

FOURTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SENATE  
OFFICE OF THE SECRETARY

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SENATE

RECEIVED BY: 

S.B. No. 656

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Introduced by Senator JINGGOY EJERCITO ESTRADA

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#### EXPLANATORY NOTE

This proposed law seeks to grant workers and employees the right to own initially, free of charge and subsequently buy certain percentage of the shares of stocks in business enterprises and other institutions and to enable them to participate in the Board of Directors or any other equivalent corporate or policy-making body in the establishment they work for.

This proposed legislation therefore, will make workers part or co-owners of the corporations or institutions they have worked with through the years.

The passage of this bill into law will bring about the following benefits, among others:

- (1) Workers' co-ownership will induce or spur domestic trade or activity. The increase in disposable income will translate into consumption or increases in savings which in turn would find their ways into the financial market to fund expansion or investment in new plants and factories. This in turn implies greater income, employment and marketable products or merchandise.
- (2) With inspired workers, the quality of goods produced will also improve. Quality produce enhances competitiveness in both domestic and foreign markets. The desire for increased earnings will motivate the worker-owner produce quality goods.
- (3) Plans for low-cost housing can easily be implemented at the corporate level with workers able to address both the problems of financing and affordability.
- (4) Unnecessary strikes and work stoppages will soon become a thing of the past. Wasteful production can be avoided and efficient and effective use of corporate resources ensured.
- (5) Fraudulent and deceptive transfer of corporate profits and resources will be discouraged.
- (6) Increased incomes for millions of workers will broaden the tax base for government revenue generation.
- (7) The newly acquired status of being "co-owners" will encourage workers to study further to cope with changing knowledge and technology. This in turn will make for an enlightened citizenry.

(8) The right of workers to "co-determination" as envisioned in the Constitution will now be operationalized.

The basis for proposed workers co-ownership are amply provided for in the various sections of the Philippine Constitution specifically in Article XII on the National Economy and Patrimony, Article XIII on Social Justice and Human Rights, and finally in Article II on the Declaration of Principles and State Policies.

This proposed bill therefore seeks to provide an "enabling law" and transform into concrete policy and program the afore-quoted provisions on "workers co-ownership" in the Philippine Constitution.

Workers' experience under an unbridled capitalism is most agonizing. It consigns the workers to live forever in the depths of poverty. Workers under this system work like slaves for their employers. "Collective Bargaining" may have alleviated their suffering but the clamor for better treatment remains unsolved.

The State therefore, must intervene in order to promote distributive justice. The enactment of this proposed bill on workers' co-ownership is one such intervention to "humanize" work and the production process. Thus, the immediate passage of this bill is most earnestly sought.

  
JINGGOY EJERCITO ESTRADA  
Senator

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AN ACT

GRANTING WORKERS THE RIGHT TO OWN AND SUBSEQUENTLY TO BUY A CERTAIN PERCENTAGE OF AUTHORIZED SHARES OF STOCKS OF ANY COMMERCIAL, INDUSTRIAL, AGRICULTURAL ENTERPRISES, INCLUDING GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS AS WELL AS RELIGIOUS, MEDICAL OR EDUCATIONAL INSTITUTIONS OPERATED FOR PROFIT AND TO ENSURE WORKERS' REPRESENTATION IN NON-PROFIT CORPORATIONS AND ENTERPRISES, AND TO ENCOURAGE PRODUCTIVITY, PROMOTE AND MAINTAIN INDUSTRIAL PEACE

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

SECTION 1. **Short Title.** - This Act shall be known as the "Workers Co-ownership Act".

SEC. 2. **Declaration of Policy.** - It is the policy of the State to regulate the acquisition, ownership, use and disposition of property and its increments for the common good, promote the principle of shared responsibilities between workers and employers to foster industrial peace, recognizing the rights of labor to its just share in the fruits of production and the right of enterprises to reasonable returns of investments, expansion and growth, affording the rights of the workers to participate in policy and decision-making processes affecting their rights, benefits and general welfare in line with the duty of the State to promote distributive and social justice in all phases of national development.

SEC. 3. **Coverage.** - This Act shall apply to all business enterprises, corporations and cooperatives, including government-owned or controlled corporations performing proprietary functions or purely governmental or quasi-proprietary function as well as religious, medical or educational institutions operated for profit or not. It shall cover all employees and workers including casual, regular, supervisor and non managerial employees who have rendered at least one (1) year of continuous service and who are members of labor unions or cooperatives existing in their establishments or agencies.

SEC. 4. **Definition of Terms.** - For the purposes of this Act, the following definitions shall apply:

- (1) "Business Enterprises" refer to commercial, industrial, agricultural or agro-industrial establishments engaged in the production, manufacturing, processing, repacking or assembly and distribution of goods, including service-oriented enterprises duly registered as such by appropriate government agencies.
- (2) "Government-owned and controlled corporations performing proprietary functions" refer to corporations registered under the Corporation Code whose charters invest them with proprietary or pecuniary interest and those which actually operate for profit.

