

# The Potentials and Limits of Tripartism in the Philippine Regional Minimum Wage Determination

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## **Abstract**

Wages, as the price of labor, must not be determined by the same laws that apply to the determination of prices of commodities. Wages must be set at adequate levels to reduce wage and income inequality while ensuring the sustainability of enterprises. Given this context, this paper describes the factors, processes and actors involved in determining regional minimum wages as remuneration for work. It elaborates on the legal and policy framework of minimum wage setting and reviews the relevance of Dunlop's system theory in minimum wage policy development in the Philippines.

This paper illustrates that tripartism, as an industrial relations policy, has its sphere of influence and limits. It concludes that Dunlop's tripartite model remains applicable and relevant in the minimum wage setting in the country. The technical capacity of the sectoral representatives must be continuously upgraded so that they can conduct out their role effectively and they can make evidence-based decisions and policies on minimum wages. It recommends maintaining regular, moderate and predictable minimum wage increases, consistent with the principle of ILO Convention 131, to promote stability and predictability. The tripartite approach in setting statutory minimum wages must be intensified to balance the interests of all stakeholders.

**Keywords:** Philippine Minimum Wages, Tripartism in Labor Relations, Dunlop's Tripartite Model

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## Introduction

Industrial relations principles, as articulated in the works of early scholars like John Commons and the Webbs, categorically expounded that labor is not a commodity. Therefore, the price of labor, which comes in the form of wages, must not be determined by the same laws that apply to the determination of prices of commodities. The price of an object of commerce may rise and fall according to the law of supply and demand but the price of labor cannot be treated similarly because human dignity is attached to it. Labor has unique human characteristics that are not found in the articles of trade.

In this reference, wages must be determined in such a way that workers and their families are able to meet at least the necessities of life such as food, shelter, clothing and medications. Unfortunately, minimum wages in some countries are not set at adequate levels and are not substantial enough to cover these necessities in the context of inflation and rising costs of living. Social minima of wages and conditions are therefore needed to be established and maintained to ensure sustainable income and to reduce wage and income inequality among workers. This has been the subject not only of numerous modern writings but also of ancient literature. For example, payment of wages to workers was discussed in *Rerum Novarum*, an encyclical issued by Pope Leo XIII in 1891, enunciating the late 19th-century Roman Catholic position on social justice, especially in relation to the problems created by the Industrial Revolution. In *Rerum Novarum* (1891), Pope Leo XIII enunciated that:

If a worker receives a wage sufficiently large to enable him to provide comfortably for himself, his wife and his children, he will, if prudent, gladly strive to practice thrift; and the result will be, as nature itself seems to counsel, that after expenditures are deducted there will remain something over and above through which he can come into the possession of a little wealth. –

Wage was also elaborated in the Catholic Social Teaching, a limited body of literature written in the modern era as a response of papal and episcopal teachers to the various political, economic and social issues. In the Catechism of the Catholic Church #2434 (1994), wage was explained in this wise:

A just wage is the legitimate fruit of work. To refuse or withhold it can be a grave injustice. In determining fair pay, both the needs and the contributions of each person must be taken into account. Remuneration for work should guarantee humans the opportunity to provide a dignified livelihood for themselves and their family on the material, social, cultural and spiritual level, taking into account the role and the productivity of each, the state of the business, and the common good. Agreement between the parties is not sufficient to justify morally the amount to be received in wages.

Against this backdrop, several questions related to wages in the Philippines, minimum wages in particular, need to be answered. How is the minimum wage determined as remuneration for work? What factors are considered in setting the minimum wage? What is the process and who participates in determining the minimum wage? Is the tripartite mechanism in setting the minimum wage effective with respect to voice and representation?

This paper seeks to provide answers to the preceding questions by documenting how minimum wages are set by the Regional Tripartite Wages and Productivity Boards (RTWPBs), herein referred to as Regional Boards. The objective is to review Dunlop's system theory (1993) or the tripartite model of industrial relations in relation to the process of determining regional minimum wages in the Philippines and in the context of its assumptions about equity in bargaining power and the role of government as a neutral referee. It cites the Regional Board in Central Luzon as a case study on minimum wage adjustment. However, this paper is limited only to the tripartite practices of one Regional Board. It also highlights the limitation that Dunlop's system theory is merely descriptive and structural. Dunlop's tripartite model does not guarantee that wage outcomes are fair or just or that social justice is realized through statutory minimum wages.

