
REPUBLIC ACT NO. 6727

June 9, 1989

RULES IMPLEMENTING REPUBLIC ACT NO. 6727

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

SECTION 1. This Act shall be known as the “***Wage Rationalization Act.***”

SECTION 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.

SECTION 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 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 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 sectors, respectively, and who shall serve for a term of five (5) years. The Executive Director of the Commission 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 Philippines, upon the recommendation of the Secretary of Labor and Employment.

“The Executive Director shall have the same rank, salary, benefits 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 benefits 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.

“The 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 Regional 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 may be 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 and Employment with respect to the implementation of 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 the 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 the 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.

“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 stay the 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 equitable 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 within 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 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 days 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.

“All workers paid by result, including those who are paid on piecework, takay, pakyaw or task basis, shall receive not less than the prescribed wage rates per eight (8) hours work a day, or a proportion thereof for working less than eight (8) hours.

“All recognized learnership and apprenticeship agreements shall be considered automatically modified insofar as their wage clauses are concerned to reflect the prescribed wage rates.”

“Art. 126. Prohibition Against Injunction. — No preliminary or permanent injunction or temporary restraining order may be issued by any court, tribunal or other entity against any proceedings before the Commission or the Regional Boards.”

“Art. 127. Non-diminution of Benefits. — No Wage Order issued by any Regional Board shall provide for wage rates lower than the statutory minimum wage rates prescribed by Congress.”

SECTION 4. (a) Upon the effectivity of this Act, the statutory minimum wage rates of all workers and employees in the private sector, whether agricultural or non-agricultural, shall be increased by twenty-five pesos (P25.00) per day, except that workers and employees in plantation agricultural enterprises outside of the National Capital Region (NCR) with an annual gross sales of less than five million pesos (P5,000,000.00) in the preceding year shall be paid an increase of twenty pesos (P20.00), and except further that workers and employees of cottage/handicraft industries, non-plantation agricultural enterprises, retail/service establishments regularly employing not more than ten (10) workers, and business enterprises with a capitalization of not more than five hundred thousand pesos (P500,000.00) and employing not more than twenty (20) employees, which are located or operating outside the NCR, shall be paid only an increase of fifteen pesos (P15.00): Provided, That those already receiving above the minimum wage rates up to one hundred pesos (P100.00) shall also receive an increase of twenty-five pesos (P25.00) per day, except that the workers and employees mentioned in the first exception clause of this Section shall also be paid only an increase of twenty pesos (P20.00), and except further

that those employees enumerated in the second exception clause of this Section shall also be paid an increase of fifteen pesos (P15.00): Provided, further, That the appropriate Regional Board is hereby authorized to grant additional increases to the workers and employees mentioned in the exception clauses of this Section if, on the basis of its determination pursuant to Article 124 of the Labor Code such increases are necessary.

(b) The increase of twenty-five pesos (P25.00) prescribed under this Section shall apply to all workers and employees entitled to the same in private educational institutions as soon as they have increased or are granted authority to increase their tuition fees during school year 1989-1990. Otherwise, such increase shall be so applicable not later than the opening of the next school year beginning 1990.

(c) Exempted from the provisions of this Act are household or domestic helpers and persons employed in the personal service of another, including family drivers.

Retail/service establishments regularly employing not more than ten (10) workers may be exempted from the applicability of this Act upon application with and as determined by the appropriate Regional Board in accordance with the applicable rules and regulations issued by the Commission. Whenever an application for exemption has been duly filed with the appropriate Regional Board, action on any complaint for alleged non-compliance with this Act shall be deferred pending resolution of the application for exemption by the appropriate Regional Board.

In the event that applications for exemptions are not granted, employees shall receive the appropriate compensation due them as provided for by this Act plus interest of one per cent (1%) per month retroactive to the effectivity of this Act.

(d) If expressly provided for and agreed upon in the collective bargaining agreements, all increases in the daily basic wage rates granted by the employers three (3) months before the effectivity of this Act shall be credited as compliance with the increases in the wage rates prescribed herein, provided that, where such increases are less

than the prescribed increases in the wage rates under this Act, the employer shall pay the difference. Such increases shall not include anniversary wage increases, merit wage increases and those resulting from the regularization or promotion of employees.

