

# 8

## **Decent Work in Agriculture in Philippines**

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## ACRONYMS

AARRD	Agriculture, Agrarian Reform, and Rural Development
ACEF	Agricultural Competitiveness Enhancement Fund
ADB	Asian Development Bank
AFMA	Agriculture and Fisheries Modernization Act
AFMP	Agriculture and Fisheries Modernization Plans
AFTA	ASEAN Free Trade Agreement
AIDS	Acquired Immune Deficiency Syndrome
ALI	Agrarian Law Implementation
ALRP	Accelerated Land Reform Program
AMA	Aniban ng mga Manggagawang sa Agrikultura (Alliance of Workers in Agriculture)
APEC	Asia Pacific Economic Cooperation
APIS	Annual Poverty Indicator Survey
APL	Alliance of Progressive Labor
ARB	Agrarian Reform Beneficiary
ARC	Agrarian Reform Communities
AR-NOW	People's Campaign for Agrarian Reform Network
ARMM	Autonomous Region of Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
AsiaDHRRA	Asian Secretariat for the Development of Human Resources in Rural Areas
ATI	Agricultural Training Institute
BAEcon	Bureau of Agriculture Economics
BAR	Bureau of Agricultural Research
BARC	Barangay Agrarian Reform Committees
BAS	Bureau of Agricultural Statistics
BLES	Bureau of Labor and Employment Statistics
BLR	Bureau of Labor Relations
BOT	Build Operate Transfer
BMBE	Barangay Micro Business Enterprises
BRW	Bureau of Rural Workers
BSWM	Bureau of Soils and Water Management
BWC	Bureau of Working Conditions
BWYW	Bureau of Women and Young Workers
CA	Census of Agriculture
CAC	Cabinet Action Committee
CALF	Comprehensive Agricultural Loan Fund
CAR	Cordillera Autonomous Region
CARL	Comprehensive Agrarian Reform Law or Republic Act 6657
CARP	Comprehensive Agrarian Reform Program
CARRD	Center for Agrarian Reform and Rural Development
CBA	Collective Bargaining Agreement
CBU	Capital Build Up
CDA	Cooperative Development Authority

CIS	Communal Irrigation System
CLO	Congress of Labor Organizations
CLOA	Certificate of Landownership Award
CODE-NGO	Caucus of Development NGO Networks
COLA	Cost of Living Allowance
CPAR	Congress for a People's Agrarian Reform
CPI	Consumer Price Index
CPP	Communist Party of the Philippines
CSS	Center for Strategic Studies
CUP	Cooperative Union of the Philippines
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DARAB	Department of Agrarian Reform Adjudication Board
DBP	Development Bank of the Philippines
DCF	Deferred Commercial Farms
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DILG	Department of Interior and Local Government
DKMP	Demokratikong Kilusang Magbubukid ng Pilipinas (Democratic Movement of Farmers of the Philippines)
DOH	Department of Health
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DSWD	Department of Social Work and Development
DTI	Department of Trade and Industry
DTS	Dual Training System
ECC	Employee Compensation Commission
EP	Emancipation Patents
EPA	Environmental Protection Agency
FAO	Food and Agriculture Organization
FFF	Federation of Free Farmers
FFW	Federation of Free Workers
FNRI	Food and Nutritional Research Institute
FPA	Fertilizer and Pesticide Authority
FIDA	Fiber Industry Development Authority
FIES	Family Income and Expenditure Survey
FLR	Functional Literacy Rate
FMR	Farm-to-Market Road
FPRDI	Forest Production Research and Development Institute
FSP	Fisheries Sector Program
FWRC	Filipino Workers Resource Center
GDP	Gross Domestic Product
GFI	Government Financing Institution
GMA	Ginintuang Masaganang Ani (Golden Bountiful Harvest)
GMO	Genetically-Modified Organism
GNP	Gross National Product

GSIS	Government Service Insurance System
GVA	Gross Value Added
HAZ	Homogeneous Agricultural Zone
HDI	Human Development Index
HDMF	Housing Development Membership Fund
HIV	Human Immuno-deficiency Virus
HVCC	High Value Commercial Crops
ICBP	Industry Capability Build-up Program
ICT	Information and Communication Technology
IFI	International Financial Institutions
ILO	International Labour Organization
IPC	Institute of Philippine Culture
ISTIV	Industrious, Systematic, Time-Conscious, Innovative, and has strong Value for Work
KMMMP	Kapatiran ng mga Malayang Maliliit na Mangingisda sa Pilipinas (Federation of Independent Small Fisher folk of the Philippines)
KMMP	Kalipunan ng mga Maliliit na Magniniyog sa Pilipinas (Confederation of Small Coconut Farmers of the Philippines)
KMP	Kilusang Magbubukid ng Pilipinas (Peasant Movement of the Philippines)
KMPI	Kaunlaran ng mga Manggagawang Pilipino, Inc. or Workers Fund
KOMPIL	Kongreso ng Mamayang Pilipino (Congress of the Filipino People)
KPMM	Koalisyon ng Progresibo at Makabayang Manggawa (Coalition of Progressive and Nationalist Workers)
KASAMA-FPO	Kalipunan ng mga Samahang Mamamayan (Federation of People's Organizations)
LACC	Labor Advisory and Consultative Council
LAD	Land Acquisition and Distribution
LADECO	Lapanday Development Corporation
LBP	Land Bank of the Philippines
LCP	Labor Code of the Philippines
LGU	Local Government Unit
LMCC	Labor Management Cooperation Council
LMLC	Lakas Manggagawa Labor Center
LLP	Low Lift Pumps
LMC	Labor Management Corporation
LMIS	Labor Market Information System
LRA	Land Registration Authority
LSM	Labor Solidarity Movement
MASIPAG	Magsasaka at Syentipiko para sa Ikaunlad ng Agham at Agrikultura (Farmer-Scientist Partnership for Development, Inc.)
MPC	Multi-Purpose Cooperative
MTC	Maritime Training Council
MTPDP	Medium Term Philippine Development Plan
NAFC	National Agricultural and Fisheries Council
NAMVESCO	Market Vendors Cooperative Services Federation

NATCCO	National Confederation of Cooperatives
NCL	National Confederation of Labor
NEA	National Electrification Administration
NFA	National Food Authority
NGO	Non Government Organization
NIA	National Irrigation Administration
NIS	National Irrigation System
NLRC	National Labor Relations Commission
NMP	National Maritime Polytechnic
NMU	National Marketing Umbrella
NPAAAD	Network of Protected Areas for Agriculture and Agro-Industrial Development
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
NTC	National Telecommunications Communication
NWPC	National Wages and Productivity Commission
OCCP	Organic Certification Center of the Philippines
ODA	Official Development Assistance
OFW	Overseas Filipino Worker
OSHC	Occupational Safety and Health Center
OWWA	Overseas Workers' Welfare Administration
PAKISAMA	Pambansang Kilusan ng mga Samahang Magsasaka (National Federation of Peasant Organizations)
PAMALAKAYA	Pambansang Kilusan ng mga Namamalakaya ng Pilipinas (National Movement of Small Fisher folk of the Philippines)
PMBA	PAKISAMA Mutual Benefit Association
PAN-AP	Pesticide Action Network for Asia and the Pacific
PARC	Presidential Agrarian Reform Council
PARCODE	People's Agrarian Reform Code
PCAMRD	Philippine Council for Agriculture and Marine Research and Development
PCARRD	Philippine Council for Agriculture Resources Research and Development
PCDP	Philippine Council for Disabled Persons
PCGG	Presidential Commission on Good Governance
PCIC	Philippine Crop Insurance Corporation
PCIJ	Philippine Center for Investigative Journalism
PDMP	Pinag-isang Diwa ng Manggagawang Pilipino (United Thought of Filipino Workers)
PGMA	President Gloria Macapagal-Arroyo
PDI	Philippine Daily Inquirer
PFCCI	Philippine Federation of Credit Cooperatives
PFPA	Philippine Fisheries and Development Authority
PHIC	Philippine Health Insurance Corporation
PhilDHRRA	Philippine Partnership for the Development of Human Resources in Rural Areas

PO	People's Organization
POEA	Philippine Overseas Employment Administration
POLO	Philippine Overseas Labor Officers
PNOC	Philippine National Oil Company
PPE	Personal Protective Equipment
PRESEED	Promotion of Rural Employment Through Self-Employment and Entrepreneurship Development
PRRI	Philippine Rice Research Institute
PSIC	Philippine Standard Industrial Classification
PSY	Philippine Statistical Yearbook
PVO	Private Voluntary Organization
RP	Republic of the Philippines
RTWPB	Regional Tripartite Wage and Productivity Board
SAFDZ	Strategic Agricultural and Fisheries Development Zones
SAP	Social Amelioration Program
SARS	Severe Acute Respiratory Syndrome
SEC	Securities and Exchange Commission
SOC	Small Owner-Cultivator
SONA	State of the Nation Address
SSS	Social Security System
STCW	Standards for Training, Certification and Watchkeeping
SUCs	State Universities and Colleges
SWS	Social Weather Stations, Inc.
TESDA	Technical Education and Skills Development Authority
TI	Transparency International
TIPC	Tripartite Industrial Peace Council
TRIPARRD	Tripartite Partnership for Agrarian Reform and Rural Development Implementation
TUCP	Trade Union Congress of the Philippines
TVET	Technical Vocational Education and Training
UN	United Nations
WB	World Bank
WEED	Women Workers Employment and Entrepreneurship Development
WODP	Workers' Development Program
WTO	World Trade Organization
WYC	Working Youth Center

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## **EXECUTIVE SUMMARY**

### ***General Agricultural Situation***

#### ***General Land Utilization***

In 1991, the total area of agricultural land utilized was 10 million hectares. This was distributed among the *temporary* and *permanent crops*, *pasture land* and *forest*. The *temporary crops* such as rice and corn made up 53 percent (5.3 million hectares) of agricultural land. This was followed by *permanent crop* such as coconuts and other tree crops, which occupy 42 percent (4.2 million hectares). The balance is equally divided among *forest growth*, *idle* and *other land*.

#### ***Farm System/Structure***

A mixture of small, medium and large farms characterizes Philippine agriculture.

Majority of the farms in the country are *small farms* averaging about 2 hectares, owned or occupied and managed by *farm households* whose activities range from subsistence agriculture to commercial production.

Farm households on small farms generally undertake farming. Two-thirds of all farms in 1991 were no larger than three hectares. Ninety percent of all farms were no more than five hectares.

Over a period of 30 years ending in 1991, the proportion of small farms has been expanding. This can be partly explained by the agrarian reform programs of the government. Under the current program implementing the comprehensive agrarian reform law, a farm household cannot own a farm larger than five hectares.

A typical farming system is planted to major crops, with rice, corn and coconut as common base crops, and a few heads of livestock and poultry.

The number of farm parcels under cultivation in 1991 totaled 8.9 million. The average number of parcels per farm was estimated to be 2 parcels with an average size of 1.1 hectares.

Small farms principally produce rice, corn, coconut and many other crops. Prior to Comprehensive Agrarian Reform Law (CARL), there were large plantations of rubber, coffee, oil palm, cacao, banana, pineapple, etc. Contract growing schemes operate in corn seeds, banana, tomato, cucumber, oil palm, asparagus and broiler chicken.

#### ***Agriculture and Philippine Development***

The slow growth of agriculture since the 1980s can be attributed primarily to the under-performance of the crop sub sector in Philippine agriculture.

The agricultural sector, which includes forestry and fishery, is a major foundation of the Philippine economy. This fact alone explains the urgent need to transform agriculture into a modern, dynamic

and competitive sector. A sustained expansion of the national economy requires sustained growth and high productivity in the agricultural sector.

The sector's contribution to the economy has been substantial, amounting to P549.37 billion or 15 percent of gross domestic product (GDP) in 2001 at current prices. But based on constant 1985 prices, the sector contributed P197.73 billion or 20 percent to the country's GDP. It registered a growth rate of 4 percent in 2001. The growth was mainly due to the expansion of the poultry, fishery, and sugarcane pineapple sub-sectors.

The 2001 population of the Philippines numbered 78 million people. Population growth rate is about 2.36 percent annually.

About half of the population lives in the rural areas and two-thirds depend on agriculture for their livelihood.

In terms of employment, about 37 percent of the employed persons in the country in 2001 is engaged in agricultural activities. Workers in rice, corn, coconut farms, landless farmworkers and fishers comprise the majority.

Almost half of the rural population in 2000 is considered poor (47.4 percent) and a disproportionate number live in the least developed regions -- Bicol (Region 5), Central Mindanao (Region 12), and the Autonomous Region Muslim Mindanao (ARMM).

The *severity of rural poverty* is greatest among the rural workers consisting of landless farm workers and small farmers. When compared to urban areas, poverty in the countryside declined at a much slower pace because growth was not sustained and unemployment remained high.

The social fortune of rural workers is intimately linked to the prevailing conditions in Philippine agriculture. From an agricultural leader in the 60s and 70s, the Philippines has deteriorated to an agricultural straggler in the 80s and 90s, compared to its Asian neighbors.

Due to inefficiencies, the Philippine dream of becoming self-sufficient in food, if not a net exporter of agricultural products, is becoming dimmer. The country is substantially importing its food needs like rice, corn, beef, pork, poultry, fruits, and fishery products.

Not only is the country's food security now highly dependent on agricultural imports, the situation is also driving the Filipino small farmers and farm workers out of business or employment, which is already suffering from poor productivity, not solely of their own making.

Even then, competition from cheaper agricultural imports actually highlights the fact that the Philippines is not as efficient as the other leading Asian countries and there's no reason it should not be.

The challenge is how to make smallholder agriculture more entrepreneurial and to compete head to head with the country's Asian neighbors at the same time that it lifts itself out of the morass of poverty.

## ***The Decent Work Deficits in the Agricultural Sector***

### ***Opportunities for and Conditions of Work***

Landless workers have lesser opportunities for employment and livelihood than other types of workers in agricultural farms owing to their limited access to land, even as land reform is going on. Their chances as land reform beneficiaries, given past record of government in implementing the program, is as low as can be.

Employment in agriculture is also dwindling. Not enough jobs are being generated either in the sector or in the whole economy to absorb the unemployed and the new entrants to the labor force.

Hours of work in agriculture are lower than the national average or when compared to industry and services, which indicate underemployment of employed persons in agriculture, even as the share of wage and salary earners to total employment is increasing. Such lesser hours, coupled with lower wages in employment or net returns from farming do not allow employment and livelihood in agriculture to earn adequate income that can be called “decent”, which in fact forms an important facet of income poverty that is prevalent in the rural areas and in the agriculture sector. Whether from wage employment or income from production, the amount of income mostly hovers around the poverty threshold income.

The type of jobs more prevalent in agriculture are seasonal and contractual, which further reduces opportunities for “decent” work and incomes to come by.

### ***Unacceptable Work: Child Labor***

Overall, in the Philippines, the incidence of child labor has increased from its level of 3.58 million in 1995 to 4.02 million in 2001. Moreover, its proportion to total children aged 5-17 slightly increased from 16 percent in 1995 to 16.2 percent in 2001. In profile, the Filipino working child is: a male elementary grader age 10 years old who usually live in rural areas, engaged in agriculture on a seasonal basis and unpaid; four out of ten, he works during night time; six out of ten, he is exposed to hazardous environment.

More than half the working children ages 5-17 were engaged in agriculture, forestry and hunting; seven out of ten are boys; six out of ten are unpaid workers in their own household-operated farm or business; one in every two work in the farm; about six in every ten are exposed to physical hazards and one out of ten to chemical hazards; seven out of ten suffer from work-related injuries and illness.

### ***Equity in Work: The Gender Question and Work-Life Balance***

*The gender gap* is narrowing, fast in some respects and slowly in others.

Wage employment of women in agriculture are growing the fastest and their share in wage employment is increasing

Women in agriculture work for lesser hours in paid employment than men but women work for much longer hours at unpaid work at home.

In farming activities, the wage differential between the sexes for all crops category is slowly narrowing down but generally women still receive lesser pay than men. By crop category, however, the wage gap is widening in rice, corn and sugarcane.

Overall, in terms of landless households: 6 out of ten were men-headed while 4 out of ten were women-headed. However, of the households owning land, both sexes share the wealth equally. When it comes to ownership of agricultural lands by households, there are more women-headed households who own land (26.5%) than men-headed ones (24.8%)

In financial services, gauged from the Grameen Replication Program, almost all the beneficiaries (97%) are women. However, when it comes to holders of land emancipation patents (EPs) and certificates of land ownerships (CLOAs), only 1 out of ten holders of EPs are women and only 2 out of ten holders of CLOAs are women.

*On balancing work and family life*, studies show that the Filipino family in general remains traditional but it is changing as the other institutions supporting it are changing too.

Decision-making between spouses are still shared, and the nuclear and well as the extended family are still consulted in major decisions.

In agriculture “family togetherness” is weakening due to the need for paid work to support the family. However, this “apartness” is lesser in degree in rural communities than in urban ones.

A balance work-family life arrangement, because of the nature of work in farms, is greater in degree in rural areas and in agricultural work than in urban areas and industrial work. Children, however, are “going out” of the community and country to work, often in order to supplement family income.

### ***Productive Work: Access to Support Services***

Credit and loans for agriculture is relatively accessible but not adequate. The rural poor access credit mainly from informal sources at relatively small amounts.

Farm-to-market roads and provincial roads are lacking and half of these are in poor conditions and deteriorating, which affect the price of agricultural products and, consequently, the incomes of farmers and farm workers. According to perception surveys, access to roads favor the rich.

Eight out of ten rural villages have access to electricity. Access to telephones are growing fast but only a little less than four out of one hundred have landline telephones. And this is lesser in the rural areas. Cellular phone-use is increasing, though, and its growth rate is moving very fast, at 45% per annum between 1996 and 1999.

Agricultural extension services remain limited.

### ***Security and Stability at Work: Job Security and Social Protection***

*Security of job or land tenure* is guaranteed by the Constitution and by law, both for formal sector workers in business establishments and for farmers and workers in farms and forests. However, excessive legalism bugs implementation and weakens the exercise of the right to security of tenure while globalization tends to derogate the implementation of labor standards including security of tenure in establishments as well as in farms

A variety of *social protection schemes* exists in the Philippines that are publicly or privately funded and managed. The country is still far from the objective of providing social protection for all. In general, these programs are neither cohesive nor congruent, which reduce their impact for the purpose that they have been created.

*Social assistance* is extensive and covers a wide array of public beneficiaries. Studies show that social assistance is skewed in favor of the non-poor; it is cheap and often free but its quality is low. It has deteriorated overtime.

*Social insurance* coverage is mostly limited to the formal sector and income earning members because of its contributory character. Non-regularity of jobs and income thus impinge on its financial viability. Premium for public schemes and compliance to its mandatory membership are low, further contributing to its shaky financial viability and sustainability. Governance and management while government-controlled allows for tripartite representation but are rather weak in administration. Questionable investment decisions have caused severe drain in their reserves; further the shaky economic conditions affect investment decisions and income. Sector-specific and area-specific public schemes supplement the institutional schemes but their source of funding creates problems of sustainability, which are also affected by prevailing economic adjustment problems. Private social insurance schemes offered in the market are mostly unaffordable by the majority of the poor population. Microinsurance schemes have been established mostly by NGOs and some in cooperation with the public and private sectors; however, most have not gone beyond their piloting or model building stages and their financial viability and sustainability, thus also their replicability, need to be further studied and strengthened.

Social protection in *collective bargaining agreements* offer a variety of schemes whose benefits are usually on top of publicly-established, formal and institutional schemes, but while often adequate, their coverage is as limited as the negligible coverage of CBAs in the country.

*Occupational health and safety practices* have deteriorated over time. Four out of ten accidents happen in agriculture. Exposure to chemicals remain the most preponderant health hazard in agriculture. Overlapping health and safety agencies contribute to inefficiencies in the management of occupational health and safety services. Awareness is also inadequate

### ***Dignity at Work: Promoting Social Dialogue***

The legal and socio-economic basis of freedom of association and collective bargaining as well as multi-sectoral representation are also discussed extensively in Chapter 4. These frame the exercise of organized social dialogue in the country.

Social Dialogue finds extensive practice in the Philippines, due partly to liberal and progressive laws that promote tripartism, collective bargaining popular participation in development and social negotiations, at the workplaces, in government and in industries.

A range of social dialogue mechanisms exists: from mere provision of information, through various types of negotiations, and sectoral representation in tripartite bodies, legislative assemblies and national summits, meetings and conferences.

While representativity and representativeness of social organizations are sometimes raised as questions that can whittle away both gains and process of social dialogue, the fact remains that bilateral, trilateral and multi-party negotiations help shape public policy on social and economic development.

Although trade union density is low and even marginal in the country, the density of peasant organizations and civil society groups in the Philippines may be among the highest in this part of the world, contributing to substantial exercise of the right to freedom of association and free collective bargaining. Still, the efficiency and effectivity of social dialogue are sometimes put into question.

### ***Government Initiative and Decent Work in Agriculture***

Philippine government initiatives and interventions for major social programs such as Decent Work require legal basis.

Present social and economic legislations are generally progressive. For instance, the 1987 Constitution being a by-product of the People Power 1986 Revolution is heavily anchored on democratization, human rights and social justice. Existing statutory laws such as the Labor Code of the Philippines (LCP), Comprehensive Agrarian Reform Law (CARL), Agriculture & Fisheries Modernization Act (AFMA), Cooperative Code and the Local Government Code translate the constitutional values of equity, productivity, people's organization and participation into programs and policies.

However, all these legal instruments have their respective loopholes and weaknesses that have been the result of compromises in the process of formulation and enactment. These weaknesses have been used time and again to thwart the full realization of the abovementioned constitutional values.

At any rate, these statutory laws are used by government as the basis for the formulation of implementing policies and for designing social and economic programs and projects such as employment generation, social protection, agrarian reform, agricultural modernization, local governance including the allocation of budget for these.

The core programs of government are contained in the Medium Term Philippine Development Plan (MTPDP). The MTPDP is a document that contains the government's socio-economic policies and goals to be implemented for a period of four years. For every Administration of government, a new MTPDP is formulated to reflect its priorities and programs as generally

announced through the incumbent President's State of the Nation Address or SONA.

Government's performance in the implementation of programs and projects is a mixture of successes and failures. Policy and program implementation has its own problems and weaknesses.

Sometimes these weaknesses arise from the statutory law itself. At other times, it is a problem of political will for implementing programs that could affect vested interests such as the aggressive implementation of agrarian reform or the removal of protectionist policies in the economy. Frequently, it is a problem of inefficiency on the part of the bureaucracy as shown by overlapping roles and responsibilities in the area of agricultural modernization, occupational health and safety and government devolution. Or it could be a problem of graft and corruption. Often, it is simply a problem of budget deficit and poor interval revenue collection.

### ***Peoples' Movements and Civil Society and Decent Work***

Based on their experiences, the role of POs-Coops-NGOs may be summed up as follows:

#### ***Creating public awareness and crystallizing the political will for Decent Work.***

Social legislations such as labor standards and agrarian reform have usually been results of, or responses to, concerted actions and specific rural workers' demands at different periods of time.

The POs-Coops-NGOs have been at the forefront of catalyzing this kind of action to articulate public demand from below.

Organization and education, emanating at the grassroots level, are powerful tools for people's empowerment especially when accompanied by popular mobilization and action.

#### ***Ensuring public accountability.***

POs-Coops-NGOs provide a valuable source of feedback on the implementation of Decent Work programs, given POs-Coops-NGOs direct link in the communities they work with. Farmer-beneficiaries and other disadvantaged sectors targeted by programs can freely air out their criticisms and suggestions because of the mutual trust that has been established between these groups and their respective constituencies over the years.

#### ***Providing direct support services.***

POs-Coops-NGO experiences in development work and their non-bureaucratic character could come in handy for the development of a responsive delivery mechanisms.

#### ***Piloting innovative approaches and strategies.***

The size and flexibility of POs-Coops-NGOs allow ample space for innovation and local adaptation. They can experiment with new ways and approaches in carrying out a program. The

ability to be flexible and innovative is important in implementing Decent Work programs where people's participation is a must.

***Bridging government agencies and rural communities.***

The ability of POs-Coops-NGOs to work closely with the rural poor and their recognition by the government as partners in the development process provide these groups a unique role in acting as link or bridge for both parties.

***The ILO and Decent Work in Philippine Agriculture***

Having been a member of the ILO since 1948, the Philippines has ratified 30 Conventions, 28 of which are in force. The ILO considers the performance of the Philippines as below average, when reckoned against all ILO Member States, but better than most of its Asian neighbors

The ILO noted five kinds of deficits on the part of the Philippines when it comes to the adoption and implementation of the various ILO conventions which are universally considered as the minimum standards for all member-states. These deficits revolve around the issues of non-ratification, inconsistencies, weak application, child labor and limited legal and social protection of overseas Filipino workers.

The Philippines was chosen as one of the pilot countries where Decent Work will be implemented through the Action Programme for Decent Work. These action programme consist of four (4) sectoral responses and four (4) integrated responses all geared towards the implementation of the Decent Work both as a goal and as a program.

Even then, there is further need to sharpen the decent work program in the agricultural and rural sectors.

## I. INTRODUCTION

### I.1. *Background Of The Study*

The International Labour Organization (ILO) states that its global thrust at this time is the promotion of “opportunities for women and men to obtain decent and productive work, in the conditions of freedom, equity, security and human dignity.”<sup>15</sup> This provides the parameter for the Decent Work framework of the ILO to realize this aspiration and synthesizes its four major components, namely: rights at work, employment, social protection and social dialogue.

The Decent Work program of the ILO is its contribution to the attainment of the Millennium Development Goals of the United Nations, which includes the ambitious target of reducing by half the number of persons living in extreme poverty by 2015 from its 1990 level.<sup>16</sup>

In order to make this a reality, one should first confront the global decent work deficit. According to the ILO, the deficit “is expressed in the absence of sufficient employment opportunities, inadequate social protection, the denial of rights at work and shortcomings in social dialogue. It is a measure of the gap between the world that we work in and the hopes that people have for a better life.”<sup>17</sup>

As part of the effort to confront the prevailing global decent work deficit, the ILO sponsors studies such as this to precisely understand and contribute to the realization of the goals of Decent Work especially in the developing countries like the Philippines.

Because agriculture is generally the most dominant sector in the economy of many developing countries like the Philippines, it is important to assess how decent is work in the agricultural sector.

Past Administrations of government in the Philippines, notably since 1986, as well as this current one, have seen renewed focus on promoting Decent Work through employment generation, poverty alleviation and social integration programs.

The Medium Term Philippines Development Plan (MTPDP) for 2001-2004 incorporates the Government’s thinking and sets down employment policies and poverty reduction targets. In fact, the MTPDP, for the first time, includes a chapter on “Promoting Full, Decent and Productive Employment.”

But while there is widespread acknowledgement of the current administration’s commitment and good intentions to generate employment and fight poverty, there is skepticism as to whether it can implement effective programs and policies to achieve results on the ground.

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<sup>15</sup> *ILO Action Programme for Decent Work: Philippines. (ILO, Manila, 2002).*

<sup>16</sup> *Ibid.*

<sup>17</sup> *ILO. Reducing the Decent Work Deficit: A Global Challenge. Report of the Director General. (International Labour Conference, 89<sup>th</sup> Session, Geneva, 2001).*

## ***I. 2. Methodology And Limitations***

In the past decades, there have been innumerable studies on a wide range of subjects in agriculture and rural development in the Philippines. However, there is a dearth of agricultural or rural development studies undertaken using the decent work lens.

Many studies on decent work have been done by the ILO and its various attached agencies like the International Institute of Labour Studies, and most of these are on the conceptual level with, of course, an international perspective.

The country generally lags behind in the distillation of these researches so that they can become timely and digestible inputs to the decision-making processes of international bodies, government policy makers and advocacy agenda of the trade unions, rural worker organizations and their civil society allies.

This study hopes to contribute to the general understanding of decent work in the Philippines context.

The main methodology entailed gathering the latest available data and information relevant to the subject of this study from government sources, international organizations and credible private sources.

Due to time constraints, it was not possible to gather all these materials in time. This study likewise suffers from lack of or inadequate statistical measures suggested by the ILO framework. In some instances, data available were only overall macro data but there were no disaggregation by urban or rural areas, by major industry or occupational groups or by crops. In others where these are available, no data series can be constructed for lack or inadequacy of the series itself.

Employment data series were limited because the base of projections since 1998 has changed from 1988 census to the 1995 census. Comparison over a longer term using household-based data was not possible. In yet another instance, the former 1977 Philippine Standard Industrial Classification (PSIC) was changed to the 1994 PSIC, particularly in the year 2000, making it physically impossible at the moment to compare the years before 2000, unless the year 2000 and above are recomputed to bring these years back to the 1997 PSIC. Finally, the more complete data set readily available ends in 2001. Upon query, however, the 2002 statistics is expected to come out in full late in 2003 or early in 2004.

It could be possible to request earlier release of data needed; even then, data handling could still be cumbersome, as re-computations will have to be done along either the 1997 or 1994 PSIC. Some data sets could also be “mined”, that is to request a public use of statistics to generate specially-designed data sets and series. Time and money constrain this alternative.

Thus, where and when relevant statistical data are not available, anecdotal evidence or short case studies have been used. Expert studies, even if dated were referred to, quoted and used. And where applicable, data tables or illustrative graphics serve to accentuate the message.

Finally, this paper is focused on agriculture in general. Fisheries and forestry which are considered part of agriculture have been left out for the time being.

Some omissions might have been committed in the process of conducting the study in an effort to work within a very limited timeframe. Suffice it to say that this is not intentional and that any error is the responsibility of the author.

### ***I. 3. Objectives And Outline Of The Study***

The general purpose of this Report is to call the attention of national policy makers, trade union and peasant leaders and students of decent work and rural development on the decent work deficit in Philippine agriculture. This report, in addition, advocates for promoting decent work in the rural areas and rural development.

For the ILO and other international development community, this will serve as an expanded case study of the Philippine experience in pursuing decent work in the country.

The specific objectives of the Report are as follows:

- To describe and analyze how decent conditions of work and respect for fundamental rights of rural workers are essential to sustainable agriculture and rural development;
- To examine the working and living conditions of rural workers highlighting the magnitude of the problems in employment and income or wage conditions, social protection, gender discrimination in income and employment, incidence of child labor, workers' and farmers' access to legal protection and social security benefits, education and health facility, safe drinking water, roads, transportation, electricity, market, etc. in both traditional and commercial agriculture;
- To analyze the role of government and the impact of its policies and programmes, including legal provisions, conventions and location-specific as well as crop-specific institutional arrangements in creating conditions of decent work in agriculture;
- To identify the role of trade unions, rural workers' organizations and other civil society groups in the creation of conditions for decent work in agriculture; and
- To analyze the role of the ILO and other international bodies in promoting relevant ILO standards relating to rural workers and decent work in agriculture.

This Report will address these objectives in six (6) chapters organized as follows:

Chapter 1: General Agricultural Situation in the Philippines

Chapter 2: Decent Work Deficit in Philippine Agriculture

Chapter 3: Government Initiative and the Decent Work Agenda in Philippine Agriculture

Chapter 4: People's Movements, NGOs and Decent Work in Agriculture

Chapter 5: ILO, Decent Work and the Philippines

Chapter 6: Conclusions and Recommendations

#### **I. 4. Decent Work Framework Of The ILO**

How decent is your work? This question should be easy to answer at the level of the individual because every person at work or looking for work, whatever his or her nationality or ethnic origin, occupation or livelihood, has an idea what decent work means in her or his own context. It becomes different - and there lies the difference – when groups and collectives define what is decent.

At any rate, since work is a major part of life in terms of total time, socialization and individual development, decent work is clearly a primary foundation of a better quality of life. Since employment is also the main source of income for the vast majority of people in any given society and the driving force for poverty reduction and sustainable development, it behooves that employment is turned into decent and productive work for all.

The relative importance of specific aspects of decent work varies from country to country and from person to person, but the concept and basic elements of decent work is universal. It is also the belief of the ILO and many others that decent work is an important contributor to sustainable development, in addition to being an important objective in its own right.

“Decent work”, as defined by the 1999 ILO’s Director-General Report, “means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities.”<sup>18</sup>

#### **I. 5. Decent Work Concept: Work Is More Than Labor**

The concept of decent work, as elaborated in the Report of the ILO DG, covers four interrelated policy areas: employment, social protection, workers’ rights and social dialogue. While these are the traditional concerns of the ILO since its inception, what is new in this framework, according to Bacarro, is that the focus now is no longer simply on labor but on work. Bacarro postulates the difference by defining work as encompassing “ all kinds of productive activities but does not necessarily involve the presence of an employment contract.”<sup>19</sup> Presumably, labor is defined by the “employment contract”; thus it is commodified.

Put in another way, Ghai interpreted decent work as “applicable not just to workers in the formal economy but also to “unregulated wage workers, the self-employed and home workers.”<sup>20</sup>

#### **I. 6. Problem Of Measurement**

To Ghai, while many studies have been done around the concept and strategies of decent work, little has been done in making operational indicators for decent work. Ghai emphasized that tracking the progress of the ILO and the member-states efforts’ to implement decent work in their

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<sup>18</sup>ILO. *Decent Work. Report of the Director General. (International Labour Conference, 87<sup>th</sup> Session, Geneva, 1999).*

<sup>19</sup>Lucio Bacarro. *Civil Society, NGOs and Decent Work Policies: Sorting Out the Issues. (IILS, Geneva, 2001).*

<sup>20</sup>Dharam Ghai. *Decent Work: Concepts, Models and Indicators. (IILS, Geneva, 2002).*

respective country contexts necessitates the development of a core statistical indicators for this purpose.

This is where the seminal work of Anker et. al., has made a significant contribution. Their paper focused on how to translate the decent work concept into easily understood characteristics of work using widely used labor statistical indicators in the short and medium term. Their ultimate objective, however, is to develop an commonly agreed “minimum core set of ILO decent work indicators,” perhaps leading to the development of a “Decent Work Index” much like the Human Development Index (HDI) developed by the UNDP.<sup>21</sup>

Anker et. al. broke down the definition of decent work into six conceptual elements, namely:<sup>22</sup>

- ***Opportunities for work*** refers to the need for all persons who want work to be able to find work, since decent work is not possible without work itself. The underlying concept of work is a broad one, encompassing all forms of economic activity, including self-employment, unpaid family work and wage employment in both the formal and informal sectors, urban and rural areas.
- ***Freedom of work*** emphasizes that work should be freely chosen and not forced on individuals and that certain forms of work are unacceptable. It means that bonded and slave labor as well as unacceptable forms of child labor should be eliminated as agreed by governments in international declarations and labor standards. It also extends to the right of workers not to join or to join workers’ organization of their own choice.
- ***Productive work*** means that any work should be able to generate enough surplus to provide decent wages or income for the workers in the context of competitiveness and sustainable development. This is indispensable if economic growth should lead to less poverty.
- ***Equity in work*** represents workers’ need to have fair and equitable treatment and opportunity for work. It encompasses absence of discrimination at work for whatever reason as well as access to work and ability to balance work with family life.
- ***Security at work*** presupposes that a worker is not only assured of a reasonable return on his or her labor; it is also concerned with improving the overall quality of life of the worker. It as well recognizes the workers’ need to limit insecurity associated with possible loss of job or livelihood at any given moment and the reduction of income in old age when it is most needed. For this to be achieved there is a need for workers to have access to other social services and social protection. These social services and protection relate to all matters of health, education, pensions and other benefits afforded by schemes of social assistance and insurances.

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<sup>7</sup>Richard Anker, et. al. *Measuring Decent Work with Statistical Indicators*. (Policy Integration Department, ILO, Geneva, 2002).

<sup>8</sup>*Ibid.*

- ***Dignity at work*** requires that workers are treated with respect at work and are able to voice concerns (either individually or collectively) or participate in decision making about working conditions both within the enterprise and society in general.

The first two elements of decent work noted above are concerned about the creation and preservation of employment and the acceptability of work. The four remaining elements of decent work tackle the extent of its decency.

In addition to these six dimensions of decent work, the macro socio-economic context is likewise important, because it helps determine what constitute decency in societies as well as the extent to which the achievement of decent work enhances national economic, social and labor market performance.

From these six conceptual elements Anker et, al, posited eleven statistical indicators of decent work. These are employment opportunities, unacceptable work, adequate earnings and productive work, decent hours, stability and security of work, combining work and family life, fair treatment in employment, safe work environment, social protection, social dialogue and workplace relations and economic and social context of decent work.

### ***I. 7. Soft Critique Of Decent Work***

Guy Standing,<sup>23</sup> on the other hand, critiques the decent work concept albeit sympathetically. He posits the need to “rethink” the use of commonly available statistical indicators that are used to monitor the progress of decent work.

First, he agrees the term “work” in decent work is a better choice than “labor.” He goes further by saying that the better slogan should be “dignified work” instead of “decent work,” if only to emphasize the philosophical underpinning that work is intimately linked with the dignity of the human person.

Second, Standing critiques the “labor force approach” in generating and categorizing statistical figures. According to him, while categories like “employed”, “unemployed” and the “economically inactive” provide policy makers with estimates of employment and unemployment rates, these may have outlived their usefulness.

Given the “flexibilization” and “informalisation” of work, including the gradual legitimisation of work other than labor such as “domestic work” and “care work” in this age of globalization, the dichotomy between “labor force” and “non-labor force” becomes untenable. This is apart from the other weaknesses already cited by the feminists in recent pasts. Eventually, this can make the labor force approach to handling statistics an anachronism.

Finally, the biggest drawback, Standing says, is that the labor force approach has failed to surface the fundamental issue of “control” over the various aspects of work or labor, e.g. *individual “labor power”, time, means of production, raw materials, production output and income*. It is obvious

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<sup>23</sup>Guy Standing. *Modes of Control: A Labour-Status Approach to Decent Work*. (ILO, Geneva, 2000).

that whoever controls one or a combination of these aspects has the upper hand in any social relation. The statistical implication of this conclusion is that one should be “wary of analytical or statistical classification based on any one element of rights, freedoms or security possessed by social groups.”

Standing proposes that instead of using categories like “self-employed (own-account) workers”, “wage workers” and “unpaid family workers”, labor statisticians should use the following labor statuses based on the control perspective: *slave, serf, servant, bonded labourer, sharecropper, peasant, tribal cultivators, nomad, artisans, outworker, wage workers, semi-proletarian, family worker, apprentice, cooperative worker, landlord, lord/master, chief, merchant, and employer*. If these control-based classification system were used in handling statistics, a very different picture might emerge other than that conveyed by conventional labor statistics. Likewise, it will give a different sense of what decency means in decent work or what “dignity” means in “dignified work.”

### **I. 8. *Limitations Of Existing Measures Of Decent Work In Philippine Agriculture***

At any rate, in determining the decent work deficit in agriculture, the six elements of decent work articulated by Anker et al. will be used as the working framework to assess how decent is work in the agricultural sector of the country.

In the process, however, this author attempts to inject certain statistical indicators that the he feels is applicable in assessing decent work in agriculture, such as access to land, for example. This author also attempts to estimate the number of rural workers based on their tenurial status, which more or less hew closer to the “control-based classification system” of standing.

This paper also attempts to count rural workers according to selected major crop or commodity. Likewise this paper advocates that there should be a means of tracking the number of the various types of rural workers in order to monitor the impact of equity and productivity measures being implemented by the government such as the Comprehensive Agrarian Reform Program (CARP) and the Agriculture and Fisheries Modernization Act (AFMA).

In assessing the decent work deficit in agriculture, this author uses statistics that are strictly categorized as “agricultural” within the categories of major industry or major occupation groups. However, in the absence of data sets or series under these categories, those data categorized as “rural area” were used.

Balisacan, though, points out a problem in the way “urban” and “rural” areas are defined in the censuses of the Philippines. He suggests that, because of the shifting definition of rural areas, it will be difficult to track the development of rural areas through time because all the so-called progress in the rural areas will eventually redefine these areas as urban. In the end, therefore, all development in a rural area will be credited to the urban areas.<sup>24</sup> It shows the flaw of the hidden assumption that the higher goal of rural development is to become a full-fledged urban area.

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<sup>24</sup>Arsenio Balisacan. *Philippines. Rural Poverty in Developing Asia, vol. 2. Ed. by M.G. Quiria. (ADB, Manila, 1996).*

According to land capability, 78.31 percent of the alienable and disposable land are *prime agricultural areas* and 6.1 million hectares are highly suitable for cultivation.<sup>25</sup>

## 2.2. General Land Utilization

In 1991, the total area of agricultural land utilized was 10 million hectares. This was distributed among the *temporary* and *permanent crops*, *pasture land* and *forest*.<sup>26</sup> The *temporary crops*<sup>27</sup> such as rice and corn made up 53 percent (5.3 million hectares) of agricultural land. This was followed by *permanent crops*<sup>28</sup> such as coconuts and other tree crops, which occupy 42 percent (4.2 million hectares). The balance is equally divided among *forest growth*, *idle* and *other lands*,<sup>29</sup> (See Table 1.1 in Annex).

## 2.3. Farm System/Structure

A mixture of small, medium and large farms characterizes Philippine agriculture.

Majority of the farms in the country are *small farms* averaging about 2 hectares, owned or occupied and managed by *farm households* whose activities range from subsistence agriculture to commercial production.

Farm households on small farms generally undertake farming. Two-thirds of all farms in 1991 were no larger than three hectares. Ninety percent of all farms were no more than five hectares (see Table 1.1 in Annex).

Over a period of 30 years ending in 1991, the proportion of small farms has been expanding.<sup>30</sup> This can be partly explained by the agrarian reform programs of the government. Under the current program implementing the comprehensive agrarian reform law, a farm household cannot own a farm larger than five hectares.

A typical farming system is planted to major crops, with rice, corn and coconut as common base crops, and a few heads of livestock and poultry.

The number of farm parcels<sup>31</sup> under cultivation in 1991 totaled 8.9 million. The average number of parcels per farm was estimated to be 2 parcels with an average size of 1.1 hectares.<sup>32</sup>

Small farms principally produce rice, corn, and coconut. Prior to Comprehensive Agrarian Reform Law (CARL), there were large plantations of rubber, coffee, oil palm, cacao, banana, pineapple, etc.. While these still exist, they are in the process of being land-reformed. If already land-

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<sup>25</sup>URL, <http://www.da.gov.ph>

<sup>26</sup>BAS. (2001).

<sup>27</sup>Temporary crops - defined by NSO as crops grown seasonally and whose growing cycle is less than 1 year.

<sup>28</sup>Permanent crops - defined by the NSO as fruit trees, nut bearing trees, shrubs and the like.

<sup>29</sup>"Forest growth" is that part of a landholding, which has natural or planted forest trees; "idle land" refers to temporarily fallowed land for at most 5 years in order to recover its fertility (NSO: 1991 CA).

<sup>30</sup>Ibid.

<sup>31</sup>Farm parcel is one contiguous piece of land under one form of tenure without regard to land use. A piece of land is contiguous if it is not separated by natural or man-made boundaries that are not part of the farm/holding (NSO: 1991 CA).

<sup>32</sup>NSO. 1991 Census of Agriculture. (NSO, Manila, 1991).

reformed, contract growing schemes operate, such as in land planted to corn seeds, banana, tomato, cucumber, oil palm, asparagus and in raising broiler chicken.

## **II. GENERAL AGRICULTURAL SITUATION IN THE PHILIPPINES**

### **II. 1. Background on the Philippine Agricultural Sector and Rural Areas**

#### **II. 1. (i). Geography and Climate**

The Department of Agriculture (DA) describes the Philippine geography and climate as follows:<sup>33</sup>

The Philippines, one of the largest island-groups in the world with 7,100 islands and islets, is strategically located within the area of nations that sweep southeast from Mainland Asia across the equator to Australia.

Its boundaries are formed by three large bodies of water: on the west and north by the South China Sea; on the east by the Pacific Ocean; and on the south by the Celebes Sea and coastal waters of Borneo.

The total land area of the Philippines is 300 thousand square kilometers or 30 million hectares. It constitutes two percent of the total land area of the world.

Based on the archipelagic doctrine, the Philippines gains exclusive rights to all resources living or non-living in and at the bottom of an area of about 276,000 square nautical miles. The country has the longest discontinuous coastline in the world totaling 34,000 kilometers.<sup>34</sup> The Philippines is divided into three major island groups:

- Luzon, with an area of 141 thousand square kilometers;
- Visayas, with an area of 57 thousand square kilometers.
- Mindanao, with an area of 102 thousand square kilometers; and

The climate is “tropical marine”, which is mainly moderated by the surrounding seas, with a November to April northeast monsoon and a May to October southwest monsoon. Climate also varies within the country because of a mountainous topography.

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<sup>33</sup>URL: <http://www.da.gov.ph>

<sup>34</sup>NSO. 1995 *Philippine Statistical Yearbook*. (NSO, Manila, 1995).

## **II. 1. (ii). *Land Resources***

### **II. 1. (ii). a. *Land Area and General Classification***

In 2001, forty percent of total land area of the Philippines was agricultural land. Prime agricultural lands are located around the main urban and high population density areas.

Land resources in the country are generally classified as *forestlands* or *alienable and disposable lands*. A total of 15.8 million hectares were classified as *forestlands*, and 14.1 million hectares as *alienable and disposable lands*, 84 percent or 11.9 million hectares of which are classified as *agricultural lands*, constituting a 5.5 percent decrease from the 1997 figure of 12.6 million hectares.<sup>35</sup>

## **II. 2. *Agriculture In Philippine Society And Development***

### **II. 2. (i). *In General***

The agricultural sector, which includes forestry and fishery, is a major foundation of the Philippine economy. This fact alone explains the urgent need to transform agriculture into a modern, dynamic and competitive sector. A sustained expansion of the national economy requires sustained growth and high productivity in the agricultural sector.

The sector's contribution to the economy has been substantial, amounting to P549.37 billion or 15 percent of gross domestic product (GDP) in 2001 at current prices. But based on constant 1985 prices, the sector contributed P197.73 billion or 20 percent to the country's GDP. It registered a growth rate of 4 percent in 2001. The growth was mainly due to the expansion of the poultry, fishery, and sugarcane and pineapple sub sectors.<sup>36</sup>

The 2001 population of the Philippines numbered 78 million people. Population growth rate is about 2.36 percent annually.

About half of the population lives in the rural areas and two-thirds depend on agriculture for their livelihood.

In terms of employment, about 37 percent of the employed persons in the country in 2001 is engaged in agricultural activities. Workers in rice, corn, coconut farms, landless farmworkers and fishers comprise the majority.

Almost half of the rural population in 2000 is considered poor (47.4 percent) and a disproportionate number live in the least developed regions -- Bicol (Region 5), Central Mindanao (Region 12), and the Autonomous Region Muslim Mindanao (ARMM).<sup>37</sup>

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<sup>35</sup>Bureau of Agricultural Statistics (BAS). *Selected Macroeconomics and Agricultural Statistics*. (BAS, Department of Agriculture, Quezon City, 2001).

<sup>36</sup>NSCB. *2002 Philippine Statistical Yearbook*. (NSCB, Makati, 2002).

<sup>37</sup>NEDA. *Medium-Term Philippine Development Plan (MTPDP): 2001-2004*. (NEDA, Makati, 2001).

The *severity of rural poverty* is greatest among the rural workers consisting of landless farm workers and small farmers. When compared to urban areas, poverty in the countryside declined at a much slower pace because growth was not sustained and unemployment remained high (*see Table 1.2 in Annex*).<sup>38</sup>

The social fortune of rural workers is intimately linked to the prevailing conditions in Philippine agriculture. From an agricultural leader in the 60s and 70s, the Philippines have deteriorated to an agricultural straggler in the 80s and 90s, compared to its Asian neighbors.

## II. 2. (ii). *Growth in Philippine Agriculture*

The yearly growth rate of agricultural output has substantially decreased from an average of 5.8 percent annually in 1970s to about one or two percent in the 1980s and in large part of the 1990s until 2001. The sector's growth rate could not even consistently surpass the country's population growth during these latter years.<sup>39</sup>

The historical pattern of agriculture's growth performance illustrates the instability of production. Except for the poultry and fishery sub sectors, the growth rate of all sub sectors has decreased over time, especially the crop sub sector - a glaring manifestation of the unsustainability of the production systems in agriculture (*See Table 1.3*).

**Table 1.3 - Annual Growth Rates of Agricultural Production 1996-2001, (In Percent)**

Item	96-97	97-98	98-99	99-00	00-01
CROPS	-1.2	-17.9	15.0	0.0	2.0
A. CEREALS	1.1	-26.0	24.4	3.1	3.3
PALAY	-0.1	-31.7	27.4	4.9	4.4
CORN	4.2	-13.3	16.6	-1.6	0.3
B. MAJOR CROPS	5.1	-16.3	14.1	3.0	1.6
COCONUT	12.9	-7.0	-2.4	3.8	1.6
SUGARCANE	-3.9	-28.5	27.1	2.9	1.9
BANANA	24.9	-7.3	10.1	7.3	2.6
PINEAPPLE	4.6	-2.6	-0.6	-0.4	3.6
COFFEE	-815.4	-6.4	-4.1	7.0	4.4
C. OTHER CROPS	-27.7	-10.0	-4.2	-29.6	-0.6
LIVESTOCK	4.8	3.5	4.1	2.9	2.8
POULTRY	7.9	-1.0	1.0	6.6	8.9
FISHERY	-0.1	1.3	3.2	2.3	5.5
AGRICULTURE	-0.9	-16.2	14.0	0.2	2.3

*Source: BAS, 2002 Philippine Statistical Yearbook*

<sup>38</sup>*Ibid.*

<sup>39</sup>Sub-Sectoral Committee for Farmers' Organizations and NGOs, *Kilos-Saka Plus. Common Agri-Fishery Action Agenda of the Small Farmers and Fisherfolk. (National Socio-Economic Summit, Manila, 2001).*

The growth of the *cereals group* in general has been erratic, declining and sometimes in the negative. Corn is the worse performer in the cereal group. This was mainly due to the reduction in crop area planted to white corn in the 1990s. Rice on the other hand was able to pull itself out of the rut in 1998-1999. However, since then, rice was once again on the decline and its growth is still no match to the increasing local needs.

The *major crops* likewise have exhibited poor performance for the same reference period. Coconut, pineapple and coffee proved to be the worse performers in this group, both in terms of quality and quantity.

The problem is accentuated when one considers that areas planted to cereals and major crop groups comprise more than 90 percent of the country's total agricultural land.

## II. 2. (ii). a. *Compared to Other Asian Countries*

In the last two decades, Philippine agriculture has also been performing poorly compared to its Asian neighbors. In fact, the Philippines has fallen from the group of "best performers" to one of the "worst performers" in terms of agricultural production and export performance among the dominantly agricultural countries in Asia. Moreover, agricultural growth in the Philippines in the last two decades being compared remained stagnant; the lowest between 1980-99 when its neighbors were industrializing fast. But still, except for Malaysia and South Korea that have in any case become newly industrializing countries by then, growth in Philippine agriculture in the reference period, remained the lowest (*see Table 1.4*).

**Table 1.4** - Agricultural Growth in Selected Asian Countries (In percent)

Country	1980-1990	1990-1999
China	5.9	4.0
Vietnam	4.3	5.2
Thailand	4.0	3.0
Indonesia	3.4	2.6
India	3.1	3.3
South Korea	2.8	1.4
Malaysia	3.8	1.4
<b>Philippines</b>	<b>2.1</b>	<b>2.0</b>

Source: NSCB, MTPDP 1999-2004

## II. 2. (ii). b. *Gross Value Added*

One good way of measuring the relative economic importance of agriculture to the whole Philippine economy is to look at the growth of its Gross Value Added (GVA).<sup>40</sup>

## II. 2. (ii). c. *Annual Growth Rates*<sup>41</sup>

In 2001, GVA in agriculture *at current prices* increased by 5.4 percent; livestock, poultry and fishery recorded significant increments. The crop sub sector on the other hand, posted a 3.1 percent growth rate. Sugarcane and banana shored up the overall growth of the crop sub sector because of the farmer's high growth rate of 22.8% and 13.8% respectively. Coconut was the biggest under performer for 2001 with a negative growth rate of 6.6 percent (*see Table 1.5 in Annex*). Overall, the average 5-year growth rate of agriculture is 4.4 percent, while the average growth rate of the crop sub sector for the period 1997-2001 is 3.6 percent.

*At constant prices*, GVA in agriculture was up by 4.0 percent in 2001. All sub sectors, posted increases in growth. In particular, GVA in poultry posted the highest increase at 7.8 percent, followed by fishery at 5.6 percent. The crop sub sector posted a 2.8 percent increase. Among agricultural crops, palay<sup>42</sup> had the highest increase with 4.6 percent, followed by sugarcane (3.7%) and banana (2.7%). At constant prices, coconut registered a 2.6 percent growth. This time around, corn was registered as having the lowest growth for 2001 at 0.3 percent (*see Table 1.6 in Annex*). Overall, the average 5-year growth rate of agriculture is 2.2 percent, while the average growth rate of the crop sub sector for the period 1997-2001 is 1.6 percent.

All these means that if not for the livestock and poultry sub sectors which posted encouraging growth due to the lowering of tariffs of imported inputs and the investments of large integrators, agriculture would be in the rut.<sup>43</sup> At constant prices, both the crop sub sector and agriculture as whole could not consistently surpass the country's population growth rate of 2.3 percent (*see also Figure 1.2*).

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<sup>40</sup>GVA is defined as the difference between the value of goods and the cost of materials or supplies that are used in production.

<sup>41</sup>BAS. *Economic Growth*. (2002).

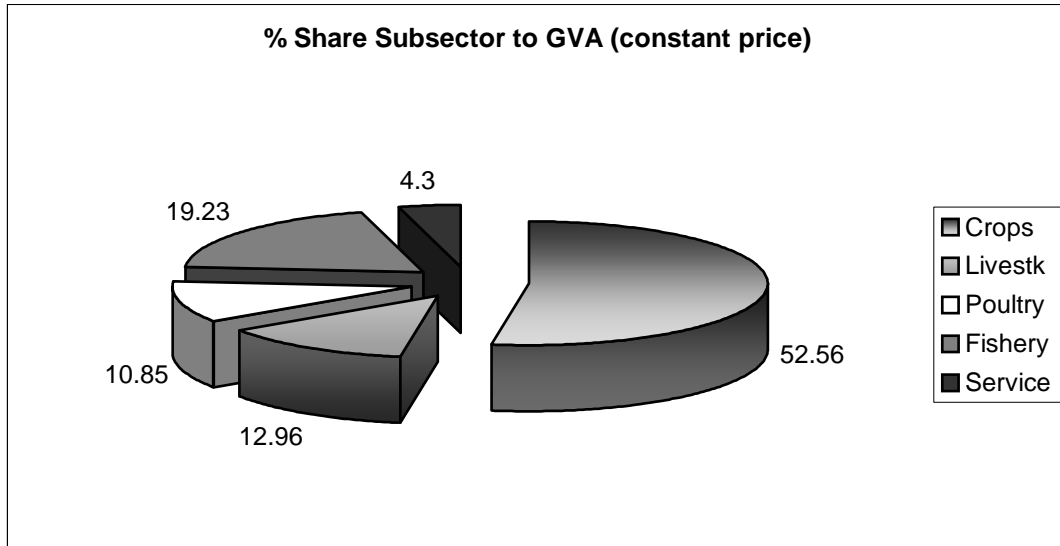
<sup>42</sup>Palay is the local term for paddy rice.

<sup>43</sup>\_\_\_\_\_. *A Special Report on Agriculture*. (Philippine Alert, 2000).

## II. 2. (ii). d. Share of Sub sectors to GVA of Agriculture<sup>44</sup>

The average share of the sub sectors to Agricultural GVA is depicted in Figure 1.1.

**Figure 1.1:** Average Percentage Share of Sub Sectors to Agricultural GVA, (1997-2001)



Source: BAS

The **crops sub sector** continues to account for about 60 percent of the GVA (at current price) for the past 5 years (1997-2001). But at constant prices the crops sub sector accounted for only an average of around 53 percent of the GVA in agriculture (*Figure 1.1. See also Tables 1.5 and 1.6 in Annex*). This only shows that the crop sub sector is the backbone of Philippine agriculture.

Not only are the crops under performing, there was little diversification happening in the crops sub sector. Within the sub sector itself, the 5 crops, namely: palay, corn, coconut, sugarcane and banana form 60 percent of the whole crop sub sector so much so, that a 2000 special report on agriculture<sup>45</sup> pointed out that these 5 crops continue to dominate the sub sector and have remained unchanged for more than 20 years. The country has become too dependent on these traditional crops considering that export performance of these crops have not been too encouraging particularly sugarcane and coconut.

Therefore, unless the crops sub sector improves its performance further and diversify at the soonest possible time to other non-traditional crops, the prospects for agriculture as a whole, will be bleak.

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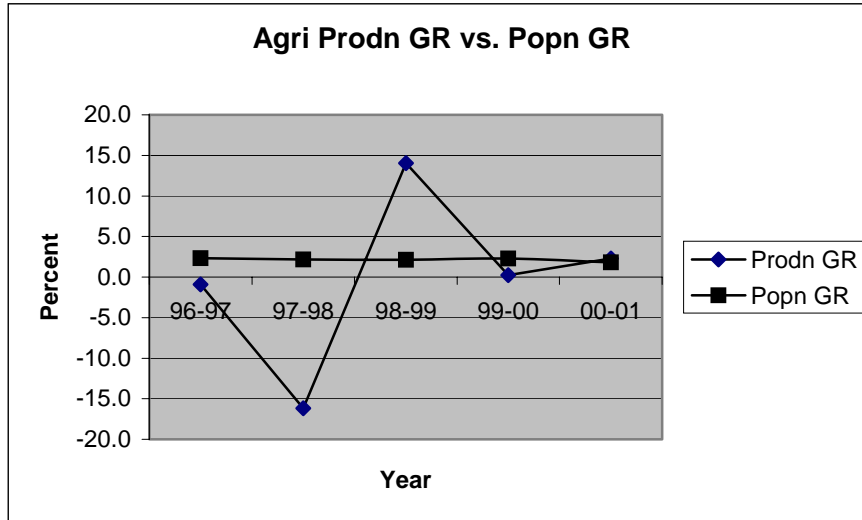
<sup>44</sup>*Ibid.*

<sup>45</sup>*Ibid.*

## II. 2. (iii). Food Security and Employment

Agriculture not only provides food but also gives employment to a large part of the country's population; yet, growth in agricultural production in 2001 barely surpassed the growth rate in population (see Figure 1.2).

Figure 1.2: Agricultural Production Growth Rate vs. Population, 1997-2001



Source: BAS and NSCB

The problem of food security and lack of employment thus emerge, which are compounded by the increasing food imports and the dwindling agricultural exports of the country. High rates of imports make the country dependent on the outside for its food at the same time that imports destroy jobs in the agricultural sector; sluggish exports, given higher volume and value of imports, increase agricultural trade deficits, affecting the whole economy and, eventually, employment.

Specific indicators for local food security, like local yield of palay, for instance, is not even 50 percent of the highest average yield recorded in Asia (Table 1.7). In fact, production of rice and corn remained below the country's domestic requirements over the five-year period (1997-2001), with rice and corn registering an average of 87 percent and 93 percent *self-sufficiency ratio* (SSR),<sup>46</sup> respectively. Seen from another angle, the SSR suggests that the country will have to import around 13 percent and 7 percent of its rice and corn requirements, respectively, on the average on an annual basis in order for the country to have sufficient supply and stock of these basic cereals.

A study conducted by M. Hossain, found that the Philippines must reach an average yield of 5.4 tons/ha. if the country is to sustain its food security requirement. Based on the existing potential of

<sup>46</sup>BAS. Report 2002-08: Food Sufficiency and Security, Agricultural Indicator System. (BAS, Department of Agriculture, Quezon City, 2002).

the Philippines, the country can reach a maximum attainable yield of 6.3 tons/ha. if the major constraints can be addressed properly.<sup>47</sup>

**Table 1.7 - Palay Yield, Philippines and Selected Asian Countries, In MT/Hectare**

Country	1989-91	Rank	1998-2000	Rank
Korea	6.23	1	6.63	1
Japan	6.12	2	6.38	2
China	5.61	3	6.30	3
Vietnam	3.17	4	4.08	4
Myanmar	2.92	7	3.30	5
Sri Lanka	3.02	5	3.25	6
<b>Philippines</b>	<b>2.83</b>	<b>8</b>	<b>2.93</b>	<b>7</b>
Malaysia	2.93	6	2.87	8
Thailand	2.10	9	2.31	9

Source: MTPDP 1999-2004

The Food and Agriculture Organization (FAO) cites the following major constraint to sustainable rice production in the Philippines:<sup>48</sup>

- Typhoons and drought in rainfed farming systems;
- Rice tungro virus, bacterial leaf blight and blast and major insects such as green leaf hopper and stem borers;
- An estimated 1.2 million hectares or about one half of the national rice hectareage, are classified as problem soils;
- Degradation of irrigation facilities;
- Unfavorable pricing policy favoring urban consumers; and
- Devolution of extension services at its initial stage causing weak extension support.

In a household survey conducted by the Department of Agriculture (DA) for 1992-1994, rice farmers reported the following causes for yield loss:<sup>49</sup>

<sup>47</sup>M. Hossain. *Supply, Demand and Production Potential of Rice in Asia*. (1997 at [www.riceweb.org](http://www.riceweb.org)).

<sup>48</sup> URL: [www.fao.org](http://www.fao.org)

<sup>49</sup>DA. *PowerPoint presentation on Ginintuang Masaganang Ani*. (Presented in a meeting of the Grains Committee of the National Agriculture and Fishery Council, 2001).

**Table 1.8 - Yield Losses (kg/ha) Reported by Farmers From Household Survey, 1992-1994**

Characteristics	Wet Season	Dry Season
Yield at harvest	3,270	3,822
Production losses	945	1,298
Drought	198	759
Typhoon/strong wind	358	253
Floods	49	27
Insect pests/diseases	250	206
Inferior variety	25	11
Lack of capital	48	42
Others	17	0
Expected normal yield	4,215	5,120
Loss as percent of harvest	28.9	34.0

Source: DA

As mentioned earlier, the declining trend of corn production in the 1990's, was mainly due to the reduction of corn area planted to white corn, which is likewise used as food staple by a substantial portion of the rural populace. This decline in white corn area is caused primarily by the rising price of this corn variety as food staple when compared to rice. The rising price of white corn is attributed by economists to the price protection of this corn variety and the bias of government subsidy and technology development for yellow corn.<sup>50</sup>

## II. 2. (iv). *Agricultural Productivity*

Productivity<sup>51</sup> has stagnated and competitive advantage in agriculture has been lost.

Because productivity is a function of labor skill, level of technology, marketing ability and management prowess found in each economic sector, the ratio will give one an indication of the efficiency level not only of the sector but of the whole economy as well. Based on the productivity table below, labor productivity in general has remained sluggish for the period 1993 – 1999. Agriculture has exhibited second to the lowest productivity growth rate for the same period (*Table I.9*).

<sup>50</sup>Arlene Inocencio and Cristina David. *Assessment of Medium Term National Action Agenda for Productivity for the Agricultural Sector*. (PIDS, Makati, 2001).

<sup>51</sup>Productivity is measured by the ratio of agricultural total output to the number of workers in agriculture.

**Table 1.9** - Labor Productivity Indicators, 1993-1999 (in percent)

Indicator	Average							
	1993	1994	1995	1996	1997	1998	1999	1993-1999
Real Labor Productivity	<b>Growth Rates, in Percent</b>							
	(0.76)	1.68	2.05	(0.03)	3.16	(1.23)	(0.65)	0.60
Agriculture	(1.66)	1.26	2.11	(0.62)	5.95	(3.39)	0.24	0.56
Industry	2.15	1.91	1.80	(0.56)	1.55	(0.89)	1.62	1.08
Services	(0.73)	0.41	(0.97)	(0.53)	(0.44)	(1.70)	0.46	(0.50)

Source: NSCB, MTPDP 1999-2004

However, the table also shows that agriculture was capable of surpassing the efficiency or productivity growth rate of the other sectors of the economy (including the national productivity growth rate) reaching its peak of 5.95 percent in 1997.

This suggest that if agriculture could bring down its cost by improving its labor skill, production technology, marketing ability and management capability it would be possible for agriculture to sustain its high productivity levels reached in 1997.

Many factors have been blamed for the stagnating productivity in agriculture. Natural calamities such as the perennial typhoon and El Nino have been the common reasons. The conversion of farmlands into residential, commercial and industrial uses and the high and rising cost of farm inputs are also usually cited as culprits for the sluggish performance of agricultural production. Agrarian reform, production inefficiencies such as large post-harvest losses, high distribution costs, and inadequate infrastructure support and lack of government budgetary support are also part of the problem.