Republic Act No. 6727 or the Wage Rationalization Act (1989), which took effect on 01 July 1989, created the Regional Boards. This law superseded the original intent of Presidential Decree No. 442 or the Labor Code of the Philippines, as amended, herein referred to as Labor Code, to provide only one national minimum wage that is applicable to all regions across the country. As a consequence of the

creation of the Regional Boards that are mandated to set minimum wages based on prescribed standards and criteria, minimum wage rates in the Philippines vary from region to region. The purpose of the minimum wage, according to the International Labour Organization (ILO) (2015), is “to protect workers against unduly low pay” and “help ensure a just and equitable share of the fruits of progress to all.” It is for this reason that minimum wage fixing is being promoted as a social protection mechanism and considered as one of the measures to address income inequality.

### **Tripartism as an Industrial Relations Policy**

Tripartism plays a significant role in setting the Philippine minimum wage rates, a process that is seen as a measure to alleviate poverty and reduce wage inequality. This was declared a State policy in labor relations under Article 275 of the Labor Code of the Philippines, as amended. This was further strengthened by Republic Act No. 10395 or An Act Strengthening Tripartism (2013), Amending for the Purpose Article 275 of Presidential Decree No. 442, as amended, Otherwise Known as the Labor Code of the Philippines. The law provides that “workers and employers shall, as far as practicable, be represented in decision-making and policy-making bodies of the government.” It institutionalized the National Tripartite Industrial Peace Council and mandated the establishment of Tripartite Industrial Peace Councils at regional and industry levels. These councils are composed of representatives from government, workers and employers and shall “serve as a continuing forum for tripartite advisement and consultation in aid of streamlining the role of government, empowering workers’ and employers’ organizations, enhancing their respective rights, attaining industrial peace, and improving productivity.”

Before the enactment of the Tripartism Law on March 14, 2013, the tripartite mechanism had long been in place as an industrial relations policy. For instance, the passage into law of the Wage Rationalization Act in 1989 further recognized the principle of tripartism in labor administration. The tripartism principle encompasses a wide range of areas affecting labor, e.g., human resource development, employment, overseas workers’ welfare administration, wages and other working conditions, dispute settlement, and social protection. This is evidenced

by the list of government agencies with tripartite mechanisms (Table 1) whose functions are classified by Bitonio (2008) into three: 1) policymaking; 2) regulatory or decision-making; and 3) advisory.

Table 1. Government Agencies with Tripartite Policy-Making Bodies

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1.	Employees Compensation Commission
2.	Home Development Mutual Fund
3.	National Anti-Poverty Commission
4.	National Labor Relations Commission
5.	National Wages and Productivity Commission/Regional Tripartite Wages and Productivity Boards (NWPC/RTWPBs)
6.	Occupational Safety and Health Center
7.	Overseas Workers' Welfare Administration
8.	Philippine Economic Zone Authority
9.	Philippine Health Insurance Commission
10.	Social Security System
11.	Technical Education and Skills Development Authority

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The tripartite mechanisms in government agencies are established to provide opportunities for social partners, particularly workers and employers, to participate in policy and decision-making processes on matters affecting them. Inherent in their functions are the exchange of information, consultation and negotiation between and among representatives of the government and social partners.

Take the case of the NWPC and Regional Boards. These agencies are composed of representatives from government, labor and employer sectors. Each Regional Board is composed of the Regional Director of the Department of Labor and Employment (DOLE) as Chairperson, the Regional Directors of the National Economic and Development Authority (NEDA) and Department of Trade and Industry (DTI) as Vice Chairpersons and two (2) representatives each from the worker and employer sectors. The board members representing the workers and employers are appointed by the President of the Philippines for a term of 5 years upon the recommendation of the Secretary of Labor and Employment. The sectoral recommendees are selected from the list of nominees each submitted by the worker and employer sectors to DOLE and endorsed by the DOLE Secretary to the Office of the President for appointment.

