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The 'Best Practice Model' and the Japanese Human Resource Approach in the Philippines

By

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Abstract

Several Japanese human resource practices have achieved popularity in the Philippines, even in non-Japanese-owned firms. These include: *kaizen* (continuous improvement), the 5-S rule in the workplace—*seiso, seiton, seiri, seiketsu, shitsuke*, roughly rendered as achieving results through "systematic work, sorting, sanitation, self-discipline, and cleanliness"; *kairyo* (innovation); total quality commitment through quality circles, 'zero defect movements,' and the like.

In the Philippines, Japanese-style human resource practices are blended with a mixture of local and Western work methods. Increasing pressure from global competition is the main reason that both multinational and local firms in the Philippines tend to adopt what managers consider as the 'best approach' to a productive and competitive workforce, alongside a "cheap wage, high skills" policy.

Key Words

work practices, Philippines, human resource management, industrial relations, labor-management relations, Philippine company case studies, Japanese-style work practices, globalization, employment, labor economics, best practice model, productivity, Japanese subsidiaries

Several Japanese human resource practices have achieved popularity in the Philippines, even in non-Japanese-owned firms. These include: *kaizen* (continuous improvement), the 5-S rule in the workplace—*seiso, seiton, seiri, seiketsu, shitsuke,* roughly rendered as achieving results through "systematic work, sorting, sanitation, self-discipline, and cleanliness"; *kairyo* (innovation); total quality commitment through quality circles, 'zero defect movements,' and the like.

Aside from objective measures of productivity, supervisors undertake a subjective performance evaluation of Filipino employees based on how they practice and apply the principles acquired through seminars on Japanese-style 'positive work values.'

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to adopt what managers consider as the 'best approach' to a productive and competitive workforce, alongside a "cheap wage, high skills" policy.

This article tries to interpret recent trends in Japanese firms in the Philippines, in relation to the 'best practice' approach in the workplace as a strategy to succeed in global competition. The next section describes and compares human resource practices in both Japanese and non-Japanese-owned firms. This is followed by an analysis of the implications of these trends upon industrial relations and human resource practices. The last section provides conclusions and a forecast of the 'best practice' model in the Philippines.

Human Resource Influences at the Workplace

The Philippine workplace is a combination of influences, from both foreign and local sources. U.S.-based multinational firms predominate, and provide the patterns for training, recruitment, hiring, job design, pay systems, and labor relations. Both the government bureaucracy and large local firms were established when the Philippines was a colony of the U.S. It is unavoidable that the newly-established firms, and those which were either acquired or merged with existing firms, must follow and deal with local practices and norms.

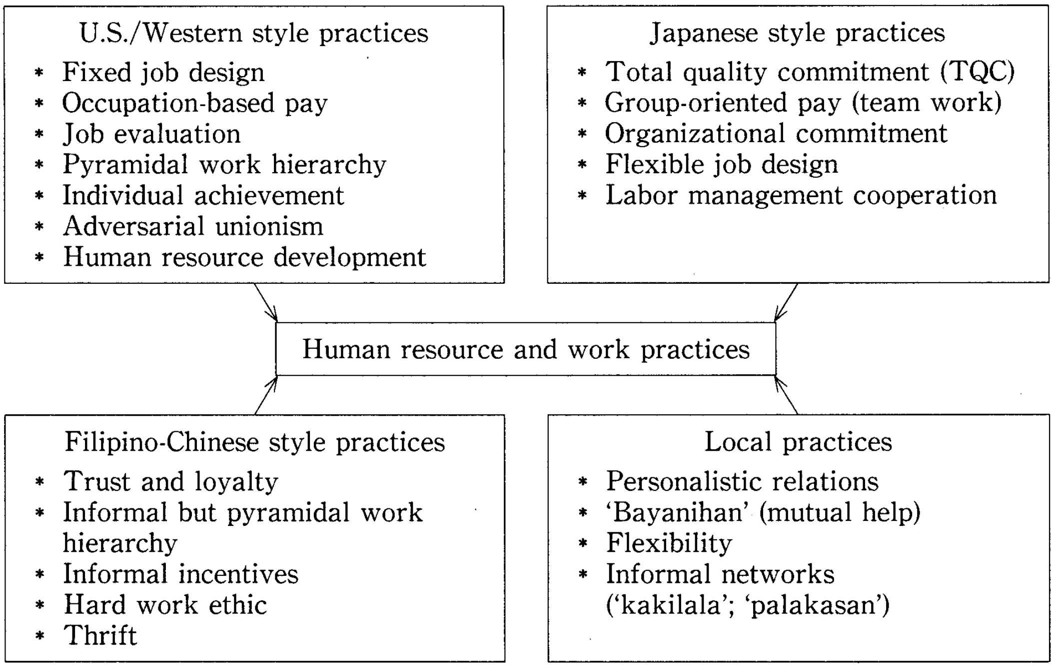
The 1996 population in the Philippines stands at 69.3 million, and is growing at 2.3 percent per year. The labor force is 27.4 million, of which 2.67 million (9.7 percent) is unemployed. The Filipino workforce is relatively young—38 percent are between 15 and 34 years old. More than half (57.2 percent) are male, and around 22 percent have a college education. In addition, there are more than half a million Filipinos who work overseas, and remit around $3 billion back to their families.

The local workforce is composed of diverse Indo-Malayan enthnolinguistic group scattered over many islands. Local work values are a product of the historical blending of ideas, beliefs and customs of these ethnolinguistic groups, along with more than 330 years of Spanish colonial dominance and 45 years of American rule. American-style institutions of work and pay, Spanish rentiers or land-owning elites, and Chinese merchant-traders shaped the idiosyncracies of Filipino culture—also described as a Latino nation in Asia. More than 6 million Muslim Filipinos in Mindanao, and numerous tribal groups contribute to the diversity of work practices and employment relations in the Philippines.

Figure 1 is a summary of the influences which currently shape the Filipino work ethic. The influx of foreign investment brought in Western-based work and pay systems, stimulated by changes in new technology. Returning Filipino migrant workers from the Middle East, Hong Kong, Japan and other countries also add stimulus for the deeper globalization of Filipino work values.

