

1 Republic of the Philippines
2 **HOUSE OF REPRESENTATIVES**
3 Batasan Hills, Quezon City

4
5 **EIGHTEENTH CONGRESS**
6 First Regular Session

7 House Bill No. **2878**
8
9



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11
12 Introduced by
13 **HON. YEDDA MARIE K. ROMUALDEZ**
14 and
15 **HON. FERDINAND MARTIN G. ROMUALDEZ**
16

17
18 **EXPLANATORY NOTE**
19

20 This bill proposes to amend proposes to amend Presidential Decree No.
21 442, known as the Labor Code of the Philippines and institute the rationalization
22 of wage levels on a per industry basis, instead of the current regional minimum
23 wage structure. For this purpose, it seeks to abolish the existing Regional
24 Tripartite Wages and Productivity Boards (RTWPBs) and instead empower the
25 National Wages and Productivity Commission to determine and fix the national
26 minimum wage rates according to industries and address regional wage
27 distortions.

28
29 The current regional minimum wage set-up, introduced by Republic Act
30 6727, otherwise known as the Wage Rationalization Act, allows each region in
31 the Philippines has a unique minimum wage set by the Regional Tripartite
32 Wages and Productivity Boards (RTWPBs) based on the poverty threshold,
33 employment rate, and cost of living specific to the region. As a result, however,
34 despite its original intent to encourage industries to disperse to areas outside
35 Manila, Cebu and Davao and other urban areas, wage distortions have
36 emerged in different regions. The RTWPBs have failed to ensure decent
37 standard of living for the Filipino workers, especially in the regional
38 countryside, especially since there is a significant disparity in wages across
39 regions while the difference in the cost of living is minimal.

40
41 The rationalization of wage levels on a per industry basis will result in
42 equitable pay between workers in the different regions and in the process,
43 decongest the country's overpopulated capital, which is often the top choice of
44 workers due to higher wages. Most businesses still concentrate in these urban
45 centers where the bulk of their markets or customers are, intensifying the
46 internal migration to urban centers.
47

1 Replacing the regional with an industrial-based minimum wage set-up
2 will ensure that the national minimum wage remains responsive to certain
3 peculiarities unique to each industry. With an equitable pay structure between
4 urban and rural workers, industries will now be encouraged to invest in regions
5 where operating and production costs are significantly lower than in the urban
6 centers. This will result in higher income productivity and ensure a more
7 inclusive economic growth that will benefit ordinary Filipino workers and their
8 families.

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

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16 **Rep. YEDDA MARIE K. ROMUALDEZ**
17 Representative, Tingog Sinirangan

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21 **Rep. FERDINAND MARTIN G. ROMUALDEZ**
22 Representative, First District of Leyte
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16

17
18 **AN ACT PROVIDING FOR THE RATIONALIZATION OF WAGE LEVELS ON**
19 **A NATIONAL AND INDUSTRIAL BASIS, AMENDING FOR THIS PURPOSE**
20 **PRESIDENTIAL DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN**
21 **AS THE LABOR CODE OF THE PHILIPPINES**
22

23
24 *Be it enacted by the Senate and the House of the Representatives of the*
25 *Philippines in Congress assembled:*
26

27 **Section 1.** In line with the declared policy of the State to promote the
28 productivity-improvement and gain-sharing measures to ensure a decent
29 standard of living for the workers and their families and to guarantee the rights
30 of labor to its just share in the fruits of production, Article 99 of Presidential
31 Decree No. 442, as amended, is hereby amended and Articles 121, 122, 123,
32 124, 126, and 127, are hereby incorporated into Presidential Decree No. 442,
33 as amended to read as follows:
34

35 "Article 99 [~~Regional~~] *Minimum Wages*. - The NATIONAL
36 minimum wage rates for agricultural and non-agricultural
37 employees and workers [~~in each and every region of the~~
38 ~~country~~] shall be those prescribed by the [~~Regional Tripartite~~
39 ~~Wages and Productivity Boards~~] NATIONAL WAGES AND
40 PRODUCTIVITY COMMISSION."

