

## IS THE PHILIPPINES HEADING TOWARDS A SOCIAL MARKET ECONOMY? LESSONS FROM GERMANY

by Jovito Jose P. Katigbak

The Philippine economy continues to perform well as it expanded by 6.7 percent in 2017 amid the slow recovery of the global economy, subdued world trade, and increased uncertainty due to the intensifying call for protectionist and inward-looking policies. The said figure is the third highest gross domestic product (GDP) growth registered in Asia in 2017, trailing only China (6.9 percent) and Vietnam (6.8 percent).<sup>1</sup> The International Monetary Fund (IMF) estimates that India's economy expanded by 6.7 percent in 2017.<sup>2</sup> For 2018, the Asian Development Bank (ADB) projects the Philippines' GDP growth to trend upward by 6.8 percent buoyed by strong domestic demand, expansionary public spending, and a more active export industry.<sup>3</sup> Given the promising outlook of the nation's economy, a rising number of foreign firms and investors are keenly observing the economic developments happening domestically. Perhaps an important question that all interested players and stakeholders have been meaning to ask is this: How will the Philippine government steer the country's economy in the near to medium-term and what direction will it take?

A partial answer to the aforementioned question might have come in March 2017 after the National Economic and Development Authority (NEDA) launched the Philippine Development Plan (PDP) 2017-2022 which sets out the country's socio-economic objectives under Pres. Rodrigo Duterte. The PDP is anchored on the *Ambisyon Natin 2040*, the national long-term vision, which seeks to promote inclusive growth, achieve healthy living for Filipino citizens, foster a knowledge-based and innovative economy, and nurture a high-trust society.<sup>4</sup> The strategies to realize the desired outcomes of the PDP are clustered under three main sections, namely: *Malasakit* (enhancing the social fabric), *Pagbabago* (reducing inequality), and *Patuloy na Pag-unlad* (increasing growth potential). To support these goals, the PDP aims to cultivate an enabling economic environment characterized by strong macroeconomic fundamentals and an effective national competition policy.

The successful experience of neighboring Asian economies such as Hong Kong, Singapore, South Korea, and Taiwan in achieving exceptionally high growth rates for almost four decades aptly serves as inspiration for the country as it seeks to undergo rapid industrialization, promote technological innovation, and attain a higher level of development. Notwithstanding the cited notion, this paper contends that the current administration's efforts to ramp up spending on basic social services and infrastructure, while ensuring a truly competitive market-based economy, bears some semblance to Germany's social market economy. Previous Philippine administrations made similar attempts. Thus, Germany's model is worth examining to derive policy lessons that may be applicable to the realization of the country's development plan.

### *Germany's Soziale Marktwirtschaft*

The concept of *Soziale Marktwirtschaft*, or social market economy, has been the bedrock of Germany's economic policy since 1948. Originally coined by Alfred Muller-Armack in 1946, the idea of a market economy firmly grounded on social values was also supported by the Freiburg school and the Kreisau circle, which both stood against the

dominant national socialist system in Germany.<sup>5</sup> Consequently, the practical implementation of the said concept took place under the administration of the first Federal Chancellor Konrad Adenauer and was spearheaded by then Minister of Economic Affairs Ludwig Erhard who rigorously pushed for market-based economic and currency reforms.

Often labeled as the middle path between laissez-faire economics and socialism, social market economy aims to establish a market order founded on individual self-responsibility, functioning competition, and technological advancements to fuel economic growth and enable social progress across various classes.<sup>6</sup> Essential under this concept is the principle of subsidiarity as it ensures little or no government intervention except during market inefficiencies.<sup>7</sup> In addition, the value of solidarity is stressed through institutionalized mechanisms supporting the disadvantaged and marginalized groups in society. Stockman (1991) writes that the overarching principle of Germany's model is the general understanding that economic efficiency and social security and equity are indispensable, complementary pillars necessary for the successful realization of a well functioning social market economy in the long-run. Actual economic policies under the social market economy tend to focus on anti-trust laws, support for small and medium enterprises, price stability, and a conservative fiscal policy. Social policies, on the other hand, include autonomous collective bargaining, participation of workers in decision-making (co-determination), progressive income taxation, social insurance, and social assistance.<sup>8</sup> The government acts as a welfare state in so far as it espouses good governance ideals and preserves the social partnership with itself, labor unions, and the private sector.

