



AS THE IMPOVERISHED GET EVEN POORER: AN ANALYSIS ON THE IMPACT OF PHILIPPINE TRAIN LAW TO THE MINIMUM WAGE EARNER

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ABSTRACT

In the Philippines, the TRAIN Law or tax reform for acceleration and inclusion legislation was put into effect in 2018. This law sought to significantly alter the nation's tax structure in order to increase money for poverty alleviation, healthcare, and infrastructure. One of the features of the law was to increase the income threshold below which minimum wage earners would not be required to pay income tax. But it also resulted in higher costs for goods and services, which had an effect on Metro Manila's level of living. This qualitative research examines the significant data and information based on the participant's experiences with the TRAIN law. Semi-structured questions were used in the in-depth interview to facilitate deeper clarification and additional discussion. The results show that the majority of the impact of the law on the poor is related to basic needs like food, for which they must cut their budget in order to survive because there are other expenses to consider, such as utility bills and debts. Moreover, it impacts an individual's emotional and overall health, including mental health concerns brought on by financial difficulties. Additionally, it has an impact on their social interaction because they tend to engage with others less frequently because they are preoccupied with the things that need significant financial outlays. Thus, it may be inferred that the poor income class households' standard of living declined with the introduction of TRAIN law.

KEYWORDS: tax reform law, poverty alleviation, minimum wage earner

INTRODUCTION

In January 2018, the Philippines enacted a law aimed at accelerating and promoting tax reform. According to the Department of Finance (DOF, 2019), raising the income threshold at which minimum wage earners are exempt from paying income tax is one of the policy's components. This test was designed to find out how income taxes affected those with modest incomes. On the other hand, the legislation increased the cost of goods and services, which had an effect on Metro Manila's level of living.

The previous government administration of President Duterte vigorously promoted the TRAIN law in spite of the claims of its critics that it would negatively impact the economy. According to Punongbayan (2017) the tax structure is complicated to use and the government is unable to properly analyze the income base of its citizens, especially the wealthy, due to bank secrecy restrictions, and there are far too many exemptions. Additionally, rates are static and unresponsive to the realities of the modern economy. All of these issues are intended to be addressed by the TRAIN reform package, which would decrease bank secrecy, cut exemptions, and provide more dynamic and current tax rates across the board for all income levels. It might greatly assist in improving the country's

current tax endeavor by simplifying the tax code and reducing loopholes and potential for corruption.

Meanwhile in the research conducted by Compio et. al (2022) they stated that the vast majority of Filipino taxpayers will experience significant reductions in their income tax liabilities as a result of the TRAIN law, in addition to funding the government's ambitious "Build, Build, and Build" and social service expansion plans. This reform package reduces the amount of personal income tax that taxpayers must pay, providing the great majority of them with the much-needed relief they have been waiting for.

The adoption of the TRAIN law according to several supporters has also the additional benefit of providing modifications intended to streamline tax compliance. It reduces the amount of taxes owed on contributions, estates, and personal income. In addition, there has been an increase in the taxes on specific types of passive income, paperwork, and the excise tax on goods including minerals, petroleum, automobiles, and tobacco. Additionally, it imposes new taxes by imposing an excise tax on drinks with added sugar and on elective surgeries such as invasive cosmetic operations. The taxes that were already in place are supplemented by the new ones. The current taxes



will continue to be collected in addition to the newly imposed costs.

However, Layug (2018) claims that since the TRAIN law's introduction, many groups felt that the poor people of the country would be burdened by this law. According to TINDIG PILIPINAS, the TRAIN law has resulted in numerous hardships for the impoverished Filipinos as a result of increased inflation, which drastically affects the prices of essential commodities. Furthermore, Cruz (2018) states that the rise in prices, particularly for necessities, have disproportionately affected the poorest Filipinos.

A previous research by Furman (2006), asserts that a significant portion of poverty is caused by the law governing taxes. The way it influences the motivations behind financial choices such as saving and earning, and especially in the allocation of financial resources for the enhancement of the community. Any tax reduction must come with trade-offs, such as support for families with moderate incomes and any means-tested program. A more expensive subsidiary rate leads to a more focused and efficient plan since it eliminates tax breaks and transfers.

For a substantial amount of time, research has been conducted to determine how the TRAIN law affects minimum wage workers in Metro Manila. The aim of this research is to examine the effects of TRAIN law on the financial security of minimum-wage workers. The research has concentrated on a number of areas, such as the differences in their spending patterns, general quality of life, and their opinions and viewpoints regarding their experiences with the impact of the new TRAIN law. According to the Department of Finance (2022), those making minimum wage saw a decline in their actual take-home pay as a result of the TRAIN law.

Examining how the TRAIN law affects low-wage workers in Metro Manila is important because it illuminates how economic policies affect the most disadvantaged groups in society and offers ideas for countermeasures against their negative effects. The examination is important because, in essence, it clarifies how economic policies affect minimum-wage workers in Metro Manila.

