



The Cost of Decent Life

Exploring Approaches to Living Wage Estimation in the Philippines

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"Enough to survive is not enough to live."

Why Does Living Wage Matter?

- ✓ **Beyond basic needs**
Income should support a decent standard of living
- ✓ **Living Costs differ across regions**
The cost of essential needs varies across the Philippines
- ✓ **Minimum wages may fall short**
Prevailing wage levels may not cover the cost of a decent life

How much does a household actually need to live decently?



Worker Requirements

Food + Housing + Other Needs → Decent Life

One Country. Different Costs of Living.



The Problem

- Minimum wage rates vary across regions
- Cost of basic needs varies geographically.
- Limited comparable evidence on regional living-wage requirements.



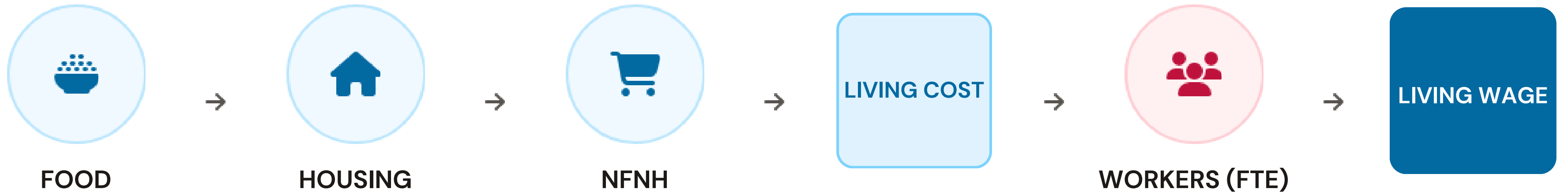
The Research Need

A regional, evidence-based living wage benchmark.

Estimating food, housing, and non-food and non-housing (NFNH) costs to establish comparable regional benchmarks

CONCEPTUAL FRAMEWORK

From Basic Needs to Living Wage



2023 base data adjusted to 2026 prices

Data Sources

2023 Retail Price Survey

Retail Price Survey

2023 Labor Force Survey – Family and Income Expenditure Survey

Demographics & Expenditure

Commodity Price Index

Adjustment to 2026 prices



Estimating Regional Food Cost



Based on FNRI provincial food bundles

Characteristic	Description
1. Nutritionally Adequate	Satisfies 100% of the Recommended Energy and Nutrient Intakes (RENI) for energy and protein and 80% of RENI for vitamins and minerals
2. Locally Available and Low-Cost	Food items are available in the local area and are relatively low-cost
3. Least-Cost	The food bundle represents the least-cost option among the alternative bundles considered
4. Visualizable	The food items and quantities in the bundle can be identified and represented in observable form
5. Edible	The food items included in the bundle are suitable for consumption

Data Sources

2023 Retail Price Survey

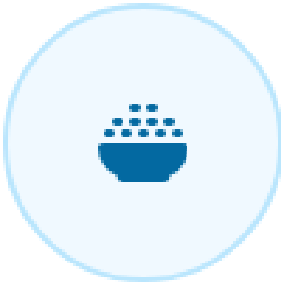
Retail Price Survey

2023 Labor Force Survey – Family and Income Expenditure Survey

Demographics & Expenditure

Commodity Price Index

Adjustment to 2026 prices



Estimating Regional Food Cost

FOOD COST FORMULA

$$FB_{2026} = \left[\frac{1}{P} \sum_{p=1}^P \left(\sum_{i=1}^n Q_i \cdot RPS_{i,p} \right) \right] \cdot AE \cdot ND \cdot AF \cdot \left(1 + \frac{CPI_{2026} - CPI_{2023}}{CPI_{2023}} \right)$$

where:

- FB_{2026} = 2026 monthly food basket cost
- i = individual food item
- n = total number of food items in the PSA provincial food menu
- p = individual province
- P = total number of provinces within the region
- Q_i = quantity of food item i specified in the PSA provincial food menu
- $RPS_{i,p}$ = 2023 retail price of food item i in province p
- AE = adult equivalence factor used to adjust the food cost to the reference household
- ND = number of days used to convert the daily food cost into a monthly food cost
- AF = adjustment factor for salt and spices, food waste, and diet variety
- CPI_{2026} = Food Consumer Price Index for 2026
- CPI_{2023} = Food Consumer Price Index for 2023



Estimating Regional Housing Cost

Model 1

Tenure-Based

If Renters, use Actual Rent
If Owners, use Imputed Rent

Data Source: 2023 LFS-FIES

Model 2

Expenditure

Use Housing, Water, Electricity, Gas, and
Other
Fuelsv Variable

Data Source: 2023 LFS-FIES

Model 3

Hedonic Regression

$$Y = \beta_0 + \beta_i X_i + \varepsilon$$

where:

- Y = house or rental value
- β_0 = constant term
- β_i = estimated coefficient for each housing characteristic
- X_i = selected housing characteristics
- ε = error term

Data Source: 2023 LFS-FIES



Estimating Regional Housing Cost

Model 3

Department of Human Settlements and Urban Development (DHSUD) – Based

Roof Categories

- Galvanized Iron or Aluminum
- Concrete or Claytile
- Half Galvanized
- Asbestos

Wall Categories

- Concrete
- Brick or Stone
- Half Concrete
- Half Brick or Half Stone
- Half Wood Materials
- Galvanized Iron or Aluminum
- Asbestos
- Glass

Housing Cost Adjustment

Formula for the Housing Cost Adjustment:

$$Housing\ Cost_{2026} = Housing\ Cost_{2023} \cdot \left(1 + \frac{CPI_{2026} - CPI_{2023}}{CPI_{2023}} \right)$$

- Expenditures on furnishing and household routine maintenance are added to each of the three housing cost estimates
- each estimate is subsequently adjusted to 2026 prices using the Consumer Price Index (CPI) corresponding to its expenditure categories.

Choosing the Preferred Estimate



PREFERRED

Model 1: Tenure-based

- ✓ Uses actual rental payments
- ✗ Requires imputed rental values for owner-occupied homes

Model 2: Expenditure

- ✓ **Broader Cost Coverage**
Includes housing and utility expenditures
- ✓ **Observed household data**
Uses reported expenditures rather than imputing rent for owner-occupied homes
- ✓ **Comprehensive cost measure**
Captures multiple housing-related expenses in one measure

Most complete representation of housing-related costs.

Model 3: Hedonic

- ✓ Standardizes characteristics
- ✗ Depends on model specification



Estimating Regional Non-Food & Non-Housing Cost

Formula:

$$NFNH_{2026} = NFNH_{2023} \cdot \left(1 + \frac{CPI_{2026} - CPI_{2023}}{CPI_{2023}} \right)$$

Non-Food and Non-Housing:

- Health
- Transportation
- Communication
- Recreation
- Education
- Insurance
- Clothing
- Other Miscellaneous Expenditures

Calculating the Living Wage

1. Living Cost

$$Living\ Cost_{2026} = (Food\ Cost_{2026} + Housing\ Cost_{2026} + NFNH_{2026}) \cdot 1.05$$

Includes 5% contingency

2. Regional Full-Time Equivalent Workers

$$\overline{FTE}_r = \left\{ \sum_{h=1}^{H_r} wh \left[\sum_{j=1}^{n_h} FT_{jh} + 0.5 \left(\sum_{j=1}^{n_h} PT_{jh} \right) \right] \right\} \cdot \frac{1}{\sum_{h=1}^{H_r} wh}$$

Full-Time Equivalent (FTE)

