

# [ PRESIDENTIAL DECREE NO. 626, December 27, 1974 ]

## **FURTHER AMENDING CERTAIN ARTICLES OF PRESIDENTIAL DECREE No. 442 ENTITLED "LABOR CODE OF THE PHILIPPINES".**

**WHEREAS**, Presidential Decree No. 570-A amends certain provisions of Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines, and Presidential Decree No. 608 extends the effectivity of Title II of Book IV on Employees' Compensation and State Insurance Fund and Title III of Book IV on Medicare of the same Code to January 1, 1975;

**WHEREAS**, pending the effectivity of said Titles, the Social Security System, Government Service Insurance System, Philippine Medical Care Commission, and the Department of Labor have utilized the transition period for intensive study and consultations with labor organizations, employers' organizations, and civic, professional, and technical associations, representing the various sectors of the economy;

**WHEREAS**, as a result of such discussions and consultations, it has been found necessary to make adjustments in the text of the Labor Code to initiate, rationalize and coordinate the grant of benefits with the broad objectives of the Code consistent with the overriding priority of development;

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081 dated September 22, 1972, as amended, do hereby order and decree:

**SECTION 1.** Title II of Book IV on Employees' Compensation and State Insurance Fund of the Labor Code of the Philippines is hereby amended to read as follows:

### "TITLE II

### EMPLOYEES' COMPENSATION AND STATE INSURANCE FUND

### CHAPTER I

### POLICY AND DEFINITIONS

**ART. 164.** *Policy.* — The State shall promote and develop a tax-exempt employees' compensation program whereby employees and their dependents, in the event of work-connected disability or death, may promptly secure adequate income benefit, and medical or related benefits.

**ART. 165.** *Definition of terms.* — As used in this Title, unless the context indicates otherwise:

- a. "Code" means the Labor Code of the Philippines instituted under Presidential Decree numbered four hundred forty-two, as amended.
- b. "Commission" means the Employees' Compensation Commission created under this Title.

- c. "SSS" means the Social Security System created under Republic Act numbered eleven hundred sixty-one, as amended.
- d. "GSIS" means the Government Service Insurance System created under Commonwealth Act numbered one hundred eighty-six, as amended.
- e. "System" means the SSS or GSIS, as the case may be.
- f. "Employer" means any person, natural or juridical, employing the services of the employee.
- g. "Employee" means any person compulsorily covered by the GSIS under Commonwealth Act numbered one hundred eighty-six, as amended, including members of the Armed Forces of the Philippines, and any person employed as casual, emergency, temporary, substitute or contractual; or any person compulsorily covered by the SSS under Republic Act numbered eleven hundred sixty-one, as amended.
- h. "Persons" means any individual, partnership, firm, association, trust, corporation or legal representative thereof.
- i. "Dependents" means the legitimate, legitimated or legally adopted child who is unmarried, not gainfully employed, and not over eighteen years of age, or over eighteen but not over twenty-one years of age provided that he is enrolled in school, or over twenty-one years of age provided that he is congenitally incapacitated and incapable of self-support physically or mentally; the legitimate spouse living with the employee; and the legitimate parents of said employee wholly dependent upon him for regular support.
- j. "Beneficiaries" means the dependent spouse until he remarries and dependent children, who are the primary beneficiaries. In their absence, the dependent parents and, subject to the restrictions imposed on dependent children, the illegitimate children and legitimate descendants, who are the secondary beneficiaries.
- k. "Injury" means any harmful change in the human organism sustained at work carried out during working hours at the workplace or elsewhere while executing an order for the employer.
- l. "Sickness" means any illness definitely accepted as an occupational disease listed by the Commission, or any illness caused by employment subject to proof by the employee that the risk of contracting the same is increased by working conditions.
- m. "Death" means loss of life resulting from injury or sickness.
- n. "Disability" means all payments made under this Title for income benefit, and medical or related benefits.
- o. "Compensation" means all payments made under this Title for income benefit, and medical or related benefits.
- p. "Income benefit" means all payments made under this Title to the employee or his dependents.
- q. "Medical benefit" means all payments made under this Title to the providers of medical care, rehabilitation services and hospital care.
- r. "Related benefit" means all payments made under this Title for appliance and supplies.
- s. "Appliances" means crutches, artificial aids and other similar devices.
- t. "Supplies" means medicine and other medical, dental or surgical items.

- u. "Hospital" means any medical facility, government or private, authorized by law, an active member of good standing of the Philippine Hospital Association and accredited by the Commission.
- v. "Physician" means any doctor of medicine duly licensed to practice in the Philippines, an active member of good standing of the Philippine Medical Association and accredited by the Commission.
- w. "Wages" or "salary" means all actual remuneration for employment received during the month, except that part in excess of one thousand pesos.
- x. "Monthly salary credit" means the wage or salary base for contributions as provided in Republic Act numbered eleven hundred sixty-one, as amended, or the wages or salary.
- y. "Average monthly salary credit" means the result obtained by dividing the sum of the monthly salary credits in the sixty-month period ending on the last day of the second quarter preceding the quarter of death or permanent disability by sixty, except where the month of death or permanent disability falls within eighteen calendar months from the month of coverage, in which case, the average monthly salary credit is the result obtained by dividing the sum of all monthly salary credits by the number of calendar months of coverage.
- z. "Average daily salary credit" means the result obtained by dividing the sum of the monthly salary credits in the twelve-month period ending on the last day of the second quarter preceding the quarter of sickness or injury by thirty times the number of calendar months of coverage, except where the month of sickness or injury falls within nine calendar months from the month of coverage, in which case, the average daily salary credit is the result obtained by dividing the sum of all monthly salary credits by thirty times the number of calendar months of coverage.
- aa. "Quarter" means a period of three consecutive months ending on the last day of March, June, September and December.

