

**BEYOND MEDIATION BORDERS: A COMPARATIVE CASE STUDY OF  
LABOR DISPUTES IN THE PHILIPPINES**

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Submitted to

Department of Political Science

Central European University

In partial fulfillment of the requirements for the degree of

Master of Arts in Political Science

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Vienna, Austria

2021

## ABSTRACT

In developing countries with liberalized trade regimes, the presence of an economic zone authority and the firm's foreign ownership create sufficient conditions to successfully conclude a labor dispute mediation, as exemplified by the absence of strikes relapse. This theory is derived from a qualitative comparative case study of NutriAsia and Lakepower, a local and a foreign firm operating in the Philippines with divergent mediation results despite sharing similar prior conditions. Earlier studies illustrate how industrial peace is locally controlled where economic zone authorities play a pivotal role, that multinational firms locate in these zones to maximize their global value chain participation, and that some firms are more vulnerable against uninterrupted production and worker instability than others. The thesis extends these findings by offering a theoretical guidance that links the firm's ownership nationality and local institutional terrain as determinants of state-led mediation outcomes. Additionally, the thesis finds that public and private economic zones affect local labor control regimes differently, and workers' bargaining power differ according to the firm's GVC participation. While recognizing the variance of labor dispute systems globally, the findings emphasize that establishing multiple formal channels to resolve industrial conflict can be ineffective if institutions from the local to the national level allow employers to devise specific strategies to evade accountability.

**Key words:** Labor dispute, industrial conflict, strike, mediation, economic zone, global value chain, local labor control

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## LIST OF ABBREVIATIONS

DOLE	Department of Labor and Employment
FDI	Foreign Direct Investments
GPN	Global Production Networks
GVC	Global Value Chain
ILO	International Labour Organization
IRD	Industrial Relations Division, Cavite
ITUC	International Trade Union Confederation
LMC	Labor-Management Committee
NCMB	National Conciliation and Mediation Board
PEZA	Philippine Economic Zone Authority
PM	<i>Partido Manggagawa</i> ('Labor Party')
TUCP	Trade Union Congress of the Philippines

## INTRODUCTION

“Before a nation can produce, it must achieve social peace” (Roe 2003, 1). Disagreements between workers and employers in the workplace, which I interchangeably refer throughout the research as labor dispute or industrial conflict, both have political implications and are politically constituted. Ironing out differences that disrupt the flow of production is not just a private concern; it is of national interest to ensure economic stability and social order. On the other hand, the conditions from which these disagreements arise reflect the power relations between workers and employers, which in turn defines the distribution of social rights (Korpi 2006, 172–74) and their bargaining power throughout the conflict.

Collective bargaining is the mainstream approach to settle labor disputes where parties bilaterally negotiate and enforce an agreement that guarantees workers’ protection and employer’s stability. However, this assumes that the workers’ rights to organize and collectively bargain are guaranteed (Visser, Hayter, and Gammarano 2017). In countries where collective bargaining does not effectively settle labor disputes primarily due to weak unionization, conflicting parties may avail of state-led dispute resolution mechanisms such as mediation, arbitration, and litigation. In state-led mediations, a government actor assumes the role of a third party mediator who facilitates the workers and employers to develop their own solutions. As the process is party-centered, voluntary, and usually more structured than bilateral negotiations, mediation appears to be shortest route to end an industrial conflict. Counterintuitively, not all labor disputes involve parties that are eager to enter mediation despite the looming transaction costs on both sides.

What are the conditions that influence state-led mediations to successfully reconcile labor disputes? I aim to address this question by comparing two worker-employer conflicts in the Philippines that went through the same mediation process to mitigate the recurrence of strikes. In both NutriAsia and Lakepower disputes, workers similarly raised issues on unfair labor practices in their manufacturing firms, protesters experienced violent dispersals in the picket lines, and conflicting parties were subsequently called by the government to reconcile in the same mediation channel. However, in NutriAsia, the mediation process is insufficient to settle the disputes. What explains the divergence of outcomes?

I argue that the employer's conflict strategy triggers the success or failure of state-led mediations. This strategy is conditioned by the extent of the firm's participation in the global value chain (GVC) and its utilization of the uneven regulations that governs the firm's operations. In developing countries with liberalized trade regimes, it is the firm's ownership nationality that ultimately indicates these two conditions. Lakepower, an export-oriented foreign-owned firm, operates in the Philippines to fully participate in the GVC. The employer is thus conditioned to devise a *non-interruptive* conflict strategy which brought successful mediations. NutriAsia, a Filipino-owned firm run by an entrenched business elite, is less exposed to international trade primarily due to institutional legacies that produce a limited domestic market. Given its profile, the employer is in a position to utilize the country's uneven regulatory framework towards a *legalistic* conflict strategy which triggered its mediations to fail. Indeed, regardless of ownership nationality, a firm's operation in an economic zone or ecozone facilitates industrial peace in the locality, but when labor disputes escalate to national-level mediations, it is the firm's ownership nationality that can ultimately predict its outcome.

Extant literature concretely suggests that in developing countries, ecozone authorities utilize localized strategies to contain industrial conflict (Kelly 2001; Moran 2002; McKay 2006). Likewise, multinational firms operate in these ecozones to maximize their GVC participation (Mosley and Uno 2007; Gereffi 2014), and some firms prioritize uninterrupted production and workers' stability over other factors (Hutchison 2004). But when industrial conflict reaches the national arena, there is little theoretical guidance on the determinants of its outcome. I fill this gap by introducing a theory that links ownership nationality and the local institutional terrain as conditions to the success and failure of state-led mediations.

While labor dispute systems between countries are largely varied, the key findings in this study offer policy lessons on why creating multiple formal channels to resolve industrial conflict can be ineffective if institutions from the local to the national level allow employers to devise specific strategies to evade accountability. Workers in developing countries with export-led growth, highly informal institutions, and where local politics is as crucial as the national government in subordinating unions may share similar experiences.

The research is organized as follows. The first chapter sets the theoretical assumptions on the role of the state in industrial peace and how its policy interventions are path-dependent. This frames the illustration of industrial peace in the Philippines and how its institutions define the strategies of local and foreign firms in navigating industrial conflicts. The second chapter justifies NutriAsia and Lakepower as the analytical focus, maps the relevant concepts, and describes how the data is utilized to analyze these cases in the third chapter where I present my key arguments in detail. I lastly highlight my main findings, research limitations, and suggest areas for future research.



# LITERATURE REVIEW

## A. Theoretical Assumptions

### 1. Minimal State in Industrial Peace

The state is not just any actor in industrial relations. While government actors may intervene in determining the rules of worker-employer relationships, it is the state which defines its underlying conditions (Hyman 2008, 260). In industrial relations, the state exercises *accumulation*, *pacification*, and *legitimation* functions which often contradict with each other. In performing accumulation functions, the state encourages economic performance, productivity, and competitiveness; in pacification, it ensures industrial peace by defusing conflict and labor repression; in legitimation, it fosters popular consent through pursuing social equity and advancing citizenship and voice in the workplace (262-3).

In the globalized era, key actors in industrial relations act and justify their decisions following the logics of competition, industrial peace, and employment-income protection (Frenkel and Kuruvilla 2002), parallel to Hyman's (2008) accumulation, pacification, and legitimation functions. Within the *logic of industrial peace*, the state establishes bipartite and tripartite bargaining systems, arbitration, and mediation councils to settle the tensions that the logics of competition and employment-income protection generate (Frenkel and Kuruvilla 2002, 389). Aside from consensus-driven institutions, the logic of industrial peace is similarly enforced by criminalizing industrial actions and imprisoning workers who participate in protests. Globalization heightens the logic of industrial peace when the state enforces protectionist policies and curtail labor unrests from massive worker displacements (393).

Democratic states maintain industrial peace in ‘organized’ industrial relations by “simultaneously avoid[ing] the responsibility of legitimation while indirectly ensuring it” (Koçer 2009, 17). The task of legitimation is performed by workers and employers in collective bargaining, but the state indirectly shapes their negotiation outcomes through enforcing labor regulations and macroeconomic policies (18). In a neoliberal environment, democratic states can either minimally enforce industrial peace by allowing an employer-dominated collective bargaining system, or by being more involved through ‘pro-worker interventions’ which increase workers’ bargaining power (73). In developing countries with liberal trade regimes, labor disputes in organized industrial relations resonate with Koçer’s (2009) minimal state intervention hypothesis where employers dominate the negotiations. This is particularly true in mediations, where government actors merely facilitate the settlement of conflicting parties, and unions in developing countries are characteristically weaker than in developed countries. In this regard, the employer’s interests are expected to dominate in mediation outcomes.

## 2. Path-Dependent State Intervention

While both developed and developing countries adopt neoliberal policies, the regulatory framework that governs industrial peace does not necessarily converge. Within developed countries alone, the role of the state in industrial peace is more accurately defined by its past policy choices, and this divergent pattern sharpen throughout the decades (Traxler 1999, 70). Emerging economies that went through similar trade liberalization paths also show this path dependent trend, but their trajectories are further differentiated from developed countries given the prominence of informal institutions (Hayter 2018).

With its late industrialization and frequent political transitions, the regulatory framework of industrial relations in Southeast Asia resonates with Hayter's (2018) findings. Neoliberal policies are adopted in a context where informal rules complement or supersede regulatory frameworks. This results in piecemeal and particularistic regulations which allocate highly uneven political spaces across workers and employer groups in shaping industrial relations (Ford and Gillan 2016). Aside from institutional informality and the uneven spaces for political participation, industrial relations in Southeast Asia are further characterized by "the relative absence or presence of state agencies in enforcing their own regulations" (175). While path dependence primarily explains how Southeast Asian states selectively intervene in industrial peace, the region has also developed a shared pattern of "social exclusion and state and employer subordination of labor movements" as countries adopted neoliberal policies (169). As a result, Koçer's (2009) depiction of employer-dominated labor relations remain compatible within Southeast Asia's institutional attributes.

It is thus necessary to investigate how the state enforces industrial peace in Southeast Asia within the context of its trade liberalization regimes and each country's local institutional terrain. Given the assumptions of minimal state intervention and employer-driven negotiations, I argue that the success and failure of a mediation is determined by the extent of participation of firms in the GVC, and the employer's ability to utilize the country's uneven regulatory framework.

### **B. Industrial Peace in the Philippines**

Typical of a Southeast Asian state, industrial relations in the Philippines did not emerge from a class compromise where business profits are reconciled with social investments (Hutchison 2016, 185). In the first place, unions do not possess enough associational power to sufficiently leverage

their interests against the political and economic elites. Due to its US colonial experience, the country has the longest record of procedural democracy in the region. At the same time, the Philippines is characteristically a patrimonial state (Hutchcroft 1998; Hutchison 2016; Rivera 1994). Given these two features, electoral democracy is widely used as a means to legitimize oligarchic politics, and industrial policies are shaped by how the oligarchs continuously accumulate private wealth (Hutchcroft 1998; Kang 2004; Rivera 1994). These features further imply that the state accommodates some political spaces for nominal and structural opposition groups to exist (Coronel Ferrer 2004, 549). Particularly in labor movements, the state's pacification strategies diverge: conservatives and moderates are incorporated within the state, while the radical left groups are suppressed (Hutchison 2016, 187).

### 1. Institutional Legacies

The Industrial Peace Act of 1952 was promulgated during the post-independence era. The law reflects US-supported policies against communist insurgents and firm-level collective bargaining (186). The provisions further reveal intra-elite tensions, as reflected by contradictions on relaxed labor group registration but restricted state recognition, the coexistence of bipartite systems with compulsory arbitration, and presidential powers to intervene disputes that involves 'national interest' (Wurfel 1959, 595–605). With more formal than effective rights, labor groups scarcely participate in collective bargaining process nor engage in strikes (Snyder and Nowak 1982, 52), and 'company unionism' became a norm (Carroll 1961, 244). The conservative labor union, Trade Union Congress of the Philippines (TUCP), emerged from this backdrop. During the martial law era, the state prohibited firm-level unionization unless they are affiliated with TUCP where workers are deemed represented in tripartite negotiations (Hutchison 2016, 190).

As the country democratized, the state relaxed its formal rules on labor relations in response to pressures for drastic socio-economic reforms (Hutchison 2016; Ofreneo 1995). However, these conditions triggered an unprecedented number of strikes by radical left movements, leading employers to pressure the state to revert into stricter regulations on labor relations (Kelly 2001, 9). The state responded by suppressing the radical left, while the rest of the labor movements were given formal spaces in the political arena as party-list representatives of ‘marginalized social sectors’ in the Congress (Hutchison 2016, 190). Within the same period, the Department of Labor and Employment (DOLE) actively encouraged employers to create Labor-Management Committee (LMC) in the firms, which should be equally comprised of management and worker representatives (DOLE and DOF 1991, Rule. 3, Sec. 2), and where disputes are negotiated in a nonconfrontational manner (Ofreneo 1995). In reality, the establishment of LMCs deter workers from unionizing and establishing networks with federal labor unions (Kelly 2001, 10).

Firms that operate within ecozones have a different exposure on how the state intervenes in labor disputes. While DOLE remains the formal channel and the worker’s primary point of contact for complaints, operations within ecozones are monitored by the Philippine Economic Zone Authority (PEZA), which reports to the Department of Trade and Investments. PEZA is authorized to conduct site inspections independent of DOLE. The agencies’ mandates create conflicting perspectives on how (or whether) labor rights should be enforced in practice (Kelly 2001, 9–10; McKay 2006, 223).

Based on the Labor Code, multiple conflict resolution arena coexist – from firm-level collective bargaining to state-sponsored channels such as voluntary conciliation, mediation, and arbitration.

The Code maintains that the state can intervene in strikes to protect national interest. Aside from this, “department and executive interventions in labor disputes have increased” in the last ten years even if formal rules still prescribe collective bargaining as the primary negotiation area (Hutchison 2016, 191). Recently, DOLE introduced a ‘Single Entry Approach’ as another layer of state intervention in labor disputes, where all conflicts are now required to undergo the National Conciliation and Mediation Board’s (NCMB) 30-day preventive mediation period to preempt prolonged strikes and ease the backlog of arbitration cases. With the growing number of formal channels to industrial peace, the entire dispute resolution system has become “adversarial, legalistic and complex, with multiple entry points and multiple layers of appeal” where “many agencies [are] involved in resolving specific types of disputes”, which result into delays and inconsistent decisions (Bitonio 2012, 24).

The expansion of formal arena, however, is not converting into workers’ greater access to settle labor disputes. As Hutchison (2016, 191) maintains, “workers experiencing intimidation over their union rights [still] have limited recourse to state enforcement, especially at adjudication levels”. Why is this the case? I argue that it is not the lack of formal mechanisms *per se* that can explain workers’ limited access to state enforcement, but the presence of local labor control regimes which possess informal yet more powerful strategies that prevent workers from availing of the formal systems in the national arena.

As described in the next section, before conflicting parties can realistically avail of any of the national-level channels, they have to confront their disputes with ecozone authorities and several layers of local officials who each have their own interests and strategies to achieve industrial peace.

This is apart from two inherent issues that are shaped by the particularistic application of rules in the national arena. First, worker representations through LMCs result in employer-friendly settlements and compete with the objective of union organizing (Kelly 2001). Second, consistent with the global trend, the low levels of unionization in the Philippines decrease workers' leverage in collective bargaining (Lumactud 2019). These inherent issues are more salient in ecozones where workers have fewer incentives to organize given the added pacification strategies of ecozone authorities.

## 2. Local Labor Control Regime

The specific form of worker's resistance is defined by the dominant actor in the labor control regime, which can be the state, the market, or the employer (Anner 2015). The Philippines can be described as having a *market labor control regime* as this typically occurs in weak states with limited labor regulations and enforcement capabilities (294). In this regime, workers are disincentivized to unionize not primarily out of fear from state repression or the employer's coercive measures, but because doing so translates into job loss given unfavorable labor market conditions (292-93). Instead of organizing strikes, workers in firms within a supply chain mainly demonstrate resistance by networking with international labor groups to establish labor agreements at the transnational level (Anner 2015, 296; Seidman 2007). Nonetheless, workplace discipline precedes workers' resistance. Labor markets are politically constructed and socially regulated at the local level (Peck 1992). Thus, local actors are crucial in fostering workplace discipline that prevents industrial conflicts to happen in the first place.

A local labor control regime refers to “a stable local institutional framework for accumulation and labor regulation constructed around local labor market reciprocities” (Jonas 1996, 323). In the Cavite and Laguna ecozones where Lakepower and NutriAsia’s Cabuyao plant respectively operate, Kelly (2001) and McKay’s (2006) field research investigate how different local actors enforce industrial peace through its local labor control regimes. Kelly (2001) finds that through informal ties and circumventing formal rules, local officials, ecozone authorities, and employers are able to attain industrial peace by preempting worker strikes and avoiding national exposure of labor disputes. While the specific ways to achieve industrial peace are highly varied across localities, he argues that these local actors are the key mediators between global capital and local labor. Similarly, McKay (2006, 216–17) describes local labor control in the Philippines as a *flexible accumulation regime* (Burawoy 1985) where political, social, and cultural factors are treated as endogenous in the production, labor process, and intra-firm relations.

The presence of ecozone authorities is crucial to the local labor control regime. Whether they are publicly or privately managed, they act as a crucial buffer among investors, employers, local officials, and the surrounding community where the labor market is sourced (Kelly 2001; McKay 2006; Moran 2002). Kelly (2001, 14-15) finds that these administrators informally mediate disputes within the ecozones as they personally assume responsibility to avert labor unrests. Ecozone authorities also liaise with local officials to assure investors and employers the adequacy of labor supply in the locality. By coordinating with employers’ associations, ecozone authorities keep personal records of zone workers, and coordinate with local officials to ensure that these workers are ‘cleared’ from union networks that can instigate strikes. Moran (2002, 31) also mentions that to remain competitive in attracting foreign investors, some ecozone authorities offer



worker transportation service, recreational facilities, medical centers and day-care services in exchange for significant operation fees. Lastly, they ensure that the ecozone is protected by security personnel so that federal union organizers are restricted to interact with the zone workers (Kelly 2001, 14-15). While McKay (2006) generally finds that these administrators perform similar roles as Kelly (2001) observes, he emphasizes that they are crucial in creating a ‘manufactured consent’ (Burawoy 1979) among workers to voluntarily cooperate with the employers and downplay the benefits of collective action (221). Thus, McKay (2006, 221) asserts that local labor control regimes in ecozones are more effective than the individual strategies of employers in creating an environment where workers feel attached to their jobs and perceive disruptions as inherently detrimental in fulfilling work commitment.

