



[Handwritten signature]

ADVISORY NO. RIX-01

(Advisory on the Implementation of Productivity-Based Incentives Schemes for the Sardines Canning Industry in the Zamboanga Peninsula Region)

WHEREAS, the issuance of this Advisory is pursuant to Republic Act No. 6727, otherwise known as the **Wage Rationalization Act of 1989**, and the National Wages and Productivity Commission **Guidelines No. 2 (Series of 2012)** on the Implementation of the **Two-Tiered Wage System (TTWS)**, in which Tier One is the mandatory component which is referred to as the minimum wage (as represented by Wage Order No. RIX-18), and Tier Two is the productivity-based incentives scheme for workers, which is voluntary and based on the discretion of the covered establishments;

WHEREAS, the Sardines Canning Industry in the region has been determined as the subject of the Advisory to be issued due to its contribution to economic output, substantial share to employment; and, labor productivity, wages and other relevant factors;

WHEREAS, a consultation with the sardines canning industry players was conducted on February 24, 2014, which was followed by a Focus-Group Discussion held on March 06, 2014, to thresh out issues and concerns relative to the issuance of an Advisory as may be appropriate for the region;

NOW THEREFORE, by virtue of the power and authority vested under Republic Act No. 6727, this Regional Tripartite Wages and Productivity Board – IX hereby issues this **ADVISORY** to serve as guide for the Sardines Canning Industry in the region in formulating a range of productivity incentives programs which may be the basis for employer initiatives and enterprise negotiations, consistent with the government’s policy of achieving higher level of productivity to preserve and generate jobs, and to augment the income of workers by way of productivity improvement and gain-sharing programs;

The following economic indicators, and pertinent data as shown in the Annex, further served as basis of this Advisory:

I. Regional Economic Performance

Philippine regional economies are classified and grouped into three (3) major sectors, namely: 1.) **Agricultural, Hunting, Forestry and Fishing (AHFF)**, 2.) **Industry** and 3.) **Service**.

Each major sector is composed of various sub-sectors. The Sardines Canning industry in the region is but a part and parcel of **Manufacturing**, which is a sub-sector of the entire Industry Sector.

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

Economic Growth

General

The **Gross Regional Domestic Product (GRDP)** of Region IX by Industrial Origin, in 2012 increased to Php131,695,644*, as compared to the 2011 GRDP figure of Php117,182,723*. [* - in thousands, See Annex – Page 1, Table 1] Thus, the region's GRDP significantly posted a positive increase of **12.4%** in 2012, from its low performance of only 0.1% in 2011. [See Annex – Page 1, Chart A]

Of the Region's GRDP for 2012, AHFF sector accounts for 22.5%, while Industry and Service contributed 34.8% and 42.7%, respectively. On the other hand for 2011, AHFF's share was 26%, while contributions of Industry and Service were 29.7% and 44.3%, respectively. [See Annex – Page 2, Chart B]

Sectoral

1. **Agriculture, Hunting, Forestry and Fishery (AHFF)** – growth slightly decelerated to -2.6% in 2012 as compared to -5.8% growth in 2011. [See Annex – Page 1, Chart A] The GRDP performance for the AHFF sector for 2012 was at Php29,697,119* while 2011 performance was at Php30,491,167*. [* - in thousands, See Annex – Page 1, Table 1]
2. **Industry** – growth surged to 31.6% (or equivalent to Php45,823,686* GRDP) in 2012 as compared to its negative 2% (or roughly Php34,823,724* GRDP) performance in 2011. [* - in thousands, See Annex – Page 1, Table 1] Thus, the major contributing sector responsible for the economic growth of the region in 2012 is Industry. [See Annex – Page 1, Chart A]
3. **Service** – growth increased to 8.3% in 2012 as compared to 5.8% in 2011. [See Annex – Page 1, Chart A] The GRDP performance for the Service sector for 2012 was at Php56,174,840* while the 2011 performance was at Php51,867,831*. [* - in thousands, See Annex - Page 1, Table 1]

Labor Force

For the periods covering October 2011 and October 2012, the **Total Household Population of 15 Years Old and Over** for Region IX was 2,242* and 2,185* persons respectively. The **Labor Force** for the same period registered at 1,526* and 1,438* respectively. [* - in thousands, See Annex, Page 2, Table 2]

