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Labor Policies and Philippine Companies: Analysis of Survey Opinions

by

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Abstract

This paper analyzes the responses from a survey of Philippine companies concerning labor market policies, such as minimum wage setting process, hiring and firing practices, training, and holidays. These policies have gained wide acceptance as a means of protecting the welfare of workers. But one of the features of the Philippine economy is the large amount of unemployment that has persisted for a long time. Specific characteristics associated with the respondent firms help to isolate important findings in their opinions about the labor policies. Matching the responses for each policy issue against certain criteria that grouped the operating enterprises, some important conclusions are derived. The firms are segregated according to whether they are recipient or non-recipient of investment incentives; export or domestic market oriented; owned by nationals or by foreigners; young or old firms, and small or large firms by size of labor employment. The policy implications for the policy are not discussed in this paper but some conclusions appear evident. Firms that complain about certain policies could be expected to be adversely affected by them.

Subject areas: Labor economics, employment, labor market policies, labor regulation

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I. Introduction

This paper analyzes the opinion survey of Philippine enterprises on labor market issues. In early 2009, a survey of Philippine companies was launched under the auspices of a project study financed by the Asian Development Bank. The firms consisted of a limited sample of operating enterprises located in two major industrial and commercial regions

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[1] Professor of Economics Emeritus, University of the Philippines School of Economics. This work is a side research that arose from topics stimulated by participation in a project under the Asian Development Bank which covered labor market issues. In addition to both Rose Edillon and Sharon Faye Piza of the Asia Pacific Policy Center for re-instilling my interest in labor market issues, I am thankful to Kelly Bird, of ADB, and also to Clarence Pascual of UP. Also, I am thankful for conversations with colleague Emmanuel Esguerra of the UP School of Economics on labor issues in Philippine development.

of the country: Metro Manila and Metro Cebu. Despite this limited sample, the surveyed firms provide a rich set of operating enterprises from which important findings can be drawn. A total of 157 enterprises consist of the sample. The sampled enterprises were not intended to constitute a representative sample of the Philippine economy. The survey focused on enterprises that provide a wide range of employment in the country.

As part of this survey, a number of labor market policy questions were posed to the company respondent firms.[2] In general, these questions could be grouped under topics that deal with the existing policies related to the process of settling the minimum wage, the regulation of labor contracts, the hiring and firing of workers, the training of workers in the firm, and the number of holidays. Some of the issues touched upon topics that are often publicly discussed so that they might be corrected.

The respondents were asked rate the various issues of labor policies according to a rising scale of approval. The questionnaire instrument marked an answer to the labor policy of "1" to indicate *very poor,* "2" *poor*, …, and "5" to mean *excellent*. The mid-point rating of "3" therefore could be interpreted as a rating of *average* or *fair*. Each labor policy issue has a corresponding frequency distribution of responses along these five scores which would produce average scores and measures of variability of the responses.

This paper presents the survey results pertaining to labor market policies mainly in two parts. The first part reviews the overall findings, summarizing the frequency distribution of the various opinions expressed by the respondent companies. The average responses per policy are compared with one another, reviewing the degree of variations of the responses, and the extent to which answers to the questionnaires are correlated with one another.

The second part of the paper presents the main body of the paper. Here, a full discussion of the various influences arising from firm characteristics is undertaken. The common devise of analyzing these responses is to present the frequency distribution of the responses. Doing so provides a distribution of all shades of views on the subject. This is the way the ADB report on the survey provides in reviewing the results of the survey.[3]

The present paper is slightly different. A main motivation of this paper is to understand how reforms of existing labor policies could be made. In this context, those policies that elicit critical views from the existing operating enterprises need to be flagged. Doing so makes it possible to understand which policies could be improved.

This means zeroing in on the responses that are critical of the policies. Simply put, these are those responses that returned scores of "*very poor*" and "*poor*" regarding the specific labor market issue. These responses indicate a strong level of disagreement with the existing policies. They give a hint of which types of companies are hurt by the

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[2] The labor policy questions are only a part of a larger statistical survey of operating enterprises dealing with other topics of employment and company characteristics. The labor policy issues were only an aspect of this larger labor market survey.

[3] Cite the main report of the ADB.

specific policy. "Hurt" implies adverse impact on their economic operations. That could mean the policy hampers their operations, possibly hindering their flexibility and therefore adding to their costs. It could mean being tied with inferior options regarding the hiring of labor that cannot be properly exercised. Eventually, this could mean – in a globalizing world – being less viable against competing products or services that are offered by other enterprises, either domestic or foreign.

This paper is written so that it can reach a wide segment of the general public that is interested in labor policy issues in the Philippine context. A different technical paper is presented which uses the same data reported here to estimate the influences of various characteristics associated with respondent companies on the probability that the enterprise would return a specific opinion about the minimum wage policy.[4] The approaches of the two papers are different but they feed into each other's major conclusions.

II. Company Views on Labor Issues in Perspective

Company respondents were asked fourteen specific questions covering specific labor market issues. The questions were designed to elicit responses on how respondent companies viewed the policies in terms of providing a good investment environment.

- The minimum wage setting as a consultative process
- The cost of severance pay regulation
- Freedom to employ workers on fixed term contracts
- Ease of dismissing regular workers
- Regulations on work hours per week
- Regulations on overtime pay rates
- Industrial relations and harmony
- Government regulations for settling labor disputes
- Inspections by officials of the Department of Labor and Employment
- Performance of Public Employment Service Office
- The types and amounts of government incentives for training workers
- The quality of vocational schools in the respondent's sector
- Number of mandatory national holidays
- Number of discretionary national and local holidays

Average scores of policies

Table 1 presents the summary of the responses of the surveyed enterprises to the fourteen labor policy issues that are asked. This table shows the average ratings derived from the various responses. The labor policy which is seen as most problematic (lowest score) is recorded first and the most favored (highest average score) is ranked last. Since all the scores are based on the same scales of all possible answers, it is possible to

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[4] See G.P. Sicat, "Firm Characteristics as Influences on Labor Policy Views," University of the Philippines School of Economics, Discussion Paper 09-__, _____, 2009.

compare the average scores and view them in ranked order and draw conclusions from their differences in scores. These are ranked according to the order of lowest average scores to the highest. Each average score is seen together with its corresponding standard deviation.

Table 1. Mean Scores Ranked from Highest to Lowest Scores

Rank	Symbol	Description of Labor Policy	Obs	Mean	Std. Dev.	Min	Max
1	LP_hours	Policy on hours of work	157	4.08917	0.98953	2	9
2	LP_ovtime	Policy on payment of overtime	157	4.03185	0.96357	2	9
3	LP_v_sch	Quality of local vocational schools	157	3.97452	2.17783	1	9
4	LP_ind_rel	Industrial relations process	157	3.93631	1.13047	1	9
5	LP_p_of	Role of public employment placements	157	3.91720	2.25025	1	9
6	LP_l_train	Training of labor in service	157	3.89172	2.38473	1	9
7	LP_hol_dy	Labor policy on holidays in general	157	3.74522	1.06762	1	9
8	LP_ohol_dy	Labor policy on other holidays	157	3.59236	1.06792	1	9
9	LP_fxtc	Limitations on fixed term contracts	157	3.58599	1.50659	1	9
10	LP_sev_c	Payment of severance costs	157	3.55414	1.29790	1	9
11	LP_l_dispu~s	Settlement of labor disputes	157	3.38217	1.52557	1	9
12	LP_l_inspct	Labor inspections	157	3.29936	1.42983	1	9
13	LP_min_w	Minimum wage setting process	157	3.28026	1.10844	1	5
14	LP_dismiss	Restrictions on worker dismissal	157	3.26752	1.57049	1	9

In general, the survey results returned relatively high ratings beyond the mid-score of "3" – the score associated with *average* or *fair*. This is to be expected. Labor welfare policies are high in the list of public policies that often describe a humane and caring society. In terms of this finding, even the most problematic of the current policies have an average that is above "3." Since the highest score is equal to "5", it is not surprising that the policies that are most approved have a score that is above "4".

The labor policies with the highest approval ratings are the regulation of working hours and the payment of overtime work beyond regular hours. These are the two labor policies with a mean score of above "4" or good. (It is also to be noted that the lowest minimum score is "2" or poor. It is to be noted however that a few questions did not elicit responses. Cases of no response were marked "9" but were excluded from calculations of mean scores.)

Other labor policies that scored well included questions about the quality of vocational schools in the local area of the firm, the evaluation of industrial labor-management relations, the role of public employment assistance, training of workers, and public holidays.

The policies that are rated with the lowest scores are on the restrictions regarding the dismissal of workers, the minimum wage setting process, labor inspections by the government, the settlement of labor disputes, payment of severance costs for workers, and the restrictions on the use of fixed term contracts. These are the area of grievances among companies regarding labor policies. The average scores are relatively close to one another although their measures of variability differ.

Mean scores help to gauge which policies receive relative greater or less approval from the respondent firms. But variability measures the "noise" that could be read from these mean scores. Variability in effect describes the spread of the responses relative to the average. The wider the spread, the higher is the disagreement of some respondents with the policy judgment of many firms.

Variability of answers

Table 2 is a different presentation of the data in Table 1. The variability of the mean scores is the point of focus. The standard deviation (which is given alongside the mean score) is a measure of the variability of the mean. The lower is the value of the standard deviation, the more stable or reliable is the calculated average score. Thus, the mean scores are judged by their relative variability: these scores are ranked by their variability from the least variable or most stable estimate to those with the highest variability (more widely spread and therefore less reliable mean scores).

Table 2. Ranking of Variability of the Mean Scores (From Lowest to Highest)

Rank	Symbol	Description of Labor Policy	Obs	Mean	Std. Dev.	Min	Max
1	LP_ovtime	Policy on payment of overtime	157	4.03185	0.96357	2	9
2	LP_hours	Policy on hours of work	157	4.08917	0.98953	2	9
3	LP_hol_dy	Labor policy on holidays in general	157	3.74522	1.06762	1	9
4	LP_ohol_dy	Labor policy on other holidays	157	3.59236	1.06792	1	9
5	LP_min_w	Minimum wage setting process	157	3.28026	1.10844	1	5
6	LP_ind_rel	Industrial relations process	157	3.93631	1.13047	1	9
7	LP_sev_c	Payment of severance costs	157	3.55414	1.29790	1	9
8	LP_l_inspct	Labor inspections	157	3.29936	1.42983	1	9
9	LP_fxtc	Limitations on fixed term contracts	157	3.58599	1.50659	1	9
10	LP_l_dispu~s	Settlement of labor disputes	157	3.38217	1.52557	1	9
11	LP_dismiss	Restrictions on worker dismissal	157	3.26752	1.57049	1	9
12	LP_v_sch	Quality of local vocational schools	157	3.97452	2.17783	1	9
13	LP_p_of	Role of public employment placements	157	3.91720	2.25025	1	9
14	LP_l_train	Training of labor in service	157	3.89172	2.38473	1	9

Table 2 shows that some mean scores also have low variability so that they are quite reliable indicators of average sentiments. For instance, the opinion on the minimum wage is fairly reliable and widely accepted. It has one of the lowest measures of variability (rank number 5). The opinion about the payment of overtime enjoys the second highest mean score from the respondents but it has the lowest variability. In general, however, all the average judgments arising from the respondent returns indicate mean values that are above the measure of variability, the standard deviation. When this fact is put in statistical terms, the computed means are statistically significant at least at the 5 percent level. As will be seen below, the responses to the policies on severance costs, fixed term contracts, the dismissal of workers represent the most problematic labor policies to a number of firms. But still, they have wide acceptability within the context of overall respondent sympathies for them.

The policies related to labor training (on the quality of vocational schools and on incentives for training) have the highest level of volatility of the mean scores. But they still represent a situation in which the calculated variability is lower than the mean score.

Correlations

Table 3 shows the simple correlation matrix of the responses with each other. Correlations have values ranging +1.0 and – 1.0. Given the design of the questions, most of the answers are expected to be positive correlations and none having negative correlations. The correlation of a given policy with itself is 1.0, obviously. The matrix reads best row-wise against the column entry. (Or alternatively, column-wise against the row entry.) It is essentially a two-by-two matrix: a particular policy read on the row correlated against the entry that is given on the answers to the policy given in the column.

Table 3. Correlation Matrix among all the Fourteen Labor Policy Responses

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
		LP_min_w	**LP_sev_c**	**LP_fxtc**	**LP_dismiss**	**LP_hours**	**LP_ovtime**	**LP_ind_rel**	**LP_l_dispu~s**	**LP_l_inspct**	**LP_p_of**	**LP_l_train**	**LP_v_sch**	**LP_hol_dy**	**LP_ohol_dy**
1	**LP_min_w**	1.000													
2	**LP_sev_c**	0.488	1.000												
3	**LP_fxtc**	0.431	0.325	1.000											
4	**LP_dismiss**	0.214	0.282	0.196	1.000										
5	**LP_hours**	0.304	0.216	0.356	0.232	1.000									
6	**LP_ovtime**	0.340	0.268	0.283	0.210	0.824	1.000								
7	**LP_ind_rel**	0.286	0.203	0.278	0.165	0.263	0.308	1.000							
8	**LP_l_dispu~s**	0.380	0.265	0.357	0.222	0.343	0.319	0.271	1.000						
9	**LP_l_inspct**	0.351	0.297	0.388	0.115	0.312	0.240	0.159	0.397	1.000					
10	**LP_p_of**	0.166	0.058	0.187	0.146	0.185	0.143	0.207	0.198	0.323	1.000				
11	**LP_l_train**	0.164	0.204	-0.002	0.181	0.078	0.055	0.183	0.135	0.111	0.506	1.000			
12	**LP_v_sch**	0.194	0.109	0.085	0.165	0.159	0.126	0.174	0.148	0.031	0.418	0.499	1.000		
13	**LP_hol_dy**	0.364	0.260	0.345	0.255	0.283	0.288	0.247	0.383	0.369	0.213	0.259	0.221	1.000	
14	**LP_ohol_dy**	0.330	0.257	0.345	0.257	0.259	0.287	0.196	0.376	0.408	0.207	0.129	0.268	0.780	1.000

For instance, the policy on the payment of severance costs (LP_sec_c) in the second row is correlated 0.48 with the minimum wage (column 1). This is a high level of correlation, meaning that most answers relating to the minimum wage issue have close to 50 percent chance of viewing the policy on severance costs in the same way.

Highly related policy issues would tend to have high correlations. Correlation implies that the judgment on the answers tend to go together. For instance, respondents that tend to approve a given policy would give approval to another labor policy is highly connected with that policy. If the response is one of disapproval, then the same positive correlation will imply that disapproval would also tend to be expressed for the same policy. For instance, those who responded favorably for the general policy on holidays tend to favor the discretionary nature additional local holidays and non-working holidays. (This is close to 0.80) The same is true in connection with responses on hours of work in relation to the payment of overtime. (Correlation is 0.82).

The correlation of the responses varies according to the specific labor policy under consideration. Take the case, again, of the responses regarding the payment of severance costs for workers being separated from the company. Examining column 2 and reading the corresponding correlations on the rows, it is seen that in general, a lot of responses to policies are substantially positively correlated if the correlations are low. But 10 of the responses to labor policies of different types are correlated with the policy of severance by at least 25 percent of the time. The highest correlation is with responses on the minimum wage.

Some of the labor policies get responses that are closely linked with one another. Approval ratings for the minimum wage, for severance costs, for restrictions on fixed term contracts, for the policy on settling industrial disputes, and for holidays tend to go together. But responses to policies with respect to training, to restrictions on dismissal and to vocational schools tend to have less in common with the responses to other policies.

What all this discussion of correlation coefficients indicates is that there is a high degree of variations among the responses to specific policies.

Correlations of the responses to various policies are just a peep in the window. It would still be important to have specific knowledge about the nature of the respondent firms to understand how they would respond to specific policies. For this reason, it is important to introduce various characteristics of the firm to know how these characteristics help to influence their opinions of specific policies. A firm's group background may embody important behavioral characteristics that might be associated uniquely to the group's outlook, objectives, or special interests.

For instance, a firm that has long been around might display a degree of complacency about certain policy issues that would excite or trouble a more recent company. A firm mainly engaged in domestic business might behave differently from one that sells to foreign markets. A firm with owners who are domestic citizens might respond differently from a foreign owned firm. A firm with a very large employment size might have different assessments of the same policy compared to one with very small labor size. And so on.

It is therefore desirable to find new information about respondent firms that differentiate them from one another. In this way, it is possible to analyze any degree of "noise" that might separate them in their judgments about particular labor market policies. This could lead to critical information that might be missed by focusing on average responses. The art of successful policy analysis is one that involves understanding of subtleties that arise out of complex issues and using them effectively.

Specifically, the survey design made it possible to regroup various respondents by specific characteristics that are spelled below. The firms are grouped:

(a) By the response of the firms to government investment incentives (recipients or non-recipients; the survey asked if the firm is or had been a BOI or PEZA registered enterprise);
(b) By the main sector of activity of the firm (manufacturing or services, the only firms comprehensively surveyed)
(c) By the nature of the main market served by the firm (the survey asked companies to indicate the degree of their sales to market destination, domestic or exports: for purposes of the study, only the domestic market are compared with those whose 100 percent market is destined for exports, even though there were a few mixed market respondents)
(d) By the nature of the enterprise ownership of the companies(for this purpose, firms responded whether they were 100% Filipino enterprises; joint ventures with at least 60% Filipino ownership; joint ventures with at least 60% foreign direct investment (FDI) ownership; and 100% FDI)
(e) By age of the enterprise (the firms were asked to fill up the year of their corporate registration with the Philippine authorities. From their replies, the firms were classified as new (one to five years old), more than five years old to 10 years old, more than 10 years up to 20 years old, and more than 20 years old)
(f) By size of employment of the firms (in this, the firms were reclassified according to certain standards used by Philippine statistical authorities: micro (up to 9 workers), small (10 to 99 workers), medium (100 to 199 workers), and large (more than 200 workers)).

III. Company Characteristics and How They Responded

In reviewing these responses in the survey, the emphasis is given to those responses that give a poor mark to the labor market policies. The reason for this is intended to highlight the nature of the firms that find the policies unattractive. Such firms are likely to be adversely affected by the policy. One concern of economic policy in respect to the labor market is to find the reasons why the country had not been able to have an impressive record of employment creation despite the moves to raise labor standards by law. Now, the reasons for this development outcome might not be directly attributed to labor policies per se (as other observers assert) for there are other factors that affect overall growth and employment.

These policies have behind them a track record of public and political acceptance of several decades. As a result, they create a feeling of comfort about the policies that leaves little to guide the country on the areas of reform where labor policies could be improved. In fact, relying mainly on the average scores or the frequency of responses could lead to a mistaken notion that all is well with the policies and there would be no need for any changes. A different kind of outcome could arise from some analysis of critical information about the policies. The purpose of sound policy making is to understand how criticisms of existing policies could help to improve them in the service of development and the nation.[5]

The object of the study is in large part to understand what changes in labor policy would be desirable in order to get a perspective on what could be improved. But in understanding the types of firms that are critical about the policy, much is also revealed about those enterprises that are favorable to the pattern of existing policies.

The discussion below is therefore a review of specific critical answers to each of the fourteen labor policy issues posed in the survey. For ease of reference, 14 tables are used to show the frequency tables for the responses of *very poor* and *poor*, summing up the two sets of responses, and then showing these as a percent of the total respondents in the survey. A final column indicates the percent of respondents who responded to the specific labor policy issue.

It is to be remembered that critical responses are those responses in which the respondent firms chose ratings of "1" and "2". A rating of "3" is average or fair. Each of these tables is a set of two-by-two tables: the frequencies of company responses of *very poor* and *poor* are matched against the specific grouping (that is defined by a specific characteristic classification) to which the respondent firm belongs.

Labor policy 1: Minimum wage

Responses to the minimum wage pertains to ideas about the level at which it is set and the process of setting that level. The law makes it mandatory as a regional wage setting process, even though the national level often is led by what the Metro Manila region. All the regional wages are set below that of the Metro Manila level, and the region acts only after the Metro Manila level is determined.

[5] In the discussion below, the statement that a group of firms five a poor rating to a given policy refer to the sum of very poor and poor together. It is therefore useful to refer to the table whenever examining the full meaning of the statement.

Table 4. Minimum Wage Setting: Is It Consultative Enough?

	Score	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	6	6	82	14.6%	0	100.0%
	Non-Recipient	6	12	75	24.0%	0	100.0%
(b)	**By Economic Sector**						
	Manufacturing	6	4	50	20.0%	0	100.0%
	Services	6	13	101	18.8%	0	100.0%
(c)	**By Market Orientation**						
	Exports	3	1	15	26.7%	0	100.0%
	Domestic	6	16	123	17.9%	0	100.0%
(d)	**By Enterprise Ownership**						
	100% Fil.	9	15	118	20.3%	0	100.0%
	60% Fil.	1	3	16	25.0%	0	100.0%
	60% FDI	2	0	6	33.3%	0	100.0%
	100% FDI	0	0	17	0.0%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	3	1	17	23.5%	0	100.0%
	>5 to 10 years	3	8	56	19.6%	0	100.0%
	>10 to 20 years	4	4	48	16.7%	0	100.0%
	>20 years	2	5	36	19.4%	0	100.0%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	1	1	13	15.4%	0	100.0%
	Small (10-99 workers)	7	4	63	17.5%	0	100.0%
	Medium (100-199 workers)	1	4	31	16.1%	0	100.0%
	Large (200 and more workers)	3	9	50	24.0%	0	100.0%

The sample of respondents is mainly drawn from two major reasons of the country – Cebu and Metro-Manila. But because of the wide presence of firms in the Calabarzon (Southern Luzon) region, a few firms were picked from this region. Care however was taken to get firms spread out by municipalities. The main point of this respondent selection process was to confine the samples to Metro-Manila and Cebu -- two different regions that have different minimum wage setting schemes. The Metro-Manila rates are slightly higher than that for Cebu. The Calabarzon region is almost an extension of the Metro-Manila region. Calabarzon firms are close enough to Metro Manila and economic and locational conditions appear to be similar with the latter. Besides there are only a few of them.