Where the application of the increases in the wage rates under this Section results in distortions as defined under existing laws in the wage structure within an establishment and gives rise to a dispute therein, such dispute shall first be settled voluntarily between the parties and in the event of a deadlock, the same shall be finally resolved through compulsory arbitration by the regional branches of the National Labor Relations Commission (NLRC) having jurisdiction over the workplace.

It shall be mandatory for the NLRC to conduct continuous hearings and decide any dispute arising under this Section within twenty (20) calendar days from the time said dispute is formally submitted to it for arbitration. The pendency of a dispute arising from a wage distortion shall not in any way delay the applicability of the increase in the wage rates prescribed under this Section.

SECTION 5. Within a period of four (4) years from the effectivity of this Act and without prejudice to collective bargaining negotiations or agreements or other employment contracts between employers and workers, new business enterprises that may be established outside the NCR and export processing zones whose operation or investments need initial assistance as may be determined by the Department of Labor and Employment in consultation with the Department of Trade and Industry or the Department of Agriculture, as the case may be, shall be exempt from the applicability of this Act for not more than three (3) years from the start of their operations: Provided, That such new business enterprises established in Region III (Central Luzon) and Region IV (Southern Tagalog) shall be exempt from such increases only for two (2) years from the start of their operations, except those established in the Provinces of Palawan, Oriental Mindoro, Occidental Mindoro, Marinduque, Romblon, Quezon and Aurora, which shall enjoy such exemption for not more than three (3) years from the start of their operations.

SECTION 6. In the case of contracts for construction projects and for security, janitorial and similar services, the prescribed increases in the wage rates of the workers shall be borne by the principals or clients of the construction/service contractors and the contract shall be deemed amended accordingly. In the event, however, that the principal or client fails to pay the prescribed wage rates, the construction/service contractor shall be jointly and severally liable with his principal or client.

SECTION 7. Upon written permission of the majority of the employees or workers concerned, all private establishments, companies, businesses, and other entities with twenty five (25) or more employees and located within one (1) kilometer radius to a commercial, savings or rural bank shall pay the wages and other benefits of their employees through any of said banks and within the period of payment of wages fixed by Presidential Decree No. 422, as amended, otherwise known as the Labor Code of the Philippines.

SECTION 8. Whenever applicable and upon request of a concerned worker or union, the bank shall issue a certification of the record of payment of wages of a particular worker or workers for a particular payroll period.

SECTION 9. The Department of Labor and Employment shall conduct inspections as often as possible within its manpower constraint of the payroll and other financial records kept by the company or business to determine whether the workers are paid the prescribed minimum wage rates and other benefits granted by law or any Wage Order. In unionized companies, the Department of Labor and Employment inspectors shall always be accompanied by the president or any responsible officer of the recognized bargaining unit or of any interested union in the conduct of the inspection. In Non-unionized companies, establishments or businesses, the inspection should be carried out in the presence of a worker representing the workers in the said company. The workers' representative shall have the right to submit his own findings to the Department of Labor and Employment and to testify on the same if he cannot concur with the findings of the labor inspector.

SECTION 10. The funds necessary to carry out the provisions of this Act shall be taken from the Compensation and Organizational Adjustment Fund, the Contingent Fund, and other savings under the Republic Act No. 6688, otherwise known as the General Appropriations Act of 1989, or from any unappropriated funds of the National Treasury: Provided, That the funding requirements necessary to implement this Act shall be included in the annual General Appropriations Act for the succeeding years.

SECTION 11. The National Wages Council created under Executive Order No. 614 and the National Productivity Commission created under Executive Order No. 615 are hereby abolished. All properties, records, equipment, buildings, facilities, and other assets, liabilities and appropriations of and belonging to the abovementioned offices, as well as other matters pending therein, shall be transferred to the Commission. All personnel of the above abolished offices shall continue to function in a holdover capacity and shall be preferentially considered for appointments to or placement in the Commission.

Any official or employee separated from the service as a result of the abolition of office pursuant to this Act shall be entitled to appropriate separation pay and retirement and other benefits accruing to them under existing laws. In lieu, thereof, at the option of the employee, he shall be preferentially considered for employment in the government or in any of its subdivisions, instrumentalities, or agencies, including government-owned or controlled corporations and their subsidiaries.

SECTION 12. Any person, corporation, trust, firm, partnership, association or entity which refuses or fails to pay any of the prescribed increases or adjustments in the wage rates made in accordance with this Act shall be punished by a fine not exceeding twenty five thousand pesos (P25,000.00) and/or imprisonment of not less than one (1) year nor more than two (2) years: Provided, That any person convicted under this Act shall not be entitled to the benefits provided for under the Probation Law.

