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**Strengthening Private Sector Participation  
in Philippine Technical and Vocational Education and Training**

**Background Paper No.2:**

**The Documentary Review of the Legal Framework within which  
Enterprises Operate in the Philippines with reference to HRD and  
Training**

**Paolo Perez**

**May 1996**

## **THE APPRENTICESHIP PROGRAM**

In order to meet the increasing demand for skilled manpower necessary for the industrialization of the country during the 1950s, a law was passed in 1957 providing for a National Apprenticeship Program. The Bureau of Local Employment of the Department of Labor and Employment (DOLE) was tasked to oversee the implementation of the program as well as to make an annual report to Congress on its accomplishments, activities and findings with respect to the program. In 1974, Presidential Decree No. 442 otherwise known as the "Labor Code of the Philippines" was signed into law by the President. The provisions on apprenticeship was made part of the Code.

Title II, Chapter I of the Labor Code provides that an apprenticeship program may be undertaken or sponsored by a single employer or firm or by a group or association thereof, or by a civic organization under any of the following apprenticeship schemes:

- (a) Apprenticeship conducted entirely by and within the sponsoring firm, establishment or entity;
- (b) Apprenticeship entirely within a DOLE training center or other public training institution;  
or
- (c) Initial training in trade fundamentals in a training center or other institution with subsequent actual work participation within the sponsoring firm or entity during the final stage of training.

To qualify as an apprentice, a person shall be at least fourteen years of age, must possess vocational aptitude and capacity for appropriate tests, and must possess the ability to comprehend and follow both written and oral instructions. However, trade and industry associations may recommend appropriate educational requirements for different occupations to the DOLE. The department develops standards and models for apprenticeship programs and apprenticeship agreements must conform with these standards for them to merit approval.

The person or enterprise providing an apprenticeship program is entitled to deduct from taxable

income one half of the value of the training expenses for the apprentices provided that the following are met:

1. The Apprenticeship Program was duly recognized by the DOLE;
2. That the deduction does not exceed 10 percent of the direct labor wage; and
3. That the person or enterprise is paying the apprentices the minimum wage.

The law provides that the wage rates for the apprentices shall in no case be less than 75 percent of the existing minimum wage. However, to be able to take advantage of the tax incentives, enterprises have to pay the existing minimum wage to the apprentices. This becomes a constraint since most enterprises would rather hire experienced and skilled manpower at the minimum wage level who would be more productive than apprentices.

The organization of apprenticeship program should be a voluntary undertaking of employers. However, the law makes it mandatory for private companies in apprenticeable trades where services of foreign technicians are utilized to set up appropriate apprenticeship programs. Aside from this, the President of the Philippines, through the DOLE, may require compulsory training of apprentices in certain trades, occupations, jobs or employment levels where shortage of manpower is deemed critical to national security or particular requirements of economic development. As a consequence of these two provisions and with the integration of the apprenticeship agreements in the collective bargaining agreements, the voluntary nature of the apprenticeship system in the country has eroded.

The objectives of the National Apprenticeship Program is being implemented by the DOLE. With the passage of Republic Act No. 7796, said task was transferred to the Technical Education and Skills Development Authority, otherwise known as TESDA.

## **NATIONAL MANPOWER DEVELOPMENT PROGRAM**

Alongside the National Apprenticeship Program, a National Manpower Development Program was conceived to ensure the development and utilization of the country's manpower. A new agency attached to the Department of Labor and Employment - the National Manpower and Youth Council (NMYC) - was created to implement the National Manpower Development Program.

The NMYC is tasked to formulate a long-term national manpower plan to serve as controlling plan for the development of the country's manpower resources. Apart from this, the Council was also given the authority and responsibility to do the following:

1. To establish a National Manpower Skills Center and regional and local training centers. The regional manpower offices shall determine the manpower needs of the industry, agriculture and other sectors of the economy; recommend programs for the regional level agencies engaged in manpower and youth development; provide the Council's central planners with data for updating the National Manpower Plan; and administer and supervise training programs of the Council's Secretariat within the region;
2. To establish and formulate, in consultation with employers, workers organizations and other government agencies, national skills standards for industry trades and thereafter administer the said standards;
3. To provide instructor training, entrepreneurship development, training in vocations, trades and other fields of employment, and assist the employer or organizations in training schemes;
4. To administer ongoing technical assistance programs and or grants-in-aid for manpower and youth development including those which may be entered into between the Philippine government and other nations and international and foreign organizations, as well as persons and organizations in the country;

5. To integrate the national manpower development efforts. Hence, existing manpower programs in the government and in the private sector shall be reported to the Council;
6. To establish industry boards to assist in the establishment of manpower development schemes, trades and skills standards and such other functions as will provide direct participation of employers and workers in the fulfillment of the objectives of the National Manpower Development Program.

As an incentive to the private sector, an additional deduction from taxable income of 50 percent of the value of labor training expenses incurred for development programs is granted to the person or to the enterprise provided that the development program is approved by the NMYC and the deduction does not exceed 10 percent of the direct labor wage.

With the passage of Republic Act No. 7796, the NMYC was abolished and all its powers, functions and responsibilities transferred to TESDA.

#### **TESDA ACT OF 1994**

Republic Act No. 7796, "An Act Creating the Technical Education and Skills Development Authority, Providing its Powers and Functions and for other Purposes", was signed into law by the President on August 25, 1994. Prior to the creation of TESDA in 1994, the National Apprenticeship Program was being administered by the Bureau of Local Employment of the DOLE while the National Manpower Development Program by the NMYC. Aside from these two programs, TESDA also absorbed the technical and vocational education programs previously administered by the Bureau of Technical and Vocational Education (BTVE) of the Department of Education, Culture and Sports (DECS).

The intent under R.A. 7796 is to rationalize technical and vocational education and provide for a wholistic approach by creating the Technical Education and Skills Development Authority (TESDA) which shall replace and absorb the three aforementioned agencies. Moreover, TESDA is envisioned to achieve the following objectives and goals:

- a) Promote and strengthen the quality of technical education and skills development programs to attain international competitiveness;
- b) Focus technical education and skills development on meeting the changing demands for quality middle-level manpower;
- c) Encourage critical and creative thinking by disseminating the scientific and technical knowledge base of middle-level manpower development programs;
- d) Recognize and encourage the complementary roles of public and private institutions in technical education and skills development and training systems; and
- e) Inculcate desirable values through the development of moral character with emphasis on work ethic, self-discipline, self-reliance and nationalism.

For TESDA to be able to continue to implement the Apprenticeship Program, the National Manpower Development Program of the NMYC and the technical and vocational education programs of the Bureau of Technical and Vocational Education, the following offices under TESDA were created under R.A. 7796:

1. The Planning Office
2. The Skills Standards and Certification Office
3. The National Institute for Technical Vocational and Education Training
4. The Office of Formal Technical Vocational Education and Training
5. The Office of Non-Formal Technical-Vocational Education and Training
6. The Office of Apprenticeship
7. The TESDA Regional Offices and Provincial TESDA Offices

To encourage private sector participation, the law provides for the creation of a TESDA Board to be composed of the Secretary of Labor and Employment as Chair and Co-Chaired by the Secretaries of Education, Culture and Sports, and Trade and Industry. The Secretaries of Agriculture, and Interior and Local Government, and the Director-General of the TESDA Secretariat shall sit as Members of the Board. The President shall, in addition, appoint seven (7) other members from the private sector as follows: two (2) representatives from the employer/industry organization, two (2) representatives from the national associations of private tech-voc training institutions, and three (3) representatives from the labor sector. The representatives of the private sector hence becomes more involved in the planning and policy-making at the national level.

