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Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila  
SEVENTEENTH CONGRESS  
First Regular Session  
House Bill No. 499



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**Introduced by Hon. Karlo A. B. Nograles and Hon. Jericho Jonas B. Nograles**

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### EXPLANATORY NOTE

The 1987 Philippine Constitution mandates the State to “protect the rights of workers and promote their welfare.” One such protection to labor is to satisfy their claims against the employer’s business.

Article 110 of the Labor Code of the Philippines provides that the unpaid wages and benefits, and/or money claims of the workers shall enjoy preference over all other claims of creditors and the government. However, the interpretation of Article 110 by the Supreme Court, as reflected in its decisions, varies. The proposed amendment in this bill seeks to institutionalize jurisprudence that uphold the principle of Article 110 by giving workers first lien in case of bankruptcy to satisfy their money claims against the business. This proposed amendment will be consistent with the constitutional mandate of full protection to labor.

The passage of this bill is earnestly sought.

  
HON. KARLO A. B. NOGRALES

  
HON. JERICHO JONAS B. NOGRALES

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**AN ACT**  
**INSTITUTING WORKER'S CLAIM AS STATUTORY FIRST LIEN ON THE**  
**ASSETS OF A BANKRUPT EMPLOYER, AMENDING FOR THIS PURPOSE**  
**ARTICLE 110 OF PRESIDENTIAL DECREE NO. 442, AS AMENDED,**  
**OTHERWISE KNOWN AS THE "LABOR CODE OF THE PHILIPPINES"**

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

SECTION 1. Article 110 of Presidential Decree No. 442, as amended, otherwise known as the "Labor Code of the Philippines", is hereby further amended to read as follows:

"ART. 110. *Worker [preference]* **FIRST LIEN** in case of bankruptcy. – In the event of bankruptcy or liquidation of an employer's business, his workers shall enjoy first [preference] **LIEN** as regards their unpaid wages and other monetary claims, any provision of law to the contrary notwithstanding. Such unpaid wages and monetary claims shall be paid in full **EVEN WITHOUT FORMAL DECLARATION OF BANKRUPTCY OR INSOLVENCY** before the claims of the Government and other creditors may be paid."

SEC. 2. All laws, decrees, executive orders, rules and regulations and other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

SEC. 3. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved.