

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3387



**INTRODUCED BY ANAKPAWIS PARTY-LIST REPRESENTATIVE
FERNANDO L. HICAP**

EXPLANATORY NOTE

Wage situation in the Philippines is characterized by labor exploitation and employers and capitalists' power and influence over the legislative processes of the land. From the first wage law, Republic Act No. 6727 otherwise known as "An Act to Rationalize Wage Policy Determination by Establishing the Mechanisms and Proper Standards Therefor, Amending for the Purpose Article 99 of, and Incorporating Articles 120, 121, 122, 123, 124, 126 and 127 into, Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, Fixing New Wage Rates, Providing Wage Incentives for Industrial Dispersal to the Countryside, and For Other Purposes", the Philippine government has guaranteed that Filipino workers remain virtual slaves – receiving the lowest wages even as they bring in the biggest profits for capitalists.

Since the 1950s, the productivity of the Filipino people has increased annually and at a steady rate. Wages paid to direct producers, however, averaged only to 30% of the wealth produced from 1951 to 1998. The biggest part of the unpaid value produced or about 38% is spent to finance the extravagant lifestyles of the rich and ruling sectors of society which constitutes only 3% of the country's population. About 12% is spent to finance the constant deficits in the colonial trade to fund government operations, more than 60% of which are either spent on payments of local and foreign debt payments or lost to corruption. Only 20% of the over-all wealth of the country is used for the development of the means of production.

Consequently, the economy has remained backward and pre-industrial. The lives of the Filipino people – the working people composed of industrial workers, agricultural workers and service sector workers who rely on selling their labor power to augment their income – have deteriorated.

Republic Act No. 6727 which was enacted after the ouster of the Marcos dictatorship is a glaring example of a wage law enacted by the government that heightened labor exploitation to unprecedented levels.

Nearly two (2) decades after this law was enacted, the working people remain victims of low wages. According to the analysis and stand of workers unions and ecumenical institutions advocating labor rights, Republic Act No. 6727 enacted under the presidency of late President Corazon Cojuangco-Aquino is the most notorious and violative of workers' rights to living and decent wages.

The transformation of the capitalist-dominated wage boards into formal organizations authorized to determine and execute the self-serving judgment of big business and employers regarding wage levels constitute violent and comprehensive attack against the economic interest of workers. The government, through this anti-labor, mercenary law, gave businesses and employers the direct power to determine the ultimate level of exploitation that they can impose on the working people.

The law also shields the Philippine government from direct accountability for the increased and worsened poverty of workers, correspondent to the increased magnitude of exploitation borne by the law's disastrous effect.

In the meantime, the granting of powers to the regional wage boards also dispersed the campaign on the wage issue to other regions where, away from the scrutiny of militant public opinion. The creation of these regional wage boards had the effect of blunting the power of the country's militant labor movement to fight for nationwide and across-the-board wage increases through concentrated political battles in the National Capital Region (NCR) or in other centers of the government's authority and power.

Republic Act No. 6727 employs the most deceptive language to mask its essential anti-labor nature and objective. It maintains a façade of having democratic, just and progressive aims. Section 2 of Republic Act No. 6727 provides that the State needs to "*rationalize the fixing of minimum wages...*"

1. *To promote productivity-improvement and gain-sharing measures to ensure a decent standard of living for the workers and their families;*
2. *To guarantee the rights of labor to its just share in the fruits of production;*
3. *To enhance employment generation in the countryside through industrial dispersal; and*
4. *To allow business and industry reasonable returns on investment.*

The first and second objectives of the law are blatant lies. Republic Act No. 6727, at the very first instance, ensured that the interest of landlords remained tightly entrenched by pegging the wages in feudal estates like in Hacienda Luisita wherein wages are lower by 34.27% compared to wages of workers in the service and industrial sectors.

Enhancement of employment generation in the countryside through industrial dispersal as upheld by the third objective is not the real intent of

Republic Act No. 6727. It is a deceptive articulation of the government which gives wider opportunity to foreign big business monopolies and their local business partners to increase their profits by taking advantage of the cheaper labor cost in the provinces. The wide disparity of wages in Metro Manila and in the provinces created by the landlord bourgeois comprador-controlled regional wage boards induced multinational corporations to move to the provinces particularly in export processing zones.

