HIGHLIGHTS OF THE FOURTH TRIPARTITE REGIONAL SEMINAR ON INDUSTRIAL RELATIONS:
“SETTING MINIMUM WAGE AND WAGE GUIDELINES:
ROLES OF TRIPARTITE PARTNERS AND IMPACT ON INDUSTRIAL RELATIONS”
29 February and 1 March 2012, Pullman Hotel, Bangkok, Thailand

Foreword

1. All ASEAN constituents have been engaged in a drive to reform and update industrial relations (IR) practices against a backdrop of wider development as ASEAN manages the transition towards even greater economic integration in the form of AEC. Despite this commonality of purposes, ASEAN nations may have attained varying levels of development, and may thus encounter different forms of challenges and issues, providing a platform for sharing views and experiences toward convergence to achieve a decent work environment. The Japanese government has provided financial support for the implementation of a project with the purpose of improving IR in the ASEAN member states. This project is being implemented collectively by the ILO, and the ASEAN Secretariat, bringing together employees’ and employers’ representatives as well as government entities. An integral element of this ILO-Japan-ASEAN project project has been a series of seminars providing a forum for a comprehensive exchange of perspectives on good practices and the implementation of IR policies among the tripartite components. The fourth seminar, the subject of this executive summary, deliberated upon issues and practices in relation to minimum wages (MWs) and wage guidelines (WGs) through tripartite action.

2. The seminar comprised ten sessions. In the opening session, 4 representatives from ILO/ROAP, Japan’s MHLW, Thailand’s MOL, and the ASEAN Secretariat delivered their speeches detailing the rationales and objectives of the seminar, as well as relevant points for further deliberation during the course of the seminar. Session 2 examined global wage trends and ILO advice on wage setting. Session 3 considered mechanisms and institutions for wage setting with presentations from Thailand and Malaysia. Session 4 was dedicated to the issues of criteria and data for wage setting with presentations from Indonesia, and the Philippines. Session 5 looked at wage setting in terms of mechanisms and trends with a presentation on an overview of Japan’s MW scheme and a presentation on wage setting in Korea. Session 6 was allocated to a summary of issues and observations from day 1, and a presentation on recent trends in China’s wage fixing. Session 7 was on wage setting through collective bargaining (CB) in Cambodia and Singapore, while session 8 was dedicated to a review of MW systems in Viet Nam, Lao PDR, and the Philippines. During session 9, the participants were engaged in 3 discussion groups: a workers group, an employers’ group, and a governments’ group, with each group presenting its views of the points contained in a series of questions set as a guideline for their discussion. Subsequently, all the participants discussed future directions and proposed possible future topics for the next seminar. Finally, the seminar was closed with no formal closing remarks. The organizing committee thanked all the participants for their contributions, and bade them all a safe journey home (closing session).

Introduction

3. The 4th Regional Seminar of the ASEAN-ILO/Japan Industrial Relations Project was held from 29 February to 1 March 2012 in Bangkok with the thematic title “Setting Minimum Wage and Wage Guidelines: Roles of Tripartite Partners and Impact on Industrial Relations”.

4. The purpose of this tripartite regional seminar is for governments and social partners (SPs) to share their experience among themselves regarding different mechanisms and processes in setting national MWs as well as WGs and the role of tripartite partners in the context of good IR practices.
5. The two-day seminar was hosted by Thailand’s Ministry of Labour (MOL) and organised by the ILO/Japan Programme, the Regional Office for Asia and the Pacific (ROAP) in Bangkok, in collaboration with the ASEAN Secretariat. The seminar was supported financially by Japan’s Ministry of Health, Labour and Welfare.

6. The seminar was attended by tripartite partners’ representatives of the government, trade unions (TUs) and employers’ organisations of Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic (PDR), Malaysia, Myanmar, the Philippines, Singapore, Thailand, Viet Nam, Japan, and ILO staff members.

**Day 1**
**29 February 2012**

**Opening session**

7. Mr. John Ritchotte, Specialist on Labour Relations and Labour Administration, ILO Decent Work Team, served as the moderator in the opening session. He welcome all the participants to the seminar and remarked that the topic of this seminar departed from the traditional topics addressed in the previous seminars, yet is highly relevant to industrial relations and current developments in ASEAN nations and the world over.

**Messages**

8. Ms. Alcestis Abrera-Mangahas, Deputy Regional Director of ILO/ROAP, noted that previously the focus of the ASEAN tripartite meetings was on the more “traditional” areas of IR such as CB, conciliation and arbitration, and tripartism. The scope of this meeting was expanded to put an emphasis on the issue of wages – a key issue in CB – which are at the center of the relationship between workers and employers, as well as industrial relations. MWs and the WG for annual wage increases are set through intensive tripartite dialogue. One of the leading causes of collective disputes in the region is wages and MW fixing as there is a very close link between wage fixing and the IR institutions.

9. The ILO has taken interest in wage issues since its founding as portrayed in its 1919 Constitution, 1944 Declaration of Philadelphia, the 2008 Declaration on Social Justice for a Fair Globalization, the Global Jobs Pact, the 2008/09 Global Wage Report. The subsequent updates and reports highlighted the issues of wage stagnation, wage inequality, and the decreasing share of gross domestic products going to wages. The findings of these reports draw conclusions on the relationship between fixing wages through MW mechanisms, and fixing wages through CB. In discussing wages, the ILO does not consider only MWs and MW fixing, but also wage fixing through CB, or unilaterally by the employer, or based on skills, experience and productivity.

10. In ASEAN, wages constitute a major topic of debate and conflict. Widespread industrial action is put in place and MW fixing mechanisms are being reviewed, revised or newly introduced. Certain countries are substantially increasing MWs to increasing workers’ purchasing power, or exploring other ways of increasing wages to attract native workers into the LM, in order to reduce reliance on migrant workers. The ILO has been working with the Philippines and Vietnam on the reform of their wage fixing systems, helped to facilitate the first bipartite negotiation over MW fixing in Cambodia in 2006, and is working with Lao PDR on legal reform, including the framework for wage fixing. The ILO is assisting constituents in China, Mongolia, and Fiji. Recognizing the enormous challenges involved in a bid to reshape wage policies, the ILO’s Bangkok office will recruit a full-time wages specialist in 2012 to better respond to the needs of region. All the member states share a great deal of common characteristics with regard to wage outcomes in the region, despite differences in their levels of economic development, and shall collectively work toward a common goal in this regard.

11. Mr. Yoshiro Senoo, Assistant Minister for International Affairs, MHLW, remarked that this seminar is part of the Japanese government’s project called “Industrial Relations in the ASEAN Region”. The
current theme should enable all parties concerned to examine the roles of workers and employers in setting MWs, drawing on other nations' experiences, and study the systems adapted to respective countries. This notion was reaffirmed during the 15th ILO Asia and the Pacific Regional Meeting. “Social dialogue and cooperation between workers and employers” were noted as a key element for “the Asia and Pacific Decent Work Decade”. Based on the concept of social dialogue and cooperation, all parties concerned should continue to implement this project for the achievement of decent work in this region. He made reference to the Japanese notion of “kizuna” [solid bonds within families, communities, and societies] among nations and tripartite partners, and encouraged all the ASEAN member nations to further foster this notion accordingly.

12. Mr. Pakorn Amornchevin, Inspector-General of Thailand’s MOL, remarked that although Thailand has not as yet ratified the Minimum Wage Fixing Convention, 1970 (No. 131), its principles have been adopted as an underlying principle in the country’s MW fixing mechanism. Thailand’s MW setting can be traced back to 1956, when the first labour law was enacted allowing the establishment of TUs and CB. In 1972, the Ministerial Notification on Minimum Wage Setting and a Wage Committee was announced, and the MW took effect in 1973. Authorized by the 1998 Labour Protection Act, the tripartite wage committee serves as the focal entity for the fixing of MWs. Since 1973, the government has paid greater attention to labour issues, employment and wages. The 1974 NESDB Plan stated that job creation, improving relation between employers and employees constituted the country’s major agenda. A labour relations act was enacted in 1975 and the government also set forth better wages. In 2008, the wage committee adopted a remuneration recommendation for hourly wages for students and part-time workers (not legally binding). Last year, the wage committee also introduced ‘workmanship standard wages’, covering 22 careers. A daily 300-baht MW has been set for Bangkok and six other provinces. MWs in the remaining provinces will be raised to 300 baht as from 1 January 2013. The government has also raised the monthly MW of public sectors servants and employees with bachelor’s degrees to 15,000 baht as from 1 January, 2012. The government also encourages the private-sector to raise the starting monthly salary of their employees accordingly.

13. Ms. Kay Soe, Senior Officer, Social Welfare, Women, Labour and Migrant Workers Division, the ASEAN Secretariat, noted that this seminar is in line with the ASEAN Labour Ministers’ Work Programme. The objective of the ASEAN labour cooperation has been designed to enable work towards the vision of a better quality of life, productive employment, and adequate social protection through enhancing workforce competitiveness and creating harmonious and progressive workplace. In achieving ALM’s objectives, MW setting can serve as an important tool in motivating workers and mitigating poverty. It is timely that ASEAN considers this topic at the regional level as three of AMS are currently engaged in the process reviewing or setting MWs. This seminar is also in accordance with the ASCC Blueprint, which aims at contributing to realizing an ASEAN Community that is people-centered and socially responsible by building a caring and sharing society, which is inclusive and harmonious. ASEAN’s engagement and consideration of MW through social dialogue is a real testament of the upmost importance the ILO, Japan, and AMS themselves place on tripartism in industrial relations.

Session 2
Global Wage Trends and ILO advice on wage setting

14. Mr. Sangheon Lee, Senior Research and Policy Coordinator, ILO Geneva, postulated that the overall global wage trends are as follows: 1) wage growth has been positive but lagged behind labour productivity (LP) growth [as such, labour income share is falling]; 2) this smaller share of income has been more unequally distributed among workers, resulting in widening inequality; 3) the resulting shortage of aggregate demands (consumption) tends to be addressed by increasing net exports or debts; 4) as such, there exists a need for “rebalancing” at all levels; and 5) this calls for the strengthening of wage policies and institutions. There are also “cheers for wage policies”: 1) wage responsiveness to GDP per capita growth (wage elasticity) is higher in countries with higher CB coverage (1995/2007); and 2) CB: average incidence of low wages by union density (UD).
15. The following rationales for policies and institutions serve as a starting point for wage policies: 1) a “post-crisis” world requires a better balance between wages and productivity and a more reasonable level of inequality; 2) the illusion of “deregulation as the panacea” should be overcome – a strong, effective, and targeted, rather than heavy, regulatory framework is essential in achieving good labour market (LM) outcomes; 3) however, this does not mean that all of the existing regulation and institutions are good or effective – i.e. regulation could as well fail if it is poorly designed and implemented; and 4) therefore, there is a need for a “smart” regulation framework, anchored at specific conditions in each country in a realistic manner.

16. Types of MWs vary, and simpler systems tend to function better than complex ones. Tripartite consultation is the global standard, but methods thereof vary. In regard to regional MWs, different methods – i.e. centralization versus decentralization – were explored. Regional MWs are needed if differences in prices are considerable, and regional grouping is feasible. Both methods are applied across countries: decentralization is applied in such countries as Indonesia, the Philippines, and China, while centralization is applied in Japan. Mr Lee also warned against the risk of competition between regions on MWs [underbidding to attract investment, and overbidding to attract skilled workers]. The use of MWs in either case is at odds with their main purpose: protecting the most vulnerable workers. Regarding the issue of the optimal level by looking at relative levels of MWs in advanced countries, and relative level of MWs, it was found that wage levels vary, often depending on types of MW system.

17. As for institutional coherence, the effects of MWs on actual wages are determined by the extent to which relatively high wages are affected by MWs (“ripple” or spill-over effects). The magnitude of these effects varies across countries. The outcome depends on labour market institutions, and the effects tend to be larger when MWs are higher. It was found that 1) unions matter, especially when majority of workers are covered, and 2) MWs matter, but only if they are not “too low” or “too high”.

18. MWs were examined against CB and complementarity against “crowding out” elements. Institutional ‘complementarity’ is needed, with clear distinction of their specific roles (“MW zone” and “CB zone”). If this balance is difficult to achieve due to the lack of strong institutions (such as CB), a “mixed” system’ can be considered: i.e. statutory MWs plus WGs or a “two-tier system” (e.g., in the case of the Philippines).

19. Major lessons learned from the analysis of the global wage trend are as follows: (1) regarding MWs: 1.1) complex systems are not always good. Often, simpler ones are more effective; 1.2 policy makers and parties concerned should avoid “too low” or “too high” MWs; and should always remember the fundamental goals of MWs [protecting the most vulnerable and unorganized workers]; and 1.3 evidence-based decisions within a tripartite framework should be the cornerstone in this matter; (2) MWs are not a substitute for wage bargaining: 2.1) policy makers and parties concerned should ensure complementarity between MWs and CB; 2.2 policy makers and parties concerned should always be beware of “crowding out” effects; and 2.3) policy makers and parties concerned should aim to improve an industrial relation system to achieve/ensure such coherence; 3) and other policy tools such as wage guidelines can be deliberated upon if wage negotiation is not easy due to low union coverage. However, this arrangement should be non-mandatory and is meant to facilitate/encourage dialogue and negotiation.

Comments/Questions/Discussion

20. The following points were discussed and proposed immediately after the final presentation.

- Based on an examination of wages in the ASEAN region many of the points made in the presentation are reflected in the reality despite the varying levels of economic development and widely differing LMs in the region.