McKay (2006) illustrates the distinctive spatial strategies of public and private ecozone authorities in terms of labor control. Note that Lakepower’s Cavite Export Processing Zone is publicly managed while ecozones in Laguna, such as NutriAsia’s Light Industrial and Science Park, are privately administered. McKay (2006, 176) remarks that in the last four decades, the state has reinvented its neoliberal strategies thrice in the spatial planning of these ecozones. The pilot public ecozone (i.e., Bataan) was ‘centrally despotic’, and its centralized worker housing became a breeding ground of unionization that caused extensive labor unrest which eroded investors’ confidence. Learning from this lesson, the state adopted a “neoliberal ‘rollback’ strategy” in Cavite where industrial peace is delegated to local officials who initially employed overtly coercive anti-union strategies that also lead to some business instability. Thus, in its third iteration, the state “has chosen a more preventive, ‘roll-out’ strategy, [by] formally privatizing new [ecozones], yet still

coordinating zone placement, planning, and security” as the case of Laguna ecozones (Brenner and Theodore 2002; McKay 2006, 176).

Despite the ecozone authorities’ extensive role in the local labor control regime, and the varied spatial strategies that public and private ecozones can use to ensure industrial peace, NutriAsia and Lakepower prove that operating in ecozones does not sufficiently guarantee firms that labor disputes can be contained in their respective localities. I argue that when firms fully participate in the GVC, the external pressures from its final-product manufacturers (Gereffi 2014, 13) dictate how industrial conflicts are navigated in host countries. While the presence of ecozone authorities facilitate these firms in achieving uninterrupted production by preventing the relapse of strikes, a firm’s extensive GVC participation motivates the employer to efficiently conclude the dispute when the issue can no longer be contained in the local arena.

## **C. Foreign Firms and Industrial Peace**

### 1. Global Value Chain Participation

GVC and Global Production Networks (GPN) are prominent explanatory frameworks to understand the global market engagements of firms, regions, and states (Neilson, Pritchard, and Yeung 2014, 1). While GVC maps the vertical sequence of the supply chain, leading to the distribution and consumption of goods and services, GPN describes the relationships among firms that binds them to a larger economic unit (Sturgeon 2001, 10–11). GVC and GPN imply a different assumption on the role of the state in global capital. While GVC treats the state as a “context for a firm-specific action”, state institutions are explicitly incorporated in shaping GPN (Neilson, Pritchard, and Yeung 2014, 3). Whether the state is conceptually treated as a context or an agent

in global production, Neilson et al (2014) notes that the state's action and inaction shape the firm's participation in the global market and the government's institutional capacity to upgrade its engagement. While this is the case, "power at the firm level can be exerted by lead firms or suppliers" in GVC (Gereffi 2014, 13) that can coordinate and control the global production even without directly owning the firm (Gereffi, Humphrey, and Sturgeon 2005, 81). In the electronics industry where Lakepower operates, GVC is more geographically extensive compared to other goods-producing sectors since there is little need for workers to co-locate and factories can be easily relocated to independent segments (Sturgeon and Kawakami 2010, 3). Therefore, while the firm's decisions as a GVC participant are shaped by the (in)action of political institutions from where it operates, the power in the 'producer-driven' chain is mostly held by final-product manufacturers (Gereffi 2014, 13).

## 2. Foreign Direct Investments in Ecozones

Developing countries accelerated their GVC participation in the 1980s under pressure from the International Monetary Fund and the World Bank to shift their industrial policies from import substitution to export-oriented growth (Gereffi and Wyman 1990). This allowed multinational companies to outsource lower-cost production offshore, particularly in Asia and Latin America (Gereffi 2014, 11). Many developing countries with liberalized trade regimes participate in GVC by establishing ecozones (Mosley and Uno 2007, 928), which already became important destinations of foreign direct investments (FDI) as evidenced by its substantial inflows to these areas (World Bank 2008, 35). In the Philippines, 81 percent of the FDI inflows in 2000 went to ecozones (UNCTAD 2003; World Bank 2008, 35). As an investment aid, ecozones insulate foreign, export-oriented firms in developing countries from higher transaction costs that can be

incurred if they chose to operate under the ‘usual’ domestic regulations. Foreign investors are thus positioned to tap human capital and primary goods at a lower cost, while being guaranteed of business stability through specialized government regulations from the local to the national level.

Policy advocates argue that ideally, ecozones should encourage developing countries to adopt export-oriented policy reforms given its ‘demonstration effects’ in terms of job creation and local development (Madani 1999). However, some argue that ecozones should only be established in localities that already possess the attributes that are attractive to FDIs (Graham 2004, 100; Madani 1999). Developing countries are advised against offering ‘overly-friendly’ business incentives, fully subsidizing ecozone infrastructures, disregarding labor rights enforcement, and weakening its environmental regulations (Madani 1999, 79–91). While some governments in developing countries perceive that restricting labor rights in ecozones effectively attracts FDIs, multinational firms do not generally account for labor standards in deciding investment locations (Mosley and Uno 2007, 927; Trade Union Advisory Committee to the OECD 1996). Aggressively attracting foreign investments without the right structural capabilities tends to draw low-quality FDIs from which host countries “find it difficult to escape the ‘value-added trap’” (UNCTAD 2003, 217). The overall impact of ecozones in FDI is difficult to gauge due to the lack of cross-country data (World Bank 2008, 35). However, if contextualized in the Philippines, the expansion of ecozones and the firms that opted to locate within it<sup>1</sup> and the country’s generous investment incentives for

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<sup>1</sup> Philippine ecozones expanded from 16 to 404 from 1994 to 2019. Only 4 of these ecozones are publicly-managed. In the same period, firms operating in these ecozones grew from 331 to 4,478 (Panga 2020).

FDIs<sup>2</sup> jointly suggest that ecozones have effectively attracted foreign firms to locate and maintain operations in the last four decades.

### 3. Employers' Strategies in Philippine Ecozones

Foreign employers in the electronics industry are more tolerant with labor groups compared to textile companies given their higher dependence on more stable and skilled workers (Kelly 2001, 11). Particularly in the semiconductor industry, multinational firms operating in host countries prioritize “uninterrupted production, stable front-line workers, cheap technical and engineering labor, and the expansion of management prerogative” to meet global competitive demands (McKay 2006, 215). In comparing ecozone practices in the Philippines, Costa Rica and the Dominican Republic, Moran (2002, 43) concurs that the employer’s industry of operations matters: employers with higher skill operations are more reliant on their workers, and they are willing to pay premiums to ecozone authorities to create better working conditions just to avoid disputes. Conversely, Hutchison (2004) finds that even in the textile industries, product quality and responsiveness to delivery requirements induce firms to directly control the production process. As a result, these employers keep the bulk of their workers in-house instead of hiring local subcontractors. With predominantly regular workers, she finds that the workplace becomes conducive to union organizing, and the employers are constrained to negotiate with their demands to remain competitive in the industry.

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<sup>2</sup> Formal rules allow foreign firms that export 70 to 100 percent of their products to enjoy the following incentives, to name a few: income tax holidays up to 6 years; additional deduction of labor expense, tax and duty exemption, and credits on imported and domestic capital equipment for up to 5 years; employment of foreign nationals in supervisory positions for up to 5 years, and foreign executive officers for longer periods. See Articles 32 and 39 of the Omnibus Investments Code of 1987.

Given the preceding discussions, I argue the following: First, in developing countries with liberalized trade regimes, ecozones are built to attract foreign firms that fully participates in GVC. Second, foreign firms that chose to operate in Philippine ecozones are able to operate within a business climate that sufficiently guarantees lower transaction costs. Third, these special legal guarantees are manifestations that the state creates distinct institutional arrangements that independently shapes the decisions of foreign and domestic firms in their daily operations, including their industrial conflict strategies. Finally, as an export-oriented foreign firm that operates in the electronics industry, Lakepower is induced to prioritize uninterrupted production and workers' stability, and their workers possess higher bargaining power compared to NutriAsia. These considerations shape the employer's conflict strategy during mediations.

## RESEARCH DESIGN

### A. Why NutriAsia and Lakepower?

NutriAsia and Lakepower are chosen as the study's cases to build a theory on how the outcomes of industrial conflict are linked to the firm's ownership nationality and local labor control. From the empirical puzzle, '*Why do some labor disputes settle through mediations while others do not?*' I chose to look for cases in the Philippines where labor disputes are associated with violence. International Trade Union Confederation (ITUC) (2020) ranks the Philippines among the Top Ten Worst Countries for Workers in the Global Rights Index. The presence of violence in labor disputes creates an assumption that a successful mediation is a deviant case while a failed mediation is a typical case. In other words, it is unlikely for conflicting parties to settle on their own as violence appears the norm for labor disputes in the country.

In the same report, ITUC particularly flagged NutriAsia as one of the four companies operating in the Philippines that violated workers' rights in 2019. At the preliminary data gathering, no evidence was found that NutriAsia's mediations ended with a settlement. Thus, NutriAsia was assigned as the typical case. I then searched for cases of successful mediation within the same timeframe as NutriAsia. Lakepower was chosen as the second case as it shares similar initial conditions with NutriAsia and due to sufficiently available data. Informed by ITUC's Report, I assign Lakepower as the deviant case.

