

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

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SENATE  
 S. No. 1842

JUL 10 2012

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Introduced by Senator Miriam Defensor Santiago

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#### EXPLANATORY NOTE

Republic Act No. 6715 took effect on March 21, 1989. The said Act amends several provisions of Presidential Decree No. 442, as amended, also known as the Labor Code of the Philippines. One of the amended provisions is Article 110 which deals with the worker's preference in case of bankruptcy or liquidation of the employer's business. Upon reading of the said provision one is led to think that the unpaid wages and/or money claims of workers enjoy preference over all other claims of creditors and the government.

In the case of *Development Bank of the Philippines v. National Labor Relations Commission*, 183 SCRA 328 (1990), the Supreme Court held that, "Because of its impact on the entire system of credit, Article 110 of the Labor Code cannot be viewed in isolation but must be read in relation to the Civil Code scheme on classification and preference of credit." The highest tribunal of the land has repeatedly enunciated this doctrine in several other cases.

Due to the present state of our jurisprudence, Article 110 is misleading. This bill seeks to remove any ambiguity in the interpretation of Article 110 of the Labor Code of the Philippines.\*

*Miriam Defensor Santiago*  
 MIRIAM DEFENSOR SANTIAGO  
*dfh*

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\* This bill was re-filed during the Thirteenth Congress, First Regular Session.

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Introduced by Senator Miriam Defensor Santiago

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1 AN ACT  
2 AMENDING PRESIDENTIAL DECREE NO. 442, AS AMENDED, ALSO KNOWN AS THE  
3 LABOR CODE OF THE PHILIPPINES, ARTICLE 110, ON THE CLASSIFICATION,  
4 CONCURRENCE AND PREFERENCE OF WORKERS' UNPAID WAGES IN CASE OF  
5 THEIR EMPLOYERS' BANKRUPTCY

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

8 SECTION 1. The Labor Code as amended, Article 110 is hereby amended to read as  
9 follows:

10 "Article 110. Worker Preference in Case of Bankruptcy. – In the event of  
11 bankruptcy or liquidation of an employer's business, his workers shall enjoy first  
12 preference as regards their unpaid wages and other monetary claims, any  
13 provision of law to the contrary notwithstanding. Such unpaid wages and  
14 monetary claims shall be paid in full before the claims of the Government and  
15 other creditors may be paid, PROVIDED THAT THE PROVISION OF THIS  
16 ARTICLE MUST BE READ IN RELATION TO THE PROVISIONS OF THE  
17 CIVIL CODE CONCERNING THE CLASSIFICATION, CONCURRENCE  
18 AND PREFERENCE OF CREDITS."

19 SECTION 2. *Repealing Clause.* - Any law, presidential decree or issuance, executive  
20 order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent  
21 with, the provisions of this Act is hereby repealed, modified or amended accordingly.

1           SECTION 3. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its  
2 publication in at least two (2) newspapers of general circulation.

3           Approved,