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20234

Distr.
LIMITED

ODG.16(SPEC.)
14 June 1993

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Original: ENGLISH

*ii, 90 p
table*

IN-DEPTH EVALUATION OF UNIDO'S INDUSTRIAL
HUMAN RESOURCES DEVELOPMENT ACTIVITIES

US/GLO/91/159

Country Case Study: THE PHILIPPINES*

Prepared by the
Evaluation Staff
Office of the Director-General

* This document has not been edited.

V.93-86357

5/11/93

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ABBREVIATIONS

ADB	Asia Development Bank
AIM	Asian Institute of Management
ARTEP	Asian Regional Team for Employment Promotion
ASEAN	Association of South-East Asian Nations
BOI	Board of Investment
BTVE	Bureau of Technical and Vocational Education
CITC	Cottage Industry Training Center
CMDF	Construction Manpower Development Foundation
CRC	Centre for Research and Communication
CTU	Community Training Unit
DACUM	Developing a Curriculum
DCR	Development Cooperation Report
DECS	Department of Education, Culture and Sports
DOA	Department of Agriculture
DOH	Department of Health
DOLE	Department of Labour and Employment
DOST	Department of Science and Technology
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
ECOP	Employers Confederation of the Philippines
EDCOM	Education Commission
EIU	Economist Intelligence Unit
ESCAP	Economic and Social Commission for Asia and the Pacific
FLIC	Footwear and Leathergoods Industry Center
GNP	Gross National Product
GDP	Gross Domestic Product
HDI	Human Development Index
HDR	Human Development Report, UNDP
HRD	Human Resource Development
IHRD	Industrial Human Resource Development (Branch)
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
LGC	Local Government Code
LGU	Local Government Unit
NEDA	National Economic and Development Authority
NGO	Non-governmental Organization
NIC	Newly Industrialized Countries
NIMDC	National Industrial Manpower Development Council
NMYC	National Manpower and Youth Council
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
ODA	Overseas Development Association
PCCI	Philippine Chamber of Commerce and Industry
PIDS	Philippine Institute for Development Studies
PMA	Philippine Management Association
PMAP	Personnel Management Association of the Philippines
PTTC	Philippine Trade Training Center
SMID	Strategic Management of the Industrial Development
TA	Technical Assistance
TAC	Training Assistance Contract
TCDC	Technical Cooperation among Developing Countries
TCS	Training Contract Scheme
TESDA	Technical Education and Skills Development Authority
TTC	Technology Training Center
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UP	University of the Philippines
USAID	United States Agency for International Development
VTP II	Second Vocational Training Project
WINT	Women in New Trades

ECONOMIC, SOCIAL AND INDUSTRIAL CONTEXT

General¹

1. The total population of the Philippines in 1990 amounted to 61,480,000 of which 42.7% live in urban and 57.3% in rural areas with a population density of 202.3 persons per km². The majority of the population falls within the working age bracket of 15 - 64 years (57.8%), followed by 38.7% in the age group 0-14 years. The official population growth rate lies at 2.4%, whereas unofficial estimates reach as high as 3.5%. Resultant population pressure calls for active family planning programmes which so far could not be successfully implemented. Economic growth, even when accelerating, will have difficulties to provide for a real increase in per capita income. In comparison to other ASEAN countries, Malaysia has an equally high population growth rate, although based on a much smaller total population, whereas other countries grow at slower rates. The population density of the Philippines is the second highest, after Singapore with 4,250 persons per km², while other countries range around and below 110 persons/km².

2. The literacy rate in 1990 of the population older than ten years was as high as 89.9% with literacy among the male population recorded at 95.3%, while 86.2% of the female population were considered literate². The originally high English literacy rate has been declining since English is not mandatory and teaching materials have been translated into local languages. According to the UNDP Human Development Report (HDR) 1992 the net primary enrolment ratio was 99. In 1988, 70% of the pupils completed their primary education of which 93% proceeded to secondary school. These figures, however, need to be compared to details provided under chapter 3 of this report. The Philippine Social Statistics stipulate that 80.8% of those attending tertiary schools were enrolled in higher education, whereas 19.2% participated in technical education. Information on government expenditure on education differ depending on the source: the National Statistical Coordination Board (NSCB) indicated an increase of expenditure as a percentage of GNP from 1.8% in 1980 to 3.0% in 1990, and as a percentage of total government expenditure from 12.1% in 1980 to 16% in 1990, whereas the UNDP HDR indicates that 10.3% of total government expenditure were allocated to education in 1989.

3. In the UNDP HDR 1992 the Philippines fall under the group of countries with "Medium Human Development" and are listed number eighty of 160 countries considered in that report. The country's Human Development Index (HDI) is calculated to be 0.6 with a per capita GNP of US\$ 710 in 1989. The fact that 58% of the population is reported to live below the poverty line indicates uneven income distribution which can be further supported by NCBS statistics. It should be noted that the same percentage was reported already in 1971 and 1985³ which would indicate that no major improvements have been attained in the area of poverty alleviation over the past twenty years. While the HDR indicates that 86% of the population has access to safe water (1988 - 1990), it does not contain information on available health services. The statistical compendium 1990 indicates that the ratio of patients to physicians and that of patients to nurses has not improved significantly over the past ten years: in 1980 there were 6,656 patients to a physician and 5,029 patients to a nurse, whereas in 1990 the ratio was 6,440 and 5,052 respectively. Total government expenditure for health services are, according to that same source, 0.9% of the GNP and 4.1% of total government expenditure. Life expectancy increased by three years from 61.6 years in 1980 to 64.6 years in 1990.

¹ All figures quoted in this part of the report reflect 1990 data and are extracted from the 1990 Compendium of Philippine Social Statistics, National Statistical Coordination Board, Economic and Social Statistics Office unless stated otherwise.

² Literacy is defined as being able to write or read simple notes in any language or dialect.

³ Employment and Manpower in the Philippines, A Sectoral Review Report, International Labour Organization, April 1991

Overall Economy

4. The Philippine economy recovered from its slump in 1984-1985 and performed promisingly over the period 1986-1989, recording annual growth rates averaging 5.8%. However, economic performance in 1991 fell behind expectations and indicators such as GNP and GDP declined by 1.2% each, as opposed to growth rates reported for the previous year of 6.1% and 3.9% respectively. Budget gap and current account deficit widened and interest rates for 91-day treasury bills (T-bills) were on the rise⁴ which added to negative effects of the sluggish international economy and the effect of a number of natural disasters plaguing the Philippines. In response to increasing inflation rates and expanding public sector deficits, the government at the end of the previous administration already adopted tighter fiscal and monetary policies which brought down both deficit level and interest rates, however, at the cost of sharply declining economic growth.

5. The coup attempt of December 1989 is reported to have had significant negative effects on the economic performance as it undermined investors' confidence in the country. The relatively peaceful election process in June 1992 and a smooth hand-over of government which promises not only continuity but even potentially greater political stability are expected to increase credibility of and trust in the country. Furthermore, the new administration is reported to pursue vigorously liberalization policies which the former administration had set on rail. These include the foreign exchange liberalization which opens access to foreign currency and allows exporters to retain 40% of their foreign exchange receipts, the reduction of import levies from nine to 5%, and the approval of the Foreign Investment Act which, the authorities hope, will result in major foreign investment flows into the country (see paragraph 18).

6. Apart from these changes in legislation and administrative procedures, the country faces a number of difficulties which do not augur well and even an improved investment code might not be able to counterbalance these factors. Natural disasters have struck the country during the past years, among them an earthquake, tornados, floods and a major volcano eruption. Leaving these external factors aside, the country's infrastructure fails to provide adequate transportation and communication facilities and a regular energy supply. Moreover, manpower, in as much as it has not migrated to work abroad (see paragraph 23), while being skilled and having a relatively high level of English literacy, is more costly and less productive than that of some other countries in the region. Strong performance of other ASEAN countries and the opening up of countries like Vietnam and to some extent of the People's Republic of China, pose additional external pressure on the Philippines, limiting prospects for strong foreign investment inflows. Domestic investments which would signal to foreign investors the trust of local entrepreneurs in their country's economy are said to be forthcoming only after foreign resources start flowing back into the economy.

7. Agriculture and manufacturing contribute almost equally to the EDP, 23.1% and 24.6% respectively. The manufacturing sector, however, is small in terms of employment as it absorbs only 10.4% of the work force which is even below the level of 1970. This reflects the capital-intensity of investments made under previous incentive systems. The agriculture sector, in comparison, employs 45.1% of the working population and recorded on its average annual growth rate during the 1980s of around 2%. Main products are rice, coconuts and plantation crops such as sugar and pineapples.

8. The economy focused traditionally on import-substitution, therefore production catered mostly for the domestic market whose purchasing power, however, is limited by the fact of high unemployment rates, a large portion of the population living below the poverty line and only a limited number of people employed in productive activities. In the early 1980s exports comprised mostly of coconut products, copper, sugar and wood but, by 1990, had changed to a limited range

⁴ 1991 Performance of the Economy and Prospects for 1992, Celito Habito, National Economic and Development Authority (NEDA).

of products, such as electrical and electronic components and garments⁵. The latter export commodities are, however, mostly based on imported raw materials and intermediate products to which only a "thin slice of value"⁶ is added in export processing zones (with little interaction with the local manufacturing sector) before re-exporting final products. Krugman argues further that significant structural changes have not yet taken place as trade policies still favor capital-intensive investments in import-substituting industries. One should, however, note that Krugman and his team were in the Philippines in August 1990, and that, latest policy changes have not been reflected in their report.

Macro-economic Targets

9. The government aims to attain its three macro-economic targets, i.e. increase in the per capita income from US\$ 760 to US\$ 1,000, real GNP growth of 10%, and reduction of the poverty incidence from 55% to 30%, by the year 1998 by which the country would reach the status of a Newly Industrialized Country (NIC). However, recent government pronouncement no longer refer to NIC status as such although, considering the above review of the performance indicators, it is apparent that government plans are rather ambitious.

10. The mission was informed that the forthcoming successor plan, covering the period 1993-1998, to the medium-term development plan is likely to focus on human development and poverty alleviation as the two main development objectives. The government expressed its recognition of the necessity for economic growth to reach those living below the poverty line.

Devolution and Rural Development

11. An important piece of legislation is the Local Government Code which was approved in December 1991 and should start being implemented during 1990. The act is designed to bring about a major devolution which will provide local governments with considerable power and responsibility. The resultant changes would lead to strong decentralization and major structural changes in the country's administration. It is expected that the code will achieve a decentralization of economic activity and increase investments in regions outside Manila. This is hoped to help easing population pressure on the capital as well as improve the rural population's employment possibilities, access to income and living standards. Infrastructure development, which will be part of the local government's responsibility, is promoted under a development plan which calls for requisite investments by either local governments or land developers although in the case of poorer regions this might be beyond existing means. The Local Government Code, however, reportedly meets with resistance as the central government fears a loss of power, whereas local governments do not feel ready to take up responsibility and claim that the code does not have adequate financial provisions to allow them to effectively assume and carry out their duties. The Code foresees a revised distribution scheme for tax receipts under which local governments will receive a larger share of national revenues, yet their leverage to raise taxes locally is limited by upper margins. Moreover, enforcement of tax collection, already problematic at national level, might prove difficult to attain at local level. The act's implications on training and education system are discussed under chapter 3.

12. To ease pressure on the National Capital Region and increase infrastructure support and rural development, the Department of Industry and Trade (DTI) pursues an infrastructure development plan which also supports the above local government code. Under the plan fourteen regions have been selected for which the government provides detailed development plans and eventually principal feeder roads whereas private land developers or communities have to install

⁵ The Philippines, Europa Publishers Ltd. 1992, *The Economy* by Edith Hodgkinson

⁶ *Transforming the Philippine Economy*, Paul R. Krugman, James Alm, Susan M. Collins, Eli M. Remolona, A NEDA/UNDP Publication, June 1992

requisite infrastructure facilities and promote the land to foreign and/or domestic investors. Five of these zones are reported to have started operations, whereas feasibility studies have been prepared for eight further areas, of which one feasibility analysis is under way.

Industrial Sector

13. The structure of the industrial sector in 1987 is summarized in Table 1 below (more recent data was not available to the mission). In terms of number of establishments with more than ten workers, food and beverages take the lead before textiles and fabricated metal products and machinery. This, however, does not reflect the average size of companies where establishments producing professional and scientific equipment take the lead (with on average 29 employees) over textiles (average 22 workers), wood and wood products (15 workers on average). Iron & steel and non-ferrous metals manufacturers rank fourth in terms of average company size (relatively small with 14 workers), however, they also record the highest total receipts per establishment and rank second in terms of average census value added per worker. Chemical industries recorded the highest value added per worker, while ranking second in receipts per company.