The law grants authority to TESDA to develop appropriate incentive schemes. Also, a TESDA Development Fund was established, the income of which shall be utilized exclusively in awarding grants and providing assistance to training institutions, industries and local government units. Moreover, any employer or organization may request for assistance from TESDA for its skills training needs.

## **THE DUAL TRAINING SYSTEM ACT**

Republic Act No. 7686, otherwise known as the "Dual Training System Act of 1994" was signed into law on February 25, 1994 with the objectives of increasing utilization of the dual system in technical and vocational education and training by both private and public schools; increasing levels of investment in technical and vocational education and training by both public and private sectors; enhancing the employability and productivity of graduates; and strengthening cooperation between agricultural, industrial and business establishments and educational institutions by designing and implementing relevant training programs in close coordination with local government units concerned.



Under the Dual Training System, every "Accredited Dual Training System Educational Institution/Training Center" (defined in the law as "a public or private institution duly recognized and authorized by the appropriate authority [TESDA], in coordination with the business and industry, to participate in the dual training system") shall establish an industrial coordinating office which shall supervise the in-plant training after a memorandum of agreement between the "Accredited Dual Training System Agricultural, Industrial and Business Establishment" (defined in the law as a sole proprietorship, partnership, corporation or cooperative which is duly recognized and authorized by the appropriate authority to participate in the dual training system), the accredited dual training system educational institution/training center and the trainee has been signed. Said agreement must contain the following:

- a. The training plan;
- b. The nature and objective of the training;
- c. The commencement and duration of the training period, including the total number of in-school and in-plant training hours;
- d. The normal daily training hours;
- e. The trainee's allowance and the rate to be applied, which in no case shall start below seventy-five percent (75 %) of the applicable minimum daily wage for days spent in the establishments;
- f. The rights and obligations of the parties concerned in addition to those already specified under R.A. 7686;
- g. The definition of the status of the trainee - that the trainee is to be considered not an employee of the business/industrial establishment but rather a trainee of both the Accredited Dual Training System Educational Institution and the establishment for the duration of the training;
- h. The conditions for the termination of the training agreement;
- i. The performance, monitoring and evaluation system; and
- j. Such other essential particulars that would benefit all parties.

The law provides for the rights and obligations of all the three concerned parties. The following are the obligations of accredited agricultural, industrial and business establishments:

- a. To ensure that the necessary abilities and knowledge for the trainee to achieve the purpose of his training are imparted to him and to provide such training systematically in accordance with an approved training plan;
- b. To appoint the training officer to implement the training plan;
- c. To make available, free of charge, the consumable materials and basic hand tools and equipment necessary for the training;
- d. To allow the trainee to attend his in-school training and sit for his examinations;
- e. To require the trainee to keep his report book up-to-date and inspect such books;
- f. To ensure that the trainee is encouraged to develop his personality and that he is protected from physical or moral danger;
- g. To entrust to the trainee such jobs as are related to the purpose of his training and are commensurate with his capabilities;
- h. To pay to the accredited educational institution/training center the daily allowance of the trainee; and
- i. To allow the trainee the necessary time-off for his in-school training.

As an incentive for the private sector to participate in the dual training system, establishments shall be allowed to deduct from their taxable income 50 percent of the actual system expenses paid to the accredited dual training system educational institution provided that such expenses shall not exceed 5 percent of the total direct labor costs but in no case to exceed 25 million a year. Individual donations for the operations of the system are deductible from the taxable income of the donors and are exempt from donor's taxes.

To encourage the private sector to invest in equipment and similar materials for training purposes, the importation of essential equipment, apparatus and materials by accredited dual training private educational institutions shall be exempt from taxes and duties provided that the importation meets the following:

- a. that the importation shall be certified by the appropriate authority (TESDA);
- b. that they should be actually, directly and exclusively used in connection with the dual training system and any unauthorized use shall subject the accredited dual training private educational institutions to payment of duties and taxes due thereon; and
- c. that they are not available locally in sufficient quantity of comparable quality, and at reasonable prices.

## **PRODUCTIVITY INCENTIVES ACT OF 1990**

Republic Act No. 6971, otherwise known as the "Productivity Incentives Act of 1990", is aimed at encouraging higher levels of productivity, maintaining industrial peace and harmony and promoting the principle of shared responsibility between workers and employers by providing corresponding incentives to both labor and capital for undertaking voluntary programs. With respect to training of employees, any manpower training and special study proposed by the labor-management committee to be included in the productivity incentives program shall entitle the enterprise to deduct from gross income 50 percent of the value of the grants for said manpower training. The process of obtaining the incentive is considered by enterprises as very bureaucratic however as can be gleaned from the step by step presentation of the procedure below:

### Step 1. Formation of a labor-management committee in the enterprise

The enterprise may request the National Conciliation and Mediation Board of the DOLE or its Regional Branch to assist in the formation of a labor-management committee. The committee shall be composed of equal representatives from the management and rank-and-file employees

and both management and labor shall have equal voting rights. In enterprises with duly recognized or certified labor organizations, the labor representatives shall be those designated by the collective bargaining agent/s of the bargaining unit/s. In enterprises without duly recognized or certified labor organizations, the labor representatives shall be elected by at least a majority of all rank-and-file employees who have rendered at least six months of continuous service.

Step 2. Establishment of a Productivity Incentives Program

A Productivity Incentives Program is defined in the law as "a formal agreement 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 productivity over the average period of three consecutive years. It shall consist of three components, namely:

- (a) Productivity Improvement Program - which shall include any intervention or scientific/systematic processes designed to increase productivity;
- (b) Productivity Gainsharing Program - which shall specify an incentives system whereby employees are given an equitable share from gains brought about by improved productivity; and
- (c) Manpower Training and Special Studies - aimed at developing skills of rank and file employees.

Step 3. Ratification of the Productivity Incentives Program

The Productivity Incentives Program must contain the methods and formulas to measure productivity, the factors to be considered in determining productivity bonuses, the manner of sharing productivity bonuses, the names and positions of the labor-management committee representatives, the names of voluntary arbitrators or panel of voluntary arbitrators and other terms and conditions of the program. It must be ratified in writing by at least a majority of the covered employees who have rendered at least six months of continuous service, within 60 days from the time of signing of the agreement by the labor-management committee.

**Step 4. Submission of the Productivity Incentives Program to the Regional Tripartite Wages and Productivity Board (RTWPB) for Accreditation**

The ratified program must be submitted in 3 copies to the appropriate RTWPB together with a proof of ratification. The RTWPB shall review the program within 60 days to determine its conformity to the standards and guidelines of the Productivity Incentives Act.

**Step 5. Accreditation of the Manpower Training and Special Studies Component of the Productivity Incentives Program**

The Manpower Training and Studies component of the program shall be submitted to the Regional Manpower Development Office for accreditation. For accreditation purposes, it should specify the following:

1. Objectives of the Program
2. Type of Training
3. Training Schedule
4. Program of Activities
5. Course content or syllabus
6. Budgetary allocation and cost estimates for any or a combination of any of the following cost items:
  - a) training materials, books and supplies;
  - b) cost of raw materials and non-depreciable tools to be consumed or used during the training;
  - c) Honoraria of trainors and training coordinators;
  - d) Travelling expenses of trainors, coordinators, trainees and training staff while away from home on account of the training program;
  - e) Basic salary of trainees and training staff while away from home on account of the training program;
  - f) Tuition, registration or similar fees to be paid to a training institution;
  - g) Depreciation of training equipment, facilities and other fixed assets to be used in the training program;

- h) Other cost items such as snacks, rental of venue, rental of equipment, working clothes for trainees and instructors, and certificates of training but not to exceed 5 percent to total training costs.
- 7. Evaluation scheme for the proposed training.

