ASSESSING THE IMPACT OF A MULTINATIONAL CORPORATION ON LOCAL SOCIAL CAPITAL: A CASE STUDY OF A SEMICONDUCTOR COMPANY IN THE PHILIPPINES

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Abstract

This research explores how a multinational corporation (MNC) in the Philippines impacts on the social relations and integration of its host community in Baguio City. A lens of social capital is used to assess how the company influences local social patterns and networks, and in doing so, affects the community’s capacity for development. Although emerging theories of development emphasize the importance of social linkages, little is known about how MNCs impact on these dynamics. Therefore, this study looks at the American subsidiary of Texas Instruments in the Philippines (TIPI) to determine whether it fosters relations within the local community that will support positive modes of development, or is shaping social networks that will stand to impede the community’s achievement of its development goals. MNCs are first discussed generally in the context of globalization and the political economy of the Philippines. The paper then focuses on how this particular company operates in Baguio City. It is shown how, guided by principles of corporate social responsibility and contemporary ideologies of business, this widely accredited corporation builds community amongst its employees. How TIPI affects relations in the greater community of Baguio City is also explored and the implications for community development, as predicted by social capital theory, are discussed. In summary, it was found that while TIPI fosters social capital among its employees, it stands to inhibit social connections at a broader scope within the community. In that these community-wide networks are an important component of a community’s development and planning capacity, the research suggests that TIPI, despite being socially responsible, does not represent a positive force for the community’s development from the perspective of social capital. Several suggestions for policy and governance are provided by which the community might better ensure that MNCs foster positive development.
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I. INTRODUCTION

A. Research Problem and Rationale

This research aims to investigate how a multinational corporation (MNC) influences the dynamics and direction of community development in Baguio City, the Philippines. Focusing on the case of Texas Instruments, the study explores how a MNC can influence the social networks and cohesion of its host, with implications for the local people's capacity to address issues inclusively as a community. The aim is to highlight the need to consider social relations when assessing a company’s impacts and when evaluating its efficacy in local development.

Mirroring the direction of most developing nations, the Philippines is pursuing industrialization through policies premised on global competitiveness and the international division of labor. Aimed at achieving high and sustained economic growth rates, national development policies are framed to establish a more liberal, open trade regime and to attract foreign direct investment (FDI) into the country (Albuero & Gochoco-Bautista, 1997). Alluring investment incentives and reduced import barriers are set to ensure that the Philippines will continue to experience a growing presence from foreign investors.

The ramifications of this trend in less developed countries and the effects of multinational corporations (MNCs) on the development of host communities, have been widely debated. The literature on the subject is essentially divided into two main positions. In line with dependency theorists, MNCs are seen at one extreme, as instruments of underdevelopment, gross violators of human rights, and capitalist oppression in the context of the developing world. The opposing position is that MNCs operating in the third world are “engines of development” that directly promote economic growth and favorable human rights conditions (Meyer, 1996; Choudhry & Datta, 1985). Arguments on both sides tend to focus on indicators that access the capacity of MNCs to adopt new technologies, diffuse knowledge and skills, create employment and potentially strengthen local small scale enterprises. While these

1 The arguments of dependency theory are presented in the following literature: Parsons (1956); Hymer (1960,1976); Magee (1976); Casson (1979); Choudhry & Datta (1985); Dunning (1993); Meyer (1996); Wimberley (1990,1992).
remain relevant considerations, changes in prevailing notions of development as well as in the nature of MNCs themselves, call for a new sphere of analysis i.e. how MNCs affect the social infrastructure of a community and serve as vehicles of social cohesion, or the reverse.

Local social relations have been neglected in the foregoing literature largely because of the focus on of traditional modes of development that were concerned primarily with advancing national economic growth and raising income levels. Traditional, top-down approaches to development, based on modernization theory, assume that the proceeds of a strong GNP would inevitably filter down to the less privileged members of society. The strength of community is rarely considered.

This approach still holds appeal for the ‘success’ it has yielded for the newly industrialized countries such as South Korea and Taiwan. However the effects of its shortcomings have been recognized, especially in the aftermath of the Asian economic crisis that began in July 1997. Reflecting on the crisis, the UN Committee for Development Planning (1998) reported that although the trend towards more outward oriented policies and liberalized markets have contributed to growth in the world economy, “they have also demonstrated severe weaknesses, some of which found dramatic expression in the East and South-East Asian crises of 1997” (UN, 1998:p.5).

Firstly, it has been made apparent that raised income levels do not necessarily translate into higher “well-being” of the population; welfare implies more than greater command over commodities. Secondly, it has been demonstrated that the “trickle down” effect of wealth is not an inevitable consequence of increased foreign investment or national economic growth. In many incidences, the influx of foreign capital serves merely to benefit the upper, already privileged tiers of society. The poor remain disadvantaged and the result is merely the exacerbation of social inequality.

The potential impacts of foreign MNCs, as leading instruments of conventional strategies of development, have also been widely demonstrated. Receiving literal ‘carte blanche’ authorization to carry out business in most of the Third World, MNCs have come to be synonymous with exploiting labor practices, environmental desecration and

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2 Moser (1984) is among those that discuss this “filter-down” assumption of modernist development.
the enfeeblement of communities. Compounding these impacts throughout Asia, the financial crash that rocked the region in 1997 has effectively verified the destabilizing effects of the prevailing strategies of development. These limitations of modernist strategies of development were highlighted by the Asian crisis. Particularly hard hit were those countries, which had oriented themselves completely to export markets, in line with the International Monetary Fund and the World Bank prescription for development. The crisis has subsequently served as a recent stimulus to the reconsideration of traditional modes of development.

Greater emphasis is being placed on the human aspects and social processes of development, identifying social exclusion as a primary challenge in poverty eradication. In view of evidence suggesting that more cohesive societies are better able to manage conflict and provide a more stable environment for people to fulfill their potentials, there is increasing push towards strategies that promote social inclusion and reduce inequalities over those which create high levels of growth yet ignore the discrepancy in opportunities and capacity afforded to different sectors of society. In 1995, for example, the United Nations held a World Summit in Copenhagen specifically for the purpose of creating a Declaration and Programme of Action for enhancing social development. Social development, “together with formal economies and formal political or institutional analysis...covers every aspect of human relations” (DFID, 1998: 5). As a result, direct efforts to reduce disparities within a country are now being put forward as an “alternative policy choice for poverty reduction” (DFID, 1998: 6).

Concurrent with changing philosophies of development, MNCs are evolving in a number of respects. Contrary to the notorious footloose predisposition of MNCs in the past, analysis of MNCs after the South East Asian economic crisis suggests, they are not so inclined to relocate given the existing regional complementarity and integration of production networks (Angeles, 2000). Lower labor costs no longer represent the primary determinant of a company’s location and operations overseas (World Investment Report, 1998 cited in Angeles, 2000). Moreover, although many MNCs’ relations with their host communities and environment are usually far inferior to those required of them in their home countries, there has been considerable expansion of the philanthropic role of these companies.
In addition to becoming more socially responsible, globalization has contributed to MNCs taking a more comprehensive approach to business that reflects the new, holistic precepts of modern business theory in the North. Modes of practice have been adapted in recognition of the productivity gains to be achieved through investment in the well-being and harmony of the workforce. Articulated by Fukuyama (1995:90), contemporary business models operate upon the principle that “virtually all economic activity...is carried out not by individuals but by organizations that require a high degree of social cooperation”. Therefore, in the interest of fostering a more conducive work environment and lower transaction costs, MNCs are expanding their role as employers to facilitate cohesion amongst their employees.

An entirely new breed of MNC over the past decade has addressed many of their conventional destructive characteristics. However their efficacy, according to modern theories of development that prioritize social relations and community capacity, remains unclear. This research therefore explores the case of Texas Instruments in Baguio City to inform the question of whether or not an MNC impacts on the social relations of its host community in a way that is conducive to local social development.

The US-based Texas Instruments (TI), has been operating an assembly plant in the Economic Processing Zone of Baguio City since 1979. Its record is not completely clear of corporate behavior formerly typical of foreign multinationals. Nonetheless, Texas Instruments, Philippines (TIPI) now enjoys a reputation as a model company with exceptional track records in corporate social responsibility generally, and environmental management and employee relations specifically. Given the forces that are pushing MNCs increasingly in this direction, TI conceivably offers an insight into the future direction of MNCs and represents an appropriate case study of analysis.

The Philippines’ strategy vis-à-vis MNCs is also reflective of parallel trends in many less developed nations. It is characterized by a melange of interests that seek widescale economic growth and inclusion in the international division of labor on one hand, and poverty reduction based on rhetoric around community-level empowerment and self-sufficiency on the other.

Over the past twenty years, the country has suffered a series of balance of payments crises, triggered by fiscal crises and an unsatisfactory record of poverty...
alleviation (Devarajan & Hossain, 1998). The administration of President Estrada was elected in 1992 on an anti-poverty platform based on promoting growth from the bottom up. However, alongside projects providing housing 1.5 million units for the squatters in Metro Manila, the Estrada government is currently seeking changes to the 1987 Constitution to enhance incentives to foreign industry and reduce trade barriers.

Multinational corporations in the Philippines are required to adhere to a general code of conduct with regard to their business practices and environmental impact. These perfunctory guidelines however do not address the potential impact of an MNC on a community’s capacity by influencing its patterns of social integration and social inequities. This research therefore aims to speak to this critical gap in the guidelines. Premised upon the merits of this emerging socially-based view of development, it seeks to advance the understanding of a community’s social development through an inquiry into how it is affected by multinational corporations. Drawing on the literature and theories of social capital, the role of MNCs is reexamined in light of community development objectives in the area of social integration, and cohesion through vertical and horizontal linkages. The study will specifically explore the social and geographic boundaries of this cohesion, whether the management practices foster cohesion both internally within TIPI and within external community networks. The intent of the case study is to provide information for policy and planning to ensure that communities develop in a cooperative and comprehensive manner.

Environmental, economic and social issues that affect societies as a whole, call for collective and coordinated responses. The greater exposure to the volatility of international markets through globalization is further advancing the importance of a community’s stability. However, the community’s capacity to effectively plan for and be sustainable in the future is undermined by societal inequalities that are reproduced on local, regional, national, and international levels. Given the sustained influx of MNCs in the Philippines, it is crucial that the influences of MNCs do not perpetuate such disparities but rather contribute to the achievement of the nation’s endogenously generated, not externally-driven, development goals.
B. Research Questions

The research seeks to address the following set of questions.

The first group of questions relate more generally to the macro context in which MNCs, and specifically semiconductor companies, operates in the Philippines.

- What is the history behind MNCs in the Philippines and how has their behavior changed over time?
- What is the political economic environment within which MNCs operate?
- What is the regulatory framework that guides MNCs and how have these transformed over time in response to local and global forces?

The second set of questions focuses on TIPI and how it operates within its host community of Baguio City. These questions, as related to labour and employment, the environment, education, community and social perceptions are as follows.

- **Labour and Employment**: How many people are employed directly and indirectly by TIPI? What is the nature of this employment? What does employment with TIPI entail? What are the conditions surrounding the employment? How do the wages and benefits provided by TIPI relate to other forms of local employment? How do these compare with those provided in similar occupations within the semiconductor industry outside the Philippines?

- **Environment**: In that the natural environment represents a critical component of the community’s future sustainability and health, what are TIPI’s policies with regards to the environment? How does TIPI impact upon the area’s natural resources?

- **Economic Linkages**: How effective is TIPI in strengthening local business and enterprise? What supply and input networks are in place? Are business relations enhanced as a result of TIPI’s presence in the community?

- **Education & Training**: To what extent does TIPI provide training to its employees and the broader the community? What is the nature of this training? Does TIPI contribute to more general education promotion in the community through support of local universities and schools, etc.?
Community: Is TIPI engaged in the planning process of the community? Does the support provided by TIPI correspond to the community's priority planning initiatives and issues?

Social perceptions: How is TIPI perceived by its employees and the community? How does the community see TIPI employees?

The third set of research questions pertains to how TIPI affects social relations among its employees as well as in the broader community.

How are the horizontal and vertical linkages being formed and/or strengthened?

How are intra-community and inter-community linkages fostered as a result of TIPI operations?

What sort of local networks are being supported by TIPI, i.e. do they incorporate people with different backgrounds, genders, experiences and perspectives thereby exposing people to diverse ideas and multiple points of view? How are the boundaries of networks defined?

Drawing upon expanded notions of social capital and development theory, the fourth area of research explores the implications of these management practices for the holistic development of the community in which TIPI operates. Questions asked include:

What are the implications of the observed social network patterns for community development (in which community refers to a group of people both affiliated and unaffiliated with TIPI)?

Is there a need or opportunity for action or change in order to enhance local capacity for sustainable development? If so, what are some possible points of intervention?

What are the barriers to action and how might these be addressed?

C. Methodology & Limitations

This study began with a review of the literature on multinational corporations and their history in the Philippines. I also reviewed a wide range of resources to gain
knowledge and understanding of social capital theory. These different spheres of secondary research led to the research questions discussed above and formed the basis of a conceptual framework for their analysis.

I conducted field research over a two-month period in the Philippines, and spent approximately six weeks was spent in Baguio City in the residence of two married employees of TIPI: one manager and one systems technician. It was largely through these individuals that access was gained to TIPI. Due to the high security provisions at the company, guests are only permitted entry to the premises if invited and escorted by an employee. Through this personal connection, four site visits to TIPI were arranged. In addition to receiving a tour of the facilities, five interviews were conducted during these visits with managers and staff of the company administration (i.e. communications, human relations, environmental, health and safety, subcontracting relations). These individuals were questioned primarily with respect to the programs and operations of TIPI. Information relating to their employment history with and prior to TIPI was also obtained and people were asked to express how they felt about the company and being an employee (Please refer to the Appendix for a complete listing and description of the interviews conducted).

A number of TIPI (current and former) employees were also interviewed off site and a focus group was held with female production specialists. Interviews off-site focused more on people's experiences and sentiments in working at TIPI, the impacts of company policies and programs, their relations with other employees, as well as their interactions in the broader community. A particularly valuable insight into employee life and company operations was gained through my TIPI hosts.

In the broader community of Baguio City, interviews were conducted with municipal planners, city officials, PEZA administrators, students and faculty from three of the post-secondary education institutes and members of a host of local non-governmental organizations. These interviews sought to ascertain the perceptions of TIPI as held in the broader community and the nature of linkages held with TIPI.

In addition to the thirty interviews that were held over the course of the field study period, attending the 10th Annual National Convention of Local Planning and Development Coordinators of the Philippines enhanced an understanding of the
planning environment and pressures. Research was also carried out at government offices, namely, the National Statistics Office, National Economic Development Agency, the City Planning Department and the City Department of Social Welfare. An additional week was spent in Manila for the purpose of gathering secondary resources.

Two months proved to be sufficient time to gather an adequate supply of data and conduct interviews. It allowed however only enough time to gain a cursory understanding of Philippine culture and society. The study, as a result, is limited by the researcher's critical lack of indigenous grounding and position external to the community.

The research is also constrained by a less than representative sample. As a result of TIPI's high security provisions, interviews, particularly with company affiliates, were arranged mainly by word-of-mouth. Subsequently, the resultant sample may not reflect the comprehensive scope of opinions that are present in any population and therefore might not support a more definitive study. The interviews do however provide valuable insight and serve the purpose of this research that is to highlight issues around the social impacts of MNC and emphasize the need for an appropriate system of governance.

Although my positionality as an outsider created limitations in my research, rather than invalidating the observations and arguments put forward in this paper, it is my hope that an outside perspective can provide valuable insights for the long term planning of a community. The belief is that a degree of separation from a community and its immediate concerns can facilitate a longer-term vision and a less restrained critical process. It is therefore in this capacity, i.e. by raising issues that relate to the community's future sustainability and investigating an impact of multinational corporations that has been widely overlooked, that this paper aims to make a contribution.

D. Organization of the Study

The study is organized as follows. Chapter 2 contains a discussion on the general political economic context in the Philippines and the role of MNCs therein. This chapter
provides a brief historical look at the forces by which MNCs and the semiconductor industry have become prominent agents in the country's development.

Chapter 3 then focuses more specifically on an emergent model of MNC, the influences that have provoked the changes and some general characteristics. After substantiating the need for a new approach to MNCs in the context of social development objectives, the concept of social capital is explained and advanced as an appropriate lens through which to conceptualize the research problem.

Chapter 4 contains an abridged environmental, socio-economic profile of Baguio City as further background to the case study. Chapter 5 then concentrates on the MNC in question, i.e. Texas Instruments, Philippines Incorporated (TIPI). This chapter looks at how TIPI operates, both internally vis-à-vis its employees and outwardly with respect to the immediate community of Baguio City and the broader export/import global market. Chapter 6 then takes this information a step further and analyses it through the lens of social capital for the effects it has on social relations in the community, and ultimately the local capacity for development.

A concluding chapter summarizes the information and findings of the preceding discussion and offers some possible points of departure for future research and policy. The paper ends with some reflections with respect to the challenges of implementation and the research experience generally.

II. MULTINATIONAL CORPORATIONS: THE POLITICAL ECONOMY OF FOREIGN INVESTMENT IN THE PHILIPPINES

This chapter reviews the political economic context of multinational corporations (MNCs) in the Philippines. As creatures of globalization, it is important to understand the broader forces that underlie their existence and operations. Economic processing zones and the semiconductor/electronics industry are also discussed as parallel components of development in the Philippines.
A. The History of Trade and Development in the Philippines

Mirroring the predominant development strategy of emerging nations\(^3\) throughout Southeast Asia and the world, the history of the Philippines reveals a focus on advancing the nation’s position in the global market and achieving status as an industrialized country. Colonialist and imperialist forces have dominated the foreign and domestic policy of the nation. As a result, the local priorities and well being of the majority have consistently been subordinated to the advance and security of an elite group in power. The sizable and persistent disparities that mark Philippine society\(^4\) stand as a testament to its past history of despotic regimes.