Table 4 presents the results of the survey indicating outlier responses. The mean score of the respondents is 3.28 (see Table 1). With the exception of the labor policy regarding the dismissal of workers, this is the lowest rating received from the 157 respondents. One other important information is that all the firms responded to the question, suggesting that no one firm was indifferent to the issue or is not cognizant of its implications on its operations. All these indicate that there is a wide range of respondents who agreed on this relatively low rating.

(a) *By recipient or non-recipient of fiscal incentives*. Twelve respondents among 82 recipients of fiscal incentives, or 14.6 percent of them, gave a very poor or poor rating. This compares with 24 percent of non-recipient firms totaling 75 firms, a larger proportion of them. Non recipient of investment incentives have a greater degree of resentment regarding the policy of process of setting minimum wages. Local firms thriving under a uniform environment of business appears to be more hurt by minimum wages than those who have been granted additional investment incentives.

(b) *By economic sector*. There is no significant difference in the attitude of respondents towards the minimum wage as between manufacturing and services sectors. Around one-fifths of the firms in both sectors give a rating of very poor and poor to the minimum wage issue.

(c) *By market orientation: domestic or export*. A higher proportion of export firms have a poor opinion of the minimum wage policy compared to those serving only the domestic market. Four of 15 export firms (26.7 percent of them) give a poor rating compared to only 17.9 percent of the 123 domestic-market-oriented respondent firms.

(d) *By ownership of enterprises*. The critical view of minimum wage legislation comes mainly from firms owned by Filipino nationals, whether 100% owned or 60% controlled joint venture investments. Foreign enterprises, especially 100% owned companies, had little negative commentary. Therefore in general, the respondents find the minimum wage rate low enough. Foreign companies tend to have a higher per worker wage bill compared to the minimum wage. *This establishes the important point that the minimum wage hurts domestic firms owned by Filipinos than those owned by foreigners.*

(e) *By age of the enterprise*. Younger firms tend to be more vocal in their view than older firms. But even the old firms constitute a large size of firms (close to 20 percent among firm respondents that are more than 20 years old.)

(f) *By employment size of the firm.* The larger the size of the firm by employment size, the more critical it is about the minimum wage policy. Among micro, small and medium sized firms by employment size (between less than 9 to 199 workers), the proportion of those respondent firms that give the minimum wage a poor rating range from 15.4 percent to 17.5 percent. But of the 50 large respondent firms, 12 firms give a poor rating to the minimum wage policy.

Labor policy 2: Cost of severance pay regulation

This labor policy seeks to understand the views of enterprises on the cost of severance of employees when they leave the firm. Severance payment is part of the cost to regular employees who are leaving the service of the firm. Those who indicate that it is a very poor or poor policy imply that the policy is too costly for the firm. Severance cost is a labor welfare standard that has been part of the labor legislation for a firm's regular employees. Temporary workers or casual workers are excluded from this right.

Table 5 shows the various responses to the labor policy regarding the cost of severance pay. In general, respondents on the cost of severance do not excite as many respondents as the issue of minimum wage. More firms react more strongly against the minimum wage than the cost of severance. This of course is only a matter of degree. Some firms – at least above 10 percent of the respondents –give a very poor and poor rating for this policy.

Recipients of fiscal incentives tend to be less vocal in objections to the policy on severance pay as do local companies that have this view. The same is implied by respondent firms in manufacturing compared to those in the services. Enterprises with exports as their market base appear more critical than those selling mainly with the domestic market. Younger firms (age up to five years) tend to be more sensitive to this issue. Older firms however appear to be more resigned to this issue. The percentage of respondents among younger firms is significantly higher than that for the older firms. Enterprises with large size of employment appear less critical than firms of smaller size.

(a) *By recipient or non-recipient of fiscal incentives*. There is little difference in the reaction of firms to the cost of severance labor policy.

(b) *By economic sector*. Respondent firms in manufacturing are proportionately more sensitive to this issue than those in the services. Of the 50 respondents, 8, or 16 percent of the manufacturing respondents, gave a poor rating to this policy. In the case of 101 respondents in the services sector, 11 of them, or 11 percent of the firms, gave a poor rating. Poor ratings are predominantly more than very poor ratings in both sectors.

Table 5. Cost of Severance Pay Regulation

	Score	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	1	9	82	12.2%	1	98.8%
	Non-Recipient	3	7	75	13.3%	3	96.0%
(b)	**By Economic Sector**						
	Manufacturing	2	6	50	16.0%	2	96.0%
	Services	1	10	101	10.9%	2	98.0%
(c)	**By Market Orientation**						
	Exports	0	3	15	20.0%	0	100.0%
	Domestic	3	11	123	11.4%	3	97.6%
(d)	**By Enterprise Ownership**						
	100% Fil.	4	13	118	14.4%	2	98.3%
	60% Fil.	0	2	16	12.5%	1	93.8%
	60% FDI	0	0	6	0.0%	0	100.0%
	100% FDI	0	1	17	5.9%	1	94.1%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	1	2	17	17.6%	1	94.1%
	>5 to 10 years	1	5	56	10.7%	1	98.2%
	>10 to 20 years	2	5	48	14.6%	1	97.9%
	>20 years	0	4	36	11.1%	1	97.2%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	2	13	15.4%	0	100.0%
	Small (10-99 workers)	4	4	63	12.7%	2	96.8%
	Medium (100-199 workers)	0	5	31	16.1%	0	100.0%
	Large (200 and more workers)	0	5	50	10.0%	2	96.0%

(c) *By market orientation: domestic or export*. Proportionately, more export firms give a poor rating than those that sell only to the home market. Of the 15 fully export firms 3, or 20 percent of them, give a poor rating for this policy. Domestic market firms that rate this policy as poor account for 11.4 percent of the firms – 14 of the 123 firms.

(d) *By ownership of enterprises*. Most of the dissatisfaction from this policy stem from 100% Filipino owned enterprises. Joint ventures controlled by Filipinos accept this policy to a greater extent but only marginally compared to the fully-owned Filipino enterprises. Firms that are owned by foreigners – whether fully owned or joint ventures – accept severance cost as part of the employment contract in general.

(e) *By age of the enterprise*. Newer firms tend to be more critical of severance costs compared to older firms. Of 17 new firms (1 to 5 years old), 5 or 17 percent of them give a poor rating to severance cost. Firms that are from 6 to 10 years old have greater tolerance for this with only 10.7 percent giving a poor rating. Among much older firms (above 20 years), 11 percent, or 4 of the 36 firms, give this policy issue a poor rating. The slight spike in dissatisfaction comes from firms that are more than 10 to 20 years old. Among these, 14.6 percent, or 7 of 48 respondent firms, rate the policy very poor or poor.

By employment size of the firm. The responses of firms by employment size mirror the responses of firms by age. The small firms are like the young enterprises. Small firms in this case are the micro and small firms whose negative rating of this policy range from 12.7 percent (for the small firms with 10 to 99 workers) to 15.4 percent (for micro enterprise respondents). Medium sized firms (of 100 to 199 workers) have a higher level of negative rating for the policy. On the other hand, large firms (with more than 200 workers) are not as bothered by this policy. Only 5 of the 50 respondents, or 10 percent of them, rate this policy with a poor.

Labor policy 3: Freedom to employ on a fixed term basis

To protect employees from being employed on a temporary basis for long periods, labor policy has required that workers on temporary hire be integrated as regular workers within the firm after six months of employment. However, some enterprises prefer to have greater leeway in using fixed term contracts for greater flexibility, to control costs, and for specific and non-recurrent projects. Many reasons are offered for this policy. Foremost among labor welfare supporters is the desire to put employees on more stable and permanent basis.

The range of answers involving very poor and poor ratings by respondent firms differs among respondents when they are grouped according to certain common characteristics. Disregarding the class of micro firms in terms of employment and the small sample of joint ventures owned by Filipinos – which were hardly critical in their view of this policy, most classes of firms give a very poor and poor ratings among least 20 percent of the group of respondents surveyed.

Table 6 shows the enterprise responses to the policy on restrictions to fixed term labor contracts.

(a) *By recipient or non-recipient of fiscal incentives*. Among firms that received or did not receive fiscal incentives, there is no marked difference in their judgment of this policy. Among respondents, 20 percent in either class of firms rated this policy either very poor or poor. This is a fairly high rate of disapproval of this policy that restricts the use of fixed term contracts.

Table 6. Freedom to Employ Workers on a Fixed Term Basis

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	6	10	82	19.5%	2	97.6%
	Non-Recipient	5	11	75	21.3%	3	96.0%
(b)	**By Economic Sector**						
	Manufacturing	4	7	50	22.0%	0	100.0%
	Services	7	13	101	19.8%	5	95.0%
(c)	**By Market Orientation**						
	Exports	2	3	15	33.3%	1	93.3%
	Domestic	9	13	123	17.9%	4	96.7%
(d)	**By Enterprise Ownership**						
	100% Fil.	11	15	118	22.0%	3	97.5%
	60% Fil.	0	2	16	12.5%	1	93.8%
	60% FDI	0	1	6	16.7%	0	100.0%
	100% FDI	0	3	17	17.6%	1	94.1%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	2	3	17	29.4%	2	88.2%
	>5 to 10 years	2	8	56	17.9%	2	96.4%
	>10 to 20 years	5	8	48	27.1%	0	100.0%
	>20 years	2	2	36	11.1%	1	97.2%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	1	13	7.7%	0	100.0%
	Small (10-99 workers)	4	7	63	17.5%	3	95.2%
	Medium (100-199 workers)	1	8	31	29.0%	1	96.8%
	Large (200 and more workers)	6	5	50	22.0%	1	98.0%

(b) *By economic sector*. Slightly more respondent firms in manufacturing rate this policy very poor or poor rating than those in the services sector. This difference is not significantly noticeable. The level of dissatisfaction involves 20 percent of the respondents which constitute a sizeable group of firms.

(c) *By market: domestic or export orientation*. Firms engaged in exports feel more negative about this policy than those that sell only to the home market. Five of the 15 respondent firms engaged in exports, or 33.3 percent of them, give this policy a poor rating. In the case of home market firms, however, 22 of 123 respondent firms, or 16.7 percent of them, give a poor rating to this labor policy. Proportionally therefore, it is the export sector that is hurt specifically by this policy.

