



Aon Hewitt Global Report

Taking Stock of 13th and 14th Month Bonus Requirements in Latin America, Europe, and Asia

Employers with operations in multiple countries are constantly reminded that global HR administration is complicated, even on issues that appear to be straightforward like the frequency of pay. For example, employees in Latin America, Europe, and Asia may be entitled to 13th and 14th month bonuses, by law, collective agreement or individual employment contract. In this report, we provide an overview of such bonuses, as required by relevant local employment laws around the world.

Latin America

Among the world's major geographic regions, 13th month bonuses are most frequently required by law in Latin America. Fourteenth month bonuses are also required in a few select countries.

Bonuses in Latin America

Country	13th Month Bonus	14th Month Bonus
Argentina	X	
Bolivia	X	
Brazil	X	
Costa Rica	X	
Dominican Republic	X	
Ecuador	X	X
El Salvador	X	
Guatemala	X	X
Honduras	X	X
Mexico	X	
Nicaragua	X	
Panama	X	
Paraguay	X	
Peru	X	X
Puerto Rico	X	
Uruguay	X	
Venezuela	X	

Timing Requirements for 13th Month Bonuses

In most Latin American countries, 13th month bonuses are referred to as the *aguinaldo*. Typically, it is considered a Christmas bonus and must be paid in December. In some countries, however, one-half of the bonus is paid in December and the other half is paid at another time specified by employment law. In Argentina and Uruguay, one-half is paid in June. In Brazil, one-half is paid in November, though employees who take vacation between February and October may request that a prorated portion be paid at the time of their vacation. In Guatemala, one half must be paid no later than January 30th. The bonus is paid in three installments in Panama, one installment every four months. And in Venezuela, typically the bonus is paid at year end, but a different payment time may be established by collective agreement.

Payout Mechanics for 13th Month Bonuses

Generally, the bonus amount equals one-twelfth of an employee's pay in the preceding 12 months, but there are some exceptions. In Argentina, bonuses are based on the highest month's salary in the preceding six months. In Bolivia, it is based on average total pay during the three months prior to payment; if GDP growth exceeds a specified percentage, the bonus may be doubled. Employers in the Dominican Republic may cap the bonus at five times the minimum wage. In Nicaragua, the bonus is based on November's pay or the highest month of pay during the preceding six months. Puerto Rico caps the bonus at 6% of pay up to USD 10,000 in workplaces with more than 15 employees and 3% of pay up to USD 10,000 in workplaces with up to 15 employees. In El Salvador, the bonus is a function of the years of service: one to three years of service equates to 10 days of pay, three to ten years of service, equates to 15 days of pay, and ten or more years of service equates to 18 days of pay. According to Mexico's *Federal Labor Law*, the bonus must equal a minimum of 15 days' pay; however, the customary bonus is one month's pay.

In Colombia, an annual bonus is payable—50% in December and 50% in June—if employees are not receiving an “integrated salary.” Since January 1, 1991, employees who earn more than ten times the statutory minimum wage are paid an integrated salary (*salario integral*), which includes base pay, annual bonus, overtime pay, termination indemnity (*cesantía*), and any other payments as identified in the employment contract. The integrated salary must equal at least 130% of ten times the minimum wage.

As you can see, between varied timing requirements and diverse payout formulas, administering 13th month bonuses across Latin America is hard work.

14th Month Bonus Requirements

Few countries still require the payment of a 14th month bonus. In Ecuador, this bonus equals the monthly minimum wage and is payable by April 15th or September 15th, depending on the location of the workplace. In Guatemala, it equals one month's pay, based on the previous 12 months' average earnings to the end of June. The bonus is payable in July. In Honduras, the bonus equals one month's pay and is payable in June. Employment law in Peru requires that the 14th month bonus be paid before the Independence Day holiday in July.

Europe

Few European countries require employers to pay a 13th or 14th month bonus. Spain, Portugal, and Greece have provisions for these two bonuses in their employment laws. In Spain, annual pay is divided into 14 installments; the two additional installments are payable in July and December. In Portugal, an additional month's pay is payable at the time of annual leave and in December. In Greece, an additional month's pay is payable in December, and employees receive one-half month's pay at Easter and another half month at vacation time.

It is more common for an additional month of pay to be mandated by collective agreement. In Austria, Belgium, Cyprus, France, Germany, and Italy, 13th month bonuses are typically set by a national or industry agreement. These agreements fix the amount, timing of payment, and other provisions, such as a length-of-service increase.

Asia

In Asia, like Europe, few countries require by law the payment of a bonus equivalent to an additional month of pay. Employers in Indonesia are required to pay a bonus to employees with three or more months of service at least seven days in advance of their religious holiday (Idul Fitri for Moslems, Christmas for Christians, Nyepi Day for Hindus, and Waisak for Buddhists). The bonus is equivalent to a minimum of one month's pay.

Also, employers in the Philippines are required to pay employees a bonus equivalent to one month's pay, no later than December 24. "Thirteenth-month pay" is calculated by taking 1/12 of the employee's total basic salary earned for the year excluding overtime, holiday, and night shift differential pay. Employers may pay one-half of the bonus in the middle of the year at the beginning of the regular school year.

In China, Hong Kong, Singapore, Taiwan, a bonus equivalent to one month's pay is frequently paid during Chinese New Year or at the Spring Festival.

Additional Reminders

Employers should be aware that employees may not be eligible for 13th and 14th bonuses if they do not meet a service requirement. In the event the bonus is statutory, employment law provisions should be consulted. If the bonus is mandatory, the collective agreement must be consulted.

Employers must also remember to check the employment laws of the relevant country to determine how pay is defined, that is, if the 13th/14th month bonus is calculated from base pay or base pay plus overtime, commissions, and other bonuses or forms of compensation.

Pro rata payments may be required if the employee does not meet the service requirement or if employment is terminated. Finally, employers should be aware that they may be required to pay other incentive or profit-related bonuses to employees.

For More Information

If you are a subscriber to the Aon Hewitt Country Profiles eGuide platform and are looking for more information related to statutory pay requirements, you may access the full text of any Country Profile by clicking [here](#) and entering your eGuide User Name and Password. For information about the Aon Hewitt Country Profiles eGuide, you can [click here](#).

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