**Step 6. Notification of the Bureau of Internal Revenue (BIR)**

The business enterprise must also submit a copy of the productivity incentives program to the BIR for information and record purposes.

**Step 7. Submission of a Post-Training Report to the Regional Manpower Development Office**

The enterprise should submit to the appropriate RMDO a post-training report stating whether the objectives of the training program have been adequately met, plus the receipts of training expenses, within 15 days after the completion of the training program/special studies.

**Step 8. Conduct of a Post-Training Evaluation by the RMDO**

The RMDO, upon submission of the post-training report by the enterprise, shall within 30 days conduct a post-training evaluation to determine the acquisition of appropriate skills, knowledge and behavior.

**Step 9. Issuance of Certificate of Tax Eligibility**

After review and positive post-training evaluation results, the RMDO shall issue to the enterprise the necessary Certificate of Tax Eligibility.

S. No. 1283  
H. No. 12194

Republic of the Philippines  
Congress of the Philippines  
Metro Manila

Third Regular Session

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

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[ REPUBLIC ACT No. -7796- ]

AN ACT CREATING THE TECHNICAL EDUCATION AND  
SKILLS DEVELOPMENT AUTHORITY, PROVIDING FOR  
ITS POWERS, STRUCTURE AND FOR OTHER PURPOSES

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

SECTION 1. *Title.* - This Act shall be known as the "Technical  
Education and Skills Development Act of 1994" or the "TESDA Act of  
1994."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of  
the State to provide relevant, accessible, high quality and efficient  
technical education and skills development in support of the development  
of high quality Filipino middle-level manpower responsive to and in  
accordance with Philippine development goals and priorities.

The State shall encourage active participation of various concerned  
sectors, particularly private enterprises, being direct participants in and  
immediate beneficiaries of a trained and skilled workforce, in providing  
technical education and skills development opportunities.

SEC. 3. *Statement of Goals and Objectives.* - It is the goal and objective of this Act to:

a) Promote and strengthen the quality of technical education and skills development programs to attain international competitiveness;

b) Focus technical education and skills development on meeting the changing demands for quality middle-level manpower;

c) Encourage critical and creative thinking by disseminating the scientific and technical knowledge base of middle-level manpower development programs;

d) Recognize and encourage the complementary roles of public and private institutions in technical education and skills development and training systems; and

e) Inculcate desirable values through the development of moral character with emphasis on work ethic, self-discipline, self-reliance and nationalism.

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

a) "Skill" shall mean the acquired and practiced ability to carry out a task or job;

b) "Skills Development" shall mean the process through which learners and workers are systematically provided with learning opportunities to acquire or upgrade, or both, their ability, knowledge and behavior pattern required as qualifications for a job or range of jobs in a given occupational area;

c) "Technical Education" shall refer to the education process designed at post-secondary and lower tertiary levels, officially recognized as non-degree programs aimed at preparing technicians, para-professionals and other categories of middle-level workers by providing them with a broad range of general education, theoretical, scientific and technological studies, and related job skills training;

d) "Trade" shall mean any group of interrelated jobs or any occupation which is traditionally or officially recognized as craft or artisan in nature requiring specific qualifications that can be acquired through work experience and/or training;

e) "Middle-Level Manpower" refers to those

1) who have acquired practical skills and knowledge through formal or non-formal education and training equivalent to at least a secondary education but preferably a post-secondary education with a corresponding degree or diploma; or

2) skilled workers who have become highly competent in their trade or craft as attested by industry;

f) "Private Enterprises" refers to an economic system under which property of all kinds can be privately owned and in which individuals, alone or in association with another, can embark on a business activity. This includes industrial, agricultural, or agro-industrial establishments engaged in the production, manufacturing, processing, repacking or assembly of goods including service-oriented enterprises;

g) "Trainers" shall mean persons who direct the practice of skills towards immediate improvement in some task;

h) "Trainers/trainers" shall mean persons who provide training to trainees aimed at developing the latter's capacities for imparting attitudes, knowledge, skills and behavior patterns required for specific jobs, tasks, occupations or group of related occupations;

i) "Trainees" shall mean persons who are participants in a vocational, administrative or technical training program for the purpose of acquiring and developing job-related skills;

j) "Apprenticeship" training within employment with compulsory related theoretical instructions involving a contract between an apprentice and an employer on an approved apprenticeable occupation;

k) "Apprentice" is a person undergoing training for an approved apprenticeable occupation during an established period assured by an apprenticeship agreement;

l) "Apprenticeship Agreement" is a contract wherein a prospective employer binds himself to train the apprentice who in turn accepts the terms of training for a recognized apprenticeable occupation emphasizing the rights, duties and responsibilities of each party;

m) "Apprenticeable Occupation" is an occupation officially endorsed by a tripartite body and approved for apprenticeship by the Authority;



n) "Learners" refer to persons hired as trainees in semi-skilled and other industrial occupations which are non-apprenticeable. Learnership programs must be approved by the Authority.

o) "User-Led" or "Market-Driven Strategy" refers to a strategy which promotes strengthened linkages between educational/training institutions and industry to ensure that appropriate skills and knowledge are provided by the educational system;

p) "Dual System/Training" refers to a delivery system of quality technical and vocational education which requires training to be carried out alternately in two venues: In school and in the production plant. In-school training provides the trainee the theoretical foundation, basic training, guidance and human formation, while in-plant training develops his skills and proficiency in actual work conditions as it continues to inculcate personal discipline and work values;

q) "Levy Grant System" refers to a legal contribution from participating employers who would be beneficiaries of the program (often as a percentage of the payroll) which is subsequently turned over or rebated to enterprises offering employee training programs.

**SEC. 5. Technical Education and Skills Development Authority; Creation.** - To implement the policy declared in this Act, there is hereby created a Technical Education and Skills Development Authority (TESDA), hereinafter referred to as the Authority, which shall replace and absorb the National Manpower and Youth Council (NMYC), the Bureau of Technical and Vocational Education (BTVE) and the personnel and functions pertaining to technical-vocational education in the regional offices of the Department of Education, Culture and Sports (DECS) and the apprenticeship program of the Bureau of Local Employment of the Department of Labor and Employment.

**SEC. 6. Composition of the Authority.** - The Authority shall be composed of the TESDA Board and the TESDA Secretariat.

**SEC. 7. Composition of the TESDA Board.** - The TESDA Board shall be composed of the following:

The Secretary of Labor and Employment	Chairperson
Secretary of Education, Culture and Sports	Co-Chairperson
Secretary of Trade and Industry	Co-Chairperson

Secretary of Agriculture Member

Secretary of Interior and Local Government Member

Director-General of the TESDA Secretariat Member

In addition, the President of the Philippines shall appoint the following members from the private sector: two (2) representatives, from the employer/industry organization, one of whom shall be a woman; three (3) representatives, from the labor sector, one of whom shall be a woman; and two (2) representatives of the national associations of private technical-vocational education and training institutions, one of whom shall be a woman. As soon as all the members of the private sector are appointed, they shall so organize themselves that the term of office of one-third (1/3) of their number shall expire every year. The member from the private sector appointed thereafter to fill vacancies caused by expiration of terms shall hold office for three (3) years.

