



Looking back, moving forward in the era of neoliberal globalization

**CENTER FOR
TRADE UNION
AND HUMAN
RIGHTS**

25 YEARS
of defending and
protecting workers' rights
and dignity

Room 702 Culmat Bldg. E. Rodriguez
Ave. Quezon City Philippines 1102
Telefax (02) 411 0256
Mobile Hotline 0910 380 1897

ctuhr.manila@gmail.com
ctuhr.philippines@gmail.com
www.ctuhr.org

15 February 2011

Hon. Emil Ong
Chairperson
Committee on Labor and Employment
House of Representatives
Batasan Complex,
Quezon city

Re. CTUHR Position Paper in Support of HB 375

Dear Chairperson Ong,

Thank you very much for inviting the Center for Trade Union and Human Rights (CTUHR) to participate in the committee hearing on the proposed legislation granting the private sector workers with P125 across the board wage increase nationwide.

To say that HB 375 is an extremely important piece of legislation when approved is an understatement, and we are pleased to be part of the whole discourse and provide the honorable committee with our position on the issue.

Attached herewith is the CTUHR position paper.

We trust and pray that points and arguments contained herein will merit the committee's consideration.

Sincerely,

Daisy S. Arago
Executive Director

WHY HB 375 SHOULD BE SUPPORTED and PASSED?

CTUHR Position paper in support of P125 across-the board wage increase nationwide

For a little more than a decade, the Center for Trade Union and Human Rights, Inc (CTUHR) has consistently joined and supported the cry of various trade union centers as well as non-unionized workers for an immediate legislation of 125P across-the-board, wage increase nationwide. Whilst P125 across the board wage increase will not close the huge gap between the nominal wage and the required daily food allowance for a family of six (6) members the passage of HB 375 could meaningfully change the livelihood of millions of workers who for decades had not really enjoyed the fruits of their labour even in the so-called good times of the country's economy.

Thus, CTUHR brings to the consideration of this honorable committee, the following grounds, why P125 across the board wage increase nationwide embodied in HB 375 merits support and approval.

I. Benefits of P125 across the board wage increase nationwide

1. P125 across the board wage increase nationwide will stem the rise in number of working poor which has already reached to 9 million out of 23 million Filipinos living under the poverty line ¹

Today, 64% or about 38,905 million of 60.718 Million Filipinos of 15 years and over belong to the labour force. Around 36.047 million are considered employed². Towards the end of 2009, there were already 14.9 million or 42.6% -- almost half of employed workers—in vulnerable employment, i.e no regular income and in temporary jobs. Out of this figure, 9 million earns only P90 or less (less that US\$2/day)³ and have been excluded from SSS, Philhealth and other benefits mandated by law and thus, forced to live day in and day out on the edge of perennial hunger and mere survival. These workers belong to the 23 million Filipinos living under the poverty line.

Further, the International Labor Organization (ILO) in its “Global Wage Report 2010” identified the Philippines as among the countries in the world where rise in low-wage employment is recorded in the last 15 years. The report also described the Filipino workers in “extremely high risk of low pay”, a sharp contrast to what Philippine governments consistently declare. The condition is worse for women whose low-wage employment is 46 percent higher than men.

The steady rise in the number of working poor undoubtedly contributes to the country's perennial poverty that has gone worse than our neighbouring countries in Asia like Indonesia, Vietnam, Sri Lanka, and Thailand.

¹ Asian Development Bank

² 2010 Annual Labor And Employment Status, NSO

³ Business Mirror , 12/05/2010

Consequently, hunger even in the families of so-called workers also deepens. A CTUHR random survey on income, hunger and poverty, amongst workers conducted in 2009-2010 noted for instance that garment worker from Taytay, Rizal is eating breakfast and lunch at the same time (also widely known as “brunch”) to cope with rising commodity prices. She receives only P110 daily wage, way below the P337 mandated wage in Region 4-A.