Table 1: Structure of the Manufacturing Sector in 1987

Sector	Number ^a of establishments	Total average employment ^b	Total receipts ^c	Census value added ^c
Food, beverages, tobacco	1,268	173.5	101,662	43,172
Textiles, apparel, leather	861	188.1	21,631	9,387
Wood, wood products	485	71.7	9,374	3,211
Paper, printing	472	28.5	10,283	3,918
Chemicals, petroleum, rubber	574	72.9	81,763	26,664
Non-metallic minerals	189	21.4	8,002	3,385
Iron and steel, non-ferrous metals	121	17.0	20,845	4,368
Fabricated metal products, machinery	853	86.1	27,469	9,796
Professional/scientific equipment	11	3.2	153	211
Total	4,834	662.4	281,182	104,112

^a Establishments employing ten or more workers

^b in thousand

^c in million Pesos

Source: Economic Intelligence Unit Country Profile 1990-1991 quoted from the National Statistical Coordination Board, Philippine Statistical Yearbook

14. According to the Economist Intelligence Unit Country Profile 1990-1991, the total number of manufacturing establishments reached 83,292 in 1982 which apparently is the latest year for which comprehensive data is available. It is obvious from the total number of establishments with ten workers or more, i.e. 4,834 establishments, that the large majority of enterprises are of small scale and probably operate in the informal sector.

15. During the recession of 1984-1985 output of the manufacturing sector declined by 7.2 and 7.3% respectively. The sector recovered slowly starting in 1986 peaking in 1988 at a growth rate of 9% in manufacturing and 8.5% in industrial output⁷. Growth rates declined over the period 1989-1990, although still showing positive trends. The situation changed in 1991 when industrial output declined by 4.3% as opposed to the 1990 increase of 5.4%⁸. Yap traces this performance back to high interest rates, high cost of production, increased importation cost, power shortages,

⁷ Economist Intelligence Unit Country Profile 1990-91

⁸ The Philippines: Recent Performance, Prospects for 1992-93, and Policy and Development Issues, Josef T. Yap, Philippine Institute for Development Studies, 1992

and some other factors. The industrial sector is expected to react positively to latest policy changes and apparently has shown some signs of recovery during the first half of 1992.

16. Development plans concentrate on agro-based industries, i.e. those industries which have forward and backward linkages to the agricultural sector, although whether indigenous agro-industries will be sufficient to form the basis for national economic take-off seems not entirely certain. However, Government policy foresees that combined with an export orientation this is expected to increase the ratio of value added generated in-country on export goods, create greater usage of local raw materials, and increase decentralization of manufacturing enterprises to local areas along the lines of the Local Government Code. The DTI expects investments to take place in the areas of petro-chemicals, probably based on the widely announced findings of oil reserves⁹, and steel industries. Investments in the latter area would be made in the nationally owned steel company and result in capacities which would suffice the requirements of the domestic market at the time of full installation¹⁰. Moreover, various government departments and private institutions expressed high expectations in the fine jewelry sector as one of the major "sun rise" industries. The mission could not find evidence of the existence of gem stones or traditional experience in this area and that given the proven advantage of Thailand in this field, the Philippines will have to face strong competition.

Industrial Policies

17. Industrial policies of the new government are based on those adopted under the Aquino administration and are meant to contribute to attaining macro-economic targets as mentioned in paragraph 9 above. The DTI acknowledges that a stronger outward orientation of the industrial sector is required which implies the necessity for liberal trade regulations, a realistic exchange rate and products of international quality standards. In addition, the DTI aims at developing rural areas by attracting investments to the regions in order to create rural employment opportunities and disperse industrial production. Much of the industrialization effort focuses on the full utilization of available manpower which is seen as one of the major advantages of the country¹¹. Another main thrust lies with foreign investment promotion which is required to attain economic growth as well as to reach envisaged employment creation targets. Having said all this, the mission was not able to obtain an industrial policy statement but was informed that relevant provisions are incorporated in the medium-term development plan to which an up-dated successor plan is under preparation. Other sources, however, indicate that a comprehensive policy reform programme and development strategy for the industrial sector remains to be developed¹². Considering the importance appropriated to investments as the main driving force to industrial development, the following two paragraphs review in some detail the prevailing situation and some of the constraints.

18. The National Statistics Office (NSO) as quoted in the Philippine Political Monitor issued by the Institute for International and Strategic Studies¹³ indicates declining registered

⁹ According to the knowledge of the mission, great hopes were attached to oil reserves already in the late 1970s and early 1980s, however, exploitation has not started. USAID, however, confirms prospects for petro-chemical industries in the Philippines independently of the availability or exploitation of own resources.

¹⁰ Other sources claim that the National Steel Corporation is to be privatized. Moreover, the position expressed by the DTI indicates that import-substitution and domestic market orientation seem still to prevail to some extent.

¹¹ Address of the DTI Secretary, Meeting with the Philippine Chamber of Commerce and Industry, 23 July 1992

¹² Proposal outlining UNIDO's inputs to project DP/PHI/92/001 Agro-industrial Productivity and Competitiveness, 13 July 1992.

¹³ The Institute is part of the Center for Research and Communication (CRC) as mentioned under chapter 3.

investments by European, US American and Japanese investors. NEDA¹⁴ reports that investments declined by 19.1% in 1991 as compared to a 14.1% growth recorded for the same period in 1990. The government hopes to remedy the situation by improved investment legislation and the mission observed that government officials and private sector representatives counted much on increased foreign investments as a major motor to improved economic performance. The act includes a "negative list" of areas in which foreigners may not invest instead of the previous positive list. The mission was informed that disincentives are being removed and laws which restrain foreigners from purchasing or leasing land are to be changed. Moreover, the function of the Board of Investment (BOI) is to be transformed from a regulatory to a promotional one. This transformation will be particularly difficult as it requires not only internal management and operational changes but also necessitates the BOI to change its image in order to gain acceptance by the private sector. According to the Philippine Institute for Development Studies (PIDS)¹⁵ the BOI's Industrial and Priority Plan focuses on five main activities, namely strategic industries (petro-chemicals), new export processing, integrated agro-processing, production of raw materials for usage by export industries, and modernization project for increasing local content.

19. A number of adverse factors which were mentioned in paragraph 6 lessen prospects for larger scale investments in the near future. Yap¹⁶ similarly recognizes that the Philippines is a country with a high risk rating which can be overcome only if political and economic stability can be introduced and sustained. Moreover, he spells out that a number of complementary laws still need to be instituted before the investment climate can be considered fully conducive to further development.

Labour Force

20. The ILO sector review¹⁷ stipulates that employment growth rate and incremental growth of the labour force were both around 3.6% during the 1980s. Unemployment increased from 5% in 1980 to 9.3% in 1989, whereas underemployment supposedly decreased from 34.5% to 31.2% over the same time span. The mission was informed that un- and underemployment figures of the Department of Labour and Employment (DOLE) and of other sources, e.g. NEDA and DTI, differ, yet the quoted figures provide a sufficient indication of the magnitude of labour force pressure. The sluggish economy and the manufacturing sector's tendency to concentrate in capital intensive areas, failed to create sufficient productive employment to accommodate the roughly 800,000 new job entrants per year, not to mention the number of existing unemployed. ILO estimates that economic growth of 8-10% is required to absorb available manpower, whereas at the time when the ILO study was carried out the targeted economic growth rate of 6.5% had not been reached. The same study further argues for macro-economic policies rather than (government-led) employment creation programmes.

21. Female participation in the labour force increased by ten percentage points during the 1970s and by seven percentage points during the 1980s (ILO). Yet, according to the Philippine Social Statistics 1990, female participation in the labour force is around 37%, although about 50% of the working age population is female with the result that the ratio of unemployed women ranges around 45%. (see Annex 1 for trends over the last four years).

¹⁴ 1991 Performance of the Economy ..., Cielito Habito

¹⁵ op cit.

¹⁶ The Philippines: Recent Performance, Prospects for 1992-93, and Policy and Development Issues, Josef T. Yap. Philippine Institute for Development Studies, 1992

¹⁷ op cit.

22. The Civil Service Commission, as the largest single employer, estimates female participation in its work force to concentrate in the middle level professional categories with lesser representation in both the lower level clerical and technical areas as well as the higher level management spheres. The gender disparity between the second and the third level, i.e. about 70% professionals are women whereas about only 30% managers are female, is explained by a time gap and by discriminatory recruitment and promotion practices. A similar distribution, though more tilted towards a higher percentage of male employees, can be assumed for private enterprises. While in urban areas the number of women participating in the active work force is higher, rural areas show more traditional patterns of employment and occupations.

23. Migrant workers constitute an important economic factor in terms of labour force and remittances earned and returned into the Philippine economy. The ILO estimates that the Philippine labour force is the most mobile in the region and estimates that during the last decade about 400,000 workers entered the international labour market per year, mostly for short-term but repeat contracts. The government pursues an active policy of continued labour force exports, although it recognizes that labour quality needs improvement to maintain international competitiveness (see also chapter 3).

Gender Policies

24. The 1987 Constitution of the Philippines recognizes that both genders should enjoy equal rights. In addition, Executive Order No. 348 was approved and adopted under the Aquino administration in February 1989 which constitutes the Philippine Development Plan for Women 1989 - 1992. The Plan states that women employees concentrate in the areas of wholesale and retail trade (65.6%), community, social and personal services (56.1%), and manufacturing (45.2%). A high number of women employees can be found in white collar professional jobs. It has nonetheless been recognized that certain discriminatory practices require corrective policies. Some of the major problems faced by women are their lower participation in the labour market and inequality in rights, working conditions and wages¹⁸. The Plan also infers that women do not have equal access to education, training, employment and promotion opportunities. The mission, however, understands that e.g. training courses offered by the National Manpower and Youth Council (NMYC) (see chapter 3) are open to participants of either gender, and supposes that limited female participation is mostly due to a lack of awareness of these training opportunities.

¹⁸ Highlights of the Philippine Development Plan for Women, 1989-1992, March 1989

THE WORKING ENVIRONMENT OF INDUSTRIAL ENTERPRISES

Government

25. Under the 1987 constitution, the Republic of the Philippines is governed by an executive presidency and an upper and lower house of elected representatives. There are 17 Departments, each headed by a Secretary appointed by the President. Economic planning is coordinated by the National Economic and Development Authority (NEDA) where concerned Departments are assisted by a full time secretariat in the preparation of economic policies and priorities. NEDA approval is a key step in the process of all programme and project approval, including technical assistance from bilateral or multilateral donors.

26. Following the June 1992 elections the incoming government has continued to pursue policies in support of a process of structural adjustment which has been underway for several years. This policy is reflected in a number of important legislative measures which range from the recent liberalization of the rules and regulations governing overseas trade and foreign investment to the devolution of central government powers to local government units. Central to these policies is the sometimes slow but inexorable move towards a totally deregulated market economy in which the government will concentrate on long term macro level planning, leaving all day-to-day issues to be taken care of by industry, commerce and the community. In this context the DTI is already showing signs of a major shift in its activities, leaving aside many of its previous regulatory functions to concentrate on trade promotion and assistance to exporters. Unfortunately, long years of government rules and regulations have made industry suspicious of all forms of intervention so that new initiatives which are intended to assist the private sector are treated with extreme caution. Such suspicion is currently reported to inhibit the close dialogue between government and industry which is vital to the success of the liberalization policies, prompting many observers to recommend a role for a neutral body to facilitate communications between the two sides.

27. Due in part to a long history of government intervention in the field of manpower development, there are many Departments which play a role in the provision of training. The major roles are taken by the Departments of Agriculture (DOA), Education, Culture and Sports (DECS), Labour and Employment (DOLE), Science and Technology (DOST), Social Welfare and Development (DSWD), and Trade and Industry (DTI). The DOLE does have some directly administered training programmes, but most of its current activities falls under the jurisdiction of the NMYC which is also mandated to coordinate manpower development inputs from other line departments. Many other agencies are also major providers of vocational training, although most are only concerned with basic livelihood skills, including the DSWD. Unfortunately, due to increasing numbers of unemployed and underemployed people in both the rural and urban areas, successive governments have from time to time encouraged or even instructed all public providers of training to undertake such livelihood programmes. This often leads to a weakening of mainstream training activities as staff and resources are diverted to a task for which many facilities and instructors are professionally unsuited.

