



# EMPLOYMENT IN THE PHILIPPINES



The Philippines is an archipelagic country in Southeast Asia, comprising 7641 islands split across three main geographical divisions: Luzon, Visayas and Mindanao. It's capital is Manila and its largest city is Quezon City, and its official languages are Filipino and English. The Philippines is an emerging market whose economy is transitioning from being centred on agriculture to services and manufacturing. The Philippine legal system is a mix of the civil law and the common law system. The main sources of Philippine law are the Constitution, statutes, treaties and conventions and judicial decisions. The Labour Code is the statute that regulates employment relationships, applying to local employees as well as foreign nationals working in the Philippines.



## WORKING TIME AND OVERTIME

Normal working hours in the Philippines must not exceed 8 hours a day. Hours worked beyond this, or overtime work, is paid at 1.25x the employee's normal hourly salary.

## ANNUAL LEAVE

Philippine employees are legally entitled to 5 days of paid 'service incentive leave', which can be used for vacation or sick leave. However, for most professional-level positions, it is customary for employers to offer 15 days of paid vacation and 15 days of paid sick leave.

## TRIAL PERIOD

Probation periods should not exceed six (6) months from the date the employee started working, unless covered by an apprenticeship agreement stipulating a longer period.

## RESIGNATION AND DISMISSAL

Employees must give companies 30 days' notice of resignation. In case of termination due to redundancy, employees are entitled to a separation pay equivalent to at least one month's pay, or one month's pay for each year of service, whichever is higher.

## RESTRICTIVE COVENANTS

Employers are free to include clauses in the employment contract which prohibit employees, within a certain period from and after termination, from:

- Starting a similar business, profession or trade or
- Working in an entity that is engaged in a similar business that might compete with the employer

There must be a limitation as to time (typically no longer than two years), place, and trade. Courts have found a two-year prohibition reasonable. Employee and customer non-solicitation clauses are also permissible.

## CONTRACT OF EMPLOYMENT

Written employment contracts are optional but advisable. Employers and employees are free to agree terms which are not contrary to law, morals, good customs, public order or public policy.



## **MATERNITY AND PATERNITY**

All working mothers are entitled to up to 105 days of paid maternity leave for each pregnancy, provided that they have made at least three monthly contributions to the Social Security System (SSS) in the 12 months preceding the semester of the birth and have notified their employer. All married male employees are entitled to a paternity leave of seven days with full pay for the first four deliveries of the legitimate spouse.

## **SICKNESS AND DISABILITY LEAVE**

Philippine employees are legally entitled to 5 days of paid 'service incentive leave', which can be used for vacation or sick leave. However, for most professional-level positions, it is customary for employers to offer 15 days of paid vacation and 15 days of paid sick leave.

## **SOCIAL SECURITY**

The employer's Social Security contribution is approximately 8% of employees' salaries, up to a maximum monthly contribution of PhP 1,630 per employee.

## **HEALTHCARE AND INSURANCE**

Employers are not obligated to provide any specific insurance benefits, since PhilHealth (the national health insurance programme) offers inpatient benefits, outpatient benefits, Z benefits, and SDG benefits. Many global companies may opt out of offering private health insurance to Filipino employees as a result, but it's still common for many employers to offer secondary health insurance to their employees to help them access more specialised care (and to reduce wait times for more common treatments).



# EMPLOYMENT OF FOREIGN NATIONALS



Unless specifically exempted or excluded, all foreign nationals desiring to work in the Philippines must obtain an Alien Employment Permit (AEP). AEPs are normally valid for one year, but may be extended annually, up to a maximum of five years. Local employers who desire to employ a foreign national must apply for the AEP on the foreign national's behalf with the regional office of the Department of Labour and Employment. The petitioning company must prove that the foreign national possesses the required skills for the position. Educational background, work experience and other relevant factors are considered in evaluating the application. The petitioning company must prove that no Filipino is available who is competent, able and willing to do the specific job and that the employment of the foreign national is in the best interest of the public



# SALARY TAXES

## MINIMUM WAGE

The Philippines' minimum wage ranges from PhP 466 per day for agricultural workers in the Mimarpoa Region to PhP 491 per day for non agricultural workers in the National Capital Region. Minimum wages in the Philippines are set by tripartite regional wage boards.



## SALARY PAYMENTS

Payroll in the Philippines follows a monthly cycle, depending on the employer and the sector. Employers must pay salaries once every two weeks at intervals of not more than 16 days. There is a statutory requirement to pay a 13th month salary bonus, no later than 24th December each year.

## INCOME TAX

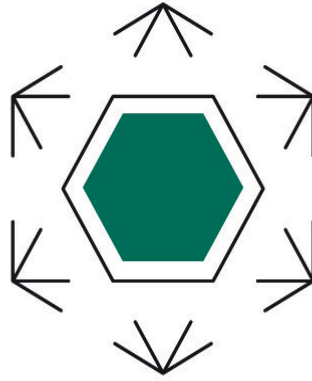
Taxable Income	Tax Rate %
0 - 250,000	0%
250,000 - 400,000	15%
400,000 - 800,000	20%
800,000 - 2,000,000	25%
2,000,000 - 8,000,000	30%
8,000,000+	35%

## SOCIAL SECURITY CONTRIBUTION

All individuals working in the Philippines must pay social security contributions of approximately 4% of salary, in addition to an 8% employer contribution. The minimum monthly salary subject to social security contributions is PhP 1,000. The maximum monthly contributions are PhP 1,630 for employers and PhP 800 for employees, which apply to employees receiving monthly compensation of PhP 19,750 or more.

## SOCIAL CONTRIBUTION RATES

Contribution	Employer	Employee
Social Security	4%	8%



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