce belonged to the manufacturing sector (48.5%) while wholesale and retail trade and financial intermediation accounted for almost the same share (15.5% vs. 14.9%).

Of those establishments without union, wholesale and retail trade (28.2%), manufacturing (21.2%) and hotels and restaurants (13.0%) claimed the large shares.

Almost three-fourths of the establishments with foreign equity that reduced their workforce were engaged in manufacturing (47.5%); wholesale and retail trade (15.5%); hotels and restaurants (11.4%). The same sectors combined, accounted for more than half of the total wholly-Filipino owned establishments that had workforce reduction with respective shares of 24.2 percent, 26.9 percent and 10.6 percent.

Percent Distribution of Establishments That Reduced Workforce in 1998, Philippines: 1999

| Major Industry Group | With Union | Without Union | With Foreign Equity | Wholly-Filipino Owned |
|--|------------|---------------|---------------------|-----------------------|
| Mining and Quarrying | 1.3 | 0.6 | 1.4 | 0.7 |
| Manufacturing | 48.5 | 21.2 | 47.5 | 24.2 |
| Electricity | 2.4 | 0.8 | 0.9 | 1.2 |
| Construction | 0.8 | 5.8 | 5.5 | 4.4 |
| Wholesale and Retail Trade | 15.5 | 28.2 | 15.5 | 26.9 |
| Hotels and Restaurant | 3.8 | 13.0 | 11.4 | 10.6 |
| Transport, Storage and Communications | 6.0 | 5.8 | 4.4 | 6.1 |
| Financial Intermediation | 14.9 | 3.6 | 8.2 | 6.0 |
| Real Estate Renting & Bus. Activities | 0.9 | 10.8 | 3.3 | 9.4 |
| Private Education Services | 3.2 | 6.6 | 0.8 | 6.7 |
| Health & Social Work Public | 0.3 | 1.3 | - | 1.3 |
| Other Communication, Social and Personal Services Activities | 2.4 | 2.3 | 1.1 | 2.5 |

Reasons for Reducing Workforce

Five reasons identified mainly by establishments with union for reducing workforce were reorganization/ downsizing/ redundancy (56.5%), financial losses (43.2%), high production cost (42.7%), lack of market/slump in demand (41.3%) and peso depreciation (35.3%). Among establishments without union, lack of market/slump in demand (57.1%), financial losses (52.7%) and peso depreciation (38.1%) were the most reported reasons. (*See details in Table 1*)

Meanwhile, among establishments with foreign capital, lack of market/slump in demand (63.7%) topped the list of reasons given followed by reorganization/ downsizing/ redundancy (54.8%).

Of the wholly-Filipino owned establishments, almost the same proportion identified financial losses (51.4%) and lack of market/slump in demand (50.5%) as their reasons. Other reasons according to more than one-third of the establishments were peso

depreciation (37.5%) and reorganization/downsizing/ redundancy (37.4%).

Factors Considered in Reducing Workforce

Employees performance was the most important factor considered by establishments when reducing workforce. This was cited by more than three-fourths of the total establishments with union (77.4%), without union (83.9%), with foreign equity (75.0%), and wholly-Filipino owned (83.7%). Work attitude and length of service came second and third, respectively. Factors less considered were the following: educational attainment, marital status and sex.

Percent Distribution of Establishments by Factors Considered in Reducing Workforce Philippines: 1999

| Factor Considered | With Union | Without Union | With Foreign Equity | Wholly-Filipino Owned |
|------------------------|------------|---------------|---------------------|-----------------------|
| Performance | 77.4 | 83.9 | 75.0 | 83.7 |
| Length of Service | 49.4 | 34.2 | 55.1 | 34.8 |
| Health | 46.2 | 31.3 | 37.9 | 34.7 |
| Age | 24.8 | 12.2 | 16.2 | 15.4 |
| Work Attitude | 66.1 | 69.3 | 70.7 | 68.0 |
| Educational Attainment | 6.5 | 7.5 | 4.8 | 7.7 |
| Marital Status | - | 2.0 | 0.3 | 1.7 |
| Sex | 0.1 | 1.4 | 0.2 | 1.2 |

Methods Used in Reducing Workforce

To reduce workforce, natural attrition/freeze hiring (59.0%), voluntary resignation (58.8%), layoff/retrenchment (45.0%) and dismissal (44.9%) were opted by establishments with union. Correspondingly, voluntary resignation (52.2%), dismissal (47.3%) and layoff/retrenchment (43.4%) were utilized by establishments without union.

