

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

EIGHTEENTH CONGRESS  
First Regular Session

House Bill No. 3952



---

Introduced by Representative Juan Miguel Macapagal Arroyo

---

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

**EXPLANATORY NOTE**

Presently, labor and management relations are characterized as confrontational when discussing and settling basic and significant issues affecting wages, benefits and conditions of work. As a result, the productivity expected both from labor and management suffers thereby lessening their ability to compete and survive as one entity.

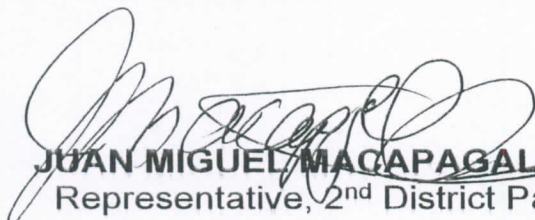
It is ideal as it is realistic that the success of any business enterprise largely depends on the atmosphere and cooperation of labor with management and vice versa.

This bill, granting productivity incentives to laborers in the private sector, is a recognition of their indispensable contribution to the success of the business enterprise. It likewise seeks to promote and provide measures for the mutual benefit and industrial harmony between labor and management.

Through this legislative initiative, the worker's rights to uplift and improve their lives as well as the management's rights to a reasonable return on their investments are satisfied through their cooperative endeavors.

The granting of Productivity Incentive Bonus for labor will not only serve as additional income but will work as an incentive for greater productivity. This increased productivity will definitely benefit the business enterprise.

It is in this light that the approval of this measure is earnestly requested.

  
**JUAN MIGUEL MACAPAGAL ARROYO**  
Representative, 2<sup>nd</sup> District Pampanga

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

EIGHTEENTH CONGRESS  
*First Regular Session*

House Bill No. 3952

---

Introduced by Representative Juan Miguel Macapagal Arroyo

---

**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 the House of Representatives of the Philippines in Congress assembled:

Section 1. *Declaration of Policy* - It is the declared policy of the State to:

- (a) Encourage higher levels of productivity in all industries so that Philippine products and services can compete in the global economy;
- (b) Maintain industrial peace and harmony and promote the principles of partnership and shared responsibility in the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of business enterprises to reasonable returns on investments for expansion and growth; and
- (c) Provide corresponding incentives to both labor and capital for undertaking voluntary programs to improve productivity.

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

Section 3. *Definition of Terms*. - As used in this Act:

- a. *Business Enterprise* refers to a private industrial, agricultural or agro-industrial establishment engaged in the production, manufacturing, processing, repacking, or assembly of goods. It also



refers to a service-oriented enterprise;

- b. *Productivity Incentives Committee* refers to a negotiating body in a business enterprise composed of representatives of labor and management created to establish a productivity incentives program, and to settle issues arising from the interpretation or implementation of the said program;
- c. *Productivity Incentives Program* refers to a formal agreement voluntarily established by a productivity incentives committee or to any existing labor management mechanism containing a productivity incentives program that will promote gainful employment, improve working relations and conditions, and result in increased productivity and efficiency, including cost savings; and
- d. *Gainsharing* refers to a productivity-based incentive pay formulated to complement the productivity incentives program where workers and employers share in the positive results of business operations brought about by productivity improvements. The gainsharing system may take the form of profit sharing or other forms of gainsharing mechanisms such as productivity bonus, performance bonus, production bonus, and other similar schemes.

Section 4. *Advisory on Productivity Sharing Scheme.* - The Regional Tripartite Wages and Productivity Boards (RTWPBs) shall issue an advisory on productivity incentive schemes based on the guidelines issued by the National Wages and Productivity Commission (NWPC).

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

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

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

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

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

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

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

Section 7. *Incentives.* - (a) Subject to the provisions of Section 6 of this Act, a business enterprise which adopts a productivity incentives program, duly and mutually agreed upon by parties to the productivity incentives committee or any labor-management mechanism, shall be granted a special deduction from the 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 business deductions for said bonuses under the National Internal Revenue Code of 1997, as amended.

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



(c) The special deductions from gross income provided for herein shall be 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 information campaign to promote the adoption of productivity incentives programs at the workplace.

Section 12. *Separability Clause.* - If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

Section 13. *Repealing Clause.* - Republic Act No. 6971, otherwise known as the "Productivity Incentives Act of 1990", is hereby repealed. All laws, decrees, executive orders, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved.