Mr. Speaker:

The Committees on Labor and Employment and Ways and Means, to which were referred House Bill No. 969, introduced by Rep. Francis Gerald A. Abaya, entitled:

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

House Bill No. 1171, introduced by Reps. Michael L. Romero, Ph.D. and Enrico A. Pineda, entitled:

AN ACT
AMENDING SECTION 11 OF R.A. 6971 OTHERWISE KNOWN AS THE 'PRODUCTIVITY INCENTIVES ACT OF 1990', INCREASING ITS PENALTIES AND SANCTIONS, RATIONALIZING ITS COVERAGE AND BENEFITS, AND FOR OTHER PURPOSES

House Bill No. 2439, introduced by Rep. Joey Sarte Salceda, entitled:

AN ACT
PROVIDING PRODUCTIVITY IMPROVEMENT PROGRAMS WITH FISCAL INCENTIVES

House Bill No. 3952, introduced by Rep. Juan Miguel Macapagal Arroyo, entitled:

AN ACT
ESTABLISHING A PRODUCTIVITY IMPROVEMENT PROGRAM, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE KNOWN AS THE "PRODUCTIVITY INCENTIVES ACT OF 1990"
and House Bill No. 6406, introduced by Rep. Mark O. Go, entitled:

AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE KNOWN AS THE PRODUCTIVITY INCENTIVES ACT OF 1990

have considered the same and recommend that the attached House Bill No. 10410, entitled:

AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE KNOWN AS THE “PRODUCTIVITY INCENTIVES ACT OF 1990”


Respectfully submitted,

JOEY SARTE SALCEDA
Chairperson
Committee on Ways and Means

ENRICO A. PINEDA
Chairperson
Committee on Labor and Employment

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 10410
(In substitution of House Bills Numbered 969, 1171, 2439, 3952 and 6406)


AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH, 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:

SECTION 1. Short Title. - This Act shall be known as the “Enterprise Productivity Act.”

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the State to:
(a) Encourage higher levels of productivity in all industries to enable enterprises to compete globally;

(b) Promote gainful employment, improve working conditions, maintain industrial peace and harmony, and promote the principle of partnership and shared responsibility in the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production, and the right of business enterprises to reasonable returns of investments, and for expansion and growth; and

(c) Provide corresponding incentives to both labor and capital for undertaking productivity improvement programs and gainsharing.

SEC. 3. Coverage. – This Act shall apply to all business enterprises with or without existing and duly recognized collective bargaining agreements. It shall cover all employees and workers regardless of their position, designation, or status, and the manner by which their wages are paid.

SEC. 4. Definition of Terms.- As used in this Act:

(a) **Business enterprise** refers to an entity duly incorporated, organized, or registered pursuant to the prevailing applicable laws, rules and regulations;

(b) **Productivity improvement program** refers to a set of actions identifying and addressing productivity problem areas formulated by the productivity incentives committee using either a principle, tool, technique, method, practice, guideline, model or approach towards productivity improvement in people, inputs or technologies, products or services, policies, and process. It shall contain, among others, a productivity tool or technique, benchmarks and measurement of productivity, or efficiency improvements;

(c) **Productivity incentives committee** refers to a body in a business enterprise composed of representatives of management or employers and employees created to formulate and implement the productivity incentives program, and to settle issues arising from the interpretation or implementation of the said program; and

(d) **Productivity incentives program** refers to a formal agreement formulated by the productivity incentives committee, containing a productivity improvement program and provisions on its coverage, schemes on the sharing of the gains, or savings realized therefrom, and the forms, manner, and frequency of payment or distribution of such incentives.

SEC. 5. Productivity Incentives Committee. – Business enterprises employing ten (10) or more persons shall establish a productivity incentives committee, hereinafter referred to as the Committee, composed of representatives from the employers and employees.
(a) In business enterprises with legitimate labor organization or workers’ association, the employee representatives shall be those designated in the collective bargaining agreement or by the said organization or association.

