

# FEMINISED RECESSION

*Impact of the Global Financial Crisis  
on Women Workers in the Philippines*

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Commissioned research was conducted for Oxfam GB Philippines in 2009 by Kristina Gaerlan (team leader), Marion Cabrera and Patricia Samia, and edited by Ed L. Santoalla, economic justice policy analyst and research manager, OGB Philippines.

## List of Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BESF	Budget of Expenditures and Sources of Financing
BIR	Bureau of Internal Revenue
BLES	Bureau of Labor and Employment Statistics
BOC	Bureau of Customs
CAMPI	Chamber of Automotive Manufacturers of the Philippines, Inc.
CCTs	Conditional Cash Transfers
CIIP	Comprehensive and Integrated Infrastructure Program
CLE	Comprehensive Livelihood and Emergency Employment Programs
DA	Department of Agriculture
DoLE	Department of Labor and Employment
DPWH	Department of Public Works and Highways
DTI	Department of Trade and Industry

ERP	Economic Resiliency Plan
FGD	Focus Group Discussion
GDP	gross domestic product
HSRA	Health Sector Reform Agenda
IIF	Institute of International Finance
IRR	implementing rules and regulations
LFS	Labor Force Survey
MTPDP	Medium-Term Philippine Development Plan
NCR	National Capital Region
NEDA	National Economic and Development Authority
NSO	National Statistics Office
PCCI	Philippine Chamber of Commerce and Industry
POEA	Philippine Overseas Employment Administration
QRT	quick response teams
RVAT	Reformed Value Added Tax
SEIPI	Semiconductor and Electronics Industries in the Philippines, Inc.
SME	small and medium enterprise
SoNA	State of the Nation Address
SSS	Social Security System

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## Executive Summary

This research was conducted to find out the specific impact of the global economic crisis on Filipino women workers. Part of a study being conducted by OGB in East Asia on the impact of the economic crisis on women in five countries (Vietnam, Cambodia, Philippines, Indonesia, and Thailand) of the Association of Southeast Asian Nations (ASEAN) where OGB has programs, this research attempted to answer the following research questions:

1. How is the crisis affecting the female employment situation?
2. How is the crisis affecting income and/or working conditions in affected industries?
3. How is the crisis affecting family welfare?
4. How is the crisis affecting public spending for health and welfare purposes?
5. How is the crisis affecting remittances?
6. How is the crisis affecting the availability of microcredit and the ability of women to engage in business?
7. How is the crisis affecting the labor burden on women?
8. How is the crisis affecting the ability of women to cope and manage their resources to survive?

The results of this study validate the premises by which it was conducted, to wit:

- That women are over-represented in sectors where the crisis has caused huge job cuts, e.g., export manufacturing, garments industry, electronics, and services;
- That women tend to be employed in precarious jobs where they are more likely to be fired first or experience aggravated working conditions – e.g., as migrant workers and in the garment industry; and
- That women tend to be responsible for family welfare and so will be adversely affected by cuts in public spending on safety nets and reduction in remittance income.

These also confirm the assertion that Oxfam made in a March 2009 briefing paper entitled, “Paying the Price for Economic Crisis” that “women workers are the backbone of industries that have been hit hard by the global economic crisis: export manufacturing, garments, electronics, and services.” According to the paper, “women constitute around 60-80 percent of the export manufacturing workforce in developing countries, a sector the World Bank expects to shrink significantly during the crisis. These women are concentrated in insecure jobs with meager earnings and few rights; they tend to have few skills and only basic education. When the going gets tough, they are the first to be fired.”

The validation comes by way of the specific effects of the global financial crisis on Filipino women workers that the study was able to track using qualitative methodologies (FGDs, interviews, and case studies). The crisis has been particularly hard on the low income classes, to which many of the unskilled, mainly women workers in the semiconductor and electronics, and textile and garments industries belong. Their loss of primary income sources has translated to a heightening of poverty and hunger.

The crisis, though, is testifying once again to the ability of Filipino women to come up with creative and ingenious ways of coping and surviving. This, with great help from the informal economy, which continues to provide women with alternative platforms for income generation and/or supplementation, and from the extended family, which,

consistent with Filipino norms and values, remains a reliable source of psycho-social and material support during times of crises. Such refuge and support, however, cannot be enough. There is a need for policy changes to make existing poverty-mitigation programs more effective. There is also a need to address squarely the issue of casualization and other abuses of workers' economic and political rights that are being perpetrated and tolerated in the name of business survival. This has placed Filipino workers in general and women workers in particular in a state of indignity and insecurity that, in a way, could also be interpreted, albeit negatively, as a source of their "resilience," i.e., being enured to perpetual haplessness to the point of resting content and coasting along without complaining until the next job opening and until the loans fall due, and recourse to desperate and risky measures become inevitable.

## Recommendations

### A. Advocacy for sustainable macroeconomic development

- Develop and implement the bailout plan being proposed by economists and labor groups that will put money into the hands of retrenched, laid-off, and otherwise jobless workers to allow them to address immediate family and economic needs;
- Spur agricultural development to create jobs in the countryside;
- Push for macroeconomic policy that enables the country not only to compete effectively in the world market, but more importantly, to provide first for the needs of its own people. The policy should stipulate the maintenance of public budgets for social spending to ensure employment security, universal income, public health and education, and housing, particularly during emergencies arising from developments such as the global financial crisis.
- Revive/reintensify the freedom from debt campaign, specifically, call for suspension of the payment of public debt in order for resources earmarked for the servicing of such debt to be used instead in funding national efforts to recover from the effects of the global financial crisis. This may also be an opportune time – given the double whammy of the financial and climate change crises (which is putting financial investments by developed countries in developing ones) – to renegotiate the terms of payment for such debt away from structural impositions by multilaterals such as the IMF-WB and ADB that have, in the first place, made the country export-oriented and vulnerable to international economic shocks.

### B. Advocacy for the protection of workers' rights, particularly women employed in export industries, in foreign markets, and in the informal economy

- Protect the rights of migrant workers in the event of job losses, ensuring their safe return to, and reintegration in, their home countries. For those who cannot return, there should be no forced return, their security should be guaranteed, and they should be provided with employment and a basic minimum income.
- Protect women workers in particular from vulnerabilities they continue to be exposed to in the globalized working environment, including economic and human rights abuses committed in foreign labor markets where they are employed mostly as domestic helpers. Protect women workers from casualization, reduced working hours, and flexible working arrangements that companies are implementing to cope

with the financial crisis' impact on the local economy. For social protection of women, additional provisioning must be done to provide livelihood and training especially to those situated in difficult circumstances, such as loss of jobs in the face of the global financial crisis.

- Review government programs that train OFWs and members of their families in finance and business management skills to prepare them for re-entry into the mainstream national economy at the end of their work contracts. Details of such training programs should be published so that returning OFWs, many of whom come from the provinces, will know about and will be able to access them.
- Review the Overseas Workers Welfare Fund, which was established from proceeds of OFW contributions, to provide financial and material support for whenever members or their dependents are in need, such as during times of emergencies or to pay off debts incurred by OFWs during their search for job placements. The Fund should include components specifically addressing the needs of women OFWs not only as breadwinners but also as important economic actors in context, particularly due to the fact that they are fast becoming a major source of dollar earnings for the national economy.
- Review the Philippine Labor Code – already weak in the first place due to provisions that allow contractualization, violations of minimum wage and labor standards (including proper wage, leaves, and social insurance benefits) in the guise of cost-cutting and cost management and, worst, violations of the human rights of protesting workers – is also in order to put a stop to new potentially anti-labor practices that have arisen under conditions of globalization and the global financial crisis.
- Institutionalize standards for the valuation of women's labor (home-based/home-bound) and other workers in the informal economy through the enactment of the proposed Magna Carta of Workers in the Informal Economy.
- Actively engage in the process of formulating the implementing rules and regulations (IRR) of the recently enacted Philippine Magna Carta of Women to ensure inclusion of the provisions mandating protection of the political, economic, human, and gender rights of women, particularly those in the workplace.

## 1. Introduction

### 1.1. Context and Rationale

Financial crises are nothing new in Southeast Asia, especially in context of the globalized financial economy. The region, celebrated during the early part of the 1990s as the area of the “tiger economies”, was one of the main magnets particularly of so-called “hot money” or portfolio investments flowing in from the developed nations of the West. For this same reason, the region was also among the first to fall into the Asian crisis of 1997 that began in Thailand when portfolio investors withdrew their hot money at the first signs of a real estate bubble burst in that country. The lessons learned by Southeast Asian economies since then are said to have made them stronger – enough for them to withstand the initial effects of the still unfolding global financial meltdown that originated in the US last year.

A case in point is the Philippines, whose government, early on in the current crisis, stated that financial and banking reforms instituted since 1997 have offered a bit of protection from the US sub-prime fallout. This, however, is not to say that the Philippines is totally insulated; the highly-publicized closure of big companies making products for major US

and European industries early this year has already provided a foretaste of things to come.

This research was conducted to find out the specific impact of the global economic crisis on Filipino women workers. Part of a study being conducted by OGB in East Asia on the impact of the economic crisis on women in five countries (Vietnam, Cambodia, Philippines, Indonesia, and Thailand) of the Association of Southeast Asian Nations (ASEAN) where OGB has programmes, this research was conducted in the context of the following premise: Filipino women, like their counterparts in the rest of Southeast Asia, are the most vulnerable and the most disproportionately affected by the crisis. This is in light of the following realities:

- Women are over-represented in sectors where the crisis has caused huge job cuts, e.g., export manufacturing, garment industry, electronics, and services;
- Women tend to be employed in precarious jobs where they are more likely to be fired first or experience aggravated working conditions, e.g., as migrant workers and in the garment industry; and
- Women tend to be responsible for family welfare, and so, are adversely affected by cuts in public spending on safety nets and reduction in remittance income.

## 1.2. Objectives

This research was conducted for the purpose of:

- Assessing the impact of the financial crisis on women in the Philippines;
- Analyzing the gendered nature of government responses to the crisis and their impact on women workers so far; and
- Based on the impact and response, developing a set of recommendations for consideration by the Philippine government and by regional institutions and donors.

This research sought to explore the possible ways in which the crisis may be affecting women. Data retrieval was guided by the following research questions:

1. How is the crisis affecting the female employment situation?
2. How is the crisis affecting income and/or working conditions in affected industries?
3. How is the crisis affecting family welfare?
4. How is the crisis affecting public spending for health and welfare purposes?
5. How is the crisis affecting remittances?
6. How is the crisis affecting the availability of microcredit and the ability of women to engage in business?
7. How is the crisis affecting the labor burden on women?
8. How is the crisis affecting the ability of women to cope and manage their resources to survive?

This research also attempted to look into responses to the crisis by the national government to determine their distributive and gender impacts. Corrolary research questions include: who exactly is being bailed out and who will be picking up the bill? Is the government re-thinking its overall economic policies in response to the crisis, i.e., is it moving from export-led growth to import substitution or becoming more cautious on capital account liberalization?

### 1.3. Scope and Limitations

This study covered women workers (formal and informal) representing several industries: cable television and telecommunications, garments, semiconductors, and electronics. The study also looked into the situation of women in the informal sector, as represented by mothers engaged in the manufacture of rags, foot socks, and other items made from scrap textile.

Time limitations confined the study to sources based in Luzon, specifically, the National Capital Region (NCR) and Region IV (Southern Tagalog). Regional GDP figures show that the NCR is the largest contributor to GDP growth, followed by Region IV and Region III (Central Luzon). Over the period 2001-2006, the average annual GDP growth rate was 4.6 percent. The NCR accounted for over 38 percent of GDP growth. Region IV and Region III accounted for 16 percent and 8 percent of the growth, respectively. Because there are no large disparities in the trends and practices of the affected industries across regions, the women's stories provided a comprehensive picture of the impact of the crisis on low- and middle-income Filipino women as a whole.

There is a dearth of gender-disaggregated data on job losses due to the financial crisis, but this is offset by the focus of this study on industries that employ women workers and thus, have women in the majority of the workforce that have been retrenched or laid off due to crisis-triggered company closures.

### 1.4. Methodology

Besides secondary research, in completing this paper, the authors conducted three Focus Group Discussions (FGDs). From the FGDs, the authors identified two participants and invited them to more intimate, one-on-one conversations to highlight their stories as case studies. In addition, two key informants were interviewed as well. The first was an officer of the Business Processing Association of the Philippines who spoke at length on the industry's defiance of recessionary trends, as well as growth prospects for this. The second key informant was the corporate affairs manager of Intel Philippines Corp., the first big company to announce its stoppage of operations in the Philippines in the wake of the global financial crisis. The Intel representative discussed the comprehensive retrenchment and closure plan followed by the management team. The plan involved a mix of cash and non-cash incentives that employees were given.

**Focus Group Discussions.** The research team conducted the FGDs among men and women workers from Manila, Cavite, and Rizal. In all, three FGDs were conducted involving a total of 28 participants ranging in age from 18 to 70. Of these, 18 were women, comprising a 64.2 percent majority.

The first FGD was held in Mandaluyong City with retrenched workers from the cable television, telecommunications, and semiconductor industries.

The second was held with retrenched workers from various companies located in the Cavite Export Processing Zone found in the coastal town of Rosario, Cavite. The participants came mostly from the semiconductor and garment industries.

The third group consisted of home-based workers making rags and foot socks in the Metro Manila town of Pateros and city of Taguig .

