

ECCP ADVOCACY PAPERS 2019

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# HUMAN CAPITAL ADVOCACY PAPER 2019



# ABOUT ECCP

The **European Chamber of Commerce of the Philippines (ECCP)** is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



# HUMAN CAPITAL ADVOCACY PAPER 2019



**EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES**

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*Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.*

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## METHODOLOGY

The 2019 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in 2018 Advocacy Papers were examined under the following criteria:

**Completed/Substantial Progress:** Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

**Some Progress:** Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

**No Progress/Retrogression:** Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

# MESSAGE FROM ECCP PRESIDENT



2019 has truly been a year of opportunities for the European-Philippine business community. This year, we welcome the implementation of the landmark Ease of Doing Business Act as well as the 18th Congress, with its list of legislative economic priorities. We also acknowledge the enactment of laws on Universal Health Care, Tax Amnesty, Energy Efficiency and Conservation, amongst other measures. Steady macroeconomic fundamentals as well as the administration's plans and pronouncements concerning economic reforms also open opportunities for further trade and investments. Furthermore, the ECCP aims to build upon the achievements of the past years in making the Philippine business environment friendlier for European companies and ensuring that these businesses can make the most of these exciting developments.

To further build on such success, several matters need to be addressed in order to fully realize the potential of the European-Philippine economic ties and the Philippine economic growth. It becomes increasingly important for the Philippines to improve global market integration, enhance its competitiveness as a Foreign Direct Investment (FDI) destination, and accelerate infrastructure development in order to achieve much needed sustainable and inclusive growth.

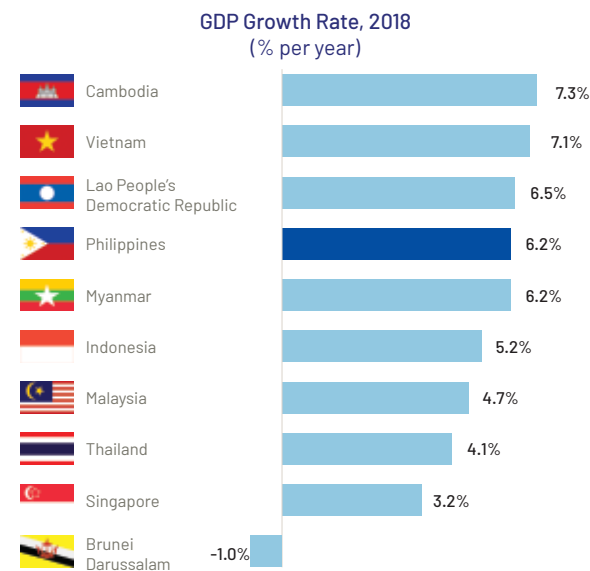
It is in this context that we are pleased to present the 2019 ECCP Advocacy Papers. The ECCP Advocacy Papers include suggested reforms on priority sectors identified by the Chamber and its members. As an advocate of economic liberalization and sustainable economic growth, the ECCP stands ready to support the Philippines in making these much needed changes for the mutual benefit of Europe and the Philippines.

**Mr. Nabil Francis**  
ECCP President

# WHERE ARE WE NOW?

## THE PHILIPPINES

The Philippines strives to maintain its robust economic performance amidst several challenges. Though the GDP posted a decelerated growth of 6.2% in 2018, it is still considered as one of the fastest-growing countries in the Association of Southeast Asian Nations (ASEAN). With a 10-year average annual GDP growth of 5.4%,<sup>1</sup> the Organisation for Economic Co-operation and Development (OECD) recognizes the Philippines as one of the countries, along with Vietnam, who are expected to lead the ASEAN-5 in terms of economic growth.<sup>2</sup>



Source: Asian Development Bank. *Asian Development Outlook 2019*

The GDP was mainly driven by manufacturing, trade and repair of motor vehicles, motorcycles, personal and household goods, and construction. Services accounted for the biggest share with 57.8%, followed by Industry with 34.1%, and Agriculture, Hunting, Forestry and Fishing (AHFF) with 8.1%.<sup>3</sup> The steady flow of remittances from Overseas Filipino Workers (OFWs), the ambitious *Build Build Build* Program, and resilience of the business and knowledge outsourcing industry are anticipated to keep the momentum going in the upcoming years.<sup>4</sup> The GDP Per Capita posted a decelerated growth of 0.5% from 2017, placing the Philippines 5<sup>th</sup> in rank amongst the ASEAN.<sup>5</sup>

<sup>1</sup> World Economic Forum. (2018) *The Global Competitiveness Report*. Retrieved 15 September 2019 from [www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf](http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf).

<sup>2</sup> OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*. Retrieved 14 September 2019 from [dx.doi.org/9789264286184-en](http://dx.doi.org/9789264286184-en).

<sup>3</sup> Philippine Statistics Authority. (2019). *Gross Domestic Product of the Philippines Highlights for 2018*. Accessed 14 September 2019 from [psa.gov.ph/regional-accounts/grdp/highlights](http://psa.gov.ph/regional-accounts/grdp/highlights).