In doing their mandate of setting the minimum wage, the sectoral representatives are required to observe the criteria and procedure for minimum wage determination. When wage orders are issued through the Regional Boards and become enforceable, sectoral representatives perform regulatory functions and a delegated legislative function. When they decide petitions for exemption from minimum wage orders, they also exercise regulatory power. This perfectly illustrates the application of John Dunlop's (1958) system theory in industrial relations.

Dunlop's system theory posited that work is governed by a wide range of formal and informal rules and regulations, which cover everything from recruitment, holidays, performance, wages, hours and other aspects of employment. It argues that industrial relations are regarded as a sub-system of the wider social system and that the industrial relations system comprises three distinct parts: management organizations, workers, and government agencies. Under this model of industrial relations, these three entities are key actors influenced by an external environment and are intertwined; they cannot operate independently of each other. They instead interact with each other in determining the web of rules that govern the industrial relations system.

### **The Influence and Limits of Dunlop's Tripartite Model**

The process of minimum wage setting in the Philippines, with the involvement of the government, workers and employers as key actors, is characterized by Dunlop's system theory. This is consistent with ILO Convention 131 or the Minimum Wage Fixing Convention which calls for social dialogue and consultation with social partners. Regional board members representing workers and employers can bargain as to the number of minimum wages following the standards and criteria set by law, while government representatives provide perspectives, insights and information necessary to make a decision. The government sector provides venues, dialogue and consensus between workers and employers who have competing interests in matters related to wages. For instance, while workers generally favor higher minimum wages to increase their income, employers may prefer otherwise to reduce or minimize labor costs and improve

their profitability. All three actors (labor, employer and government sectors) interact with each other to determine the rule or policy on minimum wage that governs the industrial relations system.

Dunlop's tripartite model gives workers and employers ample opportunity to raise their voices and participate in the decision-making process, making minimum wage policy outcomes more balanced and inclusive. Different perspectives and expertise are brought to the table, leading to the conclusion of better-informed decisions and acceptable policy. This process promotes legitimacy and a sense of shared responsibility in the implementation and enforcement of minimum wages prescribed by the tripartite partners. By involving stakeholders in the determination process, the probability of acceptance and compliance among them could be increased while potential disputes could be minimized.

While it is recognized that Dunlop's system theory is useful in maintaining institutional interactions, it is at the same time limiting and restrictive in application as far as fair or just wage outcomes are concerned. The framework assumes that the government is an impartial actor and that workers and employers possess power that can influence decision-making on setting minimum wages. It may overlook the existence of power imbalance or power asymmetry and the fact that employers hold more economic bargaining power than workers. This is because employers may have greater access to political influence and economic arguments while workers may lack political clout and technical expertise. Employer interests may dominate the bargaining process, with discourse on minimum wage setting skewed in a direction focusing on inflation targets, competitiveness, business viability and economic growth rather than the social justice or equity arguments from the labor sector.

On the part of the government sector, which is supposed to exercise neutrality, its representatives may likely be influenced by their cognitive biases and political ideology and may side with business or labor interests. Minimum wage policy is influenced by several factors including the broader political and economic agenda which may make it difficult for the government to fairly and adequately intervene to stabilize or facilitate the industrial relations system. Instead of playing a role in effectively restraining the power of stronger groups

and protect the weaker ones, the government may tend to play a dominant role affecting or influencing the outcomes of the minimum wage policy. To be a neutral party and to ensure that minimum wages reflect sectoral representation and ownership, the government must not dominate decisions; it needs to balance the interests of workers and employers as articulated by Dunlop's system theory.

## **Philippine Legal and Policy Framework on Minimum Wage Setting**

The 1987 Philippine Constitution mandates the State to “promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all” (Article II, Section 9). Embedded in this Constitutional guarantee are the policy objectives of the Labor Code of the Philippines, as amended, one objective is the intent for fixing the minimum wage through tripartite mechanisms, which is “to maintain the minimum standards of living necessary for the health, efficiency and general well-being of the employees within the framework of the national economic and social development program” (Article 124, Labor Code of the Philippines, as amended).

