

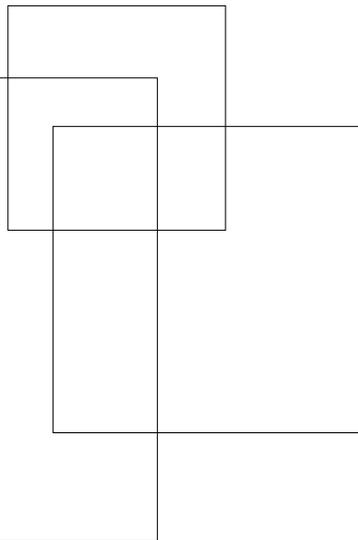


International
Labour
Office

RESEARCH DEPARTMENT WORKING PAPER NO. 52

Economic and social upgrading in the Philippines' pineapple supply chain

CARLA HENRY
REBECCA C. CHATO



NOVEMBER 2019

Research Department Working Paper No. 52

**Economic and social upgrading in the Philippines'
pineapple supply chain**

Carla Henry* and Rebecca C. Chato*

November 2019
International Labour Office

* Research Department, International Labour Organization (ILO). Email: henryc@ilo.org Attorney at law. Email: rchato@gmail.com

Abstract

This is a qualitative case study considering the interplay between economic and social upgrading, with a specific focus on changes in employment numbers, terms and core labour rights. The analysis concentrates on the production and first handler tiers of the supply chain for pineapples in the Philippines. The lens is largely focused on the contract and casual work situations, as well as agribusiness venture arrangements for land lease and contract growing, where work can be particularly onerous. It draws on a variety of data sources to answer the key questions of how and why the terms of work have changed within production segments of these supply chains. Findings suggest steady economic upgrading within the local supply chains, but evidence of social upgrading is minimal, particularly for growers and contract workers. There instead appears to be segmented and uneven social upgrading at local levels. Working conditions and terms have improved for regular workers with secure jobs, but they remain a small minority of the overall supply chain workforce. In contrast, the vast majority of the workforce are contract labourers and informal workers, who have seen little improvement, remaining precarious, and poorly remunerated.

Acknowledgments

This study has benefited from the support of many people. In the Philippines, individuals in government, trade unions and enterprises provided their time and shared useful information and insights. Within the International Labour Organization, the following technical staff contributed comments and suggestions to improve the draft paper: Guillaume DeLautre, Elizabeth Echiverria, Simel Essim, Dorothea Hoekter, Jeff Johnson, Hideki Kagohashi and Arianna Rossi. Han Hyoungmin provided research assistance to this study. We thank all for their help.

Contents

Abstract.....	1
Acknowledgments	2
1. Introduction	3
2. Theoretical orientation	3
3. Methodology	5
4.1 Economic context.....	7
4.2 Industry context.....	8
4.3 Agricultural context	8
4.4 The Mindanao pineapple supply chain.....	9
5. Evidence of economic upgrading, stagnation or downgrading	11
5.1 Production performance	11
5.2 Export performance	12
5.3 Industry growth and competitiveness	14
5.4 MNE investment and advancements in processes and value addition by subcontractors	15
5.5 Economic upgrading in labour service cooperatives	16
6. Evidence of social upgrading, stagnation or downgrading within the local supply chain	19
6.2 Employment security	21
6.3 Realization of core labour rights.....	22
6.4 Skills development	23
6.5 Social stagnation in growership and land lease agribusiness venture arrangements	25
7. Governance of local work in the pineapple supply chain	29
7.1 Government oversight and social upgrading	29
7.2 Private compliance initiatives, social audits, enforcement and social upgrades	31
7.3 International agreements and social upgrading	32
8. Conclusions	32
References	36

List of Figures

Figure 1. Typology of workforce composition across different global production networks.....	5
Figure 2. Value added by sector, 1995–2011 (in billion US\$).....	7
Figure 3. Employment composition by sector, 2006–2014 (per cent of total employment).....	8
Figure 4. Philippines pineapple supply chain.....	10
Figure 5. Exports of pineapple products, 2006–2015 (in million US\$).....	12
Figure 6. Export values of pineapples, 2006–2015 (in million US\$)	13
Figure 7. Yearly growth in export value, 2008–15 (per cent).....	14
Figure 8. Preferential tariff of the Philippines in EU pineapple markets, 1997–2015	14

List of Tables

Table 1. Distribution of pineapple production by region, 2010–2015 (per cent).....	11
Table 2. Pineapple crop volume, exports, and area planted/harvested (2010–2015)	12
Table 3. Regional destination of pineapple exports, 2010-2015 (in million US\$)	13
Table 4. Relative Comparative Advantage (RCA) of pineapple markets, 2010–2015 (2014)	15
Table 5. Subcontractors in Dolefil and Del Monte (as of February 2017)	19
Table 6. Lease contract terms between MNE and ARB cooperative, 1998 and 2008	28

1. Introduction

International investment and trade in Mindanao's tropical agriculture has been promoted as a means of raising local incomes and overcoming widespread poverty among the island's rural population. Production and export growth, in particular, have been sought to enable upgrading of work and incomes associated with plantation agriculture and contract farming for export. However, despite several decades of such growth, Mindanao's tropical agro-food industry and the pineapple supply chain more specifically are characterized by a relatively large proportion of workers being linked to small-scale production and low-skilled, labour-intensive and poorly paid work. What is the evidence regarding the alignment between economic improvement of the local industry and the quality and terms of employment realized by its workers?

This study approaches the issues of economic and social upgrading from a supply chain perspective. It considers whether, in the presence of economic upgrading, there is evidence of social upgrading. Primarily concerning changes in the workforce composition, it studies the evolving distribution of high- to low-skilled workers as the industry grows and innovates, and as workers become more productive. Social upgrading of workers, particularly at the production level, can be reflected through many changes; this analysis examines workforce wellbeing in terms of earnings; job security; realization of labour rights; contractual practices; working conditions; and extension of benefits.

This paper is organized into several sections. After delineating the theoretical orientation of the study in section two, and its methodology in section three, the paper sets the context within which the Philippines' pineapple supply chain operates, in section four. Section five profiles evidence of various forms of economic upgrading in the local supply chain. Section six considers evidence of social upgrading through profiles of employment trends, labour contracting practices, as well as land leasing and production arrangements followed in the local pineapple supply chains. Section seven considers several governance mechanisms concerning the multinational enterprise (MNE) -led local pineapple production, and details the related governance gaps. Section eight draws conclusions and offers recommendations for removing obstacles for the social upgrading of workers.

2. Theoretical orientation

Agro-based supply chains are rapidly becoming the dominant means of organizing production, markets and trade for food products and product groups (Maertens and Swinnen, 2015). Multinational fruit and vegetable companies, in particular, maintain highly integrated supply chains to meet several requirements: traceability, in line with public and private food safety concerns; rapid handling of perishable products; and quality assurance linked to international branding. Most rely on top-down consolidation, which usually extends to maintaining their own production for export, and/or large-scale contracting of production through a combination of small, medium and large growers.

Within these global supply chains, there is mixed evidence of the extent to which MNEs and their suppliers rely on uneven power distributions among suppliers to achieve economic upgrading – at the expense of social upgrading (Gereffi and Lee, 2016). Research further points to skewed distributions of value added, designating little for those producers that perform the most basic tasks (Gimet, et al., 2015; Milberg and Winkler, 2010). This is particularly problematic in agriculture, where local workers and small-scale growers are dependent on their buyers in what often constitutes monopsony market situations.

This study considers the interplay between economic and social upgrading within local segments of global supply chains. Economic upgrading within global supply chains is thought to occur if companies, countries or regions move to higher-value activities in order to increase benefits. This can take the form of upgraded production systems; product lines; expansion of new functions and know-how; phasing out of activities; diversification; as well as upgrading business practices within the supply chain. Economic upgrading can also be evidenced in expanded exports and markets through increased national industry competitiveness.

Alternatively, Barrientos (2019) defines economic downgrading as taking the “low road”, stating that suppliers move ‘...to lower-value, lower-price and higher-volume activities based on transactional pressures to reduce costs using low-wage labour’ (p.12). Competition between powerful chains can generate intense price competition between potential suppliers, thereby creating downward pressure on margins for profit, wages and investment. This can spiral into economic downgrading at company-level and within the supply chain for those unable to maintain a competitive advantage. Economic downgrading is associated with low-cost labour-intensive operations.

The concept of economic upgrading can be broadened further to consider social upgrading, such as through improved working conditions and worker rights in global supply chains (Barrientos et al., 2011), which in the presence of economic upgrading is frequently anticipated, but may not be realized (Milberg and Winkler, 2013). Non-discrimination and fairness in business practices, such as in the fair distribution of risk and a limited reliance on contract labour, are more subtle forms of social upgrading, and may, in turn, affect economic upgrading. Social upgrading doesn’t necessarily accompany economic upgrading. Even when achieved for some workers, social upgrading may not be realized for other workers in the same global supply chain (Rossi, 2013).

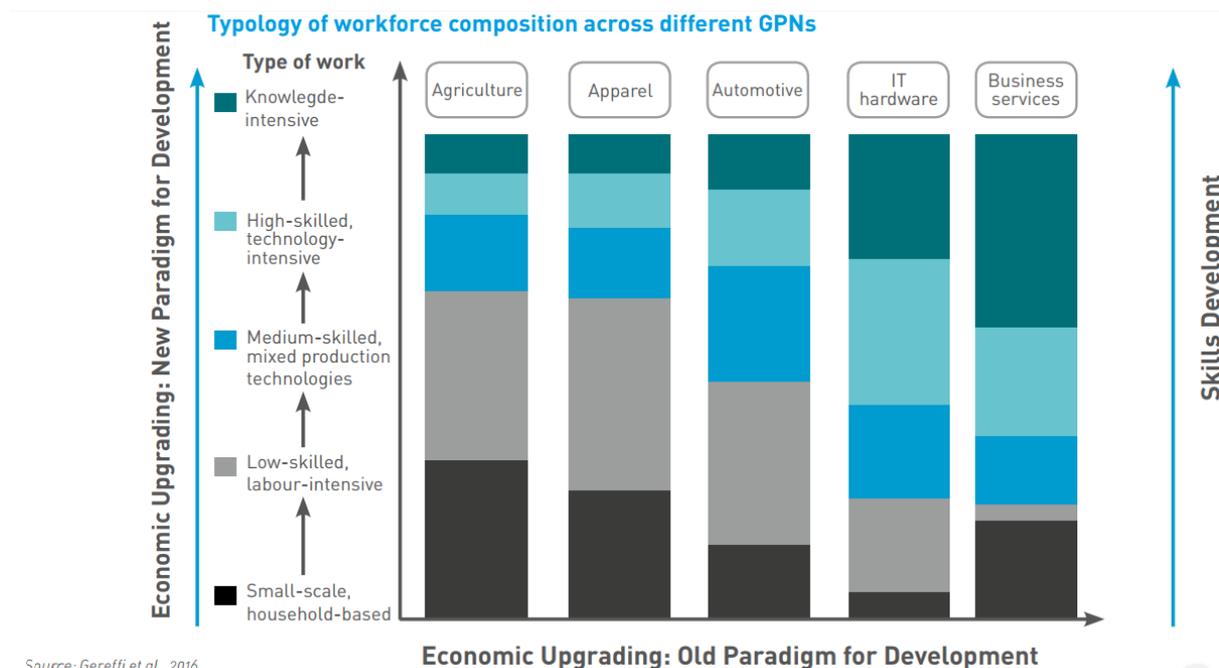
Gereffi et al. (2011) identify two dimensions of economic upgrading linked to a workforce. Traditional development paradigms, such as that for structural transformation, envision economic advancement when workers can move from low-skilled, low-paid agricultural work to less labour-intensive manufacturing and service industries. Their higher productivity can translate into better wages and conditions. Further advancements occur as more capital-intensive industries develop to demand highly skilled labour at even better remuneration. In figure 1 below, this involves labour moving rightwards on the horizontal axis.

In the context of global supply chains (GSCs), a complementary paradigm considers the distribution of low- to higher-skilled work within a sector-designated hierarchical chain of occupational skill levels. The supply chain for basic agricultural production to food consumption, as depicted in the first column, transforms and upgrades through investments and technology, and a more skilled workforce. Improved productivity can, in turn, afford workers improved earnings and terms of work. This industry transformation can constitute economic and social upgrading, and is considered necessary for maintaining GSC competitiveness. Based on the model, we can expect that economic upgrading will largely alter the proportional size of skill categories, as demand for new skill configurations takes hold.

Studies of global supply chains for manufacturing segments of agro-based supply chains frequently avoid explicitly considering working conditions of the agricultural segments producing the core material for the manufacturing, such as cotton in textiles and garments, or animal hides in footwear. As shown in figure 1, agriculture production is characterized as having a large proportion of its workforce in low-skilled and household-based worker groups, particularly in low- and middle-income countries. The production, handling and primary processing are also environments where working conditions can be most difficult and where poverty and vulnerability among workers have been documented as being pervasive.

A number of studies question the link between economic and social upgrading in global supply chains. MNE-led procurement practices within the supply chains may place downward pressures on working conditions and respect for the fundamental rights of the agriculture-oriented workers participating in supply chains, despite economic upgrading and some social upgrading for skilled labour. Some practices create an unfair comparative advantage for suppliers that are non-compliant with labour regulation and international labour standards. Incidences of these practices can be found at the lowest levels of the supply chains, linked to agricultural production.

Figure 1. Typology of workforce composition across different global production networks



Governance sets the norms, laws and policies that shape supply chain practices. Governments, industries, companies, and workers are all associated with transforming local segments of GSCs and can have a direct effect on industry practices that establish the trajectories for economic and social upgrading. The institutional environment shapes producers and workers' capacities to participate in and benefit from GSCs (Neilson et al., 2014; Selwyn, 2013; Humphrey and Schmitz, 2002). While policies play an important role, the effectiveness of governance in local supply chains is often determined by the extent to which these entities are able to operationalize quality and efficiency standards (private); adhere to public regulatory protections (national and global); and advance towards meeting evolving social standards, particularly for fair terms and treatment of the industry's workers. However, this overlooks the opportunity for governance mechanisms to address the systemic influences of power imbalances throughout the chain.