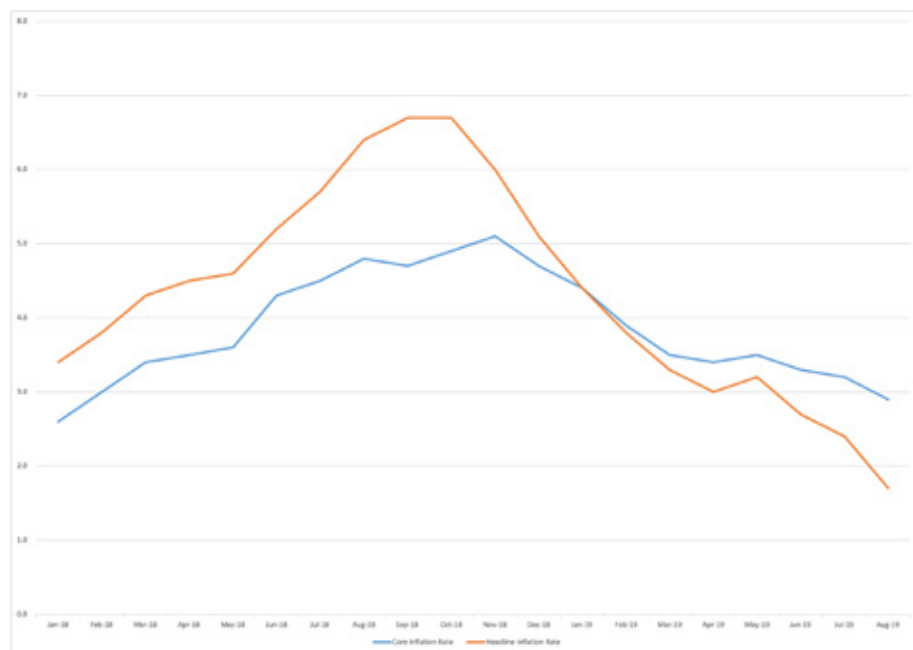
<sup>4</sup> OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*.

<sup>5</sup> Asian Development Bank. (n.d.) *Economic indicators for the Philippines*. Retrieved 16 September 2019 from [adb.org/countries/philippines/economy](http://adb.org/countries/philippines/economy).

The inflation rate for 2018 steadily rose throughout the year. The headline inflation rate increased from 2.9% in 2017 to 5.2% in 2018. Inflation peaked at 6.7% in the third quarter of 2018, and only decreased during the last two months of the said year. The drastic increase in prices was primarily attributed to the tight domestic supply, impact of natural calamities, and the rising global crude oil rates.<sup>6</sup>

The average core inflation rate reached 4.1% in 2018 – a 2.5% increase from 2017, that could be linked to the impact of fiscal expansion as well as the pass-through effect of a weaker peso.<sup>7</sup> The full year average inflation was brought up to 5.2%, which is above the National Government's announced target range for 2018.<sup>8</sup> However, as of August 2019, the headline inflation rate decelerated to 1.7%, the lowest rate achieved since October 2016 which was at 1.8%. The deceleration was brought about by the slower annual increase in prices of food and non-alcoholic beverages.<sup>9</sup>

### Philippines: Inflation Rate, January 2018 – August 2019



6 World Bank. (2019) *Philippines Economic Update April 2019: Safeguarding Stability, Investing in the Filipino*. Retrieved 16 September 2019 from [documents.worldbank.org/curated/en/442801553879554971/pdf/Philippines-Economic-Update-Safeguarding-Stability-Investing-in-the-Filipino.pdf](https://documents.worldbank.org/curated/en/442801553879554971/pdf/Philippines-Economic-Update-Safeguarding-Stability-Investing-in-the-Filipino.pdf)

7 Ibid.

8 Bangko Sentral ng Pilipinas. (2018) *Inflation Report Q4 2018*. Retrieved 15 September 2019 from [bsp.gov.ph/downloads/Publications/2018/IR4qtr\\_2018.pdf](https://bsp.gov.ph/downloads/Publications/2018/IR4qtr_2018.pdf).

9 Philippine Statistics Authority. (2019). *Summary Inflation Report Consumer Price Index (2012=100): August 2019*. Accessed 27 September 2019 from [psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2019](https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2019).

The country's credit rating over the past year proves itself to be stable according to Moody's Investor Service.<sup>10</sup> The table below shows ratings from various agencies throughout the year:

2018 Philippine Credit Ratings		
Date	Agency	Rating
26 April	S&P	BBB Positive
20 July	Moody's	Baa2 Stable
19 December	Fitch	BBB

Source: Standard and Poor's, Moody's, Fitch.

The demographics for 2018 puts the country's economy at a prime advantage. A population of 106.60 million,<sup>11</sup> with a median age of 23.7,<sup>12</sup> adds a young, dynamic and competitive workforce to the country's competitive advantages including its strategic business location in the region and a pursuit for developing infrastructure for global growth,<sup>13</sup> among others.

A 2018 Philippine Statistics Authority (PSA) Survey records the employment rate at 94.7%. Categorically, the Services sector had the biggest share with 56.6%, followed by the Agriculture sector with 24.3%, and the Industry sector with 19.1%.<sup>14</sup> This leaves the unemployment rate at 5.3% and the underemployment rate with 16.4%. Though the statistics on employment displayed a positive growth of approximately 0.3-0.4% from 2017, high levels of unemployment remain to be a recurring challenge for the Philippines.

For international rankings, the 2018 Global Competitiveness Report ranks the Philippines 56<sup>th</sup> out of 140 countries, with a score of 52.1.<sup>15</sup> The report highlighted the country's Macroeconomic Stability as its strongest pillar, ranking 43<sup>rd</sup> with a score of 90. However, Innovation Capability was noted as the country's weakest, ranking 67<sup>th</sup> with a score of 37.2.<sup>16</sup> As for the World Bank Doing Business 2018 Report, the Philippines was given an overall ranking of 113<sup>th</sup> out of 190 countries. The country's factor of Getting Electricity is ranked best at 31<sup>st</sup>, while Starting a Business is ranked the worst at 173<sup>rd</sup>.<sup>17</sup>

10 Moody's Investors Service. (2018) *Announcement: Moody's: Philippines' credit profile supported by strong growth and progress on reform*. Retrieved 16 September 2019 from [moody.com/research/Moody-Philippines-credit-profile-supported-by-strong-growth-and-progress-PR\\_387103](https://moody.com/research/Moody-Philippines-credit-profile-supported-by-strong-growth-and-progress-PR_387103).

11 Asian Development Bank. (2018) *Philippines: By the Numbers*. Retrieved 16 September 2019 from [data.adb.org/dashboard/philippines-numbers](https://data.adb.org/dashboard/philippines-numbers).

12 Central Intelligence Agency. (2018). *The World Factbook: Philippines*. Retrieved 15 September 2019 from [cia.gov/library/publications/the-world-factbook/geos/rp.html](https://cia.gov/library/publications/the-world-factbook/geos/rp.html).

13 Philippine Consulate General. (n.d.) *The Philippines possesses several competitive advantages*. Retrieved 18 September 2019 from [vancouverpcg.org/trade-01.html](https://vancouverpcg.org/trade-01.html).

14 Philippine Statistics Authority. (2018). *2018 Annual Labor and Employment Status*. Accessed 15 September 2019 from [psa.gov.ph/content/2018-annual-labor-and-employment-status](https://psa.gov.ph/content/2018-annual-labor-and-employment-status).

15 World Economic Forum. (2018) *The Global Competitiveness Report*.

16 Ibid.

17 World Bank. (2018). *Doing Business 2018: Reforming to Create Jobs*. Retrieved 16 September 2019 from [doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf](https://doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf).

With regard to Foreign Direct Investments (FDIs), the Bangko Sentral ng Pilipinas officially registered USD 9.8 Billion in net inflows for 2018, down by 4.4% from the USD 10.3 billion record from 2017.<sup>18</sup> Majority of equity capital placements were mainly channeled to manufacturing, financial and insurance activities, and real estate activities with Singapore, Hong Kong, and Japan as the top partners.<sup>19</sup> With the country's relations with the European Union, three member states ranked in the top ten with Netherlands, Luxembourg, and Germany placing 7<sup>th</sup>, 8<sup>th</sup>, and 10<sup>th</sup>, respectively.<sup>20</sup>



Total external trade amounted to USD 182.15 billion in 2018. The top three major trading partners for the year were People's Republic of China, Japan, and the United States of America.<sup>21</sup> The European Union (EU) immediately followed with a 9.6% share in total trade, valued at USD 17.49 billion. Germany ranked the highest as the Philippines' top trading partner in the EU, followed by the Netherlands, and France. Alternatively, the Philippines is the EU's 41<sup>st</sup> largest trading partner globally, accounting for only 0.4% of the EU's total trade.<sup>22</sup>



Indeed, the Philippines has made notable progress in recent years. However, much work still needs to be done in order to improve the country's global competitiveness. Substantial economic reforms, especially concerning the ease of doing business as well as the creation of a level playing field have yet to be realized to capitalize on the substantive gains of the Philippines. Furthermore, boosting the Philippine manufacturing sector, deepening the ASEAN integration, and enhancing trade facilitation are all imperative to take the Philippine economy to greater heights.



18 Bangko Sentral ng Pilipinas. (2019). *FDI Registers US\$677 million in December 2018; Full-Year Reaches US\$9.8 Billion in 2018*. Retrieved 14 September 2019 from [bsp.gov.ph/publications/media.asp?id=4967&yr=2019](http://bsp.gov.ph/publications/media.asp?id=4967&yr=2019).

19 Ibid.

20 Department of Trade and Industry. (2018) *NET FOREIGN DIRECT INVESTMENTS REPORT*. Retrieved 16 September 2019 from [dti.gov.ph/resources/statistics/net-foreign-direct-investments-fdi#graph](http://dti.gov.ph/resources/statistics/net-foreign-direct-investments-fdi#graph).

21 Philippine Statistics Authority. (2019). *Highlights of the 2018 Annual Report on International Merchandise Trade Statistics of the Philippines (Preliminary)*. Accessed 15 September 2019 from [psa.gov.ph/content/highlights-2018-annual-report-international-merchandise-trade-statistics-philippines](http://psa.gov.ph/content/highlights-2018-annual-report-international-merchandise-trade-statistics-philippines).

22 European Commission. (2019). *Countries and Regions: The Philippines*. Retrieved 16 September 2019 from [ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/](http://ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/).

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# INTRODUCTION

In an increasingly globalized world where technological advancement is at a rapid pace, governments have recently acknowledged the critical role of their respective human resource base in economic and social development. In the Philippines, accelerating human capital development has been incorporated in some of the government's policy blueprints, most notably the 10-Point Socioeconomic Agenda and the Philippine Development Plan (PDP) 2017-2022.<sup>1</sup>

Executive Order (EO) No. 5, s. 2016<sup>2</sup> which adopts the *Ambisyon Natin 2040* espouses that:

“By 2040, the Philippines shall be a prosperous, predominantly middle-class society where no one is poor; our peoples shall live long and healthy lives, be smart and innovative, and shall live in a high-trust society.”

