

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10476



INTRODUCED BY REP. PATRICK MICHAEL "PM" D. VARGAS

AN ACT
INCREASING THE SERVICE INCENTIVE LEAVE OF EMPLOYEES,
AMENDING FOR THE PURPOSE ARTICLE 95 OF PRESIDENTIAL
DECREE NO. 442, AS AMENDED, OTHERWISE KNOWN AS THE LABOR
CODE OF THE PHILIPPINES

EXPLANATORY NOTE

As it stands, the Service Incentive Leave (SIL) guaranteed to covered employees under the Labor Code of the Philippines has become increasingly inadequate in light of the realities of modern work and the growing recognition that adequate time for rest, personal activities, and family responsibilities is essential to the health and sustainability of the workforce.

Under Article 95 of the Labor Code, however, an employee who has rendered at least one year of service is entitled to only five (5) days of SIL with pay each year.¹ This benefit may be converted into its monetary equivalent when unused, which gives the employee the choice to either spend his SIL to recuperate from the demands of work, or earn commensurate compensation for days he could have used for recreation or recovery.²

However, the Philippine standard is notably modest when compared with paid annual leave entitlements in several other Southeast Asian countries. Cambodia provides 18 days of paid annual leave per year,³ while Malaysia provides between 8 and 16 days depending on length of service.⁴ Singapore's statutory entitlement begins at seven days and increases progressively to 14 days with length of service.⁵ Indonesia generally provides 12 days of annual leave after an employee has worked continuously for at least

¹ Presidential Decree No. 442, Labor Code of the Philippines, Art. 95

² Department of Labor and Employment (DOLE), Handbook on Workers' Statutory Monetary Benefits

³ Cambodia Labour Law, Art. 166.

⁴ Malaysia Employment Act 1955, s. 60E.

⁵ Singapore Ministry of Manpower, Annual Leave; Employment Act 1968, s. 88.

12 months,⁶ while Vietnam provides 12 days of annual leave for employees performing work under normal conditions, with longer entitlements for certain categories of workers.⁷ Thailand, while providing a lower statutory minimum of six working days after one year of uninterrupted service, still provides a longer annual leave period than the Philippine five-day SIL entitlement.⁸ These comparisons demonstrate that the Philippine minimum has not kept pace with the paid annual leave standards adopted by many of its regional neighbors.

The issue is not merely the number of days that employees may be absent from work. Paid leave is an important component of work-life balance and occupational well-being. The International Labour Organization (ILO) has recognized that working-time arrangements and adequate periods of rest are central to workers' health, family life, productivity, and overall quality of life.⁹ The ILO likewise emphasizes that excessive working hours and inadequate opportunities for recovery can have adverse consequences for workers and their families. This is particularly relevant in the Philippines, where many workers face lengthy commutes, demanding workloads, family obligations, and the increasing pressure to remain connected to work even outside regular working hours.

Scientific evidence likewise supports the importance of taking time away from work. A systematic review of research on vacations found that taking time off work can have beneficial effects on health and well-being, including reductions in stress and improvements in mental and physical recovery.¹⁰ Rest is therefore not a luxury or an impediment to productivity. Rather, it is part of maintaining a workforce that is healthy, engaged, and capable of performing effectively over the long term. The World Health Organization and the ILO have further found that excessively long working hours are associated with significant health risks, estimating that long working hours contributed to approximately 745,000 deaths from stroke and ischemic heart disease in 2016 worldwide.¹¹

Expanding SIL is consequently an investment in work-life balance. Employees need reasonable opportunities to attend to family responsibilities, personal matters, health needs, emergencies, and simple periods of rest without having to choose between these necessities and their wages. A leave

⁶ Indonesia Law No. 13 of 2003 concerning Manpower, Art. 79, as amended by subsequent legislation.

⁷ Vietnam Labour Code No. 45/2019/QH14, Arts. 113–114.

⁸ Thailand Labour Protection Act B.E. 2541 (1998), s. 30.