Specific details and procedures on setting minimum wages are outlined in Republic Act No. 6727 or the Wage Rationalization Act and its Implementing Rules. This law created the Regional Boards that are mandated to prescribe minimum wage rates at the regional, provincial or industry levels. In determining the regional minimum wage for workers in private establishments, the Regional Boards consider the following factors:

- 1) the demand for living wages;
- 2) wage adjustment vis-a-vis the consumer price index;
- 3) the cost of living and changes or increases therein;
- 4) the needs of workers and their families;
- 5) the need to induce industries to invest in the countryside;
- 6) improvements in standards of living;
- 7) the prevailing wage levels;

- 8) fair return of the capital invested and the capacity to pay of employers;
- 9) effects on employment generation and family income; and
- 10) the equitable distribution of income and wealth, along with the imperatives of economic and social development.

The NWPC<sup>2</sup> through NWPC Guidelines No.1, Series of 2007, categorized the 10 specific criteria for minimum wage fixing into four: a) needs of workers and their families; b) capacity to pay employers; c) comparability of wages and incomes; and c) requirements of economic and social development. Of the four categories, the first category is widely used by the Regional Boards as a basis for minimum wage adjustment. This category is composed of such factors as demand for a living wage, wage adjustment vis-à-vis consumer price index, changes in the cost of living, and improvements in standards of living. In determining minimum wage rates, the Regional Boards commonly review and assess the consumer price index, cost of living, inflation and other regional socio-economic indicators. Also considered in the review is the regional poverty threshold. The objective is to ensure that minimum wage rates are not below the regional poverty threshold. Thus, to realize such an objective, the Regional Board adopted the policy of regular, predictable and moderate minimum wage increases.

Minimum wage rates are fixed either by virtue of a petition filed by any party or *motu proprio* by the Regional Board. In the case of filing a petition, any party may file a verified petition for wage increase with the Regional Boards containing the: a) name, address and contact information of the petitioner (if the petitioner is a labor organization or association, it must include a copy of its registration and signature of the authorized official); b) grounds relied upon to justify the increase being sought; c) amount of wage increase being sought; and d) area and/or industry covered.

As a general rule, any Wage Order issued by the Regional Board may not be disturbed for a period of 12 months from its effectivity, and no petition for wage increase shall be entertained within the said period, unless there is a supervening condition, such as extraordinary

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2 NWPC was created by virtue of Republic Act No. 6727. One of its mandates is to prescribe rules and guidelines for the determination of appropriate minimum wage and productivity measures at the regional, provincial or industry levels.

increase in prices of petroleum products and basic goods/services, as determined by the Regional Board and confirmed by the NWPC (NWPC Guidelines No.1, Series of 2007). This rule was already amended by NWPC Guidelines No. 03, Series of 2020 (Omnibus Rules on Minimum Wage Determination), which provides that the Regional Board shall submit a written justification to the Commission for immediate review and affirmation should it find “urgent and reasonable grounds to issue a Wage Order within the 12 months period.” This was further elaborated by Section 5 of NWPC Resolution No. 5, Series of 2024, which provided that “should the Board find urgent and reasonable grounds to commence the minimum wage determination process earlier than 60 days before the anniversary date of the current wage order, it shall submit a written recommendation and justification for this purpose to the Commission, for the latter’s consideration and approval within 5 working days. Once approved by the Commission, the Board may initiate the minimum wage determination process, following the same procedure. If a new wage order is issued and affirmed by the Commission, the same may be published and may take effect within 12 months following the immediately preceding wage order.”

Once minimum wage adjustments are determined through gathering and analysis of socio-economic indicators and pertinent data, the Regional Boards may now issue Wage Orders specifying the amount of increase. Prior to issuance of Wage Orders, however, the Regional Boards need to conduct public hearings and consultations by giving notices to employees’ and employers’ groups, provincial, city and municipal officials, and other interested parties. It must be emphasized that a public hearing is a mandatory process under the law while public consultation is not.

Within 30 days from the date of the last hearing, the Regional Boards shall decide on the merits of the petition, and where appropriate, issue Wage Orders. Wage rates may include wages by industry, province or locality as may be deemed necessary by the Regional Boards. As a result of this flexibility, multiple wage rates are determined nationwide and even within regions. As of 2023, there were 46 minimum wage rates in the country. As noted by Bitonio (2008), this marks a significant improvement from the over 600 wage levels across the country at one point in time.