A market system was first introduced to the Philippines by the Spanish, during their colonial reign over the archipelago between 1521 and 1898, and continued under the United States who gained official control in 1899-1900. Under the pretense of leading the Philippines towards independence, economic development under the direction of the USA more precisely entrenched the Philippines in a state of dependence upon global markets, specifically, the American economy. Speaking on the effects of development for Filipino women, Albina Peczon-Fernandez (1994:54) writes:

Special trade relations with the United States did not rebound to the benefit of the Philippines: Free trade enabled the United States to dump its finished products in the colony thus preventing the growth of a native manufacturing sector; the quota system of tariff-free exports like sugar opened Philippine politics to manipulation and created the comprador class that acted as a conveyor belt of colonialism, instead of the national bourgeoisie, the logical

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3 Oliver Morrissey (1999) outlines three main elements that define an "emerging market":
1) implemented reforms to transform a distorted market (due to protection and/or widespread state control of production) economy into a market-oriented one. Such reforms were expected to render an economy more efficient so as to emerge in the sense of becoming a market-oriented economy;
2) the removal of biases against exports, notably the dismantling of protection - eliciting an increase in manufacturing exports - emerge as markets supplying and demanding more goods to and from the world
3) restructuring and especially privatization of markets for foreign investors - more integrated into global capital flows.

4 According to the income-based inequality indicators of the World Bank and International Labour Organization, the Philippines exhibits some of the highest levels of inequality among countries in Asia and trends of income distribution since the mid-1950s suggest little improvement in the nature of this distribution (ILO, 1974; World Bank, 1985, 1996). In 1991, the Philippine Family Income and Expenditure Survey of 1991 found the wealthiest households to be at least ten times richer than the poorest households.
historical movers for nationalism; free trade enabled Americans to extract parity rights as well as the securing of parts of Philippine territory without rent for American military bases.

As Fernandez points out, with a view to establishing a local core of support for American programs and policies, this period also saw the strengthening of an indigenous elite. The concentration of wealth, land and political power with this small group has been an important underpinning of the country’s path of development and the polarization of society.

The Philippines began attracting foreign investors under the American colonial rule. Later, in the 1950s, it was the first of the Association of Southeast Asian Nations (ASEAN) to embark upon industrialization through the promotion of import-substituting industries (Miranda, 1991). This corresponded with the “accelerated growth model” that guided post-WWII development planning worldwide. This strategy was premised on the assumption that large-scale industrialization was the most expeditious method to create investment capital, and through import substitution, save foreign exchange. Industrial expansion based largely on this strategy of import substitution was believed to have the effect of increasing wage-sector employment. It was assumed that gains to the Gross National Product (GNP) would “filter down” to all sectors of society, resulting in a redistribution of resources and income for society as a whole.

Following World War II, the Philippine capital of Manila stood in a state of destruction second only to Warsaw (Carino, 1991). Yet, the Philippines surprisingly was amongst the fastest growing economies of the region in the 1960s (Ibid). Continuing in its pursuit of economic growth, the Philippines followed the trend in Asia during the 1960s and concentrated on expanding its exports. In cooperation with advisors from the International Monetary Fund (IMF), President Diosdado Macapagal lifted foreign exchange and import controls and devalued the peso. Subsequently, when Ferdinand Marcos defeated Macapagal in the 1965 election, the legislative framework was in place for the new president to mobilize international resources for economic growth.

Between 1965 and 1972, a series of legislative initiatives were enacted in line with the preceding Basic Investments Law of 1961 that provided for the tax and duty-free importation of capital equipment for industries considered by the law to be “basic”.

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The Investment Incentives Act of 1967 and the Export Incentives Act of 1970 provided liberal incentives to outside investors and a series of Presidential Decrees issued during the period of Martial Law (1972-1981) expanded these further. Between 1972 and 1973, Marcos provided for the full repatriation of capital and profits, liberalized remittances of royalties, eased entrance and clearance requirements for MNC executives, opened numerous new areas of the economy to 100 percent foreign investment and defined retail trade so as to favour foreign investment (Wurfel, 1988).

This rigorous promotion of economic growth through exports was belied in the policies of the Marcos administration and in foreign policy generally, by the desire to build and maintain support among nationals, the military and the economic elite. The Philippines’ economic strategy has subsequently wavered characteristically between extreme export-orientation and protection of domestic industry. This schizophrenia of interests is reflected in the record of legislative amendments made with regard to foreign trade, exports and MNCs. For instance,

- In 1962, import and foreign exchange restrictions were dismantled;
- In 1967, they were re-imposed in response to a persistent imbalance in the nation’s payments;
- In 1970, incentives to MNCs were expanded under the Export Incentives Act;
- In 1973, under martial law, Marcos reformed tariff policies by expanding incentives to foreign investors, imposing taxes on major traditional exports, and intensifying non-tariff measures such as quantitative restrictions that prohibited the importation of certain consumer goods;
- In 1977, incentives were removed for MNCs who were exceeding the maximum allowable 33.3 percent return on investment in the banana industry (Wurfel, 1988);
- In the following year, new incentives were drafted for foreign corporations.
- In 1980, another major trade reform was launched with three main objectives: the 1981-1985 Tariff Reform Program (TRP) saw a narrowing of the tariff rate structure; the Import Liberalization Program (ILP) equalized sales taxes on imports and locally
produced goods; and the complimentary realignment of indirect taxes eliminated the mark-up applied to the value of imports for sales tax valuation.

As a result of the balance of payments crisis that hit in the mid-1980s, the ILP was ironically followed by the re-regulation of many formerly deregulated products and was postponed until the Aquino Administration came into power in 1986.

This inconsistency in foreign and domestic economic policy reflects the challenge of trying to satisfy the divergent interests of the elite. On the one hand, were those members of the economic elite who were being disadvantaged by the foreign competition for markets, credit and capital. These “economic nationalists” opposed the liberalization reforms and particularly the infiltration of MNCs. On the other hand, were those entrepreneurs who had become connected to overseas firms, i.e. “compradors”. This latter group, in favour of the MNCs, was supported for the most part by the country’s top economists, and hence policy tended to lean in this direction. Economic Processing Zones are among the outcomes of this liberalist predilection.

B. Export Processing Zones

The first Export Processing Zones (EPZs), or free trade zones, were created in the 1970s, as official projects for attracting foreign investment to “undeveloped” regions. They are characterized generally by lax social, environmental and employment regulations, a ready source of labour and financial incentives. By 1986, there were 116 such zones in the world, 42 percent of which were in Asia (Goldsmith, 1996).

In the Philippines, EPZs were the “pet projects” of Marcos, who began specifically promoting nontraditional markets for export, including electronics. Like in other developing countries, government-owned and managed EPZs were created and made attractive to foreign investors through an array of incentives. The zones were established first in Mariveles, Bataan, then in Baguio City, Cavite, and Cebu (Mactan I and II). Post-Marcos administrations have upheld this tradition and augmented the EPZs with a host of similarly subsidized private industrial estates and customs-bonded areas.
These new zones have entailed multi-million dollar investments and the conversion of thousands of hectares of productive farmland (Angeles, '2000). Nonetheless, the Philippines now boasts being the host to 87 “world-class and environment-friendly ecozones with an aggregate area of 19,958 hectares, most of which host world-famous industry leaders” (PEZA, 1997).

In 1995, Fidel Ramos created the Philippine Economic Zone Authority (PEZA) under Republic Act No. 7916 with the specific mandate of promoting investments in industrial, agro-industrial estates, export processing and free trade zones, tourist and recreational complexes, and investment, commercial, banking and financial centers. PEZA is charged with the provision of designing investment incentives to foreign developers, and maintaining the competitiveness of the ecozones by accelerating the provision of vital infrastructure facilities and simplifying import, export and sub-contracting procedures. Another objective of PEZA is to uphold the high-level service-orientation towards “facilitating the entry of foreign investors and operations of export producers” (PEZA, 1997).

Within its first three years of operation, PEZA attracted private developers to add more than 71 ecozones. The increased foreign expansion into ecozones led to a direct increase in the country’s total manufactured exports from US$14.9 billion in 1994 to US$32.2 billion in 1997.

Today, as outlined in Republic Act No. 7916 (The Special Economic Zone Act of 1995) EPZs offer the following array of incentives to ecozone locators:

- Income tax holiday (ITH) or exemption from corporate income tax for four years, extendible to a maximum of eight years;
- After the ITH period, the option to pay a special 5% tax on gross income, in lieu of all national and local taxes;
- Exemption from duties and taxes on imported capital equipment, spare parts, supplies, raw materials, breeding stocks and/or genetic materials or the equivalent tax credit on these items, when source locally;
- Exemption from wharfage dues and export taxes, imposts and fees;
- Additional deduction of 50 percent of the total cost of development training for labour and management from the 3 percent national government’s share of the 5 percent Special Gross Income Tax;
Permanent resident status for foreign investors and immediate family members;
Employment of foreign nationals; and
Simplified import and export procedures.

A separate set of incentives applies to ecozone developers which include:

- Incentives under the Build-Operate-Transfer Law, which include government assistance in accessing Official Development Assistance and other sources of financing;
- Provision of vital off-sale infrastructure facilities;
- Option to pay a special 5 percent Gross Income Tax rate, in lieu of all national and local taxes;
- An additional deduction of 50 percent of the total cost of development training for labour and management (to be applied against the National Government share of the special 5 percent Gross Income Tax);
- Permanent resident status for foreign investors and immediate family members;
- Employment of foreign nationals; and
- Assistance in the promotion of ecozones to local and foreign locator enterprises.

Further incentives can be put in place for both ecozone locators and developers by the PEZA Board through Executive Order 226 (Omnibus Investment Code of 1987).

This accelerated, economic strategy of development, closely linked with forces of globalization, facilitated the emergence of two key and interrelated agents in the Philippine economy, specifically, the multinational corporation and the semiconductor and electronics product/industry sector. The following section discusses these different components.

C. Multinational Corporations

One of the predominant effects of globalization has been the proliferation and empowering of multinational corporations (MNCs). The establishment of EPZs and the host of incentives provided to foreign investors created an ideal environment for MNCs to operate in the Philippines.
More generally, MNCs are characteristic of the development paradigm advanced worldwide in the 1970s and 1980s by international agencies. For example, the Bretton Woods Institutions such as the World Bank and International Monetary Fund (IMF) were originally mandated to facilitate the evolution of the world economy towards a regime that allowed for the unrestricted, free movement of labour, goods and capital across international borders. Under this regime, newly industrializing economies (NIEs) were encouraged to transform themselves vis-à-vis the needs and priorities of the global markets so as to attract foreign corporate locators in order to provide employment, introduce technology and promote the skilling of the host labour force. Referred to as “rationalizing” the economy, the World Bank and IMF officials in the Philippines encouraged technocrats to lower tariffs, cut subsidies and privilege market forces i.e. “let the best firm win” (Wurfel, 1988:298). This strategy went hand-in-hand with the renowned export-orientation approach of the recent “Asian Tigers”\(^5\). In the Philippines, it held the support of the top economists in the national government who maintained a very “close working relationship” with World Bank officers and imparted legitimacy to their policies and assumptions (Wurfel, 1988:195)\(^6\).

In the Philippines and throughout the world, opposing theories to the “engines of growth” view of MNCs began to gain strength in the early 1970s. As argued in Andre Frank’s “dependency thesis” (1969) and Hymer’s thesis relating to the “Law of Uneven Development” (1979), the emerging dependency, world system and other neo-imperialist and nationalistic theorists all associated MNCs operating in the Third World with the “underdevelopment” of their hosts. MNCs were demonized for their ability to establish monopoly control over technology, marketing, and access to capital (Wimberley & Bello, 1992; Jenkins, 1987; Dos Santos, 1970; Frank, 1969). This non-traditional perspective was supported with increasing evidence suggesting that MNC investments were hindering economic growth in Third World countries through effects of decapitalization and their promotion of luxury goods markets that limited consumer

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\(^5\) Hong Kong, Korea, Singapore and Taiwan have were coined the “Asian Tigers” when the wave of industrialization spread from Japan to these nations in the 1960s.

\(^6\) David Wurfel (1988) quotes “close working relationship” from a World Bank Report of the AEADB Division prepared by Michael Gould, March 26, 1976 which discussed the relationship that existed between the Bank and the Government of the Philippines and specifically the Bank’s
demand (Rifkin, 1996; Wimberley & Bello, 1992; Marsh, 1988; Bornschier & Chase-Dunn, 1985; Newfarmer, 1984; Muller, 1979; Lall & Streeten, 1977; Dos Santos, 1970; Frank, 1969). In using capital intensive production under labour surplus conditions, MNCs were shown to promote unemployment, underemployment and the absolute impoverishment of poor countries. The efforts of the companies to preserve markets for their expensive products in these countries and repress labour costs further exacerbated their impact (Burbach & Flynn, 1980; Cardoso, 1973).

Walters and Blake (1992) speak to the failure of MNCs to deliver the requisite levels of skills and technology which were initially expected. MNCs were also proven to increase dependency and reduce food consumption (Wimberley and Bello, 1992). Empirical studies revealed that MNCs had eliminated more jobs than they created (Muller, 1979; Cardoso and Faletto, 1979; Meyer, 1996) and there is increasing concern and support for the idea that their emergence necessarily implies the erosion of a nation’s control over their economic system (Cerny, 1995; Strange, 1996; Falk, 1997).

These studies have contributed to a widespread reevaluation of original proposals that MNCs should be granted free reign to operate their businesses within less developed countries (LDCs). As a result of the havoc that was caused by these companies on the local environment and communities of their host nations, MNC penetration became increasingly associated with outcomes of “distorted development” rather than linked with stories of successful industrialization. Therefore, while the literature has been polarized between those which view MNCs as vehicles of development and others which see them as the capitalist oppressors, there is now broad consensus that MNCs do not operate in a vacuum but rather have inherent impact on the social and natural systems that host their facilities.

potential role in the country’s economic planning due to how receptive the Government was to Bank staff advice.

While acknowledged originally by Hymer (1960) in his discussion about the propensity of MNCs to erode the efficiency of government’s policies and subsequently inhibit corrective governmental action in situations where it is necessary for achieving social efficiency, the power of the MNC to eclipse the power of the nation state was also iterated by Calvet (1981); Radice (1970); and Choudry & Datta (1985)). More recently, this idea has become raised in profile by the proceedings of the World Trade Organization. Here, the power of the MNCs was popularly identified as the force behind obscuring public knowledge about international negotiations on trade.
In the Philippines, the adverse impacts of MNCs became acutely apparent. The nation suffered a series of environmental disasters as a direct result of MNC operations that were unbound by regulation or supervision. Among the most devastating of these occurred in 1996 at the Canadian-owned Marcopper mine when 1.6 million cubic meters of mine tailing were spilt into the Makulapnit River. The resulting silting of the coastal area affected the livelihoods of 42 villages and approximately 20,000 people (Tukan & Guzman, 1998). Such incidences in the past fueled the civic opposition that saw Marcos ousted from power in 1986 and reinforced the widespread support for a new approach to development in the Philippines.

The current Estrada administration was elected in 1992 on a platform of more people-focused and equity-based priorities i.e. the emergent principles of social development. However the implementation of this ideology is challenged by the legacy of modernist development. Proponents of MNCs contend that foreign corporations represent a positive force in development by providing jobs, paying taxes, building an industrial base, earning foreign exchange, transferring technology, raising living standards, and contributing to charitable causes (Kolodner, 1994). In these ways, MNCs are argued to be important funding sources behind the advance of social development goals in the host country, as well as the promotion of social programs.

Much of the Philippine’s economy has continued to accommodate MNCs. Apart from economic policy that retains liberal incentives for foreign companies, the nation is geared towards export industries that lend themselves to large corporations. The electronics and semiconductor industry is discussed below as the leading exporter from the Philippines and a sector that is almost exclusively dominated by MNCs.

D. The Electronics Industry

The global electronics industry represents one of the fastest growing industries in the world. Its rate of expansion is manifest in the industry characteristics of rapidly declining costs, fast pace technological innovation, high research and development expenditure requirements, and capital intensity. The internationalization of the production cycle in the electronics industry is enabled through MNC involvement,
globalized networks and communications. This allows electronics industries based in the industrialized nations to turn to the less developed countries (LDCs) to garner lower production costs for assembly operations. Capitalizing upon their competitive advantage of low wage rates, many of the LDCs respond by focusing attention upon developing an industry in this field.

Notwithstanding the extensive array of direct financial incentives furnished to foreign investors by many countries, the Philippines stood out as a particularly favorable host for the industry as a result of its comparatively low wage rates among LDCs and a relatively highly skilled labour force. North American companies were further attracted to the archipelago by its strategic geographical location and because its national language is English. The protection of domestic markets that continued alongside the nation’s integration in the global economy also fostered an export base that was narrow in scope. Specifically, the protectionist strategies in place limited export products to industries that involved low transport costs of materials and high labour input requirements. The electronics industry conformed perfectly to these criteria (Yap, 1999). The niche created for electronics is evinced in the extraordinary growth rates that have characterized export sales in this area since the industry entered the export market in the early seventies. Between 1993 and 1997 for example, electronics exports exhibited an average annual growth rate of 38.4% (See Table 2.1: Philippine Electronics Export Performance).

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports ($US)</th>
<th>Growth Rate (%)</th>
<th>Proportion of Phil Exports (%)</th>
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<tbody>
<tr>
<td>1992</td>
<td>2.97 B</td>
<td>20</td>
<td>28</td>
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<tr>
<td>1993</td>
<td>3.78 B</td>
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<td>1994</td>
<td>4.89 B</td>
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<td>1995</td>
<td>7.55 B</td>
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<td>43</td>
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<td>1996</td>
<td>10.61 B</td>
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<td>1997</td>
<td>14.98 B</td>
<td>41</td>
<td>58</td>
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<td>1998</td>
<td>19.87 B</td>
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<td>67</td>
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<tr>
<td>1999</td>
<td>5.52 B</td>
<td>23</td>
<td>70</td>
</tr>
</tbody>
</table>

Subsequently, the electronics industry has played a central role in the Philippines' economic development over the past two decades and continues to represent a critical component of the country's overall economy. Apart from having been among the nation's primary sources of export revenues since 1982, the industry is hailed as the top source of foreign exchange (Bureau of Export & Trade Promotion, Philippines, 1998).

The industry is structured into the following five sub-sectors:

1. Semiconductor and component manufacturing;
2. Telecommunications/sound and video apparatus;
3. Electrical machinery/apparatus;
4. Electronic office and automatic data processing machines; and
5. Consumer electronics, which include audio-video products, household appliances and other consumer electronic products.

In the Philippines, the most prominent area of the industry is semiconductor and component manufacturing which includes the assembling and manufacturing of integrated circuits, transistors, diodes, resistors, capacitors, coil, filters, printed circuit boards, PCB assemblies and other related assemblies (BET, 1998). In 1997, 70,000 of the 200,000 people locally employed in the industry, held jobs in the area of semiconductor manufacturing, and exports in this area were responsible for approximately 58% of total national exports. In the Philippines, companies are mostly engaged in the assembly or packaging of silicon wafers which are cut into separate units, and encapsulated into plastic, ceramic or metal casing material. There is generally a testing component to the process with the appropriate facilities on site at these companies (BET, 1998).