Social market economy is widely credited as the main engine behind the German economic miracle from 1950s to the mid-1960s. Moreover, it has facilitated continuous technological and technical innovation, consequently boosting the economy and ultimately raising the living standards of German citizens. The German economy is the largest in Europe and ranked fifth globally in terms of gross domestic product (GDP) with USD 4 trillion in 2016 according to the World Bank.<sup>9</sup> Furthermore, the country's Gini coefficient stands at 0.292 as of 2014, below the 0.318 average of the Organisation for Economic Co-Operation and Development (OECD) and the 14<sup>th</sup> lowest among OECD members.<sup>10</sup>

#### *Teasing out the Intricacies, Identifying the General Themes*

Specific mechanisms found in the dynamics of the German economy may perhaps impart several lessons for the Philippines. In particular, industrial relations in Germany is primarily grounded on the principle of social partnership, which is characterized by strong, well-organized employers and employers' associations and unions actively holding dialogues and negotiations on work-related policies and arrangements with the government and laborers.<sup>11</sup> The exercise of social partnership covers workplace, firm, national, and regional levels and is underpinned by an institutional infrastructure. Streeck and Hassel (2003) observe that economic governance and social order in Germany during the 1970s substantially relied on a "balance of power between social groups" accompanied by a "corporatist pattern of social organization", in effect making organized private interests liable and an important contributor to public goals and purposes. This has resulted in the maintenance of a harmonious relationship between the government, employers, and employees, which proved to be a critical element in safeguarding the flourishing of the German industrial sector, especially manufacturing, at both the domestic and international levels.<sup>12</sup>

---

*"Specific mechanisms found in the dynamics of the German economy may perhaps impart several lessons for the Philippines. In particular, industrial relations in Germany is primarily grounded on the principle of social partnership, which is characterized by strong, well-organized employers and employers' associations and unions actively holding dialogues and negotiations on work-related policies and arrangements with the government and laborers."*

Social partnership can also be considered as an organizing principle in the practice of employee representation in Germany. Accordingly, employees may participate in determining and preserving their workplace rights at two levels: i) nationally through trade unions; and ii) locally via works councils. Trade unions are mainly responsible for negotiating with employers' organizations and concluding collective labor agreements which lay out the general working and economic conditions of laborers. On the other hand, works councils serve as legal institutions overseeing the welfare and communicating the demands of workers in private companies. In a sense, the works councils act as a firm-level complement to the trade unions as the former actively pursues and establishes "shop" agreements which are local,

plant-level versions of collective agreements entered into by the latter.<sup>13</sup> Both entities allow workers to practice co-determination rights by enabling them to elect representatives which have full voting rights in the boardroom.<sup>14</sup> Trade unions are funded mainly by membership fees and donations, while works councils are financed entirely by private companies.<sup>15</sup>

Another important feature of Germany's social market economy is the national apprenticeship system which promotes dual training – trainees divide their time between instruction at a vocational institution and on-the-job training at a firm. Globally recognized as a best practice in terms of vocational education and training (VET), the country's VET system has brought positive results such as low unemployment and youth unemployment rates at 5.3 percent and 7.9 percent in 2013, respectively. The embeddedness of the apprenticeship system within the German economy is likewise illustrated by over 1.4 million trainees (in 2011) and with 54 percent of total workforce (in 2012) who have accessed the labor market through the dual training system. The average apprenticeship period is three years with remuneration shouldered by the company and leave benefits afforded to apprentices. The German youth are continuously opting to enroll in the said system as 68 percent of trainees in 2011 received an employment contract after the apprenticeship program.<sup>16</sup>

The Philippine government can learn three general lessons from Germany's VET model. First, the emphasis on producing highly skilled workers, mainly for the industrial sector, is only a crucial component of a more comprehensive national strategy which focuses on export of goods that are "Made in Germany". The government actively supports and regulates the operations of full-time vocational institutions, the dual training system, and universities of applied sciences which offer dual study programs. Next, the effective functioning of the VET system requires the meaningful participation of social partners. In particular, the federal government legitimizes the training, specifies the requirements for training and examinations, and enforces training regulations, while federal states formulate the curricula for vocational schools and finance their operations. The private businesses identify training occupations, fund the costs incurred by the apprentices, and provide monthly salaries to trainees, while trade unions and chambers partake in the crafting and implementation of training regulations at the company level. Finally, learners in Germany can conveniently practice flexibility in choosing their respective tracks as there are no tuition fees for vocational and non-vocational institutions. An issue, however, would be the source of funding for this endeavor.

