



ADVISORY NO. RTWPB-II-01

ADVISORY ON THE IMPLEMENTATION OF A PRODUCTIVITY-BASED INCENTIVE SCHEME FOR HIGHER EDUCATIONAL INSTITUTIONS IN REGION 2

By virtue of the authority vested upon the Regional Tripartite Wages and Productivity Board, Region 2, under RA 6727 (Wage Rationalization Act), which adopts the policy of the State “to rationalize the fixing of minimum wages and to promote productivity-improvement and gain-sharing measures to ensure a decent standard of living for the workers and their families; to guarantee the rights of labor to its just share in the fruits of production; to enhance employment generation in the countryside through industry dispersal; and to allow business and industry reasonable returns on investment, expansion and growth...xxx”, this Board hereby issues this Advisory, taking into consideration the following:

RATIONALE:

The implementation of the Two-Tier Wage System (TTWS) guarantees that the emoluments that workers receive are not just dependent on the minimum wages (First tier) as imposed by wage orders but also on a productivity-based profit-sharing scheme (Second tier) that aims to raise output by allowing workers to share in the profit of the establishment as a result of their intensified effort at productivity.

In Region 2, the private higher education institutions (HEIs), being part of the services sub-sector, was selected as the focus industry of this advisory because of its significant share in the regional employment. The education sector placed fourth (4th) among industry sectors in 2011 and 2012 with a total of 7,881 employees in 362 establishments and 8,689 employees in 400 establishments, respectively. These are exhibited in the data showing the number of establishments and employment size as of July 30, 2013 for Region 2 (*Annexes A and B*). These manifest that the education sector serves as one of the key employment generators for the region.

BACKGROUND:

The economy of the region, which grew at an annual average of 4.3 percent from 2009 to 2012 with the highest growth registered in 2012 at 8.2 percent (Php114,065 million at 2000 constant prices), was majorly driven by the service sector (*Table 1*).



BOUNTIFUL CAGAYAN VALLEY REGION

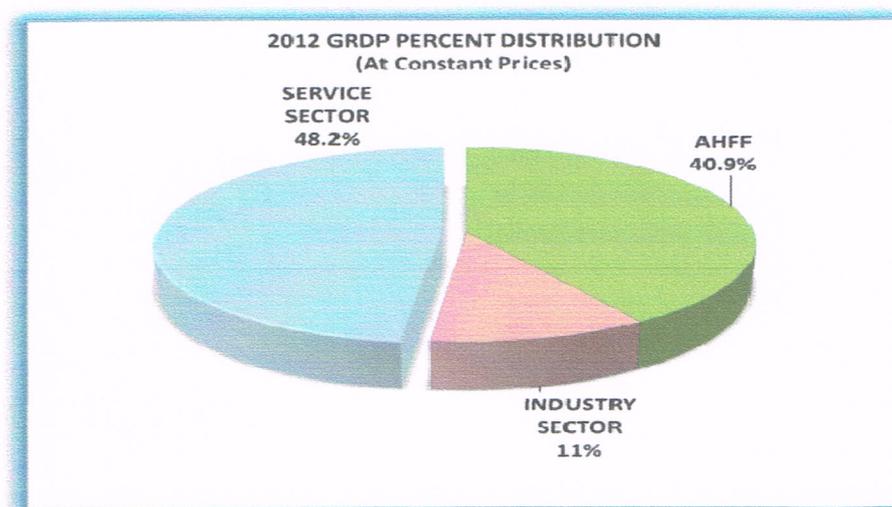
Table 1. Gross Regional Domestic Product, Region 02, 2009-2012
(in '000 Php at Constant 2000Prices)

