

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 1579



Introduced by

HON. YEDDA MARIE K. ROMUALDEZ
and
HON. JUDE A. ACIDRE

AN ACT
PROVIDING FOR THE RATIONALIZATION OF WAGE LEVELS ON A
NATIONAL AND INDUSTRIAL BASIS, AMENDING FOR THIS PURPOSE
PRESIDENTIAL DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN
AS THE LABOR CODE OF THE PHILIPPINES

EXPLANATORY NOTE

This bill proposes to amend Presidential Decree No. 442, known as the Labor Code of the Philippines and institute the rationalization of wage levels on a per industry basis, instead of the current regional minimum wage structure. For this purpose, it seeks to abolish the existing Regional Tripartite Wages and Productivity Boards (RTWPBs) and instead empower the National Wages and Productivity Commission to determine and fix the national minimum wage rates according to industries and address regional wage distortions.

The current regional minimum wage set-up, introduced by Republic Act No. 6727, otherwise known as the Wage Rationalization Act, allows each region in the Philippines has a unique minimum wage set by the Regional Tripartite Wages and Productivity Boards (RTWPBs) based on the poverty threshold, employment rate, and cost of living specific to the region. As a result, however, despite its original intent to encourage industries to disperse to areas outside Manila, Cebu and Davao and other urban areas, wage distortions have emerged in different regions. The RTWPBs have failed to ensure decent standard of living for the Filipino workers, especially in the regional countryside, especially since there is a significant disparity in wages across regions while the difference in the cost of living is minimal.

The rationalization of wage levels on a per industry basis will result in equitable pay between workers in the different regions and in the process, decongest the country's overpopulated capital, which is often the top choice of workers due to higher wages. Most businesses still concentrate in these urban

centers where the bulk of their markets or customers are, intensifying the internal migration to urban centers.

Replacing the regional with an industrial-based minimum wage set-up will ensure that the national minimum wage remains responsive to certain peculiarities unique to each industry. With an equitable pay structure between urban and rural workers, industries will now be encouraged to invest in regions where operating and production costs are significantly lower than in the urban centers. This will result in higher income productivity and ensure a more inclusive economic growth that will benefit ordinary Filipino workers and their families.

In view of the foregoing, the passage of this bill is earnestly sought.



Rep. YEDDA MARIE K. ROMUALDEZ
Representative, Tingog Sinirangan



Rep. JUDE A. ACIDRE
Representative, Tingog Sinirangan

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 1579

Introduced by

HON. YEDDA MARIE K. ROMUALDEZ
and
HON. JUDE A. ACIDRE

AN ACT
PROVIDING FOR THE RATIONALIZATION OF WAGE LEVELS ON A
NATIONAL AND INDUSTRIAL BASIS, AMENDING FOR THIS PURPOSE
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 the Representatives of the
Philippines in Congress assembled:*

Section 1. In line with the declared policy of the State to promote the productivity-improvement and gain-sharing measures to ensure a decent standard of living for the workers and their families and to guarantee the rights of labor to its just share in the fruits of production, Article 99 of Presidential Decree No. 442, as amended, is hereby amended and Articles 121, 122, 123, 124, 126, and 127, are hereby incorporated into Presidential Decree No. 442, as amended to read as follows:

“Article 99 *Minimum Wages*. - The NATIONAL minimum wage rates for agricultural and non-agricultural employees and workers shall be those prescribed by the NATIONAL WAGES AND PRODUCTIVITY COMMISSION.”

“Article 121. *Powers and Functions of the Commission*. - The Commission shall have the following powers and functions:

“(a) To act as the national consultative and advisory body to the President of the Philippines and Congress on matters relating to wages, incomes and productivity;

“(b) To formulate policies and guidelines on wages, incomes and productivity improvement at the enterprise, industry and national levels;

“(c) TO DETERMINE AND FIX NATIONAL MINIMUM WAGES RATES ACCORDING TO INDUSTRIES AND TO ISSUE THE CORRESPONDING WAGE ORDERS;

“(d) To prescribe rules and guidelines for the determination of appropriate minimum wage and productivity measures at the industry levels;

“(e) To undertake studies, researches and surveys necessary for the attainment of its functions and objectives, and to collect and compile data and periodically disseminate information on wages and productivity and other related information, including, but not limited to, employment, cost-of-living, labor costs, investments and returns;

“(f) To call, from time to time, a national tripartite conference of representatives of government, workers and employers for the consideration of measures to promote wage rationalization and productivity; AND

“(g) To exercise such powers and functions as may be necessary to implement this Act.