The **Labor Force Participation Rate (LFPR)** for the same period was at 68.1% and 65.8% respectively. The **Employment Rate** for both periods has remained the same at 96.6%. The **Underemployment Rate** for the periods was at 21.9% and 27.6%. The **Unemployment Rate** for both periods has remained unchanged at 3.4%. [See Annex A, Page 2, Table 2]

II. Profile of the Sardines Canning Industry

Eleven (11) out of the fourteen (14) sardines canning factories in the Philippines are based in Zamboanga City, supplying 75% of the country's domestic requirements for canned sardines. Thus, Zamboanga Peninsula is considered to be the "Sardines Capital of the Philippines." Therefore, this Advisory is being issued for workers and enterprises in the sardines canning industry in Region IX

Labor Force

During normal operations, the said canneries provide work to an estimated 6,000 direct workforce. During peak-season, the industry employs an estimated 3,000 additional workers.

The industry employs thousands of workers that form part of the allied services to include, among others, fishing and catching, laboratory services, cold storage, shipyard and wharf maintenance, warehousing and delivery. The estimated total number of direct and indirect workers in the whole sardines industry is around 30,000. This establishes the sardines industry as one of the key employment generators in the region. [Source: Department of Trade and Industry-IX]

Market Consumption

More than 90% of total production is consumed by the domestic market as canned sardines is considered the lowest-priced source of animal protein and is a dietary staple for the Filipinos.

Business/Industry Outlook

Aside from demonstrating that the sardines canning business performance is upbeat, there is likewise a showing of positive business outlook, due to increase in the demand for canned sardines in the domestic market, and the emergence of new markets for exports.

A good number of canneries in Zamboanga City are HACCP-certified (*Hazards Analysis and Critical Control Point*) to comply with market requirements. Four (4) of the local canneries have upgraded their production systems to comply with European Union Standards. The upgrading of production systems to conform with international food safety and quality standards would definitely bring the industry to another level, as it makes operations more efficient, thereby giving assurance that its sardines product is consistently of good quality.

Furthermore, the enforcement of strict fishery laws to improve the fishery production (i.e. Closed-Fishing Season being implemented from December to March), has significantly increased sardine catch since its implementation three years ago, according to the Department of Agriculture's Bureau of Fisheries and Aquatic Resources (DA-BFAR).



III. Conclusion and Recommendations

The remarkable economic performance of the region, with the Industry Sector, particularly the Manufacturing/Sardines Canning Sub-sector, contributing substantially, coupled by the significant role it plays as key employment generator in the ZAMPEN Region, have given reason for the Board to consider the Sardines Canning Industry in the ZAMPEN Region as the subject of the Advisory.

The Board, therefore, encourages workers and management to discuss this Advisory and the recommendations made, examine their respective conditions and agree to jointly develop and implement a productivity incentives program. Likewise, enterprises are encouraged to:

1. Create or tap existing labor-management structures to:
 - a. Determine or ascertain that Key Performance Indicators (KPI), as set by the company, are met. In the event that the company exceeds its target production by at least 10% based on such indicators, that the structure may recommend for the grant of incentives in favor of the workers as may be appropriate for the purpose.
 - b. Design, recommend adoption and implementation of such other productivity incentives schemes or programs indicating coverage, performance or standards and targets, productivity program, sharing scheme and frequency of sharing, among others:
2. Upgrade or adopt new technologies and innovation in its work processes, with management spearheading the productivity drive and workers supporting improvements in work processes.
3. Share the gains from productivity improvement with their workers.

IV. Technical Support

The Regional Tripartite Wages and Productivity Board IX shall provide capacity building and consulting services in designing quality and productivity improvement programs and gain sharing schemes through:

1. Productivity training programs such as 5S or Good Housekeeping; ISTIV modules for manufacturing enterprises; Green Productivity and Service Quality;
2. Work Improvement Measurement Studies (Time and Motion Studies)

V. Monitoring and Assessment

This Regional Board shall monitor and assess the implementation of the TTWS and shall formulate monitoring and evaluation mechanisms for the TTWS.



Issued this 1st Day of May 2014, in Zamboanga City, Philippines.

ROBERTO G. VALERIO
Member, Employers' Representative

REY ANTHONY D. TRIO
Member, Labor Representative

EDGAR B. LIM
Member, Employers' Representative

JOSE J. SUAN
Member, Labor Representative

TERESITA SOCORRO C. RAMOS
Vice-Chairperson

SITTI AMNA M. JAIN
Vice-Chairperson

SISINIO B. CANO, CESO IV
Chairperson