

# RECENT DEVELOPMENTS IN PHILIPPINE LABOR MARKET GOVERNANCE: SHIFTING METHODS FROM COMMAND TO COLLABORATION?

Jonathan P. Sale<sup>a</sup> and Arlene C. Bool<sup>b</sup>

<sup>a</sup>School of Labor and Industrial Relations, University of the Philippines (UP SOLAIR),  
Diliman, Quezon City Philippines.

<sup>b</sup>Informatics Philippines, Informatics International College, ICITE Building, Orchard Road,  
Eastwood City Cyberpark, Quezon City, Philippines

<sup>a</sup>Corresponding author: [jona\\_sale@yahoo.com](mailto:jona_sale@yahoo.com)

<sup>b</sup>Corresponding author: [arlenecbool@yahoo.com](mailto:arlenecbool@yahoo.com)

© Ontario International Development Agency. ISSN 1923-6654 (print),

ISSN 1923-6662 (online). Available at <http://www.ssrn.com/link/OIDA-Intl-Journal-Sustainable-Dev.html>

**Abstract:** The International Labor Organization (ILO) defines labor market governance as the institutions, authority structures, means of collaboration, policies, norms, laws, regulations, machinery and processes that influence the demand for and supply of labor in an economy, encompassing labor regulation, industrial relations and labor administration. Collective bargaining and labor dispute prevention and settlement are among the elements. Significantly, the ILO Declaration on Social Justice for a Fair Globalization, adopted in 2008, calls for developing new partnerships with non-state entities and economic actors, like multinational enterprises and trade unions operating at the global level. Under the Philippine Constitution, all workers have the right to self-organization, collective bargaining and negotiation, peaceful concerted activities including strikes, humane work conditions, a living wage, security of tenure and participation in decision and policy making. Speedy disposition of cases is required and voluntary modes in settling disputes are preferred. And the State regulates the relations between workers and employers, recognizing the right of labor to a just share in the fruits of production and the right of enterprise to reasonable returns on investments, expansion and growth. Notably, the Labor Standards Enforcement Framework (LSEF) was set up in 2004 to foster a culture of voluntary compliance with labor standards. Are the modes of realizing governance outcomes shifting from command (centralized control) to collaboration (shared creation), as one scholar noted? Are hierarchy and authority giving way to forms of networking, coordination, cooperation or collaboration? This paper explores recent developments in labor market governance in the Philippines. Relying on extant literature and using aggregate empirical data up to 2009, the paper identifies and describes indicators of labor market governance in the country, explains the relationship, i.e., correlation, if any, among the indicators and, based thereon, determines if there is a trend towards collaborative governance in the labor market.

**Keyword:** Collaborative governance, governance methods, industrial relations, labor regulation and administration, Philippine labor market governance.

## I. INTRODUCTION<sup>1</sup>

The term labor market governance has been used recently by the International Labor Organization (ILO) in relation to the Decent Work Agenda.<sup>2</sup> “(T)he ILO defined labour market governance as referring to those public and private institutions, structures of authority and means of collaboration that coordinate or control activity at the workplace and in the labour market. In other words, labour market governance refers to the totality of policies, norms, laws, regulations, institutions, machinery and processes that influence the demand and supply of labour in an economy.”<sup>3</sup> Labor market governance encompasses labor regulation, industrial relations and labor administration, and their interplay.<sup>4</sup> In fine, the term includes collective bargaining and labor dispute prevention and settlement as main components of industrial relations.<sup>5</sup> “Labour market governance is not just about the government or the state; it is also concerned with the relations between employers and workers. x x x”<sup>6</sup> A recent development is the ILO Declaration on Social Justice for a Fair Globalization adopted in June 2008. The Declaration calls for, among others, developing new partnerships with non-state entities and economic actors, such as multinational enterprises and trade unions operating at the global sectoral level, as a method of implementation to enhance the effectiveness of ILO programs and activities.<sup>7</sup> Social dialogue and tripartism are considered appropriate methods for consensus-building.<sup>8</sup> Thus, coordination, cooperation and collaboration among the social partners are also articulated in the Declaration.<sup>9</sup> And labor standards on tripartism, employment policy and labor inspection are deemed most significant from the viewpoint of governance.<sup>10</sup>

O'Flynn (2009) notes that collaborative governance has become central to public policy discourse and cites Himmelman's matrix of strategies for working together.<sup>11</sup> Himmelman (2002) argues that networking (exchange of information), coordination (exchange of information and alteration of activities), cooperation (exchange of information, alteration of activities and sharing of resources) and collaboration (exchange of information, alteration of activities, sharing of resources and enhancement of capacities) for mutual benefit and common purpose are different forms of working together, but each may be regarded as a developmental stage in a relationship continuum.<sup>12</sup> There is sharing of risks, rewards and responsibilities in varying degrees.<sup>13</sup>

Significantly, Shergold (2008) has observed a shift from government structures based on hierarchical authority to governance networks, that is, from command (centralized control), through coordination (collective decision making) and cooperation (sharing of ideas and resources) to collaboration (shared creation).<sup>14</sup> Are the modes of realizing labor market governance outcomes shifting from command to collaboration? Are hierarchy and authority giving way to forms of networking, coordination, cooperation or collaboration?