Research Methods

The qualitative-phenomenological approach was used in this research. Tenny et al. (2022) defined qualitative research as an investigation that looks at and offers more in-depth understanding of real-world situations. However, De Vos (1998) claims that the phenomenological approach has something to do with understanding and evaluating the interpretations that participants make of their everyday existence. This approach's main objective is to comprehend and interpret the meaning and information that underlie commonplace human acts rather than oversimplifying (Groenewold et. al, 2004).

The researchers chose the aforementioned research design because they believed it was appropriate to employ a qualitative approach for this research, given that the data collected and analyzed focused on the opinions and personal experiences of the participants regarding how they expressed what they

understood and how they interpreted it. This kind of research gave the researchers more opportunities to comprehend the circumstances of participants who were categorized as minimum wage earners and affected by the TRAIN law's implementation.

For the participants of this research, the participants are minimum wage earners, with a focus on those in the food and service, retail, and construction industries since the research aims to ascertain the impact of the train law on their daily life. The objective of the law was to guarantee minimum wage earners a full income without any deductions; consequently, the law's adoption resulted in higher pricing for goods like beverages and confections. It begs the question of how this law affects those who make the minimum wage. Meanwhile, a non-probability sampling method called purposive sampling was used in this research to select the right participants. The participants were chosen according to predetermined standards, such as their proficiency in a given field or level of knowledge (Palinkas et al., 2015). This technique ensures that the selected participants possess the requisite experience to offer noteworthy insights and viewpoints regarding the research subject, as required by the researchers.

Meanwhile, for the data gathering, in-depth interviews were used by the researchers to get the right data that can answer the research problem. The interview was semi-structured; prior to the interview, a list of topics and questions to be covered was produced. The researchers were able to delve further for clarification and additional discussion regarding those significant and pertinent problems that came up throughout the interview due to the semi-structured format. It gave the researchers the opportunity to read the nonverbal cues and reactions during the interview, which proved useful for data processing. The interview was audio recorded, then transcription was done.

Finally, as research requires data analysis, this research was analyzed using the thematic content analysis method. The process of analyzing data by grouping it into distinct groups based on themes, concepts, or comparable characteristics is known as thematic analysis. The main purposes of thematic analysis procedures, according to Caulfield (2023), are to reduce and categorize large amounts of data and to produce more significant data for interpretation. Marshall and Rossman (2006) and De Vos (1998) used this process in order to develop themes. This process involves the following steps such as organizing data; creating categories, themes, and patterns; testing emergent hypotheses; examining alternative explanations; and reporting the findings.

RESULTS AND DISCUSSION

Providing the Basic Needs of the Filipino Minimum Wage Earner

According to Razon (2023), the Philippine tax system undergoes numerous changes in several years due to the adoption of the TRAIN law and the Corporate Recovery and Tax Incentives for Enterprises law. The enactment of these two pieces of legislation directly lead to these modifications. First and foremost, it is crucial to remember that, in compliance with



the TRAIN law, individuals with taxable yearly incomes of PhP 250,000.00 or less are still exempt from having to pay income taxes. This is an important point to make clear. Conversely, taxpayers who do not fit into the aforementioned income category aside from those whose taxable income surpasses PhP 8,000,000.00 will be charged at reduced rates, which range from 15% to 30%. If these taxpayers' taxable income falls within the previously mentioned range, they will not be qualified for the lower tax rates. This modification has resulted in adjustments to the previous tax rates, which were 20% to 32%. In contrast, individual taxpayers whose taxable income exceeds PhP 8,000,000.00 are subject to a continuous income tax rate of 35% in order to preserve a progressive taxation system. The income tax computation will be based on the schedules that are provided; these schedules took effect last January 1, 2023, and they remain in force until any further amendments to the legislation are implemented.

In the meantime, when the participants were asked about the changes they made to meet their basic needs, the majority of participants indicated that, in an effort to prevent running out of other necessities, they significantly cut back on their spending on food and electricity bills, among other home necessities. One of the first things to go was food. Cheaper foods were substituted for more expensive ones, and the majority of participants said they had trouble purchasing wholesome, freshly prepared food. One more thing they discussed was cutting back on food intake by skipping meals. Specifically, the individuals involved mentioned skipping meals to support their children, a habit that was also noted to be common among lower-class families of the minimum wage earner.

To provide more context for the participants' responses regarding reducing the use of utilities like water and electricity. Several participants linked not using electricity to health issues, especially respiratory ailments, in an effort to reduce power costs. The children's motivation to attend school and their study hours were also significantly impacted by electricity for the participants' children.

Basic necessities were not satisfied as a result of the extra money added to the goods' regular price, which made things worse for households who already struggled with low incomes. Weekly budgeting left little to no space for wiggle leeway. Offering budgeting guidance as a service to alleviate the strain on household income was insufficient to tackle the root cause of not having enough money to cover basic necessities. The participants also expressed concern about rising debt levels and an increase in loans from companies that charge outrageous interest rates.

