Exclusionary growth: The biggest disaster in the Philippines’ industrial powerhouse
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Abstract
This paper examines the extent to which the Aquino administration’s inclusive growth agenda has made an impact on the workforce, host community and local economy in an industrial enclave in CALABARZON—the country’s so-called “industrial powerhouse.” Through ethnographically-inspired fieldwork, in-depth interviews among workers in the manufacturing sector and primary data analysis, the study reveals that growth in the region has, so far, not “trickled down” to the workforce and local communities. The study reveals that majority of the workforce are migrants from nearby (as well as far-flung) provinces, compensation and benefits barely sufficient for subsistence and employment with the firm is considered temporary. Business opportunity development in the community is limited to entertainment, accommodation and residential industries primarily directed towards non-local workers. Manpower agencies offering peripheral firm services—businesses not directly linked to production but are integral to day-to-day operation such as janitorial and laundry services, are ignored in favor of agencies offering the same services located in Metro Manila. By showing how limited and detached economic development is between the case firm and its constituent workers, community and vicinity, this case study highlights the need for more participatory and empowering business models for firms in the region to encourage sustainable and inclusive economic development.

Keywords
Inclusive development migratory workforce outsourcing national economy CALABARZON

Introduction
David Henderson defines economic development as the process of improvement in the economic opportunities and quality of human lives and reduction of poverty. The important components of such concept, according to him, are better health facilities, better education, clean environment and better utilization of resources (Henderson, 2007). Similarly, Clive Bell argues that economic development as a field of economics must also focus on improving the potential of the mass of the population, not only on enhancing structural change and economic growth (Bell, 1987).

Such definitions were the premise of Philippine Development Plan (PDP) 2011-2016, the Aquino administration’s outline to set economic direction along with its strategies and programs in a span of six years. It defines inclusive growth as one which is “rapid enough to matter, given the country’s large population, geographical differences, and social complexity” and that “creates jobs, draws the majority into the economic and social mainstream, and continuously reduces mass poverty” (NEDA, 2011: 18). The Asia-Pacific Economic Cooperation Leaders’ Growth Strategy in 2010 frames inclusive growth in context of globalization to “ensure that all our citizens have the opportunity to participate in, contribute to, and benefit from global economic growth.” (Yokohama, Japan, 14 Nov 2010). These definitions constitute that inclusive growth is one which benefits not just specific sectors of society but its entirety.
The PDP also recognizes that previous government attempts to implement inclusive growth programs were inadequate, specifically that “growth has not only lagged, it has failed to benefit the majority, who feel increasingly alienated because their political institutions provide little relief and have drifted beyond their control.” It attributes the elusiveness of inclusive growth to inadequate infrastructure investment, major gaps and lapses in governance, inadequate levels of human development and poor and degraded state of environment and natural resources (NEDA, 2011: 18-25). To address these problems, the PDP proposes massive investments in physical infrastructure, fostering business confidence, giving short-term cash outlays, and ensuring transparent and responsive governance to develop the country.

The status and results of the programs related to inclusive development outlined in the plan are measured primarily in terms of growth in the Gross Domestic Product (GDP) reflective of improvements in infrastructure, education and health, improvement in governance, and supporting strategies. Job generation and reduction in incidence of poverty as results of economic development are also measured. While the initial results of the plan have been evaluated and outlined in the PDP 2011-2016 Midterm Update, its promised improvements as perceived by the people is of a different matter.

This article examines the extent of inclusivity [or lack of which] of the economic growth experienced by the province and region. These examinations are realized through a case study of a workers’ community in Biñan, Laguna, Philippines. Through the case study, we look into degree of inclusivity of the region’s growth by examining a workers’ enclave situated in the vicinity of local firms, specifically the economic and living conditions of the workers, improvements in the community and thrive of local business industries.

**Economic Development and Indicators**

Economic development is primarily measured and quantified through key growth indicators such as GDP, for national economic accounts, and Regional GDP for regional accounts. A GDP account, at its most basic, is the total market value of all goods and services produced by an economy within a specified period. Policy makers, investors and economic analysts monitor GDP growth as it indicates the health of an economy. GDP as an “all-inclusive measure of economic activity” interests investors as it dictates how investments would fair. Trends in the GDP reflect important information such as “consumer spending, business and residential investments, price indexes, and economic undercurrents which then translate to investment and economic opportunities” (Econoday, 2014). GDP could also be interpreted in terms of inventories and sales which signals demand for increase or slowdown in production.