This overarching vision has emphasized the human dimension of nation building and development planning and now serves as the foundation for the 10-Point Agenda and PDP 2017-2022.

Undoubtedly, human capital is an enabler of robust domestic economic growth. It is most evident in the country's image as a global business process outsourcing (BPO) hub and its resilient overseas Filipino workers (OFWs). To put into perspective, industry reports point out that the domestic BPO sector generated USD 24.8 billion in revenues in 2018<sup>3</sup> while OFWs have remitted a total of PHP 235.9 billion from April to September of the same year.<sup>4</sup>



1 National Economic and Development Authority. (2017). *Philippine Development Plan 2017-2022*. Retrieved from <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf>.

2 Official Gazette. (2016). *Executive Order No. 5, s. 2016*. Retrieved from [http://2040.neda.gov.ph/wp-content/uploads/2016/10/EO-No.05\\_Ambisyon-Natin-2040.pdf](http://2040.neda.gov.ph/wp-content/uploads/2016/10/EO-No.05_Ambisyon-Natin-2040.pdf).

3 Desiderio, L. (31 May 2019). IT-BPM revenues grow 6% in 2018. *The Philippine Star*. Retrieved from <https://www.philstar.com/business/2019/05/31/1922238/it-bpm-revenues-grow-6-2018>.

4 Philippine Statistics Authority. (2019). *Total Number of OFWs Estimated at 2.3 Million (Results from the 2018 Survey on Overseas Filipinos)*. Retrieved from <https://psa.gov.ph/content/total-number-ofws-estimated-23-million-results-2018-survey-overseas-filipinos>

The country also enjoys a relatively high level of employment rate with the latest official statistics posting 94.8% or an estimated 41.4 million working population in January 2019. Accordingly, the largest age group is 25 to 34 years old. In terms of major industry groups, agriculture saw the only decline at 22.2% from 26.0% year-on-year whereas the industry and services posted growth of 19.7% from 18.1% and 58.1% from 55.1% in the same period, respectively. Meanwhile, unemployment rate registered at 5.2% while underemployment rate is at 15.6% in the same period.<sup>5</sup>

From a regional context, the Philippines trails behind its neighbors in the Association of Southeast Asian Nations (ASEAN) in various global benchmarks when comparing the quality of work and skill readiness of its workforce, among other metrics (Table 1). It only underscores the need for a whole of society approach to understand and address the needs of human capital development.

## ASEAN Human Capital Development Scorecard

Country	The Global Human Capital Report 2017		The Global Talent Competitiveness Index 2019		Human Capital Index (HCI), 2018		
	Global Ranking	ASEAN Ranking	Global Ranking	ASEAN Ranking	HCI Score*	Global Ranking	ASEAN Ranking
Brunei Darussalam	58 <sup>th</sup>	5 <sup>th</sup>	36 <sup>th</sup>	3 <sup>rd</sup>	-	-	-
Cambodia	92 <sup>nd</sup>	10 <sup>th</sup>	107 <sup>th</sup>	9 <sup>th</sup>	0.49	100 <sup>th</sup>	7 <sup>th</sup>
Indonesia	65 <sup>th</sup>	7 <sup>th</sup>	67 <sup>th</sup>	6 <sup>th</sup>	0.53	87 <sup>th</sup>	6 <sup>th</sup>
Laos	84 <sup>th</sup>	8 <sup>th</sup>	91 <sup>st</sup>	7 <sup>th</sup>	0.45	11 <sup>th</sup>	9 <sup>th</sup>
Malaysia	33 <sup>rd</sup>	2 <sup>nd</sup>	27 <sup>th</sup>	2 <sup>nd</sup>	0.62	55 <sup>th</sup>	3 <sup>rd</sup>
Myanmar	89 <sup>th</sup>	9 <sup>th</sup>	-	-	0.47	107 <sup>th</sup>	8 <sup>th</sup>
<b>Philippines</b>	<b>50<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>58<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>0.55</b>	<b>84<sup>th</sup></b>	<b>5<sup>th</sup></b>
Singapore	11 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	0.88	1 <sup>st</sup>	1 <sup>st</sup>
Thailand	40 <sup>th</sup>	3 <sup>rd</sup>	66 <sup>th</sup>	5 <sup>th</sup>	0.60	65 <sup>th</sup>	4 <sup>th</sup>
Vietnam	64 <sup>th</sup>	6 <sup>th</sup>	92 <sup>nd</sup>	8 <sup>th</sup>	0.67	48 <sup>th</sup>	2 <sup>nd</sup>

\* HCI ranges between 0 (lowest) and 1 (highest).

Note: Myanmar is not ranked and included in The Global Talent Competitiveness Index 2019 while Brunei Darussalam is not scored and included in the Human Capital Index, 2018  
INSEAD, World Bank, World Economic Forum

Both the most recent versions of the Global Human Capital Report<sup>6</sup>, which assesses how countries develop their human resource base, and the 2019 Global Talent Competitiveness Index<sup>7</sup>, which shows the overall quality of its talent, placed the Philippines 4<sup>th</sup> in the region.