28. HRD, seen as a holistic package of inputs to human development of which training is just one component, is dealt with at the national level by a standing HRD Committee within NEDA. This Committee is responsible for preparing HRD policies and programmes for the government's five year development plan as well as commenting on technical assistance projects which have HRD components or implications. NEDA also has an HRD Centre which is reported to have responsibility for training HRD managers for the public service. However, there is a strong suspicion that even NEDA has yet to absorb the ramifications of a full commitment to HRD and, along with many line ministries, tends to use HRD as a modern-day acronym for manpower development and training in general. DECS and DOLE have made some moves in the direction of an integrated HRD policy but their actions are constrained by the need for other related Departments (DOH, DSWD etc) to follow suite.

29. In an attempt to facilitate change and in particular to encourage better coordination of government resources and policies in the field of manpower development, there has been a recent spate of draft legislation placed before Congress and the Senate. Foremost among such draft legislation is the proposal to amend the Philippine Labor Code in order to introduce a much needed reform of apprenticeship¹⁹. Under existing legal provisions, apprenticeship has declined into a much abused system which provides cheap labour to unscrupulous employers who register new workers as apprentices, pays them well below the legal minimum wage, and terminates their employment as soon as the six month indenture period is completed. Following inputs from a UNDP/ILO project (PHI/88/037), a more flexible and effective system of apprenticeship has been prepared with adequate safeguards for both employees and employers alike. Presidential approval for this bill is expected during the current session of Congress and the results will have far reaching effects on industry, providing employers with an important method for raising skill standards, improving quality control and productivity.

30. In 1991 a Congressional Commission sat to examine the education system of the Philippines. Interpreting its terms of reference very broadly, the Education Commission (EDCOM) not only examined the provision of formal education but also all aspects of non-formal education and training, including technical and vocational training. The report of the EDCOM is currently being studied by both houses of the Congress but already several draft bills have been prepared, some of which endorse EDCOM's recommendations, although a few seek to maintain the status quo. Most relevant are proposals to strengthen the coordination of manpower development and to concentrate all aspects of technical and vocational preparation into a newly created body to be known as the Technical Education and Skills Development Authority (TESDA). This national body, if approved, would assume the current roles of the DECS, DTI and NMYC, and have responsibility for macro-level manpower policies and plans and control the financing of industrial training through a series of Industry Training Boards. It would also act as a regulatory body to ensure the pursuance of national skill standards and certification. Should this proposal fail to gain approval, a second and equally important bill proposes to strengthen the role of the NMYC, both its tripartite council and secretariat. These proposals have important implications for industry, particularly the plans common to both bills for a transfer of responsibility for employment related training from government to the private sector. Government policy seems to be firm in its intention to undertake a phased withdrawal from many direct training functions, limiting future interventions to a facilitating role by which industry can be assisted to raise skill standards in accordance with its own identified needs. This will require industry to become more aware of the cost benefits to be derived from effective manpower development and to engage in corporate strategies designed to ensure an adequate supply of skilled manpower at all levels of production.

31. Whereas large corporations and multi-national companies are well aware of these issues, many medium and small scale companies have yet to adjust to the new realities. However, moves towards a more value-added, export orientated economy will provide a powerful incentive for the improvement of industrial skills. Technical assistance under a new World Bank loan will help small and medium scale industries to adapt to these new conditions. UNIDO will need to study the ramifications of these changes in the general area of manpower development because they will effect not only the provision of basic skills but also other technical services provided under the auspices of such industry specific centres as the Footwear and Leather Industry Centre. This previously UNIDO assisted facility, located within the NMYC, will in future have to look for much greater financial and technical support from industry because NMYC will phase out its current inputs.

Industry Organizations

32. The UNDP/UNIDO office provided the mission with a list of 57 industry associations, although the total number of associations is said to be in excess of 100. These industry

¹⁹ Senate Bill No. 168 introduced by Senator E.F. Herrera.

associations range from chambers of commerce, many linked to ethnic groups such as the Filipino-Chinese Chamber of Commerce and Industry and the Philippine-American Chamber of Commerce, to representative groups for specific industrial sectors such as the Coconut Oil Refiners Association. Many of the smaller, specialized associations have yet to see their role in the field of manpower development, although the new legislation discussed in the previous paragraphs will undoubtedly have an effect on their future policies and plans. Unfortunately no one has yet discussed the implications of HRD legislation with many of these small industrial associations, nor has an attempt been made to open a dialogue on the benefits which effective HR policies and in particular manpower development programmes can have on productivity. Although government representatives claim that employers are enthusiastic about moves to transfer responsibility for skills development from government to the private sector, the mission was unable to verify such enthusiasm from its albeit limited discussions with industry representatives.

33. The Employers Confederation of the Philippines (ECOP) is particularly interested in HRD and participates in many manpower development forums, including the Council of the NMYC, the DTI's National Industrial Manpower Development Council (NIMDC) and the advisory board for the new Apprenticeship Council. The Philippine Chamber of Commerce and Industry has been working closely with representatives of the German Chamber of Commerce resident in Manila concerning the introduction of the Dual Training System. This apprenticeship programme, which incorporates extended periods of on and off-the-job training, has been operated for some years in association with the Automotive Manufacturers Institute and has expanded into several other fields as companies learn to appreciate the quality of this highly regulated and monitored training system. However, the mission noted considerable areas of overlap between the UNDP supported apprenticeship and inputs from the German Chamber of Commerce. Urgent action is needed to reconcile these differences.

Professional Associations

34. In addition to the industrial associations, a number of professional associations which support industry exist in the Philippines. These include the Philippine Management Association (PMA) and the Personnel Management Association of the Philippines (PMAP), both of which serve as accreditation bodies for their particular spheres of interest. In addition there are other professional associations which also serve as regulatory bodies such as the Institute of Civil Engineers, the Institute of Chemical Engineers, the Association of Mechanical Engineers, etc. These bodies also provide consulting services to members and operate training programmes. The professional management associations have been in receipt of some technical assistance in the past, mostly from USAID and ILO. The technical associations appear not to have received any such assistance. However, both groups would appear to represent new but highly relevant focal points which could provide an opening by which UNIDO might approach industry on matters of industrial HRD.

Workers Organizations

35. There are several workers' organizations in the Philippines, some of which take an active role in discussing manpower development with both government agencies and the employers. The Federation of Free Workers is represented on the tripartite NMYC Council and the DTI's NIMDC. However, it would seem that the workers' organizations have no conceptual framework by which to discuss industrial HRD.

INDUSTRIAL MANPOWER DEVELOPMENT

Introduction - The Overall System

36. There have been many studies of the educational and manpower development systems operative in the Philippines and for several decades successive governments have strived to bring about coordination between the formal provision of education at all levels and the needs of the labour market. The necessity for such a comprehensive policy was first highlighted in the Ranis Report of 1974²⁰ but has also featured in subsequent reports emanating from both government and international sources. However, despite official recognition of the requirement to bring together both the supply and demand side of Philippine manpower development, the ultimate goal of a fully integrated system remains elusive and the reality of the current situation reflects a frequently divisive series of disparate policies and programmes.

37. The traditional education system is based on a predominantly government supported network of primary and secondary schools, leading into higher forms of education - high schools, colleges and universities, where private sector involvement plays an increasingly important role. Throughout the system, DECS retains a pivotal role, claiming responsibility for management and policy/planning for both the public and private sectors of education. Immediate post-colonial aims of achieving universal participation in elementary education were in principle attained by 1965, although the subsequent dramatic rise in population growth has outstripped government provisions and the total enrolment has fallen back below 100% over the past decade. The high output from the elementary schools has put increasing pressures on the provision of secondary and tertiary education but many families who lie below the official poverty line still struggle to take advantage of secondary and even post-secondary schools and colleges despite the resultant economic hardships. Secondary enrolment stands at 72% in 1991 and tertiary enrolment at approximately 20%²¹. These figures compare very favourably with the average enrollments of 75, 23 and 7% for primary, secondary and tertiary education in developing countries worldwide²². They also account for the high level of functional literacy (83%). This figure is one of the highest recorded amongst developing countries but it has also declined in real terms over the past twenty years due to a rapid increase in the birth rate and economic stringency on the part of central government.

38. While the quantitative achievements of the Philippine education system are impressive, there remain serious qualitative issues which need to be addressed. For example, one third of all elementary school entrants fail to complete their schooling while secondary school achievement falls far short of performance targets. Of equal concern is the escalating cost of the formal education system, particularly the cost of teachers' salaries. Education currently takes up over 21% of the government's recurrent expenditure compared with only 17% in 1985. Faced with the need for overall reductions in government expenditure it was hoped that the private sector provision of educational services would expand to take up the slack. But the effects of the current economic recession has led to a decrease in enrollments at private institutions by as much as 28% as schools and colleges are forced to raise their fees and cut-back their investment in facilities, which often fail to match the expectations of parents and students alike.

²⁰ "Sharing in Development - A programme of Employment, Equity and growth for the Philippines"; World Employment Programme, ILO, Geneva, 1974. This report is usually referred to by the name of its principle contributor, Guastav Ranis.

²¹ "Basic Education Statistics - SY 1983/84 - 1990/91"; Research and Statistics Division, DECS, 1992.

²² World Bank

39. The 1988 World Bank sector study on education²³ points to two major issues which weaken the quantitative gains made over the past decades. Quality of education suffers from a decline in both the standard of teaching and the commitment of teachers at all levels of the system. The two main reasons for this decline are the poor preparation and lack of professional support available to teaching staff and the further erosion of community status for a profession which at all levels, including tertiary education, puts teachers below the official poverty line. The second issue raised in the study concerns external efficiency, highlighting the restrictive and unresponsive nature of the curriculum in both secondary and tertiary education which fails to maintain its relevance to either technological developments or changing requirements in the labour market. In tertiary education, only 2% of the students are enrolled in graduate programmes or research. The remainder are enrolled in bachelor programmes where there are very few elective courses. Over 90% of the students select programmes with a specific occupational goal such as business administration or engineering and at first sight the curriculum appears to reflect specific vocational needs. However the shortage of workshops and laboratories encourages a theoretical approach to many aspects of these programmes and over one third of the students find that the course content is irrelevant to future employment needs and are forced to look for alternative careers²⁴.

40. The World Bank study notes that DECS does not have the capability to assemble or analyses relevant background data relating to government economic priorities and consequential employment demands. It therefore concludes that DECS lacks the capacity to undertake effective policy/planning which could raise the levels of internal and external efficiency. For this reason the study proposes that DECS should relinquish many of its bureaucratic powers, divulge itself of peripheral functions, deregulate private sector education, and concentrate on its primary obligation towards the provision of elementary educational services. This recommendation was also endorsed by EDCOM²⁵ which in its final report went so far as to envisage a break up of DECS monopoly of primary, secondary and tertiary education and the divesting of all non-formal responsibilities to more appropriate bodies. The mission was informed by NEDA that the government was inclined to support such moves to rationalize DECS functions in an effort to improve its effectiveness as a provider of basic education services. However, DECS intends to retain its macro-level responsibilities for the total education sector and has no plans to relinquish tertiary and technical and vocational education.

41. Based on the high levels of functional literacy, the Philippines has developed a very complex array of post-secondary, non-formal vocational training facilities in both the public and private sector. Entrance to most non-formal training is restricted only by minimal requirements of literacy and numeracy and in principle there are equal rights of admission for both male and female applicants. Traditionally, the provision of skills to out-of-school youth (aged 15-24 years) has been seen as a government function, part of a social service which has been the target of almost every line agency. With the exception of the NGO training centres such as Don Bosco and Meralco Foundation, the private sector provision of vocational facilities was initially linked to older workers seeking either retraining or new skills for the export labour market. Many of these facilities were not subject to registration or inspection and the quality of their services was in general very poor. However, in recent years there has been an increase in the number and variety of private training institutions offering training in the more specialized technical fields such as computer programming, computer servicing, and automobile maintenance. These are intended to serve the domestic labour market and their facilities are usually well equipped and staffed.

²³ "The Philippines Education Sector Study"; Report No. 7473-PH, Parts 1 & 2, World Bank, Washington, December 1988.

²⁴ World Bank, *op.cit*

²⁵ "Report of the Congressional Commission on Education", Manila, December, 1991

They charge relatively high fees and the standard and relevancy of their training is proven by their good employment record.

