



TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY

LABOR MARKET INTELLIGENCE REPORT

EFFECT OF THE JAPAN DISASTER ON THE PHILIPPINE AUTOMOTIVE INDUSTRY

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Effect of the Japan Disaster on the Auto Industry

The tsunami that hit Japan last March 11, 2011 leaves a very big impact not only in the Philippine economy but worldwide. The automotive industry was among the sectors badly affected by the crisis.



I. Affected Regions

The regions affected are Regions IV-A (CALABARZON), Region III, Region VII (Cebu) and CAR (Baguio) where car production, assembly and sales are concentrated. It was the CALABARZON that was hit the most among the regions mentioned.

During the last Automotive Assembly Industry Tripartite Council (AAITC) meeting held last May 18, 2011, the DOLE Region IV-A presented the Region IV-A Situationer as of May 6 and 16, 2011.

Out of the 34 Ecozones in CALABARZON, Laguna registered the most number of ecozones at 40% or 14. As expected, Laguna has the highest number of business firms with Japanese equity operating in the ecozones. Total employment is 136,822 wherein the concentration is in Laguna at 60% or 82,624 (*Table 1*). Japanese owned car companies located in Laguna include Toyota, Mitsubishi, Nissan Ford, Honda, Isuzu, Universal Motors, among others.

Table 1. Establishments with Japanese Equity Operating in Ecozones

Area	No. of Economic Zones*	No. of Business firms*	Establishments with Japanese Equity Operating in Ecozones**		
			No. of Ecozones	No. of Business firms	No. of Workers
Cavite	11	519	7	151	36,498
Laguna	14	623	10	173	82,624
Batangas	9	115	5	61	17,700
Total	34	1257	22	385	136,822

Sources of Data: *PEZA, No. of Ecozones and Business Firms as of February 2011

** AEP applications processed by Region IVA-January – May 15, 2011

Impact of the Crisis on CALABARZON (as of May 6, 2011)

The total number of employees affected reached 9,359. Seventy percent (70 %) or 6,507 come from Laguna and 2,266 and 586 come from Cavite and Batangas, respectively. Fifteen (15) establishments declared reduced workdays while 10 establishments declared temporary lay-off. It is good to note that no establishment declared permanent termination (*Table 2*).

Table 2. Nature of Impact on Establishments

Area	Total Number of Establishments Affected	Total Number of Employees Affected	Nature of Impact on Establishments			
			Permanent Termination	Temporary Lay-off	Reduced Workdays	Forced Leave
Cavite	12	2,266	-	4	5	3
Laguna	12	6,507	-	4	8	0
Batangas	4	586	-	2	2	0
Total	28	9,359	-	10	15	3

Source: DOLE memo to the President dated may 6, 2011

It will be noted that the company instead of terminating their employees opted to just reduced the working days of their workers. Across three (3) provinces in CALABARZON, reduced workdays affected 6,234 workers or 67% out of 9,359 (*Table 3*).

Table 3. Nature of Impact on Workers

Area	Total Number of Establishments Affected	Impact on Workers				
		Temporary Lay-off	Rotation of Workers	Reduced Workdays	Forced Leave	TOTAL
Cavite	12	307	70	1,282	607	2,266
Laguna	12	1,853	-	4,654	-	6,507
Batangas	4	288	-	298	-	586
Total	28	2,448	70	6,234	607	9,359

Source DOLE memo to the President dated May 6, 2011

Table 4 shows the auto parts manufacturing registered the highest number of workers affected at 6,587 or 79% out of the total 9,359 workers affected.

Table 4. Nature of Business, Number of Firms and Number of Workers Affected:

Area	Electronics/ Semiconductor		Automotive Assembly		Automotive Parts Manufacturing		Other Manufacturing		Total No. of Workers
	No. of Company	No. of Workers	No. of Company	No. of Workers	No. of Company	No. of Workers	No. of Company	No. of Worker s	
Cavite	4	1,015	-	-	6	807	2	444	2,266
Laguna	3	386	1	515	6	5,214	2	392	6,507
Batangas	1	20	-	-	3	566	-	-	586
Total	8	1,421	1	515	15	6,587	4	836	9,359

Source: DOLE memo to the President dated May 6, 2011

Impact of the Crisis on CALABARZON (as of May 16, 2011)

As of May 16, 2011 update, from 28 firms affected previously reported, it was reduced to 12 companies only. Moreover, the workers affected decreased from 9,359 to 2,505. The automotive industry is optimistic that in due time, they will be able to recover what has been lost to them (Table 5).

