



HOUSE OF REPRESENTATIVES

House Bill No. 5701

Introduced by Representative Virgilio S. Lacson

EXPLANATORY NOTE

Article II, Section 18 of the 1987 Constitution provides that “the State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare”.

Likewise, Article XIII, Section 3 of the 1987 Constitution further provides that:

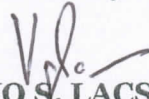
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The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns to investments, and to expansion and growth.”

To strike a balance between labor and capital has been the aim of the government in enacting its laws. It is the duty of the State to help its citizens seek employment, as well as to help them seek re-employment in case of their separation.

This measure seeks to mandate employers to provide an unemployment assurance benefit fund for employees, which would help balance the interest of both labor and capital by discouraging contractualization, and also promoting regularization.

In view of the foregoing, immediate passage of the bill is earnestly sought.


VIRGILIO S. LACSON
Manila Teachers Party-List

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**AN ACT MANDATING PRIVATE BUSINESS ENTERPRISES TO CONTRIBUTE
AND SET ASIDE AN AMOUNT FOR THE BENEFIT OF ITS EMPLOYEES AND
CONTRACTEE'S EMPLOYEES OR THE UNEMPLOYMENT LABOR
ASSURANCE MUTUAL FUND ACT.**

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

Sec 1. *Short Title.* – This Act shall be known as “*Unemployment Labor Assurance Mutual Fund Act* or **ULAM FUND ACT**”.

Sec. 2. *Declaration of Policy.* – The State shall ensure to balance the interests of both labor and capital in order to have a harmonious and sound working environment.

The State shall also provide means in helping its citizens to obtain re-employment in case of separation.

Sec. 3. *Definition of Terms* –

a. *Employee* – the term includes persons employed on a non-regular basis or those who are contracted by an employer to provide labor services.

b. *Employer* – a private business enterprise employing and/or contracting the services of at least five hundred (500) persons. For purposes of this Act, it shall include principals of agencies in a legitimate-job contracting agreement, supplying labor personnel to said principals.

c. *Employment Service Provider* – an accredited entity engaged in the business of seeking employment.

d. *Involuntary Separation* – the term includes separation of an employee from employment without the consent and without cause by the employee, on grounds including but not limited to those provided for by articles 282, 283, and 284 of the Labor Code, and the end of period or contract of the employee.

Sec. 4. *Employment Service Provider.* – For purposes of this Act, the DOLE Secretary shall accredit employment service providers whose business and purpose is for local

deployment of workers. The accreditation of the employment service provider shall be for primarily seeking jobs for the separated employee. The Mutual Fund Manager/Administrator shall only deal with DOLE accredited employment service provider whose purpose is to seek employment for the separated employee.

Sec. 5. Covered Employers. – For purposes of being covered by this Act, private business enterprises employing and/or contracting the services of at least five hundred (500) employees, whether regular or non-regular, including anyone employed or contracted for less than six (6) months, except those employed for a specific result which may be achieved within less than six (6) months, regardless of the area of designation or location of the said employees.

This Act shall cover business enterprises or group of employers with similar franchises, holding companies, subsidiaries, affiliates, or conglomerates.

Sec. 6. Duty to Contribute and Remit to the Unemployment Mutual Fund. – Within Fifteen (15) days from the end of each month of employment, the employer shall, at no cost to the employee, remit to the unemployment mutual fund an amount equivalent to Twenty percent (20%) of the employee's monthly salary.

The employer shall withhold from the monthly salary of the employee as the employee's contribution to the mutual fund an amount equivalent to Five percent (5%), to be remitted to the unemployment mutual fund within the same period.

The obligation to withhold the amount stated above to the mutual fund manager/administrator shall begin on the first month of employment or at the start of the contract of the employee.

