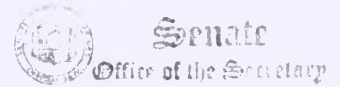


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



23 MAY -4 P6:33

SENATE
S. No. 2132

RECEIVED BY: _____

Introduced by Senator Loren Legarda

AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE
KNOWN AS THE PRODUCTIVITY INCENTIVES ACT OF 1990

EXPLANATORY NOTE

Section 3 of Article XIII of the 1987 Philippine Constitution provides, in part, that the State shall promote the principle of shared responsibility between workers and employers. Further, the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production.

With this in mind, Congress passed Republic Act No. 6971 or the *Productivity Incentives Act of 1990* with the aim to encourage higher levels of productivity, maintain industrial peace and harmony and promote the principle of shared responsibility in the relations between workers and employers. However, it has been more than thirty (30) years since the passage of this law. Therefore, a more responsive law is needed to ensure that the law can adapt to the current situations prevailing in the labor and employment market.

This bill seeks to encourage higher levels of productivity in all industries by providing for: (i) productivity improvement program; (ii) productivity incentives committee; (iii) productivity incentives program; and (iv) tax deduction, among others.

In view of the foregoing, approval of this measure is earnestly sought.



LOREN LEGARDA

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**AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH,
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

- 1 Section 1. *Short Title.* - This Act shall be known as the "Enterprise Productivity
2 Act"
- 3 Sec. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to:
4 (a) Encourage higher levels of productivity in all industries to enable
5 enterprises to compete globally;
6 (b) Promote gainful employment, improve working conditions, maintain
7 industrial peace and harmony and promote the principle of partnership and
8 shared responsibility in the relations between workers and employers so as
9 to strengthen the cooperation between employees and
10 management/employers, recognizing the right of labor to its just share in
11 the fruits of production and the right of business enterprises to reasonable
12 returns of investments and for expansion and growth; and
13 (c) Provide corresponding incentives to both labor and management for
14 undertaking productivity improvement programs and gainsharing to
15 ensure just share by the workers in the fruits of their labor in relation to the
16 profit yielded to the employer as a result of increased productivity and thus
17 enhance the improvement of the quality of life of the employees.

1 Sec. 3. *Coverage.* - This Act shall apply to all business enterprises with or
2 without existing and duly recognized collective bargaining agreements. It shall cover
3 all employees and workers regardless of their position, designation, or status, and the
4 manner by which their wages are paid.

5 Sec. 4. *Definition of Terms.* - As used in this Act:

6 (a) *Business enterprise* refers to an entity duly incorporated, organized, or
7 registered pursuant to the prevailing applicable laws, rules and regulations;

8 (b) *Productivity improvement program* refers to a set of actions identifying and
9 addressing productivity problem areas formulated by the productivity
10 incentives committee using either a principle, tool, technique, method,
11 practice, guideline, model or approach towards productivity improvement
12 in people, inputs or technologies, products or services, policies, and process.
13 It shall contain, among others, a productivity tool or technique, benchmarks
14 and measurement of productivity, or efficiency improvements;

15 (c) *Productivity incentives committee* refers to a body in a business enterprise
16 composed of representatives of management/employers and employees
17 created to formulate and implement the productivity incentives program,
18 and to settle issues arising from the interpretation or implementation of the
19 said program; and

20 (d) *Productivity incentives program* refers to a formal agreement formulated by
21 the productivity incentives committee, containing a productivity
22 improvement program and provisions on its coverage, schemes on the
23 sharing of the gains, or savings realized therefrom, and the forms, manner,
24 and frequency of payment or distribution of such incentives.

25 Sec. 5. *Productivity Incentives Committee.* - Business enterprises employing ten
26 (10) or more persons shall establish a productivity incentives committee, hereinafter
27 referred to as the Committee, composed of representatives of
28 management/employers and employees.

29 (a) In business enterprises with legitimate labor organization or workers'
30 association, the employee representatives shall be those designated in the
31 collective bargaining agreement or by the said organization or association.

1 (b) In business enterprises with Labor-Management Councils or Labor-
2 Management Committee, it shall be a subcommittee thereof.

3 (c) In business enterprises without legitimate labor organization or workers'
4 association, the employee representatives shall be those designated by at
5 least a majority of all rank-and-file employees.

6 Sec. 6. *Incentives Program.* - The Committee shall develop the productivity
7 incentives program. Whenever gains or savings are realized from the implementation
8 of the productivity improvement program, the management shall initiate the
9 discussion on the sharing thereof.

10 Productivity incentives program as provided in this Act shall be based on the
11 implemented productivity improvement program, and without prejudice to any
12 company policy, program, contract, or collective bargaining agreement providing for
13 higher productivity incentives.