42. In the public sector, the major provider of skills training has always been the NMYC which established a regional and provincial network of vocational training centres and claimed competency in the setting of macro-level manpower policies and plans for the industrial, service and agricultural sectors. Foremost among the remaining providers of industrial vocational skills are the DTI, DECS Bureau of Technical and Vocational Education (BTVE), and DOST. However, almost every other line agency maintains sector specific training centres for all levels of staff development (eg. Departments of Agriculture, Highways, and Mines) and many open these facilities to outsiders in an attempt to cut operational costs as well as boost their HRD image.

43. Faced with burgeoning demand for education and training, the Philippines has worked hard to maintain its quantitative performance, but only at the expense of overall quality. Serious inequalities persist with respect to education and training opportunities, particularly for those in low-income brackets as well as for those in deprived rural areas. Meanwhile, the burdens imposed by the heavy throughput of the system deprive those fortunate enough to gain access of the opportunities which they had expected. Such dissatisfaction encourages further overseas migration in search of better openings.

Training for Professional Manpower Development

44. Management development in Philippines commences with a pre-employment bachelor degree from one of the many private universities or from the one public university (University of the Philippines [UP]). There are no available figures, but all indications show that given the easy access to degree awarding institutions there are very few on-the-job management programmes which would accept a non-degree holder as an initial applicant. The percentage distribution of students amongst undergraduate programmes, as shown in the following table, gives emphasis to the prevailing importance given to pre-employment graduate status.

Table 2: Enrolment Distribution by Field in Bachelor Degree Programmes
(Percentages)

Social Sciences and Humanities	2%
Math and Natural Sciences	2%
Agriculture	3%
Teacher Training	13%
Engineering	21%
Business Studies	36%
Other (including religious studies)	23%
	<u>100%</u>

Source: World Bank, 1988

45. As stated previously, one of the major problems with Philippine higher education is the issue of quality. National creditation is left in non-government hands and only a handful of universities offer bachelor degrees which command universal respect. There is no official method of checking equivalence and market forces are the only criteria in operation. Given the relatively low value of many first degrees, the larger companies and multi-national corporations mostly recruit from the reputable universities and follow recruitment with an in-house staff development programme, frequently using firms of management consultants to augment their internal HRD facilities. One of the largest management development facilities is the Asian Institute of Management (AIM), which although founded as a regional facility now caters mainly for the Filipino market. Nevertheless it has a very sound reputation and issues its own widely recognized degrees and diplomas. Medium and small sized companies often poach their management staff from larger companies or from each other. However, given the proliferation of consulting companies offering staff development programmes, even relatively small companies can organize

in-house management training using outside expertise. As a general observation there is probably too much management training available within Philippines and insufficient regulatory functions to discriminate between worthwhile inputs and poor imitations.

46. While universities such as UP, Atheneo and de la Salle have excellent reputations as centres for management preparation, the poor quality of many other institutions has thrown into eminence the professional associations such as the Philippine Management Association, Personnel Management Association, Institute of Civil Engineers, Institute of Applied Chemical Engineers etc. These associations play a vital role, not only in the provision of training programmes for those eligible for membership, but more importantly as recognized accreditation institutions, mandated by the government to certify standards within their respective fields. These professional institutions also undertake research into employment demand, identify sector specific training needs, and act as representatives before government and the private sector. Philippine professional associations are in general well organized and well equipped for their tasks. Some have already provided assistance to sister institutions in other Asian countries in the spirit of TCDC. Nevertheless the mission was informed that they would welcome contacts with international agencies such as UNIDO, partly as a window onto the wider world of technical assistance but also because they feel the need to keep abreast of global professional developments. The mission believes that these professional institutions could become important focal points for future UNIDO intervention in the general field of industrial HRD.

47. Only 2% of all bachelor level students go on to take research degrees. There is therefore a dearth of suitably qualified research staff in many companies and most high level technologists have received training at universities or specialist centres abroad. Some specialized centres established in the Philippines with the help of technical cooperation projects (e.g. JICA assisted Occupational Health and Safety Centre, DOLE) have difficulties to operate because of a shortfall in highly qualified technologists.

Training for Productivity and New Technologies

48. Three government agencies (DECS, DOST and DTI) are making major inputs into the training and development of technicians, in addition to the upgrading of technician and supervisory staff undertaken either by large companies or within specialized centres established in conjunction with industry associations (e.g. UNIDO supported Fibre Processing and Utilization Laboratory). In 1986, DECS introduced a three year programme for technician training, using 21 refurbished technical vocational schools, now renamed Technical Education Institutes. Since their inception the programmes have been enhanced by the introduction of a sandwich form of training programmes linked to the dual training/apprenticeship system advocated and supported by the German Chambers of Commerce. In an attempt to avoid previous criticism that its technician courses were too theoretical and unrelated to industrial needs, DECS now incorporates regular periods of work experience into its programmes. Technical Panels, with representatives from industry, advise on curriculum content using DACUM techniques to ensure adequate relevancy. There is also a recently introduced Teacher/Industry Attachment Program designed to give all technical teachers up-to-date industrial experience, with private sector industry bearing the cost. Agreements have been signed prohibiting participating companies from enticing participating staff away from their teaching posts.

49. DOST has a very wide range of technology programmes which emanate from its Technology Training Centre, set up as part of the government's commitment to comprehensive technology transfer and commercialization program. Started in 1990, the TTC offers more than 150 technology courses, most of which are of short duration and aimed at aspiring entrepreneurs. Much more important is the Industrial Technology Development Institute and sector specific institutes which not only undertake research and development into new technologies but also operate training programmes for industry, mostly through consulting services. Under the recently announced World Bank loan, DOST will be expanding its training inputs through a network of identified centres of excellence and selected academic institutions. DTI also undertakes some

technician training programmes through its Construction Industry Training Centre at Cavite and the Export Trade Training Centre in Manila. Both centres have been recipients of Japanese technical cooperation, the latter having a technical facility for materials testing and productivity enhancement.

50. In addition to the government provision of training there are private sector institutions such as the Technological University of the Philippines and the Polytechnic University of the Philippines. Both institutions exist by charging admission fees and although they boast of impressive programmes, the shortage of financial resources and the difficulty to retain competent staff diminish their potential input. Nevertheless they have in place the conceptual framework of a sandwich degree level programme and maintain close liaison with industry, which is essential for technician training. Serious shortfalls in the availability of both technicians and experienced supervisors have been reported so that newly arriving investors to the Philippine Export Processing Zones have first to send recruits out of the country for extended training periods of 1-2 years. This shortfall is caused partly by the lure of the overseas labour market but also by a poorly structured and uncoordinated career path for technicians and middle-level management. Only as the current emphasis on productivity and quality control is translated into an integrated programme for staff development will this problem be overcome.

Skills Development - Pre-employment and In-service

51. Training for skilled and semi skilled workers is undertaken by a wide range of government agencies, NGOs and to an extent the private sector industry. As stated previously, it has for many decades been accepted that government would provide pre-employment training, a policy that first developed at a time of relatively full employment when all that was required by a prospective employee was some form of certificate. It was for this reason that so many government agencies have become involved, although many are now only providing basic skills for livelihood programmes, self-employment or very specific agency related activities. The major government agencies providing general industrial skills are NMYC, DECS and DTI.

(a) NMYC Divided into two separate functions, a Council mandated to coordinate manpower development and prepare manpower policies (assisted by the NMYC Secretariat), and a national network of regional/provincial training centres which undertake a range of skills training programmes. The Council is a tripartite body with representation from concerned government agencies, employers and workers. In recent years it has met infrequently and in an attempt to revitalize its functions it has been divided into three sub-councils representing agriculture, industry, and services. The Council has also established a number of Industrial Training Boards in an attempt to get industry (public and private) more involved in preparing its own workers, particularly by approving industry training standards. Unfortunately, these industry boards have only functioned as and when they have been in receipt of financial support from NMYC, made available through a succession of World Bank loans. The NMYC Secretariat was initially well staffed and made an early impact on government policies and plans in the area of manpower supply and demand. Unfortunately many of the original staff have departed leaving the Secretariat seriously depleted of experienced expertise in this field. The new World Bank project is in part intended to improve this situation. NMYC's network of training centres offer vocational subjects based around metal working (machining/welding etc), automobile mechanics, electronics and construction trades. In recent years it has moved away from a preponderance of pre-employment courses into specific skill upgrading, undertaken in response to private sector demand. This is illustrated in the following table showing training output by type of programme.

Table 3: NMYC Training Output by Type of Programme 1990

	Nos Trainees	Percentage
Basic Skills Training	52,748	32%
Skill Upgrading	11,475	7%
Livelihood Programmes	89,906	54%
Supervisory Programmes	7,963	5%
Trainers Training	793	0.5%
Contracted Skills Training (in-plant)	2,161	1.5%
TOTAL	165,046	100%

Source: NMYC

Leaving aside the heavy concentration on livelihood programmes which skew the figures, it is noteworthy that 14% of the output is concerned with post-employment training (upgrading, in-plant, trainers and supervisory) compared with 34% for pre-employment training (basic skills). This represents a major increase of post-employment training, up from only 5% in 1985. NMYC is currently moving towards a transfer of most direct training functions to the private sector, leaving itself free to concentrate on policy/planning issues.

(b) **DECS** Although part of the NMYC Council, DECS has always maintained a very independent stance over the provision of basic skills training, with the BTVE accounting for approximately 30,000 students or 12% of the national supply of skilled trainees. Unlike the NMYC's 3-6 month courses, BTVE programmes are 1-2 years duration and are often criticized for being too long and too academic with a failure rate of approximately 34%. Courses follow a standard national curriculum and cover the same traditional core competencies as NMYC with little or no regional or sector specific variations. Unlike the NMYC, BTVE has no facility for placing trainees in employment and there are reports of very high rates of subsequent unemployment or under-utilization of acquired skills.

(c) **DTI** Also part of the NMYC Council, the DTI is both a provider of basic skills through its own training centres (CITC, CMDF, and PTTC) and representative of industrial manpower demand through its activities as the NMYC's sub-council for industry (NIMDC). DTI's training facilities have little relevance to the provision of basic skills for manufacturing industry. However, the role of the NIMDC is important since it is mandated to prepare policies and plans for all industrial sectors, establish education-industry linkages, prepare manpower profiles, and monitor all aspects of manpower programmes in the industrial sector. Currently it is working on priority manpower development plans for selected industries (garments, computer software, furniture, gift and housewares, processed foods, and fine jewelry).

(d) **NGO Providers** There are two major NGOs with sizeable outputs of skilled manpower. Meralco Foundation, with support from Italian Government and Swiss Contact, operates a well organized training-cum-production training centre in Manila, specializing in electronics, mechanical engineering and furniture construction. Meralco Foundation is currently examining the possibility of taking over the management of some NMYC programmes on a contract basis. Don Bosco is an international Catholic Church foundation which has been active in Philippines for over 50 years. Its programmes are also well respected and many of its students move on to take bachelor degrees after completing basic skills training at its Manila centre. In addition to the two major providers there are many other smaller NGOs involved in skills training but most cater for the cottage industry/self employment sector.

(c) Private Training Providers In the wake of the overseas labour market boom of the 1970s, innumerable private centres offering basic skills training appeared in the major urban centres. In the absence of nationally approved standards, officially recognized trade testing centres, and a licensing authority to set and inspect minimum levels of teaching and facilities, these private centres range widely in the quality of their services. Some are very good and rival government provisions for basic training. Others are very poor and defraud the public by offering spurious qualifications at the end of unprofessional training programmes. While market forces help to ensure that the worst offenders do not continue in operation for long, stricter rules for licensing and the application of national skills standards would provide greater protection for public and employer alike.

52. Current legislation before the Senate is designed to ensure better coordination of provisions for basic skills and to provide a legal framework for moves to involve the private sector in the process of manpower development. While the mission recognizes the importance of these moves, it also notes that there is a major communications gap between government suppliers of training and the industrial employers in the private sector. There is an urgent need to bridge this gap.

Major Issues in Manpower Development

53. Despite the apparent abundance of education and training provisions, the Philippines suffers from serious shortfalls in the availability of manpower at a variety of levels ranging from skilled workers and technicians to supervisors and senior managers. These shortages have been highlighted in recent weeks by the need for construction companies to bring in plumbers from Malaysia and electricians from Taiwan because workers with the necessary skills could not be identified within the Philippines. Many Korean construction companies bring in their own foremen to supervise Filipino crews and Japanese investors take supposedly qualified technicians back to Japan for one or even two year training programmes before giving them responsibility for equipment maintenance. There are many reasons for such anomalies in the manpower development system which need to be addressed before a fully effective manpower development system is put in place.

