

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

**FIFTEENTH CONGRESS  
First Regular Session**

House Bill No. 1560

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**Introduced by TUCP Party-List Representative  
Hon. Raymond Democrito C. Mendoza**

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**EXPLANATORY NOTE**

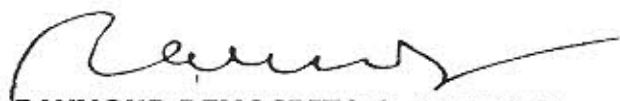
The Philippine Constitution affirms "labor as primary social and economic force," and mandates the State to "protect the rights of workers and promote their welfare." Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, declares as a State policy to "afford protection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

  
**REP. RAYMOND DEMOCRITO C. MENDOZA  
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 of 2010".

**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,