The prevalence and impact of low wage in agricultural sector where workers are still paid P85-P100 daily like sugar plantations in Negros is far worse. In July last year, a malnourished child of a sugar worker suddenly fell dead in the middle of the sugarcane fields without eating the bowl of noodles that he was holding. Last January also in Negros, two children died of poisoning after eating a bullfrog because they have nothing to eat. In the Rapurapu Island, in the Bicol Region, residents resort to eating vetsin (monosodium glutamate) as viand with their rice.⁴

2. Approval and implementation of P125 across the board wage increase nationwide bodes well in the country’s campaign to drastically reduce if not eliminate child labour

Again, probing deeper into poverty situation, studies whether done by the government, international or multilateral agencies like the United Nations, the ILO or ADB note that majority of those poor that current government plans to address are in the agriculture sector.

CTUHR documentation, underscores that from sugar plantations in Hacienda Luisita in Tarlac and Negros to banana, palm and pineapple plantations in Mindanao, workers poverty immediately caused by low wages is alarmingly obvious. This condition is forcing the plantation workers to bring their children to work in a move to augment their income particularly in cases where workers are paid on ‘pakyaw’ or acreage basis. In Cadiz Negros for example, children as young as 8 years old work in the fields and paid much lower than their parents. The situation holds true even in the urban centers wherein in the interviews conducted by CTUHR, families noted that in tight times, and when they need to choose between food and education of their children, they chose food, albeit painfully.

Low and unsteady income exacerbated by growing unemployment engender rise in child labour, The Philippines has pledged, and in fact receiving funding support from various multilateral agencies to eliminate child labour, not only as a compliance to international standards but to arrest more disastrous social problems. In fact, even before the avalanche of financial crisis in 2008 for instance, the ILO has already expressed alarm over the drop in student enrollment in primary and secondary schools. from 96.77% in 2000-2001 to 83.22% in 2006-2007. It added that it is a very bad indicator of the governments’ desire to eliminate child labor in the country.

⁴ CTUHR workshop on Right to Food, Silay, Negros Occidental, July 2010

3. Approval and implementation of P125 across the board wage increase nationwide will stem the tide of rural-urban migration, which in turn eases pressure on government's , nationally and locally, when it comes to housing and services., urban unemployment and other disasters created by the so-called over populations in urban centers

There are about 500 existing wage payment levels and practices being implemented in different parts of the country. Workers in the NCR technically enjoy the highest pay followed by major industrial centers in Southern Tagalog and to a certain extent Cebu in the Visayas. Workers in provinces are paid much lower and could even go further down depending on how the government classifies the area, that only them can completely comprehend. These variations in wage levels legally aided by RA6727, is being rationalized by the argument that cost of living varies in different parts of the country

Common logic makes the rationale difficult to understand if not to accept simply on question of why a car assembler in CALABARZON And Mactan Export Processing Zones in Cebu supplying for the same brand, for example should be paid differently, when both workers eat the same rice of the same cost, pay the same fare and pay boarding houses which are often more expensive than boarding houses in Valenzuela city.

Therefore, we would like to note that the multiple variations in wage rationalization system, rural areas having the lowest, pull the workers from these places to go to urban and industrial centres where salaries are relatively higher. This continues to happen despite the fact that the real wages have dramatically eroded in the last decade. In NCR alone for instance, real wage is now only equivalent to P242.35 compared to the nominal wage of P404

But the stark disparities in nominal wages and illusion that jobs are abundant in urban and industrial centres remain a pull factor in rural –urban migration and push factor for other social problems that migration creates. NCR for example, does not have the capacity to absorb the internal migrants looking for jobs.. It has in fact higher unemployment rate (10.9%) than the national figure (7.3%), has lowest employment rate (88%)⁵ but registered the highest number of working poor and informal settlers in 2010 which stands at least 517,175 families.⁶ or more than 3 million individuals. Internal migrants driven by poverty in their provinces also comprise the majority of the urban poor,

Therefore, when workers in agriculture and in provinces enjoy the same wage as their counterparts in other industries and locations, they will be discouraged to leave, and even if they will, it would be of a slightly different reason, such as pursuing higher education and interests.

In relation to the above, P125 across the board wage increase may also help temper the rise in migration to other countries. If local employment is better paid, working parents will not

Overseas Filipino Workers Deployment	
2009	2010
3 897 per day	4,413 per day
POEA	

⁵ <http://www.census.gov.ph/data/pressrelease/2011/pr1111tx.html>

⁶ <http://www.abs-cbnnews.com/nation/metro-manila/03/03/10/metro-manila-squatters-balloon-half-million-families>

be forced to seek jobs even in risk prone areas. The increase in OFW deployment is very alarming, because not only it highlights inability of local economy to provide jobs, but it drains the country of its rich human resource required in nation building.

4. **P125 across the board wage increase nationwide will help curb potential capital flight in times of collective bargaining negotiation or distress, thus aiding the protection of workers' right to organize.**

Number seven (7) of the 22 point labour agenda of the Aquino government is "Align our country's labor policies with international treaties and ILO conventions in a sound and realistic manner." Two of the ILO conventions that the Philippine government pledged to uphold and to strengthen are the ILO Conventions 87 and 98. on the right to freedom of association and protection of the right to organize. Following the ILO High Level Mission to the Philippines in 2009, the ILO recommended that Philippine government implement measures that will curb pervasive violations of the right to freedom of association.

CTUHR monitoring and documentation revealed an alarming trend that when workers are organizing a union or negotiating for a collective bargaining agreement, companies threaten the workers to relocate if wage provisions are tackled. Some of them indeed moved into other special economic zones within a country, or temporarily shutdown operations and subsequently resume production with new workforce paid lower than those they are running away from.

Although wage is not the only factor in capital mobility, it has been used by capitalists and businesses as leverage against workers demanding for improvement in wages and benefits in their own workplace. But if the gap between wages received by workers in urban centers and in the provinces are drastically narrowed down, companies will be deterred to immediately relocate when disputes arises and will be forced to talk and negotiate with the union, instead of ignoring them. In this way, workers rights particularly the union rights are protected.

II. Counter Arguments on Positions that shoot down the merits of P125 across the board wage increase nationwide

In addition to what had said previously CTUHR would also like to bring to the attention of the honorable committee **WHY IT DISAGREES** on the following:

1. that wage increase or higher wages will drive away investors as argued by the government and local employers

P125 across the board wage increase will discourage foreign investors and that is not true to many experiences. Countries like Malaysia, Singapore and even Thailand whose workers wages are far higher than the Filipinos have higher share in foreign direct investments (FDI) than the Philippines and Vietnam.

The assessment report made by Asian Development Bank in 2008 (available in their website) entitled “Improving the Investment Climate in the Philippines” provides an enlightening reference, which for the purpose of this paper I am quoting liberally. ADB ranked mandated wage at the bottom in the strings of factors that discouraged investors in doing business in the Philippines. Notable concerns of companies surveyed were:

- 1.1 the incapacity of the government to act on economic concerns because of its weakening fiscal position.
- 1.2 poor infrastructure which includes access to transport, power, and information and communication facilities.. Investors tend to concentrate in Metro Manila, Southern Luzon, Central Luzon, and Metro Cebu precisely owing to the presence of better infrastructure, besides proximity to product and factor markets. Public works according to the report is the most unsatisfactory with only 20% of the roads in the Philippines are paved versus Thailand’s 98%, Sri Lanka’s 95%, and Malaysia’s 76% . Electricity is another major concerns with cost in the Philippines is triple (US\$ 0.830 /kwh) the cost in Thailand and Indonesia (US\$ 0.238 /kwh).
- 1.3 Government institution which includes: cost in doing business, high taxes and corruption, The report noted that taxation easily lends itself to corruption when there is lack of transparency in administrative procedures or when laws are difficult to interpret. In the Philippines, corruption in tax administration is a serious problem. Slowness of the wheels of the justice system appears to be the most glaring concern for firms in the Philippines. About 87% of firms consider the judicial system as being slow in delivering action, compared with the People’s Republic of China’s 58%, Malaysia’s 63%, and Thailand’s 79%.

Having said the above, it will be inaccurate and an injustice to treat reasonable demand for wage increase by Filipino workers -- rank by CEOs of multinational companies as one of the world’s most efficient, highly skilled, hardworking and knowledgeable—as deterrent to foreign investments. The government can do much better than laying the blame on workers’ desire to uplift themselves.

2. that P125 across-the board wage increase nationwide will eventually hurt the economy, trigger retrenchments and closures and may lead to unemployment, therefore it should be negotiated or achieved instead through Collective Bargaining Agreement (CBA)

The Philippines has been beset by perennial unemployment for decades, 2008 and 2009 unemployment rate being the worst in the last 50 years. There wasn’t any substantial wage increases in the years past. Certainly, there are fundamental questions on why despite attempts to freeze wages and liberalize investments, the Philippines still failed miserably in generating employment domestically.

