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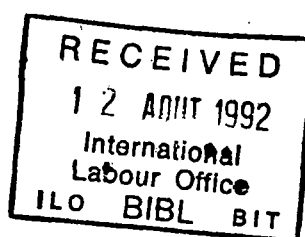
LABOUR MARKET ANALYSIS AND EMPLOYMENT PLANNING

Working Paper No. 59

EXTERNAL LABOUR FLEXIBILITY IN FILIPPINO INDUSTRY

by

James Windell and Guy Standing



Note: WEP Research Working Papers are preliminary documents circulated to stimulate discussion and critical comment.

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Preface

The following is one of a series of papers designed to give a broad, predominantly descriptive review of the main findings from the Philippines Labour Flexibility Survey (PLFS), one of a set of eight national enterprise-level surveys of employment and labour practices in industrial firms. This particular paper deals with the extent and growth of "external" or "numerical" labour flexibility, and is intended for the use of labour market researchers and statisticians as well as labour policymakers in the Philippines. Accordingly, there are deliberately many more descriptive tables than would be desirable in a purely analytical paper.

The PLFS was carried out in late 1990, and the methodology was similar to that used for the Malaysian Labour Flexibility Survey, as described in, for example, two previous papers in this series. The organisation and fieldwork was carried out in collaboration with the Institute of Labour Studies of the Department of Labour and Employment in Manila, and it was a great pleasure to work with the ILS. Although there have been delays and difficulties from the outset - including various natural disasters in the Philippines that occurred during the course of the fieldwork - it is hoped that a number of other papers will be issued very shortly after this one.

In the ILO, the work on this and other analyses would not have been possible without the contribution of Loretta de Luca, who participated very actively in the design of the survey, training of the team of enumerators and in the survey itself. Thanks are also due to Barbara Mundy.

We are also grateful to Mike Hopkins for help in the data processing. Of course, responsibility for the analysis and interpretation is ours alone.

Guy Standing

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1 Introduction

This paper examines the forms and levels of external labour flexibility practices in the Philippines. It evaluates the extent to which employers, perhaps in an effort to avoid labour costs, bypass certain labour market regulations and enhance market adaptability, rely on non-regular labour or other cost-reducing measures, such as contracting out work. The paper draws on data from the Philippines Labour Flexibility Survey (PLFS) of 1,311 industrial establishments in 1990, one of a number of surveys conducted as part of the ILO's labour market research programme.

External flexibility practices permit establishments to adjust their direct labour inputs more easily. Such flexibility is achieved primarily through labour turnover; establishments hire or retrench workers as production levels rise or fall. Practices to enhance numerical flexibility may include temporary layoffs, greater reliance on casual or contract labour, increasing the ratio of part-time to full-time workers, resorting more to "probationary" workers, and contracting out employment. Greater external flexibility potentially has an additional advantage for the firm - avoidance of many wage and non-wage labour costs associated with employing regular workers.¹

There is a politico-economic reason for interest in this issue. Many analysts have contended that "structural adjustment" strategies have been made less effective because of "rigid" labour markets, and that protective labour regulations and employment security provisions discourage firms from expanding employment. Although this view has not been strongly supported by empirical studies, it has continued to be influential.²

At the same time as that issue has preoccupied labour market analysts, there has been an international trend towards more flexible labour markets, characterised by a shift away from regular, secure full-time employment. This has raised all sorts of predicaments for those concerned with the promotion of worker protection and labour security.

¹ M. Storper and A. Scott, "Work organisation and local labour markets in an era of flexible production", International Labour Review, Vol. 129, No. 5, pp. 573-591.

² In Western Europe, where such employment security is relatively strong, one comparative study suggested that severance pay reduced employment, although the results were not especially conclusive. E. Lazear, "Job security provisions and employment", Quarterly Journal of Economics, C. V., Issue 3, 1990, pp. 699-726. In developing countries, one study did suggest that employment security laws in India and Zimbabwe reduced employment. P. Fallon and R. Lucas, "The impact of changes in job security regulations in India and Zimbabwe", World Bank Review, Vol. 5, No. 3, 1991, pp. 395-413.

The desirability of moving towards more flexible forms of labour is an issue of intense debate.³ The importance of this issue, and the dilemma confronting policy-makers, is especially evident in a country like the Philippines, in which supply-side structural adjustment policies have been pursued for over a decade.⁴ Whatever the merits or demerits of that strategy, the need to find jobs for a rapidly expanding population is critical. Many argue that greater labour flexibility would promote job opportunities because it makes industry more adaptable and cost effective. However, a more flexible labour force implies more workers in jobs that are less secure in terms of income, work status and employment stability. Some see this as a dilemma involving a trade-off between two competing objectives: to stimulate growth in employment through more flexible forms of labour or to promote secure, regular forms of employment. We believe this oversimplifies, in that protected, secure employment may promote productivity and more effective forms of market adjustment. This, however, will not be discussed in the following, which is an attempt to identify the extent, forms and growth of external labour flexibility in an industrialising country.

The background of the PLFS should be borne in mind. The 1980s were years of high unemployment, and the recession of 1984-85 compounded an already serious economic situation. The unemployment rate in 1986 was 11.1 per cent and, according to official reports, approximately 45 per cent of the labour force was underemployed and over 60 per cent of the population was living below the poverty line. Real wages of skilled and unskilled workers had declined substantially during the previous decade. The manufacturing sector had been hard hit, with a dramatic decline in output of over 7 per cent in both 1984 and 1985. Recovery began in 1986. In 1988, manufacturing output grew by 9 per cent and the unemployment rate was down to 8.3 per cent, but the pace of recovery slowed in the following years, with growth in manufacturing output dropping to 6.3 per cent in 1989 and to a dismal 1.4 per cent in 1990. At the time of the survey, the national unemployment rate was back to its 1986 levels.⁵

National development plans called for employment to grow by an average of 4.6 per cent per year with the goal of reducing unemployment to 5 per cent and underemployment to 25 per cent by the end of 1992. To reach this goal, the government's structural adjustment programme emphasised expansion of export-oriented

³ For a review of the issues and debates, see G. Standing and V. Tokman (ed.s), Towards social adjustment: labour market issues in structural adjustment (Geneva, International Labour Office, 1991).

⁴ For a vigorous critique, see R.E. Ofreneo and E.P. Habana, The employment crisis and the World Bank's adjustment program (Quezon City, University of the Philippines, 1987).

⁵ Philippine Statistical Yearbook (annual) (Manila, National Statistical Coordination Board).

industries, especially electronics and textiles, and movement towards more flexible forms of labour.⁶ By 1990 the Philippines had doubled the value of its exports when compared to the level in 1985, and for the garment industry this figure was almost three times that in 1985. To what extent this growth was accompanied by greater reliance on less secure forms of employment is a principal issue of this paper.

2. Surplus Labour and Retrenchment

Many of those advocating structural adjustment strategies assert that a major labour market rigidity is the inability of firms to alter the level of employment quickly or at low cost. In short, the supply-side view is that employment security impedes employment generation.

The first piece of evidence relating to that perspective in the Filipino industrial labour market is that many firms in the recessionary circumstances of 1989-90 did experience labour surplus conditions, that is, they had too little work for their workforce.

Nearly one in five establishments reported having a labour surplus in the previous two years (1988-90). The proportion reporting a labour surplus did not vary substantially by employment size, although differences between industry groups was evident, with export-oriented firms more likely to have had a labour surplus than those geared towards the domestic market (tables 1 and 2). Firms in the electronics industry were most likely to have had labour surplus. In response to such situations, firms were much more likely to have cut work hours and overtime rather than salaries (table 3).

A majority of establishments (60 per cent) indicated that they had no vacancies at the time of survey. This was true even for export-oriented industries, although half of the establishments in the electronics sector did report having some vacancies.

Besides measures to limit redundancies, establishments responded to labour surplus by cutting jobs. Whereas less than 3 per cent indicated they had retrenched workers in 1988 or 1989, years of relative prosperity, 7.2 per cent had done so in the first six months of 1990.

⁶ Medium-term Philippine Development Plan 1987-1992 (Manila, National Economic Development Authority, 1986).

Table 1. Per cent of establishments with surplus labour, 1988-90, by industry, 1990.

Industry	Per cent with surplus labour
Food, etc.	16.3
Textiles, etc.	20.4
Wood products	25.2
Paper products	18.6
Chemicals	15.7
Non-metal. min.	26.0
Basic metals	12.3
Fabr. metals	21.3
Electronics	27.3
Other manufac.	19.1
Construction	21.6
Trade	16.3
TOTAL	19.2

Table 2. Per cent of establishments with surplus labour, 1988-90, by per cent exported, 1990.

Per cent exported	Per cent with surplus labour
None	17.8
.01-9	13.8
10-24	25.9
25-49	25.9
50+	26.5

Table 3. Measures reducing labour input in response to surplus labour, 1988-90, besides/instead of retrenchment, by industry, 1990.

Measure	Industry							
	Food etc.	Textiles etc.	Wood products	Paper products	Chemicals	Non-met. minerals	Construction	Trade
None	25.0	31.6	33.3	55.6	60.0	64.3	47.4	60.5
Cut work hours	29.2	18.4	14.8	11.1	-	-	10.5	5.3
Cut overtime	-	5.3	3.7	11.1	30.0	7.1	-	2.6
Encouraged resignations	4.2	5.3	3.7	5.6	-	-	10.5	7.9
Extended vacations	12.5	15.8	7.4	5.6	5.0	-	21.1	15.8
Offered early retirement	4.2	-	3.7	-	-	-	-	-
Cut pay	-	2.6	-	-	-	-	-	-
Transfer	4.2	2.6	7.4	-	-	-	-	-
Assigned new tasks	8.3	-	7.4	-	-	-	-	-
Don't know	12.5	18.4	18.5	5.6	-	14.3	-	2.6

Measure	Industry							
	Basic metals	Fabr. metals	Electronics	Other manufac.	Construction	Trade	Construction	Trade
None	25.0	37.5	33.3	30.8	47.4	60.5	47.4	60.5
Cut work hours	-	16.7	25.0	30.8	10.5	5.3	10.5	5.3
Cut overtime	62.5	29.2	16.7	-	-	2.6	-	2.6
Encouraged resignations	-	-	8.3	7.7	10.5	7.9	10.5	7.9
Extended vacations	-	8.3	-	7.7	21.1	15.8	21.1	15.8
Offered early retirement	-	-	-	-	-	-	-	-
Cut pay	-	-	-	-	-	-	-	-
Transfer	-	-	8.3	7.7	-	5.3	-	5.3
Assigned new tasks	-	4.2	-	7.7	5.3	-	5.3	-
Don't know	12.5	4.2	8.3	7.7	5.3	2.6	5.3	2.6

In the electronics and construction sectors, the number reporting some retrenchment was approximately double the survey average (table 4).⁷ Export-oriented firms were more likely to retrench: 16.4 per cent of those exporting more than half of their output had retrenched workers, whereas only 5.5 per cent of those with entirely domestic markets had done so (table 5).

Table 4. Per cent of workforce retrenched, January through June 1990, by industry, 1990.

Industry	Per cent of workforce retrenched			
	0	.01-10	10.01-20	20.01+
Food, etc.	94.3	3.5	0.7	1.4
Textiles, etc.	91.9	4.8	2.2	1.1
Paper products	92.3	3.8	2.9	1.0
Wood products	96.1	2.9	1.0	-
Chemicals, etc.	97.6	1.6	-	0.8
Non-metal. min.	92.0	2.0	4.0	2.0
Basic metals	96.9	3.1	-	-
Fabr. metals	92.6	5.6	1.9	-
Electronics	84.1	15.9	-	-
Other manufac.	89.7	4.4	2.9	2.9
Construction	85.2	3.4	3.4	8.0
Trade	93.4	3.5	2.6	0.4
Total	92.8	4.0	1.8	1.3

Table 5. Per cent of workforce retrenched, January through June 1990, by per cent exported, 1990.

Per cent exported	Per cent of workforce retrenched			
	0	.01-10	10.01-20	20.01+
None	94.5	3.1	1.3	1.0
.01-9	93.5	4.3	2.2	-
10-24	92.6	7.4	-	-
25-49	88.9	7.4	3.7	-
50+	83.6	8.4	4.5	3.5

⁷ The high-level of retrenchment in construction can be attributed to the drop in government and private construction, resulting in the sector expanding by only 4.2 per cent in 1990 compared to a growth rate of 13.9 per cent in 1989. Philippine Statistical Yearbook, 1991, op. cit.

In terms of regional differences, establishments in Central Visayas were the most likely to have retrenched workers in the first half of 1990, firms in the Southern Tagalog region near Manila the least likely (table 6).⁸ Regional differences were presumably a reflection of the industrial structure of production and employment.

Table 6. Per cent of workforce retrenched, January through June 1990, by Region.

Region	Per cent of workforce retrenched			
	0	.01-10	10.01-20	20.01+
Manila	93.7	3.6	1.7	1.0
Southern Tagalog	96.4	2.2	1.4	-
Central Visayas	86.0	9.3	3.1	1.6
Northern Mindanao	90.9	5.5	1.8	1.8
Southern Mindanao	88.1	3.0	1.5	7.5

To analyse the various independent factors influencing retrenchment levels, an ordinary least squares multiple regression was estimated with the per cent of the workforce retrenched in the first half of 1990 as the dependent variable. Per cent retrenched is expressed as a function of three sets of binary variables, industry, employment size and region, as well as ownership, export orientation and the per cent of the establishment's workforce in 1988 consisting of non-regular labour.⁹

The results suggest that firms with high proportions of non-regular workers had retrenched more than those with few such workers (table 7), implying a relative flexibility, as would be expected. Firms in the construction sector or geared towards export markets were also more likely to retrench. Although firms in Central Visayas were the most likely to have had retrenched, those in Southern Mindanao had retrenched the largest workforce shares.

The reported figures for retrenchment are probably below the actual level, because encouraged, or "voluntary", resignations are not included. 3.8 per cent of the establishments indicated that in

⁸ One explanation for the high number retrenching in this region might be that it was particularly hard hit by the economic downturn in 1989-90. Preceding that, production in Cebu City (Central Visayas) grew at a real rate double that of the Manila region. J. Damasco, The Philippine economy in 1990 and beyond: prospects for growth and employment (Geneva, International Labour Office, 1990), pp. 18-19.

⁹ For definitions of the independent variables used in the regression analysis in this paper, see Appendix II.

the first half of 1990 they had lost over 20 per cent of their workforce through voluntary resignations. This applied to all establishment size groups. Some of those leaving "voluntarily" would have been retrenched anyway.

As for the cost and difficulty of cutting employment, those claiming that rigid labour practices impede employment growth in the Philippines should recognize that over 70 per cent of establishments had no formal notice period or retrenchment policy (table 8). Larger firms were much more likely than small firms to give some notice prior to retrenchment, and those in electronics were the most likely to have a notice policy. Of those with such a policy, the average notice period was approximately five weeks.

Over 40 per cent of establishments reported that regular workers were entitled to retrenchment benefits. More than 60 per cent of firms with over 500 workers had such benefits for skilled workers, compared to less than 40 per cent of smaller firms. There were also industry differences. Skilled workers were entitled to severance pay in about 35 per cent of establishments in the wood and paper products industries, compared to more than 50 per cent of those in electronics and construction. Workers in foreign firms were also more likely to have such an entitlement than those in Filipino firms (50.8 vs. 32.8 per cent).

Firms were also asked whether they gave severance pay to the main group of workers retrenched in 1988 or 1989. Given the small number of establishments reporting retrenchment in those years, it is difficult to gauge the level of income security provided to retrenched workers. About 60 percent of all establishments retrenching workers did offer some form of severance pay. No differences were found in the frequency of this practice or level of benefit between foreign and Filipino establishments, nor according to establishment size or industry.

In sum, PLFS data indicate that Filipino establishments were confronted in 1990 with high levels of labour surplus and that they had responded by introducing measures to limit redundancies and by retrenching workers. It was actually export-oriented firms that were most likely to have experienced labour surplus, and to have retrenched workers in response. Few establishments offered workers the modest income protection of a retrenchment benefit in return for employment insecurity.

Table 7. Per cent of workforce retrenched, 1990: OLS Regression results

Independent variable	t-ratio
Constant	-1.063
<u>Employment size</u>	
21-50	0.864
51-100	0.440
101-250	-.077
251-500	-.033
501-1000	-.510
1001+	0.283
<u>Industry</u>	
Textiles	-.105
Wood products	-1.032
Paper products	-.088
Chemicals	-.137
Non-metal. min.	0.273
Basic metals	-.068
Fabricated metals	-.155
Electronics	-.340
Other manufac.	1.310
Construction	3.865***
Trade	.339
<u>Region</u>	
Manila	1.087
Central Visayas	0.973
Southern Mindanao	3.526***
Northern Mindanao	0.669
Foreign	0.700
% exported	2.674***
% non-regular	4.186***
R ² = 0.06	
F = 3.562	
N = 1179	

Note: Three asterisks indicate that the coefficient was statistically significant at the 1 per cent level (two-tail test), two asterisks at 5 per cent and one at the 10 per cent level.

Table 8. Length of retrenchment notice period, by industry and employment size, 1990.

	<4 wks	4 wks	5+ wks	No notice or retrench. policy
<u>Industry</u>				
Food, etc.	2.2	19.4	2.2	76.3
Textiles, etc.	5.5	23.1	1.6	69.8
Wood products	3.0	13.0	4.0	80.0
Paper products	5.0	20.8	1.0	73.3
Chemicals, etc.	3.1	14.2	4.7	78.0
Non-metal. min.	8.5	19.1	4.3	68.1
Basic metals	3.1	21.9	4.7	70.3
Fabr. metals	0.9	22.4	2.8	73.8
Electronics	4.5	27.3	11.4	56.8
Other manufac.	1.5	22.1	7.4	69.1
Construction	3.4	22.7	5.7	68.2
Trade	2.2	19.3	7.0	71.5
Total	3.3	20.0	4.3	72.4
<u>Employment size</u>				
1-20	6.4	8.3	3.8	81.4
21-50	1.5	13.8	4.0	80.6
51-100	2.1	21.1	2.1	74.7
101-250	2.2	23.1	7.1	67.5
251-500	0.8	36.9	3.1	59.2
501-1000	8.7	30.4	5.8	55.1
1001+	8.2	42.9	4.1	44.9

3.0 Flexible work statuses

Besides regular, protected, full-time employment - on which analyses of rigid labour markets typically focus - there are a number of work statuses by which employers obtain a flexible labour force. Let us consider some of the major types, beginning with one little recognised form.

3.1 Probationary employment

Establishments can maintain workers on a quasi-temporary basis by hiring them on probation. Approximately 73 per cent of establishments required production workers to undergo a period of

probation. And no less than 83 per cent of those hiring workers on probation reported that the typical length of probation was two years or more. Workers entering employment under such conditions face the possibility of dismissal before the end of probation or at least long-term insecurity before their transfer to regular status. In addition, 63 per cent reported paying a lower wage to such workers and 79 per cent offered fewer benefits (table 9). Clearly, by maintaining a two-tiered system for regular workers, probation policy gives establishments an additional avenue for external flexibility. They can reduce overheads by increasing the numbers on probation and can respond to declining economic circumstances by releasing probationary workers for reasons other than job performance. Those on probation run a considerable risk of employment termination due to market fluctuations rather than failure to meet probation requirements.

Table 9. Probationary workers' benefits compared to regular workers' benefits, by industry and employment size, 1990.

	More	Fewer	Same
<u>Industry</u>			
Food, etc.	-	79.8	20.2
Textiles, etc.	-	80.3	19.7
Wood products	-	75.9	24.1
Paper products	-	78.3	21.7
Chemicals, etc.	1.0	81.6	17.5
Non-metal. min.	3.3	73.3	23.3
Basic metals	-	82.9	17.1
Fabr. metals	-	76.4	23.6
Electronics	-	85.4	14.6
Other manufac.	-	87.0	13.0
Construction	-	78.3	21.7
Trade	0.6	75.4	24.0
Total	0.3	79.0	20.7
<u>Employment size</u>			
1-20	2.0	68.0	30.0
21-50	0.5	73.2	26.4
51-100	-	81.2	18.8
101-250	-	83.3	16.7
251-500	-	81.5	18.5
501-1000	-	79.7	20.3
1001+	-	95.5	4.5

3.2 Non-wage labour

The Filipino industrial labour market, outside of agriculture and the informal 'streetside' sectors, has long moved out of the small family business mould. The PLFS did not cover those activities, but did cover all sizes of firms. The most cost effective flexible form of labour might be the use of unpaid family members. However, except in small-scale establishments, owners and unpaid family members did not represent a large work status group in terms of percentage share of total employment (table 10). Over the previous two years, there had been a slight movement away from reliance on unpaid family members (table 11).

Table 10. Percentage share of owners and unpaid family members, by establishment size, 1990.

Employment size	Per cent owners/unpaid family of total employment				
	0	.01-10	10.01-25	25.01-50	50.01+
1-20	62.1	6.8	20.4	7.9	2.9
21-50	76.3	22.5	1.2	-	-
51-100	87.4	12.6	-	-	-
101-250	92.2	7.8	-	-	-
251-500	94.6	5.4	-	-	-
501-1000	94.2	5.8	-	-	-
1001+	98.0	2.0	-	-	-

Table 11. Employment of non-wage family members compared to two years previously, by establishment size, 1990.

