

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



24 MAY -7 P5:13

SENATE
S. No. 2662

RECEIVED BY:

Introduced by Senator Loren B. Legarda

AN ACT
ESTABLISHING THE STANDARDS FOR A LIVING WAGE, AMENDING FOR
THE PURPOSE PRESIDENTIAL DECREE NO. 442, OTHERWISE KNOWN AS
THE LABOR CODE OF THE PHILIPPINES, AS AMENDED

EXPLANATORY NOTE

In March 2024, the International Labour Organization (ILO) reached an agreement regarding the concept of living wage, with experts defining it as “the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work, calculated in accordance with the ILO’s principles of estimating the living wage, to be achieved through the wage-setting process in line with ILO principles on wage setting.”¹

Recent findings from a 2023 study by PwC and Wage Indicator reveal a global trend where 24% of employers currently pay a living wage, while 54% of employers expect to do so in the next five years.²

In the Philippine context, no less than the Constitution mandates that all workers shall be entitled to security of tenure, human conditions of work, and a living

¹ International Labour Organization. (2024, March 15). *ILO reaches agreement on the issue of living wages*. https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_918717/lang-en/index.htm#:~:text=The%20agreement%20says%20that%20the,and%20local%20contexts%20and%20socio%2D

² PwC. (2023, October). *Living wage: An emerging standard*. <https://www.pwc.com/gx/en/services/tax/assets/global-living-wage-report.pdf>

wage (Section 3, Article XIII, 1987 Constitution). While Republic Act No. 6727 or the Wage Rationalization Act recognizes the demand for living wages as a criterion for minimum wage fixing, a troubling reality persists.

A data report from the Ibon Foundation illustrates a significant disparity. As of March 2024, the national average daily minimum wage stood at P440, compared to an average family living wage of P1,207. This means that the average minimum wage is only slightly over one-third, or 36%, of the average family living wage, leaving workers struggling to meet basic needs, with a daily wage gap averaging P762.³

In light of these challenges, it is high time that the concept of living wage is clearly established. In doing so, we uphold the right of workers to earn a living that would truly enable them to provide for the needs of their families, determined through transparent and evidence-based methodologies and considering local socio-economic realities.

To this end, this bill seeks to amend Article 124 of Presidential Decree No. 442 or the Labor Code of the Philippines to ensure regional minimum wages meet the living wage standard that allows workers and their families to afford a decent standard of living.

In view of the foregoing, the immediate passage of this bill is earnestly sought.

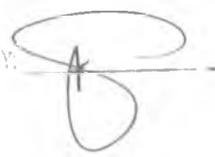

LOREN LEGARDA

³ IBON Foundation. (2024, April 10). *Minimum wage and family living wage per region, as of March 2024*. <https://www.ibon.org/flw-regions-2403/>

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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 Section 1. *Short Title.* – This Act shall be known as the “Living Wage Act”.
2 Sec. 2. Article 124 of Presidential Decree No. 442, as amended and renumbered,
3 is hereby amended to read as follows:

4 “ART. 124. *Standards/Criteria for Minimum Wage Fixing.* – The
5 regional minimum wages to be established by the Regional Board shall
6 ~~[be as nearly adequate as is economically feasible to maintain the~~
7 ~~minimum standards of living necessary for the health, efficiency and~~
8 ~~general well-being of the employees within the framework of the~~
9 ~~national economic and social development program]~~ **MEET THE**
10 **LIVING WAGE THAT IS NECESSARY TO AFFORD A DECENT**
11 **STANDARD OF LIVING FOR WORKERS AND THEIR FAMILIES.**

12 In the determination of such regional minimum wages, the Regional
13 Board shall, among other relevant factors, consider the following:

14 (a) ~~[The demand for living wages]~~ **ESTIMATION OF THE NEEDS**

1 OF WORKERS AND THEIR FAMILIES, INCLUDING BUT
2 NOT LIMITED TO FOOD, CLOTHING, SHELTER,
3 HEALTHCARE, EDUCATION, CONDUCTED THROUGH
4 TRANSPARENT AND EVIDENCE-BASED
5 METHODOLOGIES IN CONSULTATION WITH
6 TRIPARTITE INDUSTRIAL PEACE COUNCILS (TIPCs);

7 (b) Wage adjustment vis-a-vis the consumer price index;

8 (c) ~~[The]~~ **CHANGES IN** the cost of living and ~~[changes or increases~~
9 ~~therein]~~ **PATTERNS OF CONSUMPTION;**

10 ~~[(d) The needs of workers and their families;]~~

11 (D) The need to induce industries to invest in the countryside;

12 (E) Improvements in standards of living;

13 (F) The prevailing wage levels;

14 (G) ~~[Fair return of the capital invested and e]~~Capacity to pay of
15 employers;

16 (H) Effects on employment generation and family income; and

17 (I) The equitable distribution of income and wealth along the
18 imperatives of economic and social development.

19 x x x "

20 *Sec. 3. Implementing Rules and Regulations.* — The Department of Labor and
21 Employment, in coordination with the Tripartite Industrial Peace Councils and other
22 relevant stakeholders, shall within ninety (90) days from the effectivity of this Act,
23 promulgate the rules and regulations to effectively implement the provisions of this
24 Act.

25 *Sec. 4. Separability Clause.* — If any portion or provision of this Act is declared
26 unconstitutional, the remainder of this Act or any provision not affected thereby shall
27 remain in force and effect.

28 *Sec. 5. Repealing Clause.* — Any law, presidential decree or issuance, executive
29 order, letter of instruction, rule or regulation inconsistent with the provisions of this
30 Act is hereby repealed or modified accordingly.

1 Sec. 6. *Effectivity.* — This Act shall take effect after fifteen (15) days following
2 its complete publication in the Official Gazette or a newspaper of general circulation.

3

4 *Approved,*