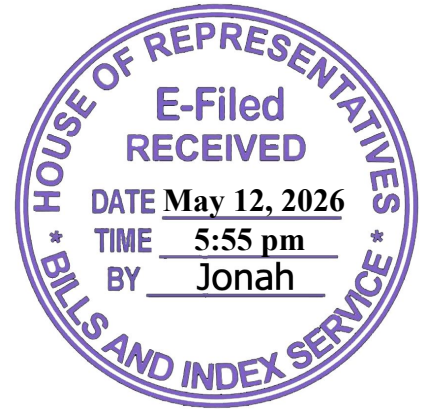


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 9229



INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO,
JOCELYN P. TULFO, AND JEFFREY SORIANO

AN ACT
STRENGTHENING THE RIGHTS OF PIECE-RATE WORKERS, PROVIDING
FOR STRICTER REPORTORIAL REQUIREMENTS AND PENALTIES FOR
VIOLATIONS THERETO AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Article XIII, Section 3, of the 1987 Constitution mandates the State to afford full protection to labor, promote full employment, ensure humane conditions of work, and entitle all workers to a living wage. In line with this, there is a need to strengthen existing safeguards for workers engaged under non-traditional wage arrangements, particularly those compensated on a piece-rate basis.

Piece-rate or “pakyawan” workers, whose earnings are determined by output rather than fixed daily or hourly wages, remain among the most vulnerable sectors of the labor force. While this compensation scheme has long been recognized under the Labor Code of the Philippines and is widely practiced in industries such as agriculture, manufacturing, logistics, and textiles, it has been susceptible to misuse and has also become a frequent source of abuse and blatant violations of labor standards law.

This proposed measure seeks to regulate the implementation of “pakyawan” arrangements by establishing clear standards on wage computation, ensuring that compensation is fair, reasonable, and not lower than the applicable minimum wage. It also aims to require written contracts, proper documentation, and transparent wage computation to safeguard workers’ rights. Furthermore, to effectively address persistent abuses, this bill provides to strengthen enforcement mechanisms, including mandatory compliance with labor reportorial obligations, the imposition of appropriate civil and criminal liabilities for willful or repeated violations, and the institutionalization of accurate recordkeeping and wage disclosure practices.

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



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STRICTER REPORTORIAL REQUIREMENTS AND PENALTIES FOR
VIOLATIONS THEREOF

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

1 **SECTION 1. *Short Title.*** – This Act shall be known as the “*Anti-Abuse of*
2 *Pakyawan Workers Act*”.

3

4 **SEC. 2. *Declaration of Policy.*** – The State shall afford full protection to all
5 workers, including those compensated on a piece-rate basis, consistent with the State’s
6 duty to affirm labor as a primary social economic force.

7

8 The State shall protect and promote the rights and welfare of workers paid on
9 a piece-rate or “*pakyawan*” basis, who have long been neglected and subjected to
10 abusive labor practices. To this end, the State shall ensure transparency in wage
11 determination, enforce strict reportorial and compliance requirements, and impose

1 appropriate and graduated penalties to deter willful violations and secure full
2 compliance with labor standards.

3

4 **SEC. 3. Coverage.** – This Act shall apply to all employers, including micro,
5 small, medium, and large enterprises, which adopt a piece-rate compensation system,
6 with workers paid by result, including “*pakyaw*,” piecework, and other non-time work
7 pursuant to Article 101 of Presidential Decree No. 442, as amended, or the “Labor
8 Code of the Philippines”, but shall exclude enterprises where no employer-employee
9 relationship exists.

10

11 **SEC. 4. Definition of Terms.** – As used in this Act:

12

13 (a) *Employee* refers to any individual hired and is under the direct control and
14 supervision of an employer;

15 (b) *Employer* refers to any person, natural or juridical, acting directly or
16 indirectly in the interest of an employer in relation to an employee;

17 (c) *Enterprise* refers to any organized business activity, whether single
18 proprietorship, cooperative, partnership, or corporation, and classified either as
19 micro, small, or medium enterprise, whose total assets, inclusive of those arising from
20 loans but exclusive of the land where the business entity's office, plant, and equipment
21 are situated, must have value falling under the following categories:

22 (i) By Asset Size:

23 (1) Micro enterprise – not more than Three Million Pesos
24 (₱3,000,000);

