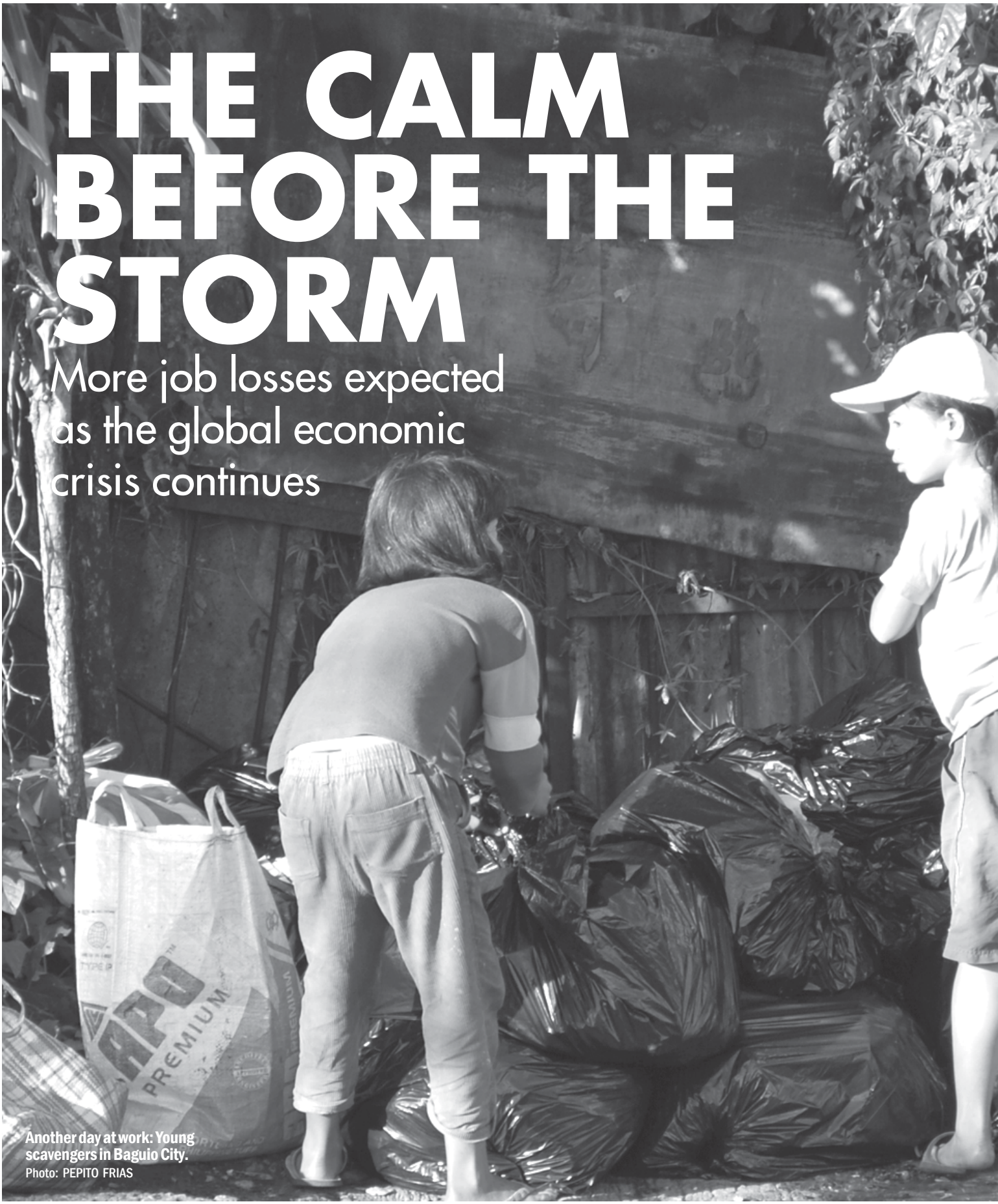
THE CALM BEFORE THE STORM

More job losses expected as the global economic crisis continues



Another day at work: Young scavengers in Baguio City.
Photo: PEPITO FRIAS

■ By **VANESSA RETUERMA**

While government and analysts have yet to agree if it is just a mere economic slowdown or a recession the country is facing ahead, the initial impact of a bigger economic storm are already being felt by workers across the nation.

AS THE economies of developed countries plunged one-by-one into recession, President Macapagal-Arroyo boldly assured the public that the country's economy, though not totally immune, would be less vulnerable to the massive impact of the economic crisis unravelling globally. In her speech during the Philippine Economic Briefing held in September, President Arroyo claimed that because of the sound fundamentals as well as the 'tough economic reforms' implemented by her administration, the country's economy is equipped to withstand the effect of the US-led financial crisis.