(b) In business enterprises with Labor-Management Councils or Labor-Management Committee, it shall be a subcommittee thereof.

(c) In business enterprises without legitimate labor organization or workers’ association, the employee representatives shall be those designated by at least a majority of all rank-and-file employees.

**SEC. 6. Incentives Program.** – The Committee shall develop the productivity incentives program. Whenever gains, or savings are realized from the implementation of the productivity improvement program, the management shall initiate the discussion on the sharing thereof.

Productivity incentives program as provided in this Act shall be based on the implemented productivity improvement program, and without prejudice to any company policy, program, contract, or collective bargaining agreement providing for higher productivity incentives.

**SEC. 7. Tax Deductions.** – Private establishments may avail of the following tax deductions:

a) Subject to the provisions of Section 6, a business enterprise which adopts a productivity incentives program duly and mutually agreed upon by the employers and employees’ representatives, shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total productivity incentives given to employees under this Program, over and above the deductions for total allowable ordinary, and necessary trade, business, or professional expenses under the National Internal Revenue Code of 1997, as amended, and other prevailing laws, rules and regulations;

b) A business enterprise shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total grants for training, and special studies given to employees pursuant to the productivity incentives program prepared by the Committee, over and above the deductions for total allowable ordinary, and necessary trade, business, or professional expenses under the National Internal Revenue Code of 1997, as amended, and other prevailing laws, rules and regulations;

A business enterprise shall submit a copy of its productivity incentives program and other required documents to the concerned revenue district office of the Bureau of Internal Revenue to avail of the corresponding benefits, and tax deductions provided in this Act;
A business enterprise shall be entitled to the aforementioned tax
deductions starting the next taxable year following the effectivity of
this Act.

**SEC. 8. Availment of Tax Deductions.** – The Bureau of Internal Revenue shall
establish a system for availment of tax deductions. It shall maintain and furnish
the National Wages and Productivity Commission (NWPC) an annual record of
business enterprises that avail of tax deductions under this Act for program
monitoring.

**SEC. 9. Productivity Advisories.** – The Regional Tripartite Wages and
Productivity Board (RTWPB) shall issue advisories on productivity
improvement programs and schemes, and relative thereto, shall provide
training and technical assistance to enterprises.

**SEC. 10. Issues and Grievances.** – Whenever issues, grievances, or other
matters arise from the interpretation or implementation of the productivity
incentives program, the Committee shall meet to resolve the same within
fifteen (15) days from receipt of a formal complaint from any aggrieved party,
subject to the following conditions:

(a) Parties may agree on whether or not to suspend the implementation of
the productivity incentives program, pending the resolution of the
complaint;

(b) Business enterprises shall not be deemed to have forfeited any tax
incentives accrued prior to the said complaint, and the employees and
workers shall not be required to reimburse the productivity incentives
already granted;

(c) Likewise, productivity incentives that have already accrued prior to the
said complaint, shall be paid to the entitled employees and workers
within six (6) months from the date of accrual of the same; and

(d) Any complaint which remained unresolved within thirty (30) days from
the time of receipt of complaint shall be referred by the Committee to
voluntary arbitration pursuant to prevailing laws, rules, and regulations
on the matter.

**SEC. 11. Loan Availment.** – All banking institutions shall provide a loan facility
or extend a credit window at an interest rate lower than the prevailing rate to
Micro, Small and Medium Enterprises (MSMEs) that implement a productivity
improvement program.

**SEC. 12. Submission of Productivity Incentives Program.** – A business
enterprise which implements a productivity incentives program shall submit a
copy of the same to the RTWPB for information and appropriate technical
assistance, when needed.

created under Republic Act No. 11293, otherwise known as the “Philippine
Innovation Act” shall mainstream strategic actions in support of national development plans to improve the country’s overall productivity performance.

SEC. 14. Monitoring of Compliance. – The Secretary of Labor and Employment shall, under Article 128 of P.D. 442, as amended, otherwise known as the “Labor Code of the Philippines,” ensure the compliance of private enterprises with the provisions of this Act.