Inadequate Manpower Data

54. In 1990, a World Bank study of vocational training²⁶ noted that it was impossible to pronounce on the needs for further vocational training facilities because there was insufficient evidence on which to base sound judgement. The efficiency of training is dependent on the knowledge of employment needs but there are few job profiles and little detailed analysis of related skill requirements. For many years the NMYC held the government's mandate to assemble, analyse and disseminate manpower data in the form of policy recommendations and macro-level manpower plans. Established during the days when precise forecasting techniques were considered possible, the NMYC has struggled to fulfil this task with reduced resources and a staff who seem unaware that manpower forecasting techniques have been replaced by sector and sub-sector indicators emanating from identified key informants. In the absence of data and plans from the NMYC, other line departments have also claimed competency in the area of manpower information. The Institute of Labor Studies at the DOLE has undertaken data gathering and processing for specialized agencies ranging from the DTI and DOST. DECS claims to have responsibility for data relating to technician and managerial levels and has set up an Inter-Agency Committee on Education and Manpower. Even the NEDA, which is supposedly the main client of NMYC, has become impatient at the lack of information flow and has commissioned some of its own manpower studies.

²⁶ "Philippines Vocational Training for Operatives and Craftsmen"; Report No. 8259-PH, World Bank, Washington, January 1990.

55. An ILO study of employment in 1990²⁷ noted that apart from small, industry-specific surveys, there was little reliable manpower data and that available information soon becomes dated due to the lack of computers to analyses and update the available details. More important, the study emphasizes that there is a major communication gap between government agencies attempting to assemble data and the private sector who must supply the necessary information. The latter are reputed to be uncooperative and suspicious of government intentions. Only a streamlined system of data gathering which will not appear to waste employers' time, coupled with a campaign to explain to industry representatives the relationship between manpower data collection, skills development and subsequent increases in productivity, will improve the present situation.

Overseas Labour Market

56. Government policy since the 1970s has always supported the exodus of Filipino workers to fill specific labour contracts in overseas countries, mostly in the Middle East. In 1991 the number of overseas contract workers leaving the Philippines was approximately 50,000 in a year which saw a major decline in the number of volunteers due to the Gulf War, since when the numbers have increased to 120,000. The remittances from these workers rose by 57% in 1991-92, represents a major share of total foreign earnings. At present there is no direct linkage between the skill exodus and the recruitment of trainees to manpower development courses, thereby exacerbating the mismatch between labour supply and demand. Furthermore, studies show that most returning migrant workers do not revert to their original skills, neither do they utilize the work experience gained overseas. Instead many invest their savings in some form of public transportation or open small retailing outlets for dry goods or fast-food²⁸. The original overseas contracts were mostly concerned with skilled or even semi-skilled workers. However, current government plans to increase the number of overseas labour contracts foresee a future concentration on more advanced levels of skilled workers, including technicians and supervisors. This is at a time when economic policy is forecasted to require maximum numbers of middle level management within the Philippines itself. Better cross-referencing between demand and supply factors should be undertaken to avoid the present mismatch.

Lack of Effective Coordination

57. The NMYC has always held a mandate for national coordination and its Council was designed as a forum which could bring together major public sector suppliers of training (NMYC itself, DECS, DTI, DOST etc.) and the representatives of the end users of training (DTI²⁹ and other line agencies as well as representatives of employers and workers organizations). Unfortunately, in recent years the Council has met infrequently and structural weaknesses within NMYC has led other agencies to enter the field of skills development. At management levels, professional associations have formulated their own coordination mechanisms. But at the level of skilled and semi-skilled workers there is no alternative and NMYC faces a challenge from the activities of the DTI's NIMTC which functions as one of NMYC's three sectoral councils (Industry, Services and Agriculture) but in addition to its policy/planning functions it also maintains its own network of DTI industrial manpower training centres as well as a separate Construction Industry Training Centre and the National Cottage Industry Technology Centre. DOST has embarked on a major World Bank supported Engineering and Science Project which incorporates a component to strengthen the DOST's capacity to plan and coordinate science and technology manpower development. DECS has recently teamed up with the Hans Seidel Stiftung

²⁷ "Employment and Manpower in the Philippines - a sectoral review report"; ILO, Manila, 1990.

²⁸ "Overseas Contract Worker's Remittance: Impact on the Philippine Economy and Implications for Policy"; C.M. Siddayao, International Labour Review, Vol.13, 1989.

²⁹ DTI currently has a dual function as both a supplier of manpower skills through its training centres (CMDP, CITC, ETC) and as a government agency mandated to assist industrial sectors, which are the end-users of skilled manpower.

and a local NGO (Centre for Research and Communication) to establish dual training programmes which represent a form of apprenticeship on the German pattern.

58. The 1990 World Bank report on vocational training praised the government's general commitment to training for the modern industrial sector and applauded the recognition afforded to the principles of coordination. However, the study pointed out that the multiplicity of public sector programmes not only represented a drain on government resources but that the lack of effective manpower policies and plans, combined with a failure to invest in effective coordination, meant that internal and external efficiency was much lower than expected. Such shortcomings were all the more surprising given the apparent state of awareness attributed to senior levels of government and the legislature. The report concludes that only through a major shift of responsibility for manpower development from government to the private industrial sector can the situation improve. At the same time the existing provisions for interfacing public sector supply of manpower with private sector demands must be strengthened and made more responsive.

Increasing the Private Sector's Share of Manpower Development

59. The government of the Philippines is committed to a programme of restructuring which includes a phased divulgence of responsibility for manpower development by increasing the role of private sector companies in the case of industrial skills, and local government units (LGUs) in the field of livelihood programmes. Central to this commitment is the project known as the Second Vocational Training Project (VTP II), executed to commence September 1992, which will be financed by a World Bank loan of US\$41.5 million and executed by the NMYC. Under this project approximately US\$20 million will be used to facilitate the shift of both pre-employment training and skills up-grading from the government facilities of NMYC, DECS and DTI onto the shoulders of industrial and service companies in the public and private sector. The project makes provision for the training of private sector in-plant trainers, and assistance to industry in the design of relevant training curriculum, programmes and facilities. This will be accomplished by expanding the Training Contract Scheme (TCS), which focuses on the needs of small scale industries. TCS offers training incentive vouchers covering up to 50% of training costs. Small companies will also be encouraged to form group training facilities with other companies in similar industrial sectors. For medium and large scale enterprises, a Training Assistance Contract (TAC) will offer one-time assistance with the aim of developing a capacity for on-the-job training, including the introduction of an apprenticeship scheme. In addition the World Bank loan will support sector-specific programmes and centres such as the Garment Industry Training Program and the Enterprise Based Training Program will be extended to cover printing, electronics, wood-working and food processing industries.

60. The government is obviously committed to the transfer of responsibility on the basis that industry knows best what are its manpower requirements and can react faster and more flexibly to changes in training needs. It also recognizes that the high cost of maintaining a national training provision is no longer sustainable, given the internal and external inefficiencies of the system. However, representatives of the private sector did not express the enthusiasm claimed on their behalf by some government agencies. While major corporations and multinational companies recognize the links between investment in human capital and its return in the shape of higher productivity, medium and small scale enterprises appear very uncommitted. There is a major task ahead to convince employers that an investment in properly structured and relevant R&D can bring about tangible increases in productivity and profit. Only when this communication gap is resolved can the task of transferring responsibility for manpower development proceed effectively. The current provisions of the VTP II project might not accomplish this task without a major assessment of the problem from industry's standpoint and a well designed package of measures aimed at convincing enterprise management of the cost-benefits of such a programme. Unfortunately, such a study is foreseen as an output of VTP II, rather than an essential precursor to its major investment programme.

Financing Manpower Development

61. At present the Government is a major provider of both pre-employment training and skill upgrading programmes. About 5.5% of the government's allocation for education and training is spent on formal and non-formal technical and vocational education and training. This includes both the NMYC and the DECS institutions. Although this figure may appear relatively small, the overall numbers benefitting from the programmes are also small resulting in high unit costs, particularly for the output from DECS/BTVE. World Bank data³⁰ gives the unit cost of DECS programmes as ranging from US\$180 - US\$520, NMYC's programmes US\$35 - US\$95, and the private training institutions US\$243 - US\$343. The high costs of some programmes result not only from expensive equipment and consumables (e.g. welding) but also from uneconomic class sizes. Attention is also drawn to the high student drop-out rate, particularly for programmes with total subsidy, and the failure of many trainees to find jobs at the conclusion of the training programme. The NMYC has attempted to overcome this problem with a network of Placement Assistance Centres which has managed to find remunerative employment for 71% of NMYC graduates. But there is no fully-fledged system of employment agencies nationwide. There is no analysis of the implications of wasted training opportunities and relatively few tracers studies exist by which to gauge the medium and long term benefits of training to the individual beneficiary or the employer.

62. At present, government training centres and colleges charge only nominal fees for skills or technical training and there is scope for much greater cost recovery. NMYC has led the way by initiating cost-sharing schemes with industry where employers pay 50% of training costs under the TCS. Other financing schemes which have been considered include a training levy/grant scheme, a payroll tax which would impose on industry a mandatory contribution to offset training costs, payroll deductions from employees' wages/salaries, and even community or trade union/workers contributions. Employers' representatives showed considerable resistance to the idea of mandatory levies in whatever form, which were seen only as another form of taxation with no guarantees of eventual returns. Whatever cost recovery schemes are considered, whether they include employers, employees or the community, there is an urgent need to make all the parties aware of the problem and of any potential benefits to be derived from the various options. Comparative studies should be undertaken utilizing examples from the Philippines and other countries from the region and beyond. Many Latin American countries, for example, have relevant experience which should be examined. It is also important to extend the study of such financing implications to include professional and technical preparation as well as basic skills development. Manpower development should be seen as a total issue, ranging from the training of semi-skilled workers up to the preparation of technical staff and management.

Manpower Development in the Context of HRD

63. The mission discussed the trend towards a more holistic approach to manpower development as represented in modern-day industrial HRD with both government agencies and the private sector. The evidence showed that the large private sector corporations (eg. Meralco, San Miguel) have integrated industrial HRD principles into their corporate plans. Executive Directors of HRD sit on the Boards and their corporate HRD policies include a wide range of concerns such as traditional personnel functions, staff development, training, housing, health, welfare and recruitment. PMAP runs accreditation programmes for HRD managers and has even undertaken research into human resources management practices³¹. The survey covered 127 Filipino enterprises (71 with a work force of under 500, 34 in the bracket 501-1500, and 19 with over 1500 employees. The results showed that 85% of respondents had detailed HRD policies in place (as

³⁰ World Bank Staff Appraisal Report, Second Vocational Training Project, February 1992.

³¹ "Human Resources Management - practices and issues survey"; Personnel Management Association of the Philippines, Manila, 1990.

distinct from personnel or training policies) and 50% of the companies had HRD staff who report directly to the Chief Executive Officer of their respective companies.

64. On the government side the appreciation of HRD in general and industrial HRD in particular varies widely. DECS reported the appointment of an HRD official at the rank of assistant secretary since 1987, when the Philippine Government first concerned itself with the ESCAP HRD initiatives. Focusing on basic education, DECS also seeks to establish links to other sectors such as health, nutrition, shelter and employment. DOLE has produced a document which illustrates how a wide variety of traditional DOLE activities can be combined under an HRD umbrella³². DOLE chairs the Phil HRD Net, a grouping of HRD planning institutes which is affiliated to the Asian Regional HRD Network established by ARTEP/ILO in 1986. The DOLE model shows a major concern for labour supply and demand, but also incorporates demographic factors, investment - both financial and human, technology, education, training and productivity.

65. However, outside of DECS and DOLE there seems to be little appreciation of the meaning and scope of HRD in a wider sense. NEDA, which has a standing HRD Committee and is responsible for a charter on human resources in the Five Year Development Plan, acknowledged the wider implications of HRD but officials failed to maintain this distinction and reverted to a discussion on training issues. Senior officials at DTI, DOST and NMYC failed to appreciate the difference between HRD and training, maybe because they are mainly concerned with direct training and have yet to appreciate the interplay of other HRD issues.

