

MESSAGE

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Secretary, Department of Labor and Employment

2015 Productivity Olympics National Judging

8:30 A.M.-5:00 P.M., Wednesday, 9 September 2015

The Berjaya Hotel, Makati City

(Greetings.)

Let me first welcome the representatives of the 26 national finalists of the 2015 Productivity Olympics who are here with us and whose hard work and commitment to productivity and excellence brought us all here. Let me also welcome the members of the national judging panel, as well as the officials of the National Wages and Productivity Commission and the DOLE.

Today's event is exciting, inspiring, and challenging because we will have at last a ringside view of our finalists' combined worth in terms of dedication to improve their business processes and employee's welfare. That's what the Productivity Olympics is all about.

This year's finalists now join the elite roster of enterprises that have championed productivity, benefited from it, and continues on their chosen productivity journeys. We welcome you to the fold. As exemplars of productivity, we expect you to engage in various productivity advocacy activities in the coming months.

As chairperson of the Productivity Olympics' three judging panels—all of which are tripartite and composed of our friends from labor, management, government and productivity organizations—I am pretty sure we will have a task ahead in evaluating which among you, the finalists, have successfully improved your businesses through the implementation of productivity improvement programs, and which among you have set up gain-sharing schemes and other incentives for the benefit of your respective employees.

In joining the Productivity Olympics, you must have known that past winners have proven their worth in maintaining balance between business excellence and resource management through improved productivity performance, product diversification, technology upgrade, and market expansion.

For instance, Sunlight Foods Corporation, one of the national winners in 2013, has grown from a micro backyard fruit processor with six workers to a medium-sized enterprise with 50 personnel, serving the fruit preserve requirements of industry giants and market leaders like Gardenia Phil. Inc., Chowking, Red Ribbon, Unilever-Selecta Ice Cream and Fitrite. Sunlight Foods' success was ignited by its set-up of a quality management system, capacity building for its workers on productivity, skills and values, and upgrading of its processing facility and equipment capabilities.

Another national winner in 2013, Markenbug Foods International, is a leading confectionery manufacturer that attributes its success to the competence and commitment of its people to achieve desired results and to excellence by applying innovative technologies.

In health care, Davao Adventist Hospital bagged a national Productivity Olympics award for having posted improvements in the quality of patient care, laboratory services, revenues, and salaries of its workers, among other growth indicators. These became possible because the hospital upgraded its facilities and equipment, implemented a Quality Management System, and involved greatly its workers in quality and productivity improvement through the organization of small group empowerment.

They are only a few of the truly commendable. There is an inexhaustible list of inspiring stories which continue to unfold and which we can learn from. The Productivity Olympics is a venue and a platform to narrate these stories. Here, we showcase, we pay fitting tribute, and we recognize the amazing and successful stories of MSMEs. I, personally, would like to know about your productivity journeys, including your struggles, and how you managed to overcome difficulties. We are eager to learn how you set your targets and measured your performance and eventually shared the gains with your workers.

Translating productivity gains into wage gains is at the heart of the current wage policy which is the two-tiered wage system. While our regional DOLE offices, through

the labor law compliance system, ensure compliance to minimum wage, the two-tiered wage system works best when the second tier is applied. The voluntary productivity-based pay encourages workers and enterprises to pursue higher levels of productivity. This, in turn, will serve as viable and sustainable source of higher real incomes for workers and higher revenues and profits for enterprises. The increases given, as a result of increases in productivity, are in fact higher when compared to the incremental increases in minimum wage.

Our gains as far as Tier 1 or the minimum wage is concerned have been significant given that we have reduced the number of minimum wage rates below poverty threshold down to 4 compared to the 30 rates when the two-tiered wage system was first implemented in 2012.

By May of 2016, all minimum wage rates will be above poverty threshold. This guarantees that when minimum wage is complemented by other income support programs of the government such as subsidies, cash transfers and tax exemption and inflation targeting, workers will enjoy decent living standards.

On Tier 2, we have expanded the network of productivity advocates through our partnership with Singapore's Temasek Foundation and Nanyang Polytechnic. In that capacity building initiative we invited our friends from the labor sector, management, Department of Agriculture,

Department of Trade and Industry, Department of Tourism, and Department of Science and Technology.

We hope to sustain the gains of our productivity initiative as seen in our ratings in the latest ***Global Competitiveness Index***. The double-digit positive rankings in flexibility in wage determination and pay and productivity indicators are creditable to the reforms directed at strengthening the link between pay and productivity and promoting competitiveness of workers and enterprises.

The structure of the economy is one of our biggest challenges. With 99 percent of enterprises being micro, small and medium, we are confronted with low productivity and low wages. Agriculture, for instance, which employs majority of workers, has the lowest labor productivity. Ninety-six per cent (8,433 out of 8,811) of establishments in agriculture are micro and small enterprises, while less than a quarter of the population derives most of its income from agriculture. The low productivity and low income are largely due to lack or little access to productive assets and business opportunities. Farmers/workers in rural areas have few non-farm income-generating activities. They also lack access to microfinance services and affordable credit which confines them to subsistence farming. Insecure property rights have undermined private investment incentives and, combined with low public investment, has reduced agricultural productivity and increased food prices. This is one area of interest that I suggest we must focus on.

We need to implement soon the accreditation/certification/recognition system for productivity trainers. This is another challenge. The NWPC has already identified the initial requirements in forming and implementing an accreditation system to expand the current pool of quality and productivity practitioners/experts to assist NWPC and RTWPBs in building capacities of MSMEs in the application of advanced productivity tools, concepts and techniques.

The Productivity Olympics is one of our affirmative actions to encourage and inspire MSMEs to embrace productivity, not just in the course of business, but also as a way of life.

This is part of the Productivity Toolbox, a package of technical assistance on productivity improvement for MSMEs that contains a ladderized and needs-based menu of customized productivity tools and technologies. We offer this package to MSMEs to assist them towards becoming sustainable, productive, and competitive enterprises. I am certain that all of you here have once been beneficiaries of this program and we are proud to have been part of your productivity journey.

Recently, the NWPC and the ECOP forged a partnership to strengthen advocacy and accelerate implementation of the productivity incentive schemes. As part of its commitment, the ECOP issued a statement of support, emphasizing that the two-tiered wage system has effectively depoliticized minimum wage-fixing and has

“enhanced labor-management cooperation and partnership in the development and implementation of productivity improvement programs and productivity-based incentive schemes”.

The statement encourages all ECOP members to support the current wage policy and avail of the package of technical assistance offered by the Regional Tripartite Wages and Productivity Boards specifically designed for enterprises willing to embark on a journey to productivity and provide productivity-based incentives to their employers. ECOP further committed to “undertake parallel activities that will create greater awareness of productivity improvement programs”.

I hope our partners from the labor sector can also do the same.

In the coming years, the Productivity Olympics may benefit also from partnering with established productivity organizations. Presently, we already have members of the judging panel from the Development Academy of the Philippines and the UP Institute of Small Scale Industries, but our hope is that our partners can co-sponsor the Productivity Olympics in the future to ensure wider participation and greater impact.

Let me close by emphasizing that our national finalists are already winners in their own rights. Thank you for inspiring us to continuously improve and upgrade our training programs and technical assistance so that we may better

respond to the changing needs of workers and enterprises. I would also like to thank our judges for helping us with the task of selecting our national winners.

Again, a pleasant morning to all and let us have a productive and fruitful day ahead of us.

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