In terms of social assistance, the country has employed several measures to support the disadvantaged and marginalized. These include unemployment insurance, free health insurance for low-income earners, and general housing benefit for low-income households.<sup>17</sup> All social insurance schemes are compulsory under German laws, which are then complemented by tax-financed social welfare schemes.<sup>18</sup> On taxation, the country has adopted a progressive income tax system which signifies that the average tax rate rises vis-à-vis the taxable income. A solidarity surcharge (which is 5.5 percent of the income tax) is likewise levied on individuals that have incomes exceeding a certain threshold.<sup>19</sup>

### *Trials of the Social Market Economy*

Despite the obvious success of the cited system, Germany's model had to withstand major tribulations over time. Specifically, Witt (2002) posits that the realization of the social ethos of the social market economy vis-à-vis the observance of economic efficiency and individual freedom is indeed a strenuous duty. He depicted how interest groups have utilized the general concept of "social" to boost their rent-seeking activities during the postwar period. Interest groups pressured the German welfare state to enact socially oriented policies such as heavy tax burden and wide-ranging economic regulations, which both hamper economic efficiency and liberty.<sup>20</sup> Witt (2002) also regarded central negotiations between trade unions and cartelized employer groups as detrimental to a competitive market because the former would aggressively pursue the provision of comprehensive social benefits to workers, thus negatively impacting the labor markets.

On the nature of social partnership in Germany, Streeck and Hassel (2003) briefly traced the origin of the tripartite relations between the government, trade unions, and employer organizations and underscored notable cracks in the foundation of social partnership as manifested by significant events. *Modell Deutschland* was regarded as the cure to the diseases of the German economy in the 1960s but foreign markets' preference for German labor began to weaken

in the late 1970s. Rising unemployment in the 1980s, which continued until the 1990s after the German unification, exacerbated the crumbling state of tripartite relations mainly because the government was unable and unwilling to reform the labor markets.<sup>21</sup> Domestic conditions such as high wages and productivity and increasing non-wage labor costs adversely impacted the involvement of foreign firms while also undermining the international reach of small and medium-sized enterprises. As a result, union membership dropped and the practice of co-determination became engulfed in a shrinking industrial sector. The election of Gerhard Schroder in 1998 signaled a new hope for a renewed tripartism, but attempts during the early 2000s at reorganizing the labor markets failed due to the lack of cooperation from unions and businesses alike.<sup>22</sup>

More recently, analysts emphasized that the slowdown in productivity, as well as overregulation, especially in the services sector, may hinder the expansion of Germany's economy. The country has achieved low unemployment rates but has been experiencing sluggish labor productivity growth in manufacturing since 2012. It has also lagged behind its OECD counterparts in terms of ratio of value-added per hour worked in business services relative to manufacturing in 2014.<sup>23</sup> Weaker productivity growth in Germany has been partly attributed to the low level of business investment in both physical and knowledge-based capital (KBC). Another area of concern that must be addressed to boost the country's economic growth is the liberalization of the services sector. The government has enacted various reforms over the last 15 years to open up the said sector but regulations in professional services, network industries, and crafts continues to be restrictive.<sup>24</sup> This has led to weak business investment in the services sector, hence, adversely affecting productivity growth.

Finally, the German government is facing the task of effectively managing an economy that is projected to witness declines in employment and working-age population.<sup>25</sup> The rise in dependency ratio will have significant implications to a welfare state and to a nation that greatly relies on its workers for the export of local goods to the international market. The inflow of migrant workers to sustain domestic production remains as a viable option, but integrating them into the labor market poses serious challenges such as the availability of appropriate and adequate skills and the acquisition of country-specific skills (e.g., German language proficiency).

#### *Fostering a Philippine Model: Evidence and Challenges*

The move to adopt social market economy along with federalism in the Philippine setting was pursued in the 1960s by the late Sen. Raul Manglapus of the Christian Social Movement (CSM), which was a left-of-center political movement. The CSM gave birth to other political parties such as the Lakas-Christian Muslim Democratic Party and the Partido Demokratiko Pilipino (PDP), which carried on the task of mainstreaming the social market economy concept into the domestic political scene.<sup>26</sup> With PDP-Lakas ng Bayan (PDP-Laban) as the ruling party under the Duterte administration, it should come as no surprise that the principles of social market economy and calls for a shift to federalism are gaining traction once more.