1 "Article 121. *Powers and Functions of the Commission.* -

2 The Commission shall have the following powers and functions:

3 "(a) To act as the national consultative and advisory body
4 to the President of the Philippines and Congress on matters
5 relating to wages, incomes and productivity;

6 "(b) To formulate policies and guidelines on wages,
7 incomes and productivity improvement at the enterprise,
8 industry and national levels;

9 "(c) TO DETERMINE AND FIX NATIONAL MINIMUM
10 WAGES RATES ACCORDING TO INDUSTRIES AND TO
11 ISSUE THE CORRESPONDING WAGE ORDERS;

12 "~~[(e)]~~ (d) To prescribe rules and guidelines for the
13 determination of appropriate minimum wage and productivity
14 measures at the ~~[regional, provincial or]~~ industry levels;

15 "~~[(d) To review regional wage levels set by the Regional~~
16 ~~Tripartite Wages and Productivity Boards to determine if these~~
17 ~~are in accordance with prescribed guidelines and national~~
18 ~~development plans;]~~

19 "(e) To undertake studies, researches and surveys
20 necessary for the attainment of its functions and objectives, and
21 to collect and compile data and periodically disseminate
22 information on wages and productivity and other related
23 information, including, but not limited to, employment, cost-of-
24 living, labor costs, investments and returns;

25 "~~[(f) To review plans and programs of the Regional~~
26 ~~Tripartite Wages and Productivity Boards to determine whether~~
27 ~~these are consistent with national development plans;]~~

28 "~~[(g) To exercise technical and administrative~~
29 ~~supervision over the Regional Tripartite Wages and Productivity~~
30 ~~Boards;]~~

31 "~~[(h)]~~ (f) To call, from time to time, a national tripartite
32 conference of representatives of government, workers and

1 employers for the consideration of measures to promote wage
2 rationalization and productivity; AND

3 "[~~(f)~~] (g) To exercise such powers and functions as may
4 be necessary to implement this Act.

5 "The Commission shall be composed of the Secretary
6 of Labor and Employment as ex-officio chairman, the Director-
7 General of the National Economic and Development Authority
8 (NEDA) as vice-chairman, and two (2) members each from
9 workers and employers sectors who shall be appointed by the
10 President of the Philippines upon recommendation of the
11 Secretary of Labor and Employment to be made on the basis of
12 the list of nominees submitted by the workers and employers
13 sectors, respectively, and who shall serve for a term of five (5)
14 years. The Executive Director of the Commission shall also be
15 a member of the Commission.

16 "The Commission shall be assisted by a Secretariat to
17 be headed by an Executive Director and two (2) Deputy
18 Directors, who shall be appointed by the President of the
19 Philippines, upon the recommendation of the Secretary of Labor
20 and Employment.

21 The Executive Director shall have the same rank, salary,
22 benefits and other emoluments as that of a Department
23 Assistant-Secretary, while the Deputy Directors shall have the
24 same rank, benefits and other emoluments as that of a Bureau
25 Director. The members of the Commission representing labor
26 and management shall have the same rank, emoluments and
27 allowances and other benefits as those prescribed by law for
28 labor and management representatives in the Employees'
29 Compensation Commission.

30
31 "Article 121. *Creation of [Regional] INDUSTRY Tripartite*
32 *Wages and Productivity Boards.* – ~~[There is hereby created~~

1 ~~Regional]~~ THE COMMISSION SHALL ESTABLISH INDUSTRY
2 Tripartite Wages and Productivity Boards, hereinafter referred
3 to as ~~[Regional]~~ INDUSTRY Boards, ~~[in all regions, including~~
4 ~~autonomous regions as may be established by law. The~~
5 ~~Commission shall determine the offices/headquarters of the~~
6 ~~respective Regional Boards]~~ IN INDUSTRIES WHERE IT
7 DEEMS APPROPRIATE TO DO SO.

