

STATEMENT

## **Four-Point Formula for a Living Wage**

Friday 25 July 2008, by [MAGTUBO Renato](#), [Partido Manggagawa](#) (Date first published: 2001).

The Constitution unequivocally affirms labor as a primary social economic force and mandates the State to protect the rights of workers and promote their welfare (Sec. 18, Art. II). Foremost of these rights is the right to a living wage (Sec. 3(2), Art. XIII). The right of workers to sell their labor at its value or above its value but never below its value. The right of workers to be paid a minimum wage with a real value equal to the cost of living of the average working-class family. A wage that spells the difference between a working person and a toiling beast. A wage that the State is constitutionally and morally obliged to defend.

Fifteen years after the people had enshrined the right of labor to a living wage in the highest law of the land, Congress has yet to enact an enabling law to guarantee workers the enjoyment of such right.

It should be underscored that in a capitalist system, labor is treated as ordinary merchandise—no different from other commodities whose value is determined by production cost.

Wage is price of labor as a commodity. Capitalists abhor a minimum wage law and want market forces to determine the price of labor. Yet the law of supply and demand explains the fluctuations of prices below or above the value of commodities. But it does not negate the fact that every commodity, including labor, has its own exchange value. The value of a commodity may remain constant but its price fluctuates due to the operation of the law of supply and demand.

As a rule, the owner of capital does not sell his merchandise below its value because he has to earn his profit. If the owner of capital has the right to sell his product above its cost, why is the lowly worker deprived of his right to sell his own commodity—his labor power—even at its value?

If the cost of production is the measure in determining the value of any commodity, the same should be the standard in determining the minimum value of average labor as a commodity. The cost of production of labor power is the cost of living of an average working class family.

A worker does not price his labor greater than its value unlike a capitalist who sells his products way beyond their actual cost. A worker sells his labor only to earn a living. A capitalist buys labor to make a profit. A capitalist hires workers to amass wealth. A worker sells his labor to avoid becoming a beggar.

Why must the State and society hold sacred the privilege of capital to wealth and profit but deny the ordinary worker the dignity of earning a living wage?

The vast majority of workers are not paid the real value of their 8-hour daily labor. A worker's failure to receive the value of his daily cost of living in exchange for working eight (8) hours, a universally accepted daily working hours standard, signifies that his labor falls below its real value and is not enough to support the means of subsistence of his family. This is the plight of our minimum wage workers, who are mostly the sole support of their family.

If the current daily cost of living of an average working class family is P500, and the minimum wage is P250, it means two members of the family must work, each more than eight (8) hours, to earn the family's means of subsistence. If two of the members of the family must sell their labor and do overtime work to earn P500 a day, this means that the price of labor is only half of its real value.

Moreover, it should be stressed that the take-home pay of the minimum wage worker is greatly diminished by his withholding tax and social security and health insurance contributions. The real value of his take-home pay is further eroded by the value-added tax imposed by government on the various goods he consumes. Thus what is left for the worker is barely enough for his own personal subsistence. Should he therefore forfeit his right to build a family of his own?

If the State wants to make the economy globally competitive and attract foreign investments, its policy must not be to pay low wages but to regulate the cost of living and increase the take-home pay of workers. It must not allow price increases to erode the real value of their wages nor let the burden of taxation reduce their take-home pay below the cost of living. If the State cannot protect the real value of wages, it must mandate wage increases proportionate to the increase in the cost of living.

The Partido ng Manggagawa (PM) thus seeks the enactment of a Living Wage Law [1] that shall provide and defend a family wage as the standard minimum living wage. [2]

Among the salient features of this proposal are:

- (1) Full-time employees and workers in the public and private agricultural and non-agricultural sectors shall receive a living wage equivalent to the cost of living for a family of six;
- (2) Congress shall set the minimum standards for a "basket of goods" in determining the cost of living equivalent of the living wage;
- (3) Congress shall initially determine the living wage rates which shall thereafter be set by the Living Wage Commission proposed to be created;
- (4) In the case of employers' failure to grant the full amount of the living wage, the State shall carry out price regulation and discount measures, subsidy and tax reform, i.e., exemption of workers receiving wages lower than the cost of living from payment of withholding and value-added taxes and employees' counterpart of the GSIS/SSS, Medicare and PAG-IBIG contributions.

**Renato Magtubo**

**Chairman, Partido ng Manggagawa**

---

## Footnotes

[1] Why a living wage through legislation? Are there no other mechanisms to meet the same objective? First, because Congress has yet to enact the enabling law on the living wage as guaranteed by the Constitution. Second, it is due time that we correct the injustice brought about by the distorted wage mechanisms. The different wage levels across the country were the result of twelve years that the wage issue was left at the discretion of the regional wage boards. This can only be corrected through the proposed living wage bill that seeks to provide a standard measure in determining wages. Third, leaving the wage issue in the factory level through the mechanisms of collective bargaining agreement (CBA) is like leaving the fate of more than 15 million workers with no protection from the state. Only 500,000 out of the more than 15 million

wage and salaried workers are covered with CBA and only about 10% of the more than 28 million employed workers are organized into unions.

[2] The Living Wage Bill was filed during the 11<sup>th</sup> Congress by Rep. Renato Magtubo and Rep. James Jacob but was never been taken up even at the committee level.