INDUSTRY/YEAR	2009	2010	2011	2012
I. AGRI., HUNTING, FORESTRY & FISHING	41,315,269	37,870,777	43,020,729	46,598,261
a. Agriculture and Forestry	38,992,120	35,066,767	40,086,871	43,851,520
b. Fishing	2,323,149	2,804,010	2,933,858	2,746,741
II INDUSTRY SECTOR	11,248,017	12,857,869	11,087,956	12,509,453
a. Mining and Quarrying	1,252,821	1,618,000	1,722,221	1,995,138
b. Manufacturing	994,587	1,337,822	1,482,020	1,494,334
c. Construction	6,882,569	7,568,205	5,539,796	6,564,192
d. Electricity, Gas and Water Supply	2,118,040	2,333,842	2,343,919	2,455,789
III SERVICE SECTOR	48,128,505	49,111,114	51,325,538	54,957,281
a. Transport, Storage & Communication	12,560,346	12,518,629	12,846,360	14,267,731
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	4,781,813	5,240,001	5,408,209	5,700,733
c. Financial Intermediation	4,971,538	5,407,145	5,515,286	6,147,489
d. R. Estate, Renting & Business Activities	6,130,901	6,291,368	6,585,216	6,931,371
e. Public Administration & Defense; Compulsory Social Security	5,830,801	6,357,004	6,313,291	6,587,655
f. Other Services	13,853,106	13,296,967	14,657,176	15,322,302
GROSS DOMESTIC PRODUCT	100,691,791	99,839,760	105,434,223	114,064,995

Source : National Statistical Coordination Board

This sector contributed about 48.2 percent of the total gross regional domestic product (GRDP), as reflected in Chart 1 and was growing at an average of 4.5 percent annually from 2009 to 2012 (Table 2).

Chart 1



Likewise, under the service sector, the “other services” sub-sector, (which includes the education industry) contributed an average share of 28 percent and grew at an annual average of 3.6 percent from 2009 to 2012 (Table 2).

Table 2. Growth Rate and Percentage Share of Service Sector and Other Services Industry, Region 02, 2009-2012 (at Constant 2000 Prices)

Industry/Year	Growth Rates				Percentage Share				
	09-10	10-11	11-12	Ave	2009	2010	2011	2012	Ave
SERVICE SECTOR	2.0%	4.5%	7.1%	4.5%	47.8%	49.2%	48.7%	48.5%	48.5%
Other Services	-4.0%	10.2%	4.5%	3.6%	28.8%	27.1%	28.6%	28.1%	28.1%

Source of basic data: National Statistical Coordination Board

The *gross value added*(GVA) by "other services" amounted to Php15,322,302 in 2012 from Php14,657,176 in 2011, Php13,296,967 in 2010 and Php13,853,106 in 2009 (Refer to Table 1).

The higher education system as a major contributor to the other services sub-sector in the region is largely comprised of private HEIs (either sectarian or nonsectarian) which are established under and governed by the Corporation Code of the Philippines. Private HEIs account for 67.1 percent or a total number of 49 institutions in Academic Year (AY) 2011-2012. Of these private institutions, the number of enrollees grew by an average of 1.4 percent annually from AY 2009-2010 to AY 2013-2014. Private HEI enrolment was pegged at 53,721 in AY 2009-2010, and increased to 56,352 in AY 2010-2011; decreased to 53,979 in AY 2011-2012 but increased to 54,117 in AY 2012-2013 and 56,699 in AY 2013-2014 (Table 3).

Table 3. Summary of Enrollment in Private HEIs by Program Level

Program Level	AY2009-2010	AY2010-2011	AY2011-2012	AY2012-2013	AY2013-2014
Pre- Baccalaureate	2,534	3,104	1,564	1,434	1,420
Baccalaureate	47,937	47,864	46,154	48,003	50,547
Post-Baccalaureate	370	424	381	431	509
Masters	2,573	4,459	5,261	3,634	3,720
Doctorate	307	501	619	615	503
TOTAL	53,721	56,352	53,979	54,117	56,699

For 2014, the total employed workers in the private HEIs in the region is pegged at 2, 473 which is slightly lower than in AY 2012-13 (Table 4.)

Table 4. Summary of Teaching Staff

Summary of Teaching Staff	
Academic Year	Number pf Teaching Staff
2008-2009	2,852
2009-2010	2,757
2010-2011	2,740
2011-2012	2,710
2012-2013	2,548
2013-2014	2,473

source: Commission on Higher Education R02

On the other hand, labor productivity in the service sector in 2012 was estimated at Php109,259 per worker or about 9.4 percent higher than the productivity in 2011 at Php 99,855 per worker and 11.2 percent increase from 2010 at Php98,222 per worker as reflected in Table 5. Although data for the HEIs cannot be disaggregated from the service sector and from the "other services" sub-sector at the moment, the data from the same table show an upward trend in labor productivity in this sector. This upward trend can be applied by implication to the HEIs, and would manifest the HEIs' contribution to this growth.

