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THE PHILIPPINE LABOR PRODUCTIVITY

The paper discusses the present labor productivity situation in the Philippines. It analyzes the causes of the low labor productivity based on the available literature. Conclusions arrived at by the author are based on the review of published materials on productivity and other related fields.

THE PRODUCTIVITY of the Filipino worker has been criticized as far below what we expect it to be in relation to our goals and in comparison with the productivity of our neighboring countries. It has shown a negative growth rate over the past decade and, if unchecked, will cripple the needed economic growth.

The data used to show the present labor productivity profile are taken from the work of Harry T. Oshima and the *Philippine Statistical Yearbook 1987.* Insights on the management perspective are inspired by the writings of Victor Limlingan.

The readers are requested to give value more on the questions raised by the article rather than on the answers given by the author on the issues presented.

Conceptual Framework

Productivity is defined as the ratio of output to input. It gives us the ability to put into use the different factors of production, namely: labor, capital, and land. Total factor productivity considers all the factors of production as the inputs, while partial factor productivity considers one or two only of the three as inputs. Labor productivity considers labor only as the input to production. Economists have defined labor productivity as the ratio of gross domestic product (GDP) to the total number of persons employed in a given time. This definition will be used in this paper. Some economists base labor productivity on the number of manhours used or total available manpower.

The International Labor Organization (ILO) has enumerated the factors affecting productivity as follows:

A. *General Factors*
   1. Climate
   2. Geographical distribution of raw materials
   3. Fiscal and credit policies
   4. General organization of the labor market
   5. Proportion of labor force to total population, degree of unemployment, labor shortage, and labor turnover
   6. Technical centers and information concerning new techniques
   7. Commercial organization and size of market
   8. Variation in the composition of output
   9. General scientific and technical research
   10. Influence of low-efficiency plants and their varying proportion to the total output

B. *Organizational and Technical Factors*
   1. Degree of integration
   2. Percentage of capacity used
   3. Size and stability of production
   4. Quality of raw materials
   5. Adequate and even flow of materials
   6. Subdivision of operations
   7. Balancing of equipment
   8. Multiple machine systems
   9. Control devices
   10. Quality of output

11. Rationalization and standardization of work and materials
12. Layout and location of the plant
13. Maintenance and engineering services: safety, light, sound, ventilation, air conditioning, telephone, etc.
14. Availability, fitness, and accessibility of tools
15. Wear and tear of machines and tools
16. Amount of machinery (or power) available per worker
17. Proportion of maintenance labor to operating labor
18. Length of distribution of working hours
19. Selection of personnel

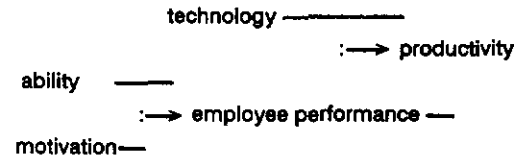
C. *Human Factors*

1. Labor management relations
2. Social and psychological conditions of work
3. Wage incentives
4. Adaptability to and liking for the job
5. Physical fatigue
6. Composition (age, sex, skills, and training) of the labor force
7. Organization of the spirit of emulation in production
8. Trade union practices

The list shows that productivity is a function of the technical and human factors, blended in an optimum mix to get the desired level of productivity. The level of productivity attainable will depend on the quality of the technical inputs, and the quality of the performance of the employees. Productivity does not depend solely on how hard, how well, and how long people work, but on how much one has done at a given time using a particular amount of resources.

The combination of the technical factors and the employee's job performance determines the level of productivity (Sutermeister 1969). The right mix of the two will depend on the type of job and the intended output. Thus, a highly technical job of producing transistors will require the right technology in terms of materials, precise equipment, and automation, more than the employee's job performance, since the worker can be largely replaced by robots. On the other hand, the service sector, like the presentation of a concert, depends less on the technology than on the performance of the artist.

The employees' job performance is the result of their ability and motivation. Good job performance with high productivity would be the result of putting employees in jobs for which they have ability and enthusiasm. This is depicted by the following figure.



