

HISTORY OF LABOR-BASED AND
LABOR-BASED/ EQUIPMENT-SUPPORTED TECHNOLOGY
IN THE PHILIPPINES
AND
IMPLEMENTATION OF LBES BY CONTRACT

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1. INTRODUCTION

1.1 NEED FOR EMPLOYMENT INTENSIVE PROGRAMS

1.1.1 Population explosion aggravates unemployment problem:

The world's population reached the six-billion mark in October 1999. Population experts pointed out that during the 20th century, the world's population tripled and that by AD 2100 they forecast that "12 billion miserable humans will suffer a difficult life on earth". In the Philippines three babies are born every minute or 1.6 million more every year. Worldwide, 370,000 babies are born every day, half of them will be Asians and the majority of these newborn babies will be poor.

Physical environment, social development and the sustainability of programs geared towards the survival of the human race will be the major focus of world attention in the coming years. How to balance population growth with its demands on the exhaustible earth resources, preserve the environment, and feed the growing population will be contentious issues. (Manila Bulletin, 11 July 2000)

Health Secretary Alfredo Rornualdez also has said that the Philippines should only have a population growth of 2.1 % instead of the current rate of 3.7% which is high. This unabated growth in the population of the country makes most government programs unmanageable if not unsustainable.

1.1.2 Poverty is the root cause of social problems

More than half of the Filipinos today are considered living in poverty. It is generally accepted that poverty is the root cause of many social, economic and health problems that afflict many of the people, including political problems. According to the World Bank, 27.5% of the Philippine population was living in poverty in 1993, i.e. on less than US\$ 1 per day. In 1995 there were 17.6 million Filipinos living in poverty. This acute and lingering social menace needs no further elaboration.

Complicating the many problems posed by poverty is the on-going strife caused by anti-government factions in the rural areas. The death and destruction such strife brings exacerbates the difficulties of solving the problems of poverty in the Country especially in the rural areas. Since no jobs are readily available to the local folks they are easily cowed to join rebel groups. Fighting poverty and freeing the Filipinos from its manifold tentacles require determined multi-sectoral efforts. The Government has called on the people to make a unified stand against poverty and to recognize the urgency of combating the age-old problem. No less than President Joseph Estrada has time and again expressed his sentiments and determination to eradicate poverty and has called on the Filipino people to join hands with the Government in realizing its anti-poverty program. (Manila Bulletin, 01 June 2000)

The present Administration has relentlessly pursued measures to solve the poverty problem by undertaking programs that will ease the burden of the poor, from healthcare and housing to food production and agrarian reform. However, these are just interim and temporary measures. The more developmental program would be the alleviation of poverty through sustained education and training and long-term gainful employment. This would be the real and long term solution to poverty particularly in the countryside. Under the employment intensive programs (EIPs) of the Government, the LBES Technology for the construction and maintenance of infrastructure projects would definitely proved very effective.

2. BACKGROUND AND CONTEXT OF LBES TECHNOLOGY IN THE PHILIPPINES

2.1 EXPERIMENTAL STUDIES ON LB METHOD BY THE ILO

The experimental phase of LB projects in the Philippines began between 1971 and 1973. It started with the construction of a levee in Pampanga in 1971. The LB method was resorted to when the work area was made inaccessible to heavy equipment due to heavy flooding in the province. Under advice from the International Labor Organization (ILO), restoration work was initiated using simple devices such as carabao scrapers and pull carts, while labor was provided using the "pakyaw" system. The Project was followed by the 5- kilometer-long Capas-Botolan Road in Tarlac on which extensive productivity measurements were taken.

2.2 PILOT PROJECTS ON LB AND LBES METHOD

Initial studies showed that Labor Based Methods are suitable for Philippine conditions. However, no substantial experimentation was carried for a number of years despite the passage of a Law (Batas Pambansa) that civil works shall be performed using Labor-Based Method (LBM) if the cost were no more than 10% above and involved no more than 50% of additional time compared to the best alternative Equipment-Based Method (EBM).

2.3 SPECIFIC PROJECTS ON THE USE OF LB AND LBES METHODS

The following accounts prepared by a World Bank evaluation team is presented below to briefly illustrate the various experiences regarding Labor-based/ Equipment-supported projects in the Philippines:.

