

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SEVENTEENTH CONGRESS
1st Regular Session

House Bill No. 928

HOUSE OF REPRESENTATIVES	
RECEIVED	
DATE:	04 JUL 2016
TIME:	4:18 pm
BY:	[Signature]
REGISTRATION UNIT BILLS AND INDEX SERVICE	

Introduced by Hon. Francis Gerald Aguinaldo Abaya

EXPLANATORY NOTE

This bill aims to strengthen the promotion of productivity incentives and gainsharing program in the Philippines, thereby amending for the purpose Republic Act No. 6971, otherwise known as the "Productivity Incentives Act of 1990" by liberalizing specific provisions, providing for other incentives for employers and employees to establish productivity incentives and gainsharing program and enabling the Commission to provide the necessary studies, technical information and assistance, and expert advice in order for the parties to conclude productivity agreements.

Despite the declaration in R.A. No. 6971, that it is the policy of the State to encourage higher levels of productivity, maintain industrial peace, and promote the principle of shared responsibility in employee-employer relationship, it has been observed that since its effectivity in November 1990, only eleven (11) companies have applied to avail of the benefits under the Act and only one (1) firm has met the requirements of the law because of the tight mandatory requirements on productivity measurement and sharing schemes. This contravenes the voluntary nature of the law.

The ability of the Philippines to compete in the world market hinges critically on the ability of its enterprises to produce quality goods and services in the most efficient and reliable way. To achieve this, it is necessary that firms become oriented towards increasing the overall productivity and competitiveness of managers and workers.

The proposed bill introduces an incentive based pay on productivity improvement and gainsharing in support of wage policies under Republic Act 6727 or the Wage Rationalization Act.

The incentive is a form of compensation, on top of the basic salaries and wages, given to workers based on improvements in productivity and performance of both the company and its workforce. It allows workers and management to develop their own productivity incentives program, determine the sharing scheme, frequency of distribution of bonus and the measurement of productivity gains.

The creation of a Productivity Committee in the workplace is mandated, but it also recognizes any labor-management mechanism composed of the representatives of labor and management created to establish a productivity incentives and gainsharing program. It also allows labor and management to decide on the terms and conditions of the productivity incentives and gainsharing program, and permits the same to be outside the ambit of collective bargaining agreement.

Further, it entitles business enterprise adopting productivity improvement and performance incentive program, special deductions from the gross income up to fifty percent (50%) of the total productivity bonuses given to employees under the program over and above the total allowable ordinary and necessary business deductions for said grants under the National Internal Revenue Code, as amended.

For the foregoing reasons, the approval of this bill is earnestly sought.


FRANCIS GERALD AGUINALDO ABAYA
Representative, First District, Cavite

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**“AN ACT ESTABLISHING A PRODUCTIVITY IMPROVEMENT PROGRAM,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE
KNOWN AS THE “PRODUCTIVITY INCENTIVES ACT OF 1990”**

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

1 **SECTION 1. Declaration of Policy.** – It is the declared policy of the State to:

2 (a) Encourage higher levels of productivity in all industries so that Philippine
3 products and services can compete in the global economy;

4 (b) Maintain industrial peace and harmony and promote the principles of
5 partnership and shared responsibility in the relations between workers and
6 employers, recognizing the right of labor to its just share in the fruits of production
7 and the right of business enterprises to reasonable returns on investments for
8 expansion and growth; and

9 (c) Provide corresponding incentives to both labor and capital for undertaking
10 voluntary programs to improve productivity.

11 **SECTION 2. Coverage.** – This Act shall apply to all business enterprises with
12 or without existing and duly recognized collective bargaining representatives. It shall
13 cover all private sector employees and workers regardless of their position,
14 designation or status and irrespective of the manner by which their wages are paid.

15 **SECTION 3. Definition of Terms.** – As used in this Act:

16 (a) Business Enterprise refers to a private industrial, agricultural or agro-
17 industrial establishment engaged in the production, manufacturing, processing,
18 repacking, or assembly of goods. It also refers to a service-oriented enterprise;

1 (b) Productivity Incentives Committee refers to a negotiating body in a
2 business enterprise composed of representatives of labor and management created
3 to establish a productivity incentives program, and to settle issues arising from the
4 interpretation or implementation of the said program;

5 (c) Productivity Incentives Program refers to a formal agreement voluntarily
6 established by a productivity incentives committee or to any existing labor
7 management mechanism containing a productivity incentives program that will
8 promote gainful employment, improve working relations and conditions, and result in
9 increased productivity and efficiency, including cost savings; and

10 d) Gainsharing refers to a productivity-based incentives pay formulated to
11 complement the productivity incentives program where workers and employers share
12 in the positive results of business operations brought about by productivity
13 improvements. The gainsharing system may take the form of profit sharing or other
14 forms of gainsharing mechanisms such as productivity bonus, performance bonus,
15 production bonus, and other similar schemes.

16 **SECTION 4. *Advisory on Productivity Incentives Schemes.*** – The
17 Regional Tripartite Wages and Productivity Boards (RTWPBs) shall issue an
18 advisory on productivity incentive schemes based on the guidelines issued by the
19 National Wages and Productivity Commission (NWPC).

20 **SECTION 5. *Productivity Incentives Committee.*** – A business enterprise or
21 its employees, through their authorized representatives, may initiate the formation of
22 a productivity incentives committee that shall be composed of an equal number of
23 representatives from the workers and from the management. Both workers and
24 management shall have equal voting rights in the committee.

