

At yesterday's Kapihan sa Manila, Romulo said the scheme to upgrade the pay of civil servants through salary standardization should be stopped at least for a while until the economic conditions of the country improve.

We should suspend such pay hikes until the government solves the debt problem, he said.

The pay standardization scheme for public sector workers seeks to increase basic salaries for rank and file as well as top government officials. Under this scheme, government employees will receive salaries that are equal to those of their counterparts in the private sector.

Mr. President, I rise, because this report is erroneous. It is incorrect. In fact it is contrary to the truth.

And so, to defend my honor, I have asked this opportunity to rise. In fact, masasabi natin na iyong ibang newspapers, they have reported accurately what we have stated at the Kapihan, including the TV and the radio, except this one paper. So, that is the reason why I have risen on the Floor.

Mr. President, perhaps, this is the opportunity for us to push that the salary standardization bill be taken as a priority in this session of Congress. At ang katotohanan po, kung ako ang tatanungin, ito ay hindi lamang dapat mag-umpisa ng July 1989. It should even start earlier. But because of budgetary constraint, the amount that has been provided for in the budget is only starting July 1989. And the truth is that in the LOI-MEP, there is a very broad hint that perhaps the government should only make the salary increases starting October 1989.

Hindi po tayo dapat pumayag sapagkat nasa budget na iyan, starting July 1989. So, at the very least, salary standardization increases should be in July 1989. At hindi lamang po iyan. Iminumungkahi natin na sa ilalim ng bill na ito, the minimum monthly pay of the lowest paid government employee should be P2,000 per month. Dapat po nating ipantay ang daily wages ng government sector dito sa gagawin natin sa private sector. Sapagkat ang isa pong prinsipyo ng bill na ito, the government sector pay should be comparable to those of the private sector. So, these are some of the points that I would like to bring up. At marahil ay nagkamali itong reporting sapagkat there is however one sector that I felt we should hold the salary increases or have a moratorium. And that refers, Mr. President, to salary increases for high government officials. Totoo po na noong tanungin ako ay sinabi ko na dapat ay huwag munang ibigay, huwag muna nating isama ang increases in salary ng high government officials, whether in the Legislature, whether in the Executive or whether in the Judiciary. Ang dapat nating umpisahan, ang dapat bigyan ng concentration, ay ang rank and file, ang mga lowly paid

government employees. Iyan po ang sinabi ko. Kaya, ang moratorium po ay hindi para sa lahat kundi doon lamang sa proposed salary increases for high government officials sapagkat dapat muna nating unahin ang rank and file. Iyang posisyon nating iyan ay siya ring posisyon natin noong tayo ay nasa gabinete. That is on the record, Mr. President. Iyan din po ang posisyon natin noong tayo ay nasa Constitutional Commission. That is also on the record. Iyan din po ang posisyon natin noong i-file natin ang bill noong early 1988 na ang bibigyan lamang natin ng salary increases ay iyong rank and file and lowly paid government employees. Saka na po, kung mag-i-improve ang kondisyon, iyong high or top government officials whether in the Legislative, in the Judiciary or in the Executive.

Ganoon na lamang po at ako ay humihingi ng paumanhin sa paghingi nitong Privilege Hour. Hindi po lamang natin gustong palagpasin ito sapagkat hindi totoo ang lumabas sa publication na ito. We are for the increase and salary standardization of rank-and-file government employees that should commence not later than July 1989.

We would like to recommend to the Senate and to the Congress that this be given top priority, that before we adjourn we should pass this salary standardization bill. However, para po roon sa mga top government officials, high government officials, huwag na muna natin silang bigyan ng salary increases. Saka na po. Unahin muna natin ang rank-and-file employees ng ating gobyerno.

Salamat po.

The President. The Majority Floor Leader is recognized.

BILL ON SECOND READING
Senate Bill No. 1084 — Wage Policy

Senator Mercado. Mr. President, I move that we consider Senate Bill No. 1084 as reported out under Committee Report No. 613.

The President. Consideration of Senate Bill No. 1084 is now in order. With the permission of the Body, the Secretary will read only the title of the bill, without prejudice to inserting in the *Record* the whole text thereof.

The Secretary. Senate Bill No. 1084, entitled

AN ACT TO RATIONALIZE WAGE POLICY DETERMINATION BY ESTABLISHING A MECHANISM THEREFORE, AND FOR OTHER PURPOSES.

The following is the whole text of Proposed Senate Bill No. 1084:

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. This Act shall be known as the "Wage Rationalization Act."

SEC. 2. It is hereby declared the policy of the State to rationalize the fixing of minimum wages nationally or regionally to promote the decent standard of living of the workingman and his family, to stimulate dispersal of industries and to enhance viability and competitiveness of the Filipino enterprise by increasing its productivity and ensuring return on investment, to expansion and growth.

SEC. 3. In implementing the policy under this Act, the National Wages Council in coordination with the National Productivity Commission shall conduct studies and make a determination of the appropriate regional minimum wage increases for the private sector workers in different regions.

In the determination of the applicable minimum wage increases in such regions, the National Wages Council shall specifically consider, among other factors, the following:

- (a) the demand for living wages;
- (b) the needs of workers and their families;
- (c) cost-of-living and changes therein;
- (d) improvements in the standards of living ;
- (e) the need to induce industries to invest outside the National Capital Region;
- (f) capacity to pay of industries;
- (g) effects on employment generation and family income; and
- (h) equitable distribution of income and wealth.

SEC. 4. In the determination of the appropriate regional minimum wage increases under this Act, the National Wages Council shall conduct consultations with the Regional Development Councils and provincial and municipal officials.

It shall likewise hold public hearings, giving notices to employers' and employees' groups and other interested parties.

SEC. 5. The National Wages Council shall, on the basis of its determination of the appropriate regional minimum wage increases made pursuant to this Act, issue the corresponding Wage Orders which shall have the force and

effect of law and which shall in no case be lower than the statutory national minimum wages.

SEC 6. New enterprises that may be established outside the National Capital Region whose operations or investments as may be determined by the Department of Labor and Employment in consultation with the Department of Trade and Industry need initial assistance, shall be exempt from the application of this Act for two (2) years following its effectivity: *Provided*, That such new enterprises established in Region III (Central Luzon) and Region IV (Southern Tagalog) shall be exempt only for one (1) year from the effectivity of this Act except those established in the provinces of Palawan, Mindoro, Romblon, Quezon and Aurora which shall enjoy an exemption of two (2) years from the effectivity hereof: *Provided, further*, That nothing in this section shall prevent the workers and employers in such enterprises from negotiating or agreeing for higher daily wage rates.

SEC. 7. Excepted from the provisions of this Act are domestic helpers and persons employed in the personal service of another and retail enterprises regularly employing not more than ten (10) workers.

SEC. 8. Where the application of any minimum wage increase in any establishment results in distortions of the wage structure of the employees therein receiving a monthly basic pay of not exceeding Five thousand pesos (P5,000.00), the employer and the union shall negotiate to correct such distortions. Any dispute arising from such wage distortions shall be resolved through the grievance procedure under their collective bargaining agreement and if it remains unresolved, thru voluntary arbitration. Unless otherwise agreed by the parties in writing, such dispute shall be decided by the voluntary arbitrator or panel of voluntary arbitrators twenty (20) calendar days from the time said dispute was referred for voluntary arbitration.

In cases where there is no collective agreement or recognized labor union, the employer shall endeavor to correct such distortions in consultation with his workers. Any dispute arising therefrom shall be resolved thru the National Conciliation and Mediation Board and if it remains unresolved after ten (10) calendar days of conciliation, it shall be referred to the appropriate branch of the National Labor Relations Commission (NLRC). It shall be mandatory for the NLRC to conduct continuous hearings and decide the dispute within twenty (20) days from the time said dispute is submitted to it for compulsory arbitration.

For the purpose of this Act, wage distortion arising under the first paragraph of this Section shall mean a situation where an increase in minimum wages results in the elimination or severe contraction of intentional quantitative differences in wage or salary rates between and among such employee groups in an establishment as to effectively obliterate the distinctions embodied in such wage structure based on skills, length of service, or other logical bases of differentiation.

The pendency of a dispute arising from a wage distortion under this section shall not in any way delay the applicability of any increase in minimum wages.

SEC. 9. All workers paid by result, including those who are paid on piecework, takay, pakyaw or task basis, shall receive not less than the prescribed minimum wages per eight (8) hours work a day, or a proportion thereof for working less than eight (8) hours.

SEC. 10. Learners, apprentices and handicapped workers shall be entitled to not less than seventy-five percent (75%) of the prescribed minimum wages. A handicapped worker is one whose efficiency or quality of work is impaired by his disability in relation to the work performed.

All recognized learnership and apprenticeship agreements act shall be considered as automatically modified insofar as their wage clauses are concerned to reflect any increase in the statutory minimum wage rates.

SEC. 11. In the case of contracts for construction projects and for security, janitorial and similar services, the increases in the minimum wage rates of the workers shall be borne by the principals or clients of the construction/service contractors and the contract shall be deemed amended accordingly. In the event, however, that the principal or client fails to pay the prescribed minimum wage rates the construction/service contractor shall be jointly and severally liable with his principal or client.

SEC. 12. (a) To immediately implement the purposes of this Act, every employer in the private sector not otherwise excepted under this Act, shall pay to each of his employees, regardless of their position, designation or status, an increase of twenty pesos (P20.00) in their statutory daily minimum wage rates.

(b) Effective January 1, 1990 an additional increase of ten pesos (P10.00) in the statutory daily minimum wage rates shall be received by the employees in the National Capital Region (NCR). For purposes of this Act, the NCR shall consist of the cities of Manila, Quezon, Pasay and Caloocan and the municipalities of Cainta, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Las Piñas, Parañaque, Pasig, Pateros, San Juan, Taguig, Taytay, Valenzuela, Bacoor and Dasmariñas. The employees in the other regions shall be paid such daily minimum wage rates as may be determined by the National Wage Council upon consultation with employees' and employers' groups and Regional Development Councils, thru issuances of the appropriate Wage Orders.

(c) Notwithstanding the foregoing provisions of this section any adjustment to the statutory daily minimum wage rates in the private educational institutions shall await the appropriate Wage Order of the National Wages Council after holding a tripartite conference therefor

which shall not be later than thirty (30) days from the approval of this Act.

Future minimum wage rates shall be determined in accordance with the provisions of Section 5 hereof, unless otherwise provided for by law.

SEC. 13. The National Wages Council shall promulgate the necessary rules and regulations to implement the provisions of this Act, subject to the approval of the Secretary of Labor and Employment.

SEC. 14. Any person, corporation, trust, firm, partnership, association or entity that refuses or fails to pay any prescribed increase in the minimum wages shall be punished by a fine not exceeding Twenty-five thousand pesos (P25,000.00) and/or imprisonment for not less than one (1) year nor more than two (2) years: *Provided*, That any person convicted under this Act shall not be entitled to the benefits provided for under the Probation Law. If the violation is committed by a corporation, trust or firm, partnership, association or any other entity, the penalty of imprisonment shall be imposed upon the entity's responsible officers, including, but not limited to, the president, vice-president, chief executive officer, general manager, managing director or partner.

SEC. 15. Nothing in this Act shall be construed to reduce any existing wage rates, allowances and benefits of any form under existing laws, decrees, issuances, executive orders, and/or under any contract or agreement between the workers and employers.

SEC. 16. All laws, orders, issuances, rules and regulations or part thereof inconsistent with the provisions of this Act are hereby repealed or amended accordingly. If any provision or part of this Act, or the application thereof to any person or circumstances, is held invalid or unconstitutional, the remainder of this Act or the application of such provision or part thereof to other persons or circumstances, shall not be affected thereby.

SEC. 17. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) national newspapers of general circulation, whichever comes earlier.

Senator Mercado. Mr. President, may I ask that we recognize the Chairman of the Committee on Labor and Employment, Senator Herrera, to sponsor the measure.

The President. Senator Herrera is recognized.

SPONSORSHIP SPEECH OF SENATOR HERRERA

Senator Herrera. Mr. President, for the past several weeks there has been seething controversy in the country in relation to

the question regarding the statutory minimum daily wage of the workers and many responsible quarters have expressed the belief, which the Senate Committee on Labor shares, that unless something is done to prevent it from going out of hand, this controversy will not only continue but it can turn into a severe crisis that would adversely affect our people, as well as the stability and survival of the nation, as a whole.