Sec. 7. Additional contributions in case of indirect hiring. – In case the employee was hired or contracted through a manpower agency, an additional Five percent (5%) of the salary of each employee, to be contributed by the manpower agency, at no additional cost to the employee, shall be advanced by the employer, to be deducted from the amount to be paid to the manpower agency, and such is remitted to the mutual fund. The additional contribution shall be used for activities for employment, training, education and/or research.

Sec. 8. Unemployment Assurance Mutual Benefit Fund. – Unless the accredited employment service provider had placed the separated employee under a new employment, the separated employee shall be entitled to receive One-Third (1/3) of the total amount contributed by his or her employer on the Thirtieth (30th) day of his unemployment; he shall then be entitled to receive the second, then the third and last on the sixtieth (60th) and ninetieth (90th) day of his continued unemployment, respectively.

The Five Percent (5%) employee's contribution shall be managed by a non-profit entity as the mutual fund manager/administrator primarily for the fund's administration, employment activities, research, trainings, and insurance benefits for it's contributor and it's beneficiaries that will be under the approval and supervision of the INSURANCE COMMISSION.

The mutual fund manager/administrator with the assistance of Department of Labor and Employment (DOLE) shall be provided by the necessary information and data to ensure viability, efficient management and operation of the mutual fund. Employers, employees, manpower agencies, employment service providers and other entities could be sanctioned

by DOLE and / or Insurance Commission for withholding or refusing to provide necessary information and reports for the effective implementation of this Act.

Sec. 9. *Three Strike Rule.* – The accredited employment service provider shall seek employment for the separated employee for a period of Ninety (90) days from the date of the involuntary separation. The separated employee, within the said period, shall have Three (3) offers to accept the employment offered by the employment service provider. Within the same period, the employment service provider can make three (3) attempts or job offers to place the separated employee for a new employment. The job offered must be similar or reasonably equivalent to employee's previous employment including job location.

In case the separated employee refuses to accept the third (3rd) job offer before the lapse of the Ninety (90) day period, the accredited employment service provider shall be relieved of its duty of seeking employment for the said employee, and the remaining funds shall be automatically forfeited.

The compensation of the accredited employment service provider shall be the months contributed by the employer for the benefit of its non-regular employees that have not been allocated to the employee.

Sec. 10. *Determination of involuntary separation.* – In case of involuntary separation, the employee shall receive the unemployment assurance benefit, despite the pendency of the determination by any tribunal or court of the legality of termination, without prejudice to the outcome of the case.

Sec. 11. *Regularization of an Employee.* – In case an employee is regularized by the employer as provided for under the Labor Code, the employer shall be entitled for the refund of the total amount of its contributions to the unemployment assurance benefit fund.

Sec. 12. *Exempted Employers.* – Employers whose rate of regularization of its employees is Eighty percent (80%) per annum shall be exempted from the coverage of this Act.

Sec. 13. *Punishable Acts.* – Officers or agents of the employer who fail to make the monthly remittance to the unemployment mutual fund shall be criminally liable and shall be punished by a fine of not less than Five thousand pesos (P5,000.00) but not more than Twenty thousand pesos (P20,000.00), or imprisonment of not less than six (6) months and one (1) day but not more than six (6) years, or both, at the discretion of the Court.

Notwithstanding, the employer, whether a natural or juridical person, shall be charged with twelve percent (12%) interest per annum plus twenty percent (20%) penalty of the remittable amount upon due date.

Sec. 14. *Separability Clause.* – If any provision or portion of this Act is declared unconstitutional, the remainder of this Act or any provision not thereby affected shall remain in full force and effect.

Sec. 15. *Repealing Clause.* – All laws, decrees, executive orders, ordinances, rules, regulations, and other issuances, or parts thereof, which are inconsistent with any provision of this Act, are hereby repealed, amended, and/or modified accordingly.

Sec. 16. *Implementing Rules and Regulations.* – The Department of Labor and Employment and Insurance Commission shall issue the implementing rules and regulations

to implement the provisions of this Act within ninety (90) days from the effectivity of this Act.

Sec. 17. *Effectivity*. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,