“The Commission shall be composed of the Secretary of Labor and Employment as ex-officio chairman, the Director-General of the National Economic and Development Authority (NEDA) as vice-chairman, and two (2) members each from workers and employers sectors who shall be appointed by the President of the Philippines upon recommendation of the Secretary of Labor and Employment to be made on the basis of the list of nominees submitted by the workers and employers sectors, respectively, and who shall serve for a term of five (5)

years. The Executive Director of the Commission shall also be a member of the Commission.

“The Commission shall be assisted by a Secretariat to be headed by an Executive Director and two (2) Deputy Directors, who shall be appointed by the President of the Philippines, upon the recommendation of the Secretary of Labor and Employment.

The Executive Director shall have the same rank, salary, benefits and other emoluments as that of a Department Assistant-Secretary, while the Deputy Directors shall have the same rank, benefits and other emoluments as that of a Bureau Director. The members of the Commission representing labor and management shall have the same rank, emoluments and allowances and other benefits as those prescribed by law for labor and management representatives in the Employees' Compensation Commission.

“Article 121. *Creation of INDUSTRY Tripartite Wages and Productivity Boards.* – THE COMMISSION SHALL ESTABLISH INDUSTRY Tripartite Wages and Productivity Boards, hereinafter referred to as INDUSTRY Boards, IN INDUSTRIES WHERE IT DEEMS APPROPRIATE TO DO SO.

“The INDUSTRY Boards shall have the following powers and functions in their respective INDUSTRIES:

“(a) To develop plans, programs and projects relative to wages, incomes and productivity improvement for their respective INDUSTRIES;

“(b) To determine and fix minimum wage rates applicable in their INDUSTRIES and to issue the corresponding wage orders, subject to guidelines issued by the Commission;

“(c) To undertake studies, researches, and surveys necessary for the attainment of their functions, objectives and programs, and to collect and compile data on wages, incomes,

productivity and other related information and periodically disseminate the same;

“(d) To coordinate with the other INDUSTRY Boards as may be necessary to attain the policy and intention of this ACT;

“(e) To receive, process and act on applications for exemption from prescribed wage rates as may be provided by law or any Wage Order; and

“(f) To exercise such other powers and functions as may be necessary to carry out their mandate under this ACT.

“Each INDUSTRY Board shall be composed of the Secretary of the Department of Labor and Employment as chairman, the SECRETARIES of the National Economic and Development Authority and the Department of Trade and Industry as vice-chairmen and two (2) members each from worker’ and employers’ sectors who shall be appointed by the President of the Philippines, upon the recommendation of the Secretary of Labor and Employment, to be made on the basis of the list of nominees submitted by the workers’ and employers’ sectors, respectively, and who shall serve for a term of five (5) years.

“Each INDUSTRY Board to be headed by its chairman shall be assisted by a Secretariat.”

“Article 122. *Wage Order*. - Whenever conditions in the country so warrant, the COMMISSION shall investigate and study all pertinent facts; and based on the standards and criteria herein prescribed, shall proceed to determine whether a Wage Order should be issued. Any such Wage Order shall take effect after fifteen (15) days from its complete publication in at least TWO (2) NEWSPAPERS OF GENERAL CIRCULATION.

“In the performance of its wage determining functions, the COMMISSION shall conduct public hearings/consultations, giving notices to employees’ and employers’ groups, provincial, city, municipal officials and other interested parties.

“Any party aggrieved by the Wage Order issued by the COMMISSION may SEEK A RECONSIDERATION OF such order within ten (10) calendar days from the publication of such order.

“It shall be mandatory for the Commission to decide such MOTION FOR RECONSIDERATION within sixty (60) calendar days from the filing thereof.

“The filing of the MOTION FOR RECONSIDERATION does not stay the order unless the person appealing such order shall file with the Commission an undertaking with a surety or sureties satisfactory to the Commission for the payment to the employees affected by the order of the corresponding increase, in the event such order is affirmed.”

“Article 123. *Standards/Criteria for Minimum Wage Fixing.* - The NATIONAL minimum wage to be established by the COMMISSION shall be as nearly adequate as is economically feasible to maintain the minimum standards of living necessary for the health, efficiency and general well-being of the employees within the framework of the national economic and social development program. In the determination of such minimum wage, the COMMISSION shall, among other relevant factors, consider the following:

“(a) The demand for living wages;

“(b) Wage adjustment vis-a-vis the consumer price index;

“(c) The cost of living and changes or increases therein;

“(d) The needs of workers and their families;

“(E) Improvements in standards of living;

“(F) Fair return of the capital invested and capacity to pay employers; AND

“(G) The equitable distribution of income and wealth along the imperatives of economic and social development.”