By way of simplification, Mr. President, the Committee would like to state that the crux of the wage controversy just mentioned is that the workers are asking for an increase in their wages particularly to protect themselves and their families from poverty and from other social and economic problems which are inimical to the rights and welfare; but some sectors in our society, both in the government and private employers, have taken a stand which is either totally against the grant of the proposed wage increase or would limit the increase in the daily wage rate to an amount which the workers considered as inadequate and unacceptable.

In a way, it is a good thing that the question on the wage structure in the country has been raised again because this situation provides us an opportunity to formulate and adopt a definitive and effective solution to the wage problem which has been bugging us for many years. As observed on several occasions, the current controversy on the wage issue is not merely an offshoot of the sharp and abrupt increase in the prices of goods and services in the country, particularly in the prices of prime commodities in the local market in recent months, because we very well know that the wage issue has always been with us all these years and it has been, in fact, a recurrent labor problem in this country, affecting the relation of the employers and the workers in our society. It would be more accurate to say that the price spiral which has occurred in recent months and is still very much around in the country has brought into sharp focus the urgent need to resolve the wage problem the best way it can be done.

It is of vital importance that we should now confront and settle this issue once and for all because the wage problem has a direct tendency to sow confusion and disunity among our people and it constitutes a serious hindrance to our common efforts to achieve industrial peace and harmony in our society, and to the national endeavor for social and economic growth and development.

It may be noted in this regard that as far as I am concerned, both as a labor leader and as a Member of this Legislative Body, I have always made it clear in all my public pronouncements that I am definitely in favor of the proposal to grant an increase in the minimum daily wage of the workers, specifically in an amount which is sufficient for their basic needs and requirements, and for their social and economic well-being.

Mr. President, the Committee considers it a great honor and a privilege to sponsor this wage bill which is now under consideration by the distinguished Members of this Chamber. The Committee strongly believes that the approval of this proposed legislative measure would not only provide an effective solution to the current wage controversy in the country, but it would also provide for the establishment of an effective mechanism for a wage policy determination that would serve our country well in the future. The Committee, therefore, is seeking the support of all the distinguished Members of this Chamber in order that this bill will be enacted into law.

In seeking the approval of this legislative measure, the Committee does not, for a moment, doubt the fact that those who have opposed the grant of an increase in the statutory minimum daily wage for the workers, are as sincere and patriotic in their intentions and motivations as those who have been advocating that the demand of the workers for a wage increase should be granted, and the Committee is sure that everyone of us who has been called upon to participate in the discussion and the proper resolution of this vital public issue, intends to uphold the public good and the interest of the nation above all other considerations.

In fact, the Committee is not even inclined to question the intellectual integrity and the motives of those who have apparently been trying to muddle the discussion of this great national concern by dragging into the wage controversy such outlandish ideas as the argument that the proposed wage increase for the workers should not be granted because the concept behind the minimum wage law is a remnant of the American neo-colonial policy in the Philippines, because the great majority of our people have the intelligence and the wisdom to see through the fallacy of this argument.

But, the Committee is asking my distinguished Colleagues in this Legislative Assembly to take a hard look at the significant issues which have been raised in connection with the proposal to grant an increase in the wages of the workers, because if they would do so, the Committee is certain that they would be convinced, as the Committee is convinced, that the current demand of the workers for an increase in their minimum daily wage is clearly justified and that the seemingly fanatical opposition to any legislated wage increase is at best a strategy to slow down the workers in demanding for wage increase and, at worse, a failure of reason and an affront to the conscience of the Senate.

To be more specific, it should be noted that the demand of the workers for an increase in their wages in the instant case does not seek for a wage rate that is in excess of their basic needs and requirements. The workers are simply asking that their wages should be at least enough to ensure their physiological survival and to provide them and their families with a fair measure of

decency, because with the way their total income has been eroded, in terms of real wages, by inflation and other factors over the years, and considering the present economic conditions in the country, the basic pay that they are receiving from the employers today is in reality not even enough for their essential needs and requirements.

It is important to observe in this regard that the last wage adjustment in this country was made in December 1987, through Republic Act No. 6640. Pursuant to the provisions of this Act, the total base pay and allowances of the workers, which are sometimes referred to as the "legislated wage rates", were brought to P67.08 for non-agricultural workers; P56.67 for plantation-agricultural workers; and P45.67 for nonplantation-agricultural workers. All these adjusted rates, however, are below all estimates of the worker's basic needs and requirements. In fact, the P10-wage increase granted under Republic Act No. 6640 was below the amount required to keep the real wages of the workers to the level of October 1984, and the sad truth is that the real wages of the workers in the country today are lower than at any other time in the past.

To determine how reasonable is the proposed wage increase in the instant case, let us consider the following significant facts:

1. The price increases from October 1984 to December 1987 required a 29.6 percent wage adjustment that is equivalent to P17. But since the Congress granted only a P10 across-the-board wage increase, there was a shortfall of P7.00;

2. The price increases from December 1987 to December 1988 required a 9.4 percent, or P7.00 in money equivalent, wage adjustment, but since no wage adjustment was made during this period, the real wages of the workers, in effect, suffered a diminution of P7.00; and

3. Since the prices in 1989 are expected to rise by at least 10 percent, it would be necessary to have a wage adjustment of P8.00 to prevent the real wages of the workers from falling further.

From these figures, it can readily be seen that to compensate the workers for the substantial purchasing power they have already lost prior to December 1987, for the price increases in 1989, it is necessary to increase the statutory minimum daily wage of the workers in the country by at least P22. It should be noted, however, that these figures which I have mentioned do not include the projected oil price increases which are expected to hit the country in the near future, and if the oil price increases should be included in the computation of the wage adjustments, which has to be made to protect the real wages of the workers, the amount of the wage increase that should be granted to the workers would certainly be much more than P22.

Some people would probably say that the Committee Members are being extremely sentimental about the workers; but the truth is, we are not, because, as a matter of fact, we have been looking at the wage situation in the country with our eyes wide open and as realistically as any man can be; the Committee Members would like to add that if to be sentimental is to be human, then we are probably inclined to be sentimental about the plight of the workers in our society.

In any case, the Committee thinks it should be clear to us that the present clamour of the workers for an increase in their daily wage is not just a demand for an improvement in their daily living conditions: It is a plea for the right to live! Indeed, the effort to restore the real wages of the workers and the purchasing power of their income is not intended to provide them with a comfortable living room, with stereo sets and all the amenities of modern life, but simply to keep their nose above the water, as the common expression goes, or to prevent their income from falling far below the poverty line.

The real Gross National Product, that is net of inflation, discounting the effects of price increases, grew by 1.7 percent in 1986, 5.9 percent in 1987, and a remarkable 6.7 percent in 1988.

It is expected to grow another 6.7 percent this year. Obviously, the economy is recovering. Other sectors, including employers and government, have already gotten their shares of this growth. The workers still have to get theirs. The Committee thinks that it is only fair and just that workers share in this real growth, through increases in real wages.

This is consistent with the Constitution's mandate to assure workers and their families "security of tenure, humane conditions of work, and a living wage" (Article XIII, Section 3) and in recognition of "the right of labor to its just share in the fruits of production" (Article XIII, Section 3). This is also giving substance to the Constitution's direction to "give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequities, and remove cultural inequities by equitably diffusing wealth and political power for the common good".

What makes the plight of the workers even more pathetic is the fact that their real wages continuously fell throughout the last 16 years, except for a brief respite in the late 1970s, and even now, these wages stand at levels substantially below those 16 years earlier, and the decline in the real wages took place even when the real Gross National Product was registering substantial growth. This fact clearly indicates that the workers have not been benefiting in the real sense from the growth of the national economy, but they have to share the burden of the economic problems in the country just like everybody else. It appears that a minority of the population again, as in the old days, are appropriating for itself the fruits of increased production.

The Committee is fully aware of the fact that wage policies have to be supportive of the current economic recovery and development efforts and the required structural adjustments, and that any decision in regard to wage increases will have to be balanced with the need to maintain and promote the existing production, increase exports and generate employment opportunities in the country. But the Committee does not find it necessary that it should think of the wage rate only as a factor for economic growth and development when it should be an instrument for human survival, for enhancing the dignity of the workers, and for giving full meaning to the constitutional mandate of providing living wage to the Filipino working men. And the Committee would not also consider it proper that our economic system would operate in such a way that the real wages of the workers would be kept below the subsistence level and perpetuate a situation where 52 percent of the Gross National Income is controlled by 20 percent of the total population and 48 percent of the gross national income has to be shared by 80 percent of the total population. Thus, one of the purposes of this bill, which the Committee is recommending for approval by this Chamber is to effectuate a more equitable distribution of income in our society for, as it has been said before, to quote: "A society that cannot save the many who are poor cannot save the few who are rich."

At this juncture, Mr. President, the Committee would like to make some comments in relation to the arguments advanced by some quarters in an effort to oppose the proposal for an increase in the statutory minimum daily wage. One of these arguments is that the proposed wage increase by legislations runs counter to the policy of non-intervention by the government in the field of economic activities where private initiative and enterprise are given a primary role. According to this line of reasoning, the determination of the wage rate in the private sector is a matter that should be decided by the employers and the workers through collective bargaining. The Committee submits that this argument is not correct for the following reasons:

First, Section 3, Article XIII of the Constitution provides: The State shall afford full protection to labor, local and overseas, organize and promote full employment and equality of employment opportunities for all.

The same Section also states: It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiation, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work and living wage. They shall also participate in policy and decision-making processes affecting the rights and benefits as may be provided by law.

Under these provisions of the Constitution, it is clear that the Congress of the Philippines has the power and the authority to enact a law governing the statutory minimum daily wage of the workers in the country. And when such a law is enacted by the Legislature to carry out the constitutional mandate that the State shall guarantee the right of the workers to a living wage, it cannot, at the same time, be properly argued that the Legislature is going against the policy of non-intervention, because, in such a case, the aforementioned government policy simply does not apply.

Second, it should be noted that the total labor force in the country as of 1988 is about 23.5 million workers. Of this total number, about 10 percent are organized, and the rest are unorganized. Under these circumstances, it is clear that the government has to come up with legislated wage rate because the great majority of the workers in the country are still unorganized and they are hardly in a position to use effectively the collective bargaining process or system particularly for the purpose of securing fair and reasonable wages from their employers, or wages which are at least sufficient for their basic needs and requirements. In fact, it would be the height of irresponsibility on the part of the government not to intervene with respect to the needs of these unorganized workers and to leave them entirely at the mercy of their employers. If the policy of non-intervention would be followed and the government would allow the basic wage of the unorganized workers to fall below the level of absolute poverty, such a situation would not only adversely affect the efficiency and productivity of these workers, but even the families of their workers would suffer and in time it would become a source of other social and economic problems that would drag down the government and the nation as a whole.

It is in this sense that the legislative wage rates or the statutory minimum wages are sometimes described as a "safety net." A statutory minimum wage is a "safety net" because it serves as a means to protect the lowest paid employees or workers against the imperfection of the labor market and from any possible abuses when labor is in excess supply and possesses little or no bargaining strength. Moreover, in the context of the Philippine situation, the legislated minimum wage provides a safety net not only for the unorganized workers, but even for the workers who are already organized, and this is because of the fact that the economic conditions in this country are such that the government has to extend its protection to the workers in order that they would not be forced by necessity to accept starvation wages and "sweatshop" conditions of employment.

Third, it should also be considered that there are, in fact, many instances where the government intervenes in the field of economic and business activities in support of private enterprise and to help the owners of private firms and establishments. For

example, there are cases where the government grants tax incentives and other benefits to business firms and industrial establishments, based on the criteria and conditions prescribed by law. For this reason, it is not accurate to say that the government's intervention in private business and economic affairs is invariably objectionable and inconsistent with the principle of free enterprise.

Another argument which has been raised against the proposed wage increase is that it would aggravate the inflation problem in the country. This argument is erroneous, because a careful analysis would show that, contrary to NEDA's analysis, a 1 percent increase in the wage rate will result to a .7 percent increase in the inflation rate. Labor has a small contribution to total cost. It is only between 5 and 10 percent on the average. It is higher though in labor-intensive industries.

Even if a 30 percent increase in wages is granted across the board, total production cost will rise no higher than 1.5 percent to 3.0 percent.