The discussions began with the participants filling out profile sheets that gathered pertinent personal information and data on their work experience and incomes. A portion in the profile sheet on work and family incomes uncovered data on salaries and employment benefits received in the various sectors represented by the participants, and a comparison of income differentials and effects on family expenditure before and after

the experience of the financial crisis. Once the profile sheet was completed, the FGDs proceeded to share stories, opinions, and insights relating to:

- a) In the case of the retrenched workers, the nature of their jobs (briefly), their layoff from work and its aftermath;
- b) In the case of home-based workers, the slowdown in home-based (micro-enterprise) production of rags and foot socks due to lack of access to capital and shortage of materials, in turn, was a result of a slowdown in activity of the garment sector and the consequent impact on household expenses (cutting back or seeking alternative income sources) and ways of making ends meet and the participants' sources of optimism and hope.

***In-Depth Interviews.*** The study conducted in-depth interviews with two women to be developed as case studies or "feature stories." The questions centered on lifestyle differences before and after a change in their working status; strategies employed in meeting the challenges of the crisis; and their sources of resilience and optimism. The team chose two women participants: one, a single parent who was terminated from her job after 17 years, and the other, a housewife (childless) who was downgraded from being a permanent worker to a contractual worker of a cable company.

***Key Informant Interviews.*** The perspectives of experts in the business processing and microchip/electronics fields were an important aspect of the study, lending to the research insights into how one might strike a balance between poverty reduction and business viability. Amid the recent massive retrenchments and the constant threat of job loss that hound Filipino workers, the opinions of business leaders on how to keep the workers employed and the economy afloat are crucial. The review of how a large multinational company proceeded with the painful decision of closure and retrenchment, on the other hand, suggests how the effects of a job loss can be cushioned at the company level.

***Secondary Sources.*** The study relied on a variety of secondary sources already mentioned – periodicals, surveys and survey results, expert presentations – for data on the global financial crisis, on the global and local economy, as well as on women as part of the Philippine workforce. The study cites evidence of the effects of the crisis including more company shutdowns even up to the present. As the study was completed, the research team realized that the timing of this study, in fact, might have been a bit early because newspaper accounts of retrenchments and closures suggest that the knock-on effect of the crisis is being felt by the local industry only now.

## 2. REVIEW OF RELATED LITERATURE

A review of existing literature on women and the global financial crisis shows a number that focus on women's vulnerabilities and coping capacities and how these can be enhanced or strengthened. Worth noting here is van der Gaag (2009), who presents an interesting insight in that "the (current) global financial crisis will be the first major recession where females constitute a substantial part of the working population, risking a feminised recession in many countries."

Evidence from financial crises in the past, according to van der Gaag, has shown that there are different effects at different times on men and women:

The initial effect in the developing world is on those, mainly young women, working in export-oriented industries. There is also a drop in remittances from abroad as many migrant workers return home. In addition, lending for micro-finance is tightened up, which affects women in particular. A secondary

effect is then felt as men lose their jobs and more women join the workforce to improve household income. This means young women having to stay at home to look after their siblings when their mothers go out to work.

According to van der Gaag, young women working in export-processing zones or businesses with a global reach are likely to be affected where the workforce is 75 to 80 percent female. She points out that in the Philippines, the National Alliance of Women has found that seven out of ten workers being laid off due to the impact of the financial crisis are women. A hundred thousand new jobs in the export-based textile industry, of which, up to 90 percent are women living in poverty, may be under threat.

Van der Gaag further identifies sectors where young women workers are situated and where they are most vulnerable to the effects of the financial crisis. These include:

- Small-scale enterprises that are outside the formal regulated sector where employment is characteristically insecure and excessively flexible and where contractual or part-time work offers little legal or social protection and young women tend to be the first to lose their jobs and the last to be rehired.
- The informal economy where millions of young women are likely to be subjected to unforeseen economic impacts due to rising food prices and smaller markets, and where they experience low pay, poor working conditions, and lack of protection.
- The international labor market where migrant workers, which have become increasingly young and feminized, are already being sent home as their companies retrench. In 2008, the van der Gaag paper points out, World Bank projections showed that remittances were already beginning to fall. This has an effect on national economies, especially in countries like the Philippines where remittances make a major contribution to GDP (in 2007, overseas workers, who make up around 10 percent of the population, sent home \$14.5 billion). At least half the migrants are women, often young, working on contract or as domestic workers.

In order to protect and/or mitigate the adverse effects of the crisis on women workers, particularly the young ones, van der Gaag calls on international financial institutions and other economic agents to “keep girls and young women in mind when designing both macro and micro economic policies.”

If young women and the targets for girls’ education and equality are not to be the victims of the global recession, policymakers at government and international level need to consider the gender and age implications of the crisis before it is too late. Fiscal stimulus packages should take young women’s needs into account, both in terms of employment and in order to reduce their care-giving responsibilities and boost education. Public expenditures for health, education, and other services should not be cut back, but rather, should be protected and increased.

The need to protect women workers is further argued by Sunderland (2009), who observes that in past recessions, the pattern was for female employment to rise as men’s employment fell, with wives and mothers scrambling to compensate for the loss of the male breadwinner’s pay packet. But with the increased participation of women in the labor force over the years, this is no longer the case. Sunderland cited a report by the US Congress Joint Economic Committee, which stated that the 2001 dotcom fiasco (involving companies that set up Internet-based businesses on the promise of new economic wealth arising from new information and communications technologies) broke the mold of previous recessions where men bore the brunt of job losses; in 2001, many women were fired and, even worse, when the recovery came, many did not get their jobs back.

Similarly, with the current crisis, according to Sunderland, the female buffer factor is likely to be absent again, making the families of women workers more economically vulnerable. For one, women are the easy targets of a retrenchment because of the common myth that there is a man lurking somewhere in the background supporting her. Others refer to this as the “male breadwinner-female caregiver” bias. In addition, women are employed in occupations where workplaces are smaller (for example, retail, care, and personal services). As a result, to a large extent, women’s labor participation often escapes media’s attention. Female redundancies in the workplace may not be making the headlines but this does not mean that they are not taking place.

Yet another reason to protect women in general and women workers in particular is their vulnerability to other problems such as the food crisis. Cantos and Tanchuling (2008) established the aggravation of the twin problems of food insecurity and hunger as an effect of the 2007-2008 rice price crisis in the Philippines. This study underscored the impact of the crisis particularly on women workers who bore the additional burden of making sure their families do not go hungry. During the said food crisis, which manifested mainly in spiraling prices for rice, women were the mainstays of queues that formed, under hot sun and pouring rain, to access cheap government supplies of the staple. The study became the basis of a briefing paper issued by Oxfam in October 2008 in which the organisation called on the government to:

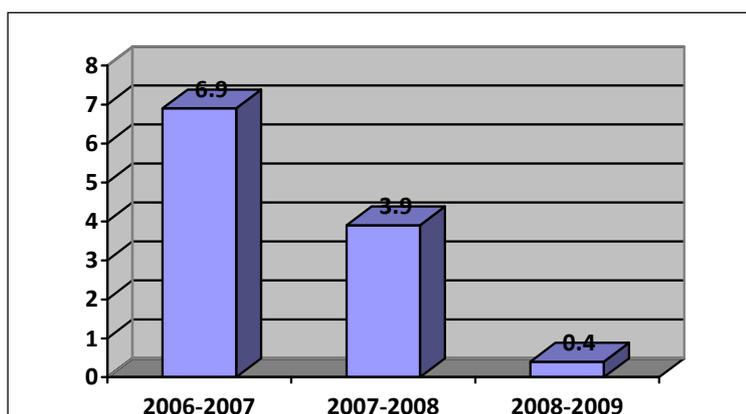
Ensure that social protection programs, including food aid, are really reaching the most poor and vulnerable. Such programs should also lessen and not add to the burden of poor women already saddled with heavy chores as support breadwinners to their husbands and care-givers to their families. Lining up for cheap (government) rice for hours on end under sun and rain at the height of the rice price crisis was definitely an experience poor women are not desirous of ever going through again, if they have the choice.

This research endeavoured to surface data on the bases of which recommendations were developed to add to or improve on others made by earlier studies. It also sought to put a face and voice to the experience of Filipino women as they deal with the global financial crisis, capturing their stories on the personal and household level, as well as their creativity and resourcefulness in coping with the challenges precipitated by the crisis.

### 3. IMPACT OF THE CRISIS ON THE PHILIPPINE ECONOMY

The Philippine economy slowed down considerably early this year from the heavy weight of the US financial meltdown and the global financial crisis that this had triggered. As measured by Gross Domestic Product (GDP), the country grew at a rate of only 0.4 percent compared to 3.9 percent during the same period last year.

**Figure 1. QUARTER 1 GROSS DOMESTIC PRODUCT GROWTH RATES, 2007-2009**



Source: National Statistical Coordination Board.  
<http://www.nscb.gov.ph>

According to the National Statistical Coordination Board (NSCB), Philippine GDP sank by 2.3 percent, the lowest for the past 20 years. The seasonally adjusted GNP likewise declined by 1.2 percent, marking the first time since the first quarter of 2001 when both GDP and GNP contracted quarter on quarter.

**Table 1. GROSS NATIONAL PRODUCT AND GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN: 1<sup>ST</sup> QUARTER 2008 AND 1<sup>ST</sup> QUARTER 2009 (at constant 1985 prices)**

**At Current Prices**

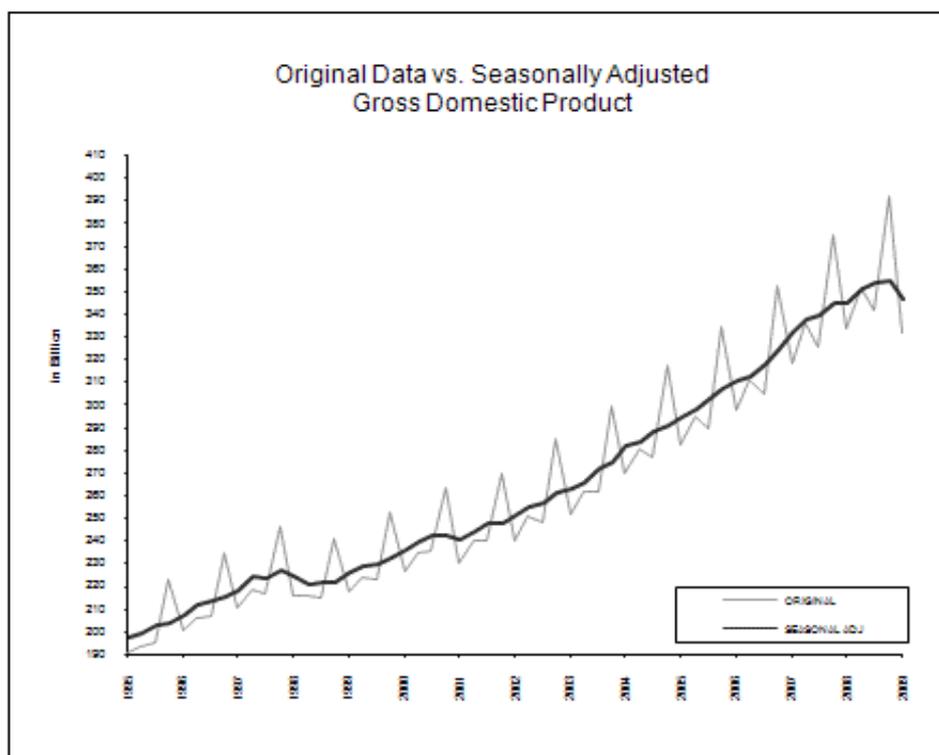
INDUSTRY/ INDUSTRY GROUP	Q1 2008	Q1 2009	Growth Rate (%)
Agri, Fishery, Forestry	248,336	271,223	9.2
Industry Sector	509,063	514,428	1.1
Service Sector	902,936	954,273	5.7
<b>GROSS DOMESTIC PRODUCT</b>	1,660,335	1,739,924	
Net factor income from the rest of the world	168,092	258,363	
<b>GROSS NATIONAL PRODUCT</b>	1,828,427	1,998,287	9.3

**At Constant Prices**

INDUSTRY/ INDUSTRY GROUP	Q1 2008	Q1 2009	Growth Rate (%)
Agri, Fishery, Forestry	64,401	65,784	2.1
Industry Sector	104,152	101,941	-2.1
Service Sector	164,337	166,651	1.4
<b>GROSS DOMESTIC PRODUCT</b>	332,890	334,376	0.4
Net factor income from the rest of the world	36,603	51,536	
<b>GROSS NATIONAL PRODUCT</b>	369,494	385,912	4.4

Source: National Statistical Coordination Board. <http://www.nscb.gov.ph>.

**Figure 2. ORIGINAL DATA vs. SEASONALLY ADJUSTED GROSS DOMESTIC PRODUCT**



Source: National Statistical Coordination Board. <http://www.nscb.gov.ph>

Sectorally, the crisis affected Philippine Industry the most, with growth tapering down to its slowest in the last 20 years, at 6.6 percent from a 0.1 percent increase in the previous quarter. The manufacturing sub-sector slumped to negative 7.3 percent from a growth of 2.4 percent recorded last year. The last time the manufacturing sector experienced negative growth was in the second quarter of 1998 up to the first quarter of 1999. Moreover, the said negative growth posted by the manufacturing sector was the lowest since the third quarter of 1985.

The weakening of the manufacturing sector was due to the declining demand for exports, the total for which during the period dove deeper to negative 18.2 percent from negative 7.7 percent last year. This, as Merchandise Exports registered a higher double-digit negative growth in the first quarter of 2009. The lackluster performance of Merchandise Export was attributed to the slump in both Principal Merchandise Exports and Other Exports to negative 30.5 percent from negative 13.7 percent and negative 20.1 percent from 7.1 percent, respectively. Meanwhile, Exports of Non-Factor Services decelerated to 4.9 percent in the first quarter of 2009 from 5.9 percent.