---

*“With PDP-Lakas ng Bayan (PDP-Laban) as the ruling party under the Duterte administration, it should come as no surprise that the principles of social market economy and calls for a shift to federalism are gaining traction once more.”*

Even though no Philippine president has explicitly adopted a socio-economic plan specifically grounded on social market economy, it has been observed that past administrations have implemented programs with similar objectives. Pres. Corazon Aquino worked towards the nation's re-democratization and sought to reduce the government's large budget deficit by selling non-performing state-owned assets and deregulating a number of industries. Her administration also introduced the Comprehensive Agrarian Reform Program (CARP) to redistribute agricultural lands from landowners to tenant-farmers. Pres. Fidel Ramos, for his part, prioritized market-liberalizing and competitiveness-oriented measures. The establishment of the Bangko Sentral ng Pilipinas (BSP) in 1993 enabled the effective and autonomous management of monetary policy.

Subsequently, Pres. Joseph Estrada's administration made poverty reduction its centerpiece project by launching low-cost mass housing for indigents and expanding the scope of CARP to benefit landless farmers in rural areas. Pres. Gloria Macapagal-Arroyo's administration also offered targeted assistance to poor families through the conditional

cash transfer (CCT) program. The succeeding administration of Benigno Aquino III focused on an inclusive growth agenda to espouse a rules-based and market-based economy and promote social cohesion by expanding the CCT program and empowering micro-, small-, and medium-sized enterprises (MSMEs).

At present, the Duterte administration relishes the national economy's robust growth buoyed by strong macroeconomic fundamentals and domestic consumption. Foreign investors have also flocked to the country given its optimistic trajectory in the backdrop of a recovering global economy. The current administration recognizes the pressing need to continue undertaking economic reforms to achieve a competitive market benefitting all strata of society, including the marginalized and disadvantaged. It has also been active in concluding massive infrastructure projects with local and international firms and widening access to social services and assistance such as free education in state universities and colleges, free medicine for indigents, and micro-insurance for MSMEs.

---

*“The current administration recognizes the pressing need to continue undertaking economic reforms to achieve a competitive market benefitting all strata of society, including the marginalized and disadvantaged. It has also been active in concluding massive infrastructure projects with local and international firms and widening access to social services and assistance such as free education in state universities and colleges, free medicine for indigents, and micro-insurance for MSMEs. The above-mentioned cases suggest that the country may be heading toward a social market economy.”*

The above-mentioned cases suggest that the country may be heading toward a social market economy. To reach that point, President Duterte has to effectively resolve lingering issues in the political, economic, and social spheres. The Philippines ranks 101<sup>st</sup> out of 176 countries in the Corruption Perceptions Index 2016 of Transparency International. Moreover, the country's score in the 2017 World Bank report on doing business is the lowest among the ASEAN-5 Member States.<sup>27</sup> Further, the government is still in the process of reviving the manufacturing industry and caps on foreign ownership as well as provision against foreign professionals deter the total entry of overseas investments into the local sphere.

Other equally important issues include reducing poverty incidence (21.6 percent in 2015), and closing the inequality gap (0.44 Gini coefficient in 2015).<sup>28</sup> While the unemployment rate only stood at 5.7 percent in 2017, the government must grapple with the high underemployment rate which was at 16.1 percent.<sup>29</sup> Youth unemployment rate was at 11.3 percent as of April 2017.<sup>30</sup> Finally, ensuring social cohesion and solidarity mean resolving the long-standing Mindanao conflict which has resulted in social strife within the Philippine society.

#### *An Agenda for the Duterte Administration: Execute the Right Moves*

Largoza and Intal (2004) identified a list of policy recommendations seeking to engender a PH-style social market economy. These include macroeconomic stability through fiscal discipline and strategic investment, heightened competitiveness and productivity, which can be achieved via the utilization of human and cultural capital, a stronger social partnership based on enhanced industrial relations, and better governance and leadership which is firmly grounded on a well-defined social contract.<sup>31</sup> For this paper, the author zooms in on a handful of policy implications that the Philippine government may consider reviewing and policy options which it may implement for the realization of a social market economy with Philippine characteristics.

