

**Republic of the Philippines**  
**Congress of the Philippines**  
**Metro Manila**

**Fourth Regular Session**

Begun and held in Metro Manila, on Monday, the twenty-third day of July, nineteen hundred and ninety.

**REPUBLIC ACT NO. 6971**  
**AN ACT TO ENCOURAGE PRODUCTIVITY AND MAINTAIN INDUSTRIAL PEACE BY**  
**PROVIDING INCENTIVES TO BOTH LABOR AND CAPITAL**

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 "Productivity Incentives Act of 1990".

**SECTION 2. Declaration of Policy.** It is the declared policy of 'the State to encourage higher levels of productivity, maintain industrial peace and harmony and promote the principle of 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 to expansion and growth, and the accordingly to provide corresponding incentives to both labor and capital for undertaking voluntary programs to ensure greater sharing by the workers in the fruits of their labor.

**SECTION 3. Coverage.** This Act shall apply to all business enterprises with or without existing and duly recognized or certified labor organizations, including government-owned and controlled corporations performing proprietary functions. It shall cover all employees and workers including casual, regular, supervisory and managerial employees,

**SECTION 4. Definition of Terms,** As used in this Act:

- a) "Business Enterprises" refers to industrial, agricultural, or agro-industrial establishments engaged in the production, manufacturing, processing, repacking, or assembly of goods, including service-oriented enterprises, duly certified as such by appropriate government agencies.

- b) "Labor-Management Committee" refers to a negotiating body in a business enterprise composed of the representatives of labor and management created to establish a productivity incentives program, and to settle disputes arising therefrom in accordance with Section 9 hereof.
- c) "Productivity Incentives Program" refers to a formal agreement established by the labor - management committee containing a process that will promote gainful employment, improve working conditions and result in increased productivity, including cost savings, whereby the employees are granted salary, bonuses proportionate to increases in current productivity over the average for the preceding three (3) consecutive years. The agreement shall be ratified by at least a majority of the employees who have rendered at least six (6) months of continuous service.

**SECTION 5. Labor-Management Committee.**

- a) A business enterprise or its employees, through their authorized representatives, may initiate the formation of a labor-management committee that shall be composed of an equal number of representatives from the management and from the rank-and-file employees: Provided, That both management and labor shall have equal voting rights: Provided, further, That at the request of any party to the negotiation, the National Wages and Productivity Commission of the Department of Labor and Employment shall provide the necessary studies, technical information and assistance, and expert advice to enable the parties to conclude productivity agreements.
- b) In business enterprises with duly recognized or certified labor organizations, the representatives of labor shall be those designated by the collective bargaining agent(s) of the bargaining unit(s).
- c) In business enterprises without duly recognized or certified labor organizations, the representatives of labor shall be elected by at least a majority of all rank-and-file employees who have rendered at least six (6) months of continuous service.

**SECTION 6. Productivity Incentives Program.**

- a) The productivity incentives program shall contain provisions for the manner of sharing and the factors in determining productivity bonuses: Provided, That the productivity bonuses granted to labor under this program shall not be less than half of the percentage increase in the productivity of the business enterprise.

- b) Productivity agreements reached by the parties as provided in this Act shall supplement existing collective bargaining agreements.
- c) If, during the existence of the productivity incentives program or agreement, the employees will join or form a union, such program or agreement may, in addition to the terms and conditions agreed upon by labor and management, be integrated in the collective bargaining agreement that may be entered into between them.

**SECTION 7. Benefits and Tax Incentives.**

- a) Subject to the provisions of Section 6 hereof, a business enterprise which adopts a productivity incentives program, duly and mutually agreed upon by parties to the labor-management committee, shall be granted a special deduction from gross income equivalent 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 bonuses under the National Internal Revenue Code, as amended.
- b) Grants for manpower training and special studies given to rank-and-file employees pursuant to a program prepared by the labor by the labor-management committee for the development of skills identified as necessary by the appropriate government agencies shall also entitle the business enterprise to a special deduction from gross income equivalent to fifty percent (50%.) of the total grants over and above the allowable ordinary and necessary business deductions for said grants under the National Internal Revenue Code, as amended.
- c) Any strike or lockout arising from any violation of the productivity incentives program shall suspend the effectivity thereof pending settlement of such strike or lockout: Provided, That the business enterprise shall not be deemed to have forfeited tax incentives accrued prior to the date of occurrence of such strike or lockout, and the workers shall not be required to reimburse the productivity bonuses already granted to them under the incentive program. Likewise, bonuses which have already accrued before the strike or lockout shall be paid the workers within six (6) months from their accrual.
- d) Bonuses provided for under the productivity incentives program shall be given to the employees not later than every six (6) months from the start of such program over, and above existing bonuses granted by the business enterprise and by law. Provided, That the said bonuses shall not be deemed as salary increases due the employees and workers.

- e) The special deductions from gross income provided for herein shall be allowed starting the next taxable year after the effectivity of this Act.

**SECTION 8. Notification.** A business enterprise which adopts a productivity incentives program shall submit copies of the same to the National Wages and Productivity Commission and to the Bureau of Internal Revenue for their information and record.

**SECTION 9. Disputes and Grievances.** Whenever disputes, grievances, or other matters arise from the interpretation or implementation of the productivity incentives program, the labor- management committee shall meet to resolve the dispute, and may seek the assistance of the National Conciliation and Mediation Board of the Department of Labor and Employment for such purpose. Any dispute which remains unresolved within twenty (20) days from the time of its submission to the labor-management committee shall be submitted for voluntary arbitration in line with the pertinent provisions of the Labor Code, as amended.

The productivity incentives program shall include the name(s) of the voluntary arbitrator or panel of voluntary arbitrators previously chosen and agreed upon by the labor-management committee.

**SECTION 10. Rule Making Power.** The Secretary of Labor and Employment and the Secretary of Finance, after due notice and hearing, shall jointly promulgate and issue within six (6) months from the effectivity of this Act such rules and regulations as are necessary to carry out the provisions hereof.

**SECTION 11. 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 two thousand pesos (2,000.00) but not more than six thousand pesos (P6,000.00), or both, at the discretion of the Court, without prejudice to prosecution for any other acts punishable under existing laws.

In case of partnerships or corporations, the penalty shall be imposed upon the officer(s) or employee(s) who knowingly approved, authorized or ratified the filing of the fraudulent claim, and other persons responsible thereof.

**SECTION 12. Non-Diminition of Benefits.** Nothing in this Act shall be construed to diminish or reduce any benefits and other privileges enjoyed by the workers under existing laws, decrees, executive orders, company policy or practice, or any agreement or contract between the employer and employees.

**SECTION 13. Separability Clause.** If any provision of this Act is held invalid, any other provision not so affected shall continue to be valid and effective.

**SECTION 14. Repealing Clause.** Any law, presidential decree, executive order, and letter of instruction, or any part thereof, which is inconsistent with any of the provisions of this Act is hereby repealed or amended accordingly.

**SECTION 15. Effectivity Clause.** This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved.

**(SGD) RAMON V. MITRA**

Speaker of the House of Representatives

**(SGD) JOVITO P. SALONGA**

President of the Senate

This Act which is a consolidation of S. No. 176 and H. No. 29080 was finally passed by the Senate and the House of Representatives on November 12, 1990 and November 14, 1990, respectively.

**(SGD) QUIRINO D. ABAD SANTOS JR.**

Secretary of the House of  
Representatives

**(SGD) EDWIN P. ACOBA**

Secretary of the Senate

Approved: November 22, 1990

**(SGD) CORAZON C. AQUINO**

President of the Philippines