8 “The ~~[Regional]~~ INDUSTRY Boards shall have the
9 following powers and functions in their respective ~~[territorial]~~
10 INDUSTRIES:

11 “(a) To develop plans, programs and projects relative to
12 wages, incomes and productivity improvement for their
13 respective ~~[regions]~~ INDUSTRIES;

14 “(b) To determine and fix minimum wage rates applicable
15 in their ~~[regions, provinces or]~~ INDUSTRIES ~~[therein]~~ and to
16 issue the corresponding wage orders, subject to guidelines
17 issued by the Commission;

18 “(c) To undertake studies, researches, and surveys
19 necessary for the attainment of their functions, objectives and
20 programs, and to collect and compile data on wages, incomes,
21 productivity and other related information and periodically
22 disseminate the same;

23 “(d) To coordinate with the other ~~[Regional]~~ INDUSTRY
24 Boards as may be necessary to attain the policy and intention
25 of this ~~[Code]~~ ACT;

26 “(e) To receive, process and act on applications for
27 exemption from prescribed wage rates as may be provided by
28 law or any Wage Order; and

29 “(f) To exercise such other powers and functions as may
30 be necessary to carry out their mandate under this ~~[Code]~~ ACT.

31 ~~“[Implementation of the plans, programs, and projects of~~
32 ~~the Regional Boards referred to in the second paragraph, letter~~

1 (a) of this Article, shall be through the respective regional offices
2 of the Department of Labor and Employment within their
3 territorial jurisdiction; Provided, however, That the Regional
4 Boards shall have technical supervision over the regional office
5 of the Department of Labor and Employment with respect to the
6 implementation of said plans, programs and projects.]

7 "Each [Regional] INDUSTRY Board shall be composed
8 of the [Regional Director] Secretary of the Department of Labor
9 and Employment as chairman, the [Regional Directors]
10 SECRETARIES of the National Economic and Development
11 Authority and the Department of Trade and Industry as vice-
12 chairmen and two (2) members each from worker' and
13 employers' sectors who shall be appointed by the President of
14 the Philippines, upon the recommendation of the Secretary of
15 Labor and Employment, to be made on the basis of the list of
16 nominees submitted by the workers' and employers' sectors,
17 respectively, and who shall serve for a term of five (5) years.

18 "Each [Regional] INDUSTRY Board to be headed by its
19 chairman shall be assisted by a Secretariat."
20

21 "Article 12[3]2. *Wage Order.* - Whenever conditions in
22 the [region] country so warrant, the [Regional Board]
23 COMMISSION shall investigate and study all pertinent facts;
24 and based on the standards and criteria herein prescribed, shall
25 proceed to determine whether a Wage Order should be issued.
26 Any such Wage Order shall take effect after fifteen (15) days
27 from its complete publication in at least [one (1) newspaper of
28 general circulation in the region.] TWO (2) NEWSPAPERS OF
29 GENERAL CIRCULATION.

30 "In the performance of its wage determining functions,
31 the [Regional Board] COMMISSION shall conduct public
32 hearings/consultations, giving notices to employees' and

1 employers' groups, provincial, city, municipal officials and other
2 interested parties.

3 "Any party aggrieved by the Wage Order issued by the
4 [~~Regional Board~~] COMMISSION may [~~appeal~~] SEEK A
5 RECONSIDERATION OF such order [~~to the Commission~~]
6 within ten (10) calendar days from the publication of such order.

7 "It shall be mandatory for the Commission to decide such
8 [~~appeal~~] MOTION FOR RECONSIDERATION within sixty (60)
9 calendar days from the filing thereof.

10 "The filing of the [~~appeal~~] MOTION FOR
11 RECONSIDERATION does not stay the order unless the
12 person appealing such order shall file with the Commission an
13 undertaking with a surety or sureties satisfactory to the
14 Commission for the payment to the employees affected by the
15 order of the corresponding increase, in the event such order is
16 affirmed."