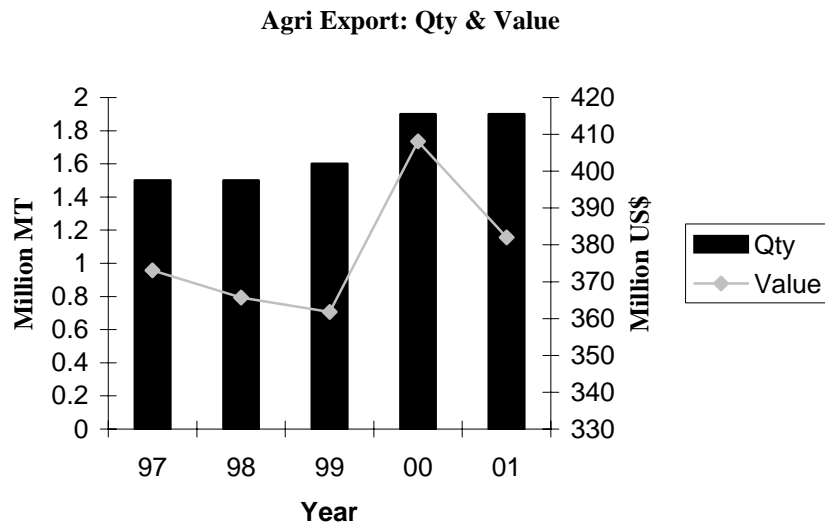
## **II. 2. (v). Trade in Agriculture and Competitiveness**

### **II. 2. (v). a. Export Performance**

For the period of 1997-2001, the volume of the country's total exports averaged 1.69 million metric tons with an average value of US\$378.1 million (see Figure 1.3).

The graph below (Figure 1.3) also suggests that the country's exports are decreasing in value compared to the quantity of agricultural products being exported. This accents the need to improve productivity if trade in agriculture is to be made competitive.

**Figure 1.3 - Total Agricultural Exports by Quantity and Value, Phils.**

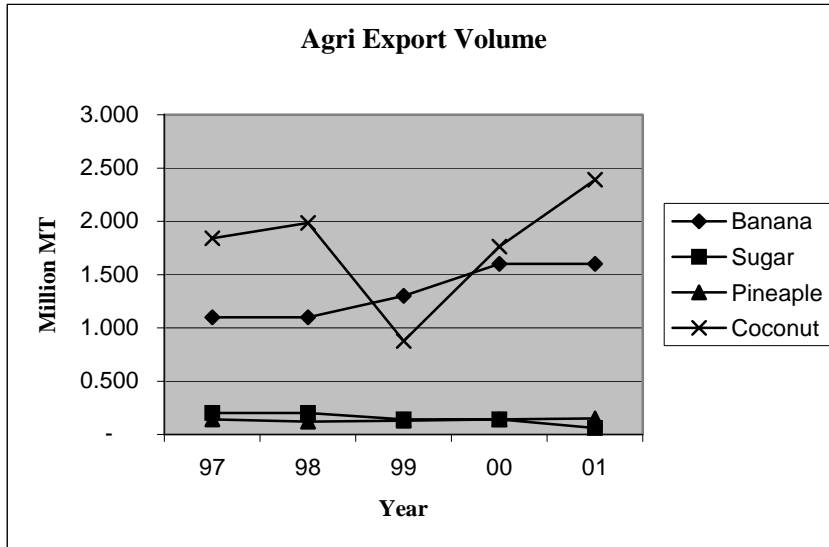


Source: BAS

- Share in the World Market

For the same reference period (1997-2001), coconut-based products remained the country's top agricultural export, followed by banana (*see Figure 1.4*). Coconut's share to total export averaged 50.4 percent. It was highest in 1998 at 61.5 percent and lowest in 1999 at 46.5 percent. Share of copra cake/ meal and desiccated coconut declined over the last two years (*see Table 1.10*).

**Figure 1.4 - Agricultural Export Volume**



Source: BAS, PCA

Banana is another winner in the export crop category, which ranked second to coconut in terms of volume. Despite this, however, banana is only averaging 5 percent of the total export trade.

Meanwhile, the volume of pineapple exports has remained the same from 1997-2001 but its share to total export is averaging 15 percent.

In the traditional export crop category, sugar was reported with decreasing volume of exports for the same reference period. Its share to total world exports has remained stagnant for the same period.

In general, the shares in the world market of most agricultural products being exported by the country have remained stagnant or declined in the past four years.

It is also clear that the traditional export crop of the country such as sugar and coconut are under-performing in the last five years, as it has under-performed in the past decade or so (*Table 1.10*).

**Table 1.10** - Share of Selected Philippine Agricultural Export Commodities to the World Export Trade, 1997-2001, (in Percent)

COMMODITY	1997	1998	1999	2000	Average 1997-2001
Coconut Oil	51.8	61.5	41.6	46.5	50.4
Copra Cake or Meal	47.5	47.0	40.2	37.4	43.0
Desiccated Coconut	33.9	36.4	34.0	30.3	33.7
Pineapple (canned)	15.9	15.7	12.2	17.5	15.3
Banana, fresh	4.2	4.3	5.0	6.8	5.1
Sugar (raw, centrifugal)	1.3	1.3	1.3	1.4	1.3
Copra	1.8	1.3	a/	0.5	1.2
Onion (fresh)	1.1	0.5	0.3	0.5	0.6
Tobacco (unmanufactured)	0.1	0.1	0.2	0.2	0.2

*a/ no data available*

*Source of data: FAO Trade Yearbook as cited by BAS*

- **Competitiveness**

The country's agricultural products are also often not competitive. This is shown by the comparative yield of the country's top export: coconut.

The country's coconut yield is unimpressive and has remained relatively stagnant during the last decade (*Table 1.11*).

Similar trends are exhibited by sugarcane production, another traditional export crop of the Philippines. The average local yield of sugarcane is 4.95 tons per hectare<sup>52</sup> that makes it one of the under-performing sub sector, also because of price protection and the failure of industry stakeholders to improve their technology.<sup>53</sup>

However, the Sugar Regulatory Administration (SRA) insists that any productivity improvement in the domestic sugar industry must be viewed from the perspective that "while sugar is manufactured in the field, it is processed and recovered in the factory."<sup>54</sup> Any efficiency improvement in the farms must be accompanied by a corresponding improvement in the milling sub sector.

<sup>52</sup>SRA. *Ginintuang Masaganang Ani-Sugar Program*. (2001).

<sup>53</sup>Arlene Inocencio and Cristina David. (2001).

<sup>54</sup>SRA. (2001).

**Table 1.11** - Coconut Yield, Philippines and Selected Asian Countries, (in MT/Hectare)

Country	1989-91	Rank	1998-2000	Rank
<b>ASIA</b>			<b>4.6</b>	
China	7.02	1	9.51	1
Myanmar	6.51	2	8.04	2
Vietnam	4.53	3	6.76	3
Indonesia	5.46	4	4.92	4
Sri Lanka	4.38	5	4.19	5
Thailand	4.10	6	4.13	6
<b>Philippines</b>	<b>2.95</b>	<b>8</b>	<b>3.57</b>	<b>7</b>
Malaysia	3.41	7	3.56	8
Bangladesh	2.52	9	2.78	9

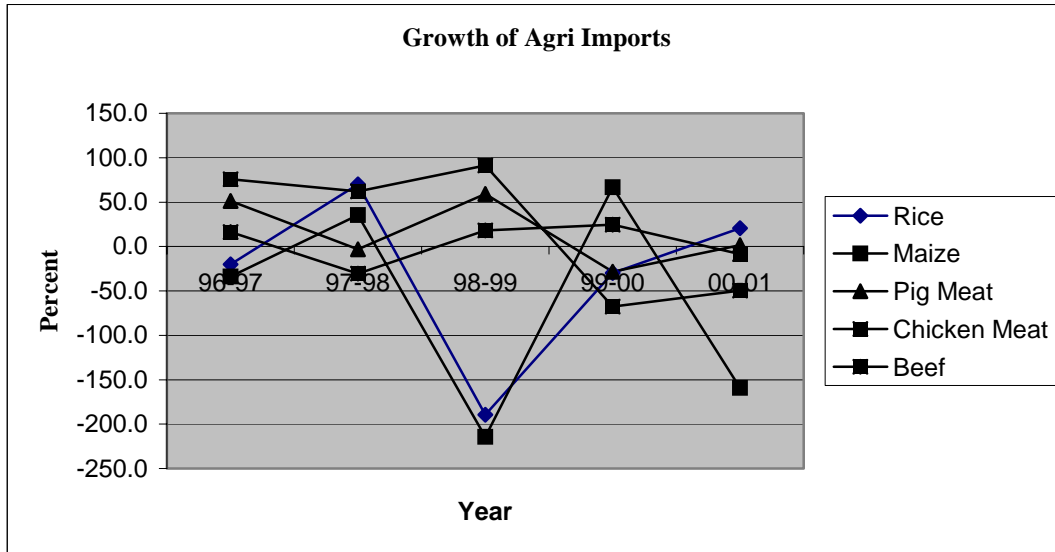
Source: MTPDP 1999-2004

## II. 2. (v). b. *Extent of Reliance on Agricultural Imports*

The country's rice imports grew by more than 70 times, from 722,397 MT in 1997 to 2.41 million MT in 1998 until it tapered down by 21 times, to 642,273 MT in 2001. During the same period, corn imports were likewise fluctuating, with the highest importation in 1998 and 2000. Beef imports grew 4 times on the average; pork, 16 times and chicken meat 22 times (see Figure 1.5).<sup>55</sup>

<sup>55</sup>FAO. FAOSTAT. (At URL: [www.fao.org](http://www.fao.org), 2000).

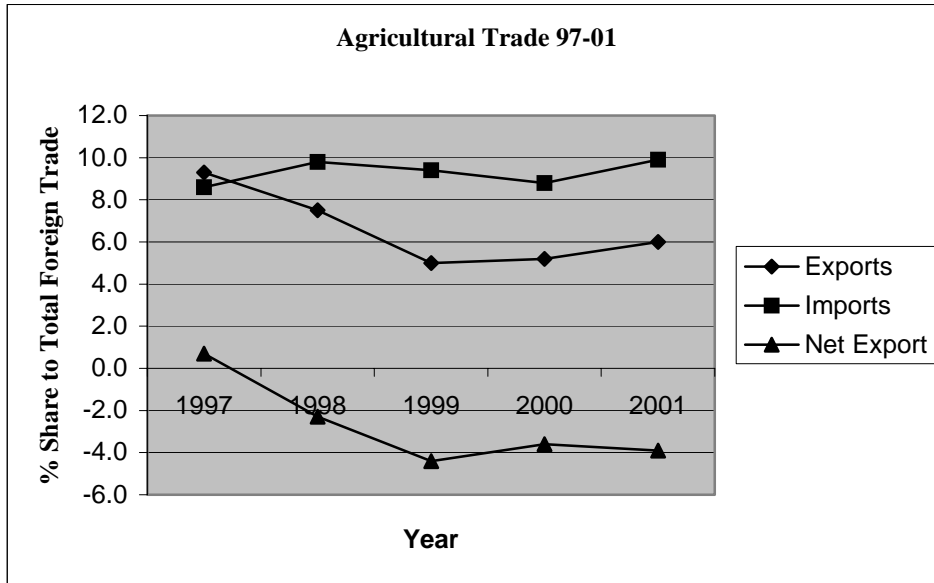
**Figure 1.5 - Growth Rates of Selected Agricultural Imports, 1997-2000**



Source: FAOSTAT; [www.fao.org](http://www.fao.org)

It is worth noting that the sudden drop of rice and corn imports in 1998-1999 does not necessarily mean that the country had a bumper crop during this period. In fact, the year immediately preceding 1998, the country suffered one of the biggest production losses for rice and corn (see Table 1.3, page 11) and this developed into the “Rice Crisis” in 1998-1999. The losses was primarily due to the El Nino weather phenomenon and at the same time the country was not able to import the necessary stocks of rice on time to feed the local populace.

**Figure 1.6 - Balance of Trade in Agriculture**



Source: BAS

During the same reference period (1997-2000), the average share of agriculture to total exports was 6.6 percent. It ranged from 5.0 percent to 9.3 percent. In 2001, agriculture accounted for 6.0 percent of total exports. The share of agriculture to total imports averaged 9.3 percent. It was highest in 2001 at 9.9 percent.<sup>56</sup>

Thus, it is not surprising that for the reference period, the agricultural sector has increasingly become a net importer. This trend suggests that the food security situation of the country is in a precarious situation (see Figure 1.6). NEDA reported that this trend started way back in 1994.<sup>57</sup>

<sup>56</sup>BAS. *Export and Import. Agricultural Indicator System.* (BAS, Quezon City, 2002).

<sup>57</sup>NEDA. *MTPDP 2001-2004.* (NEDA, Makati, 2001).

## **II. 2. (vi). *Conclusions***

In brief, the slow growth of agriculture since the 1980s can be attributed primarily to the under-performance of the crop sub sector in Philippine agriculture.

Due to inefficiencies, the Philippine dream of becoming self-sufficient in food, if not a net exporter of agricultural products is becoming dimmer. The country is substantially importing its food needs like rice, corn, beef, pork, poultry, fruits, and fishery products.

Not only is the country's food security now highly dependent on agricultural imports, the situation is also driving the Filipino small farmers and farm workers out of business or employment, which is already suffering from poor productivity, not solely of their own making.

Even then, competition from cheaper agricultural imports actually highlights the fact that the Philippines is not as efficient as the other leading Asian countries and there's no reason it should not be.

The challenge is how to make smallholder agriculture more entrepreneurial and to compete head to head with the country's Asian neighbors at the same time that it lifts itself out of the morass of poverty.

But instead of addressing the major reasons behind our growing agricultural trade deficit, government has the tendency to resort to palliative solutions. Such is the case of efforts to invite small farmers and their organizations to become rice importers. Many peasant groups found the idea illogical because they were being asked to import a commodity that directly competes with their own products. Despite the opposition by major peasant groups to the said proposal the National Food Authority (NFA) proceeded to implement the program anyway.

## **II. 3. *General Farm Level Situation***

### **II. 3. (i). *Agricultural Land Utilization and Employment***

#### **II. 3. (i). a. *Land Utilization Patterns***

As mentioned earlier, out of 10 million hectares of agricultural land, around 4.3 million hectares or 48 percent of agricultural land are devoted to *temporary crops*, while around 3 million hectares or 34 percent are devoted to *permanent crops*. The balance is either *idle land* or devoted to *pasture and forest areas*.

The Bureau of Agricultural Statistics (BAS) data on crop area harvested, on the other hand, reveals that more than half as much hectareage (11.9 million hectares) of total crop area harvested is devoted to *cereal crops*. The so-called *major crops* make up 41 percent of the total crop area harvested. Together, they occupy 94 percent of the total crop area in the Philippines (see Table 1.12, Annex).

Rice and corn lead the *cereal crops* and coconut dominates the *major crops*, followed by sugarcane and banana. Over a 5-year period (1997-2001), the hectarage of land planted to rice, corn and coconut areas have remained about the same. In contrast, the land areas planted to other *major crops* like sugar, banana, pineapple that is exported have expanded or constricted depending on the trends in the world market.<sup>58</sup>

Gelia Castillo explained that crop production has the tendency toward specialization or mono cropping of certain area.<sup>59</sup> Ilocos and Western Visayas, for example, have specialized in tobacco and sugarcane, respectively. Abaca is generally grown in the Bicol region, while commercial banana and pineapple production is centered in Northern Mindanao. Root crops tend to be concentrated in some of the poorest areas in Eastern Visayas, Mindanao, and Cagayan. Rice production tends to be more dispersed in different parts of the country, although certain areas have more of it than others. Like rice, coconut is practically planted in the whole country, although Ilocos, Cagayan Valley, and Central Luzon have comparatively small areas planted to coconut.

### **II. 3. (i). b. Rural Labor and Employment Highlights**

- ***Overall Situation***

With a *labor force* in the Philippines growing at 3.4 annually from 1988 to 200, *employment* has been increasing at a slower rate (3.1%), resulting in a 6.5 percent growth in *unemployment* for the same period but maintaining its 11 percent rate in the last three years (2000, 2001 and 2002)

There is a slightly perceptible change of the *ratio of employment to population*: from 37.2 in 1998, it increased to 37.8 in 2001 (*See Table 1.13 below and Table 1.14 in Annex*). Its low level and almost stagnant ratio indicate how poorly the economy is generating jobs. Even as overall, employment has been growing faster (3.1%) than the population (2.3%), such growth was not enough to reduce unemployment to a single digit level.

Rates of underemployment remain high even as the last two years has seen a substantial decrease. More than the majority of the underemployed persons reside in rural areas and just about half are in the agricultural sector

However unemployment remains an urban phenomenon.

- ***Employment in Agriculture, Fishery and Forestry***

Agriculture is not creating enough jobs. Its share in total employment remained stagnant at 37 percent in the last five years between 1998 an 2002, and even registered a decreasing trend. It grew at a slower pace than the national average (*see Table 1.13 below and Table 1.14 in Annex*). With this incapacity to generate jobs in the sector, the rural labor force is migrating to the urban areas and to the service sector, in as much as industry has also been unable to absorb the agricultural and rural labor surplus.

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<sup>58</sup>BAS. *Selected Macroeconomic and Agricultural Statistics*. (BAS-DA, Quezon City, Department of Agriculture, 2002).

<sup>59</sup>Gelia Castillo. *Beyond Manila: Philippine Rural Problems in Perspective*. (IDRC, Canada, 1979).

But since the whole economy is not able to generate enough jobs with sufficient incomes, out-migration or overseas contract work has been the sought-after option of the labor force. The bulk of recruitment for overseas contract work is in the rural area, for jobs abroad as domestic helpers, entertainers and caregivers

Contractual and seasonal employment abounds in agriculture. Hours of Work indicate underemployment. Incomes are insufficient, too.

**Table 1.13** - Labor Force and Employment, 1998-2002

Item	1998	1999	2000	2001	2002	AAG R (%) 1998- 2002
<b>POPULATION, PHILIPPINES</b>	<b>73,131</b>	<b>74,723</b>	<b>76,503</b>	<b>77,898</b>	<b>79,509</b>	<b>2.11</b>
Household Population 15 yrs old &>(000)	44,995	46,321	47,640	48,929	50,350	2.85
<b>LABOR FORCE (000)</b>	<b>29,673</b>	<b>30,758</b>	<b>30,911</b>	<b>32,809</b>	<b>33,936</b>	<b>3.43</b>
Labor Force Participation Rate (%)	65.9	66.4	64.9	67.1	67.4	0.58
Employed Persons ('000)	26,631	27,742	27,452	29,156	30,062	3.11
Employment Rate (%)	89.7	90.2	88.8	88.9	88.5	-0.33
Employment-Population Ratio (%)	37.2	37.9	36.7	38.1	37.8	0.44
Unemployed persons ('000)	3,042	3,017	3,459	3,653	3,874	6.37
Unemployment Rate (%)	10.3	9.8	11.2	11.1	11.4	2.81
Unemployed Persons, Urban ('000)	1,837	n.a.	2,125	2,251	2,371	
Unemployed Persons, Rural ('000)	1,307	n.a.	1,334	1,402	1,503	
Underemployed Persons ('000)	6,081	6,127	5,955	5,006	5,109	-3.98
Underemployment Rate(%)	21.6	22.1	21.7	17.2	17.0	-5.35
Visibly Underemployed Persons ('000)	3,073	3,238	3,040	3,202	3,322	2.08
Visible Underemployment Rate (%)	11.5	11.7	11.1	11.0	11.1	-0.85
Underemployed Persons, Urban ('000)	2,321	n.a.	2,404	1,927	1,900	
Underemployed Persons, Rural ('000)	3,761	n.a.	3,550	3,080	3,209	
<b>AGRICULTURE</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>AAG R</b>
Employed Persons (000)	10,081	10,774	10,181	10,850	11,122	2.6
Ratio to Total Employed Persons (%)	37.9	36.8	37.1	37.2	37.0	-0.6
Employed Persons, Rural (000)	8,422	8,967	8,480	9,053	n.a.	2.6
Ratio to Employed Persons in Agri (%)	60.1	61.0	58.8	58.8	n.a.	-0.7
Underemployed (000)	2,885	n.a.	2,634	1,927	2,470	
<b>Class of Workers (percent)</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>AAG R</b>
Wage and Salary Earners (%)	22.0	23.1	24.4	23.4	n.a.	2.18
Own-account workers (%)	51.3	50.0	51.0	50.7	n.a.	-0.4
Unpaid family workers (%)	26.7	26.9	24.6	25.9	n.a.	-0.8

*Notes:*

- *n.a.* - not available
- 1998, 1999, 2001 and 2002 based on projections provided in the *Yearbook of Labor Statistics on latest year available*
- Year 2000 is census data
- For indicators with no year 2002 figures, the AAGR is for a period of 3 years, up to 2001, only

Sources: Bureau of Agricultural Statistics, DA, December 2002; BLES, *Yearbook of Labor Statistics, 1998 and 2002*; BLES, *Labstat Updates, January 2003*

• **Land Utilization and Employment Patterns**

Land utilization patterns have their corresponding effects on farm employment. In a statistic cited by Castillo, although dated, three-quarters of the total employment in crop farms was in rice and corn. Coconut workers make up less than 10 percent, and sugarcane farming, employs only 5 percent of the labor force in crop production.<sup>60</sup>

It is not possible to update this statistics because this kind of statistical series has been discontinued by the Bureau of Agriculture Economics (BAEcon) from when it was transformed into the Bureau of Agricultural Statistics (BAS) in 1987. Despite this, however, this old statistics gives an idea of the employment pattern under different crop regimes. Most farm workers were employed in rice and corn farms.

**Table 1.15 - Employment in Crop Farms, 1969-1973, (May Series in Percent)**

<b>Crop farms</b>	<b>1969</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>Average</b>
Total employed in crop farms	5,755,080	5,733,179	6,273,249	6,217,884	5,995,023
Rice & corn	78.0	78.7	75.5	75.2	76.9
Sugar	4.9	5.4	5.5	4.8	5.1
Tobacco	1.7	0.4	2.5	1.5	1.5
Coconut	8.7	8.2	8.8	10.9	9.1
Abaca	0.9	0.4	0.6	0.4	0.6
Other crops such as fruits, vegetables, root crops, potatoes, cacao, etc.	5.0	6.9	7.3	7.2	6.0

*Source: BA Econ as cited by Castillo, Beyond Manila*

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<sup>60</sup>*Gelia Castillo. (1979).*

## II. 2. (iv). c. *Patterns of Farm Systems Development*

- ***Homogeneous Agricultural Zone (HAZ) as a Framework for Understanding Farming and Agriculture***

Central to understanding the farmer and agriculture is the concept of HAZ.

Accordingly, farming is basically a “physico-biological” process, says Castillo<sup>61</sup>. Thus, the farming situation of an individual farmer is affected by a number of factors such as: suitability of land for production; source and amount of water available; intensity and diversity of cropping; vulnerability to the whims of nature; accessibility of farm and home to development services; tenure status and tenure relations; type of landlord; access to other income sources and number of land parcels to cultivate. These also affect the farmers’ behavior and productivity.

Each one of these factors by itself does not mean much, but taken together or in combination, will give any student of farming and agriculture an idea of the causes of rural poverty, unemployment and growth in agriculture and the rural areas in general.

Castillo, also cited a study that emphasized the encompassing effect of geography and of the physico-biological factors in agriculture. Accordingly, different areas have different geographic and physico-biological characteristics, which can be categorized, into different homogeneous agricultural zones (HAZ) or sometimes called farming systems.

A farming system is “defined as a population of individual farm systems that have broadly similar resource bases, enterprise patterns, household livelihoods and constraints, and for which similar development strategies and interventions would be appropriate.”<sup>62</sup>

To Castillo, the HAZ is the most important concept that helps to explain technical and socioeconomic patterns in the farming sector. The five agricultural zones identified by the concept are: irrigated lowland rice areas; rainfed rice areas; upland areas; rolling sugarcane-rainfed rice areas; and coastal villages.

Associated with these zones are different topographic slope categories. It is found that cropping patterns, income levels, productivity, tenure status, labor force participation, household size, and education are significantly related to the HAZ, which is characterized by different slope categories. She then concludes that the lowland areas are generally better off in many ways than the upland areas.

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<sup>61</sup>*Ibid.*

<sup>62</sup>URL: <http://www.fao.org>.

**Table 1.16** - Sources and Average Levels of Annual Income (1975) per H.A.Z. per Rural Household, in Pesos (Western Visayas)

Group	Ave. no. of Household Members in Labor Force		Ave. no. of Consumption Units Per Household	Net Production Value of Main Crop Activity	Commercialized Farm Products	Off-farm income			Pension and Remittances	Total Income
						Head of Household	Housewife	Household Members		
A. Irrigated rice	5.9	1.67	4.70	P1,141.4	P252.7	P854.9	P238.0	P330.1	P 87.6	P2,904.3
B. Rainfed rice	5.5	1.79	4.55	617.5	304.8	874.5	195.9	395.9	371.4	2,754.8
C. Rolling sugarcane Rainfed Rice	5.5	1.54	4.33	569.5	698.1	1,264.4	270.2	359.5	-	3,161.7
D. Upland	5.9	1.85	4.71	210.7	336.8	979.7	68.0	438.5	70.2	2,088.6
E. Fishing	6.3	1.91	5.08	-	51.8	1,417.1	186.2	651.5	350.5	2,603.0

Source: Castillo, *Beyond Manila*

- **Farm Size and Land Utilization**

In 1991, there were 4.6 million farms in the country cultivating a total of 10 million hectares of lands.

*Small size farms* dominate Philippine agriculture. Practically 90 percent are less than 5 hectares; hence the majority Filipino farmers are small. However, the remaining 10 percent of farms, which are 5 hectares or more, still make up 44 percent of total farm area. Hence, although the majority of the farms are small, the few “*large*” farms occupy a sizeable portion of total farmland.<sup>63</sup>

“*Larger*” (10 hectares and above) farms are mostly planted to permanent crops like coconut or used as meadows and cattle ranches. The “*small*” (below 5 hectares) farms are mostly planted to temporary crops like rice and corn. The farms that are more “*medium*” (5 hectares and below 10 hectares) in size are prevalently planted to *permanent crops*.

Farm sizes in farms planted to selected *temporary crops* in 1991 are as follows:<sup>64</sup>

**Palay (Paddy Rice).** There are 2.3 million palay farms covering 4 million hectares in the whole Philippines. Ninety-one percent of these farms have sizes 5 hectares and below. These farms cover 60 percent of total area. Farms between 1-2 hectares and 3-5 hectares occupy 26 percent and 20 percent, respectively.

**Corn.** There are 1.7 million corn farms occupying 2.7 million hectares. Corn farms basically follow the size pattern of palay farms: 88 percent of farms are likewise 5 hectares and below.

<sup>63</sup>NSO. (1991).

<sup>64</sup>*Ibid.*

**Pineapple.** There are 211,521 pineapple farms with a combined area of 58,600 hectares. Eighty-four percent of these farms are 5 hectares and below, covering 15.2 percent of the total area planted to pineapple. The larger farms 5 hectares and beyond compose 85 percent with 78 percent being occupied by farms 25 hectares and over.

**Sugarcane.** Sugarcane is grown in 208,618 farms nationwide. It covers a total area of 296,528 hectares. Eighty-six percent of these farms are 5 hectares and below that covers 22 percent of the total hectarage of sugarcane. As in pineapple, the larger farms 5 hectares and over make up 78 percent of the total sugarcane area, with the 25 hectare and over farms composing still 57 percent of the total area.

The farms planted to selected *permanent crops* have the following farm sizes in 1991 as follows:<sup>65</sup>

**Coconut.** There are currently 2.7 million coconut farms nationwide. These farms are planted with 327.9 million coconut trees. Currently, productive trees make up 86.5 percent or 283.8 million, which are planted in farms with sizes 5 hectares and below, and are more prevalent in the 1 to 2 hectare size of farms.

**Banana.** Banana is planted in 3.2 million farms having 175.7 million banana trees. The productive trees are around 138.8 million or 78.9 percent. Eighty-nine percent of farms have sizes 5 hectares and below; the 3-5 hectare and 1-2 hectare category farms are prevalent.

**Mango.** There are 1.5 million farms planted to 7.6 million mango trees. The remaining productive trees number 4.7 million or 61.8 percent. Eighty-seven percent of he farms are in the 5 hectare and below category; the 1 to 2 hectare category is prevalent.

- **Land Tenure**
- **Overall Situation**

**In terms of number of farms,** the 1991 Census of Agriculture reported that 43 percent of 4.6 million farms are fully owned, which means that 57% of farms are not yet owned.

**In terms of farm area,** 49% is fully owned or possessed in an owner-like manner by their respective farm operator; 51% is still being operated under various forms of tenancy.

The 1998 Annual Poverty Indicator Survey (APIS) confirms that nearly 5 percent of the 14 million families owned agricultural lands acquired under the CARP and is being used for agricultural activities. Furthermore, 2 percent of poor families<sup>66</sup> (6 million poor families) benefited from the CARP.<sup>67</sup>

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<sup>65</sup>*Ibid.*

<sup>66</sup>The 1998 APIS defined "poor families" as those belonging to the lowest 40% income group in October 1998.

<sup>67</sup>NSO. 1998 APIS. (NSO, Manila, 1998).

**Land tenure situations differ by crops**<sup>68</sup>. With respect to tenure status in the farms under the *temporary crop* category, pineapple exhibited the highest incidence of farmers that do not have property rights (53%). This is followed by sugarcane (46%), corn (45%) and palay (42%).

Those under the *permanent crop* category, banana farms have the highest incidence of farmers not having property rights (42%). The other *permanent crops* have practically the same level of *incidence of tenancy* and other forms of non-property right arrangements.

However, tenancy and other forms of non-property right arrangements are more prevalent in the *temporary crop* category.

**Land tenure situations differ by region and province.**<sup>69</sup> Western Visayas exhibited the highest incidence of tenancy in the number of farms located in that region, posting an *incidence rate* of 65.9 percent. This is followed by the Ilocos (64%), Eastern Visayas (63.8%) and Bicol (61.3%). The regions with the least tenancy apart from the National Capital Region (NCR), is the Autonomous Region of Muslim Mindanao (ARMM), Cordillera Autonomous Region (CAR) and Zamboanga. Tribal peoples dominantly populate these latter three regions.

- ***Land Distribution in General***

The Department of Agrarian Reform (DAR)<sup>70</sup> reported that during the period 1986 to 2002, the working scope of land distribution was 4.4 million hectares. In the last 17 years, 76 percent had been distributed to farmer-beneficiaries. The accomplishment rate was a little erratic during the period but was decreasing through the years. From 1.6 percent in 1986, accomplishment rate peaked in 1995 at the rate of 9.8 percent and since then went down to 2.5 percent by 2002.

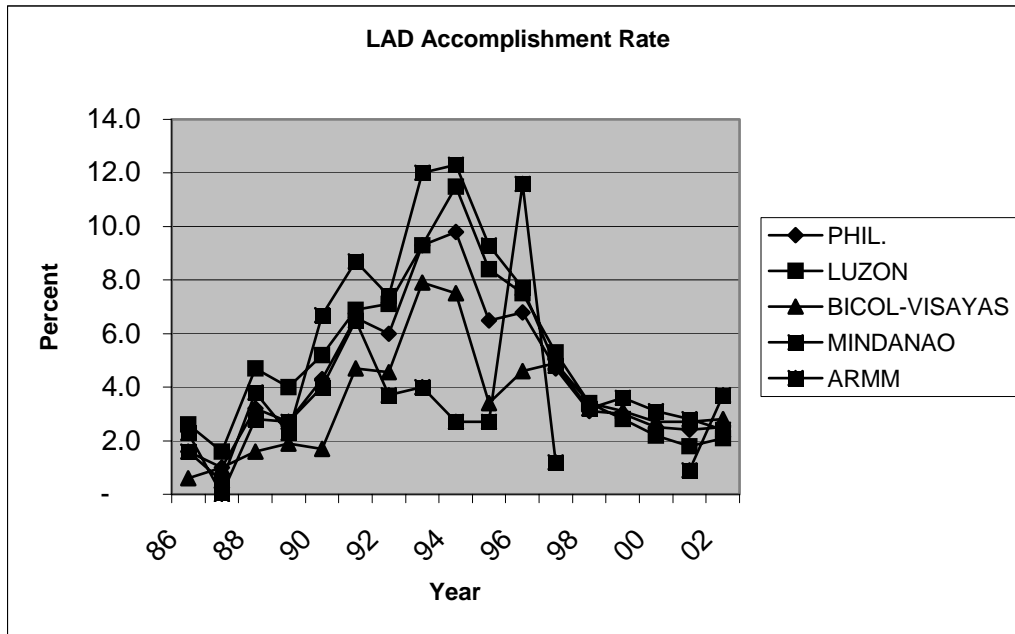
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<sup>68</sup>NSO. (1991).

<sup>69</sup>*Ibid.*

<sup>70</sup>DAR. *DAR Tabular Report on "Land Acquisition and Distribution by Land Type, by Region, by Year: 1972-2002"*. (DAR, Quezon City, 2002).

**Figure 1.7 - Accomplishment of Land Distribution by Region, 1986-2002**



Source: DAR

For the same period, the biggest accomplishment in land distribution by *major island grouping*, was noted in Mindanao (except ARMM) and Luzon, at 92.2 percent and 86.2 percent respectively. The biggest backlog is found in the Bicol-Visayas areas and the ARMM at 59.1% and 48.3% respectively (see Table 1.17 in Annex).

**Region wise**, Regions 9, 2 and the CAR are the top three regions that have reached or almost reached 100 percent accomplishment over the total working scope of the government. The regions with the biggest backlogs and problematic land distribution effort are in ARMM (48.3%), Bicol (48.7%), Western Visayas (51.9%) and Central Visayas (63.5%) and Southern Tagalog (69.5%). These problematic regions are where there is strong landowner resistance to the Comprehensive Agrarian Reform Program (CARP). These regions are also noted for cultivating the traditional export crops of the country, coconut and sugarcane. Sugarcane farms especially in the Visayas have been described in the past as the bastion of the so-called “sugar barons.” The DAR’s Task Force Sugarland in 1995 even dubbed the sugarcane areas as the “final frontier” of agrarian reform. The ARMM on the other hand, is a conflict area between the government and the Muslim rebel forces.

- ***The Agrarian Reform Beneficiaries***

The BAS<sup>71</sup> reported that there were 114,892 Agrarian Reform Beneficiaries (ARBs) in 1997 but in 2001, there were only 72,188. The number of ARBs was decreasing by an average of 10.6 percent yearly. At the regional level, CAR registered increases in the number of ARBs over the 1997 record (2,782) although in 2001, the number dropped to 2,676. The rates of decreases in numbers of ARBs were larger in Ilocos at 20.6 percent and Northern Mindanao at 18.7 percent.

***In terms of regional shares*** to total numbers of ARBs, Western Visayas posted the biggest at 14.2 percent. Southern Mindanao followed with 11.5 percent. The least share at 0.8 percent was reported in Ilocos.

The ***average land area*** distributed per farmer-beneficiary continued to decrease; from 1.83 hectares in 1997, it was down to 1.41 hectares in 2001. Across regions, Central Mindanao registered the biggest area at 2.08 hectares while Central Luzon had the least at 0.96 hectare.

Regardless of the accomplishment in land distribution in the past three decades or so, landholding inequality remains. Table 1.18<sup>72</sup> shows the Gini coefficient<sup>73</sup> of average farm size and landholding distribution by crop.

**Table 1.18 - Average Farm Size and Landholding Distribution**

	Average Farm Size (ha.)			Gini Coefficient	
	1960	1980	1991	1960	1991
Philippines	3.60	2.80	2.20	0.53	0.57
Palay	3.00	2.30	1.80	0.45	0.36
Corn	2.50	2.60	2.00	0.50	0.34
Sugar	14.00	8.90	7.20	0.83	0.81
Tobacco	1.70		1.00	0.40	0.42
Coconut	4.40	4.00	3.60	0.52	0.51
Coffee	4.20	3.40	2.90	0.54	0.50

*Source: NSCB as cited in MTPDP*

- ***Access to Farm Tools and Equipment***

The 1991 Census of Agriculture<sup>74</sup> reported that the most commonly used farm tools and equipment are the plow (46%), harrow (33%), sprayer (15%) and the hand tractor (6%). In absolute terms, the usage of these farm tools have been increasing in the last three decades with the tractor starting to appear sometime in the 1970s when the Green Revolution was under way.

<sup>71</sup>BAS. *Report 2002-05: Redistribution of Land*. (2002).

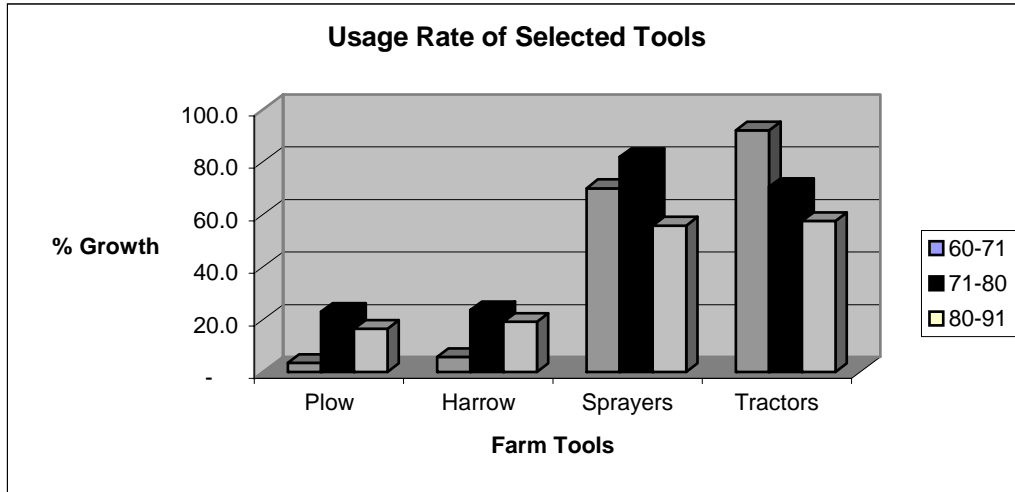
<sup>72</sup>NEDA. (2001).

<sup>73</sup>The Gini coefficient is a common way of measuring equality and inequality. The closer it is to one, the greater the inequality; the closer it is to zero, the greater the equality.

<sup>74</sup>NSO. (1991).

However, in terms of growth rate it appears that the usage rate for all tools except for the tractors exhibited an increased growth rate during the decade of the 70s and then declined in the 80s. The tractor, it seems, experienced a sudden surge of adoption during the 60s when it was first introduced in the market, then declined by 0.6 percent per annum.

**Figure 1.8 - Usage Rate of Selected Farm Tools, 1960-1991**



Source: 1991 CA

This means that Philippine agriculture is not only dominated by small farms as previously mentioned; the kind of tools and their usage rates in farms show that Philippine agriculture is far from being mechanized and whatever mechanization is taking place is mainly found in larger farms.

Castillo<sup>75</sup> explains that the transfer of small farm mechanization technology requires a number of intermediate clientele without whose acceptance, the technology will never reach the farmer end-user. All of them bear risks at different stages of the technology production, diffusion and use: the manufacturers bear the risks for producing the machine; the farmer-purchaser-owners for investing in such an expensive machine and subsequently bearing the risks of renting the machine out and for machine breakdown when operated by unskilled operator, including delay or non-repayment of user fees.

Finally the farmer end-user who rents the machine bears the least or no risk, except that the tractor may not come on time when he needs it. At any rate, the intermediate clientele bear the most risks compared to the farmer end-user. This means it is possible for farmers to benefit from mechanization without having to take on a larger risk.

<sup>75</sup>Gelia Castillo. (1979).

Thus, one can deduce that the reason for the decline of tractorization rate in Philippine farms can be traced to the declining support of any of the intermediate clients in the diffusion of the tractor or, by extension, to other mechanized farm equipment.

On the impact of small farm mechanization on labor, Shield<sup>76</sup> suggests that mechanization in general reduces total labor use per hectare of cultivated land. However, he also observes that the demand for labor appears to be higher on mechanized farms and it would appear that any displacement effects of mechanization impact on family labor more rather than on wage labor. Shield further observes that mechanization of land preparation activities in irrigated areas is unlikely to displace much more labor, given the present level of mechanization in the area that was studied.

In rainfed land areas, increased tractorization is likely to cause substantial labor displacement. Mechanization in the area frees family labor to manage larger farms or work in the non-farm sector and/or increase their leisure time. Mechanized farms appear to hire a larger share of the total farm labor.

- ***Farm Irrigation Status***

Out of 4.6 million farms with a combined area of 10 million hectares, the 1991 CA<sup>77</sup> reported that there were only around 1.47 million farms (32%) with an aggregate area of 2.29 million hectares (23%) that were irrigated

In 2000, the NIA reported that it provided irrigation services to a total area of 1.366 million hectares, benefiting about 1 million farm households. This represents 43.69 percent of the total irrigable area of 3.126 million hectares that are primarily devoted to rice and corn. On the other hand, the total area served by the Bureau of Soils and Water Management is 153,099 hectares. The total area served by the two agencies reached 1,519,132 hectares representing 48.59 percent of the total irrigable area.

The operation and maintenance of the various irrigation systems, especially the national irrigation system (NIS) and the communal irrigation systems (CIS) are financially sustained through the collection of irrigation service fees (ISF) from the farmer-beneficiaries. The farmer-beneficiaries through their irrigators' associations amortize direct construction cost of the CIS.

In a 2000 study, Wilfredo David,<sup>78</sup> however, reported that the Philippines has an estimated 4.7 million hectares of potentially irrigable agricultural lands. Yet only about 29 percent or 1.4M hectares is currently irrigated. David claims that the figure he uses leans more on the conservative side because the NIA has a faulty way of determining irrigation coverage or "service area" as the NIA calls it. Principally due to faulty designing and unrealistic assumptions during the project preparation stage, overlaps occur in the service areas of various modes of irrigation and inefficiency in the operation and maintenance of the irrigation systems.

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<sup>76</sup>Dermot Shield. *Employment and Agricultural Mechanization: An Analysis of Survey Results. Workshop Papers on the Consequences of Small Rice Farm Mechanization in the Philippines.* (NEDA, PIDS, IRRI, December 1-2, 1983).

<sup>77</sup>NSO. (1991).

<sup>78</sup>Wilfredo David. *Constraints, Opportunities and Options in Irrigation Development.* (PIDS, Makati, 2000).

- ***Agricultural Credit***

The Social Weather Station (SWS) survey on rural credit situation covering the period 1986-1992, including a more recent one in 1993<sup>79</sup>, found that:

- The proportion of urban and rural borrowers does not differ significantly. Differences however, can be gleaned in borrowings per region. For instance, in October 1986, most urban borrowers were from Mindanao (36%); while most rural borrowers were from the Visayas (36%). In December 1992, most urban borrowers were from the Visayas (45%); while most rural borrowers were from Luzon (47%).
- Rural borrowers were more dependent on informal credit sources (relatives, friends, moneylenders) than their urban counterpart, averaging 75% depending on the circumstances. Among informal credit sources in the rural areas, people borrowed mostly from cooperatives (12%). Only around 23% borrowed from formal sources like the GSIS/SSS and rural banks. This finding is supported by data presented by a study jointly conducted by the government and the World Bank that, on the average, farm households usually borrow from informal sources 72 percent of the time.<sup>80</sup>
- The size of household credit is small in the rural areas. On the average, 82 percent of rural borrowers, borrow amounts ranging from P1,000 – P7,500 pesos.
- 32 percent of those who borrowed used their loan for personal purposes such as basic household needs, home improvements and the like. Twenty percent used their loans for livelihood activities.

***In terms of loans granted to agriculture***, all available statistics show that whatever financing made available to agriculture through the formal sources are only accessed by large agricultural investors, landowners or traders rather than by the poor rural farm households, who access more the informal sector. Despite this, financing from the formal sources was declining since 1998.

## ***II. 4. Patterns of Family Income and Expenditures in the Rural Areas***

### ***II. 4. (i). Overall Situation***

***Income and Expenditure.*** The 2000 Family Income and Expenditure Survey (FIES) of the National Statistics Office (NSO) reported that on the national level, the annual per capita income is around P32,141 or P2,678.41 per month. As mentioned previously, the per capita expenditure on the other hand is P26,075 or P2,172.91. The average per capita savings thus is P6,066 or P505.50 per month.

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<sup>79</sup>Linda Luz Guerrero and Conchita Posadas. *The Rural Credit Situation in the Philippines, 1986-1992. SWS Occasional Paper. (Social Weather Stations, Quezon City, 1993).*

<sup>80</sup>RP-WB. *Philippines: Rural Development and Natural Resource Management: Trends, Strategy Implementation and Framework Performance Indicator System. (World Bank, Manila, 2000).*

**By income class**, the FIES reported that 44.7 percent of families nationwide belong to the income class earning P100,000 annually and above; and that 7.9 percent of families belong to the income class earning P20,000 annually and below. The latter group of families is those families whose income are hovering somewhere the per capita poverty line of P13,823 and below. Balisacan calls these families as belonging to the marginally poor. Those whose earnings fall below the poverty line are either called the “near-ultra poor” or “ultra poor.”<sup>81</sup> The remaining group of families is those families belonging to the income class earning between P30,000 and P99,999 annually. They represent 52.6 percent of families in the country.

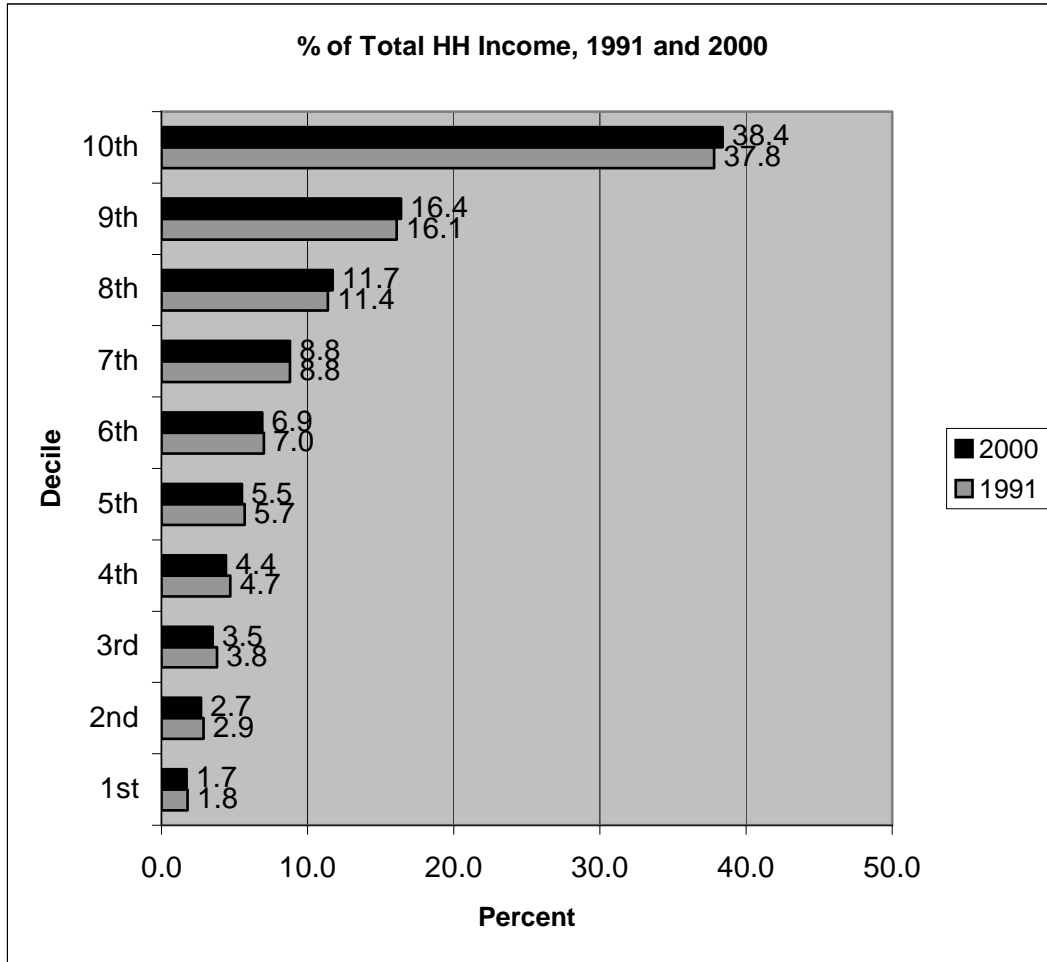
**By source of income**, the same survey also identified the sources of family income by source, that is, from wages and salaries, entrepreneurial activities or others. The data reveals that 47.3 percent source their family income from wages and salaries and 32.8 percent from entrepreneurial activities and the balance from “other sources” such as remittances from abroad and rental income from dwellings.

**By income class and wages**, among the families that source their income from wages, 54.6 percent belong to the income class earning P100,000 and over. On the other hand, those who belong to the marginal and ultra poor who fall in the income class with P29,999 income and under, represent 3.7 percent of all wage-earning families. The remaining 41.7 percent of wage earning families fall under the income class of P30,000 to P99,999.

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<sup>81</sup>Arsenio Balisacan, et. al. *Approaches to Targeting the Poor*. (School of Economics, UP, Quezon City, 2000).

**Figure 1.9 - Percent of Household Income, 1991 and 2000**



Source: FIES and 2002 PSY

The graph above suggests that the real household income growth by decile from 1991 to 2000 was negative for the poorest 1st to 6th decile groups but was positive for the richest group on the 8th to 10th deciles. The income growth of the 7th decile group was practically stagnant for the last ten years. In other words, there was an incremental redistribution of income *away* from the poorest decile towards the richest decile groups.

**By income class and entrepreneurial activities**, among families that source their income from entrepreneurial activities, 28.2 percent belong to the income class earning P100,000 and over. On the other hand, those who belong to the marginally poor who fall in the income class with P29,999 income and under, represent 10.8 percent of all entrepreneurial families. The remaining 61 percent of entrepreneurial families fall under the income class of P30,000 to P99,999.

#### II. 4. (ii). *Situation in the Rural Areas*

**Income and Expenditure.** The 2000 FIES reported that in the rural areas, the annual per capita income is around P19,008 or P1,584 per month. The per capita expenditure, on the other hand, is P16,139 or 1,344.91 per month. The average per capita savings is P2,869 or P239 per month.

**By income class,** the FIES reported that 24.5 percent of rural families belongs to the income class earning P100,000 annually and above; and that 13 percent of families belong to the marginally poor and under. The remaining group of rural families belongs to the income class earning between P30,000 and P99,999 annually. They represent 62.5 percent of all families in the rural areas.

**By source of income,** the data showed that 38.1 percent source their family income from wages and salaries and 43 percent from entrepreneurial activities.

**By income class and wages,** among the families that source their income from wages, 33.3 percent belong to the income class earning P100,000 and over. On the other hand, those who belong to the marginally poor who fall in the income class with P29,999 income and under, represent 7.4 percent of all wage-earning families. The remaining 59.2 percent of wage earning families fall under the income class of P30,000 to P99,999.

**By income class and entrepreneurial activities,** among families that source their income from entrepreneurial activities, 15.4 percent belong to the income class earning P100,000 and over. On the other hand, those who belong to the marginally poor who fall in the income class with P29,999 income and under, represent 14.5 percent of all entrepreneurial families. The remaining 70 percent of entrepreneurial families fall under the income class of P30,000 to P99,999.

**By expenditure,** the FIES reported that 24.5 percent of rural families belonging to the income class of P100,000 and over spend somewhere between 34.3 to 46.8 percent of their income on food; while, the marginally poor families spend somewhere between 64.2 to 65.9 percent of their income on the same item. The next top four expenditure group being spend on by rural families are, in order of importance: house rent (8.9%), utilities (5.9%), transportation (4.6%), and education (3.8%).

The **spending pattern of rural families** by income class and by expenditure group is as follows:

**On food:** As the family income goes down the income class, the higher is the tendency to spend a big proportion of their income on food items.

**On house rent:** As the family income goes up the income class, the higher is the tendency to spend a proportion of their income on housing rent, but it goes down slightly if the family belongs the topmost income class of P250,000 and over.

**On utilities:** As the family income goes down the income class, the higher is the tendency to spend a proportion of their income on utilities.

**On transportation:** As the family income goes up the income class, the higher is the tendency to spend a proportion of their income on transportation and communication.

**On education:** As the family income goes down the income class, the higher is the tendency not to spend on education, in fact the marginally poor and below spend only around 0.6 to 0.9 percent of their income on education.

On average, spending on *medical care* is only ranked 8 out of 16 major expenditure items spent on by rural families. But it is worth noting that the rural poor belonging to the lowest income class of “under P20,000” spend almost the same proportion of their income on medical care as those found in the lowest middle income group.

**Recreation** is only ranked 12th out of 16 major expenditure items of rural families. The poor do not practically spend anything on leisure.

## **II. 5. The Rural Workers: Bulk Of The Rural Poor**

### **II. 5. (i). General Definition of Rural Workers**

All rural workers are part of the labor force. However, not all rural workers are landless farmworkers.

BRW officially defines rural workers as “*small subsistence agricultural producers such as farmers, fishermen, livestock and poultry raisers; agricultural laborers including wage earners, hired and exchange labor and unpaid family workers and artisans and marginal self employed workers engaged in handicrafts, services and retail in the rural areas.*”<sup>82</sup>

With the definition of BRW, rural workers refer to: 1) tenants and lessees; 2) small farm operators; 3) fishers; 4) upland workers; 5) home workers and unpaid family workers; 6) plantation workers and agricultural laborers; and 7) rural women and youth.

Similarly, the International Labor Organization (ILO)<sup>83</sup> defines rural workers as those who work in agriculture, directly or personally with no ownership rights to the land and those who in spite of being owners of small and marginal holdings obtain 50 percent or more of their incomes from wages or payment in kind.

Although, these definitions recognize the existence of different types of rural workers, these remain too broad and these gloss over the differences among the sectors described as “rural workers,” which is not too helpful for program managers who are in-charge of poverty reduction.

While poverty is prevalent among the landless rural workers, poverty also afflicts those who own small farms in the rural areas. Thus, poverty is pervasive in rural areas. Defining their tenurial status will not only help in targeting the poor who should benefit from efforts at poverty reduction.

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<sup>82</sup>BRW, (1995).

<sup>83</sup>ILO. *Structure and Functions of Rural Workers' Organizations.* (ILO, Geneva, 1978).

In addition, it can give insights into the extent of their “control” over their own labor power, assets, production output and like as suggested by Guy Standing for purposes of instituting and calibrating redistributive measures in the countryside.

Below is a definition of the major types of rural workers according to their tenurial status.

## **II. 5. (ii). *Types of Rural Workers***

### **II. 5. (ii). a. *Small Owner-Cultivators***

Small owner-cultivators (SOCs), as the name implies, own the land they till. The land they own are generally small in size with an area of 5 hectares and below. In her review of literature, Callanta,<sup>84</sup> reported that they might have either acquired the land through a commercial transaction or through inheritance. As full owners they exercise complete discretion in matters pertaining to the land and on farming.

In the same book, Callanta cited Ledesma and Cornista (1981) as defining SOCs as settlers in a pioneer area usually in the uplands or in rainfed areas. They said these were the classical type of peasants who possessed their own family farms. Callanta cited other authors notably Jimenez and Francisco (1984) who subsumed the SOCs under the broader lowland rainfed farmer category. So called, because these farmers depend on rainfall for their source of water. Their principal produce is rice.

Callanta cited, Rivera (1983) who observed that majority of these small growers were direct producers who own their tools of production and land, and rely mainly on family labor for the production of both their food and cash crops.

### **II. 5. (ii). b. *Amortizing Owners or Agrarian Reform Beneficiary***

Amortizing owners is technically an agrarian reform beneficiary (ARB) under the old Presidential Decree No. 27 and the new Republic Act No. 6657 or the Comprehensive Agrarian Reform Law (CARL). They are so called because these are farmers or farmworkers who are deemed owners of the land they work as farmer-tenants or as farm laborers. In a broader sense, all Certificate of Land Transfers (CLT) (ARB under PD 27) or Certificate of Land Ownership Award (CLOA) recipients (ARB under CARL) are amortizing owners. In a limited sense, they are agrarian reform beneficiaries who started making installment payments to the government for the land awarded to them by virtue of the abovementioned laws.<sup>85</sup>

### **II. 5. (ii). c. *Tenant-Farmers***

Tenant farmers are farmers with tenancy rights to till the land owned by a second party. There are two types of tenant farmers, namely, the sharecropper and the lessee or leaseholder. Both tenant

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<sup>84</sup>Ruth Callanta. *Poverty: The Philippine Scenario*. (Bookmark, Manila, 1988).

<sup>85</sup>Antonio Ledesma. *Landless Workers and Rice Farmers: Peasant Subclasses under Agrarian Reform in Two Philippine Villages*. (IRRI, Los Banos, Laguna, 1982).

types pay rent for the use of the land of an absentee owner in the form of share in the harvest or in the form of fixed rental.

## II. 5. (ii). d. *Landless Farm Workers*

The Comprehensive Agrarian Reform Law or RA 6657 defines “farm worker” as “a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether his compensation is paid on a daily, weekly, monthly or pakiao basis. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian reform dispute and who has not obtained a substantially equivalent and regular farm employment.”<sup>86</sup>

The law distinguishes two types of farmworkers: regular and seasonal. A regular farm worker is one who is “employed on a permanent basis by an agricultural enterprise or farm”, while a seasonal farm worker is one who is “employed on a recurrent basis, periodic or intermittent basis by an agricultural enterprise or farm, whether as a permanent or non-permanent laborer such as (in the case of ) *dumaan* (and) *sacada*..”

Who are considered as *landless* farmworkers then? Ledesma (1982) offers a more restricted definition of landless farm workers: they are workers who neither own nor have tenancy rights over the land they work on; are dependent mostly on rural forms of employment particularly farm work and they hire out their labor as their principal source of income. From these definitions it can be surmised that landless farm workers consist principally of hired laborers who do not own nor have access to a piece of farmland.<sup>87</sup>

Gelia Castillo (1979)<sup>88</sup> cites a study in her book that further classifies landless farmworkers as follows:

- *Farmer-hired laborers* are farmers who hire themselves out to other farmers on seasonal periods and earn part of their income from off-farm work.
- *Children of Farmers*: In addition to hiring out their own services to others, in the case of some farmers, their children also work as hired farm labor on seasonal periods. For other farmers, however, only their children do off-farm work.
- *Pure” hired laborer* is a landless laborer who depends on hired farm work as a major source of income. They have no access to land whether owned, leased or sharecropped which they could cultivate and manage themselves.
- *Children of “Pure” hired laborer* are sons and daughters of the above who usually work with their landless parents in hired farm work.

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<sup>86</sup>RP. RA 6657: *Comprehensive Agrarian Reform Law*. (1988).

<sup>87</sup>*Ibid*.

<sup>88</sup>Gelia Castillo. (1979).

- *Landless hired farm labor with some farm cultivation privileges* consists of hired workers in coconut, sugar, rice or other farms who are allowed by the farm owners to cultivate a small portion of the land such as areas under the coconut trees. Whatever is produced from this small lot is usually kept by the laborer and his family or is only minimally shared with the owner of the land. This kind of agrarian arrangement is called sub-tenancy. In the case of palay areas, disguised forms of share tenancy is called “gama/sagod” labor arrangements involving specified farm tasks such as “free” weeding or transplanting in exchange for an exclusive right to the harvesters/threshers share of the harvest.

## II. 5. (iii). *How many are they?*

It is difficult to estimate the precise population of the different subclasses of rural workers due to lack of regular monitoring of their population. The existing censuses and surveys no longer disaggregate their data according to tenurial status of the rural worker population, especially more so the landless farmworkers. The National Statistics Office (NSO) was doing this in its regular Family Income and Expenditure Survey (FIES) until 1985.<sup>89</sup> The Department of Agrarian Reform (DAR), the Department of Agriculture (DA), the Department of Environment and Natural Resources (DENR) and the Department of Labor (DOLE) are not monitoring the number and type of rural workers benefiting from their various programs and services.

A 1995 BRW<sup>90</sup> study cites various sources in generating estimates on the population of landless rural workers in the country. There are, however, large variations in the estimates of these studies. Figures cited range from 10 to 50 percent of the total employment in agriculture, which constitutes around 10.4 million workers. Variations in the estimates are due to differences in the definitions developed or adopted by these studies.

Gelia Castillo (1985), for example, estimated that 10% of farm laborer households are landless. The Technical Board on Agricultural Credit (1978) estimated 7.5% of the total labor force is landless. Esman (1976) estimated the landless as 50% of the labor force and the NSO estimated that the landless consist of 47.3% of the total labor force.

Ledesma, on the other hand, says that between 40 to 50 percent of those employed in agriculture are landless. Indon and Soco<sup>91</sup> proposes another way for estimating the number of rural workers-- by adding the total number of agricultural wage and salary workers and the number of agricultural unpaid family workers together, with the caveat of coming up with a very rough estimate because of differences in the definitions.<sup>92</sup>

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<sup>89</sup>Arsenio Balisacan. (1996).

<sup>90</sup>BRW. (1995).

<sup>91</sup>REGINALD INDON AND ANDREA SOCO. *THE PHILIPPINE FARM WORKERS. (ICSI AND AR-NOW, QUEZON CITY, 2001).*

<sup>92</sup>In a glossary of terms of the Philippine Yearbook, unpaid family worker is “a member of the family who works in the farm or business operated by the family or by another family and who does not receive remuneration for his work and worked at least one-third of the normal working time.” But in the 2000 Yearbook of Labor Statistics, unpaid family worker is one who work without pay on own family operated farm or business operated by another member in the same household. The former does not limit the work in family operated farm or business.

By using the formula of Ledesma and Indon-Soco, it is possible to come up with a rough estimate of the latest population of landless farm workers. This population figure ranges from 4 million to 5.2 million in 2000 (Table 1.19 in Annex).

But for purposes of this Report, the FIES 2000 will be used as basis for estimating the population of rural workers in the Philippines.

Even though the NSO has modified the agricultural occupations in the 2000 FIES, it is still possible to differentiate in a general manner between the farmers and the farm laborers and therefore their population relative to the total number of families sourcing their main income from agriculture.

The FIES 2000 reported that there were around 4 million families sourcing their income from agriculture. The agricultural wage earners or farmworkers consist of 27 percent of the total agricultural families and the remaining 73% are classified as “own-account workers” and as “unpaid workers” which can be considered as the farmers’ sub sector (Table 1.19).

**Table 1.20 - Percent of Families by Income Class in Rural Area, Agriculture and by Source of Income**

Main Income Source	Income Class									
	Total	Under	20,000-	30,000-	40,000-	50,000-	60,000-	80,000-	100,000-	250,000-
	Families	20,000	29,999	39,999	49,999	59,999	79,999	99,999	249,999	over
PHILIPPINES	15,269,655	2.4	5.5	7.7	9.1	7.8	13.0	9.8	31.5	13.2
RURAL	7,779,802	3.95	9.13	12.39	13.87	10.80	15.95	9.44	20.20	4.26
AGRICULTURE	4,023,493	3.7	11.9	16.5	18.2	13.4	17.0	8.3	9.9	1.1
Wages & Salaries	1,101,564	3.2	11.6	16.0	20.0	13.2	17.9	8.8	8.9	0.4
Entrepreneurial Activities	2,921,929	3.9	12.0	16.7	17.5	13.4	16.6	8.1	10.3	1.4

Source: FIES 2000, NSO

This estimate leads to a computation of 1 million families, which roughly translates, into 5 million landless farm workers considering that in agriculture, it is the whole household that works on the farm. This is not far from the estimate of Ledesma and Indon-Soco. This partly explains why child labor is a common practice in the rural landscape.

## II. 5. (iv). *Rural Workers as a Poverty Group*

From the statistical information in the 1991 Family Income and Expenditure Survey, and the 1992 Socioeconomic Survey of Special Group of Families, the World Bank<sup>93</sup> was able to paint a portrait of an average poor rural household in the Philippines.