“The WAGE prescribed in accordance with the provisions of the Title shall be the standard prevailing NATIONAL minimum WAGE. THIS shall include wages varying within industries if in the judgment of the COMMISSION conditions make such local differentiation proper and necessary to effectuate the purpose of this title.

“Any person, company, corporation, partnership or any other entity engaged in business shall file and register annually with the COMMISSION and the Philippine Statistics Authority an itemized listing of their labor component, specifying the names of their workers and employees below the managerial level, including learners, apprentices and disabled/handicapped workers who were hired under the terms prescribed in the employment contracts, and their corresponding salaries and wages.

“Where the application of any prescribed wage increase pursuant to law or Wage Order issued by THE COMMISSION results in distortions of the wage structure within an establishment, the employer and the union shall negotiate to correct the distortions. Any dispute arising from wage distortions shall be resolved through the grievance procedure under their collective bargaining agreement and, if it remains unresolved, through voluntary arbitration. Unless otherwise agreed by the parties in writing, such dispute shall be decided by the voluntary arbitrator or panel of voluntary arbitrators within ten (10) calendar days from the time said dispute was referred to voluntary arbitration.

“In cases where there are no collective agreements or recognized labor unions, the employers and workers shall endeavor to correct such distortions. Any dispute arising therefrom shall be settled through the National Conciliation and Mediation Board and, if it remains unresolved after ten (10)

calendar days of conciliation, shall be referred to the appropriate branch of the National Labor Relations Commission (NLRC). It shall be mandatory for the NLRC to conduct continuous hearings and decide the dispute within twenty (20) calendar days from the time said dispute is submitted for compulsory arbitration.

“The pendency of a dispute arising from a wage distortion shall not in any way delay the applicability of any increase in prescribed wage rates pursuant to the provisions of law or Wage Order.

“As used herein, a wage distortion shall mean a situation where an increase in prescribed wage rates results in the elimination or severe contraction of intentional quantitative differences in wage or salary rates between and among employee groups in an establishment as to effectively obliterate the distinctions embodied in such wage structure based on skills, length of service, or other logical bases of differentiation.

“All workers paid by result, including those who are paid on piecework, *takay*, *pakyaw* or task basis, shall receive not less than the prescribed wage rates per eight (8) hours of work a day, or a proportion thereof for working less than eight (8) hours.

“All recognized learnership and apprenticeship agreements shall be considered automatically modified insofar as their wage clauses are concerned to reflect the prescribed wage rates.”

“Article 126. *Prohibition against Injunction.* - No preliminary or permanent injunction or temporary restraining order may be issued by any court, tribunal or other entity against any proceedings before the Commission.”

“Article 127. *Non-diminution of Benefits.* - No Wage Order issued by THE COMMISSION shall provide for wage

rates lower than the statutory minimum wage rates prescribed by Congress.”

Section 2. (a) Exempted from the provisions of this Act are household or domestic helpers and persons employed in the personal service of another, including family drivers.

Retail/service establishments regularly employing not more than ten (10) workers may be exempted from the applicability of this Act upon application with and as determined by the Commission. Whenever an applicant for exemption has been duly filed with the Commission, action on any complaint for alleged non-compliance with this Act shall be deferred pending resolution of the application for exemption by the Commission.

In the event that applications for exemptions are not granted, employees shall receive the appropriate compensation due them as may be granted them pursuant to this Act plus interest of one percent (1%) per month retroactive to the effectivity of this Act.

(b) If expressly provided for and agreed upon in the collective bargaining agreements, all increases in the daily basic wage rates granted by the employers three (3) months before the effectivity of this Act shall be credited as compliance with the increases in the wage rates as may be prescribed pursuant to this Act, provided that, where such increases are less than the increases in the wage rates that may be prescribed pursuant to this Act, the employer shall pay the difference. Such increases shall not include anniversary wage increases, merit wage increases and those resulting from regularization or promotion of employees.

Where the application of the increases in the wage rates that may be prescribed pursuant to this Act results in distortions as defined under existing laws in the wage structure within an establishment and gives rise to a dispute therein, such dispute shall first be settled voluntarily between the parties and in the event of a deadlock, the same shall be finally resolved through

compulsory arbitration by the regional branches of the National Labor Relations Commissions (NLRC) having jurisdiction over the workplace.