The President's statement, bold and convincing as it may seem, may not stand long enough to downplay the potential massive impact of the global economic turmoil and allay the public's fears of a looming economic crisis. As reports and figures on layoffs, cuts in work hours, forced leaves and repatriation of migrant workers increasingly made their way into the daily news, and economic briefings became frequent, it has become clear that the impacts of the global economic crisis have already started to be felt by the local economy. The local business sector as well as economic analysts have already become increasingly cautious over the current economic environment, warning that the impacts may actually be worse than anyone could have predicted.

In a survey done by the Makati Business Club (MBC) between October 24 to November 7, 2008 among its 738 members, 87 percent of respondents expressed pessimism, saying the Philippine economy will likely go into recession in 2009.

Given this gloomy reading of the economic environment in early 2009, it is most likely that businesses would "contract their workforces" and "drop their capital expenditures."

Paul Quintos, executive director of the Ecumenical Institute for Labor Education and Research (EILER) and a London School of Economic (LSE)-trained economist, said in an interview that the US financial crisis could result, among other things, in job losses in the Philippines. According

Construction work: Risky and underpaid. Photo: PEPITO FRIAS

At least 18,000 workers nationwide have been laid off and 33,000 have been affected by compressed work hours.

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to Quintos, it is inevitable for the Philippines to be affected by the current financial crisis given its economic ties and dependence on the US market. "Neoliberal policies of liberalization of trade, investment and finance; deregulation, privatization, and others have exacerbated the country's vulnerability to the crisis of the global capitalist system," Quintos said.

One does not need to go into elaborate calculation to predict the potential impact of the current global economic crisis: around 18 percent of Philippine exports go directly to the US, as well as European Union markets, while up to 70 percent are indirectly dependent on the US; 90 percent of the Business Process Outsourcing (BPO) revenues come from the US market; and 51 percent of remittances come from US-based Filipinos.

Indeed, even a slight economic tremor in the US directly impacts on the country's already volatile economy. The effect on the local economy this time would be more serious, given that the US has plunged into recession in the last two quarters of 2008.

The worst is yet to come

As the economies of core developed countries continue to slip deeper into recession, this would most definitely result, among other things, in massive job losses in the peripheral economies such as that of the Philippines. A looming massive job loss would be a multiple blow to a country like the Philippines who has always struggled with high unemployment rates and deteriorating working conditions.

Even before the onset of the global financial crisis, the Philippines had already one of the highest unemployment rates in the Southeast Asian region. As of October 2008, some 2.5 million (6.8%) Filipino workers were unemployed, while another 6 million (17.5%) were underemployed, according to the National Statistics Office. On top of the stock of unemployed and underemployed, some 1.5 million workers join the labor force every year. The Philippine government is perennially faced with the task of creating jobs to absorb the rapidly expanding labor force - a task it is unable to accomplish.

Students' fears: Even a college degree these days cannot guarantee a decent job. Photo: PEPITO FRIAS

"We need abnormal solutions in these abnormal times."

The global economic crisis has slowed down demand in Japan, the United States and Western Europe — large markets for Philippine export goods, services and migrant workers. With the contraction of these markets, the demand for Philippine labor is most likely to shrink as well. The workers being in the last chain of the production line are the ones that would take the hardest blow in the current global economic turmoil.

Analysts say that the most vulnerable are workers in export-oriented industries such as electronics, automotive, garments and furniture sectors, as local companies are expected to lay off and cut working hours of their workforce to avoid possible shutdown. Labor Secretary Marianito Roque said weakening export demands in traditional export markets such as the US, Europe and Japan have severely affected local manufacturing firms. Roque declared that some local companies are already removing overtime pay, reducing shifts and even reducing work hours of their workers, and are expected to eventually resort to layoffs.

Even a slight downfall in these industries would have detrimental impact on the economy and the lives of Filipino workers. Based on government records, the electronics sector accounts for about 58 percent of the Philippines' export and employs about 480,000 workers. Meanwhile, the garments sector employs around 120,000 workers, while the automotive industry, particularly the wiring harness sector, employs 35,000 people.

As early as November, companies in these sectors have already started to lay off some of their workers.

The labor group *Partido ng Manggagawa* (PM) reported in November that layoffs have already started in export-oriented factories in the Mactan Export Processing Zones and other industrial estates in the Visayas.