The first issue relates to the scope and depth of the involvement of the Philippine government in providing basic social services to its citizens. The Duterte administration has been active in extending services and assistance, especially to the poor and marginalized, such as free medicine and free housing (for the victims of Typhoon Haiyan that occurred in 2013). More recently, President Duterte signed Republic Act 10931, or "Universal Access to Quality Tertiary Education Act", into law, thereby granting free tuition for all students in State Universities and Colleges (SUCs), local universities and colleges, and state-run technical-vocational schools. While the aforementioned services truly benefit the underprivileged and the disadvantaged, the government must foremost address the problem of funding availability as well as the programs' sustainability. Aside from the issue of funding, the government must

account for the demands and concerns of the private sector vis-à-vis the seeming expansion of the former's role in making basic social services available and accessible to a wider audience. Fears of an overreaching, overstretched and dominant state should be squashed through regular dialogues with various stakeholders such as local businesses, multi-national corporations, and civil society organizations.

To effectively deliver the aforementioned services, the role of reliable, interlinking infrastructure is crucial. The current government's bid to actualize its goal of guiding the Philippines towards the "golden age of infrastructure" will definitely be an arduous task. The country's NEDA Undersecretary Rolando Tungpalan stated in May 2017 that around 66 percent of the PhP 8.4 trillion infrastructure plan (2017-2022) will be funded by the Philippine government through the general appropriations act (GAA). The remaining programs will be implemented through public-private partnerships (PPPs) and official development assistance (ODA) at 18 percent and 15 percent, respectively.<sup>32</sup> The Duterte administration is likewise pursuing a "hybrid PPP" mechanism in which the initial stages of infrastructure projects are to be financed by GAA and partly through ODA, with the utilization of PPP component during the operation and maintenance phases. Recent developments suggest that the government is leaning towards ODA than PPP for funding infrastructure projects due to the latter's possible delays and costs.<sup>33</sup>

The push for a more connected Philippines raises three important policy implications for the nation's top decision-makers. First, the accelerated process of rolling out big infrastructure programs would certainly help in realizing President Duterte's 10-point socioeconomic agenda, but this undertaking should be counterbalanced by the principles and practice of transparency and accountability. Promoting good governance in critical issues that are on top of the national public agenda is quintessential to securing the buy-in and participation of various stakeholders in the society. Next, the increasing preference for tapping foreign loans carries the risk of elevating the country's debt at unsustainable levels. However, the current administration believes that the servicing costs of the short-term borrowing will be repaid sufficiently by the long-term gains brought by the infrastructure boom to the Philippine economy. Capitalizing on the newly provided facilities and structures by producers and consumers is thus an important priority for the government. Lastly, monitoring and evaluation mechanisms, particularly on large infrastructure projects, must be strengthened to ensure efficient use of resources and better quality and delivery of goods and services.

Another area that needs an upgrade is the state of industrial or labor relations in the country. Edralin (2002) notes that the emergence of 21<sup>st</sup> century globalization and "cross-border convergence of work organization" have effected changes in the practice of industrial relations, welfare of workers, and productivity and competitiveness. Trade unions, as well as employers, should therefore closely coordinate their actions and responses to novel concerns. The primary objective is to develop labor market agreements that are not riddled with overregulation and proactively preserve the rights of workers.<sup>34</sup> Sibal (2010) cited several Philippine cases that have exhibited success in fostering a mutually beneficial social partnership between employers and laborers. He subsequently laid out a plethora of policy recommendations to enhance the country's industrial relations. Noteworthy among these suggestions include concretizing social accords among the government, employers, and trade unions, such as the Social Accord for Industrial Peace and Stability signed in 2004, encouraging social partnership practices in smaller firms, increasing compliance of large enterprises to labor standards, and widening the operations of the Tripartite Industrial Peace Council (TIPC) to provincial, city, municipality, barangay, and industry levels.<sup>35</sup> Moreover, the government may similarly support the strengthening of academe-industry linkages to address the challenges of job skills mismatch and unemployment.