In one major local firm in the Philippines, human resource managers are required to "institutionalize and computerize personnel systems, reinforce innovative programs for productivity, as well as enhance the quality of work life" for their workforce. They must be "attuned to current technologies in culture building, total quality management, and productivity," among other qualities. Further specifications for human resource managers say that he/she "must be a self-starter, an innovative and strategic thinker, with strong leadership qualities to take on the challenges and pressures of a highly diversified working environment."

Figure 1. Human Resource Influences in the Philippine Workplace



Industrial relations intervene in goals to achieve productivity and competitiveness, especially in firms which are exposed to global (i.e., export) markets. The drive for competitiveness results in strategies to promote productivity and cost-efficiency, and internal reorganization to increase the productive potential of human resources through heavy expenditures in skill formation, i.e. training. In the Philippines, tensions in labor relations especially in the mid-1980s up through the mid-1990s are related to efforts by firms to deal with the economic downturn and recovery efforts. At the firm level, the tension involved results in large part from the issue of workforce flexibility.

In an attempt to be competitive through a flexible workforce, new enterprises attempt to avoid the formation of unions, and the perceived inflexibility associated with them. In existing enterprises, vigorous efforts are made to promote more cooperative labor-management relations, which is the soft approach; the hard approach requires union-busting techniques.

How are the competitive pressures affecting industrial relations and human resource development professionals? The demands of competition expanded the scope of labor relations. Among human resource and personnel managers, productivity has become a key concern (PMAP, 1990). At the firm level, human resource professionals work on the following concerns:

* Development and implementation of productivity improvement and total quality programs.
* Instilling among employees work attitudes that support productivity, i.e. increasing employee motivation and morale; labor-management cooperation schemes, etc.
* Maintenance and enhancement of the workforce's capacity for efficient performance.
* Development of quantitative-based performance appraisal systems, and standards for the measurement of productivity gains.

Accelerated training and skills development to support productivity improvement programs.

* Development of incentives for productivity.

The pressures arising from competitiveness is transforming traditional labor relations, as well as the job of personnel managers. Personnel managers in the Philippines usually handle administrative functions such as recruitment, compensation, employee welfare and personnel records. Aside from these tasks, human resource managers must now satisfy the demands arising from their inclusion in executive committees, and a larger role in the design of corporate plans and strategies. In employee welfare and communication, especially in non-unionized firms, human resource officers assume dual roles—as advocates for employees, and as 'hatchetmen' (implementors of management policies).

The Philippines' entry into the World Trade Organization (WTO) in 1994 is another key source of pressure for competitiveness in the utilization of human resources. Companies face heightened competition not only against local rival firms, but also against other new entrants, including regional and multinational firms with superior technological and financial resources in the search for skilled, but cheap human resources. With liberalized tariff rates, products and services from neighboring ASEAN countries have begun competing in the Philippine market. Along with other measures to compete on a "level field," labor flexibility has a direct impact upon the workforce in affected product divisions, or even entire companies.

The success or failure of selective adaptation of practices from other work systems, i.e. Japan, depends greatly upon how local managers are able to harness and interpret these various influences into a strategy suited to the Filipino work temperament.

Japanese Style Practices in the Philippine Workplace

But what exactly are "Japanese-style practices?" Various issues have been raised in relation to the actual characteristics of Japan's employment and pay system. From the 1960s up to the 1980s, there was a lively discussion even among Japanese scholars as to whether or not lifetime employment and a seniority pay system are unique to Japanese firms.

In a powerful work, Sano (1993; 1995) argued that what constitutes Japanese-style practices should include: informal, preliminary discussion (*nemawashi*); documented approval (*ringi*), informal consultation (*dango*); and business network/linkages (*keiretsu*). Sano also pointed out that what is known as "lifetime employment," and its most recent version, "long-term employment" (*choki koyo*) is a vague concept since people actually don't work until they die, but until their retirement.

Likewise, according to Sano (1995), seniority standards in Japanese firms are set by vocational ability and qualifications, alongside the type of work done and job grade. Seniority standards by themselves do not appear. Salary based only upon age and years of work is not common in Japan.

Large Japanese firms have shifted to a strategy of direct foreign investment, from an export orientation with production base in Japan (Tachiki, 1992). The movement of Japanese production and personnel overseas have human resouce development implications for the host countries. One of the ciritical decisions to be made is to what extent practices concerning employment and pay will be applied in Japanese subsidiaries abroad. Ishida (1994) recommended that **selective adaptation** should be the key principle when blending foreign, i.e. Japanese-style, patterns with local practices.

The author (Amante, 1993; 1995) observed several popular Japanese-style practices in Philippine firms. These are presented in Table 1. Japanese words such as *kaizen*, *kairyo*, 5-S: *seiso*, *seiri*, *seiton*, *seiketsu*, *shitsuke*, and *kanban* are now part of the vocabulary in the workplace, through posters and activities which constantly remind employees, supervisors and managers alike.

Table 1. Most Popular Japanese-Style Practices in Philippine Firms

Work practice	Meaning and application
Kaizen	Continuous improvement in the performance/delivery of required results; problem solving teams
Kairyo	Innovation
5-S: *Seiso, seiri, seiketsu, seiton, shitsuke*	Systematic work, sorting, sanitation, self-discipline, and cleanliness
Total quality commitment	Semi-autonomous work teams (quality circles) enhance productivity and quality
Zero defect	Minimization of defects/rejects

The usual route of diffusion of these practices is through management and training consultants who serve local human resource managers. Key employees are exposed to seminars, which stress the success of these practices in Japan. It remains to be seen whether or not the selective adaptation of these Japanese-style practices will be effective in transforming the work ethic of the Filipino workforce.

In 1994, a directory listed a total of 210 Japanese enterprises operating in the Philippines. These enterprises directly employed 76,013 Filipinos, with 71% employed in manufacturing. In 1991, the same directory listed employment of 64,397 Filipinos. Thus, Japanese firms increased job opportunities by 18% within the 3-year period.

These 76,013 Filipino workers constitute one of the direct economic links between the Philippines and Japan. Their wages, employment and other working conditions, as well as the determination of these items, influence Filipino workers on what they think about Japan, its culture, and the nature of Japanese business.

Case Studies: Japanese-Style Practices in Japanese-Owned Firms

How are Japanese-style practices actually implemented? The following case studies of Japanese subsidiaries in the Philippines show that managers use a blend of local, Western and Japanese-style practices in their employment and pay policies. These case studies provide interesting similarities and contrasts on how expatriate Japanese managers and their Filipino counterparts work out schemes to get productive results. (Company names are disguised, since there is no permission to use them in this publication.)

