

Globalization Partners provides employer of record services and a **Professional Employer Organization** in the Philippines for clients that want to hire employees and run payroll without first establishing a branch office or subsidiary in the Philippines. Your candidate is hired via Globalization Partners' Philippines PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in the Philippines while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in the Philippines.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

Hiring, Negotiating and Doing Business in the Philippines

The Philippines has a strong community culture where the employer is considered

patriarchal; a good employer ‘takes care of’ its employees. Additionally, it’s an extremely kind and cordial culture, and Filipinos dislike directly saying “no” to their superiors, friends, and colleagues. As such, they will go to extraordinary lengths to be able to say “yes” to their colleagues, far beyond when an action may be possible. The Americans on our team have found this to be one of the most endearing features of one of our favorite cultures, and yet, it can cause difficulties for Americans to understand when something simply cannot be done. For example, if you asked your Filipino employee to fly a shuttle to the moon next Monday, they might respond, “that doing so will be difficult.” To an American, that means, “it will be expensive,” to the Filipino it means that it cannot be done. The American may come back to see what it will take to get it done...to which a Filipino will politely respond that it may be difficult. Get the picture? Listen to the intention behind the words and recognize the subtleties, including when recruiting employees in the Philippines, in order to create a positive and happy work environment.

Companies that are “outsourcing” to the Philippines should keep in mind that while costs and salaries are lower in the Philippines, cutthroat office environments are not very successful. Filipinos especially appreciate a pleasant work atmosphere. Many of our contemporaries in the Philippines report that having colleagues that appreciate each other’s work and treat each other in a friendly, cordial manner, goes much further than higher pay to retain employees.

Employees often negotiate in terms of net salary rather than gross salary. This can create difficulties for US employers, who are used to negotiating in terms of gross salary. When negotiating with a candidate in the Philippines, make sure to clarify that all offers are stated in terms of gross rather than net salaries.

When negotiating terms of an employment contract and offer letter with an employee in the Philippines, it may be useful to keep the following standard benefits in the Philippines in mind:

Employment Contracts in the Philippines

In the Philippines, employment contracts can be oral or written, but it best practice to put a strong, written contract in place, in the local language, which spells out the terms of the employee’s compensation, benefits, and termination requirements. An offer letter and employment contract in the Philippines should always state the salary and any compensation amounts in the Philippine Pesos rather than a foreign currency. The employment contract template is part of the service with Globalization Partners; no need to draft a separate template if you use our employer of record and PEO service in the Philippines.

Philippines Working Hours

The Philippine work week is 40 hours, with a standard work day of 8 hours. If employees in the Philippines must work on Sunday or paid holiday, they are entitled to 1.30% of their regular wages, unless the collective bargaining agreement or employment contract states differently.

If employee works more than 8 hours a day the employer must pay 1.25% of the employee's regular wages. Employers in The Philippines may not provide compensation in time off rather than wages.

Vacation Leave in the Philippines

Philippine employees are legally entitled to 5 days of paid 'service incentive leave', which can be used for vacation or sick leave. However, we typically see good employers offering 15 days of paid vacation and 15 days of paid sick leave for most professional level positions in the Philippines. There are no rulings for carryover, and that aspect of the vacation policy is left to the discretion of the employer. IT should also be noted that untracked / unlimited PTO is extremely rare in the Philippines and brings with it some significant challenges.

Sick Leave in the Philippines

There is no statutory sick leave above what is mentioned above in The Philippines. That being said, employee contracts, company policy, and collective bargaining agreements often include sick leave benefits.

An employee who has paid at least three monthly Social Security contributions in the 12 month period prior to the illness or injury, is confined for more than three days in a hospital or elsewhere, and has the approval of the SSS, is entitled to be paid by his employer at 90% of his average daily salary per day of confinement, but only after all sick leave with pay due from the employer has been exhausted. The employer is entitled to 100% reimbursement from SSS. The employee must submit directly to SS to receive reimbursement.

