



# **NATIONAL POLICY FORUM ON WAGES AND PRODUCTIVITY**

**Manila, 28 October 2009**

## **Partner (TUCP) Response**

Presented by  
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# **Evaluation of Criteria for Minimum Wage Fixing**

## **Minimum Wage Policies in the Philippines: Issues and Challenges**

### **The Economics and Politics of Minimum Wage Fixing in the Philippines**




# The Philippines 20-year minimum wage fixing journey



**More data** for assertions vigorously advanced by sectors





The Philippines uses minimum wage  
**for many things,**  
including those for which they are not  
meant to be.



Sectors have **different interpretations** of the minimum wage, and, therefore, sectors are all unhappy with it.



And we all have our **criticisms** of the Standards/Criteria for Minimum Wage Fixing (Standards for Minimum Wage Fixing), including an understandable demand from unions to abolish regional boards (RTWPBs).



## Reviewing the system

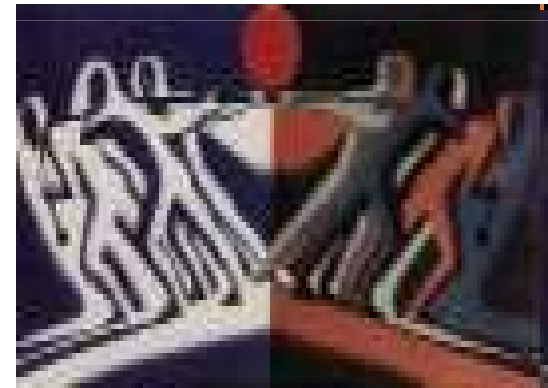
### *Clarifications about the goal*

- To protect the most vulnerable workers  
(lowest paid workers, e.g., bottom 10%)
- To reduce poverty (working-poor)
  - Minimum wages need to be considered  
in relation to other income policies
- To reduce wage inequality
  - Minimum wages need to be relatively high to have impacts
- To be used as a basis for wage bargaining
  - Minimum wages tend to be relatively high

Sangheon Lee, Coordinator for Research and Policy  
International Labour Office



The Philippines' **conflicting objectives** in minimum wage fixing are indicated by the factors in the Standards/Criteria for Minimum Wage Fixing:





# Standards/criteria for minimum wage fixing

- The demand for living wages;
- Wage adjustment vis-à-vis the consumer price index;
- The cost of living and changes or increases therein;
- The needs of workers and their families;
- The need to induce industries to invest in the countryside;

- Improvements in standards of living;
- The prevailing wage levels;
- Fair return of the capital invested and capacity to pay of employers;
- Effects on employment generation and family income; and
- The equitable distribution of income and wealth along the imperatives of economic and social development.



## 10 Factors in the Standards/Criteria

6 ½ factors on wages and inflation,  
1 factor on equity,  
2 factors on dispersal/investments,  
½ factor on employment



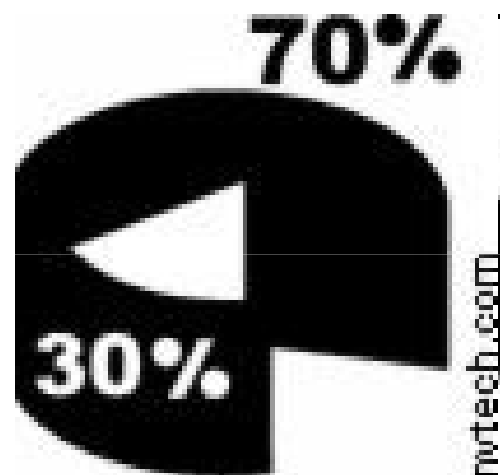
# The 6 ½ factors on wages and inflation

- Demand for living wages
- Wage adjustment vs. CPI
- Cost of living
- Needs of workers and their families
- Improvements in standards of living
- Prevailing wage levels
- Effects on employment generation and family income



# The one factor on equity

Equitable distribution  
of income and wealth  
along economic-social  
development imperatives



# The 2 factors on dispersal/investments

Induce industries to the countryside  
Fair return on investment, capacity to pay



# The 1/2 factor on employment

Effects on employment generation and  
family income



To date,

We have only an ephemeral notion on the **weights** of indicators/factors in the Standards/Criteria for Minimum Wage Fixing



# Today

We are introducing a new term for our unhappiness with the Standards/Criteria for Minimum Wage Fixing:

**“Overt action”**

on inflation, unemployment,  
underemployment  
even on collective bargaining.



