

## **WELCOME ADDRESS OF SECRETARY ROSALINDA D. BALDOZ**

Philippines Department of Labor and Employment

**Regional Tripartite Social Dialogue Conference  
on Financial Integration in the ASEAN**  
06 July 2015, Century Park Hotel Manila, Philippines

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### **1. Greetings**

Mr. Jose Umali, National President of the National Union of Bank Employees (NUBE)-Philippines and Vice President of the ASEAN Services Employees Trade Union Council (ASETUC); Mr. Mohamed Shafie BP Mamal, General Secretary of ASETUC; Mr. Christopher Ng, Union Network International-Asia Pacific Organization (UNI-APRO) Regional Secretary; Hon. Amado Tetangco, Governor of the Bangko Sentral ng Pilipinas, representatives of employer and worker associations in the banking and finance industry from the ASEAN member-states, colleagues in government, ladies and gentlemen, good morning and welcome to the Regional Tripartite Social Dialogue Conference on Financial Integration in ASEAN here in Manila, Philippines. Allow me to extend my sincere congratulations and appreciation to the National Union of Bank Employees-Philippines, ASEAN Bank Unions Council (ABUC) and ASEAN Services Employees Trade Union Council for co-organizing this dialogue on the very important role of the banking and finance sector in the integration of ASEAN.

2. We are likewise pleased to take part in this dialogue which aims to tackle the state of financial integration in the ASEAN; the adjustments and lessons learned from the Asian to the global financial crisis; and the good practices in labor relations that we can sustain as among the responses in preparing for regional integration.

### **ASEAN INTEGRATION AND THE ROLE OF THE FINANCIAL SECTOR**

3. ASEAN integration promises to build a strong and regional economy founded on free flow of goods, services, investment, skilled labor and freer flow of capital. Toward this end, financial integration is crucial to facilitating investment, trade and capital flows and in reducing costs through increased competition and technology transfer, cross-border banking linkages, foreign participation in ASEAN capital markets, among others. As ASEAN member-states look forward to the AEC regime by December 2015, we are also

guided by the vision to build a semi-integrated financial market by 2020 as provided in the ASEAN Financial Integration Framework (AFIF) and complemented by the recently concluded ASEAN Banking Integration Framework (ABIF) which is aimed at ensuring a more stable flow of funds in the region and increasing cross-border trade and investment.

4. The International Labor Organization and the Asian Development Bank in a joint study projects that there will be a net increase of 14 million jobs in six ASEAN economies— Cambodia, Indonesia, Lao PDR, Philippines, Thailand, and Viet Nam. The study cites that in Philippines alone, a total of 3.1 million employment with about 53.5 percent possibly being found in the services sector will be created through increased trade activities with other ASEAN member states. The prospects are bright for the banking and finance sector in the country as the same has been identified as one of the key sectors that will drive economic and employment growth in the medium-term.<sup>1</sup> As with most of the ASEAN member states, the impetus for the potential growth in the sector is mainly attributed to the fact that our countries are dominated by small and medium enterprises (SMEs) which, under a scenario of regional integration, would require a wide range of financial services such as micro-financing and insurance as part of building their competitiveness both regionally and globally. We are also expecting that free flow of trade in the region will translate to the opening up of banking, insurance, capital markets as well as payment schemes. In turn, this is expected to result to opportunities for more investments and consequently employment creation in the financial services sectors of ASEAN member states.
5. We, however, need to recognize that along with the possible gains there exist challenges in regional integration. ILO and ADB have noted that while employment is going to grow in the region, these opportunities will not be evenly distributed between countries, economic sectors, gender, and skills. The promise of the ASEAN Economic Community (AEC) can and will only be realized if together we are able to surmount these challenges that lie ahead of us and where we are able to manage adjustments especially when the impact will bring risks and vulnerabilities to the working population and small enterprises.

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<sup>1</sup> The Department of Labor and Employment (DOLE)'s labor market signalling research study, the *JobsFit Labor Market Information (LMI) Report 2013-2020*, identifies banking and finance as one of the key employment generators (KEGs) in the coming years.