2.3.1 Philippine Rural Infrastructure Projects (PRIP), 1981 to 1985

Fresh interest in labor-based method emerged in 1981 due to the foreign exchange crunch caused by failing commodity prices and a general decline in the economy which led to massive underemployment in the rural areas. Under PRIP, 55 kilometers of barangay roads were constructed by LBES methods between 1981 and 1985. The project was funded by the World Bank and implemented by the DPWH with ILO assistance.

2.3.2 Rural Roads Project (RRP), 1985

USAID sponsored the construction of 15 kilometers of pilot roads under RRP which was implemented in three provinces through DILG. ILO conducted a detailed study of the technical and socio-economic aspects of applied labor-based construction. The analysis revealed that LBM offer a technically and financially viable alternative to EB methods for smaller scale rural infrastructure projects.

2.3.3 Second Rural Roads Improvement Project (SRRIP), 1986

SRRIP was a World Bank-funded project that started in 1986. The Land Settlement Roads component of SRRIP called for the construction of 280 kms. of barangay roads using LBES techniques. These roads were located in three difficult areas marked by serious accessibility and peace and order problems. The project has made good headway despite all the attendant problems. These works were the largest labor-based activities in the Philippines at that time. The staff and workers on the sites were especially hired, and payments and employment were coursed through DPWH district engineers. Payment procedures were however complicated and delays in payment of the workers occurred frequently. After completion the barangay roads were turned-over to the barangay councils.

2.3.4 The Central Visayas Regional Project (CVRP)

Another project which has significant LBIES component is the World Bank-financed Central Visayas Regional Project (CVRP) which planned the construction of 240 kms of trails using LBIES techniques. Unfortunately, due to management problems and the lack of requisite technical support, very few trails were built.

2.3.5 Upland Access Project (LIAP) 1984-1990

Following the positive conclusions from the 1983 USAID-ILO studies, a number of full scale demonstration projects were initiated including the UAP. Under the UAP, about 300 kms of minor roads and trails were scheduled for construction under DLG supervision using LBES methods. Fifteen pilot provinces were involved. The Project is considered the most successfully completed LBES project so far in the Philippines, although the future maintenance aspect of the completed roads is still being resolved.

Regardless of the apparent success, USAID has decided not to embark on a follow-up project proposed by DILG. The main reason given by the USAID was that this type of project puts excessive demand on USAID's scarce management resources compared to other projects with similar funding demands. It was also indicated that the DILG project office suffered from permanent under staffing and under-management. It had not been possible during the relatively long project period to create a self-sustained program under which continued work could have been undertaken.

Some provision for maintenance had been made through an internal maintenance fund covering three years. The intention was that the road should thereafter be provided with an ordinary maintenance budget. Many of the roads are as yet unclassified and therefore not eligible for maintenance funding.

2.3.6 Community Employment and Development Program (CEDP), 1986-1988

After the assumption into office of the Aquino Administration in early 1986, the Government launched an ambitious emergency employment program called the CEDP with a supplemental budget of approximately 3.9 billion pesos. This was the first national program involving Labor Intensive (L1) work. The objective of the program was to stimulate a much-needed economic recovery. It emphasized on LI projects in order to generate a greater number of jobs, apparently to alleviate poverty. It targeted one million jobs in one and a half years. The CEDP had a total management funding allocation of 9.1 million pesos and 3.9 billion pesos for program implementation, of which nearly 60% was assigned to the DPWH. Infrastructure projects accounted for the bulk of the investments.

CEDP was somewhat successful in its initial efforts, but on lower category roads the program did not achieve its basic objective of increased jobs through the use of LB methods. On the whole the Project was not implemented smoothly. Most of the projects were executed through contractors who relied much on equipment. And because the program was launched on short notice without adequate preparation, serious consideration was not given to the exigencies in shifting from equipment-based to labor-based method. This resulted in inadequate advanced planning, poor site selection and sub-standard work quality problems. A World Bank team that investigated these issues in 1987 found that most of the CEDP problems were related to systems and procedures and to institutional constraints. It concluded however, that these problems could be solved in due time.