- All the wages and productivity can be estimated in nominal terms and real terms. Therefore, one may discuss nominal labour productivity and real labour productivity, as well as nominal wages and real wages.
There are various types of workers and members of each group of workers earn different levels of income. One should not simply lump different types of workers and divide their earnings by the total number of any lumped mass to achieve an average figure. However, this study covers only ‘wage and salary workers’, and as this is a global trend, it is not practical to treat/disaggregate classified earnings according to occupations or industries. There is an interesting correlation between falling wages and increasing wage inequality. This does not have to be the case at all. This state of affairs is attributable to institutions and policies, and deserves further investigation.

Mr. Sivananthan Arumugam argued that MWs should not be linked to LP, and there should be a way in this CB arrangement to get workers out of poverty trap/zone through MWs. CB is pertaining to how much workers actually earn, rather than simply dealing with vulnerable groups.

Regarding the relevance of an applicable poverty level in any income determination, Mr. Lee argued that in determining MWs, a range of factors are considered in this connection. The real issue is how much weight will be attributed to each of these elements. In the case of MWs, different priorities may be taken into consideration; prices and living standards are more important than the overall LP. Confusion starts in a situation where MWs are almost equivalent to average wages (AWs). Determining AWs is naturally linked to LP. However, one could well be in a situation where one is setting MWs, but one is actually determining reference wages and AW. The game is more difficult. One has to consider both poverty and LP simultaneously, a rather complex situation. In principle, this is not the way it should be. In considering MWs and poverty, one also has to take into account economic situations.

Session 3 Mechanisms and Institutions for Wage Setting: (Thailand and Malaysia)

Thailand:

21. Mr. Amornchewin propounded that Thailand’s MW setting involves three mechanisms: 1) MW setting, 2) standard workmanship wage setting, and other mechanisms. The country’s wage system comprises three components: 1) MWs, 2) workmanship standard wages, and 3) market mechanism and CB. MWs are the daily wage rates prescribed by the wage committee. These MW arrangements cover about 10 million employees. Self-employed members of the public, public servants, state enterprise employees, farmers, and domestic workers, *inter alia*, are not included.

22. The national wage committee is a tripartite body chaired by the MOL permanent secretary and comprises 4 other government representatives, 5 employers’ representatives, 5 employees’ representatives, and 1 secretary from MOL. The other mechanisms comprise include 76 provincial MW sub-committees, and technical and screening sub-committees. The latter sub-committees examine factors affecting wages, and make recommendations to wage committees. Similar technical and screening sub-committees and wage committees determine 3 levels of standards wages for each career field: a threshold-skilled group, a semi-skilled group, and a highly skilled group. MWs and workmanship standard wages are legally binding. The implementation and supervision of any wage provisions is carried out by the Department of Labour Protection and Welfare (DLPW).

23. Thailand’s wage fixing is a prolonged process with continuous negotiation and compromising, and is a single annual action/decision, starting from the provincial level. Minor revisions, reverse referrals and adjustments are possible and forthcoming. These possibilities are either accommodated at one particular level when raised or referred back to an earlier step for revision or improvements. The provincial-level process involves three entities: 1) a tripartite wage sub-committee, 2) a technical and screening sub-committee, and 3) a provincial wage committee. Proposed rates approved will be submitted to the national wage committee in charge of reviewing, setting MW rates, preparing MW rates announcements, and submitting them to the labour permanent secretary for an eventual submission for cabinet consideration and approval.
24. MWs in 7 provinces have recently been increased to 300 baht as from 1 April, 2012, and in the remaining provinces as from the 1st January, 2013. This new rate will remain effective for three years. As yet, no national or industry-wide wage/CBAs exist in Thailand. Any existing agreements are concluded at the enterprise level or the conglomerate level.

25. Mr. Kanchanaketu expounded that Thailand’s tripartite MW fixing works relatively well. Yet, a recent 40% increase compels employers to earmark a substantial budget line, potentially causing tense IR vis-à-vis experienced workers whose pays had already attained the 300-baht range. Also, the 2011 flood has caused both businesses and workers to earmark repair expenses. In certain localities, this increment represents a double in MWs. This change affects Thailand’s competitiveness in export-oriented sectors and businesses’ cost structure, pushes up general costs of living, and represents a deviation from the normal MW arrangements. Employers are exploring ways to enhance LP through skill development to make up for increased labour costs. On balance, future MWs should be set through tripartite action.

26. Mr. Pholcharoen expounded that MWs cover only employees in the formal sector, but always have tremendous bearing on informal workers. Nominal increases do not necessarily represent any increases in real terms as the government cannot regulate costs of living. Increases in MWs will affect production costs as labour costs are incorporated there-under. Society should champion the cause of social enterprises through cooperatives. TUs should purchase shares in firms’ portfolios to allow workers to be informed of corporate information, ensure that their voices are heard, and minimize conflicts. Also, political interference without the ability to regulate costs of living could only lead to complications.

Comments/Questions/Discussion

27. The following points were discussed and proposed immediately after the final presentation.

- Thailand’s real wage growth has been negative with its AW line and MW line close to each other. Only 1.5 percent of Thai private-sector employees are covered by CB, meaning that 98.5 percent of the country’s private sector workers depend on MWs.

- In Thailand, hourly wages are issued simply as guidelines for certain groups of part-time workers. The law does not allow converting daily wages into hourly wages. In the case of Japan, the LM was very tight. Hourly wages were applied, and a great number of housewives work part-time accordingly. A great number of employees would have been out of employment had the LM been arranged otherwise.

- DLPW serves as the main duty bearer in charge of enforcing MW provisions through its 800 hundreds labour inspectors stationed at 10 offices in Bangkok and offices in all other provinces.

- Adjustments to Thailand’s MWs over time to accommodate increases in inflation were relatively slow, and the government is trying to make up for such delays within a short period of time. Regular adjustments to MWs are an integral part of the MW system. Without such a mechanism, certain forms of sudden intervention might ensue, causing shocks in term of production costs.

- The RTG is of the opinion that a 40% increase is justified. Thai employers have been benefitting from real wage differentials. Inflation rates and LP growth rates have been higher than wage growth. In part, this is because Thailand’s wage fixing has long been a tripartite process, involving negotiation across the board. Labour wages are lower than inflation rates, meaning workers’ real income has been kept low in relative terms. The RTG is of the opinion that resources should be distributed more evenly.

- In response to Mr. Lee’s observation that the RTG is capable of deciding on MW issues without considering the wage committee’s recommendations, and suggestion that the wage commission’s jurisdiction should be re-established, the RTG representative replied that although this wage increase is a political initiative, the matter was ultimately determined by the wage committee, which
collectively decided on a three-year wage freeze and a two-stage increase arrangement. The RTG did provide certain inputs, but did not have any direct authority in this matter.

- The recent increase in MWs is a political decision. The government has now issued measures to compensate for the increases in labour costs [e.g. the reduction in company income taxes and the provision of low-interest loans].

- The NCPE representative argued that the costs of living increase due to higher costs of production as reflected in the rising MWs. Anytime the government introduces increases in MWs, the costs of living always increase accordingly, thus representing a downward trend in workers’ real income.

- MWs might be used as a ceiling in MW setting, leading to a complicated situation where employees with ten years’ work experience might be entitled to the same pay rate as new employees.

Malaysia: Minimum Wage Setting System: Malaysia’s case

28. Mr. Kua Abun, MKOHR Undersecretary, presented that there are three types of wages setting mechanisms in Malaysia: 1) the Wages Councils Act 1947 (not operational on a national scale); 2) collective agreements (covering less than 10% of employees); and 3) market forces. MWs are defined as the lowest hourly, daily or monthly wages that employers shall legally pay to employees. MWs also mean “basic wages” as determined by the National Wages Consultative Council (NWCC).

29. The NWCC Act 2011 establishes a NWCC in charge of conducting studies on all matters concerning MWs and making recommendations on MWs orders for sectors, types of employment and regional areas or on a national scale, and providing for related matters in a flexible manner.

30. The NWCC comprises a chairperson and a deputy chairperson, a secretary from MOHR, at least 5 employees’ representatives, at least 5 employers’ representatives, at least 5 government representatives, and at least 5 other members. The number of employees’ representatives and the number of employers’ representatives shall always be equal. The minimum and maximum numbers of the Council members are 23 and 29 respectively. The council has established a technical committee, and a selection committee to assist it in the performance of its functions. Public consultation and data analysis are conducted before the council meets. The findings of these two processes will be collated for NWCC deliberation. Recommendations are forwarded to the government for consideration and approval.

31. Based on the World Bank recommendations, the NWCC and the technical committee have determined the following two sets of criteria: 1) base criteria, and 2) adjustment criteria. The base criterion comprises 1.1) poverty line index (PLI) and 1.2) the median wage [for employers’ reference]. These two elements are combined and divided by two to achieve an average value (the base criteria). As PLI is household-based, it is divided by the number of workers in a household for the bottom 40 percent. The adjustment criteria comprise 3 elements: 1) changes in consumer price index (CPI), 2) productivity growth (P), and 3) real unemployment rate (UE). The NWCC will then arrive at a common evidence-based formula for MW setting to be used for further tri-partite deliberation. The MW coverage includes all sectors and private-sector employers in order to cover all private-sector workers including foreign workers in formal employment. The current levels of wages, productivity and LM will cover 1) peninsular Malaysia, 2) Sabah, and 3) Sarawak.

32. The NWCC Act 2011 provides flexibility to the NWCC to make recommendation to the government according to 1) sectors, 2) types of employment, 3) regional areas, and 4) one uniform rate across sectors. The NWCC shall review the order at least once every two years, and whenever necessary, on its own accord or upon the direction of the government.

33. Mr. Shamsuddin Bardan, MEF executive director, propounded 8 points: 1) Malaysian politicians play a pivotal role in MW setting; 2) MEF would rather not have any MW, and prefers that wages are set by market forces; 3) the World Bank’s study showed that Malaysia wage growth grew by 2.6% annually
over the period from 1993 to 2007 [a figure far behind productivity growth], while, MEF’s study showed that Malaysia’s real wage growth over the same period of time grew by 50 percent; 4) the number of MTUC representatives and MEF representatives has each increased by one to six [totaling 12], therefore the number of employees’ representatives and employers’ representatives should be increase by two in order to counterbalance the other 13 members; 5) workers should be remunerated commensurate to the amount of work carried out; 6) hourly wages should be put in place to enable part-time workers to work based on the monthly MW; 7) micro-enterprises should be excluded from this MW arrangement as paying MWs could present a financial challenge for them; and 8) the employers pay a substantial amount of allowances, therefore part of these should be taken as a constituent of MWs.

34. Mr. Sivananthan Arumugam, MTUC Executive Council Member, argued that MTUC champion causes of national MWs. MTUC has envisaged Malaysian MWs to be RM 900 per month plus RM 300 as costs of living, totaling RM 1,200. CPIs for different stratified groups of income earners should be complied to reflect the rising commodity prices borne. Malaysian salaries have been relatively low, and the MW accorded is not as high as the amount demanded [RM 1,200] because less than 10 percent of the Malaysian workforce is unionized employees. There are also about 4 million foreign workers. Collective agreements (CAs) are not readily forthcoming. However, the figure agreed upon is close to the expected number, and in a tripartite process, different perspectives have to be accommodated.

Comments/Questions/Discussion

35. The following points were discussed and proposed immediately after the final presentation.

- The household-based PLI reflects the basic needs of workers and their families. This index is divided by the number of workers in a household, and is collated against the median wage to ensure employers' ability to pay and preempt unemployment as a result of enterprise closure. To this, the MEF representative pointed out that the PLI incorporating workers’ and their families’ needs are expressed in the language of international bodies.
- The exemption of micro-enterprises from the MW arrangement is proposed by MEF. It is up to the government to decide whether or not they will be exempted, but MTUC is opposed to the proposed exclusion. It was pointed that all workers are workers. If foreign workers working in formal employment will be covered in the MW announcement. Foreign Migrants working in micro-enterprises will be excluded from the MW arrangement if the exclusion of micro-enterprises is allowed.
- On the relative role of Malaysia’s government in the determination of MWs, Mr Abun remarked that there are two levels of government. Government representatives in the NWCC represent public agencies such as the Treasury, MOHR, or the Public Service Department. However, politicians and ministers are the real decision makers.

Session 4 Criteria and Data for Wage Setting (Indonesia, and the Philippines)

Indonesia

36. Ms. Koesprayekti Saptarina, Head of the Division of Wage, Directorate of Wage and Workers, MOMT, propounded that Indonesia has a population of 250 million people with a total labour force of 109.67 million workers, the majority of whom have received only elementary education, which substantially hampers Indonesia’s LP. Serving as a safety net for the benefit of workers, an MW is defined as the lowest monthly wage consisting of basic wage and fixed allowances. MWs are determined by provincial governors based on recommendations made by provincial wage councils and/or district heads. MWs consist of 1) provincial MWs, 2) district/city MWs [higher than 1], and c) sectoral minimum wages (SMWs) [higher than 1 and 2]. Factors for consideration in the determination of MWs are: 1) needs for decent living (KHL), 2) macro-productivity, 3) economic growth, 4) LM conditions, and 5) marginal employment.