Table 5. Impact on Workers

Area	No. of Establishments	Workers Affected	Temporary layoffs	Rotation of Workers	Reduced Workdays	Forced Leave
Cavite	7	476	-	-	476	-
Laguna	2	1,297	-	-	1,297	-
Batangas	5	732	6	-	726	-
Total	12	2,505	6	-	2,499	-

Source: DOLE memo to the President dated May 16, 2011

By nature of business, workers affected from the auto parts manufacturing were reduced from 6,587 (May 6, 2011) to 1,413 only (Table 6).

Table 6- By Nature of Business and Number of Workers Affected

Area	Electronics/ Semiconductor	Automotive Assembly	Automotive Parts Manufacturing	Other Manufacturing	Total
Cavite	220	-	116	140	476
Laguna	-	-	1,297	-	1,297
Batangas	-	-	-	732	732
Total	220	-	1,413	872	2,505

Source: DOLE memo to the President dated May 16, 2011

Last May 18, 2011, in the article “Car firms slashing growth target for ‘11” of the Philippine Daily Inquirer, The Chamber of Automotive Manufacturers of the Philippines Inc. (CAMPI) is expected to slash its growth forecast on vehicle sales for this year to only 1-2 percent from the initial 4-5 percent due to the adverse impact of the Japan crisis on the industry. CAMPI President Elizabeth Lee admitted that the initial projected growth figure of 4-5 percent might not materialize. Currently, the industry is within the forecast range. However, this may be revised accordingly as the industry move forward in the coming months, with greater visibility on the extent of the damaged and its lingering effect on local operations, “. Lee was earlier quoted as saying.

II. Proposed Inter-Agency Interventions and TESDA’s Role

The Department of Labor and Employment (DOLE) through the DOLE’s Regional Coordinating Council (RCC) initiated an intervention program to assist workers and dependents affected by the crisis. It is a partnership program wherein government agencies involved agrees to collaborate in the implementation of a package of interventions to mitigate the adverse effects of the Japan crisis on employment, worker’s income, productivity and labor-management relations in the affected workplace in CALABARZON.

Below is the proposed partnership arrangement:

- TESDA –*shall implement appropriate training programs for affected workers, and shall coordinate with Local Government Units (LGUs) and Non-Government Agencies (NGAs) under convergence strategy for retooling of workers and provide livelihood programs for the dependent and family members of the workers.*
- Department of Agriculture (DA) – *provide training on vegetable and HVC production and organic farming; free distribution of assorted vegetable seeds*
- National Food Authority (NFA) – *shall accredit as Bigasang sa Barangay Outlet (BBO) any licensed retailer or sari-sari store in areas where affected workers and their families can purchase NFA rice at NFA prescribed Consumer’s Price*
- Department of Health (DOH) – *set-up Botika ng Barangay para sa Manggagawang Apektado*
- Department of Social welfare and Development (DSWD) - *assist affected workers under Conditional Cash Transfer*
- Department of Education (DEP-ED) - *encourage private school owners & administrators to offer scholarship program for children & dependents of affected workers and provide employment in the construction of school buildings*
- Philippine Economic Zone Authority (PEZA) – *shall provide data and information with DOLE on companies and workers affected or about to be affected and the available job opportunities within PEZA*
- Social Security System (SSS) – *shall extend emergency loans and condonation of loans and provision of priority lane for the availment of loan*
- Pag-IBIG - *shall extend emergency loans and condonation of loans and provision of priority lane for the availment of loan*
- Philhealth – *shall continue to provide coverage to affected workers and dependents*
- Bureau of Internal Revenue (BIR) – *shall provide tax exemptions to companies granting loans to their workers affected by the crisis*

The package of program interventions shall be implemented after the Memorandum of Agreement (MOA) is signed by the government agencies involved.