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SENATE
S. No. 1333

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Introduced by Senator Jinggoy Ejercito Estrada

AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE
KNOWN AS THE "PRODUCTIVITY INCENTIVES ACT OF 1990"

EXPLANATORY NOTE

One important indicator of our country's economic development is labor productivity. The ability of the enterprise to compete globally is dependent on the enterprises to produce and offer goods and services in the most effective and efficient way. Accordingly, it is imperative for these enterprises to promote labor productivity not only to expand their business opportunities but also to uphold the interest of the workers.

Republic Act No. 6971, otherwise known as the "Productivity Incentives Act of 1990", was signed into law on November 22, 1990 to "encourage higher levels of productivity, maintain industrial peace and harmony and promote the principle of shared responsibility in the relations between workers and employers" and accordingly, "to provide corresponding incentives to both labor and capital for undertaking voluntary programs to ensure greater sharing by the workers in the fruits of their labor".

In 2017, labor productivity growth registered its highest at 8.69%. However, due to the unprecedented impact of the pandemic, the country was not able to sustain this upward trend when it registered only 2.4% growth from 2000 to 2021.

These figures affirm that labor productivity, despite the implementation of the Republic Act No. 6971, remains a growing concern.

The "*Enterprise Productivity Act*" seeks to fortify the intentions of the "Productivity Incentives Act of 1990", by promoting inclusive and sustainable work productivity programs. It aims to reinforce labor productivity through 1) the establishment of a Productivity Incentives Committee (PIC); 2) the adoption of productivity incentive programs; 3) granting productivity incentives to employees, and 4) providing a tax incentive to business establishments for granting incentives to employees.

The bill seeks to promote a working environment with an increased level of productivity, maintain industrial harmony, and propel shared commitment and responsibility among employers and employees. As a policy of the State, the preservation of balance in the workplace is necessary to recognize both the rights of the workers and their employers: the former, to their right to a fair and just share of labor; and the latter, to their right to reasonable returns of investment vital for growth and expansion.

This measure was approved by the House of Representatives in the 18th Congress. Its immediate passage is supported by the Department of Labor and Employment (DOLE).

In view of the foregoing, the swift approval of this measure is highly recommended.


JINGGOY EJERCITO ESTRADA

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 Section 1. *Short Title.* - This Act shall be known as the "*Enterprise Productivity*
2 *Act*".

3 Sec. 2. *Declaration of Policy.* – It is hereby declared policy of the State to:

4 (a) Encourage higher levels of productivity in all industries to enable
5 enterprises to compete globally;

6 (b) To promote gainful employment, improve working conditions, maintain
7 industrial peace and harmony, and promote the principle of partnership
8 and shared responsibility in the relations between workers and
9 employers, recognizing the right of labor to its just share in the fruits
10 of production and the right of business enterprises to reasonable
11 returns on investments and for expansion and growth; and,

12 (c) Provide corresponding incentives to both labor and capital for
13 undertaking productivity improvement programs and gainsharing.

14 Sec. 3. *Coverage.* – This Act shall apply to all business enterprises with or
15 without existing and duly recognized collective bargaining representatives. It shall

1 cover all employees and workers regardless of their position, designation, or status,
2 and the manner by which their salaries/wages are paid.

3 *Sec. 4. Definition of Terms. As used in this Act:*

4 (a) *Business Enterprise* refers to an entity duly incorporated, organized, or
5 registered pursuant to the prevailing applicable laws, rules, and
6 regulations;

7 (b) *Productivity Incentives Committee (PIC)* refers to a body in a business
8 enterprise composed of representatives of management/employers and
9 employees created to formulate and implement productivity incentives
10 program, and to settle issues arising from the interpretation or
11 implementation of the said program;

12 (c) *Productivity Improvement Program* refers to a set of actions identifying
13 and addressing productivity problem areas formulated by the PIC using
14 either a principle, tool, technique, method, practice, guideline, model,
15 or approach towards productivity improvement in people,
16 inputs/technologies, products/services, policies, and process. It shall
17 contain, among others, a productivity tool or technique, benchmarks
18 and measurement of productivity or efficiency improvements;

19 (d) *Productivity Incentives Program* refers to a formal agreement
20 formulated by the PIC containing a productivity improvement program
21 and provisions on the sharing of the gains and/or savings realized from
22 the productivity improvement program, and its coverage, sharing
23 scheme, and forms, manner, and frequency of payment of such
24 incentives;

25 *Sec. 5. Productivity Incentives Committee.* – Business enterprises employing
26 ten (10) and over shall establish a Productivity Incentives Committee, hereinafter
27 referred to as PIC, composed of representatives from management/ employers and
28 employees.

29 (a) In business enterprises with legitimate labor organization or workers'
30 association, the employee representatives shall be those designated in
31 the collective bargaining agreement or by the said
32 organization/association.

1 (b) In business enterprises with Labor-Management Councils or Labor-
2 Management Committee, it shall be a sub-committee thereof.