3. Preliminary Living Wage

$$PLW_r = \frac{LC_{r,2026}}{\overline{FTE}_r}$$

Per Full-Time Equivalent

4. Living Wage

$$LW_r = PLW_r + SSS_r + PH_r + PI_r$$

Adds Mandatory Deductions

Calculating the Adjusted Living Wage

Reported Monthly Living Wage

$$RLW_r = \frac{LW_r \cdot 12}{13}$$

Adjusts for 13th Month Pay

where:

RLW_r = reported monthly living wage in region r

LW_r = monthly living wage before the 13th-month-pay adjustment

Note:

The living wage remains the primary living wage estimate, while the 13th-month pay is presented separately as an equivalent regular monthly wage

Household Demographics & Food Cost

Region (Selected)	Household Size	Adult Equiv.	Average FTE	Food Cost (2026)
NCR	4.10	3.52	1.36	₱10,180.78
Region IV–A	4.10	3.45	1.22	₱10,103.35
Region 1	4.05	3.44	1.10	₱7,484.81
Region 2	4.12	3.47	1.13	₱7,210.89
BARMM	4.71	3.71	1.16	₱8,577.65
Region 8	4.21	3.46	1.00	₱8,018.86
MIMAROPA	4.02	3.29	1.05	₱8,204.22

*NCR maintains the highest food cost, while BARMM records the largest household size.

Estimated Monthly Housing Cost (2026)

Region (Selected)	Model 1 (Tenure)	Model 2 (Expenditure)	Model 3 (Hedonic)
NCR	₱3,608.93	₱6,900.81	₱3,459.69
Region IV–A	₱2,789.27	₱4,764.53	₱2,397.01
Region 1	₱2,789.27	₱4,764.53	₱2,397.01
Region 2	₱2,735.72	₱4,466.68	₱2,262.41
BARMM	₱1,647.46	₱3,059.73	₱2,339.69
Region 8	₱2,194.01	₱3,828.02	₱2,104.93
MIMAROPA	₱2,066.31	₱3,860.65	₱2,339.69

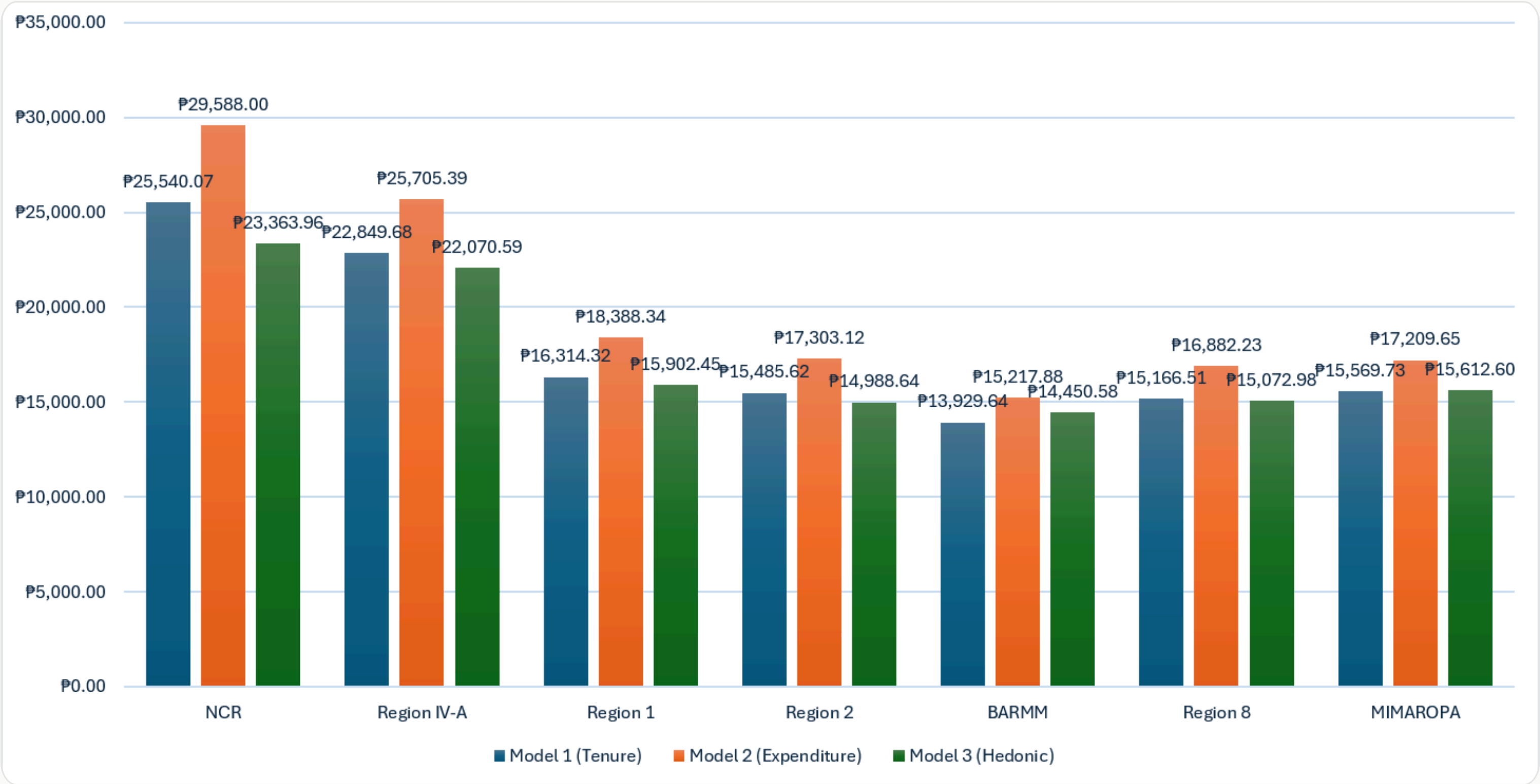
*Model 2 consistently produces the highest housing cost estimates.