⁹ International Labour Organization (ILO), *Working Time and Work-Life Balance Around the World* (2022). The ILO identifies working-time arrangements and work-life balance as important dimensions of decent work and worker well-being. <https://www.ilo.org/publications/working-time-and-work-life-balance-around-world>
¹⁰ de Bloom, J., Geurts, S. A. E., Taris, T. W., Sonnentag, S., de Weerth, C., & Kompier, M. A. J., "Effects of vacation from work on health and well-being: Lots of fun, quickly gone," *Work & Stress*, 25(2), 2011, pp. 196–216; see also systematic reviews of vacation effects on health and well-being in *International Journal of Environmental Research and Public Health*.

¹¹ World Health Organization (WHO) and International Labour Organization (ILO), "Long working hours increasing deaths from heart disease and stroke: WHO, ILO," 17 May 2021. The joint study estimated that exposure to working 55 or more hours per week was associated with 745,000 deaths from stroke and ischemic heart disease in 2016. <https://www.who.int/news/item/17-05-2021-long-working-hours-increasing-deaths-from-heart-disease-and-stroke-who-ilo>

entitlement that is too small may encourage workers to accumulate or forgo leave rather than actually use it for recovery. The result can be a workforce that remains physically present but increasingly vulnerable to fatigue, stress, and burnout.

This measure therefore proposes to increase the annual Service Incentive Leave from five (5) days to ten (10) days with pay. To promote the actual use of leave while preserving a limited financial benefit for employees who are unable to consume their entire entitlement, the bill allows the conversion into its monetary equivalent of up to five (5) unused days. This approach strikes a reasonable balance between the interests of workers and employers: employees receive additional paid time for rest and personal and family needs, while employers remain protected from an unlimited accumulation of convertible leave liabilities.

The proposed amendment also advances the constitutional policy of providing full protection to labor and promoting the welfare and dignity of workers. The Constitution recognizes labor as a primary socioeconomic force and directs the State to afford full protection to labor, promote workers' welfare, and ensure just conditions of work.¹² Updating the SIL entitlement is consistent with these principles and with the broader international recognition that decent working conditions encompass not only fair compensation, but also reasonable working time, adequate rest, and a sustainable balance between employment and life outside the workplace.

At a time when Philippine workers continue to confront rising living costs, demanding working conditions, and competing family and personal responsibilities, the law should not treat rest as an afterthought. Increasing SIL from five (5) to ten (10) days is a modest but meaningful step toward bringing Philippine labor standards closer to those of its Southeast Asian neighbors and toward recognizing that workers who are given sufficient time to rest, recover, and attend to their lives outside the workplace are better positioned to remain healthy, productive, and committed to their work.

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


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¹² 1987 Constitution of the Republic of the Philippines, Art. II, Sec. 18 and Art. XIII, Sec. 3.

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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 “*Service Incentive Leave Act.*”

SEC. 2.

Amendment to Article 95 of the Labor Code. – Article 95 of Presidential Decree No. 442, as amended, is hereby amended to read as follows:

“Article 95. Right to service incentive leave –

- a) Every employee who has rendered at least one year of service shall be entitled to a yearly service incentive leave of ~~[five]~~ **TEN** days with pay, **PROVIDED THAT THE EMPLOYEE SHALL BE ENTITLED TO CONVERT ONLY FIVE DAYS OF LEAVE TO ITS MONEY EQUIVALENT IF NOT USED OR EXHAUSTED AT THE END OF THE YEAR.**
- b) This provision shall not apply to those who are already enjoying the benefit herein provided, those enjoying vacation leave with pay of at least ~~[five]~~ **TEN** days, and those employed in establishments regularly employing less than ten employees or in establishments exempted from granting this benefit by the Secretary of Labor and Employment after considering the viability of the financial condition of such establishment.
- c) The grant of benefit in excess of that provided herein shall not be made a subject of arbitration or any court or administrative action.”

SEC. 3. Implementing Rules and Regulations. – Within ninety (90) days from the approval of this Act, the Department of Labor and Employment, in consultation with relevant stakeholders, shall promulgate the implementing rules and regulations of this Act.

SEC. 4. Repealing Clause. – All statutory laws, orders, issuances, rules and regulations, and/or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 5. Separability Clause. – If any portion or provision of this Act is declared invalid or unconstitutional, the portions or provisions which are not affected shall remain valid and effective.

SEC. 6. Effectivity. – This Act shall take effect after fifteen (15) days following its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,