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8 A semiconductor is defined as any material or electronic device made of these materials, that conducts electricity better at high temperatures than at low temperatures. A common material used is silicon and such an electronic device might transforms electrical signals into sounds and/or pictures that can be heard and/or seen. These devices can be manifest as a discrete and single device such as a transistor or diode, or manifest as integrated circuits such as chips and microchips. Chips contain transistors and diodes, as well as resistors and capacitors, all of which have distinct functions: a transistor transfers electrical signals across a resistor which is responsible for controlling electric current. A diode reverses current flow, while a capacitor stores energy. In embodying all four, a chip can perform all of these functions. The 'chip' was developed on September 12, 1958 by Texas Instruments & Fairchilds (Aldana, 1989).
While it has been largely through the semiconductor industry that the Philippines has gained access to the world division of labour and global economy, the quality and distribution of this growth deserves closer examination. It is meaningful, for example, to note that the expansion of the industry has been largely confined to the EPZs. The amount of local value added to products in semiconductors is reportedly below 25 percent (SEIFI, 1998) and the industry is characterized by the underdevelopment of component and support facilities (BETP, 1998). Offsetting the high gains from exports, this industry is also highly reliant on foreign imports. The United States represents both the largest source of imports and primary destination of exports. Others include Japan, Singapore, Hong Kong, the Republic of Korea and Germany. Of the US$19.87 billion that was exported in 1998, only US$ 4.22 billion of inputs (25 percent) were fed by local suppliers.

An Export Development Plan was developed in 1998 to address the weaknesses of the industry that stem from these aforementioned aspects. Toward advancing the nation’s position in the global market of electronics products manufacturing, design and exports, this plan aimed specifically to increase exports (US$20 billion by 2000), increase value-added (increase of 40% by 2000), and upgrade the level of technology from assembly/contract manufacturing to original equipment manufacturing. Looking to move away from being merely sites for MNCs from industrialized nations to carry out low-cost original equipment manufacturing (OEM), newly industrializing economies (NIEs) such as the Philippines are looking to become primary producers that sell under their own brand names (BETP, 1998).

Despite these goals, the electronics industry remains under the control of large MNCs that supply to parent companies elsewhere in the world. In 1997, MNCs mostly engaged in semiconductor/integrated circuit packaging, dominated the Philippines electronic industry, and accounted for more than 80% of the country’s electronics exports (BETP, 1998). This is partly the result of the electronics industry being well suited to large-scale manufacturing and production\(^{10}\).

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\(^9\) 75 percent of the investments that flowed into PEZA between 1995-1997 were in the electronics and semiconductor industry.

\(^{10}\) Similar to the garment industry, the production and assembly of electronics has traditionally been most efficiently carried out in a large-scale, assembly-line-type arrangement.
However, the Philippines has also built a reputation for allowing foreign companies to conduct their operations unhampered by regulation or policy. For example, on top of the incentives offered by PEZA, prior to 1982 the government absorbed all financial costs incurred in building the physical infrastructure required in the EPZs. In September 1999, the Board of Investments announced a plan to double the period of the existing income tax holiday to a maximum of 12 years to boost foreign investment and to specifically lure Texas Instruments Inc. to establish a $2-billion wafer fabrication plant in the Philippines. President Estrada, endorsed this plan as top priority legislation (*The Philippine Inquirer*, September 22, 1999).

In light of the industrial and economic policy environment, MNCs can be expected to maintain a significant presence in the Philippines. Notwithstanding their past record of destruction, they are being justified in association with the government's policies of social development, on the premise of being "socially responsible." The following chapter discusses this shift that is taking place amongst MNCs and suggests a new approach to their analysis.

### III. MULTINATIONAL CORPORATIONS FROM A SOCIAL CAPITAL PERSPECTIVE

This chapter looks at multinational corporations from the perspective of more socially based notions of development. It also addresses the need for a new framework of analysis to align our understanding of these *transforming* institutions with contemporary development objectives that emphasize the importance of social relations.

#### A. The Concurrent Rise of Social Development and the Socially Responsible Corporation

The realization among members of affluent societies that quality of life is not solely attainable through increased consumption has lent meaning to notions of social development and social capital. While perhaps not directly linked to enhanced material well being, it has become widely accepted that the informal ties between people are
essential to their working together for such improvements. A wide range of meaningful debates on these social linkages has thus commenced. Putnam (1993,1995) discusses social relations and “civic participation”; Wilkinson (1991), Flora & Flora (1997) and Woolcock (1998) address their relevance in community development; Evans (1996), examines state-society relations; and Kolankiewicz (1996) probes of the forces of social change. These, and a host of others, have had the resounding effect of raising the prominence of social capital in the discourse around development and societies (Schulman & Anderson, 1999).

In line with this social emphasis in development, a “new class” of MNC has come forth. Conventional destructive effects of MNCs are being addressed in part through a movement of “social corporate responsibility”. This has gained incredible momentum over the past decade with the effect of drawing the public’s attention to the influence of corporations in society. In many cases, the raised consciousness has caused companies to voluntarily accept their roles and responsibilities as prominent influences and entities within society. Alternatively, these efforts are increasingly reinforced by actors in civil society who have become particularly active as corporate “watch-dogs”, placing pressure on MNCs to conform to general standards of civility in their decisions and operations. Host countries are also keeping a closer eye on MNCs to protect themselves against severe environmental degradation and social injustice.

The serious pressure and regulations placed on corporations however remain generally restricted to businesses operating domestically in developed countries. With regard to foreign MNCs, the standards are for the most part nonbinding and voluntary in nature. For example, the UN Commission on Transnational Corporations requests that MNCs “respect human rights, abstain from involvement in, and subversion of, domestic politics in host nations; practice nondiscrimination; respect host government priorities on employment, the environment, and socioeconomic policy; and cease collaboration with racist politicians in South Africa prior to 1990 (cited in Meyer, 1996; Lippmann, 1985). Guidelines tend to focus largely on the economic and environmental impacts and labour practices of MNCs.

In addition to the changes that have been effected through notions of social responsibility, the position of MNCs in society is also changing as a result of an
emerging business culture that equates a happy and integrated workforce with higher efficiency and productivity. Originating in Japan as a component of just-in-time\textsuperscript{11} business strategies, dedication, commitment and job satisfaction have been identified as important components in achieving maximum gains. As a result, a whole new corporate ethic has arisen that centers around building workplace cohesion and employee morale as a method of increasing profits and efficiency. These methods are now pervasive throughout Western-based corporations and are gaining increasing application in the less developed countries largely through MNCs\textsuperscript{12}.

The role of MNCs is also shifting as a consequence of external pressures and opportunities of the global economy. MNCs, for example, have been notoriously associated with footloose operations located within less developed nations in order to capitalize on low wage rates. However, empirical evidence derived from the Southeast Asian financial crisis of the 1990s suggests a shift away from this predisposition that characterized MNCs in the past. A recent World Investment Report provides proof that labour costs no longer represent the primary determinant of a company's location and operations overseas (Angeles, 2000).

While these trends may indicate a positive transformation in the behaviour and structure of MNCs, this paper will argue that these changes do not denote an eradication of the development issues associated with MNCs, but rather that the "21st Century MNC" encompasses a variety of new influences and challenges to host communities. Cook and Kirkpatrick (1995) speak to the challenges arising specifically from the shift that has occurred within industrial organization, away from Fordist mass production to the global, flexible specialization paradigm that has raised the importance of knowledge-based inputs of production and intra-firm organization, relative to labour costs, as key factors determining international competitiveness. At a more micro level, issues for development arise from a business ethic being practiced by MNCs that

\textsuperscript{11} "Just-in-time" refers to the operation principle that is so organized to supply the demand as it becomes apparent, as opposed to incurring the costs of inventory stored in anticipation.

\textsuperscript{12} Raphael Kaplinsky (1994, 1995) speaks to the spread of Japanese management techniques to developing countries.
involves fostering a "corporate community". Eminent futurist, Francis Fukuyama (1995), argues that the modern corporation represents the primary space for social capital accumulation in the future. However, the broader implications for the development of the community are largely unexplored.

Studies in the past that have been concerned with the social dimensions of MNC operations have concentrated on human rights issues (Meyer, 1996; Spar, 1998, 1999; and Smith, Bolyard & Ippolito, 1999), or their impact on social development as measured by indicators such as employment (Muller, 1971; Cardoso & Faletto, 1979; Meyer, 1996), the environment (Pearson, 1987; Goldsmith, 1996; Leonard, 1998) and the transfer of technology (Walters & Blake, 1992; Kolodner, 1995). Although the economic and social spheres of our lives have come to be generally understood as being intertwined and co-dependent, the traditional approach to MNCs remains largely consistent with conventional modernist and neoclassical theories that understand the economy as separate or differentiated from the idiosyncrasies of social relations. There is now greater awareness of their potential impacts on the environment, labour relations and human rights, but MNCs are still considered predominantly with respect to economic issues. Even the recommendations of the UN Committee for Community Development Planning retain a predominant focus on fiscal effects:

For health and sustainable growth and development, also, the private sector generally and the multinational corporations in particular must meet the challenges of transparency and accountability. Without effective accountability in their pursuit of innovation and growth, market shares and profits, development is liable to become inequitable and unbalanced and, eventually, socially and economically unsustainable (http://www.un.org/esa/analysis/devplan/e_2000_33.pdf).

Minimal attention has been directed towards discerning the influence of MNCs on levels of social capital and cohesion within a community. Albeit of negligible

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13A "corporate community" refers to a community that is largely created by the corporation out of its employees.

14 The Global Compact, for example, which was issued by UN Secretary General, Kofi Annan, following the World Economic Forum (1999) outlines a set of core values to guide business in the future. However, only the areas of human rights, labour standards and environmental practice are considered. (See http://www.iccwbo.org/home/menu_global_compact.asp).
importance in conventional notions of development, this gap in the literature has endured despite the rising prominence of these factors in modern discourse.

In an effort to address this inconsistency in approach to MNCs, this study explores the case study MNC through the lens of social capital. As a leading principle of contemporary theories of development and one that has attracted extensive attention as both a topic of research and a justification of policy, social capital provides a useful perspective by which to approach and assess economic entities, and multinational corporations specifically. Therefore this research draws on the ideas and literature in this area to advance our understanding of MNCs in terms of their social influence and attain a more accurate picture of their efficacy as development agents.

The following section discusses the general concept of social capital, the debate that surrounds the term, and how it holds relevance for this study.

B. The Theory of Social Capital

Social capital has pervaded the lexicon of a wide range of disciplines and has become a particularly prominent focus within the theory and literature related to development. Although commonly defined as the "information, trust and norms of reciprocity inhering in one's social networks" (Woolcock 1998:153), the term has been broadly applied to refer to a variety of issues related to social relations. Depending on the interpretation and context, social capital can embody a number of contradictions and there is subsequently widespread debate about the true meaning of the term. While some scholars and practitioners may dismiss social capital as a topic of research on the basis of this confusion, this study maintains that the term's ambiguity does not render it without systematic content and influence.

Studies in social capital have essentially helped to inject a human perspective into conventional notions of development that assumed its actors to be rational and self-interested agents. A community's development requires more than the availability of resources. As emphasized in the World Development Report on "Attacking Poverty" (2000), "economic growth is crucial but often not sufficient to create conditions in

which the world's poorest people can improve their lives”. Development entails a system and set of rules by which the resources are shared and used and social capital speaks directly to how this is achieved. More specifically, social capital is used to discuss the conditions and phenomena by which people come together and cooperate, and the implications of different social network formations.

This blurring of sources and effects of social capital in the literature is commonly criticized as contributing to the term's ambiguity (Longo, 1999). However, this analysis draws on findings in both realms. Whether an element such as trust, represents a factor of social capital or a consequence of it, is irrelevant to this study. The emphasis of this research is on the implications of social capital that is generated at different levels, not on the factors that contribute to its existence. A whole range of components of social capital, i.e. factors or conditions that bring people together, are thus used to explore the nature and boundaries of social networks being formed and strengthened in the case study. Group identity, physical interaction, a common interest, a shared set of values, commitment and involvement are all understood as contributing to cohesion and integration of individuals and groups. Theories related to the implications of these networks in terms of their capacity to include and exclude are then considered with respect to community development planning.

The analysis also draws from both sides of the debate on social capital. Although the sources and effects of the concept are difficult to discern, there is a clearer split between those that understand social capital as a resource of individuals and those who understand it as an attribute of community. The former, egocentric interpretation (Flora, 1998) generally depicts the view of economists. It retains a rational-choice perspective and sees individuals as engaging in social relations for their own benefit. Social capital from this perspective is an informational resource emerging as a result of interactions between rational agents ceding to coordinate for mutual benefit. The term essentially refers to a mechanism for “extend[ing] an economic approach based on utility maximization” to the realm of social behavior (Fine, 1999).

Those who approach the term from a more sociological perspective are critical of this functional understanding. Fine (1999) for one, makes a particularly powerful argument on this interpretation of social capital. Manifest in the programs and
discourse of international agencies such as the World Bank, Fine claims that by this understanding, social capital represents merely a non-economic or non-market instrument whose significance lies in its ability to make the market work, or make it work better. In this way, he construes social capital as the corresponding counterpart to the political school within the developmental state literature. Rather than signaling a departure from conventional economic-based development agenda, its popularization is as an “organizing concept that is merely rewriting social theory with some degree of economic content” (Fine, 1999:10).

By contrast, a more sociologically grounded understanding of social capital is concerned not as much with the productive elements of social networks as with the patterns and structure of the networks themselves. An approach which Flora (1998:488) calls the “sociocentric perspective” understands social capital as “the non-contractual elements of contract” that underlie any commitment to action (rational or otherwise) and define people’s goals as well as how they seek their achievement (p.488). Rooted in the ideas of Durkheim (1964) and advanced by Putnam (1993) among others, this perspective focuses on the “embedded” nature of all behavior and the non-rational ties between individuals. Economic action, specifically, is understood as being grounded in a social and moral order.

The approach to social capital taken by this study holds greater affinity for the latter approach in that it is community development that is of interest. However, this research neither ascribes to any one interpretation of the concept nor dismisses social capital that exists at levels other than the community. Informed by the notion that social capital can be the resource of a community or an individual, both sides of the literature provide insight into understanding the social dynamics at play in the case study and the implications of these networks and patterns for community development planning. The following discussion outlines some of the main concepts from this expansive literature on social capital that retain particular relevance to this research.
C. Relevant Concepts in Social Capital Theory

The concept entailed by the term developed out of the post-structural theories that gained strength through the failings and critiques of the pure market approach. Granovetter's critique put forward in 1985 was particularly influential and his notion of an economy embedded in the social relations of society has since been widely adopted. Although it was largely this connection to economics that attracted attention to the idea of social capital, the concept is rooted in more sociological interests. In line with this perspective, Durkheim (1964) introduced ideas of the “non-contractual aspects of contractual solidarity” which characterize social behaviour in ways other than those assumed by conventional rational-choice theories. Talcott Parsons (1956) expresses this solidarity in terms of values and norms which Portes and Sessenbrenner link to the prompting of individuals “to behave in ways other than naked greed.” (1993:482) Bourdieu’s (1986) understanding of the concept merges George Simmel’s (1964) ideas related to “reciprocity transactions” and the obligations between individuals based in self-interest, with Marx’s notions of bounded class solidarity and the welding of individual self-interest in a higher form of consciousness. This latter approach from Bourdieu essentially constitutes the basis of the “sociocentric” perspective.

Bourdieu (1986) identifies four main, interchangeable types of capital: economic, cultural, social, and symbolic. He sees each as representing resources that yield power and involve the capacity to exercise control over one’s own future and that of others. He defines social capital as an “aggregate of the actual or potential resources which are linked to ... one’s membership in a group - which provides each of its members with the backing of the collectivity-owned capital, a ‘credential’ which entitles them to credit, in the various sense of the word.” (1986:248-249)

Portes and Sessenbrenner (1993) uphold the opposing interpretation. They elucidate the diversity of definitions of social capital and deduce that “social capital is generated by individual members’ disciplined compliance with group expectations”, the motivations being not value convictions, but the anticipation of utilities associated with ‘good standing’ in a particular collectivity (1993). As with reciprocity exchanges, they note that the predominant orientation is utilitarian, except that “the actor’s
behaviour is not oriented to a particular other but to the web of social networks of the entire community “(1993, 1325).

Putnam, whose study in social capital (1993) was largely responsible for the mainstream application of the term, offered a perspective that adhered in part to both approaches to social capital. Putnam investigated social capital as a force and determinant of economic development. He examined the regional and community history of the Italian peninsula and delivered convincing evidence of the efficacy of social capital “embedded in the norms and networks of civic engagement” as a fundamental determinant of economic development. In line with conventional development theories that saw economic growth to imply beneficial development overall, Putnam’s findings offered economists a mechanism by which to explain the shortcomings of neoclassical approaches. For sociologists, the study conferred empirical value to social relations, thus proving their consequence.

Social capital has thus resonated widely across disciplines and become a key concept in modern development discourse. The World Bank for example, now identifies social capital, defined as the institutions, relationships and norms that shape the quality and quantity of a society’s social interactions, as being “critical for societies to prosper economically and for development to be sustainable” (http://www.worldbank.org).

Much of the development literature ascribes an unmitigated value to social capital as inherently positive for a community’s development. Applying this normative definition, the modern institution of the corporation, as the key source of social capital generation (Fukuyama, 1995) would qualify as an impetus of community social development. However, more detailed analyses of the phenomenon reveal different forms of social capital, varying by the scope of influence and basis of formation, “with different sets of social relations, and institutional environments” (Schulman and Anderson, 1999:352). This perspective suggests that while social capital may be present within a corporation, it is not necessarily in a form that is conducive to community development. Warner (1999) points out, for example, that when social capital is analyzed at the community level it is clear that it cannot be treated as a “normative good”. Kaufman (1959), Wilkinson (1991), Flora (1997), Sharp (1998), Woolcock (1998) and Schulman and Anderson (1999) are among those who concur on the capacity for
both positive and negative social capital in relation to broader development goals. Bourdieu (1986) observed that groups possess unequal access to social capital. Flora (1998) contributes to Bourdieu's ideas by noting the capacity of social capital to improve the other forms of capital by reducing transaction costs. Both illustrate the incentive and potential for the dominant classes to appropriate social capital in order to convert it into another form of capital and advance their personal wealth. Calhoun (1993) also points out how an individual essentially holds the right to use the group's position, status and networks for the benefit of either the group, or merely for personal gain.

