



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
*Third Regular Session*



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**COMMITTEE REPORT NO. 1347**

Submitted by the Committee on Labor and Employment on November 25, 2021  
Re: House Bill No. 10549  
Recommending its approval in substitution of House Bill No. 2633  
Sponsors: Representatives Enrico A. Pineda and Raymond Democrito C. Mendoza

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Mr. Speaker:

The Committee on Labor and Employment, to which was referred House Bill No. 2633, introduced by Rep. Raymond Democrito C. Mendoza, entitled:

**AN ACT**  
**PROTECTING EMPLOYEES IN CASES OF MERGER OR CONSOLIDATION, SALE OR TRANSFER OF ALL OR SUBSTANTIALLY ALL ASSETS OR BUSINESSES OF THEIR EMPLOYERS AND OTHER PURPOSES**

has considered the same and recommends that the attached House Bill No. 10549, entitled:

**AN ACT**  
**PROTECTING EMPLOYEES IN CASES OF MERGER OR CONSOLIDATION, SALE, OR TRANSFER OF ALL OR SUBSTANTIAL ASSETS OF THE BUSINESS OF THEIR EMPLOYERS**

be approved in substitution of House Bill No. 2633 with Representatives Raymond Democrito C. Mendoza, Enrico A. Pineda, Michael Edgar Y. Aglipay, Mark O. Go, Joy Myra S. Tambunting, Ruth Mariano-Hernandez, Fernando T. Cabredo, Carl Nicolas C. Cari, Rowena Niña O. Taturan, Jose Gay G. Padiernos, Macnell M. Lusotan, Ferdinand R. Gaité, Gabriel H. Bordado Jr. and Manuel Jose "Mannix" M. Dalipe as authors thereof.

Respectfully submitted,

  
**ENRICO A. PINEDA**  
Chairperson  
Committee on Labor and Employment

**THE HONORABLE SPEAKER**  
HOUSE OF REPRESENTATIVES  
QUEZON CITY



Republic of the Philippines  
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**EIGHTEENTH CONGRESS**  
*Third Regular Session*

**HOUSE BILL NO. 10549**  
(In substitution of House Bill No. 2633)

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Introduced by Representatives Raymond Democrito C. Mendoza, Enrico A. Pineda, Michael Edgar Y. Aglipay, Mark O. Go, Joy Myra S. Tambunting, Ruth Mariano-Hernandez, Fernando T. Cabredo, Carl Nicolas C. Cari, Rowena Niña O. Taduran, Jose Gay G. Padiernos, Macnell M. Lusotan, Ferdinand R. Gaité, Gabriel H. Bordado Jr. and Manuel Jose “Mannix” M. Dalipe

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**AN ACT**  
**PROTECTING EMPLOYEES IN CASES OF MERGER OR CONSOLIDATION, SALE, OR TRANSFER OF ALL OR SUBSTANTIAL ASSETS OF THE BUSINESS OF THEIR EMPLOYERS**

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

**SECTION 1. Declaration of Policy.**- It is the policy of the State to protect the rights of workers, including their right to security of tenure, fair and reasonable wages, benefits, and other employment terms especially in cases when the business enterprise they are employed merges or is consolidated with other business enterprises. The protection shall extend in case an employer acquires, transfers, sells, assigns, conveys, or leases all or substantial assets of the business enterprise or going concern to another employer or business entity.

**SEC. 2. Definition of Terms.**- As used in this Act:

(a) *Bargaining unit* refers to a group of employees within a given unit, comprised of all or less than all of the entire body of employees in the unit or any specific occupational or geographical grouping within such employer unit;

(b) *Certification election* refers to the process of determining through secret ballot the sole and exclusive bargaining representative or agent of the employees in an appropriate bargaining unit for purposes of collective bargaining or negotiation. A certification election is ordered by the Department of Labor and Employment (DOLE) while a consent election is voluntarily agreed upon by the parties, with or without the intervention by the DOLE;

(c) *Employer* refers to any person or entity, natural or juridical, acting in the interest of an employer as defined under the Labor Code of the Philippines;

(d) *Freedom period* refers to the last sixty (60) days immediately preceding the expiration of the five (5)-year collective bargaining agreement (CBA) within which period a petition for certificate of election may be filed;

(e) *Going concern* refers to a branch, division, section, group, class, part or parcel of the entire business or enterprise of an employer;

(f) *Lease* refers not merely to the agreement allowing use of the property by another for a specified period of time for consideration, as defined under the Republic Act No. 386, or the Civil Code of the Philippines, but also to lease the business itself, a going concern, or other aspects of the enterprise;

(g) *Merger or consolidation* refers not merely to the process of merging or consolidating two (2) or more corporations into a single corporation under Section 76 of the Corporation Code, but also to the merger or consolidation of businesses or enterprises, and other types of juridical business entities;

(h) *Redundancy* refers to the condition when the services of an employee are in excess of what is reasonably demanded by the actual requirements of the enterprise;

(i) *Sole and exclusive bargaining representative or agent* refers to a legitimate labor union duly certified as the only bargaining representative or agent of all employees in a CBA;

(j) *Transfer of business* refers to the transfer, sale, assignment, conveyance, or lease of an employer of all or substantial assets of a business enterprise, or a going concern of the employer to another entity;

(k) *Transferee employer* refers to the employer which buys, acquires, receives, gains, or leases the assets of business from another employer, or the corporation into which one or more corporations are merged, or the consolidated corporation; and

(l) *Transferor employer* refers to the employer which sells, assigns, conveys, or transfers its assets of business to another employer, or one of the corporations or entities that is a party to a consolidation, or the corporation which was merged into another corporation.