2.3.7 UNDP-Assisted Nationwide Application of Labor-Based Methods, 1987-1988

This ILO program which was initiated in April 1987 lasted for 18 months and was aimed at maximizing the utilization of LBM on infrastructure projects as a means of alleviating severe unemployment problems. More specifically the immediate objectives of the Project were: a) the

establishment of an institutional framework; b) the conduct of a nationwide training on LBM; and c) the formulation of systems and procedures and organizational structure in concerned government agencies for the application of L13M. In order to achieve the above objectives, a Central Labor Based Advisory and Training Team (CLATT) composed of representatives from DPWI-1, DLG, NIA, DOLE, NMYC and NEDA was created to implement activities for the project. The major achievements that can be attributed to CLATT include: the production of training manuals on LBM for construction and maintenance; direct training of 705 site supervisors from various agencies, including two courses for trainers; assistance to DPWH and DI-G in the conduct of echo training for some 340 participants; finalization of detailed specifications for hand tools; development of new units of tools for manufacturers; development of proposals for the establishment of permanent labor-based units and development of procedures for centralized tool procurement.

CLATT also initiated the issuance of EO 336, which institutionalized the labor-based approach within the technical departments. DPWH and other departments subsequently issued directives aimed at establishing labor-based units in their respective agencies. The training strategy developed by CLATT produced a large number of trainees regardless of the variety of the needs and chances for effective employment in labor-based projects. Many trainees were therefore never employed in labor-based work and returned to their original positions. The sustainability of the program was not secured in so far as their status, impact and institutionalization were concerned. It was claimed that since the establishment of the CLATT, even this monitoring requirement of submitting project listings gradually diminished and in was no longer being observed in the '90s.

2.3.8 "Kabuhayan 2000"

At the start of the Ramos Administration (1992) the Government adopted measures on employment generation program in the countryside called "kabuhayan 2000". This aimed to generate two (2) million jobs in three years and have over shadowed the intended processes and efforts of E.O. 336, so much so that even the NEDA InfraCom reporting requirements for all LBES units of infrastructure agencies were overlooked. The "kabuhayan 2000" program involved the program coordination of employment generating and rural development agencies of the government which included the agencies involved in infrastructure maintenance and development.

The local infrastructure development program component targeted the construction and rehabilitation of 1,300 kms. of rural access roads using the Labor-Based Equipment-supported Methodology LBESM; the maintenance of 8,679 kms. of provincial roads, 1,195 kms. of city roads, 12,874 kms. of municipal roads and 85,940 kms of barangay roads, utilizing the length-man maintenance system; and the construction of 113 public market modules.

The specific strategies of the "Kabuhayan 2000" program were;

- [a] The introduction and transfer of LBES technology to all local government units;
- [b] The identification of approaches which will require the commitment and agreement of all local government units to adopt the length-man system of road maintenance; and
- [c] The implementation of the national government's assistance such as training, supervision, technical and financial support.

This will be a transition mechanism that would facilitate the eventual progress towards decentralization and institutionalization of LBES methodology in local infrastructure projects.

2.4 PREVIOUS POLICIES ON LBES TECHNOLOGY

2.4.1 Batas Pambansa (Republic Act) 132

BP 132 (the appropriations act for public works) required the use of LBM whenever technically feasible and with the following conditions:

- [a] The estimated cost does not exceed the best alternative by more than 10%;
- [b] The estimated duration of LB construction does not exceed the best alternative by more than 50 %;
- [c] The employment of workers for LB construction projects will not unduly impair agricultural production; and the technical quality of the work is the same.

2.4.2 Executive order 336 (13 September 1988)

EO 336 directed the DPWH, the DILG, the DOTC and the NIA to establish LBUs in their respective agencies to pursue LBES projects. The NEDA was instructed to coordinate the efforts, the DBM was required to release the necessary funds and the DOLE was ordered to recruit and train workers for the purpose. The agencies concerned were also mandated to encourage the private sector to get involved in the program by seeing to it that that appropriate government-contractor relationship and processes become conducive for the purpose.

2.5 CURRENT POLICY (ESTRADA ADMINISTRATION) FOR LBES TECHNOLOGY

2.5.1 The DOLE Rural Works Program (1998)

The 1998 Rural Works Program (RWP) was designed to provide temporary wage employment for the displaced workers through placements in public works projects. RWP is a joint undertaking by the Department of Labor (DoLE), local government Units (LGUs), non-government organizations (NGOs), peoples' organization, socio-civic organizations, trades unions, and other organized group of workers.

2.5.2 Executive Order No. 94 (1999)

The latest policy of the National Government on LBES projects is contained in the Philippine Medium Term Development Plan (1998-2004). It provides that "Labor-based technology in infrastructure activities, where feasible shall be promoted in support of employment generation efforts". Executive Order No. 94 dated 12 April 1999, establishes the policy direction and institutional framework to implement the LBES infrastructure program. EO 94 also created the LBES Infrastructure Committee where the DPWH and the DOLE co-chair the Committee with the DILG as a major member together with 9 other national government agencies, 4 local government leagues and 5 representatives of the private sector.

2.5.3 DPWH Department Order NO. 183 (09 September 1999):

As a result of EO 94 DPWH Secretary Gregorio R. Vigilante issued Department Order No. 183 (09 September 1999) assigning additional functions to the DPWH LBES/ CARP Office and expanding the coverage of the Program. The additional coverage included the LBES Infrastructure Program under EO 94 (1999); the regular CARP and OECF-Assisted Agrarian Infrastructure Support Program (ARISP) of the Department of Agrarian Reform (DAR); the Farm to Market Road Program of the Department of Agriculture (DA) and the DPWI-I-Local Government Unit (LGU) Cost Sharing Program, among others.

2.5.4 DPWH Memorandum Order (29 November 1999)

A Memorandum addressed to all regional directors, district engineers and concerned DPWH officials followed on 29 November 1999 directing all concerned officials to expedite the pre-construction activities of the Comprehensive Agrarian Reform Program (CARP) to the fullest extent feasible to ensure the early start of the Project. He instructed that in general, the district offices concerned shall implement the projects by administration using "labor-intensive methods" or labor-based equipment-supported methods of construction.

However, in district offices which have been verified to encounter problems, the projects may be undertaken by "contract" after public bidding in accordance with the provisions of PD 1594 and its implementing rules and regulations. The following problems encountered by the district will qualify the project to be undertaken by "contract":

- 11] Scarcity of construction materials due to lack of interest among suppliers to deliver them at remote places or inaccessible sites;
- [2] Unavailability or shortage of construction workers especially during the harvest season;
- [3] Inadequate light construction equipment in the district office, especially in mountainous or rolling terrain and other isolated areas.

He added that for projects implemented thru direct contract, contractors shall be required to maximized the use of "labor intensive construction techniques" and employ workers coming from the barangays or adjacent barangays where the projects are located.

2.5.5 DPWH Memorandum Order (29 February 2000)

Pursuant to EO 94 and DO 183, DPWH UnderSecretary Teodoro T. Encarnacion in a Memorandum dated 29 February 2000 approved the request of the CLB-CARP Program Office for assistance from the Administrative Manpower and Management Service (AMMS) in conducting a training program for concerned DPWH staff including representatives from member agencies of the LBES Infrastructure Program Committee.

2.5.6 Implementing Rules and Regulations for LBES Projects;

In accordance with the functions of the LBES Infrastructure Committee, to prepare specific guidelines in the implementation of the Program, The Technical Working Group (TWG) has prepared a draft Implementing Rules and Regulations for the LBES Approach revolving around the following policies and principles:

- [1] The State is committed to strengthening the implementation of the LBES Method through the institutionalization of more focused policy direction and operational framework that will ensure the success of the state in alleviating unemployment and underemployment;
- [2] The primary strategy of poverty alleviation agenda of the Administration is to device measures that will enable the poor to become productive and competitive members of society;
- [3] The State shall provide and promote appropriate environment-friendly technologies and approaches as instruments for economic empowerment and job creation for the poor and other target groups;
- [4] The State shall require concerned departments and agencies to maximized the use of LBES technology, while ensuring cost-effectiveness and quality results in the implementation of infrastructure projects;
- [5] The Program shall placed premium in the recruitment and placement of displaced workers in LBES projects and include training programs for sustained upgrading of skills and competencies of these workers.
- [6] For projects where LBES Method is found appropriate, there must be a significant shift in favor of the LB component.