14 Sec. 7. *Tax Deductions.* - Private establishments may avail of the following tax
15 deductions:

16 (a) Subject to the provisions of Section 6, a business enterprise that adopts a
17 productivity incentives program duly and mutually agreed upon by the
18 employers and employees' representatives, shall be granted a special
19 deduction from gross income equivalent to fifty percent (50%) of the total
20 productivity incentives given to employees under the productivity
21 incentives program, over and above the deductions for total allowable
22 ordinary, and necessary trade, business, or professional expenses under the
23 National Internal Revenue Code of 1997, as amended, and other prevailing
24 laws, rules and regulations.

25 (b) A business enterprise shall be granted a special deduction from gross
26 income equivalent to fifty percent (50%) of the total grants for training and
27 special studies given to employees pursuant to the productivity incentives
28 program prepared by the Committee, over and above the deductions for
29 total allowable ordinary and necessary trade, business, or professional
30 expenses under the National Internal Revenue Code of 1997, as amended,
31 and other prevailing laws, rules and regulations.

1 *Provided*, a business enterprise shall submit a copy of its productivity incentives
2 program and other required documents to the concerned revenue district office
3 of the Bureau of Internal Revenue to avail of the corresponding benefits and
4 tax deductions provided in this Act; *Provided, further*, a business enterprise shall
5 be entitled to the aforementioned tax deductions starting the next taxable year
6 following the effectivity of this Act.

7 *Sec. 8. Availment of Tax Deductions.* – The Bureau of Internal Revenue shall
8 establish a system for availing of tax deductions. It shall maintain and furnish the
9 National Wages and Productivity Commission (NWPC) with an annual record of
10 business enterprises that avail of tax deductions under this Act for program
11 monitoring.

12 *Sec. 9. Productivity Advisories.* – The Regional Tripartite Wages and Productivity
13 Board (RTWPB) shall issue advisories on productivity improvement programs and
14 schemes, and relative thereto, shall provide training and technical assistance to
15 enterprises.

16 *Sec. 10. Issues and Grievances.* – Whenever issues, grievances, or other matters
17 arise from the interpretation or implementation of the productivity incentives
18 program, the Committee shall meet to resolve the same within fifteen (15) days from
19 receipt of a formal complaint from any aggrieved party, subject to the following
20 conditions:

21 (a) Parties may agree on whether or not to suspend the implementation of the
22 productivity incentives program, pending the resolution of the complaint;

23 (b) Business enterprises shall not be deemed to have forfeited any tax
24 incentives accrued prior to the said complaint, and the employees and
25 workers shall not be required to reimburse the productivity incentives
26 already granted;

27 (c) Likewise, productivity incentives that have already accrued prior to the
28 said complaint, shall be paid to the entitled employees and workers within
29 six (6) months from the date of accrual of the same; and

30 (d) Any complaint which remains unresolved within thirty (30) days from the
31 time of receipt of complaint shall be referred by the Committee to voluntary

1 arbitration pursuant to prevailing laws, rules, and regulations on the
2 matter.

3 Sec. 11. *Loan Availment.* - All banking institutions shall provide a loan facility
4 or extend a credit window to micro, small and medium enterprises (MSMEs) that
5 implement a productivity improvement program, at an interest rate lower than the
6 prevailing market rate.

7 Sec. 12. *Submission of Productivity Incentives Program.* - A business enterprise
8 that implements a productivity incentives program shall submit a copy of the same to
9 the RTWPB for their information, record, and appropriate technical assistance.

10 Sec. 13. *National Innovation Council.* - The National Innovation Council, created
11 under Republic Act No. 11293, otherwise known as the "Philippine Innovation Act"
12 shall have as one of its overriding goals the attainment of high and rising levels of
13 productivity. Hence, its National Innovation Agenda and Strategy Document shall
14 mainstream strategic actions in support of national development plans to improve the
15 country's overall productivity performance.

16 Sec. 14. *Technical Assistance.* - Any member of the Committee may request
17 technical assistance from the following agencies in developing and implementing
18 productivity improvement programs:

- 19 (a) The Department of Agriculture for agricultural extension or agricultural
20 advisory services on current technologies and systems;
- 21 (b) The Department of Budget and Management (DBM) - Systems and
22 Productivity Improvement Bureau for implementing a government quality
23 management program;
- 24 (c) The Department of Environment and Natural Resources shall encourage
25 and promote the use of technology and science to create products and
26 services that are environmentally-friendly;
- 27 (d) The Department of Trade and Industry (DTI) - Bureau of Small and Medium
28 Enterprise Development shall extend assistance in the effective marketing
29 of products and services of MSMEs;
- 30 (e) The DTI - Competitiveness Bureau shall promote and provide counseling
31 services on business operations to enhance productivity growth and
32 competitiveness of companies and enterprises;

