

POSITION PAPER

of

**THE CONFEDERATION OF PHILIPPINE EXPORTERS FOUNDATION
(CEBU) INC. (PHILEXPORT CEBU)**

on the

Petition for Wage Increase by Labor Groups in Region VII

INTRODUCTION

PHILEXPORT CEBU is the umbrella organization of all the export sectors based in Cebu. It represents the eight (8) major export sectors of Cebu that includes Electronics, Industrial Goods, Furniture, Seaweed, Food, Fashion Accessories, Gifts Toys & Housewares and Garments. Cebu exports represent more than 10% of the total Philippine exports. In 2004 alone, Cebu exported more than US\$4.15 Billion and posted a 13.1% increase in 2005, hitting an all-time high of US\$4.7 Billion.

BACKGROUND

Once again, the larger labor groups based in Central Visayas have filed two petitions last March 1 and May 22, 2006, for an across-the-board wage (ATB) increase with the office of Regional Tripartite Wage and Productivity Board in Region VII (RTWPB-7). The labor groups are asking for ATB increases of Php 75 and Php 95.00.

The bases of the abovementioned petitions are: 1) extraordinary increase of prices of basic commodities, 2) inflation rate of 6.5%, and 3) their calculated living wage of Php 664.00 per day for a family of six.

ISSUES

First Issue: Is the petition for across the board wage increase within the powers and jurisdiction of RTWPB?

Second Issue: Is there sufficient basis to increase the minimum wage in the region?

POSITION OF PHILEXPORT CEBU

On First Issue: The RTWPB is only empowered to set the minimum wage in their respective regions. Across the board wage increase is simply outside and beyond the jurisdiction of RTWPB.

On Second Issue: There is no sufficient basis to increase the minimum wage in Region-7. All the arguments presented in the pending wage increase petitions are on the premise of regular employees and heads of the families. Minimum wage orders are for those who are unskilled and newly-hired workers. The current regional minimum wage of Php 223.00 in Central Visayas is more than enough, although already very costly for employers who hire unskilled employees.

COMMENTS

The export industry is very much burdened with this kind of cycle where labor unions file petitions for across-the-board wage increases almost on a yearly basis. Consequently, the RTWPB almost always grants a yearly increase in minimum wages. We find this exercise very detrimental to the Philippine export industry and Philippine economy as a whole, on the following grounds:

- 1) Yearly increase of minimum wage projects an image of instability of prices, which eventually discourages local and foreign investors from investing in the Philippines;
- 2) The daily wage in the Philippines is already high at about US\$5.00 compared to other Asian countries like Vietnam where the minimum wage is only about US\$2.00;
- 3) The export industry is currently suffering at least P3 to P5 currency exchange loss for every dollar of export sales, due to the strengthening of Philippine Peso vis-a-vis the US Dollar. Since October last year the Peso-Dollar exchange rate deteriorated from P56:\$1 to P51:\$1. This means that for the last 9 months, the export industry already lost at least 120 Billion Pesos on currency exchange alone;
- 4) The export industry is also currently burdened additional business costs resulting from new laws like the Customs Brokers Act (that forces exporters to hire and pay customs brokers) and the proposed Anti-Smuggling Act that will require exporters (who import their raw materials) to post cash bonds instead of the cheaper surety bonds for their raw materials importations.
- 5) The export industry in the Philippines is currently suffering from the non-

tariff barriers impose by foreign governments, such as: (1) ISO accreditation requirements by most EU and US countries, (2) Imposition of new product Quality standards by EU, (3) new labeling requirements of US, (4) the fumigation requirements of Australia and (5) treatment of wood packaging materials by ISPM 15 of WTO. The cost of doing business has indeed become too high.

- 6) The export Industry is not getting any meaningful and substantial government support in terms of subsidies in export promotion that could enhance the competitiveness of Philippine exports in the world markets.

The export industry is currently bleeding profusely. Another round of wage increases is the last thing that our export industry needs at the present time.

RECOMMENDATION

The petitioner-labor groups clearly do not understand the rationale of minimum wage law and has totally failed to comprehend the role of the RTWPB.

The RTWPB-7 should dismiss the two pending petitions for across-the-board wage hikes of Php 75.00 and Php 95.00 for lack of jurisdiction and lack of merit.

The labor unions should not be allowed to use the RTWPB as their bargaining agent to negotiate for wage increases. Labor unions should negotiate across-the-board wage increases directly with their respective employers through a collective bargaining dialogue.

Signed:

APOLINAR G. SUAREZ JR.
President