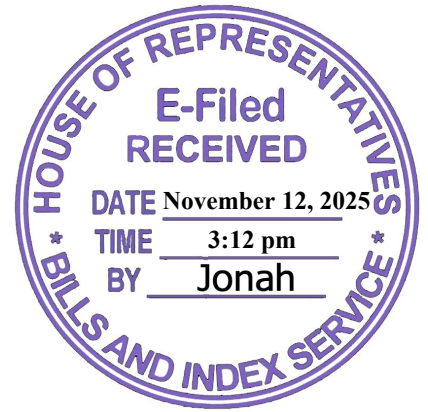


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 5924



Introduced by **HONORABLE RAMON JOLO B. REVILLA III**

AN ACT
INSTITUTING A NATIONAL MINIMUM WAGE SYSTEM, AMENDING
FOR THE PURPOSE PRESIDENTIAL DECREE NO. 442, OTHERWISE
KNOWN AS THE "LABOR CODE OF THE PHILIPPINES," AS
AMENDED

EXPLANATORY NOTE

This bill seeks to amend Presidential Decree No. 442, otherwise known as the "Labor Code of the Philippines," to institutionalize a national minimum wage system. It shall abolish the provincial wage rates as a basis for determining minimum wages to rectify the regional economic disparities hounding Filipino workers. It shall adopt a single and nationwide minimum wage that shall be determined through tripartite consultations and socioeconomic assessments to serve as the statutory wage floor for all workers across the country.

Further, it shall also provide for a three-year transition period that shall allow regional wages to gradually align with the National Minimum Wage.

Likewise, upon implementation of the national wage system, the Regional Tripartite Wages and Productivity Boards (RTWPB) shall be abolished and their regulatory and policy functions shall likewise be transferred to the National Wages and Productivity Commission (NWPC).

Republic Act No. 6727, otherwise known as the “Wage Rationalization Act” was enacted in 1989 to rationalize the fixing of minimum wages and to promote productivity-improvement and gain-sharing measures to ensure a decent standard of living for the workers and their families. It created the NWPC and RTWPB and mandated the latter to study, fix, and raise wages on a regional level based on, among many, poverty threshold, employment rate, and cost of living specific to the region.

While the intention of the law was to rationalize the fixing of minimum wages, it has however, failed to ensure decent standard of living for the Filipino workers in different regions of the country. Likewise, wage distortions have emerged in different regions.

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


RAMON JOLO B. REVILLA III

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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 “National Minimum Wage Act.”

SEC. 2. Declaration of Policy. – It is the policy of the State to uphold the principle of equal pay for equal work, regardless of geographic location. The State shall ensure that minimum wage standards are equitable, transparent, and based on national socioeconomic indicators.

The State affirms labor as a primary socioeconomic force. In keeping with the State’s obligation to protect the rights of workers and promote their welfare, government-imposed wage disparities based solely on regional location shall be eliminated through the establishment of a National Minimum Wage applicable to all workers nationwide.

SEC. 3. Definition of Terms. – For the purpose of this Act, the following terms shall mean:

(a) *Enterprise* refers to any organized business activity—whether a single proprietorship, cooperative, partnership, or corporation—engaged in industry, agribusiness, or services. Under Republic Act No. 9501 (Magna Carta for MSMEs, as amended), enterprises are classified based on total assets (excluding land where business premises are situated) into:

1. Micro: up to ₱3 million
2. Small: ₱3,000,001 – ₱15 million
3. Medium: ₱15,000,001 – ₱100 million

(b) *Equal pay for equal work* refers to the principle that all workers performing the same tasks, with equivalent responsibilities, skills, and working conditions, must receive the same minimum compensation, regardless of geographic location.

(c) *Industry* refers to a classification of enterprises engaged in similar economic activities, such as the production of goods, extraction of natural resources, or provision of services. These classifications are systematically further defined and organized under the Philippine Standard Industrial Classification (PSIC).

SEC. 4. Amendment of Article 99 of the Labor Code. – Article 99 of the Labor Code, as amended, is hereby further amended to read as follows:

“ART. 99 [Regional Minimum Wages] NATIONAL MINIMUM WAGE. – The minimum wage rates for agricultural and

non-agricultural employees and workers in [each and every region] ALL REGIONS of the country shall be those prescribed by the [Regional] NATIONAL Wages and Productivity [Boards] COMMISSION (NWPC), IN COORDINATION WITH THE DEPARTMENT OF LABOR AND EMPLOYMENT (DOLE), WHICH SHALL DETERMINE THE INITIAL NATIONAL MINIMUM WAGE THROUGH A TRIPARTITE CONSULTATION AND ECONOMIC ASSESSMENT. *PROVIDED, THAT,* THE INITIAL NATIONAL MINIMUM WAGE SHALL NOT BE LOWER THAN THE PREVAILING MINIMUM WAGE IN THE NATIONAL CAPITAL REGION. THE NATIONAL MINIMUM WAGE SHALL BE FULLY IMPLEMENTED NOT LATER THAN THE THIRD YEAR FROM THE EFFECTIVITY OF THIS ACT.