37. Requirements for the implementation process are: 1) employers/companies may not wages lower than MWs; 2) workers working for a specified time or for an unspecified time, and workers working on probation shall be paid at least not less than MWs; 3) MWs shall be applied to workers working for less than one year; 4) reviews of MWs for workers who work more than one year should be determined
based on a written agreement between workers’ bodies and employers’ bodies. The operational mechanism is carried out in accordance with the following procedure: 1) setting-up of a survey team; 2) the team agrees on 2.1) places, 2.2) survey time/duration, 2.3) respondents, and 2.4) determination of specifications; 3) survey results will be processed to determine decent living standards (KHL); 4) the wages councils submit its recommendations to governors; and 5) the governors determine MWs.

38. SMWs are subject to the following set of considerations: 1) these SMWs are determined for competitive sectors, with the following factors taken into consideration: a) the ‘homogeneity’ of companies, b) the total number of companies, c) the total number of workers, d) the value of devisa [the value of exports], e) the value added, f) companies’ capabilities, g) employers’ bodies, and h) workers’ bodies; 2) SMWs are based on an agreement between employers’ and workers’ bodies associated with sectors; and 3) SMWs must be at least 5 percent higher than provincial/district/city-level MWs.

Comments/Questions/Discussion

39. The following points were discussed and proposed immediately after the final presentation.

- The Wage Council conducts a preliminary survey itself together with representatives from the statistical body. Any such survey is to be conducted as a collective effort with all the tripartite parties agreeing on all the parameters to enhance collaboration.

- The government, the employers’ side, and the TUs all conduct their own surveys, and discuss their findings at the Wage Council to determine a figure reflecting decent living for submission to the government. Yet, TUs, employers’ bodies and government agencies each often conduct surveys without first reaching prerequisite common grounds, thus coming up with different figures.

- The government determines MWs based on recommendations made by the Wage Council, taking into consideration economic growth and macro-productivity. MW determination is a political decision. Governors often fail to implement their legal duties. Often, rules and regulations are not followed.

- Indonesia regularly conducts surveys on poverty and living standards. It is advisable to apply national statistics as reliable guidelines incorporating both a poverty line and living standards, on which further improvements may be made by adjusting the figures to reflect reasonable changes or increases in such factor as transportation costs to ensure accuracy in regard to local requirements.

- Indonesia has the most decentralized type of MW setting and the country’s MWs serve as base wages. It also applies poverty line to its MW setting. Poverty rates are regarded as a factor determining a survival level. The poverty line accounts for 73% of the MW figures, comprising such components as food, housing and transportation. National poverty line standards apply throughout the country, but the surveys conducted by the Wage Council take into consideration local conditions to reflect local realities. If all the factors are put in the equation, the poverty line figures and MWs would essentially be on a par.

- As it is required that SMWs are higher than provincial/district/city MWs, it follows that SMWs will automatically be raised each time the latter rates increase. There are currently 171 district MWs, 30 provincial MWs, and many more SMWs.

- In Indonesia, when an MW is increased, almost all other wages automatically increase. CBAs uses MWs as a baseline, which puts tremendous pressure on MWs as it has become the only mechanism for fixing wages even in the presence of CBAs or CLAs. MWs serve as the reference wage for the majority of workers. Thus, the price of labour is fixed by government rather than the market.

- Sectors referred to in this presentation are economic sectors (such as the food sector and the automotive sector), and are not skilled-based.

- The MWs determined apply in the first year. In the second year MWs depend on bargaining. In this regard, there are two differing statements from the Indonesian delegation: 1) MWs currently apply to
workers who work for than one year regardless of their marital status; and 2) MWs apply to single workers who work for less than one year.

- Provincial governors determine MWs in their jurisdictions. Act No. 2, (2004) provides for a tripartite mechanism for the resolution of IR disputes. If parties concerned fail to agree thereupon, the matter shall be referred to mediators, and a court respectively.

- The Indonesian wage setting system is complicated as it is a multi-tier one, involving provincial, district and sectoral levels. Wages are adjusted annually. The TUs have made three proposals to preempt delays caused to Indonesia’s economic growth accordingly: 1) wages setting should be conducted through CB; 2) the private sectors implement the wage scale and structure; and 3) wage adjustments should be conducted every two or three years. This proposed arrangement is more amenable to the functioning of employers and TUs and is designed to minimize conflict as in currently all parties concerned are required to take part in annual provincial, sectoral and national debates, and monthly meetings. This new arrangement is proposed to apply the wage negotiation mechanism to wages above MW levels.

**Philippines: Criteria and Data for Wage Setting**

40. The Philippines’ MW setting is mandated by the Republic Act 6727: the Wage Rationalization Act. Implementing the goals requires the following mechanisms: 1) a national wages and productivity commission; 2) regional tripartite wages and productivity boards, 3) equal sectoral representation in all regions, 4) relevant criteria, and 5) deliberating upon needs of workers and their families, employers’ capacity to pay and requirements of social and economic development. Specific criteria in the determination of wages are 1) needs of workers and families; 2) employers’ capacity to pay, and 3) socio-economic development requirements. Application of the criteria involves: 1) data gaps; 2) use of available proxy indicators; 3) broad multi-sectoral consultations and public hearing; and 4) the guideline issuance by the Commission. Data constitute a major issue in relation to each of all the following ten criteria: 1) demand for living wages: the indicator being family living wages.; 2) wage adjustment versus CPI: the indicator being CPI; 3) costs of living and changes or increases therein: the indicator being CPI; 4) needs of workers and their families: the indicator being CPI; 5) improvements in standards of living: the indicator being CPI; 6) need to induce industries to invest in the countryside,; 7) prevailing wage levels; the indicator being average daily basic pay; 8) fair return of the capital invested and capacity to pay of employers; 9) effects on employment generation and family income; and 10) distribution of income and wealth reflecting economic and social development.

41. In terms of a wage reform involving floor wages 3 main areas are of particular interest: 1) poverty thresholds, 2) AWs, and 3) region-specific conditions. Regarding the wage advisory the following three elements apply: 1) data requirements at the regional level [LP: levels and growth rates], total employment, and total wage and salary worker), 2) LM conditions, and 3) business expectations.

42. The different regional wage boards are invested with the power to determine MW levels in their own regions. These wage boards enjoy complete autonomy. CPI data are the basic factor referred to in an attempt to restore the purchasing power as a result of inflation rates. Social partners also discuss additional considerations to arrive at final MW increases. Wage increases are determined after an aberration time of at least 1 year. Only under extraordinary circumstances substantially affecting worker’s costs of living and when a petition is lodged could wage increases be deliberated upon.

**Comments/Questions/Discussion**

43. The following points were discussed and proposed immediately after the final presentation.

- Regarding the formula for calculating MWs, the law specifies a series of separate criteria for reference and application in MW setting. CPI data are taken as a simple starting factor to account for any loss in workers’ purchasing power. The wage boards normally follow this step due to the current lack of data. The country is now undergoing a reform to ensure that MWs and floor wages
Regional boards study their respective regional socio-economic conditions before the start of MW deliberation processes. If no overarching need for a wage increase is justified, this step may be prolonged. The boards monitor regions’ socio-economic conditions. The Board’s Vice Chairperson appointed from the National Economic Development Authority staff examines updated data from regional perspectives together with data from the Department of Trade and Industry to verify if there are any sudden shocks. There have never been any cuts in MWs. In the ECOP representative’s region, the board shall determine a reasonable level of inflation as a starting point. No adjustment to the current wage(s) would be initiated if there is a slight increase in inflation rates as this may comfortably be absorbed in the economy.

If the tripartite parties disagree on the required data, empirical economic figures on a loss to workers’ purchasing power constitute a starting point for discussion vis-à-vis levels of adjustment needed to cover workers’ basic needs.

Session 5: Wage Setting in Japan and Korea: Mechanisms and Trends

Japan: An Overview of Japan’s Minimum Wage Scheme

44. Mr. Yoshihiro Senoo, MHLW, expounded that in the period prior to the enactment of the MW Act (1947-1959), the Labour Standards Act set forth provisions on an MW scheme was established in 1947 but no MWs were actually set there-under. With the promulgation of the 1959 MW Act, the scope of employees covered was extended mainly through “the trade-agreement method” (TAM) in the 1960-1968 period. During the 1968-1976, AM was abolished and the applicable scope of MW arrangements was extended. The act was revised and took effect in September of the same year. The collective-agreement extension method and the council method were provided in the determination of MWs. MOL undertook necessary measures to extend the applicable scope of MWs. Prefectural MWs were applied to all workers in 1976. From 1978 onwards the guideline scheme has been effective. The Central MW Council classifies 47 prefectures into four ranks and provides guidelines on new prefectural MW increases for each of the four ranks. This system is based on the agreement among tripartite members of the Central MW Council. The Council deliberates on how to operate the scheme almost every 5 years. In order to address the change of socio-economic circumstances where employment has become increasingly diverse.

45. The tripartite agreement on medium- and long-term raise in MWs was established at the dialogue on labour strategy for an exchange of views, and to form consensus on important issues concerning labour strategy with TU leaders and employers’ bodies. Employer shall pay wages equal to or more than MWs to eligible employees. There are 2 different types of MWs under this law: 1) prefectural MWs and 2) special MWs. Prefectural MWs are determined in each prefecture and are applicable to all industries and occupations. Each council of local MWs determines prefectural MWs based on the current situation(s), while referring to the guideline recommended by the central council of MW recommends annually. 47 prefectural MWs are determined as safety nets, and are applied to 50 million workers.

46. Special MWs are set through dialogues based on initiatives proposed by social partners across industries in prefectures. Directors of local labour bureaus may determine special MWs to improve working conditions or securing fair competition among businesses in consultation with their SPs. In regard to the criteria for the prefectural MWs, prefectural MWs are determined in view of the cost of living and wages of employees in prefectures and the capacity of ordinary businesses to pay wages. In considering the cost of living of workers, consistency with welfare benefit policies be taken into consideration such that workers can maintain the minimum standard of ‘wholesome and cultured living’. MWs set shall not be lower than the standard of welfare benefit.

\[1\] The weighted average is 796 JPY in 2010 being 66 JPY higher than the weighted average prefectural MW in the same year (730 JPY).
47. Directors of the prefectural labour bureau determine prefectural MWs, considering the opinions of the local MW council. The prefectural MW council comprises the same number of members representing workers, employers and the public authorities. Surveys of wage amendments are conducted by MHLW to clarify as to how wages of low-income employees should be amended.

48. The revised MW Act exhibits certain salient features. Firstly, prefectural MWs must be determined in each prefecture. Regarding criteria for prefectural MW setting, consideration shall be given for consistency with welfare benefit to enable all employees to maintain the minimum standard of wholesome and cultured living. Industrial MWs are determined through dialogues between employees and employers. Penalties under the MW Act are not applied to any violation of industrial MWs. The determination of MWs through the collective-agreement extension has now been repealed. Temporary employees may now enjoy prefectoral or industrial MWs in areas where they work.

49. Japan’s labour relations system is noted for its dialogue process governing employment strategy, which has succeeded in exhibiting many forward-looking aspects and progress. One example in support of this system is the agreement on raising MWs at the 4th dialogue concerning employment strategy (DES) in 2010. All the constituent members agreed on goals to be attained by 2020: the MWs in all prefectures shall be raised to at least 800 JPY as soon as possible and the average of the MWs would be raised to 1,000 JPY. The New Growth Strategy and the agreement reach at the 6th DES meeting provide support to SMEs most likely to be affected by increases in MWs.

50. Japan has established projects to provide enable SMEs to increase MWs: 1) nation-wide support through one-stop, free consultation and support services for SMEs to achieve managerial improvements together with support from the SME Agency; 2) special training for industries affected provided by national industrial agencies and subsidies for pilot programmes on cost cutting; and 3) support provided by region to increase wages where substantial increases in relevant MWs are required.

51. Regarding criteria and data for Japan’s CB, Ms. Akiko Okubo, Assistant Director of the Japanese Trade Union Confederation (JTUC-RENGO), postulated that Japan’s CB structure involves TUs and employers’ bodies. No CB agreements have been concluded at the confederation and industrial federation levels. CBAs are concluded at the workplace level. UD stands at 18.5 percent, representing a small percentage of the Japan’s total workforce, and CBA coverage. As there is no CBA extension in practice, Japan’s UD is virtually equivalent to CBA coverage. Less than 1 in 5 workers is covered by CBAs, workers earning MWs or less constitutes 2.6 percent of the total workforce.

52. RENGO members’ wages are slightly higher than general workers’ wages, while average MWs represent about 1/3 of the AW. LP rose continuously and reached the highest level in 2007, and then decreased sharply. Yet, LP movements have almost no influence on wages or MWs. RENGO members’ wages exhibit a slight downward trend. The same trend holds true for general workers’ wages to a more pronounced degree. MWs follow a steady and rapid upward pattern despite a general downward trend exhibited by the other two wage types as a result of a combination of factors including the 2010 DES. In general, workers support MWs and the determination process based on tripartite consultation.

53. Japan’s MW system is still plagued with obstacles; in particular, 1) MWs have long lagged behind the general wage and real-life costs of living; and 2) Japan’s MW system is highly complicated with its 47 prefectural MWs, and 250 special MWs. Tripartite components are involved in a total of 297 MWs.

54. Mr. Kazumi Sakashita, Labour Policy Bureau, Japan Business Federation (KEIDANREN), pointed out that employers, employees, and the government shall all have to be engaged in constructive consultation based on real economic situations, and the impact of MW rates on SMEs. Economic globalization and international competition have become more intense. The Japanese economy is facing greater difficulty in the wake of its currency appreciation and the 2011 Great Earthquake. About 90 percent of Japanese companies, especially SMEs, have experienced setbacks due to substantial wage increases. This could culminate in bankruptcy and unemployment. All parties concerned must strive to preempt this scenario.
The most important element in determining MWs at the central and prefectural levels is a comprehensive appreciation of the real situation.