The performance of the workers does not only depend on the technical factors, but also on the management of the attitudes of the workers vis-a-vis their norms, values, and culture. A study by Hofstede has demonstrated that management is heavily culture-bound. So, for us, the success of a management style is to be measured not by how it worked out in the developed nation where it originated, but how well it could be adapted to the culture of another country. When a style is transferred from an individualistic society to a collectivistic one in a developing nation, its inability to be adapted may lead to some undesirable outcomes.

The Philippine Experience

The Philippines has experienced for the past decade a declining labor productivity rate, as shown in Table 1. An increasing number of employed persons did not contribute to an increase in the formation of GDP. Compared to other Southeast Asian countries, the Philippines has registered the lowest per capita GDP, as shown in Table 2. It has recorded the lowest growth in the agricultural sector (same as Indonesia) and in the service sector. The industrial sector has recorded a growth rate below the average for all Southeast Asian countries combined. For the whole economy, the Philippines has registered the lowest growth rate of 1.7 percent.

TABLE 1
Labor Productivity Growth Rate
1976-1986

Year	Labor Productivity (Pesos)	Employed Persons ('000)	Gross Product ('000,000)	Domestic Productivity Growth Rate (%)
1975	4,709	14,517	68,361	
1976	5,124	14,238	72,962	8.81
1977	5,441	14,334	77,990	6.19
1978	5,142	16,101	82,797	-5.50
1979	5,431	16,267	88,346	5.62
1980	5,641	16,434	92,706	3.87
1981	5,513	17,452	96,207	-2.27
1982	5,699	17,371	98,999	3.37
1983	5,201	19,212	99,920	-8.74
1984	4,774	19,673	93,927	-8.21
1985	4,535	19,801	89,803	-5.01
1986	4,407	20,595	90,770	-2.82

Source: Philippine Statistical Yearbook 1987

TABLE 2
Growth Rates of GDP Per Capita in Asian Countries
(Geometric Rates, in % per Year)

	1950-60	1960-70	1970-80	1950-80
Malaysia	1.0	3.3	5.3	3.2
Thailand	2.8	4.7	5.1	4.2
Indonesia	1.9	2.3	5.7	3.3
Singapore	1.3	6.7	7.7	6.2
Philippines	3.6	2.2	3.4	3.1
Southeast Asia				
Simple Average	2.1	3.8	5.4	4.0
Pop. Weighted Average	2.3	2.8	5.2	3.5
1980 $ GDP Weighted Ave.	2.3	3.1	5.2	3.7

Source: Oshima, H.T ."Sector Sources of Philippine Economic Growth: The Overall Record in Comparative Perspective"

Oshima has pointed out that this low growth rate is manifest in a very slow growth of employment, which leads to social unrest. It also contributes to low purchasing power, low profit rates, savings and capital expansion, slow growth of economies of scale (which leads to inefficient export industries that cannot compete with other countries), and an eventual deterioration of the balance of payments.

The slow growth of the agricultural sector, indicated by the low income and expenditure, contributed much to the slow growth of the industrial and service sector. Since the Philippines is basically an agricultural economy (70 percent of the population and 50 percent of the labor force are in agriculture), the manufacturing or industrial sector is just a support to agricultural development. The economic plan of the past regime to concentrate on the development of highly technological industries to boost economic development did not work, mainly because it concentrated on industries that did not have the mass market required of technology- and capital-intensive investments. Quoting Oshima, "It is best to forego the temptations to think of manufacturing as the *leading sector* or the *engine of growth* in development planning for economies predominantly agricultural."

TABLE 3
Growth Rates of Real Product Per Worker in Asian Countries (Geometric Rates, in % per Year)
1960-79

	A Sector	I Sector	S Sector	Whole Economy
Malaysia	5.2	4.0	3.2	3.2
Thailand	5.0	2.6	3.3	4.2
Indonesia	2.1	2.8	0.4	3.3
Singapore	8.5	4.8	4.3	6.2
Philippines	2.1	2.7	-1.3	3.1
Southeast Asia				
Simple Average	4.4	3.3	2.1	4.0
Pop. Weighted Average	2.6	2.8	0.9	3.5
1980 $ GDP Weighted Ave.rage	3.2	3.0	1.4	3.7

Source: Oshima, H.T. "Sector Sources of Philippine Economic Growth: The Overall Record in Comparative Perspective"

Note: A Sector includes Agriculture, Forestry, and Fishery; I Sector includes Mining, Manufacturing, Construction, Electricity, Gas and Water, and Transport, storage and Communication; S Sector includes Commerce and Services.