Of the total establishments with foreign equity, voluntary resignation and layoff/retrenchment were resorted to by 53.6 percent and 52.0 percent, respectively. Aside from voluntary resignation (53.8%), dismissal (47.4%) and natural attrition/freeze hiring (47.0%) were implemented by wholly-Filipino owned establishments.

Percent Distribution of Establishments by Methods Used in Reducing Workforce Philippines: 1999

| Method Used | With Union | Without Union | With Foreign Equity | Wholly Filipino-Owned |
|---------------------------------|------------|---------------|---------------------|-----------------------|
| Natural Attrition/Freeze Hiring | 59.0 | 42.7 | 44.6 | 47.0 |
| Redeployment | 12.9 | 12.2 | 7.3 | 13.3 |
| Early Retirement | 41.4 | 9.2 | 29.8 | 14.6 |
| Voluntary Resignation | 58.8 | 52.2 | 53.6 | 53.8 |
| Layoff/Retrenchment | 45.0 | 43.4 | 52.0 | 42.3 |
| Dismissal | 44.9 | 47.3 | 43.1 | 47.4 |

Reasons for Dismissal

Large proportions of establishments with union and without union considered the following factors in the dismissal of employees: absenteeism (59.5% vs. 65.8%) and theft/embezzlement (49.1% vs. 38.8%). Another reason identified by most of the establishments with union was falsification of documents (25.8%) while those without union cited frequent tardiness (32.0%). (See details in Table 1)

Absenteeism was also the most mentioned cause of employees dismissal in ng establishments with foreign equity (65.7%) and wholly-Filipino owned (64.1%). Far behind was theft/embezzlement with respective proportional shares of 33.9 percent and 42.5 percent. This was followed by reasons related to attendance specifically, frequent tardiness (28.5% and 27.9%) and recurring illness (27.1% and 17.8%).

For Inquiries:

Regarding this report contact LABOR RELATIONS STATISTICS DIVISION at 527-3578 and 527-9310
 Regarding other statistics and technical services contact BLES Databank at 527-3577 and 527-9309
 Or Write to BLES c/o Databank, 3/F DOLE Bldg., Gen. Luna St., Intramuros, Manila 1002
 FAX 527-3579, E-mail: lrsd@manila-online.net
 Or visit our website at <http://www.manila-online.net/bles> for other statistical information.

Table 1- Number and Percent Distribution of Establishments by Hiring and Workforce Reduction Practices, With or Without Union and Type of Ownership, Philippines: 1999

(Details may not add up to total due to multiple responses.)