This paper explores recent developments in labor market governance in the Philippines. Relying on extant literature and using aggregate empirical data up to 2009 from the Philippine Bureau of Labor and Employment Statistics (BLES), the paper identifies and describes indicators of labor market governance in the country, explains the relationship, i.e., correlation,<sup>15</sup> if any, among the indicators and, based thereon, determines if there is a trend towards collaborative governance in the labor market.

## II. BACKGROUND AND LITERATURE REVIEW<sup>16</sup>

Based on the neo-classical school of thought, State and other interventions in the free functioning of market forces, unless intended to correct market failures, lead to inefficiencies in resource allocation and to slower growth, wage and employment expansion.<sup>17</sup>

But under the institutional approach, apart from correcting market failures, State interventions that establish rights at work, collective bargaining, consultations with stakeholders, minimum wages and social security, contribute to political and social stability, among others.<sup>18</sup> This is so because of labor market institutions that encourage trust and partnership.<sup>19</sup>

There are three leading actors in the labor market: workers, firms and government.<sup>20</sup> The workers' decision to work generates the labor supply while the firms' decision to hire or fire generates the economy's labor demand.<sup>21</sup> The government can take unilateral actions that influence labor supply and demand decisions, and change the rules of the game,<sup>22</sup> depending upon the prevailing institutional arrangements or configurations in the economy.<sup>23</sup>

Actions of government may take the form of labor standards such as minimum wage orders and Occupational Safety and Health (OSH) regulations. It may partake of the nature of public investments in human capital. An indirect, market-based approach is to give incentives to the private sector to invest in human capital. Education, training and other supply-side interventions are important for raising labor productivity, labor demand, and, consequently, employment and earnings of workers.<sup>24</sup>

Generally, such actions of government may be referred to as labor administration, which is defined in the ILO's 1978 Labour Administration Convention (No. 150) as public administration activities in the field of national labor policy.<sup>25</sup> The key functions of labor administration include labor inspection, labor relations, employment, and labor research.<sup>26</sup> Labor inspection is concerned with the protection of workers through law enforcement and related activities.<sup>27</sup> Labor relations refer to the interactions between workers and employers at work and arising from the work situation, as influenced by government intervention.<sup>28</sup> Employment activities involve the formulation of policy guidelines for employment promotion and creation, and provision of a range of services to implement the guidelines.<sup>29</sup> Research on labor matters entails collecting and analyzing data and ideas for the formulation of new labor policies and strategies.<sup>30</sup>

There is the view, however, of Peters (2001) that most public organizations responsible for labor-market policy still operate as if the globalization phenomenon had not occurred.<sup>31</sup> For instance, it has been argued that government intervention in the form of minimum wages distorts the operation of the labor market by establishing wages at a level that is too high, which causes the demand for labor to fall and encourages enterprises to substitute capital for labor at a time when economic efficiency is deemed paramount,<sup>32</sup> unless the wage increase is accompanied by productivity increase.

But the very nature of labor administration requires government intervention<sup>33</sup> in the labor market, which is why institutional arrangements or configurations in national systems exist. According to North (1993), institutions are “the humanly devised constraints that structure human interaction x x x made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self imposed codes of conduct), and their enforcement characteristics.”<sup>34</sup>

Under Philippine law, self-organization and collective bargaining are companion rights given that a labor organization or union exists in whole or in part for the purpose of collective bargaining and of dealing with employers concerning terms and conditions of employment.<sup>35</sup> A union may be registered subject to the requirements under Article 234 of the Labor Code. The union applying for registration must comprise at least 20% of all the employees in the bargaining unit where it seeks to operate.<sup>36</sup> Collective bargaining involves a series of steps leading to a collective agreement on employment terms above the statutory minimum. It is a duty once the “jurisdictional preconditions” are met – a demand to bargain, possession of the status of majority representation by the demanding union and proof of such majority representation – albeit parties are free to negotiate and agree.<sup>37</sup> The duty to bargain when the preconditions are met applies to single-enterprise bargaining. It does not apply to the new concept of multi-employer bargaining under the amendatory Implementing Rules issued by the Department of Labor and Employment (DoLE), which is purely voluntary.<sup>38</sup>

The scope of negotiations includes wages, hours of work and all other terms and conditions of employment, including proposals for adjusting grievances or questions arising under the agreement.<sup>39</sup> Majority of the employees in the bargaining unit must ratify the Collective Bargaining Agreement (CBA) on conclusion of negotiations, after which the CBA is registered with DoLE. In multi-employer bargaining, the CBA covers two or more certified or recognized bargaining units in two or more enterprises.<sup>40</sup> A deadlock in bargaining is a valid ground for a strike or lockout.<sup>41</sup> So is unfair labor practice.<sup>42</sup>

Unlike unions, workers’ associations are organized for mutual aid and protection or for any legitimate purpose other than collective bargaining.<sup>43</sup>

Labor management councils enable workers to participate in policy and decision making processes at

work directly affecting their rights, benefits and welfare.<sup>44</sup>

With the enactment in 1989 of Republic Act No. 6727, otherwise known as the Wage Rationalization Act, minimum wage fixing was regionalized. Wage Boards were created in every region of the country known as Regional Tripartite Wages and Productivity Boards. Under the law, the Wage Boards are empowered to determine and fix minimum wage rates applicable in their region, provinces or industries therein, and to issue the corresponding wage orders, subject to the guidelines of the National Wages and Productivity Commission.<sup>45</sup> The Commission formulates wage policies and guidelines, reviews regional wage levels set by the Wage Boards, and exercises technical and administrative supervision over the Wage Boards.<sup>46</sup> The Wage Boards and the Commission are tripartite in structure and process, that is, the three leading actors in the labor market are represented and involved in the process. Varying in each region of the country are controlling factors such as the cost of living; supply and demand for basic goods, services and necessities; and the purchasing power of the peso.<sup>47</sup> Wages in some areas may be increased in order to prevent migration to the National Capital Region and, hence, decongest the metropolis.<sup>48</sup>

OSH standards are found in Book IV of the Labor Code and in separate rules. Generally, all workplaces are to be kept and maintained free from work hazards that cause or will likely cause physical harm to employees or damage to property.<sup>49</sup> Under the Employees’ Compensation and State Insurance Fund (ECSIF), myocardial infarction is considered an occupational disease.<sup>50</sup> For instance, a ship radio operator, who was healthy when he boarded his vessel, died of myocardial infarction three months later; the Supreme Court ruled that any kind of work or labor produces stress and strain normally resulting in wear and tear of the human body.<sup>51</sup>

The extent of employment, closure of and worker displacement per establishment affects the coverage of labor administration services, which depends on the definition of “worker” and “workplace” in national legislation.<sup>52</sup>

In *King of Kings Transport, et al. Inc. v. Mamac*,<sup>53</sup> the Philippine Supreme Court ruled –

“To clarify, the following should be considered in terminating the services of employees:

(1) The **first written notice** to be served on the employees should contain the specific causes or grounds for termination against them, and a directive that the employees are given the opportunity to submit their written explanation within a reasonable period. "Reasonable opportunity" under the Omnibus Rules means every kind of assistance that management must accord to the employees to enable them to prepare adequately for their defense. This should be construed as a period of at least five (5) calendar days from receipt of the notice to give the employees an opportunity to study the accusation against them, consult a union official or lawyer, gather data and evidence, and decide on the defenses they will raise against the complaint. Moreover, in order to enable the employees to intelligently prepare their explanation and defenses, the notice should contain a detailed narration of the facts and circumstances that will serve as basis for the charge against the employees. A general description of the charge will not suffice. Lastly, the notice should specifically mention which company rules, if any, are violated and/or which among the grounds under Art. 282 is being charged against the employees.

(2) After serving the first notice, the employers should schedule and conduct a **hearing or conference** wherein the employees will be given the opportunity to: (1) explain and clarify their defenses to the charge against them; (2) present evidence in support of their defenses; and (3) rebut the evidence presented against them by the management. During the hearing or conference, the employees are given the chance to defend themselves personally, with the assistance of a representative or counsel of their choice. Moreover, this conference or hearing could be used by the parties as an opportunity to come to an amicable settlement.

(3) After determining that termination of employment is justified, the employers shall serve the employees a **written notice of termination** indicating that: (1) all circumstances involving the charge against the employees have been considered; and (2) grounds have been established to justify the severance of their employment." (Citation omitted.)

Kaufman (2004) notes that transaction costs (TC) are the ex ante and ex post costs of transferring ownership over property rights.<sup>54</sup> There will be zero transaction costs based on the neo-classical school's assumptions of perfect rationality, markets and contracts, and zero cost in legal enforcement, because of the coordinating role of markets and prices.<sup>55</sup> On the other hand, the institutional school posits the idea that there will be non-zero or positive transaction

costs because rationality is bounded while markets and contracts are imperfect, thus necessitating law and regulation; coordination is done through organization and command, i.e., governance systems like government agencies and corporations.<sup>56</sup>

Thus, in the field of national labor policy if  $TC > 0$ , there is labor administration since governance systems coordinate economic activities. If  $TC = 0$ , labor administration is lacking because activities are coordinated via markets and prices, not through governance systems. In industrialized (or developed) countries, National Government (NG) expenditure and social security expenditure comprise a relatively high proportion of Gross Domestic Product (GDP), usually between 35 and 45 percent, and 20 and 30 percent, respectively,<sup>57</sup> which is why positive transaction costs, or  $TC > 0$ , translate to more labor administration. "The neo-classical result of efficient markets only obtains when it is costless to transact," as pointed out by North.<sup>58</sup>

Peters explains that transaction costs also refer to the costs imposed by the need to interact with other parties.<sup>59</sup> The large executive department in the public sector is justified due to reduced transaction costs.<sup>60</sup> Transaction costs would rise if a number of smaller organizations operate with substantial autonomy since they must cooperate to deliver services to clients who may have to bear said costs.<sup>61</sup> In that sense, administrative changes or reforms leading to decentralization could be costly, too.

