



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA

BUDGET CIRCULAR

No. 2024 - 8
December 20, 2024

TO : Heads of Departments, Bureaus, Offices, and Agencies of the National Government, Including Constitutional Offices Enjoying Fiscal Autonomy, State Universities and Colleges (SUCs), and Government-Owned or -Controlled Corporations (GOCCs); Local Water Districts (LWDs); Local Government Units (LGUs); and All Others Concerned

SUBJECT : Guidelines on the Grant of Gratuity Pay to Contract of Service (COS) and Job Order (JO) Workers in Government for FY 2024

1.0 Background

- 1.1 Administrative Order (AO) No. 28, s. 2024¹ authorizes the grant of a one-time Gratuity Pay not exceeding **Seven Thousand Pesos (P7,000)** for each qualified worker whose services are directly engaged through a COS and JO basis.

For this purpose, Section 7.0 of AO No. 28, s. 2024 directed the Department of Budget and Management (DBM) to issue the necessary supplemental guidelines for the effective implementation of said Order.

- 1.2 While COS and JO workers in the government are paid salaries or wages equivalent to those received by personnel occupying comparable positions in government and a premium of up to 20% of such salary or wage, they do not enjoy the benefits accorded to regular government employees such as Mid-Year and Year-End Bonuses, Performance-Based Bonus, and the Personnel Economic Relief Allowance, as they have no employer-employee relationship with the government.

Accordingly, granting a one-time Gratuity Pay to the COS and JO workers is in recognition of their hard work and valuable participation in the implementation of various programs, activities, and projects (P/A/Ps) of the government, and their pivotal role in the delivery of government services amidst the present socio-economic challenges.

¹ Authorizing the Grant of Gratuity Pay to Contract of Service and Job Order Workers in Government for Fiscal Year 2024

2.0 Purpose

This Circular is issued to provide the policy and procedural guidelines on the grant of the Gratuity Pay for FY 2024 pursuant to AO No. 28, s. 2024.

3.0 Coverage

This Circular covers all COS and JO workers whose services are directly engaged by departments, bureaus, offices, and agencies of the National Government, including Constitutional Offices enjoying fiscal autonomy, SUCs, GOCCs, and LWDs.

4.0 Exclusions

Institutional COS workers assigned in government agencies are excluded from the coverage of the Circular.

Consistent with the existing guidelines, the contractor or service provider shall be responsible for providing the institutional COS workers with compensation and benefits compliant with existing labor law, including the necessary social security and other benefits mandated by law.

5.0 Guidelines on the Grant of Gratuity Pay

5.1 The grant of the one-time **Gratuity Pay** to COS and JO workers, not exceeding **Seven Thousand Pesos (₱7,000.00)** per person, shall be subject to the following conditions:

5.1.1 The COS and JO workers have rendered a total or an aggregate of at least four (4) months of actual satisfactory performance of service, as stipulated in their respective contracts, as of December 15, 2024; and

5.1.2 The contracts of the COS and JO workers are still effective as of December 15, 2024.

5.2 Those who have rendered less than four (4) months of actual satisfactory performance of service, as stipulated in their respective contracts, as of December 15, 2024, and whose contracts are still effective as of same date, shall be granted the Gratuity Pay, on a *pro rata* basis, as follows:

Length of Service	Amount of Gratuity Pay
3 months but less than 4 months	Not exceeding ₱6,000
2 months but less than 3 months	Not exceeding ₱5,000
Less than 2 months	Not exceeding ₱4,000

5.3 For purposes of this Circular, actual service shall refer to services rendered on-site, i.e., the COS and JO workers are physically reporting for work at their respective work stations.

However, subject to the discretion of the Agency Head and the availability of funds, services rendered by the COS and JO workers under any of the alternative work arrangements prescribed under Section 6.1 of Commission on Audit-DBM Joint Circular No. 1, s. 2022² may also be considered as actual service.

- 5.4 **Annex A** presents the illustrative examples of scenarios involving the grant of the FY 2024 Gratuity Pay.

6.0 Fund Sources

- 6.1 For national government agencies (NGAs) and SUCs, the amount required shall be charged against their respective available Maintenance and Other Operating Expenses (MOOE) allotment for the same P/A/P where the compensation of workers engaged through COS and JO are sourced, subject to approval of the Agency Head.

- 6.1.1 In case of deficiency, agencies may:

6.1.1.1 Modify the allotment issued within a P/A/P subject to approval of the Agency Head or the DBM, as the case may be, pursuant to the rules on the modification in allotments under Section 80 of the General Provisions of Republic Act (RA) No. 11975 or the “*General Appropriations Act (GAA), FY 2024*”, and existing laws, rules and regulations, and other issuances; or

6.1.1.2 Submit a request to augment actual deficiencies from savings in other P/A/Ps, subject to approval of the President, in accordance with the rules on use of savings and augmentation under Sections 76, 77, 78, and 79 of the General Provisions of RA No. 11975, and existing laws and issuances.

- 6.2 For GOCCs and LWDs, the amount required shall be charged against their respective approved corporate operating budgets.

