

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**



**EIGHTEENTH CONGRESS
First Regular Session**

House Bill No. 2634

**Introduced by TUCP Party-List Representative
RAYMOND DEMOCRITO C. MENDOZA**

EXPLANATORY NOTE

The Philippine Constitution affirms “labor as primary social and economic force,” and mandates the State to “protect the rights of workers and promote their welfare.” Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, declares as a State policy to “afford protection to labor”.

One such protection to labor is to satisfy their claims against the employer’s business. Republic Act No. 6715 provides in Article 110 of the Labor Code that workers’ unpaid wages and benefits and/or money claims enjoy preference over all other claims of creditors and the government.

Supreme Court decisions in interpreting Article 110 of the Labor Code vary. The proposed amendment in this bill seeks to institutionalize jurisprudence upholding the principle laid down in the said provision of the Labor Code. Workers should be given first lien in case of bankruptcy to satisfy their money claims against the business.

Workers are at a disadvantage even more when employers start non-payment of their wages, benefits and other entitlements. Such money claims and entitlements should not require formal declaration of bankruptcy or insolvency to save workers and their families from slipping into the quagmire of mere subsistence or poverty.

The proposed amendment will be consistent with the constitutional mandate of full protection to labor.


RAYMOND DEMOCRITO C. MENDOZA
Representative, TUCP Party-List

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AN ACT
INSTITUTING WORKER'S CLAIM AS STATUTORY FIRST LIEN
ON THE ASSETS OF THE BANKRUPT EMPLOYER, AMENDING
FOR THIS PURPOSE ARTICLE 110 OF PRESIDENTIAL DECREE
NO. 442, AS AMENDED, OTHERWISE KNOWN AS THE LABOR
CODE OF THE PHILIPPINES.

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

Section 1. Short title. -- This Act shall be known as the "Worker's First Lien
in Bankruptcy Act".

Section 2. First Lien in Bankruptcy. -- Article 110 of the Labor Code is
hereby amended to read as follows:

**"ARTICLE 110. Worker [preference] FIRST LIEN in case of
bankruptcy.** - In the event of bankruptcy or liquidation of an employer's
business, his workers shall enjoy first [preference] LIEN as regards their
wages and other monetary claims, any provisions of law to the contrary
notwithstanding. Such unpaid wages and monetary claims shall be paid in full
**EVEN WITHOUT FORMAL DECLARATION OF BANKRUPTCY OR
INSOLVENCY** before claims of the government and other creditors may be
paid. **WHEN THE BUSINESS IS NO LONGER EXISTING AND/OR
UNABLE TO SATISFY THE MONETARY CLAIMS OF THE WORKER
OR WORKERS, THE OFFICERS SHALL BE HELD LIABLE FOR
ACTING ON BEHALF OF THE BUSINESS."**

Section 3. Repealing Clause. -- All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

Section 4. Effectivity. -- This Act shall take effect fifteen (15) days after its publication in at least two newspapers of general circulation.

Approved,