Portes and Landold (1996) demonstrate how social capital can negatively impact certain groups through pressures favoring downward leveling and group conformity. Edwards and Foley (1998) argue that the utility of social capital in facilitating social action is further determined by the social, spatial, historical and geographical location. Thus the quality of social capital depends largely on the social location and motivations of groups and individuals that are able to appropriate it. Given the potential for either positive or negative social capital to exist, these proponents argue that it is a necessary, but not sufficient factor in the achievement of collective community development goals.

Woolcock (1998) suggests that two forms of social capital exist; integration (intra-community ties) and linkage (extra-community networks), and that both dimensions are necessary in order for social capital to be a "useful" concept. Flora (1998) also believes that different types of social cohesion facilitate different levels of development and that social capital does not necessarily imply positive community development. Flora and Flora (1993) advance the view that communities can exhibit horizontal, hierarchical or a complete absence of social capital. Horizontal social capital is derived from situations in which individuals, who occupy similar social locations and organize into networks, are brought together by social ties and reciprocities. Hierarchical social capital by contrast, refers to the networks by which individuals from different social locations are brought together. Moreover, where there is pervasive social fragmentation and isolation, there may be no social capital in a community.

Kaufman (1959) and later Wilkinson (1991), make the distinction between development in the community, the actions of which Wilkinson refers to as the "social

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16 Werner (1999) reinforces this idea in discussing social capital vis-à-vis the role of the local state.
field”, and development of the community, or the “community field”. Wilkinson defines such community development as being “the process of developing the community field” and Warner (1999) echoes this distinction in citing that it is “strong community level social capital [which] supports formal and informal processes of decision making and public involvement.” The findings of Guest and Oropesa (1986) support this position by evincing that the probability of localized political activity is maximized when individuals have significant friendship ties with both the local and “extra-local” communities. Granovetter (1983) also emphasized the importance of weak ties as opposed to the stronger, more intimate relationships between people, with relation to well being (although from the perspective of the individual benefit). However, Flora (1997) and Sharp (1998) demonstrate that social capital, as it is most often conceived, is more relevant as an indicator of social field development than that at this broader level.

Flora & Flora (1993) thus put forwards the concept of entrepreneurial social infrastructure (ESI) to aggregate the notions of social capital so as to be effective within the larger encompassing social unit and better able to foster community wide action and development. Denoting “a particular format for developing organizational forms that encourage collective action to achieve tangible goals”, ESI builds upon the theories of social capital to include the notions of equality, inclusion, and agency. (Flora, 1998).

Notwithstanding the different interpretations, it is clear that social capital is deployable for either positive or negative ends, proving to be beneficial, or incurring costs, strengthening the community, or weakening it by allowing a skewed distribution of resources. The debate that continues with respect to social capital is due essentially to the context-specific nature of the concept. As Fine (1999) articulates, “there is not necessarily anything positive or predetermined about the impact of social capital until both its intrinsic and extrinsic context are examined” (p.8).

Social capital is influenced by the organization of work, community, labour market, firm and commodity system contexts (Schulman & Anderson, 1999; Granovetter, 1992; Mingione, 1991) and subsequently MNCs, particularly where a workforce community is being promoted. This research therefore examines the case of one particular multinational corporation, i.e. Texas Instruments, to determine the nature and quality of social capital being fostered and the impact of its formation on the
broader development goals of the community. The study asks the questions: does the
compny cultivate positive and inclusive social capital conducive to development of the
community? Or is negative and closed bonding being nurtured, conducive to
development in the community and exacerbation of societal divisions that already exist?

This question would ultimately involve measuring the degree of social capital
generated and thus determining some finite indicators of a phenomenon that is
incredibly variable, diverse and contested as well as only minimally understood.
However, in referring essentially to the extent and reach of social networks and
interactions between people and groups, the following chapters will examine the quality
of social capital being generated at the broader community level. Different linkages
between the corporation and the community as well as within the corporation will be
investigated. Informed by the notion that development of the community will require
community-wide (i.e. of a relatively broad scope) networks and linkages, this study will
explore whether the bonds being formed and perpetuated by the MNC in question are
of this nature or more limited in scope.
IV. BACKGROUND TO THE CASE STUDY: TEXAS INSTRUMENTS, PHILIPPINES IN BAGUIO CITY

A. Texas Instruments - the Corporation

Texas Instruments (TI) is the world's sixth largest supplier of semiconductors and the world leader in designing and supplying digital signal processing and analog technologies to digital electronics. The company also deals in materials and controls, educational and productivity solutions and digital imaging. Since undergoing a major corporate realignment in 1998, TI has moved into differentiated products such as digital signal processors (DSPs) and analogue chips, two of the fastest growing sectors of the semiconductor industry. TI has since become the market leader in DSPs, both in terms of dollar sales and breadth of product portfolio. Driven by the demand for devices such as wireless phones, digital cameras, modems and computer networking equipment, the DSP category is expected to triple in size over the next five years.

TI is 100-percent American owned and is publicly traded on the New York Stock Exchange. In 1999, TI delivered a remarkable 126 percent return on its stockholders' investments. The company posted revenues for that year of $9468 million, up 10 percent from 1998. Revenues from its semiconductor business grew by 21 percent, which is faster than the growth of the industry. Although TI's headquarters are in Dallas, Texas, it operates manufacturing and sales subsidiaries in 38 sites internationally. One of their assembly and test plants is located in Baguio City, Philippines (Texas Instruments, 1999).

B. The Genesis of TI, Philippines

Embarking on the age of global production, TI decided to establish a plant in the Philippines in 1978. In addition to the liberal incentives being offered by the Philippine government to lure foreign multinationals to the country, the Philippines was attractive for its English-speaking labour force and supposed western-style work ethic. Baguio City was chosen as the site of this subsidiary over Manila, Cebu, the Subic Bay area and Clark Air Base as a result of its particularly young and well educated labour force and
cool dry climate which offer substantial savings in air conditioning. In 1978, TI was also the pioneer corporation of the Baguio City Economic Processing Zone (BCEPZ).

In 1979, the delineated boundaries of the BCEPZ were expanded and the site was made completely independent of the broader city infrastructure. The BCEPZ became a self-contained system that included a million gallon water tank with distribution lines, roadways, an administration building, a 13.8KV primary power distribution line, storm drains and a sewer system. A number of subsequent upgrades and expansions have been made to the system in years since.

Texas Instruments, Philippines (TIPI) now occupies one half of the BCEPZ or 20.2 hectares of land. Although, US$339 million is claimed to have been invested in facilities and equipment within its 342,000 square feet of manufacturing and administrative space, it is unclear how much of these costs were actually incurred by TIPI.

C. Baguio City - The Community

1. Geography

Baguio City is situated in the mountains of Central Luzon, approximately 251 kilometres north of Manila, the nation's capital. It is landlocked within the Benguet Province and bounded by the provinces of La Trinidad in the north, Itodon in the east and Tuba to the south-west. It occupies a land base of 57.49 square kilometers. This is divided into 20 districts and 129 barangays (Baguio City Planning Department, 1998).

At elevations that range between 900 and 1600 metres, Baguio City is the highest city of the Philippines and subsequently enjoys a considerably more mild climate than

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17 City Planning documents from 1994 allege that 50 percent of Baguio's workforce consisted of recent college graduates (NEDA, 1994)
18 Under the Special Economic Zone Act No.7916, “pioneer firms” are entitled to an income tax holiday of six years, whereas the regular holiday is four years.
19 Often translated as a “village”, barangays are comprised of 70 to 300 families and led by a council of elected members that includes a captain who represents the community's interests at the municipal level. Dating back to pre-colonial times, the barangay remains the basic unit in Philippine society.
the rest of the archipelago. Often referred to as the “summer capital of the Philippines”, it has long held appeal as a vacation spot for Filipinos and as a headquarters for foreign colonialists from the North. The region has also been considered attractive due to its natural resource endowments - the mountain province contains the watershed which supports the three northern regions of Luzon (Regions 1,2,3).

2. History

The area of Baguio City was originally inhabited by the Ibalois and Kankanays peoples of the Igorot mountain tribes. In the 1500s, the Spanish occupied the region to exploit the area’s gold reserves and Christianize the native people. Commandante Galvey divided Benguet into 31 rancherias, including Baguio City. In addition to mining, coffee and cattle raising techniques were introduced at this time.

In the early 1900s, under the colonial authority of the U.S.A., Baguio City became an administrative centre, hosting the first civil government of the Philippines. This attracted the attention of US President Theodore Roosevelt and in 1904, he mandated that the city’s development be in accordance with the plans of architect Daniel H. Burnham. Burnham’s design was based on a maximum population of 25,000 and emphasized aspects of civic design and aesthetics (Baguio City Planning Department, 1998).

In 1957, the appointed mayors of the city council were replaced with Baguio’s first elected local government. This council passed a series of legislative amendments to address the inadequacies of the city’s physical plan in light of its growing population and multiplicity of roles as a centre of administration, commercial trading, industry, education and tourism.

3. Demographic Profile

Baguio City has a population of 226,883 (Sept 1995). Between 1990 and 1995, the city exhibited a high growth rate of 4.1, relative to the regional average of 1.71 and the
national average of 2.32. The City Planning Department expects a continuance of this high growth trend due to the migration effects of urbanization.

The median age of Baguio's population is 21. The majority of the population (65.6 percent) is below the age of 30 and more than one third (33.4 percent) is under 15. (See Table 4.1: Household Population by Age Group and Sex) The ratio of males to females is 96.1 to 100 (Baguio City Planning Department, 1998).

<table>
<thead>
<tr>
<th>Age</th>
<th>Number</th>
<th>Percent of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Both Sexes</td>
</tr>
<tr>
<td>All Ages</td>
<td>222,639</td>
<td>100.00</td>
</tr>
<tr>
<td>&lt;1</td>
<td>5,515</td>
<td>2.48</td>
</tr>
<tr>
<td>1-4</td>
<td>21,171</td>
<td>9.51</td>
</tr>
<tr>
<td>5-9</td>
<td>25,012</td>
<td>11.23</td>
</tr>
<tr>
<td>10-14</td>
<td>22,696</td>
<td>10.19</td>
</tr>
<tr>
<td>15-19</td>
<td>29,416</td>
<td>13.21</td>
</tr>
<tr>
<td>20-24</td>
<td>24,935</td>
<td>11.20</td>
</tr>
<tr>
<td>25-29</td>
<td>21,520</td>
<td>9.67</td>
</tr>
<tr>
<td>30-34</td>
<td>17,657</td>
<td>7.93</td>
</tr>
<tr>
<td>40-44</td>
<td>11,200</td>
<td>5.03</td>
</tr>
<tr>
<td>45-49</td>
<td>8,819</td>
<td>3.96</td>
</tr>
<tr>
<td>50-54</td>
<td>5,821</td>
<td>2.61</td>
</tr>
<tr>
<td>55-59</td>
<td>4,575</td>
<td>2.05</td>
</tr>
<tr>
<td>60-64</td>
<td>3,524</td>
<td>1.58</td>
</tr>
<tr>
<td>65-69</td>
<td>2,319</td>
<td>1.04</td>
</tr>
<tr>
<td>70-74</td>
<td>1,458</td>
<td>.65</td>
</tr>
<tr>
<td>75-79</td>
<td>1,012</td>
<td>.45</td>
</tr>
<tr>
<td>80-84</td>
<td>563</td>
<td>.25</td>
</tr>
<tr>
<td>85 +</td>
<td>325</td>
<td>.15</td>
</tr>
</tbody>
</table>

Source: NSO, Baguio City, 1995

4. Religion & Ethnicity

The dominant religion of the 32 denominations in Baguio City is Roman Catholicism (80.4 percent of the population), followed by Filipino Episcopalian, and the Iglesia ni Cristo.
The City of Baguio Planning Department reports that 79 dialects were spoken in Baguio City in 1995. Of these, Ilocano was spoken by 50 percent of the population; Tagalog by 22.74 percent, and 9.7 spoke the Kankanai tribal dialect. English was the most commonly spoken foreign language.

5. Education

Baguio City constitutes the center of education and higher learning for Central Luzon. The city hosts seven of the region’s ten major universities/colleges and its population exhibits a high literacy rate of 97.64 percent (1996) as compared with the national average of 89.8 percent. There are 155 educational institutions in the city, 24 of which are post secondary, tertiary or higher education facilities. All but two of these are owned by the private sector and seven administer contemporary curriculums on computer technology. As a result, the private sector plays a critical role in the development and delivery of these higher learning programmes. Indeed, private sector contributions are becoming increasingly essential given that the city’s high proportion of youth is approaching the end of their secondary education (Socioeconomic Profile, 1996).

Non-formal education, livelihood and vocational skills development are also provided in the city through divisional offices of the national Department of Education and the Technical Education Services Development Authority (TESDA). Graduates of both programmes have declined over recent years as a result of inadequate training facilities. These school curricula also suffer from a lack of coordination and as a result of not being grounded in the local situation (Baguio City Planning Department, 1998).

6. Labour and Employment

In 1996, 52.0 percent of Baguio’s population was above the age of 15 and was thereby considered part of the labour force. Of these 118,000 people, 52.7 percent were found to be participating in the labour force, meaning, that they were contributing in some way to the production of goods and services in the city. This was an 11 percent decrease from 1990 figures that indicated a 63.7 percent labour force participation rate.
The employment rate, measuring those involved in the formal economy was 88.8 percent. The unemployment and underemployment rates were 11.2 (a 107 percent increase since 1990) and 3.8 (100 percent increase since 1990) respectively.

Table 4.2

1990 - 1996 Labour Force Participation by Employment Status, Baguio City
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1994</th>
<th>1995</th>
<th>1996</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 15+ years</td>
<td>119</td>
<td>112</td>
<td>113</td>
<td>118</td>
<td>-0.28</td>
</tr>
<tr>
<td>In the Labour Force</td>
<td>7</td>
<td>67</td>
<td>69</td>
<td>62</td>
<td>-1.32</td>
</tr>
<tr>
<td>Labour Force Participation Rate (%)</td>
<td>63.70</td>
<td>59.82</td>
<td>61.06</td>
<td>52.7</td>
<td>-6.12</td>
</tr>
<tr>
<td>Employment Rate</td>
<td>94.89</td>
<td>85.07</td>
<td>82.6</td>
<td>88.8</td>
<td>-2.18</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>5.4</td>
<td>14.92</td>
<td>17.39</td>
<td>11.2</td>
<td>27.52</td>
</tr>
<tr>
<td>Underemployment Rate (%)</td>
<td>21.05</td>
<td>5.8</td>
<td>-47.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NSO Labour Force Survey (1996) - also CPDO Socioeconomic Profile

The bulk of these workers (75 percent) were engaged in service oriented activities. Industry accounted for the second largest bracket of employment (11 percent) while only 3 percent were employed in the areas of agriculture, fisheries and forestry (See Table 4.3: Gainful Workers 15 Years Old and Over by Major Industry Group). Another significant component of the labour force is its overseas workers (2.3 percent of total household population). Females made up just over half (52.9 percent) of this working contingent.

Table 4.3

Gainful Workers ≥15 Years Old by Major Industry Group
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Fishery &amp; Forestry</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>33</td>
<td>14.47</td>
</tr>
<tr>
<td>Industry</td>
<td>11.3</td>
<td>18</td>
<td>19</td>
<td>11</td>
<td>-0.89</td>
</tr>
<tr>
<td>Services</td>
<td>37</td>
<td>36</td>
<td>48</td>
<td>41</td>
<td>3.48</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>--</td>
<td>.4</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>All Industries</td>
<td>74.3</td>
<td>56</td>
<td>71.4</td>
<td>55</td>
<td>-9.54</td>
</tr>
</tbody>
</table>

Source: CPDO Socioeconomic Profile, 1997.
7. Family Income and Expenditure

The National Statistics Office reports family income sources in three major categories. Within these designations, salaries and wages were found to provide 61 percent of income; 20 percent was derived from entrepreneurial activities; and the remaining 19 percent came from other sources such as net-shares from crops produced, livestock raised by other households, rentals, and cash receipts. In Baguio City, salaries and wages were earned exclusively through non-agricultural activities.

In 1994, the bulk of families (41 percent) earned an income of between P60,000 and P99,000. Twenty-four percent of families fell into the P100,000-P249,000 income class, reflecting the general income distribution of people in the Philippines.

8. Health

Baguio City has adopted a community-based strategy for the delivery of health services that operates through a main health centre, eight district health centres and eight sub-district health centres. Hospital facilities include two public hospitals (one tertiary). Among the problems that these facilities address are those related to water and sanitation: only 72 percent of total households have access to potable water and 74 percent have sanitary toilet facilities.

9. The Environment, Natural Resources and Land Use

The natural environment of this mountain city has long been among its most renowned features. Largely as a result of its inhabitants' pride of the area's aesthetics, Baguio has been named the cleanest and greenest highly urbanized city of the Philippines. However, notwithstanding this designation the area suffers from decades of intensive exploitation of its natural resources. Most critically, the Baguio metropolitan region suffers from severe perennial water shortages. In 1995, the city's water demand exceeded the amount of water available by 10,000m³. The fees for hydro in Baguio City are subsequently amongst the highest in the country. In 1995, fees that
ran at a minimum of P120/10m³ were raised by 50 percent (Nordis, 1995). The lower income sectors of the community are obviously most effected by these shortages.

Table 4.4

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption Demand*</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>12,698,124</td>
<td>10,106,048</td>
</tr>
<tr>
<td>1991</td>
<td>13,251,606</td>
<td>10,029,360</td>
</tr>
<tr>
<td>1992</td>
<td>13,829,084</td>
<td>9,956,892</td>
</tr>
<tr>
<td>1993</td>
<td>14,431,804</td>
<td>10,180,254</td>
</tr>
<tr>
<td>1994</td>
<td>15,060,740</td>
<td>10,249,499</td>
</tr>
<tr>
<td>1995</td>
<td>15,734,336</td>
<td>9,352,308</td>
</tr>
<tr>
<td>1996</td>
<td>16,377,904</td>
<td>10,588,139</td>
</tr>
</tbody>
</table>

* Consumption has been estimated at 190 liters/capita/day

Source: Socio-economic Profile, Baguio City Planning Department; Actual production data was provided by the Baguio Water District

The pace of urbanization in Baguio continues to deprecate the environment. Squatter settlements represent a major problem. Of the 36,547 households in the city, only 68.6 percent have land tenure and there is subsequently minimal control over these areas (Baguio City Planning Department, 1997).