3. Methodology

This study analyses a handful of indicators to signal the presence of economic upgrading, downgrading or stagnation within the local supply chain for pineapple. The choice of indicators to analyse is somewhat shaped by the availability of data. The areas analysed for evidence of economic upgrading, downgrading or stagnation are:

- Overall national, regional and local economic performance

- Trends in value and volume of production and exports
 - Export competitiveness, relative comparative advantage and global market outlook
 - Trends in quality, scale and productivity of pineapple production
 - MNE investments, technology changes, and scale changes within the supply chain
 - Preferential trade agreements and terms supporting export markets
 - Government policies, such as tax incentives, land and labour policies affecting the industry
- Social upgrading, downgrading or stagnation is evidenced through a wide range of factors. For this study, employment-related factors linked to core international and national labour standards are the primary focus. These are:
- Terms and types of employment
 - Investments in skill development/Quality of institutional support (government, cooperatives, unions)
 - Compensation and benefits, security of tenure
 - Right to self-organization and collective bargaining
 - Terms for subcontracting land and growerships

At the governance level, this study considers the parameters of three different forms of governance:

- National public sector governance, including laws and policies, and their monitoring and enforcement
- Private sector governance, including private compliance initiatives
- International agreements, including associated labour provisions

Data and information for this study were collected from 2017 through mid-2018. Much of the company and industry information used in this study was collected from multiple government departments, including the National Statistical Office; the Department of Labor and Employment; the Department of Agriculture; trade unions representatives and individual workers. Interviews were held with management and several employees at Dolefil and Del Monte, and with some of their subcontractors. However, there was limited data to be garnered at company or industry level.

The authors of this study encountered several constraints, which are reflected in its contents. First, in analysing social upgrading, the authors were not able to gather historical industry data to establish employment and contracting practices over a longer period of time, although company-specific employment figures for 2017 were accessed through union groups. Second, in analysing growership (small-scale contracted production) and land lease contract terms, the authors were given limited access to actual contracts due to confidentiality clauses signed by the contracting parties. Third, no systematic survey of workers could be conducted so their input is being treated as anecdotal.

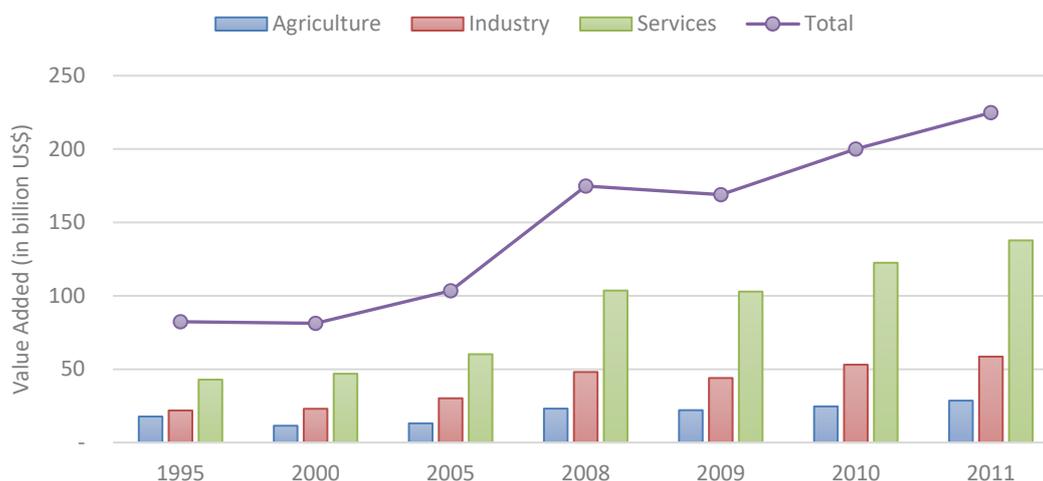
4. The pineapple supply chain context

This section considers the enabling environment for Mindanao's local pineapple supply chain from several perspectives. It works from the assumption that the overall economic growth and employment context influence the enabling environment of business operations. It also considers the overall food industry performance and the agricultural development context, particularly with respect to land use and rural institutions that shape how the pineapple industry can access land and source workers. Finally, it describes the structural elements of the Mindanao pineapple supply chain.

4.1 Economic context

After registering among the slowest gross domestic product (GDP) growth in Asia during the 1980s and 1990s, the Philippines' economy has benefited from stronger growth more recently. Except for the Asian financial crisis in 1997 and the global financial crisis in 2008, the GDP grew steadily. From 2010 to 2015, the Philippines' GDP grew at an average annual rate of 5.8 per cent. However, the country's economy is thought to be operating below its potential due to lower productivity compared to low-cost neighbouring economies (WTO, 2012). GDP growth has been most pronounced in the services sector, which has expanded and now accounts for well over half of GDP, with the share of GDP from agriculture and manufacturing declining. In 2015, the Philippines' GDP was estimated at US\$265 billion and GDP per capita at US\$2,635.¹ The Philippines' value added has increased steadily over the past two decades. A large part of the growth in value addition has been led by the service industries (figure 2).² Within the total value added, the contribution from the agriculture sector decreased between 1995 and 2000, and its share remained steady at around 12–13% until 2011. A relative decline in the contribution of value added from agriculture coincided with steady growth in value added of the services sector.

Figure 2. Value added by sector, 1995–2011 (in billion US\$)

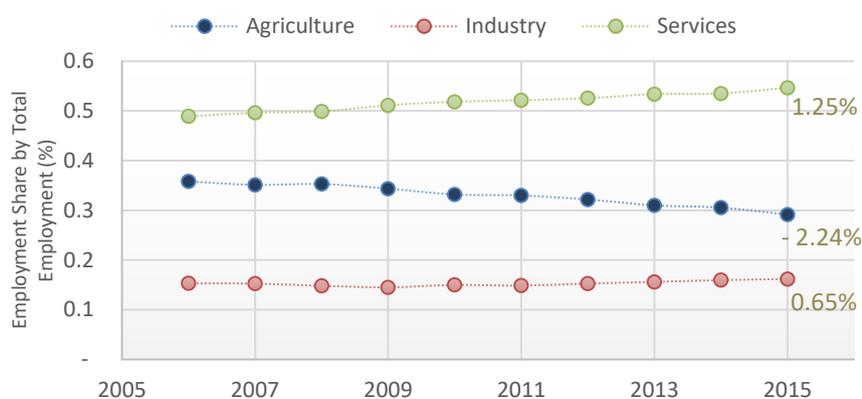


Source: OECD TiVA (2017)

Overall employment in the Philippines shows steady growth over the same time period, with 38 million people in employment in 2015. Between sectors, there has been increasing labour demand in the industry and service sectors. In 2015, 55 per cent of the employed were in the service sector, 29 per cent in the agriculture sector, and 16 per cent in the industrial sector. However, the agriculture sector shows a steady decrease in labour demand over the years. Employment in agriculture as a share of total employment dropped from 33.2 per cent in 2010 to 29.2 per cent in 2015, with a somewhat sharper decrease for men than women. When the agro-food industry is included, the share of this broader agro-industry accounts for nearly 40 per cent of total employment in the Philippines.

¹ Rates are calculated at constant 2010 US\$

² The term “value added” is the value that is accumulated by industries when they produce goods and services. The amount of value added of an industry in a country is important because it is closely related to the income of that sector.

Figure 3. Employment composition by sector, 2006–2014 (per cent of total employment)

Source: ILOSTAT, 2017

Despite favourable overall economic performance, as of 2015, 35 per cent of the working population was engaged in vulnerable work, with agricultural workers constituting a significant proportion of these. Since 2001, the share of vulnerable employment in total employment has declined slightly (by just over 5 per cent), and is projected to continue to do so over the next years. According to the Philippine Statistics Authority, the incidence of poverty in 2015 was estimated at 21.6 per cent, compared with 25.2 in 2012. The food poverty rate was estimated at 8.1 per cent, compared with 10.4 per cent in 2012. The poorest region was Mindanao, where 11 of the 20 poorest provinces in the country are found.

4.2 Industry context

The Philippines has benefited from expanding production of processed foods over the past decade, most of which are consumed locally. Exports also more than doubled in value between 2006 and 2015. Despite this steady growth, processed foods' share of total exports remained below 15 per cent, lower than export shares in other Association of Southeast Asian Nations (ASEAN) countries.

The food industry has good potential for export expansion, including for fruit products, with the opening of the ASEAN Common Market in 2015, and the growing demand of China for fresh and tropical products. Banana, pineapple and mango are the major export commodities of the country. Meeting the growing export and domestic demand requires agricultural productivity to be increased, efficient quality management, and an expansion of production area.

4.3 Agricultural context

In 2014, there were an estimated 2.8 million farmers and 2.7 million farm workers in the Philippines. The average farm size was just over 2.2 hectares. Public investment in agriculture has varied over the past 40 years. The relative funding available for supportive infrastructures – such as irrigation, feeder roads and research and development – has also been relatively low, which may partially explain the slow growth in agricultural productivity (OECD, 2017). Daily income in the agriculture sector was 194 Philippine pesos (PHP), about US\$4, in 2015. Agriculture workers in Mindanao region averaged daily earnings of 153PHP, or 3,825PHP per month (60 per cent of the 2015 food poverty rate for a family), according to the national statistics authority.

Land reform has been the avowed strategy to spur agricultural development and poverty alleviation since the 1970s agrarian reform programme. The Comprehensive Agrarian Reform Law,³ or Republic Act No. 6657, was brought into effect in 1988 as a means to equitably redistribute land ownership and to promote market-oriented policies. Government-owned lands leased to MNEs for high-value crops, including pineapples, were opened up for redistribution through collective Certificate of Land-Ownership Awards (CLOAs)⁴ issued to hastily formed farm workers' organizations or the agrarian reform beneficiaries cooperatives (ARBCs). The same act allows for collective ownership of awarded lands through co-ownership or farmers' cooperative, or some other form of collective organization, provided that the total area awarded shall correspond to the 3 hectares limit per member or co-owner.

Qualified beneficiaries for the land redistribution have been mostly landless farmers, including agricultural lessees, tenants, as well as regular, seasonal and other farm workers. Agrarian reform beneficiaries (ARBs) have been overwhelmingly male, based on eligibility linked to having been a previous plantation permanent wage worker, the majority of whom were male. According to the results of a 2002 census, only 12 per cent of ARBs were female. A large number of ARBs formed farmer associations and cooperatives and entered into agribusiness venture arrangements (AVAs) that involved leasing their landholdings long-term to large pineapple enterprises. Leasing of land was encouraged to be combined with work opportunities through grower contracts or work contracts with buyers.

The land reform programme also outlined support services to the ARBs which were to include small-to medium-scale investments in infrastructure; organization of farmers' cooperatives; financial assistance; extension of credit for agricultural inputs; assistance in marketing of agricultural products; and research and development, with the Department of Agrarian Reform (DAR) as the lead implementing agency.⁵

4.4 The Mindanao pineapple supply chain

The structural elements of the Mindanao pineapple supply chain, depicted in figure 4 below, show the enterprises and other actors involved and linkages between them. The Philippines pineapple supply chain is largely dominated by two MNE-led supply chains. Their supply chains involve national processing and handling subsidiaries or suppliers (Del Monte Philippines, Inc. and Dolefil), which in turn manage direct production under their own acreage. MNEs also contract larger corporate growers, who in turn may contract out production through AVAs. MNEs can also secure additional pineapple product by contracting directly with growers through AVAs. AVAs offer a variety of arrangements to secure acreage for production, as well as production contracts. Contracts can be made directly with ARBs (farmers and farm workers), or with ARB cooperatives.

The MNEs are dependent on contracted land for production due to restrictions limiting their direct ownership of land. Land ownership in the Philippines, except for lands acquired before the 1935 Constitution, is reserved only for Filipino nationals or corporations with at least 60 per cent Filipino ownership.⁶ The MNEs have each managed large tracts of land for the production of fruits and

³ It covered four types of land: tenanted private agricultural land, plantations in private lands, plantations in public lands and government-owned lands.

⁴ Issuance of CLOAs were prevalent in the 1990s as an interim measure to simplify land acquisition and distribution. It later evolved as a strategy to accelerate accomplishment, but subdivision of the CLOAs and individual titling's were not undertaken.

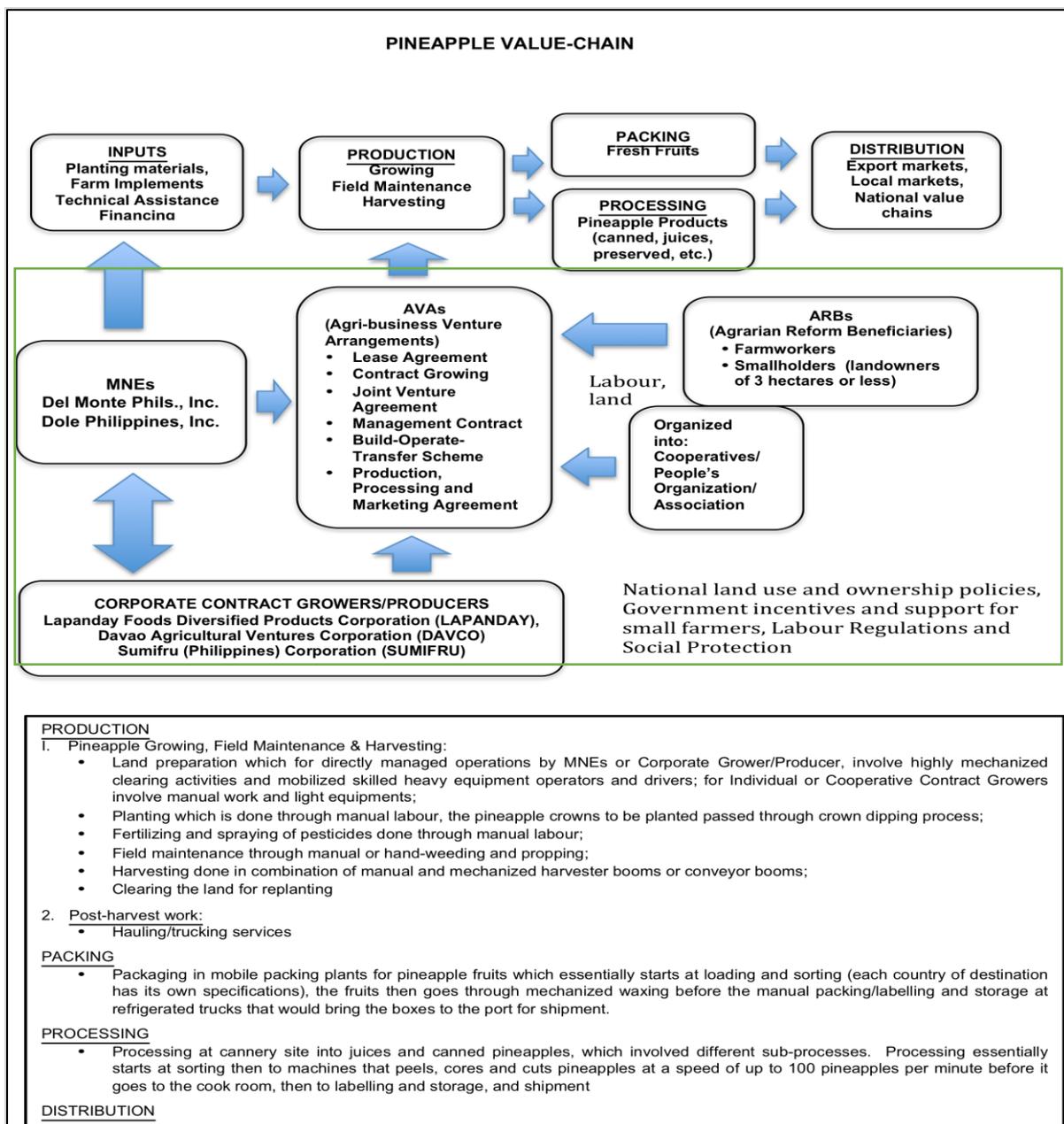
⁵ Chapter IX of Republic Act No. 6657, as amended by Republic Act No. 9700.