Kogaisha X is a 100 percent Japanese-owned manufacturing subsdiary in the outskirts of Metro Manila. It has been in operation for 28 years. Currently, there are more than 2,000 employees in *Kogaisha X*. This firm is one of the pace-setters in the Philippine electronics industry.

According to the company statement of human resource policies, new employees are hired based on "aptitude, intelligence, education, training, age, experience, health and personality." For this purpose, applicants undergo aptitude/intelligence tests, interviews, character checks, reference checks, and a rigid physical examination. The company gives priority to applicants residing in communities near the factory. Applicants for new job positions may directly apply with the company. Job openings are announced in newspapers, and those who have 3 to 5 years experience from other companies are encouraged to apply.

Like a typical Japanese firm, all new hirees start at the lowest level of the job group. The company uses a "point rating" job evaluation plan. Jobs are evaluated in terms of four factors: knowledge, skill, mental load, and physical load. The managers say that skill is the most important factor used in job evaluation (see Tables 2a and 2b). *Kogaisha X*'s job classification scheme is rather complex for a firm with relatively few product lines. There are four job groups (blue collar, foreman/supervisory, office/technical, professional) with a total of 17 subgroups.

Promotion into the next rank is based upon a minimum number of years of service: two years in the lower positions and five years in the higher ranks. This policy is consistent with seniority. According to managers, difficulties arise when the job evaluators assign job points. Bias or subjectivity arises especially during promotion. Department managers are asked to justify candidates for promotion and reclassification, which may not agree with the perception of other employees or higher managers. As a result, promotions are considered a reward for good behavior, seniority and other personal attributes instead of performance on the job.

Another company, *Kogaisha Y*, illustrates the adaptation of Japanese-style practices with local Filipino work patterns. *Kogaisha Y* is another 100% Japanese-owned

Table 2a. Job Factors in Japanese *Kogaisha X*

Job rank	Knowledge (20%)	Skill (40%)	Physical tasks (20%)	Mental tasks (20%)
1	4	8	4	4
2	12	16	8	8
3	20	24	12	12
4	none	32	16	16
5	none	40	20	20

Table 2b. Job Groups in Japanese *Kogaisha X*

Job group	Number of job classes
Blue collar	Classes A1...A6 (6)
Office/technical	Classes B1...B5 (5)
Foreman/supervisory	Classes C1...C3 (3)
Professional	Classes P1...P3 (3)
Four (4) job groups	Seventeen (17) job classes

Source: Personnel department, *Kogaisha X* subsidiary. This company has 1,170 employees, 90% of whom are female and assigned to production. Females usually outnumber males in most Philippine semi-conductor and electronic firms which are foreign-owned.

The company was established only six years ago. The workforce is relatively young—the average age is 26 years old. Wages paid simply follow, at a slightly higher scale, what Philippines laws provide as minimum wages for the industry and for the region. Like most new companies, *Kogaisha Y.* is non-union. Authorities in the export processing zone, and personnel managers make sure that union organizing activities are reduced to zero. Proactive policies ensure that problems and grievances of employees are solved immediately and don't mature into a union. The highly skilled technicians, production engineers, and other managerial talents were also recruited ('pirated') from other companies.

The pattern of hiring a young, fresh-from-school workforce is true for almost all newly established companies located in export-processing zones. The assumption is that young female workers have better manual dexterity and visual skills than males. Moreover, patience and a keener sense for details are needed in working out the minute details of electronic and semi-conductor components.

Unlike *Kogaisha X*, what stands out in *Kogaisha Y* is the simple job structure—clearly a Japanese trademark. There are four job levels for the rank and file. Homogeneity as a norm is reflected in the simple job classification plan where hierarchy of positions is kept at a minimum. Opportunities for skill development are, however, limited. Production personnel in this company have very few options: retire early, transfer to another company, or grow old in the same position in the company, since there are only two or three job levels to which they could aspire to be promoted.

Kogaisha Z is a success story in blending Japanese-style practices with local and Western approaches. This wholly Japanese-owned subsidiary is engaged in the assembly of vehicle parts. In 1996, *Kogaisha Z* was awarded a national prize in recognition of its efforts to promote better labor-management relations. In 1995, *Kogaisha Z* was chosen as a model company in labor-management cooperation. The company provides the highest levels of pay and benefits in the industry.

Kogaisha Z is a unionized firm—proof that foreign investors could work in a unionized environment in the Philippines. *Kogaisha Z* was taken over by the Japanese from its U.S. owners. Most essential employees were inherited from the previous company, and were used to the work patterns of their previous American managers. There is an "industrial relations division," with a vice-president whose functions cover personnel administration, maintenance of the labor-management council, training and development, career planning, employee motivation, and enhancement of the working environment.

The philosophy of industrial relations in *Kogaisha Z* reflects its blending with the Japanese orientation: "communication, mutual respect, trust and commitment." To attain the corporate goal of becoming number one in the industry, the following are emphasized: cooperation, productivity, efficiency, effectiveness and high employee morale.

Employees, however, are not recruited in the Japanese way, i.e. hiring all fresh school graduates. At *Kogaisha Z*, experience from working in other companies is a plus factor which boosts hiring chances. Applicants undergo screening which includes interviews and testing for intelligence, interest, aptitude, personality and dexterity. A clear concession to local Filipino values is the hiring of applicants who are close relatives (*kamag-anak*) of employees (brothers, cousins, uncles).

Japanese-owned firms which recently entered the Philippines also bring in their expatriate managers to start operations. In the process, the Japanese expatriate managers deal with the established local work patterns and values of their workers. A significant number of these recent companies establish themselves in export processing zones in rural communities near Metro Manila or Cebu City.

For example, the largest Japanese-owned company (Yazaki Corporation, which manufactures automotive parts) employs more than 11,000 workers from the rural communities of Laguna, Batangas and Cavite. These companies employ mostly young Filipino workers, who are quite open the new ideas and methods in working with their Japanese and other foreign managers.

All of the *Kogaisha* (*X*, *Y*, and *Z*) promote total quality commitment through small group activities known as quality circles. The workforce is also exposed to such positive Japanese work values as 5-S: *seiso, seiton, seiri, seiketsu,* and *shitsuke.* Employees assemble and exercise during the first working hour every morning, sing the company song, and recite a general creed daily, and another specific creed for the day.