DURING THE THREE-YEAR TRANSITION PERIOD, EACH REGION SHALL INCREASE ITS PREVAILING MINIMUM WAGE:

(I) ON THE FIRST YEAR, BY NOT LESS THAN THIRTY PERCENT (30%) OF THE WAGE DIFFERENCE BETWEEN THE RESPECTIVE PREVAILING REGIONAL MINIMUM WAGES AND THE INITIALLY SET NATIONAL MINIMUM WAGE;

(II) ON THE SECOND YEAR, BY ANOTHER THIRTY-FIVE PERCENT (35%); AND

(III) ON THE THIRD YEAR, BY THE ENTIRE AMOUNT OF THE REMAINING WAGE DIFFERENCE BETWEEN

THE RESPECTIVE PREVAILING REGIONAL MINIMUM WAGES AND THE INITIALLY SET NATIONAL MINIMUM WAGE.

BY THE END OF THE THIRD YEAR OF TRANSITION, THE MINIMUM WAGE IN ALL REGIONS SHALL BE EQUAL TO THE INITIALLY SET NATIONAL MINIMUM WAGE.

AFTER THE TRANSITION PERIOD, VARIATIONS IN ACTUAL WAGES ACROSS REGIONS, INDUSTRIES, OR ENTERPRISES MAY STILL OCCUR: PROVIDED, THAT SUCH DIFFERENCES SHALL ARISE SOLELY FROM LEGITIMATE ECONOMIC FORCES OR VOLUNTARY EMPLOYER-EMPLOYEE AGREEMENTS, INCLUDING FACTORS SUCH AS DIFFERENCES IN LOCAL LABOR MARKET SUPPLY AND DEMAND, ENTERPRISE PROFITABILITY, SECTORAL PRODUCTIVITY, AND COLLECTIVE BARGAINING OUTCOMES. UNDER NO CIRCUMSTANCES SHALL GOVERNMENT AUTHORITIES ISSUE NEW WAGE ORDERS OR ADMINISTRATIVE MANDATES THAT WOULD ESTABLISH OR REINTRODUCE REGION-SPECIFIC WAGE FLOORS BELOW THE NATIONAL MINIMUM WAGE BEYOND THE TRANSITION PERIOD.

WHERE WAGE VARIATIONS EMERGE AS A RESULT OF ECONOMIC FORCES, THE NATIONAL WAGES AND PRODUCTIVITY COMMISSION (NWPC) SHALL ISSUE REGION- OR SECTOR-SPECIFIC ADVISORY GUIDELINES

THAT SHALL PROMOTE WAGE EQUITY AND LABOR MARKET STABILITY THAT MAY INCLUDE:

- (a) RECOMMENDED WAGE RANGES BASED ON PREVAILING MARKET CONDITIONS;
- (b) SECTOR-SPECIFIC PRODUCTIVITY-BASED PAY SCHEMES; AND
- (c) MECHANISMS RECOGNIZING AND SUPPORTING COLLECTIVE BARGAINING AGREEMENTS THAT GO BEYOND THE NATIONAL FLOOR.

THE COMMISSION SHALL ALSO MONITOR THESE VARIATIONS TO ENSURE THAT THEY DO NOT LEAD TO NEW FORMS OF WAGE DISCRIMINATION OR EXPLOITATION, AND SHALL RECOMMEND CORRECTIVE POLICY MEASURES AS NECESSARY.