55. Mr. Van Sou Leng, session chairperson, suggested that Japan’s wage determination is based on research and tripartite arrangements without government intervention, reflecting Japan’s mature IR environment and social development, relying on its social communication process. The government rarely interferes in wage determination. The WG issued in a previous year serves as a point of reference for SPs in chartering their course of action. SMEs might have been suffering as a result of the yen appreciation crisis and then energy crisis rather than as a result of the official WG.

Comments/Questions/Discussions

56. The following points were discussed and proposed immediately after the final presentation.
- The tripartite components, especially SPs, would discuss not only factors affecting MWs, but also the country’s socio-economic system in its entirety. Wages are determined by industries and the prefectural authorities based on SP-proposed initiatives. Dialogues refer to the process of discussing initiatives proposed thereby. Authorities shall decide on wages based on the information supplied by the tripartite wage councils. Discussion rarely takes place at the nation-wide confederation level, or industry-wide level. Japanese workers feel comfortable in a dialogue process and do not resort to militant action as they are relatively mature and a fully-developed social security is already in place. A dialogue is a process through which SPs are engaged in exchanging their views in relation to wage determination rather than trying to reaching their goals as the foremost incentive. However, Mr. Arumugam pointed out that this can also be achieved through CBAs.
- The Japanese population’s commitment towards the society is relatively strong or pronounced in the context of a secure/violence-free socio-economic environment in comparison to this region. Mr. Arumugam pointed out, however, that a great number of Japanese businesses have invested in this region.
- There is no specific meaning to the phrase ‘wholesome and cultured living’. Rather, this phrase epitomizes a level of living beyond simple/sheer survival. It was also pointed out that there could well be certain connection between welfare policy and ‘wholesome and cultured living’.
- In a country where UD is high, workers can solve obstacles related to MWs through CB. In a country where UD is low any such scenario does not take place. However, Japan seems to have its own specific/district context. The differentiation between RENGO members and general workers lies in the fact that the ‘dialogue’ process applies between employers and employees. De facto standards for TUs [cost of living and wage increases secured by peers and/or through preceding TU discussion (shunto)] apply as a guideline for the spring dialogue. This is how TU manage to secure slightly higher wages than general wages.
- It was suggested that Japan’s MWs are low relative to the AW. Only about 2.6% of workers are covered by MWs. The employment impact of MWs should not be as substantial as pointed out by the KEIDANREN representative. MWs in certain prefectures are even lower than social benefits unemployed individuals can get. To this, the KEIDANREN representative expounded that there are substantial wage differentials between regular workers and contingent workers. Within SMEs in prefectures other than Tokyo, a great number of workers work for wages close to MW levels as part-time workers or contingent workers. Any substantial increases in wages will affect SMEs. There is a warranted cause for employment concerns due to the current economic situation. As a result of poor performance, bankruptcy could ensue. It is thus advisable to be more prudent in pursing public policy.
Korea: Wage Setting in Korea

57. Mr. Jin-Ho Jeong propounded that there are 3 types of wage-setting in Korea: 1) the MW scheme covering workers in small-sized companies in the private sector, non-standard workers, and migrant workers [603,000 workers], 2) CB covering standard workers in large private-sector companies, and 3) government/national assembly. The objective of Korea’s MW scheme is to guarantee minimum levels of workers’ wages, secure workers’ livelihood, and improve the quality of labor. The MW scheme applies to 1) all businesses or workplaces employing paid-workers, and 2) domestic workers not directly hired by a household. Domestic workers and sailors subject to the Seamen Act are not included under this mechanism. MWs apply to almost all paid-workers. The focal institutional arrangement is the MW council, membership of which comprises 9 representatives of workers, employers and public interests. These members are nominated by the Minister of Employment and Labor (MEL), and are appointed by the President of Korea. This arrangement involves a variety of elements: the plenary, an expert committee on wage levels/living costs, a steering committee, a research committee. Korea’s MW setting process follows the following algorithm: 1) MEL requests the MW council for deliberation; 2) the MW council proposes the MW to the Minister; and 3) the minister requests revisions, finalizes the MW for the subsequent year. The MW council has de facto final authority as there has been no revision of MW proposals since 1988.

58. There are different types of MW in Korea. MWs may be set by industry. In 1988, two separate MW amounts were set for manufacturing. Yet, there has only been a nationwide MW since 1989. There is also a sub-MW [10% lower] for workers in training and security workers. The MW for the subsequent year is determined by August 5 each year. The MW adjustment interval is 1 year with wage agreement effective period lasting mostly 1 year. Employers’ are obliged to inform employees of MWs. There is also a labour supervision arrangement: MW compliance monitoring (Guardians of MWs) for supervision over violators. TUs and NGOs conduct monitor compliance campaigns to enhance compliance. Still, there are as yet no incentives for MW compliance.

59. Wage bargaining occurs once a year. The MW decided by the MW Council is effective from January the following year. Unorganized sectors’ pays (small-sized firms, non-standard/migrant workers) are linked to the MW. Bargained wages are mostly above the minimum, hence limiting limited the effect of the MW. The TUs’ wage premium estimated at 4.8 percent for the 1987-2006 period proves more beneficial for job security than as a wage premium.

60. Company-level bargaining is still dominant. In 2007, types of organization involved in CB are companies (52.3%) and ‘supra-companies’ (47.7%). Bargaining occurs at the company-level (78.3 %), and at the supra-company level (21.7%). There has been no credible national statistics regarding collective bargaining. Collective bargaining has a general/regional ‘binding force’. The estimated collective bargaining coverage rate was 11 percent as of 2010. As for wage-setting in the public sector, in the case of civil servants, MOGAHA coordinates views on wage increases. Subsequently, the ministerial meeting drafts budget, and the National Assembly finalizes the proposed budget. In the case of public institutions’ workers, wage bargaining is undertaken within the ceiling in the government’s budget guideline (within civil servants’ pay increase rates). Then, the government’s labor cost guideline will be enforced.

61. Mr. Lee propounded that: 1) the Korean wage setting system is a simple and evidenced-based process. Matters are deliberated upon between employers and employees and are subsequently forwarded to the government as the council’s recommendation for approval, reflecting clear political dynamism within the system in term of the council members; 2) One distinctive feature of the Japanese and Korean wage-setting systems is the sequence of processes whereby collective bargaining is the initial integral part of the systems in early spring. In May or June, relevant matters are concluded, serving as a clear signal as to what MWs should be through collective bargaining. Subsequently, a proper deliberation process starts. In the countries discussed earlier, MWs are used as a basis for CB, thus MW decisions become more complicated/difficult. The sequence in Japan and Korea is reverse in the following order –1) CB, 2) signals, and MW deliberation respectively, making MWs more reliable and effective.
Comments/Questions/Discussions

62. The following points were discussed and proposed immediately after the final presentation.

- It is not easy to ascertain Korean civil servants’ representation in the wage-setting process because the status of the Korean civil servants’ union is not clearly defined as a legal entity. Normally, the Korean civil servants’ union presents its views with the expectation that these will be reflected or deliberated upon at the civil servants’ commission. As a result of a recent decision made by the Supreme Court, it is plausible for the civil servants’ union to be engaged in a wage discussion process more directly or actively in the future.

- With reference to the 10 percent sub-MW arrangement for workers undergoing training, employees on probation are entitled to 90 percent of the normal wages for a limited period of time as employers would have to cover the training costs. Korean security officers entitled to only 90 percent of the MWs, because in the main they are over 60 years of age. According 90% of MWs was a way to create employments for members of the public. Government efforts to increase the pays for security officers to be on a par with MWs met with opposition from apartment tenants. Thus, the government has initiated a programme to encourage apartment management or companies hiring security officers to account for the 10 percent differentials. The process for the determination of a sub-MW is provided in the law.

- Regarding the UD rate in Korea’s private sector, a realistic figure would lie in the range of 7 or 8%, and CBA coverage stands at 11%.

- Similar employments are referred to for reference purposes in identifying appropriate wage levels in a wage setting process. For example, in considering appropriate wages for cleaning, it is advisable to draw some compassion to domestic work employments/occupations.

- Employers’ ability to pay is taken into account in Korea’s wage-setting process as in many other Asian countries; i.e. it is reflected through relative LP very much in the same vein as the Japanese case. Before a MW deliberation starts a detailed report will be examined covering detailed industrial statistics.

- Korea’s MWs are calculated by the hour. To facilitate the administration of the hourly MW payment, the government also issues tables on wage monthly, daily and hourly pays for comparison purposes. Workers are actually paid by month.

- Part-time workers are fully covered by the MW system. One of the reasons in support of a shift from the daily-pay arrangement to the hourly-pay system is to accommodate part-time workers’ requirements. Also, the hourly-pay system incorporates flexibility in accounting for different types of employments on the labour market across countries.

- The Korean MW wage system is easy to enforce. The figures of workers working for less than MWs are 10 percent. Recently, the number of non-compliance cases has been decreasing substantially. The market wage is 3 times higher than the average MW. The compliance rate is higher in Korea than in Japan. Yet, due to the economic crisis and different shocks, the non-compliance prospects are more likely. Increases in MWs in relative terms have been on the rise, but so are the non-compliance rates.

- With a recent legal amendment, migrant workers are also entitled to MWs. However, no guarantee can be offered in practice. Legal migrant workers should be covered by the MW arrangement to a great extent. This is less likely for illegal migrant workers to be protected thereby.

- Despite Korea’s and Japan’s low rate of unionized workers, both countries have developed a mature and consistent mechanism to address the issues of MW determination and compliance. As a country is in an early stage of economic development, trade unionization might be needed. However, as the country becomes more developed economically and socially, there might be less need for unionization.
Day 2
1 March 2012

63. The second day of the seminar took off with the recap of Mr. Sangheon Lee, on presentations and discussions during the first day, and a presentation on China’s MW setting.

Session 6: Issues and Observations from Day 1, and Wage Setting in China [Mechanisms and Trends]

Issues and Observations from Day 1

64. There are different approaches to MW management: 1) the “minimalist” approach (e.g. Japan); and 2) the “maximalist” approach (e.g. Indonesia where all MWs are determined by local governments). The real issue is which approach would be more conducive to economic growth, productivity, and employment creation; 2) there was general consensus regarding the importance of tripartism in MW fixing. The issue is relatively complex in the following areas: 2.1) the structure and composition of tripartite MW bodies, and 2.2) uncertain relationship between the government and MW bodies; 3) In the case of Indonesia and the Philippines, with their extensive geographical coverage, regional MWs play a vital role, and more efficient nation-wide coordination is needed; 4) the issue of what should constitute “MW criteria” and ways of applying those criteria and estimating each of these criteria present challenges as there are different databases, data processing methods, and output applications, especially when there are different measures for minimum living standards, poverty, prices, and wages in MW fixing. The coverage of official statistics needs to be taken into consideration. Convention 101 stipulates that MWs refer to wages that enable workers to maintain themselves and their families, but how this principle should be applied depends on country-specific factors; 5) the scale and speed of MW adjustments constitute a major element, requiring that such components as living standards and inflation rates be factored into the equation [the main issue is to avoid MWs as a “shock therapy” and avoid politicization]; and 6) MWs are overwhelmed and overloaded [MWs are supposed to achieve a mission impossible, solving basic requirements, and addressing LM issues]. The best solution is to make wage bargaining work, thereby relieving MWs of unnecessary requirements.

Comments/Questions/Discussion

65. The following points were discussed and proposed immediately after the final presentation.

- The main point is to find out how to make wage bargaining work. UD across the region is very low. For wage bargaining to really work, the formation of TUs is very important. This highlights the importance of Convention 87. To avoid politicization, TU leaders have to be disciplined. In Indonesia there are five confederations. Convention 87 does not give workers a license to have so many confederations. When applying Convention 87, one needs to be adequately cautious. The minimalist approach would allow CB to work better. What is missing in the discussions is that implementation is lacking in all the countries.

- The higher MWs are, the lower the possibility for CB to work. Workers would demand higher wages in an unrestrained manner. CB should have a role to play in MW setting.

- Mr. Tadashi Nakamura, Former President of the ILO Association of Japan, remarked that although it is envisaged that Japan’s tripartite system comprises SPs and independent elements with no government representation, in actual fact the authorities function as the secretariat, thus playing a substantial role.

- There seems to be contradiction between social goals and economic goals in relation to MWs. Where MWs are increased to serve their social objectives, one would need to consider possible adverse economic impacts. If MWs are kept low, the social repercussions shall also have to be taken into account. As such one needs to strike a balance between the two elements. Simply driving MWs high constantly means that there is no such thing as economically-based IR, but sheer political conflicts.
In the Singaporean context, the government is the largest employer in the public sector, always taking the lead in endorsing the National Wages Council’s WGs as an employer to ensure that the WGs are followed.