7.0 Use of Savings

- 7.1 Requests for the use of savings under Item 6.1.1 of this Circular shall be submitted by the NGAs and SUCs to the DBM not later than five (5) working days from the effectivity of the AO, for endorsement to the Office of the President, together with the following supporting documents:

7.1.1 Report on the number and names of workers directly engaged by the agency through COS and JO schemes who are qualified for Gratuity Pay, as certified by the head of the human resource management unit and endorsed by the Department Secretary or Agency Head concerned; and

² Policies on the Adoption of Flexible Work Arrangements for Contract of Service (COS) and Job Order (JO) Workers in Government

7.1.2 Certification from the budget officer that the required amount from the existing MOOE allotment is free from any obligation and may be declared as savings, pursuant to Sections 77 and 79 of the General Provisions of RA No. 11975, to cover the funding requirements for the grant of the Gratuity Pay, likewise endorsed by the Department Secretary or Agency Head concerned.

7.2 The DBM shall release the corresponding Special Allotment Release Order and Notice of Cash Allocation, as needed, upon approval of the President.

8.0 Grant of Gratuity Pay in Local Government Units (LGUs)

LGUs are encouraged to adopt in their respective offices the grant of the FY 2024 Gratuity Pay to workers whose services are engaged through COS and JO, utilizing appropriate and available funding sources from their respective local government funds.

The corresponding supplemental budget (SB) for the purpose shall be enacted by the local *sanggunian* concerned, chargeable against the available FY 2024 appropriations or surplus. In case the LGU fails to enact an SB within FY 2024, the LGU concerned may enact an SB for FY 2025, provided that the (i) SB shall be charged against the LGU's reverted unused prior year's surplus, subject to compliance with the provisions of RA No. 7160 or the "*Local Government Code of 1991*", and pertinent laws, rules and regulations, (ii) prior year's surplus is backed by cash, and (iii) annual budget for FY 2025 is already approved.

9.0 Payment

The payment of Gratuity Pay to qualified COS and JO workers in government for FY 2024 shall be made not earlier than December 15, 2024.

10.0 Reportorial Requirements

Each NGA and SUC shall submit not later than January 31, 2025 the report on the grant of the Gratuity Pay by following the template in **Annex B**.

In this regard, the NGAs and SUCs shall encode the required details/information, as well as upload the scanned copy of the report using the following link <https://forms.dbm.gov.ph/index.php/submit-gratuity-pay-report>.

Agencies are enjoined to fully abide by the aforementioned reportorial requirements. The DBM Budget and Management Bureaus/Regional Offices concerned shall ensure strict compliance of the agencies with the reportorial requirements set forth in this Circular.

11.0 Responsibility of Agency Heads

Agency heads and accountable officers shall be responsible for the proper implementation of the provisions of this Circular in their respective offices. They shall be held administratively, civilly, and/or criminally liable, as the case may be, for any payment of the Gratuity Pay not in accordance with the provisions

of this Circular, without prejudice to refund by the employees concerned of any unauthorized or excess payment thereof.

12.0 Repealing Clause

All existing circulars or issuances on the grant of the Gratuity Pay, which are inconsistent herewith, are hereby repealed or modified accordingly.

13.0 Effectivity

This Circular shall take effect immediately.


AMENAH F. PANGANDAMAN
Secretary



Illustrative Examples

Example A:

Agency Z engaged IT experts for a six (6)-month period under a contract of service (COS) basis, as follows:

Case I	J. Corona Contract period – July 31, 2024 to January 31, 2025 Performance was rated as " <i>Very Satisfactory</i> "
	The COS worker could be entitled to the Gratuity Pay not exceeding P7,000 since the required service and performance metrics will be met, and the contract remains valid as of December 15, 2024.

Case II	S. Espinosa Contract period – July 31, 2024 to January 31, 2025 Performance was rated as " <i>Unsatisfactory</i> " due to habitual tardiness and failure to complete assigned tasks
	No longer entitled to the FY 2024 Gratuity Pay due to the Unsatisfactory performance rating.

Case III	J. Smith Contract period – August 16, 2024 to February 16, 2025 Both parties agreed to terminate the contract on December 1, 2024
	Not entitled to the Gratuity Pay as the contract is no longer subsisting as of December 15, 2024

Case IV	B. Ting Contract period – September 1, 2024 to March 31, 2025 Performance was rated as " <i>Very Satisfactory</i> "
	The COS worker could be granted the Gratuity Pay not exceeding P6,000 as the aggregate service is only 3 months but less than 4 months by December 15, 2024.

Example B:

Department M signed an agreement with Jed Do-Clean (JDC) Manpower for the services of 53 Utility Workers to be deployed in the various offices of the Department for a one -year period beginning on January 2, 2024.

The 53 Utility Workers who are assigned in Department M are **not entitled** to the FY 2024 Gratuity Pay as they remain to be employees of the JDC Manpower, albeit their deployment in the various offices of the subject government entity.

Report on the Payment of the FY 2024 Gratuity Pay

Department/Agency: _____

I. If the Gratuity Pay was Granted

☐ Yes ☐ No

Number of Qualified Workers:

Contract of Service	xxx
Job Order	xxx
Total	xxx

Amount of Gratuity Pay Granted by the Agency

	No. of Workers		
	COS	JO	Total
P4,000 and below	xxx	xxx	xxx
P4,001-P5,000	xxx	xxx	xxx
P5,001-P6,000	xxx	xxx	xxx
P6,001-P6,999	xxx	xxx	xxx
P7,000	xxx	xxx	xxx
Total	xxx	xxx	xxx

Fund Source

Object of Expenditure	Item of Expense	Amount
		xxx
		xxx
		xxx
		xxx
	Total	xxx

II. If the Gratuity Pay was Not Granted

Please state reasons for non-grant

Submitted by:

Certified Correct:

Head, Finance/Administrative Unit

Agency Head