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# Crowding out CBAs and unions

Temporary disinclination by worker-beneficiaries to organize



Who **drives** minimum wage campaigns? (a developing tendency for national/regional bargaining)



# No, Dr. Medalla.

“What happens when the objective of organized labor in setting minimum wage is not to raise the incomes of the poorest workers but to raise the income of unionized workers, who generally make more than the minimum wage and represent a relatively small percentage of total employment and bread winners?”

This is an “intended consequence”.

That unions seek to raise the incomes of the poorer workers and in the process **“raise all boats”**.



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# The question should be -

Where in **hell** are those real earnings going when **real GNP** and **real GDP rise every year** and, despite this, **real wages go down** through the years, and **labor's share of income keeps on going down?**



## Union's answer to Dr. Medalla -

“Will a moratorium in MW adjustments force unions to work harder to organize workers and increase union membership?”

The problem in organizing unions in this country is **not minimum wage fixing**.

The problem is **anti-union employers** and labor laws and their implementation.



## Table on Violations of FOA by Sample Enterprises

Warning not to attend meetings	6
Warning to avoid union/organizers	7
Management warns buyers don't want unions	5
Reward for names of union officers	2
Anti-union meetings/seminars	9
Overtime scheduled during union meetings	4
Intervention by police	2
Intervention by LGU	9
Worker/s who attended meetings disciplined/restricted	4
Worker/s who attended meetings dismissed	2



## And more...

Union officer who attended hearing dismissed	1
Union members who filed complaint dismissed	1
Union officer/s threatened	4
Union officers charged with trumped-up offenses	5
Union officer/s/member/s transferred/restricted	12
Union officer/s suspended	3
Union officer/s demoted	3
Union officer/s offered promotion	3
Discrimination against union officers/members	25
Management offers early retirement/separation	7



## And the list continues...

Union members dismissed	11
Company official/s dissuade membership	3
Workers forced to retract membership	7
Operations speeded up	4
Forced leave/slowdown operations	7
Anti-union referendum	1
LMC established vs. union	7
Cooperative vs. union	1
Management forms another union	1
Company filed for union cancellation	9
Management grants benefits	5



**And finally.,**

Management withholds benefits	6
Management campaign materials	7
Management threatens company closure	7
Company transfers/contracts out	3
Cash advances before the CE	1
Illegal actions during CE	5
Company contracts out after union wins CE	3
Company protests union win	1
Company refuses to bargain	3
Company closes after union wins CE	2





## The paper of Dr. Bersales,

as those of others in this forum -  
have very valuable contributions to the state  
of knowledge on minimum wage fixing,  
but the **conclusions are mixed**,  
different for different regions, not definitive,  
and suggest refinements and **further  
investigation** on related issues.



**It would be very easy to say -**

that there are problems with the indicators,  
that indicators move in tandem (fellow travelers),  
a correlation of indicators;  
as well as the need to do the exercise for all regions,  
for quarterly (monthly?) data, and  
looking into lags and leads.



I would not make any comment  
on the results per region.



Minimum wage has short term impact,  
and less on unemployment than on  
underemployment;

There is no significant impact on  
minimum wage violations;

There are positive correlations with  
productivity, CPI, investments,  
or GRDP/GDP.



# **Minimum Wage in the Philippines:**

## **Some Observations on the Philippine Minimum Wage (On Labor Outcomes)**





We note Dr. Esguerra's notes  
on limited data  
and limited coverage.



## **Workers who should be covered by minimum wages**

(those with lower wages)  
have been cut down -

- BMBEs and pretenders
- Not covered
- Exempted
- Apprenticeship
- Violations



# Philippine Establishments (2007)

Group	Establishments		Workers	
	No.	%	No.	%
1-9	720,084	91.9	1,661,884	32.0
10-99	58,198	7.4	1,297,032	25.0
100-199	2,919	0.4	396,066	7.6
200	2,668	0.33	1,831,331	35.2
<b>TOTAL</b>	783,869		5,187,793	
1-5	639,825	81.6	1,154,630	22.2