17
18 "Article 12[4]3. *Standards/Criteria for Minimum Wage*
19 *Fixing.* - The [~~regional~~] NATIONAL minimum wage[s] to be
20 established by the [~~Regional Board~~] COMMISSION shall be as
21 nearly adequate as is economically feasible to maintain the
22 minimum standards of living necessary for the health, efficiency
23 and general well-being of the employees within the framework
24 of the national economic and social development program. In
25 the determination of such [~~regional~~] minimum wage, the
26 [~~Regional Board~~] COMMISSION shall, among other relevant
27 factors, consider the following:

28 "(a) The demand for living wages;

29 "(b) Wage adjustment vis-a-vis the consumer price
30 index;

31 "(c) The cost of living and changes or increases therein;

32 "(d) The needs of workers and their families;

1 ~~"[(e) The need to induce industries to invest in the~~
2 ~~countryside;]~~

3 ~~"[(f)] (E) Improvements in standards of living;~~

4 ~~"[(g) The prevailing wage levels;]~~

5 ~~"[(h)] (F) Fair return of the capital invested and capacity~~
6 ~~to pay employers; AND~~

7 ~~"[(i) Effects on employment generation and family~~
8 ~~income;]~~

9 ~~"[(f)](G) The equitable distribution of income and wealth~~
10 ~~along the imperatives of economic and social development."~~

11 "The [wages] WAGE prescribed in accordance with the
12 provisions of the Title shall be the standard prevailing
13 NATIONAL minimum [~~wages in every region~~] WAGE. [These
14 wages] THIS shall include wages varying within industries
15 [~~provinces or localities~~] if in the judgment of the [Regional
16 Board] COMMISSION conditions make such local
17 differentiation proper and necessary to effectuate the purpose
18 of this title.

19 "Any person, company, corporation, partnership or any
20 other entity engaged in business shall file and register annually
21 with the [~~appropriate Regional Board~~] COMMISSION and the
22 Philippine Statistics Authority an itemized listing of their labor
23 component, specifying the names of their workers and
24 employees below the managerial level, including learners,
25 apprentices and disabled/handicapped workers who were hired
26 under the terms prescribed in the employment contracts, and
27 their corresponding salaries and wages.

28 "Where the application of any prescribed wage increase
29 pursuant to law or Wage Order issued by [any] THE [Regional
30 Board] COMMISSION results in distortions of the wage
31 structure within an establishment, the employer and the union
32 shall negotiate to correct the distortions. Any dispute arising

1 from wage distortions shall be resolved through the grievance
2 procedure under their collective bargaining agreement and, if it
3 remains unresolved, through voluntary arbitration. Unless
4 otherwise agreed by the parties in writing, such dispute shall be
5 decided by the voluntary arbitrator or panel of voluntary
6 arbitrators within ten (10) calendar days from the time said
7 dispute was referred to voluntary arbitration.

8 "In cases where there are no collective agreements or
9 recognized labor unions, the employers and workers shall
10 endeavor to correct such distortions. Any dispute arising
11 therefrom shall be settled through the National Conciliation and
12 Mediation Board and, if it remains unresolved after ten (10)
13 calendar days of conciliation, shall be referred to the
14 appropriate branch of the National Labor Relations Commission
15 (NLRC). It shall be mandatory for the NLRC to conduct
16 continuous hearings and decide the dispute within twenty (20)
17 calendar days from the time said dispute is submitted for
18 compulsory arbitration.

19 "The pendency of a dispute arising from a wage
20 distortion shall not in any way delay the applicability of any
21 increase in prescribed wage rates pursuant to the provisions of
22 law or Wage Order.

23 "As used herein, a wage distortion shall mean a situation
24 where an increase in prescribed wage rates results in the
25 elimination or severe contraction of intentional quantitative
26 differences in wage or salary rates between and among
27 employee groups in an establishment as to effectively obliterate
28 the distinctions embodied in such wage structure based on
29 skills, length of service, or other logical bases of differentiation.

