

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

House Bill No. **3602**



**INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO
AND JOCELYN P. TULFO**

EXPLANATORY NOTE

It is a fundamental policy of the State to afford protection to the rights and promote the welfare of laborers.¹ As a matter of fact, the law often tilts the scale in favor of employees in order to place them on relatively equal footing vis-à-vis their employers as a result of their inherent economic inequality.² As far as the employer-employee relationship is concerned, public policy dictates that their relation is not merely contractual in nature, but is imbued with public interest and afforded special consideration.³

Despite these state policies, current laws reflect a legal and practical disadvantage against laborers and workers in terms of the period within which to file money claims against their erring employers. As it stands, Article 306 [291] of the Labor Code limits the period to file money claims to only three (3) years from the time the cause of action accrued.

Practically speaking, while current laws punish employers for retaliating against complaining workers, the fear of losing their source of livelihood remains an overbearing deterrent for aggrieved workers to institute any suit against their erring employers during the pendency of the employer-employee relationship. Thus, oftentimes, aggrieved employees lose their chance to claim unpaid wages and benefits beyond the three (3) year prescriptive period. In essence, a worker who was employed for ten (10) years, and was not receiving the mandated salary and benefits under the law may only claim for the losses he suffered within the three (3) year-period, foregoing the remaining seven (7) years he was deprived of the correct salary and benefits.

By extending the prescriptive period to file money claims until four (4) years from the termination or dismissal from employment, this unfortunate situation may be curbed. Aggrieved employees would have an opportunity to enforce their money claims against erring employers outside the confines of an employer-employee relationship and without fear of retaliation. In terms of period, four (4) years was specifically chosen to be consistent with the prescriptive period to file an action for illegal dismissal under Article 1146(1) the Civil Code. Oftentimes, aggrieved employees raise money claims against their erring employers simultaneously with illegal dismissal cases. This avoids the scenario wherein an aggrieved

¹ Article II, Section 18 and Article XIII, Section 3 of the 1987 Constitution.

² *Oikonomos Int'l Resources Corp. v. Navaja, Jr.*, G.R. No. 214915, December 7, 2015; *Azuola v. Zamco II Electric Cooperative, Inc.*, G.R. No. 192573, October 22, 2014.

³ Article 1700 of the Civil Code of the Philippines.

employee is legally allowed to file an action for illegal dismissal after the third year from termination, but barred from filing an action for money claims.

On another note, although an employer-employee relationship is more than contractual in nature, aggrieved employees are placed at an unfair disadvantage compared to aggrieved parties in ordinary contracts. Under the Civil Code, the period to file an action based on an oral or written contract prescribes in six (6) and ten (10) years, respectively, from the time the right of action accrues,⁴ while aggrieved workers are only given a period of three (3) years from the time the cause of action accrued within which to file an action for money claims.

An increase in the prescriptive period to ten (10) years from the time the cause of action accrued, aggrieved workers are merely placed on equal footing with any aggrieved party to a written contract. As far the employers are concerned, the increase in prescriptive period is not unduly burdensome considering that businesses are already expected to keep financial records for a period of ten (10) years for purposes of tax, financial and other legal-related compliance.

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



RALPH WENDEL P. TULFO
Representative
2nd District of Quezon City



JOCELYN P. TULFO
Representative
ACT-CIS Partylist

⁴ Articles 1144(1) and 1145(1) of the Civil Code of the Philippines.

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INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO
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AN ACT MODIFYING THE PRESCRIPTIVE PERIOD OF MONEY CLAIMS ARISING
FROM EMPLOYER-EMPLOYEE RELATIONSHIPS AND AMENDING FOR THE
PURPOSE, BOOK SEVEN, TITLE TWO, ARTICLE 306 [291] OF PRESIDENTIAL
DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN AS
THE LABOR CODE OF THE PHILIPPINES, AND FOR OTHER PURPOSES

Be It enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Book Seven, Title Two, Article 306 [291] of Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, is hereby amended to read as follows:

Article 306 [291]. *Money Claims.* - All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed ~~[within three (3) years]~~ from the time the cause of action accrued UNTIL FOUR (4) YEARS FROM THE TERMINATION OF THE EMPLOYER-EMPLOYEE RELATIONSHIP OR DISMISSAL FROM EMPLOYMENT; otherwise they shall be forever barred~~[-];~~ PROVIDED, THAT, ALL MONEY CLAIMS SHALL PRESCRIBE WITHIN TEN (10) YEARS FROM THE TIME THE CAUSE OF ACTION ACCRUED.

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SEC. 2. *Implementing Rules and Regulations.* - The Department of Labor and Employment shall promulgate the implementing rules and regulations of this Act within three (3) months from the effectivity of this Act.

SEC. 3. *Separability Clause.* - If, for any reason, any provision of this Act is declared to be unconstitutional or invalid, the other sections or provisions hereof which are not affected thereby shall continue to be in full force or effect.

SEC. 4. *Repealing Clause.* - All laws, decrees, orders, rules and regulations, or parts thereof which are inconsistent with or contrary to the provisions of this Act are hereby repealed, amended, or modified accordingly.

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SEC. 5. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,