Conclusion

The undesirable low growth of labor productivity in the Philippines can be traced basically to three causes: an inappropriate strategy, the workers' attitudes, and an incongruent management style.

Strategy For Economic Growth

The past administration adopted a full industrialization program to hasten the economic growth of the country. This, as records will show, did not work. The agricultural sector has neither registered an encouraging productivity growth rate nor triggered an improvement in the income of the farmers. Oshima's study showed that the agricultural family income rose at a lower rate, 0.2 percent, than the growth rate of the labor force, 2.3 percent. This low growth rate has affected the industrial and service sectors, because expenditures on these two sectors are dictated by the income of the agricultural sector, which in turn, has a very low purchasing power. This low growth rate of the industrial and service sectors has thus provided less non-agricultural employment opportunities to the agricultural sector. Protection of industries, through import control and high tariff walls, has just made these industries eternal infants, incapable of competition offered by other countries. The emphasis on bringing technology from developed countries to enhance local productivity has also failed, since what has been taught is for us to be users rather than developers of such technology. All of these would have worked had we developed a proper set-up to be able to use them to serve our objectives. Oshima pointed out that our systems and institutions are not appropriate to the needs and aspirations of the people.

The present administration has changed to a strategy of agriculture-based development. But the institutions are yet to change fully in response. The above discussion can be supported best by some passages from the Country Economic Report on the Philippines issued by the World Bank in 1976:

> Industrialization has always been a prime objective of Philippine economic policy since

> independence. In pursuing this goal, the country has had the advantages of vast agricultural forest and mineral resources; abundant, literate, and relatively cheap labor; rapid urban population growth, including an aggressive entrepreneurial class; proximity to the Japanese market and relatively free access to that of the United States; and rather unrestricted inflow of foreign direct investment...
>
> Protective system was built up which strongly favored the domestic production of light consumer goods... In this early postwar period industrial policy focused on large scale, capital-and import-intensive enterprises located in and around Manila and catering to domestic urban markets....
>
> This emphasis on finished consumer goods provided little stimulus for the domestic production of raw materials and intermediate goods and implied an increasing dependence on imports for manufacturing. This import dependence contributed to a heavy concentration of manufacturing activity in the area of the main port, Manila...

Work Attitudes

The present trend in management of considering human resources as a critical factor has prompted the government to take a closer look at the work attitudes of Filipino workers. As pointed out, the productivity of labor depends on the attitudes of workers. To generate attitudes congruent with organizational objectives, one must know and understand the values, culture, and beliefs of the workers. This is lacking in the Philippine environment. One manifestation of this is the Senate commission, chaired by Sen. Leticia Shahani, that made a thorough study of the values of the Filipino people. It is curious that a nation should have to study its values after being here for so long.

Some believe that the laziness of Filipino workers account for the low labor productivity. But this has never been validated by scientific research. Also, Filipinos in other countries are considered productive, possessed of positive attitudes. Management experts consider the working environment to be a major factor in the productivity of workers.

Management Style

Management style and strategy define the environment that the workers will be in. According to Oshima, interviews of Mamoru Tsuda revealed that the management style prevailing in the Philippines is one based on distrust of employees, highly authoritarian decision-making, short-term profit orientation, and heavy draining of profits out of the enterprise. this may not be be representative of the management style in our country. But it is my belief that the system being used here is ill-suited to the need of the workers because of ignorance about their real values and needs. We try to manage a resource we do not know much about. It is like operating a machine whose specifications are not defined.

Recommendations

The low labor productivity of the Philippines is an indication of our failure to put into good use the most important resource of any nation: its manpower. The establishment of the National Productivity Commission is a recognition of the critical need to look into this and develop programs that will improve our labor productivity. A thorough analysis of the causes of low productivity is essential. The defects are glaring; but it should be our intention not just to eliminate the defects, but to determine the real causes and to prescribe a specific strategy. If Filipino workers are considered productive in other lands, why can't they be so right here?

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