The city’s infrastructure is also not sufficient for the burgeoning population, resulting in seriously inadequate solid and liquid waste disposal. In 1997, it was reported that the city’s sewage system covered only 15 percent of the city and garbage collection services were supplied to only 118 of the 129 barangays. Water systems are further contaminated due to erosion and squatter settlements on watersheds. In the absence of adequate controls and regulations regarding land use, the rapid development has also led to the increasing degradation of forests and vegetation.

Although the Department Chief of the Local General Services Office was quoted as saying that “garbage is a good indicator of economic growth for any developing city” and that “Baguio residents have reason to be thankful for the rising garbage rate,” there
appears to have been a realization of the seriousness of environmental decline in recent years (Romeo Concio, as quoted in Nordis, 1996).

The health of the environment has also gained importance in terms of its effect on the city’s tourism industry. Subsequently, eight forest reserves have been established in response to the apparent environmental degradation and the city has acknowledged the need to step up the scope and enforcement of current land management controls.

10. The Economy

The local economy of Baguio is largely dependent on tertiary activities, namely, commercial, wholesale and retail services. About 59.9 percent of establishments registered in 1995 were of this nature. Some 672 of the total 1,813 establishments were in the area of trading and 73 were in manufacturing. Tourism constitutes another primary feature of the city’s economy.

* * *

Baguio City is located within one of the nation’s poorest regions. The Province of Benguet has been designated, along with all of the provinces in Northern Luzon, as part of the Philippines “Club 20” - areas exhibiting the highest incidence of poverty in the country\(^\text{20}\). Baguio City is exempt from this stigmatized classification as a result of the revenue it generates through tourism and manufacturing. The city also hosts a larger proportion of families falling into the higher income brackets. However, this relative advantage should not obscure the critical planning issues that threaten Baguio’s quality of life.

As a direct consequence of its relative wealth in the region, Baguio continues to experience a steady influx of people from the surrounding territories in search of employment. Its rapid urbanization is manifest in the city’s planning priorities related to a growing population of urban poor, informal housing, water shortages, air pollution and solid waste disposal. In the 1980s, these issues resulted in Baguio being named as

\(^\text{20}\) In 1995-96, the Presidential Commission on Urban Poor issued estimates that of the 153,955 people who comprised the urban population in CAR, 133,215 or 86 percent fell beneath the poverty threshold.
one of the five cities for a pilot National Economic Commission and USAID Project aimed at evolving unified, long range development plans. Although the city generally benefited from the planning assistance programme, a recent minimum basic needs survey that indicated that the majority of the population is living below the poverty threshold suggests that the problems have persisted (City Planning Department, 2000).

The growth in Baguio City's urban poor population is evinced, among other ways, by a number of international non-governmental organizations operating poverty alleviation programmes in the city. Plan International, for example, directs projects in 13 barangays. Similarly, the Urban Poor Council of Metro Baguio is comprised of over 30 associations that have come together to lobby the local government on issues particularly focused on housing. The City Department of Social and Welfare has identified ten critically depressed barangays in the city to whom it focuses its attention.

A series of articles relating to the urban poor of Baguio City, featured in a local NGO publication in 1996, discuss the disparities between the "summer-capital-and-tourist-centre" rich and the city's urban poor. In some villages, it reports that average peak season family incomes ranged between P2,000 and P3,000 monthly. Homes of 18x20 feet in these areas were most often occupied by three families of five to seven members each.

Table 4.5 displays family income distribution for the years 1988, 1994 and 1994.
Table 4.5


<table>
<thead>
<tr>
<th>Inc. Class (000s)</th>
<th>1988</th>
<th></th>
<th>1991</th>
<th></th>
<th>1994</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;15</td>
<td>396</td>
<td>11,400</td>
<td>13,032</td>
<td>5,517</td>
<td>25,041</td>
<td>25,807</td>
</tr>
<tr>
<td>15-19</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>5,620</td>
<td>17,747</td>
<td>16,806</td>
</tr>
<tr>
<td>20-29</td>
<td>396</td>
<td>24,242</td>
<td>23,729</td>
<td>375</td>
<td>25,750</td>
<td>40,399</td>
</tr>
<tr>
<td>30-39</td>
<td>2,374</td>
<td>36,298</td>
<td>34,872</td>
<td>1,126</td>
<td>39,080</td>
<td>34,117</td>
</tr>
<tr>
<td>40-59</td>
<td>3,957</td>
<td>51,753</td>
<td>51,945</td>
<td>6,380</td>
<td>51,008</td>
<td>48,352</td>
</tr>
<tr>
<td>60-99</td>
<td>14,641</td>
<td>78,556</td>
<td>74,715</td>
<td>10,133</td>
<td>81,057</td>
<td>65,083</td>
</tr>
<tr>
<td>100-249</td>
<td>8,705</td>
<td>163,851</td>
<td>119,485</td>
<td>12,760</td>
<td>141,109</td>
<td>105,862</td>
</tr>
<tr>
<td>250+</td>
<td>5,540</td>
<td>353,229</td>
<td>245,305</td>
<td>2,627</td>
<td>477,844</td>
<td>158,109</td>
</tr>
<tr>
<td>Total</td>
<td>36,009</td>
<td>131,950</td>
<td>105,416</td>
<td>33,402</td>
<td>127,430</td>
<td>83,463</td>
</tr>
</tbody>
</table>


Therefore, while Baguio is relatively healthy when compared to surrounding communities, this position may bring about greater problems in the future, in the absence of careful and comprehensive planning.

"Today, understanding the links between inequality and the performance of an economy has become an integral part of understanding the very process of development and the effect of different policies" (World Bank, 2000).

In light of this priority, the remainder of the paper explores the role that multinational corporations play as either a positive or negative force to the community's capacity to plan and address these problems.
V. THE CASE STUDY: TEXAS INSTRUMENTS, PHILIPPINES

A. TIPI Today

Texas Instrument's (TI) decision to locate in the Philippines was driven by the same goal of minimizing labour costs that guided MNC behaviour in Asia generally throughout the 1970s and 1980s. However, the assembly-test facility that operates in Baguio City today bears little resemblance to the notorious and destructive entities that were fostered through this mode of competition.

Reflecting the trend among corporations throughout the world, TIPI has altered its approach to business, its employees and its host community in response to forces and pressures that are gaining strength in the global arena. Evinced by the statistics released in the World Investment Report (1998), labour costs no longer represent the main determining factor in a company's decision-making process (cited in Angeles, 2000). Companies have altered their approaches in accordance with advances in technology and the volatile nature of markets. In addition to maximizing their efficiency, a company's flexibility has become an equally critical component of a corporation's global competitiveness, and a workforce of competent employees if often the principal means of achieving this quality. Departing from the traditional rigid production line system in which employees' knowledge and involvement is confined to a single step of the production process, flexibility is gained when employees have a broader spectrum of skills and capabilities as well as greater autonomy in their jobs. This facilitates a swifter response to problems and for changes in production to be effected faster and more smoothly. Employees can have direct impact on the company's ability to maintain and enhance rates of production and thus become highly valued factors in the process.

The Japanese automobile industry was the first to operationalize these goals of flexibility, autonomy, and efficiency logic within a system and ideology of production. Since termed Total Productivity Maintenance, the success and propagation of this employee-focused method of production and workforce organization has led a transformation of conventional organizational management to one that places a greater emphasis on the capacities of individuals and the efficacy of work teams. The idea is
essentially to actively involve every single employee in the pursuit of the company’s goals.

As a contender within one of the most competitive and fast-paced industries in the world, TIPI’s employment relations and organization represent a model of the TPM philosophy. Their application of the concept has received international recognition and acclaim through the following awards.

1998 Award for Excellence in Consistent TPM Commitment-First Category - *Japan Institute of Plant Maintenance*

1995 Award for TPM-First Category - *Japan Institute of Plant Maintenance*

1992 People Development and Management Award - *World Executive Digest, Japan Airlines and Asian Institute of Management*

TIPI reoriented their organizational structure and corporate perspective in line with TPM principles in the early 1990s. Employees now operate within a network of teams to facilitate faster response times and the corporation’s obsessive fixation with impeccable and high output performance has been successfully extended to the entire workforce. Quality and productivity are fiercely pursued and measured at every level of the production process and by every individual employee. A variety of quantifiable indices relay their performance that include Net Units Billed, parts per million, cycle time, average outgoing quality, overall equipment efficiency, mean time between failures, mean time between assists, yield and cost per pin. Moreover, there is constant evaluation to ensure the optimization of processes and equipment utilization, the prevention of future failures, and the minimization of costs.

Concurrently, the company’s “people management philosophy” is manifest through a generous salary and benefits package, programs to ensure the safety of the work environment, a process for dispute resolution and grievance submission, and an extensive array of training opportunities. These are discussed in greater detail in the sections to follow.

In addition to these changes that are taking place within corporations, companies are being transformed in their relations with the broader community. This is the result of an increasing need to act in consideration of the concerns of civil society,
which is asserting a growing presence as a corporate watchdog, particularly on issues relating to human rights and the environment. Corporate social responsibility subsequently represents a second trend through business worldwide that is manifest in TIPI's mode of operations. Inspired through the company headquarters in Texas, USA, TIPI reflects the consciousness of its shareholders through a commitment to environmental management and an amicable approach towards its host community. TIPI has been acknowledged by the Philippine Export Zone Authority for its commitment to the Baguio community with awards for the "Best in Community Projects" for 1996, 1997 and 1999. In 1990, the Personnel Management Association of the Philippines also awarded them a prize for an Outstanding Community Relations Program. In addition to their environmental programs, TIPI's contributions to education are particularly noteworthy.

This section has discussed the general principles that guide TIPI. Operating in accordance with the notions of TPM and social responsibility, TIPI maintains a very different presence than typical MNCs of the past. The following sections illustrate how these ideologies translate into the company's outputs, in terms of its products, export generation and tax revenue, and inputs in terms of its supply and service needs. TIPI's relationship with its employees and host community are also discussed for their relevance to understanding the focus of this paper and to introduce the ensuing chapter, which shows how the company impacts on the social relations of the community. While TIPI embodies much of what is deemed ethical in most companies in terms of environmental and social responsibility, does this necessarily render them a positive force in a community's development?

B. The Outputs of TIPI

1. Products

Texas Instruments, Philippines Incorporated (TIPI) is the company's largest application assembly and test factory and is considered one of the most sophisticated sites for TI integrated circuits in the world. It produces semiconductor integrated circuits (ICs), thin and thermally enhanced packages (TEPs) and ball grid arrays (BGAs)
for export primarily to Europe, the US and Japan. TIPI supplies a range of client industries that include computer, telecommunication, aerospace, and automotive applications.

2. Exports

Generating exports of US$1.6 billion in 1999, TIPI is the nation’s single largest exporter and the sixth highest income earner. It has played a pivotal role in securing a position for the Philippines in the global market for semiconductors and has enhanced international business relations in general. For its contributions to the national economy, TIPI has received the following awards.

1999  Top Exporter Award - Hall of Fame - *Philippine Export Zone Authority*
1996  Top Exporter Award (1996) - *Philippine Export Zone Authority*
1994  Outstanding EPZA Company of the Year (1989) - *Export Processing Zone Authority*
1993  ISO 9000 Certification - *Bureau of Product Standards, Department of Trade and Industry*
1991  Outstanding Quality Company of the Year - *Philippines Society of Quality Control*
1990  Outstanding Countryside Investor of the Year - *Philippine Chamber of Commerce*

3. Tax Revenue

There was a widespread assumption among the people of Baguio City that TIPI represents an important source of tax revenue and indeed, contributions are made by way of income tax from TIPI employee salaries. However, the amount that TIPI pays in corporate tax is negligible. As outlined in Chapter 2, the Philippine government grants an array of incentives to foreign export corporations that exempt them from essentially all national and local taxes and licenses. In lieu thereof, EPZ entities (after the initial tax holiday period of 4 years, or 6 years for pioneer companies such as TIPI) are required to pay a tax amounting to 5 percent of gross income, less any training expenses. There was a policy that host municipalities could lobby the national government for the 2 of the 5 percent. However, as of 1999, the local government of Baguio City, for reasons
unknown, had never received any of this revenue. Recent amendment to RA8749 provides for local governments to receive this money directly; details of its implementation have yet to be determined.

C. The Inputs to TIPI

1. The Provision of Supplies

Until 1992, TIPI adhered to the general model of multinational corporations by importing the bulk of their supplies from abroad. However, as operations have become oriented towards a just-in-time framework, there has been greater incentive to localize supply networks. Subsequently, with the assistance and support of the Semiconductor and Electronics Industries of the Philippines Inc. (SEIPI), TIPI has begun fostering linkages with suppliers within the Philippines. As of 1999, TIPI had managed to obtain 30-35 percent of its supplies from domestic sources.

Reverse-trade fairs are one of the projects that SEIPI has designed to provide suppliers with a forum to market themselves to TIPI. These facilitate TIPI's process of surveying the market for potential suppliers and examining their quality systems, core values, financial stability and environmental standards. However, as was noted by Keiko Morisawa (2000), the expansion of local supply networks is impeded by two main factors. Firstly, the standards expected by TIPI are considerably higher than those required by other local industries and clients. Secondly, their supply needs are relatively distinct to the semiconductor industry. Therefore, apart from those companies that establish themselves expressly to serve TIPI, few local industries exhibit the required characteristics to warrant or succeed pilot projects launched to gauge their potential for future contracts. Supplies that have become sourced locally, as a result, tend to be limited to products such as plastic gloves and stickers. Packing components and critical raw materials (i.e. the key inputs in the semiconductor production process) are still, for the most part, imported from abroad. To date, TIPI is also the only semiconductor / electronics company in Baguio City.

Another strategy being employed at the regional level through SEIPI and TIPI to localize supply networks is to invite current suppliers from abroad to establish
themselves in the Philippines. For example in 1998, Mishytita-Kilshu, a main supplier of raw materials from Japan, was being avidly encouraged to establish a site locally. This strategy essentially implies the ingress of more multinational corporations to the Philippines. However, because they are not exporting their products, but rather supplying another MNC within the Philippines, this is ironically viewed as a strategy of local business enhancement. The fact that they still represent foreign corporate entities is apparently irrelevant.

2. Subcontracting Arrangements

Subcontractors of TIPI contribute to both the production process and the everyday operation and maintenance of the facility. Contracts for production are used for those jobs that do not require the top level of quality or technology that is affected at the TIPI facility. A “cost of ownership” assessment is conducted on all jobs to determine which orders, on the basis of quality, cost, and time required, are profitable for TIPI to carry out at their site; all others are subcontracted. Apart from PSI Technologies Inc. which is 100 percent Filipino-owned, these subcontractors are also for the most part other foreign MNCs operating in the Philippines (i.e. Amkor-Amam Philippines Inc. from the USA) and they all retain very close linkages with TIPI. Stringent monitoring procedures allow TIPI to oversee the quality of production and operations, including practices of environmental management. Beyond ensuring that TIPI retains control over those jobs that are of the highest sophistication and priority, this system further serves as a way of monitoring TIPI’s status vis-à-vis its local competitors. TIPI essentially operates as a “middle-man” between the client and the producer in situations of subcontracting. It is therefore of critical importance that clients do not begin to simply bypass TIPI and deal directly with subcontractors.

TI also deals with a number of local subcontractors for facility services such as security, janitorial, transportation, food services, and gardening\textsuperscript{21}. Much of the handling and disposal of chemicals and hazardous waste is also contracted out.

\textsuperscript{21} Unfortunately, TIPI staff was unwilling to provide an exact number.
D. Employment Relations

The universal response from people in the community, those affiliated and unaffiliated with TIPI, was that the company’s greatest impact in Baguio City is in its capacity as an employer. In addition to those employed indirectly, such as in the manner discussed above, as of April 1999, 2129 people were directly employed by TI. Sixty-four percent of the TIPI workforce is production specialists (i.e. assembly workers) and all of these are women. Engineers, systems operators and management make up the rest of the workforce.

Beyond the sheer number of jobs that TIPI generates, the company is held in high regard for providing quality work. In light of the deficient supply of skilled jobs to absorb the overwhelming number of graduates from the city’s six major educational institutions, TIPI represents a valued source of skilled employment. Occupying a formal position in an American multinational corporation in a high tech, first world industry such as semiconductors, is also afforded significant prestige. Moreover, TIPI is widely regarded as a good employer that offers relative stability, high wages and excellent benefits (see Table 5.1: TIPI Employee Benefits).

Quality, and more importantly, perceived quality employment, is an important component of the TPM approach in that it contributes to more dedicated and ardent workers. To this end, TIPI administers a number of programs on top of a generous remuneration package, which include a health and safety program for the work environment, an array of training options and an internal grievance process. Each of these is discussed below.

1. Salaries & Benefits

The salaries offered at TI are well above average in the context of Baguio City. However, given that TIPI’s workforce is “the most highly educated workforce in the world” (TI materials), wages are significantly lower to those furnished by the company in other countries and within the semiconductor industry generally. Indicative of the comparative advantage that the Philippines enjoys in this respect within global markets, a recent graduate of engineering in the Philippines generally receives between US$400-
500 per month, while a counterpart position in Malaysia is paid between US$800-1000 in Malaysia. The discrepancies apply to production managers (US$1,200 in the Philippines, US$3,600 in Malaysia) and production supervisors as well ($500-600 in the Philippines, $1,300 in Malaysia). Philippine wages are also generally between 10 and 20 percent lower than those in Thailand. Increasing numbers of employees being lured abroad to work in competing companies in the Asia-Pacific region have challenged TI to address this glaring inequity. A program has subsequently been instituted whereby employees can be transferred elsewhere in Asia (most commonly Taiwan) to work at higher wages for a year. The employees are accommodated together in company housing during this time and are permitted one trip home during the 12 months. They are not guaranteed a job back at TIPI upon their return. Supplementing the salaries at TI, jobs in the company hold wide appeal for the extensive benefits package that is provided to each employee. These include the features listed in Table 5.1.