- This household is headed by a male, age 30 to 50 with an elementary education or less. It is larger than average, often with over 8 members. A quarter of the children in the household ages 13 to 16 are not attending school, mostly because of lack of interest. The family uses public health facilities regularly, especially for prenatal care. Almost half of poor women are using some kind of contraception; and 80 percent of poor ever-married women do not want any more children.
- The typical poor household in rural areas is employed in crop farming but also raises livestock or poultry. The family most likely lives in Southern Tagalog or Bicol, regions with mixed economic records since the late 1980s.
- The head of household is a landless agricultural worker or an upland farmer on heavily sloped land cultivating a small plot planted in rice, corn, coconuts or sugarcane. The average area cultivated by the poor family fell by one third between 1985 and 1992; and the household is heavily underemployed.
- The household has only a one in five chance of using irrigation, less than one in two chance of using fertilizers, one in three likelihood of using pesticides, and one in four chance of using high-yielding seed varieties. These rates have not improved since 1985. There is only a 10 percent chance that an agricultural extension agent will visit this year; and the family does not have crop insurance (since only 1 percent of poor farm families are insured).
- The household has one in two chance of having a sanitary toilet. One or more family members have probably migrated to urban areas and sent substantial money home; in Bicol, Central Visayas, and Eastern Visayas, transfers from urban areas exceed 10 percent of family income for the poorest ten percent of households.
- Although the trend in rural poverty is decreasing, the 42.3 percent poverty incidence in agriculture reported in 1997 is still relatively high compared to the 16.8% and 10.6% poverty rate for industry and services respectively. The slow decline in rural poverty can be attributed to the deepening crisis in agriculture. The flow of income becomes highly distorted in favor of those who own and control vital agricultural production resources.

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<sup>93</sup>World Bank. *Philippines: A Strategy to Fight Poverty*. (World Bank, Manila, 1996).

**Table 1.21 - Evolution of Poverty by Sector of Employment, 1985-97**

	1985	1988	1991	1994	1997	1985-97
	(percent of population)			(percent change)		
AGRICULTURE	57.7	51.2	51.9	49.9	42.3	-17.38
INDUSTRY	32.0	23.8	25.0	22.4	16.8	-29.41
SERVICES	21.8	17.6	16.8	15.1	10.6	-39.77
OTHERS*	21.6	19.5	16.8	17.2	12.1	-37.95
TOTAL	40.9	34.4	34.3	32.1	25.0	-27.33
Others include unemployed and activities not elsewhere classified						
Rural Population only AGRICULTURE	60.0	53.3	55.2	52.5	44.8	-15.95
NON- AGRICULTURE	38.7	31.8	35.7	32.2	23.6	-25.79
TOTAL (RURAL)	53.1	45.7	48.6	45.4	36.9	-19.26

Source: Balisacan (1999)

On a brighter note, the table above shows that on the whole, poverty in the country has been reduced by 27 percent between 1985 and 1997, even as the agricultural sector showed the least amount of poverty reduction during the same reference period.

Patterns of poverty reduction in the rural areas have shown the same evolutionary pattern as that of the whole Philippines. However, it also shows that those employed in the agricultural sector have shown the least improvement in terms of poverty reduction during the same period. These mean that the locus of poverty is situated squarely in the agricultural sector of the country.

## **II. 6. Issues In Rural Poverty And Globalization**

### **II. 6. (i). Poverty: Rural in Locus and Agriculture-Driven**

Findings of a World Bank Assessment on poverty in the Philippines that are related to agriculture tell that poverty “is still largely a rural phenomenon”, with about two thirds of the poor living in rural areas. In addition, rural poverty is “largely agriculture-driven” both in depth and severity.

Increasing rural incomes if expected to reduce poverty must consider improving agricultural productivity as a key. This necessitates more investment in agriculture, including investment in human capital as a key to poverty reduction not only in the sector but also in the country in general.

Moreover, the study says “the pace of poverty reduction was much slower in the agricultural sector but the shift in the sectoral composition of employment – while limited – was enough to keep the sectoral composition of poverty constant.” This means that future policy will have to pay more attention to developing agriculture in order to reduce significantly the levels of poverty in the country.

“Within agriculture, the self-employed (poverty incidence of 42.1 percent) are just as likely to be poor as wage earners (poverty incidence of 43.8 percent); poor self-employed heads of households include primarily lessees, tenants, and small owner-cultivators and account for over 50 percent of the country’s poor population.

Even then, the same study points out that while living in rural areas or dependence on agricultural income are prime determinants of poverty, location appears to matter, where “ regional differences in poverty rates are mirrored in equally profound differences in other social indicators”.

The poorer the province, the lower its educational attainment and the worse are the health outcomes, thus also the lower the life expectancy. The study thus emphasize that improving the social indicators in such places help to combat poverty as well as having a value all its own

Compared to other countries in the region, the WB study says that economic growth in the Philippines has tended to reduce poverty but that equity and distribution also “matters greatly for the poor.”<sup>94</sup>

## **II. 6. (ii). Globalization**

Even then, the social consequences of harsh global competition that results from the liberalization of the economy, the deregulation of markets and the privatization particularly of public services and utilities are contributing to weaknesses in policies and programs intending to reduce poverty in the country. Incorrect timing and phasing, poor governance, as well as inadequate assessment of their social impact in general and their impact on the lives and work of the poor in particular often negate the advantages that these tripod of policies promises to bring into the country.

For example, corporate closures and personnel re-sizing resulting from corporate restructuring for global competition are eliminating jobs in uncompetitive sectors that eventually result in frictional unemployment at best and permanent unemployment or underemployment at worst. In agriculture, liberalization is creating pandemonium in previously protected crops and other agricultural products that are resulting in the displacement of businesses in agriculture, farmers and farm workers alike.

In the inadequacy of safety nets or social protection<sup>95</sup>, and because of the inability of the economy to provide decent work for all, workers in general and poor rural workers in particular are left to mend for themselves, which they do in two ways: work in the socially regressive and unprotected informal sector or work in the equally insecure and usually contractual overseas jobs. The first is

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<sup>94</sup>On the other hand, NEDA Director General Romulo Neri says that alleviating poverty is 90 percent growth and only 10 percent distribution.

<sup>95</sup>Ranjan Poudyal defined social safety nets as measures intended to directly alleviate the adverse effects of structural adjustments or various external shocks on vulnerable groups. Social protection are public measures against unexpected social and economic risks. According to Poudyal, the difference between the two is that safety nets are more short term, generally externally financed and targeted for specific objectives, while social protection are principally statutory schemes, internally financed and long-term. Poudyal also asserted that safety nets are more intended to create conditions for the political and economic acceptance of structural adjustment programmes rather than the concern for poverty and equity. Poudyal, Ranjan. “How Safe are Social Safety Nets?”.

inevitable as poor workers need work to earn income and survive; as well it hides the worker from the application of international labor standards and from the protection of existing labor laws. The second places the worker at the mercy of overseas employers, in the absence of adequate international regulation for overseas migrant work or the lack of budget and political will of governments to ensure their protection. For example, it is a known fact that domestic workers bound for the international market and so-called entertainers bound for Japan are recruited in droves from the rural sector, where poverty abounds and for the same reason of poverty impel them to leave to work abroad.

Of the last, the World Bank asserts that income transfers from overseas migratory work have substantially alleviated poverty in the country generally and in the rural areas particularly, which otherwise, would have forced households to eke their living in whatever job in whatever sector that these are available, no matter if unprotected and socially undesirable.

While the logic seem to be unassailable from the economic viewpoint, when the social cost is imputed, the economic argument does not seem to be that solid. Besides, overseas work opens up the Pandora's box of external economic, political and social shocks, such as the war in Iraq, the HIV/AIDS pandemic and the most recent SARS scare, aside of course the trafficking of women and the violence committed on their person and social life that to many women are endemic in their employment overseas.

On the brighter side, World Bank has pursued a policy of incorporating social assessment and encouraging civil society participation in the implementation of Bank-assisted programs and projects. ADB, too, is opening up particularly in integrating labor standards in its lending and non-lending activities. With technical cooperation and supervisory oversight from the ILO, the social partners can seize the growing opportunity to incorporate fundamental and core standards in the work of IFIs and WTO, AFTA and APEC. The Decent Work Program may provide some means for that purpose and can potentially initiate or accelerate this process.

### **III. DECENT WORK DEFICIT IN PHILIPPINE AGRICULTURE: HOW DECENT IS WORK IN THE AGRICULTURAL SECTOR?**

#### ***III. 1. Opportunities for Work: Access to Land, Employment and Income***

##### ***III. 1. (i). Summary***

Landless workers have lesser opportunities for employment and livelihood than other types of workers in agricultural farms owing to their limited access to land, even as land reform is going on. Their chances as land reform beneficiaries, given past record of government in implementing the program, are as low as can be.

Employment in agriculture is also dwindling. Not enough jobs are being generated either in the sector or in the whole economy to absorb the unemployed and the new entrants to the labor force.

Hours of work in agriculture are lower than the national average or when compared to industry and services, which indicate underemployment of employed persons in agriculture, even as the share of wage and salary earners to total employment is increasing. Such lesser hours, coupled with lower wages in employment or net returns from farming do not allow employment and livelihood in agriculture to earn adequate income that can be called “decent”, which in fact forms an important facet of income poverty that is prevalent in the rural areas and in the agriculture sector. Whether from wage employment or income from production, the amount of income mostly hovers around the poverty threshold income.

The type of jobs more prevalent in agriculture is seasonal and contractual, which further reduces opportunities for “decent” work and incomes to come by.

### **III. 1. (ii). *Access to Land: Landless Rural Workers are Losers in Land Reform***

Estimating the population of peasants, in accordance with their tenurial status (e.g. share tenant, lessee, farm workers) is difficult due to lack or inadequacy of data. Tracking the number of formerly landless peasants who have acquired land under the CARP should not have been a problem because the CARL has specifically identified them as target beneficiaries. However, the present information management system of the DAR includes only the tracking of land transfers in accordance with the type of land transfer schemes (e.g. compulsory acquisition (CA), voluntary offer to sell (VOS)).<sup>96</sup>

Nevertheless, based on the previous discussions in Chapter 1, it is clear that:

- The number of agrarian reform beneficiaries (ARBs) was decreasing by an average of 10.6 percent yearly.
- The average land area distributed per farmer- beneficiary continued to decrease: from 1.83 hectares in 1997 to 1.41 hectares in 2001.
- The remaining balance to be distributed by the DAR is still 1.06 million hectares. The biggest backlog is found in Western Visayas at 25.4 percent followed closely by Bicol at 22 percent. If the government aims to fast track and finish the CARP by the end of its term in the middle of 2004, it should aim to distribute 58,903 hectares of land per month for 18 months! Based on past record, the government’s seriousness can only be doubted.
- Regardless of the accomplishment in land distribution in the past three decades or so, landholding equality is yet to be achieved in the present agrarian structure of the country.

One of the oft-cited weaknesses of the Comprehensive Agrarian Reform Program (CARP) is its failure to reach the more vulnerable subsector of the Philippine rural workers - the landless farm workers. Long before CARP was promulgated, in the early 1980s Castillo (1977) and Ledesma (1982) have forewarned on the possible marginalization of landless agricultural workers even with land reform.

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<sup>96</sup>See III for further explanation regarding types of land transfer schemes.

While, CARP identifies landless workers as beneficiaries, deferment on the distribution of commercial lands alone indicates that these workers have yet to benefit fully from the program. (See Box 2.1 below)

Given that accurate statistics on the number of landless farm workers are hard to come by, some educated guesses put their numbers at about 4 to 5 million landless farm workers

**Box 2.1: Landless Farmworkers are Losers in Land Reform**

Almazan and Riguer,<sup>97</sup> roughly estimated that the number of landless workers in plantations who benefited from the CARP, albeit with caveat, is equivalent to the total number of plantations covered by the CARP divided by 3-hectare family size farm<sup>98</sup>. Alternatively, the average size of farms in the Philippines, or around 2 hectares can be used.

Applying this formula, the number of land reform beneficiaries among farm workers in plantations would be between 5,969 to 8,953 farm workers, based on the 1999 preliminary report of the DAR on the Deferred Commercial Farms (DCF)<sup>99</sup> where there were 1,935 DCF of which 55 percent are located Region 11, followed by Region 6 as a far second with 294 commercial farms. The total area covered by these DCFs nationwide is 77,555.94 hectares (see Table 2.1 in Annex).

Of this total area, the CARP has already covered 26.5 percent or 17,906.22 hectares, with a large portion remaining (73.5 percent) yet to be distributed. By using the 3-hectare or 2-hectare divisor, it can be inferred conservatively that, only around 5,969 to 8,953 farm workers benefited from the CARP. This represents a measly 0.15 percent of the estimated 4 million landless farm workers in the country.

The number of landless farmworkers who benefited from CARP may be less, owing to the following policy gaps:

- Some recalcitrant landlords may legally reverse this measly gain by citing a 1999 Supreme Court decision in *Fortich, et. al. vs. Corona, et. al.* popularly known as the “Mapalad Farmers’ Case”. In this particular case, the right of the Mapalad farmers as land reform beneficiaries in the Quisumbing estate was denied by the Supreme Court on the grounds that the farmers were not the real parties in interest and they were merely recomendee farmer-beneficiaries, despite the fact that the Mapalad farmers have already been granted CLOAs under the CARP back in 1995. The Supreme Court denied other succeeding motions of the farmer-beneficiaries roughly on the same grounds, citing that the Mapalad farmers are not tenants and have no interests to warrant intervention in the case. The Supreme Court went as

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<sup>97</sup>Rainier Almazan and Mary Grace Riguer. *Rural Poverty has a Landless Face: Poverty Profile of Landless Rural Workers in the Philippines*. (Quezon City, 2002).

<sup>98</sup>In DAR’s terms, family size covers 3 hectares

<sup>99</sup>Chapter II Section 11 of *Comprehensive Agrarian Reform Law (CARL)* states that commercial farms, which are private agricultural lands devoted to salt beds, fruit farms, orchards, vegetable and cut-flower farms, and cacao, coffee and rubber plantations, shall be subject to immediate compulsory acquisition and distribution after ten (10) years from the effectivity of the law. During the ten-year period, the Philippine government shall initiate steps necessary to acquire these lands, upon payment of just compensation for the land and the improvements thereon, preferably in favor of cooperatives or associations.

far as to say that the intervenors who were not regular farm workers but seasonal farm workers have no legal or actual and substantive interest over the subject land inasmuch as they have no right to own land.<sup>100</sup>

- Inadequacy of existing laws as well as government's response in addressing issues involving installation of farmer-beneficiaries. "Installation cases" are defined as those where the farmers or farm workers already have the right to enter the land as "usufructuary" or as CLOA-awardees but are not yet installed or in possession of the land or while already in possession are harassed through physical or legal means from the former landowners.<sup>101</sup>
- "Land to the Tiller" orientation of the CARL actually means focusing primarily on tenants and leaseholders and only secondarily on the farmworkers. Among farmworkers, the law gives more priority to the "regular" farm workers than to the "seasonal" or "contractual" farmworkers.
- "Untitled privately-claimed agricultural lands" (UPAL) have been considered by the DAR as problematic, numbering to thousands of hectares, and have remained untouched by the agrarian reform law even though such lands meet the criteria of lands that should be subjected to CARP. UPAL are lands that have been classified as alienable and disposable but the private claimants/landowners have yet to complete their titles thereto. The jurisdictional issue between the DAR and the Department of Environment and Natural Resource (DENR) aggravates the situation.<sup>102</sup>
- As will be discussed in Chapter 3, the continuing ban on share tenancy under the CARP has prevented landless farm workers, especially those in the seasonal or contractual category to improve their tenurial status.

### III. 1. (iii). *Employment in Agriculture and Rural Areas*

#### III. 1. (iii). a. *Employment* (See Table 1.13, and Table 1.14 in Annex)

**By Major Industry Group**, there were around 11.1 million persons employed in the *agriculture, fishery and forestry sector* or 37 percent of total employed persons of 30.1 million in 2002, decreasing from its share of 38 percent in 1998.

**By Area**, in 2001, 9.1 million of the total 10.9 million employed persons in agriculture, forestry and fishery were living in rural areas. In 1998, 8.4 million of the total 10.1 million employed persons in agriculture, forestry and fishery were living in the rural areas.

**By Class of Workers**, the share of *wage and salary earners* in agriculture grew substantially from 22.0 percent in 1988 to 23.4 percent in 2001, even as the bulk of employment was still provided by *own account workers and unpaid family workers* (see Table 1.13).

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<sup>100</sup>Menchie Flores. *The Right to Fight: The Farmer's Legal Personality Dilemma*. (PPI, Quezon City, 2002).

<sup>101</sup>Des Pacuribot. *Persecuting the Beneficiaries: The Farmers' Unending Saga Continues in Installation Cases*. (Kaisahan-PESANTech, Quezon City, 2002).

<sup>102</sup>Mary Catherine Alvarez. *Policy Considerations in UPALs*. (SALIGAN, Quezon City, 2002).

Opportunities for paid employment in this sector has not been enough.

- In 1998, agriculture, fishery and forestry made up 37.9 percent of the *total employed persons*. By 2002, its share declined to 37.0 percent.
- In agriculture, between 1998 and 2001, *employment*<sup>103</sup> grew slower (2.6 %) than the national average (3.41 %);

Own-account working or self-employment and unpaid family work remain the dominant class of workers in agriculture.

- By *class of workers*, while the proportion of *wage and salary earners* in agriculture has increased relative to the *own-account workers* and *unpaid family workers*, the two latter classes of workers still make up over two thirds of the total. The increasing share of *wage and salary earners* in agriculture has been due to its faster growth at 4.68 percent annually on the average compared to own-account workers (2.12%) and unpaid family workers (at 2.08%).
- An interesting datum among the class of workers is that the *employers sub class* under the *own-account class*, though constituting a small percentage of the total has been growing the fastest. If this trend holds, more paid employment can be generated in agriculture and the rural areas.

While self-employment and unpaid family work remains the norm, there is a slightly perceptible drift to wage and salary employment

- In 1995: those who worked without pay in own family operated farms and businesses constituted 30.35 percent;<sup>104</sup> the self-employed without any paid employees made up 40.31 percent; and the wage earners in private businesses, enterprise or farms composed 18.13 percent. While this set of statistics was discontinued, another series of data show that,
- 78 percent in 1998 worked as own account and unpaid family workers while only 22 percent worked as wage and salary earners. By 2001, the ratio decreased to 76.6 percent for own account and unpaid family workers while the share of wage and salary earners increased to 23.4 percent (*See Table 1.13*)

No comprehensive statistics or empirical studies have been found on the extent of *flexibilization and non-permanent work* in agriculture. However, the anecdotal evidence and the sectoral as well as micro- and in-depth studies show seasonal and contractual work abounds both in the rural areas and in the agriculture and fisheries sector. In fact, seasonal, piece rate, and contractual work is

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<sup>103</sup>The definition of employed include "persons aged 15 years old and over who during the reference week, are reported either: (1) at work even for an hour; and (2) with job/business even though not at work because of temporary illness/injury; vacation, or other leave of absence; bad weather, strike/labor dispute, or other reasons. Likewise, persons who are expected to report for work or start operation of a farm or business enterprise within two weeks from the date of the enumerator's visit, are considered employed". (*Explanatory Notes, of the Yearbook of Labor Statistics*)

<sup>104</sup>BLES-YLS (Table 2.4 – Percent distribution of Household Population 15 Years and Over who Worked at Anytime in the Past Year, By Major Industry Group and Class of Workers, Philippines: 1995), 1998

common even among the wage and salary earners, or those paid farm workers in farms planted to rice, corn, coconut, sugar, banana.

The nearest set of data concerning *flexibility* is given by statistics on the *nature of employment of wage and salary and own account workers by major occupational group*,<sup>105</sup> specifically among agricultural, animal husbandry and forestry workers, fishermen and hunters, which shows a slight increase in the share of short term and seasonal jobs between 1998 and 2000 where one out of four workers had no permanent work in both years.<sup>106</sup>

- In 1998, of the total *wage and salary and own-account workers* of 7.9 million employed persons under the *major occupation group classified as agricultural, animal husbandry and forestry workers, fishermen and hunters*, 75.3 percent had *permanent jobs/business/ unpaid family work*, 16.1 percent were reported as *short-term/seasonal job/unpaid family work*, and the 8.5 percent as *working for different employers on a day to day or week to week basis*.
- By 2000, of the total 7.7 million *wage and salary and own account workers*, 74.8 percent had *permanent jobs*, 16.7 percent had *short-term/seasonal job* 8.5 percent *worked for different employers on a day to day or week to week basis*.

A BLES *survey of specific group of workers* taken annually from 1991 to 1997 show an erratic growth in the number of workers classified as “flexible” and non-regular, that is as piece-rated, paid by task, commission, part-time, casual and contractual workers. On the average for the period, such workers were increasing by 3.3 percent annually and maintained a ratio of 40.8 percent to total employed of specific group of workers in agriculture, fishery and forestry (*see Tables 2.2 A and B in Annex*).

### **III. 1. (iii). b. Underemployment and Hours of Work (see also weekly hours of work)**

*By Major Occupational Group*, the number of underemployed persons among the major occupational group in the category of agricultural, animal husbandry and forestry workers, fishermen and hunters, is decreasing; however, the proportion of those working 40 hours and over (or the invisibly underemployed) is increasing,<sup>107</sup>. Moreover, the proportion of those working less than 40 hours (visibly underemployed) among the underemployed persons under this occupational category remains high (68% in 1998, 64% in 2000) even as its share has substantially decreased during the period:

*By Area*, in 1998, the *visible underemployment rate* in the rural areas registered at 14.1 percent, about less than twice that of the urban sector; By 2001, the proportion has decreased to 13.9 percent for the rural areas against 8.0 percent for urban areas.<sup>108</sup>

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<sup>105</sup>This set of statistics was revised in 2001 when the unskilled labor in the same occupational group was separately reported, among others, as a result in the change from PSIC 1977 to PSIC 1994

<sup>106</sup>BLES-YLS, (Table 3.16- *Employed Wage and Salary and Own-Account Workers by Nature of Employment and Major Occupation Group, Philippines*), 1998 and 2000.

<sup>107</sup>BLES-YLS, (Table 4.5 – *Underemployed Persons by Total Hours Worked and Major Occupation Group, Philippines*), 1998 and 2000.

<sup>108</sup>BLES-YLS, (Table 4.7 – *Visibly Underemployed Persons as Percent to Employed by Highest Grade Completed, By Area, Philippines*), 1998 and 2000.

In the *rural area and by Highest Grade Completed*, the number of underemployed persons in rural areas shows that the higher the educational qualification, the lesser the probability of underemployment. The proportion of underemployed who have undergone elementary and high school education remained high at about 86%, but only slightly increasing from 1998 to 2001.<sup>109</sup>

- In 1998, *underemployed persons* in the rural areas numbered 3.76 million persons for a high underemployment rate of 24.8 percent, of which 85.89 percent belonged to the *elementary and high school category*;
- By 2001, the *number of underemployed persons* decreased to 3.08 million persons for an underemployment rate of 20 percent, of which 86.26 percent were in the *elementary and high school category*.

### III. 1. (iii). c. *Unemployment*

The unemployed in the *rural area* was 38.3 percent or 1.3 million in 1998 of the total unemployed persons of 3.65 million, decreasing to 1.2 million persons in 2001. Statistics about unemployment in the rural areas reveal the following patterns:

*Unemployed persons* in the rural areas who had *college education* exhibited increasing unemployment share between 1998 and 2001; those with *elementary education* registered a decreasing unemployment share, while the share of those with *high school education* remained constant.<sup>110</sup>

- In 1998, some 1.3 million persons were unemployed, of which 34.0 percent completed *some or full elementary education* while 38.9 percent completed *some or full high school education*; and 23.0 percent completed *some or full college education*.
- By 2001, some 1.18 million persons were unemployed, of which 32.7 percent had *some or full elementary education*, 39.3 percent had *some or full high school education*, and 25.0 percent had *some or full college education*.

In the rural areas, *reasons for not looking for work* reveal interesting variations. More unemployed workers in 2001 than in 1998 believed *no work was available* or were *not looking for work because of temporary illness or disability*.<sup>111</sup>

- In 1998, 39.4 percent of those unemployed persons not looking for work believed that there was *no work available*, 29.8 percent were *waiting to be rehired or recalled*, and 21.4 percent were *not looking for work due to temporary illness or disability*;

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<sup>109</sup>BLES-YLS, (Table 4.4. – *Underemployed Persons and Underemployment Rate by Highest Grade Completed and Area, Philippines*), 1998 and 2000.

<sup>110</sup>BLES-YLS, (Table 5.4 – *Unemployed Persons by Highest Grade Completed and Area, Philippines*), 1998 and 2000

<sup>111</sup>BLES-YLS, (Table 5.9 – *Unemployed Persons Not Looking for Work by Reason, Area and Sex, Philippines*), 1998 and 2000.

- By 2001, 39.5 percent believed *no work was available*, 6.8 percent were waiting to be *recalled or rehired*, while 25.0 percent had *temporary illness or disability*.

Of the 1.18 million unemployed persons *actively seeking jobs* in 2001, 28.3 percent or 342 thousand came from rural areas. Relatives and friends is most *preferred method* (41.2 percent) used by these job seekers, while 39.8 percent approached their prospective employers directly

***Unemployment due to closures and retrenchment:*** In 2001, there were 110 establishments in agriculture or 3.9 percent of the total establishments (2,846) that were reported to have closed or retrenched and in the process have displaced around 1,904 workers in agriculture or 2.7 percent of the total displaced workers (71,764) in 2001. It will not be hard to imagine that this is a conservative estimate because not all establishments that have closed or retrenched during this period have reported their situation to the DOLE, especially because 9 out of 10 establishments are categorized as micro establishment (*see Box 2.2*)

### III. 1. (iii). d. *Weekly Hours Worked*

The lower weekly hours worked in agriculture support the notion that underemployment in this sector is higher than in other economic sectors. Job opportunities and paid work in agriculture are scarcer than in other industries and occupations. Unpaid work abounds either as own account worker or in family farms and enterprises.<sup>112</sup>

Whether by *major industry or major occupation groups*, workers in agriculture work for lesser hours than workers in other industries or occupations.

- Based on weekly hours worked, the norm in all industries was pegged at 41.8 hours in 1998. It remained constant in 1999 (41.6), increasing in 2000 by about one hour (42.7) and jumping by about 1.8 hours in 2001 (42.7) (*See Table 2.3 in Annex*).
- This pattern is the same across industry and occupation and class of workers. In *Agriculture, Fishery and Forestry industry*, the annual average for the period (1998 to 2001) is 33.5 hours a week against the national average for all industries for the same period of 41.8 hours; by occupation, *agricultural, animal husbandry and forestry workers, fishermen and hunters* worked for about the same number of hours (33.8) as those in industry; however in 2001, while working less hours than in 1998, nevertheless they worked for 1.6 hours longer than industry.

In *rural areas by class of worker and hours worked in past week*: 15.39 million persons in 2001 living in rural areas were employed for all classes. 49.7 percent of these persons worked for 40 hours or more, but 50.2 percent worked for less than 40 hours. The *own account worker* has the highest incidence of working for less than 40 hours at 53.7 percent.<sup>113</sup>

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<sup>112</sup>BLES-YLS, (Tables 7.2. – Average Weekly Hours Worked by Employed Persons at Work by Major Industry Group and Sex, Philippines; and Table 7.3 – Average Weekly Hours Worked of Employed Persons at Work by Major Occupation Group and Sex), 1998 and 2000.

<sup>113</sup> BLES-YLS (Table 3.11 – Employed Persons by Class of Worker, Area and Hours Worked during the Past Week, Philippines: 2001), 2002

**By gender:** whether by industry or by occupation or area, males work longer than females from 1998 to 2001 (see Table 2.3 in Annex).

**By crop:**

**Table 2.4:** PALAY: Average Man Days Per Hectare by Source of Labor, by Farm Activity, By Sex, Philippines, 2001

Farm Activity	Unpaid labor						Hired Labor.		Total		Both Sexes
	Operator		Family Member		Sub-total		Male	Female	Male	Female	
	Male	Female	Male	Female	Male	Female					
Plowing	0.86	0.01	0.52	0.01	1.37	0.02	3.25	0.03	4.62	0.04	4.66
Harrowing	0.57		0.36	0.02	0.93	0.02	2.00	0.02	2.93	0.04	2.96
Pulling/bundling of seedling	0.24	0.03	0.31	0.25	0.55	0.28	2.34	2.60	2.89	2.88	5.77
Planting/transplanting	0.40	0.05	0.50	0.32	0.89	0.36	6.71	3.03	7.60	3.39	10.99
Care of crops	1.51	0.09	1.76	0.59	3.27	0.67	3.42	1.20	6.68	1.87	8.55
Mechanical weeding	0.02		0.02		0.03		0.14		0.17		0.17
Manual weeding	0.55	0.08	1.06	0.55	1.61	0.63	2.03	1.15	3.64	1.78	5.42
Fertilizer application	0.51	0.01	0.36	0.04	0.87	0.04	0.62	0.03	1.49	0.07	1.55
Spraying	0.44		33.00		0.76		0.63	0.02	1.39	0.02	1.41
Harvesting	0.36	0.08	0.57	0.34	0.93	0.42	10.10	4.10	11.03	4.52	15.54
Threshing	0.21	0.02	0.27	0.10	0.47	0.12	3.70	0.37	4.17	0.49	4.65
Hauling	0.23	-0.02	0.27	0.02	0.49	0.04	1.31	0.02	1.80	0.06	1.86
Drying	1.05	0.10	1.15	0.68	2.20	0.78	0.86	0.02	3.05	0.79	3.84
Other farm activities a/	0.33	0.01	0.33	0.04	0.66	0.04	0.68	0.04	1.33	0.08	1.41
TOTAL	5.73	0.38	6.01	2.34	11.7	2.72	34.4	11.41	46.1	14.13	60.22

A/ clearing of dikes and paddies and winnowing

Source: BAS 2001

In terms of *man-days per hectare*, the table above shows that in palay farming for example, both sexes of rural workers work for an average of only 60.22 man-days per hectare. *By gender*, the table also corroborates the Bureau of Labor and Employment Statistics (BLES) figures for industry and occupation that men (46 man-days) worked longer than women (14 man-days) workers in palay farms regardless of whether they are unpaid or hired labor.

*By type of labor*, clearly hired labor works longer than unpaid labor regardless of gender. Among the unpaid labor, the unpaid family members worked a little longer than the farm operator regardless of gender.

*By farm activity*, the statistics show that harvesting (15.54 man-days or 25.8%), planting/transplanting (10.99 man-days or 18.2%) and care of crops (8.55 man-days or 14.1%) are the most labor intensive stages of any palay farming operation in that order of intensiveness.

If one multiplies the average 60.22 man-days per hectare with the average 2-hectare farm, the total man-days will be 120.44 man-days. Divide this with the normal working hours in the rural areas of 7.1 hours, one will get a figure of 17 man-days, which suggests that, in palay farming alone, a *rural farm worker* is employed for only an average of 17 man-days for one crop year.

Combining the data set on hours of work with those of wages and employment opportunities, *the notion that lower pay for shorter hours because of lack of work in agriculture is accentuated*. Workers in the sector thus seek paid employment elsewhere: during off-farm season they work in non-farm activities within the sector and rural area or outside it, usually in construction and related trades.

### III. 1. (iii). c. *Access to Non-Farm Employment*

Theresa Sanchez<sup>114</sup> suggests that as rural development progresses, the labor time spent in nonfarm activities in the rural areas increases. In her review of literature, she cites Fabella (1985) who studied the Philippine setting in this respect as having:

“found that the share of rural nonfarm activities in total rural employment for both sexes is approximately 30 percent from 1972 to 1982. The share of males’ rural nonfarm employment to total rural employment is found to be between 22.5 percent and 24.7 percent during the same period. However, the share of females’ ...is found to be twice that of the males’. The study also reveals that the share of rural nonfarm activities of wage and salary workers representing the formal sector of the labor market in the rural areas increased from 58.6 percent in 1977 to 69.5 percent in 1982. Moreover, that of the own-account workers who are considered as representative of the rural informal sector rose slightly from 19.4 percent in 1977 to 20.2 percent in 1982. Rural nonfarm activities also provide secondary employment to rural workers.” (underscoring supplied)

The sources of nonfarm employment are usually the non-agricultural enterprises.<sup>115</sup>

#### **Box 2.2:** 9 out 10 Enterprises in the Philippines are Microenterprises

According to RA 8289 known as the Magna Carta for Small Enterprises, small and medium enterprises (SMEs) are classified by *asset size* as follows: *Micro* (less than P1.5 million); *Small* (from 1.5 million to 15 million pesos); *Medium* (15 million to 100 million pesos). Obviously any enterprises with asset size larger than 100 million will be considered as *Large* Enterprise.

In terms of *employment size*, SME refer to business entities with an average total employment (ATE) falling under the following categories: micro (1-9 workers); small (10-99 workers); medium (100-199 workers). Any enterprise employing more than 199 IS considered as large enterprise.

Tables 2.5 and 2.6 (in Annex) show the main characteristics of these establishments by region, by asset size and by employment size. In the main, the Tables show that 9 out of 10 enterprises are

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<sup>114</sup>Ma. Theresa C. Sanchez. *Rural Labor Markets, Rural Nonfarm Enterprise and Agrarian Reform in the Philippines: A Review of Literature*. (PIDS, Makati, 1991). Citations and quotations in this section came from this source.

<sup>115</sup>An enterprise as defined by the NSO is an economic unit consisting of one or more establishments under a single ownership or control.

micro enterprises; that 76 percent of these are located outside Metro Manila, and probably concentrated in urban centers outside Metro Manila.

One tentative conclusion that can be drawn from these statistics is that nonfarm employment in micro enterprises are most probably located in urban centers, away from rural areas. Thus the potential for employment in nonfarm activities within rural areas is lesser than outside these areas.

### **III. 1. (iv). *Income and Earnings in Agriculture: Not Enough to Rise Out of Poverty***

#### **III. 1. (iv). a. *Summary***

Incomes in rural areas and in agriculture are not enough to meet the food and nutritional values necessary to sustain health. It hovers just a little above or much below the poverty income threshold. The net return of farmers in lands planted to rice, corn and coconut follow much the same pattern.

Wages are lower than mandated minimum rates. Even as these mandated rates are often violated, wage levels too are insufficient to meet food and nutritional values and the annualized rates just about hovers a little above or below the poverty income threshold.

#### **III. 1. (iv). b. *Farm Income of Small Farmers***

Payment for work in Philippine agriculture comes in three modes: *cash or kind or both*. Cash requires monetary transaction. In-kind refers to payment out of a share of the produce or crop (*see Chapter 1*).

4.2.1) The net income of rice, corn and coconut farmers who are the most predominant type of farmers in the country show that they have a hard time surpassing the annual poverty threshold of P13,823.00 (year 2000);

- Rice farmers in irrigated lands earn an annual net income of P11,466.00 while rice farmers in non-irrigated lands earns a net return of P4,281,00 (*See Table 2.7*).
- Corn farmers earn an annual return within the range of negative P189.00 for white corn and P7,122.00 for yellow corn (*see Table 2.8*).
- Coconut farmers earn an annual income within the range of P5,136.00 to P9,306.00 depending on the prevailing prices of their products at the time of sale (*see Table 2.9*)

**Table 2.7** - Average Cost and Returns of Palay Production, by Farm Type, Philippines, 2001, (Pesos per hectare)

Items	All Types	Irrigated	Non-Irrigated
Gross Returns	26,160	29,366	19,338
Cash Cost	9,575	10,880	6,593
Non-Cash Cost	5,567	7,025	2,208
Imputed Cost	7,197	7,639	6,256
Total Cost	22,339	25,544	15,057
Net Returns	3,821	3,822	4,281
Net Profit Cost Ratio	0.17	0.15	0.28

Source: BAS

The table above shows that a *palay* farmer can earn between P19,338 to P29,336 gross income per hectare per crop year in 2001 depending on whether his farm is irrigated or not. Clearly, an irrigated farm has a much higher income potential than a non-irrigated one. However, the total cost for an irrigated farm is higher by 65% than the non-irrigated farm. The net return for the farmer thus ranges from P4,281 (non-irrigated) to P3,822 (irrigated). Since, however, irrigated rice farms can be planted and harvested three times a year while non-irrigated or rain fed farms can only be planted and harvested once a year, the total annual income of irrigated rice farms can net up to P11,466.00.

For *corn production*, a farmer can earn between P8,379 to P18,395 gross income per hectare per crop year in 2001 depending on the corn variety. The yellow corn has a much higher income potential than the white corn. The figures for the white corn in fact, exhibits a negative net return for the farmer making the white corn unattractive crop to invest in. No wonder corn farmers are reducing their production hectarage because of this income outcome. Unfortunately however, white corn is also used as staple food in some parts of Mindanao and the Visayas. The total cost for the yellow variety is higher by 75% than the white variety. The *net return* for the corn farmer ranges from a negative P189 per hectare for white corn to P7,122 for the yellow one.

**Table 2.8 - Average Cost and Returns of Corn Production, by Variety, Philippines, 2001, (Pesos per Hectare)**

Item	All Types	White Corn	Yellow Corn
Gross Returns	12,762	8,379	18,395
Cash Cost	3,671	2,755	4,936
Non-Cash Cost	1,522	1,292	1,833
Imputed Cost	4,514	4,521	4,504
Total Cost	9,707	8,568	11,273
Net Returns	3,055	-189	7,122
Net Profit Cost Ratio	0.31	-0.02	0.63

*Source: BAS*

### **For Coconut:**

Annual income ranges from P5,136.00 to P9,306.00 depending on the fluctuating price of coconut in the market. (See Table 2.10, below)

### **III. 1. (iv). c. Incomes from Rural Non-Farm Activities**

Income wise, Fabella as cited by Sanchez<sup>116</sup>, observed that rural nonfarm activities contribute “31.4 percent of the total family income of farm households and 81 percent of the total family income of rural nonfarm households”.

Nonfarm activities in rural areas, in addition, increase incomes particularly of the small and landless farmers. Sanchez cites the micro study of Reyes (1990) based on his Laguna<sup>117</sup> survey that time spent on nonfarm activities by rural household members has increased significantly thus increasing nonfarm incomes from 8 percent in 1974 to 36 percent in 1987. Not only that small and landless farmers have been benefited, it is also suggested by the study that “nonfarm income has an equalizing effect on income distribution and that its growth has helped offset the growing imbalance in agricultural incomes.”

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<sup>116</sup>Ma. Theresa C. Sanchez. (1991).

<sup>117</sup>Laguna is a province in Southern Tagalog (Region IV-A).

**Table 2.9 - How Much Does an Ordinary Coconut Farmer in Quezon<sup>118</sup> Earn?**

Area:	<b>three has.</b>	<b>Net Income per Harvest:</b> (at P3/kilo) P1,712; (at P5/kilo) P3,102 <b>Annual Income (three harvests):</b> (at P3/kilo) P5,136; (at P5/kilo) P9,306  -----  Notes:  Resecada – pertains to the moisture content of copra  Hila-parada – a mode of transporting the harvests from the farm to the dealer. It uses a carabao-pulled sled (hila) or a jeepney (parada)  Buhat - also a mode of transferring the harvests from the farm to the dealer where a farmer hires some people (usually workers of the dealer) to carry the sacks of products.
Number of trees:	<b>250</b>	
Ave. fruit per tree:	<b>7</b>	
Total no. of fruits:	<b>5,250</b>	
Copra output:	<b>1,750 kilos</b>	
Deduct:	<b>262 kilos</b>	
<b>(for resecada)</b>		
Copra left to the farmer	<b>1,488 kilos</b>	
<b>Expenses (wages)</b>		
a) Harvesting: P1,025 (at P200/1,000 nuts)		
b) Transporting (farm to copra dealer): P1,200 (at P75/hila, ave. of 35 sacks) If hila-parada; or P1,700 if buhat		
Total: P3,250		
<b>Current price of Copra: P3-P5 per kilo</b>		
Gross Income: P4,464 (at P3/kilo); P7,440 (at P5/kilo)		
<b>Other Deductions:</b>		
Sacks: P21 (at P3/kilo); P35 (at P5/kilo)		
Share of the (at 60%): (at P3/kilo)		
Landlord P2,678; P4,464 (at P5/kilo)		
(at 70%): (at P3/kilo)		
P3,124; P5,208 (at P5/kilo)		

Source: IBON, 2000

### III. 1. (iv). d. *Wage Rates for Landless Farm Workers: Lower than Mandated Minimum*

For landless farm workers, payment for work done comes in the form of wages. A law, such as the minimum wage law, or by practice may define the amount of wage payment. Whether mandated by law (P141.00 to P160.00 per day) or set by general practice (P121.00 to P155.98 per day), the daily wage rates of farm workers are below the amount considered sufficient for health and nutrition. Furthermore, incidence of violation of legal rates, the many exemptions from its coverage, and the practice of piece-rate or contractual payments negate the rates set by law.

- In May 2002, mandated minimum daily wage rates that apply to farm workers range from a low of P149.00 for agricultural plantation workers to a high of P228.00. The lower end of the

<sup>118</sup>Quezon is a province south of Metro Manila.

Daily Minimum Wages in non-plantation is lower, but the upper end is the same, ranging from P133.60 to 228.00. (*see Table 2.10*)

- Trends in agricultural daily wages by crop in 2001 range from a low of P121.22 in corn to a high of P155.98 in sugarcane (*See Table 2.11*). When annualized, given these realities, the daily wage rates can fall below the poverty threshold income. For example, farm workers in rice farms usually work 18 days per cropping at three cropping per year, which makes for 54 days by which they are paid in a year. Given that the highest daily wage rate for farm workers in rice farms is P139.66, the annualized income would amount to P7,541.64, which is only 55% of the poverty threshold income of P13,823.00. Given, further the national average of 1.8 family members at work, a family income of P13,574.95 annually is derived, which is still a little below the poverty threshold income. Thus, it is not hard to imagine why more family members, including children, are put to work.

- ***Minimum Wage Law***

Minimum wages set by law cover establishments having employer-employee relations.

Applicable minimum wage law in agriculture are sub-divided between *plantation and non-plantation*. Plantation minimum wages may further be subdivided according to annual gross sales, total assets or size of employment, or size of land, class of cities and municipalities or a combination of these. Urbanized areas usually have higher minimum wages than less urbanized or non-urbanized areas.

A minimum wage is set by a regional wage and productivity board, which in turn determines the level of minimum wages in the region or in the provinces comprising it, including its dates of effectivity. There are 17 regions and 77 provinces, all with varying minimum wage rates.

Such minimum wage rates may or may not include *cost or living allowances* (COLA) or simply *allowances*, which the Regional Wage and Productivity Board has discretion to decide, based on certain parameters.

Table 2.10 show the Minimum Wage Rates for Plantation and Non-plantation workers in selected regions where there are preponderance of farm workers.

**Table 2.10: Nominal Minimum Wage Rates for Agriculture in Selected Regions, 2001**

Regions	Plantation		Non-Plantation	
	Low	High	Low	High
PHILIPPINES	149.00	213.00	133.50	213.00
Central Luzon	174.50	174.50	158.50	158.50
STR	159.00	192.00	139.00	172.00
Bicol	150.00	160.00	130.00	140.00
Western Visayas	130.00	150.00	120.00	120.00
Central Visayas	172.00	180.00	156.00	180.00
Western Mindanao	140.00	140.00	120.00	120.00
North Mindanao	163.00	170.00	163.00	170.00
South Mindanao	168.00	170.00	147.00	149.00

Source: 2001 YLS

The amount of minimum wage mandated by the regional wage and productivity boards are about two-and-a-half times to five times the Human Development Index (HDI) poverty value of US\$1.00 per day. If the pattern of comparative wages in the ASEAN applies to agriculture, these minimum wage rates are much higher than Indonesia, Vietnam, Laos and Cambodia and China, which puts Philippine agricultural products at risk in global competitiveness.

However, set against the annual per capita poverty line<sup>119</sup> of P13,823.00, these rates are relatively higher on the assumption that the farm worker is employed on a regular basis for the whole year which he is not.

Moreover, a new law (R.A. 9178, otherwise known as the “Barangay Micro Business Enterprise (BMBEs Act of 2002) exempts micro enterprises from paying the minimum wage set in their respective areas. The law provides incentives to *micro enterprises* in the village level to hasten economic development by encouraging the formation and growth of micro enterprises. Under the law, barangay enterprises can engage in the production, processing or manufacture of goods and services with total assets not exceeding P3 million. One incentive, which does not seat well with labor groups is their exemption from the minimum wage law. The law covers approximately 91 percent of all business establishments of the country, which is equivalent to the share of micro enterprises to total number of business enterprises in the Philippines. (See Tables 2.5 and 2.6 in Annex).

The effectivity of these minimum wage rates to provide improving decent work is also diminished in coverage by exemptions of certain establishments decided upon by the respective Regional Wage and Productivity Boards. In addition, violation of these rates is reported to be around the average of 21.5 percent of all agricultural establishments inspected from 1991 – 2000.<sup>120</sup>

<sup>119</sup>BLES YLS. (2002).

<sup>120</sup>BLES, YLS (Table 20.2 – Percent of Establishments Found Violating General Labor Standards to Total Establishments Inspected, by Selected Labor Standards Violated, Philippines: 1976-2000), 2000

### ***Trends in Agricultural Wages***

Landless farm workers are partly but highly dependent on income derived from direct cultivation of the land. Generally, wages vary depending on the availability of labor, traditional payment practices per area, type of farm (plantation or non-plantation), and the crops produced

The Survey of Nominal Average Daily Wage Rates of Farm workers between 1991 and 2001 shows the actual wage rates received by farm workers as practiced. Table 2.11 below shows that farm workers actually received an average wage ranging from a low of P121.00 to a maximum of P156.00 per day in 2001.

Although the survey indicated an increasing amount on an annual basis, these amounts are generally lower than the mandated minimum decided by the regional wage and productivity boards, an evidence furthermore, that farm workers are often not paid the current minimum wage rates as mandated by law.

**By crop**, Table 2.11 shows that in 2001, farm workers in sugarcane farms generally received higher nominal wages than their counterparts in the other crops. Conversely, corn workers received the lowest nominal wage rate. Historically, however, corn workers are the least paid among all farm workers.

In terms of growth rates, the wages for coconut and palay increased the highest in 2001. In real terms however, sugarcane and palay had the highest value and the growth rates for all crops are negative.

**By gender**, Table 2.11 supports the earlier findings that female workers not only tend to work lesser hours than her male counterparts but in nominal and in real terms, the wage of female workers across crops are lower compared to the wages of their male counterparts.

**By bases of payment**, Table 2.12 below shows the average wage rate of farm workers by bases of payment in selected crops by *man-labor only*. The figures indicate that the average rates tend to be higher if the base for payment is on a per hectare basis especially for palay, corn and coconut. However, farm workers in sugar farms could get higher rates if the bases for their wage is on a sharing arrangement. The column on sharing arrangement also indicates that tenancy is still being practiced in these crops in varying degrees despite its being banned under CARL or RA 6657. Across crops, being paid on a daily basis gets the least value on wages for the farm worker.

**By farm activity**, Table 2.13 below, shows the average wage rate not only on the basis of payment but also more importantly, on the basis of farm activity. The figures show that for man-labor only, the average rate is P132.55 regardless of the activity concerned. At any rate, *harrowing* is the farm activity that receives the highest value for the labor of a farm worker. *Shelling and furrowing* seem to be the farm activity that receives the lowest rates as compared to the other farm activities.

It is also worth noting that the average wage rate for a combination of man and machine labor provides the highest return for the effort of the farm worker. But this implies that the farmworker-machine operator has a higher level of skill or education and training than the average farmworker.

This supports an earlier finding that education has a positive effect on the employment and income status of an individual.

**Table 2.11** - Trends in Agricultural Wages, Philippines, by Crop, 1999-2000, in Pesos

Nominal Wage Rates Growth Rates	1999			2000			2001		
	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female
By Crop:									
Palay	134.88	142.10	123.84	137.06	144.55	125.10	139.86	147.34	128.20
Growth Rate				1.62	1.72	1.02	2.04	1.93	2.47
Corn	120.57	127.85	110.14	120.97	128.26	108.33	121.22	128.56	109.09
Growth Rate				0.34	0.32	(1.64)	0.21	0.23	0.70
Coconut	138.67	140.07	91.32	125.34	126.05	99.05	128.92	133.79	99.76
Growth Rate				(9.61)	(10.01)	8.46	2.86	6.14	0.72
Sugarcane	138.29	143.54	129.65	154.69	161.44	132.27	155.98	161.97	133.48
Growth Rate				11.68	12.47	2.02	0.83	0.33	0.91
Real Wage Rates Growth Rates By Crop:									
Palay	92.38	97.33	84.82	90.02	94.94	82.17	86.54	91.17	79.33
Growth Rate				(2.56)	(2.45)	(3.13)	(3.86)	(3.97)	(3.46)
Corn	82.58	87.57	75.44	79.43	84.21	71.13	75.01	79.55	67.51
Growth Rate				(3.81)	(3.83)	(5.71)	(5.56)	(5.53)	(5.09)
Coconut	94.98	95.94	62.55	82.30	82.76	65.05	79.78	82.79	61.73
Growth Rate				(13.35)	(13.73)	3.98	(3.06)	0.03	(5.08)
Sugarcane	94.72	98.32	88.80	101.57	106.00	86.85	96.52	100.23	82.60
Growth Rate				7.23	7.82	(2.20)	(4.97)	(5.45)	(4.89)

Source: BAS 2001

**Table 2.12** - Average Wage Rate of Farm Workers by Bases of Payment, Philippines, by Crop, by Man Labor only, 1999-2001

All Farm Workers By Crop	All Bases of Payment	Per Day	Per Hectare	Per Sack	By Contract	By Sharing Arrangement	Other Bases a/
Palay	139.86	108.81	166.21	156.67	143.30	157.98	136.52
Corn	121.22	108.36	173.38	125.61	151.88	135.19	112.78
Coconut	128.92	130.35	172.39	120.00	145.48	126.32	123.63
Sugarcane	155.98	133.74	141.89	136.85	161.18	197.69	164.08

\*/ Man Labor only

a/ per bundle and per hour

Source: BAS 200

**Table 2.13** - Average Wage Rate of Farm Workers by Basis of Payment by Farm Activity, Philippines 2001, (in Pesos)

Farm Activity	All Bases of Payment	Per Day	Per Hectare	Per Sack	By Contract	By Sharing Arrangement	Other Bases c/
<b>Plowing</b>							
Man	145.55	122.60	495.10		178.25	160.29	179.17
Animal	143.65	135.29	500.00		150.15		
Machine	744.79	281.27	779.83		608.34		
Man and Animal	244.91	152.76	511.10	100.00	175.42	734.40	175.82
Man and Machine	1111.30	386.68	1361.50	525.00	975.59	599.95	614.47
Man, Animal and Machine	531.31		1555.70	444.84	200.27		960.00
<b>Harrowing</b>							
Man	194.83	179.44	173.71		322.73	205.20	263.18
Animal	149.29	145.58			225.00		
Machine	508.62	600.00	533.33		432.50		640.00
Man and Animal	242.92	228.61	322.58	275.00	307.82	510.60	269.46
Man and Machine	1136.38	342.08	1251.64	800.00	1173.38	571.08	594.75
Man, Animal and Machine	477.63		704.59	444.84	161.57		
<b>Furrowing</b>							
Man	145.32	145.32					
Man and Animal	226.95	229.19	250.89		168.42	180.00	123.33
Man and Machine	697.67	214.55	778.40	560.00	798.89	857.14	

Pulling and bundling of seedlings	122.97	117.82	153.02	110.05	108.74	120.54	118.74
Land preparation	118.03	118.03					
Planting/transplanting	123.66	116.99	138.29		145.10	104.34	117.71
<b>Care of Crops</b>	<b>129.27</b>	<b>114.62</b>	<b>186.01</b>	<b>144.43</b>	<b>156.65</b>	<b>135.44</b>	<b>141.17</b>
Mechanical weeding	145.49	132.68			117.50	161.19	215.78
Manual weeding	119.53	113.53	135.21		126.92	103.13	127.52
Fertilizer Application	140.13	112.12	174.78	198.31	167.68	387.11	165.87
Spraying	145.29	112.18	204.61	160.00	187.52	283.90	223.32
Off-barring	158.73	161.76	272.24		152.23		121.07
Hilling-up	150.81	142.03	146.98		164.32	169.29	147.73
<b>Harvesting</b>	<b>193.53</b>	<b>113.63</b>	<b>163.77</b>	<b>170.19</b>	<b>140.90</b>	<b>292.85</b>	<b>143.21</b>
<b>Threshing</b>							
Man	155.75	133.76	148.00	598.14	188.80	164.81	199.88
Man and Machine	493.29	105.43	141.44	916.42	434.89	499.73	601.40
<b>Shelling</b>							
Man	107.40	83.16		105.45		155.60	96.26
Man and Machine	371.20	105.86	447.56	361.30	284.32	499.62	410.24
Hauling	232.78	136.82	375.00	242.81	309.70	188.48	260.01
Husking	133.88	132.75	214.29		185.60	100.00	128.53
Splitting of nuts	109.13				140.26	113.60	98.89
Removal of coconut meat	123.36	126.29			130.33	120.00	120.37
Drying	117.85	99.80	100.00	189.22	148.24	150.56	155.66
Other farm activities a/	173.41	110.20	244.50	205.49	155.42	231.05	258.16
<b>All Farm Activities</b>							
Man Labor only	132.55	120.31	163.47	134.78	150.46	153.29	134.25
All Types of Labor b/	166.25	130.52	284.90	150.84	200.02	163.68	174.33

a/ Clearing, winnowing

b/ Include man, animal, machine, man and animal, man and machine and combination of man, animal and machine labor

c/ per bundle, per hour, per ton

Source: BAS 2001

### III. 2. *Work in Conditions of Freedom: Working Conditions of Rural Workers and Children*

#### III. 2. (i). *Labor Arrangements and Working Conditions of Rural Workers in Selected Crops and Agricultural Industries*

##### III. 2. (i). a. *Rice Farming*

There are three major types of rice farming systems in the Philippines: 1) rainfed lowland; 2) irrigated lowland; and 3) rainfed upland.

The first cropping season (from planting to harvest) generally starts at the onset of the rainy season in June or July, and lasts for three to four months. Farmers (owners) in irrigated areas can plant up to three times annually while rainfed lowland farmers can only do so once but they normally shift to root crop production during the dry season from November to March. The same is true to rainfed upland farmers.

Whenever family labor alone is not adequate to handle all of the various farming activities, the farmer hires landless workers who are paid under various systems of remuneration. A BRW study cited a 1987 Philippine Peasant Institute (PPI)<sup>121</sup> survey that there are three types of permanent or semi-permanent labor arrangements practiced in Central Luzon as: a) farm servant; b) semi-tenant; and c) semi-attached.

The Bureau of Agricultural Statistics (2001) documents that in 2001, the fixed daily wage rate for all rice farm activities, including, among others, transplanting seedlings, weeding, spraying, plowing, harrowing or repairing earthen dikes, was P139.86 (man labor only) and P166.25 (combination of man, animal and machine).

#### **Box 2.3:** Other Labor Arrangement Practiced in Rice Farming<sup>122</sup>

These are mostly contractual and seasonal in nature and with flexible payment systems, including:

- The *kabisilya* system, wherein the leader (*kabisilya*) of a team of transplanters negotiates a contract with a farmer on the terms of payment according to coverage per hectare or the number of workers he/she supplies. In any case, the *kabisilya* receives a lump sum, which he pays to the workers at a certain daily rate. The lump sum may also be equally divided among the workers with the *kabisilya* counted as one worker.
- In many areas, the traditional labor contract for harvesting and threshing is called *hunusan*. Under this system, a farmer specifies at least two days for harvesting and threshing, and any villager can participate and receive a share of the output, ranging from one-fourth to one-tenth of the farmer's produce. The common sharing system is one-sixth. For the landlord and the tenant, the output is divided into two parts after the harvester's share is deducted. In the *hunusan* system, the harvest (using sickles) is bundled and each harvester gets one out of

<sup>121</sup> BRW. 1987 PPI Study as cited in *Rural Workers in the Philippines: Profiles in Rural Poverty*. (DOLE, Manila, 1995).

<sup>122</sup> Remedios Balbin and Dominador Clemente, Jr. *Agribusiness: Philippine Experience (Legal and Policy Notes)*. (National Bookstore, Quezon City, 1986).

every six bundles he has cut. In cases where threshing and harvesting are combined as one activity, the worker gets one-sixth of the threshed palay.

- Under the mechanized threshing system (*tilyadora*) in which crop cutting and threshing are separate activities, the harvesters are employed at a fixed daily rate (*upahan*) for a certain area to be harvested.
- Another widely practiced arrangement is the *gama*, also called *aqui-aqui* in Bicol, *arkila* in Nueva Ecija, and *tampa* in Pangasinan. The system is similar to *hunusan*, except that the employment for harvesting and manual threshing is limited to workers who are willing to weed without wages. A variation called *atorga* in Pangasinan requires that workers pull seedlings for free to establish their “right” to be employed as crop cutters. Another variation gives the harvesting rights to workers who provide free services for transplanting.
- In a move to cut down labor costs, the *bayanihan* or *suyuan* system is also a popular form of labor arrangement in rice areas. This essentially means exchange of labor in which groups of farmers agree to work for free on each other’s farms by turns.

### III. 2. (i). b. Coconut Farms

The Philippine Coconut Authority (PCA) reported that there are 3.4 million farmers and farmworkers, of which 1.5 million are farmers and 1.9 million are farm workers.<sup>123</sup> The latter are found either in big coconut haciendas under the direct employ of landowners or in tenanted lands assisting the tenants in the various task of production. Coconut workers are mostly employed in the harvesting and copra-making stages of coconut production.

Harvesting may be done from four (quarterly) to six times (every other month) per year. The peak season runs from June to December<sup>124</sup>.

#### **Box 2.4:** *Coconut Farm Workers have Specialized Skills that are Important to the Production of Coconuts and Copra*

These specialized skills are as follows:

- Farmer maintainer (*or magtatabas*) - - they clear and clean the farm area, to maximize productivity and control coconut pests and diseases;
- Harvesters (*or magkakawit*) - - they harvest the mature coconuts either by climbing or by using long poles with sharp sickles;
- Gatherers (*or mag – iipon*) - - they gather the harvested nuts in a common area;
- Huskers (*or magtatapas*) - - they husk nuts using the metal portion of a farm harrow mounted on a tripod; and
- Copra Maker (*or magkokopra*) - - they split the nuts and dry these either in a kiln or under the sun, to produce copra.

<sup>123</sup> Philippine Coconut Authority, as cited by Esther Penunia’s *Policy Considerations in Agrarian Reform Implementation in Coconut Areas*. (AR-NOW, Quezon City, 2002).

<sup>124</sup> Center for Strategic Studies. *A Study on the Philippine Coconut Industry*. (CCS, Quezon City, 1993).

The landowners depend on hired labor to do the various tasks of production such as the picking of nuts, gathering, pilling, hauling, husking, and copra drying. These working relationships exist in *haciendas*. Claiming efficiency, the landlord employs underpaid laborers to increase his share of the produce. Cleaning and clearing the farmland, burning dead leaves and felling trees, controlling pests and the various tasks involved in the harvest are accomplished through abundant and cheap labor. Coconut farm workers are also paid on a piece-rate basis. For instance, PCA (1999) states that the average wage rate per 1,000 nuts picked is P100.<sup>125</sup>

This mode of compensation is the most prevalent scheme practiced in coconut farms. Piece-rates apply to specific tasks in production, mostly in the harvesting and copra making stages, which require the bulk of labor inputs. A research conducted by the Center for Strategic Studies(1993)<sup>126</sup> shows the following common rates applied for specific types of farm workers:

<b>Type of Worker</b>	<b>Percent in Gross Nut Output</b>
<i>magkakawit</i> (pickers)	10
<i>mag – iipon</i> (gatherers)	6 – 8
<i>magtatapas</i> (huskers)	8
<i>maghahakot</i> (handlers)	10
<i>magkokopra</i> (copra makers)	4

Source: Center for Strategic Studies (1993)

The tenant or the *haciendas* usually hires farm workers to undertake various tasks during production. The former in particular pays the worker from his share of the output of the coconut farm. While both the tenants and the farm workers are included in poverty groups, the tenants are relatively in a better economic position than farm workers because of their access to land.

Fixed daily wages are applied mostly for farm maintenance workers in coconut plantation. In Table 2.14 (pages 60-61) it is reported that in 2001 nominal daily wage rates in coconut areas is P128.92. Clearly this is lower than the mandated minimum wage for agricultural workers at the time. However, the real wage rate is only P79.78. Thus, regardless of the increase in wage rates over the years, coconut farm workers remained in the margins because of the rising cost of living. Employed only for a number of days, farmworkers are compelled, like tenants, to engage in other livelihood activities like fishing, rice harvesting, and abaca processing.

Cornista and Bello (1988)<sup>127</sup> also found that there is a wide disparity between legislated wage rates and the actual wages received by coconut farm workers. They ascribe this unfavorable situation of farm workers not receiving just compensation for their labor to the following factors: 1) the absence of coconut farmers' organization, deterring them from bargaining with employers, 2) high rural unemployment rate, making surplus laborers willing to accept lower wages; 3) violations of minimum wage laws as a cost-cutting measures, and 4) piece rate work arrangements, wherein flat rates are paid based on the contracted piece of work.

<sup>125</sup> 1999 figures from the Philippine Coconut Authority.

<sup>126</sup> Center for Strategic Studies. (1993).

<sup>127</sup> Luzviminda Cornista and Rolando Bello. *The Coconut Farming Industry: A Situationer*. (1988).

Landlords and their *encargados* in big *haciendas* exercise nearly absolute control over farm workers. The landlord dictates the use of lands within his *hacienda*. He often prohibits any productive activity on his land without his approval. Intercropping or planting secondary crops (i.e., banana, camote, cassava, corn) between coconut trees, which can enrich the soil and provide the farmers with additional income, are not allowed by many landlords.

One of the major issues facing small coconut farmers and workers today is the highly controversial coconut levy. The coconut levy issue involves the *Coconut Consumer Stabilization Fund* created during the martial law days by virtue of a Marcos' decree or PD 276. This fund is also known as the coconut levy and was imposed from August 1973 to August 1982. It was meant to subsidize the price of coconut products for domestic consumption. Around P9.7 billion was collected from coconut farmers and workers. Today, this figure is estimated to have grown to around P120 billion. Marcos crony, Eduardo "Danding" Cojuangco<sup>128</sup> allegedly used these funds to consolidate his control over the coconut industry, and later, over the San Miguel Corporation, which coconut levy funds he used to buy into this food Corporation. If this issue is resolved in favor of the small coconut farmers and workers the amount collected could be used not only to develop and modernize the Philippine coconut industry but also to help in the development of socio-economic safety nets similar to the *Social Amelioration Program* for farm workers in sugar lands.

### III. 2. (i). c. *Sugarcane Farming*

Sugarcane production takes place in two pronounced seasons—harvesting and milling, and off milling—over a period of 10 to 13 months. Off-milling season takes place from May to September when canes are maturing. Harvesting starts late in September, after which comes milling then land clearing and planting that last until April. It is in these stages that sugar workers are contracted.<sup>129</sup>

Farm workers in the sugar industry are landless rural workers who work in large plantations administered by the sugar mills or by independent landlords, or in tenanted lands or small-owned farms. Farm workers may either be regular or permanent workers (*dumaans or tawos*), seasonal workers (*pangayaws*), or seasonal migrant workers (*sacadas*). The permanent workers are generally in a better economic position than the seasonal and migrant workers; they are assured of a steady though meager income all year round; and they are also given lighter workloads and receive higher wages and fringe benefits.

Seasonal or migrant workers are hired only during peak seasons (i.e. planting or at the start of the milling season). They usually come from depressed, land-scarce, single-crop areas like the Ilocos and Cagayan Valley provinces, Antique, Capiz, Bohol and Cebu. These *sacadas* are the most exploited among all sugar farm workers. They are forced to work long hours at extremely low

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<sup>128</sup>Cojuangco now owns 22 percent, and is Board Chairman of San Miguel Corporation, the largest food firm in the Philippines. By complicated corporate maneuvering, the coconut levy funds were used to purchase controlling interest in San Miguel Corporation. The Supreme Court has decided that these funds are private funds imbued with public interests and are in the process of being liquified by the Phillipine Commission on Good Governance. This fund, so declared by the Supreme Court is still invested with the San Miguel Corporation and amounts to several tens of billions of pesos.

