

Republic of the Philippines  
Department of Labor and Employment  
National Wages and Productivity Commission  
**Regional Tripartite Wages and Productivity Board**  
Cordillera Administrative Region

**ADVISORY NO.02-14**

**ADVISORY ON THE SECOND TIER,  
THE PRODUCTIVITY BASED PAY, OF WAGE ORDER RB-CAR-16**

**WHEREAS**, on January 10, 2013, the Regional Tripartite Wages and Productivity Board, Cordillera Administrative Region (RTWPB-CAR), herein referred to as the Board, issued Advisory 01, entitled Advisory on the implementation of the Second Tier, the Productivity Based Pay, as provided by Wage Order RB-CAR-15 and published on February 3, 2013;

**WHEREAS**, using the criteria provided by the NWPC Guidelines like regional economic growth, employment, labor productivity and growth of the industry, three (3) industries were identified to be in a better position to adopt and implement the Productivity Based Pay, to wit:

1. Manufacturing group
2. Wholesale / retail and motor repair shop group
3. Hotel and restaurant group (Service Industry).

**WHEREAS**, after one year of implementation, the Board reviewed the economic performance of all the industries under the Philippine Standard Classification (PSIC) System, including the three major industries already identified under Advisory 01-13, to determine the industry groups who have attained a better business performance and who may implement the Productivity Based Pay under Wage Order RB-CAR-16; the new Wage Order, now implemented in the Region;

**WHEREAS**, the results of the review, research studies, consultations with the affected industries and in coordination with other agencies like NEDA, DTI, and PSA show that the three major industries already identified as coverage of Advisory 01 have maintained their positive industry performance and therefore may still continue to implement the Productivity Based Pay. Likewise, the same results reveal that another industry group, the Administrative and Support Services, has also attained a positive industry outlook and therefore maybe added to the said three major industries for purposes of implementing the Productivity Based Pay.

**NOW, THEREFORE**, by virtue of the authority vested by RA 6727, the Wage Rationalization Act, the RTWPB-CAR hereby issues this **ADVISORY 02-14** to provide guidelines to employers who may implement the Productivity Based Pay of Wage Order RB-CAR-16.

Section 1. **Concept and purpose of the Productivity Based Pay**

The Productivity Based Pay is the Second Tier provided by RB-CAR-16 which is voluntary for implementation by employers. It takes the form of incentives or gratuity given to deserving workers for their good work performance and work attitude. It is given to workers as a reward and recognition for their contribution in the overall improvement of business performance and competitiveness of their companies.

Section 2. **The industries as coverage of this Advisory**

In addition to the identified three major industries under Advisory 01-13 and after following the procedure required by NWPC Guidelines, an additional industry group, the Administrative and Support Services, may implement the Productivity Based Pay of the new Advisory 02-14.

The major industries as coverage of the new Advisory 02-14, therefore, are:

1. Wholesale, retail, motor repair shops group
2. Hotels and restaurants group
3. Manufacturing group
4. Administrative and support services group

But other industries or employers who envision a higher level of business performance by encouraging their workers to be more productive in their work are not precluded from adopting and implementing this Productivity Based Pay;

Section 3. **Economic Performance by the four identified industry groups**

Based on industry profiling, coordination with other agencies and consultation with stakeholders, the economic performance of the four industries in terms of contribution to GRDP, business growth, employment and labor productivity show a better economic performance outlook as compared to the other industry groups under the PSIC.

Section 4. **Criteria for Productivity Based Pay**

Payments granted to workers based on their good work performance or productivity are forms of incentives to inspire them to continually improve further. Criteria in granting these incentives may include the following:

1. Reduction of time or expenses in doing work
2. Introduction of new or innovative ideas to improve performance
3. Improved quality of work or product
4. Punctuality and no absenteeism
5. Others which the employer and his workers through their committee may desire to include as criteria.

Section 5. **Existing Productivity Based Pay**

Existing Company practices like providing incentives to good performing workers may take the form of the Productivity Based Pay under this Advisory. However, revisions maybe introduced to improve and conform with the requirements of this Advisory especially if employers seek tax credits for their incentivizing practices for the benefit of their workers under RA 6971.

Section 6. **Creation of a committee**

As a requirement for tax deductions under RA 6971, any company shall organize a committee which maybe called a Productivity and Incentive Committee (PIC) preferably with equal representation from management and workers purposely to design the incentive scheme. But if the company has an existing committee like a labor management committee (LMC) performing the same or similar functions, the same may be retained or revised.

Section 7. **Incentives to Productivity Based Pay Practitioners**

Pursuant to RA 6971, any business enterprise which adopt a productivity incentive program, duly and mutually agreed upon by parties of the Productivity and Incentives Committee (PIC) shall be granted a special deduction from gross income equivalent to fifty percent (50%) of the total productivity bonuses given to employees under the program over and above the total allowable ordinary and necessary business deductions for said bonuses under the National Internal Revenue Code.

Section 8. **Nature of Productivity Based Pay**

The incentives given to workers under the Second Tier or the Productivity Based Pay shall take the form of gratuity and not part of wages. They are rewards given to deserving workers for their productive performance or good behavior which contribute to the attainment of the company's goals and objectives. These incentives are conditional in nature and therefore not part of the workers' wages. They are only given when the criteria or conditions set are met or attained by the workers themselves.

Section 9. **Government Assistance**

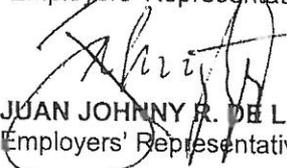
Parties who are interested to adopt and implement the Productivity Based Pay are encouraged to visit the Regional Tripartite Wages and Productivity Board-CAR for some technical assistance or advices for the implementation of this Advisory.

This **Advisory** is issued this 10<sup>th</sup> day of June, 2014 in Baguio City, Philippines.

  
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