

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

OFFICE

10 JUL 13 2011

SENATE

S.B. No. 1377

Introduced by Senator Loren Legarda

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.

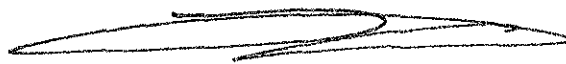
Republic Act No. 6971 or the Productivity Incentives Act of 1990 was enacted to provide incentives to both labor and capital for undertaking voluntary programs to ensure greater sharing by the workers in the fruits of their labor.

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

OFFICE OF THE CLERK
SENATE
10 JUL 13 1992

SENATE
S.B. No. 1377

Introduced by Senator Loren Legarda

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 negotjation, 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 BONUSES 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:

5
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 PRODUTIVITY INCENTIVES PROGRAM shall meet
20 to resolve the DISAGREEMENT [dispute, and]. THE COMMITTEE
21 may REFER THE DISAGREEMENT OR DIFFERENCES TO THE
22 REGIONAL TRIPARTITE WAGES AND PRODUCTIVITY BOARD
23 (TWPB) WHICH WILL MEDIATE BETWEEN INVOLVED PARTIES
24 TO ARRIVE AT AN AGREEMENT. THE TWPB WILL ACT ONLY AS
25 AN ADVISORY BODY RENDERING INTERPELATION AND
26 CLARIFICATION TO HELP THE INVOLVED PARTIES TO ADOPT A
27 FINAL RESOLUTION [seek assistance of the National Conciliation
28 and Mediation Board of the Department of Labor and Employment for
29 such purpose. Any dispute which remains unresolved within twenty
30 (20) days from the time of its submission to the labor-management
31 committee shall be submitted for voluntary arbitration in line with the
32 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:

3
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 MANAGEMAE^NT,
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,