

The Relationship Between Labor Productivity and Real Wage Growth in the Philippines

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ABSTRACT

The study evaluates the empirical evidence on the employment effects of the minimum wages in advanced, emerging, and developing economies. It likewise discusses the various explanations underlying the disparity between labor productivity growth and real wage growth in the Philippines. It concludes that increases in the minimum wage raise the earnings of workers covered by the minimum wage. It also highlights why labor productivity growth is not translated into real wage growth. This phenomenon is explained by three factors: (1) the deteriorating market power of workers vis-à-vis employers, (2) the downward pressure on wages exerted by the new entrants in the labor market, and (3) the lack of product market competition.

Keywords: labor productivity, real wage, minimum wage, imperfect product market.

JEL Classification: J08, J30, J31, J38.

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