Gender in Manpower Development

66. Chapter 1 has already pointed out that the Philippine Constitution (1987) makes no discrimination between the sexes. It also suggests that, given the prevailing role of women in middle management and the absence of overt discrimination on the part of training suppliers, any gender specific trends in manpower data must be closely related to social and cultural factors rather than a lack of development opportunities. However, although in principle there are no impediments to equal opportunities for training amongst men and women, covert discrimination does take place. For example, women are discouraged from attending NMYC courses at most regional training centres because the centres have no female toilets. Nevertheless, the Dutch funded/ILO executed project "Women in New Trades" (WINT) found that in general, problems with gender discrimination emanate from employers who failed to recognize the principle of equal employment opportunities rather than an absence of training programmes or facilities. In addition to discriminatory employment practices, parents also failed to recognize that a wide range of training opportunities already existed for their daughters. Evidence exists of women who have used the existing training provisions and have entered into such non-traditional occupations as welding, but these are few and far between. The WINT project recommended that there should be special public awareness programmes aimed at both the community and employers to highlight the need for greater equality of opportunity rather than the creation of new programmes specifically targeted at women.

67. At the levels of middle and senior management the mission was able to make its own informal test of whether gender was an issue in training and employment. Over two thirds of the executive grade officials interviewed were women, although the proportion fell rapidly when visiting the private sector. It is noted that approximately 52% of all graduates from higher education are female and that given this pool of potential management candidates, a similar ratio is reflected in the echelons of middle level management within the private sector. PMAP reported that the attitudinal barriers which once kept women out of senior management positions have been

³² "Philippine HRD Planning Network"; Department of Labor and Employment, Manila, Philippines, 1991.

notably relaxed during the six year tenure of President Corrie Aquino and forecast that the current figure of 27% women in senior management positions will rise to 40% by 1995³³.

Devolution and Local Government Code

68. The government's policy on devolution came into effect in December 1991 when the Local Government Code (LGC) became law. The LGC is potentially one of the most important pieces of legislation ever passed in recent times. When fully implemented it will result in a major transfer of responsibility from central government to Local Government Units (LGUs) - Provinces, Municipalities and Barangay Councils. Under the principle of local accountability, LGUs will become responsible for a wide range of functions currently undertaken by central government, including part provision for basic education, employment creation schemes and associated training, as well as local responsibility for industrial development. From the training perspective, NMYC has led the way, having operated Community Training Units (CTUs) since 1986. Under these CTU programmes, a set of basic tools is made available to an LGU together with details of relevant curriculum. Skills training programmes reflecting immediate employment needs are run by locally recruited instructors hired on a short term basis. These programmes are 50% financed from LGU sources in the first year, increasing to 75% in the second and 100% thereafter. In the third year the tool is transferred to a new location and, if there is a continuing need for training, the LGU must take over total responsibility.

69. The LGC will only effect the provision of basic skills which may be required within local industry, although there are wider implications for the introduction of new industrial units. Nevertheless, once fully operational, the LGC will reduce the influence of central government at local level and it should be noted that existing provisions of the Code empower LGUs seeking investment funds or technical assistance to make direct approaches to donor agencies without passing through the bureaucracy of central government. This will force donor agencies to find new ways of responding to local needs. However, there are fears that given a relatively short period of tenure (3 years between local elections), many LGU officials will initially opt for high profile, physical infrastructure projects such as roads and bridges which can be completed within their three year period of office, rather than invest in longer term and lower profile projects such as employment creation and manpower development.

³³ PMAP newsletter, July, 1990.

INTERNATIONAL ASSISTANCE TO HRD IN THE PHILIPPINES

Overview

70. NEDA is principally in charge of programming official development assistance (ODA), whereby the Committees on ODA and Investment Coordination are part of the NEDA Board and a Coordination Council serves in an advisory function. The NEDA Secretariat, *inter alia*, programmes funds and evaluates project proposals, submitting its findings to the NEDA Board and the Investment Coordination Committee. Policy changes, including the delegation of authority to line departments, were initiated and pursued by the government at least since 1990 in order to streamline procedures and to facilitate more timely and efficient project implementation³⁴. Nonetheless, NEDA plays a strong role in making decisions on the allocation and approval of UNDP funds.

71. According to the UNDP Development Cooperation Report (DCR) 1990, changes in implementation modalities for development assistance may be expected as a result of the necessity for tighter fiscal policies, which were expected to result in limited government expenditure and thereby restricting the availability of counterpart contributions. Therefore, it has been proposed in the DCR to implement technical cooperation projects in direct interaction with the private sector. Guidelines for doing so were being drafted at the time of preparation of the DCR. In addition, the LGC (see Chapters 1 and 3), aims to introduce a strong decentralization of the country's administration and will also lead to a change in handling technical cooperation projects by relocating responsibility and authority directly to the local level. In practical terms this will require international agencies to disperse their operations and communicate not only through one channel, namely NEDA, but to discuss with a considerable number of local authorities spread all over the Philippines.

72. The UNDP DCR furthermore states that the government continues its policy of automatic approval of projects with a foreign contribution below US\$ 1 million. By doing so, NEDA relegates the responsibility for prioritization, technical viability and relevance of projects as well as the obligation of coordination among donors to the individual international or bilateral agency. Guidelines, if any, for this category of projects seem rather elusive. This policy of auto-approval and its consequences need to be considered by UNIDO as the majority of its presently ongoing projects fall under this category: only two of the fifteen projects are above US\$ 1 million and future projects are likely to fall into the same budgetary bracket.

73. Discussions with various government offices revealed that in the majority of cases a traditional vision of "human resources development" prevails, namely using the acronym HRD in replacement of training. A few agencies, like DECS and the Civil Service Commission (CSC), do understand HRD in its wider significance and attempt to implement relevant programmes. This conceptual approach obviously affects the way in which technical cooperation projects are designed and implemented.

74. Fellowships offered by international agencies are directed through the Special Committee on Scholarships (SCS) which is part of NEDA. The SCS fulfills administrative functions, i.e. receipt and forwarding of invitations for training courses, and carries out some screening functions. Invitations are mostly channelled through regional and local governments, although in a few instances the Philippine Chamber of Commerce and Industry (PCCI) or professional associations are used as contact points to solicit the nomination of participants from the private sector. It is obvious from the ratio of participants from the public domain, which make up for 80% of the total scholarships received, that private sector access to these training opportunities is limited. The SCS agreed with bilateral agencies that training courses should concentrate on areas such as project identification, formulation and implementation, women in development,

³⁴ UNDP Development Cooperation Report 1990, The Philippines

environment, and energy. In the case of UNDP financed fellowships the committee's representative remarked on a certain rigidity of operations as training was tied to specific projects, therefore would have to be carried out within a certain framework. The SCS's interest in cooperation with UNIDO was confined to the expectation of financial contributions from UNIDO to training courses, although the SCS was not able to define any particular course or field of study relevant to industry needs which would support its expressed interest in working with UNIDO in this area.

75. Total disbursements in 1989 and 1990 by UNDP sectors are provided in Annex B. Figures show that in 1989 most disbursements had taken place for activities in economic management (31.57%), with agriculture/fisheries/forestry (26.02%) ranking second, area development (9.35%) third, and energy (7.94%) fourth. In 1990 area development took precedence with 16.92%, followed by economic management with 15.79%, energy (14.22%) and agriculture (11%). Interestingly, a similar performance of disbursements on economic management activities was observed in the case of Ghana (see Country Case Study). Allocations for the same years (1989 and 1990), to HRD ranged around 4.72% and 2.66% respectively, whereas industry related programmes received 1.29% and 7.71% respectively. The increase in the latter can most likely be traced back to loans agreements with the World Bank and the Asian Development Bank.

Table 4: Disbursement of Development Assistance 1990

	1989		1990	
	HRD	Industry	HRD	Industry
Grand Total Disbursements	1,351,739		1,820,452	
Total Disbursements	63,786	16,685	48,431	140,316
	of which for Technical Assistance		38,558	10,728
	of which Investment related		9,873	129,588
% of Total Disbursements	4.72%	1.23%	2.66%	7.71%
Number of Agencies involved	Multilateral		10	5
	Bilateral		11	5

Source: UNDP Development Cooperation Report, The Philippines, 1990

UNIDO's contribution

76. The majority of projects handled by UNIDO in the Philippines have an external financial contribution of below US\$ 1 million. As a matter of fact, eight of the fifteen ongoing projects have a budget of US\$ 150,000 or below, while five projects range between US\$ 150,000 and US\$ 1 million. Table 5 below indicates that over the past twenty years, 166 projects have been implemented of which 151 are completed. While eighty-four projects originated in the 1970s, seventy-four carry a number of the 1980s, only eight projects have been launched since the beginning of this decade. The introduction of the UNDP successor arrangements as off January 1992 has shown a general slow-down of approval rates and, in any case, the agencies' actual involvement in projects will depend on decisions by the respective governments. Therefore, the sluggish development of UNIDO's portfolio might not change in the short range.

Table 5: UNIDO Activities over the Past 20 Years

Branch	1970s		1980s		1990s		Branch Total	Division Total
	completed	completed	ongoing	completed	ongoing	completed		
IIS/INFR	24	6	2	1			33	
IIS/IMR	3	3	3				9	47
IIS/PLAN	5						5	
IO/AGRO	11	10	1				22	
IO/CHEM	7	10	3	1	3		24	54
IO/ENG	5	1					6	
IO/MET	1				1		2	
OS/FEAS	11	10	1				22	47
OS/IHRD	11	14					25	
PPD		7		1			8	8
IPCT/IID	5	2	1				8	9
IPCT/DT	1						1	
EPL/REL				1			1	1
TOTAL	84	63	11	4	4		166	166

Source: The table is based on a list of completed and ongoing projects provided by UNIDO.

77. Apart from providing insight into quantitative trends over the given time frame, the table, moreover, signifies a shift of focus from the emphasis in the 1970s on projects handled by the Institutional Infrastructure and Service Division toward the Industrial Operations Division in the 1980s. At present, the latter division backstops the majority of operational projects with a clear concentration in chemical industries. While it is the government's and the industry's intention to focus on petro-chemical industries (see paragraph 16, 18), only one or two of the ongoing projects provide assistance in this field.

78. In terms of HRD related projects, the mission adopted the same categorization (four levels of intervention) as used in the Country Case Study on Ghana. Overall, the mission observed a lack of conceptual approach to HRD which is not only rooted in the failure to provide guidance from headquarters but also in the rather traditional understanding of HRD, equating it with training. As a matter of fact, a number of institution building projects contain a component under which the establishment of a training function was foreseen. None of them appear to have undertaken an assessment of training needs or a survey of present supply of training in the same field³⁵ but motivations for including this component seemed to have been based on a general desire to disseminate acquired knowledge and expertise. The resultant combination of research, consultancy services and training facilities occurred more accidentally and potentials of the supported institutions to provide a package of services to industries, encompassing consultancy advice and recommendations on requisite training, were not exploited.

³⁵ Chapter 3 exemplifies that no consistent and comprehensive national training system exists and that no organization or government body seems to have an overview of the entirety of operating training institutions. This, of course, makes it more difficult to assess whether the establishment of a training function should be incorporated in an institution building project but it moreover necessitates that adequate investigations are undertaken during the design phase of the project.

79. The mission considered Footwear and Leathergoods Industry Centre (FLIC, formerly FLTDC) Phases 1 & 2, the only UNIDO project in the Philippines which was concerned with training as a function rather than as the means of attaining other development objectives. This project was located within the NMYC Headquarters compound in Manila but was intended to serve the leather and shoe making industry which was located at Marikina, at least two hours drive away from the centre. During the lifespan of the projects (1981-89) a second concentration of shoe making industries appeared in Cebu, a one hour flight from Manila. Although the industry was interested in the concept of a sector-specific training centre during the initial period of project preparation, this interest was never translated into a full-fledged commitment, partly because of the distance which both trainees and industry staff had to travel each day to attend programmes at the FLIC. Furthermore, the project saw the FLIC as a comprehensive part of the NMYC, with NMYC instructors hired to run its programmes. Although initially recruited from the industry, these instructors soon became distanced from their industrial experience and were no longer seen as an integral part of the industry's manpower.