Labor is a victim, rather than the culprit, in this inflation. Labor is asking for wage increases because prices have already risen. Workers do not deserve the blame being heaped on them. What can be done is to look at the other major factors or cost factors, like raw materials, power, water, interest rates, rents, profits, and, perhaps, greed.

Indeed, the impact of the labor cost to the inflation rate has been overstated, perhaps, to dampen the enthusiasm of those who are supporting the move for a wage increase. In fact, this threat of inflation has been repeated so often, and every time the workers are asking for increase in wages, that, by now, is beginning to sound more like a message from a crystal ball than a carefully studied scientific prediction.

The Committee is sure that the government and the other sectors of our society can find other ways to solve the inflation problem, and it is not necessary to deny the claim of the workers for an increase in their wages to stem the inflationary tide when there is in fact no compelling reason to do so. After all, we have been asking the workers all these years to undertake sacrifices for the sake of national development and progress. And it is about time that we should ask the other sectors of our society to make their own sacrifices so that inflation will not continue to debilitate the national economy. For this reason, the questions may be asked: Why should the profit rate be constant? Is it not possible for the owners of the enterprise to reduce their profit rate to offset the increase in the labor cost and prevent any inflationary effect from a wage hike? Why not make labor cost in the country comparable with other Asian countries so that owners of enterprise will be compelled to fully harness the productivity potential of labor? Why not employ advance

management technology in order to increase industrial productivity and, as a result, offset inflation?

In referring to these possible approaches, Mr. President, what I intend to suggest is that, the economic problems confronting the nation today should be the common concern and responsibility of all the social partners, specifically, of government, management and labor. And if a price has to be paid to curb the inflation rate in the country, it would seem to be reasonable that the same should be charged against the checkbooks of the business executives instead of subtracting it from the pay envelopes of the wage earners.

It has also been argued that the proposed wage increase would worsen the unemployment problem in the country. The Committee does not think so. And what is apparent, is that, there is no hard evidence to warrant the conclusion that by giving additional benefits to the workers through wage legislations, the government would exacerbate the unemployment problem. It may be recalled that in 1987, when there was a similar move to increase the wages in the country, the unemployment rate was 11.7 percent. And it was predicted that this figure would go up if the government would grant the demand for wage increases of the workers. But after the increase of wages in 1987, the unemployment rate in the country went down to 9.4 percent in 1988, and it would seem that if this experience has taught us anything, it is the fact that an increase in the legislated minimum wage can lead to an increase of employment opportunities and to the decline of the unemployment rate.

I feel that it is not necessary for me to discuss in details the specified wage increases authorized under the provisions of this bill, since these provisions are sufficiently clear. But I would like to stress that under this bill, we are setting up a new system involving the regionalization of the wage rates. It is believed that a regionalization of the wage rates is proper and justified in view of the fact that there are substantial differences in the social and economic conditions in the various regions in the country and these conditions should be the determinants of the wage rates in these regions. The regionalization of the wage rates, however, is subject to the limitation that the regional rate must not fall below the national minimum wage level of P84.00. Moreover, it is proper to observe that this new regionalized wage system is envisioned not only to achieve wholesome and beneficial economic results, but also to reinforce and strengthen the implementation of the government policy on decentralization and the dispersal of industries.

In the light of the foregoing discussion, the Committee urges the distinguished Members of the Senate to approve this bill.

Thank you, Mr. President.

The President. Senator Paterno is recognized first, then Senator Guingona and Senator Maceda.

Senator Paterno. Thank you, Mr. President.

Would the Sponsor care to answer a few questions?

Senator Herrera. Gladly, Mr. President.

Senator Paterno. My questions will focus on Section 12, Mr. President, of the bill. Section 12 (a) provides an increase of twenty pesos (P20.00) in the statutory daily minimum wage rates. And Section 12 (b) provides an additional increase of ten pesos (P10.00) for employees in the NCR effective January 1, 1990. Section 12 (a) does not provide a date of effectivity, Mr. President, and I would like to ask when the P20.00 proposed in Section 12 (a) would become effective?

Senator Herrera. Immediately upon the effectivity of this Act.

Senator Paterno. And the effectivity of this Act would be 30 days after publication. Would that be correct?

Senator Herrera. This Act shall take effect 15 days after its complete publication in the Official Gazette, or in at least two national papers of general circulation, whichever comes earlier.

Senator Paterno. So, in effect, it would be effective within, say, two weeks after it is signed into law and published.

Senator Herrera. Yes.

Senator Paterno. Now, one question, Mr. President, is: Would this immediate effectivity of the P20 increase in Section 12 (a) provide enough time for adjustment to those who are not in a position to provide the minimum wage increase immediately without preparation? I refer to such companies like garment manufacturers who have, in effect, committed production against POs issued sometime ago and placed on existing wage rates. So, so long as they have not completed that PO, the wages they have provided are still the present wage rate.

Senator Herrera. In the public hearing, the representatives of the garment industry was just asking that whatever is the legislated wage increase, it should be staggered. During the discussion, we were talking about P25, P30, P36. So that was only their request. Because, according to them, their production up to the end of December this year is covered under the old contract. And so this is also one of the reasons why we are not giving the P30 in one increase, but is being staggered because of the reality that some industries and in particular the garment industry, is asking for a staggered increase.

Senator Paterno. Would the Sponsor consider a deferment or approval in certain cases where there is clear justification for doing so?

Senator Herrera. In the case of the educational institution, we will find in the bill that there is a deferment because of the peculiarities in the educational institution, that they cannot afford to provide an increase unless they will be allowed to increase the tuition fees.

Senator Paterno. Would the Sponsor be willing to consider some extension of that principle with respect to educational institution?

Senator Herrera. We can discuss that during the period of amendment.

Senator Paterno. Thank you, Mr. President. Now, in listening to the sponsorship speech, Mr. President, I took note of the reference of the Sponsor to a figure of P22. In my understanding, the economist of one large trade union federation said that P7.00 per day increase was needed to cover the effect of inflation between the time of the last minimum wage adjustment in December 1987 to December 1988.

Senator Herrera. Yes. The study of this labor center that the Gentleman is referring to is that, in 1987 there was a need to provide an increase of P17. Because between 1984 and 1987, the purchasing power of the peso was eroded by about 29.6 percent, and so the estimate was about P17. But in 1987, we only legislated P10.00. So there was a shortfall of P7.00.

Senator Paterno. That is right, Mr. President. If, therefore, it is desired only to catch up with price increases since December 1987, a P7.00 or P8.00 increase at this time would be enough.

Senator Herrera. For 1987?

Senator Paterno. Yes, between December 1987 and December 1988.

Senator Herrera. If the purpose is merely to restore.

Senator Paterno. Yes. We are trying to identify this.

Senator Herrera. Yes, if only for 1987.

Senator Paterno. Yes.

Senator Herrera. I agree.

Senator Paterno. And then another P7.00 per day would enable a catch-up with the October 1984 real wages.

Senator Herrera. Yes.

Senator Paterno. That is the P7.00 that we had not been able to grant in December 1987.

Senator Herrera. Yes.

Senator Paterno. So, a P14 increase in the minimum wage, Mr. President, would already enable the workers real wage not only to be restored to the level of December 1987 but to be restored back to the level of October 1984. And it seems to me that this is one of the reasons why the administration bill provided for a P15 increase in wage in order to be able to catch up at least with the 1984 levels.

Senator Herrera. Nineteen hundred and eighty-seven.

Senator Paterno. No.

Senator Herrera. We will be restoring that to the 1987. Because what we lost in 1984 was only P7.00.

Senator Paterno. Correct. So we would be catching up not only with December 1987, the time of the last minimum wage increase, but, in addition, back to the real wage in October 1984.

Senator Herrera. Correct.

Senator Paterno. And so this would be what the administration bill will accomplish. The additional increase of P5.00 or P6.00 beyond this would bring real wages up to what level, Mr. President?

Senator Herrera. If we will increase, say, by an additional P8.00 in addition to the P14, then that would restore to 1988. So, that would mean that we will be bridging the gap between prices and wages as of 1988 by giving an additional P22.

Senator Paterno. Can I get this clearly, Mr. President? I do not think I understand the Sponsor's arithmetic?

Senator Herrera. In 1984 up to 1987, the purchasing power had been eroded by 29.6 percent. And so, we gave an increase of P10.00. But that was short by P7.00. So by giving an additional P7.00, we restore that to 1984.

Senator Paterno. Correct.

Senator Herrera. By giving an additional increase of P7.00, as the Gentleman suggested P14, then we will be restoring that to the 1987 level. If we provide another P8 as a result of the inflation in 1988, we will be restoring that now to the 1988.

Senator Paterno. No. We have already provided the additional P7.00 to handle the price increases during 1988.

Senator Herrera. No. Because we were using the base year 1984. In 1987, when we legislated R.A. No. 6640, we used 1984 as the base year.

Senator Paterno. So, the contention of the Sponsor is that the P22 increase would restore the minimum wage in real terms to the level of October 1984.

Senator Herrera. 1988 now. Because we already gave P22. From 1984 to 1987, we lost by P17; then we gave P10.00. So P7.00 was lacking. We restore another P7.00. Then that will restore it to 1987. In 1988, there was no wage increase. So, if we give P8.00 based on the inflation rate in 1988, we are restoring it to 1988.

Senator Paterno. Maybe we can compare arithmetics later on, Mr. President, because my own computation is a seven-peso component will make up for the inflation during 1988 and another P7.00 could make up for what we were not able to provide in December 1987 so that we can go back to October 1984 real wage levels. But, I will not dwell on that point now, Mr. President.

By what percentage does the minimum wage increase, if there is a P20 across-the-board?

Senator Herrera. That would be about 30 percent. Because we have P64 and if we increase by P20, so that would be a little over 30 percent.

Senator Paterno. It is 31.25 percent on industrial workers,

Senator Herrera. Yes.

Senator Paterno. But would the P20 increase also apply to all other categories of workers, not just the industrial workers, but also workers in retail establishments below employment of ten, in cottage and handicraft, nonplantation, et cetera?

Senator Herrera. Under the bill, those who are engaged in retail and employing less than ten are exempted.

Senator Paterno. But would this apply to nonplantation agricultural workers?

Senator Herrera. Yes.

Senator Paterno. Cottage and handicraft?

Senator Herrera. Yes, although there is the traditional gap between the industrial workers, the handicraft workers and the agricultural workers.

Senator Paterno. Yes, Mr. President, because non-plantation agricultural workers at the present time have a minimum wage of P43.50.

Senator Herrera. Yes. So, we still maintain the gap but the P20 wage increase, as proposed in the bill, will apply to all except those retail enterprises employing less than ten and, of course, the domestic help.

Senator Paterno. Yes. When the Sponsor says the increase will be 31.25 percent, he is, of course, referring only to industrial workers. But when we are talking of nonplantation agricultural workers, the percentage increase is far greater, is it not, Mr. President?

Senator Herrera. Yes, I agree with the Gentleman, but there is really a need to gradually correct the distortion there. There is a strong sentiment by some Members of the Committee that we have to establish a sort of a time frame when even the agricultural workers should receive the same amount as the industrial workers.

Senator Paterno. With respect to plantation workers, when we have entities like Dole and Del Monte in mind, Mr. President, I fully agree that plantation workers will receive the same as industrial workers. But when we are talking of farm labor, particularly the seasonal when, for example, the constituents of Senator Pimentel in Misamis Oriental hire people to make copra out of the coconuts that are brought down every quarter, they are subject to payment of nonplantation minimum wages and a 46 percent increase in that minimum wage might be more than they can absorb.

Senator Herrera. That is why we are proposing here for a regionalization of wage increase so that in the future this can be more objectively treated. This will come after the —

Senator Paterno. — the P20 increase across-the-board, Mr. President, would it not be advisable to try and mitigate this through adopting some kind of a regionalization scheme now so that the Metro Manila workers will be subject to the full increase and the workers in the rural areas will be subject to a smaller increase, so that we do not have shocks like a 46 percent increase in the nonplantation farmworkers?

Senator Herrera. We will look into that during the period of amendments.

Senator Paterno. Thank you, Mr. President. Just for the record, the percentage increase in the minimum wage with a P20

across-the-board will result in percentage increases on existing minimum wages of between 31.25 percent to 46 percent. And the 46 percent, as I said, might be too drastic an increase to absorb.