<sup>129</sup>Interview with Oscar Castillo, Executive Director of the Center for Agrarian Reform and Rural Development, himself a sugarcane farmer in the village of Acle, municipality of Tuy, Batangas; Chairman of the Provincial Agrarian Reform Coordinating Committee (PARCCOM) in Batangas; and concurrent President of the Pakisama Mutual Benefit Association.

wages. For instance, they usually rise at 3:00 a.m. to cook, eat and sharpen their bolos or scythes in preparation for the day's work. By 5:00 a.m. to 6:00 a.m., they are already out in the fields cutting sugarcane. They usually retire at 6:00 p.m. to 7:00 p.m. tired from a whole day's work. Their supper consists only of the coarsest rice and some dried fish. Landlords usually do not pay their workers on a daily basis during the milling season but on a piece-rate (*pakiao*) basis, i.e., based on the weight of the cut and loaded canes. Sometimes, workers are cheated in the weighing of canes.

It is not only landlords who exploit the workers but also the labor contractors (*contratistas*) who recruit them. Landlords hire *contratistas* to assure them of a steady and ample supply of workers every milling season when labor demand is high. *Contratistas* earn commissions from the landlords and also get cuts from the wages of the workers.

In addition, workers are often forced to buy their food supplies from the *cantinas* or stores managed by the landlords or the *contratistas* at high prices. According to *tabaseros* or cane cutters in a Batangas milling district, the price of a kilo of rice from a store managed by the *contratista* is higher than the prevailing price at the market, especially during milling season.<sup>130</sup>

Conditions of the sleeping quarters provided by the *hacenderos* or landlords are also deplorable.

In 2001, the nominal daily wage rate for sugar worker is P155.98. The real daily wage rate however is P96.52. But in the course of a year they earn more during the harvest and milling season when demand for their labor is high (see Table 2.14).

Many of workers receive lower daily or *pakiao* rates than the prescribed or standard rates set by the DOLE. In one hacienda in Negros Occidental for instance, farm workers are paid P128 a day during the pre- and post-harvest season. During the harvest season, they receive wages on a *pakiao* (piece-rate) basis. Under this system, farm workers are paid P35.00 per ton of sugarcane cut in a day, P18.00 each ton loaded onto the cart, and P42.00 per ton of sugarcane transported. They usually average two tons a day. Such wages could hardly compensate for their hard labor from dawn till dark. Thus, during off-season, when work becomes sparse, farm workers find jobs in other haciendas.<sup>131</sup>

Gender tracking also has been instituted in wage standards for sugar workers. The BAS reported that in 2001, women sugar workers received less than 21 percent of the wage rates for male workers in the industry (see Table 2.12, page 59). The Bureau of Agricultural Statistics likewise noted that more males were hired as sugar workers ( ) than females (22.00 %) in 2000.

Because of the unfavorable impressions resulting from exploitative conditions of the sugar workers in the late 70s, the government enacted laws, policies and programs to alleviate sugar workers' socio-economic disadvantages. However, not all of the estimated 500,000 to 600,000 sugar workers in the country benefited from these laws and policies. In general, benefits were limited to the sugar mill workers and regular farm workers in plantations. The programs were generally not accessible to unpaid family laborers, *pakiao* and seasonal workers and non-

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<sup>130</sup>Interview with Oscar Castillo.

<sup>131</sup>Reginald Indon and Andrea Soco. *Philippine Farm Workers*. (2000).

plantation workers not because they are not qualified beneficiaries, but because of the informality of labor arrangements that covered these workers.

On May 1, 1979, then President Marcos issued guidelines on the implementation of RA No. 809 otherwise known as the Sugar Act of 1952. A component of the guidelines, which remains effective in some mill districts until today, states that any increase in participation or profit given to planters should be divided between planters and laborers at 40 percent and 60 percent, respectively. Letter of Instruction (LOI) No. 854 provided for the establishment of a task force that would evaluate data from planters and workers, prohibit waiver of benefits, and prohibit deductions for the payment of attorney's fees or other fees for any service rendered in connection with the release and distribution of the worker's share.

With the enactment of the Comprehensive Agrarian Reform Law (CARL) in 1987, a new breed of small planter-owner of sugar farms less than 7 hectares have emerged or are emerging. These are usually the former administrators, former *encargados*, former *cabos* and the regular sugar workers of Negros and the former tenants in provinces such as Batangas and Pampanga. In some cases, the sugar workers are encouraged by the Department of Agrarian Reform (DAR) to operate collective sugar plantations through producers' cooperative.<sup>132</sup>

Former tenants and sugar workers have become increasingly concerned about the sluggish implementation of CARP. Agrarian reform beneficiaries (ARBs) in sugar areas complain against the delayed delivery of the Certificate of Land Ownership Awards (CLOA).<sup>133</sup> Without this certificate the new ARBs have no legal personality to enter into milling agreements with the sugar millers who mill their harvested sugarcane. In such cases, the sugar ARBs are forced to contract a person or group with a genuine milling contract in order to have their canes milled. Such recourse leaves the sugar ARBs shortchanged, that is, without the benefits due them as the rightful owners of the sugarcanes and the ones who had their canes milled.<sup>134</sup>

Those who benefited from CARP under the collective farming scheme are usually enticed by their former landlords to enter into new contract arrangements that practically subvert the spirit of agrarian reform, such as the leaseback scheme.<sup>135</sup> Many collective ARB farms are waylaid by this scheme because of the lack of access to financial support and/or entrepreneurial acumen.

Landlords also hire or manipulate some ARBs to pull out from their producers' cooperatives and support the leaseback scheme. Such was the case of the Carmencita ARB Multipurpose Cooperative, which has acquired a sugar plantation in Barangay Carmencita, President Roxas, Capiz owned by the powerful and rich Locsin family. When the sugar plantation was covered

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<sup>132</sup>Josefino Torres. *Towards a Sustained Corporate Responsibility to its Workers: A Development Strategy for the Workers of the Central Azucarrera de Don Pedro Mill District.* (AIM, Makati, 1996).

<sup>133</sup>A CLOA is an instrument that legalizes the ownership claim of an agrarian reform beneficiary over a given farm lot, including spelling out his obligations as an amortizing owner.

<sup>134</sup>*Ibid.*

<sup>135</sup>The lease back scheme is a strategy usually employed by former landowners of newly reformed lands to gain control of these lands by leasing them from the ARBs in consideration of a fix rental fee and perhaps other benefit package.

under CARP, the Locsins attempted to initiate a leaseback scheme through the groundwork of loyal supporters among the ARBs.<sup>136</sup>

### III. 2. (i). d. *Abaca Industry*

The CSS study on abaca found that the total area planted to abaca nationwide stood at 107,412 hectares in 1991, at 2.4 hectares per farm. The average yield of abaca per hectare was relatively lower than the national average of 650 kilograms per hectare.<sup>137</sup>

An estimated 30,354<sup>138</sup> farmers were involved in abaca production in 1983. Of this, 89.4 percent were *owner-cultivators*, 8.8 percent were *tenants*, and a small 1.1 percent were *lessees*.

At around the same period a study showed that in the Bicol region alone, tenants comprised 55 percent of the total abaca farming population, exclusive of hired workers.<sup>139</sup> In these government figures the large numbers of hired agricultural workers involved in the industry were not reflected.

*Hired workers* perform tasks such as the harvesting and gathering of tuxy, and the stripping and storage of these into fiber. Harvesting in abaca farms can be done every three to four months, or twice a year. Harvests usually peak in April and fall in October (*Bureau of Rural Workers, 1995 and Vasquez, 1984*).

Abaca strippers may either be tenants in haciendas who cuts a share of the income from the produce; or they are workers who are employed seasonally for a 50 percent share of the income from raw total volume of abaca that they strip; or are employed seasonally to carry out manual labor for wages; or are employed regularly to carry out labor with machines in exchange for wages.<sup>140</sup>

The tenants, who form the bulk of the strippers, are the most vulnerable to exploitation. Abaca strippers can also be small farmers themselves who own between one to five hectares of land. Income from abaca stripping is so meager that even those who own parcels of land are forced to sell their labor to *hacienderos*.<sup>141</sup>

Landlords may be classified into three groups: *plantation owners* who employ regular workers to operate stripping machines, and contractual workers paid on wage (*pakiao*) basis for manually stripped abaca; *hacienderos* who employ regular tenants as abaca strippers; and *hacienderos with few or no tenants* at all and who employ abaca strippers on *pakiao* basis.<sup>142</sup>

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<sup>136</sup> Antonio Quizon and Anthony Arostique. *Collective Farming in Hacienda Carmencita, President Roxas, Capiz Province*. (CARRD, Quezon City, 2000).

<sup>137</sup> CSS. *A Study on the Fiber Industry*. (1993).

<sup>138</sup> With unofficial information from Fiber Industry Development Authority (FIDA), BRW (1995) pegs the population of abaca strippers at 250,000. The unavailability of official figures after 1983 was due to lack of documentation since FIDA has since ceased undertaking studies on labor in abaca industry.

<sup>139</sup> Noel Vasquez. *Working Conditions in the Abaca, Banana, Coconut and Sugar Industries*. (1984).

<sup>140</sup> Balbin and Clemente. (1986).

<sup>141</sup> *Ibid.*

<sup>142</sup> *Ibid.*

In Sorsogon, for example, the *hacenderos* are all absentee landlords, each owning 400 to 600 hectares of abaca plantation. They hire tenants who maintain the plantations. Permanency in this job depends largely on the decision of the landlord or willingness of the tenant to stay in the hacienda and to accept terms imposed by the landlord. *Hacenderos*, however, prefer to contract cheap “freelance” labor in order to save on labor costs.<sup>143</sup>

The distribution of the abaca produce is determined by a fixed sharing system usually agreed upon by the landlord and stripper in a contract. The most common is the 50-50 sharing scheme. Another mode is 60-40, which means that 60 percent of the produce go to the tenant if the harvest is normal and if the terrain is relatively hilly. In this latter case, the stripper has to travel far to transport and sell the produce. There is also a scheme in which if the harvest is poor, 1/3 of the produce go to the landlord and 2/3 to the tenants but if the harvest is good, 3/4 goes to the landlord and the rest to the tenant.<sup>144</sup>

According to BRW, the annual gross income of abaca landowners is set at P7,715.00 while that of tenant was from P500.00 to P5,500.00. Expenses (family and farm needs) are higher than the reported income, thus accounting for the high incidence of indebtedness.<sup>145</sup>

Aside from the inequitable sharing, abaca growers and workers also often become victims to vicious money lenders. There are instances when the stripper, who generally incurs a debt of P30 to 50 per week due to inadequate income, borrows from the landlord, a Chinese middleman, cottage industry contractors or storeowners.

The lenders usually do not charge interest but demands that payment be made in terms of fibers, the value of which they dictate. They also often under-classify the fibers, rig the weighing scale to reduce total weight by three to 5 kilos, or deduct figures from the total weight if fibers are moist. In effect, the abaca stripper is stripped of any earning.

Most abaca strippers start at 13 years old and many of them are women according to one Sorsogonon farmer. Some have been on the job for 40 years.<sup>146</sup> With their meager income, the strippers are forced to look for other sources of livelihood such as *kaingin* (slash-and burn agriculture), wood gathering, minor cottage industries and *balakbak*<sup>147</sup> (outer covering of abaca tree) gathering.

Citing FIDA, BRW reports that there are an estimated 250,000 strippers in the abaca industry. In areas where mechanized stripping is not prevalent, hired workers are engaged in hand- stripping, a laborious method of extracting abaca fiber from tuxy by manually pulling the latter through sharp knives.

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<sup>143</sup> *Ibid.*

<sup>144</sup> *Ibid.*

<sup>145</sup> *Ibid.*

<sup>146</sup> Interview with Mr. Ananias Loza, a small farmer from Irosin, Sorsogon and National President of the PAKISAMA; board member of the Pakisama Mutual Benefit Association and of the Land Bank of the Philippines, respectively.

<sup>147</sup> Balakbak is sold at P0.01 per leaf. An individual can gather 1,000 leaves per day which contractors sell to basket makers at P1.80 per kilo or P20.00 in bulk.

Since abaca planting, harvesting and stripping cycle all last from 45 to 50 days, many tenants and landless workers are left idle during the months when there are no work in the abaca plantation. During such periods, many seeks work in non-abaca farms.

Abaca strippers are also exposed to diseases borne by parasites spread by mosquitoes in the area. Other forms of occupational diseases are rheumatism and other muscular disorders caused by long hours of strenuous work involved in stripping.

### **III. 2. (ii). *Unacceptable Work: Child Labor***

#### **III. 2. (ii) a. *Summary***

Overall, in the Philippines, the incidence of child labor has increased from its level of 3.58 million in 1995 to 4.02 million in 2001. However, its proportion to total children aged 5-17 slightly increased from 16 percent in 1995 to 16.2 percent in 2001. In profile, the Filipino working child is: a male elementary grader age 10 years old who usually live in rural areas, engaged in agriculture, on a seasonal basis and unpaid; four out of ten, he works during night time; six out of ten, he is exposed to hazardous environment.

More than half the working children ages 5-17 were engaged in agriculture, forestry and hunting; seven out of ten are boys; six out of ten are unpaid workers in their own household-operated farm or business; one in every two work in the farm; about six in every ten are exposed to physical hazards and one out of ten to chemical hazards; seven out of ten suffer from work-related injuries and illness.

The in-depth study on child labor in selected farm crops made for the ILO-IPEC corroborates most of these findings.<sup>148</sup>

#### **III. 2. (ii) b. *National Data***

Comparative highlights of the surveys of children at work made by the National Statistics Office (*see Table 2.14*) show:

- Households with children 5-17 years old increased by 9.3 percent and more than 26 percent of these had working children. This proportion shows a decline of 1.3 percent from that recorded in June 1995.
- *Four million (16.2%) of children 5-17 years old were economically active*, a slight increase from the proportion (3.6 million or 16%) of economically active children reported in 1995.
- Highest percentage of working children came from Southern Tagalog (11.5% or 461 thousand), followed by Central Visayas (9.7% or 388 thousand) and Eastern Visayas (8.7% or 349 thousand). The Cordillera Administrative Region registered the least percentage (1.6% or 65 thousand) of working children.

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<sup>148</sup>Mildred G. Rollazo and Luisa C. Logan. *An In-depth Study on the Situation of Child Labor in Agriculture*. Submitted to the ILO-IPEC, 2002.

**Table 2.14** - Summary Statistics on Child Labor

<b>Data items</b>	<b>October 1,2000 to September 30, 2001 (in thousands)</b>	<b>July 1, 1994 to June 30, 1995 (in thousands)</b>
Number of households with children 5-17 years old	10,440	9,553
Number of households with working children 5-17 yrs. Old	2,741	2,638
Proportion of households with working children 5-17 yrs. Old	26.3%	27.6%
Number of children 5-17 yrs. Old	24,851	22,382
Number of working children 5-17 years old	4,016	3,577
Proportion of working children 5-17 years old	16.2%	16.0%

Source: NSO

### **III. 2. (ii). c. *The Filipino Working Child: A Profile***

A Filipino working child is a male elementary grader age 10 years old and usually lives in rural areas...

- The working children were children aged 10-14 years old (1.9 M or 48%) and 15-17 years old (1.8 M or 46%). The median age of the working children was 10 years old.
- There were more male (2.5 M or 63.4%) than female working children (1.5 M or 36.6%).
- Seven out of every ten working children resided in the rural areas.
- Forty percent do not finish elementary and only 32 percent reach high school.
- About 3 percent never attended school; 259 thousand had finished high school and only 0.8 percent went to college.

### **III. 2. (ii). d. *Employment and Working Conditions***

Working children were laborers and unskilled workers, engaged in agriculture, on seasonal basis and unpaid ...

- Majority worked as laborers and unskilled workers (2.6 M or 65%)
- More than half (2.1 M or 53%) were engaged in agriculture, hunting and forestry.
- 37 percent did their job on a seasonal basis or only during school vacation.
- Most of the working children were unpaid workers in their own household-operated farm or business (2.4 M or 59%).
- One out of two (49.5%) working children worked in farms while 27.6 percent were home-based workers.
- Three out of five working children did not receive any payment. If ever paid, it was on a daily basis (578 T or 14.4%); monthly basis (254 T or 6.3%); per task or “pakyaw” basis (152T or 3.8%) or other means (131T or 3.3%)

- Working hours per day of 2M (51.2%) working children was between 1-4 hours; 1.5M or 37.3 percent worked 5 to 8 hours per day; 9 percent or 348T worked more than 8 hours per day.
- Half of total working children worked on average 2 days per week. The urban-based children worked longer, an average of 3 days per week, than rural based children who worked an average 1-day per week.
- One in every four children worked in evening or during nighttime
  - 25.1 percent-working children worked in the evening or during nighttime. Proportion of children working during nighttime in the urban areas was greater than that in the rural areas (19%).
  - 56.5 percent belonged to age group 15-17 years old; more male than female worked during nighttime.
- Majority of working children exposed to hazardous environment...
  - 59.4 percent were exposed to hazardous environment. Of those exposed, seven out of ten were male working children.
  - More rural working children (62%) exposed to physical/chemical/biological hazards than urban working children (52%)
  - Physical environment hazards were most common among the working children (1.1M or 44.4%); 382T or 16 percent were in danger of physical and chemical hazards and another 352T or 14.7 percent were in physical and biologically hazardous working places; 237T or 9.9 percent were exposed to all three forms of hazardous environment.

### **III. 2. (ii). e. *Child Labor in the Agriculture Sector***

#### ***According to the 2001 Philippine Survey on Children:***

- more than 50 percent of the working children ages 5-17 years old or 2.1 million were engaged in agriculture, hunting and forestry
- most of the children found working in agriculture, forestry and hunting are found in Region VII (235,000) followed by Region VI (205,000 ) and then by Region VIII (197,000)
- there are more young boys (1,526,000 or 71%) of the total number of children working in agriculture, hunting and forestry than young girls (614,000 or 28%)
- most of the working children (2.4M or 59% of the working children) were unpaid workers in their own household-operated farm or business. One out of two (49.5% or 1.98 M) working children were working in the farm;

*More specifically –*

- 1.3 million or 54.2 percent of the children 5 –17 years old working in agriculture, hunting and forestry were greatly exposed to physical hazards particularly temperature or humidity at their work place
- 442,000 working children found in agriculture, hunting and forestry are exposed to chemical hazards
- 687,000 or more than 7 out of every ten working children in the agriculture, hunting and forestry sector suffered from work-related injuries
- 71.6 percent of the working children or 2,864,000 who suffered work-related illnesses come from the agriculture, hunting and forestry sectors

**III. 3. Equity in Work: Unequal Treatment and Quite Balanced Work-Life**

**III. 3. (i). Summary**

The gender gap is narrowing, fast in some respects and slowly in others.

Wage employment of women in agriculture are growing the fastest and their share in wage employment is increasing

Women in agriculture work for lesser hours than men but women work for much longer hours at unpaid work at home.

In farming activities, the wage differential between the sexes for all crops category is slowly narrowing down but generally women still receive lesser pay than men. By crop category, however, the wage gap is widening in rice, corn and sugarcane.

Overall, in terms of landless households: 6 out of ten were men-headed while 4 out of ten were women-headed. However, of the households owning land, both sexes share the wealth equally. When it comes to ownership of agricultural lands by households, there are more women-headed households who own land (26.5%) than men-headed ones (24.8%)

In financial services, gauged from the Grameen Replication Program, almost all the beneficiaries (97%) are women. However, when it comes to holders of land emancipation patents (EPs) and certificates of land ownerships (CLOAs), only 1 out of ten holders of EPs are women and only 2 out of ten holders of CLOAs are women.

**III. 3. (ii). Overall Status of Women (See Table 2.15 in Annex)**

In 2001 women made up 50.2 percent of the household population 15 years old and over, slightly down from 50.5 percent in 1998.

Women in the *labor force* registered a ratio to total labor force at 38.7 percent in 2001, slightly up from 38.5 percent in 1998.

The *labor force participation rate* of women in 2001 was pegged at 51.8 percent, much lower than men, which registered at 82.4 percent; while in 1998 the ratio for females was computed at 48.4 percent while that of males computed at 83.2 percent, indicating that the labor force participation rate of females has been increasing faster than the male's.

*Employment rate* by gender had the following data: in 2001, males computed at 88.9 percent, down less than one percent from its rate of 89.7 percent in 1998, while that of female registered at higher at 89.4 percent, slightly down from its 1998 rate of 89.9 percent.

### **III. 3. (ii). a. Growth Patterns of Female Participation in Rural Areas**

Between 1998 and 2001, female *labor force* in the rural areas grew at an annual average of 4.8 percent, from 5.30 million in 1998 to 6.08 million in 2001. The increasing trend was also observed in all regions of the country.

*Labor force participation rate* registered an annual average growth of 2.4 percent. Nationwide, the rate was 51.8 percent in 2001, up from 45.4 percent in 1998.

*Employment* of women in rural areas was growing annually at an average rate of 4.7 percent: from its level of 4.8 million employed women in 1998, it rose to 5.4 million in 2001. However, *employment rate* of women in rural areas decreased by 0.2 percent annually between the periods, from its rate of 88.9 percent in 1998, down to 89.4 percent in 2001.

*Unemployed* women in the rural areas numbered 644 thousand in 2001, up from its level of 534,000 in 1998. Annually, the number of unemployed women in the rural areas was growing at an average of 7 percent. *Unemployment rate* registered at 10.6 percent in 2001, up from 10.1 in 1998 and on the average was growing annually by 2.6 percent. However, the rate was lower for women compared to men and still lower compared to the national rate of 11 percent in the past two years.

Moreover, *underemployment* of women in rural areas dropped to 651,000 in 2001 from its level of 698,000 in 1998. The annual rate of decline registered at 2.2 percent. The same trend is observed in the *rate of underemployment* of females in the rural areas: 12 percent in 2001, down from 14.6 percent in 1998; the annual rate of decline registered at 6.2 percent.

### **III. 3. (ii). b. Women in agriculture in Rural Areas**

In 2001, women in agriculture in rural areas *numbered* some 2.4 million, up from its level of 2.2 million in 1998. *Growth wise*, it registered an annual rate of 3.4 percent.

The *ratio of employed females in agriculture in the rural areas*, however, decreased to 44.2 percent in 2001 from its share of 46.6 in 1998. Annually, the rate of decline computes at 1.6 percent.

### ***By class of workers***

- employment of females in agriculture in rural areas who were under *own-account* increased slightly from its ratio of 28.5 percent in 1998 to 28.7 percent in 2001, or an annual average growth rate of 0.3 percent.
- *Unpaid family members*, declined from its ratio of 53.9 percent in 1998 down to 51.2 percent in 2001 or an average annual decline of 1.7 percent.
- *Wage and salary earners* was growing the fastest at 4.8 percent per annum: from its ratio to total of 17.6 percent in 1998, it jumped to 20.1 percent in 2001, indicating that more and more women were becoming wage and salary workers, a trend that applies generally to both sexes in agriculture, even as the combined ratio of unpaid family members and own account workers of women in agriculture in the rural areas stayed at 79.9 percent in 2001 and 82.4 percent in 1998.

### **III. 3. (ii). c. *Women in agriculture, fishery, forestry***

- ***In general***

In the *major industry group* category, women composed 25.5 percent of both sexes employed in agriculture, forestry, fishery and hunting sub-category. Interestingly, in 2000, by *class of workers*, the proportion of females employed as wage and salary earners (45.7%) was a little higher than males (45.2%). But the proportion of females employed as own-account workers (44.0%) was much higher than males (41.0%), which strengthen the notion in the Philippines that women are much better as self-employed and entrepreneurs or businesspersons than men. Nonetheless, the proportion of males who are unpaid family workers was also much higher than females (32.8%), which bolsters the observation that more males than females work in farms and engage in household-based farming activities.

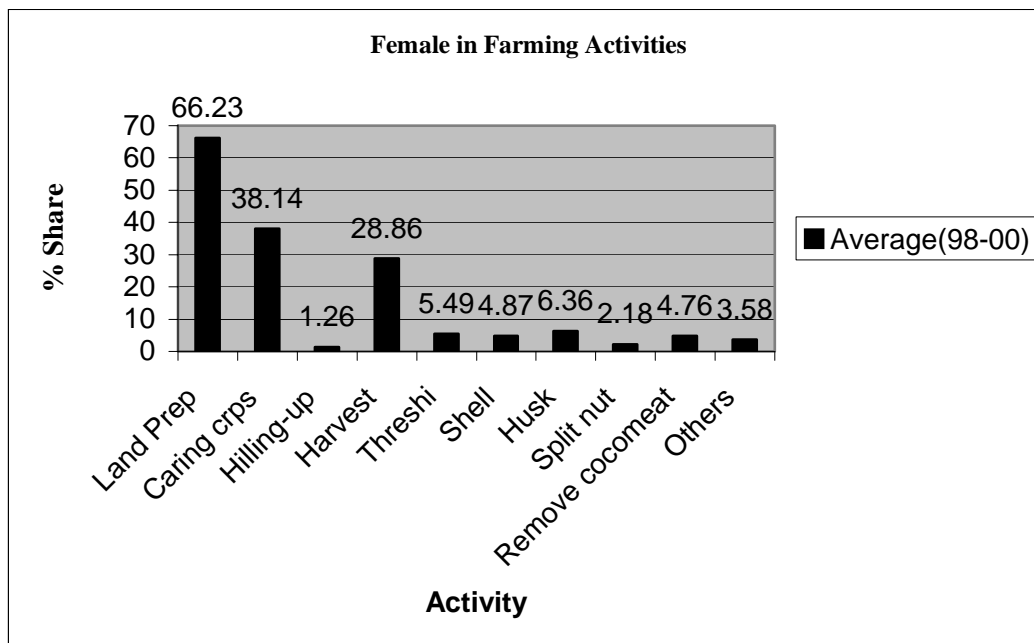
- ***Female participation in farming activities.***

On the average, women are most visible in the following farming activities, as reported by the BAS for the period 1998-2000:<sup>149</sup> land preparation (66%); caring of crops (38%) and harvesting (29%).

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<sup>149</sup>BAS. Report 2002-02: *Role of Women in Agriculture. Agricultural Indicator System*, (DA, Quezon City, 2002).

**Figure 2.1 - Female participation in farming activities**



Source: BAS

- **Hours and man days of work**

Women work for shorter hours in agriculture (see also Section on hours of work)

That women work for lesser paid hours than men does not hide the fact that they work longer hours than men at unpaid work that is not registered in the national income accounts, such as in taking care of the home, the children and the needs of men at work. This makes up for the double burden carried by women in agriculture. For instance, in micro studies done in Bicol (Region V) and Mindanao:<sup>150</sup>

- Women in Bicol (Region V) in 1985 logged 47.7 hours of total working time spent per week – the sum of total *market work* and total *home production* time – against the men’s 29.6 hours. By 1990, total working time increased to 77.8 for women and 59.2 for men. In 1985, women spent 8.6 hours per week in doing (labor) *market work* and 39.1 hours per week for *home production* against the men’s 14.3 hours in *market work* and 15.3 hours in *home production*. By 1990, the *market work* hours spent by women jumped about four times at 33.4 hours per week while those of men increased a little more than three times at 48.7 hours while *home*

<sup>150</sup>Women in Agriculture: the Philippine Case. (IPC Ateneo de Manila), Tabulated as Table 16. Average Number of Hours Spent Per Week on Economic and Domestic Activities by Rural Women and Men in Bicol, 1985, 1987 and 1990, as cited in NSCB 1999 Statistical Handbook on “Women and Men in the Philippines”

*production* time for women increased 5.5 hours to 44.6 hours per week decreased those of men decreased 4.8 hours to 10.5 hours per week.

- In Mindanao (multi-region) in 1990, women's working time totaled 68.1 hours per week, where she spent 23.7 hours at *market work* and *home production* time at 44.4 hours per week. For the men-folk, the figures are: 41.8 hours per week spent at *market work* which was about 18.1 hours more than women but logged in only 11.7 hours for *home production*, which was 32.7 hours shorter than women.

*Based on average man days per hectare by source of labor and by crop:*

- In *palay* farming, both sexes devote 60.22 man-days per hectare. The males contribute 46.09 man-days while females devote 14.13 man-days. The distribution of work between the sexes by source shows that in unpaid labor, women contribute 19 man-days per hectare while men share 26 man-days. The reverse is true when it comes to hired labor: women are hired 81 percent of the time while men become hired labor 75 percent of the time;
- In *corn* farming, both sexes labor for 58.18 man-days per hectare, with men contributing 44.68 percent while women share 13.51 percent. The sharing of work by the sexes by source of labor show that 21.99 man-days per hectare are spent by males while only 6.04 percent are contributed by females; the same holds true for hired labor where men spend 22.69 man days per hectare and women 7.47 man days.

### ***Wage gap***

While among farm workers women tend to receive lower wages than men, the wage gap have narrowed in time: (See Table 2.11, page 59)

- wages paid to women were *growing faster* than men (2.81 percent annually for women against 1.05 percent for men for the period 1999-2000); and 0.18 percent against 0.43 percent in the period 2000-2001).
- For the *all farm crops* category in 2001, males received P139.52 a day while women were paid P117.61 per day worked, creating a wage differential of P21.91. Two years back in 1999, the wage differential gap was computed higher at P23.28, where men were paid P137.47 and women received P114.19.
- By crop category, the wage gaps vary, where it is increasing in *palay, corn and sugarcane* farming while decreasing in *coconut* farming, as follows:
  - In palay farming, the wage gap in 2001 was P19.14, up from P18.26 in 1999;
  - In corn farming, the wage gap in 2001 was 20.47, up from P17.71 in 1999;
  - In coconut farming, the wage gap in 2001 was P34.23, down from P48.75 in 1999;
  - In sugarcane farming, the wage gap P28.49, up from P13.89 in 1999

### *Ownership of and access to productive resources in agriculture*

In 1990, when the *number of households* totaled 11,407,000, *households that were women-headed* numbered 1,285,000 while the remainder of 10,122 were *men-headed*;

- Of the *total landless households*, which numbered 6,296,000 in 1990 constituting 55.2 percent of the total households, *women-headed* ones numbered 627,000 or 48.8 percent while *men-headed* households made up 5,668 or 56 percent;
- Of the *total households with land* which number 5,111 in 1990 that constituted 44.8 percent of the total, *women-headed* households with land numbered 658 or 51.2 percent while the remainder went to the *men-headed* households.
- Of these totals, households with agricultural land numbered 2.851 million or 25 percent of the total: for women the figures are 341,000 or 26.5 percent of households with agricultural land were headed by women while 2,510 or 24.8 percent were headed by men. In sum, the observation is made that “landlessness tends to be lower among women-headed households than do men-headed ones.”
- “During the period 1990 to 1994, there were more women recipients of agricultural extension services than men”, which about equalized in 1993. However, by 1994, “men received more extension services than women”.<sup>151</sup>
- Financial assistance for women in 1995 under the Department of Agriculture’s Grameen Replication Program were 97 percent given to women beneficiaries and only 3 percent to men.<sup>152</sup>
- But when it comes to holders of Emancipation Patents (EP) and Certificate of Land Ownership (CLOA) in 1992, only 11 percent of the total EP and 18.1 percent of CLOA were held by women. When the land area distributed to EP and CLOA holders in the same year is considered, only 10 percent of EPs with average size of 1.19 hectares and 14 percent of CLOAs with average size of 2.49 hectares were given to women.<sup>153</sup> Both ways, the women’s share were lower than men.

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<sup>151</sup> Figure 7: *Recipients of Extension Services, 1990-1994*, with data sourced to Department of Agriculture and cited in NSCB 1999 Statistical Handbook on “Women and Men in the Philippines”, *op. cit.*.

<sup>152</sup> *Ibid.*

<sup>153</sup> *Ibid.*

### **III. 3. (iii). *Balancing Work and Family Responsibility***

#### **III. 3. (iii). a. *Summary***

It is deemed important that work-family balancing be grounded first on the notion of family, second on the purpose of work as related to the family and third, on the “proper” balancing of these two important human institutions for a more “decent work”.

Studies show that the Filipino family in general remains traditional but it is changing as the other institutions supporting it are changing too.

Decision-making between spouses are still shared, and the nuclear and well as the extended family are still consulted in major decisions.

In agriculture “family togetherness” is weakening due to the need for paid work to support the family. However, this “apartness” is lesser in degree in rural communities than in urban ones.

A balance work-family life arrangement, because of the nature of work in farms, is greater in degree in rural areas and in agricultural work than in urban areas and industrial work. Children, however, are “going out” of the community and country to work, often in order to supplement family income.

#### **III. 3. (iii). b. *Family as a Basic Unit of Society***

The Filipino family remains traditional in the late ‘90s as compared to the ‘60s, but it is changing in some important aspects. According to micro studies<sup>154</sup> done in two rural communities in Luzon and Visayas, this means.

- The notion that a family is an important institution still remains. Its basic character is still nuclear but extended. To keep it so, the family still shares many common activities such as eating, sleeping together, praying and “outing”; parents and relatives are still consulted when major problems occur; and relatives remain to be as a major support for mutual help and assistance.
- Despite the traditional roles of father as breadwinner and the mother as homemaker, decision-making between husband and wife remains a shared responsibility, especially in work and business, the rearing and disciplining of children, and the marketing of agricultural produce.
- What has changed significantly is the number of children, which has gone down, and the characteristics of what (value) makes for an ideal child or parent, which is breaking down. This is attributed to the “weakening positive, and growing negative, influence of major social institutions: family, church, school and mass media.” For instance, community solidarity or the “bayanihan” spirit is weakening but “sympathizing” remains.

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<sup>154</sup>PHILDHRRRA. *The Impact and Effect of Globalization on Grassroots People in the Philippines*. Cited in AsiaDHRRRA’s “*The Impact of Globalization on the Socio-cultural lives of Grassroots in People in Asia*,” 1998. Quotations in this section were taken from the same work.

- The elder children are specifically changing: they are going out of their communities to find work or work in order to augment family income, specifically for the urban centers. There is also a perceptible shift to wage employment outside the rural areas for parents, and for similar reasons as their children. “Togetherness” is transforming. Poverty, especially in the rural areas and agricultural sector is a primary reason. Connected to this is the fact that job opportunities in the rural area and agricultural sector are becoming scarce and, thus, income from farming has increasingly become insufficient.

That the family is going through a process of transformation is not at question. Whether changes in the socio-economic environment will further breakdown traditional values is also no longer questioned; what is at question and in doubt are whether jobs become available within the locality and income remains sufficient for the family to be kept together.

Lack of job opportunities for decent work, inadequate income from work, the increasing trend to women entering paid employment, the spread of child labor, and unequal opportunities for men and women at work are factors that will contribute to the breakdown of tradition values as much as the weakening support institutions will do.

### **III. 3. (iii). c. *Work as Key to Keeping the Family Intact***

In the traditional family in rural areas and agriculture, there existed a strong link between work and family life: parents work together and derive their incomes from this shared work, which make it possible for the family to sustain its “togetherness”; families engage more in common activities, including work; families even sleep together under a single roof even as parent’s and children’s quarters may be separated, eat together, pray together, socialize together, at least for the parents and often with their children;

### **III. 3. (iii). c. *Weakening Link Between Work and Family Life***

Modern living and work values are keeping apart the family instead. The dream of ever increasing material progress and consumerism focus attention to treating work as a commodity, bided to the highest payer. Within a harsh climate, global competition reinforces such values as it emphasizes efficiency and unending quality for productivity, competitiveness and profitability into the work processes, unlike in farming where a tighter nexus of work, family, nature and environment can be achieved even as farm work is modernized for global competition.

The locale of work constitute a big factor in work-life balancing. Overseas work, where 7 million Filipinos are out of the country in order to pursue their dreams of material progress because jobs are not readily available in the country with at least an equivalent income for the family; as well as the trend to internal migratory work that, in a lesser degree than overseas work, is also keeping families apart; lack of work that pays a “family living wage”<sup>155</sup> or even, often, the absence of paid work because of the deteriorating economic conditions - these are, in addition, what is increasingly keeping apart the family.

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<sup>155</sup>The proposed House Bill 8762 “Living Wage Act” of Congressman Jaime Jacob defines the family living wage as wage for a full time worker equivalent to the cost of living of an average family of six.

The changing nature of the family from nuclear to atomic for example as well as the multiple roles of women as supplementary or main breadwinners and the increasing trend towards women getting into paid work or work that gives income as self-employed under the notion of equal opportunity and shared responsibility; the increasing equality that now exists between male and female in opportunities for education and training, which is expected to result in more equal opportunities at work - all these force values about the family to change for better or for worse.

The workplace is no exception. While farm work naturally spells family work to earn a family income, the non-agricultural wage employment in business establishments still remain impersonal in its rules of behavior that separates work from family life, and indifferent to efforts at balancing work and family responsibility as well.

### **III. 4. *Productive Work: Access to Support Services for Better Yield and Prices***

#### **III. 4. (i). *Summary***

Credit and loans for agriculture is relatively accessible but not adequate. The rural poor access credit mainly from informal sources at relatively small amounts.

Farm-to-market roads and provincial roads are lacking and half of these are in poor conditions and deteriorating, which affect the price of agricultural products and, consequently, the incomes of farmers and farm workers. According to perception surveys, access to roads favor the rich.

Eight out of ten rural villages have access to electricity. Access to telephones are growing fast but only a little less than four out of one hundred have landline telephones. But this is lesser in the rural areas. Cellular phone-use is increasing, though, and its growth rate is moving very fast, at 45% between 1996 and 1999.

Agricultural extension services remain limited.

#### **III. 4. (ii). *Access to Credit***

As reported in Chapter 1, the BAS<sup>156</sup> indicated that the ***agricultural loan to total loan granted ratio*** has not exceeded its 5 year average of 1 percent. In addition, the growth rate of loans extended to agriculture is decreasing, from a high rate of 8.5 percent in 1998 it went down to 1.4 percent in 2000. ***As to loan sources***, private banks were found to have accounted for the biggest share of loans granted throughout the period of 1997 to 2001. They recorded 93.2 percent of the loans in 2001. However, the probability of whether these funds were accessed by the poor farm households is low because:

- Poor rural households are generally known to access credit from informal sources as shown in Chapter 1 precisely because of its informality and these sources can deal in micro financial transactions;

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<sup>156</sup>BAS. *Selected Macroeconomic and Agricultural Statistics. (2002).*

- Private banks, generally do not cater to poor rural households because the transaction cost of dealing with them is higher than dealing with large borrowers;
- Poor rural households do not have assets that can be used as collateral or in the case of agrarian reform beneficiaries, they cannot use their awarded land as collateral because of the prohibition in the CARL.

On the brighter side, the World Bank reported that apart from informal sources of credit, smallholders also rely on the Land Bank of the Philippines (a formal source), whose mandate prescribes financial and lending support to the agrarian reform program of the government and rural cooperatives. According to the World Bank, the strategy of the LBP to provide wholesale loans to rural cooperatives for relending to their respective constituency could offer a potential to fire off competition among rural lenders which could lead to an effective cutting of high interest rates in the rural areas.<sup>157</sup> Perhaps the beauty of the strategy is that cooperatives are considered institutionally as midway between the formal and informal sources of credit. It is formal because it is regulated by government but it does not lose its informal characteristics because it is organized and maintained by local community members or by trade unions in the case of unionized enterprises and is therefore highly accessible to its constituency on the local levels.

The only drawback of cooperatives according to the World Bank is that many of these cooperatives suffer from poor management, limited experience and meager equity which tend to reduce their repayment capacity to wholesale lenders like the Land Bank.

But overall, the government banking sector's loan shares to agriculture has decreased during the last two years of the period of 1991-2001. In 2001, government banks granted only 6.8 percent of total loans to agriculture.<sup>158</sup>

### **III. 4. (iii). Access to Infrastructure Support**

In an effort to modernize Philippine agriculture, infrastructure support is a fundamental condition to bring it about, especially in terms of technology dissemination, free flow of information, people, goods and services which will eventually bring down the cost of doing business in the rural areas less costly. These basic infrastructure are irrigation, farm-to-market roads, electricity and telephones.

#### **III. 4. (i). a. Irrigation Services**

On the average, irrigated rice out yields rainfed rice by about a ton per hectare.<sup>159</sup> The availability of water all year round enables some farmers to have a second or third crop. Hence, the Philippines has always looked at irrigation as a potential stimulus for agricultural growth.

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<sup>157</sup>WB. *A Strategy to Fight Poverty*. (1996).

<sup>158</sup>BAS. *Report 2002-05: Agricultural Credit*. Agricultural Indicator System, (BAS, Quezon City, 2002).

<sup>159</sup>Wilfredo David. *Constraints, Opportunities and Options in Irrigation Development*. (PIDS, Makati, 2000).

As discussed in Chapter 1, Wilfredo David,<sup>160</sup> reported that at present, the Philippines has an estimated 4.7 million hectares of potentially irrigable agricultural lands. Yet only about 29 percent or 1.4M hectares is currently irrigated by all modes of irrigation.

Most of the available irrigation according to David (2000) show that the country is realizing less than half of potential benefits from irrigation development. At approximately 132 percent, the average cropping intensity in irrigated areas is very low compared to potentials of 160 percent to 220 percent. At about 3.4 t/ha, the average rice yield level in irrigated areas is low compared to yield potentials of 5 to 6 t/ha.

David further warned that alarming indicators are showing that there is decreasing efficiency in the planning and implementation of national irrigation system (NIS) and communal irrigation system(CIS), first, due to costly maintenance schemes. Second, due to increasing exploitation of vital watersheds by an increasing population. On the average, the area actually irrigated by these systems during the dry season is only about 52 percent of their service area. David concluded that if NIS and CIS facilities are developed for 100 hectares, only about 52 ha, on the average, will actually be served during the dry season. As a result, many of the existing CIS and NIS are not self-sustaining.

To make matters worse, David observed that the average irrigation fee collection rate is only about 58 percent and that the percentage of fees collected to the total amount to maintain these big systems is less than 50 percent.

David concluded that the emphasis on the development big irrigation systems such as the national and communal irrigation projects( medium to large scale, gravity projects) has mostly proven to be unsustainable and costly to develop, operate and maintain.

In this context, David recommended that since the country has an abundant natural waterways, he proposed that small portable low-lift pumps (LLPs) and other analogous grassroot systems should be given a priority considering that it is more cost effective, efficient, and its farmer-controlled. Perhaps, he said these “LLPs could offer the best growth opportunities for Philippine agriculture in the short and medium- terms.”

### **III. 4. (i). b. *On Roads and Transportation***

- ***Roads***

The density of rural roads in the Philippines is critical in farm production and marketing, specifically in the use of production inputs and machinery such as fertilizers and tractors, including the marketing of their produce. Yet the World Bank estimated that 50 percent of barangays in the country lack farm-to-market roads and 40 percent lack provincial roads. Of the existing barangay roads 50 percent are in such poor conditions that they can only be either repaired or abandoned.<sup>161</sup>

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<sup>160</sup>*Ibid*

<sup>161</sup>WB. (1996).

In Table 2.17 below, more than half of the total national roads in the country in 2000 were concrete and asphalt roads. This was already a big improvement compared to the situation in 1990 when a little more than half of the country's national roads are gravel. However, gravel and earth roads still account for 46 percent of the roads in the Philippines.

The MTPDP 2001-2004<sup>162</sup> also reported that while the average road density of the country is around 0.67 km per square km. of land area, there are still many areas that have much lower than average road densities. Most of these areas are considered as rural and highly underdeveloped such as the CAR, Regions II, IV-B, V, VIII and the Mindanao regions of XII and ARMM.

About 85 percent or 171,956 km of the total Philippine road network (200,187 km.) is composed of local roads such as provincial, municipal and barangay roads. Due to inadequate financial and technical resources, only about 15 percent of these roads are paved. Excluding barangay roads, 31 percent of the remaining local roads are paved.

The local paved road ratio of barangay roads at 7 percent pulled down the overall paved road ratio to only 21 percent. The quality of these village roads directly affect the transportation cost of the rural poor both for personal mobility and for marketing.

**Table 2.16** - National Roads by Surface Type, 1990-2000, (in Percent Share)

Year	Roads			
	Earth	Gravel	Asphalt	Concrete
1990	0.79	50.70	22.88	25.62
1991	0.85	48.33	24.11	26.70
1992	0.81	47.86	24.02	27.30
1993	0.81	47.83	24.02	27.34
1994	0.80	47.35	23.91	27.94
1995	0.48	47.24	23.93	28.35
1996	1.34	44.98	25.81	31.66
1997	1.39	41.58	24.67	32.36
1998	1.36	41.18	24.14	33.32
1999	1.36	40.36	24.13	34.15
2000	2.10	39.32	23.00	35.57
<b>Average</b>	1.09	45.15	24.05	30.02

*Source: DPWH as cited in Statistics for Entrepreneurs, NSCB*

<sup>162</sup>NEDA. MTPDP 2001-2004. (NEDA, Makati, 2001).

- ***Transportation***

In a 1990 survey of the SWS, the following trends emerged regarding the use of public transportation in the country:

- Most Filipinos walked to work or school, as only around a fourth used public transportation. The lower classes tended to walk most often. Rural residents resorted to walking much more than urban residents. Access to public transportation was widespread, though it is greater for urban areas than the rural. Access varied with class, the rich and the middle class enjoying it the most.
- The national mean time for waiting for transportation was 25 minutes, although the plurality waited for less than 15 minutes. Waiting time was much longer for commuters in the rural areas than in the cities. Further, the lower one's class, the longer the waiting time.
- The mean national commuting time was 42 minutes, while Metro Manila, it was 37 minutes. Mean commuting time was generally longer in the rural areas, ranging from 74 minutes (rural Visayas) to 41 minutes (rural Luzon) than in the urban. There was little urban-rural difference as far regards the number of rides. The national average distance for each ride was 9 kilometers. The distance involved in rural rides was greater than for urban rides. The higher classes traveled farther than the lower classes.
- About a fourth of all families nationally spent less than P500 each month for transportation expenses. Costs were greater in the cities than in the rural areas. The lower classes spent less than the better off.

- ***Electricity and Communication***

Electricity and communication are also essential in farm production, marketing and off-farm employment. As of 2001, the NEA reported that out of the 36,077 rural barangays around 80.7 percent have access to electricity. However, in terms of actual household connections, only 70 percent have access to electricity.

In terms of access to telephone, Table 2.18 below shows that landlines in the Philippines increased from 3.3 million landlines in 1996 to 6.8 million in 1999 or by 27 percent per annum growth rate which is a major result of the deregulation of the telecommunication industry. However, only 3.8 percent of the total population are currently subscribers or have direct access to telephones at their homes or place of work.

If the NCR figures in Table 2.18 were isolated, the ratio of telephones to total population will be decreased further to 2.2 percent. This approximates the accessibility of telephone services to the rural areas.

**Table 2.17** - Telephone Lines and Population Distribution by Region, as of December 1999, (in Thousands)

Region	Cumulative No. of Telelines				Ave. Annual Growth Rate	Telephone Subscribers	Population
	1996	1997	1998	1999			
NCR	1,937	2,809	3,025	3,025	16	1,481	10,194
I	149	243	257	257	20	87	4,076
II	15	24	41	41	42	28	2,757
III	234	427	514	514	30	196	7,539
IV	380	734	1,017	1,017	39	409	11,040
V	79	133	123	136	20	55	4,666
VI	112	258	332	332	44	151	6,214
VII	121	380	485	485	59	182	5,435
VIII	24	89	98	98	59	21	3,668
IX	34	44	43	160	68	26	3,079
X	93	116	131	170	22	61	4,341
XI	109	340	367	367	50	123	5,614
XII	18	67	73	73	59	22	2,598
CAR	38	65	88	88	33	41	1,373
ARMM	10	45	49	49	72	9	2,151
<i>Total</i>	<i>3,353</i>	<i>5,774</i>	<i>6,643</i>	<i>6,812</i>	<i>27</i>	<i>2,892</i>	<i>74,746</i>

*\*Population projections for 1999 from the 1995 Census-based Municipal Population Projections, NSCB*

*Sources of basic data: NTC and NSO*

The NTC as cited by the NSCB reported that cellular mobile phone subscribers grew by 45 percent per annum from 1996 to 1999. Subscribers of the mobile phones reached 2.8 million in 1999. But then again, these mobile phone subscribers are likely to be concentrated in the urban areas either because of accessibility and/or affordability.

### **III. 4. (iv). Extension Services**

Agricultural extension is very limited. The 1991 Census of Agriculture<sup>163</sup> reported that only 1,775,805 farms or 38.5 percent of total farms in the country have used any form of modern agricultural practices such as the use of high yielding varieties, fertilizers and pesticides.

The Census of Agriculture likewise reported that in 1991, there are only 96,199 farms or two percent of the total farms in the country that reported that they have diversified their farm activities to include culturing honeybees, earthworms, silkworms, ornamental plants.

<sup>163</sup>NSO. 1991 Census of Agriculture. (NSO, Manila, 1991).

The above situation underscores the contention that the low adoption of modern methods of agricultural practices and for diversification of farm activities to augment their main farm income may be a function of limited extension services.

Moreover, two studies, report a more depressing picture of extension services in the country.

The World Bank<sup>164</sup> reported that as little as 12 percent of poor farming families receive information about seed utilization and crop management. Only 20 percent of poor households have access to irrigation, use high yielding varieties or practice intercropping.

On the other hand, the 1999 APIS<sup>165</sup> reported that there were only around 565 thousand rural families who benefited from agricultural extension services. This is only 10 percent of the 5.6 million families being reported by the NSO as being engaged in agricultural activities.

### **III. 5. *Security and Stability at Work: Social Protection, Occupational Health and Safety and Security of Tenure for Better Quality of Work and Life***

#### **III. 5. (i). *Summary***

*Security of job or land tenure* is guaranteed by the Constitution and by law, both for formal sector workers in business establishments and for farmers and workers in farms and forests. However, excessive legalism bugs implementation and weakens the exercise of the right to security of tenure while globalization tends to derogate the implementation of labor standards including security of tenure in establishments as well as in farms

A variety of *social protection schemes* exists in the Philippines that are publicly or privately funded and managed. It is still far from the objective of providing social protection for all. In general, these programs are neither cohesive nor congruent, which reduce their impact for the purpose that they have been created.

*Social assistance* is extensive and covers a wide array of public beneficiaries. Studies show that social assistance is skewed in favor of the non-poor; it is cheap and often free but its quality is low. It has deteriorated overtime.

*Social insurance* coverage is mostly limited to the formal sector and income earning members because of its contributory character. Non-regularity of jobs and income thus impinge on its financial viability. Premium for public schemes and compliance to its mandatory membership are low, further contributing to its shaky financial viability and sustainability. Governance and management while government-controlled allows for tripartite representation but are rather weak in administration. Questionable investment decisions have caused sever drain in their reserves; further the shaky economic conditions affect investment decisions and income. Sector-specific and area-specific public schemes supplement the institutional schemes but their source of funding creates problems of sustainability, which are also affected by prevailing economic adjustment problems. Private social insurance schemes offered in the market are mostly unaffordable by the

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<sup>164</sup>WB. (1996).

<sup>165</sup>NSO. 1999 Annual Poverty Indicators Survey, Final Report. (NSO, Manila, 2001).

majority of the poor population. Microinsurance schemes have been established mostly by NGOs and some in cooperation with the public and private sectors; however, most have not gone beyond their piloting or model building stages and their financial viability and sustainability, thus also their replicability, need to be further studied and strengthened.

Social protection in *collective bargaining agreements* offer a variety of schemes whose benefits are usually on top of publicly-established, formal and institutional schemes, but while often adequate, their coverage is as limited as the negligible coverage of CBAs in the country.

Occupational health and safety practices have deteriorated over time. Four out of ten accidents happen in agriculture. Exposure to chemicals remain the most preponderant health hazard in agriculture. Overlapping health and safety agencies contribute to inefficiencies in the management of occupational health and safety services. Awareness is also inadequate

### **III. 5. (ii). Security of Tenure**

#### **III. 5. (i). a. In Business Establishments**

The Philippine constitution guarantees security of tenure. Among formal sector workers having employer-employee relations statutory (Labor Code of the Philippines or LCP) and administrative (Implementing Rules and Regulations, Department Orders, Memorandum Circulars) laws are more flexible.

For example, to provide statutory basis to the constitutional provision of security of tenure, the Labor Code of the Philippines and its Implementing Rules and Regulations prohibit under penalty of law the meting disciplinary action and dismissal of workers unless for cause. For cause means those allowed by law and that personnel action including dismissal is not arbitrary, follow the due process, and complies with a list of requirement and procedures specified by the LCP.

And then again, the specific meaning of statutory provisions and administrative laws are subject of interpretation by quasi- and regular courts of law. In the process, a body of jurisprudence has developed, which has become doctrines or precedents that inform practice and stabilize in law the social relations of the parties involved in production.

Azucena<sup>166</sup> comments on the exercise of the rights to security of tenure provided by the Constitution and the Labor Code of the Philippines as follows:

“The policy of the state is to assure the right of workers to “security of tenure.” (*Art. III, Sec. 3, 1987 Constitution; Section 9, Article II, 1973 Constitution.*) The guarantee is an act of social justice. (*Rance, et. Al, vs. National Labor Relations Commission, G.R. No. 68147, June 30, 1988.*)

“Both the Constitution (*Section 3, Article XIII*) and the Labor Code (*Article 279*) enunciate this right as available to an employee. In a host of cases, the Court has upheld the employee’s right to security of tenure in the face of oppressive management behavior and management prerogative.

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<sup>166</sup>Ces Azucena. *The Labor Code with Comments and Cases. Volume 2, Fourth Edition, 1999.*

Security of tenure is a right which may not be denied on mere speculation of any unclear and nebulous basis. (*Escareal vs. National Labor Relations Commission, G.R. No. 99359, September 2, 1992*).

Where a penalty less punitive would suffice, whatever missteps may be committed by labor ought not to be visited with a consequence so severe. It is not only because of the law's concern for workingmen. There is, in addition, his family to consider. Unemployment brings untold hardships and sorrows on those dependent on the wage-earner. The misery and pain attendant on the loss of jobs then could be avoided if there be acceptance of the view that under all circumstances of a case, the workers should not be deprived of their means of livelihood. Nor is this to condone what has been done by them. For all this while, since the employer considered separated from the service, they have not been paid. From the strictly judicial standpoint, it can not be too strongly stressed that where a decision may be made to rest on informed judgment rather than rigid rules, all the equities of the case must be accorded their weight. Labor law determination should not be only *secundum rationem* but also *secundum caritatem*. (*Almira vs. B.F. Goodrich Phil., Inc. SCRA 120 (1974)*).

When a person has no property, his job may possibly be his only possession or means of livelihood. Therefore, he should be protected against any arbitrary deprivation of his job. Article 280 (now 279) of the Labor Code has construed security of tenure as meaning that "the employer shall not terminate the services of an employee except for just cause or when authorized by" the Code. (*Rance, et. Al. vs National Labor Relations Commission, G.R. No. 68147, June 30, 1988; Offshore Industries, Inc., vs. National Labor Relations Commission, G>R. No. 83108, August 29, 1989; Century Textile Mills, Inc., et al vs. National Labor Relations Commission, et. Al., G.R. No. 77859, May 25, 1988.*)

Article 279 itself is defective because it recognizes security of tenure only "cases of regular employment." Such specification is not found in the Constitution, which entitles "all workers" to the right to security of tenure. Moreover, the Code itself and the court rulings do not limit security of tenure to regular employees only. For instance, terminating a probationary employee needs a valid reason and proper procedure. So also a project or seasonal employee enjoy security of tenure even only for the duration of a limited period of their employment. (See the cases of Lao Construction and Vinta Maritime, *infra*) Indeed, security of tenure –the right not to be removed from one's job without valid cause and valid procedure – is so fundamental it extends to regular as well as nonregular employment.

The right to free collective bargaining further secures and stabilizes security of tenure: enshrined in the constitution and forming as policy pillar in labor law, collective bargaining allows the making of a "web of rules" that, in addition, govern the relations of employers and employees arrived at by negotiations, which is done through their representatives in the workplace. Among others, these web of rules govern hiring, promotion, transfer and separation. Violation of CBA provisions is considered an unfair labor practice, subject to appropriate penalties as determined and written in the LCP and informed by a set of jurisprudence developed through court interpretation of the meaning and intent of the law.

In time, however, a downside has occurred: a body of laws and rules have emerged that has made Philippine labor relations so legalistic lawyers and para-legals now dominate this process.<sup>167</sup>

But closer to the issue of stability and security at work, however, the law allows retrenchments and redundancy for economic reasons, which is still subject to interpretation by quasi- and regular courts. It is, moreover, a cardinal principle in Philippine labor relations that the public authorities through their rulings can not substitute the authority of management on the determination of how to run the enterprise or whether or not to continue with it. Thus, exclusive management prerogatives are recognized not only in law but in collective bargaining agreements as well. The only prohibition is that the exercise of this prerogative is not contrary to law, public policy and public morals and that collective bargaining agreements do not limit such prerogatives.

### **III. 5. (i). b. *In farms and Forest Areas***

In contrast, specific law defining what may be equivalent to lifetime employment governs security of tenure among of non-wage workers or farmers in farms planted to agricultural crops. While the legal basis are similar to labor relations law, the procedural aspects of the law are the same: due process, as well as the rule of the law, jestingly referred to sometimes as the “rule of the courts”.

For instance, tenants and lessees of lands exempted from land reform have rights to perpetual abode and use of the land. They can not be evicted or removed from the land they till unless for cause allowed by law and as informed by jurisprudence in agrarian law. A certain portion of the agricultural lot they work on is also provided by law to be their homelot, within which they can produce anything without having to share it with the landlord or land-owner. Tenants and lessees can also transfer the right to till to one of their children who may decide to continue farming the land.

Depending on the crop they plant, sharing arrangements of produce vary. In coconut farms, a 70-30 sharing is mandated by law; in rice and corn farms, it is 50-50. Negotiated arrangement between tenant/lessees and land-owners can improve the share in favor of the former.

A similar arrangement is extant among social forestry workers. Although they may not own the land, these workers can occupy a piece of land for tree farming for the rest of their lives, under some form of contract with the Department of Environment and Natural Resources. Usually located upland and in mountains, their primary task is to plant trees and guard forestry resources, but also they engage in upland rice farming and vegetable farming, the former as a matter of subsistence and the latter as supplemental income to tree farming. Opportunities to improve income are present but problems of credit, technology, marketing and infrastructure keep these opportunities limited. It helps that this particular government program engages the farmers in social preparation and in capacity building that result in setting up farmers’ associations and cooperatives among them.

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<sup>167</sup> *A rethinking is now in the process that aims to reduce this legalism and allow the free play of forces in the social relations in production and one that should be more compliant with the core international labor standards. A thinking also permeates the present debate to review the LCP and attune it to the changing times, specifically in respect to the developments in the global market and the growing multilateralism of international affairs.*

Among small land-owners and beneficiaries of land reform, stability and security of work is yet higher. Nonetheless, because usually owning a small parcel of land and due to lack of appropriate technology, their ability to maximize this resource to improve their income and welfare is limited. In respect of which, specially in areas where fruit plantations predominate, contract growing has been a growing concern.

As regards the management of the land or aqua resource, the notion of an “exclusive prerogative” also exists similarly in agriculture but not as exacting as in labor relations law. Under the laws on tenancy and leasehold, what to plant and how to farm is subject of individual or even collective negotiation between the landlord and the farmer or his or her collective. But unless tenants and lessees are associated, the landlord often prevails. However, small landowners and owner-cultivators, including the beneficiaries of land reform whose titles are in the process of being amortized or transferred are completely free and independent from the previous landowner.

The problem of security of tenure in agriculture are two-pronged: like in labor relations, the law and its procedures have grown so cumbersome that very few farmers or agricultural workers can understand both law and procedure; but unlike in labor relations, farmers possessing land emancipation patents (EPs) and certificates of land ownership awards (CLOAs) are in danger from the emerging trend of “reverse land reform” or the re-concentration -- through corporatization or sale - of lands awarded by land reform to corporations and moneyed traders and professionals in areas where farmers toil their lands. This is discussed in some length in Chapter 3, and also below.

In addition, a review process is underway, that is also influenced by the policies of international financial institutions (IFIs), about the utility of continuing land reform specifically in regards to increasing the productivity of the land and the need to modernize or mechanize agriculture and aquaculture in tandem with programs for rural development and agro-industrialization. Another impetus to this process is the perennial funding deficit of the government and the increasing market values of land.

### **III. 5. (i). c. *Assessment***

Globalism and global competition now defines to a large extent the ambit of labor relations. The trend to global labor flexibility, like Guy Standing would say, is in search for distributive justice. In his work, accepting this trend, nonetheless he posits occupational and citizenship security as an alternative. Central to his thinking, the notion of representation security is embedded to an extent that improves, by transforming, the whole basis of union organizing and collective bargaining.<sup>168</sup>

Particularly controversial whether among formal labor, informal sector workers, rural and farm workers as well as farmers and fishers alike are the impact and consequences of globalization’s three policy and programmatic pillars: liberalization, deregulation and privatization. In industry and services, such policies, so far, has resulted in corporate restructuring and closures owing to the harsh environment of global competition. The move to lower tariffs along the AFTA agreements to zero to five percent not only has met fierce lobbying among vested interest against it but also a

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<sup>168</sup>Guy Standing. *Global Labour Flexibility: In Search of Distributive Justice*. (Macmillan, 2001).

growing disenchantment among organized workers and peasants whose jobs and livelihood are being lost in the absence or lack of social protection.

In agriculture and among farm workers, farmers and fishers, the same AFTA rules concerning free trade in some agricultural and fisheries products are meeting the same kind of lobbying from agricultural vested interests and the same kind of fears of, and increasingly fierce struggles by, the peasant movement. This is the case, for example, of government's proposal to remove quantitative restrictions for certain cereals and commodities in exchange for their tariffication, the complete privatization of the National Food Authority and the removal of indirect subsidies in agriculture towards deregulation.

Currently, however, labor flexibility in the formal sector among others are due to harsh global competition that impacts on the Philippine economy in a manner that weakens labor standards and result in the global phenomenon of "race to the bottom" in labor standards. Moreover, work in the informal sector of the economy that now constitute by some estimate from half to three fourths of the Philippine economy and labor force, as much as in overseas work whose nature is contractual and flexible, are two realities that are shaping both the legal and economic basis of stable and secure work.

Additionally, the preponderance of micro and small enterprises employing 10 or less workers (see Table 2.6 in Annex), combined with a weak labor inspectorate where about 250 labor inspectors are supposed to inspect about 820,000 business establishments, are factors that contribute to the increasing trend of labor flexibilization.

A disturbing pattern of land re-concentration or "reverse land reform" is also emerging. For lack of regular and adequate income, small land-owners and land reform beneficiaries either sell or pawn their rights or titles to the better-off in their areas. Under this arrangement, the small land owner or beneficiary cedes the right to till the land for a certain period of time in return for a certain amount agreed upon, and until the debt is paid. In some instances, the same owner/beneficiary continues to till the land and shares the produce with the creditor under arrangements agreed upon. In yet other instances, this practice results in the transfer of rights or title to the creditor. In such circumstances, the creditor with enough money can become a small, medium or large landowner, thus initiating the pattern of "reverse land reform".

In contract growing, in areas where there are corporate plantations, the parcel of land owned by small land-owner cultivators are leased for a certain price and period by the fruit corporations to grow a specified produce, usually fruits grown by the corporation for export. Aside from the contract price for the use of land, their labor or one of their family member's is also contracted; usually they are paid by task or by piece of produce or are employed as regular or contractual employees in the fruit corporation

For instance,<sup>169</sup> in banana plantations, land owned by small owner-cultivators are leased by a company for a period of 5 to 10 years. The lease price per hectare varies and can be negotiated. The company would usually advance to the small land-owner a certain amount per hectare, the

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<sup>169</sup>Interview with Ibarra Malonzo, former Secretary General of the National Federation of Labor, now engage in organizing contract growers in fruit and palm plantations in Mindanao. March 27, 2003.

amount equivalent to 5 years or so. Subsequently, an annual lease payment is also made. In addition, the contract may stipulate that the corporation will employ the farmer or one of his children.

In yet another arrangement, a certain percent of the cost of farming is advanced to the farmer-landowner, as agreed upon in a contract. The rest of the cost is then paid at certain periods agreed upon. The farmer tends to the plants, according to certain standards set by the company. The company would then contract to buy the produce at a pre-agreed price usually based on farm gate.

### **III. 5. (iii). *Social Protection in the Philippines***

#### **III. 5. (i). a. *3-Tiered Structure***

Most studies refer to a 3-tiered architecture of formal social protection in the Philippines. These are: social assistance; social insurance; and, for lack of a more descriptive term, the commercial and/or occupational or supplementary tier. (see table below)

In fact, there are three other tiers, both formal and informal, which operate in the urban and rural villages: the extended family; the community associations; and the politicians. While usually referred to as “social safety nets”, these in fact form part of the social protection network of the population. While this section focuses on the “official” three-tiered structure, a brief explanation of these “other” three tiers may be necessary.

