# Industry buildup urged after weak jobs outlook

**By John Victor D. Ordoñez**
*Reporter*

THE PHILIPPINES must work to develop industry and agriculture in anticipation of growing global joblessness this year, labor organizations said.

"The government should look more into helping industries become more competitive and enhance the agriculture sector's productivity to boost employment generation, and mitigate the increase in prices of basic commodities," Renato B. Magtubo, chairman of Partidong Manggagawa, said in a Viber message.

The International Labour Organization (ILO), in its 2024 World Employment and Social Outlook report published late Wednesday, projected the global jobless rate of 5.2% this year, up from 5.1% a year earlier.

Mr. Magtubo added that the Philippines needs a wage-setting mechanism that helps workers deal with the rising cost of basic goods.

The unemployment rate dropped to an 18-year low in November of 3.6%, the Philippine Statistics Authority reported on Tuesday.

Job quality was stagnant that month as the underemployment rate, the share of the employed who are seeking more work or longer working hours, stayed at 11.7%.

The ILO said in its report that the global labor market is set to "deteriorate moderately" because of the increased joblessness in advanced economies.

"The erosion of real wages and living standards by high and persistent inflation rates and rising costs of housing is unlikely to be offset quickly," it said.

The ILO said countries should also boost their domestic productivity as about 58% of workers worldwide still are engaged in informal work.

"The government has to take more serious consideration of how structural informality in the economy was made worse by the overly long and harsh pandemic lockdowns," Jose Enrique A. Africa, executive director of the think tank IBON Foundation, said in a Viber message.

Last year, Congress passed a bill seeking to make Philippine-made products more globally competitive.

The Tatak Pinoy bill aims to develop a multi-year strategy to improve and diversify enterprises and linking them to global value chains.

In a separate statement, Labor Secretary Bienvenido E. Laguesma said the Department of Labor and Employment will continue working with the private sector to keep unemployment down.

He said about 200,000 jobs are expected to be generated from investment pledges made to President Ferdinand R. Marcos, Jr. during his overseas trips.

The President's foreign trips last year resulted in P4.019 trillion or $72.189 billion in investments and pledges for various Philippine development projects, the Presidential Communications Office said in December.

"This should be a wake-up call for the government to develop a comprehensive industrial policy that would realize our aspirations for 'full employment,'" Josua T. Mata, secretary general of the Sentro ng mga Nagkakaisa at Progresibong Manggagawa, said in a Viber message.

OPINION

## Best practices in offering employee discounts

IN THE WORKPLACE
REY ELBO

**ELBONOMICS: The best product discount can be seen on how you treat people.**

***We'd like to improve our fringe benefits policy for all employees and managers regardless of work performance. What would a program that is cost-effective, practical and easy to administer look like? — Little Lily.***

Providing extra benefits outside of statutory requirements is one of the tools that management can use to motivate and nurture loyalty. Top of mind for me is an employee discount scheme. It's low-cost and practical. Maybe you're offering such a program already.

If you manufacture or distribute consumer products, you can make customers out of your employees by offering, say, 10% to 30% discounts. The higher, the better. If you're unsure about what to do, check the practices in your industry.

If you want to be more competitive, you can give as much as a 50% discount or give things away for free. But be circumspect by asking yourself the following questions:

**One, how would you track the level of employee patronage as against other key indicators like turnover?** To put it in another way, how would you measure performance improvements after offering the program? You can't simply create this benefit without understanding its impact, good or bad.

**Two, how would you handle employee abuse or misuse of the benefit, such as reselling the discounted products to non-employees?** You must understand that when product or service discounts are given, it may be unlawful for employers to withdraw such offerings because of a labor policy against non-diminution of benefits.

**Three, is it better to give discounts according to certain conditions, like limiting it only to executives or those with five years of service?** As I've said earlier, giving discounts on an across-the-board basis to all employees is a bad idea. Therefore, it's better to impose certain standards.

**BEST PRACTICES**

The critical steps in establishing an ideal employee discount system lies in catering to the needs of different people. Which is why it's better not to do it across the board. Here are the fundamentals of implementing an effective system:

**One, keep the discount system simple and easy to manage.** Don't complicate things. You can establish a cooperative or in-house grocery where employees can make on-the-spot purchases in cash, digital payments, or salary deduction, subject to certain conditions like a prohibition against the reduction of employee's net take home pay, as provided for by the Labor Code.

Universal Robina extends 5% to 10% grocery discounts to all employees while Century Pacific Foods discounts only slow-moving consumer goods. Toyota, on the other hand uses the wholesale price (not the dealer's retail price) of their cars when selling to qualified employees. Further, it gives 10% to 15% discounts on labor and parts for after sales service.

S&R gives free membership to all employees, who enjoy discounts of up to 60%.

**Two, consider subsidies or a favorable pricing scheme.** In the banking industry, qualified employees (mostly ranking executives) are charged only half of the commercial interest rate on their housing loans. Also, the annual dues for bank credit cards are waived for all employees.