If the violation is committed by a corporation, trust or firm, partnership, association or any other entity, the penalty of imprisonment shall be imposed on the entity's responsible officers,

including, but not limited to, the president, vice-president, chief executive officer, general manager, managing director or partner.

SECTION 13. The Secretary of Labor and Employment shall promulgate the necessary rules and regulations to implement the provisions of this Act.

SECTION 14. All laws, orders, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly. If any provision or part of this Act, or the application thereof to any person or circumstance, is held invalid or unconstitutional, the remainder of this Act or the application of such provision or part hereof to other persons or circumstances shall not be affected thereby.

Nothing in this Act shall be construed to reduce any existing wage rates, allowances and benefits of any form under existing laws, decrees, issuances, executive orders, and/or under any contract or agreement between the workers and the employers.

SECTION 15. This Act take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) national newspapers of general circulation, whichever comes earlier.

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RULES IMPLEMENTING

REPUBLIC ACT NO. 6727

Pursuant to the authority granted to the Secretary of Labor and Employment under Section 13 of Republic Act No. 6727, otherwise known as the Wage Rationalization Act, the following rules are hereby issued for guidance and compliance by all concerned:

Definition of Terms. As used in this Rules —

- a) “Act” means Republic Act No. 6727;
- b) “Commission” means the National Wages and Productivity Commission;
- c) “Board” means the Regional Tripartite Wages and Productivity Board;
- d) “Agriculture” refers to farming in all its branches and among others, includes the cultivation and tillage of the soil, production, cultivation, growing and harvesting of any agricultural or horticultural commodities, dairying, raising of livestock or poultry, the culture of fish and other aquatic products in farms or ponds, and any activities performed by a farmer or on a farm as an incident to or in conjunction with such farming operations, but does not include the manufacturing and/or processing of sugar, coconut, abaca, tobacco, pineapple, aquatic or other farm products;
- e) “Plantation Agricultural Enterprise” is one engaged in agriculture with an area of more than 24 hectares in a locality or which employs at least 20 workers. Any other agricultural enterprise shall be considered as “Non-Plantation Agricultural Enterprise”;
- f) “Retail Establishment” is one principally engaged in the sale of goods to end-users for personal or household use;
- g) “Service Establishment” is one principally engaged in the sale of service to individuals for their own or household use and is generally recognized as such;

- h) “Cottage/Handicraft Establishment” is one engaged in an economic endeavor in which the products are primarily done in the home or such other places for profit which requires manual dexterity and craftsmanship and whose capitalization does not exceed P500,000, regardless of previous registration with the defunct NACIDA;
- i) “National Capital Region” covers the cities of Kalookan, Manila, Pasay and Quezon and the municipalities of Las Piñas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Parañaque, Pasig, Pateros, San Juan, Taguig and Valenzuela;
- j) “Region III” covers the provinces of Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, and Zambales and the cities of Angeles, Cabanatuan, Olongapo, Palayan and San Jose;
- k) “Region IV” covers the provinces of Aurora, Batangas, Cavite, Laguna, Marinduque, Occidental Mindoro, Oriental Mindoro, Palawan, Quezon, Rizal and Romblon and the cities of Batangas, Cavite, Lipa, Lucena, Puerto Princesa, San Pablo, Tagaytay and Trece Martires;
- l) “Department” refers to the Department of Labor and Employment;
- m) “Secretary” means the Secretary of Labor and Employment;
- n) “Basic Wage” means all remuneration or earnings paid by an employer to a worker for services rendered on normal working days and hours but does not include cost-of-living allowances, profit sharing payments, premium payments, 13th month pay or other monetary benefits which are not considered as part of or integrated into the regular salary of the workers on the date the Act became effective;
- o) “Statutory Minimum Wage” is the lowest wage rate fixed by law that an employer can pay his workers;

p) “Wage Distortion” means 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;

q) “Capitalization” means paid-up capital, in the case of a corporation, and total invested capital, in the case of a partnership or single proprietorship.

