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**University of Amsterdam
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**Strengthening Private Sector Participation
in Philippine Technical and Vocational Education and Training**

Background Paper No.1:

The Role of Intermediate Organisations in the Philippines

Charles Manton

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INDUSTRY BOARDS AND INDUSTRY ASSOCIATIONS

A. Industry Boards

1. Industry Boards are the subject of a separate study and are not discussed in detail in this report. There are at present ten of them, and the oldest is some twenty years old. They are tripartite in structure - employers, workers and government (now represented by TESDA) - on the ILO model, and it is to be noted that except through TESDA the education and training sector has no separate representation. Some boards are more active than others; one or two of the most active have gone so far as to promote training centres to meet their industry's specialised requirements.
2. The report on Industry Boards proposes a leading role for them in promoting TEVT in the Philippines and on the face of it they assuredly represent an excellent mechanism for collaboration between the public sector and the private sector. The fact is, however, that in general they have not fulfilled their intention or promise. In particular they still rely entirely on the public sector (now TESDA) for funding: other participants have not so far seen fit to contribute. And their performance has not encouraged other industrial branches to create their Industry Boards.
3. The lacklustre history of Industry Boards does not mean that they cannot take on a more prominent role as TESDA itself evolves and assumes new functions. Employers' and workers' organisations might come to see benefits from accepting and contributing to Industry Boards as channels of communication and policy formation.

B. Industry Associations

4. The PCCI provided a list of 145 Industry Associations, by no means all industrial. Some sub-sectors appear to have more than one Association. After consultation with the PCCI the following six associations representing the sub-sectors covered by this study were approached:
 - .Association of Consolidated Automotive Parts Producers, Inc.
(ACAPP)
 - .Philippine Automotive Federation, Inc.
(PAFI)
 - .Electronic Industries Association of the Philippines, Inc.
(EIAPI)
 - .Semiconductor Electronics Industry Foundation, Inc.
(SEIFI)
 - .Confederation of Garment Exporters of the Philippines, Inc.
(COGEP)
 - .Garment Business Association of the Philippines
(GBAP)
5. Senior officers of all these Associations agreed to meet a member of the consultancy team, usually accompanied by a TESDA official, for a structured discussion. In two cases the Association officer was also the head of a member company; in one case the officer had recently closed down a company, and in another the officer was a management consultant mostly working in the industry concerned; in one other case the officer was represented by another member of the staff of a company in which both were employed; and in only one case did the Association's officer have no connection with a member company or any relationship with the industry as a whole outside his functions for the Association. Two of the Associations have their own offices.
6. The point here is that sometimes the views of the officer concerned were inevitably coloured by the particular experience and needs of his or her own company. If and when it comes to closer relationships between these Associations and TESDA their strict economy in staff and other overheads will affect their ability to act effectively. The

dispersion of interest among a number of Associations in the same industry is unlikely to be helpful, even if each Association has a different focus.

7. Discussion structure. A list of thirty-three points was marshalled under the following headings:

- .General
- .Employees
- .Training
- .Opinions and expectation of Philippine government training policies and activities
- .Specialised or advanced training centres

The list was circulated in advance and in some cases had been carefully worked through before the meeting. It was not intended to extract answers point by point and in some cases fairly general discussions took place under one or other of the main headings. In one meeting the officer concerned declined to follow the list of points at all and expressed general but still illuminating views.

8. Thus the facts and views arising from the discussions cannot be rigorously tabulated but they have their own interest and lend colour and sometimes support to the results of the survey of firms.

Summary of responses

9. General

Association objectives are primarily to represent industry views to government and to obtain and disseminate information on trade, taxation, etc. In the electronics industry one association (EIAPI) disseminates technical information; the other (SEIFI) has active personnel and engineering committees, and a recently formed Technician Training Council. In the automotive industry one association (ACAPP) was set up by the government in 1974 with the objective of promoting a viable industry.