(d) *By ownership of enterprises*. Filipino-owned enterprises tend to be most vocal against this labor policy. Among the 118 fully-owned enterprises by Filipino citizens, 29.4 percent of the respondents, or 26 of them, give a rating of very poor and poor to this policy. Joint ventures owned by Filipinos tend to be less critical in their attitude. Although the poor rating they give to this policy is high enough at around 17 percent of the total respondents among foreign owned enterprises (fully or 60% controlled), the noticeable attitude in the responses is that the rating of poor is not as intense as that given by Filipino-owned companies. By all standards though, this policy is more discomfiting to foreign-owned enterprises than the respective policies on minimum wage or the cost of severance. These are incidentally the group of firms that favor minimum wage as a socially useful policy.

(e) *By age of the enterprise*. This labor policy restricting fixed term contracts for workers is viewed most critically by new respondent firms and by firm respondents that are more than 10 years and up to 20 years old. Of the 17 respondent firms in this age group, 5 of them (or 29 percent) scored the policy as poor. The rating of poor persists also among firms that have been around for 20 years. It is less significantly viewed by much older firms – those that are more than 20 years in operation.

(f) *By employment size of the firm.* The smaller the firm is by size, the less important is the restriction against fixed term contracts. Respondent firms with larger employment size rate this policy poor. Among medium sized firms (100 to 199 workers), 9 out of 31 firms, or 29.0 per cent, rate this policy poor. Among large firms with more than 200 workers, 11 of 50 respondent firms or 22.0 percent, rate the policy poor. It is clear therefore that the problem of restrictions against hiring workers on fixed term contracts affects the large companies more.

Labor policy 4: Regulations protecting against dismissal of regular workers

The policy relating to the dismissal of workers is designed to protect workers from arbitrary dismissal. Cause of dismissal requires a process of justification in writing that is complex and might, for some firms, appear to be tortuous to push through. It cannot be made quickly and on a whim for that would expose the employer to potential lawsuit. In short, the idea that a worker in a firm has rights to be protected from arbitrary dismissal is part of the labor laws in the country.

On the other hand, employers see their prerogative to remove workers that they no longer want for valid reasons as an important right. The stringent restrictions are considered an infringement on the firm's need for speedy action and flexibility especially if the case affects group morale or productivity. If firms find it difficult to dismiss workers that fall short of their performance, then it would be hampered in its market performance. In a competitive world, this could be a major impediment.

The law requires proof and validity of reason for firing. Though firing of workers is of course possible but a legalistic administrative process could impose a high cost on the employer. A strong jurisprudence had been built around this provision of the law. Business reaction to this provision of labor employment protection indicates that of the fourteen major labor policies studied in the survey, this provision provides the strongest indication of negative reaction among those who responded in the survey.

Among the labor market policies covered in this study, the policy surrounding the dismissal of a worker receives the lowest average score from respondents (see Table 1, again). This is due to the large number of degree of very poor and poor ratings that respondent firms gave to this labor policy.

Table 7 provides a detail of these responses of the responses of firms that criticize this policy on dismissal of workers. In general, this labor policy on dismissal of workers elicits the highest rate of very poor and poor ratings from respondents among these labor policies. This score ranged from one-fourth to one-third of all respondents within the class of firm classifications.

(a) *By recipient or non-recipient of fiscal incentives*. Although classification of firms does not play a major role in the way the respondents rated this policy, the number of scores rating this policy is significantly large. Of fiscal incentives recipients, 26.8 percent among 82 firms rated this policy poorly. Among non-recipients, similarly 24 percent of respondents give the same poor rating.

(b) *By economic sector*. Manufacturing sector firms are hurt most by this policy. Of the 50 firms responding, 32 percent of them, give this policy a similarly poor rating. Domestic firms in the services sector are hurt as well; 19.8 percent of firms among 101 respondents have disapproving ratings. Although there appears to be no great difference in the attitude of respondents with respect to the dismissal policy, there is a good case for reviewing the policy on grounds of its potential impact on operating firms.

Table 7. Ease of Dismissal Regular Workers

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of response
(a)	**By Fiscal Incentives Recipients**						
	Recipient	7	15	82	26.8%	3	96.3%
	Non-Recipient	9	9	75	24.0%	3	96.0%
(b)	**By Economic Sector**						
	Manufacturing	5	11	50	32.0%	2	96.0%
	Services	10	12	101	21.8%	4	96.0%
(c)	**By Market Orientation**						
	Exports	1	4	15	33.3%	0	100.0%
	Domestic	13	17	123	24.4%	6	95.1%
(d)	**By Enterprise Ownership**						
	100% Fil.	12	16	118	23.7%	5	95.8%
	60% Fil.	3	3	16	37.5%	0	100.0%
	60% FDI	1	1	6	33.3%	0	100.0%
	100% FDI	0	4	17	23.5%	1	94.1%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	1	4	17	29.4%	2	88.2%
	>5 to 10 years	4	9	56	23.2%	1	98.2%
	>10 to 20 years	6	7	48	27.1%	1	97.9%
	>20 years	5	4	36	25.0%	2	94.4%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	1	3	13	30.8%	1	92.3%
	Small (10-99 workers)	5	11	63	25.4%	2	96.8%
	Medium (100-199 workers)	6	4	31	32.3%	1	96.8%
	Large (200 and more workers)	4	6	50	20.0%	2	96.0%

(c) *By market orientation: domestic or export*. Five of the 15 firms, or 33.3 percent of the respondent export firms, five a poor rating for this policy. Of 123 domestic market oriented firms, 18 percent of them rate this policy critically. Here, it appears that export firms tend to be more vocal against this policy.

(d) *By ownership of enterprises*. Among the respondents that scored this policy poor, there are more domestically owned firms compared to foreign owned enterprises operating in the country. Of course, this is only a matter of degree. Of the 17 fully owned foreign companies 3, or 17.6 percent of them, rate this labor policy poor. The percentage of Filipino owned firms (22 percent) complaining about this policy indicates that it hurts them more. The policy on dismissal of labor requires more study for liberalization if the country is to attract more foreign owned companies.

(e) *By age of the enterprise*. Younger firms tend to give this policy a poor rating compared to the oldest of the respondent firms. This appears to be strongest among firms that are as young as five years in operation. Firms that have been in operation longer, like those in the more than 10 years up to 20 years of operational existence, rate this policy poor. Among this group, 13 of 48 respondent firms, or 27 percent of them, rate this policy very poor and poor. Firms in existence for much longer than 20 years are not as negative. Only 11 percent of 36 respondents give it a negative rating.

(f) *By employment size of the firm.* By a universal margin among small to large enterprises (more than 10 and up to more than 200 workers) by employment size give a rating of very poor and poor to this labor policy. Interestingly, of the 31 medium sized (more than 100 to 200 workers) respondent enterprises, 29 per cent of the respondents rated this policy poor.

Among the labor policies studied in the survey, firms regard the restrictions to the dismissal of workers needs the most attention for reform.

Labor policy 5: Regulation on work hours per week

One of the earliest labor market regulations refers to amount of paid working hours. The country has enforced the 40 hours per week labor routine which is common among industrial countries. This provision of law was introduced in the early 1960s. Labor employment regulations use the 40 hour per week routine, or the 8 hour per day work day, as basis. Minimum wages are measured at this rate, and salaries in general are based on this labor standard. Another measure of work hours standards refer to the work of women. In the traditional view of work hours, women are allowed work only during specific hours of the day. Night-work prohibition for women is one of the requirements of law protecting women for work in industry and commerce. Thus, there is some restriction on the supply of labor for night-shift work in factories.

Table 8. Regulation on Work Hours

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	0	3	82	3.7%	1	98.8%
	Non-Recipient	0	1	75	1.3%	1	98.7%
(b)	**By Economic Sector**						
	Manufacturing	0	1	50	2.0%	1	98.0%
	Services	0	3	101	3.0%	1	99.0%
(c)	**By Market Orientation**						
	Exports	0	0	15	0.0%	0	100.0%
	Domestic	0	3	123	2.4%	0	100.0%
(d)	**By Enterprise Ownership**						
	100% Fil.	0	4	118	3.4%	0	100.0%
	60% Fil.	0	0	16	0.0%	0	100.0%
	60% FDI	0	0	6	0.0%	0	100.0%
	100% FDI	0	0	17	0.0%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	0	0	17	0.0%	0	100.0%
	>5 to 10 years	0	1	56	1.8%	0	100.0%
	>10 to 20 years	0	0	48	0.0%	1	97.9%
	>20 years	0	1	36	2.8%	1	97.2%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	0	13	0.0%	0	100.0%
	Small (10-99 workers)	0	3	63	4.8%	1	98.4%
	Medium (100-199 workers)	0	0	31	0.0%	0	100.0%
	Large (200 and more workers)	0	1	50	2.0%	1	98.0%

The work hour standard is considered a humane limitation for the hours of work in the workplace. Industrial enterprises in general appear to have adopted it without complaint. This work hour requirement regulates the amount of time that workers are expected to stay at their station. It sets the stage for the imposition of additional pay should there be need to extend work. Another reason for this regulation is to discourage the occurrence of sweatshops – places of work where the number of hours of work is often too many and at pay that is often very low. Yet, in small shops and in the informal sector, and among people with little work in organized enterprises, very often the only means of making a living is to work as long as possible without counting the hours. In fact, in recognition of this problem, the government encourages the establishment of cottage industries that operate outside the restrictions of many if not all of the labor standards that are part of the formal labor policies of the country.

In general, there is wide acceptance of the regulation of hours of work as a labor policy. No respondent firms returned a very poor rating. Only very few enterprises returned a score of poor rating of this policy. Only a very insignificantly few respondents belonged to this group. This policy has the highest mean rating of all with the lowest of variability.

Table 8 provides the different breakdowns of the responses by different characteristics of the respondents. In general, this policy is well-liked. There are no extremely critical judgments of *very poor.* In fact, only two scores of *poor* were made.

(a) *By recipient or non-recipient of fiscal incentives*. Only two respondent firms among non-recipients gave a score of poor.

(b) *By economic sector*. The nature of the economic sector has no distinguishing role.

(c) *By market orientation: domestic or export*. The only respondents that give a poor rating are domestic market oriented firms. However one respondent among 15 exporters is 6.7 percent of the sample.

(d) *By ownership of enterprises*. Only 4 of 118 or 3.4 percent of respondents rated this policy poor and these are 100 percent Filipino owned enterprises. No respondents among foreign owned firms gave this policy a poor rating.

(e) *By age of the enterprise*. This policy did not receive any rating of poor that is markedly significant.

(f) *By employment size of the firm.* Only 3 among 63 respondent firms (4.8 percent) gave a poor rating for this policy.