CHAPTER I

Wage Increase

SECTION 1. Coverage. — The wage increase prescribed under the Act shall apply to all workers and employees in the private sector regardless of their position, designation or status, and irrespective of the method by which their wages are paid, except;

a) Household or domestic helpers, including family drivers and workers in the personal service of another;

b) Workers and employees in retail/service establishments regularly employing not more than 10 workers, when exempted from compliance with the Act, for a period fixed by the Commission/Boards in accordance with Section 4 (c) of the Act and Section 15, Chapter 1 of this Rules;

c) Workers and employees in new business enterprises outside the National Capital Region and export processing zones for a period of not more than two or three years, as the case may be, from the start of operations when exempted in accordance with Section 5 of the Act and Section 15, Chapter 1 of this Rules;

d) Workers and employees receiving a basic wage of more than P100.00 per day.

SECTION 2. Effectivity. — The Act takes effect on July 1, 1989, 15 days following its complete publication in two newspapers of general circulation on June 15, 1989 pursuant to Section 15 thereof.

SECTION 3. Amount of Minimum Wage Increase. — Effective July 1, 1989, the daily statutory minimum wage rates of covered workers and employees shall be increased as follows:

- a) P25.00 for those in the National Capital Region;
- b) P25.00 for those outside the National Capital Region, except for the following:
 - P20.00 for those in plantation agricultural enterprises with an annual gross sales of less than P5 million in the fiscal year immediately preceding the effectivity of the Act;
 - P15.00 for those in the following enterprises:
 1. Non-plantation agriculture
 2. Cottage/handicraft
 3. Retail/Service regularly employing not more than 10 workers.
 4. Business enterprises with a capitalization of not more than P500,000 and employing not more than 20 workers.

SECTION 4. When Wage Increase Due Other Workers. —

- a) All workers and employees who, prior to July 1, 1989, were already receiving a basic wage above the statutory minimum wage rates provided under Republic Act 6640 but not over P100.00 per day shall receive a wage increase equivalent to that provided in the preceding Section.
- b) Those receiving not more than the following monthly wage rates prior to July 1, 1989 shall be deemed covered by the preceding subsection:
 - (i) P3,257.50 — where the workers and employees work everyday, including premium payments for Sundays or rest days, special days and regular holidays.

(ii) P3,041.67 — where the workers and employees do not work but considered paid on rest days, special days and regular holidays.

(iii) P2,616.67 — where the workers and employees do not work and are not considered paid on Sundays or rest days.

(iv) P2,183.33 — where the workers and employees do not work and are not considered paid on Saturdays and Sundays or rest days.

c) Workers and employees who, prior to July 1, 1989, were receiving a basic wage of more than P100.00 per day or its monthly equivalent, are not by law entitled to the wage increase provided under the Act. They may, however, receive wage increases through the correction of wage distortions in accordance with Section 16, Chapter 1 of this Rules.

SECTION 5. Daily Statutory Minimum Wage Rates. — The daily statutory minimum wage rates of workers and employees shall be as follows:

Sector/Industry	Under RA 6640 (Effective Dec. 14, 1987)	Under RA 6727 (Effective July 1, 1989)
A. NATIONAL CAPITAL REGION		
Non-Agriculture	P64.00	P89.00
Agriculture		
Plantation	54.00	79.00
Non-Plantation	43.50	68.50
Cottage/Handicraft		
Employing more than 30 workers	52.00	77.00
Employing not more than 30 workers	50.00	75.00
Private hospitals		
With bed capacity of more than 100	64.00	89.00
With bed capacity or 100 or less	60.00	85.00

Retail/Service		
Employing more than 15 workers	64.00	89.00
Employing 11 to 15 workers	60.00	85.00
Employing not more than 10 workers	43.00	68.00
 B. OUTSIDE NATIONAL CAPITAL REGION		
Non-agriculture	64.00	89.00
Agriculture		
Plantation with annual gross sales of P5M or more	54.00	79.00
Plantation with annual gross sales less than P5M	54.00	74.00
Non-Plantation	43.50	58.50
Cottage/Handicraft		
Employing more than 30 workers	52.00	67.00
Employing not more than 30 workers	50.00	65.00
Private Hospitals	60.00	85.00
Retail/Service		
Cities w/ population of more than 150,000		
Employing more than 15 workers	64.00	89.00
Employing 11 to 15 workers	60.00	85.00
Employing not more than 10 workers	43.00	58.00
Municipalities and Cities with population not more than 150,000		
Employing more than 10 workers	60.00	85.00
Employing not more than 10 workers	43.00	58.00
Sugar Mills	66.00	91.00
Agriculture		
Plantation with annual gross sales of P5M or more	48.50	73.50
Plantation with annual gross		

sales of less than P5M	48.50	68.50
Non-plantation	43.50	58.50
Business Enterprises with Capitalization of not more than P500,000 and employing not more than 20 workers		
Non-Agriculture	64.00	79.00
Agriculture Plantation		
Products Other than Sugar	54.00	69.00
Sugar	48.50	63.50
Private Hospitals	60.00	75.00
Retail/Service		
Cities w/ population of more than P150,000		
Employing more than 15 workers	64.00	79.00
Employing 11 to 15 workers	60.00	75.00
Municipalities and Cities w/ population of not more than 150,000		
Employing more than 10 workers	60.00	75.00

SECTION 6. Suggested Formula in Determining the Equivalent Monthly Statutory Minimum Wage Rates. — Without prejudice to existing company practices, agreements or policies, the following formula may be used as guides in determining the equivalent monthly statutory minimum wage rates:

- a) For those who are required to work everyday including Sundays or rest days, special days and regular holidays:

Equivalent Applicable daily wage rate

$$\text{Monthly Rate (EMR)} = \frac{(\text{ADR}) \times 390.90 \text{ days}}{12}$$

Where 390.90 days =

302 days — Ordinary working days

20 days — 10 regular holidays x 200%

66.30 days — 51 rest days x 130%

2.60 days — 2 special days x 130%

390.90 days — Total equivalent number of days.

Note: For workers whose rest days fall on Sundays, the number of rest days in a year is reduced from 52 to 51 days, the last Sunday of August being a regular holiday under Executive Order No. 203. For purposes of computation, said holiday, although still a rest day for them, is included in the ten regular holidays. For workers whose rest days do not fall on Sundays, the number of rest days is 52 days, as there are 52 weeks in a year.

Nothing herein shall be construed as authorizing the reduction of benefits granted under existing agreements or employer practices/policies.

SECTION 7. Basis of Minimum Wage Rates. — The statutory minimum wage rates prescribed under the Act shall be for the normal working hours, which shall not exceed eight hours of work a day.

SECTION 8. Credible Wage Increase. —

a) No wage increase shall be credited as compliance with the increases prescribed under the Act unless expressly provided under collective bargaining agreements, and, such wage increase was granted not earlier than April 1, 1989 but not later than July 1, 1989. Where the wage increase granted is less than the prescribed increase under the Act, the employer shall pay the difference.

b) Anniversary wage increase provided in collective agreements, merit wage increase, and those resulting from the regularization or promotion of employees shall not be credited as compliance thereto.

SECTION 9. Workers Paid by Results. —

a) All workers paid by results, including those who are paid on piecework, takay, pakyaw, or task basis, shall receive not less than the applicable statutory minimum wage rates prescribed under the Act for the normal working hours which shall not exceed eight hours work a day, or a proportion thereof for work of less than the normal working hours.

The adjusted minimum wage rates for workers paid by results shall be computed in accordance with the following steps:

- 1) Amount of increase in AMW* — Previous AMW x 100 = % increase;
- 2) Existing rate/piece x % increase = increase in rate/piece;
- 3) Existing rate/piece + increase in rate/piece = Adjusted rate/piece.

* Where AMW is the applicable minimum wage rate.

b) The wage rates of workers who are paid by results shall continue to be established in accordance with Article 101 of the Labor Code, as amended and its implementing regulations.

SECTION 10. Wages of Special Groups of Workers. — Wages of apprentices, learners and handicapped workers shall in no case be less than 75 percent of the applicable statutory minimum wage rates.

All recognized learnership and apprenticeship agreements entered into before July 1, 1989 shall be considered as automatically modified insofar as their wage clauses are concerned to reflect the increases prescribed under the Act.

SECTION 11. Application to Contractors. — In the case of contracts for construction projects and for security, janitorial and similar services, the prescribed wage increases shall be borne by the principals or clients of the construction/service contractors and the contract shall be deemed amended accordingly. In the event, however, that the principal or client fails to pay the prescribed wage

rates, the construction/service contractor shall be jointly and severally liable with his principal or client.

SECTION 12. Application to Private Educational Institutions. — Private educational institutions which increased tuition fees beginning school year 1989-1990 shall comply with the P250.00 per day wage increase prescribed under the Act effective as follows:

a) In cases where the tuition fee increase was effected before the effectivity of the Act, the wage increase shall take effect on July 1, 1989.

b) In cases where the tuition fee increase was effected on or after the effectivity of the Act, the wage increase shall take effect not later than the date the school actually increased tuition fees but in the latter case, such wage increase may not be made retroactive to July 1, 1989.

