

REPUBLIC OF THE PHILIPPINES
House of Representatives

Thirteenth Congress
First Regular Session

House Bill No. 4360



Introduced by Hon. Robert "Dodot" B. Jaworski, Jr.

EXPLANATORY NOTE

This bill proposes mandating and institutionalizing a scheme of profit sharing between Management and Labor. Although profit-sharing benefits to the work force mean additional costs to be incurred by management, such do not readily fuel inflation and unemployment.

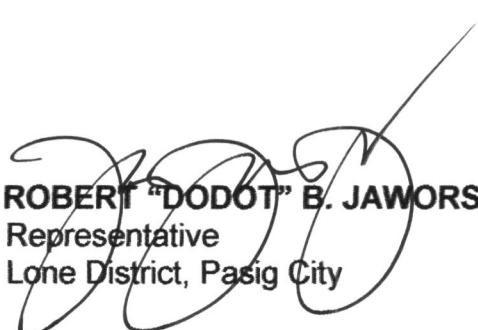
Since profit sharing reflects labor productivity and recognizes management flexibility, its compliance even by small and medium scale enterprises -- which comprise more than 90% of all business enterprises in the country -- is readily feasible. Thus it does not foment labor dissatisfaction due to constrained implementation of the expected workers' benefit.

The profit sharing scheme is based on gross income. This is the difference between total revenues or net sales and the cost of goods or services already sold (CG/SS). Generally, the CG/SS consists of the direct material, direct labor and overhead costs. The overhead cost refers to the wages or compensation of workers or employees up to the level of foreman or supervisor, or equivalent position.

Our country's labor force, being the lifeblood of our nation's economy deserves a much needed boost, not only to their financial requirements, but moreso, to induce a better atmosphere between management and labor. This bill aims to do just that.

Since the level of CG/SS is directly linked to the productivity of the worker, gross income is appropriate and preferable to net income as the basis of profit sharing benefits of the rank-and-file.

In view of the foregoing, the approval of this bill is earnestly requested.


ROBERT "DODOT" B. JAWORSKI, JR.
Representative
Lone District, Pasig City

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**AN ACT
MANDATING AND INSTITUTIONALIZING PROFIT SHARING IN ALL
BUSINESS ENTERPRISES IN THE COUNTRY TO ENHANCE LABOR
PRODUCTIVITY AND SOCIAL EQUITY**

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

SECTION 1. It is a declared policy of the State to be concerned and to promote not only the stability and growth of the economy, and viability of enterprises but also productivity and equitable share of labor in production.

SEC. 2. This Act mandates and institutionalizes a profit sharing scheme between management and labor whereby at least ten percent (10%) of the gross income or profit of the firm or enterprise shall accrue as benefits and be equitably distributed to the work force or rank-and-file employees.

SEC. 3. Gross income, also termed as gross profit or gross margin, shall refer to the total revenues or net sales of the accounting period minus the cost of goods or services sold (CG/SS), prior to the deduction of general and other expenses; Provided, That the definition of terms such as revenues, sales, cost of goods/services sold, and expenses shall be as specified or determined by normal or standard accounting practice; Provided further, That the work force or rank-and-file employees shall include those up to foremen and supervisors or equivalent; Provided, finally, that the management is encouraged to offer similar profit sharing schemes to the other personnel of the firm.

SEC. 4. The profit sharing benefit shall be distributed in cash within a week after each previous quarter; Provided, That if delayed or deferred due to

cash flow constraints or retained with the consent of the employee or worker, such amount shall earn a compounded interest rate of six percent (6%) annually or one-half percent (1/2 %) monthly or 0.0167% daily.

SEC. 5. The profit sharing benefit may be considered as preferred shares of stock of the employee/worker, the yield or earning, aside from the principal, of which is only the compounded six percent (6%) per annum penalty of delayed or deferred payment; Provided, That such preferred shares may be convertible to common shares only upon written consent of the employee/worker; Provided further, That such preferred shares shall have the first priority in the settlement of financial obligations in case of liquidation of the enterprise; Provided finally, That employees/workers who do not opt for the company retention of their profit sharing benefit or conversion to common shares of stock – shall not be subjected to discrimination, prejudice or insinuations of company disloyalty.

SEC. 6. This profit sharing benefit is inclusive or already credited to prospective wage or compensation increases as may be stipulated in collective bargaining agreements (CBA), if any; Provided, That this profit sharing benefit is over and above existing or legislated compensation benefits already being enjoyed by the work force.

SEC. 7. Workers or employees who retire, resign or are terminated before the end of the particular quarter of the year shall be entitled to the profit sharing benefit on a pro rata basis; Provided, That unpaid profit sharing benefits shall be considered priority separation pay.

SEC. 8. This profit sharing benefit shall also be exempted from corporate taxation and considered as legitimate tax deductible corporate expense.

SEC. 9. Any violation of the provisions of this Act, in addition to other liabilities under existing laws, shall be punishable by a fine double the value of accrued benefits be distributed under this profit sharing scheme and

imprisonment of not less than one year nor more than six years, at the discretion of the court.

In addition to such penalty, any alien found guilty shall be summarily deported upon completion of service of sentence.

If the offense is committed by a corporation, trust, firm, partnership, association or any other such entity, the penalty shall be imposed upon the guilty officer or officers of such corporation, trust, firm, partnership, association or entity.

SEC. 10. The Department of Trade and Industry (DTI), in consultation with the Department of Finance (DOF) and the Department of Labor and Employment (DOLE), shall promulgate the implementing rules and regulations (IRR) within thirty (30) working days after the effectivity of this Act; Provided that the profit sharing benefit shall start to be enjoyed by the work force or employees for the quarter following the effectivity of this Act.

SEC. 11. All laws, decrees, rules, regulations and other issuances, which are contrary or inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 12. This Act shall take effect fifteen (15) days after its publication in at least two newspapers of national or general circulation.

Approved,