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SENATE

Senate Bill No. 425

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Introduced by Senator FRANCIS N. PANGILINAN

AN ACT
INCREASING THE SERVICE INCENTIVE LEAVE OF EMPLOYEES, AMENDING
FOR THE PURPOSE ARTICLE 95 OF PRESIDENTIAL DECREE NO. 442, AS
AMENDED, OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES

EXPLANATORY NOTE

The World Health Organization has just recently recognized burnout - a syndrome conceptualized as a resulting from chronic workplace stress that has not been successfully managed - as a medical condition in its International Classification of Diseases. Persons with burnout suffer from energy depletion, exhaustion, feelings of negativism and cynicism related to one's job, and reduced productivity in the workplace.

The Labor Code, as amended, currently grants five days of service incentive leave per year to every employee who has rendered at least one year of service. Employees may use these service incentive leaves to prevent burnout in the workplace. Taking more leaves may even boost one's productivity levels. In a research study made by the U.S. Travel Association, which was cited by the Harvard Business Review, employees who took fewer than 10 vacation leaves per year had a 34.6% likelihood of receiving a raise or bonus in a three-year period of time while those who took 10 or more vacation leaves per year had almost double the chance of receiving a raise or bonus which is at 65.4%.¹

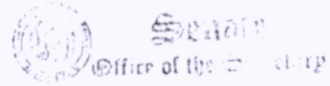
In line with the health and productivity benefits of giving leaves to employees, this bill seeks to increase the number of mandatory service incentive leaves from 5 per year to 10 per year.

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



FRANCIS N. PANGILINAN

¹ <https://hbr.org/2016/07/the-data-driven-case-for-vacation>



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

1 **SECTION 1.** Article 95 of Presidential Decree No. 442, as amended, is hereby
2 amended to read as follows:

3 "Article 95. Right to service incentive leave -

4 (a) Every employee who has rendered at least one year of service shall be
5 entitled to a yearly service incentive leave of [five] **TEN** days with
6 pay, **PROVIDED THAT, THE EMPLOYEE SHALL BE ENTITLED**
7 **TO CONVERT ONLY FIVE DAYS OF LEAVE TO ITS MONEY**
8 **EQUIVALENT IF NOT USED OR EXHAUSTED AT THE END OF**
9 **THE YEAR.**

10 (b) This provision shall not apply to those who are already enjoying the
11 benefit herein provided, those enjoying vacation leave with pay of at
12 least [five] **TEN** days and those employed in establishments regularly
13 employing less than ten employees or in establishments exempted
14 from granting this benefit by the Secretary of Labor and Employment
15 after considering the viability or financial condition of such
16 establishment.

1 (c) The grant of benefit in excess of that provided herein shall not be
2 made a subject of arbitration or any court or administrative action.”

3 **SEC. 2. *Implementing Rules and Regulations.*** – Within ninety (90) days from the
4 approval of this Act, the Department of Labor and Employment, in consultation with
5 relevant stakeholders, shall promulgate the implementing rules and regulations of this
6 Act.

7 **SEC. 3. *Repealing Clause.*** – All statutory laws, orders, issuances, rules and
8 regulations, and/or parts thereof which are inconsistent with the provisions of this Act
9 are hereby repealed or modified accordingly.

10 **SEC. 4. *Separability Clause.*** – If any portion or provision of this Act is declared
11 invalid or unconstitutional, the portions or provisions which are not affected shall
12 remain valid and effective.

13 **SEC. 5. *Effectivity.*** – This Act shall take effect after fifteen (15) days following its
14 publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,