Employment size	More	Fewer	Same	None
1-20	1.8	2.5	26.1	69.6
21-50	1.5	2.2	14.8	81.5
51-100	0.5	1.6	6.3	91.6
101-250	-	1.5	6.3	92.2
251-500	0.8	1.5	3.8	93.8
501-1000	-	-	5.8	94.2
1001+	-	-	2.0	98.0

3.3 Temporary labour

Establishments were asked if they had employed any temporary or casual workers in the previous two years and the number of such workers in mid-1988 and mid-1990. 40.5 per cent had done so in the previous two years and, at the time of survey, 30.9 per cent were employing them (table 12). The electronics industry was the most likely to have employed such workers in the previous two years (52.3 per cent), although in mid-1990 only 32.8 per cent were doing so. It seems that some shedding of temporary workers had occurred in response to the economic downturn in 1989-90. For instance, 39.1 per cent of electronics firms indicated that use of temporary labour had dropped, whereas 26.1 per cent said it had risen.

Larger firms were much more likely to employ temporary and casual workers. Over 50 per cent of establishments with 500 or more workers did so compared to 15.4 per cent of the smallest size firms (table 13), and the share of workers who were temporary was positively related to size of firm.¹⁰

As in most countries, the construction industry relied heavily on temporary and casual workers, with 14.8 per cent having over half their workforce composed of such workers, a figure more than four times the overall average. Over 51 per cent of construction firms said that the share of temporary workers had increased, while only 25.7 per cent reported a decline. Many construction firms, in response to declining project orders, may have been taking a 'wait and see' attitude before hiring regular wage labour.

Foreign-owned firms were much more likely to employ temporary labour than Filipino firms (40.7 vs. 29.0 per cent) and there was some correlation between reliance on such labour and export-orientation (tables 14 and 15). Wide differences were reported between regions, with almost half the establishments in Northern Mindanao reporting use of temporary labour, compared to about 30 per cent in the greater Manila area (table 16).

Fluctuating demand for the establishment's products was the reason most frequently given for employing temporary workers (28.2 per cent), followed by labour shortage (22.8 per cent) and market uncertainty (16.4 per cent).

¹⁰ A similar survey was conducted in Malaysia in 1988. The results concerning temporary employment were comparable in that the electronics sector was relatively likely to employ temporary labour and that reliance was positively correlated with employment size. G. Standing, The growth of external flexibility in a nascent NIC: Malaysian Labour Flexibility Survey, Geneva, International Labour Office, World Employment Programme Working Paper No. 35, 1989.

Table 12. Employment of temporary/casual workers, by industry, 1990.

Industry	Per cent temporary of total employment					% employing temp. in past two years
	0	0.1-10	10.01-25	25.01-50	50.01+	
Food, etc.	68.1	8.5	11.3	5.7	6.4	43.3
Textiles, etc.	69.9	12.9	11.3	3.8	2.2	38.2
Wood products	75.0	7.7	6.7	8.7	1.9	34.6
Paper products	73.5	12.7	9.8	3.9	-	35.3
Chemicals, etc.	72.4	18.9	3.9	3.9	.8	36.2
Non-metal. min.	68.0	18.0	8.0	4.0	2.0	46.0
Basic metals	69.2	10.8	13.8	6.2	-	36.9
Fabr. metals	72.2	10.2	5.6	12.0	-	41.7
Electronics	68.2	15.9	9.1	6.8	-	52.3
Other manufac.	69.1	8.8	16.2	2.9	2.9	35.3
Construction	69.3	5.7	4.5	5.7	14.8	39.8
Trade	61.4	13.2	11.4	10.5	3.5	46.9
Total	69.1	11.9	9.4	6.6	3.1	40.5

Table 13. Employment of temporary/casual workers by establishment size, 1990.

Employment size	Per cent temporary of total employment					% employing temp. in past two years
	0	0.1-10	10.01-25	25.01-50	50.01+	
1-20	84.6	2.5	3.6	5.0	4.3	23.2
21-50	78.5	7.7	8.0	4.0	1.8	31.1
51-100	70.1	12.1	11.6	3.7	1.6	41.1
101-250	57.5	17.9	11.2	10.8	2.6	52.6
251-500	53.1	21.5	11.5	10.8	3.1	56.2
501-1000	46.4	21.7	14.5	7.2	10.1	60.9
1001+	49.0	20.4	20.4	8.2	2.0	63.9

Table 14. Employment of temporary/casual workers, by ownership, 1990.

Ownership	Per cent temporary of total employment				
	0	.01-10	10.01-25	25.01-50	50.01+
Filipino	71.0	10.0	8.9	6.6	3.5
Foreign	59.3	21.1	11.5	7.2	1.0

Table 15. Employment of temporary/casual workers, by per cent of output exported, 1990.

Per cent exported	Per cent temporary of total employment				
	0	.01-10	10.01-25	25.01-50	50.01+
None	70.8	10.8	8.2	6.7	3.4
1-9	65.2	10.9	13.0	10.9	-
10-24	59.3	14.8	11.1	11.1	3.7
25-49	74.1	18.5	3.7	3.7	-
50-74	60.7	14.3	21.4	3.6	-
75+	60.1	16.8	14.5	5.8	2.9

Table 16. Employment of temporary workers, by Region, 1990.

Region	Per cent temporary of total employment				
	0	.01-10	10.01-25	25.01-50	50.01+
Manila	69.5	11.3	9.9	6.4	2.9
Southern Tagalog	65.2	17.4	7.2	7.2	2.9
Central Visayas	74.4	9.3	8.5	4.7	3.1
Northern Mindanao	50.9	10.9	12.7	16.4	9.1
Southern Mindanao	76.1	14.9	6.0	3.0	-

Firms that had employed temporary labour in the past two years were asked whether the share of temporary workers had risen, fallen or remained the same during that period. More reported a decline in the share than an increase (34.7 vs. 29.0 per cent), although firms in trade and construction were exceptions. In the non-metallic minerals sector, twice as many had cut temporary labour as had increased its use (table 17). Small-size establishments were relatively likely to have cut temporary labour (table 18). Firms that had expanded overall employment were much more likely to have increased the share of temporary and casual workers than those where employment had dropped (table 19).

Table 17. Change in employment of temporary/casual workers in past two years, by industry, 1990.

Industry	Change in per cent temporary		
	Fell	No change	Rose
Food, etc.	38.3	48.3	13.3
Textiles, etc.	42.3	29.6	28.2
Wood products	40.0	34.3	25.7
Paper products	27.8	38.9	33.3
Chemicals, etc.	30.4	43.5	26.1
Non-metal. min.	52.2	26.1	21.7
Basic metals	33.3	41.7	25.0
Fabricated metals	46.7	26.7	26.7
Electronics	39.1	34.8	26.1
Other manufacturing	45.8	29.2	25.0
Construction	25.7	22.9	51.4
Trade	20.8	42.5	36.8
Total	34.7	36.4	29.0

Table 18. Change in employment of temporary/casual workers in past two years by employment size, 1990.

% temporary/ casual	Employment size, 1990						
	1- 20	21- 50	51- 100	101- 250	251- 500	501- 1000	1001+
Fell	33.3	30.7	43.6	33.3	30.1	43.9	32.3
No change	49.2	40.6	37.2	34.8	30.1	24.4	35.5
Rose	17.5	28.7	19.2	31.9	39.7	31.7	32.3

Table 19. Change in employment of temporary/casual workers, by employment change, 1988-90.

Change in % temporary	Change in total employment					
	Fell		No Change	Rose		
	10+	.01-9.9		.01-9.9	10-24.9	25+
Fell	55.2	47.4	31.4	36.8	22.2	23.5
No change	31.0	33.3	60.0	23.0	35.8	34.5
More	13.8	19.3	8.6	40.2	42.0	42.0

Of those that had raised the share of temporary labour, 71.2 per cent said that the main reason was market uncertainty: those in the food industry were the least likely to give this response, those in the electronics, basic metals and construction sectors the most likely (table 20). Establishments that had reduced the share of temporary labour most frequently gave market uncertainty or the desire to keep a stable workforce as the main reason (table 21).

Table 20. Main reason for employing more temporary/casual workers, by industry, 1990.

Reason	Industry						
	Food, etc.	Textiles, etc.	Wood products	Paper products	Chemicals	Non-met. minerals	
Higher wage costs	(12.5)	-	-	-	8.3	-	
Market uncertainty	(50.0)	60.0	(55.6)	66.7	75.0	(80.0)	
Nature of product	-	10.0	(22.2)	25.0	8.3	-	
Keep stable workforce	(12.5)	10.0	-	8.3	8.3	-	
Cut labour cost	(25.0)	10.0	(11.1)	-	-	-	
Other	-	10.0	(11.1)	-	-	(20.0)	

Reason	Industry					
	Basic metals	Fabr. metals	Electronics	Other manufac.	Construction	Trade
Higher wage costs	-	-	-	-	-	-
Market uncertainty	(83.3)	75.0	(83.3)	(83.3)	83.3	71.8
Nature of product	-	-	(16.7)	-	11.1	12.8
Keep stable workforce	-	8.3	-	(16.7)	-	-
Cut labour cost	-	8.3	-	-	-	12.8
Other	(16.7)	8.3	-	-	5.6	2.6

Note: In this and subsequent tables, figures in parentheses are percentages based on fewer than 10 responses.

Table 21. Main reason for employing fewer temporary/casual workers, by industry, 1990.