One needs to better define wages as there are different types of wage: MWs, market wages, and LWs. ILO (Philadelphia Declaration No. 944) regards minimum living wages (MLW) as a combination of MWs and living wages (LWs). There has been no official or agreed definition of LWs. Recently there has been a big push towards Asia-wide living wages in the Asian region, based on the following observations: 1) the existing MWs in most Asian countries are not working very well; 2) the existing MWs are not effectively enforced; and 3) MWs in some countries are too low, especially in, inter alia, export processing zones or in the garment industry. There are two options to redressing this problem: 1) the governments and the social partners are encouraged to improve the existing MW process, and 2) in countries where certain elements (especially international NGOs) do not have much trust in the tripartite process, social parties concerned might as well initiate their own approaches, one of which is a move called ‘Asia’s wage floor’. The practical issue is how to determine LWs. Asia’s wage floor provides a formula for estimation purposes, thoroughly discussed by experts, TU representatives, economists, and other parties concerned. Discussion in this regard is still on-going. It is not certain as to whether or not this formula can be easily reproduced for practical application across the Asian region. The ILO has published reports on how to estimate LWs. It is possible to calculate living wages, but it remains technically challenging, and is also plagued with problems related to its practical applicability. The notion of LWs is highly appreciated, but practical issues remain to be addressed before one can really proceeds in this direction. In regard to levels of LWs, if one compares LWs as suggested by any agencies with the existing MWs, LWs are apparently higher.

Continued capacity building for SPs is very important as it shapes relationship among tripartite partners. This also has perceivable bearing on the extent of the influence the government can exert over SPs. All the objectives could only be achieved through designing effective MW policy, while ensuring that quality official statistics and criteria involved in wage determination are truly appreciated.

In regard to relations between MWs and CB in the context where UD is very low and CB is not fully developed, basic WGs should serve as a benchmark. Workers normally lack information on economic conditions, productivity, balance sheets, or comparative performance for wage negotiation. As such, WGs could serve this purpose based on all the relevant information provided on AW increases as benchmark criteria in the negotiation for all parties concerned to agree on for their appropriate wage increases. Wage negotiations can be conducted in this context even if no TUs exist in any given sectoral. TUs can also use this scenario as a platform to engage workers in negotiation. However, UD cannot be increased overnight. As such, one may as well resort to other policy mechanisms to encourage wage negotiation.

The MLW is the wage earned by a single earner to support a family of four (two adults and two children) totalling 48 USD per week incorporating both food and non-food items. The Asia’s floor wage formula proposes the food-cost category calculated on the basis of the daily standard calorie intake rate, while non-food costs include healthcare, housing, clothing, childcare, transportation, fuel, and education. Regarding the calculation of LWs, Cambodian TUs requested 93 USD as the going MLW, and after a thorough tripartite deliberation process the MW stands at 61 USD (plus 5 USD for healthcare allowance). The average Cambodian worker spends 8 USD for rents and utilities, 17 USD as remittances for the family, 5 USD for expenses and 31 USD for food. There is no money left for saving purposes. Indian TUs request 10,000 Rupees per month as the going MLW, while the average monthly MW is 6,000 Rupee.

With reference to issues related to lack of information on MWs on the part of TUs, low UD, low CB and wage increase campaigns, the ILO Workers’ Activities staff conducted studies of MWs in three countries (Laos, Cambodia, and Hong Kong) to help TUs in the development of their strategies in relation to wage increases. Two further studies will be conducted in Thailand and Malaysia this year. Wages in these three countries are relatively stagnant as there is no major push factor, while the government and employers are not willing to pay higher wages. TUs have proposed to establish a MW
mechanism through which a tripartite process may operate to determine MWs. MWs *per se* do not apply across all sectors to induce wages or wage increases across the board. MWs serve as a parameter in determining informal wages in different sectors where no national or no sectoral wages apply. Therefore MW setting is a very important mechanism where CB activity rates are low.

- The CAMFEBA President remarked that according to a four-year CA the MW in Cambodia is 73 USD. The Asia’s floor wage system is based on a different set of data and calculation method. The floor wage discussion was held in Cambodia two weeks after the wide-spread strike in which five factories were damaged and people killed. The government is required to administer MWs – a factor that will have substantial economic impact.

- A well-functioning tripartite system requires that all elements exhibit a certain level of maturity. In Cambodia, there are over 2,000 thousand TUs and 8 confederations (while Indonesia has 5 confederations). Therefore, Cambodia’s IR system is not as yet mature or united – a fact presenting a very complicated scenario for collective action. One enterprise may in actual fact have up to 14 TUs. As such, if management negotiates with one particular union, the other 13 unions may strike. The best way out is to ensure that one can identify TUs that truly represent workers.

- The tripartite committee comprising SPs and the government exists to enable deliberation on any matters related to IR. Yet, Cambodian TUs often complain that this committee lacks the capacity to conduct research and studies, and lacks necessary data on IR matters. Without an adequate database and research capacity, this committee will not be in a position to forge ahead as an IR focal point.

- The word ‘push’ factors in Cambodia seems to be misleading as it conjures up the notions of strikes, violence, killing, and larceny. Therefore, any casual reference to the word ‘push’ factors, especially with reference to the Cambodian context, is not advisable.

- MWs and market wages are different. Market wages are based on demand and supply – mutual consensus. Market wages could even increase up to 93 USD. However, if wages are distorted, eventually foreign investors could well relocate their enterprises to other countries against rising production costs, and pressure from buyers.

- Determining MWs involves many elements and degrees to which parties concerned play their roles. One would need to strike a balance between the role of the government and market forces, depending on the development levels of countries and the maturity level of institutions in question. In a mature society MWs become collectively negotiated wages or market wages. When a country is at a low level of development, MWs play a pivotal role, but as a country progresses MWs become less relevant.

**Wage fixing in China: Recent Developments**

66. The Chinese system worked from the local level up to the national level. A great majority of what developed at the national level reflect local-level developments in the context of a transition to a market economy with a very weak bargaining system, making MWs and WGs the key pillar of wage policies.

67. The main features of China’s MW regulation are: 1) decentralized harmony and a high level of coordination which encompass the following elements 1.1) all employees, even including the public sector, 1.2) both monthly and hourly MWs are applied to “flexible workers”, 1.3) highly decentralized to local authorities, with “guidance” from the central government [as the most salient feature of all], and 1.4 two types of formulas [the proportional method and the Engel’s Ratio Method] are proposed. However methods thereof vary in practice. According to the 2004 Regulation, MWs should be adjusted at least once every two years; and 2) tripartism does not apply in China’s MW determination, but “informal” consultation does exist with employers’ and employees’ representation. The main elements are as follows: 2.1) there are no formal institutional arrangements: MWs are an “administrative” issue decided by local authorities; 2.2) informal consultation takes place in that 2.2.1) consultation occurs at the local level, 2.2.2) ACFTU’s and CEC/CEDA’s views are requested at the central level, and 2.2.3)
TU are “expected” to supervise the implementation of MWs and take part in the settlement of disputes on MWs. As a result of relevant efforts over the past five years, all these elements culminate in rapid/considerable increases in MWs: i.e. a “great push”.

68. China’s MW administration system is characterized by frequent but unpredictable adjustments: 1) as a result of the new requirement of the 2004 law, MW adjustments are more frequent [3.8 readjustments between 1994 and 2004, 3.2 readjustments between 2006 and 2010 (with no adjustment in 2009 during the financial crisis), and by June 2011, 18 out of 31 provinces have readjusted their MWs]; and 2) this phenomenon may be explained in terms of the “domino” effects [as follows: 2.1) MWs increases in one region can spread out to other regions, given the skill shortage scenario, and 2.2) the role of Guang Dong’s MW setting and LM in serving as a guideline for the rest of the country due to its status as a major production hub, signaling inter-provincial economic competition].

69. Wages constitute a key policy issue in China. The twelfth 5-Year-Plan Outline (2011-2015) singles out wages as a key policy area to achieve a harmonious society. There are two targets: 1) at the absolute level: annual growth rate in MWs should be no less than 13 percent and 2) at the relative level: MWs should be no lower than 40% of the AW for local urban workers. There remains much more to be implemented. More complicated issues are in the pipeline in relation to labour relations: in particular, 1) CB is being developed but only very slowly, 2) there is a need for “formal” tripartism. It remains to be seen whether or not China is gearing towards establishing a national tripartite wage council, 3) there is as yet weak coordination between regions and localities, 4) enforcement issues remain, especially for migrant workers (as main policy beneficiaries), and 5) reliable statistics on wages with full coverage still remains an issue. A pilot survey project which also includes the private sector is under way. The resulting findings may reveal that the AWs could well be below the level currently held.

Comments/Questions/Discussions

70. The following points were discussed and proposed immediately after the final presentation.

- China has experience substantial increases in MWs. The current task is increasing MWs to a level not less than 40% of the market wage. However, the main point is implementation. Social security also plays a significant role in China. Lodging and food benefits, collectively, constitute a major part in the production cost equation in China. A great number of factories have relocated out of China to other LCDs. The Asia’s floor wage range would take Cambodia’s average monthly wage up to 270 USD to be on a par with Thailand. The current wage in Thailand, a more developed country than Cambodia, is approximately 230 USD.

- Developments in China may serve as a point of reference for ASEAN. However, ASEAN member countries should put an emphasis on ASEAN, especially as the region is relatively diversified with different countries attaining different levels of development.

- A country can be affluent only when workers are adequately paid and social harmony is attained. China is gearing towards an economy driven by domestic demand. China is a very important rebalancing factor. China is producing much more than it can consumes, while the US is consuming much more than it can produces.

- China’s productivity growth is between 10 and 12% annually. If the economy continues to grow, productivity growth will be sustained, and there should be no problems. The question is whether or not China’s economy will grow at a rate it once used to.

- On MW fixing, China’s social security and housing issues factored into the deliberation process. Migrant workers should be the main beneficiaries of MW setting, but are not entitled to social security, housing arrangements, children’s schooling or other types of benefit as a result of the household registration system. Migrant workers have to rely on MWs. All the strikes and industrial disputes at
China’s key factories are related to migrant workers. The government takes MW issues seriously to preempt social unrest, and tries to strike a balance between economic pressure and social stability.

- Regarding productivity and competitiveness, labour costs have tremendous bearing on competitiveness. One might wish to keep wages relatively low to secure a certain level of comparative advantage. Rapid increases in wages would not prove healthy as far as labour-intensive industries are concerned, while keeping income low might not encourage economic operators in the long run. Providing fair wages for workers and providing incentives to economic operators are a key element. China would agree to certain factories relocating out of the country in light of IR administration and economic upgrading.

- It is interesting to know an average/representative MW (of about 600 MWs in China). In Beijing the MW is about 400 RMB. The average figure should be 200 RMB. The latest MW for Guang Zhou is 1,500 RMB per month representing 16% increase.

**Session 7: Wage setting through Collective Bargaining (Cambodia and Singapore)**

**Cambodia: Wage setting through Collective Bargaining Agreement in Cambodia**

71. Cambodia started its first multiple political parties’ participation in 1993. A major LM only exists in the agricultural sector in the form of family-based agriculture. The state has been encouraging private farming to follow its free market policy. Starting in 1990s, two new sectors have exhibited stronger growth. Before 1993, there was only one state TU through which no CBA arrangement was possible. Workers have now enjoyed their freedom in forming their independent TUs through which they can negotiate specific issues or undertake CBAs. The number of TUs has also increased tremendously.

72. Ad hoc or issue-based negotiation may also take place. Workers may seek negotiation with employers relating to wage issue or working conditions with no specific duration and without MOLVT endorsement. There is no common understanding and agreement on CBA definition and formulation, as sometimes CBAs are equivalent to the law regarding to the benefit and worker’s right. A CBA definition is a written agreement and its formulation shall have to take into consideration business growth, flexibility and peace, productivities and decent working condition for workers.

73. A CBA negotiation process involves the following sub-requirements: 1) between employers and most representative union requiring participating trade unions to prove that they receive support from 50 percent plus 1 member of the total members and 33 percent of the total members actually pay membership fees, and 2) between employers and shop stewards. After negotiation completion, CBAs shall have to be registered at MOLVT. CBAs in Cambodia only exist at the enterprise level in three sectors: 1) tourism services, 2) the garment and shoe-production sector, and 3) the construction sector. There are many different ways through which wage increases through CBAs may be achieved: 1) the percentage base system, 2) the lump sum base system, 3) the position and skill-based system at the management level. Wages may also increase through other wage systems such as attendant bonus allowances, food allowances for overtime work, and seniority bonus and annual leave bonus.

74. Despite the legal provisions, no MW fixing has been applied for the entire country. There are only sectoral CAs in the textile/garment, hospitality, hotel, services, and construction sectors. These MW agreements were concluded through negotiation or CB in each particular sector with TUs. The main challenge is there are a great number of representatives of TUs in one sector making it difficult to conclude CBAs. The employers and ILO have been trying to enhance the negotiation process and encourage TU consolidation. Previously, the garment and apparels sectors had more than 2,000 TUs, which were consolidated into 36 federations and 8 confederations. The garment sector is the biggest employers’ sector employing approximately 300,000 workers out of 2 million workers details of whom stored on the database across the country. The core MW is 61 USD, plus 12-USD additional pay, totaling 73 USD. The market wage rates are between 83 USD and 85 USD, moving towards 90 USD. The market rate of 85 USD plus the 12 USD premiums comes to 97 USD representing a 25 percent different range.
Cambodia’s MW determination was implemented through CB, but the process was cut short under strike threats. The government interfered to call for a labour advisory committee meeting to preempt any further social disturbance. Mr. Van Sou Leng expounded that the role of the government and its last-minute interference is a normal course of action. This holds true in regard to the government’s policies vis-à-vis MWs and working conditions as they have impact on the country’s economy. This mechanism lacks necessary research and information provision capacity to provide relevant information such as the costs of living and relevant economic data. The Cambodian employers have to rely on their own data on LP, prices, costing, and affordability in the negotiation process. The IR scenario tends to improve overtime. Establishing TUs is a welcome move as the employers now know who to discuss with. MWs provide basic protection to the poor. However, some sectors might adhere to MWs while keeping market wages very low as is the case in Cambodia’s banking system.

