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REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



Senate  
Office of the Secretary

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SENATE

S.B. No. 693

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Introduced by Senator LOREN LEGARDA

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#### EXPLANATORY NOTE

This bill seeks to expand the coverage of the productivity incentives program, to include all branches, agencies and instrumentalities of the government and broaden its concept to include a productivity gainsharing program whereby employers and employees share in the fruits of improvement in productivity.

Republic Act No. 6971 or the Productivity Incentives Act of 1990 was enacted to provide incentives to both labor and capital for undertaking voluntary programs to ensure greater sharing by the workers in the fruits of their labor.

Under the said Act, productivity incentives program refers to a formal agreement established by the labor-management committee containing a process that will promote gainful employment, improve working conditions and result in increased productivity, including cost savings, whereby the employees are granted salary, bonuses proportionate to increases in current productivity over the average for the preceding three (3) consecutive years. A business enterprise which adopts a productivity incentives program shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total productivity bonuses given to employees under the program over and above the total allowable ordinary and necessary.

More than ten years into the implementation of the law, only a handful of business enterprises have adopted the program due to certain restrictive provisions of the law that make it hard to implement.

This bill addresses such concerns by introducing amendments aimed at making the law more responsive to the situations prevailing in labor and employment.

In view of the foregoing, immediate passage of this bill is earnestly requested.

LOREN LEGARDA

Senator



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AN ACT  
AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 6971  
OTHERWISE KNOWN AS "THE PRODUCTIVITY INCENTIVES ACT OF 1990"  
AND FOR OTHER PURPOSES

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

1 SECTION 1. Section 2 of Republic Act No. 6971, otherwise known as the  
2 "Productivity Incentives of 1990", is hereby amended to read, as follows:

3  
4 SEC. 2. Declaration of Policy - It is declared policy of the State  
5 to encourage higher levels of productivity IN ORDER THAT  
6 PHILIPPINE PRODUCTS SERVICES CAN MEET GLOBAL  
7 COMPETITION, maintain industrial peace and harmony and promote  
8 the principle of shared responsibility in the relations between workers  
9 and employers SO AS TO STRENGTHEN THE COOPERATION  
10 BETWEEN LABOR AND CAPITAL, recognizing the right of labor to  
11 its just in the fruits of production and the right of business enterprises  
12 to reasonable returns on investments and to expansion and growth,  
13 and accordingly to provide corresponding incentives to both labor and  
14 capital for undertaking voluntarily programs to ensure JUST SHARE  
15 BY THE WORKERS IN THE FRUITS OF THEIR LABOR IN  
16 RELATION TO THE PROFIT YIELDED TO THE EMPLOYER AS A  
17 RESULT OF INCREASED PRODUCTIVITY AND THUS, ENCHANCE  
18 THE IMPROVEMENT OF THE QUALITY OF LIFE OF THE  
19 EMPLOYEES [greater sharing by the workers in the fruits of their  
20 labor.]"  
21

1           **SEC. 2.** Section 3 of R.A. 6971 is hereby amended to read, as follows:

2  
3           **“SEC. 3. Coverage** - This Act shall apply to all business  
4 enterprises with or without existing and duly recognized  
5 COLLECTIVE BARGAINING REPRESENTATIVE [or certified labor  
6 organizations] including ALL government [owned and controlled  
7 corporations performing proprietary functions] INSTRUMENTALITIES  
8 AND SUBDIVISIONS THEREOF [INCLUDING] AND SECOND  
9 GENERATION GOVERNMENT CORPORATION OR ENTITIES. It  
10 shall cover all employees and workers REGARDLESS OF THEIR  
11 STATUS AND THE MANNER THEY ARE PAID THEIR SALARIES  
12 AND WAGES [including casual, regular, supervisory and managerial  
13 employees]”

14  
15           **SEC. 3.** Section 4 of R.A. 6971 is hereby amended to read as follows:

16  
17           **“SEC. 4. Definition of Terms** - As used in this Act:

- 18  
19           a. “Business Enterprises” refer to industrial, agriculture, or agro-  
20 industrial establishments engaged in the production,  
21 manufacturing, repacking, or assembly of goods, including service-  
22 oriented enterprises [, duly certified as such by appropriate  
23 government agencies].
- 24           b. [“Labor-Management Committee” refers to a negotiating body in a  
25 business enterprise composed of the representative of labor and  
26 management created to establish a productivity incentives  
27 programs, and to settle disputes arising therefrom in accordance  
28 with section 9 hereof.
- 29           c. [“Productivity Incentives Program” refers to a formal agreement  
30 VOLUNTARILY established by a [the] JOINT Labor-Management  
31 Committee OR ANY EXISTING LABOR MANAGEMENT  
32 MECHANISM containing a PRODUCTIVITY IMPROVEMENT  
33 PROGRAM (PIP) [process] that will promote gainful employment,  
34 improve working conditions, MAINTAIN INDUSTRIAL PEACE,  
35 [and] result in increased productivity [including cost savings] AND  
36 YIELD PROFITS TO THE EMPLOYER, AS WELL AS