Particularly in rural and agricultural villages and communities, the first tier of social protection is usually the extended family. They lend support to each other in cases of need, material or otherwise.

In many villages and communities, a variety of associations exists: community-wide; occupational; neighborhood; interest-based. Though organized in many modes, both formal and informal, the underlying principle of these associations is solidarity, expressed as self-help, mutual aid and mutual protection. At this level, micro social assistance and insurance are established or being organized.

**Table 2.18:** Three-Tiered Structure of Formal Social Protection in the Philippines

Tiers	Coverage	Management	Funding Source	Funding Scheme	Examples
<p><b>First Tier</b></p> <p><u>Social Assistance:</u> health and sanitation, education and training, housing, disaster and calamity</p>	General population; targeted groups and areas for most vulnerable sectors	Government through concerned Departments	Taxes; project grants and loans	Incorporated in the Annual General Appropriations Act; supplemented by Official Development Assistance and government-established Trust Funds	Government network of hospitals, clinics, rural health units, municipal/city sanitation units, and schools; Targeted assistance programs, e.g. KALAH!; Poverty Zone Program, Social Welfare Programs; PESO, Philjobnet, PRESEED; GATSPE and PESFA scholarship programs
<p><b>Second Tier</b></p> <p><u>Social Insurance:</u> social security, health, disability</p>	Mostly wage and salary earners; recently included are self	Government in a tripartite setting	Contributions from members and investment incomes of institutions with government liability or guarantee	Defined-benefit; employer liability; provident fund	SSS; GSIS; ECC; HDMF; PHIC;
<p><b>Third Tier</b></p> <p><u>Supplementary:</u> commercial and occupational arrangements; benefits under collective bargaining agreements</p>	Similar to second tier plus informal sector workers and agricultural workers in rural areas; families or households	Government; Levies; private-sector either through banks of bi-partite agreements; NGOs	Similar to second tier plus public and private subsidies, project grants and private contributions	Similar to second tier plus defined-contribution	Sugar Amelioration Program; Coconut Levy Fund; OWWA, PCIP; Construction Levy Fund; Group Life and Accident Insurance, Retirement and Pension Plans of companies; CBA provisions; Pre-need and health maintenance insurances; micro-insurance models

Politicians are well known to be sources of material and financial support for social protection. Using their pork barrel funds as well as other sources, they contribute in many personal and social activities of their constituencies: baptisms, marriages, medical care, wakes and internments; as well as in providing infrastructure for sports, education, health and social halls.

The rest of this section is devoted to an appraisal of the first three formal tiers of social protection in the country.

- ***First Tier: Social Assistance***

Funded from taxes, an extensive public and private network of educational and health and sanitation services and infrastructure exists, with comprehensive coverage including in rural areas that reaches down to the town level and, in many instances, to the village level. In health, a network of hospitals, health stations and rural health units, sanitation units are operated by government. In education, public primary, secondary, post-secondary and tertiary schools have been established. In addition, publicly-financed scholarship programs at primary, secondary, post-secondary and tertiary levels exist to help the also extensive network of private schools. Cost to beneficiaries are low; sometimes, benefits are free.

Of late, targeted social assistance in health, education and housing has been on the rise, particularly among income-poor rural areas. Job-generating and income-producing schemes have been included. Examples of this latter schemes are the KALAHI Program (see Annex 2.1) of the National Anti-Poverty Commission (NAPC) and the Poverty Free Zone Program (see Annex 2.2) of the Department of Labor and Employment (DOLE) and the Barangay Small and Medium Enterprises (BSME) Program of the Department of Trade and Industry (DTI).

Other types of “quasi”-social assistance schemes also exist that offer public services and cater to public welfare, such as the labor market-intervention types that are national in scope. Examples are: the network of Public Employment Service Offices, the internet-based Philippine Job Network (Philjobnet), the PRESEED Program, and Quick Response Teams for workers displaced by economic adjustment measures -- all of which are operated by the DOLE. While strictly not a social protection scheme, the services these render support or supplement social protection schemes.

- ***Assessment***

But the public social assistance and services in all respects are not nearly adequate and are adjudged as poor in terms of delivery, management or governance and quality.

In July 1990, the Social Weather Station, Inc., reported the results of its surveys in *“Patterns of Illness Among Filipinos: sickness incidence, duration, work disability, and curative response.”* Their findings:

- “There was large decline in the national prevalence of sickness: from 29 percent in September 1988 to 17 percent in September 1989. While in that span of time, “improvement was most

impressive in urban Luzon”, it was likewise substantial in rural Visayas...and even Metro Manila.”

- As expected, the sickness incidence was greater among the poor and the “rural incidence was higher than the urban.”
- The median duration of sickness was one week, with the poor getting sick longer than the non-poor. However, “the urban-rural score was even for illnesses lasting less than a week (57%), though bouts lasting two weeks were more common among the rural folk (175) than the urban populace (11%).
- As to response to illness, the survey said: self-medication was chosen by plurality, with the ratio highest in rural Visayas (75%) and lowest in rural Luzon (25%); the next response was to consult a private doctor, clinic or hospital and interestingly such response was highest in rural Luzon while consulting a government doctor or facility was a low choice of only 14 percent nationally and highest again in rural Luzon (20%).
- “Interestingly, the better-off turned to self-medicating more than did the poor, which was explained as due perhaps to the fact that the rich were better educated and possessed “ample stock of medicines at home.” In contrast, the poor who are sick do not usually do anything about their illness; ironically, the survey observed that the “poor tended to turn to private clinics rather than those of the government”, bolstering the view that “government clinics (are) inferior those in the private sector.”
- “Ill rural respondents resorted to self-medication (43%) less than their urban counter[parts] (60%). They were more prone to do nothing about their sickness: 10 percent, as compared with 7 percent for sick urban residents. Surprisingly, there were no urban-rural differentials as regards consulting traditional healers.”

In May 2001, or a decade after, given that poverty is still characteristically rural in general and agricultural in particular, the availment of health services, according to the World Bank’s “*Filipino Report Card on Pro-poor Services*” shows a skewed pattern in favor of the non-poor in general and the rural poor in particular. For instance, according to the Report,

#### **On Health**

- “urban residents visit health facilities more than rural resident.”
- Despite the fact that “primary facilities are mostly used by the poor”, and that primary public facilities are likely to be visited by residents of Mindanao, rural households and the poor, “public primary facilities are noted for low quality” generally, and “client satisfaction is lowest for frontline *barangays* health stations and health centers at the grassroots, compared to other facilities included in the Report Card.”
- Even then, “the poor pay more in relative terms” than the non-poor, in that “the modest health expenditures of the poor absorb a larger share of their income, as compared to the rich”,

among other of which are due to reasons that the poor can not afford health insurance and that “high prices of medicines are a burden”.

- Recommendations: improve primary health facilities; upgrade government hospitals provide insurance coverage for the poor, implement the Health Sector Reform Agenda.

#### **On Elementary Education:**

- “Drop-outs are mostly from poor families” and they do so “for health and economic reasons”;
- “Public schools are low in cost, but inferior in quality”, and “public elementary education is far from free”;
- “Private school tuition is prohibitive” and “there is a sharp drop in client satisfaction with private schools”;
- “Class size, textbooks, and facilities are rated poorly in public schools”; and “parent-teacher associations (PTAs) are widespread;
- Recommendations include: to pay special attention to drop-outs; to improve effectiveness of public expenditures; to implement a comprehensive teacher development strategy

#### **On Water Supply**

- “Water supplied by all sources are considered unsafe for drinking”, while “rural communities and Mindanao are under-served
- “Only 3 out of 5 get water from formal sources”; “a third rely on self-provisioning”; and “3% get water from vendors”; “water consumption by the poor is unacceptably low” and “they pay more but get less” at the same time that “they spend the most on low quality vended water;” also, “rural residents spend more than twice their utility bills on treating water”.
- Level III water services<sup>170</sup> excludes the majority of the poor, is unable to meet consumer demand, while “Households with Level III service consume more water than others”, and they are “subsidized more than the poor”.
- Recommendations: since water supply and quality consumed is related to health and therefore should be addressed, the inequities in the system should be equally addressed

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<sup>170</sup>The report explains that “the government has classified three levels of water services, with norms on the number of families they could serve. Level I is a point source (without any piped distribution, like a spring or protected well, and is expected to serve an average of fifteen households within 250 meters. Level II is a piped system with community faucets, serving four to six households within 25 meters. Level III is full waterworks system with individual house connections for those residing in densely populated settlements. In general, water that is not piped transfers the responsibility of improving water quality to the consumer. Level I and II water has to be stored by consumers for longer periods of time, which exposes it to contamination. Other (informal) water supply sources include provisioning and purchasing water from vendors.”

### **On Housing:**

- The “poor are capable of building their own shelter”, but “access to housing programs is very limited”. “The poor are also extremely dissatisfied with their housing” for reasons connected to location and land tenure; they are as well “excluded from housing associations”.
- “Government housing assistance benefits mostly those who need it least”, at the same time that “the private sector hardly participates in housing assistance”. In addition “client rejection of housing assistance is high.”
- Recommendation: “low cost rental housing will benefit the poor”; housing associations should target the poor for housing assistance; housing services should be decentralized; and the LGUs can be assisted in increasing their capacity to address the issues.

### **On rice subsidy**

- Although low in cost, the quality is inferior and subsidized supply is limited and the non-poor benefit more than the poor.
- Recommendation: subsidy level should be reviewed; price and quality should be differentiated; and entitlement levels should be reconsidered.

- ***Second Tier: Institutional Social Insurance***

- ***Structure***

Table 2.19, below depicts the structure of institutional social insurance in the Philippines.

All the schemes are mandatory in character, that is, their respective charters enacted into law by Congress provide compulsory coverage of certain types of workers. However, voluntary membership is also allowed under certain circumstances. Law, based on actuarial valuations at the time it is adopted define the rate of contribution. Each undertakes periodic valuations system upon which are based decisions about benefits and contributions.

The systems exist separate and distinct from each other. However, Agreements between and among them are entered into that define portability of benefits and areas of jurisdiction and administration. Government guarantees or backs up both SSS and GSIS.

Generally, the coverage of rural workers and workers in agriculture, fishery and forestry is low and negligible owing to the seasonal and irregular nature of employment of most of these workers (see Table 2.21 in Annex).

**Table 2.19 - Structure of Institutional Social Insurance in the Philippines**

Denomination	Membership and Coverage	Rate of Contribution (%)	Type of Benefits	Approach to Financing	Management and Governance
Social Security System (SSS)	Private: employers (ER) and employees (EE), self-employed (SE), housewives (HW), domestic servants (DS) Farmers and Fishermen (FF), Overseas Filipino Workers (OFW)  24 million members of which 8 million are contributing	Total: 8.4 ER: 3.33 EE: 5.07 Rates of contributions from SE, HW, DS, FF, OFW varies and so are	Retirement, Maternity, Sickness, Disability Death, Funeral <u>Loans:</u> Salary, Calamity, Housing, education  Benefits for SE, HW, DS, FF, and OFW varies according to their contributions. OFWs are also covered under separate Fund, called the OWWA Fund	Defined-benefit	Tripartite; appointed by President
Government Service Insurance System (GSIS)	Public servants 1.59 million members	Total: 21%	Old age, invalidity, death, sickness, special insurance, compulsory life insurance, non-life insurance, group term insurance and pre-need plans	Defined-benefit	Bipartite, appointed by President
Employee Compensation Commission (ECC)	Public and private employees (overlaps with SSS and GSIS)	Total: 1% of payroll	Disability Compensation	Employer liability	Tripartite, appointed by the President
Phil. Health Insurance Corp	Public and Private employees, informal sector	Total: 2.5 ER : 1.25 EE : 1.25	Medical and Hospitalization		
Pag-Ibig /Home Development and Mortgage Fund (HDMF)	Public and private employees	Total: 6 ER : 3 EE : 3	Retirement <u>Loans:</u> Housing, Salary	Provident Fund	

- **Assessment:**

The ILO did a comprehensive assessment back in 1996.<sup>171</sup> Since then, several changes have occurred in the social insurance scheme of the country. Among its findings that remain relevant today are:

#### **Overall Public Policy on Social Insurance Lacking**

- Second tier operates independently of first and third tiers. There is no “master plan” for social protection. Benefits and administration overlap and duplicate. This creates inefficiencies and contributes of high costs of administration.

#### **Mismatch in Contribution and Benefit**

- There is mismatch between contributions and benefits, leading to long term problems of viability and sustainability, as also, in the case of retirement benefits offered by both SSS and GSIS, “their overall replacement rates are low in relation to average earning”, as a consequence of failure to adjust benefit ceilings, particularly in the case of GSIS.”

#### **Administrative Inefficiencies**

- Particularly for SSS and GSIS, jurisdictions and administration are complex. While “unification” is not suggested, streamlining of operations in each and rationalization and combinations in some of their administrative units can cut cost.

#### **On Employment Compensation**

- There exists weaknesses in its administration and attention is drawn to “the gap between policy (responsibility of the ECC) and the administration of the scheme (by SSS and GSIS) and, in particular, to the general inability to introduce a meaningful accident prevention or rehabilitation component for the scheme.”

#### **On the Role of Pag-Ibig**

- “It duplicates some of the lending functions of the other two (SSS and GSIS) schemes; and it contributes to the overall cost of social protection via the compulsory contributions...” since it also entails establishing a substantial infrastructure that parallels both SSS and GSIS.

#### **On Health Care**

- Health care is too focused on inpatient hospital care and lacks the more important element primary care, when with the “proper provision of primary care and associated specialist

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<sup>171</sup>ILO/UNDP. *Report to the Government of the Philippines of an ILO Assessment Mission: Social Protection in the Philippines.* (1996).

outpatient care, where necessary, patient recover quicker in the community”. This jacks up cost of health care, unnecessarily.

- The fee-for-service payment system associated with the focus on secondary care “is widely acknowledged as being the most expensive and the one which is most difficult to control in terms of cost containment.

In more recent commentaries, the President of the SSS<sup>172</sup> revealed that:

- The actuarial life of the SSS Fund has gone down from perpetuity in 1990 to only the year 2015 in 1999, primarily because contributions remained stagnant at 8.4% since 1979 while across-the-board pension increased 19 times with an average increase of 13.4% in the last two decades (1980-2000), thus “fundamental mismatch has developed between the SSS contribution rate vis-à-vis its benefit structure.”
- The rate of contribution is low compared to GSIS (21%) and among the lowest in the region, such as: Malaysia (23%); China (30%); Singapore (32%); and beyond the region in Turkey (20%) and Egypt (30%).
- The SSS is still financially sound, with an asset base of P164.4 billion in 2001, and since its inception in 1957 has earned P252 billion in contribution and collection and P200 billion in investment income, against an expenditure for the same period of P249 billion in benefits and P28 billion in operating expense.
- However, against a long term background, such financial performance may not last as SSS will begin dipping into its reserve funds in 2004 if nothing is done about its present overall performance, particularly about contribution rate and compliance and investment income under volatile and uncertain economic conditions, as also because of the limits imposed by a defined-benefit<sup>173</sup> funding scheme. Add to this the other factors – improving life span, worsening dependency ratios, and the mis-understanding about the long-term nature of social security, for example – and the long term viability of the fund gets compromised

Private commentaries<sup>174</sup> advert to governance problem, particularly in staggering losses in equity investments of P22.1 billion by SSS in 31 months computed backwards from 2002 and the multi-

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<sup>172</sup>Corazon de la Paz. *The State of our Social Security*. Policy speech delivered on the occasion of the joint meeting of the Makati Business Club and Bishop-Businessmen Conference on March 14, 2002.

<sup>173</sup>SSS President Corazon de la Paz explain the scheme thus: *benefits are defined or are provided at a started level. There is a formula that defines the SSS pension and is linked to pay and number of contributing years. To fund this defined benefit scheme, the SSS uses the scaled premium method: an earnings related contribution rate is set such that over a certain period of time, say a period of twenty years, the Fund is able to cumulate reserves. However, when members start collecting on their benefits, and as benefit payments catch up with contribution collections, the contribution rate would have to be adjusted upwards to allow the Fund to cumulate reserves once more. Thus over the long haul, increases in the contribution rate are part and parcel of the actuarial design of the SSS program.*

<sup>174</sup>See for example Josephus B. Jimenez. *Do you still trust SSS?*, (PDI, October 2002); and the series of article in PCIJ by Sheila Samonte-Pesayco on GSIS insurance monopoly scam, published in *Philippine Star* in November, 2001.

billion pesos reinsurance scam in the GSIS that seems to be imbedded in its operations since it was given the monopoly to insure government assets way back a long time ago.

Local experts looking into pension reforms explain that “a partially funded defined benefit plan like that administered by the SSS and GSIS, the worldwide trend to lowering fertility rates and aging population can put the benefit contribution balance out of synch as well.”<sup>175</sup> They vie for a multi-pillar system that coheres social assistance, a scaled-down mandatory defined benefit funding scheme for social insurance, developing a mandatory defined contribution scheme in addition, and a voluntary scheme to supplement the mandatory schemes.

Furthermore, critical commentaries from the informal sector particularly those coming from the rural workers have commented that the existing *Institutional Social Insurance* such as the SSS and the Philhealth have a built-in bias against the informal sector in general and the rural workers in particular despite their avowed claim that the urban and rural informal sectors can be part of their social insurance program. They say these two institutions are not flexible enough to accommodate the needs of the rural poor because of its reluctance to tap existing peasant organizations and cooperatives like the PAKISAMA to serve as enrollment and collection centers for their respective constituency. Secondly, they asserted that the SSS and the Philhealth should be open to the development of new “products” with different premium structure from their traditional programs aimed at addressing the micro-insurance needs of the rural poor.<sup>176</sup>

- ***The Third Tier: Occupational/Commercial/Supplementary Schemes***
- ***Area-, Sector-, or Product-based Public Social Insurance Schemes***

A first set of occupational schemes includes: public programs that are occupation- or industry or product- or sector-specific schemes, such as the Overseas Workers Welfare Administration (OWWA) Fund, Social Amelioration Program for Sugar Workers, the Coconut Levy Fund, Service Fee Arrangements for Hotel and Restaurant Industry Workers, the Philippine Crop Insurance Fund (see Annex 2.3); and private-led and organized programs too, such as the Construction Training Levy Fund and the Hotel Industry Training Fund. Narrative description of some of these programs follows:

- ***The Social Amelioration Program***

The Social Amelioration Program (SAP) in the sugar industry was enacted under RA 6982 is implemented via a tripartite effort. The SAP is funded from the exaction of a certain percentage from gross sales by picul of sugar called lien and is used for the benefit of the workers in the sugar industry both in the milling and farm sectors.

Aside from the Department of Labor through the Bureau of Rural Workers and its Regional Offices, the employers and employees of the industry participate not only in policy formulation

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<sup>175</sup>Ernesto Reyes, consultant of the Retirement Insurance Commission. *Can Privatization Address Financial Woes in the SSS?*. Undated paper.

<sup>176</sup>Interview with Mr. Ananias Loza.

but in program implementation as well. The process of tripartite consultation has been one of the main features of the program.

In terms of benefits, the program dishes out cash bonus, maternity and death benefits, as well as fund socio-economic projects for the beneficiaries.

In terms of program structures (BRW, DOLE-ROs, STC, DTC, mill, planters association, workers organizations) serve as channels in program delivery.

- ***The Overseas Workers' Welfare Authority (OWWA) Fund***

The fund caters to certain aspects of social protection for the overseas workers and is administered by a tripartite Board.

- ***The Philippine Crop Insurance Corporation (PCIC) (see Annex 2.3)***

The PCIC is a government-owned-and-controlled corporation organized by virtue of Presidential Decree 1467 issued in 1978. It is formerly an attached agency of the Department of Agriculture but has been transferred under the umbrella of the Department of Finance. The PCIC's main function is to insure crops against natural calamities and the like.

Its charter was later revised to give it some legal impetus to expand and to adopt to current circumstances and is now operating under RA 8175. It is the sole implementing arm of the government when it comes to the crop insurance program (the appropriate term really is agricultural insurance since it now also covers livestock and other non-crop agricultural assets).

The PCIC started its palay (paddy rice) insurance operations in May 1981 and later expanded to corn insurance in July 1982, an interim cover for tobacco in September 1991 and to High Value Commercial Crops (HVCC) in October 1993. In October 1993, the corporation also joined the Pool of Livestock Insurers, now the PLMSC, to undertake livestock insurance covering cattle, swine, goats and poultry. As an aside and in order to expand its reach, the PCIC also administered the Comprehensive Agricultural Loan Fund (CALF) Guarantee Program of the DA and its policy arm, the Agricultural Credit Policy Council. It started with the multi-risk guarantee coverage for priority crops in October 1988, which shifted to credit guarantee in September 1991. The PCIC likewise, implemented the Fisheries Sector Program (FSP) guarantee Fund of the DA-ACPC, which concluded its operation only in December 2000.

- ***Micro Insurance Schemes***

A second set of social insurance schemes under the third tier of social protection include an increasing number of community-based insurance schemes have been and are being piloted. Some documented case studies and examples are the Novaliches Development Cooperative, Inc., (NOVADECI) for the urban sector, the Angono Credit and Development Cooperative

(ACDECO)<sup>177</sup> for the semi-urban, high class municipality, and the ORT Health Plus Scheme,<sup>178</sup> in a rural province. There are many such schemes in operation but many of these have also not gone beyond their pilot-testing stage.

A case example is Annexed in this paper that can enrich the growing database of the ILO on the subject. This is the *PAKISAMA* Mutual Benefit Association or Pakisama Mutual for short (see Annex 2.4). It is basically a pioneering micro-insurance program with a social re-insurance component, conceptualized and implemented by a national confederation of rural worker the *Pambansang Kilusan ng mga Samahang Magsasaka (PAKISAMA)*; roughly this means the National Movement of Peasant Organizations. The micro-insurance program was meant to cater to the social protection need of its nationwide constituency in the rural areas.

- ***Social Insurance Contained in Collective Bargaining Agreements (CBAs) of Trade Unions***

In addition to the above schemes, the social protection and welfare provisions of collective bargaining agreements of trade unions form a separate tier in the overall scheme of social protection for all types of formal labor including for farm workers in plantations and fisheries establishment.

Provisions of CBAs – the result of a process of bipartite negotiation --in this respect are over and above the mandatory provisions contained in the Labor Code of the Philippines, and include: annual wage increases and overtime rates and holiday pay; a variety of leaves such sick leave, vacation leave, emergency leave, family leave, maternity and paternity leaves, medical, dental and hospitalization benefits; group life and accident insurance, educational, welfare and medical assistance fund; research and education funds; a variety of loans including housing, car plan, emergency and medical-related loans; death, funeral and burial benefits; retirement benefits and pension;

- ***CBAs in the Agricultural Sector***

BLES-DOLE statistics<sup>179</sup> reveal that there were only 20 agricultural CBAs that have been filed in 2001, a 31 percent reduction from the number of CBAs filed in 2000. In a survey of the welfare benefit clauses of these CBAs, the following benefits stand out.

*For leave benefits:* vacation (95%), sick (95%), maternity (60%) and emergency (55%) leaves;

*For welfare benefits:* medical/dental and hospitalization (70%); separation pay (60%); meal subsidy (55%); retirement pay and family planning (50%).

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<sup>177</sup>These two cases are documented by Reginald M. Indon and Fatima A. Sas, "Reinventing Social Security: learning from community-based insurance schemes", in *Pulso, Monograph No. 21, September 2000, published by the Institute on Church and Social Studies.*

<sup>178</sup>ILO. *ORT Health Plus Schemes in the Province of La Union, Philippines: A Case Study of a Community-Based Health Microinsurance Scheme.* (2002).

<sup>179</sup>BLES. *PSIC A: Agriculture, Hunting, and Forestry.* (DOLE, Manila, 2001).

*For supplementary benefits: 13th month pay at only 60 percent.*

For a greater appreciation of the contents of collective bargaining agreements, specifically in the agricultural and fisheries sector, Annex 2.5 provides an excerpt of sample CBA in one agricultural establishment.

- ***Assessment of the Third Tier***
  - Public occupational and supplementary social protection schemes have existed for a long time in varying degrees of operational efficiency. Generally, their financial viability is assured by collections from specified sources and by subsidies in their administration by concerned government agencies, which are sourced from the national budget.
  - While many microinsurance schemes<sup>180</sup> are in operation, not all have been sustained over the long term. Those that have remained in operation so far have certain weaknesses as revealed by documented experiences. These are related to social marketing problems, lack of feasibility and actuarial studies that affect their financial viability and sustainability and a high degree of hidden or transparent subsidies from project grants, private financial contributions and public subsidies.
  - Social insurance and welfare schemes contained in collective bargaining agreements or provided unilaterally by companies, while more sustainable in the long term because of their contractual character, are affected negatively by several factors that include: the limited and marginal coverage of CBAs, the financial viability of companies undergoing intense global competition, the funding scheme of these arrangements,<sup>181</sup> and the general state of the economy as, for example, in the discontinuance of schemes because of corporate closures owing to economic adjustment measures.

### **III. 5. (iv). *Occupational Health and Safety***

Before the '90s, surveys adverts to improving schemes in occupational health and safety practices. A decade after, practices have deteriorated.

Occupational health and safety in general is getting worse. Four out of ten accidents occur in agriculture. Exposure to chemical remains the most dangerous hazard to health in agriculture

In general, the management of occupational health and safety in the country suffers from overlapping mandates among the various agencies.

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<sup>180</sup>*These include credit union-organized schemes, whether established by employers or by trade unions which are dependent on the continued operation of enterprises where these operate.*

<sup>181</sup>*Many schemes written in CBAs are directly funded from operations of the companies, which make their sustainability dependent on the continued operation of the company. Large corporations fund these schemes in trust funds that are usually managed by banks, which are more sustainable.*

### III. 5. (iv). a. *Occupational Health and Safety in General*

The 1998 Work Accident and Injury Survey (WAIS) of the Bureau of Working Conditions-DOLE found out that:

- 64 out of one hundred cases reported in 1998 were disabling injuries categorized as temporary total disabilities or TTD
- while only one out of 241 injuries resulted in death, there was a 29 percent increase in the number of fatalities in 1998. This year marked the 2nd highest fatal rate during the years 1994 to 1998.

During the past five years (1994 to 1998), a profile emerges:

- 9 out of ten victims were male;
- 5 out of ten were adults age between 26 to 40;
- 7 out of ten were married;
- 5 out of ten were working as transport equipment operators and laborers, followed by agriculture and animal husbandry workers (4 out of ten);
- 2 out of ten have been working for 1-5 years;

The **factors that cause accidents** and injuries as reported by the Survey are:

- *Unsafe mechanical and physical conditions*, such as: unsafe dress or apparel (32%), hazardous arrangements and procedures (24%); the rest are due to unsafe processes, unsafely stored or piled tools and materials, congestion of working space and unsafe planning layout.
- *Unsafe acts*, such as failure to use safe attire or PPE, which causes accidents 4 time out of every 10: use of unsafe equipment; using hands instead of equipment; unsafe loading, placing and mixing; unsafe position or posture.

**Factors contributing** to the above include *lack of supervision* (41%) and *poor condition of working area* (26%)

The *three leading types of accident* are: *struck by* (41%); *striking against* (15%); and *falling* (9%).

The three objects causing accidents are: *hand tools* (17%), *machines* (8%) and *working surfaces* (7%).

### III. 5. (iv). b. *Occupational Health and Safety in Agriculture*

In the five years between 1993-1997:

- Four out of ten accidents and injuries happened in establishments in agriculture, followed by manufacturing;

- Further, in agriculture, the significant **types** of accident are: *struck by* (44%); *striking against* (26percent) *contact with irritating substances* (9percent), *caught in between* (5 %) and *foreign body in the eye* (2%)
- While none was reported as fatal, 9 out of ten were disabling injuries classified as TTD or temporary total disability.
- Between 1991 and 1996, the number of disabling injuries in agriculture doubled (104%).
- “Skilled agriculture and fisheries workers had the highest rates of injury” as found out by the ILO-supported NSO household survey in year 2000.<sup>182</sup>
- Hazardous practices involve the use of chemicals in agriculture. A micro survey on the health effects of fertilizers showed that: (see also case example in Box 2.5).

“The most common pesticides used by respondents were carbamates (78%) and organophosphates (56%). Some farmers were using banned and restricted pesticides such as endrin and mevinphos. Improvised personal protection or PPEs were used by all respondents when handling pesticides. These included the use of towels as masks, inappropriate gloves and jackets instead of work clothes. Most frequent symptoms experienced by the subjects were muscle cramps, weakness and respiratory tract irritation, symptoms that are fairly common in pesticide exposure. Results also showed the dearth of information and guidance to farmers of government agencies on the safe use of pesticides.<sup>183</sup>

#### **Box 2.5 - Impact of Pesticide Abuse**

##### **On Public Health:**

**Pesticides are poisons, which can cause serious and even fatal health problems. Continued use and constant exposure by farmers and plantation workers to these harmful chemicals have caused dire consequences.**

- Common effects include headache, dizziness, nausea, chest pain, vomiting, skin rash, muscle pain, excessive sweating, cramp, diarrhea, difficulty in breathing, blurred vision and in extreme cases, can result in death. The effects could be “local,” where certain parts of the body are affected, or “systemic,” where the pesticide poisons the whole body.
- The US Environmental Protection Agency (EPA) has listed 28 types of herbicides, fungicides and insecticides known or suspected to cause birth defects; it has also identified 24 pesticides known or suspected to be carcinogenic. Meanwhile, the California Environmental Protection says that more than 60 common farm chemicals can or may cause cancer.
- The Pesticide Action Network for Asia and the Pacific (PAN-AP) has identified 50 pesticides that can cause acute effects on the skin. In addition, it lists 21 various kinds of organo-

<sup>182</sup> ILO/NSO. *ILO Project on Occupational Injuries: Final Report. Volume 2, Analysis of Results and Statistical Tables.* (June 2000).

<sup>183</sup> Dulce Estrella Gust. *Occupational Safety and Health in Agriculture.* (OSHC, Philippines, 1998).

phosphates and methylcarbamates considered as the most poisonous nerve-type gas pesticides.

**It is alarming that some extremely hazardous and toxic chemicals are still used in the Philippines and other Third World countries. Often, cases of pesticide poisoning involving poor farmers and their relatives have resulted.**

On 9 December 1996, 52 farm workers in a cacao plantation in Davao del Sur were taken to hospitals due to pesticide poisoning, 35 of them with severe injuries. In another plantation in Kapalong, Davao del Norte, 6 women peasants with ages 20-29 fell victim to acute carbofuran poisoning after their supervisor forced them to continue spraying pesticide despite the heavy rain.

Sometimes, the effects of pesticides on humans take years to manifest. Such was the case of Leonardo, a pineapple plantation worker in the southern part of the country. Dealing directly with chemicals such as endosulfan, benomyl and diazinon, he worked for years without proper training and with poor protection. Years later his accumulated exposure, he developed bruises and persistent gum bleeding. It was found out that he has developed blood problems.

### **On Ecology**

*Pesticides adversely affect the environment in a number of ways.*

- Insecticides affect not only pests but also their natural predators. This can lead to an increase in pest infestation or to a new problem where insects kept in check by their natural predators develop into pests. Pesticides are also held responsible for the dwindling numbers of plants and animal species in agricultural areas.
- Intensive use of pesticides has led to a problem of increased resistance. Excessive spraying of herbicides is feared to create superweeds in the process.
- Pesticides can affect entirely different plant and animal species other than those for which they were originally intended. For example, herbicides can kill fish just as fungicides can kill insects.
- Active ingredients and additives do not always decompose into harmless substances after being used. Residues have been found in rain, in fog and in the air. When they enter the soil, food, the air and organisms, they may be transformed into substances that can be considerably more toxic than the original product

### III. 5. (iv). c. *The Delivery and Regulatory Mechanism for Health and Safety*

There is overlapping OSH mandates, policies, programs and modes of implementation and enforcement.<sup>170</sup>

In terms of inspectors, **the Department of Labor and Employment (DOLE)** has 253 inspectors nationwide to monitor and inspect some 820,000 business establishments nationwide. The Department of Interior and Local Government (DILG) supervises 3,000 sanitary inspectors; in addition, local government units employ building officials and municipal engineers who inspect by authority of the National Building Code.

**DOLE** is responsible for regulating health and safety at the workplace and in implementing labor standards including health and safety. *Enforcement* is carried out by its Bureau of Working Conditions with the help of the DOLE Regional Offices, as well as take charge of policy and program development and advisory functions; primary prevention by its Occupational Health and Safety Center, as well as *research and training and technical services*; and, *compensation for work-related diseases and injuries*, by the attached agency, Employee Compensation Commission (ECC).

Other government agencies involved, having their respective statutory mandates include:

**Department of Agriculture (DA)** through the Fertilizer and Pesticide Authority for monitoring chemical residues in agricultural products and to formulate policies for the judicious use of chemicals and fertilizers.

**Department of Health (DOH)**, among others, to control levels of atmospheric contaminants, infectious agents and physical hazards, set standards for Personal Protective Equipment (PPE) and provide medical services to all employees. Through a Memorandum of Agreement (MOA), DOH and DOLE carry out programs on lifestyle-related diseases in the workplace, such as the surveillance of Stevens Johnson Syndrome.

**Department of Environment and Natural Resources (DENR)** monitors and implements compliance with safety rules and regulations in mining, prohibition on the employment of minors in mining, reporting on safety and health hazards and injuries and health and safety impact assessments on communities before mining companies establish their operations.

**Department of Interior and Local Government (DILG)**, which regulates the same, manufacture and distribution of pyrotechnic devices and provides safety guidelines in its manufacture, labeling and distribution. Its Bureau of Fire and Protection provides safety standards in fire prevention. Related laws regulate the practice of engineering profession and provides safety standards in all electrical installations.

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<sup>170</sup>*Dulce Estrella Gust. (1998).*

### **III. 6. *Dignity at Work: Promoting Social Dialogue for a Better Workplace Relations***

#### **III. 6. (i). *Summary***

The legal and socio-economic basis of freedom of association and collective bargaining as well as multi-sectoral representation are discussed extensively in Chapter 4. These frame the exercise of organized social dialogue in the country.

Social Dialogue finds extensive practice in the Philippines, due partly to liberal and progressive laws that promote tripartism, collective bargaining, popular participation development and social negotiations, at the workplaces, in government and in industries.

A range of social dialogue mechanisms exists: from mere provision of information, through various types of negotiations, and sectoral representation in tripartite bodies, legislative assemblies and national summits, meetings and conferences.

While representativity and representiveness of social organizations are sometimes raised as questions that can whittle away both gains and process of social dialogue, the fact remains that bilateral, trilateral and multi-party negotiations help shape public policy on social and economic development.

Trade union density is low and even marginal in the country, it has contributed to the substantial weakening of the exercise of the right to freedom of association and free collective bargaining.

All of the above, influences the way labor relations operates in the country. Book V (Labor Relations) of the Labor Code, in particular, defines the minimum legal standards to be followed by the players in industrial relations. Collective Bargaining seeks to expand joint rule making in the workplace. In general, industrial relations aim to promote the rule of law in workplaces, order in the relations of the parties, and industrial peace that are seen as necessary components of economic and social development.

#### **III. 6. (ii). *Industrial Relations in the Philippines***

Social Dialogue finds extensive practice in the Philippines, due partly to liberal and progressive laws that promote tripartism, collective bargaining, popular participation development and social negotiations, at the workplaces, in government and in industries.

The legal and socio-economic basis of freedom of association and collective bargaining as well as multi-sectoral representation are discussed extensively in Chapter 4. The legal basis varies according to the type of social relations in production.

For example, the Philippine Constitution guarantees freedom of association for workers and employers. The Labor Code of the Philippines (LCP) governs employer-employee relations at the workplace whether in a factory setting or in the farms. Agrarian relation follow Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of the Philippines. Civil

Code and Criminal Code of the Philippines regulate contracts (except CBAs) and torts between principal and contractor.

In the field of labor relations as framed by the LCP, the Department of Labor and Employment (DOLE) is further mandated to define and regulate the exercise of rights of both employees and employers.<sup>171</sup>

Book V (Labor Relations) of the Labor Code, in particular, defines the minimum legal standards to be followed by the players in industrial relations. Collective Bargaining seeks to expand joint rule making in the workplace. In general, industrial relations aim to promote the rule of law in workplaces, order in the relations of the parties, and industrial peace that are seen as necessary components of economic and social development.

Unless otherwise indicated, this portion draws heavily from the paper of Antonio Asper, entitled: "Issues in Industrial Relations in the Philippines".<sup>172</sup>

### **III. 6. (i). a. *The Players***

The principal players in industrial relations are the employers' organizations, workers' organizations, and the government principally carried out by the Department of Labor and Employment. A brief description of each in the Philippine context follows.

- ***Employers' Organizations***

Employers are organized into various associations, the major ones of which are the:

- Employers' Confederation of the Philippines (ECOP)
- Philippine Chamber of Commerce and Industries (PCCI)
- Makati Business Club (MBC)
- The Filipino-Chinese Chamber of Commerce and Industries (FCCCI)
- The Federation of Philippine Industries (FPI)

Employers are also organized along specific lines of industries, foreign chambers and interest groups, such as:

- Phillipine Sugar Association (PSA)
- Drug Manufacturers Association of the Philippines (DMAP)
- The Philippine Exporters (PhilExport)
- American Chamber of Commerce (ACC)
- Japanese Chamber of Commerce (JCC)
- European Chamber of Commerce (ECC)
- Financial Executives Association of the Philippines (FinEx)

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<sup>171</sup> A separate law defines the rights of public sector employees, including the practice of labor relations in the public sector.

<sup>172</sup> Antonio C. Asper, "Issues in Industrial Relations in the Philippines." July, 2003.

- The Personnel Management Association of the Philippines (PMAP)
- The Bishop-Businessmen Conference for Human Development (BBCHD)

The ECOP is the employer's organization that specializes on labor or industrial relations and represents the employers in most tripartite bodies. The PCCI has also sought and is represented in several tripartite bodies.

Employers' organizations may affiliate internationally, such as the ECOP being affiliated to the International Organization of Employers

- ***The Workers' Organizations***

Like employers, workers are also variously organized into (see also Box 4.1):

- Plant-level unions that are independently registered or chartered affiliates of national unions or federations and that are usually the exclusive bargaining units;
- National Unions, composed of at least 10 exclusive bargaining agents in a single industry, such as the National Confederation of Unions in the Sugar Industry of the Philippines (NACUSIP), National Union of Workers in the Hotel, Restaurant and Allied Industries (NUWHRAIN), National Union of Banking Employees (NUBE) and the National Mines and Allied workers' Unions (NAMAWU).
- National Federations, composed of at least 10 exclusive bargaining units across industries, such as the Associated Labor Unions (ALU), the Federation of Free Workers (FFW), and the National Federation of Labor Unions (NAFLU). Some National Federations group their members into specific lines of trades, occupations or industries, such as the trade secretariats of the ALU and the trade federations of the FFW.
- Labor Centers, composed of plant level unions, national unions, national federations, and other types of workers' organizations, such as in the informal sector, agriculture and area-based alliances. The Alliance of Progressive Labor (APL), the Labor Advisory and Consultative Council (LACC), the Kilusang Mayo Uno (KMU), and the Trade Union Congress of the Philippines (TUCP).

These structures also come together in program or issue-based alliances, although their purpose is more political and social rather than merely for organizing labor relations. Examples of such alliances are the Asian Labor Network on IFIs/Philippine Chapter (ALNI/P), an alliance of trade union and civil society groups lobbying the IFIs to change their policies and conduct labor impact studies of their programs, policies and projects, and the Kaunlaran ng Manggagawang Pilipino, Inc., which groups together the FFW, TUCP and LMLC for the purpose of promoting socio-economic welfare of their members beyond collective bargaining.

Workers also establish plant-based, area-wide credit unions and various types of cooperatives or associations, sometimes generically referred to as Workers' Association' for the purpose of mutual benefit and protection and which are registered with the Bureau of Labor Relations. However,

depending on the nature of the association, they also register themselves with the Cooperative Development Authority, the Securities and Exchange Commission, and the Insurance Commission.

In addition, unions are organizing workers' communities specifically in areas where industries are concentrated, linking community issues to issues in the workplace. This is especially true in agricultural and mining communities such as in Del Monte Pineapple and PHILEX Mines.

Workers' organizations may affiliate internationally, such as with the International Confederation of Free Trade Unions (ICFTU) and its various International Trade Secretariats (ITS) and the World Confederation of Labour (WCL) and its various International Trade Federations (ITFs).

For purposes of labor relations, only the first four structures, that is, plant level unions, national unions, national federations and trade union centers are considered players for the workers' side in industrial relations.

- ***Department of Labor and Employment***

The primary responsibilities, general functions and organizational chart of the Department of Labor and Employment (DOLE) may be found in the attachment to this paper as Annex 2.6.

### **III. 6. (i). b. *Industrial Relations Structure***

The Labor Relations System is made up of four distinct structures:

- Plant-based or company-wide collective bargaining
- Labor Management Committees (LMCs)
- Sub-national Tripartite Councils
- National Tripartite Bodies

The first two are essentially bi-partite in character. The last two are tripartite in composition, although lately, many national bodies and agencies are becoming multi-partite in composition to include representation from business and civil society sectors.

- ***Plant-based Collective Bargaining***

Collective bargaining in the Philippines is plant or enterprise-based. The principal parties are the plant or enterprise-based unions and the employers in such unionized companies. A system of exclusive representation for the purpose of collective bargaining is in place. National Unions and National Federations assist their affiliates in negotiating for collective bargaining agreements. Company-wide and coordinated bargaining is sometimes practiced.

- **Labor Management Committees**

Labor Management Committees (LMCs) are organized in unionized and non-unionized companies.<sup>173</sup> While the role that labor management committees play in labor relations vis-à-vis the union is often hazy, LMCs can also serve to expand workers' participation in decision making within enterprises on matters and issues covered by collective bargaining agreements and those that fall outside it. LMCs, thus, are controversial in that some are organized to avoid or supplant unionism while others serve to expand workers' representation in between and beyond the periodic (three-year / two-year) negotiations for a CBA.

**Box 2.6 : Labor Management Council**

Aside from CBAs, agreements reached through the labor-management cooperation councils are also possible. The main difference of the two is that the former is a mandatory requirement, non-compliance to which subjects the violator to an administrative case of unfair labor practice while labor management cooperation councils are voluntary in nature and recommendatory in character. While both are mechanisms for social dialogue, and while the process of negotiation is observed in both, the former thrives in an adversarial, legalistic setting and the latter best approximates a non-adversarial, more-open and more friendly and also non-legalistic setting. What follows is a case example of the product of an LMC.

Social Dialogue produces results: the case of Lapanday Development Corporation

The corporation is an agri-industrial concern, growing bananas for export. It is located in the province of Davao, once an area infested by rebels. In the days of the martial law regime, the corporation was a hotbed for militant unionism allied to the Communist Party of the Philippines. In those days, paralysis set-in amidst a turbulent political environment and inhospitable economic milieu.

When the martial law regime fell and democracy was re-introduced the company slowly turned-around. Presently, the company accounts for 33 percent of all Philippine bananas exported to Japan. It has been cited as a model for tripartite cooperation and social dialogue. From this experience, the author culled eight lessons.

1. *Plantations like the Lapanday Development Corporation are in fact communities, not just indifferent business.* These are made up of many stakeholders – owners, management, labor force, their families, and local government units. All of them depend on the plantation for their living and survival.
2. *Management should provide for the community.* Beyond the needs of the enterprise, agricultural corporations should address the needs of the community, including in its defense. This strategy is the corporation's best defense against external agitators.

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<sup>173</sup> There are two main associations of Labor Management Committees. The Philippine Association of Labor Management Councils (PALMCO) claims 150 LMC members in an equal number of companies. The other, the Philippine League of LMC Practitioners, Inc. (PHILAMCOP) claims more 800 member LMCs organized at regional level. PALMCO is supported by the CLARA of the Department of Trade and Industry while PHILAMCOP enjoys the support the National Conciliation and Mediation Board (NCMB) of the Department of Labor and Employment.

3. *Management and labor union are peers.* Both can and should cooperate in solving labor- and community-related problems. Workers have both the capacity to understand their problems and solve them, as well as the community in which they live, given the opportunity to participate in such.
4. *External challenges promote unity, and acting such can foster sacrifices among stakeholders to save the company.* The LADC's challenge of peace and order in the community and that posed by globalization rallied labor and management of the corporation to work together in new ways that required sacrifices from both.
5. *Government programs for cooperation can work when both labor and management decides to undertake it and institutionalize it in their relations, when both can derive practical benefits from labor-management cooperation programs and is compatible with their interests.* In the case of LADC, the Labor-Management Cooperation Program facilitated the efficient conclusion of their negotiation for a collective bargaining agreement.
6. *Corporations are responsible for their communities' development and welfare.* Provision of common and public facilities for the community such as church, school, sports and support services can stimulate builds up a community spirit that can become favorable for the company as well.
7. *Company-sponsored human resource development schemes such as training for entrepreneurship and skills development for the workers and residents of the community are adjustment measures that can mitigate the impact of corporate re-engineering in face of globalization and externally induced developments.* In this case the LDC Foundation and training center became effective instruments for corporate re-engineering.
8. *Top management sets policies and directions to steer the company into the new economy and make it globally competitive.* At LDC, the CEO/President down to the key officials of the company adopted a global outlook and professional management to develop the company's competitive edge.

Source: PALMCO, 2002

- ***Tripartite Councils***

Tripartite Councils have been organized in some industries and regions, the purpose of which is to promote industrial peace and other developmental objectives such as the Sugar Amelioration Tripartite Council for the sugar industry. A National Tripartite Industrial Peace Council (TIPC) links the sub-national ones. The social partners come together in a forum to discuss common problems and issues that are peculiar to their industry or region and that are arising from continuing economic and structural adjustments due to globalization.

Resolutions, Memorandum of Agreements or Understandings Social Compacts are inked as conclusions of these tripartite discussions. However, the agreements do not partake of the CBA character in that the implementation of the Resolutions or Agreements are voluntary. Non-compliance cannot be the subject of an unfair labor practice suit. The absence of monitoring and independent verification do not enable an evaluation of how effective are these instruments in promoting industrial peace.

- ***National Tripartite Bodies & Extent of Participation in other Decision-Making Bodies***

A study<sup>174</sup> identified 23 national agencies with tripartite representation. There are more but this number was chosen to evaluate labor representation in government institutions in the Philippines. These bodies have their legal bases in legislation, executive orders or Memorandum of Agreements. The study classifies these bodies into four, as follows:

“Based on their inherent and primary functions, the sample institutions may be classified into four types: Consultative, Policy-making, Quasi-judicial and Quasi-legislative bodies. Consultative bodies are institutions that exercise advisory powers, such as the power to review government programs and policies and give appropriate recommendations. Policy-making bodies, on the other hand, are institutions that formulate and establish programs and policies in furtherance of their respective general mandates, and in accordance with primary government objectives. Quasi-judicial and quasi-legislative bodies, as their names already suggest, are institutions that exercise powers, which appear judicial or legislative in nature. A quasi-judicial body has the power to hear and decide on certain controversies within its jurisdiction, although it is technically a part of the executive department, and not of the judicial department, which is the sole wielder of judicial power. While a quasi-legislative body has the power to legislate or initiate and create binding rules, although it is not part of the highest law-making body of the country, which is Congress.”

In industrial relations, tripartism has long been practiced in the Philippines in consonance with ILO’s promotion of the principle and mechanism to relate the social partners in decision-making concerning labor and social policy. Currently, the concept and practice of tripartism is evolving into multi-partite social dialogue patterns,<sup>175</sup> such that business and civil society representatives are being chosen from a variety of organizations and appointed to these national bodies to represent their sectors or constituencies. However, trade unionists still dominate the labor-sector representatives in these tripartite bodies, especially those that are DOLE or formal labor related.

For instance, in tripartite government agencies in charge of social protection such as the SSS, Philhealth and Pag-Ibig, formal labor in the industrial and commercial sectors dominate these institutions. Although not represented as such, peasant associations are invited in various social dialogue forums to discuss issues and concerns related to their constituencies that at the same time offer a forum for them to negotiate their proposals and recommendations.

In the same DOLE Study on “Labor Representation in Government Bodies”, interesting questions were raised, such as the effectiveness of trade union representation in these bodies as it also raised questions on the appropriateness of the process of selecting these representatives. It found out that, in this respect, representatives tend to be “monopolized” by a few recognized trade union organizations, although attempts to correct this apparent weakness is being done.

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<sup>174</sup> ILS, “*Labor Representation in Government Institutions in the Philippines (An Evaluation)*”, 2002. At the time of this writing, the report was due for final presentation and discussions with trade union representatives before the release of the final version.

<sup>175</sup> A full treatment of this subject is given in Bitonio, Benedicto Ernesto R., “*Social Dialogue and Tripartism in the Philippines*”, (undated paper). According to him, “Social dialogue is founded on the principle of democratic participation. As an inclusive concept, it encompasses the principles of tripartism, freedom of association, collective bargaining and all other forms of industrial democracy and participation.”

In non-DOLE related government agencies and institutions, however, representation of peasant associations and agriculture-related NGOs in government bodies are also extensive for purposes of social dialogue. These government bodies include:

*In the DAR:* Presidential Agrarian Reform Council (PARC), Barangay Agrarian Reform Committee (BARC), Provincial Agrarian Reform Coordinating Committee (PARCCOM);

*In the DA:* National Agricultural and Fishery Council (NAFC) and other multi-stakeholder councils and committees, National Marketing Umbrella (NMU):

*In the DOST:* Philippine Council for Agriculture Resources Research and Development (PCARRD), the Philippine Council for Agriculture and Marine Research and Development (PCAMRD) and in other research councils under this department.

*In the NAPC:* the sectoral councils for farmers and labor

*In government financial institutions* such as Land Bank of the Philippines and the Quedancor.

*In the Philippine Congress,* both peasant and trade union leaders are invited regularly in public hearings conducted by the various legislative committees to inform the legislators about their views on issues affecting employment, agriculture, agrarian reform, the environment and natural resources and the like.

And much like their trade union counterparts, in agriculture, the same comment on the effectiveness of peasant leaders' representation has been aired by the study made PASCRES on "The Status of the Peasant Movement in the Philippines." The PASCRES study<sup>176</sup> highlights this problem by commenting that peasant leaders are often unable to discuss the ramification of issues due to lack of solid research, especially to back up their proposals, in which event, their interventions are often ineffective. The previously mentioned DOLE-ILS study goes farther as to say that one measure that should be put in place to gauge the effectiveness of trade union leaders' representation in government bodies is their written interventions or positions papers on issues that are discussed in these bodies.

At the same time that the PASCRES study batted for wider and more comprehensive links and networking by the peasant associations with other groups in other sectors of society.

What matters most in social dialogue, however, is the concept of representational security as elucidated by Guy Standing in his book, mentioned elsewhere in this paper. Among others, Standing proposes that as unions and other types of associations must change paradigms, the notion of representational security will have to be strengthened as these associations face the challenge of global labor flexibility in their search for distributive justice.

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<sup>176</sup>*Sixdon Macasaet. (1999).*

### III. 6. (i). c. *The System of Industrial Relations*

- ***Union Registration***

Workers may organize and join unions of their own choosing. It is possible for more than one union to exist in a company: several majority rank-and-file unions, a supervisory union and other minority unions. However, only one union is chosen as an exclusive bargaining representative for a pre-defined bargaining unit that is usually agreed upon by both parties during certification hearings or so ordered by labor courts. In the biggest company in the Philippines, the San Miguel Corporation, a beer, food and agribusiness enterprise which employs about 17,000 workers, some 80 distinct unions represent an equal number of separate bargaining units in this single company.<sup>177</sup>

To gain a legitimate personality for the purpose of exclusive representation in collective bargaining at the plant level or company-wide, workers must form unions and register these with the regional office of the DOLE or directly with the Bureau of Labor Relations (BLR).

Plant level unions may seek independent registration with the BLR, or may gain legitimacy as chartered affiliates of a national union or national federation.

The Labor Code regulates and specifies requirements for the registration of unions.<sup>178</sup>

- ***Certification Election***

Once independently registered or affiliated a union may seek to be certified as an exclusive collective bargaining agent. This is done when the employer in a company where a union is organized voluntarily recognizes the union. Usually, however, the certification of an exclusive collective bargaining agent goes through a process of CERTIFICATION ELECTION.

Upon fulfilling certain requirements set by law, a union files a PETITION for certification election. A hearing is then called and conducted principally to arrive at an inclusion-exclusion list, identifying who among the workers under the payroll of the company are to be included or excluded in the forthcoming certification election. The process can be shortened or can take longer, depending on how fast the principal parties to the case can agree on the list. In case no agreement is reached, the hearing officer decides the case at bar. After exhausting all administrative remedies, the decision may be appealed to higher courts of law.

A petition for certification election is of two types: CONSENT election or CERTIFICATION election. Consent election arises when there is only one union seeking to represent workers in an enterprise. During the consent election, workers choose between having a union or a YES vote or

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<sup>177</sup> Data from PHILAMCOR & NCMB, "2002 Directory of Labor Management Cooperation practitioners in the Philippines", January, 2002.

<sup>178</sup> For succinct treatment of this subject, see BLR-DOLE, "A Simple Workers' Guide to the Right to Self-Organization and Union Formation/Registration (undated).

not having one or a NO vote.<sup>179</sup> Where a NO vote wins in a consent election, workers and their unions are barred from petitioning for another election within one year.

In a certification election, two or more unions may vie to be certified as the exclusive collective bargaining agent for a defined bargaining unit. The Union who garners 50 plus one percent of the vote in a certification election called for the purpose is certified as the exclusive collective bargaining agent. In case no union garners a majority vote, a run-off election is held between the first two contending unions in a certification election. The winner in a run-off election is then certified as the exclusive collective bargaining agent.

The electoral process of certification election seeks to provide a free choice by workers of their bargaining representative as well as to stabilize labor relations. Only one union is certified as an exclusive bargaining agent with whom employer is mandated to negotiate a collective bargaining agreement containing the terms and conditions of working in the company, including the right to benefit from mandatory check-off of union dues and to represent workers and members in cases of grievance or complaint.

The definition or coverage of a bargaining unit is settled by agreement of both parties or through compulsory arbitration, which decision may be appealed up to the Supreme Court (*see section of Dispute Settlement*).

- ***Collective Bargaining Process***

Upon voluntary recognition by the employer or certification through an election as the exclusive bargaining agent for workers in a defined bargaining unit, the union submits its proposals for a collective bargaining agreement (CBA) to the employer, who in turn is obligated by law to respond to said proposals within ten days from receipt. Failure to do so may cause the employer to be charged with unfair labor practice for refusal to negotiate.

Negotiations then ensue, in practice, for as short as one sitting or as long as the legal process allows both parties access to remedies or appeals, which can take a year or more.

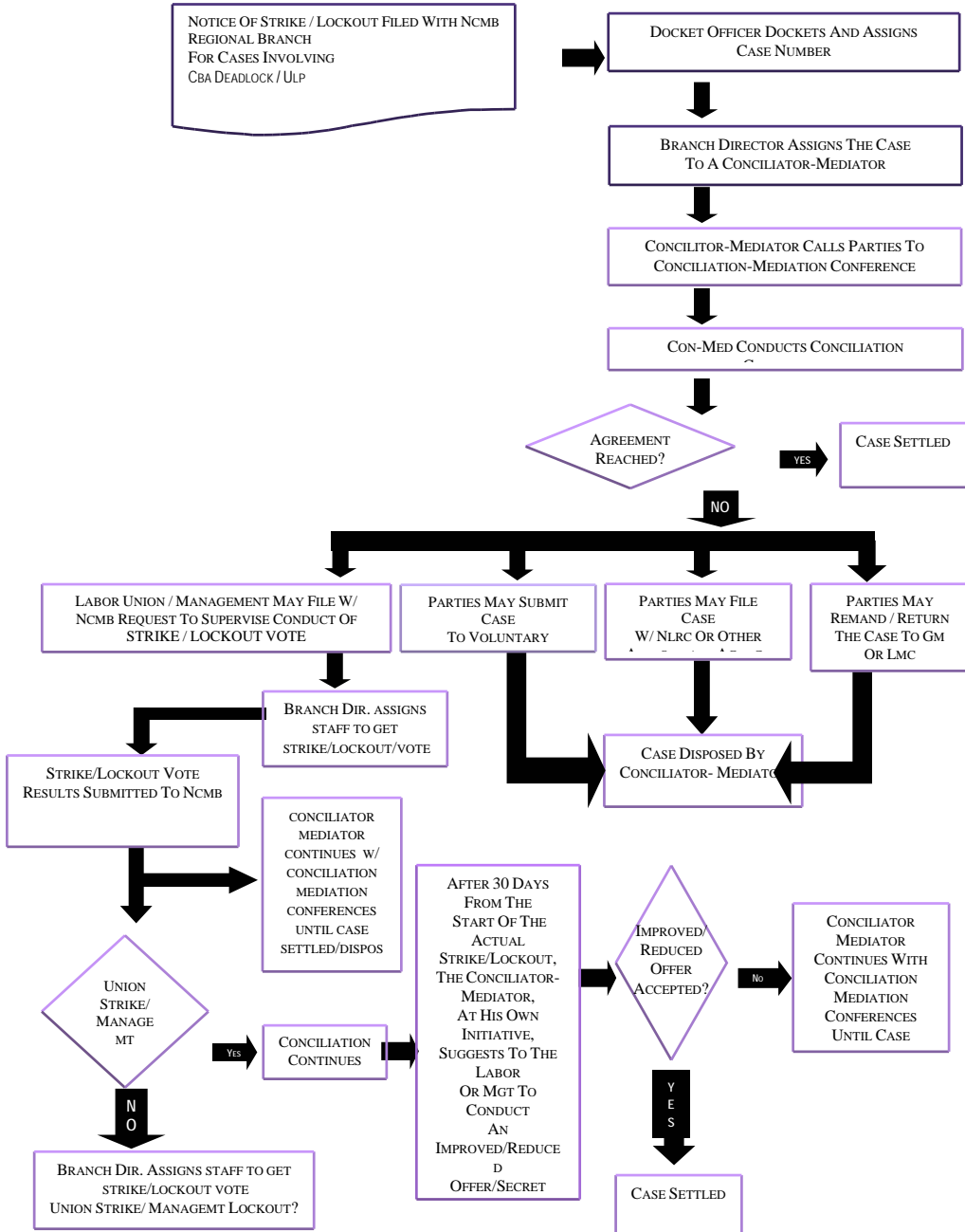
Where parties to the contract negotiation agree with each other on items negotiated, a collective bargaining agreement is signed. In case of a deadlock in negotiation, two remedies are open: each party may file a notice of strike (NOS) or lockout arising from the deadlock or both parties may agree to bring the case to voluntary or compulsory arbitration.

Where a NOS is filed, mediation-conciliation follows for thirty days. If an agreement is reached, both parties proceed to signing of contract. Where no agreement is reached, two remedies are made available: union goes on strike or the mediator-conciliator certifies the case for compulsory arbitration. In case of the latter, the deadlock becomes an ordinary dispute settled through the dispute settlement machinery. (*See Figure 2.2: Notice of Strike/Lockout Case Flow and Figure 2.3: Preventive Mediation Case Flow*)

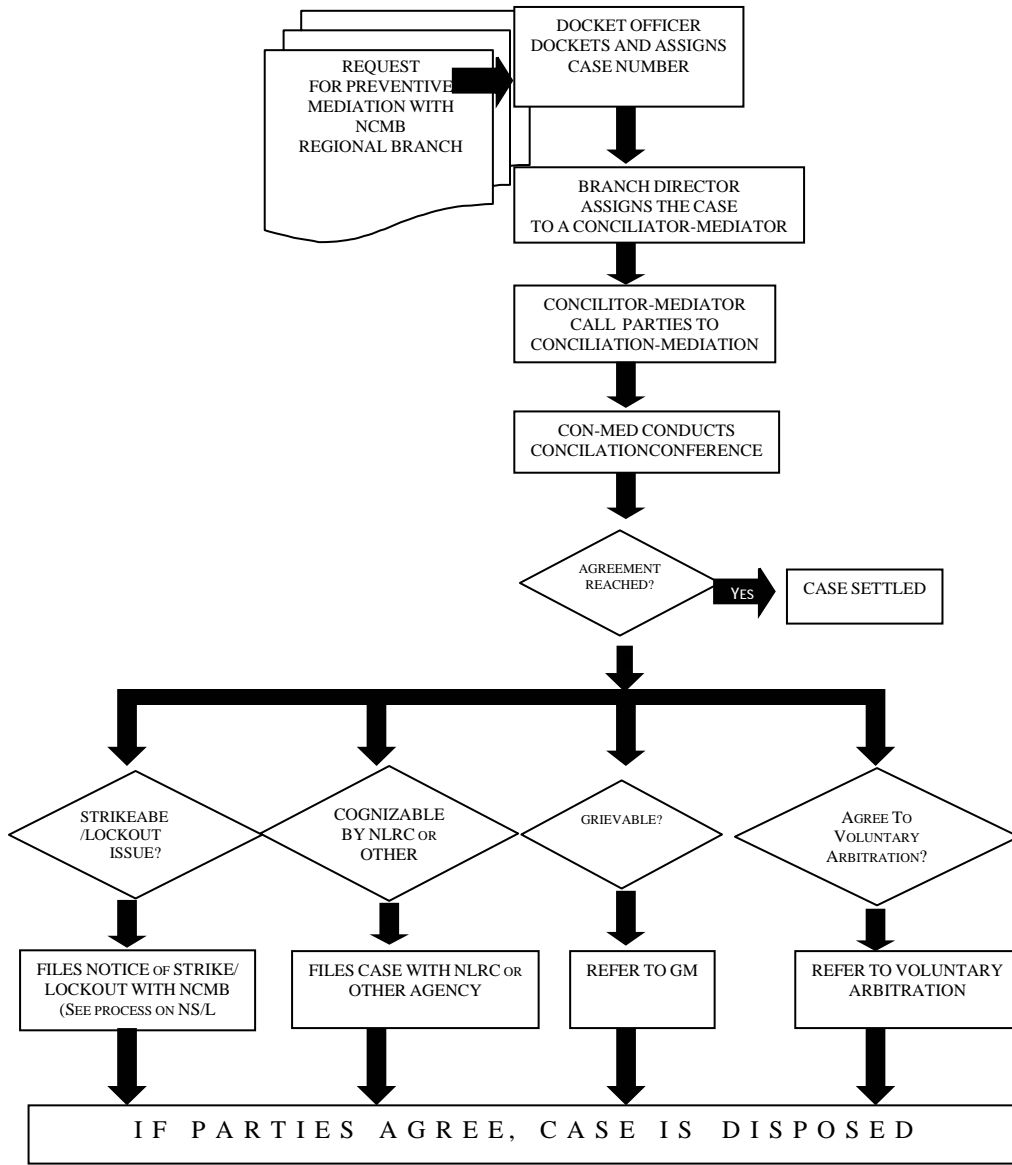
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<sup>179</sup> If a NO vote wins, a certification election is precluded for one year, within which no petition may be filed.

**Figure 2.2: Notice of Strike/Lockout Case Flow**



**FIGURE 2.3 - Preventive Mediation Case Flow**



- **Collective Bargaining Agreement (CBA)**<sup>180</sup>

When negotiations are concluded, the product is the Collective Bargaining Agreement (CBA), signed by both parties. It contains the terms and conditions of employment for the covered bargaining unit and is legally verified, making it a legal document or contract for all purposes.

A CBA must be registered with the BLR in order for it to serve as a bar to another certification election. This rule is one among several, which aims to stabilize industrial relations through an orderly and periodic exercise of the right to collective bargaining.

A CBA has essentially two types of provisions: political and economic.

The political provisions spell out:

- The legal identities of the contracting parties;
- Coverage of the bargaining unit,<sup>181</sup> that is, defining who are covered and who are not. While the law promotes broader coverage in collective bargaining to include all types of employees in a company, negotiation practice between the contracting parties usually limit coverage to permanent, regular rank-and-file or supervisory employees as the case maybe The objective of broader coverage actually gets compromised in the nitty-gritty of horse trading in negotiations;
- Rights and obligations of each party under the contract including mutual recognition of exclusive prerogatives such as the management of the company,<sup>182</sup> union security,<sup>183</sup>

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<sup>180</sup> In the public sector, the term used is collective negotiation. The outcomes are similar, except that public sector unions can not negotiate for annual or periodic salary increases. Salaries of government employees are considered part of the General Appropriations Act (GAA) or the annual national budget recommended by the Executive Branch but can be passed only by Congress. The doctrine of separation of powers under the Constitution does not thus allow the Executive branch to enter into an Agreement that usurp the powers of the Legislative Agency. Economic benefits of public sector employees accruing from collective negotiations are sourced from savings by the Departments which, other than what the parties agree upon, are regulated by the rules issued by the Department of Budget and Management.