Firms and employees. SEIFI has 58 member firms and four applicant firms. Together the 62 firms have about 135,000 employees (rising) and make SEIFI in these terms by far the largest Association of the six in the study group. 41 member firms and the four applicants are multinationals. (Names include Intel, Motorola, Philips, Sanyo ...) Some 20-25 firms in the industry, with about 10,000 employees, do not belong to SEIFI. The other electronics association, EIAPI, has 39 members and some new applicants, mostly Filipino (including one Meralco subsidiary), with about 8,000 employees (increasing in bigger firms). Many small firms do not belong, but may tend to apply now that economic conditions are improving.

In the garment industry 56, mostly well-established, firms belong to COGEP; employment was about 40,000 earlier this year but may be down as far as 25,000 with the closure of one major firm and downsizing in two others. These losses are by no means compensated by new arrivals in the industry but exact figures are not available. The big, older firms are mainly American, but there is a strong Filipino presence in the industry and joint ventures with Asian companies have recently been started. Older firms suffer from high labour costs, whereas new firms escape union pressures in their early years and are able to pay lower wages to employees who by definition have less length of service than the average in older firms. The total number of garment-exporting firms is no less than 1,259, with perhaps 80,000 employees in the peak season.

In the automotive industry ACAPP has 65 member firms (down from a maximum of 120 some years ago), with about 18,000 employees (rising). Most are unlisted local companies, some with minority foreign shareholdings; some companies are owned by vehicle assemblers. The total number of firms in the industry is 223 (number of employees not

estimated). **PAFI**, which has the major assemblers such as Toyota in membership, has about 20 member firms with about 20,000 employees. They are largely joint ventures, and some members are Filipino-owned, including some franchisees.

Activities and manufacturing trends. In the electronics industry **SEIFI** firms largely assemble, test and re-export using imported components, although the first chip manufacturing plant in the Philippines has been established in Cebu, and it would facilitate production if more component manufacture could be carried out in the Philippines; while **EIAPI** is over all more integrated, including design and manufacture of consumer electronics (with about 50% local content). Some firms supply others, and some are trading companies, but not retailers; final sales are to wholesalers and large institutions. **SEIFI** firms are tending to automate, while in **EIAPI** there is a mixture of old and modern technology. It was said that "there is nothing much sophisticated in consumer electronics", with the implication that production need not be sophisticated either.

In the garment industry, except for a little knitting and weaving, activity comprises manufacture from fabric, of which 80% is imported. Sub-contracting is a major feature: for example Gelmart, a major company, has 116 sub-contractors. Firms provide maintenance and training in various ways, and sometimes quality control on sub-contractors' premises. There is some sub-sub-contracting to cottage industries. In the main factories improvement of existing equipment is more the rule than investment in new machinery. It is not known whether new firms are buying new machines or buying old machines from closed firms.

In the automotive industry **ACAPP** firms manufacture with many materials: metal, upholstery, glass, rubber, semi-conductors, wiring. Wiring harnesses are world-class and exports brought in US\$500m. in 1995. Customers are of course mainly vehicle assemblers, but also the replacement market and big users. Except for two die shops with CAD/CAM metal-working technology is said to be "20 years behind". Other materials are handled with more modern, and sometimes new, technology. With **PAFI** members the trend is to try and increase local content, partly with their own manufacture. There is some investment in new equipment, together with adaptations of modern manufacturing; but it is cautious, given the small size of the local market and the uncertain effects of GATT and APEC agreements.

10. Employees

A question was put as to the proportions of engineers, technicians, etc., but only **SEIFI** gave figures, as follows: management and engineers 10%, technicians 10-15%, operators 65-70% and non-production employees 10%. **EIAPI** made the interesting observation that engineers were often found working as technicians, and technicians as operators.