Reason	Industry							
	Food, etc.	Textiles, etc.	Wood products	Paper products	Chemicals	Non-met. minerals	Construction	Trade
Lower productivity	8.7	13.3	14.3	-	-	-	-	13.6
Lower work quality	8.7	-	-	-	-	-	-	-
Less regular work	13.0	6.7	7.1	10.0	14.3	8.3	(11.1)	18.2
Higher wage costs	-	3.3	-	-	-	8.3	(11.1)	4.5
Market uncertainty	47.8	46.7	71.4	70.0	57.1	50.0	(33.3)	45.5
Nature of product	4.3	-	-	-	-	8.3	(11.1)	4.5
Keep stable workforce	4.3	23.3	-	10.0	21.4	16.7	(11.1)	4.5
Regular worker morale	-	3.3	-	-	-	-	-	4.5
Union opposition	-	-	-	-	7.1	-	-	-
Workers want regular work	8.7	3.3	-	-	-	-	-	-
Cut labour cost	-	-	7.1	10.0	-	8.3	-	-
Other	4.3	-	-	-	-	-	(22.2)	-

Reason	Industry						
	Basic metals	Fabr. metals	Electronics	Other manufac.	Construction	Trade	
Lower productivity	(12.5)	-	-	-	-	-	13.6
Lower work quality	(12.5)	-	(11.1)	-	-	-	-
Less regular work	-	9.5	(22.2)	9.1	(11.1)	(11.1)	18.2
Higher wage costs	-	4.8	-	9.1	(11.1)	(11.1)	4.5
Market uncertainty	(50.0)	61.9	(22.2)	63.6	(33.3)	(33.3)	45.5
Nature of product	-	-	-	-	(11.1)	(11.1)	4.5
Keep stable workforce	-	9.5	(44.4)	-	(11.1)	(11.1)	4.5
Regular worker morale	-	4.8	-	9.1	-	-	4.5
Union opposition	-	-	-	-	-	-	-
Workers want regular work	-	9.5	-	9.1	-	-	-
Cut labour cost	(25.0)	3.0	-	-	(22.2)	(22.2)	4.5
Other	-	-	-	-	-	-	-

Filipino labour regulations apparently had very little influence on the employment of temporary labour. Only one firm mentioned regulations as the main reason for a change in the share of temporary workers, and only 5.3 per cent of those employing such workers said that regulations had any influence. Of the small number indicating that regulations discouraged use of casual workers, minimum wage regulations were most frequently cited. Of those indicating regulations encouraged use of casual workers, laws concerning labour relations were mentioned most often. But not too much should be made of those results, as clearly the Labour Code had little overall effect one way or the other.

For those not employing any temporary/casual workers, the desire to keep a stable workforce was most frequently cited as the reason (34.1 per cent), followed by market uncertainty (17.1 per cent), the nature of the establishment's products (14.7 per cent) and that there was insufficient work available for the establishment to hire casual labour (12.9 per cent).

Whether one is concerned about temporary labour depends in part on the extent of labour security involved. Temporary jobs might be relatively stable, be held under clear contractual arrangements and provide opportunities for training and advancement. Temporary workers might enjoy the same salaries and benefits as regular workers. However, the reverse seemed closer to reality.

Nearly 25 per cent of all establishments employing casual labour did not even offer the advantage of a written contract to temporary workers. Nearly half the small-scale firms had oral "contracts" with such workers; those could be modified at the employer's discretion and contribute to the relative precariousness of the casual worker. By contrast, most large firms offered a written contract (table 22). The paper and wood products industries were the most likely to give oral contracts, while all electronics firms at least offered the protection of a written agreement (table 23).

Over a third of firms usually laid-off temporary workers at the end of their "contract". 42 per cent usually rehired casual labour under new temporary contracts and only 22 per cent rehired them as regular workers. Large firms were the least likely to offer continuing employment, while small firms were most likely to offer at least new temporary contracts (table 24).

Table 22. Main form of temporary work arrangement, by employment size of establishment, 1990.

	Employment size 1990						
	1- 20	21- 50	51- 100	101- 250	251- 500	501- 1000	1001+
Short-term specific:							
- Written contract	36.9	52.5	83.3	80.1	94.5	92.9	96.8
- Oral contract	47.7	38.6	14.1	16.3	5.5	7.1	3.2
Continuing, casual	15.4	8.9	2.6	3.5	-	-	-

Table 23. Main form of temporary work arrangement, by industry, 1990.

Industry	Main form of temporary arrangement		
	Short-term, specific		Continuing, casual
	Written	Oral	
Food, etc.	63.9	23.0	13.1
Textiles, etc.	85.9	12.7	1.4
Wood products	58.3	38.9	2.8
Paper products	55.6	30.6	13.9
Chemicals, etc.	82.6	17.4	-
Non-metal. min.	73.9	21.7	4.3
Basic metals	66.7	29.2	4.2
Fabr. metals	80.0	15.6	4.4
Electronics	100.0	-	-
Other manufact.	54.2	41.7	4.2
Construction	68.6	22.9	8.6
Trade	79.4	17.8	2.8
Total	74.0	21.1	4.9

Table 24. Whether or not temporary workers are given new contracts, by employment size in 1990.

Employment size	New, temporary contract	Regular contract	No new contract
1-20	56.9	6.2	36.9
21-50	47.5	24.8	27.7
51-100	37.2	29.5	33.3
101-250	38.3	27.7	34.0
251-500	45.2	20.5	34.2
501-1000	31.0	21.4	47.6
1001+	29.0	16.1	54.8
Total	42.0	22.6	35.4

PLFS data confirmed the expectation that temporary workers are usually hired for positions that grant few opportunities for advancement. Close to 60 per cent of establishments responded that casual workers filled unskilled or semi-skilled positions, which typically offer little chance to acquire solid job-market experience (table 25). Furthermore, temporary workers were generally hired for short-term projects or as a stop-gap measure for periods of unusual workloads, increasing the likelihood that they would have frequent job changes with few opportunities for skill development (table 26).

Temporary and casual workers were typically paid less than their regular worker counterparts. The mean average wage reportedly paid to temporary workers was around 81 per cent of that paid to regular workers doing similar work. As expected, very few establishments paid a higher wage rate, while 52.9 per cent paid lower rates (table 27). Although foreign-owned establishments were more likely to employ temporary labour, no difference in casual wage rates was found between foreign and Filipino firms. Rates did not differ between industries but did between establishment size groups; firms with 1 to 20 employees, for example, paid casual workers on average about 73 per cent of regular workers' pay compared to approximately 84 per cent for the largest size firms.

Not only were temporary workers paid less than comparable regular workers, but their lack of eligibility for many benefits widened the income gap. Temporary workers were much less likely to be entitled to the range of benefits associated with regular, full-time employment (table 28). Only about half the establishments, for example, offered medical benefits to casual workers, compared to about 80 per cent for regular workers. Less than one fifth reported offering the same (or higher) benefits to casual workers. Firms in the non-metallic minerals sector were the most likely to offer lower benefits (94.7 per cent), while those in wood products were the most likely to offer the same benefits (28.2 per cent).

Table 25. Main type of work of temporary/casual labour, by industry, 1990.

Industry	Main type of work				
	Skilled	Semi-skilled	Unskilled	Clerical	Other
Food, etc.	25.0	8.3	50.0	8.3	8.4
Textiles, etc.	33.8	26.8	36.6	-	2.8
Wood products	22.2	33.3	44.4	-	-
Paper products	16.7	27.8	44.4	5.6	5.6
Chemicals, etc.	21.7	17.4	49.1	17.4	4.4
Non-metal. min.	34.8	8.7	52.2	4.3	-
Basic metals	20.8	8.3	58.3	8.3	4.2
Fabr. metals	37.8	15.6	40.0	2.2	4.4
Electronics	34.8	13.0	30.4	21.7	-
Other manufac.	8.3	37.5	50.0	-	4.2
Construction	51.4	8.6	31.4	8.6	-
Trade	10.3	18.7	20.6	15.9	34.5
Total	24.9	18.9	38.1	8.3	9.8

Table 26. Per cent of establishments hiring temporary/casual labour for specific purposes, by employment size, 1990.

Employment size	Per cent of establishments hiring temps.		
	Limited-duration projects	Stop-gap labour	Alternative to regular workers
1-20	67.7	63.1	24.6
21-50	70.3	52.5	34.7
51-100	76.9	69.2	35.9
101-250	80.9	63.8	38.3
251-500	84.9	71.2	39.7
501-1000	78.6	57.1	42.9
1001+	90.3	80.6	35.5
Total	77.6	63.8	36.0

Table 27. Wage rates of temporary workers relative to regular workers, by employment size, 1990.

Employment size	Relative wage rates			
	Same	Lower	Higher	No comp.*
1-20	26.2	43.1	-	30.8
21-50	35.6	50.5	-	13.9
51-100	28.2	57.7	1.3	12.8
101-250	36.9	53.2	1.4	8.5
251-500	26.0	56.2	-	17.8
501-1000	40.5	57.1	-	2.4
1001+	32.3	54.8	-	12.9
Total	32.6	52.9	0.6	13.9

* No comparable workers in establishment.

Table 28. Workers entitled to benefits, by work status, 1990.

Benefit	Worker status				
	Regular workers				Temp./ Casual
	Prof/ Tech.	Clerical	Skilled	Unskilled	
Medical	84.3	81.4	80.4	79.4	51.2
Employment accident/disease	73.0	66.9	67.7	65.7	47.3
Paid leave	86.2	83.5	78.1	74.5	13.2
Sick leave	89.0	88.2	82.4	77.4	13.0
Maternity leave	76.7	83.3	59.8	56.2	15.4
Pension	22.5	19.5	17.3	17.2	2.4
Severance pay	47.9	44.3	40.5	40.5	12.1
Loan facilities	60.6	58.6	54.3	54.6	20.0
Transport allowance	46.4	36.1	32.4	30.2	18.4

To conclude this section, we estimated the following regression model, in which the dependent variable was the percent of the establishment's workforce consisting of temporary labour, expressed as a function of industry, employment size, region, ownership, unionisation, export orientation and employment change (as defined in Appendix II):

$$\begin{aligned} \% \text{ TEMP} = & \alpha + \beta_1 \Sigma(\text{SIZE}) + \beta_2 \Sigma(\text{IND}) + \beta_3 \Sigma(\text{REGION}) + \beta_4 (\text{FOREIGN}) \\ & + \beta_5 (\text{TRADUN}) + \beta_6 (\text{HOUSEUN}) + \beta_7 (\% \text{ EMP.CH}) + e_i \end{aligned}$$

The results show that, although the amount of variance explained by this equation was low, per cent temporary was positively correlated with employment size (table 29). As expected, construction was the sector most likely to employ large shares of temporary workers, the non-metallic minerals sector the least likely. Regional differences were significant, with high temporary labour shares in Northern Mindanao and low shares in Southern Mindanao. Although foreign-owned firms were more likely to employ some temporary workers, in terms of share of temporary labour foreign firms had lower percentages than Filipino firms. Neither employment change, export-orientation nor unionisation were significant factors.

Table 29. Per cent temporary labour, 1990: OLS Regression results.

Independent variable	t-ratio
Constant	3.211
<u>Employment size</u>	
21-50	-.153
51-100	0.818
101-250	2.571***
251-500	3.363***
501-1000	4.084***
1001+	1.762*
<u>Industry</u>	
Textiles	-1.946*
Wood products	-1.049
Paper products	-1.492
Chemicals	-1.181
Non-metal. min.	-2.006**
Basic metals	-1.116
Fabricated metals	-.959
Electronics	-1.459
Other manufac.	-.268
Construction	3.071***
Trade	0.817
<u>Region</u>	
Manila	-.010
Central Visayas	-.710
Southern Mindanao	2.441***
Northern Mindanao	-2.330***
Foreign	-1.980**
Trade union	.817
Company union	-1.621
% exported	.451
% emp change	.609

$R^2 = 0.08$

$F = 3.829$

$N = 1179$

Note: Three asterisks indicate that the coefficient was statistically significant at the 1 per cent level (two-tail test), two asterisks at 5 per cent and one at the 10 per cent level.