The President of the Philippines may, however, revise the membership of the TESDA Board, whenever the President deems it necessary for the effective performance of the Board's functions through an administrative order.

The TESDA Board shall meet at least twice a year, or as frequently as may be deemed necessary by its Chairperson. In the absence of the Chairperson, a Co-Chairperson shall preside. In case any member of the Board representing the Government cannot attend the meeting, he or she shall be regularly represented by an undersecretary or deputy-director general, as the case may be, to be designated by such member for the purpose.

The benefits, privileges and emoluments of the Board shall be consistent with existing laws and rules.

**SEC. 8. Powers and Functions of the Board.** - The Authority shall primarily be responsible for formulating, continuing, coordinated and fully integrated technical education and skills development policies, plans and programs taking into consideration the following:

a) the State policy declared herein of giving new direction and thrusts to efforts in developing the quality of Filipino human resource through technical education and skills development;

b) the implementation of the above-mentioned policy requires the coordination and cooperation of policies, plans, and programs of different concerned sectors of Philippine society;

c) equal participation of representatives of industry groups, trade associations, employers, workers and government shall be made the rule in order to ensure that urgent needs and recommendations are readily addressed; and

d) improved linkages between industry, labor and government shall be given priority in the formulation of any national-level plan.

The Board, shall have the following powers:

1) promulgate, after due consultation with industry groups, trade associations, employers, workers, policies, plans, programs and guidelines as may be necessary for the effective implementation of this Act;

2) organize and constitute various standing committees, subsidiary groups, or technical working groups for efficient integration, coordination and monitoring technical education and skills development programs at the national, regional, and local levels;

3) enter into, make, execute, perform and carry-out domestic and foreign contracts subject to existing laws, rules and regulations;

4) restructure the entire sub-sector consisting of all institutions and programs involved in the promotion and development of middle-level manpower through upgrading, merger and/or phase-out following a user-led strategy;

5) approve trade skills standards and trade tests as established and conducted by private industries;

6) establish and administer a system of accreditation of both public and private institutions;

7) establish, develop and support institutions' trainers' training and/or programs;

8) lend support and encourage increasing utilization of the dual training system as provided for by Republic Act No. 7686;

9) exact reasonable fees and charges for such tests and trainings conducted and retain such earnings for its own use, subject to guidelines promulgated by the Authority;

10) Allocate resources, based on the Secretariat's recommendations, for the programs and projects it shall undertake pursuant to approved National Technical Education and Skills Development Plan;

11) determine and approve systematic funding schemes such as the Levy and Grant scheme for technical education and skills development purposes;

12) create, when deemed necessary, an Advisory Committees which shall provide expert and technical advice to the Board to be chosen from the academe and the private sector: *Provided*, That in case the Advisory Committee is created, the Board is hereby authorized to set aside a portion of its appropriation for its operation; and

13) perform such other duties and functions necessary to carry out the provisions of this Act consistent with the purposes of the creation of TESDA.

*SEC. 9. Power to Review and Recommend Action.* - The Authority shall review and recommend action to concerned authorities on proposed technical assistance programs and grants-in-aid for technical education or skills development, or both, including those which may be entered into between the Government of the Philippines and other nations, including international and foreign organizations, both here and abroad.

*SEC. 10. The TESDA Secretariat.* - There is hereby created a Technical Education and Skills Development Authority Secretariat which shall have the following functions and responsibilities:

a) to establish and maintain a planning process and formulate a national technical education and skills development plan in which the member-agencies and other concerned entities of the Authority at various levels participate;

b) to provide analytical inputs to policy decision-making of the Authority on allocation of resources and institutional roles and responsibilities as shall be embodied in annual agencies technical education and skills development plans, in accordance with the manpower plan for middle-level skilled workers as approved by the Authority;

c) to recommend measures, and implement the same upon approval by the Authority, for the effective and efficient implementation of the national technical education and skills development plan;

d) to propose to the Authority the specific allocation of resources for the programs and projects it shall undertake pursuant to approved national technical education and skills development plan;

e) to submit to the Authority periodic reports on the progress and accomplishment of work programs of implementation of plans and policies for technical education and skills development;

f) to prepare for approval by the Authority an annual report to the President on technical education and skills development;

g) to implement and administer the apprenticeship program as provided for in Section 18 of this Act;

h) to prepare and implement upon approval by the Authority a program for the training of trainers, supervisors, planners and managers as provided for in Section 23 of this Act;

i) to enter into agreement to implement approved plans and programs and perform activities as shall implement the declared policy of this Act; and

j) to perform such other functions and duties as may be assigned by the Board.

**SEC. 11. Director-General.** - The TESDA Secretariat shall be headed by a Director-General, who shall likewise be a member of the TESDA Board. The Director-General shall be appointed by the President of the Philippines and shall enjoy the benefits, privileges and emoluments equivalent to the rank of Undersecretary.

As Chief Executive Officer of the TESDA Secretariat, the Director-General shall exercise general supervision and control over its technical and administrative personnel.

**SEC. 12. Deputy Directors-General.** - The Director-General shall be assisted by two (2) Deputy Directors-General to be appointed by the President of the Philippines on recommendation of the TESDA Board. One to be responsible for Vocational and Technical Education and Training and one to be responsible for Policies and Planning.

The Deputy Directors-General shall enjoy the benefits, privileges and emoluments equivalent to the rank of Assistant Secretary.

**SEC. 13. Chief of Services for Administration.** - The Director-General shall also be assisted by a Chief of Services for Administration who shall be a Career Civil Service Official to be appointed by the TESDA Board.

**SEC. 14. Structural Organization and Personnel.** - The TESDA Secretariat, in addition to the offices of the Director-General, Deputy Director-General and Chief of Services for Administration shall be composed of the following offices to be headed by an Executive Director to be appointed by the Director-General and shall have the rank and emoluments of Director IV

a) **Planning Office (PO)** - The Planning Office shall be under the Office of the Deputy Director-General and shall have the following functions:

1) to design and establish planning processes and methodologies which will particularly enhance the efficiency of resource allocation decisions within the technical education and skills development sector;

2) to lead in the preparation and periodic updating of a national plan for technical education and skills development which shall become the basis for resource allocation decisions within the sector;

3) to conduct researches, studies and develop information systems for effective and efficient planning and policymaking within the sector;

4) to develop and implement programs and projects aimed at building up planning capabilities of various institutions within the sector; and

5) to perform such other powers and functions as may be authorized by the Authority.

b) **Skills Standards and Certification Office (SSCO).** - The Skills Standards and Certification Office shall be under the office of the Deputy Director-General and shall have the following functions:

1) to develop and establish a national system of skills standardization, testing and certification in the country;

2) to design, innovate and adopt processes and methodologies whereby industry groups and workers' guilds take note on progressively the responsibility of setting skills standards for identified occupational areas, and the local government units actively participate in promoting skills standards, testing and certification;

3) to establish and implement a system of accrediting private enterprises, workers' associations and guilds and public institutions to serve as skills testing venues;

4) to conduct research and development on various occupational areas in order to recommend policies, rules and regulations for effective and efficient skills standardization, testing and certification system in the country; and

5) to perform such other duties and functions as may be authorized.

c) National Institute for Technical Vocational and Education Training (NITVET). - The National Institute for Technical Vocational and Education Training to be under the office of the Deputy Director-General and shall have the following functions:

1) to serve as the research and development arm of the government in the field of technical-vocational education and training;

2) to develop curricula and program standards for various technical-vocational education and training areas;

3) to develop and implement and integrated program for continuing development of trainers, teachers and instructors within the technical education and skills development sector;

4) to develop programs and projects which will build up institutional capabilities within the sector; and

5) to perform such other powers and functions as may be authorized.

d) Office of Formal Technical Vocational Education and Training (OFFVET). The Office of Formal Technical Vocational Education and Training to be under the office of the Deputy Director-General and shall have the following functions:

1) to provide policies, measures and guidelines for effective and efficient administration of formal technical-vocational education and training programs implemented by various institutions in the country;

2) to establish and maintain a system for accrediting, coordinating, integrating, monitoring and evaluating the different formal technical-vocational education and training programs *vis-a-vis* the approved national technical education and skills development plan;

3) to establish and maintain a network of institutions engaged in institutionalized technical-vocational education and training, particularly with local government units; and

4) to perform such other duties and functions as may be authorized.

e) Office of the Non-Formal Technical-Vocational Education and Training (ONFTVET). - The Office of the Non-Formal Technical-Vocational Education and Training to be under the Office of the Deputy Director-General and shall have the following functions:

1) to provide direction, policies and guidelines for effective implementation of non-formal community-based technical-vocational education and training;

2) to accredit, coordinate, monitor and evaluate various non-formal technical-vocational education and training programs implemented by various institutions particularly, by local government units;

3) to establish and maintain a network of institutions including local government units, non-government organizations implementing non-formal, community-based technical-vocational education and training;

4) to perform such other powers and functions as may be authorized.

f) Office of Apprenticeship (OA). - The Office of Apprenticeship shall be under the Office of the Deputy Director-General and shall have the following functions:

1) to provide direction, policies and guidelines on the implementation of the Apprenticeship system;

2) to accredit, coordinate, monitor and evaluate all apprenticeship schemes and program implemented by various institutions and enterprises;

3) to establish a network of institutions and enterprises conducting apprenticeship schemes and programs;

4) to perform such other powers and functions as may be authorized.

g) Regional TESDA Offices. - The Regional TESDA Offices shall be headed by Regional Directors with the rank and emoluments of Director IV to be appointed by the President.

The Regional TESDA Offices shall be under the direct control of the Director-General and shall have the following functions:

1) to serve as Secretariat to Regional Technical Education Skills Development (TESDA) Committees;

2) to provide effective supervision, coordination and integration of technical education and skills development programs, projects and related activities in their respective jurisdiction;

3) to develop and recommend TESDA programs for regional and local-level implementation within the policies set by the Authority;

4) to perform such other duties and functions as may be deemed necessary.

**SEC. 15. *The Provincial TESDA Offices.*** - The Provincial Offices shall be headed by Skill Development Officers who shall have the rank and emoluments of a Director III.

The Provincial TESDA Offices shall be under the direct control of the Director-General and shall have the following functions:

1) to serve as Secretariat to Provincial TESDA Committees;

2) to provide technical assistance particularly to local government units for effective supervision, coordination, integration and monitoring of technical-vocational education and training programs within their localities;

3) to review and recommend TESDA programs for implementation within their localities; and

4) to perform such other duties and functions as may be authorized.

Furthermore, the TESDA Secretariat may be further composed by such offices as may be deemed necessary by the Authority. The Director-General shall appoint such personnel necessary to carry out the objectives, policies and functions of the Authority subject to Civil Service laws, rules and regulations.

**SEC. 16. *Compliance with the Salaries Standardization Law.*** - The compensation and emoluments of the officials and employees of the Authority shall be in accordance with the salary standardization law and other applicable laws under the national compensation and classification plan.

**SEC. 17. *Consultants and Technical Assistance, Publication and Research.*** - In pursuing its objectives, the Authority is hereby authorized to set aside a portion of its appropriation for the hiring of services of qualified consultants, and private organizations for research work and publication in the field of technical education and skills development. It shall avail itself of the services of other agencies of the Government as may be required.

**SEC. 18. *Transfer of the Apprenticeship Program.*** - The Apprenticeship Program of the Bureau of Local Employment of the Department of Labor and Employment shall be transferred to the Authority which shall implement and administer said program in accordance with existing laws, rules and regulations.

**SEC. 19. *Technical Education and Skills Development Committees.*** - The Authority shall establish Technical Education and Skills Development Committees at the regional and local levels to coordinate and monitor the delivery of all skills development activities by the public and private sectors. These committees shall likewise serve as the Technical Education and Skills Development Committees of the Regional and local development councils. The composition of the Technical Education and Skills Development Committees shall be determined by the Director-General subject to the guidelines to be promulgated by the Authority.

**SEC. 20. *Skills Development Centers.*** - The Authority shall strengthen the network of national, regional and local skills training centers for the purpose of promoting skills development.

This network shall include skills training centers in vocational and technical schools, technical institutes, polytechnic colleges, and all other duly accredited public and private dual system educational institutions. The technical education and skills development centers shall be administered and operated under such rules and regulations as may be established by the Authority in accordance with the National Technical Education and Skills Development Plan.

**SEC. 21. *Formulation of a Comprehensive Development Plan for Middle-Level Manpower.*** - The Authority shall formulate a comprehensive development plan for middle-level manpower based on a national employment plan or policies for the optimum allocation, development and utilization of skilled workers for employment entrepreneurship and technology development for economic and social growth. This plan shall, after adoption by the Authority, be updated periodically and submitted to the President of the Philippines for approval. Thereafter, it shall be the plan for technical education and skills development for the entire country within the framework of the National Development Plan. The Authority shall direct the TESDA Secretariat to call on its member-agencies, the private sector and the academe to assist in this effort.

The comprehensive plan shall provide for a reformed industry-based training program including apprenticeship, dual training system and other similar schemes intended to:

- a) promote maximum protection and welfare of the worker-trainee;
- b) improve the quality and relevance and social accountability of technical education and skills development;
- c) accelerate the employment-generation efforts of the government; and
- d) expand the range of opportunities for upward social mobility of the school-going population beyond the traditional higher levels of formal education.

All government and non-government agencies receiving financial and technical assistance from the government shall be required to formulate their respective annual plans for technical education and skills development in accordance with the national skills development plan and to review and report to the Authority on the progress of their respective annual plans.

The Authority shall evaluate the efficiency and effectiveness of agencies skills development program and schemes to make them conform with the quantitative and qualitative objectives of the national technical education and skills development plan.

**SEC. 22. Establishment and Administration of National Trade Skills Standards.** - There shall be national occupational skills standards to be established by TESDA-accredited industry committees. The Authority shall develop and implement a certification and accreditation program in which private industry groups and trade associations are accredited to conduct approved trade tests, and the local government units to promote such trade testing activities in their respective areas in accordance with the guidelines to be set by the Authority.

The Secretary of Labor and Employment shall determine the occupational trades for mandatory certification.

All certificates relating to the national trade skills testing and certification system shall be issued by the Authority through the TESDA Secretariat.

**SEC. 23. Administration of Training Programs.** - The Authority shall design and administer training programs and schemes that will develop the capabilities of public and private institutions to provide quality and cost-effective technical education and skills development and related opportunities. Such training programs and schemes shall include

teacher's trainers' training, skills training for entrepreneur development and technology development, cost-effective training in occupational trades and related fields of employment, and value development as an integral component of all skills training programs.

