

**Good News**  
**Department of Labor and Employment**  
**Bureau of Working Conditions**  
**15 February 2022**

**Separation pay, explained**

Employees separated from their employment due to an authorized cause are entitled to separation pay.

Articles 298 and 299 of the Labor Code of the Philippines, as renumbered, provide that separation pay is given to an employee who was terminated due to any of the following authorized causes: installation of labor saving devices, redundancy, closure of establishment, reduction of personnel or when an employee is suffering from any disease not curable within a period of six (6) months and his/her continued employment is prejudicial to his/her health and the health of his co-employees.

Depending on the authorized cause of termination, separation pay should be equivalent to either one-half (1/2) month or one (1) month pay for every year of service, a fraction of at least six (6) months is considered one (1) whole year. Moreover, the basis for the computation of separation pay shall be the latest salary rate of the affected employee, including the regular allowances that the employee has been receiving.

One month pay or to at least one-half (1/2) month pay for every year of service, whichever is higher, should be paid to an employee who is separated from the service due to: 1. Retrenchment to prevent losses; 2. Establishment closure or cessation of operation not due to serious losses or financial reverses; and, 3. Contracting a disease untreatable within six (6) months and the employee's continuous employment is detrimental to his/her own or his/her co-employees' health. Also entitled are security guards who were not given service assignment for a continuous period of six (6) months, as stated in DOLE Department Order No. 150, Series of 2016 (DO 150-16)

On the other hand, one (1) month pay for every year of service should be paid to an employee who is separated from the service due to: 1. Installation of labor-saving devices; 2. Redundancy, as when the employee's position is excessive or unnecessary in the business operation; and, 3. Impossible reinstatement of the employee to his/her former position or to an equivalent position for which the position is no longer available where he/she can be assigned. Also entitled are security guards who were not given service assignment by reason of age, as stated in DO 150-16.

The employer may terminate the employment of any employee resulting from these authorized causes by serving a written notice on the affected employee and the Department of Labor and Employment through its regional office having jurisdiction over the place of business at least one (1) month before the intended date of termination.

Separation pay is exempted from taxation if the cause is due to death, sickness, or other physical disability or for other reason beyond the control of said employee such as retrenchment, redundancy, or cessation of business operations.

Other relevant information on separation pay can be found on the Bureau of Working Conditions website at <https://bwc.dole.gov.ph/>.

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