The top five sub-sectors that registered declines were the following: Petroleum Products, negative 28.7 percent from 12.1 percent; Electrical Machinery, negative 19.1 percent from negative 9.7 percent; Footwear and Wearing Apparel, negative 25.6 percent from a growth of 12.8 percent; Basic Metal Industries, negative 25.2 percent from negative 12.0 percent; and Furniture and Fixtures, negative 27.4 from a growth of 5.9 percent.

As for the other sectors of the Philippine economy, Agriculture, Fishery and Forestry contracted by 1.0 percent after expanding by 0.9 percent during the previous quarter, a development the NSCB said was due to a decline in the performance of the corn, sugarcane, and other crops sub-sectors.

In terms of Services, the sector recorded no growth for the first quarter of 2009 compared to 0.2 percent from the previous quarter, as trade declined while the other sub-sectors slowed down. The sector has grown less than one percent in each of the last five quarters, the NSCB said.

## 4. IMPACT ON BUSINESS AND EMPLOYMENT IN SPECIFIC INDUSTRIES

### 4.1. Impact on Business

Casualties of the crisis in the Philippine manufacturing sector during the period under review were the semiconductors, electronics, automotive parts, and the textile and garment industries.

#### *Semiconductors and electronics*

According to the Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI), the industry suffered an 8 percent decline in 2008. It will remain in the red until the end of 2009, largely due to the effects of the global financial crisis. Worldwide, revenues of the semiconductor industry in 2009 are estimated to reach only US\$198 billion, as against US\$255 billion in 2008.<sup>1</sup>

#### *Automotive parts*

The Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI), the umbrella group of the country's leading motor vehicle assemblers, has forecast a 2-4 percent growth or zero growth at worst for the industry in 2009, after posting a 5.6-percent increase in sales last year.

#### *Textile and garments*

Textile and garments are the country's second largest export industry after the chip and electronics makers, employing a total workforce estimated at 150,000.<sup>2</sup> However, lower-cost producers in China, Indonesia, Vietnam, India, Morocco, and Turkey have long edged out the industry. The crisis has made companies in the US and Europe even more cost-conscious, especially in terms of labor costs vis-à-vis productivity.

### 4.2. Impact on Employment

According to the National Economic and Development Authority (NEDA), the following are the sectors and number of workers most vulnerable to job displacement on account of the crisis:

1. Overseas Filipino workers particularly those working in the US under temporary working visas (129,000);
2. Seafarers in cruise ships (130,000);
3. Factory workers in South Korea, Taiwan, and Macau (268,000);

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<sup>1</sup> Garnet Research

<sup>2</sup> *Industries warn of more layoffs*. Manila Bulletin. Retrieved July 31, 2009 from <http://www.articlearchives.com/labor-employment/labor-regulation-policy/2322383-1.html>.

4. Household service workers in Singapore, Macau, and Hong Kong (48,000); and
5. Workers in commodity export industries: garment (121,000); electronics (111,000); wiring and harness (2,000); coconut oil (2,000).

### ***Actual displacements in electronics and semiconductors***

The downturn has already led to closures and layoffs in companies like Intel Corp. and Celestica, Inc. Intel is expected to complete its shutdown before the end of the year, according to company officials. Celestica, Inc., for its part, will close its plant at the Mactan Economic Zone by August this year. In December 2008, the company also closed down its facility at the Special Export Processing Zone in Laguna. Another company, Moog Controls Corp., recently implemented retrenchment and restructuring measures involving 293 workers. The company is located at the Baguio City Economic Zone, and is the Philippine manufacturing facility of U.S.-based Moog, Inc., which designs and manufactures high-precision control components and systems used in aerospace, industrial, marine, and medical equipment.

### ***Actual displacements in automotive parts***

Declining sales has forced industry giants such as Mitsubishi and Nissan to trim their workforces down by 12 percent and 16 percent respectively, in February 2009. Some 2,000 contractual workers in electronic auto parts firms were terminated in the same month, according to the Philippine Metal Workers Alliance.

### ***Actual displacements in textile and garments***

More layoffs are due to follow the 5,000 that the industry implemented last July. Just recently, Triumph International announced it will cease manufacturing and distribution center operations in the Philippines because of the global recession and the general downturn in consumer demand. To be affected are the Triumph International (Philippines), Inc. and Star Performance, Inc. factories in Taguig City. It is expected that 1,605 employees at the two factories and 57 employees at its head office in Makati City will be losing their jobs as the company closes by August 2009.

## **4.3. Extent of Displacements**

The Philippine Senate, citing projections by the labor group Pagkakaisa ng Manggagawa sa Timog Katagalugan-Kilusang Mayo Uno (Union of Workers in Southern Tagalog-May 1<sup>st</sup> Movement), has said that more than 40,000 workers in the CALABARZON area are set to lose their jobs by the first half of the present year. Of these, 35,000 will be from electronics and automotive parts factories inside the Laguna Technopark.

As of February 16, 2009, according to NEDA, the top areas affected by the global crisis in terms of job losses were Region IVA (mainly Laguna and Cavite) at 49,613; Caraga region (mainly Surigao Norte and Sur) at 10,225; Region VII (mainly Mactan and Mandaue in Cebu province) at 8,529; Region III (mainly Subic and Clark) at 6,212; and the National Capital Region (Metro Manila) at 3,906.

## **4.4. Forms of Displacement**

Table 2 shows the forms of displacement that have actually been implemented by companies in the study area beginning in the last quarter of 2008 when the crisis erupted. Company labor cost-cutting measures from October 2008 to January 2009 included layoffs, which affected 7,521 workers, retrenchment (719), forced leaves (1,000), dismissals (250), and redundancy (500). There were also three cases of companies

implementing reduced work weeks and three companies actually closing down. One of the latter was Intel Corp., which caused 1,800 job losses.

**Table 2. JOB DISPLACEMENTS**

<b>Company</b>	<b>Forms of Displacement</b>
Ford Group Philippines, Inc. (automotive, Laguna)	September 2008: Laid off 29 workers as part of the company's plan to undertake a 15 percent cut in fixed costs.
Daeyoung (garments, Cavite Export Processing Zone)	September 2008: Laid off least 1,000 workers after the firm merged with Greever, another garment firm. However, only 500 of Daeyoung's workforce were absorbed following the merger.
Amkor Technology (electronics, Special Economic Zones in Muntinlupa and Laguna)	September 2008: Laid off 3,000 female contractual workers; 2,000 more were scheduled to be retrenched in February 2009.
Daijen (garments, Cavite Export Processing Zone)	October 2008: Retrenched 400 workers after the company was absorbed by Jeonlim, another garments firm.
Woo Su (garments, Cavite Export Processing Zone)	October 2008: Closed shop due to insufficient orders from clients.
Phils. Star (garments, Cavite Export Processing Zone)	October 2008: Closed shop due to insufficient orders from clients.
DO Apparel (garments, Cavite Export Processing Zone)	October 2008: Reduced work week to three days a week.
Headline (garments, Cavite Export Processing Zone)	October 2008: Reduced work week to five days from the normal six days.
American Power Conversion (electronics, Cavite Export Processing Zone)	November 2008: Reduced work week to four or five days from the normal six days. The company also laid off an undisclosed number of workers.
Texas Instruments (semiconductors, Baguio City)	December 2008: Laid off 392 workers from different divisions. A second wave of layoffs is scheduled in 2009.
Lear Automotive (automotive, Mactan Economic Zone-Cebu)	December 2008: Laid off at least 100 workers.
Integrated Microelectronics, Inc. (electronics, Mactan Export Processing Zone-Cebu)	December 2008: Laid off 3,000 contractual workers and implemented forced leaves for more than 1,000 regular workers.
Maitland Smith Ltd. (home furniture and furnishings, Mactan Export Processing Zone-Cebu)	January 2009: Retrenched at least 260 workers.
Taiyo Yuden (electronics, Mactan Export	January 2009: Retrenched at least 15

Company	Forms of Displacement
Processing Zone-Cebu)	workers.
Giardini del Sole, Inc. (furniture and home furnishings, Cebu)	January 2009: About 250 workers were reportedly dismissed by management.
Accenture (business process outsourcing, Metro Manila)	January 2009: Implemented a redundancy program that affected 3 percent of its workforce or approximately 500 workers of a total 16,000 employees.
Intramuros Administration (tourism, Manila)	January 2009: Retrenched 44 contractual workers due to insufficient funds.
Various electronics and automotive parts export companies (Laguna TechnoPark)	January 2009: Loss of jobs by some 35,000 workers in the Laguna Technopark due to the impact of the global slowdown, according to a major labor group.
Intel Corp. (electronics, Cavite Gateway Business Park)	January 2009: Announced the shutdown of its manufacturing plant in General Trias, Cavite and its offer of severance packages to over 1,800 employees.
Various companies in Calabarzon area (Cavite, Laguna, Batangas, Rizal, and Quezon)	January 2009: Loss of jobs for more than 40,000 workers in Calabarzon area by the first half of the year, according to a workers' group, the Pagkakaisa ng Manggagawa sa Timog Katagalugan-Kilusang Mayo Uno.

Source: Senate of the Philippines (2009)<sup>3</sup>

The global financial crisis has also given rise to other displacement trends affecting Filipino workers. These include:

1. More lay-offs during the Asian crisis of 1997 at 84,500, compared to only 50,380 during the current crisis (based on labor displacement data as of March 2009 from the Philippine Overseas Employment Administration (POEA) as cited by NEDA;
2. Laid-off OFWs as of March 2009 numbered 6,405<sup>4</sup> while workers under flexible working hours numbered 59,149 and laid-off domestic workers numbered 50,380;
3. As of March 2009, some 3.3 million workers were employed in large establishments, from which, the 50,380 workers were displaced; and
4. Rise in informal employment

Table 3 shows employment for unpaid family workers and the self-employed who do not in turn employ other workers rose year-on-year in April this year while jobs for wage and salary workers in private establishments hardly grew. This indicates that, under current crisis conditions, informal enterprises are providing more jobs than those operating in the formal economy, a phenomenon that the World Bank, in its quarterly report, has noted as reflective of the “weakening” of the quality of the labor market (as

<sup>3</sup>Retrieved July 17, 2009 from [http://www.senate.gov.ph/press\\_release/2009/0126\\_villar1.asp](http://www.senate.gov.ph/press_release/2009/0126_villar1.asp)

<sup>4</sup> According to the NEDA/POEA data, 78.7% of OFW lay-offs as of March 2009 were from Taiwan, following by: Others, 7.1%, Brunei, 2.3%, Macau, 2.9%, Canada, 3.4% and UAE, 5.6%

indicated by the decrease in the percentage of employed workers who are waged/salaried and the corresponding increase in “own account” workers and unpaid family workers). It added that unskilled workers are bearing the full brunt of the wave of retrenchments, making sense of a Bureau of Labor and Employment Statistics (BLES) report that, in June 2009, around 17 million individuals found to be working in the informal sector. BLES attributed the high number of people engaged in irregular work to the widespread job losses brought about by the global economic downturn.

**Table 3: LABOR FORCE SURVEY**

	Distribution		Levels (in 000)		Annual Change
	April '08	April '09	April '08	April '09	
Class of Workers	100%	100%			
Wage and salary workers	52.9%	51.9%	17,724	18,169	2.5%
Private households	4.7%	4.9%	1,572	1,718	9.3%
Private establishment	39.8%	38.5%	13,359	13,465	0.8%
Government/GOCC	8.0%	8.2%	2,667	2,867	7.5%
With pay (family-owned business)	0.4%	0.3%	127	118	-6.8%
Own account	34.6%	34.9%	11,608	12,228	5.3%
Self-employed	30.0%	31.1%	10,064	10,867	8.0%
Employer	4.6%	3.9%	1,544	1,360	-11.9%
Unpaid family workers	12.5%	13.1%	4,203	4,597	9.4%

*Note: Figures may not add up due to rounding.*

*Source: NSO/NSCB*

## 5. IMPACT ON WOMEN WORKERS

As mentioned earlier, there are no available gender-disaggregated data on local retrenchments and lay-offs that have occurred since the onset of the global financial crisis. It is safe to say, however, that formally employed women in the electronics, semiconductors, telecommunications, and garment industries, as well as the other industries engaged in production for export, have been the hardest hit by the crisis. As also pointed out earlier, women comprise the majority of the workforce in these largely export-oriented industries.

An idea as to the extent of the crisis' impact on women workers in terms of job displacement may also be surmised from available official data on women and unemployment. The geographical focus of this study is the CALABARZON area where many of the crisis-triggered company closures, retrenchments, and lay-offs have been occurring. Also known as Region IV, CALABARZON, comprising the provinces of Cavite, Laguna, Batangas, Rizal, and Quezon, is the second largest contributor to the total of unemployed women in the Philippines with 18.7 percent, with the National Capital Region (Metro Manila) coming in first with 24.8 percent, and Central Luzon, third with 11.5 percent. This is according to data as of March 2009 from the National Statistics Office (NSO), which also showed that out of the estimated 2.5 million unemployed persons based on the October 2008 Labor Force Survey (LFS), 929 thousand are women (36.8 percent of the total unemployed women). This translates to an unemployment rate of 6.5 percent for women, lower than the unemployment rate reported for men (7.0 percent). Across regions, the highest unemployment rate among women was reported in NCR, where 11.7 percent of the region's labor force is

unemployed. CALABARZON and Central Luzon follow with 9.0 percent and 7.9 percent, respectively.