Based on the participants' responses, it is clear that the TRAIN law has a significant impact on minimum-income households since it has reduced their costs for daily necessities, particularly for necessities like food and utilities. While many proponents of the train law view their exemption from paying income taxes as advantageous, the increase in prices and taxes on other aspects, such as products, commodities, utilities, and food, is out of proportion to the drop in income tax. Long-term inflation

results from this, which may have a significant impact on utility costs for even those on minimum incomes level.

Train Law's Effect on Their Psychological Well Being

The majority of participants expressed concern about their ability to feed their children and themselves healthily, about living in poorly designed dwellings, and about how rising debt relates to mental health issues. Every participant interviewed expressed tension, and several of them described experiencing anxiety and sadness. They also noted that these symptoms were common in their own community. The participants described their feeling of stress, anxiety, and depression after dealing with the price increase, along with a hopelessness that bordered on desperation.

Another challenging problem the participants raised is their concern about the stress they were experiencing from attempting to find the extra money needed to pay for the higher-than-expected price of goods most especially in this period of economic recovery. A number of them connected the tax's financial requirements to issues with their physical and mental health. The participants frequently discussed the connections they believed existed between physical and mental health.

The observation made by the participants was validated in the research carried out by Sebulen and Alejindro (2023), who claimed that the TRAIN law's implementation made low-income class households poorer. The poor are disproportionately affected negatively by the TRAIN law since they have to spend less on food and other essentials like debt repayment and utility bills in order to survive. It also affects a person's mental health and wellness by contributing to problems with stress, anxiety, and depression. Consequently, it may be claimed that the implementation of TRAIN law made low-income families even impoverished.

Social Assistance Provided to Minimum Wage Earners

Because it was hard to handle low salaries over an extended length of time, many of the participants needed support from friends, neighbors, family, and the community at large. They received a lot of unofficial assistance in the form of cash support, daycare, food contributions, and emotional support. But still, the participants acknowledged that in any given family, the capacity to provide assistance, friendship or social circle was getting more and more limited as an increasing number of people, including those offering support, were adversely impacted by TRAIN law. In addition, they feel guilty and worried about burdening their relatives and friends, many of whom are also struggling financially.

Social interaction was directly hindered by lower earnings. Sustaining the basic needs and necessities became more and more difficult for the people. Social settings no matter how subtle highlighted the scarcity of resources. Community members, especially those without little children at home, recalled increasing exclusion from the social networks that helped them avoid experiencing loneliness. Not having the means to participate in routine activities, including hosting friends and family for a visit or venturing out to mingle, was an ongoing topic throughout the interview.



The majority of the participants who were interviewed expressed profound sadness over how their failure to fulfill expected social roles such as being a friend, grandparent, or contributing member of the community was caused by their limited contact with family and social networks. Consequently, social isolation and resource scarcity were related. The participants talked extensively about how their ability to participate in interaction and reciprocity, which are two essential components of social relationships, was hampered by their lower income levels. This created a vicious cycle in which friends, family, and neighbors were unable to fulfill their regular social roles, which furthered their social isolation and depressive states.

CONCLUSION

The participants' interviews regarding the impact of the TRAIN law on minimum wage earners offer a thorough and in-depth insight of their circumstances. First of all, families are finding it increasingly difficult to acquire food for their everyday needs to the point where they restrict what they buy in order to stretch their funds farther than they would normally be able to. Another issue is that rising inflation makes it harder to pay bills. They always cut back on their consumption of electricity, especially at night, which is quite uncomfortable for them because it could lead to health issues. Families from lower socioeconomic classes typically settle informally due to the high cost of housing rentals. Businesses are additionally burdened by the fact that consumers, particularly the impoverished, would prefer to spend less money and stick to tight budgets as a result of the nation's high costs and inflation. Owing to these challenges, the participants feel that they are left with no option but to favor high interest loans because they are the easiest to obtain and may be borrowed from with ease. Secondly, because of the TRAIN law, a person's mental health is also an issue that impacts low-income families. Families in the lower income bracket frequently overthink where to find money and how to budget it so that it will last because of their financial constraints. This could be the cause of their stress, worry, and depression. Their despair in relation to their tremendous poverty, is concerning that the majority of them frequently experience mental health problems. Third, the TRAIN law's effects on social relationships, where people usually spend their time looking for money rather than socializing with their friends. Rather than visiting shopping centers to spend time with their loved ones, they are always considering if the money they would spend on going out will leave them without food for the next day or the day after that. Finally, because of their increased mobility, they frequently have a reduced capacity for fundamental social interaction.

To conclude this research, the researchers would like to recommend the following: first, the government should start a campaign raising the awareness of the people regarding the situations of the families belonging to poverty so that everybody will be responsive. Second, enhanced government initiatives to help the poor and less fortunate people in order to reduce poverty. Finally, the government must prioritize the less powerful members of the society since poor families will be the ones most impacted, especially the impoverished. They must

consider the potential repercussions of the law's adoption before it is put into force.

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