Philippines Maternity Leave

Female workers who have contributed to Social Security for at least 3 months of the prior 12 months are eligible for 60 days of paid leave at their daily salary rate for the first four pregnancies. 78 days of paid leave is provided for caesarian deliveries.

A female member of the Social Security System (SSS) who has paid at least 3 monthly

contributions in the twelve-month period immediately preceding the semester of her childbirth or miscarriage shall be paid a daily maternity benefit equivalent to 100% of her average daily salary. The benefit is for 60 days for normal delivery and 78 days for caesarian delivery for the first four deliveries and miscarriages.

Married male employees are eligible for seven days of paid paternity leave for their first four children, as long as they live in the same household. Leave must be taken within 60 days of the birth. Employer pays the employee at time of the leave, and they then submit for reimbursement to the SSS.

Termination/Severance in the Philippines

Filipino termination law is very complicated. Below is a brief summary of the major points.

Probationary employment is allowed for up to six months.

Employers may dismiss workers for just cause, in which case there no mandatory severance. Management must conduct an investigation and have strong evidence to prove cause.

Termination causes that would be deemed just cause include:

- serious misconduct
- willful disobedience
- gross and habitual neglect of duty
- fraud or breach of trust
- commission of a crime or offense against the employer, his family or representative

Or for authorized causes the employer must pay a severance. Termination causes that would be deemed authorize cause include:

- installation of labor-saving devices
- redundancy
- retrenchment to prevent losses
- closure and cessation of business
- disease or illness

In a termination for just cause, due process involves the two-notice rule, that in total legally must be at least 30 days:

1. A notice of intent to dismiss specifying the grounds for termination, and giving said employee reasonable opportunity within which to explain his or her side
2. A hearing or conference where the employee is given opportunity to respond to the

- charge, present evidence or rebut the evidence presented against him or her
3. A notice of dismissal indicating that upon due consideration of all the circumstances, grounds have been established to justify termination.

In a termination for an authorized cause, due process means a written notice of dismissal to the employee specifying the grounds at least 30 days before the date of termination. A copy of the notice shall also be furnished to the Regional Office of the Department of Labor and Employment (DOLE) where the employer is located.

Employees may appeal to an arbitrator and if the employer is found not to have followed the correct procedures, the employee may be entitled to payment of damages, reinstatement, and/or back wages.

Severance pay is provided based on the reason for termination, but is typically one month's wages for every year worked.

In case of termination due to the installation of labour-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one (1) month pay or to at least one (1) month pay for every year of service, whichever is higher. This is based on what salary the employee received on their most recent check (this includes allowance and basic salary, not commission or bonus).

In case of retrenchment to prevent losses and in cases of closures or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one (1) month pay or at least one-half (1/2) month pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered one (1) whole year.

Philippines Tax

Similar to social security in the United States, the Philippines has a social security system which is a mandatory employee benefit. The Philippines Social Security System consists of the following:

- Social Security System (SSS): the SSS was created to provide private employees and their families with protection against disability, sickness, old age, and death. All persons under the age of 60 who earn income from employment of more than P1,000 per month are required to contribute to the SSS. Employee contributions for social security are deducted from employee's salary payments. These are withheld by the employer on a monthly basis.
- Home Development Mutual Fund (HDMF): the HDMF is a provident savings system

providing housing loans to private and Philippine government employees, and to self-employed persons who elect to join the Fund.

- Philippine Health Insurance Corporation (PhilHealth): PhilHealth is administered by the Philippine National Health Corporation, which is designed to provide employees with a practical means of paying for adequate medical care in the Philippines.

Employers in the Philippines are required to make contributions to the above funds. The current SSS contribution rate as of 2016 is 11.36% of the monthly salary not exceeding P16,000 with the percentage being divided among the employer at 7.67% and the employee at 3.69%.

Health Insurance Benefits in the Philippines

The Philippines has compulsory universal healthcare which is funded through payroll taxes and the general budget. Private health care is also available. The Private Healthcare system caters to 30% of the population.