5 Philippine Statistics Authority. (2019). *Employment Situation in January 2019*. Retrieved from <http://www.psa.gov.ph/content/employment-situation-january-2019>.

6 World Economic Forum. (2019). *The Global Human Capital Report 2017*.

7 INSEAD. (2019). *The Global Talent Competitiveness Index 2019: Entrepreneurial Talent and Global Competitiveness*.

Meanwhile, the HCI is a tool developed by the World Bank to highlight the link between investments in human capital (e.g. health and education) and the productivity of future workers. The multilateral lender's report which features the HCI emphasized that developing countries like the Philippines lack workers with specific socio-behavioral skills.<sup>8</sup> This could be detrimental to the business environment which is increasingly demanding for specialized skill sets among the talent base.

On a more positive note, the Philippines stands out for its achievements on narrowing gender gaps in the workplace. A 2018 McKinsey report wrote that the country is leading in the Asia Pacific region in terms of gender parity in work with a close to perfect female-to-male ratio of 1.00 on women in leadership positions.<sup>9</sup> Likewise, international organizations, such as the Asian Development Bank and the Organisation for Economic Co-operation and Development, are explicit to recognize the country's great strides in gender-equal workforce especially in the public sector.<sup>10</sup>

Overall, the human capital sector in the Philippines plays a significant role in the country's growth story. Its large, young, dynamic, highly literate, and English-proficient population is a natural attraction for domestic and international enterprises including European companies and investors. In addition, the virtue of *malasakit* or solicitude is a unique trait of the country's population that creates value for organizations, especially in a country characterized as a consumption-driven and customer-oriented economy.

As such, the European Chamber of Commerce of the Philippines' (ECCP) prepares this paper which features recent developments in the legislative and regulatory frameworks. Similarly, this paper enumerates the ECCP's recommendations to enrich the various policy instruments on developing the country's human capital.



8 World Bank. (2019). *World Development Report 2019: The Changing Nature of Work*.

9 McKinsey Global Institute. (2018). *The Power of Parity: Advancing Women's Equality in Asia Pacific*.

10 Asian Development Bank. (2019). *Government at a Glance: Southeast Asia 2019*.

## RECENT REFORMS AND INDUSTRY DEVELOPMENTS

Since 2018, a number of laws and regulations were put into place. Some of the major ones are listed below.

- Signed on Labor Day 2018, **EO No. 51, s. 2018** reiterated and emphasized the prohibition against illegal contracting and subcontracting of workers. It stressed that contracting or subcontracting, when undertaken to circumvent the worker's right to security of tenure, self-organization and collective bargaining, and peaceful concerted activities, is strictly prohibited. It also demands that existing provisions found in the Labor Code to be strictly implemented.<sup>11</sup>
- In a bid to prevent the brain drain of Filipino scientists, **Republic Act (RA) No. 11035** or the **Balik Scientist Act** would improve the incentives and benefits provided to returning Filipino experts, inventors, and engineers to accelerate the scientific research and development landscape in the country. It was penned into law last June 2018.<sup>12</sup>
- Passed into law in August 2018, **RA No. 11058** or the **Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof** mandates strict compliance of employers to workplace safety standards to avoid life-risking mishaps. The duties and rights of employers, workers and other persons were clearly delineated. More importantly, severe monetary penalties were imposed for violations of the required Occupational Safety and Health Standards.<sup>13</sup>
- **EO No. 63, s. 2018**, issued last September 2018, strengthens the Maritime Industry Authority by establishing policies and mechanisms to improve the competitiveness of Filipino seafarers in compliance with the Philippine government's commitments to the 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.<sup>14</sup>
- President Rodrigo Duterte also signed **RA No. 11165** or the **Telecommuting Act** in December 2018 allowing the private sector to offer a telecommuting program to its employees on a voluntary. Telecommuting refers to a work arrangement that allows an employee in the private sector to work from an alternative workplace with the use of telecommunication and/or computer technologies.<sup>15</sup>
- Moreover, **RA No. 11210** or the **105-Day Expanded Maternity Leave Law** was signed into law last February 2019 increasing the maternity leave period to one hundred five 105 days for female workers with an option to extend for an additional 30 days without pay, and granting an additional 15 days to solo mothers.<sup>16</sup>

11 Official Gazette. (2018). *Executive Order No. 51, s. 2018*. Retrieved from <http://www.officialgazette.gov.ph/downloads/2018/05may/20180501-EO-51-RRD.pdf>.

12 Official Gazette. (2019). *Republic Act No. 11035*. Retrieved from <http://www.officialgazette.gov.ph/downloads/2018/06jun/20180615-RA-11035-RRD.pdf>.

13 Official Gazette. (2019). *Republic Act No. 11058*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2018/08aug/20180817-RA-11058-RRD.pdf>.

14 Official Gazette. (2018). *Executive Order No. 68, s. 2018*. Retrieved from <http://www.officialgazette.gov.ph/downloads/2018/09sep/20180921-EO-63-RRD.pdf>.

15 Official Gazette. (2019). *Republic Act No. 11165*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2018/12dec/20181220-RA-11165-RRD.pdf>.

16 Official Gazette. (2019). *Republic Act No. 11210*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190220-RA-11210-RRD.pdf>.