1 PRODUCTIVITY GAINSHARING PROGRAM whereby the  
2 EMPLOYERS AND THE WORKERS SHARE IN THE RESULT OF  
3 IMPROVEMENT IN PRODUCTIVITY [whereby the employees are  
4 granted salary bonuses proportionate to increase in current  
5 productivity over the average for the preceding three (3)  
6 consecutive years. The agreement shall be ratified by at least a  
7 majority of the employees who have rendered at least six (6)  
8 months of continuous service].”  
9

10 **SEC. 4.** Section 5 of R.A. 6971 is hereby amended to read as follows:  
11

12 **“SEC. 5. Labor-management Committee -**

- 13
- 14 a. A business enterprise and/ or its employees, through their  
15 authorized representatives, may initiate the formation of a labor-  
16 management committee OR ANY LABOR-MANAGEMENT  
17 MECHANISM that shall be composed of [an equal number of]  
18 representatives from the management and from the rank-and-file  
19 employees. [:] IN CASE THERE IS ALREADY AN EXISTING  
20 LABOR MECHANISM IN THE ENTERPRISE, SUCH  
21 MECHANISM MAY BE USED, PROVIDED THAT IT INCLUDES  
22 AS ONE ITS OBJECTIVES THE DEVELOPMENT AND  
23 IMPLEMETATION OF PRODUCTIVITY INCENTIVES  
24 PROGRAM: Provided, [That both management and labor shall  
25 have equal voting rights: Provided, further,] That at the request of  
26 any party to the negotiation, the National Wages and Productivity  
27 Commission AND THE REGIONAL TRIPARTITE WAGES AND  
28 PRODUCTIVITY BOARDS of the Department of Labor and  
29 Employment shall provide the necessary studies, technical  
30 information and assistance, and expert advice to enable the parties  
31 to conclude productivity agreements.
- 32 b. In business enterprise without duly recognized COLLECTIVE  
33 BARGAINING REPRESENTATIVES, [or certified labor  
34 organizations,] the representatives of labor shall be elected by at  
35 least majority of all rank-and-file employees who have rendered at  
36 least six (6) months of continuous service.”

1  
2 **SEC. 5.** Section 6 of R.A. 6971 is hereby amended to read as follows;  
3

4 **"SEC. 6. Productivity Incentives Program -**

- 5  
6 a. The productivity incentives program shall contain flexible  
7 PROVISION for MEASURING PRODUCTIVITY CHANGES [the  
8 manner of sharing] and the factors in determining productivity  
9 bonuses AS WELL AS THE COVERAGE AND MANNER OF  
10 SHARING BONUSES [: Provided, That the productivity bonuses  
11 granted to labor under this program shall not be less than half of  
12 the percentage increase in the productivity of the business  
13 enterprise].  
14 b. Productivity agreement reached by the parties as provided in this  
15 Act MAY [shall] supplement existing collective bargaining  
16 agreements.  
17 c. If during the existence of the productivity incentives program or  
18 agreement, the employees will join or form a union, such program  
19 or agreement may, in addition to the terms and conditions agreed  
20 upon by labor and management, be integrated in the collective  
21 bargaining agreement that may be entered into between them.  
22

23 **SEC. 6.** Section 7 of R.A. 6971 is hereby amended to read as follows:  
24

- 25 a. Subject to the provisions of Section 6 hereof, a business enterprise  
26 which adopts a productivity incentives program, duly and  
27 mutually agreed upon by parties to the labor-management  
28 committee, shall be granted a special deduction from gross income  
29 equivalent to fifty percent (50%) of the total productivity bonuses  
30 given to employees under the PRODUCTIVITY INCENTIVES  
31 program over and above the total allowable ordinary and necessary  
32 business deduction for said bonuses under the National Internal  
33 Code, as amended.  
34 b. Grants for manpower training and special studies given to rank-  
35 and-file employees pursuant to SKILLS DEVELOPMENT  
36 ACTIVITIES UNDER THE PRODUCTIVITY INCENTIVE [a]

1 program [ prepared by the labor-management committee for the  
2 development of skills identified as necessary by the appropriate  
3 government agencies] shall also entitle the business enterprise to a  
4 special deduction from gross income equivalent to fifty percent  
5 (50%) of the total grants over and above the allowable ordinary and  
6 necessary business deductions for said grants under the National  
7 Internal Revenue Code, as amended.

8 c. Any AGREEMENT [strike or lockout] arising from any violation of  
9 the productivity incentives program shall BE RESOLVED BY  
10 PARTIES INVOLVED. HOWEVER, IN CASES WHERE A THIRD  
11 PARTY IS NEEDED, THE COMMITTEE MAY SEEK THE  
12 ASSISTANCE OF THE TRIPARITE WAGES AND  
13 PRODUCTIVITY BOARD (TWPB) WHICH WILL MEDIATE  
14 BETWEEN INVOLVED PARTIES TO ARRIVE AT AN  
15 AGREEMENT. THE TWPB WILL ACT ONLY AS AN ADVISORY  
16 BODY RENDERING INTERPRETATION AND CLARIFICATION  
17 TO HELP THE INVOLVED PARTIES TO ADOPT A FINAL  
18 RESOLUTION [suspend the effectivity thereof pending settlement  
19 of such strike or lockout]: Provided, That the business enterprise  
20 shall not be deemed to have forfeited tax incentives accrued prior  
21 to the date of occurrence of such DISAGREEMENT [strike or  
22 lockout,] and the workers shall be required to reimburse the  
23 productivity bonuses already to them under the incentives  
24 program. Likewise, bonuses which have already accrued before the  
25 DISAGREEMENT [strike or lockout] shall be paid the workers  
26 within THE PERIOD OF six (6) months from their accrual.

