



LABOR ADVISORY NO. 18
Series of 2018

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DOLE-RS 40EC*18 14:36

Payment of Thirteenth Month Pay

Pursuant to the provisions of Presidential Decree No. 851 and its implementing rules and regulations requiring employers in the private sector to pay their rank-and-file employees a 13th Month Pay on or before December 24 of every year, all covered employers are hereby reminded to comply with the following rules:

I. DEFINITION OF TERMS

1. "Thirteenth-month pay" shall mean one twelfth (1/12) of the basic salary of an employee within a calendar year.

2. "Basic salary" shall include all remunerations or earnings paid by an employer to an employee for services rendered but may not include cost-of-living allowances, profit-sharing payments, cash equivalent of unused vacation and sick leave credits, overtime pay, premium pay, night shift differential, holiday pay, and all allowances and monetary benefits which are not considered, or integrated as part of the regular or basic salary of the employee.

II. COVERAGE

Rank-and-file employees in the private sector shall be entitled to 13th month pay regardless of their position, designation, or employment status, and irrespective of the method by which their wages are paid, provided that they have worked for at least one month during the calendar year.

III. TIME OF PAYMENT

The 13th month pay shall be paid not later than December 24 of every year. An employer, however, may give to his or her employees one-half (1/2) of the 13th month pay before the opening of the regular school year and the remaining half on or before December 24 of every year.

IV. AMOUNT OF 13TH MONTH PAY

The minimum 13th month pay required by law shall not be less than one-twelfth (1/12) of the total basic salary earned by an employee within a calendar year.

V. FORMULA AND COMPUTATION OF 13TH MONTH PAY

$$\frac{\text{Total basic salary earned during the year}}{12 \text{ months}} = \text{proportionate } 13^{\text{th}} \text{ month pay}$$

Illustration:

Using the basic wage in the National Capital Region at ₱502.00¹ (from January 1, 2018 to November 21, 2018) and ₱537.00 (from November 22, 2018 to December 31, 2018) per day and a six-day workweek or an equivalent Monthly Basic Salary of ₱12,466.33 and ₱13,290.75, respectively, to wit:

January	no absence	₱12,466.33
February	no absence	₱12,466.33
March	1day leave w/pay	₱12,466.33
April	no absence	₱12,466.33
May	5 days leave w/o pay	₱ 9,956.33
June	2 days leave w/pay	₱12,466.33
July	no absence	₱12,466.33
August	2 days leave w/pay	₱12,466.33
September	no absence	₱12,466.33
October	on leave w/o pay	no salary
November	on leave w/o pay	no salary
December	no absence	<u>₱13,290.75</u>
Total basic salary earned for the year		₱122,977.72

$$\frac{\text{₱122,977.72}}{12 \text{ months}} = \text{₱10,248.14 is the proportionate } 13^{\text{th}} \text{ month pay}$$

VI. REPORT OF COMPLIANCE

Every covered employer shall make a report of his compliance with the law to the nearest Regional Office not later than January 15 of each year. The report shall conform substantially with the following form:

¹ COLA of ₱10.00 under Wage Order No.NCR-21 is not included in the basic salary in computing 13th month pay.

Report on Compliance with PD 851

1. Name of establishment
2. Address
3. Principal product or business
4. Total employment
5. Total number of workers benefitted
6. Amount granted per employee
7. Total amount of benefits granted
8. Name, position and telephone number of person giving Information

Be guided accordingly.

04 December 2018.


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Secretary

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