3.4 Contract labour

Workers hired on contract either directly or through a sub-contract agency are another form of flexible labour. Such workers are usually paid on a piece-rate basis and, as with other non-regular workers, generally do not enjoy the same level of employment security as regular workers. As table 30 shows, establishments in the construction and wood industries were most likely to employ contract labour.¹¹ In two in every five construction firms, more than a quarter of the workforce consisted of contract labour; in the wood products industry it was one in every three. As was found in Malaysia, both of these sectors have traditionally employed contract labour. And as with temporary labour, use of contract labour was more common in large firms (table 31).

It was unclear whether contract labour was growing or shrinking. Of those employing contract labour in the past two years, almost as many reported a decline as an increase in the share, while in over half there had been no change in the share of contract workers (table 32). The most striking exception was in electronics where 50 per cent of establishments had increased reliance on contract labour, in contrast to the decline in use of temporary labour in this sector. Furthermore, as it was the larger firms that were more likely to have increased their use of contract labour (table 33), there may have been a net shift to contract employment.

Cost factors were most frequently mentioned as the reason for employing contract labour (39.0 per cent), followed by market uncertainty (12.7 per cent). For those employing more contract workers, the reason most often mentioned was market uncertainty (72.5 per cent), followed by the nature of the product (12.3 per cent). For those employing fewer contract workers, the main reasons given were market uncertainty (58.3 per cent) and less work available (10.2 per cent). Fewer than 1 per cent of all respondents said the Labour Code had any influence on the employment of contract workers.

To analyse the various factors influencing the level of contract employment, an OLS regression was estimated with the percentage of contract employment as the dependent variable, expressed as a function of industry, employment size and region, as well as ownership, export orientation, per cent change in total employment, and whether the establishment had a company union or trade union.

The results suggested that establishments with 500 or more workers were much more likely to employ large shares of contract labour (table 34). The construction and wood industries showed the highest levels. While there was no apparent relationship between reliance on contract labour and export orientation, foreign ownership, employment change or regional location, it did seem that contract labour was much less likely in unionised establishments, perhaps

¹¹ In Malaysia, the wood products industry also relied heavily on contract labour. Ibid, p. 27.

because of the strength of union influence in maintaining regular and secure forms of employment.¹²

Table 30. Employment of contract workers, by industry, 1990.

Industry	Per cent of total employment				
	0	0.1-10	10.01-25	25.01-50	50.01+
Food, etc.	66.7	13.5	5.7	5.7	8.5
Textiles, etc.	63.4	17.7	5.9	3.8	9.1
Wood products	54.8	3.8	7.7	13.5	20.2
Paper products	75.5	12.7	3.9	3.9	3.9
Chemicals, etc.	76.4	12.6	6.3	2.4	2.4
Non-metal. min.	70.0	12.0	6.0	8.0	4.0
Basic metals	76.9	12.3	-	4.6	6.2
Fabr. metals	68.5	15.7	2.8	4.6	8.3
Electronics	75.0	18.2	4.7	-	2.3
Other manufac.	61.8	13.2	10.3	8.8	5.9
Construction	54.5	3.4	2.3	6.8	33.0
Trade	78.1	7.9	7.0	3.5	3.5
Total	68.9	11.7	5.5	5.2	8.7

Table 31. Employment of contract workers, by establishment size, 1990.

Establishment size	Per cent contract workers				
	0	0.01-10	10.01-25	25.01-50	50.01+
1-20	80.4	0.7	3.2	5.4	10.4
21-50	74.5	9.5	5.2	3.7	7.1
51-100	68.4	12.6	6.3	6.8	5.8
101-250	60.8	20.1	5.2	4.9	9.0
251-500	63.8	13.8	10.0	5.4	6.9
501-1000	50.7	18.8	5.8	7.2	17.4
1001+	51.0	24.5	6.1	6.1	12.2

¹² A strong inverse correlation between the extent of contract labour and unionisation was also found in Malaysia. G. Standing, Do unions impede or accelerate structural adjustment? Industrial versus company unions in an industrialising labour market, Geneva, International Labour Office, World Employment Programme Working Paper No. 47, 1991.

Table 32. Change in contract workers, 1988-1990, by industry.

Industry	Change in per cent contract		
	Fell	No change	Rose
Food, etc.	17.5	59.6	22.8
Textiles, etc.	27.8	52.2	20.0
Wood products	26.3	45.6	28.1
Paper products	14.7	67.6	17.6
Chemicals, etc.	15.8	65.8	18.4
Non-metal. min.	36.4	40.9	22.7
Basic metals	31.6	57.9	10.5
Fabricated metals	13.6	54.5	31.8
Electronics	31.3	18.8	50.0
Other manufacturing	31.4	40.0	28.6
Construction	30.8	32.7	36.5
Trade	17.9	56.4	25.6
Total	23.4	51.1	25.5

Table 33. Change in contract workers, 1988-1990, by employment size, 1990

% contract	Employment size, 1990						
	1- 20	21- 50	51- 100	101- 250	251- 500	501- 1000	1001+
Fell	25.7	26.3	24.4	22.2	16.9	18.6	30.3
No change	61.4	60.5	56.1	45.2	41.5	46.5	33.3
Rose	12.9	13.2	19.5	32.6	41.5	34.9	36.4

Table 34. Per cent contract labour, 1990: OLS Regression results.

Independent variable	t-ratio
Constant	3.216
<u>Employment size</u>	
21-50	-.820
51-100	0.513
101-250	1.350
251-500	1.601
501-1000	3.631***
1001+	2.408***
<u>Industry</u>	
Textiles	0.448
Wood products	4.384***
Paper products	-1.114
Chemicals	-.977
Non-metal. min.	-.884
Basic metals	-.096
Fabricated metals	.235
Electronics	-1.395
Other manufac.	.640
Construction	5.293***
Trade	-1.394
<u>Region</u>	
Manila	0.369
Central Visayas	0.874
Southern Mindanao	0.389
Northern Mindanao	0.330
Foreign	-.946
Trade union	-3.789***
Company union	-2.940***
% exported	-3.59
% emp change	0.078

$R^2 = 0.12$

F = 5.931

N = 1179

Note: Three asterisks indicate that the coefficient was statistically significant at the 1 per cent level (two-tail test), two asterisks at 5 per cent and one at the 10 per cent level.

In some respects, contract labour may have been more secure than temporary labour. As table 35 shows, over a third of contract workers were hired for skilled positions, whereas only a quarter of temporary workers were (table 25). So, contract workers may have had better opportunities for skill acquisition.

They were also less disadvantaged in terms of wages. On average, they earned 88 per cent of the wage paid to regular workers doing similar work, compared to 81 per cent for temporary workers, a statistically significant difference. Establishments were more likely to report offering the same wage to contract workers as regular workers than for temporary labour (tables 36 and 37). Indeed, in wood products firms, contract labour often received higher wages (table 36).

There were statistically significant differences in contract worker wages between foreign and Filipino firms, and between unionised and non-unionised firms. Contract labour on average earned 92 per cent of regular workers' wages in Filipino firms, compared to 80 per cent in foreign-owned establishments. Contract workers in non-unionised firms earned 93 per cent of regular workers' wages, compared to 84 per cent in unionised firms. Of those establishments with an industrial union representing workers, 44 per cent paid a lower wage to contract workers, while only 36 per cent of non-union establishments did so. There was no apparent difference between unionised and non-unionised firms in terms of the skill required of contract workers. One could speculate that the difference in wage rates was possibly due to union efforts to maintain an income gap between regular and non-regular labour.

Contract workers were slightly less likely than temporary labour to be hired for limited duration projects or as a stop-gap measure, implying that they were somewhat more insulated from frequent job changes (table 38).

Concerning the reasons for employing more contract labour, market uncertainty was most frequently cited (72.5 per cent), followed by the nature of the product (12.5 per cent). Those employing fewer contract workers also gave market uncertainty as the main reason (58.3 per cent), followed by the low quality of contract work (10.2 per cent).

As for the main reason for not employing contract workers, 32.8 per cent cited a desire to keep a stable workforce and 15.8 per cent mentioned the nature of the products as precluding the need for such workers.

Table 35. Main type of work by contract labour, by industry and employment size, 1990.

	Type of work				
	Skilled	Semi-Skilled	Unskilled	Clerical	Other
<u>Industry</u>					
Food, etc.	22.8	8.8	36.8	1.8	29.8
Textiles, etc.	40.0	16.7	16.7	4.4	22.2
Wood products	49.1	24.6	15.8	-	10.5
Paper products	32.4	17.6	20.6	-	29.3
Chemicals, etc.	21.1	5.3	36.8	2.6	34.2
Non-metal. min.	31.8	18.2	27.3	13.6	9.1
Basic metals	36.8	15.8	21.1	5.3	21.1
Fabr. metals	47.7	9.1	15.9	-	27.3
Electronics	25.0	12.5	31.3	6.3	25.0
Other manufact.	42.9	22.9	25.7	-	8.6
Construction	55.8	13.5	28.8	-	1.9
Trade	26.9	6.4	17.9	10.3	38.4
Total	36.9	13.8	23.2	3.5	22.6
<u>Size</u>					
1-20	50.0	17.1	18.6	4.3	10.0
21-50	39.5	13.2	25.4	0.9	21.1
51-100	40.2	13.4	20.7	4.9	20.7
101-250	28.1	11.9	25.2	3.7	31.1
251-500	30.8	12.3	20.0	3.1	33.8
501-1000	27.9	23.3	32.6	7.0	9.3
1001+	51.5	9.1	18.2	3.0	18.2

Table 36. Pay rates for contract labour compared to regular workers, by industry, 1990.

Industry	Same	Lower	Higher	No comp.*
Food etc.	38.6	28.1	3.5	29.8
Textiles, etc.	34.4	25.6	2.2	37.8
Wood products	24.6	15.8	21.1	38.6
Paper products	23.5	23.5	8.8	44.1
Chemicals, etc.	34.2	31.6	2.6	31.6
Non-metal. min.	36.4	13.6	13.6	36.4
Basic metals	26.3	21.1	-	52.6
Fabr. metals	50.0	15.9	4.5	29.5
Electronics	25.0	37.5	6.3	31.3
Other manufact.	31.4	31.4	11.4	25.7
Construction	32.7	25.0	1.9	40.4
Trade	37.2	34.6	-	28.2
Total	33.9	25.6	5.7	34.7

* No comparable workers in establishment.