It is desirable to keep MWs low enough to allow flexibility and high enough to protect workers’ earnings. Market wages should be allowed to move based on the rule of demand and supply. Rising wages in China have induced Chinese investors to invest in Cambodia, and some of these industries would later relocate to other countries while certain industries with higher paying capacity levels would remain. All these developments are subject to demand and supply scenarios. In Cambodia, CB process and tripartite mechanism are in place for MW determination and working condition administration. In terms of dispute settlements, issues are first addressed at the enterprise level, secondly by government inspectors, thirdly by labour arbitration, and finally industrial action implementation respectively. All parties are attempting to promote CB to ensure that the process is based on freedom and fairness without involving threats. TUs still lack information to shed light on what they really require, in which case they might demand figures from international TUs. However, in the wake of a multitude of existing TUs, discussion with any of the TUs at a particular factory could trigger TU jealousy.

Mr. Kong Athit, CLC General Secretary, expounded that effective industrial negotiation requires quality leadership. The existing CBAs should serve as a stepping stone in this direction. Positive implications of CB are apparent in the case of Sabina factory where the workforce has increased from 500 workers to between 5,000 and 6,000 workers with a second factory employing 10,000 workers.

The reason for the rapid development of TUs is the existence of monetary incentives. When TUs are set up, factory owners would offer monetary returns to TU leaders to prevent them from making requests or put any demand on behalf of employees. These TUs are political bases for political parties.

Market wages would work in a mature society – still not the case in Cambodia. Workers working at SMEs earn between 25 and 40 USD per month, while public employees earn between 40 and 50 USD per month. Employees working in the banking sector constitute a small percentage of the labour force and are not representative of Cambodia’s LM. The employees support representation, and recognize the importance of leadership on both sides. Also, no parties should aim to control employees’ voices.

The following points were discussed and proposed immediately after the final presentation.

- The prescribed process requires that documents showing 50% plus 1 and 33% of the total members pay membership fees be submitted and presented to all the stakeholders. If no objection is raised, then the documents will be forwarded to the ministry for approval. The requirement for proof of 33 percent of the total members pay membership fees to be presented is a way to justify that any such TU truly represents members, and really maintain a bona fide paying membership structure.

- Regarding employers’ associations involved in the CBA process, employers’ bodies became involved in CBA arrangements at the enterprise level, but their involvement was stopped, and no other proceedings have been initiated in this regard ever since. CBA arrangements are basically between two major parties concerned. If no agreement is reached, further dialogues are required of all parties concerned to settle the issue. If a CBA is reached, MOLVT will endorse any such agreement as official.
There is only a negotiated SMW arrangement in Cambodia. There is no nation-wide MW across the board. The MW arrangement in the garment and apparels sector is 61 USD plus 7 USD plus 5 USD. Other sectors have their own respective MW arrangements. In the Cambodia’s informal economy, workers may earn 45 USD, 70 USD, or 80 USD as there are no sectoral negotiation arrangements in these cases. The garment and apparels sector and the government are willing to achieve economic formality by determining the SMW and creating a CBA process. The 73 USD MW rate is above a 45 USD rate in provinces where rice supplies may be secured cheaply. This SMW arrangement is designed to protect the urban poor.

Mr. Van reiterated that one must differentiate between sectoral-level CB and individual negotiation at the enterprise level. There is a law on CB that sets a platform for negotiation based on the principles of freedom and honesty. If no results are achieved, the matter in question may be referred to the arbitration process. During a negotiation process, the Cambodian employers have to negotiate with 8 confederations. The TUs were on the verge of calling a general strike. This induced the government to interfere to preempt unrest, which drew a series of criticisms. The employers need to offer monetary incentives to the trade unions to survive. The most important point is to for all parties to undergo a learning process to grow out of this state of affairs.

Regarding the implementation of Cambodia’s MW arrangement, MOLVT simply oversees CBA processes. The results will be registered at the ministry. If either party does not comply with any CBA agreed upon, MOLVT inspectors shall inquire into the matter in the follow-up and implementation process. MOLVT inspectors and TUs play a pivotal role in the implementation process. That is the reason why TUs really have to truly represent workers. All the relevant matters will be dealt with pursuant to the appropriate justice process: government sanction and tribunal proceedings. Mr. Kong Athit propounded that there are two systems in this regard: 1) the MOLVT process, and 2) the better factory system. As the government has limited resources, and does not have comprehensive research capacity. The TUs have to acquire basic data on non-compliance first from MOLVT. The better factory system has conducted comprehensive research. Participating factories in the better factory system do not pose any problems in this regard. However, sub-contracted companies still present some challenges as they are not part of the better factory system, and are not covered by government inspection.

**Singapore: Wage Setting Through Collective Bargaining**

81. Mr. Lau Weng Hong, Deputy Director, Singapore’s MOM, propounded that the IR Act provides that TUs or employers may invite either party to negotiate on wage increments. Wage negotiation is usually carried out on a yearly basis and at enterprise level. If negotiation reached a deadlock, either party can refer dispute to the Ministry of Manpower (MOM) for conciliation assistance. If MOM conciliation fails to resolve the dispute, it will be referred for final arbitration by the Singapore Industrial Arbitration Court (IAC).

82. About 1,000 companies in Singapore are unionized, and less than 1 percent of companies settle wages through CB. Singapore-based companies use a market-based approach in setting wages for different jobs. Market salary survey findings are used as reference in wage setting. In the unionized sector, the salary ranges may be included in the collective agreements.

83. Wage negotiation is generally guided by the National Wages Council (NWC) guidelines. At the enterprise level, the majority of unionised companies negotiate wage increments annually with their TUs. The CB process is set by the Industrial Relations Act. Certain unionised companies negotiate annually with TUs. Non-unionised companies, mainly SMEs, rely on the NWC Wage Guidelines and market survey data to help them on their annual wage increments. One such example was drawn from wage negotiation in Singapore’s insurance industry. Since 1970s, 47 insurers have operated under one common CA with the Singapore Insurance Employees’ Union. A group of about 20 companies will conclude a group settlement on annual wage increases as a “benchmark” for other company settlements. Variable bonus arrangements are determined by a formula based on past 3 years’ performance.
84. A tripartite advisory body formed in 1972 to provide for orderly wage adjustments. The NWC guidelines form the basis for negotiations on annual wage adjustments [provided under the Employment Act, but is non-mandatory]. The NWC was established to provide orderly wage adjustments. The Council functions as an advisory body to the government.

85. Singapore’s wage policy considerations include the following: a) to raise real wages through higher LP, b) to ensure that real built-in wage increases lag behind productivity increases, c) wage adjustments to take into account global economic trends. Singapore’s economic conditions and company performance to maintain competitiveness. There have been four phases of wage determination guided by the NWC recommendations: 1) moderate wage increases (1972-1978), 2) high wage increases (1979-1984), 3) qualitative guidelines (1985-1998) with wage restraint (1985-1987), and 4) guidelines highlighting the need for flexible and performance-based wage system (1999-present).

86. A flexible and performance-based wage system offers a great deal of benefits to employees, employers, and the economy as a whole. As for employees, any such system would 1) reward and recognition for contributions and performance, 2) offer better job security during economic downturns, provide upside for higher rewards in good times, and 4) enhance employees’ cost-competitiveness and employability. Any such arrangement proves equally beneficial to employers by 1) enhancing companies’ competitiveness, 2) motivating employees to give their best for their companies, and 3) offering flexibility to make timely wage cost adjustments as appropriate. As for the economy in aggregate, a flexible and performance-based wage system makes the economy more competitive, promotes high LP, lowers unemployment rates during economic downturns, and keeps the economy better prepared to ride on opportunities in upturns.

87. The real wages have increased in tandem with LP (2001 to 2010). In order to help enterprises remain competitive and save jobs, the NWC recommends that enterprises, whose business profitability and prospects are affected by the economic downturn, may implement a wage freeze or wage cuts in consultation with their workers accordingly. In the recent economic downturn, the management took the lead in undertaking wage freeze and freeze cuts. The flexible wage system saves employments. Principle maintained throughout the 1997 Asian Financial Crisis and the 2008 Financial Crisis.

88. Mr. Chua Ker Sin, Senior Manager, SNEF Research and Information, put an emphasis on the flexible wage system. Singapore, an open economy, is subject to economic growth variations. Wages should be flexible to ensure that employers and employees remain competitive. The determination incorporates both monthly earnings and bonuses. Even during economic downturns, the flexible wage system can provide better work security. Although Singapore does not operate a MW system, the government does take low-income workers seriously. A tripartite solution to this is available: 1) workers should participate in skill training to enhance their earning capacity; 2) employers can explore a work redesign process to help workers earn more; and 3) the government maintains moderate costs of living, supplements workers’ earnings through its contributions to the provident funds, and ensures that segments of the population earning less than the rest of the population have access to basic services.

89. All parties concerned have to proceed beyond CB towards productivity. The TUs and employers have to discuss ways to enhance LP and share productivity gains. Singapore is not concerned about how stakeholders share ‘that one dollar earned’, but strives towards earning more than the existing dollar. CBAs normally involve arrangements over 2 or 3 years. Top management has to discuss with TUs in between regarding LP, competitiveness, and other relevant issues based on shared financial information.

90. Mr. Yeo Cher Lian, NTUC, stated that MWs normally apply across the board regardless of profitability scenarios. Singapore Government, by working closely with the tripartite partners implemented targeted measures such as a work-income supplement scheme (WIS), a workfare scheme designed in helping low wage workers so long they stay in-employment. Individual TUs and the national confederation also provide schemes such as hardship funds, schooling assistance schemes, and transport vouchers. Singaporean flexible wage model comprises 1) the annual revenue/bonus component, 2) the monthly
vulnerable component, and 3) a salary range. The economy cannot afford to wait until the year end to start anew. Thus, the 2nd component was introduced.

Comments/Questions/Discussions

91. The following points were discussed and proposed immediately after the final presentation.

- Regarding TU arrangements, Singapore has one confederation [the National Trade Union Congress (NTUC)], and 61 TUs. The law allows the founding of additional confederations.

- Criteria for qualitative measures involve describing a particular scenario: once a company has met complete performance requirements, it may determine its own wage pattern. In the context of WGs, MOM imparts information on three possible scenarios: 1) when enterprises perform well, 2) when enterprises perform all right, and 3) when enterprises do not perform well. All these contents are normally contained in national WGs. Enterprises performing very well are supposed to pay very good wages. TUs would know whether or not enterprises fit into this qualitative scenario or not. If enterprises are performing all right or have just recovered from certain crises, TUs would also know and would refer to NWC guidelines for recommendations, which should fall into the ‘moderate wage increase range’. Moderate rates refer to rates slightly lower than the going market rates. When enterprises are not performing well, TUs may request a lump-sum inflationary payment or a small one-off payment, rather than pay increases.

- Foreign workers in Singapore constitute 30% of the workforce [1 million out of 3.2 million], while Singapore’s UD rate is approximately 23%.

- Interpreting qualitative WGs for actual implementation is an art per se whereby verbal description carries greater weight than numeric valuation. Semantic description is vital in sending the right signal to all parties. During briefings, employers develop understanding regarding unpublished ranges, and management and TUs will try to narrow down the differences between their proposed figures to achieve reasonable targets suggested in the WGs. The WGs meeting is based on consensus and no members of the press were present. Once concluded, the WGs become ‘tripartite understanding’.

- Both the employers and the employees use the same set of LP data for national WG discussion as previous separate surveys resulted in different set of data and diverging interpretations. Enterprises also have developed their own ways to measure to value-added, incorporating the national LP figures, market data, as well as their own fundamental and figures.

- Singapore’s productivity standard has increase from 1/3 of the average DCs’ standards in the 1970s to 2/3 of the same benchmark at present. The National Productivity and Continuing Education Council (NPCEC) has planned to catch up with the 1/3 differential in only 1 decade. Productivity initiatives generally come from employers through mechanization, automation, training, etc. The NPCEC has set up a S$2 billion fund in 2010 that would support productivity initiatives till 2014. The SMMW Union has worked with all the employers in the 16 strategic sectors to administratively facilitate the application for and the processing of funding in a proactive manner.

Session 8: Review of MW Systems (Viet Nam, Lao PDR, and the Philippines)

Vietnam: Some Issues Relating to MWs in Vietnam

92. The discussion of Vietnam’s MW setting incorporated 4 parts: 1) legal regulations related to MWs, 2) assessment of MW policy, 3) orientation for the reform of MWs, and 4) issues for discussion and consultation with foreign experts. In Vietnam, monthly MWs are applied. There are 3 types of MWs – i.e. common MWs, regional MWs, and sectoral MWs. Legal regulations related to MWs apply in the following cases: 1.1) common MWs; 1.2) regional MWs in the the case of administrative units [as the lowest floor wages for employers and workers to negotiate regarding wage issues; ensuring that
workers’ monthly wages are not lower than regional MWs; and 1.3) sectoral MWs [being piloted in the garment-textile and rubber sectors through sectoral CBAs].