Thus, the case selection process was done through 'theoretical sampling', where "cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt and Graebner 2007, 27). By studying multiple cases, these

“constructions and relationships [are] more precisely delineated” by enabling the research to assign more accurate definitions and appropriate abstraction levels (Ibid.).

The results of this study should be tested in cases with similar scope conditions. Specifically, in developing countries where local political institutions historically play a prominent role in containing violent industrial conflicts. This is expected to manifest in countries that prioritize export-oriented growth, since this creates institutions that produce ‘employment-related tensions’ (Deyo 2012, 2). Developing countries in Southeast Asia and Latin and Central Americas are deemed to qualify as future test cases for this study’s findings, where decades of adopting export-oriented reform policies did not necessarily result into rapid industrialization due to government failures.

## **B. Conceptual Framework**

### 1. Mediation Success and Failure

A state-led mediation refers to the mediation performed by the NCMB. A mediation is called for once the workers file a notice of strike. During the process, NCMB facilitates a dialogue between the employer and workers to bilaterally negotiate and settle the dispute. It has no authority to impose decisions on behalf of the conflicting parties. Among the various industrial conflicts that NCMB is mandated to resolve, I confine the discussion on unfair labor practices as this is a shared issue in NutriAsia and Lakepower’s disputes.

Based on the formal rules, if the mediation is successful, the workers withdraw the notice of strike while the employer complies with the workers’ demands following a settlement. If the mediation



is unsuccessful, conflicting parties can either avail of a voluntary or compulsory arbitration through the National Labor Relations Commission, a quasi-judicial body under DOLE (Bitonio 2012, 23). In the course of either arbitration, parties can still avail NCMB's mediation channel. If the arbitration outcome remains unfavorable, they can resort to the Court of Appeals and further appeal to the Supreme Court.

The extensive dispute resolution system in the Philippines, coupled with the absence of public disclosure on the detailed status of the mediation cases, are primary measurement challenges to define the mediation outcome. Given these limitations, I confine the definition of a successful and failed mediation based on the *recurrence of industrial conflict as manifested by the relapse of strikes*. Since a mediation is triggered by a strike incident, its absence indicates that the NCMB has no imminent case to mediate.

I thus define a 'successful' mediation as *the absence of recurring industrial conflict after the NCMB concluded a mediation*. A successful case, however, is not concerned whether the parties genuinely enforce the provisions in the settlement. A 'failed' mediation means *there is an industrial conflict recurrence after the NCMB intervened in the mediation process*. In other words, strikes recur even after or while the state-led mediation is taking place. A failed case is further indicated by the absence of press releases from the government or the negotiating parties that the mediation has concluded with a settlement.

Based on the above definitions, Lakepower can be considered as a successful case. It is true that the initial mediation in 2017 concluded with a settlement, yet the employer's failure to comply

with the agreed terms triggered a three-month strike months later. However, after the second round of mediation in 2018, the dispute did not recur. Meanwhile, NutriAsia is a failed case. The three rounds of mediation that were held in July and August 2018 for the Marilao plant, and the 2019 mediation for the Cabuyao plant, did not conclude to stop the recurrence of industrial conflict.

## 2. Employer's Conflict Strategy

I argue that NutriAsia and Lakepower's different mediation outcomes can be attributed to the employer's distinct conflict strategies. These, in turn, are defined by the employer's (non)utilization of uneven regulations and the extent of the firm's GVC participation.

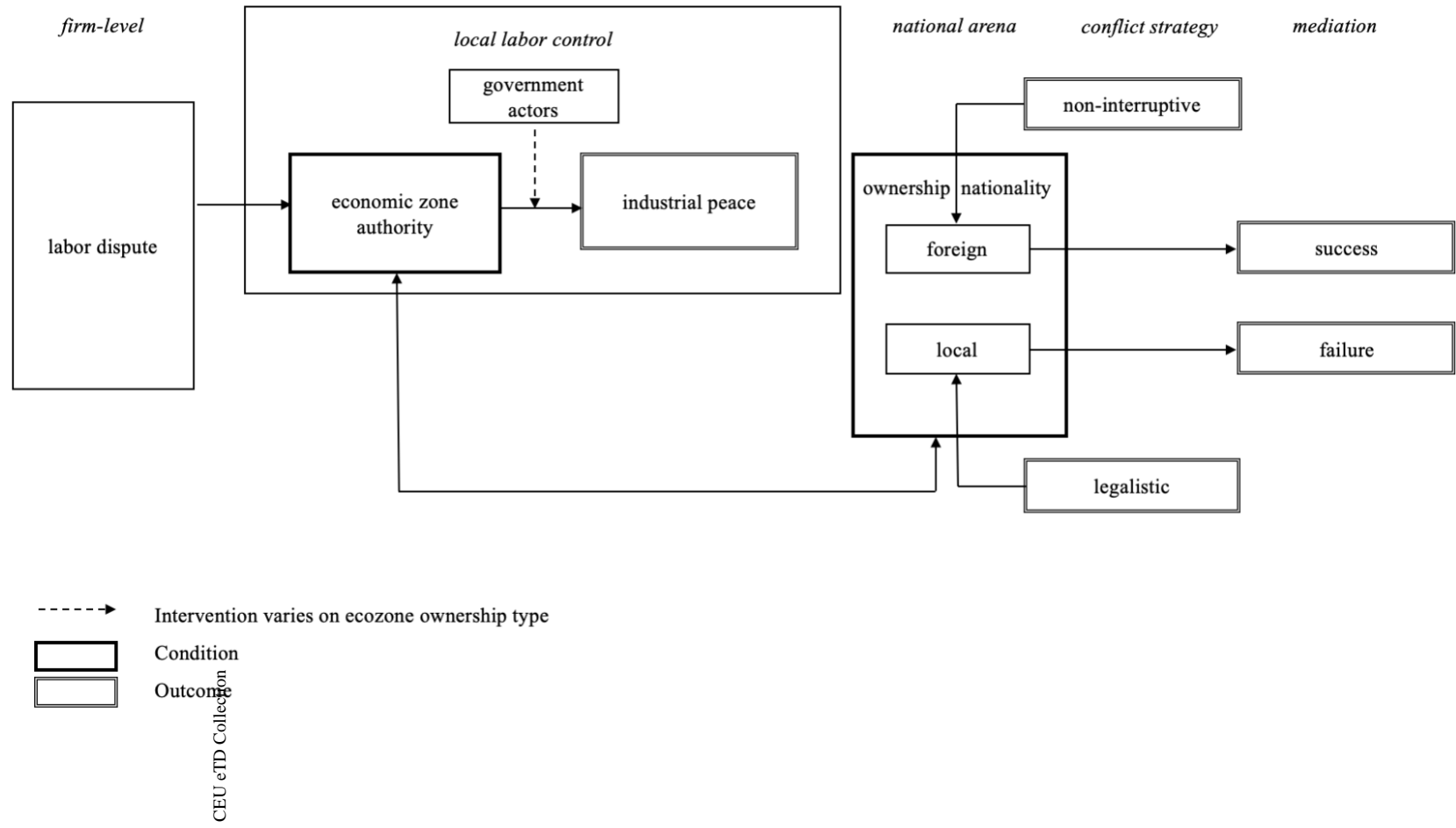
In NutriAsia, the employer's *legalistic* conflict strategy is mainly driven by its capability to take advantage of the country's uneven regulations to advance its interests. A legalistic conflict strategy uses the formal rules to disassociate the firm from the industrial conflict, and the judicial system to enforce industrial peace. NutriAsia's conflict strategy is linked to its failed mediation.

Conversely, in Lakepower, the employer's *non-interruptive* conflict strategy is mainly driven by its high GVC participation. In this strategy, the employer avails mediation as the shortest route to settle the conflict. In Lakepower, the employer used NCMB to 'mediate its way out' of legal accountabilities from the worker's charges which enabled the mediation's success.

## 3. Conditions to Successful Mediation

As illustrated in the conceptual framework [see Figure 1], a successful mediation has two ultimate conditions: the *presence of an ecozone authority* and the *firm's foreign ownership*.

Figure 1: Conceptual Framework



### a) Ecozone Authority

Economic zones or ecozones are “clearly defined geographic areas in which national, provincial or local governments use policy tools such as tax holidays, improved infrastructure, and less onerous or differentiated regulations and incentives other than those generally available in the rest of the country.... to attract and promote private - *usually foreign* - investment from enterprises which commit to create employment and to export their products or services, and generating foreign currency for the host country” (Carter and Harding 2011, 2, emphasis added).

Given the extensive role of ecozone authorities in maintaining local labor control (Kelly 2001; Moran 2002; McKay 2006), their mere presence should confine the industrial conflict to the locality. As such, I argue that it is unlikely for a strike to relapse if the firm operates within an ecozone.

Local officials (i.e., mayors, governors, and police officers) may proactively intervene and pacify the dispute depending on three factors: (1) ideological stance on labor rights, (2) economic gains of the locality in preserving industrial peace, and (3) political mileage from mediating in the conflict (Kelly 2001; McKay 2006). The data from NutriAsia and Lakepower denote that the presence of ecozone authorities alone does not necessarily induce local officials to step in. Instead, the ecozone’s *operation type* (i.e., whether it is publicly or privately managed) affects the local officials’ decision to intervene in the conflict.