Shooting the breeze: A group of jobless men while away the time playing checkers. Photo: PhilRights PHOTOBANK

It noted that seven (7) companies in Cebu – Altamode, Cosonsa Manufacturing Inc., Arkaine Industries, Giordini del Sole, Paul Yu, Maithland Smith, and Neostone - have laid off workers or reduced working hours due to the decreasing demands from the US and European markets. It is estimated that around 1,690 workers, many of them women, have been affected by retrenchments, shutdowns, and work rotation being implemented by employers.

In December, Texas Instruments, one of world's biggest semiconductor manufacturers, announced that it is laying off 400 workers in its Baguio City

Jobless and homeless: A scavenger, with all his worldly possessions all in a pushcart, takes a rest in a sidewalk in Quezon City. Photo: JAY AZUCENA

plant. Texas Instruments has been operating in the Philippines for 28 years and was one of the pioneers of the electronic industry which has become the biggest export sector in the country. TI is reportedly employing a total of 2,300 people in its Baguio operation.

Most recently, Intel Corp, the world's largest maker of microprocessors and the second largest exporter next to Texas Instruments, announced that it is closing its manufacturing plant in General Trias, Cavite and offering severance package to 1,800 employees.

Even the local Business Process Outsourcing (BPO) sector, touted as one of the few bright spots of the Philippine economy, is expected to feel the full brunt of the current economic crisis.

The call center industry is considered the biggest sector in the Philippine BPO industry, generating the biggest revenue and employing the most workers. In 2007, contact centers accounted for 73 percent of the industry's US$4.8 billion revenue and its employees accounted for 60 percent of the 300,000 BPO workers.

Local BPO firm Affiliated Computer Services (ACS) was reported to have recently dismissed 889 employees or one-fifth of its workforce after losing a major US-based client that had gone bankrupt. It was indicated in the report that from January to September 2008, the company had a net loss of P100 million on revenues of P1.48 billion.

In the latest tally of the Department of Labor and Employment, at least 18,000 workers nationwide have been laid off and 33,000 have been affected by compressed work hours being implemented by companies as a way of coping with the global economic crisis.

These figures may already be alarming, but what is more worrying is that the full impact of the current economic crisis is yet to unfold. Businessmen and economists warn that initial layoffs could just be a prelude to deeper job cuts as unemployment figures are expected to get worse in 2009.

Labor Secretary Roque has already warned that should the economic crisis get worse, the country's unemployment rates will definitely shoot up with 250,000 to 300,000 people likely to lose their jobs.

As figures and realistic interpretations on the current global economic crisis have just started to surface, it appears that we are inching closer to the beginning of the labor market downturn.

Shorter work hours and pay cuts

Aside from increasing layoffs, a host of cost-cutting measures are expected to be adopted

by companies as they struggle to keep businesses open and prevent massive retrenchments as an economic downturn takes hold.

International Labor Organization (ILO) labor economist Steven Kapsos warns that even if massive layoffs have yet to be seen in the Philippines, the current crisis is "likely to affect workers in other ways that are somewhat more difficult to measure, such as declining hours of work, increase in part-time work, pressure for lower wages, and less job security."

The Makati Business Club (MBC), for its part, says that cost-cutting measures are already being done in some industries. Based on the survey they conducted among their members, only 8 percent of companies say they are not affected by the crisis. 64 percent say they are slightly affected and would likely implement compressed work hours, while 32 percent are heavily affected and would implement pay cuts and job sharing.

In the midst of the unfolding economic crisis, business leaders have called on the government and labor unions to be more open and flexible to cost-cutting measures such as cut-backs on work hours and work rotation that firms may have to resort to as an alternative to layoffs.

Edgardo G. Lacson, President of Philippine Chambers of Commerce and Industry (PCCI), told the media that the proposal for labor flexibility is a laudable move as it sought to protect jobs. "We need abnormal solutions in these abnormal times... It will mean a reduction in pay. But this is just temporary and it has to be done to save the economy and save jobs," he said.

University of the Philippines School of Labor and Industrial Relations professor Rene E. Ofreneo is quick to point out that the law already allows for such flexibilities like compressed work weeks, staggered work hours, and job rotation. But what is critical, according to Ofreneo, is that there should be an agreement between the management and the workers.

Bringing home the junk: An elderly woman, with her grandchildren and a pedicab full of junk scavenged in the waste bins of a university.

Photo: PEPITO FRIAS

However, in as much as the objective is to protect jobs and avoid massive retrenchment of workers, the proposal for more labor flexibilities are feared to exacerbate the already deteriorating quality and condition of work in the country.