<sup>181</sup> The coverage can be different from the defined bargaining unit agreed upon or ordered during the exclusion-inclusion proceedings. Disagreement at this stage can lead to a deadlock in negotiations or a case of compulsory arbitration.

<sup>182</sup> It is a well settled doctrine in Philippine jurisprudence that unless limited by law and collective bargaining agreement, the management of a company is the exclusive prerogative of the company. For example, although not a settled practice, some unions are able to append or incorporate company rules and regulations in CBAs, making this otherwise exclusive management prerogative an area for joint rule making.

<sup>183</sup> There are basically two types of union security extant in the Philippine practice of negotiated union security: Open Shop and Close Shop. The former refers to CBA clauses that do not require membership in the union as a condition of employment. Close shop is the reverse. In most instances, what CBAs contain as union security is a hybrid of the two, generally referred to as "maintenance of membership clause" and union shop clause. The former requires workers who are covered by the CBA and are members of the union at the time of its signing to maintain their membership in the union as a condition of continued employment. Those who were not members at the time of signing or workers who are hired after the signing of the CBA are not required to join or maintain their membership in the union as a condition of continued employment. In a union shop arrangement, all workers covered by the CBA, either past, present or future, are required to join and maintain their membership in the union as a condition of continued employment. This is differentiated from close shop in that a close shop arrangement requires membership in the union as a condition for hiring.

check-off provisions for the union,<sup>184</sup> union access to company premises and certain privileges;<sup>185</sup>

- Procedures, rights, and prerogatives related to security of tenure during hiring, in cases of transfers, promotions, separation, dismissals, recalls; as well as seniority rights<sup>186</sup> and related matters and procedures in the availment of contracted benefits.<sup>187</sup>
- An internal dispute settlement machinery referred to as the grievance machinery and procedure,<sup>188</sup> whose last step is voluntary arbitration.
- Participatory mechanisms such as a health and safety committee, labor management committee, and other committees agreed upon by both parties. The provisions in the CBA spell out the nature, character and functions of these committees.
- Mandatory or directory provisions;<sup>189</sup>
- Duration of the CBA, which is five years before another certification election may be held and three years for the purpose of re-opening negotiations on political and economic provisions.<sup>190</sup>

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<sup>184</sup> *Check-Off provision refers to the privilege granted by the company to the union to deduct the amount of dues and other fees required by the union from its membership from the salary of the members who are covered by the CBA and thence to remit the amount to the union treasury. This concession in practice is often limited either in the type of deduction, amount or procedure of remittance, as well as on the liability of the company in case of non-collection or non-payment*

<sup>185</sup> *In many CBAs, clauses are provided that entitles the union representatives as well as representatives from mother federations access to company premises for specified purposes such as the handling of grievance, meetings and conferences of the union or with the management. Generally, unions also are given access to company bulletin boards within which they can post certain union notices or information, except those which are considered libelous, scurrilous and similarly worded notices.*

<sup>186</sup> *Provisions related to security of tenure include rights and procedures of workers in case of automation, redundancies and partial or full retrenchment. Corporate restructuring or reorganization such as mergers, buy-ins, buy-outs, strategic alliances, resulting from macro-economic adjustment measures and the rights of employees in such instances are becoming main issues in collective bargaining negotiations.*

<sup>187</sup> *For public sector employees, these rights and privileges are principally governed by the Civil Service Commission.*

<sup>188</sup> *A standard grievance procedure spells out four steps in cases of grievance: a worker together with a union steward tries to settle the grievance with the immediate supervisor, failing which, the grievance is elevated to the Grievance Committee, composed of representatives from the employer and the union. A last ditch effort before the final step is often provided, such that the Company president and the Union President are authorized to settle the grievance, failing which, the grievance is elevated to a final step, which is voluntary arbitration.*

<sup>189</sup> *A mandatory provision is a legal requirement that must be written in a CBA without which the CBA can not be registered. A registered CBA serves as a bar to petitions for certification election for the duration of the CBA until 60 days prior to its expiration. Examples of mandatory provisions in a CBA are the no-strike, no-lockout clause and the grievance procedure ending in voluntary arbitration. Even then, as in the case of a no-strike, no-lockout clause, a strike and lockout can still legally ensue in two defined cases: unfair labor practice such as dismissal of union officers without prior notice or due process as well as refusal to bargain, and deadlock in collective bargaining, in which case the CBA provision on no-strike, no-lockout is deemed inoperative. Definitions under the law and its interpretations are so full of complicated legal doctrines and technicalities it often requires a lawyer to argue a case. Directory provisions while mandated by law do not cause the non-registration of CBAs. An example is the legal mandate to provide family planning services which both parties are encouraged to set up and implement within workplaces.*

<sup>190</sup> *Sometimes, a clause on the "Completeness of the Agreement" is provided in CBAs to preclude or forestall the re-opening of negotiations until the freedom period. A freedom period occurs within sixty days prior to the expiration of the CBA during which a renewal of the CBA may be negotiated or a certification election is petitioned either by the company or the minority unions wanting to contest the majority status of the current exclusive bargaining agent.*

The economic provisions theoretically include benefits from “birth to death”, which are over and above or better than legally mandated ones, such as:

- Hours of work and workweek; rates for overtime, night differential, and holiday work
- Annual, bi-annual or lump sum salary increases
- Various types of paid and unpaid leave of absences, principally vacation, sickness, emergency, study, military, sabbatical, and union leave privileges.
- Bonuses, allowances, holiday pay.
- Maternity and paternity benefits.<sup>191</sup>
- Various types of financial assistance (grants or loans or subsidies) for individual employees and their union or cooperative such as housing loan, car loan, educational loan, financial assistance in case of death of employee or a member of the family, hospitalization assistance, rice subsidy or other types of subsidies, employee transport service, grants to union-organized cooperatives or union-sponsored sports and recreational activities.
- Social welfare or insurance provisions usually covering life and accident, health, hospitalization, pension or retirement which can be limited only to employees or expanded to cover their families and legitimate dependents.

Supplemental Agreements may be entered into by both parties, which incorporate political rights or economic benefits that the parties may not wish to include in the CBA, for one reason or another.

The fixing or determination especially of economic provisions during negotiations for a CBAs follow certain standard criteria, the most common of which are inflation rate, cost of living, capacity to pay of the company, comparative practices prevailing in an area or industry and collective bargaining history. In practice, factors such as power relations, level of maturity of both parties, the state or degree of labor-management cooperation or conflict, and various kinds of pressure tactics applied by each party on the other play into the final output of the collective bargaining process. In the arbitration of collective bargaining deadlocks, the level and character of socio-economic development is also considered, such as the cascading impact of wage increases on inflation rate and prevailing business conditions.

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<sup>191</sup> A few CBAs also provide day care services for nursing mothers and provisions on the elimination of child labor. Women's councils within trade unions are agitating also for the inclusion of CBA provisions relating to rights and privileges for couples with family responsibilities.

- ***Dispute Settlement Machinery***

Other than the grievance machinery contained in collective bargaining agreements, the Department of Labor and Employment uses three modes of dispute settlement. These are Conciliation and Mediation, Voluntary Arbitration and Compulsory Arbitration.

The DOLE Website<sup>192</sup> defines these modes as follows:

“Conciliation is a mode of dispute settlement that brings together the two (2) parties in a dispute so that they can arrive at mutually agreeable terms of settlement. Preventive mediation is a form of conciliation assistance extended to the parties to prevent an issue from becoming a labor dispute. It involves a process that is free from any threat of lockouts or strikes as voluntarily agreed upon by the parties involved.” (See Figure for Preventive Mediation Case Flow)

“Voluntary arbitration involves the settlement of a labor-management controversy or disputes through the decision of an individual or group called arbitrators/panel of arbitration (accredited VA) freely selected or chosen by the parties involved in a controversy or dispute. It aims to promote / implement / strengthen voluntary arbitration as a preferred mode of settling labor disputes”.<sup>193</sup>

Compulsory arbitration “is an approach to resolve a labor dispute by which DOLE as the primary government agency for labor dispute settlement has the power to investigate /hear and make an award binding to all parties concerned”.

The dispute settlement machinery outside of the grievance procedure and the National Conciliation and Mediation Board (NCMB), is structured in three levels. At the first level, cases or complaints are filed with the regional offices of the Department of Labor and Employment, which takes cognizance of the case under their jurisdiction, and with the National Labor Relations Commission (NLRC). From this level, a two-step appeals process ensue. After exhausting all administrative remedies, any party to the case may appeal the decisions of first level bodies to a Court of Appeals, and finally to the Supreme Court.

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<sup>192</sup> [www.dole.gov.ph/programsprojects/employmentpreservation.htm](http://www.dole.gov.ph/programsprojects/employmentpreservation.htm)

<sup>193</sup> *The DOLE has assisted in the formation of an association of voluntary arbitrators to promote this mode of settling disputes. Assistance comes in the form of training and accreditation of voluntary arbitrators from whom the parties can choose an individual or a panel. Arbitration cost is usually borne equally by the parties. In some instances, CBAs provide a cost sharing scheme between the parties, the onus of which falls on the employer – at least the bigger portion the whole cost. A fund has also been established principally to subsidize unions who for valid reasons are not able to bear the cost of arbitration. This ensures the voluntary arbitrator a standard fee for handling the arbitration case. Voluntary Arbitrators come from the ranks of the social partners: employers, unions and government.*

### **III. 6. (i). d. Appraisal of the Industrial Relations System.**

- ***Limited Coverage***

The formal system works mostly for medium or large companies where there exists an employer-employee relations, which constitute only about 8 percent of the total number of business establishments. The system covers only the wage and salary earners, which make up less than a third of the total labor force.

Looking at the scope of the Labor Code, one observes that it is too focused on formal sector workers while marginalizing in its programs and budget allocation the various needs of a widening informal sector or its increasing practice of flexible working arrangements such as what is prevailing in the agricultural sector, and the broadening reach of external migratory work or overseas contract work. In respect to this last issue, it is well nigh impossible to protect the rights and interest of some 7 million Filipino migrants and overseas contract workers in 153 host countries where they are found or even to protect Filipino citizens in the Philippines who apply and are recruited for work through the internet or other ICT-based processes.

In addition, only mostly workers in large companies<sup>194</sup> are unionized and a fewer number is covered by collective bargaining agreements.

For instance, as previously mentioned, only 20 CBAs among agricultural establishments were registered in 2001 considering that in the same period, there were a little more than 1,400 existing agricultural establishments surveyed by the NSO.

- ***Fragmentation of the Trade Union Movement***

Both employers' and workers organizations are fragmented, the latter more so than the former. Specially among workers' organization, the fragmentation arises not only because of orientational or "ideological" differences; the very competitive process of certification election at plant level based exclusive representation makes for destructive competition among unions that is fanned by the leader-oriented character of many Philippine unions

- ***Non-ILO Compliant Labor Policies***

In addition, some provisions on the registration of unions and the conduct of a legal strike have also been found to be non-compliant to ILO standards. For example, while guaranteed by law, the right to strike is encumbered by administrative and legal provisions restricting its exercise, as in a host of procedural requirements that effectively stifles its exercise, the broad assumption power of the Secretary of Labor to assume jurisdiction and compel the case for arbitration, and the power of the President to define industries covered by "national interest".

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<sup>194</sup> Based on the number of their workforce, large companies are those which employ 200 workers or more while a medium scale enterprise employs from 100 to 199 workers.

Both unionism and collective bargaining are enterprise based, as opposed to industry-wide. This system is more advantageous to employers in that it allows them greater flexibility than they would have otherwise under an industry-wide system. This is also one reason why trade union density in the Philippines remains low. Enterprise-based unionism requires more time, human resource and money to organize and maintain than an industry-based one.

The mechanism of collective bargaining often works better to improve terms and conditions of employment, but its very narrow coverage makes for its limited application and advantage that inure to organized workers acting collectively to protect and promote their social and economic interest in the workplace and in broader society.

Employers' Organizations have lately been campaigning among their members towards greater social compliance and to act with more and at higher degree of corporate social responsibility. Social compliance audits and independent verification for good corporate conduct is also being promoted. However, the biggest and most influential employers' organizations have memberships limited among large business establishments, making up less than one percent of the total number of establishments.

Many experts point out that industrial relations in the Philippines is conflict prone simply because of the adversarial character of the whole system that is at the same time too legalistic. Dispute settlement and collective bargaining are thus similarly mired.

### ***Changing Industrial Relation Landscape***

- ***From Traditional Tripartism to Multi-Stakeholder Perspective***

The players in Industrial relations are no longer limited to the traditional tripartite social partners. The relationships of these three main actors and the role they play in industrial relations, their relative strength and effectiveness, the degree of cooperation or conflict that goes into the system, the structures of industrial relations and the system itself are influenced by other players and factors, both local and global. The landscape has changed in fact.

Other than the Department of Labor and Employment, other Departments of Government, transnational corporations, local government units and civil society organizations are active by-players in industrial relations. Their decisions and actions are influencing the flow of industrial relations in so far as they have the ability to shape policies that determine how enterprises are to operate in their areas of influence or jurisdiction.

- ***Globalization and Labor Flexibilization***

For example, decisions on tariff levels by appropriate authorities of government, arising from commitments to global and regional trading arrangements often hold the key to the survival of enterprises. Companies respond to these decisions in ways that will ensure their survival from or increase their gains in the ensuing competition arising out of tariff reductions, or to close down operations altogether when they can no longer compete. Where survival or competition is pursued by these companies, inevitable changes occur in employment practices, work organization and

production methods. Subsequently, the frame of industrial relations changes as do the behavior of the actors. (See also Section E of this Chapter)

In order to attract investments in their areas and to provide employment for their constituencies, local government units (LGUs) take initiatives in ensuring industrial peace. In practice, some LGUs directly or through the business connections of local politicians take initiatives in the recruitment and placement of workers especially for investors locating their operations in the growing number of economic zones now established in the country. This practice allows them to influence workers whom they have placed in companies not to unionize. Alternatively, some local government officials take action to prevent unionism by harassing union organizers. In some instances, labor management committees are encouraged or are established by local government units in cooperation with the appropriate unit of the Department of Trade and Industry to pre-empt union organizing or neutralize already established ones.

Factors that shape or reshape the contours of industrial relations include those originating from the process of globalization and how these are reorganizing production systems and workplaces, as well as global and national social and economic policies that relate to human rights, agriculture, agrarian reform, environment, trade and investments. International subcontracting is a case in point. Global chains or supply chains are organized around outsourcing of production by international brand names to local production units. Such system of production invariably causes the contractualization of workers and the flexibilization of employment practices. The arrangement also creates unsafe workplaces and more hazardous work. This gives rise to an industrial relations question of who is responsible when something goes wrong, captured in the following quote:

‘When industrial disasters take place, transnational corporations usually regard themselves as buyers and do not accept responsibility for what happens at the factories that produce their goods. In such a global chain, how should the responsibility for the security of workers be shared among TNCs, governments and the factory management? What are the roles of the three parties? Protection of labour cannot be guaranteed unless the roles and responsibility of each party is clear.

“The TNCs major concern in putting purchasing orders to factories is who can offer a low price. Intense competition among factories in turn enables the TNCs to possibly pay an even lower price. In order to earn a better profit with such a low purchasing price, factory management deliberately acts against labour laws and neglect industrial safety precautions. Governments in Asian countries also bend rules to compete for contracts, sometimes choosing to loosen labour protection and safety measures.”<sup>195</sup>

In the local front, this global phenomenon translates specifically in production methods adopted by garments and apparel industry where outsourcing to home-based production units is increasingly becoming a practice.<sup>196</sup> A dated estimate puts the number of homeworkers in only 5 of the 16 regions of the country at 1,199,089 in 1993.<sup>197</sup>

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<sup>195</sup> Billy Hung, “Who’s responsible in a global chain?”, *Oxfam Magazine* 2003, No.1.

<sup>196</sup> see Vazquez, Noel D., S.J., “Mobilizing surplus Labor Through International Exchange”, *Manila, Brotherhood of Asian Trade Unionists and Ateneo Center for Social Policy*, 1987.

<sup>197</sup> Morada and Laopao (1997), *BLES Study as quoted in FFW*, “Report on Contract Labor”, 1998.

“Imperial (1997, citing Mangahas) estimates that some 2.2 million workers of 12.3% of self-employed and private enterprise workers were engaged in subcontracting, half of whom worked in firms, a fourth at home, and another fourth in streets and farms. Imperial extrapolates that subcontracting may involve about 10.9% of the workforce.”<sup>198</sup>

Discontinued series of statistics on non-regular employment showed that between 1992 and 1998, non-regular employment rose from 20% to 28%, respectively.

More recently, statistics on part time employment showed that between 1998 and 2002, part time work accounted for 32.8 to 37.5 percent of total employment and grew by an annual average of 6.1 percent, just about double that of employment growth (3.1%) in the same period.<sup>199</sup>

The changing landscape of industrial relations is described in another case example below, in particular how the core-periphery phenomena has inserted itself in certain manufacturing industries.

**Box 2.7 : Case Example: Changing Landscape of Industrial Relations**

Although lacking in detail and inaccurate in some respect, this case example can serve to illustrate the changing landscape of industrial relations in the Philippines.

In one province outside Metro Manila, a food company operates as a third party or toll manufacturer for internationally branded meat products of well-known food companies who are competitors in the market. Under strict supervision from the Philippine-based companies selling these branded products, the manufacturing operation involves the processing of meat, canning, labeling, and packing.

At the end of the day, the finished products are forked-lifted by the principal into waiting container vans, and brought to warehouses or directly delivered to customers.

The third party manufacturer maintains a core of permanent and regular employees, consisting of managers, supervisors, operators, mechanics, quality controllers and a lean staff of administrative personnel. It subcontracts three placement agencies to supply peripheral labor as helpers in canning operation, and for labeling, packing and janitorial and sanitation services. Security is also outsourced.

The agency-supplied workers in labeling are paid by piece; the rest are paid daily. All receive their payment twice a month.

The contract between third party manufacturer and labor-supplying agency stipulates that the agency will supply labor to the manufacturer, pay the wages and salaries of the workers as well as remit the mandatory payments to respective government agencies, and keep a payroll under its (agency's) name. The third party manufacturer pays the agency P155.00 per day for every worker placed. The rate is below the minimum wage.

<sup>198</sup> *Ibid.*, FFW, "Report on contract Labor".

<sup>199</sup> BLES Labstat Updates, "part-time Workers", may 2003.

For this purpose, the agency recruits, screens and place the workers in the company, ensures the attendance of the workers, keeps the payroll and pays the wages and salaries of the workers it placed. At work, the core employees of the manufacturer supervise the workers. Disciplinary actions are directed by the supervisors of the manufacturer to the supervisor of the agency who, in turn, disciplines the workers it placed.

The Agency is registered under the Barangay Micro-Business Enterprise Law that was recently passed and is administered by the DTI. The Law exempts registered enterprises under this program from the minimum wage law.

This particular Agency from which information was gathered is owned by a non-barrister lawyer who has been doing retainer work in labor standards for the owner of the third party manufacturing company. In turn, the agency owner recruited a displaced worker of two years who is still unemployed and who is also an officer of a Homeowner's Association in one of the villages to recruit and supervise the placement of workers. He is connected by long association to some politicians in the *barangay*, municipality and province.

The recruiter-supervisor receives a minimum wage, by verbal agreement with the Agency owner who is also his personal friend. The recruiter's son, who is a college drop out since when the father has been displaced from work helps in recruitment, placement and supervision, aside from driving a family-owned tricycle to earn his keep.

The agency recruits from the depressed communities within the vicinity of the manufacturer's location. Application was opened to all, resulting in the deluge of 800 applicants for the first three days. From the list, the recruiter of the agency screened 50 applicants who were placed to work with the third party manufacturer.

Requirements for application were kept to the minimum: a standard bio-data, barangay clearance, police clearance and SSS number.

The recruiter's screening process selected the 50 workers from interviewed applicants in the pool of 800 who: were 18 years old and above, preferably a high school drop-out and without work experience; whose parents are displaced workers or who are unemployed, or an orphan; and who badly needs work to earn.

Workers who are placed sign a contract with the recruiting agency, specifying a five-month employment at a rate of P140.00 a day for eight hours work. However, they are verbally assured to work for twelve hours a day and to be paid additional P70.00 for four hours of overtime work. In case they work for less than 12 or 8 hours, their pay is computed on an hourly basis. The worker thus grosses P240.00 a day, without deductions. No withholding tax is collected.

Further, workers are to follow their work supervisors and conform to the rules and regulations of the third party manufacturer. Their strict compliance become a condition for their re-placement with the same employer or with a different one after five months, following a one or two weeks furlough.

The worker's SSS premium is paid for by the Agency in cash and deposited in a bank nearby under the worker's name. The amount paid to SSS through the bank, however, is equivalent to premium for a self-employed SSS member, at P50.00 a month and remitted quarterly.

**As condition for placement, the worker has to buy his own white boots costing P150.00 and a hairnet net costing P5.00. Transport to and from work is borne by the worker, costing between P15.00 to P20.00 a day.**

The workplace and work areas follow standards set for food manufacturing, which the inspectors of the principal monitors daily. As a concession of the third party manufacturer, workers are allowed to eat the products of the company in the canteen of the company for free during meal times and when the inspectors of the principal are out of sight or have left. Workers bring their own rice. In addition, "good" viand is sold in the company canteen owned and operated by the company's owner, at prices lower than outside. Rice and one meat viand would usually cost P30.00.

Besides, quite a few workers can buy un-labeled company products at a discounted price lower than retail, on a first-come-first-served basis and depending on the availability of stocks, which they can sell outside for extra income. A canned meat product costs P10.00 while a kilo of regular hot dog costs P85.00 and a foot long one is sold at P95.00. Worker's, however, are prohibited from bringing out product labels, which some of them pilfer anyway.

Informant tells that the canned products are sold eventually to neighbors and the hotdogs eventually find their place in barbeque stands along streets in the communities, all in the "informal" market.

There is an unwritten and unsaid agreement between agency and manufacturer and between agency and the workers that no union can be established in either the labor supplying agency or the manufacturer. In any case, workers work only for five months, which make them not liable to unionization. In addition, their need to work and earn under situations when job vacancies are tight does not make them liable to unionization.

No ethical judgment is made in this case. The example is offered merely to point out several observations.

*First*, the existing international division of labor brought to life by globalization is changing production methods, work organizations, employment practices and labor relations. This is a challenge for all the "players" in the labor market to address, and principally so by the social partners.

*Second*, current labor statistics do not capture this particular reality, especially the core-periphery working arrangements, flexible labor relations, flexible employment and wage practices and the way income is earned in the "market" by the workers, as well as the labor statutes that this creates. While this reality may not yet be the dominant "paradigm", it can soon become the "standard", given the pressure of global competition and the growing inability of the state to regulate the various markets.

*Third*, as much as the labor force approach to gathering statistics are being made obsolete by emerging and persistent changes in the labor market, a different way of measuring Decent Work will have to be worked out for the concept to even become acceptable to policy makers, much more to be recognized as a common goal by all the players in the labor market.

*Fourth*, the case highlights the need for more “voice regulation” in face of the failure or apparent or inherent weakness of both market and statutory regulations to improve working conditions along the decent work concept.

*Fifth*, traditional methods to attain representation security of workers are no longer adequate due to changing behaviors of workers themselves who are faced with the vanishing vision of full employment, the failed promise of job and employment security, the growing nightmare of not ever earning a “family living wage” from traditional work, and the implosion of former ideologies that have heretofore guided the struggles of individual workers and their collectives.

*Source: Asper, Antonio, “Measuring Decent Work: focus on Stability and Security at Work, Safe Work, and Social Protection”, June 2003.*

With the rise of global and local labor flexibility, workers’ security has been compromised. Such is the central issue that the players in industrial relations now confront. According to the BLES’s General Survey of Labor Organizations in 2002, some 51 percent of the respondent labor organizations oppose flexibility, an indicator that union attitudes and responses are about equally divided on the issue

Industrial relations issues are also no longer limited strictly to those related in production relations but now encompasses more broadly a whole range of issues in economic and social relations that are rooted in a globalizing economy. Neither are these issues confined only within the walls of production units or workplaces; issues spill over the communities and sectors in a manner that necessitates networking and more effective social dialogue among various social players locally and globally in order to shape proper responses to problems that such issues invariably create.

For example, privatization of public utilities affect jobs and unions as much as it does consumer rights. Corporate reorganizations or closures in the aftermath of privatization, liberalization and deregulation, especially when such involve large corporations located in specific communities, impact on jobs, on social protection schemes, on taxes and social services and particularly on the capacity of national and local government units to deliver social services. Beyond these issues, the foreign debt burden is highlighted. “In our analysis, the tariff program over the last decade eroded our revenues by as much as four percent of GDP,” according to Finance Secretary Isidro Camacho.<sup>200</sup>

Workers and their families as well as whole communities have been displaced as a result of privatization, liberalization and deregulation — the three policy pillars of globalization.<sup>201</sup>

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<sup>200</sup> Quoted in *Philippine Star*, July 6, 2003, *Business Page*.

<sup>201</sup> This is captured in the case example of the National Steel Corporation (NSC), written by Antonio C. Asper for the Philippine Social Institute (PSI) of the Federation of Free Workers (FFW) in 2002 (unpublished). NSC, a former government-owned-and-controlled-corporation was privatized in 1994. Its new foreign owners shut down the plant

Compliance to environmental policies and procedures can result in the temporary or permanent displacement of workers and communities as much as disasters arising out of environmental degradation have more permanently displaced workers and their communities.

Under these situations, unions are learning to network with local and global civil society organizations as well as to use electoral politics in order to put counter-pressures on local and national government and international governmental organizations and on domestic and transnational employers to respect human rights in general and trade union rights in particular. On a global scale that is now permeating the local scene, resort to multinational codes of conduct and social labeling has been found as effective trade union tools. Lobbying government to set up social nets or to review tariff reduction commitments made to WTO and AFTA, as well as lobbying IFIs to conduct social and employment impact studies of their projects are additional instruments now employed by unions.

While this situation, bodes well for the broadening the base of the peoples' movements such as trade unions and peasant associations, it is also creating its own potential problems which might affect the level of solidarity of these groups.

In the meantime, industrial relations in the Philippines remain unsettled and in search of new paradigm.

#### **IV. GOVERNMENT INITIATIVE AND THE DECENT WORK AGENDA IN PHILIPPINE AGRICULTURE**

##### **IV. 1. Summary**

Philippine government initiatives and interventions for major social programs such as Decent Work requires legal basis.

Present social and economic legislations are generally progressive. For instance, the 1987 Constitution being a by-product of the People Power 1986 Revolution is heavily anchored on democratization, human rights and social justice. Existing statutory laws such as the Labor Code of the Philippines (LCP), Comprehensive Agrarian Reform Law (CARL), Agriculture and Fisheries Modernization Act (AFMA), Cooperative Code and the Local Government Code translates the constitutional values of equity, productivity, people's organization and participation into.

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*employing 3000 workers in 1999 and it remained shuttered to date. The company, aside from mismanagement and financial troubles became a victim of the 1997 Asian Financial Crisis and the government's liberalization of the steel and iron Industry, when it reduced the tariffs for imported iron and steel products to 5 percent, the level at which Philippines committed to AFTA. Displacing the workers, it additionally affected 40,000 other workers employed in establishments which were suppliers of NSC and those which are dependent on the company and its employees for their businesses. The whole City of Iligan, where the company is located lost one-third of its revenues from taxes paid by NSC and its 3,000 employees. Among others, the National Government lost billions in taxes paid by NSC and collateral establishments while the national power firm lost sales amounting to P700 million per year as a result of the closure of NSC.*

However, all these legal instruments have their respective loopholes and weaknesses that have been the result of class compromises in the process of formulation and enactment. These weaknesses have been used time and again to thwart the full realization of the abovementioned values.

At any rate, these statutory laws is used by government as the basis for the formulation of implementing policies and for the designing of social and economic programs and projects such as employment generation, social protection, agrarian reform, agricultural modernization, local governance including the allocation of budget for these.

The core programs of government are contained in the Medium Term Philippine Development Plan. The Medium Term Philippine Development Plan (MTPDP) is a document that contains the government's socio-economic policies and goals to be implemented for a period of four years. For every Administration of government, a new MTPDP is formulated to reflect its priorities and programs as generally announced through the incumbent President's State of the Nation Address or SONA.

Government's performance in the implementation of programs and projects is a mixture of successes and failures. Policy and program implementation has its own problems and weaknesses.

Sometimes these weaknesses are a result of the weaknesses of the statutory law itself. Sometimes, it's a problem of political will for implementing programs that could affect vested interests such as the aggressive implementation of agrarian reform or the removal of protectionist policies in the economy. Sometimes it's a problem of inefficiency on the part of the bureaucracy as shown by overlapping roles and responsibilities as seen in the area of agricultural modernization, occupational health and safety and government devolution. Or it could be a problem of graft and corruption. Sometimes its simply a problem of budget deficit and poor interval revenue collection.

#### ***IV. 2. Government Initiatives Require Legal Foundation***

The initiatives and interventions of the Philippine Government to promote decent work are contained in laws or policies that are adopted by the Legislative Branch (Congress), including their budgetary allocations. Legislation is often anchored on the Constitution: statutory laws give concrete translation of the goals and aspirations, guarantees and mandates of the Constitution.

The process of legislation is depicted in *Figure 3.1, "From Bill to Law"*

Laws are implemented by the Executive Branch that are, in turn, translated into plans and programs, which are funded out of the annual budget appropriated by Congress (Annual General Appropriations Act) and from foreign loans and grants.

In case of doubt or where there is a need for interpretation or redress arising out of the making and implementation of laws, the Judicial Branch does the work. Its decisions are cumulated in jurisprudence that serves to guide or illuminate the implementation of laws.

Further to the implementation of laws, Executive Orders (EO) are issued by the President, to

explain the law farther or to amend certain provisions as authorized in and by the law itself. Each Department of the Executive Branch, when a statute is promulgated, issues a Department Order (DO), constituting the Implementing Rules and Regulations of the statute. Respective Departments issue Administrative Orders (AO) on concerns specific to them. This body of laws is often referred to as administrative law, as opposed to statutory law and jurisprudence.

The legal system of the Philippines allows the intervention of courts to interpret each act of Congress, the President and the Departments; and to rescind these when it is found to be inconsistent with the provisions of the Constitution or, in the case of administrative law, when such is constitutionally defective or inconsistent with the standing statutes.

The subsequent sections discuss these initiatives and interventions.

#### ***IV. 3. Constitutional Provisions***

The 1987 Constitution is a product of the transition from the authoritarian regime of Mr. Ferdinand Marcos to the democratic regime of Mrs. Corazon Aquino. As an aftermath of the People Power Revolution of 1986, it seeks not only to restore constitutional democracy but also advance the cause of social justice considering that 20 years of the Marcos dictatorship has only succeeded to widen the gap between the rich and the poor.

Anchored on Social Justice, the 1987 Constitution has the following provisions on labor, agrarian reform and rural development:

##### ***IV. 3. (i). On Labor***

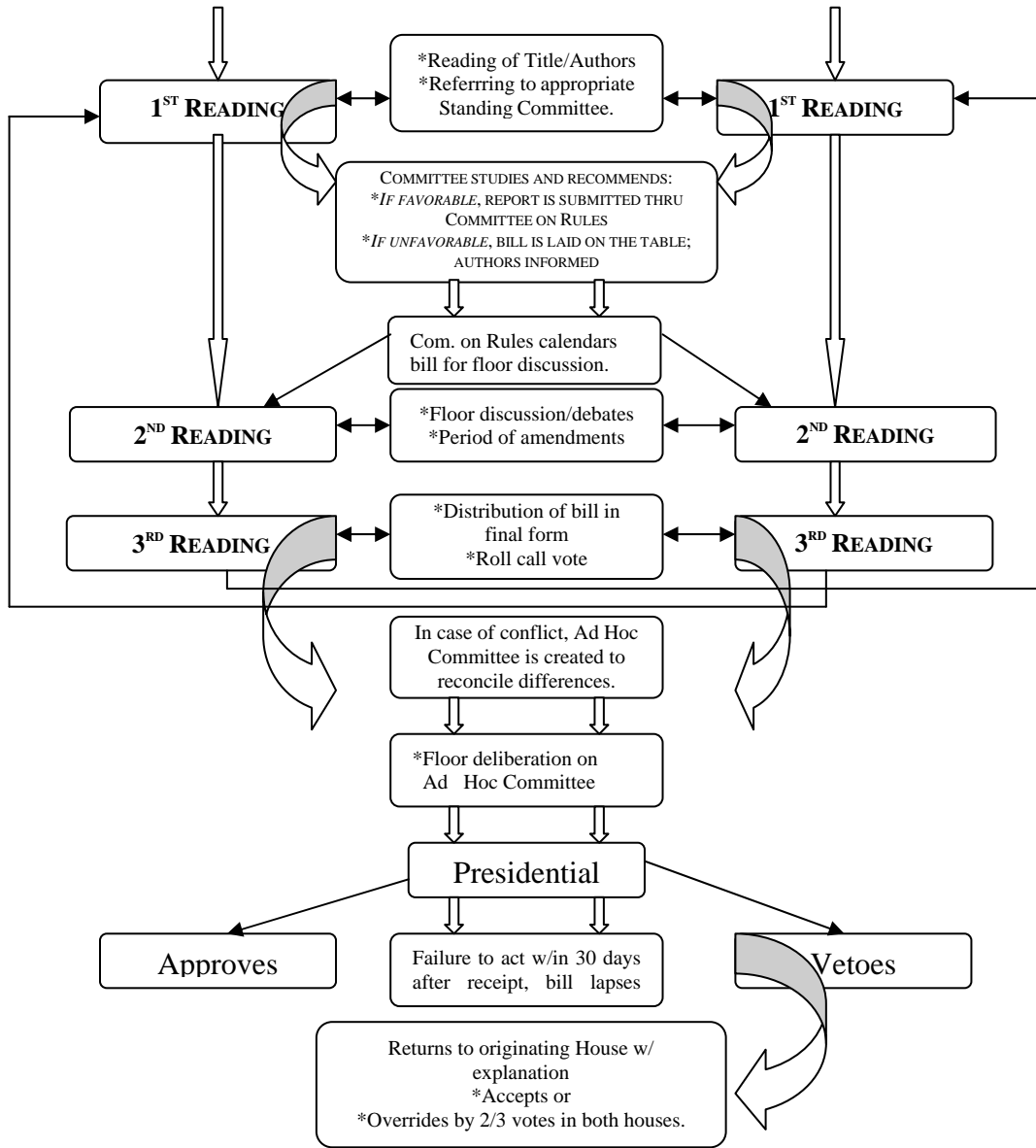
- “The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all;

**Figure 3.1: How a Bill Becomes a Law**

A bill introduced in the House of Representative is labelled "H" and assigned a number.

**ACTION ON BILL**

A bill introduced in the Senate is labelled "S" and assigned a number.



- “It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, human conditions of work, and a living wage. They shall also participate in policy and decision-making affecting their rights and benefits as may be provided by law;
  - “The State shall promote the principle of shared responsibility between workers and employers and the preferential use of voluntary modes in settling disputes, including conciliation, and shall enforce their mutual compliance therewith to foster industrial peace;
  - “The State shall regulate the relations between workers and employers, recognizing the right of labor to its share in the fruits of production and the right of enterprise to reasonable returns on investment, and expansion and growth.”
  - “The State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare.”
  - “The right of the people, including those employed in the public and private sectors, to form unions, associations or societies for purposes not contrary to law shall not be abridged.”
  - “The right to self-organization shall not be denied to government employees.”
  - “The State shall protect working women by providing safe and healthful working conditions, taking into account their maternal functions, and such facilities and opportunities that will enhance their welfare and enable them to realize heir full potential in the service of the nation.”
  - “The State shall promote social justice in all phases of national development.”
- Azucena<sup>202</sup> further summarizes the provisions of the Constitution as follows:

“The basic rights of workers guaranteed by the Constitution are: the right to organize themselves, to conduct collective bargaining or negotiation with management; to engage in peaceful concerted activities, including to strike in accordance with law; to enjoy security of tenure; to work under humane conditions; to receive a living wage; and to participate in policy and decision making processes affecting their rights and benefits as may be provided by law.

Other provisions in the new Constitution protect the rights or promote the welfare of workers. Among these provisions are:

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<sup>202</sup>C. A. Azucena. *The Labor Code with Comments and Cases, Volume 2, Fourth Edition. (1999).*

- “The right of the people, including those employed in the public and private sectors, to form unions, associations, or societies for purposes not contrary to law shall not be abridged.
- “The right to self-organization shall not be denied to government employees. No officer or employee of the civil service shall be removed or suspended except for cause provided by law. Temporary employees of the Government shall be given such protection as may be provided by law. (*Article XI-B, The Civil Service Commission, Section 2{3}, {} and {6}*).
- “Regular farmworkers shall have the right to own directly or collectively the lands they till. Other farmworkers shall receive a just share of the fruits of the land they till. The State recognizes the right of farmworkers, along with other groups, to take part in the planning, organization and management of agrarian reform program. Government may resettle Landless farmworkers may be resettled by the Government in its own agricultural estates” (*Article XIII, Sec. 4, 5 and 6, Social Justice and Human Rights.*)
- “The State shall, by law, and for the common good, undertake, in cooperation with the private sector, a continuing program of urban land reform and housing which will make available at affordable cost decent housing basic services to underprivileged and homeless citizens in urban centers and resettlement areas. It shall also promote adequate employment opportunities to such citizens (*Article XIII, Section 9*).
- “The State shall protect working women by providing safe and healthful working conditions taking into account their maternal functions, and such facilities and opportunities that will enhance their welfare and enable them to realize their full potential in the service of the nation. (*Article XIII, Section 4*)
- “Along with other sectors, labor is entitled to seat allotted to party-list representatives for three consecutive terms after the ratification of the Constitution. (Article VI, the Legislative Department)<sup>203</sup>
- “The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged. The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources. (*Art. XII, National Economy and Patrimony, Sec. 1*)
- “Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development (*Art. XII, Sec. 15*)

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<sup>203</sup> From 1987 to 1996, labor sector representatives in the House of Representatives (Lower House) were appointed by the President, subject to confirmation by the Commission on Appointments, a joint body composed of Congresspersons and Senators. Since then, representatives were elected in a party-list system.

- “At the earliest possible time, the Government shall increase the salary scales of the other officials and employees of the National Government. (*Art. XII, Sec. 15.*)
- “Career service employees separate from the service not for cause but as a result of reorganization shall be entitled to appropriate separation pay and to retirement and other benefits under existing laws. In lieu thereof, they may also be considered for reemployment in the Government. Those whose resignations have been accepted in line with existing policy shall also have this right (*Art. XVIII, Transitory Provision, Sec. 16*)

#### **IV. 3. (ii). *On Agrarian Reform and Rural Development***

- “The State shall promote social justice in all phases of national development.” (*Section 10, Article II*)
- Comprehensive Rural Development and Agrarian Reform (Sec. 21, Art. II)
- Industrialization and Full Employment based on Sound Agricultural Development and Agrarian Reform (*Section 1, Art. XII*)
- Agrarian Reform Founded on the Right of Farmers and Regular Farmworkers... to Own... the Lands they Till. (*Section 4, Art. XIII*)
- Just Redistribution of All Agricultural Lands (*Section 4, Art. XIII*)
- Possible Limitations: Priorities and Retention Limit as Congress may Prescribe considering ecology, development and equity (*Section 4, Art. XIII*)
- Respect for the Right of Small Landowners...and Incentives for Voluntary Land Sharing (*Section 4, Art. XIII*)
- Participation of all concerned (*Section 5, Art. XIII*)

#### **IV. 4. *Laws and Policies***

##### **IV. 4. (i). *Pertaining to Labor***

Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines (LCP) and its amendments embody in a single code the various laws pertaining to labor. First codified in May 1, 1974,<sup>204</sup> it has since undergone numerous amendments by the Legislative Branch. Each amendment is enacted into a “Republic Act” and subsequently given appropriate number, or done through an Executive Order (EO).

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<sup>204</sup>The original Labor Code took effect on November 1, 1974, six months after its promulgation. Since then various modifications were done through Presidential Decrees and, after martial law through Congressional Amendments.

#### **IV. 4. (i). a. General Contents**

The Code consists of seven Books, several Titles under each Book, and numerous Chapters under each Title. For brevity, the seven Books are: (I) Pre-Employment; (II) Human Resource Development Program; (III) Conditions of Employment; (IV) Health, Safety, and Social Welfare Benefits; (V) Labor Relations; (VI) Post-Employment; and, (VII) Transitory and Final Provisions.

A list of other laws with relevance to rural workers appears in Box 3.1 below:

#### **Box 3.1: Specific Labor Laws Relevant to Rural Workers**

- Amendments to the Labor Code (RA 6715)
- Amendments to the Labor Code (Presidential Decree No. 626: Employees' Compensation and State Insurance Fund)
- Government Service Insurance System Act of 1997
- Home Development Mutual Fund Law of 1980 (Pag-IBIG Law)
- National Health Insurance Act of 1995
- Revised Philippine Medical Care Act
- Public Employment Service Office Act of 1999
- Paternity Leave Act of 1996
- Retirement Pay Law (RA 7641)
- Retirement Age of Underground Mine Workers (Article 287, As Amended)
- Special Protection of Children Against Abuse, Exploitation and Discrimination Act
- Rules and Regulations on the Trafficking of Children
- Maternity Benefits (RA 7322)
- Anti-Sexual Harassment Act of 1995
- TESDA Act of 1994
- Dual Training System Act of 1994
- Wage Rationalization Act (RA 6727)
- Law Increasing Penalty for Violation of Wage Laws (RA. 8188)
- Law Further Amending Articles 38 and 39 of the Labor Code by Making Illegal Recruitment a Crime of Economic Sabotage and Punishable with Life Imprisonment (Presidential Decree No. 2018)
- The 13th-Month Pay Law (Presidential Decree No. 851)
- Migrant Workers and Overseas Filipinos Act of 1995 (RA 8042)
- Law Creating the POEA (Executive Order No. 797)
- Medical Care Program for OFWs and Dependents DOLE Department Order No.4, Series of 2001
- Sugar Act of 1952 RA 809
- PD 1365 Creating the Rural Workers Office in the DOLE
- R.A. No. 9178 on Barangay Micro Business Enterprises (BMBE) Act of 1992

In the past as today, International Labor and Social Standards, principally drawn from the Conventions and Recommendations of the International Labour Organisation (ILO), influence the content of the Labor Code. The Conventions are international treaties that are ratified by the

Philippine government, specifically by the Philippine Senate, and thence, by virtue of this accession, are translated into national law. In this respect, the Philippines have ratified 30 Conventions of the ILO, 28 of which are still in force. (*See Chapter 5*).

The Labor Code embodies the rules that govern the relations of employers and employees at the workplace. Its content becomes the minimum labor standards that each and every covered business establishment must follow. Any rule or standard at the workplace, which fall below this minimum, is a violation of the Labor Code and must be corrected with appropriate penalties as provided by the Code and jurisprudence.

#### **IV. 4. (i). b. *An Assessment***

Following is an assessment of the Labor Code:

Some provisions of the Labor Code, particularly on the registration of unions, the rights of public sector employees to negotiate and the requirements for a valid exercise of the right to strike have been found to be inconsistent with Conventions 87 and 98 of the ILO.

The security of tenure of workers as guaranteed by the Constitution, and hence also their stability at work, by operations of the Labor Code suffer from rampant violations by establishments and is weakened by globalization and its three pillars -- liberalization, privatization and deregulation.

The provisions of the Labor Code is not often relevant to protecting the rights and promoting the interests of workers in the informal economy, the rural landless and farmworkers and the overseas contract workers. This has prompted, among others, the rethinking of labor laws in general and, in particular, some of the proposed revisions to the labor code that are being discussed in the Congressional Committee on Labor and Employment, in order to attune it to some hard "facts of life" under a regime of globalization.

Specifically for the rural landless and farmworkers, the appropriate Departments of the Executive Branch, that is, the Department of Labor and Employment (DOLE), the Department of Agriculture (DA), the Department of Agrarian Reform (DAR), the Department of Environment and Natural Resources (DENR), and the Department of Trade and Industry (DTI) need to coordinate their programs in order to deliver greater impact on the same constituencies. In fact, inter-departmental coordination and convergence is one of the weak points of governance in general. There is just too much bureaucratic red tape to foster efficiency in the delivery of public and social services.

Following the maxim that "those who have less in life should have more in law" and that "justice delayed is justice denied", one of the oft-repeated weakness of the labor code and of labor administration is the many and long delays in the disposition of labor cases, prompting a rethinking on the proper role of the Department of Labor and Employment in the dispensation of labor justice and raising questions on the efficiency and usefulness of the National Labor Relations Commission (NLRC) to adjudicate labor cases.

The high rate of violations of labor standards, particularly in ensuring compliance to minimum wages, have raised issues that are pertinent to labor administration and inspection, two critical

functions of the Department of Labor and Employment that undoubtedly need to be improved, for which appropriate strategies and approaches are still being sought for.

More importantly, labor law has yet to squarely address the trend to global labor flexibility and the search for distributive justice, that is, to ensure at least representational security and voice at work in the necessary dialogue to search for relevant and appropriate responses to this challenge or, in the alternative, to look into the concept of “occupational security and citizenship security.” These concepts were articulated by Guy Standing as the:<sup>205</sup>

“Pivotal forms of security required for the Good Society of the 21st Century. Citizenship conveys the sense of belongingness to a community, the true sense of fraternity, on the basis of individual liberty, which implies autonomy with responsibility. Citizenship gives freedom, by strengthening a sense of identity and the necessary basis of self-control.”

“...Occupational security will also require support for a more flexible lifetime system of career learning—not a whirl of short-term jobs and modules of employable skills, as captured by the image of the flexi worker, but a sense of progression, improving technical skills, status and craft control.”

In other words, even labor law must address the challenges brought about by globalization and its impact in the world of work.

While forming a strong point in labor law which should be emulated across the various levels and departments of government, such as collective bargaining, tripartism, labor management committees, and industrial peace councils and other mechanism for social dialogue, need to be strengthened especially in respect to the regularity of their meetings, the capacity of social partners to engage in effective and productive dialogue and negotiation, and the monitoring and evaluation of the results and outcome of these dialogues.<sup>206</sup>

#### **IV. 4. (ii). *Pertaining to Agrarian Reform and Rural Development***

Two major legislations directly pertain to agrarian reform and rural development, respectively. These are: Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law or CARL; and Republic Act 8435, otherwise known as the Agriculture and Fisheries Modernization Act of 1997 or AFMA.

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<sup>205</sup> Guy Standing, *Global Labour Flexibility: Seeking Distributive Justice*. (ILO, Geneva, 1999).

<sup>206</sup> Interview with Antonio C. Asper, Executive Assistant to the President of FFW. Mr. Asper is a member of the Tripartite Industrial Peace Council of the DOLE, a Board Member of the Technical Education and Skills Development Authority since 1994 and the Technical Working Group of the ILO's Decent Work Programme: Philippines.

#### IV. 4. (ii). a. *The Comprehensive Agrarian Reform Law*<sup>207</sup>

*Features: The law has the following essential features:*

- CARL covers all kinds of agricultural lands are regardless of crop and tenurial arrangement. The original version sets a 10-year implementation period from June 10 1988 to June 10 1998, which were subsequently extended. CARL was to be implemented in *three phases*:

*Phase 1* covers: rice and corn lands under Presidential Decree No. 27; all idle or abandoned lands; all private lands voluntarily offered for redistribution; all lands foreclosed by government financial institutions; PCGG-acquired lands; all government- owned agricultural lands – for immediate acquisition and distribution to be completed within four years from the effectivity of the Republic Act.

*Phase 2* covers: all alienable and disposable public agricultural lands; all arable public agriculture lands under agro-forest, pasture and agricultural leases already cultivated and planted to crops; all public agricultural lands to be opened for development and resettlement; and all private agricultural lands in excess of 50 hectares in so far as the excess is concerned – for immediate implementation upon the effectivity of the Act and to be completed within a period of four years.

*Phase Three* covers all other private agricultural lands as follows:

- (1) Above 24 hectares up to 50 hectares – to begin on the 4th year from the effectivity of the Act and to be completed within three years.
  - (2) From the retention limit up to 24 hectares – to begin on the 6th year of effectivity of the Act and to be completed within four years.
- Maximum Retention limit is set at 5 hectares for each landowner. Heirs who are tilling or will opt to personally till the land can avail of additional 3 hectares each;
  - Lands previously covered by past land reform laws such as PD 27 (7 hectares) are no longer covered;
  - Government lands given as grant are also not covered;
  - The beneficiary of the law are all those who are landless and is capable of farming and is a resident of the local community where the CARP is being implemented. They are allowed to own maximum of three hectares.

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<sup>207</sup> RP. *Comprehensive Agrarian Reform Law or RA 6657. (1988).*

**Assessment:** Lourdes Adriano<sup>208</sup> assesses the law, as follows:

The legal foundation of CARL is an “embodiment of class interests.” According to her the main loopholes are:

- Criteria for determining land ceiling and priority areas are too broad, which enabled the landlord bloc in Congress to limit the scope of land distribution, including increasing options for landowners to evade the law.
- It made voluntary land sharing scheme as a substitute for land distribution. Because the scheme is temporary in nature, rural workers had no permanent access to land.
- Providing for very large hectareage limits for public lands to be distributed, which corporations and individuals can use through lease contracts with the government, practically ensured the continued operation of large plantations.
- The ruling Administration of government at the time the proposed law was being discussed did not adopt the Accelerated Land Reform Program (ALRP) as proposed by the Cabinet Action Committee on Agrarian Reform in the drafting of an EO that would have immediately proceeded to implement agrarian reform mandated by the Constitution while waiting for Congress to enact an enabling law. Instead, EO 229 focused on procedural matters rather than the substance of agrarian reform. The critical issue of retention limit and priority areas was left for Congress to decide. Being dominated by landlords, Congress naturally favored the landlords.
- The subsequent debates on the formulation of RA 6657 and the resulting law was a product of compromise of the interest among the dominant classes composing the upper house and lower house of Congress in 1988. Adriano describes the upper house as mostly dominated by landowning interest while interests coming from the industrial and commercial sectors of Philippine society dominate the Senate.
- ***CARL has Limited Coverage:***

The law is not really comprehensive because it exempts or excludes a long list of land types, which can be divided in two categories: land used for non-profit operation (e.g. defense, education, religious, ecological and scientific purposes); and lands used for profit-making activities (e.g. commercial farms with stock sharing; non-tenanted rice and corn 7 hectares and below and other croplands that are 5 hectares and below and homestead lands). This provision can be and has been used to evade land reform. Examples given were: the effort of several Mindanao landlords to convert their landholdings into “non-profit” ventures; a large banana plantation was exempted from the program because its 4,000 hectare land were leased from a penal colony. Because the program shall be implemented in stages, this will give the affected landowners time to de-capitalize certain areas of, or all their, lands that are under reform and capitalize their retained areas, which, with high probability, will be the most productive part of their landholdings.

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<sup>208</sup>Lourdes Adriano. *A General Assessment of the Comprehensive Agrarian Reform Program.* (PIDS, Makati, 1991).

- ***Single Retention Limit as a Preferred Policy:***

Adriano argued that a single retention limit is more desirable than a variable size limit ranging from 3 to 7 hectares, the latter of which was what was adopted; that the single retention limit is more practical for the government because it will make the program easier and less costly to implement especially in terms of reducing evasive actions and rent seeking<sup>209</sup> activities on the part of Department of Agrarian Reform (DAR) personnel. For equity considerations, small landownership as ceiling is also preferable because obviously more landless peasants can benefit from the program.

- ***Non-Land Transfer Schemes Favor Agribusiness Corporations:***

The CARL has provisions that clearly favor agribusiness corporations through non-land transfer schemes. These non-land transfer schemes take the form of stock sharing options, profit sharing schemes and deferment schemes for commercial farms and the like. This preferential treatment in effect favors agribusiness plantations especially when contrasted with provisions affecting private farms belonging to 50 hectare and above category that are not considered as commercial farms such as the traditional haciendas. Adriano thus opined: “considering that the preferred modes of labor arrangements in RA 6657 are owner cultivatorship and direct administration, one clearly sees that the objective of these combined provisions is to eradicate feudal modes and relations of productions epitomized by haciendas and tenanted estates and replace these instead with agribusiness plantations.”

- ***Co-Existence of Two Types of Farming System Inequitable and Inefficient***

Because of this feature of the law, two types of farms will be promoted: large capitalist farm enterprises supported at the periphery by family-operated, small-sized farms, the latter of which supply the former with cheap labor. Adriano contends that this arrangement is inequitable and inefficient. First, the major source of inequality in the country is the skewed landownership distribution. A reform program that does not ensure a homogeneous landownership structure would only worsen the problem of inequality in the countryside. Second, it is inefficient because of the scarcity of land. Big farms tend to utilize this scarce resource in a more extensive and capital-intensive way. In contrast, small farms cultivate land more intensively using more labor, which is abundant in the rural areas. Finally, this strategy does not promote a broad-based development of the rural areas.

- ***Reconsider the Ban on Share Tenancy***

The law presumes that the best labor arrangement in running a farm is through owner cultivatorship and direct administration through a wage system. However, it is argued that it might be wiser to take a second look at share tenancy as another viable form (if not efficient) of labor arrangement in farm administration. First, share tenancy reduces supervision cost of farms and the risks attendant to crop production. Banning share tenancy may only worsen inequality because this

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<sup>209</sup>*Rent-seeking is a term used to describe the tendency of government bureaucrats to extract financial gain from individuals or groups seeking preferential treatment under existing laws and policies.*

will prevent a good number of landless workers who can longer access land under existing programs from improving their occupational status and income. Also, it would be difficult to enforce the law banning share tenancy because farmer and rural workers will enter into informal contractual arrangements, which is much like share tenancy, because the benefits to both parties will more than outweigh the penalty cost from not following the law.

- ***Landless Farmworkers are losers in CARL***

Apart from the main beneficiary like the lessees and share tenants, the rural middle class owning farm lands 24 hectares and below are likewise a big gainer under the CARL. They benefit from the program in two ways: first, the list of agrarian reform beneficiaries likewise include civil servants, small traders, professionals and the like as most of them reside in the rural areas, And, second, they have enough political influence on the local levels that can enhance their chances of benefiting from the program considering the inefficiency of the government and loopholes in the law.

The main loser in the program is the landless farmworkers who have neither farms to own or rent nor permanent employment in the capitalist plantations. This emphasizes the fact that rural poverty cannot be eradicated simply through land reform. A comprehensive countryside employment strategy must be developed and implemented to absorb the growing surplus labor in the rural areas.

- ***Cumbersome Land Valuation***

This refers to the definition of “just compensation” to landowners who are covered by the program. The law specifies ten criteria for determining what is just compensation for landowners. The inclusion of these factors, some of which are difficult to quantify, would further delay land distribution and are used as evasive tactics by landowners as well as for rent-seeking activities of government employees. Finally, because reformed land is prohibited by law from being sold in the open market, land loses its collateral value especially for banking transactions. This will not only have grave implications for the small farmers’ access to credit; it will also affect the already precarious financial standing of the government.<sup>210</sup>

#### **IV. 4. (ii). b. *The Agriculture and Fisheries Modernization Act*<sup>211</sup>**

The well conceived Agricultural and Fisheries Modernization Act or AFMA (RA 8435 of 1997) provides the legal and budgetary framework for key programs in agriculture. Implementation of the AFMA started only in the year 2000. AFMA’s fundamental purpose is to evolve a modern agriculture sector in the country. (See Box 3.2)

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<sup>210</sup>An EO lately released now makes it possible for reformed lands to be used as collaterals in banks when applying for credit. However, given a high level of non-performing loans of banks, which the International Monetary Fund identified, as one of the biggest bottleneck of growth, such measure may cause more problems than it intended to solve.

<sup>211</sup>Republic of the Philippines. Agriculture and Fisheries Modernization Act, (1997).

## ***Features***

The more important features of the law are the following:

- The creation of Strategic Agricultural and Fisheries Development Zones (SAFDZs)— these are protected and exclusive areas for agriculture and agri-based industrial development. SAFDZ will be the priority focus of programs and resource allocation under the AFMA.
- Tax holidays for select agricultural imports such as inputs and equipment; and,
- Appropriation of P20 billion for the first year of AFMA implementation and at least P17 billion annually for the succeeding six years. The budget will be allocated in the following manner:
  - 30% irrigation
  - 10% post harvest facilities
  - 10% other infrastructure
  - 10% research and development (including the development and distribution of genetically superior planting materials)
  - The balance of 40% for other programs like creditand financing, market assistance, training and education, and institutional capacity building.

It must be noted that the AFMA budget is suppose to be over and above the regular budget of the Department of Agriculture.

### **Box 3.2: A Modern Agriculture Sector**

In its various guises, a modern agriculture has three principal features: (a) it is dynamic, welcoming constant innovation and change; (b) it is highly productive and competitive; and (c) its emphasis is on the enterprising tiller who exercises the right to choose what technology to use, what crop to raise, and where to sell his or her produce to get the highest returns. From this perspective, the following can be inferred as elements of a modern agriculture:

1. *Openness and Access to Modern Technology*- Modern agriculture involves a change in attitude by the farmers towards modern technology (whether physical, managerial, or institutional) to increase their productivity and income. More importantly, farmers should be able to access these modern technologies;
2. *Opportunity to Choose*- Farmers have the opportunity to choose from a range of available options, thus permitting informed choices. The choices they make are borne out of their free will, and not forced by circumstance. This implies the existence of an efficient information system which farmers can easily access;
3. *Skills Development*- The ability to make informed choices from a variety of available options implies that farmers should possess the necessary skills and assets. The acquisition of these skills and assets would transform farmers into entrepreneurs;
4. *Institutional development*- The collective efforts of individual but skilled farmers would give rise to strong farmers and other rural-based organizations which would enable them to be

- competitive in the marketplace. These organizations serve as one of the major driving forces for agricultural development; and
5. *Role of Farmers* – Once the first four elements are achieved, farmers will no longer be consigned to their roles as mere providers of food for the community. They will only continue to engage in agriculture simply because it is a vocation they want to undertake and where they can earn a decent income. In other words, modern agriculture treats farmers as human beings rather than as mere instruments of society supplying its food needs.

*Source: Philippine Congress, Commission on Agricultural Modernization (1997), Modernizing Agriculture as cited in the MTPDP 1999 - 2004*

- ***Assessment***

The government's appreciation of the problems facing agriculture is generally correct such as low productivity, slow diversification of production base and processes, weak global competitiveness, limited access of farmers to productive assets because of rural poverty, environmental degradation and unresponsive government bureaucracy.

However, the government's political will and capacity to respond to these problems is being questioned because of the legal infirmities in agrarian reform as discussed above, the inadequacy of existing support services, bureaucratic red tape and the continuing lack of budgetary support.

The low budget allocation provided by the government is usually a result of either the existing anti-agriculture bias in government policies or simply due to weak internal revenue generation of the government.

#### ***IV. 5. Plans and Programs***

##### ***IV. 5. (i). Overall: The July 2001 SONA and the MTPDP 2001-2004***

##### ***IV. 5. (i). a. The Plan in General***

The Medium Term Philippine Development Plan (MTPDP) is a document that contains the government's socio-economic policies and goals to be implemented for a period of four years. For every Administration of government, a new MTPDP is formulated to reflect its priorities and programs as generally announced through the incumbent President's State of the Nation Address or SONA. This is the case for President Gloria Macapagal-Arroyo.

Reducing poverty and raising the living standards of all Filipinos have been common themes of previous MTPDPs, and so is the present one. The difference between the past and the present lies on the strategies and priority concerns in achieving these goals.

Specifically, the Aquino and Ramos Administrations focused on political (democratization and human rights) and economic reforms (Philippines 2000), respectively. The Estrada Administration, on the other hand, emphasized poverty reduction through social reforms that could not be fully implemented. The people decided to terminate President Estarda's services

even before he could finish his term, through another people's direct action dubbed as EDSA II, on grounds of alleged corruption and plunder, now a case being litigated in the courts.

The current MTPDP (2001-2004) contains an overview followed by six chapters. These chapters are: (I) Promoting full, decent and productive employment; (II) Enhancing competitiveness of industry and services; (III) Building on the country's strength in information and communication technology; (IV) Putting the Philippines in the International Tourism Map; (V) Modernizing Agriculture and Fisheries; and, (VI) Comprehensive Human Development and Protecting the Vulnerable

All plans and programs embodied in the current MTPDP were developed through multisectoral consultations and were based on the Administration's vision for every Filipino family. The President in her maiden State of the Nation Address (SONA) in July 23, 2001, enumerated 55 tangible action points and programs grouped under the following core poverty-reducing themes: sufficient employment, education for all, housing for the poor, and food in every table.

To emphasize her seriousness to meet all of her commitments, President Arroyo ordered the regular monitoring of all SONA targets to check on progress and address problems in implementation. In addition, the result of the monitoring was made available to the public through the government website: [www.gov.ph](http://www.gov.ph), for greater transparency.

To reduce poverty, the present MTPDP anchors itself on the following:

- Macroeconomic stability with equitable growth based on free enterprise
- Agriculture and fisheries modernization with social equity
- Comprehensive human development and protecting the vulnerable
- Good governance and rule of law

Action components follow each goal, as follows:

- **Macroeconomic stability** -- budget deficit reduction program; expansion of credit for micro, small and medium enterprises to create more jobs; modernization of agriculture; ICT development; skill intensive tourism aligned with infrastructure development; promotion of rural employment and rural industrialization.
- **Agriculture and fisheries modernization** -- generation of 1 million jobs per year; alternative livelihood during off-season periods; access to modern inputs developed thru RandD; farmers given technological and entrepreneurial skills; development of infrastructures such as irrigation and farm to market roads; accelerated; adoption of environment-friendly technologies, sustainable production practices and conservation, and protection of endangered plants and animals.
- **Human development** -- involves asset reform or redistribution of physical and resource assets particularly land and credit; education, health, housing, water and electricity; social protection of the poorest through social welfare and participation in decision-making at the firm, industry, sector and national levels.

- ***Social protection*** -- takes the form of social assistance, local safety nets and social security and insurance, participation of poor in governance, and security against violence including in the home.
- ***Good governance*** – promises simple, transparent, fair and predictable rules, protection of consumer welfare, institutional reforms to heighten public accountability, electoral and judicial reforms, social partnerships, peace and security, compliance with international commitments under the ASEAN-AFTA, WTO and APEC.

#### **IV. 5. (i). b. *The Implementing Mechanisms for AARD Policies and Programs***<sup>212</sup>

The national government together with the local government units (LGUs) is in charge of implementing all agriculture, agrarian reform and rural development (AARRD) plans under the MTPDP. Just like in the occupational health and safety program, it was likewise observed that these agencies has some overlapping AARD mandates, policies, programs and modes of implementation and enforcement. At any rate, the following national agencies are mandated in this regard.

The Department of Agriculture (DA), the Department of Environment and Natural Resources (DENR), the Department of Agrarian Reform (DAR) together with their respective attached agencies and corporations are in charge of the national implementation of programs in agricultural productivity, environmental and natural resource protection and conservation and land distribution, respectively.

The Land Bank supports the CARP by handling the land valuation and financial transactions related to the acquisition and distribution of lands under the CARP; it also implements rural credit programs related to agrarian reform as well as other projects.

The two research councils of Department of Science and Technology (DOST), like the Philippine Council for Agriculture Resources Research and Development (PCARRD), and the Philippine Council for Agriculture and Marine Research and development (PCAMRD) are engaged in research management and funding in agriculture and fishery, respectively.

The Food and Nutritional Research Institute (FNRI) and the Forest Production Research and Development Institute (FPRDI) of the DOST likewise undertake research and development activities for nutrition and forestry.

Agricultural state colleges and universities such as the UP Los Baños and Central Luzon State University engage in R & D and extension type activities in AARRD which are directly funded by budgetary allocations or external grants from other government agencies, foreign donors and sometimes the private sector.

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<sup>212</sup> Cristina David. *Philippine Agriculture's Institutional Structure of Governance: A Critique*. (PIDS, Makati, 1997).

Certain agencies/corporations attached to other departments also perform AARRD-related functions such as the Philippine Crop Insurance Corporation (PCIC) under the Department of Finance which is suppose to insure some eligible crops and livestock of farmers. The National Food Authority and the Philippine Rice Research Institute, which was transferred from the DA to the Office of the President during the time of DA Secretary Leonardo Montemayor, handles the importation and regulation of domestic distribution of grains and rice research respectively.

