



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



Twentieth Congress
First Regular Session

HOUSE BILL NO. 4437

Introduced by Representative Johanne Monich G. Bautista

EXPLANATORY NOTE

Based on the Philippine Statistics Authority's June 2025 Labor Force Survey,¹ the Services sector made up the highest employment with a share of 61.4% of the total employed persons. Republic Act No. 11360, which amended Article 96 of Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines, is a landmark legislation that recognized the hard work of employees in the hospitality, food service, and tourism industries by ensuring that service charges collected are distributed completely and equally among the covered employees.

However, in practice, the scope of the "covered employees" remains a significant issue. The existing law does not specify the covered employees, resulting in varied, disproportionate, and unfair distribution of services charges, where the equally hardworking employees who are in the back-of-house, such as cooks, dishwashers, and housekeeping staff receive little to no share.

This bill seeks to address this issue by defining the covered employees entitled to the service charges. It mandates to include not only those in the front-of-house, but also the essential employees who work behind the scenes to ensure customer satisfaction. Moreover, it further protects the covered employees' right to service charges by mandating the integration of the service charges into the covered employees' wages in the event of removal of service charges in their establishment. This bill not only provides a much-needed financial relief, but also directly invests in the morale and productivity of the hardworking employees in the service industry.

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


JOHANNE MONICH G. BAUTISTA
Representative, TRABAHO Party-List

¹ Philippine Statistics Authority, *Participation in the labor force in June 2025 increased to 52.42 million Filipinos aged 15 years and over*, 6 August 2025, <https://psa.gov.ph/statistics/labor-force-survey>.



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**AN ACT DEFINING THE COVERAGE OF SERVICE CHARGES,
AMENDING FOR THE PURPOSE ARTICLE 96 OF PRESIDENTIAL DECREE NO.
442, OTHERWISE KNOWN AS THE "LABOR CODE OF THE PHILIPPINES," AS
AMENDED BY REPUBLIC ACT NO. 11360, AND FOR OTHER PURPOSES**

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

SECTION 1. *Short Title.* - This Act shall be known as the "*Service Charges Act of 2025.*"

SECTION 2. *Amendment to Article 96 of the Labor Code.* — Article 96 of Presidential Decree No. 442, otherwise known as the "Labor Code of the Philippines," as amended by Republic Act No. 11360 (Labor Code), is amended to read as follows:

"Art. 96. *Service Charges.* — All service charges collected by hotels, restaurants and similar establishments shall be distributed completely and equally among the covered workers [~~except managerial employees~~].

"In the event that the minimum wage is increased by law or wage order, service charges paid to the covered [~~employees~~] **WORKERS** shall not be considered in determining the employer's compliance with the increased minimum wage.

"FOR PURPOSES OF THIS ARTICLE, THE FOLLOWING TERMS SHALL MEAN AS FOLLOWS:

- (A) *AGENCY-HIRED WORKERS* REFER WORKERS WHO ARE EMPLOYED BY CONTRACTORS OF THE COVERED ESTABLISHMENT AND ARE ASSIGNED TO WORK IN THE COVERED ESTABLISHMENT;**

- (B) **COVERED WORKERS** REFER TO ALL EMPLOYEES AND WORKERS, REGARDLESS OF THEIR POSITION, DESIGNATION, OR EMPLOYMENT STATUS, AND IRRESPECTIVE OF THE METHOD BY WHICH THEIR WAGES ARE PAID, EXCEPT MANAGERIAL EMPLOYEES OR WORKERS. COVERED WORKERS INCLUDE REGULAR AND NON-REGULAR EMPLOYEES DIRECTLY EMPLOYED BY COVERED ESTABLISHMENTS, INCLUDING THOSE EMPLOYEES PERFORMING ADMINISTRATIVE FUNCTIONS INCLUDING, BUT NOT LIMITED TO THE FOLLOWING FUNCTIONS: OFFICE OPERATIONS AND CLERICAL, ACCOUNTING AND FINANCIAL, LOGISTICAL AND PROCUREMENT, OFFICE SYSTEMS AND TECHNOLOGY, HUMAN RESOURCES, SECURITY AND MONITORING, AND MAINTENANCE AND SANITATION; *PROVIDED*, THAT AGENCY-HIRED WORKERS OR WORKERS WHO ARE EMPLOYED BY CONTRACTORS OF THE COVERED ESTABLISHMENT AND ARE ASSIGNED TO WORK IN THE COVERED ESTABLISHMENT ARE LIKEWISE COVERED;
- (C) **MANAGERIAL EMPLOYEES** REFER TO EMPLOYEES VESTED WITH POWERS OR PREROGATIVES TO LAY DOWN AND EXECUTE MANAGEMENT POLICIES OR HIRE, TRANSFER, SUSPEND, LAY-OFF, RECALL, DISCHARGE, ASSIGN, OR DISCIPLINE EMPLOYEES; AND
- (D) **SERVICE CHARGE** REFERS TO THE AMOUNT THAT IS ADDED TO THE BILL FOR WORK OR SERVICE RENDERED.”

SECTION 3. *Distribution of Charges.* — The share of the covered workers in the service charges collected by the covered establishments shall be distributed completely and equally, based on the actual hours or days of work or service rendered, among the covered workers.

Pursuant to this Act, the employer shall distribute the share to the service charges directly to covered workers, including covered agency-hired workers, as may be applicable; *Provided*, That nothing in this Act shall be deemed or construed to create an employer and employee relationship between the employer and the covered agency-hired workers.

SECTION 4. *Frequency of Distribution.* — The share of the covered workers in service charges shall be distributed and paid to them not less than once every two (2) weeks or twice a month at intervals not exceeding sixteen (16) days.

SECTION 5. *Non-Diminution of Benefits.* — Nothing in this Act shall be construed to diminish existing benefits under present laws, company policies, and collective bargaining agreements.

All employees who are already receiving service charges prior to, or at the time of the effectivity of this Act and its implementing rules and regulations, including the covered agency-hired workers, shall continue to be entitled to the distribution of collected service charges.

SECTION 6. *Integration of service charges.* — In case the service charges are abolished, the share of covered workers shall be considered integrated in their wages. The basis for the amount to be integrated shall be the average monthly share of each employee for the past twelve (12) months immediately preceding the abolition of withdrawal of such charges.

SECTION 7. *Implementing Rules and Regulations.* — Within sixty (60) days from the effectivity of this Act, the Secretary of Labor and Employment shall, in consultation with the relevant stakeholders, issue the appropriate implementing rules and regulations of this Act.

SECTION 8. *Repealing Clause.* — Article 96 of Presidential Decree No. 442, otherwise known as the “Labor Code of the Philippines,” as amended by Republic Act No. 11360 is hereby repealed or modified accordingly. All laws, presidential decrees, executive orders, or issuances or any part thereof which are inconsistent with the provision of this Act are hereby repealed, amended, or modified accordingly.

SECTION 9. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or any newspaper of general circulation.

Approved,