Expatriates. In **SEIFI** firms foreign engineers and technicians come to start up new firms; the Japanese tend to stay longest. The number of expatriates is going down, but only 10% of firms are fully local. In **EIAPI** firms by contrast no expatriates are found at all.

In the garment industry, the CEO and Treasurer may be expatriate, but otherwise the only foreigners come on a short-term basis to instal new systems.

In **ACAPP** firms there are some Japanese managers and one company has a worker exchange programme. In **PAFI** firms some foreigners come to new firms, especially to set up R&D, skill transfer and quality systems, and stay for one or two years.

Educational level. The answers to this question are not very clear. The notable point to emerge is that firms in all three sub-sectors look for recruits with some technical education even at operator level.

SEIFI firms recruit from technical colleges after students have completed one year or two years.

In the garment industry technicians (mostly men) are recruited from colleges and operators (mostly women) from high schools with TVET.

ACAPP firms take high-school graduates from TVET schools for semi-skilled workers and for higher skills they go to vocational schools such as Bataan SAT or TUP. **PAFI** is not satisfied with existing vocational schools and is discussing a special training institute for technicians with the Industry Board.

Recruitment or retention difficulties. The general message here is that with particular exceptions firms do not experience difficulty in recruiting at any level; and losses through pirating are not serious although some skilled people go abroad. In **SEIFI** firms recruitment of technicians is supplemented by an increased level of in-company training (and Dualtech - see below). Piracy has been reduced through an association agreement. In **EIAPI** it is the standard and relevance of qualifications which comes in for criticism, and the common view of work attitudes was voiced again. In the **garment** industry there is a shortage of some higher skills and some technicians especially for jobs outside Metro Manila, and firms in the provinces have been known to resort to piracy. In some **ACAPP** firms recruitment is partly done from OJT students; the main difficulty lies in persuading some general technical and clerical workers to work in industry (rather than commerce).

11. Training

Training organised by the Associations. In the electronics industry an annual course for about 20 technicians at Dualtech is coordinated by **SEIFI**. **EIAPI** is planning some high-end technical seminars as a new activity.

In the automotive industry **ACAPP** organises and co-sponsors training especially in cooperation with vehicle assemblers and tries to persuade smaller firms to join in. Subjects include quality control and production control but also some technician-level material. Some 15 firms have joined in a multi-skill team training programme in collaboration with vehicle assemblers. **PAFI** organises some skill training and training, partly with TESDA assistance.

No training for the garment industry is organised by the associations on a regular basis. One programme was run by the Fashion Institute of New York and the Philippine Trade Training Centre (PTTI) with **COGEP** collaboration. (Further and better particulars about this programme might be of interest, since the FINY apparently wished to follow it up with the establishment of a training centre in the Philippines.)

Other HRD activities. **SEIFI** has sub-committees as mentioned above, including one on personnel matters and the newly formed Technician Training Council. **EIAPI** attends monthly meetings organised by DOST and other discussions. The other associations have no other HRD-related activities.

Collaboration with PCCI, ECOP and other intermediate organisations on training matters. This question drew an almost total blank. Only **SEIFI** mentioned that PCCI and ECOP sometimes ask for opinions on personnel matters. The Past President of PMAP was also chairman of the **SEIFI** personnel sub-committee. (The relative strength and prominence of **SEIFI** is illustrated here.)

Training by members firms. This question not unexpectedly drew the response that all firms in all associations undertake their own training. (The firm survey indicates that such training would not be systematic in many small firms.) Firms do not collaborate with each

other for this purpose, except through associations. **SEIFI** specifically mentioned TESDA programmes, partially paid for by TESDA. Some of **ACAPP**'s smaller firms undertake distance learning courses on Japanese systems. (This needs clarification and verification.)

Use of external providers. In general terms external training providers are used only for general, non-technical subjects. **SEIFI** makes use of Dualtech and TESDA courses for technical subjects, and **PAFI** also mentioned TESDA. **ACAPP** mentioned Dualtech again, and as a special case courses on kaizen run in firms by external providers.