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22 Comparative wage figures are those calculated by the World Bank (1999) and reported in Philippines: the Challenge of Economic Recovery. Also cited in an article in Business World, June 17, 1999 by Patricia L. Adversario.
### TABLE 5.1
TIPi Employee Benefits
*(in addition to those provided by law)*

<table>
<thead>
<tr>
<th>Health care:</th>
<th>Every employee is provided with annual physical check-ups, free medical and dental check-ups and safety apparel (protective eye glasses). Subsidized immunizations and vaccines are also available for employees and their dependents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compassionate Leave</td>
<td></td>
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<tr>
<td>Sick Leave</td>
<td></td>
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<tr>
<td>Vacation Leave</td>
<td></td>
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<tr>
<td>Emergency Leave</td>
<td></td>
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<tr>
<td>Paternity Leave</td>
<td></td>
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<tr>
<td>Maternity Assistance</td>
<td></td>
</tr>
<tr>
<td>Life and Medical Insurance</td>
<td>Basic and major insurance</td>
</tr>
<tr>
<td>14th Month Pay</td>
<td>Philippines Labour Standards requires that 13 months be furnished; TIPi provides an extra month.</td>
</tr>
<tr>
<td>Retirement Plan</td>
<td></td>
</tr>
<tr>
<td>Profit sharing</td>
<td>Employees receive a certain percentage of their gross income for the year in reflection of the company's overall financial performance for the specific year, the equivalent of which they can withdraw on a period specified by the company.</td>
</tr>
<tr>
<td>Educational Assistance</td>
<td></td>
</tr>
<tr>
<td>Interest subsidies</td>
<td>On motor vehicle and housing loans</td>
</tr>
<tr>
<td>Transportation</td>
<td>Free transportation is provided to all employees to and from the plant in company buses.</td>
</tr>
<tr>
<td>Meal Subsidy</td>
<td>Every employee is entitled to a free meal at the plant cafeteria during every eight hour shift.</td>
</tr>
<tr>
<td>Offsite /Inhouse training allowance</td>
<td></td>
</tr>
<tr>
<td>High overtime premium</td>
<td></td>
</tr>
</tbody>
</table>

Source: TIPi Materials

2. **Conditions of Work**

2.1 **Health & Safety of the Work Environment**

There have been extensive reports on the safety of the work environment in the semiconductor manufacturing plants and multinational corporations in general\(^{23}\).

\(^{23}\) For evidence of the hazards related to work in the semiconductor industry, see LaDao (1984, 1994), Fraust (1987), Wald & Jones (1987), Harrison (1992), and LaDao & Rohm (1998).
Serious infirmities have been found in relation to the highly stressful nature of the work that requires long hours of standing, eyestrain, and exposure to chemicals and radiation. Rachel Grossman (1979), Diane Elson and Ruth Pearson (1981), Aihwa Ong (1987) and Diane Wolf (1992) are among those who have explored the appalling effects of factory work on women. Such dreadful and dangerous work environments have become a common characteristic associated with multinational manufacturing corporations operating in the Third World. As a result, work conditions have been at the forefront of international and national disciplinary and regulation efforts for MNCs. While conditions in Third World subsidiaries remain for the most part vastly below the standards of the industrialized nations from which they emerge, this aspect of multinational corporations is more widely monitored for a certain standard of practice.

It was suggested that TIPI has in the past been guilty of operating under such hazardous work conditions. For example, one former employee alluded to unusually high incidences of miscarriages among production specialists. However, not surprisingly, it was difficult to locate factual evidence that explicitly linked these phenomena to TIPI. Notwithstanding their behavior in the past, in its present form, TIPI certainly holds little resemblance to the sweatshops that are conjured up by the conventional picture of a multinational corporation. Due to the highly sensitive nature of the technical production occurring at TIPI, the facilities are immaculately clean and orderly. Moreover, as part of the company’s environment and health safety program, an Accident Prevention, Monitoring and Information Campaign (APMIC) administers a number of programs aimed at ensuring the safety of the workplace and health of TIPI employees. Under the APMIC, safety is promoted in the following capacities:

- Regular safety courses are provided to employees in areas such as electrical safety, chemical handling;
- Under the Facilities Improvement Program, initiatives are undertaken to reduce or eliminate workplace hazards (i.e. the centralized oxygen monitoring system);
- An Ergonomics Program provides orientation and training to employees on the standards, importance and the effects of ergonomics in the workplace;
- The Accident Cause Determination Process is a systematic process for analyzing the causes of accidents when they occur;
• Safety Prevention Audits are done on a monthly basis as a routine responsibility of supervisors; and
• The Emergency Preparedness Program conducts annual fire/earthquake drills.

In addition, TIPI is the only EPZA company to host an on-site Health Centre through which employees and their dependents are provided with free medical and dental check-ups.

The company newsletter also often features an article relating to health that discusses mitigation measures to avoid common work-related ailments. Urinary tract disorder (induced by prolonged periods of not urinating and often related to demanding production line and other fast-paced work that discourages breaks for urination); carpal tunnel syndrome, high blood pressure and common viruses are addressed specifically.

2.2 Employee Training

TIPI employees are required to engage in 40 hours of “meaningful training” every year. Training programs cover a range of topics related to group/team dynamics and efficiency. Technical courses are also offered on Digital Signal Processors (DSP), Customized Digital Signal Processors (CDSP), Ball Grid Array technology, Electronic Packaging, material science and statistics problem solving and analysis (see glossary for explanations). Expenses incurred in delivering these programs are deducted from the 5 percent of gross income that TIPI pays in tax.

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24 Digital Signal Processing (DSP) and Customized Digital Signal Processing (CDSP) Technologies
- Ball Grid Array (BGA) Technology relates to a new generation mode of packaging that is replacing finepitch and shrink plastic packages with the effect of improving board space utilization and surface mount assembly yield
- Electronic Packaging Technology involves the designing of future products and integrated circuits and their integration to upcoming technologies.
- Material Science refers to the characteristics and behaviour of different materials
- Statistical Problem Solving and Analysis provide statistical approaches to analyzing and solving problems.
2.3 Dispute Resolution - Grievance Process

TIPI has never hosted a labour union of its employees and there is a clear understanding among the workers that efforts towards union organization will not be tolerated. All of the employees interviewed indicated that they had been solicited about their feelings toward labour unions during the hiring process and were told explicitly that union organization was "strictly forbidden". The company's non-tolerance of unions has been further demonstrated on a number of occasions. In 1994, a woman employee was reprimanded for attending a public meeting of her hometown during off-work hours. Attempts made by community groups in the 1970s and 1980s to organize and educate TIPI production specialists were promptly stifled by the company. A study conducted in 1985 by the Centre for Labour Education and Research in Baguio City, examining the effects of EPZs on workers, indicated 75 percent of respondents from TI gave "fear of termination or plant closure" as their reason for not pursuing a labour organization. Employees interviewed for this research expressed similar concerns with the footloose nature of the company and the insecure status of employment. However, there was no indication given that a labour union was either necessary or desirable; employees were all extremely appreciative of their jobs with the company.

In lieu of an independent labour union, TIPI supports a system of "preventative labour relations" administered via a Human Resource (HR) Department, which is mandated to act as the employees' union. In addition to a number of meetings that provide forums for employees to express concerns or problems with the HR manager present, a management review process provides a mechanism through which employees can transcend their supervisors and seek the resolution of problems at higher levels of management.

This system has proved relatively successful in solving employee problems internally and has consequently received recognition for its labour-management practices. It also serves to soften and obscure what might be perceived as more austere actions against employees. In light of the effects to morale and trust among employees, labour issues were handled with extreme discreteness. The former Human Resource director was quoted as saying, "People aren't fired from TI, they retire".
E. Community Relations

1. Environmental Management

In recognition of increasing environmental concerns, particularly in relation to MNCs, TIPI avers a strong corporate commitment to environmental management and health in its operations and practices. "Environmental Safety and Health" (ESH) constitutes one of the corporation's eight pillars that guide its operations. This priority has been evinced the creation and development of an ESH department and ESH representatives in every work team. The ESH team is responsible for maintaining the company's record of zero sanctions through government regulations and oversees a host of ESH programs and standards in the following areas related to the company's impact on its natural environment.

**Water Use:** Water use is a particularly critical environmental impact given Baguio's severe shortages. The assembly and testing processes of semiconductors carried out at TIPI require a considerable amount of water. This is currently obtained from an allocated deep well and EPZA lines and is tracked daily by the site. A water recycling and management program has been created to reduce water consumption and contributed to a savings of 89,000 cubic metres of water in 1997, a 30 percent improvement from previous years. It aims to achieve 25 percent improvement in the recycling of wastewater and a 25 percent reduction in the quantity of water consumed.

**Energy Use:** Energy, in the forms of kilowatt-hours (KWH), diesel fuel, compressed air, liquid nitrogen and nitrogen gases, are also monitored. Conservation measures in this area have been made through a conversion from conventional lighting to electronic ballast with energy efficient flow fittings. A goal was set in 1998 to reduce TIPI energy usage (KWH) by seven percent.

**Chemicals:** ESH is currently focusing on reducing the volumes of chemical used at TIPI. There is also a system in place whereby all new chemicals are required to receive approval from the ESH prior to use.

**Air Pollution Abatement System:** The ESH monitors ozone depleting and global warming compounds such as CFCs and HCFCs. Equipment that has the potential to
emit toxic gases has independent log sheets so as to immediately detect leakage of emissions.

**Hazardous Solid Waste:** TIPI owns a landfill\(^{25}\) where the bulk of its hazardous solid waste is disposed after being disinfected. The remainder is sent to Australia, previously the United Kingdom, for incineration. In 1998, a goal was set to achieve a 25 percent decrease in the amount of hazardous waste produced; TIPI’s status with respect to this goal is unknown.

**Non-hazardous Solid Waste:** TIPI reports that the bulk of this waste is either recycled or reclaimed with only four percent of the gross weight of its non-hazardous waste going to its landfill. It aims to further reduce this amount of hazardous waste by 75 percent.

TIPI has received a number of awards for its notable efforts and results with regard to environment management.

1998  Success Story Award -  *Pollution Control Association of the Philippines*


1997  ISO 14001 Certification\(^{26}\)/ Environmental Management System - *Det Norske Veritas*

1995  National Environment Award - *Department of Environment and Natural Resources*

1994  Environmental Excellence Honorable Mention Award - *Texas Instruments Inc.*

1993  Likas Yaman Award - *Department of Environment and Natural Resources*

TIPI is currently working towards the accreditation of its laboratories related to environmental analyses with the Philippines Environmental Management Bureau and the Department of Environment and Natural Resources. This will enable them to sample and monitor environmental regulatory parameters with their own test equipment.

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\(^{25}\) The TIPI landfill has been recently upgraded with improved drainage in view of the communities living nearby.

\(^{26}\) TIPI was the first company in the Philippines to received ISO certification in this category.
2. Education

Another sphere of interaction between TIPI and the Baguio community is through education. The city is considered the education center of Northern Philippines and TIPI contributes to this feature of its host through five specific programs. Following is a brief description of the work appreciation program, the advanced work appreciation program, the scholarship program, the summer work appreciation program, and the digital signal processing and pneumatics laboratories.

**Work Appreciation Program:** Since its inception in 1993, the work appreciation program has provided 90-day sessions of classroom and hands-on training to engineering and other non-technical graduates, furnishing them with work experience in semiconductor testing and manufacturing. As of 1998, 1800 students had benefited from the work appreciation program.

**Advanced Work Appreciation Program:** The advanced work appreciation program began in 1995, providing similar 90-day classroom and hands-on training sessions to key technical and engineering professors from various local universities. The aim is to improve the engineering curriculum by better aligning it with the needs of the industry, and TIPI. This program was administered to 12 participants in its first two years of operation.

**Scholarship Program:** The scholarship program administers full scholarships to top students in engineering, computer science, physics, and statistics in the local universities. From 1994 to 1998, 15 students had been assisted through TIPI scholarships.

**Internship Program:** There is also a six-month program offered whereby students graduating from technical schools stay with the company and receive on-the-job training to polish their skills. This internship program has been running since 1988.

**Summer Work Appreciation Program:** The summer work appreciation program provides a 45-day classroom and hands-on training program to children of TI employees to expose them to the nature of their parents' work. Trainees are furnished with allowances.
TIPI also contributes to education in Baguio City through support furnished to a digital signal processing and pneumatics laboratory at Saint Louis University. Learning tools and materials for electronics and communications engineering are provided to train students in current technologies in the areas of digital signal processing and pneumatics.

A less formal form of education has been provided by TIPI through a number of open houses held over the years where people unaffiliated with the corporation have been permitted onto company premises and informed about their operations. These events provide an opportunity for the broader community to gain a cursory understanding about the nature of TIPI's business. However, the highly formal and programmed nature of this insight provides mainly technological information about the semiconductors and the testing and assembly27.

3. General Philanthropy

TIPI also contributes to the community in a more general sense by supporting local initiatives. The company's rapport with the community has been raised significantly as a result of the aid provided to the community in times of crisis. Examples of TIPI's philanthropic gestures include the following.

- Conducting and funding various community assistance programs as a result of the July 16,1990 earthquake amounting to 3.5 million pesos (Outstanding Community Relations Program Award 1990);
- Bestowing contributions and donations to the facilities of neighbouring schools (1.75 million pesos);
- Providing medicines, clothes and food to victims of the Mt. Pinatubo eruption in 1992;
- Donating calculators to the Philippine Computer Society in 1992 and a typewriter to the City Mayor's office;
- Contribute office equipment, tools and computers to government offices; and
- Supplying and distributing 200 garbage bins throughout the city.

*   *   *

27 Attendees of these events expressed that none of their more pertinent questions about the corporation were answered.
This chapter has reviewed the principles of TPM and corporate social responsibility and provided an overview of their application within TIPI. These strategies and ideologies have only been assessed with regard to their explicit objectives, i.e. as instruments of efficiency and productivity and means of responding to global forces. As strategies of business and in relation to the impact of traditional MNCs, TIPI's methods of operations are clearly commendable. The following chapter explores TIPI modes of operation and production within a different context: that of social relations.

As inherently embedded within a series of social networks, MNCs necessarily impact on the social relations of their hosts. Since social relations play a key role in a community's capacity to develop, any fair assessment of a MNC's true merits as an instrument of development thus needs to consider the nature of its social impact. Is the company fostering relations within the community that will support positive modes of development? Or are they shaping social networks that will stand to impede the community's achievement of its development goals?

VI. TIPI AND COMMUNITY COHESION

This research is informed by contemporary theory that understands economic action as enmeshed in social relations and acknowledges that the nature of a community's social relations is critical to its capacity to develop in ways that are both inclusive and sustainable. Adhering to Granovetter's notion of development that involves "a change in the kind, not degree of embeddedness" (1985), this study endeavours to not merely relate how TIPI is embedded within its community, but to explore the nature of that embeddedness in light of the community's cohesiveness (Woolcock, 1998: 162). The research seeks to address the dearth of research that explores the interface of economic and social forces at the level of the community. It thereby looks at economic action, specifically the operations of TIPI, in terms of the patterns of social relations that it promotes.
Social networks can be examined from an array of perspectives. In that the concern here is with community development planning, the focus of this study is on the patterns of relations that are, and are not conducive to cooperation and cohesion at the community level. Specifically, the study asks the questions: does TIPI cultivate positive and inclusive social capital conducive to development of the community? Or are negative and closed bonds being nurtured that will facilitate to development in the community and exacerbation of the societal divisions that already exist?

The analysis is constructed using Woolcock's (1998) notions of intra-community ties and inter-community networks, in which the intra-community ties refer to the relations between employees, and inter-community linkages denotes the connection and integration in the broader community of Baguio City. While both social spheres can exhibit some form of social capital, it is that at the broader community level that is most meaningful to a community's capacity to address problems and evolve in a manner that is sustainable, i.e. contributes to development of the community. As explained in Chapter 3, social capital that remains bounded to a limited group within a community can inhibit cooperation and a fair, open sharing of resources. Coleman describes this as development in the community.

This study thereby explores the scope of social capital being promoted by TIPI, or more specifically the nature and boundaries of the social networks being formed in relation to its activities. However rather than exploring “social capital” per se, which is merely an broad concept which embodies a broad range of aspects related to social relations, the data from this study has been explored for qualities which resound with some of the principles addressed in the social capital literature.

TIPI has thus been examined in terms of how it influences social networks and integration in ways that have been recurrently linked in the literature to enhanced solidarity and cohesion. The presence of a set of shared norms and values, a common goal, repeated face-to-face interaction, mutual interest and similarity of character for example are all widely associated with the trust that underlies all forms of interaction (social, economic or cultural) and cooperation. How these elements are affected by TIPI at the intra-and inter-community levels is therefore the focus of the next two sections.
A. Development in the Community: Intra-community Ties Among Employees

The workforce community is not an unusual phenomenon, nor is it limited to companies that practice good employee relations. Manifest in the labour movement, retaining a common source of livelihood and being subject to the same problems and merits of a shared workplace provide an obvious basis for bonding between individuals. Repeated interaction in the workplace further enhances the propensity for relationships to form between employees.

The workplace community has received increasing attention in research (Lambert & Hopkins, 1995; Klein & D’Aunno, 1986; Price, 1985; Rothman, 1982; Shinn, 1987; Wyers & Kaulukukui, 1984). Since workforce cohesion has become recognized for its effects in reducing transaction costs and enhancing efficiency, companies are promoting this solidarity and advancing employee bonds to another level of intimacy. The ways in which employees are encouraged to bond at TIPI are discussed below.

1. Employee Selection

One avenue by which TIPI fosters a cohesive workforce is through their hiring process. The situation of under-employment in Baguio City and the Philippines generally, the prestige associated with working for an American MNC in the semiconductor industry, and the renowned nature of TIPI’s salary and benefits package compound to create a highly favourable employment situation for TIPI. Operating in what was described as a “buyer’s market” that is non-union, TIPI is able to be extremely selective in how and who it chooses to make up its team. Many of the employees at TIPI are subsequently hired on the recommendation of others already with the company. The criteria for employment in TIPI also generally exceed the requirements necessary to fulfill the job. Although the bulk of jobs at TIPI, i.e. production specialists, demand minimal skill for example, it is a company policy to hire only those with post secondary degrees.

In addition to the medical and skills performance exams that constitute components of TIPI’s employment process, prospective employees undergo a “bio-
screening” which involves an extensive inquiry into their personal backgrounds and general demeanor. For example all of the TIPI employees interviewed reported that they were asked about their views and past involvement with respect to labour unions. One employee felt that the company discriminated against Ilocano applicants because of the particularly militant history of this hill tribe.

Being a "team-player" is another important criteria of employment. Some employees went as far as to say that the company preferred to hire more extroverted and social individuals: those that exhibited personality traits associated with American culture.