In another kogaisha (*Kogaisha S*), the creeds recited from Monday to Saturday concern the following: "nationalism through industry"; "maturity and understanding"; "cooperation"; "achievement"; "common courtesy"; and "flexibility." The creed for "self-respect" is recited daily.

According to the Filipino president in this Japanese-owned company (*Kogaisha S*), the daily recitation aims "to continuously impress upon the employees the meaning of their being in the organization, to promote unity and cooperation." The belief is that if employees are dedicated to their assigned tasks, they will seek improvements and continuously try to develop better ideas on their own initiative.

A common theme in the compensation policy of Japanese-owned companies is the emphasis upon productivity and work output. Pay for ordinary employees is above the mandated minimum, except for new, probationary hirees. Aside from those provided by law, benefits include: productivity awards, loyalty pay, hospitalization plan for dependents, marriage allowance, and the like. These benefits are provided to take care of workers' basic needs, which provide them a sense of security. Thus, workers can concentrate on productive work. In one *kogaisha*, 'prestige benefits' are provided—car plan, housing loans, educational subsidy for dependents, and the like.

Other notable pay and employment patterns in the *kogaisha*:

1. Many workers are hired in mid-career, so that firms take advantage of initial human capital developed through previous work experience in other firms. Local job advertisements require that applicants have acquired on-the-job training in other companies. Almost all supervisory and technical employees, in particular, are hired in mid-career; they have previous work experience in other firms.
2. The source of information for job openings for most applicants is friends and relatives. The *kakilala* and *palakasan* system have a functional relationship to the formation of internal labor markets. These local values have important implications to the stability of worker-supervisor relationships, and monitoring costs at the shopfloor.
3. Most managerial and related employees perceive that job descriptions are flexible.

Rank and file workers perceive that even with job titles and descriptions, these are not strictly followed.

4. In the Japanese-owned firms, wage variation among the rank and file could best be explained by firm-specific, *internal* work experience. In contrast, among the technical, engineering and supervisory employees, it is general work experience (specifically, work experience *outside* the firm) which matters.
5. The Japanese-owned firms do not emphasize seniority (*nenko*) wages as they do in Japan.
6. Local standards and practices, rather than the Japanese norm, influence pay and employment in Japanese-owned firms in the Philippines.
7. In the unionized Japanese-owned firms (*kogaisha*), collective bargaining negotiation are undertaken at the firm-level, through institutionalized mechanisms. Union demands emphasize changes in prices (inflation) as the main factor in wage determination. Unions create strong pressures for seniority rules in hiring and wage determination; newly established firms try to avoid unionization as much as possible.
8. Japanese managers want to emphasize skill-related wages. Filipino rank and file and managerial and related employees on the other hand perceive that compensation is based upon job-position mostly, and skills as secondary factors. In contrast, employees prefer that compensation based on performance should be the main basis of wage determination.

Localization

"We trust local practices." This was the usual response of Japanese managers when asked about policies concerning wages and salaries in joint ventures in the Philippines. But what are "local practices?" Local managers who administer compensation and benefits are Filipinos; their work includes either human resource development or administration of the firm's workforce.

Most of the Filipino managers who administer the firm's human resource policies have work experience with other firms. Indeed, local human resource managers are usually mobile 'job hoppers.' Filipino-Chinese-owned firms, in particular, are significant in number as joint venture partners of Japanese firms.

In its narrow sense, a localization policy means the appointment of local managers and executives to top positions, up to the president and chief executive officer. Japanese firms in Southeast Asia are relatively weak on this point, compared to Western-owned firms. In the Philippines, top executives of Western-owned firms are almost always Filipinos. This is not so in the case of Japanese-owned firms.

In another sense, *localization* of compensation standards is a key policy in human resource management in Japanese firms in the Philippines. Most Filipino managers who were asked what localization means, however, had difficulty in responding. Filipino managers groped as to its concrete application for purposes of setting compensation for their workers.

Based upon legislated ('recommended') wage levels, there are different standards for compensation in the Metropolitan Manila area, and in the regions. The same firm may have different branches or plants in other parts of the country. Which 'local' salary standards are implemented, when the work, for instance, of engineers, does not allow a regional standard?

Furthermore, many of the *kogaisha* were formerly American, Filipino-Chinese or in some cases, European multinational enterprises taken over by Japanese capital through joint ventures during the last ten years or so. Thus, Western-oriented employment and wage practices are well-entrenched.

Case Studies: Japanese-Style Practices in Non-Japanese-Owned Firms

Japanese-style practices spill over, and provide an influence over human resource practices in non-Japanese firms in the Philippines. Corporate creeds echo the following: commitment to goals of quality, loyalty, productivity, flexibility, and the like. Each local firm strives to be a "world-class organization, where the working environment attracts the finest people." The following case studies show the extent to which Japanese-style practices influence local companies in work relations.

The eight firms included in this study represent key Philippine industries: food/beverage, car battery, wire and cable, oil/gas, and chemical products manufacturing; and airline, telecommunications and banking services. They were selected on the basis of their industry leadership, their significance to the Philippine economy, and availability of information. Table 3 provides details of companies included in the study.

Table 3. Company Characteristics

	Sales in 1994 or latest report; export share	Change in sales, from 1992	Sales rank in top 1000 firms, and market share
Manufacturing:			
Firm A (food)	$2.7 billion; 13% international sales	+0.6%	No. 5; industry leader
Firm B (batteries)	$44 million; 40% for export	+22.2%	No. 205
Firm C (oil/gas)	$936.1 million; 100% domestic sales	+1.2%	No. 6; 27% market share
Firm D (chemical)	$2 million; 100% domestic sales	+602.0%	No. 828
Firm E (wires)	$6 million; exports to U.S.	+19.0%	No. 108
Service:			
Firm F (airline)	$41 million income; $1.5 mill. loss (1995)	+0.1%	No. 7; dominates domestic routes.
Firm G (telecom.)	$222 million	+17.4%	No. 8; 90% of phones
Firm H (govt. bank)	$98 million	−1.7%	No. 12

Source: Securities and Exchange Commission (1994)
Exchange rate: U.S. $1 = Pesos 25

Food Firm A is one of the Philippines' largest, pace-setting companies, and is one of the top five Philippine corporations. The owners are descendants of a Spanish colonial family. Company sales are a barometer of the Philippine economy. Almost all of its subsidiaries are unionized, and collective bargaining negotiations go on every season of the year; thus, it is also a pattern setter in local industrial relations. This firm illustrates clearly the links between competitiveness, globalization and a skilled and productive workforce. From a strong domestic market base in its key product, Firm

A diversified into a variety of products, and is now a conglomerate of 31 subsidiaries with a presence in several countries, mostly in Asia. The corporate vision is "to be an industry leader in Asia, with world class performance in satisfying consumers, and in maximizing shareholder value," its key corporate slogan is "profit with honor." In its annual report for 1993, the firm's chief executive officer proudly declares that Food Firm A is in "a promising growth position in a global, competitive environment."

