

# [ LETTER OF INSTRUCTIONS NO. 174, March 06, 1974 ]

TO: The Secretary of Labor

In order to implement in the private sector the policy enunciated in Presidential Decree No. 390 granting emergency allowances to government employees, you are hereby directed to take such measures as may be necessary to ensure orderly and effective response by employers in the private sector consistent with the following guidelines:

1. *Employers Covered.*— All employers in the private sector, including non-profit institutions and organizations, such as schools and other institutions of learning, hospitals, and charitable and religious organizations, should be urged to grant monthly emergency allowances to their employees.
2. *Concept of Emergency Allowances.*— The monthly allowance contemplated by the Decree is the additional monetary benefit given by an employer to his employees to answer, at least partly, for the increase in everyday expenses of the latter, it is sometimes referred to or designated in collective bargaining agreements as cost-of-living allowances.

The emergency allowance given by an employer pursuant to the Decree need not be considered as part of the employee's regular or basic wage for purposes of determining overtime and premium pay, fringe benefits, as well as permium contributions to social security, Medicate and private welfare plans. However, employers may, at their option, grant wage increases in lieu of an emergency allowance.

3. *Determination of Amount of Allowances.*—In the spirit of Presidential Decree No. 390 granting allowances to government employees receiving less than P600.00 monthly, employers are urged to give top priority to their lowest paid workers without prejudice, however, to extending similar assistance to higher grades of their personnel.

For purposes of construing the minimum guidelines for Hie private sector, the following scales are recommended:

For large-scale and medium-scale enterprises capitalized at P million to P4 million or more, P50.00 or higher;

For small scale enterprises capitalized at P100.000 to P1 million, P30 or higher;

For enterprises lower than these categories, P15 or higher ;

4. *Non-arbitrability of Allowance Disputes.*—Allowances granted in accordance with the above scales may not be questioned and shall not be subject to compulsory arbitration under Presidential Decree 21.
5. *Social Obligation of Employers.*—In any case, employers are enjoined to share their profits with their workers and employees especially in the form of emergency allowances, bonuses, social amelioration schemes, commissaries,