Beginning school year 1990-1991, all schools shall implement the wage increase regardless of whether or not they have actually increased tuition fees.

SECTION 13. Mobile and Branch Workers. — The statutory minimum wage rates of workers, who by the nature of their work have to travel, shall be those applicable in the domicile or head office of the employer.

The minimum wage rates of workers working in branches or agencies of establishments in or outside the National Capital Region shall be those applicable in the place where they are stationed.

SECTION 14. Transfer of Personnel. — The transfer of personnel to areas outside the National Capital Region shall not be a valid ground for the reduction workers transferred to the National Capital Region shall be entitled to the minimum wage rate applicable therein.

SECTION 15. Exemptions. —

a) The following establishments may be exempted from compliance with the wage increase prescribed under the Act:

1) Retail/Service establishments regularly employing not more than 10 workers upon application with and as determined by the appropriate Board in accordance with applicable guidelines to be issued by the Commission.

2) New business enterprises that may be established outside the National Capital Region and export processing zones from July 1, 1989 to June 30, 1993, whose operation or investments need initial assistance may be exempted for not more than three years from the start of operations, subject to guidelines to be issued by the Secretary in consultation with the Department of Trade and Industry and the Department of Agriculture.

New business enterprises in Region III (Central Luzon) and Region IV (Southern Tagalog) may be exempted for two years only from start of operations, except those that may be established in the provinces of Palawan, Oriental Mindoro, Occidental Mindoro, Marinduque, Romblon, Quezon and Aurora, which may also be exempted for not more than three years from the start of operations.

b) Whenever an application for exemption has been duly filed with the appropriate office in the Department/Board, action by the Regional Office of the Department on any complaint for alleged non-compliance with the Act shall be deferred pending resolution of the application for exemption.

c) In the event that the application for exemption is not granted, the workers and employees shall receive the appropriate compensation due them as provided for under the Act plus interest of one percent per month retroactive to July 1, 1989 or the start of operations whichever is applicable.

SECTION 16. Effects on Existing Wage Structure. — Where the application of the wage increase prescribed herein results in distortions in the wage structure within an establishment which gives rise to a dispute therein, such dispute shall first be settled voluntarily between the parties. In the event of a deadlock, such dispute shall be finally resolved through compulsory arbitration by the regional

arbitration branch of the National Labor Relations Commission (NLRC) having jurisdiction over the workplace.

The NLRC shall conduct continuous hearings and decide any dispute arising from wage distortions within twenty calendar days from the time said dispute is formally submitted to it for arbitration.

The pendency of a dispute arising from a wage distortion shall not in any way delay the applicability of the increases in the wage rates prescribed under the Act.

Any issue involving wage distortion shall not be a ground for a strike/lockout.

SECTION 17. Complaints for Non-Compliance. — Complaints for non-compliance with the wage increases prescribed under the Act shall be filed with the Regional Offices of the Department having jurisdiction over the workplace and shall be the subject of enforcement proceedings under Articles 128 and 129 of the Labor Code, as amended.

SECTION 18. Conduct of Inspection by the Department. — The Department shall conduct inspections of establishments, as often as necessary, to determine whether the workers are paid the prescribed wage rates and other benefits granted by law or any Wage Order. In the conduct of inspection in unionized companies, Department inspectors shall always be accompanied by the president or other responsible officer of the recognized bargaining unit or of any interested union. In the case of non-unionized establishments, a worker representing the workers in the said company shall accompany the inspector.

The workers' representative shall have the right to submit his own findings to the Department and to testify on the same if he does not concur with the findings of the labor inspector.

SECTION 19. Payment of Wages. — Upon written petition of the majority of the workers and employees concerned, all private establishments, companies, businesses and other entities with at least twenty-five workers and located within one kilometer radius to a

commercial, savings or rural bank, shall pay the wages and other benefits of their workers through any of said banks within the period and in the manner and form prescribed under the Labor Code as amended.

SECTION 20. Duty of Bank. — Whenever applicable and upon request of a concerned worker or union, the bank through which wages and other benefits are paid shall issue a certification of the record of payment of said wages and benefits of a particular worker or workers for a particular payroll period.