**Table 4: UNEMPLOYMENT RATE AND NUMBER OF UNEMPLOYED PERSONS BY SEX AND REGION, OCTOBER 2008**

Region	Unemployment Rate					Unemployed Persons			
	Both sexes	Male	Fem	Both sexes		Male		Fem	
	%	%	%	# ('000)	%	#	%	#	%
Philippines	6.8	7.0	6.5	2,525	100	929			
<b>NCR</b>	<b>12.8</b>	<b>13.6</b>	<b>11.7</b>	<b>597</b>	<b>23.6</b>	<b>367</b>	<b>23</b>	<b>230</b>	<b>24.8</b>
CAR	3.9	3.4	4.6	27	1.1	14	0.9	13	1.4
Ilocos Region	7.9	8.6	6.7	156	6.2	109	6.8	47	5.0
Cagayan Valley	3.7	3.9	3.2	51	2.0	35	2.2	16	1.7
Central Luzon	8.1	8.2	7.9	308	12.2	201	12.6	107	11.5
<b>CALABARZON</b>	<b>10.0</b>	<b>10.6</b>	<b>9.0</b>	<b>469</b>	<b>18.6</b>	<b>295</b>	<b>18.5</b>	<b>174</b>	<b>18.7</b>
MIMAROPA	3.4	2.5	4.8	40	1.6	18	1.2	22	2.3
Bicol Region	5.2	5.3	5.0	109	4.3	70	4.4	39	4.2
Western Visayas	6.2	6.9	5.0	187	7.4	130	8.1	57	6.2
Central Visayas	5.8	6.4	5.0	166	6.6	107	6.7	59	6.4

Eastern Visayas	3.9	3.7	4.2	65	2.6	40	2.5	25	2.7
Zamboanga Peninsula	3.4	3.4	3.4	49	1.9	30	1.9	19	2.0
Northern Mindanao	4.2	4.2	4.2	82	3.2	48	3.0	34	3.7
Davao Region	4.3	4.2	4.5	79	3.1	48	3.0	30	3.2
SOCCSKSARGEN	3.8	3.6	4.3	61	2.4	38	2.4	23	2.5
Caraga	5.3	5.4	5.2	53	2.1	34	2.1	19	2.0
ARMM	2.2	1.4	4.4	26	1.0	11	0.7	15	1.6

*Source: Gender Factsheet, National Statistics Office Gender and Development Committee*

Aside from the direct impact of job losses due to retrenchments and lay-offs, the FGDs and interviews conducted as part of this study surfaced the following insights as to specific impacts of the global financial crisis on women workers in the study areas:<sup>5</sup>

### **5.1. Continuing Job Insecurity through “Casualization”**

This was especially pointed out by FGD participants from special economic zones or export processing zones where, they said, the incidence of “job loss” was frequent and regular, and entirely independent of recessions, global as these might be. The retrenchment often took place as soon as an employee’s six-month contract was finished. In that case, the women would prepare to find other jobs with other companies based within the special economic park or export processing zone. This process would entail yet another round of police and security clearances as well as fit-to-work medical check-ups, easily costing the individual at least P2,000 and months of application processing and follow-ups. After being hired, when the six-month probation had run its course, the worker would have to go through the same cycle again.

### **5.2. Heightened Poverty and Hunger**

The loss of their jobs due to retrenchment and lay-offs had definitely pushed women workers of crisis-affected companies deeper into poverty. This was especially true for FGD participants coming from the garment sector where van der Gaag (2009) said 90 percent of those holding new jobs that are under threat of disappearing because of the crisis are women living in poverty. FGD participants also came from the informal sector, i.e., small enterprises making rags and foot socks out of discarded clothing material, and belonged to the ranks of the urban poor.

The clearest expression of poverty is the inability of large numbers of Filipinos to meet the most basic of needs for subsistence. NSCB data in 2003 showed that more than 11 million Filipinos were considered food-poor or living below subsistence level. The Food and Agricultural Organization reported in 2005 that there were more than 17 million undernourished Filipinos.

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<sup>5</sup> See Annex: “Stories Behind the Figures” for selected case studies on the recession’s impacts.

Traditionally, food is the biggest expense of the poor Filipino household. Over the years, food accounted for almost 60 percent of expenses by the bottom 30 percent of the income group. But the FGD participants' experience showed that job loss, coupled with the steady rise in prices of basic commodities, has downgraded food consumption in terms of both quantity and quality.

One woman participant shared that the price of canned milk (as distinguished from infant formula milk) she was using to feed her baby had doubled. This was the same woman that, with her eyes welling up, admitted that she and her husband skipped meals to ensure the baby had milk. "*Sumasala din*," she said, referring to how the couple has had to forgo some meals.

As a people, Filipinos are known for their fondness for eating, evident in the numerous food stands, establishments, and vendors at any given time in any given place. In between the three main meals are the midday and afternoon snacks. Religious rituals, community festivities and family gatherings are planned around the food to be served and shared within the occasion. Loosely translated, the word "*sumasala*" means "to lapse." The Filipinos' use of the word "*sumasala*" to refer to being forced to skip a meal thus suggests an unacceptable lapse or default.

Another participant admitted to being choosy with her food until she was retrenched. "I used to be choosy, but now, whatever food's on the table is fine with me," she said. Even her son, she added, has learned to settle for whatever was served. "What one can eat," she said, "is what one should eat."

A solution that one participant found to the inability of her own daughter to raise money for a grandchild's milk, after the daughter was laid off from work, was to settle for a chocolate-flavored drink rather than the usual canned milk. This chocolate powder drink came in single-serve packs at the more affordable P5 each.

One FGD participant sometimes needed to sacrifice the midday and mid-afternoon snacks so that the money could be used instead for the children's transportation to school. One home-based woman worker said the household has not given up the snacks, but these had become no more than one piece of *pan de sal* with a cup of coffee.

Another participant cited the difference in the variety of rice they used to buy from the government-procured rice they had been consuming as a cost-cutting measure. "Sometimes, we don't buy rice anymore, we depend on the free rice distributed to the Grade One students in public schools," said one participant in her senior years.

### **5.3. Lifestyle Changes (Letting Go of Non-Essentials)**

Another specific effect of the global financial crisis on women workers that was uncovered during the FGDs was the reduction of spending on leisure and recreation. "Before, I could give my wife a weekly shopping allowance. Without fail, she would be at the mall every weekend. But it's been two years now since we last entered a mall," a male FGD participant said.

For the lower-income households, one of the most obvious effects of the crisis was giving up the fast-food meals, the equivalent of "splurging" when there is extra money.

One participant cited the middle-class "belt-tightening" of foregoing a spa or hair treatment, or a new piece of clothing. "My lifestyle really changed. In the past, every month, I would be at the salon. I could afford to take care of myself," one participant said.

In terms of other expenses, many participants also experienced interruptions in their electric service due to the failure to settle their bills promptly. The monthly electricity bill occupied the no. 2 slot in majority of the participants' expenditures, next to food,

consistent with the findings of the 2006 Family Income and Expenditure Survey of fuel, light, and water as among the household's highest expenses at 6 percent to 7 percent of total income.

Asked by the profile sheet to rank the other household expenses by importance, most ticked off food and education (the transportation fare and recess money of the children), and left items such as health and medicines blank, belying the Filipinos' common disregard for healthcare as a concern and an investment. It should be noted, moreover, that basic education is free. For 72 percent of poor households, the highest educational attainment was primary school education, which explains the minimal spending on education.

The implication of this insight from the FGDs is that spending on healthcare is a low priority among poor Filipino households. This, however, does not diminish the fact that poor Filipinos still spend more on health for the simple reason that the government is not able to do so much for them in this regard. By the government's own admission, its target to depend less on out-of-pocket payments and provide more social health insurance is still far from being realized as the share of out-of-pocket payments even increased to 49 percent while the share of social insurance payments increased only slightly to 11 percent in 2005. Based on the Health Sector Reform Agenda (HSRA), the target for out-of-pocket expenses is 20 percent while the target for social insurance is 30 percent. Meanwhile, the share of government on health expenditure declined to 29 percent, which is also below the HSRA target of 40 percent.<sup>6</sup>

## 5.4. Resilience and Creativity Built by Old and New Poverty

It has been said that the Asian financial crisis of 1997 prepared the Filipino for the global financial crisis of 2007. There is less panic coming from both the public and the private sector. Some even say the worst of the crisis is over. The same can be said of the ordinary "Pinoy". Despite the difficulties making up the Filipino's everyday reality, the Filipino resilience is fascinating. Expressed in an inimitable brand of humor that can make light of the most serious problems of daily survival, this Filipino grit can be explained by their phenomenal success in evolving "alternatives" to cushion the blow of poverty. This comes in the form of "second jobs" or "sidelines" – alternative income sources to bridge the family from one day to the next.

### *The informal economy as refuge*

The informal economy makes available these other means of earning a living. And the Filipino women's ingenuity in balancing the household budget against expenses is best seen in the solutions found by the home-based workers of Rizal. "I keep a small [mom 'n' pop] retail store. I also do the laundry, which means an extra P250. I'm also a trimmer, though the earnings from this are paltry, only 10 centavos per rag," one home-based worker said.

Her companion, on the other hand, uses the sewing machine for occasional dress repair and alteration jobs when it is not being used in the fabrication of rags and foot socks. But the machine is best optimized in the run-up to the town fiesta when neighbors want new curtains, cushions, and bed covers. Another member of this group works three half-days a week as a janitress at a privately run nursery school. "I clean the classrooms of a private

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<sup>6</sup> NSCB press release retrieved from <http://www.nscb.gov.ph/pressreleases/2008/PR-200802-SS1-01-pnha.asp>

school, for which I earn only P2,000 monthly. But the work is only for half the day," she said.

While waiting to be called by a prospective employer, the male study respondents retrenched from establishments within the Cavite Export Processing Zone in the coastal municipality of Rosario turn to the gathering of shellfish as an alternative livelihood source, or simply for their subsistence needs. "We sell the shellfish, or often it becomes our meal," one said, "because it fetches so low a price in the market anyhow." At other times, the men harvest water spinach from a nearby swamp and sell these door-to-door. "There are ways of making do," they said.

For the group of participants relying on commissions from the sale of cable TV subscriptions, the most natural "second job" that would not eat into their peddling hours was the distribution of the monthly subscription bills door to door. They are paid P3 for every statement of account delivered. The different household members pitch in their time and effort to deliver as many as 800 statements around a particular community within a week's time, ensuring the household of an additional P2,500 income for the month. "The problem is that I may soon lose the motorcycle because I've been unable to continue paying for it in the past months," one of them said.

There's a Filipino saying that describes how poor people try to eke out a living in our country: "*isang kahig, isang tuka*." This phrase describes the actions of a mother hen in scraping the ground, looking for grubs to feed her chicks. Literally, the phrase translates to: "one scrape, one tweak." Figuratively, it means "one day at a time, making do with what you have," which is what best describes the coping strategy of one FGD participant when she shifted from the more expensive full cream milk to cheaper flavoured (probably diluted) milk to feed her child.

In terms of credit, the standard among the poor, particularly those who are engaged either as workers or entrepreneurs in the informal economy, is to rely on informal lenders. There are ethnic Filipinos who are into this type of business but the iconic image of the moneylender in our cultural context is that of the "Bombay," the local name for persons of South Asian (Indian) descent who come to the Philippines and engage in a money-lending practice called "5-6." Under this practice, one borrows Php5 and pays the lender back Php6, which represents an interest rate of 20 percent per quarter or 80 percent per annum as against the average bank rate which is 4 percent per quarter or 16 percent per annum. This is the most common form of usury practiced in the Philippines and it is the poor that is largely victimized because it is also the only credit resource available to them in the informal economy. You can see the "Bombay" doing the rounds of wet markets and neighbourhood *sari-sari* (variety) stores everyday, collecting payments from his "5-6" clients.

If posing a question on the subject of savings, particularly in a time of crisis when people are jobless and worse, have nothing in their pockets, the sarcastic response that one tends to receive is: "what savings are you talking about?"

A 2002 study published by the Center for Women's Studies of the University of the Philippines entitled, "*Nimble Fingers, Clenched Fists: Dynamics of Structure, Agency and Women's Spaces in a Manufacturing Company*," often made mention of the term "*diskarte*." One often hears *diskarte* used in a number of contexts including courtship, negotiation, and lastly, work. The word speaks of a woman's ability to transcend a situation or limitation. Women describe this as the attempt to solve the problems or courage in dealing with the problems encountered. The context within which women speak of *diskarte* ranges from being able to survive (*makaraos*) to transcendence (*malagpasan ang pagsubok*). *Diskarte* also employs certain strategies such as *lakas ng loob* (guts) and *kusang-loob* (initiative). *Diskarte* is very much evident in the stories of the women who participated in the FGDs.

## 5.5. Wide Support System of Family and Friends

Although almost permanent, the poverty of the Filipinos goes through ebbs and flows, peaks and troughs. As the Asian Development Bank (ADB) puts it, poverty in the Philippines is a dynamic phenomenon where people move in and out of poverty over time. A first attempt to gauge chronic and transient poverty found that, over a three-year period, about one-fifth of the surveyed households were chronically poor, whereas nearly one-third shifted into and out of poverty during the period. Almost always, however, it is up to the woman to ensure that there is food on the table and that the most immediate needs of the household – water and healthcare – are met. For this, she has come up with ingenious ways of producing the money needed to buy sustenance needs.

### *The extended family as refuge*

Among the common stop-gap solutions is moving back in with parents, which is not entirely alien to Filipino mores. Whether at home or migrants in foreign lands, Filipinos are known for their extended family network of siblings, cousins, aunts, uncles, nieces, nephews, in laws, and even neighbors and godparents. In fact, the typical Filipino family structure is the extended family. These extensions, one writer describes, can be “mesmerizing”. Filipino homes can be populated by three, even four families co-existing under one roof and sharing in the household’s resources. The wealthy even have their compounds or enclaves, clusters of homes of siblings living in close proximity to one another.

The Filipinos’ penchant for extended family networks has been blamed in part for their laggard growth and failure to achieve modernization. At the same time, however, the extended Filipino family is a source of economic security, especially for poor families, and most especially in hard times. This was shown by the FGDs conducted for this study where several participants, to save on rental in the face of job retrenchment, moved back in with their parents or parents-in-law.