- **RA No. 11230** or the **Tulong Trabaho Act** was signed last February 2019 providing free access and scholarships to technical-vocational education through a Tulong Trabaho Fund.<sup>17</sup>
- President Duterte also signed **RA No. 11261** or the **First Time Jobseekers Assistance Act** in April 2019 to exempt first time jobseekers from paying fees for government-issued documents. The exemption may only be availed of once.<sup>18</sup>
- Adopted in June 2019, **EO No. 83, s. 2019** approves the National Technical Education and Skills Development Plan 2018-2022 as a blueprint of the Technical Vocational Education and Training sector in coming up with responsive policies and implementing programs in support of the broader goals and objectives of the government.<sup>19</sup>
- In August 2019, President Duterte signed **RA No. 11360** further amending the Labor Code to now require hospitality sector establishments to distribute service charges in full to its employees except managerial employees.<sup>20</sup> Previously, rank-and-file employees were entitled to 85% of the service charge collected while the management keeps the remaining 15%.
- Meanwhile, **Joint Memorandum Circular (JMC) No. 1, s. 2019** imposes stricter guidelines for foreign nationals working in the Philippines by requiring them to secure a Tax Identification Number as part of documentary requirements to apply for employment permits and visas.<sup>21</sup> Additionally, only foreigners in 14 occupation groups can avail the Special Working Permits.<sup>22</sup>

Other pending legislations that are relevant to the sector includes:

- **Amendatory bills on the Foreign Investment Act of 1991** were filed in the 18th Congress. To wit, the bills seek to exclude the “practice of professions” from the Foreign Investment Negative List as well as reduce the employment threshold requirement from 50 to 15 direct local hires for foreign investors to operate small and medium-sized enterprises with a minimum paid-up capital of USD 100,000.<sup>23</sup>

17 Official Gazette. (2019). *Republic Act No. 11230*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190222-RA-11230-RRD.pdf>.

18 Official Gazette. (2019). *Republic Act No. 11261*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/04apr/20190410-RA-11261-RRD.pdf>.

19 Official Gazette. (2019). *Executive Order No. 83, s. 2019*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/06jun/20190617-EO-83-RRD.pdf>.

20 Official Gazette. (2019). *Republic Act No. 11360*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/08aug/20190807-RA-11360-RRD.pdf>.

21 Ang, P. (12 July 2019). Guidelines on foreign work permits, out. *Department of Labor and Employment*. Retrieved from <https://www.dole.gov.ph/news/guidelines-on-foreign-work-permits-out/>.

22 The Bureau of Immigration's Operations Order No. JHM-2019-008 enumerates the following: 1) professional athletes, coaches, trainers and assistants; (2) international performers with exceptional abilities; (3) artists, performers and their staff who perform before an audience for a fee; (4) service suppliers coming primarily to perform temporary jobs and who do not receive salary or other remuneration from a Philippine source other than expenses connected to their temporary stay; (5) treasure hunters authorized by government agencies to search for hidden treasure; (6) movie and television crews authorized by government agencies to film in the country; (7) foreign journalists practicing their profession or covering a specific event in the country; (8) trainees assigned to government institutions, government-owned and -controlled corporations (GOCC), and private entities; (9) lecturers, researchers, trainers and others pursuing academic work who are assigned to schools, universities, educational and research institutions, government agencies and other entities (with or without compensation); (10) religious missionaries and preachers; (11) commercial models and talents; (12) culinary specialists and chefs; (13) professionals; and (14) consultants or specialists.

23 Senate Bills Nos. 418, 919, 1024 and House Bill No. 300

- **Senate Bill (SB) No. 69** or the **Educational Roadmap Act** aims to establish a roadmap that will incorporate skills and competencies needed by industries in order to produce graduates that will be part of a globally competitive workforce.<sup>24</sup>
- Meanwhile, **SB No. 994** or the **Interns' Rights and Welfare Act** seeks to protect interns from exploitative practices by providing compensation to interns, strengthening schools' vetting processes for internship programs, and requiring host organizations to craft clear internship contracts, among others.<sup>25</sup>
- More than two dozen bills entitled the **Department of OFW Act** were also filed. The bills propose to establish an umbrella agency that will harmonize all policies and guidelines related to and address concerns on OFWs.<sup>26</sup>
- Furthermore, bills in the lower chamber entitled the **Revised Apprenticeship Program Act** seek to amend the Labor Code by instituting reforms that will increase the employability of the youth. Consequently, it will provide enterprises with a mechanism to ensure a continuous supply of skilled workers.<sup>27</sup>
- Another relevant legislation is **House Bill (HB) No. 309** which proposes a 35-hour working week scheme as an alternative work arrangement in the private sector.<sup>28</sup>
- **HB No. 311** or the **Public Schools of the Future in Technology Act of 2019** seeks to modernize the country's public school system through mainstreaming digital technologies in the teaching methods as well as equipping instructors with corresponding skills.<sup>29</sup>
- Lawmakers from the lower chamber also filed **14<sup>th</sup> Month Pay Law** measures that will require employers both in the government and private sector to provide such additional month's pay to their employees regardless of their status.<sup>30</sup>
- Additionally, **HB No. 1527** or the **Freelance Workers Protection Act** aims to protect workers in the gig economy from unlawful payment practices, facilitate ease of doing business in government transactions, and exempt freelancers from income tax for the first three years of work from the registration date with the Bureau of Internal Revenue.<sup>31</sup>

Likewise, the human capital landscape saw some other notable developments.

