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**A POSITION PAPER OF**

**THE CONFEDERATION OF PHILIPPINE EXPORTERS**  
**(CEBU CHAPTER ALSO KNOWN AS PHILEXPORT CEBU)**

**ON THE**

**PETITION OF SEVERAL LABOR GROUPS**  
**FOR A MANDATED INCREASE IN THE MINIMUM WAGE**

## **INTRODUCTION**

The Confederation of Philippine Exporters Foundation (Cebu), Inc., represents nine (9) export sectors in the Central Visayas region, namely: electronics, industrial goods, furniture, seaweed, food, fashion accessories, gifts, toys & housewares, garments and medical tourism. It is the umbrella organization and the voice of the entire export industry in the region. The whole export sector provides employment to hundreds of thousands of workers in the region.

## **BACKGROUND**

In 2007, prior to the collapse of the subprime market in the U.S., which ushered into a global financial crisis that lasted more than 2 years, the Central Visayas region boasted of more than 700 exporters, contributing around 10% or approximately \$4 billion to the country's total export performance of \$40 billion. Industry estimates that the region's number of exporters has plunged to around 400 in 2010 and has continued to slide further in the first quarter of 2011 by 18%. The collateral damage to the region's employment position, regular and contract workers, due to company closures and retrenchment, is estimated at 150,000. This contraction in the region's employment situation was somehow offset by the expansion in the "sunshine" services sectors such as the contact centers and business process outsourcing sectors.

On May 5, 2011, President Benigno S. Aquino, speaking before employers during the 32<sup>nd</sup> National Conference of Employers, suggested to the top employers to grant some kind of productivity incentive or profit-sharing schemes to workers as a relief from soaring fuel and food prices.

The labor groups have been petitioning for across-the-board wage hikes from P75 to P125 per day. President Aquino further added that he has no intention of asking Congress for a legislated wage hike but added that the Bangko Sentral ng Pilipinas (BSP) believes that a "certain kind of wage adjustment" can be absorbed by the economy. The adjustment, the BSP suggests, may be determined by the respective Regional Tripartite Wage and Productivity Boards (RTWPBs).

The RTWPB covering the National Capital Region (NCR) immediately acted and granted workers in the NCR a cost of living wage adjustment (COLA) of P22 per day. This was immediately assailed by the unions and the Partido ng Manggagawa as too little while claiming that a P50 per day increase was what employers owe its workers in terms of loss in purchasing power and the unpaid share in increase in productivity.

## **THE ISSUES**

- 1) Which is the more pressing issue, jobs generation or wage hikes?
- 2) What can business afford?
- 3) In what form should an adjustment be:
  - Cost of Living Adjustment or Special Amelioration Allowance?
  - Profit sharing?
  - Other productivity incentives?
- 4) Is it possible for “sunshine industries” to pay a higher rate than the “challenged” industries?

In our opinion the RTWPB in Region VII, based on its performance in the past 5 years under the stewardship of DOLE Regional Director Elias Cayanong and DTI Regional Director Aster Caberte, has acted fairly towards business and labor. During the times of crisis the RTWPB-VII, cognizant of the plight of exporters and workers, has granted minimum wage adjustments that we in the export sector deemed as fair and reasonable. The exporters in the past wage hikes have accepted all the decisions of the RTWPB-VII without complaint as the impact of these increases were then mitigated by the financial support given by government in the form of export support funds. The grant of these funds has so far been suspended since the start of the 2011.

## **THE CHALLENGES**

- 1) The strength of the PESO, which has been range-bound between P42.50 and P43.50 vis-à-vis the US Dollar, has continued to put pressure on the competitiveness and bottom lines of exporters;
- 2) Absence of government support for export development and marketing;
- 3) The continued “softness” of demand in the Philippines’ main markets; and
- 4) The inflation in cost of raw materials and logistics brought about by high fuel prices.
- 5) The headline inflation rate (which includes food and energy prices) has significantly risen to 4.6% in April compared to the annualized 3.7% rise in 2010 and 3.9% in 2009.

## **APPEAL**

In view of the circumstances stated above the Confederation of Philippine Exporters in Cebu hereby pray for the following:

- a) That government, private enterprise and labor instead focus on job generation rather than on mandated across-the-board wage adjustments;
- b) That the RTWPB-VII will act prudently and reasonably on any wage increases or cost of living adjustments, taking in consideration the mutually assured survival of both employers and workers;
- c) That government resumes its support for the SME members of the industry, who are still languishing in the doldrums due to the global economic crisis, by reinstating the Export Support Fund; and

- d) That a two (2) tier rate adjustment be granted, one for the sunshine industries (higher) and one for the “challenged” industries (lower).

## CONCLUSION

Though we are fully sympathetic to the plight of workers, and the continuous rise in the cost of basic commodities, it is also to the interest and survival of these workers that we ensure as well our own survival as employers. As stated earlier our real concern is really job generation or retention rather than wage adjustments that could cause a further deterioration of the jobs situation. We strongly urge all parties concerned to lean favorably in considering our prayers and position.

Signed on 23 May 2011, in Cebu City, Philippines.

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