93. MWs are determined based on four considerations: 1) workers’ minimum needs, 2) surveys on wage rates in the LM, 3) the economy’s ability (GDP), individual consumption of the population, and 4) inflation rates. MWs are adjusted once a year on 1 of January. In 2011, MWs were adjusted twice due to high inflation rates and in order to apply the same rates for domestic and FDI enterprises. In 2012, MWs will not be adjusted. Before a MW adjustment, the government collects comments from the Vietnam General Confederation of Labour and representatives of employers and informs employers about the implementation of new MWs three months in advance. From 2008 to date, the government has adjusted MWs 4 times. Since 1 Oct 2011, the common MW has been separated from the MW of region 4. The same regional MW rates are applied to domestic enterprises and FDI enterprises.

94. Vietnam has identified the following aspects as the achievements of the country’s MW policy: 1) the system of common, regional and sectoral MWs are relevant to the market economy, ILO conventions and minimum living standard of workers; 2) MWs are fixed based on scientific methods and relevant to state budgeting and employers’ paying ability, contributing to life improvement of the workers; 3) Common MWs linked to state budgeting have been separated from regional MWs, and have been applied to enterprises in order to ensure wages are paid according to market rules.

95. Major shortcomings in the Vietnamese MW arrangement system are: 1) MWs are still low in comparison to the minimum living needs of the workers. The common MW accounts for 45% and the regional MW accounts for 65-75% of the minimum living needs of the workers; 2) the linkage between the common MW and the MW of region 4 (the lowest regional rate) leads to low adjustment of the regional MW irrelevant to workers’ minimum living standard. The regional MWs are adjusted based on the adjustment of the common MW and the state’s budget capacity; 3) regions are divided based on administrative units. There are cases that the neighbouring areas apply different MW rates, leading to difficulties during the implementation process; 4) Vietnam’s database is inadequate and is not updated regularly, leading to inconsistent MW fixing/combinations; and 5) the MW coverage is still limited in that the common and regional MWs are paid on a monthly basis rather than on an hourly basis. The Vietnamese system does not cover payment arrangements for non-regular or non-full-time employment. Also, the sectoral MWs have just been piloted in the garment-textile and rubber sectors.

96. A series of possible directions/orientations identified for a MW policy reform are: 1) recalculate MWs to cover workers’ minimum needs; identify an implementation roadmap relevant to the paying ability on the part of the state budget system and employers; 2) examine possibilities in applying hourly MWs for non-regular and part-time employments; 3) examine and finalize criteria for the division of regions as a basis for the implementation of regional MWs relevant to actual conditions, consumption prices, wage rates, labour supply and labour demand in each region; 4) provide assistance to certain sectors in concluding sectoral collective bargaining agreements in order to establish sectoral MWs; 5) establish a national wage council with tripartite participation incorporating government representatives, the Vietnam General Confederation of Labour and Employers’ representatives; and examine and further develop MW laws.

97. Common and regional MWs are fixed and adjusted by the government annually. Sectoral MWs are determined based on bargaining processes. Vietnam is conducting a pilot CBA project in the garment/textile sector, and has achieved certain sectoral CBAs through which workers secure higher wages than MW fixed by the government.

Comments/Questions/Discussions

98. The following points were discussed and proposed immediately after the final presentation.

- Vietnam’s common and regional wages are determined by the government. Before fixing regional MWs, wages MOLISA organize several meetings with VCCI, VGCL, business associations, FDI enterprises,
and SOEs to collect comments on the MW increases proposed by the government. Once consensus is reached, the proposed will then be submitted for announcement. Before MW increases are announced, the government will also collect comments from major foreign investors. Common MWs are paid to public servants or workers working for the government. No tripartite process is involved. The state will propose rates based on the state's ability to pay.

- Any workers will be affected by MW, including salary workers. Current salaries are 9.7 times the MWs. Social benefits and private-sector remuneration is based on MWs. The private sector will factor a certain coefficient range into the equation (i.e. healthcare arrangements). As soon as MWs are determined, workers’ earnings will be affected accordingly. Vietnam is trying to reform the system. The private sector’s wage system will be separated from the current national MW system. A more harmonized and effective system will be developed within the private sector.

- Common MWs only apply to the public sector. Regional MWs apply in market-regulated areas. Regional division is based on district administration. Skilled workers will receive 7 percent more than MW earners. Workers working in dangerous working conditions will receive a 5 percent increase.

- Vietnam’s MW fixing and adjustment system shares the same problem as Thailand. MWs are floor wages. However, when MWs are adjusted, other workers with greater skills will automatically ask for increases.

- The regulation on MWs is mentioned in the 1995 Labour Code. Article 56 provides certain general basic provisions on MW issues. Vietnam plans to develop specific MW law as a basis for specific and detailed guidance and provisions thereon by 2015.

- A great number of employees are still paid lower than MWs. Before 2011 MWs were linked to the government’s ability to pay. The Vietnam’s database was not updated as a result of the time lag during the publication process. The 2011 wage adjustment was based on the 2008 database. Vietnam applies a mixture of four methodologies in its MW calculation.

- The Vietnamese system is not different from Indonesia’s arrangement. The country’s common and regional wages are determined by the government while the SMWs are confined to the textile and rubber sectors through CBAs. The government encourages CBA parties to aim for wages higher than the regional MWs. These arrangements are now being piloted the 2 sectors mentioned. With respect to quantitative issues in relation to SMWs, in 2010 there were 4 regional wages for domestic enterprises, and 4 different rates for FD enterprises. In early 2010, Vietnam concluded CBAs in the garment and textile sector. The then highest regional FDI wage was 1,340,000 VND, and the CBA-concluded wage was 1,700,000 VND.

- There are a great number of investors in the garment/textile sector. Previously, TUs in this sector were concentrated in SOEs. The situation in the FDI textile sector TUs has changed: the UD rate in the FDI sector represents 1/3 of the number of the companies. A CBA process mostly involves bargaining among unionized enterprises as this requires a tripartite mechanism. Non-unionized enterprises are not covered there-under. CBAs in the textile and garment sector are signed between Vietnam’s textile and garment corporations and the TUs. Yet, only 40 or 50% of the companies took part in these CBAs.

- In Indonesia and Vietnam most workers will be affected by the MWs. Yet, one difference between Vietnam and Indonesia still remains. The Indonesian wage system is powerful because it serves as a point of reference, while Vietnam’s MWs are powerful as they are wage-based: the MWs are the basis on which other wages are built upon. Once the Vietnamese MWs are increased all the remaining wages will be increased accordingly. Therefore, the effect will be the same, but the mechanisms are different.
99. The MoLSW Agreement on Application of the Tripartite Committee on Labour Relation at the Central Level (2010) determines the roles and functions of the tripartite committee on IR, develops IR and the protection of employees, as well as serves employers’ benefits and public services. The tripartite committee comprises representatives from the following entities: 1) MoLSW, 2) the Lao Federation Trade Unions (LFTU), and 3) the Lao National Chamber of Commerce and Industry (LNCCI).

100. The MW setting process incorporates the following algorithm: 1) the first tripartite committee meeting, 2) Lao LFTU meetings [on important issue such as costs of living and productivity], 3) the Lao National Chamber of Commerce and Industries meetings will deliberate upon corresponding issues, 4) a second committee tripartite meeting to adjust or agree on MWs proposed, 5) the preparation of a summary undertaken by the Ministry of Labour and Social Welfare, 6) submission of the agreed rates to the Government Office [a meeting will be held in conjunction with the Ministry of Planning, the Ministry of Finance and the Economic Institute], and 6) once the figures are approved, relevant matters will be forwarded to the Ministry of Labour and Social Welfare for promulgation. MW adjustments can be initiated/implemented at all times subject to the following four conditions: 1) the current living conditions and socio-economic situation economic growth, 2) the country’s economic growth, 3) are collectively agreed upon by the tripartite committee, and 4) both employees’ and employers’ equally benefit in any given MW adjustment.

101. Laos PDR is different from other ASEAN countries in terms of the percentage of wages increases and the duration during which Laos PDR has to increase its MWs. LNCCI has over 2,000 members, 26 associated business associations, 13 provincial member chambers, representing both major local investors and FDI enterprises. Despite the low percentage of its member presence in the total number of registered enterprises in the Lao business community [2 percent], their presence and business proportions across the board means that this entity represent powerful voices in the country’s business scenario.

102. The LNCCI has been working to increase workers’ wages. After LTC receives information and data from MoLSW or LFTU, the chamber will discuss them among members. When the chamber is informed of a possible wage increase initiative, its members will be notified thereof without specific figures featured to request their comments as to whether or not possible MW increases will affect their businesses/employment. LNCCI organizes a meeting among its members and invites business associations concerned affected by the forthcoming wage increases, in particular the textile industry which employers a great number of workers and export textile products to the EU. Increases in MWs normally do not affect the service sectors as remuneration in these sub-sectors belong to salary arrangements. LTCI attempts to manage its timeline to acquire all the necessary information and perspectives from the government and business entities, as well as impart all the relevant information on MW increases.

103. As this MW increase records a 59.9% increase, Laos PDR is faced with implementation problems necessitating a tripartite solution. Certain workplaces have cut down on free accommodation.

104. A major practical point involves the time-consuming translation of new regulations or wage recommendations, presenting some administrative challenges in the wake of the increasing number of foreign investors. Moreover, tripartite IR is operational at the central level only. Regional linkages in terms of IR are still wanting, complicating certain situations where parties concerned need to reach common grounds.

105. LFTU’s roles include providing training, awareness-raising, making its contributions to the enforcement of labour law and TU law, as well as protecting workers’ benefits and rights. LFTU operates at 4 levels: 1) the national level, 2) the provincial level, 3) the district level, and 4) the grass-root/workplace level. Starting from 2008, CBAs have now been established at the workplace level covering 154 workplaces with support from OXFAM. Issues included in CB are comprehensive: MWs, welfare arrangements, safety and health issues, as well as bonus provision. The new 626,000 kip MW has triggered challenges to employers at the workplace level. Previously, Lao workers received approximately 1 USD per day. If
the MWs had not been increased, more Lao workers would have migrated to Thailand as a result of the latter’s wage increase.

Comments/Questions/Discussions

106. The following points were discussed and proposed immediately after the final presentation.

- Given the number of the country’s own-account workers, unpaid family members, and the aggregate number of government employees, para-state employees, and state enterprise employees, the possible number of workers potentially covered by MWs is very small: i.e. private employees (totaling 121,786 employees).
- The Lao TU system is the same as its Vietnamese and Chinese counterparts because each country has only one TU: i.e. VCTL and ACFTU respectively.
- Laos’ wage adjustment durations vary [6 years, 5 years, 4 years, and 3 years]. Laos PDR sudden increases in wages are a traumatic shock for all despite the good reasons quoted [e.g. as a response to inflation or economic dynamism]. It is advisable to change its MW adjustment period to 1 year to attenuate any associated shocks, and avoid sending misleading information on wage adjustment. If wages are averaged to approximately a 10% increase, employers would have time to adjust themselves. This should help to avoid prompting employers to take drastic measures.
- LNCCI has made two suggestions to the government and the tripartite committee: 1) the tripartite committee should prepare a wage adjustment proposal on an annual basis, and 2) there should be wage arrangement plans for specific industries, regions and provinces in the wake of the government developing different economic zones, causing cost of living to vary geographically.
- One of the reasons for LFTU not being previously involved in MW adjustment is that LFTU leadership operates under a 5-year tenure arrangement. Thus, it is impractical to deliberate upon major issue during a time of leadership change. Also, the TU did not regard MW adjustment as part of its mandates, leaving the MW matter in the hand of the government.

The Philippines: Review of the Minimum Wage System in the Philippines

107. The discussion of the Philippines’ MW system review covered 3 areas: 1) the current system in aggregate, 2) outcomes, and 3) directions for reforms. From 1951 to 1989, the Philippines operated a national MW setting system. With the issuance of the 1989 Act [RA6727], the system has shifted from a centralized system to a decentralized system. The legal mandate in relation to the current MW system consists in the 1989 act. The Congress devolved MW setting to the Regional Tripartite Wages and Productivity Boards. The following institutional mechanisms have been created in the whole process: 1) NWPC as the central coordinating body to formulate policies, guidelines, and rules, and act as the advisory body to the President and Congress; and 2) the 17th RTWPBs in charge of setting MWs, and conducting studies and researches on wages, income and productivity.

108. The criteria for MW determination are: 1) needs of workers and their families; 2) employers’ capacity to pay; 3) prevailing wages; and 4) requirements of social and economic development. The procedural requirements are: 1) Motu Proprio or arrangements by petition; 2) public hearing and sectoral consultations; 3) wage deliberation; 4) the issuance of wage orders; 5) the issuance of implementing rules; 6) information dissemination to advise the public on the new MW rates; and 7) enforcement [by the regional offices of the Department of Labour and Employment, not the Board].

109. With regard to the history of wage setting by the regional boards [1990-2011], the following pattern has occurred: 1) 57 percent of the wages orders are issued unanimously, 2) 34% of wage orders were faced with dissenting voices from the labour sector, 3) 8% of the wage orders were faced with dissenting voices on the part of the employers, and 4) 1 percent of the wage orders were faced with state
reservation. In terms of the basis for adjusting MWs: 1990-2011, in 55 percent of the times, wage adjustments were issued *motu proprio*, while 45% of the times MWs were adjusted on the basis of petitions filed by the TUs. In terms of direct outcomes, 248 wage orders were issued by the 17 regional boards between 1990 and 2011. MWs were increased by P 337 per day in the national capital region (NCR) and by a range of P 143 to P 248 per day in areas outside NCR. This directly benefited close to 3 million MW earners as well as more than 3 million workers through correction of wage distortion.