Many employers offer benefits for private medical insurance. When hired via Globalization Partners employers have the option of a global health care plan or to provide an allowance in lieu of benefits. We recommend a taxable allowance in the amount of US\$300 to US\$600 to cover the cost of a private medical plan. Occasionally the individual needs assistance finding a plan since they may not have the know-how to find and select a plan. Globalization Partners can connect the employees with our local broker, who can consult and help the employee find a plan.

Additional Benefits in the Philippines

Offering additional benefits can help attract and retain key talent. Below are some common additional benefits some employers offer in the Philippines:

- Allowances: Some companies offer allowance for things such as housing, transportation, and medical allowances. If an allowance can be classified as a cost of living allowance it is tax deductible. All other allowances will be taxed.
- Supplementary Insurances: supplementary life, disability, and health insurance are often provided by employers and are recommended.

Bonus

Filipino employees are legally entitled to a 13th month salary. When offering a monthly salary, your employee will typically multiply by 13 to obtain the base annual salary.

The 13th-month pay in the Philippines is equivalent to 1/12 of the basic salary received by an employee during the year. If a Filipino employee worked for less than a year (regardless of the cause for the termination of his employment), the amount due to him is determined by dividing the total salary he received by the number of months he was employed. The calculation of the base salary does not include allowances and monetary benefits that are not considered or integrated as part of the employee's regular compensation. If, however, these benefits are by company practice or policy treated as part of the basic salary, then they should be included in the computation of an employee's 13th-month pay.

Filipino law requires that the extra pay be given no later than December 24th, however, it is strongly recommended that the 13th month salary be paid as early in December as possible. Culturally, the Christmas holiday is very important to Filipinos and the 13th month pay is typically used to buy Christmas gifts. The earlier in December an employer can provide 13th month pay for its Filipino employees, the more the employees will appreciate it. Not usual, but sometimes this is given ½ in June. This is a small bonus to cover employees' children's school fees are due at the start of the school year (June).

In addition to the 13th month pay, some employers give an additional Christmas bonus, which is known as the 14th month pay. This is one of the key benefits used to attract and retain staff and is highly appreciated by future employees.

Philippines Holidays

There are two types of holidays in the Philippines: Regular Holidays and Special Non-Working days.: Regular holidays are paid days off, and if the employee works during regular holidays they are required to be paid 200% of their regular wages. Special Non-Working days are non-paid holidays, and if the employee is required to work on a Special Non-Working day they are paid 130% of their regular wages. There are some additional regulations around special pay for overtime and normal rest days. Salary employees receive all these days, and the only difference is the overtime rate.

There are 10 Regular Holidays:

- New Year's Day
- Maundy Thursday
- Good Friday
- Araw ng Kagitingan
- Labor Day
- Independence Day
- National Heroes Day
- Bonifacio Day

- Christmas Day
- Rizal Day

Special Non-Working Days can change from year to year. In 2017 they are:

- Chinese New Year
- EDSA People Power Revolution
- Black Saturday
- Ninoy Aquino Day
- Oct 31st Special Non-working Day (not yearly holiday- depends on the president)
- All Saints Day
- Dec 31st Special Non-working Day

Why Globalization Partners

It can be challenging to figure out how to set up a subsidiary or branch office in the Philippines, which historically was the first and most complex part of hiring an employee in the Philippines. Globalization Partners' [Global Employer of Record Platform](#) makes it easy to hire employees in the Philippines with minimal time and expense. We put your employee on our locally compliant payroll and you get a simple monthly invoice. We can also process expense reports, take care of personal income tax issues, and set up the employee's statutory local benefits in the Philippines with the streamlined ease of a company that has done it hundreds of times before, enabling you to skip the difficulty of creating a subsidiary and instead focus on your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring an employee in the Philippines, please contact us at sales@globalization-partners.com.

[Request a Proposal](#)