- (3) "Medical Institutions" refer to hospitals, clinics or any medical facilities that dispense health care services as contemplated in the *Magna Carta of Health Workers*.
- (4) "Educational Institutions" refer to privately owned technical, vocational or special schools, colleges and universities, including state colleges and universities but excluding the primary and secondary public school system and pre-need educational institutions or corporations that provide education related services.
- (5) "Workers co-ownership" refer to a system whereby workers are made part or joint owners of the means of production in a given business enterprise, establishment, including non-stock corporations. Ownership shall be in the form of shares of stocks entitlements or any form of conveyance as to confer title of a thing or object.
- (6) "Workers Cooperatives" refer to certified labor organizations whether in the private or public sector, organized for the purpose of representing their members in collective bargaining or negotiations and duly registered with the Department of Labor and Employment or the Civil Service Commission.

**SEC. 5. Automatic Transfer of Shares of Stocks and Rights to Corporate Management Board.** - Any commercial, industrial, agricultural, or agro-industrial enterprises or cooperatives, including any government owned or controlled corporations as well as any religious, medical or educational institution operated for profit with at least ten (10) years of corporate existence is hereby required to allocate or cede free of monetary consideration, ten percent (10%) or such other percentage not less than ten percent (10%) of its authorized stock to its workers' cooperatives or labor union. Provided, that such workers cooperatives or labor unions shall be duly registered with the Cooperative Development Authority or the Securities and Exchange Commission, as the case may be.

**SEC. 6. Option to Buy another Thirty Percent (30%) of Authorized Shares of Stocks.** - The workers' cooperative or labor unions mentioned in the preceding section shall have the further right and option to buy another thirty percent (30%) of the authorized capital stock of the said business enterprises or establishment.

Consideration for the issuance of the shares of stock to the workers' cooperatives or labor unions pursuant to this section shall be paid for by the Philippine government through any of its government financial institutions by means of loan granted by the latter to the former through financial intermediation negotiated for the purpose, which the former will pay at subsidized lending rate of not more than five percent (5%) per annum.

**SEC 7. Stock Purchase beyond Forty Percent (40%) of the Authorized Capital Stock.** - Purchase by the workers cooperatives or labor unions beyond forty percent (40%) of the authorized capital stock of business enterprises and institutions shall be made through voluntary negotiations between the existing owners of the shares of stocks and the workers cooperatives or labor unions.

**SEC. 8. Purchase of Stocks of Newly-Organized Business Enterprises or Institutions.** - Any newly-organized commercial, industrial, agricultural or agro-industrial enterprise or cooperative, including any government-owned or controlled corporations as well as any religious, medical or educational institutions operated for profit is hereby required to allocate and offer to sell the same to the workers' cooperative or labor union forty percent (40%) of its authorized capital stock. The union or cooperatives can avail of this option to purchase said shares of stock within a period of one (1) year from the corporation's organization and registration.

Consideration for the issuance of said shares of stocks to the workers cooperatives or labor unions shall be made in cash to be paid by the Philippine Government thru a government financial institution by means of a loan granted by the

latter to the former through financial intermediation negotiated for such purpose which the workers' cooperative or labor union will repay at subsidized lending rates of not more than five percent (5%) per annum.

**SEC. 9. Government-Owned and Controlled Corporations.** - Employees of Government-owned and controlled corporations performing proprietary functions shall be entitled to at least ten percent (10%) profit sharing and a seat in the Board of Directors thru their duly elected union representative.

**SEC. 10. Non-Stock, Non Profit Corporations, Institutions and Cooperatives.** - In non-stock government-owned or controlled corporations, religious, medical educational institutions, including state colleges and universities and cooperatives not organized for profit, the duly recognized and certified labor organizations shall be entitled to at least one (1) seat in the Board of Directors or any other equivalent corporate or policy-making body with full voting rights. *Provided*, That in case there is no recognized or certified labor union or organization in the corporation or institution, the workers' representative shall be elected from among their ranks. *Provided further*, That in the case of non-stock government corporations, the workers' representatives therein shall be appointed by the President of the Philippines.

**SEC. 11. Non-Diminution of Rights and Benefits.** - Nothing in this Act shall be construed as a waiver of the workers' right to self organization, collective bargaining and negotiation and peaceful concerted activities, including the right to strike; nor to diminish or reduce any benefits and other privileges enjoyed by the workers under the existing laws, decrees, executive orders, company policy or practice or any other agreement or contract between the employer and employees.

**SEC. 12. Sanction.** - Any violation or circumvention of this Act shall be considered an unfair labor practice and punishable in accordance with Title VI of P.D. 442, otherwise known as "The Labor Code of the Philippines", as amended by B.P. Blg. 70 and B.P. Blg. 130.

Foreign nationals found violating or circumventing the provisions of this Act shall be deported immediately from the country.

**SEC. 13. Implementing Rules and Regulations.** - The Secretary of the Department of Labor shall, within thirty (30) days from effectivity of this Act, constitute and convene a tripartite body for the purpose of formulating the rules and regulations as are necessary to carry out the provisions hereof.

**SEC. 14. Separability Clause.** - If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

**SEC. 15. Repealing Clause.** - Any laws, decrees, executive orders, letter of instructions and rules and regulations or any part thereof which is inconsistent with any of the provisions of this Act is hereby repealed or modified accordingly.

**SEC. 16. Effectivity Clause.** - This Act shall take effect fifteen (15) days following its complete publication in at least two (2) newspapers of general circulation.

*Approved,*