- Last July 2019, President Duterte vetoed the consolidated enrolled **SB No. 1826** and **HB No. 6908**, otherwise known as the **Security of Tenure and End of Endo Act**. In his veto message, President Duterte wrote that “while labor-only contracting must be prohibited, legitimate job-contracting should be allowed” provided that the contractor is “well capitalized, has sufficient investments, and affords its employees all the benefits.”<sup>32</sup> Nonetheless, lawmakers in both Houses refiled the measure in the 18<sup>th</sup> Congress.

24 *Senate Bill No. 62*. Retrieved from <https://www.senate.gov.ph/lisdata/3029227120!1.pdf>

25 *Senate Bill No. 994*. Retrieved from <https://www.senate.gov.ph/lisdata/3140628300!1.pdf>.

26 Senate Bills Nos. 92, 202, 461, 593 and House Bills Nos. 2, 1449, 2067, 2207, 2216, 2317, 2319, 2368, 2409, 2412, 2425, 2547, 2850, 2982, 3168, 3246, 3274, 3440, 3514, 3637, 3663, 3888, 3940, 4065

27 House Bills Nos. 275, 1259, 2045

28 *House Bill No. 309*. Retrieved from [http://www.congress.gov.ph/legisdocs/basic\\_18/HB00309.pdf](http://www.congress.gov.ph/legisdocs/basic_18/HB00309.pdf).

29 *House Bill No. 311*. Retrieved from [http://www.congress.gov.ph/legisdocs/basic\\_18/HB00311.pdf](http://www.congress.gov.ph/legisdocs/basic_18/HB00311.pdf).

30 House Bills Nos. 558, 666, 2501, 3382

31 *House Bill No. 1527*. Retrieved from [http://www.congress.gov.ph/legisdocs/basic\\_18/HB01527.pdf](http://www.congress.gov.ph/legisdocs/basic_18/HB01527.pdf).

32 Official Gazette. (2019). *Veto Message on Senate Bill No. 1826*. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/07jul/20190726-Veto-Message-Senate-Bill-1826-RRD.pdf>.

# ADVOCACY RECOMMENDATIONS

## 1. Reinforcement of skills and capability development

### **Establish a more pragmatic program for the K to 12 Basic Education Curriculum through public-private partnership with the Department of Education (DepEd)**

The ECCP commends this landmark education reform which equips students with additional competencies for higher education and the labor market.<sup>33</sup> It also placed the country at par with international standards-based education system as well as in compliance with other agreements such as the Washington Accord.<sup>34</sup> Hence, this is a right step forward towards achieving sustainable growth and competitiveness.

In order to fully realize the ultimate goal of better preparing students in the workforce, we recommend for institutionalizing a more pragmatic K to 12 program through public-private partnership with the DepEd. Moreover, the ECCP urges the DepEd to allow senior high school students with more than the minimum 80-hour requirement for the immersion program to adequately familiarize themselves with authentic work environments. In this way, the immersion component will keep their skills development as core objectives, with stringent compliance frameworks and work programs to identify the skills gained during the program.

### **Support the enactment of an apprenticeship reform bill**

In its commitment to advance innovation and readiness of the talent base, the ECCP implores the government to enact a Revised Apprenticeship Program Act that will amend the Labor Code to ensure professional development of pre-workforce individuals by equipping them with the technical and core skills necessary for the jobs of the future. Furthermore, stakeholders in the Philippines can carefully study existing models such as Germany's Dual-Education System and South Korea's Working-Learning Dual System to replicate and adapt to the local context.

As apprenticeships are becoming increasingly attractive to enterprises around the world, especially in the face of the Fourth Industrial Revolution, the passage of a relevant legislation will broaden the learning opportunities for the domestic human resource as well as improve the competitiveness of the country is ever timelier and more imperative.



<sup>33</sup> Republic Act No. 10533 or the Enhanced Basic Education Reform Act of 2013

<sup>34</sup> Signed in 1989, the Washington Accord is a multilateral accreditation agreement for undergraduate engineering degree programs. The Philippines is currently a provisional signatory and is pursuing a full signatory membership as the accord prescribes 12 years of basic education as a requirement for the recognition of engineering professionals.

## 2. Ease restrictions on the employment of foreign nationals

### **Relax limits on foreign employment in Philippine Economic Zone Authority (PEZA) economic zones**

To further promote extensive knowledge transfer among workers, the ECCP recommends the lifting of the 5% limit on foreign employment for PEZA locators. In recognition of the reform as a pro-business measure, we strongly suggest that it be accompanied by issuing strict compliance guidelines (e.g. adherence to domestic laws, fair taxation) and criteria for the employment of foreign nationals so as not to be taken advantage of by any non-compliant locators. This will allow enterprises to improve the quality of its hires through a thorough screening process by making the most of the global talent supply. Consequently, this will facilitate skills mobility as well as induce innovation activities that will improve the Philippines' competitiveness.

### **Create a one-stop shop for renewals and facilitate the employment of foreign nationals in priority sectors**

Whereas other regional neighbors have already set up mechanisms that will facilitate the processing of work-related requirements for foreign nationals under one roof, the Philippines remains to establish similar services.<sup>35</sup> Hence, the ECCP calls for the creation of a one-stop shop service for applications or renewals of Alien Employment Permits, work visas, and other documentary requirements for foreign nationals seeking employment or currently employed in the Philippines. It should also cover foreign nationals moving to a new employer in designated sectors where there is an identified skills gap in the domestic market.