SEC. 5. Powers and Functions of the Commission. – Article 121 of the Labor Code, as amended, is hereby further amended and renumbered thereafter to read as follows:

“ART. 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 prescribe rules and guidelines for the determination of appropriate minimum wage and productivity measures at the [regional, provincial] NATIONAL, [or] industry, AND ENTERPRISE levels;
- (d) [To review regional wage levels set by the Regional Tripartite Wages and Productivity Boards to determine if these are in accordance with the prescribed guidelines and national development plans] TO DETERMINE AND FIX NATIONAL MINIMUM WAGE RATES ANNUALLY ACCORDING TO INDUSTRY AND ENTERPRISES AND TO ISSUE CORRESPONDING WAGE ORDERS;
- (e) TO ISSUE TEMPORARY WAGE ADJUSTMENT ORDERS APPLICABLE TO SPECIFIC SECTORS OR GEOGRAPHIC AREAS IN RESPONSE TO MAJOR ECONOMIC DISPLACEMENT EVENTS, INCLUDING, BUT NOT LIMITED TO, WIDESPREAD RETRENCHMENTS, DISASTERS, SIGNIFICANT INCREASES IN COMMODITY OR FUEL PRICES RESULTING FROM INFLATION; OR ANY COMPARABLE CIRCUMSTANCE THAT MATERIALLY IMPAIRS THE ABILITY OF

AFFECTED EMPLOYERS TO COMPLY WITH THE PRESCRIBED NATIONAL BASIC WAGE.

ANY TEMPORARY WAGE ADJUSTMENT ORDER SHALL REMAIN IN EFFECT FOR A PERIOD NOT EXCEEDING SIX (6) MONTHS, UNLESS RENEWED UPON PROPER JUSTIFICATION BASED ON CONTINUING ADVERSE CONDITIONS;

(F) To undertake studies, research, 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, INDUSTRY AND ENTERPRISE-LEVEL PRODUCTIVITY, investments, and returns;

[(f)To review plans and programs of the Regional Tripartite Wages and Productivity Boards to determine whether these are consistent with national development plans;]

[(g) To exercise technical and administrative supervision over the Regional Tripartite Wages and Productivity Board;]

(G) [To call, from time to time,] TO CONVENE a national tripartite conference of representatives of government,

workers, and employers for the consideration of measures to promote higher wages and improved standards of living. The national tripartite conference on wages shall be convened on an annual basis, or as the situation demands it;

[To exercise technical and administrative supervision over the Regional Tripartite Wages and Productivity Boards;]

(H) 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] SECRETARY of the [National Economic and Development Authority (NEDA)] DEPARTMENT OF ECONOMY, PLANNING, AND DEVELOPMENT (DEPDEV) as ex-officio vice-chairman, and two (2) members each from workers and employers sectors who shall be appointed by the President 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, salary, 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, allowances, and other benefits as those prescribed by law for labor and management representatives in the Employees' Compensation Commission.”

SEC. 6. Abolition of the Regional Tripartite Wages and Productivity Board. - Article 122 of the Labor Code, as amended, is hereby repealed.

On the third (3rd) year and upon full implementation of the National Minimum Wage, all Regional Tripartite Wages and Productivity Boards (RTWPBs), created under Republic Act No. 6727, shall be abolished.

The National Wages and Productivity Commission (NWPC) shall thereafter take over the responsibilities and shall be reorganized and strengthened to oversee national wage policy enforcement and perform the functions stipulated under Section 4 of this Act.

Employees of the RTWPBs shall either be absorbed into other government offices, reassigned to appropriate positions, or granted separation benefits in accordance with existing civil service regulations and budgetary guidelines.

SEC. 7. Wage Order. – Article 123 of the Labor Code is hereby amended and renumbered to read as follows:

“ART. [123] 122. – Whenever conditions in the [region] COUNTRY so warrant, the [Regional Board] 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 [one (1) newspaper of general circulation in the region.] TWO (2) NEWSPAPERS OF GENERAL CIRCULATION.

In the performance of its wage-determining functions, the [Regional Board] 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 [Regional Board] COMMISSION may [appeal] SEEK A RECONSIDERATION OF such order [to the Commission] within ten (10) calendar days from the publication of such order. It shall be mandatory for the Commission to decide such [appeal] MOTION FOR RECONSIDERATION within sixty (60) calendar days from the filing thereof.

The filing of the [appeal] 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 the order is affirmed.”

SEC. 8. Standards/Criteria for Minimum Wage Fixing. – Article 124 of the Labor Code is hereby amended and renumbered to read as follows:

“ART. [124] 123. Standards/Criteria for Minimum Wage Fixing. – The [regional] NATIONAL minimum wage[s] to be established by the [Regional Board] 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 [regional] minimum wage, the [Regional Board] COMMISSION shall, among other relevant factors, consider the following:

- [(a) The demand for living wages;
- (b) Wage adjustment vis-à-vis the consumer price index;
- (c) The cost of living and changes or increases therein;
- (d) The needs of workers and their families;
- (e) The need to induce industries to invest in the countryside;
- (f) Improvements in standards of living;
- (g) The prevailing wage levels;
- (h) Fair return of the capital invested and capacity to pay of employers;
- (i) Effects on employment generation and family income; and
- (j) The equitable distribution of income and wealth along the imperatives of economic and social development.]

