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FEF OPPOSES THE PHP 200 MINIMUM WAGE HIKE APPROVED BY THE HOUSE

The Foundation for Economic Freedom (FEF) reiterates its strong opposition to the recently approved House Bill No. 11376, or the Wage Hike For Minimum Wage Workers Act, mandating a PHP 200 across-the-board daily increase in the national minimum wage. While we recognize the legislature's intent to uplift the conditions of Filipino workers, we caution that this blunt policy will result in broad economic harm, from accelerating inflation and job losses to marginalizing the informal sector.

We commend the national government and the Bangko Sentral ng Pilipinas for their efforts to rein in inflation, particularly food inflation, which is the most critical cost driver for poor and vulnerable households. According to the Philippine Statistics Authority, as of April 2025, food inflation has slowed to 0.7%, down significantly from 2.3% in March. This encouraging development was largely driven by sharp declines in rice prices (-10.9%) and corn prices (-4.9%).

These outcomes show that policy works when focused on improving supply and reducing trade barriers. The declining cost of staples like rice and corn increases the real purchasing power of all Filipinos, regardless of employment status, and does so in a sustainable, non-inflationary manner.

Contrary to this, a mandated PHP 200 wage increase will:

- **Turbocharge inflation**, forcing businesses to raise prices and eroding the very wage gains it intends to provide. With labor accounting for up to 30% of total operating costs in many industries, especially in food, retail, and services, the added wage burden is likely to be passed on to consumers, fueling a wage-price spiral that disproportionately hurts the poor.



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- **Disproportionately hurt micro, small, and medium enterprises (MSMEs)**, many of whom cannot absorb the sudden jump in labor costs, leading to job losses or closures. MSMEs account for over 99% of all registered businesses and employ more than 60% of the workforce.
- **Exclude the informal sector**, which comprises the majority of Filipino workers, from any benefit, while exposing them to higher prices. As highlighted in the Congressional Policy and Budget Research Department Policy Brief No. 2024-02, a legislated minimum wage increase may exacerbate unemployment and informality, particularly affecting low-skilled and less-educated workers. Consequently, a significant portion of the workforce, including informal, unemployed, and underemployed individuals, may not directly benefit from the wage increase, but would still bear the brunt of the inflationary pressures it could induce.
- **Undermine the Regional Wage Boards**, which are designed to balance regional cost structures, employment conditions, and productivity levels. These boards exist precisely because wage affordability varies widely.

Instead of improving livelihoods, the measure risks trapping more Filipinos in a vicious cycle of inflation, unemployment, and informality.

We support fair and evidence-based wage adjustments, but they must be regionally grounded and sensitive to the economy's capacity to absorb cost increases.

To truly and sustainably improve Filipino welfare, we urge Congress and the Executive to pursue the following:

- **Accelerate food trade liberalization**, particularly in rice and corn, to bring down food prices and ease inflationary pressures, thereby increasing the purchasing power of all Filipinos. More affordable food will most especially help combat child malnutrition and stunting, and support a healthier, more productive workforce.



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- **Boost agricultural productivity** by supporting land consolidation and investing in more efficient farming systems. This can be done by increasing the land size retention limit of 5 hectares to 24 hectares of land under the Comprehensive Agrarian Reform Program. This will enable farmers to scale up operations, lower production costs, and raise rural incomes.
- **Focus on job creation** by fostering a more competitive investment climate, especially for MSMEs. Simplifying regulations and improving access to finance will empower small businesses to expand and hire more workers.

These solutions will raise real incomes, promote business resilience, and secure long-term economic stability.

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