Table 5. Labor Productivity in the Service Sector, Region 02, 2009-2012

Sector	At Constant Prices			
	2009	2010	2011	2012
Region II - Cagayan Valley	71,718	71,365	71,969	78,720
Agriculture, Hunting, Forestry and Fishing	49,658	47,517	50,732	55,211
Industry	122,261	128,580	107,650	120,279
Services	100,059	98,222	99,856	109,695

The positive growth in the outputs and labor productivity of the service sector specifically in the "other services" sub-sector (where education belongs) in recent years manifests the need to sustain support (i.e., productivity-based incentives to the workers) to the sector in general, and to the education industry, in particular, to deliver better quality education in the region.

OUTLOOK:

Education remains a priority agenda of the national government and the region as espoused in the 2011-2016 Philippine Development Plan Midterm Update (PDP, Chapter 6), and the Updated Cagayan Valley Regional Development Plan (CVRDP, Chapter 5). Education is seen as an investment in human capital that helps achieve inclusive growth and is instrumental to moving people out of poverty.

Particularly for higher education, the PDP envisions to make higher education competitive and responsive to national development goals while the Updated CVRDP continues to push for further improvement in the higher educational system. In fact, the following are the region's annual targets for 2014 to 2016: (i) to increase the number of enrollees in HEIs by 5 percent per year; (ii) to increase HEIs with accredited programs by 10 percent per year; (iii) to increase the number of HEI graduates by 5 percent per year; and (iv) to increase the average passing rate in licensure examinations by 1 percentage point per year from its baseline level of 30 percent in 2012 (Table 6).

Table 6. Annual Targets per Indicator for Higher Education, 2013-2016

Indicators	2012 (Baseline)	2013	2014	2015	2016	Data Source
Higher Education Institutions with accredited programs increased (no. of HEIs or % increase from the previous year)	82	120	132	145	160	CHED
Average Passing Rate in licensure examinations increased (%)	30.00	30.90	31.83	32.78	33.76	CHED
No. of HEI enrollment (all programs) increased	126,649	142,203	149,313	156,778	164,616	CHED
No. of HEI graduates (all programs) increased	23,616	24,796	26,035	27,336	28,703	CHED

Source: Cagayan Valley Regional Development Plan, 2011-2016.

To achieve said targets, the region, through its Commission on Higher Education (CHED), shall continue to benchmark with other industries and other HEIs that are centers of excellence/centers of development; increase government allocation of funds for financial & scholarship programs for college students; increase financial assistance for higher education teaching staff in the master's level; and more national trainings for faculty members.

Meanwhile, in support to private HEIs, RA 6728 of 1989 as amended by RA 8545 of 1998 was passed. This law provides government assistance to students and teachers by allocating funds for subsidizing salaries of private school teachers to improve the quality of private education, which is recognized for its invaluable contribution to the educational system.

Furthermore, the CHED allots two hundred thousand pesos (P200,000.00) for each HEI that applies for accreditation with the various accrediting bodies for as long as an initial visit to the institution has already taken place, and three million pesos (P3,000,000.00) over a span of five years for each HEI that would be adjudged as a center of excellence in the program applied for.

RECOMMENDATION:

After deliberations by the Board and as a result of consultations with representatives from the HEIs on July 10-11, 2013 and March 26, 2014 both in Cauayan City, a productivity-based pay scheme is hereby recommended. In cooperation with CHED, the following may serve as a model for the HEIs in formulating their productivity-based pay schemes.