Aside from the perennial high rates of unemployment and underemployment, conditions of many of workers, particularly those in skilled and semi-skilled categories, have increasingly deteriorated as businesses and employers have continuously taken steps to increase labor market flexibility in their drive to become more competitive in the global market. As a result, casualization of labor, job contracting, and subcontracting have increasingly become a norm, consequently weakening entitlements for workers and creating more job insecurity.

The practice of contractualization has increasingly become a standard practise in doing and maintaining business in the country, further endangering workers' welfare and job security. Compared to a regular employee, contractual workers do not have job security and are not entitled to a wide range of employment protection and benefits such as wage increase, overtime pay and membership in labor unions. Miguel Maga, Jr., National Coordinator of Trade Union Rights Project Philippines, pointed out in an interview that one detrimental impact of contractualization is that it "kills organized workers' movements." Such impact is clearly reflected in current statistics on organized labor. According to Maga, "from the 37 million workforce nationwide, only 5 percent is organized as regular employees are now outnumbered by contract basis workers, i.e. contractual, casual, trainees."

Government contingency plan: will it suffice?

As a response to the worsening global economic crisis, President Arroyo announced in October that her administration will implement a comprehensive livelihood emergency program to protect the poor from the impact of the global economic crunch. Latest reports unveil further details of the plan, stipulating that the government will spend at least P1.7 billion to create 250,000 jobs within the first two months of 2009, and one million before the end of July 2009, through regional livelihood programs.

National Anti-Poverty Commission (NAPC) chairman Domingo F. Panganiban said the programs will be implemented starting January 15, 2009. Among the jobs to be created are for street sweepers, construction workers for government-owned drug stores and irrigation projects, producers of organic fertilizers, soap and hollow-block makers, and livestock producers.

In addition, President Arroyo early on laid down her administration's plan of setting up a P250 million livelihood fund to aid retrenched OFWs.

According to the president, the government's contingency plan would offer an expanded livelihood and business formation program to returning expatriates. The contingency plan is said to include '"a 24/7 heightened monitoring of displacements, monitoring job orders and redeploying of displaced OFWs to emerging labor markets as well as assistance in repatriation."

In the meantime, President Arroyo claims that retrenchment of OFWs would not pose a critical problem since her administration is confident that there are still more jobs available abroad and that overseas jobs held by OFWs are less sensitive to recession. Most Filipinos employed in severely affected countries like the US, Europe and Japan are somehow employed in indispensable areas of the workforce, such as health care and education.

President Arroyo is confident that should there be retrenchment of OFWs in affected countries, there are other countries with booming economies that could absorb them. Oil-rich countries in the Middle East such as Saudi Arabia, Dubai and Oman that are currently investing in heavy construction are being targeted by the government as possible major destinations of OFWs. Moreover, the president claims that there are more jobs waiting for Filipino

migrant workers; there would be a demand for 500,000 OFWs in Europe; 30,000 in Australia; 10,000 in New Zealand; and 20,000 in Guam.

However, migrant and labor groups remain unimpressed and critical of the government's response to the deepening economic crisis. They are sceptical both with the figures as well as with the policy framework on which the government seeks to address the economic challenges ahead. The government's continuous aggressive promotion of its labor-export programs and heavy reliance on remittances is nothing more than a reflection of the government's inability to create quality and decent jobs at home.

According to Ellene Sana, coordinator of the Center for Migrant Advocacy (CMA), "they are not against migration *per se*. But it should not be a forced migration. The problem is that the government is the one selling our workers by targeting to send a million OFWs every year."

Connie Bragas-Regalado, chair of Migrante International and Secretary-General of the Hong Kong-based International Migrants Alliance, warns that the global economic crisis will make the situation worse for OFWs as "employers will use the crisis to cut salaries and benefits further, exploit migrants' desperation for work by offering lower pay as it is, and generally pass on the crisis to migrant workers through more abuses."

In the end, it is no doubt that the workers are the ones in the first line to bear the heaviest burden of the global economic crisis. Despite declarations and efforts of the government to lay down plans that would compensate for the impact of the crisis and cushion workers from its attendant hardships, the question still remains: will these plans and the dismal economic achievement that the Arroyo administration boastfully declared be enough to weather the stormy days ahead?

The events of the last three months may have been a foretaste of the economic turmoil the country would be facing ahead, but the coming months or even years may just prove that the impact of the crisis is far more severe than what anyone could have expected or predicted.

Back-breaking: Itogon Mines, Benguet. Photo: PEPITO FRIAS

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