Companies retrenched, or shut down for economic reasons, primarily due to market contraction. In 2008 and 2009 for instance, big number of retrenchment and displacements came from the export sector was attributed to the financial crisis that rocked the US and European countries.

Equally alarming is the trend that CTUHR documented are retrenchments and dismissals during labour disputes. In 2010 alone, 23,019 workers were affected by this tactics by management to quell union formation. In these cases, proposed wage increase wasn't the primary push factor.

P125 across the board wage increase will have adverse impact primarily on small and medium enterprises, (SMEs) the country's biggest employers. Maybe. The temporary adverse impact that the government and SME employers are scared of however, could be drastically reduced or even eliminated if the privileges and incentives accorded to locators inside Special Economic Zones (SEZs) or Free Trade Zones (FTZs) are extended to SME's. These include 3- 6-years tax holiday (national and local taxes) followed by 5% taxes on gross revenues (less deductions which include salaries of production supervisors and use of raw materials)⁷, compared to 30% taxable income from all sources imposed on local corporations. There are other incentives given to MNCs and locators that if extended to SME's will definitely help build the capacity of local capitalists and entrepreneurs not only to pay their workers the mandated wages and benefits but also enable them to expand their businesses at home . Micro and small enterprises

It is lamentable that the government exacts more taxes from local companies that have weaker capacities, but the ones employing more workers than stronger multinational companies and locators in SEZs that only contribute about a million in employment. Large companies account for a mere .3% percent in total employment⁸ yet they enjoy all the perks and privileges in conducting their business..

As regards negotiating increase through CBA negotiation as government positive must say that it is a possibility and probably what nearly all trade unions and labour rights organizations want to happen. Except that grim reality of trade union organizations in the country will not probably make it happen.

Trade union organizations in the country dramatically decline. In 2001, when the previous administration took office, there were about 3.85 Million unionized workers. Nine years later, the number was reduced to half, and today, union membership accounts to only 1.7 Million out of the 19.5 Million wage and salaried workers (3 out of 23 workers) or 4.7% of the total employed. It is an understatement to say that union organizing becomes extremely difficult and in fact budding unions are practically prohibited to grow as officers are dismissed when they managed to pass certification election.

Out of this figure, only 230, 802 workers or 3 out 17 union members are covered by a Collective Bargaining Agreement (CBA). This means that using CBA as the avenue to improving workers condition is simply ridiculous. Granting that substantial wage increase can be achieved through CBA, it means that only small number of workers could benefit from it.

⁷ <http://alpellas.com/philippine-tax.html>

⁸ DOLE, Briefing for the Committee on Labor and Employment, House of Representatives, 03 Sept 2008

It must be noted however, that 30% of these CBAs will expire this year, 2011. Again, we note that in CTUHR monitoring of CBA renegotiation, majority of companies opted for zero wage increase (much lower than an increase) in the first year of CBA or simply granted a small lump sum amount. Under the pretext of economic crisis and threats of relocation, unions are forced to accept a reduced standard of CBAs.

3. that P125 across the board wage increase nationwide will discourage collective bargaining and unionism because it takes away the primary economic incentive for workers to organize and bargain

In 2008 DOLE argued that legislating this wage proposal will discourage unionism. This is a completely new and unbelievable idea. In addition to what had already discussed above, unionism in the country had not been discouraged or frustrated by government mandated wage increases but by combination of labour flexibilization and repressive industrial relations. The effect of the latter is mirrored in the declining unionism in the Philippines.

It must also be emphasized that wage is not the only factor why workers are organizing union or negotiating a CBA. CTUHR studies point to security of tenure, humane conditions at work, right to freedom of expression and of assembly as other push factors in unionism.

On the contrary, granting the workers P125 across the board wage increase will encourage and boost their confidence, to participate in production and policy making processes for their labour is compensated and their human person is treated with dignity.

In the light of the foregoing, CTUHR reiterates its support for the approval of HB 375 and urgently seek the support of the honourable committee to translate the proposed bill into a landmark piece of legislation.#

Submitted this 15th of February 2011, Quezon city.



DAISY S. ARAGO
Executive Director
Center for Trade Union and Human Rights (CTUHR)