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Of Trees and Forest

Let's Raise the Minimum Wage

I'm a businessman and I support an increase in wages for Filipino workers.

My position may run counter to the consensus among employers. In general, I know that capital will always complain when wages are raised, so let me explain my position.

First of all, I believe that labor is only a small portion of the total operating cost of businesses so the impact of higher wages on operations will not be significant. Second, I know that many companies are already paying their workers higher than the statutory minimum wage. Third, labor should not be blamed for rising business costs or for low productivity. And fourth, raising wages benefit not only the employees but also businesses and the economy.

Businesses need no explanation on the first and second factors; they just have to go over their records. On the third factor, which involves productivity, I think it's time to stop blaming workers for the low productivity of a company. On the fourth factor, higher wages will increase the purchasing power of workers and their families. And in turn this will boost consumption, which has been driving this country's economic growth for many years because of the absence of a significant inflow of direct investments.

Instead, companies should look at their management. It's time to look at the competence of managers. My view is that a competent manager can exact high productivity from workers. True, workers need skills to perform their job well and productively. At the same time, managers must have the right skills to lead their people to produce more.

Some groups that oppose raising wages say Philippine wage rates are already among the highest in Asia.

I disagree. Data from a survey conducted by the Japan External Trade Organization (JETRO) on the base salaries of workers in manufacturing in Asia as of 2010 showed that China, contrary to popular belief, has one of the highest wage rates in the region, at the equivalent of \$303 per month.

Malaysia, in second place, had a monthly base salary of \$298, followed by India with \$269 and Thailand with \$263. Ranked fourth was the Philippines with a base wage rate of \$212 per month, followed by Indonesia with \$182 and Vietnam with \$107.

I also disagree with the apprehension that raising wages will drive away investors. The same JETRO study showed that raising wages was the primary concern for all employers in Asia except for Taiwan, where it was cited by respondent Japanese businesses as the second most important problem.

It's worth noting that only 44.5 percent of the Japanese companies covered by the JETRO study in the Philippines cited wage increases as their main problem here.

In contrast, 79.6 percent of respondent businesses cite increasing wages as their primary employment problem in China (talk about low labor cost in China). It was also higher in other countries compared to the Philippines: 50.4 percent in Thailand, 53.3 percent in Malaysia, 64.5 percent in India, 72.7 percent in Indonesia and 80.6 percent in Vietnam.

The results of the JETRO study also showed that productivity and skills of Filipino workers were at par, or even better than their peers in other countries. About 48.4 percent of respondent Japanese companies in China list workers' capability as their No. 2 labor-related problem in that country, compared with 41.8 percent in the Philippines.

In Thailand, 50.1 percent of respondents cite workers' capability as their second most serious problem, similar to Indonesia (50.0 percent), and not much different from Vietnam (52.8 percent). In Malaysia, workers' capability is the third most serious problem, according to 41.0 percent of respondents. Their No. 2 problem is difficulty in recruiting workers for manufacturing: 49.8 percent of respondents say so.

The new government of Thailand is fulfilling its campaign to increase wages across the board. At the same time, Thailand expects investments to continue flowing in as the country speeds up recovery from the damage caused by massive flooding last year.

Thailand, Malaysia, Vietnam, Indonesia and, of course, China, are all forecast to grow faster than the Philippines this year, despite paying higher salaries to their workers.

I welcome the decisions of the wage boards in the regions – Southern Tagalog, Cagayan Valley, Bicol, Western Visayas, Davao and SOCCSKSARGEN, among others – to raise the basic daily wages in their areas.

Workers in the National Capital Region are expected to receive a wage adjustment before the end of May, hopefully, sooner than later.

(Please send comments/feedback to: mbv_secretariat@yahoo.com)

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<http://www.mb.com.ph/articles/358528/lets-raise-the-minimum-wage>