Although one worker laid off from her job in a garment factory in the Cavite Export Processing Zone still had her husband’s income to depend on for the family’s sustenance, the loss of one income for the household necessitated their moving in with the parents as a temporary cost-saving solution. When one middle-class respondent was laid off, she was compelled to give up her flat, for which she was paying P9,000 in rent, and together with her son, transfer to her brother’s house. Housing typically represents the second largest expense in the family budget, ranging from 8.8 percent in 2003 to 9 percent in the latest 2006 income and expenditure survey. Thus, any savings on the monthly rental considerably eases up the burden brought about by the crisis.

One participant was already one year behind in paying the rent on his apartment, but he chose not to be weighed down by this problem. For one, he explained, the landlady seemed to understand as it appeared that several of his co-tenants in a 12-door apartment row were also on rental arrears. Beyond that, however, the landlady seemed to understand their plight and all she was asking of her tenants was that they settle their light bills promptly so that the meter would not be removed from their homes by the power company.

Not surprisingly, the participants who own, and not rent, their houses were faring better in making the household budget suffice despite the income squeeze across the board. These homeowners, noticeably the more senior of the respondents with ages ranging from 50 to 60, spoke of their difficulties, on the other hand, of earning for an entire household of children and grandchildren. Even though they were past their reproductive years, they looked at the burden of providing for the multiple-family household as primarily their own. “What can you do?” one of the women asked. “You cannot turn them out.”

Another participant narrated how everyone in the household was contributing to meeting the expenses. “My daughter [whose family lives with her] also helps in preparing the materials and assembling the parts of a rag. The pay that she gets is what we spend on food as she and her husband stay with me,” one woman said. One woman trapped in the “casualization” cycle at the export-processing zone relied on a distant relative for loans for her daily subsistence when she was out of work. “*Utang lang ako nang utang, kapag may trabaho, doon po ako nagbabayad,*” she said. (“I just keep on borrowing money and when I’m able to find work, that’s when I pay.”) These stories of family solidarity in hard times challenge the value modern society has come to assign to the Western requisites of financial independence and physical space by the age of 18.

## 6. GOVERNMENT RESPONSES TO THE CRISIS<sup>7</sup>

### 6.1. The Php330-Billion (\$6.8 billion) Economic Resiliency Plan (ERP)

In response to the global financial crisis, the Philippine government has put into operation a Php330-billion (\$6.8 billion) Economic Resiliency Plan (ERP) with the following objectives:

- To ensure sustainable growth, attaining the higher end of the growth targets;
- To save and create as many jobs as possible;
- To protect the most vulnerable sectors: the poorest of the poor, returning OFWs, and workers in export industries;
- To ensure low and stable prices to support consumer spending; and
- To enhance competitiveness in preparation for the global rebound.

The ERP is broken down as follows:

1. Php160 billion addition to the national budget (to be allocated by Congress), which the government is using to fund Wave 1 of an infrastructure building program involving 4,000-5,000 small projects under the BESF (Budget of Expenditures and Sources of Financing) capable of speedy job creation;

2. Php100 billion off-budget funding, which the government is using for Wave 2 involving big-ticket, long-term (2010 and beyond), labor-intensive and high local value-added projects drawn from the master list of the Comprehensive and Integrated Infrastructure Program (CIIP) worth an investment total of Php2,006.26 billion.<sup>8</sup> Wave 2 projects include, among others, construction, repair, or rehabilitation of irrigation systems, and other local infrastructure like roads, asphalt overlay, etc., implemented in partnership with local government units (LGUs). In implementing these projects, the

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<sup>7</sup> Information gleaned from “The Global Crisis and the Economic Resiliency Plan”, powerpoint presentation by Arroyo, Dennis, director, National Economic and Development Authority

<sup>8</sup> Investments under the Comprehensive and Integrated Infrastructure Program (CIIP) are broken down as follows: Water Resources, 347.5317%; Power and Electrification, 611.0730%; Transportation, 754.6938%; Relending Programs, 36.692%; Support to ARCs (agrarian reform communities), 31.882%; Social Infrastructure, 167.918%; Communications, 56.493%

government is spending 60-80 percent of the productive portion of the implementing agencies' budget in the first semester of 2009. Implementation is supposed to be subject to periodic review of implementing agency performance by the economic managers. Assignment of these projects' implementation to Wave 2 is to allow greater transparency and more time for public scrutiny of the same;

3. Php40 billion in the form of corporate and individual tax breaks;

4. Php30 billion temporary additional benefits to members of the Government Service Insurance System (GSIS), Social Security System (SSS), and PhilHealth (healthcare insurance for both government and private sector employees). The objective of this component of the package is to increase the purchasing power of government employees (GSIS) and private sector employees (SSS) for at least 18 months. Funding for this component of the package will be taken from the difference between members' contributions, and members' claims and benefits. On February 12, 2009, the PhilHealth Board of Directors approved the revised In-patient Benefit Package, which is expected to result in a 35 percent increase in annual benefit payments. In addition, the government has also offered to expand its social protection programs for the most vulnerable by:

- a) Doubling the budget for conditional cash transfers;
- b) Accelerating its Hunger-Mitigation Program;
- c) Adding Php1 billion national government (NG) contribution to the PhilHealth indigent program;
- d) Adding Php5.66 billion for Training for Work scholarships;
- e) Adding to the Department of Health's allocation for primary and secondary hospitals;
- f) Deploying nurses to under-served areas under the NARS program;
- g) Granting more student loans; and
- h) Matching grants with LGUs.

## **6.2. Comprehensive Livelihood and Emergency Employment Programs (CLEEP)**

The government also has Comprehensive Livelihood and Emergency Employment Programs (CLEEP) aimed at hiring for emergency employment as well as funding and supervising livelihood projects. CLEEP activities are aligned to the priorities of the country's government-designated Super Regions, the needs of the 12 poorest provinces as well as the needs of the 12 most food-poor provinces and the food-poor in the National Capital Region (NCR) or Metro Manila.

CLEEP is aimed at generating a total of 824,555 jobs from the following projects:

- From Bantay Gubat project for upland displaced workers: 35,000;
- From farm-to-market road projects of the Department of Agriculture (DA): 36,500;
- From irrigation projects of the DA: 81,134;
- From the organic fertilizer production project of the DA: 10,400;
- From the goat dispersal project of the DA: 3,645;
- From the OYSTER roadside program: 27,222;
- From the TUPAD and ISLA programs of the Department of Labor and Employment (DOLE): 23,550;

- From the Laguna Water Lily Development project of the Department of Trade and Industry (DTI): 1,022;
- From projects of the Department of Public Works and Highways (DPWH): 506,082; and
- From the repair of classrooms and school buildings: 100,000.

To mitigate the impact of the crisis on OFWs, the government is implementing the following programs and pursuing the following initiatives:

- Monitoring of overseas labor-market displacements 24/7;
- Contract monitoring of job orders;
- Identification and development of new market niches;
- Redeployment to emerging foreign labor markets;
- Repatriation assistance;
- Expansion of livelihood/business formation programs;
- Business counseling, strengthening reintegration services; and
- Massive skills upgrading and retooling services.

To protect workers in the export sector, the government also has the following programs in place:

- Quick Response Teams (QRTs) in DOLE regional offices; maintaining early warning system to track struggling firms;
- Job placement facilitation;
- Livelihood formation/enhancement;
- Assistance in claiming unpaid salaries;
- Advocacy for companies to adopt alternatives to lay-offs;
- Promotion of non-wage benefits; and
- Emergency employment.

## 7. CRITIQUE OF RESPONSES<sup>9</sup>

The government's responses to the crisis, as represented by its ERP and CLEEP initiatives, are criticized mainly for the following reasons:

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<sup>9</sup>Adopted from a two-part article by Arnold Padilla entitled "A Critique of the Economic Resiliency Plan: Why Arroyo's P330 Billion "Stimulus Package" Will Fail" and "Why Arroyo's P330 Billion "Stimulus" Package Will Not Solve Joblessness" published April 20 and May 9, 2009 in the alternative online newsmagazine [www.bulatlat.com](http://www.bulatlat.com)

## **7.1. Lack of Funding for ERP to Stimulate Economic Activity amid the Global Downturn**

According to critics, a real stimulus package needs significant additional resources on top of what the government has already planned to spend. But it is estimated that of the Php330 billion (\$6.92 billion based on current exchange rate of \$1=Php47.672) allocated for the ERP, only Php50 billion (\$1.85 billion) can be considered as new funds. The said amount represents the sum realigned from the Php252 billion allotted for servicing debt interest payments in the Php1.41-trillion (\$29.58 billion) national budget for 2009.

The Php50 billion (\$1.85 billion) forms part of the Php160 billion (\$3.35 billion) allocated for the ERP from a total Php188-billion (\$3.94 billion) increase in the 2009 budget. Thus, Php110 billion (\$2.3 billion) of the said amount could not be considered a stimulus fund because it was already a planned increase without taking the global crunch into account. If we compute the Php50 billion as a portion of the gross domestic product (GDP), it is equivalent to only 0.67 percent, according to economist Winnie Monsod. Compare it with, say China's stimulus package, which is about 18 percent of its GDP. In a briefing paper, think tank IBON Foundation pointed out that the 2009 national budget is equal to only 16 percent of the GDP – the lowest since 1986! It confirmed that the current budget was not designed to respond to the global crisis.

Meanwhile, the P100 billion (\$2.09 billion), of which, a portion would be bankrolled by government financial institutions and social security institutions, is facing serious uncertainty. A counterpart fund is supposed to come from private investors to raise the amount needed to fund large infrastructure projects. But as of this writing, administration officials have yet to clinch a definite commitment from private businesses. They have been negotiating with the Philippine Chamber of Commerce and Industry (PCCI), but said group is threatening to back out in February if they will not get guarantees from the government and if the projects will not start in the first half of the year. A portion of the P100 billion (\$2.09 billion) will be also sourced from the Social Security System (SSS), which proposed to shell out P12.5 billion (\$26 million) for the ERP. However, it is facing uncertainty as well due to strong resistance from SSS members and some lawmakers.

The P40 billion (\$839 million) in tax cuts under the ERP are, of course, not fresh funds provided by the government. They represent the estimated additional savings for low- and middle-income earners and corporations accruing from the Reformed Value Added Tax (RVAT) Law enacted in 2005. Finally, the P30 billion (\$629 million) in additional benefits to members of social security institutions like the SSS and Government Service Insurance System (GSIS) are also unsure. They will depend on the viability of said institutions' investments. Arroyo's own economic adviser, Albay Governor Joey Salceda, doubted such viability and pointed to the "paper losses" of the SSS and GSIS in their stock market investments, a consequence of the global economic turmoil.

## **7.2. ERP to Result in More Debts, More Onerous Taxes**

Aggravating these funding problems is the perennial shortfall in government revenues to support its expenditures. The budget deficit this year is expected to jump from P177.2 billion (\$3.71 billion) up to as much as P257 billion (\$5.39 billion), which some analysts predicted as not even the worst case scenario. Such a high budget deficit is not entirely due to the government's pump priming efforts, which could not even be considered real pump priming. Revenues will surely fall this year as corporate incomes drop and the number of wage earners declines because of the global crisis, adding to the already significant number of businesses that have been folding up and displacing workers even before the recession of the world economy. Already, the Bureau of Internal Revenue

(BIR) and the Bureau of Customs (BOC) have both lowered their collection targets for this year by P44.4 billion (\$923 million) and P39.8 billion (\$834 million), respectively.

The Arroyo administration, then, will have to further increase its borrowing. This year, it plans to increase its foreign debt by \$500 million and its domestic debt by P55.45 billion (\$1.16 billion). But borrowing from domestic banks will further worsen the situation for local businesses scrambling for much needed capital as they will need to compete with government for loans and raise interest rates in the process. Government, thus, will have to turn more to foreign creditors. But the question is: will the foreign loans be available? According to the Institute of International Finance (IIF), net bank lending to emerging economies this year will see a negative swing of \$227 billion (i.e., more outflows than inflows) as investors become more risk averse amid the deepening global crisis. With a tight supply of credit from foreign sources, the government will be forced to accept even more onerous terms, including more burdensome conditionals such as liberalization, deregulation, and privatization, tied to these foreign loans.

To fund these debts, the government is pushing for more onerous taxes on consumers already heavily burdened by the regressive value-added tax (VAT). Proposals to impose a tax on text messaging have been revived in Congress aside from plans to enforce new taxes on so-called “sin products,” soft drinks, and other consumer items. These additional taxes on ordinary consumers amid massive displacements are seen as becoming more outrageous given that at the same time, proposals to provide new tax perks for big business are also being pushed in Congress while fresh liberalization commitments – reducing or eliminating tariffs on imports – through free trade deals are in the offing.

The proposals include House Bill (HB) 6073 of Speaker Prospero Nograles, which intends to attract more agribusiness firms in the country by giving them a host of tax incentives, implementation of new liberalization commitments under the ASEAN Free Trade Area (AFTA), and the Japan-Philippines Economic Partnership Agreement (JPEPA), as well as negotiations for new deals such as the Partnership Cooperation Agreement (PCA) with the European Union (EU). All these will deprive the country of billions of pesos in potential revenues, which the Arroyo administration plans to compensate as usual by burdening consumers and ordinary income earners with more taxes.

### **7.3. Taxpayers, Ordinary Income-Earners to Shoulder Cost of Expanded Social Protection**

Aside from paying for the additional debt that the government will surely incur to fund the ERP, ordinary income earners and taxpayers will also directly shoulder a significant amount of the Arroyo administration’s stimulus package. The supposed added benefits to members of social security institutions apparently would come from their extra contributions, and not from government funds. NEDA, for instance, is proposing to extend P10,000 (\$209) in so-called “unemployment benefits” to SSS members affected by the global economic turmoil. The said agency did not specify where it intends to source the money for this, but SSS raised the option of increasing the contributions from its members to bankroll the unemployment benefits.

As part of expanding the benefits of members of social security institutions, the SSS has already approved a P500-million (\$10.48 million) fund to allow its members hit by the global crunch to avail themselves of a maximum of P15, 000 (\$314) in emergency loans. But because the scheme involves loans instead of grants, it only threatens to bury deeper in debt jobless SSS members who face a worsening uncertainty of finding a job soon, if at all. The said social security institution has also set strict and highly restrictive guidelines for those who can avail themselves of the emergency loan. For example, only SSS members who were retrenched from work starting January 1 are eligible. They also must

have updated contributions and updated loan amortization. In other words, the SSS is further milking the workers dry instead of making available to them funds (which came from the workers themselves through their contributions) to help them cope with the raging crisis.

The ERP also intends to supposedly expand government's social protection programs including the so-called Conditional Cash Transfers (CCTs). But this program is also criticized for being extremely limited both in funding and scope. For instance, out of some 4.5 million poor households nationwide, CCTs target only 321,000, mostly in Metro Manila.

The CCTs is an old program of the Arroyo administration that is being funded mainly through the so-called "Katas ng VAT" (Juice of VAT). But since a huge portion of government's VAT collections comes from the poor and ordinary income earners through their VAT payments for petroleum products, electricity, water, and other essential goods and services, the ordinary people themselves are the ones funding the CCTs. Furthermore, CCTs are meaningless amid the sky-rocketing cost of living, deteriorating jobs crisis, and worsening poverty in the country that remain unaddressed and are even aggravated by wrong economic policies of government.

Meanwhile, the education and health components of the ERP will not have an impact on the social protection needs of the people as long as the overall policy direction of government is to privatize and commercialize the country's public hospitals and schools, as illustrated by HB 3287 of Rep. Roque Ablan Jr., for instance, which intends to corporatize 68 public hospitals nationwide. ERP's health and education programs are also lip service in the context of a meager and declining national budget for social services. In fact, compared to the Aquino, Ramos, and Estrada administrations, the Arroyo administration posts the lowest annual budget allocation for health (1.7 percent of the national budget), education (15.2 percent, second lowest behind Aquino's 12.3 percent), and housing (0.4 percent).

## **7.4. ERP-CLEEP: Continuing a Flawed Orientation in Job Generation**

In response to the massive dislocations of OFWs and local workers, the Arroyo administration has come up with CLEEP as a sub-program of ERP aimed to "save and create jobs." The government estimates that the program could generate at least 800,000 jobs.

As of February, Malacañang reported that the CLEEP has already created 70,000 jobs nationwide. But even if government achieves its target of 800,000 jobs under the CLEEP, it will still fail to even mitigate the rapid displacements of workers. Note that the labor force grows every year by an average of 900,000 while the number of jobless workers, even before the global recession, grows by 90,000 a year.

Statistically, they may "mitigate" job losses as reflected in the Labor Force Survey (LFS) of the National Statistics Office (NSO). The LFS simply asks if a worker is employed or has a livelihood but does not probe the duration of employment. Moreover, CLEEP's temporary jobs will cater, theoretically, only to those who are displaced by the global crisis and not to the usual 4 million plus jobless workers the country had in the pre-recession years.

Overall, the ERP does not modify, but, in fact, continues the flawed basic orientation in job generation of current and past administrations. Out of 800,000 target jobs under CLEEP, for instance, more than 500,000 will come from infrastructure projects of the Department of Public Works and Highways (DPWH). Most of these jobs and the other CLEEP targets, meanwhile, are aligned with the priority projects of the Super Regions.

The Super Regions, first unveiled by Mrs. Arroyo in her 2006 State of the Nation Address (SoNA), aims to attract foreign investments for export zones, mining, BPOs, agribusiness, etc. Thus, in terms of long-term employment, it will further undermine domestic job generation as local industries and producers are further marginalized.

## **7.5. ERP-CLEEP: Creating Unreliable, Insecure Jobs**

Meanwhile, the domestic job crisis is mitigated only through labor export, which, under Mrs. Arroyo, has been officially proclaimed as a government policy for job generation. OFW deployment has now already reached one million per year, almost three times the volume of annual deployment during the Aquino administration.

Despite its vulnerability as a means to generate jobs as shown by the current recession, the Arroyo administration continues to promote labor export. In fact, it is one of the job creation/preservation tools of the ERP. DoLE is mandated under the ERP to assist displaced OFWs by redeploying them to other emerging markets and identifying and developing new market niches, among others.

For affected workers in the export sector, the DoLE has established quick response teams (QRTs) in its regional offices to devise an early warning system on possible displacements. It has been busy as well in organizing job fairs in various parts of the country such as the “Jobapalooza” last Labor Day.

But because jobs created by the economy are, in the main, dictated by foreign investments like BPOs and tourism, available employment at these job fairs are usually detached from the actual needs of the domestic labor market. While government hypes the number of potential jobs, it does not report how many workers were actually hired in these job fairs and how many were turned away due to jobs and skills mismatch.

If the Jobapalooza turnout is any indicator, it appears that a very small portion of the supposed available jobs translates to actual employment. Initial media reports say only 7,000 workers were hired on the spot during the Jobapalooza. If accurate, that figure is less than 3 percent of the much-advertised 250,000 jobs that the activity was supposed to provide.

Worse, unable to create a reliable job generation plan, DoLE has further legitimized labor flexibility in the guise of preserving jobs. Under the ERP, it is actively promoting shortened work shifts, rotating forced leaves, and other flexible labor schemes. These are contained in DoLE’s Advisory No. 2, which gives all employers more leeway to undermine the job security of their workers.

Flexible work arrangements must have the consent of affected workers, according to said advisory. The issue, however, is that existing policies have already created an environment favorable to employers. The DoLE, by promoting flexible work, even if based on certain conditions, reinforces such an environment that is hostile to workers.

The same argument holds true in terms of a substantial wage hike. The Bangko Sentral ng Pilipinas (BSP or Central Bank of the Philippines) declared as early as February that there is no need for a wage increase since the inflation rate is slowing down. This bolstered the excuse of companies (which Malacañang officials echo) that, because there is a global recession, wage hikes will only further destroy jobs.

These pre-empt the initiatives of workers to negotiate with their employers for a wage increase. Besides, a review of past retrenchments and shut downs shows that unfair foreign competition, over dependence on a volatile global market, and lack of government support, among others – and not wage hike – are behind the woes of most local firms.

In sum, the government's ERP aims to create and preserve jobs through temporary, insecure, and externally driven (i.e., labor export and foreign investment) employment with even more measly pay. It is no longer new; such has been the case of employment in the Philippines for decades. But the ERP is pushing it to a new and higher level, at a greater expense, oppression, and exploitation of Filipino workers.

## 8. POLICY IMPLICATIONS AND RECOMMENDATIONS<sup>10</sup>

The broad pass at the effects of the global financial crisis on Filipino industries—on workers in general and women workers in particular—surfaces policy issues that require urgent attention and action.

A. The transmission of the global financial crisis into the Philippine economy has clearly been by way of its orientation towards production and supply for exports. The negative impact of the crisis on the country's major manufacturing industries has precisely been due to such export orientation. It was by no big leap of logic that businesses in export-oriented industries such as semiconductors and electronics, automotive parts, and textile and garments collapsed when markets for these products, particularly in developed countries, also collapsed.

There is a need to rethink such orientation towards establishing a balance between producing and supplying first for the domestic market and exporting the best that is left after satisfying domestic needs. Such a balance will not only reduce the country's exposure and vulnerability to the vagaries of the world market; it will ensure sustainable jobs and businesses for Filipino industries and workers who shall produce not solely on the basis of what foreign markets demand, but, more importantly, what they can earn most from doing what they can do best. The global financial crisis uncovers lessons for rethinking and reorienting macroeconomic planning, and strategizing towards leveraging the country's true comparative advantages, i.e., its vast natural resources and its equally vast and highly-skilled human resources. The 2010 elections and, after this, the transition to a new government, provides a window of opportunity for advancing a new Medium-Term Philippine Development Plan (MTPDP) that will embody the lessons of the global financial crisis and establish ways forward in making the national economy more self-reliant and, therefore, more resilient and protected against economic shocks emanating from the world market.

### Recommendations:

- Intensify the advocacy for macroeconomic policy that will enable the country not only to compete effectively in the world market, but, more importantly, to provide first for the needs of its own people. One such need is for a macroeconomic policy that stipulates the maintenance of public budgets for social spending to ensure employment security, universal income, public health and education, and housing particularly during emergencies arising from developments such as the global financial crisis; and

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<sup>10</sup>Recommendations include those made by Oxfam Philippines partners in the rural development sector to whom were presented for validation last 25 September 2009 the results of this research on the impact of the global financial crisis on Filipino women workers.

- Revive/reintensify the freedom from debt campaign, specifically, call for the suspension of payment of public debt in order for resources earmarked for the servicing of such debt to be used instead in funding national efforts to recover from the effects of the global financial crisis. This may also be an opportune time – given the double whammy of the financial and climate change crises (which is putting financial investments by developed countries in developing ones) – to renegotiate the terms of payment for such debt away from structural impositions by multilaterals such as the IMF-WB and ADB that have, in the first place, made the country export-oriented and vulnerable to international economic shocks.

B. In response to the global financial crisis, both proponents and critics of the government's ERP-CLEEP initiatives are in agreement on one thing – the need to boost the purchasing power of the Philippine labor force as a way of keeping the economy afloat and on track of development. The government claims that the ERP was designed to “maintain the primacy of consumption,” i.e., as a component and driver of GDP growth, over investments and government spending, and of boosting domestic demand as a percentage of total exports as a “source of resilience.” There is a need to establish mechanisms for monitoring and ensuring that such directions are actually pursued by the government towards what labor groups in particular are demanding that the ERP should be aimed at, that is, towards “putting money into the hands of workers” so that such workers, being the majority of the country's population, will have the continued ability to spend. This will stave off macroeconomic collapse by keeping production rolling and industries operating. This, in turn, will ensure an improvement in economic conditions that will give jobs to the jobless and jobs back to the retrenched and laid-off.

## Recommendations:

- Conduct advocacy for the establishment of anti-inflationary mechanisms such as price controls that conserve and augment low wages and pensions, subsidies, etc., all of which play a role in income and wealth distribution.

C. There are components in the government's ERP aimed at spurring agricultural development and creating jobs in the countryside. There is a need to pressure and monitor government delivery on such components (e.g., infrastructure projects for the construction and repair of irrigation facilities) not only to increase public investments in the long-neglected agricultural sector, but also to make the sector attractive to overseas Filipinos looking to invest their money in the domestic economy and away from the “imploded” export markets. The government should also earmark funds for reforestation projects to create alternative jobs and livelihood opportunities for displaced workers while helping stave off climate change through the rehabilitation of degraded forest environments.

## Recommendations:

- Call for the phase out of the questionable paradigm of industry-led development, where the rural sector is squeezed to provide the resources necessary to support industrialization and urbanization;
- Call for the phase out of export-led development, and for a refocusing of sustainable development on production for local and regional market;
- Promote agricultural strategies aimed at achieving food security, food sovereignty, and sustainable farming;

- Promote measures that support smallholder agriculture and sustain peasant and indigenous communities;
- Call for a stop to the spread of socially and environmentally destructive monocultural enterprises;
- Call for a stop to labor law reforms aimed at extending hours of work and making it easy for employers to fire or retrench workers;
- Secure jobs by outlawing precarious low-paid work; and
- Assert “equal pay for equal work for women” as a basic principle and to help ease recessionary pressures by increasing women workers’ capacity to consume.

D. Large overseas remittance flows have been a significant facet of the Philippine economy. The Philippines, being among the top four recipients of overseas remittances in the developing world, received US\$16.4 billion in overseas Filipinos (OF) remittances in 2008, almost 10 percent of GDP. These migrant remittances have been a major source of foreign exchange for the country. The global financial crisis has not diminished the importance of OFW remittances to the national economy. Remittances continue to flow in (contrary to earlier projections), partly because most OFWs are employed in “recession-proof” sectors such as healthcare (nurses, caregivers, and occupational and physical therapists) and education (teachers) and partly because international demand for these skills and services remain high. Table 5 reflects this trend:

**Table 5. OVERSEAS FILIPINOS’ REMITTANCES, IN US\$**

	2008	Jan-May 2009	Jan-May 2008	Growth Rate (%)
<b>Total</b>	<b>16,426,854</b>	<b>6,980,938</b>	<b>6,790,522</b>	<b>2.80</b>
Breakdown:				
Asia	1,883,996	875,207	745,351	17.42
Americas	9,213,372	3,684,108	3,783,563	-2.63
Oceania	149,423	77,437	63,821	21.33
Europe	2,658,726	1,268,326	1,185,928	6.95
Middle East	2,502,639	1,068,217	1,006,459	6.14
Africa	17,746	7,534	4,836	55.79
Others	952	109	564	-80.67

Source: *Bangko Sentral ng Pilipinas*

The continued strength of OFW remittance inflows should encourage the government to develop and implement new ways and means by which to use remittances to spur private consumption and investments in the country. One way is to use OFW money to fund productive activities in the small and medium enterprise (SME) sector, considered engines of growth of the national economy. There is an opportunity to do this given projections of a possible shift in spending by OFW families away from say, buying appliances or spending on leisure and recreation to investing in a business as a practical way of protecting their breadwinner’s earnings from the effects of the crisis.

