

Good News

Department of Labor and Employment

Bureau of Working Conditions

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Separation pay, to whom is it due?



Good Job, a DZMM TeleRadyo program hosted by Rica Lazo and Danny Buenafe interviewed Mr. Nicanor V. Bon on its 20 June 2020 episode to answer questions relating to separation pay.

Mr. Bon, Chief Labor and Employment Officer of the Bureau's Policy and Program Development Division, said that under the Labor Code, a regular employee may not be terminated unless for a just or authorized cause.

He likewise emphasized that if a company wishes to reduce its workforce, such as retrenchment, there are rules which must be followed.

"Sabi po ng Supreme Court sa mga ilang jurisprudence and Supreme Court Decisions po, dapat ay may fair and reasonable criteria ng pagbabawas ng mga empleyado o retrench," said Bon in response to a question inquiring on the rules of terminating an employee.

He added that employee's status, performance, and seniority are among those which the employer must look into in retrenching an employee.

He also clarified that in determining the appropriate formula in computing an employee's separation pay, the ground of termination should be ascertained.

An employee is entitled to receive a separation pay equivalent to one-half month pay per year of service if the authorized cause of termination is due to retrenchment to prevent losses, closure or cessation of operation of an establishment not due to serious losses or financial reverses, or when the employee is suffering from a disease not curable within a period of six months and his/her continued employment is prejudicial to his/her health or to the health of his/her co-employees.

On the other hand, he explained that an employee is entitled to separation pay equivalent to one-month pay per year of service if the termination is due to installation by employer of labor-saving devices, redundancy, or impossible reinstatement of the employee to his or her former position or to a substantially equivalent position for reasons not attributable to the fault of the employer.

“The employee is not entitled to separation pay unless there is a favorable company policy, practice or contract to that effect,” clarified by Mr. Bon when asked whether employees who voluntarily resigned from work are entitled to receive separation pay.

To emphasize further, he added that those only terminated due to authorized cause are entitled to receive separation pay.

The full episode was aired on 20 June 2020 and may be viewed at <https://www.youtube.com/watch?v=2nnrl4HUVmE&t=2307s>

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