Table 37. Pay rates of contract workers relative to regular workers, by employment size, 1990.

Employment size	Same	Lower	Higher	No comp.*
1-20	14.3	12.9	11.4	61.4
21-50	35.1	17.5	10.5	36.8
51-100	35.4	25.6	1.2	37.8
101-250	31.9	32.6	5.2	30.4
251-500	38.5	38.5	1.5	21.5
501-1000	51.2	32.6	-	16.3
1001+	45.5	18.2	6.1	30.3

* No comparable workers in establishment.

Table 38. Per cent of establishments hiring contract labour for specific purposes, by employment size, 1990.

Employment size	Per cent of establishments hiring contract labour		
	Limited-duration projects	Stop-gap labour	Alternative to regular workers
1-20	49.3	30.0	12.9
21-50	60.5	34.2	20.2
51-100	68.3	42.7	29.3
101-250	72.6	45.2	25.2
251-500	78.5	58.5	30.8
501-1000	83.7	53.5	32.6
1001+	81.8	57.6	27.3
Total	68.5	43.5	24.5

3.5 Part-time employment

Since Filipino workers generally work long hours, many for 48 or more hours a week, part-time employment was defined in the PLFS as usually working fewer than 40 hours a week. Even then, part-time work was not nearly as prevalent as contract or temporary labour. Some 14 per cent of establishments employed part-time workers (table 39). Firms in the textiles sector were the most likely to employ them, those in electronics and trade the least.

More reported a decline in reliance on part-time workers than an increase, although for the majority there had been no change in the share of part-time workers (table 40). Larger firms seemed more likely to have increased such employment, although most reported no change or a decrease (table 41).

A surprising result was that over 47 per cent of establishments reported that part-time workers primarily filled professional and technical positions. When asked the reasons for hiring part-time workers, 40.4 per cent said that it was because such workers brought specialised skills to the firm. But the impression is that part-time employment is rare in Filipino industry.

Table 39. Per cent part-time employment, by industry, 1990.

Industry	Per cent part-time		
	0	0.01-10	10.01+
Food, etc.	84.4	10.6	5.0
Textiles, etc.	80.1	15.6	4.3
Wood products	84.6	11.5	3.8
Paper products	85.3	9.8	4.9
Chemicals, etc.	87.4	7.9	4.7
Non-metal. min.	86.0	14.0	-
Basic metals	87.7	10.8	1.5
Fabr. metals	88.9	8.3	2.8
Electronics	93.2	2.3	4.5
Other manufac.	79.4	17.6	2.9
Construction	86.2	10.2	3.4
Trade	90.4	7.0	2.6
Total	85.9	10.5	3.6

Table 40. Change in per cent part-time, 1988-90, by industry.

Industry	Change in per cent part-time		
	Fell	No change	Rose
Food etc.	33.3	50.0	16.7
Textiles, etc.	27.0	73.0	-
Wood products	11.8	70.6	17.6
Paper products	19.0	66.7	14.3
Chemicals, etc.	6.7	73.3	20.0
Non-metal. min.	(28.6)	(57.1)	(14.3)
Basic metals	(37.5)	(62.5)	-
Fabr. metals	20.0	80.0	-
Electronics	(66.7)	-	(33.3)
Other manufac.	52.9	41.2	5.9
Construction	10.0	80.0	10.0
Trade	10.3	75.9	13.8
Total	24.3	65.0	10.7

Table 41. Change in per cent part-time, 1988-90, by employment size, 1990.

Employment size	Change in per cent part-time		
	Fell	No change	Rose
1-20	32.4	61.8	5.9
21-50	22.0	71.2	6.8
51-100	18.8	65.6	15.6
101-250	18.9	67.6	13.5
251-500	24.6	53.8	11.5
501-1000	(37.5)	(50.0)	(12.5)
1001+	10.0	70.0	20.0

3.6 Non-regular employment overall

Having examined the pattern and trends in the various forms of non-regular labour separately, non-wage, temporary, contract and part-time workers were grouped as a single category to examine the overall pattern of non-regular labour in the Filipino labour market. Although about two-thirds of all establishments employed some non-regular labour (table 42), there were wide industrial differences. In construction, over 60 per cent of firms had more than 25 per cent of their workers in non-regular work statuses; for the wood industry, it was 50 per cent; by contrast, about half of electronics firms employed only regular labour. Larger firms were more likely to employ some non-regular workers (table 43).

There was no clear relationship between reliance on one type of non-regular work status and employment of another. Some 69 per cent of all establishments employed neither contract nor temporary labour, and firms with high proportions of temporary workers did not have large shares of contract labour (table 44).

During the period covered by the survey, Filipino firms were confronted with considerable economic uncertainty. The PLFS suggests that many responded to declining demand by cutting non-regular labour, or by hiring fewer non-regular workers, rather than by reducing regular employment. Table 45 suggests that during 1988-90 there was at most a small net increase in the non-regular share of employment. There was no change in 42.5 per cent of establishments, 31.2 per cent had increased and 26.3 per cent cut the non-regular share. There were notable industrial differences. In the electronics sector, twice the number of firms cut as increased the share. Establishments in basic and fabricated metals were also more likely to cut, the only other sectors where this occurred. There were also differences between size groups, with large-scale firms being more likely to have increased the non-regular share (table 46).

Table 42. Per cent non-regular employment, by industry, 1990.

Industry	Per cent of total employment				
	0	0.1-10	10.01-25	25.01-50	50.01+
Food, etc.	28.4	14.2	19.1	17.0	21.3
Textiles, etc.	25.8	31.2	19.9	9.1	14.0
Wood products	31.7	8.7	10.6	20.2	28.8
Paper products	41.2	16.7	19.6	15.7	6.9
Chemicals, etc.	49.6	22.0	18.1	5.5	4.8
Non-metal. min.	30.0	26.0	20.0	8.0	16.0
Basic metals	41.5	26.2	13.8	9.2	9.3
Fabr. metals	38.9	27.8	7.4	11.1	15.8
Electronics	52.3	18.2	20.5	6.8	2.3
Other manufac.	26.5	23.5	19.1	17.6	13.3
Construction	26.1	6.8	6.8	12.5	47.7
Trade	35.5	21.5	18.4	15.4	9.2
Total	34.7	20.7	16.5	12.8	15.4

Table 43. Per cent non-regular employment, by establishment size, 1990.

Establishment size	Per cent non-regular				
	0	0.1-10	10.01-25	25.01-50	50.01+
1-20	39.6	5.7	17.2	11.8	25.8
21-50	43.1	22.7	14.3	9.3	10.9
51-100	33.2	27.5	18.0	13.8	7.5
101-250	29.9	26.1	15.3	15.3	13.4
251-500	31.5	22.3	16.9	16.9	12.3
501-1000	15.9	23.2	17.4	13.0	30.4
1001+	18.4	28.6	24.5	14.3	14.3

Table 44. Per cent temporary, by per cent contract labour, 1990.

Per cent contract	Per cent temporary				
	0	0.01-10	10.01-25	25.01-50	50.01+
0	69.9	54.5	69.1	75.6	87.5
.01-10	9.3	19.2	18.7	14.0	10.0
10.01-25	4.7	13.5	4.1	4.7	-
25.01-50	5.0	7.1	5.7	4.7	2.5
50.01+	11.1	5.8	2.4	1.2	-
Total	100.0	100.0	100.0	100.0	100.0

Table 45. Change in per cent non-regular, 1988-90, by industry.

Industry	Change in per cent non-regular					
	Fell		No Change	Rose		
	10+	.01-9.9		.01-9.9	10-24.9	25+
Food, etc.	3.9	20.3	43.0	22.7	6.3	3.9
Textiles, etc.	4.0	23.7	35.3	27.2	6.4	3.5
Wood products	7.3	19.8	46.9	15.6	6.3	4.2
Paper products	7.3	14.6	50.0	20.8	4.2	3.1
Chemicals, etc.	5.0	10.1	51.3	24.4	6.7	2.5
Non-metal. min.	8.7	15.2	45.7	26.1	4.3	-
Basic metals	8.1	25.8	48.4	14.5	1.6	1.6
Fabr. metals	8.5	22.6	40.6	20.8	4.7	2.8
Electronics	16.3	20.9	44.2	11.6	7.0	-
Other manufac.	8.1	21.0	38.7	24.2	6.5	1.6
Construction	12.6	23.0	27.6	24.1	5.7	6.9
Trade	3.2	19.9	43.4	25.3	6.3	1.8
Total	6.5	19.8	42.5	22.6	5.7	2.9

Table 46. Change in per cent non-regular, 1988-90, by employment size.

Employment size	Change in per cent non-regular					
	Fell		No Change	Rose		
	10+	.01-9.9		.01-9.9	10-24.9	25+
1-20	6.3	15.0	58.9	12.3	5.5	2.0
21-50	6.6	17.4	52.8	16.1	5.1	1.9
51-100	8.2	17.4	37.0	26.6	6.5	4.3
101-250	5.9	23.5	33.3	30.6	3.9	2.7
251-500	6.7	26.9	28.6	26.9	6.7	4.2
501-1000	4.8	19.0	20.6	38.1	11.1	6.3
1001+	4.1	32.7	22.4	30.6	8.2	2.0

Tables 47-54 give the percentage share of non-regular employment by occupational category in 1990. Skilled, semi-skilled and unskilled manual workers were the groups most likely to be in non-regular work statuses. High shares of managerial, professional and technical, and sales and services workers were in non-regular work statuses, especially in small-size firms. Few clerical workers, supervisors and foremen were in such statuses. But the construction and wood products sectors had high percentages of non-regular labour across all occupational groups.