Bitonio (2008) also elaborated that in one region there may be differentiated minimum wage rates based on the nature of the industry or sector (for example agricultural and non-agricultural), company size or location; an allowance instead of a wage increase, thereby unbundling it from the guaranteed wage and avoiding additional wage-related costs; increases on a staggered basis; exclusion from coverage of educational institutions and work performed under forward contracts; and exemptions on grounds of financial distress.

### **Minimum Wage Adjustments in Central Luzon**

There are 17 Regional Boards<sup>3</sup> across the country, one of which is the Regional Board III, which covers the provinces of Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, Zambales and Aurora. Upon the effectivity of the Wage Rationalization Act, Regional Board III issued its first Wage Order on 17 October 1990, prescribing an increase of ₱14.00 in the daily minimum wage rates ranging from ₱58.00 to ₱89.00, bringing the minimum wage rates to ₱72.00-₱105.00, depending on the industry. Thirty-four years after the passage of the Act, the minimum wage rates in Region III in 2023 range from ₱384.00 to ₱500.00, depending on the sector and province.

Table 2 shows that minimum wage rates in Region III vary according to sector (non-agriculture, agriculture and retail/service) and province. The Province of Aurora has its own minimum wage rates which are substantially lower than the rates in the rest of the provinces in the region. This is so because Aurora province was originally part of Region IV-A which also has multiple levels of minimum wage rates. The jurisdiction of Aurora province was transferred to Region III only in 2002 by virtue of Executive Order No. 103 (May 17, 2002). Thus, as of 2023, there were 10 minimum wage rates in Region III depending on the sector/industry and province.

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<sup>3</sup> This includes the Bangsamoro Tripartite Wages and Productivity Board of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM).

Table 2. Minimum Wages Rates in Region III as of 2023

Sector/Industry	Provinces of Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, Cavite	Province of Aurora
<b>Non-Agriculture</b>		
Establishments with 10 or more workers	₱500	₱449
Establishments with less than 10 workers	₱493	
<b>Agriculture</b>		
Plantation	₱470	₱434
Non-Plantation	₱454	₱422
<b>Retail/Service</b>		
Establishments with 10 or more workers	₱489	₱384
Establishments with less than 10 workers	₱475	

Source: National Wages and Productivity Commission; Regional Tripartite Wages and Productivity Board III

From 1990 to 2023, Regional Board III issued 24 Wage Orders with different types of increases in the minimum wage. Table 2 shows that increases in minimum wage in Region III came in many different forms. For instance, Wage Orders No. 10 (2004) to 16 (2012) prescribed minimum wage increases in the form of cost-of-living allowance (COLA) while Wage Order No. 06 (1998) prescribed a minimum wage increase in the form of Emergency Relief Assistance (ERA). Both COLA and ERA were fixed amounts given to employees and formed part of the minimum wage. The intent of giving COLA or ERA is to offset the impact of inflation on essentials like food, housing, clothing and transportation. In the rest of the Wage Orders, minimum wage increases were integrated into the basic pay of the employees.

It must be noted that there is no law mandating the giving of COLA by employers as prescribed by the Regional Boards. Thus, the grant for COLA is not uniform across the country and depends on the decision of the Regional Board. In the case of Regional Board III, COLA was mandated as part of the daily wage, but this may not be the case in other regions. It bears emphasizing that in past practices, COLA was not included in the computation of the overtime pay and 13th-month pay. It was included only in the computation of the holiday pay. In recent pronouncements, however, DOLE clarified that for the purpose of computing the 13th-month pay, the basic salary of an employee

“does not include allowances and monetary benefits which are not considered or integrated as part of the regular or basic salary. These include the cash equivalent of unused vacation and sick leave credits, overtime, premium, night shift differential and holiday pay, and COLA. However, these salary-related benefits should be included as part of the basic salary in the computation of the 13th-month pay if these are treated as part of the basic salary of employees, through individual or collective agreement, company practice, or policy.”