(A)THE WORKERS’ RIGHT TO A LIVING WAGE;

- (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 OF EMPLOYERS; AND
- (G) THE EQUITABLE DISTRIBUTION OF INCOME AND WEALTH ALONG THE IMPERATIVES OF ECONOMIC AND SOCIAL DEVELOPMENT.

The wage[s] prescribed in accordance with the provisions of this Title shall be the standard prevailing NATIONAL minimum [wages in every region] WAGE. [These wages] THIS shall include wages varying within industries, [provinces or localities] if in the judgment of the [Regional Board] 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 [appropriate Regional Board] COMMISSION and the [National Statistics Office] 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 [any] THE [Regional Board] 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 by piecework, takay, pakyaw or task basis, shall receive not less than the prescribed wage rates per eight (8) hours' 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.

SEC. 9. – Article 127 is hereby amended and renumbered to read as follows:

“ART. [127] 126. Non-diminution of Benefits. – No Wage Order issued by [any Regional Board] THE COMMISSION shall provide for wage rates lower than the statutory minimum wage rates prescribed by Congress.”

SEC. 10. Exemptions. – Exempted from the provisions of this Act are businesses belonging to the micro category based on the criteria provided by the Department of Trade and Industry (DTI): Provided, That the enterprise is

registered and has an updated Barangay Micro Business Enterprise (BMBE) Certification pursuant to Republic Act No. 9178.

Daily basic wage increases enforced within three (3) months before the effectivity of this Act, which have been explicitly stated and agreed upon in collective bargaining agreements (CBAs), and excluding wage adjustments due to anniversaries, merit-based increases, or those resulting from employee regularization or promotion, shall be counted as compliance with the wage increases mandated by this Act: Provided, That the employer shall pay the employees of the difference in wage increases that is less than what is mandated under this Act.

Disputes resulting from wage distortions—defined as significant changes in wage relationships within the same establishment—upon the implementation of the mandated wage increase under this Act shall first be resolved voluntarily between the employer and employees, and, when settlement cannot be reached, thereafter be referred to the appropriate regional branch of the National Labor Relations Commission (NLRC) that has jurisdiction over the workplace for compulsory arbitration. The NLRC shall conduct continuous hearings and issue a decision on any such dispute within twenty (20) calendar days from its filing.

The existence of a wage distortion dispute shall not delay the implementation of the wage increases prescribed under this Act.

SEC. 11. Monitoring. – The Department of Labor and Employment (DOLE) shall, as far as practicable, conduct inspections of company payrolls and other financial records to verify compliance with the prescribed minimum wage rates and other legally mandated benefits, including those under any Wage Order: Provided, That, when conducting inspections in companies with existing union/s,

the DOLE inspectors shall be accompanied by the president, or any responsible officer of the recognized bargaining unit, or by a representative of any concerned labor union; Provided, further, That, inspections in companies without union/s shall be conducted in the presence of a worker representative chosen from within the workforce. The worker representative has the right to submit their own findings to DOLE and, should the findings not agree with the labor inspector's report, may provide testimony to support their position.

SEC. 12. Penalties. – Any individual, corporation, trust, firm, partnership, association, or other entity that refuses or fails to pay the mandated wage increases or adjustments under this Act shall be subjected to a fine that is equivalent to double the unpaid wages owed to the affected workers, but not less than One hundred fifty thousand pesos (₱150,000.00), or face imprisonment of not less than one (1) year but not more than two (2) years, or both.

Any person or persons convicted under this Act shall not be eligible for probation under the Probation Law.

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

SEC. 13. Implementing Rules and Regulations. – Within sixty (60) days upon the effectivity of this Act, the Department of Labor and Employment (DOLE), in coordination with National Wages and Productivity Commission (NWPC), shall promulgate the necessary rules and regulations to implement the provisions of this Act.

SEC. 14. Repealing Clause. – Republic Act No. 6727, otherwise known as the “Wage Rationalization Act,” is hereby expressly repealed. All other laws, presidential decrees, executive orders, rules and regulations, or parts thereof that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 15. Separability Clause. — If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting

SEC. 16. Effectivity. — This Act shall take effect sixty (60) days after its publication in the Official Gazette or at least two (2) newspapers of general circulation.

Approved,