CHAPTER II

The National Wages and Productivity Commission and Regional Tripartite Wages and Productivity Boards

SECTION 1. Commission. — The National Wages and Productivity Commission created under the Act shall hold office in the National Capital Region. The Commission shall be attached to the Department for policy and program coordination.

SECTION 2. 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 complete 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.

SECTION 3. Composition of the Commission. — The Commission shall be composed of the Secretary as ex-officio Chairman, the Director General of the National Economic and Development Authority (NEDA) as ex-officio Vice-Chairman and two members each from workers and employers sectors who shall be appointed by the President for a term of five years upon recommendation of the Secretary. The recommendees shall be selected from the list of nominees submitted by the workers and employers sectors. The Executive Director of the Commission Secretariat shall also be a member of the Commission.

The members of the Commission representing labor and management shall have the same rank, emoluments, allowances and other benefits as those prescribed by law for labor and management representatives in the Employees Compensation Commission.

SECTION 4. Commission Secretariat. — The Commission shall be assisted by a Secretariat to be headed by an Executive Director and

two Deputy Directors, who shall be appointed by the President upon recommendation of the Secretary.

The Executive Director shall have the rank of a Department Assistant Secretary, while the Deputy Directors that of a Bureau Director shall receive the corresponding salary, benefits and other emoluments of the positions.

SECTION 5. Regional Tripartite Wages and Productivity Boards. — The Regional Wages and Productivity Boards created under the Act in all regions, including autonomous regions as may be established by law, shall hold offices in areas where the Regional Offices of the Department are located.

SECTION 6. Powers and Functions of the Boards. — The Boards shall have the following powers and functions:

- a) To develop plans, programs and projects relative to wages, incomes and productivity improvements 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 Boards as may be necessary to attain the policy and intention of the Labor Code;
- e) To receive, process and act on applications for exemption from prescribed wage rates as may be 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 the Labor Code.

Implementation of the plans, programs and projects of the Boards shall be through the respective Regional Offices of the Department, provided, however, that the Boards shall have technical supervision over the Regional Office of the Department with respect to the implementation of these plans, programs and projects.

SECTION 7. Composition of the Boards. — Each Board shall be composed of the Regional Director of the Department as Chairman, the Regional Directors of the National Economic and Development Authority (NEDA) and Department of Trade and Industry (DTI) as Vice-Chairmen and two members each of workers and employers sectors who shall be appointed by the President for a term of five years upon the recommendation of the Secretary. The recommendees shall be selected from the lists of nominees submitted by the workers and employers sectors.

Each Board shall be assisted by a Secretariat.

SECTION 8. Authority to Organize and Appoint Personnel. — The Chairman of the Commission shall organize such units and appoint the necessary personnel of the Commission and Board Secretariats, subject to pertinent laws, rules and regulations.

CHAPTER III

Minimum Wage Determination

SECTION 1. Regional Minimum Wages. — The minimum wage rates for agricultural and non-agricultural workers and employees in every region shall be those prescribed by the Boards which shall in no case be lower than the statutory minimum wage rates. These wage rates may include wages by industry, province or locality as may be deemed necessary by the Boards.

SECTION 2. Standards/Criteria for Minimum Wage Fixing. — The regional minimum wages to be established by the Boards 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 workers within the framework of the national, economic, and social development programs. In the

determination of regional minimum wages, the Boards, 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 equitable distribution of income and wealth along the imperatives of economic and social development.

SECTION 3. Wage Order. — Whenever conditions in the region so warrant, the Board shall investigate and study all pertinent facts; and, based on standards and criteria prescribed herein, shall determine whether a Wage Order should be issued.

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

SECTION 4. Effectivity of Wage Order. — Any Wage Order issued by the Boards shall take effect 15 days after its complete publication in at least one newspaper of general circulation in the region.

SECTION 5. Appeal to the Commission. — Any party aggrieved by the Wage Order issued by the Board may file an appeal with the Commission within ten calendar days from the publication of the Order. The Commission shall decide the appeal within sixty calendar days from the date of filing.

SECTION 6. Effect of Appeal. — The filing of the appeal shall not suspend the effectivity of the Wage Order unless the person appealing such order files with the Commission an undertaking with a surety or sureties in such amount as may be fixed by the Commission.

SECTION 7. Wage Distortions. — Where the application of any wage increase resulting from a Wage Order issued by any Board results in distortions in the wage structure within an establishment, the employer and the union shall negotiate to correct the distortions using the grievance procedure under the collective bargaining agreement. If it remains unresolved, it shall be decided through voluntary arbitration within ten calendar days from the time the dispute was referred for voluntary arbitration, unless otherwise agreed by the parties in writing.

