

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



20th CONGRESS
First Regular Session

HOUSE BILL NO. 387

Introduced by. REP. JUAN CARLOS "ARJO" C. ATAYDE

AN ACT REGULATING THE USE OF ARTIFICIAL INTELLIGENCE AND AUTOMATION SYSTEMS IN THE LABOR INDUSTRY AND FOR OTHER PURPOSES

Artificial Intelligence (AI) refers to development of computer systems that can perform tasks typically requiring human intelligence. AI algorithms are designed to develop expert systems capable of making predictions or classifications using input data means systems that can: (a) perceive an environment through data acquisition, process and interpret the derived information, and take actions or imitate intelligent behavior to achieve a specified goal; and (b) learn from past behavior and results and adapt their behavior accordingly.

According to advocates for the use of AI, the said technology has the capacity to greatly enhance productivity and efficiency thus ushering a new era marked by increased employment opportunities. In other jurisdictions, AI has already been applied in the human resources sector particularly in the following aspects: (a) recruitment and hiring; (b) process improvement; and (c) automation of administrative tasks; and (d) records management. However, many fear that the same poses threats to the labor force. There is fear that the use of AI will result in displacement by substituting human workers who will then lose their jobs.

Addressing these industry-related concerns demand a multifaceted approach. This means developing transparent AI systems and governance policies, ensuring the passage of regulatory laws, and investing in education and reskilling programs to help workers adapt to the changing landscape in the labor industry.

It is important to create a clear framework on the use of AI to minimize the chances of discrimination. The government should set forth policies in welcoming the

adoption of new technologies such as artificial intelligence that would augment human intelligence and skills without destroying or replacing jobs.

This measure seeks to promote labor augmentation as employers may deem useful and/or beneficial in the workplace as an administrative tool or an integrated or complementary part to process workflows provided that AI governance policies are in place for compliance.

To address the growing concerns of the industry stakeholders, this proposed measure prohibits employers from making their decisions based solely on recommendations or results solely generated by the use of AI or automated systems. Moreover, replacement of human workers, displacement, loss of security of tenure, or diminution of existing salaries and/or benefits because of the adoption and use of AI and automation technologies.

In view of the state policy to promote labor augmentation rather than labor replacing technologies, the passage of this bill is urgently sought.



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PURPOSES**

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

1 **Section 1. Short Title.** – This Act shall be known as the “Protection of Labor
2 Against Artificial Intelligence (AI) Automation Act.”

3 **Section 2. Declaration of Policy.** – It is the policy of the State to ensure
4 protection and safeguard the livelihood and security of tenure of its citizens through
5 regulation of the possible implementation of artificial intelligence (AI) and/or
6 automation technologies in the workforce. The State is mandated to strike a balance
7 between the right of business owners or employers to reasonable return on investment
8 aided by technological advancements and the preservation of employment
9 opportunities for the people.

10 **Section 3. Definition of Terms.** – For purposes of this Act, the following terms
11 shall be defined as stated below:

12 a. *Artificial Intelligence (AI)* - refers to an interdisciplinary domain that blends
13 computer science with extensive datasets to facilitate problem-solving. It encompasses
14 subdomains like machine learning and deep learning, which are often discussed in
15 association with AI. These subfields involve AI algorithms designed to develop expert
16 systems capable of making predictions or classifications using input data means
17 systems that can: (a) perceive an environment through data acquisition, process and
18 interpret the derived information, and take actions or imitate intelligent behavior to

1 achieve a specified goal; and (b) learn from past behavior and results and adapt their
2 behavior accordingly;

3 b. *Automated Systems* - refers to technologies or software that rely on algorithms
4 and data-driven processes which shall in effect make the hiring decision without
5 significant human intervention;

6 c. *Automation* - refers to the use of technology and machinery to perform tasks
7 or processes with minimal human intervention. It involves the design, development,
8 and implementation of systems and software that can carry out repetitive or complex
9 actions automatically, efficiently, and accurately; and

10 d. *Human Workers* - refers to any human personnel engaged by an employer
11 regardless of employment status.

12 **Section 4. Artificial Intelligence (AI) Governance Policies.** – Employers may
13 adopt AI software that they may deem useful and/or beneficial in the workplace as
14 an administrative tool or an integrated or complementary part to process workflows,
15 *Provided*, that the use of AI in operations is regulated through the creation of an AI
16 Governance Policy to provide employees with guidelines for AI adoption and usage
17 in the workplace, how the collection, use and storage of data are compliant to the Data
18 Privacy Act of 2012, and other important information relating thereto.

19 Such AI Governance Policy may allow employees to use AI in business
20 processes and workflows, subject to limitations made known to the employees
21 through said policy. Employees are enjoined to consult their policy in the event of
22 uncertainty as to a specific application and use of AI and on the propriety of use
23 thereof.

24 Employers shall ensure the use of AI software in a legally compliant manner.
25 They shall see to it that AI Governance Policies are periodically updated to comply
26 with existing laws and policies.

27 **Section 5. Prohibited Acts.** –

28 a. Employers and recruitment entities shall be prohibited from using AI or
29 automated systems as their sole or primary basis in the hiring and termination
30 of employees. Human evaluation, discretion and judgment shall always be a
31 significant factor or part in the hiring and termination process. Any use of AI
32 or automated systems during the said processes shall be directly supervised
33 and complemented by human oversight.

1 b. The use of AI and automation technologies to replace human workers resulting
2 in displacement, loss of security of tenure, diminution of existing salaries or
3 benefits or unemployment is hereby prohibited unless an equivalent
4 alternative employment opportunity for affected human workers are made
5 available.

6 **Section 6. Retrenchment.** – The prohibition set forth in Section 4(b) not apply
7 in cases of retrenchment, *Provided*, that (1) the losses incurred are substantial and not
8 de minimis; (2) the losses are actual or reasonably imminent; (3) the retrenchment is
9 reasonably necessary and is likely to be effective in preventing the expected losses; (4)
10 the alleged losses, if already incurred, or the expected imminent losses sought to be
11 forestalled, are proven by sufficient and convincing evidence; (5) the employer
12 exercises its prerogative to retrench in good faith; and (6) the employer uses fair and
13 reasonable criteria in ascertaining who would be retrenched or retained.

14 In the event of a valid retrenchment, AI and/or automation technologies may
15 be used for operational purposes, subject to approval of the Department of Labor, after
16 submission of a report containing the following details:

- 17 1. Reason/s or justification for the proposed retrenchment;
- 18 2. Proposed use of AI and/or automation systems in lieu of human workers solely
19 for operational purposes and other important details thereof;
- 20 3. The number of human workers likely to be affected by the proposed
21 retrenchment;
- 22 4. The selection method of choosing retrenches which in no case be aided by AI;
- 23 5. The proposed date when retrenchment is to be effected;
- 24 6. The severance pay and other benefits to be provided to the affected workers;
- 25 7. The number of employees retrenched in the past years; and
- 26 8. The date, time, and place of consultation with the employees or their unions
27 with proof thereof.

28 **Section 7. Industry Necessity of AI and Automation Technologies** – This Act
29 shall not apply to industries or positions where AI and automation technologies are
30 deemed necessary for safety, efficiency, or the overall benefit of society, provided that
31 appropriate measures are taken to mitigate job displacement.

32 **Section 8. Reportorial Requirements.** – Employers shall be required to report
33 any planned implementation of AI or automation technologies that may lead to job
34 displacement to the relevant labor authorities and provide documentation outlining
35 the impact assessment and mitigation measures. The said report shall likewise come
36 up with measures to mitigate the negative impact on human capital prior to the
37 implementation of AI or automation technologies.

1 **Section 9. Transition Assistance and Reskilling. -**

2 a. Employers implementing AI or automation technologies that result in
3 permissible job displacement under this Act shall be obligated to provide transition
4 assistance to affected human workers. Transition assistance may include severance
5 packages, extended benefits, and support for skills development.

6 b. Government agencies shall establish reskilling and upskilling programs to
7 facilitate the transition of affected workers into new roles within the evolving job
8 market.

9 **Section 10. Employee Evaluations and Performance Assessments Using**
10 **Artificial Intelligence.** - Employers shall ensure fairness, non-discrimination, and
11 compliance with applicable laws relating to labor in the conduct of employee
12 evaluations and performance assessments aided by AI. They shall:

- 13 a. Maintain transparency in the use of AI systems in employee evaluations,
14 Provided, that employees are informed prior to the evaluation that AI
15 technology will be used in assessing their performance with the right to request
16 for further details regarding the evaluation process;
- 17 b. Put in place clear procedures for the calibration, monitoring, and validation of
18 AI systems to be used to ensure accuracy and reliability;
- 19 c. Secure the informed consent from the employee before the use of AI;
- 20 d. Provide training to personnel in charge of using and administering of AI
21 systems; and
- 22 e. Conduct regular reviews and audits of all AI systems to assess the impact on
23 employees.

25 **Section 11. Right to Refuse.** - Employees have the right to communicate with
26 their employer their objection to or refusal to undergo AI-driven evaluations and may
27 request for an alternative evaluation method. Such employees shall in no way be
28 discriminated against for such refusal.

29 **Section 12. Role of the Department of Labor and Employment.** - The
30 Department of Labor and Employment has the authority to oversee and compel the
31 submission of AI Governance Policies to ensure compliance with existing laws, rules,
32 and regulations, and are compliant with the ethical standards of business and the
33 industry in consultation with relevant government agencies or offices. It shall likewise
34 monitor and assess the compliance of employers with the provisions of this law.

35 **Section 13. Data Privacy** - All data collected and processed by AI systems in
36 employee evaluations shall be handled in accordance with the Data Privacy Act of

1 2012. Employers are required to implement effective security measures to safeguard
2 employee data from unauthorized access.

3 **Section 14. Penalties.** – Any person who willfully or knowingly does or
4 permits, or causes to be done any violation of this Act shall be punished with
5 imprisonment of not less than six (6) months or more than six (6) years, and if the
6 offender is an alien, he/she shall be subject to deportation proceedings.

7 **Section 15. Violations of Juridical Entities.** – If the violation is committed by a
8 corporation, partnership, association, or other juridical entity, the penalty of
9 imprisonment mentioned in the preceding paragraph shall be imposed on the
10 responsible directors or officers thereof, and the lack of corporate personality shall not
11 be raised as a defense in case the juridical entity is unregistered.

12 **Section 16. Implementing Rules and Regulations.** – Within six (6) months from
13 the approval of this Act, the Department of Labor and Employment shall promulgate
14 the Implementing Rules and Regulations (IRR) of this Act.

15 **Section 17 Separability Clause.** – If any section or provision of this Act is held
16 unconstitutional or invalid, the other sections or provisions shall not be affected.

17 **Section 18. Repealing Clause.** – All laws, Presidential decrees, executive orders
18 and rules and regulations, or parts thereof, inconsistent with the provisions of this Act
19 are hereby repealed or modified accordingly.

20 **Section 19. Effectivity.** – This Act shall take effect fifteen (15) days from the
21 date of its complete publication in at least two (2) newspapers of general circulation.

22 Approved,