25 (2) Small enterprise – more than Three Million Pesos (₱3,000,000)
26 up to Fifteen Million Pesos (₱15,000,000);

27 (3) Medium enterprise – more than Fifteen Million Pesos
28 (₱15,000,000) up to One Hundred Million Pesos
29 (₱100,000,000.00); and

30 (4) Large enterprise – more than One Hundred Million Pesos

1 (P100,000,000);

2 (ii) Alternatively, enterprises may be categorized based on the number
3 of employees, as follows:

4 (1) Micro enterprise – one (1) to nine (9) employees;

5 (2) Small enterprise – ten (10) to ninety-nine (99) employees;

6 (3) Medium enterprise – one hundred (100) to one hundred
7 ninety-nine (199) employees; and

8 (4) Large enterprise – two hundred (200) or more employees;

9 (d) *Establishment* refers to a micro, small, medium, or large business enterprise
10 engaged in an economic activity whose employees are paid by result, including
11 “pakyaw,” piece work, commission, or any other non-time work;

12 (e) *Order* refers to a Piece-Rate Order or Production Standard Order issued by
13 the Regional Tripartite Wages and Productivity Board (RTWPB), through its
14 Chairperson, the Department of Labor and Employment (DOLE) Regional Director,
15 based on the results and recommendations arising from a Time and Motion Study
16 (TMS) conducted in an establishment in accordance with applicable rules and
17 regulations of the DOLE and the National Wages and Productivity Commission
18 (NWPC).

19 (f) *Piece-Rate* refers to an arrangement where an employee is paid based on
20 production or the amount or quantity of work done rather than the number of hours
21 worked;

22 (g) *Time and Motion Study (TMS)* refers to the systematic determination of work
23 methods and time standards using various tools and technologies, taking into
24 consideration local or international industry-specific standards; and

25 (h) *Wages* refer to remuneration or earnings, however designated, capable of
26 being expressed in terms of money, whether fixed or ascertained on a time, task, piece,
27 or commission basis or other method of calculating the same, which is payable by an
28 employer to an employee under a written or unwritten contract of employment for
29 work done, or for services rendered and includes the fair and reasonable value, as
30 determined by the Secretary of Labor and Employment, of board, lodging, or other

1 facilities customarily furnished by the employer to the employee.

2

3 **SEC. 5. *Application for Production Standards Orders and/or Piece-Rate***
4 ***Orders.*** – Any employer, employee, union, or duly authorized representative of an
5 establishment intending to implement, renew, or modify a piece-rate or “pakyawan”
6 compensation system shall file an application with the concerned RTWPB for the
7 conduct of a TMS and the issuance, renewal, or updating of an Order.

8 The RTWPB shall conduct or cause the conduct of the TMS to determine
9 appropriate production standards or piece rates, which shall serve as the basis for the
10 issuance of the corresponding Order. Employers implementing piece-rate systems
11 shall ensure compliance with approved production standards and applicable
12 minimum wage laws.

13

14 **SEC. 6. *Application of Time-Rated or Output-Rated Wage Payment.*** –
15 A employee compensated under a piece-rate, “pakyawan,” or other output-based wage
16 system who has rendered work for eight (8) hours or more in a day shall receive a
17 total compensation not lower than the applicable minimum wage rate pursuant to
18 Republic Act No. 6727 or the “Wage Rationalization Act,” as amended.

19

20 The applicable time-rated minimum wage shall serve only as the statutory
21 floor, and such shall not be construed as establishing the standard rate or basis for
22 determining compensation under a piece-rate or “pakyawan” system.

23

24 Piece-rate compensation shall be based on approved production standards
25 established through a TMS and the corresponding Piece-Rate Orders.

26

27 **SEC. 7. *Mandatory Posting, Recordkeeping, and Reportorial Requirements.*** –
28 Upon the issuance of a duly-approved Piece-Rate Order following the conduct of a
29 valid and actual TMS, the employer, the employee, and the employee’s union, if any,
30 shall each be furnished a copy of the Order. The employer shall post a copy of the

1 Order in a bulletin board or in a conspicuous place in the establishment where the
2 affected employee performs their tasks. A certification to this effect shall be
3 subsequently submitted to the concerned RTWPB and a copy shall be submitted to the
4 DOLE Regional Office.

5
6 The RTWPB shall maintain a database of all Piece-Rate Orders issued within its
7 area of jurisdiction and shall share the same with the DOLE-Regional Office.