## b) Foreign Ownership

The firm's ownership nationality largely determines the employer's strategies during the mediation. A firm is *local* if 60 to 100 percent of its shares are owned by Filipino citizens as constitutionally provisioned. A firm is *foreign* if it falls below this threshold. I particularly focus on foreign firms that operate in Philippine ecozones who are eligible for investor-friendly incentives given their export orientation.

In examining Lakepower, I found that its foreign ownership determines its high GVC participation and non-utilization of the country's uneven regulations. Meanwhile, NutriAsia's local ownership defines its low GVC participation and utilization of uneven regulations.

Following Article 32 of the Philippine Omnibus Investments Code of 1987, a foreign firm that exports at least 70% of its total production are eligible to investor-friendly incentives. I thus follow this formal rule in defining a firm's GVC participation: A *high* GVC participation exports at least 70% goods abroad; a *low* GVC participation exports below 70% of its output.

Filipino-owned firms like NutriAsia are confined to a small domestic market and have limited exposure to international trade due to past policy choices against land redistribution and delayed shift from import substitution to export-oriented policies (Alburo 2018; Rivera 1994). NutriAsia has a *low* GVC participation since 90% of its total sales were accounted domestically (de Vera 2014). Conversely, Lakepower has a *high* GVC participation as it is registered as an 'export enterprise' in PEZA which means 100% of its products are exported abroad.

The employer's *utilization of uneven regulation* is indicated by *whether or not other formal institutions outside the jurisdiction of DOLE* were availed to advance its interests during the industrial conflict. DOLE has created several formal channels that are designed to incur smaller transaction costs for conflicting parties who are eager to efficiently settle their disputes such as Lakepower. However, there are still employers like NutriAsia who chose not to avail any of these channels and resort to the judicial system.

### C. Methodology

I qualitatively investigate this empirical puzzle in a cross-case comparative study. I use Mill's Method of Difference to compare the selected cases, since NutriAsia and Lakepower share the 'most similar' conditions yet their mediation outcomes are different. As presented in Table 1, both cases involve manufacturing firms that committed unfair labor practices as defined by DOLE<sup>3</sup> which induced workers to organize a strike. In both cases, workers experienced violent strike dispersals and availed the same mediation channel as the means to conclude the dispute. Despite the similarity of these conditions, Lakepower's mediation ended with a settlement while NutriAsia did not.

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<sup>3</sup> DOLE defines Unfair Labor Practices by the employer as follows:

- a. Requiring as a condition of employment that a person or an employee shall not join a labor organization or shall withdraw from one to which he belongs;
- b. Contracting out services or functions being performed by union members when such will interfere with, restrain, or coerce employees in the exercise of their right to self-organization;
- c. Discrimination as regards to wages, hours of work, and other terms and conditions of employment in order to encourage or discourage membership in any labor organization; and
- d. Dismissal, discharge, prejudice or discrimination against an employee for having given or being about to give testimony under the Labor Code. (Art. 248, 249 of the Labor Code, as amended)

See 'Unfair Labor Practice' at Bureau of Labor Relations' website: <<https://blr.dole.gov.ph/2014/12/11/unfair-labor-practice/>>

The nature of NutriAsia and Lakepower's labor disputes fall under a to c.

Table 1: Comparison of Cases

Case	Conditions						Outcome	
	Similarities				Difference		Employer's Conflict Strategy	Mediation
	Sector	Labor Dispute	Violent strike dispersal	Mediation Channel	Ecozone authority?	Foreign Ownership		
NutriAsia	Manufacturing	Unfair labor practices	Yes	NCMB	NutriAsia I: No	No	<b>Legalistic</b>	Failure
					NutriAsia II: Yes			
Lakepower	Manufacturing	Unfair labor practices	Yes	NCMB	Yes	Yes	<b>Non-interruptive</b>	Success

In the exploratory empirical analysis, I find that non-recurrence of strikes occurs in labor disputes that involve an ecozone authority, and that the firm's ownership nationality conditions its conflict strategy in the mediation process. The success and failure of a mediation is thus ultimately defined by these conditions, as highlighted in the table. As observed in each case, the employer's conflict strategy is largely informed by the extent of its utilization of uneven regulations in the Philippines and the firm's GVC participation. I also found that the mediation success, as defined by the non-recurrence of industrial conflict (indicated by the absence of strike relapse), is significantly influenced by the presence of an ecozone authority whose operation type affects the involvement of the local officials where the ecozone is located. *Based on the Lakepower case, both the presence of ecozone authority and foreign ownership produce a successful mediation.* As an 'intermediate' case, NutriAsia II further supports this overall finding. The presence of an ecozone authority may have prevented the strike from relapsing, but the firm's local ownership triggered a different conflict strategy that led to a failed outcome. There is no evidence that NutriAsia II's mediation concluded with a settlement. Meanwhile, the absence of both ecozone authority and foreign ownership in NutriAsia I resulted in strike relapse and aborted mediations.

#### **D. Data Collection Methods**

I inductively examine primary and secondary data sources through content analysis to trace the specific strategies of the employers and local actors as they navigate their respective industrial conflicts.

As primary data, I interviewed two individuals who are directly knowledgeable to the cases. First is Aika Rey, *Rappler's* spot reporter on labor issues. She covered both NutriAsia and Lakepower



disputes and directly interviewed individuals who represent the workers, employers, NCMB, and DOLE officials. However, as the disputes occurred around four years ago, she can only share broader recollections of these events and the general practices of key actors during industrial conflicts in the Philippines. Her knowledge on the broader practices provides clues whether the actions of key actors in NutriAsia and Lakepower were typical or unusual given the local context.

The second interviewee is Benjamin Velasco, a federal union officer of *Partido Manggagawa* (PM), a militant group whose primary ‘turf’ covers ecozone labor groups across the Philippines. He is also an instructor in the School of Labor and Industrial Relations at the University of the Philippines. Velasco was directly consulted by the workers in Lakepower during the dispute, and actively networked with international NGOs during their branding campaigns to the employer’s supply chain. His direct involvement in Lakepower provides valuable data on the local labor control regime in Cavite and the unpublicized strategies of the key actors in the dispute. Moreover, his position in PM makes him a subject matter expert in providing information on how publicly and privately managed ecozones behave differently during industrial conflicts.

The primary data culled from these interviews either verify or supply my initial content analysis of secondary data that are sourced from the following:

1. News articles from national and regional media websites;
2. Press releases from government websites such as DOLE, NCMB, and PEZA;
3. Blog posts and press releases from PM and international labor groups;
4. Company disclosures and announcements from:
  - a. NutriAsia and its publicly-listed subsidiary, Del Monte Philippines;

- b. Lakepower's parent company, Coil Technology Corporation; and
5. Field notes and primary data from previous case studies on local labor control regimes in the Philippines, particularly the works of McKay (2006), Moran (2002), and Kelly (2001).

For each case, the data collection follows the timeline of the initial strike until the mediation stage. For Lakepower, this occurred from 2017 to 2018; for NutriAsia, from 2018 to 2019. Items 1 to 3 typically include the circumstances that led to the dispute and how the employer, the ecozone authorities, and local officials respond to the unrest. The mediation's progress and the recurrence of strikes are announced in items 1 to 4.

For *ecozone authority*, I look for evidences in items 1 to 5 that collectively describe the strategies of employers, ecozone authorities, and local officials (e.g., mayors, governors, and police forces) during the disputes. In line with McKay (2006) and Kelly's (2001) field researches, I matched these evidences with the goals of the employers, ecozone authorities, and local officials in industrial peace.

For *foreign ownership*, I rely on items 1 and 4 to identify and validate the firm's ownership nationality. In *employer's conflict strategy*, I collected the statements of employer's representatives and observations of reporters and blog writers from items 1 to 3.

## EMPIRICAL ANALYSIS

For analytical purposes, the NutriAsia case is divided into two. The first wave of industrial conflict, referred as NutriAsia I, occurred where both theorized conditions (i.e., ecozone authority and foreign ownership) that lead to a successful mediation outcome do not exist. I thus call NutriAsia I as the ‘Absent-Absent’ Case. As shown below, the absence of ecozone authority explains the recurrence of strikes, while its local ownership provides conditions that enable the employer to devise a *legalistic* conflict strategy which leads to a failed mediation.

In NutriAsia II, the presence of ecozone authority can explain the non-recurrence of strike. However, I argue that the mediation equally failed since the employer devised the same conflict strategy as NutriAsia I due to its local ownership. With this partially different result, NutriAsia II is referred as the ‘Present-Absent Case’.

In contrast, the combined presence of ecozone authority and the firm’s foreign ownership resulted Lakepower’s successful mediation outcome. While the strike lasted for three months, no further industrial conflict was reported after the second round of mediation concluded. I argue that the anti-union attitude of the ecozone authority, combined with the pro-worker public stance of the local officials, prevented the strike to relapse. At the same time, being a foreign firm that fully participates in GVC, the employer was able to devise a *non-interruptive* conflict strategy that was key to a successful mediation.