30 "All workers paid by result, including those who are paid
31 on piecework, *takay*, *pakyaw* or task basis, shall receive not
32 less than the prescribed wage rates per eight (8) hours of work

1 a day, or a proportion thereof for working less than eight (8)
2 hours.

3 "All recognized learnership and apprenticeship
4 agreements shall be considered automatically modified insofar
5 as their wage clauses are concerned to reflect the prescribed
6 wage rates."

7
8 "Article 126. *Prohibition against Injunction.* - No
9 preliminary or permanent injunction or temporary restraining
10 order may be issued by any court, tribunal or other entity against
11 any proceedings before the Commission [~~or the Regional~~
12 ~~Boards~~]."

13
14 "Article 127. *Non-diminution of Benefits.* - No Wage
15 Order issued by [~~any Regional Board~~] THE COMMISSION shall
16 provide for wage rates lower than the statutory minimum wage
17 rates prescribed by Congress."

18
19 **Section 2.** (a) Exempted from the provisions of this Act are household
20 or domestic helpers and persons employed in the personal service of another,
21 including family drivers.

22
23 Retail/service establishments regularly employing not more than ten
24 (10) workers may be exempted from the applicability of this Act upon
25 application with and as determined by the Commission. Whenever an
26 applicant for exemption has been duly filed with the Commission, action on
27 any complaint for alleged non-compliance with this Act shall be deferred
28 pending resolution of the application for exemption by the Commission.

29
30 In the event that applications for exemptions are not granted,
31 employees shall receive the appropriate compensation due them as may be

1 granted them pursuant to this Act plus interest of one percent (1%) per month
2 retroactive to the effectivity of this Act.

3
4 (b) If expressly provided for and agreed upon in the collective bargaining
5 agreements, all increases in the daily basic wage rates granted by the
6 employers three (3) months before the effectivity of this Act shall be credited
7 as compliance with the increases in the wage rates as may be prescribed
8 pursuant to this Act, provided that, where such increases are less than the
9 increases in the wage rates that may be prescribed pursuant to this Act, the
10 employer shall pay the difference. Such increases shall not include
11 anniversary wage increases, merit wage increases and those resulting from
12 regularization or promotion of employees.

13
14 Where the application of the increases in the wage rates that may be
15 prescribed pursuant to this Act results in distortions as defined under existing
16 laws in the wage structure within an establishment and gives rise to a dispute
17 therein, such dispute shall first be settled voluntarily between the parties and
18 in the event of a deadlock, the same shall be finally resolved through
19 compulsory arbitration by the regional branches of the National Labor
20 Relations Commissions (NLRC) having jurisdiction over the workplace.

21
22 It shall be mandatory for the NLRC to conduct continuous hearings and
23 decide any dispute arising under this Section within twenty (20) calendar days
24 from the time said dispute was submitted for resolution. Any dispute arising
25 from a wage distortion shall not in any way delay the applicability of any
26 increase in the wage rates that may be prescribed pursuant to this Act.

27
28 **Section 3.** In the case of contracts for construction projects and for
29 security, janitorial and similar services, increases in the wage rates of the
30 workers shall be borne by the principals or clients of the construction/service
31 contractors and the contract shall be deemed amended accordingly. In the
32 event, however, that the principal or client fails to pay the prescribed wage

1 rates, the construction/service contractor shall be jointly and severally liable
2 with his principal or client.

3
4 **Section 4.** Upon written permission of the majority of the employees or
5 workers concerned, all private establishments, companies, businesses, and
6 other entities with twenty five (25) or more employees and located within one
7 (1) kilometer radius to a commercial, savings or rural bank shall pay the wages
8 and other benefits of their employees through any of said banks and within the
9 period of payment of wages fixed by Presidential Decree No. 442, as
10 amended, otherwise known as the Labor Code of the Philippines.

11
12 **Section 5.** Whenever applicable and upon the request of a concerned
13 worker or union, the bank shall issue a certificate of the record of payment of
14 wages of a particular worker or workers for a particular payroll period.