From 1990 to 2020, the average amount of minimum wage increases for every Wage Order in Region III was ₱13.83, rounded off to ₱ 14.00. The Wage Order with the lowest amount of increase was No. RBIII-7 issued in 2000 (₱5.00 and ₱3.00 ). Wage Orders with the highest increase (₱20.00) were RBIII-9 issued in 2002, RBIII-11 (2005), RBIII-20 (2017, Province of Aurora only), RBIII-21(2018-2019), and RBIII-22 (2020). In 2022, for the first time in the history of Region III, minimum wage earners received the highest increase when the Regional Board approved a ₱40.00 adjustment in the daily minimum wage across the region. This was an increase of 185% from the average wage increase during previous years.

Table 3. Minimum Wage Adjustments in Central Luzon from 1990 to 2023

Wage Order	Date of Effectivity	Minimum Wage	Amount of Increase in Minimum Wage Per Day
Wage Order No. 01	November 8, 1990	₱72–₱105	₱14.00
Wage Order No. 02	July 2, 1991	₱79–₱112	₱9.00 for workers who are paid not more than ₱135.00 per day in establishments employing more than 20 workers  ₱7.00 for workers who are paid not more than ₱125.00 per day in establishments employing 20 workers or less
Wage Order No. 03	January 1, 1994	₱90–₱127	₱3.00–₱15.00
Wage Order No. 04	March 28, 1996	₱100–₱147	₱9.00–₱20.00

Table 3 (continuation)

Wage Order	Date of Effectivity	Minimum Wage	Amount of Increase in Minimum Wage Per Day
Wage Order No. 05	April 5, 1997 & June 1, 1997	₱110–₱157 ₱116.50– ₱163.50	₱10.00–₱16.50
Wage Order No. 06	February 12, 1998	₱125.50– ₱175.50	Emergency Relief Assistance (ERA) ₱9.00–₱12.00
Wage Order No. 07	January 13, 2000 & May 1, 2000	₱128.50– ₱175.50 ₱133.50– ₱180.50	₱1.00–₱3.00 (Effective January 13, 2000) ₱5.00–₱8.00 (Effective May 1, 2000)
Wage Order No. 08	November 16, 2000	₱158.50– ₱208.50	₱16.00
Wage Order No. 09	January 16, 2002	₱178.50– ₱228.50	₱20.00
Wage Order No. 10	August 20, 2004	₱193.50– ₱243.50	₱15.00 (COLA)
Wage Order No. 11	June 16, 2005	₱213.50– ₱263.50	₱20.00 (COLA)
Wage Order No. 12	August 3, 2006	₱149–₱278	₱18.50 (COLA) ₱14.50 (COLA; Non-Agriculture Establishments in Bulacan) ₱10.00 (COLA; Aurora)
Wage Order No. 13	September 27, 2007	₱158–₱287	₱9.00 (COLA)
Wage Order No. 14	June 16, 2008	₱173–₱302	₱10.00 (COLA) plus ₱5.00 (Basic Wage) (₱9.00 COLA under Wage Order No. RBIII-13 integrated into the basic pay)
Wage Order No. 15	November 22, 2010	₱187–₱316	₱14.00 (COLA) (₱10.00 COLA under Wage Order No. RBIII-14 integrated into the basic pay)
Wage Order No. 16	June 24, 2011 & January 1, 2012	₱201–₱330	₱14.00 (COLA) ₱4.00 (COLA) effective January 1, 2012

Table 3 (continuation)

Wage Order	Date of Effectivity	Minimum Wage	Amount of Increase in Minimum Wage Per Day
Wage Order No. 17	October 11, 2012	₱215–₱336	₱6.00 (Basic Pay) ₱6.50 (Basic Pay) for establishments with total assets of less than ₱30 million ₱8.00 (Basic Pay) for Non-Plantation and Retail/Service Establishments employing less than 16 workers (Aurora)
Wage Order No. 18	November 30, 2014	₱228–₱349	₱13.00 (Basic Pay)
Wage Order No. 19	January 1, 2016 & May 1, 2016	₱238–₱357 ₱248–₱364	₱15.00 (Basic Pay) in two tranches (₱8.00 on January 1, 2016 & ₱7.00 on May 1, 2016) ₱20.00 (Basic Pay) for Retail and Service with less than 16 workers in Aurora to be given in two tranches (₱10.00 on January 1, 2016 & ₱10.00 May 1, 2016)
Wage Order No. 20	May 1, 2017	₱264–₱380	₱16.00 (Basic Pay)
Wage Order No. 21	August 1, 2018 & February 1, 2019	₱274–₱400 ₱284–₱400	₱20.00 (Basic Pay) ₱20.00 (Basic Pay) in the province of Aurora given in two tranches (₱10.00 on August 1, 2018 & ₱10.00 on February 1, 2019)
Wage Order No. 22	January 1, 2020	₱304–₱420	₱20.00 (Basic Pay)
Wage Order No. 23	June 20, 2022	₱334–₱460	₱40.00 (Basic Pay)
Wage Order No. 24	October 16, 2023	₱384–₱500	₱40.00 (Basic Pay)