3 (c) In business enterprises without legitimate labor organization or
4 workers' association, the employee representatives shall be those
5 designated by at least a majority of all rank-and-file employees.

6 *Sec. 6. Productivity Incentives Program.* – The PIC shall develop the
7 Productivity Incentives Program. Whenever gains or savings are realized from the
8 implementation of the productivity improvement program, the management shall
9 initiate the discussion on the sharing of such gains or savings.

10 Productivity incentives program as provided in this Act shall be based on the
11 implemented productivity improvement program, and without prejudice to any
12 company policy and program, contract or collective bargaining agreement providing
13 for higher productivity incentives.

14 *Sec. 7. Tax Incentives.* – Private establishments may avail of the following tax
15 incentives:

16 (a) Subject to the provisions of Section 6 hereof, a business enterprise
17 which adopts a productivity incentives program duly and mutually
18 agreed upon by the Productivity Incentive Committee shall be granted
19 a special deduction from gross income equivalent to fifty percent
20 (50%) of the total productivity incentives given to employees under
21 the Productivity Incentives Program over and above the total allowable
22 ordinary and necessary business deductions for said incentives under
23 prevailing laws, rules and regulations;

24 (b) A business enterprise shall be granted a special deduction from gross
25 income equivalent to fifty percent (50%) of the total grants for training
26 and special studies given to employees pursuant to the Productivity
27 Incentives Program prepared by the Productivity Incentive Committee
28 over and above the total allowable ordinary and necessary business
29 deductions for said incentives under prevailing laws, rules, and
30 regulations;

31 Business enterprises shall submit a copy of its productivity incentives
32 program and other required documents to the concerned revenue

1 district office of the Bureau of Internal Revenue to avail of the
2 corresponding benefits and tax incentives provided in this Act;

3 (c) The business enterprise shall be entitled to the aforementioned tax
4 incentives starting the next taxable year after the effectivity of this Act;
5 and,

6 (d) The Bureau of Internal Revenue shall establish a system for availment
7 of tax incentives. It shall maintain and furnish NWPC an annual record
8 of business enterprises that availed of tax incentives under this act for
9 program monitoring.

10 Sec. 8. *Productivity Advisories.* – The Regional Tripartite Wages and
11 Productivity Boards (RTWPBs) shall issue advisories on productivity improvement
12 programs and productivity incentive schemes, and relative thereto, shall provide
13 training and technical assistance to enterprises.

14 Sec. 9. *Issues and Grievances.* – Whenever issues, grievances, or other
15 matters arise from the interpretation or implementation of the productivity
16 incentives program, the PIC shall meet to resolve the same within fifteen (15) days
17 from receipt of a formal complaint from any aggrieved party, subject to the
18 following conditions:

19 (a) Parties may agree on whether to suspend the implementation of the
20 productivity incentives program pending the resolution of the
21 complaint;

22 (b) Business enterprises shall not be deemed to have forfeited any tax
23 incentives accrued prior to the said complaint and the employees and
24 workers shall not be required to reimburse the productivity incentives
25 already granted;

26 (c) Likewise, productivity incentives that have already accrued prior to the
27 said complaint shall be paid to the entitled employees and workers
28 within six (6) months from the date of accrual of the same; and,

29 (d) Any complaint which remained unresolved within thirty (30) days from
30 the time of receipt of complaint shall be referred by the pic to
31 voluntary arbitration pursuant to prevailing laws, rules, and regulations
32 on the matter.

1 Sec. 10. *Loan Availment.* – All banking institutions shall provide MSMES that
2 will implement a productivity improvement program a loan or credit window at an
3 interest rate lower than the prevailing market rate.

4 Sec. 11. *Submission of Productivity Incentives Program.* – A business
5 enterprise which implemented a productivity incentives program shall submit a copy
6 of the same to the Regional Tripartite Wages and Productivity Boards for their
7 information and appropriate technical assistance, when needed.

8 Sec. 12. *National Innovation Council.* – The National Innovation Council,
9 created under Republic Act No. 11293, otherwise known as the Philippine Innovation
10 Act, shall have as one of its overriding goal the attainment of high and rising levels
11 of productivity. Hence, its national innovation agenda and strategy document shall
12 mainstream strategic actions in support of national development plans to improve
13 the country's overall productivity performance.

14 Sec. 13. *Productivity Advocacy.* – To enable a culture of productivity as a way
15 of life, productivity concepts shall be incorporated in the basic and higher education
16 curricula of the Department of Education and the Commission on Higher Education,
17 respectively, and training regulations of the Technical Education and Skills
18 Development Authority.

19 Sec. 14. *Monitoring of Compliance.* – The Secretary of Labor and
20 Employment, under Article 128 of Presidential Decree No. 442, as amended,
21 otherwise known as the "Labor Code of the Philippines", shall ensure compliance of
22 private enterprises to the provisions of this Act.