Primarily expressed in local currency [or US Dollar] and percentage growths, these indicators are but most useful to policy makers and investors. The general public normally do not make sense of these figures as they are more concerned with tangible results—food in their tables, roof above their heads, and other day-to-day expenses. With this in mind, we resort to indicators which are more understood and directly interpreted by the public. This section defines [and limits] these key economic indicators which will be engaged in the study.

*Subsistence and Poverty Thresholds*
One of the main targets of the PDP is to “reduce the incidence of poverty.” In the Philippines, the poverty incidence is monitored by the National Statistics Office (NSO) as indicated by the poverty threshold which consequently relies on food threshold.

Food threshold and subsistence incidence are operationalized by the NSO as “the minimum income or expenditure required for a family or individual to meet the basic food needs, which satisfies the nutritional requirements for economically necessary and socially desirable physical activities” and “the proportion of families or individuals with per capita income or expenditure less than the per capita food threshold to the total number of families or individuals”, respectively (NSCB, 2003). In its most basic sense, the food threshold, expressed in Philippines Pesos (PhP), is the amount necessary for a family or an individual to purchase food that would satisfy their nutritional needs. This is determined using relatively priced provincial food bundles which are nutritionally adequate, locally available, of least cost, visualizable, and edible (NSCB, 2011). This indicator is primarily used by policy makers to identify incidence and distribution of extreme poverty and hunger in sectors and among populations.

In 2012, the annual food threshold per capita for the national account was pegged at PhP 13,232 (US$ 296.52)—meaning a family of five members must earn at least PhP 5,513.33 (US$ 123.55) monthly to be considered as not hungry. During the same year, the subsistence incidence for families in the entire country was at 7.5% roughly equivalent to 1.6 million families experiencing extreme poverty and hunger (PSA, 2014).

Poverty threshold and incidence are respective extensions of the food threshold and subsistence incidence. In addition to the daily food necessities, the poverty threshold includes other basic needs such as: food, clothing, dwelling units, medical care, education, and transportation, among others (NSCB, 2011). In 2012, the national account of annual poverty threshold per capita was at PhP 18,935 (US$ 424.32)—thus, a family of five members must earn at least PhP 7,889 (US$ 176.79) monthly to be considered as not poor. The poverty incidence for families in the same year was at estimated 19.7% or some 4.2 million families were considered as poor (PSA, 2014).

It is necessary to nuance these definitions to get a better perspective and understanding on how policy makers and economists define, analyze, theorize and present both levels and incidences of hunger and poverty. As a region which has experienced tremendous economic growths, a stagnant incidence of poverty—factoring in periodic increases population—reflects how economic growth has bypassed and excluded the poor.

**[Un]employment Rate and Job Generation**

Stagnant at 7.5% from 2006 to 2010, the PDP recognizes unemployment as one of the crucial points in need of development to encourage and foster economic growth. As one of the fundamental targets of the PDP, employment generation refers to both formal wage-employment and self-employment.

Wage-employment would be fostered by further “exploit[ing] the country’s comparative advantage in more labor-intensive activities, typically involving products and services that are more competitive in the global market” (NEDA, 2011: 29). By improving export and trade policies, focus would be given on technology and knowledge transfers. Self-
employment opportunities are to be encouraged by allowing greater and easier access to micro-credit and government assisted financing schemes.

The Case Study

The study is realized in a workers’ enclave composed of several barangays in Biñan, Laguna. As a melting pot of diverse workers—migrants and locals, both contractual and regular—the community offers a trove of information and possibly varying perspectives on the felt inclusivity of economic development.

The region as an industrial hub is a product of economic policies primarily geared at decongesting the capital and fostering regional growth. In the early 1970s, the national government made concrete its plans of decongesting the country’s capital—Manila. It enacted that no building or establishment of industrial in nature could be built or situated within a 50-kilometer radius of Manila. This move to decentralize development – along with the growing population of the capital, benefited nearby municipalities of the region by opening investments to cater the needs of Manila’s growing workforce.

On 1978, the six-lane South Luzon Expressway (SLEX) was opened to the public making transit between Manila and the region faster. Following the emergence and growth of residential communities; road and infrastructure development in the region followed. Shortly after, the provinces of Cavite, Laguna, Batangas and Rizal had their respective spots in the Philippine map as development hubs south of Manila. Most these industries dealt with textiles, chemical and plastic products, electrical machinery and equipment.

This regional growth was furthered when previous restrictions on the participation of foreign investments in critical industries such as banking, energy, telecommunications, transportation, and petroleum processing and distribution were lifted through the enactment of the Foreign Investments Act of 1991.

In 1995, the region grew further with the creation of Special Economic Zones operated by the Philippine Economic Zone Authority (PEZA). These zones are given fiscal and non-fiscal incentives such as: Income Tax Holidays – 100% exemption from corporate tax, tax and duty free importation of materials and equipment, and exemption from wharfage dues and export tax, dues or fees; to promote flow of investors and generate employment among others. It was also this time when former President Fidel Ramos – following his goals of industrializing the country, allowed the deregulation and privatization of industries critical to economic development: banking, energy, communications, domestic shipping and oil.

The continuous rise in population of Manila led to the spill-over of industries to nearby provinces, particularly Cavite, Laguna and Rizal; becoming a catch-basin for population, commerce and industry. Along with national economic policies that encouraged foreign trade and investment, and infrastructure development, the increase in the region’s population lead to a thriving economic zone hub as envisioned by the government. With this transition from being rural and agricultural in nature, the region became one of the most industrialized regions in the country taking lead in the manufacture and service industries.

In 2002, Region IV was divided into two administrative regions: the mainland, composed of the provinces of Cavite, Laguna, Batangas, Rizal and Quezon; and the island provinces of Mindoro (Oriental and Occidental), Marinduque, Romblon and Palawan. The administrative
classification of the regions was promulgated to allow focus on the different social and economic needs of mainland and island regions.

To date, the Provinces of Rizal, Cavite and Laguna are more than 80% urban, while its population density remains significantly lower than that of Metro Manila making it attractive for development projects such as residential subdivisions, sports and leisure centers and industrial complexes (NEDA, 2011: 7).

These economic policies shaped the regional economy from being agricultural to industrial. From its peak at 50% in the 1970s, employment in the agricultural sector has been in steady decline to its current state at below 20%. On the other hand, the industry and service sectors registered growth rates of 15% and 6%, respectively in year 2010 contributing to a regional economic growth of 11% (NSCB, 2012). With its RGDP accounting for 17.4% of the country’s over-all GDP in the last three years and being the region—outside of the capital—of highest contribution to the country’s GDP growth, the region continues to be one of the country’s industrial powerhouses.

Methodology

Throughout a four-month period, questionnaires were administered to workers and current residents of Biñan, Laguna. The site was selected as part of a broader project of a team of researchers aimed at understanding the impacts of economic development plans on its stakeholders. The survey and interviews were conducted by the researchers with the aid of a research associate.

Of the thirty-seven collected questionnaires, eight were selected for unstructured interviews to gain better understanding of their life histories and day-to-day narratives. In addition to these narratives, they were also asked of their living conditions, aspirations and plans, local observations and self perceptions on economic development. In consideration of stringent labor controls present in the workers’ enclave, snowball sampling was employed to identify willing respondents. Questions and subjects which elicited reluctance or distress from the respondents were dropped and were no longer pursued. To ensure anonymity, all names of respondents appearing in this article are anonymized.

Temporality in Workforce

Majority of the respondents were male with a diversified range of jobs including drivers, machine operators, assembly line workers and quality assurance members. While some of them are regular employees, most of them are casual or contractual employees being paid the government-mandated regional minimum daily wage of PhP 362.50 (US$ 8.12) inclusive of living allowances.

Subsistence Income

In 2012, the provincial food threshold per capita for Laguna is at PhP 13,798.00 (US$ 309.20) while the poverty threshold is at PhP 19,857.00 (US$ 444.98). This figures estimate 8,242 or 1.2% of the families in the region to be hungry while 31,409 or 4.6% as poor (NSCB, 2012). One of the families falling in the poverty cluster is that of Clive’s (24), a contractual employee being paid the minimum daily wage.
If the indicators used are those as defined by policy makers, as the sole income-earner of the family and with an estimated monthly income of PhP 7,884.38 (US$ 176.68) he and his family are above subsistence but are relatively poor—his income is more than sufficient to cover their food necessities but not their other needs, which is validated by his narrative:

We really have to budget properly. We prioritize the needs of our child, then our food. In reality, [my salary] is insufficient. Sometimes, I pawn my ATM card to augment our budget for what we need—what our child needs.

When prompted for other ways of augmenting their budget, he mentioned of “informal rackets: drawing for students’ school requirements and helping with a relative’s hat-making business.” But as these are occasional and unstable side-jobs, they “often resort to borrowing money from his mother-in-law” to make ends meet.

George (37), an electrician and though a regular employee—earning above the minimum wage and is above the poverty line, shares the same predicament:

I earn very little and it really is insufficient to sustain my children, my wife and our household. So I do what I can, I get side-jobs if there are. [In our current situation] of insufficient income, we’re already indebted even before the next payday. It becomes a cycle of incurring debt, paying it when I get my salary, then incurring debt again before the next payday. It’s just like that.

He made this statement in a matter-of-factly tone as if it’s common experience among co-workers. He even shares, “Earlier this day, I took a loan with my ATM card as collateral to pay for our electric bill.”

The stories of Clide and George highlight the ingenuity of developing coping practices for their insufficient salaries. Making the most out of informal rackets and taking short-term loans, families take it upon themselves to augment their insufficient salaries. Moreover, while Clide’s narrative validates his families’ inclusion in the poverty level, George’s presents a disparity in between what policy makers define as sufficient incomes and those directly experienced by the workforce.

The primary methods by which the PDP aims to alleviate incidence of poverty are through the community-driven developments and conditional cash transfers specifically directed towards the poorest of the poor (NEDA, 2011:29). While these could improve the statistics through direct dole-outs, improvements in worker’s welfare and compensation should also be considered.

Migratory Population

Of the 37 respondents, only 8 are locals by birth of Biñan, Laguna. The rest—composed of those who were born in other parts of the province (8) and those who originated from other parts of the country (21)—total to 29 forming an aggregate of 78%. The origins of these domestic migrants range from nearby towns of Laguna (Paeta, Calamba and Sta. Cruz) to more distant provinces of the country (Cagayan to the North and Agusan del Norte to the South). These migrant workers each have their own reasons to either temporarily or permanently relocate to Biñan.
In addition to being migrant workers, 27 of these respondents are currently employed as contractual employees—assured of employment only until their contract expires. This temporality in employment creates a sense of uncertainty and insecurity of the future. Joseph (31), articulates this uncertainty:

For me, it’s not okay to be like this most of the time—I always have to worry about my contract ending. I have to think about the future of my family… The opportunities would not always be there, specially now that I’m getting older.

Other than the worries of contractual employees, most of the respondents attribute their sense of temporality to the inadequate salaries and perceived opportunities somewhere else. Hector (29), a licensed Chemist from a reputable university in the country, relocated to Biñan in consideration of practicing his craft in one of the firms located in the area. He regards his migration with temporality and plans to either return to Manila or work abroad once he gets enough training and experience. He also shared—not just his exasperation with the current way of things—but those of his co-workers as well:

We have a lot of licensed [professionals] and pharmacists, but their salaries are low. If you would look at it, the wage of professionals here in the Philippines in general is not even enough to own your own house or land. So we aspire to be promoted or grow old with the company—which is unfortunate. Maybe that is why it can’t be avoided to think of going abroad instead. Like when we [co-workers] hear stories about former co-workers who have gone abroad, people get envious because regardless of what job they got there—even it’s just doing inventories, they get paid more.