Labor policy 6: Regulation on overtime rates of work

This labor policy is almost an extension of the problem of regulated hours of work. The policy on overtime is that workers who render overtime are allowed a higher pay over base pay. Overtime rate of pay is 25 percent above base pay. The overtime is also different in the case of holidays (see discussion under the labor laws on holidays.) This additional pay becomes effective after the full eight hours of work has been served. Overtime pay rates raises the per hour cost of labor but it might be one way of compensating highly productive employees for work done beyond the standard working hours. The responses regarding this policy are similar to those they have on working hours. Hence, this labor policy scores well in the comparison of average scores.

Table 9 indicates an insignificant number of firms that rated overtime for labor policy as poor. The ratings given by respondents echo those that they gave on the regulation of hours of work.

(a) *By recipient or non-recipient of fiscal incentives*. Of the 82 recipients of fiscal incentives, not one responded with a poor rating. And of the 75 non-recipient respondents, 2 firms rated this policy poor.

(b) *By economic sector*. The two firms that registered a poor rating were split between manufacturing enterprises and services firms. There were 50 manufacturing and 101 services firms among the respondents.

Table 9. Regulation on Overtime Rates of Work

Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a) By Fiscal Incentives Recipients						
Recipient	0	0	82	0.0%	1	98.8%
Non-Recipient	0	2	75	2.7%	1	98.7%
(b) By Economic Sector						
Manufacturing	0	1	50	2.0%	0	100.0%
Services	0	1	101	1.0%	1	99.0%
(c) By Market Orientation						
Exports	0	1	15	6.7%	0	100.0%
Domestic	0	1	123	0.8%	1	99.2%
(d) By Enterprise Ownership						
100% Fil.	0	2	118	1.7%	2	98.3%
60% Fil.	0	0	16	0.0%	0	100.0%
60% FDI	0	0	6	0.0%	0	100.0%
100% FDI	0	0	17	0.0%	0	100.0%
(e) By Age of Enterprise						
New: 1 to 5 years	0	0	17	0.0%	0	100.0%
>5 to 10 years	0	1	56	1.8%	0	100.0%
>10 to 20 years	0	0	48	0.0%	1	97.9%
>20 years	0	1	36	2.8%	1	97.2%
(f) By Size of Employment						
Micro (1 to 9 workers)	0	0	13	0.0%	0	100.0%
Small (10-99 workers)	0	1	63	1.6%	1	98.4%
Medium (100-199 workers)	0	1	31	3.2%	0	100.0%
Large (200 and more workers)	0	0	50	0.0%	1	98.0%

(c) *By market orientation: domestic or export*. Of the 15 export oriented respondents, 1 respondent rated this policy poor. This lone respondent represents however 6/7 percent of total firms in the sample. Of the 123 domestic market oriented firms, 1 of them only rated this policy poor. It is also clear that the export oriented respondent is a Filipino owned enterprise from the information in (d) below.

(d) *By ownership of enterprises*. Only Filipino owned enterprises (2 of them out of 118 respondents) rated this policy poor. Not one of the foreign owned firms rated this policy poor.

(e) *By age of the enterprise*. Of the two firms that gave this policy a rating of poor, one is in the age group of 5 to 10 years and the other a firm of more than 20 years. They are both Filipino owned enterprises.

(f) *By employment size of the firm.* One of the two respondent firms belongs to small scale companies by employment size of which there were 63 firms in the sample. The other is a medium scale company of which there were 31 firms in the sample.

Labor policy 7: Industrial relations (labor-management relations)

Industrial relation has become more peaceful in the course of recent years. Major external trade adjustments marked by the country's entry into the WTO and the moves of the ASEAN toward a free trade area, and the adjustment toward the financial crisis of 1997 in East Asia, among others, changed the industrial climate and removed many protectionist barriers. These led to a decline of highly protected domestic industries. As a number of well-known companies began making moves to close plants and restructure their production locations within Southeast Asia, sometimes leaving and sometimes repositioning their strengths within the Philippines, extreme labor activism got weakened at the core. That this was an international trend only made the process take its course naturally.

Table 10. Industrial Relations (Labor-Management Harmony)

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	1	5	82	7.3%	0	100.0%
	Non-Recipient	1	3	75	5.3%	3	96.0%
(b)	**By Economic Sector**						
	Manufacturing	2	5	50	14.0%	0	100.0%
	Services	0	0	101	0.0%	2	98.0%
(c)	**By Market Orientation**						
	Exports	1	1	15	13.3%	0	100.0%
	Domestic	1	5	123	4.9%	3	97.6%

(d)	**By Enterprise Ownership**						
	100% Fil.	1	6	118	5.9%	2	98.3%
	60% Fil.	1	0	15	6.7%	1	93.3%
	60% FDI	0	0	6	0.0%	0	100.0%
	100% FDI	0	2	17	11.8%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	0	0	17	0.0%	2	88.2%
	>5 to 10 years	1	5	56	10.7%	1	98.2%
	>10 to 20 years	1	2	48	6.3%	0	100.0%
	>20 years	0	1	36	2.8%	0	100.0%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	0	13	0.0%	0	100.0%
	Small (10-99 workers)	1	1	63	3.2%	1	98.4%
	Medium (100-199 workers)	1	3	31	12.9%	1	96.8%
	Large (200 and more workers)	0	4	50	8.0%	1	98.0%

Table 10 shows that respondent firms that are critical of the climate of industrial relations are few. In general, the proportion of respondents that are critical of the situation is smaller than the criticism of other controversial policies, such as minimum wages, fixed term contracts, and dismissal of workers. In general, less than 10 percent of respondents in each class of firms had a critical view of the state of industrial relations. There is then little dissatisfaction about the state of industrial relations.

(a) *By recipient or non-recipient of fiscal incentives*. There is no difference in the nature of responses between recipients and non-recipients of fiscal incentives insofar as their responses concerning industrial relations.

(b) *By economic sector*. Of the 50 respondent firms within the manufacturing sector, 7 firms give a poor rating to the state of industrial relations policy. Although these represent around 14 percent of the respondents, such a proportion of firms is significantly different from the respondents in the services sector where not one firm among the 101 services sector respondents give a poor rating for this policy.

(c) *By market orientation: domestic or export*. Among the 15 companies that are engaged in export sales, only two companies or 13 percent of them, give a poor rating for the labor policy. In the case of 123 domestic market respondent companies, only 5 percent of the respondents had a negative view of the state of industrial peace. In general, therefore, export oriented companies tend to be more critical of this policy.

(d) *By ownership of enterprises*. Even though there is general acknowledgement of industrial peace, among the companies by ownership, the 100 percent foreign direct investors, or 2 of 17 foreign owned firms, or 11.8 percent of them, give assign a poor rating for this policy. Of the 100% and 60% Filipino-owned companies, only 6 percent of the firms scored this labor policy with a poor rating. In short, foreign companies are generally proportionately less satisfied in this labor policy to describe labor relations. In general, there is little evidence of direct complaint.

(e) *By age of the enterprise*. New enterprises hardly had any poor ratings about the state of industrial relations. Some of the older firms rate the issue with a poor assessment but this does not come out strongly in terms of numbers.

(f) *By employment size of the firm.* Among very small firms, this is not a problem. In general, only the larger firms by size of employment rate the state of industrial relations to be poor but these are only for a small percentage of the total respondent class. Although a few medium sized firms and very large companies give a rating of poor, they represent no more than 13 percent of the respondent class, even fewer in the case of the very large companies.

Labor policy 8: Regulatory mechanisms for the settling of labor disputes

Judgment of the regulatory mechanism for the settling of labor disputes is often the result of more specific case or experience that is salient to the respondent firm. In such a case, introspective reasoning is at play. All enterprises go through some specific cases that involve worker grievances in the work place against the firm as well as firm grievances against specific worker(s). At times, such experience leads to the involvement or the intercession of the government.

When cases of individual grievances cannot be settled easily – or the mechanisms encourage a prolonging of the decision on the settlement – then the country's court system becomes the venue for the settlement of the grievances. Litigation is a costly procedure for all the parties involved, especially the company that could be at the center of the process. The answers of specific firms to this labor policy issue provide a more specific tenor to the labor-management relations within the enterprise.

The average score for dispute resolution is among the lowest ratings given by the respondents. The mean score ranks 11th (see Table 1) and the variability ranked of this mean score ranked 10th (see Table 2). In short, it is among the most controversial of the labor policies.

Table 11 indicates the various outlier responses for the labor policy on the mechanisms for settling labor disputes.

(a) *By recipient or non-recipient of fiscal incentives*. Recipients of fiscal incentives have more negative remarks about labor dispute settlement mechanism than non-recipients. Of the recipient firms, 24 percent give a poor rating for these policies. It might be an indication of the number of incidents of disputes, but this could only be conjectured in this case. The proportion of respondents among non-recipient firms giving a rating of poor is only 15 percent of the firms.

Table 11. Regulatory Mechanisms for the Settling of Labor Disputes

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	6	15	82	25.6%	3	96.3%
	Non-Recipient	6	5	75	14.7%	2	97.3%
(b)	**By Economic Sector**						
	Manufacturing	8	12	50	40.0%	1	98.0%
	Services	4	15	101	18.8%	4	96.0%
(c)	**By Market Orientation**						
	Exports	2	4	15	40.0%	0	100.0%
	Domestic	6	21	123	22.0%	4	96.7%
(d)	**By Enterprise Ownership**						
	100% Fil.	10	19	118	24.6%	3	97.5%
	60% Fil.	1	6	16	43.8%	1	93.8%
	60% FDI	1	1	6	33.3%	1	83.3%
	100% FDI	0	4	17	23.5%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	1	4	17	29.4%	0	100.0%
	>5 to 10 years	5	10	56	26.8%	2	96.4%
	>10 to 20 years	4	9	48	27.1%	3	93.8%
	>20 years	2	7	36	25.0%	0	100.0%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	2	13	15.4%	0	100.0%
	Small (10-99 workers)	4	12	63	25.4%	2	96.8%
	Medium (100-199 workers)	4	7	31	35.5%	2	93.5%
	Large (200 and more workers)	4	9	50	26.0%	1	98.0%

(b) *By economic sector*. Most of the poor ratings emanate from firms in the manufacturing sector compared to those in the services industry. The proportion of poor ratings is 40 percent of the respondents, or 20 of the 50 respondents active in the manufacturing sector. Yet, the proportion of poor ratings is not trivial among those firms in the services sector – 18.8 percent or 19 of the 101 respondent companies.

(c) *By market orientation: domestic or export*. Export companies also have a high proportion of respondents giving a poor rating – 40 percent of the 15 respondent companies. Domestic market oriented companies also have a high proportion of ratings giving a poor rating in this specific labor policy – 22% or 27 of the 123 respondent companies.

(d) *By ownership of enterprises*. In general, there is no marked differentiation in the ratings given by Filipino-owned or foreign owned companies. The respondents gave the same proportion of poor ratings to the mechanism for labor disputes. What is interesting to note here is that – despite the fewness of the sample of respondent firms – joint ventures, whether dominated by nationals or by foreigners – gave a lower rate of ratings than the fully owned enterprises.