Productivity –Based Pay Scheme Model

Instructional Quality (50 pts)		
1. Faculty Profile (25pts)		%
BS		5
BS/MA		10
BS/MA vertical		15
BS/MA/Ph. D vertical		25
2. Work Output (25 pts)		
Updated Syllabi		2
Standardized Tests		2
Instructional Module(s) Developed		5
Completed Research(es)		5
Completed Research(es) with student		7
% of students obtained high grade in the subject loads		2
% of students-drop out in the subject-loads		2
Impact to the institution (50 pts)		
1. Work Attitude (25 pts)		
% of Involvement/Participation in schools activities		7.5
% of training attended to stay current and updated		7.5
% of work completed on time and meet quality standards		10
2. Commitment to Service (25pts)		
Number of years in the institution		7.5
Awards/Recognition		7.5
Voluntary Service		10
TOTAL		100%

The HEIs concerned may give a corresponding amount for the ratings of its faculty members to be taken from the increase in profits brought about by higher productivity. For example, if a faculty member scored 90% in his rating, a corresponding 50-centavo incentive may be given for each point merited by him, to wit: (the rating) x (.50) x (the number of days that the faculty member actually attended during the semester), hence $(90) \times (.50) \times (100 \text{ days}) = P4,500.00$.

This incentive shall be given by the HEI at the end of the semester, after the faculty members shall have been evaluated and after the financial status of the HEI shall have been determined. The corresponding HEIs may also formulate their own pay scheme based on the foregoing, and may even give an incentive of P1.00 for each rating point, hence, in the above example, the amount to be given shall be P9,000.00. This amount, however, is subject to the agreement between the employees and the management.

The HEIs may use other indicators in determining how much productivity-based incentive shall be given to its faculty members such as, but not limited to: employability of its graduates, mean starting salary of graduates, participation of its students in international programs and the quality of research of its students, if the performance rating is research-based. Again, these may be the subject of agreement between employees and the management, and may be modified as agreed upon.

The private HEIs are encouraged to form labor-management cooperation (LMC), if unorganized, to facilitate the crafting/formulation of their productivity incentive schemes. Existing LMCs or any similar labor-management structures may be utilized for the purpose.

TECHNICAL ASSISTANCE AND MONITORING:

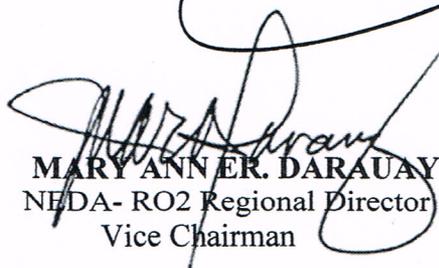
The RTWPB-2 shall provide technical support to the HEIs in the formulation of their productivity-based incentive schemes, and to continually support them in their performance for higher productivity through the other productivity programs of the Regional Board.

Monitoring and implementation of the productivity-based incentive schemes shall also be done by the RTWPB, along with mechanisms for the determination of productivity improvement, through monitoring and assessment devices to be determined by the Board.

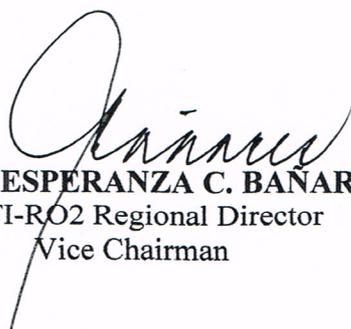
Approved this 11th day of September 2014 in Tuguegarao City, Cagayan.



SIXTO T. RODRIGUEZ, JR.
DOLE-RO2 Regional Director
Board Chairman

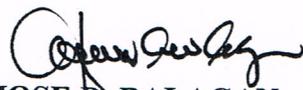


MARY ANN ER. DARAUAY
NEDA- RO2 Regional Director
Vice Chairman



MA. ESPERANZA C. BANARES
DTI-RO2 Regional Director
Vice Chairman


CECILIA LA MADRID-DY
Employers' Representative
Member


JOSE D. BALAGAN
Employees' Representative
Member


ERNESTO J. FUECONCILLO, JR
Employees' Representative
Member

Annex A. Number of Establishments and Total Employment Size (Cagayan Valley-2012)

