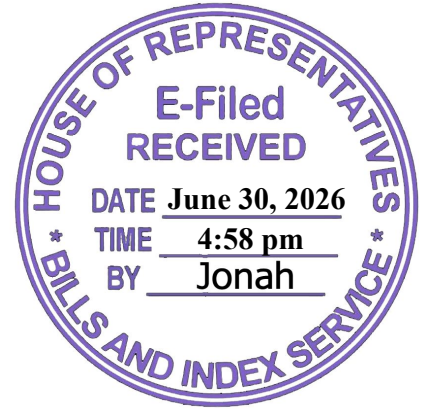


Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**TWENTIETH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 9998**



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Introduced by Representative Jan “Atty. JP” D. Padiernos

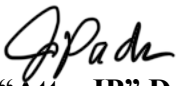
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**EXPLANATORY NOTE**

Under Article 110 of the Labor Code and the Financial Insolvency and Rehabilitation Act (FIRA), workers are classified as preferred creditors when a company goes bankrupt. However, this preference is often an empty promise. Corporate liquidation takes years, and by the time assets are sold, the proceeds are consistently exhausted by taxes, administrative fees, and banks. Displaced workers are left empty-handed despite their statutory preference.

This Act aims to address this by establishing the Wage Guarantee Fund. Instead of making workers wait out grueling liquidation proceedings, a centralized, employer-contributed fund will immediately pay out their backwages and separation pay. The State will then assume and recover the workers' claims from the company to shield the workforce from sudden destitution during prolonged bankruptcy proceedings.

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

  
**Rep. Jan “Atty. JP” D. Padiernos**  
GP (GALING SA PUSO) Partylist

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

TWENTIETH CONGRESS  
First Regular Session

House Bill No. **9998**

Introduced by Representative Jan “Atty. JP” D. Padiernos

**AN ACT ESTABLISHING A WAGE GUARANTEE FUND TO PROTECT WORKERS' CLAIMS IN THE EVENT OF EMPLOYER INSOLVENCY, OCCUPATIONAL BANKRUPTCY, OR CORPORATE LIQUIDATION, CREATING THE WAGE GUARANTEE FUND ADMINISTRATION, AND FOR OTHER PURPOSES**

*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 "*Wage Guarantee Fund Act.*"

**SECTION 2.** Declaration of Policy. — It is the policy of the State to afford full protection to labor and promote full employment and equality of employment opportunities. The State recognizes that wages are the primary source of livelihood for workers and their families. In the event of employer insolvency or corporate bankruptcy, the payment of worker claims must be swift, guaranteed, and unencumbered by prolonged litigation. To this end, the State shall establish a mandatory, employer-contributed fund to guarantee the immediate settlement of unpaid wages and separation pay due to affected employees.

**SECTION 3. Definition of Terms.** — As used in this Act:

- A. “Insolvency” refers to the financial condition of an employer that is unable to pay its liabilities as they fall due in the ordinary course of business, or whose liabilities are greater than its assets, whether or not a formal petition for rehabilitation or liquidation has been filed under Republic Act No. 10142.
- B. “Workers’ Claims” refers to any unpaid wages, salaries, allowances, and statutory separation pay earned by an employee prior to the cessation of business operations due to insolvency.
- C. “Employer” refers to any natural or juridical person, including corporations, partnerships, and sole proprietorships, operating a business enterprise in the Philippines that employs the services of regular, casual, or contractual workers.
- D. “Fund” refers to the Wage Guarantee Fund established under Section 4 of this Act.

**SECTION 4.** Establishment of the Wage Guarantee Fund. — There is hereby established a trust fund to be known as the Wage Guarantee Fund (WGF). The Fund shall be used

exclusively for the immediate payment of valid workers' claims resulting from employer insolvency. The Fund shall be financed through:

1. A mandatory monthly contribution from all registered employers, equivalent to a specific, minimal percentage of each employee's monthly salary, to be determined in the Implementing Rules and Regulations (IRR), but not to exceed zero point one percent (0.1%);
2. Seed funding from the National Government; and
3. Any interests, earnings, or penalties accrued by the Fund.

The employer's contribution to the Fund shall be borne solely by the employer, and any deduction of this contribution from the wages or salaries of employees is strictly prohibited.

**SECTION 5.** Creation of the Wage Guarantee Fund Administration (WGFA). — The Wage Guarantee Fund Administration (WGFA) is hereby created as an attached agency of the Department of Labor and Employment (DOLE) to administer the Fund. A Board of Directors, comprising representatives from DOLE, the Department of Finance (DOF), organized labor, and employers' organizations, shall govern the WGFA.

**SECTION 6.** Conditions for Claims and Payout of Benefits. — Upon a formal declaration of bankruptcy by a court, a voluntary or involuntary liquidation order under Republic Act No. 10142, or a factual finding of insolvency and permanent closure by the DOLE, affected employees may file a claim with the WGFA.

Upon verification of the employment relationship and the amount due, the WGFA shall, within thirty (30) days, release a payout from the Fund to the affected workers covering:

1. Up to three (3) months of unpaid backwages; and
2. Statutory separation pay, up to a maximum cap per worker to be set by the WGFA Board.

**SECTION 7.** Substitution of Claims and Recovery of Payouts. — Upon payment of the claims from the Fund, the WGFA shall be legally subrogated to all the rights and preferences of the paid workers under Article 110 of the Labor Code and relevant insolvency laws.

The WGFA shall step into the shoes of the workers as a preferred creditor to recover the paid amounts from the remaining assets of the insolvent employer during the standard liquidation proceedings. All recovered funds shall be channeled back into the WGF.

**SECTION 8.** Penal Provisions. — Any employer who fails to remit the required contributions to the Fund, or any person who submits fraudulent claims to the WGFA, shall face criminal liability.

1. Non-remittance of contributions shall be penalized with a fine of not less than Fifty Thousand Pesos (PHP 50,000) but not more than Five Hundred Thousand Pesos (PHP 500,000), or imprisonment of not less than one (1) year but not more than six (6) years, or both, at the discretion of the court. If the offender is a corporation, the penalty shall be imposed upon its responsible officers.

2. Filing fraudulent claims shall be penalized under the provisions of the Revised Penal Code on Estafa and Falsification of Documents.

**SECTION 9.** Implementing Rules and Regulations (IRR). — Within ninety (90) days from the effectivity of this Act, the Secretary of Labor and Employment, in coordination with the Secretary of Finance and representatives from labor and employer sectors, shall promulgate the rules and regulations necessary to implement this Act.

**SECTION 10.** Separability Clause. — If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

**SECTION 11.** Repealing Clause. — Article 110 of Presidential Decree No. 442 (The Labor Code of the Philippines), as amended, and Republic Act No. 10142 (Financial Insolvency and Rehabilitation Act of 2010) are hereby amended or modified accordingly. All other laws, decrees, executive orders, rules, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

**SECTION 12.** Effectivity. — This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

*Approved,*