80. FLIC failed to gain the necessary financial support from the private sector and was unable to become self-reliant once technical assistance was terminated. Given the NMYC's policy of reducing financial support for the centre's activities in favour of a larger share of enterprise-based inputs for instructors' salaries, curriculum development, centre management and operating costs, the future of the FLIC must remain in doubt. The distance factor continues to isolate the centre from its potential industry base and a lack of investment means that there is little equipment maintenance and no replacement of old equipment by new technology. All these factors combine to marginalize the FLIC's potential to raise levels of industry's manpower and facilitate the introduction of new technology.

81. The World Bank financed VTP II project mentioned earlier includes proposals to extend the number of industry-specific training centres and provision is made for an in-depth study of the implications of such centres. It is strongly recommended that such a study maximizes the involvement of the private sector and makes evidence of long-term sustainability a pre-condition of their viability.

82. The pipeline project on Strategic Management to Industrial Development (SMID) has the potential to introduce an industrial HRD perspective into UNIDO's programme. The envisaged consultative process between government and industries could, *inter alia*, include issues on a broad understanding of HRD, its implications on productivity, and its requirements. It has been observed by the mission and confirmed by professional associations and consultancy companies that industries do have an increasing understanding that HRD does not only equate with skills development and training but includes considerations of adequate housing, nutrition, health care, etc. However, this understanding is still not widely spread and consultations in the frame of the SMID project should aim at increasing of industries awareness that better living and working conditions of labour is not only a social must but also contributes to higher productivity.

83. Most of the project-related observations made in the Ghana case study hold true for projects in the Philippines, therefore shall not be repeated here.

Other international assistance

84. The mission had discussions with several bilateral and multilateral agencies, none of whom gave the impression to have a full understanding of HRD as a holistic concept. Many used the term HRD as a synonym for training and failed to differentiate between the complex interaction of HRD components and the relatively direct inputs required to support a training programme. Even UNDP did not seem to appreciate the work of ESCAP in this field. Moreover, none of the bilateral agencies seem to have a policy framework, provided either from their headquarters or adopted from other sources, such as an international organization. It will be particularly important for all concerned government agencies, the representatives of the private sector and the donors to find common ground if there is to be full coordination of future HRD activities.

ILO

85. Although concentrating on aspects of manpower development the ILO has two ongoing projects which make inputs to industrial HRD and one previous project which has been recently concluded.

(a) DP/PHI/88/035 Apprenticeship Project is now in its second year. Based at the NMYC, the project is designed to provide technical advice in the re-drafting of the Philippine Labor Code as it relates to apprenticeship, to assist the NMYC in the design of an apprenticeship management/monitoring system, and to assist the private sector in the preparation of curriculum models. The project has worked closely with representatives of both workers and employers, maintaining the dialogue at all levels of concern, from employers and workers associations to individual employers and industrial groups. Study tours to selected Asian and Pacific countries to study apprenticeship systems and their relative merits have been undertaken by government officials and representatives of employers and workers' organizations.

(b) Japan/ILO technical cooperation with DOLE in the preparation of an employment information system. This project is intended to establish a grassroots information system which will provide data to DOLE on employment opportunities in the regions. Pilot projects have been established in four regions in an attempt to modernize the DOLE's outmoded information system and its reliance on old fashioned manpower planning techniques. The project is closely linked to manufacturing industry both on a sectoral basis and to individual companies.

(c) Dutch Government/ILO Women in New Trades (WINT) project was concluded in March 1992. This project had examined gender issues in skilled employment and concluded that in many instances women had adequate access to skills training through the regular programmes of institutions like NMYC, DECS or DTI. However many parents and young girls were unaware of such open access and the lack of career guidance made selection a difficult process. More important was a discriminatory attitude on the part of many employers who showed a distinct bias against women for many non-traditional occupations at the semi- and skilled levels of employment.

World Bank

86. The World Bank has been particularly active in the areas concerned with industrial HRD, although its inputs are not coordinated under an integrated approach to industrial HRD.

(a) Second Vocational Training Project (1992) is intended to rebuild the management and professional competency of the NMYC and to provide major incentives to industry and the private sector to assume a more direct role in meeting its own training needs. The project will assist with the financing of industry based training schemes, including apprenticeship and group training facilities for smaller companies.

(b) The Science and Technology Project (1992), under the auspices of DOST, will develop a network of centres of excellence throughout the country capable of improving basic science education as well as facilitating technology transfer. Under the loan, a new HRD master plan will be developed for DOST including plans for training technicians and technologists for industry. Unfortunately there does not appear to be any cross-references between this project and the VTP II or with proposed ADB loans to DECS for technical education.

ADB

87. The Asian Development Bank has held exploratory discussion with DECS on the possibility of loans in support of technician training but decisions on this will not be taken until the overall future of DECS has been decided. (See Annex C for details of ADB approaches to HRD)

ESCAP

88. The Economic and Social Commission for Asia and Pacific has a very active regional programme of HRD, taken in the true holistic sense. Under this programme Philippines is represented in the Asian HRD Network but there are no country specific projects at this time. (See Annex D for details of ESCAP's HRD approach).

UNIDO'S POTENTIAL CONTRIBUTION TO HRD IN PHILIPPINES

Areas of Perceived Interaction

89. The mission identified three main areas in which, given a new perspective to industrial HRD, UNIDO could interact with both government and the private industrial sector of the Philippines. Evidence in support of these potential activities is to be found in the previous chapters of this report. However, the mission's proposals should not be construed as a re-appraisal of UNIDO's traditional projects but rather as an opening for technical assistance, advisory services and interactive dialogue in areas complementary to UNIDO's regular activities.

90. The three proposed areas are as follows:

- Data collection and analysis relating to aspects of HRD and industrial needs;
- Improving communications between government and industry concerning a wide range of industrial HRD policies and functions;
- Assisting professional management and sectoral institutions to broaden their industrial HRD experience and to utilize such experience for transferring industrial HRD to other countries in the region through TCDC.

Data Collection and Analysis for industrial HRD

91. The mission found two weaknesses in the present systems of data collection and analysis. Firstly, responsible agencies such as NMYC and DOLE were still using approaches to manpower planning which prevailed during the 1960s when it was believed that manpower needs on a national scale could be calculated down to single digits. This approach has long been discredited and has been replaced by a more flexible system which does not forecast but rather indicates trends in the labour market on the basis of sector or even sub-sector indicators. There is an urgent need to support responsible sectors of government in the adoption of these new approaches and since manpower data is so important to any industrial HRD initiatives, to encourage the spread of these techniques within professional and industrial associations as well as industrial companies who also need their own micro-level data to support industrial HRD policies. This should not be taken to imply that UNIDO involves itself directly in macro level manpower planning, but that it should assist in facilitating such activities at industrial sector/sub-sector levels. The second weakness of the present system is the need to gain the active and sympathetic cooperation of key informants, without whom there can be no information flow. Unfortunately, many potential key informants are suspicious of data collection fearing that such information may be used for other purposes (taxation). They also object to data collection forms which are lengthy and tedious, taking valuable time to complete. Besides improving data collection techniques, there is need for a dialogue between those mandated to undertake manpower analysis and members of the industrial sector to explain the relationship between labour market information and industrial HRD. Only when employers can appreciate the linkages between manpower data, industrial HRD policies, industrial HRD interventions and eventual improvements in productivity can the system function efficiently. UNIDO could use its connections to industry (industry associations and technology centres etc.) to assist in both the spread of more responsive data collection systems as well as to convince private sector employers as to the advantages which such manpower analysis can bring.

Improving Communications between Government and Industry on industrial HRD

92. Recent changes in government policy on industrial HRD pose important concerns to the industrial sector. Issues such as the increased transfer of responsibility for skills development from government to industry, new legislation on apprenticeship and the ramifications of the LGC, will have profound implications to industrialists not only because of the immediate financial

implications but because of the longer term effects on both the supply and demand for industrial HRD. New forums should be opened up to encourage a continuing dialogue between government and industry where such matters can be discussed and means of cooperation explored. UNIDO is ideally placed to facilitate such a dialogue by using its existing communications network and by incorporating industrial HRD issues into its Strategic Management of Industrial Development approach.

93. To help industry come to terms with government policies, in-country studies will be needed to monitor and evaluate the effects of industrial HRD policy change. Regional studies would also assist by examining the recent experiences of other countries. For example, many countries in Asia and beyond have a wide range of experiences concerning the financing of manpower development (levy/grant schemes, payroll taxes, tax incentive schemes, etc.). Unfortunately these have never been assembled, analyzed or evaluated in a way that would be useful and relevant to other countries. Furthermore, some countries outside the Asian region (S. America and Europe) have particular experiences which should be reviewed. UNIDO could support both the preparation of regional and country case studies on priority aspects of industrial HRD, facilitate meetings or symposiums to discuss the results, and design study tours whereby concerned representatives of industry could examine other countries' experiences at first hand. Finance for such activities already exists under the new World Bank funded VTP II.

Assistance to Professional Associations

94. Many large and medium scale companies have already implemented an integrated policy and programme of industrial HRD, some having many years of proven experience with corporate industrial HRD strategies. Some professional associations such as the PMAP already have extensive industrial HRD training programmes and are able to offer advisory services to member companies who wish to enter this field. Other industrial associations have yet to accept industrial HRD as a strategic management tool. For those associations with long experience the possibility exists for such experience to be shared on a wider basis outside the country. PMAP has already undertaken some consulting services outside Philippines and in 1991 organized HRD 2000, a regional symposium aimed at widening the appreciation of HRD policies and strategies. UNIDO could assist at both levels. By forging new partnerships with professional institutions related to the industrial sector, UNIDO could provide forums for in-country debate on the advantages of industrial HRD. UNIDO could also assist in the regional development of industrial HRD by encouraging and facilitating professional associations with suitable experience to share such experience with other countries of the region.

Future Industrial HRD inputs in Support of Gender Issues

95. Although the mission found little evidence of gender discrimination at the supply side of industrial HRD, there was a clear need for more information to guide women into making career choices and to help them take maximum advantage of existing skill development programmes at all levels. However, of much greater concern are the problems encountered on the demand side of industrial HRD. Many employers, particularly in the small and medium scale industrial concerns, are using discriminatory practices which work against women's employment opportunities. UNIDO could assist by using its existing contacts to encourage equal employment opportunities through a better appreciation of gender free industrial HRD strategies.

Table 6. Gender-differentiated Employment Data

	1987		1988		1989		1990	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Working Age Population	34,849		35,885		34,917		37,999	
male	17,308	49.68%	17,775	49.56%	18,252	49.44%	18,894	49.72%
female	17,532	50.32%	18,090	50.44%	18,665	50.56%	19,105	50.28%
In the Labour Force	28,880		29,452		29,809		34,503	
male	14,417	63.01%	14,785	63.04%	15,023	62.97%	15,446	62.98%
female	8,463	36.99%	8,667	36.96%	8,836	37.03%	9,079	37.02%
Employed	26,792		27,498		27,849		32,532	
male	13,254	63.74%	13,654	63.51%	13,922	63.72%	14,347	63.67%
female	7,541	36.26%	7,844	36.49%	7,927	36.28%	8,185	36.33%
Unemployed	2,088		1,954		2,010		1,992	
male	1,163	55.78%	1,131	57.88%	1,101	54.78%	1,099	55.17%
female	922	44.22%	823	42.12%	909	45.22%	893	44.83%
Not in the Labour Force	11,969		12,413		11,058		13,474	
male	2,891	24.17%	2,990	24.09%	3,229	24.73%	3,447	24.58%
female	9,069	75.83%	9,423	75.91%	9,829	75.27%	10,027	74.42%

Source: National Statistics Office (NSO), Household Survey Division (quoted from 1990 Compendium of Philippine Social Statistics, National Statistical Coordination Board)

Table 7: Disbursement of Development Assistance By UNDP Sector

UNDP Sector	1989		1990	
	US\$	%	US\$	%
Economic Management	\$426,759	31.57%	\$287,524	15.79%
Development Administration	\$7,347	0.54%	\$132,777	7.29%
Natural Resources	\$7,363	0.54%	\$15,970	0.88%
Human Resources Development	\$63,706	4.72%	\$48,491	2.68%
Agriculture/Forestry/Fisheries	\$351,705	26.02%	\$200,316	11.00%
Area Development	\$126,404	9.35%	\$307,937	16.92%
Industry	\$16,685	1.23%	\$148,916	7.71%
Energy	\$107,337	7.94%	\$258,942	14.22%
International Trade	\$8,454	0.63%	\$23,659	1.30%
Domestic Trade	\$87	0.01%	\$299	0.02%
Transport	\$82,041	6.07%	\$134,623	7.40%
Communications	\$32,516	2.41%	\$54,235	2.98%
Social Development	\$53,516	3.96%	\$80,443	4.42%
Health	\$36,443	2.70%	\$40,567	2.23%
Disaster Preparedness	\$1,023	0.08%	\$45,000	2.47%
Humanitarian Aid and Relief	\$30,271	2.24%	\$49,411	2.71%
Grand Total	\$1,351,737	100.00%	\$1,820,450	100.00%

Source: UNDP Development Cooperation Report, Philippines, 1990

The Asian Development Bank
Policies and Practices in the field of HRD

96. The Asian Development Bank (ADB) first opened its doors in Manila, Philippines, in 1966. Early lending priorities concentrated on capital intensive projects ranging from road construction to the installation of sector specific industrial plant and it was not until 1978 that the ADB opened an Education Division as part of the Social Infrastructure Department. Due in part to the World Bank's coverage of the formal primary and secondary education sector, the ADB's Education Division initially concentrated on loans in support of technical and vocational education, mostly in association with ministries of education. These included technical high school projects in Indonesia and Malaysia, non-formal vocational centres for out-of-school youth in Philippines and Thailand, and polytechnics in Pakistan and Sri Lanka. These projects were often conducted in parallel with the World Bank's loans in support of technical and vocational training which were usually negotiated with ministries of labour or manpower in the same countries.