⁶ Article XII of the 1987 Philippine Constitution.

vegetables, including pineapple, under long-term lease agreements, and access additional lands through contractual arrangements with commercial growers and cooperatives of small growers. With government support, a number of ARBs have also formed collective production units in the supply chain through government registered AVAs as modalities to integrate into the MNEs supply chains. Contracts frequently include provisions related to production requirements, as specified in the lower section of figure 4.

The social and economic dynamics surrounding workers in the Philippines’ local pineapple production supply chain is heavily shaped by government policies surrounding land reform and user rights. The structures and the business dynamics within the supply chain are also shaped by the characteristics of the enabling environment, including governance mechanisms that can steer the nature of upgrading in response to changing market demands and requirements.

Figure 4. Philippines pineapple supply chain



Source: Authors, based on interviews

5. Evidence of economic upgrading, stagnation or downgrading

The Philippines' pineapple industry is closely incorporated in international pineapple supply chains with increasing means to establish MNE-led and corporate-controlled production. Key measures of economic upgrading strongly suggest that various forms of upgrades to the industry have occurred over the past decade and are continuing. These include a clear trend in expanding value and volume of pineapple exports, multi-year and relatively high measurement of international comparative advantage, and steadily increased scale and sophistication of main subcontractors' operations.

In addition, government policies have introduced enabling factors that could support upgrading in the pineapple supply chain in Mindanao. These include: (a) negotiated trade agreements and preferential terms supporting improved terms in export markets⁷ and policies that have enabled further expansion of growing area under pineapple production; (b) a readily available relatively low-cost workforce; and (c) government tax incentives for export-oriented industries.

5.1 Production performance

Mindanao is largely an agriculture economy and host to long-established large-scale MNEs with global agro-food operations. In terms of share in the volume of production, from 2010 to 2015 Mindanao has consistently registered more than 88 per cent of the total Philippine pineapple production (Table 1). Over the same time-period, a nominal increase in value per metric ton was registered (3.65 per cent). The bulk of pineapple production is located in Northern Mindanao (the provinces of Bukidnon, Camiguin, Lanao del Norte, Misamis Occidental and Misamis Oriental) followed by SOCCSKSARGEN (consisting of the provinces of South Cotabato, Cotabato City, Sultan Kudarat, Sarangani and General Santos City). The remaining regions of Luzon and Visayas have accounted for below 15 per cent of the total national production since 2010 onwards.

Table 1. Distribution of pineapple production by region, 2010–2015 (per cent)

REGION	2010 ^{1/}	2011 ^{1/}	2012 ^{1/}	2013 ^{2/}	2014 ^{2/}	2015 ^{2/}
PHILIPPINES ('000 mt)	2,169.2	2,246.8	2,397.6	2,458.4	2,507.1	2,582.7
Luzon (%)	10.68	10.31	9.97	10.1	9.80	9.97
Visayas (%)	1.20	1.26	1.18	1.2	1.22	1.17
Mindanao (%)	88.12	88.43	88.85	88.8	88.98	88.86
Zamboanga Peninsula	0.09	0.08	0.07	0.1	0.08	0.06
Northern Mindanao	49.22	51.62	53.99	54.6	55.55	56.85
Davao Region	1.05	1.13	1.17	1.1	1.12	1.04
SOCCSKSARGEN	37.49	35.38	33.37	32.8	32.08	30.76
Caraga	0.22	0.18	0.19	0.1	0.11	0.10
ARMM	0.05	0.05	0.04	0.0	0.04	0.04

Source: 1/ Bureau of Agricultural Statistics (BAS): Selected Statistics on Agriculture (SSA) 2011, 2012, & 2013 (ISSN-2012-0362)

2/ Philippine Statistics Authority (PSA): Selected Statistics on Agriculture (SSA) 2014, 2015, & 2016.

⁷ Zero tariff for pineapple products such as juice (previously at 28.5 per cent), preserved fruits (previously 6–9 per cent), fruit jams and jellies (previously at 20 per cent) under the EU-GSP+ preferential status, since 2015.

5.2 Export performance

The value of exports of pineapple products (juice, prepared/preserved, and fresh/dried) has more than doubled in recent years – an estimated 135 per cent increase between 2010 and 2015. The area under production increased (see Table 2 and figure 5 below) from 58,500 hectares in 2010 to 62,800 hectares in 2015.⁸ In 2015, the value of exported pineapple accounted for 11.2 per cent of the total value of agricultural exports, or nearly double the 5.9 per cent share recorded in 2010.

Major demand for Philippines' pineapple comes from North America, followed by East Asia and the Pacific, followed by Europe (Table 3). The largest importer of Philippines' pineapples is the United States, which accounts for 41 per cent of exports. In Southeast Asia, the Philippines competes with Indonesia and Thailand in global pineapple export markets (figure 6). Lead import destinations for Indonesia and Thailand are almost identical as all three countries are the beneficiaries of reduced tariff schemes with trading partners in the United States, the European Union and Japan.

Table 2. Pineapple crop volume, exports, and area planted/harvested (2010–2015)

ITEM	2010	2011	2012	2013	2014	2015
Crop Volume of Production ^{1/} (‘000 mt)	2,169.2	2,246.8	2,397.7	2,458.5	2,507.1	2,582.7
Export Volume ^{1/2/} (‘000 mt)	406.00	582.63	742.61	816.64	783.33	713.94
Value of Total Agricultural Exports (FOB in million US \$)	4,101.09	5,431.76	5,037.94	6,400.03	6,542.95	5,131.85
Value of Export ^{1/2/} (FOB in million US \$)	242.58	345.64	414.91	425.38	434.99	574.24
% of Value Export to Total Agricultural Exports ^{3/}	5.9	6.4	8.2	6.6	6.6	11.2
Area Planted/Harvested ^{1/4/} (‘000 has)	58.5	58.5	58.5	60.8	61.6	62.8

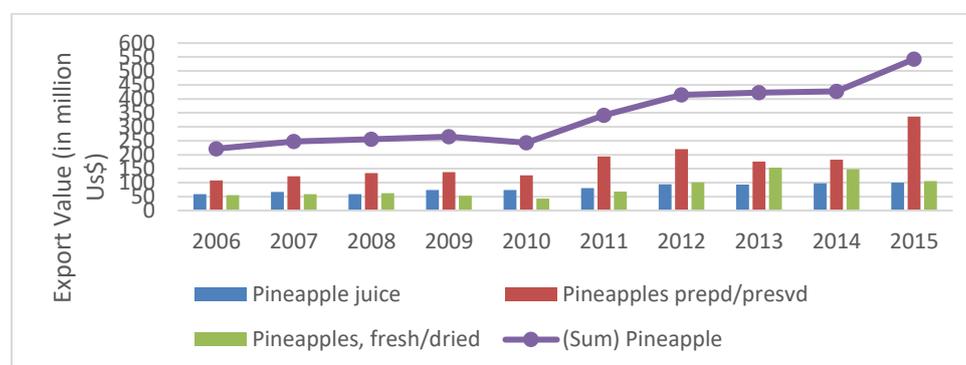
1/ Data source: Philippine Statistics Authority (PSA): Selected Statistics on Agriculture (SSA), 2012 & 2016.

2/ Pineapple & pineapple products

3/ Computed

4/ Area planted for permanent crops and area harvested for temporary crops. Note: 2011 data excluded Batanes

Figure 5. Exports of pineapple products, 2006–2015 (in million US\$)



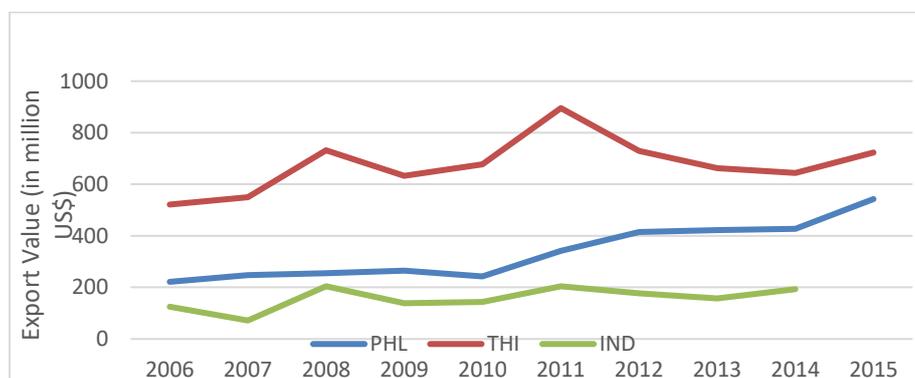
Source: WITS World Bank, 2016

⁸ The Philippine Statistic Authority noted that the increase could be attributed to increase in area harvested on corporate farms and bigger sizes of fruits produced due to favourable or improved weather conditions (PSA, 2016).

Table 3. Regional destination of pineapple exports, 2010–2015 (in million US\$)

	2010	2011	2012	2013	2014	2015
North America	139.2	147.8	163.8	183.9	177.0	234.9
East Asia & Pacific	64.8	154.6	191.2	162.8	179.8	172.3
Europe & Central Asia	27.2	27.8	42.2	44.7	35.3	66.0
Middle East & North Africa	7.3	6.4	12.6	23.1	29.1	50.7
South Asia	2.1	2.1	2.1	1.3	1.0	12.7
Not Classified	0.9	1.5	2.0	5.3	3.9	5.0
Latin America & Caribbean	0.9	0.8	1.0	1.1	1.4	1.2
Sub-Saharan Africa	0.1	0.2	0.0	0.3	0.1	0.0
EU	26.2	26.8	41.2	43.6	34.2	65.7
World	242.6	341.3	414.9	422.4	427.6	542.7

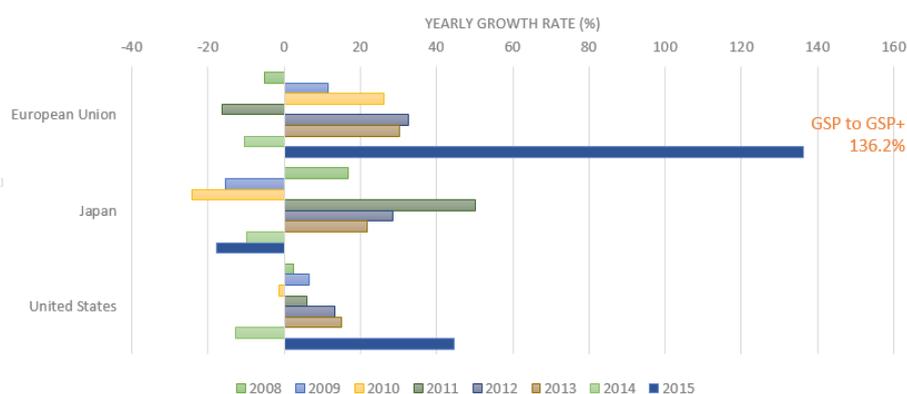
Source: WITS World Bank, 2016

Figure 6. Export values of pineapples, 2006–2015 (in million US\$)

Source: WITS World Bank, 2016

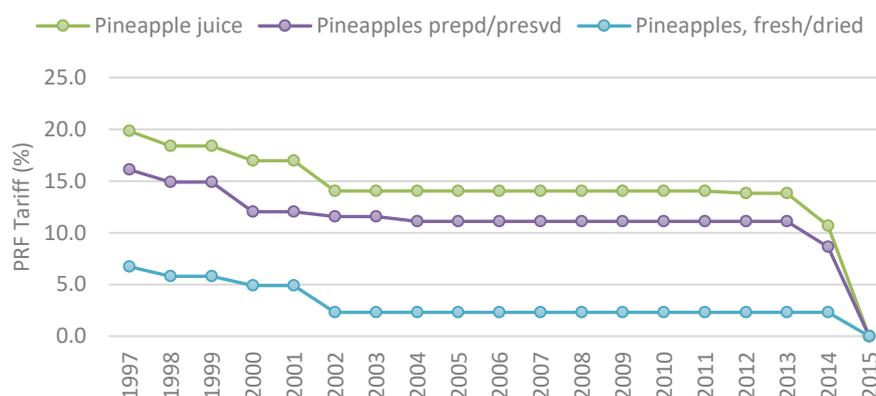
Improved terms with major trading partners, such as the European Union (EU) and the United States, have helped to boost exports in recent years. The pineapple markets in the EU were highly protected before 2015. Average preferential tariffs between 1997 and 2014 were 15 per cent for pineapple juice, 11.8 per cent for preserved pineapple product, before dropping to near zero under the EU Generalized System of Preferences + (GSP+). The acquisition of GSP+ status in 2014 coincided with Thailand's loss of their GSP status with EU in 2014. GSP+ includes substantial tariff reduction in pineapple juice and preserved pineapple markets (figure 8). This decrease boosted the pineapple export of Philippine starting in 2015.