One common practice is subsidizing cafeteria meals, usually in factories in export processing zones. Another model is the case of a Japanese factory in Laguna that sells brewed coffee for few pesos while offering a Starbucks type of ambience. Another creative model is the sale of bread at a no-frills honesty bakeshop that accepts digital payments using a QR code embedded in employee ID.

**Three, give products or services free as much as possible.** A good example is in the case of the airline industry. Cebu Pacific gives free flights not only to employees but to their family members as well. In the healthcare industry, Makati Medical Center offers employees 100% off on their health needs.

**EXCEPTIONS**

Of course, giving employees discounts does not apply to every organization. It would be a laughable idea for a funeral home to give such discounts. At any rate, giving extra benefits to employees are always an option to influence employee behavior and improve the company's image.

So, what would be the ideal employee discount scheme? There's no such thing, unless it's already an established practice, such as the benefits available in the airline, banking and healthcare industries. One caveat. Don't even think of conducting a survey as people can throw your plan into disarray with impractical ideas.

Just do whatever is acceptable in your industry and you'll be fine.

Bring REY ELBO's leadership program called "Superior Subordinate Supervision" to your team. Chat with him on Facebook, LinkedIn, X (Twitter) or e-mail **elbonomics@gmail.com** or via ***https://reyelbo.com***

**Recto,**
*from S1/1*

Then-president Gloria Macapagal-Arroyo appointed him as director-general of the National Economic and Development Authority in 2008 but left after one year.

He made a Senate comeback in 2010 and consecutively secured the seat in the following elections until 2022.

"More than most, he understands how to bridge the gap between the abstractions of mathematics and the very concrete realities that we face as a nation," Mr. Zubiri said. "So, I have no doubt that he will be a good Finance secretary, who will continue to push the country along on the road to greater economic prosperity."

House Ways and Means Chair Jose Maria Clemente S. Salceda said Mr. Recto's longstanding relationship with the Congress would help.

"His experience and network will be crucial in enacting meaningful reforms to address the rising cost of living, create employment and expand our fiscal space," he said in a Facebook Messenger chat.

Mr. Salceda noted that Mr. Recto was one of the authors of the 1997 Comprehensive Tax Reform Program during his tenure in the House.

"I am optimistic that key tax reforms pending in the Senate will also move faster with his appointment, due to his relationships in that chamber, as well as his ability to broker viable compromises," the lawmaker said.

Mr. Recto's appointment signals a "pivotal shift towards policies that are not only economically sound but also socially responsible and politically astute," Terry L. Ridon, a former lawmaker and convenor of think tank InfraWatch PH, said in a Facebook Messenger chat.

He said Mr. Recto's comprehensive background in both the Executive and Legislative branches of government empowers him to "bring a holistic perspective to economic policy."

"Heading the government's economic team in this time of economic turmoil and global unease requires a leader who has shown a track record for pursuing economic decisions that do not put the public at greater risk," he added.

Gary Ador Dionisio, dean of the De La Salle - College of Saint Benilde School of Diplomacy and Governance, said the appointment of Mr. Recto shows there is dissatisfaction with the former Finance leadership and that Mr. Marcos wants to consolidate his own team.

"This will help President Marcos to pursue his new economic agenda under the leadership of Secretary Recto," he said via Messenger chat. "Since Secretary Recto is also a long-time politician his political capital will be helpful to President Marcos in consolidating both his political and economic network."

Philip Arnold P. Tuaño, dean of the Ateneo School of Government, said Mr. Recto would bring a policy perspective to the plans of the Finance department, "which is critical to the advancement of some of the proposed tax reforms which still need to be done."

Mr. Tuaño said Mr. Recto would not be spared from questions on whether he might just last one year as Finance secretary to run for Senator in 2025, "similar to his NEDA director-general appointment in 2008 and his resignation to run for Senator in 2009."

Assessing the performance of Mr. Recto's predecessor, Mr. Ridon said Mr. Diokno had issued "cautionary statements" against suspending value-added and excise taxes on petroleum products, "standing in stark contrast to the urgent relief needed by the populace."

"His insistence on the potential harm to the economy and government finances overlooks the immediate benefits such a suspension could provide, especially in light of the recent surge in fuel prices," the policy analyst said.

He also recalled that Mr. Diokno opposed the implementation of a price cap on rice in September last year, with the outgoing secretary saying it was made without the input of economic advisors. The price cap order had also been opposed by Mr. Diokno's colleagues at the University of the Philippines School of Economics.

"The biggest red flag that earned the ire of the public is Diokno's repeated claim that the central bank has done enough to control inflation, despite the unabated price hikes and their impact on the average Filipino," Mr. Ridon said.

**PHL,**
*from S1/1*

**OPTIMISTIC OUTLOOK**

Meanwhile, BMI Asia Country Risk Analyst Shi Cheng Low said Philippine GDP growth is seen to pick up to 6.2% in 2024 from a likely 5.7% in 2023.

"There are two main reasons behind our more optimistic view. One is easing inflation... which is really good news for household incomes and (will) support private consumption," Mr. Low said.