3 PROBLEMS TO BE ADDRESSED BY LBES PROGRAMS:

3.1 INTRODUCTION (Slump in the Agricultural Sector)

The DOLE remained confident that it would be able to meet its target of 1 million new jobs in 2000 despite the increase in unemployment rate from 12.5 % last year to 13.9 % during the first quarter of 2000. Labor Secretary Bienvenido Laguesma has said that the increase in the unemployment rate was caused mainly by the temporary slump in the agricultural sector. This has resulted in the increased in job applicants in the services sector by 404,000 as "surplus agricultural labor sought employment elsewhere". (Manila Bulletin, 05 July 2000)

3.2 PROBLEMS ENCOUNTERED IN THE IMPLEMENTATION OF LBES PROJECTS

3.2.1 On Policy Administration

1. Lukewarm attitude towards labor-based technology (LB method is considered a retrogressive move);
2. Conditions imposed by foreign lending institutions limiting the number of projects to be implemented on force account (as provided in some loan agreements);
3. Non-acceptance/resistance by the recipient community (project beneficiaries would like to see the projects as soon as possible);
4. Organizational limitation for LBES project implementation (most infra agencies concerned don not have sufficient complement of trained LBES staff);
5. Imposition of BIR tax on "pakyaw" contracts (needs to be exempted from said taxes);
6. Civil service requirements on hiring of common laborers to submit plantilla position (limits the hiring of project facilitators on force account);
7. Conflicting policies being issued by central office, e.g., whether on projects are on fast-track or LBES.

3.2.2 On Administrative Support

1. Lack of support to LBES technology;
2. Non-compliance to department order and policies particularly among district officers;
3. Realignment of projects per request of local official, e.g., political interference;
4. Project clustering is biased towards contracting/equipment-based especially at the level of district engineers;
5. No permanent LBU position and staff/ resources;
6. Acquisition of right-of-way;
7. Delay in the processing of papers;
8. Weak coordination, particularly with financial and technical people, of support and client agencies;
9. Delayed or non-submission of project listing; listing not prioritized;
10. Lack of guidelines on realignment of project which causes delays in project implementation;
11. No authority to procure support facilities for CARP activities;
12. Non-compliance of client agency personnel with project identification & validation;
13. Need for a more active dissemination and information campaign for labor-based technology;
14. Weak management and field operation communications system due to low management support and lack of communication facilities;
15. Insufficient service support for project verification and reporting.

3.2.3 On Financial Support

1. No funds for personnel services and maintenance and operating expenses to maintain labor-based units in designated infrastructure departments/agencies due to the implementation of the new Local Government Code;

2. Delayed and insufficient release of cash/ fund;
3. No assurance of continuous funding;
4. No maintenance funds;
5. Lack of financial support to CARP support services component;
6. Delayed cash support to DPWH program;
7. Schedule of fund releases conflicts with the agricultural sector's need for manpower;
8. Reporting system delays budgetary/cash flow;
9. Control of overhead and engineering funds are in the wrong office causing occasional diversion from CARP operation to regular operation

3.2.4 On Technical Matters

1. Lack of information on labor-based technology
2. Unrealistic work program
3. Existing standard specifications are not adaptable to Philippines and small-scale manufacturers
4. Improper use of hand tools causing breakage and low productivity
5. Absence of experienced tool experts to undertake testing and evaluation of purchased hand tools
6. Transfer of LBES technology to private sector through regular contracts (relative to "pakyaw" contract)
7. Effective monitoring and supervision
8. Unavailability of specification standards for LB projects
9. Non-issuance of approved design standards for LB projects
10. Inadequate selection criteria and guidelines
11. Absence of site validation
12. Frequent cases of realignment confuse project implementation

3.2.5 On Human Resource- Related Matters

1. Non-permanency of appointment and position
2. Need for more training; laborers are not familiar with technology
3. Lack of trained supervisors
4. Seasonal availability of manpower
5. Need for active interface with the academe & professional organizations
6. Need for a more active dissemination and information campaign for labor-based technology
7. Lack of trained LB engineers due to transfer, promotion, separation, etc.