SEC. 15. Technical Assistance. – Any member of the Committee may request technical assistance from the following agencies in developing and implementing productivity improvement programs:

(a) The Department of Agriculture shall provide technical assistance to MSMEs for agricultural extension or agricultural advisory services on current technologies and system;

(b) The Department of Budget and Management (DBM) – Systems and Productivity Improvement Bureau shall establish a mechanism for technical assistance in implementing the government quality management program;

(c) The Department of Environment and Natural Resources shall be mandated to encourage and promote the use of technology and science to create products and services that are environmentally-friendly;

(d) The Department of Trade and Industry (DTI) - Bureau of Small and Medium Enterprise Development for Youth Entrepreneurship and Enterprise Development shall extend assistance in the effective marketing of products and services;

(e) The DTI – Competitiveness Bureau shall promote and provide counseling services on business operations to address disputes between labor and management, and to enhance productivity growth in companies and enterprises;

(f) The Department of Science and Technology shall provide and promote technology acquisition, and use for the improvement of the operational growth of companies and enterprises;

(g) The Department of Tourism shall promote and encourage tourism quality standards, and accreditation;

(h) The Development Academy of the Philippines (DAP) shall provide and assist MSMEs with productivity tools, and technologies to upgrade its productivity, and operations;

(i) The NWPC and RTWPB shall provide productivity training, and technical assistance to companies and enterprises;

(j) The Technical Education and Skills Development Authority shall provide and promote skills training, assessment, and certification; and
(k) The University of the Philippines – Institute for Small Scale Industries shall be mandated to offer technical assistance to small scale industries.

The enumeration above shall not prevent any member of the Committee to also seek assistance from government agencies, or private institutions, other than those cited in this Section, in the development and implementation of their productivity improvement programs.

SEC. 16. Accreditation of Productivity Experts. – The NWPC shall establish an accreditation system for productivity experts who shall provide productivity-related services to enterprises. To be accredited by the NWPC, a productivity expert shall pay an accreditation fee of Five thousand pesos (₱5,000.00), which amount shall be adjusted by the NWPC as it may deem necessary.

The NWPC shall be allowed to utilize fifty percent (50%) of the collected accreditation fees for the administration and management of the accreditation system.

An initial seed fund of Fifty million pesos (₱50,000,000.00) shall be drawn from the innovation fund under R.A. No. 11293, or the “National Innovation Act.”

SEC. 17. Assistance to Micro Enterprises. – The NWPC shall develop guidelines in the engagement of productivity experts who shall provide technical assistance to micro enterprises. Relative to this, accredited productivity experts shall be entitled to receive an honorarium pursuant to DBM’s rules and regulations.

The DAP shall regularly conduct trainings, free of charge, to enhance the capabilities of the pool of productivity experts on advanced productivity technologies and systems.

SEC. 18. Strengthening Workplace Bipartite Mechanism. – The Department of Labor and Employment (DOLE) shall formulate a program, in consultation with employer and labor groups, to strengthen the bipartite mechanism especially in the area of bargaining on productivity schemes and standards.

SEC. 19. Penalty. – Any person who shall make any fraudulent claim under this Act, regardless of whether or not a tax benefit has been granted, shall, upon conviction, be punished with imprisonment of not less than six (6) months but not more than one (1) year, or a fine of not less than Twenty thousand pesos (₱20,000.00) but not more than Fifty thousand pesos (₱50,000.00), or both, at the discretion of the Court, without prejudice to prosecution for any other acts punishable under existing laws.

In the case of partnerships or corporations, the penalty shall be imposed upon the officers, employees, and other persons responsible who knowingly approved, authorized, or ratified the filing of a fraudulent claim.

SEC. 20. Non-Diminution of Benefits. – Nothing in this Act shall be construed to diminish or reduce any benefits and other privileges enjoyed by workers
under existing laws, decrees, executive orders, company policy or practice, or any agreement or contract between employers and their employees.