15
16 **Section 6.** The Department of Labor and Employment shall conduct
17 inspections as often as possible within its manpower constraint of the payroll
18 and other financial records kept by the company or business to determine
19 whether the workers are paid the prescribed minimum wage rates and other
20 benefits granted by law or any Wage Order. In unionized companies, the
21 Department of Labor and Employment inspectors shall always be
22 accompanied by the president or any responsible officer of the recognized
23 bargaining unit or of any interested union in the conduct of the inspection. In
24 non-unionized companies, establishments or businesses, the inspection
25 should be carried out in the presence of a worker representing the workers in
26 the said company. The workers' representative shall have the right to submit
27 his own findings to the Department of Labor and Employment and to testify on
28 the same if he cannot concur with the findings of the labor inspector.

29
30 **Section 7.** The Regional Tripartite Wages and Productivity Boards
31 created under Republic Act No. 6727 are hereby abolished. All properties,
32 records, equipment, buildings, facilities, and other assets, liabilities and

1 appropriations belonging to the abovementioned offices, as well as other
2 matters pending therein, shall be transferred to the Commission.

3
4 Any official or employee separated from the service as a result of the
5 abolition of any office pursuant to this Act shall be entitled to appropriate
6 separation pay and retirement and other benefits accruing to them under
7 existing laws. In lieu thereof, at the option of the employees, he/she shall be
8 preferentially considered for employment in the Industry Wage Boards that the
9 Commission may establish or in any of the government's subdivisions,
10 instrumentalities, or agencies, including government-owned or controlled
11 corporations and their subsidiaries.

12
13 **Section 8.** Any person, corporation, trust, firm, partnership, association
14 or entity which refuses or fails to pay any prescribed increases or adjustments
15 in the wage rates made in accordance with this Act shall be punished by a fine
16 not exceeding fifty thousand pesos (P50,000.00) and/or imprisonment of not
17 less than one (1) year nor more than two (2) years. Provided, that any person
18 convicted under this Act shall not be entitled to the benefits provided for under
19 the Probation Law.

20
21 Furthermore, the business permit of the violating entity shall be
22 suspended for one (1) month to three (3) years for second offenses; for third
23 offenses, the business permit of the offender shall be cancelled.

24
25 If the violation is committed by a corporation, trust or firm, partnership,
26 association or any other entity, the penalty of imprisonment shall be imposed
27 on the entity's responsible officers, including, but not limited to, the president,
28 vice-president, chief executive officer, general manager, managing director or
29 partner.

1 The Department of Labor and Employment shall have the authority to
2 impose such other administrative penalties it sees fit to impose under the
3 circumstances of each case of violation.

4
5 **Section 9.** The Secretary of Labor and Employment shall promulgate
6 the necessary rules and regulations to implement the provisions of this Act.

7
8 **Section 10.** If any part or provision of this Act is held unconstitutional
9 or invalid, other parts for provisions hereof which are not affected shall
10 continue to remain in full force and effect.

11
12 **Section 11.** Republic Act No. 6727, otherwise known as the "Wage
13 Rationalization Act", is hereby expressly repealed. All laws, orders, issuances,
14 rules and regulations or parts thereof inconsistent with the provisions of this
15 Act are hereby repealed, amended or modified accordingly. If any provision or
16 part of this Act, or application thereof to any person or circumstance, is held
17 invalid or unconstitutional, the remainder of this Act or the application of such
18 provision or part hereof to other persons or circumstances shall not be affected
19 thereby.

20
21 Nothing in this Act shall be construed to reduce any existing wage rates,
22 allowances and benefits of any form under existing laws, decrees, issuances,
23 executive orders, and/or under any contract or agreement between the
24 workers and the employers.

25
26 **Section 12.** This Act shall take effect fifteen (15) days after its complete
27 publication in the Official Gazette or in at least two (2) national newspapers of
28 general circulation, whichever comes earlier.