A rather recent development is the Labor Standards Enforcement Framework (LSEF)<sup>62</sup> of the DoLE. LSEF is a self-enforcement mechanism based on cooperation among employers and their employees. Self-assessment shall be undertaken by employers of establishments employing at least two hundred (200) workers and unionized establishments with certified collective bargaining agreements regardless of the number of workers employed. Self-assessment shall be jointly conducted by the representative of the employer and the representative of the workers/union or the representatives of the Labor Management Committee or Health and Safety Committee within one (1) month from receipt of the checklist or from the date of the conduct of orientation by the Regional Office, as the case may be. Self-assessment shall include verification of employment records and assessment of work premises which shall be undertaken at least once a year. Accomplishment and submission of the checklist is the basic responsibility of the employer. The employer shall submit documents to support the checklist, such as the

authority of the owner's representative and the workers/union representative to conduct self-assessment, restitution payroll or document to prove correction, whenever applicable. A covered establishment whose owner fails to submit the checklist within the period prescribed shall be recommended for the conduct of DoLE inspection. Where a complaint is filed against the employer within the period of self-assessment but prior to the prescriptive period for submission of the checklist, the conduct of self-assessment shall continue. The complaint shall be the basis for immediate spot check after submission of the checklist but the same shall be held in abeyance, unless the complaint is based on a notice of a hazard or condition in the place of employment that falls within the category of imminent danger investigation. Spot check partakes the nature of the conduct of inspection, hence, shall be conducted by labor inspectors and the procedure shall be in accordance to the provisions of the Revised Inspection Manual. Any violation of labor standards unearthed during the conduct of self-assessment that remains uncorrected after the time frame indicated in the schedule of restitution/correction and violation of labor standards unearthed during the conduct of spot check shall be disposed of in accordance with the Revised Guidelines in the Disposition of Labor Standards Violations/Labor Standards Cases. Inspection shall be undertaken in workplaces with 10 to 199 workers and restitutions/corrections effected if there are violations. Advisory services shall be undertaken in workplaces with less than 10 workers and those registered as Barangay Micro-Business Enterprises (BMBEs).

Thus, labor market governance indicators in the Philippines may include the extent, size or levels of workers' associations, trade unions, CBA coverage, labor management councils or committees, compliance rates upon labor inspections including those under the LSEF, establishments or employers, labor standards and Employees' Compensation Commission cases handled, and public expenditures in proportion to GDP and Gross National Product (GNP).

### III. FINDINGS AND ANALYSIS<sup>63</sup>

#### *Workers' Associations*

Total number and membership of workers' associations indicate the extent of workers who organize for mutual aid and protection, and register

with DoLE. The number and membership of existing workers' association as of December 2009 (based on preliminary data) were 19,512 and 737,000, respectively, which reflect an increase of more than 230% from the 2004 figures.<sup>64</sup>

Table 1

Workers' Association	2004	2005	2006	2007	2008	2009
Number	8,237	10,161	11,764	13,413	15,758	19,512
Membership	286,354	360,522	428,823	487,000	576,000	737,000

However, the proportion of membership in workers' associations to labor force, which stood at 38.8 million as of January 2010 based on preliminary data,<sup>65</sup> is very small at about 1.9%.

#### *Unions, Collective Bargaining and Workers' Associations*

The number and membership of newly registered unions and workers' associations declined from 2005 to 2007. The data scarcely changed for unions up to 2009 while the figures went up significantly for workers' associations in 2008 and 2009. Average membership per newly registered unions and workers' association, albeit small, appears to be improving. Nonetheless, the data reflect the weakness of organized labor in relation to the labor force.

Table 2

Indicators	2005	2006	2007	2008	2009
Unions registered	492	371	260	279	384
Membership of newly registered unions	45,032	31,777	24,079	22,248	34,283
Average membership per newly registered union	92	89	86	80	89
Workers associations newly registered	1,924	1,603	1,649	2,345	3,689
Membership of newly registered workers associations (WA)	74,168	68,301	58,076	89,368	159,216
Average membership per newly registered WA	39	43	35	38	43

The number of registered CBAs increased from 2005 to 2006 but decreased in 2007 and 2008. The figure slightly went up in 2009. The number of workers covered by new CBAs decreased. As a result, the average number of workers covered per new CBA also fell. This is consistent with the weakness of trade unionism in relation to the labor

force. This also means that a smaller number of workers can avail of welfare benefits (over and above labor standards) embodied in CBAs, like medical/dental services, hospitalization plan, retirement pay, family planning services, death benefit, leave and supplemental benefits, and other aids. This also limits the efficacy of the self-enforcement mechanism based on cooperation under the LSEF of DoLE.

Table 3

Indicators	2005	2006	2007	2008	2009
CBAs registered	459	536	318	307	453
Workers covered by new CBAs	82,925	60,790	44,375	55,290	74,924
Average number workers covered per new CBA	181	113	140	180	165

#### Labor Management Councils

The number of labor management councils established and workers covered decreased from 2004 to 2008. Thus, fewer workers participate in policy and decision making processes at work, as may be gleaned from the low average number of workers covered per LMC. This mechanism for "voice" at work is declining, which also hampers the effectiveness of the self-enforcement mechanism under the LSEF.