In March 2017, Department of Labor and Employment (DOLE) Secretary Silvestre Bello III signed a new department order that establishes more rigorous regulations for contractualization. However, domestic labor groups are left unsatisfied with the said order because it only prohibits labor-only contracting and not all forms of contractualization.<sup>36</sup> A Security of Tenure Bill which seeks to terminate the end of contract, or "endo", scheme is one of the priority measures under the common legislative agenda (CLA) that was approved by the Legislative-Executive Development Advisory Council Execom (LEDAC-Execom) in August 2017.<sup>37</sup>

In terms of fostering solidarity, the Duterte administration, in December 2017, passed into law the Tax Reform for Acceleration and Inclusion (TRAIN) Act which adjusts the income tax rate and benefits the low-income earners and covers the government's massive expenditures. However, the law removes value-added tax (VAT) exemptions and introduces new excise taxes on fuel and sugar and sugar-sweetened beverages.<sup>38</sup> A common sentiment is that these

measures may put a strain on consumers' appetite, which may have implications to a consumption-driven country like the Philippines. A possible solution, therefore, is the provision of high-paying jobs and more economic opportunities for citizens to sustain their spending on various types of goods. Providing equal opportunities for all may also be attained through the effective implementation of the country's comprehensive anti-trust law and underpinning the continued development of MSMEs.

### *En Route to a Philippine Social Market Economy?*

The path towards a higher level of development for Filipinos in the next six years will be steered by the current administration's efforts in ensuring an enabling environment that promotes sustained and inclusive growth. The values of *Malasakit*, *Pagbabago*, at *Patuloy na Pag-Unlad* are expected to stimulate robust economic growth and facilitate social progress across various classes within the Philippine society. The case of Germany teaches us that sustaining economic growth and realizing development entail enacting equitable and progressive social policies which primarily uplift the living conditions of the citizens at the grassroots level. While the government has yet to acknowledge Germany's social market economy as its guiding model, it can be perceived that the principles of individual self-responsibility, subsidiarity, solidarity, market conformity, and good governance are the same rallying points of the Duterte administration's socioeconomic agenda. Hence, it may be beneficial for the country to seriously consider and examine Germany's experience to gain insights on fostering harmony and economic equality within the domestic sphere while elevating competitiveness at the global level.

*"The case of Germany teaches us that sustaining economic growth and realizing development entail enacting equitable and progressive social policies which primarily uplift the living conditions of the citizens at the grassroots level."*

For its part, the Department of Foreign Affairs (DFA) will play a vital role in effectively communicating and projecting the country's political, social, and economic developments, and trajectory to interested foreign audiences through its Foreign Service Posts (FSPs). More importantly, the agency is mainly responsible for the promotion of strategic economic partnerships and strategic foreign direct investments, which are important sources of funding as the Philippine government seeks to accelerate spending on basic services and infrastructure development. The DFA is likewise instrumental in leading trade and trade-related dialogues and negotiations with other states and international organizations, which in turn may impact the national economy in general and the living conditions of Filipino citizens in particular. The aim is not to be Southeast Asia's Germany; rather the common hope is that these actions would fuel *Patuloy na Pag-Unlad*, with the ultimate goal of activating *Malasakit* and enabling *Pagbabago*. ❀

### Endnotes

<sup>1</sup> Chris Schnabel and Chrisee Dela Paz, "Philippine GDP grows by 6.7% in 2017," *Rappler*, 28 January 2018, <https://www.rappler.com/business/194294-gross-domestic-product-philippines-q4-2017-economic-growth> (1 February 2018).

<sup>2</sup> International Monetary Fund, *World Economic Outlook Update, January 2018*, for full text, see: <https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>.

<sup>3</sup> Chris Schnabel, "ADB upgrades Philippine GDP growth forecast for 2017,2018," *Rappler*, 13 December 2017, <https://www.rappler.com/business/191245-adb-upgrade-philippines-gdp-outlook-2017-2018> (accessed 22 December 2017).

<sup>4</sup> National Economic Development Authority, *Philippine Development Plan 2017-2022*, <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-462017.pdf> (accessed 1 April 2017).

<sup>5</sup> Rolf F. Hasse et al., eds. *Social Market Economy History, Principles and Implementation—From A to Z*, (Johannesburg: Konrad-Adenauer-Stiftung, 2008), 393.

<sup>6</sup> Joachim Ahrens, "Transition towards a Social Market Economy? Limits and Opportunities," *Ordnungspolitische Diskurse: Discourses in Social Market Economy*, Diskurs 2008-5 (2008): 3-4.

- <sup>7</sup> Kurt Stockmann, "The Role of Government in a Social Market Economy" in *Social Market Economy: An Economic System for Developing Countries 2<sup>nd</sup> Edition* ed. Winfried Jung (Konrad Adenauer Stiftung/Internationales Institut, 1999).
- <sup>8</sup> The Society, Economy and Philippine Development Core Group, "Towards an RP-Style Social Market Economy" in *Society, Economy and Philippine Development: Towards a Social Market Economy Framework for Philippine Development* ed. Ponciano Intal, Jr. and Gerardo Largoza (Angelo King Institute for Economic and Business Studies, 2004), 26-28.
- <sup>9</sup> World Bank, "Gross domestic product 2016, PPP", [http://databank.worldbank.org/data/download/GDP\\_PPP.pdf](http://databank.worldbank.org/data/download/GDP_PPP.pdf) (accessed 2 April 2017).
- <sup>10</sup> Organisation for Economic Co-Operation and Development, "OECD Income Distribution Database (IDD): Gini, poverty, income, Methods and Concepts", <http://www.oecd.org/social/income-distribution-database.htm> (accessed 2 April 2017).
- <sup>11</sup> Lowell Turner, "Social partnership: An organizing concept for industrial relations reform," *Workplace Topics* 4(1) (1994): 83-97.
- <sup>12</sup> Wolfgang Streeck and Anke Hassel, "The Crumbling Pillars of Social Partnership," *West European Politics* 26(4) (2003): 101-124.
- <sup>13</sup> Ulrich Baumann, "Trade Unions and Work Councils in Germany," [http://www.uianet.org/fr/search/apachesolr\\_search?search=keyword\\_list&keywords=ulrich%20baumann&filters=ts\\_search\\_field%3A%28%22ulrich%22AND%22baumann%22%29%20language%3Afr%20type:document&userauth=0](http://www.uianet.org/fr/search/apachesolr_search?search=keyword_list&keywords=ulrich%20baumann&filters=ts_search_field%3A%28%22ulrich%22AND%22baumann%22%29%20language%3Afr%20type:document&userauth=0) (accessed 13 June 2017).
- <sup>14</sup> Lionel Fulton, "Worker representation in Europe," Labour Research Department and European Trade Union Institute, available at <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Germany/Workplace-Representation/> (accessed 15 June 2017).
- <sup>15</sup> Ibid.
- <sup>16</sup> Market Intelligence Germany, "Vocational Training "Made in Germany" Germany's Dual System of Vocational Education and Training (VET)," available at <https://www.gtai.de/GTAI/Content/EN/Invest/SharedDocs/Downloads/GTAI/BLG/blg--most-wanted--dual-vocational-training-in-germany-pdf.pdf?v=4> (accessed 15 June 2017).
- <sup>17</sup> Willem Adema, Donald Gray and Sigrun Kahl, "Social Assistance in Germany", *OECD Labour Market and Social Policy Occasional Papers* No. 58 (2003), <http://dx.doi.org/10.1787/338133058573> (accessed 17 June 2017).
- <sup>18</sup> Legislative Council Secretariat, "Fact Sheet Social Security in Germany," <http://www.legco.gov.hk/research-publications/english/1415fsc11-social-security-system-in-germany-20150225-e.pdf> (accessed 17 June 2017).
- <sup>19</sup> Reuters, "Merkel says post-reunification "solidarity tax" must stay," *Daily Mail Online*, 7 December 2014, <http://www.dailymail.co.uk/wires/reuters/article-2864368/Merkel-says-post-reunification-solidarity-tax-stay.html> (accessed 18 June 2017).
- <sup>20</sup> Ulrich Witt, "Germany's "Social Market Economy": Between Social Ethos and Rent Seeking," *The Independent Review* 1(3) (2002): 365-275.
- <sup>21</sup> Ibid.
- <sup>22</sup> Ibid.
- <sup>23</sup> OECD, *OECD Economic Surveys: Germany*, April 2016, available at <http://www.oecd.org/eco/surveys/2016%20Germany%20survey%20-%20Overview%20in%20ENGLISH.pdf> (accessed 17 June 2017).
- <sup>24</sup> OECD, *OECD Economic Surveys: Germany 2014*, available at <https://www.oecd.org/eco/Germany-Overview-2014.pdf> (accessed 18 June 2017).
- <sup>25</sup> Ibid.
- <sup>26</sup> Lito Lorenzana, "SOCIAL MARKET ECONOMY," <http://www.cdpi.asia/cdpi/speeches.php?id=31&t=SOCIAL%20MARKET%20ECONOMY> (accessed 18 June 2017).
- <sup>27</sup> World Bank, *Doing Business 2017: Equal Opportunity for All*, for full report, see: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>.
- <sup>28</sup> Figures taken from the Philippine Statistics Authority website; For poverty incidence, see: [https://psa.gov.ph/sites/default/files/Press%20Release\\_0.pdf](https://psa.gov.ph/sites/default/files/Press%20Release_0.pdf); For Gini coefficient, see: <https://psa.gov.ph/sites/default/files/attachments/hsd/article/tab1.pdf>.
- <sup>29</sup> Philippine Statistics Authority, "2017 Annual Labor and Employment Status," 18 December 2017, <https://psa.gov.ph/content/2017-annual-labor-and-employment-status> (accessed 25 January 2018).
- <sup>30</sup> Philippine Statistics Authority, *Current Labor Statistics July 2017*, <http://psa.gov.ph/sites/default/files/ECLS-July%202017.pdf> (accessed 24 September 2017).