Where there are no collective agreements or recognized labor unions, the employer and workers shall endeavor to correct the wage distortion. Any dispute arising therefrom shall be settled through the National Conciliation and Mediation Board and if it remains unresolved after ten calendar days of conciliation, it shall be referred to the appropriate branch of the National Labor Relations Commission (NLRC). The NLRC shall conduct continuous hearings and decide the dispute within twenty 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 wage increase prescribed pursuant to the provisions of law or Wage Order.

SECTION 8. Non-Diminution of Benefits. — Nothing in the Act and in this Rules shall be construed to reduce any existing wage rates, allowances and benefits of any form under existing laws, decrees, issuances, executive orders and/or under any contract or agreement between the workers and employers.

SECTION 9. Prohibition Against Injunction. — No preliminary or permanent injunction or temporary restraining order may be issued by any court, tribunal or other entity against any proceedings before the Commission or Boards.

SECTION 10. Penal Provisions. — Any person, corporation, trust, firm, partnership, association or entity which refuses or fails to pay any of the prescribed increases or adjustments in the wage rates, made in accordance with the Act shall be punished by a fine not exceeding P25,000 and/or imprisonment of not less than one year nor more than two years: Provided, that any person convicted under the Act shall not be entitled to the benefits provided for under the Probation Law.

If the violation is committed by a corporation, trust or firm, partnership, association or any other entity, the penalty of imprisonment shall be imposed upon the entity's responsible officers, including, but not limited to, the president, vice-president, chief executive officer, general manager, managing director or partner.

SECTION 11. Registration/Reporting Requirement. — Any person, company, corporation, partnership or any other entity engaged in business shall submit annually a verified itemized listing of their labor component to the appropriate Board and the National Statistics Office not later than January 31 of each year, starting on January 31, 1990 in accordance with the form to be prescribed by the Commission. The listing shall specify the names, salaries and wages of their workers and employees below the managerial level including learners, apprentices and disabled/handicapped workers.

CHAPTER IV

Transitory Provisions

SECTION 1. Abolition of the National Wages Council and the National Productivity Commission. — The National Wages Council created under Executive Order No. 614 and the National Productivity

Commission created under Executive Order No. 615 are abolished. All properties, records, equipment, buildings, facilities, and other assets, liabilities and appropriations of and belonging to the abovementioned offices, as well as other matters pending therein, shall be transferred to the Commission. All personnel of the above-abolished offices shall continue to function in a hold-over capacity and shall be preferentially considered for appointments to or placements in the Commission/ Boards.

Any official or employee separated from the service as a result of the abolition of offices pursuant to the Act shall be entitled to appropriate separation pay of one month salary for every year of service and/or retirement and other benefits accruing to them under existing laws. In lieu thereof, at the option of the employee, he shall be preferentially considered for employment in the government or in any of its subdivisions, instrumentalities, or agencies, including government-owned or controlled corporations and their subsidiaries.

SECTION 2. Interim Processing of Applications for Exemption and Submission of Reports. — Pending the operationalization of the Commission and Boards, the National Wages Council shall, in the interim, receive and process applications for exemption subject to guidelines to be issued by the Secretary in accordance with Section 11 of the Act.

Reports of establishments on their labor component, including wages and salaries of their workers prescribed under the Act, shall be submitted to the National Wages Council through the Regional Offices of the Department.

SECTION 3. Funding Requirement. — The funds necessary to carry out the provisions of the Act shall be taken from the Compensation and Organizational Adjustment Fund, the Contingent Fund, and other savings under Republic Act No. 6688, otherwise known as the General Appropriations Act of 1989, or from any unappropriated funds of the National Treasury; Provided that the funding requirements necessary to implement the Act shall be included in the Annual General Appropriations Act for the succeeding years.

SECTION 4. Repealing Clause. — All laws, orders, issuances, rules and regulations or parts thereof inconsistent with the provisions of the Act and this Rules are hereby repealed, amended or modified accordingly. If any provision or part of the Act and this Rules, or the application thereof to any person or circumstance shall not be affected thereby.

SECTION 5. Effectivity. — This Rules shall take effect on July 1, 1989.

Done in the City of Manila, Republic of the Philippines this 7th day of July 1989.