

**[ REPUBLIC ACT NO. 6727, June 09, 1989 ]**

**AN ACT TO RATIONALIZE WAGE POLICY DETERMINATION BY  
ESTABLISHING THE MECHANISM AND PROPER STANDARDS  
THEREFOR, AMENDING FOR THE PURPOSE ARTICLE 99 OF AND  
INCORPORATING ARTICLES 120, 121, 122, 123, 124, 126 AND  
127 INTO, PRESIDENTIAL DECREE NO. 442, AS AMENDED,  
OTHERWISE KNOWN AS THE LABOR CODE OF THE PHILIPPINES,  
FIXING NEW WAGE RATES, PROVIDING WAGE INCENTIVES FOR  
INDUSTRIAL DISPERSAL TO THE COUNTRYSIDE, AND FOR  
OTHER PURPOSES**

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

SECTION 1. This Act shall be: known as the "Wage Rationalization Act."

SEC. 2. It is hereby declared the policy of the State to rationalize the fixing of minimum wages and to promote productivity-improvement and gain-sharing measures to ensure a decent standard of living for the workers and their families; to guarantee the rights of labor to its just share in the fruits of production; to enhance employment generation in the countryside through industry dispersal; and to allow business and industry reasonable returns on investment, expansion and growth.

The State shall promote collective bargaining as the primary mode of setting wages and other terms and conditions of employment; and, whenever necessary, the minimum wage rates shall be adjusted in a fair and equitable manner, considering existing regional disparities in the cost of living and other socio-economic factors and the national economic and social development plans.

SEC. 3. In line with the declared policy under this Act, Article 99 of Presidential Decree No. 442, as amended, is hereby amended and Articles 120, 121, 122, 123, 124, 126 and 127 are hereby incorporated into Presidential Decree No. 442, as amended, to read as follows:

"ART. 99. *Regional Minimum Wages.* — The minimum wage rates for agricultural and non-agricultural employees and workers in each and every region of the country shall be those prescribed by the Regional Tripartite Wages and Productivity Boards."

"ART. 120. *Creation of the National Wages and Productivity Commission.* — There is hereby created a National Wages and Productivity Commission, hereinafter referred to as the Commission, which shall be attached to the Department of Labor and Employment (DOLE) for policy and program coordination."

"ART. 121. *Powers and Functions of the Commission.* — The Commission, shall have the following powers and functions:

"(a) To act as the national consultative and advisory body to the President of the Philippines and Congress on matters relating to wages, incomes and productivity;

"(b) To formulate policies and guidelines on wages, incomes and productivity improvement at the enterprise, industry and national levels;

"(c) To prescribe rules and guidelines for the determination of appropriate minimum wage and productivity measures at the regional, provincial or industry levels;

"(d) To review regional wage levels set by the Regional Tripartite Wages and Productivity Boards to determine if these are in accordance with prescribed guidelines and national development plans;

"(e) To undertake studies, researches and surveys necessary for the attainment of its functions and objectives, and to collect and compile data and periodically disseminate information on wages and productivity and other related information, including, but not limited to, employment, cost-of-living, labor costs, investments and returns;

"(f) To review plans and programs of the Regional Tripartite Wages and Productivity Boards to determine whether these, are consistent with national development plans;

"(g) To exercise technical and administrative supervision over the Regional Tripartite Wages and Productivity Boards;

"(h) To call, from time to time, a national tripartite conference of representatives of government, workers and employers for the consideration of measures to promote wage rationalization and productivity; and

"(i) To exercise such powers and functions as may be necessary to implement this Act.

"The Commission shall be composed of the Secretary of Labor and Employment as *ex-officio* chairman, the Director-General of the National Economic and Development Authority (NEDA) as *ex-officio* vice-chairman, and two (2) members each from workers and employer sectors who shall be appointed by the President of the Philippines upon recommendation of the Secretary of Labor and Employment to be made on the basis of the list of nominees submitted by the workers and employers sectors, respectively, and who shall serve for a term of five (5) years. The Executive Director of the Commission Secretariat shall also be a member of the Commission.

"The Commission shall be assisted by a SEcretariat to be headed by an Executive Director and two (2) Deputy Directors, who shall be appointed by

the President of the Philippine, upon recommendation of the SEcretary of Labor and Employment.

"The Executive Director shall have the same rank, salary, benefit, and other emoluments as that of a Department Assistant Secretary, while the Deputy Directors shall have the same rank, salary, benefits and other emoluments as that of a Bureau Director. The members of the Commission representing labor and management shall have the same rank, emoluments, allowances and other benefit as those prescribed by law for labor and management representatives in the Employees Compensation Commission."

"ART. 122. *Creation of Regional Tripartite Wages and Productivity Boards.* — There is hereby created Regional Tripartite Wages and Productivity Boards, hereinafter referred to as Regional Boards, in all regions, including autonomous regions as may be established by law. The Commission shall determine the offices/headquarters of the respective Regional Boards.