Table 4

Indicators	2004	2005	2006	2007	2008
Labor management councils established (BLR)	144	133	92	99	120
Workers covered by labor management councils (LMC)	4,349	3,112	1,876	2,113	2,511
Average number workers covered per LMC	30	23	20	21	21

#### Labor Inspections

Compliance rates on minimum wage and general labor standards upon inspection appear to be improving, but the 2009 preliminary data are not encouraging as figures fell below 80% (for minimum wage) and 40% (for general labor standards), respectively. Compliance rate for technical safety standards is fairly consistent at above 80%. However, the average compliance rate for general labor standards is less than ½ of establishments inspected, inclusive of data under the LSEF. Because of the weakness of organized labor and the low coverage of CBAs and LMCs, the burden of labor standards enforcement falls on the inspectorate system of government, which may not be adequate given the size of its organization and the constraints

on its resources. The administrative capacity to enforce laws through labor inspections is linked to the level of public expenditure as a percentage of GDP. It is noteworthy that serious business losses are not a defense to the payment of labor standard benefits.<sup>66</sup>

Table 5

Indicators	2004	2005	2006	2007	2008	2009
Compliance rate on minimum wage upon inspection (%)	82.1	81.3	82.6	80.5	82.3	78.7
Compliance rate on general labor standards upon inspection (%)	44.9	46.1	49.2	55.4	55.4	36.7
Compliance rate on technical safety standards upon inspection (%)	86.9	85.3	81.4	82.8	88.3	88.1

#### Labor Standards and Employees' Compensation Commission Cases Handled

Based on BLES data,<sup>67</sup> original labor standards cases handled by the DoLE Regional Offices reached 9,799 in 2007. This rose to 12,962 in 2008 and dropped to 9,316 (preliminary data) in 2009. Appealed labor standards cases handled by the DoLE Secretary numbered 318 in 2007, 380 in 2008 and 384 (preliminary data) in 2009, indicating an upward movement. On the other hand, ECSIF claims that reached the Employees' Compensation Commission (ECC) were 658 in 2007, 356 in 2008 and 210 (preliminary data) in 2009, reflecting a downward trend. From 2007 to 2009, the average number of labor standards and ECC cases handled was more than 11,400. The sizeable number of cases is inversely related to low membership in or coverage of workers' associations, unions, CBAs, and LMCs, as well as low compliance rate on general labor standards. The figure is also indicative of the limits of the LSEF.

#### Establishments or Employers

About 92% of establishments employ less than 10 persons according to BLES. Thus, most employers in the country are small enterprises. This partly explains the weakness of organized labor in proportion to the labor force, for many find it impracticable to organize workers in very small firms.

Table 6

Indicator	2008
Establishments employing less than 10 persons	91.6%

In unorganized small enterprises, self-assessment under the LSEF does not transpire but DoLE is supposed to undertake advisory services.

This affects the efficacy of minimum-wage policy. A retail/service establishment may be exempted from a minimum wage order if it regularly employs not more than 10 employees and had applied for exemption as determined by the Wage Board.<sup>68</sup>

The number of establishments resorting to closures seems to be falling. But the number of displaced workers appears to be rising, which contributes to the overall weakness of organized labor in the country.

**Table 7**

Indicator	2005	2006	2007	2008	2009
Establishments Reporting Closures due to economic reasons	2,943	2,979	2,468	2,436	2,578
Displaced Workers	57,594	59,376	51,125	52,863	61,439

#### *Public Expenditures in proportion to GDP and GNP*

According to Manasan (2004), NG expenditures (on an obligation basis) went down from 10.6 per cent of GDP in 2002 to 10.2 percent in 2003 and 9.6 per cent in 2004.<sup>69</sup> The trend suggests that fewer resources had been available to government agencies, including those engaged in labor administration. Thus, the administrative capacity for enforcement by an inspectorate diminished. That is why the closer TC is to zero, the lower is the level of labor administration. Also, there had been low spending for social security, welfare and employment which averaged only 6.98 percent from 2001 to 2003.<sup>70</sup> In a 2007 preliminary study, it was even noted that government spending on all social services decreased (from 5.5% of GDP in 1998 to 3.2% in 2005).<sup>71</sup>

Historically, Philippine government and social security expenditures generally constituted a relatively low proportion of GNP – from 16.64% in 1975 to 14.89% in 1985, for total expenditures, and from 2.99% to 2.53% in the same period, for social services.<sup>72</sup>

