



**HOUSE OF REPRESENTATIVES**

**H. No. 5292**

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BY REPRESENTATIVES AGLIPAY-VILLAR, CALIXTO-RUBIANO, MACAPAGAL-ARROYO, ARROYO, RODRIGUEZ (R.), RODRIGUEZ (M.), ABAYA, CO, BATOCABE, NOGRALES, QUIMBO, ONG, TAN (A.), PAQUIZ, SY-ALVARADO, SEÑERES, DE JESUS, OLIVAREZ, MENDOZA (R.), TAMBUNTING, PRIMICIAS-AGABAS, MERCADO-REVILLA AND ABAYON, PER COMMITTEE REPORT NO. 520

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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  
2   State to:  
3           (a) Encourage higher levels of productivity in all industries so that  
4   Philippine products and services can compete in the global economy;  
5           (b) Maintain industrial peace and harmony and promote the principles  
6   of partnership and shared responsibility in the relations between workers and  
7   employers, recognizing the right of labor to its just share in the fruits of

1 production and the right of business enterprises to reasonable returns on  
2 investments for expansion and growth; and

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

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

10 SEC. 3. *Definition of Terms.* – As used in this Act:

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

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

19 (c) *Productivity Incentives Program* refers to a formal agreement  
20 voluntarily established by a productivity incentives committee or to any  
21 existing labor management mechanism containing a productivity incentives  
22 program that will promote gainful employment, improve working relations and  
23 conditions, and result in increased productivity and efficiency, including cost  
24 savings; and

25 (d) *Gainsharing* refers to a productivity-based incentives pay  
26 formulated to complement the productivity incentives program where workers  
27 and employers share in the positive results of business operations brought  
28 about by productivity improvements. The gainsharing system may take the

1 form of profit sharing or other forms of gainsharing mechanisms such as  
2 productivity bonus, performance bonus, production bonus, and other similar  
3 schemes.

4       SEC. 4. *Advisory on Productivity Incentives Schemes.* – The Regional  
5 Tripartite Wages and Productivity Boards (RTWPBs) shall issue an advisory  
6 on productivity incentive schemes based on the guidelines issued by the  
7 National Wages and Productivity Commission (NWPC).

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

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

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

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

27       In business enterprises without duly recognized or certified labor  
28 organizations, the representatives of labor shall be elected by at least a

1 majority of all rank-and-file employees who have rendered at least six (6)  
2 months of continuous service.

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

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

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

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

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

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

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

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

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

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

9           The DOLE, the Department of Trade and Industry (DTI), and the  
10 designated national productivity organization in the Philippines shall conduct  
11 an extensive public information campaign to promote the adoption of  
12 productivity incentives programs at the workplace.

13           SEC. 12. *Separability Clause.* – If any provision of this Act is  
14 declared unconstitutional, the same shall not affect the validity and effectivity  
15 of the other provisions hereof.

16           SEC. 13. *Repealing Clause.* – Republic Act No. 6971, otherwise  
17 known as the “Productivity Incentives Act of 1990”, is hereby repealed. All  
18 laws, decrees, executive orders, issuances, rules and regulations or parts  
19 thereof inconsistent with the provisions of this Act are hereby repealed or  
20 modified accordingly.

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

Approved,

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