"Regional Boards shall have the following powers and functions in their respective territorial jurisdiction:

"(a) To develop plans, programs and projects relative to wages, incomes and productivity improvement for their respective regions;

"(b) To determine and fix minimum wage rates applicable in their region, provinces, or industries therein and to issue the corresponding wage orders, subject to guidelines issued, by the Commission;

"(c) To undertake studies, researches, and surveys necessary for the attainment of their functions, objectives and programs, and to collect and compile data on wages, incomes, productivity and other related information and periodically disseminate the same;

"(d) To coordinate with the other Regions Boards as may be necessary to attain the policy and intention of this Code;

"(e) To receive, process and act on applications for exemption from prescribed wage rates as maybe provided by law or any Wage Order; and

"(f) To exercise such other powers and functions as may be necessary to carry out their mandate under this Code.

"Implementation of the plans, programs and projects of the Regional Boards referred to in the second paragraph, letter (a) of this Article, shall be through the respective regional offices of the Department of Labor and Employment within their territorial jurisdiction; *Provided, however,* That the Regional Boards shall have technical supervision over the regional office of the Department of Labor end Employment with respect to the implementation said plans, programs and projects.

"Each Regional Board shall be composed of the Regional Director of the Department of Labor and Employment as chairman, the Regional Directors of the National Economic and Development Authority and Department of Trade

and Industry as vice-chairmen and two (2) members each from workers and employers sectors who shall be appointed by the President of the Philippines, upon recommendation of the Secretary of Labor and Employment, to be made on the basis of the list of nominees submitted by the workers and employers sector respectively, and who shall serve for a term of five (5) years.

"Each Regional Board to be headed by its chairman shall be assisted by a Secretariat."

"ART. 123. *Wage Order*. — Whenever conditions in the region so warrant, the Regional Board shall investigate and study all pertinent facts, and based on the standards and criteria herein prescribed, shall proceed to determine whether a Wage Order should be issued. Any such Wage Order shall take effect after fifteen (15) days from its complete publication in at least one (1) newspaper of general circulation in the region.

"In the performance of its wage-determining functions, the Regional Board shall conduct public hearings/consultations, giving notices to employees' and employers' groups, provincial, city and municipal officials and other interested parties.

"Any party aggrieved by the Wage Order issued by the Regional Board may appeal such order to the Commission within ten (10) calendar days from the publication of such order. It shall be mandatory for the Commission to decide such appeal within sixty (60) calendar days from the filing thereof.

"The filing of the appeal does not operate to stay order unless the person appealing such order shall file with the Commission an undertaking with a surety or sureties satisfactory to the Commission for the payment to the employees affected by the order of the corresponding increase, in the event such order is affirmed."

"ART. 124. *Standards/Criteria for Minimum Wage Fixing*. — The regional minimum wages to be established by the Regional Board shall be as nearly adequate as is economically feasible to maintain the minimum standards of living necessary for the health, efficiency and general well-being of the employees within the framework of the national economic and social development program. In the determination of such regional minimum wages, the Regional Board shall, among other relevant factors, consider the following:

"(a) The demand for living wages;

"(b) Wage adjustment vis-a-vis the consumer price index;

"(c) The cost of living and changes or increases therein;

"(d) The needs, of workers and their families;

"(e) The need to induce industries to invest in the countryside;

"(f) Improvements in standards of living;

"(g) The prevailing wage levels;

"(h) Fair return, of the capital invested and capacity to pay of employers;

"(i) Effects on employment generation and family income; and

"(j) The equitably distribution of income and wealth along the imperatives of economic and social development,

"The wages prescribed in accordance with the provisions of this Title shall be the standard prevailing minimum wages in every region. These wages shall include wages varying with industries, provinces or localities if in the judgment of the Regional Board conditions make such local differentiation proper and necessary to effectuate the purpose of this Title.

"Any person, company, corporation, partnership or any other entity engaged in business shall file and register annually with the appropriate Regional Board, Commission and the National Statistics Office an itemized listing of their labor component, specifying the names of their workers and employees below the managerial level, including learners, apprentices and disabled/handicapped workers who were hired under the terms prescribed in the employment contracts, and their corresponding salaries and wages.

"Where the application of any prescribed wage increase by virtue of a law or Wage Order issued by any Regional Board results in distortions of the wage structure within an establishment, the employer and the union shall negotiate to correct the distortions. Any dispute arising from wage distortions shall be resolved through the grievance procedure under their collective bargaining agreement and, if it remains unresolved, through voluntary arbitration. Unless otherwise agreed by the parties in writing, such dispute shall be decided by the voluntary arbitrator or panel of voluntary arbitrators within ten (10) calendar day from the time said dispute was referred to voluntary arbitration.

"In cases where there are no collective agreements or recognized labor unions, the employers and workers shall endeavor to correct such distortions. Any dispute arising therefrom shall be settled through the National Conciliation and Mediation Board and if. It remains unresolved after ten (10) calendar days of conciliation, shall be referred to the appropriate branch of the National Labor Relations Commission (NLRC). It shall be mandatory for the NLRC to conduct continuous hearings and decide the dispute within twenty (20) calendar days from the time said dispute is submitted for compulsory arbitration.

"The pendency of a dispute arising from a wage distortion shall not in any way delay the applicability of any increase in prescribed wage rates pursuant to the provisions of law or Wage Order.

"As, used herein, a wage distortion shall mean a situation where an increase in prescribed wage rates results in the elimination or severe contraction of intentional quantitative differences in wage or salary rates between and among employee groups in an establishment as to effectively obliterate the distinctions embodied in such wage structure based on skills, length of service, or other logical bases of differentiation.