This attention to personality is conceivably aimed at fostering a servile workforce and smoother, less conflicting work environment. The degree of subsequent commonality among members of the group also makes for stronger interpersonal ties. Popielarz and McPherson (1995) explore the sources of social network ties and specifically how the propensity for individuals to form relationships decreases with social dissimilarity. Referred to as the "homophily principle", social psychologists have found that people are naturally drawn to others who exhibit like socio-demographic characteristics. TIPI's stringent screening process essentially caters to this tendency and thus not only molds a largely homogeneous workforce, but also facilitates the formation of bonds between employees.

2. A Group Identity

The employees of TIPI are also bound together by a strong sense of identity as TI employees, or “Tiers”. The degree to which individuals perceive themselves as belonging to a group i.e. identify with that group, is recurrently linked in the literature to their cohesion and group participation. Flak (2000) for example specifies “identity resources” (together with knowledge) as being what essentially constitutes social capital. Discussed in terms of belongingness, this notion also figures prominently in the literature related to “sense of community” (Buckner, 1988; McMillan & Chavis, 1990,1996).
At TIPI, the sense of identity among employees is in part fueled by the perspectives held of them within the general community. Interviews in the community revealed that stable employment with an American MNC was considered a privileged and status position. It was a widely known fact that the employees of TIPI were well paid and enjoyed a generous package of benefits. They were moreover widely perceived as an elite and rather insular group.

Group identity is also promoted from within TIPI through the company language. Corporate materials maintain a theme of TI cheer leading, constantly applauding the company’s achievements in the industry and with respect to its sense of social responsibility. The company continually reminds its employees of how lucky they are to be working for TIPI. All of the employees interviewed acknowledged their good fortune in being a Tl'er. They also expressed pride in their affiliation and identity as a Tl'er.

"Tl'ers are very much like a family...they travel [to work] together, are involved in sports events there, social activities..." (Computer Science Student, University of Baguio)

The manner in which TIPI employees participate in community events, as a group from TIPI, also perpetuates a strong sense of identity. In these situations, and in the community generally, TIPI employees can often be identified by wearing or brandishing corporate paraphernalia. In community events, Tl'ers invariably will constitute “a team” or contribute a group effort under the name of TI.

"TIPlers join the June12 parade in celebration of Philippines Independence Day as “both a corporate and personal involvement. It is a simple way for TIPI to project active interest in a social affair of the nation. It also gives a feeling of personal fulfillment when one takes the chance to join the rest of the community in celebrating our nationhood.” (Tambuli, June-August, 1996)
3. Extensive and Meaningful Interaction

The solidarity amongst TI employees is further enhanced through the extensive and repeated interaction that inevitably occurs between them. As Price concludes, “in jobs where there is considerable opportunity for interaction, the sense of community can be enhanced.” (1985: 4) Similarly, Lawler and Yoon (1996) note that frequent exchanges between two actors in a network bond to make their relation an expressive object and McMillan and Chavis (1986;1990) aver that face-to-face interaction enhances the shared emotional connection to maintain a sense of community.

As explained in the previous chapter, the team-based organizational structure of TIPI necessitates close and frequent interaction at work. Although the actual production line work may not be conducive to socializing on the job, the manifold of different team meetings and training sessions ensure regular communication. Teams also provide a form of interpersonal support and promote self-efficacy. Lambert and Hopkins (1995), Heller (1989) and Rothman (1982) use the term “relational communities” to refer to such communities which develop out of the mutually supportive situations and relationships, very much like those created under the TPM structure28. The subsidized meals that are provided by the company for each shift moreover ensure that employees will be spending their breaks in each other’s company.

On top of the interaction that occurs during paid work hours, there are a number of forums outside of work that bring employees together. As a result of the company bus service, most Tiers travel to and from work as a group. Similarly, company housing obviously implies that employees’ homes will be surrounded by those of their fellow employees. When the co-op grocery was running, employees would also shop in the same place.

TIPI moreover hosts a wide range of extracurricular activities and events for its employees that bring Tiers together in less formal, social environments. Although these

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28 Gittel (2000) discusses a similar idea of “relational co-ordination” in the context of work, as characterized by frequent, timely, problem solving communication, and by helping, shared goals, shared knowledge and mutual respect. In addition to enhancing production, the author alludes
activities are held outside of work hours, employees are strongly encouraged to take part as a show of their solidarity and commitment. Events sponsored by the company include:

- Basketball leagues,
- Darts competitions,
- Sewing groups,
- Bowling
- Excursions
- Christmas parties
- Mini-Olympics
- Holiday craft activities
- Choir
- Aerobics classes

These activities are further promoted in company communications. For example, the company newsletter, Tambuli, publishes all proceedings and results of the events. Pictures of the events held off site generally show the group of TIPI participants proudly displaying the TIPI banner.

The activities are generally open exclusively to those affiliated with the company. Family gatherings such as the Christmas party also include immediate family. However in light of the Filipino culture that considers a large extended network of kin and friends as family, the company clearly defines their invitation of family members. Reflecting a western notion of the family, employees are only permitted to bring their legitimate spouses and children.

Notwithstanding such rules, the extracurricular activities were, without exception, held to be a highly positive aspect of employment with TIPI as well as a demonstration of the company's excellent employee relations and appreciation. Price (1985) is among those who have studied how community is enhanced in situations where there is considerable opportunity for interaction and TIPI employees essentially corroborated these findings. Workers felt that these extra social events made a

to the implications for organizational social capital.
considerable difference in the presence of TIPI in their lives, making it “more than a job...a lifestyle”.

4. Participation in Decision-making and control over environment

Another principle of TPM that impacts employee integration relates to its contemporary, more horizontal organizational structure. In view of enhancing response times and flexibility, TPM involves empowering employees with the skills and autonomy to make decisions and take actions on their own discretion. The method also promotes employees to become involved in company decisions through their work teams and suggestion opportunities. While this role in decision-making advances employees’ involvement in the corporation, it further addresses an important factor related to their sense of community. McMillan and Chavis (1986) list power, influence and participation as central to a group’s sense of community and Glynn (1981) highlights a common theme in his review of theories on community life in “the erosion of the traditional social supports in our communities and the impact of this erosion on sense of community” (1981: 790). Similarly, Zimmerman and Rappaport (1988) demonstrated that worker participation (and the associated feelings of empowerment) contributes to a sense of community because exerting some control over one’s environment increases one’s commitment to it. It thereby follows that this empowerment/participation component of TPM further contributes to the solidarity and social capital of TIPI’s workforce.

5. Common Goals

The TPM philosophy of business also emphasizes the importance of shared goals and a common sense of direction in that it aims to enlist every employee in the pursuit of the company’s targets (i.e. profitability).

Performance benchmarking, monitoring and evaluation are rigorous activities at TIPI associated with goals for productivity, efficiency, speed, workplace safety and attendance. These goals operate at

Perfect Attendance is a Fruit of Quality
Consciousness: Tita Naty Condo receives 15 year zero absenteeism award...”Tita Naty is indeed a picture of a happy and fulfilled Tier!”
(Tambuli, August, 1995)
various levels, pertaining to work teams, special committees and/or the entire workforce. For example, individuals all strive to achieve better attendance records, quality goals are set for work teams, and the entire workforce labors to meet company production targets. Beyond providing another forum for bringing employees together, bonds are strengthened in sharing the stresses and rewards related to deadlines and a common purpose. Lambert and Hopkins (1995) find that a positive sense of community is related to the extent to which jobs require workers to work well with other. Therefore the goal-oriented nature of TPM business further contributes to a cohesive community of TIPI employees.

6. Loyalty

Linked to their sense of collective identity and shared purpose, TIPI employees exhibit extraordinary loyalty to their jobs and to TIPI as a corporation. This dedication was apparent throughout the employee interviews: without exception, employees were diffident about criticizing the corporation or expressing their discontentment. Even one woman with a past interest in organizing a labour union, was extremely suspicious in discussing TIPI's explicit anti-union policies, and sought assurance that she would not be quoted. There was an acute awareness that their jobs at TIPI were highly coveted in the community and that they were blessed in their employment.

Discussed in terms of "commitment" in the literature on organizational management, employee devotion has been proven to contribute significantly to enhancing production and therefore represents a worthwhile objective of the corporation. For example, Meyer and Allen (1984) developed a 9-item scale of "affective organizational commitment," to capture the extent to which workers identify with their company, feel proud to work there and do their best for it. Commitment also serves to strengthen bonds between employees and their cohesion as a group.

In the case of TIPI, the overwhelming loyalty of employees is likely spurred in part by the company's constant acclaim of their award-winning labour relations practices. This worker dedication has also been linked to Japanese modes of work.

29 Hardin, Bert L & Kehrer, Guenter (1978) also explore identity as a function of commitment.
organization and welfare corporatism specifically (Lincoln, Kalleberg, Hanada & McBride, 1990). Research has also found a strong correlation between employees' satisfaction with workplace benefits and their commitment to the organization (Goldberg, Greenberger, Koch-Jones, O'Neil, & Hamil, 1989; Greenberger, Goldberg, Hamil, O'Neil, & Payne, 1989; cited in Lambert & Hopkins, 1995: 155-156). It has also been found that women particularly avail themselves of workplace supports (Greenberger et al, 1989). Since 76 percent of TIPI's workforce is female, it can be presumed that this company's employee generous remuneration programs affect ample returns in terms of employee dedication. This dedication in turn serves as an additional force that acts to strengthen intra-community ties.

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The foregoing section has discussed some of the forces that produce the strong social bonds and solidarity that exist between employees of TIPI. The majority of Tiers interviewed named their work community as being the most prominent social circle in their lives. This was particularly the case among those employees whose spouses and/or family were employed at TIPI as well. Some form of social capital is clearly produced through efforts and organizational structure of the company. However, while many would automatically presume this to be a positive consequence, social capital is not an unmitigated good. The preceding discussion has emphasized that social capital and the implications of social cohesion generally, are critically dependent upon the breadth of perspective. The contextual specificity of social capital is demonstrated by analyzing the social capital of TIPI through a community lens. The following sections discuss how the social capital, which produces returns to TIPI in terms of a more efficient work force, does not necessarily infer a benefit to the broader community. Essentially many of the dynamics and organizational benefits that nurture cohesion among employees concurrently contribute to weakened ties between the employees and the broader community.
B. Development of the Community: Inter-community Linkages in the Broader Baguio City Community

TIPI’s effect on inter-community relations speaks more directly to its role in the community’s development; it is the interaction and cooperation that occurs at this level, which is most critical to the planning process. As articulated by Woolcock (1998), rather than promoting development in the community, community-wide social capital contributes to development of the community.

While it is unrealistic (and not particularly desirable) to expect a corporation to be responsible for promoting the whole community’s development, it is imperative to ensure that they are at least not impeding the development process. To this end, this section explores TIPI’s influence in this realm of social relations and the degree to which their operations and structure represent a positive force in bringing the broader community together, or conversely induces its division.

TIPI impacts upon the social relations of the Baguio community through two main avenues. One is an indirect influence on integration through what might be considered its community-outreach programs, specifically the education and local subcontracting activities. Both of these are explained below.

1. Education programs

As has been previously outlined, TIPI makes significant contributions to the Baguio community through education. The five programs they operate with the city post secondary institutions address the dire need for resources in the education sector and provide students with exposure to current technologies that they would otherwise not be accessible. Notwithstanding these benefits, an important implication of corporately funded education is that the nature of curriculum delivered will generally reflect the corporation’s needs rather than those of the community. A locally focused computer curriculum would conceivably expand the options for local scholars by supporting the fields such as programming which offers considerably greater and higher paying opportunities. However TIPI labs and programs cover merely testing

30 These were the opinions expressed by two groups of computer science students studying at two
and assembly technology, reflecting the fact that TIPI is involved in education merely because it makes good business sense.

Education represents a means by which to enhance their position as an employer. First, education programs enable TIPI to shape the curriculum so as to produce a labour pool that is already equipped with the necessary skills to work at TIPI (thus minimizing initial training costs). Providing students with on-the-job work experience further allows TIPI to get a better sense of its employees prior to making the commitment to hiring them. This situation allows TIPI to scan and select the most promising students at an early stage before they are recruited elsewhere. Interns also represent a form of cheap labour, not requiring benefits. Not surprisingly, TIPI’s contributions to education are designed so as to avail in these premiums with the effect of benefiting the company first and foremost, not the community. TIPI’s self-seeking priorities are particularly consequential in a situation such as Baguio City, where TIPI represents the only company that can benefit directly from skills and training in semiconductor technology. Apart from the choice and lucky few who are selected for employment at TIPI, students are faced with leaving their community in order to apply their skills.

From a community development perspective therefore, TIPI-sponsored education programs hold far less merit than when they are viewed in relative isolation. Outside of TIPI, the special skills that TIPI provides are of minimal value to the members of the local community.

2. Economic relations

In that the economy is grounded in a network of social relations, the nature of a company’s integration in the local economy demonstrates another way in which it affects the community’s cohesion. As previously explained, TIPI retains linkages to the economy of Baguio City through a network of local suppliers and subcontractors and in an indirect capacity, as a tax payer. While the former section outlined how TIPI was of Baguio City’s post-secondary institutions.

31 The prospect of leaving Baguio City in order to find employment in their area of study was also expressed by all computer science students interviewed.
linked into other local businesses, it is also relevant to consider the nature of these linkages, as well as how these local businesses were connected in the broader network of relations that make up the local economy. The nature of relationships formed through each of these avenues is discussed below.

2.1 Supply Networks

The factors that impede local supply networks have already been discussed in Chapter 5. In addition to minimizing TIPI's linkages however, the distinct nature of TIPI's supply demands and high standards of quality shape the nature of the company's integration in the community. As was explained, the bulk of TIPI's local suppliers depend upon TIPI for most, if not all of their business. Therefore rather than representing vehicles through which TIPI is linked with the local economy, these interactions operate more precisely as isolated appendages of TIPI. In this sense, rather than fostering or contributing to the network of interactions and exchanges that essentially constitute an economy, TIPI's connections with the local economy appear to merely extend its corporate boundaries and capture more of the community resources for its own benefit.

2.2 Subcontracting Relations

TIPI's connection through subcontracting arrangements related to production exhibit a similar trend as with suppliers. The only product subcontractor that retains linkages with TIPI is completely owned by TIPI. Another Filipino company, PSI Technologies Inc., is located in Manila; the rest are foreign MNCs.

It is conceivable that the local companies contracted for services related to site maintenance (i.e. cleaning, gardening, security, food) would be more integrated in the local economy, beyond TIPI. However, information was not gathered to verify that preposition.

2.3 Influence as a Tax Payer

The implications of paying taxes on social integration are less obvious than the two aforementioned kinds of economic transaction where people are actually brought
together. However, taxes do have the potential effect of involving an actor in a group or community. McMillan and Chavis (1996) for example discuss “paying dues” as a mechanism for promoting community by serving as a token of group membership and inferring members a sense of entitlement. This suggests that theoretically through tax stipulations, not only might TIPI be inferred a sense of community responsibility equal to that of any other tax-paying member, but other members of the community might be empowered to expect the company to adhere to its rules and priorities.

Unfortunately, these effects can be merely speculative in the case of TIPI and the Philippines in general for as explained previously, as a result of the exceedingly liberal environment created by the national government for foreign MNCs, TIPI’s role as a taxpayer is negligible. Subsequently, the types of linkages and cohesion that might be formed through a more significant tax paid to local government is not manifest in Baguio City. Community integration is essentially unaffected by TIPI in this way.

3. The Inter-community Implications of Intra-community Social Capital

The previous section on intracommunity linkages among TIPI employees acknowledged that the workplace community is a long standing and quite natural phenomenon. The evidence presented since has shown numerous ways in which the TIPI Corporation either inadvertently or explicitly shapes the Tier community. More specifically, through its operations and ideologies, TIPI strengthens the cohesiveness and commitment of its employees. However, in being a capitalist company driven by profit, the structure and basis of relationships that TIPI builds differ from those that might evolve naturally. Relationships and social capital are fostered exclusively within the boundaries of the company and expressly linked to TIPI. TIPI does not gain from its employees’ involvement in the affairs and planning of the broader community; it does benefit through a workforce of cohesive, integrated and dedicated workers. The company thus builds and strengthens intracommunity linkages in the ways discussed. While their efforts undeniably create happy and satisfied employees, they do not contribute to the capacity of the broader community to plan and develop. Those theorists who explore social capital as an instrument or component of development are helpful in understanding this paradox.
From the point of community development, it is not merely the formation of social relations which is important, but the patterning and scope of those linkages. Where groups for example have unequal access to social capital, it can be used to advantage, and concurrently disadvantage, other groups (Bourdieu, 1986). Similarly, depending on the motivations and social location of those able to appropriate social capital, it may be used in the interest or disinterest of the community (Edwards & Foley, 1998).

The social cohesion that exists among the employees of TIPI effects integration and capacity at the community level in two ways. First intra-community linkages are strengthened essentially at the expense of inter-community linkages. For example, while the employee benefit package serves to breed loyalty and group identity amongst the employees, it concurrently acts to dissolve their interest in the social services infrastructure in the broader community. Similarly, TIPI’s welfarism conceivably removes the opportunity for TIPI employees to interact with the broader community in receiving these services.

The social events sponsored by TIPI were universally considered a positive aspect of work. They also however compounded on the long hours of work to allow minimal time for employees to participate in activities and groups outside of TIPI. Production Specialists expressed having barely enough time for their children, let alone inter-community participation.

The whole notion of the “TI family” with its explicit membership boundaries also serves to both enhance group cohesion and distance the group as a whole from the broader community. While employees appear to be united through a common identity as a Tier, the perception of an exclusive elite also stands to distance them from others. Moreover, the homogeneity of TIPI members has a different effect at the level of the broader community. As Popielarz and McPherson (1995) point out,

“When people are segregated into homogeneous groups, access to the important resources that these groups afford inevitably becomes concentrated in small circles rather than dispersed in the general population. These resources include social network ties (and the information and support which they provide) as well as other forms of social capital and political influence” (p.699).
Flora (1998) also addresses the importance of diversity to a community's development. Captured in the "legitimacy of alternatives" component of entrepreneurial social infrastructure, Flora argues that in order for social capital to be useful to community development, members must be respectful and open to different points of view. Building on Granovetter's concept of "weak ties" Flora argues that individuals operate better in a complex society when they hold access to networks that incorporate people with different backgrounds and experiences (1998).

Unlike the relationships that might develop organically between employees, the cohesion that is fostered by the company between employees in contemporary firms aims to strengthen the bonds between employees as well as between employees and management and between employees and the company. In a sense, the integration observable in companies such as TIPI is vertical, extending across the levels of the organizational hierarchy within a single corporation. The integration of the labour movement by contrast is horizontal with the linkages being among workers of the same or similar rank, across different companies. The strengthening of intra-community ties among employees is the explicit objective of contemporary modes and structures of business. Subsequently whereas labour unions retain (and draw strength from) their inter-community links, workforce communities such as in TIPI, are more inwardly focused and homogeneous.

