

Leave wage determination to the regional wage boards - PCCI

31 January 2025 – In light of the recent approval by the House of Representatives granting a P200 daily minimum wage hike for workers, the Philippine Chamber of Commerce and Industry (PCCI), the largest business organization in the country, is urging Congress to leave the determination of wage hikes to the Regional Wage Boards.

“We view the legislation of a minimum wage hike with much concern,” PCCI President Enunina Mangio said in a statement pointing out that the existence of the tripartite RWBs (comprised of business, labor and government) were created and designed to set region-specific rates based on the local cost of living.

“A blanket national minimum wage does not take into account the differences in the cost of living across regions as well as the unique needs of businesses based on specific industry, location, and type of labor they need. Cities have higher costs of living versus rural areas. Legislating a single wage for all areas can harm businesses in lower-cost regions and removes the flexibility of the RWBs to set wages that are aligned with the situation in the local areas. This could lead to business inefficiency and stagnation,” Mangio stated.

While the wage hike may seem like a step towards improving the livelihood of workers, it leads to higher labor costs, especially Micro, Small and Medium-Sized Enterprises (MSMEs), and consequently higher costs of goods and services.

“MSMEs are already operating on tight margins. The mandated wage hike will force these small enterprises to shoulder higher payroll expenses. For some businesses, particularly those in low-margin industries like retail, hospitality, and agri-food, the wage increase force them to pass on the cost to consumers,” PCCI President Enunina Mangio added.

The inflationary effect could further erode purchasing power negating the wage increase’s intended benefit, and reduce jobs in the market.

“Making everyday items more expensive will simply offset the benefits of a higher wage especially on workers in the low-income brackets. But the inflationary effect will bear down more on workers in the informal sector who are not bound by the minimum wage law,” Mangio added.

There is also the risk of micro-enterprises in the formal sector shifting some of their operations to the informal sector to cut costs, further undermining efforts to expand the country’s formal economy and jobs in the labor market and contributing to jobs insecurity.

According to government statistics, approximately 25-30% of the total employed workforce in the country (around 10 to 12 million workers) is in the formal sector. On the other hand, the informal sector accounts for about 40-50% of the total employed population (or 15 to 20 million workers).

A legislated minimum wage hike not only exacerbates the already rising cost of goods and unemployment but also fails to provide long-term solutions for productivity and competitiveness.

“Instead of legislating wages, our wage policy should have a comprehensive approach that balances the needs of workers with the capacity of businesses and ensure that MSMEs continue to thrive while still providing fair wages. For wage policy to be meaningful, it should prioritize economic growth and stability, business productivity, secure and quality jobs, and real purchasing power for workers,” Mangio emphasized.