In some cases, largely non- AARRD executive departments like the Department of Public Works (DPWH), the Department of Trade and Industry (DTI) and the Department of Labor and Employment (DOLE) get to implement certain AARD plans and projects.

The DOLE, apart from championing employment generation not only in the urban areas but also in the rural areas, is also in charge of managing the country's industrial relation, which include the formal labor unions of agricultural workers in large commercial farms. In particular, the DOLE has an AARD-related unit within its structure called the Bureau of Rural Workers (BRW).

Founded as an office under the DOLE in 1978 under the strength of PD 1365, it was organized mainly to cater to the sugar workers of that time. In 1982, the office was transformed into a full blown Bureau and the scope of its program was expanded to cover all types of rural workers in the country. One of its major programs then and up to now is the management of the Social Amelioration Program aimed at augmenting the meager income of the sugar workers in the milling and farm sub sector of the sugar industry.

#### **IV. 5. (i). c. *General Assessment***

In May 2000, the World Bank and the Philippine Government, to find out how to effectively monitor the progress made by the government in pursuing its plans under the MTPDP, conducted a joint study.<sup>213</sup> Some of the conclusions the study made were:

- ***Difficulty in monitoring government performance vis-à-vis the MTPDP***

One of the major weakness of past and present MTPDPs is the lack of a reliable framework for measuring the performance of the government vis-à-vis the implementation of the strategies outlined in the MTPDP document. Some of the underlying reasons for the inability to develop a performance monitoring mechanism includes weak data base system, management "resistance" and weak institutional capacities.

- ***Inadequate prioritization in government plans vis-à-vis limited resources***

Given available government resources, there is a necessity of prioritizing and operationalizing the plans and explicitly linking these indicators and priorities with a performance-based budget allocation system in order to enhance performance. The premise behind this conclusion is that a large part of the strategic policies listed in the current MTPDP are usually broad declarations and repetitions of previously stated programs and strategies contained in previous MTPDPs. As such,

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<sup>213</sup>RP and WB. *Rural Development and Natural Resource Management: Trends, Strategy Implementation, and Framework Performance Indicator System. Vol. 1: Main Report.* (World Bank, Philippines, 2000).

there is a need to prioritize these intentions considering that the government is perennially experiencing a budget deficit and that there is a need to translate these intentions into concrete operational plans.

An example given by the study is the tendency of MTPDPs to look at infrastructure as some sort of “panacea” to the problems of rural areas. The study recommends that there is a need to balance rural support programs from infrastructure-based orientation to “social (human) capital formation” inputs such as increasing investments in health, education, entrepreneurship and the like.

- ***Improving coordination and devolution processes between and among national and local government units***

There is a need to address two major implementation mechanism issues related to “horizontal coordination” between and among national government agencies and “vertical devolution” or the transfer of power, authority and functions from the national to local governments.

In the 1999-2004 MTPDP, the Philippine government has specifically recognized the need for the different AARRD agencies to coordinate their efforts in the rural areas through a strategy called the “convergence strategy”. Specifically, it aims to coordinate the strategies and operations of the major AARRD agencies like the DA, DAR and the DENR to attain the social, economic and environmental thrusts of rural development. This is a response to the perceived “turf mentality”, overlapping and fragmentation of their programs and functions in the rural areas. The key issues that confront the convergence strategy are that:

- it remains to be an ideal concept that needs to be translated into concrete processes, and,
- the LGUs which are the frontline delivery mechanism of national programs were not identified as an “integrating and converging force” at the local level.

The issues confronting the devolution of authority and functions to the LGUs are as follows.

First, there are still many rural LGUs that have not internalized, institutionalized and operationalized their devolved powers and responsibilities. Many of these LGUs were reported to have not efficiently used the devolved personnel and funds from the national government for rural developmental purposes.

Second, many LGUs admit that they have limited capability for carrying out their devolved responsibilities that is critical to the success of any developmental programs on the local levels.

Third, the LGUs are still dependent on the national government for their development finance requirements. There is an urgent need for these LGUs to diversify their sources of finance.

Finally, there is also a need to define further the roles and relationships, including “territorial and operational jurisdiction” between the provincial LGUs and the lower level LGUs such as the municipalities and the barangays with respect to AARRD services.

When Mrs. Gloria Macapagal-Arroyo took over as President from Mr. Estrada in the middle of his term, another MTPDP was formulated to reflect Mrs. Arroyo's priorities. However, it is not clear whether the recommendations of this study are being pushed through by the present administration.

#### **IV. 5. (ii). *Assessment of Specific Plans Under the MTPDP as it Relates to Decent Work***

##### **IV. 5. (ii). a. *Promoting Full and Decent Employment***

For the first time in the making of a Medium Term Philippine Development Plan (MTPDP), the version of 2001-2004 contains a chapter on employment. The importance it gives to employment lies in the fact that it is contained in Chapter 2, right after the overview. Further, the discussion on employment is framed by ILO's decent work concept.

Concerned of the fact that growth has not eased unemployment, the Employment Chapter faces the challenge "to formulate effective strategies and identify employment-generating lead sectors *under a unified policy framework to promote decent and productive employment for every Filipino worker as a means to alleviating poverty. Employment generation shall be enhanced through modernization of agriculture, strengthening of information and communication technology (ICT) and revival of tourism.*" (Underscoring supplied)

Chapters 2 and 6 of the MTPDP, in fact, contain all the substantive elements that will strengthen the basis for promoting decent work.

MTPDP's Employment Chapter sets targets to accomplish and clarifies four strategies. These strategies are: employment generation, preservation, enhancement and facilitation. An evaluation of each follows:

- ***Target vs. Performance***

In 2001, using the higher end of its target:

- The number of persons in the *labor force* was targeted at 31.7 million; actual figures registered at 32.8 million persons making up the labor force, for a negative performance of 1.1 million people who have entered the labor force more than expected;
- It targeted *employment* to be at 28.3 million persons but estimated employment in 2001 registered at 29.2 or a positive performance of 0.9 million workers more than the target who had jobs.
- *Unemployment rate* was targeted within a range of 11.06% and 10.73%; the actual rate in 2001 was 11.2%, a performance that was a little better than the low end of the target;

In 2002, also using the high end of the target:

- *Labor force number* was targeted at 32.5 million persons; actual figures came in at 33.9 million persons, for a negative performance exceeding the target by some 1.4 million persons;
  - *Employment* was targeted at 29.2 million persons; actual performance registered at 30.1 million employed, positively exceeding the target by 0.9 million persons, the same as in 2001.
  - *Unemployment rate* was targeted at between 9.98% and 10.54%; actual rate came in at 11.4%, a negative performance that was way off the target.
- ***The Strategies: Challenges for 2003***

In respect to *employment generation*, indications are that, in 2003, employment performance against the target will be on negative grounds once again, and may even be worse, given that external factors such as the war in Iraq and the SARS scare will impact negatively on the world economy and, in addition to worsening internal peace and order problems and poor macro-economic performance, even worse on the domestic economy. The employment generating effect of external migration and external and internal tourism is expected to produce large gaps due to these external factors and internal constraints.

The MTPDP strategy for *employment preservation*, the second strategy, will be hard put, given the continuing corporate restructuring occasioned by the poorer performance of the world economy, even as early indications in 2003 show a trend of more industrial peace. In addition, with the AFTA-CEPT in force, with the WTO commitments coming in 2004, and with the Multifibre Agreement ending in 2005, corporate restructuring is expected to take place in the transition, resulting in more establishment closures and retrenchments.

Further, much can be improved in the field of labor administration and inspection. Not only should labor justice be speeded up but also the strategy for labor inspection may have to be reformulated to reflect the reality that 250 labor inspectors can not physically inspect more than 820,000 business establishments all over the country.

The third strategy, *employment enhancement* through better quality education and training to make the work force globally competitive in 2003, as in 2002, will face constraints of funding and increased dropout rate due to widening income-poverty. With a growing budget deficit, improving technical education faces the constraint of an unfunded TESDA Development Fund, even as the dual training system - the preferred mode of training delivery - is honored more in words than in deed.

Specifically, given the reality of lower budgetary allocations due to expected large budget deficits, even foreign assisted projects in the technical-vocational education and training sector that are on line and that are expected to refurbish public and private technical schools as well as modernize their facilities will suffer from cutbacks or delay in its implementation, as appropriation covers are either reduced or re-aligned or re-programmed or even deleted from the General Appropriations Act.

*Employment facilitation*, the fourth and last strategy, seeks to fully implement the Public Employment Service Offices as well as expand the Philippine Job Network - a public computerized job matching facility. Job fairs will supplement facilitation, by the MTPDP's reckoning, and domestic trade fairs that are especially oriented to entrepreneurs in the informal sector and to micro- and small-scale enterprises. Vocational guidance and employment counseling is also to be provided. In response to closures and retrenchments, a Quick Response Team composed of the social partners is in place. Budget constraints, however, owing to the need to manage the large and increasing budget deficit, will limit the potential of these facilities to implement the strategy.

#### **IV. 5. (ii). b. *Advancing Social Equity through CARP***

This MTPDP specifically identified the following as the primary cause of slow and protracted pace of CARP implementation: inadequate funding, landowner resistance, problematic lands (without documentation), unstable peace and order situation, and non-installation of ARBs.

- ***Target vs. Performance***

The main objective of the current Administration of government as laid down in the MTPDP is to distribute a total of 781,122 hectares of land in four years. This consists of 506,335 hectares for the DAR and 274,787 hectares for the DENR. The MTPDP sets an average annual target of 105,318 hectares for DAR and another 70,109 hectares for DENR or a total of 175,427 hectares for 2002.<sup>214</sup>

The MTPDP likewise targeted to increase the number of Agrarian Reform Communities (ARCs) from 1,308 to 2,035. For 2002, the DAR targeted 1,844 ARCs. The DAR also aimed to cover 1.37 million farmer-beneficiaries (FBs) by 2004. In 2002, the DAR aim to cover 207,329 FBs.<sup>215</sup>

The government has also committed to provide access to support services to an estimated 43 percent of all agrarian reform beneficiaries through "social infrastructure and capability building" activities.

The AR-NOW, a national coalition of agrarian reform advocates, reported that in general, the pronouncements and actual performance of the administration through the DAR is moving towards the slow down of CARP implementation as evidenced by the lowering of the LAD targets, major cuts in the LAD budget, poor handling of agrarian reform cases and unsatisfactory performance in the distribution of private agricultural lands (PALs).<sup>216</sup>

***Land distribution targets:*** The basis of the critique of the AR-NOW<sup>217</sup> is that the President in her maiden SONA targeted a lower figure than what is reflected in the MTPDP of 506,335 hectares by 2004. The SONA target was only 373,222 hectares, a mere 74 percent of the MTPDP target. The

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<sup>214</sup>This is just an indicative annual target. The individual agencies usually set the attainable annual targets on an annual basis. For 2002 for instance, the DAR set the annual target of 110,917 hectares.

<sup>215</sup>Yearly targets provided by DAR PowerPoint presentation, entitled: *CARP: Budget Hearing for CY 2003*.

<sup>216</sup>AR NOW. (2002).

<sup>217</sup>*Ibid.*

MTPDP target on the other hand, would cover only some 42 percent or less than half of DAR's total land distribution backlog of 1.19 million hectare as of January 2001 (see Table 1.14, Annex).

If the SONA target will be followed by DAR, it will cover only 31 percent of the present backlog of DAR leaving a balance of 814,819 hectares or 69 percent of the total backlog to the next administration which is according to the AR-NOW, is "double the performance of the current government." This is assuming that the DAR will be able to meet all its targets on time by 2004.

With the remaining balance of 1.19 million hectares at the start of the MTPDP period, the DAR should be targeting some 150,000 hectares annually if CARP is to be completed in its newly mandated eight years timeframe or the terminal year of 2008.<sup>218</sup> If the SONA target will be used as the standard for DAR's performance then it will take around 11 to 12 years to finish CARP! If the MTPDP target will be used, the termination of CARP will be accomplished one year later which is 2009, instead of legally mandated 2008. In either case, the CARP's implementation will be slowed down to the detriment of the small farmers, rural workers and agriculture in general.

If this is the case, then agricultural development and modernization will be further affected considering that many scholars are already saying that the CARP is already becoming a burden to agriculture as whole instead of helping it improve its productivity. It is precisely the uncertainty being engendered by a long delayed CARP that is preventing investors from investing in agriculture.

**Land distribution performance:** The DAR has succeeded to distribute 52,293 hectares for the period January-September 2002 or 47 percent of the annual target of 110,917 hectares for 2002 and it represents 10.3 percent of the DAR's MTPDP target (506,335 ha.) until 2004.<sup>219</sup> See also Chapter 2. The number of agrarian reform beneficiaries that benefited from this was around 37,460.

This brings the overall cumulative accomplishment of the DAR, to 3.26 million hectares distributed over the last 17 years, which is 76 percent of the overall working scope of the DAR of 4,428,357 hectares.

In September 2002, performance of DAR consists of 39,585 hectares of private agricultural lands (PAL) and 12,708 hectares, of non-private agricultural lands.

The bulk of the PAL,<sup>220</sup> 17,079 hectares was mainly distributed through the Voluntary Offer to Sell (VOS) 43 percent; Voluntary Land Transfer (VLT) 25.6 percent and the Compulsory Acquisition (CA) scheme 21.4 percent.

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<sup>218</sup>Under the Agrarian Reform Augmentation Fund Law, the CARP must be completed by 2008.

<sup>219</sup>An advance DAR report for December 2002 shows that DAR was able to distribute 111,722 hectares or 100.7 percent of the 2002 target of 110,917 hectares.

<sup>220</sup>There are 5 modes of acquiring PALs, namely: 1) Operation Land Transfer (OLT)—these are rice and corn lands covered by the old PD27; 2) Government Financial Institutions (GFI)—these are foreclosed private agricultural lands submitted to the DAR for distribution; 3) Voluntary Offer to Sell (VOS)— a scheme in which a landowner voluntarily offer his land for CARP coverage; 4) Voluntary Land Transfer (VLT)—a scheme in which landowner and his tenants or farmworkers have jointly agreed to transfer land to the latter; 5) Compulsory Acquisition (CA)—a scheme whereby an private estate is formally subjected to CARP coverage regardless of whether the landowner agrees or not.

At first glance, the distribution performance of the DAR seems satisfactory. However, the data suggests that most (68.6%) of the acquired PAL by September 2002 were distributed through the “voluntary” schemes of the CARP. The advantage of this strategy is that it minimizes the continuing resistance of landowners to be covered by CARP. On the other hand, this could prove more disadvantageous to both the government and the potential beneficiaries because it will be more expensive for the government. Second, the landowner will relatively dictate the terms of the land transfer to the beneficiaries.

This led the ARNOW<sup>221</sup> to comment that under the so-called “voluntary” schemes, the landowner usually has the upper hand over the beneficiaries and the government because they can more or less dictate the start of the negotiations. Second, the landowner can also dictate the terms and conditions for land valuation and amortization because these will be determined through a negotiation between the owner and the FBs. The key concern in this arrangement is that the FBs more often than not (especially those unorganized ones) will most likely not aware of their rights under the law. The FBs could also feel beholden to the landowner and just allow the latter to dictate the terms or, if ever they are organized, they may not have the skill and experience to negotiate at par with the landowner.

Fast tracking land distribution will always be a great challenge to the DAR because of the perennial problem of inadequate funding coupled with the insistence of affected landowners to be compensated on the basis of “fair market value” for their land.

**UPAL issue.** In addition, the ARNOW, through focus group discussions it conducted among the staff of the DAR, DENR and Land Bank of the Philippines, found that there are still thousands of hectares of untitled private agricultural lands (UPALs) (*See also Chapter 2*) in the country. The DAR classifies these UPALs as “problematic” because these are “undocumented, ambiguous and highly contentious.” The situation is aggravated on the ground level because of conflicting policies and lack of coordination between the DAR and the DENR with regards the disposition of the UPALs.

Apart from the budgetary constraints, landlord resistance, and lack of ownership documentation as in the UPALs, other key operational and legal bottlenecks that affect the pacing of program implementation include boundary disputes, slow submission of survey returns, and poor accessibility.

**Leasehold implementation.** Leasehold is a non-land transfer tenurial improvement program. Farmers whose lands are not covered by land transfer are ensured of their security over the landholding through the institution of leasehold agreements involving a contract between farmer and landowner.

The MTPDP has pinpointed leasehold operation as one of the strategies for land distribution. Under this arrangement, farmers are entitled to 75% of the net harvest after deducting allowable expenses. Leasehold also has a tangible impact because ARBs can then benefit from what is due

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<sup>221</sup> AR NOW. (2002).

them. From January to June 2002, 6,534 hectares were placed under leasehold benefiting 3,771 ARBs.

This brings the cumulative accomplishment of the DAR in this field to 1.51 million hectares, up by an incremental 0.43 percent from 1.50 million hectares in 2001.

Again the ARNOW commented that the DAR seems to be neglecting this particular strategy as exemplified by its propensity for under-targeting its annual objectives. It also contends that by not giving equal attention to this strategy, the government is doing away with a viable land tenure improvement strategy that actually bears little cost for it. In addition, this strategy has shown to give farmers more leverage in negotiating for VLT or VOS from their respective landowner-lessor because the latter would find it more advantageous to have the land distributed since they do not have to continue paying the requisite land taxes and just receive the 25% rental fee from the leaseholder-farmer.

**Land valuation issue.** The rising valuation of covered landholdings puts further pressure on the deficit prone CARP budget. The Land Bank of the Philippines pegged land valuation at an average of P136, 000 per hectare. DAR and the LBP have been using standard formulas based on three factors: a) the cost of acquisition; b) current value of the property and the nature and actual use and income derived from the land. The age of the standing crops, the variety of the crops and the cultivated area are also considered. Based on these factors, the LBP noted that valuation would range from a low P60, 000 (for coconut lands) to as high as P450, 000 (for banana plantations).

In reality, valuation can reach up to millions of pesos per hectare. In one example given by the ARNOW, it cited a much publicized case in Nueva Ecija that led to the arrest of the LBP President because of the refusal of the Bank to pay P75 million compensation to the landowner of a 54 hectare riceland.

The said landholding was valued at P1.39 million per hectare, almost seven times more than the average P200, 000 per hectare valuation for ricelands based on LBP's formula. The ARNOW quoted the LBP as saying that the reason for this is that the landowners often appeal their cases in regular courts and judges decide on land valuation arbitrarily on a case-to-case basis as they remain ignorant of the land valuation guidelines of the DAR and the LBP. Often the basis used by the judges is the fair market price or the zonal valuation of the Bureau of Internal Revenue.

**ARC development.** The number of Agrarian Reform Communities (ARC) as of June 2002 is 1,451 ARCs or 71 percent of the targeted 2,035 ARCs (see Box 3.3). These ARCs covers 5,286 barangays, up from a former 5,098 or an increase of 3.6 percent. The number of municipalities covered by these ARCs increased to 1,070 from 1,000 or seven percent. The number of ARBs involved in these ARCs is 634,968.

ARCs are established not only to showcase the advantages of agrarian reform for the rural poor and for the country as whole but also to focus the efforts and limited resources of the government to extend valuable socio-economic support services to a number of rural communities and ARBs.

A key issue in the creation of ARCs concern ARBs that will not be benefited. There are a total of 1.82 million such ARBs and 1.11 million leaseholders or a total of 2.93 million farmer-beneficiaries who benefited from the CARP since the program started. But only 634,968 ARBs were made part of ARCs. What will happen to the rest, nobody seems to know or care.

**Box 3.3 : Agrarian Reform Communities (ARCs)**

The DAR describes ARCs as “growth points” in the countryside.

ARCs showcase the main thrusts of agrarian development: land tenure improvement and effective delivery of support services. The community-based efforts toward these ends point to an integrated, area-focused implementation approach where the tripartite partnership (GO-NGO-PO) is given full expression. ARCs form the concrete manifestations of the government’s countryside development agenda of agrarian reform, people empowerment and sustainable, modern agriculture.

ARCs are viable if there is: 1) improved tenurial status; 2) organized farmers’ organizations; 3) established infrastructures and other economic support services; 4) increased agricultural productivity and farm incomes; 5) fostered agri-based rural industrialization; 6) effective delivery of basic social services; 7) balanced ecosystem development; and 8) imbibed sensitivity to gender and population issues.

A thousand such growth points are envisioned to be established as the critical mass to provide the social, political and economic momentum towards a vibrant, peaceful and prosperous countryside, its resurgence leading towards industrialization.

*Source: DAR, ARC Yearbook 1996*

***Delivery of agrarian justice.*** A concrete expressions of how successful the pursuit of agrarian justice are the performance of the DAR in handling two types of agrarian cases: the Agrarian Law Implementation (ALI) cases and Adjudication cases. The ALI cases are handled by the special quasi-judicial courts called Agrarian Reform Courts; the Adjudication Cases are cases are handled by the Department of Agrarian Reform Adjudication Board (DARAB).

The nature of cases falling under the classification of ALI are those related to the: 1) determination of whether or not a land is covered; 2) identification of farmer-beneficiaries; 3) FB rights; 4) initial land valuation; 5) CLOA cancellation (not yet registered); 6) land use conversion; 7) clearance to transfer agricultural land; and, 8) determination of provisional lease rental.<sup>222</sup>

The nature of cases presented before the DARAB are those related to: 1) preliminary administrative determination of just compensation; 2) leaseholder rights; 3) CLOA cancellation registered with RD; 4) issues on land possession; and, 5) determination of rights management cultivation; use of land.<sup>223</sup>

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<sup>222</sup>Virgilio de Los Reyes. *Notes on Agrarian Cases.* (2003).

<sup>223</sup>*Ibid.*

The DAR<sup>224</sup> reported that by December 2002 there were a total of 22,491 ALI cases, 62.4 percent or 14,037 of which have been resolved by the Courts. Thirty five percent of the ALI cases are related to issues concerning land transfer. The winning average of the DAR lawyers (representing the farmers) in the regular courts is 84 percent.

The number of DARAB cases, on the other hand, totaled 23,718 cases, with 47 percent or 11,204 resolved by the Board. By nature of the cases, 51 percent are cases called “regular cases”; while 31 percent are “CNC” cases or those related to the cancellation of CLOAs or Emancipation Patents. The remaining 17 percent of cases concern land valuations. The winning average of the DAR lawyers (representing the farmers) in the DARAB is 82 percent.

The DAR has taken steps to settle all types of cases within the year. It also prioritizes the resolution of flashpoints and long-pending cases involving large distribution of lands. The backlog of cases is also expected to be hastened if a pending bill in Congress is approved that will increase the membership of the DARAB and the creation of two additional divisions.

#### **IV. 5. (ii). c. *Modernizing Agriculture for Sustainable Growth and Broad based Rural Development***

The government through the MTPDP 2001-2004 recognizes the challenges facing agriculture -- low productivity, slow diversification of production base and processes, weak global competitiveness, limited access of farmers to productive assets and rural poverty, environmental degradation and unresponsive government bureaucracy.

The goals set for agriculture during period of the MTPDP is to stabilize agricultural growth and to create “one million jobs” in agriculture and fishery. These shall be done in the Strategic Agriculture and Fisheries Development Zone (SAFDZs) through the rehabilitation and expansion of productivity enhancement infrastructure such as irrigation, roads and related infrastructure, including post harvest facilities (see Box 3.4). The government is targeting self-sufficiency in rice by 2003 and in fish by 2004. Special programs like the GMA or *Ginintuang Masaganang Ani* (roughly translated: Golden and Bountiful Harvest) are also planned to revitalize strategic commodities such as rice, corn, high value commercial crops, livestock and fisheries to regain their competitive advantage. (See Annex 3.1)

#### **Box 3.4: Strategic Agriculture and Fisheries Development Zones (SAFDZs)**

The AFMA mandates that all suitable agricultural lands within alienable and disposable lands be identified, set aside and protected from unreasonable conversion. These privately owned lands are referred to as the Network of Protected Areas for Agriculture and Agro-Industrial Development (NPAAAD) and SAFDZs. The identification and setting aside of the NPAAAD ensure that the future expansion of SAFDZs promoted under AFMA shall be done on economically and environmentally suitable lands.

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<sup>224</sup>DAR. 2002 *Report of the Legal Division*. (DAR, Quezon City, 2002).

The identification (biophysical and socioeconomic profiling) and mapping of SAFDZs and their incorporation into the local government land use and zoning plans legitimize their locally designated use and ensure that investments on these lands are adequately appreciated and sustained. This process involves the participation of various stakeholders in agriculture and fisheries development in all municipalities, provinces and regions of the country. The AFMA planning process, to formulate the Agriculture and Fisheries Modernization Plans (AFMPs) at all levels, mandates the participation of all stakeholders and the convergence of SAFDZ development plans and investments of adjacent local government territories. The convergence of contiguous SAFDZs into a common development zone for the covered local governments is an important phase of planning for the optimum use and management of development interventions of government.

Most basic in the implementation of the AFMPs is the adoption of the integrated area development approach, which focuses on the SAFDZs. Each SAFDZ will have an integrated development plan (IDP), which will be integrated into the local AFMP. Prime examples of the integrated area development approach are local and foreign assisted projects being implemented in Mindanao. These include the 15-year, US\$550 million Mindanao Rural Development Project among others.

As of 2000, a total of 753,407 hectares of key SAFDZ areas and 318,556 hectares of emerging SAFDZs have been identified and mapped by the DA and the concerned LGUs.

*Source: MTPDP 2001-2004*

Among the major policies to be pursued in support of these goals are reduced and uniform tariffs on agricultural imports; provision of “safety nets” for those affected by ongoing liberalization; opening up of inter-island transport and port operations; and tax incentives for agribusiness. The development of Mindanao as food basket and exporter of high value agricultural products is to be pursued.

- ***Target vs. Performance***

The targets that need to be reached by 2004 are as follows:

- ***Main Target:*** An average stable growth rate of 3.12 – 4.02 percent in GVA of agriculture and fisheries and the creation of “one million new jobs” or on average, 250,000 new jobs annually in the agricultural sector.

It is assumed that these main targets will be achieved if the targets set for programs and commodities have been achieved within the period of 2001 to 2004.

***Program Targets:***

- ***Irrigation and water management:*** 473,752 hectares irrigated. 172,391 hectares to be irrigated by new irrigation systems. The balance will be served by the existing but rehabilitated systems. Roughly this means an additional 118,438 hectares should be irrigated per year by new and rehabilitated systems. Consequently, raising the country’s

total service area from 1.4 million to 1.6 million hectares or 50.6 percent of potential irrigable areas.

- **Farm-to-Market Roads and related infrastructure:** 1,597 km. in new FMRs will be constructed and 601 km. of existing FMRs to be rehabilitated. Roughly this means that the government will have to build on average 399.25 km/year of new FMRs and rehabilitate on average, 150.25 km/year of existing FMRs. Rehabilitation of 2 regional fish ports and 19 municipal fish ports to be pursued. 16 mariculture parks, 14 seaweed village ecozones, and 280 seaweed nurseries will be established.
- **Post harvest facilities:** 21,863 assorted post harvest machinery and equipment will be distributed, while 14,810 assorted post harvests related infrastructure will be constructed to benefit 3,136,643 farmers. Again on average, 5,465.75 post harvest machineries to be distributed annually and 3,702.5 post harvest infrastructure to be constructed annually. This is expected to reduce post harvest losses from 15 percent to 11 percent in the grains sub sector.

**Table 3.1 - Commodity Targets (selected commodities/low scenario only)**

Crops/Livestock/ Poultry/Fishery	2002 Target (‘000 MT)	2002 Actual	Variance (%)	2004 Target (‘000 MT)
<b>All Crops</b>	71,533.37	73,905	103.3	74,770.01
Palay	12,763.56	13,270.66	103.9	13,344.30
Corn	4,658.73	4,319.27	92.7	4,927.57
Coconut	13,104.78	13,682.56	104.4	13,607.50
Sugarcane	22,147.22	27,202.88	122.8	22,592.33
Banana	4,319.32	5,264.47	121.8	4,489.42
Pineapple	1,640.21	1,635.93	99.7	1,791.15
Other Crops	12,899.55	8,529.23	56.8	13,924.74
Livestock	2,147.83	6,134.45	285.6	2,340.21
Poultry	1,441.95	2,147.01	148.8	1,576.15
Fishery	3,033.75	1,542.31	50.8	3,323.20

Source: MTPDP 2001-2004 and Report on the Performance of Agriculture, 2002

Performance was a mixture of success and failure:

- ***In Terms of Commodity Performance***

***In the crop subsector,*** most of the traditional crops like rice, coconut, sugar and banana have met the targets for 2002. Their better than the low-end target performance has offset the below target performance of the corn, banana and those crops classified under “others.” The latter crops are usually those considered as non-traditional but high value crops like mango, vegetables, citrus, and cut flowers. Consequently, the overall performance of the crop sub sector have only managed to barely exceed the overall low-end target for crops.

The table also suggests that given the limited funding for agriculture the chances of diversifying into the non-traditional but high value crops is also limited.

Likewise, *livestock and poultry sub sectors* have exceeded the low-end targets for 2002. However, the *fishery sub sector* has barely met 50 percent of the target for the year.

The Bureau of Agricultural Statistics<sup>225</sup> reported that notwithstanding the threat of the El Niño weather phenomenon in 2002, all the sub sectors posted gross output increases. The gross value of agricultural production was estimated at P617.9 billion at current prices, representing a 7.38 percent increase over the 2001 record. Hence, agriculture posted a 3.69 percent growth in 2002, a growth rate that is within the GVA range targeted by the current MTPDP.

- ***In Terms of Program Performance***

***In irrigation***, the MTPDP is not clear on what irrigation system will be given priority. Chapter 1 and 2 of this study cites David as showing that the big systems are largely unsustainable from the point of view of cost effectiveness and farmer ownership. In fact David recommended to invest more on the small farmer-owned systems, which can be a source of agricultural growth in the short and medium term.

In terms of performance, an AR-NOW study<sup>226</sup> showed that the government failed to meet its target for 2001. It was only able to irrigate 17,378 hectares of new areas, just 40% of its target, and rehabilitate 61,664 hectares or 82% of target. This is a sharp decline from the 1999 accomplishment of 40,281 hectares of newly irrigated areas and 152,397 hectares of rehabilitated areas.

***In the construction of farm-to-market roads (FMRs)***, however, the government exceeded its average annual target by 123% when it built and rehabilitated 677.34 km of FMRs.

***In the provision of post harvest facilities***, the government likewise performed poorly. The Department of Agriculture (DA) distributed no more than 400 post-harvest machineries comprising only 7% of its target. It constructed some 700 post-harvest infrastructures, which was only 19% of its target.

***In agricultural credit***, in response to the commitment made by the ruling Administration in the Socio-Economic Summit last November, 2001, several reforms are being implemented by the Land Bank of the Philippines (LBP) to make its funds more accessible to small farmers.

The LBP lowered its interest rate for loans to cooperatives by 2 percent. The loan portfolio for agriculture and small and medium enterprises have been increased from 30% to 38 percent. The LBP is targeting to increase its agriculture loan portfolio to 60% by year 2004. The 75-day loan processing period has been reduced to 45 days. Moreover, the Bank opened up its program normally reserved for cooperatives to non-coop farmer associations with ongoing business enterprises. Finally, the Bank account officers are finding ways to reduce the existing debt burdens of coops and Agrarian Reform Beneficiaries (ARBs) so that they will not be penalized.

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<sup>225</sup>BAS. *Report on the Performance of Agriculture. (2002).*

<sup>226</sup>AR-NOW. (2002).

Other updates on the implementation of activities under the IRR of the AFMA are shown in Annex 3.2.

- ***Strategies for Achieving Targets***

The MTPDP Chapter on Modernizing Agriculture asserts that the main targets for commodities and programs will be achieved by the following:

- Implement AFMA and Fisheries Code
- Improve effectiveness of public sector interventions
- Improve support services
- Mobilize entrepreneurship, private sector investments and participation
- Shift to appropriate technology-based, labor employing, value added-driven agriculture and fisheries
- Develop Mindanao as food basket and exporter of high value agriculture and fisheries
- Shelter the most vulnerable from the adjustment shocks of modernization and globalization
- Build up the capabilities of partner institutions and ensure the continued full participation of stakeholders in the formulation and implementation of the AFMP.

- ***Some Issues About Targets and Strategies***

It is not clear whether or not the targets as reported on irrigation and other rural infrastructure projects are aggregate figures resulting from the joint efforts not only of the NIA and the BSWM but also of the DAR and the DOLE. Performance is thus hard to evaluate.

It is also not clear where the “one million jobs” in agriculture will be created. Put another way, it is not clear in the MTPDP how the jobs will be created, whether based on commodity production or based on the totality of the program. It is also not clear how one job is defined. It seems that one job is asserted as created if the worker has worked at least 90 man-days in a government project.<sup>227</sup> If this were the case, then perhaps it would also be useful to classify jobs created according to hours worked, whether under or over 40 hours per week, in order to evaluate the types of jobs that are created.

If SAFDZs will be one of the main strategies for modernizing agriculture, why is it not reflected in the MTPDP as a target in the same manner that the ARCs are given prominence in the agrarian reform chapter of the MTPDP? How will these be harmonized with the commodity and program targets of the MTPDP? Furthermore, how will the location and beneficiaries of SAFDZ be harmonized with the ARCs of the DAR and perhaps even with the so-called “poverty-free zones” of the DOLE.

Despite the pronouncement of government that the private sector should lead in the economic development of the rural areas, agricultural modernization assumes heavy intervention by the State. However, this also means that the State should be ready to put in the necessary funding

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<sup>227</sup>AR-NOW. (2002).

support for the realization of the plan. But given the perennial budget deficit of the government it is difficult to imagine how government can realize its avowed targets in agriculture.

For instance, in 2001 the current Administration have allotted 29.75 billion pesos for AFMA. However, it appears that the regular DA funds and the regular agricultural loan portfolio of government financial institutions have simply been relabeled as AFMA funds. This meant that no new funds was injected in 2001 to modernize agriculture.<sup>228</sup> Moreover, the Congressional Planning and Budget Department<sup>229</sup> observed that even with these present set of funds, there were some critical components of the AFMA that were underfunded, like RandD, Supplemental Salary for LGU extension workers, and National Information Network which could affect the pace of agricultural modernization. According to the CPBD, this trend continued in 2002.

In terms of commodity share, the grains subsector received priority in the budget allocation of the DA from 1999-2002 at the expense of the other crop subsectors of agriculture including that of livestock that has a potential growth rate of 6-15 percent.<sup>230</sup>

In another vein, protectionist measures such as import restrictions and quotas have only prevented the agricultural sector from adjusting to the demands of the market. Hence, it has only prolonged the suffering of the vulnerable groups in the sector and delayed the ability of the sector to focus its energies in the crops, animals and agricultural services where it can compete more effectively.

In the meantime, given that the dominant characteristic of Philippine agriculture is basically smallholder agriculture, how does the government propose to transform the small farmers into small agribusiness entrepreneurs considering that most of these small farmers are part of the so-called poverty or vulnerable groups in the rural areas? This issue raises a major challenge that this will require more than merely giving these groups access to productive assets like land or water or developing entrepreneurial skills and providing them with the necessary support services. This will, in fact, require a major “paradigm shift” in the thinking of small farmers and rural workers in general. Modernization also means “modernizing” the way of thinking of the rural workers so that they will view farming not only as a “way of life” but also as a business enterprise that needs to grow. Can the trade unions, peasant organizations and NGOs likewise play a role in this regard?

In the short and medium term, as protectionist measures in agriculture are gradually removed, there is a need to mitigate the impact of agricultural liberalization for the vulnerable groups. But even in this area, Balisacan<sup>231</sup> shows that the government’s safety net or anti-poverty measures have weaknesses in targeting the poor, that can be traced to the propensity of government to set up too many program objectives backed with very little resource. The targeting is so broad, the approach is more shot-run than focused..

Balisacan suggests, instead, the introduction of “self-selection mechanism” in targeting the real poor with the added advantage of reducing the political cost that a program of this nature will

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<sup>228</sup> *Ibid.*

<sup>229</sup> CPBD. *Sectoral Budget Analyses: A Supplement to the Analysis of the President’s Budget for FY 2003.* (House of Representatives, Quezon City, 2003).

<sup>230</sup> *Ibid.*

<sup>231</sup> Arsenio Balisacan, et al. *Approaches to Targeting the Poor.* (NEDA and UNDP, Philippines).

entail. He gave as an example, a rural work program where the decision to be included or excluded is left with the applicant-poor. The program may require additional work hours, offer lower than market wages or offer workers' compensation in the form of food coupons, etc.<sup>232</sup> Or if the safety net program is about food subsidy, he suggested to offer corn as staple food instead of rice, which latter is the more expensive. Alternatively, the government may choose to subsidize a relatively inferior type of rice but not necessarily nutritionally inferior (high broken rice) instead of whole rice and so on.

#### **IV. 6. Other Key Issues Affecting the Government's Ability To Deliver Services**

##### **IV. 6. (i). Poor Implementation of Official Development Assistance (ODA)**

*Philippine Daily Inquirer*<sup>233</sup> reported that the Asian Development Bank (ADB) is dismayed over the poor performance of its projects in the Philippines over the last two decades. Only 31 percent were successful compared with the 70-percent success rate in the 11-member Association of Southeast Asian Nations (ASEAN).

The ADB lent the Philippines a total of 5.9 billion dollars for 86 projects for the period 1986-2001. Only 36 projects were completed.

Citing a report on Philippine programs, ADB officials were quoted as saying that the bank's lending program had not made a major impact on economic growth or poverty reduction due to the low success rate of most of its projects.

The ADB country director Thomas Crouch was quoted as saying, "the Philippine performance comes out rather less well than its neighbors. So, what we need to do is to work diligently on all the many facets of the portfolio performance to try and get it up to that mark. The Philippines should aspire to be as good as or better than its neighbors and intrinsically, there is no reason why it should not be able to do that."

According to the ADB, a project is "successful" when its expected purpose and goals have been achieved sustainably. Of the 36 projects completed and post-evaluated, roughly one-third were rated generally successful. Another one-third were considered partly successful, and the last third unsuccessful.

The report also adverts to a sharp deterioration against the pre-1986 period and to an inferior performance vis-à-vis Indonesia, Malaysia and Thailand, countries that were exposed to similar external shocks during the review period.

The worst performance was recorded in the 1980s, when 10 of the 12 unsuccessful projects were completed, although some improvement was noted starting the 1990s.

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<sup>232</sup>The DOLE has its own Rural Works Program meant for emergency employment generation. While the Balisacan proposal has its merit from the point of view of efficient targeting, this could create a dilemma for the DOLE as the proposal requires the payment of substandard wages and lower labor standards.

<sup>233</sup>Doris Dumlaog. *ADB Dismayed by RP Performance*. (PDI, March 11, 2003).

The ADB report cited the “poor capacity of executing agencies and line departments to absorb ADB assistance as the major reason for the poor performance of the Philippine government in project implementation.”

The reasons for the low success rate ranged from frequent internal and external shocks that the Philippine economy experienced to more project-specific constraints such as poor design and different types of implementation problems.

The report summarizes the problems as follows:

- Frequent internal and external shocks affecting the economy. “Unlike its high-performing neighbors, the Philippines adopted for a long time an inward-looking development strategy that emphasized import substitution and capital-intensive industrialization, much to the neglect of its comparative advantage in labor-intensive industries.”  
The Philippines only started opening up its economy in the 1990s, when most of the improvements in the portfolio performance started.  
The ADB also noted that the Philippines had suffered from a long string of adverse external shocks such as the global oil crises of 1973 and 1979, the world debt crisis of 1982, the Gulf War in 1991 and the Asian currency crisis of 1997.
- Poor project design;
- Lack of time for actions that require legislation;
- Complicated land acquisition and procurement policies and procedures;
- Lack of counterpart funds that slows down the disbursement of ADB funds;
- Inadequate project personnel in both number and capability;
- Lack of institutional and financial capacity, especially of local government units, to undertake projects.

These problems were further compounded by corruption and the changing composition of the ADB loan portfolio, which shifted to policy-based lending from project lending.

**Table 3.2 - ADB Projects in the Philippines, (Programs Completed 1986-2001)**

<b>Name of Project</b>	<b>Loan Amount (\$ Million)</b>	<b>W/ Rural Development Implication</b>
<b>Unsuccessful</b>		
Laguna Bay Fish Pen Devt	9.0	x
Cotton Devt Project	26.7	x
North Palawan Fisheries Devt	18.0	x
Smallholder Livestock Devt Proj	8.0	x
Agro-processing and Mktng Proj	36.0	x
Bicol River Basin Irrig Devt	41.0	x
Phil. Natl Railways	24.2	x
Mindanao 2nd and Feeder Roads	24.0	x
Mla. Water Supply Rehab Proj	26.4	
Phil. Investments System Orgn	15.0	
2nd Phil. Investments System Orgn	25.0	
<b>Partly Successful</b>		
2nd Laguna Bay Irrigation	20.0	x
Forestry Devt Project	34.0	x
Palawan Integrated Area Devt	32/15	x
Fisheries Sector Program	50/30	x
Forestry Sector Program	60/60	x
Rural Electrification Project	87.5	x
Road and Road Transport Sector	50/50	x
Island Province Rural Water Supply	24.0	x
Agricultural technology Education	15.9	x
2nd Devt Sector	70.0	
2nd Island Province Water Supply	24.0	x
Small and Medium Industry Project	65/35	
3rd DBP Project	100.0	
<b>Generally Successful</b>		
Agricultural Inputs Program	130.0	x
Aquaculture Devt Project	21.8	x
NGO Microcredit Project	8.0	x
Highland Agriculture Devt Proj	32/15	x
Sorsogon Integrated Area Devt	24.10	x
2nd Power System Devt Proj	33.00	
Negros-Panay Interconnection Proj	43.80	x
PNOC Energy Proj	85.00	
Manila Port	27.00	
Manila Water Supply (1st and 2nd)	51.3/49	
Infrastructure Restoration Proj.	20.0	

Source: ADB as cited by Dumlao, PDI (03/11/03)

#### **IV. 6. (ii). *Corruption and Waste***

##### **IV. 6. (ii). a. *Overall Situation***

A World Bank study<sup>234</sup> on the subject contends that:

- Corruption hurts the poor. It diminishes the quality and delivery of public services and raises the prices of goods and services. Corruption allows production of poor quality and substandard goods and services, which can result in accidents and death.
- Citing a study by Guerrero and Rood, the study revealed that two-thirds of respondents thought there was corruption in government; 38 percent said “a great deal” and 34 percent said “some”.
- In the Corruption Perception Index developed by the Transparency International, the Philippines grade came up to 3.6 in 1999. Out of 99 countries rated, the Philippines was perceived as the 55th least corrupt.
- Most estimates of losses due to corruption are imprecise and not rigorous. However, citing Guerrero and Rood who cited the September 1996 national survey by SWS, respondents were asked how much they believed was wasted due to corrupt practices. Fifty one percent said that 50 percent of funding for road building was wasted. More than 60 percent thought that in the process of collecting taxes, providing free books to children and installing modern equipment like computers in government offices more than 30 percent of funding is wasted.
- The same World Bank study cited data from the Ombudsman that provides a picture of incidence of complaints concerning different government agencies for the period 1993-1998. The DPWH has the biggest share of complaints in the Ombudsman at 26.9 percent. The AARRD agencies in the Ombudsman’s list are the DENR and the NIA garnering 17.5% and 6%, respectively, of shares in the complaints.

In the October 1999 to September 2000 SWS national surveys, the following government agencies were perceived to be corrupt. The DPWH consistently topped the surveys conducted during the reference period with 12 percent to 20 percent of respondents feeling that it is the most corrupt agency. During the same period the DOLE was consistently ranked as one of the least corrupt agencies.

In another set of SWS enterprise survey conducted between August 14-October 30 2000,<sup>235</sup> the DPWH (57%) was outranked by the Bureau of Customs (74%) and by the BIR (72%) as the most corrupt. From among the agencies that deal directly with the rural poor, the DECS (22%) and the DOH (10%) were perceived to be the most corrupt. The DA, the LRA, SSS and the DOLE were perceived to be the least corrupt agencies.

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<sup>234</sup> World Bank, “*Combating Corruption in the Philippines*,” (Manila: WB, 2000).

<sup>235</sup> SWS. *Special Issue on “Corruption. SWS Survey Snapshots.* (SWS, Quezon City, 2001).

**Box 3.5 : Effect of Corruption on the Rural Poor**

(PUROK SAN ANTONIO, TACURONG, SULTAN KUDARAT.)

JAIME GATCHALIAN, a 42-year old tenant-farmer rues the day in April 1999 when he accepted a sack of palay seeds from the DA.

Because the seeds were given out for free as part of a government program to boost rural productivity, Mang Jaime thought he would be able to save at least P600. He usually spends P3,000 every cropping season to buy farm inputs like fertilizers, pesticides and seeds.

But when harvest time came last October, Mang Jaime's one-hectare field yielded only 19 sacks of grain, while his neighbor, who bought palay seeds from a private supplier, harvested 60 sacks per hectare.

Mang Jaime thinks he should have known better. He was hesitant to use the seeds that came from the DA's provincial office. But this was the first time in his 20 years of tilling the land that farmers in his area had been offered government assistance.

The fertile, river-fed plains of Sultan Kudarat are among the most productive rice-growing areas of Mindanao. Farming is the main livelihood of two-thirds of the province's over 500,000 residents. This is an area that should be a major beneficiary of government assistance for agriculture.

But in interviews in three major rice growing towns in this province, farmers complained about the kind of support they have been receiving from the DA: low quality planting materials, unhealthy farm animals, and undelivered farm equipment. Farmers say that if they get DA assistance at all, it is usually too little and too late, or as in Mang Jaime's case, it brings more harm than good.

At the root of this problems, both former and current DA officials say, is an agricultural bureaucracy that is mired in what DA consultant and once DA Undersecretary for policy and planning Bruce Tolentino calls a culture of "corruption and waste." Analysts say this culture is partly responsible for the lackadaisical performance of Philippine agriculture which has been growing at an average of one to 1.7 percent from 1980-1997

Investigations done by some DA insiders show that unless prevailing culture in the DA is reformed the delivery of agriculture services will remain problematic and a big chunk of the funds set aside for raising rural productivity will end up wasted or stolen.

Farmers' lives are dependent on weather patterns and delays in the delivery of farm inputs can have disastrous consequences.

Just how prevalent corruption is at the DA is a matter of debate. In 1998, the Congressional Commission on Agricultural Modernization noted that while the DA has been occasionally figured in high-profile cases of graft, it has not been, as an institution, "subject of research on graft and

corruption, nor has it been singled out as an extremely graft-ridden department.” Sec. Escudero concedes that corrupt DA officials exist, but asserts that these are a minority.

Source: Excerpt from *Agriculture Weighed Down by Corruption and Waste*, Prime Sarmeinto, PCIJ, January 2000

#### IV. 6. (iii). *Shifting Paradigm in Political Economy: Enhancing Competitiveness*

On the positive side, in 2003, the production of rice, using modern seeds and given a better weather than expected should mitigate the negative externalities and at least make the country rice-sufficient. Not only is productivity in rice cropping expected to increase, but also both supply of rice and lower consumer prices can be expected to stabilize, at least for the year.

While peace and order is worsening, political infighting and gridlock have abated, although the tendency is still there for a return to legislative gridlock and too much politicking.

A new, albeit controversial, political economy is also being set in place, beginning from late last year when the President followed a new tack. Other than reshuffling her cabinet and appointing new Secretaries in the NEDA, Department of Agriculture and Department of Environment and Natural Resources, economic strategy is shifting “from external sources of growth to internal sources of growth, from demand-side stimulus to supply-side productivity and efficiency; from macro-economic reforms to microeconomic reforms.”<sup>236</sup>

For *agriculture*, this means: the removal of quantitative restrictions and the tariffication for rice, sugar and corn; promoting efficiencies in the food supply chain to lower its production cost and eventually, food prices; agro-processing of agricultural products; and strengthening property rights to stimulate investments. Of the last, certificates of land ownership awards (CLOA) can now be used as collateral when borrowing from banks.

For *industry*, the new economic paradigm seeks to support small and medium enterprises, promote housing construction and revive the mining industry, while in *services*, attention is being focused on railway development, airline liberalization for tourism and cheaper travel cost for OFWs, and the demonopolization of ports and modernization of shipping.

All these are expected to lower the cost of doing business and increase productivity that will make Philippine-made product more globally competitive.

All these measures are expected to create jobs, which the MTPDP recognizes as key to poverty alleviation and social inclusion.

In addition, funds are planned to be mobilized by making the BIR a center for excellence, which means for it to collect more taxes, generate more revenues and run after tax evaders.

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<sup>236</sup>Secretary Romulo L. Neri, Director General of the National Economic Development Authority (NEDA), “The Philippine Political Economy and the Convergence of Advocacies for Reforms”, a PowerPoint presentation to the FFW Conference held at the Lotus Garden Hotel on March 28, 2003. The section describing the new politico-economic paradigm was summarized from the same article.

Together with these economic reforms, state institutions are to be strengthened. The justice system will be discouraged from issuing temporary restraining orders and from judicial interventions in business decisions at the same time that the judges will be getting higher pay. Campaign reforms are planned that will provide state- or taxpayer-financing for political parties while the bureaucracy will be streamlined to limit political appointments at the same time that a credible merit system for appointments and promotions will be set in place.

The political economy shall thus be reformed to control vested groups, to put up mechanisms to assure integrity of policies and that will result in constitutional reform, specifically shifting from the presidential to a parliamentary type of government.

Whether these reforms will work in the aftermath of the Iraq War and the SARS pandemic is yet to be seen. External shocks and internal weaknesses continue to plague Philippine development. But so are other countries. In the final analysis, what will make the difference may be how the internal weaknesses of Philippine economy and society can be mitigated or turned into strengths that can make the country run the race of global competition in all fronts.

How Decent Work will configure into this shifting paradigm still needs to be evaluated. Decent Work as concept and program may still meet its acid test in the Philippines.

## **V. THE PEOPLE'S MOVEMENTS, NGOS AND DECENT WORK IN AGRICULTURE**

Past lessons have shown that the government has its own innate inadequacy to respond to issues and provide services at the local levels and articulate the interest of the ordinary people especially the poor. Traditionally, government structures have emphasized large-scale, top-down delivery of services to a wide range of beneficiaries. Programs and implementation mechanisms are often subject to rigid central planning, monitoring and control. Procedures and budgetary allocations tend to be inflexible. Consequently, government agencies have shown limited capacities in mobilizing and involving beneficiaries, and in responding to concrete needs at community level.

Within this context, people's movements such as trade unions, peasant organizations and cooperatives, including the non-governmental organizations (NGOs) have increasingly been recognized as viable and crucial social partners in national development. Given their accessibility and acceptability to grassroots groups, communities, and workplaces as well as their skill and flexibility in using creative means for development work, the people's movements and NGOs have been regarded not only as voices of their respective constituencies but also as vital links between the government and the people. The people's movements and NGOs are seen to play a crucial role in mobilizing not only their constituencies, but also government agencies towards ensuring timely, responsive delivery and utilization of social programs, services and resources.

In the past two decades, the people's movements, and the NGO sector have shown rapid growth, sparked by the democratic space opened by the EDSA I People Power Revolution. Much of the work on development by peoples movements and NGOs in the Philippines has evolved in direct

response to the growing problems of poverty, unemployment and low wages, inequitable access to productive assets and resources, the accelerating destruction of our environment, and the problems brought about by globalization.

By using the Labor Code, CARL, the AFMA and even other related laws such as the Cooperative Code and the Local Government Code as take off points; there has arisen greater possibilities for more pro-active involvement of the people's movements and NGOs in engaging the government to promote decent work in agriculture and the whole country in general. We now ask: What has been the role of people's movements and NGOs in the promotion of decent work in agriculture and the rural areas in general?

### ***V. 1. Description of the Status of Trade Unions and Rural Worker Organizations in the Agricultural Sector***

This year (2003) marks the centennial anniversary of the Philippine Trade Union Movement.

In that span of time, trade unions have established themselves as grassroots-based and independent institutions of democratic society. In that same span of time, the history of trade unionism has been studded with victories and defeats, and many controversies.

In the beginning, the Labor Movement included in its stream and structures both the industrial workers and the peasantry. In the pursuit to improve the lot of working peoples, they have exercised their freedom of association and insisted on their right to free collectively bargaining and concerted action. Upon their struggles, the legal basis that now exists for the protection and promotion of the rights, interests and welfare of working peoples has been established.

The Labor Movement has also been the base of nationalist struggles for self-determination and their organizations gave impetus to and mass following for the rise and fall of political ideologies and ideology-based political parties.

Since late in the '40s, two distinct peoples' movement emerged: the trade union movement for industrial and agri-industrial wage and salary workers and the peasant movement for all types of workers, self-employed and unpaid family workers in rural areas and in agriculture, forestry, fisheries and hunting.

Lately, a re-convergence of these two strands of the movement is happening. On the trade union side, the Federation of Free Workers (FFW) calls this trend as "trade union-social movement";<sup>237</sup> the Alliance of Progressive Workers (APL), simply calls it "social movement unionism". The idea of this changing paradigm is to return to the social movement characteristic of unions in the past, which now finds its impetus in the negative social consequences of globalization, where workers are falling outside the formal and traditional coverage of Philippine unions, and into the unprotected and non-unionized informal sector as well as in risky and hazardous, socially debilitating overseas contract work.

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<sup>237</sup> FFW. *Promoting Decent Work in a Borderless World: Policy and Program of Action. (2001).*

To move with the changing times, trade unions are shifting paradigms, both in their organizing strategies as well as in the delivery of services to their members. Informal sector workers, women, the youth, farmers and fisherfolks are being incorporated into trade union structures.<sup>238</sup> Trade union services are expanding into non-traditional services to cater and respond to the needs of the new sectors, such as entrepreneurship development, vocational and technical skills training, testing and certification, employment counseling, matching and placement, social housing, social credit to name a few. Other types of alliances are being forged, in response both to general and specific issues, involving civil society groups and encompassing groups nationally and globally. Asper summarizes these developments as “organizing differently, bargaining creatively and restructuring the unions”.<sup>239</sup>

A similar trend is observed in the peasant movement. The variety of issues in rural development and agrarian reform and their complications brought about by globalization force inter-sectoral alliances in search of win-win solutions. Macasaet suggests:

“Peasant coalitions and organizations also have to find ways to work more effectively with other sectors, including labor, urban poor, church people and even sections of business.”

“Finally, with increased globalization including agricultural trade liberalization, Philippine peasant coalitions have to strengthen their relations with peasant groups and NGOs in other countries. This could lead to exchanges of information, sharing of experiences and technologies, and global peasant lobby on certain issues of common concern”.<sup>240</sup>

#### **V. 1. (i). *The Legal Basis***

The legal framework is as those discussed in Chapter 3. The legal basis for the recognition or rights and for interest representation varies according to the type of social relations in production that are extant.

For example, employer-employee relations at the workplace are governed by Presidential Decree 442 as Amended, known as the Labor Code of the Philippines. Agrarian relation in the context of Land Reform is now based on R.A. No 6657, otherwise known as the Comprehensive Agrarian Reform Law of the Philippines. The Civil Code and Criminal Code of the Philippines regulate contract and torts between principal and contractor.

#### **V. 1. (i). *The Socio-Economic Framework***

In the Labor Code, government designed, adopted and implemented a policy of tripartism since way back in the early '70s. In agrarian reform and rural development, peoples' participation in development were insisted in the peasant struggles; in any case various types of co-decision making by the parties involved in agrarian relations and in farm activities were already extant. With the enactment of the Comprehensive Agrarian Reform Law, the Agriculture and Fisheries

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<sup>238</sup>See also Sandra Yu. *Trade Unions in the Informal Sector: Finding Their Bearings*. ILO Labour Education. No. 1116. (1999/3); Glenda M. Gloria. *Sorry State of the Unions*. Newsbreak. (May 11, 2002).

<sup>239</sup>Antonio C. Asper. *Trade Union Challenges and Responses*. Souvenir Program for the FFW's 50th Anniversary. (2000).

<sup>240</sup>Sixdon Macasaet. (1999).

Modernization Act, the Cooperative Code and Local Government Code, popular participation in development became institutionalized.

The social partners and stakeholders along varying types, and in varying degrees of participation have subjected these laws and policies themselves to social dialogue. In the process, social dialogue has evolved into a more mature relationship among them. NGOs and POs have learned “political mapping”<sup>241</sup> in their advocacies, and from such lessons, are now more ready, even if remaining critical, to negotiate with the various actors on even the most controversial issues. From such law and policy, there is a slow drift to multi-stakeholders’ social dialogue in both labor and agrarian relations and in industrial and rural development as well.

Participatory development thus frames the relations and laws in rural development and agrarian reform. Upon such policy, the workers’ and peasants’ associations in the rural areas and agricultural sector claim their right to represent their members and the whole sector in organized social dialogue and legal processes.

Currently, there has emerged the model of interest-based negotiations,<sup>242</sup> also variously known as principled negotiations or win-win approach to negotiation. It is a model popularized since two Presidents ago, in the shaping of economic and social policies of government. In this model, bipartite, tripartite and multi-partite negotiations take place. Interest groups, among them the peoples’ organizations or their movements, negotiate a policy that is acceptable to most, if not to everybody. Economic reforms, social reforms, legal reforms, political reforms have been subject of these negotiations in innumerable summits, conferences and meetings.

#### **V. 1. (iii). *Organizational Framework and Structures***

Freedom to associate for all types of organizations is assured by the constitution and statutes, for any purpose not contrary to law or public policy and morals.

For workers in the formal economy in particular, supervisors, confidential employees, regular and permanent rank and file employees, contractual, seasonal temporary and casual employees can join or organize a union of their own choosing. However, supervisors must form a separate union of their own. Managerial employees cannot form unions for purposes of collective bargaining but may organize or join associations for mutual aid and protection and to represent their interests. Moreover, the police, military and fire personnel may not form or join a union for the purposes of collective bargaining but they can form or join an association or organization of their own choosing for any purpose not contrary to law.

Similarly, rural workers and other types of peoples’ organization may form and join associations for any purpose not contrary to law.

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<sup>241</sup>*Political mapping is a tool used to map out the political actors in each issue and where each stand on the issue, leading to more realistic alliances of actors and forces, which can make the process of negotiation more reasonable in that negotiations better focus on interests rather on inflexible positions.*

<sup>242</sup>*Redesigned to fit the Philippine context, the model was first developed in Harvard University by a group specializing in negotiations who drew lessons from their experiences in negotiating, among others, The Law of the Seas, and several UN-based and -initiated multilateral agreement.*

As basic units of their organizations, unions are formed at enterprise levels; peasant associations are formed at the village level.

All types of peoples' organizations may also form or join higher-level organizations for the purpose, among others, of wider coverage and representation in social dialogue. For example, trade unions may form industry-based, craft-based, trade-based or occupation-based federations, either in certain areas only or nationwide. Peasant associations at the village level usually find stronger organizational leverage when they are associated at municipal and provincial levels.

These structures may then form still higher-level organizations, called a confederation or center. At this apex, broad-based memberships become the rule. The more members there are, the better to gain representativity and representativeness.

In the trade union movement, there are more than 10,000 enterprise level unions, more than a hundred federations and national unions, and some 9 labor centers and apex organizations. (*See Box 4.1: "Major Groupings in the Trade Unions, Cooperatives and Peasant Movements"*). Trade union density is low and even negligible.

While no records are available to gauge the number of village level organizations forming the peasant movement, there are around a dozen national groupings whose organizational membership are spread nationwide. (*See Box 4.1: Major Groupings in the Trade Union, Cooperatives and Peasant Movements*)

Peasant organizations and rural workers' associations are more extensive in their coverage of tenants, lessees, small owner-cultivators and beneficiaries of land reform, including organizing contractual and seasonal farm workers. They are usually assisted by NGOs operating in the agricultural sector and in promoting programs for rural and agricultural emancipation and development. Together, and unlike trade unions in the Philippines, their numbers and coverage are such that the Philippines is considered to be one among the Asian countries with high density of peoples' organizations and NGOs.

**Box 4.1 - Major Groupings in the Trade Union, Cooperative and Peasant Movements**

<b>Trade Union Movement</b>	<b>Cooperative Movement</b>	<b>Peasant Movement</b>
<p><b>Trade Union Centers</b></p> <ul style="list-style-type: none"> <li>• Alliance of Progressive Labor</li> <li>• Bukluran ng Manggagawang Pilipino (Solidarity of Filipino Workers)</li> <li>• Congress of Labor Organizations</li> <li>• Kilusang Mayo Uno (May 1 Movement)</li> <li>• Koalisyon ng Progresibo at Makabayang Manggagawa (Coalition of Progressive and National Workers)</li> <li>• Labor Advisory and Consultative Council</li> <li>• National Confederation of Labor</li> <li>• Pinag-isang Diwa ng Maggagawang Pilipino (United Thought of Filipino Workers)</li> <li>• Trade Union Congress of the Philippines</li> </ul> <p><b>Apex Organizations</b></p> <ul style="list-style-type: none"> <li>• Labor Solidarity Movement</li> <li>• Labor Reform Block</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperative Foundation of the Philippines</li> <li>• Cooperative Insurance System of the Philippines (CISP)</li> <li>• Cooperative Life Mutual Benefit Services Association (CLIMBS)</li> <li>• Cooperative Union of the Philippines (CUP)</li> <li>• National Market Vendors Confederation of Cooperative (NAMVESCO)</li> <li>• National Confederation of Cooperatives (NATCCO)</li> <li>• Philippine Federation of Credit Cooperatives (PFCC)</li> <li>• Cooperative Banks Federation of Philippines</li> <li>• Philippine Rural Electric Cooperatives Association</li> <li>• Federation of Transport Cooperatives of the Philippines</li> </ul>	<ul style="list-style-type: none"> <li>• Agri-Aqua Development Coalition – Mindanao</li> <li>• Aniban ng mga Manggagawa sa Agrikultura (Alliance of Workers in Agriculture)</li> <li>• Demokratikong Kilusang Magbubukid ng Pilipinas (Democratic Movement of Farmers of the Philippines)</li> <li>• Kalipunan ng mga Maliliit na Magniniyog ng Pilipinas (Confederation of Small Coconut Farmers of the Philippines)</li> <li>• Federation of Free Farmers</li> <li>• Kapatiran ng mga Malayang Malilit na Mangingisda sa Pilipinas (Federation of Independent Small Fisherfolks of the Philippines)</li> <li>• Kalipunan ng mga Samahang Mamamayan (Federation of Peoples’ Organizations)</li> <li>• Kilusang Magbubukid ng Pilipinas (Peasant Movement of the Philippines)</li> <li>• Pambansang Kilusan ng mga Namamalakaya ng Pilipinas (National Movement of Small Fisherfolks of the Philippines)</li> <li>• Pambansang Kilusan ng mga Samahang Magsasaka (National Federation of Pesant Organizations)</li> </ul>

#### **V. 1. (iv). *Recognition and Acquisition of Legitimate Personality***

Procedures for the acquisition of legitimate personality for the purpose of representation and negotiation vary in each case of social relations in production, but law also ensures effective exercise. However, laws are not necessarily compliant with the Conventions of the ILO on Freedom of Association and the Right to free Collective Bargaining.. Nor are laws consistently and regularly implemented.

For **trade unions**, registration is processed and granted by the DOLE through its Bureau of Labor Relations upon submission of requirements as provided in the Labor Code. A legal process is also mandated, at the end of which a union is registered and gains legitimacy for any purpose not contrary to law and for collective bargaining too.

But before a union is recognized as an exclusive collective bargaining agent, it must go through the process of certification election. Becoming an exclusive collective bargaining agent confers on the union having been so certified the right to bargain with employers on terms and conditions of employment, the result of which is a collective bargaining agreement whose validity is for a certain duration expressed in law and specified in the CBA. A certification election is a process of election where all workers in a defined unit in an enterprise choose among the competing unions who will represent them exclusively in collective bargaining. The union who wins the certification election is recognized as the majority union with the exclusive right to represent workers in all matters pertaining to rights contained in the constitution and the labor code.

It is also possible that elections to determine the exclusive bargaining representative are a choice of having a union or not having one. This is called consent election.

Where no majority vote emerges among several contending unions in a certification election, a run-off election is held between the first two unions that have garnered the highest votes.

In the case of **rural workers' and peasants associations** in general, legitimate personality may be obtained through a process of registration with the Department of Labor and Employment, the Cooperatives Development Authority, the Securities and Exchange Commission and the Insurance Commission in the case of mutual benefit associations. Any one of these agencies that registers an organization confers on it a legitimate personality and entitles it to certain privileges as provided by law.

Such registration enables these associations or social organizations to be recognized as partners in social dialogue at appropriate levels in the shaping of public policy, programs and projects. Registration also confers to these associations the legitimate personality to transact business and run their own affairs in a manner they see most fit, provided only that their activities are not contrary to law, public morals and public policy.

Unlike for unions, the process of registration and acquisition of legitimate personality for peasant associations are simpler and legally less cumbersome. Unlike unions, however, peasant associations are not covered by the guarantees afforded by law for the exercise of the right to collective bargaining and negotiation.

All types of social organizations or civil society groups can exercise self-administration and independence not only in the running of their affairs but also in consolidating themselves into higher forms of organizations and in relating with their various stakeholders.

Their constitution and administrative procedures and structures are substantially self-defined as also in the drawing up of their own policies and programs.

#### **V. 1. (v). *Popular Perceptions of Trade Unions***<sup>243</sup>

A perception survey done by the Social Weather Station in various years about trade unions reveal:

- Membership in unions remained low among respondents in July, 2001 at 4% overall, 3% in NCR, 4% for the rest of Luzon, 4% for the Visayas and, interestingly, 5% for Mindanao;
- Members express confidence in their labor union: just a little less than 6 out of 10 says so in July 2001; the same ratio of members say their unions are more loyal to members than to management; and 7 out of 10 think unions promote members' welfare
- As to perceptions of trade union power, these have changed over the years: from 47% in December, 1993 who believed unions had just the right amount of power, this went down to 33% in September, 1996. A substantial number (33%) in 1993, however, thought that unions had too much power; by 1996, those who thought unions had too much power increased to 39% (far too much registered at 12% while too much computed at 27%).
- Perceptions seem to have changed for the worse on the role of unions in attaining national progress: a little less than 8 out of 10 respondents in December, 1993 say unions are good for the country: 33% said very good and 46% said fairly good. This perception was fairly even in NCR, the rest of Luzon and all of Visayas. It is not so in Mindanao (72%), although the numbers still ran high. Five years after, in July 1998, when the question was negatively phrased, 39% disagreed, 35% agreed and 29% were undecided. This change may be explained by the fact that in 1993, the economy was starting to boom, while in 1998, the impact of the Asian financial crisis began to be felt by the households.
- Perceptions are working against involvement in strike. Between September 1989 and April 1990, the perception that strike is effective in improving workers' conditions went down from +30% net rating<sup>244</sup> to +21%. This was when people's minds were still fresh from their experience of people's power in 1987. Ten years later, in June 2000, when asked whether or not they have ever been part of strikes, only 8% of respondents who had work experience at the time the question was asked said yes, of which 6% among those currently working answered yes, and among the unemployed only 2% said yes.

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<sup>243</sup>Based on Geraldine Asis and Ma. Aurora Gelveson. *Philippine Labor Concerns: Labor Unions, Collective Action and Child Labor. SWS Survey Snapshots. Vol. III, No. 5. (May 2002).*

<sup>244</sup>Net rating is the difference between the positive and negative answers, in percent.

- Perceptions seem to tell that labor-management cooperation is taking shape while conflict between workers and the middle class is shaping up. Tested for conflicts among interest groups: between working and middle class, half of the survey respondents in 1992 said not very strong; but seven years after, only 30% were of the same opinion. When conflicts between workers and management were taken into account, 54% of the respondents in 1992 said it was strong, but seven years later only 42% were of the same opinion. This trend worked its way up in the battle to oust then President Estrada, a rich-man actor-politician who is perceived, because of his movies, as a champion of the poor. The 1999 putsch that successfully ousted him was initiated and manned by the middle class.

Along or against these perceptions, are the following realities:

- Trade union membership is higher than perception would have, at more than 10% of the total labor force; such ratio has been constant over the past five years. Coverage of collective bargaining agreement, however, is even lower than the results of the perception survey, at about 2-3 percent of the labor force.
- Collective bargaining agreements usually improves on the minimum standards set by law, and unions which have successfully negotiated their collective bargaining agreements could better protect the covered workers than the non-covered ones. In any case, workers covered by collective bargaining agreements receive better economic benefits and can secure their jobs better compared to the non-unionized, non-covered workers;
- Trade unions are more independent and self-reliant than other grassroots-based peoples' organizations, in the sense that they enforce a dues system to finance their activities, even as they also access resources from external donors or grantors.
- The power of trade unions and peasant organizations does not only reside in their numbers inside the country or because of their ability to mobilize, undertake concerted action or go on strikes. Affiliation to known world trade union and farmers' bodies enable them to draw solidarity support from fellow unionists worldwide and to be represented in international governmental organizations through their world trade unions. Global workers' solidarity is especially effective in the formulation and enforcement of international labor and agricultural standards, global support for national enforcement of freedom of association and the right to free collective bargaining and implementation of agrarian reform where necessary. In the Philippines trade union and peasant associations gain additional power in their ability to elect their party-list representatives in the legislative body.
- The incidence of strikes, measured by the reports of the DOLE, have been consistently going down in the past decade;
- Tripartism and social dialogue have gained widespread acceptance and practice in labor and agrarian relations and in industrial and rural and agricultural development. Tripartite representation or social sector representation come about through legislative enactment or executive orders or through Memorandum of Agreements and is practiced in more than 23 agencies or bodies of government where labor sector representatives have been appointed. A

similar arrangement exists for the peasant sector. In either case, two contentious issues remain to be solved: who effectively selects the representatives and how effective and accountable are the representatives.<sup>245</sup>

#### **V. 1. (vi). *The Role of Trade Unions and Rural Worker Organizations in Improving the Quality of Life of Rural Workers***

Trade unions usually operate and recruit members in plantation and non-plantation establishment where employer and employee relations exist. The Labor Code of the Philippines governs the labor relations system among these types of workers, from the time an exclusive representative is chosen in a certification election, through the process of collective bargaining, up to the time that disputes are settled in machinery especially set up for the purpose. However, unions mostly cover regular and permanent farm workers for the purpose of bargaining collectively with employers. Contractual and seasonal employees, in practice, are often left out of the coverage of CBAs, despite the fact that the Labor Code allows for their coverage for purposes of union membership, collective bargaining and dispute settlement within the plant or in public adjudicatory bodies or disputes settlement machineries.

In addition, trade unions carry out activities in behalf of their members in several respects, including:

- Bargaining collectively to improve economic benefits and protect and promote political rights at the workplace;
- Handling grievances towards settling in-plant disputes that arise in the course of employer-employee relations;
- Providing legal services for members during collective negotiations or in the event that in-plant grievances mature into out-plant cases or in legal cases that are civil and criminal in nature involving their members or the union itself;
- Conducting workers' education, training and research, to raise members' awareness of their rights at work and in aid to policy development and advocacy;
- Undertaking social and economic programs and projects, such as skills training, testing and certification, employment matching and counseling, entrepreneurship development or livelihood to supplement economic gains in collective bargaining or as an alternative to workers who are displaced;
- Forming cooperatives such as credit unions and consumers' and service cooperatives;
- Participating in social dialogues, consultations and other fora that discuss social and economic policy at meaningful political levels of government, and representing their members in tripartite bodies;
- Participating in party-list elections to implant their leaders in legislative bodies.

Peasant organizations and rural workers' associations undertake activities that protect and promote the rights, interests and welfare of their members. These activities include:

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<sup>245</sup>This is a subject of inquiry in a study about to be published by the Institute for Labor Studies of the Department of Labor and Employment, a draft of which has undergone consultation and feedback from the various unions. See also Macasaet, "Situationer on the Peasant Movement in the Philippines: a summary", 1999

- Promoting livelihood and improving farm productivity;
- Negotiating with government for policies, programs and projects that will improve the welfare of farmers, fisherfolks, and forestry workers or representing their members in various types of social dialogue;
- Lobbying the legislature for the passage of social legislation and economic policies or participating in party-list elections to place their leaders in legislative bodies;
- Participating in public and semi-public agencies where policies and programs concerning agrarian reform and rural and agricultural development are discussed and framed, and representing the peasant sector in public and semi-public bodies that require such representation;
- Defending members' cases in the DARAB on issues concerning land transfers and leasehold rights;
- Dealing and relating with traders and manufacturers to negotiate better prices for their produce;
- Organizing cooperatives for economic upliftment as well as for social protection of their members such as promoting community- or sector-based health insurance and social insurance among their members who are not covered by existing institutional and public schemes;
- Conducting education and training similarly as trade unions do and for similar purposes.

**V. 1. (vi). a. *Public Policy Advocacy and Reform: CPAR and AR-NOW Experiences***

The current themes of peasant advocacies include: fast tracking CARP; rationalizing land and water use and opposition to converting prime agricultural lands into industrial use. In agriculture, current advocacy themes include: anti-GMO, opposition to removal of protection to agriculture under WTO commitments, opposition to privatization of the NFA, promotion of sustainable agriculture, pursuit of domestic food security, and increase budget for agriculture and agrarian reform.

Many POs and trade unions are active in peasant mobilization both at national and provincial levels. One good example of PO coalition building on the national level is the CPAR.

In May 1987, a conference of some 150 NGO and farmer leaders, called the Congress for a People's Agrarian Reform (CPAR), succeeded in establishing broad consensus on 8 common agrarian reform proposals. A National Coordinating Council (NCC) was set-up, composed of 14 peasant representatives, and a National Secretariat with 13 NGOs. This marked the emergence, for the first time in history, of such a broad coalition of peasant groups and NGO advocates spanning the entire political spectrum.

The subsequent lobbying work of CPAR focused on the Cabinet Action Committee (CAC), which was then drafting a proposed agrarian reform Executive Order, the President herself, and later the Congress. The original House Bill 400 that would be adopted as the Comprehensive Agrarian Reform Law was written entirely by CPAR, based on the documents approved by the original Congress in May 1987. Lobbying Congress turned out to be a long drawn battle, with the gradual watering down of House Bill No. 400.

The rest is now history. After EO 228 and 229 and RA 6657, CPAR, along with its member organizations formally denounced the laws. In July 1988, CPAR formally launched the People's Agrarian Reform Code (PARCODE), which it actively campaigned for through a massive 2.5 million-signature campaign nationwide.

CPAR as the main peasant/NGO forum for agrarian reform advocacy likewise conducted regular consultations, fact-finding missions and case documentations and engaged in specific policy discussions.

After the demise of the CPAR, there was a noticeable decline in public interest in agrarian reform and agricultural issues. So in January 1997 a group of 10 NGOs and 2 peasant organizations—the AADC and the PAKISAMA came together to form the AR-NOW.

The AR-NOW was established to work for the re-inclusion of agrarian reform and agricultural issues in the public agenda. It sought to gather public support for the faster distribution of private agricultural lands and the eventual completion of CARP. This involved direct lobbying on agrarian reform related activities with Congress and the bureaucracy and using public mass media to highlight problematic agrarian reform cases.

However, the coalition only became publicly known when it acted as support group to the famous Mapalad Farmers' hunger strike in that same year.

#### **V. 1. (vi). b. *Partisan Political Activity and Independence of Action***

The peasant movement in particular has had more success than trade unions in the political and electoral arena.

Under recent constitutional arrangement for party-list representation in the legislative body, the peasant together with the women, urban poor and veterans are the few sectoral groups that managed to capture seats in the lower house in the May 1998 Elections. The peasant parties such as the BUTIL, ABA, ABS, BIGAS garnered 13 percent of the total votes cast for the party-list representation.<sup>246</sup> Trade unions also organized or joined partylist groups such as the AKBAYAN, SANLAKAS and BAYAN that have won congressional seats. Further major and minor trade unions have established their own partylist group but have not won in the 1998 elections.

Together with some political movements and NGOs, the peasant associations have been more effective in lobbying for laws and policies that promote and protect their interests. Nevertheless, even the peasant movement evaluates its political representation as minimal and lackluster, as evidenced by the many loopholes in the laws and policies related to agricultural and fisheries modernization, agrarian reform and rural development.

The question also arises whether such politically partisan activity like electoral politics will not compromise the independence of trade unions and peasant organizations. The continuation of these organizations even as they engage in partisan political activity should not in anyway

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<sup>246</sup>Agustin Martin Rodriguez and Djorina Velasco. *Democracy Rising? The Trials and Triumphs of the 1998 Party-List Elections*. (Institute of Philippine Politics and Governance, Quezon City, 1998).

compromise their self-administration nor their capacity to take on and carry out activities in pursuit of sectoral interests and in the defense of their basic rights, merely because they opposed the political party or leaders that has won the elections or have assisted them in the past for whatever reason.

#### **V. 1. (vi). c. *A Case of Promoting Non-Traditional Trade Union Services***

The *Kaunlaran ng Mangagawang Pilipino, Inc. (KMPI) or Workers Fund* (See Annex 4.1), is an example of a pioneering effort of the mainstream trade unions to develop and implement non-traditional trade union services that promotes decent work, such as socialized housing and credit for formal and informal urban workers. It was organized by the three labor centers, namely, the Federation of Free Workers, the Lakas Manggagawa Labor center and the Trade Union Congress of the Philippines. The KMPI has tried out programs on the development of cooperatives and entrepreneurial ventures of trade unions and/or their members. It is presently promoting social housing for the members of its trade union partners and is venturing into skills training and equivalency, testing and certification programs for the same membership.

#### **V. 2. *The Contribution of the Cooperative Sector in the Promotion of Decent Work***

##### **V. 2. (i). *Nature and Role of Cooperatives***

Cooperatives are universally accepted for their value, and the role they play, in society. The policy statements of global and national conferences and bodies have always been supportive of its role in the development of the rural poor and of rural society in general. The Peasant's Charter of the Food and Agriculture Organization (FAO), the policy pronouncements of the various World Food Summits and Conventions of the ILO hold that governments should promote not only rural worker organizations and associations but also cooperatives to strengthen the participation of the rural poor in decision-making and in the implementation of rural development programs.

In the Philippines, it is the declared policy of the state to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. It is likewise State policy to create an atmosphere that is conducive to the growth and development of cooperatives.

Towards these ends, the government tries to ensure the provision of technical guidance, financial assistance and other services to enable said cooperatives to develop into viable and responsive economic enterprises.

Cooperatives refer to self-help organizations registered under the Cooperative Code of the Philippines or RA 6938 as full-fledged cooperatives with ongoing business concerns. These coops are normally classified as credit, producers, consumer, marketing, service or multipurpose cooperatives (MPC) depending on their core business. These may also be typified as primary and secondary or tertiary cooperatives.

MPCs are generally sub-categorized into agricultural and non-agricultural. This is not to say that the MPCs are the only cooperatives allowed to operate in the rural or agricultural sectors. There

exist single purpose cooperatives operating and catering to rural workers in general as well as special primary cooperatives, such as the cooperatives of agrarian reform beneficiaries (ARB) that are organized to cater basically to the needs of the agrarian reform beneficiaries and are included under the agricultural multipurpose coops.

Secondary or tertiary cooperatives are unions or federations that are composed of two or more primary cooperatives operating on the municipal, provincial, or national levels. Examples of federations are the National Confederation of Cooperatives (NATCCO), the Cooperative Union of the Philippines (CUP), Philippine Federation of Credit Cooperatives (PFCCI), and Market Vendors Cooperative Services Federation (NAMVESCO). See also Box 4.1.

Cooperatives are also private enterprises subject to the discipline of, and competition in, the market. At the same time, since these are owned by the workers or farmers themselves, the gains accrue to them alone in a proportion to their capital built-up and are not appropriated by the capitalist or landlord class. Cooperatives in this sense can promote economic growth with equity.

## **V. 2. (ii). Status of the Philippine Cooperative Movement**

For the period January 1 to December 31, 2002, the CDA<sup>247</sup> has registered a total of 2,720 coops. Of the total coops registered during the period, 2,194 are multipurpose types. Among these, 948 or 34.8% are engaged in farming, fishing and other agri-related activities.

According to the chief of the Cooperatives Development Authority (CDA) Planning Division,<sup>248</sup> the ARB coops assisted by the Department of Agriculture (DAR) are already included in this figure.

With these newly registered cooperatives, the *total number of registered/confirmed cooperatives* throughout the country reached 63,946 as of December 31, 2001. Of these 34,201 or 53.5% have been classified as agricultural Multipurpose Cooperatives (MPCs).

However, being registered with the CDA does not necessarily mean that all of these coops are fully operational. Based on the record of the CDA 33,524 or 52.4% have been classified as **operating coops**. The rest are either non-operational, dissolved or had their licenses cancelled. There are no reports of how many of these operating coops are agricultural in nature. It also does not necessarily follow, moreover, that the other type of cooperatives, which are mainly single purpose are only urban based. It is not hard to imagine that a substantial number of the single purpose cooperatives are based in the rural areas and catering to largely agricultural constituency.

**Per Region**, Since 1992, the cooperatives sector has been growing at rate of 8%. The Autonomous Region of Muslim Mindanao (ARMM) registered the fastest growth rate of 88%, followed by Region XI at 14%, and Regions II and V at 12%. The ARMM is a special case because legally registered cooperatives started sprouting again in 1998, the reason being that many of the Official Development Assistance (ODAs) and special foreign assisted projects may have encouraged such

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<sup>247</sup>CDA. *Selected Statistics*. (CDA, Quezon City, 2002).

<sup>248</sup>Based on interview with Ms. Marilyn Estrella, Chief, Planning Division of the CDA.

growth; and considering that the ARMM is one of the conflict ridden and poorest region in the country.

The following regions registered the highest number of operating cooperatives: NCR (16%), Region II (12%), ARMM (10%), Regions III (8%), Region VI (7%) since 1990.

***In terms of membership size***, the registered cooperatives reported a total membership of 3,082,726 as of December 31, 2002 or an average of 92 members per operating coop.

Many of these primary cooperatives are affiliated with the existing federations or unions (secondary cooperatives) in the country. To date there are 710 federations or unions nationwide (see also Box 4.1).

A total of 2.1 billion pesos ***capital build-up (CBU)*** fund was generated by the cooperatives for a period of eight years from 1995 – 2002 growing at the rate of 13% per year. The top five regions that have experienced significant CBU growth rates are Regions VIII (2,075%), III (456%), VII (142%), CARAGA (137%) and V (92%). The regions with least growth rate in CBU are Regions II (4%), NCR and VI with 7% respectively.

Likewise ***savings generated*** by the coop sector totaled to 3.4 billion pesos. This was accumulated for the past eight years from 1995 to 2002 with average growth rate 37%. The top five regions that posted high savings growth rate were Regions III (2,697%), XI (266%), VIII (229%), V (175%), and CAR (115%).

***In terms of product volume sales***, the gross exchange of goods and services of the cooperative sector in both the domestic and foreign markets amounted to P19.4 billion pesos in 2002. The volume of business transaction of the coop sector is growing at an average rate of 12% a year.

Cooperatives from regions V (826%), XI (159%), II (138%), IX (120%) and IV (118%) exhibited the fastest growth rate in business transactions for the same period.

#### **V. 2. (iii). Cooperatives and Decent Work**

##### **V. 2. (iii). (a). The Role of Cooperatives in the Promotion of Decent Work**

Like any other developing country, the Philippines is still generally dependent on agriculture to make its economy grow. A great number of its people live and work in the rural areas where agriculture is the dominant economic activity. Clearly, to develop agriculture is to develop the rural area and to reduce poverty.

Poverty is widespread in the rural areas. Agriculture can only offer seasonal jobs to people. Between planting and harvesting, they are jobless. The rural poor cannot develop into a mature rural entrepreneur without help from others simply because of the painful reality of their poverty profile as described by the World Bank.

However, with a strong and enduring social and economic cooperation among the rural poor, they can positively contribute in a collective way to their own self-development and in the development of the rural areas. The socio-economic empowerment rural worker provides an effective weapon in fighting the miseries and indignities of poverty. Cooperatives are one of the better organizations that can contribute towards this end.

Through cooperatives, the rural workers can secure timely credit at reasonable interest rates. They can use their cooperative loans for putting up their non-farm microenterprises, such as backyard piggery, poultry, garden, and other socio-economic ventures. This way, their dependence on usurers are minimized, if not eliminated all together. In addition, their production inputs, like fertilizers, seedling, chemicals, etc., can be purchased on a wholesale basis by their cooperative and resold to its peasant members at reasonable prices. This can reduce their farm production expenses. Likewise, their products can be sold direct to the buyers through their cooperative using its economic scale as leverage. This means the rural worker can get competitive prices and marketing terms for their goods or services than those offered by traders or middlemen.

The cooperatives can also stimulate savings growth in the rural areas gathered from the collective deposits of the rural workers.

Cooperatives provide all the economic advantages and opportunities for the poor people to improve their conditions. The other social partners like the peasant associations, trade unions and NGOs, or the government extends financial and technical support to cooperatives. There are many success stories about cooperatives that have greatly improved the social and economic conditions of rural communities. The *Diffun Credit and Development Cooperative* is one of them (See Annex 4.2).

#### **V. 2. (iii). b. Impact of Cooperatives as perceived by the people**

In two national surveys conducted in 1991 and 1992, respectively, the Social Weather Station (a local polling agency)<sup>249</sup> tried to assess the impact of cooperatives on the lives people based on their perception. These were their findings:

- Cooperatives were present in 45% of all communities in the country.
- Only 19% of Filipinos were cooperative members. The vast majority of 73% never joined a cooperative.
- Among the respondents of 1991 Survey of Rural Welfare, 18% were cooperative members.
- Cooperative members are generally satisfied with the services of cooperatives with a margin of satisfaction of +55 percentage points.
- Among non-members, there was widespread interest in joining cooperatives. 58% said they were willing to join.

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<sup>249</sup>Dennis Arroyo. *SWS Survey Findings on "Cooperatives: Presence, Membership and Performance."* SWS Bulletin 92-23. (SWS, Quezon City, 1992).

- The plurality of members (27%) thought of cooperatives as an organization that helped the poor to become self-reliant. Related concepts included “an organization for the poor” (23%), and a group that “helped develop the livelihood of its members” (22%).

### **V. 3. *The Contribution of NGOs in the Promotion of Decent Work***

#### **V. 3. (i). *Rationale for NGOs***

From the very beginning, its precursors and modern-day NGOs have been involved in the promotion of decent work activities, although it is called by different names. The activities of NGOs, which earlier started, with local, community-focused activities, have shifted significantly over the years towards more strategic thrusts and objectives. Today, NGOs are addressing the public sector with a more confident development agenda. They have increasingly challenged development paradigms that purvey conventional top-down approaches and purely “growth-oriented” strategies to development.

A new kind of NGO leadership has also emerged that is radically different from the character of leadership in government and official circles. A “facilitative-and catalytic-type” of leadership, as opposed to hierarchic leadership in government is now the norm in the NGO sector that is aimed at promoting broader people’s participation, reinvigorating community-level people’s initiatives, and at influencing the directions of national policies and programmes.

Over the years, one persistent issue that has figured prominently in the NGO development agenda is agrarian reform and rural development. As with most public and private development agencies, NGOs recognize agrarian reform and the development of smallholder agriculture as the key to the promotion of decent work in the countryside.

#### **V. 3. (ii). *A Profile of the Philippine NGO Sector***

A study made by the Asian NGO Coalition in 1989 had the following findings:<sup>250</sup>

##### **V. 3. (ii). a. *Extent and Coverage***

There were roughly between 18,000 to 20,000 NGOs in the Philippines at the time the study was made.<sup>251</sup> This figure includes all registered organizations that are considered as private in nature, and includes civic clubs, professional associations and private foundations. However, many of these organizations can hardly be termed as “development-oriented”.

An initial database of the better-known development-oriented NGOs was done by ANGOC in early 1988 that accounted for some 1,500 NGOs to be such. A large number of these are involved in rural development activities. Most of these NGOs are affiliated with one of the 17 existing national and regional NGO networks in the country. Most if not all of these networks in turn are

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<sup>250</sup>ANGOC. *Strategic Assessment of Non-Government Organizations in the Philippines. (1989).*

<sup>251</sup>Ledivinia Carino estimated that there may be around as many as 68 thousand NGOs in the Philippines as cited in her paper *Size and Contour of the Sector in Between the State and the Market: The Nonprofit Sector and Civil Society in the Philippines. (NCPAG, UP, Quezon City, 2002).*

part of the mega-apex NGO umbrella - the Caucus of Development NGO Networks (CODE-NGO).

**V. 3. (ii). b. Definition of “Development NGO”**

Development-oriented NGOs are also known as “social development agencies (SDA)” or “private voluntary organizations (PVO)”. Popular usage of the term “NGO” refers to intermediary, servicing organizations, as distinguished from the term “people’s organizations (POs)”, which refers to grassroots associations of the “beneficiaries” themselves.

Based on a the study of ANGOC, NGOs are perceived and defined as:

- Private, non-profit voluntary organizations that are committed to the task of what is broadly termed as “development”;
- Established primarily for civic service’ religious, charitable and/or social welfare purposes;
- Relatively small, and flexible structures with their services focused on marginal groups in the urban and rural areas;
- Undertaking activities covering a wide spectrum ranging from technical aspects of productive activity to such socio-economic aspects as planning and information systems, education, organization, etc.
- Having farmers, women, tribal minorities, squatters, youth and others as target clientele;
- Generally people-oriented with a firm conviction on the need for people’s participation in decisions and processes affecting them; and
- Generally having formal registration with certain government agencies either as foundations, associations, or non-profit corporations.

**V. 3. (ii). c. ANGOC asserted that the following institutional characteristics are common to NGOs**

*Non-Profit Oriented.* Funds are raised mainly from membership contributions or donations. Other means include public donations, grants from allies NGOs, local and international funding institutions, as well as payments for services contracted and rendered. Unlike stockholder-corporations, none of the funds generated are distributed among members. All “profits” are plowed back to administrative and field activities designed to meet the social objectives of the NGOs. In fact, one common characteristics of NGO is their dependence on external funding – grants, subsidies – to initiate and sustain their operations.

*High level of volunteerism.* Most NGOs pay fulltime staff at relatively lower rates compared to the private, or even public sector. Members tend to view their participation in NGOs as a concrete expression of their service and concern about pressing issues. Indeed, a distinct moving force of an NGO is the presence of committed and motivated personnel who despite the low remuneration and high risks involved, have opted to work for the marginalized sectors. Some NGOs are so poor that any time, efforts or resources are diverted to organizational work that tends to compete with their survival needs. On the whole, there is a high level of commitment to development work and objectives.

*Flexibility.* NGOs are organizationally flexible and are relatively free from the bureaucratic red tape attendant in government service. It has been observed that most NGOs are relatively small and have at most only two hierarchical layers above the general membership for policy and decision-making. For small local NGOs, policy and decision-making are often arrived at as a single body, in a general meeting. NGOs tend to see their flexibility as a source of strength, enabling them to be innovative in their programmes and approaches. Personnel place high value on their independence and autonomy, and tend to shun bureaucracy.

*Grassroots orientation.* Most NGOs operate at local level directly among their target communities; others provide intermediary support services (i.e. legal assistance) to local organizations/communities. Such arrangements make for very strong grassroots orientation among NGOs.

### **V. 3. (ii). d. Profile of NGOs**

Another study,<sup>252</sup> this time done by the CODE-NGO in year 2000 that covered 726 NGOs uncovered the following profile:

*Base of Operation:* ...likely to be based in the urban areas, primarily in large urban population centers, such as Metro-Manila, Davao, Cebu and Iloilo. The regions with the least NGO are the northern Luzon regions, except for the Cordillera Autonomous Regions (CAR), Central Mindanao, and the ARMM. More so, these NGOs are not likely to be present in the poorest 20 provinces of the country except in Bohol, Sorsogon, Cotabato and Leyte.

*Organizational Age and affiliations:* ... mostly established in the last few years of the Marcos regime and the early years of the Aquino administration. NGOs established after the financial crisis have a significant drop out rate. Most of the NGOs during the last decade were founded in Metro Manila and Luzon. The younger NGOs were likely to be linked to government institutions and corporate foundations.

*Accreditation:* ... accredited with government both on the national and local levels. Such accreditation confers the recognition of an NGO not only as a viable vehicle for social and economic development but also as a viable partner for nation building.

The same CODE-NGO study shows the significant activities of NGOs as follows:

*Education and training and community development* remain to be the two major thrust of NGOs, which is its traditional area of expertise. However, *sustainable development and the environment* are now emerging as the third priority theme of NGOs. A smaller proportion of NGOs are involved in sector specific type of work, such as labor organizing and urban poor/socialized housing.

*Few NGOs implement direct asset reform programs* such as agrarian reform and rural development, urban poor and socialized housing, or upland development, perhaps because most of

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<sup>252</sup> Philip Tuano. *Philippine Development NGOs - Analysis and Trends. Philippine NGOs: A Resource Book of Social Development NGOs. (Association of Foundations, 2001).*

these programs are prone to political conflict and are therefore more difficult to implement. Asset reform programs have long gestation period and require larger investments.

On the other hand, *health and nutrition services, enterprise development and social services*, which entails the efficient delivery of quality services are ranked high among the work of NGOs. These programs can be easily assessed, their impacts more easily measured, and their implementation less controversial.

In the same vein, *education and training, advocacy and networking* rank the highest among the core competencies of the NGOs. Together with the fact that a significant amount of respondents are accredited with local governments, these bode well for the further institutionalization of NGO programs in the local levels.

As to *clienteles or sectoral partners*, the most popular sectors that NGOs are working with are youth and children and women sectors. This is followed by NGOs working with rural-based entities, including peasants, fishers and indigenous people.

*External funding*, primarily from foreign foundations and bilateral grants, still makes up for a huge portion of sources of NGO funding. Only a quarter of the funds are internally generated, of which, *endowments* comprise a large portion.

The *most financially vulnerable NGOs* are those found outside Metro-Manila. These NGOs are typically small in terms of staff size (10 full time staff and below) and expenditures (spending P2 million and less) and are more likely to have been established between 1980 and 1995. These NGOs are involved with labor organizing, legal services and run gender programs. Their core competencies lie with related to advocacies, counseling and community organizing. Their clientele are veterans, disabled and senior citizens.

The *most financially viable NGOs* are those in Metro-Manila. They are typically the largest in terms of staff size (30 full time staff and above) and expenditure (P5 million or more), and are likely to have been established before 1981 or after 1995.

These NGOs are likely to be involved with sustainable development and the environment, micro-credit, and science and technology; their core competencies lie with activities related to lending and financing, technology transfer and sustainable integrated area development. Their likely clientele are women, youth and children.

### **V. 3. (ii). e. *Some Issues Regarding PO-NGO Relations***

While non-governmental organizations (NGO) play important roles in the social dialogue to realize decent work, their relationship with their principal partner which is the peoples' organizations (PO) should nurture independence of actions and convergence in goals and objectives. POs particularly have raised the question of NGO "monopoly" in cornering financial support and undue influence in the decision-making processes of POs. This is also reflected in discussions leading to the adoption of policies and strategies in advocacy work, and in the implementation of externally-assisted projects and activities. POs claim they are being used by

NGOs while external agencies assisting them would rather deal with NGOs because of their facility and professionalism in planning, implementing, monitoring and evaluating community-based and grassroot-oriented development projects.

**V. 3. (ii). f. NGO Involvement: Some Recent Examples of Decent Work Related Activities**

***Case Study: Integrated, Area-based Support Services: the TRIPARRD Experiment***

The Philippine Partnership for the Development of Human Resources in Rural Areas (PHILDHRRRA) just concluded a six- year pilot project for the integrated delivery of support services to farmers, called the Tripartite Partnership for Agrarian Reform and Rural Development Implementation (TRIPARRD)<sup>253</sup> in three provinces. These provinces are Antique, Bukidnon and Camarines Sur.

The pilot project was initiated in cooperation with the Department of Agrarian Reform. Through the TRIPARRD, the PHILDRRA was able to promote agrarian reform and productivity enhancement measures within framework of sustainable agriculture at the ground level.

The TRIPARRD project adopted a tripartite partnership among: government, peoples' organizations (POs) and non-governmental organizations (NGOs) in order to perform the following activities, namely: 1) land transfer or leasehold, 2) social infrastructure building, and 3) productivity. The success of this experience has become the basis for government to adopt the tripartite approach in pursuing agrarian reform and rural development.

• ***Other Forms Technical Assistance on Sustainable Agriculture and Marketing***

Apart from militant peasant mobilizations, NGOs in collaboration with POs have likewise helped in the ground implementation of agrarian reform and sustainable agriculture. Some examples follow:

- The *Mindanao Center for Rural Life*, for instance has become famous for the development and promotion of the SALT ( Sloping Agricultural Land Technology) technology used in reducing soil erosion in upland areas. The technology links reforestation with farming, based on the use of *Leucaena* tree or commonly known as *ipil-ipil* in the Philippines.
- The *MASIPAG*, a network of agricultural scientists, peasant groups and NGOs has been recognized for its effort to promote and develop traditional rice varieties in the country that require less expensive inputs, if not zero chemical input.
- The *AID Foundation* in Negros Oriental has specialized in the development alternative irrigation pumps such the treadle pumps that are low-cost and friendly to women farmers.
- Alternative trade groups like the *Altertrade* and *UNAC* have started marketing, developing and packaging the products of small farmers both for the local and the export market. Their efforts are paying off such that popular supermarkets are starting to accept the products of their peasant clientele.

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<sup>253</sup>PHILDHRRRA. *TriPARRD Report 1994-1998*. (PHILDHRRRA, Quezon City, 1998).

#### ***V. 4. Trends in Promoting Decent Work: the Experiences of Peoples' Movements, Cooperatives and NGOs***

Based on their experiences, the role of POs-Coops-NGOs may be summed up as follows:

##### ***V. 4. (i). Creating public awareness and crystallizing the political will for Decent Work.***

Social legislations such as labor standards and agrarian reform have usually been results of, or responses to, concerted actions and specific rural workers' demands at different periods of time.

Where wealth and power have historically been concentrated with a privileged few, the political or economic elite always wants to retain their base of power. They have been able to do this through a system of patronage and by blocking people's participation in development. The POs-Coops-NGOs are established to reverse this situation: not only by delivering direct services, but also by catalyzing action to articulate public demand from below.

Organization and education, emanating at the grassroots level, are powerful tools for people's empowerment especially when accompanied by popular mobilization and action.

##### ***V. 4. (ii). Ensuring public accountability.***

POs-Coops-NGOs provide a valuable source of feedback on the implementation of Decent Work programs, given POs-Coops-NGOs direct link in the communities they work with. Farmer-beneficiaries and other disadvantaged sectors targeted by programs can freely air out their criticisms and suggestions because of the mutual trust that has been established between these groups and their respective constituencies over the years. In this manner, a free flow of information will be assured and deviations from the program may be immediately corrected.

##### ***V. 4. (iii). Providing direct support services.***

Though government recognizes that support services are essential components to employment generation, land reform program, and agricultural development, the timely and effective delivery of these services would have to be worked out by the implementing agencies. In this respect, POs-Coops-NGO experiences in development work and their non-bureaucratic character could come in handy for the development of a responsive delivery mechanisms.

##### ***V. 4. (iv). Piloting innovative approaches and strategies.***

The size and flexibility of POs-Coops-NGOs allow ample space for innovation and local adaptation. They can experiment with new ways and approaches in carrying out a program. The ability to be flexible and innovative is important in implementing Decent Work programs where people's participation is a must.

#### **V. 4. (v). Bridging government agencies and rural communities.**

The ability of POs-Coops-NGOs to work closely with the rural poor and their recognition by the government as partners in the development process provide these groups a unique role in acting as link or bridge for both parties. POs-Coops-NGOs can facilitate the delivery of government services to the farmers while encouraging rural communities to participate meaningfully in the programs.

## **VI. ILO, DECENT WORK AND THE PHILIPPINES**

Having been a member of the ILO since 1948, the Philippines has ratified 30 Conventions, 28 of which are in force (*Table 5.1: List of Ratification of International Conventions, Philippines in Annex*). The ILO considers the performance as below average, when reckoned against all ILO Member States, but better than most of its Asian neighbors.<sup>254</sup>

### **VI. 1. “Deficits”**

Except for Convention 29 (Forced Labour Convention, 1930), the Philippines has ratified the seven other “fundamental” Conventions (*Table 5.2: Ratification of the ILO Fundamental Conventions, Asia in Annex*). Even then, ILO notes five kinds of “deficits” in the country’s compliance: **non-ratification** of core Conventions considered important by ILO and its constituents in the Philippines; **inconsistencies** between ratified Conventions and national law; **weak application** in practice and enforcement of ratified Conventions; **serious problem in working children**; and, **limited legal and social protection** of OFWs.

#### **VI. 1. (i). Non-Ratification**

Of the four other “core” Conventions, only Convention No. 122 (Employment Policy Convention, 1964) and Convention No. 144 (Tripartite Consultation (International Labour Standards, 1976) have been ratified. The two others are not even being contemplated for ratification: Convention No. 18 (Labour Inspection Convention, 1947) and Convention No. 129 (Labour Inspection (Agriculture), 1969). Of importance to the constituents of ILO in the Philippines, conventions relating to migrant workers, merchant shipping, occupational health and safety and indigenous and tribal peoples have also not been ratified.

#### **VI. 1. (i). Inconsistencies**

The ILO’s Committee of Experts has time and again called the attention of the Philippine Government on inconsistencies between the national law and Convention 87 (Freedom of Association and the Right to Organize Convention, 1948) in regard to: “numerical requirements to set up a union, a federation or national union; the extensive powers given to the Secretary of Labour and Employment to submit certain disputes to compulsory arbitration, thus making strikes illegal when such assumption takes place; and the determination by the President of the industries

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<sup>254</sup> ILO, “Action Programme for Decent Work: Philippines,” (Makati: ILO, May 2002).

indispensable to the national interest” that makes strikes in industries deemed even arbitrarily by the President as indispensable to national interest, as well as the “speedier disposition of labour cases” that tends to weaken freedom of association.

The on-going review of the Labour Code would tend to correct these inconsistencies. In addition, the newly adopted Implementing Rules and Regulations for Book V on Labor Relations are much better aligned to the Conventions, whose outcome was the product of tripartite consultation in the Tripartite Industrial Peace Council.

The same Committee of Experts has expressed the opinion that the curtailment of the right of public sector employees not engaged in State administration to negotiate terms and conditions of employment violates Convention 98 (Right to Organize and Collective Bargaining Convention, 1948). The Committee also “raised concerns with regard to provisions of the existing Penal Code” that may be inconsistent with Convention 105 (Forced Labour Convention, 1957).

#### **VI. 1. (iii). *Weak Application***

Concerns have also been raised by the ILO on effective compliance at the workplace to the Conventions, specifically as these apply to workers in the informal sector, women, overseas Filipino workers, and working children.

While the national legal bases will take longer time to correct, and as debates between compliance and “flexibility” are still raging, current thinking among the social partners is moving towards the direction of precisely amending the Labor Code to expand its coverage to the marginalized and most vulnerable sectors in order to spread the mantle of legal protection for them. However, those who think so, including those in the ILO, will have to reckon with going against the grain of the dominant neo-liberal framework of global institutions and the forces supporting these.

#### **VI. 1. (iv). *Action Programme for Decent Work: Philippines***

ILO itself has recently transformed its approaches in order to contribute positively to the global debate on, and efforts at, integrating the social dimension to globalization. This attempt is encapsulated in its worldwide program for “Decent Work”.

The Philippines, in this respect, has been chosen as one of the pilot countries where this new approach is being tested. Drafted by a tripartite technical working group and adopted by a tripartite conference in May 2002, the Philippine Programme consists of four *sector-responses* corresponding to the pillars of “decent work” and four *integrated programme-responses*.

The four *sector responses* are: (1) to promote and realize standards, fundamental principles and rights at work; (2) to create greater opportunities for women and men to secure decent employment and income; (3) to enhance the coverage and effectiveness of social protection for all; and (4) to strengthen tripartism and social dialogue.

The four *integrated programme-responses* seeks (1) to develop a policy framework to address employment and competitiveness; (2) to support a policy and programme of local development for

one poverty free zone; (3) to support a programme of action to improve performance of the urban informal sector; and (4) to continue supporting cross-sectoral programmes addressing needs of special target groups.

Each of the sector-responses and integrated programme-responses contain specific action items, which ILO in the Philippines hopes to accomplish within given timeframes.

## **VI. 2. Decent Work in the Context of Philippine Agriculture**

### **VI. 2. (i). ILO and Decent Work in Agriculture**

Several of the action items contained in the ILO's Decent Work Programme in the Philippines directly concern agriculture, while others are expected to indirectly address the needs of the sector. Among others, the direct action items concerning agriculture are:

- Under *sector one*: the promotion of indigenous and tribal peoples Convention 169, and the timebound program on the elimination of child labour.
- Under *sector two*: promotion of ILO's Recommendation No. 189 concerning General Conditions to Stimulate Job Creation in Small and Medium-sized Enterprises, that will encourage entrepreneurship and cooperatives for SMEs as also for the youth, the informal sector workers, women; and a set of interventions directed at capacitating the LGUs to promote employment specifically in rural areas through labour-based technologies, resource-based strategies and by incorporating decent work practices in rural infrastructure works.
- Under *sector three*: projects to experiment and pilot social insurance schemes that are community-based; and to develop a widely consulted social protection strategy paper for extending the coverage to unprotected and poorly protected people.
- Under *integrated responses*: a policy and programme of local economic development for one poverty-zone free area of the DOLE, which will be implemented in a rural and agricultural community. However indirectly, the integrated responses on the development of a policy framework to address employment and competitiveness and the cross-sectoral programme addressing needs of special target groups, particularly those directed at indigenous people and the MILF in Mindanao are expected to involve the agricultural sector and people that live therein.

### **VI. 3. Accomplishments<sup>255</sup>**

In April 2003, aside from the report of the tripartite social partners about their activities that were undertaken in pursuit of the national programme, the ILO in the Philippines had these to report about its accomplishments:

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<sup>255</sup>Based on the Draft Preliminary Delivery Report, 2<sup>nd</sup> April 2003 made by the Technical Working Group and submitted to the first Meeting of the Advisory Committee.

**VI. 3. (i). On responses to promote and realize standards and fundamental principles and rights at work, the ILO:**

- Has completed the implementation of the ILO/ADB RETA on “Strengthening the Role of Labour Standards in Selected DMCs”
- Continues to implement existing programs on the elimination of child labour in the Philippines including programmes of capacity building and direct services in small-scale mining, deep-sea fishing and footwear sectors; and an expanded timebound programme in 6 target groups in 8 provinces;
- Initiated a process that will elaborate the international labor standards policy within the National Programme of Action for Decent Work in the Philippines;
- Supported a trade union-based distance education programme on the promotion of fundamental principles and rights at work in economic zones;

**VI. 3. (ii). On responses to create greater opportunities for women and men to secure decent employment, the ILO in the Philippines:**

- Supported the Employer’s Confederation of the Philippine’ (ECOP) to develop a Philippine version of the IYB programme and the conduct of a trainer’s training to test the module
- Continues to support the INDISCO participatory community-based livelihood and employment promotion project for indigenous peoples and the community-enterprise and entrepreneurship and skills development project for Mindanao, this last of which is tied to a GOP-UN multidonor programme now on its second phase; plus an ILO-initiated two-country programme on “Expanding Economic Opportunity and Income Security through Workforce Education, Skills Training, Employment Creation and Local Economic Development in Pakistan and the Philippines”;

**VI. 3. (iii). On responses to enhance the coverage and effectiveness of social protection for all, the ILO in the Philippines:**

- Continues to support the pilot project extending social protection for workers in the informal economy;
- Under the ILO/STEP project, continues to pilot a health micro-insurance scheme for women workers in the informal economy, supported studies on successful micro-health insurance schemes and yet another on including maternity benefits in the health insurance package, as well as conducted a workshop on “A gendered approach for the extension of social protection in the Philippines”;
- Conducted a national tripartite workshop on HIV/AIDS

**VI. 3. (iv). *On responses to strengthen tripartism and social dialogue, the ILO:***

- Continued to provide training, study tours, workshops and seminars for trade unions on various subjects related to attaining decent work and their active participation in tripartite bodies on various public projects on the same subjects;
- Continued to support the capacity building efforts of the employer's group to promote and apply fundamental principles and rights at work for global competitiveness in a factory-based approach;
- Supported numerous activities on social dialogue and training thereof for the selected agencies of the DOLE as well as to provide technical advise to the Congressional Oversight Committee on Labor and Employment;

**VI. 3. (v). *Under the integrated responses, ILO in the Philippines:***

- Is supporting studies of the ILS-DOLE to analyze the effects of trade liberalization in a chosen sub-sector and a project on the "Improvement of Policy and Programme Implementation through Enhanced Labour Market Information", this last involving BLES-DOLE as well;
- Involved in providing experts and funding for the integrated projects for poverty reduction through local economic and social development planning, that includes consultations, training and the development of planning toolkits;
- Has finalized a range of papers on various concerns for the informal sector workers and is now extending its continued support to a UNDP-funded phase two programme for the informal sector on "Development of Policy, Legislative and Institutional Responses for the Promotion and Protection of Workers in the Informal Sector".

Finally, on *responses to crosscutting issues*, the ILO in the Philippines continues to support efforts in the fight against sexual harassment and incorporating gender issues and responses in the world of work.

During the first meeting to discuss the progress of the Philippine Programme on Decent Work, a high-level Decent Work Tripartite Advisory Committee was established that would support and monitor the Plan of Action. Previously, only a technical working group was constituted for this purpose. The Advisory Committee's current membership has been expanded to involve the various stakeholders among the social partners. Sub-Committees will also be created corresponding with the four sector-responses of the Decent Work Programme that is expected to involve the various stakeholders and social partners in the review, monitoring and implementation of the Philippine Decent Work Programme.

#### **VI. 4. *The Road Beyond***<sup>256</sup>

The conception and initiation of the “Action Programme for Decent Work: Philippines” were the product of tripartite dialogue among the social partners, and drew from the rich information resources and expertise of the whole ILO.

From the outcome of discussions by the technical working group, a National Conference later on adopted the document that was drawn. The Action Programme attempted to integrate what ILO in the Philippines has been doing in the past and what it expected to do in the future, given the new approach. There is no doubt that the new framework of decent work, as well as the sector-responses and integrated-responses approach to programme development and implementation is far superior to previous ones in that efforts and resources can now be focused on promoting the components, and realizing the goals, of decent work.

The document itself, in addition, claims that it is a “work in progress”, that is, that along the way of implementation, the content and approaches may be improved, perhaps either by prioritizing or going in-depth on certain aspects or even expanding its framework and coverage as resources may allow.

The strength of the Programme lies in its having been initiated and elaborated by the social partners, hewing very closely to the principles of social dialogue.

There is also an agreement that expanding participation to include the different stakeholders in the monitoring, evaluation and implementation of the various programme components will enrich the document and deepen its impact among the beneficiaries but, in itself, it will also challenge the concept of social dialogue into expanding from its tripartite beginnings to a more inclusive and expansive multi-sectoral participation.

The relevance of the document and the programmes and activities that it promotes, to improving decent work in agriculture, may be too early to evaluate. Yet by way of comments, the following is posited:

- The analysis could be expanded and deepened in respect to agriculture in order to refine the programme contents, particularly in respect to rural and agricultural and fisheries development;
- The sector-responses could be reviewed in order to sharpen its focus on agriculture as may be borne by the analysis;
- In this regard, there may be a need for the ILO to support any effort to improve data basing activity of the government with special focus on encouraging it to track the development of rural worker population according to their tenurial status.

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<sup>256</sup>Based on the interview and discussion with A.C. Asper, Executive Assistant for External Affairs to the FFW President and Member, Technical Working Group of the ILO's Decent Work Programme for the Philippines.

- The integrated-response, perhaps in respect to support for the poverty free zone program of the DOLE, can be reviewed and expanded to include measures to promote rural and agricultural development particularly on how to expand agri-industrial employment in the poverty free zones and how DOLE itself can re-orient its mandate that is framed by traditional labor relations to include improving atypical working arrangements and work-life balancing in rural and agricultural contexts;
- In relation to this, there might be a need to support the “convergence strategy” of the government to encourage its various line agencies to coordinate more closely as it addresses rural employment, agrarian reform and agricultural development, especially in the context of their respective area focused strategies such as the DOLE’s “poverty free zones”, the DAR’s ARCs and the DA’s SAFDZs.
- This might also require some adjustment in the working style of the ILO such as working closely with the FAO and see how their food security agenda can be harmonized with the decent work agenda of the ILO as it pertains to the extension of assistance to the country’s rural workers and the development Philippine agriculture in general. See Annex 5.1 for FAO programs in the Philippines.
- Certain projects that are already on-line will hopefully include agriculture, such as those that attempt to analyze and improve labor market indicators of decent work so necessary for future policy development. In addition, studies should also be undertaken to analyze the impact of liberalization in agriculture and how best to empower non-trade union peasant associations to seize the opportunities and mitigate the negative impact of liberalization in agriculture.
- Through technical assistance to trade unions and peasant associations, particularly in respect to capacity building for these organizations, the ILO can encourage the re-convergence of the two strands of the Philippine Labor Movement. This can start through a joint study on common current issues of concern, such as occupational health and safety, the impact of liberalization on industry and agriculture on work, how best to mitigate its negative social consequences as well as how to insert the social dimension of the decent work agenda into the AFMA and CARP and in the WTO and IFIs.

## **VII. CONCLUSIONS AND RECOMMENDATIONS**

This Report has re-examined the trends and challenges facing the pursuit of Decent Work in Philippine Agriculture based on recent data where available. It attempts to convince more people of the importance of developing agriculture and the countryside as a whole *from the perspective of Decent Work lens of the ILO*.

### **VII. 1. What Have We Learned? Decent Work Deficits in Agriculture is Stubborn**

Jobs and farmers’ livelihood are not enough in terms of access to land or as a source of income. Both jobs and livelihood are generally insecure, using the measurement sticks of tenure, social

protection and health and safety. There are improvements in core labor standards, specifically in respect to freedom of association, non-discrimination and the elimination of child labor but these problems remain intractable. Social dialogue is a growing practice and participation in development is encouraged in law and practice but it needs to focus on workable and sustainable policies and programs to reduce poverty, promote employment and livelihood, and to promote respect for fundamental labor standards.

Promoting Decent Work in agriculture and in the Philippines should address five major interrelated challenges: poverty reduction, adequate opportunities for, and humane, employment and livelihood, food insecurity, inequality (asset-wise and gender-wise), and child labor. Underlying these challenges is the imperative of modernizing agriculture to produce sustainable growth and equity and to make agricultural products globally competitive

Many of these problems have been with the Republic since its birth.

Economic growth alone does not suffice to solve these problems. Equity is equally important. There were periods of growth in Philippine agriculture particularly in the 1970s during the time of the Green Revolution. However, growth failed to “trickle down” to the poor particularly in the rural areas. For growth to be sustainable, broad based and equitable, the intervention of the state through laws and policies is needed.

There is no lack of commitment on the part of government to alleviate poverty and to redistribute wealth, also since the birth of the Republic. But such commitments have often been nominal. Budgetary allocation for poverty reduction has mostly been inadequate.

The poor create their own jobs and livelihood, in order to survive and due to the inadequacy of private sector investment in rural areas and agricultural sector. With a faltering social assistance and largely without social insurance, their jobs and livelihood as well as their lives are mostly insecure. With weak voice and associations, their participation in development is not effective.

Inequalities in access to productive assets and resources, markets, credit and technology, as well as between the genders delimit decent work. Productivity is also low, and consequently, so is global competitiveness, due to these inequalities as well as the inadequacies in the provision of agricultural infrastructure and extension services.

These lead to food insecurity, which is exacerbated by the not-so-well-thought-out plunge into liberalization. Its phasing or timing and the extent to which it is applied in agriculture need to be reviewed in order to mitigate its economic displacement impact and other ill social consequences as well as to give reasonable time for stakeholders to adjust.

## **VII. 2. *What do these Deficits Tell Us?***

Poverty reduction is best focused in the rural areas and the agricultural sector where its incidence is highest. Rural development and agricultural modernization are twin strategies to reduce poverty in rural areas and agricultural sector

Agriculture can make a rebound through modernization; consequently rural poverty can be overcome together with its four associated challenges by conscious and coordinated efforts to promote aspects of decent work by the various stakeholders.

Reducing rural poverty and hunger is primarily a task of the poor in the agricultural sector and not a gift from the government or from anyone. It is why empowering the poor not only economically but also organizationally is important. The right of freedom of association and to collectively bargain need to be promoted in the rural areas and agricultural sectors. It is these organizations that are in a better position to promote work and gender equality as well as eliminate child labor in a sustainable manner. The principle of subsidiarity can define the extent of intervention by the state in such respect.

The “convergence strategy” among national government agencies with frontline programs to address the needs and meet the challenges of rural development and agriculture modernization is far from realizing its potential. In addition, devolving national programs to local government units looks like it is being given only lip service. More effective means of convergence and devolution will have to be found.

If the potential for broad-based expansion of growth in agriculture has not been realized, it is not because of the inability of the rural poor to maximize whatever available opportunities and resources within their reach. It is because of the way the country’s economy is organized. Economic policies have mostly been oriented towards the better-off, towards industry, and towards the urban areas.

This means that growth left to itself and to the vagaries of the market result in uneven social and economic progress, at the very least.

Expanding opportunities for decent work in agriculture require enabling policies, among which are:

- To make agriculture attractive to private investments (both big and small);
- to make the opportunities accessible to all;
- to make agribusiness and markets work for the small.

### ***VII. 3. What are the Opportunities Towards this End?***

Since the 1986 People Power Revolution, there had been a growing clamor for democracy in general and people’s participation in development in particular. It is good to note that this demand is likewise extended to the application of democracy to economic entitlements.

There are existing enabling laws and policies such as the Labor Code, Comprehensive Agrarian Reform Law, the AFMA, the Cooperative Code and the Local Government Code and the MTPDP, which can be maximized despite their infirmities. And these infirmities can be improved through direct action by the poor or through their representative organizations.

The MTPDP 2001-2004 – anchored on poverty alleviation, has for the first time articulated the need for the creation of decent employment for all. This is a block that we can build upon.

The Labor Code, the CARL and other related laws are not static instruments. They can be, as they are, being improved through continuous review and lobbying, which is the essence of social dialogue.

The Trade Union Movement though weakened is transforming into a broader-based social movement, recognizing the importance of being an inclusive movement in the context of the growing flexibilization and informalisation of work and of adopting new modes of organizing and more appropriate strategies to improve existing labor conditions and standards in a globalising world.

The Peasant Movement is becoming more vocal like its trade union counterpart in demanding for a bigger and fairer share for agriculture and the rural resources and in the distribution of the proverbial national economic pie. It, too, is realizing the need for convergence with civil society groups and the trade union movement. This can lead in the near future to a broad-based, mass and grassroot action, either directly or through representative organizations.

The Cooperative Movement is growing in numbers and becoming more successful in its economic enterprises, including in the rural areas. This is one direct action by the poor that can be encouraged by better laws, policies and programs.

NGOs are continually experimenting with new ways of reducing rural poverty especially in the field of asset reform, sustainable agriculture and social protection. Their professionalism and commitment to uplift the rural poor are being tapped and can be maximized.

The United Nation System in the Philippines particularly the ILO and the FAO and other multilateral agencies like the World Bank and Asian Development Bank are active in assisting both the government and the social movements and civil society in finding ways and means to combat the challenges to Decent Work. But more can be done in terms of convergence and multilateral coordination of programs and projects. It is encouraging to see that these international governmental organizations have taken initiatives to link their programs, such as the ILO-ADB Regional Technical Assistance in promoting Labour Standards in Developing Member Countries and the ILO-UNDP Project on the Informal Sector. Lately, the ILO-UNDP TREE in Mindanao has taken off the ground.

For some time, there is growing realization for the need to promote and develop new modes of partnerships and open more spaces for dialogue between people's movements, cooperatives, NGOs, government and the international community have sprouted, that makes use of the new ILO concept and framework of social dialogue. After all, decent work as efforts to improve the quality of life and work of all types of workers is the responsibility of all stakeholders in the broader effort to achieve the goal of economic and social development of all societies in the world.

The involvement of the international community is critical to provide the necessary push that is needed to confront the 5 decent work challenges and revitalize a broad-based growth in the countryside.

#### **Vii. 4. *Ilo and The Way Forward: Reducing The Deficit***

This study supports the broad framework formulated by the social partners under the auspices of the ILO in pursuing initiatives in the Philippines in its most recent Decent Work Programme: Philippines. We offer the reflection that such an effort can be improved specifically in adjusting the framework to the requirement of rural development and agricultural modernization and to addressing the pressing needs of farmers and rural landless workers

#### **VII. 5. *Sectoral Responses:***

##### **VII. 5. (i). *Sector 1: Promote and Realize Standards, Fundamental Principles and Rights at Work***

- The work on child labor is comprehensive enough and includes agriculture as well. There is little we can add in this respect. However, the other proposals under this Sector can be reviewed and adjusted to make these more relevant to agriculture and the rural areas.

##### **VII. 5. (ii). *Sector 2: Create Greater Opportunities for Women and Men to Secure Decent Employment and Incomes***

- Support the government and the social partners (landowners and rural workers) in cooperation with the FAO on how to hasten the implementation of agrarian reform to make sure that it ends not later than the newly mandated terminal year of 2008.
- See how the targeting of the rural poor be improved for the purpose of benefit transfers without resorting to substandard labor practices.
- Support efforts of the government, especially through the TESDA, DepEd, SUCs, POs and NGOs to expand non-formal and voc-tech education to the rural areas. It can be interesting in this respect to develop, train, test and certify occupations and technical competencies in agriculture, using the framework of HAZ.
- Heighten farm-based entrepreneurial training for both individual small farmers and ARBs and their respective organizations or communities to the degree that they become sustainable. Sustainability is defined as the ability to “... cope with and recover from stresses and shocks, and maintain or enhance their capabilities and assets—both now and in the future—while not undermining the natural resource base.”<sup>257</sup> Concepts and models that promote community-based training and enterprise development can be looked into and promoted more widely for this purpose.

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<sup>257</sup> *Committee on Agriculture. Enhancing Support for Sustainable Rural Livelihoods. (FAO, 17<sup>th</sup> Session COAG, Rome, March 31-April 4 2003).*

**VII. 5. (iii). Sector 3: Enhance the Coverage and Effectiveness of Social Protection for All**

- Support the ongoing effort of the government, specifically by the cabinet cluster on social protection to reform the social protection schemes in the Philippines including the SSS, the PhilHealth and PAG-IBIG in respect to: expanding their membership and coverage to include the informal sector and farmers especially in the rural areas; design an appropriate social protection product for these types of workers; and tap the qualified rural worker organization for the purpose of mass enrollment of their constituency and collection of premiums thereof.
- Provide technical assistance to rural workers or peasant organizations with ongoing social protection to make these more financially viable and sustainable.
- Sponsor a summit of all mutual benefit associations and alternative providers of social protection for the rural and urban poor for the purpose of identifying their common concerns and developing a common platform for the expansion and strengthening of grassroots social protection in the country.
- Support the effort of the government and of the social partners to streamline the administration of occupational health and safety programs as well as to make these programs more relevant and responsive to smallholder farmers in agriculture and to micro and small scale enterprises in the rural areas.

**VII. 5. (iv). Sector 4: Strengthen Tripartism and Social Dialogue**

- Through technical assistance to trade unions and peasant associations, particularly in respect to capacity building for these organizations, the ILO can encourage the re-convergence of these two strands of the Philippine Labor Movement. This can start through a joint study on common current issues of concern, such as occupational health and safety, the impact of liberalization on industry and agriculture on work, how best to mitigate its negative social consequences as well as how to insert the social dimension of the decent work agenda into the AFMA and CARP and in the WTO and IFIs;
- Explore the feasibility of targeting landowners affected by agrarian reform for purposes of orienting them on important rural development issues and how they can be harnessed as a positive force for the broad-based development of the rural areas. This can be done in partnership with the FAO and/or the UNDP.
- Support the development of the Bureau of Rural Workers as the main government agency of landless farmworkers in the pursuit of decent rural employment, agrarian reform and agricultural modernization. Expand its role beyond supporting the rural workers in the sugar industry into other industries such as the coconut, pineapple, banana, rice and corn industries by setting up similar programs like the Social Amelioration Program. A special project can be supported by the ILO to assist the DOLE-BRW negotiate with the different stakeholders in the coconut levy fund to set-up a similar SAP program for landless coconut farmworkers. Similarly, negotiations with stakeholders in the other major crops can be initiated.

- Explore the possibility of calling for a national and regional workshops for landless farmworkers both in the plantation and non-plantation farms for the purpose of crystallizing their needs and aspirations.

#### **VII. 6. *Integrated Responses:***

##### **VII. 6. (i). *IR-1: A Policy Framework to Address Employment and Competitiveness***

- The proposal of the social partners to conduct an “analysis of required employment and competitiveness strategies” should be expanded and deepened in respect to agriculture in order to refine the programme contents, particularly in respect to rural and agricultural and fisheries development;
- Certain projects that are already on-line will hopefully include agriculture, such as those that attempt to analyze and improve labor market indicators of decent work so necessary for future policy development. In addition, studies should also be undertaken to analyze the impact of liberalization in agriculture and how best to empower non-trade union peasant associations to seize the opportunities and mitigate the negative impact of liberalization in agriculture.
- In this regard, the ILO may wish to consider supporting efforts to improve data basing activity of the government with special focus on encouraging it to track the development of rural worker population according to their tenurial status and according to equity and productivity programs of the government;
- The ILO may also wish to support a study to advocate legitimizing forms of *share tenancy* that are more consistent with the decent work concept as a viable mode of providing access to land to landless farmworkers who cannot be accommodated into the different land transfer program of the CARP, including the leasehold program.
- The ILO may also wish to support efforts on how to address the other policy gaps related to the successful implementation of agrarian reform such as the issue of installation of ARBs in their respective farmlots and the issue on how to “reform” existing untitled private agricultural lands.

##### **VII. 6. (ii). *IR-2: Policy and Programme of Local Economic Development***

- The integrated-response, in respect to support for the “*poverty free zone*” program of the DOLE, can be reviewed and expanded to include measures to promote rural and agricultural development particularly on how to expand agri-industrial employment in the poverty free zones or to establish post-harvest facilities and off-farm products processing enterprise,
- In relation to this, there might be a need to support the “*convergence strategy*” of the government to encourage its various line agencies to coordinate more closely and more organically ( not in a mechanical way) as it addresses rural employment, agrarian reform and agricultural development, especially in the context of their respective area focused strategies such as the DOLE’s “*poverty free zones*”, the DAR’s *ARCs* and the DA’s *SAFDZs*.

- This might also require some adjustment in the working style of the ILO such as working closely with the FAO and see how their food security agenda can be harmonized with the decent work agenda of the ILO as it pertains to the extension of assistance to the country's rural workers and the development of Philippine agriculture in general.

**VII. 6. (iii). IR-3: Programme of Action To Improve the performance of Urban in Formal Sector**

- Conduct a study on the number of poor rural households with immediate members working in the urban informal sector either as employed (as wage earner or domestic helper) and as self-employed for purposes of profiling the latter and developing support programs for them.

**VII. 6. (iv). IR-4: Cross-Sectoral Programmes Addressing Needs of Special Target Groups**

- **Indigenous Peoples:** Continue with the INDISCO programme for these target groups.
- **Working children:** Continue implementing the International Programme on the Elimination of Child Labour (IPEC) with certain adjustments to further expand its coverage in agriculture.
- **Mindanao:** Continue with the ongoing programmes of the ILO in the Mindanao Island.
- **Overseas Filipino Workers:** Conduct a study on the number of poor rural households with immediate members working as OFWs for purposes of profiling the latter and developing support programs for them.

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**Interviewed Persons:**

259. Asper, Antonio, Executive Assistant to the President of FFW. Mr. Asper is a member of the Tripartite Industrial Peace Council of the DOLE, a Board Member of the Technical Education and Skills Development Authority since 1994 and the Technical Working Group of the ILO's Decent Work Programme: Philippines.
260. Castillo, Oscar, Executive Director of the Center for Agrarian Reform and Rural Development (CARRD), himself a sugarcane farmer in the village of Acle, municipality of Tuy, Batangas; Chairman of the Provincial Agrarian Reform Coordinating Committee (PARCCOM) in Batangas; and concurrent President of the Pakisama Mutual Benefit Association.
261. Estrella, Marilyn, Chief, Planning Division of the CDA.
262. Loza, Ananias, a small farmer from Irosin, Sorsogon. President of the PAKISAMA , board member of the Pakisama Mutual Benefit Association and of the Land Bank of the Philippines, respectively.
263. Malonzo, Ibarra, former Secretary General of the National Federation of Labor, now engage in organizing contract growers in furit and palm plantations in Mindanao. March 27, 2003.