8
9 Within ten (10) working days after the reference month, the RTWPBs shall
10 submit a monthly report on the conduct of TMS to the NWPC for program monitoring
11 and evaluation.

12
13 All Orders and their corresponding TMS documentation shall be filed with the
14 RTWPB. One (1) complete copy of the Orders shall be furnished to the NWPC, which
15 shall maintain a complete database and conduct random documentation and/or site
16 audits of TMS and conduct on TMS. A copy of the audit results shall be furnished to
17 the concerned Board Chairperson.

18
19 Whenever a new Wage Order is issued, the DOLE Regional Office shall require
20 all employers implementing an Order within its jurisdiction to submit a sworn
21 certification stating whether: (a) the establishment is affected by the newly issued
22 Wage Order; and (b) its existing Order complies with the applicable minimum wage,
23 and if not, (c) that the employer shall undertake the necessary adjustments to ensure
24 compliance and apply for the amendment of its Order with the concerned RTWPB. To
25 verify compliance, the DOLE Regional Office shall exercise its visitorial and
26 enforcement powers pursuant to Article 128 of the Labor Code, as amended, and may
27 conduct inspection of the employer's records, as necessary, and shall thereafter advise
28 the RTWPB to issue the amended Order. The employer shall ensure that all affected
29 employees are duly informed of resulting adjustments in compensation.

1 **SEC. 8. *Enforcement.*** - Pursuant to its powers under Articles 128 and 129 of the
2 Labor Code, as amended, and Section 129 of Republic Act No. 6727 or the "Wage
3 Rationalization Act", as amended, the DOLE shall adopt measures to monitor
4 compliance with the provisions of this Act, including the conduct of on-site
5 inspections, and shall investigate, prosecute, and decide on any violation.

6
7 The DOLE, through its labor inspectors, shall conduct random inspections at
8 least twice a year to ensure compliance. The refusal or failure of any labor inspector
9 to exercise this mandatory function shall subject the offending labor inspector to
10 administrative sanctions under pertinent and applicable civil service laws, including
11 suspension or removal from office.

12
13 An employee representative shall always be present during inspections. In
14 unionized companies, labor inspectors shall be accompanied by the president or other
15 officer of the recognized bargaining unit or interested union. In non-unionized
16 companies, establishments, or businesses, the inspections must be conducted in the
17 presence of an employee's representative. The employee's representative may submit
18 their own findings to DOLE and testify on the same in case of disagreement with the
19 labor inspector's findings.

20
21 **SEC. 9. *Grievance Mechanism.*** - In the absence of an existing collective
22 bargaining agreement or company policy prescribing procedures for handling
23 grievances, an aggrieved employee may directly file a complaint for violations of this
24 Act with the DOLE Regional or Field Office having jurisdiction over the workplace of
25 the employee, pursuant to the provisions of the Labor Code on compulsory
26 arbitration.

27
28 **SEC. 10. *Prohibited Acts.*** - The following are deemed violations of this Act:

29
30 (a) Underpayment - payment of wages below the applicable minimum wage,

1 below the prescribed amount agreed upon by the employer and the employee, or
2 below a duly approved Piece-Rate Order;

3 (b) Nonpayment – refusal by the employer to pay mandatory statutory
4 benefits, including 13th-month pay, when applicable, overtime pay, holiday pay, and
5 service incentive leave pay;

6 (c) Non-compliance with an Order – failure of the employer to comply with
7 the terms and conditions of an Order duly-issued by the RTWPB and approved by the
8 NWPC;

9 (d) Non-submission of an updated Order – failure of the employer to submit
10 an updated Order to the RTWPB having jurisdiction over the employer and to the
11 NWPC after the issuance of a new Wage Order in the area where the employer
12 operates and conducts business; and

13 (e) Failure to conduct a TMS – when the establishment, the employer, or its
14 duly-authorized representative, the employee, or the employee's union fails or refuses
15 to apply for and conduct a TMS prior to the issuance of a valid Order.

16

17 **SEC. 11. *Administrative Liabilities and Fines.*** – An employer who is proven to
18 have engaged in the prohibited acts, after due notice and hearing, shall be imposed
19 the following administrative fines:

20

21 (a) First offense:

22 (1) Micro enterprise – Twenty-Five Thousand Pesos (₱25,000.00) to Fifty
23 Thousand Pesos (₱50,000.00);

24 (2) Small enterprise – Fifty Thousand Pesos (₱50,000.00) to One Hundred
25 Thousand Pesos (₱100,000.00);

26 (3) Medium enterprise – One Hundred Thousand Pesos (₱100,000.00) to
27 Three Hundred Thousand Pesos (₱300,000.00); and

28 (4) Large enterprise – Five Hundred Thousand Pesos (₱500,000.00) to One
29 Million Pesos (₱1,000,000.00).

30 In addition, thereto, the employer shall pay full backwages and all other

1 applicable statutory benefits under existing labor laws. Upon a finding of willful
2 violation or violation committed with bad faith, a penalty of suspension of business
3 operations for a period not exceeding fifteen (15) days may be imposed. Such
4 suspension shall not automatically apply to micro and small enterprises for first-time
5 or technical violations;

6 (b) Second offense:

- 7 (1) Micro enterprise - Seventy-Five Thousand Pesos (₱75,000.00);
8 (2) Small enterprise - Two Hundred Thousand Pesos (₱200,000.00);
9 (3) Medium enterprise - Five Hundred Thousand Pesos (₱500,000.00); and
10 (4) Large enterprise - Two Million Pesos (₱2,000,000.00).

11 The employer shall likewise pay full backwages and other applicable statutory
12 benefits under labor laws. Suspension of business operations for a period of at least
13 thirty (30) days but not exceeding sixty (60) days may be imposed upon a finding of
14 repeated and willful violation;

15 (c) Third or subsequent offense:

- 16 (1) Micro enterprise - One Hundred Fifty Thousand Pesos (₱150,000.00);
17 (2) Small enterprise - Five Hundred Thousand Pesos (₱500,000.00);
18 (3) Medium enterprise - One Million Pesos (₱1,000,000.00); and
19 (4) Large enterprise - Five Million Pesos (₱5,000,000.00).

20 The employer shall likewise pay full backwages and other applicable statutory
21 benefits under labor laws. Closure of business shall not be automatic and may be
22 imposed only upon clear proof of systematic, large-scale, and intentional wage theft,
23 after exhaustion of lesser administrative penalties and full observance of due process;
24 and

- 25 (d) In cases where an employee is covered by a validly existing contractual
26 agreement, the liability of the employer and the contractor under this Act
27 shall be solidary in nature, in accordance with Article 109 of the Labor Code,
28 as amended.

1 In the imposition of the appropriate penalty within the prescribed range, the
2 DOLE shall consider the nature and gravity of the violation, the number of affected
3 workers, the duration and frequency of the violation, whether the violation was
4 committed with willful intent or done under justifiable circumstances, the extent of
5 damage or prejudice to the employees, the size and capacity of the enterprise, and the
6 employer's history of compliance with labor laws.

7
8 In no case shall penalties be imposed in a manner that is arbitrary or
9 disproportionate to the violation committed. For first-time or technical violations,
10 particularly involving micro and small enterprises, the DOLE may consider the
11 imposition of corrective compliance measures in lieu of, or in addition to, monetary
12 penalties, consistent with the objectives of this Act.

13
14 For purposes of this Section, technical violations refer to non-compliance with
15 procedural or reportorial requirements that do not result in underpayment of wages
16 or deprivation of statutory benefits.

17
18 **SEC. 12. *Implementing Rules and Regulations.*** – The rules and regulations
19 necessary for the effective and efficient enforcement of the provisions of this Act shall
20 be formulated by the DOLE, in consultation with the NWPC, the RTWPBs, the
21 Department of Justice, the Department of the Interior and Local Government, and
22 concerned stakeholders from the business sector, workers' groups, and private
23 enterprises, and shall be implemented within sixty (60) days from the effectivity of
24 this Act.

25
26 **SEC. 13. *Separability Clause.*** – If any provision of this Act is declared
27 unconstitutional, the remainder hereof not otherwise affected shall remain in full force
28 and effect.

1 **SEC. 14. *Repealing Clause.*** – All laws, presidential decrees, executive orders,
2 letters of instruction, proclamations, administrative orders, issuances, rules, or
3 regulations that are inconsistent with the provisions of this Act are hereby repealed,
4 amended, or modified accordingly.

5

6 **SEC. 15. *Effectivity.*** – This Act shall take effect after fifteen (15) days following
7 its publication in the *Official Gazette* or in a newspaper of general circulation.

8

Approved,