This fact exposes the real pro-foreign big businesses, pro-monopoly character and orientation of Republic Act No. 6727. It has not only allowed business and industry reasonable returns on investment as maintained by the law's fourth objective. It is clear that the law's only effect is the increased exploitation of the working people. Since 1989, government and business leaders have exuberantly bragged on the constant growth of the industry, service and agriculture sectors. However, they remain indifferent to the stagnation of wages.

The working people's just demands for across the board wage increase are met with obscure and irrelevant arguments. Among these are:

1. Higher wages are not good for the economy because they scare away foreign investments that presently employ a big part of the labor force.
2. Wage levels in the Philippines are too high. In fact, they are the highest in the region.
3. Granting wage increase would lead to the bankruptcy and closure of small and medium scale enterprises.
4. Wage increase is impermissible at this time because companies cannot absorb the cost of additional wages.

Blatantly and conspicuously absent from these discourses are *"guaranteeing the rights of labor to its just share in the fruits of production, and ensuring a decent standard of living for the workers and their families."*

Likewise, these divert discussions away from the irrefutable relationship between ever-increasing profits and ever worsening poverty consequent to the machination of the ruling classes in implementing the law.

According to the Ecumenical Institute for Labor Education and Research (EILER), a resource and advocacy center of independent workers' organizations in the Philippines, the real value of worker's minimum wages remained stagnant for more than two decades and continues to be eroded with the steady increase in prices of basic commodities and utilities. The meager wage adjustments issued by the Regional Tripartite Wages and Productivity Boards since its formation in 1989 under R.A.6727 did not

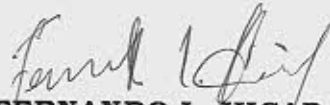
suffice to deliver substantial wage increase to offset wage erosion and price increases.

In IBON Foundation's estimate for 2012, NCR's minimum wage covers only 44% of the estimated family living wage of 1,022 per day. In November 2012, the current nominal wage for Non-Agriculture in NCR is at P456, with real wage equivalence of P363.35, a mere 20% increase in real wage rates in 2011. The lowest current nominal minimum wage rates can still be found in the Autonomous Region of Muslim Mindanao (ARMM) with P232, with real wage of only P162.46, while in the Cordillera Autonomous Region (CAR), nominal wage rate is at P280 with real wage rate of P214.07. As of September 2013, the daily minimum wage in NCR is P456.

Alarming, in May 2012, the International Labor Organization (ILO) ranked the average monthly wages in the Philippines as the third lowest among 72 countries in the world at US\$279 or P11,700, just above the average monthly wages of Tajikistan and Pakistan, and just 19% of the world's average monthly wages. For ILO, Asian nations should veer away from reliance on cheap labor and exports to fuel growth and instead focus on promoting higher wages and boosting economic demand. In its Global Wage Report for 2012-13, ILO warned developing nations that letting wage levels stagnate had contributed to such problems as the latest financial crisis.

Finally, Congress must prioritize the repeal of Republic Act No. 6727 which has damaged the livelihood of the Filipino workers and has denied them the right to a just and living wage.

In view of the foregoing, the early passage of this bill is earnestly requested.


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FERNANDO L. HICAP

AN ACT
REPEALING REPUBLIC ACT NO. 6727 OTHERWISE KNOWN AS "AN ACT
TO RATIONALIZE WAGE POLICY DETERMINATION BY ESTABLISHING
THE MECHANISM AND PROPER STANDARDS THEREFOR, AMENDING
FOR THE PURPOSE ARTICLE 99 OF, AND INCORPORATING ARTICLES
120, 121, 122, 123, 124, 126 AND 127 INTO, PRESIDENTIAL DECREE
NO. 442, AS AMENDED, OTHERWISE KNOWN AS THE LABOR CODE OF
THE PHILIPPINES, FIXING NEW WAGE RATES, PROVIDING WAGE
INCENTIVES FOR INDUSTRIAL DISPERSAL TO THE COUNTRYSIDE,
AND FOR OTHER PURPOSES"

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

SECTION 1. Republic Act No. 6727 otherwise known as "An Act to Rationalize Wage Policy Determination by Establishing the Mechanisms and Proper Standards Therefor, Amending for the Purpose Article 99 of, and Incorporating Articles 120, 121, 122, 123, 124, 126 and 127 into, Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, Fixing New Wage Rates, Providing Wage Incentives for Industrial Dispersal to the Countryside, and For Other Purposes" is hereby repealed.

SECTION 2. 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.

Approved.