#### **IV. CONCLUSION**

Philippine public policy encourages a shift in modes of realizing labor market governance outcomes from command to collaboration, that is,

from hierarchy and authority (centralized control) to forms of working together, e.g., collective bargaining and the LSEF. Aggregate empirical data, however, suggest that this is not happening. Labor market governance indicators include the extent, size or levels of workers' associations, trade unions, CBA coverage, LMCs, compliance rates upon labor inspections including those under the LSEF, establishments or employers, labor standards and ECC cases handled, and public expenditures in proportion to GDP and GNP. The low membership in or coverage of workers' associations, unions, CBAs, and LMCs, as well as low compliance rate on general labor standards are inversely related to the sizeable number of labor standards and ECC cases handled. Workers in unorganized establishments file such cases since they are not within the scope of CBAs, LMCs and the LSEF. Thus, the efficacy of the LSEF is also adversely affected as indicated by the average compliance rate for general labor standards of under ½ of establishments inspected, which includes LSEF data. Due to the weakness of organized labor and low coverage of CBAs and LMCs, the burden of labor standards enforcement falls on the inspectorate and administrative systems of government which are based on command, i.e., hierarchical authority and centralized control. However, the capacity to enforce laws through labor inspections and cases filed is linked to public expenditure as a percentage of GDP (and GNP) which is at a low level.

#### **REFERENCES**

- [1] G.J. Borjas, *Labor Economics*, U.S.A.: The McGraw Hill Companies, Inc., 1996.
- [2] Congress of the Philippines, *Human Capital in the Emerging Economy*, 2001.
- [3] Department of Labor & Employment (DoLE) Department Order (DO) Number 40-03, Series of 2003.
- [4] D. Ghai (ed.), *Decent Work: Objectives and Strategies*, Geneva: International Labour Organization, 2006.
- [5] A. Ghosh, "Labour market governance in Asia and the Pacific," presentation at the International Labour Organization, RCBC Plaza, Makati City, Philippines, 2008.
- [6] R. Heron, *Labour Administration An Introduction*, Geneva and Bangkok: International Labour Organization, 1998.
- [7] A.T. Himmelman, "Collaboration for a change: definitions, decision-making models, roles and collaboration process guide," 2002, [http://depts.washington.edu/ccph/pdf\\_files/4change.pdf](http://depts.washington.edu/ccph/pdf_files/4change.pdf), Accessed 21 October 2009.

- [8] ILO Declaration on Social Justice for a Fair Globalization, 2008.
- [9] International Labour Organization, Regional Office for Asia and the Pacific, "Asian decent work decade resource kit: labour market governance," 2008, [www.ilo.org/asia/decentwork](http://www.ilo.org/asia/decentwork), Accessed 27 April 2009.
- [10] B.E. Kaufman, *The Global Evolution of Industrial Relations*, Geneva: International Labour Organization, 2004.
- [11] King of Kings, et al. v. Mamac, G.R. No. 166208, June 29, 2007.
- [12] Kiok Loy v. NLRC, G.R. No. 54334, January 22, 1986.
- [13] Labor Code of the Philippines.
- [14] R.G. Manasan, *An Analysis of Public Sector Expenditures 1975-1985*, Working Paper 87-05, Philippine Institute for Development Studies, 1987, <http://www.pids.gov.ph/>, Accessed 04 June 2010.
- [15] R.G. Manasan, "Budget and management alternative views and assessments" in *Alternative Views and Assessments of the Macapagal-Arroyo Presidency and Administration*, Volume 2, eds. Abueva, Bautista Tapales, Domingo, and Nicolas. Quezon City: U.P. Press, 2004.
- [16] R.G. Manasan, J.S. Cuenca and E.C. Villanueva, *Benefit Incidence of Public Spending on Education in the Philippines*, Discussion Paper Series No. 2007-09, Philippine Institute for Development Studies, 2007, <http://www.pids.gov.ph/>, Accessed 04 June 2010.
- [17] Manual on Labor Standards, Department of Labor and Employment, 2004.
- [18] Mayon Hotel & Restaurant v. Adana, 458 SCRA 609.
- [19] D.C. North, "Economic performance through time," Lecture to the memory of Alfred Nobel, December 9, 1993.
- [20] J. O'Flynn, "The cult of collaboration in public policy," *The Australian Journal of Public Administration*, 2009, 68 (1).
- [21] J. O'Flynn and J. Wanna (ed.), *Collaborative Governance: A New Era of public policy in Australia?* Canberra: The Australian National University E Press, 2008.
- [22] Omnibus Rules Implementing the Labor Code, Book IV.
- [23] B.G. Peters, *The Future of Governing*, U.S.A.: University Press of Kansas, 2001.
- [24] C. Planas Commercial v. NLRC, 474 SCRA 608.
- [25] Prubankers Association v. Prudential Bank and Trust Company, G.R. No. 131247, January 25, 1999.
- [26] *Rañises v. Employees Compensation Commission*, 467 SCRA 7.
- [27] J.P. Sale, "Governance, decision making and labor dispute settlement in the Philippines: shifting methods from command to collaboration?" Doctoral Thesis/Dissertation Proposal submitted/presented to the University of the Philippines National College of Public Administration and Governance, 18 May 2010.
- [28] J.P. Sale, "Labor and social security laws in the Philippines: emerging enforcement approaches in the informal sector," 2009, paper presented at the 1<sup>9th</sup> World Congress of the International Society for Labour and Social Security Law (2009 World Labour Law Congress), September 1 to 4, 2009, Sofitel Sydney Wentworth Hotel, Sydney, Australia.
- [29] J.P. Sale, "Labor dispute settlement and decision making," *Philippine Journal of Labor and Industrial Relations*, 2005, XXV (1 & 2).
- [30] J.P. Sale, "Labor market institutions and political development in the Philippines: trends, patterns and directions," 2007, (Professorial Chair Lecture, 12 July 2008, UP SOLAIR).
- [31] Trochim, William. *The Research Methods Knowledge Base* 2e. <http://www.atomicpublishing.com>.
- [32] [www.bles.dole.gov.ph](http://www.bles.dole.gov.ph).