Training costs. Information is practically non-existent. **SEIFI** gave costs of the their Dualtech programmes and mentioned that they contributed to the costs of TESDA courses, but without figures. A possible figure for training cost as a proportion of payroll might be 3%, or higher in multi-national firms (? up to 5%), but these figures seem quite high and were so tentatively offered that no conclusions can safely be drawn.

Training abroad. Not much training is undertaken outside the Philippines. Only a few senior people are sent, perhaps when joint ventures are started; or for training of trainers in the use of new equipment or new quality, production control or organisational subjects. **ACAPP** mentioned a Total Production and Maintenance programme in Korea. Both **ACAPP** and **PAFI** referred to course at AOTS in Japan, sponsored by the Japanese government. Official Japanese interest will not be unrelated to the strong Japanese presence in the automotive industry.

12. The role of government in technical education and training.

Responses to this group of questions were offered rather tentatively and incompletely, probably because the subjects were unfamiliar and the questions themselves not clearly formulated.

Reliance on pre-employment TVET. A general preference for a technical background was expressed, but it was not always available (**COGEP**). Basic education should be more industry-related (**SEIFI**).

Institutional preference. **SEIFI**: no preference as regards operators, but for potential technicians technical schools were preferred, with a further preference for private ones. (Smaller classes, attitude formation.) **EIAPI**: Don Bosco and some specialised schools, including public sector, but mostly religious. **COGEP**: Don Bosco, Meralco and some others including public sector schools. (There is nothing specific for the garment industry.) **ACAPP**: only two schools offer foundry training; otherwise no preference. **PAFI**: Don Bosco, Meralco, although the former's skill level not adequate. These should influence other institutions to develop work attitudes and values. Better trained recruits tended to rise faster in their companies.

Adequacy of core knowledge on recruitment: There were repeated references to work attitudes and values. Standards in mathematics and science had declined (**ACAPP**) and in the former case were very poor - a big problem (**EIAPI**). Generally higher standards are required (**PAFI**).

Government training policies. Opinions were not exactly favourable. Lack of consistency and continuity is the common theme, together with incomplete information and communication and "no marketing of TVET" (**COGEP**). On the other hand **PAFI** regarded the formation of TESDA as a positive development, as is the Dual System although this needs refining. TESDA "going aggressive" on apprenticeship was welcomed.

Government training. As above incomplete information was complained about (even by associations which use TESDA courses). **ACAPP**'s view is that government neglects training and has not responded to industry's needs for the last few years. (Not certain whether this "neglect" refers to direct training activities or to other activities and policies.)

What could the government do more or better ? **SEIFI**: a training centre for electronics would be ideal; meanwhile less haphazard attention to TVET. **EIAPI**: better exchange of ideas and information, even at the level of factory visits by teachers. TESDA is a good counterpart. **COGEP**: improved information and "marketing of TVET". Imaginative policy to bring home OCWs, who are a pool of good workers. **ACAPP**: MIRDC reinforcement.

Expectations in relation to previous question: Not optimistic. E.g. "no change in my generation".

13. Specialised or advanced training centres

Need for a specialised centre: **SEIFI**. Yes. Technician and engineering levels. An industry-wide syllabus can be developed. **EIAPI**: Preference for improving technicians training in existing schools through provision of staff and equipment. A centre for trainer training would also be useful. **GBAP**: Yes. A mini-factory. And Fashion Institute of New York has been looking for investors for an institute in the Philippines. **COGEP**: Doubtful. A definite need but who would run it ? **ACAPP**: No. **PAFI**: Yes, and already planned. See below.

Need for an advanced centre (for more than one industry): Both **SEIFI** and **ACAPP** referred to the MIRDC but and **ACAPP** to a rubber institute. The MIRDC, according to **SEIFI**, needs to build up its reputation. Such centres, according to **ACAPP**, would fill a need for smaller companies to have somewhere to test products as well as to train.

