

Republic of the Philippines
DEPARTMENT OF LABOR AND EMPLOYMENT
Intramuros, Manila

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LABOR ADVISORY NO. 11
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**NON-INTERFERENCE IN THE DISPOSAL OF WAGES AND
ALLOWABLE DEDUCTIONS**

Pursuant to Articles 113 to 115 of the Labor Code of the Philippines, as amended, and Sections 9 to 11, Rule VIII of the Implementing Rules of Book III of the Labor Code, this Labor Advisory is hereby issued reiterating, for the guidance of all concerned, the guiding principle on wages, allowable deductions, the conditions for such deductions or cash deposit to answer for loss or damage to tools, materials, or equipment supplied by the employer, and clarifying for the purpose that it is only in private security agency where the practice is recognized or allowed:

1. Guiding Principle. – No employer shall limit or interfere with the freedom of the employee to dispose of his/her wages.

2. Exception. – Except in the following cases, the employer shall not make any deduction from the wages of the employee:

- a. When the deductions are authorized by law, including deductions for insurance premiums advanced by the employer in behalf of the employee as well as union dues where the right to check-off has been recognized by the employer or authorized in writing by the individual employee himself/herself; or
- b. When the deductions are with written authorization of the employees for payment to a third person and the employer agrees to do so, provided that the latter does not receive any pecuniary benefit, directly or indirectly, from the transaction.

3. Deductions or Cash Deposits for Loss or Damage. – Deductions or requiring cash deposits from employees to answer for reimbursement of loss or damage on tools, materials, or equipment supplied by the employer is allowed in private security agencies as a recognized and reasonable industry practice given the nature of the service/business. However, for deductions of such nature to be valid, the following conditions must be observed:

- a. The employee concerned is clearly shown to be responsible for the loss or damage;
- b. The employee is given reasonable opportunity to show cause why deductions should not be made;
- c. The amount of such deduction is fair and reasonable and shall not exceed the actual loss or damage; and

- d. The deduction from the wages of the employee does not exceed 20% of the employee's wages in a week.

4. Amount of Cash Deposit. – In the event that a private security agency requires a cash deposit from its employees, the maximum amount shall not exceed the employee's one month basic salary. The said cash deposit may be deducted from the employee's wages in an amount which shall not exceed twenty percent (20%) of the employee's wages in a week.

5. Refund of Cash Deposit. – The full amount of cash deposit deducted shall be returned to the employee within ten (10) days from his/her separation from the service.

6. Limitation. – No other deductions from the wages of the employees or cash deposit/bond shall be required by the employer without express authorization from the Secretary of Labor and Employment through an advisory or guidelines.

7. Unauthorized Deductions. – Deductions made from the employees' wages for company uniforms, cash deposits for loss or damage, personal protective equipment (PPE), capital share or capital build-up in service cooperatives, training fees, and other deductions not included in the enumeration above, are unauthorized.

8. Prospective Application. – Consistent with the principle of non-impairment of contracts, this Advisory shall be applied prospectively from the date of issuance. Accordingly, unauthorized deductions made by the employer prior to this Advisory shall not be deemed a violation or illegal deduction but must be refunded to the employees within thirty (30) days from the issuance of this Advisory, or as may be agreed upon by the employer and the employees through the Single Entry Approach (SEnA). Failure to refund shall render the deduction illegal.

Nothing in this Advisory shall be construed to cause the diminution or substitution of any benefits and privileges currently enjoyed by the employee at the time of this issuance.

Be guided accordingly.


ROSALINDA DIMAPILIS-BALDOZ
Secretary

Dept. of Labor & Employment
Office of the Secretary



03 September 2014