

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

SEVENTEENTH CONGRESS  
1st Regular Session

House Bill No. 928

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| <b>HOUSE OF REPRESENTATIVES</b>              |                    |
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| BY:  | <u>[Signature]</u> |
| REGISTRATION UNIT<br>BILLS AND INDEX SERVICE |                    |

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**Introduced by Hon. Francis Gerald Aguinaldo Abaya**

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### **EXPLANATORY NOTE**

This bill aims to strengthen the promotion of productivity incentives and gainsharing program in the Philippines, thereby amending for the purpose Republic Act No. 6971, otherwise known as the "Productivity Incentives Act of 1990" by liberalizing specific provisions, providing for other incentives for employers and employees to establish productivity incentives and gainsharing program and enabling the Commission to provide the necessary studies, technical information and assistance, and expert advice in order for the parties to conclude productivity agreements.

Despite the declaration in R.A. No. 6971, that it is the policy of the State to encourage higher levels of productivity, maintain industrial peace, and promote the principle of shared responsibility in employee-employer relationship, it has been observed that since its effectivity in November 1990, only eleven (11) companies have applied to avail of the benefits under the Act and only one (1) firm has met the requirements of the law because of the tight mandatory requirements on productivity measurement and sharing schemes. This contravenes the voluntary nature of the law.

The ability of the Philippines to compete in the world market hinges critically on the ability of its enterprises to produce quality goods and services in the most efficient and reliable way. To achieve this, it is necessary that firms become oriented towards increasing the overall productivity and competitiveness of managers and workers.

The proposed bill introduces an incentive based pay on productivity improvement and gainsharing in support of wage policies under Republic Act 6727 or the Wage Rationalization Act.

The incentive is a form of compensation, on top of the basic salaries and wages, given to workers based on improvements in productivity and performance of both the company and its workforce. It allows workers and management to develop their own productivity incentives program, determine the sharing scheme, frequency of distribution of bonus and the measurement of productivity gains.

The creation of a Productivity Committee in the workplace is mandated, but it also recognizes any labor-management mechanism composed of the representatives of labor and management created to establish a productivity incentives and gainsharing program. It also allows labor and management to decide on the terms and conditions of the productivity incentives and gainsharing program, and permits the same to be outside the ambit of collective bargaining agreement.

Further, it entitles business enterprise adopting productivity improvement and performance incentive program, special deductions from the gross income up to fifty percent (50%) of the total productivity bonuses given to employees under the program over and above the total allowable ordinary and necessary business deductions for said grants under the National Internal Revenue Code, as amended.

For the foregoing reasons, the approval of this bill is earnestly sought.

  
**FRANCIS GERALD AGUINALDO ABAYA**  
Representative, First District, Cavite

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**“AN ACT ESTABLISHING A PRODUCTIVITY IMPROVEMENT PROGRAM,  
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE  
KNOWN AS THE “PRODUCTIVITY INCENTIVES ACT OF 1990”**

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

1           **SECTION 1. Declaration of Policy.** – It is the declared policy of the State to:

2           (a) Encourage higher levels of productivity in all industries so that Philippine  
3 products and services can compete in the global economy;

4           (b) Maintain industrial peace and harmony and promote the principles of  
5 partnership and shared responsibility in the relations between workers and  
6 employers, recognizing the right of labor to its just share in the fruits of production  
7 and the right of business enterprises to reasonable returns on investments for  
8 expansion and growth; and

9           (c) Provide corresponding incentives to both labor and capital for undertaking  
10 voluntary programs to improve productivity.

11           **SECTION 2. Coverage.** – This Act shall apply to all business enterprises with  
12 or without existing and duly recognized collective bargaining representatives. It shall  
13 cover all private sector employees and workers regardless of their position,  
14 designation or status and irrespective of the manner by which their wages are paid.

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

16           (a) Business Enterprise refers to a private industrial, agricultural or agro-  
17 industrial establishment engaged in the production, manufacturing, processing,  
18 repacking, or assembly of goods. It also refers to a service-oriented enterprise;

1 (b) Productivity Incentives Committee refers to a negotiating body in a  
2 business enterprise composed of representatives of labor and management created  
3 to establish a productivity incentives program, and to settle issues arising from the  
4 interpretation or implementation of the said program;

5 (c) Productivity Incentives Program refers to a formal agreement voluntarily  
6 established by a productivity incentives committee or to any existing labor  
7 management mechanism containing a productivity incentives program that will  
8 promote gainful employment, improve working relations and conditions, and result in  
9 increased productivity and efficiency, including cost savings; and

10 d) Gainsharing refers to a productivity-based incentives pay formulated to  
11 complement the productivity incentives program where workers and employers share  
12 in the positive results of business operations brought about by productivity  
13 improvements. The gainsharing system may take the form of profit sharing or other  
14 forms of gainsharing mechanisms such as productivity bonus, performance bonus,  
15 production bonus, and other similar schemes.

16 **SECTION 4. *Advisory on Productivity Incentives Schemes.*** – The  
17 Regional Tripartite Wages and Productivity Boards (RTWPBs) shall issue an  
18 advisory on productivity incentive schemes based on the guidelines issued by the  
19 National Wages and Productivity Commission (NWPC).

20 **SECTION 5. *Productivity Incentives Committee.*** – A business enterprise or  
21 its employees, through their authorized representatives, may initiate the formation of  
22 a productivity incentives committee that shall be composed of an equal number of  
23 representatives from the workers and from the management. Both workers and  
24 management shall have equal voting rights in the committee.

25 In case there is an existing labor-management mechanism in the enterprise  
26 similar to a productivity incentives committee, the mechanism may suffice: Provided,  
27 That its composition, voting rights, and the manner by which the labor-management  
28 mechanism is created is in accordance with the provisions of this section. The  
29 productivity incentives committee shall establish and implement a productivity  
30 incentives program and settle issues arising from it in accordance with Section 9 of  
31 this Act.

32 At the request of any party to the negotiation, the NWPC or the RTWPBs may  
33 provide the necessary studies, technical information and assistance, and expert  
34 advice to enable the parties to comply with productivity agreements.