## **RESPONDING TO THE CHALLENGES OF INTEGRATION**

6. Managing the benefits and risks of ASEAN financial integration requires confidence building among social partners and stakeholders through meaningful dialogue, partnership and collaboration. Our experience has shown that social dialogue mechanisms in addressing challenges in the labor market play a significant role in ensuring that responses are reflective of the needs of stakeholders not only within a specific industry but the working population and businesses, in general. It has also resulted to a very much improved standing of the Philippines globally in terms of labor market efficiency. For instance, according to the World Economic Forum's Global Competitiveness Report for 2014, particularly for the indicators on Cooperation between labor and management, the Philippines has risen to Rank 29 – a marked improvement from its ranking at 56 in 2010. We take particular pride in this ranking as it tells the whole world that labor and management cooperation in the Philippines plays an important role in maintaining industrial peace, in preventing disruption in business operations, and in assuring that the concerns and rights of both parties are addressed.
7. The Philippines' well-entrenched policies on tripartism and social dialogue has been the backdrop for the creation of Industry Tripartite Councils (ITCs), including the Banking Industry Tripartite Council (BITC). This council serves as a communication channel and a mechanism for undertaking joint programs among government, workers and employers toward enhancing labor-management relations in the banking and finance sector. Organized in 1999 and formally established by virtue of a Memorandum of Agreement signed on 01 May 2000, the BITC has been an active agent in pursuing mutually acceptable solutions to labor and employment concerns in the banking industry. For instance, at its inception in 2000, it passed guiding principles in situations of mergers and acquisitions and in 2003 it passed a Resolution encouraging banks to adopt programs to ensure employability of workers affected by mergers, consolidations, restructuring, and similar situations.
8. As an affirmation that tripartite mechanisms are valuable responses to industry adjustments, the BITC has also issued a Voluntary Code of Good Practices on Dispute Settlement and Outsourcing/Subcontracting of Certain Bank Functions. The Code

provides that any issue that prevails or has industry implication may be brought by the union and management before the BITC for conciliation-mediation. It also provides that the management must ensure that subcontracting or outsourcing of bank functions conform with the requirements of law, including but not limited to the Labor Code of the Philippines, as amended and the guidelines set by DOLE and the BSP. This particularly response from the BITC on outsourcing practices is worthy of mention considering that the banking sector, on account of technology advancements and constant changes in industry practices, has had to make adjustments in its employment structures over the years. It also very relevant considering that the Philippines has been pursuing measures to improve its ranking in the Global Competitiveness Report on labor market efficiency indicators relative to hiring and firing practices. From a ranking of 116<sup>th</sup> in 2010, we are now ranked at 104 in this aspect. This indicates that as our economy grows and with policy reforms that balance business flexibility with workers protection and welfare, the Philippines is on the road toward having hiring and firing practices that are crucial in maintaining and encouraging new businesses.

9. In 2014, the BITC also passed a Resolution creating a Committee of Five which will serve as panel for conciliation-mediation services of the BITC. It may be noted that this complements the institutionalization of conciliation-mediation as a mode for alternative dispute settlement through the passage of Republic Act No. 10395 or the Conciliation-Mediation Law (Single-Entry Approach) in March 2013. Commonly referred to as the SeNa Law, it is now regarded as a milestone in labor relations policy in the country.
10. As evidence that social dialogue mechanisms in the industry have supported stability among banks in the country, the Philippines has been enjoying a relatively harmonious labor relations environment in the sector. Since 1999, there were only two banks that declared a strike -- one in 2000 and another in 2003. There were 174 Notices of Strikes from 1999 to 2015 with the highest number being filed in 2002 with 19 Notice of Strikes. It may be noted that from 2010 to 2015, NOS filed was maintained at a single digit, the highest was 6 in 2011. Further, from 1999 to 2015, there were 152 preventive mediation (PM) cases filed with the National Conciliation Mediation Board (NCMB), the highest was in 2003 with 20 PM cases filed. From 2010 to 2015, the number of PM cases filed was maintained at a single digit and the highest was 7 in 2014. We also would like to share that the assumption powers of the Secretary of Labor and Employment has been

used sparingly in the sector. There were only 32 assumption of jurisdiction (Ajs) from 1999 to 2015. From a high of 7 in 1999, Ajs have dipped to 1 in 2012. Moreover, from the period of 2010 to 2015, it was only in 2012 that the Labor Secretary exercised AJ power. Certification for Compulsory Arbitration was also sparingly used and from 1999, the highest was in 2000 with 4 Certified case. There were only 9 cases certified to compulsory arbitration. From 2010 to 2015, no case was certified for compulsory arbitration.

- 11.** Much may also be learned as to how the banking industry has responded to the call for better labor law compliance in the country. Recognizing that compliance with labor laws is in fact a minimum social floor that protect workers while also stabilizing businesses whether in normal times or in periods of crisis and that the same is a key factor toward regional and global competitiveness of businesses, we have been seeing a high level of commitment among Philippine banks in terms of voluntarily submitting themselves to labor law compliance assessment under the new Labor Law Compliance System (LLCS) that has been implemented since 2013. Under the system, banks agree to be assessed by our Labor Law Compliance Officers through a group approach where a sample size of the total branches are assessed as to compliance with general labor standards. During the assessment done at the bank's head office, our officers check centralized payroll, HR policies and other related policies. With the group approach in assessment, there is an assumption that the bank's policies are uniformly applied and implemented across branches. As to compliance with OSH standards, our officers assess each branch for compliance. With our on-going work in this area and noting that the approach that we have pursued has in effect efficiently facilitated better compliance among banks, I am happy to share that our team of labor law compliance offices have been lauded by officers in the banking industry with one particularly bank noting that our officers exhibited a "new level of professionalism" that offered solutions rather than just merely pointing out how something was wrong.
- 12.** We also believe that responses to regional integration should include the development of competitive wages or compensation packages that are intended to attract and retain talent when and where it is needed most. This is particularly relevant in the financial sector where competition has always been fierce and where productivity has been at the core of investment decisions. Again, I am happy to share that the 2014 Global Competitiveness

Report ranking for the Philippines on labor market efficiency in terms of Pay and Productivity has seen remarkable improvements. From having been ranked at 82 back in 2010, the country is now ranked at 27 or a rise in ranking by 55 notches relative to how worker productivity is related to pay. We savor this valuable signal as it tells us that business leaders in the country now put a premium on worker's productivity as this translates to more efficient and increased output. It also tells us that businesses are willing to give appropriate compensation and incentives to productive workers.