It shall be mandatory for the NLRC to conduct continuous hearings and decide any dispute arising under this Section within twenty (20) calendar days from the time said dispute was submitted for resolution. Any dispute arising from a wage distortion shall not in any way delay the applicability of any increase in the wage rates that may be prescribed pursuant to this Act.

Section 3. In the case of contracts for construction projects and for security, janitorial and similar services, increases in the wage rates of the workers shall be borne by the principals or clients of the construction/service contractors and the contract shall be deemed amended accordingly. In the event, however, that the principal or client fails to pay the prescribed wage rates, the construction/service contractor shall be jointly and severally liable with his principal or client.

Section 4. Upon written permission of the majority of the employees or workers concerned, all private establishments, companies, businesses, and other entities with twenty five (25) or more employees and located within one (1) kilometer radius to a commercial, savings or rural bank shall pay the wages and other benefits of their employees through any of said banks and within the period of payment of wages fixed by Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines.

Section 5. Whenever applicable and upon the request of a concerned worker or union, the bank shall issue a certificate of the record of payment of wages of a particular worker or workers for a particular payroll period.

Section 6. The Department of Labor and Employment shall conduct inspections as often as possible within its manpower constraint of the payroll and other financial records kept by the company or business to determine whether the workers are paid the prescribed minimum wage rates and other benefits granted by law or any Wage Order. In unionized companies, the

Department of Labor and Employment inspectors shall always be accompanied by the president or any responsible officer of the recognized bargaining unit or of any interested union in the conduct of the inspection. In non-unionized companies, establishments or businesses, the inspection should be carried out in the presence of a worker representing the workers in the said company. The workers' representative shall have the right to submit his own findings to the Department of Labor and Employment and to testify on the same if he cannot concur with the findings of the labor inspector.

Section 7. The Regional Tripartite Wages and Productivity Boards created under Republic Act No. 6727 are hereby abolished. All properties, records, equipment, buildings, facilities, and other assets, liabilities and appropriations belonging to the abovementioned offices, as well as other matters pending therein, shall be transferred to the Commission.

Any official or employee separated from the service as a result of the abolition of any office pursuant to this Act shall be entitled to appropriate separation pay and retirement and other benefits accruing to them under existing laws. In lieu thereof, at the option of the employees, he/she shall be preferentially considered for employment in the Industry Wage Boards that the Commission may establish or in any of the government's subdivisions, instrumentalities, or agencies, including government-owned or controlled corporations and their subsidiaries.

Section 8. Any person, corporation, trust, firm, partnership, association or entity which refuses or fails to pay any prescribed increases or adjustments in the wage rates made in accordance with this Act shall be punished by a fine not exceeding fifty thousand pesos (P50,000.00) and/or imprisonment of not less than one (1) year nor more than two (2) years. *Provided*, that any person convicted under this Act shall not be entitled to the benefits provided for under the Probation Law.

Furthermore, the business permit of the violating entity shall be suspended for one (1) month to three (3) years for second offenses; for third offenses, the business permit of the offender shall be cancelled.

If the violation is committed by a corporation, trust or firm, partnership, association or any other entity, the penalty of imprisonment shall be imposed on the entity's responsible officers, including, but not limited to, the president, vice-president, chief executive officer, general manager, managing director or partner.

The Department of Labor and Employment shall have the authority to impose such other administrative penalties it sees fit to impose under the circumstances of each case of violation.

Section 9. The Secretary of Labor and Employment shall promulgate the necessary rules and regulations to implement the provisions of this Act.

Section 10. If any part or provision of this Act is held unconstitutional or invalid, other parts for provisions hereof which are not affected shall continue to remain in full force and effect.

Section 11. Republic Act No. 6727, otherwise known as the "Wage Rationalization Act", is hereby expressly repealed. All laws, orders, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly. If any provision or part of this Act, or application thereof to any person or circumstance, is held invalid or unconstitutional, the remainder of this Act or the application of such provision or part hereof to other persons or circumstances shall not be affected thereby.

Nothing in this Act shall be construed to reduce any existing wage rates, allowances and benefits of any form under existing laws, decrees, issuances, executive orders, and/or under any contract or agreement between the workers and the employers.

Section 12. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) national newspapers of general circulation, whichever comes earlier.

Approved,