- 1 (f) The Department of Science and Technology shall provide and promote
2 technology acquisition and use to improve the operational growth of
3 companies and enterprises;
- 4 (g) The Department of Tourism shall promote and encourage tourism quality
5 standards accreditation, and the development of the tourism value chain;
- 6 (h) The Development Academy of the Philippines (DAP) shall conduct free
7 enterprise-appropriate training that will provide the necessary productivity
8 tools and advice on the technologies to enhance enterprise operations and
9 achieve their productivity goals;
- 10 (i) The NWPC and RTWPB shall provide training and technical assistance on
11 productivity improvement and performance incentives schemes to
12 companies and enterprises;
- 13 (j) The Technical Education and Skills Development Authority shall provide
14 and promote skills training, assessment, and certification; and
- 15 (k) The University of the Philippines - Institute for Small Scale Industries shall
16 offer technical assistance to small scale industries.

17 *Provided, that any member of the Committee may also seek assistance from*
18 *other government agencies or private institutions in the development and*
19 *implementation of their productivity improvement and gainsharing programs.*

20 *Sec. 15. Accreditation of Productivity Experts. - The NWPC shall establish an*
21 *accreditation system for productivity experts who shall provide productivity-related*
22 *services to enterprises. The NWPC may charge an accreditation fee of not more than*
23 *Five Thousand Pesos (P5,000.00), which amount may be adjusted by the NWPC as it*
24 *may deem necessary. The NWPC shall be allowed to utilize fifty percent (50%) of the*
25 *collected accreditation fees for the administration and management of the*
26 *accreditation system.*

27 *An initial seed fund of Fifty Million Pesos (P50,000,000.00) shall be drawn from*
28 *the innovation fund under R.A. No. 11293, or the "Philippine Innovation Act."*

29 *Sec. 16. Assistance to Micro Enterprises. - The NWPC shall develop guidelines in*
30 *the engagement of productivity experts who shall provide technical assistance to*
31 *micro enterprises. Relative to this, accredited productivity experts shall be entitled to*
32 *receive an honorarium pursuant to DBM's rules and regulations.*

1 The DAP shall regularly conduct trainings, free of charge, to enhance the
2 capabilities of the pool of productivity experts on advanced productivity technologies
3 and systems.

4 *Sec. 17. Strengthening Workplace Bipartite Mechanism.* - The Department of Labor
5 and Employment (DOLE) shall formulate a program, in consultation with employer
6 and labor groups, to strengthen the bipartite mechanism especially in the area of
7 bargaining on productivity schemes and standards.

8 *Sec. 18. Penalty.* - Any person who shall make any fraudulent claim under this
9 Act, regardless of whether or not a tax benefit has been granted, shall, upon
10 conviction, be punished with imprisonment of not less than six (6) months but not
11 more than one (1) year, or a fine of not less than Twenty Thousand Pesos (P20,000.00)
12 but not more than Fifty Thousand Pesos (P50,000.00), or both, at the discretion of the
13 Court, without prejudice to prosecution for any other acts punishable under existing
14 laws.

15 In the case of partnerships or corporations, the penalty shall be imposed upon
16 the officers, employees, and other persons responsible who knowingly approved,
17 authorized, or ratified the filing of a fraudulent claim.

18 *Sec. 19. Non-Diminution of Benefits.* - Nothing in this Act shall be construed to
19 diminish or reduce any benefits and other privileges enjoyed by workers under
20 existing laws, decrees, executive orders, company policy or practice, or any agreement
21 or contract between employers and their employees.

22 *Sec. 20. Monitoring of Compliance of Private Enterprises.* - The Secretary of Labor
23 and Employment shall, under Article 128 of P.D. 442, as amended, otherwise known
24 as the "Labor Code of the Philippines," ensure the compliance of private enterprises
25 with the provisions of this Act.

26 *Sec. 21. Public Sector.* - The Civil Service Commission and the DBM may
27 establish a similar system in the public sector.

28 *Sec. 22. Implementing Rules and Regulations.* - Within one hundred eighty (180)
29 days from the effectivity of this Act, the NWPC and the DOLE shall, in consultation
30 with other government agencies, and concerned stakeholders, issue the rules and
31 regulations necessary to effectively implement the provisions of this Act.

1 Sec. 23. *Separability Clause.* - Should any provision of this Act be declared
2 unconstitutional, the remainder thereof not otherwise affected shall remain in full
3 force and effect.

4 Sec. 24. *Repealing Clause.* - Republic Act No. 6971, otherwise known as the
5 "Productivity Incentives Act of 1990," is hereby repealed. All laws, presidential
6 decrees, executive orders, proclamations, or administrative regulations that are
7 inconsistent with the provisions of this Act are hereby repealed, amended, or modified
8 accordingly.

9 Sec. 25. *Effectivity.* - This Act shall take effect fifteen (15) days after its
10 publication in the *Official Gazette* or in a newspaper of general circulation in the
11 Philippines.

Approved,