

**[ REPUBLIC ACT NO. 6971, November 22, 1990 ]**

**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".

SEC. 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 of business enterprises to reasonable returns on investments and to expansion and growth, and 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.

SEC. 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.

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

- a. "Business Enterprise" 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.

SEC. 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 information and assistance 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.

SEC. 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.

SEC. 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-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 any tax incentives accrued prior to the date of occurrence of such strike or