The second way in which the social capital at TIPI impacts at the broader scale is in its control by the corporation. Social relations between employees are inextricably linked to TIPI. It is through their mutual affiliation with the company that employees are brought together and share common goals as well as earn their living. It is moreover in association with the company that they are widely perceived by the Baguio City community. As a result of their reliance and subsequent dedication, TIPI is in a position to exploit the returns from the social capital of its employees. Their cohesion translates to more efficient transactions; their connections effect better hiring outcomes (Fernandez, Castilla & Moore, 2000); their education enhances TIPI's flexibility in production, and their work in the community promotes a socially responsible image and thus buffer any antagonism or resistance from their host community.
Provided an advantaged status in society as a foreign MNC, the situation is like that described by Bourdieu and Flora among others whereby social capital is appropriated by the dominant classes and advanced into other forms of capital for their own prosperity. The problem with respect to community development lies in the fact that TIPI's prosperity does not necessarily correspond with the community's interest. As has been widely argued with respect to MNCs, the local community sees a negligible amount of company proceeds in the way of taxes and avails of none of its products (being 100 percent export-oriented). Moreover where a community is divided into exclusive cliques and as discussed above, disassociated with the broader community, such a "community interest" may not even exist.

Therefore, through its exclusivity and control, the social capital being fostered within the limits of TIPI stands to hinder the overall development capacity of the broader community in Baguio City. This is contrary to their intent: the Philippines, like many other countries, attract MNCs as agents of development. A social capital lens has provided an insight into their efficacy of the social component of development, generally neglected from economic strategy decisions. This has shown the fallacy of MNC-focused development, even where the companies are "socially responsible". Acknowledging however that globalization will see a continuation and expansion of MNCs, it is necessary to ask whether this problem can be addressed.
VII. CONCLUSION

A. Summary of Findings

This study has explored an MNC in the Philippines through a social capital lens to assess its influence on the social relations and integration of its host community. The intent was to inform policies and processes related to community development planning, for in affecting social patterns, a MNC also affects the capacity of the community for development.

This line of inquiry hails from the notion that community-wide social networks can facilitate a community planning process. It further inheres to modern approaches to development that understand economic activity as being embedded in social relations and prioritize issues concerning social inequality and exclusion. The role of MNCs in this form of development became the focus of the study for two reasons. Firstly, because we are seeing the continued soliciting of MNCs throughout less developed countries as a strategy of development, and secondly, because MNCs have taken on a different, socially responsible form whose impacts in terms of social relations are largely unknown.

TIPi's approach to business depicts what is generally considered 'socially responsible business'. The corporation upholds standards of environmental management, exhibits reputable employee relations, administers local education programs and engages in community philanthropy. How it influences community relations however involves examining a new and largely unconsidered form of impact. Despite the lip service paid to the importance of social capital to a community’s capacity to develop, how a MNC affects this social capital as an agent of development remains largely unexplored.

The nature of TIPi's influence on social relations was investigated at two levels. First the forces generating social capital within the company were reviewed. A number of different components of social cohesion and integration were examined as outcomes (intentional or inadvertent) of TIPi operations and organization. Then the research focused on the social patterns being formed and strengthened at the broader community
level. The implications for community development were discussed on the basis of the second realm of findings.

In summary, it was found that while TIPI fostered social capital among its employees, it stands to inhibit social connections at a broader scope within the community. The implications of this as predicted by social capital theory, are that the benefits or returns associated with the resource of social capital will be accrued only by the group (and individuals therein) with access to social capital. Thus, while development in the community may be enhanced, development of the community may well be impeded.

This dichotomy created a difficult position as a researcher in the field, for although the findings from a community perspective suggested that the MNC was not a positive force in development, the employees of the company were benefiting immensely from their operations in Baguio City. It was necessary to bear in mind that lack of integration in the community would eventually undermine the situations of the employees. However, the employees' contentment, together with the reality that MNCs will continue to exert a significant presence in the developing world, reinforced the need to move beyond merely observing this predicament to proffering some suggestions by which to reconcile the difference.

The following section therefore outlines some key points of intervention where policy is necessary to ensure that a MNC does not inhibit the development goals and potential of its host community. These are discussed in terms of the level of implementation, i.e. corporation, micro, and macro. Some specific mechanisms for building a more mutually sustainable dynamic between MNCs and their host communities are also suggested. The issue of fostering community-wide interactions is seen here as an issue of governance and the recommended actions subsequently center mainly on processes and institutions of the state. These all speak essentially to expanding or creating a role for community in the development process with respect to MNCs.
B. Subsequent Actions

1. Actions Directed at the Corporation

Recommendations concerning the impacts of MNCs most commonly focus on changes to the company. Environmental management and labour relations for example are generally addressed through a delineated set of standards and rules established by the state. However, although it is reasonable to expect that a corporation uphold standards in how it conducts its operations vis-à-vis the environment and its employees (social responsibility components), it is largely inappropriate for a corporation to be held responsible for maintaining community social networks.

While it is important that companies are open and accepting of the need for community involvement, MNCs are not the primary focus of interventions recommended by this study. The issues highlighted in this research concerning the scope and patterns of social relations are more suitably addressed by the state and civil society. It is therefore to these sectors that the suggestions for action are directed.

2. Actions at the Micro Level

The most meaningful steps towards enhancing a community voice in the development process stand to be made at the micro level, specifically through the Philippines Economic Zone Authority (PEZA) and Local Government who possess the authority to implement policies with respect to MNCs. The recent re-approval of Republic Act 8749 to see that local government receives the tax revenues from companies operating in the Baguio City EPZ, suggests the potential for local governments to use current legislation to levy their influence. Moreover, the Local Government Code of 1992 technically provides the legislative framework by which to expand the active role of local government in planning decisions. This legislation was enacted by President Corazon Aquino as part of a broad-based decentralization of government to enhance the delivery of services and programs to the people: “the final move to free Local Government Units ... laying down the policies that seek to institutionalize democracy at the local levels” (Brillantes, 1993:3). However, local
government generally does not exercise the full potential of its legal powers under this Act.

There are two basic policy directions at this micro level aimed at: fostering community involvement in the planning stage of an MNC's establishment; and sustaining community linkages with the corporation. The actions in the second realm are most relevant to a place such as Baguio City where there are MNCs already in existence.

Policy Intervention: Community involvement in the anterior stages of planning.

One possible instrument to incorporate community concerns and interests into decisions related to MNCs is through mandating an impact assessment (IA) process. While IAs can take different focuses (i.e. environmental impacts, social impacts, economic impacts), they necessarily allow for the potential strengths and weaknesses of a project to be considered in advance of a project's approval. They also entail broad-based participation by the community and communication of findings. In this way the IA process offers a powerful instrument for educating and empowering the public.

Another less formal mechanism by which to enhance community involvement would be through a mandated exchange of information whereby the community would be furnished information about the company, its products, operations, past history, etc. On the basis of what is learnt about the company at this stage, the community would be in a better position to develop a more mutually beneficial arrangement.

Policy Intervention: Ongoing community interaction

Where an MNC already exists in a community, as in Baguio City, policy interventions to strengthen community-wide social relations might involve the development of activities aimed at building knowledge within the broader community about the MNC's business. In addition to opportunities for the public to enter company premises and learn about operations, activities would conceivably engage employees and members of the broader community in less formal interaction.

Partnerships between community and foreign industry are another possible mechanism to fortify social relations conducive to community-wide development. As
with the types of activities described above, partnerships would bring employees and members of the broader community together in pursuit of a common set of goals or objectives.

Similarly, requiring greater involvement by the MNC in local organizations, i.e. Chamber of Commerce, would serve to reinforce interactions between company employees and members of the broader community. Including the MNC in community organizations would provide a forum for employees to interact with members of the broader community. Moreover, it would bestow membership on the company and possibly infer a sense of community responsibility.

Although these actions are aimed mostly at PEZA and local government, the strong civil society in Baguio City can also have a powerful influence in effecting these changes locally. Local non-governmental and community organizations might similarly represent an effective force in lobbying international policy-makers to include such opportunities for community involvement in the process intended to guide MNCs.

3. Actions at the Macro Level

Actions to empower communities can also be affected through mechanisms or process that is established by national policy makers. However a more important endeavour at this level would entail strengthening the intercommunication and linkages between national and local governments. Currently, there is a lack of mechanisms to ensure consistency in national and local level policy. PEZA represents a potential conduit between local and national levels. However currently, this body merely enables a unidirectional flow of information from the macro to the micro level.

Policy Intervention: Expanding the role of local communities in planning decisions

Constructive actions at the national level might include industrial policy amendments so as to take into consideration the implications for local communities. While currently, industrial policy is the domain of national policy makers, mechanisms to include representatives from the local community in both the design and evaluation of industrial policy would be advisable. This could be achieved by either formalizing a
role for community representatives or enhancing the transparency of the policy process and providing opportunities for meaningful community input and feedback.

A special legislated planning process for MNCs represents another potentially beneficial initiative whereby national and local government officials would come together with representatives of the community to make decisions concerning MNCs, their entry and operations.

Finally, amendments to the Local Government Code (obviously specific to the Philippines) are also advisable. As mentioned previously, there appear to be barriers inhibiting local governments of the Philippines from exercising the full extent of their authority in decisions regarding development. Action at the national level is thereby necessary to fully enable local governments to make decisions with respect to EPZs and MNCs where they stand to affect local communities.

Apart from the difficulties inherent in affecting such bureaucratic changes and amendments to roles and responsibilities, there are a number of more general obstacles that stand to hamper these and the other actions suggested above.

C. Barriers to Action

The obstacles that stand to impede a greater role for communities in development are important to note. Some of these I experienced first-hand when I returned to the Philippines and Baguio City to share my observations. For example, there is a firmly established perception among policy makers that MNCs are inherently beneficial to development. There is widespread awareness of their potential to degrade the environment and commit human rights offenses, but an astonishing trust that they otherwise represent a positive sign of industrial progress. The notion that they are only beneficial under certain conditions is relatively obscure.

Moreover, legitimate agenda issue with respect to MNCs relate to their environmental and labour practices (i.e. their 'social responsibility'). This is understandable in view of the number of companies that have in the past and continue to operate in negligence. However, it also raises the question: why attack 'the good
guys'? The preceding discussion illustrates how TIPI is surpassing virtually all of the requirements in these areas. Where so many companies fail to meet even the minimal standards, why target the leader?

Obviously, this line of inquiry reflects the privilege afforded to the author by being an outsider and thus able to explore issues from a broader, more long term perspective. However, this perspective also embodies the essence of sustainable planning. Particularly given that other companies are looking to TIPI as a model of future business, it is imperative that its comprehensive range of effects is known. TIPI’s commitment to social responsibility might also be seen as a point of leverage for communities to expand their role. While this research sought to inform these effects and thus assist planning in the future, its conclusions still stand to be eclipsed by more immediate and pressing issues and needs.

Another barrier to action relates to the translation of these findings at the macro level. In that MNCs are generally instruments of national economic policy, this research has essentially depicted the impacts of a national level policy at the community level. More specifically, it has shown how community development can be undermined by national policy that fails to consider community in its design. Notwithstanding the rhetoric of empowering the local levels, i.e. the Local Government Code, a number of obstacles impede meaningful participation of the community in practice.

However, injecting a 'community voice' into national policy is also by no means an easy task. Firstly, as already stated, the feedback loops between national and local levels are deficient. Therefore there are limited mechanisms to communicate the ground-level impacts of national policy. Also, there is the problem of how to define and recognize a 'community voice'. Is it possible for all of the needs and interests of a community be reconciled into one and advanced in a policy arena? What is the result when a community is divided into different cliques for example?

This study has focused on community-wide social networks as a means of enhancing the community voice in terms of making it more inclusive. Integration has also been advanced as a means of enhancing civilian involvement and interest in the fate and planning of the community. However, rather than ever effecting a single community position, community integration stands to enhance the debate and
discussion with more interests. Without competent leadership, this could grind a community’s development to a halt and similarly render it incapable of providing meaningful input to policy. Alternatively, greater involvement could contribute to enhancing the democratic process and affect more comprehensive solutions. Nonetheless, these issues surrounding how to best allow for community input represent another challenge to the recommended actions.

D. Final Remarks

While the aforementioned impediments are important to consider, this study hopes to impress the need to expand theories of MNCs so as to consider their impacts on social relations, and to highlight the importance of community involvement in development strategy decisions. MNCs are creatures of an economic paradigm that considers nothing outside the realm of monetized exchange. Introducing social values thus essentially implies changing how MNCs are viewed. The wave of corporate social responsibility indicates wide support for such a shift. However, while this movement has prompted an emphasis on the social responsibility of MNCs, the social effects of these entities have gone largely unstudied. This research addresses this oversight and moreover points out its implications with respect to community development. More specifically, the study has shown how an MNC, such as Texas Instruments Philippines, can impact on the social relations of its host in a way that stands to impact the peoples’ long-term capacity to plan. Notwithstanding practical and conceptual challenges, this conclusion has wider relevance for communities, planners and government in North and South, “developed” and “developing” country contexts worldwide.
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APPENDIX

LIST OF INTERVIEWS

Individuals were interviewed from the following departments/job types within Texas Instruments, Philippines (TIPI). All of the interviews included questions relating to the person’s particular job/expertise as well as their perceptions of TIPI as an employer, their interactions with the employee community and in the broader community of Baguio City, and how they saw TIPI in the broader community.

**Human Resources** dealing with company hiring processes, dispute resolution processes, and general policy relating to employees.

**Engineering** working in more of a management capacity dealing with systems.

**Facilities** administering the environment health and safety program for the working conditions within the company as well as TIPI’s broader impacts on the outside environment.

**Communications** handling most of TIPI’s public relations work as well as correspondence with Philippine Economic Zone Authority (PEZA).

**Production Specialists** who worked on the assembly line.

**Contract Manager** overseeing all of TIPI’s external contracts and supply relations.

**Systems Workers** involved in the maintenance and upgrading of company systems.

**Accounting** dealing with company accounts.

**Former employees** who provided a historical insight into TIPI’s operations and public relations.

In the community, members from the following organizations/institutions were interviewed. These individuals were questioned regarding their experience with TIPI, past interactions with the company and/or employees as well as general perceptions.

**NGO Association of Baguio** is responsible for registering all NGOs operating in Baguio City (217 in 1999) and serves as a voice for the local NGO community in many forums. The president of the Association was interviewed about his experience with TIPI in the community, interaction with the company and/or its employees.

**Baguio City Chamber of Commerce & Industry** represents the primary association of business and industry in the city, lobbying for the interests of business owners while also providing a valuable forum for networking and communication. The past and current presidents were interviewed about how TIPI fit into the local economy and the extent of interaction that took place between TIPI and owners of local business and industry.

**The Urban Poor Council of Metro Baguio** constitutes the overarching council of NGOs addressing issues relating to the urban poor of Baguio City. This council was sought to
gain insight into the full scope of issues that face the Baguio City community as well as the extent of interaction this sector has had with TIPI.

Plan International is an International NGO which operates programs in thirteen barangays in Baguio City and was also interviewed on the issues in Baguio City and their perceptions and experience with TIPI.

The Igorota Foundation is a foundation comprised of women of the Igorota tribe that is active in labour, environment, human rights and equity issues. This group previously occupied the land of the Baguio City Economic Processing Zone and was interviewed about their past interaction with the company, as well as present relations with TIPI and its employees.

Cordillera Women's Education and Resource Center works on issues related to labour, human rights and gender. They also house a resource library. A member of the center was interviewed about the history of TIPI and its past/current record with respect to labour issues, human rights and the treatment of women.

Saint Louis University (SLU) is one of the local post secondary institutions in which TIPI focuses its educational programs. SLU also hosts a digital signal processor laboratory that has been funded by TIPI. SLU Students (computer science) and faculty were interviewed for their views on TIPI and its employees, as a prospective employer, as part of the community and a significant source of funding for the computer science program.

Saint Louis University Institute for Small-Scale Industry is a research and teaching center within Saint Louis University that focuses specifically on the advance of small-scale industry. A faculty member from the center was interviewed about linkages between TIPI and the local small-scale industry, in the past, and potentially in the future.

Baguio University represents another of Baguio’s universities. Students and faculty were interviewed about their perceptions of TIPI, TIPI employees as well as job aspirations and prospects.

Baguio College is not a main recipient of TIPI education programs. Students from the Computer Science Department were interviewed about how they viewed TIPI, TIPI employees, as well as their job aspirations and prospects.

University of the Philippines Center for Cordillera Studies is a research center within the University of Philippines, Baguio City campus and was a useful source of information regarding the history of the area and TIPI.

YWCA is a well established women's NGO in Baguio City and was interviewed with respect to how they viewed TIPI, interaction they had had with the company and/or its employees.

Philippine Exporters Association is a group originally established by the Department of Trade and Industry to facilitate partnerships between big and smaller exporters. The presiding head of this association was interviewed about linkages (past or present) with TIPI.
Government agencies interviewed included:

Philippine Export Zone Authority (PEZA) is the local manifestation of the National Authority who oversees export processing zones and the companies that operate within their boundaries. They are also responsible for promoting investments in these zones and maintaining their competitiveness. A series of interviews were conducted with a managing official at the Baguio City PEZA mainly to gain an understanding of the regulatory framework that governs TIPI.

Central Planning Office, City of Baguio is the main planning authority in the city. A number of planners were interviewed about the priority planning issues, the role of TIPI in Baguio’s development and the ways in which TIPI was linked into the broader city community.

City Social Welfare Department delivers a host of programs relating to poverty alleviation, women’s issues, family and children and local development. Managers and social workers from the office were interviewed on the issues that face Baguio City community and how TIPI fits into the community.

Social Welfare Department – CAR Region administers similar programs to their city counterpart and was interviewed with similar questions.

National Economic Development Agency (NEDA), Baguio City is the local office of this national government ministry, dealing with trade and the economy. A manager of NEDA was interviewed on his views regarding TIPI and MNCs generally, their role in the local and national economy, benefits accruing from TIPI in the community, and the extent of their local integration.

Members of the Baguio City Municipal Council with a variety of portfolios were interviewed about their interactions with TIPI and its employees. These individuals provided an excellent insight into how the city views TIPI, the prudence that is taken towards the company, and how they perceived their contributions to the community.