Would your industry pay capital and running costs ? Would a government contribution make a difference ? **SEIFI**: Would have to be a joint project with government and a university for engineering training and product development, in which even big firms are beginning to collaborate. Compare successful project with DOST on calibration, now used also by other industries. Industry can take care of technician training. **EIAPI** would contribute, but government should promote. **COGEP**: firms would cooperate but initial funding is a problem and government would have to contribute. **ACAPP**: the industry would not support a government institution but would support a private/industry centre if also supported by government; government should get the ball rolling.

Does your association actively consider or promote specialised or advanced training centres ? **SEIFI**: Yes. Ayala Corporation has already given land. **GBAP**: Yes. Has approached TESDA regarding mini-factory. **PAFI**: Studying feasibility in collaboration with the technical committee of the Industry Board. A joint project with the land transport industry for a "one-stop shop" for skill upgrading and standard setting, product standards and health and safety. Initial funds from donors and government GATT adjustment allocations. Will earn revenue from services.

General conclusions from the discussions

14. Associations do not generally put HRD at the top of their list of priorities and with the exception of **SEIFI** do not devote specific attention to the subject. (The automotive industry does so through the Industry Board, not the association.) Industries with large MNCs behind them devote more collective attention to HRD than others; **SEIFI**, with a majority of multi-national members in a prospering industry, is the most prominent and apparently best resourced association of the six which have assisted with this enquiry.
15. No association referred to any difficulty with recruitment (thus supporting the survey and case studies of firms). Training of employees is largely done within firms, sometimes through associations, and no great dissatisfaction was expressed, although there is some not fully crystallised demand for collective training facilities. No sense emerged that urgent measures were needed to improve technical knowledge

and skills as a complement to investment in new technology. But the activities of SEIFI's committees may be directed towards transfer to the Philippines of some component manufacture at present carried out elsewhere. (This was said to be desirable.)

16. There is a general preference for a technical background in recruits to the industry even at operator level. (A policy of recruiting non-technical high-school graduates and training them for specific jobs does not emerge.) A further preference is expressed for Don Bosco and Meralco graduates but this seems to be a matter of reputation and it is not certain that these individual schools are in fact primary sources of recruits. On the other hand no strong opinions against public sector schools was voiced. The importance of values and attitudes to work as a component of education and training was stressed. Education in mathematics and science was said to need reinforcement.
17. It should be noted that TESDA-sponsored training is used by the larger industries who are probably better informed and organised, rather than by the industries who need TESDA's assistance more. If this observation is correct the situation is analogous to the problem with social security benefits, which are successfully claimed by the brightest claimants and do not reach those whose need is greatest.
18. Government is criticised for lack of consistency and continuity in TVET policy and practice, and inadequate information concerning policy and programmes. Within its remit TESDA can work to remedy this situation, but more general coordination within government, e.g. between DOST, DTI, DECS, CHED, would be helpful in this area.
19. Conversely, although each industry can well decide for itself how best to represent itself effectively, it does seem that industry in general could improve its own understanding of HRD and its ability to analyse and define its collective requirements; also to express them in a "bankable" manner if funds are sought for establishment of the specialised centres which are thought desirable. TESDA may have a lead role in encouraging and helping the private sector in this respect, first by defining the need for reinforced knowledge and skill in training planning and investment, and then by assembling the resources to fill the need.

Discussion with expert panel

20. At a meeting between the consultants and their panel of expert advisers the view was expressed that the PCCI and Industry Associations were useful to large companies as lobby groups and were not seen to have a role in training matters. Industry Boards depended entirely on TESDA funding and companies saw them as useful primarily to the government.
21. It should be TESDA that promotes cooperative training activities amongst smaller companies. One problem here is that such companies do not understand occupational categories.
22. The demand for training is market-determined; pressure to train will come from external factors including skill shortages or a need to improve product quality.