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**HISTORICAL EVOLUTION OF THE BATAAN ECONOMIC ZONE AND  
ITS IMPACT ON EMPLOYMENT GENERATION  
IN THE PROVINCE OF BATAAN, PHILIPPINES**

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**Abstract:**

The Philippines adopted the Export Processing Zone concept in 1972 through the establishment of the Bataan Economic Zone (BEZ) in Mariveles, Bataan. Later, the concept was rapidly expanded in other parts of the country under the industrial dispersal policy of the Philippine Government.

The fundamental objectives for the establishment and rapid expansion of Export Processing Zones in the country were: to discourage the concentration of industries Metro Manila to encourage countryside investment for regional development; to generate more employment opportunities; to earn foreign exchange; and to advance the country's technology.

After 25 years of the BEZ's operation, a historical assessment of the evolution of the zone and its impact in terms of employment generation is found to be in order. The analysis has been carried out in two aspects: historical analysis of employment generation in the zone and characterization of current employment generation.

The historical analysis covers the period from 1973 to 1998. The study focused on the influence of such factors as the number of firms, import-export volume, local purchase and sale, government policies, incentives, location and infrastructure development, on employment generation. The analysis reveals that the BEZ's performance over the years has fluctuated. In the beginning, the overall performance of the zone was satisfactory but has drastically declined during the period 1981 to 1991. Signs of recovery were observed from 1993 onwards. A series of factors like labor strikes in the zone, political instability in the country, natural calamities, and the Gulf war were responsible for the heavy decline of the overall performance of the zone.

A number of establishments have significantly influenced the pattern of employment generation in the BEZ with light industries playing a significant role. Similarly, import-export volumes also played a prominent role to change the pattern of employment in the zone. However, it has been observed that the role of local purchase and sale was less impressive. In addition, the impact of government policies, various kinds of incentives, location of the zone and infrastructure highly influenced the overall employment picture over the years.

The current situation within the zone is similar to the historical trend. Light industries are found to be dominant and are leading employment generators in the zone. The main factors that have influenced location in the zone include the availability of labor force, adequate public services and suitable factory buildings. Foreigners own a high percentage of the zone enterprises with Koreans occupying a dominant position. In terms of worker characteristics, 70 percent of the BEZ workers are female and 91 percent of the total employees have been working in rank and file positions. Eighty percent of the employees

have a high school education and 125 percent have university degrees. Most of the employees of the zone come from other provinces, with only 46 percent of the employees originate from the province of Bataan. This pattern can be attributed to the fact that most of the workers of Bataan who had acquired work experience from the BEZ in the past years out-migrated to other economic zones in the country in search for better opportunities. Moreover, it has been observed that the skills of most residents in Bataan do not match the work offered by the zone. The zone is not also accessible to a large segment of the population in terms of travel cost and time. Such factors reduced the percentage of local employees in the enterprises of the zone. In terms of backward and forward linkages, less than 20 percent of the zone enterprises are linked with the local economy. The remaining establishments are linked with the international market. This reveals that local linkages of the BEZ establishments are less significant compared to linkages outside the country. Moreover, due to the presence of various industries inside the zone, numerous business activities have engaged in the BEZ territory, generating diversified, direct and indirect employment opportunities.

The overall performance of the BEZ reveals that it could not function according to the notion of the growth center theory and it remains unable to enhance the envisioned objectives of the industrial dispersal policy. The isolated location of the zone is partly responsible for its failure to fully achieve its objectives. However, the BEZ still has substantial potentials which could enhance the achievement of its objectives and its role as an industrial growth center.

To enhance the success of the zone and increase its contribution to the national economy as well as to Bataan, this study recommends the following: the proper utilization of available local resources; the rehabilitation of the internal and external infrastructure of the zone; the encouragement and support from the government for local establishments to produce quality goods for use as raw material inputs; the initiation of joint business promotion programs between the BEZ and the local government; and the provision of effective support and service to the investors.