110. The compliance rate in NCR is 88.9 per cent. In 2009 only 8 out of 2,522 establishments quoted MW adjustment as the reason for their decisions, while the figures for 2010 were 7 out of 2,314 establishments, representing less than 1% of the total figure. A series of MW increases from 1990 to 2011 has enabled NCR to have the highest MW of P 426, followed by other economic advanced regions. Other outcomes of the MW arrangements are 1) the MWs are moving closer to the AWs; 2) the ratio of the MWs to the AWs range from 80 per cent to 120 percent; 3) the MWs affect CB; 4) they may erode incentives to be engaged in productivity based pay schemes; and 5) poor coverage of low-paid workers due to exemption, exclusion (BMBE), and non-compliance; and 6) they may induce distortion in pay structures.

111. In terms of the relations between poverty thresholds, MWs and average wages [1997-2009], a wide gap between MWs and poverty thresholds, and a very narrow gap between MWs and AWs are clearly perceivable across all the regions with the possible exception of the ARMM region, where the MWs over the 1997-2009 period lie, on average, in the middle between the poverty thresholds and the AWs.

112. The Philippines is working with the ILO towards a wage reform to achieve a desired structure with MWs slightly above poverty thresholds and keep up a comfortable and reasonable gap between AWs and MWs. This two-tier wage system incorporates a floor wage, which is clearly defined and is distinguished from a productivity-based wage. The floor wage is a MW. The factors used for floor wage estimation are poverty thresholds, AWs, and certain socio-economic indicators. The second tier, being tested by the regions, is the productivity-based wage or the wage advisory the objective of which is to indicate the market for each region in terms of its economic growth patterns, the extent of its economic growth, and the direction of its growth. It would also indicate possible wage increases for each region or for major industries in the region.

113. Mr. Renato Almeda postulated that the Republic Act 6727 has not achieved its objectives regarding productivity improvement, employment generation in the countryside, and industrial competitiveness. The law has never mandated parties concerned to issue any productivity-based wage increases. The new two tier system comprises two components: 1) the floor wage/the MW which deals with the real minimum living standard for ordinary workers, especially new entrants, and 2) productivity-based increases, which, at the enterprise-level, should be the source of productivity. This new two-tier system will address two basic issues: 1) LM efficiency, and 2) competitiveness. This approach, to be started this year, should help with a 2-year transition period before the Philippines can really have a new ‘facelift’ in MW fixing, inducing greater competitiveness for enterprises, and promoting productivity gains for all.

**Session 9: Summing up and Conclusions**

**Group meetings – workers, employers, and governments; and discussion of possible future direction**

114. The participants were engaged in 3 different discussion groups: 1) a government group, 2) an employers’ group, and 3) a workers’ group. All the three groups discussed a series of questions below. After the group discussion, all the 3 groups reported their points back to the plenary meeting respectively.

Question 1: The government sets wages for most workers in countries as diverse as Thailand, Indonesia, and Vietnam, through its MW setting authority. Is this an appropriate role for the government in the context of a free market economy? How can this be changed? How can the inappropriate (as opposed to appropriate) influence of the government and politicians in MW setting be reduced?
Question 2: In many countries in the region, an increase in minimum wages leads to an increase for practically all workers. Is this desirable? If not, what specifically needs to be done to change the status quo?

Question 3: How can we reduce/eliminate arguments over data and criteria?

Question 4: What kind of assistance can ILO provide?

**Government Group**

115. Answer to question 1: The government should act 1) as a facilitator and provides the necessary support and mechanism to ensure parity and proper representation in bargaining, and 2) as a coordinator/advisor in that the government can review/assess recommendations issued by tripartite committees, taking into consideration relevant macroeconomic conditions and the potential impact of MWs on the whole economy.

116. Answer to question 2: There should be clear targeting. MWs should be intended to protect vulnerable workers. One way of doing this is to ensure purchasing power of low wage workers. In setting MWs, simple centrally-set MWs are ideal, taking into consideration enforcement and administrative difficulties. Regional and decentralized wage setting works if differences in standard of living are considerable. The more decentralized a system is, the more complexity it presents in terms of administration and enforcement.

117. Answer to question 3: The government as a facilitator should provide data, and build robust and reliable data sets, disseminate to parties concerned, while ensuring data transparency. More importantly, parties should be able to trust data provided by the government, can cross reference data from such reliable sources as IMF and the World Bank for countries with data gaps or limits. The goal of wage setting and criteria/data need to be aligned and made consistent. Timeliness of data is also a key element.

118. Answer to question 4: ILO can play a pivotal role in 1) building reliable databases in support of MW determination and effectively disseminating information to SPs, 2) providing capacity building for SPs in areas such as bargaining, and 3) making available and share countries’ MW practices as well as lessons learned from such practices.

**Employers’ Group**

119. Answer to question 1: There should not be any MWs at all in any country. Wages should be based on and linked to LP and performance. This does not mean that vulnerable groups should be left unattended. Assistance should be provided to them whenever necessary in the form of additional contributions literally by the government to contribute to social security and provident fund arrangements, etc such that their old-age savings can be enhanced. The government can also provide health assistance as it has a moral obligation towards its citizens. If MWs are set at all, they should be lowest wages, and should not be equated with average wages which are determined by market forces. Market forces should determine what ought to be employees’ wages, based on the equilibrium driven by supply and demand. On the role of the government, there are two schools of thoughts: one school holds that the government plays a critical role in serving as a referee in MW determination; the other school postulates that the government has no rule to play in MW determination, leaving the mandate to SPs to determine the best social floor level on a bipartite basis. Politicians in some countries use MWs to win votes. Politicians should not politicize MWs. MWs should be left to parties in MW setting mechanism to determine. The best way to avoid MWs being politicized is to have an accepted formula in place for SPs to determine and also to review MWs. In such a scenario, politicians cannot readily manipulate or manage MWs as wished, thus making it more difficult for political interference.

120. Answer to question 2: The “domino” effect of MW increases is tied to country-specific culture and public expectations. MWs should not produce domino effect on employees’ rights as they are the lowest wage possibly paid. Other workers outside the MW coverage have no right to demand further increases in their existing wages. In practice, in most countries, workers expect wage revisions/increases when MWs are increased. The government needs to clarify that MWs are designed for lowest earners, and any changes to MWs should not have any bearing on other categories of employees. In the long run, we
would need to rethink a possible approach. ILO may play an important role by underpinning that the Singaporean model of flexible wage setting is a positive source to learn from in terms of economic weathering, capitalizing on economic opportunities, and maintaining high employment levels. Greater exposure to positive leaning should be a welcome move. This highlights the importance of economic administration based on performance and LP growth, reflecting the desirability of flexibility within a wage system.

121. Answer to question 3: Data constitute a very sensitive issue in most countries. Quality and reliable data are very important for SPs. Parties should come to agreement in advance on the kinds of data needed, data availability, and applications for MW fixing. SPs resort to the government for data as data acquired from other negotiating partners might trigger reliability issues. Actual data, rather than prospective or forecast data, should be made available. However, forecast data can be vital in certain situations. For example, if economic forecasts envision economic downturns, then parties concerned should not expect substantial wage increases should not be expected.

122. Answer to question 4: The employers’ group is of the opinion that ILO should not be obsessed with wage data. AWs are very different from MWs. MWs are social floor wages. MWs should not be portrayed as average wages. ILO can provide training for tripartite partners for capacity building purposes so that all share the same wavelengths and speak the same language when it comes to matters such as MWs. ILO can play a critical role by assisting the employers to be able to pay more: i.e. provide assistance to enable employers to build up sustainable enterprises in order to have greater paying capacity. ILO may also provide skills training for employees to enhance their earning opportunities, instead of relying on MWs. All parties concerned may start discussing the greening of the economy, green skills, green jobs, etc. An international organization should be fair and should not be biased for or against any SPs. The ASEAN Confederation of Employers (ACE) should be formally invited to participate in an ASEAN gathering related to labour issues such as this seminar to provide representative views of a regional entity.

Workers’ group

123. Answer to question 1: The role of the government in wage setting is categorically not appropriate. The government’s involvement in this mandate is not justifiable. The MW determination process needs tripartite agreement for MW setting at the national and is to be endorsed by three SPs: the government, employers and TUs. Employers and workers should determine wages and working conditions on an equal footing. Where a national-level configuration is not as yet practical [e.g. in Indonesia], the same principle still holds for a sub-national configuration as MWs are designed to offset poverty and address workers’ basic needs in the capacity of a social floor arrangement. This may be changed through consultation, research, case studies and technical assistance, particularly from ILO. Measures should be undertaken to concretely promote the ratification of Convention 131 on MWs among ASEAN countries. Also, active participation of SPs having undergone capacity building can reduce or eliminate politicians’ inappropriate involvement.

124. Answer to question 2: The workers’ group agrees that an increase in MWs should result in an increase for all workers as wages reflect workers’ basic living needs. This social protection cannot be compromised. In terms of implementation, favourable conditions are required to organize mechanisms for increased dialogue and change the legislative framework to be in line with Convention No. 87 and Convention No. 98. There should be regular and constant consultation among SPs. In all ASEAN countries, UD rates are very low. Workers can improve dialogue and redress basic living requirements through CB via TUs. As such Convention No. 87 and Convention No. 98 should be ratified by all ASEAN countries to enable workers to participate in CBAs in a bid to improve their minimum living standards and MWs. Productivity-based wage systems are not agreeable unless they have two components: 1) a fixed component to take care of workers’ costs of living, and 2) a variable component. Employees’ only source of income is income earned at enterprises. Income inequality should also be reduced through CBAs whereby a balance between capital and labour is created. The organizing of labour into TUs and the flow of CBAs will help to develop better working conditions and wages.
125. Answer to question 3: Data collection and research on data collection should be conducted by equally-numbered tripartite committees, set up solely for the purposes of collecting timely data with the assistance of experts. This undertaking shall have to be based on transparency and the spirit of aiming to achieve common goals.

126. Answer to question 4: ILO should continue to 1) provide technical assistance towards the ratification of Convention No. 87, Convention No. 98, and Convention No. 131; 2) assist in capacity building; 3) provide case studies from other countries’ MW experience; 4) organize workshops and seminars; and 5) disseminate data which can be used for onwards action in dealing with parties concerned. The ASEAN Trade Union Council (ATUC) should be strengthened and invited to future meetings related to IR, and wage issues. Each nation should work to ratify the 3 core conventions, and the ASEAN workers should collectively strengthen the ATUC to represent regional voices across these relevant issues. In all these, ILO could play a pivotal role towards improving the quality of life for workers.

Comments/Questions/Discussions

127. During the discussion session the following points were discussed and clarified.

- It is difficult to set MWs at the national level, but the TUs in Indonesia have been trying to set MWs at the provincial level. To this the MTUC representative remarked that MW determination should be implemented through tripartism on an equal footing.

- Regarding ILO statistics on the AW and MW ratio – the Keitz index – was actually first developed by an economist who was against the idea of MWs. IMF and the World Bank use this index to examine the intensity/impact of MWs.

- In regard to the statement which goes “assistance to vulnerable groups should come from the government rather than employers,” employers pay according to their ability to pay based on the market mechanism. If the government believes what the employers are paying does not meet the required standard, then it can approach the employers and discuss the matter. The employers might wish to help these particular workers in the form of greater contributions to their provident funds rather than having increases in pays imposed on them. The government has the social obligation to assist this vulnerable group.

- The statement – “productivity-based [wage system] is not agreeable” – The Workers’ Group noted that Singapore’s model of Productivity and Performance linked wages and it is applied together with a National Wage Guidelines as the country does not have a minimum wage system. With the exception of Singapore, the other members of the Workers Group do not see how the Singapore’s model could apply to countries that already have minimum wages. (Sentence 2, paragraph 2 in the Unions’ Statement) needed to be qualified as Singapore does not operate MWs. In actual fact Singapore’s wage system is directly linked to productivity.

Survey on topics for future workshops and Closing Session

128. Mr. Ozawa, Overall Coordinator of the ILO/Japan Multi-bilateral Programme, encouraged all the participants to make recommendations regarding possible topics aimed at enhancing positive working tripartite relations, especially between employers and TUs. Suggested topics for the 5th regional seminar on industrial relations are: 1) Green Economy, Green jobs, Green Skills; 2) Ratifications of ILO Core Conventions; 3) Aging Workforce – income security, globalization; 4) Practical application to the wage and data collection; 5) Collective bargaining and wage negotiation; and 6) Roles of social partners in promoting productivity and competitiveness. All the 6 topics will be discussed with the ASEAN Secretariat, and the exact topic will be decided at the Senior Labour Officer Meeting (SLOM) to be held in Cambodia in May.
Session 10: Closing Session

129. There was neither formal closing nor formal closing remarks. Mr. Ritchotte, the moderator, emphasized the rich and intensive collective learning experience shared over the past two days at the workshop. The participants were asked to express their views on the workshop. The links between wage fixing in general, MW setting and IR are at the heart of employment relationship between workers and employers. MWs across the region are fixed through social dialogue. The participants were assembled at the regional seminar was to learn how to redress actual gaps and flaws in this process. All the participants had learned a great deal regarding one another’s system. This was but a beginning to be followed by many more activities. The moderator thanked all the participants, and wished them a safe journey home. The meeting was then closed.

End of the Closing Session/End of the Seminar