

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

SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6537



Introduced by **Representative Manuel Luis T. Lopez**


EXPLANATORY NOTE

According to the Manulife Investor Sentiment Index (MISI) survey conducted in 2016, "Four in Ten (41%) Filipino investors carry debt -- the second highest proportion in the region after Malaysia." It added further that A third of respondents cited daily living expenses as the main factor contributing to their debt, which could indicate that investors' ability to save regularly may rely on the use of credit to pay for day-to-day living expenses, while other loan items include children's current education, and medical expenses, among others." Finally, the study indicated that the "average debt across age groups stands at P291,582 for those aged below 35; P207,418 for those aged 35 to 49; and P143,958 for those 50 and older."

One contributing factor giving rise to this high proportion of debt is the late payment of wages/ salaries. Workers and employees in both the public and private sector continue to experience late payment of their salaries. This in turn gives them no choice but to incur debt in order to be able to meet their daily needs. The employees are not really able to enjoy the so-called fruits of their labor since by the time they are paid, they would have to pay the interests on their loans as well as the principal amount.

Thus, this representation seeks curb this injustice by penalizing the late payment of wages/ salaries without any justifiable reason.

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


HON. MANUEL LUIS T. LOPEZ
Representative
1st District, City of Manila

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

SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6537

Introduced by **Representative Manuel Luis T. Lopez**

AN ACT
PENALIZING THE FAILURE TO PAY EMPLOYEES IN GOVERNMENT OR PRIVATE INSTITUTIONS OR OFFICES THEIR SALARIES, WAGES, REMUNERATIONS OR FEES ON THE AGREED DATE/TIME WITHOUT JUSTIFIABLE REASONS/ GROUNDS THEREOF AND FOR OTHER PURPOSES

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

1 **SECTION 1. *Short Title.*** - This Act shall be known as the "Timely Payment of
2 Wages and/or Salaries Act of 2017."

3
4 **SEC. 2. *Declaration of Policy.*** - The 1987 Constitution provides that "the State
5 shall promote a just and dynamic social order that will ensure the prosperity and
6 independence of the nation and free the people from poverty through policies that
7 provide adequate social services, promote full employment, a rising standard of living,
8 and an improved quality of life for all."

9
10 Further, the Constitution states that "The State shall promote social justice in all
11 phases of national development."

12
13 Finally, the Constitution provides that "The State affirms labor as a primary social
14 economic force. It shall protect the rights of workers and promote their welfare."
15

1 Consistent with these principles, it is the duty of the State to ensure that the
2 welfare and interests of the members of the labor force is protected.

3
4 **SEC. 3. Definition of Terms.** – As used in this Act, the following terms are defined
5 as follows:

- 6 a. *Employer*- includes any person acting directly or indirectly in the interest
7 of an employer in relation to an employee and shall include the government
8 and all its branches, subdivisions and instrumentalities, all government-
9 owned or controlled corporations and institutions, as well as non-profit
10 private institutions, or organizations.
- 11 b. *Employee* – any individual employed by an employer in whatever nature or
12 capacity and regardless of the existence of an employer-employee
13 relationship.
- 14 c. *Wages/Salary*- shall mean the remuneration or earnings, however
15 designated, capable of being expressed in terms of money, whether fixed
16 or ascertained on a time, task, piece, or commission basis, or other method
17 of calculating the same, which is payable by an employer to an employee
18 under a written or unwritten contract of employment for work done or to
19 be done, or for services rendered or to be rendered and includes the fair
20 and reasonable value, as determined by the Secretary of Labor and
21 Employment, of board, lodging, or other facilities customarily furnished by
22 the employer to the employee. "Fair and reasonable value" shall not include
23 any profit to the employer, or to any person affiliated with the employer.
- 24 d. *Grace Period*- refers to a period of fifteen (15) days beginning on the due
25 date of the payment of wages/ salaries of the employees.
- 26 e. *Justifiable Reason*- refers to the excuse provided by the employer for failing
27 to pay the wages/ salaries of the employees on time which shall be
28 determined by the Secretary of Labor or the Civil Service Commissioner as
29 the case may be and must be in accordance with the circumstances
30 surrounding each case.
- 31 f. *Payroll Master*- refers to the individual/s tasked to disburse the wages/
32 salaries to the employees.

