

2013 Productivity Olympics Awarding Ceremonies

Keynote Speech

I am very delighted to be with you this morning, to witness and celebrate the outstanding productivity practices jointly implemented by the entrepreneurs and workers of micro, small and medium enterprises, that enabled their firms to continuously grow and survive the competitive environment of their respective industries.

Their positive performance affirms the current exemplary economic performance of our country. While most countries in the world— some rich and powerful included—receded in front of fiscal challenges, our country remained strong and persistent to climb up from its old discreditable position. The international community now knows the Philippines not as the ‘sick man of Asia’ but as a country fast advancing in the global competitiveness race.

In the recently concluded APEC leaders’ meeting in Bali, Indonesia, our country is dubbed as Asia’s rising economic star, with its 7.6 percent GDP growth in the first semester of this year from 6.4 percent during the same period in 2012.

We welcomed the recent investment grades accorded the Philippines by various international surveys and credit rating, particularly the three

major rating agencies—the Moody's, the Fitch Ratings, and the Standard & Poor Rating Services, which mirror our country's structural shift to higher economic growth.

Another most recent affirmation is the results of the World Economic Forum's Global Competitiveness Report 2013-2014, which named the Philippines as one of the "most dynamic and rapidly improving economies in terms of competitiveness". Let me emphasize that one of the key drivers of our improved ranking is the modest gains in the labor market efficiency. From 2011 to 2013, the country's rank on the labor market efficiency pillar moved up by 13 notches from 113th in 2011 to 100th in 2013.

A closer look would show that one of the contributors under this pillar is the indicator that pertains to the link between pay and productivity which climbed up by 32 notches from 76th place in 2011 to 44th place in 2013. We can partly attribute this significant improvement to the wage reform that we started to initiate last year, notably the two-tiered wage system that we have been actively promoting. Said wage policy reform tightens the link between pay and improvements on productivity, performance and skill to raise worker and enterprise productivity and allow the fair and reasonable sharing of gains.

During the area-based consultations organized by NWPC in August, I have earnestly urged our colleagues from the Regional Boards to fast track the conduct of consultations with the priority industries so that the Advisories on productivity-based pay could be issued immediately, which comprises the 2nd tier of our wage reform. Alongside, I have instructed NWPC to provide the necessary assistance to the Regional Boards to help craft the productivity based pay advisories. So far, four (4) regional boards notably 4-A, NCR, CAR and XII have heeded my call. The rest hopefully before the year ends.

Competitiveness is not a “race-to-the-bottom” in terms of lower wages. The key is to attract investments with high value adding jobs that yields new streams of wealth and revenue. The market determines or influences levels and trends on pay and compensation taking into consideration the demand for skills, performance and productivity as sound bases for sustainable and high wages. On the supply side, this requires reforms on education and skills training that would strategically align capacity building with industry requirements. On the demand side, government should create an enabling environment that addresses fundamental business requirements such as efficiency of public institutions, adequacy of infrastructures, ICT readiness, macroeconomic stability, good governance, level of business sophistication, the relative

ease of doing business, and the availability of highly skilled knowledge workers.

We, at the Department of Labor and Employment, have always been cognizant of the significant contributions and role of the micro, small and medium enterprises in the advancement of our economy. We are fully aware of their contributions to the creation of jobs in our country. The MSMEs provide for more than sixty percent (60%) of the total employment generated by all types of businesses. And with the competitive economy and good investment conditions, we are optimistic that more decent work will be available to the 41 Million persons in the labor force (July 2013 Labor Force Survey). Although we recognize the challenges ahead, we remain optimistic that employment in the country will improve under a consistent record of exceptional economic growth.

Perhaps all will agree with me that there is a strong connection and interdependence among employment generation, labor productivity and enterprise competitiveness. Having skilled and productive workers will help the firm establish its niche in the market, in turn, creating better and more employment opportunities for our fast growing labor force.

Let me illustrate this through the inspiring story of Tropics Agro-Industries, Inc., one of our Productivity Olympics winners in the past.

Engr. Salvador Albia is an inventor from the Bicol Region. He started manufacturing farming machines, which he named KOLBI Machines, reverse for Bicol, to honor the Bicolano's ingenuity and quest for world-class image.

Engr. Albia started his version of a rice milling machine to upgrade post-harvesting processes. The success of his first invention spurred the creation of more processing machines, such as: Corn Milling Machine, Mechanical Dryer, Biomass Suspension Burner, Feed Milling Machine, and Root Crops Processing Machine. His inventions created their niche in the local and international markets.

His successes led him to establish the Tropics Agro-Industries, Inc. in 1975 with the main operation of designing, producing and distributing KOLBI Machines. The company started with three workers and three basic shop tools.