Estimated Monthly Non-Food & Non-Housing Cost (2026)

Region (Selected)	NFNH
NCR	₱8,171.85
Region IV-A	₱7,477.17
Region 1	₱5,263.37
Region 2	₱4,801.59
BARMM	₱2,855.83
Region 8	₱4,231.42
MIMAROPA	₱4,325.27

*NCR consistently produces the highest non-food and non-housing estimates estimates.

Estimated Monthly Household Living Cost



*Model 2 consistently produces the highest living cost

The Gap Is Regional — But It Is Everywhere

NCR

₱1,068/day

LIVING WAGE (MODEL 2)

₱743/day

MINIMUM WAGE

Region IV-A

₱1,034/day

LIVING WAGE (MODEL 2)

₱508/day

MINIMUM WAGE

BARMM

₱649/day

LIVING WAGE (MODEL 2)

₱426/day

MINIMUM WAGE

Estimated daily living wages exceed prevailing minimum wages across all regions under all models.

Adjusting for 13th-Month Pay

The annual living wage requirement is distributed across 13 monthly wage payments. The underlying annual requirement remains the same.

Reported Monthly Equivalent (Model 2)

NCR **₱20,083**

Region IV-A **₱19,399**

BARMM **₱12,083**



Three Things the Study Shows



01 Essential Needs Have a Cost

Food, housing, and other essential needs determine how much a household needs to live decently.

02 Location Matters

The cost of attaining a basic but decent standard of living across regions.

03 Minimum $\neq$ Living

Estimated living wage exceeds minimum wage in all regions under all three models.

**Wage adequacy should be assessed against the cost of living
—not survival alone.**

From Measurement to Decision-Making

Policy & Practical Implications



Wage-Setting

Regional benchmarks for assessing wage adequacy.



Workers

Evidence to support wage discussions and collective bargaining



Employers

Supports assessment of fair compensation.



Government

Evidence to inform region-specific social protection policies

Enough to survive is not enough to live.

The living wage is not a single national number.

It is the cost of a decent life, shaped by where people live.

A wage that allows people to live with dignity and hope.