Specifically, an overseas workers investment program should be developed (if it is not yet in place) to identify investment opportunities that OFWs, women in particular, can pursue either while abroad or nearing their contract end and to provide the training and other support necessary to ensure the success of their business undertakings. For this purpose, an advocacy follow-through should be done on pending legislative proposals that enable the business sector to harness OFW remittances (an erstwhile untapped, yet rich source of investment capital), as well as those that provide OFWs an investment alternative to increase their income and at the same time, manage their hard-earned money wisely.<sup>11</sup> Investment packages should also be developed that can be offered to OFWs wanting to use their money in sustainable aquaculture projects such as mangrove reforestation and the rehabilitation of abandoned fish ponds.

Strategically, increasing public (and private) investments in the agricultural sector, particularly those segments that produce food for the nation, will not only ensure food security, but also spur the development of local agricultural economies where majority of poor Filipinos reside – preventing them from migrating to the cities where they become part of the urban poor and unwelcome additions to the already gargantuan army of the urban unemployed.

## Recommendations:

- Advocate for the protection of the rights of migrant workers in the event of job losses, ensuring their safe return to, and reintegration into, their home countries. For those who cannot return, there should be no forced return, their security should be guaranteed, and they should be provided with employment and a basic minimum income.

E. Provision of protection to workers, women in particular, from vulnerabilities they continue to be exposed to in the globalized working environment, including economic and human rights abuses committed particularly on women workers in foreign labor markets where they are employed mostly as domestic helpers, casualization, reduced working hours, and flexible working arrangements that companies are implementing to cope with the financial crisis' impact on the local economy. For social protection of women, additional provisioning must be done to provide livelihood and training especially to those situated in difficult circumstances, such as loss of jobs in the face of the global financial crisis.

## Recommendations:

- Actively engage in the process of formulating the implementing rules and regulations (IRR) of the recently enacted Philippine Magna Carta of Women to ensure inclusion of the provisions mandating protection of the political, economic, human, and gender rights of women, particularly those in the workplace

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<sup>11</sup>One such proposal is Senate Bill No. 1093 requiring Government-Owned or Controlled Corporations (GOCCs) on the privatization program to reserve at least twenty percent (20%) of their total initial public offering (IPO) of shares to overseas workers, authorizing the overseas workers investment (OWI) fund under RA No. 7111 to manage an investment fund portfolio for overseas workers. The bill was filed by Sen. Manuel B. Villar, Jr. during the 12<sup>th</sup> Philippine Congress. It was refilled as SBN 640 on 30 June 2004 during the 13<sup>th</sup> Congress. The bill is pending in committee as of 16 August 2004.

- Review government programs that train OFWs and members of their families in finance and business management skills to prepare them for re-entry into the mainstream national economy at the end of their work contracts. Details of such training programs should be published so that returning OFWs, many of whom come from the provinces, will know about and will be able to access them.
- Review the Overseas Workers Welfare Fund, which was established from proceeds of OFW contributions, to provide financial and material support for whenever members or their dependants are in need, such as during times of emergencies or to pay off debts incurred by OFWs during their search for job placements. Such programs and fund should be reviewed and strengthened with components specifically addressing the needs of women OFWs not only as breadwinners, but also as important economic actors particularly in the context of the fact that they are fast becoming a major source of dollar earnings for the national economy.

A review of the Philippine Labor Code—already weak in the first place due to provisions that allow contractualization, violations of minimum wage and labor standards (including proper wage, leaves, and social insurance benefits) in the guise of cost-cutting and cost management and worst, violations of the human rights of protesting workers—is also in order to put a stop to new potentially anti-labor practices that have arisen under conditions of globalization and the global financial crisis.<sup>12</sup>

The review should also be done to accommodate new business requirements while helping women workers, in particular, to cope and even profit from new work arrangements and environments. One provision is the night work prohibition for women, which may be outdated already. Most of the call centers, for instance, have a larger night shift, making available customer services in Europe, US, and other countries. Although some call centers entice women and single mothers to go into call center work as a way to meet the economic needs of the household, night work prohibition for women sometimes works against hiring women workers for call center work. The intention of these prohibitions have been to protect women from being out at night, but given the context of work availability, it also works against women’s interests.<sup>13</sup>

F. Provision of unemployment insurance or assistance (government and private sector at the national and local levels). The government has devised programs and financing

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<sup>12</sup> See story 4 of the Annex for the article titled, “Anatomy of a Shutdown: The Intel Experience.”

<sup>13</sup>The amendment to this provision on night prohibition for women is actually part of a bill filed recently by Sen. Edgardo Angara aimed at making the Labor Code attuned to the demands of the labor market, particularly recognizing the economic and labor contribution of call center agents, most of whom are women and are working at night. The proposal, however, includes amendments such as compressed workweek or flextime arrangements and revision of the doctrine against the elimination/diminution of benefits under certain conditions, which labor groups are opposing.

See story 3 of the Annex for the article titled, “In Defiance of Recession Trends: Offshoring and Outsourcing,” which discusses the need to rationalize the Labor Code to address provisions that work against the employability of women, e.g., night work prohibition, and other policy changes recommended by the business-processing industry association to improve workforce productivity and enhance the competitiveness of the Philippines as a BPO site.

mechanisms designed to mitigate the effects of widespread job retrenchment brought about by the crisis. Available qualifications and requirements must be popularized, however. In addition, although some poverty-alleviation programs are in place, the government and private sector should work on developing, at the local level, a temporary employment system to enable those who have been laid off to be gainfully employed even on a short-term, part-time basis. Toward this, the minimum wage law should be reviewed in light of common compensation practices and trends to determine the just but viable mix of cash and non-cash components of a living wage.

At present, the safety nets available to individuals fall into two types. One is for those who are able to contribute to their own social security – the Social Security System (SSS) for private-sector employees and the Government Service Insurance System (GSIS) for government employees. Health and medical insurance is also available through Philhealth. Unfortunately, there are still a lot of self-employed workers who are not covered by SSS and Philhealth, even though SSS and PhilHealth are both committed to universal coverage.

The other type of safety net is in the nature of poverty alleviation and welfare programs that target individuals and households with limited or no access to economic opportunities. The impact of these programs on poverty alleviation has been minimal however, owing to problems related to fund sources and uses.

FGD respondents and interviewees also shared how they needed assistance in getting back on their feet after job loss. Important information that came out of the discussions was on the role of assisting those who have lost their jobs. Such a role is played by mothers who, even in their old age, continue to assist their sons and daughters even when they already have their own families.

The government and the private sector should work together to develop an employment system that can offer temporary or short term jobs to those who have been retrenched or laid off.

The government should also study the possibility of putting in place a minimum wage package consisting of a viable mix of cash and non-cash benefits that can be a sufficient living wage for workers. Some organizations and institutions have existing non-cash benefits in the form of groceries and rice subsidies to help in stretching the family budget. Some of the research participants also talked about relying on some of their savings to serve as buffer funds while looking for employment.

The government should also review the social insurance system to include contributions that can help set up funds for emergency loan availability and other forms of assistance in case of unemployment.

G. Institutionalization of standards for the valuation of women's labor (home-based/home-bound) and other workers in the informal economy through the enactment of the proposed Magna Carta of Workers in the Informal Economy

The underground or informal economy accounts for around 20 percent to 40 percent of total economic activity. From discussions on women and work at the University of the Philippines, it has been long established that informal workers are an integral part of the economy especially for countries like the Philippines. In times of severe crisis, the informal sector actually absorbs a large part of the labor force, which is not far from the findings of this research. In fact, informal workers were a major group that the study focused on.

The poor Filipino family tends to be more economically active than the rest of the population, with substantially higher labor participation rates, especially among the youngest and oldest age groups, but with less access to the formal labor market. Two-

thirds of the men and roughly three-quarter of the women are either self-employed or unpaid family workers

Despite the creative alternative it offers to people as a major source of income, the informal economy is considered a forgotten sector. Its contribution is not taken into account in documenting productivity, and the members of this sector, mostly women, continue to suffer from vulnerabilities because of the informal character of their work. Their rights and benefits as workers contributing to the economy are often negotiated because of the lack of an employer-employee relationship.

Considering the extent of the informal workers' contribution to the family income and the country's productivity despite the vulnerabilities they suffer, they should be recognized as another sector of workers whose rights and entitlements are recognized like formal workers. This recognition can make them more visible and included in the policy setting, program planning, and services delivery of the government. This visibility may be able to facilitate their claim to benefits and access to capital for their small businesses.

Included in the category of the informal economy would be the contribution made by housewives to output, which, if assigned some value as part of GDP, will be substantial. The findings of this research report bear this out—how women, in their multiple roles as wife, mother, and provider, have gone into a variety of entrepreneurial, albeit small-scale, endeavors.

Women—including young women and girls—perform most of the unpaid and unacknowledged work at home. This is likely to increase with the downturn in government services, especially in education and health, as a result of the crisis. A recent UNDP study by Rania Antonopoulos warns:

Women's unpaid work provides for most of the unpaid family work, water and fuel collection, care for the ill in hospitals and at home, and looking after the daily needs of other family members, including care, feeding, and bathing of those who cannot provide for themselves, namely, the very young, the very old, and the sick. If the current crisis results in the tightening of (fiscal) policy space (as it is expected to do), the first items to go will once again be those of least resistance—public expenditures on health, early childhood development, sanitation, and the like—effectively shifting the burden of providing such needs onto women and girls' time. Income-poor households will also witness a rise in women's time poverty.

In light of the above, there is a need to actively push for the passage and enactment of House Bill No. 1955, which aims to promote the total well-being of all workers in the informal economy, defined as “all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements.”

Workers in the informal economy include: 1) small farmers owning land not more than three hectares; 2) small fisherfolk/operators owning boats of three gross tons or less and other fishing equipment; rural workers who are tenants or sharecroppers and laborers; 3) fisherfolk who are without boats or fishing equipment, but have a share in the first catch; 4) home-based workers who are independent producers of goods or services; industrial homeworkers—workers involved in a system of production under which, work for an employer or contractor is carried out by a homemaker at his/her home and where materials may or may not be furnished by the employer or contractor; 5) the self-employed who are engaged in a sub-contracting arrangement with other enterprises; 6) vendors, whether with stalls or without permanent workplace, including street hawkers or those plying their goods and trades in the streets and those engaged in *sari-sari* stores with operating capitalization of not more than one million pesos (P1,000,000.00),

excluding land and building; 7) drivers of modes of transportation on land and at sea whether motorized or not, including vehicles with two wheels such as habal-habal and calesa; three wheels such as pedicabs and tricycles; four wheels such as jeepneys and buses; and boats one ton and below; this includes ‘barkers,’ fare collectors, dispatchers and other workers who share income with self-employed or unincorporated operators; 8) operators of jeepneys, tricycles, pedicabs, taxi, and other vehicles or transportation whose capitalization is not more than one million pesos (P1,000,000.00) excluding land and building; 9) “on-call” domestic workers, which refer to persons who provide services to households such as maids, cooks, family drivers, gardeners, and baby sitters on a live-out basis and “on-call” arrangement only; 10) non-corporate construction workers; 11) small scale miners doing their own product processing, including those involved in small scale mining and quarrying with capitalization of below one million pesos (P1,000,000.00); 12) workers of Barangay Micro Business Enterprises (BMBEs); 13) disorganized cargo handlers; 14) workers engaged in producing seasonal products; 15) “on-call” workers in the entertainment, movie, and media such as bitplayers, stuntmen and women, crew, make-up artists, etc.; 16) volunteer workers in government and non-government entities who only receive allowances or honoraria. These include, but are not limited to, barangay health workers (BHW), *barangay tanod*, barangay nutrition scholars (BNS), barangay daycare workers, and volunteers in non-government or people’s organizations; and 17) unpaid family members, or workers receiving allowances and seasonally hired workers who are engaged in micro-enterprises or assist unincorporated household enterprises.

The proposed law also seeks to 1) promote gender equity and equality, and protect women workers in the informal economy against gender-based discrimination, exploitation and abuse; 2) advance women’s social, economic, political, and reproductive rights; and 3) improve their access to social protection and participation in decision-making bodies.

## 9. CONCLUSION

The results of this study validate the premises by which it was conducted, to wit:

- That women are over-represented in sectors where the crisis has caused huge job cuts, e.g., export manufacturing, garment industry, electronics, and services;
- That women tend to be employed in precarious jobs where they are more likely to be fired first or experience aggravated working conditions – e.g., as migrant workers and in the garment industry; and
- That women tend to be responsible for family welfare and so, will be adversely affected by cuts in public spending on safety nets and reduction in remittance income.

They also confirm the assertion that Oxfam made in a March 2009 briefing paper entitled, “Paying the Price for Economic Crisis” that “women workers are the backbone of industries that have been hit hard by the global economic crisis: export manufacturing, garments, electronics, and services.” According to the paper, “women constitute around 60-80 percent of the export manufacturing workforce in developing countries, a sector the World Bank expects to shrink significantly during the crisis. These women are concentrated in insecure jobs with meager earnings and few rights; they tend to have few skills and only basic education. When the going gets tough, they are the first to be fired.”

The validation comes by way of the specific effects of the global financial crisis on Filipino women workers that the study was able to track using qualitative methodologies (FGDs, interviews, and case studies). The crisis has been particularly hard on the low

income classes to which many of the unskilled, mainly women workers in the semiconductor and electronics, and textile and garment industries belong. Their loss of primary income sources has translated to a heightening of poverty and hunger.

The crisis, though, is testifying once again to the ability of Filipino women to come up with creative and ingenious ways of coping and surviving. This, with great help from the informal economy, which continues to provide women with alternative platforms for income generation and/or supplementation, and from the extended family, which, consistent with Filipino norms and values, remains a reliable source of psycho-social and material support during times of crises. Such refuge and support, however, cannot be enough. There is a need for policy changes to make existing poverty-mitigation programs more effective. There is also a need to address squarely the issue of casualization and other abuses of workers' economic and political rights that are being perpetrated and tolerated in the name of business survival. This has placed Filipino workers in general and women workers in particular in a state of indignity and insecurity that, in a way, could also be interpreted, albeit negatively, as a source of their "resilience," i.e., being inured to perpetual haplessness to the point of resting content and coasting along without complaining until the next job opening and until the loans fall due, and recourse to desperate and risky measures become inevitable.