Source: National Wages and Productivity Commission; Regional Tripartite Wages and Productivity Board III

Some sectoral representatives have been serving the Regional Board III for as long as 3 decades. For instance, a board member representing the labor sector has been sitting on the Regional Board for almost 30

years (1994–2023), while an employer representative for more than 20 years (2002–2023). Some government representatives also sat in the Regional Board for more or less than a decade like a DOLE Regional Director serving as Board Chairperson and a NEDA Regional Director serving as Vice Chairperson. It is because board members are allowed to be repeatedly reappointed by the President after completion of a 5-year term, while DOLE, NEDA and DTI Regional Directors are reshuffled from one region to another by their head offices.

Nonetheless, despite the time-tested and established working relationship between and among sectoral representatives, adjusting the minimum wage is always a challenging process, particularly during deliberation meetings. Protracted debates and heated arguments occasionally take place. Unanimous decisions are often difficult to reach, understandably because of the diametrically opposing views and interests of workers and employers. Deliberations would sometimes take up to three to five meetings before reaching a consensus on the amount of minimum wage adjustment, or no consensus is reached at all.

To cite an example, Wage Orders No. RBIII-2, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14, 15, and 16 were not unanimously decided by the chairperson, vice chairpersons and board members. There were instances when board members dissented to the increase by not signing the wage order or expressly indicating their dissent in the document itself. In one wage order, for example, board members representing the workers' sector dissented because they believed that the amount of increase was insufficient relative to the cost of their necessities. In another wage order, employer representatives dissented because the provisions on exemption from the minimum wage were eliminated. To emphasize though, a dissent from any member of the Regional Board has no effect or impact on the effectiveness of a wage order. Despite any dissents or lack of signature from any member of the Regional Board, wage orders take effect as scheduled, or 15 days after their publication in a newspaper of general circulation. Any party aggrieved by the wage order can file an appeal to the NWPC within 10 days of the date of its publication. It is noteworthy that starting in 2003, registered barangay micro business enterprises issued with a Certificate of Authority from the DTI were exempted from the coverage of minimum wages, as expressly provided in Republic Act No. 9178 otherwise known as the Barangay Micro Business Enterprises Act of 2002.

As previously stated, setting the minimum wage is a process resulting from a petition filed by any party or a review *motu proprio* by the Regional Board. Based on the old rule, a wage order cannot be disturbed within 1-year period, unless justified by a supervening condition. In Region III, however, there were instances when two wage orders were issued within the 12 months. It happened in 2000 when the Regional Board III issued Wage Order No. 07, increasing the minimum wage by ₱1.00 to ₱8.00, and Wage Order No. 08, increasing it by ₱16.00. Issued *motu proprio* by the Regional Board III, the issuance of two wage orders within one year was justified by the increase in prices of petroleum products, increase in transportation fares, and depreciation of the Philippine peso. The objective was to provide necessary relief to wage earners to restore their purchasing power.

## Conclusion

The Dunlop system theory, which is synonymous with the principle of tripartism, remains applicable and relevant in minimum wage settings, unless a national minimum wage hike is legislated or the Regional Boards are abolished by Congress. Consistent with this industrial relations theory, the Regional Boards are expected to continue to perform their mandate of determining or setting minimum wage rates applicable to their respective region, province, or industries, and issue the corresponding wage orders. Tripartism will remain an important industrial relations mechanism behind the process of minimum wage setting. To further serve its purpose, Amante (2019) emphasized that tripartism ideally requires the organized engagement of employers, employees, and government on the processes and outcomes of industrial relations, i.e., work rules including the terms and conditions of employment, and social security.

In this regard, the technical capacity of the sectoral representatives of the Regional Boards must be strengthened with respect to understanding the economic, social and political implications of minimum wages. Capacity-building interventions must be continuously provided to enable them to analyze complex economic data and pertinent facts and empower them to issue wage orders that are responsive to the interests of both workers and employers. Issuance of wage orders must be based on a deep understanding of socio-economic theories and existing

policies, especially on a thorough analysis of data and statistics related to labor, wages, and the economy, so that minimum wage rates are set at levels that protect the living standards of workers and their families while ensuring the sustainability of enterprises. Perhaps, it is helpful for the Regional Boards to initiate academic and practical discourse on the concept, relevance, and complexities of a living wage as it is one criterion for determining regional minimum wages under the Wage Rationalization Act.

In determining wage adjustments, the Regional Boards must be reasonable and fair. As sectoral representatives, board members have the responsibility to represent the interests of their sector. Understandably, they advocate for the legitimate causes of the sector they represent. Board members, however, must be regularly reminded that their responsibility goes beyond their sector; it is extended to every Filipino citizen regardless of whether he or she is a worker or an employer. On the part of the government representatives, true to the spirit of tripartism and social dialogue, they must be able to effectively play the role of mediator and/or facilitator. The Regional Board Chairperson and Vice Chairpersons must act as a neutral party to facilitate dialogue and negotiations between the employer and worker representatives. All sectoral representatives must be open to hearing everyone's side and be reasonable and fair in making decisions that must be efficient, appropriate and beneficial to all.

Corollary, the Regional Boards must maintain the policy of regular, moderate and predictable minimum wage increases, consistent with the intent of ILO Convention 131 (1970) that minimum wages can be "fixed and adjusted from time to time" (Article 4). The ILO suggests that "under normal economic circumstances, it is good practice to review the level of the minimum wage on a yearly or biennial basis" This policy is beneficial to both workers and employers as it promotes stability and predictability. For the workers, it will protect their purchasing power and maintain their standard of living as regular increases ensure that the minimum wage keeps pace with inflation and the rising cost of living. For the employers, the policy reduces the likelihood of sudden and large increases that may otherwise be difficult for businesses to manage. Regular minimum wage increases will allow employers to do effective financial planning and budgeting, knowing that wage increases will be predictable, incremental and

manageable. To ensure a balanced approach, stakeholders must be consistently involved in the review process.

It is imperative to emphasize that pursuant to their mandate, Regional Boards must be able to freely make decisions based on their own assessment and analysis with respect to the timeliness and appropriateness of issuing wage orders using the standards and criteria set by law. Minimum wage adjustment must not be based on any kind of pressure, particularly political pressure. Taking into consideration the regularity of review and consultation on minimum wage, the Regional Boards must be allowed to continue exercising their mandate and function accordingly. According to the Employers Confederation of the Philippines,<sup>4</sup> wage fixing should not be politicized so that the country can attract substantial foreign direct investments. Minimum wage policies must be balanced and fair to ensure that they do not deter or reduce inflows of foreign direct investment, particularly in labor-intensive industries.

Stated otherwise, Dunlop's tripartite framework in relation to minimum wage setting must be intensified to ensure that the interests of all stakeholders, particularly those of the workers and employers, are considerably balanced and not tilted in favor of one party. In an interview, the Partido Manggagawa<sup>5</sup> articulated that tripartism will only be successful if all three actors (government, labor and employer) have equal power and that the decisions they make are mutually beneficial to all parties. The labor organization appealed to the government to ensure the existence of a semblance of power between the labor and the employer sectors and that consultation mechanisms must be maintained to ensure the voice and representation of the workers. Consistent with Dunlop's systems theory, this proposition cannot be overemphasized. In the industrial relations system, the involvement and interaction of all three actors within the framework of the rule is essential to maintain balance and harmony within the system.

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4 Interview with Atty. Ranulfo Payos, Vice President of Employers Confederation of the Philippines, for the First Quarter Storm and Labor Forum, November 14, 2020, UP SOLAIR

5 Interview with Mr. Rene Magtubo, Chairperson of Partido Manggagawa, for the First Quarter Storm and Labor Forum, November 14, 2020, UP SOLAIR

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