



Opening Remarks at the Technical Workshop on the Two-Tiered Wage System

By Lawrence Jeff Johnson

Director, ILO Country Office for the Philippines

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Greetings:

- Undersecretary Trasmonte, Director Lagunzad and officials of the National Wages and Productivity Commission
- TUCP
- Mr Roland Moya of the Employers Confederation of the Philippines
- Dr Bersales of the University of the Philippines
- Director Encarnacion of the National Statistical Coordination Board
- Representatives from the Philippine Government, employers' and workers' organizations
- Mr John Ritchotte, our colleague from ILO Bangkok

Distinguished guests, ladies and gentlemen, **magandang umaga sa inyong lahat!**

I thank you for the invitation to join you today in this technical workshop on wage reform. This workshop is an important and timely undertaking within a dynamic policy development period. Indeed, since I assumed the responsibilities as Director of ILO Manila nearly 10 months ago, I have had the privilege of witnessing major processes to help develop national policies through social dialogue.

Last year, the ILO supported the national and sectoral tripartite plus consultations which produced labour and employment inputs for the formulation of the Philippine Development Plan, 2011-2016.

The PDP contains key elements for the creation of decent and productive employment within the overall framework of inclusive growth.

The ILO Teams in Manila, Bangkok and Geneva continue to support our social partners in the ongoing DOLE-led process to develop the Philippine Labor and Employment Plan for 2011-2016.

One of the important components under the Labor and Employment Plan is wage reform. Today's workshop will make a significant contribution to the wage reform agenda given its objective to help improve understand the issues and concerns that have been raised in relation to establishing a minimum wage mechanism that:

- sets a social safety net or floor, and
- prompts wage fixing through collective bargaining

at the firm level. The details of this proposal will be key to making it successful will buy-in from stakeholders. The government's decision to introduce the new mechanism gradually will allow fine-tuning before its rolling out.

Indeed, wage policies can make a positive contribution towards a more sustainable inclusive economic growth as highlighted in the ILO's Global Wage Report launched in 2010.

However, considerable challenges remain to reach out to the countries' vulnerable workers and in the establishment of an effective system of minimum wages.

Among other things, it will require a strengthening of the labour inspectorate and sustained outreach by government, employers' and workers' organizations, as well as, civil society.

The Global Wage Report calls for the improvement of wage determination mechanisms and highlights the need for policy measures that can help reduce the risk of low-wage earners falling into poverty. *(My colleague, John Ritchotte is here to provide technical support which includes presenting the Global Wage Report later)*

The importance of securing "minimum income" for those in the ranks of the working poor, vulnerable workers and their families cannot be overstated in times of crisis and recovery. Although the global economic crisis led to a rise in unemployment which reached nearly 212 million in 2009, millions more people were forced to take whatever work they could find just so

they and their families could survive. Of the 3 billion economically active people in the world today, more than 1.5 billion or half of those employed were in vulnerable employment – working without social protection, social dialogue and social safety net.

In the Philippines, the vulnerable employed comprise almost 43 per cent of those employed. Meanwhile, the working poor consist of nearly 3 of every ten economically active.

Of equal concern is the country's low growth rates of labour productivity, which dipped to a negative 1.7 per cent in 2009. Increasing labour productivity on growth rates are crucially linked with a rise in competitiveness. We must remember that decent employment and productive employment are two sides of the same coin. Without effective social safety net - many people are placed in a position where they transition from wage and salary employment into vulnerable employment – which is often less productive.

Wage and income policies should therefore be developed within a broader regulatory framework, where different policy elements are carefully articulated in a consistent and coherent manner and support collective bargaining at the firm level to address remuneration and productivity.

Initiatives to improve wage and productivity policies are now ongoing in several countries. In Asia, China is considering a possible new law on “enterprise wage regulation”. Mongolia has just adopted a new minimum wage law. Wage reforms are being discussed in Viet Nam, Malaysia, India and of course here in the Philippines.

The Global Jobs Pact, unanimously adopted by governments, employers and workers organizations at the International Labour Conference in 2009, has called for such initiatives. It specifically promotes the regular review of minimum wages, observing social dialogue, collective bargaining and respect for negotiated minimum wages, and at the same time narrowing the gender pay gap.

The review of minimum wages, of course, has to take place within the overall context of promoting sustainable inclusive economic growth through decent and productive jobs. The Global Jobs Pact proposes a portfolio of coherent policies aimed at:

- generating employment,
- extending social protection,
- respecting labour standards, and
- promoting social dialogue while

- shaping a fair and sustainable globalization.

The Philippines has taken the initiative to prepare a Philippine Jobs Pact along with the new Labor and Employment Plan for 2011 to 2016.

Let me assure you that the ILO is ready to support the tripartite partners - government, employers' and workers' organizations - in building capacities to realize agreed agenda to be contained in the Jobs Pact and the Labor and Employment Plan, including proposed reforms on wage-setting.

I wish you a successful workshop.

Thank you for this invitation once again and Mabuhay!