Figure 7. Yearly growth in export value, 2008–15 (per cent)



Source: WITS World Bank, 2016

Figure 8. Preferential tariff of the Philippines in EU pineapple markets, 1997–2015



Source: Foreign trade statistics of the government of the Philippines, 2016

5.3 Industry growth and competitiveness

This study does not include an in-depth analysis of the profitability of pineapple supply chains in the Philippines but rather relies on evidence of rapid export growth to signal comparative advantage and competitiveness of the Philippines' supply chains. An analysis of the Revealed Comparative Advantage (RCA), in addition, shows the relative advantage of an item in a country based on a Ricardian comparative advantage theory (Table 4). If the RCA of a certain industry is over a unit value, it means a country has a comparative advantage in that industry. According to the RCA measure, the Philippines has a strong comparative advantage in all pineapple products (fresh, juice, and preserved), and its comparative advantage has strengthened in recent years. Thailand and Indonesia have high comparative advantages in fresh and preserved pineapple markets. Compared to the Philippines however, neither country shows significant increases in comparative advantage in pineapple exports. Based on the RCA analysis, there is evidence pointing to positive growth and comparative advantage for Philippine exports of pineapple. Part of this advantage links to preferential trade terms for these products.

Table 4. Relative Comparative Advantage (RCA) of pineapple markets, 2010-2015(2014)

	Philippine		Thailand		Indonesia	
	2010	2015	2010	2015	2010	2014
Fresh	29.26	33.89	21.77	14.74	3.69	5.22
Juice	8.07	16.75	0.14	0.07	0	0.01
Preserved	38.59	81.38	37.53	37.89	11.46	16.66

Source: WITS World Bank, 2016

5.4 MNE investment and advancements in processes and value addition by subcontractors

The local pineapple production system is dominated by two multinational enterprises, Del Monte Philippines, Inc. (Del Monte) and Dole Philippines, Inc. (Dolefil), with subsidiary processing and plantations in Northern and Southern Mindanao, respectively, dominate the pineapple industry in Mindanao. Both extend influence over year-round highly intensive, fully integrated plantation and industrial facilities for fresh and processed pineapple production. The estimates provided by Del Monte and Dolefil of their direct and indirectly hired employees, along with direct and indirect employees of enterprises producing for their brands amass the number of employed persons in the pineapple industry at over 40,000.

The two MNEs are pursuing expansions to cover unserved existing domestic and overseas markets for pineapple and pineapple products. In 2017, Dolefil opened a new US\$20 million production plant, which the company estimated could generate 1,500 jobs.⁹

Dolefil have agricultural operations at approximately 16,571 hectares (base plantation and private growers) and have active expansion in five areas in North Cotabato, one in Davao and even at Talakag and Valencia in Bukidnon. It is said to have aggressively pursued expansions even in its overseas operations – in Indonesia and Vietnam, and in equatorial countries such as Sierra Leone in Africa – as it positioned to dominate the Asian market after the acquisition by Itochu Corp. of Japan of Dolefil, Dole Food's Worldwide Packaged Foods and Asia Fresh businesses in 2013.¹⁰ Approximately 95 per cent of Dolefil's total production (close to 30 million cases per year of processed pineapple slices, chunks, tidbits, crushed, juice, concentrate, and more than 13 million boxes of fresh pines shipped annually) is exported to markets in America, Europe and Asia. Dolefil cannery operations consist of 24 preparation lines with a capacity of 110 tonnes per hour and daily production of 85,000 standard cases. Del Monte Philippines is also expanding, particularly in Bukidnon and Misamis Oriental areas. It is currently exporting to the United States, the European Union, Middle East and Asia-Pacific.¹¹

⁹ www.freshfruitportal.com/news/2017/06/16/dole-opens-major-new-pineapple-production-facility-philippines/

¹⁰ Source: Dolefil

¹¹ Interviews with Dolefil key officers and workers; www.bworldonline.com/2014/04/25/balita.ph/2014/04/24/dolefil-eyes-expansion.

While Itochu Corp. of Japan acquired Dolefil in 2013, Del Monte Pacific Limited (DMPL) became 67 per cent owned by NutriAsia Pacific Ltd., of the Campos family of the Philippines, in June 2013. DMPL owns the Del Monte brand in the United States, South America, the Philippines, Indian subcontinent and Myanmar, and the S&W brand except in Australia and New Zealand. Its United States subsidiary, Del Monte Foods Inc., (DMFI) owns the Contadina, College Inn and Sager Creek brand names.¹²

Other enterprises in the pineapple industry, which include Lapanday Foods Diversified Products Corporation, Davao Agricultural Ventures Corporation (DAVCO) and Sumifru (Philippines) Corporation, have expanded operations. They are engaged in growership, packing or marketing of pineapple for Del Monte and Dolefil brands. Lapanday and Sumifru are largely engaged in banana production. Lapanday had been a pineapple grower and packer for Del Monte until the expiration of its contract in 2011. It has a combined area of 1,000 hectares of pineapple plantation in Bukidnon in Northern Mindanao, with an annual volume of 2 million boxes. It ventured into exports introducing its own Philippine brands of fresh fruits, such as Estrella, Aloha, and Honey Pines, to China, Japan, Middle East, Republic of Korea and other countries in Asia and the Pacific.¹³ DAVCO, a member of the Anflo Group of Companies, which includes the banana producing TADECO, is engaged in the production of fresh Del Monte Gold pineapples under the Del Monte label for export. Sumifru Corporation, on the other hand, is engaged in sourcing, production, shipment and marketing of various fresh fruits for export, including pineapple.

5.5 Economic upgrading in labour service cooperatives

The growth and expansion of labour service cooperatives over the past decade may point to economic upgrading in the pineapple supply chain. Given that much of their expansion signals growth in employment opportunities and terms, it is less clear how these configure as aspects of social upgrades within the supply chain. A closer analysis of the quality of employment growth will be considered in the next section. This section focuses on growth and diversification of these enterprises.

Asiapro Cooperative, servicing Del Monte contract labour requirement for the past seven years, is one of the leading corporate cooperatives nationwide. The cooperative was started in 1999 and now has about 50,000 workers serving 300 multinationals and local client-companies in the agribusiness, construction, manufacturing, and technical services sector in the Philippines. It claims to afford security of tenure and all statutory benefits to its workers, including non-contributory life and medical insurance coverage, continuing training and development and share of earnings from the cooperative's business.¹⁴ No evidence was provided to the study to substantiate the claimed practice, however.

Dolefil contracts with five Polomolok-based community social enterprises. Each claimed to provide regular or permanent employment status for all their members. Their members are described to have security of tenure through their shared ownership of the cooperative, and they access additional benefits, including housing; retirement benefits; family welfare services; medical; dental; hospitalization and bereavement/burial assistance; and training, in addition to a share in the earnings of the cooperative. The worker-members are receiving the minimum wage and statutory benefits.

Among the cooperatives contracting with Dolefil, Tibud Sa Katibawasan Multipurpose Cooperative (Tibud SKMC) was formed in 1992 to generate employment for the community. Its board of directors does not draw compensation from the cooperative nor is it connected with Dolefil. The Unified Engineering Workers Multipurpose Cooperative (UEWMC) was originally intended for incorporation

¹² www.delmontefoods.com; www.delmontepacific.com

¹³ www.lapanday.com

¹⁴ www.asiapro.coop

by the redundant engineers of Dolefil but ultimately became a multipurpose cooperative, bidding for contracts for skilled construction works, engineering and technical works, and providing skills certification. The Cannery Multipurpose Cooperative (CAMPCO) and Adventurers Multipurpose Cooperative (AMCOOP) started as labour providers solely for Dolefil. CAMPCO, at one time, was declared a labour-only contractor for lack of substantial capitalization. Polomolok Multipurpose Service Cooperative (PMSC) is primarily a job contracting business. It provides contract labour to Dolefil Agrarian Reform Beneficiaries Cooperative (DARBC) and Dolefil's growership agreement over certain pineapple fields to increase the income of the agrarian reform beneficiaries' cooperative, and at the same time, it operates a whole line of mobile packing operations for Dolefil from field to port.

Over the years, all five cooperatives have grown from job contractors into large community social enterprises in Polomolok with diversified business operations catering to other companies outside of Polomolok, including contract growerships. Membership and total assets have more than doubled alongside investments in mechanized operations and professional services. UEMW, for example, has expanded initial assets in 1992 of PHP7,000 (US\$142.88) to more than PHP200 million (US\$4.08 million) with machinery and heavy equipment on par with international standards and operated by their regular technical workers.

AMCOOP has expanded from 300, in the 1990s, to almost 20,000 workers nationwide. The cooperative's proceeds were invested in a string of service-oriented businesses at the municipality of Polomolok, including the first bed and breakfast hotel, comprising a modest 12 rooms, and coffee shop. The cooperative is set to start the construction of a five-story tertiary hospital at the heart of Polomolok in late 2019.

In summary, from the supply chain perspective, the leading companies in Mindanao pineapple production have been able to secure land and workers to expand production. The value added of production and exports suggests a relatively favourable policy environment for economic upgrading. Pineapple exports have benefited from government support programmes, in part through land reform, which set up means by which to maintain access to land and workers at favourable terms to the industry as it grew. According to industry leaders, large-scale growing operations also have been able to capture economies of scale through technology and market chain integration. Various-sized domestic companies supporting these industries also benefited from transfer of technology and supply chain relations. At the production level, the organizational structures and business practices through which land and product are secured have been skewed strongly in favour of the buyers and exporters. This will be discussed in greater detail in the next section.

6. Evidence of social upgrading, stagnation or downgrading within the local supply chain

In this section, evidence of social upgrading through the lens of employment quality upgrading is examined using the following indicators: employment terms, including compensation, benefits and security of tenure; skills development; exercising of rights, including freedom of association, self-organization and collective bargaining. Much of the analysis is situated within the context of directly and indirectly managed operations of the major MNEs.

Employment in Mindanao pineapple supply chains is a combination of agricultural and industrial work. Agricultural work corresponding to production (pineapple growing, field maintenance and harvesting) and industrial work encompassing processing, packaging and distribution of different pineapple products. Pineapple production is labour-intensive, seasonal and to a large extent unskilled and informal work. This makes seasonal, informal and short-term employment in pineapple production most common and preferred by employers over long-term permanent employment. Thus, the use of contract labour directly, or through triangular employment relationships that contract through a cooperative or job contractor, has expanded in the industry for the last decade.

6.1 Employment types

For the past decade or more, employment in the pineapple industry has been characterized by increasing numbers of contract labourers and diminishing numbers of regular or permanent employees as a proportion of the workforce.¹⁵ These trends reflect the national employment picture of increasing contract labour in all industries in the Philippines. Contract labour and informal work arrangements now dominate the MNE-led local pineapple supply chains. Specific to the directly managed operations (table 5), contract labour is predominantly supplied by labour service cooperatives to Dolefil and Del Monte.

As of 2016, in Dolefil pineapple production, for every regular worker there were two contract labourers. There were approximately 10,600 contract labourers in Dolefil from five different community-based labour service cooperatives.¹⁶ Directly hired workers (under bilateral employment relationships) constitute approximately 4,500 regular workers in Polomolok and Calumpang operations, based on the Collective Bargaining Agreement (CBA) registration data¹⁷ for the current cycle of collective bargaining agreements (CBAs). Of this number, about 3,700 workers were from three bargaining units, namely: Polomolok Hourlies (3,415); Calumpang Daily Paid Workers (83); and Salaried Workers (196), represented by three different labour unions.¹⁸

¹⁵ Department of Labor and Employment.

¹⁶ Dolefil plantation units and/or construction and engineering units are serviced by the following cooperatives: (1) Polomolok Multi-purpose Service Cooperative (PMSC) of the DARBC; (2) Unified Engineering Workers Multipurpose Cooperative (UEWMC); (3) Tibud Sa Katibawasan Multipurpose Cooperative (Tibud SKMC); (4) Cannery Multipurpose Cooperative (CAMPCO); and (5) Adventurers Multipurpose Cooperative (AMCOOP).

¹⁷ Application for registration of the CBA with the Department of Labor and Employment has information, under oath by both the labour union president and the company representative, on the coverage of the bargaining unit and number of employees in the establishment together with the ratifying members of the labour union, among others.

¹⁸ Dolefil has three bargaining units organized under the following labour unions: (1) Labor Employees Association of Dolefil (LEAD) representing the salaried regular office, technical personnel at Dolefil Polomolok office; (2) Labor Employees Association of Dolefil-Calumpang (LEAD-Calumpang) covering all the regular hourly-paid rank-and-file employees at Dolefil Calumpang Operations (DCO); and (3) Labor Employees Association of Dolefil. Polomolok Hourlies (LEAD.PH) representing all regular and seasonal hourly-paid rank-and-file industrial and agricultural employees in Polomolok and Tupi, South Cotabato

In 2016, the ratio of regular worker to contract worker, in Del Monte's pineapple production, was one to four. Del Monte had approximately 15,000 contract labourers sourced from five different cooperatives and five private job contractors.¹⁹ Meanwhile, directly hired workers amounted to approximately 4,000 regular workers in Del Monte's plantation in Bukidnon and in its cannery operation in Bugo, Cagayan de Oro City. Of this number, more than 3,000 workers were in the bargaining units of three different labour unions (regular hourly paid employees at the Bukidnon and Misamis Oriental plantations; hourly paid regular rank-and-file employees at Bugo cannery in Cagayan de Oro City; and regular rank-and-file monthly salaried non-supervisory employees at the plantation).²⁰

Directly-hired regular employees were largely male, with women comprising less than half of the total workforce, or a little over 2,000 in Dolefil and 1,258 in Del Monte. The breakdown of workers sourced through subcontractors is shown in table 5 below.

Table 5. Subcontractors in Dolefil and Del Monte (as of February 2017)

Name of Subcontractor	Years in operation at the MNE	Total No. of deployed employees		
		Plantation	Cannery	Office/Other
Del Monte				
Asiapro Multi-purpose Cooperative (Asiapro)	7	321	3,245	26
Allied Services Multi-purpose Cooperative (ASMC)	8	-	2,700	13
B-Mirk Multi-purpose Cooperative (B-Mirk)	6	-	117	2
Kiantig Services Multi-purpose Cooperative (Kiantig)	6	546	467	12
General Services Cooperative (GSC/DEARBC)	5	6,117 ^{1/}	50	30
RVR		931 ^{1/}	-	-
JSF Manpower & Trucking Services (JSF)	6	584 ^{1/}	-	7
AIG Manpower Services	2	-	64	8
Fast Service Corp.	5	-	402	134
Innovative Packaging Industry Corporation	3	-	64	6
TOTAL		8,499	7,109	238
Dolefil				
Polomolok Manpower Services Cooperative (PMSC)	-	1,583	-	-
Adventurer's Multi-purpose Cooperative (AMCOOP)	1992	2,173	-	-
Cannery Multi-purpose Cooperative (CAMPCCO)	1992	-	3,131	-
Tibud Sa Katibawasan Multi-purpose Cooperative (Tibud)	1992	2,270	-	-
Unified Engineering Workers' Multi-purpose Cooperative (Unified)	1992	-	1,364	-
TOTAL		6,026	4,495	

Source: Dept. of Labour and Employment (DOLE) Regional Office Nos. X and XII based on submitted reportorial requirement for registration.

^{1/} Del Monte plantation union, Del Monte Phils., Inc., Employees Union (DMPIEU) provided data. Del Monte reported JSF deployment of only 120 workers and did not provide data on GSC deployed plantation workers as well as that from RVR.

Competitive terms for direct employment, realized in part through benefits from negotiated CBAs

Direct or bilateral employment relationships in the two dominant MNEs in the industry are viewed in their localities as secure, financially rewarding and affording career growth, while offering assured rights at work. In terms of compensation and benefits, direct employment is considered competitive,

operations.

¹⁹ Del Monte mobilized additional labour for its plantation works from Asiapro Multi-purpose Cooperative; Allied Services Multi-purpose Cooperative; B-Mirk Multi-purpose Cooperative; JSF Manpower & Trucking Services; Kiantig Services Multi-purpose Cooperative; River Valley Manpower Services; Fast Services Corporation; AIG Manpower Services; General Services Cooperative; and Innovative Packaging Industry Corporation.

²⁰ Del Monte also has three bargaining units organized under the following labour unions: (1) Del Monte Phils., Inc. Employees Union (DMPIEU-ALU-TUCP) representing all regular hourly-paid employees at the Bukidnon and Misamis Oriental plantations; (2) Del Monte Bugo Cannery Labour Union (DMBCLU-AWATU-TCUP) covering all regular hourly-paid employees at the cannery located in Bugo, Cagayan de Oro City; and (3) Del Monte Plantation Monthly Salaried Employees Union (DPMSEU-AWATU) covering all regular rank-and-file monthly salaried non-supervisory employees at the plantation.

owing to the fact that the bargaining units of regular rank-and-file workers in plantation, cannery and technical work have long been unionized. Del Monte is organized under the local unions of Trade Union Congress of the Philippines (TUCP). Dolefil is currently organized under independent labour groups that wrestled representative status from the local unions of Kilusang Mayo Uno (KMU) and TUCP, following a charged certification election campaign that began in 2007.

Unions and CBAs are primarily enterprise based. Negotiated CBAs involving the two MNE-led local supply chains have enabled upgrading through collective negotiations for political (i.e., participation in the exercise of management prerogative to hire workers on regular contracts; coverage of the bargaining units; and set employment standards) and economic (i.e., compensation and benefits) provisions for all regular and some contract workers.

Del Monte

With regard to economic provisions, regular employment status in the plantation brings with it an entitlement to collective bargaining benefits and an average annual dividend of PHP12,000 (US\$244.90)²¹ from Del Monte Employees Agrarian Reform Beneficiaries Cooperative (DEARBC), as of 2016. According to the plantation labour union, the 2014–2019 CBA established an immediate wage benefit at a daily increase of PHP74 (US\$1.51) on top of the agreed daily minimum hiring rate for plantation workers, with double the minimum premiums for overtime and work during rest days and holidays. Non-wage benefits include free housing within the camp, and additional costs of big item repairs and utilities, such as electricity and water. Moreover, a monthly housing allowance of PHP200 (US\$4) for those living in company subsidized houses and PHP400 (US\$8) for workers not enjoying any housing subsidy. Additionally, CBA benefits detailed the entitlement to a monthly rice allowance of PHP1,850 (US\$37.76); free medical, dental and hospitalization benefits to regular employees and qualified dependants; as well as scholarship and a school-bus service, plus insurance for the children of regular employees.

CBA benefits for the regular hourly-paid cannery workers and monthly salaried plantation workers are not far from the plantation workers' benefits. Promotions, disciplinary concerns and improvement in operations and relationship are discussed at plant-level through the labour management committee or grievance committee of each bargaining units.

There is no provision, however, on promotion or regularization of contract workers in the CBA, or a set employment standard for all workers in the supply chain. Notably, the members of all the bargaining units covered by the unions decreased from 3,213 in 2009 to 2,705 under the 2014–2019 CBA.

Dolefil

Conceding that their economic benefits are already competitive, in addition to the dividends received by some from membership in the DARBC, in 2016 pay and benefits of the lowest paid regular workers for Dolefil amounted to approximately PHP712 per day (US\$14.53). The labour unions in Dolefil have long adopted progressive percentage increases in their daily or hourly rates and preservation of regular jobs.

All Dolefil CBAs have political provisions. The company agreed to cap relievers or temporary workers at 20 per cent of the total workforce, enforced by a bi-partite quarterly monitoring committee; limited direct hiring of non-regular workers solely for experimental products; restricted the company's job contractors to only those accredited by the Department of Labor and Employment; and limited probationary periods of employment to only three months. The labour unions also experimented with a "tiering of CBA benefits", or a progressive benefits system for new regular workers, to minimize the

²¹ At PHP49 to US\$1 exchange rate.

accompanying incremental costs of absorption or regularization and allow more workers to acquire secure and permanent status.

There was an increase in the members of the rank-and-file bargaining units being covered by the unions from about 1,500 during the 2014 CBA to 3,700 under the 2015 to 2020 CBA. This expanded coverage can possibly be attributed to the progressive benefit system, combined with the CBA cap on contract labour.

Contract labour and informal worker compensation

Under short-term contract labour, indirect triangular employment relationships and informal work arrangements, compensation and benefits are far from competitive. For contract labour in MNE directly managed operations, compensation is pegged to the government determined daily minimum wage for agriculture and non-agriculture workers, including other statutory benefits.

The government determined daily minimum wage, however, is intended as an entry-level wage for new entrants to the labour market, as a safety net and a floor wage. It is not intended to peg or hold down the daily wage rates to a minimum level for all types of workers. Such tethering of wages means the majority of workers in the supply chains live only a few notches above the regional poverty threshold (minimum level of income for a family of five²² deemed adequate to purchase basic food and non-food necessities) for non-agriculture workers. For agricultural workers, this reflects a poverty wage in Northern Mindanao and SOCCSKSARGEN, the locations of plantations and pineapple productions of the MNEs in the study. In Northern Mindanao, the highest daily minimum wage for agriculture at US\$6.24,²³ as of March 2017, is equivalent to the region's family poverty threshold of the same amount (US\$6.24). The highest daily minimum wage for non-agriculture work is just a few notches higher than the regional poverty threshold, at US\$6.49. In the case of SOCCSKSARGEN, the prevailing highest agriculture daily minimum wage is US\$5.55, which is below the poverty threshold of US\$5.88. The non-agriculture wage is marginally higher, at US\$6.02.²⁴

Informal work in the indirectly managed growership arrangements, on the other hand, does not assure workers of any daily minimum wage compensation or observance of statutory benefits.

6.2 Employment security

Insecure employment in third party contract labour and informal work arrangements

The employment supplied by labour service cooperatives or contract labour supplied by job contractors, constituting the majority of the MNE's workforce, is insecure. The engagement is tied to, or dependent on, the duration of the service agreement between the contractor and the MNE, or to the extent of the work or task to be performed in the supply chains. Upon its expiration, work will also end, and without assurance of re-engagement or continued employment. The same insecurity hounds workers in informal work arrangements, which are currently operating beyond the lens of labour regulation and enforcement.

As discussed in section 4.5, and its focus on labour service suppliers, deployed contract labour work side-by-side with regular workers in the cannery and in the plantations.

²² Philippine Statistics Authority (PSA), 2017.

²³ At PHP49 to 1US\$ exchange rate.

²⁴ Sources of data: National Wages and Productivity Commission/Regional Wages and Productivity Commission and PSA-Poverty Estimates.

Dolefil has been using contract labour since 1992 and was deemed, by the Supreme Court,²⁵ to have engaged in the prohibited practice of labour-only contracting, due to lack of substantial capitalization of the subject labour service cooperative (CAMPCO). Dolefil was required to immediately reinstate the affected eighty or more contract labourers without loss of seniority rights and benefits, and make payment of back-wages from December 1996 up to actual reinstatement. Del Monte, according to union sourced information, has relied on contract labour for the past 27 years.

In Dolefil, all of the approximately 10,600 contract labourers, as of February 2017, are sourced from the five cooperatives, which occupy designated zones or areas in the supply chain. Regular jobs, according to the labour unions, are reserved for skilled workers, owing to technical skill sets that can only be learned over a period of time. Four of the five cooperatives have been supplying Dolefil with contract labour since 1992.

The prevailing employment practices under a cooperative labour supply arrangement are conditioned on continued membership. Moreover, they are dependent on the life of the service agreement with the principal company, which is predominantly for short duration, or insecure. Labour law compliance assessments conducted at different periods in 2016, by the Department of Labor and Employment in Northern Mindanao and SOCCSKSARGEN, noted that the work being performed by contract labour is directly related to the main business of the MNEs.

6.3 Realization of core labour rights

Limited rights to self-organization: Susceptible to variations or non-compliance of labour standards in informal work arrangements

Compliance with labour standards and occupational health and safety standards is evaluated predominantly through the government enforcement system and MNE-initiated compliance audits of labour service providers of directly managed operations. Government enforcement and most MNE initiated audits, however, do not cover informal workers in the growership arrangements or in indirectly managed operations.

The widespread reliance on contract labour is hindering social upgrading linked to employment. Contract labour is perceived as a circumvention of the required regular employment status for work that is usual, necessary or desirable to the usual trade or business of the employer.²⁶ Short- term employment – in which workers are made to move from contract to contract, or from one labour contractor to another – skirts the constitutionally guaranteed right to security of tenure.

Unorganized into unions, observance of the rights of workers in contract labour and those in informal work arrangements are susceptible to variations due to absence of voice or internal or workplace-based check-and-balance mechanisms. Membership in labour service cooperatives, which accords workers with regular membership status the right to participate in the election of cooperative officers and in policy decisions during general assemblies, is not sufficient to assure compliance with the guaranteed²⁷ right of workers to self-organize and collectively bargain.

²⁵ Dolefil v. Esteva, et al., G.R. No.161115, 30 November 2006.

²⁶ Article 295[280] of the Philippine Labor Code, as amended, deems the employment regular where the employee has been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the employer or has rendered service for at least one year, whether such service is continuous or broken.

²⁷ Section 3, Article XIII of the 1987 Philippine Constitution.

The employment arrangement poses practical obstacles to the exercise of the right to freedom of association and collective bargaining. Social benefits are insufficient due to gaps in contributions during periods of unemployment that could run from one to six months. Additionally, contract labour receives only the minimum wage and statutory benefits, which are reduced further by capital share contributions in cooperatives, in addition to mandated deductions for social welfare benefits. Length of service does not translate into higher pay and there is no upward mobility or opportunities for developing new skills.

Contract labour and collective bargaining

Use of contract labour instead of regular employment is currently a nationwide concern in the Philippines owing to abuses and issues regarding the lack of security of tenure, lack of social protection and benefits, as well as practical obstacles to joining a trade union and bargaining collectively. Several government regulations have been issued to regulate job contracting. Strengthened regulations prohibit activities which include labour-only contracting, contracting without substantial capital, and not being an employer of the workers deployed to the principal or user enterprise. These regulations stipulate issuing regular status for contract labour if the contracting arrangement falls under prohibited labour-only contracting activity.²⁸

Some momentum is underway to advance CBAs to benefit contract workers. Given the nature of work performed by contract labour, the CBAs could enable contract work upgrading by stipulating the terms of reference for engagement by the MNEs of job contractors, whether cooperatives or not. Agreements could include contract labour in the coverage for benefits and facilitate the acquisition of regular employment status. The Del Monte plantation union, DMPIEU, is currently pushing for the renegotiation of their agreement, to stipulate that there be one regular work position for every 5 hectares of land planted to pineapple, or 4,000 regular workers for the current 20,000 hectares of land directly managed by Del Monte. The renegotiation includes the creation of a bargaining unit comprised of labour pool workers with separate agreement. The unions, through the agreement, could also push for a set of standards for employment in all aspects of the supply chain, including for workers under the growership arrangements, which would be in line with the expressed commitments of the MNEs to observe the core conventions of the International Labour Organization (ILO).

6.4 Skills development

Limited “skilling up” of contract labour and informal workers

The skills²⁹ required for the types of work in the production, processing, packing and distribution of the pineapple supply chain can be categorized into two broad clusters: low or unskilled, and skilled or technical work. Unskilled labour, when measured by educational attainment, refers to jobs that require a high school diploma only, or could even be filled by a high school dropout. Skilled labour requires additional skills or education.³⁰

For the two MNEs, skilled or technical work is reserved for regular workers.³¹ In 2016 Dolefil regular workers constituted 29.8 per cent of the total 15,100 rank-and-file workers while Del Monte employed

²⁸ As provided by DOLE Department Order No. 18-A, series of 2011, and replaced by the recently issued 16 March 2017 DOLE Department Order No. 174, series of 2017.

²⁹ ILO International Standard Classification of Occupation (ISCO) defines skill as “the ability to carry out the tasks and duties of a given job” and “has, for the purposes of ISCO-88, the two following dimensions:
(a) Skill level - which is a function of the complexity and range of the tasks and duties involved; and
(b) Skill specialization - defined by the field of knowledge required, the tools and machinery used, the materials worked on or with, as well as the kinds of goods and services produced” (ISCO-88)

³⁰ www.smallbusiness.chron.com/skilled-labor-vs-unskilled-labor-46154.html

³¹ Interview with Dolefil union leaders.

20.2 per cent out of a reported total 19,846 rank-and-file workers. Low or unskilled work is the bulk in production, processing, packing and distribution works and are carried out by contractors' supplied contract labour which, as already discussed, is about 70 per cent (Dolefil) and 80 per cent (Del Monte) of their respective workforce.

In the growership arrangements, low or unskilled work is often carried out through the unaccounted engagement of individual smallholders (whether or not a member of grower cooperatives), of unpaid/paid family workers and intermittent help-outs, and of the technical or logistical support workers deployed by grower-cooperatives or organizations to their member-smallholders. The growers' cooperatives provide them with approximately 25 workers in one cycle (during fertilizer spraying, hand weeding, forcing and sacking after harvest).³²

Generally, farm work is low or unskilled in small-sized farms, unmechanized and in far-flung non-contiguous areas or provinces of different regions. It is also low and unskilled work even in directly managed operations, with the skilled or technical work being limited to machine or equipment operators and technicians. In both the directly and indirectly managed operations in the MNE-led supply chains, the dominant form of work is low or unskilled. There are very limited opportunities for those in contract labour to move upward to skilled work due to: (1) limited positions and opportunities in skilled work; (2) lack of opportunity to skill up under contractual work engagement with labour suppliers acting as the employers, in addition to claimed lack of employer-employee relationship in the case of labour service cooperatives; and (3) farm work remains predominantly manual labour, pending the realization of the Philippine government's agriculture modernization programme.³³

Labour service cooperatives: Weak institutions for promoting social upgrades

Stories of expansion and the exponential growth of multi-purpose cooperatives engaged in contract labour in the pineapple supply chain, and in other industries or sectors, are numerous. The challenge is to end practices that hold down labour costs by denying workers fair terms, particularly cooperatives that are providing contract labour and operating, in practice, as employers. Pathways to long-term regular employment for deployed contract labour and a verifiable history of observance of labour rights and benefits should be part of the pre-qualification criteria of MNEs when contracting with labour service cooperatives.

The basic foundation of cooperativism is empowerment of the members toward the attainment of economic development and social justice, and not as vehicle for union avoidance and supplying cheap labour. MNEs and job contractors, whether labour service cooperatives or job contractors, have not yet addressed the issue of poverty wage and union avoidance that hounds the trilateral work arrangement. Ensuring respect of the rights of labour to security of tenure, freedom of association and collective bargaining, and affording a competitive package of wages and benefits for deployed workers, would be the means for establishing a legitimizing mantle. Particular to the right to self-organize and collectively bargain, MNEs and cooperatives can proceed to observe the requirement of Article 135, Chapter XVIII of the Philippine Cooperative Code of 2008, to be in compliance with the Labor Code of the Philippines and all other labour laws and social legislations.³⁴ The oft-invoked prohibition on union formation in cooperatives – the Supreme Court ruling in 1988³⁵ stipulating that members of a cooperative are co-

³² Interview with Dolefil growers' cooperative member-smallholder.

³³ Interview with union leaders.

³⁴ Republic Act No. 6938 as amended by Republic Act No. 9520 or the Philippine Cooperative Code of 2008.

³⁵ Cooperative Rural Bank of Davao City v. Ferrer-Calleja et al., G.R. No. 77951, September 26, 1988. an opinion of the Philippine Solicitor-General in 1981 "that employees of cooperatives who are themselves members of the cooperative have no right to form or join labour organizations for purposes of collective

owners and cannot bargain with themselves – does not supersede a more recent Philippine Cooperative Code provision. The cooperative, according to the 2006 Supreme Court ruling³⁶, which cites Article 5(7) of the Cooperative Code on the grant of juridical personality to cooperatives, has “...a juridical personality of its own, separate and distinct from its members; much in the same way that a corporation has a juridical personality separate and distinct from its stockholders, known as the doctrine of corporate fiction”.

6.5 Social stagnation in growership and land lease agribusiness venture arrangements

This section summarizes findings as to whether growth in the industry has translated into social upgrades within the different Agribusiness Venture Arrangements (AVAs), particularly with regard to the Agrarian Reform Beneficiaries (ARBs) linked to large agribusiness enterprises or MNEs that have secured access to agrarian lands for pineapple production. The different AVA modalities (joint venture agreement; land lease; growership; management contract; build-operate-transfer scheme; production-processing and marketing agreement; and service contract) are meant to advance economic and social upgrading of agricultural workers through: (1) channelling investment of financial and other resources of the private sector to agrarian reform areas and spurring agricultural development; (2) boosting productivity and increasing the income of smallholder farmers and labourers, farmer organizations or cooperatives;³⁷ and (3) hastening the transformation of the ARBs into farmer-entrepreneurs benefitting from transfer of technology and supply chain relations with large agribusinesses or MNEs' large-scale global operations. Economic and social upgrading could be realized through improvements in productivity, increased income of the ARBs and their families, and facilitated transformation of the ARBs into farmer-entrepreneurs through transfer of technology. However, this study has uncovered little evidence of social upgrading for ARBs.

Delayed DAR guidelines and loopholes have prolonged skewed terms and contracting issues with AVA

Weak bargaining positions, delayed AVA guidelines and the absence of the required DAR approval of lease contracts have tied many ARBs and their cooperatives to unfavourable land lease contractual terms over a longer term. AVA lease agreements are popular with pineapple MNE-led systems in that they control pineapple production under long-term periods (20+ years), and secure through these highly favourable terms, frequently to the detriment of ARBs.

Restrictive long-term leasing, rental rates, terms for renewability, lack of transparency, uneven rights of the signing parties, and perceived lack of control over the management of the ARB cooperatives have been reported as favouring the large enterprises contracting land through AVAs (FAO, 2016). Land rental agreements have ranged in duration for 10, 25, 30 and even 44 years.

The DAR has slowly developed updated guidelines and weakly implemented those first issued on AVAs in 1999 (through Administrative Order No. 02). The issuing of initial guidelines was several years after long-term lease contracts were signed between the cooperatives or organizations of ARBs and MNEs,

bargaining for being themselves co-owners of the cooperative”.

³⁶ Dolefil v. Esteva, G.R. No.161115, 30 November 2006.

³⁷ Section 1, DAR Administrative Order No. 09, series of 2006.

or affiliated enterprises, in the early 1990s. Subsequent revisions also were issued after contract renewals had been entered into.

Guidelines were revised in 2006 (Administrative Order No. 09), and updated in 2008 (Administrative Order No. 02) with a sample contract of lease. The updated regulations³⁸ provided factors for determining the annual lease rental per hectare – such as annual land amortization value per hectare, and annual real property tax on the land per hectare – and additionally designated various factors for remuneration, such as the annual poverty threshold and the historical net income of the company based on validated financial statements.

The determining factors and sample contract were expected to guide both parties toward fairness and transparency in determining the land rental rates. Yet, noticeably absent in the AO No. 02 series of 2008 – the guidelines governing lease of lands under AVA – is an automatic review proviso on all existing long-term AVA contracts. Instead, the DAR shall only conduct an inventory, review and monitoring of all existing lease agreements with a period of at least 25 years and those factors of renegotiation.³⁹

In addition, although AVAs are required to be reviewed, approved and monitored by the DAR⁴⁰, enforcement of this requirement has been wanting. A Food and Agriculture Organization of the United Nations (FAO) study (2016) found that very few contracts were actually reviewed and approved by DAR, in part because companies tend to feel proprietary about their agreements, and DAR personnel have limited technical capacities to review the validity and desirability of the AVAs.

Existing lease contracts, or those renegotiated before the effective start of the issuance, have been unaffected by the updated guidelines. The guidelines could have required a mandatory review of all AVA contracts that had not passed through, or were not reviewed and approved by the DAR. Particularly noteworthy, AVA contracts on awarded lands under the comprehensive land reform program, lacking approval from the DAR or signature of a DAR representative as witness or nominal party, could be designated null and void.⁴¹ However, to date, this review has not been carried out.

Allegations of MNE infiltration of AVAs and the need to capacitate the ARB cooperatives

Designating technical workers and other regular workers to qualify to become ARBs, including newly hired seasonal and other farm workers, is considered by some ARBs as a means for MNEs to implant their technical people in ARB cooperatives to dominate their leadership or to populate the cooperatives with alleged pro-MNE members.

The ARBs under DARBC were workers at Dolefil at the time of the award of the land in 1989, and in case of death of the beneficiary, the rights and benefits pass on to the heirs regardless of whether employed at Dolefil or not. In DEARBC, qualification for ARBs was linked to regular employment at Del Monte, and retired or separated regular employees may opt to divest or pass on the share to an heir, though they must also be a regular employee at Del Monte. New regular employees, after two years of service in Del Monte and payment of PHP25,100 (US\$512.24) for one share, can become a member of the cooperative.⁴² With changing membership or composition of ARBs, DEARBC operates similarly

³⁸ DAR Administrative Order No. 02, series of 2008, or the *Guidelines Governing Lease of Lands under Agribusiness Venture Arrangement (AVA) in Agrarian Reform Areas and the Determination of Lease Rental Thereof*

³⁹ Section 4.2, DAR AO No. 02, series of 2008.

⁴⁰ DAR Administrative Order No. 09, Series of 2006.

⁴¹ Section 4.9, DAR AO No. 09, series of 2006.

⁴² Interview with DEARBCI head.

to an ordinary cooperative. In other areas, especially in palm oil production, lands have been awarded to ARBCs but with unknown membership and membership delinked from specific land entitlements.

Allegations of MNE-dominated leadership underpinned the campaign for individual titling or ownership rights over the land, and claims of mismanagement and corruption of cooperatives. Members consider that the ARBCs or organizations are in need of strengthening, to be more tightly monitored, made transparent and accountable to legitimate members. At present, despite the AVA guidelines and various support services from the different government agencies, ARBC independence and capacity to manage and negotiate for better terms continue to pose major challenges. MNEs continue to cast a long shadow over ARBC operations, leadership and management, which in turn hampers the cooperatives' opportunity for economic and social upgrading.

Detrimental contract terms on land lease AVA

The 2016 FAO study on AVA contracts found that no objective standard or means was agreed for determining a market value for rental land, including those contracting land for pineapple production. In Northern Mindanao and SOCCSKSARGEN, MNEs combine lease and growership AVA for their pineapple production. The lease contract between Del Monte and DEARBC is for 20 years,⁴³ renewable for another 20 years. Dolefil and DARBC's contract in 1998 was for 25 years and the 2008 renewal provided for 15 years, renewable for another 25 years.⁴⁴ For growership AVA, a typical Dolefil's grower agreement is for a period of one cycle of pineapple, which is equivalent to approximately 4 years, renewable for the same period at the option of the MNE under terms and conditions mutually acceptable to both parties.⁴⁵ Del Monte's grower agreement is for a period of 20 years, renewable for the same period.⁴⁶ As reported by growers, adjustments to contract terms were specified to be made only every 5 to 7 years and then following predetermined adjustment levels. This raises the risk that contract terms over time fall away from evolving market conditions.

An inquiry into the Dolefil and DARBC 2008 land lease contract, which was governed by DAR Administrative Order No. 09 series of 2006, showed rental of PHP15,737 (US\$321.17) per hectare for the first year, with an annual production bonus of PHP983.57 (US\$20.07) per hectare and annual escalation clause of 7 per cent for the first 3 years and 3 per cent thereafter. Compared to the pre-guidelines Dolefil-DARBC lease contract of 1992, which was signed in 1998 due to a negotiation deadlock, the 2008 rental rate is nominally higher than 1992's rental of PHP8,000 (US\$163.27) and production bonus of PHP500 (US\$10.20) per hectare, per year, with an annual escalation clause of 7 per cent. When deflated, however, the real value of rental rates has stagnated so far, despite increasing land rental market rates. This stagnation may continue over the life of the long-term contracts. Contracts have not allowed rental rates to adjust in line with inflation, land rental markets, or other production costs on a regular basis (see table 6).

In addition, beneficiaries claimed that near to 40 per cent of rental earnings have been held back by ARBCs to cover administration and investments (10 per cent) and land amortization fees (30 per cent), leaving annually only 60 per cent take-home share, ranging from PHP12,000 (US\$244.90) to

⁴³ Interview with DEARBC and as indicated in Del Monte contract for growership.

⁴⁴ Copy of Dolefil-DARBC land use agreement.

⁴⁵ Pineapple growing takes an average period of 36–40 months. The land is first ploughed and then planted. 18–22 months after growing, the first crop (Plant Crop) is harvested. In an additional 12–14 months, the second crop (Ratoon Crop) is harvested. Sometimes there is a third crop (Second Ratoon) requiring an additional year before the area is knocked down (cleared) in preparation for the next cycle. The clearing portion takes from 4–6 months, depending on the weather.

⁴⁶ Based on a copy of Del Monte growership agreement.

PHP13,900 (US\$ 283.67) for the current year. To deflect focus on increasing land rentals as the main income source, MNEs have engaged the ARBCs in the diversification of operation schemes such as labour service contracting, among other business ventures.

