

# 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.

October 2, 2018

**Hon. Randolph S. Ting**

Chairperson  
Committee on Labor and Employment  
House of Representative  
Batasan Hills, Quezon City

Dear Chairman Ting:

We write in connection with House Bills 402 and 3815, which seek to provide a mandatory 14<sup>th</sup> month pay for all private sector employees in the Philippines.

With all due respect, the seven members of the Joint Foreign Chambers (JFC) of the Philippines do not endorse these proposed measures. We strongly support the arguments articulated in the September 28, 2018 position paper submitted by the Employers Confederation of the Philippines (ECOP) for the following reasons:

1. The mandatory 14<sup>th</sup> month pay shall be an added obligation on the part of all employers, whether profitable or not. This will be grossly disadvantageous to the micro, small, and medium enterprises (MSMEs) as they could be rendered uncompetitive on account of increased fixed costs without any increase in productivity. They consist of 99.4% of all enterprises and number around one million.
2. This will discourage the MSMEs from doing business and helping to create employment. MSMEs employ more than two-thirds of all workers in the formal sector of the Philippine economy.
3. The proposed bills would result in growing informality, as many MSMEs who could not afford additional costs of doing business including, but not limited to, the proposed 14<sup>th</sup> month pay, would slip back into the informal sector where employee pay, benefits, and welfare are not mandated by law nor monitored by regulatory agencies.
4. One unintended consequence of giving employees a bigger income (a mandated 14<sup>th</sup> month pay) would be a large reduction in the number and quality of jobs available for Filipinos.
5. Lastly, mandating a 14<sup>th</sup> month pay is a confiscatory policy, which runs counter to the basic principle of management prerogative that is duly recognized by Philippine law and jurisprudence. At best, granting of a 14<sup>th</sup> month pay should be a choice by profitable organizations alone. These should not be made an employer's burden across the board for all types and sizes of business organizations.



**AMCHAM  
PHILIPPINES**

AMERICAN



AUSTRALIAN-NEW ZEALAND



CANADIAN



EUROPEAN



JAPANESE



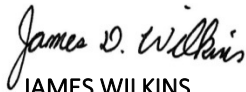
KOREAN



PAMURI

The Joint Foreign Chambers is a coalition of the American, Australian-New Zealand, Canadian, European, Japanese, Korean chambers and PAMURI. We have over 3,000 member companies engaged in over \$100 billion worth of trade and some \$30 billion worth of investments in the Philippines.

Sincerely yours,



**JAMES WILKINS**

President

American Chamber of Commerce of the Philippines, Inc.



**DANIEL ALEXANDER**

President

Australia-New Zealand Chamber of Commerce of the Philippines



**JULIAN PAYNE**

President

Canadian Chamber of Commerce of the Philippines, Inc.



**GUENTER TAUS**

President

European Chamber of Commerce of the Philippines



**NAOTO TAGO**

President

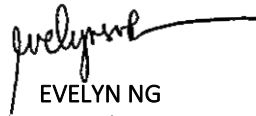
Japanese Chamber of Commerce and Industry of the Philippines, Inc.



**HO IK LEE**

President

Korean Chamber of Commerce of the Philippines, Inc.



**EVELYN NG**

President

Philippine Association of Multinational Companies Regional Headquarters, Inc.