- 13.** Since 2012, the Philippines has embarked on a two-tier wage system that is aimed at improving the country's position in global competitiveness particularly on the issue of flexibility of wage determination. The two-tiered wage, as a policy reform measure, is aimed at minimizing the unintended outcomes of mandated minimum wage, improving the coverage of the vulnerable sectors, and promoting productivity improvement and gain-sharing. It consists of a fixed "floor wage," or entry level for new entrants and low-skilled workers, and a flexible wage above the floor based on worker productivity and performance of the industry and enterprises, which may be negotiated between the employer and the workers. In this sense, the policy reform allows enterprises to determine wages according to their circumstances while at the same time satisfying both the social and economic functions of minimum wage. It is our hope that through this approach, we can gradually evolve compensation and incentives schemes in different industries that provide income protection for our workers while at the same time enabling employers to realize their financial and economic objectives.
- 14.** Being responsive to regional integration also means that when and where opportunities for employment are offered to us, our countries should be ready to offer a rich pool of human resources or what we now refer to as talent pool. I am glad to note that as with the rest of the ASEAN, the Philippines is seen by the whole world to be a source of a young and highly-skilled workforce. This year, the Philippines is seen to be entering its "demographic sweet spot", or where majority of the population joins the workforce – "a rising proportion of young, consumption-driven workforce" that is expected to drive economic growth. With this potential amongst our people, we have been pursuing major reforms in our policies to ensure that our human resources remain competitive regionally and globally. Thus, we now enjoy a larger budget from the national government for education and capacity building programs and we have been implementing school-to-

work transition programs such as the Jobstart program and the TESDA's Training for Work Scholarship program (TWSP) that are intended to boost both the hard and the soft skills of our young workforce so that they become competitive not only in terms of academic credentials but more importantly in terms of industry-specific skills and experience as well as work attributes.

15. Our investments on human resources in the banking and finance sector can be seen in our vast pool of skilled finance professionals who have the competencies to work across borders. We are producing around 8,000 certified public accountants (CPAs) and 200,000 graduates of business, finance, and related courses every year. Our professional associations are also collaborating with professional bodies in ASEAN for skills upgrading and continuous learning and adopt high-quality and consistent set of standards vital for finance companies. In 2005, our Securities and Exchange Commission (SEC) adopted the International Financial Reporting Standards (IFRSs), which is being strictly implemented by 85 countries, including some ASEAN member states. The adoption of IFRSs shows the quality of the work of our accounting and finance professionals and workers in the presentation of financial reports which is done in accordance with international standards. We are also partnering with educational institutions to inform them of the necessary academic and professional skills that would result in a more competitive and innovative workforce for the banking and finance industry.

16. In terms of pursuing mobility of our professionals, the Philippines has actively participated in the crafting of Mutual Recognition Agreements or MRAs which establish the skills or relevant experience professionals need to gain certification in another country and ultimately to work abroad. To date, ASEAN MRAs have been completed for eight (8) occupations: engineering services, nursing services, architectural services, surveying qualification, medical practitioners, dental practitioners, tourism professionals and accounting services. In addition, the ASEAN Qualifications Reference Framework (AQRF), which has been agreed upon and adopted by the ASEAN member states to be a common reference framework on the recognition of skill across ASEAN will significantly facilitate labor mobility and human resource competitiveness. As part of the Philippine's preparation for the AQRF regime, the government has adopted a Philippine Qualifications Framework (PQF) through a redesign of our basic education system that adds two years of learning, gives emphasis on job-readiness and removes bias against technical-

vocational education. The government likewise shifted the focus of competency-based training from purely skills development to knowledge, innovation-based and industry-driven learning and skills development.

## **CONCLUDING POINTS**

17. Ladies and gentlemen, what lies ahead of us as possibilities due to regional integration can be daunting while at the same time be exciting. By sharing our humble responses thus far, it is our hope that ASEAN member states particularly our stakeholders in the financial sector would support measures that address the challenges through a holistic approach that not only seeks to guarantee the establishment, growth and sustainability of businesses but more importantly ensures that in the process the opportunities for decent and productive employment are availed of by our workers and the risks that these workers will be vulnerable to are effectively managed. Our experience in handling crises in the Asian region have taught us lessons on how to be more responsive to these kinds of changes in our respective economies and that should be able to guide us in facing the challenges ahead.
  
18. Once again and in behalf of our tripartite partners here in the Philippines, our warm congratulations to everyone who will be participating in this worthwhile undertaking. Thank you and God bless.