| Practices | With Union | | Without Union | | With Foreign Equity | | Wholly-Filipino Owned | |
|---|--------------|--------------|---------------|--------------|---------------------|--------------|-----------------------|--------------|
| Method Adopted in Hiring | | | | | | | | |
| Total | 4,265 | 100.0 | 17,262 | 100.0 | 3,171 | 100.0 | 18,356 | 100.0 |
| Advertise thru newspapers | 2,430 | 57.0 | 7,494 | 43.4 | 2,176 | 68.6 | 7,748 | 42.2 |
| Post on bulletin boards within the establishments | 2,322 | 54.4 | 7,034 | 40.7 | 1,716 | 54.1 | 7,640 | 41.6 |
| Promotion internally | 2,572 | 60.3 | 6,994 | 40.5 | 1,716 | 54.1 | 7,851 | 42.8 |
| Private recruitment agencies | 936 | 21.9 | 1,812 | 10.5 | 901 | 28.4 | 1,847 | 10.1 |
| PESO's | 652 | 15.3 | 1,113 | 6.4 | 492 | 15.5 | 1,273 | 6.9 |
| Referrals/Recommendations from present/previous employers | 2,388 | 56.0 | 9,761 | 56.5 | 1,633 | 51.5 | 10,516 | 57.3 |
| Word of mouth | 2,159 | 50.6 | 8,481 | 49.1 | 1,517 | 47.8 | 9,123 | 49.7 |
| Post on schools bulletin boards | 1,267 | 29.7 | 2,681 | 15.5 | 719 | 22.7 | 3,228 | 17.6 |
| Others | 364 | 8.5 | 691 | 4.0 | 232 | 7.3 | 823 | 4.5 |
| Reason for Workforce Reduction | | | | | | | | |
| Total | 1,369 | 100.0 | 3,583 | 100.0 | 830 | 100.0 | 4,124 | 100.0 |
| Lack of market/slump demand | 565 | 41.3 | 2,045 | 57.1 | 529 | 63.7 | 2,081 | 50.5 |
| Uncompetitive price of product | 328 | 24.0 | 556 | 15.5 | 168 | 20.2 | 716 | 17.4 |
| Competition from imports | 219 | 16.0 | 393 | 11.0 | 93 | 11.2 | 519 | 12.6 |
| High production cost | 585 | 42.7 | 1,057 | 29.5 | 323 | 38.9 | 1,319 | 32.0 |
| Lack of capital | 207 | 15.1 | 503 | 14.0 | 38 | 4.6 | 672 | 16.3 |
| Peso depreciation | 483 | 35.3 | 1,364 | 38.1 | 301 | 36.3 | 1,546 | 37.5 |
| Financial losses | 591 | 43.2 | 1,887 | 52.7 | 357 | 43.0 | 2,121 | 51.4 |
| Reorganization/Downsizing/Redundancy | 773 | 56.5 | 1,225 | 34.2 | 455 | 54.8 | 1,543 | 37.4 |
| Change in management/Merger | 102 | 7.5 | 240 | 6.7 | 81 | 9.8 | 261 | 6.3 |
| Minimum wage rate increase | 226 | 16.5 | 578 | 16.1 | 51 | 6.1 | 753 | 18.3 |
| Project completion | 158 | 11.5 | 539 | 15.0 | 92 | 11.1 | 605 | 14.7 |
| Others | 59 | 4.3 | 73 | 2.0 | 22 | 2.7 | 111 | 2.7 |
| Reason for Dismissal | | | | | | | | |
| Total | 698 | 100.0 | 2,304 | 100.0 | 428 | 100.0 | 2,574 | 100.0 |
| Absenteeism | 415 | 59.5 | 1,517 | 65.8 | 281 | 65.7 | 1,651 | 64.1 |
| Frequent tardiness | 102 | 14.6 | 738 | 32.0 | 122 | 28.5 | 719 | 27.9 |
| Recurring illness | 144 | 20.6 | 428 | 18.6 | 116 | 27.1 | 457 | 17.8 |
| Immorality | 19 | 2.7 | 117 | 5.1 | 7 | 1.6 | 129 | 5.0 |
| Sexual harassment | 34 | 4.9 | 68 | 3.0 | 8 | 1.9 | 95 | 3.7 |
| Use of drugs | 106 | 15.2 | 187 | 8.1 | 38 | 8.9 | 256 | 9.9 |
| Drinking during office hours | 86 | 12.3 | 357 | 15.5 | 34 | 7.9 | 410 | 15.9 |
| Gambling during office hours | 43 | 6.2 | 143 | 6.2 | 8 | 1.9 | 178 | 6.9 |
| Falsification of documents | 180 | 25.8 | 299 | 13.0 | 69 | 16.1 | 411 | 16.0 |
| Graft and corruption | 63 | 9.0 | 118 | 5.1 | 16 | 3.7 | 164 | 6.4 |
| Theft/Embezzlement | 343 | 49.1 | 895 | 38.8 | 145 | 33.9 | 1,093 | 42.5 |
| Others | 151 | 21.6 | 253 | 11.0 | 93 | 21.7 | 311 | 12.1 |

Source of data: Bureau of Labor and Employment Statistics, 1999 Industrial Relations at the Workplace Survey.