(e) *By age of the enterprise*. There is no distinctive difference between young, old, and older firms in judging this aspect of labor policy. The outlier responses are relatively substantial – around one-fourth of the respondent firms – that gave a poor rating for this policy.

(f) *By employment size of the firm.* With the exception of the smallest firms, the response of firms of whatever size of employment is also relatively high – similar in extent to the enterprises distinguished by their difference in their existence as companies.

Labor policy 9: Government labor inspections of the enterprise

The labor inspection system involves judgment about the government implementation of the labor laws and regulations. This naturally involves the direct interaction between the firm and the agents of the law. Such contacts might be driven by regular inspections and by specific issues in the work place that require government intercession or reporting. To some extent, answers to this question reflect the impressions of the companies in relation to their specific interactions with the agents of the law. It is also important to indicate that the nature of regulation of enterprise operation presupposes some degree of antagonism between the regulator who implements policy and the company that has operations that have to be within the scope of the regulatory mandate. In this context, the interaction produces some friction. But a high degree of negative response from firms implies a need for improvement of the regime of policy that is in question.

Interactions with the government could further involve issues beyond those affecting labor and employment. They could comprise specific compliance with tax laws or laws involving the grant of fiscal support. Although the intention of the question was mainly focused with labor issues, it would be difficult not to associate some of the replies as partly embodying the reactions of the respondent firms to a variety of regulatory issues with the government, even beyond labor issues. So, while primarily, this question should reflect the performance of the Department of Labor and Employment and its agencies, it cannot be fully confined to it. To some extent, the spread of contacts with agencies of the government would involve those that deal with Finance and its tax collecting agencies, the internal revenue and the customs bureaus, and all other regulatory agencies with which the firm interacts in its operations.

Thus, from the main scores in the responses to the survey, it is interesting that the scores of government inspection systems score are low among respondents compared to the labor policy pertaining to dispute settlement mechanisms. This question elicits almost the same average rating as that on minimum wage legislation, which implies that it is one of the most problematic issues that respondent firms complain about.

Table 12. Inspections by Officials of the DOLE

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	10	10	82	24.4%	1	98.8%
	Non-Recipient	6	10	75	21.3%	3	96.0%
(b)	**By Economic Sector**						
	Manufacturing	5	10	50	30.0%	0	100.0%
	Services	11	10	101	20.8%	4	96.0%
(c)	**By Market Orientation**						
	Exports	3	5	15	53.3%	0	100.0%
	Domestic	10	11	123	17.1%	4	96.7%
(d)	**By Enterprise Ownership**						
	100% Fil.	10	17	118	22.9%	3	97.5%
	60% Fil.	3	0	16	18.8%	1	93.8%
	60% FDI	1	1	6	33.3%	0	100.0%
	100% FDI	2	2	17	23.5%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	1	3	17	23.5%	1	94.1%
	>5 to 10 years	9	7	56	28.6%	1	98.2%
	>10 to 20 years	3	6	48	18.8%	1	97.9%
	>20 years	3	4	36	19.4%	1	97.2%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	2	13	15.4%	1	92.3%
	Small (10-99 workers)	4	10	63	22.2%	1	98.4%
	Medium (100-199 workers)	4	4	31	25.8%	1	96.8%
	Large (200 and more workers)	8	4	50	24.0%	1	98.0%

Table 12 shows the details of the various respondent firms referring to government labor inspections. There is a high degree of noise (covering almost one-fifths of respondents) arising from domestic firms, foreign-owned firms, large companies, export oriented companies, the manufacturing sector, and all manner of firms, whether fiscal incentive recipients or non-recipients.

(a) *By recipient or non-recipient of fiscal incentives*. Of the 80 recipients of fiscal incentives, 20 respondents or 24.4 percent of the firms gave a rating of poor with respect to this policy. Non-fiscal incentives recipients – or ordinary firms – consisting of 75 respondents had 18 of them giving a poor grade for this labor policy, or 21.3 percent of the respondents.

(b) *By economic sector*. The problem of poor ratings arises more in the manufacturing sector (15 of 50 respondents or 30 percent of the respondents). Within the services sector, 21.3 percent among the 101 respondents rates this policy with a very poor or poor.

(c) *By market orientation: domestic or export*. Firms with export businesses register a large degree of unsatisfactory rating for this policy compared to that of domestic enterprises. Among the 15 respondent companies, 8 of them gave a rating of very poor or poor. This is a high rate of dissatisfaction. Of the 123 firms serving the domestic market, only 21 respondents representing 17 percent of them give a poor rating for this labor policy.

(d) *By ownership of enterprises*. In general, firms of different types of ownership register the same level of dissatisfaction with the policy – something close to 20 percent of the respondents. It is interesting to note here that 100% Filipino-owned enterprises and 100% foreign-owned enterprises are almost in the same proportion registering their poor ratings for this policy.

(e) *By age of the enterprise*. It appears from the responses among younger firms that they have relatively greater dissatisfaction with this labor policy than older firms. However, this is only a matter of degree because 19 percent of respondents for older firms (10 years and above) give a poor rating for this policy.

(f) *By employment size of the firm.* Only very small or micro enterprises yield responses that are in the nature of complaints about the policy. Almost uniformly, firms involving employment of more than 10 worker and more (from small, medium to large) provide the same assessment of policy. About 22 percent to 24 percent of respondents in each class of firms by size give the policy a very poor or poor rating.

Thus, the government regulatory agencies have to do better in improving their interactions with all types of firms in the economy.

Labor policy 10: Performance of the public employment service officer

This labor policy refers mainly to the performance of the public employment services that are performed by the government sector. Because there is no direct official of this type, the question refers mainly to the role that the various services of the Department of Labor and Employment (DOLE) performs in relation to employment assistance to operating enterprises in the economy. To some extent therefore it is a referral on the effectiveness of DOLE in its role as an agency designed to help support the creation of employment.

The answers to the question are a reflection of the answers to the labor policy on labor inspections. The average score for this labor policy is much higher than that for labor inspection – by more than half a percentage point score. But the variability of the answers is much wider. One important statistic here has to be emphasized. There are quite a number of respondents that did not answer this question as indicated by the last column that shows the percentage of responses to the issue. Abstention from any answer occurs more in the case companies that operate in the domestic market, which are mainly owned by Filipinos and which are predominantly in the services sector. They are also mainly medium scale enterprises employing 100 to 199 workers.[6]

Table 13 gives a summary view of the various classifications of the respondents. Having in mind that the answers are relatively close to that of labor policy on labor inspections, a brief description of the responses are given below.

(a) *By recipient or non-recipient of fiscal incentives*. Of the fiscal incentives recipients, 20.7 percent of the 82 respondent firms gave a rating of poor for this policy. Non-recipients – 24 percent of 75 respondents – gave a poor rating.

(b) *By economic sector*. Of the 50 manufacturing firms, or 30 percent of them, rated this policy poor. A lower percentage of the 101 firms, or 17.8 percent of them, gave a poor rating.

(c) *By market orientation: domestic or export*. Of the 15 export firms, 30 percent of them gave a rating of poor for this policy. Domestic market oriented firms were less critical. Of the 123 respondent firms, 18.7 percent of them gave a poor rating. However, 17 respondents or 13.8 percent of the total firms in this group, did not answer it. These are all Filipino owned enterprises (as indicated in (d) below.

(d) *By ownership of enterprises*. 100% Filipino-owned firms of which there are a total of 118 respondents, 22 percent of them gave this policy a poor rating. However, 17 of these firms did not respond. All the 100% foreign-owned firms of which there are a total of 17 in the sample had 29.4 percent of the firms returning a poor judgment of this policy. There is a substantial difference in the answers of foreign-owned firms and Filipino-owned enterprises.

(e) *By age of the enterprise*. Younger firms tend to criticize this labor policy more than much older firms. The youngest firms had a 29 percent critical view among all the young firms. This percentage drops to 20 percent among respondents that are five years old up to 20 years old. But the older firms have a percentage drop to 16.7 percent among the population of firms 20 years and older.

[6] There must be some reason for this: the respondent has no opinion on the matter, the matter is too sensitive to discuss, or they have no experience and knowledge about it. Some of these reasons are mutually exclusive.

Table 13. Performance of the Public Employment Service Officer

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of response
(a)	**By Fiscal Incentives Recipients**						
	Recipient	6	11	82	20.7%	7	91.5%
	Non-Recipient	6	12	75	24.0%	14	81.3%
(b)	**By Economic Sector**						
	Manufacturing	6	9	50	30.0%	6	88.0%
	Services	6	12	101	17.8%	12	88.1%
(c)	**By Market Orientation**						
	Exports	1	3	15	26.7%	2	86.7%
	Domestic	9	14	123	18.7%	17	86.2%
(d)	**By Enterprise Ownership**						
	100% Fil.	10	16	118	22.0%	17	85.6%
	60% Fil.	0	3	16	18.8%	2	87.5%
	60% FDI	0	1	6	16.7%	0	100.0%
	100% FDI	2	3	17	29.4%		100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	1	4	17	29.4%	1	94.1%
	>5 to 10 years	5	8	56	23.2%	8	85.7%
	>10 to 20 years	5	6	48	22.9%	4	91.7%
	>20 years	1	5	36	16.7%	8	77.8%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	1	13	7.7%	3	76.9%
	Small (10-99 workers)	5	8	63	20.6%	11	82.5%
	Medium (100-199 workers)	2	6	31	25.8%	5	83.9%
	Large (200 and more workers)	5	8	50	26.0%	2	96.0%

(f) *By employment size of the firm.* The firms with smallest employment size have the least critical view of this policy but among the rest of the larger firms, the percent of firms giving a poor score for this policy is around one-fifth to one-fourth of the total firms in the sample groups.

Labor policy 11: Government incentives for enterprises for the training of workers

Productivity of the firm is promoted by continuous improvement of the labor used in the firm and investment in new equipment or technology which requires a training of the complementary work force. An increase in productivity arises from labor policy that encourages the training of labor. A survey of enterprise reactions to the role of the government in the promotion of training therefore is important.

Two related policy questions in this survey relate to training of labor within the firm. The first asks about the respondent's reaction to government incentives to train their own labor. The other question asks the respondent to rate the quality of vocational schools within their own sector and in the community where the firms are located. It is possible that the answers of the respondent companies would factor in the quality of the educational system that produces the manpower that they employ in the firm.

In general, the responses give a high rating for training incentives. But there is a high degree of variability in these responses. As the summary of mean scores shows, this labor policy scores is among the highest in the rating of various labor policies but the variance is wide. There is also a high rate of no response among the respondents to this question. This implies that some firms did not consider this aspect as an important part of their policy concerns. There is probably a high level of local supply of trained workers for the requirements of their work among these firms. One of the characteristics of the labor market is the large supply of unemployed labor. Correspondingly, there is a high level of unemployed educated workers so that workers tend to be easily trainable in employment. This probably explains one aspect of the training issue. There is no significant need for worker training except when already in employment.