---

#### ENDNOTES

<sup>1</sup> Based on Sale, Jonathan P. (2010). Governance, Decision Making and Labor Dispute Settlement in the Philippines: Shifting Methods from Command to Collaboration? Doctoral Thesis/Dissertation Proposal submitted/presented to the University of the Philippines National College of Public Administration and Governance, 18 May 2010.

<sup>2</sup> Ghosh, Abhik. (2008). Labour Market Governance in Asia and the Pacific. Presentation at the International Labour Organization, RCBC Plaza, Makati City, Philippines.

<sup>3</sup> Id. See also International Labour Organization, Regional Office for Asia and the Pacific (2008). Asian decent work decade resource kit: labour market governance, p. 2. [www.ilo.org/asia/decentwork](http://www.ilo.org/asia/decentwork). Accessed 27 April 2009.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> International Labour Organization, Regional Office for Asia and the Pacific (2008). Asian decent work decade resource kit: labour market governance, p. 2. [www.ilo.org/asia/decentwork](http://www.ilo.org/asia/decentwork). Accessed 27 April 2009.



<sup>7</sup> ILO Declaration on Social Justice for a Fair Globalization (2008), Preface and pp. 12-13.

<sup>8</sup> *Id.*, at p. 10.

<sup>9</sup> *Id.*, at pp. 17-21.

<sup>10</sup> *Id.*, at pp. 14 and 17-18.

<sup>11</sup> O'Flynn, Janine. (2009). The Cult of Collaboration in Public Policy. *The Australian Journal of Public Administration*, 68 (1), pp. 112-116.

<sup>12</sup> Himmelman, Arthur T. (2002). Collaboration for a Change: Definitions, Decision-making models, Roles and Collaboration Process Guide. [http://depts.washington.edu/ccph/pdf\\_files/4achange.pdf](http://depts.washington.edu/ccph/pdf_files/4achange.pdf). Accessed 21 October 2009.

<sup>13</sup> *Id.*

<sup>14</sup> O'Flynn, Janine and Wanna, John (ed.). (2008). Collaborative Governance: A New Era of public policy in Australia? Canberra: The Australian National University E Press, p. 20.

<sup>15</sup> A correlational relationship means that two things or variables perform in a synchronized manner. For example, when inflation is high, unemployment also tends to be high and when inflation is low, unemployment also tends to be low. The two variables are correlated; but that does not mean that one causes the other. In a positive relationship, high values on one variable are associated with high values on the other and low values on one are associated with low values on the other. A negative or inverse relationship implies that high values on one variable are associated with low values on the other. (Trochim, William. *The Research Methods Knowledge Base* 2e. <http://www.atomicpublishing.com>.) See also Sale, Jonathan P. (2007). Labor Market Institutions and Political Development in the Philippines: Trends, Patterns and Directions (Professorial Chair Lecture, 12 July 2008, UP SOLAIR).

<sup>16</sup> Based on Sale, Jonathan P. (2007). Labor Market Institutions and Political Development in the Philippines: Trends, Patterns and Directions (Professorial Chair Lecture, 12 July 2008, UP SOLAIR) and Sale, Jonathan P. (2009). Labor and Social Security Laws in the Philippines: Emerging Enforcement Approaches in the Informal Sector, paper presented at the 19<sup>th</sup> World Congress of the International Society for Labour and Social Security Law (2009 World Labour Law Congress), September 1 to 4, 2009, Sofitel Sydney Wentworth Hotel, Sydney, Australia.

<sup>17</sup> Ghai, Dharam (ed.). (2006). *Decent Work: Objectives and Strategies*, Geneva: International Labour Organization, p. 24.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> Borjas, George J. (1996). *Labor Economics*, U.S.A.: The McGraw Hill Companies, Inc., p. 3.

<sup>21</sup> *Id.*, at 3-4.

<sup>22</sup> *Id.*, at 4.

<sup>23</sup> Institutional arrangements or configurations depend on whether production and distribution of goods and services, and the regulation thereof, are based on a neo-classical or institutional approach, *supra*.

<sup>24</sup> Congress of the Philippines. (2001). *Human Capital in the Emerging Economy*, p. 51.

<sup>25</sup> Heron, Robert. (1998). *Labour Administration An Introduction*, Geneva and Bangkok: International Labour Organization, p. 3.

<sup>26</sup> *Id.*, at 13.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*, at 14.

<sup>29</sup> *Id.*, at 15.

<sup>30</sup> *Id.*, at 16.

<sup>31</sup> Peters, B. Guy. (2001). *The Future of Governing*. U.S.A.: University Press of Kansas, p. 78.

<sup>32</sup> R. Heron, *op. cit.*, note 25, p. 26.

<sup>33</sup> *Id.*

<sup>34</sup> North, Douglass C. (1993). *Economic Performance through Time*, Lecture to the memory of Alfred Nobel, December 9, 1993.

<sup>35</sup> LABOR CODE, art. 212 [g].

<sup>36</sup> LABOR CODE, art. 234 (c).

<sup>37</sup> *Kiok Loy v. NLRC*, G.R. No. 54334, January 22, 1986.

<sup>38</sup> Department of Labor & Employment (DoLE) Department Order (DO) Number 40-03, Series of 2003.

<sup>39</sup> LABOR CODE, art. 252.

<sup>40</sup> Sale, Jonathan P. (2005). Labor Dispute Settlement and Decision Making, *Philippine Journal of Labor and Industrial Relations*, XXV (1 & 2), pp. 18, 36.

<sup>41</sup> LABOR CODE, art. 263.

<sup>42</sup> *Ibid.*

<sup>43</sup> See DoLE DO No. 40-03, Series of 2003.

<sup>44</sup> LABOR CODE, art. 255.

<sup>45</sup> LABOR CODE, art. 122.

<sup>46</sup> LABOR CODE, art. 121.

<sup>47</sup> *Prubankers Association v. Prudential Bank and Trust Company*, G.R. No. 131247, January 25, 1999.

<sup>48</sup> *Ibid.*

<sup>49</sup> Omnibus Rules Implementing the Labor Code, Book IV.

<sup>50</sup> *Rañises v. Employees Compensation Commission*, 467 SCRA 7.

<sup>51</sup> *Ibid.*

<sup>52</sup> R. Heron, *op. cit.*, note 25, p. 27.

<sup>53</sup> G.R. No. 166208, June 29, 2007.

<sup>54</sup> Kaufman, Bruce E. (2004). *The Global Evolution of Industrial Relations*, Geneva: International Labour Organization, pp. 105-108.

---

<sup>55</sup> Id.

<sup>56</sup> Id.

<sup>57</sup> D. Ghai, *op. cit.*, note 17, p. 5.

<sup>58</sup> D.C. North, *op. cit.*, note 34.

<sup>59</sup> B.G. Peters, *op. cit.*, note 31, p. 44.

<sup>60</sup> Id.

<sup>61</sup> Id.

<sup>62</sup> See Manual on Labor Standards, Department of Labor and Employment, 2004.

<sup>63</sup> See also the earlier studies Sale, Jonathan P. (2007). Labor Market Institutions and Political Development in the Philippines: Trends, Patterns and Directions (Professorial Chair Lecture, 12 July 2008, UP SOLAIR) and Sale, Jonathan P. (2009). Labor and Social Security Laws in the Philippines: Emerging Enforcement Approaches in the Informal Sector, paper presented at the 19<sup>th</sup> World Congress of the International Society for Labour and Social Security Law (2009 World Labour Law Congress), September 1 to 4, 2009, Sofitel Sydney Wentworth Hotel, Sydney, Australia.

<sup>64</sup> All data in tables 1 to 7 are from [www.bles.dole.gov.ph](http://www.bles.dole.gov.ph). All data for 2009 are preliminary.

<sup>65</sup> [www.bles.dole.gov.ph](http://www.bles.dole.gov.ph).

<sup>66</sup> *Mayon Hotel & Restaurant v. Adana*, 458 SCRA 609.

<sup>67</sup> See [www.bles.dole.gov.ph](http://www.bles.dole.gov.ph).

<sup>68</sup> *C. Planas Commercial v. NLRC*, 474 SCRA 608.

<sup>69</sup> Manasan, Rosario G. (2004). Budget and Management Alternative Views and Assessments in Alternative Views and Assessments of the Macapagal-Arroyo Presidency and Administration, Volume 2, eds. Abueva, Bautista Tapales, Domingo, and Nicolas. Quezon City: U.P. Press, p. 98.

<sup>70</sup> Id., at 97.

<sup>71</sup> Manasan, Rosario G., Cuenca, Janet S. and Villanueva, Eden C. (2007). Benefit Incidence of Public Spending on Education in the Philippines, Discussion Paper Series No. 2007-09, Philippine Institute for Development Studies. <http://www.pids.gov.ph/>. Accessed 04 June 2010.

<sup>72</sup> Manasan, Rosario G. (1987). An Analysis of Public Sector Expenditures 1975-1985, Working Paper 87-05, Philippine Institute for Development Studies. <http://www.pids.gov.ph/>. Accessed 04 June 2010.

---

A.C. Bool is with Informatics Philippines, Informatics International College, ICITE Building, Orchard Road, Eastwood City Cyberpark, Quezon City 1100, Philippines (e-mail: [arlenecbool@yahoo.com](mailto:arlenecbool@yahoo.com)).

#### About the author:

J.P. Sale is with the University of the Philippines School of Labor and Industrial Relations (UP SOLAIR), Diliman, Quezon City 1100, Philippines (phone and fax: (632) 927-8340; e-mail: [jona\\_sale@yahoo.com](mailto:jona_sale@yahoo.com)).