Table 2 describes the factors that define the main findings of the research. There are two main conditions that can cause a successful mediation outcome: the presence of *ecozone authority* (Kelly

2001; McKay 2006; Moran 2002) and the firm's *foreign ownership* (Carter and Harding 2011; Gereffi 2014). From the data gathered, the ecozone's operation type (i.e., whether it is publicly or privately managed) influences the proactiveness of local officials in the labor dispute. Thus, for presentation purposes, both factors are clustered under the heading of 'Local Labor Control', in line with Kelly (2001) and Jonas's (1996) description of how both ecozone authorities and local officials coordinate efforts to contain industrial conflicts. Similarly, in developing countries with liberal trade regimes that establish ecozones to attract FDIs like the Philippines, ownership nationality can indicate the firm's extent of GVC participation (Carter and Harding 2011; Gereffi 2014), as well as its (non)utilization of the uneven regulatory framework (Hutchcroft 1998; Kang 2004; Rivera 1994). These are therefore clustered under 'Firm Profile' heading in the table. NutriAsia and Lakepower's divergent conflict strategies are derived from these two conditions, which in turn defined their mediation outcomes.

Table 2: Matrix of Conditions to Outcome

Case	Conditions					Outcome	
	Local Labor Control		Firm Profile				
	Ecozone Authority?	Proactive Local Official	Foreign Ownership	GVC participation	Utilization of uneven regulations	<b>Employer's Conflict Strategy</b>	Mediation
NutriAsia I	No	No	No	Low	Yes	<b>Legalistic</b>	Failure
NutriAsia II	Yes, private	No					
Lakepower	Yes, public	Yes	Yes	High	No	<b>Non-interruptive</b>	Success

## **A. NutriAsia I: ‘Absent-Absent’ Case**

NutriAsia I, the ‘absent-absent’ case, has neither of the two conditions that lead to a successful mediation outcome. NutriAsia I is the industrial conflict in the Marilao plant in Bulacan province from February 2018 to February 2019 (CEGP 2018; Rey 2018a). The strike lasted for around one month (Silverio 2018). The protesters were able to return to the picket line three days after the violent dispersal (CEGP 2018), and there is no evidence that the mediations held after the strikes concluded with a settlement.

The Marilao plant operates outside an ecozone, and there is no evidence that the local officials were proactively involved in ensuring industrial peace prior to the conflict. When DOLE sanctioned the employer due to violations of health and safety standards and labor-only contracting regulations,<sup>4</sup> there is no proof that the employer coordinated with local officials to curtail the subsequent strikes in June 2018. Instead, the employer sought the help of the regional court via a temporary restraining order to mobilize the local police forces and pacify the strikes. Moreover, the protesters were detained in Meycauayan, the city adjacent to the municipality of Marilao, and it is the Meycauayan prosecutors who exclusively facilitated the release of 19 of the 20 arrested workers (CNN Philippines Staff 2018). Even if NutriAsia I’s violent strike dispersal received the highest media coverage among the cases discussed here, the local officials in Marilao and the provincial officials of Bulacan did not even issue a statement in the midst of public condemnation.

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<sup>4</sup> Other than committing acts of unfair labor practices, the employer in NutriAsia I also took advantage of the weakly enforced corporation law by primarily availing its manpower from a contractor that was registered as a ‘multi-purpose cooperative’ in order to evade tax obligations (Casino 2018).

NCMB called the conflicting parties to mediate twice on July and August 2018, but the employer refused to confront them in the mediation process as they are said to represent the interests of contractor-workers, and not their own employees (Elago et al. 2018). This position ties up with their appeal against DOLE's labor-only contracting sanction (Rey 2018b). Notably, the latter even partially reversed its order in February 2019 to regularize the workers from NutriAsia I's main contractor (Casino 2018). There is no evidence, however, to link the employer to the reversal of such rule. In between August 2018 to January 2019 when only a single news portal publicized that the parties agreed to sign a collective bargaining agreement (CBA) (RMN 2019), the dispute did not receive further media coverage to inform the status of the mediation. What is only known is that even after the CBA signing, unionized workers were not able to return to their jobs, and that the employer did not receive sanctions from what was left of DOLE's ruling (CTUHR 2019).

The erratic and incomplete mediations indicate that part of the employer's approach to the industrial conflict is to avoid the mediation channel. Combined with skillful avoidance of the costs of complying with formal regulations, it appears that the employer's primary strategy in NutriAsia I is two-fold: take advantage of the weak law enforcement to disassociate themselves from being accountable for industrial conflict, and; in the absence of proactive local officials, use the judicial system to tap the local police forces should industrial peace need to be enforced through coercion. I refer this as a *legalistic* employer's conflict strategy given its extensive utilization of the country's legal framework.

## **B. NutriAsia II: ‘Present-Absent’ Case**

NutriAsia II represents the industrial conflict in Cabuyao plant in Laguna province from July to August 2019. The strike only lasted for one day. Unlike NutriAsia I, the Cabuyao plant operates in Light Industry and Science Park, a privately-managed ecozone. Given its location, NutriAsia II fulfills one of the two conditions to a successful mediation outcome: the presence of ecozone authority.

It is theoretically supported that given its economic interest to maintain uninterrupted production, ecozone authorities have their own strategies to mediate industrial conflict and contain the tension within its enclave (Kelly 2001; Moran 2002; McKay 2006). Contingent on whether local officials perceive ecozones as part of their ‘turf’ (McKay 2006) or they are simply hands-off to labor disputes as this is beyond their political accountability (Kelly 2001), the strategies of ecozone authorities may be augmented with further local labor control.

The industrial peace strategies of private ecozones can be attributed to the absence of strike recurrence in NutriAsia II for several reasons: First, unlike in NutriAsia I which has no ecozone authorities, Light Industry and Science Park function as the investor’s ‘one-stop shop’ for all government transactions, including the informal mediation of labor disputes. As an ecozone administrator validates in McKay’s (2006, 152) interview: “So if there is a problem, like a minimum wage problem, we deal with it first. We have an understanding with the DOLE and their inspectors; they can’t come in here without going through us first”. Second, private ecozones are spatially planned by PEZA to be remotely located from densely residential areas. To secure labor supply, employers are aggressively encouraged to offer free shuttle bus service at distant but



multiple pick-up points in the locality so that workers have minimal chances to congregate. Third, whereas Lakepower's Cavite ecozone is publicly accessible (at least until recently), private ecozones in Laguna prohibit 'walk-in' access, which prevents organized unions from recruiting members in the plants (152-53). Lastly, strikes within private ecozones are more challenging to organize as ecozone administrators claim that they can legally prohibit industrial disruptions since the area is a private property (Velasco, personal communication, 21 May 2021).

While NutriAsia II occurred within an ecozone, there is no evidence that the municipal officials in Cabuyao were proactive in terms of labor control prior to the conflict. There are two possible explanations to the local actors' behavior: Given the strategies above, private ecozones effectively insulate the firm's operations from local politics (McKay 2006) and; Cabuyao officials are simply personally disinterested in intervening in labor disputes (Kelly 2001), which is the more common practice compared to the local officials' posturing in the Lakepower case (Velasco, personal communication, 21 May 2021).

McKay (2006, 154) found, however, that the provincial government of Laguna helped create Labor-Management Committee (LMC), where the local officials, PEZA, DOLE, and ecozone authorities sit with the workers and employers to settle labor disputes. This defies DOLE's formal rules that LMCs should be exclusively composed of workers' and employer's representatives. Nonetheless, as a PEZA official in McKay's interview remarks, "This way, the enterprise can count on the LMC and the government to resolve disputes and ensure it won't ripen into a full-blown strike." As expected, ecozone authorities explicitly support LMCs as an alternative to unionizing: "We push LMCs because they are much better than a full-blown unionized workforce.

It's not that I'm anti-union. I'm just pro-industrial peace" (144). These interviews confirm Kelly's (2001, 10) claim that LMCs deter workers from establishing networks with federal labor unions. Nonetheless, at least for NutriAsia II's case, there is no data to prove that an LMC was established in the Cabuyao plant.

Additionally, McKay (2006, 154) adds that private ecozones in Laguna actively coordinate with the Philippine National Police at the national and provincial levels to secure the enclave against federal labor unions. While this practice was not particularly observed in NutriAsia II, there are reports that the provincial police forces participated in the violent strike dispersal, exerted physical violence, and facilitated the arrest of 17 protesters (Gaite et al. 2020).

NutriAsia II's dispute likewise involves its defiance of DOLE's sanction against labor-only contracting regulations and health and safety standards. Similar to NutriAsia I, the workers claim that they "have gone through all processes to have their grievances addressed, yet never received any favorable response" (Elago et al. 2018), since the employer refused to recognize them as their own workers under the same grounds as they raised in NutriAsia I (Abante 2019). In turn, the employer said that they did not anticipate the strike as the dispute was already being mediated in the NCMB whose representative was physically even present to mediate between the parties in the scene (Abante 2019). Despite the employer's apparent recognition of the mediation process, there is no evidence that it was concluded with a settlement like NutriAsia I. Instead, they dealt with the conflict by filing assault and illegal detention cases against the arrested workers (Abante 2019), who were eventually transferred from the municipal to the provincial jail without securing a proper

clearance from DOLE (CTUHR 2019). Similar to NutriAsia I, there is no evidence to link the employer to this violation of due process.

Thus, while the strikes did not recur which could have suggested that NutriAsia II is a success case, there is neither an evidence that the ongoing mediation during the strike was completed. Moreover, the fact that the 17 unionized workers remain detained after the single-event strike indicates that the industrial conflict continues in the Cabuyao plant. As shown above, NutriAsia II's mediation failed to conclude since the employer applied the same *legalistic* strategy in NutriAsia I. The strategies of private ecozone authorities may have prevented the strike to relapse, but when the industrial conflict escalated to the national arena, it is the employer's conflict strategy that shaped the mediation outcome.