**SEC. 24. Assistance to Employers and Organizations.** - The Authority shall assist any employer or organization engaged in skills training schemes designed to attain its objectives under rules and regulations which the Authority shall establish for this purpose.

**SEC. 25. Coordination of All Skills Training Schemes.** - In order to integrate the national skills development efforts, all technical education and skills training schemes as provided for in this Act shall be coordinated with the Authority particularly those having to do with the setting of trade skills standards. For this purpose, existing technical education and skills training programs in the government and in the private sector, especially those wholly or partly financed with government funds, shall be reported to the Authority which shall assess and evaluate such programs to ensure their efficiency and effectiveness.

**SEC. 26. Industry Boards.** - The Authority shall establish effective and efficient institutional arrangements with industry boards and such other bodies or associations to provide direct participation of employers and workers in the design and implementation of skills development schemes, trade skills standardization and certification and such other functions in the fulfillment of the Authority's objectives.

**SEC. 27. Incentives Schemes.** - The Authority shall develop and administer appropriate incentive schemes to encourage government and private industries and institutions to provide high-quality technical education and skills development opportunities.

**SEC. 28. Skills Development Opportunities.** - The Authority shall design and implement an effective and efficient delivery system for quality technical education and skills development opportunities particularly in disadvantaged sectors, with new tools of wealth creation and with the capability to take on higher value-added gainful activities and to share equitably in productivity gains.

SEC. 29. Devolution of TESDA's Training Function to Local Governments. - In establishing the delivery system provided for in the preceding Section, the Authority shall formulate, implement and finance a specific plan to develop the capability of local government units to assume ultimately the responsibility for effectively providing community-based technical education and skills development opportunities: *Provided, however,* That there shall be formulated and implemented, and effective and timely retraining of TESDA personnel that would be affected by the devolution to ensure their being retained if the concerned local government units would not be able to absorb them.

SEC. 30. Skills Olympics. - To promote quality skills development in the country and with the view of participating in international skills competitions, the Authority, with the active participation of private industries, shall organize and conduct annual National Skills Olympics. The Authority, through the TESDA Secretariat, shall promulgate the necessary rules and guidelines for the effective and efficient conduct of Annual National Skills Olympics and for the country's participation in international skills olympics.

SEC. 31. The TESDA Development Fund. - A TESDA Development Fund shall be established to finance the development of the Authority and to provide financial assistance for the training of personnel and to develop and implement training and training-related activities. The contribution to the fund shall be the following:

- a) a one-time lump sum appropriation from the National Government;
- b) an annual contribution from the Overseas Workers Welfare Administration fund, the amount of which should be part of the study on financing in conjunction with letter (D) of Section 34;
- c) donations, grants, endowments, and other bequests or gifts; and
- d) any other source provided by the Authority.

The TESDA Board shall be the administrator of the fund, and as such, shall formulate the necessary implementing guidelines for the management of the fund, subject to the following: a) unless otherwise stipulated by the private donor, only earnings of private contributions shall be used; and b) ~~the fund shall be used for the purpose of~~

The Board shall appoint a reputable government-accredited investment institution as fund manager, subject to guidelines promulgated by the Board.

SEC. 32. Scholarship Grants. - The Authority shall adopt a system of allocation and funding of scholarship grants which shall be responsive to the technical education and skills development needs of the different regions in the country.

SEC. 33. TESDA Budget. - The amount necessary to finance the initial implementation of this Act shall be charged against the existing appropriations of the NMYC and the BTVE. Thereafter, such funds as may be necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 34. Transitory Provisions. - a) Within two (2) months after the approval of this Act, the President shall, in consultation with the Secretary of Labor and Employment and the Secretary of Education, Culture and Sports, appoint the private sector representatives of the TESDA Board.

b) Within three (3) months after the appointment of the private sector representatives, the President shall, upon the recommendation of the Board, appoint the Director-General.

c) Within four (4) months after the appointment of the Director-General, the Board shall convene to determine the organizational structure and staffing pattern of the Authority.

d) ~~Within one (1) year after the organization of the Authority, the Board shall commission a study on the organizational structure and staffing pattern of the Authority and submit a report thereon to the President for his approval.~~

e) The personnel of the existing National Manpower and Youth Council (NMYC) of the Department of Labor and Employment and the Bureau of Technical and Vocational Education (BTVE) of the Department of Education, Culture and Sports, shall, in a holdover capacity, continue to perform their respective duties and responsibilities and receive their corresponding salaries and benefits until such time when the organizational structure and staffing pattern of the Authority shall have been approved by the Board: *Provided,* That the preparation and approval of the said new organizational structure and staffing pattern shall, as far as practicable, respect and ensure the security of tenure and seniority rights of affected government employees.

Those personnel whose positions are not included in the new staffing pattern approved by the Board or who are not reappointed or who choose to be separated as a result of the reorganization shall be paid their separation or retirement benefits under existing laws.

SEC. 35. *Automatic Review.* - Every five (5) years, after the effectivity of this Act, an independent review panel composed of three (3) persons appointed by the President shall review the performance of the Authority and shall make recommendations, based on its findings to the President and to both Houses of Congress.

SEC. 36. *Implementing Rules and Guidelines.* - The TESDA Board shall issue, within a period of ninety (90) days after the effectivity of this Act, the rules and regulations for the effective implementation of this Act.

The TESDA Board shall submit to the Committees on Education, Arts and Culture of both Houses of Congress copies of the implementing rules and guidelines within thirty (30) days after its promulgation.


Any violation of this Section shall render the official/s concerned liable under R.A. No. 6713, otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees" and other existing administrative and/or criminal laws.

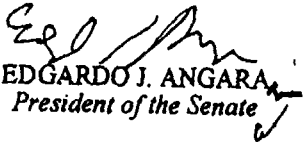
SEC. 37. *Repealing Clause.* - All laws, presidential decrees, executive orders, presidential proclamations, rules and regulations or parts thereof contrary to or inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 38. *Separability Clause.* - If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.


SEC. 39. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication in two (2) newspapers of general circulation.


Approved,

  
JOSE DE VENEZIA, JR.  
Speaker of the House  
of Representatives

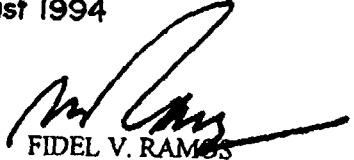
  
EDGARDO J. ANGARA  
President of the Senate

This Act, which is a consolidation of Senate Bill No. 1283 and House Bill No. 12194, was finally passed by the Senate and the House of Representatives on August 23, 1994.

  
CAMILO L. SABIO  
Secretary General  
House of Representatives

  
EDGARDO E. TUMANAGAN  
Secretary of the Senate

Approved: 25 August 1994

  
FIDEL V. RAMOS  
President of the Philippines



Republic of the Philippines  
Congress of the Philippines  
Metro Manila  
Fourth Regular Session

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

[REPUBLIC ACT NO. 6971 ]

AN ACT TO ENCOURAGE PRODUCTIVITY AND  
MAINTAIN INDUSTRIAL PEACE BY PROVIDING  
INCENTIVES TO BOTH LABOR AND CAPITAL

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

SECTION 1. *Short Title.* - This Act shall be known as the  
"Productivity Incentives Act of 1990".