25 In case there is an existing labor-management mechanism in the enterprise
26 similar to a productivity incentives committee, the mechanism may suffice: Provided,
27 That its composition, voting rights, and the manner by which the labor-management
28 mechanism is created is in accordance with the provisions of this section. The
29 productivity incentives committee shall establish and implement a productivity
30 incentives program and settle issues arising from it in accordance with Section 9 of
31 this Act.

32 At the request of any party to the negotiation, the NWPC or the RTWPBs may
33 provide the necessary studies, technical information and assistance, and expert
34 advice to enable the parties to comply with productivity agreements.

1 In business enterprises with duly recognized collective bargaining
2 representatives, the representatives of labor shall be those designated by the
3 collective bargaining agent(s) of the bargaining units(s).

4 In business enterprises without duly recognized or certified labor
5 organizations, the representatives of labor shall be elected by at least a majority of
6 all rank-and-file employees who have rendered at least six (6) months of continuous
7 service.

8 **SECTION 6. *Productivity Incentives Program.*** – The productivity incentives
9 program, duly ratified by the employees, shall contain, among others, provisions for
10 measuring productivity and efficiency improvements, sharing of productivity bonuses,
11 coverage, percentage sharing, forms of bonus payment, and manner and frequency
12 of distribution, in accordance with the terms and conditions that may be agreed upon
13 by both labor and management.

14 Productivity agreements voluntarily reached by the parties as provided in this
15 Act are without prejudice to any company policy, contract or collective bargaining
16 agreement (CBA) providing higher productivity incentives.

17 **SECTION 7. *Incentives.*** – (a) Subject to the provisions of Section 6 of this
18 Act, a business enterprise which adopts a productivity incentives program, duly and
19 mutually agreed upon by parties to the productivity incentives committee or any
20 labor-management mechanism, shall be granted a special deduction from the gross
21 income equivalent to fifty percent (50%) of the total productivity bonuses given to
22 employees under the program over and above the total allowable ordinary and
23 necessary business deductions for said bonuses under the National Internal
24 Revenue Code of 1997, as amended.

25 (b) Grants for manpower training and special studies given to rank-and-file
26 employees, pursuant to a skills development program prepared by the productivity
27 incentives committee under the productivity incentives program, shall also entitle the
28 business enterprise to a special deduction from gross income equivalent to fifty
29 percent (50%) of the total grants over and above the allowable ordinary and
30 necessary business deductions under the National Internal Revenue Code of 1997,
31 as amended.

32 (c) The special deductions from gross income provided for herein shall be
33 allowed starting the next taxable year after the effectivity of this Act.

(d) Priority training programs and services from the Department of Labor and Employment (DOLE) and other partner government agencies shall be given to business establishments adopting productivity incentives programs.

SECTION 8. Notification. – A business enterprise which adopts a productivity incentive program shall submit copies of the same to the appropriate RTWPB and to the Bureau of Internal Revenue (BIR) for their information and records.

SECTION 9. Issues and Grievances. – Whenever issues, grievances, or other matters arise from the interpretation or implementation of the productivity incentives program, the productivity incentives committee shall meet to resolve the issue within fifteen (15) days from receipt of a formal complaint. The parties shall agree on whether or not to suspend the implementation of the productivity incentives program pending the resolution of the issue: Provided, That the business enterprise shall not be deemed to have forfeited any tax incentives accrued prior to the date of occurrence of such issue or grievance, and the workers shall not be required to reimburse the productivity bonuses already granted to them under the productivity incentives program. Likewise, bonuses that have already accrued before the issue or grievance shall be paid to the workers within six (6) months from their accrual. Any issue which remains unresolved within thirty (30) days from the time of its submission to the productivity incentives committee shall be submitted for voluntary arbitration in line with the pertinent provisions of the Labor Code, as amended.

SECTION 10. Non-diminution of Benefits. – Nothing in this Act shall be construed to diminish or reduce any benefits and other privileges enjoyed by the workers under existing laws, decrees, executive orders, company policy or practice, or any agreement or contract between the employer and employees.

SECTION 11. Implementing Rules and Regulations. – The Secretary of Labor and Employment and the Secretary of Finance, in consultation with the NWPC, the National Conciliation and Mediation Board (NCMB), the BIR, the Center for Industrial Competitiveness (CIC), the Technical Education and Skills Development Authority (TESDA), labor organizations and employer organizations, shall jointly promulgate and issue within six (6) months from the effectivity of this Act such rules and regulations as are necessary to carry out the provisions of this Act.

The DOLE, the Department of Trade and Industry (DTI), and the designated national productivity organization in the Philippines shall conduct an extensive public

1 information campaign to promote the adoption of productivity incentives programs at
2 the workplace.

3 **SECTION 12. *Separability Clause.*** – If any provision of this Act is declared
4 unconstitutional, the same shall not affect the validity and effectivity of the other
5 provisions hereof.

6 **SECTION 13. *Repealing Clause.*** – Republic Act No. 6971, otherwise known
7 as the “Productivity Incentives Act of 1990”, is hereby repealed. All laws, decrees,
8 executive orders, issuances, rules and regulations or parts thereof inconsistent with
9 the provisions of this Act are hereby repealed or modified accordingly.

10 **SECTION 14. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
11 publication in the Official Gazette or in a newspaper of general circulation.

12 Approved,
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