3.2.6 On Political Interference

1. Prevalence of political intervention on project identification, prioritization, validation and acceptance
2. Prevalence of intervention or realignments
3. Prevalence of intervention on the use of equipment-based versus labor-base/ equipment-supported method

3.2.7 On Socio-Cultural Matters

1. Lack of moral values, e.g., business ethics & labor practices
2. Peace and order problems in the project sites
3. Attitude towards hard work
4. Preference for traditional work and working time
5. Resentfulness to uncertainty
6. Accessibility of project to residence
7. Expectation of tangible benefits in addition to salary & wages from the project

3.2.8 On Physical Environment Issues

1. Effects of seasons and weather
2. Effect of topography or terrain
3. Effect of base material in project site

4 LBES AND THE PRIVATE SECTOR

Department of Agriculture Secretary Edgardo Angara has called on the Government to invest heavily in rural infrastructure to sustain agricultural growth and break the cycle of poverty that has prevented the country from making inroads to economic recovery. He blamed widespread poverty on "short burst of growth" that characterized the local economy in the past two decades. He said that contrary to popular claims, the main reason for high poverty is neither the failure of economic growth to trickle down to the poor, nor the lack of direct intervention programs ... but *the slow pace and short duration of growth, especially in the rural areas.*

According to the Secretary, the Philippines has failed significantly to move to a higher growth path and reduced its poverty level. He said that *poverty in the country is a rural phenomenon* and noted that three out of four households live in the rural areas and majority of them is dependent on agriculture and related industries for employment and income. He added that the long term solution to poverty in the country lies in rapid and sustained growth that will expand employment and income opportunities in the rural areas and speed up the country's economic development.

Secretary Angara also disclosed that the Government is now implementing the Agriculture and Fisheries Modernization Act (AFIVIA) and the % grikulturang Makamasa program to induced growth that would impact on poverty alleviation. The Act seeks a diversified rural economy propelled by technology and, led by the private sector and supported by the LGUs. (Manila Bulletin, 23 September 2000)

4.1 LBES WORKS AND "PAKYAW" SYSTEM

4.1.1 The "Pakyaw" Agreement (PA)

In the Philippines, the "Pakyaw" system is traditional. It is widely used in the construction industry by both the government and the private sector to undertake jobs where manual labor is a major component. The system should be readily acceptable to rural workforce with little on no experience in construction. For LBES construction projects, the use of the "Pakyaw" system seems to be ideal.

4.1.2 Organization of "Pakyaw" Group (PG)

The following conditions must be considered in the formation of PGs:

- [1] It should have the involvement of the barangay leaders and the local community;
- [2] The construction should be scheduled so as not to conflict with agricultural peak season activities;
- [3] The Project Facilitator (PF) shall convene community meetings with the assistance of the Barangay Captain and encourage attendance of unemployed and underemployed members of the community to provide accurate information about the project.
- [4] The PF shall assist the forming of PGs;
- [5] The selected "pakyaw" leader (PL) shall be the signatory to the PA and other job documents on behalf of the PG.
- [6] The PL may be replaced anytime by the PG but this should not invalidate any previous agreements.
- [7] The PF may assist the PG in preparing the application to undertake a PA.

4.1.3 "Pakyaw" Group Workforce:

- [1] The labor should be drawn from the vicinity of the project and should belong to the various barangay associations contiguous to the project site;

- [2] Unskilled labor should be drawn from the barangay where the project is located; semi-skilled labor shall be recruited within the municipality and skilled labor shall be recruited within the province.
- [3] The workforce should be formed into groups of 20 workers;
- [4] Each PG will elect its own PL who will also participate in the construction work.