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## ANNEX

### THE STORIES BEHIND THE FIGURES

This section includes stories told by selected FGD participants and interview respondents. The first two stories give us a glimpse of how the recession has drastically affected the lives of workers and their families. The third story explores an area that continues to manifest robust growth despite the recession, and other policy changes recommended by the business-processing industry association to improve workforce productivity and enhance the competitiveness of the Philippines as a BPO site. The last story examines the gruelling process of retrenchment and shut down undergone by one of the world's largest manufacturers of chip sets for computers and networking devices.

It is hoped that, through these stories that provide a concrete picture of the recession's impacts on real lives, the reader will gain a deeper appreciation of the effects of the problem and the measures necessary to better address these.

#### Story 1.

##### *Ellen: Single Parenting without a Job*

Ellen was already the main breadwinner even in the 14 years that she and her husband were together. When her husband lost his job, Ellen was even able to lend him capital for a small car-rental operation, on top of shouldering the major household expenses, including the tuition and school expenses of their son, and mortgage payment on their house. The husband attended to the smaller expenses such as the groceries, a set-up Ellen did not mind because she then had a stable job that allowed her to do this.

Ellen soon experienced trouble with her husband who became addicted to drugs. The addiction led him to pawning off their belongings, starting with the home appliances. "Slowly, the house was being turned upside down, which saddened me because I was taking good care of it," she said.

This was only the tip of the iceberg. Soon, they were defaulting on their utilities bills and even their mortgage payments. Whenever the husband was asked for payment receipts, he could not find them, or the account was not settled because a relative borrowed the money. The fear that one day, the addiction would cloud his judgment and goad him to hurt her prompted the separation.

"Two things were on my mind. First, his addiction would push us into debt. And second, one day, he will come home so addled by drugs he will hurt me and my son. I didn't want to wait for that, so I decided a separation was best. I was moreover confident of being able to support my child through school," Ellen said.

Ellen soon gained the strength that came from being a single parent. Other than the difficulty of explaining the new set-up to her son, life was manageable, comfortable even. Her job as a customer service representative (CSR) allowed her to maintain an apartment after she lost her home because of unpaid mortgage, and send her son to a good school.

"My son and I could eat out during weekends. I could take care of myself," she said.

But shortly thereafter, in 2005, she was terminated from her job of 17 years, which she never imagined would happen considering her loyalty to her employer and the leadership position she held in the union. She continued to brave the situation when the union challenged the illegal dismissal in court. The labor department issued a return-to-

work order, but she never fully got her job back. She was restored in the payroll, true, but she was confined to the company clinic when she was reinstated. There was no pride or joy felt in regaining her job. She tried to stand her ground and wait for a positive resolution of the union's case, but a sibling was stricken ill and in 2008, Ellen was forced to settle with her employer to be able to support her brother's medication.

Today, Ellen is experiencing all the challenges of being jobless and a single parent at the same time. For one, already in her 40s, Ellen is out of the job market's preferred age range. At the same time, she still misses the comfortable life she and her son used to enjoy. And now that she is having difficulty raising money for her son's tuition, she had to give up their apartment and move into a sister's house.

"I can't buy my groceries in big batches as I used to, but buying retail is even more expensive!" she complains. "It's very hard. At this very moment I'm worrying about the money I need for our food today. How can I even plan for groceries for future consumption?"

Ellen has had to let go of treats for herself that she could afford in the past such as the parlor and spa, and mall outings with her son. "I'm worried about the effect of all these changes on me and my son. It's a different kind of stress. I noticed how I've become cranky. I'm also concerned about my son because now that his spending allowance has shrunk, he has learned to snatch money from me so he can still buy the things he used to buy," Ellen shared.

Ellen is kept afloat by the generosity of siblings and friends. Meantime, a higher social consciousness brought about by her union involvement has inspired her to do volunteer work for a workers' organization while she finds another job or hopefully, with the remainder of her settlement money, a small business venture.

"There are lessons I learned from my involvement with the union that I will never pick up anywhere else – this sense of reality I have now, you know," she said.

## Story 2.

### *The Necessary Capital: A Strong Marriage and Friends' Goodwill*

In the beginning of her marriage, Beth used to work as an assistant teacher in a Christian school. But she and Joven, together for 17 years now, agreed that she would stop teaching so they could have a baby. Joven was confident they could survive on his income from selling cable TV subscriptions. At the time, with his basic salary and commissions, they could afford the basics – the rent of a small studio apartment, food, utilities, and occasional dates at the mall.

After 17 years, the child was not to be. But their difficulties began when Joven's employment was transferred to a paymaster in 2007, which reduced his take-home pay by half. The situation made it impossible for them to meet all their expenses, particularly the rent on their apartment, and the light and water bills. Only a strong partnership has allowed the couple to weather the difficulties.

"That's why now, I join Joven on his sales trips so he will have more deals to close and we won't default on our other obligations," she said.

But Beth is a skilled cook, a talent that she is now honing as a possible source of income. "The only time I don't join Joven is when I'm cooking. I've been thinking about it, yes, maybe I'll be a cook for hire because that assures us not only of getting paid for the day, but also that we will have food."

The couple also gets by because of the goodwill of friends, family, and a generous landlady. "Our landlady knows that in easier times, we were never late with our rent. In

the past, she didn't have to come to the house to collect the rent. We brought this to her on time. My husband and I are just banking on that kind of capital to ride us through this crisis."

What saves the day for Joven and Beth is a sense of humor – the ability to make light of their problems. "Instead of arguing about our problems, we joke about them, so that things aren't too heavy."

Beth also falls back on a strong religious faith. At the same time, the couple is entertaining the option of Beth's migration to Ireland.

"At first, we thought we would stick it out here. But the options are fast running out. Maybe I'll go first, then, when I'm settled, Joven can join me. What's important is we're together," Beth concluded.

### Story 3.

#### *In Defiance of Recession Trends: Offshoring and Outsourcing*

As if the industry exists in a bubble, last year, business processing grew 26 percent while the other sectors of the economy struggled with the global recession and finished the year with zero or negative growth rates.

The industry, however, is not used to such slow performance rates. According to the Business Processing Association of the Philippines (BPAP), between 2004 and 2006, the industry was posting a year-on-year growth average of 49 percent. Revenues of US\$100 million in 2001 had risen to US\$3.3 billion by 2006.

"Actually, the slowdown was mostly with the call centers," said Gigi Virata, BPAP's director for research and information, "but there are other factors for that, not just the crisis. It's because it's the largest [of the five sectors represented in the association], and it's kind of maturing. So, it's steadily slowing down even though the numbers are still big."

BPAP is the umbrella organization of five separate associations that provide what is generally known to be Offshoring and Outsourcing services (O&O). The five O&O subsectors composing BPAP are the Contact Centers Association of the Philippines, Philippine Software Industry Association, Medical Transcription Industry Association of the Philippines, Animation Council of the Philippines, and most recently, the Games Developers Association of the Philippines. O&O also includes engineering, architecture, and interior design services, although the main work, BPAP qualifies, remains customer service and call centers account for two-thirds of the industry.

"But even the call centers are diversifying their services and we think this is caused by the financial crisis. With that sense of softening in demand for existing services, the companies responded by offering new products to offer to companies looking to outsource," Gigi explained.

The resilience of O&O to the recession can also be attributed to the nature of its clients – companies abroad that depend on BPO services as a cost-saving strategy. "The effect for our industries goes both ways – there are accounts that closed but because of the slowdown, there are precisely new companies looking to outsource," Gigi explained. In all, the industry accounts for more than 300,000 jobs, found mostly in the National Capital Region, but also in the second-tier cities of Angeles in Pampanga, Cebu, Bacolod, Cagayan de Oro, and lately, Davao. The prognosis for the industry is continued growth despite the global recession, with some entertaining the possibility of investing in O&O units that will offer services requiring much simpler skills such as data encoding in sites such as Zamboanga City.

This is because the Philippines continues to be an ideal O&O site, especially for call centers. “Actually, we did not have a breakthrough marketing strategy that finally brought O&O clients here,” Gigi noted. “They first went to India, where it worked, so they looked where else there was a large, educated, English-speaking population and lower labor cost. The only other country was the Philippines.”

The Philippines is India’s strongest, and perhaps, at this point, its only competitor in the call-center business not only because of the population’s ease with the English language, but more so, because of the people’s patient disposition—a trait ideal for one engaged in providing customer service. In fact, call centers are on a constant search for workers because although Filipinos might have a facility for English, the quality of basic to tertiary education across the country does not equip students with the skills that will allow them to communicate or speak in English for them to cut the industry’s hiring grade. Call centers, therefore, remain a jobseeker’s market, and the only retrenchment that recently took place was Accenture’s layoff of 500 out of its 15,000 call center agents.

Call centers will, therefore, remain an area of brisk growth and continue to generate a significant volume of jobs, especially if some policy interventions take place. At the top of the agenda is more flexibility in the schedule of non-working holidays. The Philippines has more holidays than most other countries. The jobs in call centers, however, are dictated by the holiday calendar of the offshore client. It has been estimated that every non-working holiday Malacañang declares costs the call centers at least P1 million.

Another area of concern is the prohibition on night work specified in the Labor Code. To be sure, call centers are exempted from this prohibition that is designed to enhance the protection of women. The gender ratio of employment in the industry is slightly in favor of women over men, and an unprecedented number of women employed by the call centers are working unusual hours. In the end, unless this provision in the Labor Code is repealed, women become a less attractive employment option because of the paperwork needed to put them on the night shift.

## Story 4.

### *Anatomy of a Shutdown: The Intel Experience*

Intel was one of the world’s largest manufacturers of chipsets for computers and networking devices. Hence, it was a day the employees thought would never come—the announcement of a total shutdown of the company’s plant in Gen. Trias, Cavite.

Moreover, the company has been in operation in the Philippines for more than 35 years, and its sprawling manufacturing and warehouse facility in Gateway Business Park houses the most advanced technologies in electronics manufacturing.

Admittedly, many of the 1,800 employees foresaw the shut down. The last quarter of any year was always the best for Intel, because this was when sales take on an upsurge, yanked up by strong demand for consumer electronics come Christmas time. But no such last-quarter hurrah took place. Instead, because of the global financial crisis and depressed computer sales, the company’s revenues of P444 million in December 2007 plummeted by almost half to a little over P250 million in December 2008, cited Arlita Narag, Intel’s corporate affairs manager.

“But it’s different when you’re actually told [of the company’s shut down],” Arlita said.

The shut down was a painful decision, but one that the company had to make as a responsibility to its shareholders, she explained. Already 10 years with Intel, Arlita herself is being retrenched. “Intel’s existing manufacturing network will suffice for present demand.”

In a word, Intel was shutting down because of overcapacity.

Besides the factory in Cavite, four other Intel sites were closing shop – those in Penang, Malaysia; Pudong, China; Hillsboro, Oregon; and Santa Clara, California – as part of Intel’s cost-cutting measures amid the global recession.

“But we Filipinos are a proud people. And the people of Intel Philippines have every reason to be proud,” Arlita said, “because they gave the company 35 years of glorious history.”

An exit plan was hatched by the management executives and submitted to headquarters for approval, a plan that would allow every employee to leave the plant on their last day with head held high, pockets lined with a “very generous” severance pay, and on the whole, fulfilled to have served the company. Thus the tagline for Intel Philippines’ shut down process has become: “One Proud Story, One Glorious History.”

Even the announcement of the shut down was prepared for. Three executives from Intel’s head office in Silicon Valley flew over for a face-to-face dialogue with the employees in the company auditorium. There, many cried and demanded whether all options were exhausted to prevent the shut down from happening.

Later, the details of the shut down plan were disclosed, including a separation package consisting of cash and non-cash benefits. The last paycheck of an Intel employee is such that “you’ll want to be first in the retrenchment process [spread out over a year] so you can get hold of the money and invest it already,” Arlita said. “It is way more than what the law requires.”

The separation package was based on two factors: length of service to the company and salary level. So, people who have been with the company for 15 years would be getting a lot, especially if they performed well, and were promoted and given pay increases over the years.

Didn’t the top honchos resist the shut down plan when they saw the figures? “If we must retrench people, let’s do it right,” Arlita replied.

As of writing this, midway into the shut down plan, one colleague already has a meat-shop franchise, while a couple who both used to work for Intel have already set up their photography shop. Two fellows have enrolled in a culinary school – no cheap undertaking – because they realized they want to become chefs as their second career.

The exit plan also included attendance of a three-day transition and change-management workshop – a kind of debrief and re-skill session that included psycho-social counseling and training in enterprise development as an encouragement to employees looking to venture into their own businesses. The senior executives freed up their schedules to listen to co-workers hurting over the retrenchment. “As managers, it is our responsibility to be there for the employees. Some of them have been with the company for 35 years. Of course it’s painful any way you look at the retrenchment,” Arlita said.

Intel also organized at least three job fairs for the workers – one within the Intel group and the two others with the other electronics firms based in the country. Other Intel units have already absorbed some of the engineers.

A survey management conducted in February has indicated that the employees were generally satisfied with the shut down process despite the loss of jobs. “We asked not only about the separation package, but also about the other components – the communication part of it, the livelihood training. And we got very good feedback – at least 97 percent or 98 percent expressed satisfaction with the company’s closure plan,” Arlita said.

The Asian Institute of Management is about to conclude a case study of the Intel Philippines shut down process – an ironic exercise for a business school.

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