23 Sec. 15. *Technical Assistance.* – Any member of the PIC may request
24 technical assistance from the following agencies in developing and implementing
25 productivity improvement programs:

26 (a) Department of Agriculture for agricultural extension on current
27 technologies and system;

28 (b) Department of Budget and Management – Systems and Productivity
29 Improvement Bureau for technical assistance in implementing the
30 government quality management program;

31 (c) Department of Environment and Natural Resources for greening
32 technologies;

- 1 (d) Department of Trade and Industry – Bureau of Small and Medium
2 Enterprise Development for Youth Entrepreneurship and Enterprise
3 Development, and its marketing services
- 4 (e) Department of Trade and Industry - Competitiveness Bureau for business
5 counseling;
- 6 (f) Department of Science and Technology for technology acquisition and use;
- 7 (g) Department of Tourism for tourism quality standards and accreditation;
- 8 (h) Development Academy of the Philippines for productivity tools and
9 technologies;
- 10 (i) National Wages and Productivity Commission/Regional Tripartite Wages
11 and Productivity Boards – for productivity training and technical
12 assistance;
- 13 (j) Technical Education and Skills Development Authority for skills training,
14 assessment, and certification; and,
- 15 (k) University of the Philippines – Institute for Small Scale Industries for
16 technical assistance for small scale industries.

17 In addition, any member of the PIC may also seek assistance from other
18 government agencies or private institutions other than those cited above when
19 developing and implementing their productivity improvement program.

20 *Sec. 16. Accreditation of Productivity Experts.* – The National Wages and
21 Productivity Commission shall establish an accreditation system for productivity
22 experts who will provide productivity-related services to enterprises. The productivity
23 expert shall pay an accreditation fee of Five thousand pesos (P5,000.00), to be
24 adjusted by the Commission as it may deem necessary.

25 The National Wages and Productivity Commission shall be allowed to utilize
26 fifty percent (50%) of the collected accreditation fee for the administration and
27 management of the accreditation system.

28 An initial seed fund of Fifty million pesos (P50,000,000.00) shall be drawn
29 from the innovation fund under Republic Act No. 11293, or the National Innovation
30 Act.

31 *Sec. 17. Assistance to Micro Enterprises.* – The NWPC shall develop
32 guidelines in the engagement of productivity experts who will provide technical

1 assistance to micro enterprises. Relative to this, accredited productivity experts are
2 entitled to receive honorarium pursuant to Department of Budget and Management's
3 rules and regulations.

4 The Development Academy of the Philippines, as the National Productivity
5 Organization, shall regularly enhance the capabilities of the pool of productivity
6 experts for free on advanced productivity technologies and systems.

7 *Sec. 18. Strengthening Workplace Bipartite Mechanism.* – The Department of
8 Labor and Employment (DOLE) shall formulate a program, in consultation with
9 employer and labor groups, to strengthen bipartite mechanism especially in the area
10 of bargaining focused on productivity.

11 *Sec. 19. Penalty.* – Any person who shall make any fraudulent claim under
12 this Act, regardless of whether or not a tax benefit has been granted, shall upon
13 conviction be punished with imprisonment of not less than six (6) months but not
14 more than one (1) year or a fine of not less than Twenty thousand pesos
15 (P20,000.00) but not more than Fifty thousand pesos (P50,000.00), or both, at the
16 discretion of the Court, without prejudice to prosecution for any other acts
17 punishable under existing laws.

18 In case of partnerships or corporations, the penalty shall be imposed upon
19 the officer(s) or employee(s) who knowingly approved, authorized or ratified the
20 filing of the fraudulent claim, and other persons responsible thereof.

21 *Sec. 20. Non-Diminution of Benefits.* – Nothing in this Act shall be construed
22 to diminish or reduce any benefits and other privileges enjoyed by workers under
23 existing laws, decrees, executive orders, company policy or practice, or any
24 agreement or contract between the employer and employees.

25 *Sec. 21. Public Sector.* – The Civil Service Commission and the Department of
26 Budget and Management may establish a similar system in the public sector.

27 *Sec. 22. Implementing Rules and Regulations.* – Within one hundred eighty
28 days (180) days from the effectivity of this Act, the National Wages and Productivity
29 Commission and the DOLE, in consultation with the other government agencies and
30 concerned stakeholders, shall issue the rules and regulations necessary to effectively
31 implement the provisions of this Act.

1 Sec. 23. *Separability Clause.* – Should any provision of this Act be declared
2 unconstitutional, the remainder thereof not otherwise affected shall remain in full
3 force and effect.

4 Sec. 24. *Repealing Clause.* – Republic Act No. 6971 is hereby repealed. All
5 laws, presidential decrees, executive orders, and proclamations or administrative
6 regulations that are inconsistent with the provisions of this Act are hereby repealed,
7 amended, or modified accordingly.

8 Sec. 25. *Effectivity.* – This Act shall take effect fifteen (15) days after its
9 publication in the Official Gazette or in a newspaper of general circulation.

Approved,