

Local Outcomes of Globalization: Manufacturing Decline and Labor Response in the Philippine Garment and Shoe Industries

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Introduction

For a long period, labor intensive, low technology manufacturing has been one of the drivers of economic development in developing countries. These industries were important in providing employment to many people with limited formal education. In the past decade, globalization has led to major international shifts in labor intensive manufacturing generating 'winners' and 'losers' among countries, industries and workers. The Philippines provides a good example of the problems and dilemmas faced by many industrial areas in less-developed parts of the world as globalization moves forward (Lall 2000; Mani 2002; Beerepoot 2005a, 2005b; Scott 2006). The focus of this paper is how globalization is affecting workers in the shoe industry in Marikina and the garments industry in Metro Manila. Both industries are currently confronted with the different outcomes of globalization. The shoe industry in Marikina has difficulty competing in the national market with the import of cheap products from China. This has led to the closure of many small workshops that were primarily focused on the national market, creating thousands of displaced workers. From 1974 until 2005, the garments sector was governed by international regulations under

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the Multi Fiber Arrangements (MFA). It protected quota holders (like the Philippines) from the full force of international competition. The Philippine garments sector is struggling to survive in the post-MFA period since much of the production that have been previously sourced out to the Philippines were redirected to countries like Cambodia, Vietnam and China. This led to factory closures and massive displacement of low-skilled workers. Decline of labor intensive manufacturing in the context of developing countries has been a relatively new subject for research (e.g. Scott 2005; Bezuidenhout et al. 2007; Ris 2007; Beerepoot and Hernández-Agramonte, forthcoming). The impact is especially profound when a country fails to develop more advanced production profiles. Displaced workers in this context have no welfare state to fall back on and their chances for alternative employment in the formal sector are often slim. This paper identifies how the pressures of globalization affect workers in both industries. Within the general theme of the special issue of this journal, this paper raises the question on how the process of decline in labor intensive manufacturing industries has affected the scholarship on industrial relations in the Philippines. Furthermore, the paper identifies the research agenda to analyze the local outcomes of globalization for low-educated workers.

This paper is based on the research that was carried out from March to June 2007 (Ris 2007; Hernández-Agramonte 2007; Beerepoot and Hernández-Agramonte, forthcoming). Open interviews were held with various stakeholders (e.g. entrepreneurs, workers, government officials, business and union leaders) who were involved in both sectors. As for the case study on Marikina (Ris 2007), interviews were conducted with various local key informants from the local shoe industry. The study looked at the coping and survival strategies of families who were recently forced to close shop. In total, 15 interviews were conducted with key informants with respect to their strategies for survival. Ten displaced families served as subjects of the study. In the garments sector (Hernández-Agramonte 2007; Beerepoot and Hernández-Agramonte, forthcoming), semi-structured interviews were carried out with 18 stakeholders (nine entrepreneurs, three trade union leaders, two buying agents, two representatives from business associations and two government officials). Additionally, interviews with unions provided information on three separate initiatives by small groups of women in various parts of Metro Manila who set up their own manufacturing cooperatives after they were displaced by export companies. With the help of a local interpreter, informal conversational interviews and a short survey were conducted with 42 female participants from these three workers' cooperatives (Beerepoot and Hernández-Agramonte, for a more extensive description of the methodology).

The theoretical section of this paper focuses on two bodies of academic literature that are relevant when analyzing the local outcomes of globalization: the international value chains and the industrial clusters. Section two focuses on the conceptualization of international value chains and industrial clusters. Section three focuses on the position of workers at the bottom of the international value chains. Section four introduces two case studies and places them in the context of the discussion on the decline of labor intensive manufacturing in the Philippines. Section five focuses on how displaced workers from both industries try to survive. Section six provides the concluding remarks to this paper and identifies its implications to scholarship on industrial relations.

Clusters and international value chains

Industry agglomeration, localization and spatial clustering are used more or less synonymously in IR literature to denote the phenomenon that similar or related firms and industries tend to assemble (concentrate, agglomerate, collocate, cluster) in particular places (Malmberg and Maskell 2002). For small producers, clustering and cooperation can be major facilitating factors to establish a certain degree of efficiency and flexibility in production that (small) individual producers can hardly attain. One of the dynamic advantages of clustering is the easier access to knowledge that operating in a cluster provides. Simple geographical proximity turns into a specialized area when stable inter-firm linkages and a local labor market guarantee the continuity of local technological and scientific know-how in the specific sectors on which the locality's comparative advantage rests over time (Capello 1999). The emergence of spatial clusters is often related to three factors: they frequently originate in a series of events leading to the start of a new firm at the place of residence of the founder; they develop through spin-offs and imitations within the local milieu; and they are sustained by various forms of inertia, meaning that firms rarely relocate from the region of origin (Malmberg and Maskell 2002).

In the past two decades, a sizable body of literature has been written on clustering in developing countries (e.g. Baud and de Bruijne 1993; Cadène and Holmström 1998; World Development special issue 1999; Pietrobelli and Sverrisson 2004; Schmitz 2004). For small producers, clustering and cooperation can be crucial factors to facilitate efficiency and flexibility in production that small producers normally would be unable to attain. The international success of spatially clustered industries in some developing countries has suggested that clusters can form a channel for industrial upgrading