SEC. 21. Public Sector. – The Civil Service Commission and the DBM may establish a similar system in the public sector.

SEC. 22. Implementing Rules and Regulations. – Within one hundred eighty (180) days from the effectivity of this Act, the NWPC and the DOLE shall, in consultation with other government agencies, and concerned stakeholders, issue the rules and regulations necessary to effectively implement the provisions of this Act.

SEC. 23. Separability Clause. – Should any provision of this Act be declared unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SEC. 24. Repealing Clause. – Republic Act No. 6971, otherwise known as the “Productivity Incentives Act of 1990,” is hereby repealed. All laws, presidential decrees, executive orders, proclamations, or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 25. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,
House of Representatives  
Committee Affairs Department

FACT SHEET

House Bill No. 10410  
(In substitution of House Bills Numbered 969, 1171, 2439, 3952 and 6406)  
As approved by the Committee on June 2, 2021

AN ACT
PROMOTING INCLUSIVE AND SUSTAINABLE PRODUCTIVITY GROWTH,  
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 6971, OTHERWISE KNOWN AS THE “PRODUCTIVITY INCENTIVES ACT OF 1990”


Committee Referral: COMMITTEE ON LABOR AND EMPLOYMENT  
Committee Chairperson: REP. ENRICO A. PINEDA

Committee Referral: COMMITTEE ON WAYS AND MEANS  
Committee Chairperson: REP. JOEY SARTE SALCEDA

OBJECTIVES:

- To encourage higher levels of productivity in all industries to enable enterprises to compete globally
To promote gainful employment, improve working conditions, maintain industrial peace and harmony and promote the principle of partnership and shared responsibility between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of business enterprises to reasonable returns on investments and for growth and expansion

KEY PROVISIONS:

• Provides incentives to both labor and capital for undertaking productivity improvement programs and fairly sharing the gains therefrom

• Mandates the establishment of the following:
  - Productivity Incentives Committees in business enterprises that employ ten (10) or more workers which shall be composed of representatives from both management and labor, whether their labor representatives have legitimate labor organization or without any workers' association, to formulate and implement productivity incentives programs and to settle issues arising from the interpretation or implementation of the program
  - Productivity Incentives Program in business enterprises which shall be based on the implemented productivity improvement program, and without prejudice to any company policy, program, contract, or collective bargaining agreement which provide higher productivity incentives

• Grants tax incentives to business enterprises that adopt the Productivity Incentives Program with a special deduction from gross income equivalent to fifty percent (50%) of the total productivity incentives given to employees under the Productivity Incentives Committees, and to business enterprises that provide training and special studies to employees pursuant to the Productivity Incentives Program prepared by the Productivity Incentives Committees

• Resolves issues and grievances that may arise from the interpretation or implementation of the Productivity Incentives Program within fifteen (15) days from the receipt of a formal complaint

• Requires government agencies and the private sector to assist in the development and implementation of productivity improvement programs for business enterprises
• Establishes an accreditation system for productivity experts who will provide productivity-related services to business enterprises, and develops policies in the engagement of productivity experts who shall provide technical assistance to micro and small enterprises

• Requires the Department of Labor and Employment to formulate a program to strengthen bipartite mechanism in the workplace especially in bargaining focused on productivity

• Imposes penalties on any person who shall make a fraudulent claim under this Act including the penalty of imprisonment of not less than six (6) months but not more than one (1) year, or a fine of not less than Twenty thousand pesos (P20,000.00) but not more than Fifty thousand pesos (P50,000.00), or both, at the discretion of the Court

• Mandates the National Wages and Productivity Commission and the DOLE to issue the rules and regulations necessary for the effective implementation of this Act

**RELATED LAWS:**

• Presidential Decree No. 442, as amended, otherwise known as the “Labor Code of the Philippines”

• Republic Act No. 6971, otherwise known as the “Productivity Incentives Act of 1990”

• Republic Act No. 11293, otherwise known as the “Philippine Innovation Act”