Table 47. Managerial: Percent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-25	25.01-50	50.01+
<u>Industry</u>				
Food, etc.	71.4	5.0	6.4	17.1
Textiles, etc.	70.3	5.4	3.3	20.9
Wood products	73.8	1.0	4.9	20.4
Paper products	79.2	3.0	5.0	12.9
Chemicals	85.0	4.7	3.9	6.3
Non-metal. min.	66.0	6.0	6.0	22.0
Basic metals	84.4	1.6	4.7	9.4
Fabr. metals	86.9	0.9	3.7	8.4
Electronics	88.6	4.5	2.3	4.5
Other manufac.	69.1	1.5	4.4	25.0
Construction	6.1	5.6	3.4	14.8
Trade	78.1	4.9	6.7	10.3
Total	77.0	4.0	4.8	14.3
<u>Employment size</u>				
1-20	61.8	-	3.3	34.9
21-50	71.7	2.5	9.0	16.8
51-100	83.5	3.7	4.8	8.0
101-250	87.3	3.7	3.0	6.0
251-500	86.0	8.5	3.9	1.6
501-1000	84.1	13.0	1.4	1.4
1001+	83.3	12.5	2.1	2.1

Table 48. Professional and Technical: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-25	25.01-50	50.01+
<u>Industry</u>				
Food, etc.	5.1	4.1	5.4	5.4
Textiles, etc.	72.5	6.5	7.3	13.8
Wood products	73.5	2.0	4.1	20.4
Paper products	68.5	14.8	1.9	14.8
Chemicals	82.4	10.6	3.5	3.5
Non-metal. min.	72.0	8.0	4.0	16.0
Basic metals	77.1	2.9	5.7	14.3
Fabr. metals	84.6	4.6	3.1	7.7
Electronics	83.3	11.2	2.8	2.8
Other manufac.	69.7	12.1	-	18.2
Construction	66.7	8.0	8.0	17.3
Trade	78.6	4.3	8.5	8.5
Total	76.6	7.0	5.3	11.1
<u>Employment size</u>				
1-20	77.0	-	3.3	19.7
21-50	77.6	2.5	4.3	15.5
51-100	78.5	2.5	5.8	13.2
101-250	77.5	11.3	3.9	7.4
251-500	73.4	10.1	8.3	8.3
501-1000	73.7	10.5	5.3	10.5
1001+	75.0	13.6	9.1	2.3

Table 49. Sales and Services: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-25	25.01-50	50.01+
<u>Industry</u>				
Food, etc.	62.4	7.5	6.5	23.7
Textiles, etc.	70.6	1.0	2.9	25.5
Wood products	77.6	2.0	6.1	14.3
Paper products	78.7	4.9	4.9	11.5
Chemicals	82.1	2.4	-	15.5
Non-metal. min.	81.0	4.8	4.8	9.5
Basic metals	87.9	-	3.0	9.1
Fabr. metals	76.8	7.2	13.0	2.9
Electronics	84.0	4.0	4.0	8.0
Other manufac.	82.9	8.6	2.9	5.7
Construction	66.7	2.8	5.6	25.0
Trade	64.0	16.2	11.3	8.4
Total	72.5	7.1	6.5	13.8
<u>Employment size</u>				
1-20	78.1	1.0	8.3	12.5
21-50	79.5	3.8	6.7	10.0
51-100	80.5	8.3	2.3	9.0
101-250	69.3	7.5	8.5	14.6
251-500	58.7	11.9	7.6	21.7
501-1000	56.5	13.0	4.3	26.1
1001+	60.0	17.1	5.7	17.1

Table 50. Clerical: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-25	25.01-50	50.01+
<u>Industry</u>				
Food, etc.	87.0	6.5	1.9	4.6
Textiles, etc.	87.8	8.1	2.0	2.0
Wood products	92.3	1.3	2.6	3.8
Paper products	91.2	3.3	4.4	1.1
Chemicals	89.5	9.7	-	0.9
Non-metal. min.	79.5	12.8	2.6	5.1
Basic metals	88.9	5.6	1.9	3.7
Fabr. metals	88.1	5.0	3.0	4.0
Electronics	78.6	19.2	-	2.4
Other manufac.	91.7	1.7	3.3	3.3
Construction	75.6	5.9	5.8	12.8
Trade	78.2	13.1	4.9	3.9
Total	85.4	7.8	2.9	3.8
<u>Employment size</u>				
1-20	84.8	0.7	1.4	13.1
21-50	91.7	2.4	3.1	2.8
51-100	88.1	6.2	3.2	2.2
101-250	85.3	9.8	3.4	1.5
251-500	79.4	15.8	2.4	2.4
501-1000	73.5	20.6	1.5	4.4
1001+	72.9	16.7	6.3	4.2

Table 51. Supervisors and Foremen: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-25	25.01-50	50.01+
<u>Industry</u>				
Food, etc.	94.7	3.2	1.1	1.1
Textiles, etc.	97.2	1.4	0.7	0.7
Wood products	94.0	1.5	1.5	3.0
Paper products	100.0	-	-	-
Chemicals	97.0	1.0	2.0	-
Non-metal. min.	83.3	13.4	-	3.3
Basic metals	93.9	2.0	2.0	2.0
Fabr. metals	96.6	2.2	-	1.1
Electronics	94.6	2.7	-	2.7
Other manufac.	100.0	-	-	-
Construction	60.8	6.8	4.1	28.4
Trade	94.2	3.9	0.6	1.3
Total	93.0	2.8	1.0	3.2
<u>Employment size</u>				
	88.7	-	1.4	9.9
	95.1	0.4	1.8	2.7
51-100	96.5	0.6	0.6	2.3
101-250	96.4	1.6	0.8	1.2
251-500	88.1	5.6	1.6	4.8
501-1000	86.4	9.1	-	4.5
1001+	81.3	14.6	-	4.2

Table 52. Skilled production: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-10	10.01-25	25.01-50	50.01+
<u>Industry</u>					
Food, etc.	69.2	4.8	2.9	5.8	17.3
Textiles, etc.	66.1	6.4	10.5	4.7	12.3
Wood products	57.3	2.1	2.1	10.4	28.1
Paper products	83.5	2.2	6.6	2.2	5.5
Chemicals	79.2	2.8	7.5	5.7	4.7
Non-metal. min.	50.0	10.5	15.8	15.8	7.9
Basic metals	77.4	3.8	3.8	7.5	7.5
Fabr. metals	74.0	4.8	1.0	3.8	16.3
Electronics	66.7	7.1	11.9	7.1	7.1
Other manufac.	75.4	-	1.8	3.5	19.3
Construction	37.5	-	4.2	4.2	54.2
Trade	69.6	4.5	6.3	6.3	13.4
Total	68.2	4.0	5.9	5.8	16.1
<u>Employment size</u>					
1-20	65.1	-	3.2	5.8	25.9
21-50	77.6	2.1	2.9	5.4	12.0
51-100	70.9	6.3	3.8	5.7	13.3
101-250	68.9	5.9	6.3	5.9	13.0
251-500	64.0	4.4	8.8	8.8	14.0
501-1000	48.3	6.7	18.3	5.0	21.7
1001+	54.3	8.7	15.2	2.2	19.6

Table 53. Semi-skilled production: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-10	10.01-25	25.01-50	50.01+
<u>Industry</u>					
Food, etc.	72.6	-	-	8.2	19.2
Textiles, etc.	57.5	0.9	9.4	5.7	26.4
Wood products	48.3	1.7	3.4	10.3	36.2
Paper products	76.7	3.3	3.3	1.7	15.0
Chemicals	85.0	3.3	5.0	-	6.7
Non-metal. min.	64.0	16.0	-	-	20.0
Basic metals	67.6	2.9	5.9	2.9	20.6
Fabr. metals	64.5	3.2	1.6	6.5	24.2
Electronics	66.7	5.6	11.1	5.6	11.1
Other manufac.	54.3	2.9	8.6	2.9	31.4
Construction	34.8	-	-	4.3	60.9
Trade	61.7	2.1	6.4	8.5	21.3
Total	63.1	2.6	4.5	5.1	24.7
<u>Employment size</u>					
1-20	64.9	-	-	1.1	34.4
21-50	74.3	-	2.1	2.9	20.7
51-100	68.8	2.2	4.3	7.5	17.2
101-250	60.3	3.4	8.9	4.8	22.6
251-500	58.1	8.1	1.4	5.4	27.0
501-1000	47.6	2.4	4.8	9.5	35.7
1001+	41.7	5.6	13.9	13.9	25.0

Table 54. Unskilled production: Per cent non-regular of occupational group, by industry and employment size, 1990.

	0	.01-10	10.01-25	25.01-50	50.01+
<u>Industry</u>					
Food, etc.	42.0	1.1	9.1	14.8	33.0
Textiles, etc.	58.1	6.5	5.4	6.5	23.7
Wood products	43.8	-	2.1	6.3	47.9
Paper products	67.9	1.9	1.9	1.9	26.4
Chemicals	57.8	3.1	3.1	7.8	28.1
Non-metal. min.	42.3	11.5	3.8	3.8	38.5
Basic metals	46.7	-	10.0	13.3	30.0
Fabr. metals	56.1	3.0	3.0	7.6	30.3
Electronics	66.7	4.8	-	14.3	14.3
Other manufac.	46.9	3.1	12.5	12.5	25.0
Construction	30.0	-	-	2.0	68.0
Trade	62.5	3.4	2.3	11.4	20.5
Total	52.5	3.0	4.4	8.5	31.6
<u>Employment size</u>					
1-20	58.9	-	2.1	2.1	36.8
21-50	61.6	-	2.6	7.9	27.8
51-100	61.4	1.1	5.7	9.1	22.7
101-250	51.7	2.7	4.0	9.4	32.2
251-500	46.6	5.7	2.3	11.4	34.1
501-1000	29.4	11.8	3.9	9.8	45.1
1001+	27.0	10.8	21.6	13.5	27.0

To analyse the factors influencing the extent of non-regular labour, an OLS regression was estimated with percentage non-regular as the dependent variable. The results, presented in table 55, show that larger firms were relatively likely to rely on non-regular labour. Corresponding to the similar function for contract labour (table 34), the construction and wood products sectors relied heavily on non-regular labour, while it was relatively uncommon in the electronics, non-metallic minerals, paper products, chemicals and trade sectors. Foreign firms were less likely to employ large shares of non-regular workers. Also similar to the function for contract labour, unionised firms relied much less on non-regular labour in general.

Table 55. Per cent non-regular, 1990: OLS Regression results

Independent variable	t-ratio
Constant	8.894
<u>Employment size</u>	
21-50	-4.552***
51-100	-2.511***
101-250	-1.154
251-500	0.159
501-1000	2.921***
1001+	0.686
<u>Industry</u>	
Textiles	-1.378
Wood products	2.466***
Paper products	-2.492***
Chemicals	-2.455***
Non-metal. min.	-2.657***
Basic metals	-1.930*
Fabricated metals	-1.311
Electronics	-2.742***
Other manufac.	0.028
Construction	5.071***
Trade	-2.160**
<u>Region</u>	
Manila	0.148
Central Visayas	0.027
Southern Mindanao	1.787*
Northern Mindanao	-.868
Foreign	-2.308**
Trade union	-3.987***
Company union	-2.160**
% exported	-.227
% emp change	0.483

$R^2 = 0.17$

F = 8.957

N = 1179

Note: Three asterisks indicate that the coefficient was statistically significant at the 1 per cent level (two-tail test), two asterisks at 5 per cent and one at the 10 per cent level.

4.0 Labour subcontracting

Another form of external flexibility is contracting out employment. Establishments may grant contracts to others to perform specific tasks, or hire workers on a contract basis, essentially on a piece-rate basis. Quite simply, contracting out employment permits firms to reduce overheads or take advantage of the specialised skills offered by other firms.