Table 6. Lease contract terms between MNE and ARB cooperative, 1998 and 2008

Terms	1998 (1992) Lease Contract	2008 Lease Contract
Land	MNE directly operates the land for purposes of growing and processing pineapple.	MNE directly operates the land for purposes of growing and processing pineapple.
Term	25 years, review/renegotiation on the 10 th Year and every 5 years thereafter; Renewable for another 25 years.	15 years, renegotiation on extraordinary increase in inflation rate, drastic change in price fluctuation on both production input and output, declaration as calamity or disaster area due to force majeure, other meritorious ground; renewable for another 25 years.
Payment of Rental	Rental rate of Php 8,000.00 (US\$163.27) per hectare per year plus production bonus of Php500.00 (US\$10.20) per hectare per year; escalation clause -rental and production bonus adjusted and increased annually at 7%.	Rental rate of Php15,737.50 (US\$321.17) plus production bonus of Php983.57 (US\$20.07); escalation clause-rental and production bonus adjusted and increased annually at 7% for the first 3 years and 3% every year thereafter.
Adjustment	Rental rates & production bonus adjustment in case of NEDA determined extra-ordinary inflation.	Rental rates & production bonus adjustment in case of NEDA determined extra-ordinary inflation.
Property taxes	MNE pay all property taxes, fees and charges that may be assessed against the land, buildings, crops or any improvements.	Same.
Improvements	Buildings, roads, fences, bridges and other permanent improvements belongs to the ARBC.	Same.
Land segregation	350 hectares, 80% for growership and the remaining 20% for livelihood and other economic projects for retired/retrenched members.	Segregate or remove from the gross area leased such number of hectares to be added for growership.
Termination	Expiration of the term.	Expiration of the term.
Other Terms	3-year advance rental and production bonus; one time goodwill bonus Php3, 000.00 (US\$61.22) per member; financial assistance of Php2, 000.00 (US\$40.82) per member to be deducted in 7 annual instalments from rentals; employment priority for temporary or contractual work.	1 year advance rental and production bonus, pay 70% of the rental and Production bonus for 2 years; one time goodwill bonus of Php3, 000.00 (US\$61.22) per member; one-time grant of Php2, 000.00 (US\$40.82) to be deducted from rentals; employment priority for dependents of inactive members of the cooperatives based on the human resources needs of the MNE; assist the ARBC in business opportunities such as growership, manpower service, trucking and hauling services, supply of manufacturing materials, repair and fabrication shop and other income generating endeavours.

Source: Authors' analysis of signed contracts

Growership AVAs pass production and market risk to individual member growers while safeguarding capture of benefits for buyers

A growership contract in the pineapple supply chain can be carried out through at least three modalities, namely: (1) growers' cooperatives or people's organizations; (2) agrarian reform beneficiaries' cooperatives; or (3) individual ARBs or smallholders. For MNE-led supply chains, growerships are a primary means of securing access to land, managing costs, and transferring many of the production and market risks to growers. Although contract terms vary, most are written in ways that designate the right of investors (contracting buyers) to purchase pineapple product at pre-set prices, which are enforced if market prices rise above these levels. Terms may also specify that investors have first option to purchase additional production at pre-set prices. However, these same contracts can also specify the investor's right to purchase at lower prices when market prices fall below pre-set contract prices. Similarly, contracts can specify the right to decline to purchase when market prices fall below pre-set prices, in which case growers are left to find other buyers for their pineapples at the last minute. Growers also carry risks associated with natural catastrophes and low yields more generally. Interest charges on inputs continue irrespective of crop failure. These risks are expanded further due to frequent requirements to purchase designated inputs from investors, which have been reported to be priced at high rates (FAO, 2016). A final risk is that the investor can assume direct management of production for an open-ended period of time, based on investor dissatisfaction with performance of the grower. Under such a scenario, all costs associated with investor management are to be covered by the grower, an arrangement which can lead to mounting debt and mortgage default.

The perpetuation of highly skewed contractual terms is partly enabled by the ARBs' and growerships' limited legal understanding and absence of technical advisory support. The 2016 FAO study of AVAs concluded that:

... while AVAs have been in existence in the Philippines for 26 years, there are still very few examples of successful agribusiness arrangements between ARBs and investor-companies. The study found out that most ARBs are not aware of their obligations and entitlements under their contracts, for most of these provisions are written in a language that they do not understand.

Their lack of understanding is exacerbated by insufficient legal representation and transparency issues surrounding their own cooperative leaders. (p.13)

7. Governance of local work in the pineapple supply chain

Governance mechanisms for local supply chain development are potential enablers of economic and social upgrading. Effective public, private and international governance is a shared duty. Among other duties, national public sector governance establishes the legal and policy environments, as well as their monitoring and enforcement. Global governance mechanisms facilitate trade, supply chain sustainability and international standards, including for employment rights and conditions. Private sector governance designates the standards, values and processes against which supply chain operators are to adhere.

Specific governance aspects are likely contributing to the steady economic upgrading amidst slow advancement of social upgrading in the MNE-led pineapple local supply chain. The governance gaps influencing social stagnation in the local supply chain are also present, and briefly discussed below.

7.1 Government oversight and social upgrading

Public governance refers to the State's responsibility to promote compliance and protect workers in line with national labour laws and regulations. This study shows the Department of Agrarian Reform (DAR), the Department of Labor and Employment (DOLE) and the Department of Agriculture (DA) as the key government agencies obliged to ensure the country's decent work commitments and promote upgrading

in the pineapple supply chain. This study has identified several governance gaps, which appear to impede social upgrading in the Mindanao supply chains for pineapples.

AVAs and cooperatives

The supply chain is embedded in the implementation of AVAs, and incorporates land covered by the Comprehensive Agrarian Reform Program (CARP). The reform measure concerns all aspects from coverage to land redistribution and support services, and promotion of collective agri-entrepreneurship through various AVAs with large agribusiness enterprises. Yet, the issuance of effective AVA guidelines and monitoring of compliance has not been proactive and diligent, as shown by the terms of the various lease and growership contracts; generally seen as favourable to the MNEs. The DAR is supposed to be a signatory to each contract and to initiate various processes of administrative review and approval of the AVA contracts at different levels, from provincial to national. It is clear that these rules have not been observed in many cases, often leaving contract negotiations to the ARBs alone, who have been ill-prepared for commercial negotiations. Many AVA contracts were later revealed to contain poor outcomes for the ARBs. Once contracts are signed, however, it is very difficult to modify their terms. In 2011, the DAR put in place a support programme for beneficiaries to access legal services. Yet, this opportunity comes too late for farmers who have already signed unfavourable long-term AVA contracts.

Government support services need to be impactful, coordinated, comprehensive and sustainable. With regard to land lease and growership AVAs, capacity building for ARB cooperatives to conduct research, analysis and documentation must be undertaken to support contract negotiations. The terms of the lease and growership contracts, which comprise about 80 per cent of the total AVAs, can base pricing to more directly reflect productivity and market rates. Furthermore, they could factor in higher costs associated with compliance with MNE commitments, not only with regard to environmental protection but more so with labour standards. The Self-Reliant Organization CARP Project (SRO-CARP), which is the key contribution of the DOLE as CARP implementing agency, could be analysed alongside its lead agency, DAR. SRO-CARP seeks to embed the essential competencies of cooperatives and empower the ARBs.

In light of the labour provisions in trade agreements' required observance, in law and practice, of ratified ILO Conventions, new guidelines could incorporate a DAR-determined minimum grower sharing scheme, minimum rental rate for lease of land, and minimum terms and conditions of the engagement to be observed in all AVAs with smallholders or agrarian cooperatives.

The Agriculture and Fisheries Modernization Act of 1997, as amended, should be fully implemented by the Department of Agriculture, including the provision of credit facilities, affordable crop insurance system, and support to the poorest farmers. Modernization of the agriculture and fisheries sector is the Philippine government's centrepiece programme in promoting growth and eliminating poverty in the rural sector.

Labour contracting

On the use of contract labour based on minimum wages (shown as poverty wages in section 6.1) and barring the exercise of the right to self-organization and collectively bargain, the DOLE Labour Law Compliance System (introduced in 2013) has already been used for MNEs and labour contractors, cooperatives or otherwise. The new enforcement system has an extensive checklist, which includes compliance with general labour standards and occupational health and safety but also freedom of association and collective bargaining, child labour prohibition and guidelines on contracting and subcontracting.

To discourage the widespread use of contract labour at minimum (poverty) wages, a policy directive from the Secretary of the DOLE could provide for minimum wage rates above the poverty threshold for contract labour and informal workers under growership during annual regional wage fixing by the Regional Tripartite Wages and Productivity Boards (RTWPBs). The two MNEs and their supply chains have recently been subjected to a compliance assessment by DOLE and are currently correcting gaps in the area of contracting or subcontracting.

Further, DOLE could pursue issuance of a policy recognizing framework agreements between MNEs, contract labour providers, growers and various labour groups in the industry to ensure voice and representation for contract labour. An additional measure would be the implementation of the Philippine Cooperative Code of 2008, pending amendatory legislation on trilateral employment and on bridging assistance during periods of unemployment in the country's Labor Code. Amendments are pending in the legislature to address the growing abuses in the use of contract labour.

7.2 Private compliance initiatives, social audits, enforcement and social upgrades

All actors in the supply chain from direct employees to cooperatives providing contract labour, as well as those in growership agreements, are subject to periodic audits on compliance; as separately agreed by the MNEs, certifying bodies and in some cases their buyers. These private sector audits are an enabling exercise to facilitate economic and social upgrading, as these serve as checks and balances on the food, environmental and employment practices in the pineapple supply chain.

Dolefil subjects all cooperatives to monthly compliance audits in addition to external social auditors, such as: GLOBALGAP (Good Agricultural Practice); ISO 9001 (Quality Systems); ISO 14001 (Environment); Worldwide Responsible Accredited Production (WRAP) on its entire operations; Hazard Analysis and Critical Control Point (HCCP); Good Manufacturing Practices (GMP); Kosher, Halal, Food Products Association-Supplier Audits for Food Excellence (FPA-SAFE); International Code for the Security of Ships and Port Facilities (ISPS); and Customs Trade Partnership Against Terrorism (CTPAT).

Del Monte and all cooperatives and job contractors, on the other hand, are regularly audited by their buyers, such as: Walmart; Nestle; McDonald's; Jollibee, and by various certification bodies such as the GLOBALGAP; Halal; GMP; ISO 9001:2008; HCCP; and Food Safety Systems Certification (FSSC) 22000. The latter incorporates a range of standards systems. Audits are carried out at a rate of twice a month, or 24 audits in a year. Audits involve random interviews of regular and contract labourers in terms of compliance with labour laws.

Of the numerous certifications and audits on systems and quality, no stand-alone certification has been issued with respect to compliance on commitments to observe the eight core Conventions of the ILO or international labour standards (ILS). Del Monte reflects their commitment on the core standards in the Suppliers Code of Conduct while Dolefil incorporated their commitment to its workers under its corporate social responsibility policy.

An enabling mechanism has also been put in place. At Dolefil, the intra-union dispute resulted in the creation of the first ever community-based independent tripartite committee as a mechanism to bring together the company, unions and other stakeholders in dialogue ensuring industrial peace. Although its initial purpose was for the integrity of the certification election process, the Tripartite Committee at Dole Philippines (TCDP) continues to function to provide voice on issues and concerns from the minority union affiliated to the Kilusang Mayo Uno, cooperatives, community stakeholders and local government. Continuous dialogue under the TDCP umbrella affects industrial peace and voice for stakeholders and minority unions.

7.3 International agreements and social upgrading

Labour provisions in multilateral agreements are becoming more prevalent. A 2016 ILO study found that trade agreements with labour provisions can have a positive effect on employment rates, and – with or without labour provisions – boost trade between the members to a similar extent (ILO, 2016). Other studies have noted effects such as increased capacities for oversight (e.g. inspectorates, judges, training). Less well documented is the effect of labour provisions on the social conditions for workers. There is some evidence that increased trade is associated with increasing wage inequality, rising unemployment (particularly among vulnerable groups) and falling unionization and collective bargaining rates, among others. Additionally, there are concerns that trade agreements impose significant costs on developing countries by setting in place regulatory frameworks that limit development space, potentially requiring significant investment for the standards to be met (UNCTAD, 2014).

The EU and the US unilateral trade arrangements with the Philippines include labour provisions. The EU GSP+ calls for the ratification and effective implementation of the ILO's fundamental Conventions. In both EU and US programmes, there are mechanisms in place for the suspension of benefits if the country does not adhere to eligibility criteria. The EU's unilateral system of preferences has shifted from a sanctions-based approach to special incentive arrangements, including criteria concerning labour rights, namely compliance with ILO Conventions. Monitoring procedures include adherence to ILO reporting requirements and absence of interventions by the ILO supervisory mechanism based on serious and systematic violations. The EU's approach to dispute settlement is based on consultations and persuasion through political pressure. Further, the EU's GSP+ arrangements can be withdrawn from countries where there is evidence of serious and systematic violations of the principles contained in the international human rights and labour rights Conventions.

When pursuing its application for EU GSP+ in 2014, the Philippines was approaching from a perspective of having ratified and effectively observed the required 27 International Conventions, which include the eight core conventions of the ILO. This was owing to the reforms it had initiated and to having been restored to US GSP benefits. Simultaneously, it pursued free trade agreements (FTAs) with the European Union and countries outside of the EU under the European Free Trade Association (EFTA) for market access for Philippine agriculture exports, among others. Such FTAs require ratification and observance of ILO core Conventions. The compliance checklist since then has been positive.

From this, one can surmise that barring compelling evidence and formal complaint of systematic violations of core human and labour rights in the pineapple supply chains, the EU and likely other trade agreements will not formally augment national and private governance of labour conditions.

Several aspects in the implementation of the CARP may specifically brush against some core labour rights and standards, but to date these have not been seen to be affecting the supply chain or raising compliance issues that might result in a conclusion of serious failure to effectively implement any convention by the ILO or any UN body. Social upgrading in the pineapple supply chain does not yet appear to be directly influenced by labour-related trade provisions.

8. Conclusions

The study focuses on economic and social upgrading in the Mindanao supply chain for pineapple. Its aim has been to shed light on the interplay, or lack thereof, between economic and social upgrading. For economic upgrading, the analysis documents the stable economic situation and strong market and export growth context for pineapple products in the Philippines, in volume and value, and also points to favourable relative competitiveness that is likely spurring further expansion of production and exports. The industry has benefited from favourable trade terms with major importers, partly through

reduced tariff agreements, including a 2015 agreement granting GSP+ status to the Philippines for pineapple products. This study finds evidence of industry and trade expansion. According to industry input, trade expansion has also led to technology upgrades and there is evidence that this has had a positive impact on employment creation, as well as terms and worker productivity for regular workers in the industry. Further industry growth and competitiveness will depend, in part, on improved labour productivity, favourable export markets, plus stable access to land for production.