Firm B is a producer of car batteries, and leads this industry niche in terms of technology, productivity and volume. The owners are Spanish mestizos, and the key managers are local professionals. This firm has taken an active role in helping boost the country's chances of becoming one of the tiger economies of Asia, by undertaking an aggressive export program. It started operations in 1919, just after the depression during the American colonial period. It is the biggest and most fully integrated automotive and industrial battery manufacturer in the country, with 40 percent of production geared for export to Hong Kong, the Middle East, Australia and the U.S. The company has 14 local subsidiaries, with separate units for raw material processing, production, marketing and distribution. The workers in only two of its manufacturing plants belong to a union.

Firm C is a Western-owned company engaged in oil/gas refining and distribution. Expatriate managers are the key executives in the firm, backed up by local professionals. This firm operates a refinery, a blending and grease manufacturing plant, and retail outlets nationwide. Its customers include the national power firm, commercial and agricultural enterprises, and government institutions. Its sales in 1994 amounted to $936.1 million, with a 1.2% increase from 1992 to 1993. The Philippine oil/gas industry has an oligopolistic structure; deregulatory policies are planned but barriers exist.

Firm D is engaged in manufacturing chemical products, marketing and real estate. It is a publicly-listed firm, with a major interest in the manufacture and distribution of a wide array of chemical and consumer products; it diversified into property development and agribusiness. The owners and key managers are half-American, deeply Catholic entrepreneurs. According to the firm's brochures, the owners are "committed to the responsible and creative management of its resources... The firm provides an environment that [for the workforce] encourages the pursuit of excellence, personal and collective expression of values, talents and skills..." The main business manufactures industrial and commercial adhesives, sealants, durable coatings, waterproofing systems and chemical specialty products.

Firm E is the country's leader in the manufacture of wires and cables; it has a long-term contract with the main telecommunications firm. Lately, it has intensified its export of automotive wire harnesses. The owners of the firm are of Spanish descent, and professional managers are the key decision makers.

Firm F is the national airline which is recovering from a crisis due to fierce international competition in the industry, and domestic deregulatory policies. It was under government control for more than four decades, until privatisation two years ago. It lost money between 1989 and 1991, recovered briefly between 1991 and 1993, then registered losses again in 1994 up to the current period. In order to be globally competitive, the airline decided to refurbish its existing fleet with aircraft capable of nonstop, long-haul flights. It also plans to reduce non-profitable flights, retrench ground personnel, and reduce labor costs further. These responses to global competition are the primary source of tension in labor relations in the airline firm.

Firm G is the country's telecommunications giant. It was established in 1928 during the American colonial period. Technology and expertise depended upon American telecom companies. This firm must also contend with deregulation, i.e. the entry of new competitors in the industry. The firm is currently embarking on a massive 10-year expansion project which cost $6.84 billion. A 'zero backlog' program aims to install a million new phones by 1996, alongside a 'massive' service improvement program. There is optimism that the gradual deregulation of the country's telecommunications market will provide a favorable and 'selective' competition. With substantial growth foreseen in the telecom industry, the firm's excellent financial performance, reflected in the 155 percent increase in the company's stock, guarantees industry leadership.

Firm H is a state-owned bank, which is also the country's top bank. During the Philippine economic crisis in the mid-1980s, a substantial part of the bank's loan portfolio became non-performing assets. In the past this state-owned bank enjoyed a protected, monopoly privilege in relation to government funds. In 1986, the government rehabilitated the bank through a new charter, new management board, transfer of non-performing assets and liabilities to the government, staff reduction and the like. In 1989, the Philippine government sold 33 percent of its ownership to the private sector, and again in 1992, another 10 percent. The last phase of the bank's privatisation is now due, and it involves an employee stock ownership program.

Workforce Characteristics

The quality and distribution of workers in these firms vary greatly in terms of skills, but are homogeneous in terms of a relatively young age, and internal work experience. The workforce reflects those found in well-established enterprises in the manufacturing and service industries. The factory workforce in the manufacturing firms are male-dominated, while those in the service firms have a relatively greater percentage of females in the workforce.

Table 4 shows the size of the workforce, extent of unionization, average pay and age. Firm A is the biggest employer, and provides a relatively high level of pay. The service firms have large and well-developed internal labor markets. Average age ranges between 30 and 38 years old, and reflects a relatively young workforce; average pay is also relatively high and well above the minimum standard ($140 monthly). Manufacturing firms B, D and E are success stories of a motivated workforce which contributes relatively high value added, while being maintained at the 'right size,' without sacrificing employee welfare.

All of the companies have experienced downsizing. Firm A for instance 'separated' 2,700 employees in 1992, "to preserve the firm's cost competitiveness in the face of continued market weakness," according to the company president. The company provided the displaced workers a financial package which included training in new skills and job placements. Downsizing is a continuous strategy in Firm A. In a significant development in the firm's labor relations, the government recently ordered the company to reinstate 21 'downsized' workers in its sales office, with payment of back wages.

The other manufacturing firms also reduced their workforces, in the face of the Philippine economic downturn in 1991 through 1992. The firms resorted to the hiring of casuals, and job subcontracting for a few months during peak production. This was a major cause of labor unrest during the period, when strikes and other forms of work

Table 4. Workforce Characteristics (1995)

	Workforce	Percent unionized	Average pay	Average age (yrs.)
Manufacturing:				
Firm A (food)	33,000	66%	$520	38
Firm B (batteries)	632	75%	$248	30
Firm C (oil/gas)	940	81%	$640	31
Firm D (chemicals)	175	80%	$320	30
Firm E (wiring)	392	75%	$360	35
Service:				
Firm F (airline)	14,000	80%	$547	N.A.
Firm G (telecom.)	19,048	80%	$400	38
Firm H (govt. bank)	8,073	60%	$320	35

Source: Interviews with company officers/managers; annual reports.
Note: Average pay is in monthly terms.
U.S.$1 = Pesos 25
N.A. = not available

slowdown were rampant. Philippine labor laws provide that "in case of termination due to the installation of labor savings devices or redundancy, workers affected are entitled to a separation pay equivalent to at least one month pay for every year of service."

In the other firms, the strategy is to 'downsize' the workforce through attrition, when employees voluntarily opt to retire, or when they reach the mandated retirement age (65 years). On the other hand, dissatisfaction with low compensation (fixed by law) in Firm H, the state-owned bank, is the cause of high employee turnover. The airline firm (case F) pays the lowest in average pay among East Asian airlines, and this fact has been a major contention for the union in past negotiations. In attempts to be more competitive in international routes, the airline purchased new aircraft and hired, on a temporary basis, foreign pilots and flight attendants to fly them. The unions (separate for pilots and flight attendants) protested the hiring of these temporary personnel, as it saw this as an attempt to bust the unions, and to weaken the unions' bargaining position.

Managers in the manufacturing firms declined to give exact figures as to the extent of labor flexibility in terms of casuals and subcontractors. In Firm A, it is estimated to be around twelve percent; it is between ten and fifteen percent in the other firms. Human resource managers in the service firms don't have an exact estimate, since records are not centralized on the flexible workforce, and definitions are not standardized. In the bank and the airline, for instance, consultants are frequently hired for various durations, but they are not considered by the managers as casuals in the ordinary sense of the term.

Productivity Improvement Schemes

The Japanese model influenced the promotion of productivity improvement schemes and programs in the Philippines. Productivity improvement schemes are summarized in Table 5.

Table 5. Productivity Improvement Schemes

Manufacturing:	
Firm A (food)	Emphasis upon quality production; accreditation of 20 facilities with the International Standards Office (ISO); diversification; subcontracting of farm products. 600 Quality Improvement Teams (QITs) with 6,000 members; 3,900 quality and productivity projects of cross-functional teams save $32 million. Employee Suggestion System (ESS).
Firm B (batteries)	Creation of 14 subsidiaries; diversification into new product lines. Licensing agreement (Japanese battery maker). Hiring of Japanese expert for the productivity improvement program. Total Quality Commitment (TQC) program. Accreditation with ISO 9002.
Firm C (oil/gas)	Process Improvement Engineers created; (union alleged a busting attempt). Creation of a fifth shift to utilize idle employees assigned for emergencies. Hiring of contractual employees. Performance Appraisal System.
Firm D (chemical)	Productivity Improvement Circles (PICs). "KAISANG Isip" (Suggestion Schemes).
Firm E (wiring)	Cost Reduction Program; Quality improvements, to generate savings in raw materials/manhours. Process Improvement Programs, for more efficient use of machinery. Customers are Really Everything (CARE) Program. Continuous Improvement Program, with problem solving teams. Values Formation Program, which adds a unique "spiritual dimension in employee responsibility" in pursuing quality performance.
Service:	
Firm F (airline)	Refleeting with new, bigger aircraft. Expansion program; cost savings program. Reduction in "missionary" flights to remote domestic destinations. "Long-haul" international flights. Retrenchment plan; erosion of union unity. Corporate reorganization, with new investors. Discontinuance of government ownership, towards privatization.
Firm G (telecom.)	"Zero backlog" program. Diversification into cellular phones. Creation of new subsidiaries. Subcontracting jobs. Quality Circles; Customer Process Improvement Programs; Employee Suggestion Programs.
Firm H (govt. bank)	Discontinuance of government ownership, towards privatization. Electronic banking facilities upgrading. Automatic Teller Machines (ATMs) in 156 sites. Remittance programs for overseas workers.

Source: Company brochures, documents; interviews.

All the schemes were initiated by management, and none was negotiated with a union; the collective bargaining agreements do not explicitly deal with them. In the airline and oil/gas firm, these schemes are the main sources of current tensions.

In the manufacturing firms, the emphasis is upon 'total quality commitment' programs, with supportive training programs and seminars for the reorientation of work values. Detailed analysis for firms B and E (presented in subsequent sections of this report) shows that quality improvement schemes involve incentives for cost reduction. In the service firms, productivity improvement schemes are not explicitly defined, but are reflected in company streamlining, reorganization, introduction of 'state of the art' equipment and technology, and privatisation of government-owned shares in the case of the airline and the bank.

The food firm diversified production, which required new production processes as well as functional flexibility. Key productivity improvement plans focused upon cost-cutting and cost efficiency, and total quality management (TQM). These were complemented with functional job flexibility, which included lay-offs ('downsizing' or 'right-sizing'). In turn, job flexibility required a corresponding reward system—distinct from, but complementary to the usual job-based pay scheme. It also required new standards in hiring, job assignment and promotions.

'Quality circles' (QCs) were one of the most popular expressions of the Japanese work organization which found its way into the Philippines. In the mid-1980s up through the mid-1990s, there was a vigorous campaign to introduce quality circles as part of an array of productivity improvement schemes.

Union leaders interviewed for this study think that quality circles could be most successful at the stage when the basic living needs of employees have been fulfilled. Employees who have higher job motivation and job satisfaction are more receptive to QCs. It is also important the QCs be introduced when there is some degree of stability and consensus in labor-management relations. Support for the QCs may be stronger if the union leaders are convinced that these are not management strategies to weaken or break the existing worker organizations.

The author interviewed union leaders at both the federation and national levels; most were lukewarm to the idea of productivity improvement plans, e.g. through QCs. These attitudes, however, are in marked contrast to those held by the union leaders in Firm B (car battery) and Firm E (wires); union members in these firms ratified and supported the productivity improvement projects introduced by their managers.

According to the national union leaders, there are measurement difficulties involved. Union leaders also perceive that top management lacks the commitment to share the gains from productivity improvement schemes. Some union leaders consider the matter of productivity improvement as separate from the traditional concerns of labor-management relations; they do not know very much about productivity, its measurement, or how sharing from it gains would actually be implemented.