Table 14 provides the answers to the first of these questions: government incentives for the training of labor. In general, for those companies that gave an answer to this question, there is a relatively high degree of dissatisfaction – between one-fifths and one-fourths of the respondents for each type of classification.

(a) *By recipient or non-recipient of fiscal incentives*. There is no marked difference in the responses of recipients of fiscal incentives and non-recipients. But it is important to note that those that abstained from answering this question – 17 respondents among 75 – are mainly non-recipients of fiscal incentives.

(b) *By economic sector*. Again, the dissimilarities between manufacturing and services sectors among respondents is similar to the comment about fiscal incentives: there is no wide difference but there is a high degree of non-response as could be seen from the index of response.

(c) *By market orientation: domestic or export*. Firms in exports and those that sell only to the domestic market have generally the same rating for this policy. But again, the presence of a high degree of non-responses by either types of firms reduce the force of the ratings that are given.

(d) *By ownership of enterprises*. Most firms owned by Filipinos are more critical of this labor policy on training than those cases of firms owned by foreigners. Among 118 fully owned Filipino firms, 28 percent of them gave a poor rating. But among the 17 fully foreign-owned firms, 11.8 percent rated this policy poor.

Table 14. Incentives for Training of Workers

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	7	12	82	23.2%	7	91.5%
	Non-Recipient	7	13	75	26.7%	17	77.3%
(b)	**By Economic Sector**						
	Manufacturing	4	7	50	22.0%	7	86.0%
	Services	10	16	101	25.7%	16	84.2%
(c)	**By Market Orientation**						
	Exports	0	3	15	20.0%	3	80.0%
	Domestic	12	20	123	26.0%	20	83.7%
(d)	**By Enterprise Ownership**						
	100% Fil.	13	20	118	28.0%	18	84.7%
	60% Fil.	1	3	16	25.0%	3	81.3%
	60% FDI	0	0	6	0.0%	0	100.0%
	100% FDI	0	2	17	11.8%	3	82.4%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	1	5	17	35.3%	1	94.1%
	>5 to 10 years	6	9	56	26.8%	9	83.9%
	>10 to 20 years	6	7	48	27.1%	6	87.5%
	>20 years	1	4	36	13.9%	8	77.8%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	3	13	23.1%	3	76.9%
	Small (10-99 workers)	6	12	63	28.6%	10	84.1%
	Medium (100-199 workers)	3	3	31	19.4%	3	90.3%
	Large (200 and more workers)	5	7	50	24.0%	8	84.0%

(e) *By age of the enterprise*. Younger firms tend to be more critical of this labor policy. Of the 17 firms in this sample, 35.3 percent of them rated this policy poor. The percentage drops to 27 percent among firms between 5 to 20 years. The old firms are more favorable with 13.9 of the 36 firms giving a poor rating on the matter.

(f) *By employment size of the firm.* There is no definite pattern in the ratings given by respondents under this classification. For instance, among the 31 medium enterprises by employment size (100 to 199 workers) in the sample, 19.4 percent gave a rating of poor for this policy, but all other employment sizes gave ratings that ranged from 23 percent (micro enterprises) to 28.6 percent of small enterprises. These ratings of poor are substantial.

Labor policy 12: Quality of vocational schools

The average score for the rating of the quality of vocational schools from the survey respondents is among the highest among the various labor policy issues. However, the average response rate to this question is among the lowest. If this is an indication, those who did not reply hint some lack of interest in the issue. This means that there is as much uncertain quality in these responses. Possibly, the lack of response to the policy issue is due either to indifference to the particular question or to the lack of relevance the issue of vocational schools to their direct operations. That possibility could only be due to the steady supply of good labor that is available for employment to the firm in the formal sector.

Even though the variability of the mean response is statistically significant, it is among the lowest among the labor market responses. It is ranked the 12th most variable among 14 labor issues. Among the respondents, there still appears a degree of discomfort with the quality of vocational schools since the ratings of poor tend to reach a level equal to or near one-fifths of the responses.

Table 15 provides the answers to the question relating to the quality of vocational schools.

(a) *By recipient or non-recipient of fiscal incentives*. There is no significant difference in the ratings that recipients and non-recipients of fiscal incentives give to the question on the quality of vocational schools. About one-fifths of respondents give a rating of very poor or poor concerning vocational schools. Presumably the comments refer to schools in the community where the firms are located.

(b) *By economic sector*. As in the case of recipients and non-recipients of investment incentives for this particular policy, the economic sector of operation is not a major factor in the judgment of the respondents. If the enterprises involved relied on the supply of labor from vocational schools, the issue of quality of vocational schools would appear to be more important for manufacturing. But this is not the case in the current sample of respondents.

(c) *By market orientation: domestic or export*. Exactly the same proportional distribution of poor ratings is given by firms among export-oriented and domestic market firms. There is no distinct difference in the ratings given by the firms in each group of firms.

Table 15. Quality of Vocational Schools

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	3	12	82	18.3%	6	92.7%
	Non-Recipient	3	12	75	20.0%	15	80.0%
(b)	**By Economic Sector**						
	Manufacturing	1	8	50	18.0%	5	90.0%
	Services	5	15	101	19.8%	15	85.1%
(c)	**By Market Orientation**						
	Exports	0	3	15	20.0%	2	86.7%
	Domestic	6	19	123	20.3%	15	87.8%
(d)	**By Enterprise Ownership**						
	100% Fil.	6	19	118	21.2%	17	85.6%
	60% Fil.	0	1	16	6.3%	1	93.8%
	60% FDI	0	0	6	0.0%	1	83.3%
	100% FDI	0	4	17	23.5%	2	88.2%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	0	2	17	11.8%	1	94.1%
	>5 to 10 years	2	9	56	19.6%	7	87.5%
	>10 to 20 years	3	10	48	27.1%	7	85.4%
	>20 years	1	3	36	11.1%	6	83.3%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	2	13	15.4%	2	84.6%
	Small (10-99 workers)	1	8	63	14.3%	10	84.1%
	Medium (100-199 workers)	1	7	31	25.8%	4	87.1%
	Large (200 and more workers)	4	7	50	22.0%	5	90.0%

(d) *By ownership of enterprises*. The poor ratings given to the quality of vocational schools appears to be a general judgment by both fully owned Filipino and foreign owned firms. These firms constitute the bulk of the respondents. Among the joint ventures between Filipino capital and foreigners, there is much less critical evaluation of vocational schools. The rate of response to the labor issue is evenly distributed among these types of enterprises.

(e) *By age of the enterprise*. In general, most of the firms that give a poor rating of vocational schools are clumped together among the firms that began operations during the 1980s and 1990s. The youngest firms and the oldest firms did not have as high a percentage of comment on this issue as these other classes of firms. It is hard to give a reason for this except perhaps the high incidence of those firms that did not indicate an opinion (no responses).

(f) *By employment size of the firm.* The bigger the size of the firm by employment size, the greater is the amount of negative view of the quality of the quality of the vocational schools. There is only however a slightly degree of response index for these larger firms.

Labor policy 13: Number of mandatory national holidays

National holidays are designed as days of rest from the labor viewpoint. Holidays for another set of reasons are important elements of nation-building, national development, and other important reasons, often religious and cultural in nature. In general, the national holidays are fixed by law. But in the country, the set national holidays are provided for by law. But in addition, the president of the country can, by executive order, proclaim a special occasion as a special and non-working holiday. Often, this is only mandatory as long as the president would proclaim it as such on a yearly cycle to add to the national holidays. As a result, there have been occasions when national holidays get increased in numbers. On a year round basis therefore – because the special holidays are continued to be proclaimed from year to year – they have increased in numbers.

There are reasons why holidays are welcome among workers. First, for any employed person, a holiday is a day out of work available for leisure. Second, there is a mandatory holiday work rate if an employee is asked to work which is higher than normal overtime rate of pay. While regular overtime rate is 25 percent of base pay, on legal holidays, the holiday pay is 100 percent of base pay. On special non-working holidays, the base pay is slightly higher – at 30 percent of base pay.

The country's number of holidays is usually more than the usual holidays that are fixed in other country's national holidays. In those countries, the head of government cannot increase the number of holidays so that this is essentially a fixed number of holidays that can be predicted over the course of a year. In 2006, Congress passed a new law to restructure the holiday law, mainly dealing with the issue of staggering holiday occurrences so they could be grouped toward the weekend or the beginning of the week. Its own effect was mainly to organize the days of the week to minimize work disruption but extending weekends to include flexible dates for specific holidays. It did not clip the power of the president to declare a special holiday. Thus, holidays have an impact on the costs of production and services.

Employers have on many occasions called attention to the problem of excessive number of holidays as being detrimental to the country's efforts to promote employment. It counters the country's efforts to encourage a work-oriented labor force. At worst, it helps to raise costs and reduce the country's competitive position with other countries with fewer and more defined set of holidays. Thus, the net impact is likely to create a drag on labor productivity.

This is the reason for introducing this labor policy as an issue. Employer's groups – prominent among them the chambers of commerce and industry – have often expressed concerns about the disruptive effects of excessive holidays. A second labor policy issue is the additional power given to the executive branch of government to add to the number of discretionary holidays.

The executive power is also exercised at the local level as an extension of executive power. Local holidays are also added to those that are declared to official and declared holidays that are nationally observed. These are often designed to help improve local traditions and recognition for specific events important to the locality's history like the celebration of a local hero or of a founding day of the locality – the province or the municipality.

In general, the responses to this labor policy are mainly favorable. The mean scores for national holidays are slightly higher than that for local and other discretionary holidays. There is also more agreement on the part of respondents about the average opinion since the estimate is quite stable (low variability).

Table 16 analyzes these responses for the labor policy on national holidays. By nature of different classifications of the respondent enterprises, there is less degree of disagreement with the policies. But it is possible to get a hint of dissent in the answers in some classifications of the respondent firms.

(a) *By recipient or non-recipient of fiscal incentives*. There is no distinction in response among recipients and non-recipients of fiscal incentives. In general, there are some firms that gave holidays a very poor and poor ratings. All negative views of the possibilities are just 10 percent or less among the respondents

(b) *By economic sector*. Among manufacturing establishments, 8 of 50 establishments or 16 percent of them give a poor rating for this policy compared to 6 percent of respondents among 101 establishments in the services sector. Thus, manufacturing firms tend to be hit harder by this policy compared to those in the services.

(c) *By market orientation: domestic or export*. Two of 15 export establishments rate this policy 13.3 percent as poor compared to 10 percent of the 123 domestic market oriented respondents. Although there are fewer respondents complaining, export producers complain more in relative terms than do domestic market oriented companies.

(d) *By ownership of enterprises*. Foreign-owned establishments rate this policy more critically than Filipino-owned companies. Of the 17 foreign-owned companies in this class of enterprises, four of them or 23.5 percent, rated this policy poor. On the other hand, of the 118 fully-owned Filipino firms, 8.3 percent of them rated this policy poor. It is clear from this that foreign investors have a more critical view of the policy on public holidays than do domestic firms.