With regard to social upgrades within the local supply chains, the analysis has narrowed to focus on terms and conditions of all work in the production and post-production handling levels. The study finds evidence of job quality and earnings stagnation or deterioration for a large number of contract labourers, informal workers and growerships. Contract labour supplied by cooperatives and private job contractors more than doubled the number of contract workers in both MNEs. The steady expansion in informal employment within the sector over the past two decades also has coincided with land reform extension, and the emergence of large employment contractors and cooperatives. Unaccounted for, there are also informal workers (unpaid family labour and help-outs) in smallholder growerships who increase in numbers as production contracts expand along with plantation expansions.

With regard to the quality of jobs, contract labourers mostly receive minimum (poverty level) wages, face insecure work situations, are unorganized and are without prospect of upward mobility. Largely invisible, as well, are the unaccounted informal workers who cannot negotiate wages and protection, who go largely undocumented, being excluded by social audits of the MNEs, their buyers, or by the government through the DOLE enforcement system. CBA benefits currently do not link pay and productivity, there are no provisions for benefits and protection of contract labourers and no inclusive coverage of the bargaining unit to include all types of workers in the establishment, nor for organizing contract labour. If left unaddressed in CBA provisions for benefits and protections for contract labour and organizing, there will be limited impediment to increased segmentation of labour within the supply chain.

Collective bargaining for contract labour

The study has also identified several pathways being taken to overcome obstacles to social upgrading. The existing CBA benefits indirectly create a relatively small elite group of well-compensated and well-protected regular workers in contrast to a very large number of contract labourers surrounding it. A cap on engagement of contract labour combined with a benefit system that allows different sets of benefits for new regular or permanent workers seems to have worked in according regular status to some contract labourers in one MNE. Framework agreements for the industry or industry bargaining, as practiced in other countries, could be experimented within the Philippines, which has an enterprise-based bargaining regime, in securing wages and benefits, and rights at work for increasing numbers of unaccounted informal workers. A CBA clause facilitating regular status of employment could enable social upgrading for contract labour and agreed employment standards in the supply chain could afford protection to workers in the growership arrangements.

Cooperatives and contracting

Improvements to upgrading of work could include reforming cooperative management practices and possible labour contracting practices to raise wages and benefits out of poverty levels and toward parity with those of MNE regular employees. The upgrading could be felt by all workers, regardless of whether they are within the directly or indirectly managed operations of MNEs. Cooperatives, particularly those providing contract labour, have capacities as employers and could be required by MNEs, as part of its supply chain, to deliver on their commitments to respect labour rights to security of tenure, freedom of

association and to collective bargaining, and to affording competitive wages and benefits. Such a move would be consistent with the requirements of the Philippine Cooperative Code of 2008 for cooperatives to comply with the provisions of the Labor Code of the Philippines and all other labour laws and social legislations. In addition, the support services or programmes of government agencies such as the Cooperative Development Authority (CDA), DOLE, the DAR, and the Local Government Units (LGUs) can step in to build the cooperatives' independence and capacitate them as vehicles for agri-entrepreneurship and poverty alleviation.

AVA modalities

Social upgrading of ARB workers and leasing arrangements seems also attainable. The 1988 Comprehensive Agrarian Reform Program continues to influence the terms by which agricultural land is accessed by MNEs. Large MNEs continue to exercise negotiating influence over the terms within AVAs. The different AVA modalities remain as the current mechanism to engage those having claims to land in the global supply chain for pineapple production, processing and export.

There remain controversies in land distribution, government management and coordination, or the lack thereof, in part due to the AVA guidelines that came almost ten years after lopsided long-term lease agreements were entered into, and unregulated growership contracts signed. The process for negotiating long-term land leasing needs revision to build in mechanisms through which fair market rates for land leasing can be embedded, and timely adjustments can be made based on market changes. Leasing arrangements could also include phase out plans for ARBs graduating to small growerships, which would include options for non-renewal of leases with MNEs.

There is a case to be made for more agreements that actively move toward growership contracting, but with fairer negotiation of growership terms. The AVAs, particularly on growership and lease agreements, should be regulated within the framework of corporate-cooperative partnership. They should depart from the current buyer-seller model, which is the impetus in the many lopsided contracts. The contracts must be on equitable, transparent and mutually advantageous terms to benefit the farmers and realize the objectives of the CARP.

Governance

In order to drive these changes, stronger governance mechanisms at all levels are needed. This analysis has only been able to generally profile how the various forms of governance may or may not contribute to economic and social upgrading in Mindanao's pineapple supply chain. Based on the analysis, however, government departments need to do more to close loopholes and to ensure compliance with existing regulations. It also appears that there is need to establish synergies between private compliance initiatives and national labour oversight, particularly related to AVA contracting and labour contracting practices. There may also be need to align more granular monitoring of EU GSP+ and US trade agreement social clauses with intended national labour governance outcomes at the industry level. In particular, these trade agreements can provide the impetus for more closely monitoring the realization of freedom of association and collective bargaining rights for contracted and informal (including growership) workers within the supply chains of exported products.

This study has detailed business practices to highlight their complexity and to identify the forces that influence social upgrading, stagnation and downgrading in an industry experiencing economic upgrading. More studies are needed that delve deeply into the inner workings of specific business practices, and their enabling governance contexts, within the most vulnerable segments of global supply

chains. It is through such analysis that insights into viable policy improvements can be identified and credibly promoted.

References

- Asiapro. (n.d.) Retrieved from Asiapro Multi-purpose Cooperative. Available at: <http://www.asiapro.coop/>
- Balita. 2014. "Dolefil eyes expansion of plantation base", 24 April. Available at: balita.ph/2014/04/24/dolefil-eyes-expansion
- Barrientos, S. 2019. *Gender and Work in Global Value Chains: Capturing the Gains?* (Cambridge, Cambridge University Press).
- Barrientos, S.; Gereffi, G.; Rossi, A. 2011. "Economic and Social Upgrading in Global Production Networks: A new paradigm for a changing world", in *International Labour Review*, Vol. 150, No. 3-4, pp. 319–340.
- Cooperative Rural Bank of Dabao City v. Ferrer-Calleja et al.*, 77951 (Philippine Supreme Court September 26, 1988).
- CountrySTAT Philippines. 2014. Retrieved from Philippine Statistics Authority. Available at: <https://psa.gov.ph/content/countrystat>
- Del Monte. (n.d.). Retrieved from Del Monte Foods. Available at: <http://www.delmontefoods.com/>
- Del Monte. (n.d.). Retrieved from Del Monte Pacific. Available at: <http://www.delmontepacific.com/>
- Department of Labor and Employment (Philippines). 2017. Retrieved from National Wages and Productivity Commission. Available at: <http://www.nwpc.dole.gov.ph/statistics.html>
- Digal, L.N. 2007. "Agricultural Contracts in Mindanao: the Case of Banana and Pinapple", in *Philippine Institute for Development Studies*, Discussion Paper Series No. 2007–24. (Makati City, Philippine Institute for Development Studies) Available at: http://www.eaber.org/sites/default/files/documents/PIDS_Digal_2007.pdf
- Dolefil. 2013. Retrieved from Dole Company Press Releases. Available at: <https://dolesunshine.com/company-info/press-releases/dpf-sale-to-itochu>
- Dolefil v. Esteva et al.*, 161115 (Philippine Supreme Court November 30, 2006).
- Food and Agriculture Organization of the United Nations. 2016. *Multi-sectoral study on the Agribusiness Venture Arrangement (AVA) policy and implementation under the Comprehensive Agrarian Reform Program* (Rome).
- Gereffi, G.; Fernandez-Stark, K.; Psilos, P. 2011. *Skills for Upgrading: Workforce Development and Global Value Chains in Developing Countries* (Durham, Duke University Center on Globalization, Governance & Competitiveness).
- Gereffi, G.; Fernandez-Stark, K. 2016. *Global Value Chain Analysis: A Primer*. Second Edition. (Durham, Duke University Center on Globalization, Governance & Competitiveness) July. Available at: https://gvcc.duke.edu/wp-content/uploads/Duke_CGGC_Global_Value_Chain_GVC_Analysis_Primer_2nd_Ed_2016.pdf
- Gereffi, G.; Lee, J. 2016. "Economic and Social Upgrading in Global Value Chains and Industrial Clusters: Why governance matters", in *Journal of Business Ethics*, Vol. 133, No. 1, pp. 25–38.
- Gimet, C.; Guilhon, B.; Roux, N. 2015. "Social upgrading in globalized production: The case of the textile and clothing industry", in *International Labour Review*, Vol. 154, No. 3, pp. 303–327.
- Glipo, F.G. 2002. "WTO and Philippine Agriculture: Seven Years of Unbridled Trade Liberalization and Misery for Small Farmers" in *Institute for Agriculture and Trade Policy*. Available at: https://www.iatp.org/sites/default/files/WTO_and_Philippine_Agriculture_Seven_Years_of_.htm

- GlobalG.A.P. (n.d.). Retrieved from Global Good Agricultural Practice. Available at: http://www.globalgap.org/uk_en/who-we-are/about-us/
- Goldenway Merchandising Corp., v. Equitable PCI Bank*, 195540 (Philippine Supreme Court 2013).
- Humphrey, J.; Schmitz, H. 2002. "How does insertion in global value chains affect upgrading in industrial clusters?" in *Regional Studies*, Vol. 36, No. 9, pp. 1017–1027.
- International Labour Organization. (n.d.). Retrieved from ILOSTAT. Available at: <http://www.ilo.org/global/statistics-and-databases/lang--en/index.htm>
- . 2012. *International Standard Classification of Occupations*.
- . 2016. *Assessment of Labour Provisions in Trade and Investment Arrangements*.
- Kummritz, V.; Taglioni, D.; Winkler, D. 2017. "Economic Upgrading through Global Value Chain Participation", Policy Research Working Paper 8007. Mar. (Washington, DC, The World Bank). Available at: <http://documents.worldbank.org/curated/en/567861489688859864/pdf/WPS8007.pdf>
- Lapanday Foods. (n.d.). Retrieved from Lapanday Foods Diversified Products Corporation. Available at: <http://www.lapanday.com/>
- Maertens, M.; Swinnen, J. 2015. *Agricultural trade and development: a value chain perspective* (No. ERSD-2015-04). WTO Staff Working Paper. (Geneva, WTO). Available at: <https://doi.org/10.30875/c23f13a6-en>.
- Milberg, W.; Winkler, D. 2010. "Economic and social upgrading in global production networks: Problems of theory and measurement". *International Labour Review*, Vol. 150, No. 3–4, pp. 341–365. Available at: doi:[10.1111/j.1564-913X.2011.00120.x](https://doi.org/10.1111/j.1564-913X.2011.00120.x)
- . 2013. *Outsourcing Economics: Global Value Chains in Capitalist Development* (Cambridge, Cambridge University Press).
- Neilson, J; Pritchard, B.; Yeung, W.C. 2014, "Global value chains and global production networks in the changing political economy: An introduction", *Review of International Political Economy*, Vol. 21, No. 1, pp. 1–8.
- Organisation for Economic Co-operation and Development. 2016. *OECD Stat*. Retrieved from OECD Trade in Value Added. Available at: https://stats.oecd.org/Index.aspx?DataSetCode=TIVA_2016_C1
- . *Agricultural Policies in the Philippines*. 2017. OECD Publishing, Paris. Available at: <http://dx.doi.org/10.1787/9789264269088-en>
- Philippine Bureau of Agricultural Statistics. 2011, 2012, 2013. *Selected Statistics on Agriculture*.
- Philippine Constitution, Article III, Section 10, 1987.
- Philippine Constitution, Article XII, 1987.
- Philippine Constitution, Article XIII, Section 3, 1987.
- Philippine Department of Agrarian Reform. 2014. *Agri-Business Venture Arrangements in CARP Areas*.
- Philippine Department of Agrarian Reform Administrative Order No. 02, 2008.
- Philippine Department of Agrarian Reform Administrative Order No. 09, 2006.
- Philippine Department of Labor and Employment, Department Order No. 18-A, 2011.
- Philippine Department of Labor and Employment, Department Order No. 174, 2017.
- Philippine Labor Code Article 295 [280], 2009.

- Philippine Republic Act No. 6657, 1988.
- Philippine Republic Act No. 8435, 1997.
- Philippine Republic Act No. 8748, 1999.
- Philippine Republic Act No. 9520, 2009.
- Philippine Republic Act No. 9700, 2009.
- Philippine Statistics Authority. 2010–2014. *Major Crops Statistics of the Philippines*.
- . 2012, 2015, 2015, 2016, 2017. *Selected Statistics on Agriculture (SSA)*.
- . 2016. *Major Fruit Crops Quarterly Bulletin*. Oct-Dec 2016, Vol. 10, No.4. Available at: <https://psa.gov.ph/sites/default/files/4th%20Quarter%202016%20Bulletin%20for%20Major%20FruitCrops.pdf>
- . 2016. *Agricultural Indicators System, Population and Labor Force, Report No. 2016-9*. Available at: https://psa.gov.ph/sites/default/files/ais_Population_and_labor%20force2016F.pdf
- Rossi, A. 2013. "Does Economic Upgrading Lead to Social Upgrading in Global Production Networks? Evidence from Morocco", in *World Development*, Vol. 46(C), pp. 223–233.
- Selwyn, B. 2013. "Social Upgrading and Labour in Global Production Networks: A critique and an Alternative Conception", *Competition and Change*, Vol. 17, No. 1, pp.75–90.
- The World Bank. (n.d.). *World Development Indicators*. Available at: <http://data.worldbank.org/data-catalog/world-development-indicators>
- . 2015. *World Integrated Trade Solution*. Available at: <http://wits.worldbank.org/>
- United Nations Conference on Trade and Development (UNCTAD). 2014. *World Investment Report 2014* (New York and Geneva, United Nations). Available at: https://unctad.org/en/PublicationsLibrary/wir2014_en.pdf
- Magsasaka at Siyentipiko para sa Pag-unlad ng Agrikultura (MASIPAG)(2015). *A Study on the Production Methods of Conventionally-grown Pineapples in the Philippines*. Polomolok.
- World Trade Organization. 2012. *Trade Policy Review: The Philippines*. WT/TPR/S/261. 30 Jan.