(Details may not add up to total due to suppression) as of July 30 2013

REGION INDUSTRY	No. of Establishments					Total Employment				
	TOTAL	MICRO	SMALL	MEDIUM	LARGE	TOTAL	MICRO	SMALL	MEDIUM	LARGE
Cagayan Valley	28,406	26,604	1,730	42	30	120,894	70,573	34,254	5,627	10,440
A-Agriculture Forestry and Fishing	194	146	48	s ²	s ²	2,154	470	1,684	s ²	s ²
B-Mining and Quarrying	23	10	9	4	s ³	1,174	44	264	866	s ³
C-Manufacturing	4,687	4,523	154	6	4	18,557	12,865	3,063	801	1,828
D-Electricity Gas Steam and Air Conditioning Supply	47	20	20	4	3	2,131	76	460	580	1,015
E-Water Supply; Sewerage Waste Management and Remediation Activities	40	25	15	s ²	-	563	125	438	s ²	-
F-Construction	56	30	26	s ²	s ²	1,365	118	1,247	s ²	s ²
G-Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	14,067	13,310	747	10	s ³	49,660	34,720	13,378	1,562	s ³
H-Transportation and Storage	71	45	26	-	-	834	160	674	-	-
I-Accommodation and Food Service Activities	3,859	3,667	189	s ²	3	14,992	10,342	3,852	s ²	798
J-Information and Communication	1,085	1,063	22	-	-	2,359	1,957	402	-	-
K-Financial and Insurance Activities	699	529	167	s ²	3	6,541	2,014	3,428	s ²	1,099
L-Real Estate Activities	134	120	14	-	-	594	262	332	-	-
M-Professional Scientific and Technical Activities	414	410	4	-	-	1,033	983	50	-	-
N-Administrative and Support Service Activities	257	244	10	3	-	1,121	527	193	401	-
P-Education	400	189	196	7	8	8,689	803	4,352	918	2,616
Q-Human Health and Social Work Activities	675	626	43	6	s ³	3,515	1,237	1,257	1,021	s ³
R-Arts Entertainment and Recreation	268	245	23	s ²	s ²	1,897	577	1,320	s ²	s ²
S-Other Service Activities	1,430	1,402	28	-	-	3,715	3,293	422	-	-

Annex B. Number of Establishment and Total Employment and Employment Size (Cagayan Valley-2011)

(Details may not add up to suppression)

Sector	No. of Establishment					No. of Employment				
	Total	Micro	Small	Medium	Large	Total	Micro	Small	Medium	Large
II	24,281	23,263	969	29	20	79,908	48,808	19,574	3,826	7,700
A - Agriculture, Forestry, and Fishing	63	45	18	-	s ¹	775	145	630	-	s ¹
B - Mining and Quarrying	s	s	-	s	s	s	s	-	s	s
C - Manufacturing	4,656	4,570	78	4	4	13,667	9,440	1,544	514	2,169
D - Electricity, Gas, Steam, and Air Conditioning Supply	25	10	10	5	s ²	1,491	47	259	1,185	s ²
E - Water Supply; Sewerage, Waste Management and Remediation Activities	34	27	7	-	-	304	136	168	-	-
F - Construction	35	24	11	-	-	388	85	303	-	-
G - Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	12,072	11,704	360	8	s ²	31,883	23,876	6,663	944	400
H - Transportation and Storage	82	65	17	-	-	622	225	397	-	-
I - Accommodation and Food Service Activities	3,039	2,934	105	s ¹	s ¹	9,005	6,480	2,215	s ¹	310
J - Information and Communication	641	623	18	-	-	1,347	1,025	322	-	-
K - Financial and Insurance Activities	576	451	125	-	s ¹	4,564	1,713	2,851	-	s ¹
L - Real Estate Activities	79	73	6	-	-	286	157	129	-	-
M - Professional, Scientific and Technical Activities	354	354	s ⁰	-	-	683	683	s ⁰	-	-
N - Administrative and Support Service Activities	279	272	4	3	-	939	441	97	401	-
P - Education	362	189	158	7	8	7,881	732	3,617	916	2,616
Q - Human Health and Social Work Activities	622	587	30	5	s ²	2,671	936	893	459	383
R - Arts, Entertainment, and Recreation	205	193	12	-	s ¹	912	417	495	-	s ¹
S - Other Service Activities	1,157	1,144	13	-	-	2,490	2,294	196	-	-

Source of data: NSO, 2011 List of Establishments