

DOLE promotes financial inclusion in its new Labor Advisory

Signed on 03 August 2020, Secretary Silvestre H. Bello III issued Labor Advisory No. 26, Series of 2020 on Payment of Wages and Other Monetary Benefits through Transaction Accounts.

The DOLE became a member of the Financial Inclusion Steering Committee (FISC) in 2019 to promote the timely payment of wages through transaction accounts. With its commitment to promote financial inclusion at the same enforce and implement existing labor laws and regulations on wages and salaries, the Department in partnership and coordination with BangkoSentral ng Pilipinas (BSP), successfully conducted a Financial Inclusion Forum for the Labor Sector last 18 November 2019. The forum promotes awareness of financial inclusion, digital payments, and other developments in the financial services that can contribute to the improvement of workers' welfare.

As a follow-through of the commitment, this Advisory was issued to encourage and enable all private establishments to timely pay wages and other monetary benefits using transaction accounts and to afford their employees to formal financial services for the promotion of their welfare. It seeks to reduce costs and risks of physical cash disbursements and promote digital payments as a safer alternative to the physical exchange of bills and coins thereby reducing physical contact and minimize the transmission of viruses such as COVID-19.

Wage payment through transaction accounts presents advantages for both the employers and employees. For employers, payment of wages through transaction account can reduce administrative and overhead costs as well as prevent the incidence of leakages during disbursements. For employees, a formal account translates to easy access to a range of financial services, including savings, credit, insurance, and investment. The use of a formal account can help validate payment of correct wages and other mandatory benefits and address possible disputes on wages and salaries since there would be a verifiable, third-party sourced-statement of account or electronic transaction history.

LA No. 26 features the following provisions: (1) definition of the forms of transaction accounts through which payment of wages can be made; and (2) initiatives that the employers and employees in the private sector can undertake towards the use of transaction accounts as a preferred mode of payment of wages and other monetary benefits.

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