"We expect the resilience in private consumption to remain throughout 2024 and on top of that, because we are expecting cuts in the second half of the year, this will actually help a rebound in investment growth," he added.

Mr. Low noted easing price pressures will also prompt the BSP to loosen policy in the second half of this year.

Inflation averaged 6% for 2023, slightly higher than 5.8% in 2022. This marked the second straight year that inflation breached the BSP's 2-4% target band.

This year, the central bank expects full-year inflation to ease to 3.7% and 3.2% in 2025.

Mr. Low also said foreign direct investment (FDI) net inflows to the Philippines will pick up in 2024.

"Because we are expecting rate cuts in major economies in the second half of the year including the Fed, we expect FDIs to pick up significantly, at least, in terms of foreign investments into the Philippines," he said.

The BSP expects FDI net inflows to have reached $8 billion at the end of 2023, before accelerating to $10 billion by end-2024. — **Luisa Maria Jacinta C. Jocson** *and* **Keisha B. Ta-asan**

## SM: Still plenty of room for growth in 2024

The groundswell of watchful optimism persists in 2024, and one of the country's leading conglomerates maintains that there is still room for growth.

SM Investments Corporation says the Philippines has been consistently positive in terms of consumer growth.

"If you look back at the historical performance of the Philippine economy, even during the height of the Asian crisis, household consumption in the Philippines has been quite resilient, primarily driving sustained economic growth," SM Investments President and Chief Executive Officer Frederic C. DyBuncio said.

Discretionary spending in key categories such as fashion, food and beverage as well as entertainment, among others, is buoying consumption activity.

As of the first nine months of 2023, retail net income grew by 19%, driven by sales growth in Non-Food discretionary categories, both in SM Store and Specialty Stores.

"Overall, we are positive about our retail business, and we continue to be mindful of our customers' needs as we offer choices that can match the size of their wallets," Mr. DyBuncio said.

Substantial remittances from Overseas Filipino Workers (OFWs) are also supporting growth. Latest data from the Bangko Sentral ng Pilipinas indicated that personal remittances from OFWs increased 3.1 percent in October 2023 to US$3.33 billion from US$3.23 billion in the same month last year. This resulted in total personal remittances rising by 2.9 percent to US$30.57 billion in the first ten months of 2023.

"The continued growth of OFW remittances supports the consumption story of the Philippines," he said.

Adding fuel to consumption growth is BPO expansion and improving unemployment numbers that are dropping to new lows.

The Philippine Statistics Authority reported that the country's unemployment rate in November was estimated at 3.6 percent, lower than the unemployment rates in November 2022 and October 2023 which were both at 4.2 percent.

In terms of BPO expansion, many BPO firms have been moving to the provincial areas such as in Cebu, Davao, Iloilo, providing additional spending power to a young population, Mr. DyBuncio added.

**Serving underpenetrated sectors**

SM's expansion is also advancing, largely in provincial areas which present opportunities for establishing modern retail formats in a significantly underpenetrated sector.

Seeing this, over 80 percent of SM's new retail stores are located outside of Metro Manila. Mall expansion is also geared towards the provinces such as most of Northern Luzon, Visayas and the progressive cities in Mindanao.

In terms of housing, this sector also presents a huge opportunity given the current 6.5 million housing backlog. SM Development Corporation (SMDC), SM's residential arm, has a growing presence in the provinces with 18 residential developments in key provincial cities as of September 2023. These projects are strategically alongside or near SM's malls and transportation terminals.

*SM City Sto. Tomas is SM's 85th mall and fourth in the province of Batangas.*

In banking, approximately 53% of the adult population or about 41 million are unbanked as of 2021 which offers a huge market for increased financial inclusion. BDO Unibank and its community banking arm BDO Network Bank continue to provide relevant financial solutions to address unique banking needs in the provinces.

For communities in remote areas without traditional bank branches, BDO Cash Agad allows convenient access to funds for daily expenses, emergencies, or business needs. This makes use of partner agents such as sari-sari stores, gasoline stations, water refilling stations, and mini-groceries for customers to do cash withdrawals, bills payment, and other basic banking transactions through a point-of-sale (POS) terminal which facilitates payments.

SM has also invested in high growth sectors such as in logistics through 2GO, the largest transportation and logistics provider in the country and Airspeed, an end-to-end logistics solutions and express courier company which are both well positioned to meet various economic needs.

In the race to clean energy, SM is invested in renewable energy supply through wholly owned geothermal firm Philippine Geothermal Production Company in support of the country's growing advocacy for green energy and sustainable development. PGPC is targeting to increase its steam production by approximately another 300 Megawatts of baseload renewable energy through its new exploration projects.

With these additional investments supporting SM's core businesses in retail, banking and property, SM is viewed by investors as a proxy to Philippine growth.

"Investors view us as a proxy because all of SM's businesses touch the daily lives of millions of Filipinos. One thing we wish to highlight is that despite the size of our company, investors, especially foreign investors, still view us as a growth company and there is still plenty of room for growth moving forward," Mr. DyBuncio said.