4.1.4 Award of "Pakyaw" Agreement (PA)

- [1] A PG of 20 workers is expected to complete a contract within 1 calendar month;
- [2] Regular license contractors or grouping of government employees are not eligible to PAs.
- [3] The PA shall be for the supply of labor only. Tools, equipment and materials will be supplied by the implementing agency;
- [4] A project will be subdivided into several PA in order to employ as many PGs as possible;
- [5] PAs may be awarded through negotiations within the project estimate;
- [6] Where there is competition, the work shall be open to public bidding with at least 3 PGs and the PG offering the lowest bid shall be given preference;
- [7] No PA shall be awarded without a Certification of Availability of Funds;
- [8] PGs who perform satisfactorily may be given preference for the next available job;
- [9] Award of new PAs shall be subject to satisfactory completion of the previous work;
- [10] Bidding for PAs shall be conducted in the municipality where the project is located.

4.2 LBES WORKS AND THE INFORMAL CONTRACTOR SECTOR

The ILO defines the Informal Sector (IS) as a range of economic units, which are mainly owned and operated by individuals either alone or in partnership with members of the same household. They employ one or more workers or casual employees. Typically, these units operate in small-scale and are engaged in the production and distribution of goods and services. Their main objective is the generation of employment and basic income.

According to the ILO report of Valentina Forastieri, the other common features of this sector are their use of labor-intensive technologies, the high level of competition, the low quality of goods and services produced and limited capital. The main source of capital originates from self-financing due to limited access to assets, credits and other services. Entry into the sector more frequently depends on the availability of gainful employment.

The IS is also a heterogeneous (different) sector. Its major activities are retail trade, transport, repair and maintenance, construction, personnel and domestic services and manufacturing. Work is mostly labor-intensive, requiring low-level skills; workers learn skills on the job. The employer-employee relationship is often unwritten and informal; with little or no appreciation for industrial relations and worker's rights.

The ILO paper reports that the IS is a major provider of urban jobs. About 50-60 % of the workforce in many Southeast and South Asian cities are absorbed by this sector. In many countries in the Asia-Pacific region, many inhabitants resort to self-employment, the only alternative to a formal job which has become scarce because of the growing youth unemployment. In many of these countries, neither the public sector nor the formal private sector is able to provide enough jobs for its expanding urban labor force.

Due to their limited formal education, IS members are not aware that they have become a small-time employer and that they are helping their jobless countrymen alleviate their economic conditions by the job they provide to a fraction of them. Their participation in activities in turn contributes to the economy's growth.

The Philippine economy like the rest of the global economy, indirectly yet increasingly depends on the informal sector. This sector has become integrated into the global economy.

Because of the economic crisis in several East and Southeast Asian countries, many more workers will be displaced. The unusual and only recourse for them is to penetrate the IS. Obviously the IS has maintained its share in the total employment. It is apparently here to stay.
(Philippine Panorama Sunday, 17 September 2000)

4.3 LBES AND THE FORMAL LICENSED CONTRACTOR SECTOR

There are important differences between work carried out by a private contractor and those directly implemented by a government agency ("force account") or using the "pakyaw" system. Private contractors are flexible. They are less bureaucratic, are able to operate efficiently and can reward good performance without hassle. This approach reduces the direct role of the government, but increases its responsibilities for contract management and administration. Force Account operates under fixed regulated and often inflexible environment. The advantages of Force Account usually include regulated working conditions, timely and guaranteed wages, and security for the workforce.

With a private contractor, these conditions must be ensured through clear contractual procedures, appropriate contract documents and adequate monitoring and control by the implementing agency. The complexity and level of these measures vary with the size of the project and the number and type of workers involved. The construction of infrastructure projects combines one-time high level investment with short-term employment of many workers. Maintenance, on the other hand, combines low-level investments with longer-term employment of few workers. Different implementation strategies affect the management and productivity of workers employed in LBES projects.

5 ILO SUPPORT TO PRIVATE SECTOR'S PARTICIPATION IN LBES PROGRAMS

ILO recognizes the importance of the existing and potential role of the private sector in project design, management and implementation of LBES projects. In this respect, ILO will release in due time a new guide on LBES contracting which will be made available through the LB-infraCom. The technical assistance would support and facilitate the development of new small and medium LBES contractors and the strengthening of existing ones.