Mr. President, the question has often been raised about whether enterprises actually pay the minimum wage, and Senator Herrera has mentioned the figure of 23 percent.

Senator Herrera. Yes.

Senator Paterno. According to the Dole, that is the percentage that does not pay the minimum wage.

Senator Herrera. Outside of Metro Manila.

Senator Paterno. Is that the national average or is that for outside Metro Manila?

Senator Herrera. That is outside Metro Manila.

Senator Paterno. Because my recollection, Mr. President, is that in the survey, the entities surveyed within Metro Manila had only about 7 or 8 percent not paying the minimum wage; those outside Metro Manila had about a 30 plus percent.

Senator Herrera. No, I do not think so. I think it is something like 22 percent outside Metro Manila and about 7 percent within Metro Manila. According to the latest data of the Department of Labor, from January to March this year, the non-compliance have been reduced from 13 percent last year down to 6 percent. It is not even 7 percent; it is 6 percent in Metro Manila.

Senator Paterno. My worry, Mr. President, is that if we insist on this across-the-board P20, applied even to the rural areas, we would almost be compelling farmers and others who employ agricultural workers to violate the Minimum Wage Law. Because surely, they do not have the capacity to pay.

Senator Herrera. It is interesting to note that of the 393,640 business enterprises, 90 percent are employing less than ten. So, we are only talking here of the 10 percent of these business enterprises.

Senator Paterno. Are we exempting all enterprises which employ less than ten?

Senator Herrera. Not necessarily.

Senator Paterno. Or only retail establishment?

Senator Herrera. Only those engaged in retail.

Senator Paterno. So, it does not accomplish the point, as far as agricultural workers are concerned.

Senator Herrera. In the case of the agricultural workers, I think the Gentleman will agree with me, there is really a need to upgrade the minimum wages prevailing in the agricultural sector.

Senator Paterno. I am in accord, Mr. President. My question is not with the direction, but with the timing and the pace.

I am very cognizant of the statements of the Sponsor, Mr. President, with respect to inflation, but I have to quote NEDA figures, having nothing else to quote. According to NEDA, the administration bill's formula of P15 for Metro Manila, P10.00 for the environs and for some cities, and P6.00 for the rest of the Philippines, will result in an average increase in the minimum wage of only P8.50 nationwide. And that this kind of increase will result in inflation which is still at single digit levels.

However, according to NEDA's figures, the P20 across-the-board for all areas of the country will result in an inflation rate between 16 percent and 19 percent. Would Senator Herrera care to comment on that?

Senator Herrera. It is based on certain assumptions. And one of the assumptions there is that all workers will receive the legislated increase. We know that this is not correct. Because, first, there are so many enterprises engaged in retail which are employing less than ten. Second, as pointed out, we have this violation — the lack of enforcement. If the inflation rate will be based on the increase in money supply because of the increase in wages, then that, itself, will already debunk the claim of NEDA.

The other point that we have to stress here is that the attribution or the amount given to the possible impact on inflation if we increase the labor cost is, to my mind, also overstated.

Now, according to the NEDA, for every one percent increase, it will result to .7 percent increase. That is impossible because the total cost of labor in relation to the total cost of production is very much lower than that. Therefore, even if we have to increase that by 30 percent, certainly, it will not result to such impact on the inflation rate.

To prove this, we will note that in 1987 when we discussed the R.A. No. 6640, NEDA recommended for a smaller amount, it was P8 at that time. Because, in their projection, if we will increase P10.00, that will result to double-digit inflation rate. And it turned out that it did not materialize, because the money supply that was expected to result, as a consequence of the increase, did not come true.

In this bill, we also put a ceiling as to who should be entitled to the increase, as well as the wage distortion.

Senator Paterno. Mr. President, our P10.00 increase in the minimum wage in December 1987, represented something like 18 percent of the minimum wage at that time, prior to the increase, is that correct?

Senator Herrera. Yes, about 10 percent.

Senator Paterno. Whereas, this proposed increase of P20 will mean 31.25 percent increase in the industrial workers' wage. Would the Sponsor agree that, perhaps, there may be a certain optimum level of increase even in terms of the workers' real wage?

Let me try to illustrate. I have a calculation here which says that if the industrial worker were to receive a P15 increase in his minimum wage, he would end up with a higher real wage than if the minimum wage increase were P20 because the incremental inflation between the two levels of increase would be such as to offset the additional P5 that is inherent in the P20 increase.

Senator Herrera. The problem, Mr. President, in that calculation is that the incremental inflation, as a result of the inflation rate, is based on the NEDA's estimate which I think is overstated.

Senator Paterno. Yes.

Senator Herrera. I cannot blame the NEDA, it has always the tendency to be conservative.

Senator Paterno. Nevertheless, the possibility would be admitted that this might happen; that there is, we might say, an optimum increase beyond which the worker may not actually be receiving an increased real wage.

Senator Herrera. I am afraid I cannot agree with that calculation, Mr. President. We have to understand that the real wage equivalent of the present money wage that we have is only P15.25. So while our workers are receiving P67.8, actually the purchasing power of that P67.8 is only equivalent to P15.

Senator Paterno. In terms of 1978.

Senator Herrera. In terms of 1978. So I feel that we should establish a time frame wherein we can bridge this gap between wages and prices. And I think this is now the right time to establish that especially that we would like to employ or use a different scheme now in determining wages as recommended in the bill; that we will have a regionalized minimum wages. And one of the limitations there is that the regional minimum wage

should not fall below the national minimum wage. So I feel that the national minimum wage should be adjusted upward in order to make it consistent with the economic realities. That workers cannot blame us later, that we are establishing a national minimum wage which is still below the threshold of poverty, or in real wages, is based on the 1978 level.

Senator Paterno. My last question, in order to be able to give my Colleagues a chance also to interpellate, Mr. President, is concerned with how many will actually benefit from the P20 increase in minimum wages; and let me just present a few figures. The labor force consists of about 24 to 24-and-a-half million workers throughout the Philippines. And out of this, with a 10 percent unemployment rate, let us say, there are 22, out of the 24.5 million, who are employed, although many of these are still underemployed. Now, of the employed, we understand that only 45 percent are wage and salary workers, and the other 55 percent are self-employed, and do not receive wages and salaries. So, that translates to only 9.6 million wage and salary workers, some of whom work only part of the year.

Out of this 9.6 million, 1.3 is in the government sector. And since this bill applies only to workers in the private sector, the 1.3 million does not enjoy this minimum wage adjustment.

So we have a maximum of 8.3 million or one-third of the labor force who would be covered by this bill. Would that be correct, Mr. President?

Senator Herrera. More or less, yes.

Senator Paterno. The important question, however is: Out of the 8.6 million who would be covered by this Minimum Wage bill, how many will actually receive the increase in minimum wage?

Senator Herrera. In fact, I would venture to say that the entire working force will be benefited because in the case of those who are receiving more than the minimum wage, there is that wage distortion, and many companies, even if we will not compel them through legislation to correct the distortion, will do so voluntarily if only to maintain the morale of their work force. And then, for those who are self-employed, who are mostly working in the farm, they will be benefited because this wage increase will result to the increase of the workers, who are the consumers, purchasing power. Since they will use the additional wages to buy additional goods and services the farmers and the self-employed will be the direct beneficiaries of this increase in the purchasing power of the workers.

Senator Paterno. I thought it would be helpful to bring up that last point, Mr. President, because in all of our legislations,

we are always faced with the choice of selecting the option which provides the greatest good for the greatest number.

Thank you, Mr. President.

Senator Guingona. Mr. President.

The President. Senator Guingona is recognized.

Senator Guingona. Mr. President, will the distinguished Sponsor yield to some questions?

Senator Herrera. Gladly, Mr. President.

Senator Guingona. The Sponsor, during the period of interpellation, stated that labor force comprises 23 million.

Senator Herrera. Yes.

Senator Guingona. But the actual labor force in the Philippines is 36 million.

Senator Herrera. This is the data that we have. In fact, in 1987, this used to be 22 million something, and then there was an increase of about 600,000 plus. So it is now 23.5 million.

Senator Guingona. The data that we have is that the labor force, as defined, is "15 years old or over."

Senator Herrera. Then that is 23.5 million. Maybe, the labor force which the Gentleman mentioned, Mr. President, would include the ages from five to 13 who are helping in the farm.

Senator Guingona. No. This involves definition of the "15 years old or over, working once every quarter."

Senator Herrera. Yes.

Senator Guingona. But the trouble here is that the survey question is based on "Are you looking for work for the past week?" If "Yes", then they are included in the labor force. That is why many who say, "I am not" are not included in the 23 million. Actually, the labor force in the Philippines would really amount to 36 million persons.

Senator Herrera. I am not very sure of the Gentleman's figure, Mr. President.

Senator Guingona. Yes. The fault, as we perceive it, is in the manner of survey.

Senator Herrera. We have our own definition of who are employed. The Gentleman is correct there. But the total man-labor force is only 23.5 million.

Senator Guingona. Does this include those who have migrated for work outside?

Senator Herrera. I suppose so. They should be included, although in their determination of employment rate, according to one of the NEDA directors, when he testified before the Committee on Economic Affairs, they do not include the overseas workers in their computation. But, if we put logic in all these data that we have, provided by the National Wages Council, the NEDA, and the CISO, it seems that they are included.

Senator Guingona. Are domestic helpers included?

Senator Herrera. Yes.

Senator Guingona. So, in the computation of 23 million, there could be a larger labor force and a larger number of unemployed, because our statistics are really not accurate.

Senator Herrera. But that is the official statistics. So, we will just try to make do with that available statistics.

Senator Guingona. Even if the unemployed is two million and the underemployed is over 30 percent of 23 million, the point is that employment or unemployment is another issue that should not be taken into account in determining a just wage or a living wage.

Senator Herrera. The government, as well as the employers, is saying that, when we define our wage policy, we should also consider the unemployed based on the idea that if we will make labor very expensive, that will discourage owners of enterprises to hire additional labor.

Senator Guingona. But we have a cheap labor policy during the Martial Law years. It did not necessarily increase employment, did it?

Senator Herrera. I agree with the Gentleman.

Senator Guingona. And, it did not increase employment in spite of low wages, as a policy, because there are other vital factors in determining or spurring the establishment of more farms and factories, such as, for example, infrastructure, capital, raw materials, political stability, et cetera.

Senator Herrera. The distinguished Gentleman is correct.

Senator Guingona. The increase in prices is also another issue, and although a factor, should not be taken into account in the determination necessarily of wages, should it?

Senator Herrera. It is important to consider prices, because that is, in fact, the main reason why we are legislating wage increase because of the increase in the prices of commodities.

Senator Guingona. Yes, but prices in relation to inflation should not be a deterrent to granting wage increases, because as the distinguished Sponsor has said, labor is only 10 percent determinative of inflation; and the determination of increased production would be based on other factors, such as, infrastructure, capital, power, transportation, communication, and the like.

Now, Section 2 of the bill lists down four to five policy objectives; Section 3 enumerates seven factors, by which the National Wages Council determines the applicable minimum wage. May we know what is the principal objective of a minimum wage? What is the principal criteria by which minimum wage increases are determined?

Senator Herrera. In order to provide a basic wage for the workers that would be enough to pay for the basic requirements or basic commodities that he has to pay everyday in order to survive.

Senator Guingona. The regionalization of wages may encourage workers to migrate to Metro Manila. And the purpose of this regionalization is precisely to encourage dispersal of industries by having lower wages in the provinces, we encourage them to go to the provinces. But because Metro Manila has the necessary infrastructures, has the power, the telecommunication, and other access to ports, harbors, et cetera, then does not the distinguished Sponsor believe that the opposite effect may happen?

Senator Herrera. The reason why rural workers would migrate to Manila is that there are job opportunities in Manila not because of the wage factor. In fact the many problems that we have in the labor front in Metro Manila is because the rural workers are competing with the urban workers of the very limited jobs and they are willing to receive even salaries below the minimum wage. That is why as a consequence of that, bargaining positions of unions are being affected.

Senator Guingona. The surplus labor is in the rural areas, is it not?

Senator Herrera. Based on statistics now, it is in Metro Manila. There is an unemployment rate of 17.7 percent. The highest unemployment rate is in Metro Manila.