## CHAPTER II

### COVERAGE AND LIABILITY

**ART. 166.** *Compulsory coverage.* — Coverage in the State Insurance Fund shall be compulsory upon all employers and their employees not over sixty years of age: *Provided*, That an employee who is over sixty years of age and paying contributions to qualify for the retirement or life insurance benefit administered by the System shall be subject to compulsory coverage: *Provided, further*, That in case of an employee who is both covered by the SSS and GSIS, only his employment with the latter shall be considered for purposes of his coverage.

**ART. 167.** *Foreign employment.* — The Commission shall ensure adequate coverage of Filipino employees employed abroad, subject to regulations as it may prescribe.

**ART. 168.** *Effective date of coverage.* — Compulsory coverage of the employer during the effectivity of this Title shall take effect on the first

day of his operation, and that of the employee on the date of his employment.

**ART. 169. *Registration.*** — Each employer and his employees shall register with the System in accordance with its regulations.

**ART. 170. *Limitation of liability.*** — The State Insurance Fund shall be liable for compensation to the employee or his dependents, except when the disability or death was occasioned by the employee's intoxication, willful intention to injure or kill himself or another, notorious negligence, or otherwise provided under this Title.

**ART. 171. *Exclusiveness of liability.*** — Unless otherwise provided, the liability of the State Insurance Fund under this Title shall be exclusive and in place of all other liabilities of the employer to the employee, his dependents or anyone otherwise entitled to receive damages on behalf of the employee or his dependents. The payment of compensation under this Title shall bar the recovery of benefits as provided for in Section 699 of the Revised Administrative Code, Republic Act numbered eleven hundred sixty-one, as amended, Commonwealth Act numbered one hundred eighty-six, as amended, Republic Act numbered sixty-one hundred eleven, as amended, Republic Act numbered six hundred ten, as amended, Republic Act numbered forty-eight hundred sixty-four, as amended and other laws whose benefits are administered by the System, during the period of such payment for the same disability or death.

### CHAPTER III

#### ADMINISTRATION

**ART. 174. *Employees' Compensation Commission.*** — (a) To initiate, rationalize and coordinate the policies of the employees' compensation program, the Employees' Compensation Commission is hereby created to be composed of four ex-officio members: the Secretary of Labor as Chairman, the GSIS Manager, the SSS Administrator, the Chairman of the Philippine Medical Care Commission; and two appointive members, one of whom shall represent the employees and the other, the employers, to be appointed by the President of the Philippines for a term of six years. The appointive member shall have at least five years experience in workmen's compensation or social security programs. All vacancies shall be filled for the unexpired term only.

- b. The Vice-Chairman of the Commission shall be alternated each year between the GSIS General Manager and the SSS Administrator. The presence of four members shall constitute a quorum. Meetings shall be held as often as necessary. Each member shall receive a per diem of one hundred pesos for every meeting actually attended by him exclusive of actual, ordinary and necessary travel and representation expenses. In his absence, any member may designate an official of the institution he serves on full-time basis as his representative to act on his behalf.
- c. The general conduct of the operations and management functions of the GSIS or SSS under this Title shall be vested in its respective

chief executive officer, who shall be immediately responsible for carrying out the policies of the Commission.

**ART. 175.** *Powers and duties.* — The Commission shall have the following powers and duties:

- a. To assess and fix a rate of contribution from all employers.
- b. To determine the rate of contribution payable by an employer whose records show a high frequency of work accidents or occupational diseases due to failure by the said employer to observe adequate safety measures.
- c. To approve rules and regulations governing the processing of claims and the settlement of disputes arising therefrom as prescribed by the System.
- d. To initiate policies and programs towards adequate occupational health and safety and accident prevention in the working environment.
- e. To make the necessary actuarial studies and calculations concerning the grant of constant help and income benefits for permanent disability or death, and the rationalization of the benefits for permanent disability and death under this Title with benefits payable by the System for similar contingencies.
- f. To appoint the personnel of its staff, subject to civil service law and rules.
- g. To adopt annually a budget of expenditures of the Commission and its staff chargeable against the State Insurance Fund.
- h. To have the power to administer oath and affirmation, and to issue subpoena and subpoena duces tecum in connection with any question or issue arising from appealed cases under this Title.
- i. To sue and be sued in court.
- j. To perform such other acts as it may deem appropriate for the attainment of the purposes of the Commission and proper enforcement of the provisions of this Title.

**ART. 176.** *Management of funds.* — All revenues collected by the System under this Title shall be deposited, invested, administered and disburse in the same manner and under the same conditions, requirements and safeguards as provided by Republic Act numbered one hundred sixty-one, as amended, and Commonwealth Act numbered one hundred eighty-six, as amended, with regard to such other funds as are thereunder being paid to or collected by the SSS and GSIS, respectively: *Provided, That the Commission, SSS and GSIS may disburse each year not more than twelve per cent of the contributions and investment earnings collected for operational expenses, including occupational health and safety programs, incidental to the carry out of this Title.*

**ART. 177.** *Investment of funds.* — All revenues as are not needed to meet current operational expenses under this Title shall be accumulated in a fund to be known as the State Insurance Fund, which shall be used exclusively for the payment of the benefits under this Title, and no amount thereof shall be used for any other purpose. All amounts accruing to the State Insurance Fund, which is hereby established in the SSS and GSIS, respectively, shall be deposited with any authorized