

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 518



Introduced by TUCP Partylist Representative
HON. RAYMOND DEMOCRITO C. MENDOZA

EXPLANATORY NOTE

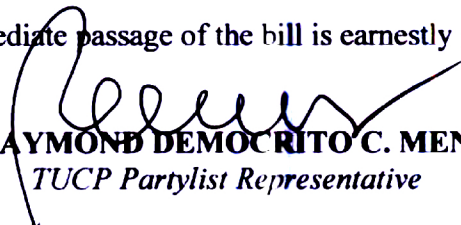
The Philippine Constitution affirms “labor as a primary social and economic force” and mandates the State to “protect the rights of workers and promote their welfare.” Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, declares a State policy to “afford protection 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. However, Supreme Court decisions interpreting Article 110 of the Labor Code vary.

Workers are disadvantaged even more when employers do not pay their earned wages, benefits, and other entitlements. Therefore, such money claims and entitlements should not require a formal declaration of bankruptcy or insolvency to save workers and their families from slipping into the quagmire of mere subsistence or poverty.

Hence, the TUCP Party-list files this bill seeking to institutionalize jurisprudence upholding the principle laid down on workers’ money claims being given the first lien in case of business bankruptcy consistent with the constitutional mandate of utmost protection for labor.

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


HON. RAYMOND DEMOCRITO C. MENDOZA
TUCP Partylist Representative

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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".

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 business, the employer's 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,