Senator Guingona. Yes, but the unemployment is because of the influx of migrants from the provinces.

Senator Herrera. Because there are no available jobs in the provinces.

Senator Guingona. And the proposition that the lowering of wages will attract or will make the migrants who come to Manila consider going back to the provinces cannot be effected by increased wages or lower wages in the provinces alone.

Senator Herrera. On the other hand, one of the attractions of the Philippines as compared to other countries in Southeast Asia is that our labor cost is of course cheaper than the other countries. Putting that within the Philippine context in regions or areas where we have available labor, the tendency for labor intensive industries is to go to these areas specially if there is advantage that would make the cost of labor in the region not as high as in the urban center. We have to emphasize here that in the case of labor intensive industries, for example, garment, a wage differential of say, P5.00 between Metro Manila and the regions outside Metro Manila, will certainly encourage the labor industries especially those employing by the thousand to go outside of Metro Manila in order to take advantage of the wage difference.

Senator Guingona. But unless we set up the necessary infrastructure, our telecommunication, ports, the industries will not be attracted.

Senator Herrera. I agree with the Gentleman, but there are areas outside of Metro Manila which have also this infrastructure. For instance, in the case of Luzon, the infrastructure in Angeles City or San Fernando is as good as in Metro Manila. We have a communication system there, we have good roads — or Lucena City, or we may go further than that, Cebu, Davao, Cagayan de Oro, Iloilo. They have comparable infrastructures.

Senator Guingona. Yes, but the unemployed in Angeles City is very low and it is in the areas, for example, Cagayan North, in Mindanao, in Samar, where we would like to establish more firms and factories to have more employment.

Senator Herrera. That should be our long-range objective but we have to be practical that we cannot expect these industries to go somewhere. But if we have a wage gap or say P5.00 or even P4.00, P10.00 in Metro Manila and the other regions, we can encourage these industries to go to these areas which have, as I said, the infrastructure just like in Metro Manila.

Senator Guingona. So, this is just a temporary measure and intended as one of the factors to hopefully be complemented by the necessary infrastructures.

Senator Herrera. Let us put it this way since the Gentleman mentioned that in Angeles City, the employment rate is low

compared to Metro Manila. It is because the people in Angeles City are migrating to Metro Manila since their perception is that there are available jobs here. But, if jobs will be available in these places, then we can expect that the people there will no longer come to Metro Manila. And this will diffuse the congestion here in Metro Manila.

Senator Guingona. Now, the national taxes, for example, the public utilities' prices, the prices for water rates and all that, should be uniform now that we are regionalizing. Would not the National Government have a hard time adjusting prices for these public utilities, national taxes and labor standards because, in effect, we would be encouraging different standards for different regions?

Senator Herrera. I think what the Gentleman is stressing, Mr. President, is that as a consequence of regionalization of wages we will be establishing different wage standards in different regions. The primary purpose of the regionalization is to establish a wage level that is consistent with the realities in the region. We have to admit that a worker in Tagbilaran receiving P64 is better off than a worker in Manila receiving P64. In Metro Manila, the cost of transportation is very high; the cost of housing is exorbitant.

Senator Guingona. That has been a question of opinion. But, at any rate, I hope that this regionalization scheme will be temporary for as long as the inequities are there. But, once we put up the necessary infrastructures in the other areas, I hope we would have, more or less, a standard throughout the nation.

Senator Herrera. I think it is about time that we should have trust and confidence in our regional leaders to make a decision for themselves.

Senator Guingona. Now, the National Wages Council, may we know the standard for their awarding or adjusting the wages in the different regions?

Senator Herrera. Right now, Mr. President, they are not doing that. That is why in this bill we are giving this authority to the National Wages Council and defining the criteria in the exercise of this authority. This will be the basis when they will recommend or fix the regional minimum wages. And, I think, we have established good criteria here and if the Gentleman has some suggestions to improve criteria, then we can entertain them during the period of amendments.

Senator Guingona. Yes, because this will be, in effect, delegation of the power to fix wages and we have to prescribe specific objective standards. As it is now, Section 4 provides for consultations with provincial and municipal officials, giving public hearings, hearing the employers and employees groups.

Would the distinguished Sponsor consider having an objective standard of indexing, for example?

Senator Herrera. In the companion bill, there is this bill that I filed and there is also a certified bill creating the National Wages and Productivity Commission and Regional Wage Board. The indexation that the Gentleman mentioned, Mr. President, is included there. As to the standard that should be the basis of the National Wages Council in fixing regional wage, under this bill we have Section 2 and Section 3.

Senator Guingona. Yes, but this can be, at times, subjective, and I would, in the period of amendments, submit an indexing.

Senator Herrera. I look forward to that, Mr. President. In fact, if we will succeed in legislating this, we will become instant heroes as far as the workers in this country are concerned.

Senator Guingona. Now, there is also no time period stated in the bill within which the wages would be set or adjusted by the National Wages Council.

Would the Sponsor consider granting a one-year or two-year period, for example, reviewable periodically?

Senator Herrera. We will discuss that during the period of amendments.

Senator Guingona. May we know the definition of a "living wage," Mr. President?

Senator Herrera. This is provided in the Constitution. Maybe we will look into the proceedings of the Constitutional Commission in order to have an accurate definition of this. I would like to assure the Gentleman that I will give that to him, maybe late this afternoon or maybe tomorrow morning.

Senator Guingona. Now, may we know the rationale for exempting firms employing less than ten workers from the minimum wage? These are ten workers engaged in retail enterprises.

Senator Herrera. Because these are small enterprises. Actually, the exemption that is envisioned here is not automatic. They really have to apply to the National Wages Council.

Senator Guingona. Smallness does not necessarily mean inability or incapacity to pay the minimum wage. We can take, for example, a prawn farm employing less than ten, two or three people, but having sufficient resources to pay. We also think of the technological firms using high technology where they have the capacity to pay. The question is, why should they be exempted?

Senator Herrera. What is contemplated in the bill, Mr. President, is only to exempt those engaged in retail. I am not very sure whether those engaged in prawn-farming are engaged in retail business.

Senator Guingona. Retail is selling.

Senator Herrera. Most of these prawn farms are really exporting and they are selling on wholesale. Now, if they can qualify under the definition of "Retail Enterprises," then they can apply for exemption under the bill.

Senator Guingona. I have other questions, Mr. President, but to give opportunity to others, may we ask for a reservation of that.

SUSPENSION OF THE SESSION

Senator Herrera. Can we ask a recess of ten minutes, Mr. President?

The President. Shall we suspend the session for our usual break, if there is no objection? *[There was none.]*

It was 4:48 p.m.

RESUMPTION OF THE SESSION

At 5:32 p.m., the session was resumed.

The President. The session is resumed.

Senators Herrera and Maceda are recognized.

Senator Maceda. Mr. President, will the distinguished Chairman of the Committee on Labor yield to a few clarificatory questions?

Senator Herrera. Gladly, Mr. President.

Senator Maceda. To begin with, Mr. President, I would like to, again, congratulate the Chairman for having worked so hard on this proposal, including evenings, I know, and including dinners in Arlegui, I understand. *[Laughter]*

The Gentleman from Cavite mentioned the question of timing. Would it be correct to say that, in view of the tremendously successful year of 1988, growth-wise and profit-wise, the timing is right for the employer and management sector to agree to what would be even a little bigger minimum wage than we would have ordinarily thought of in 1987, for example?

Senator Herrera. The truth of the matter is that in 1987, some employers confided to me that they would have agreed to

give P15. But then, at that time, it would appear presumptuous on the part of Congress to approve higher than P10.00 when the labor unions were asking for only P10.00. So, that was the reality at that time.

Senator Maceda. Is it not indicative also of the present willingness and ability of the employers to pay that right after the President announced her P15.00, P10.00, and P6.00; the PCCI, through Mr. Periquet, almost immediately agreed to the P15, in effect, for Metro Manila?

Senator Herrera. The business sector has been saying that for the past three years, they were making good. So, I would conclude that the reason they have agreed to the certified bill is that of their capability to pay.

Senator Maceda. So much so that in addition to that, they have limited their arguments not to the substantial issue of whether a minimum wage or a wage hike should be given or not; but in the end, their only point of debate or argument was that it should not be through legislation, but it should be left to collective bargaining. They were not questioning the proposed wage hike.

Senator Herrera. That was their position that they are not against wage increase. What they are against is the government intervention and then later, the employer said that if there will be a legislative increase, it should not be more than P15 for Metro Manila; because, according to them, this will result to high inflation rate.

Senator Maceda. Now, for the record, just to support the premises: Is the Sponsor aware that in the automotive industry which has published that they have about 35,000 or 36,000 workers, in 1988 they registered a 57 percent growth rate?

Senator Herrera. That might be correct, but the automotive industry in the country under that classification might have included the dealers of auto parts because the manufacturers of cars do not employ that number.

Senator Maceda. I am really zeroing in on the profitability and growth rates. Now, is the Gentleman aware that the petrochemical industry represented a 39 percent growth rate for 1988?

Senator Herrera. Yes, I am aware of that.

Senator Maceda. That the construction materials industry represented a 34 percent growth rate?

Senator Herrera. I am aware of that.

Senator Maceda. That the consumer durables represented a 31 percent growth rate?

Senator Herrera. As I have said earlier, Mr. President, the business sector has not denied that they had been making good for the past two years.

Senator Maceda. That the soft drinks companies represented a 30 percent increase in sales not only in 1987 but again, in 1988; that even the banks reflected a 39 or 40 percent profit, something that I hope our Committee on Banks should look into because I find it really unacceptable that banks should be making so much profit.

In short, Mr. President, if we are not going to take advantage of this present boom to ask the management sector to give a higher than usual minimum wage, and is it not a fact that now there is a debate between different sectors as to whether 1989 will be as good a year as 1988? Baka ito na lamang po ang talagang pinakamagandang pagkakataon upang magkaroon naman ng malakilaking increase ang ating mga manggagawa. Would the Gentleman agree that that is a reasonable argument, Mr. President?

Senator Herrera. I agree. In fact, if this wage increase — this bill will become a law, then this will be the first time in the history of our country where there is really a substantial increase in the minimum wage.

Senator Maceda. Now, I will limit myself to two points, Mr. President, because I might just opt to deliver another speech in favor of the bill. The administration proposal — and partly dealt on by the Gentleman from Cavite — now comes out with a three-tiered wage increase — P15.00, P10.00, and P6.00. I am happy to note that today we hear that the House has upped its inclination to P20, P13, and P8.00.

To begin with, as far as the differential that we are talking about is concerned, that differential will be kept because the base amounts now still call for a substantial differential between agricultural and non-agricultural. Is that not correct, Mr. President?

Senator Herrera. There is a traditional gap.

Senator Maceda. Right. And in addition to that, the differential, in effect, will also be further maintained — while I do not agree with it, but I bow to the majority — because, in effect, what we are proposing in this bill, and it could have been done in this bill effective immediately, is P30 for Metro Manila workers and P20 for non-Metro Manila workers, therefore, adopting again a P10.00 differential which will widen the gap

again come January or February once the P10.00 is finally made effective.

Senator Herrera. Not necessarily because it might be possible that the National Wages Council, in accordance with the bill, will recommend an increase equivalent to that of Metro Manila and certain regions.

Senator Maceda. This differential that we have been discussing, of course, has good arguments on both sides of the coin, but, maybe, if we refer to experience, this differential has been in effect for how many years now, Mr. President?

Senator Herrera. If I remember right, we started the differential sometime in 1977, but it is only a peso gap for those workers outside of Metro Manila and those of Metro Manila. But, if the Gentleman is referring to the agricultural workers, the plantation workers, it has been in effect for so many years already.

If the Gentleman will remember, Mr. President, in the case of the sugar industry, at the time of the sugar boom in 1972, 1973, 1974, and 1975, there were presidential decrees which provided additional increase for the workers in the sugar industry. That is why we find that the workers in the sugar industry are receiving higher wages compared to the other agricultural workers.

Senator Maceda. Is it not proven by the fact, Mr. President, that while we have had the two-tiered system in 1977, the economic figure showed that the rural-urban gap has widened and the differential has not resulted in a dispersal of industries to the rural areas?

Senator Herrera. It is because the difference at that time was only P1. We are, of course, referring to the manufacturing sector because the target of the industrial dispersal is in the manufacturing sector. So, at the time when there was this differential of P1, actually, the real value of that P1 was only nine centavos. So, that was not really so much as to induce industries to go to the rural sector.