About one in five establishments contracted out activities. Sectorally, firms in the construction industry were the most likely to contract out, followed by paper products and textiles (table 56). The high-level of subcontracting in construction was probably tied to the nature of doing business; establishments 'put-out' much of their work as a standard operating procedure rather than as a response to fluctuating demand for services.

Not surprisingly, as in Malaysia, larger firms subcontracted more than smaller firms (table 57). This was true not only in terms of number of employees, but also for the value of the establishment's paid-up capital and annual sales (tables 58-59). Foreign firms were more likely to contract out work than Filipino establishments (24.9 vs. 18.4 per cent).

Export-oriented establishments contracted out more than those geared to the domestic market. Firms exporting more than 75 per cent of their output were more than twice as likely to contract out work as others (37.6 vs. 16.9 per cent).

Table 56. Per cent of establishments contracting out employment, 1988-90, by industry.

Industry	Per cent contracting out
Food, etc.	9.9
Textiles, etc.	25.8
Wood products	22.1
Paper products	30.4
Chemicals, etc.	6.3
Non-metal. min.	22.0
Basic metals	16.9
Fabr. metals	25.0
Electronics	18.2
Other manufac.	23.5
Construction	42.0
Trade	8.8
Total	19.4

Table 57. Per cent contracting out employment to other establishments during past two years, by employment size, 1990.

Size	Per cent contracting out
1-20	12.1
21-50	16.0
51-100	21.1
101-250	23.9
251-500	26.9
501-1000	20.3
1001+	30.6

Table 58. Contracting out employment, by size of establishment in terms of paid-up capital, 1989.
(paid-up capital in thousands of pesos)

	<250	250-999	1000-2499	2500-9999	10,000+
Per cent contracting out	15.0	18.5	18.6	22.9	25.3

Table 59. Contracting out employment, by annual sales, 1989.
(annual sales in thousands of pesos)

	<1000	1000-4999	5000-19,999	20,000-49,999	50,000+
Per cent contracting out	13.5	21.0	21.7	23.6	23.5

Of those subcontracting, 76 per cent reported that the main activity contracted out was making components for the establishment's products. There were marked industry differences; all electronics' firms subcontracting gave component production as the main activity, whereas it was cited by only 50 per cent of establishments in the food processing sector (table 60).

Establishments were more likely to contract out components' production if the share of labour costs in production was high (table 61), suggesting that subcontracting may be used principally as a measure to avoid fixed labour costs, rather than as a way to access specialised skills or expand capacity.¹³

Table 60. Main activity contracted out, by industry, 1990.

Industry	Main activity			
	Maintenance	Transport of workers	Production components	Other
Food, etc.	21.4	-	50.0	28.5
Textiles, etc.	14.6	2.1	79.2	4.2
Wood products	4.3	-	91.3	4.3
Paper products	6.5	-	93.5	-
Chemicals, etc.	(50.0)	-	(50.0)	-
Non-metal min.	36.4	-	54.5	9.1
Basic metals	18.2	9.1	63.6	9.1
Fabr. metals	14.8	-	85.2	-
Electronics	-	-	(100.0)	-
Other manufact.	25.0	-	75.0	-
Construction	18.9	-	70.3	10.8
Trade	35.0	-	60.0	5.0
Total	17.7	0.8	76.0	5.5

¹³ Growth in subcontracting has been tied to its importance as a cost cutting measure in the Philippines and elsewhere. See, for example, M. Aguilar-Sinay, Subcontracting, employment and industrial relations in selected Philippine export manufacturing establishments (Geneva, International Labour Organisation, 1990), p. 10, and J. Holmes, "The organisation and locational structure of production subcontracting", in A. Scott and M. Storper (eds.), Production, Work, Territory (Boston, Allen and Unwin, 1986), and B. Harrison, Big firms, small firms: corporate economic power in the age of 'flexibility' (New York, Basic Books, forthcoming).

Table 61. Main activity contracted out, by labour cost share, 1989.

Main activity	Labour cost share			
	<10	10-24	25-49	50+
Maintenance	25.0	17.9	14.4	14.0
Transport of workers	5.0	1.3	-	-
Component production	65.0	73.1	81.4	83.7
Other	5.0	2.6	4.1	2.3

As for the reasons for subcontracting, limited capacity of the establishment to produce its products was most frequently mentioned (24.8 per cent), followed by lack of equipment (20.5 per cent) and that subcontractors offered specialised skills (17.7 per cent).

As for the reasons for not subcontracting, the nature of the establishment's product was mentioned by 60.7 per cent of respondents, followed by the sentiment that subcontracting was less reliable (11.4 per cent) and a desire to maintain morale of regular workers (11.3 per cent).

The data leave it unclear whether subcontracting was growing. On average, more firms had cut rather than increased subcontracting in 1988-90. As with cutbacks in temporary workers, this is probably due to the recession; firms responded by relying more heavily on their own workforces. Thus, 24.9 per cent of those subcontracting reported a decline in the amount of work performed under these arrangements, only 19 per cent reported an increase. Perhaps indicative of modest growth in the overall amount of subcontracting, larger firms had a net increase in subcontracting whereas it was the smaller firms that had cut back (table 62).

In terms of industrial sector, there were two exceptions to the apparent decline in subcontracting: roughly 50 per cent of establishments in the non-metallic minerals sector and 30 per cent in the food industry reported an increase (table 63). In sum, subcontracting is a well-utilised mechanism for providing employment flexibility.

Table 62. Change in amount of work contracted out in the past two years, by employment size, 1990.

Employment size	Amount of work contracted out		
	Increased	Decreased	No change
1-20	12.1	27.3	60.6
21-50	11.5	21.2	67.3
51-100	7.5	25.0	67.5
101-250	26.6	25.0	48.4
251-500	25.7	25.7	48.6
501-1000	35.7	35.7	28.6
1001+	26.7	20.0	53.3

Table 63. Change in amount of work contracted out, 1988-90, by industry.

Industry	Amount of work contracted out		
	Increased	Decreased	No change
Food, etc.	28.6	14.3	57.1
Textiles, etc.	23.4	27.7	48.9
Wood products	13.0	17.4	69.6
Paper products	12.9	22.6	64.5
Chemicals, etc.	(12.5)	-	(87.5)
Non-metal min.	45.5	27.3	27.3
Basic metals	9.1	9.1	81.8
Fabr. metals	11.1	29.6	59.3
Electronics	-	(37.5)	(62.5)
Other manufac.	25.0	37.5	37.5
Construction	24.3	29.7	45.9
Trade	15.0	25.0	60.0
Total	19.0	24.9	56.1

5.0 Conclusions

Filipino industry has relied heavily on non-regular forms of labour, making it inappropriate to concentrate solely on the regulations and procedures for maintaining regular employment in analysing labour market developments. At the margins, there has been ample scope for employment flexibility, and, indeed, the PLFS has shown no evidence that employment security regulations influence the type or level of employment, even though the Filipino Labour Code is a formally comprehensive one.

This should raise questions about the appropriateness and effectiveness of regulations in protecting workers from precarious employment relations. Clearly, casual labour in the Philippines is disadvantaged from a number of standpoints. The lack of specified conditions of employment, the short-term duration of many jobs, poor opportunities for skill acquisition and significantly lower wages and benefits all contribute to their precarious position in the labour market.

If, as is likely, casual forms of labour relation and labour subcontracting arrangements spread in the Philippines in the 1990's, as has been occurring in many other countries, the Government and those concerned with protecting workers from labour insecurity should be encouraged to give more attention to methods that permit and encourage the growth of productive employment without creating deepening divides between relatively protected "insiders" in regular employment and the "outsiders" in casual forms of industrial labour. This form of labour segmentation is likely to be among the most problematic in very many countries and has been inadequately documented.

APPENDIX I
CLASSIFICATION OF INDUSTRIES

The PLFS relied on the international classification of manufacturing industries, and in the tabulations the following groupings were used:

<u>Major groups numbers</u>	<u>Description</u>	<u>Abbreviation</u>
311-314	Food, beverage and tobacco	Food, etc.
321-324	Textiles, apparel, leather and footwear	Textiles, etc.
331-332	Wood products, furniture (excl. metal)	Wood products
341-342	Paper, paper products and printing	Paper products
351-354	Chemicals, petroleum refineries, other chemical, coal and petroleum products	Chemicals, etc.
355-369	Rubber and plastic products, pottery china and glass, other non-metallic mineral products	Non.metal. min.
371-372	Basic metal industries	Basic metals
381-382 384-389	Fabricated metal and machinery (excl. electrical), transport and scientific equipment, metal furniture.	Fabricated metal
	Electrical machinery and appliances	Electronics
390	Other manufacturing industries	Other Manufacturing
501-503	Construction	Construction
611-629	Wholesale and retail trade	Trade

APPENDIX II

DEFINITION OF INDEPENDENT OLS REGRESSION VARIABLES

Size = a set of dummy variables for the total number of workers employed in the establishment as of June 1990. The omitted category consisted of those with fewer than 21 workers.

Industry

Textiles	= 1 if the establishment mainly manufactured textiles or garments, 0 otherwise.
Wood	= 1 if wood products, 0 otherwise.
Paper	= 1 if paper products, 0 otherwise.
Chemicals	= 1 if chemicals or petrol products, 0 otherwise.
Non-met. min.	= 1 if non-metallic mineral products, 0 otherwise.
Basic metals	= 1 if basic metals, 0 otherwise.
Fabr. metals	= 1 if fabricated metals, 0 otherwise.
Other manufac.	= 1 if other manufacturing (excluding food, beverage, tobacco).
Construction	= 1 if construction, 0 otherwise.
Trade	= 1 if trade, 0 otherwise.

The omitted category was food, beverage and tobacco production.

Region

Area0	= 1 if establishment located in Manila, 0 otherwise.
Area7	= 1 if Central Visayas, 0 otherwise.
Area10	= 1 if Northern Mindanao, 0 otherwise.
Area11	= 1 if Southern Mindanao, 0 otherwise.

The omitted region was Southern Tagalog.

Foreign	= 1 if some foreign ownership, 0 otherwise.
Trade Union	= 1 if a trade union was in operation, 0 otherwise.
House Union	= 1 if a company union was in operation, 0 otherwise.
% exported	= Per cent of output exported in 1989.
% emp. casual	= Per cent of establishment workforce consisting of casual and temporary workers.

- % emp. contract = Per cent of workforce consisting of contract workers.
- % non-regular = Per cent of workforce in non-regular work statuses.
- % retrenched = Per cent of workforce retrenched, 1/90-6/90.
- % change in emp. = Percentage change in the number of workers employed in the establishment between June 1990 and June 1988.

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