The proposal will align with the administration's efforts to streamline the delivery of government services in the country by cutting down processing time and other regulatory hurdles.

## 3. Retention and protection of investments in human capital

### **Protect and incentivize employers who invest in competitive training programs**

The supply of adequate skills in the workforce is also a key factor in the determination of the Philippines as a competitive investment destination for both domestic and foreign enterprises. As many highly skilled professionals leave the country to seek relatively better employment opportunities abroad, many industry players have introduced significant amounts of resources to ensure the continuous development of the local talent base. One primary example is carrying out training programs.

However, it is observed that there is little incentive for companies to invest in such training programs due to the difficulty they face in retaining personnel who, after training, leave their current jobs and opt for more lucrative positions elsewhere. Although incentivized, the attrition rate of trained workers could also be overwhelming for the private sector.

Thus, the ECCP proposes the formation of an incentive scheme focusing on the costs incurred by employers during the training period. Furthermore, deduction of training expenses of PEZA locators should also be expanded to non-PEZA-registered companies that are also inclined in conducting high quality training programs for their workers. One best practice in Europe is the labor-related incentives provided by the German government to the private sector, especially new businesses, when building their workforce. Namely, these incentives include recruitment support, pre-hiring training support, wage subsidies, and on-the-job training.<sup>36</sup>

<sup>35</sup> For example, Thailand has its One-Stop Service Center for Visas and Work Permits and Malaysia has its Foreign Worker One-Stop Approval Agency.

<sup>36</sup> Germany Trade & Invest. (2017). *Incentives in Germany: Supporting Your Investment Project*.

#### 4. Developing a pro-business, pro-employee contractualization framework

##### Strengthen enforcement of laws against the abuse of contractualization, at the same time allow for a more flexible work environment

European businesses hold fair workers' rights as one of the core values for operation both in the continent and abroad. Therefore, the ECCP supports the thrust of the administration and its resolute efforts to end all forms of illegal contractualization and other employment malpractices. Not only will the end of the abuse of contractualization protect workers' rights, but will also remove the unfair competition posed on compliant players.

Earlier in 2019, it was mentioned that approximately 600,000 employees need to be regularized. In recent pronouncements of the Department of Labor and Employment (DOLE), nearly 500,000 employees were reported to be regularized even without the passage of a law.<sup>37</sup> Accordingly, the ECCP maintains that the passage of the Security of Tenure and End of Endo Act is redundant and unnecessary. Furthermore, we believe that the current law governing security of tenure and job contracting is adequate to protect the interests of both the workers and the management. We are of the opinion that unduly restricting the flexibility of enterprises to strategically choose which parts of its work processes to outsource will not only unnecessarily increase the costs of production but also impinge the Constitutional provision on the exercise of management prerogative. These will most likely make the Philippines less competitive.

Hence, the ECCP stands ready to work with the government towards a more stringent implementation of EO No. 51, s. 2018 and DOLE Department Order (DO) No. 174, s. 2017 which both aim to protect the right to security of tenure of all workers.



<sup>37</sup> Yee, J. (1 May 2019). 500,000 workers regularized since Duterte signed EO – DOLE. *Philippine Daily Inquirer*. Retrieved from <https://business.inquirer.net/269571/500000-workers-regularized-since-duterte-signed-ao-dole>.




# ASSESSMENT OF 2018 RECOMMENDATIONS


ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
<b>Reinforcement of skills and capability development</b>	Establish a more pragmatic program for the K to 12 program through public-private partnership with the DepEd	
	Support the enactment of an apprenticeship reform bill	
<b>Ease restrictions on the employment of foreign nationals</b>	Relax limits on foreign employment in PEZA economic zones	
	Create a one-stop shop for renewals and facilitate the employment of foreign nationals in priority sectors	
<b>Retention and protection of investments in human capital</b>	Protect and incentivize employers who invest in competitive training programs	
<b>Developing a pro-business, pro-employee contractualization framework</b>	Strengthen enforcement of laws against the abuse of contractualization, at the same time allow for a more flexible work environment	


SOME PROGRESS	NO PROGRESS / RETROGRESSION
	Bills on apprenticeship reform were refiled in the 18th Congress after the same failed to make it out of the previous legislative mill.
	HB No. 275, HB No. 1259, and HB No. 2045 are pending with the House Committee on Labor and Employment.
	Pending bills that will amend The Special Economic Zone Act of 1995 do not include any amendatory provisions on Section 40 which limits the percentage of foreigners working in ecozone locators to 5% of its workforce.
	While PEZA provides one-stop shop service for building and occupancy permits, import and export permits, and special non-immigrant visa, among others, it has yet to extend such services to work visas and related permits.
	Bills amending PEZA's charter proposes to establish Special Economic Institute in every region to consolidate the training needs of industries, employment requirements, technical and professional courses.  The bills, HB No. 3654, HB No. 3747, and HB No. 3896, are pending with the House Committee on Economic Affairs.
	EO No. 51, s. 2018 reinforces existing legislation and policies such as the Labor Code and was in line with DOLE DO No. 174, s. 2017.  Additionally, while the president vetoed the Security of Tenure and End of Endo Act last July 2019, lawmakers filed anew similar bills in the 18th Congress.



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