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 responsi-  
bility in the relations between workers and employers, recognizing  
the right of labor to its just share in the fruits of production and the right  
of business enterprises to reasonable returns on investments and to  
expansion and growth, and accordingly to provide corresponding  
incentives to both labor and capital for undertaking voluntary pro-  
grams 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. ~~It shall be a condition of such program that 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

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 employee 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 equal 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 lockout, and the workers shall not be required to reimburse the productivity bonuses already granted to them under the productivity incentives program. Likewise, bonuses which have already accrued before the strike or lockout shall be paid the workers within six (6) months from their accrual.

d) Bonuses provided for under the productivity incentives program shall be given to the employees not later than every six (6) months from the start of such program over and above existing bonuses granted by the business enterprise and by law: *Provided*, That the said bonuses shall not be deemed as salary increases due the employees and workers.

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

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

**SEC. 9. Disputes and Grievances.** - Whenever disputes, grievances, or other matters arise from the interpretation or implementation of the productivity incentives program, the labor-management committee shall meet to resolve the dispute, and may seek the assistance of the National Conciliation and Mediation Board of the

Department of Labor and Employment for such purpose. Any dispute which remains unresolved within twenty (20) days from the time of its submission to the labor-management committee shall be submitted for voluntary arbitration in line with the pertinent provisions of the Labor Code, as amended.

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

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

**SEC. 11. Penalty.** - Any person who shall make any fraudulent claim under this Act, regardless of whether or not a tax benefit has been granted, shall upon conviction be punished with imprisonment of not less than six (6) months but not more than one (1) year or a fine of not less than two thousand pesos (P2,000.00) but not more than six thousand pesos (P6,000.00), or both, at the discretion of the Court, without prejudice to prosecution for any other acts punishable under existing laws.

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



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

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

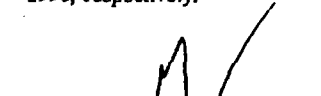

SEC. 14. *Repealing Clause.* - Any law, presidential decree, executive order, and letter of instruction, or any part thereof, which is inconsistent with any of the provisions of this Act is hereby repealed or amended accordingly.

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

Approved,

	
RAMON V. MITRA- <i>Speaker of the House of Representatives</i>	JOVITOR R. SALONGA <i>President of the Senate</i>

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

	
QUIRINO D. ABAD SANTOS, JR. <i>Secretary of the House of Representatives</i>	EDWIN P. ACOBA <i>Secretary of the Senate</i>

Approved: ~~NOVEMBER 22, 1990~~

  
CORAZON C. AQUINO  
*President of the Philippines*

S. No. 1516  
H. No. 10450

10  
Republic of the Philippines  
Congress of the Philippines  
Metro Manila

Second Regular Session

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

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[ REPUBLIC ACT No. 7686 ]

AN ACT TO STRENGTHEN MANPOWER EDUCATION AND  
TRAINING IN THE PHILIPPINES BY INSTITUTIONALIZING  
THE DUAL TRAINING SYSTEM AS AN INSTRUCTIONAL  
DELIVERY SYSTEM OF TECHNICAL AND VOCATIONAL  
EDUCATION AND TRAINING, PROVIDING THE  
MECHANISM, APPROPRIATING FUNDS THEREFOR AND  
FOR OTHER PURPOSES

*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 "Dual  
Training System Act of 1994."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of  
the State to strengthen manpower education and training in the country so  
that the latter may be assured of an ever growing supply of an educated and  
skilled manpower equipped with appropriate skills and desirable work  
habits and attitudes. The Dual Training System, as successfully tested in

some highly developed countries, shall be adopted in duly accredited vocational and technical schools, in cooperation with accredited agricultural, industrial and business establishments, as one of the preferred means of creating a dependable pool of well-trained operators, craftsmen and technicians for the economy.

SEC. 3. *Objectives.* - This Act shall have the following objectives:

- a) encourage increasing utilization of the dual system in technical and vocational education and training by both public and private schools within the context of the existing education system;
- b) encourage increasing levels of investment in technical and vocational education and training by both public and private sectors specially in the rural areas;
- c) enhance the employability and productivity of graduates by equipping them with analytical and creative thinking and problem-solving abilities; manipulative competencies which meet occupational standards and requirements; values and attitudes with emphasis on work ethics, quality orientation, discipline, honesty, self-reliance and patriotism; and
- d) strengthen training cooperation between agricultural, industrial and business establishments and educational institutions by designing and implementing relevant training programs in close coordination with concerned local government units.

SEC. 4. *Definition of Terms.* - For purposes of this Act, the following terms shall mean:

- a) "Appropriate Authority" refers to the government entity in-charge of formal technical and vocational education training.
- b) "Dual Training System" refers to an instructional delivery system of technical and vocational education and training that combines in-plant training and in-school training based on a training plan collaboratively designed and implemented by an accredited dual system educational institution/training center and accredited dual system agricultural, industrial

and business establishments with prior notice and advice to the local government unit concerned. Under this system, said establishments and the educational institution share the responsibility of providing the trainee with the best possible job qualifications, the former essentially through practical training and the latter by securing an adequate level of specific, general and occupation-related theoretical instruction. The word "dual" refers to the two parties providing instruction: the concept "system" means that the two instructing parties do not operate independently of one another, but rather coordinate their efforts.

- c) "Trainee" refers to a person qualified to undergo the dual training system for the purpose of acquiring and developing job qualifications.
- d) "Accredited Dual Training System Educational Institution/ Training Center" refers to a public or private institution duly recognized and authorized by the appropriate authority, in coordination with the business and industry, to participate in the dual training system.
- e) "Establishments" refer to enterprises and/or services of agricultural, industrial, or business establishments.
- f) "Accredited Dual Training System Agricultural, Industrial and Business Establishments" hereinafter referred to as agricultural, industrial and business establishments, refer to a sole proprietorship, partnership, corporation or cooperative which is duly recognized and authorized by the appropriate authority to participate in the dual training system educational institution.

SEC. 5. *Institutionalization of the Dual Training System.* - The dual training system, hereafter referred to as the System, is hereby institutionalized in the Philippines in accordance with the provisions of this Act.

SEC. 6. *Coverage.* - This Act shall apply to all public and private educational institutions/training centers and agricultural, industrial and business establishments duly accredited to participate in dual training system.

SEC. 7. *Planning and Coordination.* - The appropriate authority shall plan, set standards, coordinate, monitor, and allocate resources in support of the implementation of the System.

Every accredited educational institution/training center shall establish an industrial coordinating office which shall supervise the in-plant training: *Provided*, That, the industrial establishment shall be required to furnish the educational institution with the necessary information for the purpose of supervision.

The industrial coordinating office shall be headed by an industrial coordinator with, at least, an officer level rank. The industrial coordinator may be assisted by such other personnel as may be necessary for the effective discharge of the functions of the office.

SEC. 8. *Status of Trainee.* - For the duration of the training under the System, the trainee is to be considered not an employee of the business/ industrial establishment but rather a trainee of both the Accredited Dual Training System Educational Institution and the agricultural, industrial and business establishments: *Provided*, That, the union or the workers of the latter have been duly informed in advance of such an agreement.

A trainee who has successfully completed a training program in a particular agricultural, industrial or business establishment shall be given priority of employment in that agricultural, industrial or business establishment. The appropriate authority shall keep a roll of these successful trainees for purposes of identifying them for employment.

SEC. 9. *Incentives for Participating Establishments.* - To encourage agricultural, industrial and business establishments to participate in the System, they shall be allowed to deduct from their taxable income the amount of fifty percent (50%) of the actual system expenses paid to the Accredited Dual Training System Educational Institution for the establishment's trainees: *Provided*, That such expenses shall not exceed five percent (5%) of their total direct labor expenses but in no case to exceed Twenty-five million pesos (P25,000,000) a year.