Managing the company has not been easy for Engr. Albia. A major obstacle was the uncompetitive culture, unprofessional work attitude and the lack of discipline of his employees, resulting in wastages and downtime.

After learning about the productivity improvement program of RTWPB-V, he decided to seek help for his company. The Regional Board

conducted an inspection and found critical issues that needed immediate attention, such as the need for employees skills upgrading, insufficient machines and tools, unorganized equipment, and inaccessible tools and machines.

To solve said problems, the RTWPB-Region V assisted the firm through the implementation of the ISTIV Productivity Awareness Training, which is a values-formation program aimed at improving the attitude and work ethics of the workers.

Workers were also sent to TESDA for upskilling, and were trained on 5S of Good Housekeeping. Engr. Albia also purchased tools and equipment. After a thorough study and evaluation, the work processes were improved significantly, unnecessary steps were eliminated to speed-up the operation process, and production cost was reduced.

The results were quite overwhelming. It has totally improved the operations of the company—workers became motivated and efficient; product orders have multiplied due to improved quality outputs; increased sales and reduced wastage were translated to bigger profits for the company; and extra bonuses for the workers. Tropics Agro-Industry has recently expanded by purchasing another manufacturing plant to

accommodate the growing demand for its products. Today, Tropics Agro-Industry continues to provide employment to numerous Bicolanos.

There is an inexhaustible list of success stories on productivity improvement from which we can all learn. This is the reason why it is fitting to pay tribute and showcase these successes through our Productivity Olympics. We hope that through this advocacy program, more firms would embrace productivity and consequently evolve to be market leaders. Imagine if all the 800,000 MSMEs start their productivity journey today, our economic growth rate would have reached double-digits; our workers would be in decent and productive jobs and; our competitiveness ranking would have jumped in leaps and bounds.

Meanwhile, in our pursuit to sustain these gains and encourage more MSMEs to chart their own productivity journey, the DOLE has shifted gears in providing assistance to firms from purely regulatory to developmental. Our pool of field officers, including our newly recruit 372 Labor Laws Compliance Officers were trained to advise, assist and guide firms towards continuous improvements, growth and development. With this productivity-oriented approach, it is our fervent hope that MSMEs would be able to comply with labor standards.

Also, in our bid to make productivity viral to DOLE, we launched a series of capacity building activities to equip our officers and personnel with the right set of skills and mindset to give integrity and credibility to our mandate of promoting productivity at the workplace. We have to walk our talk.

And so, at the onset of 2012, we launched our Green Our DOLE Program wherein all DOLE offices are directed to conduct regular good housekeeping, conserve resources, and to properly dispose waste.

We also trained productivity specialists on management concepts and principles, basic productivity concepts, measurements, tools and technologies, including field visits. For this capacity building intervention, we have partnered with the De La Salle University's Department of Industrial Engineering.

We also clinched a partnership agreement with Singapore's Temasek Foundation and Nanyang Polytechnic to train 120 productivity specialist from DOLE-NWPC and some of our private sector productivity program beneficiaries on best practices on productivity improvements in Singapore and in designing, managing and implementing a productivity improvement program. In a nutshell, their mission is not only to learn the way how Singapore made it to the top and reign steadfastly supreme in the

competitiveness ranking, but to acquire bright ideas that can a spell difference in our competitiveness performance.

I am happy to inform you that there will be a sequel to this capacity building which will be implemented next year. The proposed training will cover innovation and enterprise development and will involve key strategic partners in government, notably Departments of Trade and Industry, and Science and Technology. Phase 1 has adequately covered productivity but I strongly believe that it will be strategic if the scope of the training will cover two critical areas in advancing the growth and development of our MSMEs, and that is, innovation and enterprise development. This will also render our package of assistance to MSMEs comprehensive and holistic. Last week, we have already endorsed the full blown proposal for Phase 2 or the Training on Innovation and Enterprise to Temasek Foundation in Singapore.

During the National Judging event held on 4 October at the Bayview Park Hotel, as chair of the NJP, I had the privilege to see some of the presentations, and hear the evaluations of our panel of judges who are known productivity and quality champions. Such exposure allowed me to gain insights on how valuable our role is in encouraging our MSMEs to take the high road of productivity, as well as on the strategic ways to

further enhance our assistance to MSMEs, and improve the overall management of the Productivity Olympics as an advocacy program. To share these views and insights of our panel of judges with the public, I have instructed NWPC and LCO to document, popularize and disseminate this valuable information.

In just a few minutes we will be awarding the 2013 Productivity Olympics winners from among the national finalists that have squarely taken up the challenge of continuously finding ways of doing things better, faster and smarter.

I will no longer extend my discourse in as much as I want to, given the rare occasion to be with all of you.

To close, let me emphasize that our national finalists are already winners in their own rights. And to all of us— congratulations and let us keep the productivity spirit alive!