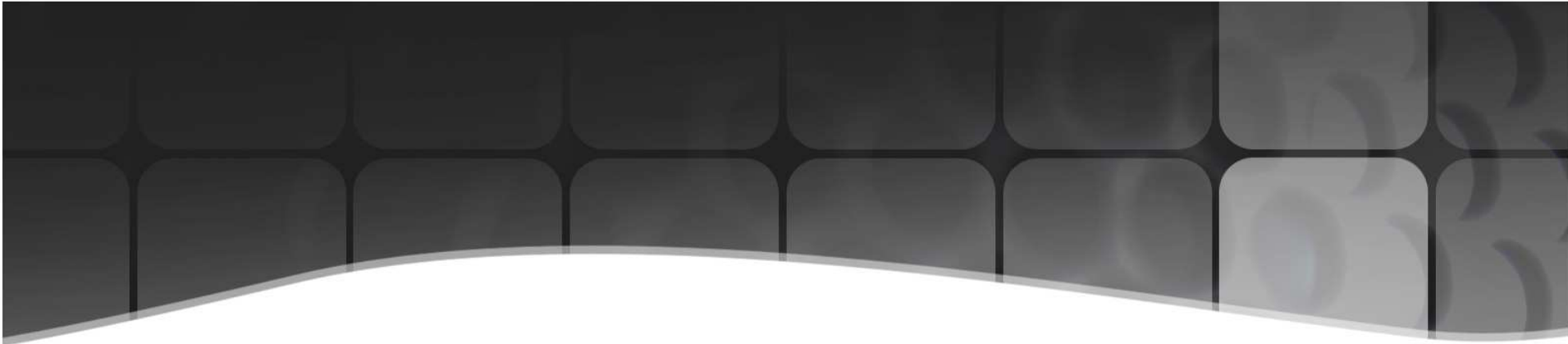






Philippine minimum wage  
vs. average wage – 0.9





Have minimum wage adjustments  
led to unemployment and underemployment?

Dr. Esguerra suggest the use of “long panels”  
for a meaningful investigation of  
the effect of minimum wage on employment.



# A TUCP study on “How minimum wage earners cope”





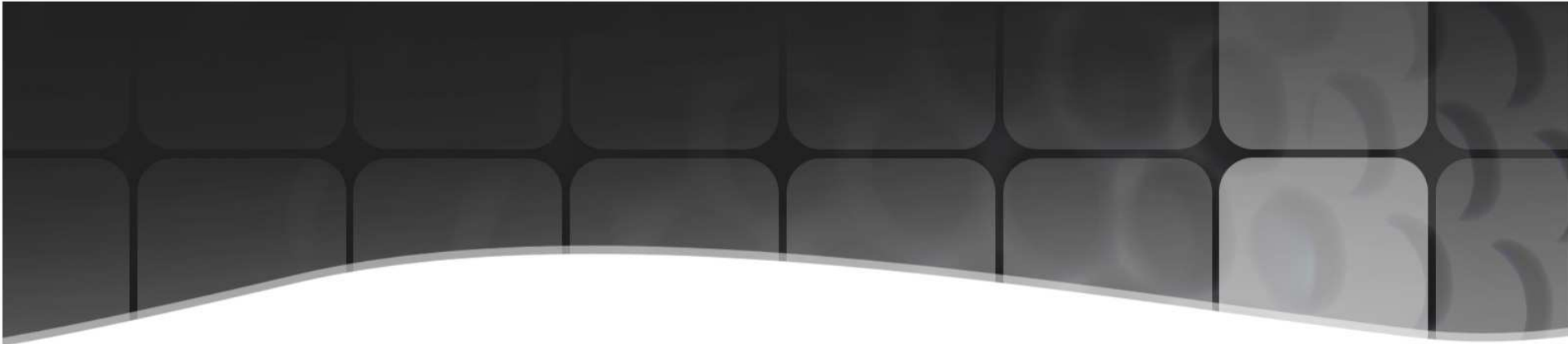
Regional wage fixing – is it working?  
Share of industry in GRDP in regions?





In sum,  
minimum wage is **not a simple issue**,  
and will not respond to simple solutions.





But,  
we have to decide **what minimum wages are for.**  
**Simplification** to at most two minimum rates  
will reduce confusion and improve enforcement.  
Safety-net minimum wages imply **no exemptions.**  
The **workers' share** of national income should rise.



- thank you -



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