Donations for the operation of the System shall be deductible from the taxable income of the donors.

The Department of Finance shall issue the necessary rules and regulations for the purpose of tax incentives provided herein.

SEC. 10. *Obligations of Accredited Agricultural, Industrial and Business Establishments.* - The agricultural, industrial and business establishments shall:

- a) ensure that the necessary abilities and knowledge for the trainee to achieve the purpose of his training are imparted to him and shall provide such training systematically in accordance with an approved training plan;
- b) appoint the training officer to implement the training plan;
- c) make available, free of charge, the consumable materials and basic hand tools and equipment necessary for his training;
- d) allow the trainee to attend his in-school training and to sit for his examinations;
- e) require the trainee to keep his report book up-to-date and inspect such books;
- f) ensure that the trainee is encouraged to develop his personality and that he is protected from physical or moral danger;
- g) entrust to the trainee such jobs as are related to the purpose of his training and are commensurate with his capabilities;
- h) pay to the accredited educational institution/training center the daily allowance of the trainee; and
- i) allow the trainee the necessary time-off for his in-school training.

SEC. 11. *Obligations of the Trainee.* - A trainee shall exert every effort to acquire the abilities and knowledge necessary for him to achieve the purpose of his training. Towards this end, he shall:

- a) carefully perform the jobs entrusted to him as part of his training;
- b) take part in training programs for which he has been granted time-off under this Act;
- c) follow the instruction given to him as part of his training by the training officer or any other person entitled to give him such instructions;

- d) observe rules of behavior in the training premises;
- e) use tools, instruments, machines, and other equipment with due care;
- f) not reveal any business nor trade secrets that have come to his knowledge in the course of his training; and
- g) keep his record books up-to-date.

SEC. 12. *Obligations of the Accredited Educational Institutions/ Training Centers.* - The educational institutions/training centers that have entered into a memorandum of agreement with agricultural, industrial or business establishments to undertake training shall:

- a) design, implement, and evaluate jointly the training plan with the accredited establishments;
- b) provide specific, general, and occupation-related theoretical instruction;
- c) appoint industrial coordinators to supervise the in-plant training;
- d) pay the trainee his daily allowance; and
- e) perform such other tasks and activities as may be necessary and in furtherance of the objectives of the training.

SEC. 13. *Non-diminution of Incentives.* - Nothing in this Act shall be construed to diminish or reduce any privilege already enjoyed by the parties concerned under existing laws, decrees, or executive orders.

SEC. 14. *Signing of Memorandum of Agreement by the Accredited Dual Training System Agricultural, Industrial and Business Establishments, the Accredited Dual Training System Educational Institution/ Training Center, and the Trainee.* - Before an individual establishment begins with an accredited education institution/training center and the trainee or his representative, the individual establishment shall provide the accredited educational institution/training center and the trainee with a copy of the signed agreement.

The memorandum of agreement shall set forth, among others, the following:

- a) the training plan;
- b) the nature and objective of the training;
- c) the commencement and duration of the training period, including the total number of in-school and in-plant training hours;
- d) the normal daily training hours;
- e) the trainee's allowance and the rate to be applied, which in no case shall start below seventy-five percent (75%) of the applicable minimum daily wage for days spent in the establishments;
- f) the rights and obligations of the parties concerned in addition to those provided in Sections 10, 11, and 12;
- g) the definition of the status of the trainee according to Section 8 of this Act;
- h) the conditions for the termination of the training agreement;
- i) the performance, monitoring and evaluation system; and
- j) such other essential particulars as would mutually benefit all parties concerned.

SEC. 15. *Insurance Coverage of the Trainee.* - Every agricultural, industrial and business establishment undertaking training, in accordance with the provisions of this Act, shall sign a life and/or accident insurance policy on the life of the trainee with the insured and the spouse, children or parents of the trainee as the beneficiaries thereof: *Provided,* That, the agricultural, industrial and business establishments shall pay for the premiums of said insurance policy.

SEC. 16. *Revolving Fund.* - Any law, rule or regulation to the contrary notwithstanding, the Accredited Dual Training System Educational Institution/Training Center is hereby authorized to retain as a revolving fund, the amount paid to it by the agricultural, industrial and business establishments representing the actual dual training expenses. The fund shall be used to improve the operation of the dual training system.



SEC. 17. *Implementing Rules.* - The appropriate authority and the Department of Finance, upon prior consultation with the business and industry concerned, shall issue the necessary rules and regulations for the effective implementation of this Act within a period of ninety (90) days after its effectivity. Any violation of this Section shall render the concerned official/s liable under R. A. No. 6713, otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees" and other existing administrative and/or criminal laws.

SEC. 18. *Other Exemption from Taxes and Duties.* - Any donation, contribution, bequest, subsidy, or financial aid which may be made for the operation of the System shall constitute as allowable deduction from the income of the donors for income tax purposes and shall be exempt from donor's tax, subject to such conditions as provided under the National Internal Revenue Code, as amended. Essential equipment, apparatus and materials imported by accredited dual training private educational institutions shall be exempt from taxes and duties: *Provided*, That, the importation of these items shall be subject to the following qualifications:

- a) that the importation shall be certified by the appropriate authority:
- b) that they should be actually, directly, and exclusively used in connection with the dual training system and any unauthorized use shall subject the accredited dual training private educational institutions to payment of taxes and duties due thereon; and
- c) that they are not available locally in sufficient quantity of comparable quality, and at reasonable prices:

*Provided, however*, That taxes and duties pertaining to the importations of accredited government and dual training educational institutions are deemed automatically appropriated.

The Department of Finance shall formulate the necessary rules and regulations to implement the provisions of this section.

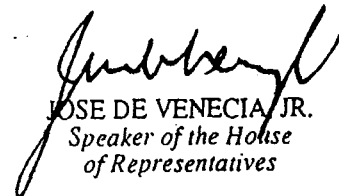
SEC. 19. *Appropriations.* - For the initial implementation of this Act, an amount of One million pesos (P1,000,000) shall be charged against the current year's appropriation of the contingency fund. Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act.

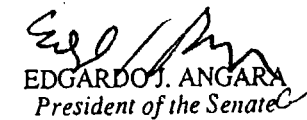
SEC. 20. *Separability Clause.* - If for any reason any provision of this Act is declared invalid or unconstitutional, the rest shall not be affected thereby.

SEC. 21. *Repealing Clause.* - All laws, decrees, orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

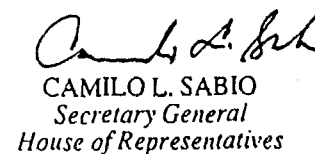
SEC. 22. *Effectivity.* - This Act shall take effect after completion of its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

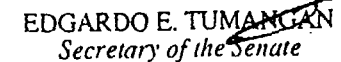
Approved,

  
JOSE DE VENECIA JR.  
Speaker of the House  
of Representatives

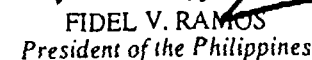
  
EDGARDO J. ANGARA  
President of the Senate

This Act, which is a consolidation of Senate Bill No. 1516 and House Bill No. 10450, was finally passed by the Senate and the House of Representatives on February 22, 1994 and February 21, 1994, respectively.

  
CAMILO L. SABIO  
Secretary General  
House of Representatives

  
EDGARDO E. TUMANAGAN  
Secretary of the Senate

Approved: February 25, 1994

  
FIDEL V. RAMOS  
President of the Philippines