27 d. THE FREQUENCY OF PAYMENT OF PRODUCTIVITY BONUS  
28 SHALL BE THE RESULT OF THE STUDY MADE BY PARTIES  
29 CONCERNED [Bonuses provided for under the productivity  
30 incentives program shall be given to the employees not later than  
31 (6) months from the starts of such program over and above existing  
32 bonus granted by the business enterprise and by law]: Provided,  
33 that the said bonuses shall not be deemed as salary increases due  
34 the employees and workers.

35 e. SUCH BONUSSES PROVIDED TO THE EMPLOYEES SHALL BE  
36 TAX FREE [The special deduction from gross income provided for

1           herein shall be allowed starting the next taxable year after the  
2           effectivity of this Act]."

3  
4       **SEC. 7.** Section 8 of R.A. 6971 is hereby amended to read as follows:

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6           **"SEC. 8. Notification** - A bonuses enterprises which adopts a  
7           productivity incentives program shall submit copies of the same to the  
8           APPROPRIATE REGIONAL TRIPARTITES WAGES AND  
9           PRODUCTIVITY BOARD (RTWPB) OF THE NATIONAL WAGES  
10          AND PRODUCTIVITY COMMISSION (NWPC) and [to] the bureau of  
11          internal Revenue for their information and record.'

12  
13       **SEC. 8.** Section 9 of R.A. 6971 is hereby amended to read as follows:

14  
15           **"SEC. 9. Disagreement** - [Disputes and grievances] - Where  
16          DISAGREEMENT [disputes, grievance,] or other matters arise from  
17          the interpretation or implementation of the productivity incentives  
18          program, the [labor-management] committee CREATED TO  
19          ESTABLISH THE PRODUCTIVITY INCENTIVES PROGRAM shall  
20          meet to resolve the DISAGREEMENT [dispute, and]. THE  
21          COMMITTEE may REFER THE DISAGREEMENT OR DIFFERENCES  
22          TO THE REGIONAL TRIPARTITE WAGES AND PRODUCTIVITY  
23          BOARD (TWPB) WHICH WILL MEDIATE BETWEEN INVOLVED  
24          PARTIES TO ARRIVE AT AN AGREEMENT. THE TWPB WILL ACT  
25          ONLY AS AN ADVISORY BODY RENDERING INTERPELATION  
26          AND CLARIFICATION TO HELP THE INVOLVED PARTIES TO  
27          ADOPT A FINAL RESOLUTION [seek assistance of the National  
28          Conciliation and Mediation Board of the Department of Labor and  
29          Employment for such purpose. Any dispute which remains unresolved  
30          within twenty (20) days from the time of its submission to the labor-  
31          management committee shall be submitted for voluntary arbitration in  
32          line with the pertinent provisions of the Labor Code, as amended.

33  
34           The productivity incentives program shall include the name(s)  
35          of the voluntary arbitrator or panel voluntary arbitrators previously  
36          chosen and agreed upon by the labor-management committee]."

1  
2       **SEC. 9.** Section 10 of R.A. 6971 is hereby amended to read, as follows:

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4               **“SEC. 10. Rule Making Power** - The Secretary of Labor and  
5       Employment and the Secretary of Finance, IN CONSULTATION  
6       WITH THE DEPARTMENT OF BUDGET AND MANAGEMENT,  
7       CIVIL SERVICE COMMISSION AND THE NATIONAL WAGES AND  
8       PRODUCTIVITY COMMISSION, [after due notice and hearing], shall  
9       jointly promulgate and issue [within six (6) months from the effectivity  
10      of this Act] such rules and regulations as necessary to carry out the  
11      provision OF THE ACT [hereof].”

12  
13       **SEC. 10.** Sections 2 to 9 of R.A. 6971 and all references thereto in said law are  
14      hereby repealed or modified accordingly. All other laws, decrees, executive orders,  
15      rules and regulations and other issuances or parts thereof inconsistent with this Act  
16      are hereby repealed, amended or modified accordingly.

17  
18       **SEC. 11.** The Department of Labor and Employment is hereby directed to  
19      make the necessary amendments to the Implementing Rules and Regulations of  
20      Republic Act No. 6971 in order to reflect the changes embodied in this Act.

21  
22       **SEC. 12.** If any provision of this Act is declared unconstitutional or invalid,  
23      the other provisions of this Act not otherwise affected thereby shall remain in full  
24      force and effect.

25  
26       **SEC. 13.** This Act shall take effect fifteen (15) days after publication in two (2)  
27      newspapers of general circulation.

28  
29       Approved,