Senator Maceda. Let us take the case of a specific group of workers which the Gentleman referred to. To begin with, I refer to the workers in the labor-intensive export industries which, coincidentally, happen to be the number one and the number two exports — number one, garments, and number two, electronics.

The profitability of the garments industry, as well as the electronics industry, is really dictated by the selling prices abroad.

Senator Herrera. And the value of the peso.

Senator Maceda. And the value of the peso. So that, would it be fair that a garment manufacturer in Metro Manila will have to pay a higher wage, in a sense, and another manufacturer, let us say, an electronic manufacturer in Cebu and Danao paying a lower wage, would therefore have a higher margin of profit, because whether the garments or transistors were made in Makati or in Danao, the export selling price is the same? And so, by giving the employer the right to pay lower wages in Danao for electronics, or lower wages in Cebu or Mactan for garments, then the profit margin for the employer becomes bigger.

Senator Herrera. Anyway, that will encourage them to go to Mactan, because that will yield them a higher profit than to stay in Metro Manila. But anyway, the profit that we are projecting may not be correct in actuality, because one who operates in Cebu will be spending more also in transportation costs of materials, as well as in exports. That is one thing that we have to consider. And the companies also will have to provide additional incentives to the management people just to go to these areas.

Senator Maceda. Does the distinguished Gentleman really think that this concept now of a three-tiered wage would be implemented without too much complaints or problems from the other areas that are not included in the ten and, of course, in the fifteen? Would the worker in Red V in Tiaong or Peter Paul in Candelaria accept that the desiccated coconut worker in Franklin Baker, a few kilometers away in San Pablo, which is within Laguna, would be receiving P4 more than him?

Senator Herrera. Under our proposal, it will only be a two-tiered increase.

Senator Maceda. That is right.

Senator Herrera. Anyway, talking about the administration bill, which the distinguished Gentleman is referring to, basically the problem in the region is really employment. The pay will come second to that problem. So, there is validity to that stress on providing employment first to the rural sector.

Senator Maceda. Now, let me come to a practical point. The distinguished Gentleman said in caucus and in private conversations that he does accept, and labor unions sometimes accept, that in certain areas, a lower wage is paid because the unions concede the fact that certain employers cannot pay the same. I guess along the same line, the distinguished Gentleman does concede that in many establishments which are not covered by unions, again they pay a lower amount than the P10.00 that we... Now, let us go to a practical consideration. If the worker is given a P15 increase, and the employer said: "I will just pay you P5.00, because iyon lamang ang kaya ko." Maybe the worker

will agree. But if the worker is supposed to get a P30 increase, combining the amount, and the employer will say: "I will only pay you P5.00, because that is all I can afford." Siguro ay hindi po naman papayag kung ganoon lamang ang ibabayad. What I mean to say is that, even in those situations where certain establishments pay lesser and lesser amount of increase, at least, if the increase is higher, they have a better chance of paying a much bigger percentage of 30, than a much bigger percentage of 15.

Senator Herrera. The Gentleman's hypothesis is correct if it is the assumption that the employer can afford to pay more than P5.00. But if he can only afford to pay P5.00, even if we make the increase P100, he will only pay P5.00.

Senator Maceda. We know the employers always say they can only afford to pay so much. Now, let me just work on a few statistics before I sit down.

A 100-worker firm would already be considered large or medium size, considering that, as the Gentleman said, 80 percent is ten or less?

Senator Herrera. Depending on the capitalization of the company.

Senator Maceda. All right. Because I was computing that based on 100 workers, P20 times five days a week, let us say, to start with, or P400 a month times 12 is P4,800, comes out only to P480,000 for one year.

Senator Herrera. A month?

Senator Maceda. No, a year. For 100 workers, it comes out to P480,000 a year. And yet, I think, the statistics shown by the 57 percent increase in the automotive industry, is that there is a long line of people who are now waiting for the delivery of Toyota Crowns Saloon at P1,260,000. There is a long line of people who are waiting for Pajeros at P600,000, for Maximas at P496,000, for the Galants at around P490,000. We will see most businesses now buying new cars, right and left.

Hindi po ba iyong P500,000, in the case of some employers, para hindi naman natin palaging pinag-uusapan ang inflation rate dito — I am just trying to demonstrate it to a more practical point — ay kalahati lamang iyon ng isang Toyota Crown Saloon? Kung maaari, if he cannot really afford, bumili na lamang siya ng Pajero o Maxima at ibigay na iyong P480,000 sa empleyado. Kung bibili naman siya ng tatlong Maxima, dalawa na lamang muna ang bilhin niya at kung kailangan isang P285,000 na Corolla. So, I am just trying to say that besides the ability of the employer to pay, and its relation to the so-called "inflation rate," the spending of employers and management is not

adequately checked. Sapagkat palagi na lamang nakatuon ang ating pansin, Ginoong Pangulo sa suweldo ng mga empleyado.

How many employers always travel first class? How many employers always charge their family travels to their corporations? They think that these are their rights. Siguro nga. But in relation to this equation of a minimum wage law, especially in terms of a living wage, what we are talking about are the very few companies of the 100-worker level.

What I am saying in terms of present prices of expenditures of employers now for cars, for entertainment, for business trips, boils down to half a Toyota Crown Saloon or one Maxima, less.

Is that not one way of putting it, Mr. President?

Senator Herrera. The Gentleman is correct there, Mr. President. Unfortunately, an appeal like that, maybe, will be heard or will be listened to by a Filipino entrepreneur. But if we have a Japanese, American or a Chinese from Taipeh, and he comes here for profit motives, he will not listen to this plea. So, as far as I have pointed out in my sponsorship speech, siguro kailangan na ngayon that the employers must sacrifice part of their profits and I think that is what he is driving at. Unfortunately, Mr. President, we cannot legislate that the profit of the company should not be more than so much an amount. If we do that, we will be driving out our investors. What we can do is only to appeal to them and enact measures that would give additional benefits for the workers. It is very difficult really to appeal to the employers when it comes to that. Maybe to a Filipino employer, yes, because we can appeal to their sense of patriotism and sense of nationalism. But, to a foreigner, it will be very difficult.

By the way, Mr. President, when we talk of automotive industry, banks, petrochemical, tire factories, these are industries where labor cost is only 2 percent. They do not mind even if there is a big wage difference. They will not go to Davao, Cagayan de Oro or Cebu. They will stay where the action is, in Metro Manila because the wage cost is immaterial to them. So, the targets of industrial dispersal are the labor-intensive industries where the bulk of the investment, the capital, is invested in labor.

Senator Maceda. Now, Mr. President, what I was trying to get at was a statement by, I do not know whether it was my good friend, Mr. Inocentes of ECO or Mr. Periquet of PCCI, and the statement was, "Why are you so generous with our money?" Now, Mr. President, precisely what I am trying to say is, it is not exactly their money because when they buy a Mercedes Benz or a Toyota Crown Saloon, they deduct that from the profits and it affects their tax liabilities to the government. So, their net profits have already taken into consideration certain tax avoidance schemes that are allowed to them, in a sense, and reduce their tax

liabilities to the government. Whereas before landlords can say that we should not be generous with our land, we passed the Comprehensive Agrarian Reform Program, I think the situation under the New Constitution and because we are still in a transition period where we have still a questionable peace and order situation, in the same way as landlords cannot validly say anymore. "Why are you so generous with our land?", I do not think that employers are entitled to say now, "Why are you so generous with our money?" The point is workers are as much a part of that money now. The State is a part of that money now especially in the context of the social justice provision of the Constitution. Is that not correct, Mr. President?

Senator Herrera. I agree with the Gentleman, Mr. President.

Senator Maceda. So, with that, Mr. President, as I said I will give the others a chance and should it be necessary, I will just reserve my right to deliver a cosponsoring speech.

Thank you.

Senator Pimentel. Mr. President.

The President. Senator Pimentel is recognized.

Senator Pimentel. Thank you, Mr. President. Just a few questions if the Sponsor will accommodate this request.

Senator Herrera. Gladly, Mr. President.

Senator Pimentel. I notice, Mr. President, in our Committee Report No. 613, on page 2, particularly Section 6, that new enterprises which may be established outside the National Capital Region could be exempted from the coverage of the increase in minimum wage. And there is a proviso that singles out Region III and Region IV to be exempted only for one year and those established in the Provinces of Palawan, Mindoro, Romblon, Quezon, and Aurora, may be exempted for two years. Aside from the fact that Central Luzon is the region of the President and Southern Tagalog is the region of Speaker Mitra, is there any reason, Mr. President, why these two regions should be given such preference which may not be enjoyed by the other regions?

Senator Herrera. The reason for this, Mr. President, is to encourage new industries to invest farther than Regions II and III. That is the reason why there are added incentives if they will invest outside of Regions II and III; if it will be approved by the Department of Labor and the Department of Industry, they will get an exemption for two years of the new wage rate.

The other reason for this, Mr. President, is, if we look at the profile of the various regions, we will find that Regions III and IV are among the lowest in terms of unemployment rate.

Senator Pimentel. That is correct.

Senator Herrera. Industries are going to these regions now, but in the other regions, there seems to be no interest for industries to go there, and we are trying to induce them to go outside of these regions.

Senator Pimentel. The reason why I am a little bit suspicious about these exemptions is the fact that other regions are more or less, similarly situated as, let us say, Palawan, Mindoro, Romblon, Quezon and Aurora, in the sense that there is also a dearth of industries that could very well be accommodated in those regions.

Senator Herrera. This will be two years for the other regions. It is only one year for Regions II and III, with the exception of Romblon, Mindoro, Palawan and Aurora. Other regions, Regions VI and VII, is also two years.

Senator Pimentel. That is what I wanted to clarify.

Senator Herrera. We will have it clarified, Mr. President.

Senator Pimentel. Yes, because, obviously, Region VIII, for example, is a place that really deserves attention and assistance.

Senator Herrera. That is the intention of this provision.

Senator Pimentel. So, the intention really, Mr. President, is to cause a dispersal of industries as much as possible.

Senator Herrera. Yes. In fact, Mr. President, my technical staff is studying also the possibility that we can sponsor a joint resolution with the Lower House where we will indicate that 30 percent of the quota of the garment industry should be allocated for Mindanao; 30 percent for the Visayas; 40 percent for Luzon. In that way, the garment industry will be forced to go to these regions.

Senator Pimentel. Thank you, Mr. President, and I hope we can really pass this bill, if not today, at the latest, by tomorrow.

Senator Herrera. I also hope so.

Senator Saguisag. Mr. President.

The President. Senator Saguisag is recognized.

Senator Saguisag. Thank you, Mr. President. May I just pursue the point raised by Senator Pimentel, if the distinguished main Sponsor will yield.

Senator Herrera. Yes, please. Gladly, Mr. President.

Senator Saguisag. Since we seem to agree on the rationale for new enterprises, can we extend the same reasoning to existing companies in relation to "new hires," so to speak?

In other words, can we say that, within a certain period, so that more unemployed people can enter the job stream, the employers will be able to avail themselves of the same privilege?

Senator Herrera. There are many ways of doing that without necessarily putting it in the bill. All the company has to do is hire the new hiree as an apprentice and, under the law, he will be paid only 75 percent of the minimum wage.

Senator Saguisag. I was just wondering whether we can make this bill more attractive by putting new enterprises, as well as existing enterprises, which will be hiring new people on the same level. Maybe, we will see in the period of amendments if there will be a need for such a provision.

That is all for now, Mr. President.

Senator Angara. Mr. President.

Senator Lina. Mr. President.

The President. Senators Angara and Lina are recognized.

Senator Angara. I wonder if my distinguished friend will answer some questions?

Senator Herrera. Gladly, Mr. President.

Senator Angara. Mr. President, I heard the Gentleman say that 90 percent of the establishments in this country are small or medium scale, meaning they are employing less than ten.

Senator Herrera. Yes, Mr. President.

Senator Angara. And I saw statistics compiled by the Department of Labor and Employment, to the effect that 90 percent — let me just look at my file — consists of 320,149 establishments.

Senator Herrera. Yes, Mr. President.

Senator Angara. And therefore, the remaining establishments employing ten and over, which are about 10.3 percent, would amount to 36,605 establishments. Now, I wonder, Mr. President, whether the Gentleman has the information as to the number of employees employed by these 36,605 establishments.

Senator Herrera. Unfortunately, we do not have the data for that, but, perhaps, what we can do is determine how many of these companies are located in Metro Manila, and then relate this to the number of those employed in Metro Manila. That is the approximate estimate that we can establish.

Senator Angara. I think, that would be a very useful statistics to all of us, Mr. President, because then, we can really determine the impact of this wage increase, not only regionally, but occupationally.

Senator Herrera. Unfortunately, there are no data.

Senator Angara. Mr. President, let me state beforehand, that I agree with the Gentleman's proposal and I will vote for this Committee Report, but let me just raise the point that worries most people, as expressed by Senator Paterno, and that is the impact of a wage increase on the inflation rate. Again I have seen the statistics prepared by Labor, which indicate that a wage increase of this magnitude, P20, could generate a 16 to 19 percent inflation and bring down the GNP growth rate from 6.5 to 5.78. Does the Gentleman agree with those statistics?

Senator Herrera. That is really a debatable issue. In fact, many economists disagree with that for the simple reason that alleged contribution of labor costs to inflation is overstated. According to the NEDA, based on the Mariano model that they are adopting, for one percent increase in the wage of the worker, that will result to .07 percent increase on the inflation rate. So, the position of many economists is that that is quite overstated in the sense that the labor cost in relation to the total cost of production, is only between 5 percent and 10 percent.

Senator Angara. Generally.

Senator Herrera. Generally.

Senator Angara. The expected inflation rate for this year, 1989, is 8.8 percent, if I remember right. But even under DOLE's calculation, a P15 increase in minimum wage will result to a double-digit inflation rate of 13.9 to 15.3 percent. So, I am trying to determine in my own mind whether the inflation rate they are predicting for P15 is almost the same as the inflation rate that the Gentleman is predicting for a wage increase of P20. Does the Committee or the Gentleman's own organization, Mr. President, have a study that will indicate to us what is the impact on inflation of a P20 wage increase?

Senator Herrera. The impact, as analyzed by our own Research Center in the TUCP is that, if we will increase labor cost by 30 percent on the assumption that the labor cost is from 5 to 10 percent, it will not be more than 3 percent.

Senator Angara. So, that will bring us to about 12 percent inflation rate.

Senator Herrera. No. To NEDA's inflation-rate projection of 8.8 percent, they already inputted the increase of P8.60.

Senator Angara. Yes, the distinguished Sponsor is correct, Mr. President, that if it is P8.00 increase in wage, then the expected inflation rate is, as predicted by NEDA, only 8.8 percent. But if the wage increase is P15, as proposed by DOLE, then the inflation rate would jump to 13.9 up to 15.3 percent.

Senator Herrera. That is based on a certain assumption that all workers will get the P15.00.

Senator Angara. That is why, I was interested in the composition of the 36,605 establishments, because I want to relate the inflation rate.

Senator Herrera. If only to assure us that the projection of 13.72 percent will not be reached even if the increase will be P15.00, the fact is that, according to DOLE, there is already a violation of 23 percent. It means the money supply will be proportionately reduced also by the amount of money that would have been given to the workers represented by the 23 percent violation. And if we put over and above that, the violation in Metro Manila of 6 percent, then again that will further cut the money supply; plus, if we have to consider that not all will receive the P15-or P20-wage increase because they are receiving P200 or P300 daily wage employed in big multinationals, then we can simply say that the projection of NEDA will not materialize. And to support this assertion is our experience in 1988.

If the distinguished Senator will remember, Mr. President, the NEDA projected a double-digit inflation rate, if the minimum wage will be increased by P10.00. That is why, NEDA, at that time, recommended only an increase of P8.00, but then we legislated P10.00. And in 1988, the inflation rate was only 8.8 percent. It is because of those variables that I mentioned earlier.

Senator Angara. I think, the inflation rate between December 1987 to February 1989 over that period where the P10.00 increase was mandated is over 11 percent, Mr. President, not just 8.8. That is why, we are again increasing the minimum wage because we are saying that the P10.00 we gave in December 1987 has been eaten into by inflation.

At any rate, Mr. President, whatever calculation we make here — whether it is the 15 percent proposed by DOLE or the 20 percent we are proposing now — the inflation rate for 1989 will go double digit.

Senator Herrera. I suspect that even if we will not increase wages, that will still reach the double digit because of the projected increase in the price of oil.

Senator Angara. That may be so but, I think, the wage component would add to the spiral. So, the question we are really faced with, Mr. President, is that what rate of inflation can we afford?

Senator Herrera. I think, as much as possible, we should try to adopt the program of NEDA which is to control inflation rate as not to exceed the 10 percent, without necessarily sacrificing the wages of the workers. It means that we really have to control other factors that may contribute to the increased inflation.

Senator Angara. Just two factors, Mr. President — wage increase and fuel increase — will inevitably cause price inflation, and the expected 8.8 percent will go out of the window right away.

Senator Herrera. I think there are other factors that we can consider.

First, of course, is the profit. Maybe, it is about time that employers also will really sacrifice a little.

Second is that, maybe, the government should give assistance to industries that are not high in productivity, because the surest way that we can control the inflation rate is to balance this by increasing productivity. Now, we just hope that as we give this increase to the labor sector, the labor sector also will try its best to increase labor productivity. That is one way also of controlling the inflation rate. The other is, of course, the cost of materials. Maybe, we should look into that. It might be that certain materials which are used by our industries are so expensive because of the taxes imposed on these materials.

What I am saying, Mr. President, is that the wages should be the last factor to be considered for manipulation in our desire to control the inflation rate.

Senator Angara. So, in the distinguished Gentleman's best judgment, Mr. President, what would be the inflation rate that will be caused not only by this wage proposals, but by the other factors that the Gentleman has cited for 1989?

Senator Herrera. If we have to follow the program of NEDA, as I said earlier, if we want to attain a Gross National Product growth of 6.5 percent in 1992, and an additional increase next year by about 6.7, then we really have to control the inflation rate. I agree with that. My position is that we have to

look into the other factors that would contribute to the increase of inflation rate, rather than immediately sacrificing the wages of the workers.

My worry here is that this might be counterproductive if we will not give what the workers deserve. This might result in labor unrest and might affect the productivity in our industrial sector. This will also discourage investment. So, when we consider wage increase, I think that is unavoidable; that a certain amount should be used to pay also the political cost in order to avoid labor unrest.

Senator Angara. Yes. What can also happen, Mr. President, apart from the push in inflation is that, in order to later on dampen the inflationary pressure, the Central Bank might tighten on credits, and interest rates will go up. Is that not possible?

Senator Herrera. That could be one possibility. But we had a bad experience during the Marcos regime. When credit was tight and the interest rate was so high, industries were affected.

My suggestion here, Mr. President, is that let us make labor cheap so as to encourage the employer to fully harness the productive potentials of labor. This will increase labor productivity, which, to my mind, is the best way to control inflation rate.

Senator Angara. I raised the possibility of interest rates climbing up, Mr. President, because if that happens, then the growth rate predicted again will never be achieved. So, there is a chain reaction to these events.

Senator Herrera. Maybe, Mr. President, it would be useful to this Chamber if we have to give them an idea of the real wage of the workers now. I will just read this briefly, Mr. President. I think this will be very helpful to us.

As of January 1989, the P69.33 — this is the actual take home pay of the minimum wage earner — is equivalent only to P15.25 in real terms, based on the 1978 prices. We will note, Mr. President, that in 1972, 1973, and 1974, the legislated money wage at that time — the minimum wage — was P8.00; the real wage was P16.23. Therefore, the worker in 1972 was better off than the worker in 1989. The decline in real wages is very fast and it is increasing. We will find also that in 1988 alone, in January, the P69.33 is equivalent to P16.61 in terms of real wages. But in December of the same year, 1988, the P69.33 is now equivalent to P15.37. So, we have to arrest this immediately, because this is quite explosive.

And so, as I said earlier, maybe, in the determination of what should be the ideal increase on the minimum wage, we should input the political cost that we really have to absorb.

Senator Angara. That is why I agree completely with the Gentleman's proposal, because I really think that the value of wages now needs increasing, and I support this. But nonetheless, I think we have to answer some of the questions being asked about this wage increase.

It has been said that the proposal to increase wages only to the level of P15.00 is primarily to help the unemployed and the underemployed, because, to the unemployed and the underemployed, as long as they can get a job, they will accept any job at whatever wage. Therefore, the argument goes that if we increase beyond P15.00, as we are proposing now, then we are, in effect, hurting the unemployed and the underemployed because, to that extent, they will have no chance at all to have a job.

Senator Herrera. Again, that is based on the assumption, Mr. President, that whatever savings we give to the employer, he will invest that. They are following a certain assumption. The NEDA is following a certain assumption that if we will give a 30 percent increase to the workers, there will be an inflation rate, because the demand for goods will increase by 30 percent. And based on that assumption, there will be no corresponding increase in the production of goods. At the same time, when we will not give the 30 percent, we will give that to the employer; we will put that in his pocket; he will invest that, and, therefore, this will provide employment opportunities, because the investment will increase by 30 percent. That is theoretical, on the assumption that he will invest. But then, what is very — I would say — disturbing is the performance of the economy for the past two years.

Mr. President, we will find that there is an increase in investment, but the investment is more on capital intensive investments. That is why we have so many condominiums being constructed now, so many real estate investments, and the real estate value in Manila is quite high. And there is little absorption of labor. So, these are the options that we have to consider. I am certain, Mr. President, that if we give the 30 percent to the workers, they will use this amount to buy goods and services. And this would mean a higher demand. This will stimulate the domestic market. This will force the industries also to produce more. And as they produce more, they will need new workers. I think, that is the reason why in 1987 when we increased the minimum wage by P10.00, the 11.1 percent unemployment rate went down in 1988 to 9.1 percent. So that, there is a positive impact on employment if we increase the purchasing power.

Senator Angara. But what about the argument, Mr. President, that since only about 8 million of the 23 million work force are the wage and salary people, then the benefit is rather limited only to this 8.7 percent?

Senator Herrera. That is not really so, because when we give the worker an increase, he will spend that. So that, even the self-employed, the farmers, will be benefited, because they will be buying more goods. In effect, when we increase the salary or the wages of the workers, we will be stimulating the entire economy, because they will be spending that. They will not put that in the bank. I think, that is how we can account the performance of the economy in 1988 when we give an increase to the wage earners.

Senator Angara. Let me go back, because I do not think we have pinned down the Gentleman's educated guess on the inflation rate that may be the cause of this increase. What is the Gentleman's educated guess, Mr. President, on the possible inflation rate that will be generated by this increase?

Senator Herrera. I can only base on a certain study where, if we increase by 30 percent, that would mean P20. The minimum impact on the inflation rate will be 1.5 percent. The maximum is 3 percent.

Senator Angara. So, at the very worse, it is 8.8 plus 3 percent. So, that is about 13 percent.

Senator Herrera. Thirteen percent. No, that would be about 11 percent, 8.8 percent plus 3 percent.

Senator Angara. It is 8.8 percent, Mr. President.

Senator Herrera. So that it will be 11.8 percent. This is discounting the possibility that this will also trigger an increase in productivity which will hold the increase on the inflation rate.

Senator Angara. Therefore, the Gentleman is saying that even if we get to this double-digit inflation, that will be tempered by the increased productivity caused, apparently, by high morale, a wage boost we will give to the employees.

I have one other question, Mr. President, and that refers to the reservation in this bill to the effect that the wage increase will not apply to educational institutions. Of course, as head of the Education Committee, I can sympathize with this proposal because when we passed the December 1987 wage increase without taking account of schools, that wreaked havoc in the finances of schools. May I know for the record, Mr. President, the rationale for this deferral as far as educational institutions are concerned.

Senator Herrera. The reason for this, Mr. President, is that the educational institutions will really have difficulty in giving additional increase to the wages of their workers without increasing the tuition fees. And so, even the union themselves

were the ones who recommended that there should be a deferment on this, and they suggested that within 30 days after the effectivity of this Act, a Tripartite Conference will be convened in order to decide on this issue. I can understand the position of the unions because once there will be an increase of tuition fees, then they will be the one to answer this. And I understand also that even the student organizations are also sympathetic to this provision.