In most collective bargaining agreements, there is scant mention of joint undertakings related to QCs or other similar productivity improvement schemes—management negotiators almost always insist these are company prerogatives. Unions think that schemes such as productivity improvement, quality circles, and the like are best left to management. This thinking is reflected in provisions which recognize as company prerogatives the introduction of new technology and work methods to boost returns.

Quality circles and labor-management councils operate in varying degrees in the manufacturing firms included in this study. These circles were established in the early 1990s, as a result of a nationwide productivity improvement campaign launched in the 1980s. Labor-management councils (LMCs) provide for a broad acceptance of productivity improvement plans as an item on the agenda of council meetings. Except in Firm A (food), managers and union leaders are not aware of the productivity incentives' law enacted in 1990.

In Firm B (car batteries), the company brochure proudly declares that "its men and women have pledged support for 'total quality commitment' (TQC)." This program "infuses productivity and quality consciousness" in the firm's work environment. Quality consciousness starts at the top, where "the chairman and the president of the company serve as models; vice presidents, managers and the last technician or clerk down the line practice quality commitment as a corporate culture." In Firm B, quality circles composed of several employees in a work area, serve to identify problems and work out recommendations for attention and approval by top management. Managers share the responsibility with their workers which results in "TQC from a corporate standpoint and total satisfaction from a customer's perspective." The TQC program is also the most active venue for labor-management interaction. Through the program, problems on the shopfloor are solved by the people directly involved.

In order to stay competitive in an industry undergoing deregulation, the oil/gas firm (case C) introduced 'process improvement engineering' which required a new shift of workers and a pay scheme based upon a 'performance appraisal system.' The existing pay scheme is based upon a job evaluation program which both management and the union agreed upon.

Management in Firm E (wires) went along the classic 14-point plan suggested by W. Edwards Deming in the pursuit of quality and productivity. The Deming program involves the use of statistical tools, changes in the corporate culture, and other schemes which promote employee involvement in the solution of operational problems. Firm D first redefined the company's mission along a philosophy consistent with productivity improvement. Through seminars, the company spread among employees the concepts and principles about "total quality control" (TQC), and instilled in them pride in workmanship. Employee empowerment revolved around TQC. At the same time, the management overhauled operational structures, policies and processes for more efficient resource management; and introduced 'progress ownership' and multifunctional teams for problem solving. Open communication lines with managers fostered a 'quality spirit.' In 1993, the company implemented its TQC program, which consolidated all past productivity improvement efforts. The TQC program renewed employee enthusiasm in 'productivity teams' and 'task forces,' which dramatically fostered teamwork and employee participation in problem solving. Supervisors and frontline managers acted as 'facilitators' for the formation of quality circles to pursue 'team projects.' Team members were introduced to the necessary statistical tools and other quality techniques to undertake projects; the teams reported results to top management.

In the airline and the state-owned bank, reorganization, streamlining and the privatisation of government-owned shares were related to management strategies to improve performance. In attempts to reduce losses, the airline raised capital to replace old planes with new aircraft capable of long-haul international flights. The telecommunications company attempted to introduce schemes to measure and improve employee productivity, teamwork, work improvement values (*kaizen*)—all in line with the introduction of 'state of the art' technology. The company also provided intensive training to enhance the technical and skill capability of employees, in line with the rapid and continuous technological changes in this industry.

Labor-Management Cooperation (LMC)

Labor-management cooperation schemes in the Philippines, another direct import from Japan, started in the early 1980s. In the Philippines, labor-management cooperation (LMC) schemes include "any arrangement, mechanism, activity or process made up of workers and management, whether unionized or not, to improve work relations, work conditions, increase productivity, and enhance the quality of worklife." The creation of LMCs was provided for in the Productivity Incentives Act of 1990; but the

Philippine Labor Code (enacted in 1974 and amended several times) does not mention the concept. According to official rules, LMC schemes must be separate from grievance machinery. The Productivity Incentives Act (Section 5) provides that "a business enterprise or its employees may initiate the formation of a labor-management committee composed of an equal number of representatives from the management and the rank and file employees, with equal voting rights."

Labor statistics started to record the establishment of a few LMC schemes. There are at least two government agencies mandated to encourage the formation of LMCs: the Department of Labor and Employment and the Department of Trade and Industry. At the plant level, LMCs covered only 4,464 workers in 1993 and 3,059 in 1994. These figures show that the drive for labor-management cooperation is still in its infancy in the country. The usual (traditional) approach to labor-management cooperation involves representatives from both sides sitting together in a committee meeting to discuss areas to promote better performance and productivity.

Table 6 shows how labor-management cooperation schemes operate in the firms in the study. In firms A (food), B (batteries), D (chemical products), and E (wires), LMCs operate with varying degrees of vigor. These are also the firms which have high productivity, and low levels of tension in labor relations. Firms A, B, C and E illustrate clearly how a positive atmosphere in labor relations intervenes in goals to improve productivity at the firm level.

Table 6. Labor-Management Cooperation Schemes

Manufacturing:	
Firm A (food)	Labor-management committees provided for in the collective bargaining agreement (CBA). LMCs function in subsidiaries with low tension in labor relations; non-functional in affiliates undergoing CBA negotiations.
Firm B (batteries)	Labor-management committee provided for in the CBA, composed of 7 union and 7 management representatives, which meets monthly. LMC considers any matter "to produce a more harmonious relationship..." Discussions cover clarifications about the productivity incentive scheme, quality improvement.
Firm C (oil/gas)	Incidence of strike indicated failure of labor-management committee to thresh out issues on job enlargement, overwork.
Firm D (chemical)	Active programs to promote employee involvement led to smooth labor relations.
Firm E (wiring)	Gainsharing scheme to provide productivity bonuses provided by the Labor Management Committee (LMC).
Service:	
Firm F (airline)	Failure of labor-management cooperation schemes is reflected in heavy reliance upon government arbiters/Supreme Court.
Firm G (telecom.)	Communication lines are open between union and management, but tensions could lead to a strike anytime; no formal LMCs; traditional grievance procedure.
Firm H (govt. bank)	Union position on privatization issues is muted support. Employee stock option plan a key issue. Labor relations limited to negotiations over non-salary, welfare issues and grievance handling.

Source: Company brochures, documents; interviews.

In Firm B (car batteries) both union and management "agree to continue holding regular meetings of the Labor Management Committee, composed of seven union officers and seven management representatives; meetings will be on the first Monday of the month." In Firm B, the LMC "shall consider any and all matters to bring about effective and substantial implementation of the terms and conditions of this agreement, to produce a more harmonious relationship between union and management." The agreement also provides that matters discussed in the LMC should not imply a negotiation or renegotiation of the collective bargaining agreement (CBA). LMC discussions "should not enlarge or diminish the rights and obligations of the parties in the CBA." Without a clear provision such as that in Firm B, many union leaders view the introduction of LMCs as a subtle management strategy to weaken and eventually destroy the union.

In Firm D (chemical products), management exerts efforts to communicate with employees and the union. A monthly forum (*pulong-pulong*) is held regularly with the company president, and fosters open communication. According to the human resource manager, employees gather together during the 'pulong-pulong' as part of one big family. Employees are given the chance to unwind from their regular work, and interact with fellow workers. Other activities which foster open communication include socials, games, birthday greetings, personnel updates, raffles, and cultural presentations. During the meeting, the company president announces the winners of performance bonuses, incentives due to good individual performance; an open forum is part of the program. Officials also initiate religious activities for employees inside company premises (Catholic mass every Friday, praying the Holy Rosary every Wednesday, a minute of silence for the three o'clock prayer, etc.). It is curious that a labor-management cooperation scheme adopted several years back at Firm D was stopped due to decentralization of operations.

In contrast, the strikes in Firm C (oil/gas) and Firm G (telecom), and government intervention in the labor dispute in Firm F (airline) reflect the lack of communication, and cooperation between these unions and these firms' managers. A negative atmosphere in labor relations (details of which are discussed in Section 3 on Labor Relations of this paper) prevented the firms from fully implementing strategies to improve performance, which could have made the difference in enabling enterprises to cope with global competition.

In the airline (Firm F), the collective bargaining agreement provides that both the union and management shall "agree to cooperate, and shall exert efforts in attaining such high level of productivity and efficiency, quality of service and to promote goodwill among its employees and the public. A Labor Management Cooperation Council (LMCC) shall be established, composed of four representatives from both the union and management; the procedures will be separate, and no representative shall come from the Grievance Committee." Legal procedures on the resolution of disputes override decisions reached in even the highest court in the country, preventing the effectiveness of the LMCC.

Firms C, F and G demonstrate the validity of the argument that in order for innovative productivity improvement programs to work, rapport communication must first be established with the workforce, through the union. The lack of confidence-building measures (best done through LMCs) prevented the unions from believing that the productivity improvement projects would result in a bigger share of a bigger pie for everyone.

Firm H (government-owned bank) also illustrates how the lack of formal communication channels fuels mistrust and unrest by the workforce, in relation to the ongoing privatization effort. Although the bank union and the management have a "collective negotiations agreement" which provides for a grievance procedure, employees in general are not assured of the security of their jobs and compensation.

Uncertainty is also shown in the telecom firm (G), where the only channel of communication is the grievance machinery provided for in the collective bargaining agreement. 'Grievances' are subject to request by the union for reconsideration, and include "problems related to any discharge, lay-off, disciplinary or personnel action affecting any regular employee or union member... Both parties agree to settle all disputes through friendly negotiation." In many cases however, deadlock occurs and both union and management agree to seek the assistance of a mediator or conciliator from the government (labor department).

Conclusions: The Future of the "Best Practice Model"

Due to global competition, emergent industrial relations in the Philippines derive from the fusion and fission of work relations. Several blocks in this fusion may be traceable to advanced economies and the other blocks possibly indigenous to the existing and specific condition of the Philippines. There is a variety of ownership patterns in local enterprises, due to historical circumstances, which has resulted in a variety of work practices. There is also a variety of strategies and mechanisms to promote productivity and variation in the degree of success to which management strategies fit local institutions of labor relations as well as the attitudes and values of the Filipino workforce.

The diversity found in existing human resource patterns stimulates the search for, and a possible convergence, towards the best in industrial relations practices. The demands of competition—firms need to produce and sell their products and services—are the main source of the pressure to search for and use the "best" work practices. At the same time, local socio-cultural dimensions must be understood in order to produce results.

Labor market policies, practices, and outcomes also effect pay and employment patterns, in both the firm and the national economy. Policies and actual practices may diverge or converge depending upon the strength of the motive forces, especially changing business conditions which require adjustment strategies, which have an impact upon the workforce. The promotion of competitive advantage with full employment, high living standards, and equity are motives behind the search for workable schemes for future industrial relations. These limited case studies show that there is a basis for the regeneration of a limited number of enforceable standards which provide flexible guidelines for negotiations at the plant level, especially those which concern productivity-based pay. Existing labor relations policies and laws must be reexamined as to whether or not they accommodate innovative practices which link productivity with skills and pay.

All the Japanese-owned companies (*Kogaisha X*, *Y* and *Z*) attempt to reconcile both Japanese and local practices in managing their workforce. The non-Japanese-owned companies attempt to introduce well-known Japanese-style practices—

employees undergo seminars and training on quality commitment and positive work values.

Could the best practice model, with its Japanese-style industrial relations practices overcome the exploitative and dehumanizing relations of the workplace? In predicting the "work of nations" in 21st century capitalism, Reich (1989) argued that corporate nationality will be irrelevant; the high-value "job of the future" will revolve around symbolic analysis on the information superhighway.

Reich may have underestimated the role of the nation-state—e.g., its shared norms and values—in shaping work relations. However, it is difficult to ignore the role of technology, in coming up with a combination of methods to derive one's "practice" model, on a global scale. The same line of argument could apply to what *were* known as Japanese-style practices, in new and diversified settings.

In the Philippines, the requirements for human resource practitioners emphasize applications of new technology. One recent advertisement of a major company required that the applicant for "Director, Organizational and Human Resource Development" would "institutionalize and computerize personnel systems, reinforce innovative programs for optimizing productivity, enhance quality of work life and strengthen partnerships with the universities." Most important, "the applicant must be attuned to current technologies in culture building, total quality management, and productivity."

In the work relations of the 21st century, national adjectives may no longer be relevant, and practitioners may actually wish to forget **when** and **where** one or all aspects of the practices they are using were developed. The rapid spread of technology along the information superhighway may actually facilitate such amnesia. It pays for human resource managers in the Philippines not to forget, and to continually explore available choices in successfully blending influences which converge at the workplace.

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