1 **SEC. 4. Coverage.** – This Act shall apply to all employees whether there exists an
2 employer-employee relationship or not, in all establishments and undertakings whether
3 for profit or not, including government employees, managerial employees, field
4 personnel, seasonal/project employees, members of the family of the employer who are
5 dependent on him for support, domestic helpers, persons in the personal service of
6 another, and workers who are paid by results as determined by the Secretary of Labor in
7 appropriate regulations.

8
9 **SEC. 5. Timely payment of wages/salaries.** – All employers are mandated to pay
10 their employees on the given date/ schedule previously agreed upon in the employment
11 contract and within the grace period allowed, otherwise they shall suffer the penalties
12 prescribed by this Act.

13
14 **SEC. 6. Prohibition.** – It is expressly prohibited for any employer to delay payment
15 of wages/salaries for a period longer than fifteen (15) days from the agreed date as found
16 in the contract of employment or any other employment agreement.

17
18 **SEC. 6. Mandatory Summary Proceedings.** – Upon a duly verified complaint, the
19 Secretary of Labor or his duly designated representative for employees in the private
20 sector, and the Commissioner of the Civil Service Commission or his duly authorized
21 representative for employees in government service, must conduct a summary
22 proceeding within ten (10) days from the filing of the complaint, wherein he/she shall
23 evaluate the grounds for failure to pay wages/ salaries of an employee within the grace
24 period. The Secretary of Labor or the Commissioner of the Civil Service must then issue a
25 resolution within five (5) days from the conduct of the proceedings.

26
27 **SEC. 7. Interest Accrual.** – If the wages/ salaries of an employee have not been
28 paid upon expiration of the grace period, the outstanding balance will earn interest at the
29 prevailing legal rate until it is fully satisfied by the employer.

30
31 **SEC. 7. Penalties.** – A fine of One Hundred Thousand Pesos (P100,000) shall be
32 imposed on the payroll master if he/she fails to disburse to prescribed wages/salaries
33 when funds are made available for this purpose. If the payroll master fails to inform the

1 employer regarding the absence of funding to satisfy the salaries of its employees, he shall
2 be imposed a fine of Two Hundred Thousand Pesos (P200,000).

3
4 The employer shall be solidarily liable with the payroll master for failure to pay
5 wages/ salaries without any justifiable reason. In addition, the employer shall be imposed
6 a fine of Five Hundred Thousand Pesos (P500,000) and the accessory penalty of
7 suspension of business operations for thirty (30) days for the first offense.

8
9 A fine of One Million Pesos (P1,000,000) and suspension of business operations
10 for ninety (90) days shall be imposed on the employer for the second offense.

11
12 A fine of Three Million Pesos (P3,000,000) and perpetual cessation of business
13 operations shall be imposed on the employer for the third offense.

14
15 **SEC. 8. *Implementing Rules and Regulations and Standard Forms.*** - Within
16 sixty (60) days from the promulgation of this Act, the necessary rules and regulations for
17 the proper implementation of its provisions shall be formulated by the Department of
18 Labor and Employment ("DOLE") and the Civil Service Commission in coordination with
19 all the stakeholders, employers, and other sectors affected.

20
21 **SEC. 9. *Repealing Clause.*** - All laws, ordinances, executive orders, administrative
22 orders, rules, regulations, decrees, and other issuances or parts thereof, which are
23 inconsistent with the provisions of this Act are hereby revoked, repealed, or modified
24 accordingly.

25
26 **SEC. 10. *Separability Clause.*** - If any provision of this Act is held unconstitutional
27 or invalid, the other provisions not affected thereby shall continue in operation and
28 remain in full force and effect.

29
30 **SEC. 11. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its
31 publication in a newspaper of general circulation or the Official Gazette.

32
33 Approved,