George shares the same aspiration of working abroad; however, hindered by his current financial situation, he can’t help but feel frustrated:

The reason why I can’t process my application is because I don’t have the money to spend. If I don’t go to work for at least one day [to process my application] I would not be paid that day and it wouldn’t be helpful. Also, you would need to spend money to process the requirements and for transportation. My income is not enough to cover our expenses as it is.

He continued with a comparison of his situation and his perception of those working elsewhere:

My skills really are in the electrical and network configurations. I’m skilled at what I do and I’m being paid far less than those in Manila and in other countries. Those doing the same tasks—that I do—in other countries are being paid far more. So it makes me wonder that if we are doing the same tasks, why are they being paid more than I am. Like them, I also climb towers, lay electrical wires, and install radios and antennas.

Hector and George’s narratives, among others, are indicative of frustrations of both professional and skilled workers. For Hector, the root of his frustrations is the sense of entitlement that as professionals they are entitled to higher compensation than what they are currently enjoying. For George, his frustrations are directed on the differences in financial compensation between him—as a skilled worker in the provincial setting, and those working
in the country’s capital and abroad. As a resolution to these frustrations, both aspire of working abroad where they can earn more regardless of the kinds of jobs they take.

The PDP’s focus on creating jobs spans both formal wage- and self-employment. It is noteworthy to qualify wage-employment creation so as not to be limited to mere basic employment but to take into consideration the quality of jobs being offered as well. The sense of temporality resulting from being casual and contractual employees roots in the perceived liminality of their employment—without assurance of what would happen next.

Excluded Community

Like Hector, most of the respondents allocate a portion of their monthly income for rent. Partly as a result of the migratory workforce, boarding houses and lodges are quite common in the community. Of the thirty-five valid questionnaires, twenty workers pay monthly rents for their current accommodations ranging from PhP 1,500 (US$ 36) for shared boarding rooms to 5,000 (US$ 112) for solo apartment units.

A visual survey of the community revealed that most of its development were focused on accommodations, entertainment and recreation establishments. The lodgings offered vary to include spare private rooms—which have been converted to accommodate guests, shared boarding lodges—which can be shared by three to four tenants, and entire apartment buildings—specifically built as a commercial complexes.

In addition to these lodgings, venues for recreation and entertainment are located within the immediate periphery of the workers’ community. Three major shopping malls and a cockpit are located towards the central business district of Biñan. Major streets and thoroughfares are lined with a variety of food establishments and a couple of gentlemen clubs. This sprawl of recreation venues are indicative of the workers’ daily and weekly routines.

Anna (28), shares the role played by entertainment establishments in building rapport with co-workers:

> When you get invited to go out or eat together, you can’t separate yourself from the group. You have to establish connections.

Having no nearby relatives and to save on expenses, migrant workers opt to visit nearby malls and recreation establishments together in lieu of travelling to Manila on free days. While it is expected that the presence of manufacturing firms would foster the emergence of smaller industries, partly due to the migratory nature of the workforce, the development of local industries in the community are primarily geared towards the catering of basic and specific needs of migrant workers such as short-term entertainment and recreation as well as communing with each other and creating fictive kins and communities (Schneider, 1984).

George, on the other hand, presents a different perspective on the development [or lack of which] in the community:

> Biñan has greatly changed. But the specific needs of the barangays and the communities are not met. For example, clogged sewerage. They start off as clean, but eventually are unmaintained and unattended. Specifically, when
politicking sets in—when community heads are from opposing parties than those seated at municipal levels—nothing gets done.

Here, he presents the idea of politicking as an interference in the infrastructure development of local communities—both of which are targeted by the PDP: economic development through better governance and infrastructure development. And in terms of who benefits most from economic developments, he muses:

They—the rich—feel it. As I see it, Biñan is progressive, but it’s not the legitimate locals who benefit. We still are poor—as if we’re not part of their progress.

This narrative is an explicit statement summarizing how George—as local resident and worker—sees the exclusivity of progress and development.

**Third-party agencies**

Most of the contractual respondents were hired through either referral or contracting agencies. A local referral hiring agency located in Laguna explained the differences between the two. Referral agencies screen applicants, match applicant skills with interested employers, assist in processing the applicant’s requirements, and forward the necessary the documents to the concerned company. In simplest terms, they serve as *match-makers* between job-seekers and employee-seeking companies.

Contracting agencies on the other hand, serve as outsourced human resources departments. They process the entire application including exam administration in addition to the tasks done by referral agencies.

In terms of fees, referral agencies charge a one-time processing fee while contracting agencies mostly do not charge fees upfront. Instead, once successfully hired, the hired employee’s salaries are coured through the agency. From which, the agency deducts a certain percentage equivalent to their agreed fees.

Most of the applicants who patronize the services of these agencies are local residents of nearby communities and municipalities. In this regard, hiring agencies are helping job-seekers find employers.

**Peripheral Services**

While hiring agencies source their applicants from a local pool, third-party agencies engaged in providing peripheral services—services not directly linked to actual production but are integral to day-to-day operations such as laundry, janitorial and security—source their applicants on the agency’s location.

The firm studied in this regard is a subsidiary of a larger company based and located in the National Capital Region. The officer-in-charge of the company’s publicity and external affairs mentioned that as the company located in Metro Manila already employs the same services needed by the firm located in Laguna, it was decided by the management to source the same services from the same agencies located in Metro Manila even though third-party agencies offering the same services are located in the vicinity of the firm in Laguna.
This preference on more distantly located service agencies over local agencies result to lost opportunities for possible locally sourced labor and employment. In consideration of PDP’s goal of employment generation, policy makers could consider creating linkages between firms and locally-situated service agencies.

Conclusion

The case study presented in this paper aims to investigate the degree of inclusivity of economic development targeted by the Aquino administration from the perspective of its stakeholders. Outlined through the Philippine Development Plan 2011-2016, the programs designed by policy makers primarily aim at generating jobs and alleviating poverty. By studying the case of workers located in Biñan, Laguna, this paper reviews the programs in contrast to the actual situation of the workers, community and peripheral industries.

The PDP’s goal of reducing the incidence of poverty is hinged on improving the quality of lives of the people primarily through community-driven developments and conditional cash transfers. In respect of the indicators used by policy makers in measuring such incidences—food and poverty thresholds, improving income generation should be at the forefront of considerations in creating plans for improving poverty levels. The minimum wage, as determined by the government, has been designed to suffice daily expenditure—ideally. However, the narratives of the respondents with regard to their incomes show that their salaries—minimum wage and even those above—are simply insufficient to support their families. This inadequacy in compensation is not limited to blue-collar workers as it carries over and is experienced by skilled and professional workers resulting to varied forms of frustration. As workers perceive the incommensurate compensation to be a shared condition among the country’s workforce, they eventually resort to aspirations of working overseas regardless of the kinds of jobs in store for them. The plan’s focus on job creation should be more inclusive—that it should take into account, not just the quantity of jobs created, but the quality of these jobs as well.

In addition to their insufficient incomes, most of the respondents are domestic migrants who have come to the region—as an economically developed extension of the capital—with the hope of better financial and employment opportunities. This, coupled with being casual or contractual employees, gives rise to the sense of temporality grounded on the liminality and uncertainty of their employment situation. Without nearby families or relatives to share their contemplations with, these workers create fictive communities among themselves with whom share and relate to their experiences and problems. Catering to the specific needs of this new sector of the population, local development have focused primarily on the accommodations and entertainment industries. This limited development, when worsened by politicking among government officials, stunts the growth of the community—as even locals feel detached and excluded from the economic progress of the province and region. Lastly, the local employment opportunities, limited as they are, are not specifically encouraged by the practice of labor outsourcing to distant third-party agencies by local firms. Policies could be improved to create and strengthen the tapping of local and regional manpower resources in better consideration and realization of the decentralization of economic development.

Generally, while we are with the goals of the plan to alleviate poverty and generate jobs, its actual implementation could be made more qualitative and inclusive, as far workers are concerned. And as the study is primarily focused on the workers as stakeholders, a qualitative perspective from concerned firms in relation to their workforce and other aspects of the
plan’s *inclusive growth*, such as infrastructure development, could be topics for further research in the future.
References

Publications


Electronic Sources