However, Mr. President, I heard specifically from Mr. Louie Beltran — he called me up yesterday and said that some schools now have increased their tuition fees by 15 percent. So, in that case, I think we have to look into this, try to verify whether this is true, then we might review our position on this matter. This proposal to defer until the Tripartite Conference can meet and make a recommendation is premised on idea that the universities and colleges will not be increasing the tuition fees.

Senator Angara. As a practical matter, how soon after the passage of a bill can that Tripartite Conference meet and determine the minimum wage for schools, Mr. President?

Senator Herrera. Within 30 days as proposed in this bill.

Senator Angara. Within 30 days upon passage. So, this does not really mean that the schools will be exempted?

Senator Herrera. It is more of a deferment.

Senator Angara. It is more of a deferment, but they will still have to bear the increase in minimum wage as determined by the Tripartite?

Senator Herrera. Yes.

Senator Angara. I have to ask that, Mr. President, because, as we know, schools have a different way of generating revenue and that is only once in a year during the opening and only out of tuition fees. Therefore, schools must be forewarned in advance when a financial burden such as this will be imposed on them.

I think, one possible objection to this, Mr. President, would come from teachers and non-teaching personnel because the benefit of the wage hike will be postponed as far as they are concerned, and yet, they will say that the burden of the rise in cost is already immediately on their shoulders.

Senator Herrera. It is interesting to note, Mr. President, that in the educational institution, the violation of the minimum wage is about 46 percent. It seems that the teachers are not doing anything about it. In fact, I know of one school where the unions struck just because of a wage differential of one peso. So, this will indicate the financial problem that many of these schools are experiencing now.

Senator Angara. Yes. Does the Gentleman mean to say that 46 percent of schools at present do not even comply with this P10 minimum ...?

Senator Herrera. Those are the data that I got from the National Wages Council.

Senator Angara. Given this financial fragility, how do we expect that schools would be able to shoulder a 30 percent increase such as we are proposing here, Mr. President?

Senator Herrera. That is why, I think it is wise that we have really to convene immediately a tripartite conference on this. There is no better approach than the people in the industry itself, and the sector itself will discuss this problem, and for them to look for a solution to this problem.

Senator Angara. Thank you, Mr. President.

Senator Lina. Mr. President.

The President. Senator Lina is recognized.

Senator Lina. Thank you, Mr. President. Will the Gentleman from Cebu yield to some questions?

Senator Herrera. Gladly, Mr. President.

Senator Lina. Ginoong Pangulo, dito po sa Section 2 ng panukalang batas ay sinasabi ang ganito: "disenteng pamumuhay ng manggagawa at ng kaniyang pamilya". Isa ito sa mga layunin na nais makamit sa pamamagitan ng ganitong panukalang batas.

Will the Gentleman kindly explain or advance to us a working definition of a "decent standard of living?"

Senator Herrera. Siguro iyong "decent standard of living," iyong sapat na sahod para sa pangangailangan ng pamilya.

Senator Lina. Sa buhay.

Senator Herrera. Sa buhay.

Senator Lina. And by this we mean, Mr. President, that the working man, if he is the head of a family, must be able to bring home a daily wage that is adequate to support the basic needs of the family like housing, education of the children, food, expenses for light, water, and other amenities. Will that be a fair explanation?

Senator Herrera. Tama po iyon, Ginoong Pangulo.

Senator Lina. Salamat po. At ayon naman dito sa Section 3, sa pagdetermina ng minimum wage ay kailangang tingnan ang maraming bagay katulad ng demand for living wages, needs of workers and their families, cost of living, improvements in the standards of living. Iiwan ko na po iyong ibang factors at idadagdag ko na lamang itong equitable distribution of income and wealth. Hindi po ba sa ating bansa ngayon, ang average size ng isang pamilya ay anim?

Senator Herrera. Five to six.

Senator Lina. At sa records ng NEDA, ang pangangailangan ng isang pamilya na may miyembrong lima o anim ay P3,200 isang buwan kung sa Metro Manila, at humigit-kumulang sa P2,800 isang buwan kung sa labas naman ng Metro Manila. Hindi po ba?

Senator Herrera. Tama po iyon.

Senator Lina. At ito pong statistics ng NEDA ay batay sa 1985-1986 figures; ngayon ay 1989 na. Samakatwid, maaaring mas malaki pa ang pangangailangan ng isang pamilya ngayon?

Senator Herrera. Sa bagong estimate nila ay P4,500.

Senator Lina. So, P4,500 in Metro Manila and outside Metro Manila, it can be P3,800 or P4,000.

Kung iyan po ang pangangailangan ng isang pamilya ngayon na may average family size of five to six, kung dadagdagan at itataas natin ang minimum wage ng P20 across the nation, samakatwid, kung Metro Manila ang pag-uusapan natin, na kung saan ang minimum wage sa ngayon ay P69.33, ito ay magiging halos P90. Kaya kung ang isang breadwinner in a family of six ay magtratrabaho lamang ng limang araw sa isang linggo, talagang arawan at walang trabaho, halimbawa, tuwing araw ng sa Sabado at Linggo, samakatwid, P90 times 20 days, iyan ay magkakahalaga lamang ng P1,800 o sabihin na nating P2,000 isang buwan. Samakatwid, ito po ay hindi aabot doon sa tinatawag na poverty threshold ng NEDA sa ngayon kahit na itaas pa natin ng P20 ang minimum wage.

Senator Herrera. Tama po.

Senator Lina. Kaya bagama't ako po ay coauthor ng panukalang batas na ito, nag-iisip pa rin ako ng iba pang pamamaraan upang maitaas hindi lamang ang minimum wage kundi pati na ang standard of living ng ating mga kababayan at manggagawang Filipino at nang sa gayon ay makaabot man lamang doon sa tinatawag na poverty line. At nag-iisip po tayo ng mga profit-sharing, para sa ganoon iyong talagang kinikita ng

mga kompanya ay mai-share naman sa mga manggagawa at maisaalang-alang iyong equitable distribution of income and wealth. At nabanggit ninyo ito bilang isang factor na dapat isaalang-alang in the determination of the applicable minimum wage increase.

Iyon po lamang ang gusto kong bigyan ng linaw para mailagay sa tamang pananaw kung ano itong panukalang batas na ating ipapasa sa mga susunod na araw.

Marami pong salamat.

Senator Herrera. Salamat po. That is why, doon sa rekomendasyon ng ating Presidente at ng NEDA, kailangan sigurong madagdagan ang family income. Ngunit hindi naman siguro tama that the entire family expenditure will be charged to the company kahit isa lamang ang empleyado sa pamilya.

Senator Laurel. Mr. President.

The President. Senator Laurel is recognized.

Senator Laurel. Mr. President, like Senator Angara, I am one of those who cosigned this bill. However, may I be permitted to propound some questions with a view to further improving or perfecting the bill, if I may.

One question I would like to ask the distinguished Sponsor of this bill is: Are government corporations or government-controlled corporations included or covered rather by this bill?

Senator Herrera. No, it is not contemplated to include government employees.

Senator Laurel. May we know the reason, Mr. President?

Senator Herrera. The bill is intended only to cover the private sector employees. One of the reasons was that there is now a standardization bill pending before the Lower House. This will be the Wage bill that will standardize the salaries in the government sector. Frankly, I have not read the standardization bill. I do not know whether the government employees in the government-controlled corporations are covered in that standardization bill.

Senator Laurel. Mr. President, I asked that question because there are quite a number of private corporations taken over by the government. An example of that would be the Philippine Airlines, the National Steel Corporation. I understand the National Development Corporation has, I think, about 30 corporations under its control. They do not have original Charters granted by the government. And, therefore, these corporations

appertain really to the private sector. I do not know that they are covered by the Civil Service or by any other law that would separate them or justify their separation from the coverage of this bill.

Senator Herrera. Mr. President, Senator Romulo informed me that this type of employees are covered under the standardization bill.

Senator Laurel. Mr. President, I would like to go to another point.

The President. Just to clarify that, if a corporation is essentially a private corporation but 51 percent of the capital stock of the corporation is controlled by the government, are we to understand that the employees and the workers there are government employees and government workers?

Senator Herrera. I do not think so. In the case of Philippine Airlines, they are not considered government employees.

The President. How can they be covered by the Salary Standardization Act?

Senator Herrera. Under this bill, they are covered, Mr. President, like the Philippine Airlines. But if the Chair is referring to the Social Security System, the Government Service Insurance System, they are not covered under this bill.

The President. I think there might be a distinction between a government-owned and a government-controlled corporation.

Senator Laurel. Because there are also a number that have been sequestered, Mr. President.

Senator Herrera. Maybe, during the period of amendments, Mr. President, we can have this clarified.

Senator Laurel. Mr. President, may I proceed to another part of the bill, on Section 14 which states: Any person, corporation, trust, firm, partnership that refuses or fails to pay any prescribed increase in the minimum wages shall be punished by a fine not exceeding but that is all right because there is a maximum; but here, there is a minimum — imprisonment for not less than one (1) year.

Senator Herrera. Mr. President, this was copied from Republic Act No. 6640. If I remember correctly, this was a provision sponsored by the Minority Floor Leader when we deliberated on RA No. 6640. And the intention here is to give more teeth to our labor laws, in particular, the Minimum Wage Law because of the high rate of violation.

Senator Laurel. Mr. President, I was just wondering whether this might be too harsh where we set a minimum of not less than two years of imprisonment for any kind of failure to comply with the law. I might have, shall we say, 11 employees and I failed to pay for three months because of bad business. Immediately I could be sued. A complaint can be filed against me. I end up in jail for two years, at least. That is one, Mr. President. Perhaps, this could be studied a little further, in order also to include a provision that the refusal or failure to comply should be done knowingly, wilfully or justifiably.

Let us take the case raised by Senator Angara. He said that some of the schools have been refusing; 46 percent, I understand, have been refusing or have not been paying or complying with the minimum. I suppose, the failure, the inability or refusal to pay is because mabo-broke ang eskuwela. And it might go out of existence. Are we going to send the fellow to jail for not less than two years?

Senator Herrera. If we have a violation of 26 percent, then this will not be considered harsh.

Senator Laurel. What I mean, Mr. President, is that, perhaps, there should be an insertion of these words: knowingly, wilfully, or failing or refusing to pay.

Senator Herrera. We can discuss this, Mr. President, during the period of amendments.

Senator Laurel. Another one, Mr. President, the same Section 14, I noticed here that "the penalty of imprisonment shall be imposed upon the entity's responsible officers, including, but not limited to, the president, vice-president, et cetera." So many officers are listed here. I wonder why board members and treasurer are not included.

Senator Herrera. I would be glad to accommodate them, Mr. President.

Senator Laurel. Thank you. And not only that if government-controlled corporations are included within the purview of this Act, probably, we should also provide ex officio board members. In other words, those in the government service who become ex officio members of a board of directors of government-controlled corporations should be also subject to the penalty of two years' imprisonment, and here, shall not be entitled to benefits under the provision of law. Does the Gentleman not think that we should be justified in including them?

Senator Herrera. When we approach RA No. 6640, we thought that it was justified. I do not see any reason why it should not be justified now that we have been apprised that the violation outside Metro Manila is something like 22 percent. But, anyway, during the period of amendments, we will discuss the Gentleman's proposal.

Senator Laurel. Thank you very much.

Senator Rasul. Mr. President.

The President. Senator Rasul is recognized.

Senator Rasul. For the two distinguished Senators from Cagayan de Oro, we leave this to the wisdom of another day — the interpellation I was supposed to conduct.

Thank you, Mr. President.

Senator Herrera. I have no objection, Mr. President, because that will give me time to rest. But I hope we can finish this bill within this week.

The President. The Majority Floor Leader is recognized.

SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 1084

Senator Mercado. Mr. President, I move that we suspend consideration of Senate Bill No. 1084.

The President. Is there any objection? [*Silence*] Hearing none, the motion is approved.

Senator Mercado. Mr. President, tomorrow afternoon, we shall continue our period of amendments on Senate Bill No. 914, the Organic Act for the Cordilleras, and if we have time, continue the period of interpellations on the Wage Act.

ADJOURNMENT OF THE SESSION

Mr. President, I move that we adjourn the session until tomorrow at three o'clock in the afternoon.

The President. Itinitindig ang pulong hanggang bukas ng alas tres ng hapon, kung walang tumututol. [*There was none.*]

It was 6:53 p.m.