

Joint Foreign Chambers of the Philippines

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

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Joint Foreign Chambers Urges Passage of Apprenticeship Reform bill

The Joint Foreign Chambers (JFC) call on the Senate to approve Senate Bill 136, reforming the National Apprenticeship Program.

Senate Bill 136 is pending Second Reading in the Senate. The House approved and transmitted its version to the Senate in January 2015. The JFC urges Senate Labor Committee Chair Juan Edgardo Angara to move for the approval of SB 136 in Senate plenary with the proposed amendment.

With just a few remaining months of the 16th Congress, this bill deserves urgent consideration in view of the extremely high unemployment rates among young Filipinos. Regrettably, the level of investment - both foreign and domestic - has for been insufficient to create enough decent jobs to meet the growing supply of young workers. If this growing crisis for the young people of the country continues without the government providing solutions, their future will be bleak, forcing many to seek work abroad, others to be idle and dependent, and sadly a few to turn to crime and even rebellion and radical politics.

The Technical Education and Skills Development Authority has administered an apprenticeship program that could be one part of the solution to increasing employment for Filipino youth. The current program allows apprentices to be trained by a private firm up to six months and to receive a fee of 75% of the applicable minimum wage. In 2013, TESDA reported that 56,832 students enrolled under the program, 51,912 graduated, and 13,011 were hired by the companies where they apprenticed. Such a small number indicates the importance of reforming and expanding the program to provide a route to long-term jobs for much larger numbers of young Filipinos - potentially in the millions.

Countries with well-developed apprenticeship programs have large apprenticeship bases: the United States, 415,285 (2014); the United Kingdom, 440,400 (2013-14); and Germany, 1.4 million (2013).

One important reform is to extend the period of training. A revitalized and reformed apprenticeship program will provide sufficient time for young workers to gain skills while providing companies sufficient time to give them training and assess their working skills. At the end of the apprenticeship period, many more should be offered employment directly where they have trained than in the past.

Section 11 of SB 136 contains a requirement for the Apprenticeship Contract to include "training allowances prescribed by industry subsectors through tri-partite consultations which in no case shall start below seventy-five percent (75%) of the applicable minimum wage." This requirement was modified in the House bill with the



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phrase “Provided, however, that, contributions to the apprentice by national and/or local government and NGOs shall be considered in computing the 75%.”

This will allow national and local governments and NGOs to contribute to trainee wages as necessary to compete better with wages paid to workers in countries currently considered more competitive than the Philippines that attract more FDI in ASEAN than the Philippines. These countries subsidize the cost of power, which the Philippines does not. This language would assure trainees to receive 75% of minimum wage, combining what the employer pays and what government may pay in order to attract more investors to the Philippines.

As a national policy companies should be encouraged to train more apprentices than needed for their own workforces. Twice the training cost for those apprentices that will not be offered employment after the apprenticeship period is completed and will be released as trained professionals into the labor market can be deducted from taxable income can be incorporated in Sec. 22 of the bill. Further, Filipino manufacturers who hire and train apprentices will become more competitive in the domestic market vis-à-vis inexpensive imports.

The JFC is a coalition of the American, Australian-New Zealand, Canadian, European, Japanese and Korean Chambers in the Philippines and the Philippine Association of Multinational Companies Headquarters, Inc. We represent over 3,000 member companies engaged in over USD230 billion worth of trade and USD30 billion worth of investments in the Philippines. The JFC seeks and promotes the creation of an investor-friendly environment in the Philippines as a means to achieve inclusive growth.