<sup>31</sup> Ibid, 90-97.

<sup>32</sup> Elijah Joseph Tubayan, "Gov't to fund 66% of infra program with own funds," *BusinessWorld Online*, 31 May 2017, <http://www.bworldonline.com/content.php?section=Economy&title=govt-to-fund-66%-of-infra-program-with-own-funds&id=146025> (accessed 20 June 2017).

<sup>33</sup> Yigal Chazan, "Can the Philippines Afford Duterte's Infrastructure Spending Spree?," *The Diplomat*, 5 August 2017, <http://thediplomat.com/2017/08/can-the-philippines-afford-dutertes-infrastructure-spending-spree/> (accessed 15 August 2017).

<sup>34</sup> Divina Edralin, "Industrial Relations Practices: Insights and Lessons from Successful Social Partnerships and Implications for the Philippines" in *Society, Economy and Philippine Development: Towards a Social Market Economy Framework for Philippine Development* ed. Ponciano Intal, Jr. and Gerardo Largoza (Angelo King Institute for Economic and Business Studies, 2004), 117-140.

<sup>35</sup> Jorge Sibal, "Social partnership models: challenges to IR actors," presented at the *IR Forum of the People Management Association of the Philippines*, Mandaluyong City, 11 September 2008.

<sup>36</sup> Patty Pasion, "'Legal' contractualization still allowed in new DOLE order," *Rappler*, 16 March 2017, <https://www.rappler.com/nation/164366-legal-contractualization-still-allowed-new-dole-order> (accessed 15 August 2017).

<sup>37</sup> Ian Nicholas Cigara, "LEDAC lists 13 bills as 'urgent'," *BusinessWorld Online*, 17 July 2017, <http://www.bworldonline.com/content.php?section=TopStory&title=ledac-lists-13-bills-as-urgent&id=148299> (accessed 15 August 2017).

<sup>38</sup> Nikko Dizon, "House passes Duterte's tax reform package on final reading," *Philippine Daily Inquirer*, 31 May 2017, <http://newsinfo.inquirer.net/901433/house-passes-dutertes-tax-reform-package-on-final-reading> (accessed 16 August 2017).

Jovito Jose P. Katigbak is a Foreign Affairs Research Specialist with the Center of International Relations and Strategic Studies of the Foreign Service Institute.

Mr. Katigbak can be reached at [jpkatigbak@fsi.gov.ph](mailto:jpkatigbak@fsi.gov.ph)

*The views expressed in this publication are of the authors alone and do not reflect the official position of the Foreign Service Institute, the Department of Foreign Affairs, or the Government of the Philippines.*

*FSI Insights* is a publication of the Center for International Relations and Strategic Studies (CIRSS) of the Foreign Service Institute (FSI). It features in-depth analyses of global and regional strategic issues that impact the Philippines and provides inputs for Philippine foreign policy.

**FSI INSIGHTS EDITORIAL TEAM**

Claro S. Cristobal  
Rhodora M. Joaquin  
Virgемarie A. Salazar



© 2018 Center for International Relations and Strategic Studies. All rights reserved.