97. The ADB's education projects formulated in the period 1970-89 demonstrate a very strong bias towards technical and vocational development within formal institutions which supplied skilled manpower and/or technicians, such as polytechnics or national networks of technical schools. Only incidental support was forthcoming to the development of management skills through tertiary education projects. Since the major proportion of the supported institutions were located within the formal education system of the targeted country, the projects tended to be supply orientated and few links were forged with the demand side represented in the labour market by public and private sector enterprises. During this period there were no major ADB vocational or technical education projects aimed at supporting specific industrial sectors and only a few small examples exist of specialized technical schools in such areas as fisheries and forestry. These were always in the government sector.

98. Elsewhere in ADB, loans for physical infrastructure and industrial development are only marginally concerned with training and such considerations only extend to the provision of technicians, maintenance staff and managers tasked with maintaining and supervising the project's equipment. For example, the inclusion of a technician training centre for the coal mining industry in Indonesia (1990), was less concerned with the long-term supply of appropriate skills needed to raise overall productivity but was included to protect the Bank's investment in the mining equipment provided under the loan. An on-going consideration for the development of a total work force is not seen as a relevant component of such projects and few direct linkages between educational projects and physical infrastructure projects exist. Even where the provision of project-specific training does take place, the technical advice of the Education Division would only be sought on a personal, ad-hoc basis. In the case of the coal mining training centre in Indonesia no advice or technical inputs were sought from or proffered by the in-house training specialists. Most training inputs to physical infrastructure or industrial projects do not even show up in official loan agreements because they are included within the contracts for the provision of equipment. Suppliers are expected to provide programmes relevant to the installation and routine operation of their respective equipment. This may include overseas fellowships to the suppliers' factories or periods of on-the-job training during and after installation.

99. The ADB does undertake general sector studies on a country by country basis, including the education sector. However, in recent years there has been a move towards sub-sectoral studies which are designed to take into account both the supply and demand side of various aspects of education. Pakistan (1989) and Malaysia (1991) are recent examples of in-depth analysis of both the supply and demand for technical and vocational education and training. However, within the ADB it would appear that only the Programming Department is likely to make use of such studies and officials preparing projects in support of physical infrastructure or industrial development

would not routinely seek out the results of such manpower studies nor would they be likely to take into account the findings of research as it might relate to skill shortages or the oversupply of technical competencies.

100. Throughout the late 1970s and particularly the early 1980s there was increasing global recognition given to the role which HRD could play in both regional and national development policies³⁶. Recognizing that the development of human capital was not only a matter of education and training but involved a wider range of related factors such as health, nutrition, shelter, technology and demography, the Economic and Social Commission for Asia and the Pacific (ESCAP) initiated regional discussions on an integrated programme for HRD as early as 1984. It was quickly recognized that for sustained development to take place, initiatives related to the components of an integrated HRD programme could no longer be taken unilaterally but should be orchestrated within a coherent framework of economic policies and plans. To this end ESCAP facilitated the formulation of an action plan which was to serve as a model for many subsequent activities in both national and regional development policies³⁷.

101. Following this initial flurry of activity of the Economics and Development Resource Centre the ADB undertook its own study of HRD in the period 1987-1989. This resulted in the publication of the HRD experiences of five Asian countries (Bangladesh, Indonesia, Republic of Korea, Philippines and Thailand)³⁸. The study recognized that "education, health, nutrition, and fertility moderation were now seen primarily not as capital investment but as basic needs as a basic approach to enhancing productivity and earning power in the long run. These strategies were also viewed as complementary to increasing employment via labor-intensive technologies and reducing inequalities in income and wealth."³⁹ The study concluded that HRD fulfilled a pivotal role in economic development recommended that "a thorough treatment of this issue should be a major part, if not the centerpiece, of macroeconomic and sector analysis undertaken both by governments and international organizations."⁴⁰

102. In 1990, following a brief period spent reviewing the background and experiences of the Bank in the context of these studies, a major shift in the ADB's organizational structure took place. Following the lead taken previously by the World Bank, the Education Division was combined with the divisions previously responsible for Health and Population to form the Division of Education, Health and Population - which for administrative convenience was then split into two separate divisions along geographical lines: East and West Asia. However, during discussions undertaken with ADB officials during the mission (Sept. 1992), it was admitted that no discernable change had taken place within the combined structure and that both project identification and project preparation still took place along separate sectoral lines (i.e. Education, Health and Population). Moves towards multi-sectoral programming are currently under consideration by the Programming Department but such factors have yet to find their way into the activities of most line divisions. Loans in support of an integrated HRD programme appear to be some way off. One exception was found in the Agricultural Department where a newly formed Social Development Division has been created to foster an integrated approach to social issues within the agricultural sector. Aspects of HRD are incorporated into the activities of this new division, but the emphasis is exclusively confined to social issues within a rural context.

³⁶ See "Economic Development: the History of an Idea"; Aradt, H.W., University of Chicago Press, Chicago, 1987.

³⁷ The Jakarta Plan of Action for Human Resources Development, ESCAP, 1987.

³⁸ "Human Resource Policy and Economic Development - selected country studies"; Economics and Development Resource Centre, Asian Development Bank, Manila, 1990.

³⁹ *op.cit.*, p.4

⁴⁰ *op.cit.*, p.22.

103. The ADB is not a major research institution in the manner of the World Bank and many of its publications do not lie in the public domain. It is therefore worthy of note that over the past decade at least nine sizeable publications have appeared which relate to aspects of HRD, or to training in particular⁴¹. This represents a major concentration of output in one sector of the ADB and may well be associated with the search for new modalities to match the shifting perceptions of HRD.

104. From this brief overview it follows that given the current state of HRD as recognized and practiced by ADB, UNIDO would have some difficulties in finding major opportunities to supply technical assistance to projects or programmes in this field at the present time. However, the moves towards a more integrated, multi-sectoral approach may well open up increasing opportunities in the future and a dialogue with appropriate officials should be maintained in order that UNIDO's interests and priorities are both known and appreciated within this previously untapped area of ADB concern.

⁴¹ These include: - Entrepreneurship and Self Employment Training, Vols 1 & 2 (1986); - Distance Education Vols 1 & 2 (1987); - Training the Technical Trainer (1988); - Poverty Alleviation through HRD (1990); - Human Resource Policy and Economic Development (1990); - Training for Accounting Technicians (1990); - Technology and Distance Education (1990); - Education and Development in Asia and Pacific (1991); - Technical and Vocational Education and Training (1992).

Economic and Social Commission for Asia and Pacific (ESCAP)
Policies and practices in the field of HRD

The Economic and Social Commission for Asia and Pacific (ESCAP), based in Bangkok, first included HRD as an item on the agenda of its annual conference in 1983. In subsequent sessions ESCAP repeatedly observed that the self-sustaining growth of member countries required the continuing development of a sound human resources base. Growing concern for HRD achieved the highest priority in 1987 when the Commission decided that the main theme of its forty fourth session, to be convened in Jakarta later that year, would be Human Resources Development. For this purpose the ESCAP Secretariat prepared a plan of action which was subsequently adopted by the Commission and became known as the Jakarta Plan of Action for HRD.

The Jakarta Plan of Action represented a major departure from the traditional concepts of development. By basing its proposals on the principles of human capital and the need for integrated programmes to maximize its development, ESCAP moved to the forefront in the search for new holistic approaches to HRD. ESCAP not only adopted a practical plan of action but also backed this up with a series of technical cooperation projects aimed at launching an integrated HRD framework within the Asian and Pacific region.

The Jakarta Plan of Action concerned itself with four main themes⁴²:

- Employment and manpower development;
- Science and technology;
- Quality of life;
- Women's concerns.

In the Plan, the theme of employment and manpower development is concerned with both the supply and demand side of the manpower equation. In an integrated HRD plan both components must be considered together in order to reduce the mismatch between supply, emanating from education and training, and demand coming from the employment market. The inclusion of science and technology highlights the need for the ramifications of technological change to be more quickly assimilated into mainstream HRD activities. These range from the need to introduce changes to primary school curriculum, to the adoption of new employment practices, revisions to the conditions of work and adaptations of gender policies. The quality of life theme was recognized as being the least understood dimension of HRD. While a social dimension to human development has long been recognized, the productivity implications of changes to the quality of life are improperly understood by governments and employers alike. An integrated HRD plan would aim at incorporating such issues, enhancing productivity by providing a greater incentive for future HRD. Women's concerns were included because of the high costs of human resources under-development amongst women. The key to an integrated HRD plan of action lies not only in the removal of gender specific obstacles but also in recognizing the positive contribution which women can make to the HRD process⁴³.

⁴² Background papers prepared for these main themes are as follows: "Employment and manpower development in human resources development" - SD/EGM/IPAHRD/2; "Science and technology aspects of human resources development" - SD/EGM/IPAHRD/3; "Quality of life aspects of human resources development" - SD/GM/IPAHRD/4; "Integration of women's concerns into human resources development" - SD/EGM/IPAHRD/5. A further paper entitled "Current and prospective human resources development activities in the ESCAP secretariat and other UN bodies and agencies in Asia and Pacific" - SD/EGM/IPAHRD/6, was also prepared.

⁴³ For a more detailed review of these components see "Background to an integrated plan of action on human resources development for the ESCAP region", ESCAP, Bangkok, (ST/ESCAP/601), 1988.

To maintain the momentum created by the Jakarta Plan of Action, ESCAP established a Standing HRD Committee comprising representatives of all ESCAP technical divisions as well as concerned UN agencies. This committee is served by a small permanent HRD Secretariat within ESCAP. In support of the Jakarta Plan of Action ESCAP has held a series of regional workshops and seminars, the most recent being held in Manila in August 1992. These meetings have been supported by studies into various aspects of HRD, some undertaken through bilateral funding, some completed by UN agencies using their regular budgets and some by ESCAP itself. There have also been allocations of funds for specific technical cooperation programmes aimed at developing an HRD capability within individual governments and their respective planning or concerned line ministries. ILO, UNESCO and WHO are among those agencies which have taken advantage of these initiatives. No direct intervention is known to have come from UNIDO.

There is a growing list of publications produced under the ESCAP HRD initiative as well as by other UN specialized agencies working within the integrated HRD work programme⁴⁴. However, while much of the research work undertaken so far appears to concentrate on aspects of manpower/employment, quality of life, and gender issues, very little attention has been paid to interpreting any or all of the four main issues to the industrial setting. Neither has there been much effort to incorporate industrial sectors, particularly the private side of industry, into the dialogue.

⁴⁴ In addition to the documents listed in previous footnotes, the following are also relevant: - "Human Resources Development in Asia and Pacific - its social dimension", ESCAP Bangkok, (ST/ESCAP/472), 1986; - "Proceedings of the Meetings of Senior Officials on Human Resources Development in the ESCAP region - Bangkok 17-19 January, 1989", ESCAP, Bangkok (ST/ESCAP/742), 1989; - "Proceedings of the Expert Group Meeting on Policy and Planning Guidelines for Human Resources Development - Seoul 6-10 March, 1989), ESCAP, Bangkok, (ST/ESCAP/725), 1989.

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