### **C. NutriAsia I and II: Foreign Ownership as the Missing Condition**

Taking both cases into account, I argue that the extent of NutriAsia's GVC participation and its utilization of the country's uneven regulations specifically creates a condition that enables the employer's legalistic conflict strategy. In developing countries with liberalized trade, it is the firm's ownership nationality that primarily defines its GVC participation (Carter and Harding 2011; Gereffi 2014). Conversely, the same condition cannot produce the *non-interruptive* or 'mediating its way out' conflict strategy that is available to the employers of Lakepower, as discussed in the next section.

NutriAsia is a local firm privately held by its ultimate beneficial owner Joselito Campos, Jr. (Del Monte 2020, 16–17), who also acts as the Chairman and the Chief Executive Officer (Del Monte

2021). Campos belongs to an entrenched business elite. The family patriarch, Jose Yao Campos, monopolized the local pharmaceutical industry as a crony of Ferdinand Marcos (Lustre 2016). NutriAsia manufactures and distributes food condiments. In 2014, 90% of its total sales were accounted domestically, with their flagship products topping the market share (de Vera 2014). The firm has no operations outside the Philippines, and the minority of its products that reach the international market are in countries where Filipino workers usually migrate (NutriAsia 2021). As noted earlier, the firm has operations in the provinces of Bulacan and Laguna, which are just 40 to 60 kilometers away from Manila. In both Marilao and Cabuyao plants, around 90% of its employees are contractual workers. Prior to DOLE's partial reversal of its ruling (Casino 2018), the agency ordered the employer to regularize 70% of them (CTUHR 2019; Rey and Bautista 2018).

The employer's approach to industrial conflict falls within the pattern of how Philippine business elites have historically shaped industrial policies according to its private accumulation priorities (Hutchcroft 1998; Rivera 1994). Since the dominant landed business elites in the post-war period effectively blocked land redistribution and delayed the country's shift from import substitution industrialization to export-oriented strategies much later than its peer states (Alburo 2018; Rivera 1994), current business elites are confined within a smaller domestic market and have less exposure to international trade. These institutional legacies enable domestic firms run by entrenched business elites such as NutriAsia to be more adept and assured in taking advantage of the country's uneven regulatory framework. At the same time, these path-dependent conditions provide the broader context on why NutriAsia has limited GVC participation which makes the employer less vulnerable to production interruption compared to Lakepower. By being

experienced to capitalize the weaknesses of the local institutional terrain and having negligible external economic pressure to settle disputes immediately, the employer is not incentivized to conclude industrial conflicts using the mediation channel.

#### **D. Lakepower: ‘Present-Present’ Case**

I argue that Lakepower has both conditions which enabled the employer to devise a conflict strategy that led into the a successful mediation outcome: the presence of ecozone authority and foreign ownership. The case involves two mediation settlements that respectively concluded the labor disputes of June to July 2017, and November 2017 to April 2018. Unlike in the NutriAsia case, both conditions are present and their attributes are identical: it is the same firm in the same ecozone authority. It is only during the second round of conflict that the workers opted to strike which lasted for three months (Rey 2018c). Thus, this analysis treats both incidents as a single case.

##### 1. Local Labor Control

Lakepower is a Taiwanese-owned electronics manufacturer that solely operates in the publicly-administered Cavite Export Processing Zone, located at the municipality of Rosario in the Cavite province. Prior to the conflict, the employer exercised strict shop floor discipline that led workers to unionize and file a case to DOLE against unfair labor practices. The most salient discipline strategies include unreasonable limits of bathroom usage that led some workers to suffer from urinary tract infections, and removal of bathroom doors so that supervisors can watch the workers’ every move (Rey 2018c).

Within the Cavite ecozone, the zone administrator mentioned to McKay (2006, 144) that they have an Industrial Relations Division (IRD) that actively mediates labor disputes before DOLE gets involved, “but PEZA maintains absolute neutrality between labor and management”. Benjamin Velasco, a federal labor union officer, countered this claim. During the interview, he recalled that when a personal dispute between a unionized and a non-unionized worker was escalated to IRD, the officer did not bother to investigate the nature of the conflict but instead just asked a question to one of them: “Why are you unionized?”. Velasco further noted that it is the same IRD officer who routinely confronts strikers to destroy their placards and go home. Aside from these interventions, ecozone administrators have learned to emulate the strategy of private ecozones in NutriAsia II by requiring a zone pass before outsiders can physically access the area (McKay 2006, 146).

The municipal mayor of Rosario, Cavite informally intervened in the Lakepower conflict. While he was known to have friendly relations with the employers, he specifically called a major media network to cover the Lakepower strike when the protesters were physically intimidated during the first night of the protest. As Velasco remarked, a national media coverage of a usually violent strike and the mayor’s pro-labor posturing rarely occur in the Philippines (Velasco, personal communication, 21 May 2021).

Based on the field researches of Kelly (2001) and McKay (2006), the provincial government of Cavite is naturally proactive in lobbying for the establishment and managing the operations of the ecozone given that it is a public entity. As before, the local governments still maintain a satellite office inside the ecozone, both for efficient document processing and to monitor imminent

conflicts (McKay 2006, 143), and there is still the Cavite Industrial Peace and Productivity Council, constituting of mayors and employer groups, who informally mediate and prevent workers from holding a strike (Espada 2005b, 2005a). While these remain true, Velasco observes that the industrial peace strategies of the locally entrenched political elite have substantially changed due to three factors that are all absent in NutriAsia II: the growing workers' size in the ecozone, national government's interference to local politics, and the International Labour Organization's (ILO) intervention to public ecozones.

First, Velasco estimates that there are now around 100,000 workers in Cavite ecozone today, which is double from Kelly's (2001, 6) 1995 account. The expansion of employee size is expected since public ecozones are mandated to provide jobs to constituents and foster local development (Graham 2004; Madani 1999; McKay 2006, 148), which NutriAsia II's private ecozone does not have. Consequently, the growing job opportunities have enticed applicants from the nearby provinces to work in Cavite ecozone. As such, it is no longer possible to keep the old practices that Kelly (2001) and McKay (2006) witnessed where employers require applicants to submit a village officer's and police clearances, or referral letters from the office of the governor or the mayor to ensure that they are cleared from union affiliations. Second, since the Remullas blatantly maneuvered the local votes against President Fidel Ramos who eventually won the 1992 elections, the president extensively supported a pro-labor local candidate to unseat the elites during the mid-term elections. While the second-generation Remullas managed to return to power almost two decades later, they are now compelled to devise less coercive strategies against labor groups to consistently win in the elections. Extrajudicial killings of union leaders still happen<sup>5</sup> as before

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<sup>5</sup> In fact, Dennis Sequena, a federal union officer, was shot dead in Cavite two years after he co-organized Lakepower's strike (Philstar.com 2019).

(McKay 2006, 141). However, Velasco remarked that the current Remullas are now learning to diplomatically tackle labor disputes with federal labor union officers. Lastly, Velasco recalled that in 2009, ILO took notice of the systematically coercive measures on strike dispersals in public ecozones and effectively used this as a leverage against the Philippines in international trade deals. Thus, while local labor control in Cavite ecozone remains coercive, these changes compelled the authorities to loosen its grip.

Although the local political climate has become less repressive, the IRD's continuous hostility against unionized workers can explain why the workers in Lakepower organized a union only when the working conditions have sufficiently deteriorated (Rey 2018b). This delayed unionization consequently explains why the workers opted for NCMB's preventive mediation during the first series of labor dispute, since they had not yet recruited enough members to win a strike vote (Velasco, personal communication, 21 May 2021). While it is expected from PEZA's mandate that ecozone administrators are pro-employers, the explicitly anti-union attitude of Cavite's IRD leaves an impression that the local officials are protecting them or at least willfully ignoring their repressive practices. I argue that the local officials learned to simultaneously enforce industrial peace using two distinct approaches: delegate overtly coercive strategies to ecozone administrators as an exercise of the state's accumulation logic (Hyman 2008; Frenkel and Kuruvilla 2002; Hutchison 2016), while publicly projecting a worker-friendly stance to legitimize their power in local politics (Hutchison 2016; Ford and Gillan 2016).

These combined strategies of local labor control can also explain the workers' reluctance to hold a strike even when they have enough members to do so during the second conflict. In an interview



with Dennis Sequena, a federal union officer assisting the workers, he remarked that: “If management does not respond to workers’ demands [in the next mediation] then the strike is a go” (PM 2017a). From this statement, it is apparent that the workers initially prefer mediation to resolve their issues. However, given Lakepower’s position in the GVC, it can also be inferred from Velasco’s interview that the workers have started to organize branding campaigns while engaging in mediations.

However, when the strike finally happened, they managed to hold it for three months (Rappler.com 2018) despite violent dispersals and physical intimidation of ecozone security forces (Center for People’s Media 2017), although these coercive actions were not as severe as NutriAsia I. The prolonged strike in Lakepower compared to NutriAsia II, and its less violent dispersal compared to NutriAsia I, supports McKay’s (2006, 148) claim: strikes in public ecozones are more difficult to contain due to its legitimization functions of creating jobs (thus creating high-density zones), and keeping a semblance of public legitimacy by not overtly crushing the protesters. This can also explain why, in contrast with NutriAsia, none of the workers in Lakepower were reportedly arrested.

Moreover, there is no evidence that the employer tapped the formal and informal rules in both the national and local levels similar to the employer’s conflict strategy in NutriAsia. For instance, Lakepower did not exploit weak contractualization laws as most of its 200 female workers are regular employees (Velasco, personal communication, 21 May 2021). Instead, evidence suggests that the employer’s strategy is to utilize the mediation channel to minimize legal accountability from the workers’ charges.

When the union filed a case against its unfair labor practices, the employer chose to ‘mediate its way out’ of the unions’ charges by committing to better working conditions so that the workers can be convinced to drop the case. The same strategy was reapplied during the second mediation, when the employer agreed to reinstate the illegally dismissed unionized workers under the condition that they will no longer have to confront the legal charges from DOLE. To be sure, the employer eventually found a firm-level solution to dismiss these reinstated workers after concluding the final mediation (Velasco, personal communication 21 May 2021). Nonetheless, it is clear that the employer’s strategy is different from NutriAsia. Instead of resorting to formal arenas like judicial courts where the complex legal system usually works in the employers’ favor (Rey, personal communication, 6 May 2021), the employer applied a more efficient strategy to conclude the conflict. I argue that this *non-interruptive* conflict strategy is ultimately conditioned by the firm’s ownership nationality which in turn determines its high GVC participation.

## 2. Firm Profile

Lakepower is a wholly-owned subsidiary of Coil Technology Corporation (CTC), a Taiwanese private firm that produces power-related components. Lakepower manufactures and assembles its electrical and electronic subcomponents, such as electromagnetic coils, transformers, and circuit boards from the Philippines before fully exporting the semi-finished goods abroad. The company’s sole plant is in Cavite ecozone, which is around 30 kilometers from Manila, slightly closer to the capital compared to the plants of NutriAsia. During the interview, Velasco confirmed the workers’ earlier claim that the company is part of the supply chain of Texas Instruments and Asus, although both firms refuted these reports (BHRRC 2017, 2018). Additionally, Lakepower appears to export

its products to Arrow Electronics, Recom Power and A.M. Components (PM 2017b). From this firm profile, we can make three inferences as described below.

First, Lakepower fits with Gerrefi's (2014, 13) description of a 'producer-driven chain' where the final-product manufacturer holds the power at the firm's operations. While its operations are directly controlled by CTC, the latter's actions are induced by its global clients that purchase its products as electrical components of finished goods. Lakepower responds to CTC's demands given the institutional terrain in the Philippines, but it is CTC's operations, more than the country's uneven legal framework, which primarily defines its business strategies.

Second, the firm's operation suits Kelly's (2001, 11) observation that electronics manufacturers tolerate labor groups due to their reliance on more stable and skilled workers. While the employer attempted to challenge the labor group's representation through creating a company union and illegally terminating union officers, they agreed to withdraw these actions as part of the mediation terms. Similarly, since their operations indicate higher prioritization of uninterrupted production and quality control (Hutchison 2004; McKay 2006) the employer is compelled to mostly hire regular employees to ensure stability in the shop floor. As a result, Lakepower is less reliant on contractual workers compared to NutriAsia.

Lastly, the employer's high GVC participation makes them vulnerable against industrial disruptions, which fundamentally increases the workers' bargaining power in the mediation process. In fact, because of its high GVC participation, the workers are able to coordinate with federal labor unions to contact the firms in its supply chain such as Texas Instruments and Asus,

in order to flag their employer's violations of local labor standards (Velasco, personal communication 21 May 2021). Additionally, the mayor's decision to bring the strike into national media attention is a reputational damage to the employer and by extension, its parent company, and the latter's final-product manufacturers (Gereffi 2014, 13).

### **E. Foreign Ownership as Determinant of Mediation Success**

Foreign ownership primarily explains why Lakepower's mediation successfully concluded twice. It is true that Lakepower similarly benefitted from the weak enforcement of labor regulations as they managed to take advantage of the legal loophole to create company-backed unions, violate labor regulations, and still practice union busting despite signing a mediation settlement. Yet given the firm's profile, the employer is not in a position to comprehensively exploit the country's weak legal framework which NutriAsia's employer is capable to do.

Thus, in contrast with NutriAsia, I argue that the Lakepower case produced a successful mediation outcome because the employer's conflict strategy is determined by its GVC participation. In developing countries with liberalized trade, this is ultimately rooted in the firm's ownership nationality. This condition, which NutriAsia does not have, produce a different employer's approach where they prefer to 'mediate their way out' of the dispute through availing the NCMB channel. As Lakepower exports all its manufactured products to the global supply chain, the employer is keenly interested to maintain uninterrupted production. As such, the employer is induced to take the shorter route of settling through mediations rather than take the arduous approach of exploiting the weakly enforced institutions of local industrial relations that NutriAsia employers devised.

## CONCLUSION

State-led mediations in labor disputes are supposed to minimize the transaction costs associated with compulsory arbitration, litigation, and prolonged strikes. Ideally, workers and employers are eager to resolve their conflicts, go back to making a living, and minimize income loss. NutriAsia's case illustrates that in reality, employers do not necessarily perceive that industrial conflicts should be addressed via mediations, being the most efficient conflict resolution channel outside collective bargaining. Likewise, in countries where labor disputes are generally associated with violence such as the Philippines, Lakepower's case demonstrates that mediations can still be concluded (although this does not guarantee its enforcement).

What then are the conditions which lead industrial conflicts to settle through state-led mediations? I found that in developing countries with liberalized trade regimes, labor disputes which involve a foreign firm that operates within ecozones create sufficient conditions towards a successful mediation. Indeed, regardless of ownership nationality, firms in ecozones are mediated by investor-driven zone administrators that can encourage government actors to actively ensure industrial peace in their localities. However, when labor disputes escalate to the national arena, it is the firm's extent of GVC participation that defines the key actors' mediation strategies. In the Philippines, it is the foreign-owned firms that are able to maximize GVC participation compared to local firms. Foreign firms generally produce outputs that are for global consumption regardless whether they produce primary, intermediate, or finished goods. Therefore, these conditions motivated Lakepower to employ a *non-interruptive* conflict strategy to ensure smooth production process and quickly restore industrial peace.

Conversely, local firms have limited GVC participation and mostly produce goods for domestic consumption. The external pressure that exists in Lakepower is therefore negligible in local firms such as NutriAsia. Yet as local firms operate in an institutionally embedded environment, employers are able to further exploit the uneven regulatory framework that governs their production process. As a typical case in Southeast Asia, industrial relations in the Philippines are characterized by how the state ensures industrial peace within the broader context of performing accumulation functions not just through formal rules and direct interventions, but more importantly, through “the relative absence or presence of state agencies in enforcing their own regulations” (Ford and Gillan 2016, 175). This informs NutriAsia’s *legalistic* conflict strategy that enable the firm to continue operations despite its unresolved industrial conflict.

In addition to this overall conclusion, this exploratory case study reveals two noteworthy findings. First, publicly managed ecozone authorities are more likely to reinvent its labor control strategies than private ecozones as they respond to pressures associated with its public mandate of job creation, local development, and vertical ties with the national government. These considerations affect unionization patterns and the workers’ bargaining power during negotiations. Second, in firms with high GVC participation, workers are uniquely positioned to network with federal and international labor groups which organize branding campaigns to flag the employer’s labor standards violations to firms within its supply chain (Seidman 2007). Employers are thus induced to avoid strategies that can prolong industrial conflicts in order to ease reputational damage and financial losses that can arise from this mobilization.

There are salient measurement limitations that must be taken into account in this study. First is the reference to strike (non)incidents as the sole determinant of the mediation outcome. While labor unrests can be expressed in different forms other than strikes, and that workers can avail the mediation channel even without filing the notice of strike (like Lakepower), the scarcity of observable data to identify mediation outcomes restricted this study to use this evidence. Secondly, defining a successful mediation by the absence of strikes evades the basic criteria that parties should enforce the agreement. An in-depth field research is necessary to both address these limitations. Third, more data should be gathered from the key actors that are directly involved in the disputes in order to uncover more variables that can equally affect the mediation. This can help address the internal validity issues that can surface from this inductive research.

The findings of this study can be extended in several ways. First, using the limited definition of a successful mediation, future research can investigate whether an ‘Absent-Present’ Case (i.e., no ecozone authority but foreign-owned firm) will generate the same results. Second is to refine the measurement of GVC participation by additionally looking at the firm’s reliance on workers’ stability aside from its export volume. A highly-exporting firm does not necessarily mean further reliance to regular employees. The lack of reliable data to measure the ratio of contractors and regular employees was a constraint to refine this measurement for this study. Third, the employer’s conflict strategy criteria can be tightened or new strategies can be added as observed in other cases. Lastly, future researchers should investigate whether changes in the national agenda can potentially influence the mediation outcome. President Rodrigo Duterte’s pro-worker stance at the outset of his tenure and his eventual shift to employer-friendly policies were raised in both interviews as an event that demotivated both radical and moderate labor groups to pursue their

interests in various political arenas, including in firm-level negotiations. Since both NutriAsia and Lakepower's disputes occurred at the period when Duterte publicly postured as pro-worker, the shift in national agenda does not affect the research yet this can be an extraneous variable in future cases.



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## **INTERVIEWS**

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