Table 16. Number of mandatory national holidays

	Firm Grouping	1=Very Poor	2= Poor	Total respond - ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	2	6	82	9.8%	1	98.8%
	Non-Recipient	2	5	75	9.3%	0	100.0%
(b)	**By Economic Sector**						
	Manufacturing	2	6	50	16.0%	1	98.0%
	Services	2	4	101	5.9%	0	100.0%
(c)	**By Market Orientation**						
	Exports	0	2	15	13.3%	0	100.0%
	Domestic	3	9	123	9.8%	1	99.2%
(d)	**By Enterprise Ownership**						
	100% Fil.	3	7	118	8.5%	1	99.2%
	60% Fil.	0	1	16	6.3%	0	100.0%
	60% FDI	0	0	6	0.0%	0	100.0%
	100% FDI	1	3	17	23.5%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	0	2	17	11.8%	0	100.0%
	>5 to 10 years	3	2	56	8.9%	0	100.0%
	>10 to 20 years	1	4	48	10.4%	0	100.0%
	>20 years	0	3	36	8.3%	1	97.2%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	0	13	0.0%	0	100.0%
	Small (10-99 workers)	1	5	63	9.5%	0	100.0%
	Medium (100-199 workers)	1	4	31	16.1%	0	100.0%
	Large (200 and more workers)	2	2	50	8.0%	1	98.0%

(e) *By age of the enterprise*. In general, there is little distinction in the responses of these enterprises when classified by age, and around 10 percent of them rate the policy as poor.

(f) *By employment size of the firm.* Among the micro units by size of employment, there is no poor rating of this policy. Medium scale enterprises that rate this policy to be poor (about 16 percent or respondents). However, small and large firms rate the holiday policy as poor in only less than 10 percent of respondents. In general, it might be concluded from this group of firms that size of the employment level did not have much influence on the firm's response. Other factors account for any difference.

Labor policy 14: Number of other discretionary national and local holidays

The number of discretionary national and local holidays is still part of the flexibility aspects of the holiday law provisions. This raises the number of public holidays. Localities not only celebrate national holidays but they could add to the list of public holidays observed within the community. One aspect of the holiday adjustments – which the law on holidays was designed to correct – is the adjustment of working days when the normal holidays fall on a Sunday. This often creates longer holidays. Religious and other holidays, public elections often create a long train of unintended holidays.

And then, the government adopted a so-called "holiday economics" policy that was intended to promote longer weekend holidays when normal holidays veer nearer the weekend to promote local travel and tourism by citizens. The last week of the year has become essentially a non-working week because of New Year, Rizal Day, and its nearness from the Christmas day. The end of the year is often a very busy period involving the closing of books of accounts of business.

In some countries, there are holidays that are regarded truly as worker's long holidays as a national tradition. One of the most well known in the East Asian setting is the weeklong spring holiday in Japan. Everyone in that that country looks forward to the period as a truly long holiday that is to be cherished. Work stops at all levels except in the utilities and the holiday (local tourism) industry.

The period that corresponds to this in a Philippine context is the Christmas holiday, which is accidentally lengthened because of the December 30 Rizal Day celebration and which makes the days between Christmas and New Year almost truly festive. The local governments and the national governments during this period are almost paralyzed. But that is not all. Religious holidays

But there is also the long stretch of the Holy Week holiday which officially makes Thursday and Friday public national holidays. In the United States, for instance, these days are normal working days. In the country however, the practice of the long holiday has almost hampered the day Wednesday as a useful working day because it is used as travel time to reach home and family – normally far away from work.

National elections also provide another distortion to the holiday practice. These are declared non-working holidays. Again, in the United States, elections are considered normal working days, but there is relaxed treatment of the working time to allow workers to do their civic duty – but only for a small amount of time. In the country (Philippines), the president is allowed to declare the day before as a non-working day excuse to allow workers to go home to vote in the provinces. A sensible residential requirement for voting should take care of this issue – but the practice has created divided electoral loyalties for the citizen between traditional home ground politics and the local politics in the place where they spend most of their time as residents because of their employment.

All these instances of local and special holidays have created a bias for vacations. It is as if the country's working policy is designed to create slack in the work place. This has also raised labor costs and reduced the opportunities for poor people to earn more income during normal working days of the year within the usual organized sector of the economy.

The general response to this labor policy has already been commented upon in the previous discussion on labor policy on national holidays. What is important to note is that despite the high satisfactory rating that is made, the responses by way of different classifications of the respondents is similar to those made for national holidays. The answers to the question could be almost identical to those made for the policy on national holidays.

Table 17. Number of other discretionary national and local holidays

	Firm Grouping	1=Very Poor	2= Poor	Total respond-ents	Ratings of 1 & 2 as % of Total	No response	% of responses
(a)	**By Fiscal Incentives Recipients**						
	Recipient	3	7	82	12.2%	1	98.8%
	Non-Recipient	0	11	75	14.7%	0	100.0%
(b)	**By Economic Sector**						
	Manufacturing	2	5	50	14.0%	1	98.0%
	Services	1	12	101	12.9%	0	100.0%
(c)	**By Market Orientation**						
	Exports	0	2	15	13.3%	0	100.0%
	Domestic	2	14	123	13.0%	1	99.2%
(d)	**By Enterprise Ownership**						
	100% Fil.	1	16	118	14.4%	1	99.2%
	60% Fil.	0	1	16	6.3%	0	100.0%
	60% FDI	0	0	6	0.0%	0	100.0%
	100% FDI	2	1	17	17.6%	0	100.0%
(e)	**By Age of Enterprise**						
	New: 1 to 5 years	0	1	17	5.9%	0	100.0%
	>5 to 10 years	3	6	56	16.1%	0	100.0%
	>10 to 20 years	1	5	48	12.5%	0	100.0%
	>20 years	0	6	36	16.7%	1	97.2%
(f)	**By Size of Employment**						
	Micro (1 to 9 workers)	0	0	13	0.0%	0	100.0%
	Small (10-99 workers)	0	7	63	11.1%	0	100.0%
	Medium (100-199 workers)	2	7	31	29.0%	0	100.0%
	Large (200 and more workers)	1	4	50	10.0%	1	98.0%

It is expected that the responses to this question would mirror those given to the issue of mandatory holidays. Table 17 provides a picture of the answers to the issue. Even though no further commentary is made to detail the various respondents by different classifications of the respondents, it may be useful to make an appropriate comment on the respondents of the questionnaire.

Without further comment in detail, a good review of Tables 16 and 17 indicate that they do look like each other. The detailed descriptions of the influences of specific firm characteristics indicate that the responses generally are not affected by the specific classification of the respondent firms. This is not however the case in the matter of ownership. Foreign-owned companies regard this policy on holidays critically. Perhaps, compared with their awareness of holidays in other countries, they think the Philippines has too many of them or that some of the holidays are too unpredictable in occurrence.

There is one additional point to be made about how the questionnaires of the survey were answered. Officials in the human resources departments of the respondent companies mainly filled up the survey questionnaires. A few of them were answered by operating managers at the below the president or CEO of the companies. The possibility of upward bias in the nature of the replies is examined elsewhere.

Indeed, there appears to be some favorable bias. In part this is due to the mandate bias of the human resources personnel who has the task of overseeing the implementation of laws and regulations pertaining to worker welfare. Then the president, owner, or general manager of the company answered the survey, the answers given tended to be more critical than those made by the human resources personnel.[7]

IV. Concluding Remarks

This paper analyzed the survey responses of operating enterprises in the Philippines concerning their opinion of current labor policies. In general, the labor policies have come from a long train of welfare legislation put in the legal framework to protect labor's welfare, improve their incomes and job security as well as to help develop a caring and prosperous society. The findings of such a paper will go forward in enhancing the policy debate on labor market issues (see for instance, Congress of the Philippines (2002), Sicat (2004) and Imperial (2004) with concrete evidence from enterprises that are currently operating in the country.

The inadequacy of the country's employment creation suggests current labor policies need reevaluation. The populist character of these social policies makes them however difficult to reform. Understanding the opinions of operating enterprises is a big step toward understanding the impact of these policies as they ultimately have an impact on labor costs that impact on the country's ability to compete internationally. The future ASEAN Free Trade Agreement and the application of rules of the World Trade Organization on trade and industrial issues make these reforms most urgent. As the national borders become thin as a result of this trade and industrial system, competition becomes important.

[7] See the paper cited in footnote 3.

The approval rates for these policies are high and this is reflected in the mean scores for the opinions that the respondent firms made with respect to the various labor policies that they expressed their judgments on. Many respondent firms favor these labor market policies.

But the variability of these average scores indicates a pattern. Some policies that continue to be discussed publicly have far wider variability in opinions expressed than other policies. These policies include the following: severance costs for workers leaving the service, restrictions on fixed term contracts, regulations dealing with dismissals of workers, settling of labor disputes, government labor inspections, and public holidays. The minimum wage issue is in general widely accepted in principle. But various answers pertaining to this policy also reveal interesting details about the firms that have a critical view of the policy.

The feedbacks coming from particular types of enterprises convey important signals for policy reforms. The government needs to listen to what these enterprises say about the current policies. For instance, the fact that foreign direct investments are in favor the minimum wage process but they complain about specific labor issues contains many important messages about the direction of labor market reforms.

It is therefore important to recognize the nature of criticisms about the labor policies and to pinpoint the types of firms making these comments. Focusing on the favorable opinions of these policies only leads to a judgment that all is well with the policies and no reforms would be needed. But this is not the message from the analysis of the types of firms and their reactions to these policies when the respondents are examined more closely. It is important to know the way in which firms classified by specific criteria responds to these policies. In fact, there are differences in the views of operating firms according to the sector of the economy they operate in; whether or not they receive fiscal incentives; who owns them – nationals or foreigners; what markets they operate in – whether domestic or export; how many years they have been in operation; and the size of firms by employment size.

One major point that cannot escape mention in this conclusion is that the labor laws that are currently in place tended to harm domestic enterprises owned by citizens most heavily compared to foreign investments that are operating the country. Yet it is also true that the government's objective of inviting foreign direct investments has not yielded as much fruit as those other countries in the regions that have continuously raised the inflows of desirable direct foreign investments. These twin facts seem to emphasize a failure of economic policy to address two major needs – to make domestic enterprises competitive and to be a home to greater volumes of foreign capital to enable the country to raise growth, domestic employment, and sustained prosperity.

The effects of domestic policies on the economic environment are not symmetric on home investors and foreign investors. Foreign companies that do not agree with these policies have an escape route: exit or reduced presence. But domestic enterprises have basically little choice unless they migrate to other countries. This is much more difficult for them to do as they normally have limited capital resources and as a result they lack flexibility. Hence the penalty is large on domestic firms than on foreign firms.

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