**SEC. 3. Continuity of Employer-Employee Relationship.** - In cases of merger, consolidation, or transfer of business, the transferee employer shall have the obligation to continue the employment of the transferor employer's employees, without loss of seniority rights, and other privileges.

**SEC. 4. Protection on Wages and Other Benefits.**- The occurrences of merger, consolidation, or transfer of business shall not diminish the wages, benefits and other employment terms and conditions of the affected employees.

**SEC. 5. Liability of Transferor Employer.**- The transferor employer shall be liable to monetary claims of employees pertaining to the period when they were still employed by the transferor employer.

**SEC. 6. Termination of Employment.**- The employment of any employee of the transferee employer, or in some instances, the transferor employer, may be terminated only due to redundancy. In such a case, the transferor employer shall be liable for the payment of separation pay and other monetary benefits prescribed under the Labor Code of the Philippines.

However, there can be no declaration of redundancy in case the transferee employer is a bigger entity than the transferor employer.

An employee who occupies a position that has been declared redundant shall be granted the first opportunity to be hired to a newly-created position: *Provided*, That the employee possesses the minimum qualifications for such position.

**SEC. 7. Recognition of Existing Bargaining Agents.** - In cases of mergers, consolidations, or transfer of business, where both the transferor employer and the transferee employer are organized establishments, the following rules shall be observed:

a) The union members and other employees enjoying benefits under their respective and prevailing CBA shall continue to enjoy such benefits. If one CBA expires while the other is still in effect, the respective union shall be allowed to negotiate on the economic provisions of the expired CBA. During the freedom period of the CBA with a later expiration period, a certification election shall be conducted between the two (2) labor organizations, and other participating labor organizations, if any. Thereafter, the winner of such election shall have a fresh mandate to represent the merged bargaining unit.

b) With majority vote of both unions voting separately, despite the pending term of either or both their CBAs, a certification election may immediately be conducted after the merger, consolidation, or transfer of business to determine which shall have the fresh mandate to represent the merged bargaining unit.

c) In cases of merger, consolidation, or transfer of business where either of the transferee or transferor employer is unorganized, or a CBA is still in effect in the organized establishment, a petition for certification election for the transferor employer may be filed only by the legitimate labor organization existing in the organized establishment. Thereafter, if said labor organization wins, it shall be the bargaining agent for the merged bargaining unit, but only for the remaining term of the CBA. In case no petition for certification election is filed, employees concerned shall be assessed with agency fees in order to enjoy the benefits of the CBA. In case the petition for certification election is filed during the freedom period of the CBA, then the other labor organizations shall be allowed to participate and thereafter, the winner shall have a fresh mandate to represent the merged bargaining unit.

**SEC. 8. Implementing Rules and Regulations.**- Within sixty (60) days after the effectivity of this Act, the Secretary of Labor and Employment is hereby mandated to issue the necessary rules and regulations for the effective implementation of this Act.

**SEC. 9 Separability Clause.**- If any provision of this Act, or any part thereof, is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions.

**SEC. 10. Repealing Clause.**- All laws, executive orders, presidential decrees, proclamations, rules, regulations, issuances and enactments of parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

**SEC. 11. Effectivity.**- This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*

# House of Representatives

## Committee Affairs Department

### FACT SHEET

#### House Bill No. 10549

(In substitution of House Bill No. 2633)  
(As approved by the Committee on October 20, 2021)

#### AN ACT

### PROTECTING EMPLOYEES IN CASES OF MERGER OR CONSOLIDATION, SALE, OR TRANSFER OF ALL OR SUBSTANTIAL ASSETS OF THE BUSINESS OF THEIR EMPLOYERS

*Introduced by: REPS. RAYMOND DEMOCRITO C. MENDOZA, ENRICO A. PINEDA, MICHAEL EDGAR Y. AGLIPAY, MARK O. GO, JOY MYRA S. TAMBUNTING, RUTH MARIANO-HERNANDEZ, FERNANDO T. CABREDO, CARL NICOLAS C. CARI, ROWENA NIÑA O. TADURAN, JOSE GAY G. PADIERNOS, MACNELL M. LUSOTAN, FERDINAND R. GAITE, GABRIEL H. BORDADO JR. AND MANUEL JOSE "MANNIX" M. DALIPE*

*Committee Referral: COMMITTEE ON LABOR AND EMPLOYMENT  
Committee Chairperson: REP. ENRICO A. PINEDA*

#### OBJECTIVE:

- To protect the interest of employees in cases of merger or consolidation, sale, or transfer of all or substantial assets of the business of their employers

#### KEY PROVISIONS:

- Provides protection to employees in terms of the security of tenure, wages, benefits and other employment terms and conditions, in case an employer acquires, transfers, sells, assigns, conveys, or leases all or substantial assets of business enterprise, or going concern to another employer or business entity;
- Provides redundancy as the only ground for termination of employment in case the business overhauls, and sets a presumption that if the transferee employer or new company becomes a larger entity than the prior one then there can be no declaration of redundancy as the business can absorb the employees;

- Maintains employer-employee relationship in cases of merger or consolidation, or transfer of business, or in case the corporation is merged into another corporation;
- Sets out rules on recognition of existing bargaining agents and agreements to protect the unions as embodied in the collective bargaining agreement; and
- Mandates the Secretary of Labor and Employment to issue the necessary rules and regulations for the effective implementation of this Act

**RELATED LAWS:**

- Republic Act No. 386 or the “*Civil Code of the Philippines*”
- Republic Act No. 11232 or the “*Revised Corporation Code of the Philippines*”